



Reckitt Benckiser

Investor presentation: Full year 2013

12th February 2014



Rakesh Kapoor

Chief executive officer

Key messages



**Right
strategy**

**Better
execution**

**Delivering
today**

**Investing for
tomorrow**

**Challenging
markets**

**Exciting
future**

FY 2013: Summary

A successful year in slowing market conditions:

FY 2013 (ex RBP) net
revenue **+7% or +5%** LFL

Growth driven by increased
investment behind brands –
BEI up by £100m+

Gross and operating margin increase

Further GM expansion in
H2 - driven by project fuel,
pricing and mix

Growth achieved
virtuously with op margin
expansion **+20 bps**
(ex RBP)

Net working capital and cash conversion good

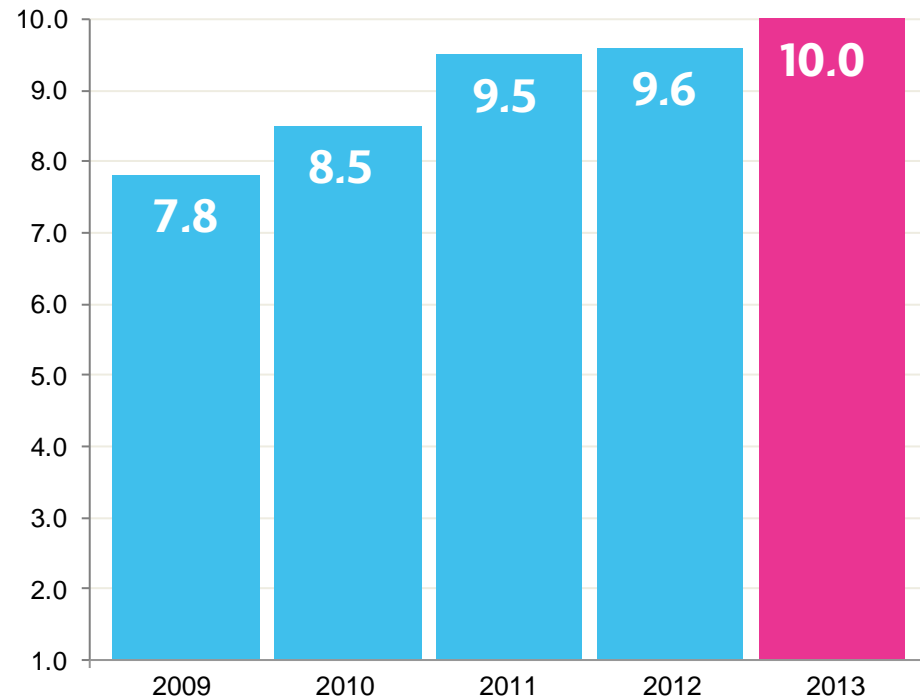
**Dividend per share
increased +2%**
(proposed final
dividend **77p**)

