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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION REGARDING RECKITT BENCKISER GROUP PLC**

**FOR IMMEDIATE RELEASE**

10 February 2017

**Reckitt Benckiser Group plc**

**Reckitt Benckiser Group plc to acquire Mead Johnson Nutrition Company**

*RB to acquire Mead Johnson for \$90 per share in cash, valuing Mead Johnson's equity at \$16.6 billion*

*Total value of the transaction is \$17.9 billion including Mead Johnson's net debt*

*Significant step forward in RB's journey as a global leader in consumer health*

*The Enfa franchise is the global #1 in the attractive infant and children's nutrition category*

*Mead Johnson brings significant R&D, quality, regulatory and specialist distribution capabilities to RB*

*Considerably strengthens RB's presence in developing markets, particularly China*

*RB's expertise in consumer centric innovation, scaling global brands and commitment to driving performance will enable long term value creation*

*Goal for Mead Johnson business to perform at the upper end of estimated category growth of 3-5% per annum in the medium to long term*

*Estimated £200 million in annual cost savings by the end of the third full year*

*Expected to be accretive to adjusted diluted EPS in the first full year and double-digit accretive by year 3*

*Return on invested capital projected to exceed RB's cost of capital by year 5*

*Committed debt financing in place; RB expects to retain a strong investment grade credit rating*

*Subject to shareholder and regulatory approvals; expected completion by the end of Q3 2017*

Rakesh Kapoor, Chief Executive Officer of RB, said:

“The acquisition of Mead Johnson is a significant step forward in RB’s journey as a leader in consumer health. With the Enfa family of brands, the world’s leading franchise in infant and children’s nutrition, we will provide families with vital nutritional support. This is a natural extension to RB’s consumer health portfolio of Powerbrands which are already trusted by millions of mothers, reinforcing the importance of health and hygiene for their families.

Mead Johnson’s geographic footprint significantly strengthens our position in developing markets, which will account for approximately 40% of the combined group’s sales, with China becoming our second largest Powermarket.

We are confident that our culture of consumer centric innovation and our expertise in scaling global brands will deliver significant growth for the Mead Johnson portfolio. We will draw on the best of both businesses and continue to build on Mead Johnson’s extensive R&D, quality, regulatory and specialist distribution capabilities.

For investors, we have delivered total shareholder return of over 150% over the past 5 years. I am confident that, with the addition of the Enfa franchise as the largest Powerbrand in our portfolio, we will continue to deliver for shareholders and on our strategy to make a difference by giving people innovative solutions for healthier lives and happier homes.”

James Cornelius, Mead Johnson Chairman of the Board, said:

“The agreement being announced today is about value creation. First and foremost, this transaction provides tremendous value to Mead Johnson Nutrition stockholders. Additionally, relative to the future growth and development of the Mead Johnson business, Reckitt Benckiser – with its strong financial base, broad global footprint, consumer branding expertise and dynamic business model – is an ideal partner.

I have been part of the journey of Mead Johnson Nutrition from its days as an operating division of Bristol-Myers Squibb through the past eight years as an independent public company and now into this powerful new business combination. I fully expect Mead Johnson to flourish as an important new part of the RB organisation.

For all of these reasons and more, this transaction has my full support and endorsement, as well as that of my fellow Board Members.”

### **Summary of transaction**

Reckitt Benckiser Group plc (“RB”) has signed a merger agreement with Mead Johnson Nutrition Company (NYSE:MJN) (“Mead Johnson”) under which Mead Johnson shareholders will receive \$90 in cash for each share of common stock, valuing the total equity at \$16.6 billion.

The terms represent a premium of 29% to the closing price of Mead Johnson of \$69.50 on 1 February 2017, before speculation of a possible transaction, and 24% to Mead Johnson's 30-day volume-weighted average price of \$72.37 at the same date. Including Mead Johnson's net debt of \$1.2 billion as at 31 December 2016, the total enterprise value of the transaction is \$17.9 billion, representing a multiple of 17.4x 2016 non-US GAAP EBITDA of \$1.0 billion and 14.0x 2016 non-US GAAP EBITDA including expected run-rate cost savings of £200 million.

