

UPDATE: UK: Nestle “mulling Cadbury bid” - report

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Shares in Cadbury have jumped on reports that a bidding war for the UK confectioner could develop between Kraft Foods and rivals, including Switzerland's Nestle.

Shares in Cadbury rose 1.87% this morning (23 November), climbing to 815.5 pence at 1.37pm (GMT) as investors bet that increasing competition for the maker of dairy milk would push up the price of any successful bid.

Currently, the only formal offer on the table is Kraft Foods' hostile GBP10.4bn (US\$15.4bn) stock-and-cash offer.

However, last week Italy's Ferrero and the US' Hershey both registered their interest, with speculation that they could either be plotting joint or solo bids.

Hershey is reportedly mulling a \$17bn offer, while Kraft is apparently considering upping its own bid.

According to reports, Nestle is also mulling a possible move on Cadbury. However, the Swiss food giant declined to comment on "market rumours".

According to independent analyst James Amoroso, a bid from Nestle would make sense in the context of its confectionery operations, despite its emphasis on transforming into a health and wellness focused company.

"The health and wellness mission is irrelevant as Nestle is in and fully committed to confectionery," he told just-food.

However, anti-trust issues in the UK and commonwealth territories, including Canada and Australia, would complicate any potential Nestle-Cadbury deal.

"The strategic positive element for Nestle would be the upgrading of its critical mass in the US where it is a distant number three in confectionery. But Nestle would have to give up so much of the combined entity in other territories that it throws the logic of such a deal into question," Amoroso said.

"In my view Nestlé - and the other confectionery players - have more to gain from the chaos that will arise as a result of Kraft absorbing Cadbury into its structures and culture."

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