Merger of Coca Cola and SABMiller bottling operations in Africa in the offing

05/05/2016 (EU/Competition)

The Wall Street Journal yesterday confirmed reports that Coca-Cola Co and SABMiller plc have acceded to conditions proposed by the Department of Economic Affairs of South Africa on the merger of their bottling operations in Africa of the world’s largest soft drink maker and the world’s second largest brewer.

Merger negotiations commenced in November 2014. The contemplated merger will cover 12 African countries and involve about 40% of Coke sales on the continent. The merger proceedings are scheduled to be heard by the Competition Tribunal in Pretoria in a two-week hearing to commence on 9 May 2016.

The Belgian brewer has announced that in terms of the agreement now struck with the Southern African government the new soft drink bottling operation – the largest in Africa, if approved – will guarantee employment levels for three years. In addition the merged entity has agreed to invest ZAR 800m ($54.34m) in supporting retailers and farmers. It will also allow small retailers to display smaller soft drink competitors up to 10% of space in Coca-Cola coolers. The company will also sell 20% of shares in Appletiser to participating black shareholders.

The Wall Street Journal comments: The Belgian brewer [SABMiller]’s pending acquisition has created uncertainty around Coke’s bottling arrangements in Africa since ABInBev [one of the target bottlers] is PepsiCo Inc.’s bottler in Latin America. Pepsi and Coke are arch rivals, while – to complicate things further – Coke is also often cited as being a possible acquisition target for AB InBev.

Yesterday the Competition Tribunal gave the Competition Commission of South Africa until Monday to consider the proposed deal struck between the Government and Coca Cola Inc and SABMiller allowing the conditional merger.

The Wall Street Journal full report is accessible here.

Jeremy Gauntlett SC is leading counsel for the Department of Economic Affairs.

RELATED BARRISTERS

• Jeremy Gauntlett QC