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RB investor presentation

Half year 2017

24th July 2017



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Rakesh Kapoor

Chief Executive Officer

Cautionary note concerning forward-looking statements

- This presentation contains statements with respect to the financial condition, results of operations and business of RB (the “Group”) and certain of the plans and objectives of the Group that are forward-looking statements. Words such as ‘intends’, ‘targets’, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including targets for net revenue, operating margin and cost efficiency, are forward-looking statements. Such statements are not historical facts, nor are they guarantees of future performance.
- By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including many factors outside the Group’s control. Among other risks and uncertainties, the material or principal factors which could cause actual results to differ materially are: the general economic, business, political and social conditions in the key markets in which the Group operates; the ability of the Group to manage regulatory, tax and legal matters, including changes thereto; the reliability of the Group’s technological infrastructure or that of third parties on which the Group relies; interruptions in the Group’s supply chain and disruptions to its production facilities; the reputation of the Group’s global brands; and the recruitment and retention of key management.
- These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Key messages



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**Year of 2
halves**

**M&A
execution -
ahead of
schedule**

**Significant
progress on
portfolio
transformation**

Cyber-Attack Update

**RB & other
companies
affected.**

**Business impact
minimised
(investigation ongoing)**

**Learnings and
actions in H2**

The First Half...



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**Net revenue
growth (LFL)**

-1%

**Net income
growth***

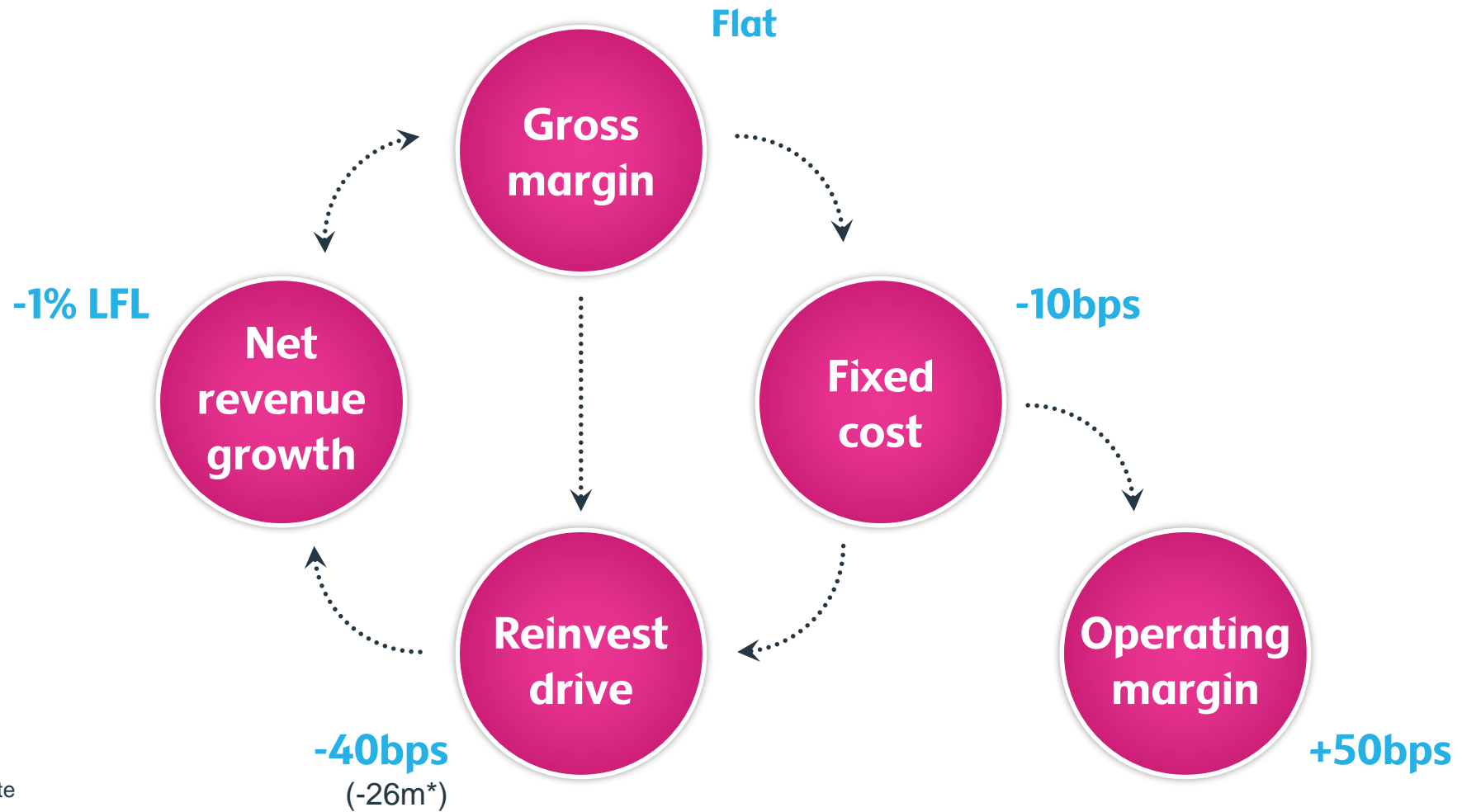
-1%*

**Cash
conversion
>100%**

**Interim
dividend
66.6p**

*Continuing adjusted net income, at constant exchange rate

Virtuous earnings – continued focus... (RB base business)



