General Mills Raises Outlook After Stronger 2Q

MINNEAPOLIS (AP) — General Mills Inc. said its newly acquired international businesses helped lift its net income by 22 percent in the second quarter, but cited a challenging economic environment for raising its profit outlook only modestly for year.

The Minneapolis-based maker of Cheerios, Betty Crocker and Hamburger Helper said Wednesday that the addition of Yoplait Canada and Yoki Alimentos, a Brazilian food company, were among the biggest drivers for a 6 percent increase in sales for the quarter. And although the U.S. organic and natural foods segment also rose, sales for its flagship cereal unit fell 2 percent while yogurt sales dropped 5 percent.

The company noted that it had a spate of new products and marketing planned for the second half of the year, however. With cereal, it plans to introduce a "Medley Crunch" version of Honey Nut Cheerios, its biggest brand in the category, and bring back a peanut butter version of Cinnamon Toast Crunch that was offered for a limited time several years ago. It also noted that a gluten-free version of Chex is performing well.

In yogurt, the company is planning new flavors for a 100-calorie version of its Yoplait Greek yogurt, a line that was introduced this summer. Executives also noted that the decline in the quarter was an improvement from the 10 percent drop in the previous quarter.

For the three months ended Nov. 25, the company earned $541.6 million, or 82 cents per share. That compares with $444.8 million, or 67 cents per share, a year earlier. Not including one-time items, the company said it earned 86 cents per share.

Total revenue rose 6 percent to $4.88 billion.

Analysts on average expected a profit of 79 cents per share on revenue of $4.88 billion, according to FactSet.

In the back half of the year, the company expects a higher tax rate, along with a 2 to 3 percent rise in costs for ingredients. General Mills now expects to earn between $2.65 and $2.67 per share for the year, excluding one-time items. It previously forecast $2.65 per share.

In the U.S. retail segment, General Mills said sales rose 2 percent primarily as a result of gains in its snack, Small Planet organic and natural foods and meals division. Its international division rose 19 percent, reflecting the addition of Yoki and Yoplait Canada.

Shares of General Mills were down 53 cents, or about 1 percent, at $21.24.

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