



20 June 2016

### **Acquisition of SABMiller by Anheuser-Busch InBev to come before the Tribunal**

From 22 to 24 June the Competition Tribunal will hear the proposed large merger between beer and cider giants Anheuser-Busch InBev SA/NV (AB InBev) and SABMiller plc (SABMiller). The hearing follows the Competition Commission's recommendations to the Tribunal that the merger be approved with conditions. The Commission found that the proposed merger raised several competition and public interest concerns.

AB InBev, the buyer in this transaction, is a public listed company on the Euronext Brussels and New York Stock Exchanges. AB InBev produces, markets and distributes beer, near beer and soft drink products. In South Africa, AB InBev supplies only beer products, including Corona Extra, Stella Artois, Becks Blue and Budweiser and it uses a global distributor.

The target company, SABMiller has primary listing on the London Stock Exchange and a secondary listing on the JSE. It is the largest producer of beer products in South Africa, with its main brands including Peroni, Carling Black Label, Castle Lager, Hansa and Castle Light. SABMiller. Through its subsidiaries, SABMiller manufactures, distributes and sells various alcoholic and non-alcoholic beverages. It also has interests in barley farming, hops production and bottling.

In the proposed transaction AB InBev will acquire control of SABMiller. The companies are vertically integrated with their operations spanning manufacturing and the distribution of alcoholic beverages, particularly beer products, but AB InBev, while it has expansive brewing operations around the world, does not have brewing operations in South Africa or Africa. SABMiller, on the other hand, has significant brewing operations in South Africa and several other African countries.

At the hearing the Tribunal expects to hear submissions from the Commission, merging parties, the Minister of Economic Development, Heineken, the Black Business Forum, the Tavern Owners Association, as well as Distell, in which SABMiller has a significant holding, and is the largest producer of ciders in South Africa, followed by SAB.

Also expected to make representation are members of SABMiller's BBBEE share scheme Zenzele Scheme – set to mature in 2020. One of the conditions proposed by the Commission is that the merging parties will have to take steps to ensure black participation in the company following the maturing of the scheme, which will reduce BBBEE holding. Trade union the Food and Allied Workers Union will also participate.

The conditions put forward by the Commission are extensive and intended to address a number of concerns it has regarding the merger.

To present just some of the recommendations: that AB InBev not be permitted to appoint any directors to the board of Distell, a direct competitor, and one in which AB InBev will have holdings; a R1-billion fund to be made available over 5 years for the development of the South African agricultural outputs for barley, hops, maize as well as promoting the entry of emerging black farmers and an undertaking to continue to source products like glass bottles, cans, bottle crowns and raw materials for beer, from South Africa.

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