Mead Johnson may continue to pay its normal quarterly dividend until completion, not to exceed \$0.4125 per share, to be declared and paid on dates consistent with the 2016 quarterly dividend declaration and payment dates.

The transaction is subject to shareholder and regulatory approvals. The boards of RB and Mead Johnson have both approved the transaction and have resolved to recommend that their respective shareholders vote in favour of the transaction.

### **A significant step forward in consumer health for RB in a structurally attractive category**

The acquisition of Mead Johnson is aligned with RB's well established strategic focus on growing in consumer health and on investing in Powerbrands with attractive growth prospects. RB already reaches millions of mothers through its hygiene education programmes and, through world class brands such as Nurofen and Mucinex, provides parents with relief and reassurance when their children are unwell. This will be enhanced by Mead Johnson's deep understanding of a new mother's journey and well established relationships with healthcare professionals.

Mead Johnson is a leader in the global infant and children's nutrition category which is worth approximately \$46 billion in annual sales. RB expects the category to grow at approximately 3-5% per annum in the medium to long term.

Growth in the category is underpinned by demographic trends, particularly in developing markets, such as economic growth, urbanisation, increasing spend on premium nutrition, special nutritional needs, a higher proportion of mothers choosing to work while their children are young, as well as changes to China's one child policy. Brand, quality and innovation are increasingly important differentiators in the category.

### **Mead Johnson – a global leader in infant and children's nutrition**

The Enfa family of brands is the world's leading infant and children's nutrition franchise by sales. Mead Johnson brings a long-established scientific and R&D heritage and a strong reputation among healthcare professionals and consumers, creating a high level of trust in Mead Johnson and its family of brands.

Mead Johnson's portfolio is attractive in its simplicity and focus, with approximately 80% of 2015 net sales from the Enfa family of brands and approximately 65% of 2015 net sales in three markets; China, the United States and Mexico.

Mead Johnson has a strong presence in Asia and Latin America, from where it derives 67% of its net sales. In 2015, Mead Johnson had net sales of \$1.2 billion in China.

Mead Johnson operated with an attractive gross margin of 64% and a non-US GAAP operating margin of 25% in 2016.

### **The combination will add significant value**

Mead Johnson's infant and children's nutrition business increases RB's revenues in consumer health by approximately 90%, while its global Enfa franchise, which includes Enfamil, becomes RB's largest Powerbrand.

RB's ambition is to bring together the best of both companies, keeping the consumer at the heart of the combined group. RB has extensive multi-channel go-to-market and global branding capabilities across consumer health and a track record of consumer-centric innovation. These capabilities, together with RB's culture of swift decision-making and a commitment to driving performance, will enable RB to add value to the Mead Johnson business by enhancing its position in key markets.

The acquisition of Mead Johnson complements RB's geographic presence, increasing its developing markets scale by approximately 65%. Developing markets will account for approximately 40% of the combined group's sales, with a critical mass in key geographies, notably China. RB's retail scale and whitespace expertise will also enable accelerated entry into new markets for Mead Johnson.

RB and Mead Johnson have complementary e-commerce expertise, particularly in China where approximately 30% of RB's sales are online.

### **Financial highlights of acquisition**

Under the terms agreed, Mead Johnson shareholders will receive \$90 in cash for each share of common stock, valuing the total equity at \$16.6 billion. Including Mead Johnson's net debt of \$1.2 billion as at 31 December 2016, the total enterprise value of the transaction is \$17.9 billion, representing a multiple of 17.4x 2016 non-US GAAP EBITDA of \$1.0 billion and 14.0x 2016 non-US GAAP EBITDA including expected run-rate cost savings of £200 million.

