BIZCOMMUNITY

Kraft Foods launches hostile Cadbury bid

LONDON, UK: US giant Kraft Foods on Monday, 9 November 2009, launched a hostile £9.8-billion bid for Cadbury which the British confectioner rejected as "derisory" as new takeover action revitalises the business world.

The cash and stocks offer matches the terms of Kraft's informal bid in September.

However changes to currency and stock market values since then means the formal bid is worth £9.8 billion (€11.0 billion, US$16.4 billion), less than the original offer of £10.2 billion.

"The repetition of a proposal which is now of less value and lower than the current Cadbury share price does not make it any more attractive," Cadbury chairman Roger Carr said in a company statement.

"As a result, the Board has emphatically rejected this derisory offer and has strengthened its resolve to ensure the true value of Cadbury is fully understood by all."

Kraft Foods is the world's second biggest snacks group after Nestle, while Cadbury, led by American chief executive Todd Stitzer, is the second largest confectionery company behind Mars.

A tie-up between Kraft and Cadbury would merge leading Kraft brands Oreo biscuits and Maxwell House coffee with Cadbury's big sellers such as Dairy Milk chocolate and Trident chewing gum.

Kraft chairman and chief executive Irene Rosenfeld said her company was "convinced of the strategic merits for both companies of combining Kraft Foods and Cadbury."

She added in Kraft's bid statement: "We believe that our proposal offers the best immediate and long-term value for Cadbury's shareholders and for the company itself compared with any other option currently available, including Cadbury remaining independent."

The formal bid is worth 300 pence in cash and 0.2589 new Kraft Foods shares per Cadbury share. Kraft had until 1600 GMT to launch a formal bid or walk away for six months under British takeover rules.

Cadbury last month stepped up its defence against a takeover by Kraft by upgrading its full-year sales forecast after a third-quarter rise.

In reaction to a seven-percent gain in third-quarter sales, Cadbury upgraded its 2009 revenue forecast to the middle of its 4.0-6.0%range from the previous lower-end forecast.

A stronger sales outlook makes a takeover of Cadbury less attractive to its shareholders, who may judge that the company is profitable enough without being merged with a bigger company.

Kraft meanwhile posted poor third-quarter results last week, hitting its share price which in turn has pushed down the value of its offer for Cadbury.

Kraft's formal bid was worth 717 pence per Cadbury share, while the informal offer had stood at 745 pence a share.

In stock market trade Monday following the bid announcement, Cadbury's share price was flat at 758.6 pence.

"It may be hard to see further upside in Cadbury's share prices with no visible counter offer or rival to Kraft on the horizon and the fact that they have not moved an inch from their initial offer shows that they may be playing the long game with this one," said City Index market strategist Joshua Raymond.

Kraft Foods has said a tie-up would lift its revenues to about $50 billion a year (€33.3 billion) from $42 billion presently.

Source: AFP

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