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EDITED TRANSCRIPT

RB.L - Full Year 2014 Reckitt Benckiser Group PLC Earnings Call

EVENT DATE/TIME: FEBRUARY 11, 2015 / 8:30AM GMT

OVERVIEW:

Co. reported 2014 revenue of GBP8.836b, 2H14 revenue of GBP4.513b and 4Q14 revenue of GBP2.304b. 2H14 adjusted operating profit, before exceptional costs, was GBP1.307b. Expects 2015 like-for-like net revenue growth to be 4%.



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PRESENTATION

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Welcome to RB's 2014 full-year results presentation. I am joined, of course, by the redoubtable Adrian Hennah, who is going to take us through our financial performance. But before that, let me just open up with a few comments to kick off the session.

First of all, we had good growth in our performance in 2014 once again.

Some headlines here.

Net revenue growth in constant, both like for like as well as total by 4%, which is very much in line with our targets. Our net income grew by, I would say, outstanding 14% in constant, well ahead of our target that we set at the beginning of the year.

And then finally, of course, our cash conversion remains a very strong feature of our financial performance; converted around 100% of our net income in cash, adjusted net income to cash and, therefore, the final dividend for the year turns in to be -- sorry. The second-half dividend is 79p, final dividend of total dividend of 139p; and the second-half dividend of 79p is 3% ahead of the same period last year.

Now we talked about our virtuous earnings model, and I know it's a sort of cliché in the industry to talk about virtuous earnings model. Everyone does that. But I've always said that in our Company, a virtuous earnings model is something we teach incoming people from day 1. This is how we open our business in [slides. So like] you must remember in this Company, everyone has a part to play in driving this virtuous earnings model.

And this earnings model starts with gross margin expansion. If we don't do that properly, we are not creating the space to invest behind brands, our capabilities and growth.

So it actually starts with that. Of course, we have fixed costs that we can also leverage, invest for this business, drive top-line growth rate; and of course, in this process, give good gross operating margin expansion.

For 2014 was another good year of virtuous model expansion. Gross margins grew by 100 basis points, broadly split similar in the first and the second half, driven both by mix and of course pricing and cost optimization programs. We have Project Fuel in the Company. It's a regular feature of our program in terms of gross margin expansion.



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We had fixed costs leverage of 50 basis points, so that also obviously helped. Our BEI expanded by GBP30 million in absolute in constant, although minus 10 in -- I call it minus 10 -- in basis points.

I just want to remind all of you that actually, we had a very significant media planning and buying program for last year, and if you add that -- because we reinvested all the savings back into media -- if you add that, it was quite a substantial investment also in 2014 to back up what we did in 2012 and 2013 in BEI investment. So another very strong year of investment behind our brands in 2014 as well and, therefore, our revenue grew by 200 basis points ahead of market in line with what we have said that we want to target for the Company.

Now on the right-hand side of the chart, you see operating margin expansion, a staggering 260 basis points in the second half of the year; 160 basis points in total. I think it's a phenomenal achievement for 2014.

And we are going to back to how do we actually keep this virtuous model alive and kicking as we proceed for the second half of the decade, or the next half of the decade.

Good progress also from a strategic point of view. I think there were a number of strategic moves that we made in 2014 that are important to set this Company up for more outperformance in the future. The demerger of Indivior was an important move. It was there for some time, and I think we finally executed that, I think well. I am very pleased with what we have done.

And I hope that this Company will now find its own strong independent platform to outperform, as well as creating for RB, and very importantly, creating for RB a sharp focus on what it knows best, what it does best, which is to build brands for a very long period of time.

There were a couple of other strategic moves less talked about, but are important nevertheless. We licensed out the footwear business. We -- there is a business we always had which was the Russian hospital business; we call it Medcom hospital business. And we separated that too.

And of course, there was an important acquisition that enhances our strategic positions in sexual wellbeing in important markets like the US, the acquisition of K-Y.

So there are important portfolio moves that have taken place in 2014 in addition to what we've done in the previous years to make this Company a more focused, health hygiene home Company.

On the other side, we are making some changes also to keep this Company a sharper, more agile company. I'm going to talk about that under what I call Project Supercharge. We're going to come back to that.

So a number of things have happened in 2014. It's been a good year, and I'm pleased about what we've done. But a lot more to do, and we are going to talk about a lot more to do in the second half of the presentation. But let's just go through some of the financial aspects of 2014 with Adrian.

Adrian Hennah - Reckitt Benckiser Group plc - CFO

Well, thank you, Rakesh, and good morning, ladies and gentlemen. So if we turn now to the next slide in the deck, the income statement. Firstly a point on format with regards to the demerger of RBP, or Indivior as it's of course now called.

As required by IFRS, the full results of Indivior for 2014 and in the 2013 comparatives, are helpfully included as a single row in the income statement, immediately above the total net income bottom line. Accordingly, all the numbers we refer to are for the continuing Group, excluding the demerged Indivior, unless specifically stated to the contrary.

So then turning to the continuing Group. As you've seen, revenue for quarter 4 was GBP2.304 billion, a like-for-like growth of 5%. Total growth at constant rates in quarter 4 was also 5%, as the effects of acquisitions, disposals, and the Medcom Hospital treatment as a discontinued item net out.



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Revenue for half 2 was GBP4.513 billion, a like-for-like growth of 4%. And for the full year, revenue was GBP8.836 billion, also a 4% like-for-like growth.

Looking forward into 2015, we expect the net effect of acquisitions, disposals and discontinuations made or announced to date to be a small reduction in full-year reported growth. The exact impact will depend on the timings around Medcom Hospital.

Movements in foreign exchange rates reduced the quarter 4 reported revenue growth by 5%. For the year as a whole, the net translational impact of currency movements on revenue was a 9% reduction. We have set out an analysis of the impact of currency movements and net acquisitions in the appendices to this presentation.

Gross margin in half 2 increased by 90 basis points in line with the increase in half 1, giving 100 basis points increase for the full year.

Adjusted operating profit before exceptional costs in the half was GBP1.307 billion, a 14% constant currency increase on last year. The profit margin was 29%, 260 basis points higher than half 2 last year, and of course, 160 basis points higher in the full year.

There were a number of drivers of the gross and operating margin movements, including a small restatement of the comparatives arising from the Indivior demerger. We'll return to these in a moment.

Exceptional items in the half netted to zero. We have set out in the appendix the guidance we have given for exceptional items and progress against that guidance. We are on track with the guidance given.

Moving then to the next slide, further down the income statement. Net finance costs in half 2 were GBP20 million, slightly higher than half 2 last year. Average borrowing levels were slightly lower, but rates slightly higher due to the medium term bonds issued in quarter 3 last year.

The tax rate in adjusted net income, i.e., excluding exceptional items, for half 2 was 22%, and 22% for the full year, in line with guidance, and benefiting by about 1% from one-off items.

Described as net income discontinued, you can see in the middle of this slide the row relating to Indivior; GBP1.4 billion of net income in half 2, GBP1.6 billion in the full year. We'll look at this again briefly in a moment.

Looking forward into 2015, a couple of more detailed points. Firstly, if the 31 January 2015 exchange rates were to continue to end 2015, the translational impact on full-year reported revenue and profit will be a negative 1%.

Secondly, we continue to expect a tax rate, excluding exceptional items, of around 23% in 2015.

Turning to the next slide, capital allocation. The Board is recommending, as Rakesh mentioned, a final dividend of 79p per share, an increase of 3% on the final dividend last year. This is equal to the 3% increase in adjusted net income in half 2 for the Group as a whole, including Indivior.

Looking forward, the Board plans to maintain the current dividend policy of distributing 50% of adjusted net income, subject to minor year-on-year variation in unusual circumstances, as in half 1, where reported EPS fell only due to the movement in exchange rates.

It remains the Board's priority to use the Group's strong cash flow to reinvest in the business. The Board continues to regard acquisitions as an important part of the Group's growth and development, and continues to see significant opportunities in this area.

While it is not possible to be precise on future needs, the Board is of the view that the Group has appropriate access to funds to support its business development agenda. Accordingly, we intend to put in place a program to buy back up to an additional GBP500 million of shares during 2015, on top of the regular about GBP300 million program, to neutralize incentive plan share issuance; a total, therefore, of up to GBP800 million in the year.

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Turning to the next slide, I think it's slide 11, you can see here an analysis of the Indivior row in the Group's income statement. The GBP1.4 billion net income in half 2 comprises both the trading performance of Indivior up to December 23, 2014, and the gain arising on demerger.

Revenue and profit progressed in line with expectations. You may well have seen Indivior's earnings release this morning, and we will leave it to Indivior colleagues to explain their numbers in more detail when they address investors later today.

The gain arising in demerger is measured by reference to the initial trading value of Indivior shares, the enterprise value of the new company, the relatively low carrying value of the assets demerged in the RB books, and the transactional costs of the merger.

One more detailed point on -- a couple more detailed points on Indivior. Aside from -- in the next slide. Aside from this discontinued net income item, there are three small impacts of the demerger on the rest of the Group P&L.

Firstly, as signaled previously, there are stranded costs of about GBP45 million per annum, that is costs charged to RPB while it is within the -- while it was within the RPB Group, and which can no longer be recovered from it.

Our 2014 numbers are stated on a continuing basis. In other words, this GBP45 million is borne by the continuing businesses, and shown as such in our segmental margin reporting. This requires restatement of the half 1 2014 numbers, and we've also shown 2013 on the new basis so as to provide transparency on underlying margin movement. We have shown the before and after total, and total and segmental margin numbers in the earnings release and in the slides later in this presentation.

