Company Name: Reckitt Benckiser
Company Ticker: RB/ LN
Date: 2012-02-08
Event Description: Q4 2011 Earnings Call

Market Cap: 25,910.14
Current PX: 3556
YTD Change($): +376
YTD Change(%): +11.824

Bloomberg Estimates - EPS
Current Quarter: 0.554
Current Year: 2.450
Bloomberg Estimates - Sales
Current Quarter: 2343.000
Current Year: 9665.409

Q4 2011 Earnings Call

Company Participants

- Rakesh Kapoor
- Mary Elizabeth Doherty

Other Participants

- Robert R. Waldschmidt
- Celine Pannuti
- Martin P. Dolan
- Jeremy D. Fialko
- Guillaume G. Delmas
- Xavier Croquez
- Harold P. Thompson
- Erik P. Sjogren
- Pablo E. Zuanic
- Rosie A. Edwards
- Clive W. Black
- Eddy J. Hargreaves

MANAGEMENT DISCUSSION SECTION

Rakesh Kapoor

Good morning and welcome. Now, most of you don't know that this is my 25th year in Reckitt Benckiser and I couldn't think of a bigger privilege than to announce my first results in my 25th year in this company. I really look forward to that. And what I'm going to do now is to shape – give you the shape of the agenda for today.

The running order, we start with, of course, the Q4 results and the 2011 full year results followed by a preview of our pipeline for 2012 and our targets for 2012. So we'll do all of that stuff before our coffee break at 9:15. We come back at 9:30 and we do the rest of what we want to do today, which is to give you a strategic overview of where this business is and where we want to take it followed by Q&A, okay.

So let's head straight into the summary of 2011. So 2011 was another strong year for Reckitt Benckiser where we managed to, once again, beat our net revenue and profit targets that we had set at the beginning of the year. So with net revenue growth of 13% was in the backdrop of our targets that we had set of 12% and net income growth at constant of 11% was against the backdrop of targets that we had set at the beginning of the year, which were 10%.

We also continued to show strong underlying cash generation and this is despite paying for our highest ever dividend of 125p this year. We have paid for the purchase of Paras and that all basically was accounted for.

SSL has now been fully on track. We are quite pleased with the progress we've made. We are ahead of all our ingoing assumptions both in terms of net revenue targets, but also in terms of the cost targets and the synergy targets that we have set at the beginning of year.

As a reminder, we have set ourselves target for net revenue growth on SLL of 4% at the beginning of the year. We finished the year with 6% growth. And we have set targets in terms of synergies of £50 million for this year and we are well ahead of that to the order of about £85 million this year. So we are well ahead of SLL targets and quite pleased with the progress we've made on this business.

And finally, the last piece of our summary is on RBP, where we have made further progress in making this business sustainable. And at the end of 2011, we had 48% of our total business – of the total market rather, not of our total business – 48% of the total market of Suboxone was in the film. So that also is very, very pleasing result for 2011.

Now, if we look at the breakdown of the results, we delivered for the 12th consecutive time sales growth which was ahead of our targets, but also a higher quality sales growth. You will see later in the presentation that most of our sales growth was driven by volume. And that we are very pleased about. The other thing we wanted to say about that we met basically our target of the year also on the base business, both excluding and including RBP of 4%. So that puts us basically on a like-for-like basis of 4% both excluding and including RBP and the net income adjusted also of 11%. So that is really a very short summary of our 2011 results and before I get back with innovation for 2012, I'd like to hand over to Liz to take you through the details.

Mary Elizabeth Doherty

Good morning, everyone. Unlike Rakesh, I haven't quite managed 25 years, but this is my first year. Overall, I have to say I'm really very pleased. These were a strong set of results particularly given a not-so-great economic environment. So let's take you through them in a bit more detail.

In Q4, we experienced a strong quarter in our base business with a like-for-like excluding RBP of 5%, driven by an excellent performance in developing markets, good growth in North America, Australia and New Zealand, and we stabilized in Europe.

This was offset by a minus 17% decline in RBP which was partly due to further Suboxone film penetration, but mainly due to a significant charge for Medicaid rebates relating to this year but also to prior years. We alerted you to that in Q3. So taking the two together, that actually gave us like-for-like growth of 3% in the quarter.

SSL like-for-like was actually 27% in the quarter but that was entirely due to a soft prior year comparative. If you'll recall in 2010, we took a £30 million provision to help clear out inventory levels particularly in Southern European pharmacies. Total growth was, therefore, 8%, a slower run rate than the previous three quarters but due to us now anniversarying the acquisition of SSL in 2010.

Adjusted profit saw good expansion in the base business with margins in the quarter growing by 140 basis points but offset by a 520 basis points decline in RBP where the Medicaid charge fell pretty much straight to the bottom line.

For the full year, like-for-like, as Rakesh said, both including and excluding RBP was 4%. Total growth was 13% and I'm really happy to reiterate that that exceeds the initial target of 12%. Operating margins declined slightly with a 60 basis points improvement in the base margin being more than offset by the decline in RBP margin.

As I noted earlier, we have been seeing an improving trend in our base business. After a slow Q2, the rate of growth picked up in Q3 and cumulated in a very strong fourth quarter with growth of 5%. I will go into what's driving this encouraging trend when we get into the geographical analysis and category analysis in the next couple of slides.

So turning first to performance by area. In Europe, we have seen a decline year-on-year at about minus 1%, although as I said a few minutes ago, we did actually see stabilization in Q4 where growth was actually flat. The decline for the year was entirely driven by local brands of laundry detergents and fabric softener in Southern Europe. Europe remains extremely competitive, but we continue to protect our volume shares even at some short-term cost in terms of increased promotional expend.

North America, Australia and New Zealand grew 3% in 2011, and Q4 was very good at 4% particularly given a negative market growth. The launch of Mucinex Fast Max has been very encouraging. And we also saw particularly good results in Ultra Dish behind Finish Quantum and Air Care.

Developing market growth continues to be excellent with 13% for the year and 15% in Q4. South Asia and Latin America were strong with our key markets in India and Brazil being the main growth drivers. China also saw good growth albeit off a small base. And Africa and Middle East have seen some encouraging trends during the last quarter, which is great news given the political turmoil earlier on in the year.

RBP grew by 6% during the year with good growth in half one aided by the buyback of the distribution rights in Europe and rest of the world from Merck. However, this was offset by the additional Medicaid rebates in the U.S. in Q4 which I mentioned earlier.

The key takeaway for RBP, though, is, as Rakesh said, we have continued to drive film penetration in the U.S. and we now have 48% volume share of the total buprenorphine market in the U.S. and a significantly more sustainable business than we did a year ago.

Now, moving to growth by category. Health & Personal Care has been the largest contributor to growth with 8% like-for-like, that is excluding the impact of SSL and Paras. The growth has been broad based across the portfolio assisted by the launch of Mucinex Fast Max in U.S. in late Q3, but also Nurofen, Gaviscon and Veet.

Fabric continues to be a drag on the business, driven mainly by the Laundry Detergents and Fabric Softeners in Southern Europe. However, we have seen some stabilization in Q4 particularly in our Powerbrand Vanish, where we have invested heavily to protect our volume sales. And in fact, in Q4 we returned to growth.

We have seen steady growth in Surface, Home and Dish with developing markets being the main growth driver of our categories here. North America, however, gave a particularly strong performance index behind our Quantum challenge advertising campaign which we've now rolled out to the UK.

Unsurprisingly, our 19 Powerbrands continue to make up the bulk of our net revenue at around 70% supported by significant investment in media and marketing. Our media spend on the base business on a like-for-like basis was 11.8%. Q4 spend was also maintained at 11.4% with increased investment in Europe and NAA promised by Rakesh, offset by DvM.

Now Rakesh mentioned earlier about the quality of our growth, it continues to be high with volume being the main driver. On our base business, volume grew 3% with negative pricing due to tougher promotional environment in Europe more than offset by positive mix on pricing in developing markets and in selected categories in North America in the second half.

RBP experienced further negative mix as we drove film penetration. Positive pricing on both film and tablets was more than offset by Medicaid rebates, so giving us 6% to RBP for the year. Bringing these two together, this gave us total like-for-like growth of 4% for the year. Exchange deducted 1% predominantly due to a weakening U.S. dollar compared with last year but also to weaker currencies in a number of developing markets. The next impact of acquisitions and disposals driven by SSL and Paras was plus 9% and this gave us reported growth at actual exchange rates of 12%

Moving down the P&L, overall gross margin was minus 90 basis points. Nevertheless, in comparison with many of our competitors, this is actually a good result. On the downside, we had headwinds from input costs which pretty much increased the across the board, but particularly in materials such as soap, noodles and surfactants. We estimate the gross impact of input cost increases that have been in the order of 150 basis points to 160 basis points. We also had significant pricing and promotional pressure in Europe, the negative impact from patients switching from Suboxone tablets to Suboxone film and the impact of the Medicaid rebate catch-up.

On the upside, however, we continue to see benefits from Squeeze and X-Trim, there was positive mix in selective pricing in the U.S. and in developing markets there was good volume leverage as well as some pricing. However, in total, the upsides were not sufficient to completely mitigate the downsides.

With respect to adjusted operating margins, we experienced a modest decline of minus 20 basis points in 2011 to 24.4%. This is mainly due to the decline in gross margin, partially offset by SSL synergies of £85 million; fixed cost containments in North America, Australia and New Zealand; and volume leverage in developing markets. Media, as I said earlier, was maintained.

So moving to the lower half of the P&L, adjusted operating profit grew by 13% at constant rates or 17% excluding RBP. Net interest expense of £15 million was incurred on an average net debt of £2 billion arising mainly from the acquisitions of SSL and Paras. This compares to an interest income of £9 million in 2010 where we held a cash surplus for most of the year until we acquired SSL in November of that year. The underlying tax rate was 26%, in line with last year.

The increase in non-controlling interest principally relates to the inclusion of the minority shareholding in Medcom, which we acquired as part of the SSL acquisition. And the combination of all this has led to an increase in adjusted net income of 11% at constant rates, exceeding, as Rakesh said right at the beginning, the 10% target we set at the beginning of the year. Exchange deducted 2%, so adjusted diluted EPS was actually 9% growth, in line with actual adjusted net income growth.

Now looking at it on an adjusted or reported basis, the key difference here is the exceptional items that were incurred during the year. In total, we had £95 million in 2010, of which £92 million you can see here and £3 million was actually in the interest charge.

In 2011 – have I got it the right way round. Sorry, wrong way round. In 2010, sorry, we had £101 million of exceptional items and then £4 million of exceptional interest. In – no, I have got this the right way. Yeah. Looking at the numbers upside down here. Beg your pardon. One more go at this one.

Exceptional items in 2011 were £95 million in total, £92 million up there, £3 million in exceptional interest, compared with £105 million in 2010 of which £101 million up there and £4 million in interest. Got that right. Sorry about that. Too early in the morning.

Consequently, net income growth at constant rates was 13% with exchange reducing this by 2%. Reported fully diluted EPS therefore grew by 11% at actual exchange rates in line with actual reported net income growth.

With respect to cash flow, cash generated from operations was £2.4 billion, an increase of 10%. However, it was slightly below our operating profit increase which was 11% of actual exchange rate. This is partly due to the inclusion of approximately £130 million of cash restructuring costs, but also due to the fact that our net working capital actually worsened by about £15 million.

Net cash flow by contrast improved by 14% to £1.6 billion. Although net interest paid was actually higher than 2010, we had no growth in either CapEx or cash tax, which remained at approximately £165 million and £680 million, respectively.

Cash conversion remained strong with 90% of net income converted into cash. This is slightly below our historical conversion rates of around 100% but has been impacted somewhat by the tax restructuring and the decline in net working capital.

The board is delighted to propose a full year dividend of 125p per share and this maintains our current policy of 50% payout. It equates to a 9% increase year-on-year in line with the growth in adjusted EPS.

Net debt has reduced to £1.8 billion by the end of 2011, a decrease of £0.2 billion during the year. Net cash flow was more than sufficient to pay for the acquisition of Paras in April for £460 million, the increased dividend payments of about £873 million and the cash restructuring of about £130 million. Although net debt was above the £2 billion mark for most of the year, we will continue to focus on cash collection and paying down debt, whilst maintaining flexibility.

And as a final sentence before handing back to Rakesh, please to know that the group has sufficient facilities and headwinds in place for the foreseeable future. Thank you.

Rakesh Kapoor

Thank you, Liz. Just before I get to 2012 innovations and the targets for 2012, let me just give you some additional insight to RBP, a business that you sure want to hear about. So, that's the latest update. So, just to remind you all, generic competition to Suboxone tablet is truly a question of when and not if.

Now, just to give you more updates, we did basically talk to the FDA recently and they declined to disclose any information about the status of any potential generic and entrants but we do know that when they do launch, when they do come in, when they do get approval, you will know at the same time, we do. It will be on the Web. So, it's just as simple as that.

