



RECKITT BENCKISER (RB.L)

HY 2020 RESULTS PRESENTATION - TRANSCRIPT

Laxman Narasimhan, Group CEO and Executive Director

Greetings and welcome. I hope you and your families are safe and well in this very difficult time. Our hearts go out to the many communities around the world who are facing the challenges of COVID-19. As a company, we are trying our best to play a small part in helping these communities. Clearly, what we do as a company is much smaller than what is happening outside. I am incredibly grateful to all our RB associates, customers, partners and suppliers who have gone beyond the ordinary to help us navigate an exceptionally difficult time.

Key messages

There are four key messages I would like you to take away from today's presentation.

First, consistent with our messaging on our Q1 Trading Update, RB is off to a stronger-than-expected start for 2020. Importantly, in addition to the demand tailwinds from COVID-19 on several key brands, we are pleased that our underlying sales trends are also performing above our plan.

Second, RB is making good progress regarding the strategy outlined in February, designed to rejuvenate sustainable growth. I believe we have made significant strides in improving our execution. We're also making good progress building an organisation with the right capabilities and culture to realise the long-term opportunities for the company.

Third, COVID-19 is having a profound impact on consumer behaviour, not just for a few months or quarters. Our research suggests that the increased interest in hygiene and health is likely to be sustained over time, albeit at more moderated levels, and our portfolio is well positioned to benefit and navigate the additional macroeconomic challenges we expect. There is no question that our purpose and fight, which we announced at the end of February 2020, are even more relevant in these times.

Fourth, we plan to leverage our strong outperformance in early 2020 by increasing the level and expanding the scope of our investment spending.

Also, before moving on, let me address upfront what I suspect is top-of-mind today for the analyst community and our investors.

Since February, when we laid out our long-term financial algorithm, we are reporting better-than-expected performance of our underlying business. We see structural shifts in consumer engagement in Hygiene and Health that favours several of our categories, and we are announcing an increased level and expanded scope of our investment spending program designed to further accelerate growth. The obvious question then becomes, why aren't we increasing our longer-term EPS growth expectations, above the 7-9% level we committed to over the medium term, or moving forward, the timing of performing against our mid-single-digit revenue growth target?

The answer to the question has three parts. First, we unquestionably have greater confidence in achieving our medium-term growth and margin goals. Second, while we feel more confident, and perhaps even lean towards being more bullish, we recognize that the we are operating in highly uncertain times which very well could lead to significant public health and economic dislocations. Third, we are six months into the implementation of our strategic plan and transformation. I'm pleased with the early progress, but we do not want to get ahead of ourselves, and we'll update you next February on our journey.

Agenda

Over the course of this presentation, I'll provide an overview of the first half with some reflections on what has changed as a result of COVID-19. Jeff will then take you through the first half results in more detail. Then we'll together provide a detailed strategic update including our expanded plan and an outlook for the year.

Overview of H1 2020 – In February we presented our growth and investment plans

Before highlighting our first half results, let me spend a minute to remind you of the plans and long-term objectives that we set out in February.

Our plan to rejuvenate sustainable growth at RB is based on investing in the business to create a platform that is capable of sustainably delivering mid-single digit growth, mid-20's margins, and therefore, 7-9% earnings growth in the medium-term.

Our plan called for investing £2 billion over 3 years in a series of investments in commercial muscle, innovation and consumer value, coupled with a higher level of capital spending to support the anticipated growth acceleration. We expected a reset of margins in 2020, declining by 350 basis points from the 2019 level, before returning to the mid-20's by 2025. Our expanded productivity program is expected to create savings to invest in capabilities and address any shortfalls along the way.

As you'll hear, we've made a good start in many respects, despite the operational headwinds caused by COVID-19, with strong executional "proof points". We have still a lot more to do, and we have new opportunities as well.

Overview of H1 2020 – Strong underlying performance coupled with COVID-19 tailwinds

As I mentioned earlier, RB's H1 top and bottom-line results were stronger than expected. In addition to the demand tailwinds from COVID-19 on several key brands, I am very pleased to report that our underlying sales trends are also performing above our plan. We delivered 11.9% like-for-like growth, reflecting the 3% to 4% estimated underlying growth and a significant COVID tailwind.

Our growth has been broad-based. We delivered double-digit growth in China, the UK, Germany, Mexico and Australia; North America was up over 25%. India was also up high single digits on a like-for-like basis, despite the severity of the early lockdown; and Brazil was up mid-single digits.

Just under £1.7 billion of adjusted operating profit, up 15.0% on the prior year. Our margin was 24.5%, up 90 basis points. As a result, earnings per share of 166.5 pence was 14.5% up on the prior year.

