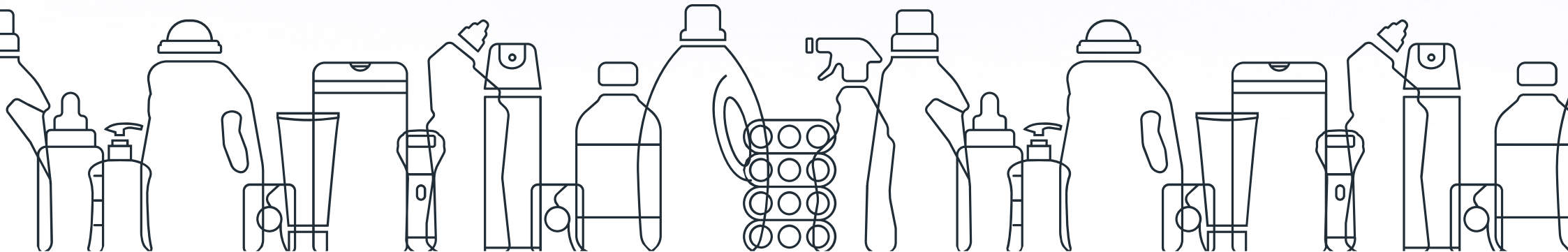




HEALTH • HYGIENE • HOME

# REJUVENATING SUSTAINABLE GROWTH

27th February 2020



# Disclaimer



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## 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.



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# Laxman Narasimhan

Chief Executive Officer

# Agenda

## 2019 Performance



## Strategic Review



## Our Plan





# 2019 Highlights

## 2019 in line with expectations set in October

+0.8% Net Revenue (LFL)

-50bps margin decline\* with  
60bps increase in BEI

349p adjusted EPS, up 3%



## Hygiene Home stable and performing

+3.6% Net Revenue (LFL)

Balanced volume v price / mix

Consistent quarterly performance

+150bps margin growth

BEI expansion



## Health disappointing

-1.0% Net Revenue (LFL)

Volumes weak

US “sell out” ahead of “sell in”

-180bps margin decline

BEI expansion

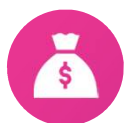


\*adjusted to exclude the impact of adjusting items

# Mead Johnson Nutrition

## Performance improved under RB but changed circumstances led to impairment

### Performance since acquisition



Acquired in 2017 for \$17bn



Strengthens RBs position in China and the US



Stronger digital, CRM and scientific platforms

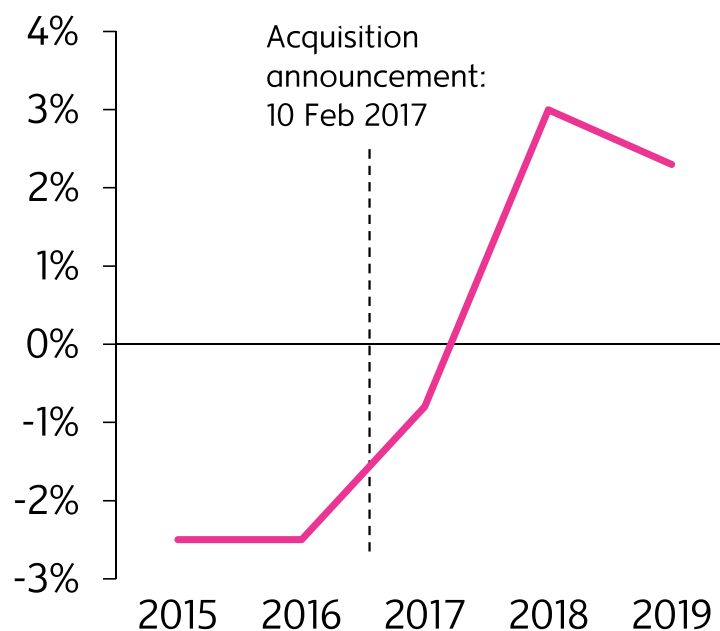


Strong innovation pipeline



Good turn around under RB

### Net Revenue Growth pre and post acquisition



### Changed circumstances



China market changing

- Birth rates decline
- Local competition intensifying



Longer recovery from 2018 manufacturing disruption



Inconsistent performance in smaller markets



China infant formula market share performance decline less than many multinationals

# Mead Johnson Nutrition

## Strong prospects to grow in new areas

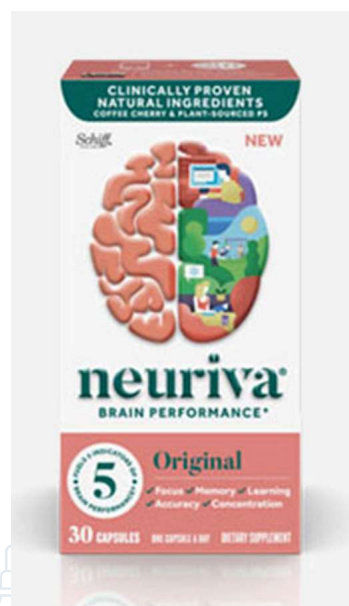
### New places

#### Enfamil in India

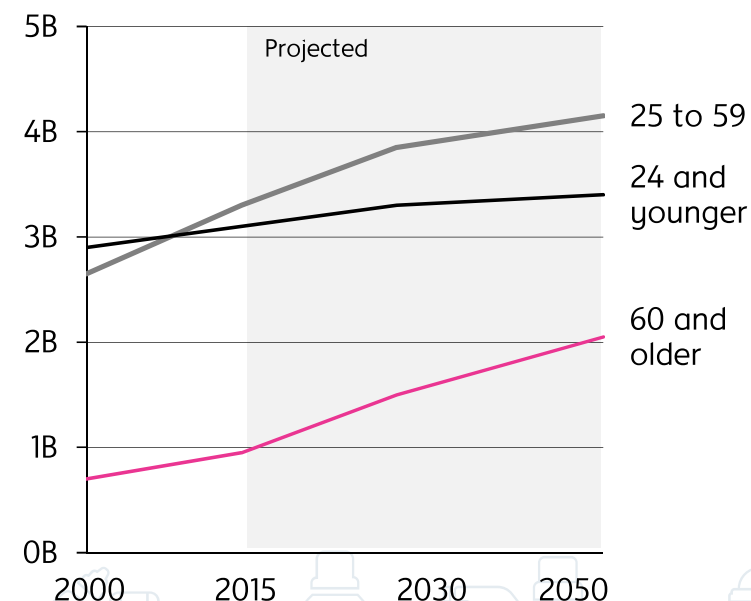


### New adjacent spaces

#### Neuriva



#### Ageing population across the world





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# Adrian Hennah

Chief Financial Officer

# FY 2019 results

## Income statement (reported)

£m	H2		FY	
	2019	2018*	2019	2018*
<b>Net Revenue</b>	<b>6,606</b>	<b>6,459</b>	<b>12,846</b>	<b>12,597</b>
<b>Adjusted operating profit**</b>	<b>1,892</b>	<b>1,916</b>	<b>3,367</b>	<b>3,369</b>
Adjusting items	(5,252)	(149)	(5,321)	(311)
<b>Operating (loss)/profit</b>	<b>(3,360)</b>	<b>1,767</b>	<b>(1,954)</b>	<b>3,058</b>
Net finance expense	(9)	(158)	(153)	(338)
<b>(Loss)/Profit before taxation</b>	<b>(3,369)</b>	<b>1,609</b>	<b>(2,107)</b>	<b>2,720</b>
Taxation	(394)	(304)	(665)	(536)
Tax Rate – Adjusted	21%	19%	22%	21%
Non-controlling Interest	(1)	(8)	(13)	(20)
<b>Continuing net (loss)/income</b>	<b>(3,764)</b>	<b>1,297</b>	<b>(2,785)</b>	<b>2,164</b>
Discontinued net income	(31)	2	(898)	(5)
<b>Total net (loss)/income</b>	<b>(3,795)</b>	<b>1,299</b>	<b>(3,683)</b>	<b>2,159</b>
<b>Adjusted net income**</b>	<b>1,441</b>	<b>1,417</b>	<b>2,473</b>	<b>2,408</b>
Diluted EPS			(519.7p)	304.5p
Adjusted diluted EPS			349.0p	339.6p

\* Restated for the adoption of IFRS 16: Leases

\*\* Adjusted to exclude the impact of adjusting items

## FY 2019 results

### Impairment and Other adjusting items

£m	FY
	2019
Goodwill & Intangible Impairment	5,116
MJN Synergies / RB 2.0	124
MJN Amortisation	81
<b>Adjusting Items Total</b>	<b>5,321</b>
<b>Discontinued Net Income</b>	<b>898</b>

#### Drivers of MJN impairment:

- Reduced China market growth
- Increased China competition
- Slower ASEAN market growth
- Increased investment in supply network
- Slower than expected integration
- No product or geographic white space included in valuation

**Discontinued Net Income relates to the settlement with DoJ**

## FY 2019 results

### Sources of earnings growth

	H2 19	FY 19
<b>Net revenue</b>	<b>1%</b>	<b>1%</b>
Adjusted operating margin impact	-4%	-3%
Net Finance Expense	5%	4%
Taxation	-2%	-1%
<b>Total adjusted net income at Constant FX</b>	<b>-</b>	<b>1%</b>
FX	2%	2%
<b>Total adjusted net income at Actual FX</b>	<b>1.7%</b>	<b>2.7%</b>

