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North America

AB InBev/Grupo Modelo approved in Mexico

Katy Oglethorpe • Thursday, 22 November 2012 *(Yesterday)*

Mexico's Federal Competition Commission has unconditionally approved Anheuser-Busch InBev's (AB InBev) US$20 billion acquisition of Grupo Modelo – paving the way for the biggest deal in the country's history.

Grupo Modelo makes the popular Corona beer

The deal sees AB InBev gain sole ownership of Grupo Modelo, of which it previously held a 50.35 per cent share. The merged company will control approximately 55 per cent of Mexico's beer market. Heineken-owned FEMSA Cerveza has most of the remaining market share.

Grupo Modelo, whose brands include Corona beer, is Mexico's largest brewer. Budweiser-producer AB InBev is headquartered in Belgium and operates in more than 23 countries globally.

Following a three-month review, the commission found the transaction would not have any adverse effects on competition, as it was only a consolidation of AB InBev's existing influence.

"AB InBev does not produce, distribute or commercialise its products in Mexico, given that Grupo Modelo distributes the AB InBev products," says the commission. "In addition, the presence of AB InBev's products in the beer market is marginal."

The authority says FEMSA Cerveza is a strong competitor and that its influence would restrain any anti-competitive behaviour by the merged parties.

As well as the beer market, the commission also analysed the merger's effect on convenience stores, the production and distribution of bottled water and the manufacture of glass bottles, but found that AB InBev did not have a share of any of these markets.

The commission also considered the role of beer substitutes including low-alcoholic drinks and wine, in reducing the impact of the deal.

Fernando Carreño at Von Wobeser y Sierra Partners represented AB InBev. He says the merger's approval, and the fact it was granted unanimously, is a key step in the deal's global success.

It was very important to get the clearance despite the size of the transaction and the importance of the companies involved," he says. "Mexico is the main jurisdiction affected by this transaction as Grupo Modelo is based here and Mexico is the main market in which they operate."

Carreño says the approval is even more welcome considering the authority's recent prohibition of the Nestle/Pfizer tie-up.

The deal has already received unconditional clearance in the UK and Canada, and is awaiting approval in Europe and the US. Carreño says its main challenge is receiving US approval, but says the Mexican and US authorities have been in contact over the merger, and that clearance in Mexico should have a "definite impact" on whether the US Department of Justice's (DoJ) antitrust division clears the deal.

AB InBev has already agreed to sell its 50 per cent share of Crown Imports, a distributor of Grupo Modelo's beers, for US$1.9 billion to reduce market concentration and to increase its chance of gaining US antitrust approval.

A DoJ decision is expected in early January.

Counsel to AB InBev

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