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RB Investor presentation

Full year 2016

10th February 2017



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Rakesh Kapoor

Chief Executive Officer

Disclaimer



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Cautionary note concerning forward-looking statements

- This presentation contains statements with respect to the financial condition, results of operations and business of RB (the “Group”) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as “intends’, ‘targets’, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.
- By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group’s control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group’s technological infrastructure or that of third parties on which the Group relies; interruptions in the Group’s supply chain and disruptions to its production facilities; the reputation of the Group’s global brands; and the recruitment and retention of key management.
- These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Key messages



**Health
& Hygiene
led growth**

+4% HH

+3% Group

**Virtuous
Earnings Model
delivers**

**+130bps operating
margin expansion**

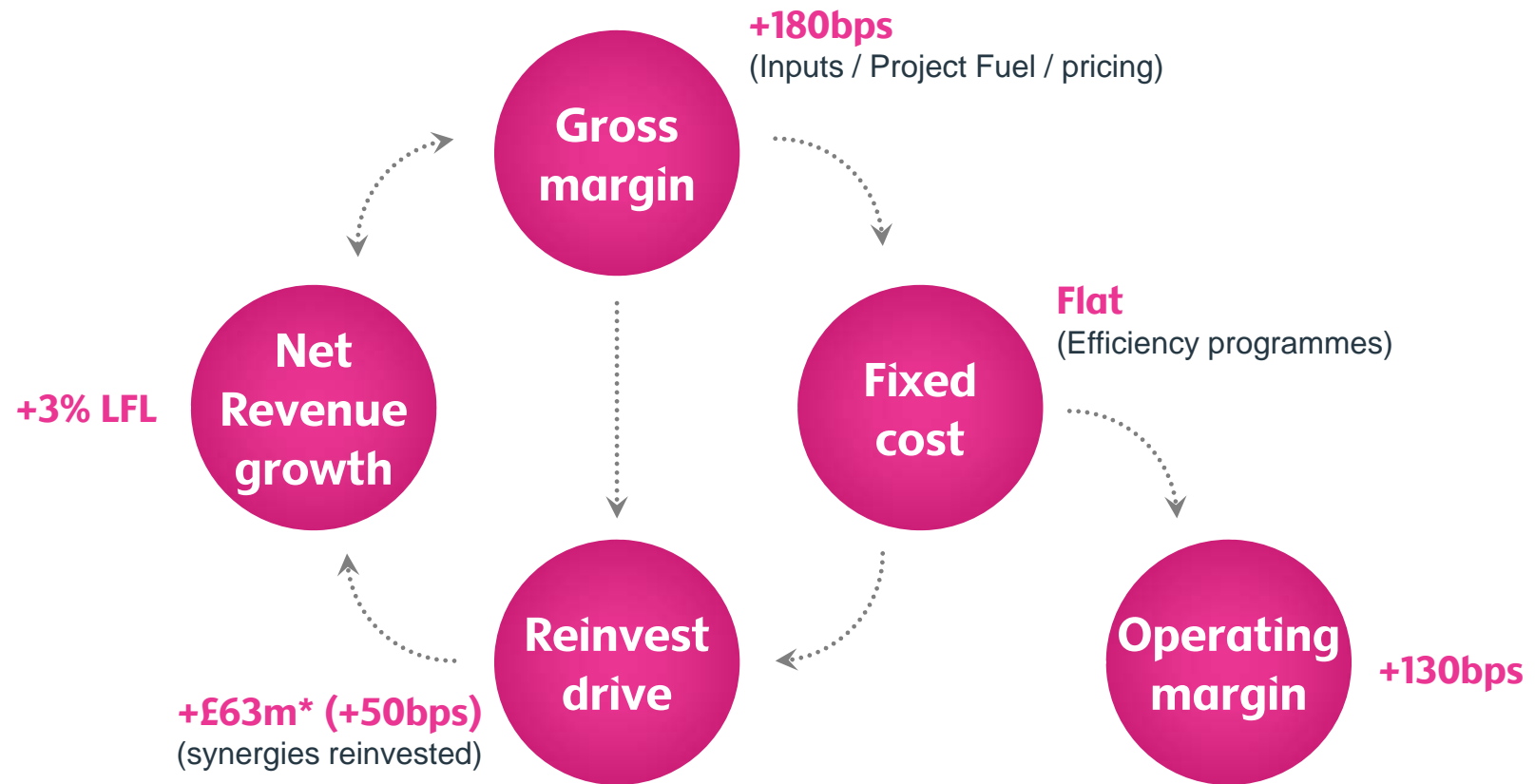
**Strong cash
conversion**

+10% FY dividend

Virtuous earnings model delivers



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*at constant exchange rate

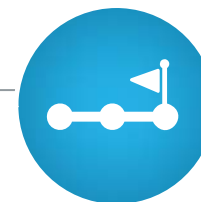
Korea



Learnings



Progress

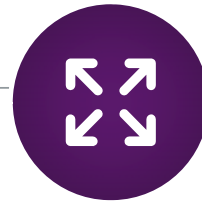


Next Steps

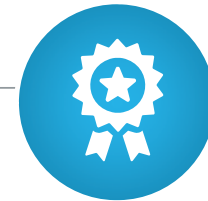
Growth driven by 3 pillars



Innovation



**Geographic
expansion**



**In-store
excellence**

Innovation led growth



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2014



2015



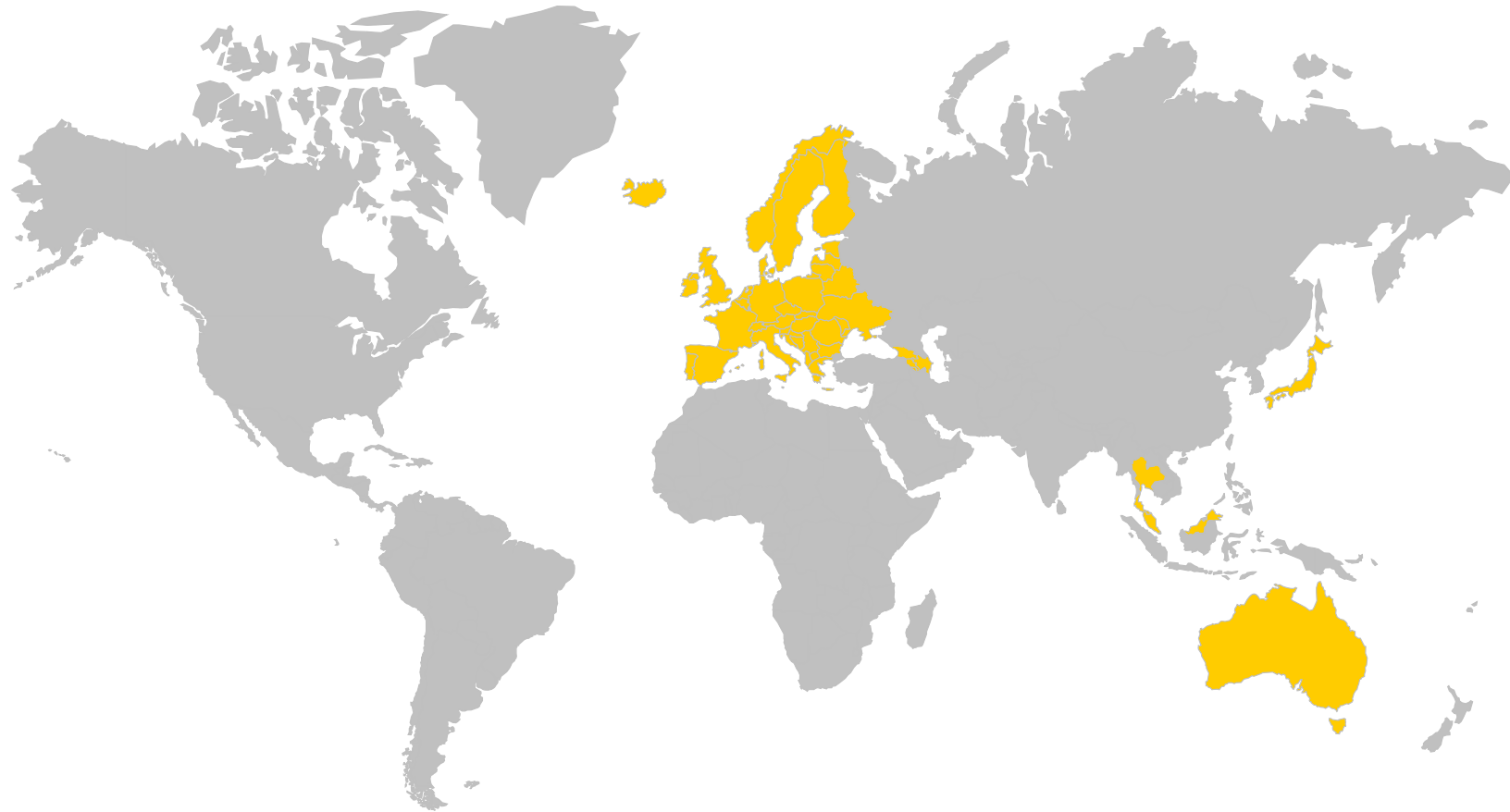
2016



Scholl geographical presence at acquisition



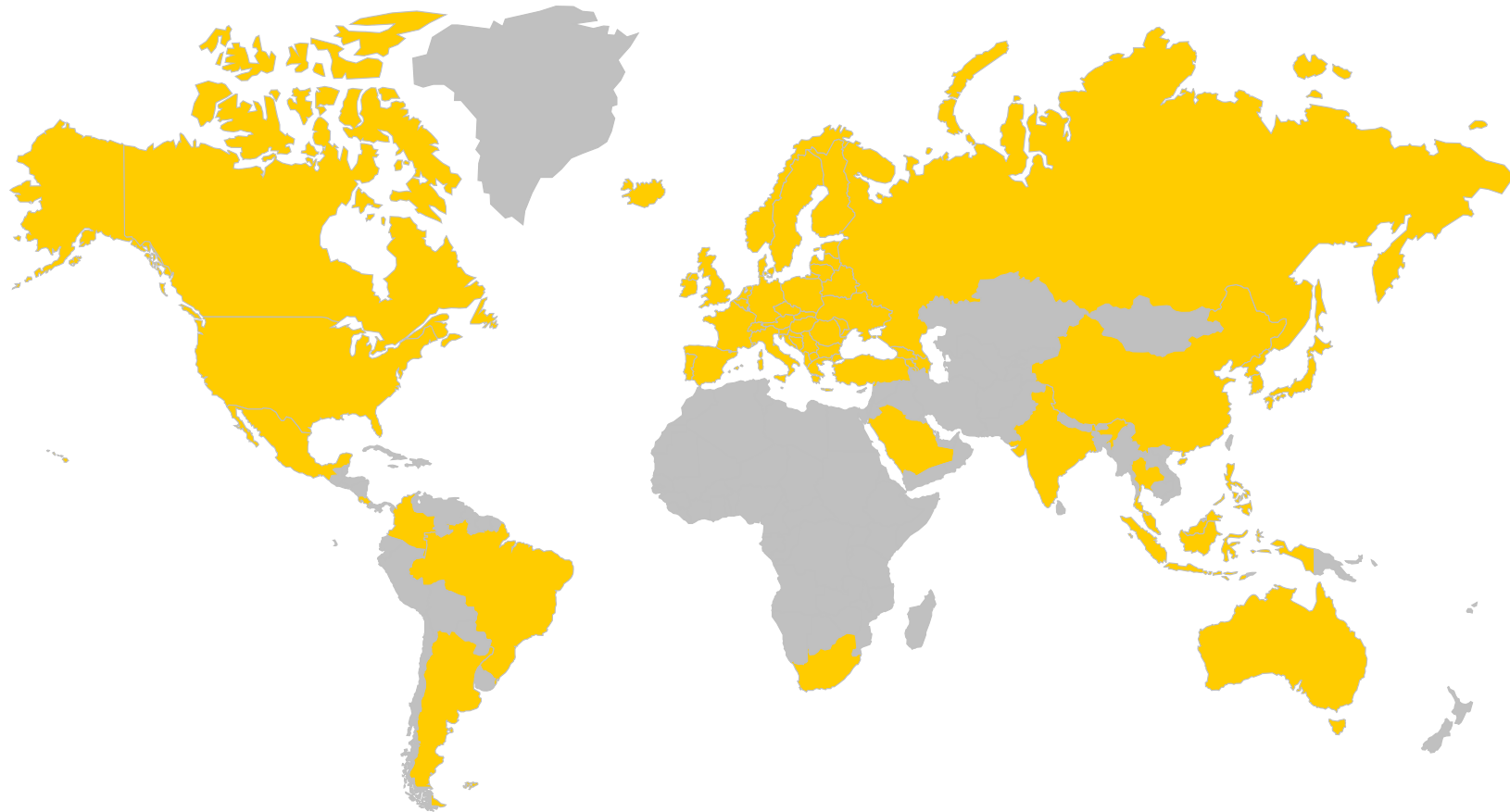
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Significant white space explosion



