Reckitt Q1 2024 Trading Update

Wednesday, 24th April 2024

Introduction

Richard Joyce

Investor Relations, Reckitt

Good morning and welcome to everyone joining Reckitt's Q1 trading update. Our CEO Kris Licht and our CFO Shannon Eisenhardt will take you through some prepared remarks followed by our usual Q&A. Before we start, I'd like to draw your attention to the usual disclaimer in respect of forward-looking statements contained on page six of our RNS published this morning. So now I'm pleased to hand over to Kris.

Quarterly Update

Kris Licht

CEO, Reckitt

Net revenue in line with expectations

Thank you Richard. Good morning to everyone and welcome to our 2024 Q1 trading update. We had a good first quarter with our net revenue performance in line with our expectations and as communicated in February. After a period of significant price-led growth, we are pleased to see volume growth across many of our power brands, including Dettol and Lysol, Durex, Finish, VMS and our non-seasonal OTC brands.

Innovation platforms driving growth

Our large innovation platforms continue to drive growth. Our premium thermoforming products have been instrumental in delivering high single-digit growth in Finish for the quarter. Lysol laundry sanitiser and the recently launched Lysol air sanitiser helped deliver double-digit like-for-like growth in Lysol. In intimate wellness, our recently launched Durex Invisible and other thin feel condoms are driving growth in the business.

By geographies

From a geographic perspective, Europe delivered mid-single-digit net revenue growth with broad-based volume growth across Health and Hygiene, offset by declines in seasonal OTC brands. I'm pleased with how our developing markets businesses are performing. We delivered strong mid-single-digit volume growth in the quarter led by our two largest markets in that region, India and China. North America saw growth in our hygiene brands offset by the rebasing of our US nutrition business and the expected tough comparatives in our seasonal OTC brands.

Share buyback programme

We are increasing cash returns to shareholders with the recently announced acceleration in our ongoing share buyback programme. We expect to announce the next programme in July.

Strategic agenda

We continue to make progress on our strategic agenda and I look forward to updating you further on this at our half year results in July.

Quarterly results on track

With these Q1 results, we are on track to deliver our full year guidance. Shannon will now provide you with further detail on our Q1 trading performance and our full year outlook.

Trading Performance and Outlook

Shannon Eisenhardt

CFO, Reckitt

Thank you Kris, and good morning. As Kris mentioned, we've made a good start to the year, in line with our expectations and consistent with the guidance we communicated at our 2023 results presentation.

Balanced contribution to growth

For the quarter, we delivered 1.5% like-for-like net revenue growth with a more balanced contribution from price, mix and volume. The improving volume trends we saw through 2023 continued. Our combined Hygiene and Health portfolios grew volume by 1.4%. This was offset by the expected volume decline from the continued rebasing in US Nutrition. Price mix growth was 2% driven by both carryover pricing from last year and selective new pricing actions in the quarter.

Highlights by business

Hygiene

Moving on to some brief highlights by business. Our hygiene business grew 7.1% on a like-for-like net revenue basis. Volume growth was 2.9%, continuing the sequential volume improvement we saw in 2023. This positive volume growth was led by power brands including Finish, Lysol, Vanish and Harpic.

SAP implemented in Brazil

As part of our ongoing ERP upgrade around the world, we implemented SAP in Brazil at the end of the quarter. In order to ensure continuity of supply, the timing of our shipments was impacted. This resulted in a 2% net revenue and volume benefit to our Hygiene business in the quarter and this will unwind in Q2.

Price Mix

Price mix was 4.2% driven by a combination of carryover pricing from last year, selective pricing actions in-year and positive mix as Finish consumers continue to trade up to our superior thermoforming innovations.

Key drivers

Key drivers of net revenue growth were high single-digit growth in Finish and low double-digit growth in Lysol. Lysol grew across all key segments as we benefited from distribution gains in wipes and drove penetration in both laundry sanitisers and air sanitisers.

Health

Turning to health, which delivered 1% like-for-like net revenue growth in the quarter. Similar to our hygiene business, we saw strong volume growth across much of the portfolio including Durex, Dettol, VMS and Gaviscon. As expected, our seasonal OTC brands, including Mucinex and Strepsils, saw volume declines as they lapped prior year retailer inventory rebuild from a historically high cough, cold and flu season. Overall, our health volumes were broadly flat in the quarter.

