



HEALTH ▸ HYGIENE ▸ HOME

RB Half Year 2018 Results Presentation

27th July 2018

Disclaimer

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.

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Rakesh Kapoor

Chief Executive Officer

Key messages



Trading

Further progress
in the quarter



MJN

Ahead
of expectations



RB 2.0

Our platform for growth
and value creation

Key messages



Q2
+5% Proforma

+9% IFCN
+3% Rest of Health
+4% HyHo



H1
+4% Proforma

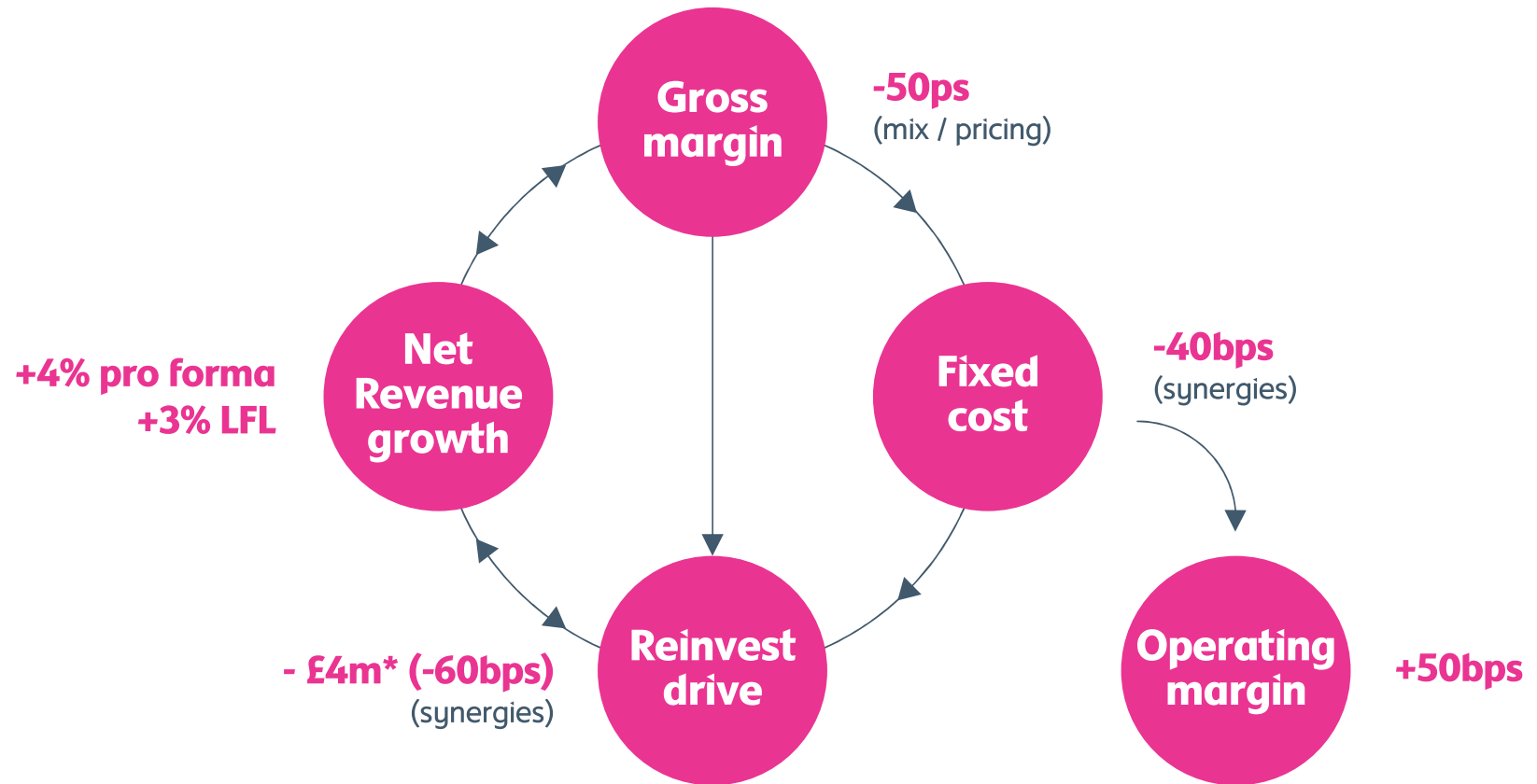
+7% IFCN
+2% Rest of Health
+4% HyHo



Full Year Target
Increased

Base business on track
MJN ahead of expectations

Virtuous earnings model - Proforma



*at constant exchange rate

MJN – the Right Acquisition

+7%

RB growth



\$75m

synergies achieved
YTD 2018.

