

# Cadbury hits at 'low-growth' Kraft's strategy

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By Jenny Wiggins in London

Cadbury has ratcheted up its defence against a proposed takeover by Kraft, the US foodmaker, by releasing a letter describing the US group as a "low-growth conglomerate".

Cadbury this weekend released the letter from its chairman, Roger Carr, to Kraft chief executive Irene Rosenfeld defending his decision to reject an indicative 745p a share takeover offer. The company said it released the letter to give more detail of why it turned down the offer, because it released only a brief statement after the offer was made public a week ago.

Mr Carr claimed the US company had a "less focused" business mix than Cadbury's pure-play confectionery model. He argued Cadbury had a "unique" position in the global confectionery market due to its strength in developed and emerging markets, and that Kraft's proposal was of "uncertain value" for Cadbury shareholders due to the fall in the US company's shares since its indicative offer on September 7.

Kraft's shares have dropped 7 per cent to \$26.10 since Tuesday, when US markets reopened after a long weekend.

Kraft said it would not respond directly to

Cadbury's letter. "We're not going to get into a ping pong game," one person close to the company said.

Analysts said Mr Carr's letter was a signal to Ms Rosenfeld that she needed to raise her offer. Andrew Wood, analyst at Bernstein Research, said: "This letter is clearly a case of Cadbury taking a more active approach to responding to numerous, quite aggressive public statements by Kraft over the last week."

Kraft has disputed comparisons between its offer and Mars's \$23bn takeover of Wrigley last year. The US group says it does not need to pay a similar multiple of 19.5 times earnings before interest, tax, depreciation and amortisation because markets are less buoyant today.

Kraft is understood to want to engage Cadbury's management in friendly negotiations but is also prepared to proceed with a formal offer directly to shareholders. The US company will watch the outcome of a conference in London on Wednesday, when Cadbury chief Todd Stitzer will come under pressure to justify staying independent.

Bernstein Research's Mr Wood, who will host the conference, said Cadbury needed to explain its vision beyond its current restructuring plan, which aims to increase underlying profit margins from about 10 per cent into the mid-teens by 2011. Kraft's underlying profit margins are about 12 per cent.

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