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SABMiller Rejects $104 Billion Takeover Bid From Rival Anheuser-Busch

By Molly Pon J.D. Candidate 2017 | October 9, 2015

After rejecting two private proposals, SABMiller snubbed Anheuser Busch InBev's first publicized bid of $104 billion on Wednesday. SABMiller, the world's No.2 brewer, cited AB's substantial undervaluation of the company as their continued reason for rejection. SABMiller's board of directors, excluding directors nominated by its largest shareholder, Altria Group, dismissed the price as too low.

However, Altria, maker of Marlboro cigarettes, owns more than 25% of the brewer and has urged the board to engage in talks with AB. The tobacco giant has said that it would accept a deal at or above AB's proposed price of £42.15 ($64.2) a share. This offer would net SABMiller a 44% premium over their closing price the day media began to speculate about a potential takeover. The Santo Domingo family, which owns around 15% of the giant brewer through BevCo Limited, stuck with the board in rejecting the first public price.

In the past AB has approached SABMiller twice offering written private proposals to pay £38 and £40 a share in cash respectively. In the latest private offer, Anheuser-Busch included an option for investors to accept a portion of unlisted shares. In order to make the public takeover bid more appealing to Altria and the Santo Domingos, AB included an option that would allow the two to be paid mostly in stock, offering tax and accounting advantages to these two largest shareholders. In addition, this alternative would allow Altria and the Santo Domingos an opportunity to keep a stake in the combined company.

While this is likely not intended as AB's final offer, it will put public pressure on SAB's management to discuss the formal proposition. Under U.K. takeover law, Anheuser-Busch has until October 14th to make a firm offer or it will be forced to walk away. If it doesn't bid during that time it can't renew its takeover efforts for the next six months.

The potential deal would be the biggest of 2015. According to research firm Euromonitor International, were the deal to go through the combined company would net $64 billion in annual revenue that commands 30% of global beer sales. However, any potential acquisition would not come without speculation. The two companies are the world's largest brewers and own nearly every beer in the aisle: from Budweiser to Stella Artois to Corona to Grolsch. Because of their unmatched command of the global beer market, any deal would come under the scrutiny of antitrust jurisdictions around the world. The largest of these hurdles would likely be the U.S., where AB has 45% market share and SAB controls another of 25%. Anheuser-Busch has said it would proactively seek to resolve any regulatory or contractual issues, particularly in the U.S. and China, should the deal go through.

It is not clear what will happen next, but for now the ball is in Anheuser-Busch's court.