Reckitt
Q1 Trading Update 2023

Wednesday, 26th April 2023

Welcome

Richard Joyce

Head of Investor Relations, Reckitt

Good morning everyone. Welcome to Reckitt's Q1 trading update. I am delighted to have both our CEO Nicandro Durante and our CFO Jeff Carr here this morning for our Q1 call. Nicandro and Jeff will take you through some quick prepared remarks and then both will be available to take you through any Q&As. Before we start, I would like to draw your attention to the usual disclaimer in respect of forward-looking statements which are contained on page two of our RNS published this morning. Without any further ado I will hand you over to our CEO Nicandro Durante.

Key Highlights

Nicandro Durante

Chief Executive Officer, Reckitt

A Strong Start to the Year

Broad-based delivery across all GBUs

Thank you, Richard. Good morning to everyone who has dialled in and welcome to our Q1 trading update. I am pleased to report this morning we have made an excellent start to the year, delivering Group like-for-like net revenue growth of 7.9% in the quarter and further building on our momentum from 2022. I am particularly pleased with how broad-based this delivery has been, across our three business units, including improving volume trends in our Hygiene business, a very strong OTC performance and the maintenance of our leading share position in our US Nutrition business.

We highlighted in our RNS this morning, a number of innovations we rolled out during the quarter. Whilst early days, these have been well-received in the market by our customers and consumers and we have more to come in both Q2 and the second half.

This strong start to the year, the early success of our innovation launches and the exciting pipeline we have yet to rollout have enabled us to now target Group like-for-like net revenue growth of 3-5% in 2023 (including the lapping of the US Nutrition impact in 2022).

New CEO Designate Appointed

A smooth transition ensured

Before I hand over to Jeff you would have seen this morning's announcement that Kris Licht has been appointed as CEO Designate of Reckitt. I would like to congratulate him on his appointment and wish him success as the next CEO of this great company. He will become CEO Designate on 1st May 2023 and join the Board of Directors on 1st June. I will stay on, up to December to ensure a smooth transition, with Kris taking over as CEO by the end of 2023.

Kris has been instrumental in Reckitt's transformation both through his strategic role as Chief Transformation Officer and his strong operational leadership in the significant turnaround of our Health GBU over the last three years. He has a deep understanding of Reckitt's business and brands and he lives our cultural values every day. I have got to know Kris well over the past few years and he is an excellent fit to lead Reckitt in the next exciting phase of its journey. Jeff will now provide you with some further details on our Q1 trading performance and full-year outlook.

Q1 2023 Trading Performance & Outlook

Jeff Carr

Chief Financial Officer, Reckitt

Group

Thank you Nicandro. As you have mentioned, we made an excellent start to the year with 7.9% like-for-like net revenue growth in the quarter. As expected, this was price-led and due to the strong carry over of pricing from the second half of last year as well as some delayed pricing actions that we took in our US Nutrition business in February. Volumes showed improving trends, particularly in Europe where we saw strong volumes in our Health portfolio and improving trends in Hygiene.

Hygiene

Looking at our GBUs, the Hygiene business grew 2% on a like-for-like net revenue basis or high single digits excluding the impact of Lysol. Specifically on Lysol, whilst it declined in the quarter due to comping the Omicron spike from last year, we did see a significant improvement in March. Let me just make this big announcement. This is the final quarter of Covid-related normalisation. We expect Lysol to be growing in Q2 and onwards and you will be happy to hear we will not be quoting ex-Lysol numbers going forward.

For the rest of the Hygiene portfolio, we had a very, very good start. Finish saw double-digit growth and improved share trends in Europe behind the recent launch of our Finish Ultimate Plus All-in-One innovation delivering our best clean. Vanish and Harpic grew double-digits underpinned by innovation and penetration-building programmes. I am pleased that we returned to growth with Air Wick in Q1. Through the quarter we rolled out two innovations, Active Fresh, our first non-aerosol-based auto spray, and Air Wick Vibrant, our most luxurious fragrance experience so far.

