

Brew deal a Distell gain, says tribunal

Several of the conditions imposed on the merger between SABMiller and Anheuser-Busch (AB) InBev are likely to strengthen the competitive position of Distell, according to the Competition Tribunal's analysis of the reasons for granting conditional approval for the megabrew deal.

By [Ann Crotty](#), 5 Aug 2016



© 123RF.com

In his reasons for the decision conditionally to allow the deal, tribunal chairman Norman Manoim details how SABMiller will be forced to sell its 27% stake in Distell, how the merged entity will have to allocate space in its fridges for Distell's cider, and how guarantees have been put in place to secure critical inputs for Distell and other competitors.

The tribunal released the reasons for the conditional approval on Thursday. Most of the conditions were the result of negotiations between the merging parties and Distell.

Manoim said SABMiller's disposal could result in renewed competition in the liquor sector, particularly in the fast-growing cider segment.

While SABMiller did compete with Distell in the cider market, Manoim asked whether the competition was as vigorous as it was in beer. "At the same time, Distell has stayed clear of the beer market. The divestiture potentially changes this scenario," Manoim said.

He went as far as to suggest that freed of SABMiller as a shareholder, Distell might prove an attractive partner for another international beer company. "While it's unlikely to develop its own brand, its distribution network will be attractive to another brandholder," he said.

Similarly, without any link to Distell, the merged entity was likely to be more aggressive about growing its share of the domestic cider market and might use AB InBev's Stella Cidre brand to this end.

According to Distell, the cider market has been growing at a greater rate than beer and the trend is predicted to continue. Trevor Stirling, of London-based Bernstein Research, agrees there might be some interest among AB InBev's global competitors, but thinks Distell's spirits and wines might be a discouragement.

"The logistics involved in selling beer are very different, but the cider operation would be interesting," Stirling said.

Distell would also benefit from a distribution condition requiring the merged entity to ensure 10% of the fridge capacity it

supplies to outlets was allocated to South African-owned and produced ciders.

"While this provision does not prefer Distell over other cider producers, it is most likely to be the beneficiary of this concession given the current market sizes of the remaining competitors," Manoim said.

Finally, Distell also secured an undertaking that protects its supply of apple concentrate. Distell was concerned that if the merged firm did increase cider production, it would buy more apple concentrate than was available in the local market. A condition that will last for 10 years requires the merged entity to buy anything above a certain local procurement target from imports or from local production it might have invested in.

And in a first for a major merger, the chairman commended the parties for their constructive response to concerns raised about their transaction.

Source: Business Day

For more, visit: <https://www.bizcommunity.com>