



COMPANIES UK: Cobra strikes out for market expansion with £27.5m fundraising

By David Blackwell
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Cobra Beer, producer of thirst-quenching beers and lagers for curry lovers, has raised £27.5m for expansion.

The company last summer was looking at plans for a flotation that would value it at about £50m. However, it has secured £25m in the form of 15 per cent payment in kind (PIK) notes issued by Och-Ziff Capital Management, the US hedge fund.

In addition, it has raised £2.5m through a placing of new ordinary shares to private and institutional investors at a price valuing the total equity at £80m.

Lord Bilimoria, founder and chief executive, said the financing was the biggest undertaken in the company's history. "We have decided to take the brand to the next level before the float."

Although the bottled beer is available in 90 per cent of the UK's Indian restaurants, the draught is only in 33 per cent. Supermarkets are starting to take up the brand, and it has just started appearing in pubs and bars.

Just over a year ago the company - which subcontracts its brewing to Wells in the UK and other brewers in Belgium, the Netherlands and Poland - started production in India. Lord Bilimoria said he expected India to overtake the UK as its main market within five to 10 years.

The company will use £13m of the proceeds to redeem all its convertible cumulative preference shares a year early. The remainder will be used to fund expansion in the UK and India, and to expand draught capacity in the UK.

The PIK notes take the form of subordinated unsecured loan notes on which interest is paid through the issue of more notes on similar terms. The Och-Ziff notes are due for redemption in 2013, but the company can choose to repay them at any time after one year.

The growth of the business, which has notched up retail sales of £80m in the past 12 months, has averaged more than 40 per cent over the past 10 years. It has been financed from multiple sources, including cash flow, government-guaranteed loans and equity investment by wealthy individuals.

Lord Bilimoria, who owns about 70 per cent of the equity, expects to start preparing for a float on either Aim or the main market in two to three years' time.