

## DoJ reaches deal to end AB-InBev/Modelo challenge

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**The US government has agreed to drop its lawsuit against AB-InBev's US\$20 billion deal for rival brewer Grupo Modelo more than two months after the brewers pledged to alter the deal and squelch antitrust concerns.**

The settlement agreement ends what had promised to be one of the most high-profile and, for antitrust observers, fascinating merger challenges of the past decade – a challenge that practitioners believed would have hinged on the parameters of an evolving US beer market.

The brewers struck the deal in January. Under the original agreement, AB-InBev, the largest brewer in the US, would buy out the shares of US import leader Grupo Modelo that it did not already own. AB-InBev owns and brews top US brands Budweiser and Bud Light, while Corona, the country's most popular imported beer, is brewed by Mexico-based Modelo.

Prosecutors from the Department of Justice's antitrust division sued to block the deal soon after it was announced, claiming that the merger would squash the competitive pricing pressure Modelo put on AB-InBev and its largest rival, SAB Miller, leading to higher prices for the country's beer drinkers.

The companies submitted their revised deal on 14 February, and negotiations between the companies and government prosecutors have been active since then.

Now, the companies have agreed to a package of remedies that will require AB-InBev sell Modelo's entire US beer business to third party Constellation Brands before closing the deal.

According to the terms of the agreement, Constellation Brands will buy a major Modelo brewery and bottling facility in Piedras Negras, Mexico, exclusive and perpetual licences to all of Modelo brand beers sold in the US, and the part of distribution company Crown Imports that it does not already own.

The licensed US brands Constellation will take over include Corona, Corona Light, Modelo Especial, Pacifico and others, along with three brands that are not yet offered in the US market. In exchange, Constellation has committed to expand the capacity of Piedras Negras, already Modelo's largest and most technologically advanced brewery, to meet current and future demand in the US market.

"This is a win for the \$80 billion US beer market and consumers," says Bill Baer, head of the antitrust division. "If this settlement makes just a one per cent difference in prices, US consumers will save almost \$1 billion a year."

The settlement must still be approved by the US District Court in Washington, DC.

In a statement, AB-InBev says that once the court approves the settlement, the buy-out will have cleared all of its regulatory hurdles and should close by June.

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Comments

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