



RECKITT BENCKISER (RB.L)
Q1 2020 TRADING UPDATE

	Q1 2020			
	£m	LFL ¹	FX	Reported
Hygiene ²	1,355	+12.8%	-1.9%	+10.9%
Health				
- Over the Counter (OTC)	618	+32.9%	-1.4%	+31.5%
- Other Health	825	+17.1%	-0.4%	+16.7%
- Infant and Child Nutrition (IFCN)	746	-1.6%	0.0%	-1.6%
Total Health	2,189	+13.6%	-0.5%	+13.1%
Total	3,544	+13.3%	-1.0%	+12.3%

Highlights

- **Exceptional efforts to increase capacity** by RB's people, partners, suppliers and customers to meet **strong consumer demand** due to COVID-19
- **Group LFL growth of +13.3%**: led by strong demand for many of our hygiene and health products, and compared to a weaker quarter for Health in 2019; improving market share³ trends in both businesses
- **Hygiene LFL growth of +12.8%**: strong growth in most markets, with double digit growth in North America, Europe / ANZ, and Latin America
- **Health LFL growth of +13.6%**: strong demand for Dettol, OTC and Other Health in North America, Europe and Australia, partially offset by lower growth in Developing Markets and decline in IFCN in China reflecting retail restocking in 2019
- **Strong demand** in the first quarter for **Dettol, Lysol, Mucinex, Nurofen and VMS** as the business sustained supply despite challenging conditions in many markets
- **e-Commerce¹** channel net revenues up over 50%, reflecting strong growth in both Hygiene and Health, particularly in March as consumers moved online during 'stay at home'
- **Plans to Rejuvenate Sustainable Growth at RB underway** with senior management team and new structure expected to be in place by 1 July 2020; some investments now phased to start later in the year; **RB Fight for Access Fund** has allocated over £40m to benefit communities consistent with the Company's Purpose
- **2020 performance** now expected to be better than original expectations, although the outlook for the balance of 2020 remains uncertain, with significant COVID-19 challenges across our markets; fuller update on plans and guidance at the Half Year

Commenting on these results, Laxman Narasimhan, Chief Executive Officer, said:

“We are living in unprecedented times. Our Compass, Purpose and Fight have never been more relevant. As we announced in February, our purpose is to protect, heal and nurture in our relentless pursuit of a cleaner and healthier world. Despite the significant pressures presented by COVID-19, our global teams have worked around the clock to ensure continuity of supply, while prioritising the safety of our employees, partners and the communities where we live and work.

¹ Non-GAAP measures are defined on p6

² Hygiene, formerly known as Hygiene Home

³ Latest available market share data to the end of February

“This is a uniquely challenging time. By almost any measure, none of us have lived through a period of such uncertainty. The exceptional demand has resulted in some customers and consumers facing shortages for some of our products. RB has responded with its typical can-do attitude, ramping up production, streamlining our SKUs and working with customers and suppliers to overcome significant barriers, while incurring additional cost. I am incredibly grateful to all our employees, and also to our partners and customers for their patience as we work to increase supply to meet the unprecedented demand.

“We have seen strong consumer demand, particularly in March and April but the split between defensive buying and higher levels of underlying consumption is unclear. At this stage, it is uncertain how quickly this will change in the months ahead. Improved penetration and usage, particularly for products like Dettol and Lysol, may well sustain, although we will likely see some unwinding of ‘pantry load’ as we work our way through the crisis. The near-term operational challenges to meet additional demand and handle lockdown conditions, with the associated costs, are also likely to continue for some time.”

“As we set out in February, this is a good house in a great neighbourhood. There are four long-term trends that are shaping our business. Urbanisation and global warming continue to drive hygiene as the foundation of health. Pressures on state-funded healthcare are growing demand for self-care. Sexual health and well-being are big societal issues that are growing demand for effective protection and related products. And an ageing and growing population is driving demand for personalised infant and adult nutrition. At the same time, technology and e-commerce are changing the way consumers know both what and how to buy, and where to look for information and advice.

“Against this positive environment, we are making good strategic progress to position our business for success. I am heartened that the ambitions we have outlined to rejuvenate RB have gained support throughout the business. As a result, we are already executing our plan and making progress during this transformational year – one that lays the foundations for our success in the future; investing in our people, brands and operations, improving delivery performance and increasing productivity.

