



HEALTH ▸ HYGIENE ▸ HOME

# Reckitt Benckiser

## Investor Presentation: Half Year 2014

28<sup>th</sup> July 2014



HEALTH ▸ HYGIENE ▸ HOME

# Rakesh Kapoor

## Chief Executive Officer

# Key messages



HEALTH • HYGIENE • HOME

**Continued focus  
on the core**

**Virtuous Earnings  
model delivering**

**On track for full  
year delivery**

# Continued focus on the core

## Organic

### Health led Growth

Ytd LFL growth of **+10%**

---

Building capabilities for the future

## M&A

### BMS

Fully integrated – net revenue **well above market growth**

---

### KY

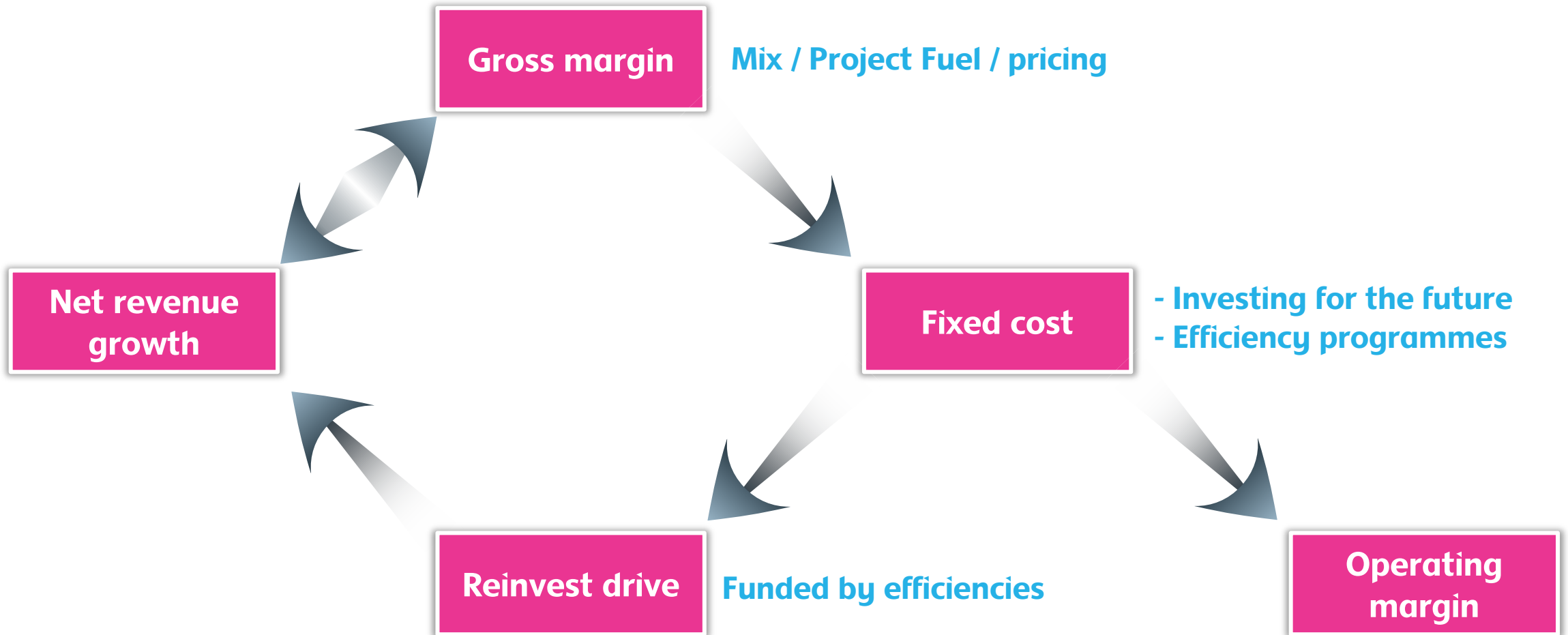
US, and Canada already integrated

## Divestitures

### Scholl Footwear

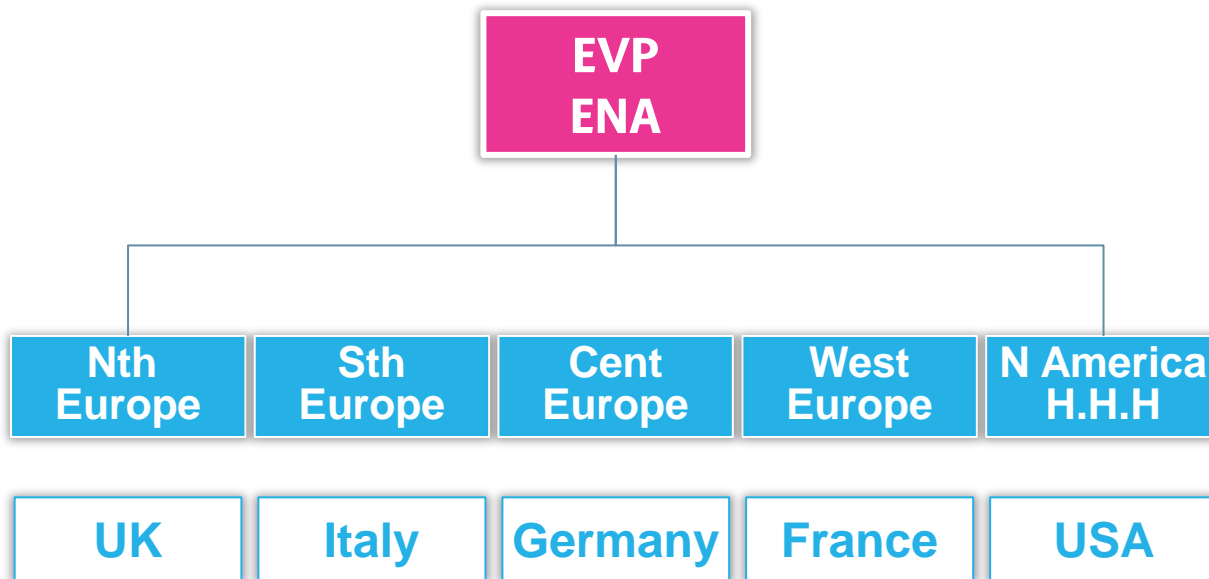
Agreement signed for disposal of the business