Price mix

Price mix was plus 1% in the quarter with growth across many brands offset by some pricing actions in Dettol, which we discussed last year. In addition, a relatively soft end to this flu season has impacted late Q1 and early Q2 orders, as retailers manage their inventory levels.

Nutrition

In nutrition, we delivered like-for-like net revenue decline of 9.9% in the quarter with a negative 9.4% decline from volume and a negative 0.5% from price mix. The drivers of like-for-like revenue decline in the quarter are in line with what we communicated in February as we continue to lap high market shares in the US, driven by the competitor supply issue in 2022.

Non-WIC market shares

With a more normalised competitive pricing environment in the US, we have seen stability in our non-WIC value market shares. We maintained our market leadership position at an average of just under 40% share.

Results by geographies

Europe & Developing Markets

Turning now to our group results across geographies. As Kris mentioned, we delivered mid single-digit growth across Europe and Developing Markets. Volumes in Europe were broadly stable, excluding the impact from seasonal OTC brands, and we saw volume growth in Developing Markets led by India and China.

North America

North America saw growth in our Hygiene brands. This was more than offset by the rebasing of our US Nutrition business and the expected tough comparatives in our seasonal OTC brands.

Outlook

Moving to our outlook for 2024, we are on track to deliver for the year and reiterate our outlook of like-for-like net revenue growth between 2% to 4% comprised of mid single-digit growth for our Health and Hygiene portfolios and mid single-digit to high single-digit decline for our Nutrition business. We reiterate our expectation for adjusted operating profit to grow ahead of net revenue for the full year. As I shared in February, the phasing of both our revenue and profit delivery will be second half weighted.

Share buyback

Finally, as previously communicated, we have accelerated the third tranche of our ongoing share buyback programme. We expect to complete this in July and to date have purchased around £600 million of our shares. Additionally, we expect to announce the commencement of our next share buyback programme in July. Kris, back to you.

NEC Litigation

Kris Licht

CEO, Reckitt

Thanks Shannon. Before we get to Q&A, I know a number of you will have questions around the NEC litigation. So let me walk you through where we are today. Litigation will continue in the coming weeks and months. This includes post-trial motions on the Watson case and a new trial currently scheduled to begin on September 30th 2024 in St Louis, Missouri. These near-term events do not change our overall outlook and we remain confident in our position.

To reiterate what we have previously said, Enfamil premature products are safe and provide lifesaving nutrition for premature babies under the guidance of medical professionals who administer and specify our products. We strongly reject any assertion that any of our products cause necrotising enterocolitis and that there was any failure to warn users of risk. The science does not support a causal connection between any Mead Johnson product and NEC. We have no plans to stop providing the product as that would be detrimental to the care of preterm babies and their families.

Safety is and will remain our number one priority across our entire product portfolio and we are not seeing any wider impact on the equity of our Nutrition brands from this litigation.

In closing and to summarise our Q1 trading update, we had a good start to the year and in line with our expectations. We are pleased to see volume growth across many of our power brands including Dettol and Lysol, Durex, Finish, VMS and our non-seasonal OTC brands. Our successful innovation platforms are a key driver of that growth. We are on track to deliver our full year guidance and we are well placed to deliver shareholder value creation from our portfolio of market leading brands, our earnings model and our strong free cash flows.

Thank you. And with that we are happy to start questions.

Q&A

Guillaume Delmas (UBS): Thank you Richard and good morning Kris and Shannon. I've got two questions. The first one is on your Health division. Would you be able to say what your like-for-like sales growth would have been in Q1 excluding the seasonal OTC offering because it seems intimate wellness, Dettol, VMS, non-seasonal OTC, all that performed quite well. So curious to know what was the performance ex seasonal OTC.

And then also consistent with what one of your large competitors said last week, so you were affected by some retailers' inventory destock late in the quarter. Wondering here if you could quantify this impact or I guess more importantly provide some colour on how it'll affect your second quarter? As in could it be meaningful enough to prevent your Health division from returning to mid single-digit like-for-like from Q2?

And then my second question is on Nutrition because at the time of your full year results you were guiding for a low teen decline in the first half of the year. Q1 was arguably the quarter with the toughest comparator and yet you did slightly better than that the low teen decline. So here I'm wondering what drove this better-than-expected performance, especially because Latin America seems to have been adversely impacted by some unfavourable shipments phasing and also some destocking there. So basically why a better Q1 despite LatAm and would it be fair to assume a sequential albeit probably very modest growth in Q2, mostly driven by a bounce in Latin America? Thank you very much.

