Reckitt Benckiser may sell pharmaceuticals business

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Reckitt Benckiser CEO Rakesh Kapoor speaks during the Reuters Global Consumer and Retail Summit in London September 11, 2013. Reckitt CEO says pharma review independent of other actions.

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(Reuters) - Reckitt Benckiser may sell its pharmaceuticals unit, which has been suffering from declining sales of its main heroin addiction drug, to focus on growing consumer health and household cleaning products businesses.

The British consumer goods group said on Tuesday it was reviewing options for the pharmaceuticals business, which analysts said could fetch over 2 billion pounds ($3.2 billion) and appeal to international drugmakers.

It also beat third-quarter sales forecasts and nudged up its full-year outlook, signaling it was navigating a slowdown in emerging markets that has hurt rival Unilever.

Reckitt's shares rose more than 5 percent as analysts cheered what they saw as strong performance as well as the possible sale of the pharmaceuticals business, which has been weighing on the stock because of uncertainty over the impact of cheap, generic competition to its addiction drug, Suboxone.

"I think it's a combination of the market seeing a way out of (the pharmaceuticals business) and liking the core story as well," said Investec analyst Martin Deboo.

Third-quarter like-for-like sales excluding Suboxone rose 2 percent in Europe and North America, 10 percent in Latin America and Asia and 5 percent in Russia, the Middle East and Africa.

Four sources familiar with the matter said Reckitt was also considering options for its Scholl footwear business, which sells sandals outside the United States and had about 80 million pounds of sales in 2012, mostly in western and southern Europe.

This would not include its footcare business, which comprises products like insoles and blister bandages, the sources said. Reckitt declined to comment on Scholl.

Reckitt, which makes Dettol disinfectants, Durex condoms and Cillit Bang cleaners, has said it wants to boost its presence in the consumer health sector, which is benefiting from ageing populations in the West and rising incomes in emerging markets.

However, Chief Executive Rakesh Kapoor said the review of the pharmaceuticals unit was being undertaken on its own, and not in conjunction with any other strategic alternatives it may be pursuing.

BEATING FORECASTS

The pharmaceuticals business centers around Suboxone, which Reckitt sells as a film that dissolves in the mouth, used to treat addiction to opioids like heroin. The United States accounts for more than three quarters of Suboxone's sales, which fell 14 percent to 191 million pounds in the third quarter.

Reckitt had said previously that the right time to consider options for the unit would be following the launch of cheap, generic Suboxone tablets. In February, U.S. regulators approved two generic versions of the drug.

Reckitt expects the review to take some time, and said it would update shareholders during the course of 2014.

Finance chief Adrian Hennah stressed all options - including possibly keeping the business - were on the table.

"All options means all options. It doesn't leave anything out," he said.

Analysts said Reckitt would probably end up selling or spinning off the business, potentially using the money to buy another consumer health business. Last year it acquired U.S. vitamins and supplements maker Schiff Nutrition.

Analysts value the unit at between 2 billion and 5.5 billion pounds, with the wide range due in part to the uncertainty over the impact of generic competition on Suboxone.

Reckitt posted a 5 percent rise in third-quarter revenue, which brought year-to-date revenue above analysts' estimates.

For the first nine months of the year, total revenue, excluding the pharmaceuticals business, was 6.95 billion pounds. Analysts on average were expecting 6.93 billion pounds, according to a company-provided consensus.

Looking ahead, the company nudged up its target for full-year net revenue growth, excluding the pharmaceuticals business and including the impact of acquisitions and divestments.

It now sees a rise of at least 6 percent, whereas it earlier forecast growth at the high end of a 5-6 percent range. The firm cited strength of its recent acquisitions for the increase.

(Aditional reporting by Anjuli Davies; Editing by Patrick Lannin and Mark Potter)