

Comment ça va ?





Continuing high sales growth brought Boots Healthcare International (BHI) into profit – while sustaining further high levels of investment in marketing and new product development. Sales increased by 12.4 per cent to £273.7 million; and like for like growth, excluding acquisitions and exchange rate effects, was 9.4 per cent. The operating profit before exceptionals of £1.2 million (1996/97: £6.6 million loss) was all the more creditable given some adverse impact resulting from sterling's strength against major currencies worldwide.

Strategy BHI develops and markets self-medication brands predominantly for over the counter (OTC) sale in over 130 countries. It is focusing on three core categories – skincare, analgesics and cough and cold – which together make up about half the OTC market. Core brands now account for some 70 per cent of BHI's sales and it continues to seek further opportunities in its chosen categories through a strong programme of new product development, launches in new geographic markets and appropriate acquisitions.

Acquisitions In October 1997 BHI acquired a leading German medical skincare company, Hermal, for £176 million. This gives it a strong foothold in Germany, one of the most attractive European OTC medicines markets. Hermal's products, which are well established and well regarded in Germany and the UK, complement BHI's existing skincare brands.

Structure Following the Hermal acquisition, BHI has concentrated all skincare product development activities in centres of excellence in France and Germany, where the skincare markets are more developed. Rationalisation of products and organisational structure continues. During the year the company closed its manufacturing operations in South Africa and Australia and disposed of its Femfresh business. The 1997/98 accounts include provision for further infrastructure rationalisation to reduce costs and streamline product delivery.

Products New product development is a major growth driver in the OTC market and BHI maintained its momentum by launching 60 new products and line extensions during the year. These included 32 new products in the Lutsia and Onagrine skincare ranges. The successful launch of Sugar Free Strepsils showed that this 40 year old brand is still very extendable. The Nurofen range is also expanding: the new caplet shape increased sales in the UK and Nurofen Advance is an innovative fast-acting formulation. Nurofen continued its march across Europe and is now available in over 40 countries.

Outlook With skincare businesses in the five major European markets, BHI plans to introduce in international markets a select range of French and German products from 1998 onwards. Nurofen and Strepsils sales continue to grow strongly, with Nurofen expected to take UK market leadership during 1998. Increasing focus on core brands and continuing cost reduction are enabling BHI to build substantial value: this should be increasingly evident in its profit performance while the business maintains high levels of investment.

Boots Healthcare International		
Managing Director, Barry Clare		
Sales £m		273.7
Increase %*		23.7
Profit £m (before exceptionals)		1.2
Sales split*		
Core brands sales	1998	% Increase
Nurofen £m	52.2	26.7
Strepsils £m	55.3	7.8
Skincare £m	82.8	114.0

*comparable exchange rates



Sugar Free Strepsils were launched in the UK and New Zealand to complement existing worldwide Strepsils products.