Our free cash flow at £1.9 billion was exceptionally strong.

Finally, we're announcing an interim dividend of 73p per share, unchanged year-on-year, as we said in February.

Overview of H1 2020 – Underlying business is getting stronger

On the underlying business. I'm incredibly proud of what our teams around the world have achieved in an extraordinarily challenging environment. We have worked tirelessly to keep our people safe, meet the needs of our consumers and customers, all the while, actively playing a positive role in the communities in which we live and work.

We have invested to strengthen our supply chain performance, both before and during the COVID-19 crisis. This is perhaps best illustrated by how the team responded to the exceptional growth in demand for Lysol's market-leading disinfectant spray. This is our biggest selling SKU in the Lysol power brand family. Demand has exploded in the US, and we have worked across our supply chain and with partners to increase capacity by 150% in the first six months to meet demand. As a result, in the first half of this year, we sold 2 and a half times as much as we did last year. As a result, with Lysol growing over 70% as a whole, the spray now represents 30% of the Lysol family. This rate of growth has been seen across the Dettol and Lysol families, making RB the undoubted leader in disinfectant products worldwide.

In addition, the sudden spike in consumer demand for key products like Dettol, Lysol, Finish and Airborne caused customers to significantly increase order sizes, which in turn resulted in delivery performance tailing off post March. The progress we have made before COVID-19 had already had a material positive impact on our customer relationships, particularly after a difficult Q3 in the US, and provided the goodwill necessary to help us work in partnership through these difficult and subsequent challenges. Without the work we commenced in September to enhance customer relationships and service, we would be in a very different place.

At the same time, we've made a good start to our enhanced productivity programme. We set a 2020 target of £340 million, over a £100 million higher than our traditional run rate. In the first six months, we are ahead of plan, a testament to the focus, "can do" attitude of our people, and execution with agility of our teams. In many cases they delivered the different projects from their living room tables, from their bedrooms or from their home offices, as well as from the floors of our factories and distribution centres, all while ensuring safety.

Overview of H1 2020 – Consumer behaviour trends through COVID-19

Let me now address a question that many of you are asking – what changes are we seeing in consumer behaviour?

We see five significant changes.

First, our research suggests that COVID-19 is driving a meaningfully increased interest in hygiene and health, a behaviour that is likely to be sustained over time. Experience tells us that a change in behaviour for over 60 days causes consumers to permanently change what they do over time. To date, over 85% of people have already improved their hygiene habits as a result of COVID-19, leading to large increases in household penetration and frequency of product use.

Importantly, as we have discussed in the past, this is an underlying trend that anchors RB's strategic direction, and the COVID-19 pandemic has both brought it to the forefront and accelerated the adoption curve for many people. We do have headwinds in a few brands, but we expect these will moderate, or even reverse over time.

Second, the pandemic led to some pantry loading, particularly for many of our OTC and nutrition products. As we pointed out in April, we expected much of that would unwind, either quickly, as we've seen with infant formula, or more slowly, as we are seeing with OTC, drawing out the unloading over the second, third and possibly fourth quarters.

Third, the partial or full lockdowns or "stay at home" guidance, evident in over 100 countries at various times, have also led to large populations of people nesting at home and engaging in less social interaction. Such consumers are cooking more and are looking for ways to make their homes cleaner and better.

Fourth, we see massive shifts across the world in online spending, over 77% increase in spending year-over-year in May.

Finally, we continue to see challenges on the horizon on the economy, with over 51% of American consumers worried that their finances will be impacted by COVID-19, a trend we need to be sensitive to as we plan for the future.

Overview of H1 2020 – Our portfolio is well positioned against COVID-19 trends

Our portfolio is very well positioned against the changes we are seeing in consumer behaviour.

Greater awareness of hygiene and health will increase consumption for key brands like Dettol, Lysol, Sagrotan, Napisan and Airborne, which in 2019 represented around 20% of our portfolio and are natural beneficiaries. We expect to see a sustained uplift from consumers in-store and online, but also in the professional channel where consumer brands can now provide real hygiene quality and effectiveness assurance to their customers, whether in accommodation, travel, or other service industries.

Pantry loading and unloading has had a marked effect on our OTC and nutrition businesses, where we expect the initial lifts from panic buying to balance out over the course of the year. Additionally, sustaining hygiene and physical distancing protocols can negatively impact the flu season.

Nesting at home has definitely had a positive effect on brands like Finish, in particular. This has more than offset the lower demand for Durex, Vanish and Scholl to date. We expect these businesses to improve as more social interactions happen. Of note, our business in China provides some early indications. As China came out of the severest stages of lock-down, demand for sexual wellbeing products are rebounding quickly.