Financial performance

FY 2013 analysis

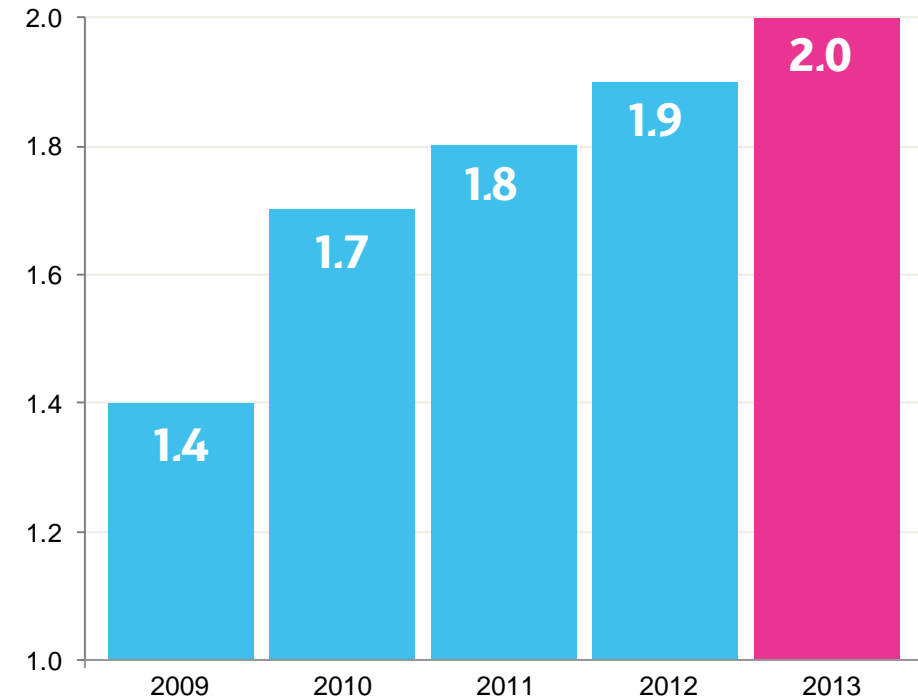
Net revenue (£bn)

FY 2013: +7% @constant (ex RBP)+5% LFL (Ex-RBP)



Adj.* net income (£bn)

FY 2013: +2% @ constant (+2% @ actual)



Adrian Hennah

Chief financial officer

Q4, H2 & FY 2013 results

Income statement

	Q4		H2		Full Year	
	2013	2012*	2013	2012*	2013	2012*
	£m	£m	£m	£m	£m	£m
Revenue	2,501	2,476	5,049	4,898	10,043	9,567
LFL %	2%	7%	2%	6%	4%	5%
LFL% excl RBP	4%	6%	4%	5%	5%	5%
Gross margin			3,040	2,907	5,969	5,538
Gross margin %			60.2%	59.4%	59.4%	57.9%
Adjusted operating profit**			1,453	1,453	2,616	2,577
Adjusted operating profit %**			28.8%	29.7%	26.0%	26.9%
AOP% margin excl RBP			26.8%	26.1%	23.6%	23.4%
Exceptionals			(22)	(87)	(271)	(135)
Operating profit			1,431	1,366	2,345	2,442

*2012 numbers have been restated to reflect the amendment of IAS 19 and the presentation change to net pension interest

**Adjusted to exclude the impact of exceptional items

H2 & FY 2013 results

Income statement

	H2		Full Year			
	2013	2012*	2013	2012*		
	£m	£m	£m	£m		
Operating profit	1,431	1,366	2,345	2,442		
Net finance expense	(15)	(16)	(31)	(34)		
Profit before taxation	1,416	1,350	2,314	2,408		
Taxation	(337)	(304)	(574)	(583)		
Tax rate	24%	23%	25%	24%		
Adjusted tax rate	23%	22%	24%	24%		
Non-controlling interest	0	0	(1)	(4)		
Net income	1,079	1,046	1,739	1,821		
Adjusted net income*	1,103	1,116	1,967	1,930		
Diluted EPS	148.1p	143.2p	3%	238.5p	248.4p	-4%
Adjusted diluted EPS	151.5p	152.8p	-1%	269.8p	263.3p	2%

*2012 numbers have been restated to reflect the amendment of IAS 19 and the presentation to net pension interest

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

Revenue growth by quarter

Business segment

	2013					TOTAL NR
	Q1	Q2	Q3	Q4	FY	FY
	LFL	LFL	LFL	LFL	LFL	£m
ENA	3%	3%	2%	2%	3%	5,074
LAPAC	11%	11%	10%	9%	10%	2,511
RUMEA	7%	5%	5%	3%	5%	1,356
FOOD	3%	-2%	1%	0%	0%	325
Group excluding RBP	6%	6%	5%	4%	5%	9,266
RBP	19%	-12%	-16%	-18%	-8%	777
Group	7%	4%	3%	2%	4%	10,043