# Virtuous earnings model delivering



# Virtuous earning model - ENA Part II

## Part I - Delayering



## Part II – Brand / Customer mgt



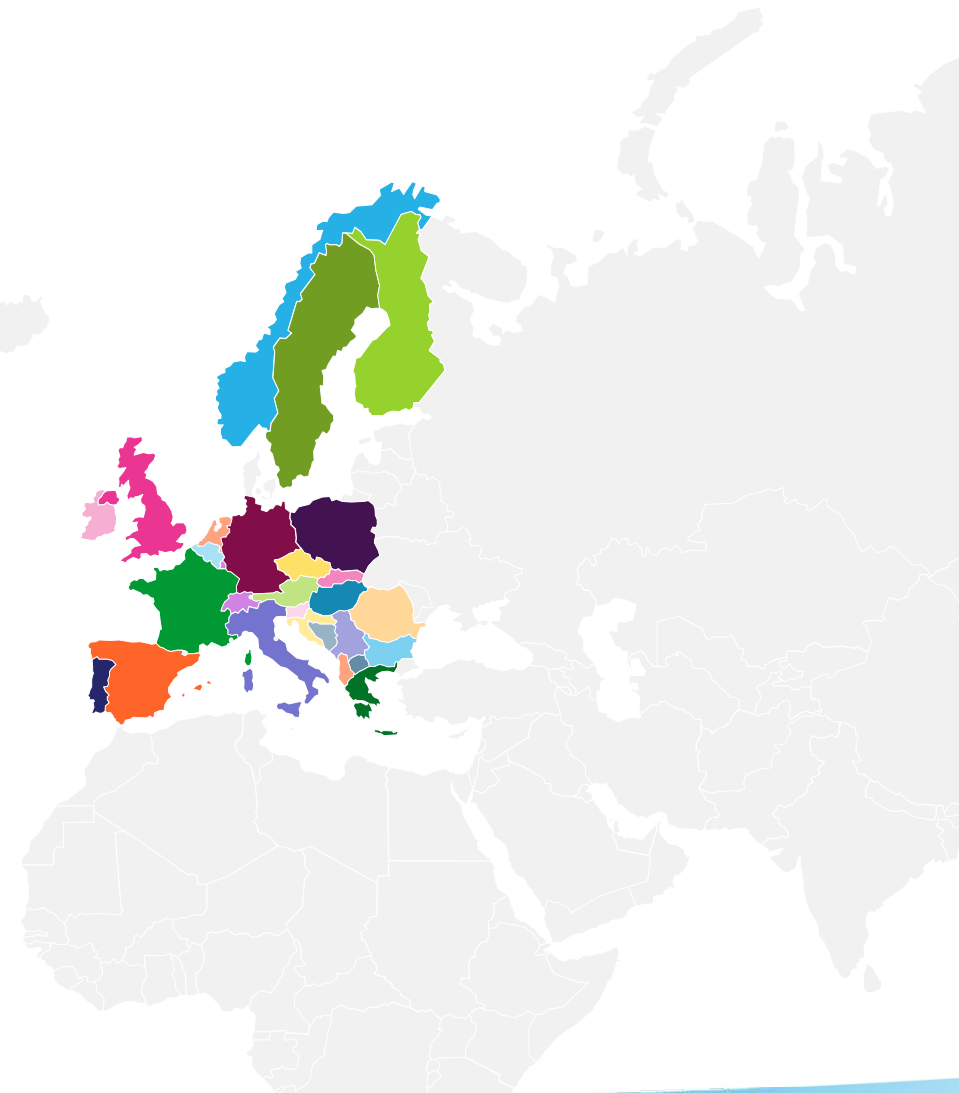
# ENA brand management



HEALTH • HYGIENE • HOME



## Before



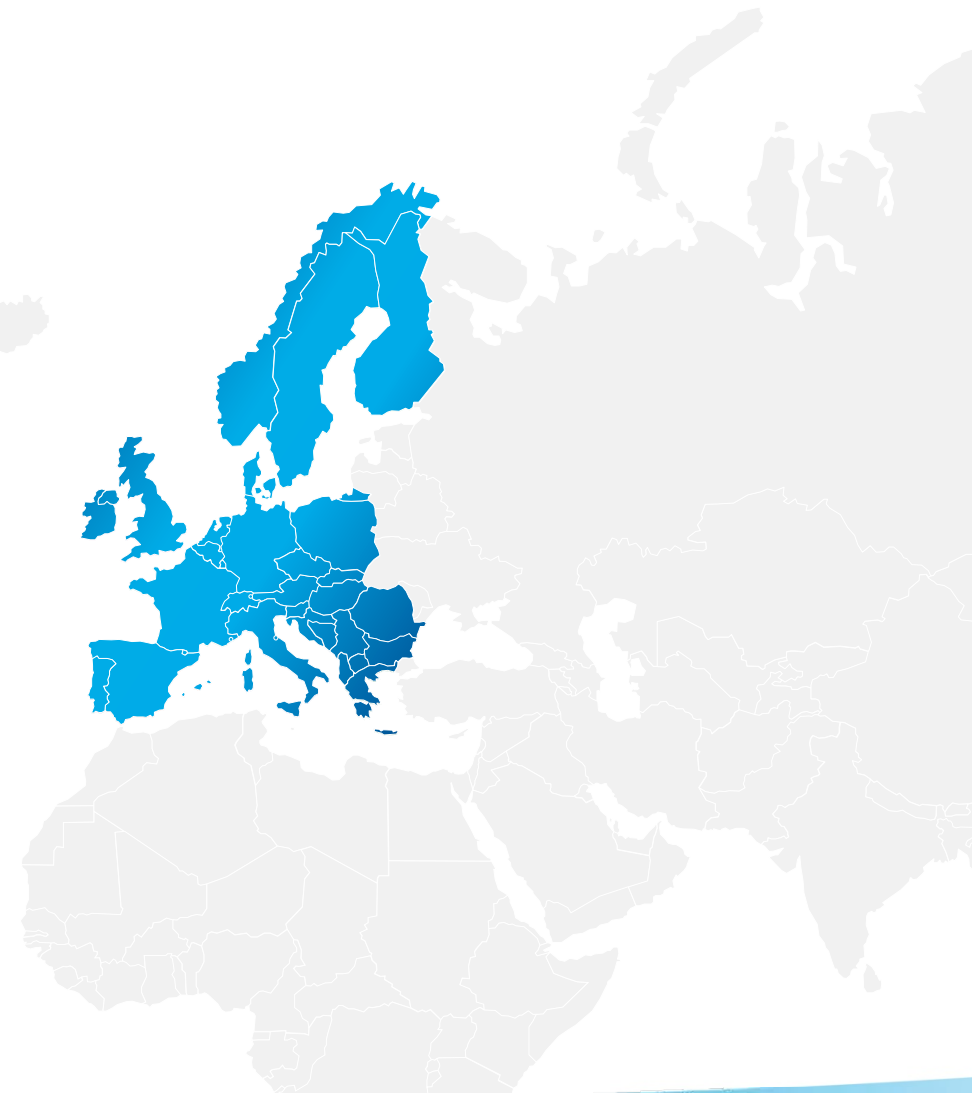
# ENA brand management



HEALTH • HYGIENE • HOME



After





# HY 2014: On Track



HEALTH • HYGIENE • HOME

## Health led revenue growth:

HY 2014 net revenue **+4%**  
LFL (ex-RBP)

---

Increased investment  
behind brands – **BEI up by  
£10m\*, -30bps vs PY**

## Good Margin expansion

Gross margin **+60bps** driven  
by mix and cost savings  
programmes

---

Operating margin **+40bps**  
funded by GM and  
efficiencies

## Strong cash conversion **90%** of net revenue

---

**Interim dividend  
maintained at 60p**

\* constant, ex RBP



HEALTH ▸ HYGIENE ▸ HOME

# Adrian Hennah

## Chief Financial Officer

# HY 2014 results

## Income statement

	Q2		H1	