RB's priority will be on the return of the Mead Johnson business to long term growth. Following an initial transitional period, RB's goal is for it to perform progressively towards the upper end of the estimated category growth rates of 3-5% per annum. RB's multi-geography supply chain infrastructure and distribution network will enhance Mead Johnson's go-to-market capabilities. RB's scale and expertise will also enable accelerated market entry into nascent territories for Mead Johnson where RB has existing and deep

understanding of the local consumer health dynamics. Further, RB expects to build upon Mead Johnson's direct-to-consumer e-commerce platforms.

The integration of RB's and Mead Johnson's businesses is expected to deliver cost savings of £200 million per annum by the end of the third full year following completion. These arise principally from removing duplication in back office functions and leveraging the enhanced scale of the combined business in the procurement of raw and packaging materials, advertising and promotional expenditure and other spend. One-off costs to achieve the savings are expected to be approximately £450 million.

The acquisition is expected to be accretive to adjusted diluted earnings per share ("EPS") in the first full year following completion and double-digit accretive by year 3.

The acquisition is expected to deliver a post-tax return on invested capital in excess of RB's cost of capital by year 5.

RB intends to maintain its current dividend payout policy of about 50% of its adjusted net income.

## **Financing**

The acquisition will be financed through new fully underwritten debt facilities with Bank of America Merrill Lynch, Deutsche Bank and HSBC. These facilities include \$9 billion of term loans over 3 to 5 years and \$8 billion of bridge funding to cover the cash consideration plus a further \$3 billion to refinance existing Mead Johnson bonds if required. They also include an additional £1 billion revolving credit facility to provide financing headroom from the date of completion. RB expects to refinance the bridge by the issuance of bonds to reflect the expected cash flows of the combined group.

Additionally, the Board does not intend to buy-back any further RB shares until the debt level is materially lower.

RB is in discussion with the rating agencies and expects to retain a strong investment grade credit rating.

## **Integration planning**

RB has a track record of effectively integrating consumer health companies as evidenced by the acquisitions of Boots Healthcare International, Adams and SSL. Each has delivered an important inflection point of growth for RB.

RB's approach to integration will be to draw on the best of both businesses. RB will establish an infant and children's nutrition division which will report directly to the RB CEO. A select number of key RB employees will transfer into this new division.

RB will balance the opportunity to realise cost savings from back office and procurement, with the need to retain and invest in valuable talent at Mead Johnson, especially within the

R&D, quality, regulatory and specialist distribution capabilities. The objective will be to ensure the correct balance of RB's leadership and FMCG talent alongside the skill and expertise that has helped establish Mead Johnson as a leader in infant and children's nutrition.

During the integration and thereafter, the combined group will focus on operational rigour, quality and compliance as the foundations of a successful business.

### **Steps to completion**

Because of its size, the proposed acquisition constitutes a Class 1 transaction for RB under the UK Listing Rules and will therefore require the approval of RB's shareholders. RB will in due course send a circular to its shareholders convening a meeting to approve the acquisition. The RB board is unanimous in its recommendation of the transaction.

The acquisition is also subject to approval by shareholders of Mead Johnson, regulatory approvals (including in the US, China and other markets), and certain other customary conditions.

The transaction is expected to be completed by the end of Q3 2017.

### **Further details on the merger agreement**

#### *Termination Fees*

The merger agreement between RB, Mead Johnson and Marigold Merger Sub, Inc., an indirect wholly owned subsidiary of RB, dated 9 February 2017 (the "Merger Agreement") contains certain termination rights and associated fees, including the following:

- RB may terminate in certain circumstances, including where:
  - Mead Johnson has entered into a definitive agreement for a superior proposal from an alternative bidder;
  - Mead Johnson's board has withdrawn its recommendation in favour of the transaction; or
  - there has been a willful and material breach of certain prohibitions on Mead Johnson regarding the solicitation of competing proposals from alternative bidders.