# FY 2019 results

## Group Margins

£m	H1		H2		FY	
	2019	2018*	2019	2018*	2019	2018*
<b>Revenue</b>	<b>6,240</b>	<b>6,138</b>	<b>6,606</b>	<b>6,459</b>	<b>12,846</b>	<b>12,597</b>
LFL%	1%	3%	0.9%	3%	0.8%	3%
<b>Gross Margin</b>	<b>3,757</b>	<b>3,710</b>	<b>4,021</b>	<b>3,925</b>	<b>7,778</b>	<b>7,635</b>
Gross Margin %	60.2%	60.4%	60.9%	60.8%	60.5%	60.6%
BEI %	15.4%	15.3%	13.5%	12.2%	14.4%	13.8%
SG&A %	21.2%	21.4%	18.7%	18.9%	19.9%	20.1%
<b>Adjusted Operating Profit**</b>	<b>1,475</b>	<b>1,453</b>	<b>1,892</b>	<b>1,916</b>	<b>3,367</b>	<b>3,369</b>
Adjusted Operating Profit %	23.6%	23.7%	28.6%	29.7%	26.2%	26.7%

\* Restated for the adoption of IFRS 16: Leases

\*\* Adjusted to exclude the impact of adjusting items



## FY 2019 results

### Health – Net Revenue by Category

	2018					2019					Total NR FY 19	
	Q1*	Q2*	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	£'bn	% total
<b>Infant Nutrition</b>	6%	9%	-6%	5%	3%	5%	-	7%	-1.1%	2.6%	3.0	38%
<b>OTC</b>	5%	8%	6%	2%	5%	-9%	1%	-7%	-2.2%	-4.4%	1.9	25%
<b>Other</b>	-2%	-	2%	4%	1%	-	-3%	-3%	-3.3%	-2.2%	2.9	37%
<b>Health</b>	<b>3%</b>	<b>5%</b>	<b>-</b>	<b>4%</b>	<b>3%</b>	<b>-</b>	<b>-1%</b>	<b>-</b>	<b>-2.2%</b>	<b>-1.0%</b>	<b>7.8</b>	<b>100%</b>

Proforma growth rates for Infant Nutrition and RB Health

## FY 2019 results

### Health Price / Mix and Volumes

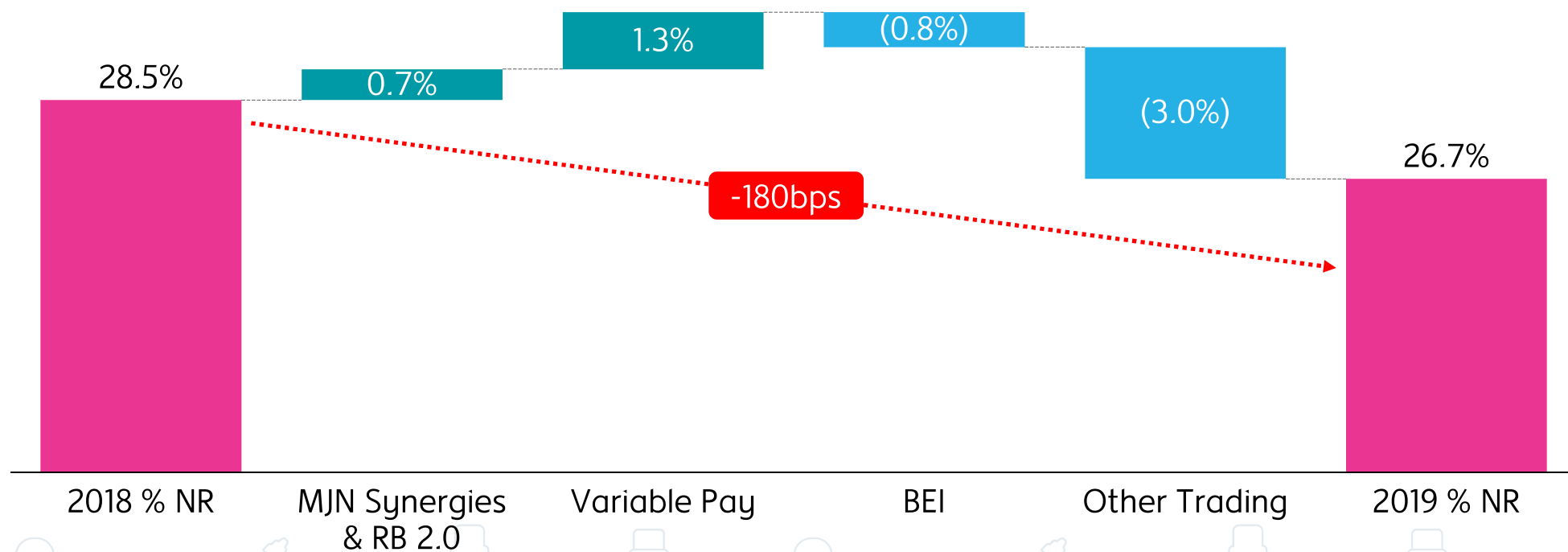
%	Volume	Price / Mix	Total
<b>Reported</b>			
<b>FY 19</b>	-4%	3%	-1%
<b>Q4 19</b>	-5%	3%	-2%
<b>Q3 19</b>	-3%	3%	0%
<b>Q2 19</b>	-5%	4%	-1%
<b>Q1 19</b>	-4%	4%	-
<b>FY 18</b>	1%	2%	3%
<b>Q4 18</b>	1%	3%	4%
<b>Q3 18</b>	-1%	1%	-
<b>Q2 18*</b>	2%	3%	5%
<b>Q1 18*</b>	1%	2%	3%

Proforma growth rates

# FY 2019 results

## Health FY margin analysis

### Adjusted Operating profit bridge



\*Restated for the adoption of IFRS 16: Leases

## FY 2019 results

### Hygiene Home

	2018					2019					Total NR
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	£'bn
RB Hygiene Home	4%	4%	4%	4%	4%	3%	3%	4%	4.3%	3.6%	5.0



## FY 2019 results

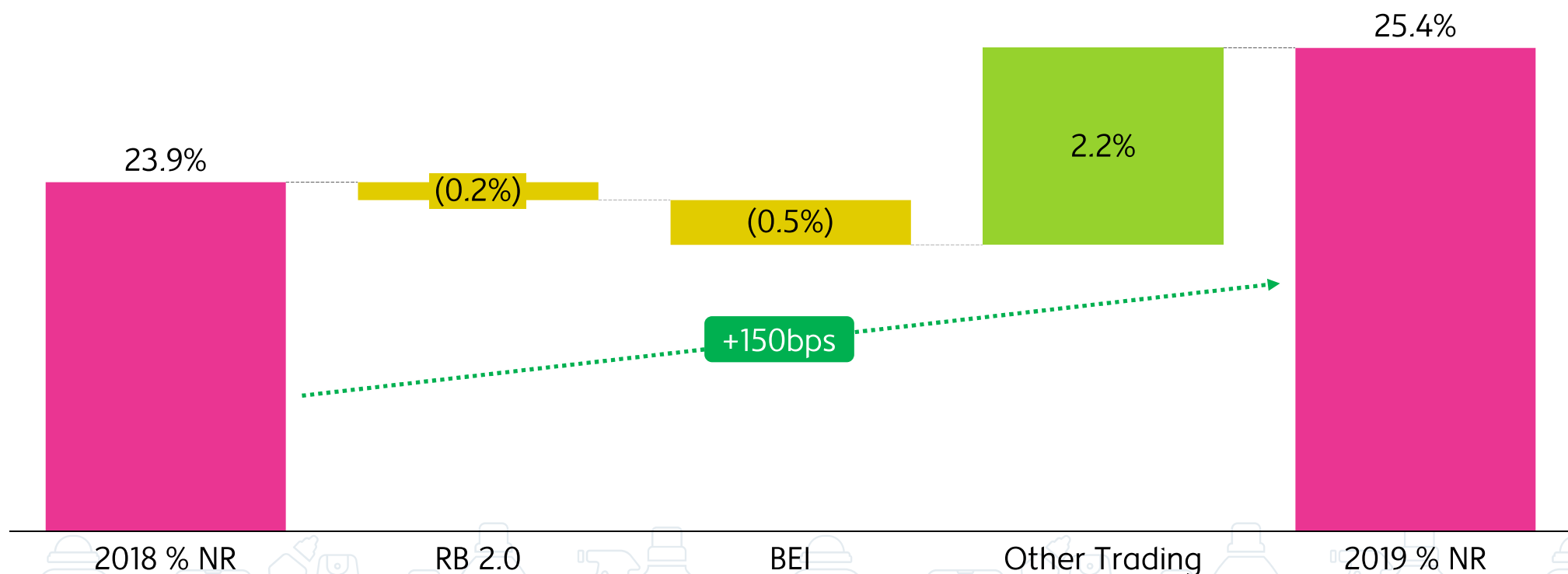
### Hygiene Home Price / Mix and Volumes

%	Volume	Price / Mix	Total
<b>Reported</b>			
<b>FY 19</b>	1%	3%	4%
<b>Q4 19</b>	3%	1%	4%
<b>Q3 19</b>	1%	3%	4%
<b>Q2 19</b>	-1%	4%	3%
<b>Q1 19</b>	-1%	4%	3%
<b>FY 18</b>	3%	1%	4%
<b>Q4 18</b>	1%	3%	4%
<b>Q3 18</b>	2%	2%	4%
<b>Q2 18</b>	5%	-1%	4%
<b>Q1 18</b>	5%	-1%	4%

