

Nestle to Pay \$1.18 Billion For Dalgety's Spillers Unit

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Switzerland's Nestle SA said it agreed to pay £715 million (\$1.18 billion) to buy Spillers Petfoods from Britain's Dalgety PLC.

The transaction was viewed by some analysts as expensive, but they said the move would be key to positioning Nestle, the world's largest food company, as a leading player in an estimated £12 billion Western European pet-food market.

"Nestle was a regional player — and now they are a global player," said equity analyst James Amoroso at Bank Julius Baer. He estimated the move would raise Nestle's pet-food sales to 5.2 billion Swiss francs (\$3.55 billion) from 3.5 billion francs before the move.

Analysts said the price roughly equals Spillers's net sales last year.

The acquisition was "a bit expensive," said Mr. Amoroso. "But there is tremendous synergy potential with Nestle, and basically purchasing and logistics represent a huge saving on their own."

Nestle said it intends to move the main activities of its European pet-food business to London, where it will "build a strong marketing, financial and supply chain team around the existing Friskies and Spillers management."

Nestle, with its Friskies brand, bought

U.S.-based Carnation in 1985, including its pet-food interests, and it followed that deal in 1994 with the purchase of Alpo brands.

Analysts estimate the acquisition will roughly double Nestle's current share of about 10% of the Western European pet-food market. More important, they said, it will raise profitability.

Nestle will receive Spillers's distribution and factory network. Analysts say the factories are in good condition after extensive restructuring.

Separately, Dalgety said it sold Martin-Brewer, its Illinois-based distributor of food and paper products, to Reyes Holdings for \$200 million. These deals follow last week's £360 million disposal of the food-ingredients division and brings gross proceeds to nearly £1.2 billion, more than the company's market capitalization of £851.7 million.

The company plans to return as much as £650 million of proceeds to shareholders.

The group also disclosed that its pretax profit for the six months ended Dec. 31 slipped 19% to £34.8 million from £43 million a year earlier. It said the outlook for the full year remains in line with forecasts.

Dalgety also cut its interim dividend to six pence from 8.5 pence as part of a rebalancing of the interim and final dividends.