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Reckitt to Focus on Emerging Markets as Profit Jumps

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LONDON—**Reckitt Benckiser** Group PLC said Wednesday it is shifting its focus to booming emerging markets as the consumer-goods and health-care giant posted a 26% jump in fourth-quarter earnings.

Net profit for the quarter ended Dec. 31 rose to £521 million ($828.3 million) from £414 million. The year-earlier figure includes a pretax charge of £104 million tied to the acquisition of SSL International PLC.

Revenue rose 6% to £2.42 billion.

The U.K.-based maker of Lysol disinfectants and Clearasil spot cream also said it will accelerate cost savings, after warning that the global outlook is getting tougher.

Purchases of the company's products in fast-growing markets with rising middle-class populations—such as the Asia-Pacific, Latin America and Africa—are more than offsetting weakness in Europe and North America, where the company generates almost 60% of its revenue. Chief Executive Rakesh Kapoor cautioned, however, that world-wide growth is declining.

"With slower market growth and increased competition, we need to reshape our strategy," he said. The company will shift capital to developing economies, intensify its focus on higher-margin health and hygiene products and step up investment in its top brands like Nurofen pain-relief medicine, Calgon water softener and Vanish stain remover.

The company said it is aiming for two percentage points of revenue growth above the market pace each year on average. It hopes to lift emerging-markets revenue to 50% of group operations, excluding food and pharmaceuticals, by 2016, compared with 42% now. For health and hygiene, the emerging-market target would be 72% of the business on the same basis, up from 67%. It also targets "steady" operating margin improvement over the medium term.

The restructuring is expected to cost £75 million and will hit this year's earnings, the company said. There will also be a one-time charge of £50 million related to its £2.5 billion purchase of SSL in 2010.

Reckitt Benckiser said it will no longer provide profit reports in its quarterly trading updates outside of interim and full-year earnings.

For the full year, like-for-like sales fell 1% in Europe, rose 3% in North America and Australia, and surged 13% in developing markets.

The group is launching a share buyback into 2012 of up to 15 million shares to offset the dilutive impact of employee share schemes.