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In-store excellence

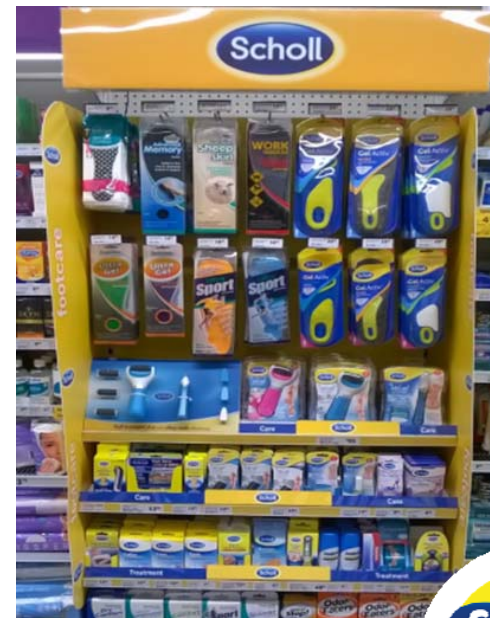


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Then



Now

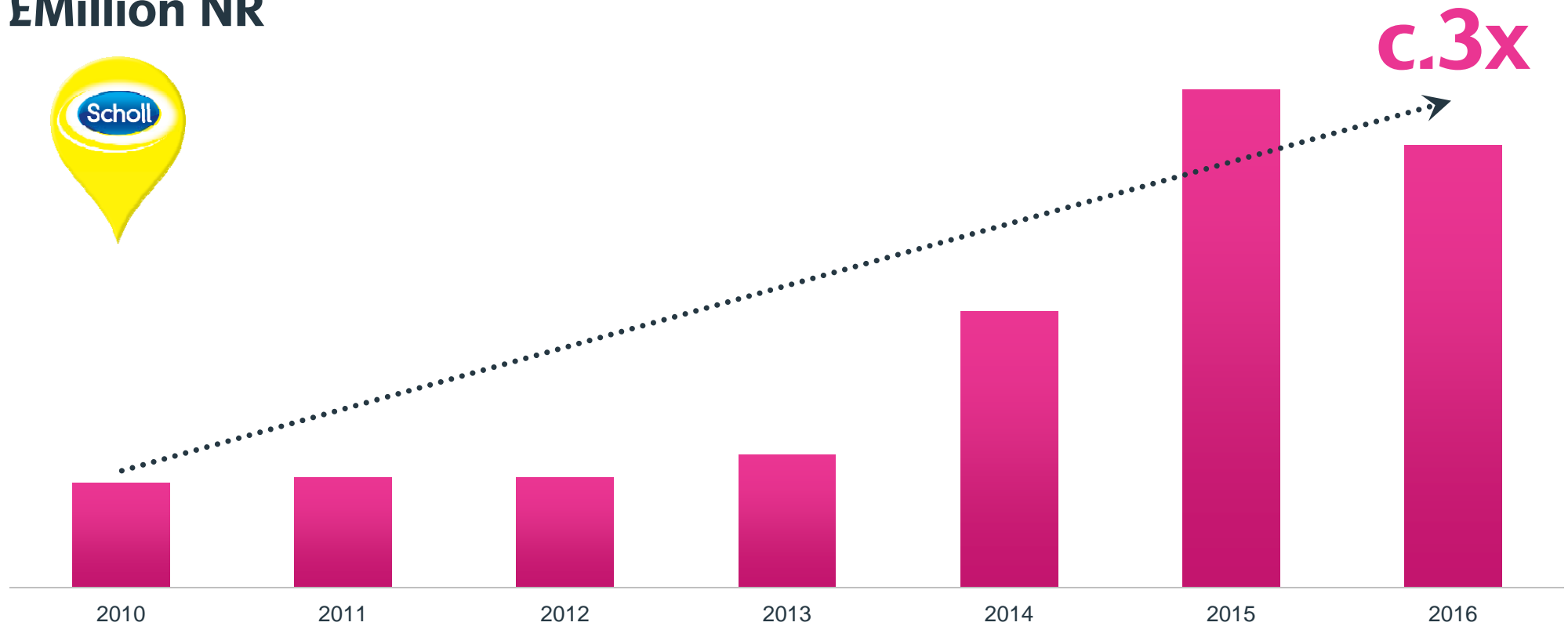


Scholl – Significant Progress since 2013



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£Million NR





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Adrian Hennah

Chief Financial Officer

Q4, H2 & FY 2016 results

Income statement



	Q4		H2		Full Year	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Revenue	2,760	2,323	5,322	4,518	9,891	8,874
<i>LFL %</i>	1%	7%	1%	7%	3%	6%
Gross margin			3,286	2,735	6,026	5,246
<i>Gross margin %</i>			61.7%	60.5%	60.9%	59.1%
Adjusted operating profit*			1,696	1,421	2,777	2,374
<i>Adjusted operating profit %*</i>			31.9%	31.5%	28.1%	26.8%
Exceptionals			(48)	(119)	(367)	(133)
Operating profit			1,648	1,302	2,410	2,241

*adjusted to exclude the impact of exceptional items

H2 & FY 2016 results

Income statement



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	H2		Full Year	
	2016	2015	2016	2015
	£m	£m	£m	£m
Operating profit	1,648	1,302	2,410	2,241
Net finance expense	(5)	(15)	(16)	(33)
Profit before taxation	1,643	1,287	2,394	2,208
Taxation	(335)	(251)	(558)	(463)
<i>Tax rate- adjusted</i>	21%	18%	22%	20%
<i>Tax rate</i>	20%	20%	23%	21%
<i>Non-controlling interest</i>	(2)	(2)	(4)	(2)
Net income	1,306	1,034	1,832	1,743
Adjusted net income*	1,335	1,151	2,157	1,871
Diluted EPS			256.5p	240.9p
Adjusted diluted EPS			302.0p	258.6p

*adjusted to exclude the impact of exceptional items and their associated tax effect

