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Reckitt H1 2022 Results

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Introduction

Richard Joyce

Head of IR, Reckitt Benckiser Group PLC

Welcome

Good morning everyone. Welcome to Reckitt's half-year 2022 results presentation. Before we start I would like to draw your attention to the usual disclaimer in respect of forward-looking statements. Today we have our CEO Laxman Narasimhan and our CFO Jeff Carr. They will present a review of our half-year results, our updated outlook for 2022 and provide some further proof points of our transformation journey. Following the presentation we will do the usual Q&A session. We will take questions from the room followed by written questions via the webcast. For those of you who have joined online please feel free to submit your questions via the 'Questions' tab near the top of your screen. Now without any further ado I would like to introduce our CEO Laxman Narasimhan.

Q2/H1 2022 Highlights

Laxman Narasimhan

Chief Executive Officer, Reckitt Benckiser Group PLC

Agenda

Thank you, Richard. It is great to see all of you this morning and thank you for joining us. Three years ago, we began to take steps to return Reckitt to sustainable mid-single digit growth and mid-20s operating margins. We continue to make strong progress on this journey and I look forward to sharing this update with you today. I will start by running through some highlights and some key messages. Jeff will then take you through our half-year results in more detail plus our updated 2022 targets. Then I will finish by giving you an update on our transformation progress.

Positive momentum continues

Strong Q2 and H1

I have three key messages for you this morning. Firstly we have made a very strong start to 2022, outperforming our own expectations on both revenue growth and operating margins. This outperformance is broad-based across our GBUs and our geographies.

Transformation delivering results

Secondly, our transformation is already delivering results. We have a much stronger business than we had three years ago. We have better executional muscle. Many of our innovations that were in the pipeline are now launching across our markets and we have a great leadership team in place. I am very pleased to say today that we are raising both our full-year revenue and margin expectations. Our transformation is not just on track, it is already delivering mid-single digit revenue growth.

Resilient business model driving earnings growth

Thirdly our resilient business is driven by a strong earnings model. We operate in categories with a significant runway for long-term growth. We have trusted, market-leading brands. Our performance-driven ownership culture builds on our past and is evolving to support us in

our future. We therefore have a business which through our transformation is well invested in, competitive and resilient. Reckitt has undergone a lot of change over this period, amidst some extremely difficult conditions. It is a testament to each and every one of my colleagues at Reckitt who have stepped up and delivered no matter what challenges we have faced. The results show the impact of their work and I thank them for what they have done.

H1 2022 Results

Highlights

I will now provide you with a few highlights for H1. Our like-for-like revenue growth in the second quarter was 11.9%. Our growth was broad-based across our GBUs. It was driven by a combination of both strong underlying momentum as well as some positive short-term factors. Our earnings model benefitted from positive mix and outstanding performance from our productivity programme, as well as responsible pricing, all of which contributed to delivering an adjusted operating margin of 25.6%. This represents 290 basis points of margin expansion versus the first half last year. Again, some of this expansion is due to one-time and short-term benefits but overall, this is a very good performance in difficult conditions.

On market share performance, our overall business continues to grow share on a weighted basis, both year-to-date and in the quarter. I am pleased with our progress. In respect of our more binary measure, 55% of our core category market units by revenue are either gaining or holding share on a year-to-date basis. This slowdown from Q1 is due primarily to three of our large CMUs which impact short-term market share but not underlying momentum. The first is Lysol which reflects a lapping of a branded competitor's distribution challenges in wipes last year. Second is Dettol India which reflects a comparator for the peak of the Delta variant and third Dettol China which reflects short-term entry into the category of adjacent market players during the Omicron lockdowns.

Our e-commerce business grew 25% like-for-like in Q2 which means for the half we grew by 19%. E-commerce constitutes 13% of our Group net revenue and we remain focused on our goal of e-commerce constituting a quarter of our total business by 2026. Our productivity muscle is world-class and it is deeply embedded inside the company. We have delivered over £370 million of incredible savings in the first half and I believe we can get close to our £2 billion target by 2023, a year early. It is this, along with our strong portfolio and operating leverage which puts us in a position to deliver mid-20s operating margin sustainably in the medium-term.

I will now hand you over to our CFO, Jeff Carr, to take you through our financials in more detail and our upgraded expectations for 2022.

Financial Review and Outlook

Jeff Carr

Chief Financial Officer, Reckitt Benckiser Group PLC

Group summary

Positive momentum

Thank you, Laxman and good morning, ladies and gentlemen. As Laxman said, net revenue was extremely positive in the quarter, up 11.9% on a like-for-like basis and in the half 8.6%. Importantly, volumes grew 2.2% in the quarter and 1.2% in the half. There are a couple of factors in here in terms of the volumes. Obviously, Lysol volumes were lower but we also had the offsetting effect of higher US IFCN volumes. Just to take the noise out, if you exclude these two factors volumes elsewhere in the Group were up 7% in the quarter.

Price mix grew by 7.4% in the half helped by trade spend efficiencies, a favourable mix related to higher OTC sales and the benefit of additional WIC IFCN sales in the US for which Reckitt will not incur rebate claims from the government. Excluding these factors gross pricing grew at a responsible 6% level.

Adjusted operating profit grew 20% at constant FX rates to £1.8 billion. As Laxman said, giving a margin of 25.6% up 290 basis points from half one 2021. This is a strong underlying performance but it did benefit from a couple of one-off items which I will guide you through in a short while.

Net revenue

Broad-based growth across the portfolio

Now the important takeaway from today is that the growth reflects the attractive categories that we are present in but that the growth has been broad-based across the whole portfolio. It is evident that the investments we have made in the last two and a half years are now delivering sustainable top line outperformance. Hygiene like-for-like net revenue was down 2.5% in the quarter but just excluding the Lysol reset the rest of the business unit grew at 8.9%. Health like-for-like net revenue was up 24.2% in the quarter with OTC up over 60%, albeit versus a very weak comparative period in 2021. But again, the growth was broad-based. What was really pleasing was to see Dettol returning to growth in the quarter in line with our expectations. As I look at Nutrition like-for-like revenue growth was up 26.8% in the quarter, partly driven by the market conditions in the US but we also saw healthy growth in LATAM and ASEAN. Now, if we were to adjust for the impact of the US infant formula market disruption, we estimate the Group like-for-like net revenue growth would have been up 8.6% in the quarter and 6.2% in the half.

Leverage drives adjusted operating profit growth of 20%

In the period net revenue grew by 9.8% at actual exchange rates or 7.5% at constant rates to £6.9 billion. Last year's numbers have been adjusted for the disposal of IFCN China but not the smaller disposals such as Scholl and E45. Adjusted operating profit as I mentioned is up 20% at constant exchange rates to £1.8 billion, primarily due to the leverage benefits with BEI and other costs broadly flat on last year.

