Beat: Business

PEPSICO TARGETS AFRICAN GROWTH With Offer To Acquire PIONEER FOODS

Brings together TWO LIKEMINDED COMPANIES

PARIS - JOHANNESBURG - PURCHASE, 23.07.2019, 07:55 Time

USPA NEWS - PepsiCo, Inc. announced on July 19, that it has entered into an Agreement to acquire all the Outstanding Shares of Pioneer Foods Group Ltd. for R110.00 per share in cash (approximately US $1.7 billion), which represents a 56% premium to the 30-day volume weighted average price prior to the Cautionary Announcement on July 15, 2019.

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Pioneer Foods has a robust, locally relevant product portfolio that complements PepsiCo's current lineup, with strong positions in cereals, juices, and other African nutritional food staples, including well-known, scaled brands like Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko, and White Star. At the same time, this acquisition will help PepsiCo gain a solid beachhead for expansion into Sub-Saharan Africa by boosting the company's manufacturing and go-to-market capabilities, enabling scale and distribution. Finally, this transaction brings together two likeminded companies, with both Pioneer Foods and PepsiCo aligned around a vision for building a more sustainable future and investing in communities. With Pioneer Foods, PepsiCo adds an extraordinary team of associates who will be instrumental to growth across the continent.

"As we look to accelerate our growth in key markets around the world and achieve our vision to Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose, we are absolutely thrilled to join forces with Pioneer Foods, one of South Africa's leading food and beverage companies," said PepsiCo Chairman and CEO, Ramon Laguarta. "Pioneer Foods represents a differentiated opportunity for PepsiCo and allows us to immediately scale our business in Africa. Pioneer Foods forms an important part of our strategy to not only expand in South Africa, but further into sub-Saharan Africa as well. Our businesses are highly complementary, and we look forward to working with the Pioneer Foods team to successfully build and implement a shared vision in the region."

This transaction creates a leading food and beverage company in Africa led from South Africa, with a commitment to supporting the broad socioeconomic imperatives of employment, talent development, and benefiting local suppliers. It will enable PepsiCo to expand its Sustainable Farming Program in Africa and work with local farmers in Pioneer Foods' communities“”including women and rural smallholders“”to help boost yields, improve livelihoods, and preserve precious natural resources. PepsiCo is keenly aware of the importance of economic transformation through Broad-Based Black Economic Empowerment ("BEE") and intends to support Pioneer Foods' BEE program.

As part of this transaction and PepsiCo's goal to become faster and more locally focused, the company will create a new operating sector for Sub-Saharan Africa ("SSA"). PepsiCo SSA will be led by Eugene Willemsen, who most recently served as Executive Vice President of Global Categories & Franchise Management. Willemsen, who has been with PepsiCo for nearly 25 years, has extensive experience in growth markets, having previously led the company's businesses in Turkey and South East Europe. This new structure will not impact PepsiCo's reporting structure, and PepsiCo SSA will remain part of Europe Sub-Saharan Africa ("ESSA") from a financial reporting perspective.

The acquisition, valued at approximately US $1.7 billion, which implies approximately 11x FY2020E consensus EBITDA, will be funded through a combination of debt and cash, and has been unanimously approved by the Boards of Directors of both companies. The transaction is subject to a Pioneer Foods shareholder vote, certain regulatory approvals, and other customary conditions, and closing is expected by Q1 calendar year 2020.

UBS Investment Bank, J.P. Morgan and Centerview acted as financial advisors to PepsiCo. Bowmans acted as the South African legal counsel to PepsiCo. PSG Capital acted as corporate and transaction advisor to Pioneer Foods and Webber Wentzel acted as South African legal counsel to Pioneer Foods.

Source : PepsiCo, Inc.

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Article online:
https://www.uspa24.com/bericht-15766/pepsico-targets-african-growth-with-offer-to-acquire-pioneer-foods.html

Editorial office and responsibility:
V.i.S.d.P. & Sect. 6 MDStV (German Interstate Media Services Agreement): Ruby BIRD & Yasmina BEDDOU (Journalists/Directors)

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