Capital Allocation Policy



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Re-investment in the business

including through
acquisition

Dividend policy

Equal to about **50%**
of adjusted net income
per share

2016 Final dividend

95.0p per share,
7% increase

Revenue growth by Quarter

Business Segment



	2015					2016					Total
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	NR
	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	£m
NA	3%	3%	5%	4%	3%	1%	3%	0%	-3%	0%	2,460
Rest of ENA	5%	4%	7%	6%	6%	5%	1%	-1%	-1%	1%	3,950
ENA	4%	4%	6%	5%	5%	3%	2%	0%	-2%	1%	6,410
DvM	6%	8%	10%	12%	9%	10%	8%	7%	6%	8%	3,070
Food	4%	1%	3%	8%	4%	2%	5%	6%	7%	5%	411
Group	5%	5%	7%	7%	6%	5%	4%	2%	1%	3%	9,891

Revenue growth by Quarter

Category



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	2015					2016					Total NR
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY
	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	LFL	£m
Health	13%	13%	14%	14%	14%	10%	5%	2%	-1%	4%	3,332
Hygiene	3%	3%	4%	4%	3%	3%	7%	5%	3%	4%	4,066
Home	-1%	2%	5%	1%	2%	3%	-1%	-2%	-2%	-1%	1,828
Portfolio	-3%	-6%	5%	10%	1%	1%	-8%	-2%	7%	0%	665
Group	5%	5%	7%	7%	6%	5%	4%	2%	1%	3%	9,891

Margin Analysis



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At actual	H1		H2		Full Year	
	%	bps v PY	%	Bps v PY	%	Bps v PY
2016 gross margin	60.0%	+240bps	61.7%	+120bps	60.9%	+180bps
2015 gross margin	57.6%	+90bps	60.5%	+190bps	59.1%	+140bps

At actual	H1		H2		Full Year	
	%	bps v PY	%	Bps v PY	%	Bps v PY
2016 BEI	14.8%	+40bps	11.7%	+60bps	13.2%	+50bps
2015 BEI	14.4%	+30bps	11.1%	-70bps	12.7%	-20bps

