Lion Capital and the Blackstone Group: The Orangina Deal

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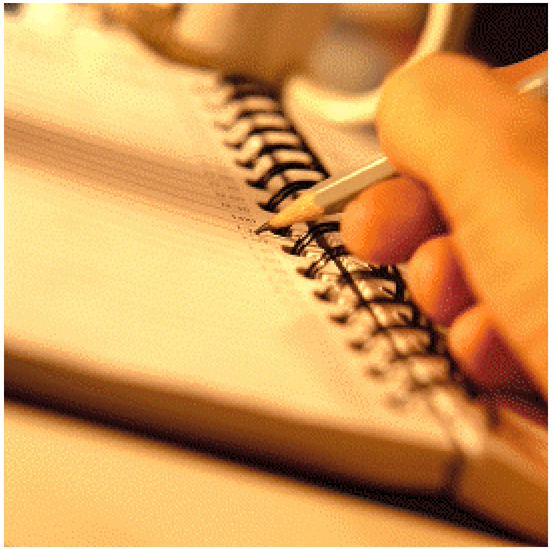
Agenda

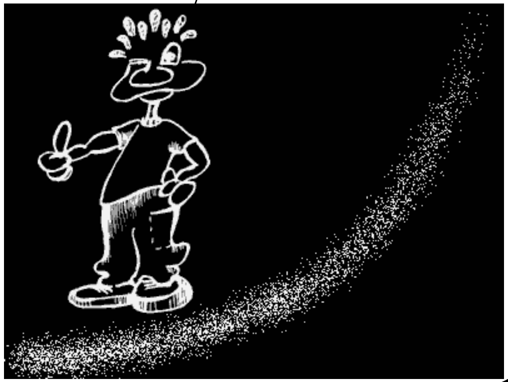
Justification of the value of the offer made by the consortium to Cadburry Schewppes

- Introduction of a long term strategy
  - Raising sale volumes
  - Restructuring
  - Increasing brand awareness
  - Marketing
  - Product innovation
  - Distribution
  - Penetration of new markets
  - Adoption of local sales strategies



Introduction

- Cadbury Schweppes has the potential to be a strong competitor in the European market
- Mis-management and failed previous acquisitions have impaired the company's operations
- Lion Capital/Blackstone have the ability to help Cadbury realize its potential



Blackstone/Lion strengths

- Blacksone:
  - → Sheer size
  - → Deep pockets
  - → Brain trust
- Lion:
  - → Good reputaion
  - → Proven results with consumer goods
  - → Javier Ferrán

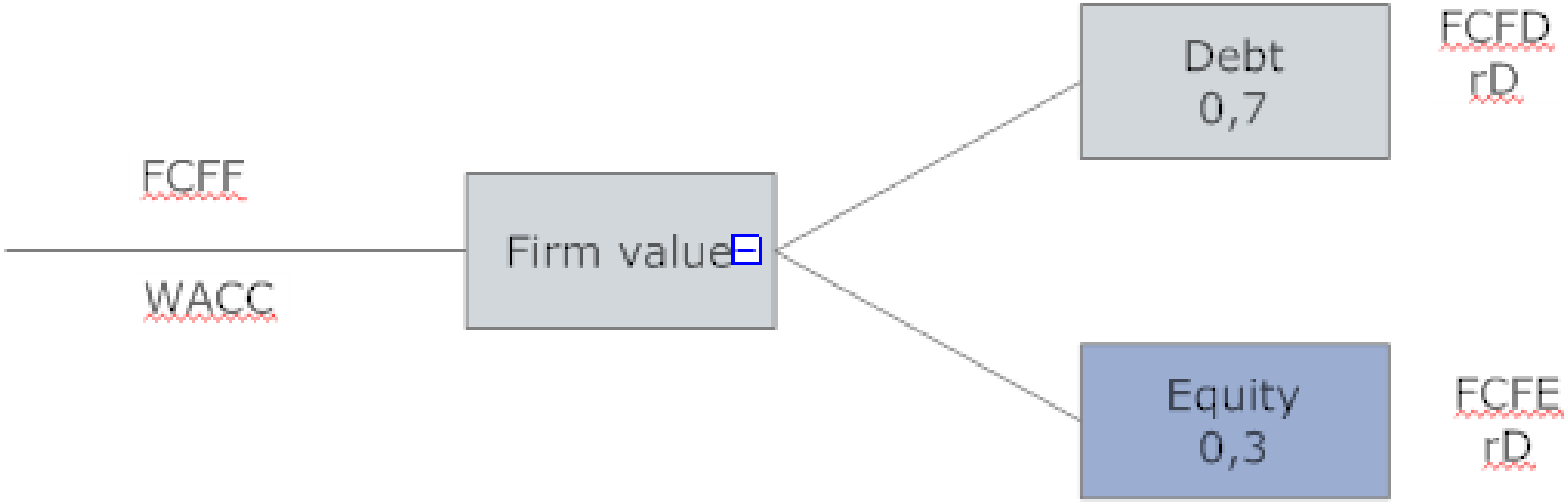
Earning Potential

Cadbury Schweppes has the potential to be a strong competitor:

