

Business Markets

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Buy, sell or hold: today's best share tips

FINSBURY FOOD GROUP

Like-for-like sales up 2.5%

Pre-tax profits £8.4m

There has been very little icing on the cake for Finsbury Food Group in recent years. The maker of celebration cakes and speciality bread has had to contend with rising butter prices and weak consumer confidence, forcing it to rework the recipe for its business.

Cost cutting has been the primary method, with the company driving efficiencies by investing more in automation, scaling back its workforce, experimenting with cheaper ingredients and cutting out

its loss-making Grain D'Or croissant and pastry factory. An extra dose of price rises has also gone into the mix.

For now the plan appears to have passed the taste test. Yesterday the group reported profits of £8.4 million for the half year to December 30, up 6.3 per cent on the year before. Sales were stable at £144.8 million, up 2.5 per cent on a like-for-like basis.

Less than a decade ago the company had a stock price of just 12p. Its long-serving chief executive, John Duffy, has done well to return the company to health and to restore the dividend, with the interim offering increased by 10 per cent to 1.1p in the latest results. Analysts are impressed by the resilient

performance but the challenge for Finsbury will lie in whether it can sustain the strategy.

Butter prices remain high and cocoa and egg prices have also been on the up. Wage stagnation and low confidence mean consumers are highly sensitive to price rises and are falling into the arms of heavy discounters, especially as inflation in the food market continues to creep upwards. The squeeze can be felt in Finsbury's gross margin, which fell 70 basis points to 30.1 per cent but the company is well positioned to cope with the pressure thanks to a relentless focus on efficiencies.

But cost cutting can only go so far. Finsbury has also been striving to

improve its product offering with new creative partnerships. A year ago it teamed up with *The Great British Bake Off's* Mary Berry to launch a new range of cakes and it is preparing to launch another one with the vlogger JoJo Siwa. It has also built a "cake innovation centre" next to its factory in Hamilton, South Lanarkshire. The strategy is well balanced and sensible, making Finsbury worth exploring further.

ADVICE Buy

WHY Mixing resilience with growth despite headwinds