Now, we remain – our assumptions regarding what will happen to this market, as and when generic competition comes in, have not really changed. We expect to lose 80% to 90% of our tablet business with the onset of generic entries into – against our tablets. The question is how rapidly that will happen and that is only a factor of how many people come at the same time, because more the number of people the lower the prices that are going to be accelerating the decline. So we expect 80% to 90% of volume loss on our tablet business with the entry of generics.

Now, a certain percentage of our film patients will also be eroded and, at this point in time, our estimate is that we would lose the cash – mostly the cash-paying patients, which is about 20% of the total market of – for us. So really, that is the most up-to-date status I can give you in terms of what we expect with regard to generic competition here.

Now on the other side, we have managed to convert, like I said, 48% of our market volume share on Suboxone film. The other bit is that it is now – at the end of Q4, it was 50% of our total net revenue. So when you look at it from our business point of view, we are converting quite a sizeable part of our business into film. And clearly, of course, we have plans to continue that trend as long as we have the opportunity to do so. So that's all I would say about RBP. That's the latest information I can give you on RBP. Okay?

So my final slide on 2011 is very simple, which is we have exceeded our targets for 2011 that we have set, both in terms of net revenue as well as in terms of net income adjusted. The pleasing part is that we also met or did all our base business targets and for the avoidance of doubt, which is what I started when I took over, I took out Paras from the numbers and we've also taken out SSL from the comps for November and December, although we lapped SSL in November and December. So we could have easily put it in base business, but we've taken it out so that we could show a true like-for-like for this year, which we've managed to do.

SSL, we are pleased with what we have done in SSL. We feel that we have done all the good things and we have exceeded in many cases the targets that we had set. I would not personally read too much on 6% because the comp in the Q4 was soft. We feel that we've got a good set of brands in our hands and we feel confident about doing well in this business. And on top of that, we have exceeded all the cost and the synergy targets that we had set for the year, and so that – on that front we are doing well.

And clearly, the RBP, I've given you the color on that, and clearly we remain very, very good in terms of converting our profits into cash and that will continue also going into the future. So that's what I have to say with regards to the 2011 performance.

Now, I want to turn to 2012, and I start with 2012 to give you a window to our innovations for this year. On top of the normal thing of showing you some of that innovation, I'm going to show you some advertising connected to some of this innovation. We just told you we are getting better at having advertising at this time of innovation. So let me just start in no particular order with the first one in which we are quite excited about.

So first one is the Nurofen Express because it takes us to the next generation of speed claims on Nurofen. So we already had an Express line of products. Now, this is a dissolvable product, which gives us the best ever Nurofen speed claim of gets to work in five minutes, okay. And in many markets around the world, dissolvable formats are quite a significant part of the business. I think in some parts of Continental Europe, it's like up to 30%. On an average, 10% of the total market is in dissolvable.

Now in some markets, the dissolvable format does not enter which give us a completely white space opportunity so we remain quite interested about what we are doing here, our first ever, our best ever Nurofen speed product in dissolvable format, which we are going to be rolling out in UK, Belgium and later on in the year in Continental Europe. Okay. So that's the first one.

The second one is things that only Reckitt Benckiser people can get very excited about – corns. Now 60% of the population does not really treat corns, so there is an opportunity to really bring those people who suffer from corns and do not find an acceptable product like the plaster which is quite sticky, yucky and unsightly to use on their hands. What we have done is introduced a very modern, very convenient but actually very effective product, which works in two ways.

It's like pen and the pen can be opened on both sides and one side of pen has a device with which you can scrape the corn off gently and the other side of the device has a lotion which helps you break down the corn. So it's a very effective product, but more importantly, it's also very, very modern, very easy to use and we feel quite interested about this for our launch in parts of Europe and elsewhere at the world. Okay? So that's on show.

Let's get to this thing which you might not have really heard about called Muse. We have a hygiene brand in Japan called Muse. It's the equivalent of Dettol. So when you think about Muse, you think Dettol. And we have an interesting line of products there, particularly in hand hygiene, so we have hand soaps there. And what we are doing is we've taken the no-touch technology that we've introduced in U.S. Europe and other parts of the world and applied it for Japan.

Now you say, what so different about Japan? Well the big difference in Japan is that the market, more than 60% of the market is actually the foam market. It's not the normal liquid soap, it's in foam – it's a foam product. So we had to do quite a lot of reengineering to make sure. You might think that this technology is easy. It was not an easy technology to dispense automatically foam product. And the benefit of foam is not just predosed in terms of how much foam you can get, but it is also predosed from a lathering point of view.

Now why is that important? Well, it's important because Japanese moms are worried that their kids do not really wash their hands properly and the foam allows them to actually get into various nooks and corners of your hands and therefore gives them a better feel. It's also sensorially a much nicer product to use, which I have obviously personally used. It's a fantastic product and we are excited about this launch in Japan, which is taking place this year. Okay?

Now, you say, okay, what's happening after that? So inspired by this no-touch technology, Reckitt Benckiser is now making its first ever entry into hand dishwash. So I don't have to tell you that hand dishwash is a sizeable market. Automatic dishwashers are a sizeable market and we're very excited about that, but so is hand dishwash.

Quite sizeable still in many parts of Europe and in North America, but also actually quite the vast majority of the market in developing markets. So what we are doing is we are using two of our brands to get us an entry into hand dishwash, right.

So let me talk first talk about Cillit Bang. So Cillit Bang will be the brand to carry this is Europe. And what we are doing is we have formulated a product, again, not an easy task from a technical point of view, which works as a complete kitchen system. The kitchen system really here is that not only it cleans your dishes and therefore cuts through the grease, but the foam also can be used to actually clean the kitchen surfaces and the foam is just the right amount so that it does not cause streaking. So it's a pretty technically difficult thing to achieve this balance of amazing grease cutting and right amount of foam, but also having no streaks on your surfaces. So it's a complete kitchen system. It's a versatile product. It's a concentrated product. So the amount of product in every drop is much more concentrated than the normal dishwash washing-up liquids that you find around Europe.

So it's a very different product, but it has, obviously, a lot of the values that we want to see and a very different way of approaching the whole kitchen cleaning dishwashing market. So it's a completely – opens up a completely different view of how you can clean your kitchen and your dishes in one system.

In North America, we make this brand, Lysol, carry this idea and when you carry it through Lysol, you have to think about germs. And we also know from North American consumers that they actually use and if there are some here right in the room, I hope you would empathize with what I'm going to say. They also use some of that product, the dishwashing washing-up product, also to clean their hands, to wash their hands. So we know this, so we had to actually formulate for North America actually a product which they could also use for their hands. So, it has antibacterial property for use on their hands and it's gentle enough on the hands but tough enough for kitchen grease and also for dish washes. That's what we managed to do to give to consumers, but – and it's delivered through this wonderful no-touch platform, which we know has worked for us in so many parts of the world. Okay?

Let me just show you a piece of advertising, which hopefully might do a better job of explaining how this product works than I managed to do.

[Video Presentation]

Right. After that, on Dettol we have two ranges going in the market. There are two new ranges. One is the Re-energize range which basically offers deep cleaning and also a healthy and reenergized feeling. The other one is a Daily Care range and that contains some special moisturizers, which apart from giving you fantastic germ-kill, also have skin health and all the goodness of moisturizing so that people can use it on a daily basis because there is – in some cases, people use Dettol more infrequently than we would like that to be. And so this particular product primarily addresses this idea that it can be used on a daily basis.

Right. This is a very, very interesting idea which we are launching. Now, when we talk to moms, they tell us they want to actually have perfectly clean – and they tell us they have – they want great cleaning, great stain removal, but they don't like the idea of harsh chemicals. Now, I'm sure some of you can also agree with that.

But people think there's always going a to be trade-off between tough cleaning and safety, like if I give you something safe, it could not be as good in terms of cleaning or the other way around. What we've managed to do is to create a product with hydrogen peroxide as its centerpiece that allows consumers to have the same tough cleaning that a bleach can give you without the necessary harsh chemicals associated with it. And what happens here is that hydrogen peroxide when coming into contact breaks down into water and oxygen so it does not leave any harsh residues.

So that's what we're launching actually under the range of Lysol cleaning products in both the U.S. and we'll be launching under Dettol in the UK also at the same time. So that is a range of new cleaners with a very different approach to cleaning which we thought is going to do quite well in the market, okay.

Now, our ideas don't stop on how we actually think no-touch can be applied to other relevant areas. Now, this one is not inspired necessarily by no-touch. It's inspired by the consumer insights that too much of a good thing is bad, particularly when it comes to your skin.

And people don't use Clearasil – they're worried about using Clearasil more than they need to because they think it could cause drying. But we also know that if they don't use enough of it, it's not going to work as well. So you've got to get the right balance. What we've given through this device is just the perfect dose of product which is required to get to visibly clearer skin. So this a perfect dose product. That's point one.

The second point is if you do not use these kinds of products on a regular basis as intended, you are not going to get them as effective. So what this product does is actually ensure compliance. When we put it in front of consumers, we made them test it, they were using this product more regularly because it is so easily available. And as result of which, the cumulative impact of using this regularly also gives them clearer skin.

So it's got both the perfect dose, which consumers now know would not get them over-drying and yet give them the clear skin that they want, but also give them compliance as an unintended, basically what they didn't realize, but we also offer them. This is launching also in U.S. and in the UK and then will be rolled out also in Europe. So this is another very interesting idea we are excited about for this year.

Come back to Finish, under Finish, we are launching basically Finish Quantum now in a very different idea. First of all, it will have our best ever shine – fantastic shine product. So from a technology point of view, we have made significant progress here, but also it comes in a very easy to refill, very easy to use, refillable pouch and also cut down actually in the process quite a lot of packaging materials.

So all of this stuff works in the same positive direction and hopefully will be a very nice idea. We've launched it in the UK, so if you go to Sainsbury's you will see it, but what we do see is starting to do quite well already in the market. So that we are very pleased about.

The next one is on Veet. And on Veet, the main idea here from a consumer point of view is this, they know that waxes are the best way of getting rid and giving you long-lasting hair removal and smooth skin, waxing is. And on top of waxes, salon waxes are – the best way to get this is in the salon. And the reason is simple, it's very difficult for people to get their waxing temperature at the right level. Wax temperature makes a difference.

The other thing which makes the difference is how you apply the wax and how do you get it perfectly on your skin so that when you remove it, it's an even layer of removal. Now this is not an easy task for many consumers. What we have done is we've devised an electrical product, which makes sure that you get the perfect temperature of wax. It's the perfect temperature. And then there is a very easy-to-use roll-on which makes sure that you have the perfect application.

So when we used it with consumers, the results were absolutely fantastic. Consumers are very happy with the results they get and so they get the benefit of salon waxing now at home, that simple. So we are launching that in Europe and also quite excited about that and it's a very, very new thing for us and, of course, we hope to see this do really well for Veet, okay.

Let's come back to Vanish now. On Vanish, basically I'm going to show you a very new technology that we have introduced under Vanish. Vanish, basically consumer, emotion ranges from triumph to tragedy, all in one go, triumph to tragedy. Triumph when they see fantastic stain removal, tragedy when it hasn't really gone. And what we're trying to achieve with Vanish is assurance of stain removal first time That's what Vanish stands for, the stain removal assurance first time. And what we have done is made sure that even some of those impossible to remove stains can now be removed. So I'm going to show you this new Vanish Powerlift technology in a demo form. But before I do that, apart from launching this technology across a number of Vanish platforms, we are also introducing a new Vanish Power Shots monodose product. This is very cool.

And I can tell you that we have seen in laundry how monodose products are becoming quite a significant part of the consumer habit, right? So, this is going to be the first power pouch in liquid format like this and tested very well, it's going to the market now and we hope to do this very well, all backed with these oxi-lift technology, the Powerlift technology that I'm going to show you just now. This is a demo. It's not advertising. Okay? This is how actually we shot it.

[Video Presentation]

Right. The next one is on Air Wick. Air Wick, we have basically launched for the very first time a microencapsulated fragrance system. What that means is that fragrances don't emanate only at one time, they can emanate at a later period of time. And why would we want to do that? We've actually launched a product which could be used both on air as well as in tablet. So, if you spill it on your sofas, on your curtains and few hours later, you sit on it, it would give you a whiff of freshness

So, that's really the idea, to combine air and fabric use all under one product, but now with a technology actually which works for several hours. Actually, it works for 12 hours. So it's a 12-hour microencapsulation technology and we're launching with this initiative also a number of other interesting initiatives with Air Wick. I don't think we will have time to take you all through all our innovations, but there are quite a lot of interesting ideas on Air Wick, which we are taking to the market also at the same time.

And last one, I cannot finish this presentation without talking about Durex because you never let me go. And what we have is on the left side of the screen is a perfect glide lubricant, let's call it that, but most lubricants are water-based and, therefore, they don't last very long. What we have introduced is the first Durex silicon-based lubricant which has three times longer lasting effect. It's also much better to use in terms of in feel and so on and so forth. And I'm sure actual use is much better than words here, so I would just leave it at that.

