

Food Business News[®]



Coming clean in baked foods

Story on Page 44

IN THIS ISSUE

Dr Pepper Snapple expecting a big boost from Bai

Page 10

On-line searches may signal shifts in eating patterns

Page 12

Dairy Business News: Pushing the boundaries of flavor innovation

Page 50

NEWS

Kraft Heinz Co. pursuing Unilever PLC acquisition

PITTSBURGH — The Kraft Heinz Co. has made an offer to acquire Unilever PLC, which the London-based company rebuffed.

“While Unilever has declined the proposal, we look forward to working to

reach agreement on the terms of a transaction,” said Michael Mullen, senior vice-president of corporate and government affairs. “There can be no certainty that any further formal proposal will be made to the boards of Unilever or that an offer will be made at all or as to the terms of any transaction.”

The offer, according to Unilever, was for \$50 per share, which included \$30.23 in cash and the remainder in stock, for a total valuation of approximately \$143 billion. The company rejected the offer, saying it was too low.

Investors reacted enthusiastically to the news of the acquisition proposal. In early trading following the

CONTINUED ON PAGE 10

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CONTINUED FROM PAGE 1

announcement on Feb. 17, Unilever shares surged \$4.40, or 10%, in trading on the New York Stock Exchange, for \$47 per share. Kraft Heinz shares rose \$4.72, or more than 5%, to \$92.01 per share, in trading on Nasdaq.

Unilever is a significantly larger business than Kraft Heinz. Its earnings in 2016 were €5,370 million (\$5,734 million), 66% greater than \$3,452 million at Kraft Heinz, and Unilever sales of €52,713 million (\$56,266 million) were more than double Kraft's \$26,487,000. Kraft Heinz's market capitalization in early trading on Feb. 17 was \$106 billion.

The takeover bid comes at a time of

tepid growth at Unilever. The company's adjusted earnings growth in 2016 was a modest 3%. Paul Polman, chief executive officer characterized the results as "good all-around performance" affected by "severe economic disruptions, particularly in India and Brazil, two of our largest markets."

The challenging environment was projected to continue into 2017.

"The tough market conditions which made the end of the year particularly challenging are likely to continue in the first half of 2017," Mr. Polman said. "Against this background, we expect a slow start with growth improving as the year progresses."

A combination of Kraft Heinz and Unilever would generate sales of approximately \$83 billion.



Unilever operates three principal divisions: The Americas, Europe and a combination of global clusters, Asia, AMET (Africa, Middle East and Turkey) and RUB (Russia, Ukraine and Belarus). In 2016, 43% of sales were in developed markets and 57% were in emerging markets.

A combination of Kraft Heinz and Unilever would create a company with sales of approximately \$83 billion and a global footprint that extends throughout food and beverage and into the personal care categories. Key food brands in the Unilever portfolio include Hellmann's, Knorr, Ben & Jerry's, Lipton, Magnum and Country Crock. **FBN**