

# Private equity cited as bidder for Cott

**Shirley Won**, Globe & Mail

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Any takeover bid for soft-drink maker **Cott Corp.** would likely include such private equity players as Blackstone Group and Lion Capital, suggests CIBC World Markets analyst Richard Piticco.

"Those are the parties that we think would be the most logical," Mr. Piticco said yesterday after Cott adopted a shareholder rights plan to protect against "opportunistic and unfair takeover tactics."

The soft-drink maker recently confirmed it has had talks with potential buyers following media reports that it had met with private equity firms about joining Cadbury Schweppes PLC's American beverage unit, which sells Seven-Up and Dr Pepper.

U.S.-based Blackstone and British-based Lion Capital made a successful joint bid for the Cadbury's European beverages arm in 2005, and "there could be synergies in Europe by combining those two businesses," Mr. Piticco said. "Cott has operations in the European market."

Toronto-based Cott, which announced yesterday it had swung to a first-quarter profit, has said it responded to "interested parties" after being approached to explore potential benefits of possible industry consolidation.

But Cott chief executive officer Brent Willis told analysts that he is not aware of any pending takeover bid, and that its shareholder rights plan is aimed at providing the board with more time to review a potential offer and take action to enhance shareholder value.

If there is a creeping takeover bid or an offer for more than 20 per cent of Cott shares, existing shareholders could acquire shares at below-market prices.

The rights plan is "not a poison pill" to prevent a hostile takeover bid, which is more common in the United States, Mr. Willis said.

"We believe it will have zero impact on any potential transaction that the board believes is in the interest of shareholders."

During the conference call, Mr. Willis said "2007 is off to a good start" with a return to profitability, but acknowledged it was still too early to describe Cott as having engineered a "successful turnaround" yet.

Cott, a key supplier to Wal-Mart Stores Inc. and other retailers, has been cutting costs and closing plants amid declining demand for carbonated soft drinks.

International sales were strong, up nearly 26 per cent compared with the same period a year ago.

The company is expanding into such new areas as ready-to-drink teas, energy drinks and sports drinks and flavoured waters, Mr. Willis added.

Analyst **Peter Holden** of **Veritas Investment Research** said he believes any potential takeover bid would come from financial players as opposed to strategic players like U.S. beverage giants Coca-Cola Co. or PepsiCo Inc.

Any merger of Cadbury Schweppes beverage arm with Cott would create a stronger - although still a distant No. 3 - player behind the U.S. giants.

Cott Corp.

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