RUSSIA: Unilever Russian deal a "good move"- analysts

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Unilever's announcement of its plans to buy Russian sauce maker Baltimor Holding could be a "good move" for the company, analysts have told just-food.

The Anglo-Dutch consumer goods giant said the proposed acquisition, announced today (29 April), will strengthen its dressings portfolio and its competitive position in Russia, one of its "priority countries".

Jon Cox, head of food and beverages research at Kepler Capital said Unilever's move, made under new CEO Paul Polman, is maybe "not quite what we were expecting," but is nevertheless a "good move". "I think Russia is having a tough time of it but, in the long run, it's a big, big market and it will obviously get better. Just looking at the category itself, during a downturn, if you're buying more commodities or basic food stuff, adding ketchup can actually freshen it up a little bit. So from that side of things it's not bad deal," Cox said.

Asked whether the acquisition materially would make a difference to Unilever, Cox said: "Probably not much. But it's probably indicative of what we will see more of from Paul Polman, which is probably emerging markets. "I see Unilever as best in class. If you look at their group sales, almost a half is done in emerging markets and that compares to maybe a third in the case of someone like Danone or Nestle. If you look at Unilever, it's got everything going right for it … all they have to do is get it moving in the right direction and I think the thing will just take off."

James Amoroso, analyst with consultancy Amoroso Strategic Insights, also said the deal "strategically makes sense".

"The key thing is that it's in Russia, which is clearly one of the bigger emerging markets and faster growing … any investment in Russia is obviously a good thing for the long term. The interesting thing is that it's in condiment sauces and for Unilever that is a core business. It makes obvious sense," Amoroso said.

After the Patrick Cescau era with a focus on the existing portfolio and disposing of businesses that "just didn't fit", Amoroso said Unilever now has cash to use. "They've [Unilever] made it quite clear that acquisitions will be the way forward. So you're going to see lots of acquisitions but they won't just throw money about. They're going to be quite selective because they have been so in the last four years in what they've kept and what they've sold."

Under the terms of the agreement, Unilever told just-food that all Baltimor employees involved in ketchup and sauce production will transfer to Unilever after "appropriate consultation". Employees not involved in the ketchup and sauce production part of business will remain with their current companies and shareholders, which is "outside of the scope of the deal".