

Coca-Cola Acquires Juice Maker Nidan Soki

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Coca-Cola, the world's largest soft-drink maker, said Wednesday that it had acquired one of Russia's biggest juice producers, Nidan Soki, as part of its plans to expand in the fast-growing market.

The company bought a 75 percent stake in Nidan from London-based investment firm Lion Capital, as well as the remaining 25 percent held by Nidan's founders. The juice maker has facilities in Novosibirsk and the Moscow region town of Kotelniki.

Analysts said the deal was aimed at strengthening Coca-Cola's position after its biggest rival, PepsiCo, acquired more than 75 percent of juice maker Lebedyansky in 2008 — giving it an upper hand on the local market.

"Coca-Cola's leadership became less clear after PepsiCo's acquisition of Lebedyansky. Acquiring Russian brands is a way to compete," said Ilya Plakhinas, head of the marketing

division at Soldis Communications.

The deal shows Coca-Cola's confidence in Russia's big potential and its commitment to invest more in the future, Ahmet Bozer, president of The Coca-Cola Company's Eurasia and Africa Group, said in an e-mailed statement to The Moscow Times.

"This acquisition represents our continued belief in Russia and commitment to provide a wide array of beverage choices to Russian consumers," Bozer said. "We will grow as Russia grows through ongoing investments and building a sustainable business model."

Coca-Cola, which has invested \$2 billion in Russia over the past two decades, plans to invest another \$1 billion in its facilities in the coming three to five years, the company said in a statement.

The sides declined to disclose the value of the deal, but analysts said it was probably no more than \$450 million, including Nidan's debt.

"The value of the deal could be eight to 10 times Nidan's 2010 expected earnings before interest, taxation and depreciation and amortization, which we estimate at \$45 million," said Natalya Zagvozdina, a consumer analyst at Renaissance Capital.

"Coca-Cola is unlikely to have paid more than \$450 million, including \$220 million for the equity and \$230 million of Nidan's debt," she told The Moscow Times.

The U.S. beverage giant may have paid up to \$300 million excluding debt, Kommersant reported Wednesday, citing sources close to the deal.

But if Coca-Cola really paid that much, it likely overvalued the asset, Zagvozdina said.

"We would consider [that] valuation as high, since it would put Nidan at 11.8 times its EBITDA," she said.

Lion Capital bought control of the juice maker in 2007 for an undisclosed sum, although media reported at the time that the deal was worth \$530 million.

With brands including Moya Semya and Caprice, Nidan has 14 percent of the Russian juice market by sales in monetary terms in the first half of the year, making it Russia's fourth-largest juice company, according to marketing agency Business Analytica.

Lebedyansky, the market leader, had 31 percent in the same period.

Coca-Cola hopes the deal will help it grow in Russia, particularly in the market for noncarbonated drinks, the company said.

"It's an important deal for The Coca-Cola Company," said Zoran Vucinic, Coca-Cola president in Russia, Ukraine and Belarus.

"Our long-term strategy in Russia is focused on the growth of sales volume, increasing investment and creating new jobs. Partnering with Nidan allows us to reach each of these purposes," he said in the statement.

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