Health

Our Health business also had a strong start to the year with 12.5% like-for-like net revenue growth. This was led by our OTC brands driven by continued high instances of cold & flu and some retailer inventory rebuilding in Europe where we had had some issues with stocking at the end of last year. In Intimate Wellness, our portfolio delivered a strong mid-single digit growth in the quarter, again with strong growth in Europe. Dettol was slightly down in the quarter impacted by some tough Omicron comps especially in Asia but remain strongly on track for growth in the year.

China had a slower quarter as it is yet to fully show the benefit of reopening post-Covid lockdowns. Although we did see our small cold & flu business do particularly well in the quarter in China.

Nutrition

In Nutrition we delivered like-for-like growth of 11.9%. Our developing market portfolio delivered another consistent quarter of mid-single digit growth behind the executional improvements we made last year. In the US we maintained our market-leading share position in the non-WIC markets showing that mothers already in the category are sticking with Enfamil and we are seeing good signs of new mothers entering the category also choosing Enfamil. In addition, the quarter was helped by some retailer restocking due to the supply shortages that we had at the end of last year and during the whole of 2022 in fact. We know maintaining share will be difficult as we progress through the year when the competitive environment heats up but we remain confident in our ability to maintain sustainable upside in market share versus our position prior to the supply issues.

2023 Full Year Outlook

Moving on to the outlook for the year, we have made a strong start across all of our GBUs. We continue to expect more challenging competitive dynamics in our US business in the future quarters. We therefore target Group like-for-like net revenue growth of 3-5% in 2023 and that includes the lapping of our US Nutrition business in 2022. On margins there is no change to our outlook. Nicandro, back over to you.

Summary

Nicandro Durante

Chief Executive Officer, Reckitt

Thanks Jeff. To summarise we had a strong performance in 2022 and have firmly transitioned from transformation to delivery. We have made an excellent start to 2023 which has enabled us to improve our revenue outlook for the year. To build on what I said in March we continue our journey to improve execution muscle in 2023 and to provide strong support around our exciting pipeline of innovations that we are rolling out this year. We remain fully focused on the delivery of our strategy to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world. Thank you and with that we will be happy to take your questions.

Q&A

Rashad Kawan (Morgan Stanley): Hey, good morning, Nicandro, Jeff and Richard. Thanks for taking my call and congrats on the results. A couple of questions from me. First one, as you think about your margin guidance for the year with cold & flu up 30% this quarter and trends seemingly broadly improving across the portfolio, why not raise your margin outlook for the year? Is there a level of conservatism built in there? Then my second question is around market share. I think over 50% of Hygiene and Health CMUs are losing share in the quarter. What gives you comfort that that will improve over the year and how important will the step-up in BEI investment and driving innovation that you have spoken about be in driving that improvement over the course of the year? Thank you.

Jeff Carr: Hi Rashad, it is Jeff. Let me take the margin guidance question first. Firstly, it is Q1 so it is too early to be talking about upgrading guidance on margins for full year. Obviously, we are indicating an upgrade in terms of net revenues and I would expect to see a proportional upgrade in the operating profit expectations for the full year. I would like to just point out that we have outperformed our peers in margin delivery in 2022 and if you look at the combination of 2021, 2022, 2023 we have had a strong performance on margins. I am very proud of that performance, especially how we delivered in 2022. However, all I would say in terms of upgrading for this year is it is too early to be talking about that. If there is any news then we will bring that news at the half year but it is too early at this stage.

Nicandro Durante: Okay, let me take the questions on market share. Let me start from the beginning. I think that we had a very strong set of numbers in the first quarter of last year, mainly in Health in which 73% of our portfolio was growing for a lot of different reasons. Mainly supply issues for some of our competitors. How do I see market share moving from the first quarter throughout the year? Well, if you look at it by business unit, you look at Nutrition and we are holding almost all market share that we gained last year. That is a fantastic performance driven by our brands. As I said in the full year's results, Enfamil is the number one preferred brand by paediatricians in the United States. It has not changed so you have a strong portfolio. I am very optimistic that we will retain some or most of this share during the year because we are in a good momentum. The competition is fully back and we are retaining our share.

