Mondelēz Union Network

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Mondelez disposes European brands to disposal experts Eurazeo

What does it mean for workers?

On March 31, Mondelez officially announced the sale of a number of local European brands to French-based private equity investors Eurazeo. In keeping with the Mondelez "journey" into permanent restructuring and accelerated asset sales to fund dividends, the share price, and executive compensation, the announcement should come as no surprise.

Mondelez claim that Eurazeo is an "active, long-term investor." The record shows that they are a financial investor with a business model based on debt-funded acquisitions and a rapid 'disposal cycle'.

Eurazeo is not a food company, and doesn't claim to be – their business is built on a compressed cycle of acquisition, often funded by large quantities of debt, and divestment. On their web site, Eurazeo describes sales of their acquired companies in terms of their "advanced disposal program".

None of the companies that have gone through their disposal cycle and which they cite in support of their "proven long standing track record in managing and developing leading brands" are food companies. Their acquisitions and disposals range from pure financial operations through non-financial companies in diverse areas including car rental and parking services, surgical instruments and construction.

Long- term investors? Eurazeo acquired French construction materials maker Terreal in 2003, together with private equity investors Carlyle and Eurazeo exited its investment in 2007. In 2005, Eurazeo acquired the satellite communications company Eutelsat as part of a consortium of private equity investors. In 2007, they sold their share in the company. Eurazeo bought the B&B Hotels chain in 2005; they exited in 2010, a relatively long holding period no doubt stemming from the depressed state of the global economy during those years. The disposal cycle is anything but long. And many of the companies that have passed through their cycle have continued to struggle with their ongoing burden of debt.

A snapshot of the company's investment history is available on their website at https://www.eurazeo.com/en/company/history/history/ The terms of the Mondelez sale to Eurazeo have not been available, but can be expected to involve a high level of debt, since debt financing is key to the private equity business model. That debt will weigh heavily on workers in the new Eurazeo construction, just as it has weighed on workers at Mondelez whose efforts fund the company's high interest payments.

Here are the details of the proposed sale involving facilities and licenses in France, Spain, the UK and Central Europe:

Brands to be sold to Eurazeo

Chocolate: Poulain tablets, 1848, Terry's (incl. Terry's Chocolate Orange) seasonal and gifting chocolates

Chocolate drinks: in France, Poulain, 1848; in DACH, Kaba, Benco, Kakao Express, Suchard Express

Candy: Carambar (including Very Bad Kids), La Pie Qui Chante (including Michoko, Stoptou), Krema, Dulciora

Licenses to be granted to Eurazeo

Chocolate: Suchard pralines

Chocolate drinks: in France, Suchard, Milka; in DACH, Suchard (as part of the Kakao Express brand); in Austria, Bensdorp; in Away From Home Europe, Suchard

Candy: Vichy (under license in France)

Bubble gum: Malabar (under license in France)

The deal will transfer production of these brands to five plants in France (Marcq-en-Baroeul, Blois, Saint-Genest, Vichy, and Strasbourg) to be owned and operated by Eurazeo. Current production of these brands in Spain and Central Europe will be transferred to the new company in France.

***The Mondelez factory in Valladolid, Spain will close, with the elimination of 232 jobs*.**

Unions can anticipate presentations welcoming them to the new company which omit the key financial elements and the business plan. They should demand detailed information on the finances of the deal, including the details of the debt, without waiting for regulatory approval. And they should brace and organize for tough bargaining with a financial owner whose business is built on exiting the investment in the shortest possible time. You can find some helpful guidelines to collective bargaining with a company under private equity ownership in the IUF's *Private Equity and Collective Bargaining* at http://www.iufdocuments.org/www/documents/Private%20Equity%20and%20Collective%20Bargaining-e.pdf

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