Unilever Buys Sara Lee Brands

TOBY STERLING AP Business Writer — September 25, 2009
AMSTERDAM (AP) — Consumer products giant Unilever NV said Friday it has agreed to buy soaps and personal care businesses including the Sanex and Duschdas brands from Sara Lee Corp. for euro1.28 billion ($1.88 billion).

The businesses to be acquired, subject to regulatory approval, include Sara Lee's worldwide body care products business and its European detergents arms. In addition to Sanex — a cheaper parallel of Unilever's Dove brand — and Duschdas, a German shower gel maker, Unilever is buying several strong regional brands such as Radox bubble bath and Switzal, a maker of baby shampoo.

Unilever said the businesses it will acquire had sales of euro750 million and operating earnings of euro128 million in the 12 months ending in June.

Unilever, the world's third-largest consumer products company after Procter & Gamble Co. and Nestle SA, says its Dove, Axe and Rexona lines will complement the Sara Lee brands.

"The acquisition will strengthen Unilever's leadership positions overall in Western Europe," the company said in a statement. "In addition, there is significant potential to build these brands in developing and emerging markets, which already generate approximately 15 percent of their annual sales."

Analysts said the deal made sense.

"The positioning of Sara Lee is more mid-market and below the other Unilever brands," said Fernand de Boer of Petercam Bank in a note on the deal. The deal fits into a strategy "to play the entire price spectrum of the portfolio in order to be better able to anticipate changes in the economic conditions."

He said shares were fully valued at current levels and repeated a "Hold" recommendation.

Sara Lee's Chief Executive Brenda Barnes said her company would use the proceeds to "invest for growth in our core businesses" — and to buy back $1 billion worth of stock.

For Sara Lee, the sale is part of a strategy to concentrate on food and beverages. The maker of baked goods and Ball Park hot dogs said it has "significant interest" from potential buyers in the rest of its household-products businesses, which is also for sale.

Sara Lee also said it would maintain an $0.11 dividend for the next four quarters,

regardless of when the deal closes.

The companies said they expected the deal to be finalized sometime in 2010.

It would be the largest purchase for Unilever since its $2.6 billion acquisition of Ben & Jerry's in 2000, and the first initiated under new CEO Paul Polman.

Unilever's shares fell 0.2 percent to euro19.255 in Amsterdam. Sara Lee was up 7.2 percent to $11.30 in pre-market trading in New York

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