Mondelez and D.E. Master Blenders Form New Coffee Company

In this Feb. 9, 2011 file photo, a shopper passes a shelf full of Nabisco products - Premium saltines, Triscuits, Ritz crackers and Wheat Thins - at a Ralphs Fresh Fare supermarket in Los Angeles. Nabisco is a Mondelez International brand. Mondelez International reports quarterly earnings on Wednesday, May 7, 2014. **(AP Photo/Reed Saxon, File)**

DEERFIELD, Ill. (AP) — Mondelez and D.E. Master Blenders will link their coffee businesses together as Mondelez concentrates increasingly on its snack foods division and cost cutting.

The deal is part of a $3.5 billion restructuring program underway at Mondelez that is projected to create $1.5 billion in savings by 2018. The company said that the restructuring is expected to include some job cuts, but it did not specify how many positions or where.

Shares of Mondelez rose 7 percent before the opening bell Wednesday.

Mondelez, which makes Oreo and Chips Ahoy cookies, Trident gum and Cadbury chocolate, split from Kraft Foods Group Inc. in late 2012.

The newly formed coffee producer will sell Gevalia, Tassimo and Jacobs, which are Mondelez brands, and Senseo and Douwe Egberts from D.E. Master Blenders, formerly the Sara Lee coffee business.

The new company, with annual revenue of more than $7 billion, will be called Jacobs Douwe Egberts and it will be headquartered in the Netherlands.

Mondelez International Inc. had about $3.9 billion in revenue in 2013, while D.E.

Master Blenders 1753 B.V. had approximately $3.4 billion.

About 85 percent of overall revenue at Mondelez will come from its snacks once the coffee deal is complete, the company said.

The deal only includes Mondelez's coffee portfolio outside of France.

Acorn Holdings, which owns D.E. Master Blenders, has made a separate offer for the French business.

Mondelez will receive about $5 billion when the transaction closes and have a 49 percent equity stake in the new company. Mondelez said that it plans to use most of the proceeds to expand its stock repurchases and anticipates using the balance to help lower debt and other things.

Acorn will have a majority stake in the combined company and will also hold a majority of the board seats. D.E. Master Blenders Chairman Bart Becht will serve as chairman of the combined business.

D.E. Master Blenders CEO Pierre Laubies is likely to become CEO of the new entity. The rest of the leadership team, to be named later, will consist of executives from both Mondelez and D.E. Master Blenders.

Separately, Mondelez reported first-quarter adjusted earnings of 39 cents per share on revenue of $8.64 billion. Analysts surveyed by FactSet predicted earnings of 35 cents per share on revenue of $8.67 billion.

Mondelez maintained its 2014 guidance for adjusted earnings between $1.73 and $1.78 per share, on a constant currency basis. Wall Street is looking for $1.71 per share.

Shares in the Deerfield company climbed $2.53 to $37.75 in premarket trading.

Source URL (retrieved on *04/25/2015 - 1:05am*):
http://www.foodmanufacturing.com/news/2014/05/mondelez-and-de-master-blenders-form-new-coffee-company