

## 2nd UPDATE: Cadbury Keeps Fiscal Year Target Despite 1Q Slowdown

April 30, 2009: 05:02 AM ET

By Michael Carolan of DOW JONES NEWSWIRES

LONDON -(Dow Jones)- U.K. confectioner Cadbury PLC (CBY) reiterated its full- year revenue target Thursday despite reporting a sharp slowdown in sales in the first quarter, driven by a combination of customers destocking inventory and weakening demand in North America and Europe.

The maker of Cadbury chocolate and Trident gum said sales excluding acquisitions, disposals and currency movements - a closely watched performance measure - rose just 2% in the first quarter, compared with a 7% rise for the 2008, marking its lowest quarterly growth rate for three years. The weak U.K. currency meant actual revenue was 11% higher, however.

Despite the slowdown the company reiterated its target to grow underlying sales at the lower end of its 4%-to-6% range in 2009.

"A strong chocolate performance and good growth in emerging markets were partially offset by customer destocking and softer demand in North America and Europe," said Chief Executive Todd Stitzer in a statement.

Revenue in Europe fell 8% while the North America division saw a 6% fall in sales.

Investec analyst Martin Deboo described the performance as a bit disappointing. "The market will be a bit concerned about the slowdown in the U.S. - particularly in gum," he said, noting that until recently, gum was Cadbury's key growth driver.

The sluggish sales growth disappointed the market and by 0800 GMT, the company's share traded down 15 pence, or 3%, at 493 pence.

*Industry consultant James Amoroso was unconcerned. "1Q, 2009 was always going to be unusually weak, with all the unusual trade, consumer and economic factors in play," he said.*

Cadbury's sales were hit by destocking of its products by its retail and wholesale customers as they sought to conserve cash. Destocking has been a feature for most consumer goods companies during the credit crunch.

Volumes were actually 3% down in the quarter, with the 2% sales growth entirely driven by a 5% increase in average price and mix.

"Destocking particularly in the U.S. and Canada had a significant impact on volumes," Stitzer told reporters. He added that most of this destocking was now over.

"We consider 2% a good start for the year," said Stitzer. Without the destocking sales would have been up 4%, with volumes down just 1%, he said.

"We absolutely can live with that on a short to medium term basis," said Stitzer. "We're not worried about volumes."

"Destocking is a real one-time event," said Chief Financial Officer Andrew Bonfield. Around 75% of the destocking issue was the result of one U.S. distributor halving the number of days it holds Cadbury stock for, he said.

Bernstein analyst Andrew Wood pointed out, however, that this significant destocking was not mentioned as an issue in recent updates by rivals Hershey Inc. (HSY) or Nestle SA (NESN.VX).

The company is also aiming to grow its margins to the "mid-teens" by 2011. In 2008, margin grew 180 basis points to 11.9%. The company said Thursday that margins had improved in the first quarter.

Stitzer would not give a figure for the margin improvement but said it was in line with the company's expectations and that he was comfortable with consensus expectations of 70-80 basis points improvement for the year.

Company Web site: [www.cadbury.com](http://www.cadbury.com)

By Michael Carolan, Dow Jones Newswires; 44-20-7842-9278;  
[michael.carolan@dowjones.com](mailto:michael.carolan@dowjones.com)

© 2009 Dow Jones & Company, Inc.