Kris Licht: Thank you Guillaume. Okay, I'm going to answer your first question and I'll hand it to Shannon on the next two. So in terms of Health, look, I don't think we're going to break this down numerically, but you can see, in scan data, you can see that the seasonal difference is significant, as we expected. It was a record season last year and there was also significant rebuilding of trade inventory in Q1. So it's a significant shift which does mean that our non-seasonal health business did extremely well and that's why I wanted to flag the volume growth that we're seeing, which is broad based across our brands both in non-seasonal OTC, but also in Durex and in Dettol in the Health portfolio. And obviously as I mentioned, Lysol and Finish and other brands in Hygiene are showing very good volume growth.

So we're not going to necessarily quantify that, but I can tell you that it would certainly be in the mid single-digits if not better. And Shannon, over to you on the next two questions.

Shannon Eisenhardt: Sure. So the follow-up question I think you had on Health was around whether we would continue to see retailer inventory management impacting Q2, and so the answer would be we do expect that we'll continue to see that have an impact in Q2. However, we expect that as we move forward we will see sequential improvement in our Health results quarter on quarter through the year.

Then on your Nutrition questions, I think there were really two. I'd start by saying we absolutely had strong trading performance in our Nutrition business in Q1 and I'd also call out one quarter doesn't make a year. Having said that, what drove our over-delivery in the US was really related to our Nutramigen business and the fact that coming out of the recall in Q4 we were restarting shipments of Nutramigen to consumers and had the ability to refill that pipe. We had strong supply performance that allowed that and we're seeing strong consumer demand for Nutramigen in the US.

On LatAm, I would just first note it's a relatively small business. We did call out the results in Q1. We had one consumer who we saw doing some destocking as they were managing -- or customer, I apologise -- as they were managing their inventory levels and we had a change in a distributor within LatAm. We absolutely expect LatAm to pivot back to growth as we exit the year.

Celine Pannuti (JP Morgan): Alright, good morning. Thank you for taking my questions. Two. The first one is on the volume recovery that we have seen in the Health division. So it was quite encouraging to see that sequentially. Can you talk about where this volume growth came from and how confident you are that the innovation that you've put through, the execution will sustain this kind of gradual volume recovery?

And my second question is regarding to NEC, the litigation there and referring as well to the call that we had I think several weeks ago with some of your experts. I want to understand you were mentioning at the time that the litigation was with Mead Johnson, so would it be a solution for you to split the business and yes, trying to segregate Reckitt's value from this litigation and/or what are your thoughts about accelerating potentially a settlement?

Kris Licht: Okay, so Celine, thank you for the questions. Let me tackle the first one here first. So look, the volume performance in Health outside of non-seasonal OTC is quite broad based, which is positive and also not a surprise to us. As you remember, I'm sure, volumes in Health have been resilient through the inflationary period and we have seen a lot of growth in different franchises and in different markets and that is the picture that's continuing. So really the outlier in the Health portfolio at this moment is the normalisation, if you will, of OTC volumes following that record season last year and the pipe fill associated with that. So it's very broad based.

Now, I mentioned in my remarks that innovation is the driver of this. It's a major driver. If you think about the innovation platforms that we've launched behind our Durex franchise, in our Durex franchise across many markets, and I would probably highlight here in particular China, which is really working very well for us, where we have a number of large innovation platforms and new materials that we've introduced over the last 24 months that continue to drive strong growth.

We are seeing innovation working for us in other parts of the portfolio as well in Health. In non-seasonal OTC, Gaviscon is a very successful franchise and we have seen good innovation contributing to that growth. In the non-seasonal parts of the Nurofen portfolio, we have very good innovation in places like Europe that are really working for us.

So it's broad based and that gives us confidence. As I've said before, the way we think about innovation platforms is we want them to be permanent additions to our business. So this is not about launching a bunch of new SKUs and then they cycle in and out of the shelf. It's about facing new elements of business into our portfolio that's accretive, that solve new problems for consumers and that's what we're doing broadly across the company. I'm very pleased with the progress so far, but this job is not done and we have a number of innovations and a number of new platforms that we continue to invest in and that we will be launching over the next 12 months. So more to come on that front, but I'm pleased with how that is going so far.

