

ITALY/US: Market upbeat on Hershey/Ferrero Cadbury interest

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The market has responded positively to rumours that Ferrero and Hershey could launch a competing bid for UK confectioner Cadbury, with analysts hailing the possibility of a tie-up as credible.

Cadbury shares had gained 1.52% at 11.30 am (GMT) today (18 November), rising to 799.5 pence on reports that Italian chocolatier Ferrero and US confectioner Hershey were linked to a new bid for Cadbury, which has already rejected a GB9.8bn (US\$16.5m) hostile bid from Kraft Foods.



[view image](#)

Discussions are understood to be at preliminary stages, but independent analyst James Amoroso believes Ferrero would certainly represent a "credible white knight".

"Not only a long-term oriented confectionery player with a similar culture but also one with a strong confectionery track record," Amoroso told just-food. "Under normal circumstances, it is unlikely that Ferrero could afford Cadbury, a much bigger player. By including external investors, the solution would, however, represent a radical departure for Ferrero and the (at least partial) relinquishment of jealously-guarded family control."

Indeed, the Ferrero family is understood to be divided over a possible audacious deal with Cadbury.

Michele Ferrero, the head of the family, is said to be keen to keep the business independent, while sons Pietro and Giovanni, managing directors of the family business, are thought to be more eager to get involved with Cadbury and are understood to be talking to investment bankers about their options, The Times reported today.

Amoroso added: "My suggestion to fundamental investors is to sell now before it's too late as I do not believe that there will be a credible counter-bid."

However he said that, naturally, any major confectionery company will be weighing up the options. "They would be stupid not to".

Kepler Capital Markets analyst Jon Cox said that reports that Ferrero may now get involved has "thrown the cat in with the pigeons".

"Ferrero has a pretty conservative culture and it would have to gear up a lot to get Cadbury, even if it was working with Hershey. However, I understand the new generation at Ferrero are more aggressive in their attitude to expansion. If Cadbury wants to remain independent it probably needs a tie-up, although I believe a deal with Hershey then would make more sense," he told just-food.

However, Cox added that it was unlikely that a tie-up will materialize. According to Cox, Cadbury will probably be acquired by Kraft for around GBP8-8.50 per share.

Ferrero yesterday refused to comment on reports it was in talks with investment banks about forming an "industrial partnership" with Cadbury.

Italian daily Il Sole 24 Ore reported that family-owned Ferrero might be considering an offer with friendly investors for an alliance with UK confectioner Cadbury.

The Dairy Milk maker also refused to comment on the reports and maintained that the company is an "exceptional standalone business".

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Seneca House, Buntsford Park Road, Bromsgrove, Worcs, B60 3DX, UK.

Tel: Intl +44 (0)1527 573 600. Toll Free from US: 1-866-545-5878. Fax: +44 (0)1527 577 423.

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