## FY 2019 results

# Hygiene Home FY margin analysis

### Adjusted Operating profit bridge



## FY 2019 results

### Net Working Capital

£m	FY 19	FY 18
<b>Inventory</b> % to last 12 month revenue	<b>1,314</b> 10%	<b>1,276</b> 10%
<b>Receivables</b> % to last 12 month revenue	<b>2,079</b> 16%	<b>2,097</b> 17%
<b>Payables</b> % to last 12 month revenue	<b>(4,820)</b> -38%	<b>(4,811)</b> -38%
<b>Net working capital</b> % to last 12 month revenue	<b>(1,427)</b> -11%	<b>(1,438)</b> -11%

# FY 2019 results

## Free cash flow

£m	H2 2019	H2 2018*	FY 2019	FY 2018*
<b>Adjusted Operating Profit**</b>	<b>1,892</b>	<b>1,916</b>	<b>3,367</b>	<b>3,369</b>
Share based payment	(17)	(24)	18	14
Depreciation and amortisation	183	173	357	331
Net capital expenditure	(244)	(254)	(396)	(420)
Movement in net working capital	(41)	(104)	(83)	(26)
Movement in provisions and other creditors	(36)	(41)	(57)	(50)
<b>Trading cashflow</b>	<b>1,737</b>	<b>1,666</b>	<b>3,206</b>	<b>3,218</b>
Exceptional cashflow	(98)	(139)	(204)	(231)
<b>Operating Cashflow</b>	<b>1,639</b>	<b>1,527</b>	<b>3,002</b>	<b>2,987</b>
Net interest paid	(81)	(146)	(210)	(321)
Taxation paid	(342)	(236)	(647)	(567)
<b>Free Cashflow</b>	<b>1,216</b>	<b>1,145</b>	<b>2,145</b>	<b>2,099</b>
<b>Free Cashflow as % of Adjusted Continuing Net Income</b>	<b>84%</b>	<b>81%</b>	<b>87%</b>	<b>87%</b>
<b>Closing net debt</b>	<b>(10,749)</b>	<b>(10,746)</b>	<b>(10,749)</b>	<b>(10,746)</b>

\* Restated for the adoption of IFRS 16: Leases

\*\* Adjusted to exclude the impact of adjusting items



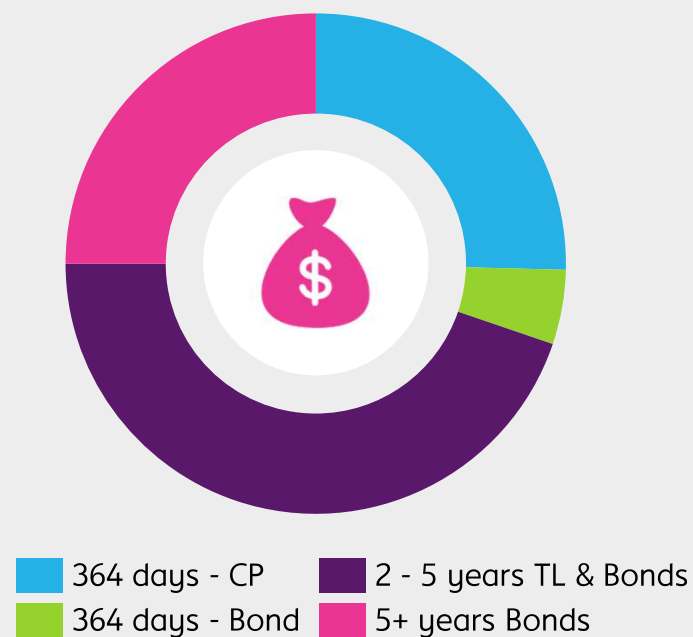
## FY 2019 results

### Analysis of Net Debt

Net Debt	Dec 2019
Gross debt (\$15.7bn)	£12.2bn
Cash	(£1.5bn)
Net debt	£10.7bn
Gross debt components	
Commercial paper* - \$2.0bn & €1.8bn	\$4.0bn
USD C Term Loans	\$1.1bn
USD Bonds	\$10.6bn

\* Backed by undrawn committed bank facilities totaling £5.5bn and maturing in 2-5 years

Gross Debt - maturity profile



## FY 2019 results

### Reconciliation

	2019	Exit rate	Explanation
<b>Operating margin</b>	26.2%	c. 25%	Variable pay c.100bps lower than expected
<b>Adjusted EPS</b>	349p	c.325p	Unusual factors leading to a lower net finance cost and a lower tax rate than expected





HEALTH ▸ HYGIENE ▸ HOME

# Laxman Narasimhan

Chief Executive Officer

## Framing our board strategy review

### Review and strategy developed from multiple sources of input

#### Strategy developed using multiple sources of input



Met with customers, consumers, employees, alumni and investors



Comprehensive diagnostic of performance and capabilities



Developed go-forward strategy, designed to deliver superior value

#### Board reviewed the strategy



**Laser like focus on shareholder value**



**All options on the table**

## Framing our review

### What I said in October 2019

#### Comments from Q3



**Good house in a great neighbourhood**

**Ran hot in a few places**

**Did too much in too little time**

**Execution imperative**



#### Actions underway



**Pause activities  
that distracted us**



**Focus on execution**



**Moving at pace to  
unlock RB potential**

# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value while engaging with purpose



Leading and inspiring the people of RB to succeed



## Our strategy

### Rejuvenating sustainable growth

	2019	Medium term
Revenue Growth	+0.8%	Mid-single digits
Investment	<ul style="list-style-type: none"><li>• P&amp;L investment of £200m pa</li><li>• £1.3bn enhanced productivity program</li><li>• Transformation costs £250m, spread over 2 years</li><li>• Two years of capex at 4% of net revenue</li></ul>	
Earnings Growth	+2.8%	+7-9% pa

**£2bn**

over 3 years

# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



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Sustainable, long-term value, while engaging with purpose



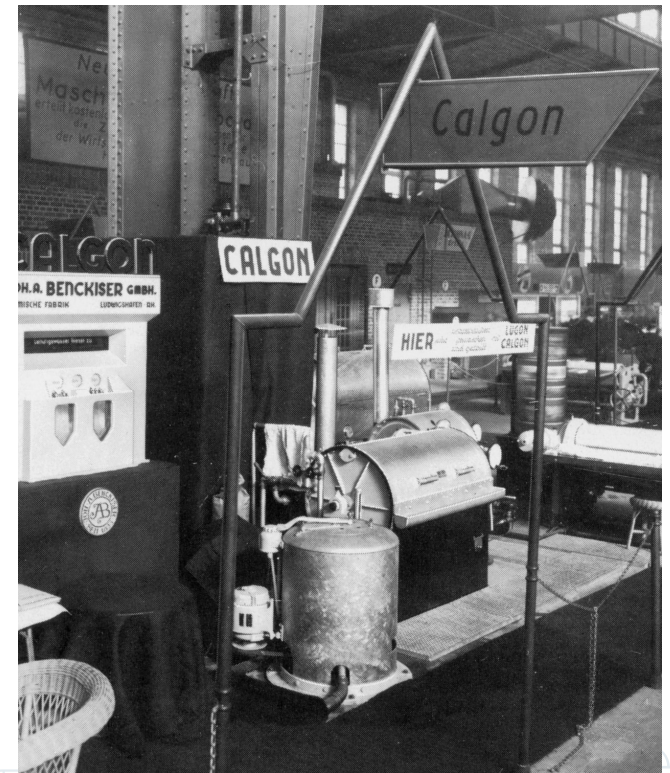
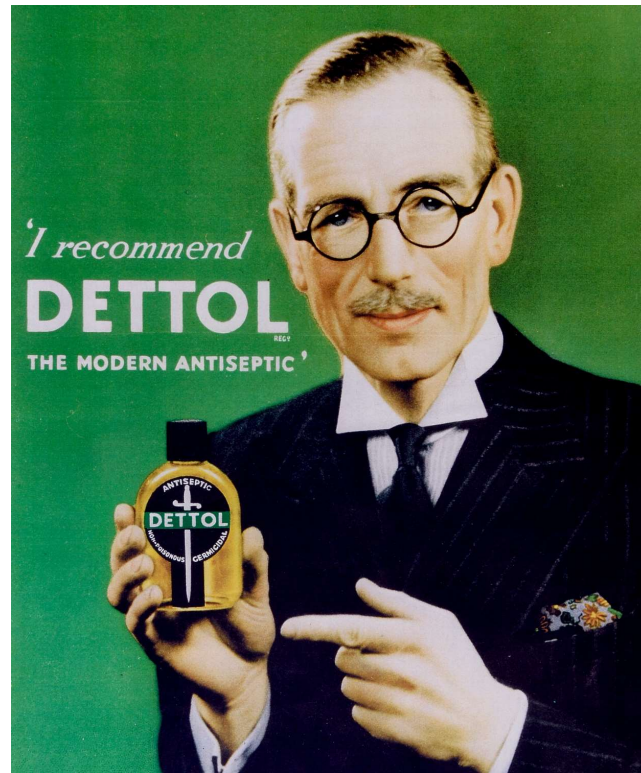
Leading and inspiring the people of RB to succeed