	2014	2013	2014	2013
	£m	£m	£m	£m
<b>Revenue</b>	<b>2,299</b>	<b>2,477</b>	<b>4,667</b>	<b>4,994</b>
LFL %	3%	4%	3%	5%
<b>Revenue excl RBP</b>	<b>2,125</b>	<b>2,278</b>	<b>4,323</b>	<b>4,594</b>
LFL% excl RBP	4%	6%	4%	6%
<b>Gross Margin</b>			<b>2,767</b>	<b>2,929</b>
Gross Margin %			59.3%	58.7%
<b>Adjusted Operating Profit*</b>			<b>1,081</b>	<b>1,163</b>
Adjusted Operating Profit %			23.2%	23.3%
<b>AOP excl RBP*</b>			<b>898</b>	<b>935</b>
AOP% margin excl RBP			20.8%	20.4%
Exceptionals			(22)	(249)
<b>Operating Profit</b>			<b>1,059</b>	<b>914</b>

# HY 2014 results

## Income statement

	H1	
	2014	2013
	£m	£m
Operating profit	1,059	914
Net pension finance expense	(4)	(6)
Other net finance expense	(14)	(10)
<b>Profit before taxation</b>	<b>1,041</b>	<b>898</b>
Taxation	(229)	(237)
Tax rate excluding exceptionals	22%	25%
Tax rate including exceptionals	22%	26%
Non-controlling Interest	-	(1)
Net Income	812	660
<b>Adjusted Net Income*</b>	<b>829</b>	<b>864</b>