Revenue growth by quarter

Category

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

Margin analysis

At actual	H1		H2		Full Year	
	%	bps v PY	%	bps v PY	%	bps v PY
2013 gross margin	58.7%	+230bps	60.2%	+80bps	59.4%	+150bps
2012 gross margin (restated)	56.4%	-50bps	59.4%	+140bps	57.9%	+50bps

At actual	H1		H2		Full Year	
	%	bps v PY	%	bps v PY	%	bps v PY
2013 BEI (base)	14.4%	+80 bps	11.8%	level	13.0%	+30bps
2012 BEI (base)	13.6%	+60 bps	11.8%	+90bps	12.7%	+70bps

At actual	H1		H2		Full Year	
	%	bps v PY	%	bps v PY	%	bps v PY
2013 operating margin (base)	20.4%	-10 bps	26.8%	+70 bps	23.6%	+20 bps
2012 operating margin (base) (restated)	20.5%	+20bps	26.1%	+140bps	23.4%	+80bps

Profitability by business segment

	H1		H2	
	2013	2012	2013	2012
ENA	21.4%	20.1%	30.3%	28.4%
LAPAC	18.2%	18.1%	21.3%	21.8%
RUMEA	20.1%	21.0%	21.9%	23.3%
FOOD	22.5%	23.1%	31.5%	33.9%
Group excluding RBP	20.4%	20.5%	26.8%	26.1%
RBP	57.0%	63.6%	53.1%	64.4%
Group	23.3%	24.1%	28.8%	29.7%

Net working capital

	NWC		
	FY12	HY13	FY13
	£m	£m	£m
Inventory	735	785	746
% to last 12 month revenue	8%	8%	7%
Receivables	1,407	1,466	1,306
% to last 12 month revenue	15%	15%	13%
Payables	(2,842)	(3,106)	(2,915)
% to last 12 month revenue	-30%	-31%	-29%
Net working capital	(700)	(855)	(863)
% to last 12 month revenue	-7%	-9%	-9%

Free cash flow



	H1		H2		Full year	
	2013 £m	2012* £m	2013 £m	2012* £m	2013 £m	2012* £m
Adjusted operating profit**	1,163	1,124	1,453	1,453	2,616	2,577
Share based payment	29	28	26	21	55	49
Depreciation and amortisation	80	72	91	76	171	148
Net capital expenditure	(85)	(71)	(131)	(84)	(216)	(155)
Movement in net working capital	126	17	8	(31)	134	(14)
Movement in provisions and other creditors	(54)	(41)	(127)	(109)	(181)	(150)
Other non-cash movements in operating profit***	1	(46)	0	(6)	1	(52)
Trading cashflow	1,260	1,083	1,320	1,320	2,580	2,403
Exceptional cash flow	(24)	(48)	(16)	(87)	(40)	(135)
Operating cash flow	1,236	1,035	1,304	1,233	2,540	2,268
Net interest paid	(13)	(9)	(11)	2	(24)	(7)
Taxation paid	(330)	(238)	(281)	(290)	(611)	(528)
Free cash flow	893	788	1,012	945	1,905	1,733
Free cash flow as % of net income	135%	102%	94%	90%	110%	95%
Closing net cash/(debt)	(2,760)	(1,846)	(2,096)	(2,426)	(2,096)	(2,426)

*2012 numbers have been restated to reflect the amendment of IAS 19

**Adjusted to exclude the impact of exceptional items

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

RBP - business progress

**Q4 net revenue
decline (18)%**

H2 op margin -1,130bps,
in line with guidance

Film share stable,
continued **strong
market growth**

Global leader

in the treatment of addiction

Positioned to **build
further** on the lead

Suboxone film v existing competition

Yesterday

68% share **sustained**

- Longer adherence to treatment
- Less diversion
- Less unintended pediatric exposures
- Patient and physician preference
- Generic & branded competition

