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THE WALL STREET JOURNAL

WSJ.com

MANAGEMENT | JANUARY 19, 2010, 10:15 P.M. ET

Cadbury Faces Rhetoric Shift After Accepting Kraft Bid

By [CECILIE ROHWEDDER](#)

LONDON—Only last week, [Cadbury PLC](#) Chairman Roger Carr dismissed the management of [Kraft Foods Inc.](#) as unworthy of investor confidence, attacked its track record and said there was "no strategic, operational, managerial or financial reason" why Kraft and Cadbury should become one company.

On Monday, he and the rest of the Cadbury board unanimously voted to accept Kraft's improved, \$19.4 billion offer for Cadbury. In a statement, Mr. Carr said he was "pleased" with Kraft's commitment to Cadbury's heritage, values and employees.

The move ends the independence of a 186-year-old icon of U.K. industrial history whose products, beloved by many in Britain and parts of the former British empire, include Dairy Milk, Crème Eggs, Dentyne chewing gum and Halls cough drops.

Mr. Carr now faces the task of demonstrating that his four-month war of words against Kraft succeeded in achieving the best deal for Cadbury shareholders.

That could be difficult, given the multiple of 13 times Cadbury's earnings that Kraft is paying is less than the multiples paid in other recent food sector deal—a point Mr. Carr himself has made during the takeover battle.

Mr. Carr, who counts "The Art of War" among his favorite business books, personally penned many of Cadbury's tough public statements in the takeover battle. Along with the task of integrating the two companies, Kraft and Cadbury now must find a way to climb down from the belligerent tone between them.

"It will be very difficult," said Allyson Stewart-Allen, director at consulting firm International Marketing Partners, adding that Kraft management faces a challenge persuading Cadbury's work force of the deal's merits. " [Irene Rosenfeld](#), the Kraft [chief executive officer], will have to sell the value, logic and benefits to Cadbury's work force unless she wants to risk having demoralized workers potentially sabotaging the deal. She has a big marketing job ahead of her."

From the start, the battle for control over Cadbury has been marked by some very aggressive rhetoric—much of it from Mr. Carr. His strategy of insulting Cadbury's suitor included calling Kraft an "unfocused conglomerate" with "unappealing categories" and a management that "under-delivers."

"The message has to be very clear in a situation that is complex," said Mr. Carr in an interview last Thursday. "We've left no doubt in anyone's mind about the value of the business."

Even [Todd Stitzer](#), Cadbury's mild-mannered CEO, joined in the Kraft bashing, warning of cost cuts and job losses "all over the Cadbury world."

But Mr. Carr played bad cop. A 63-year-old takeover veteran, Mr. Carr has chaired some of the most prominent boards in corporate Britain, including Thames Water, now a unit of German utility giant [RWE AG](#), pub group [Mitchells & Butlers PLC](#) and [Centrica PLC](#), the parent company of British Gas in the U.K. and Direct Energy in North America, where Mr. Carr is still chairman. Buying and selling companies has been part of every post.

Early in his career, Mr. Carr led what came to be known as the "hit squad" at industrial holding company Williams PLC, which acquired and restructured underperforming businesses in the deal-crazed 1980s, when former Prime

Minister Margaret Thatcher deregulated the U.K. economy. As the group's CEO, he later led the group's break-up into two companies, which were sold off for a chunky premium. In 2000, as chairman of Thames Water, he got Germany's RWE to raise its bid for the U.K. company four times, eventually convincing the buyer to pay four times revenues, a 46% premium.

"His experience makes him ideal material for a situation like this," says John Parker, the chairman of [Anglo American PLC](#) who until last year chaired the Court of the Bank of England, where Mr. Carr is still a director. "He will do what's right for shareholders. He will not sell the company on the cheap."

A low point in Mr. Carr's career, shortly before he was named chairman of Cadbury, came in early 2008 at Mitchells & Butlers, a company operating pubs, restaurants and bowling alleys where financial bets under his chairmanship resulted in massive losses that led to his resignation. Mr. Carr called the event a "tragedy" at the time. Today, he says a long career naturally includes highs and lows, and points out that he also made money for Mitchell & Butler shareholders and fended off unwelcome bids for the company.

To be an effective chairman, he said recently, involves understanding "the choreography of a bidding process." A majority of Cadbury shareholders must now accept Monday's deal.

"I have clearly had involvement in a lot of corporate transactions," Mr. Carr said last week. "I've built something of a reputation for building shareholder value."

Mr. Carr came to Cadbury as a director in 2000 and was named chairman in 2008, two months after the sale of Schweppes, the group's drinks business, turned Cadbury into a confectionery-only business. It is now the world's second-largest sweets company behind U.S. chocolate behemoth Mars Inc. Combined, Kraft and Cadbury will outsize Mars.

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