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Unilever, C-P to ax big brands

Ajax, Fab, Mentadent seek buyers as parent companies focus on core

By JACK NEFF

NEARLY A DOZEN famous package-goods brands, including Ajax, Fab and Pepsodent, are up for sale as parents Unilever and Colgate-Palmolive focus on core products.

Whether there are enough buyers for the orphan brands remains to be seen. Clorox Co., Dial Corp. and Reckitt Benckiser have each publicly indicated they would like to make acquisitions. But some previous purchasers of brands cast off by major marketers have run into trouble and are now looking to shed those assets.

"In some cases, buyers are finding the big companies had a good reason to not support and get rid of these brands," said Lloyd Greif, principal of Greif & Co., a Los Angeles investment bank. "Buyers need to realize these are often difficult turnarounds," he said, adding that sellers might have to accept lower prices or shoulder some of the risk or financing.

Unilever brands currently on the block in North America include Mentadent toothpaste and toothbrushes; its stable of value-priced toothpastes, including Aim, Close Up and Pepsodent; Sunlight dish detergent; Final Touch fabric softener; Niagra spray starch and Rit fabric dyes. The divestitures are part of a five-year "Path to Growth" restructuring program.

Unilever declined to comment on the sales. But a spokeswoman said the company continues to support its toothpaste portfolio, citing a recent endorsement deal with tennis star Serena Williams for Close Up.

Colgate has contacted potential buyers about its U.S. laundry-detergent business and at least part of its household-cleaners business, including Fab and Dynamo detergents and Ajax. Colgate is also considering selling Murphy's Oil Soap, said one executive familiar with the situation.

MANAGING FOR PROFIT

A Colgate spokesman said she could not comment on "industry speculation." But Chairman-CEO Reuben Mark has made no secret that he's managing the household-products business for profit rather than share growth. In a February conference call, he said the company would sell its detergent business "when we can."

Orphan brands, which have typically seen declining market shares and marketing support, tend to sell at bargain prices, Mr. Greif said, ranging from four to six times cash flow. In contrast, entrepreneur-owned brands with rising shares and support tend to fetch as much as twice that.

Aurora Foods, which could be delisted from the New York Stock Exchange, is seeking buyers for several of its brands after its second bout of problems with promotion accounting in five years and the departure of former CEO Jim Smith.

Hicks Muse Tate & Furst, the financial group that owns Pinnacle Foods, also is looking to sell its brands, which include Vlassic pickles and Swanson frozen dinners, according to people familiar with the situation. One executive said the move was motivated by concerns over potential for an accelerating decline of the brands.

NOT A CLASSIC ORPHAN

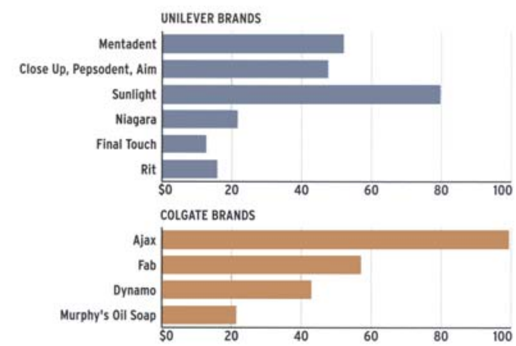
"All these businesses have a buyer eventually, but you have to make them healthy first," said Bob Sperry, exec VP, Pinnacle Foods. "We still have some work to do, and right now we are more apt to buy than to sell."

Though not a classic orphan, Playtex Products also is adding to the brand glut. The company went on the market earlier this year and hopes to find a buyer by June. Its brands include Playtex tampons and infant products, Banana Boat sun screen and Woolite household cleaners. CEO Michael Gallagher earlier this year characterized buyer interest as "robust."

Some orphan-brand companies not on the market also are under growing pressure. Redox, in which Procter & Gamble Co. is an investor, has seen steep double-digit declines in sales of both its Oxydol and Biz laundry products in the past year, according to Information Resources Inc. Shansby Group, which acquired P&G's Comet cleanser in 2001, sold it earlier this year to Prestige Brands. The investment group's principal, Gary Shansby, said Comet's decline appeared irreversible, although Spic and Span, another brand he required from P&G, is showing more promise due to line extensions that have offset declines in the core business.

ON THE BLOCK

Sales estimates for brands up for grabs (in millions of dollars)



Source: Information Resources Inc., Ad Age estimates. Retail sales exclude Wal-Mart Stores, club and dollar stores.