Secondly, about GBP275 million of net debt was included in Indivior on demerger, and you can see the impact of this in the cash flow and closing Group net debt.

Thirdly, we do continue to provide a number of services to Indivior under transitional service arrangements. These will end over coming months, extending in a few cases to a low number of years. We do not expect there to be any material impact on the Group's ongoing costs as these run off.

Turning then to the next slide, an analysis of revenue growth rates by business segment by quarter, firstly, on price and volume changes across the geographies we operate in.

The 4% growth for the full year, and for the Group as a whole, was split broadly evenly between volume on the one side, and mix and price on the other. In quarter 4, the growth had a slightly higher proportion of volume.

With respect to ENA sales, we achieved strong growth of 4% in quarter 4 after a weaker quarter 3. Sales in the USA did, however, benefit from some increase in channel inventory. We saw channel inventory increases associated with the launch of the Amope Velvet Express pedi, ahead of the launch of the Air Wick Life Scents range; and across the seasonal healthcare products, where we saw some retailer buying delayed from quarter 3, where you saw slightly weaker numbers, to quarter 4.

In LAPAC, we delivered a disappointing second 3% quarterly growth rate in quarter 4. The geographic pattern of growth was similar to quarter 3, with continuing challenging market conditions in Latin America, especially Brazil; and in South East Asia, especially Thailand and Indonesia.

In RUMEA, we achieved a high 17% growth in quarter 4. The underlying performance was strong. But reported sales were materially increased by buying patterns of consumers and trade customers in Russia ahead of expected price increases.

Reported growth also benefited from a weak comparator in a number of RUMEA markets, and by price increases in increasingly inflationary environments in some countries served.

In food, you can see another encouraging quarter, with 4% growth in quarter 4. Looking into 2015, you should expect the timing of Easter to boost food sales in quarter 1, with a corresponding reduction in quarter 2.



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We have included as an appendix a reconciliation of the reported to the like-for-like numbers shown in this slide.

Turning then the next slide, an analysis of revenue growth rates by our principal product categories.

Firstly, health. We delivered a growth rate of 8% in quarter 4 in line with the rate for the full year. The performance of the Scholl brand, now together with Amope in the Americas, continued to be very strong, in particular, Velvet Express pedi.

Durex also continued to perform strongly, with a useful contribution from K-Y now evident too. Mucinex was weaker with a strong comparative and the reintroduction of private label competition to some SKUs in the United States.

In hygiene, we delivered a better quarter, with 6% growth after a weaker quarter 3. Dettol and Lysol continued to be important drivers of this segment, performing well across all areas. Finish and Mortein also performed well in the quarter.

In home, we delivered 3% growth in quarter 4, with good Vanish and good Calgon growth.

Portfolio brands were down 16% in quarter 4. Following the disposal of footwear, and the treatment has discontinued at the Russian hospital business, the main component of the continuing portfolio brands category is the laundry and fabric softener business. Also included, however, are certain sales to institutional customers such as hospitals, where sales can be quite volatile.

Portfolio brands is now relatively small, less than GBP300 million per annum of ongoing business. We do expect the laundry detergents market in Europe to remain tough. We're taking steps to improve our performance in this area, and have created a new European household team to focus on this.

Turning to the next slide and an analysis of margins. We have, clearly, delivered a very strong 260 basis points operating margin improvement in half 2, 160 basis points for the full year. I expect a number of you are asking yourselves: How did they achieve this? Was it done in a healthy way? How much is sustainable?

This chart shows that of the 260 basis points improvement, 90 basis points came from gross margin, none came from brand equity investment, and 170 basis points came from non-BEI SG&A spend.

Firstly, on gross margin, the improvement in half 2 was the same as half 1, an increase of 90 basis points. The growth in the half 2 gross margin continued to be driven by a number of factors. Mix improvement, pricing, and our own efficiency programs all contributed. And the improvement was delivered in the face of a continuing material headwind in emerging markets from transactional ForEx exposure to weakening currencies.

Secondly, we maintained in half 2 the level of investment in brand equity at 11.8% of revenue. This delivered a GBP30 million increase in absolute BEI in the full year at constant rates, and the complete reinvestment of the material savings from the restructuring of our approach to media buying, which Rakesh has also already mentioned.

Thirdly, we succeeded in reducing our non-BEI SG&A by 170 basis points to 17.8% of revenue. In the middle of the year, following the end of negotiations for the Merck OTC business, and in the face of a worsening impact on our actual currency results from the relative strength of sterling, we initiated work to prepare a significant initiative, Supercharge, to free up in a sustainable way unnecessary expenditure in order to reinvest in our business and to enhance margin. You will hear more about this program from Rakesh in a few minutes.

At the same time, knowing it would take some months to undertake preparatory work for Supercharge, we initiated a short-term program on cost reduction. This was aimed at generating momentum for the Supercharge program, delivering some immediate savings to counter the translational ForEx headwind in 2014, and compensating for the GBP45 million annual cost that was stranded following the demerger of Indivior.

This effort underpinned the indication we gave in July of nice margin expansion in half 2. We were very careful to ensure that this short-term effort did not impact expenditure important to the long-term growth of the Company. You can see from our BEI numbers that we were successful in this.



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This short-term effort did include some reductions in expenditure which are not sustainable. Hiring and travel freezes, deferral of some internal conferences are significant examples. We estimate that something over 100 basis points of this half 2 margin improvement, or about 60 basis points of annual margin improvement, is not sustainable.

Very importantly, however, the Supercharge program will provide, indeed is already providing, sustainable margin improvement to build on the momentum of this short-term effort, and this will enable us to lock in the full margin improvement in a sustainable way.

Together, this gross margin improvement and SG&A initiative to [develop], as I say, a 260 basis points increase in operating margin in half 2 and 160 basis points in the full year.

Turning then to the next slide, this shows an analysis of operating margin before exceptional items by business segment for half 1 and half 2. As mentioned earlier, we've restated the half 1 2014 and the 2013 margins to absorb across the remaining segments the costs previously charged to RBP. We show here the original and the restated numbers. You can see the absorption of these stranded costs reduces the ongoing Group's margin by about 50 basis points.

Within ENA, we saw continued excellent margin progress, a 370 basis points increase in half 2. All the levers of gross margin, except price increases, plus the short-term SG&A program, contributed materially.

In LAPAC, we achieved 150 basis points increase in the half 2 margin. The area suffered some headwind from transactional ForEx exposure to weakening local currencies, but these were more than compensated with price increase, mix improvements and cost reductions.

With regard to RUMEA, half 2 margin increased by 40 basis points. It was possible to take meaningful price measures to compensate for the weakening currencies and increasing domestic inflation in several markets. And we saw mix improvement and cost efficiencies. These outweighed the transactional ForEx headwind and reversed margin decline in half 1.

In food, we saw a planned modest reduction in margin as we increased investment behind the French's and Frank's brands. We have been encouraged to see the positive response in revenue growth from these very strong brands.

We've no room on this particular slide, but we have included the full-year segmental operating margins in the appendix; and, of course, also in the release.

Turning to the next slide and a summary of the Group's net working capital position, you can see that the strong overall position continues. The comparative numbers here do include RBP, but this does not alter the trends. The RBP numbers are sufficiently small, but this does not alter the trends.

We saw improvements in payables, but some deterioration in the position in both receivables and inventory. Our consumer health business is more inventory and receivables intensive due to the more centralized nature of the manufacturing, and due to the nature of the channels in some markets. We are, however, not minded to accept a lengthening of the receivables and inventory ratios. The Group's keen focus on this area will, clearly, continue.

Turning to the next slide and the cash flow statement. We have shown here the free cash flow of the continuing business; i.e., we stripped out the numbers for RBP. The full impact of RBP is below the free cash flow line you see here, but is, of course, included in the closing net debt number you see at the very bottom.

As you can see, the Group had another good half of cash generation. Free cash flow generated in half 2 was [GBP1,133 million]. This was 113% of net income. The Group had net debt of GBP1.5 billion at the end of the year. This was down from GBP2.2 billion at the end of half 1 due to the good cash generation, and the GBP272 million of net debt that was demerged with Indivior.



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Turning lastly in this part of the presentation to the next slide, and a couple of words on how we will evolve our segmental reporting to reflect the changes in the way the Group is now run.

We will, as our primary segmental analysis, move from reporting ENA, LAPAC, RUMEA and food to reporting the new ENA, i.e., including Russia, Australia, New Zealand and Israel, developing markets and food, as this now reflects the way in which the Group is run.

We have included in an appendix to this presentation a pro forma showing how the 2014 segmental analysis would have looked in the new format. We will, in addition to this formal segmental analysis, continue to show revenue by product category. This will be in the same format as now, except that we will combine food into the portfolio brands category.

In addition, we plan to show the revenue and revenue growth rates within the new ENA for North America. For this too, we show the 2014 numbers in the new format in an appendix.

And with that, I'll hand back to the boss.

Rakesh Kapoor - *Reckitt Benckiser Group plc* - CEO

Thank you. I'm going to do a few things right now. I'm going to talk about the innovation pipeline for 2015, and then take a break and talk about us, where I think we are with our strategic update.

You'll remember, three years ago, we talked about a new strategy for this Company, and I want to just give you a snapshot of where we think we are with that and how do we actually start thinking about our performance in the second half of the decade; and then, of course, the targets for the year and Q&A.