Today

Ongoing payor **contract negotiations**

Increased price competition

Continued patient and physician preference

Tomorrow

Film share **reduced**

Physician and patient **preference maintained**

Continued **growing market**

Further **branded competition**

Long term delivery of pipeline

Suboxone film v generic film

Challengers

3 generic film challenges

Litigation started under
Hatch-Waxman

Action

Short term resolution
unlikely

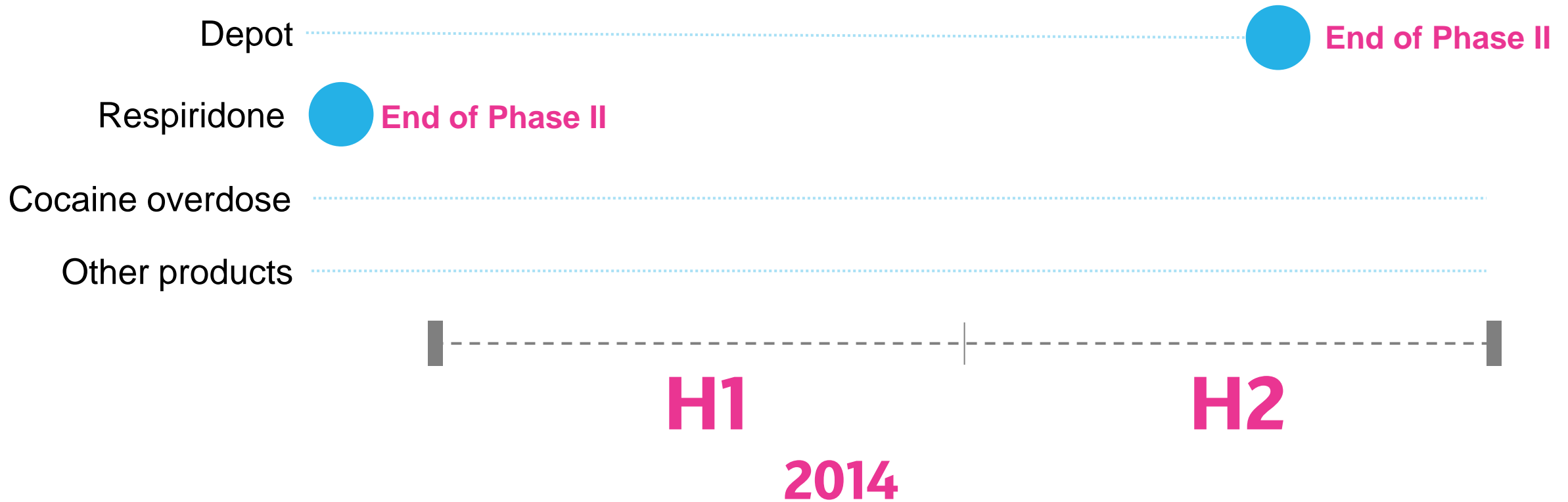
Protection

IP in place up to **2030**

High confidence in
strength of IP

RBP pipeline

Significant Pipeline Milestones



Non US business

Europe

Short-term financials

impacted by government
austerity measures

Substantial future potential -

opioid based pain killer abuse
poorly treated

ROW

Significant business

in Australia

Clinical trials in China

RBP – strategic review



Strategic review
ongoing

Good progress in creation
of **stand-alone structure**

All options for **maximising
value for shareholders**
remain open

Further updates
during course of 2014

Rakesh Kapoor

Chief executive officer

2013: A year of progress...



Consumer health focus & capability

Good M&A progress, Schiff roll-out started!

Getting better at scaling up

Europe in growth, China excellent results

A virtuous earnings model

Strategic progress

Operational progress

Summary



Performance metric	FY 2013	Achievement
New strategy & organisation	Implement	◀ Fully embedded and entering second full year
NR growth @ constant	+ 5% LFL ex-RBP + 7% Total ex-RBP	◀ Health & Hygiene focussed ◀ ENA returning to growth
Gross margin	+150bps	◀ Improved mix and pricing funds investment
BEI	+£100m	◀ Fuelling top line growth
Operating margin	+20bps ex-RBP	◀ GM driven, virtuous margin expansion
Health & Hygiene	72% of core	◀ Early achievement of 2015 KPI: +1% p/a going forward
RUMEA & LAPAC	43% of core	◀ FX and M&A impacting progress

Heather Allen

EVP – category development

New initiatives for H1 2014



HEALTH

Mucinex[®]

Mucinex in. Mucus out.[®]

Use as directed.