In such circumstances Mead Johnson will pay RB a fee of \$480 million.

- Mead Johnson may terminate the Merger Agreement where RB's board has withdrawn its recommendation in favour of the transaction. In such circumstances RB will pay a fee of \$480 million.
- In addition, RB will pay a fee of \$480 million if the Merger Agreement is terminated because RB's shareholders do not approve the transaction, and Mead Johnson will

reimburse RB's costs up to a cap of \$20 million if the Merger Agreement is terminated because Mead Johnson's shareholders do not approve the transaction.

#### *Non-Solicitation*

- The Merger Agreement prohibits Mead Johnson from soliciting competing proposals, except in specified circumstances.
- If Mead Johnson is considering withdrawing its recommendation in favour of the transaction or entering into a definitive agreement with a third party for a superior proposal, Mead Johnson is required to notify RB and give RB the opportunity to negotiate amendments to the terms and conditions of the Merger Agreement that would make such withdrawal of recommendation unnecessary.

#### **Enquiries / advisers**

This announcement is made on behalf of RB by Richard Joyce, SVP, Investor Relations, Communications & External Affairs.

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Robey Warshaw and Bank of America Merrill Lynch are acting as joint lead financial advisers to RB. Deutsche Bank is acting as financial adviser, corporate broker and sponsor to RB. HSBC is acting as financial adviser to RB.

Davis Polk & Wardwell LLP and Linklaters LLP are retained as legal advisers to RB.

#### **About Mead Johnson**

Mead Johnson, a global leader in infant and children's nutrition, develops, manufactures, markets and distributes more than 70 products in over 50 markets worldwide. The company's mission is to nourish the world's children for the best start in life. The Mead Johnson name has been associated with science-based infant and children's nutrition products for over 100 years. The company's Enfa family of brands, including Enfamil infant formula, is the world's leading franchise in infant and children's nutrition.

In the year ended 31 December 2016, Mead Johnson reported net sales of \$3,743 million, of which 50% were generated in Asia, 17% in Latin America and 33% in North America /

Europe. On a US GAAP basis, Mead Johnson reported earnings before interest and income taxes of \$819 million, earnings before income taxes of \$713 million and net earnings attributable to shareholders of \$545 million. On a non-US GAAP basis, Mead Johnson reported earnings before interest and income taxes of \$927 million and EBITDA of \$1,026 million. As at 31 December 2016, Mead Johnson reported total assets of \$4,088 million.

For more information, go to [www.meadjohnson.com](http://www.meadjohnson.com)

## **About RB**

RB is the world's leading consumer health and hygiene company. The company has operations in over 60 countries, with headquarters in London, Dubai and Amsterdam, and sales in most countries across the globe. The company employs approximately 37,000 people worldwide.

Led by a purpose of providing innovative solutions for healthier lives and happier homes, RB is amongst the top 10 companies listed on the London Stock Exchange. It is the global No 1 or No 2 in the majority of its fast-growing categories, driven by an exceptional focus on innovation. RB's Health, Hygiene and Home portfolio is led by its global Powerbrands including Nurofen, Strepsils, Gaviscon, Mucinex, Durex, Scholl, Clearasil, Lysol, Dettol, Veet, Harpic, Cillit Bang, Mortein, Finish, Vanish, Calgon, Air Wick, Woolite and French's. Powerbrands represent 80% of RB's net revenue.

RB is redefining the world of consumer health and hygiene. Its people and unique culture are at the heart of its success. It has a drive for achievement and a passion to outperform wherever it focuses, including sustainability where it is targeting a 1/3 reduction in water impact, a 1/3 reduction in carbon and 1/3 of net revenue from more sustainable products. RB is proud to lead the Save a Child a Minute campaign, which aims to eliminate child deaths from diarrhoea, one of the world's largest killers of children under 5.