Before I show the innovation pipeline, let me make a confession. When we showed this pipeline that I was going to present to Adrian, he said: This is looking so good, even I would like to present this (laughter). So I think, Adrian, sorry to take your thunder away. I'm going to still do the innovation pipeline and present it to everyone. It's a bit long. I tried to cut it, but I think my enthusiasm got the better of me.

Let's start with the first one. Let's start with health.

In health, I'll start with Nurofen with one initiative, which is particularly interesting for you to show. There is no new product here. This product has been there for a long time. But we found a new way to talk about this product which is relevant for people.

Now it's also both, I would say, the enhanced medical and clinical capability we've been putting in our Company over the last years, because clinical and medical research actually shows you that the real cause of headaches, most headaches are really caused by tension in your neck and head muscles. It's coming from the inflammation and tension of your neck and head muscles. That's what the real cause of headaches is. And this is a fact which is certainly not known to people, and it's not even known to many key opinion leaders, medical professionals.

This is what has come from a huge amount of clinical and medical research, and we've converted that in a fantastic claim saying Nurofen Express targets the real source of headaches, providing faster relief, and is better than Paracetamol.

Many people think that Paracetamol is the first line of treatment for a headache, for the common headache. But actually, Nurofen is better than Paracetamol for treating headaches. So I don't know how many people in this room, maybe 150, you heard it from me, and now you see it in an advertisement.

(video playing)

As I say, a very interesting initiative to target the real source of headaches on the one side and target Paracetamol on the other side; so very interesting to show.

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The next one is Scholl, and as I think about Scholl, actually, I think about also what has happened with Scholl as a whole over the last four years that we've really had the ownership of Scholl; and not just Scholl, of course, Durex.

And the first thing I'd like to tell you is that in four years after what we bought, I think the whole acquisition, as I said, looks so good. And I think we've done a tremendous job, even if I may say so, with the brands that we acquired with Durex and Scholl.

Scholl looked a bit messy when we first got it because it is a bit of a complex brand. But now, I think what we've done on this brand over the last few years has just been really, really very good.

And the Scholl Express pedi product has been a very good part of our success in 2014. What we are doing is actually launching a new line of Scholl Express pedi. It's with diamond crystals. And you would think diamond crystals don't really do anything. They do. They actually exfoliate much better, offering you a superior hard skin removal benefit.

So this is what we are doing with Scholl in a large number of European and also the US market now, but the US market has also got Scholl in the form of Amope.

Staying with Scholl, when we were looking at the US market for reasons that you probably know, we found that actually, the insole business is quite a nice business opportunity for Scholl, which is underdone in many of our normal Scholl markets. We don't have a major insole business. But insole remains a very important benefit that consumers seek from foot care brands.

So we are launching, actually, a range of our insoles in -- principally in, of course, our Scholl markets. And this insole range comes both for men and for women. It is for work shoes, it's for every-day shoes, it's for sportswear. So it is a fairly well developed range.

But if you just thought these are normal insoles, they're not. They actually come with a real significant technology that we're using. And it's proper, proper technology called dual gel technology which offers you both comfort on the one side, but better arch support on the other side, better shock absorption.

So this is really technical stuff; [that] works. And the best thing you can do is to really buy. I'm not giving you it in a goody bag because it's something that you really owe it to your feet (laughter), which you have been neglecting I'm absolutely sure, and do something about it.

So that's on Scholl. There's quite a lot of stuff to actually talk about, but Scholl I think will be really very nice now that we have this and done very well with it.

Coming to Durex, and staying with the theme, we've launched something called Durex Invisible. Now what does invisible mean here? Actually, here, this is a real simple insight from talking to people. They want to have the thinnest possible -- some people, not always -- the thinnest possible condom to give them the closest connection, the intimacy that the thin condoms can give them. But at the same time, we also know the thinner you go with condoms, the more difficult the threshold of safety becomes in terms of making sure that the technology really keeps them safe. And we have inside the Company even higher hurdles on safety than what regulation asks for you. So Durex technology is all about combining superior safety with the best possible technical product.

And this is not easy. How do we actually give people something that's really feels thinner, closer, intimate, and at the same time is from a technology point of view safe? So we've actually launched the thinnest possible Durex condom which is 20% thinner; and, of course, with the durability, reliability and excellence, which is what Durex is called, by the way, that you can achieve.

So Durex is launching Durex Invisible. In China, it's called Air for some nomenclature reason, and that's what we're doing to be doing [launching] this condom; a fantastic product.



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The next one is my favorite, and it's my favorite because it tells me that RB is not staying behind at all when it comes to exploring the opportunity that a digital mobile enabled world presents us. It's telling us that we're pushing the boundaries and really trying how we can actually engage with people in this very new world.

So for the first time actually probably in our type of industry, we're launching a personalized condom; a personalized condom. Each one can design one. So you go to a website and you have a range of designs to choose from. You have a range of messages to write for yourself. You can write whatever you want. And then you can buy it for yourself, for your partner, for your friends, or whatever, whoever you want.

And actually, this is a very simple insight. It's not just like, okay, we can have personalized condoms; we can have personalized anything. But here, the insight is that every box can tell a story. You can create a story and start to retell it through a box of condoms, and that could be really good fun. And sometimes you can communicate through a box of condoms. That's the kind of things.

So this is not a showpiece advertising but just see the concept here. And here, through this -- it's not advertising, but here, the partner is trying to communicate what she wants to do through the box of condoms, creating the story.

(video playing)

So she wanted to have -- she wanted to stay indoors, and that's what she printed on the pack and gave it to him saying: I want to stay home tonight. And that was her story, and maybe they'll start creating a story like that.

Anyway, the interesting thing is when this thing was presented to me by my China people for approval that we were going to go to do this stuff, the way they presented the story was to tell me that, and it's true, that normally you can put anything you want, but sometimes, we say normal things in life. We say, honey, you're driving too fast; or should we start working out in the morning? And when you say all these normal things in life, they're quite normal to say, but as soon as they go on a Durex pack, they acquire a very different meaning, don't they (laughter)?

So he presented this whole concept, saying something quite normal to me, and then gave me the pack that he had prepared for me (laughter), which says -- (laughter). Quite a normal thing to say in a business meeting, but acquires quite a different story on a Durex pack.

Anyway, moving on from this to Optrex, something even more exciting, I think. This I have in your goody bag, actually.

Now we haven't talked about Optrex. I don't think we've talked about Optrex. And the reason I'm talking to you about Optrex is that, actually, we had it in -- it's a nice brand, and we have looked after this brand, nurtured it quite well in those markets [it stays]. And then, actually, we found that we had some innovations, we always do, which made this brand quite responsive in eye care.

And we actually -- there were one or two markets where this brand was a bit languishing in its previous life under RB ownership. We tried to ignite it, and we found it was really responding very well. So we are, actually, rolling out Optrex to 14 different markets in 2015. So Optrex is going to 14 different markets in 2015, fronted by Optrex ActiMist, which is a unique product.

Some 80% of dry irritated eyes, which is an everyday condition, actually happens because the moisture on our eye gets depleted. So the moisture barrier that eyes have gets depleted over the day. And we lose this moisture barrier because of which we have dry, irritated eyes. It's as simple as that.

Most products, 90% or more products, don't really look after this very simple condition, losing your moisture barrier. ActiMist is designed, it's clinically proven, to moisturize the [eye]. But not only does it moisturize your eyes, it does it in a fairly clever way. For those of you who are eagle eyed, you would have seen that, actually, you can spray it on your eye without -- you can spray it on your lid. So you actually spray it right here, without opening your eye, and actually it goes through; the spray goes through the eye to provide that moisture barrier.

So you don't even have to open your eyes to spray it inside. You can spray it on the eyelid and it penetrates through to give you that moisture barrier.



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And those of you who are even more eagle eyed will have seen that it does not smudge your make-up.

So I have provided a product for you to make sure that you don't have dry, irritated eyes, and so they don't stay dry and irritated by the end of the day.

Moving on to MegaRed. MegaRed, we are launching a line of products for what we call super heart. We know heart health benefits are an important part of people living an everyday healthy life, and we've used three clinically, I would say proven ingredients, and combined them.

So it's not just krill here. It's krill plus CoQ10 and vitamin D all combined; all three clinically proven ingredients combined for the very first time to provide the super heart product in the market.

And there is also another couple of lineups there. One is a concentrated krill, which is the most concentrated version that you can have, so it is double the concentration of the previous one, to make sure that you actually get the best heart health support in one pill. So that's going into our MegaRed markets in 2015.

Hygiene. Moving to hygiene, I have a couple of initiatives to share with you. Let me just start with Finish.

Now those of us who are privileged to have the responsibility to dish wash every night know that that is not where the moment of truth is, to put the dishes at night. The moment of truth comes when we open them in the morning and then see whether or not my glasses are as shiny as I'd like them to be and whether there is any cloudiness. Is there anything which has happened to ruin the glasses? This is a key issue that most people feel. The moment of truth when I open the dishwasher, and do I have amazing shine, yes or no.

And we know that. And keeping that shine, keeping your glass protected for longer, is a technological issue to deal with. And I think what our scientists and R&D people have found with this new glass protect technology, let me call it for simplification here, is that it -- the lineup of Finish Shine & Protect basically keeps your glasses shinier, or protected for 2 times longer than with current Finish product. So it is going to be the best product on the market from a shine protection point of view, and we're launching it across our Finish markets in 2015. So a real product upgrade.

