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2007 was the year of the gorilla for Cadbury plc.

No! ... not a certain US activist shareowner!

But that wonderfully engaging television commercial that generated a 9% increase in UK sales while on air.

In June of this year, the spot won Best Global Ad of 2007 at Cannes, and in August, the same spot drove share in New Zealand to 63%, its highest level in 6 years.

We just launched the ad in Australia with great promotional support and we expect similar results there.

Ladies and Gentlemen, it's exciting times at Cadbury as we focus down on a great global confectionery business.

Good morning and thank you for the opportunity to share our story.

In March last year, we announced that we were splitting our confectionery and beverages businesses.

And in June, we launched our Vision Into Action strategic plan for the stand-alone Cadbury confectionery business.

At that time, we said that confectionery is a robust market. We said that Cadbury has an outstanding business platform. And that Cadbury has significant underexploited potential.

Finally, we committed that we would deliver on that potential using our new Vision Into Action plan.

Today I'll show you why we believe that the confectionery category is not only robust, but is also resilient in difficult economic times.

I'll also explain why we remain convinced that we have an outstanding business model with significant underexploited potential.

Finally, I'll show you: that like the gorilla, we're making great progress; that we're beginning to deliver on our plan in terms of the performance scorecard we set ourselves - from both a commercial and a financial perspective; and that we're committed to delivering our plan.

Firstly then, why do I say that confectionery is a robust category?

Well, it's growing, it's highly profitable and performs well in tough economic times.

For instance, the category has grown at a consistent mid-single digit rate.

That splits into 3% for developed markets and around 10% for emerging markets.

Own-label penetration is low in confectionery relative to the grocery market as a whole reflecting the strength of brand equities and the nature of confectionery as an impulse purchase.

So, it's sold through many different outlets like big supermarkets, small mom and pop stores, cinemas, theme parks and kiosks in street markets.

You can see that even in developed markets, small outlets – what we call the impulse trade, account for a significant proportion of confectionery sales.

In developed markets, the share of own label in confectionery is quite low. However, own-label penetration is even lower in emerging markets. You would expect this given the unconsolidated nature of the trade.

If you look back through history, you'll also see that confectionery growth has been relatively unaffected by changes in GDP. So, it's a highly resilient category.

And it's not surprising why that is. When you think about it, at Cadbury, we sell "small moments of pleasure". Affordable treats. And everybody likes "small moments of pleasure" whatever's going on in the world.

Just listen for example, to what some people say about our products ....

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With those comments in mind, here's the result.

If you look at this chart showing confectionery 'value growth' in the UK set against changes in GDP over the past 40 years, you can see confectionery has grown through the recessions of the 70s, 80s and 90s.

The mix between volume and price does vary from year to year. But, value has grown pretty consistently.

And that trend isn't just confined to the UK and other developed markets. Emerging markets have also been resilient.

For example, during the emerging market crisis of the later 1990's, growth in the BRIC markets was broadly in line with their recent growth rates of around 9% a year.

If we look at our own business, the reasons for BRIC market growth become clear. A significant proportion of confectionery by value is sold to middle and higher income consumers.

In Brazil, the wealthiest 20% of the population account for around 70% of all GDP. These consumers have an average GDP per capita of \$7,000 and account for an estimated 50% of confectionery spend.

We are the market leader in Brazil through our 75% share in gum and have built our leadership by adapting and thriving through the ups and downs of the economic cycle.

Our new product activity in recent years has been more focused on the high value end of the market.

Trident Splash and Trident Bottles, which were launched in Brazil last year, have been highly successful and now have a 9% share of the gum market.

That consumption picture at the high value end is not dissimilar in a lot of our other emerging markets.

Where we do sell to lower income consumers, we tailor our products to specific price points.

Mexico is a good example .

In Mexico, we have a gum share of around 80%. Per capita gum consumption is nearly two times higher than the emerging market average. That's because we've been able to target a broader range of consumers by launching smaller formats of our core brands.