One of the most pronounced changes over the last five months has been the acceleration of growth in eCommerce. We've been advantaged in this space as a result of the investments we've progressively made in recent years and accelerated since January. As a result, growth has been very strong. Our second quarter eCommerce growth across the whole business was over 70% and our first half growth was over 60% and now represents around 12% of our group sales in the half.

Our growth has been strong across all forms of eCommerce, including pure plays, marketplaces, Bricks and Clicks as well as direct-to-consumer, which saw a near doubling of the business in the first half of the year.

Looking forward, we expect that there will be some turbulent times in different markets as we all come to terms with the economic and social cost of this pandemic. As a result, we fully expect spending power will be impacted, much as we saw a decade ago.

Our portfolio is well positioned to navigate the additional macroeconomic challenges we expect, which will have impact on consumer spending. We're taking steps to anticipate this, learning from our past and are building on the

actions we talked about in February to ensure our products are well positioned, with different consumer value propositions across our ranges. Remaining relevant for all shoppers is key to success and we're investing, as planned, in doing just that.

Overall, we feel our portfolio is well positioned to endure in a potential economic recession, where our purpose and fight could not be more relevant.

Overview of H1 2020 – Expanding our plan to accelerate growth

In light of the better-than-expected start to the year, we have decided to step up our investment spending plans as we see opportunities to capture additional growth. Our current plans expand on the plans we announced in February: to invest in price competitiveness, where appropriate; build our commercial muscle; invest in research; development and quality; as well as invest in further strengthening supply.

We see three additional areas where we plan to invest further.

First, we are going to reinvest incremental upside delivered to date to grow our leading position in disinfectants with brands like Dettol, Lysol and Sagrotan. Dettol and Lysol together are powerful brands with retail sales over £3.5 billion and strong consumer preference. Our additional investments focus on expanding and investing in these brands behind growth opportunities in an expanded number of category market units or CMUs. For instance, we launched Lysol in Brazil in April this year, several months ahead of plan, including with local manufacturing and we are seeing strong initial interest.

Second, we will further accelerate our digital and eCommerce investments to ensure we're at the forefront of market developments, capturing growth in this fast-changing business across all channels and categories. We are moving with speed to build on our momentum and further strengthen the business. For instance, we are investing in further supply capabilities and hiring a significant amount of talent in this environment through targeted recruiting and moving some of our best people internally into functions supporting this growth.

Third, we are capitalising on our brand strength by moving into the professional category white space for the benefit of a wider consumer audience. The agreements with companies like Hilton, Avis Budget Group, JLL and Delta are great examples of a larger set of opportunities.

Additionally, in the near-term, we will also increase our capital expenditure to address the increased demand for disinfectants. These include new lines in existing plants, automation, as well as moulds and co-packer investments to meet the demand.

Given the favourable shifts in the environment, and our expanded plan, we have greater confidence in achieving our medium-term goals that we set out earlier this year.

I will talk more about this after Jeff has given you a review of the first half financials.

Let me hand over to Jeff.

Jeff Carr, Group CFO and Executive Director

H1 2020 financial details – Net revenue: strong LFL sales growth

Thank you Laxman.

COVID-19 started impacting our business as early as January this year, and we have monitored not just the COVID impact on our business, but also our underlying performance, and we estimate the underlying performance during Q1 and Q2, as Laxman mentioned, at 3% to 4% growth, significantly improved compared to 2019.

Our half year and Q2 growth has also been impacted by our decision to adjust our revenue recognition in line with IFRS best practice and recognise revenue when received by customers and not at the point of despatch. Our previous treatment has not impacted period-on-period growth rates but has a negative one-time impact on Q2 of 2.9% and 1.4% for the full half.

Our Hygiene and Health business units have performed exceptionally in this half, with sales growth of 16.1% and 18.6%, respectively. We'll go into more detail later, but Lysol and Dettol deserve a call-out with growth around 70% and 60%, respectively, as consumers look for trusted disinfectant solutions in this difficult period.

It's also worth mentioning at this point our exceptional eCommerce performance. The benefits of our investments in this area have resulted in growth of over 60%, and eCommerce now represents 12% of the group net revenue.

IFCN was down 4.8% in the period, but this had a tough lap in Mainland China, headwinds in Hong Kong and a planned dryer upgrade in Latin America. Importantly we see positive momentum as we move into the second half of the year.

H1 2020 financial details – Group margins: significant leverage benefit to H1 margins

Adjusted operating profit of £1.7 billion is ahead of expectations with a margin at 24.5%, 90 basis points ahead of last year. Gross margins are up 70 basis points due to a favourable mix and strong productivity benefits.