At actual	H1		H2		Full Year	
	%	bps v PY	%	Bps v PY	%	Bps v PY
2016 operating margin	23.7%	+180bps	31.9%	+40bps	28.1%	+130bps
2015 operating margin	21.9%	+160bps	31.5%	+250bps	26.8%	+210bps

Profitability by business segment



	H1		H2		FY	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
ENA	25.5%	24.2%	35.4%	35.1%	30.9%	29.9%
DvM	20.0%	16.8%	24.2%	22.7%	22.2%	19.6%
FOOD	23.5%	25.6%	32.9%	32.6%	28.7%	29.2%
Group	23.7%	21.9%	31.9%	31.5%	28.1%	26.8%

Adjusted to exclude the impact of exceptional items

Net Working Capital



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	NWC		
	FY15	HY16	FY16
	£m	£m	£m
Inventory	681	752	770
% to last 12 month revenue	8%	8%	8%
Receivables	1,331	1,377	1,623
% to last 12 month revenue	15%	15%	16%
Payables	(2,948)	(3,400)	(3,495)
% to last 12 month revenue	-33%	-37%	-35%
Net working capital	(936)	(1,271)	(1,102)
% to last 12 month revenue	-11%	-14%	-11%

Free cash flow



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	H1		H2		Full Year	
	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m
Adjusted Operating Profit*	1,081	953	1,696	1,421	2,777	2,374
Share based payment	33	25	33	25	66	50
Depreciation and amortisation	83	85	100	86	183	171
Net Capital expenditure	(260)	(76)	(126)	(92)	(386)	(168)
Movement in net working capital	286	125	(125)	(204)	120	(79)
Movement in provisions and other creditors	(20)	(73)	(33)	23	(53)	(50)
Other non-cash movements in operating profit	-	(2)	-	(31)	-	(33)
Trading cashflow	1,203	1,037	1,545	1,228	2,707	2,265
Exceptional cash flow	(14)	(62)	(128)	(36)	(142)	(98)
Operating cashflow	1,189	975	1,417	1,192	2,565	2,167
Net interest paid	(8)	(17)	(8)	(14)	(16)	(31)
Taxation paid	(242)	(202)	(271)	(278)	(513)	(480)
Free Cashflow	939	756	1,138	900	2,036	1,656
Free Cashflow as % of Adjusted Net Income	114%	105%	85%	78%	94%	89%
Closing net cash/(debt)	(1,578)	(1,793)	(1,391)	(1,620)	(1,391)	(1,620)

*Adjusted to exclude the impact of exceptional items

HS Update



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14 individuals from 7 companies found guilty at first instance of mislabelling, criminal negligence, 2 acquitted

Rounds 1 and 2 Compensation Plan successful

Two tranches of Round 3 applicants reviewed

4,059 applications, Round 4

HS Law passed

KCDC Assessments



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Round	Total Applicants	Applicants Assessed	Applicants still to be assessed	Category I & II	Oxy RB Cat I & II	Application cut-off	Assessment completion (expected)
1	361	361	0	172	136	Nov-12	completed
2	169	169	0	51	47	Oct-14	completed
3	752	353	399	53	49	Dec-15	Dec-17
4	4059	0	4059	TBD	TBD	Ongoing	Dec-17

47%
of round 3 applicants
have been categorised
to date.

15%
of round 3 applicants
categorised to date are
cat I or II

**MOE is planning to
complete categorisation
process by Dec 2017**

Korea Financials

*** Impact on trading**

*** Exceptional costs**

*** Contingent liabilities**



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Rakesh Kapoor

Chief Executive Officer



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Scholl® Electronic Hard Skin Remover with Marine Minerals



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Scholl® Electronic Hard Skin remover, with Marine Minerals
Addition of Marine Minerals to Roller-heads, known as natural exfoliators

Scholl® In-Growing Toenail – Complete Clip & Spray Kit



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Scholl® In-Growing Toenail – Complete Clip & Spray Kit
1st Ever Solution that allows at-home successful treatment of Ingrowing toenails

KY® Duration Spray



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KY® Duration Spray

Last Longer. Stay in the Moment!

Just a few sprays* of KY Duration before having sex will help him last longer to prolong the intimate sexual experience for both

*3 or more sprays, not to exceed 10. Always use the minimum amount effective for you. Allow 5-15 minutes to dry prior to intercourse.

Nurofen® Long, Russia. Nuromol Australia



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Nurofen® Long, Russia. Nuromol Australia

Stronger pain relief, combining the power of Ibuprofen & Paracetamol.



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Connected Health



Nurofen® FeverSmart – an innovative solution for healthier lives



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Nurofen® FeverSmart Thermometer

Continuous, real-time temperature monitoring
for reassurance & control of your child's fever



Connected
Health



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HYGIENE

Dettol® Protect+ Smart Mask: Breakthrough protection



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3 sizes for the whole family



1 Disposable re-usable mask **2 Durable clip-on ventilator**

**Against the damaging effects of air pollution,
plus enhanced breathability for optimal comfort.**

Dettol® Deep Cleanse Soap



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Dettol® Deep Cleanse Soap

100% better skin protection through micro scrubbing beads for deep skin cleansing

Lysol® Laundry Sanitiser



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Lysol® Laundry Sanitiser

Sanitize all your family's clothes without the use of chlorine bleach

SBP® Advanced – Personal Insect Repellent range



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SBP® Advanced – Personal Insect Repellent range
Long-lasting protection that lasts twice as long



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HOME

Air Wick® Freshmatic PURE



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Air Wick® Freshmatic Pure – a better way to keep your home always fresh

New device - discreetly fits your home décor & easier to use.