Moving on to Dettol. The reason I'm showing this product and not an emerging markets Dettol product is because of this. Maybe you are aware that we launched Dettol in many developed markets a number of years ago, and principally, launched it with hand wash. Either it was this automatic hand wash, or it was the normal manual hand wash. We had been launching Dettol hand wash to create a strong equity for Dettol, to really make it become something which stands for germ protection and hygiene. And actually, over the last number of years, we have built a very nice equity for Dettol in all these developed markets.

So what we are doing, very first time, actually, is launching a range of personal wash in these developed markets. So this initiative is going to a number of developed markets in 2015 in support of the lineup that we already had, which is principally a hand wash lineup.

And if you ever wonder what does a personal wash do which is relevant for germs, the actual scientific basis is very simple. Sweat is odorless by itself. It doesn't have odor. But when it gets combined with the skin, the germs on the skin actually cause the malodors. And most products actually deal with suppressing those malodors. Dettol kills the germs that cause the malodors. So there is a very simple, strong scientific logic behind Dettol in personal wash.

And I don't want you to get away with that this is not based on the core benefit of germ protection for Dettol. And this is what makes Dettol soap and lineup of personal washes so successful in emerging markets where this product is going with the benefit of 12-hour germ protection. So it is actually going as 12-hour clean in many emerging markets.

Moving on from Dettol to Veet, and Veet, basically, we all know that people who use waxes want the ultimate smoothness, but without the hassle that sometimes people have with waxes. The hassle people have not being able to apply properly, not being able to heat properly, and so on and so forth. How do you actually get fantastic results without the hassle that sometimes it has, the complication it has?



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So what we've actually done is launched what is called Spawax. You get the result that you get in a spa, a professional salon, because the container that you see in front of you can actually -- it heats the wax to the exact right level, so it's designed to heat it at the right level. And then we give people wax discs so they can put the wax -- the heating at the right level and it gives you the right condition with a spatula to use it and get professional wax results at home.

So I think it's a very interesting technology in how we actually achieve that, and will be a good initiative for Veet in 2015.

Mortein I don't believe I've spoken about for a number of years, and I just thought it would be a good time to get some of these brands that we haven't talked about for some time to talk to you guys.

Mortein, of course, is a pest control brand, which is there in a large number of emerging markets. And we are launching -- so in many of these markets, in many of these markets, not all, people use coils, because these are cheap, everyday products. And they burn these coils overnight, and the coils burn overnight and they basically work to -- they don't kill normally these mosquitoes, but they actually at least prevent them from biting you. That's what happens most of the time.

Many people don't want these coils burning while they're asleep. They just don't want this stuff happening when they are --. So what we've provided is Activ Card. You burn it. In three minutes it's gone. The card burns. But it gives -- the product works to protect you from mosquitoes just after three minutes for about four to six hours. So it actually gives you a long-term protection where the card burns in three minutes and actually you get this.

And our claim there which we are using, as you can see, INR10, is an Indian pack, which gives protection from dengue mosquitoes, because it does, of course protect you from even dengue mosquitoes -- so it's a very powerful claim -- in three minutes. Going into a number of emerging markets.

Moving to home, and I have two initiatives to talk to you about in home. The first one is going to be on Air Wick.

Now Air Wick is one category where we want to inject with significant innovation. And, actually, the innovation that I'm going to talk to you about is one that is not just about launching new fragrances. It is a true breakthrough in fragrance technology. And I'm going to describe it, not through fragrances, I'm going to describe it through liquor.

So imagine that you want a drink. Now you might not, but imagine you want a drink, whisky, vodka and gin in one glass. So if you are Diageo, my friend, you would basically put a blend together and give you a bottle. But when you drink it together it's a blend. You can't make out whisky, gin and vodka because it's blended.

Actually, the same thing happens when you mix fragrances. They become a blend. And it's very difficult for each of those fragrances inside to retain their identity. So when they come out, it's coming out of the blend; it's not coming out of unique individual fragrances.

So getting the technology where you can put fragrances together, where each of these retain their identity, and when they've actually come out they come out one after the other so that you feel that these fragrances are constantly changing, where your nose does not get sensitized to one fragrance and, therefore, always feel that there is a fragrance in your home, is a very, very powerful technological breakthrough.

So we're launching this under the Air Wick Life Scents on a range of our products across our markets. We are very excited about it because the technology is absolutely fantastic; it's absolutely fantastic. It's like drinking in one glass, like I told you, all these three things, each one of them, one at a time, retaining their identity. I don't think (inaudible) can do that.

And here it is.

(video playing)



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And we're very excited about what we're advertising. We have a new, creative agency to work on this very nice, emotional idea, but also really nice technology to back it. And we are pushing this as a very nice initiative for 2015.

Moving on, and the last one for today is on Vanish.

Vanish has been a good success story over the last couple of years, particularly fending off the challenge from [people] and coming out strong by focusing really on what we do best, which is bringing new consumers in; not focusing too much on extra frills, but focusing really on bringing new people in.

And that's what we started to do; focus on innovation, focus on penetration, bringing new people in with real claims. And I think that has really contributed to the success of this brand over the last couple of years.

And we are launching now -- and we also know -- this is a very important point, in Vanish, people will pay for stain removal. If they know that they have stained clothes, they are petrified these stains won't go away. And if they wash them and if the stains don't go away, they become even more big then, and people just don't like it. None of us would.

So this is probably our ultimate, basically gold standard in stain removal. Removes stains in 30 seconds, but also have the best possible stain removal performance launched as a lineup last year in pink in the UK. It did very well. And we're rolling it out across our ENA markets now also in a white -- Vanish for whites line. So it's an expanded line, it's a gold line, and it has the best stain removal which people I know would like to pay for.

That's on Vanish and that's where I want to stop our innovation discussion for today. We've lots more to have talked about. But I think we have a nice program. We're excited about many other things we are doing and we hope that they will create value.

Moving on, I'd just like to now spend a few minutes on where we stand on our strategy, give you a context also for Supercharge, and why we believe it's the right next step to supercharge our growth in our performance story.

So before I go and do that, let me just try and explain to you, for those of you who probably weren't there in the room three years ago also when we first talked about the strategy, and we said that there's a strategy that we have which is quite simple; simple because, first of all, we use a very simple and inspiring statement for what we stand for as a Company. We stand for innovative solutions for healthier lives and happier homes.

It sounds a bit maybe [weak] for you. It's a very simple way through which we can decide right for wrong. Healthier lives, happier homes. Does it fit this? Are we doing something which makes a real difference? Are we innovating which really makes a difference? And I think we use that very simple way to describe right from wrong, deciding which brands to focus on, which markets to focus on.

So we organized our entire portfolio, we organized our entire investment strategy based on this very simple purpose on health, hygiene and home. We said: It's not possible now to only talk about categories without thinking about the markets in which we want to be successful, and the market where we have both the opportunity to grow as well as the ability to succeed. And we call those Powermarkets. We have 16 Powermarkets, for those of you who remember. 16 Powermarkets, 19 Powerbrands. So that's what we said.

The first thing we did at that time was, like we said, the organization we should put in place should be one that is designed for the next decade, not the last one. And the next decade, you start thinking about consumers want and how do consumers behave, and is there a way through which you can put an organization around consumer clusters, around consumer behaviors, around your brand portfolios, that brought you both the synergy, but also at the same time gave you a much better, sharper insight.

And that we used this organization model, we used of course to feed this idea of ENA, which was quite strange at that time, putting Europe and North America together, saying: Consumers in both these markets are more similar than they are dissimilar. And we then created two separate organizations to look after six consumer clusters; three for RUMEA, three for LAPAC. That's what we did.



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And we also said that at that time, just to remind you of it, that -- and it's very difficult for you guys to right now take back to three years, and also for me it's very difficult sometimes to remember what happened three days ago, but three years ago everyone was focused on one thing. How big are you in emerging markets and how fast are you growing? People had forgotten and given up on growth in developed markets.

And I stood there and said: It does not matter whether you have 60% of your business in developed markets or 40%. It's still very substantial. And we have to find an answer to be successful, not just in emerging markets, but also in developed markets, because if we can't grow in developed markets, we cannot optimize and deliver to our full potential. That's what we said.

So that's how we put our organization, just to remind you of it. That's the context. And finally, of course, margins. Margin is about the virtuous operating earnings model that we've talked about.

So I just want to quickly tell you how I see us doing in the last three years across these pillars. On the first one, Powerbrands.

So at that point in time, about 80% of our business was health, hygiene, home, and 20% was rest. That's what we had. So there was a good concentration, I would say, of health, hygiene and home, but there was also 20% of not health, hygiene and home.

What has happened over the last three years? 92% has become health, hygiene, home; 8% rest. And this 8% is going to get lower and lower because still has something that will come out of the numbers as we go forward.

So this is becoming really quite a concentrated health/hygiene-focused business that we wanted to always see for this Company in line with what we said we want to be; healthier lives, happier homes. So that's what we have achieved from a portfolio focus point of view when you think about what just happened in three years.

On Powermarkets, we have identified 16 markets. I have disclosed five of those before. I said [BRIC, of course,] are those and US, five. I said five. I'm going to tell you a sixth one today. One year is quite a good idea. And we had just put out, just for an example, a ranking of these markets just five years ago and where it is just now. And I have to tell you, some of this ranking has been impacted by the FX. If I actually used 2011 FX rates, some of these markets would have even -- particularly Russia, will be much higher in the list.