Diluted EPS	111.1p	90.4p
Adjusted diluted EPS	113.4p	118.3p

# Revenue growth by Quarter Business Segment

	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	HY
	LFL	LFL	LFL	LFL	LFL	LFL	LFL
ENA	3%	3%	2%	2%	2%	2%	2%
LAPAC	11%	11%	10%	9%	8%	6%	7%
RUMEA	7%	5%	5%	3%	4%	7%	5%
FOOD	3%	-2%	1%	0%	3%	2%	3%
<b>Group excluding RBP</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
RBP	19%	-12%	-16%	-18%	-11%	-5%	-8%
<b>Group</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>

# Revenue growth by Quarter Category

	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	HY
	LFL	LFL	LFL	LFL	LFL	LFL	LFL
Health	13%	16%	8%	7%	11%	10%	10%
Hygiene	9%	5%	7%	6%	2%	4%	3%
Home	2%	3%	0%	3%	1%	-1%	0%
Portfolio	-22%	-5%	-5%	-16%	-3%	-8%	-6%
Food	3%	-2%	1%	0%	3%	2%	3%
<b>Group excluding RBP</b>	<b>6%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
RBP	19%	-12%	-16%	-18%	-11%	-5%	-8%
<b>Group</b>	<b>7%</b>	<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>