Gross margin in line with prior year

Let me spend a little bit of time going through the Group margins. Because of the extraordinary work from our Reckitt colleagues our gross margin for the half was in line with last year at 58.1%. This is an exceptional performance in the current market conditions. Gross margin has benefitted from three key factors. First and most importantly our best-in-class productivity programme. Total productivity initiatives in the half delivered some £370 million of savings with the majority of those savings impacting gross margins. Second, as I mentioned, we had a price mix of 7.4% with a responsible gross price increase of 6%. Third we saw a favourable margin benefit of 100 basis points due to the OTC mix impact versus last year. Of course offsetting this we continue to see significant cost of goods inflation. We have guided for the full-year inflation to be at the high-teens level and this was slightly lower in the first half due to more favourable hedge positions. We expect it to be slightly higher than that at almost 20% in the second half.

Let me explain some one-off temporary factors also included in these results. First we have a gain of £58 million from the sale of surplus land in Asia and that has an 85 basis points benefit to the Group margin in the half. Second, our profit margins for our Nutrition business unit are abnormally high due to the high volumes delivering significant leverage across the BEI and other costs. Taking these factors into account brand equity investment was slightly up in absolute spend terms as you saw on the previous chart but we delivered benefits of leverage driving 100 basis points of margin improvement. Other costs were also flat in absolute terms so together with the impact of leverage and the profit on the sale of land we see 190 basis points margin improvement in this area. This all adds across to a 290 basis point increase in adjusted operating profit margin at 25.6%.

Hygiene

Improved Q2 net revenue performance

Moving on, Hygiene net revenue was £2.9 billion in the half with like-for-like net revenues down 6% and these numbers are clearly impacted by Lysol sales which peaked in the first half of 2021. As we have said, Lysol is down around 30% in the first half but this is very much in line with expectations. As I mentioned earlier, excluding Lysol, Hygiene growth was broad-based with like-for-like net revenue growth of 6.3% in the half and 8.9% in the quarter, with double-digit growth for key brands like Finish, Vanish and Harpic in the quarter. Adjusted operating profit margins were 21.6%, down 400 basis points versus 2021, again reflecting the greater mix impact from Lysol in the first half of last year.

Health

Continued broad-based growth

Moving on to Health, net revenue was £2.8 billion with like-for-like growth of 22.4% in the half and 24.2% in the quarter. Volume growth continues to be strong, 15.3% in the half and up 15.1% in the quarter. Price mix was 7.1% and 9.1% respectively for the half and the quarter. This benefitted from again favourable sales mix from OTC which as I mentioned grew 60% in the half. Again the growth was broad-based. Dettol and Durex were up mid-single digits, Veet and VMS strong double-digit growth and Biofreeze was growing in line with our internal plans. Adjusted operating profit at £799 million was 61% ahead of last year and margins of 28.3% reflect the benefit of the strong OTC mix.

Nutrition

Growth across all regions

Nutrition net revenue was £1.2 billion, up 23.6% on a like-for-like basis in the half and 26.8% in the quarter, with the US up around 40% in the quarter. Importantly again reflecting the broad-based growth, LATAM and ASEAN unaffected by the market disruption in the US both grew high single digits in the half. We saw a strong price mix of 12.9% in the first half but this includes the mix benefits of the higher proportion of non-WIC sales in the US compared to subsidised WIC sales. Gross pricing across all regions for Nutrition was around 7% in the half. Adjusted operating profit at £345 million includes the one-off land sale in Asia with the profit of £59 million and adjusting for this we would see margins of around 24% reflecting the strong leverage benefit with the higher sales delivery.

Adjusted EPS bridge

Moving on to EPS we have seen growth of 25% in the half from 142.6 pence to 178.6 pence, with the vast majority of that as you can see on this chart coming from the operating profit improvement. Financing costs and tax were broadly flat year-on-year and we have an FX tailwind of around 4% or 6.0 pence per share largely due to the strengthening of the dollar to the pound.

Free cash flow generation

Free cash flow improved year-on-year by £207 million to £727 million. Cash conversion at 57% was a little lower than expected due to adverse working capital movement of £592 million in the half. Now, within that inventories were a significant factor and we took inventory higher as we took steps to protect the supply chain and secure certain raw material and ingredients during the half.

Reduction in net debt to EBITDA

Although net debt increased slightly from £8.4 billion to £8.6 billion, again due to the stronger US dollar, the key leverage ratio of net debt to EBITDA was reduced to 2.4x.

2022 outlook

Breakdown of LFL growth

As I look to the outlook for the full-year we have increased our expectations for like-for-like net revenue growth to a new range of 5-8%. Compared to where we were in February we have increased expectations across the board. On the 70% of our portfolio less sensitive to COVID we have moved our expectations from low-mid single digit to high single digit growth. Of course, we have significantly increased expectations for IFCN, however we have also increased expectations from the other brands in this group which includes Finish, Durex, Vanish for example. As you can see, very broad-based growth.

Lysol and Dettol are performing exactly as expected and as we flagged in February. While Lysol was down 30% in the first half, we expect Lysol to be flat to only slightly down in the second half of the year. It was in September 2021 that we first said Dettol would grow in 2022 and this very much remains on track, as you have seen, with growth in the second quarter. In relation to Mucinex, Strepsils and Lemsip, we projected double-digit growth in February and these brands are obviously some of the key drivers in our OTC performance

which grew over 60% and therefore we are raising our expectations on these brands for the full year.

2022 outlook and guidance

Finally in terms of 2022 we now expect adjusted operating profit margin growth versus 2021. It is important not to get carried away. We have had a really strong start to the year, but we are experiencing inflationary pressures, like all of our peers, and we expect the second half to be challenging, especially as the IFCN market in the US normalises. We now expect 7% tailwinds from foreign exchange translation to impact our earnings per share in the year and the remaining guidance remains unchanged. Thank you and now let me hand back to Laxman.

Transformation Process

Laxman Narasimhan

Chief Executive Officer, Reckitt Benckiser Group PLC

We are focused on four of the world's largest problems

Significant unrealised market opportunity associated with addressing these problems

I am going to now give you a strategic update. We have built a very strong presence over decades in hygiene, health and nutrition. It puts us in a privileged position to address four of the world's largest problems with our unique portfolio of brands. Firstly, how can hygiene be the foundation for health? Secondly, how do we enable consumers to self-care at a time when health systems are under massive pressure? Thirdly, how do we support intimate wellness and eradicate the menace of sexually transmitted diseases? Fourthly, how do we provide enhanced nutrition for infants and for the increasing number of seniors in society? Addressing these four problems and capitalising in digital and sustainability puts us in a very large total addressable market.