*at constant exchange rate

The MJN acquisition – our next step in Consumer Health



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Strategically compelling

A structurally **attractive category**

Mead Johnson – a global leader with **#1 global brand franchise**

~90% increase to our consumer health business

65% increase to our developing market presence



Combination to make RB better

Strong R&D, quality, regulatory and specialist distribution capabilities

Combined with RB's proven global marketing, innovation and operational strengths

Value creation for shareholders

ROIC projected to **exceed RB cost of capital** by year 5

Accretive to adjusted diluted EPS in the first full year and **double-digit accretive** by year 3

Dividend payout policy maintained at about 50% of adjusted net income

....and we have made a quick start



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**Deal completed
on 15 June**

**3 months ahead
of expectations**

**Funding finalised
with bond
issuance**

**\$7.75bn 3-10
years bonds at
excellent rates**

**Integration on
track - cost
synergies to
commence in 2017**

**Accelerated phasing of
synergies
(ahead of plan)**

Food disposal – further sharpening of the portfolio



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A fantastic business but non-core for RB

- ◀ World leader in condiments and toppings
- ◀ Portfolio of iconic brands
- ◀ 20 years of strong growth and profitability



Transaction summary

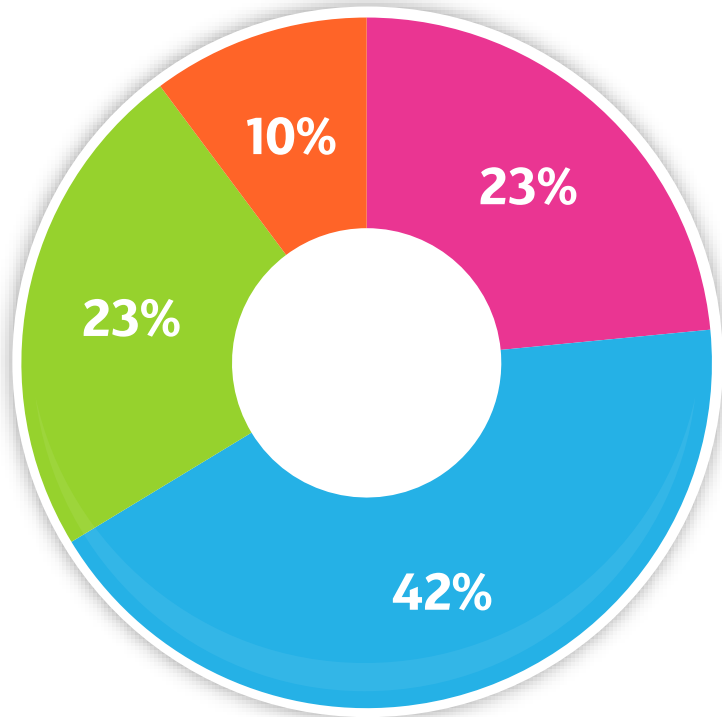
- ◀ \$4.2 billion in cash, subject to adjustments at closing
- ◀ Customary closing conditions
- ◀ Expected to complete in Q3 2017

Strong rationale for RB

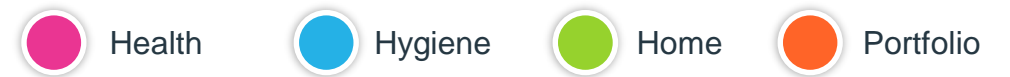
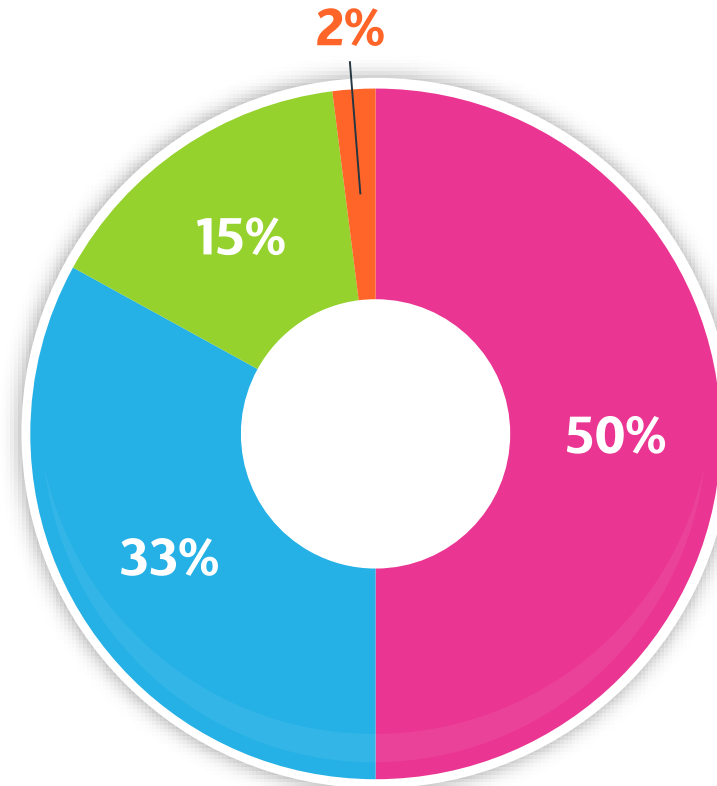
- ◀ Another step forward in RB's transformation into a consumer health & Hygiene leader
- ◀ Compelling valuation achieved after a highly competitive sale process
- ◀ Proceeds to reduce outstanding debt

Significant progress on portfolio transformation

5 years ago



Now



With Quality brands across a category continuum



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Health Relief

Health Nutrition

Health Wellness

Health Hygiene

Home Hygiene

Home

Mucinex

Enfamil

durex

Dettol

Lysol

AIR WICK



Nutramigen

Scholl

Clearasil

HARPIC

Vanish

GAVISCON

Airborne

Veet

CLUT BANG

Calgon

Strepsils

MegaRed

finish

Mortein

Woolite



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Adrian Hennah

Chief Financial Officer

HY 2017 results

Income statement (RB + 15 days of MJN)