Our local brands (such as the four-piece Clorets shown here) at 0.50 peso are primarily designed to meet the requirements of lower income consumers.

On our Trident brand we have a multiple-price-point strategy. The brand includes a 3 peso Trident slab and a 3.5 peso Trident Xtra Care pack.

Xtra Care primarily drives value on the premium side, but we have also introduced a 1 peso two-piece Trident XtraCare pack, making this functionality more accessible to lower income consumers.

While we don't expect to be immune from the global economic slowdown, we do expect our businesses in both developed and emerging markets to be relatively resilient.

What gives me confidence is that in the first half of this year, our overall growth was slightly ahead of our four year average.

Growth in developed markets remained robust although Europe was clearly slowing. And, growth in our emerging markets was in line with our four year double-digit average.

So, we operate in an attractive, robust category. And, as well as that, we have a strong and differentiated platform.

The evidence is compelling.

In the last four years we have grown our revenues faster than the confectionery market as a whole.

Our four year average of 6.2 compares to 5.1% for the market with our share growing in each of the last four years from 9.2% in 2003 to 10.4% in 2007.

We attribute that success to the strength of our confectionery platform - a platform which was transformed by our highly successful acquisition of Adams in 2003.

The Adams acquisition gave us significantly greater exposure to faster growing categories such as gum.

Today, gum accounts for around one third of our revenues compared to 14% for the market as a whole.

We also increased our exposure to faster growing emerging markets which now account for around one third of all our sales.

It also gave us scale presence in all categories so that today we have an outstanding portfolio of strong local and regional brands in chocolate, candy and gum and an unrivalled route to market.

Let me explain more about our scale presence.

Our business, built around a total confectionery model, gives us global scale across all three categories chocolate, gum and candy.

We now hold 21 number one and number two positions in the world's top 50 confectionery markets.

This allows us to offer true category solutions to our retail partners. And, that's strategically important in a world of consolidating retailers.

As you may have noticed, it's the model that others are beginning to copy.

But that scale, that depth and breadth of our market positions, continues to give us an advantage in many of our markets.

That's especially true in emerging countries where we have a leading 10.6% share with strong leadership positions across the whole of Latin and South America, Africa and India.

As well as scale, our second distinctive advantage is our portfolio of strong regional and local brands, some of which you can see on this slide.

This means we can tailor our offer to local consumers' tastes under brand names that not only they, but their parents, their grand-parents and sometimes their great-grandparents grew up with.

Just to give you some idea what I'm talking about - Cadbury Dairy Milk has been around since 1905, Flake since 1920 and my favourite brand, Maynards since 1909.

Our three biggest brands: Cadbury Dairy Milk, Trident, and Halls are also among the largest brands globally in their category. And, they're still growing strongly.

Trident, the world's largest gum brand and the third largest confectionery brand globally, has doubled its sales value since we acquired the brand in 2003. In the first half of this year, Trident grew by another 12%.

Halls is the largest candy brand globally. It's a brand which is sold as a cough candy in the northern hemisphere and as a refreshment candy in the southern hemisphere.

Halls grew around 7% last year and a remarkable 13% in the first half of this year.

And, our flagship chocolate brand, Cadbury Dairy Milk, over 100 years old, the third largest chocolate brand globally with retail sales of nearly \$2 billion. CDM revenues grew by 5% in 2007 and by a further 9% in the first half.

As you can see, there are other key regional and local Cadbury brands that are also growing strongly.

As well as scale and strength of brands, our third distinctive advantage is the strength of our route to market.

We've invested millions in strengthening our route to market in recent years.

No-where is that strength more evident than in emerging markets where our products are sold through hundreds of thousands of small outlets, sometimes far away from any conventional transportation.

Here are a few ways our products actually go to market.

In Mexico, nearly 80% of the business is done in the traditional trade – or the “up and down the street” market as those of us who grew up in the US would say.

In 2006 and 2007 we increased our resources focused on the traditional channel in Mexico by around 20%.

