

Mondelez – the company that once was Kraft Foods



IUF Mondelez International Union Meeting
Eastbourne, UK, December 4-5, 2013

The legacy:

- ✓ high level of debt/history of financial engineering
- ✓ high concentration of 'impatient' equity ownership
- ✓ finance-driven permanent restructuring
- ✓ union-busting/rights abuses

2006

With net revenues of \$34 billion, Kraft Foods Inc. is one of the world's largest food and beverage companies.

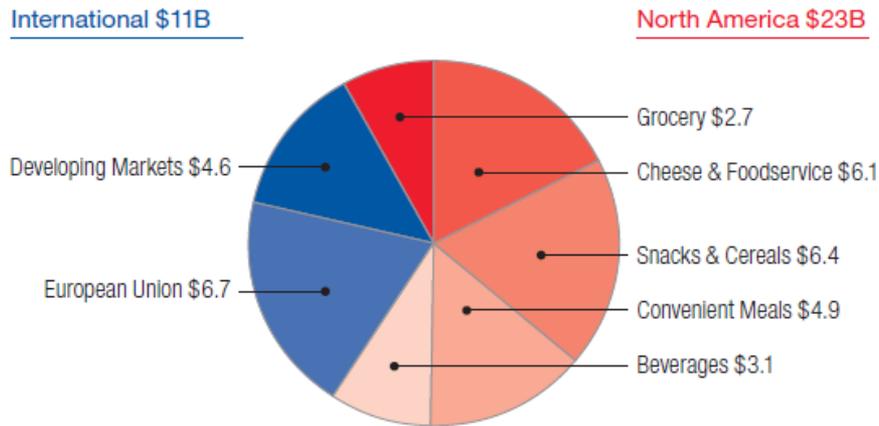


We have **7 brands** with revenues of \$1 billion and over 50 brands with revenues of \$100 million.

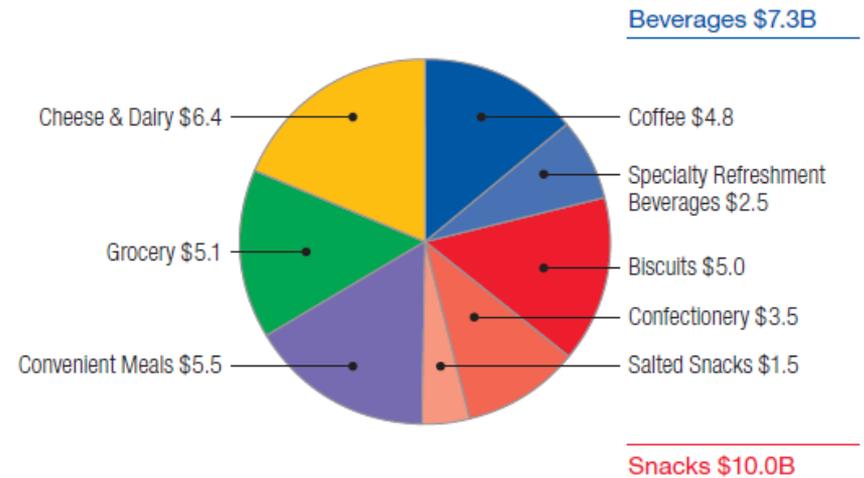
2006

2006 Net Revenues \$34.4 Billion

By Business Segment (US\$)



By Global Consumer Sector (US\$)



2007

We are one of the largest
food and beverage companies
in the world.

