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Reckitt gets taste for Chinese remedy

By Adam Jones

Reckitt Benckiser has bought a manufacturer of traditional Chinese sore-throat remedies as part of a drive to add more holistic treatments to its stable of western healthcare brands.

The UK-headquartered maker of Nurofen painkillers, Strepsils lozenges and Durex condoms on Wednesday said it had acquired Oriental Medicine Company for an undisclosed sum.

[Reckitt said](#) the cost was modest as it announced the deal in annual results, featuring a 2 per cent increase in pre-tax profits compared with 2011 and a 7 per cent rise in the dividend.

However, it still represents an eye-catching diversification for a western consumer goods group and comes in the wake of [Reckitt's purchase of Schiff Nutrition International](#), a US vitamin company, for \$1.4bn late last year.

Rakesh Kapoor, chief executive, said Reckitt had to keep up with changing consumer behaviour: "People think about their health in much more holistic terms. It is about how do you lead a more balanced life."

Oriental Medicine's main remedy was a sore-throat powder, he said. The company makes all its sales in China, the group added.

Western companies have been showing growing interest in China's traditional medicine sector. In November [Nestlé agreed a tie-up](#) with a traditional Chinese medicine company controlled by Hong Kong billionaire Li Ka-shing.

Although Reckitt one day hopes to use Oriental Medicine as a sales platform for its western healthcare products in China, Mr Kapoor said it was too early to say if Reckitt would seek to sell traditional Chinese remedies outside China.

As well as healthcare items, Reckitt also makes household cleaning products such as Cillit Bang, Finish dishwasher detergent and Vanish stain remover.

Pre-tax profit for 2012 reached £2.42bn, up 2 per cent compared with a year earlier, on sales that rose 1 per cent to £9.57bn.

Helped by emerging-market strength, sales rose 5 per cent on a like-for-like basis, which strips out the effect of acquisitions, disposals and currency exchange rate fluctuations.

The increase was helped by a stronger finish to the year for its Europe and North America arm and the increased incidence of flu, which drove sales of Strepsils and Mucinex decongestant.

Analysts at Shore Capital, which has a "hold" recommendation on Reckitt shares, said the results were comfortably ahead of expectations: "Reckitt experienced rising sales momentum through the year."

However, they added that some investors might be underwhelmed by its 2013 target of achieving 5-6 per cent sales growth excluding currency movements and the contribution from its pharmaceuticals arm.

Diluted earnings per share for 2012 rose 5 per cent to 249.5p. A final dividend of 78p per share has been proposed, making a total of 134p for the year, an increase of 7 per cent on 2011.

Reckitt shares closed up 1.28 per cent at £44.19 in London yesterday. They are up 24 per cent during the year.