THE TIMES

Date 26 October 2011
Page 49
Circulation 441000
Scale 100%
Cm² 403
Article AVE £7173

KANTAR MEDIA

Reckitt catches a cold in America

Drugs division expected to be hit hard by regulators

Peter Stiff

The new chief executive of Reckitt Benckiser delivered a blow to investors yesterday with a stark warning of slowing growth.

Shares in the group, which has been one of the most reliable performers in the FTSE 100, fell 3 per cent after Rakesh Kapoor warned that growth in a key division would slow rapidly.

Analysts monitoring the company had grown used to years of consistent growth under Bart Becht and were disappointed to learn that regulatory changes in America are expected to hit the company's US pharmaceuticals business.

Mr Kapoor said that fourth-quarter sales at the unit, which represents 25 per cent of profits, would fall by 15 per cent. He added that earnings from that division would fall further because of higher-than-expected rebates to help to fund President Obama's Medicaid programme.

The division, known for its Suboxone heroin substitute, is also under pressure because of the slowing take-up of a patent-protected variation of the treatment. The group has been trying to shift from a pill version that is now open to generic competition.

£33.30

Reckitt Benckiser share price yesterday, after falling 3.6 per cent
Source: Times research

Uncertainty surrounding the pharmaceuticals business overshadowed steady third-quarter trading. Like-for-like sales, which exclude the acquisitions of SSL and the Indian healthcare business Paras, rose by 4 per cent. Total sales increased by 15 per cent to £2.45 billion.

Mr Kapoor, who replaced Mr Becht in September, said that the group would still meet full-year targets of a 12 per cent rise in sales and 10 per cent increase in profit, with a poor quarter for US pharma offset by growth elsewhere. "Delivery of our full-year targets will mean Reckitt Benckiser achieving another year of above industry average growth in very challenging market conditions," he said.

He added, though, that meeting the targets depended on a "normal" flu season, with winter colds boosting demand for Strepsils and Nurofen.

Mr Kapoor added that he had instructed teams in Europe and North America to spend more on advertising in the next three months. In the quarter to the end of September, like-for-like sales in emerging markets rose by 12 per cent, offsetting a weaker performance in Europe, where sales fell 1 per cent.

Like many other consumer products groups, Reckitt has cut prices in Western Europe to attract increasingly cost-conscious customers and fight aggressive competition.

Fabric-care products, the second-largest category, have been worst hit, with sales down by 6 per cent, largely because of weakness in detergents in Southern Europe.Vanish has also been up against tough competition from Procter & Gamble. Health and personal care, the largest division, enjoyed a better quarter, with turnover up 6 per cent, helped by the roll out of Dettol in emerging markets and its No Touch Hand Soap System in Europe.

Analysts at Jefferies said that maintaining full-year guidance despite the pharma hit, and hinting at improvement in other areas, was "insufficient to reassure in the short term".

It expected fellow City analysts to trim forecasts.

COPYRIGHT: Extracted by Kantar Media. The contents of the publication from which these extracts have been taken are copyright works and without prior permission may not be copied or otherwise reproduced (even for internal purposes) or resold or scanned to an internet/intranet site.

THE TIMES

Date 26 October 2011
Page 49
Circulation 441000
Scale 100%
Cm² 403
Article AVE £7173

Dominance vanishes in aggressive sales battle

Analysis Peter Stiff

One of the key features of Reckitt Benckiser's sluggish performance in Europe has been the need to invest aggressively to protect against competitor launches and intensive promotional activity. A good example of this is Vanish, the lucrative stain remover, which has come up against stiff competition from Procter & Gamble, with the American giant introducing a rival product under the Ariel brand across the Continent over the past year. Reckitt has benefited in the past from focusing on categories that were often regarded as too niche by the likes of P&G.

Reckitt says that it has managed to retain its dominant market share in the category, believed to be as high as 79 per cent in Britain last summer, but at a cost.

It has been forced to sell its products cheaper than it would like and increasingly on special offer. This, alongside a tough market for laundry detergents in austerity-hit Southern Europe, contributed to a 6 per cent fall in third-quarter fabric care sales.

COPYRIGHT: Extracted by Kantar Media. The contents of the publication from which these extracts have been taken are copyright works and without prior permission may not be copied or otherwise reproduced (even for internal purposes) or resold or scanned to an internet/intranet site.

THE TIMES

Date 26 October 2011
Page 49
Circulation 441000
Scale 100%
Cm² 403
Article AVE £7173

JUSTIN SULLIVAN / GETTY

Increased costs linked to American state healthcare have affected profits

COPYRIGHT: Extracted by Kantar Media. The contents of the publication from which these extracts have been taken are copyright works and without prior permission may not be copied or otherwise reproduced (even for internal purposes) or resold or scanned to an internet/intranet site.