For more information visit [www.rb.com](http://www.rb.com)

Reckitt Benckiser Group plc's LEI code is 5493003JFSMOJG48V108

## **Further information**

Where used in this announcement, consumer health refers to over-the-counter medicines, sexual wellbeing products, footcare products, vitamins and infant and children's nutrition. Infant and children's nutrition refers to milk formula and related products.



Developing markets refers to the geographic regions that RB reports as DvM and the geographic regions that Mead Johnson reports as Asia and Latin America. References to China throughout this announcement include mainland China and Hong Kong.

Unless otherwise stated, all financial information concerning RB and Mead Johnson, including statements concerning the geographic or business mix of RB, Mead Johnson or the combined group, are based on unaudited 2016 results as published by RB and/or Mead Johnson and, where relevant, are based on an exchange rate of USD\$1.26 per GBP, as sourced from Bloomberg on 9 February 2017. For the purposes of calculating the EBITDA multiple including run-rate cost savings, the same exchange rate has been applied.

The Mead Johnson equity value is calculated based on 183 million basic shares outstanding and estimated total dilution from stock options, restricted share units and performance share awards of 2 million shares. The estimated dilution from stock options has been calculated using the treasury stock method.

Mead Johnson net debt includes \$2,976 million of long-term debt, \$4 million of short-term borrowings and noncontrolling interests of \$41 million, less cash and cash equivalents of \$1,795 million as of 31 December 2016.

References to US GAAP are to the generally accepted accounting principles in the United States. As described in Mead Johnson's results, non-US GAAP financials exclude Specified Items, being significant income/expense items considered by Mead Johnson to be not indicative of underlying operating results, including the related tax effect.

RB's total shareholder return of over 150% refers to the period from 1 January 2012 to 31 December 2016.

Certain figures included in this announcement have been subjected to rounding adjustments.

### **Important notice**

This announcement is not for release, publication or distribution directly or indirectly, in whole or in part, into or from any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. This announcement has been prepared for the purposes of complying with applicable law and regulation in the United Kingdom and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of the United Kingdom.

### **Important notice about financial advisers**

Robey Warshaw LLP (“Robey Warshaw”), which is authorised and regulated by the Financial Conduct Authority, is acting exclusively for RB and no one else in connection with the contents of this announcement and will not be responsible to anyone other than RB for providing the protections afforded to its clients or for providing advice in connection with the contents of this announcement or any matter referred to in this announcement.

Merrill Lynch International (“BofA Merrill Lynch”) is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. BofA Merrill Lynch is acting exclusively for RB and no one else in connection with the contents of this announcement. In connection with such matters, BofA Merrill Lynch, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in connection with this announcement or any other matter referred to herein.

Deutsche Bank AG, London Branch (“Deutsche Bank”) is authorised under German Banking Law (competent authority: European Central Bank) and, in the United Kingdom, by the Prudential Regulation Authority. It is subject to supervision by the European Central Bank and by BaFin, Germany’s Federal Financial Supervisory Authority, and is subject to limited regulation in the United Kingdom by the Prudential Regulation Authority and Financial Conduct Authority. Details about the extent of its authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available on request or from [www.db.com/en/content/eu\\_disclosures.html](http://www.db.com/en/content/eu_disclosures.html). Deutsche Bank is acting as financial adviser, corporate broker and sponsor to RB and no one else in connection with the proposed acquisition or the contents of this announcement and will not be responsible to anyone other than RB for providing the protections afforded to clients of Deutsche Bank or for providing advice in relation to the proposed acquisition or any other matters referred to herein.

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### **Cautionary note concerning forward-looking statements**

This announcement contains statements with respect to the financial condition, results of operations and business of RB and, following completion of the acquisition, Mead Johnson (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.

No statement in this announcement is or is intended to be a profit forecast or to imply that the earnings of RB or Mead Johnson for the current or future financial years will necessarily match or exceed the historical or published earnings of RB or Mead Johnson.

Any information contained in this announcement on the price at which shares or other securities in RB have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.