On the right-hand side, we have Performax Intense. And all I would say is this, there are significant consumer insight which says that if you can speed her up and slow him down, then we would be in good shape. That's what exactly – that's basically the insight. So I'm going to show you advertising again, so that again, advertising does a better job to tell you exactly what we want to do than me.

[Video Presentation]

As usual, our TV regulators don't like what I just showed you, so they have made their minor modifications so that we could be a bit more prudent with life and there is a minor change in the actor I think which you might see hopefully not with the young kids around.

So that comes to the end of 2012, powering basically our 2012 targets, which I've already communicated really, which is that 2012 is a year of transition for us, but it's also a year of significant investment. And I'm going to describe both these elements later in the day in terms of what I mean by significant investment and what I mean by transition. But in spite of this, we are targeting to outperform our market, so we remain very committed to outperforming the market. And we are saying that we would commit to a market outperformance of 200 basis points above the market growth rate. We expect, at this point in time, a market growth rate in 1% to 2%. That's what our expectation for 2012 of market growth rate is. Okay?

Now, in spite of a significant investment – increased investment this year, we are targeting to maintain our operating margin, okay. So that's the other bit, and we are going to describe to you how we are going to actually achieve this when we describe our presentation, and both these targets exclude RBP.

And the reason I'm not setting specific targets for RBP is very simple. It's all the uncertainty, because whatever I set as a target might be wrong anyway and we will just have to go through the year as the year unfolds. We are going to do all the best we can to make sure we make that business as sustainable as we can to create as much of shareholder value as we can, but setting our target on RBP is not something we can do today, okay. So that's really where we are for 2012. And with this, Liz and I will take questions.

Mary Elizabeth Doherty

So long as you don't ask me anything on exceptionals.

Rakesh Kapoor

Right. Yeah.

Q&A

<Q - Robert R. Waldschmidt>: Good morning. It's Bob Waldschmidt from Merrill Lynch. A couple questions, if I may. Lots of new innovation here, it seems like a lot of these innovations start stretching further into P&G's territories, bringing you perhaps more head-to-head, which seems to be what they've been trying to do on your front as well. And what does that mean for the competitive environment in terms of aggression or there so and in terms of promotional activities on that front?

And then two, in terms of raw materials, what's your outlook for this year, given oil remains persistently high, will you get some relief at all? And what can the cost savings be for Squeeze and X-Trim and SSL?

<A - Rakesh Kapoor>: So, can I just – let's start with the second one. We are going to talk about this actually in detail in terms of what our targets are going to be in terms of costs and so on and so forth later. So if you'll just hold on to that question, if you don't get it answered, we'll come back again to it.

In terms of commodity and cost inputs, we do believe that the environment will remain tough in 2012, although it will be less severe in terms of the impact to Reckitt Benckiser versus 2011. We have put something like 40% of our cost already in – we have already in the bag in terms of our hedge for 2012. And therefore, we expect to mitigate quite a lot of that extra cost pressure with our own programs.

Now most of that cost pressure is likely to be in the first quarter-ish simply because we had a relatively benign first quarter last year when we had benefited from the 2010 cost hedge. So that is somewhat the situation that we see on 2012 margin.

Now to come back to your other question about competition, I must tell you, and this must be very, very clear to everyone, that we are not inspired by competition. We are inspired by our consumers. When we launch an innovation, we put them in the center of what they are looking for and then we try to do the best we can to give them what they are either saying they're looking for or what we believe they will look for because not all of the needs that they would be able to articulate in our opinion. Sometimes we have to preempt some that stuff as we've done in a number of cases.

Does it put more head-to-head versus competition? We don't think it like that. I think what we have launched, let's take dishwashing, maybe that your answer was more inspired by that issue. We have a unique proposition here. We are not launching hand dish here. We launched into mainstream hand dish – not hand dish, sorry, hand soap -12, 18 months ago, but was it really mainstream. It was completely different and we got 10% plus of that market just because we had a unique proposition, because we have something consumers really, really liked.

So we are not thinking about competition and whether we are taking it more mainstream or not. We are thinking about consumers and we believe we have a pipeline which is keeping that at the very center of our innovation inspiration.

Let's take one, two and three and then we come back to – and one here. Yeah.

<A - Mary Elizabeth Doherty>: The lady here.

<Q - Celine Pannuti>: Thank you. It's Celine Pannuti from JPMorgan. My first question is on your absolute [indiscernible] (45:20) sales growth. You are talking about market growing at 1% to 2% and you're doing 2% more than that, so I read 3% to 4%, yet your exit rate is 5% in the fourth quarter. So could you shed a bit of light on this, I want to say, discrepancy?

And second, we were used to be given some targets on the profit line in terms of growth. You have omitted that for 2012. Is it because this is 2012 or is it part of your new way of reporting? Thank you.

<A - Rakesh Kapoor>: Can I just take those questions. So the first thing is this, that we are and we were and we will be an outperformance story. I think the idea that we had an absolute target is just a mathematical thing. We are an outperformance story. What we are committing to actually is an outperformance of the – for this business in 2012 but also in the medium term.

If you assume a 200 basis points outperformance year-in, year-in, year-in, do the compounding, we would be in a very good place in 10, 15, 20 years from now. So I think first and foremost is we are an outperformance story. We are committing to outperformance of 200 basis points above our market growth rate.

Now, you said what was my expectation of the market; my expectation at this point in time is a growth rate of 1% to 2%. That's what I expect. Now, we'll see how it all goes in the year, and if my expectations change on market growth rate, I will tell you. But at this point in time, my expectations are 1% to 2%.

Now, the third element is on op margin, that we are not setting op margin targets for the future, although we have indicated what op margins are for 2012. Yes, we have indicated that we are going to maintain our op margin in 2012 in spite of having a significant amount of incremental investment to support out brand equities, and I'm going to detail that out.

In the future, what we are committing to is steady operating margin expansion. So we are saying that 2012 is a year of significant increased investment. For 2012, 2013 and beyond, you should expect this company to give you steady operating margin expansion. And we will come and tell you at – in 2013 what that might mean or might not. So we – you should expect us to have an operating margin expansion and we will show you why we believe we can get there; but for 2012, we have a target which is to maintain it. Does that....

<Q - Celine Pannuti>: [indiscernible] (47:52)

<A - Rakesh Kapoor>: Yes, on 5% on the Q4. Q4 finished well, I have to say that, it finished well, and as you see, the significant difference, if you asked me, where it was – we stabilized our Fabric business. Fabric grew at minus 1% versus minus 5% and minus 6% in the previous three quarters. That was quite a big delta. Now that is a very important delta because Fabric has two components here, as everyone knows now. We have this flash point on Southern Europe Laundry Detergents and Fabric Softeners and then we have our Vanish business. And we have to manage those two well and that's one of our tasks going forward and this is a task I have set out that we would like to actually make sure that we improve our competitiveness and we invest to get our shares back, and that's what we are doing.

Does my Q4 number get extrapolated for the future? I wish you were right, but at this point in time, my target is to outperform the market by 200 basis points in a market backdrop of 1% to 2%.

<A - Mary Elizabeth Doherty>: It's also fair to say that Q4 was benefited from an incredibly good launch of Mucinex Fast Max in the U.S. So it did brilliant, did really well. But that's the kind of sell-in at this stage. And the flu season is not brilliant, so we've done incredibly well, so that is also just kind of keeping our – the head down a little on that.

<A - Rakesh Kapoor>: Yeah.

<Q - Martin P. Dolan>: Yeah, thanks. It's Martin Dolan from Espirito Santo. If I could just actually follow up on Celine's first question and your 1% to 2% growth for 2012, how would you break that down, North America, Western Europe and emerging markets? Because given the growth in emerging markets, it feels a bit low.

<A - Rakesh Kapoor>: We are not setting any regional targets. We never did and we are not going to do that. We are just saying that is our aggregate assumption of the market. Now, I can give you an understanding, rough understanding is I expect similar tough conditions in Europe. I do not expect European conditions to be materially different. Although many people expect North America macroeconomic conditions looking much, much better, we have to see that in consumer spending terms and consumer confidence terms, particularly in large customers like Walmart. So that effect is not fully clear. I would not say there are materially different conditions between 2011 and 2012 for Europe and North America in aggregate.

For developing markets, you could argue that, as I've noted in my Q3 conference call, there were some initial signs that the market conditions were not as big and brilliant as we were seeing. And in fact, some of our competitors who have indeed a larger footprint than we do on emerging markets, have actually called that now, which we called out three, four months ago.

So developing markets for the avoidance of doubt will still be growing and I do expect developing market growth rates to be in the mid single digit level and maybe even better. But I do not think they are going to be same heady days of 18, 24 months ago when they were at very high single digit levels. So there is – that is the combination that we are looking at.

<Q - Jeremy D. Fialko>: Jeremy Fialko at Redburn. Just a clarification on the pharma business. You talk about 20% being cash payers and that being the component that's vulnerable to erosion. So is it the case that all the cash payers have switched over to the film, such that that 48% share would go down to 28% if all of the cash payers switched or are we looking at 28% of the 48%, i.e. going from 48% to around 30%? If you could just talk to -

<A - Rakesh Kapoor>: I keep my math as simple as I possibly can. So out of that 48% in film, 20% is cash paying. So of the film patients, 20% are cash-paying. That 20% would be the most vulnerable.

<A - Mary Elizabeth Doherty>: We will not – just to be clear, we are speculating on this. We're just making the assumption. We will never know what the actual sort of cannibalization will be until a generic actually comes into the market. We're just assuming that the taxpayer, if there's a big difference in price between the film and a generic tablet, that is the difference may be sufficiently large to encourage somebody to trade down to the generic tablet. That's all we're really saying at the moment. It's speculating – we won't know until a generic comes out for certain.

<Q - Jeremy D. Fialko>: Right. Okay. Thank you.

<Q>: Hi. Deborah Aiken, Bloomberg Research. Picking up on your investment spend, 11.8% flat and talking about extended investment spend 2012, is it possible just to give us a feel of where that will be, where you expect advertising versus promo to go and in which regions, in which categories you're...?

<A - Mary Elizabeth Doherty>: We'll give you a spreadsheet later.

<A - Rakesh Kapoor>: That's the last question I will answer, I tell many people in my life and that includes this room, but on the first, when I talk about the incremental investment, I'll come back and tell you it's going to be in brand equity investment. Brand equity investment not promo investment.

I'm going to take one more question, otherwise we are going to really, really fall behind and maybe we can wrap with other questions after the strategy bit. Go on.

<Q - Guillaume G. Delmas>: Guillaume Delmas from Nomura. A couple of questions. Firstly, on your margins in Europe, you said down 100 basis points in 2011. I was wondering if you could walk us through the main moving parts, I mean, is it just down to higher input cost and more promotional activities or is there something else? And I guess more importantly, what should we expect going forward, i.e., some continued decline because your margins in the first place were unsustainably high in light of the current environment or should we expect some improvement at some point?

And my second question in your entering the hand dish category with silicon Lysol. On these two things, one, will this take the lion's share of your incremental media investments you announced this morning? And secondly, in the store will it get more shelf space or are you going to get some cannibalization with your existing SKUs?

<A - Mary Elizabeth Doherty>: I'll deal with the first bit, you deal with the second bit. We might remember two questions each. Europe was about a minus 100 basis points in margin. It is – input cost has certainly had a big impact on there, but I would say it was largely driven by the intense promotional activity that prevailed through all of last year. So that was the significantly largest element that fell to the bottom – that went to the bottom line and offset even the SSL synergies that were in there.

Do we actually see that containing going forward? We will – we would rather it didn't, but we will continue to invest appropriately in volume, in defending our volume market shares, so to that extent. We will, as Rakesh has already said earlier, we would be looking to find – input costs in terms of next year should be slightly negative compared with this year, but not much. We are going to be doing a significant number of initiatives to actually drive costs out, so that will actually help. But as I said, we'll continue to invest to protect share.

<A - Rakesh Kapoor>: Right. On Lysol, Dettol and this Cillit Bang stuff, do we expect to win extra share, of course. Because this is our first entry into hand dish. And I can only tell you the hand dish shelf is big. If you get a bit of that real estate, is that what we're asking for. Hopefully we'll manage to convince our customers. And how much of that investment is going to go into this, I'm going to tell you. All I will say is all my money is not going behind this. I've got lots of ideas, lots of fantastic innovation going through and we do believe we have lots of opportunities to really to put our money.

Rakesh Kapoor

If you don't mind, I'd like to basically break now. We are bit late. Let me just set the clocks for all of us. We come back, whatever time your clock says, in 10 minutes from now, please grab a coffee and come back here. And 10 minutes from now we are going to start our strategic overview. Okay? Thanks very much.

MANAGEMENT DISCUSSION SECTION

Rakesh Kapoor

Right. Have you all settled? Okay. So, can I just extend a very warm welcome to all the people who missed the first part of the day today. Welcome to you. I'm going to take you through our strategy for growth and outperformance and Liz will join me in sharing this presentation with you, okay?