## Good house

### Strong heritage over 200 years



## Good house

### Long standing, trusted brands





# Good house People

## Entrepreneurs



Freedom To Succeed  
program

## Owners



Distinctive employee share  
ownership program

## Top employer



Various employer  
awards

## Good house

# Strong execution gene and a “can do” culture

### Durex Invisible XL launch

Launched in first markets 3 months **ahead of schedule**

Launching in **28 global markets** throughout 2020



### Large public education and behaviour campaigns



### ‘Perfect Store’ in India



### Response to COVID-19 in China



## Good house

# Strong growth in digital and eCommerce

 **>40** countries with eCommerce ops

 **>10%** group revenues

 **>2x** eCommerce revenue in last three years



Current record delivery time: **900 seconds**      Goal delivery time: **600 seconds**

**We have 32  
direct-to-consumer sites**

**Delivery in under an hour  
in 15 countries**

# Good house Global network

**>190**

Countries served

# Every

Continent

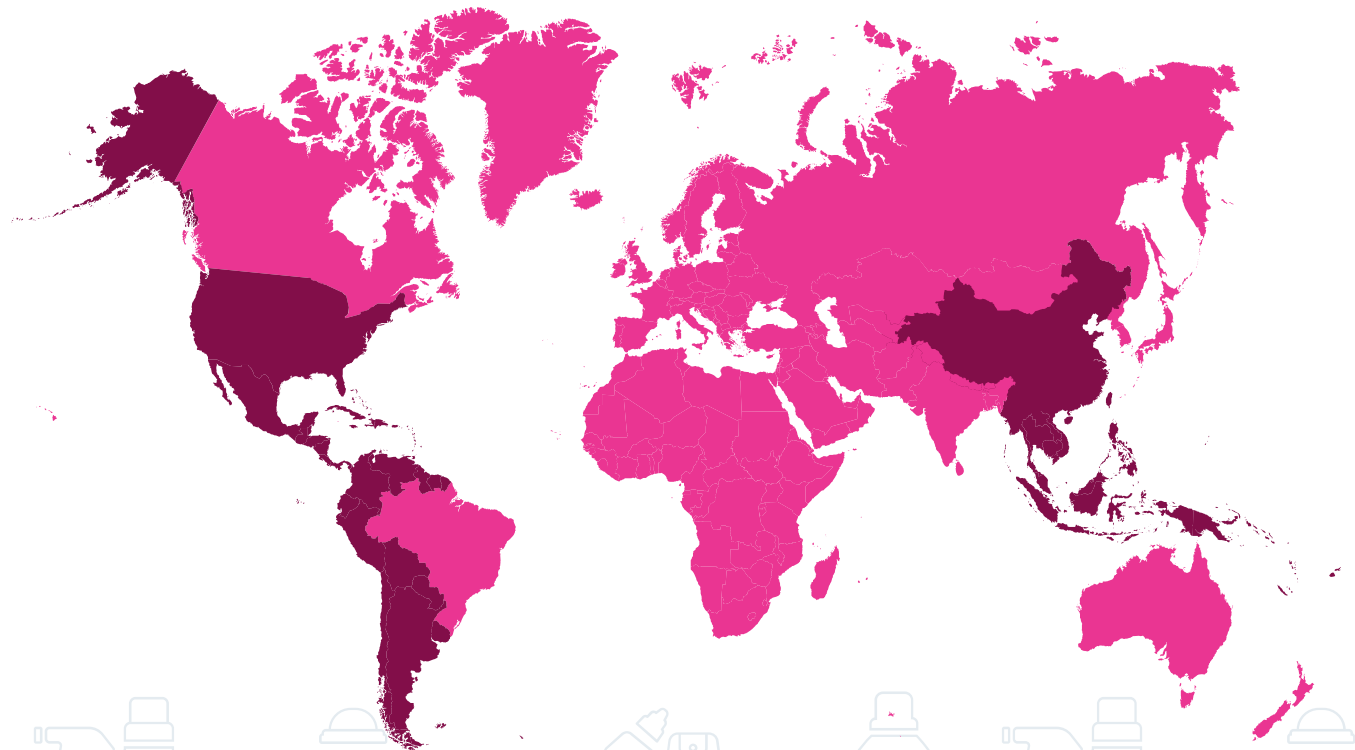
54

## Manufacturing facilities

40,000+

## Employees

● Scale strengthened by Mead Johnson





# Good house

## Strong Science and Innovation

Leading positions in multiple areas...

...taking innovation to market

**9 R&D Global  
Centres of  
Excellence**

c. 2,000  
employees



**Mead Johnson  
Pediatric  
Institute**

Locations in  
4 countries



**Veo Active Probiotics  
Surface Cleaner**



**Nutramigen grass fed**



**Air Wick Essential Mist  
Bluetooth**



**Dettol Biodegradable  
Multi Surface Wipes**



**Enfamil  
Neuro Pro A2**



**Lysol Laundry Sanitizer**



## Good house

### Opportunities: lack of focus in Rest of Health since RB2.0

#### LFL growth since RB2.0

Hygiene  
Home

c. **4%**

Rest of  
Health

c. **0%**

IFCN

c. **3%**



Integration synergies delivered



More investment in IFCN than expected



Focus shifted away from Rest of Health



Important innovations missed



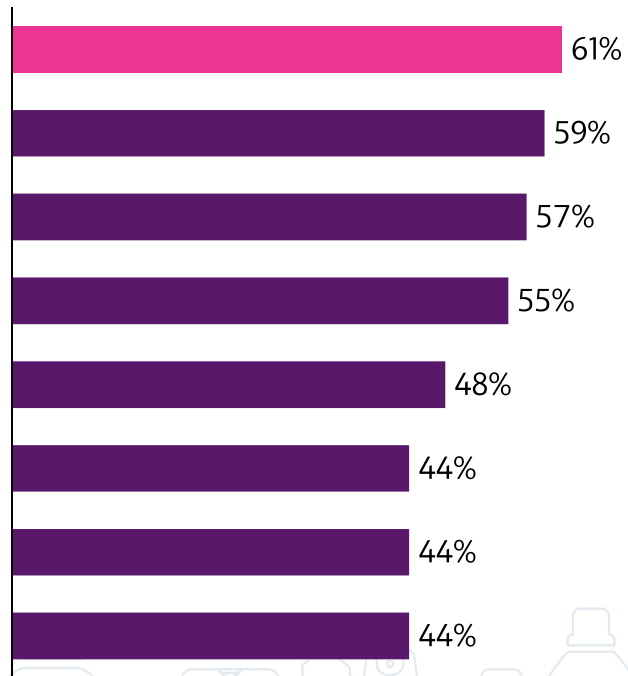
Some pricing decisions backfired



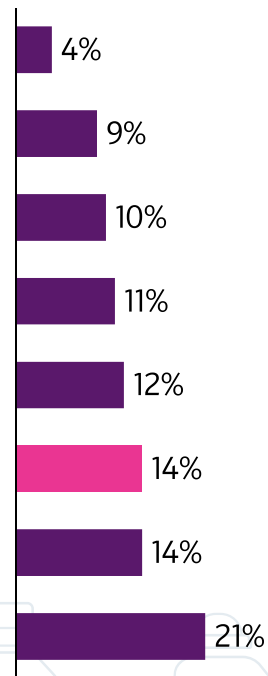
## Good house

### Opportunities: margins allow for investment with opportunities in middle of P&L

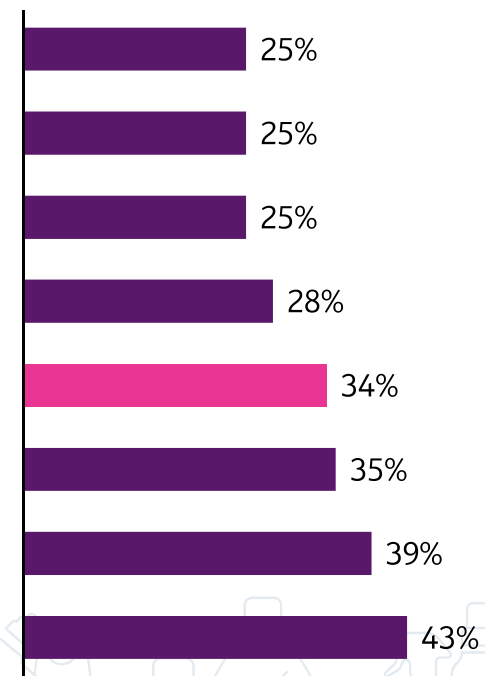
**Gross margin**  
% FY18



**BEI**  
% sales FY18



**Gross margin less operating margin**  
% sales FY18



Competitors<sup>1</sup>

1. Set of 7 competitors from consumer goods peers, same set across all charts  
Source: Robey Warshaw, Consumer Goods Benchmarking, February 2020