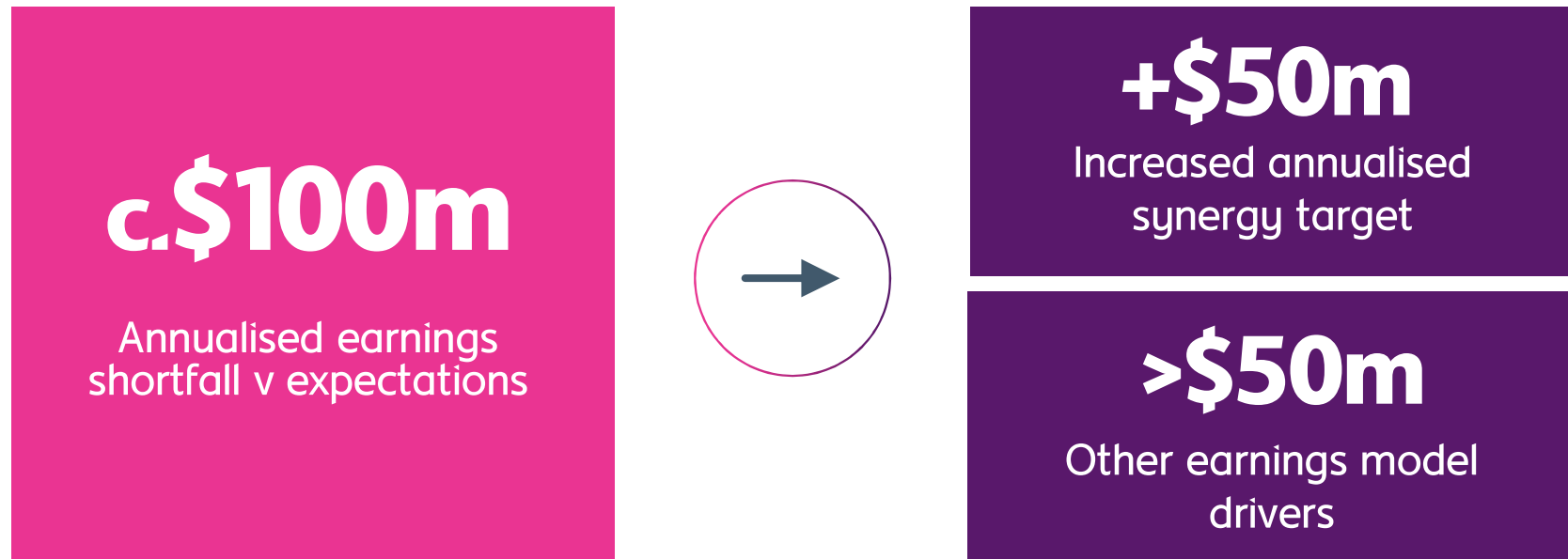
Integration into Health
BU firmly on track.

++

Operating Margin
expansion in H1



MJN – profit delivery on track



RB2.0

Our Platform for growth
& outperformance

What we said in February

Hygiene Home

More focus
More innovation
More investment
More growth

Health

A global leader in
consumer health with MJN
MJN to upper end
of category growth
E-commerce and digital
disruption