Your second question on NEC. Look, I think as we've said before, we're in the early stages of what is a large and complex litigation. I think we need to, while I certainly understand that everyone would like to resolve this matter and of course I don't disagree with that at all, but it is not prudent, I think, to speculate right now on structural moves that we may or may not consider. I can tell you that we are spending a lot of time thinking about how to best navigate the litigation, how to prevail in the litigation, and we remain confident that we will prevail because the science is clear, the benefits of what we do every day is clear and I think you're seeing more voices come to the table as well in the marketplace that are serious voices based on science, based on concern for premature babies and their families.

Most recently the leading non-profit representing parents with kids that unfortunately have NEC, the NEC Society, has I think said some sensible things and I think we'll hear sensible things from other parts of the US and the marketplace and I welcome that.

So I can't share with you today many new specifics on the NEC litigation. As I said in my remarks, there are not so many new developments, but we are completely committed to keeping you fully informed on that as new things develop and as we make further choices in terms of how we best represent the interests of Reckitt's shareholders.

Iain Simpson (Barclays): Thank you very much. Two from me if I can. Firstly, when did non-WIC nutrition stabilise in the US and has volume sequentially stabilised alongside value? And secondly, can you give us some colour on which brands drove that mid single-digit development part of volume growth? Thank you.

Kris Licht: So I think Iain, you're asking when did non-WIC stabilise? So I think in terms of share performance, what we're seeing at the moment is a fairly stable picture now and that is what happened in Q1. I want to make sure that I'm answering your question, is that your question?

Iain Simpson (Barclays): That's correct. I'm just interested how many months of sequential share stability we've had in US non-WIC brands.

Kris Licht: Okay. Well we've had a few puts and takes from the Nutramigen in and out so to speak of the market. So that would've caused the syndicated data to show a slight share decline early in the quarter and then a share recovery later, but effectively it's stable.

Iain Simpson (Barclays): Great, thanks. And which brands drove Developing Market volume growth, please?

Kris Licht: Yeah, so the brands that I mentioned are the brands that grew also in Developed Markets and I mean across Developed and Developing Markets. So in terms of Developing Markets, we saw a lot of strength in Durex, we saw strength in Dettol volumes and in non-seasonal OTC. So we've also seen good volume performances from Harpic and from Vanish. So it is broad based.

Victoria Petrova (Bank of America): Thank you very much and congratulations on the results. I have three very short questions. First one is on Hygiene. You had 7.1% growth in the first quarter, yet you are keeping your full year guidance. Where do you expect slowdown to come from? Was the first quarter a one-off in this context?

My second question is on margins and I know it's too early in the first quarter, but you said that margins will be also kind of more beneficial in terms of progress through the year. How should we think about it, especially in the context of your Nutrition business? Should we expect significantly lower margins in the first half of the year versus the second half?

And my third question is very technical. When do you expect any first news on your appeal in the context of Ms Watson's verdict? Thank you so much.

Shannon Eisenhardt: Great, I'll jump in here Victoria. So first your question on Hygiene. As you quoted, we did deliver the 7.1% like-for-like hygiene Q1. I wouldn’t articulate it as we expect any slowdown. I just remind you that 7.1% included a two-point benefit that was purely timing but related to that SAP implementation in Brazil. So this underlying 7.1% was really 5.1% and we would expect, as we shared in our guidance for the year, that our hygiene business will deliver mid single-digit growth across the year.

From a margin standpoint, really no comment today given it's just a trading update, although I do want to make the point that we shared in February, and that I shared again today, that we expect the phasing of our margin growth and margin delivery to be back-half weighted. So very consistent with what we said around top line, we shared that same guidance around bottom line in February and wanted to make sure that that was clear.

And then as far as the new news on NEC, I'll pass that over to Kris.

Kris Licht: Thank you Shannon. Look as you can probably appreciate, it's not appropriate for us to comment on specific cases that are undergoing litigation. So I can't speak to specific outcomes and cases, but I can say that we are completely committed to giving you timely information and any information that we receive and that we think is material and important, such as the kinds of questions you're asking, we will share with you in a very timely fashion. So I'm sorry I can't speak to the specifics on that, but I hope you understand.