Our Purpose and Our Fight guide everything we do

With such important ambitions our purpose, our fight and our compass guide our journey.

We play in attractive categories with strong market leading brands

Many of our iconic, market-leading brands are ranked either one or two globally or in the markets in which they serve. These have the equity to be thought-leaders and drive category-leading growth across demand spaces.

Transformation is already delivering sustainable MSD growth

We are now delivering mid-single digit growth on a sustainable basis. You have seen our total company growth rates for both the quarter and the half, which have delivered at least in the mid-single digit range. This total company performance is underpinned by 70% of our brands less impacted by COVID which for six consecutive quarters have delivered in this mid-single digit range or higher.

Four clear growth drivers

The categories in which we play, the large total addressable market and our trusted, market-leading brands drive our mid-single digit growth aspirations. It is this ability to grow mid-single digits by delivering attractive gross margins that is the key to our earnings model. I

have talked before about our growth drivers of penetration, market share optimisation, new spaces and new places. The fuel for these drivers is innovation. I told you in the past we had a much larger pipeline than before and now I will take you through some of the innovations which have progressed from pipeline to launch.

Growth drivers

Fuelled by innovation (Hygiene)

Starting with auto dish, Finish is growing high single digits this year. Finish Quantum Ultimate successfully launched last year using our new thermoforming technology. We are now expanding this technology to Finish Quantum All in 1, our mid-tier product, to deliver higher quality and more sustainable auto dish solutions. In air care our research has shown that lapsed or non-users are seeking lighter, non-overpowering fragrances. Our Airwick Scented Oils have launched a number of new light and fresh subranges with new devices and bigger pack sizes. These innovations have helped us grow market share as we lap high comparators in air care.

Moving to bathroom and sanitation earlier this year we launched our new Harpic Power Plus 10x Max Clean in India which has a 20% more viscous formula and provides a better cleaning performance with superior results. We also launched Harpic Power Plus 3in1 in Thailand. Thailand is a relatively new and under-penetrated market for us. Harpic only entered this market in May 2021 and it is already the number two bestselling toilet cleaner with 20% market share. It is these innovations and launches which have helped Harpic grow by mid-teens this year so far.

In pest we have recently launched in Australia an insect repellent with 100% plant based active ingredients. This non-chemical application provides protection from mosquitos for up to six hours. Our pest business has delivered high single digit growth this year so far with further upside in a large addressable market.

Fuelled by innovation (Health)

Turning to Health and our Nurofen brand. The team has delivered some exciting innovation and launches as we grow the shoulders of this iconic and trusted brand. In Australia we have launched an on-the-go solution with Nurofen Meltlets which provide quick and convenient pain relief that melts in your mouth. We have also rolled out Nurofen 12 Hour pain relief, the first 12-hour pain relief in the Australian market aimed at body pain sufferers needing longer duration relief. In the UK and Brazil we continue to make strong progress with the Nuromol, our unique combination of ibuprofen and paracetamol.

In Germany, a relatively new market for Nurofen adult we have launched a white space expansion initiative into adult analgesics with Nurofen Liquid Caplets providing a unique point of difference to the local category, addressing both speed and duration of pain relief. Turning to Delsym our cough relief brand in the US, we have undertaken a complete restage and repositioning of this brand to focus and win with younger millennial families including a new design rollout, improved shelf presence and brand appeal. This restage is driving strong share gains for Delsym this year.

Moving to our intimate wellness portfolio we launched our latest new Durex polyurethane innovation in China, our softest polyurethane condom providing superior comfort, fit and sensation. In the US we have relaunched our Queen V range of feminine intimate wellness

products. Our first vaginal microbiome or micro-V-iome friendly range that bridges the feminine hygiene and sexual wellbeing categories to create a true intimate wellness destination. I am tremendously excited about our potential in the intimate wellness category and whilst we are starting from small beginnings with Queen V I believe we have a significant runway for long-term growth with our unique portfolio of brands.

In personal care we have just launched our new Veet Intimate Kit for Men, our first dedicated men's intimate hair removal product which has already achieved the number one positions on Amazon and in a number of countries for this category. In Vitamins, Minerals and Supplements we have just launched our Neuriva Sleep range to support restorative sleep and help improve sleep quality.

Fuelled by innovation (Nutrition)

In Nutrition we have innovations across our core, specialty and adult ranges. On our core Enfa range we launched our Enfamil Serenity innovation designed with easy to digest proteins and probiotics. We have also launched our latest Neuropro product which now contains a blend of human milk oligosaccharides that provide additional immune support. In specialty, we have Enfamil A+ the only formula aligned to global expert guidelines for macro and micro nutrients to support growth, weight and neurodevelopment of preterm infants. In adult, we have rolled out Provital in both Vietnam and Indonesia, a product which works to strengthen immunity defences and activate immune responses.

Dettol

Broader shoulders from new spaces and places

You have seen a number of examples of innovation which broaden the shoulders of many of our brands and which provide a larger base on which we expect to grow sustainably in the future. If you look at Dettol, it has maintained an absolute revenue of around 40% above pr-pandemic levels. This is driven first by very strong penetration gains, the highest as Kantar puts it of any consumer brand in the last decade. We also see incremental consumption as we learn to live in this endemic COVID environment. Additionally, revenue from core innovation, rollouts to new places and innovating in new spaces are all building these broad shoulders of the brand and a larger base from which to grow.

I have previously mentioned that we had a very strong innovation pipeline in Dettol and we are now rolling these innovations out in multiple markets. We have included a whole number of examples on the slide but in the interests of time I will highlight just a few, all of which celebrate the distinctive germ-kill positioning of the Dettol brand. Firstly, a new space. We are rolling out Dettol 4-in-1 Laundry Sanitiser Pods in China, highly rated by consumers for their germ protection, cleaning power, colour protection and softness to clothes. They have had encouraging market performance.

We are also upgrading our Dettol Personal Care range, premiumising it as well as bringing new functionalities like Dettol Cool. The share gains we have seen from doing this have helped in securing price increases as we seek to protect our earnings model during this period of high inflation. With such a strong innovation programme coming to market and significant penetration potential in many developing markets I feel excited about both the low single digit growth we expect to drive this year and the long-term mid-single digit growth as we look to the future for the Dettol brand.

Lysol consumption is consistently 50-65% above pre-pandemic levels

Let's turn to Lysol. In the US we are seeing consumption levels track 50-65% ahead of pre-pandemic levels each week. This is sell-out. Our revenue performance reflects sell-in and can be impacted by trade spend initiatives or fluctuations in retailer inventory levels.