Strategic Flexibility

H1 2018
Organisation structure
Operating model
Customer management

H2 2018 – mid 2020
Infrastructure
Legal entity split

Hygiene Home – More focus

More innovation



More markets



2X the plan

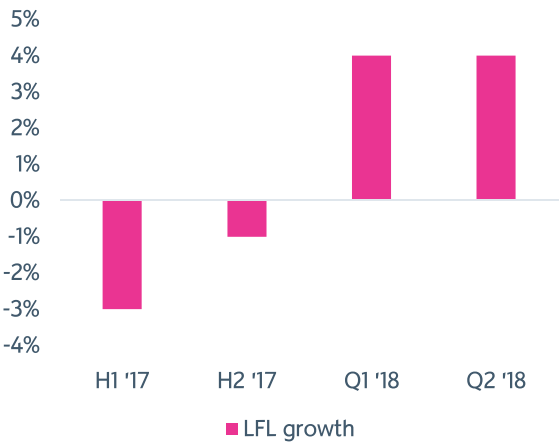
More investment



More growth

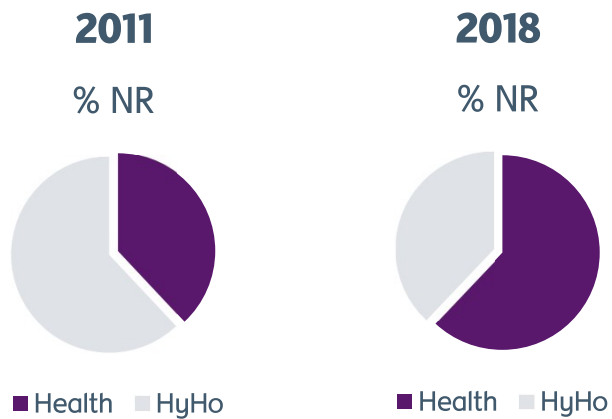


LFL growth



Health – In progress

Global leader in Consumer Health



62% NR – Consumer Health

MJN to upper end of category growth

+7%
IFCN PF growth



e-Commerce & digital disruption

8%
Net revenue from
e-commerce channels

14
D2C operations
launched in 2018

Delivering long-term value creation...

