

Reckitt Benckiser

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Reckitt 'remains involved' in US probes, sniffs at weak cold and flu season

Reckitt Benckiser Group PLC (LON:RB.) said an "unusually weak" cold and flu season hit sales of its Lemsip and Strepsils medicine brands, while revealing it continued to be involved in two major legal probes in the US.

Group sales in the first quarter of £3.16bn were up 1% compared to a year ago on a like-for-like basis, compared to analyst forecasts for 1.8%, the 4% LFL growth seen in the preceding quarter and the 2% at this time last year.

READ: Reckitt Benckiser investors tread carefully after Indivior bombshell
Noting the 9 April indictment by the US Department of Justice which saw twenty-eight felony counts levelled at Indivior PLC (LON:INDV), the former RB Pharmaceuticals division that was spun out in 2014, Reckitt said it "remains involved" in ongoing investigations by the DoJ and the US Federal Trade Commission and related litigation proceedings in the US relating to RB Pharma prior to the demerger. A provision of \$400mln was made in 2017 to cover potential liabilities over the matters but it was noted that "the final cost for the group may be substantially higher".

Reckitt stressed that the DoJ's \$3bn indictment, which alleges that Indivior deceiving healthcare providers by marketing its anti-opioid treatment as safer and less abusable than other treatments, "is not against Reckitt Benckiser Group plc or any other group company".

Chief executive Rakesh Kapoor, who recently surprised the market with his plan to retire by the end of this year, understandably was more focused on Reckitt's growth prospects this year. He said he expected growth to be weighted to the second half, stressing the group remained "on track" for the full year revenue target of +3-4% LFL.

Balanced numbers

The Hygiene Home business provided the growth in the quarter, with revenues of £1.22bn up 3% on a LFL basis, and 2% overall due to currency headwinds.

The Health division's £1.94bn revenue, however, was flat on a LFL basis, as the weak cold season in the US and Europe led to a 9% LFL decline for over-the-counter brands, which was offset by 5% LFL growth for Infant Formula and Child Nutrition.

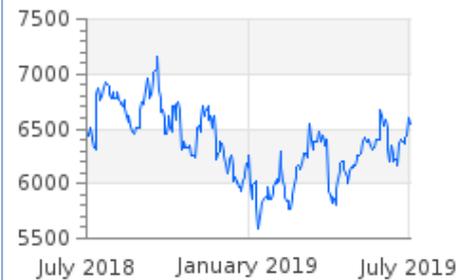
Kapoor said the IFCN business growth was down to "innovation led momentum continuing in the US and further progress in China". Analysts at UBS noted that IFCN supply in the Chinese infant formula market is still "tight" following the manufacturing issues in the third quarter and performance in other markets "mixed", with US driving the growth.

Hygiene Home, he said, was benefitting from his decision to split the group in two end-to-end accountable units, with his RB2.0 plan to boost on growth and increase market share "fully on track" as he reiterates full-year growth targets,

Price: 6639p

Market Cap: £47072.42M

1 Year Share Price Graph



Share Information

Code: RB.

Listing: LSE

52 week

High	Low
7,174.00p	5,559.00p

Sector: Capital Goods

Website: www.reckitt.com

Company Synopsis:

Reckitt Benckiser is a manufacturer and marketer of branded products in household cleaning and health and personal care, selling a range through over 60 operating companies into around 180 countries. Its product groups include Fabric Care, Surface Care, Dishwashing, Home Care, Health & Personal Care, making up core business together with Other Household and Food.

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including flat adjusted operating margin. Not out of the woods
The company provided no updates on succession plans for Kapoor.

Analysts at UBS said they thought the trading update "shows that RB is not 'out of the woods' yet", with Health not outperforming, the DoJ investigation adding more uncertainty and promises for an second-half recovery "does not help after 2+ years of underperformance".

Reckitt shares, down 14% from their 52-week high last year but up 10% since stumbling on January's Kapoor retirement news, were down 1% on Thursday to 6,061p.

-- Adds share price, broker comment --

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