During the course of this presentation, I am going to basically address a number of questions which I'm sure you have but certainly we are addressing and all those questions about where, how, when, what, which. All of those questions, I hope to address today. No question left unturned, okay? And we'll start with a very simple question, actually, which is where are we today?

That's the simplest question to answer and I'm going to describe that to you very quickly as I see it. So the first thing is very clear, we have been a fantastic success story for over a decade now, with net revenue growth exceeding 7% per annum, per annum on a like-for-like basis and we were a £3 billion at the turn of the century or turn of the merger and we are now a £9.5 billion company, more than three times its size and quite a sizeable player in our world today.

What is even more impressive is during this period, we managed to deliver operating margin expansion as a result of which our net revenue grew actually by 19% compounded over the same period and here the net income grew actually nine times, from £200 million to £1.8 billion, so just one of the most spectacular track records that in our industry we've seen. And clearly the result of all of this stuff is simple, we managed to deliver significantly better shareholder returns versus all our peer group. You could see that RB delivered 20% shareholder returns in this period versus 11% or even 4% or 5% from some members of the peer group companies.

Okay. What makes us so successful? I think you know that, but just to reiterate the point, we have a clear strategy for profitable growth. We created a wonderful portfolio. We started the century with 15. We now have 19 Powerbrands, so some really got created organically. Some we created along the way and acquired along the way, but we have a wonderful portfolio of Powerbrands that consumers love. And we've grown that Powerbrand portfolio substantially.

We have shown a demonstrated track record of successful M&A. Of successful M&A when measured through shareholder metric of value-enhancing M&A. We are probably one of the best there are in terms of cost containment and converting profit into cash. And finally, if you thought that one day, people are going to get on to all of those four points, what I truly believe they'll never be able to get is this, which is our unique culture of innovation, outperformance and entrepreneurship.

Now, the good news here is none of this will change. This part does not change. Now, we also know that the shareholder returns over the last two years have been less than impressive. And I'm the first one to call those out. We delivered over the last two years 1% PSR whereas competitive set was better.

So when you narrow down and focus only on the last two years, it shows a different picture. And I'm fully aware some of the underlying – the challenges we have, the challenge of market growth rate. Market growth rates two, three, four years ago was in a healthy 3% to 4% range and we could do 6% plus growth rate at that time.

We also know that market growth is now more and more shifting its center of gravity towards emerging markets. So that's the other reality. And the third reality is that we have – as somebody already noted today, a high level of competition which means outperformance is not as easy as might have been before.

And finally, there are concerns around cost, concerns about input cost, concerns around competition and the effect of competition on margins and how do you actually improve margins? How do you expand margin? So all of these questions really are the ones that are central, and what I'm going to do today with Liz is go on and take each one of these in turn and say what Reckitt Benckiser plans to do about all these questions.

Now it's very interesting that when companies like ours face the challenge of how do you get more growth, how do you get more outperformance, they immediately go to say how we will do this and answer the question of how. In our case, we were a bit different. We said let's ask ourselves a slightly different question, which is who do we want to be and why is that important.

And that's, I think, a much more fundamental question to ask for us because it's time that we recognized that the world around us is no longer what it used be a decade ago or even two years ago. The world has changed and the world will change.

So what I'm going to show you in the next minute or so is a little video which looks at the world in our lens – through our lens, how we think the world is going to change and how that will shift what Reckitt Benckiser needs to be and why.

[Video Presentation]

Clearly, there's much more I could have shown but this just a snapshot to tell you that the world around us is changing. And our job as a business is to understand the forces and the trends that are going to shape this world and how those trends and forces impact Reckitt Benckiser. And our job then is to prepare for tomorrow, today.

And that's what our vision is all about. Our vision is about preparing a long-term destination for this company and also preparing a road map for its outperformance. And our vision is a very simple vision. Our vision is that of a world where people are healthier and they live better. It's a very simple proposition. We see a world where people are healthier and live better.

I firmly believe that businesses have a very, very big role to play, have a very big role to play in our world and certainly that role starts with selling more products, with making money, with making more money. And I can tell you, we will be fantastically dedicated to that.

But I also believe at the same time that businesses have a larger role to play. We have to do something more and stand for something more. And this is what we call our purpose. That's what we call our purpose. And our purpose is not our goal, because a goal changes. You can change a goal. Just get some targets, they could change over time. Don't get worried. But a goal can change, a purpose does not a change, a purpose inspires change. And that's our purpose that we set out for today, which is to create and provide innovative solutions by giving people the opportunity to make a difference of making healthier lives and happier homes.

We believe we can stand for something bigger. We can provide consumers and people innovative solutions that will make a real difference to healthier lives and happier homes. That's our purpose.

Now we find this purpose incredibly motivating and inspiring. We find it very relevant for us. And as I showed you in that video clip, it's also very relevant for the world in the future. Let me just show you why we do that.

[Video Presentation]

Right. Like I said, it's not just relevant and inspiring, it matters. I don't know how many people in this room are aware that over 3.5 million children under the age of five die every year from diarrhea and acute respiratory conditions. I don't know how many people are aware that over 300 million people in our world are affected by malaria, sometimes in a very serious way. You probably feel the heat sometimes or the cold when you have unknown viruses coming and affecting people, sometimes in a very, very threatening way. This really matters. This really matters.

Now, it's not therefore important in terms of its relevance and inspiration and it's mattering, it's also the right purpose for this company. And it's the right purpose for this company because, if you think about it, we have created a wonderful portfolio, a world-class portfolio of trusted brands that offer the opportunity for us to create these innovative solutions for healthier lives and happier homes.

And on top of that, we sometimes forget just how many different countries we already offered the opportunity to improve the lives, to make a difference through our innovative solutions. So just on this chart, I had to cut the number of countries down from 194 or whatever they might be to 120 to show the number of countries that we have in the world today and you can see the spread of our geographies in terms of brands. We are now in over of 60, 70 countries and Veet, Air Wick, Dettol, Lysol, Vanish, Strepsils and so and so forth. It shows that we already make a big difference.

We already make a difference in creating the conditions that can have – build healthier lives and happier homes. And also equally inspiring is the fact that we have all this opportunity to redirect this whole organization to creating the conditions for providing that in countries that we don't have our presence in, and which is also very substantial. It's very substantial.

So there's a substantial opportunity where we are, because where we are also where we haven't started properly. In all these countries where we don't have the penetration, we don't have the consumption that we would like to have, so there's a substantial opportunity where we are, but also a massive opportunity where we don't have. And this is why we believe it's a relevant and an inspiring purpose for us.

And the final thing which I'm not very sure many people, including in this room, are aware of is just how much we have done in building capabilities, in building capabilities in this company. So for example, the capability of innovation because innovation is in the heart of our purpose, we have been one of the first people to create new molecules, Neuromol, the combination of ibuprofen paracetamol. We created the first automatic hand dish and hand soap dispenser. We created the first automatic care. Cillit Bang was a revolution when it was launched as well as Vanish Oxi Action. We have innovation flowing through, as I like to say, through our blood.

So this part, we will do very well. This part we are capable of. The other part which is less well-known is what work we already are doing and in the process of working on, which is the kind of partnerships that we have formed with very – many world-class institutions on health and hygiene. We work as a body with the Centers for Disease Control in the U.S. We formed a partnership with the Pasteur Institute in France and a number of partnerships around the world, including with the WHO for birth control and hygiene and safer sex.

I'm not sure how many people realize that in over 40 countries, we run programs to educate new moms or about-to-be moms on health and hygiene practices for the newly born and the reason is very simple. When you are becoming a new mom, that's the time when you are most anxious about the health and welfare and the hygiene of your family. And we talk to them about what they need to be doing and how they can actually create the conditions and how they can make their whole home a safe haven for their child and for their family.

We do that work already in more than 40 countries. We educate people. And you heard the president of the South African Medical Association talking about the work we've done. The study that I showed was done with 3,500 homes. We put 3,500 homes through education and through Dettol products versus 3,500 homes that did not have that benefit and there were 74% difference in these homes.

So this is a massive piece of work that we already do and we are doing in order to become a much more bigger force in the area of health and hygiene. I can talk this through for hours the medical work that we are doing on Gaviscon, on Guaifenesin, on Alginase, on Alginase combinations with antacids, and so on so forth. This would be quite technical but I could go on and on, but that's the kind of capability that we have created.

Listen to Joe Rubino, our Head of Microbiology in Montreal and the U.S., talk about some this stuff.

[Video Presentation]

Right. So I think it's just about time to change the identity of this company. We are not a household cleaning company and we do not want to be a household cleaning company. We are health, hygiene, and home. That's our identity. That's want we want to be. This is how you should think of us. And that's why we believe we have a special role both in our industry but also in the larger place that we operate in.

Now, it's also time that we tackle this whole question of brand equity building because I just described the kind of way I see the world and the kind of way you build your brands through trust, through education, through working with partnerships. And I think the whole industry and sometimes also people in this room get very, very – I would say –

narrow minded on how equity is built.

I really do believe and it's time to change, and sometimes I can tell you my personally – you're hearing me for the first time, so that you know my language. I hate A&P. This language, please do not use with me. A&P is bad words because advertising and promotion are two different things and are often contradictory – are often contradictory. Brand equity building. That's what the game we should be in and that's what I'd like to show you.

So first of all, the fundamental principle on brand equity building everyone knows is TV and print. We do that with TV and print. But increasingly, social and media are becoming a very important driver of brand equity building – are becoming great. And as I've just demonstrated, consumer in medical education, consumer in medical marketing, how we work with [indiscernible] (01:28:38) leaders, how we work with medical professionals. How do we go in detail with pharmacists and educate them? How do we work with new moms, how do we work with children and in schools? All of these stuff is just fundamental to building equity.

These are the relationships you'll see over the very long term. And if we do not recognize this in your brand equity model, you would fail – you would fail. And I like to try to tell people also everywhere I have the opportunity that there is an inverse triangle on equity. This is a spend triangle, big spend on TV, then comes to social, digital, last spend area. But the equity triangle is almost the reverse, because on the bottom side, you have, what I think you all call it, share of voice. Second, you have what I believe is share of mind, and the last one is share of heart.

And you know, we have to make sure that all these touch points are covered with the right level of intensity, with the right long term vision for what we want our brands to stand for and how we want to make a difference. That's brand equity for us.

And just to give you another sort of dimension here, we spent in 2008, and that's why the metrics never match up, we spent 80% of our GRPs in the U.S. on television. That's what we did in 2008. You know what it's going to look like in 2012, because of the way we now see the world. So I can only tell you, you don't measure 50% of our spend.

So that's what I wanted to tell you about my opinion on how brand equity should be looked at. And this is the reason why what we are going to do is to report to you from 2013 our brand equity index – our brand equity metric. That would be a metric which would comprise all the dimensions that I've just told you because all of them make a difference. They all add up. They're all such points which are relevant in the world we want to operate in. And this whole idea of A&P is outdated, it's wrong and I don't want to get into this stuff. So this is the metric we will report.

For the avoidance of doubt, because all the things we want to do, for avoidance of doubt, for 2012, we will report media as we always did before. And we will show you that we will invest more on media as a percentage of net revenue in 2012 also.

But I just want to tell you, you should not read too much into this because our goal here is to actually invest behind our brands in the most holistic way possible – most holistic way which includes all the dimensions that I just talked about. And this is the reason why, this is the reason why you should understand that it's just not right for a company to manage the business on a quarterly earnings basis.

This is the reason why, we do not build brands in this company. I spent my lifetime building brands. You do not do that on a quarter. You do not do that in quarter. And I can tell you, people, managements around the world make tradeoffs, they make tradeoffs when it comes to brand building versus margins. Just not right. Just not right.

We should manage our business for the long-term interests of our shareholders and we don't want to. This is the principal reason why, you can say any other reasons. The principal reason is, this is not a short term quarterly margins business. This is a business for long-term brand value, for shareholder value, which we want to clear by doing the right thing for the business.

So that's basically the section which describes who we want to be and why. I come back to the question on, so how will we keep winning, right. So the first thing is that we have a powerful new vision and purpose. And our new vision and purpose now inspires us to look at our portfolio of these brands that we have created in a way that we did not do before. So we have fantastic 19 Powerbrands. These 19 Powerbrands remain to be fantastic. Nothing wrong at all. But when we apply the lens of health, hygiene, and home, we look at our Powerbrand strategy in a very different way.

So the first thing I'd like to say is how we do that. So the first thing we would do is we would have three different categories: health, hygiene, and home. And if you did not get inspired by my vision and purpose logic, get inspired by the financial logic which is health, hygiene are higher growth and a higher margin. They also have higher loyalty. So take your pick, you either get inspired by my vision purpose and the financial logic or just the financial logic. Lead you to the same conclusions. So that's the fundamental bit on health, hygiene and home.

