

P&G Abandons Foods, Sells Pet Food Brands to Mars for \$2.9B

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This Aug. 2, 2010, file photo, shows the Procter & Gamble Co. headquarters building in Cincinnati. Procter & Gamble is selling some of its pet food brands to Mars for \$2.9 billion as part of its turnaround plan that includes concentrating on its most profitable core businesses. The world's biggest consumer products maker, whose products include Tide detergent and Crest toothpaste, on Wednesday, April 9, 2014 announced that it is selling the Iams, Eukanuba and Natura brands in North America, Latin America and certain other countries. (AP Photo/Al Behrman, File)

MCLEAN, Virginia (AP) — [Procter & Gamble](#) [1] is crying uncle on the edible business so it can focus on its core brands like Tide detergent and Pampers diapers.

The world's biggest consumer products maker is selling 80 percent of its pet food business to [Mars](#) [2] for \$2.9 billion as it tries to shed less profitable brands and focus on improving its bottom line. Pet food has been a weak spot in the company's vast portfolio.

Brands included in the deal include Iams, Eukanuba and Natura in North America, Latin America and certain other countries. The only business not included is in European Union countries. P&G is developing alternate plans to sell its pet care business in those markets.

"This is one of those businesses for a long time they've been signaling they want to sell," said Bernstein analyst Ali Dibadj. "It has been underperforming, and they didn't have the willingness to invest in it, given it was effectively a non-core business."

If P&G sells the 20 percent remaining stake of the business in the future, that will mean the end of its decades in consumable categories. Under CEO A.G. Lafley's first bout as CEO, from 2000 to 2009, the company sold off most of its food business, including Jif peanut butter, Folgers and Crisco.

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More recently, after Robert Niblock came aboard as CEO, the company sold off its Pringles brand to Kellogg Co. for \$2.7 billion in 2012.

Since Lafley returned as CEO last year, he has said the company will focus on its most profitable core categories.

"In our view, this large divestiture is representative of P&G's appropriately renewed focus on its core and desire to improve execution and productivity," said Bernstein's Dibadj.

Mars Inc., which is better known for its candy brands, already owns pet care brands such as Pedigree, Whiskas, Banfield and Royal Canin.

The privately held company based in McLean, Virginia, said that the brands it is getting from P&G will complement the existing brands in its growing pet care business.

Cincinnati-based P&G said that its fiscal 2014 core earnings per share growth rate guidance will not be changed. It anticipates that the deal with Mars won't have a material impact on its fiscal 2015 results.

The transaction is set to close during the second half of the year.

Shares of P&G rose 34 cents to \$81.69 in midday trading. Its shares had been little changed so far this year.

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AP Business Writer Michelle Chapman contributed to this report.

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