I think some of the progress we've made in these markets where we said we must find higher growth, we must invest in capabilities, has been quite significant. It's been quite significant.

So the identification of markets that we want to make sure that we succeed in has actually helped and created a lens on how we invest behind people, behind brands, behind innovation, behind capabilities. And that really I think has been a good important driver of providing that focus from a portfolio point of view.

On organization, I think the results are quite obvious. I think LAPAC/RUMEA has done okay, I would say. (Inaudible) 8%; LAPAC, RUMEA, if I take out I think the developed parts of LAPAC/RUMEA like [EMV], Japan and Korea, I think it would be in double-digit growth in three years. So I think considering how the markets have shaped up in the last three years, it was an okay performance.

On the right-hand side actually, and I did not go back beyond 2011 because you have 2011, 2012, 2013, 2014 there, if I went back, which we did not disclose before that, it was still negative. In 2010, it was also negative in ENA, by the way.

So we have actually -- we have produced, I would say, good growth in ENA. I would never say brilliant growth because in this kind of way you can't say brilliant, but good growth in ENA. And I am quite happy that, actually, from an organization point of view, how we wanted to reset our growth in ENA has worked.

And for those of you again who have not followed this idea, let me just tell you what we did at that time. We put these two organizations together. We de-layered this organization. We took GBP50 million out in costs and put it behind growth. Because imagine, if you have a company which is



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growing at minus 1%, you have a choice. You can actually grow and destroy margins, or you can actually protect margins and not grow. Which one do you want to really go for? Which one do you want to go for?

And that's what the question for us was, and I said both. We want to invest for growth and we want to keep our margins. And the way we are going to do that is self-fund the investment. We took GBP50 million out of ENA, we put it behind ENA in [back] years and, actually, we believe that has been responsible for reigniting this growth, which has been very important part of our three-year progress.

And finally on margins, you've seen this chart. Let me just tell you what has happened in the last three years.

Gross margin expanded by 330 basis points over three years. We reinvested 90 basis points in BEI, but actually more. I have to tell you it's more than that, simply because we reinvested quite a lot -- well, all of our savings in this period, particularly in 2014 behind our brands. So we actually invested more. And our op margin expansion has been on an average 80 basis points a year, which I think if you asked me three years ago nobody would have put any money on this. Nobody. And we've done it.

But this is good. This is good because you all feel good that there has been -- strategy has been proven to be right. We all believe in the strategy. We do. We believe it's right. It's working. And of course, it's delivered value creation.

If you put GBP100, as some of you suggested in RB in 2000, today, you would be sitting with nearly GBP1,600. We could have been sitting with GBP1,600. If you put GBP100 when I suggested you should put some money, you would have been sitting with GBP200.

But that is not way we should think about. We should think about what next. How do we actually make sure that this Company is able to keep its growth and outperformance for the next part of the decade? That's really the key question that we are obsessed about focusing on, and that's where Supercharge comes in. We really think about not what has happened, but what we want to think about for the future.

And I just want to make sure that we go back to our pillars of outperformance, the right portfolio strategy that we have in place. We absolutely believe in the portfolio strategy. The fact that we are still an innovation culture and we want to make sure that innovation can be fantastically [accretive] in the market, because that's where it becomes real for everyone, including our customers and consumers, we want to know that.

But the constant question is: Is that enough? Or do we really still think about how do we actually sharpen the organization and how do we actually reignite our earnings' model?

So Supercharge really is about this. It's about making sure that we can rejuvenate our organization, our talent, our culture for the next decade, for this coming decade, next part of the decade, of this performance, and then, of course, make sure we can reignite our earnings' model, because we have delivered a significant expansion in op margin. How do we make sure that not only do we make that sustainable, but how do we actually make sure that that earnings' model is constantly reignited?

So that's what we asked ourselves the question, and this is where Supercharge comes in. So I'm going to take you each one of them, one at a time.

Let's talk about organization, culture, and talent. And no matter what people tell you, but this is a reality. When an organization is growing, it's becoming bigger, inevitably it's becoming more complex. Inevitably complexity brings slowness. It becomes rigidity in companies. People will not say this, but the fact of the matter is size, growth, which people tout as scale, has an implied complexity and lack of agility built into it.

And we have to fight this, and we have to fight this simply because our industry is called fast moving, FMCG. Not SMCG, never called it SMCG. FMCG.

So how do you actually create a culture which is fast moving, where speed always trumps scale? How do you actually keep a culture which is unleashed and not bogged down? Because the last thing you want to do to keep up with increased size, scale, complexity, is to install more and more processes.



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You can do that. Most companies actually follow this very simple logic. They [like best] put at processes, so that everyone knows exactly what needs to be done, and everyone will behave properly, and everyone will be that. But that kills creativity; it kills entrepreneurship. And we must fight this because that's what our special edge is that we might be bigger and bigger and bigger, but we always have this very feeling of small.

How to we remain feeling small, where I know exactly what is happening in the Company because anyone will come and talk to me about this. And I think that is very important in our Company. We retain our agility, our entrepreneurship, our creativity, our freedom, but at the same time, recognize that this is a thing we have to fight every day. That's what the first part is. And of course, second part is the earnings model.

Let me first tell you about how we do that. We started thinking about two things, because the two things that really truly matter when you think about organization design, consumer clusters -- remember I told you that? -- and increasingly store. And the store is changing. It's changing quite rapidly actually now. So how do you design an organization which actually works seamlessly, thinking about consumers, what exactly they're looking for, what do they want; what do they don't know they want, and how do you actually cater for what they don't know what they want. So how do you actually execute it in the store? These are the two things that really matter when you think about organization design, and that's what we actually did.

The first step is we need to create fantastic brands; fantastic brands, fantastic innovation that offers better solutions for healthy life. So creating -- you need an organization that will help you create. And when you think about creating in a Company like mine, I have to be very open and confess, in my Company everyone's coming up with a new idea. There's a huge number of ideas.

And the question is: How do you actually make sure we stay focused while we actually nurture these ideas? Because we have a huge number of projects in the Company. Everyone wants to launch everything, basically. But when we think about the store, and if you were the sales guy in the store, how many things can you actually execute in the store? Actually, a very small fraction of what people start working on in the Company.

And whether we like it or not, there are hundreds and hundreds and hundreds of projects that are there in the Company. So we are going to make sure that we actually have a way through which we can narrow our focus to make much more of these blockbuster innovations while keeping the creativity and freedom so that if people really, really want their idea to be pushed, if they really believe in it, they are passionate, they really have go and do it. But don't bother the rest of the organization. Go and do it and show me. It is possible.

But we want to make sure that we create brilliant blockbuster innovation, stop the small stories which really don't go anywhere, or duplications sometimes, and narrow the Company's focus. That's normal stuff to do.

But you can't really think about creating great innovation if you don't know how to make them as global as possible. Remember what I just said. Making innovation as global as possible. We don't want to work in a company where people come into an innovation meeting from various countries and think there is somewhere between a United Nations meeting or a car boot sale where they can pick and choose exactly what they want and then go back home. No.

We want to make sure our innovations can be scaled, and we need an organization that can help us scale that innovation, scale our initiatives in the market, making it as global as possible. So that's the second thing we thought about from an organization point of view.

(Inaudible) [would be] an example. This is an innovation which is very interesting, actually, a very nice innovation. It has a very powerful claim: Dettol kills 100 illness-causing germs. That's the claim, actually. When you think about this 100, actually, the claim here is Dettol kills 100 illness-causing germs.

So you might say there's a -- what's wrong with this chart? Well, I'll tell you what's wrong with this chart that we did this claim and executed it in three -- in four different ways.

In India, it was like that; China was slightly different. Indonesia/Malaysia/Singapore a bit different, and Middle East another difference. So we said, okay, that I don't like as a marketer; I want my iconography to be very consistent. I do not want my iconography to be screwed around basically from one market to the other. That's one aspect which I don't want.



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The second aspect that I really don't want, that's not where I want to see creativity. The second aspect I don't like is there are four different people who worked on the same thing. You could have done this once very well and then everyone could have used it. So, therefore, it's a duplication.

Next, of course, because everyone is reworking this, it takes longer to roll out. This we want to stop in the scale, making it as global as possible. How do we scale it in a way and create a specific organization that can help us scale innovation -- initiatives, not just innovation -- entire launch packages so that people don't have to rework their launch packages in different markets properly? That's what the purpose of scale is.

And when you think about really how do we scale without destroying this idea of a consumer cluster, we are going to bring RUMEA and LAPAC together under one area organization. So the regions remain -- our countries and configuration remains, but there are no longer two different area organizations managing RUMEA/LAPAC. It will be managed as one in exactly the same way we did for Europe/North America.

Now as we move, we are moving from consumer clusters that were in LAPAC into ENA because they do better belong. We know this. We knew this at that time, but it was for geographic proximity we have kept it. Australia and New Zealand moves into ENA from LAPAC, and Russia/CIS plugs into Eastern Europe part of ENA.

So Russia/CIS retains its identity, of course. It has a significant organization, but there are some benefits also because we have common portfolios between Europe and Russia, and so on and so forth. So I think from an organization point of view, it's a simpler design. But the big news here is that we will [be a scaled] organization by scaling up RUMEA and LAPAC as one market called developing markets, and this is the hemisphere that we are looking after.