Now, let me just describe to you which brands fit where so that you have an idea about how we see the world of health, hygiene and home. So the first part of it is health. Health is – now, just for your own simplicity, health will be seen – the whole portfolio will be seen in the context of what I will decide – and describe, sorry, as core net revenue. Core net revenue is excluding RB Food and excluding RB Pharmaceuticals.

So the number of £8.411 billion is what our core net revenue including – excluding RB Pharmaceuticals and excluding RB Food is. So the first thing is magically the health portfolio is £2 billion in 2011 and comprises of superb brands like Nurofen, Scholl, Strepsils, Gaviscon, Durex and Mucinex. That's the first piece of our portfolio, £2 billion comprising 24% of our core net revenue.

The second piece is hygiene, a significant piece of our business, £3.6 billion-worth and has amazing brands like Dettol, Lysol, like Finish, like Mortein, some of you probably know this brand or use this brand. It's by and large an emerging markets brand, it's present in a number of Asian, African and Latin American markets and that's our brand for pest control and I talked about how important this brand is in terms of what it does for consumers.

Harpic, which is a brand now, which is a global brand, you saw how many countries it was in; Cillit Bang; Clearasil and Veet. Now, the only one, and I want to preempt this, why is Veet in hygiene, and I tell you, even internally we had this big debate about whether Veet really sits in hygiene. Still my top marketing group convinced me that in a number of parts of the world, women associate hair with unhygienic conditions and hair removal as an act of hygiene.

Now, is it totally true, I'm not sure, because in some parts, we could also say, it's beauty, but really I don't want to concentrate on one, just to get a wider portfolio. It's an amazing portfolio of brands which gives us the right to have a wonderful portfolio called hygiene.

The third bit is home, has two amazing brands that we already have as a very high focus, which everyone knows of, Vanish and Air Wick. Vanish and Air Wick, two of the brands actually which have delivered probably the best market share growth in 2011. So the market share for Vanish and Air Wick was very, very good in 2011. So I don't want you to walk away thinking well, okay, what's not covered in my first slide, must be the third, and it's not like that. It's very easy to – when you have five fingers, don't underestimate the role this finger can play or this finger can play or this finger. They are all – you've got to see it in the context of the portfolio and this portfolio is very good with £2 billion of sales, 24% of our total, okay. So that's health, hygiene and home.

Let me now get to what is the last piece left which is called portfolio brands. Now, that £750 million but quite a lot of stuff mostly to bring local scale and cash margin. The role here is build the local scale where we don't have – where we have these brands. Some of them are legacy brands and we have local scales for that. Cash margin allows us the capability to reinvest for Powerbrands and in many markets we do that and I don't want to get into specifics.

But also, I have to say that apart from the fact that it's 9% of our core net revenue and which remains like that, there is a part of the business which I want to call out today specifically. And that's called the private label business.

Now, I think you all know that we have a private label business, probably the first time you saw the numbers. It's about £200 million give or take, but – and this is not a mathematical piece of wizardry where it goes from zero to minus zero to minus zero. It is actually showing the trend of margins.

This is not a core business. This is – but it's also our strategy. We are a brands company which wants to create brand value for us. We do not want to create brand value for others. We don't want to share our technologies with others. This is our strategy. It's not right to have this business in that sense, from a strategic point of view and after having done that strategic review, our conclusion is that we should propose to discontinue it.

So that's our position here. We propose to discontinue this business in 2012 and, therefore, for the basis of comparison and target setting, when I set my targets of outperformance, you should assume that this does not sit in 2011 for comp purposes, right? Just to clarify the point. That's really to describe the portfolio structure between health, hygiene, home and portfolio brands.

So here we come to one of the KPIs that we are setting for this company which is today we have, as I described, about two-thirds of our business in health and hygiene. In about five years from now, I see this add on an average 1% per year. So you might say, well, how's this 72% absolute mathematics fantastic come into the chart? This actually comes from about a bottom-up about 1% on an average per year, five years is 5% and that's how it moved to 72%. Okay? That's one of the KPIs we are setting to see whether we are moving more and more of our portfolio on higher growth, higher margin, higher loyalty. Okay? And you do that, you create the condition for higher growth, higher margin, higher loyalty for the company. It's that simple.

Second piece of the strategy is the one that I described earlier today, which is that having a fantastic portfolio of Powerbrands in higher growth and higher margin and higher loyalty categories is absolutely a necessary condition for growth. But given the dynamics of where the growth is coming from in terms of where the world is gravitating towards in terms of economic shifts, demographic shifts and so on and so forth, it's not a sufficient condition. It's a not sufficient condition and this is the reason why we are adding one additional dimension to our strategy, a very successful strategy of Powerbrands to what is called Powermarkets.

So we have identified Powermarkets to drive higher focus, higher investment and higher growth. The philosophy is very simple, not very complicated. We have shown that we win where we focus. So we focus on some Powermarkets. And I'm going to describe to you how we came to this. Don't get too worried about the exact names, they might mislead you. What I'm going to show you what, we are doing different versus the past.

So, in the past our company did have some level of clarity although it was not a formal clarity of the markets, but there was a way through which we would allocate resources within markets. And principally the way we looked at this was on the dimension of size of the market, how big the market is and the other dimension used to be, what is the disposable income per capita investment? And the logic is quite sort of sound which is the higher the per capital income, higher is the idea that we could have big categories there. The higher the categories, we could have big net revenues there. When we have big net revenues, we have big margins and big profits, right? So, it gives us the – especially in income it leads to higher category opportunities.

That was the logic, nothing wrong and that was the logic we used and then we came with this kind of clarity. For example, we have Spain and the U.S. in the top priority bucket, this was number one of course, and then we had Belgium and Netherlands, but also Greece and Portugal if you want to be quite exact about it. It's number two here and number three was this one and four was this. This is the priority basically that we have and had in the company based on disposable income and size of market.

I don't have to tell you that the world, of course, has changed and when it has changed, we have to think about very different ways of winning and our two simple dimensions on how we think we can do that is to look at where we have the capabilities to win. Where our net revenue is big already, and therefore, we have substantial opportunity to win and where in the world is the absolute growth opportunity. Not per capita income, because per capita income of somebody from India is not mathematically very good. But the absolute growth is amazing.

So, if you look at absolute growth as one dimension, and ability to win on the other, you come to a very different opinion on where growth could come from and this is what the same number of countries when recalibrated – now these are log scales so don't get too excited with exact numbers. When you recalibrate it, it comes in completely different way of the world. Then now, India and Brazil get to first priority, actually Indonesia and Turkey from the fourth priority move here. Spain then becomes third and Netherland and Belgium falls to the bottom. Also Portugal and Greece and so on. That's how it works. That's the simple logic and we've done all that work to get to this and we've identified a total of 16 Powermarkets that we will drive extra growth, extra focus and extra resources, 16 Powermarkets.

So, there's the second dimension of our strategy that we believe that we have a fantastic Powerbrands strategy. Let's look at the lens of health, hygiene. Let's look at basically which market we want to make a special effort in terms of winning like we did with Powerbrands and we have defined that on the logic that I just gave you and we've come to 16 of these markets. A vast majority mainly of these markets I don't have to tell you, are in developing markets, emerging markets, whichever way you call them up. I'm not giving you the exact numbers but they are – majority of them in developing markets.

Now, having described to you how our vision and purpose leads to a new way of looking at our portfolio, a new of looking at this company and the opportunities, the vast opportunities that we have in both our existing geographies, new geographies, how we actually get those markets identified for additional focus, we come to the conclusion whether our organization structure is based on the last decade or the next decade.

So, what I'm going to describe to you how I see the world and why I believe that the organizational structure we are putting is geared for the next decade of thinking and not the last decade of thinking. So that's the third section which is organization.

So just bear with me a minute. I do not and we do not see the world through the eyes of the geographic boundaries, through the eyes of the politics. We don't see it through the eyes of oceans in between. We fell the world, as I described to you earlier today, through the eyes of the consumer, through the lens of the consumer. And when we put consumers and think about them, we come to a very different way of looking at the world. Our world view changes and we come to actually some might say quite revolutionary ways of looking at the world.

So let me just describe to you what I think everyone already knows. So we know that Brazil powers Latin America. We already know that. We know Russian and CIS is a fantastic opportunities. We know that. India, I live and breathe when I go there and see what the buzz is, it's just amazing, and then China. BRIC was coined well before I even thought about this, we said BRIC.

But we also think that there's two other major consumer clusters, which are missed out in the BRIC calculation. One is the Arab cluster. The Arab cluster, which is really Middle East, Turkey, North Africa. This cluster – it's not drawn very well. We're more excited about this cluster than this one. That's one.

And the second one, another significant cluster powered by fantastic demographics in many parts of Africa, particularly Nigeria, is the Sub-Sahara Africa. This one. So actually there are six BRICs minimum, six BRICs powering these respective regions. Six BRICs not four, and we see it like that. We see it like that. Six consumer clusters, power clusters. Then we come to Europe and North America and if I don't get mobbed or killed by the time I leave, I can go and tell you that I do not think they are two different consumer clusters. They are one. So you might say, well, actually when Germany plays UK, we don't think of one. Of course, you don't think of one but consumer-wise, there are more similarities than there are dissimilarities.

We have an amazing Powerbrand presence there in many markets. From a consumer environment point of view, from a customer and trade point of view, from the point of view of Powerbrand presence, go-to-market strategies, the way market environments are, they are really much more similar than they are dissimilar.

And if you want to indulge me and maybe even pardon me and think about if actually U.S. or North America was where UK was roughly there geographically, how many people in this room think that people would have managed these two geographies as two rather than one? So there is, therefore, this massive ocean which somehow separates something which is much more contiguous than we are willing to accept.

So we see this actually as one consumer cluster, not two. Not two. So let's move to the scale of the RB opportunity in these clusters or in these markets so one I would put, again changing the world view, I'm putting basically North America and – or the Americas on the right-hand side and the emerging markets on the left-hand side.

If I look at this, so scale of the opportunity. So we all know this. This is published data. It's not like revolutionary data, developing markets, 6 billion people versus 0.9 billion in Europe and North America. GDP is actually getting similar and GDP growth is very different. Developing markets powering at 7% GDP whereas Europe, North America at 2%.

Now, that's all fine. Everyone knows this, but what is not really clear to all of you is how this is resourced by Reckitt Benckiser. So, we have today two areas in Europe and North America, two different areas, one powering Europe and one powering North America and one in developing markets, all these six amazing clusters that I talked about.

We also actually have 64% or maybe also actually quite mathematically equal 2:1 in terms of management. If I could see how many people we have and managers we have, actually twice the number of managers in sort of Europe and North America versus one, 1:2 ratio. Our CapEx ratio is 50:50, the percentage of marketing spend which I think mathematically also you could calculate was like this, 44% in developing markets and 56% in Europe, North America.

But that's just, therefore, as I just told you was the imbalance. There's a fundamental organizational imbalance between where the opportunity is, where the major consumer clusters are and where the organization resource is. So, what we are doing is we are changing that imbalance.

So, the first thing we have already done effective January 1 is we have put two new areas in developing market areas and one area by combining Europe and North America. That's already done. And I therefore expect that we will shape the whole organization balance in this kind of way. I expect, for example, RB management to be more evenly spread, maybe of course higher in developing markets versus Europe, North America. By my rough calculation, as we implement the change over the year, I would expect to see actually 50/50 by the end of this year already, on management by the end of this year.

And secondly, we also expect a significant shift of the rest of the investment, so on people investment, on marketing investment, on capital spending, I do expect and I want to see a significant balance – re-balancing on where the growth is versus where our organization investment and focus is. It's not a very complicated thing that we are trying to do. It sounds very revolutionary because you still think of the Atlantic Ocean and I think of consumers. That's a big difference.

So there's something very simple and I'm sure you can follow this, that we have Latin America, Asia and Asia Pacific on one side, okay? And that is becoming a new area called LAPAC; Latin America, Asia Pacific. LAPAC. I like the name. The second one is RUMEA. Russia, Middle East, Africa. RUMEA. And the third one, ENA; Europe, North America. Three new areas, created already, January 1 onwards, working very, very hard to bring all of this together, okay.

Now, there's another thing which we are doing which I told about – talked to you about how important it is for this business to get very close to its consumers and its customers, to get very close to decision making. To be very, very responsive, but in many cases, I hope to be very proactive. So the other thing we are doing is we are making these areas sit where the area is. So in the case of LAPAC which is Latin America, North Asia, South Asia, Australia, New Zealand is going to be based in Singapore.

When it comes to the second cluster, Russia, Middle East, Africa, is going to be based in Dubai which is going to look after the three new regions formed – there are three region [ph] formed. One is Russia, CIS; second region, Africa; and the third region is NAMET, which is North Africa, Middle East and Turkey

And finally, when we come to this power cluster really of Europe North America, that's going to be based out of Amsterdam. And the logic like I said, I do believe apart from the fact that they are similar consumer clusters, one trade, one in consumer environment, one Powerbrand portfolio, we'll roll out similar things in these two parts, I do expect to see faster decision making, simpler decision making. I expect better speed to market. I expect better sharing of ideas, and I expect also costs to be taken out in this whole merging of Europe of North America. And I think Liz will describe our ambition from cost point of view also.

