

UK: Hershey, Ferrero takeover "could break up Cadbury"

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A Hershey-Ferrero takeover of Cadbury could result in the Dairy Milk maker being broken up, according to Italian reports.

Italian business daily Il Sole 24 Ore said today (20 November) that Ferrero could be interested in Cadbury's gum and candy division - a unit worth about EUR5bn (US\$7.4bn) - in a possible joint takeover bid with Hershey.



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In separate statements to the London Stock Exchange on Wednesday, the two companies confirmed they are each mulling a possible bid for the UK confectioner, which is currently the target of a hostile bid from Kraft Foods.

However, it is understood that the controlling Ferrero family would like the gum and candy division alone since it has historically shown it has little interest in sharing management of a business.

For its part, Kraft's hostile approach for Cadbury has been criticised by the Dairy Milk, condemned in the UK press and seen as too cheap by the investment community.

However, independent analyst James Amoroso believes that, should Kraft end up successful in its bid, Cadbury would not be broken up under the management of the US food giant.

Amoroso said Kraft needs Cadbury "in one piece" in order to best fit the UK firm's international presence with the Toblerone maker's own "relatively fragmented geographic portfolio".

"In fact, whether Kraft realises it or not, it needs also to keep all the Cadbury management on board too," Amoroso told just-food. "Cadbury possesses a unique confectionery know-how that is very relevant for the emerging markets where Kraft is desperate to enter and penetrate."

Amoroso said that, if Kraft is successful in an acquisition, it should allow the Cadbury management to integrate the US group's confectionery business into the UK firm - and let the Cadbury management run the combined entity.

"This is the approach that Nestlé uses for its major acquisitions, such as Ralston, Dreyer's and Chef America, and it is very successful, ensuring a smooth integration without loss of know-how and expertise. That is not Kraft's style historically... but it's not too late to change."

Cadbury turned down Kraft's GBP9.8bn (US\$16.4bn) takeover offer, which is now with its shareholders for consideration.