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P&G profit soars as core sales turn positive

NEW YORK - US consumer products giant Procter & Gamble reported a jump in second-quarter earnings Tuesday, despite a strong dollar that continued to depress the value of foreign sales.

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Net income of $3.21 billion was up 35.1 percent from the year-ago period as it cut costs and focused on products with higher profit margins. Earnings were $1.12 per share, while core EPS was $1.04, beating the 98 cents projected by analysts.

Revenues slumped nine percent to $16.9 billion in the quarter ended in December, in line with expectations. The Cincinatti, Ohio-based company said the decline was mainly due to the stronger dollar and a smaller impact from changes in its accounting of the Venezuela business following foreign exchange policy changes in the South American country.

But stripping out the foreign exchange factor and investments and divestitures, so-called "organic" sales increased two percent.

"We are encouraged by our return to organic sales growth in the quarter," said David Taylor, the company's new president and chief executive, in a statement.

"With the top-line improvement and continued cost reduction, we delivered solid core operating income and EPS growth in the face of significant macroeconomic and geopolitical headwinds."

Taylor took the helm of P&G on November 1, succeeding AG Lafley who led the company's restructuring focused on strengthening its brand portfolio. The company's cost-cutting program, begun more than three years ago, reduced costs by 14 percent in the second quarter.

The maker of Tide detergent, Crest toothpaste and Pampers diapers said it had bought back $2.0 billion of common stock and paid $1.9 billion in dividends to shareholders in the quarter. Net sales fell in all five divisions, led by 10 percent declines in beauty, grooming and baby, feminine and family care products.

The company said various measures had benefited sales, including price increases taken with new product innovations and to offset the impact of currency devaluation in markets such as Russia, Brazil and Mexico.

In a conference call Jon Moeller, P&G chief financial officer, said that organic sales in the US, the company's largest market, swung to three percent growth in the second quarter from a two percent decline in the first quarter.

There was a "modest strengthening in consumer demand" in the US from falling oil prices, he said.

Overall, the sharp decline in oil prices had a "neutral to negative" impact on the company, he said.

Oil savings allowed more investment in products, such as unit-dose detergent and flexible-handle Gillette Fusion razors. But cheaper oil has had "a very significant impact on producer countries" such as Russia, the Middle East and parts of Latin America, hitting consumer demand.

In China, the second-largest market, Moeller said the transition to a consumer-oriented economy was "a significant opportunity" for the consumer products giant. He also highlighted a likely increase in the Chinese birth rate after the government dropped its one-child policy and allowed two children as of 1 January, as a boost to potential consumers.

And, Moeller pointed out, China "continues to premiumize" as consumers push double-digit growth rates in the two top tiers of its products. The growth reflects rising incomes, aspirational choices and a "flight to quality," he said.

Looking ahead to the full fiscal 2016, P&G said it expects net sales to fall by high single digits but organic sales to grow between 1.0-5.0 percent. It projected earnings per share would be up 38-46 percent from fiscal 2015.

Shares in Dow member P&G leaped 3.0 percent to $79.16 in midday trade.

Source: AFP