

Beatrice Cos. Agrees to Sell International Food Operation

TLC Group to Acquire Units In a Leveraged Buy-Out Valued at \$985 Million

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CHICAGO—Beatrice Cos., which has long been trying to peddle its sprawling international food businesses, agreed to sell them to TLC Group L.P., a New York investment concern, in a \$985 million leveraged buy-out.

The purchase price, which is below a premium, considering the international businesses' 1986

sales of \$2.5 billion, reflects the difficulties of running the farflung operations that Beatrice has assembled piecemeal since the 1960s. Although the international unit had pre-tax profit of \$147 million last year, its margins in recent years have been lower than the company's U.S. food operation.



Donald P. Kelly

The international operation, which TLC plans to split up, consists of 64 companies in 31 countries. It features a diverse product lineup including sausages, ice cream and fruit juice. It has been on the block since shortly after April 1986, when Beatrice was taken private in a \$6.2 billion buy-out by Kohlberg Kravis Roberts & Co., a New York investment concern.

As previously reported, Donald P. Kelly, Beatrice's chairman, has discussed selling the unit with several major food companies, including Pillsbury Co., but most potential customers wanted only pieces of the business.

Canadian Unit to Be Sold

Yesterday, the owner-to-be wasted no time initiating a breakup strategy. TLC agreed to sell Beatrice Foods Canada Ltd. to Onex Corp., a Toronto-based investment concern, for about \$300 million Canadian (U.S.\$226 million) in a leveraged buy-out. The Canadian business had pre-tax profit of U.S.\$27 million last year, or about 19% of Beatrice's international food total, on sales of U.S.\$367 million.

Selling the Canadian business will help TLC Group complete its financing on the rest of Beatrice international operations.

TLC Group said yesterday that it has "a firm commitment" from Drexel Burnham Lambert Inc., its investment banker, to finance its acquisition. A Drexel spokesman said he expects the financing to come through a combination of bank loans and high-yield bonds. Drexel financed the Kohlberg Kravis buy-out of Beatrice last year.

For three-year-old TLC Group, run by Reginald F. Lewis, Beatrice's international operations are by far its largest acquisition. In 1984, it acquired New York-based McCall Pattern Co. for \$24.5 million and sold it earlier this year to investors led by John Crowther Group PLC, a British textile concern, for about \$85 million.

European Operations

Mr. Lewis apparently has ready buyers for some of his new European operations. Certain co-owners of Beatrice international lines—such as the Ballve family of Madrid, who sold Beatrice its interest in their Campofrio meat concern in 1977—have been trying to persuade Mr. Kelly to let them repurchase Beatrice's stakes, sources said. Some co-owners feared the sale of Beatrice's stakes to investors they didn't know, and the Ballves have said through their attorney that they are considering a lawsuit to halt such a transaction.

Mr. Kelly said yesterday that none of the co-owners have buy-back agreements with Beatrice and he doubts their ability to throw a legal wrench into the sale to TLC Group.

Mr. Lewis, reached yesterday in Nice, where he is taking French language lessons, said he "is looking forward to meeting (the foreign co-owners) and continuing an arrangement to our mutual benefit." He wouldn't elaborate, except to add that he has "no plan to dispose of a significant part" his new holdings.

For Beatrice, selling the international operations will reduce its debt to roughly \$1 billion, or one-sixth of its total following the Kohlberg Kravis buyout last year. That reduction includes Beatrice's plan, announced separately, to purchase any and all shares of the \$507.4 million of 11%, 10-year notes it had outstanding as of last Wednesday, at a price of \$1,037.50 apiece, plus accrued interest to the purchase date of Sept. 4 for each \$1,000 principal amount of notes. The offer will expire at 5 p.m. New York time Sept. 3.

For Beatrice, the sale of the international operations means Mr. Kelly has achieved his goal of stripping the company down to its U.S. domestic food core, led by its Hunt's tomato products and Wesson cooking oil lines. The trimmed-down Beatrice may be sold or taken public, Mr. Kelly has said.