At-Home Diners Spice Up Heniz' Earnings

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(Forbes.com) – **Improved pricing and demand, and currency hedging, boosted ketchup maker's Q3 results.**

As cash-strapped consumers opt to eat at home to save money, **H.J. Heinz** is feasting on their thrift.

The maker of Heinz ketchup, Ore-Ida potatoes and Lea and Perrins Worcestershire sauce said Tuesday it posted double-digit increases in its third-quarter earnings, beating Wall Street's expectations by 12 cents for the three months through Jan. 28, on improved pricing and increased demand for its ketchup, soup and Classico pasta sauces.The condiment maker was further helped by hedging its exposure to currencies like the euro. **H.J. Heinz** (nyse: HNZ) also affirmed its 2009 earnings outlook.

Despite decreased sales due to unfavorable foreign currency rates, Heinz's shares notched up $1.75, or 5.5%, to $33.72, in late-afternoon trading in New York.

The Pittsburgh-based company said it still expects to earn $2.87 to $2.89 per share in fiscal 2009, with organic sales growth of around 6.0%. Analysts polled by Thomson Reuters expect Heinz to earn $2.89 per share on sales of $10.3 billion.

Heinz benefited as recession-conscious shoppers turn to grocery stores for food, as opposed to dining out at restaurants, and purchase its products such as Weight Watchers meals and T.G.I. Friday's complete skillet meals.

Standard & Poor's analyst Tom Graves reiterated his "buy" opinion on the stock last week but said he was increasingly concerned about the impact of currency fluctuations, especially as the dollar gains strength and the British pound weakens.

Heinz conceded that third-quarter sales fell 7.7%, to $2.4 billion, from $2.6 billion, due to the impact of foreign exchange, but that the hedge exposure to key currencies like the euro, British pound, New Zealand dollar and Australian dollar helped results in the recent quarter. Sill, the sales figure came in below the Street's estimates for sales of $2.5 billion.

Like other food companies, Heinz had to contend with volatile commodities. While prices for key inputs like corn and fuel retreated from record highs last summer, they remain higher than in previous years. The company raised prices by 8.0% in the quarter, as sales volume fell, and in the United States, Heinz said it offset the lower volume with the introduction of Ore-Ida Steam n' Mash potatoes. There is some concern about the impact of privat- label products on all foodmakers, however, as those same bargain-hunting consumers purchase off-brand products to save even more money.

Chief Executive Bill Johnson of Heinz, speaking at the Consumer Analyst Group of New York earlier this month, said strong brands and private labels can coexist, with brands driving traffic and innovation. He also maintained that research findings point to consumer preference for name brands in most categories.

Improved pricing in North America failed to offset volume declines in categories like frozen food, where intense promotions from **Nestle** (other-otc: NSRGY)'s Lean Cuisine brand cut into sales of Heinz's Smart Ones. Some food retailers scaled back on their inventory as sales softened. On Monday, **Campbell Soup** (nyse: CPB) posted a deeper-than-expected sales decline on retailer inventory cutbacks of pantry staples like condensed soup, usually seen as a consumer favorite in economically challenging times.

In the third quarter ended Jan. 28, Heinz said it earned $242.2 million, or 76 cents per share, compared with year-earlier earnings of $218.5 million, or 68 cents per share. Analysts expected earnings of just 64 cents per share, or $202.1 million.

The Associated Press contributed to this article.