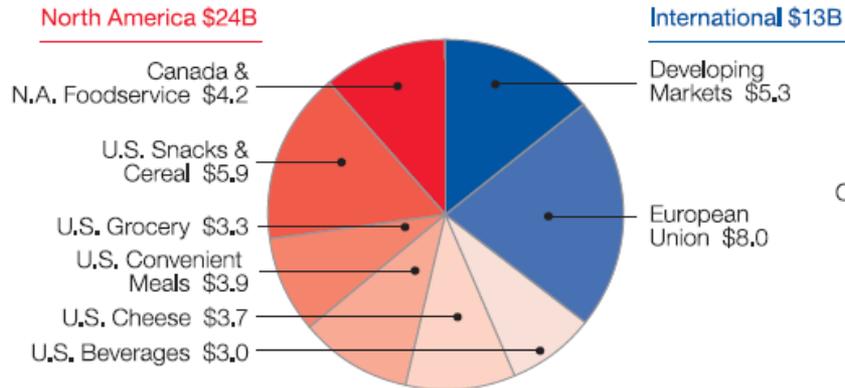


We have **nine brands** with revenues exceeding \$1 billion and more than 50 additional brands with revenues greater than \$100 million.

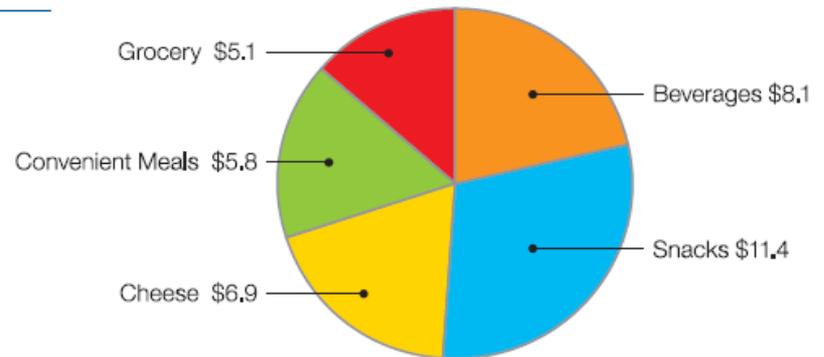
2007

2007 Net Revenues \$37 Billion - As Restated

By Business Segment (US\$)

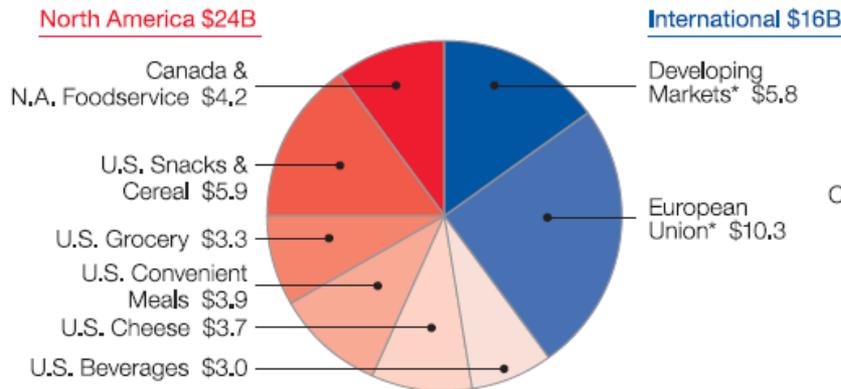


By Global Consumer Sector (US\$ in Billions)

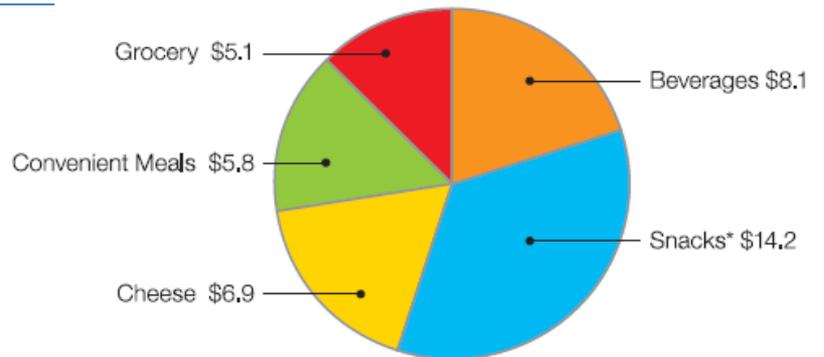


2007 Net Revenues \$40 Billion - Pro Forma Restated with Danone Biscuit*

By Business Segment (US\$)



