

US group in £10bn move ● UK brand vows to fight for its independence

# Cadbury snubs Kraft offer

By Jenny Wiggins in London

Cadbury vowed to mount a vigorous fight to retain its independence after an unsolicited £10.2bn (\$16.7bn) takeover move for Britain's best-known chocolate brand from US food group Kraft.

The confectionery group yesterday rejected the cash and stock approach from Kraft, valuing the company at 745p per share – a 31 per cent premium to its closing price on Friday.

It claimed the approach “fundamentally undervalued” the company, which has sold cocoa and chocolate since its foundation by John Cadbury in Birmingham in the early 1830s, due to the strength of its brand name around the world.

“It’s a jewel,” one person close to the company said. “And it has a global footprint that people will die for.”

Kraft said Cadbury’s brands, which include Flake and Wispa chocolate bars as well as Trident and Bubbalo chewing gum brands, would help it become a “global powerhouse” in snacks and confectionery. A combined company would rank as the world’s biggest confectionery group with a market share of nearly 15 per cent.

Irene Rosenfeld, Kraft’s chief executive, said: “It’s a portfolio of beloved iconic brands with a very strong heritage.”

Ms Rosenfeld would not comment on whether Kraft would raise its offer for Cadbury, but analysts suggest it will have to offer between 800p and 900p per share and enrich the cash element to bring the company to the negotiating table.

Cadbury’s shares closed up 88 per cent at 783p.

She added that Kraft hoped to engage in friendly negotiations with Cadbury but did not rule out a hostile offer.

Cadbury said it hoped Kraft’s move would trigger interest from other buyers. But analysts are sceptical that Cadbury would attract a competing bid.

Nestlé could be interested in Cadbury’s gum business but it cannot buy its chocolate business for antitrust reasons, according to analysts. Mars, now the world’s biggest gum