Strategic Flexibility

H1 2018

- Organisation structure
- Operating model
- Customer management

H2 2018 – mid 2020

- Infrastructure
- Legal entity split

**Improved operational
performance**

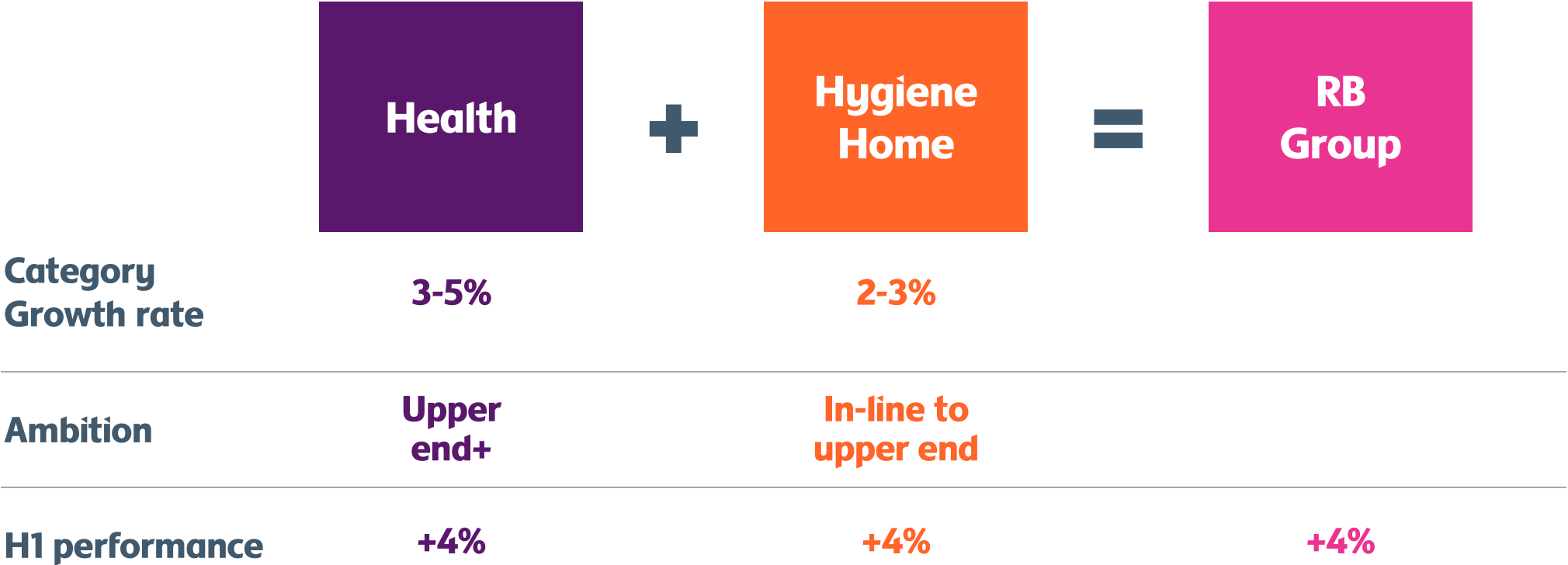
+

**Structurally
independent**

=

**Levers for
value creation**

Medium-Term Growth Algorithm...



Adrian Hennah

Chief Financial Officer

H1 2018 results

Income statement (reported)

£m		H1	
	2018	2017	PF 17
Net Revenue	6,138	4,984	6,286
Adjusted operating profit	1,448	1,190	1,452
Adjusting items	(162)	(127)	
Operating profit	1,286	1,063	
Net finance expense	(173)	(47)	
Profit before taxation	1,113	1,016	
Taxation	(232)	(232)	
Tax Rate - Adjusted	23%	23%	
Non-controlling Interest	(12)	(7)	
Continuing net income	869	777	
Discontinued net income	(7)	(272)	
Total net income	862	505	
Adjusted net income*	993	934	
Diluted EPS	121.5p	71.0p	71%
Adjusted diluted EPS	139.9p	131.4p	6%

* Adjusted to exclude the impact of exceptional items

H1 2018 results

Revenue and profit – like-for-like and proforma

£m	Q2			H1		
	2018	PF 17	2017	2018	PF 17	2017
Revenue	3,027	3,052	2,464	6,138	6,286	4,984
PF%	5%	-2%		4%	-2%	
LFL%	4%		-2%	3%		-1%
Gross Margin				3,710	3,831	3,003
Gross Margin %				60.4%	60.9%	60.3%
Adjusted Operating Profit*				1,448	1,452	1,190
Adjusted Operating Profit %*				23.6%	23.1%	23.9%

* Adjusted to exclude the impact of exceptional items

H1 2018 results

Net revenue variance analysis

%	Volume	Price/Mix	Total
Pro forma			
H1 18 PF	3%	1%	4%
Q2 18 PF	3%	2%	5%
Q1 18 PF	3%	-	3%
RB Base business			
Q4 17	3%	-1%	2%
FY 17	-	-	-
FY 16	-	3%	3%
FY 15	3%	3%	6%
FY 14	2%	2%	4%

H1 2018 results

Net Revenue by Geography - proforma

	2017					2018			Total NR (£m)		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1	H1 18	H1 17 PF	H1 17 rep
North America	-1%	-1%	-2%	1%	-1%	5%	4%	5%	1,545	1,606	1,216
Europe	-3%	-6%	-3%	1%	-3%	-1%	-	-1%	2,070	2,104	2,061
DVM	-1%	2%	3%	3%	2%	5%	9%	7%	2,523	2,576	1,707
Total	-1%	-2%	-1%	2%	-	3%	5%	4%	6,138	6,286	4,984
RB Base LFL	-	-2%	-1%	2%	-	2%	4%	3%			

H1 2018 results

Group H1 margin analysis – reported and proforma

	Reported		Proforma	
	%	bps v PY	%	bps v PY
Gross Margin				
2018	60.4%	+10bps	60.4%	-50bps
2017	60.3%	+10bps	60.9%	-30bps
2016	60.0%	+240bps		
2015	57.6%	+90bps		
BEI				
2018	15.3%	+60bps	15.3%	-60bps
2017	14.7%	-40bps	15.9%	+20bps
2016	14.8%	+40bps		
2015	14.4%	+30bps		
Operating Margin*				
2018	23.6%	-30bps	23.6%	+50bps
2017	23.9%	+30bps	23.1%	-70bps
2016	23.7%	+180bps		
2015	21.9%	+160bps		

