

REJUVENATING SUSTAINABLE GROWTH

In February 2020, we shared our strategy for rejuvenating sustainable growth, and our medium-term financial targets. This set out how we would:

- ▶ **1 Drive growth, rebuild a strong earnings model** and outperform with mid-single digit organic top-line, mid 20's margins and 7-9% EPS growth
- ▶ **2 Enable improved growth by investing in key capabilities to strengthen product innovation** and enhance customer service, with sustainability at the heart of everything we do
- ▶ **3 Fund investment through delivery of an enhanced productivity programme** and short-term reduction in operating margin
- ▶ **4 Deliver progressive improvements to our top-line growth** through better product penetration, market share gains, and expansion into new places and new spaces
- ▶ **5 Manage capital allocation** to support a strong balance sheet while actively migrating our portfolio to higher growth opportunities

The three phases of rejuvenation

The journey will be undertaken in three phases that will initially establish consistent performance, build revenue momentum and finally achieve sustained outperformance.

2019 ¹	1 First phase Stabilise and perform	2 Second phase Perform and build	3 Third phase Outperformance
NR growth +0.8%	▶	▶	NR Mid-single digits
EPS growth +2.8%			EPS +7-9%
Performance drivers	<ul style="list-style-type: none"> • Sustain Hygiene growth • Reignite Health volume and growth • Reignite Nutrition developing market growth 	<ul style="list-style-type: none"> • Step up Hygiene growth • Sustain and step up Health growth • Broaden and grow Nutrition • Improve Health and Nutrition margins 	
Example investment areas	<ul style="list-style-type: none"> • eRB • Research and development • Product quality • Customer service and marketing excellence • Supply chain performance • Sustainability 	<ul style="list-style-type: none"> • eRB • Maintain foundational capabilities • Availability in developing markets • Channel-specific sales resources • Science and technology platform partnerships 	

1. 2019 Like-for-Like NR and Adjusted diluted EPS presented

Good strategic progress in 2020

During 2020 – in the first phase of our plan – we have executed well, against a highly dynamic market backdrop, achieving financial targets ahead of expectations. As outlined, we have taken the opportunity of stronger than expected revenue growth to reinvest in incremental growth opportunities. As a result, we have taken advantage of some positive market developments across the breadth of the portfolio. For example, COVID-19 has presented significant opportunities for our disinfectant brands, resulting in strong growth; over this period, we have worked to take Dettol and Lysol into 70 new markets, and new category adjacencies over 2020 and 2021, including to service business customers, in particular the providers of accommodation, travel services, public spaces and events, workspaces and shared facilities.

Strong early achievements investing in the core enablers of growth

Our strategy is centred around rebuilding core capabilities that will support sustainable growth – such as eRB, R&D, product quality, customer service and marketing excellence, supply chain performance and sustainability. While there is still work to be done, we have already made good progress in reinvigorating a number of these functions in a number of areas. Firstly, on customer service, we have established centres of excellence for sales, marketing, e-commerce and medical sales and are building out our global customer relationship teams. We are already harvesting the benefits having seen a significant improvement in our third-party relationships and ranking on the external Advantage survey of retailers where we have advanced 9 places, moving from the lowest tier to inside the top 10 of FMCG peers globally. We expect to make further improvements over time:

Secondly, on supply chain, we responded strongly to the exceptional demands of 2020 with investment, SKU-rationalisation and the use of co-packers. We have also commenced reshaping the network in order to increase long-term capacity and resilience through responding to channel shifts with greater flexibility and reducing overall lead times and leveraging data, AI and machine learning to target substantial further improvements.

Thirdly, we are improving our Digital and e-commerce strategy – Be Big, Be Fast and Be Bold – by investing in and leveraging established capabilities to accelerate developments in D2C, marketplaces and through Bricks and Clicks channels where customer behaviour changes, as more consumers migrate online, have driven the strongest growth. We have also invested to further build B2B e-commerce to leapfrog go-to-market capabilities in developing and emerging markets.

R&D, Quality and Product Innovation is the fourth area of focus and we have already increased the run-rate of R&D investment by 35% compared to 2019. This investment will help drive development of new science platforms. The strength and depth of the innovation pipeline is already leading to new products such as the ultra-thin condom which was launched into the Chinese market in 2020 and the development of our first adult nutrition products within the first year of programme. We have also worked to widen consumer health brands across broader demand spaces and significantly enhanced consumer-perceived product quality and quality processes.