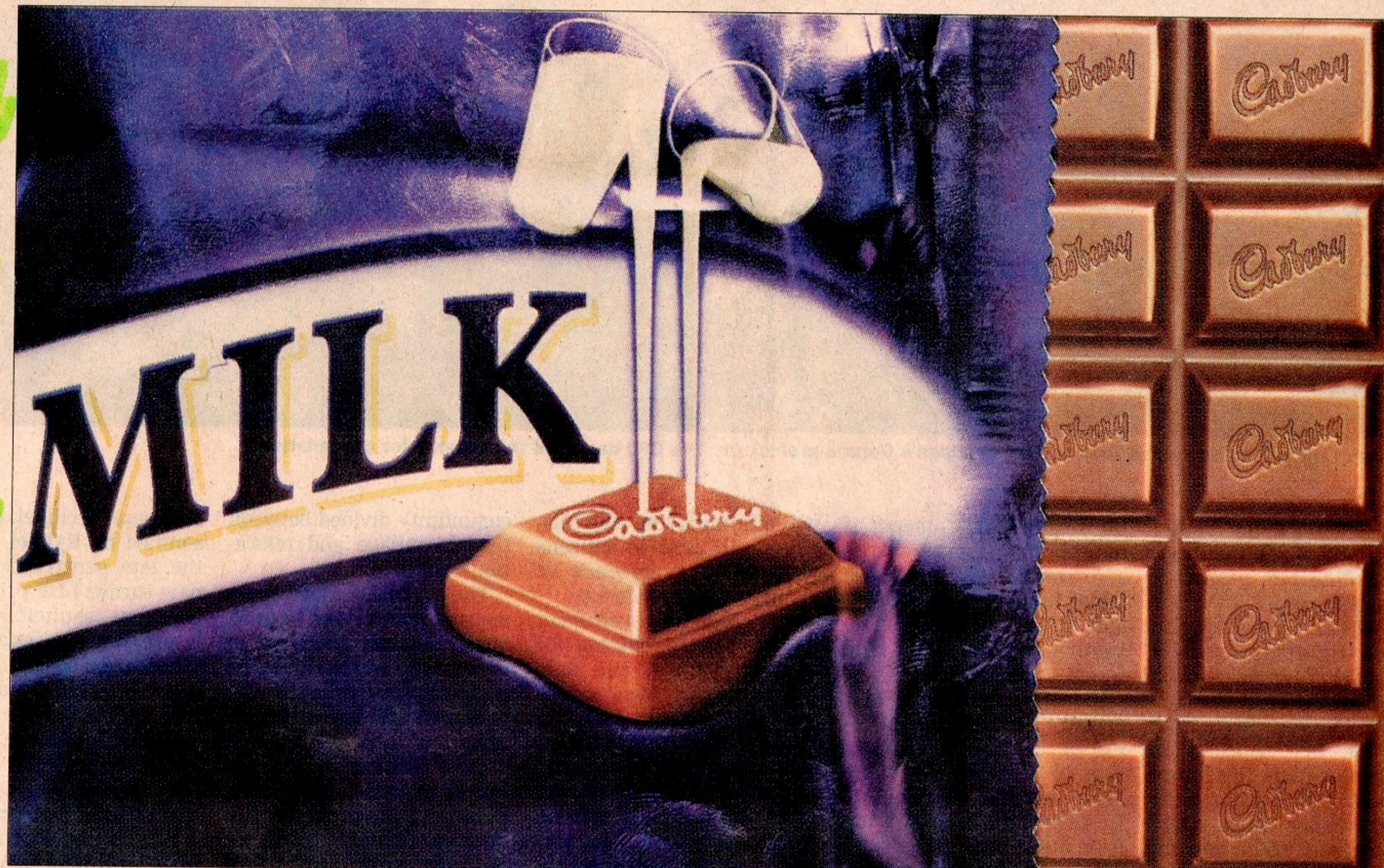
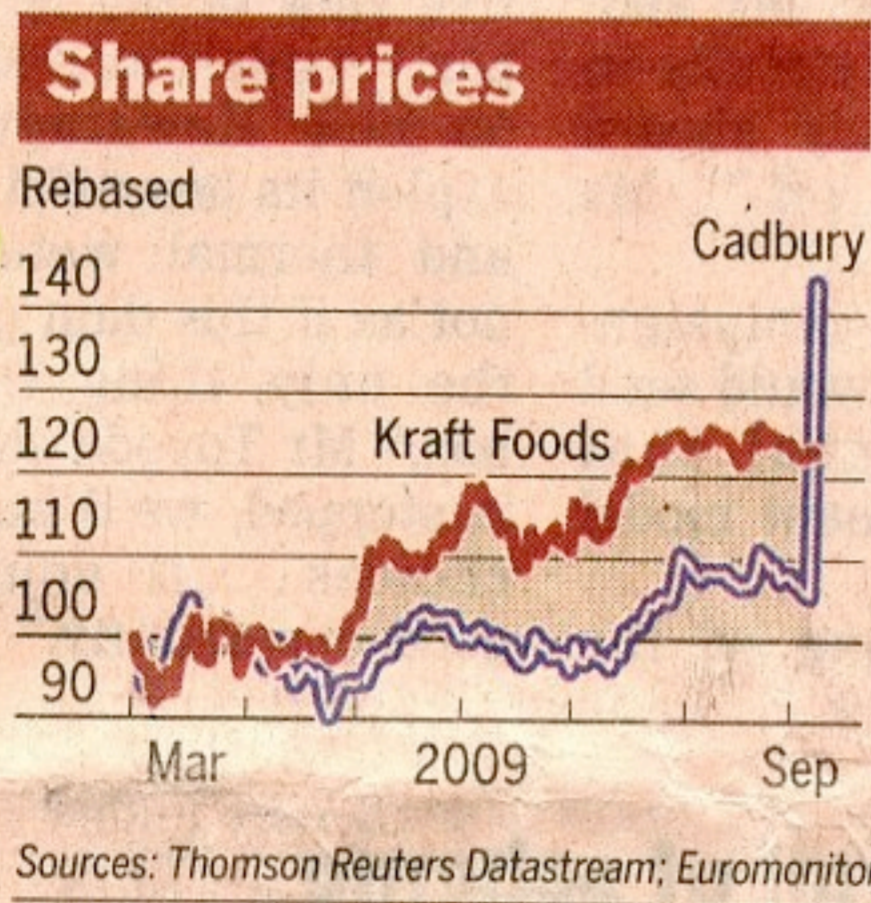


Photo: Getty Images



### How they compare

	Cadbury	Kraft
Employees	45,000	98,000
Sales	\$9bn	\$42bn
Countries operating in	60	45

### Confectionery

Top market shares worldwide, 2008

Cadbury/Kraft	14.8%
Mars Inc	14.8%
Nestlé SA	7.6%
The Hershey Co	4.8%

company after acquiring Wrigley last year, is also ruled out for antitrust reasons, while Hershey, Ferrero and Perfection are too small to make counterbids.

Kraft has long been considered the most suitable partner for Cadbury due to the complementary nature of the businesses. Kraft has a strong presence in Europe, with brands like Milka and Toblerone, while Cadbury dominates the UK as well as India and Australia.

Kraft decided to bid for Cad-

bury after the UK group spun off its Schweppes beverages business in the US last year.

The separation of Cadbury’s beverage and confectionery arms – in part due to pressure from US investor Nelson Peltz, who holds shares in both groups – briefly made it the world’s biggest pure confectionery group although it was quickly usurped by Mars/Wrigley.

Andrew Wood, analyst at Bernstein Research, said Cadbury had been trying to cut

costs to lift profit margins and give it enough cash to pursue its own acquisitions.

Kraft’s offer was met with hostility in Bournville, the Birmingham suburb where Quaker entrepreneur George Cadbury, the founder’s son, based the business. “I would hate ownership to go abroad,” said Sally Harris, owner of the Bournville Bread Basket, a baker’s shop. “George Cadbury would be turning in his grave.”

Some Cadbury’s shareholders

in the UK support the decision to reject the approach. Legal & General Investment Management, Cadbury’s biggest shareholder with a stake of 5.4 per cent, said: “This approach materially undervalues Cadbury.”

Additional reporting by Jonathan Guthrie in Birmingham

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