“While there may be changes to the pace and sequence of some of our investments, as we focus on doing what is right to serve the market’s needs at this time, our destination is clear. RB is showing encouraging progress towards becoming a great house in a great neighbourhood. We remain on track to have our new organisation largely in place by 1 July and to deliver the expected benefits of our strategy in the medium-term; sustained mid-single digit organic revenue growth and mid-20’s margins by 2025.”

GROUP REVIEW

Our COVID-19 Response

The unfolding health crisis is an unprecedented situation for our global community and our thoughts are with those most affected, either on the front-line or dealing with the domestic and societal impacts of COVID-19.

RB is uniquely positioned to help build healthier communities with a portfolio that includes not only leading brands such as Dettol and Lysol, which break the chain of infection, but also Mucinex, Lemsip, Durex, Nurofen and Strepsils, as well as our Nutrition portfolio.

Faced with the challenge presented by this pandemic, our focus in the first quarter of 2020 has been to protect the safety of our people, suppliers and customers, while meeting the exceptional demand for our health and hygiene products.

We have responded to these challenges through dedicated teams, working closely with customers and suppliers, to ensure in so far as possible we increase capacity and sustain continuity of supply across the critical parts of our product range. This has involved ensuring a safe working environment and reprioritising our manufacturing activities; temporarily simplifying our product ranges to maximise throughput and expediting raw material and finished product shipments as needed. In all aspects of this work we have been working closely with local authorities, aligning with their specific needs.

We will work tirelessly to protect our people and partners as they continue to provide our consumers with the essential products they need. In this respect, the Purpose, Fight and Compass are very

relevant, as is our **RB Fight for Access Fund** (see release dated 25 March 2020) through which we will invest the equivalent of 1% per annum of our adjusted operating profit in a wide range of initiatives, working with partner organisations, to help frontline health workers, promote behaviour change, and help the communities in which we work and live.

This has already been mobilised to meet urgent needs, including a major £6m commitment to front line health workers in Wuhan, China, a \$2m investment by Lysol in the USA to support the Centre for Disease Control Foundation, the Dettol India handwash challenge with TikTok, which has reached nearly 88 billion views to date, and the COVID-19 myth-busting www.covid-19facts.com website which has reached over 1m views. These complement the many local initiatives that have led to significant community involvement and support for health services around the world, like the NHS in the UK. We have made an additional commitment to reinvest a further £10m of COVID-19 cost savings, through the RB Fight for Access Fund, in support to local initiatives and communities.

Rejuvenating Sustainable Growth

On 27 February 2020 we set out our strategy for rejuvenating sustainable growth at RB. Our objective is to rebuild a strong earnings model and outperform with mid-single digit organic revenue growth, mid-20s margins and 7-9 percent EPS growth. We outlined in detail how we would achieve this through a temporary margin reduction and enhanced multi-year productivity programme. Taken together this will allow us to invest around £2bn in principally growth led initiatives, in three phases, that will initially establish consistent performance, then build revenue momentum and finally achieve sustained outperformance.

What makes RB distinctive is that the functionality of many of our brands authentically serve a large social cause - be it in hygiene, over the counter health, sexual well-being or nutrition - and operate at the frontlines to give our consumers a better life. This ties into our purpose - to protect, heal and nurture in our relentless pursuit of a cleaner and healthier world – and our fight - of making access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

As we set out in February, the three spaces RB plays in - Hygiene, Health and Nutrition - fit well together with a very attractive mix of market dynamics, consumer pull, preferred strong brands, customer relationships and marketplace presence, and new products that support an attractive earnings growth model.

Clearly the unprecedented environment created by COVID-19 impacted some of our early plans, and our focus first and foremost has been to overcome these immediate challenges and to keep our people safe. The first phase of our plan, starting this year, is about addressing competitive gaps, fixing foundations and launching the productivity program, with targeted capability investments. Operating in a 'stay at home' environment has an impact on some of these initiatives, particularly those involving physical activities e.g. some of our supply chain transformation initiatives and global sales channel development. Where appropriate, we will invest in new opportunities that emerge given the unprecedented change underway. However, many of our initiatives can proceed despite the changed environment and where that is not possible, we are ensuring our preparations are well developed so that, as soon as practical, we can press ahead with our planned improvements.