BEI has been invested in absolute amounts in line with last year, but due to the strong top line growth and favourable rates, BEI was 160 basis points favourable to last year. Of course, we have adjusted our spend plans as necessary during this unprecedented period, and I'd expect an increase in BEI as we move into the second half of the year.

SG&A costs were up 140 basis points versus last year, reflecting variable pay headwinds, as flagged in February, some onetime charges and capability investments in areas such as R&D, which will enable and accelerate our growth program, in-line with our rejuvenation plan set out in February.

H1 2020 financial details – Adjusted operating profit margin bridge

Now looking at the margin development through a different lens. The big picture is that our productivity program is delivering in line with expectations while our investments will now be more weighted into the second half of the year, and as we'll talk about later in our outlook statement, some investments will now be phased into 2021. The re-phasing of investments into the second half of the year is largely a consequence of COVID. Through March, April and May, our teams key focus was serving our customers, protecting our people and establishing new ways of working. Consequently, some programs have been updated and re-phased, but we are getting used to this new norm. Our people have adapted with agility and pace and we have good visibility of the second half investment programs.

In addition to the reinvestment of 190 basis points, let me now breakdown the 310 basis points of COVID-related costs and other headwinds. This includes the operating margin headwinds, largely variable pay, which we flagged in February. Additionally, we've incurred around 100 basis points of impact from COVID-related costs in this half, and we do expect these to continue in the balance of the year.

Lastly, we incurred around 100 basis points in one-off charges for certain items, including legal provisions for historic cases, which are now judged more likely to result in a negative outcome.

H1 2020 financial details – Productivity program: on track to deliver productivity target

Let me now take a couple of moments to dive a bit deeper into our productivity program. This is due to deliver £1.3 billion over three years, providing the fuel to our growth engine and I'm delighted to report that we have a very active and successful program up and running. Importantly while some areas are less advanced due to COVID, other areas, such as direct procurement, have stepped up and over-all we have delivered £165 million in the first half of the year, ahead of our initial plans.

Like all good productivity programs, this is not made from one or two big 'one-off' items, rather, we have thousands of individual efforts running and I've included four case studies of this in the appendix, which are typical of the program.

RB has a strong track record in this field, but like any large organisations, we see opportunities to improve efficiency and I'm confident we can deliver and even expand on our goals as we go forward.

H1 2020 financial details – Hygiene: strong underlying growth with significant COVID-19 tailwind

I'm now going to look at our two reporting segments, starting with Hygiene. It has been an exceptional half for Hygiene with net revenue up 16.1% and 19.4% in the second quarter, and due to the strong leverage, margins at 25.1% are 320 basis points ahead of last year. Volumes are up 15% and with negligible price movements, mix was favourable by 1%.

North America net revenue was up 29%, largely driven by Lysol and Finish, which were up 67% and 31%, respectively, in the region.

Across the total segments, other key performances include double-digit growth for Cillit Bang, Calgon and Veja. And other brands including Mortein, Harpic and Airwick, all grew, while Vanish was down slightly in the half.

H1 2020 financial details – Health: strong underlying growth with significant COVID-19 tailwind

Now, moving onto Health. Total net revenue was up 9.3%, and margins at 24.2% were down 50 basis points due to higher investments in pricing and capabilities. Volume was up 7%, and pricing was basically flat with a favourable mix in the period of 2%.

Health is a more complex picture in the period. OTC grew 10.9% in the half with strong Mucinex sales and share gains. However, in Q2, OTC was down 12.7%, reflecting pantry destocking and lower sales of Strepsils and Nurofen.

Mucinex saw a very strong “sell-in” in quarter one and was still positive in quarter two. However, “sell out” has slowed significantly. And with the likelihood of a weak cold and flu season, we expect OTC will have a challenging second half of the year.

Other Health grew 22.7% in the half and 28.2% in the second quarter, with the acceleration largely due to stronger demand for Dettol at 62% in the half, accelerating to 80% in the second quarter.

IFCN revenues were down 8.1% in the second quarter and 4.8% at the half. As we’ve mentioned, there were three specific headwinds.

First, in Greater China, we were restocking the trade in the first half of 2019 and this created an unnatural comparative number compared to the first quarter of this year. Next, the closure of the Hong Kong border has significantly impacted cross-border sales in the first half of this year. And finally, the dryer overhaul in Mexico has resulted in some sales being impacted in the first half. Adjusting for these events, IFCN performed as expected, and we are encouraged, as I mentioned earlier, by positive momentum into the second half of the year.

H1 2020 financial details – Adjusted EPS bridge

Adjusted EPS grew 14.5% to £1.665 in the half, the growth largely driven by the increase in operating profit. And finance expenses and adjusted tax were in line with expectations.

