

Heineken buys Red Stripe from Diageo

Heineken NV, the world's second-biggest brewer by sales, took control of two joint ventures from partner Diageo Plc, spending \$781 million to shore up control of brands including Jamaica's Red Stripe beer amid a consolidation sweep in the industry.

The Amsterdam-based brewer said it bought a 57.9 percent stake in Jamaica's Desnoes & Geddes, bringing its holding to 73.3 percent. Heineken will later make an offer for all remaining shares. The Amstel maker also now has full ownership of Malaysia's GAPL Pte Ltd. Heineken is streamlining control of joint ventures as transformative deals are harder to come by in a market facing waning demand for mainstream brands and weak North American consumption. Anheuser-Busch InBev NV offered about \$100 billion to buy SABMiller Plc Wednesday, seeking to combine the brewers in a record industry deal. That deal is the "cap in the bottle of beer mergers" after more than a decade of consolidation, said Gerard Rijk, an analyst at SNS Securities in Amsterdam. Heineken can be expected to do more deals along the lines of Wednesday's agreements with Diageo as there are few major, multibillion targets left in brewing, he said. Heineken shares dipped 0.8 percent in Amsterdam trading, bringing its advance this year to 26 percent. Diageo dropped 0.7 percent in London. The combination of AB InBev and SABMiller may prove a boon to Heineken in the short-term, said analysts including Bloomberg Intelligence's Duncan Fox. "The deal could create opportunities for Heineken while the others are tied up for awhile," sorting through regulatory issues in markets across the globe, Fox said in an interview. "Heineken is a very well-run business. They understand brewing and they understand what we will pay for." Heineken's deal with Diageo follows a July transaction that dissolved a joint venture in South Africa and neighboring Namibia three years earlier than planned, with Heineken spending 128 million pounds (\$195 million) to take control of beer sales. Diageo will book a one-time profit on Wednesday's transaction of 440 million pounds. The spirits company also bought a 20 percent stake in Guinness Ghana Breweries from Heineken. Securing control of such businesses makes sense for Heineken, said Richard Withagen, an analyst at Kepler Cheuvreux in Amsterdam. "They are doing well. We'll see how long that continues, but they are doing well." While AB InBev flagged that there might be regulatory concern in the U.S. and China as a result of a successful deal with SABMiller, Heineken is not the likeliest buyer of assets in either region, the analysts said.