If you look at Hygiene, for some parts of the second half of last year, we were out of the trade. I explained this at the full year. We are recovering share quarter-by-quarter. If you look at quarter one it was better than quarter four last year and with the innovations landing, the early results are really great, I expect market share in Hygiene to improve in the coming quarters. I am not worried about that. I am very optimistic that things are going to move into the right direction. The pipeline of innovations that we have just launched, the first results are really good. What we still have to come in the pipeline, gives us confidence that we will be in a good space in terms of market share for Hygiene.

Health, as I said, strong comparators from last year but the brands are performing very well. Some of our brands like Strepsils for example we just cannot supply enough to meet the demand. The brand is having a fantastic performance. Strepsils, Gaviscon, Mucinex the same. I am not over-worried about that. It is very strong comparators against last year and you see market share improving for Health in the coming quarters. I do not see that we have a problem on market shares. I am optimistic that you see improving trends going forward.

Rashad Kawan: Thank you very much, very clear gentlemen.

Guillaume Delmas (UBS): Hi Richard, thank you. Good morning Nicandro and Jeff, two questions from me as well please. The first one is on Kris's appointment as the company's next CEO. You reminded us of this in your prepared remarks, so given that Kris was one of the architects of Reckitt's turnaround strategy, basically the strategy that was presented in early 2020, would it be fair to assume at least at this stage that we should not expect any major strategic U-turn like a margin reset or the opening of another phase of transition which often means limited bottom line growth? All of that is highly unlikely. Then my second question is on inflation. I remember that at the time of your full year results you talked about single-digit inflation for 2023. Nearly two months later are you able to narrow a little bit this relatively wide inflation range? I guess another way to ask the question is, how much of your commodity costs are now locked in for the year and what would be the underlying inflation you think for this locked input cost? Thank you.

Nicandro Durante: Okay, let me take the first question. Jeff, you will take the second question. The first question is about strategy and margin reset. Listen, it is very clear I think the announcement and what we have been saying so far. Kris was part of the team that designed the strategy for Reckitt. He is a very important member of that team and he participates in everything that we are doing in the company. I have been working here for the last eight months alongside the teams. We are doing everything that we are doing here together. You are totally right, I do not expect any change in terms of the strategy that we have. I do not expect any significant change in terms of the big aspects of what we are doing. Of course you have the possibility as the CEO of the company to fine-tune parts of the business that you need to fine-tune. That is normal. Any CEO will have his own look at that but yes you should not expect any significant change on the strategy or the course that we are on or margin reset. I hope that I made it clear in the announcement.

Jeff Carr: Let me cover the inflation question. If you look at the balance of the year on cost of goods we have about 60% of our costs which are locked in till the end of the year. We said single digit inflation. I do not think it is going to be low single digit so I think it is fair to say 5-9% is the sort of inflation level that we are going to be seeing on balance for 2023. Much less significant than 2022 and that means our pricing obviously will be much more measured in 2023 where we did most of our heavy lifting on pricing in 2022. It is about 60% which is locked in. Obviously, we are seeing some commodities coming down relative to where we were on 1st March. We have seen some movements in plastics and paper, for example, but there are some commodities which have actually gone the other way since March, like palm oil for example. We continue to track that and I do not see a significant change in our outlook on commodities and cost of goods versus 1st March.

Guillaume Delmas: Thank you very much.

Celine Pannuti (JP Morgan): Good morning. I would like to come back on what you just said about Kris Licht. Thank you for that but could you give us a bit more colour on the process of selection and what made the difference for you to appoint Kris? My second question is on the consumer environment specifically on the Hygiene category. Could you talk about what competitive landscape looks like especially in terms of the private label market share performance? In terms of pricing am I right to expect that you are done at least in the Hygiene category for this year? Thank you.

Nicandro Durante: Okay, let me start with the Kris Licht question. I stepped in at the beginning of September to give the Board time to make the right appointment. They had the luxury of time. We looked at all the internal candidates. In the last eight months I have been mentoring these internal candidates and getting to know them well. We screen the markets to guarantee that we made the right choice because we had the time to do so. After eight months, we came to the conclusion that Kris is the best candidate to take the company forward. If you look at his track record at Reckitt in the last four years, he turned around the Health business in the last two years and in the three years under his leadership the business has grown quite well. He has shown very good leadership capabilities. However, we wanted to run a process with the time to guarantee that we have the right candidate. We looked at the market, as well as the internal candidates and that is why it took eight months. I do not think that this was an issue. I was here and I gave the Board the time to do so. As you can see, the company is performing well. The strategy is delivering. All the investments made in the last 3-5 years are paying off now. I think that the question on changing the strategy, we have a great strategy in place. The company is delivering. That is why I think that we made the right choice.