We are driving the sustainability agenda and made a £40m investment in the Fight for Access Fund to support disadvantaged groups battling COVID-19. We also launched the Reckitt Global Hygiene Institute to advance evidence of behaviour change and are investing across the portfolio to drive the acceleration of new sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth. We are committed to climate change and thus we are accelerating work to deliver on the Paris agreement so that we achieve carbon neutrality by 2040.

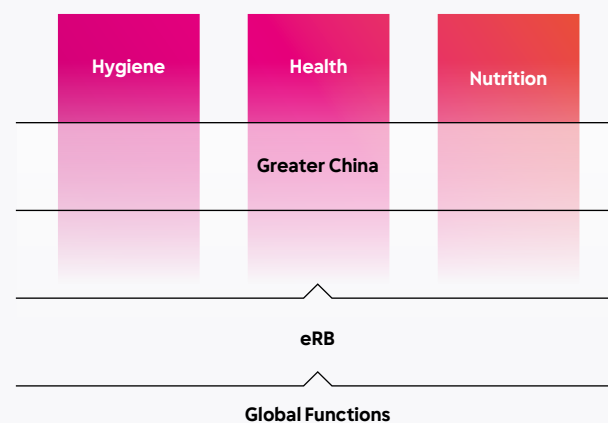
A new organisation structure

Finally, we have throughout 2020 established a new organisational structure, moving to three category-focused business units of Hygiene, Health and Nutrition, with our China and e-commerce teams integrated across each of these (see box).

Strong first year from our enhanced productivity plan

Our investments, which total over £2bn over the period 2020-22, are funded primarily by our productivity programme. In our first year we delivered productivity savings of £407m, significantly ahead of our plan. As a result, and with new opportunities identified, we have increased our plan by £300m, to £1.6bn over the three years. This will help us mitigate a number of new input cost pressures.

OUR ORGANISATIONAL STRUCTURE



Getting the right balance between scale, focus and accountability is key. As such, during 2020 we moved to three category-focused business units with full P&L accountability: Hygiene, Health and Nutrition, with the latter comprised of the IFCN and VMS businesses which previously sat in Health. Within each of these three Global Business Units we are developing capability centres of excellence that can be leveraged across the company.

Due to its strategic importance for the business, we elevated China to an integrated unit that will work across the three business units. Digital, e-commerce and analytics are at a major turning point for the consumer and we can further speed rapid growth by building leapfrog digital capabilities. The digital platform we have in China is one that other rocket brands can leverage. For this reason, the China business unit will also house our global e-commerce capability.

DELIVERING OUR STRATEGY CONTINUED

Clear decisions around capital allocation

Building a stronger balance sheet is a clear priority for us. During 2020, we have reduced net debt by over £1.7bn through improved cash generation and maintaining a strong fiscal discipline around funding our investment programme through enhanced productivity and outperformance. As a result, our net debt leverage metric has improved with Net Debt / Adjusted EBITDA falling from 2.9x at the end of 2019 to 2.4x. Consistent with the policy outlined in February 2020 we have confirmed we will hold our full year dividend unchanged at 174.6p. This is so we can rebuild dividend cover to two times and confidently grow the dividend sustainably in the future in line with a stronger, more consistent EPS growth.

PRODUCTIVITY IN ACTION

- Continued Reckitt manufacturing efficiency drive and continuous improvement programme across all sites
- Developed Reckitt production system focusing on performance management, leadership, consistent standards, continuous improvement routines on site and leveraging analytics / technology to highlight / solve problems
- Successfully deployed our new production system in pilot sites – Nijmegen (NL – Nutrition) and Nottingham (UK – Health)

We are also taking decisive action to manage our portfolio. With markets for infant formula in Greater China continually evolving, we have been undertaking a strategic review of the infant formula business in China. No decision has yet been taken to the overall outcome and we will provide further updates as appropriate. At the same time, we have agreed the sale of Scholl and the acquisition of Biofreeze. Together, these deals are expected to be earnings neutral initially, but to position further the portfolio towards higher growth markets.

Delivering sustainable change to culture and purpose

Our strategy is founded upon a clear sense of purpose. We exist to protect, heal and nurture in our relentless pursuit of a cleaner, healthier world. We do all we can to ensure that access to high-quality hygiene, health and nutrition becomes a right not a privilege. Our purpose and fight are set out in more detail in our 'business model' overview in this report.

