THE ORANGINA DEAL

Team 3

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AGENDA

- Lion Capital, the Blackstone Group and the Orangina-Schweppes Deal
- The soft drink market in Europe – Orangina's position
- Blackstone and Lion's approach
- Observations - analysis
- Recommendations for future strategy

Lion Capital, the Blackstone Group and the Orangina-Schweppes Deal

- Lion Capital
  - European division of HMTF until June 2004
  - Target area: consumer-focused brands (e.g. Jimmy Choo shoes)
- Blackstone Group
  - Private equity firm, last to go to Europe (2002)
  - Generalist firm
  - Competitive advantage (size, strategic partners)

Lion Capital, the Blackstone Group and the Orangina-Schweppes Deal – cont.

- Partnership for Allied Domecq takeover, pulled out
- September 2005 Cadbury Schweppes: sell Orangina
- Important deal for both:
  - Lion: arrival in iconic brands realm
  - Blackstone: 1st consumer deal

The soft drink market in Europe – Orangina’s position

- Europe 2004:

Overall value EUR 141 bn

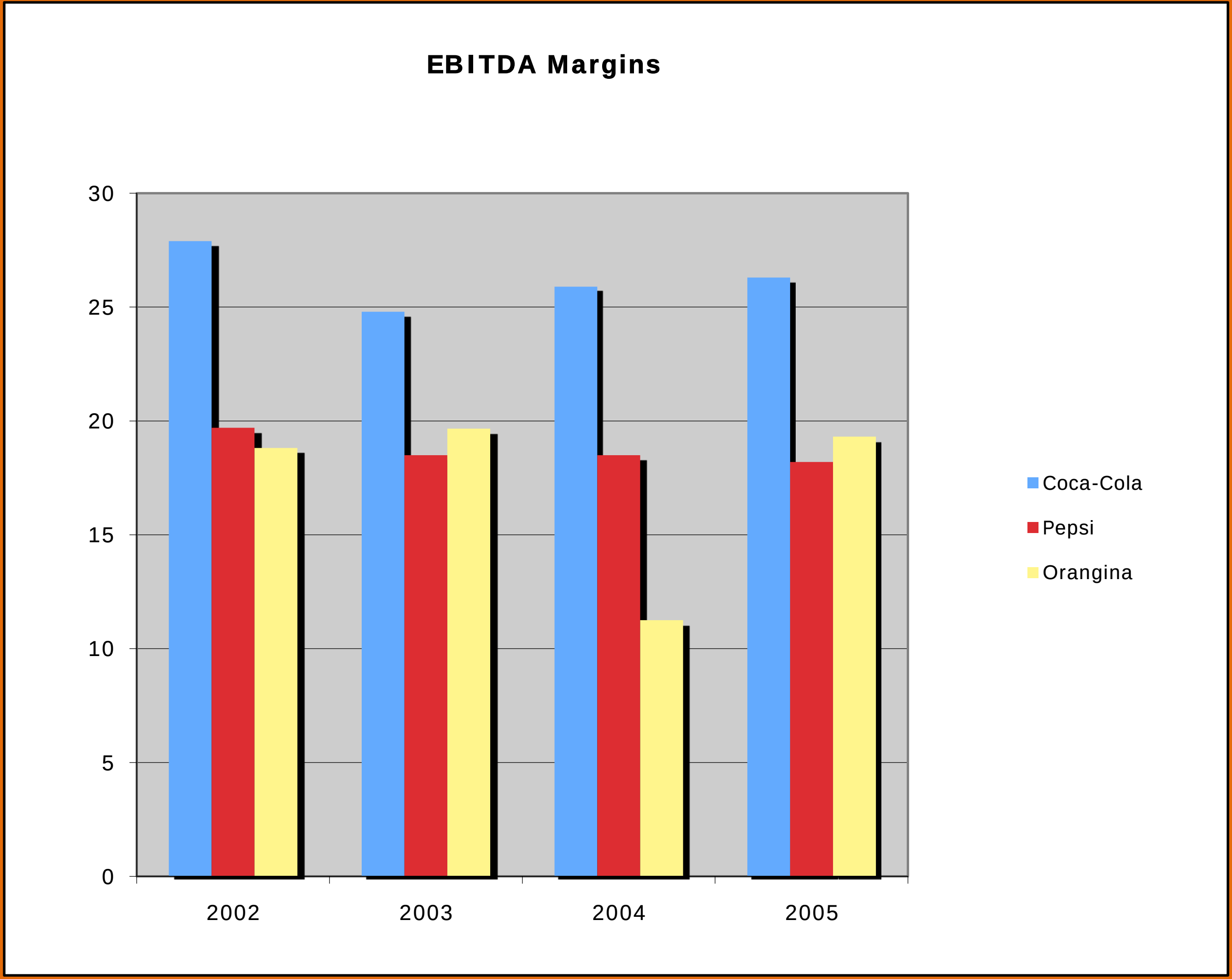
Overall volume: 101 bn liters

Growth rates: 8.7 % (still), 3.8% (bottled water), 1.6% (carbonated)

Market players:

1. Coca-Cola
2. Pepsi
3. Orangina
    - Net sales (2005): 953.3 mn EUR
    - Volume: 1.7 bn liters
    - EBITDA: 184.1 mn EUR

The soft drink market in Europe – Orangina's position – cont.



