

Chief Executive Officer's Statement

AN ENDURING FRAMEWORK FOR SUSTAINED VALUE CREATION



We are a strong business with a purpose and culture fit for the future, an excellent brand portfolio and a scaled global footprint. These position us well to deliver the next chapter of our growth."

Kris Licht
Chief Executive Officer

It is an honour to become CEO of Reckitt and to lead our Company at such an important time.

Much has happened since I joined Reckitt four years ago. We have encountered volatility, opportunities and challenges, both in our markets and within our business. We have also undertaken a transformation programme that has seen us invest in the strength of our brands, transform our execution capabilities and establish customer partnerships of unprecedented depth.

Our goal throughout has been to build the best Reckitt possible. The result is a business that is not only stronger, but also around a third larger on a like-for-like (LFL) net revenue basis than it was in 2019. And we have delivered this growth with superior, industry-leading gross margins, demonstrating the strength of our earnings model and the enduring attraction of our brands.

Focused on shareholder value creation

Whilst there is more work to be done to realise our full potential, we are continuing to deliver, as our recent performance shows.

Amidst continued market volatility and inflationary pressures, we delivered LFL net revenue growth of 3.5% ahead of ongoing expectations and adjusted operating margin of 23.1%. On an IFRS basis, our operating margin was 17.3% which included an £810 million goodwill impairment relating to our Nutrition business (see page 45). We reduced our leverage and grew free cash flow by 11% to £2.3 billion, enabling us to return £1.5 billion to shareholders through an increased dividend and our newly announced share buyback programme.

The strength of our business positions us well to deliver adjusted operating profit growth ahead of net revenue growth in the medium term, and to raise returns to shareholders further through growing our dividend and buying back our shares.

Chief Executive Officer's Statement continued

A strong long-term growth business

The Reckitt I am privileged to lead is a strong, competitive and resilient business. We have a clear Purpose and a unique, entrepreneurial ownership culture that is fit for the future. Our brand portfolio is excellent and serves as the foundation for enduring value creation.

Our scaled global footprint spans developed and emerging markets in categories that enjoy long-term runways for growth. More than 70% of our brands occupy market leading positions in their categories on a net revenue basis and earn high levels of consumer trust. Their strong brand equity enables us to drive growth through premiumisation and brand extensions alongside the entirely new product categories we create through world-class science-backed innovation.

Investments in our supply chain and go-to-market networks have strengthened our abilities to forge strong customer partnerships and grow the distribution of our brands. Guiding these are advanced digital and machine-learning capabilities, which now enable us to connect data of unprecedented scale when deciding where to play and how to win.

Sharpening our execution

With the investment phase in these capabilities now substantially behind us, our focus is on maximising their benefits through sharpening and improving our execution.

Our cost base is a key focus. Our industry-leading margins demonstrate the advantages our categories enjoy. Yet there remains room for us to be more efficient. We are extending our productivity programmes to simplify our processes

and lock in scale opportunities where they exist. We are also right-sizing ongoing investment in our capabilities whilst ensuring we preserve the important operational muscle we have built.

Beyond these, we see significant scope to improve efficiency through automation and shared services, as well as in harnessing the productivity benefits of generative Artificial Intelligence (AI), where we now have a group policy in place to encourage our people to embrace the technology responsibly.

In-market execution is another priority. By providing our sales teams with the latest digital technologies to optimise revenue growth, we are now well equipped to win in our markets. The focus now is to ensure we execute with excellence wherever we play.

Lastly, our brand portfolio is strong but we must always strive to improve. Product superiority, sustainability and value are benchmarks we use to measure our success. Although we possess these across many of our categories, we must innovate assiduously to ensure we earn their market leadership and consumer trust each day.

Enhancing returns to shareholders

Execution also means maximising the returns we offer to our shareholders. Our ambition has always been to ensure these are industry leading whenever our financial circumstances allow, in line with our total shareholder return algorithm.

Thanks to our financial strength, I was very pleased to announce our new share buyback programme in October and our goal of buying back £1 billion of our shares over the following 12 months. We expect this programme to continue in the coming years, consistent with our capital allocation principles.

Delivering on our ambitions

We move into 2024 a stronger, better equipped and more agile business. Our Purpose is clear, compelling and unchanged, as is our strategy and the strength it draws from our earnings model.

Our focus is now on delivery and execution as we reap the benefits of the investments we have made. We must continue to evolve what we do, whilst ensuring we don't disrupt the achievements we have secured. Success will support our financial ambitions and ensure Reckitt is able to deliver an attractive, compounding total shareholder return and drive enduring value creation.

I would like to thank our Chair and the Board for the trust they have placed in me to deliver on our ambitions. I would also like to thank Nicandro Durante for his leadership. It has been an honour to work alongside him this past year.

We are stewards of some of the world's leading household brands. Our role is to enhance their value as they journey to serve the needs of a new generation of consumers. This truly is an exciting time for Reckitt and our people, whose sense of ownership, entrepreneurial spirit and drive for performance whilst always doing the right thing at our core, are an enduring source of competitive advantage as we write this next chapter of growth for our business.

Group LFL net revenue growth

+3.5%

2022: +7.6%

Group 4-year LFL net revenue CAGR

+7.0%