Let us take the second question about the consumer environment. You asked the question about pricing private label. In terms of pricing, most of the prices that you see this year in our numbers they are carried over from 2022. We had a very strong pricing delivery last year so most of the pricing is through carry-over. Some of them will be through innovations as well because all the innovations we are asking consumers to pay a little bit more for a much better product. It is going through very well. I do not see in terms of downtrading a significant issue for us because we have more inelastic categories. If you look at Auto dish, for example, we had a 15% price increase and the volume was down 1% so it is very inelastic. The same we can say about Vanish. Low elasticity to our price increases. Volume has not suffered with that. There are some other categories like Air care, for example, which are more discretionary but even in Air care we are growing because of innovation. We have a fantastic portfolio of products going through.

Private label we have not seen in Reckitt a loss to private label. A little bit, maybe 20-30 basis points in Europe. We are gaining share in the United States. It has not been relevant in our numbers. It has not been material to our numbers. As I said, we are more in inelastic categories. We have a great portfolio with premium positions, and I think that we are well-placed to keep growing, going forward.

Celine Pannuti: Thank you.

Bruno Monteyne (Bernstein): Hi, good morning. You did say Jeff, that this is the final quarter of Covid normalisation. You talked about quarter two being back to growth for Lysol. Now, all of these are presumably nominal numbers so my question is on Lysol and Dettol. When do you expect the volumes to stop declining? Looking at your three-year CAGR or four-year CAGR's volume it looks like you are at pre-Covid level volumes or possibly even below that. Is that correct? If you are falling below pre-Covid volumes on a like-for-like category/country basis is there a reason for that? My second question is around US infant nutrition. You do mention that you are still restocking the retail channel as there were shortages. Is there any way you could quantify how big the benefit is in your quarter one growth number of that restocking? Thank you.

Jeff Carr: As I mentioned Bruno, yes, we are very pleased that this was the final quarter of lapping the spikes on Lysol and Dettol from Covid. As we go forward, we should start seeing revenue growth. Now, we have not given guidance on volumes but what I have said generally is that we expect to return to volume growth during the course of 2023. Like many of our competitors our growth is mostly pricing-led today. Volumes will return as we start annualising the price increases that we took during the second half of 2022. I am not specifically going to get into Lysol and Dettol volume projections but what I would say is that in 2022 Lysol is up over 45% versus 2019 and there is a significant element of volume growth in that. There are some sub-segments of the Lysol categories like wipes where volumes are pretty close to 2019 levels but when you factor in the volume increases we have had in the new areas, new launches like laundry sanitiser, the total parent Lysol category is up in terms of volumes.

In terms of infant nutrition the question was about restocking. The shelves were not fully restocked in December. They are pretty restocked now. It contributed to a bit of the growth. I am not going to quantify how much of that growth but it was a relatively small amount of the growth. I think the key message is that we are now back to a normal shelf stocking levels in the US at the end of March 2023. That is the key message.

Nicandro Durante: Could I just add something here? The main drivers for the performance in Nutrition in the first quarter I want to highlight that it is the fantastic share performance that we have presented. We retained most of the share that we gained last year. That is one of the main drivers that we have. I would just like to highlight that.

Bruno Monteyne: Thank you.

James Edwardes Jones (RBC): Can I come back to innovation? Can you say something about how the innovation process has changed over the last couple of years and what visibility you have got about new product launches over the next two years? Secondly, Nicandro what do you regard as your biggest achievement in your time as CEO of Reckitt?