But beyond this, clearly, there is another concept of what I'm going to talk about just now. It's called Power of One. We'll come back to Power of One later.

So you've got an organization which is creating great innovations, finding out how we actually exercise this innovation in markets. We've got an organization which is able to scale these innovations and initiatives in their markets, but we also need someone to activate them in the store. And this is where, of course, our power markets and activation markets, our country organizations and our supply service organizations servicing customers comes in.

So there is an organization which is really thinking about how do I bring and make this -- how do I fit this in the store? Where will it work? Next to what? How the planogram should look like. How do I actually go and sell it to the customer? And everything like that. We need an organization which activates them brilliantly in the store.

And sometimes, we need a consumer to store mentality. That's why you see handshakes; you see [interdependence] over there. And sometimes, you also need a store [back] mentality; thinking about store first. And the store formats are changing and where the [paths] are changing, and then bring that back to the Company. And that's the kind of interdependence that we want to see. But that's where you see as local as needed.

So you have create and scale as global as possible, activate as local as needed. You might change the size of the pack simply because it doesn't fit the shelf. Or you might basically have to change the language on the pack simply because it has to be a multilingual pack, and so on and so forth. Or maybe that you're advertising for a regulatory need as local as needed to activate it right in the store.

That's the simple organizational design that we have followed to create a Supercharge organization. And when we think about this, how it actually starts -- works together as a more agile, connected company. and how do rules and responsibilities fit, you know about the Category Development Organization.

You know this organization is a special organization in our Company because this is not a company -- this is not a marketing organization. It's a consumer organization which has R&D, developing, which has medical people sitting alongside -- clinical people sitting alongside the design and create fantastic [dreams], fantastic products, fantastic initiatives. In the middle, we are creating a Power of One team, Power of One team both in ENA as well as developing markets.



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Now I don't know whether some of you remember that in the July presentation I talked about Power of One. Power of One is an organization which is leading a specific category for the entire area. So for example, and this is not a literal example, just as an example, UK leads Scholl for entire Europe/North America, which means when it gets the initiative that I just showed you, it takes that initiative with a handshake, fully understanding what needs to be done, and then makes sure that the initiative readiness in terms of launch communication, in terms of content calendars, in terms of designing the launch record and how actually we go to customers, how exactly to be executed. So that people don't have to rework this in 16/17 different markets. We don't have to rework it again and again.

The design, the master package, which is relevant for all our ENA markets, by getting input from each of those country representatives so that they don't have to rework it; so that they've done it once, so that they've done it at a higher quality than we would be able to do in 16 different places; avoid the duplication, avoid the rework, doing it once but doing it better.

So we are creating these Power of One teams to work alongside on the one side, our category organization, and on the other side, the country organizations. And then hand over these packages -- it's a small team, by the way -- you hand over these packages so that they can be activated, adapted, as local as needed. That's what we are going to do.

Now these are underpinned by a fundamental change we're also making in our supply organization. I have to say that the supply organization is a bit of a manufacturing-driven organization, a fantastic manufacturing (inaudible), there is no doubt. And we want to retain that. But there are two -- a couple of other things that we have to recognize.

When you think about store, then on-shelf availability, metrics and service are absolutely crucial for our customers. And we want to have the capability and we want to have the metrics inside the Company which enable us to execute our innovations properly, but also make sure that in store we have a product with the right quality, with the right availability all the time, with the high standards that are demanded and the high standards that we want to execute. And I think that brings -- that makes us bring supply service people at the very top of the supply organization. That's what we've done.

So supply services no longer reports to manufacturing. It reports directly outside. And it's become an organization now that works alongside our country teams to make sure that we can execute with customers in stores with excellence.

In the same time, you've taken manufacturing and globalized it completely, which means all hygiene health plans -- like health plans, are going to be managed not area by area, country by country, but globally. All decision-making on supply will be globally led. We don't decide whether we make it in one country or the other, where we invest, based on a country or a geography or an area managing that location, it's all globalized. It's all globalized.

So these are fundamental changes, and there you want the manufacturing organization to work with categories to create these products, to make sure that these products can be launched, scaled, launched in as many markets as possible, as rapidly as possible, yet the supply services organization working with the country teams to make sure on-shelf availability and supply metrics. And I can go back and describe how well this virtuous circle will also work inside the Company from a supply point of view.

So you should not underestimate that we are not just doing what is right and visible in the front of the organization. What is happening at the back is also going to be very, very interesting and different.

So I think that's what we mean when we talk about a supply -- a simpler more connected, more enabled, more agile organization where everyone realizes what they do, how their interdependencies work. And really creating simple focus on consumers, focus on customers, and getting that equation right. That's what we are doing. Everyone hears this from me; as global as possible, as local as needed.

So this is our organization template; doing things simpler, more agile, removing the duplication, and making sure we can execute quickly.



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There's another aspect to Supercharge which is, of course, the virtuous earnings model, and we have now already seen what that means. But I just want to tell you that when think about virtuous earnings model, everyone asks me the simple question like: Aren't you guys lean? Aren't you already very, very cost optimized? And the answer is, yes and no. Yes, as you see it; no because we always think there is more.

There's always more. And when you actually interrogate our costs, I see the equation somewhat like this, that our COGS clearly have been coming down over the number of years. And that's good, because that's why it's bringing down (inaudible). Our BEI has been going up, and that's good, even though you might call it [as a cost]. But our non-BEI cost, everything else is actually going up. It is going up total of non-BEI.

That includes other marketing, by the way, non-BEI marketing. What we pay for POS material and how we buy it and how many times we buy it and whether it actually fully gets used or not gets used. All of this stuff, when you actually look at it altogether, it's gone up. And therein lies the opportunity.

So actually, what we did was we benchmarked ourselves on 15 of these cost categories; 15 cost categories that we benchmarked ourselves. Now if you think that was easy, it was a very, very difficult process because, of course, when you go around looking for numbers and getting all the numbers and the detail that you actually want to get those details in to properly do a benchmarking exercise, RB is not that fantastic.

So we actually put a lot of pressure to get the right numbers, thank you very much Adrian, to actually help us benchmark our cost categories, and that's where we stand. I'm not going to show you exactly the point, but we found where we stand against those 15 benchmarks.

By the way, each of these cost categories got ownership from each of the EC members. So EC members took two cost categories and said: We are going to stand behind the benchmarking so that we will then decide where we want to set the right benchmark. We personally took ownership to set the right benchmark, think that's where we want to be. And we said: Okay. We all sign up to that's what -- for each of those categories, we want to set the benchmark. And the answer between the two was GBP100 million to GBP150 million.

So I just remind you once again, an important part. If you remember anything on the virtuous earnings model point of view, if you remember one picture, remember this. We have always juice in the lemon. And that's what we are going to find a way. And when you just thought that the juice has been taken off, we're going to find the next one. There always is. You just have to keep looking and asking and challenging. And that's what we are going to do.

Right. Is that simple? Well, it's not very -- it's also hard. Simpler, more agile organization, you have to work hard at it. And super efficient and cost conscious Organization. That's what Supercharge stands for. That's what we're trying to do so that we can actually find ways of growing and outperforming in the future as we hope to have done the last few years.

Okay. So before I get to my final messages for the day, let me start talking about the KPIs. And this is something to be taken into -- with the new organization in mind.

You might remember when we started our [11] journey, we had 67% of our business in health and hygiene. I don't know; some of you might remember. 66% -- two-thirds. And we are already three-fourths, and we hope to be eight-tenths, or four-fifths of our business being health and hygiene. So we still believe that we are going to progress -- progressively become a health and hygiene company over 2020. So we're raising -- we've used 1% per year mathematics to actually think about our KPI.

So that's how we feel. Higher growth from health and hygiene because it is also virtuous; because some of the gross margin expansion you have seen over the last three years comes also from mix, not just from squeeze or fuel or cost saving initiatives. And that's an important part of our model.

The second one you have to take with a slight mathematical caveat, which is about what is DVM versus ENA. All ENA is not what other people classify as developed markets, because we have Russia, we have CIS, we have Eastern Europe, Poland, etc. So it is for management reasons that we have put ENA and consumer reasons that we have put ENA. It's not how the world classifies emerging markets. So if you were to look at a purely emerging markets classification, then our developing markets would be in the high [30%] number. Okay?



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So we believe that we want to still see a progressive shift from ENA/DVM from 70%/30% to 60%/40%. That's how we want to track ourselves. But as you know, the ultimate performance indicator that I always talked about was versus the market. And we are keeping to that KPI, 200 basis points of outperformance versus the market, market growth rate, with moderate margin expansion. So we're keeping with that KPI also for the medium term.

Now let's talk about 2015. So the first one really is our like-for-like net revenue growth. Now just as another point to note, our like-for-like net revenue growth we are targeting 4%, but on total growth with combined impact of the discontinued/separated businesses like Medcom, etc., and acquisition impact of K-Y will be negative. So the combined impact of -- so in total growth terms, as you might -- for those of you to -- so we have a higher impact of the discontinued business of footwear, of Medcom medical, than the impact of K-Y. So in like for like 4%; in total, it might be less. It might be less because it's a negative impact of those two.

In terms of operating margin, let me just make sure that you understand my language, because my language is unique. I call it Hinglish (laughter).

At the half year, we delivered 40 basis points. I said it's nice. This is my language. You should not take anything more. And I said you should expect nice margin expansion also in the second half. If you just follow exactly what I say, you will find a clear, consistent pattern on what I say. And I said we delivered outstanding margin in the second half. We have. There is no taking away from it.