By Global Consumer Sector (US\$ in Billions)



Jan. 19, 2010, 4:47 p.m. EST

Kraft to buy Cadbury in friendly **\$19.5 billion deal** Agreement puts an end to months of squabbling between food giants

[STORY](#) [QUOTES](#) [COMMENTS](#) [SCREENER \(66\)](#)

[Alert](#) [Email](#) [Print](#) [Recommend \(2\)](#) | [Like](#) [Share](#) ▼

By [Simon Kennedy](#), MarketWatch

LONDON (MarketWatch) -- After months of wrangling, Kraft Foods on Tuesday lifted its offer for Cadbury to around 11.9 billion pounds (\$19.5 billion) in a bid that won approval from its British target and that will create the world's biggest chocolate producer.

The offer for Cadbury is worth 840 pence a share, with holders also due to receive a dividend worth an extra 10 pence a share.

— CBY

The agreement follows a four-month war of words between Cadbury Chairman Roger Carr and Kraft [KFT +2.07%](#) CEO Irene Rosenfeld. Carr had repeatedly called Kraft's previous offer "derisory" and told shareholders that the prior bid -- worth around 769 pence a share at Friday's closing price -- was an attempt to "steal the company."

The acquisition of the 186-year-old Cadbury will make Kraft the world's biggest chocolate and confectionery producer by revenue, through the addition of brands including Dairy Milk, Creme Egg and Green & Black's.

2010

The combination of Kraft Foods and Cadbury creates a 'global powerhouse' in snacks, confectionery and quick meals.

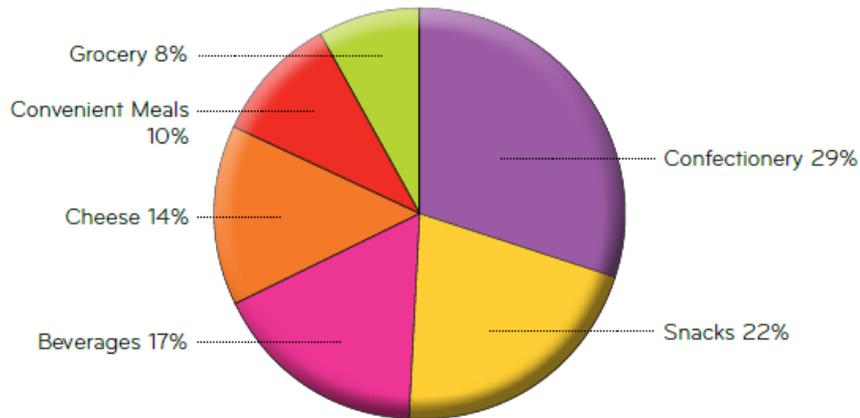


We proudly market **11 brands** with revenues exceeding \$1 billion, including: Kraft, Jacobs, LU, Maxwell House, Cadbury, Trident, Milka, Nabisco and its Oreo brand, Philadelphia, and Oscar Mayer. Approximately 70 brands have revenues greater than \$100 million.

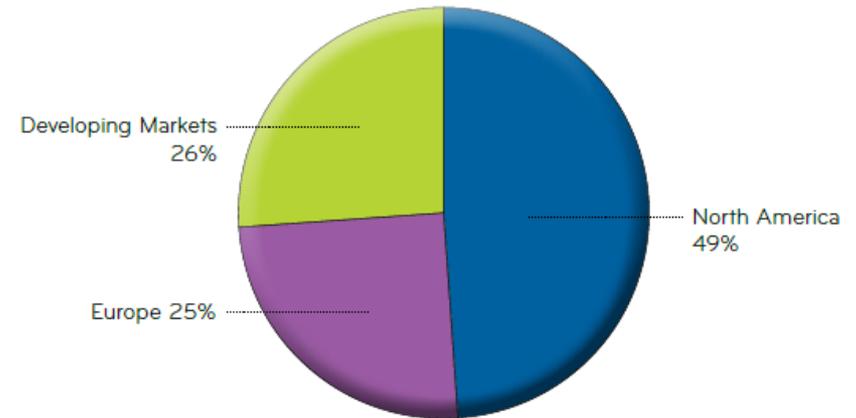
2010

Kraft Foods is a global snacks powerhouse with an unrivaled portfolio of brands people love.