	RB Base	MJN	Total	
	£m	£m	2017	2016
	£m	£m	£m	£m
Net Revenue	4,891	126	5,017	4,386
Adjusted operating profit	1,171	19	1,190	1,027
Adjusting items			(127)	(319)
Operating profit			1,063	708
Net finance expense			(47)	(11)
Profit before taxation			1,016	697
Taxation			(232)	(211)
<i>Tax rate – Adjusted</i>			23%	23%
Non-controlling Interest			(7)	(2)
Continuing net income			777	484
Discontinued net income			(272)	42
Total net income			505	526
Adjusted net income*			934	822
Diluted EPS			71.0p	73.4p
Adjusted diluted EPS			131.4p	114.7p

*Adjusted to exclude the impact of adjusting items and their associated tax effect

Q2 & HY 2017 results

Pro Forma Revenue and Profit – RB Base and Pro Forma MJ



	Q2				H1			
	RB Base	MJN (pro-forma)	2017PF	2016PF	RB Base	MJN (pro-forma)	2017PF	2016PF
							£m	£m
Revenue	2,353	726	3,079	2,827	4,891	1,428	6,319	5,712
<i>LFL %</i>	-2%	-1%	-2%		-1%	-3%	-2%	
Gross margin					2,951	892	3,843	3,500
<i>Gross margin %</i>					60.3%	62.5%	60.8%	61.3%
Adjusted operating profit*					1,171	284	1,455	1,357
<i>Adjusted operating profit %*</i>					23.9%	19.9%	23.0%	23.8%

*Adjusted to exclude the impact of adjusting items

The combined pro-forma financial information has been prepared by translating the results of MJN under its previous accounting policies

Q2 & HY 2017 results

Income statement - RB Base only



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	Q2		H1	
	2017	2016	2017	2016
	£m	£m	£m	£m
Revenue	2,353	2,171	4,891	4,386
<i>LFL %</i>	-2%	4%	-1%	5%
Gross margin			2,951	2,644
<i>Gross margin %</i>			60.3%	60.3%
Adjusted operating profit*			1,171	1,027
<i>Adjusted operating profit %*</i>			23.9%	23.4%
Adjusting items			(127)	(319)
Operating profit			1,044	708

*Adjusted to exclude the impact of adjusting items

LFL Revenue growth by Quarter

Business Segment (RB Only)



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	2016					2017			Total NR
	Q1	Q2	Q3	Q4	FY	Q1	Q2	HY	HY
									£m
NA	1%	3%	-	-3%	-	-	-	-	1,193
Rest of ENA	5%	1%	-1%	-1%	1%	-3%	-6%	-5%	1,996
ENA	3%	2%	-	-2%	1%	-2%	-4%	-3%	3,189
DvM	10%	8%	7%	6%	8%	4%	2%	3%	1,702
Group	5%	4%	2%	1%	3%	-	-2%	-1%	4,891
Food (discontinued)	2%	5%	6%	7%	5%	3%	2%	-	194

Revenue growth by Quarter Category

	2016					2017			Total NR
	Q1	Q2	Q3	Q4	FY	Q1	Q2	HY	HY
									£m
Health (ex MJN)	10%	5%	2%	-1%	4%	-	-4%	-2%	1,671
Hygiene	3%	7%	5%	3%	4%	3%	-1%	1%	2,196
Home	3%	-1%	-2%	-2%	-1%	-4%	-2%	-3%	912
Portfolio (ex Food)	-	-22%	-13%	7%	-8%	-21%	-8%	-15%	112
RB Base (ex Food and MJN)	5%	4%	2%	1%	3%	-	-2%	-1%	4,891

*Health total revenue includes £126 in relation to IFCN, the impact of which is not included in the quoted revenue growth.

Margin Analysis (RB Base)



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Gross Margin		H1	
At actual	%	bps v PY	
2017	60.3%	+0bps	
2016*	60.3%	+240bps	

BEI		H1	
At actual	%	bps v PY	
2017	14.9%	-40bps	
2016*	15.3%	+40bps	

Operating Margin		H1	
At actual	%	bps v PY	
2017	23.9%	+50bps	
2016*	23.4%	+180bps	

*2016 comparatives have been restated to exclude the results of Food.
Stranded costs of £11m have been reallocated to the continuing base business.

Profitability by business segment

	H1	
	2017 %	2016 %
ENA	25.9%	25.3%
DvM	20.2%	19.7%
Base Underlying	23.9%	23.4%
Food	29.8%	29.5%

Q2 & HY 2017 results

Pro-forma Income statement (MJN only)



	Q2		H1	
	2017PF	2016	2017PF	2016
	£m	£m	£m	£m
Revenue	726	656	1,428	1,326
<i>LFL %</i>	-1%	-4%	-3%	-5%
Gross margin			892	856
<i>Gross margin %</i>			62.5%	64.6%
Adjusted operating profit*			284	330
<i>Adjusted operating profit %*</i>			19.9%	24.9%

*Adjusted to exclude the impact of adjusting items

Constant dollar Revenue growth by Quarter

MJN pro-forma



	2016					2017			Total NR
	Q1	Q2	Q3	Q4	FY	Q1	Q2	HY	HY
	£m								
Asia	-9%	-7%	-	-4%	-5%	-10%	+2%	-5%	703
NA/Europe	-1%	-	-	-5%	-2%	-2%	-4%	-3%	475
Latin America	-6%	-3%	-	4%	-1%	6%	-3%	1%	250
MJN Total	-6%	-4%	-	-3%	-3%	-5%	-1%	-3%	1,428

