

New entity formed as Clover acquires Nestlé's water assets

Listed consumer goods and products group Clover Industries said on Friday, 1 March 2013, it had acquired Nestlé SA's Gauteng-based Doornkloof property, a bottled water manufacturing facility, and water rights through a new entity formed by Clover SA and Nestlé, for R58m.

By Nick Hedley⁴ Mar 2013

Clover CE Johann Vorster said the partnership, called Clover Waters, "is in line with our strategy to expand Clover's portfolio of value added and branded beverages products". As a result of the transactions, Clover Waters would obtain the right to manufacture, distribute, market and sell bottled mineral water under Nestlé's Pure Life, Valvita and Schoonspruit brands as well as ice tea under the Nestea brand.

"These brands will complement Clover SA's Aquartz bottled water and Manhattan ice tea brands, which will also be manufactured, distributed, marketed and sold by Clover Waters," Clover said.

"Clover and Nestlé believe that the transaction will unlock growth and shareholder value by providing a broader platform to grow their position in the supply of bottled mineral water and ice tea. The synergies will result in greater efficiencies and a more effective utilisation of resources."

The R58m transaction, subject to the fulfilment of various conditions including Competition Commission approval, would be settled through the issue of 30% of the shares in Clover Waters to Nestlé. After the transaction comes into effect, Clover SA would hold 70% of Clover Waters and Nestlé would hold 30%.

Vorster said the combined entity would provide Clover "with great opportunities across a broader range of complementary products".

"In addition, it also allows us to realise significant economies of scale by combining operations and leveraging off Clover's extensive distribution network to further entrench the water and ice tea brands nationally. For a local African player such as Clover to be entrusted with global brands including Nestlé Pure Life and Nestea is an accolade that we are very proud of."

Sullivan O'Carroll, chairman and MD of Nestlé SA, said: "We continuously seek opportunities to improve our efficiencies and brand presence. This partnership is aligned to our business objectives and will allow consumers better access to our products."

Clover reported last month that it expected headline earnings per share for the six months to December to be 29% to 34% lower than the prior period, as it was affected by industrial action, fuel price hikes and the undersupply of ultrahigh temperature processing milk to the market.

Source: *Business Day*