Right. So that's basically where we are. Setting of medium-term KPI in line with the Powermarkets and in line with the organization change where Europe North America, which is 58% our business today and the RUMEA and LAPAC regions which are 42% of our business today, I expect in five years from now to be 50/50. These two areas will be similar. You've seen the organization's resource allocation, which is already moving in that direction and I expect faster growth rates, faster focus, and resource allocation to drive a very different shift of geographies. Okay?

So what I've done just now is taken you through the bit on who we want to be and why, how that shapes our ambition in Powerbrand portfolio, how you should think about that company, why it's important to think about Powermarkets and not just Powerbrands, which are important, why we need to have an organization which is geared for tomorrow and not for the past.

Now, we come to the most exciting bit of the day which is how do we make money out of this and Liz I'm sure will do a great job to tell you that.

Mary Elizabeth Doherty

I'm going to start with the cost saving by doing – going back to bog standard PowerPoint. You've heard from Rakesh about his vision for the future, about what's changing and about what's not changing. What I want to cover briefly is the strategy from my perspective. But I will say upfront, however, is that the things that have made RB such a fantastic investment from a financial perspective won't change.

We will continue to focus on driving margins up and this starts with expanding gross margin to fund investments in growing the business, then looks to taking out more fixed costs to drive operating margins. We will make appropriate capital investment in our business to support and in some cases drive future outperformance. That means securing industry-leading systems such as SAP and supply infrastructure particularly in emerging markets.

However, notwithstanding this, we will continue to invest capital appropriately. And overall, CapEx levels are not expected to change the dramatically. We will keep the strong emphasis on converting profit into cash right throughout the company. As we've always said, and I think you will have heard it from Bart and Rakesh is equally at the same mind, profit is an opinion, but cash is a fact.

And finally, we will continue with our prudent financial strategy. We will continue to manage our finances for maximum flexibility, but with a clear view to long-term shareholder value. As a matter of principle, we are not about financial engineering, even if the banks can support it today. So turning to each of these points, one by one. Now I know a lot of you or there's a lot of speculation out there about how we can continue to expand our margins. And also, we have very good margins, but we're not complacent.

So starting with gross margin, we're launching today a new project to deliver gross margin expansion and it's called Project Fuel and it's this year's squeeze program. Savings come from a similar focus to previously, reengineering products to save costs that don't actually add value to for customers. And the target in 2012 is £50 million, which is higher than we have done previously.

In future years, we will also seek other cost savings programs to deliver similar benefits, though not necessarily in product reengineering. We will also optimize supply network, and that means balancing scale with proximity to market. Practically speaking, this will see a shift in CapEx towards developing markets.

Portfolio mix is another source of margin expansion. As we drive growth faster in health and hygiene, so we drive more of our business into higher margin category. For example, gross margin on our healthcare business is approximately 10% higher than the average for the company and that includes RBP and Food, by the way. Volume leverage will continue to work in our favor. Our growth is mostly volume driven, so more boxes through the supply chain means better margins.

And finally, we will look to move our pricing forward. In Europe it is difficult but we have had some price increases in North America and in emerging markets, we actually need to drive prices to cover higher levels of inflation and, in some cases, currency devaluation. But we also need to look at promotional strategy, doing less price promotion which does not build brands in the longer term and more consumer promotions which may.

Now, with respect to the latter point, we are going to try and – we are changing our definition of gross margin precisely in order to focus our decision-making better on promotional strategy. So the new definition moves certain kinds of promotional costs such as bonus packs and gadget seeding costs from marketing to cost of goods.

So in future, when we say do a buy one get one free or a gondola end promotion at the same cost. The gross margin effect will be the same. We're doing this because we currently incentivize our sales force based on gross margins and in the that they could actually benefit from overfills or [ph] BOGOFs, great word. These increased sales but were a cost to marketing, not a cost of goods.

In the future, they will be looking at all promotions on an equal basis, so they will all affect gross margin. So for that reason, we believe that moving to this new gross margin definition will give us better commercial decision making across the business as in effect all promotions will be evaluated on the same basis. It also coincidentally brings our gross margin definition more in line with common industry practice.

And as you can see, the new gross margin definition just represents a classification change from below gross margin to above the gross margin line. Operating margin is not affected and doesn't change.

In 2012, we will have an effect of fixed cost freeze. Including the synergies and the benefit of a small amount remaining of SSL, we currently estimate that fixed costs in constant currency will be flat this year. This is equivalent to about £30 million in saving.

In 2013, we will start to benefit from cost savings in Europe and North America that Rakesh has already referred to. We also estimate these to be about £30 million on an ongoing basis. And from 2014, we should start to see margin cost benefit from the rollout of SAP and believe that this will be at least £10 million per annum from 2014.

Finally, there is continuing opportunity to improve our margins in the two market areas of RUMEA and LAPAC. As you can see from the chart, the operating margins in these two areas are below the level in ENA. This is a gap that we will aim to cover over the next five years and it will be driven by strong growth in volume, which should lead to better fixed cost coverage.

In short, our margin expansion strategy remains very much as it has always been, based on a virtuous cycle. Net revenue giving – net revenue growth giving better volume. Expand growth margins through internal programs like Project Fuel and by mix, control or reduced fixed costs through internal programs like ENA or the initiative and SAP. Reinvest a significant proportion of these gross fixed cost savings in brand building to drive more growth and so kickstart the whole cycle. And we will of course release some of the growth in fixed costs savings together with the geographical mix benefit to the operating margin.

Turning now to the second element that won't change, investing for our future outperformance. And to support our strategy, we do actually have some new capital projects. These will ensure that we have the right infrastructure in place to support our drive for high growth in health, hygiene and home and in the right high growth emerging markets. Specifically, we need new industry best practice systems. Our ERP system today is simply not fit for purpose. In fact, it's actually a barrier to growth.

If we aspire to move our business ahead over the coming years, we need to do something different. And we are going with SAP. This is an application that actually SSL had, so we can benefit a lot from that they have already done. And we will be rolling it out over the next five or six years.

Our current expectation is that the capital cost of this will be around £150 million and it will produce annual cost savings of about £10 million from 2014 and 2015 onwards, once a significant proportion of the system in place. And we will update you on this in due course.

We are also investing in new high class facilities for Healthcare R&D and supply. Given the high level of regulation in manufacturing in this category, we do need a better configuration of amenities, so we will be investing significantly both in existing facilities and in new ones. However, despite these new investments in our future infrastructure, I want to emphasize that CapEx will not materially change from where we are today as a percentage of net revenues. We expect CapEx to average approximately £200 million per year over the next five years.

Another major investment in our future outperformance is M&A. But I'll leave Rakesh to cover that and the rest of strategy in a moment. In terms of restructuring, we have, as Rakesh has already talked about, the reorganization of the new area for the Powermarkets. We are also reorganizing our category development organization to focus on health and hygiene and we estimate that as a result of our decision – or our proposal to discontinue the private label business, there will be some cost associated.

And net-net, we estimate these to be of the order of £75 million and we will take this as an exceptional restructuring cost. This brings the total restructuring costs announced to £325 million, up from the £250 million that we announced in 2010 which related to SSL and other reorganization. On these amounts of money, we expect the charge in 2012 to be £125 million, which includes all of the new £75 million and it will mostly be cash.

And now to the third element of our strategy that will not change, we expect the RB specialty of converting cash in profit into cash to continue. In terms of inflows, we will be working hard in taking cost out of the business to drive margins, with new projects such as Project Fuel and the ENA initiative.

In terms of outflows, we will invest appropriate levels of capital infrastructure to support our strategy. But as I've already said, I do not expect our overall CapEx levels to increase significantly. However, one change I am making is to net working capital definition as we report it to you. I have been increasingly concerned that our old definition has become dominated by movements in corporate tax and other accruals which whilst valid are not really helping us to drive our commercial working capital down. If you recall from the presentation this morning, our net working capital deteriorated by £15 million. And whilst some of that was due to tax payables, mostly it was due to the fact that we had let the inventories creep up above in receivables where we want it to be.

So what we're doing is again to drive – take these tax provisions and accruals out of the calculation in order to give you something which is much closer to true commercial working capital. It's therefore a much better measure of how well we are doing on measuring our trade turns and inventories. And what this will do, it will reduce our headline working capital from a minus 10% that you saw in results this morning to minus 7%. Now, this doesn't mean that we are suddenly much worse at managing working capital. It's just a matter of classification. Our cash flow, net borrowings and cash balances don't change.

And finally, on tax, we will continue to manage our business efficiently and to try and contain our tax rate. And at present, I don't see any reason why it should change significantly from its current level of around 26% to 27%. Although, to be honest, it will take a great deal of hard paddling beneath the surface to achieve this in an era when government is still desperate for tax revenues.

So in summary, what's new for 2012? Well, we've got some new KPIs to help measure our progress on new strategy, hopefully, in a more commercially focused way. I've already talked about our new gross margin definition and working capital definition and Rakesh has talked about the urgent need for a new brand equity investment measure.

Secondly, we have new programs to drive reduction in costs. Our margin strategy is about creating the fuel for our future growth. In 2012, we have clearly defined programs to deliver margin expansion. So to reiterate, £50 million from Project Fuel, £30 million from an effective fixed cost squeeze and we will get some upside from volume leverage and portfolio mix. All in all, this adds up to a considerable war chest which we can invest in behind our brands and still hold margins steady. So yes, it is possible to be able to invest up to £100 million more behind our brands and still hold margins steady. In future years, we will continue to apply this same philosophy though some proportion of our cost savings will be used to drive a steady operating margin expansion.

In summary, therefore, there are – so coming then to the financial strategy, we will continue to maintain a conservative balance sheet. We will retain maximum flexibility to reinvest in our business first and to do M&A where opportunities arise. However, we will manage an appropriate balance between reinvestment in the business and return to shareholders. You have seen that we have continued our 50% payout ratio and dividend policy and, at this present time, there are no plans to change that.

We will, however, do a small amount of share repurchases, to mitigate essentially the dilutive impact of the employee share schemes. This amount that we will be buying back about up to 50 million shares in 2012, which essentially offsets the dilution in 2011 and 2012.

Having said all that, we will continue to consult shareholders on the favored method of returning cash, if this becomes a more urgent consideration. In summary therefore, before I hand back to Rakesh, whilst there are a few elements that are different, there is no fundamental change. We will continue to focus on margin expansion. We will continue to invest capital at appropriate levels. We will maintain the strong emphasis on cash conversion, and we will continue with a disciplined financial strategy.

Okay. Back to Rakesh. There you go.

Rakesh Kapoor

Thank you. So I'm going to do a very quick wrap up because otherwise we'll be left with no questions and that's not good, right. So let's remind ourselves, what have I talked about. We talked about a number of things, we've talked about our purpose which drives all the things we've talked about today and that's very core to us. You might think it's a bit – we think it's very important for us to have something which drives us and deliver outperformance day in and day out, and that will do it.

Second, we've described to you how we want to get up our brands to get inspired by our purpose and we talked about health, hygiene, and home care. We also said that we need to have new condition for growth which is about Powermarkets and why we've selected and how we have selected 16 additional Powermarkets for focus and investment. We've also talked about the organization that needs to be ready for the next decade of outperformance and not the last decade of basically of growth.

And the last bit, Liz took you through how we will keep our significant philosophy of margins and getting costs out where we can so that we can reinvest and drive for growth. So this is where – core things are, simplifying again this kind of chart you have seen before, a clear strategy for core business profitability growth.

Now, I'm going to tell you a few things about our rest of the businesses that I've really not talked about and you should just take it as I tell you. RB Food. RB Food is not core. But what we have done in RB Food is shown that there was a significant track record of growth, margin creation and shareholder value. So our strategy for RB Food does not change and I don't think you should expect, therefore, any material change in how we look at RB Food. We have created wonderful shareholder value and as long as we can do that, we will continue to show a wonderful shareholder value. RB Food, no change versus what it used to be before.

RBP, RB Pharmaceuticals, we have a very simple idea and that idea is to make sure that we keep this business as sustainable and as focused really on the time that we have to keep this business as sustainable by converting as many of our patients into more preferred film format.

I would not go beyond that. This is something I cannot call out for the long term. In the short to medium term, our idea is to make sure we create as much value for our shareholder, as much maximization we can get through making it more and more sustainable. That's what we would do.

On M&A, our strategy does not really change, but there's no change in our approach to M&A, and as you might know, I was significantly involved in a number of these M&A conversations over the last five years starting from the BSI that we did.

And our philosophy is very simple, there are three types of M&A we will engage with. One type of M&A is where we do need a local platform. If we don't have any presence in one market, many years ago we did like one like that. We did South Korea you might remember many years ago. We did Indonesia, and where we don't have interesting platforms to build a local platform.

