

UK: Cadbury confirms full year growth with Q1 on track

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Cadbury believes it will deliver revenue growth around the lower end of its 4-6% goal range for this year, having updated the market on its first quarter performance.

The world's largest confectionery company said that it had seen revenue growth of 2% in constant currency and 11% in reported currency, as emerging markets and the UK offset weaker performances in the US and Europe. However, volumes were down due to trade de-stocking, particularly in the US and Canada.

Todd Stitzer, Cadbury's CEO said: "We made further progress in the first quarter, despite cycling strong prior year comparatives. A strong chocolate performance and good growth in emerging markets were partially offset by customer de-stocking and softer demand in North America and Europe. Our Vision into Action plan continues to deliver growth, efficiency and capability benefits, with strong innovation and significant cost savings expected in 2009. As a result, we reconfirm our guidance to deliver revenue growth around the lower end of our 4-6% goal range and to make good progress toward our goal of mid-teens margins by 2011."



Cadbury today confirmed its full year guidance

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The company said that its revenues benefited from strong growth in chocolate which more than offset a soft start for gum, in North America and Europe, and for Halls.

Trade de-stocking in the first few months of the year, particularly in the US and Canada, had a material impact on volumes, reducing overall revenue in the quarter by around 2%. As a result, overall base business revenue growth was 2%, reflecting price mix benefits of around 5%, partially offset by softer volumes, down 3%. Adjusting for trade de-stocking, volumes were down only 1%.

"By definition, Q1 2009 was always going to be unusually weak, with all the unusual trade, consumer and economic factors in play. But whilst not strong overall, there's nothing in these numbers that gives me real concern," said independent food analyst James Amoroso.

"In the quarter, Cadbury tended to have share gains in key markets and categories with sales weakness being the direct result of these unusual factors. In combination with a focus on innovation and marketing activities in Q2 and H2, as well as an easy Q4 comparison, it is clear that Q1 is going to prove to be the worst quarter of the year," he added.

"Cadbury's 2009 guidance looks entirely realistic and the company is, in my opinion, in good competitive shape."

Cadbury's chocolate business delivered revenue growth of 7%, reflecting strong performances in the UK, India and South Africa. Australia grew despite clearing trade inventories in preparation for the relaunch of the core Cadbury chocolate brand in the second quarter of the year.

Gum delivered strong growth in South America and a robust share performance in key markets, including the US, Mexico and France. However, this was more than offset by underlying demand weakness in Europe and the significant impact of de-stocking in the US. As a result, overall gum revenue declined 2% in the quarter.

Candy, meanwhile, delivered strong performances from mainstream candy brands in Australia, Middle East and Africa and Asia. However, a relatively weak cough/cold season for Halls in the first quarter of 2009 resulted in an overall candy revenue decline of 2%. Excluding Halls, candy revenues grew by 2%.

In emerging markets, revenue growth was up 6% for the quarter, led by India, South Africa and South America, which offset weak trading conditions in South East Asia and Russia.

In Britain & Ireland revenue grew 10%, reflecting continued market share gains in the UK including the benefits of a strong Easter for Cadbury.

However, in Europe, revenue was down 8%, with only Poland delivering good growth and revenue in North America was down 6%, reflecting significant de-stocking, particularly in the US and Canada, and softer demand.

The company reported that it had begun a number of projects in the quarter towards its goal of improving operating margins.

It said that it had started consultation on the closure of its Barcelona gum factory in Spain and announced the relocation of production from the former Intergum factory in Istanbul, Turkey to its larger facility in Gebze, just outside Istanbul.

The company added that there would be further headcount reductions across the SG&A functions in Nigeria, with 300 people to leave the Nigerian business in 2009 as part of the next phase of the margin improvement programme.

Looking ahead, Cadbury said: "We have made further progress in the first quarter despite cycling strong prior year comparatives. A strong chocolate performance and good growth in emerging markets were partially offset by customer de-stocking and softer demand in North America and Europe. Our Vision into Action plan remains on track to deliver planned central, SG&A and supply chain cost savings in 2009. As a result, we reconfirm our guidance to deliver revenue growth around the lower end of our 4-6% goal range and to make good progress toward our goal of mid-teens margins by 2011."

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Seneca House, Buntsford Park Road, Bromsgrove, Worcs, B60 3DX, UK.

Tel: Intl +44 (0)1527 573 600. Toll Free from US: 1-866-545-5878. Fax: +44 (0)1527 577 423.

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