Lysol

Broader shoulders from new spaces and places

On to our global Lysol franchise, our revenue in the first half was 55% higher than in the first half of 2019. This is driven by a combination of both higher consumption and broadened shoulders of the brand. Firstly, on consumption we do continue to grow penetration and have made good progress in encouraging our heavy users to buy more than one Lysol product as improved hygiene practices remain. Our actions on broadening the shoulders of the brand have been extensive. I have talked previously about the entry we have made into the laundry sanitiser market, a new space for us. Progress continues to be very strong with consumption year-to-date up over 20% versus last year. This is still a very under-penetrated segment for us with plenty of further growth potential with a strong germ-kill positioning.

We have expanded our on-the-go range as we all go out and travel more whilst living with COVID. Whilst still a relatively small part of our portfolio, consumption in this new space has been strong with growth of over 50% in the last 12 months. We have expanded our Brand New Day offering with new products and fragrancies to appeal to millennials and diverse multicultural consumers with success. We continue to focus on both new and existing markets where we are aiming to amplify our presence and have further increased our partner programme in our business-to-business Global Business Solutions business.

The combination of all these actions have contributed to over a 300 basis points in share gains for Lysol since 2019. Obviously, we could see some fluctuations in Q3 where we did see a delta spike last year but given the actions we have taken to broaden the shoulders of Lysol as well as the positives that come from both the back-to-school season as well as the coming cold and flu season we have built a significantly larger, sustainable base from which we will grow over the medium-term.

OTC

Positioned to win

We have seen excellent growth in the first half from our OTC brands. You could describe the first half as a long and strong flu season. I would say that the symptoms of COVID becoming more flu-like over time, the lines increasingly become blurred between the two as we live in this endemic COVID environment. Again, I am really proud of the work our teams around the world have done to broaden the shoulders as well of our OTC brands as we look across demand spaces. This has happened over the last couple of years to create a sustainably large base on which to grow.

In Gaviscon we have invested in additional lines and have 60% more manufacturing capacity versus 2019. In Mucinex we reshaped our manufacturing network to also increase our production capacity by around 35%. We have expanded into new spaces and places. For example, stretching the equity of Mucinex in the US into the sore throat category with Mucinex Instasoothe. We have increased distribution in Europe by launching in the grocery

channels across the EU and I have already talked about the innovation and new places and spaces we have recently entered with Nurofen.

Our cold and flu brands will have seasonality but we are also growing our non-cold and flu brands thereby broadening our portfolio. I can say with confidence that we have a stronger business with increased penetration and market shares in more spaces and places than ever before. All of this provides a larger base from which to grow. We have grown our OTC brands at a compound annual growth rate of 10% over the last three years. Of course we had slower growth before then.

An attractive earnings model underpinned by strong capabilities

I have spent a lot of time focused on innovation and growth which is obviously a key part of our earnings model. I want to now talk about our strength and capabilities which will drive other parts of our earnings model.

Award-winning campaigns driving brand strength

Core to our success is the strength of our brands. We invest heavily behind them both in terms of insights, innovation, understanding preference and driving behaviour change. We have adopted a category-led approach to our brands and identified new demand spaces for future growth. We have invested in and seen strong growth in the equity of our brands in the first half of 2022 and are very proud that a number of brands have won awards this year, including Kantar's Brand of the Decade Award for Dettol.

Customer execution improving significantly

A key focus for us over the past three years has been improving our relationships, our reliability and our overall service delivery to our customers. Our commercial execution continues to improve significantly and this has helped us increase our share of total distribution points, which increased by 115 basis points versus April last year. I am pleased that our efforts and focus are enabling us to build much closer relationships with our valuable business partners. Our customers are recognising our efforts with their own awards and we have listed just a few here.

eCommerce continued strong growth

We continue to build muscle in e-commerce with capabilities in every market in which we operate. We are partnering with our key stakeholders such as Amazon to share best practices, expanding into new places and innovating to keep our brands on Amazon relevant to consumers. We are also reinventing our tech stack and how we collaborate at the front-end across sales and marketing to shape and drive demand.

Productivity

A key driver of our earnings model and tracking ahead of target

Our world-class productivity programme has seen rapid and deep deployment across the company. For example, from a standing start our Reckitt production system has been rolled out across our factories around the world. Our productivity programme cuts across all functions and everything that we do. We have made a great start to the year with £370 million of savings realised in the first half. We are well positioned to get to our £2 billion cumulative plan before the end of next year. This helps us fund our growth drivers, build our capabilities, invest in innovation, all whilst delivering margin expansion.

Productivity driving efficiencies and sustainability

Inhouse Content Production

Let me give you a couple of example of our 14,000 initiatives that we manage in a coordinated fashion across our entire network. Firstly, within brand equity investment we have created an inhouse content production capability with a new team of talented and experienced production designers who using our virtual studios create multiple campaigns off the same production shoot. It improves production quality, drives consistency of messaging and drives efficiency with almost £7 million of savings just this year.

Finish – Reduced Packaging

Our second example is within cost of goods sold where we changed the packaging of our Finish dishwasher cleaner product from full-foiled blister packaging to a carton with small blister pocket packs to both reduce cost and improve sustainability. This was launched in one market and will be scaled over the course of 2022 to others. It is ideas like these that accumulate to 14,000 initiatives and build to our £2 billion in productivity goal.

Further company-wide progress on ESG

On ESG we continue to move from risk management to opportunity creation across the whole sustainability agenda as outlined in our recent ESG Investor Event that we held in May.

We continue to actively manage our portfolio towards higher growth

Divesting

Finally we have been active managers of the portfolio as we reposition the company towards higher growth. In 2021 we divested our lower-growth brands from our infant formula business in China as well as in Argentina. We also divested Scholl along with the sale of E45 and Dermicool which we completed earlier this year.

Acquiring

We made a strategically-important move into the world's largest pain management market with the acquisition of a great topical analgesic brand called Biofreeze. The Biofreeze team has been busy integrating into the company, resolving some early supply challenges that we had and following through on our aggressive growth plans. We have multiple innovations planned. We have already launched our new Overnight Relief patches which are performing well. We are launching a new 'We Go On' campaign to increase consumer awareness combined with an aggressive instore display programme in order to maximise trial. We are looking to expand into new places. We are launching in France under the Biofreeze name and in a number of other markets using the established brand names of local heroes.

A strong and evolving culture

Before I wrap up, I want to give you an update on a very important topic which is our culture. The unique culture at Reckitt is one of the most important building blocks for our future. We are a company which has always been run by owners and this remains firmly embedded within the DNA of our business. Around 50% of employees of Reckitt are also shareholders. However, culture is shaped by our leadership behaviours. At Reckitt there are four leadership behaviours we focus on. We own, we create, we deliver, and we care. We have engaged the organisation extensively on our compass with doing the right thing at its centre. These behaviours build on the success of the past whilst enabling the future. I am pleased with the

progress we are making and the improved engagement we are seeing inside the company. This is a journey that has no end, and we will continue to live our leadership behaviours and get even better as a company.