## Good house

# Opportunities: In depth analytic assessment highlights opportunities

### Area



BEI effectiveness/  
efficiency



Direct  
procurement



Indirect  
procurement

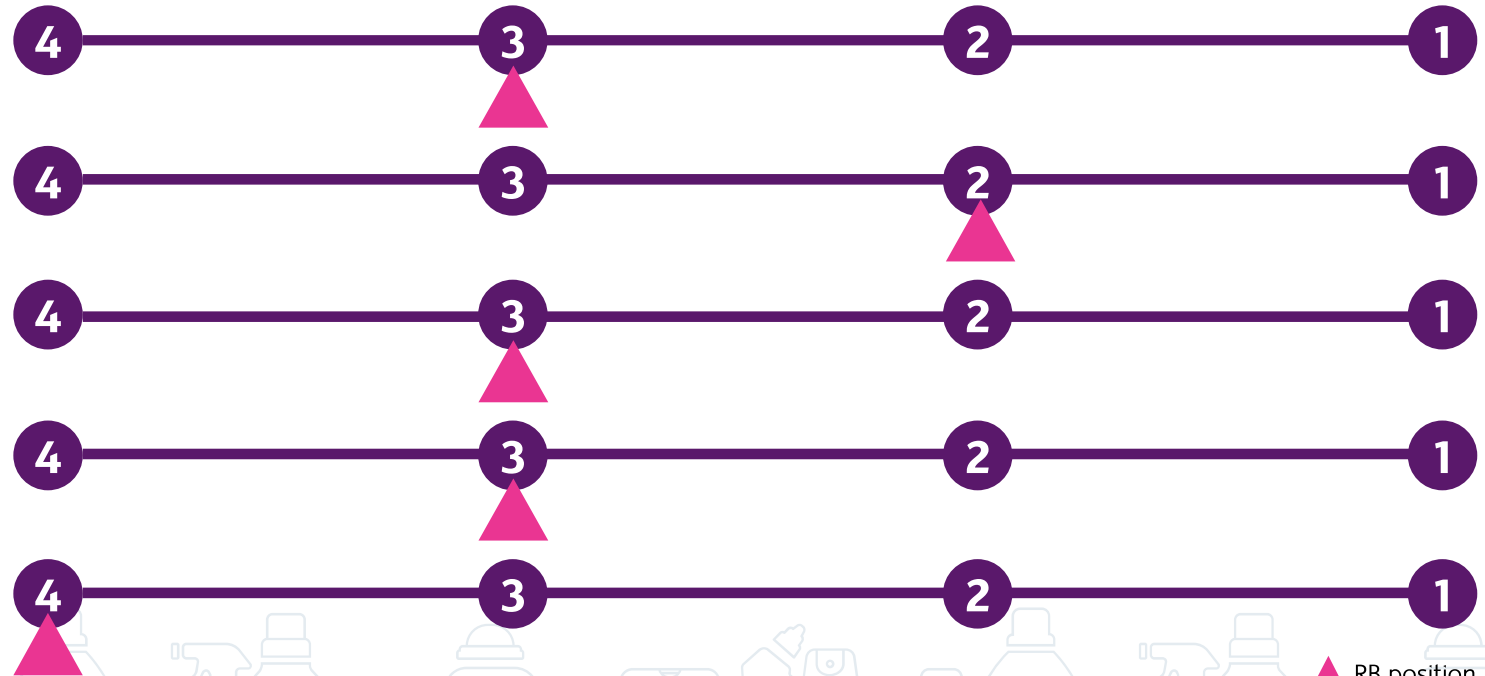


Manufacturing  
efficiency



Supply  
Planning

### RB performance quartile vs peers 2019 (1<sup>st</sup> is best)



RB position

## Good house

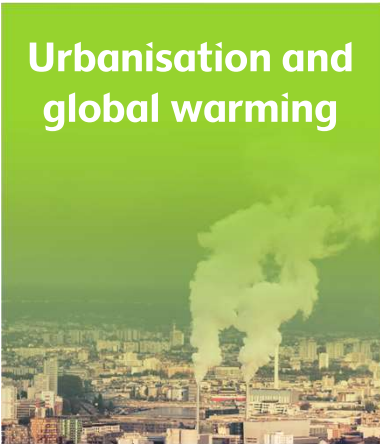
# Opportunities: commercial execution



# Mega-trends underpin our strategy

## Clear global trends are driving growth and purpose

Urbanisation and  
global warming



Hygiene

Dense populations drive need for good **hygiene** as the foundation of **health**

Growing demand  
for Self Care



Health

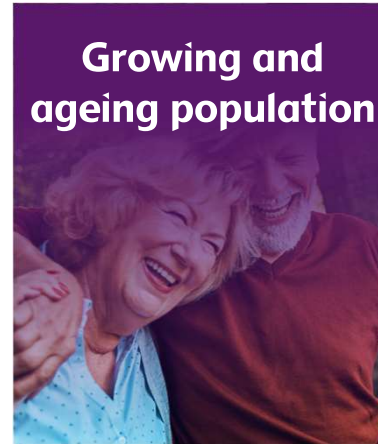
Government pressures on healthcare costs creating opportunity in **Self Care**

Sexual  
health crisis



Increased need for prevention and fun driving opportunities in **Sexual Well Being**

Growing and  
ageing population



Nutrition

Demand for adult **nutrition** creating opportunities

Technology  
proliferation



Digital and  
eCommerce

**Digital** transforming what people buy and how they buy it

**Solutions must be sustainable for the planet and society**



# Good house

## Scale matters to win sustainably

### Trusted brands



### Market presence



### Capabilities: eCommerce

**Walmart.com**

**amazon.com**

**Alibaba.com**

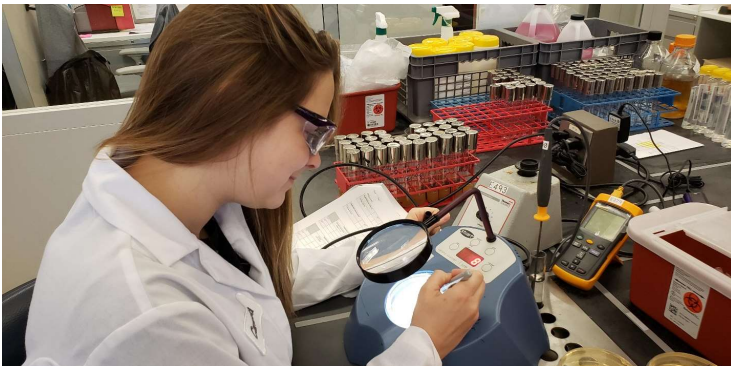
**TARGET.com**

# Good house

## Strong science, digital and eCommerce

### Microbiology / Microbiome

Montvale, NJ microbiome lab creates products with a foundation in biology



### eCommerce



### Hygiene

**FOUNDERS  
FACTORY.**

OXWASH

**Bower  
Collective**

**BLOOMBOXCLUB**  
breathe, restore & boost

### Health

Drug Delivery & Packaging  
**Pharmapack**  
INNOVATION • NETWORKING • EDUCATION

**Your.MD**

### Nutrition

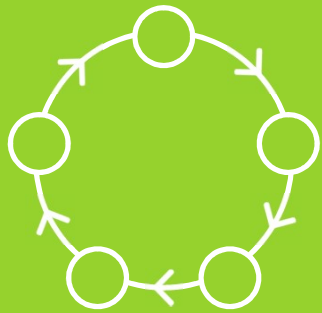
**UpSpring**



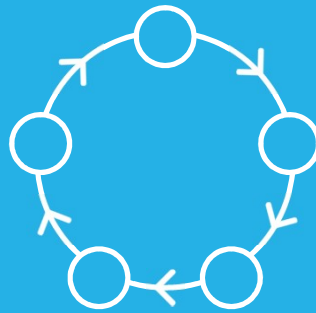
## Good house

### And yet, focus matters

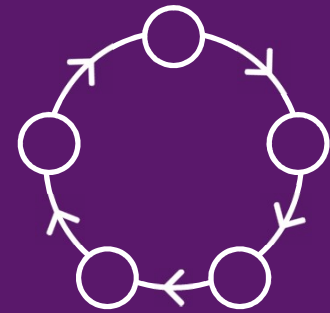
# Hygiene



# Health



# Nutrition



Enabled by:



eCommerce



Technology



Supply



Safety & Quality

## Good house to great house

### Conclusions from our review



**Better and stronger together**



**Leaving growth and profit opportunities on the table**



**Took on a lot of change, but without sufficient stability or focus**



**Need more and new muscles, and do it at scale**



**Greater efficiencies can help us invest where it matters**





# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value, while engaging with purpose



Leading and inspiring the people of RB to succeed



# Our commitment to social causes and sustainability



Raise awareness that 1 in 3 around the world do not have a toilet



Contribute to the fight against STIs and foster family planning



Ease the burden of dishwashing and conserve water



Help families fight germs and bacteria



Help babies with specific nutritional needs get the best start to life



Investment recognition



Dow Jones Sustainability Indexes



FTSE4Good

## Our purpose

To protect, heal and nurture  
in the relentless pursuit of  
a cleaner, healthier world



## Our fight

Making access to the highest quality hygiene, wellness, and nourishment a right, not a privilege



## Our strategy

### Three spaces – better and stronger together

#### Hygiene



2019 RB Revenue	Market size*	Largest players account for...
£5.0bn	£70bn	50%

#### Health



2019 RB Revenue	Market size*	Percent of Global GDP spent on healthcare
£4.8bn	£250+bn	10%

#### Nutrition



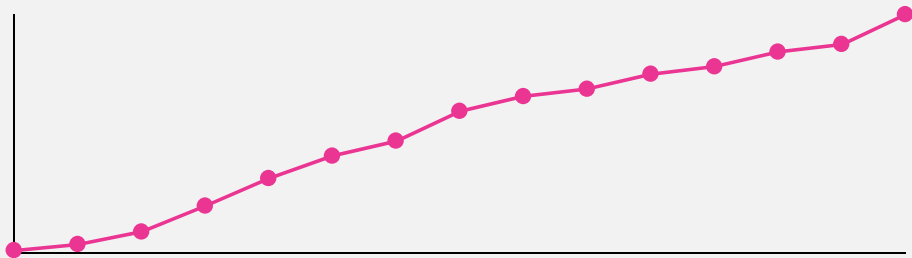
2019 RB Revenue	Market size*	Customer lifetime value:
£3.0bn	£55bn	\$2,000

\*Estimated size of the larger market including potential white space areas for RB