As we look forward, we are guiding to moderate to nice margin expansion. Now I don't want you to think it's 40 basis points because it's not. It's moderate to nice. If you understand me, I think you've done well (laughter). Okay?

With that clear guidance and target, let me now move to the final session, which is my messages for you.

We believe we have the right strategy and that strategy is working, but we are going to sharpen this focus on our portfolio, like we have in the last three years. That's what our intent is; to keep this Company's focus on our core, because that's important for outperformance. We want to make sure that we are focused on what we are capable to deliver outperformance on.

Second part. We are not going to rest on what we have done. There is no standing still in our Company. There is no status quo. We're going to actually make this Company simpler, more agile, capable of outperforming over the next decade.

And we are going to make sure that the earnings model of this Company remains strong and virtuous. We're going to find ways through which we can create space for growth and investment and op margin expansion. That's what we want to do.

And finally, of course, this is a slide -- the last one is exactly what I said last year -- again, you should not take much more out of it -- challenging markets, exciting future. I still believe we are in challenging markets. There is no question you should not -- I think everyone gets caught up with the result of good or bad. These markets are tough. 2014 was a tough year, by the way, from a market point of view. We just happened to do good, and that's fine. But the markets remain challenging. Our future remains very exciting.

Okay. With that, I'll [pass to] Q&A.

QUESTIONS AND ANSWERS

Martin Deboo - *Jefferies & Co. - Analyst*

Martin Deboo, Jefferies. Rakesh, two questions. I guess when things didn't go so well this year, the obvious one was being outbid for Merck. So the question, I think, in the light of what you've just said, what's the role of M&A in your consumer healthcare strategy going forward and how are you thinking about that ex-Merck?



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And the second one, completely different, is: CapEx fell this year and CapEx to sales remains at about 2%; very low by sector standards. The question is always asked but needs to be asked again. What does CapEx look like going forward given that you're in volume growth mode?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Okay. So first of all, the second one. I think every bit of spend, and CapEx is not free, is looked at with the same intensity and same mindset of ROI as any other spend. And by the way, that is also for BEI. Anything we spend in this Company we want to make sure we get the right return.

We have guided to about GBP200 million of CapEx on an average year. Some years it might be less and some years it might be more. But that's what we've guided to, and we believe that level of CapEx is at this stage of where we are a reasonable estimate of what we expect it to be, GBP200 million a year. Didn't give any percentages at that time except GBP200 million; some years less, some years more. And we are quite comfortable with where we stand with regard to CapEx.

But I can tell you, beyond a certain amount of spend, we will interrogate what we spend. People don't get CapEx spend because somehow it does not immediately impact P&L. We manage our cash with the same passion as we manage our P&L, just to be very clear. And we are comfortable with that number. And I think you should ask other people the question of why their CapEx is much higher as a percentage to revenue than you should ask me.

Second question is about our M&A approach. So first thing I'd like to say is: Let's blank off for the minute 2014; just blank out for a minute. Because I think -- and say 2014 never happened, or 2014 happened in 2008. That's another notion. Whichever one you're more comfortable with; I'm comfortable with either.

The market remains fragmented. Consumer health is a fragmented market, and it remains fragmented. The top 10 players still own about less than 30% of the total market. Opportunities in this market will be there.

The question is whether I feel awful about not being in with Merck or happy is a delicate one to answer because, of course, I still believe that we would have been fantastic owners of Merck. But then you have to ask yourself 'til when are you going to keep -- at what point in time you believe the value equation looks a bit doubtful. And I think that's where you said we feel good or bad. I think you can look at it both ways.

And by the way, again, I don't want to look back. We have moved on from there. We've done well with Scholl. We've launched Scholl into -- not Scholl, but Amope into North America. And I think no matter what you say, the Company does not -- and I hope my presentation also tells you so -- we don't look back in the past. I think the future is exciting. The future has opportunities in business development. The future has a market which is largely very fragmented. And these opportunities will come up and we just have to make sure that we do a good job in finding those right opportunities, in paying the right price, and then doing a good job with those acquisitions.

But I don't feel compelled that something has happened and I've not managed to do more. I really don't. We've moved on and I think the opportunities still exist.

Jeremy Fialko - *Redburn Partners - Analyst*

Jeremy Fialko, Redburn. Two margin-related questions. The first one is in terms of 2015 margins. Would you expect GM to be a positive contributor to your margin? And also your non-BEI costs. Have both of those been positive as a percentage of sales to your margin?

And then the second question is: In terms of your non-BEI SG&A spend, you talked about that coming down. Would that be absolute reductions over, let's say, the next two to three years, assuming normal revenue growth?

Thanks.



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Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

I'm sure Adrian will answer many of these questions, but overall, I'm not going to give you any specific numbers for both gross margin and BEI or non-BEI. I think we have a clear guidance about moderate to nice margin expansion.

First of all, moderate margin expansion over the medium term; 2015, moderate to nice. I think that itself tells you quite enough. After that, do we want to make sure that we expand our gross margins? Of course, we want to make sure we expand our gross margins, and that's what we are going to target.

Any more which I've missed out?

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

I've nothing to add to that at all, Rakesh.

Charles Pick - *Numis Securities - Analyst*

Charles Pick, Numis. I've got three questions, please. On the like for likes in Q4, there were clearly some flattering factors which you outlined during the course of the presentation. Can you give any semblance of what the Q4 like for like and the annual like for like might have been without those?

Secondly, on Project Supercharge, the GBP200 million cost over the three years. Is it possible to split that down, please?

And finally on the margin front, I think you mentioned 60 basis points was the element of non-recurring margin boost last financial year. Have you got enough in Project Supercharge to offset that in the near term?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

I'll get Adrian to answer this.

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Yes. Can we quantify the non-like for like? No, is the answer to that. They're material enough to point them out qualitatively, which is what we've done to try and be totally transparent. But we're not going to quantify them. So I'm afraid the answer to the first one is, no.

On the GBP200 million one-off costs, no. Again, we're not prepared to give a breakdown. There is lots of internal reasons why you don't want to do that. I'm sure you can understand that. But I think you should be very happy with is you've got GBP100 million to GBP150 million benefit, and to -- in a going year, which we expect to be essentially by the third year, and GBP200 million cost over those three years.

So I think that's the equation. We're not -- I think you can understand why we're not prepared to go into it under the GBP200 million.

In terms of the 60 basis points non-recurring cost improvement, or margin improvement that there was in the last year, have we got enough fuel to deal with it? Yes.

However Hinglish the guidance was for margin for 2015, it was clearly positive. The -- so the answer to that mathematically is, yes, that we are confident about that.



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Harold Thompson - *Deutsche Bank Research - Analyst*

Harold Thompson, Deutsche Bank. Two or three years ago, RUMEA was -- you were not so happy with that region. And it wasn't just market, it was the organization. How far have we traveled into its improvement? What have been the key steps? What's left to do?

And although LAPAC is the laggard this year, beyond market conditions, are there similar issues which RUMEA may have had two or three years ago that could have been improved? Just so -- just an [EM] question, I guess.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Well, first of all, I think RUMEA's done well, but are we happy with --? We are never happy. So that is very difficult to answer saying we're happy. We always want to do more.

So RUMEA's done well, and I have to say that many of the operational issues that we were candid to talk to you about, Turkey, South Africa, have been really well dealt with. And I think I have to give them credit. They've worked really hard. They have been under pressure but they have done well. And I have to acknowledge that because if they're listening, they'll kill me, basically. So they have done well. I want to tell them that. But we can always do better.

So that's on one.

On LAPAC, I want to say that the markets have been very tough in LAPAC. And if you think about it, you've heard what Adrian said over the past couple of years. I've been talking about emerging market slowdown, and it's how the emerging markets have been split up in our Company that you see its more clearly.

I'm quite sure if we had put these two markets together and called them developing markets, you might not even have noticed the difference, basically. That's the granularity of growth sometimes, that you see something more sharply simply because you're split in so many different ways that you always find a new stat.

But in aggregate, I think LAPAC markets are fundamentally strong markets, we have good businesses. Do we have some in-market challenges? In some markets, yes. You normally have some markets which is much more intense from a competitive point of view, but have a much more difficult environment for another point of view.

Thailand is going through not necessarily a big competitive issue, but really, it's a very difficult market right now, Thailand/Indonesia. We're doing well comparatively in these markets, but the market has been very difficult. In Brazil, you have a combination of very tough market but also tough competition.

So I think in LAPAC, I do not sense that our own, I would say, operational issues are the key aspect of what you see. It's much more from market to market a very distinct reality.

But are we happy? Is this [fight], whatever, we always like to feel that we are in control, that we can do something even better. And I think our objective in opportunities is to do better than what we have done. And that's what we would like to do; do better in these markets, despite the challenge of the market. The challenge is not going to go away. We need to just do well.

Harold Thompson - *Deutsche Bank Research - Analyst*

And just one follow-up. In the past, you've sometimes said there's always one or two brands which you feel are not as good as you wanted them to be and they need refreshing, so on and so forth. And I think Vanish was one of those a few years ago. It's on the road to recovery. Air Wick, I think, was one in 2014. So do you --? Are you saying this is the answer? Which big brand franchises are you less satisfied with?



