

P & G's 4Q Profit Falls, Signs Deal With NFL

DAN SEWELL AP Business Writer - August 5, 2009

CINCINNATI (AP) — The Procter & Gamble Co.'s fourth-quarter profit fell 18 percent, and the consumer products maker said Wednesday it expects more declines as households around the globe keep tight reins on spending in the recession.

P&G says slow sales and sluggish earnings will continue in the short term before starting to rebound late in the year, and it forecast lower profit and falling revenue again for the current quarter. P&G officials said Wednesday they are making price cuts in some markets and adding to their lower-priced products.

Shares fell \$1.90, or nearly 3.5 percent, to \$53.56 in morning trading. The stock has traded in a 52-week range of \$43.93 to \$73.57.

Bob McDonald, in his first earnings conference call as CEO, said the company has been investing for the future in the rough economy and expects that to start paying off soon.

"We are willing to accept near-term share loss as we rebuild the structural economics and long-term attractiveness of our categories," McDonald said. "This was not something we would accept on a sustained basis and isn't something we will accept this year."

The Cincinnati-based maker of Pampers diapers, Tide detergent and Gillette shavers has been hurt by consumers buying less and trading down to cheaper brands.

A Deutsche Bank analyst wrote in a note to investors that P&G needs the economy to improve to stem those trends, as consumers migrate away from its premium brands.

"Overall, business remains tough," wrote Bill Schmitz Jr.

P&G said sales fell across its broad portfolio, but particularly in discretionary areas such as Braun electric shavers, Oral-B power toothbrushes, Duracell batteries, Pringles snacks, and its line of fine fragrances.

The company had raised prices on popular brands over the last two years to try to offset higher commodity costs and foreign exchange losses, but acknowledged Wednesday that price gaps with store brands and other alternatives are hurting sales. They told analysts in a conference call they are making targeted price cuts, but didn't give specifics, and are expanding lower-tier products in such areas as disposable diapers and feminine care.

P & G's 4Q Profit Falls, Signs Deal With NFL

Published on Chem.Info (<http://www.chem.info>)

Consumers are also trading down within P&G brands, buying more of the lower-priced "Basic" versions of Bounty paper towels and Charmin toilet paper and its Gain laundry detergent. P&G is testing a basic version of its No. 1 laundry brand, Tide.

Procter & Gamble reported earnings of nearly \$2.5 billion, or 80 cents per share, in the three months ended June 30. That's down from \$3 billion, or 92 cents per share, a year ago.

Analysts expected earnings per share of 79 cents.

Revenue fell 11 percent, to \$18.7 billion, as sales fell across the company's broad portfolio. Analysts expected \$19.4 billion.

For the first quarter that began July 1, P&G expects earnings per share in the range of 95 cents to \$1, down from \$1.03 a year ago. Analysts surveyed by Thomson Reuters expect \$1 a share.

P&G expects net sales, which also are being hurt by foreign exchange impacts of a stronger U.S. dollar, to be down 7 to 10 percent for the quarter.

For the full year, P&G stuck with earlier guidance of \$3.65 to \$3.80 per share with organic sales growth — or sales not related to acquisitions and other such changes — of 1 to 3 percent. Analysts expect \$3.76 per share on revenues of \$80.4 billion.

The quarter ended A.G. Lafley's nine-year run as CEO. McDonald took over July 1, while Lafley stays as chairman.

"In fiscal 2009 and particularly in the fourth quarter, P&G faced one of the most difficult macroeconomic environments in decades," Lafley said in a statement, adding that P&G stayed focused on cost discipline and investments for long-term growth.

For its fiscal year, P&G reported profit rose 11 percent, to \$13.4 billion, with a boost from the sale of its Folgers coffee business. Earnings per share were \$4.26, with the sale adding 68 cents, over the prior year's \$3.64.

Sales fell 3 percent, to \$79 billion.

More Sports Advertising

Meanwhile, the company says four of its brands, including Old Spice deodorant and Gillette shavers, will become "official products" of NFL locker rooms, and eight others can carry the NFL logo in retail marketing under the new multiyear contract that kicks off this season.

The deal also gives P&G marketing rights for the Super Bowl, NFL.com online and the NFL Network on television.

P & G's 4Q Profit Falls, Signs Deal With NFL

Published on Chem.Info (<http://www.chem.info>)

Other details weren't available in advance of an announcement set for later Wednesday at the Cincinnati Bengals' training camp in Georgetown, Ky.

P&G's heartburn medicine Prilosec OTC continues as a multiyear NFL sponsor.

Sports sponsorships have been increasing at Cincinnati-based P&G since it acquired longtime Major League Baseball sponsor Gillette in 2005. Gillette features stars Tiger Woods of golf, Roger Federer of tennis and Derek Jeter of baseball in current advertising.

"It really underscored the power of what sports marketing can do," Jason Dial, director of global sports marketing for P&G, said of Gillette.

He said P&G has more sports tie-ins in the works, including some he said will be surprising, while declining to give examples.

P&G, the world's largest advertiser with some \$8 billion in annual spending, has traditionally been more oriented to female consumers. Dial said the popular NFL expands P&G's marketing audience, while an NFL official said the sport has a growing female fan base of some 40 percent that will be boosted by the P&G link.

Mark Waller, the NFL's Senior Vice President for sales and marketing, said the agreement adds "one of the great global company's marketing excellence" to the league.

Febreze air freshener and Head & Shoulders shampoo will also become NFL locker room products, while brands from Tide detergent to Charmin toilet paper can use the NFL logo.

Source URL (retrieved on 09/02/2014 - 9:16am):

<http://www.chem.info/news/2009/08/p-gs-4q-profit-falls-signs-deal-nfl>