Pure franchise now available in Automatic Sprays

Vanish® Platinum Powder & Gel



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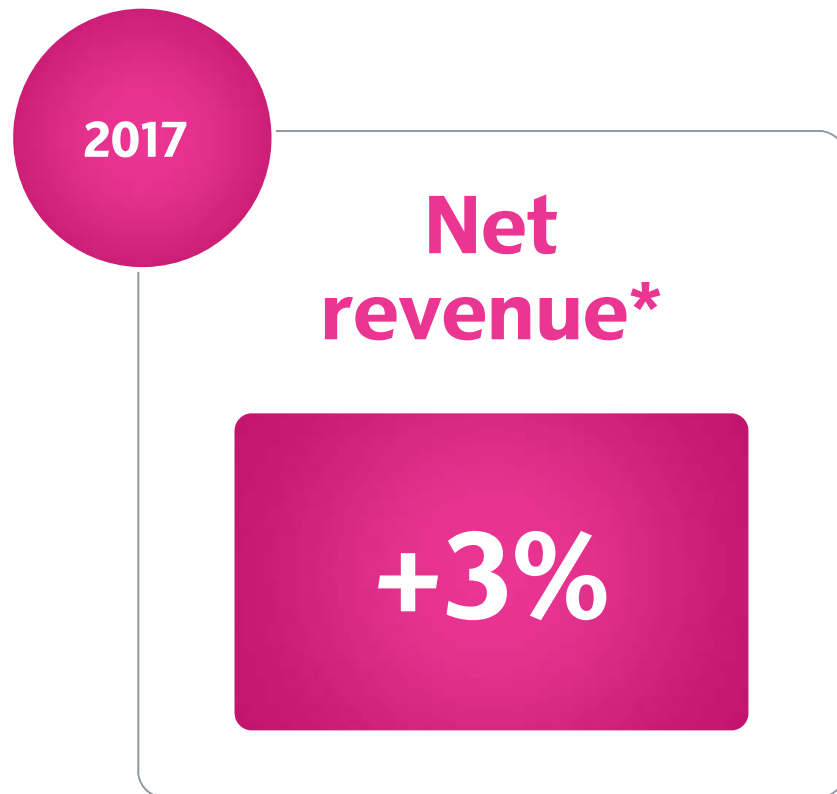
Vanish Platinum Powder & Gel
Works 1st time on 100% of stain types



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2017

Targets



* LFL at constant rates

** Adjusted to exclude the impact of exceptional items..

2012 strategy update...



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**Health and Hygiene
led growth**

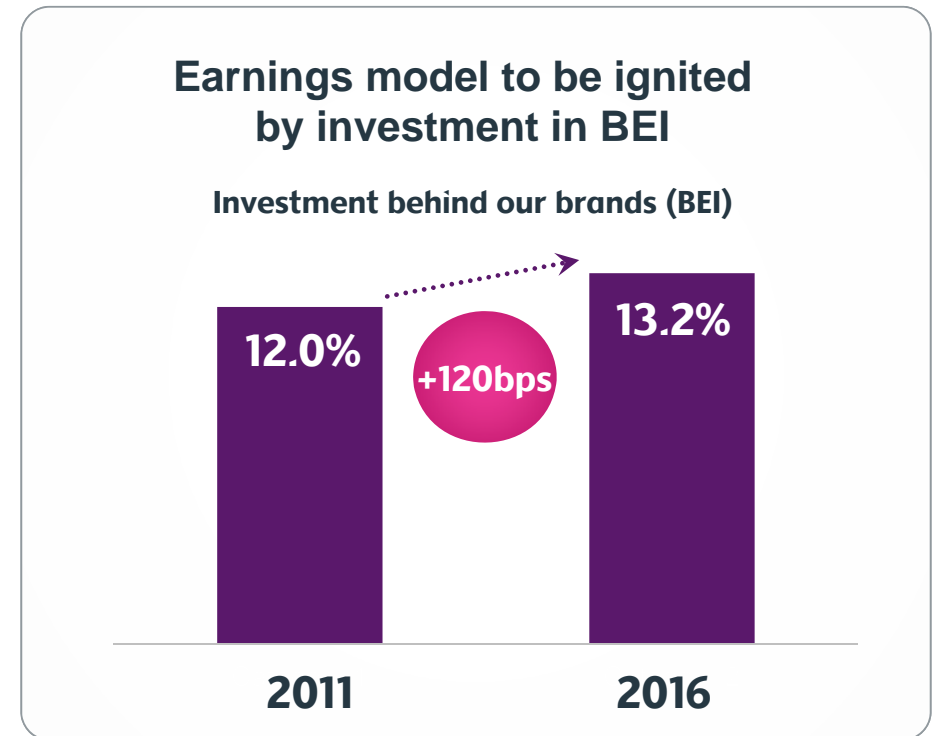
**New Powermarkets
Announced**

**Earnings model
to be ignited by
investment in BEI**

Virtuous earnings model delivers....



