



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/2/2001

GAIN Report #CA1025

Canada

Grain and Feed

Weston Ltd. Purchases Bestfoods Bakery

2001

Approved by:

Norval E. Francis, Jr.

U.S. Embassy

Prepared by:

Matthew A. Cahoon

Report Highlights:

With the purchase from Unilever valued at US\$1.765 billion, George Weston Ltd. would become a major player in the baked goods sector in North America, making it the second-largest bakery in North America. Based in Toronto, Weston is already a major player in the North American food processing industry, with annual sales of C\$2.6 billion of which more than half comes from the U.S. market. Weston will add 19 plants and 12,000 staff to its payroll. The deal, when it closes this summer, will take Weston's breads, buns and cookies into just about every supermarket in North America.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

GEORGE WESTON LIMITED AGREES TO ACQUIRE BESTFOODS BAKING COMPANY

The following is from a February 19 George Weston Ltd. press release.

W. Galen Weston, Chairman, George Weston Limited ("Weston") announced a two-part strategic initiative to further enhance shareholder value by entering into an agreement to purchase the Bestfoods Baking Company in the United States and by divesting non-strategic existing assets.

Growing in the United States

Weston has entered into an agreement to acquire Bestfoods Baking Company ("Bestfoods Baking"), one of the leading premium fresh baked goods companies in the United States, from Unilever at a price of US\$1.765 billion or approximately C\$2.7 billion in cash.

The combination of Bestfoods Baking and Weston's current baking operations in Canada (Weston Bakeries/Ready Bake) and in the United States (Interbake, Maplehurst Bakeries and Stroehmann Bakeries) will position the company as a major player in the North American baking sector. With year 2000 revenues of US\$1.8 billion, Bestfoods Baking owns some of the most successful national and regional brands in the industry, producing top-quality fresh sliced breads, specialty shaped breads and sweet baked goods. Bestfoods Baking's brands include Thomas' English muffins and bagels, Entenmann's sweet baked goods, as well as Arnold, Freihofer, Brownberry, and Oroweat breads.

The transaction, which is subject to customary closing and regulatory conditions, is anticipated to close before mid-year and will be immediately accretive to Weston's net earnings. Weston expects to maintain its strong capital structure and investment grade rating.

Richard J. Currie, President of Weston, said, "This transaction reflects our belief in strategic acquisitions, complements our already successful baking operations in the United States, makes us truly North American in scale, and provides a tremendous platform from which to create additional value for consumers and our shareholders. In addition to the outstanding assets of Bestfoods Baking, we are extremely excited about the excellent management team, which comes with this business. This management team has an exceptional track record of brand building and financial performance.

Divesting Non-baking Assets

The second component of the strategic initiative announced concerned the focus of the company's Food Processing business segment as a whole. This segment currently includes dairy and fishing divisions in addition to both fresh and frozen baking operations. Weston indicated that the Food Processing segment would focus all of its future energies exclusively on the baked goods industry. As such, the company will proceed to divest its dairy and fish processing assets.

Mr. Currie stated, "Neilson Dairy and the Connors Bros. canned sardine group and salmon aquaculture operations are all successful and leading companies in each of their fields. We believe they are at the stage where they can better achieve their full potential with a more strategic partner than as part of our baking-centered portfolio."

Positioning George Weston Limited

Mr. W. Galen Weston, Chairman of Weston, concluded, "Through these initiatives the business is sharpening its strategic focus, strengthening the core businesses, and laying the foundation for even stronger performance. Our Food Processing segment is now positioned to be a major force in North America with the Bestfoods Baking acquisition and will focus exclusively on core baking assets in our chosen geographic sectors. Our Food Distribution segment, Loblaw Companies Limited, will continue to focus on its role as the largest and fastest growing food retailer in Canada.

Comments

With the purchase from Unilever valued at US\$1.765 billion, Weston would become a major player in the baked goods sector in North America, making it the second-largest bakery in North America. Based in Toronto, Weston is already a major player in the North American food processing industry, with annual sales of C\$2.6 billion of which more than half comes from the U.S. market. Weston will add 19 plants and 12,000 staff to its payroll. The deal, when it closes this summer, will take Weston's breads, buns and cookies into just about every supermarket in North America.

Find Us on The Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1021	Food Products Marketing Opportunities	2/14/2001
CA1002	Grocery Innovations Canada	1/4/2001
CA0194	Grocery Innovations Canada - Show Evaluation	12/5/2000
CA0174	Pet Food Industry Market Brief	11/6/2000
CA0171	Quebec Wine Market	11/01/00
CA0135	Private Label Study - Eastern Canada	9/11/00

Contact: FAS/Ottawa e-mail: usagr@istar.ca