Confectionery and Snacks now make up the majority of our portfolio.*



More than half of our business is outside North America.*

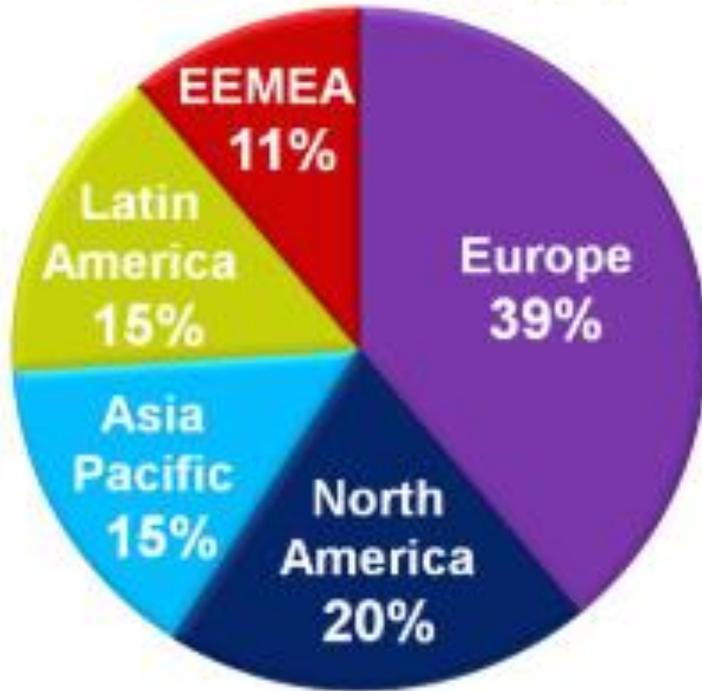


*2009 Pro Forma net revenues \$48 billion are based on the acquisition of Cadbury plc and the divestiture of the Pizza business. See reconciling schedule.

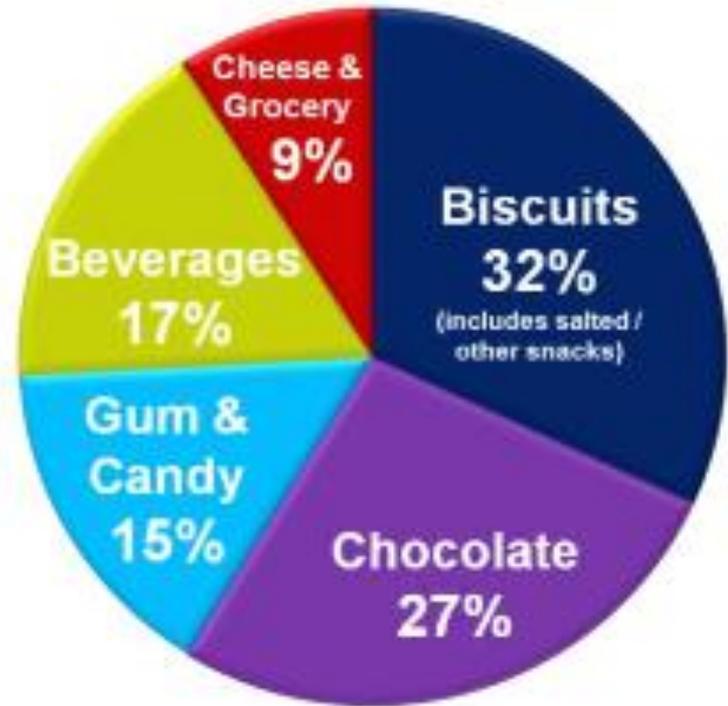
 The profit center and driving force has shifted. Confectionery and snacks now make up 75% of the portfolio, the largest share of revenue and 90% of growth. The most rapid growth is in developing markets. In 2012, over 80% of net revenue is generated outside the US.



