

Monday August 7, 2000 6:21 pm Eastern Time

Charles Bronfman Said Eyeing Bid For Seagram Liquor Unit

By Sue Zeidler

LOS ANGELES, Aug. 7 (Reuters) - Seagram Co. Ltd's co-chairman Charles Bronfman, whose father founded the business, may make a multi-billion bid for Seagram's liquor division, which is being sold in the merger with Vivendi of France, industry sources said on Monday.

Seagram Co. Ltd. (Toronto: VO.TO - news) on Monday declined to comment on the speculation, which also has been reported in various newspapers. The liquor business is home to such brands as Absolut vodka and Chivas Regal and is expected to fetch about \$7 billion.

The New York Times on Monday cited sources as saying Bronfman had hired investment bank Bear Stearns to prepare the bid for the liquor division. A spokeswoman for Bear Stearns declined comment.

“There's no surprise that a family member would want to buy this, but even if an offer is generated, the list of other potential bidders is going to be expansive,” Lloyd Greif, president of investment banking firm Greif & Co., told Reuters.

British food and beverages company Diageo Group Plc (*quote from Yahoo! UK & Ireland: DGE.L*) also is considered a strong contender for the Seagram liquor business, particularly after Diageo, owner of Johnnie Walker whisky and Smirnoff vodka, recently sold control of its food unit, giving it extra cash for an acquisition. “There are certainly some brands within the Seagram portfolio that we think are excellent brands,” Diageo finance director Nick Rose told Reuters in mid-July.

Analysts in Europe also have said Britain's Allied Domecq (*quote from Yahoo! UK & Ireland: ALLD.L*), France's Pernod-Ricard SA and U.S. private equity group Hicks, Muse, Tate & Furst are likely bidders.

The Bronfman family owns 24 percent of Seagram and many industry watchers have said that family members want to keep the liquor unit family-owned.

Charles Bronfman is the uncle of Edgar Bronfman Jr., the chief executive of Seagram, who in five years has taken it from a liquor business with a highly-profitable 24 percent

stake in Du Pont into an entertainment titan that owns everything from theme parks and a movie studio to the world's largest music company. The Bronfmans have been running Seagram for 76 years since Edgar Bronfman's grandfather Samuel Bronfman bought Joseph Seagram Co.

“Charles Bronfman would certainly have an advantage over other bidders because of his inside knowledge of the business as well as his relationships, not just with the seller, but with all the joint venture partners that Seagram has in the liquor side of the house,” said Greif.

One disadvantage Bronfman may have is the sheer size of some of the competing bidders, who will also have synergistic attributes they can bring to bear on their bids, analysts said. Bankers suggested Bronfman may choose to team up with a strategic partner to make his bid as competitive as possible.