

Keurig, maker of single-cup coffee machines, is being sold

December 7 2015, by Joseph Pisani



In this Oct. 7, 2010, file photo, a Green Mountain Coffee single-serving brewing cup is seen in a Keurig machine in Montpelier, Vt. Keurig, the single-cup coffee machine maker, said Monday, Dec. 7, 2015, that it has agreed to be sold to

private equity firm JAB Holding Co. for almost \$14 billion. (AP Photo/Toby Talbot, File)

The battle over the world's coffee drinkers is getting hotter.

Keurig, the maker of single-cup coffee machines that sit on millions of kitchen counters, agreed to sell itself Monday for almost \$14 billion. The buyer, JAB Holding Co., is a private company with a growing java business.

Fans of Keurig may not see much of a difference in their caffeine fix. JAB Holding said Keurig will operate independently and remain in its headquarters in Waterbury, Vermont.

The Keurig deal will help boost JAB Holding's already robust coffee empire. The Luxembourg-based company has a controlling stake in Jacobs Douwe Egberts, the company behind Gevalia, Tassimo and many other brands. It also has stakes in Peet's Coffee & Tea and Caribou Coffee, two companies that already have deals in place to make coffee pods for Keurig machines.

Buying Keurig will get JAB Holding closer to coffee market leader Nestle, said Stifel analyst Mark Astrachan, in a note to clients. He also said that JAB Holding may try to sell more Keurig brewing machines internationally.

Outside of coffee, JAB Holding has stakes in beauty products maker Coty and high-end shoe seller Jimmy Choo.

The deal comes as Keurig has reported slowing sales of its machines and K-cups, the coffee-filled pods that are used in Keurig's machines. Sales

of K-cups, which accounted for more than 80 percent of Keurig's revenue, rose 1 percent to \$3.6 billion in the year ending Sept. 26. Sales of its machines fell 23 percent to \$632.6 million in the same period.

Its stock has suffered too, falling nearly 61 percent since the beginning of the year .

But JAB Holding sees value in Keurig: It offered \$92 for each share of Keurig, a 78 percent premium from the stock's closing price of \$51.70 on Friday. The deal jolted shares of Keurig Green Mountain Inc. up nearly 72 percent to close at \$88.89 Monday.

In September, Keurig moved beyond coffee. It launched Keurig Kold, a \$300 machine that makes single-glasses of Coca-Cola and other sodas. Coca-Cola Co. is Keurig's largest shareholder with a 17.4 percent stake, according to FactSet. The deal value's Coca-Cola's stake at about \$2.4 billion. The world's largest soda maker said Monday that it supports the sale to JAB Holding.

The deal is expected to close in the first quarter of next year.

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