

Chocolate maker Lindt H1 profit up, confirms targets

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By Katie Reid



REUTERS/Arnd Wiegmann

ZURICH, Aug 26 (Reuters) - Consumers' taste for premium chocolate helped Switzerland's Lindt & Spruengli offset headwinds from spiralling raw material prices and an economic slowdown and will keep the group on track to meet its goals.

The maker of Lindor pralines and gold-wrapped Easter bunnies posted a forecast-beating 5 percent rise in first-half net profit of 23 million Swiss francs (\$20.95 million), boosted by upbeat demand for its Excellence and Creation 70% products.

The group said it was maintaining its medium to long-term annual sales growth target of 6 to 8 percent as well as an increase in its operating margin by 20 to 40 basis points.

"In 2008, we have had basically everything that can go against us, going against us," Chief Executive Ernst Tanner told Reuters, citing foreign exchange moves and higher costs for raw materials which include cocoa, hazelnuts and dairy products.

"The consumer mood has also gone the wrong way," he said.

In 2008, the company anticipates an EBIT margin growth of 20 base points and sees organic growth of between 8 and 10 percent, despite a slowdown in consumer spending due to fears about slower economic growth and higher inflation.

Organic sales growth at the group slowed to 8 percent versus 13.5 percent in the previous year as the group was hit by an early Easter, which meant appetite for Lindt products was limited as it came shortly after Christmas and Valentine's Day.

"I cannot believe that the Lindt premium positioning has suddenly become ineffective or inappropriate. History will show H1 2008 to be a blip rather than a trend change," said independent analyst **James Amoroso**.

Lindt, which traces its origins to a Zurich confectionary shop in the 1840s, has tapped the growing appetite for premium and dark chocolates and has benefited from increased consumer spending on indulgence foods.

RAW MATERIALS

By 0924 GMT, shares in the group were trading slightly higher at 2,645 francs, outperforming a weaker DJ Stoxx European food and beverage index.

Like other food companies, Lindt has hiked prices to compensate for soaring input costs.

The group will raise the cost of its products by between 4 percent and 6 percent on average next year if cocoa prices stay at current levels, Tanner said.

Lindt, however, expects cocoa prices to fall over the medium and long term.

The U.S. dollar, Canadian dollar and pound had lost as much as 15 percent against the franc compared to the year-ago period, Lindt said, but the dollar has started to appreciate, brightening the outlook for the second half of the year.

Earlier this month, America's Hershey warned its full-year profit would be toward the lower end of its previously forecast range and said it would hike prices nearly 10 percent in its home market to offset higher input prices.

Lindt shares trade at around 20 times 2009 earnings per share, in line with Hershey and at a premium to Swiss rival Barry Callebaut.

(Reporting by Katie Reid, editing by Will Waterman and Jason Neely)

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