

Money

Share of the Week Finsbury Food Group

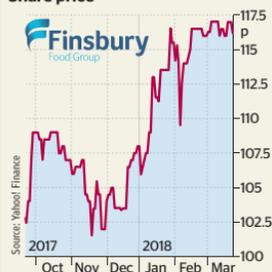
With factories and bakeries stretching from the Scottish village of Twechar to Sheffield and Cardiff, there is a good chance that the Finsbury Food Group was responsible for the last cake you ate.

The group has a finger in many pies from luxury bites for the Thorntons brand to emoji anc cartoon cakes for Disney. There's also bread for Vogel's and buns for KFC. Yet after a period of enforced cost-cutting within the business, Finsbury is not exactly in a sweet spot. Interim results out this week show increased profits and stable revenues, but will its products continue to sell like hot cakes?

■ The history

Finsbury Food Group is a stable of seven bakery companies scattered across the UK. It was created in 2002 when Megalomedia, Lord Saatchi's media vehicle, took over Memory Lane Cakes, which supplied all the big UK supermarket chains, in a £9 million deal. Lord Saatchi chaired the group for more than five years before stepping down in April 2008. Memory Lane Cakes started as Wondercake in 1958. Its eight-acre site in Cardiff had five bakeries, 800 staff and produced

Share price



26 million cakes in 2014. In 2007 the group bought Lightbody, a Scottish company with more than 1,100 staff at its superfactory in Hamilton, South Lanarkshire, where it makes cakes for Disney, Universal, Weight Watchers and Thorntons and is also home to the California Cake Company.

Further acquisitions include Nicholas & Harris, which bakes seeded buns and rolls for Vogel's and Cranks, and Fletchers, a leading producer of American muffins, while a smaller company, Campbell's, based in the

village of Twechar, East Dunbartonshire, makes caramel shortcake and tiffin.

For much of the past decade the going has been tough. In 2009 Finsbury was in heavy debt and had a market capitalisation of £6 million and stock price of 12p, but John Duffy, the company's chief executive, has turned the business around to a market capitalisation of more than £150 million.

Finsbury is the second-biggest supplier of packaged cakes in the UK, with a 20 per cent share of the market. It bakes more than 60 million hot-cross buns every year, 400 million premium rolls and burger buns, 20 million loaves of speciality bread and 10 million cakes.

■ The performance

Faced with high butter, cocoa and egg prices, and weakening consumer confidence, the company has in recent years been forced into a programme of cost-cutting, investing more in automation and scaling back its workforce. It has also experimented with cheaper ingredients and shut its loss-making Grain D'Or croissant and pastry factory. An extra dose of price rises has also gone into the mix.

The plan appears to be working. This

week the group reported profits of £8.4 million before tax for the six months to December 30, up 6.3 per cent on the previous year. Revenue was stable at £157.8 million, up 0.7 per cent, and operating margins were improved thanks to greater efficiency. The dividend was raised 10 per cent to 1.1p.



A fundamental part of the group's strategy is producing children's birthday cakes, which represent 89 per cent of celebration cakes. Revenues in this business went up 2.5 per cent to £144.8 million in the last six months of 2017. Particularly popular are emoji cakes, after *The Emoji Movie* screened last year, and treats themed on children's television hits such as Paw Patrol and Peppa Pig.

There have also been commercial spin-offs: a year ago it teamed up with *The Great British Bake Off's* Mary Berry, left, to launch a new range of cakes, and it is preparing another with the teenage hit vlogger JoJo Siwa.

An essential part of the company's strategy is clear: not putting too many eggs in one basket.

"With our resilient and diversified group, by category, channel and geography, we are confident we will continue to deliver steady progress," Mr Duffy says.

■ The verdict

At a time of economic weakness and rising food inflation, it faces an uphill struggle. However, the diversity of its brand remains impressive. [Buy](#).

David Byers