H1 2020 financial details – Free cash flow generation: strong free cash conversion in H1

So now moving on to cash. Free cash flow at £1.9 billion is unusually high, almost £1.0 billion ahead of last year due to stronger operating profit and exceptional working capital improvement.

Trade receivables decreased slightly despite the strong sales growth, and total payables increased by just under £800 million, due mainly to higher levels of manufacturing activity and volume related trade accruals. It’s important to emphasise our payable days outstanding remains in line with policy and in line with historical levels.

Capital expenditure was lower than expected, due to the challenge from COVID-19, while short term capacity increases were mainly the result of increasing throughput on existing assets and new co-pack facilities. In line with our strategy, we expect to significantly increase capital over the medium term as we step up our supply chain capabilities to meet customer needs.

H1 2020 financial details – Net debt

I’m very pleased to see our net debt reduced to £10.2 billion as a result of our strong free cash flows and despite adverse foreign exchange movements of £0.6 billion due to the strengthening US dollar.

The bond issuance in May significantly reduced our reliance on commercial paper and increased our average maturity to 5.4 years from 4.2 years at the end of 2019.

H1 2020 financial details – Disciplined capital allocation continues to be key priority

Now let me wrap up. But before I hand back to Laxman, let me just reiterate our disciplined approach to capital allocation and our commitment to a single A credit rating. Our balance sheet is strong, and we have declared an interim dividend of 73p per share, in line with last year. Our capital allocation policy is built around strong free cash flow, and I’ll continue to ensure we remain focused on this, while ensuring we invest in growth to deliver the full potential of RB.

Thank you. And now let me hand back to Laxman.

Strategic update and outlook – In February we set out a clear strategic agenda

Thank you, Jeff.

Back in February, we set out a clear agenda for RB.

We demonstrated that RB is a good house in a great neighbourhood with the potential to be a great house again.

We've mapped out a clear strategy to rejuvenate growth, supported by investment plans, funded by productivity and a margin reset. And we set out how we would do this in a sustainable way, anchored with a purpose and fight that provides a clear direction to the business. Together, these will provide the keys to lead and inspire the people of RB to succeed.

Since then, we have already seen some material changes in our markets and environment and these will influence our strategy, but the fundamentals don't change. In fact, they are even more relevant.

Strategic update and outlook – Global mega-trends further reinforced by COVID-19

The mega-trends we highlighted in February are very clear, and in many cases, have been strengthened by our experience with COVID-19.

Hygiene has never been more clearly the foundation for health. COVID-19 is demonstrating the pressures on societies all over the world for higher standards of hygiene. This has already led to material opportunities for our portfolio.

While COVID-19 has negatively impacted the short-term demands for sexual wellbeing products, the long-term trends are unchanged. We still have over one million sexually transmitted infections every day, with such infections being less taken care of in times like COVID-19.

The pressures on the health care systems are making self-care even more relevant. And we continue to see the demand for nutrition and immunity, perhaps at a heightened level in these times.

Finally, digital and eCommerce have materially increased since February with step changes happening in how people access and buy our products.

Strategic update and outlook – Three spaces – well positioned for growth

We also set out a clear business model that we felt could deliver strong sustainable mid-single digit growth by leveraging the individual and combined strengths of the business.

Strategic update and outlook – Growth drivers enable us to win key battles, especially in disinfectants

Our growth drivers remain unchanged. Our growth model continues to focus on product penetration and usage, particularly for our leading range of surface disinfectants including Dettol, Lysol and Sagrotan; our drive to ensure market share gains, as well as opening up new spaces and channels for us; and finally, new places and geographies where our products are available.

Let's look at the evidence of these by business.

Strategic update and outlook – Hygiene: winning key battles presented by COVID behaviour trends

In Hygiene, we already see new opportunities that reconfirm medium-term strong growth expectations of 3% to 5%, consistent with being part of a mid-single digit growth company. For example, in the US, Lysol has developed as a mega brand, adding over 600 basis points of market share in the space of 12 months, driven in part by the COVID-19 pandemic, but also by the initiatives taken by the team to move into new adjacencies, like laundry sanitisers.

Nesting has helped auto dishwashing as a category growth penetration. We've also seen Finish grow its market share 600 basis points in the US.

In terms of new spaces, the extension of our focus or power category market units or CMUs from 40 to 50 is putting more resources into the right growth opportunities. Value growth across the portfolio has been strong because of COVID, but for eight of the incremental investment areas, the transformation in five months has been outstanding, growing ten times the rate they did prior to our changes. The additional CMUs are an area of expanded investment.