# Our strategy

## Growth drivers

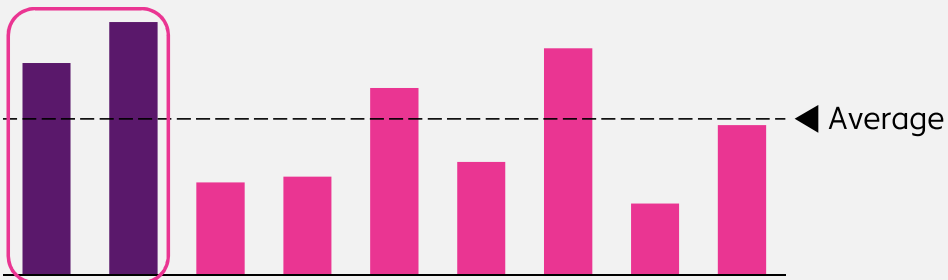
### 1 Penetration



### 2 Market share optimisation



### 3 New places: channels



### 4 New spaces & adjacencies

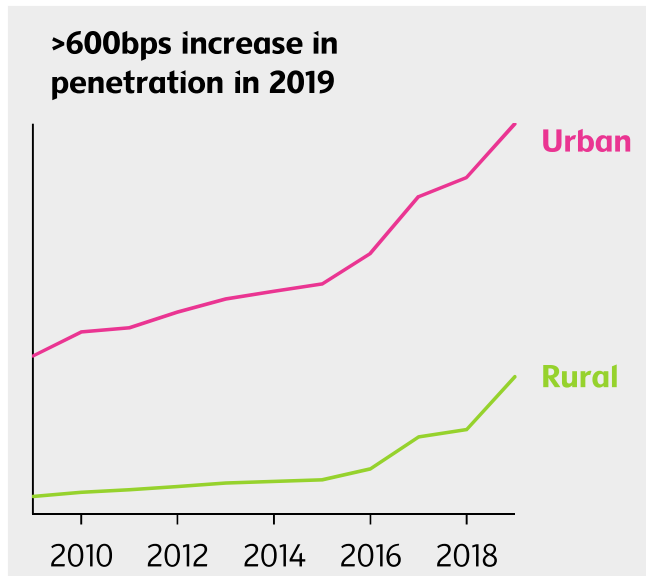


# Our strategy

## Hygiene's roadmap for growth

### Penetration

Harpic India



### New spaces & adjacencies

Air Wick Aromatherapy & Botanica



### New places

From 40 to 50 Power CMUs



**Medium term growth +3-5% pa**



# Our strategy

## Health's roadmap for growth

### Penetration

Dettol in Developing markets



### Category growth

Natural Lubes



### New places

Nurofen Adult in Italy & Germany



### New spaces & adjacencies

Guardium



Medium term growth +4-6% pa



# Our strategy

## Nutrition's roadmap for growth

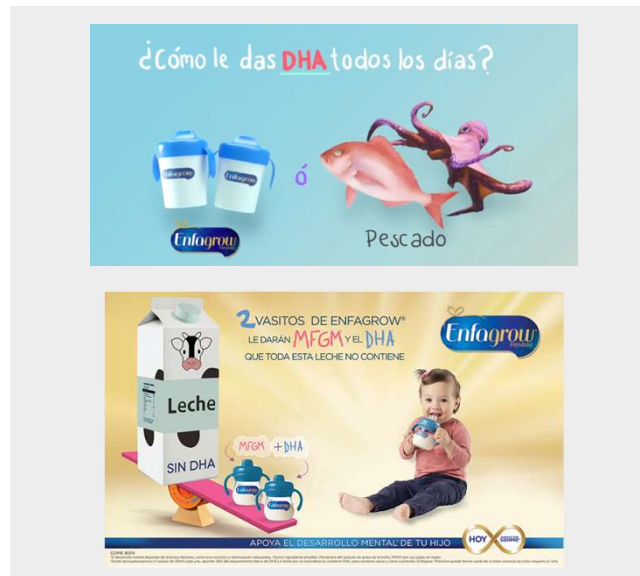
### Market share optimization

Neuro Pro in USA



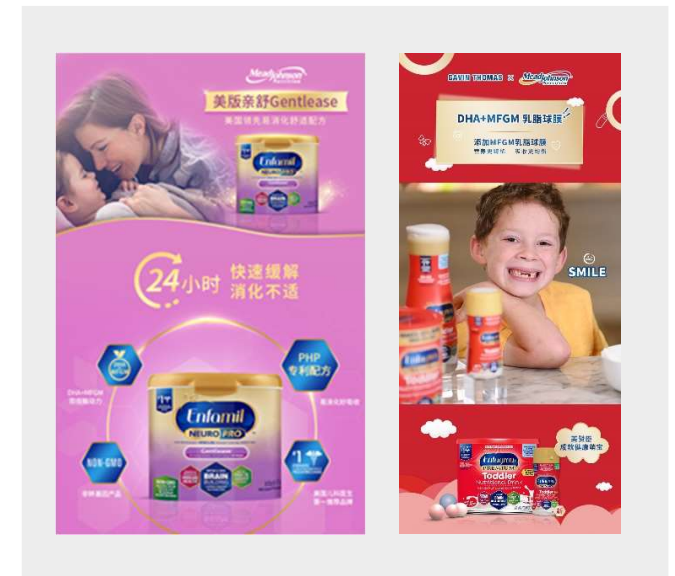
### Market share optimization

Enfamil in Mexico



### New places

Cross-border Enfamil



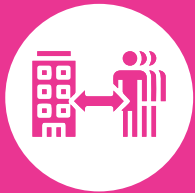
Medium term growth +3-5% pa

## Our strategy

# Leverage scale and experience to double eCommerce business

### Be Big

Driving scale and efficiency



B2C



Marketplace

### Be Fast

Fast cycle “test, learn, correct, scale” loops



D2C



Cross Border



O2O



Digital Native Brands

### Common principles



Superior  
Supply Chain



Revenue  
mgmt



Real time KPI  
dashboards



AI/ML media buying  
& optimization



Large scale  
analytics



Industry leading  
tech stack



Deep customer  
relationships



WOW! consumer  
experience



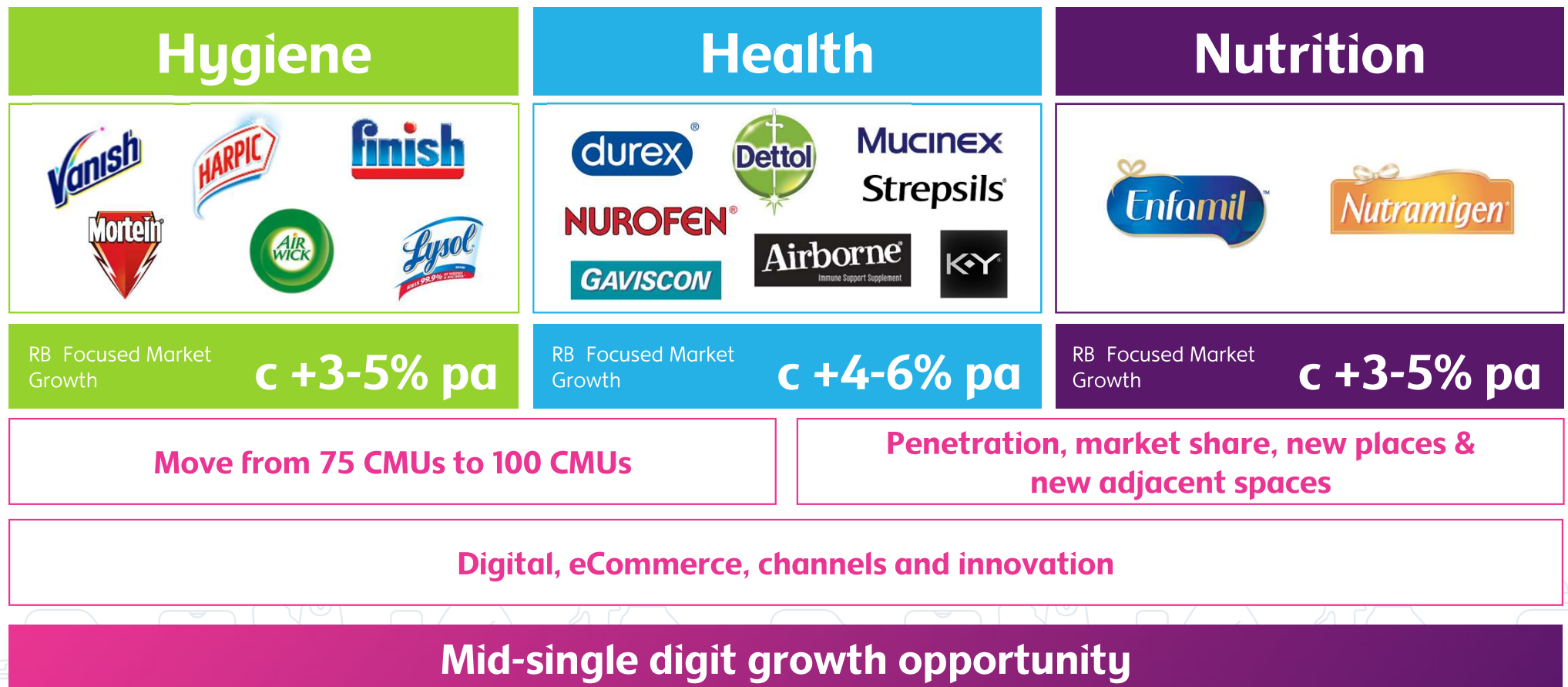
GDPR/cyber  
security



Incubating  
rocket brands

## Our strategy

Three spaces – stronger together – grow faster together



# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value, while engaging with purpose