Sales by Geography



Sales by Category



2013 – 9 'power brands'

A Portfolio of the World's Favorite Brands



Our portfolio features nine billion-dollar brands: *Cadbury*, *Cadbury Dairy Milk* and *Milka* chocolate, *Jacobs* coffee, *LU*, *Nabisco* and *Oreo* biscuits, *Tang* powdered beverages and *Trident* gum.

In addition, our portfolio includes another 52 brands which each generate annual revenues of more than \$100 million.

March 12, 2010 7:41 pm

The inside story of the Cadbury takeover

In 2007 [Peltz] also started buying shares in the US food company Kraft, eventually building a 3 per cent stake. Peltz told Kraft it too could grow faster if it slimmed down. Get rid of brands such as Maxwell House coffee, he said. Get rid of Post Cereals. See what doors opened from there.

In the runup to the final deal hedge funds load up on Cadbury shares and own 30% or more.

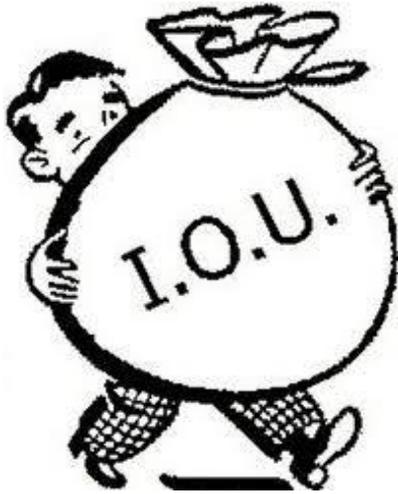
The \$19.5 billion price paid for Cadbury represents a 50% premium to where Cadbury shares traded before Kraft first announced its takeover offer.

Q3 2009: 2004 - 2008 Restructuring Program – massive destruction of productive assets and employment to appease investors:

In 2008, we completed our five-year restructuring program (the "Restructuring Program"). The Restructuring Program's objectives were to leverage our global scale, realign and lower our cost structure, and optimize capacity.

As part of the Restructuring Program, we:

- incurred \$3.0 billion in pre-tax charges reflecting **asset disposals**, severance and implementation costs;
- announced the **closure of 35 facilities** and announced the **elimination of approximately 18,800 positions**;
- will use cash to pay for \$2.0 billion of the \$3.0 billion in charges; and
- anticipate reaching cumulative, annualized savings of \$1.4 billion for the total program.



The Cadbury deal is done with 60% cash, funded through unsecured (high interest) debt.

When Kraft is split to create Mondelez the debt goes to Mondelez, with 2/3 the revenue of the former Kraft.

Some of that debt has been refinanced but the company remains heavily leveraged, with over USD 18 billion in long-term debt and annual revenue at ca. USD 35 billion.

Equity ownership 2012

Equity Ownership KFT

Funds		Institutions				
Name	Ownership Trend Previous 8 Qtrs	Shares	Change	% Total Shares Held	% Total Assets	Date
Capital Research Global Investors	Premium	98,585,754	-805,000	5.58	1.64	12/31/2011
State Street Corp	Premium	88,591,641	54,508	5.01	0.58	12/31/2011
Berkshire Hathaway Inc 	Premium	87,034,713	-2,711,995	4.92	4.92	12/31/2011
Vanguard Group, Inc.	Premium	67,966,414	1,503,091	3.84	0.40	12/31/2011
Capital World Investors	Premium	56,342,321	-8,014,651	3.19	0.74	12/31/2011
BlackRock Institutional Trust Company NA	Premium	44,493,941	2,962,648	2.52	0.42	12/31/2011
Wellington Management Company, LLP	Premium	27,908,743	-3,416,915	1.58	0.41	12/31/2011
Franklin Mutual Advisers, LLC	Premium	24,736,727	137,724	1.40	2.97	12/31/2011
J.P. Morgan Investment Management Inc.	Premium	23,642,119	2,464,300	1.34	0.82	12/31/2011
Pershing Square Capital Management, L.p.	Premium	21,160,759	-4,022,574	1.20	10.16	12/31/2011
Total: Top 10 institutions	Premium	540,463,132	-11,848,864	30.58		