Initiatives for H1 2014 – Health

Mucinex[®]



Mucinex[®] Allergy

Non drowsy antihistamine for 24H relief of indoor & outdoor allergies.

Initiatives for H1 2014 – Health

MegaRed® entry into 20 markets



MegaRed® Omega-3 Krill Oil

Scientifically proven for a healthy heart. One small pill, no fishy smell or aftertaste!

MegaRed – Poland launch – major impact



Initiatives for H1 2014 – Health Airborne®



Airborne® Everyday Immune Support Plus Multivitamin
Helps support immune system daily; plus contains multivitamins for overall wellness

Initiatives for H1 2014 – Health Nurofen®



Nurofen® for Youth
Effective relief from pains for 'youth' with
appropriate dose of medicine



Nurofen for Children® Pain and Fever
Trusted, fast, effective relief for
fever and body ache

Initiatives in H1 2014 – Health Scholl®



Scholl® Velvet Smooth Express Pedi – electronic foot file
Perfectly smooth skin in one application

Initiatives for H1 2014 – Health Durex®



Durex® Real Feel Condoms

A Durex first – the world's thinnest Polyisoprene condom – natural skin-on-skin feeling.

Initiatives – Health

Durex® #someonelikeme

>900 million reach
>200 million views

19 million engagement
36 countries

Celebrity & Local KOL Endorsement

Events gave us a compelling reason to engage international talent & local opinion leaders, who were excited about the cause and became our true ambassadors. **They proved key in amplifying the noise for SLM**

- Yolanda Be Cool in Sydney
- LoveFoxx in Bogota
- Dulce Maria in Mexico City



SOMEONE LIKE ME





HYGIENE



what's
powerful & pure?

Initiatives for H1 2014 – Hygiene

Finish® Power & Pure – Our biggest Finish initiative ever!



Finish® Power and Pure with Active Oxygen
Sparkling clean dishes, less chemicals

Initiatives for H1 2014 – Hygiene

Power & Pure – Extending our success



Veja® Acao & Protecao - Brazil



St Marc® Power and Pure – France



Initiatives for H1 2014 – Hygiene

Dettol®



Dettol® Soft on skin, tough on germs

Restage of Dettol body & hand wash with advanced ph-balanced formula

Initiatives for H1 2014 – Hygiene

Dettol® - Strengthening the core

PROTECTS FROM
100
GERMS



BE 100% SURE

Dettol®

Protects against 100 illness causing germs

Initiatives for H1 2014 – Hygiene

Harpic®

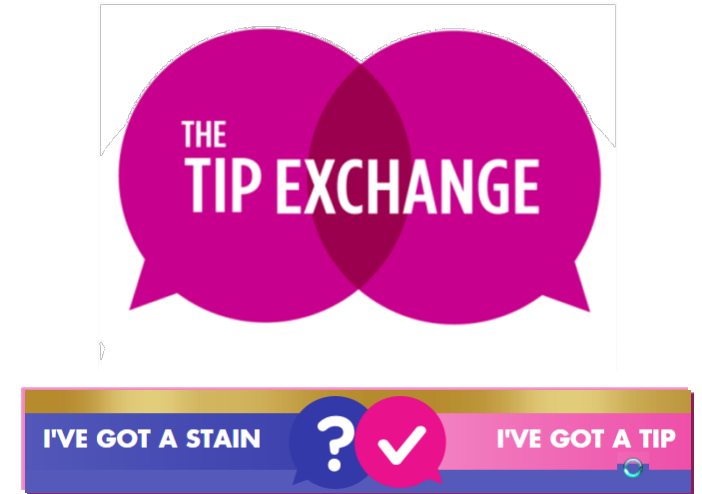


Harpic® Hygiene Max

Next generation of cage-free in-the-bowl cleaners.
Continuous freshness, lasts up to 500 flushes.



