

Pepsi Americas takes US\$26-m hit in Caribbean merger

Soft drink company Pepsi Americas suffered a US\$25.8-million (J\$2.29 billion) non-cash loss in segmenting Jamaica and other regional operations within a joint venture with Central America Beverage Corporation (CABCORP).

Financials also reveal an improvement at the loss-making Caribbean division which includes Puerto Rico, Jamaica, Trinidad and Tobago, with distribution rights in the Bahamas and Barbados.

"...we deconsolidated our Caribbean business resulting in a non-cash loss of US\$25.8 million," said the company in its financials released this week to the Securities and Exchange Commission in the US. "This loss included the recognition of deferred losses associated with cumulative translation adjustments of US\$19.2 million and unrecognised pension losses of US\$6.5 million, which were previously included in accumulated other comprehensive loss."

Pepsi Americas now owns an 18 per cent interest in the joint venture which combines the Caribbean operations excluding Bahamas with CABCORP's Central American operations, including Guatemala, Honduras, El Salvador and Nicaragua.

Pepsi America stated that the "initial investment in the joint venture was recorded at its fair value of US\$143 million" and listed under 'other assets' in its condensed consolidated balance sheet. It added that the Caribbean operations made an operating loss of US\$1.4 million in the first nine-months of 2009 ending October 31, compared to a US\$6-million loss over the same prior last year.

Three-month operating income was not available nor was net income results.

But it stated that profitability improved due "mainly due to a decrease in special charges of US\$4.4 million in the first nine months of 2009 as compared with the first nine-months of 2008".

The net sales in the Caribbean division were US\$100.9 million over nine-months to October versus US\$181.9 million over the same period last year.

Volumes in the Caribbean saw the largest decline in Pepsi Americas group at 43.6 per cent for the nine months over the same period last year. Pepsi Americas has three main divisions - US, central and Eastern Europe and the Caribbean.

Its group consolidated net income at US\$146.6 million over nine-months ending October was down 22 per cent over the comparative period last year.