*MJN report growth on constant dollar basis which excludes the impact of changes in foreign currency exchange rates

Margin Analysis (MJ ProForma)



Gross Margin		H1	
At actual	%	bps v PY	
2017	62.5%	-210bps	
2016	64.6%	-10bps	

Advertising & Promotion		H1	
At actual	%	bps v PY	
2017	18.4%	+170bps	
2016	16.7%	+100bps	

Non GAAP EBIT*		H1	
At actual	%	bps v PY	
2017	19.9%	-500bps	
2016	24.9%	+50bps	

*Non GAAP EBIT excludes specified items as reported by MJN under its previous accounting policies

Impact of Food disposal



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Transaction summary

- ◀ **\$4.2 billion on a cash-free, debt-free basis subject to customary working capital adjustments**
- ◀ **US anti-trust approval required**
- ◀ **Expected to complete during Q3 2017**

Profit Impact

- ◀ **In 2016 contributed \$206m to RB Group EBITDA after allocation of corporate cost and other stranded costs**
- ◀ **Limited expected tax charge on profit on disposal**

Financing Impact

- ◀ **Net proceeds used to pay down Term loans pro rata**
- ◀ **Credit ratio enhancing**
- ◀ **ROCE enhancing**

Net Working Capital



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	RB	MJN PF	HY17PF Total PF	HY16 £m	FY16 £m
Inventory	776	397	1,173	752	770
<i>% to last 12 month revenue</i>	8%	15%	9%	8%	8%
Receivables	1,555	291	1,846	1,377	1,623
<i>% to last 12 month revenue</i>	15%	11%	14%	15%	16%
Payables	(3,796)	(987)	(4,783)	(3,400)	(3,495)
<i>% to last 12 month revenue</i>	-37%	-36%	-37%	-37%	-35%
Net working capital	(1,465)	(299)	(1,764)	(1,271)	(1,102)
<i>% to last 12 month revenue</i>	-14%	-11%	-14%	-14%	-14%

* MJN inventory balance has been adjusted to exclude the fair value uplift applied upon purchase price accounting for the acquisition

Free cash flow (Continuing operations)



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	H1	
	2017	2016
	£m	£m
Adjusted Operating Profit*	1,190	1,027
Share based payment	36	33
Depreciation and amortisation	89	80
Net Capital expenditure	(98)	(259)
Movement in net working capital	394	283
Movement in provisions and other creditors	1	(20)
Trading cashflow	1,612	1,144
Exceptional cashflow	(99)	(14)
Operating Cashflow	1,513	1,130
Net interest paid	(35)	(8)
Taxation paid	(227)	(230)
Free Cashflow	1,251	892
Free Cashflow as % of Continuing Adjusted Net Income	141%	114%
Free cashflow from Discontinued operations	46	47
Closing net debt	(14,751)	(1,578)

* Adjusted to exclude the impact of adjusting items

Analysis of Net Debt



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Net Debt

H1

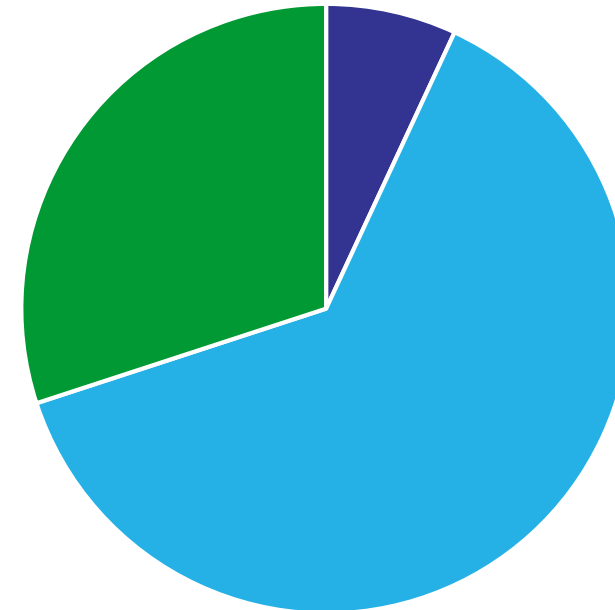
Gross debt (\$22.2bn)	£17.2bn
Cash	£2.4bn
Net debt	£14.8bn

Gross debt components

- Commercial paper - \$0.7bn & €0.8bn	\$1.5bn
- USD B & C Term Loans	\$8.9bn
- USD Bonds*	\$11.8bn

* includes MJN\$3.0bn bonds, and a new \$0.5bn FRN

Gross Debt - maturity profile



■ 364 days - CP ■ 2-5 years - TL & Bonds ■ 5+ years - Bonds ■

Net Debt:

- Floating rate	£7.6bn (51%)
- Fixed rate bonds	£7.2bn (49%)

Other Matters

	Future Expectations
	£m
Capex	2-3%
Effective Tax rate	23%
NWC	(8-9)%
Amortisation of finite life intangibles	c. £80m p.a.



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Rakesh Kapoor

Chief executive officer



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New initiatives for H2 2017



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HEALTH

Scholl® Value-priced Express Pedi



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Scholl® Value-priced Express Pedi

Value-for-money. Soft feet effortlessly. More convenient than a manual foot file, offering a visible difference

Durex® Naturals Intimate Gel



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Durex® Naturals Intimate Gel

Water based lubricant – contains 100% natural ingredients, with pre-biotics that support natural flora and pH balance

Mucinex® 12-Hour – strengthening the core



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SWITCH AND SEE THE DIFFERENCE.