Nicandro Durante: Well, let me start with the easy question, the innovation question. Listen, I think that innovation is a journey. We have been through this journey for a couple of years here and we have been developing fantastic innovations for the company that are coming to fruition. We have invested heavily in R&D, in our capabilities in markets, in product superiority and things like that. If we do not have product superiority consumers are not going to stick to our portfolio. Those are the things that we have focused on in the last years. What I think we have fine-tuned a little bit this year and at the end of last year is the delivery of innovations. The way to deliver that and how to reach the trade and consumers in a smarter way. The right timing with the right innovation with the right price points and having some deals with the trade to get the innovations through. It was a fine-tuning more on the delivery side, the important question is, do we have a strong pipeline of innovation for 2023, 2024 and 2025? I am confident that we have new innovations coming in the coming years. I am very optimistic about that. The investments that we have made in the last years in our pipeline are paying off. The question now is more about how to deliver that and what is the right timing and so on and so forth. We are working very strongly on that. I think that the results of the first quarter speak for themselves. We have a rate of success that is fantastic and really great. I am very happy with that. What we have coming in the coming quarters is very exciting as well. As I said, to give an example, in one of the most discretionary categories that we have, Air Wick, we had revenue growth this quarter and if you look at the numbers last year, it is a fantastic achievement. However, this is all due to innovation because we are asking consumers to pay more for our products so they are trading up because they see the benefits. That is the first question.

The second question, what would be my biggest achievement, is to keep the ball rolling. We have a fantastic team in Reckitt, iconic brands, a company with fantastic values and my main objective in the last eight months is to keep the business on track. I think that if you look at the delivery of last year and if you look at what we are delivering in 2023 and the fine-tuning of the execution then I have to say I am extremely happy with the company. Not with me but with the company. Extremely happy. Honestly, I am a shareholder of the company now and I expect fantastic results going forward because the company is in extremely good shape.

James Edwardes Jones: Thanks Nicandro.

Iain Simpson (Barclays): Thanks very much, a couple of questions from me if I may. Firstly, in near-term performance it looks like we have seen a bit of an inflection in dish market shares in Europe but also some other categories. Could you comment at all about your experience of retailers and de-listings? Clearly you suffered a number of de-listings in the second half of last year that gives you easy comps on the market share front. How have price negotiations gone this year? Are you through the difficult part of that? Do you have confidence that we are not going to see more de-listings this year and that we will see shares continue to normalise? Then secondly a longer-term question which is, looking across your categories there seems to be more volatile volume demand than we perhaps would have expected a few years ago. Some of your competitors have talked about putting more capex and also net working capital into their businesses just to have redundant capacity and buffer stocks to cope with volatile demand going forwards. Is that something that you would consider doing or are perhaps already doing? Thank you very much.

Nicandro Durante: Okay, let me go for the first question. Jeff, you take the second question. Yes, we faced some difficulties last year going through the price increases because we had significant price increases. As I said before, most of the pricing this year is going to come from carry overs and the launches of innovation. Of course negotiations mainly in Europe with the trade to go through pricing are not simple and I can understand why consumers are under stress. There is a lot of pressure in the trade nowadays. Consumers are looking for price. I do not expect to have the same problems as last year because the amount of prices that are going to go through this year is minimal because most of the pricing, as I said, is carry over and driven by innovation which is something very easy to sell to the consumers because you are giving them something else to trade up to. I do not expect significant problems.

Jeff is going to take the second question but I would just like to make a comment about volume. I think that Jeff highlighted quite well that last time we had these tough comparators on disinfection. For the last time in history, I am going to say that if you take our volume numbers of the first quarter without Lysol there is nothing related to the pressures of consumers. It is more related to the Omicron impact in the first quarter of last year. Our group volume decline in the first quarter would be 1.6% only, if excluding Lysol. I am stating the number here because 1.6% volume decline in this environment just shows the strength of our portfolio, the strength of our strategy and the strength of our delivery of the strategy. 1.6%. If you look at margin this year you see the numbers for Lysol getting much better because Omicron was more in January and February. I forgot to mention these numbers in the previous question but Jeff please.

