

UK: Cadbury shares sweeten after '08 profit jump

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Shares in Cadbury rose this morning (25 February) after the UK confectionery group posted rising sales and earnings for 2008 - and maintained a key margin target for 2011.

Cadbury booked a 15% jump in revenue to GBP5.38bn (US\$7.8bn), helped in part by the weakness of sterling but also by rising prices and a 1% gain in volumes. At constant currencies, revenue was up 6%.



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Rising sales across Cadbury's four regional divisions drove an increase in underlying profits in 2008. The company said profit from operations rose from GBP278m in 2007 to GBP388m last year.

On an underlying basis, operating profit rose 35% to GBP638m - an increase of 22% after foreign exchange fluctuations.

Underlying operating margins rose by 150 bps at constant exchange rates, as Cadbury drove efficiencies across the business and saw its performance in emerging markets like Russia, Nigeria and China improve.

Last year, Cadbury became a pure confectionery company after de-merging its beverage business in the Americas and selling off its drinks operations in Australasia.

CEO Todd Stitzer said the company's financial performance in 2008 demonstrated "the relative resilience of our focused business model".

Stitzer said that Cadbury expected to see sales grow by around 4% in 2009 and, crucially, added that the group would move towards meeting its 2011 margin target - a goal set when the business laid out plans for the de-merger in 2007.

"Whilst we will not be immune from the continued weak economic environment, at this early stage in 2009, we expect 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," Stitzer said.

James Amoroso, director and consultant at Amoroso Strategic Insights, said the performance "demonstrated the robustness of [Cadbury's] business model".

Amoroso also highlighted Cadbury sticking to its 2011 margin target. "It's not surprising that sales expectations have been reduced and that no specific margin guidance has been given for the year. But it's reassuring that the 2011 margin guidance has not been abandoned. And Cadbury's strong track-record to date lends credibility to the achievement of this long-term target," he said.

Shares in Cadbury were up 3% to GBP5.24 at 09:22 this morning.