Transformation delivering results

It has been an exciting three years since we began our journey to rejuvenate this terrific company. I feel we have made some real progress. We have four clear growth drivers which are underpinned by category-driven brands, expansive demand spaces and innovation and execution to drive penetration and category expansion. We have an attractive earnings model with high gross margins reflective of market-leading brands, reinforced by strong brand-building, innovation and execution funded by productivity. We have a unique culture which builds on a strong heritage. We have really stepped up the company's execution over the course of the last three years. We are already delivering sustained mid-single digit net revenue growth and our earnings model places us in great shape to continue to progress towards our mid-term margin targets.

Summary

I want to finish by reiterating the key message I opened with today. Firstly, we have made a very strong start to 2022, outperforming our own expectations on both revenue growth and operating margins. This outperformance is broad-based across our global business units and our geographies. Secondly, our transformation is already delivering results and thirdly, our resilient business is driving a strong earnings model. We operate in categories with a significant runway for long-term growth. We have strong, trusted, market-leading brands. Our performance-driven ownership culture builds on our strong past and is evolving to support our future. We therefore have a business which through our transformation is well invested, competitive and resilient.

Thank your for joining us this morning and with that Jeff and I will be glad to take your questions.

Q&A

Guillaume Delmas (UBS): Good morning Laxman, good morning Jeff. Two questions for me and one point of clarification. The first question is on US IFCN. You talk about exiting 2022 with a stronger and larger business. Could you shed some light on what underpins your confidence that you will be able to retain some of the market share gains you have achieved this year? At this stage would you have any concerns about a potential change in the structure of the market with potentially some new entrants? All in all, on US IFCN is it fair to say that the message this morning is that you do not expect a full reversal of the benefit you are going to get in 2022?

My second question is on brand equity investments, down 100 basis points in the first half. Laxman, you alluded to some productivity savings there but what is driving this decline? Is it a shift from advertising to promotion? Maybe a different way to ask the question is as the first half margins are clearly better than your own expectations would you be looking at stepping up investments if you can in the second half or it is about making strong progress towards your mid-20s target?

Finally, very quickly the point of clarification is on Hygiene. CMUs holding or gaining shares went from 78% when you updated us in April to 41% today. You mentioned wipes for Lysol but surely it cannot just be Lysol wipes driving this decline. Any colour on this would be helpful. Thank you.

Laxman Narasimhan: Let me just take all three questions. Before we had this situation with supply in the US from one of our competitor's factories, we had a business in the US that was growing at mid-single digits. It was a business that had already reached market leadership in the specialty part of the business, and it is a business that actually had tremendous innovation and strengths, particularly as we look at how we interact with our consumers to drive growth. Clearly this is a very strong business and it clearly fitted with our portfolio overall in terms of its growth and in terms of its overall margin profile. We have had a significant competitor supply issue and we fully expect our competitor to be back and running shortly but if I would say this, this is a business that we have invested in. This is a business where Enfamil is the number one recommended brand. It is a business that we have built the capabilities to compete rigorously and yes we fully expect our competitor to regain more share but it is going to be competitive. We are not going to sit idle and essentially give up share for the sake of it. We recognise it will be very competitive and obviously we will make the appropriate investments in order for us to do that. The whole notion of giving back all the gain we had versus not, it is hard for me to comment on but it is going to be a very competitive market.

Your second question of brand equity investment, let me tell you what it reflects. First of all it reflects productivity gains. We have talked a bit about this. We are now buying together. We are buying better. That has resulted certainly in savings in terms of what we are spending on our brand equity. Our absolute spend in brand equity is higher this year than it was last year. Clearly, we are benefitting from some of the leverage benefits that you get with some of the volume you see in IFCN where we have not had to advertise as much from what we have had to do before. Now, having said that you have also got to recognise that for the productivity example what you see there is the fact that we have brought capabilities inhouse in several areas as part of our productivity programme. Digital, as an example, where we are actually creating communications inhouse. Now, when you do that what happens is that the spend for that does not show up in the BEI line. It shows up in other costs. We are seeing that shift take place as well. I think it is a combination of multiple factors that tell you why our BEI on an absolute level is spending more but overall what you also see is some of the costs in terms of how we incur it showing up in a different place in the P&L.

Lastly your point of clarification, first of all I am very pleased with our market share progress. If you look at it from a standpoint of month-to-date, quarter, annual very good progress overall. What you see there is truly a reflection of how we define category market units. In a category market unit the way we have got it in here, the priority ones that we focus on, it is a binary measure. You could either be gaining and holding or you could be losing. Remember hold is a +/- 0.2% so it is really very overwhelmingly on gain versus loss. In the case of Lysol if you look at all the subcategories of Lysol we have gained share. However, if you look at wipes we have lost share as the competitor's supply has come back online. As a consequence of that the entire category market unit of Lysol for the US swings from gain to

loss because of the way we have defined this. We expect this to normalise over time. We are pleased with the consumption we are seeing, the 50-65% that we are seeing in terms of consumption growth relative to where we were pre-pandemic. We are pleased with the level of innovation and the performance of the innovation. We are pleased with what we are doing in 'On-the-Go'. We see further upside to it, particularly in terms of penetration and growth. Overall the conditions look good but this is a swing that will play itself out over time.

Tom Sykes (Deutsche Bank): Morning. Firstly, on the phasing of investments you are obviously quite profitable at the moment so how much of those incremental investments in the second half do you feel you need to make? How much are extras that you can make now that you are generating extra profitability and how do we think about the phasing of those investments into the first half of 2023? Are those ones that are essentially catchup for things that you have not spent in the first half of 2021? Then when we are thinking about the medium-term margin outlook and the productivity benefits will the productivity benefits be broadly shared across the different divisions or should we expect some divisions to provide disproportionate upside to the medium-term margin? I am trying to think about how high you could further push the Health margin versus Hygiene, etc. Is the margin improvement skewed in any way? Thank you.

Laxman Narasimhan: Let me make one statement then hand over to Jeff as well to comment on this. Firstly I think building a little bit Guillaume on your question I just want to be clear. We recognise fully that the primary goal for us is to drive sustainable top line performance. That is a non-compromise. We will make the investments and Guillaume this links a bit to your question as well. We will make the investments that we believe are appropriate for us to drive top line performance because that is at the core of what we are trying to do. Obviously we are benefitting from a variety of other things including mix and the productivity programme, which is incredibly strong, that can help us do that. With that Jeff perhaps you want to comment on both the investment phasing question as well as Tom's second part of the question around medium-term.