This purpose-led agenda is underpinned by the core set of values guiding our behaviour. They are set out in our compass (See page 13). This places integrity at the heart, with the goal of always doing the right thing. Our compass describes the values needed to promote a culture that puts consumers and people first, continually seeks out new opportunities, strives for excellence and builds shared success. It celebrates what made Reckitt successful in the past and aligns us with what is needed for sustainable growth in the future.

Fundamental to the transformation of Reckitt is the work underway on sustainability. During the year, we have stepped up our investments in a number of ways.

- Our purpose, fight and compass has been adopted across the business; strengthening our environmental and societal commitments and driving positive changes to culture
- Our Fight for Access Fund was launched to support our community engagement; initially focused on helping disadvantaged groups battling COVID-19 related issues; the equivalent of 1% of adjusted operating profit will be invested annually
- Reckitt Global Hygiene Institute launched to help inform public health recommendations and promote behaviours that improve global hygiene
- Accelerated the development of new sustainable sourcing, packaging and product innovations as a clear differentiator for purpose-led brand growth
- Launched our Climate Change commitments, accelerating work to deliver Paris Climate Agreement by 2030 and achieve carbon neutrality by 2040

ESTABLISHING CENTRES OF EXCELLENCE

Throughout 2020 we have invested to create four centres of excellence: central functions whose role is to support the GBUs in specific areas of speciality, sharing best practice, and committing dedicated resource.

- 1 Marketing excellence** – seeking to accelerate the growth of Reckitt's brands through the development of a best in class Marketing function and to drive a step-change in our brand building capability. Organised around the five pillars of: Purpose-led brand building; Brand experience and Design; Insights and Analytics; Data-driven marketing and media; and Marketing Capability and Operations.
- 2 Sales outperformance** – re-building this historic strength of Reckitt, turning our sales capability in to a competitive differentiator. Led by newly-appointed Chief Customer Officers for each of US and International, this function partners with customers to understand their business and develop mutual opportunities for growth.
- 3 eRB** – the home of Reckitt's e-commerce, CRM and digital execution initiatives, across three pillars: 'Be Big' (scale success, through platforms); 'Be Fast' (rapid experiments and D2C services); and 'Be Bold and Open' (minority investments in start-ups).
- 4 Medical sales** – seeking to transform the way we engage with healthcare professionals, through a consistent, efficient and commercially elevated approach to the medical channel.

The newly-created roles which sit within these functions have been filled with both internal and external talent. Whilst these functions will continue to build throughout 2021, there is evidence of early success, with improving customer relationships, and improved marketing and sales efficiency.

Our four growth drivers

We see our strategy driving growth in four complimentary ways: increasing product penetration, driving market share gains, entering into new places and opening up new spaces. Increased penetration is about capturing new consumers entering the category, and pushing our products to gain a greater role in a category (e.g. germ protection in surface cleaning, auto dishwashing within dishwashing more broadly). We gain market share through winning with end-consumers and by servicing existing consumers faster, better, and more efficiently with better and more relevant products than our competitors.

New places is white space growth and taking our brands and products into new territories and countries through our existing network, via e-commerce and using our cross-border organisation.

New spaces and adjacencies capture new market opportunities using our brand strength to penetrate other parts of the demand space a brand plays in.

In the first year of our transformation plan, we have made significant progress against our four growth drivers.

Increased penetration

- Our category-leading disinfectant brands have seen exceptionally strong levels of penetration increase, with Lysol for example now present in over half of all US homes and used by over 100 million households globally; In Canada, Lysol penetration is up over 1200bps over the past year
- In India alone, Harpic is now used in over 100m homes, up by nearly 30 million compared to 2019, as a result of purpose-led marketing campaigns centred around behaviour change

Market share gains

- 70% of our core Hygiene category market units, and 85% in Health, held or gained market share in the year
- Finish has taken significant share in the US, up over 70bps, in a strong but competitive market, in part due to its purpose-led campaigns around the critical issue of water scarcity
- Gaviscon grew market share by over 100bps globally, including over 100bps in the UK, as a result of product innovation and strong execution
- Step-changed Mortein's performance in key markets through building brand trust, product innovation and improved marketing
- Durex gains of c.130bps in China following the launch of the PU, ultra-thin condom
- Sequential improvements in market share performance for Mucinex, delivering unchanged market share overall, through better execution in weak US market conditions for medicated products