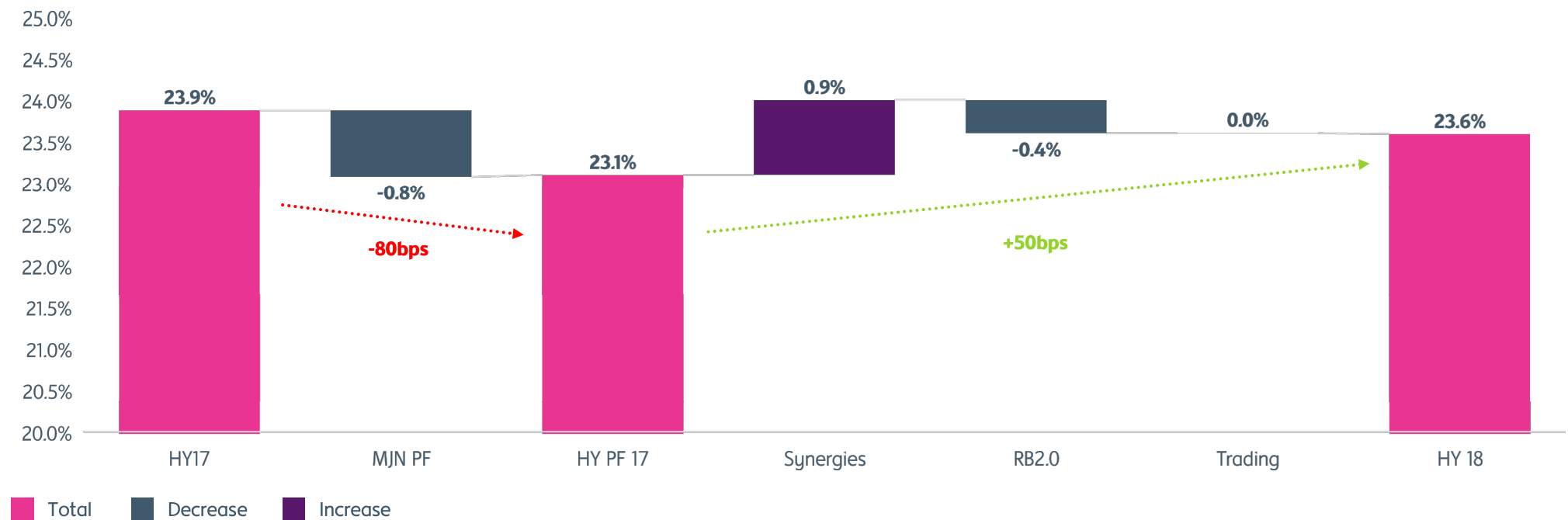
20 Notes: 2018 bps vs 2017 comparatives restated for the adoption of IFRS 15. 2017 bps vs 2016 comparatives exclude the discontinued Food business. 2016 and 2015 are as previously reported and include the Food business.

* Adjusted to exclude exceptional items

H1 2018 results

Group H1 margin analysis

Adjusted Operating profit bridge



* Adjusted to exclude the impact of exceptional items

H1 2018 results

MJN cost synergy delivery

£m	FY 17	H1 18	BTG	Total	
				GBP	USD
Total	20	55	148	223	300

H1 2018 results

RB Health – Net Revenue by Category – proforma

	2017					2018			Total NR (£m)	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1	H1 18	H1 18 %
Infant Nutrition	-5%	-1%	1%	3%	-1%	6%	9%	7%	1.4	38%
OTC	11%	-2%	-2%	7%	4%	5%	8%	6%	0.9	24%
Other	-4%	-1%	-	-	-1%	-2%	-	-1%	1.5	38%
RB Health	-1%	-1%	-	3%	-	3%	5%	4%	3.8	100%
Adjusted operating profit *								H1 18 H1 17 PF H1 17 Rep	25.8% 24.5% 26.7%	

