

Hershey, Ferrero Consider Bids For Cadbury

Robert Barr, Associated Press Writer

LONDON (AP) — Chocolate makers The Hershey Co. and Ferrero International SA said Wednesday they are considering a possible offer for Cadbury PLC, already the target of a hostile bid by Kraft Foods Inc.

The move raises the possibility of a takeover battle for the British maker of Dairy Milk and Creme Eggs.

"Hershey confirms that it is reviewing its options and at this stage there can be no assurance that any proposal or offer from Hershey will be forthcoming," the company said in an announcement to the London Stock Exchange on Wednesday.

Italy's Ferrero, which makes Nutella chocolate spread and Tic Tacs, posted a similar statement.

Cadbury has dismissed Kraft's bid, announced Nov. 9 and worth \$16.4 billion or around 726 pence per share, as "derisory." Analysts saw Kraft's hostile offer, which did not increase an earlier friendly bid rejected by Cadbury management, as a bet that no competing offers would emerge.

Shares in Cadbury were up 1.4 percent at 799 pence in London as speculation grew that a rival might emerge for Kraft's bid.

The Wall Street Journal reported Tuesday that Hershey and Ferrero executives have been in talks for several weeks and that Hershey is aggressive about pursuing a deal.

Ferrero is a privately held company with €6 billion (\$9 billion) in sales last year. Hershey earned \$5.13 billion in its most recent full year.

Teaming up with Ferrero could give Hershey the financial firepower to get into the bidding, which some had doubted it would be big enough to do. Hershey had \$119 million in cash on its balance sheet as of Oct. 4 and \$1.5 billion in long-term debt. Many analysts have doubted it could finance a higher bid than Kraft's on its own.

A cooperative bid also raises issues of its own, however.

"Significant questions remain regarding how any deal might be put together, not least in terms of product and/or geographical segmentation," said Jeremy Batstone-Carr, analyst at Charles Stanley & Co.

"Whilst aware that seldom does smoke exist without fire, the likely complexities associated with a rival approach for Cadbury in purely practical terms leave us strongly of the view that Kraft remains the strongest rival but that it will need to

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increase its offer in order to win control.

Analysts at Evolution Securities say a deal with Kraft would likely be struck at a price of at least 850 pence, well above the current bid.

Under British takeover rules, Kraft must post its formal offer document to Cadbury shares.

Once that is done, it has 46 days in which it may raise its offer price, and 14 days after that in which to secure acceptances from a majority of shareholders.

If a rival bid emerges, the 60-day timeframe for its bid starts over.

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AP Business Writer Michael Lee in New York contributed to this report.

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