From a standing start in February, we've also been able to develop the professional channel with business opportunities arising every day. Since March, we've announced several major new relationships, agreements with Hilton Hotels, Delta Airlines, Avis Budget Group and American Campus Communities, putting Lysol at the heart of hygiene awareness with travellers and students alike.

Strategic update and outlook – Health: prioritising customer and consumer need delivery across the portfolio

Our Health business includes our Dettol portfolio, our OTC business and our sexual wellbeing franchise, and our execution is improving.

Our Dettol franchise continues to perform strongly across the world, further reinforced by the consumer trends during COVID-19. We have seen strong market share gains in many markets. For example, Dettol soap now has market share leadership in India, the United Arab Emirates, Saudi Arabia and Malaysia.

Ensuring supply has meant bold choices on how we respond to market demand. A big emphasis has been and will continue to be on the simplification of the business, including through SKU rationalisation, where we have adopted radically simpler portfolios to boost throughput.

Our sexual wellbeing business did have headwinds through the lockdown period, however eCommerce performance was strong, reflecting the privacy and convenience needs of our consumers. Our partnership with companies such as Glovo, has enhanced the availability of our product with short lead times in several European metropolitan centres.

Our professional business has also developed quickly, particularly for Dettol, announcing partnerships with Hilton in China, Uber in Australia; the ride sharing app, Grab, across several markets, as well as airlines such as Saudia.

Our OTC business has performed well; first with the pantry loading early in the pandemic, and the subsequent destocking, which we expect to play itself out over the course of the rest of the year. We've seen strong performance in brands like Mucinex and Nurofen, clearly impacted by the pantry loading, and steady growth in brands like Gaviscon, with market share increase until the end of May, particularly with Mucinex. We have made strong operational and commercial improvements and continue to focus on getting ready for the next season.

We are therefore making good progress towards our 4% to 6% medium-term growth target with a business that is strengthening. Our innovation pipeline continues strongly under Dettol, and we are sequencing our innovations in the other parts of the portfolio for maximum impact in the marketplace.

Strategic update and outlook – Nutrition: making progress but some challenges still exist

Despite the headline numbers, the first half of 2020 for our Infant Formula business was reassuring as we made progress against our growth objectives and managed effectively our planned projects, for example, the dryer-overhaul in Latin America, which we discussed in April.

The most significant unknown was always going to be the extent of unrest and COVID-19 impacts in Hong Kong, as borders were closed and local demand fell sharply as a result.

Hong Kong remains a concern as we look forward and while we'll start lapping the unrest seen in the back half of 2019, the situation remains uncertain.

Pleasingly, the underlying progress in mainland China has been good, reflecting the benefit of the recovery actions taken over the last few quarters. The recent investments in competitiveness, and the new product introductions, both local and imported, that add to our super premium positions. Furthermore, we are seeing stronger market place execution in both online and offline channels, with market share increases as a result.

In some emerging markets, we know we have a lot of work to do to consistently deliver positive growth. For instance, while some of our ASEAN markets are already doing well, we continue to have turnaround opportunities in a few of hot spot markets that are competitive.

Looking ahead, the impact of slowing birth rates and possible weaker GDP growth in the near-term also make it very important that we judge our investments and innovations well to maintain leadership positions. Even in a market like the US, while underlying birth rates have traditionally been positive, COVID-19 has had a negative effect. The pressure for local welfare support, particularly in communities with a higher level of unemployment, will also make future WIC participation higher.

Strategic update and outlook – Nutrition: new initiatives affirm growth expectations

Notwithstanding these external challenges, the growth opportunities for the broader Nutrition business unit remain strong, and execution is strengthening.

We continue to see strong performance in the US, as our NeuroPro brand continues to grow market share. Our eCommerce performance across the board is strengthening, particularly in ASEAN. We continue to be positive about the growth, price premiumisation and market share performance of the Enfinitas brand in China.

In the broader nutrition space, particularly in a COVID environment where immunity is a strong need, our Airborne business is showing strong penetration and market share increases

In summary, we are making good progress in several of these markets, but a couple are still work in progress. Our market share performance in Latin America was encouraging ahead of the dryer overhaul. The business is now ramping up supply in the markets and we expect to see continued improvements.

While ASEAN is doing well in several markets, and with hot spots in a few others, Mainland China is getting stronger, in a highly competitive environment. The North American business is performing better. As the business pivots to broader nutrition, we see strong performance in a few of the brands, like Neuriva and Airborne.

While there is a lot to be done over the next few years, we are laying stronger foundations as we build towards our medium-term goal of 3% to 5% revenue growth per annum

Strategic update and outlook – eRB uplift through COVID lockdowns; plans to accelerate in H2

Now on to eRB. As a result of our early successes in eCommerce, CRM and digital, we've streamlined these businesses and functions into a unified unit under one umbrella called eRB.