Blackstone and Lion's approach

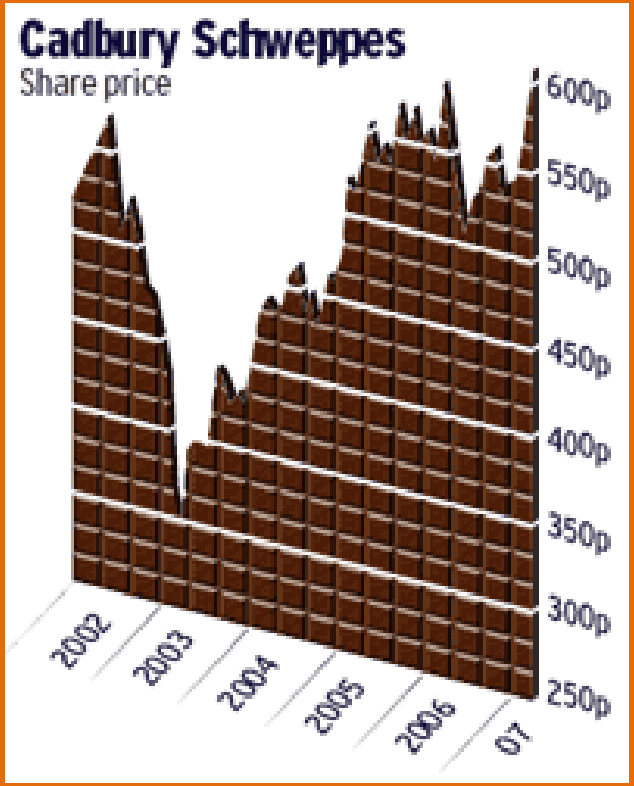
- Valuations:
  - Independent valuations: between 1 – 1.2 bn GBP (1,8mn EUR)
  - Benchmarking model: market cap is 15,6 x EBITDA (Coca Cola) or 13,5x EBITDA(Pepsi Cola),
  - Coca Cola was ready to pay for Cadbury Schweppes non-American branch at 18x EBITDA,
  - EBITDA CAGR is now -4% in Orangina, while the projected growth rate is 4.8% (Coca Cola and PepsiCo around plus 10-11%)

Cont`d

- Orangina was bought by Cadbury from Pernod Ricard at price of 420 mn GBP (700 mn EUR) in 2001,
- Asset value of Orangina-Schweppes is 1.482 bn EUR (IFRS annual report 2004),
- Gross profit margin is around 60% (Coca Cola: 64.5%, Pepsi Cola: 60.0%), cost/sales is 38% (Coca Cola 32%, PepsiCo 48%),
- Lion and Blackstone’s internal valuation sets the maximum at 10.5x EBITDA, meaning 1.85 bn EUR, financed through maximum 1.339 bn EUR debts (7.3x EBITDA) and the rest from equity.

Cadbury's choices

- Dramatic share price drop in 2002



Observations - analysis

- Assuming that
  - No strategic investor is interested in the purchase of Orangina Schweppes for the time being
  - Orangina does not represent core business of Cadbury
  - Lack of increase in marketing and other investments would result in falling revenues , EBITDA and market share (Orangina is behind in marketing expenses compared to competitors)
  - Competitive market conditions remain

Observations – analysis – cont.

- Orangina can be managed by Lion and Blackstone with higher efficiency
- The growth of the market of still soft drinks continue at same pace
- The LBO of Orangina can be financed from the revenues of the Company in line with the plans
- The price to be paid by Lion and Blackstone does not include the control premium that a strategic investor would be willing to pay

Conclusion

CLOSE THE DEAL!!!

Recommendations for future strategy

- Marketing strategy
  - Meet the peers' marketing budget to maintain market share and revenues
  - Brand awareness and integrity
  - Focus on core markets and divest low-performing markets where growth rate lower (e.g. water)
- Integration
  - Integration of several subsidiaries in one company
  - Overhead costs reduction (One HQ and optimizing production and bottling)

Recommendations for future strategy – cont.

- Acquisition – based growth strategy
  - Acquiring market leader products in this segment
  - Strengthening "in the food" distribution (e.g. partnership with or investment in retail chains)
  - Geographical expansion towards CEE states
- Management of Change
  - Cultural diversity management
  - Multinational strategy taking into account local needs and differences

Strategic Options

VISION: BECOME MARKET LEADER
INTEGRATED COMPANY IN BRANDED
SOFT STILL DRINKS SEGMENT IN EUROPE

Integration	Integrated	Multinational	Segmented
Geographical	European	Regional	Local
Products	Branded products	High yield soft drinks	General
Distribution	Vertically integrated	Partnership	Independent
Pricing	Medium High	Medium	Low
Growth	Acquisitions	Organic	Sustain

THANK YOU FOR YOUR ATTENTION!

ANY QUESTIONS?