GSK Nigeria calls an end to its business, to return cash

GlaxoSmithKline (GSK) Nigeria said on Thursday, 3 August, it plans to stop doing business after evaluating the options for moving to a third-party distribution model for its drugs and consumer healthcare goods.

Source: Reuters.

GSK Nigeria, which has faced increased competition from local companies and imports from India and China, said its half-year sales had dropped to 7.75bn naira ($9.82m), from 14.8bn naira in the same period a year ago.

Its British parent company GSK, which has been in Nigeria since 1971, said in 2018 that it would cut back its operations in Africa and adopt a distributor-led model instead of marketing medicines in 29 sub-Saharan African markets.

GSK Nigeria said it is working with advisers to agree next steps and plans to submit a scheme of arrangement to Nigeria's Securities and Exchange Commission, which if approved will see it return cash to shareholders except its parent GSK.

It also said the Haleon Group has informed it of plans to terminate a distribution agreement and to appoint a third-party distributor in Nigeria, which faces a cost of living crisis, rising business costs and a shrinking consumer base.

"For the above reasons, and having, together with GSK UK, evaluated various other options, the Board of GlaxoSmithKline Consumer Nigeria Plc has concluded that there is no alternative but to cease operations," GSK Nigeria said in a statement.

Shares in GSK Nigeria, in which British drugmaker GSK has a 46.4% stake and Nigerian shareholders the remaining 53.6%, closed at 8.10 naira, down from a peak of 42.24 naira in 2014.

Inflation in Africa's largest economy, which has been in double digits since 2016, reached 22.79% in June and is set to rise further after new President Bola Tinubu scrapped a popular but costly subsidy on petrol and devalued the currency.

Tinubu hopes the reforms will kick-start growth and attract foreign investors which will help boost inflows into a country that has suffered chronic dollar shortages, making it difficult for companies to import raw materials.