1 MUCINEX LASTS 12 HOURS

The advertisement graphic features a blue background. On the left is a box of Mucinex Maximum Strength (1200 mg Guaifenesin) Extended-release bi-layer tablets, labeled as an expectorant with a 12-hour duration. Below the box is a single white, oval-shaped tablet with 'MUCINEX 12 HRS' embossed on it. To the right of the tablet is the text 'VS.' followed by three pairs of silver spoons, each pair labeled '4HR', representing the frequency of dosing for a shorter-acting medication.

Cough & Chest Congestion: Why take medicine every 4 hours when you can take 1 Mucinex tablet that works for 12 hours.

Digestive Advantage® Probiotic Bites Dark Chocolate



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Digestive Advantage Probiotic Bites Dark Chocolate

The probiotic that survives stomach acid 100x better - now available in great tasting dark chocolate bites

Air pollution reaching a global tipping point



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#4 largest cause of death globally
killing 10 people every minute

China

London

India

Gulf

California

Mexico

Air Quality (PM2.5)
is Invisible



SiTi SHIELD – endorsed by Dettol® - protecting urban consumers against air pollution.



SiTi SHIELD – endorsed by Dettol® - Connected at the heart



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Personalized data drives personalised solutions



Monitor



Mask + Micro Vent



In-nose filters





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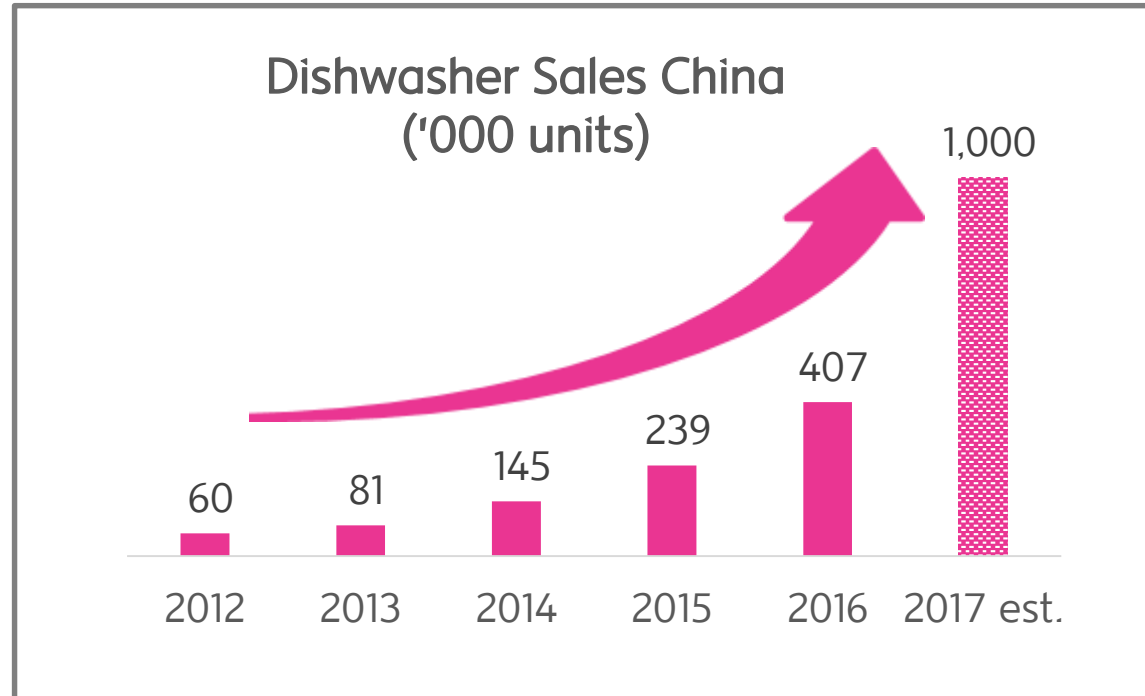


HYGIENE

The dishwasher market in China is growing strongly - X10 in 5 years



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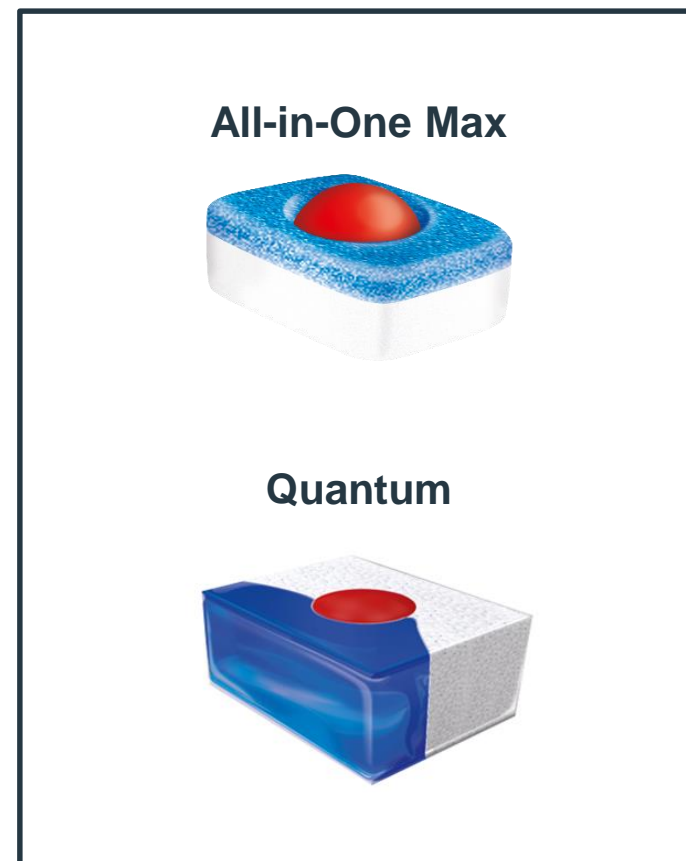
Finish® - All-in-1 Compact tablets



All-in-One tab –
for Table Top
Dishwashers



VS



Finish® All-in-1 Compact

Tablets specifically designed for China and compact (table-top) dishwashers.