At the same time, we are implementing our new organisation structure. We have now appointed 7 key members of the executive team and many of their direct reports. New appointees are being hired and strong internal candidates are moving into new roles. As a result, we still expect our new organisation to be largely in place by 1 July 2020, as planned.

The disruption and changes being generated by COVID-19 may also have implications on how we prioritise our investments in the future. The implications of this crisis could be wide-ranging and long-lasting. We will be reviewing these progressively in the months ahead and, where appropriate, adapting our plans to ensure we are optimally aligned with market developments. We will update you on our progress and plans at the half year.

Outlook

After an encouraging start to the year we now expect our performance to be better than our original expectations. The outlook for the balance of 2020 remains uncertain, with significant COVID-19 challenges across our markets. We expect to incur higher operating costs, particularly in our supply chain, as we keep our people safe, mitigate disruptions and serve the needs of our consumers.

We continue to make progress on the implementation of our new strategy. We are investing in capacity to meet growing demand. We are also investing to capitalise on new growth opportunities as they emerge. However, we will need to adapt and rephase some of our initiatives into the second half and we'll be in a better position at mid-year to refine expectations and update our transformation plans.

Looking to the medium term, our outlook for sustained mid-single digit organic revenue growth and mid 20's margin by 2025 remains unchanged.

OPERATING SEGMENT REVIEW

Hygiene

39% of net revenue in 2019

By Geography	Q1 2020			
	%	£m	LFL ¹	Reported
North America	34%	455	+19.6%	+21.0%
Europe / ANZ	43%	581	+10.6%	+8.6%
Developing Markets (DvM)	23%	319	+8.4%	+2.6%
Total	100%	1,355	+12.8%	+10.9%

- Strong category growth driven by exceptional conditions created by COVID-19
- Net revenue £1,355m in the quarter, with LFL growth of +12.8%, comprising +13% volume and +0% price/mix; strong volume growth led by increased underlying consumption and pantry loading due to 'stay at home' conditions in key markets
- Underlying performance remained strong, sustaining progress made in 2019, with broad-based growth; market share³ performance continued its positive trajectory with accelerated progress in around 60% of focus CMUs
- North America LFL revenue up 20% in the quarter; Lysol exceptionally strong, up over 50%, largely reflecting an exceptional March, led by COVID-19 demand; Finish also grew, with Air Wick broadly unchanged
- Europe/ANZ LFL revenue up 11% in the quarter; strong growth from Finish, Sagrotan and Napisan, reflecting good underlying growth and COVID-19 demand; solid performance from nearly all powerbrands
- Developing Markets LFL revenue up 8% in the quarter; Lysol, Finish and Vanish again strong, with solid growth from Harpic, Mortein and Veja as well; strong growth in Latin America, the Middle East and South East Asia comfortably offsetting decline in India as disruption from the March lock-down impacted local supply and demand

E-commerce

- Revenue from e-commerce¹ activities up strongly in the quarter, led by growth from North America consumers switching to online channels, particularly in March as 'stay at home' took hold

Health

61% of net revenue in 2019

By Category	Q1 2020			
	%	£m	LFL ¹	Reported
Over the Counter (OTC)	28%	618	+32.9%	+31.5%
Other Health	38%	825	+17.1%	+16.7%
Infant and Child Nutrition (IFCN)	34%	746	-1.6%	-1.6%
Total	100%	2,189	+13.6%	+13.1%

By Geography	Q1 2020			
	%	£m	LFL ¹	Reported
North America	27%	588	+37.4%	+40.0%
Europe / ANZ	26%	577	+15.7%	+14.3%
Developing Markets (DvM)	47%	1,024	+2.6%	+1.4%
Total	100%	2,189	+13.6%	+13.1%