This unit is a key growth and capability driver, and our expanded plan for eRB builds on the strong first half performance I shared earlier.

Without doubt, there will be pronounced shifts in behaviour for consumers as they access more of their products online. We've been well placed because of the investments we've made to date.

The strategy I shared in February outlined two tailored business models: Be Big and Be Fast. The first, about efficiency; and the second focused on D2C, CRM and cross-border.

To that we've added a third, Be Bold and Open, a platform for our rocket brands and incubator partnerships.

A great example of Be Fast is the pace at which we're developing our D2C business using partners around the world. Since COVID started, we've added the capability to deliver 14 RB brands in seven EU countries within 60 minutes, to consumers in urgent need.

With this new unit, we're focused on accelerating our investments and capability to build on progress to date, particularly through working proactively with platforms and partners, building the strength and depth of our engagement across our portfolio, and expanding across more borders with our strongest brands. We are constantly innovating here with new capabilities in cross-border delivery, ultra-fast fulfilment, just to name a few.

Our aspiration to have over 20% of our revenues generated through eCommerce by 2025 is unchanged. These opportunities increase our confidence that we will deliver this while strengthening our brands and channels and with strong margins as well.

Strategic update and outlook – Supply chain: good progress but new opportunities for improvement

A key enabler of our growth opportunities is the work we are doing on our supply chain.

Since our Q3 results last year as you know this has been a key area of focus for the team and for me.

We've made some strong progress in execution, particularly in the months before COVID, with material improvements to our customer service and delivery performance.

As COVID has unfolded, our team has rapidly scaled the supply chain to meet demand. Their execution in a challenging environment has been remarkable. For example, we've sold 340% more Dettol hand sanitiser, moving it from our 11th bestselling SKU to number three today and over £75 million of extra wipes, across Dettol and Lysol combined, making wipes alone now 12% of our disinfectant products by value. However, in some parts of the

portfolio, the discontinuous demand growth has challenged our ability to meet it. So, while market shares increase, some of the growth opportunity we've faced, has gone unmet.

In the short-term, we are meeting these needs through working with co-packers to expand available capacity and, where possible, add our own lines, as well as unlocking greater throughput for productivity and process improvements, as well as with SKU reductions.

In the long-term, we can optimise these growth opportunities by investing in new capacity and facilities and drive further productivity, particularly for Dettol and Lysol. But we need to do this carefully, balancing flexibility with commitment. As the pandemic evolves around the world, we are focused on the safety of our people, increasing flexibility and resilience in our core operations, particularly for products like Mucinex, where our long-lead times in the past have resulted in poor customer service.

These remain priorities for the business, but the programme of investment will now be rephased over a longer-time frame, into 2021 and 2022.

Let me pass you to Jeff who will take you through the financial implications of these changes and how they impact our financial algorithm.

Jeff Carr, Group CFO and Executive Director

Strategic update and outlook – Managing our investments during COVID-19

Thank you, Laxman.

Our response to COVID-19 is to stay agile, and where needed, modify and expand our plans. And on this chart, I'd like to be crystal clear with reference to the key financial metrics of our rejuvenating sustainable growth plan. Our plan is more important than ever but as you see, elements of our plan have been re-phased due to COVID, and importantly, we've increased our total investment from £2.0 billion to £2.2 billion, to ensure our expanded plan delivers the full potential of our world-leading disinfectant franchise.

We said we would make 150 basis points, or £200 million P&L investments. These are investments in price, commercial competitiveness and the capabilities needed to build the infrastructure to deliver sustainable out performance. We will continue with these investments, however, they will be more heavily weighted to the second half of 2020 and the first half of 2021

We will still invest £250 million in transformation costs in 2020, 2021 and 2022, however, the investment in 2020 will be slightly lower than the 100 basis points we previously flagged.

Our productivity programme, as discussed, is on track and as we investigate more options we will look to expand this programme in the future.

Now new to our plan, we will be investing an incremental £100 million to finish our expanded plan. This will be funded through expected "out performance" as we go forward.

And likewise, while our capital expenditure was lower in the first half, we now expect to invest an incremental £400 million over 2020, '21 and '22 as we build the capacity and supply chain to support our expanded plan, up from £300 million previously disclosed.

Strategic update and outlook – Expanded plan increases confidence in growth

Laxman has already outlined the key features of our expanded plan but let me just reiterate. These include accelerating eCommerce and digital; delivering the full Lysol and Dettol potential; accelerating our expansion into new CMUs, white spaces and brand adjacencies; building our professional capabilities and supporting our supply chain to meet these demands.