Tom Sykes (Deutsche Bank): Thanks everyone. You've mentioned Dettol volumes a lot, but you also mentioned that pricing had come down. Was Dettol actually, in totality, in like-for-like for growth please? Then also just in the Developing Markets business and in OTC you pick out, sorry, Health ex-OTC, you pick out sexual health Durex. How did Russia perform in this and any update on that please? And maybe just on the guidance on the margin improvement in total, and I guess that's EBIT margin. Is there any view that your EBITDA margin would also improve, please? Thanks.

Shannon Eisenhardt: Okay, so Kris and I are going to take turns here. I'll start with your Dettol question. So you're correct. Dettol was in volume growth, which is fantastic. From a like-for-like basis, there's some phasing, timing, that we're comping from the front half of last year, which has Dettol in a small decline from a like-for-like net revenue standpoint for Q1.

I think your next question was on Russia, which I'll pass back to Kris for that.

Kris Licht: Yes, I mean from a trading standpoint, Russia was not a major driver of our performance in the quarter. I think you also asked about Durex in particular and I would say Durex is in broad-based growth and it's really great to see how successful our intimate wellness franchise is broadly across markets, especially the largest markets that matter most to that business. And China - actually, if I was to highlight a main driver of this performance, China has really posted some outstanding performance in recent quarters behind Intimate Wellness.

Shannon Eisenhardt: And then your last question was around our guidance on EBITDA and whether that was the same as the guidance we've given for EBIT margin. And yes it is, and I'll just repeat, both our net revenue and our margin or profit guidance is that it will be back-half weighted, which we shared in February and again shared this morning.

Fulvio Cazzol (Berenberg): Yes, good morning and thank you for taking my questions. I've got a couple. You called out China and India a few times. I was just wondering if you can share or remind us how big these markets are as a percent of Reckitt's group revenues and if you can also share what the like-for-like sales growth in these two businesses or these two countries were in the quarter.

And then my second question is just generally on the industry pricing environment. I mean have you seen any signs of higher promotional intensity across any of your categories or countries or is it still fairly robust? The general pricing environment? Thank you.

Kris Licht: Okay, let's take those in turn. So I'll actually start with your last question. Look, I would say that we haven't seen a lot of promotional intensity pickup. We are seeing - I would say – a return to normal trading, normal promotional activity. During the inflationary period, we did not see as much promo activity, as I'm sure you know, and I think all we're seeing at the moment is a return to normal promotional activity, and promotional depths and levels. I mean look, this is a nuanced picture, so I'm giving you the aggregate view. Of course there's always going to be some variance in a single market and a single category, et cetera, but broadly speaking we are not seeing anything that is of concern and anything that we think creates risk. Of course we are in a moment of transition out of the inflationary period into, as we can see in our results today, a more balanced algorithm. So that's something that we expect to continue, we want that to continue and this is an issue that we're watching quite closely, but as we said, we're not seeing anything that is causing us to be concerned at this moment in our large markets.

Shannon Eisenhardt: And then I'll take your first question around China and India. So we aren't going to share specific numbers around those countries. What I would say is they are our two largest countries within our Developing Markets and they both delivered, as Kris said, strong growth in Q1.

Kris Licht: And I could just add to that, I did share some statistics that were longer term statistics during our presentation at CAGNY and I think it's important to just call out that we have been very successful in China and India over the years, and they're among our top five markets. And it's a part of our portfolio that I think is very good because it gives us exposure to high growth at meaningful scale and I expect that to continue.

David Hayes (Jefferies): Hey, thank you morning all. So two for me, three for me actually if I can quickly. So firstly, just on the cold and flu season and the dynamics in March and April, sounds like you were calling out this weaker season, so is it notably down in April and we should think about that still having an effect in the second quarter in terms of that dynamic of year on year?

The second question is just to be having a strategic agenda update at the first half result I think you mentioned earlier. Can you just give us a sense of what that will cover? Is that something that's being formulated now? Will it involve mid-term guidance, expectation changes, new approaches and processes? Or is it just going to be a very incremental update on the current strategy?

And then the final quick one, just on WIC contract renewals, is there any WIC contracts that are due for or going through a process of renewal or review and that we might hear about over the next nine months or so? Thank you.

Shannon Eisenhardt: Okay, so I'll try and take your first question around cold and flu season. So we do expect to see an impact in our Q2 results from the continued inventory destocking in the US as we are seeing some key customers there manage their inventory levels. And I'll say that we expect to see, as we look forward for our Health business through the year, sequential improvement in those results as we move through the upcoming three quarters.