* Adjusted to exclude the impact of exceptional items

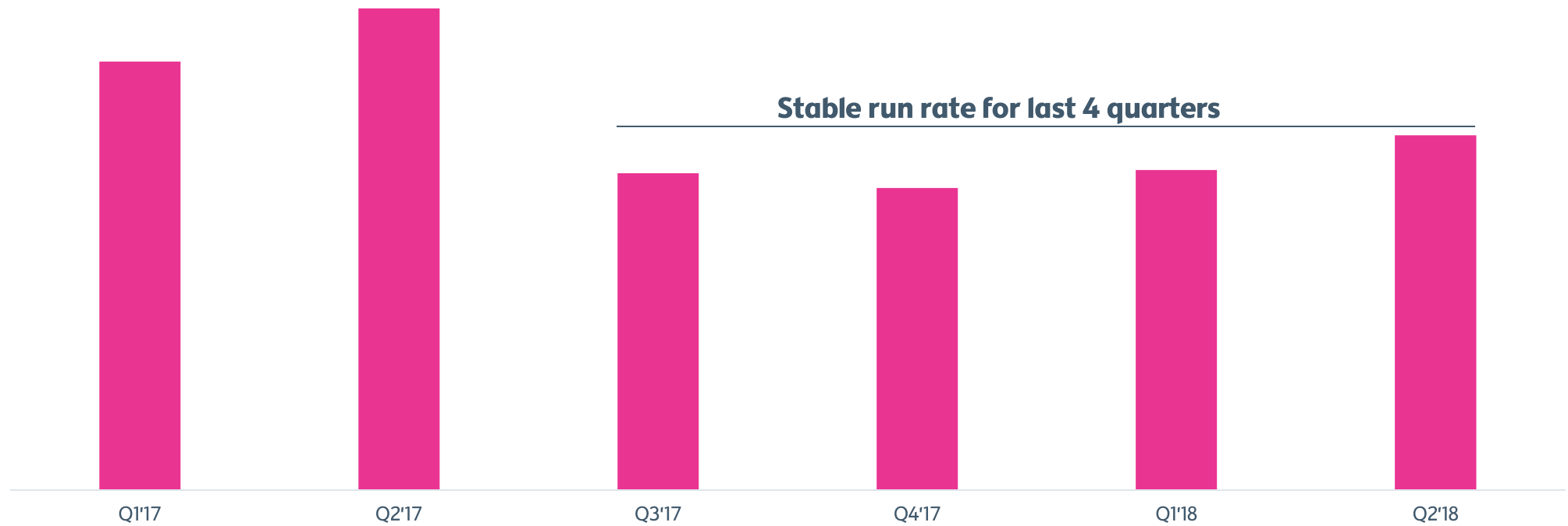
H1 2018 results

RB Health – Net revenue by Geography - proforma

	2017					2018			Total NR (£m)		
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1	H1 18	H1 17 PF	H1 17Rep
North America	1%	0%	-4%	-	1%	4%	3%	3%	849	896	506
Europe	-6%	-7%	-5%	-	-4%	-4%	1%	-2%	1,019	1,052	1,009
DVM	1%	2%	5%	6%	4%	6%	8%	7%	1,935	1,941	1,072
Total	-1%	-1%	-	3%	-	3%	5%	4%	3,803	3,889	2,587
RB Base LFL	2%	-1%	-1%	3%	1%	1%	3%	2%			

H1 2018 results

RB Health - Scholl



H1 2018 results

RB Hygiene Home

	2017					2018			Total NR (£m)	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1	H1 18	H1 17 REP
RB Hygiene Home	-2%	-3%	-2%	-	-2%	4%	4%	4%	2,335	2,397
Adjusted operating profit*									20.0%	20.8%

* Adjusted to exclude the impact of exceptional items

H1 2018 results

RB Hygiene Home – Net revenue by Geography

	2017					2018			Total NR (£m)	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	H1	H1 18	H1 17
North America	-3%	-3%	1%	4%	-	8%	6%	7%	696	710
Europe	-	-5%	-1%	2%	-1%	2%	-	1%	1,051	1,052
DVM	-5%	-1%	-5%	-6%	-4%	3%	10%	6%	588	635
Total	-2%	-3%	-2%	-	-2%	4%	4%	4%	2,335	2,397

H1 2018 results

Net Working Capital

£m	H1 18	H1 17 PF	FY 17 PF
Inventory % to last 12 month revenue	1,261 10%	1,173 9%	1,201 9%
Receivables % to last 12 month revenue	1,936 15%	1,846 14%	2,004 16%
Payables % to last 12 month revenue	(4,662) -37%	(4,783) -37%	(4,629) -36%
Net working capital % to last 12 month revenue	(1,465) -12%	(1,764) -14%	(1,424) -11%