New places

- Increased demand for Dettol and Lysol provided the opportunity for expansion into a total of 41 markets during the year
- Global Business Solutions – our professional business – growing strongly and expected to contribute c.100bps to Reckitt growth in 2021 to represent c.8% of total disinfectant revenue
- Lysol's entry into Brazil in May for example, launching Sprays, Wipes and Liquids, has already achieved prompted brand awareness of over 40%

New spaces

- In Hygiene, we entered into the aromatherapy category in the US, with Air Wick essential mist – an innovation which was recognised amongst the Top 25 Breakthrough Innovations in this year's US BASES awards – four of which were Reckitt products
- In Health, product innovation took Mucinex (All-in-One and Nightshift) and Strepsils (Herbals) into new product adjacencies
- Adult Nutrition launched in China

Drivers of growth



1. Medium term growth rates

CASE STUDY

Increased penetration

HARPIC PENETRATION IN INDIA



In India, we have seen a continued increase in the penetration of Harpic following purpose-led behaviour change campaigns. Our campaigns have sought to encourage consumer use of a specialized toilet cleaner like Harpic rather than the non-specialized detergents and water, frequently used historically.

The central idea of the brand is that it "Removes 10/10 stains and disinfects your toilet" – a claim backed by a consumer tested product formula. The campaign was executed successfully, leveraging celebrity ambassadors, with heavy investment in Digital, TV, print, out-of-home and rural outreach, reflecting the diversity of the consumer base in the country.

The brand is now used in over 100m homes, up by nearly 30m compared to 2019. This increase has been seen nationwide, with penetration in both urban and rural areas up significantly.

In doing so, and through a partnership with Network18, the largest TV news network in India, Harpic has built more than simply a brand that consumers trust. Rather it has become the champion of sanitation in India. In Q1 2020, Harpic was rated the 3rd most trusted homecare brand in India.

CASE STUDY

Market share gains

INNOVATION-LED PERFORMANCE IN THE US



In the US, we have seen good market share performances in Nutrition.

The immunity segment within VMS has seen exceptionally strong growth given consumer concern around COVID-19, but in addition, Airborne has grown share as a result of strong innovation and rapid ramp up of supply, increasing threefold during the year.

In Infant Formula, Enfa defended an already strong position in the WENR ('WIC' Exempt, Non-Rebated) market growing over 5%. This was led in large part by strong insight-led innovation with NeuroPro – an Omega3-DHA-led product. The innovation was allied to strong consumer and healthcare professional marketing execution.

1. WIC – Women, Infants and Children programme

CASE STUDY

New places

EXPANDING THE DUREX FOOTPRINT



In 2020, Durex continued to democratise access, driving continuous improvement in availability even in the most fragmented consumer markets. In Russia, in partnership with Fractal Analytics – a leader in the use of Artificial Intelligence in decision making – Durex used leading edge machine learning to help us decide where our products should be sold, and in what ranges. Backed by vast quantities of data on consumer demographics, geographical nuances and commercial sales, these insights resulted in significant market share uplift as, for example, we adjusted pack sizes in certain 24/7 pharmacies located in close proximity to a nightclub.

At the same time, we know that consumers will often want to make purchases whilst at home, when time can be of the essence. Thanks to our partnership with Glovo and Deliveroo, we are shaving further time off delivery, with many deliveries now taking place in under 900 seconds.

CASE STUDY

New spaces



ENTERING THE PROFESSIONAL SPACE

Global Business Solutions was established during 2020 in response to the growing need for germ protection as consumers want to feel safe outside the home, as well as inside. New opportunities have therefore emerged as workspaces, accommodation and other public spaces, such as hospitality venues and public transport, need to not only be clean, but be visibly clean. Our category leading disinfectant brands will enable customer facing businesses and venues to give their customers the appropriate reassurance.

Reckitt offers 'front-of-house' solutions, where our brands are visible to our partners' customers. For many of our partners, we work closely to develop and integrate ourselves into their existing cleaning protocols, thereby helping them to solve long-term challenges related to hygiene and cleaning on their premises and understanding the key risk areas and complexities. Partnerships signed so far have been with globally-renowned organisations such as: AirBnB, British Airways, Delta Airlines, Hilton and Uber.

Our brands



The 100+ strong GBS team has a global presence and is multi-functional. GBS is growing strongly and we expect the momentum to continue and contribute c.100bps to Group net revenue growth in 2021.

100+

people are part of our multi-functional team with global presence

c.100bps

Global Business Solutions expected contribution to 2021 Group revenue growth