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# Unilever's snub to Kraft Heinz sets up consumer goods duel

## Anglo-Dutch group rejects $143bn move ● Two of sector's biggest names poised to clash


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Unilever has rejected a $143bn takeover approach from Kraft Heinz, the food conglomerate backed by three Brazilian billionaires and US investor Warren Buffett, setting the stage for a battle between two of the largest consumer goods companies in the world.

The Anglo-Dutch company behind brands such as Dove soap and Ben & Jerry's ice cream said that the $50 a share cash and stock offer from Kraft Heinz, an 18 per cent premium to its closing price on Thursday, "fundamentally undervalues Unilever".

It added: "Unilever rejected the proposal as it sees no merit, either financial or strategic, for Unilever's shareholders. Unilever does not see the basis for any further discussions."

With Kraft Heinz expected to continue its pursuit, funded with fresh capital from Mr Buffett and Brazil's 3G, both sides were preparing for a showdown between companies with radically different cultures. Kraft Heinz was formed through debt-laden takeovers backed by Mr Buffett and the Brazilians' New York-based private equity group, which together own 49 per cent of the company. It is known for tough cost-cutting.

Unilever has a stable of well-known brands but sales have suffered in some big emerging markets. It is known for its focus on trying to balance profitability with environmental sustainability.

The approach comes at a sensitive moment for the UK, as it navigates Brexit. The vote to leave the EU has caused a drop in sterling, making UK assets cheaper for non-UK acquirers.

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Iain Wright, Labour chairman of parliament's business committee, said the weak pound could mean "a lot of very good British companies will be subject to fire sales". The business department said: "This is clearly an important potential deal for a major company in the UK and its workforce. We continue to monitor the situation closely."

If the deal were to go ahead it would be the second largest ever, after the $183bn takeover of Mannesmann by Vodafone in 2000, according to Dealogic.

Kraft Heinz said: "While Unilever has declined the proposal, we look forward to working to reach agreement on the terms of a transaction."

For each existing Unilever share, Kraft Heinz offered $30.23 in cash payable in US dollars and 0.222 shares in a new holding group. Shares in Unilever closed up 13.4 per cent to £37.97 in London, giving the company a market capitalisation of £113bn. It is the world's fourth-largest consumer goods company in terms of sales, with revenues last year of €52.7bn. Kraft Heinz shares were up almost 8 per cent in afternoon New York trading at $93.89, giving it a market value of $109bn.

Many Unilever investors said the bid drastically undervalued the company. Mike Fox at Royal London Asset Management said the price was "unacceptable". Under UK rules, Kraft Heinz has until March 17 to make a binding bid or walk away for six months.

The company will try to convince UK stakeholders, with support from Mr Buffett, that the deal would not be a repeat of the 2010 takeover of Cadbury by Kraft Foods, when Kraft reneged on promises to retain UK jobs.

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