

Unilever to buy Sara Lee personal care business

Jenny Wiggins

Radox bubblebath and Brylcreem hair gel will join Unilever's brand portfolio after the Anglo-Dutch multinational agreed to pay €1.27bn (\$1.9bn) in cash for Sara Lee's personal care business to strengthen its competitive position in Europe.

The acquisition, the first one made with the direct involvement of new chief executive Paul Polman, gives Unilever Sanex handwashes, shower gels and deodorants as well as the Dutch personal care brand Zwitsal and German brand Duschdas.

Unilever said Sara Lee's skin care brands would complement Unilever brands such as Lifebuoy soaps and Dove deodorants.

Unilever also wants to increase its exposure to cheaper priced products to attract value-conscious consumers. Most of Sara Lee's products are in the "value" or mid-tier price range, with Dove deodorants costing more than Sanex deodorants.

Analysts at Credit Suisse said the acquisition showed Unilever was becoming more active in driving volume growth and less reliant on cost-cutting.

People close to Unilever said the company was becoming more comfortable making large acquisitions as it completes a long period of internal restructuring. "They really feel their house is in order so their ability to integrate these deals is great," said one person.

The deal raises Unilever's exposure to developing markets. The UK is the biggest part of Sara Lee's business, followed by the Netherlands, with around 15 per cent of sales in emerging markets such as the Philippines and South Africa.

Warren Ackerman, analyst at Evolution Securities, said the deal would increase Unilever's European skin cleansing market share from 13 per cent to 23 per cent and increase its leadership position over Colgate, Henkel and Beiersdorf.

Sara Lee decided to sell its personal care and household business, which contributes some 17 per cent of total revenues, about six months ago as part of a plan to transform the US group into a smaller, more focused company.

Unilever bought only half of the Sara Lee business that was up for sale. "We never bid for the whole," said one person close to the company. "It was a deal made to Unilever's terms."

The Sara Lee business is worth €750m in sales, and has earnings before interest, tax, depreciation and amortisation of €128m, making the value of the deal a reasonable 10 times ebitda.

Brands remaining with Sara Lee include Kiwi shoe polish, Ambi Pur air fresheners and Ridsect insecticides.

Unilever was advised by JPMorgan. Sara Lee is being advised by Goldman Sachs.

Financial Times, London, Sept. 25th 2009, Companies, online.