Strategic update and outlook – Medium term financial algorithm is unchanged

This next page highlights our medium-term guidance, which is unchanged. However, let me just state, these are unprecedented times with an uncertain COVID health crisis and a significant economic challenge ahead of all of us. That said, our expanded plan increases our confidence of delivery against our medium-term goal. Specifically, in 2020 we expect net revenue growth for the full year of high single digits with 3% to 4% underlying growth.

For 2020, we expect full year operating margins to be in line with current consensus. This reflects the rephrasing of our investments, resulting in a significant increase in investment levels in the second half of the year and some investments now falling into 2021.

Our margin reset which will deliver sustainable mid-single-digit growth and while margins will be less impacted in 2020 than originally anticipated, we expect to reflect the full 350 basis points versus 2019 over 2020 and 2021.

Thank you and now back to Laxman.

Laxman Narasimhan, Group CEO and Executive Director

Thank you, Jeff.

As I mentioned in my opening, our expectations for the medium-term remain unchanged on both growth and margins. However, we are pleased to be off to a strong start and feeling more confident about our longer-term financial algorithm.

We are making strong progress on embedding our Purpose, Fight and Compass in our culture.

Strategic update and outlook – Our purpose and our fight

Our purpose and fight guide everything we do.

Our purpose is clear: we exist to protect, heal and nurture in the relentless pursuit of a cleaner, healthier world.

We are in a fight to make access to the highest quality hygiene, wellness and nourishment a right, not a privilege.

Strategic update and outlook – Our compass

And our compass guides our decisions and actions on a daily basis, in five areas.

We do the right thing, always; second, we put consumers and people first; next, we seek out new opportunities; we strive for excellence; and finally, we build shared success, consumers, customers, partners and communities.

Strategic update and outlook – Playing our part in combatting COVID-19

I have been very proud of how, as an organisation we have come together to play our part in combating the impact of COVID-19

Our Fight for Access Fund launched in February 2020 has already been mobilised to help deliver real-on-the-ground benefits to under-resourced communities around the world. Since then we have donated the equivalent of 1% of our annual operating profits to fund 20 initiatives across 41 countries with organisations like the CDC Foundation, the NHS in the UK, the UNAIDS effort, the International Rescue Committee and product donations in several countries around the world. Some of our savings from areas like travel have been donated by our teams to local organisations, consistent with our vision. Additionally, we have expressed our strong support for racial equality, and instituted 100 four-year scholarships for STEM and public health through the United Negro College Fund, as well as directed our Lysol Schools program to support 58,000 US Title 1 schools, impacting over 15 million children with the greatest need.

Strategic update and outlook – The Reckitt Global Hygiene Institute

We also continue to develop our scientific credentials. This month we launched the Reckitt Global Hygiene Institute with key partners drawn from outstanding institutions worldwide, in medical science, health and education. The aim of the Institute is to generate high-quality scientific evidence to inform public health recommendations and promote behaviours that improve global hygiene.

Strategic update and outlook – Environmental commitments and ambitions

Additionally, we have formally signed the pledge to a 1.5-degree reduction in temperature and confirmed our commitments to get us to the targets in 2040, 10 years ahead of the Paris Accord.

Strategic update and outlook – Our leadership team

Since February, we have migrated to our proposed three GBU structure on July 1, as planned. Harold van den Broek, Kris Licht and Adi Sehgal are in their new GBU roles. We have also formalized our Group Executive Committee, including two new appointments.

Sami Naffakh joined us earlier this month as our new Chief Supply Chain Officer and is also a part of our Group Executive Committee. Volker Kühn will join us at the end of the week as our new Chief Transformation Officer, taking on a leading role in developing the business and some of our new growth opportunities as well, including professional. Together, our senior leadership team is well-positioned to lead RB to deliver on our growth aspiration. It brings together the best of RB experience, with external thinking and innovative ways of working to create a truly global, high performing organisation.

Key messages

As I close, let me reiterate the four key messages from this session. First, RB is off to a stronger-than-expected start for 2020. While COVID has had an impact, we are pleased that our underlying sales trends are also performing above our plan.

Second, RB is making good progress regarding the strategy outlined in February designed to rejuvenate sustainable growth. I believe we have made significant strides in improving our execution. We're also making good progress building an organisation with the right capabilities and culture to realise the long-term opportunities for the company.

Third, COVID-19 is having a profound impact on consumer behaviour, not just for a few months or quarters. There is no question that our purpose and fight, which we announced end of February 2020, are even more relevant in these times.

Fourth, we plan to leverage our strong outperformance and reinvest. We believe our expanded plan gives us greater confidence in achieving our medium-term growth and margin goals.

Q&A

Thank you for your time. We look forward to addressing your questions. wsim