

SABMiller buys 99% of brewer in Ukraine

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SABMiller has bought Ukrainian brewer CJSC Sarmat for an undisclosed amount, as part of group strategy to expand into emerging markets.

SABMiller Europe MD Alan Clark said the acquisition of a 99,84% interest in the Ukrainian company — representing a gross asset value of about \$130m — marked the brewer's entrance into the “fast-growing and attractive Ukrainian market”.

The brewer said Sarmat was one of the largest brewers in the Ukraine and on completion of the deal SABMiller would operate a brewery in Donetsk with an annual production capacity of 2,9-million hectolitres, producing the Sarmat, Dnipro and Drive Max brands. It has 7% market share.

The Ukrainian market showed a four-year growth rate of 14% a year until 2006 and the medium term forecast indicates growth is expected to be higher than any other major central and eastern European market.

In 2005, Sarmat had 13,2% of the Ukrainian market, with four breweries and 30 beers, including light, nonalcoholic brands. Exports to Russia, Moldova, Belarus, Estonia, Israel, Germany and Ecuador accounted for 10% of sales.

Clark said while Ukraine's beer market had had “exceptional” expansion in recent years, it was still behind other central and eastern European countries in terms of per capita beer consumption.

Absa Asset Management Private Clients analyst Chris Gilmour said that while the deal was relatively small, it gave the brewer a foothold in a growing market.

Low consumption levels meant there was room for growth and SABMiller had successful operations in the region, which could allow it to benefit from synergies.

However, based on the apparent price for a hectolitre, the company had paid a premium, he said.

Sarmat is owned by System Capital Management, a diversified holding company that manages a number of interests in the Ukrainian market. The deal is subject to competition authorities' approval.

Source: Business Day

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