 Warren Buffett

Source:

<http://investors.morningstar.com/ownership/shareholders-overview.html?t=KFT>, viewed March 27, 2012

Equity ownership 2013

Buffett out, **Peltz**  back in

Equity Ownership MDLZ

Funds		Institutions				
Name	Ownership Trend Previous 8 Qtrs	Shares	Change	% Total Shares Held	% Total Assets	Date
State Street Corp	 Premium	84,359,300	-2,183,493	4.23	0.33	09/30/2013
Vanguard Group, Inc.	 Premium	81,685,165	1,411,650	4.09	0.25	09/30/2013
BlackRock Fund Advisors	 Premium	54,364,852	-395,760	2.72	0.29	09/30/2013
Trian Fund Management, L.p. 	 Premium	40,946,850	0	2.05	23.56	09/30/2013
Southeastern Asset Management Inc.	 Premium	36,442,983	-2,075,848	1.83	5.71	09/30/2013
Jennison Associates LLC	 Premium	32,150,908	-82,587	1.61	1.06	09/30/2013
Fidelity Management and Research Company	 Premium	31,967,661	2,719,845	1.60	0.16	09/30/2013
Invesco Advisers, Inc	 Premium	30,060,967	-364,486	1.51	0.67	09/30/2013
Capital Research Global Investors	 Premium	27,130,400	-4,135,000	1.36	0.34	09/30/2013
Northern Trust Investments, N.A.	 Premium	26,067,740	1,433,783	1.31	0.29	09/30/2013
Total: Top 10 institutions	 Premium	445,176,826	-3,671,896	22.31		

Source:

<http://investors.morningstar.com/ownership/shareholders-overview.html?t=MDLZ>, viewed November 28, 2013

Wrecking ball for Mondelez's older sites as supply chain overhaul planned



By Oliver Nieburg+ 

04-Sep-2013

 Post a comment



Mondelez plans eight previously announced facilities such as a biscuit plant in Mexico (pictured) as well as five other plants by 2020. Older plants could face the wrecking ball