The second type of M&A we will do is where we have to add a substantial capability that we are missing which would help us fast track our ambition faster. I'll give you an example of that. We have a wonderful business in India, but we did not have a healthcare capability. And to build a healthcare capability, normally might have taken as many, many years to do that. We've got a very nice idea on the table and we've done that with Paras. So, that's the second thing.

Only in select cases where we are missing a platform that we want to create, either and it must be one of the big, very interesting markets.

The third one is local – is where we create Powerbrands. So we have 19 Powerbrands. We've shown over a period of time that this company can handle more Powerbrands. We started the year, we started the century with 15, we now have 19. And actually, we have 20. We took one out at that point in time. We can do more. So, if we have interesting Powerbrands on the table, where we believe we can create substantial value for shareholders, we will take a look at that. So this is a third type of M&A we will look at, okay? So, this is our strategy for M&A.

So, what's changing, in summary. What's changing is that you have now a new purpose-driven strategy, a new purpose-inspired strategy for Powerbrands. We have a new Powermarket strategy. We have a new organization structure and, clearly, we are talking about and we are committing to £100 million of brand equity investment for 2011, an additional £100 million. And Liz showed you how we can drive that £100 million without a loss of operating margin. How we can do that through the substantial – so we've actually generated a fuel to invest behind our brands, through organization and through substantial cost reduction programs. We have done that by ourselves.

So that's what is new and what's changing. What's not changing is this whole idea that you can expect us to outperform our market, to outperform and to grow ahead of the market. Second is tight focus on fixed cost control. I don't think anyone thinks we have an inch of fat and yet we have shown that we can basically take costs out where we can.

Third, basically is steady margin of expansion, although 2012 is a year of investment and we still maintain our margin. We are committing to steady operating margin expansion. And that's not changing, and of course our culture of converting a vast part of our profit into cash is not changing..

So, let's reiterate the KPIs, the first KPI I would say is the coverage of emerging market areas to be 50% of our core net revenue. The second one I talked about is how we want to make sure that health and hygiene becomes an increasingly higher proportion of our net revenue on an average by 1% a year going up to – in 2016 to 72%. But clearly the ultimate KPI, all of those KPIs add up to the ultimate KPI that this company is about outperformance. We want to outperform the market and we want to outperform the market, of our market by 200 basis points. That's the third KPI and that's why I showed it at the last, because that's basically building in to what we really want to stand for, which is outperformance.

For 2012, I've already described the targets. It's a year of transition. I just described all the transition that is taking place, and a year of investment. And therefore in spite of that transition, I'm not hiding behind the transition to say, well actually growth in 2012 should be less than 200 basis points because of the year of transition. We are saying we have put additional sums of money to revive growth and therefore in spite of that we are targeting to outperform the market growth rate by 200 basis points while maintaining operating margins. And both these targets that I have described exclude RBP.

Driving all these amazing targets is a management team and I know some of these management team is not exposed to you and it is my endeavor to basically expose them to you over a period of time. I think you're just starting with two, so we'll do that. But what is very easy to forget that this is a very experienced management team. We have an average of 13 years of Reckitt Benckiser experience behind us. And also what is easy to forget, there our top 49 managers have a very strong vested interest to think like our shareholders. We have £100 million worth of stock invested in this company. And what is also easy to forget, that this team and our people eventually are passionate, they are innovators and they're entrepreneurs. We can make things happen when we work on this.

So that's really where we summarize. I just want to leave our final piece of the day on strategy with one imagery, which I think would carry back as we go forward.

[Video Presentation]

Thank you very much. So, Liz and I will now take questions from you all on this.

Yeah, I'm waiting for mics.

Q&A

<Q - Xavier Croquez>: Thank you. Xavier Croquez, Cheuvreux. Two questions. The first one is on the new market prioritization. There are important countries on the map but if you could help us putting a few other ones, my list is Russia, China and Mexico, you can have a longer one is the first question?

The second question, sorry, is a little bit on the numbers. All the targets you gave us, just to clarify, own label is in or out of it? Rakesh, you know how to do the numbers so when – for instance, when you say flat margin, it is with own labels out or in? Thank you.

<A - Rakesh Kapoor>: I'll answer both and in case I miss something, I'm sure Liz will correct me immediately. So the first thing is I told you all the countries I gave you were illustrative purposes, so if your imagination runs beyond that, you should do that. I'm not giving a list of any of those countries. I don't believe it's right for our shareholders to share this information. It's very commercially sensitive. And, therefore, I would like to be excused from that list. We have a list, we believe it's the right list and we want to make sure we do our actions around that.

On the second question, as I said, our targets for 2012 already assume the discontinuation of Propack, which means our outperformance targets, our margin targets are all excluding Propack from the base of 2011.

Yeah, Harold.

<Q - Harold P. Thompson>: Thank you. Harold Thompson, Deutsche Bank. I mean, given the focus on emerging markets and given your starting base in emerging markets and you saw that chart that quite a few of your brands are already in more markets than maybe some had thought, can you maybe just give us an idea how you already are in China, in India, in Brazil? I mean I know we could go and speak about market shares forever, but are you starting from an okay strong-ish position where you'd like to be bigger or actually are you quite weak and you need to spend quite a lot of money to deliver where you want to get to?

<A - Mary Elizabeth Doherty>: Don't let Chandler hear that.

<A - Rakesh Kapoor>: I know. I would say that I'm the type of person who can say that we are never satisfied. So just remember this, I'm never satisfied with where we are. It's a problem and an opportunity also in essence. But roughly speaking, in China we are not as good as we would like it to be. One of the things which has happened, however, is with the acquisition of SSL, unwittingly or wittingly, I always have to say that, we have got actually – we have doubled our net revenue.

Durex is a very, very interesting brand in China. It is a market leader and it has a very nice business. And actually in the last 12 months, we have made that business even more successful. And that has given us a scale and a size, which just 12 months, 18 months, 15 months ago we did not have. So although, all I would say is that China remains a very interesting and very exciting and very tough opportunity for all of us. But we are much better today than we were 15 months ago.

On India and Brazil, I think it's not very well known, but our ambition is to make India and Brazil – our ambition, don't take it as a target. Our ambition is to make India and Brazil one of our top five markets in the next five years. So – and we now already start with a very nice position. Actually, India, Brazil, Russia, three of the markets where we have a very nice business, and I think, can it be nicer, can it be bigger? Of course, we want to make it bigger. But it is a very nice size business. We have a legacy of great performance there and we had very good performance also in 2011. So can I – do I want more of Brazil, Russia, India? I do. But it's a nice business we have.

<A - Mary Elizabeth Doherty>: Is it worth telling them about Dettol in India, and how well that rates in terms of brand?

<A - Rakesh Kapoor>: Well, we all grew up with managing Dettol, so I mean like no self-respecting Indian with Reckitt Benckiser did not manage Dettol and I'm one of them. Well, self-respecting or not is debatable. And then the issue is, it's a fantastic brand, it's consistently ranked as one of the most loved brands in India. And I can't disclose numbers. It's a sizeable brand. It's a very sizeable business. We have – in some markets, we have really – what we have is fantastic, but we want to make it bigger. In China, clearly good last 12, 15 months, but so much to do.

Yeah.

<Q - Erik P. Sjogren>: Erik Sjogren from Morgan Stanley. Two questions. Firstly, on RB Pharma. You mentioned it's not core, but what metrics are you evaluating it on to see when you need to take some kind of action there, looking at the business, whether it really belongs in the portfolio?

<A - Rakesh Kapoor>: Whether it belongs to the portfolio? Well, first of all, actually if you look at the mega characters, if we get out of this short-term focus that we have, it's not a consumer business. We are managing a disease space, although with the eyes of a patient and eyes of consumer, but it's really not a consumer business, it's not a branded business. And it does not have the same go-to-market characteristics that we want to master and we want to be fantastic at. So there are really some differences between our core strengths and the RB Pharmaceuticals.

I personally think, and this is just my personal belief, that we have managed that business fantastically even if we were not in this game, and that just shows that there are so many other things that make performance happen, not just – I think we've done a great job personally in managing that – a fantastic job even if all of Reckitt Benckiser is not equipped for this. But that's how we are. We have just managed to do very, very well, but it's not our core business. Not consumer, not go-to-market and not the kind of innovation space and the R&D space that we want to be in.

<A - Mary Elizabeth Doherty>: In terms of kind of the future, what we've been saying consistently is that the time to consider it and its future with us will be either when a generic has entered and, therefore, set a floor in the business, or when we have – if we are successful in transferring the majority of business into film and, therefore, have a longer – a more sustainable business in the longer term. And we've already said that that will be kind of 2013, 2014 is our earliest estimate or is our best estimate about that..

<A - Rakesh Kapoor>: I won't give a date, but I will say that I would like to think it's still an uncut diamond, so let's just cut it and see how wonderful it can shine.

Maybe here and then...

<Q>: Couple of questions. First of all, on SAP, you said you're doing that over five to six years?

<A - Mary Elizabeth Doherty>: Yes.

<Q>: It sounds a relatively kind of protracted period. I just wondered why you maybe can't do it a little bit quicker than that? Then the second question is on your CapEx spending. You're talking about £200 million per annum and you're also talking that by 2016 you'd be roughly 80% emerging markets and 20% in Europe and North America. So just doing the maths on that would imply only around £40 million of CapEx spending in the developed markets, which seems to be a very, very low number. And I just wanted to know what your views on that and how sustainable spending in not much more than half a percentage of revenues on CapEx would be? Thanks.

<A - Mary Elizabeth Doherty>: Okay. Well, clearly, you've never implemented SAP before, otherwise, you wouldn't have asked that question. In fact, we get most people saying how come you're doing it so fast. We have 60 countries in which to operate and SAP or like any ERP system affects every part of the business and there's a huge change management involvement.

So we are moving rapidly and at the same time managing risk. The reason we can think we can move relatively quickly, notwithstanding what you may think, is simply because we have taken on – when we got SSL, they had a template in place which we actually think we can use a lot of. Therefore, a lot of the kind of rethink, early thinking has been done. And what we will now need to be doing is changing our internal processes, et cetera, in order to actually be able to operate with SAP.

In terms of CapEx, we're not going to get into the split between internal and ex on how much is going to emerging markets or not, I think Rakesh said very clearly, directionally he said 80%/20%. So if you know what we're actually spending, even today at £200 million, even if you were 80%/20%, you'd be on £160 million and £40 million in – just on those simple maths. But of course, it's a compounding thing because we do it every year.

<A - Rakesh Kapoor>: Well, these days, we are moving into an era of global factories.

<A - Mary Elizabeth Doherty>: Yeah.

<A - Rakesh Kapoor>: We're not moving into local factories, so you have to think about whether when we put CapEx in developing markets, it's not just to service developing markets volume and growth.

We already source a huge amount of condoms from Thailand. We have – we source a huge amount of condoms from China. Actually we have nothing from internally. We don't source any condoms from Europe and North America, internally; all our factories are in developing markets already, globally. So you can see that shift, it's not necessarily because of serving local markets.

<Q>: Thank you. Since we're on CapEx, just to clarify. I mean, you are willing to grow 2% faster than your market. Now, your peers who may not be exactly in the same markets have a CapEx of 3% to 4%. So why is it that that your CapEx is still well below, so just to understand?

<A - Rakesh Kapoor>: Right.

<Q>: That was just an add-on. My question is on your margin, when you say steady margin improvement, if we look through what you've done historically, let's call it a 50 to 70 basis point margin expansion, would you qualify that as steady or is steady less than that and – I'm trying.

<A - Rakesh Kapoor>: I know.

<Q>: This £100 million incremental cost that you owe – let's say investment, sorry, that you are going to make in 2012, could you flesh out where it is going to go? Thank you.

<A - Rakesh Kapoor>: Right, so let's just take the last two questions a bit. So no, we are not going to give you a mathematical answer to steady operating margin expansion. I do believe these kind of targets often come in the way of long-term growth and long-term shareholder value creation. These are the type of things that management sometimes gets forced into doing, as a result of which they don't make the right choices for the long-term. So I'm saying to you that I stand here committed to steady operating margin without giving an actual number whether this is 30 or 50 or 70 basis points. We will update you as the time comes on 2013 and beyond.

Now, the other question is whether I can tell you where the £100 million is going. I think that question was already asked and I said I'm not telling you where it's going. You've just seen our amazing pipeline for 2012. You've seen that we are talking about focus areas in health, hygiene and home. We're talking about Powermarkets. It's going to go behind the right priorities in the right markets to support the right initiatives to get the best return. The idea is we need to get the best bang from every buck we spend. In that way, we are pretty great, we are very good.

The third question is whether our spending is adequate, considering how many other people are spending. So you actually you should ask other people why they are spending the amount of money they are. I'm often asked – and I ran the R&D of this company together with the category operation for five, six years and I was asked how come you are spending X percentage of R&D spending where your competition is spending Y. And I gave a very simple answer. It's a very simple answer that you guys should remember when you talk to us, which is this is an output company. It's not an input company. We measure ourselves on effectiveness, not on investment level.