Jeff Carr: Let me answer that question very clearly because as you know Iain we have been investing in supply chain resilience both capital and operating expense over the last three years. We have been through the most volatile of times. We have seen massive upticks in terms of disinfection volumes, Lysol, Dettol, wipes. We have been through very bumpy times and massive growth in cold & flu and VMS if you remember the Airborne peaks in terms of 2020. We have been through in 2022 huge increases in demand on infant formula in the US. We have been through all of that and successfully managed to keep our products on the shelf and done a fantastic job. Much better than many of our competitors. I think the investments we have been making in supply chain resilience set us up very well for the future and I am sure we are not going to see the sort of volatility that we have seen in the last three years over the next three years. I say that but you can never tell the future. However, the last three years have been the most volatile of times. As I look now going forward to the balance of 2023 I expect to be in a much more normalised situation through the last of those peaks. Obviously we are still annualising the Abbott effect on infant formula but our supply chain has held up incredibly well and we should be very proud of how that has delivered over the last three years in many areas.

Iain Simpson: Okay, thanks.

Jeremy Failko (HSBC): Hi, morning, thanks for taking the questions. As a first one could you go into a bit more detail on where you are in terms of your US market shares within the non-reimbursed channels? I guess also how much you saw if you take where you are at the end of March versus where you were at the end of 2022 and whether you update your expectations in terms of how much of that non-reimbursed business you are going to be able to maintain in the slightly longer term. Then the second question is on Biofreeze any update on how that brand is performing? Thanks.

Jeff Carr: Yes, on the non-WIC aspects of infant formula our market shares have remained very strong. I think they are pretty much in line with where they were at the end of last year in terms of market shares which is significantly ahead of pre-crisis. Our market shares have remained very strong. They have not fallen and clearly what that is saying to us is that mothers are not switching. As I mentioned in our commentary, new mothers coming into the category are choosing Enfamil so we are very pleased with the market share development. Now, the question is how much of that will we retain? It is always a difficult one. We know that Abbott is a formidable competitor. They have stated publicly they will regain their market leadership position. I think it is just going to take some time for them to really get that traction and I feel optimistic, as we say in the release, that we will end this year with much higher shares than we started the crisis at the beginning of 2022. We will retain stronger market shares. We will retain our leadership position and there is a lot of fundamentals in the market which give us confidence of that, but I cannot put a figure on it in terms of what percentage of the business we will keep from last year at this point.

Nicandro Durante: Let me take the second question about Biofreeze. I am always glad to report when we say something it is confirmed two months later. At our full year results, we said that Biofreeze was back to growth, if you remember well. The category is growing again and Biofreeze is performing extremely well without the teething problems that it had last year with the market declining and we had some supply issues. Just to give an idea of how confident we are on Biofreeze, the first quarter we grew 31% and most of this is volume. On top of this we launched in France and the performance of the brand in France and the return of this launch has been really great. We are very optimistic about Biofreeze this year. It is going to grow double-digit, I have no doubt about that. We grew 31% in the first quarter and I see the brand, as we said in March, was a great addition to our portfolio. I am very glad to report that.

Martin Deboo (Jefferies): Morning Nicandro and Jeff. I just want to mop up incrementally on Nutrition just trying not to repeat what you said to Bruno and Jeremy. On WIC the comments on price/mix suggest that in Q1 you were still selling into some of Abbott's WIC contracts. I just want to clarify that was the case and ask the question, does that now end as Abbott resupplies? Is that at all material in Q1? Then secondly I just want to clarify comments made on market share. Nicandro I thought you said at one point you hoped to increase market share of US infant nutrition but I think having just heard what you said to Jeremy what you are saying is you expect market share post the Abbott recall to be higher than it was pre the Abbott recall. Can I just clarify those two points? Thanks.

Nicandro Durante: Let me get the second question. Jeff you take the first question. The first quarter we had a very good performance and we retained most of the market share that we gained last year through the issue that we faced in the United States. I do not expect to further improve market share on top of last year. It would be impossible. But I expect to retain most of the market share. As I said, our brand is in a great shape. We have some new launches this year in some particular formulas there. Enfamil, as I said several times, is the preferred brand recommended by paediatricians, so we expect to have a good year on Nutrition. That is what I meant Martin.

Jeff Carr: You are correct on the WIC comment. There is some benefit from WIC still in the first quarter. The reimbursements ended at the end of February so there will be no more benefits from that. That has finished now. It was not significant in terms of our overall growth but there were some WIC benefits in the first quarter. The reimbursement programme finished at the end of February.