Our unique model of direct and wholesaler coverage drives distribution levels of around 90% on our core brands across this critical universe.

Our door-to-door salesmen in customised vans making in total around 40,000 calls per day.

We call directly on nearly 350,000 small stores and in these stores we have an 80% hit rate on placing a Cadbury dedicated display fixture. We are a clear leader in impulse merchandising.

These sorts of distribution networks take years to build and are difficult and expensive to replicate.

Having told you why we believe confectionery is a great market to be in, and how the strength of our business platform has enabled us to grow faster than the market in each of the last four years, let me tell you more about our Vision into Action plan and the progress we're making.

Vision into Action aims to unlock what we still see as significant revenue and margin opportunity in our business, unlocking those opportunities by driving for greater scale and simplicity.

Given the way the business has developed, Cadbury's is more complex than it needs to be: the way we're organised, our factory footprint, and the number of different product formats we produce.

Given that complexity, our plan aims to do fewer things, and do them Faster, do them Bigger and do them Better.

Fewer things like fewer brands, fewer pack sizes. Bigger and Better innovation projects. Fewer organisational layers and Fewer managers. Fewer and Bigger factories. You get the picture!

Over the four year period to 2011, our plan calls for a 15% reduction in headcount and factories with an increase in margins from 10% to mid teens. And revenues continuing to grow in the 4% - 6% range.

So, how are we doing? As I suggested earlier when I mentioned our first half performance of this year, we're doing pretty well.

We announced those results at the end of July and showed that we grew like-for-like revenues by 7%. That's ahead of our goal range.

Growth was strong in both developed and emerging markets.

And each of our categories grew strongly, chocolate up 6%; candy up 7% and gum up 10%.

We recovered significant increases in raw material costs through higher price realisation.

And, with the benefits of cost reduction programmes and leverage, we drove a 190 bps increase in operating margins.

So, Vision into Action is making good progress. And, there are lots of examples around the business of how our teams are driving out complexity to deliver that performance.

Nowhere is this more evident than the UK, the home of Cadbury and the home of our biggest business.

Cadbury UK is the number one confectionery company in the UK. We have a share of around 30% and annual revenues of over £1 billion.

Actually it's our most complex business, and there are some great examples I'd like to show you.

How about this for complexity? In 2007 Cadbury UK had 8 production/feedstock plants, 18 stockholding locations, around 6,000 employees, 30 key brands across chocolate, candy and gum. And through the course of the year handling more than 1,000 different pack types or SKUs.

It's also a business which had more than its fair share of challenges in recent years.

When we appointed a new management team last year, they had a lot of heavy lifting to do right across the business.

So, we agreed that the team would: simplify the organisation; revitalise the performance of core brands; improve customer and channel focus; and finally, reconfigure the supply chain. Just a small list!

A year on and we're pretty pleased. Our market share is moving ahead once more, and cost cutting has delivered an excellent uplift in margins in the first half.

Let's take a look at a few of the things the team have done.

Starting with that complex organisation by far the biggest in the group...

One of the first things they did was to stream-line the business, from silo-based functions, to a business based on categories in line with our new global structure.

Now, because each category team includes sales, marketing, production and finance, decisions are made more quickly, thinking is more joined-up and there is a more co-ordinated focus on revenue and margin growth.

Together with a broad organisational review, the new approach has also allowed us to reduce G&A headcount by 15%.

And having a more joined-up organisation is beginning to produce commercial benefits. Our execution in the market place has improved significantly.

Look at Cadbury Dairy Milk, the UK's biggest brand, a brand which was hard hit by the product recall in 2006.

But, without missing a beat, that joined-up approach has enabled us to rationalise our offer; to change pack sizes to address consumer and customer needs; and allowed us to ensure promotional programmes are more aligned with marketing. While at the same time that joined up approach has allowed us to significantly improve customer service.