The effectiveness is important. We don't believe we need – why would we want to spend money when we can make our capital investment effective and deliver what we're looking for from a growth point of view, from an effectiveness of our return point of view. So it's – every investment we do has got to pay out a certain outcome and if there is something major difference in the future, we will come back and tell you. At this stage, we believe £200 million on average is a very good number to support our growth.

Yeah?

<Q - Martin P. Dolan>: Yes. Thank you. Martin Dolan, Espirito Santo. When we look at this new strategy, to what extent do you think you're playing catch-up? In terms of if we look at the growth rates that you're looking for, potentially 30% growth over the next five years, compare that to some of your competitors' aspirations who are looking for doubling their growth in the next 10 years, to what extent do you just now over the next five years got to play catch-up to get to the right exposure in emerging markets, because the rate of growth of your outperformance is exactly the same every year?

The second question which is slightly more technical, on the new gross margin definition, presumably this is a netting off of price rather than a change in gross costs? And if so, how much lower is the revenue base going to be?

<A - Mary Elizabeth Doherty>: It's mainly – I'll answer that one. It's mainly straight into cost – it's mainly a cost issue. Yes.

<A - Rakesh Kapoor>: Yeah. So no change in net revenue and no change in op margin. So let's answer the first question on catch-up. First of all, our new purpose, our vision of who we want to be and why we believe we can make a big difference is ours. We don't get inspired by competition. We get inspired by who we want to be and how we can make a difference.

We have one of the best track records of growth in developing markets. One of the best track records if you just look at how much growth we have enjoyed in developing markets. Even the year that just finished and the years before, we have one of the best growth rates. So we are a success story of developing markets but now you are talking to man who is never happy about where we are.

So, then the problem is, what do we want to do in the future and why that's important. So, we have just shown you that, first of all, the headline number that all of you have been operating with – I saw one of our competitors put up a chart which is so annoying. They showed us to be 15% or 18% in developing markets. It's like actually we are much more than 30% and I don't want to brag, then we get into the numbers game. We were in the mid-30%s when they were showing half of what we are. So I think you guys should realize that we are much bigger than you think we are.

Secondly, we are shaping ourselves to be much bigger there and the reason is very simple. We believe there is growth there and we want to make sure that we are ahead of the curve there. So we have a very successful business in terms of growth, in terms of delivery, in terms of – a question was asked, how big we are in Brazil, Russia, India and China and I was quite candid in telling you where we are very, very good and where we want to be better.

And in the future, I don't think about competition. If the competition was – why is the competition not looking at Europe and North America with the same lens? I don't know. I don't look at that. I look at what's right for us, what's right for our consumers, what's right for our business and move forward. This is not about hindsight. This – all of what I just described to you is about insight and foresight. It's not about hindsight. Let's not look back.

Yeah, one.

<Q - Pablo E. Zuanic>: Thank you. It's Pablo Zuanic at Liberum Capital. So three questions. First of all, on that 42% exposure to emerging markets which is a nice, nice positive surprise, I think, to a lot of us, can you break that down between the hygiene, the home and health, which is a bit more over-indexed in emerging markets, that would really help?

And then related to that, can you try to compare the competitive environment between what is home and, let's say, health hygiene. I mean, obviously, we hear of Procter, Colgate and Unilever in home. But could we say that in health hygiene, you face a more constructive or benign competitive environment that is more fragmented where you probably have more dominance, if you can comment on that?

And then the last question, third and last. When I think about your profitability performance in 2011, and your margins in North America fell in the fourth quarter, that was the first decline of the year. And then in Europe, margins fell for all the four quarters. So when I think about 2012, that's a little bit of concern to me, at least in those markets. If you can expand on that, please?

<A - Rakesh Kapoor>: Okay, you want go for that one.

<A - Mary Elizabeth Doherty>: I'll deal with that last one first. I mean, we've already talked about Europe earlier, one of the earlier questions. In North America, we flagged that up in Q3, perhaps you weren't aware. We said that they were likely to take a decline in Q4 simply because we were putting a major media campaign and investment campaign behind the Mucinex Fast Max launch.

And we actually said that because in Q3 they were arguing it was the other way around. So I don't think you should read anything into it. I think it just goes exactly to Rakesh's point of why we want to move away from a quarterly focus on margins.

<A - Rakesh Kapoor>: Yeah. So we are not going to disclose our shape of our categories in individual areas. I don't think that is what we want to do. And you should not expect us to do that. You asked another question in the middle which is, are we talking about different type of competition, et cetera, et cetera. Well, actually when we think about healthcare, we do have different competition versus when we are in some of our other categories. But it's not obvious that home has one type of people and hygiene is one type of people and health have one type of people. Competition changes from country to country on the one side, because we compete with private players, private label, and also branded players, so it changes quite a lot. Our job is to look at that, but also look at ourselves and look at consumers and how we can actually beat that market.

And I don't think there is more intense competition in one versus less . I told you, Home Care, you know the brands' value – Vanish and Air Wick have the best market share, best isn't the exact word, but relatively, home – these two brands have done much better market share growth than the average of the portfolio. Why? In spite of maybe some perceived points that these two brands are much more competitive by major players, but we have actually outperformed on those two brands. Our job is to outperform on every single brand, irrespective of where we are.

<Q - Pablo E. Zuanic>: Okay, thank you. And if can just add one quick follow up and I realized RBP is not the focus and I guess it shouldn't be, but the percentage of sales, of North American sales, that came from the film in the fourth quarter was 42%. And in the second quarter, based on the math you've given us, was 49%. I understand a third was totally distorted because of the buy-in [indiscernible] (2:38:44) tablets. But in June we went from 49% to 42% in December, why would the film penetration have declined over that six month period as a percentage of your revenues, according to your numbers?

<A - Rakesh Kapoor>: Yeah. Film penetration has not declined at all. In fact, I did not show you the chart, but if you want I can get you there. The film penetration has grown from 29% – just hear me out – from 29% to 48%, so from the start of the year, so it has grown in a month on month progression.

What you are seeing is the impact, and I think you can explain that, of how the increased film has a contribution even though the mix – the net revenue differs between the film and tablet. So when you start the year, when you have only 29% of your volume in film versus 48% at the end of the year and film is on an average 1,000 basis points below the tablet in terms of net revenue and margin, that is going to be a mix impact. That's a mix impact.

The second thing is that from one quarter to the next, there can be shifts between tablet and film volume throughput because of inventory systems and wholesalers, and also that we had the one-off effect, what I'm talking about, of the Medicaid. So there are a number of moving parts and I don't think you should get too stuck with the Q3, Q4. On a month-on-month progression, we are making progress on the film. And that has not stopped even today.

Okay, can we take one last question and will people be happy with that? No? Let's start with that one.

<Q - Rosie A. Edwards>: Hi, it's Rosie Edwards from Goldman Sachs. Two quick questions. Could you give us an idea of how much Australia and New Zealand is within LAPAC? And secondly, how should we think about the SSL synergy targets for 2012 and how does the £50 million, which I think is still to come, fit into the £100 million flagged today to be...?

<**A - Rakesh Kapoor**>: I'll let Liz deal with the second one. The first one is unfortunately, the answer is, I can't give you. And I will admit, I can give you, but I'm not giving you. I can give you precisely, but I'm not giving you.

<**A - Mary Elizabeth Doherty**>: On the SSL synergies, we sort of achieved £85 million or round about £85 million this year which, to be fair, is mainly due to timing. We actually got them earlier rather than an absolute increase. Now what we committed to do was to do over £100 million and anything over and above that, we would actually reinvest. So I wouldn't expect much more than about another £15 million to £20 million coming through from the SSL that you would see.

<**A - Rakesh Kapoor**>: And whatever we do, we basically put it for investment.

<**A - Mary Elizabeth Doherty**>: Yes.

<**A - Rakesh Kapoor**>: Let's take one maybe. Okay, let's take this one.

<**Q - Clive W. Black**>: Hi. Clive Black from Shore Capital. Can I just ask a very general question on one of your KPIs for the future. On the outperforming in the market, just so I understand, what's your definition of the market you're going to be outperforming? How do you collect that data? How robust is that? And secondly, how do you get to 200 basis points?

<**A - Rakesh Kapoor**>: So first of all, I think that data is from Nielsen and that is the data which is a combination of the market and the categories that we are creating around the world. You've just seen a broad coverage of where we are from a brand-to-brand point of view and country-to-country point of view. That's the market.

<**Q - Clive W. Black**>: So is Nielsen covering every market?

<**A - Rakesh Kapoor**>: Not every market, no. If we are not in a certain market, of course, we are not getting that coverage.

<**Q - Clive W. Black**>: So what proportion of the market you're assessing is covered by that data, just so we know?

<**A - Rakesh Kapoor**>: The one that we cover with Nielsen? We cover, broadly speaking, from 70% to 80% of all the categories and markets we operate in. There are some categories and markets which are really very small and the cost of Nielsen is much more than the value of Nielsen. So we are also quite straightforward, where the value of the data becomes meaningless. But we cover, by and large, the vast majority of our key markets and key categories around the world.

Our expectation for the future is actually our expectation is what – because Nielsen is again hindsight. It's not foresight. So we've got to use our own judgment on how we see the market, how we actually set our objectives and where we see it grow. Then you asked a question of 200 basis points of outperformance. 200 basis points of outperformance is what this company has delivered for many years. And even there the question has been, can we do that again in the future? That's our central question. And what we are saying is, we can.

Last, absolutely last.

<**Q - Eddy J. Hargreaves**>: Thank you. Eddy Hargreaves, Collins Stewart. Just still sticking with the targets, you're obviously targeting some medium-term margin improvement at the group level including zero improvement, for reasons that we understand in 2012, and yet there's some quite significant geographic negative margin mix implied by your proposed shift from 42% to 50% weighting in emerging markets. Just trying to square that circle a bit, mathematically that looks like quite a big ask over the five-year period.

And then, if part of the answer is operational leverage, then going back to the 200 basis points of sort of beating the market, that doesn't seem to be any acceleration relative to the past, as in fact you've just said. And why isn't that accelerating given that you've got more weighting going into the faster growing regions of the world?

<**A - Rakesh Kapoor**>: Let me answer the last one and Liz will take the first one. I'm sure. So, five years down the line, if the growth rate, both in economic terms and GDP terms and market terms, do not change from where they are

and the mix of growth does not change, then you should see a faster acceleration in the out years because of the market mix changing. Mathematically, it could happen, right? As the markets become faster growing because of the change of mix, our outperforming versus the market should lead to higher growth rate.

If that is your question, the answer is, of course, yes, because for the sake of argument, if we had, I don't say it is literally, 100% of our business in India and India was growing at 10% and I would say, well, I would grow at 12% because I've set a 10% annual growth target. So that is mathematically absolutely true and that's what you should think.

<Q - Eddy J. Hargreaves>: Sorry, the 200 is on average over a five-year period, or is this a conservative number?

<A - Rakesh Kapoor>: No, I don't think it is conservative or optimistic here. We are trying to set a target here, which we want to aspire to and we want to go for. So, I don't think we should take more than that, that this is an outperformance target relative to where we are. And as we try and improve where we are, based on this, it should lead to a superior growth profile for this company. That's what we're targeting for. That's the central piece of our strategy, move our brands and our geographies in the right mix so that we can benefit from growth and that's what we're trying to do. Now, you had other question ...

<A - Mary Elizabeth Doherty>: And at the moment, if you take a look at the history of Reckitt Benckiser, we have actually steadily – with the exception of last year because of RBP – we have steadily improved operating margins over that period given that we had and for not many years ago, we had a developing market which was actually negative in margin. And if you take a look at what we've been saying over the last few years, and whilst this is not a guide for the future, it's just indicative of what we can achieve, we have been improving on average developing markets margins by about 100 basis points per year on average. Now, we will be looking to drive more resources behind it and to accelerate that, but I think it is perfectly mathematically possible to actually get to where we want to be and over the next five years.

Rakesh Kapoor

I would like to leave with one closing part because I think the – we are talking quite a lot about our strategy for growth and outperformance and that's right. But we are not giving up developed markets for dead, like there's nothing here. We still believe there's substantial opportunity in the medium and long term of this company to grow in developed markets because think about dishwashers. We just showed you dishwashes – just take one simple example. In this country, we are sitting in this country, dishwash penetration is 38%, less than 4 out of 10 households have a dishwasher. It's very simply strictly speaking, Germany is 65% and Sweden is much more than that.

So there's a substantial opportunity we still have in these markets to keep growing and that's what we want to do. Is the market tough right now? It's tough. But you know what, it's never going to be exactly like this and in the future, we want to get more growth from here also.

So we have an opportunity to grow everywhere and that's what we are trying to do. But today and tomorrow is about how we reshape it to outperform. Our story is outperformance. We were never absolute people. I think the market sometimes thinks we're absolute people. We are outperformers. Absolutes can also be underperformers. Okay?

So thank you very much for all of today and see you guys.

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