Lysol® New Disinfecting Wipes

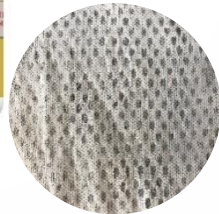


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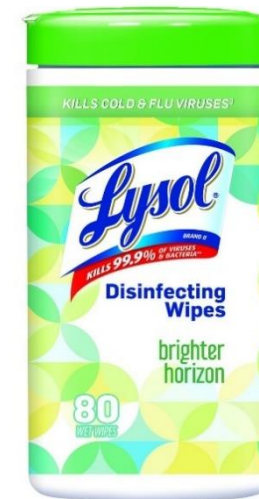
NEW wipe with new material



New wipe material
to help pick up dirt
& bacteria



NEW wipe fragrances



Lysol® New Disinfecting Wipes

New wipes made with a new material to help pick up bacteria and dirt. Kill 99.9% of germs.
Also available in a new range of fragrances

Veja® Gold – Re-launch across the range



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Veja Gold – unbeatable results even on the toughest stains!
BEST ever Veja formula with increased actives to provide 2x more cleaning power, throughout the house



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HOME

Vanish® – “Whites instantly Whiter after one Wash”



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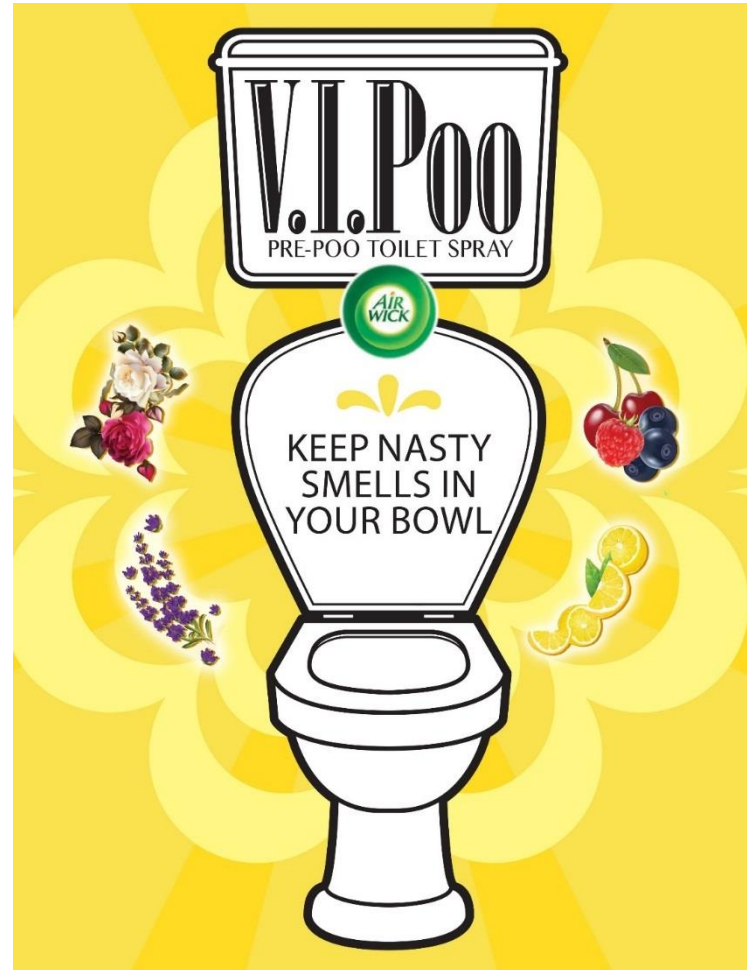
Vanish® – “Whites Instantly Whiter after one Wash”

There's nothing nicer than crisp whites when it comes to shirts, linen and towels

VIPoo by AirWick®



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VIPoo by Air Wick®
Keep Nasty Smells in Your bowl!