# Margin Analysis



HEALTH • HYGIENE • HOME

At actual	Base		RBP		Group	
	%	bps v PY	%	bps v PY	%	bps v PY
2014 Gross Margin	56.7%	+90bps	91.5%	+20bps	59.3%	+60bps
2014 BEI	14.1%	-30bps	2.8%	-130bps	13.2%	-30bps
2014 Operating Margin	20.8%	+40bps	53.2%	-380bps	23.2%	-10bps

# Profitability by business segment

	H1	
	2014	2013
	%	%
ENA	22.7%	21.4%
LAPAC	17.7%	18.2%
RUMEA	18.7%	20.1%
FOOD	22.4%	22.5%
<b>Group excluding RBP</b>	<b>20.8%</b>	<b>20.4%</b>
RBP	53.2%	57.0%
<b>Group</b>	<b>23.2%</b>	<b>23.3%</b>

Adjusted to exclude the impact of exceptional items



# Net Working Capital

	NWC		
	HY14	HY13	FY13
	£m	£m	£m
<b>Inventory</b>	748	785	746
% to last 12 month revenue	8%	8%	7%
<b>Receivables</b>	1,371	1,466	1,306
% to last 12 month revenue	14%	15%	13%
<b>Payables</b>	(2,992)	(3,106)	(2,915)
% to last 12 month revenue	-31%	-31%	-29%
<b>Net working capital</b>	(873)	(855)	(863)
% to last 12 month revenue	-9%	-9%	-9%

# Free cash flow HY 2014

	H1	
	2014	2013
	£m	£m
<b>Adjusted Operating Profit*</b>	<b>1,081</b>	<b>1,163</b>
Share based payment	27	29
Depreciation and amortisation	87	80
Net Capital expenditure	(80)	(85)
Movement in net working capital	(2)	126
Movement in provisions and other creditors	(90)	(54)
Other non-cash movements in operating profit**	(8)	1
<b>Trading cashflow</b>	<b>1,015</b>	<b>1,260</b>
Exceptional costs	(47)	(24)
<b>Operating Cashflow</b>	<b>968</b>	<b>1,236</b>
Net interest paid	(14)	(13)
Taxation paid	(225)	(330)
<b>Free Cashflow</b>	<b>729</b>	<b>893</b>
<b>Free Cashflow as % of Net Income</b>	<b>90%</b>	<b>135%</b>
<b>Closing net debt</b>	<b>(2,237)</b>	<b>(2,760)</b>

\*Adjusted to exclude the impact of exceptional items

\*\*Includes gains/losses on sale of businesses, PPE and intangible assets, and fair value movements



HEALTH ▸ HYGIENE ▸ HOME

# Rakesh Kapoor

## Chief Executive Officer



HEALTH ▸ HYGIENE ▸ HOME

# New initiatives for H2 2014



HEALTH • HYGIENE • HOME



# HEALTH

# Initiatives for H2 2014 – Health Airborne® Everyday Gummies



HEALTH • HYGIENE • HOME



**Airborne® Everyday Gummies**  
Real immune support PLUS Multi-vitamins



# Initiatives for H2 2014 – Health

## Airborne® Dual Action



HEALTH • HYGIENE • HOME



## Airborne® Dual Action

Clinically Proven to Boost immune system – Beta Immune Booster plus Anti-oxidants to keep immune system healthy

# Initiatives for H2 2014 – Health Mucinex® Fast-Max Hot Drinks



HEALTH • HYGIENE • HOME



## Mucinex® Fast-Max Hot Drinks

Combine max. strength ingredients with mucus-busting power of Mucinex. Works fast and pleasant honey-lemon has a soothing and comforting effect!