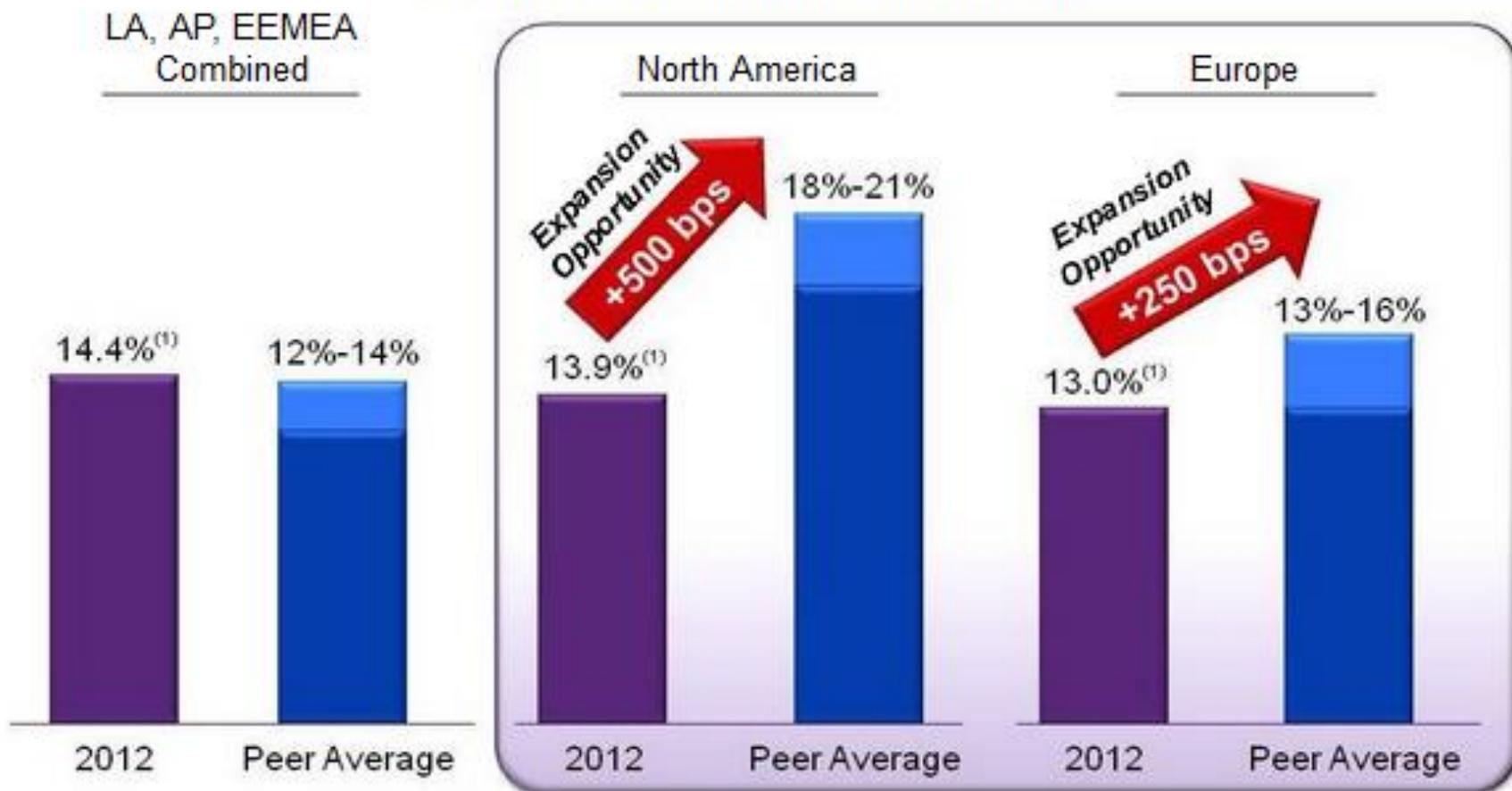
Significant operating income growth driven by margin expansion

- Strong track record of margin gains
- 250 bps of opportunity from gross margin expansion



Opportunity is largely in North America and Europe

Adjusted Operating Income Margin



Acquisitions drove supply chain complexity



- Significant number of SKUs, formats and formulas
- Fragmented supplier base
- Sub-scale plants with low efficiency assets



Oreo: “Imagine if...” became reality



Scale

- 30% reduction in capital cost
- \$10MM in operating cost savings per line
- +500 bps gross margin improvement

Speed

- New capacity in 1/3 the time
- Modular design for 7 days start-up
- Global expansion in less than 6 months

Agility

- Standard building block one-time design
- Standard equipment & operations
- Supplier-enabled scale and speed



Oreo: Double the capacity, with half the footprint and fewer people



Integrated Lean Six Sigma delivers best in class reliability and efficiency



- 450 plant leaders trained
- 300 black belts certified & 2,000 green belts trained
- 14 plants commissioned as lead sites; 103 sites by 2015

- 
- ✓ **Reduce/Simplify SKUs (potential for more outsourcing)**
 - ✓ **Centralize, squeeze suppliers, extend payment terms to 120 days**
 - ✓ **Wrecking ball for 'sub-optimal' plants**
 - ✓ **Generalize/Intensify Lean Six Sigma**
 - ✓ **Increase margins* in Europe, North America to fund emerging market expansion**

**operating margins = variable costs = wages and benefits!*

Rating Action: Rating Action: Moody's upgrades Mondelez to Baa1

Global Credit Research - 08 Aug 2013

Approximately \$18 billion of debt instruments affected.

