BlueTriton FACT SHEET

In March 2021, Nestlé sold its struggling North American bottled water brands to a pair of private equity firms: One Rock Capital Partners and Metropoulos & Co. In April the company's new owners revamped its corporate identity as BlueTriton Brands. As BlueTriton's new chairman and CEO, billionaire investor Dean Metropoulos wields considerable control over the company. He also follows a well-documented set of investment practices. Examining his playbook sheds light on the probable outcome for BlueTriton's bottled water brands—as well as the communities, ecosystems, and local economies impacted by their operations.

Metropoulos & Co. is an investment firm with a reputation for flipping classic yet struggling American brands like Twinkies and Pabst Blue Ribbon. Metropoulos is not a buy-and-hold company like Nestlé. Rather, it is a buy-and-sell company that acquires underperforming brands, streamlines operations to cut costs, and implements risky financial tools to extract value before selling to investors at a profit. The turnaround from purchase to sale typically takes only four to seven years.

In fact, a short-term exit strategy is spelled out on the very first page of the Metropoulos playbook: the leveraged buyout. This refers to a company buyout that is funded primarily through debt. To acquire Nestlé Waters North America, Inc., Metropoulos and One Rock used $1.1 billion of their own cash, a $350 million line of credit, and $3.2 billion of junk bonds. There is a strong incentive for the investment firms to sell BlueTriton before these high-yield loans are due in 2028.

The next page of the Metropoulos playbook is to maximize profit in preparation for resale. The company's prominent acquisition of Hostess, the bankrupt Twinkies maker, illustrates how this is done. Metropoulos and investing partner Apollo Global Management acquired Hostess in 2012 through a $500 million leveraged buyout. Just four years later, the private equity firms sold the company for a nearly 2 billion dollar gain. From 2012 to 2016, the company's new owners streamlined operations to cut costs. They slashed jobs and wages, outsourced labor, and shunned and busted unions. Production became highly automated. Unsafe working conditions were condoned. One major factory was reopened only to close a year later, leading over 400 people to lose their jobs. Finally, the company employed risky financial tools that burdened Hostess with debt while yielding large cash payouts for shareholders. Metropoulos has used some of the same strategies to flip brands like Pabst Brewing Co. and Bumble Bee Tuna.

In 2016, Metropoulos and Apollo sold Hostess to a Special-purpose acquisition company, or SPAC, in which they retained a 42% ownership stake. SPACs are the final page in the Metropoulos playbook. Also known as blank-check companies, these are shell-like corporations that go public with the sole aim of raising cash to acquire an unspecified private company. Recently, SPACs have garnered attention as an easier alternative to a traditional public offering. However, financial studies have concluded that they tend to perform more poorly than the broader market. In short, most SPACs have nothing to do with companies' long-term performance, and everything to do with quick profit for opportunistic investors.

This sums up the Metropoulos playbook, from junk debt to blank checks. What can we expect from BlueTriton's bottled water brands under the ownership of Metropoulos and One Rock? Most likely modifications geared toward short-term profit, with no regard for the long-term health of the company—let alone workers, local economies, community assets, and natural resources.