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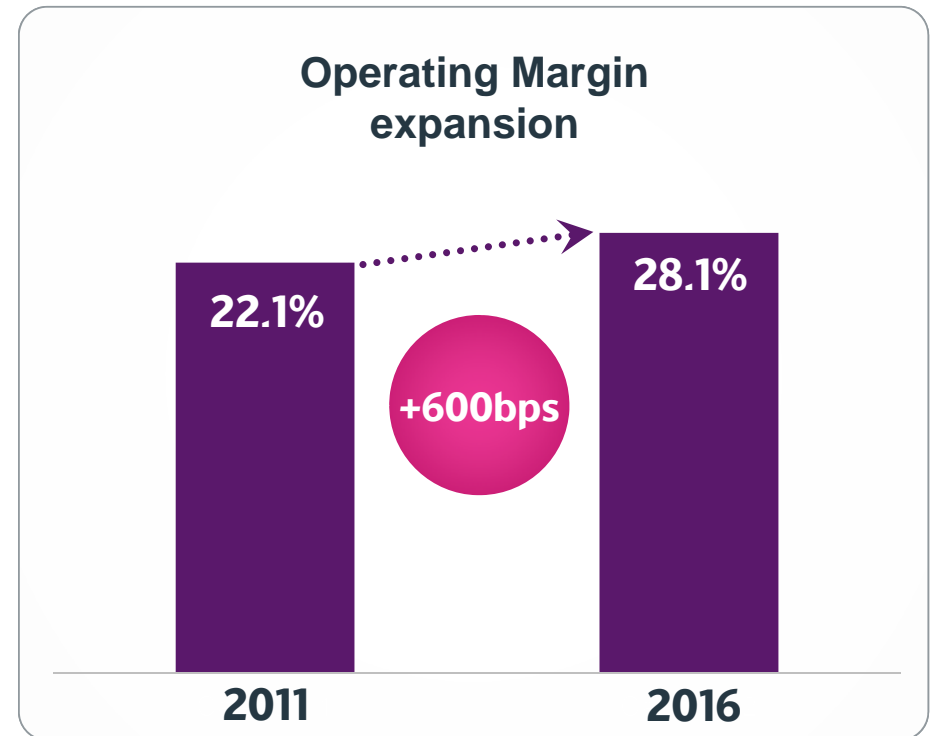
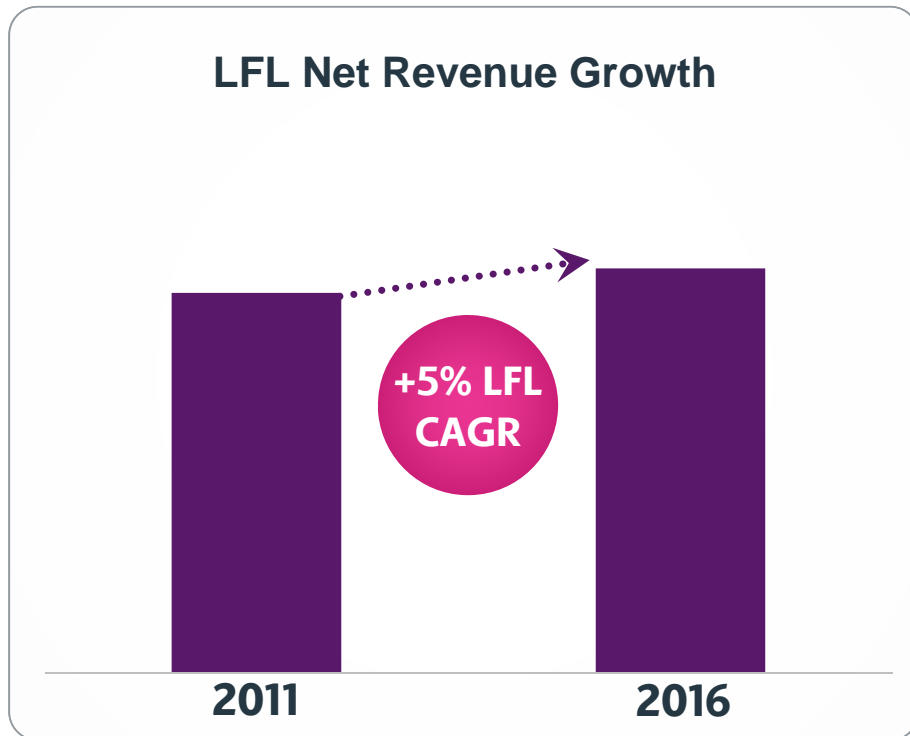


All numbers exclude RBP

Delivering value...