Kris Licht: On the strategy update, I mean we'll do that at the half year, so we're not going to preview that today. We are very committed to our strategic direction, we're very comfortable with it as is the board. So I'm not going to say much further about that, but we do intend to provide a progress update and we'll get back to you at the half year with all of that.

In terms of WIC, no, there are no large contracts coming up and so I don't expect that you will have any significant news on that in the near future.

Jeremy Fialko (HSBC): Hi, morning. Morning everybody. Just a couple of clarifications and then one question. So the two clarifications are first of all on these NEC post-trial motions. I think when you held the original call straight off the initial Illinois verdict, I think you talked about a one-to-two-month timeline on those post-trial motions. Is that still your expectation or has it actually extended a bit? Second clarification, just on Health, are you indicating a like-for-like performance broadly similar to Q1 given you have this destock impact in Q2?

And then final one is on pricing over the balance of the year. So you are at 2% in Q1. Now if you look over the balance of the year, potentially you can have slightly better mix because there's less of an OTC negative impact, but at the same time you are still lapping some pretty high price comps or price rises that you put through last year. Could you talk about how you would expect the pricing component of your organic growth to trend over the subsequent course? Whether you'd expect it to still trend down towards around the flat? Thanks.

Kris Licht: Okay, let's take those in turn. I'll start with the NEC question. We have no real update on that. We still expect these post-trial motions to continue along the timeline that we set out. And again, we're not fully in control of that timeline either as I'm sure you know. But we don't have any new information on that to share at this moment. Again, if we do get important information on timings of that, we will be transparent with you and share that with you in a timely fashion. Shannon, over to you on the other two.

Shannon Eisenhardt: Sure. All right, so first question was around Health. We are not going to give quarterly guidance on the Health business. What I would say is we're comfortable with where consensus is sitting for Health for half one and for the full year. And we reiterated that guidance earlier in the morning.

And then on your question around the impact of pricing and our expectation, I would say we expect to see a similar impact from price / mix as we look forward across the year. And so I don't expect that- if your question was does that go down to zero within the year - I do not expect to see that.

Emma Letheren (RBC): Hi, thank you for taking my question. Given your margins are ahead of peers and the several negative unexpected events that have happened over time at Reckitt, I'm wondering if you've put any thoughts or possibility that your business is over earning and would actually benefit from some additional investment to improve that resilience? Thank you.

Kris Licht: Okay, let me take that question. Look, this is a question that we have some experience analysing and discussing because as you may recall, this is a while ago, but back in the period pre-Covid, there was a time when the company did in fact overearn. And we have been in the business of reinvesting in the company and reigniting growth since that period of time. And what's so encouraging to see is that our investments in innovation, in our pipeline and in our commercial execution is bringing results and driving volume growth at a time when that is really something we're looking for in our business. So I'm very pleased that those investments are translating to performance, and I think we have more of that performance in our future and more of those returns on those investments coming.

In terms of overearning, look, we have no interest in overearning, but it is the case that we have a truly excellent portfolio of premium brands and our earnings model is very attractive. It has historically been very attractive, it remains very attractive, but we understand that the most important thing here when you have a P&L like this, an earnings model like this, is to drive sustainable growth and volume driven growth. And that's exactly what we're focused on. If we see areas for further investment where we can accelerate that growth, we will not hesitate to invest in those areas.

And that's not a throwaway comment, that's really something that we are assessing. There are places in our business where I do think we can invest more, but I don't think it'll require any kind of significant adjustment to our earnings model or our margins. Many of the places where we can and will invest in the business for greater growth generate near term returns as well. So that's a positive, that's a plus.

But there are areas where we will want to continue to invest. Our OTC franchise has historically been very successful. It's an area where we are investing and we will continue to invest. Intimate Wellness is a successful franchise. We will continue to invest in that. Our growth in Finish is good, and our premiumisation in Finish is very good and we will continue to invest in that. And overall I expect that we will continue to invest in our supply chain to make it even more resilient and agile than it is today.

So I would say - absolutely, an attractive portfolio that should generate high margins,and it is. And we will not at all entertain any ideas that we would push our margins to a level where we can't drive sustained growth.