Initiatives for H1 2014 – Home Vanish®



Vanish Oxi Action

Tip exchange enables people to help each other triumph over stains

Initiatives for H1 2014 – Home Air Wick®



Air Wick® Home Signature - Premium Reeds

Delicately fragrance the home, plus style to create a pleasant atmosphere



RARE *Scents*

Inspired by
Precious
Fragrances

Explore the range...



Oriental
Passion Flower



Madagascar
Vanilla Flower



White
Amazon Lily



Initiatives for H1 2014 – Home

Air Wick® Rare Scents



Air Wick® Rare Scents

For an uplifting natural experience that reinvigorates your home



Rakesh Kapoor

Chief executive officer

2014

2014: Targets

**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

Q&A

Appendices

Analysis of exceptional costs

	Total guidance	Estimated total	P&L H2 2013	P&L FY 2013	Total P&L to date	Total cash to date
	£m	£m	£m	£m	£m	£m
Acquisition, integration and restructuring	170	170	22	46	128	119
Litigation provisions	225	225	-	225	225	3
	395	395	22	271	353	122

IAS 19 revised, employee benefits

	Impact on H2 2012			Impact on FY 2012		
	Reported	Restated	Variance	Reported	Restated	Variance
	£m	£m	£m	£m	£m	£m
Group income statement						
Operating profit	1,363	1,366	3	2,435	2,442	7
Net finance cost	(7)	(16)	(9)	(15)	(34)	(19)
Taxation	(306)	(304)	2	(587)	(583)	4
Net income	1,050	1,046	(4)	1,829	1,821	(8)
Group balance sheet						
Net retirement benefit obligations	(399)	(399)	0	(399)	(399)	0
Retained earnings	20,022	20,022	0	20,022	20,022	0
Total equity	5,922	5,922	0	5,922	5,922	0

Reconciliation of operating profit to adjusted operating profit

	H2 2013	FY 2013	FY 2012*	FY 2011
	£m	£m	£m	£m
Operating profit	1,431	2,345	2,442	2,395
Adjusting items:				
Acquisition, integration and restructuring	22	46	135	92
Litigation provisions	-	225	-	-
Adjusted operating profit	1,453	2,616	2,577	2,487

Revenue growth by business segment Q4 2013

	LFL	Acq/Disp	FX	Reported
	%	%	%	%
ENA	2%	3%	1%	6%
LAPAC	9%	6%	-12%	3%
RUMEA	3%	-1%	-7%	-6%
FOOD	0%	0%	-2%	-2%
Group excluding RBP	4%	3%	-4%	3%
RBP	-18%	0%	-1%	-19%
Group	2%	3%	-4%	1%

Revenue growth by business segment H2 2013

	LFL	Acq/Disp	FX	Reported
	%	%	%	%
ENA	2%	3%	3%	7%
LAPAC	9%	5%	-10%	5%
RUMEA	4%	-1%	-5%	-2%
FOOD	1%	0%	-1%	0%
Group excluding RBP	4%	3%	-2%	5%
RBP	-17%	0%	0%	-17%
Group	2%	3%	-2%	3%

Revenue growth by business segment FY 2013

	LFL	Acq/Disp	FX	Reported
	%	%	%	%
ENA	3%	2%	3%	7%
LAPAC	10%	3%	-6%	8%
RUMEA	5%	-1%	-3%	1%
FOOD	0%	0%	1%	1%
Group excluding RBP	5%	2%	-1%	6%
RBP	-8%	0%	1%	-7%
Group	4%	2%	0%	5%

TRx MG share trend

TRx MG share by week

