Joining Forces to Revitalize a Brand

Team 4

The Parties

Lion Capital

- Founded in 2004 but on market since 1990 (4 billion EURO)
- Consumer-sector investor
- Spin-off of existing investor
- Usually relies on proprietary buyouts
  - Not used to auctions

Blackstone Group

- $14 billion USD in private equity
- Europe office invested $5 billion
- Looking for investment

The Europe Beverage Market

- 141 Billion Euro – Soft Drinks
- 101 billion lt. produced yearly
- Regulatory issues are affecting the market
- Diet and healthy drinks are growing rapidly
- Demand for carbonated beverages (Orangina) will increase 1.6% annually
- Currently #3 behind Coke and Pepsi in the beverage market
- In 2005, profits fell 6%, sales fell 1%

Financials of the Acquisition

Summary P&L	2002	2003	2004	2005	2006	2007	2008	2009	2010
Volume (Million Lt)	1836.5	1815.2	1692.8	1695.8	1664.4	1669.6	1675.7	1684.6	1693.6
Net Sales	978.6	1004.4	956.2	953.3	960.1	998.4	1035.9	1075.3	1114.5
Cost of Goods	363.1	347.4	379.1	372.3	375.9	388	399.5	412.8	426.5
Gross Contribution Before Mkt.	615.5	657	577.1	581	584.2	610.4	636.4	662.5	688
Marketing	101.7	110.8	106.4	109.5	111.7	132.1	133.1	141.1	139.5
% Net Sales	10.40%	11%	11.10%	11.50%	11.60%	13.20%	12.80%	12.50%	12.50%
Gross Contribution after Mkt.	513.8	546.2	470.7	471.5	472.5	478.3	503.3	528.4	548.5
Adusted EBITDA	**184.1**	**197.5**	**190.5**	**184.1**	**191.4**	**199.7**	**208**	**217.8**	**234**
Change in WC	-33	27.3	-12.6	-25.2	1	-1	0	-3	-3
Restructuring Payments	-25	-5.8	-35.2	-31.6	-2.7	-1	-1	-1	-1
Net Capex	-12	-47.6	-40.3	-21.3	-31.5	-26.5	-27.6	-27.6	-27.6
Pretax Operating Cash Flow	114.10	171.40	102.40	106.00	158.20	171.20	179.40	186.20	202.40

-EBITDA is used as measure of profitability

From 2005 to 2010

EBITDA increases 4.6%

Total EBITDA profits from are 1,050.9b

Projected net sales increase 3.1%

Contribution Margin increases 3.5%

Current marketing reduces margin by .3%

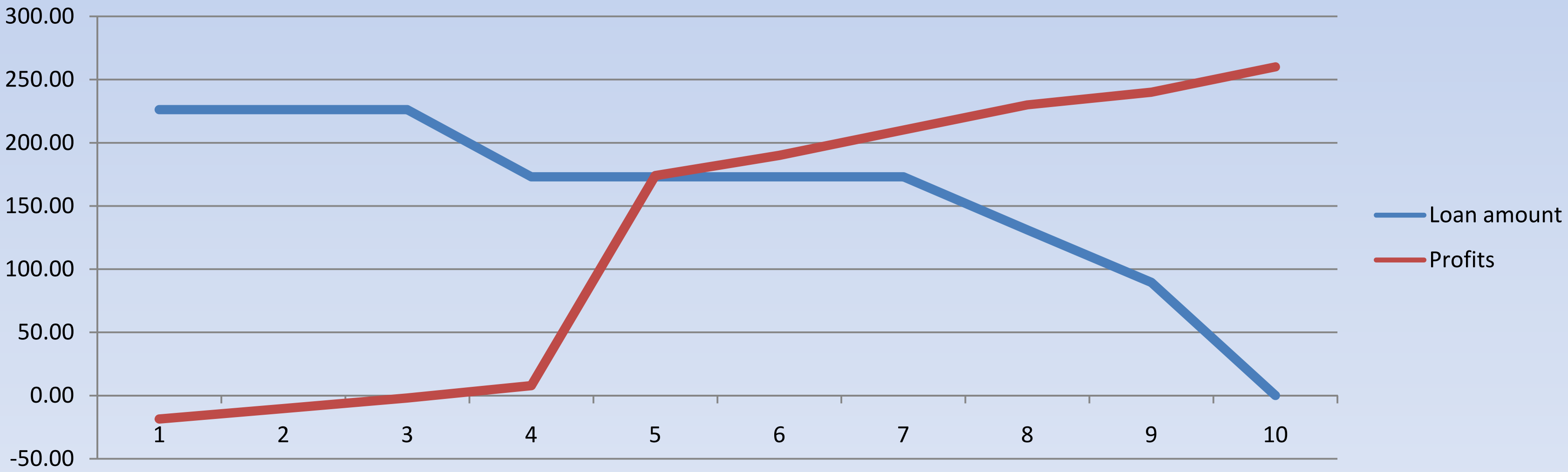
Financials of the Acquisition

- Total cost of acquisition is 1.939 billion
- Each firm will put up 300m, with the remaining 1.339b financed at a rate of 4.82%/year (10 year Eurobond rate)
- Total financed
  - **1.345b**
- Total due at maturity
  - **1.643b**

- Loan payback
  - 2006 = 226.26
  - 2007 = 226.26
  - 2008 = 226.26
  - 2009 = 226.26
  - 2010 = 173.06
  - 2011 = 173.06
  - 2012 = 173.06
  - 2013 = 131.00
  - 2014 = 89.53
  - 2015 = 51.85

Financials of the Acquisition

- Profitability is realized five years into the deal (break-even)



Profits = [EBITDA – (60m/10)]

Proposed Brand Changes

- Increase marketing expenditures on diet product
  - Currently, low sales
  - Rapidly growing market
- Increase marketing to:
  - French – non-food
  - Spain – restaurants

As an established brand, with a large market share, both strategies will increase sales

-Dieters will already know the product

-Marketing to lower revenue channels in France and Spain will promote purchases at new locations

Conclusions

- We propose this acquisition will be profitable after five years based on the existing revenues
- Investment of 600m will be paid after 4 years
- Loan will be paid after 10 years
- This acquisition is recommended at the price of 1.849b
- The product is an established brand with a large market share, and prior success
- There is large growth potential for the product line

http://www.youtube.com/watch?v=fAb0j7WLm-U

Q and A