

ConAgra Buying Ralcorp For About \$5 Billion

OMAHA, Nebraska (AP) — U.S.-based ConAgra Foods has agreed to buy private-label food producer Ralcorp for about \$5 billion, which will make it North America's biggest manufacturer of cereals, crackers and other packaged foods sold under store labels.

"Clearly, consumer dynamics have changed since the recession, and we expect growth in private-label food to continue to outpace growth in branded food," ConAgra CEO Gary Rodkin said in a statement.

He added that the company remains committed to its brands, which include Chef Boyardee, Egg Beaters and Peter Pan.

ConAgra Foods Inc. said Tuesday that the acquisition will strengthen its overall position in the North American packaged food business. Ralcorp's products also include pasta, snack mixes and frozen waffles.

The combined company will have total sales of about \$18 billion annually and more than 36,000 workers.

ConAgra will pay Ralcorp Holdings Inc. stockholders \$90 per share, a 28 percent premium to its Monday closing price of \$70.23. Ralcorp currently has about 55 million outstanding shares, according to FactSet.

Ralcorp's stock jumped \$18.71, or 26.6 percent, to \$88.95 in premarket trading. Shares of ConAgra gained 72 cents, or 2.6 percent, to \$29.01.

"We believe the two companies are a great fit, and our employees will benefit as part of a larger diversified organization with the necessary scale and resources to be a leader in today's rapidly evolving marketplace," Ralcorp CEO Kevin Hunt said in a statement.

The companies value the transaction at about \$6.8 billion when debt is included. ConAgra said it plans to finance the acquisition mostly with available cash, existing credit facilities and new borrowings. It expects about \$225 million in cost savings on an annual basis by the fourth full fiscal year after the deal closes.

The deal, which was unanimously approved by both companies' boards, is expected to close by March 31, 2013. It still needs Ralcorp shareholder approval.

ConAgra said the buyout should have a modest benefit on its fiscal 2013 financial results. The company still anticipates fiscal 2013 earnings in a range of \$2.03 to \$2.06 per share, excluding any benefit from the Ralcorp deal.

Analysts predict earnings of \$2.06 per share.

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