- Exceptional growth for cough/cold remedies, supplements and Dettol products, and a weak 2019 comparator in North America, partially offset by expected slow start to the year for IFCN in China as the business laps stock and demand recovery in Q1 2019
- Net revenue £2,189m in the quarter, with LFL growth of +13.6%, comprising +11% volume and +3% price/mix; strong volume growth led by accelerating demand for Dettol products through the quarter, together with Mucinex, Nurofen and VMS, all benefiting from strong demand; price/mix principally reflects volume growth of higher margin products

OTC (Over the Counter / health relief products)

- Our OTC category grew 33% on a LFL basis in the quarter, led by exceptional demand for Mucinex in North America and Nurofen in Europe, Australia and New Zealand; all powerbrands delivered solid growth with improving market share³ trends for cough/cold, sore throat and pain relief products
- Likely significant pantry-loading activity makes it difficult to fully assess changes in underlying consumption caused by COVID-19; lack of clarity makes full year assessment challenging as material de-stocking could reduce sales should COVID-19 effects pass

Other Health (Wellness and Health Hygiene brands)

- Our Wellness and Health Hygiene brands grew 17% on a LFL basis in the quarter led by exceptional demand for Dettol and VMS, more than offsetting modest declines for more discretionary products e.g. Scholl which had a weak March as consumers managed the early stages of lock-down
- Dettol grew strongly in both developed and emerging markets, led by COVID-19 demand fueling greater product penetration and frequency of use across the UK, Australia, India and Greater China
- Durex saw modest declines as 'stay at home' effects impacted demand in both Europe and Developing Markets in March, after growth in the first two months of the year
- Our VMS category grew strongly, reflecting strong demand for Digestive Advantage and Airborne; more discretionary supplements, like Move Free were impacted by shifting consumer priorities

Infant and Child Nutrition (IFCN)

- IFCN declined 2% on a LFL basis in the quarter, with the expected slow start in Greater China; this was only partially offset by strong growth in North America, particularly in March
- North American growth was led by a particularly strong March, including probable pantry-loading; growth was strong for both Enfamil and Nutramigen; Neuriva, which came out of the science of Mead Johnson, achieved its highest market share to date in the quarter
- As expected, Developing Market revenue declined, particularly in March, largely reflecting declines in Hong Kong and mainland China; our business in China lapped a stronger Q1 in 2019 as we progressively improved product availability after the manufacturing disruption in H2 2018; adjusting for these impacts, IFCN would have delivered growth in China, consistent with positive consumer offtake
- Lower revenues in DvM are expected in Q2 due to the overhaul of dryer capacity at a key facility in Latin America and the continued year-on-year impact of lapping retail restocking in China in 2019
- Despite the impacts of COVID-19 we remain focused on delivering a number of key product innovations and production transitions in both Greater China and Latin America during the course of 2020, the benefits of which should be seen during the second half of the year

E-commerce

- Revenue through e-commerce¹ channels grew strongly in the first quarter, with growth across all major platforms and market places; particularly strong channel growth in Greater China, led by Dettol and IFCN, and in North America, with IFCN, Mucinex and VMS making good progress

FINANCIAL POSITION

There has been no material change to the financial position of the Group since the Annual Report and Financial Statements 2019 were published on 6 April 2020.

OTHER MATTERS

The Humidifier Sanitiser (HS) issue in South Korea is a tragic event, with many parties involved; We continue to make both public and personal apologies to victims. Details of existing provisions and contingent liabilities relating to the HS issue can be found on page 189 of the Annual Report and Financial Statements 2019.

BASIS OF PREPARATION, DEFINITIONS AND RECONCILIATION OF LFL MEASURES

Like-for-Like (“LFL”) growth excludes the impact on net revenue of changes in exchange rates, acquisitions, disposals and discontinued operations. The growth is calculated using constant exchange rates (see below). LFL growth also excludes Venezuela.

Constant exchange rate adjusts the actual consolidated results such that the foreign currency conversion uses the same exchange rates as were applied in the prior year.

E-commerce channel net revenue is defined as direct sales from RB to online platforms or directly to consumers. Estimates of total e-commerce sales as a percentage of group revenues includes direct sales and an estimate of sales achieved by our brands corresponding to sales through our omnichannel distributors and retailers’ websites.

FURTHER INFORMATION AND CONTACTS

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Cautionary note concerning forward-looking statements

This announcement 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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