



Game over for large takeovers

Pernod Ricard paid big money for Absolut – and upset the balance of power within the major spirits brands. But this was the last of the large drinks acquisitions, predicts *Ron Emler*

WHEN IT PUT Vin & Sprit up for sale, the Swedish government triggered a new round of consolidation in the wine and spirits sector. The fact that Pernod Ricard, Bacardi, Beam Global and (initially at least) Diageo all expressed interest shows they are all desperate to bolster their portfolios, not least in the growing emerging markets. More importantly, they don't want their rivals to steal a march on them.

Even despite paying €5.626 billion (including debt) for the producer of Absolut, Pernod Ricard says it has

"every intention of remaining a dynamic player in the consolidation of the wines and spirits industry". That will have to wait a while, as it begins to pay down some of the £10bn of debt on its balance sheet.

The heavy indebtedness prompts the question of whether Pernod Ricard overpaid for V&S. Patrick Ricard, the French group's chairman and chief executive, says simply that the deal was only going to be available once and so that was the price he had to pay to win Absolut, which sells about 10.5

million cases a year. It is also worth bearing in mind that he persuaded bankers to lend him the money during the worst credit squeeze in living memory. They must believe the sums work.

Buying Absolut gives Pernod Ricard new impetus in the giant US market, not only because about half of Absolut's sales come from America, but also because its volumes there are virtually triple those of Stolichnaya, the existing international vodka in Pernod Ricard's portfolio. And the fact that

the deal brings with it Cruzan rum is a big bonus because Havana Club, one of Pernod Ricard's priority brands, is excluded from the US because it is produced in Cuba.

As part of its "local roots, global reach" philosophy, Pernod Ricard will leave much management control of Absolut with the existing Swedish team, but it will not reap full benefits from the deal for several years. This is because distribution of Absolut is undertaken in the US through a joint-venture company with Fortune Brands' Beam Global