Kraft vs. Nestle Bidding War Over Cadbury Looms

LONDON (AP) — Speculation of a bidding war for British candy maker Cadbury PLC mounted on Monday after Swiss food group Nestle agreed to sell off its majority stake in eyecare unit Alcon and announced a smaller-than-anticipated share buyback program.

Analysts suggested that Nestle could be clearing its decks in preparation to counter a hostile 9.8 billion pound ($16.3 billion) cash and shares offer from Kraft Foods Inc., which is also tipped to raise that current bid.

Nestle, the maker of Nescafe coffee and KitKat chocolate bars, said Monday it is selling its 52 percent stake in Alcon for $28 billion to Swiss drug maker Novartis. It added that the deal would allow it to launch a new 10 billion Swiss franc ($9.64 billion) share buyback program for two years once its existing 25 billion program is completed this year.

"This implies that Nestle has made use of just $10 billion of the forecast $28.5 billion stake sale proceeds and adds to market speculation that Nestle might be in the process of building a 'war chest' to enter the Cadbury fray," said Charles Stanley analyst Jeremy Batstone-Carr.

However, Batstone-Carr added that Nestle's interest is likely to be limited to Cadbury's gum operations, should Kraft or another suitor emerge triumphant.

Cadbury, which is battling to remain independent, has confirmed receiving tentative approaches from The Hershey Co. and Italy's Ferrero International SA.

Batstone-Carr said that Kraft remains the most likely suitor at present and is widely expected to raise its offer before a U.K. Takeover Panel deadline of Jan. 19.

Cadbury shares were trading at 804 pence, up 0.8 percent on Monday, well above the 738 pence per share offer price from Kraft.

Cadbury, the maker of Dairy Milk chocolate and Dentyne gum, is due to release a trading update, including Christmas sales, on Jan. 15.

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