

Reckitt Benckiser Gets Boost From Emerging Markets

By SIMON ZEKARIA

LONDON—**Reckitt Benckiser** PLC said Tuesday that surging demand for household and personal-care products in emerging economies boosted third-quarter profit and sales, but warned of challenging market conditions as it maintained its full-year earnings target.

U.K.-based Reckitt Benckiser said third-quarter net profit rose 9.2% to £465 million (\$743.8 million) from £426 million. Its closely watched operating profit before exceptionals rose 14% to £645 million, beating market expectations of £639 million. Revenue rose 16% to £2.45 billion.

Still, Reckitt Benckiser's gross margin slipped slightly to 59.7%, reflecting higher input costs and advertising, the company said.

Reckitt Benckiser shares fell 3.4% to £33.20 in London.

"The core business is still very weak," said Espirito Santo Investment Bank analyst Martin Dolan.

Reckitt Benckiser said consumer purchases in emerging markets more than offset weakness in Western Europe and North America. But the company still faces a challenging outlook in mature markets where, in addition to cut-throat industry competition, consumers are being squeezed by government-backed austerity measures.

The group, which makes products such as Lysol disinfectants and Clearasil acne cream, is also being hit by higher costs for oil, palm oil and plastics. To combat these effects, the company is streamlining packaging; paring logistics, sourcing and purchasing costs; and selectively increasing prices to stem profit-margin losses.

Reckitt is aiming for a 12% increase in full-year sales. It is also aiming to increase net profit adjusted for exceptionals by 10% at constant exchange rates.

