

## **JBS Said to Consider Another Offer to Purchase Sara Lee After Bid Rejected**

By Jeffrey McCracken, Leonardo Lara and Matthew Boyle - Jan 10, 2011 10:11 PM GMT+0100 Mon Jan 10 21:11:57 GMT 2011

JBS SA, the Brazilian meat processor, may make a new offer for Sara Lee Corp. after its bid last month was rejected as too low, according to two people with knowledge of the matter.

JBS executives are traveling to the U.S. this week to help prevent their takeover efforts from collapsing, said the people, who declined to be identified because the matter is private. JBS offered about \$17.50 a share for Sara Lee in mid-December, valuing Sara Lee at about \$11 billion, the people said.

Sara Lee hasn't given JBS a purchase price, though the Downers Grove, Illinois-based company is likely looking for about \$20 a share, or almost \$13 billion, one person said. JBS, which is being advised by JPMorgan Chase & Co., has been trying to determine whether to raise its bid while it seeks potential ways to raise more money, said another person.

JBS "can probably afford to go higher" because of the savings it would get from combining its meat processing with Sara Lee, said Jon Cox, an analyst at Kepler Capital Markets in Zurich. "It is interesting that this is not the first time that a developed world food producer has been linked with an emerging world buyer. I suspect this trend has only just started."

Sara Lee could fetch as much as \$23 a share, 32 percent more than its Jan. 7 closing price, JPMorgan analyst Terry Bivens said in a note to clients today. Bivens said the likelihood of a deal is "high."

Sara Lee rose 78 cents, or 4.5 percent, to \$18.21 in New York Stock Exchange composite trading. Its shares gained 44 percent last year. JBS fell 2 centavos to 7 reais in Sao Paulo.

### **Other Options**

Sara Lee, the owner of meat and coffee businesses, has also been weighing spinning off one of its main units, according to the people. Sara Lee's European coffee division is the likeliest to be spun off to shareholders as a new company, said one person, adding that no final decision has been made.

"It is tax-inefficient to be based in the U.S. and selling coffee in the Netherlands," Christopher Growe, an analyst at Stifel Nicolaus & Co. in St. Louis, said in an interview. "A split-up or an outright sale would be one way to take advantage of that." He recommends holding the shares.

The coffee unit is the company's biggest, with sales totaling \$3.2 billion in the year ended in June. Sara Lee's board is scheduled to meet at the end of the month to make a decision about whether to sell or break up the company, the person said.

Mike Cummins, a Sara Lee spokesman, declined to comment, as did a spokesman for Sao Paulo-based JBS.

## JBS Strategy

JBS has made more than a dozen acquisitions since 2007, expanding into the U.S., Australia and Europe. The Brazilian company acquired Swift & Co. in 2007 and two Smithfield Foods Inc. units in 2008. It also bought poultry producer Pilgrim's Pride Corp. in 2009 to diversify from beef.

*"It was always only a matter of time before the total breakup of Sara Lee," said James Amoroso, a food industry consultant based in Walchwil, Switzerland.*

JBS Chief Executive Officer Joesley Mendonca Batista, 38, has said his company will continue to expand as it seeks more acquisitions in the U.S. and Brazil, the world's biggest beef producers, as well as other countries.

Sara Lee's North American retail meat business, whose sales topped \$2.8 billion in the year ended in June, would account for more than 15 percent of JBS's total revenue.

Other potential suitors for the division include Hormel Foods Corp. and Tyson Foods Inc., according to a report today from Deutsche Bank AG. Representatives for Tyson and Hormel declined to comment.

## Meat Deals

Over the past five years through 2010, there have been more than 250 deals in the global meat industry, with a median multiple of 6.4 times earnings before interest, taxes, depreciation and amortization, or Ebitda, according to data compiled by Bloomberg.

Buyout firm Apollo Global Management LLC has teamed up with investor C. Dean Metropoulos to consider a bid for Sara Lee, the Wall Street Journal reported yesterday, citing unidentified people familiar with the matter. The group also includes Bain Capital and TPG Capital, the Journal said.

Sara Lee attracted interest from buyout firms including Apollo and KKR & Co. last year, people with knowledge of the matter said in October. The company, whose total sales topped \$10 billion last fiscal year, has divested other businesses, such as its North American bakery unit and its global shoe care division, to focus on coffee and meat.

Marcel Smits has led the company since former Chief Executive Officer Brenda Barnes resigned for health reasons last year. The board is seeking a permanent replacement.

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