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InBev buys Anheuser-Busch: What now?

St. Louis Business Journal - by [Kelsey Volkman](#)

Anxiety. Excitement. Disgust.

The reactions of shareholders, analysts, employees and politicians ranged the gamut Monday in response to Belgium-based **InBev** gobbling up American icon Anheuser-Busch to create a behemoth that sells a quarter of the world's beer.

Some A-B employees lament the uncertainty about job security the \$52 billion deal created and, according to analysts, their worry has merit.

White collar, middle- and upper-management positions, such as those in accounting, purchasing and human resources, could be cut to avoid duplication and trim expenses in St. Louis, which has been named the North American headquarters for the combined company.

"St. Louis will see some job losses," said Ilhan Geckil, senior economist in the Chicago office of **Anderson Economic Group**.

"Not brewing, blue-collar jobs. The taste of **Budweiser** is really important. No breweries will be closed."

Carlos Brito, CEO of InBev and now of **Anheuser-Busch InBev**, promised as much in a conference call with reporters Monday.

But he did say that A-B's cost-cutting plan, dubbed "Blue Ocean," which encourages early retirement among 13,000 employees among other efforts to reduce expenses, would still be executed.

The plan's savings should amount to at least \$1.5 billion annually by 2011, according to a joint statement from the two companies. That's \$500,000 more than the \$1 billion in savings A-B projected when it announced Blue Ocean **last month**.

"Most of the people you talk to are disappointed and worried, and there's plenty of reason for concern and disappointment," said Dan Stephen, senior vice president of **First National Bank of St. Louis**.

"But we have a diversified local economy. The job loss from early retirements and cutbacks is nothing overwhelming, nothing that we can't respond to. We'll suck it up."

Still, the melding of InBev - known for its cost-cutting, efficiency and no-frills style - and A-B, which **spent** \$782 million on advertising last year to brand what Brito calls "America in a bottle," will present a "significant culture shock," Stephen said.

"They are going to have to learn to take the best of both worlds and mesh them together," he said.

Some questions remain: With Brito now at the helm, will A-B continue its tradition of philanthropy?

Brito says yes, which is a significant departure from InBev's current practice.

Will Corona maker **Grupo Modelo**, of which A-B owns half, hold up the takeover in its effort to remain independent and assert its right to agree to its partners? Analysts say the Mexican brewer and InBev will resolve the matter.

Will politicians, who previously criticized the takeover attempt as an attack on American industry, warm up to Brazilian Brito and his Belgian company?

That depends on the elected official one asks.

"I'm disappointed," U.S. Sen. Claire McCaskill said in a statement. "Anheuser-Busch's Missouri workforce will continue to make the company one of the best in the world and I am going to do everything I can to make this new arrangement work for Missouri and the millions of Americans that love Budweiser. We need to remember that InBev could afford this all-American company because of the weak dollar created by the economic policies of the last seven years. It's time for a change in our nation's economic priorities."

St. Louis Mayor Francis Slay tried to comfort St. Louisans by pointing out that the brewery isn't going anywhere.

"Tomorrow, next week, next year, and -- according to InBev -- into the future, Budweiser and St. Louis will remain linked by the thousand bonds that history, bricks, preferences, and generations of brewery families can forge," Slay said in a statement. "And just as they do today, the other breweries that produce Budweiser beer will spare no effort to make sure the water to which they add the 'choicest hops, best barley and rice' tastes just like St. Louis water so that every Bud everywhere tastes the same."

Slay vowed to work with Brito and his executives on the transition to ensure "a strong corporate citizen down on Pestalozzi Street and a great employer for thousands of St. Louisans," he said.

"There may be a new King of Beers, but it will still be brewed in St. Louis."

Sunday's announcement of a takeover deal ends a **month** of hostility between the two companies, which traded lawsuits when InBev tried to oust A-B's board. But when InBev sweetened the deal by \$5 to \$70 a share, talks grew friendly.

"While the process was at times difficult for all parties, in the end the right result occurred for everyone," A-B President and CEO August Busch IV said in a conference call with reporters.

Busch IV will sit on the combined company's board in a non-executive role.

St. Louis-based Anheuser-Busch Cos. Inc. (NYSE: BUD), through its **Anheuser-Busch Inc.** subsidiary, is the leading domestic brewer, holding a 48.5 percent share of U.S. beer sales. The company also manufactures and recycles aluminum cans and operates theme parks.

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