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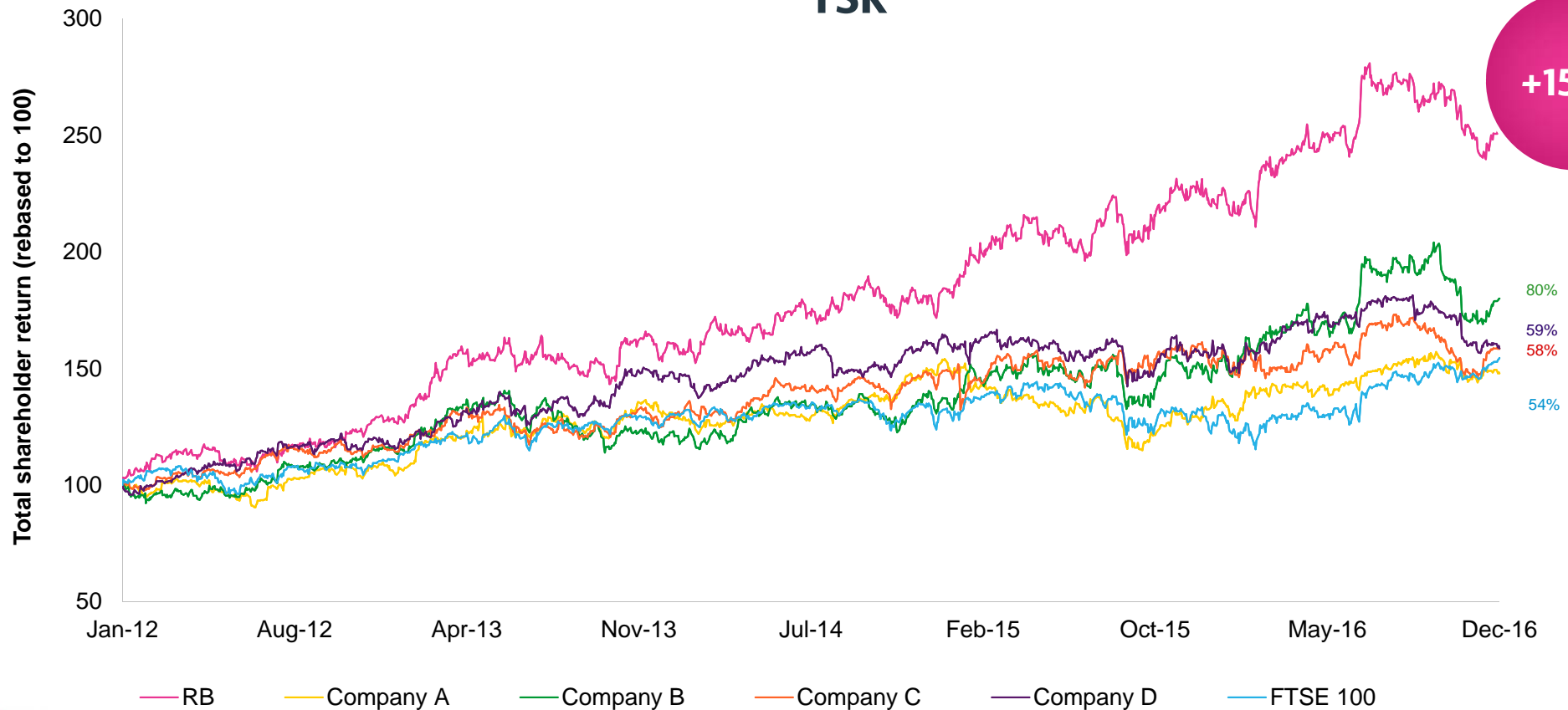
All numbers exclude RBP

And generating superior returns for Shareholders



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TSR





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Q&A



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Appendices

Analysis of Exceptional costs



	Total Guidance £m	P&L H1 £m	P&L H2 £m	P&L FY2016 £m	Total P&L To date £m	Total cash To date £m
Acquisition, integration and restructuring	390	19	48	67	292	228
Litigation provisions	210	-	-	-	210	146
Korea 'HS'	300	300	-	300	300	81

Reconciliation of Operating Profit to Adjusted Operating Profit



	FY 2014 £m	FY 2015 £m	FY 2016 £m
Operating profit	2,164	2,241	2,410
Adjusting items:			
Acquisition, integrating and restructuring	21	133	67
Korea HS	-	-	300
Adjusted operating profit	2,185	2,374	2,777

Revenue growth by Business segment Q4 2016



	LFL	Acq/Disp	FX	Reported
	%	%	%	%
North America	-3%	0%	19%	16%
Rest of ENA	-1%	-1%	17%	15%
Total ENA	-2%	0%	18%	15%
DvM	6%	0%	20%	26%
Food	7%	0%	19%	26%
Group	1%	0%	18%	19%

Due to rounding this table will not always cast

Revenue growth by Business segment H2 2016



	LFL	Acq/Disp	FX	Reported
	%	%	%	%
North America	-1%	0%	18%	17%
Rest of ENA	-1%	-1%	15%	13%
Total ENA	-1%	-1%	16%	15%
DvM	7%	0%	17%	24%
Food	7%	0%	19%	26%
Group	1%	0%	17%	18%

Due to rounding this table will not always cast

Revenue growth by Business segment FY 2016



	LFL	Acq/Disp	FX	Reported
	%	%	%	%
North America	0%	0%	12%	12%
Rest of ENA	1%	-1%	9%	8%
Total ENA	1%	-1%	10%	10%
DvM	8%	0%	6%	14%
Food	5%	0%	13%	18%
Group	3%	-1%	9%	11%

Due to rounding this table will not always cast

Reconciliation in net debt



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	2016	2015
	£m	£m
Opening net debt	(1,620)	(1,543)
Free cashflow	2,036	1,656
Shares purchased	(802)	(804)
Shares reissued	79	74
Acquisition of businesses	(158)	(10)
Purchase of investments	(36)	3
Dividends paid	(1,036)	(926)
Exchange and other movements	146	(70)
Closing net debt	(1,391)	(1,620)