New York, August 08, 2013 -- Moody's Investors Service, ("Moody's") today upgraded the long-term senior unsecured ratings of Mondelez International, Inc. ("Mondelez") to Baa1 from Baa2 and affirmed its Prime-2 short-term debt ratings. Moody's also revised the rating outlook to stable from positive.

The rating upgrade follows the company's completion in May of its planned debt reduction to \$18 billion from \$20 billion following the spin-off of its grocery business last year, and its release yesterday of more details about its future financial policy plans, which while aggressive, includes sufficient flexibility to support the Baa1 rating.

"The board authorization to purchase \$6 billion of shares through 2016 along with the current 35% dividend payout rate effectively means that all the free cash flow generated over the next three and a half years will go to shareholders," said Brian Weddington, a Moody's Senior Credit

"The board authorization to purchase \$6 billion of shares through 2016 along with the current 35% dividend payout rate effectively means that **all the free cash flow generated over the next three and a half years will go to shareholders,**" said Brian Weddington, a Moody's Senior Credit Officer.



Professional trading solutions for active
Trade options and equities with Light

Home

News

Markets

Ratings

Ideas

Tech

Small-Cap

EUR/USD
1.3608

+0.0006
↑ +0.05%

Dow
16,143.17 ↑ +0.28%

+45.84

S&P 500
1,811.50 ↑ +0.24%

+4.27

NASDAQ
4,064.69 ↑ +0.49%

+19.93

30yr T-Bond
3.83 ↑ +

Major Mondelez Shareholders Losing Patience with CEO

[Jayson Derrick](#), Benzinga Staff Writer

November 21, 2013 1:14 PM

The Kraft Legacy: a deeply anti-union culture is exported world-wide

At December 31, 2012, we employed approximately 110,000 people worldwide. In accordance with European Union requirements, we also have established a European Workers Council composed of management and elected members of our workforce. Employees represented by labor unions or workers' councils represent 37.7% of our 96,000 employees outside the U.S. and 23.1% of our 14,000 U.S. employees.

Mondelez International 2012 Annual Report

Union organization at Mondelez is a legacy of acquisitions. **Where workers have attempted to organize new unions, the response has been repression – and aggressive attacks on existing unions.**

No spring for Kraft/Cadbury/Mondelēz workers in Egypt

Kraft Foods gained factories in Egypt through its 2010 acquisition of UK-based Cadbury, a key element in the international expansion leading to a “whole new company” called Mondelēz. The confectionery factory in Alexandria manufactures the company’s billion dollar ‘power brand’ chewing gum products.



Mondelez rejects US government offer to mediate disputes over allegations of human rights abuses

30-10-2013

[Printer-friendly version](#)

Mondelez has refused a US government offer of mediation to resolve disputes with the IUF over anti-union practices in Egypt and Tunisia which the IUF claims violate the OECD's Guidelines on Multinational Enterprises.

The US National Contact Point (NCP) for the OECD Guidelines offered its good offices in response to a submission by the IUF made in March this year. The NCP, whose assessment of the submission and its outcome is [available on the government website here](#), found the IUF's allegations to be, in its words, bona fide, legitimate, material and substantiated. Mondelez responded to the IUF complaint by denying that it had violated the Guidelines. At that stage in the procedure the NCP invited both parties to enter into mediation to try to find a resolution. The IUF accepted; Mondelez refused.



Precarious work expands at Mondelez Pakistan but management refuses negotiation on status of 'outsiders'

08-11-2013

[Printer-friendly version](#)



The union at Mondelez Pakistan's Cadbury factory continues its mobilization in support of demands for collective bargaining negotiations on the status of the growing number of casual workers by holding two protests a week. Management adamantly refuses to address the abusive status of these workers, which it calls "outsiders", through negotiation and bargaining.

The factory has installed new equipment to increase productive capacity, but the number of permanent workers remains at 50. *There are now 525 contract workers with no job security and inferior wages and conditions, over 200 of them in core manufacturing jobs.*

Mondelez
Union Network