Chris Pitcher (Redburn Atlantic): Thank you very much. A couple of questions for me, please. Forgive me if I've missed it, have you given an actual like-for-like sales performance for the total OTC portfolio in Q1? And if not, could you?

And then secondly, just on Dettol, you talk about a bit of a price reset. Dettol pricing has been an issue for a few years now. I remember when you initially did your first margin reset, part of that was to fund a Dettol price reset. Can you just give us a bit more colour on how you're improving your price monitoring, your execution, around Dettol and what is it that's causing the problems? Are competitors moving quicker? What are you missing? I just want to get a bit more confidence that Dettol is back in the right range now, particularly in important markets across South Asia. Thanks.

Shannon Eisenhardt: So I'll take your first question. We haven't shared like-for-like for sales for our OTC store portfolio, and that's not a data point that we are comfortable sharing or that we intend to share at that level. And then Kris, I'll pass Dettol to you.

Kris Licht: Yeah, sure. Look, firstly, I think it's important that we say that Dettol has been an extremely successful franchise and the clear winner in its markets in disinfectants through the Covid pandemic. So the household penetration gains that we realised with Dettol were among the top of the consumer goods industry during that time. So this is a very successful franchise. The franchise has grown well and is growing volume as we talked about at the moment, and also gaining share in its key markets. The most important markets for Dettol are markets like India and China and I had talked about the strength there before.

Now in terms of why do we often talk pricing in the Dettol franchise and why do we sometimes find that we need to make adjustments to be competitive? As you referenced in certain markets, it's because it's an intensely competitive place. As you know, in Dettol we have a big bar soap franchise that's a very price-sensitive place to be. It's also a very strategically important place to be because it's where we bring people into our franchise and then we trade them up from there. That's our whole model. And so it's important to be price competitive in a segment like bar soap. Sometimes we find that we're not competitive enough and then we make adjustments and that's sort of the nature of competition in that space.

I would not say that we have any systemic issues with pricing in Dettol. Actually the franchise has been and is currently trading well, and it's successful and it's a great part of our portfolio. But it's intensely competitive and we have to remain competitive. And in a competitive market like that, anytime you make any kind of mis-step, you get penalised. And that's not unique to us and it's not unique to Dettol. It's true for everyone competing in that space.

Bruno Monteyne (Bernstein): Hi, good morning. Kris, my first question is for you. You tend to refer us to the science in the NEC cases, which is clearly on your side. What I don't understand is if I look at other corporate litigation cases, science wasn't always that important. I mean, many of these companies felt equally sure about the science kind of being on the right side. So what gives you the confidence that in these jury cases science is all determinant versus other factors? Why do you think science will be more useful to you than it has been to other companies?

The second thing is there was a question previously about corporate strategy and you sort of avoided it and started talking about the NEC litigation, but I really think coming back to corporate strategy seems important because I feel like the Reckitt history is almost like a living proof that there's limited or no synergies between selling condoms and dishwasher tablets in the same business. And your businesses are probably worth more to other operators who might have bigger cost synergies. I think also effective governance has been a challenge for your board as well. So given all that kind of history and evidence, why is a rethink, a radical rethink of corporate strategy, not your top priority? Thank you.

Kris Licht: Okay, so our NEC look, I mean obviously the role of science is incredibly important because while the Watson case didn't bear this out today, the scientific evidence is really important to arrive at the ultimate verdicts and the conclusion of this. It's not just science, it's also the medical consensus, which is really important. And as you see with the statements coming now from other parts of the stakeholders here, the NEC Society as an example, there's a public health interest that is very real in these matters.

I can't comment on other companies' litigation, but I can say that because of the confluence of strong scientific basis for our viewpoint - an unequivocal scientific basis, really - a very strong consensus in the medical community and the very real public health issues that are at stake here, I do think that these matters will be very consequential in how this litigation is ultimately resolved and how it ends.

Now the question on corporate strategy, look, there's no question that assessing our strategy is an important exercise and it's something that we have been doing. I think you made reference maybe there to some of the past assessments and discussions we've had, including the debate about RB 2.0, which we studied extensively and resolved. And anyway, I can tell you that we are hearing a lot of alignment to our current plan from our large shareholders and our board is aligned. And so I think that's what I can say about that. I will provide further updates on our strategy and our direction at the half.

Thanks a lot, that's all we have time for. Thanks for dialling in and have a good day. Bye.

[END OF TRANSCRIPT]