

Wrigley sharpens its sweet tooth

Despite slim pickings, CEO wants to buy candy firm

By JAMES B. ARNDORFER

Juicy targets are in short supply as Wm. Wrigley Jr. Co. looks to satisfy its craving for acquisitions.

After stunning the industry with an unsuccessful \$12.5-billion bid last year for Pennsylvania-based Hershey Foods Corp., Wrigley has vowed to keep chomping deals. But few such blockers are available in the consolidated candy business.

In its quest to add bulk, product lines and geographic reach, the Chicago-based chewing gum maker will likely have to string together a series of smaller deals. Likely

scenarios include acquisitions of smaller candy companies—observers say Chicago's Tootsie Roll Industries Inc. is high on Wrigley's shopping list—divisions of larger rivals and regional players in areas where Wrigley wants a bigger presence, like Latin America.

Such a strategy presents plenty of challenges for CEO William Wrigley Jr., whose deal-making experience is light. Prices for top-flight brands will be high, and multiple acquisitions in new product lines and unfamiliar regions could set up Mr. Wrigley and his management team for

nasty surprises.

Wrigley shareholders, many of whom invested in the company because of its reputation for conservative, organic growth, will be quick to punish any missteps.

"Acquisitions are tough; you make a mistake or two and you can hurt your business for a good period of time," says James Burns, president and chief investment officer of J. W. Burns & Co., an East Syracuse, N.Y.-based investment firm that owns about 500,000 shares—less than 1%—of Wrigley.

Mr. Burns adds that he was "pleased" the Hershey bid was

rejected: "My feeling is that was a big nut to chew."

Still, Mr. Wrigley, who took the reins of the company in 1999, has made it clear that acquisitions will play a big role in his plan to boost Wrigley's earnings by more than 10% annually. In 2002, earnings rose 11% to \$401.5 million, or \$1.78 per share, as sales grew 14% to \$2.75 billion.

In the company's 2002 annual report, Mr. Wrigley acknowledges that he was "disappointed" the Hershey deal didn't work out, and says, "We reaffirm our intention to pursue confectionery acquisitions around the world."

Since taking the helm, Mr. See WRIGLEY on Page 35



Candy shopping: William Wrigley Jr. has vowed to keep pursuing acquisitions in the confectionery industry.

STEVE LEONARD