Jeff Carr: I think on the phasing of investments there is nothing dramatic but as you look at our CFCs our fixed costs in the first half of the year they were flat on last year. Now, clearly with inflation coming through we continue to invest in the transformation. We would expect to see some growth in total fixed costs this year but that will come more in the second half. You asked if it is things that we could spend or needed to spend. We are always reviewing each of the investments and certainly on BEI if I look at the overall pattern clearly we have not spent so much BEI in Nutrition in the first half. We will probably increase that spend in the second half so there will be a slight phasing. It is nothing dramatic but it adds to one aspect of why we should be a little cautious about reading too much from the first-half margins into the second half. We will see both BEI and fixed costs increase slightly in the second half of the year.

The productivity benefits are spread across all three GBUs and all three GBUs work tremendously hard and need to achieve those in order to fund their own initiatives and maintain their margins. Clearly there is a lot of pressure on Hygiene at the moment and I expect all three GBUs will be working very hard but Hygiene will be doubling down on the productivity. We also see a bigger proportion of the cost of goods coming through in Hygiene

and then in Health for example. However basically all three GBUs and everyone in the business is working very hard on productivity.

Tom Sykes: A follow-up backing it out, would you still expect that the Health margin can still push higher than it is? Obviously there is maybe some gearing on the expansion in Dettol sitting within Health as you have moved into white spaces, etc.

Jeff Carr: Traditionally if you look over the last several years, 2021 being an outlier because of the fact there was very limited OTC sales in the first half of 2021, the Health margins have typically been higher than our average and in the high-20s towards 30%. We are not giving forecasts by individual GBU but in line with previous years is something that we look at in terms of where we expect our Health margins to recover to. As we as a business get back to the mid-20s obviously Health has a share of that.

Laxman Narasimhan: We will invest in the Health business, like we have, a 10% compound annual growth rate over the course of the last three years. We will make the investments we need to in terms of driving growth. That will not be a compromise.

Iain Simpson (Barclays): A couple of questions from me if I may. Firstly, on the margin, when I think about the moving parts on the margin in the second half you are presumably going to have pressure on costs from raw material disruption as hedges roll off. BEI is going to be up. Fixed cost is going to be up. You have got tougher mix comps in OTC. I am not asking you to get too specific about it but should we mentally be thinking year-on-year second half margin might be down around 100 basis points or that kind of range?

Jeff Carr: You are not looking for too specific guidance but… Let me just be very clear. The great results that we are delivering today mean that our expectations for margins for the full year will increase. Our expectation is that net revenue will increase for the full year. We have increased guidance for both. We also expect the strong upgrade in our growth in EPS so I would just focus on the strength of the numbers that have come through today. Do I expect this level of first-half margin to be replicated into the second half? No because we have some significant benefits. Nutrition obviously the leverage we get from that and the land sale which I mentioned. We have clearly highlighted and separated those out. In terms of the general direction for the second half of the year we are probably facing the peak of the cost of goods inflation during the second half of the year. I would not read across into that for 2023. We are not giving guidance for 2023 but as I look at the future curves for many of our commodities, palm oil is a good example very much off the peaks. For the second half of this year we expect inflation to be close to 20% which will be a challenge. Now, we have a great productivity programme. We continue to look at taking responsible pricing and we will continue to make sure that our business model works so that we can fully invest in our brands for future growth. There are various items that we have identified in terms of margin in the second half, but I am not going to get into specific half-on-half guidance. The guidance that we have given is that we will see margins improve year-on-year and I do not think there are many CPG companies who are saying they can improve margins in 2022 versus 2021. To me that is the positive. That is the sign of the resilience of our business model and the strength of the business model.

Iain Simpson: Thanks very much and I have also now found my microphone, so I do not need to shout. Then changing tack slightly, I was intrigued about the commentary around

launching OTC into the grocery channel across the EU or was that a more general Health reference? My understanding was that ex-UK OTC was pretty difficult to distribute via grocery and it tended to be more pharmacy. Any update on distribution outlook for health in Europe would be very welcome. Perhaps just to finish off, if you could make a very brief comment as to what has happening with Biofreeze. You talked about the integration and overcoming supply chain issues. Would it be fair to say that the bulk of Biofreeze's top line growth is ahead of it now that you have solved those issues and the focus can move on to driving top line? Thank you very much.

Laxman Narasimhan: I think the comment on the expansion was from broader Health. Secondly on Biofreeze what we have got there is we have overcome all the integration challenges we have had. If you look at the business in recent times, it is performing very well and we have got lots of growth potential for this business outside of the US as well. However, we clearly did have early integration challenges that we have worked through, and the business is back on track in terms of doing what it said it would do.

Question: Great, thank you.

Richard Joyce: If we have got no more questions from the audience there are a few questions online. The first question is from Jeff Stent at BNP. He says, 'You commented that you are already delivering sustained mid-single digit revenue growth. Can we therefore assume that this implies you expect to deliver mid-single digit growth in 2023?'

Jeff Carr: Let me take that. We had a mid-term ambition to deliver mid-single digit top line growth and we judged that as an outperformance in the categories that we are in. What we have seen in the presentation today is for the last six quarters we have been consistently at mid-single digits or ahead of mid-single digits when you take out the more COVID-impacted brands and the variations that has driven. As we look forward, for sure we are now in a run rate where we target mid-single digits. Now, I do not think any business can guarantee that that is what they are delivering but that is the mode that we are in. That is where we are at. As we look to 2023 clearly Nutrition will normalise in 2023 and that is why in my presentation, I showed growth numbers for Nutrition excluding what we called the market disruption effect. That is an estimate, but I think it is important that you look at that. Beyond that we will certainly be targeting and looking at that type of growth projection. If you look at the consensus that is out there for the business the markets are very much expecting that mid-single digit growth rate. Clearly it is an uncertain and a volatile world but yes with the exceptions of areas like Nutrition which will normalise we would expect to see mid-single digit growth as our target going forward.

Richard Joyce: Okay, thanks Jeff. Linked to that is a question from John Ennis at Goldman Sachs. He is referring to the 2022 growth outlook slide, slide 18. He says, 'For 70% of the portfolio not impacted by COVID the growth outlook has been upgraded to high-single digits from mid-single digits. Can you maybe explain the key drivers of that step-up? Is it largely driven by pricing changes versus your original forecast and is it concentrated within any specific brands that you could highlight, obviously excluding US IFCN? In this context are there brands where you have re-thought about the mid-single digit growth run rate algorithm?'

