

PepsiCo eyes growth in Africa with \$1.7bn Pioneer Foods acquisition

Multinational snack foods and beverage giant PepsiCo has entered into an agreement to acquire South Africa's Pioneer Foods Group for approximately \$1.7 billion (R23.5 billion). The New York-based food giant - owner of brands like Pepsi, Lay's and Doritos - will acquire all outstanding shares of Pioneer Food Group for R110 per share. The transaction is one of PepsiCo's largest acquisitions outside of the United States.



Tertius Carstens, CEO of Pioneer Foods, and Eugene Willemsen, CEO, PepsiCo sub-Saharan Africa.

"Pioneer Foods has a robust, locally relevant product portfolio that complements PepsiCo's current lineup, with strong positions in cereals, juices, and other African nutritional food staples, including well-known, scaled brands like Weet-Bix, Liqui-Fruit, Ceres, Sasko, Safari, Spekko, and White Star. At the same time, this acquisition will help PepsiCo gain a solid beachhead for expansion into sub-Saharan Africa by boosting the company's manufacturing and go-to-market capabilities, enabling scale and distribution," PepsiCo said in a statement this morning.

Pioneer Foods exports to more than 80 countries and posted revenue of R20.2 billion in 2018.

Scaling sub-Saharan business

PepsiCo chairman and CEO, Ramon Laguarta commented, "As we look to accelerate our growth in key markets around the world and achieve our vision to 'Be the Global Leader in Convenient Foods and Beverages by Winning with Purpose', we are absolutely thrilled to join forces with Pioneer Foods, one of South Africa's leading food and beverage companies."

PepsiCo is already represented in SA by brands including Simba, Nik Naks, Lays, Doritos, Pepsi and 7UP. Pioneer Foods represents a differentiated opportunity for PepsiCo, allowing it to immediately scale its business in Africa. According to Laguarta, the South African company forms an important part of PepsiCo's strategy to not only expand in South Africa, but further into sub-Saharan Africa.



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Socioeconomic commitments

This transaction creates a leading food and beverage company in Africa led from South Africa, with a commitment to supporting the broad socioeconomic imperatives of employment, talent development, and benefiting local suppliers, PepsiCo said. The global food giant plans to expand its Sustainable Farming Program in Africa and work with local farmers in Pioneer Foods' communities – including women and rural smallholders – "to help boost yields, improve livelihoods, and preserve precious natural resources".

"PepsiCo is keenly aware of the importance of economic transformation through Broad-Based Black Economic Empowerment ("BEE") and intends to support Pioneer Foods' BEE programme," the company added.

"Today's announcement marks a very exciting milestone for Pioneer Foods and our people, and highlights the strength of what we have created," said Tertius Carstens, CEO of Pioneer Foods. "As part of PepsiCo, we will have greater scale to expand our leading brands, greater capital to invest in local agriculture and people, greater access to leading global capabilities and a partner committed to taking our company to even greater heights."



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Regional operating centre

As part of this transaction and PepsiCo's goal to "become faster and more locally-focused", the company will create a new operating sector for sub-Saharan Africa (SSA). PepsiCo SSA will be led by Eugene Willemsen, who most recently served as executive vice president of Global Categories & Franchise Management.

Willemsen, who has been with PepsiCo for nearly 25 years, has extensive experience in growth markets, having previously led the company's businesses in Turkey and South East Europe.

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