Britain's Tesco buys wholesaler Booker for $4.7bn

LONDON - Supermarket chain Tesco, Britain's biggest retailer, announced Friday it has agreed to purchase food wholesaler Booker for £3.7 billion ($4.7 billion, 4.4 billion euros).

Picture: Adrian Dennis

The blockbuster transaction -- billed as a merger -- will hand Tesco investors a majority stake in the combined company and create Britain's leading food business, the pair said in a statement.

Tesco, which has been troubled in recent years by an accounting scandal and fierce domestic competition from German-owned discounters Aldi and Lidl, added it was seeking to "enhance" its growth prospects.

"Tesco has made significant progress in turning around our UK retail business," said Chief Executive Dave Lewis.

"This merger with Booker will further enhance Tesco's growth prospects by creating the UK's leading food business with combined expertise in retail, wholesale, supply chain and digital.

"Wherever food is prepared and eaten -- 'in home' or 'out of home' -- we will meet this opportunity with the widest choice and best service available."

The group expects annual pretax synergies of at least £200 million within three years of completion. It also aims to achieve £175 million of extra cost savings in areas like distribution and procurement.

"By bringing together Tesco and Booker's retail and wholesale expertise, supply chain and digital capabilities, the combined group will be able to provide greater choice, quality, price and service in the food market, whilst improving efficiency and reducing food waste," the statement added.

"The combined group will bring together the capacity and capability to generate new growth and deliver significant revenue and cost synergies."

The cash-and-shares transaction will hand Booker 16 percent of the new company. Booker investors will receive 0.861 new Tesco share and 42.6 pence in cash for every share they own. The deal -- worth 205.3 pence per share -- represents a 12 percent premium on Booker's closing share price on Thursday.

It is expected to complete in late 2017 or early 2018, subject to shareholder and regulatory approvals.

Source: AFP