

EABL takeover deal frozen by UK court

By [Titus Kaloki](#)

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A bid by East African Breweries Limited (EABL) to end its partnership with competitor, South African Breweries Miller (SABMiller), and join another brewer was put on hold by a UK court. In a ruling passed on Tuesday, 18 August 2009, Diageo - majority shareholder in EABL with a 50% stake - and SABMiller were ordered to begin an arbitration process.

The process is expected to start in the coming days to search for a middle ground of breaking up the seven-year marriage.

"The High Court in London has granted SABMiller an injunction which stops East African Breweries Limited from purchasing Serengeti Breweries Ltd (SBL)," said a summary of the High Court judgment.

EABL want a stake in Tanzania's SBL which SABMiller says is a breach of contract signed by the two back in 2002 and it also wants to end its contract with Tanzania Breweries Limited, which is 52.8% owned by SABMiller, under which TBL manufactures and sells EABL brands in Tanzania.

EABL joined Tanzania Breweries Limited (TBL), in which SABMiller has a 52% stake, under the agreement signed in 2002. SABMiller agreed to sell 20% of TBL to EABL in exchange of a similar stake in its Kenyan subsidiary.

This deal saw SABMiller exiting Kenya as a direct competitor to EABL, and the latter did the same in Tanzania. The two firms were supposed to manufacture and distribute each other's flagship brands.

EABL is currently getting a worse deal from the current arrangement with SABMiller as it gives more profits to the latter than it receives in return.

According to *Business Daily UK*, The partnership agreement is said to have lapsed 18 months ago but EABL was reluctant to renew it citing poor positioning of its brands in Tanzania. EABL officials say they intend to see the process through. Buying into Serengeti, which is estimated to command a 17% market share, would see EABL boost its command to 29%,

"It does not imply the basis on which we gave the notice was incorrect. We acted in accordance with the process," said Ken Kariuki, corporate affairs manager of EABL, on the injunction passed by the London High Court.

"We are clear that our future in Tanzania lies with Serengeti Breweries."

EABL will have to wait before it can consummate its partnership with Serengeti Breweries, TBL's main rival. Some sources indicated the injunction would run until 2011, delaying EABL's intentions to increase its market share in Tanzania.

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