EBITDA Margin		
Orangina 19%	Coca-Cola 26.30%	Pepsi 18.20%

Gross Profit Margin		
Orangina 61%	Coca-Cola 64.50%	Pepsi 60.00%

Firm value– modelling



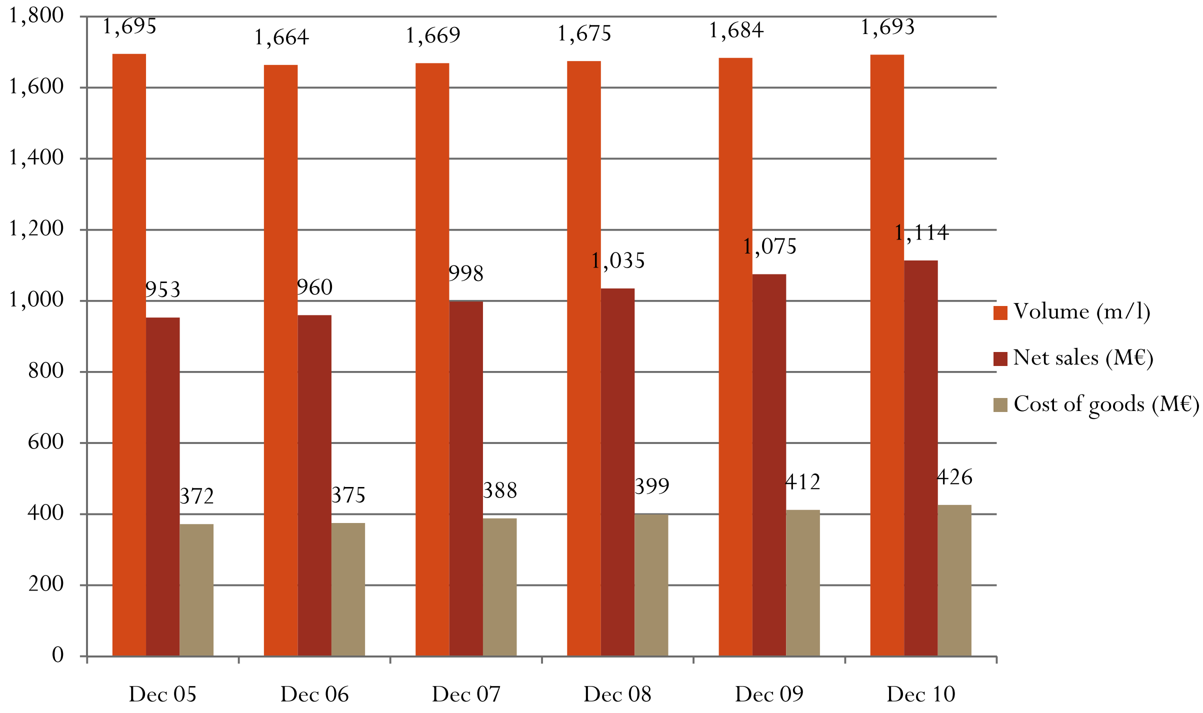
Firm value - calculation

- Miller Modigliani 1:
- → $r_A = r_f + \beta\ (r_m - r_f) = 12{,}5\%$
- Miller Modigliani 2:
- → $r_E = r_A + D/E\ (r_A - r_D) = 26.5\%$

Option table

Strategic option table			
Geography	Local	Regional	Global
Product line	Keep	Expand	Shrink
Risk	Low	Medium	High
Marketing cost	Low	Medium	High
Positioning	Premium	Medium	Low

Raising sales volumes (projected)



Restructuring

- Consolidation of company structure
- Organisational changes
- Changes in HR Strategy
- Restructuring of corporate HQ

Increasing brand awareness

- „Old historical“ brands
- Beverage icons
- Still sales are dropping
- Diet Orangina
- Pushing still beverages

Marketing

- New marketing strategy
- Advertisements
- Different strategies for „food“ and „non-food“
- Differenciated marketing approach

Distribution strategy

- Localisation by „food“ (elastic price, 70% France) and „non-food“ (inelastic price, 75% Spain)
- Target: use lessons learned in France an Iberia

Product innovation

- Light/diet products
- Organic products
- Line extensions
- Synergies between the beverages
- Invest in R&D

Penetration of new markets

- New EU members
- Ukrain & Russian markets

Summary

- The price is a premium but through restructuring it could be worth the money. Even though it is mismanaged it still been an profitable company for the last few years.