



SWITZERLAND/SPAIN

UPDATE 3 - Barry Callebaut joins forces with Spain's Natra

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By Katie Reid and Tracy Rucinski

ZURICH/MADRID, March 3 (Reuters) - Barry Callebaut the world's largest chocolate maker, is poised to hand over its low-growth European consumer business to Spanish food group Natra, allowing it to focus on its core businesses.

The deal, which would see the Swiss group moving its Stollwerck brand to Natra, would create a key European private label and third-party chocolate products maker in which Barry Callebaut would hold a minority stake of between 30 percent and 49 percent, the groups said.

The move means that Barry Callebaut will be able to focus on its core business with industrial and artisanal customers and get rid of a low-margin unit. Meanwhile Natra will concentrate more on securing growth in its consumer private label brand and third-party branded chocolate.

'The minority stake will lead to the low margin consumer unit being reported below (Barry Callebaut's) EBIT line,' said Helvea analyst Andreas von Arx.

Barry Callebaut and Natra said in a joint statement the group would have estimated sales of 850 million euros (\$1.07 billion), according to pro-forma combined figures for 2008 and would have a 2 percent share of the European cocoa and chocolate market.

'This is a major step forward for Barry Callebaut which is now soon to become a pure-play business-to-business manufacturer,' said independent analyst James Amoroso.

'The market was against its move into consumer products from the outset, and especially against the acquisition of a branded product portfolio,' he said.

At 1533 GMT, Barry Callebaut shares were up 4.9 percent at 503.50 Swiss francs, while Natra shares were trading 3.1 percent higher at 4.33 euros.

Barry Callebaut, which makes chocolate for groups such as Nestle (other-otc: NSRGY.PK - news - people) and Cadbury (nyse: CBY - news - people), would also supply a minimum of 85,000 tonnes per year of liquid chocolate to Natra under a long-term outsourcing contract.

The Swiss company is a provider of cocoa and chocolate products, coatings and cocoa powders to the food manufacturing industry, while Natra specialises in the production of chocolate and cocoa, as well as other food and wine products.

The move is a continuation of strategy at Barry Callebaut and Natra. At the end of 2007, Barry Callebaut sold its underperforming U.S. brand Brach's Candy and Natra last year acquired Italian spreadable chocolate marque Nutkao for 48 million euros.

Natra chairman Manuel Moreno told Reuters in November the company was not planning any further acquisitions in 2009 but would continue looking for joint ventures or business agreements.

No financial details of the deal between Barry Callebaut and Natra were disclosed and the groups said the transaction was subject to certain conditions, in particular secured long-term financing, however it was likely to be finalised in the summer.

NATRA REDUCES EXPOSURE TO SPAIN

For Natra, the deal was welcomed by analysts who highlighted the group's increased geographical exposure, reducing its dependence on Spain at a time when grocery carts begin to reflect the country's recession and sharp consumer downturn.

Following the agreement with Barry Callebaut, just 3 percent to 4 percent of Natra's sales will come from its home market, chairman Moreno told reporters on Tuesday.

'This acquisition is both an aggressive and defensive move,' he said.

The deal will cut the company's debt:EBITDA ratio to about 3 times from 6 and facilitate future credit lines, Moreno said.

The enlarged company, with headquarters in Spain, will target England, Russia and China as markets for future growth once Stollwerck is fully integrated.

'Our three main priorities are to integrate and consolidate synergies (from Stollwerck), consolidate the European market most likely through organic growth in England and then attack new markets such as Russia and China,' he said.

Also as part of the agreement with Barry Callebaut, Natra said it will reduce its 50 percent stake in its Natraceutical division by half, either through the sale to a strategic investor or by distributing the shares among its own shareholders.

It ruled out selling the shares in the stock market so as not to prejudice Natraceutical's shareholders.

(\$1=.7924 Euro)

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