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Cadbury, On Its Own, Says Future Looks Sweet

By CECILIE ROHWEDDER

Cadbury PLC Chief Executive Todd Stitzer laid out ambitious growth plans for the British confectionery company Wednesday, defiantly ignoring the possibility that Cadbury has a future with Kraft Foods Inc. or another corporate suitor.

TODD STITZER

In a presentation to investors scheduled before Kraft made its rejected bid for Cadbury last week, Mr. Stitzer wooed listeners with promises of higher margins, earnings and revenue, outlining a scenario in which Cadbury would remain an independent company.

He predicted that from 2010 on, Cadbury would provide "the strong free cash flow that will generate returns to shareholders and provide the funds to capitalize on new growth opportunities."

Mr. Stitzer's comments came as other possible players in the Cadbury drama mulled their next moves. Hershey Co. and the trust that controls it continued to look for ways to launch a competing offer for Cadbury, people familiar with the matter said. In recent days, the trust has hired banking boutique Watch Hill Partners and former Goldman Sachs & Co. banker Byron Trott to advise it on its bid, other people familiar with the matter said.

But Hershey faces formidable challenges. It is much smaller than both Cadbury and Kraft, and any offer could have a detrimental effect on its stock and its credit rating.

Were Hershey to try to buy Cadbury on its own, its financial options would be limited. Through early July it had only $29 million in cash, while it recorded about $1.8 billion in total debt. Hershey could issue new shares, but that would likely dilute the control exerted by the trust that owns about 80% of its shares. In recent years, the trust has insisted on maintaining control.

Kraft itself, meanwhile, is looking to shore up its financing for a possible hostile bid. But it is also constrained in any new offer because it doesn't want to jeopardize its credit rating. Its original bid was roughly $16.7 billion.

A deal between Kraft and Cadbury would form the world's biggest confectionery company, teaming up

Cadbury brands such as Dairy Milk, Flake and Trident with Kraft's Toblerone, Milka and Oreo.

With £5.38 billion ($8.90 billion) in sales last year, 185-year-old Cadbury is one of the largest confectionery companies in the world. Unlike Kraft, which it derided as a "low-growth conglomerate business" in a statement Saturday, Cadbury doesn't make food products like processed cheese or mayonnaise.

In his speech at a gathering organized by Sanford Bernstein in London, Mr. Stitzer described his progress on a four-year plan called "Vision into Action" that he launched in 2007. Cadbury's U.S.-born CEO of six years also said that, going forward, the company has "a lot more to deliver."

Mr. Stitzer said the confectioner is benefiting from its strong presence in emerging markets and the rapidly growing chewing-gum business. He also said the company has been helped by the low penetration of private-label products in the candy, chocolate and chewing-gum categories and by a recession-related trend toward small, affordable treats.

Among his achievements, Mr. Stitzer listed Cadbury's business in Britain, where first-half sales grew 14%, compared with overall growth in the category of only 2%.

He also outlined growth opportunities in areas like South America, South Africa and Pakistan and said that he was confident of meeting his goals of "good midteen" margins by 2011, up from around 11% now.

"Competitively, Cadbury is well positioned to continue to deliver good growth, even if we see increased competition from the combined Mars-Wrigley or smaller competitors looking to encroach on our strong positions," said Mr. Stitzer, using carefully chosen words to refer to Mars Inc.'s acquisition last year of chewing-gum maker Wm. Wrigley Jr. Co.

—Jeffrey McCracken and Dana Cimilluca contributed to this article.

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