Jeff Carr: We are seeing stronger performance in that classification of other brands and that excludes the two disinfection brands and the three OTC brands that we pulled out, as well as IFCN USA. What is happening I believe, which is the majority of our business, is a consequence of the investments we have made over the last two and a half years. The transformation programme that we have been on. What we are seeing is a significant improvement in sales execution, a significant improvement of innovation and the rate of innovation, and a significant improvement in terms of supply chain support to help support that sales execution. Throughout the business we are seeing strength. Now, yes pricing is also benefitting some of the comps that you see this year but not at the expense of volume. We see volume growth as being important as well and we particularly mentioned one KPI which was if you look at Lysol which is down significantly, IFCN which is up significantly, the volumes for the rest of the business in this quarter were up 7%. Clearly volume growth is specifically important. I think the consequence of why we have been able to upgrade that majority of our business is across the board. If you look at Finish it is doing extremely well as we roll out our new product range. If you look at Vanish it is bouncing back really well from a tougher first half of 2021 where we had the more lockdown conditions which we are still unravelling. In Health intimate wellness we have targeted as high-single digit growth and we are comfortable with that as a target. Across the board the key message from today is it is a very broad-based improvement. Now, that does not necessarily mean we continue at high-single digits. We have given the guidance of mid-single digits and we feel comfortable with all of the tools at our availability but mid-single digits is deliverable.

Richard Joyce: Okay, thanks Jeff. This has been discussed but I will ask anyway. David Hayes from Société Générale asks, 'Were there any specific reasons that brand investment was less high in first half and accelerates in the second half? Is Russia a big part of that? Any other reasons for the H1/H2 phasing?'

Laxman Narasimhan: I think I have answered the question. The only thing I would just say on the Russia situation is of course we are not advertising in Russia at all.

Richard Joyce: Okay, great. Thanks.

Jeff Carr: Again absolute pound spend it was actually slightly up. As a percent because of the leverage it comes down. IFCN is a part of that. Russia is a part of that but I think we have answered the question.

Richard Joyce: Got it, okay. There are few questions from Chris Pitcher so you might want to have your pencils ready. You reiterated the target of 25% of sales from e-commerce but are there structural consumer, operational and margin benefits? Is there a risk that it just becomes another transactional and therefore any benefits are quickly competed away? Can you offer an enhanced consumer experience that cannot be offered in store? That is the first question. Second, how much did China lockdowns and Russia adversely impact intimate wellness growth? Thirdly, are you still taking share with your PU innovations in China a year after launch? Fourthly, you mentioned circa 20% COGS inflation H2 due to favourable hedges rolling off. What level are you covered for in H2 2022 and H1 2023? Have you seen some softening in the average price across your main commodities? In short, when do you expect to see peak commodity pressure? Is it H2 2022 or is it H1 2023?

Laxman Narasimhan: Chris, thank you for all those questions. Let me start with the first one which is the e-commerce 25%. We do not find e-commerce as dilutive to our overall growth. We clearly manage it in an omnichannel sense and what this does for us is it gives us the ability to grow in every brand in every channel in every country. Particularly with the digitisation that is underway we will continue to invest behind it. Our 25% number also includes the fact that we expect over time to make acquisitions that will help us get to that number. That is the first part. We do not see it dilutive. We are invested in this growth and we know it is clearly something that is happening. It will shape what we do with regard to the portfolio going forward.

The second question was on the lockdowns and the impact on intimate wellness. The lockdown in China did have an impact on intimate wellness. In fact we saw a decline in intimate wellness in China because of the lockdowns and it is the reason it is performing in mid-single digits growth. Clearly Russia has also had an impact on that but overall I would say the lockdown has had an impact on the intimate wellness business. The thing about e-commerce and intimate wellness, just to give you one example of how this works, because I think you had a question around how does it really work. The consumer in this category is looking for a variety of things. They are looking not just for product, but they are looking for engagement and they are looking for experiences. If you start looking at the direct-to-consumer relationships we are building with the investments we are making in digital there is no question that what we are building is stronger franchises. Clearly, we have e-commerce but we also have digital relationships we are building. We are going to continue to do that in many of our franchises. Intimate wellness is a great example of that. Privacy is a key area of concern. We have pack sizes and product that are different that we offer online than potentially what you might offer offline, which certainly helps with the drop sizes we need for e-commerce. However, it also helps us build bigger and broader franchises with our consumers.

Those two questions around how you think about the intimate wellness business is an example of how we are thinking about digital and e-commerce more broadly and is really the underpinning of the kind of growth rates we will see. If you go to the OTC area, clearly acute is a big area of concern and we are shortening delivery times and finding ways for us to make products available where we can regulatory-wise do it in order to make sure we can meet consumer needs from acute as well as from chronic care with what we do with OTC digitally. Those are examples of how we see this play out across the spaces we are in.

Jeff Carr: I was going to mention the PU question because I happened to be looking at the numbers yesterday. The PU launch is ahead of our internal plans. It is doing very well and what is reassuring is we have taken share from PU players. It is not as cannibalising to the Durex brand. We are very pleased with the PU launch and it has gone very well.

Laxman Narasimhan: The opportunity set for that across a variety of other markets is also large and we have the ability to do that too. We have not obviously fully done that yet.

Jeff Carr: Cost of goods, yes, 20% in H2 2022. Is that the peak or do we see softening in 2023? Clearly, we are not necessarily planning for softening in 2023. We have to plan and it is a very volatile world but we do look at the forward curves which I am sure a lot of people are looking at. There are some signs that as you look at certain commodities in the futures there is weakening potentially as people look towards more recessionary or less growth in the

markets. If you look at dairy, if you look at palm oil, if you look at tin, various commodities there are signs that we are coming off the peaks. However, at the same time CPI is going to remain a key challenge going through 2023. I think labour inflation and logistical inflation you are still going to see significant cost pressures in 2023. Would it be off these peaks of 20%? I think we all hope so and I think there is some evidence to suggest that is the case.

In terms of our hedge position we have about 65-70% of the second half already covered and that is through a mixture of three facts. One is we have fixed contracts in place for certain suppliers which might be a 12-month fixed contract that we put in place. Secondly, we may have taken hedges for certain commodity items and those are typically 3-6 months out. We do not really go much further out than 3-6 months. Thirdly, we have inventory on hand which obviously gives us some protection. For the second half we have around about 65-70% fixed. For the first half 2023 I would say we have very little fixed. A much lower percentage fixed so a relatively modest amount.

Richard Joyce: Got it, thanks. A couple of questions from Alicia Forry at Investec. Firstly, what is behind the LATAM and ASEAN Nutrition strength in H1? Have they finally turned the corner? Then secondly lifestyle has obviously seen a bit of a reduction in retailer inventory levels in H1. Do you think you are done with the destocking or do you expect some to continue into H2?

