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R.J. Reynolds to buy Sunkist for \$57 million

By Keith Herndon

Staff Writer

R.J. Reynolds Industries Inc. has announced that it has entered an agreement to purchase Atlanta-based Sunkist Soft Drinks Inc. for \$57 million in cash.

RJR said Tuesday that it plans to add the soft drink company's Sunkist Orange and Diet Sunkist to its Del Monte Corp. line of products, which already includes Canada Dry and Hawaiian Punch beverages.

Sunkist Soft Drinks was created in 1977 as a subsidiary of Boston-based General Cinema Corp., the nation's largest theater operator and a major soft-drink bottler.

Although Sunkist drinks contain no real fruit juice, they are sold under the Sunkist trademark through an exclusive licensing agreement with California's Sunkist Growers Inc., a citrus cooperative.

The company test-marketed its first product in 1978, and now commands just under 2 percent of the total soft drink market, said Jesse Meyers, publisher of Beverage Digest, an authoritative industry newsletter. Orange-flavored sodas account for 6.8 percent of the total soft drink market, up from 3.2 percent in 1973, Meyers said.

"As the leading national brand of orange-flavored soda, Sunkist would bring an added dimension to our beverage business and is expected to add significantly to Del Monte's substantial position in the growing non-alcoholic beverage business," said J. Tylee Wilson, chairman and chief executive officer of RJR.

Meyers called the acquisition "a perfect fit" for RJR.

"Colas occupy 60 percent of the soft drink market. This is the first major move to isolate that other '40 percent,'" Meyers said. "I sincerely believe that this is just the opening play for RJR. There's much more to come from them."

General Cinema said it decided to sell the subsidiary because it could not offer the financial and marketing support necessary for it to reach its potential.

"R.J. Reynolds can give Sunkist products sustained support, especially in the international arena where Reynolds has an established presence," said Richard A. Smith, General Cinema's chairman and president.

General Cinema said it will continue to distribute Sunkist products through its bottling operations. General Cinema is the largest independent bottler of Pepsi-Cola. It also bottles Dr Pepper and 7-Up.

For RJR, the acquisition marks the first major move since it sold Aminoil USA Inc. and Geysers Geothermal Co. to Phillips Petroleum Co. for \$1.7 billion last month as part of a plan to concentrate on consumer products.

R.J. Reynolds uncaps deal with Sunkist

By Doug Carroll
USA TODAY

Sunkist Soft Drinks Inc. is the newest subsidiary of R.J. Reynolds Industries Inc.

Reynolds signed a letter of intent Tuesday to buy the outstanding stock of Sunkist — the USA's top-selling orange soda — from General Cinema Corp. for about \$57 million in cash. Sunkist will become part of Reynolds' Del Monte Corp.'s franchise beverage operations, which also include Canada Dry and Hawaiian Punch.

Reynolds sold its energy subsidiaries, Aminoil and Geysers Geothermal Co., to Phillips Petroleum Co. last month as part of a plan to concentrate on consumer goods.

"I think it's positive. Reynolds has a great deal more in resources to use for marketing and promotion than General Cinema did," said Bonnie Cook of J.C. Bradford Inc.

Reynolds, with about \$14 billion in 1983 revenues, spent \$57 million for Sunkist, a move that also will increase the distribution system for its other soft drinks, Cook said.