Martin Deboo: Thanks both.

Tom Sykes (Deutsche Bank): Morning everybody. Just on the price increases that you have put through in US infant nutrition, I think you said before you were putting in low-to-mid teens price increases through. I just wondered how you thought that had landed and whether your realised prices are similar to that level at the moment or are you having to step up promotions considerably. Then just in OTC it was not clear whether you were saying you had held or gained share in OTC and I suppose specifically in cold & flu. Sorry, just a quick one. The 3-5% is the upgrade implicitly coming from Nutrition or do you see an upgrade in other divisions as well please?

Nicandro Durante: Okay, let me take your first question. We had a price increase in Nutrition at the beginning of February. It was double-digit, as we said before in March during the presentation. It went very well and this is a testament to the strength of our portfolio and the sector. We have not had any push backs from consumers or customers. We are in a good space in answer to your first question. The second one, OTC, we had a 30% growth revenue in OTC in the first quarter. This show that we performed extremely well. We will be keeping and growing market share. We have fantastic brands led by brands like Mucinex, Lemsip and things like that. I think that we are on a very good momentum in OTC in the United States and I think we will keep growing.

The third question about the margin, do you want to take this?

Jeff Carr: Yes, it was the revenue guidance of 3-5%. No, this is not just led by Nutrition. I think all three GBUs, and that is why we call it broad-based, beat the consensus today. I think if you look forward to the next few quarters I would expect to see a little bit of an uptick in terms of Health as well as Nutrition in terms of expectations. Clearly Health beat numbers quite considerably and we are on track to have a good year. I see a more broad-based upgrade as opposed to just Nutrition.

Chris Pitcher (Redburn): Thank you very much. Can I ask a question on Intimate Wellness please? Can you say whether sales in China were specifically down in Q1 and how depressed are China sales relative to its normal share? Then specific to Durex are you still regaining market share with your innovations? How has the competitive environment developed? Do you feel like you are getting ahead of the curve on innovation there now in China? Then forgive me if I missed it but did you give an overall sales growth for Reckitt China in Q1? Thanks.

Nicandro Durante: Okay, let me talk a little bit about the Intimate Wellness. What I can tell you is that Durex is performing very well in Europe. It is performing very well across the world but if you look at the rate of growth, Intimate Wellness was a little bit depressed because of China. We have had very strong growth across our other brands. We grew double-digit Finish, double-digit Vanish, double-digits Harpic. The two biggest brands that we have in China, Durex and Dettol are stable or slightly growing because we have not yet seen the full benefits of China reopening. We expect recovery in the coming quarters, quarter two, quarter three and quarter four. Do I expect to see growth in China going forward? In Durex and Dettol the answer is yes. I think that you will see this in the coming months.

In terms of competitive environment, as I said, Durex outside China is gaining market share but in China it has been depressed. If you look at China volumes for Durex it was half of the world and of course you see that the Intimate Wellness has not grown double-digit but mid-single digit growth. I expect this to improve throughout the year.

Jeff Carr: Total China growth in the first quarter was lower than we expected but it was still positive in the low single digits.

Chris Pitcher: Okay, thank you.

Karel Zoete (Kepler Cheuvreux): One question on OTC capacity. We have seen a very significant growth. You already commented on Strepsils. How are you looking to increase capacity to meet demand? That was basically the one question I had left. Thank you.

Jeff Carr: Let me take that, Karel. Look, we have been stepping up our capital expenditure programme since 2020. We have been increasing our capex and we have been increasing capacity into key areas. We will continue to make those strategic investments. We have been insourcing quite some manufacture that has been previously outsourced and I think, as I said before, we have been improving our supply chain resilience. Our performance over the last three years is evidence of that. We will continue to do that. Where we see the need to invest in new capacity we will continue to do that. We have been doing that and Strepsils has been one of those areas that we have increased capacity but the demand at the moment is just so large in Europe that it is tough to keep up with it.

Karel Zoete: Okay, thank you.

Richard Joyce: Thanks very much for your questions. I think we will end the call there. Thank you. Goodbye.

[END OF TRANSCRIPT]