Laxman Narasimhan: The first one, LATAM and ASEAN, first of all the divestment of the China business has given the team a lot more mental share to focus on what is happening in Latin American and in ASEAN. We know it is a turnaround and what the team has done is really focused very hard on it. I am very pleased with the progress. Together they are growing high-single digits. We are seeing share gains in every country except for one but we know what the issues are in the one and we are working to fix it but it will take some time. I think what you are seeing there is much better execution, innovation clearly working and also pricing being taken as we work through what is going on in those markets. I am very pleased with their progress. I am very pleased with what the teams have done as far as LATAM and ASEAN go with regard to infant formula.

On the retailer destocking issue as you can see scans are higher than sell-in and I am focused on scans. As we get into back-to-school, as we focus on setting up for the cold/flu season, that is the focus of the team and that is what we are spending time on really. We fully expect that there will be some further destocking. We are not fully through with it yet but we fully expect some of that is there but it is built into our expectations for the year.

Richard Joyce: Okay, thanks. Almost done. A couple of questions from Pinar at Morgan Stanley. First one is about productivity. Productivity savings appear to be running ahead of expectations. Why is that and what gives you the confidence that Reckitt can reach a sustainable EBIT margin of the mid-20s in a world that is very different from what it was when the target was set? Then her second question is as your leverage comes down how do you think about cash returns to shareholders such as buybacks?

Laxman Narasimhan: Let me take the first one and Jeff can take the second. On the productivity question the great thing about this company is that it actually takes ideas and rolls them out across the company at great scale. It is frankly quite uncommon to see that you put a productivity programme in place like our Reckitt Production System and in the

course of three years it has absorbed, adapted and goes into every factory across the network. That by the way gives you an ability to share insights and learnings across the entire company. Our revenue growth management programme when we started working on it three years ago is now covering 80% of the revenue of the company. Again the speed at which this was done is actually really impressive given what has been going on in the world outside. That is the culture of this company. The ability for this company to be really agile, absorb things and scale them up quickly. What that means for us is that when you start looking at the ideas and what we have got here the average muscle of productivity we used to have a number in the range of about 250 million per year as the average run rate. We see the average run rates now at least double that. What that gives us is it gives us the ability over time to look at that number and say, 'Do we believe these ideas can in fact persist because they are firmly embedded in the business?' There are lots of ideas that are coming up even as we speak. That is what drives the 14,000 initiatives that are being done. This is a game of inches and the team is fighting executionally this game of inches to get the savings that we can get in order to both lower cost through efficiency but also drive better sustainability. That is the productivity programme. It is truly world-class in the way that it has embraced it and that gives me confidence that it will be a foundation, not the only one, along with mix and responsible pricing that will help us continue improving margins as we go into the future.

Jeff Carr: Two and a half years ago we sat here and asked shareholders' permission to invest in the business. You have seen the benefits of that investment come through and we are seeing our EPS now recover back to those levels which gives us permission to then go forward with a dividend policy which we can start thinking about growth in dividend going forward. That is the priority. Beyond that if we have surplus funds we have said and we have been very clear we will return those funds to shareholders as and when we see that. Obviously, that is after any growth initiatives, any M&A opportunities but if the funds are surplus beyond that and our leverage comes beyond the sort of targets that we have set with an A-level credit rating then we will look at returns at the appropriate time.

Richard Joyce: Great, thanks. Then that is a good segue into our last analyst question that comes from Karel Zoete at Kepler Cheuvreux. He has got two questions. First one is you have been more active with selling assets than acquiring new brands. Given the work done how do you look at the balance of M&A and disposals going forward? Does the balance sheet allow for more sizeable deals than just a few £100 million? That is the first question and then the second one is that we play in the premium part of the market with most of our brands. How do we see the impact from lower consumer confidence and stress on budgets? Where do you expect no or more pressure on your brands? What are the learnings from 2008-2009 for Reckitt? Although I understand neither of you were here at that stage.

Laxman Narasimhan: Firstly on the M&A question, we are very pleased with our portfolio. We clearly look at all deals big, medium and small and we have points of view on them. We have not felt any compelling reason to act at this point. I have no further comment really on M&A other than to say that it is something we consider and we look at. If it is appropriate we will move.

On your second question on lower consumer confidence. Our brands have, as you know, a high gross margin and the brands are very deeply anchored with consumers. It clearly

benefits the consumers seeing them. As you go back in time and look at how we have performed over the course of downturns it is very important for us to ensure that we have a franchise that consumers can participate in. We are very clearly focused on ensuring we have the right price points, the right price packs across channels and we are giving consumers choice so they can participate in the franchise irrespective of the economic conditions externally. That is something this team does really well. Obviously with our revenue growth management investments we have made we have built the muscle in order for us to extend it even into that. We are going to be very watchful about how we take responsible pricing, what impact it has on volume, what are price gaps versus private label or against local brands. We will do what is appropriate to ensure we are competitive obviously in the context of us being differentiated.

Richard Joyce: Great, thank you very much. Any final questions from the room?

Iain Simpson (Barclays): Let us try this again. You talked about how Lysol was flat or slightly negative in the second half. You also sound pretty happy about how Hygiene ex-Lysol is going. Clearly that had a strong performance in the second quarter then. Would it be reasonable to expect Hygiene growth in Q3 and Q4 then given the setup? I am trying to get a sense on that. Thank you very much.

Jeff Carr: I think you saw the Lysol numbers in Q1/Q2 clearly coming back from high-single digits down 2.5%. I think that trend should continue as you see Lysol normalising. We are not going to commit to a specific individual guidance on Hygiene but that trend should continue as we see Lysol normalising and the rest of the brands continuing to grow. That is a projection that we are on for Hygiene. It was up against incredible comps in Q1 and Q2 where Lysol was basically massive and the market shares were at record levels. Clearly we have come off the market shares. We have come down and back to a level which is still significantly higher than that base level in 2019. As we said with Dettol, Dettol has stabilised at 40% and is now growing. We will see a similar position with Lysol. I am now giving the percentage but at this point the POS data suggests it is certainly in the 50-60% level.

Laxman Narasimhan: I will focus on the POS data. Just looking at the rest of the year you have got obviously the Delta lap that comes with the Q3. At the same time you have back-to-school coming in and you have got the preparation for the cold/flu season. If you look at the early results, so to speak, from Australia it is going to be a tough cold and flu season. We are also seeing correlations between what we have on the OTC side with what is happening with the disinfectants in Australia as an example. Those are the puts and takes but again what we are focused on is actually ensuring that we get the right sell-out.

Iain Simpson: Thank you.

Jeff Carr: Thank you very much.

Richard Joyce: Thank you.

Laxman Narasimhan: Thank you.

Richard Joyce: Thanks everyone.

[END OF TRANSCRIPT]