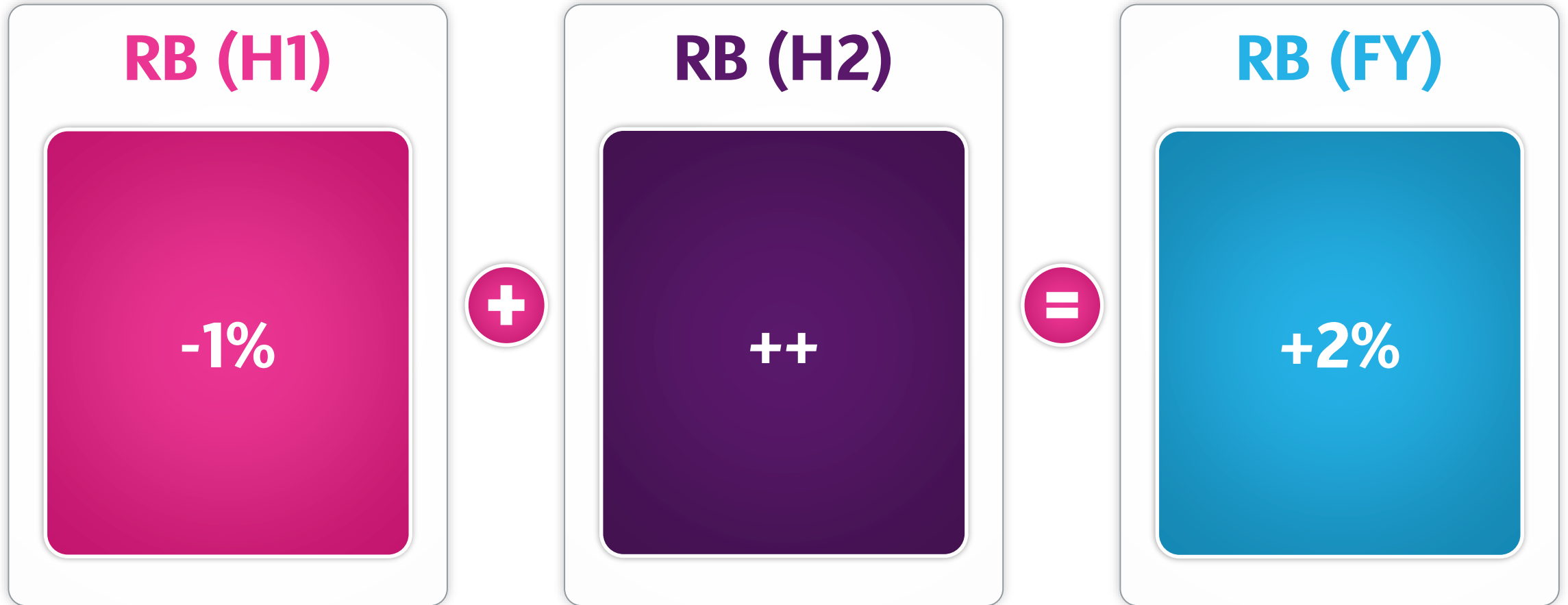
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2017 Targets

The second half (RB base business)



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The second half (MJN)



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MJN (H1)

-3%

+

MJN (H2)

**-2%
to Flat**

=

MJN (PF FY)

-3% - -1%

Operating Margins*



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RB base

Moderate
expansion
over the
Medium term

MJN

In line with
Plan over
the medium
term

*Adjusted to exclude the impact of adjusting items



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Q&A



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Appendices

Analysis of Adjusting Items



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	Total	P&L	Total P&L	Total cash
	Guidance	HY 2017	to date	to date
<u>Continuing operations</u>	£m	£m	£m	£m
Acquisition, integration and related restructuring	390	19	311	243
Litigation provisions	210	-	210	146
Korea “HS”	300	-	300	130
MJN acquisition*	450	20	20	-
<u>Discontinued operations</u>				
Gain on demerger	1,282	-	1,282	n/a
Litigation (DoJ / FTC)	<u>(318)</u>	(318)	<u>(318)</u>	-
Net gain	964		964	-

* Transaction fees of £70m were incurred in respect of the MJN acquisition, which have been treated as exceptional

Reconciliation of Operating Profit to Adjusted Operating Profit (continuing)

	HY 2017 £m	HY 2016 £m
Operating profit	1,063	708
<i>Adjusting items:</i>		
MJN acquisition	127	-
Korea HS issue	-	300
Acquisition, integration and restructuring	-	19
Adjusted operating profit	1,190	1,027

Revenue growth by Business segment Q2 2017

(RB Base only)



	LFL	Acq/Disp	FX	Reported
	%	%	%	%
North America	-	-	12%	12%
Rest of ENA	-6%	-	9%	3%
Total ENA	-4%	-	10%	6%
DvM	2%	1%	11%	13%
Total (ex IFCN)	-2%	-	10%	8%

Due to rounding this table will not always cast

Revenue growth by Business segment H1 2017

(RB Base only)



	LFL	Acq/Disp	FX	Reported
	%	%	%	%
North America	-	-	14%	14%
Rest of ENA	-5%	-	11%	6%
Total ENA	-3%	-	12%	9%
DvM	3%	1%	13%	17%
Group	-1%	-	12%	12%

Due to rounding this table will not always cast

Revenue growth by Business segment Q2 2017

MJN pro-forma



	Constant	Acq/Disp	FX	Reported
	%	%	%	%
Asia	+2%	-	+11%	+13%
NA/Europe	-4%	-	+13%	+9%
LATAM	-3%	-	+12%	+9%
Total	-1%	-	+12%	+11%

MJN reported growth on constant dollar basis which excludes the impact of changes in foreign currency exchange rates

Due to rounding this table will not always cast

Revenue growth by Business segment H1 2017

MJN pro-forma



	Constant	Acq/Disp	FX	Reported
	%	%	%	%
Asia	-5%	-	+10%	+5%
Na/Europe	-3%	-	+13%	+10%
LATAM	+1%	-	+9%	+10%
Total	-3%	-	+11%	+8%

MJN reported growth on constant dollar basis which excludes the impact of changes in foreign currency exchange rates

Due to rounding this table will not always cast

Reconciliation in net debt



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	2017
	£m
Opening net debt	(1,391)
Free cashflow from continuing operations	1,251
Shares reissued	81
Acquisition of businesses, net of cash acquired.	(11,848)
Debt acquired	(2,525)
Dividends paid	(669)
Free cashflow from discontinued operations	46
Exchange and other movements	304
Closing net debt	(14,751)

KCDC Assessments



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Round	Total Applicants	Applicants Assessed	Category I & II	Cat I & II percentage	Oxy RB Cat I & II**	Application cut-off	Assessment completion (expected)
1	361	361	172	48%	139	Nov-12	completed
2	169	169	51	30%	44	Oct-14	completed
3	752	452	57	13%	52	Dec-15	Dec-17
3.1		165	35	21%	32		
3.2		188	19	10%	18		
3.3		99	3	3%	2		
4*	4059	0	TBD		TBD	Ongoing	Dec-17

60%
of round 3 applicants
have been categorised
to date.