We've also launched a highly innovative sales and marketing campaign which is creating a tight link between the best ingredients. We're the only company to use fresh milk - not powdered - as well as higher quality Ghanaian beans, which gives CDM its unique creamy taste and consumers, a strong emotional bond to the brand, ultimate joy. Advertising that's as enjoyable as the chocolate itself!

Preference among our target younger and more affluent consumers has increased materially. And the brand is beginning to grow share again.

Following the success of gorilla, we're working hard to take the "Glass and a Half" campaign to new heights.

And we've just launched two new variants: Apricot Crumble and Cranberry Granola.

The impulse channel is our heartland in the UK. It represents over 50% of Cadbury UK's revenues and more of its profit.

In this channel, smaller pack sizes, what we call singles, are the key format – products for people to eat themselves – often an impulse purchase.

We've been breathing new life into this part of our business by relaunching favourite brands in existing and new formats.

Creme egg is a great example. With our innovation and marketing, we've linked the quirky ways in which people eat this once a year treat - a creme egg with attitude which prefers to choose its own way of going - to an all year round bar – Cadbury Twisted – which has proven to be the best chocolate snacking launch in the UK with revenues of £9m in the first 12 weeks.

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We've also started tackling the SKU complexity. That's not an easy job in a business which aims to offer consumers real variety across a huge range of occasions.

Our assortments, of which Roses is our leading brand - selling over £100 million at retail in the UK - had a highly complex product range with over 100 different packs in all and was under-performing on product preference tests.

It was also being heavily traded at Christmas by the supermarkets and margins were under pressure.

Over the last year, the team have reduced the assortments SKU count by 75% to 26. They've improved consumer preference by altering the assortment mix. And they've improved manufacturing processes.

As a result, margins are now more in line with the rest of our seasonal portfolio.

You'll recall that the final challenge we set the UK team, in fact the biggest challenge, is supply chain reconfiguration.

Over a four year period, that reconfiguration will significantly simplify our network and reduce costs.

Our UK team have already reduced the network of distribution depots from 18 to 5, resulting in £6 million of savings annually as well as significantly improved customer service.

In addition to reducing those depots, they're now tackling a far more complex reorganisation of the factory base. They'll achieve that by further automation; by changes in working practices; and most significantly, by the movement of about a quarter of their production volume into scale manufacturing centres of excellence.

So far, this is going to plan with savings expected to benefit margins from 2010 and beyond. By the end of the year, headcount will have been reduced by 30% at our factory in Ireland. They've successfully negotiated the closure of the smaller of our two UK chocolate plants. Production will transfer to the remaining site at Bournville and to Poland during 2010.

To achieve the transfer to Poland, we've started building a state-of-the-art production facility - co-located with our new gum plant. This will be largely completed by late 2009.

So, our UK business is a great example of the opportunities we have to more fully harness the power of our total confectionery model. It's also a great example of the progress we're already making on Vision into Action.

These initiatives and achievements are not isolated. There are many more examples around the world.

Ladies and gentlemen... what I've been talking about today should have reinforced what we told you in June last year, when we said that as a focused confectionery company, Cadbury plc operates in a robust category with a strong business model and a clear action plan to deliver against our significant under-exploited potential.

And, as I said a few minutes ago, it's early days, but we've made a strong start and we're making good progress.

There's no doubt that we and the rest of the business world are facing very challenging macroeconomic times. We are not complacent.

We will continue to raise our game to make absolutely sure we deliver on our promises. By recovering further commodities cost increases through intelligent price realisation, and by reorganising our structure, drive more cost out of our business and underpin the delivery of our 2011 margin goal.

Ladies and Gentlemen... we are convinced that the resilience of the confectionery category, and the strength of our business model, combined with our continued focus on the execution of our Vision into Action strategy will allow us to keep delivering on our total plan in 2008 through to 2011.

We're like the gorilla in the new advert. Not only back at the drum kit, but rocking harder than ever before.

Thank you very much for your interest in Cadbury and before I turn the session over to Q&A, let us view two of our more recent ads...

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