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COMPANIES INTERNATIONAL: Lindt profit defies rising price of hazelnuts

By Haig Simonian, Financial Times
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Lindt & Sprüngli digested soaring prices for hazelnuts and other key raw materials to yesterday report a profit for the first time in its traditionally weak first half.

The Swiss chocolate maker, best known for its gold-wrapped Easter bunnies and diminutive Easter eggs, said sales had defied sluggish conditions in many big European markets to grow by almost 9 per cent to SFr847.2m ($666m).

Net profits of SFr4.7m compared with a SFr1.7m loss in the same period last year. The strong start prompted the group to predict rising operating and net earnings for the full year.

Like many other confectionery groups, Lindt makes most of its money in the second half in the European winter and run-up to Christmas. Analysts described the company's success in remaining in the black in the first half as a significant achievement.

"These results are excellent, as the market has come to expect," said ***James Amoroso*** of Helvea, the Swiss brokerage.

The half-year figures were boosted by increasing demand for top price "connoisseurs" chocolate. This is a growing slice of the market for chocolate bars distinguished by their unusually high cocoa content. They are being marketed, like fine wines, by the country and even the year of origin.

Lindt's results included a note of caution about a "possible slowdown", which might have a "slight" impact on sales growth in the second half. The company also highlighted the pressure on margins from surging raw materials prices. Hazelnut prices have risen fivefold in two years.

Lindt said it was growing faster than the rest of the market, and noted that, while only about 40 per cent of revenues came in the first half, such sales were charged with roughly a full half year's fixed costs. Net earnings last year amounted to SFr149m, marginally lower than the previously reported SFr151.2m under new IFRS accounting rules.

While sales growth in Europe was largely restrained, conditions were buoyant in the US, where Lindt is gaining brand awareness by opening company-specific shops. Australia was also strong, as were most other export markets and duty-free sales.