13%
of round 3 applicants
categorised to date
are cat I or II

**MOE is planning to
complete categorisation
process by Dec 2017**

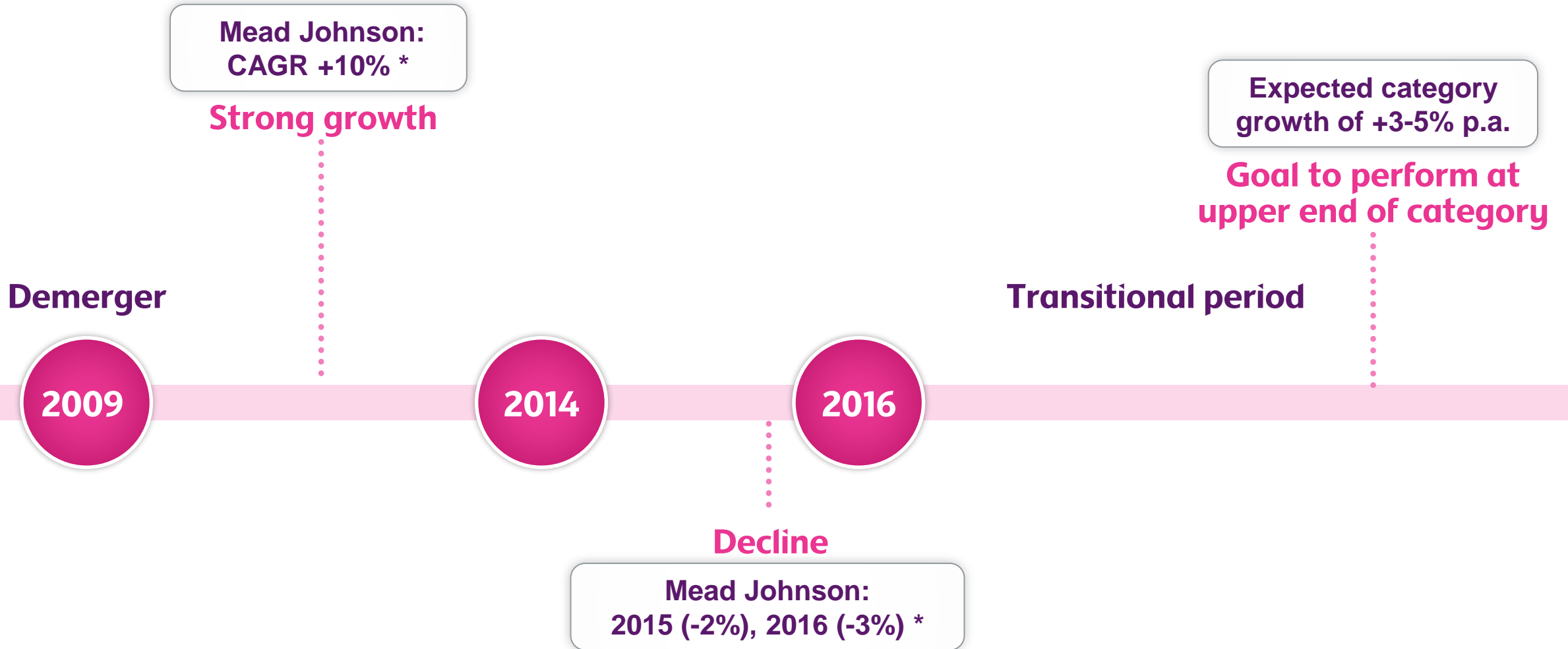
* round 4 remains open to applicants. The number of applicants shown in the table are the applicants set out on the KEITI website as at [31 March] 2017.

** both sole Oxy RB users and users of multiple manufacturers' products, including Oxy RB.

Historic and future performance



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* Constant dollar growth rates

Reconciliation of Underlying to Total performance



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	Underlying Base (ex Food)			Acquisition MJN HY17 (2 weeks)	Continuing (ex Food)			Discontinued Food			Total		
	HY17	HY16	Mvt bps		HY17	HY16	Mvt bps	HY17	HY16	Mvt bps	HY17	HY16	Mvt bps
Net Revenue	4,891	4,386		126	5,017	4,386		208	183		5,225	4,569	
GM %	60.3%	60.3%	0bps	61.1%	60.4%	60.3%	10bps	53.4%	52.5%	90bps	60.1%	60.0%	10bps
BEI %	14.9%	15.3%	-40bps	18.3%	14.9%	15.3%	-40bps	5.3%	4.9%	40bps	14.6%	14.8%	-20bps
Other costs %	21.5%	21.6%	-10bps	27.8%	21.7%	21.6%	10bps	18.3%	18.0%	30bps	21.6%	21.5%	10bps
Adj Operating Profit	1,171	1,027		19	1,190	1,027		62	54		1,252	1,081	
AOP%	23.9%	23.4%	50bps	15.1%	24%	23.4%	30bps	29.8%	29.5%	30bps	24.0%	23.7%	30bps