Leading and inspiring the people of RB to succeed



# Our strategy

## Three phases of rejuvenation

Today	First phase Stabilize and perform	Second Phase Perform and build	Third Phase Outperformance
<b>NR growth</b> <b>+0.8%</b> <b>EPS growth</b> <b>+2.8%</b>			<b>NR</b> <b>Mid-single digits</b> <b>EPS</b> <b>+7-9%</b>
<b>Performance drivers</b>	<ul style="list-style-type: none"> <li>• Sustain Hygiene growth</li> <li>• Reignite Health volume and growth</li> <li>• Reignite Nutrition developing market growth</li> </ul>	<ul style="list-style-type: none"> <li>• Step up Hygiene growth</li> <li>• Sustain and step up Health growth</li> <li>• Broaden and grow Nutrition</li> <li>• Improve Health and Nutrition margins</li> </ul>	
<b>Example investment areas</b>	<ul style="list-style-type: none"> <li>• eCommerce and digital</li> <li>• Research &amp; development</li> <li>• Channel-specific sales excellence</li> <li>• Brand building tools</li> <li>• Productivity delivery</li> <li>• Foundational capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• eCommerce and digital</li> <li>• Maintain foundational capabilities</li> <li>• Availability in developing markets</li> <li>• Channel-specific sales resources</li> <li>• Science and technology platform partnerships</li> </ul>	

## Our strategy

### Creating room to invest in growth

#### Investment

**£2bn**  
over 3 years

Funded by:

P&L investment	£200m x 3 = £600m
Productivity program	£1,300m
Transformation costs	£250m
Capital expenditure*	£300m

#### Productivity program

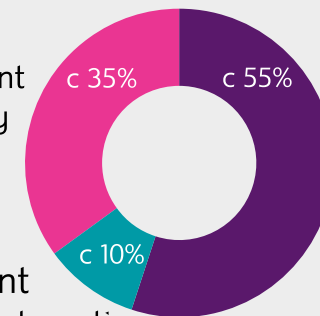
**£1.3bn**  
over 3 years

End-to-end  
Operations

- Direct procurement
- End-to-end supply chain

Fixed Cost  
Improvement

- Process automation
- Better leverage



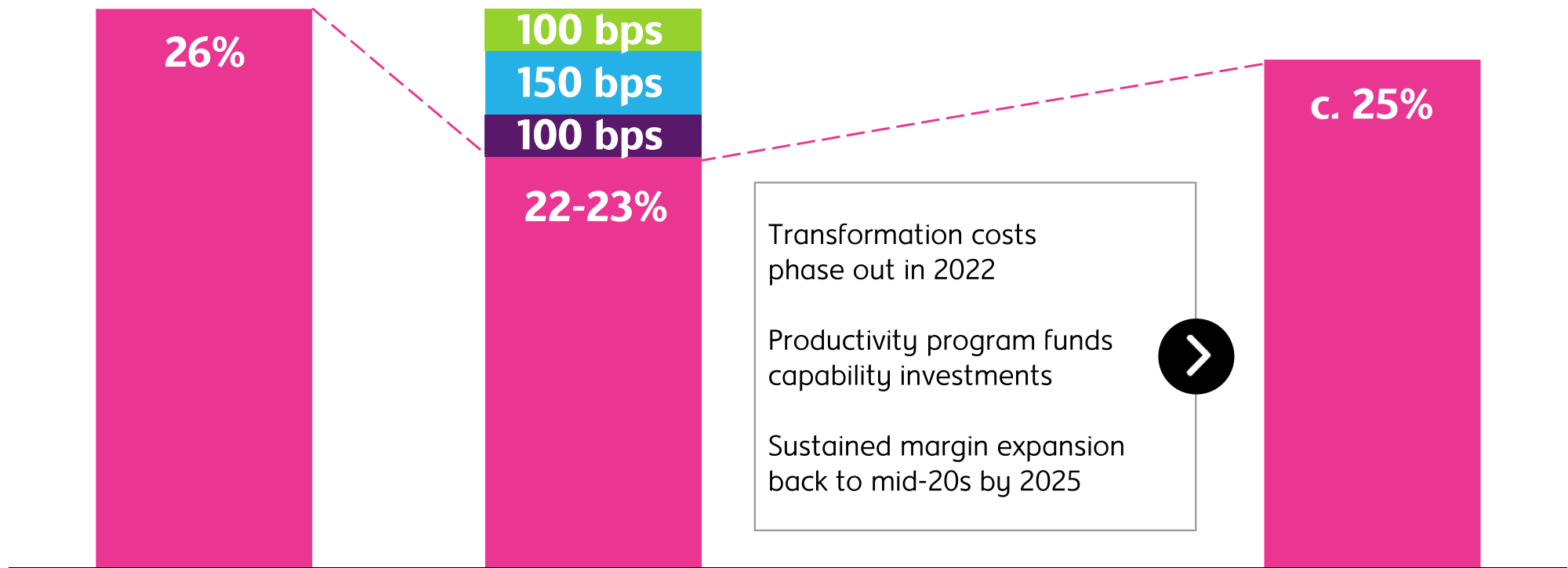
Commercial Levers

- Sales excellence
- Commercial spend
- Marketing excellence
- Indirect procurement

\*Additional capital expenditure reflecting two years at around 4% of net revenue, higher than long-run expectation

## Our strategy

### Path to mid 20s operating margins



2019

2020

Mid-20s

● Operating margin ● Operating margin headwinds ● Investment in commercial muscle and consumer value ● Finite life transformational costs

## Our strategy

### Our long-term financial algorithm

	2020	Medium term
Revenue	Faster growth than 2019	Mid-single digits
Operating margin	Around 22-23% in 2020	Rebuild to mid-20's
Cash conversion	<90% free cash conversion	Strong free cash conversion





## Our strategy

### Disciplined capital allocation will be a key priority



Remain focused on delivering **strong free cash conversion**



Invest in operations to **drive growth** and maximise returns on investment



Sustain **dividend pay-out** at current levels



Target **single A** rating



Rigorously **manage portfolio**; actively migrate to higher growth;  
will update you on progress



# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value, while engaging with purpose



Leading and inspiring the people of RB to succeed



## Our purpose and our fight

### Our purpose

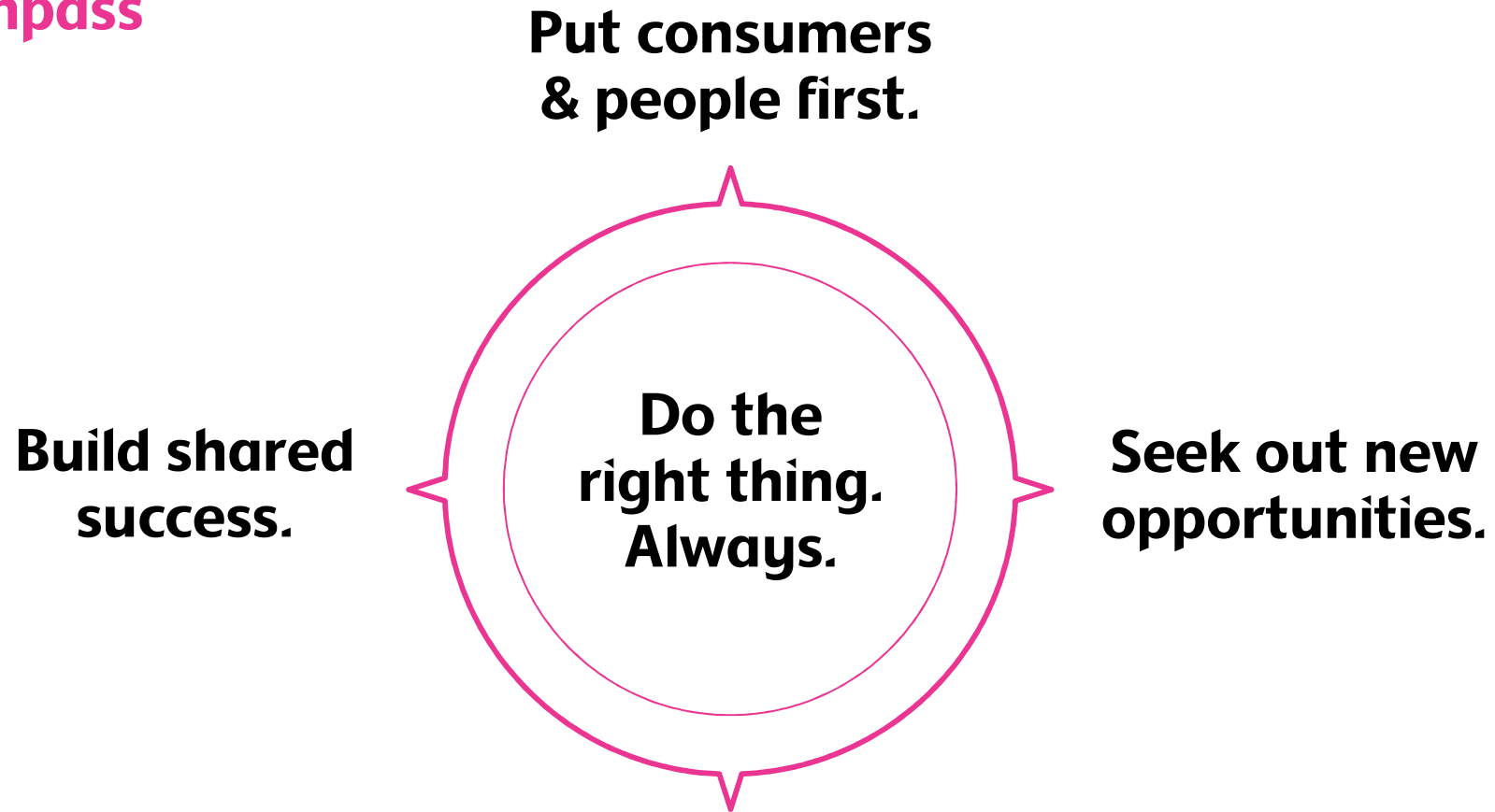
To protect, heal and nurture  
in the relentless pursuit of  
a cleaner, healthier world

