

Brazil's Centenary Matte Leão Has Joined the Coke Family

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In an eloquent demonstration of its apparently insatiable thirst for Brazilian companies, Coca-Cola has bought Brazil's traditional tea-maker company Leão Júnior, which is the number one producer of bottled teas in the country.

Although the sale price wasn't disclosed, analysts believe that the firm based in the Brazilian southeastern state of Paraná and founded in 1901 was acquired for an estimated 230 million reais (US\$ 110 million).

The Coca-Cola negotiations with Leão Júnior dragged for six months. It was the third purchase by the Atlanta-based company of a beverage company in Brazil in a year and a half. The Brazilian tea concern had 158.9 million reais (US\$ 77.3 million) in sales in 2006, an 18.2% increase over the previous year.

The acquisition will only be final upon approval by the Cade (Administrative Council for Economic Defense) board of directors, which is the antitrust authority in Brazil.

Coca-Cola announced that the Leão Júnior directors will be maintained in their posts. There was no word, however, on what will happen to the 700 workers of the acquired company.

While Matte Leão is the Leão Júnior's best known product, the company sells 60 other products. With the acquisition, Coca-Cola will increase instantly its product line from 40 to 100 items.

The purchase includes not only the brands but also three factories: two in the state of Paraná (capital Curitiba and city of Fernandes Pinheiro) and one in Rio de Janeiro.

Flagship Matte Leão, made from a native herb, has become even more popular since the late 1980s when Leão Júnior launched its ready-to-drink version of the tea concoction.

In Brazil, Coca-Cola operates in several segment of non alcoholic drink besides its traditional soft drinks and they include juices, waters, and isotonic, energetic and milky drinks.

It hasn't been decided how much will be invested in the just-acquired firm, but according to Sandor Hagen, director of the New Drinks Division, the Leão products, which are now concentrated in the Rio-São Paulo axis should reach many more

regions of Brazil. "This will be one big opportunity for the company," he said.

In a note to the press, Brian Smith, president of Coca-Cola Brasil, wrote: "With the acquisition of Leão Junior, we increase the portfolio of products we make available to our consumers, offering them several options to choose according to their consumption moment and their lifestyle."

On December 2006, the Coca-Cola Company joined Mexican Coca-Cola Femsa to buy up Sucos Del Valle for US\$ 470 million. The Mexican firm had also a Brazilian subsidiary which is the market leader in ready-to-drink juices in Brazil. On August 2005, the Coke Company had already acquired the Sucos Mais firm, another beverage concern, for US\$ 100 million.