# Initiatives in H2 2014 – Health Scholl® Velvet Smooth further rollout



HEALTH • HYGIENE • HOME



**Scholl® Velvet Smooth**  
Perfectly smooth skin in one application

# Initiatives in H2 2014 – Health

## Velvet Smooth Pedi – US & Brazil



# Initiatives in H2 2014 – Health

## Amopé® Pedi Perfect



HEALTH • HYGIENE • HOME



### Amopé® Pedi Perfect

Provide a professional foot grooming experience at home –  
Perfectly smooth skin in one application

# Initiatives for H2 2014 – Health Durex® Devices



## Durex® Devices

A complete range of pleasure toys designed specially for the female body - allows lovers to experience the transformational power of great sex



HEALTH • HYGIENE • HOME



# HYGIENE

# Initiatives for H2 2014 – Hygiene

## Veet® Infini'Silk



**Veet® Infini'Silk**

**Permanent Hair Reduction:** Harnessing the same technology found in clinics and salons - in the comfort of your own home



# Initiatives for H2 2014 – Hygiene

## Finish® All-in-1 Concentrated Gels Range



HEALTH • HYGIENE • HOME



**Finish® All-In-One Concentrated Gels Range**  
Amazing results even on short cycles

# Initiatives for H2 2014 – Hygiene

## Harpic® Power Plus Rapid Action



HEALTH • HYGIENE • HOME



### Harpic® Power Plus Rapid Action

First toilet bowl cleaner with a “1 minute” action - gives that sparkling clean toilet you expect from Harpic



# Initiatives for H2 2014 – Hygiene Sagrotan® Power & Pur Tipp Topp cleaner



HEALTH • HYGIENE • HOME



## Sagrotan® Power & Pur Tipp Topp cleaner

Designed to stay at your fingertips so every touch-up is a healthy one

# Initiatives for H2 2014 – Hygiene

## Dettol® Lasting Fresh



HEALTH • HYGIENE • HOME



## Dettol® Lasting Fresh

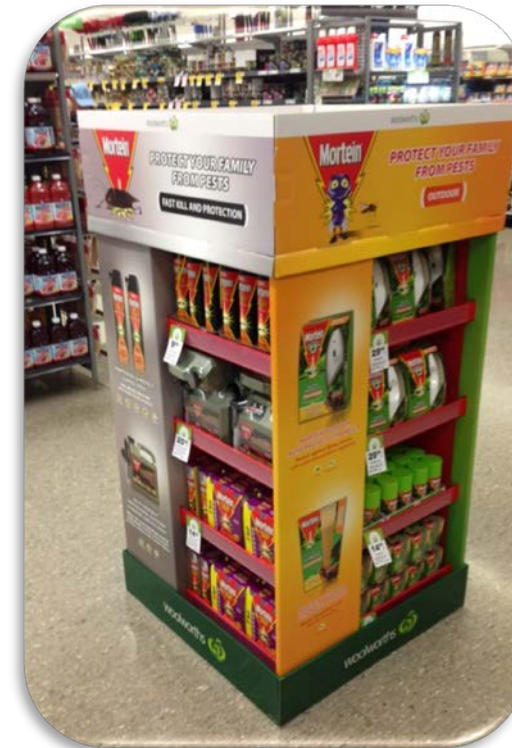
Combining Dettol's trusted protection and unique Lasting Fresh Technology, for a feeling of freshness and health that lasts longer

# Initiatives for H2 2014 – Hygiene

## Mortein® Outdoor



HEALTH • HYGIENE • HOME



## Mortein® Outdoor

Reclaiming the outdoors from insects with natural protection of citronella essential oil



HEALTH • HYGIENE • HOME



# HOME



# Initiatives for H2 2014 – Home Vanish® Gold



HEALTH • HYGIENE • HOME



## Vanish® Gold

New premium gold standard in stain removal – Removes stains in 30 seconds

# Initiatives for H2 2014 – Home Air Wick®



HEALTH • HYGIENE • HOME



## Air Wick® Premium Aerosol

Airwick's 1st premium aerosol range in France. Superior Fragrance Experience (water free formula)

# Initiatives for H2 2014 – Home

## Air Wick® Eternal Scents



HEALTH • HYGIENE • HOME



### Air Wick® Eternal Scents

Associates the benefit of a candle with Essential oil-infused gel for continuous fragrance (even when not lit)