### Our fight

Making access to the  
highest quality hygiene,  
wellness and nourishment a  
right, not a privilege



## Our compass



## Our people



## Our strategy

### Organisation



### 3 Category focused global business units

Hygiene  
Health  
Nutrition

### 1 China

eCommerce will be linked to China integrated business





## **Our strategy** **Leadership will be key**

**“The best of RB supplemented by new hires”**



**Aditya  
Sehgal**

President e-RB &  
Greater China,  
President Nutrition



**Harold van  
den Broek**

President Hygiene



**Jeff Carr**

Chief Financial  
Officer



**Kris Licht**

President Health,  
Global Customer  
Officer



**Ranjay  
Radhakrishnan**

Chief Human  
Resources Officer



**Zephania  
Jordan**

Chief SQRC  
Officer



# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value, while engaging with purpose



Leading and inspiring the people of RB to succeed





# Rejuvenating Sustainable Growth



# Rejuvenating RB

## Key messages



Good house, great neighbourhood, potential to be a great house



Clear strategy to rejuvenate growth



Investment plan and productivity to deliver growth



Sustainable, long-term value, while engaging with purpose



Leading and inspiring the people of RB to succeed





HEALTH ▸ HYGIENE ▸ HOME

# Appendices

# Our Compass

## Our Purpose

To protect, heal and nurture in the relentless pursuit of a cleaner, healthier world

## Our Fight

Making access to the highest quality hygiene, wellness and nourishment a right, not a privilege



# Group Net Revenue by Geography

	2018					2019					Total NR FY19	
	Q1*	Q2*	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	£'bn	% total
North America	5%	4%	6%	5%	5%	-5%	3%	-6%	-2.7%	-3.0%	3.5	27%
Europe	-1%	-	-2%	-2%	-1%	-1%	-	3%	3.7%	1.7%	4.2	33%
DVM	5%	9%	2%	8%	6%	6%	-1%	6%	-0.2%	2.6%	5.1	40%
Total	3%	5%	2%	4%	3%	1%	-	2%	0.3%	0.8%	12.8	100%

\* Proforma growth rates

## FY 2019 results

### Group Price / Mix and Volumes

%	Volume	Price / Mix	Total
<b>Reported</b>			
FY 19	-2%	3%	1%
Q4 19	-2%	3%	-
Q3 19	-1%	3%	2%
Q2 19	-3%	3%	-
Q1 19	-3%	4%	1%
<b>Pro forma</b>			
FY 18	2%	1%	3%
Q4 18	1%	3%	4%
Q3 18	-	2%	2%
Q2 18	3%	2%	5%
Q1 18	3%	-	3%

# FY 2019 results

## Analysis of adjusting items

£'m	Total Guidance	P&L FY 19	Total P&L to date	Total Cash to date
<b>Continuing operations - Closed</b>				
Acquisition, integration and related restructuring - now complete	(390)	(11)	(384)	(303)
Goodwill & intangible impairment	n/a	(5,116)	(5,116)	n/a
<b>Continuing operations - Ongoing</b>				
MJN synergies/RB2.0	(450)*	(113)	(388)	(388)
Litigation provisions	(210)	7	(203)	(148)
Korea "HS"	(300)	(7)	(307)	(279)
MJN amortisation		(81)	(318)	n/a
		<b>(5,321)</b>		
<b>Discontinued operations</b>				
Gain on demerger of Indivior	1,282	-	1,282	n/a
Gain on disposal of Food	3,037	-	3,049	n/a
Litigation (DoJ / FTC) – USD400m	(296)	(898)	(1,211)	(1,140)
		<b>(898)</b>		

\* Now expected to be £420m-£415m



## FY 2019 results

### Health – Net revenue by Geography

	2018					2019					Total NR FY19	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	£'bn	% total
North America	4%	3%	6%	5%	4%	-11%	4%	-12%	-4.3%	-6.1%	1.9	24%
Europe	-4%	1%	-4%	-3%	-3%	-2%	-2%	4%	2.6%	0.5%	2.0	26%
DVM	6%	8%	-1%	7%	5%	5%	-3%	4%	-3.4%	0.8%	3.9	50%
Total	3%	5%	-	4%	3%	-	-1%	-	-2.2%	-1.0%	7.8	100%

## FY 2019 results

### Hygiene Home – Net revenue by Geography

	2018					2019					Total NR FY19	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	£'bn	% total
North America	8%	6%	5%	6%	6%	2%	2%	1%	-0.5%	1.0%	1.6	32%
Europe	2%	-	-	-2%	-	-	3%	4%	4.8%	2.7%	2.2	44%
DVM	3%	10%	12%	11%	9%	9%	3%	11%	10.1%	8.6%	1.2	24%
Total	4%	4%	4%	4%	4%	3%	3%	4%	4.3%	3.6%	5.0	100%

## FY 2019 results

### Reconciliation of Reported to Adjusted

	Reported	Adjusting items			Adjusted
£'m	2019	Exceptional	Other	Finance expense	2019
<b>Operating profit</b>	<b>(1,954)</b>	<b>5,240</b>	<b>81</b>	<b>-</b>	<b>3,367</b>
Net finance expense	(153)	-	-	(35)	(188)
<b>Profit before taxation</b>	<b>(2,107)</b>	<b>5,240</b>	<b>81</b>	<b>(35)</b>	<b>3,179</b>
Taxation	(665)	(45)	(18)	35	(693)
Non-controlling Interest	(13)	-	-	-	(13)
<b>Continuing Net income</b>	<b>(2,785)</b>	<b>5,195</b>	<b>63</b>	<b>-</b>	<b>2,473</b>
Discontinued Net income	(898)	898	-	-	-
<b>Total Net Income</b>	<b>(3,683)</b>	<b>6,093</b>	<b>63</b>	<b>-</b>	<b>2,473</b>

## FY 2019 results

### Reconciliation in Net Debt

£'m	2019
<b>Opening net debt*</b>	<b>(10,746)</b>
Free cashflow from continuing operations	2,145
Shares reissued	61
Purchase of investments and acquisition of businesses	(36)
Dividends paid	(1,242)
Movement in lease liabilities	(63)
Exchange and other movements	272
Discontinued Cash Flow	(1,140)
<b>Closing net debt</b>	<b>(10,749)</b>

\* Restated for the adoption of IFRS 16, recognising £340m of lease liabilities as at 1 January 2019.

# KCDC assessments

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	174	48%	140	Nov-12	Completed
2	169	169	53	31%	46	Oct-14	Completed
3	752	669	84	13%	76	Dec-15	Completed
<b>3.1</b>		<b>165</b>	<b>42</b>	<b>25%</b>	<b>39</b>		
<b>3.2</b>		<b>188</b>	<b>21</b>	<b>11%</b>	<b>20</b>		
<b>3.3</b>		<b>99</b>	<b>3</b>	<b>3%</b>	<b>2</b>		
<b>3.4</b>		<b>205</b>	<b>18</b>	<b>9%</b>	<b>15</b>		
<b>3.5</b>		<b>12</b>	-	-	-		
4*	6,735	4,490	176	4%	158	Ongoing	Ongoing
<b>4.1</b>		<b>1,009</b>	<b>79</b>	<b>8%</b>	<b>73</b>		
<b>4.2</b>		<b>339</b>	<b>7</b>	<b>2%</b>	<b>7</b>		
<b>4.3</b>		<b>536</b>	<b>9</b>	<b>2%</b>	<b>8</b>		
<b>4.4</b>		<b>912</b>	<b>20</b>	<b>2%</b>	<b>17</b>		
<b>4.5</b>		<b>753</b>	<b>15</b>	<b>2%</b>	<b>14</b>		
<b>4.6</b>		<b>505</b>	<b>27</b>	<b>5%</b>	<b>24</b>		
<b>4.7**</b>		-	-	-	-		
<b>4.8</b>		<b>38</b>	-	-	-		
<b>4.9</b>		<b>144</b>	<b>6</b>	<b>4%</b>	<b>3</b>		
<b>4.10</b>		<b>181</b>	<b>10</b>	<b>5%</b>	<b>9</b>		
<b>4.11</b>		-	-	-	-		
<b>4.12</b>		<b>73</b>	<b>3</b>	<b>4%</b>	<b>3</b>		

\* 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 20 Feb 2020.

\*\* Round 4.7 & 4.11 Asthma related injuries only.

## FY 2019 results

### MJN cost synergy delivery

£m	FY 17	FY 18	FY 19	Total	Guidance	
					GBP*	USD
<b>Total</b>	<b>20</b>	<b>158</b>	<b>84</b>	<b>262</b>	<b>235</b>	<b>300</b>

\* Translated at weighted average rate (\$/£ 1.28)