Brewer has thirst for growth but chooses its battles with care
Louise Lucas

Heineken takes the long view when it comes to expanding its business, writes.

Jean-François van Boxmeer is happy to stay a wallflower. As the brewing industry embarks on a fresh round of consolidation, the chief executive of Heineken appears relaxed about sitting this one out.

SABMiller, the world's number two brewer by volume, last week went hostile in its $9.5bn bid for Foster's of Australia. Also last week Asahi Breweries, Japan's second-largest beer group by sales, agreed to buy Independent Liquor, the leading alcoholic ready-to-drink beverage company in New Zealand, for NZ$1.5bn ($1.2bn).

These deals came a fortnight after Kirin of Japan put down $2.5bn for half of Brazil's Schincariol.

"In the past four years, Heineken has also been getting bigger," Mr van Boxmeer says, highlighting the £7.8bn ($12.9bn) acquisition of Scottish & Newcastle, carried out with Denmark's Carlsberg in 2007, and South America's Femsa, for which it paid €3.8bn ($5.5bn) in an all-stock deal last year.

However, he adds, if new opportunities arise that are a "good strategic fit and help us further enhance our platform for future growth then we will explore them – as we have demonstrated over the years".

Most recently, bankers say, that meant looking at Schincariol and, despite not putting money on the table, Heineken's reticence has been welcomed.

"They have had a patchy record on acquisitions, and going forward they want to apply more discipline," says Jean-Marc Chow, senior beverages associate at Sanford C. Bernstein. Mr van Boxmeer says a Brazilian acquisition does not necessarily fit with Heineken's strategy in the country, which is to build share in the premium end of the market through the Heineken brand.

"Premium is what we concentrate on. You cannot compete in the mainstream in all 179 markets where we are so you take your battlefields where you have the best chances," says the 49-year-old Belgian.

For Heineken, the Brics markets of Brazil, Russia, India and China are not all turning out to be fertile ground. In China, as in Brazil, the focus is on premium. Russia "is one of our most difficult markets", Mr van Boxmeer says. Global brewers rushed in when central Europeans began jettisoning vodka in favour of beer and, he shrugs, "some got better positions than others".

"In Russia we are a poor number three and that's a more difficult position to be. It's a big opportunity but competitively difficult for us."

Heineken is not the only brewer struggling in the country. Last week Carlsberg issued a profit warning after further shrinking of the Russian market in the wake of a trebling in tax on beer last year as part of a Kremlin clampdown on alcoholism.

Mr van Boxmeer reserves his main Brics' enthusiasm for India, focusing on the 37.5 per cent stake in Vijay Mallya's United Breweries of India that came as part of the S&N deal.

India, he says, is a beer market of growth potential: consumption is at the same level as China was 35 years ago. "Obviously I won't reap the benefits from that in my period as chief executive," he says, adding that it might take "well over a decade" before the effects are felt.

This is a nod to Heineken's tightly held ownership structure, seen as a blessing or curse depending where you sit. For Mr van Boxmeer, a 27-year veteran of the company, it is definitely the former. "Family stewardship has been a determinant of the way we build our business model," he says. "But it was built over decades and, thanks to family control, we can from time to time take the long view."

The brewer has a free float of just under 40 per cent. Heineken Holdings, majority owned by the Heineken family, owns a little more than 50 per cent of the brewer. Another 10 per cent is held by Mexico's Femsa, which ended up with shares after Heineken acquired its beer business last year.

Mr van Boxmeer also refutes the view that this has made for a sleepier company, less international and fleet-footed than some of its rivals. His own background supports his stance, having worked in five countries during his time at the brewer, including stints in Rwanda and the Democratic Republic of Congo.

He served in Africa in the late 1980s and early 1990s, a period where survival has a rather different definition from that used in eat-or-be-eaten M&A circles.

"These were the dark years for central Africa, so we went through bumpy periods; hyperinflation, genocide, being on the verge of civil war," Mr van Boxmeer says. "But you had to get through all these periods because you were still in charge of 2,500 people and their families. You have no choice: if you don't, you die."

Fonte: Financial Times, London, 3 July 2011, Companies/International, online.