

UPDATE - SWITZ: Lindt expected to strengthen in H2

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Upmarket Swiss chocolate maker Lindt & Sprüngli is anticipating an improved second half of 2008 despite tough economic conditions weighing on growth so far this year. The Swiss chocolate producer posted an 11.6% rise in first-half operating profit to CHF33.6m (US\$30.53m) yesterday (26 August) on sales 3% higher at CHF1.17bn. Net profit grew by 4.6% to CHF 22.9m.



Lindt posted organic sales growth of 7.9%, which it noted was "above the market average". The company said the market environment would "remain tense" but said the impact of price rises brought in this spring would accelerate during the second half of the year, leading to full-year organic sales growth of 8-10%. Lindt also maintained its medium to long-term forecast of 6% to 8% annual revenue growth.

"Lindt & Sprüngli is convinced that growth rates in the premium chocolate sector will continue to outstrip development of the market in general in the medium and long term," the company said in a statement.

Independent analyst **James Amoroso** concurred. He told just-food: "The 'relatively' weak organic growth of 7.9% (still very strong in a peer comparison) should not be extrapolated to the second half and beyond."

Like the rest of the food industry, Lindt had to deal with difficult global economic conditions, increased raw materials and energy prices and constricting consumer spending.

Amoroso also noted that Lindt did not increase Easter and Valentine's Day product pricing as prices were negotiated last year, hence the low 3.5% price increase overall in the first half.

"Because Lindt is a big exporter to the USD and GBP markets, the company put on the 'promotional' brakes somewhat in the US and UK, to combat higher input costs, no Easter price increase and the forex impact," **Amoroso** observed.

Added to these woes, in Germany, Kraft Foods implemented an everyday low price of EUR49 – down from EUR89 – for 100g Milka to gain market share.

"I heard Milka grew 30% and everyone lost share in the tablet segment. This killed the market at a time when the market was trying to increase prices. Even Lindt could not escape this 'tactical nuclear attack'. But Kraft's move is a one-off and not sustainable," **Amoroso** said.

While these factors have had a negative impact on Lindt's first-half results, **Amoroso** said that he does not foresee them continuing into the second half.

"Most of these factors will improve in the second half. I believe that history will show H1 2008 organic growth to be a blip rather than a trend change," **Amoroso** added.