# Initiatives – Health

## Durex® #turnofftoturnon



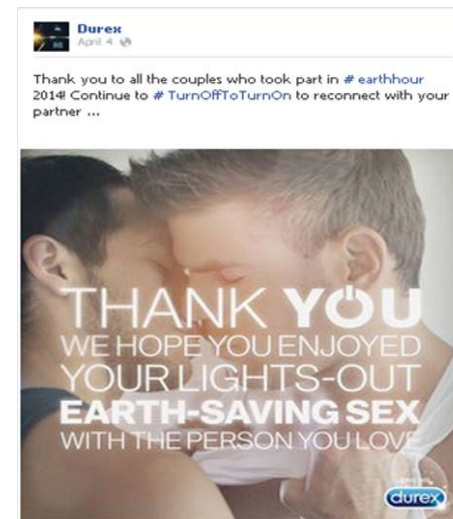
HEALTH • HYGIENE • HOME

>2 bn Campaign Impressions  
>85 mn Video Views (All Platforms)

>347 mn engagement  
>56 countries, in 23 Languages



We introduced a new artist to the world, and even released a single







HEALTH ▸ HYGIENE ▸ HOME

# Full Year Targets

# 2014: Targets



HEALTH • HYGIENE • HOME

**Net  
revenue**

**+4-5%\***

**Operating  
margin**

**Flat- moderate  
expansion\*\***

\*at constant rates (ex RBP) including the immaterial residual impact of the BMS collaboration. \*\* ex-RBP, and adjusted to exclude the impact of exceptional items.

# 2014: Targets



HEALTH • HYGIENE • HOME

**Net  
revenue**

**+4-5%\***

**Operating  
margin**

**Continued  
expansion  
in H2\*\***

\*at constant rates (ex RBP) including acquisitions and disposals . \*\* ex-RBP, and adjusted to exclude the impact of exceptional items.



HEALTH ▸ HYGIENE ▸ HOME

# Appendices

# Analysis of Exceptional costs



HEALTH • HYGIENE • HOME

	Total Guidance	2014 HY	Total P&L to date	Total cash to date
	£m	£m	£m	£m
Acquisition, integration and restructuring	170	21	149	130
KY acquisition and integration costs	20	1	1	1
Litigation provisions	225	-	225	36

# Reconciliation of Operating Profit to Adjusted Operating Profit

	2014	2013	2012*	2011
	HY	FY	FY	FY
	£m	£m	£m	£m
<b>Operating profit</b>	<b>1,059</b>	<b>2,345</b>	<b>2,442</b>	<b>2,395</b>
Adjusting items:				
Acquisition, integration and restructuring	22	46	135	92
Litigation provisions	-	225	-	-
<b>Adjusted operating profit</b>	<b>1,081</b>	<b>2,616</b>	<b>2,577</b>	<b>2,487</b>

\*2012 numbers have been restated to reflect the amendment of IAS 19 and the presentation to net interest. 2011 has not been restated.

# Revenue growth by Business segment Q2 2014

	LFL	Acq	FX	Reported
	%	%	%	%
ENA	2%	1%	-6%	-4%
LAPAC	6%	1%	-17%	-10%
RUMEA	7%	0%	-17%	-11%
FOOD	2%	0%	-7%	-5%
<b>Group excluding RBP</b>	<b>4%</b>	<b>1%</b>	<b>-11%</b>	<b>-7%</b>
RBP	-5%	0%	-8%	-13%
<b>Group</b>	<b>3%</b>	<b>1%</b>	<b>-11%</b>	<b>-7%</b>

Due to rounding this table will not always cast

# Revenue growth by Business segment HY 2014

	LFL	Acq	FX	Reported
	%	%	%	%
ENA	2%	0%	-5%	-3%
LAPAC	7%	3%	-18%	-8%
RUMEA	5%	0%	-17%	-12%
FOOD	3%	0%	-8%	-5%
<b>Group excluding RBP</b>	<b>4%</b>	<b>1%</b>	<b>-10%</b>	<b>-6%</b>
RBP	-8%	0%	-6%	-14%
<b>Group</b>	<b>3%</b>	<b>1%</b>	<b>-10%</b>	<b>-7%</b>

Due to rounding this table will not always cast



# Footwear



HEALTH • HYGIENE • HOME

---

	<b>H1 2014</b>	<b>FY 2013</b>
	£m	£m
<b>Revenue</b>	<b>37</b>	<b>76</b>
<b>Operating Profit</b>	<b>4</b>	<b>2</b>
Operating Profit %	10.8%	2.6%

---