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Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Well, first of all, actually, we have worked very hard over the last couple of years. Not -- some of these things cannot sadly be switched on and off very quickly. We recognize the issues in LAPAC -- RUMEA, sorry. It did take few quarters to get everything right. And I think with brands also. You can't innovate today and launch it tomorrow.

So I think Air Wick is certainly one of those brands where we would like to do much better than what we have done, although 2014 was less bad than we would hope, or reasonably thinking it might be. So it's slightly better, but I think we are not where it should be.

So Air Wick is certainly one of those brands that I -- from a big brand point of view, if you want to ask me, big-brand point of view, I would really call out Air Wick as the one that we want to keep doing better on. And I think, at least from a real innovation point of view, we have a fantastic innovation.

Now at the end of the day, the people who decide is not me. It's the consumer and what happens in the market. But we have also started to put in much more -- let's say, have put much more energy behind our innovation pipeline on Air Wick knowing that this is the nature of the market.

So actually, I think what we've done over the last couple of years on Air Wick to prepare for the better tomorrow is good work, but we're not happy with where we are still.

Iain Simpson - *Societe Generale - Analyst*

Iain Simpson, Societe Generale. Just a question on Vanish Gold, if I may. That's clearly an innovation that looks to have worked very well. Could you give us an indication as to what markets it was in at the end of 2014, just so we can try and get a sense of how much geographic white space remains as you roll that out through 2015?

And secondly, if I may, just on input costs. We've clearly seen oil come off a lot. Obviously, there's a lot of other moving parts. But any indication you can give on input costs for 2015 would be extremely helpful.

And then just lastly on MegaRed. I think about 18 months ago, there were a variety of gloriously ill-informed tabloid scare stories linking Omega 3 to prostate cancer that put a bit of a dent in the category. Has that started to recover?

Thank you very much.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

So let me just deal with the MegaRed. I think the long-term story on VMS growth rate is good. These markets have been growing at 3% to 5% variously, and I think that that trend should continue.

And we have to accept that these categories and segments will have PR; many times positive. For example, quite a lot of good stuff has been written about CoQ10 and vitamin B and krill oil, but also sometimes some publishing stories are negative. So I think it comes with the territory, and we know this.

What we are trying to is to bring more science into this, to bring more clinical evidence of what we are trying to achieve, so that it's not subject to a PR story.

And I think -- and this again is not going to happen overnight. This is -- just to remind you, we had -- we got VMS two years ago. We launched MegaRed in Europe last year, 12 months ago.



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So I think it's something that we need working hard, and I just showed you a product today which has clinical and scientific evidence on what we are trying to achieve. But the long-term VMS growth rate I still expect to be 3% to 5% growth.

Regarding -- there was a question that I think you should answer on margin. I think you (multiple speakers).

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Unsurprisingly, we're not going to be as helpful as you'd like us to be. Can say it's positive at the moment. But as you look forward through the year, how it's going to play out on the pricing environment from our products is obviously an uncertainty; how the commodities themselves will play out through the year is an uncertainty.

So it's positive at the moment. Not going to quantify it for you except to say it's clearly within that crystal clear moderate to nice guidance you heard.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

And on Vanish, it was launched -- actually, as I said when we launched, it was launched actually in UK. So it was where we launched Vanish in gold and pink version. Now it's being rolled out to, I think, 30 markets in pink and white. So the bigger impact comes now.

Iain Simpson - *Societe Generale - Analyst*

(inaudible - microphone inaccessible).

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Yes; was principally in the UK.

Robert Waldschmidt - *Liberum - Analyst*

Robert Waldschmidt, Liberum; a couple of questions. With respect to RUMEA, obviously, there's been some consumer and trade stock up ahead of the pricing. Difficult market there; obviously, you're going to be lumped in with developing markets going forward, so more difficult maybe to split out. But how do you see that market evolving in 2015?

And second question on Mucinex. With the re-entry of private label, how is that impacting? What do you see happening there? And how is the move into allergy going as well as counterbalance?

And then just one last question in terms of dividend. Obviously, dividend -- 50% payout on adjusted earnings go forward on -- ex Indivior would imply potentially different dividend relative to where we are now. And I didn't know if there is any scope within a one-year timeframe to maintain a flat cash dividend.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Right. Let me deal with the first couple of ones. Russia; I think it's very difficult to call Russia, seriously. I wish I could -- all I would say is that what has happened over the last few months of 2014 was extraordinary and there was, in my opinion, quite a lot of panic buying by consumers and customers across categories, I would say. You should not take one category at a time. And then a lot of us were forced to put price increases earlier than a normal price increase.



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So what happened was that compounded impact of people panic buying, knowing that it is going to be inflationary anyway, and then people knowing that actually price increases are coming and therefore there's some trade buying too. And that happened, I think, across Russia.

And therefore, our focus now is to of course understand that that has happened as the year progresses, but also to make those very difficult calls in terms of how much more price increases should we put, what impact that will have on human consumption. And then, how do you actually support your P&L? Are you going to invest behind these brands when you know consumption might be coming down? Or actually, are you going to take momentum out?

And these are the difficult choices that us and other companies will be facing as we go forward, because clearly, there has been some impact in the last months in Russia.

By and large it should not still distract from the point of RUMEA performance. RUMEA performance has been good anyway. And I think the fact is that we have done well in Russia too despite the last months of this trade and consumer, I would say, stocking in.

Difficult to call, but really, the major point here for us, and we work very hard and very closely on making sure that with pricing, looking at the impact on consumption and volume, and then deciding how do we invest behind our brands in this very, very difficult situation. And this is what we are supposed to do in our jobs, and that's what we are going to be doing.

And that's all I can answer. You should expect uncertainty in Russia because the consumer patterns are not stable and, therefore, the trade patterns are not stable.

The second question was on Mucinex, the re-entry of private label. I know there is a re-entry of private label. I think we deal with private label across our portfolio, across our brands, every day, every year. And sometimes they come in and sometimes they go out.

I think the strategy for Mucinex doesn't change because every day there might be a simple news on our strategies to innovate and provide products. And hopefully, when I come in July, I hope to be showing you some new products for the second half of the season, which is the main season for the launch of [NPD]. So that's why I don't show you much (inaudible) at this point in time.

Regarding -- and therefore, we are going to fight, as we fight every private label competitor, with better claims which show superiority, making sure we invest in our brands. And actually, that is what -- one of the things we are going to be doing, investing more behind Mucinex from an investment brand, investment point of view. That's what we are going to do.

The other bit is about -- your question was about allergy. And allergy has been a difficult launch; has been a difficult launch for Mucinex for a number of reasons which I want to make sure I share with you.

First, allergy market itself has undergone quite a lot of change last year. I don't know for those of you follow it, but [in time] nasal decongestant spray, there was a spray, allergy sprays, became -- was switched from Rx to OTC. They were switched last year from Rx and OTC, and there was a huge amount of customer retailer energy behind these sprays away from basically tablets, if you want, the normal product.

There was -- the trade environment was very, very -- has changed, focus has changed, but also in anticipation of all these changes, which are quite important because sometimes when the switches happen, they have become big events in the US. Switch is a big event in the US. That's not an event in European markets. In the US, it's a huge thing.

So the trade gets behind it completely, of course, because it's a new thing; and now consumers are moving away from prescription to OTC. That's a great opportunity for them. And then, of course, in anticipation, the whole market starts to go crazy from a commercial point of view. And when you do that, the market dynamics change where you either suck up the negativity of this, or you say I'm not going to play this, because clearly, there is a -- nobody -- I personally never like to play and lose game.



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Really, that's not what we are paid to do, play and lose. And it was turning into a bit of a lose/lose situation on allergy. So basically, [I just stepped] the pedal off on allergy, just to be clear, because it is -- and we will review the situation as we go along.

The idea of Mucinex allergy remains an important idea, but the market dynamics of the switch is impacting completely the trade and the dynamics, and also the competitive dynamics in terms of the promo warfare that goes on. It's not one which is worked for us from a Mucinex point of view. Mucinex is a good quality, high-growth, high-margin brand, and we want to keep it that way.

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

On dividend, Robert, our Board in approving and reviewing the buyback policy we outlined which you see in the announcement also we looked again at dividends, and the Board remains very comfortable with paying out around 50% of adjusted net income, which does mean this year we paid out for Indivior because it's part of the numbers. We will not be paying out on the basis of Indivior numbers next year.

I would point out that the directors of Indivior have stated an intent to pay out 40% of their earned net income this coming year, an intent stated by them. But we will not be paying out, we do not intend to vary our policies. It's around 50% of adjusted net income.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Okay. We take one last question.

Erik Sjogren - *Morgan Stanley - Analyst*

Erik Sjogren, Morgan Stanley; just two quick questions, firstly on the US market. A number of other companies talked about improving momentum here. Are you seeing this too?

And then secondly, on the competitive environment in consumer health after the move during last year. It's early days, but has anything changed here?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

The second part? Sorry.

Erik Sjogren - *Morgan Stanley - Analyst*

The consumer health competitive environment after the transactions last year.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Right. Okay. The second one is an easier one. I think the market is still very fragmented. I will keep repeating one thing. Fragmented markets have a very different dynamic than concentrated markets, and I think therein lies the answer.

On the other question of US, I would say US is still early to call. There is real consumer momentum. But I think from between the start of 2014 to end of 2014, I think we saw in our business, because we've now disclosed the US-only results, you see better momentum. So if that is anything to go by, probably.

Okay. So I have to put -- it's 10:15 now. Can I just thank you once again for your longstanding attention for this [day Q4]?

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