

# Brexit vote grim news for SABMiller

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The £44 a share offer for SABMiller by Anheuser-Busch InBev (AB InBev) became significantly less attractive for shareholders after sterling was battered in the chaotic response to the UK voting to leave the EU.



Anheuser-Busch InBev and SABMiller branded beers.

Picture: [Bloomberg/Halden Krog](#)

In London, the SABMiller share price was little changed on Friday, closing at £42.75, just 0.3% down on its opening level. On the JSE, SABMiller closed almost 5% lower at R871.88, reflecting the strengthening of the rand against sterling.

The slump in sterling against all currencies means the deal is now much less compelling than six months ago. Since the November 11 offer, sterling has slid 12% against the dollar. In dollar terms, the offer is now worth \$95bn compared with November's \$108.6bn.

- [Post-vote regrets set in as Brexit hits home](#)

The conditions to the deal are likely to be completed within the next month. At that stage, the SABMiller board will recommend to shareholders whether they should accept the AB InBev offer.

Ahead of Friday's Brexit referendum results, a positive recommendation had been an inevitability. The next four to six weeks in currency and equity markets are likely to be the most volatile in recent history. A positive recommendation is no longer inevitable.

Despite the turbulence, there was no sign AB InBev was considering topping up its offer. Asked for comment on the Brexit implications and the possibility of a top-up on the offer price, an AB InBev spokesperson replied: "We do not comment or

speculate on potential hypothetical impacts of Britain's decision to leave the EU."

- [George Soros did not bet against the pound this time](#)

One London-based research firm said there was little justification for sweetening the offer at this early stage, and that the £44 still looked like an attractive offer.

Dan Matjila, CEO of the Public Investment Corporation — the largest single South African shareholder with a 3% stake in SABMiller — said on Friday that he wanted to wait for an in-depth analysis of the situation before commenting. Like many institutional investors, the PIC is expected to invest much of its proceeds from the sale of its SABMiller shares into equities with a similar profile to maintain the balance of its portfolio.

Although the SABMiller share price (on the JSE) was down almost 5% on Friday, AB InBev was only down 1.5% on the JSE.

In the run-up to the referendum London-based Bernstein Research, one of the leading research firms covering the megabrew merger, raised the possibility of the SABMiller board opposing the deal in the event of a post-Brexit collapse in sterling.

When the offer was announced in November, sterling was trading at \$1.53 and the £44 a share offer looked extremely attractive. It represented a 50% premium to SABMiller's share price ahead of media speculation about a deal.

In the intervening six months large-cap European equities have gained ground and SABMiller's underlying earnings have increased significantly in sterling terms.

On Friday, sterling was 12% below its November 2015 level. The currency weakness appears not to have been expected by AB InBev, which covered about £45bn of its deal-related exposure at an average rate of \$1.53 to sterling.

Bernstein estimates a 1% devaluation of the pound against the US dollar results in a 1% increase in the sterling value of SABMiller's earnings. A 15% devaluation, said Bernstein, justified a standalone price of £44.20 for SABMiller.

**Source:** Business Day

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