

Cadbury Rises on Speculation of Higher Takeover Bid (Update3)

By Thomas Mulier and Andrew Cleary

Nov. 23 (Bloomberg) -- Cadbury Plc rose to a record in London trading after Nestle SA was said to weigh a takeover, the Wall Street Journal said Hershey Co.'s controlling trust wants the U.S. company to make an offer, and Reuters reported that Kraft Foods Inc. may raise its bid.

Kraft, led by Chief Executive Officer Irene Rosenfeld, made an unsolicited 10.3 billion-pound (\$17 billion) approach for Cadbury two months ago. The world's second-largest food company may increase that offer if rival bidders emerge, Reuters said late yesterday, citing a person it didn't identify.

Hershey's controlling trust wants the company to make a \$17 billion offer, the Wall Street Journal reported Nov. 20. Nestle is reviewing its options with bankers and may decide against a bid, said two people with knowledge of the matter, who asked not to be identified because the talks are private.

"Every confectionery company of any decent size is going to be looking at this because it's a one-off opportunity," said James Amoroso, a food industry consultant in Walchwil, Switzerland. "They'd be stupid not to examine it."

Cadbury shares rose 13.5 pence, or 1.7 percent, to 814 pence, surpassing their peak of Sept. 7, the day Kraft disclosed its approach. That values the company at 11.2 billion pounds.

Hershey, Ferrero

"Irene is going to be feeling less comfortable by the minute," said William Hobbs, who helps manage 134 billion pounds in assets, including Cadbury shares, at Barclays Wealth in London. "Nestle could do it, no problems. More interest can only be good news for Cadbury holders."

Press officers for Nestle, Cadbury and Hershey declined to comment.

"Whilst some potential offerors are more aligned with our business model than others, it is the value of the offer rather than the source of the offer that is our priority," Cadbury Chairman Roger Carr told The Sunday Telegraph.

Hershey and Ferrero SpA said in statements last week that they were also evaluating options. Ferrero, the maker of Nutella, is unlikely to proceed with an offer, said three people briefed on the situation.

"We're the only offer on the table, and we're confident we're the best, most logical partner for Cadbury," Mike Mitchell, a Kraft spokesman, said last week by e-mail.

Bid Scenarios

Spokesmen for Hershey and Vevey, Switzerland-based Nestle declined to comment, as did a representative from Cadbury.

In one possible scenario, Hershey would contribute at least \$10 billion in cash and \$2 billion in new shares, the Journal reported. Former Goldman Sachs Group Inc. banker Byron Trott is talking to investors about supplying an additional \$3 billion to \$5 billion in cash to help with the purchase, the newspaper said. The trust would sell assets, though it would try to maintain control of Hershey, the Journal said.

Nestle has an option to sell its majority stake in eye-care company Alcon Inc. to Novartis AG as early as January, and could use the proceeds, which may total more than \$20 billion, to make acquisitions.

"How much do they want it?" Jon Cox, an analyst at Kepler Capital Markets in Zurich, said of Nestle, a stock he recommends buying. "If they wanted it, they'd have it, it's a bit of a slam dunk. Nestle has the financial resources."

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