

Kraft 1Q Net Income Sweetened by Cadbury

Manufacturing.net

NEW YORK (AP) — Kraft Foods Inc. said Thursday its profit jumped in the first quarter as its core business grew and it began to integrate Cadbury, the British candy maker it acquired in February for \$19.5 billion.

Kraft, the nation's largest food maker with products such as Oreo cookies and Ritz crackers, reported that it earned \$1.88 billion, or \$1.16 per share, for the quarter that ended March 31. That's up from \$660 million, or 45 cents per share, in the same quarter last year.

The company based in Northfield, Ill., said the results give only an initial taste of what the addition of Cadbury will bring to the company's business.

"I know that there are some concerns about our ability to maintain base business momentum while integrating Cadbury, but I suggest that our strong first-quarter results clearly demonstrate that we can in fact walk and chew Trident at the same time," Kraft CEO Irene Rosenfeld said.

Excluding acquisition-related costs, discontinued operations and other one-time items, the company earned 49 cents per share.

Revenue grew 26 percent to \$11.3 billion. The results beat Wall Street expectations. Analysts polled by Thomson Reuters, who generally exclude one-time items, expect Kraft to earn 45 cents per share on revenue of \$10.95 billion.

Kraft said its revenue grew around with the globe, with strong sales of products like Planters nuts and Trident gum. That offset lower prices for some cheese products. The company also improved its margins during the quarter, which some analysts had been watching closely.

"If you look past a lot of the noise from the one-time items with buying a business and selling one, the core business trends are pretty respectable," Edward Jones analyst Matt Arnold said.

The true benefit from Cadbury though, remains to be seen as the company doesn't expect to see the bulk of the savings until two years in.

"It's easy to see the strategic rationale," Arnold said. "It's inherently a growth business. Unfortunately the other piece of that puzzle is what you pay for that They paid a pretty high price for something that won't necessarily pay off for shareholders for quite some time."

Kraft and its management team face key pressure to deliver the results for investors, including critics such as billionaire Warren Buffett who said the company

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overpaid for Cadbury.

Looking forward, the company said it expects organic revenue growth of 4 percent and earnings of \$2.35 per share for the 2010 fiscal year.

Kraft shares slipped 21 cents, or 0.7 percent, to \$29 in after-hours trading following the release of the earnings report. They closed the regular session down 54 cents at \$29.21.

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