H1 2018 results

Free cash flow

£m	H1 2018	H1 2017
Adjusted Operating Profit*	1,448	1,190
Share based payment	38	36
Depreciation and amortisation	128	89
Net capital expenditure	(166)	(98)
Movement in net working capital	78	394
Movement in provisions and other creditors	(9)	1
Trading cashflow	1,517	1,612
Exceptional cashflow	(92)	(99)
Operating Cashflow	1,425	1,513
Net interest paid	(175)	(35)
Taxation paid	(331)	(227)
Free Cashflow	919	1,251
Free Cashflow as % of Adjusted Continuing Net Income	93%	141%
Closing net debt	(10,749)	(14,751)

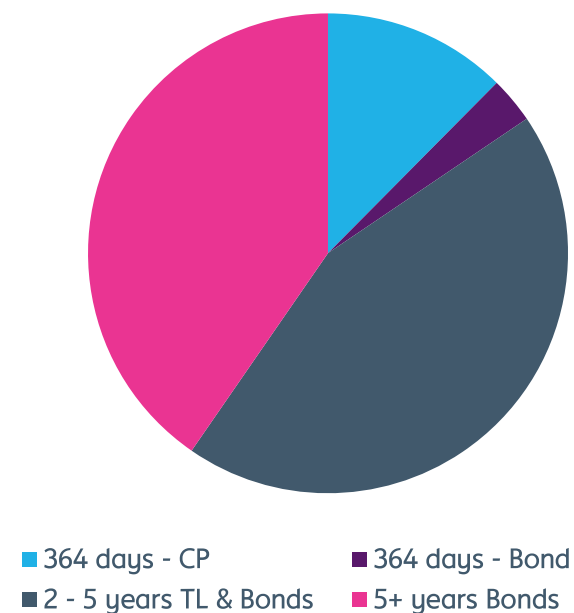
* Adjusted to exclude the impact of exceptional items

H1 2018 results

Analysis of Net Debt

Net Debt	Jun 2018
Gross debt (\$16.1bn)	£12.3bn
Cash	£1.6bn
Net debt	£10.7bn
Gross debt components	
Commercial paper - \$0.8bn & €1.0bn	\$2.0bn
USD B & C Term Loans	\$2.3bn
USD Bonds	\$11.8bn

Gross Debt - maturity profile



RB 2.0 Timings - what we said in February

Effective 1 Jan 2018

- ✓ **Organisation structure in place**
- ✓ **People moved and operating in new roles**

H1 2018

- ✓ Customer management
- ✓ New operating model

2018 - 2020

- ☐ Completion of infrastructure

Organisation structure:

**Effective
1 Jan 2018**

2

New focus management
teams in most markets
(some roles still to be filled)

400+

International moves /
promotion to
“top 400”

RB2.0 - Customer Management:

**Customer
management &
sales force changes**

**largely done
by end H1**

**Large range
in markets
and channels**

Modern trade
Distributors
E-commerce

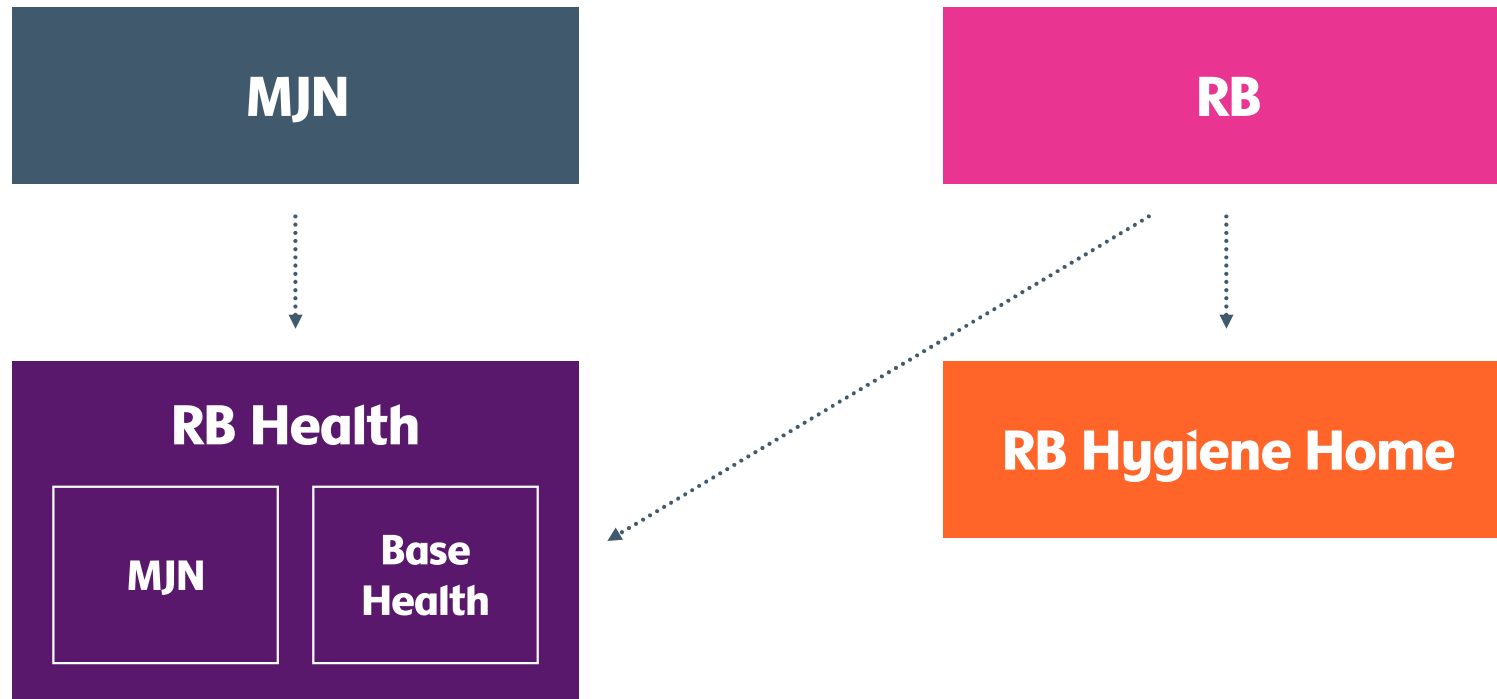
India

1,000+ distributors
impacted

UK

Alignment with large
modern trade retailers

RB2.0 - Infrastructure:



RB2.0 – Steps to structural independence



2018 - 2020

Completion of infrastructure

Multiple
work streams



- ✓ Legal entity restructuring
- ✓ ERP systems
- ✓ Shared service
- ✓ Operating model
- ✓ Financial reporting
- ✓ Application separation and readiness
- ✓ Product lifecycle management

1,000+ FTEs working across 7 workstreams at peak times

Rakesh Kapoor

Chief Executive Officer

H2 2018 Innovations

Health

Nutramigen® LGG: Transforming the lives of babies



**DO MORE THAN JUST
MANAGE COW'S MILK
ALLERGY, GIVE HER
THE ABILITY TO PROTECT
HERSELF FROM
DEVELOPING FUTURE
ALLERGIES¹**

ANY NUTRAMIGEN® LGG® CAN.

TRANSFORMING THE LIVES OF BABIES.

Nutramigen® LGG

Hypoallergenic Formula
For the dietary management of cow's milk allergy

- Nutritionally appropriate as part of a varied diet
- With Lactobacillus GG

Vanilla Flavour

400g

1 2 3

安敏健 Nutramigen LGG

乳蛋白深度水解婴儿配方粉
适用于牛奶蛋白过敏的辅食管理

- 采用深度水解配方，特别添加益生菌及牛初乳提取物以减轻过敏
- 临床验证，添加LGG的乳蛋白深度水解配方有助降低过敏儿童未来的蛋白
- 添加益生菌 LGG
- 含DHA
- 营养丰富，宝宝健康成长

净含量：400克

Mea Johnson 美赞臣

Nutramigen® LGG
Helping families live life beyond Cow's Milk Protein Allergy

Durex AiR Condoms in China



Durex AiR Condoms

Enjoy a premium experience with a new design

K-Y Duration Gel for Men



K-Y Duration Gel for Men

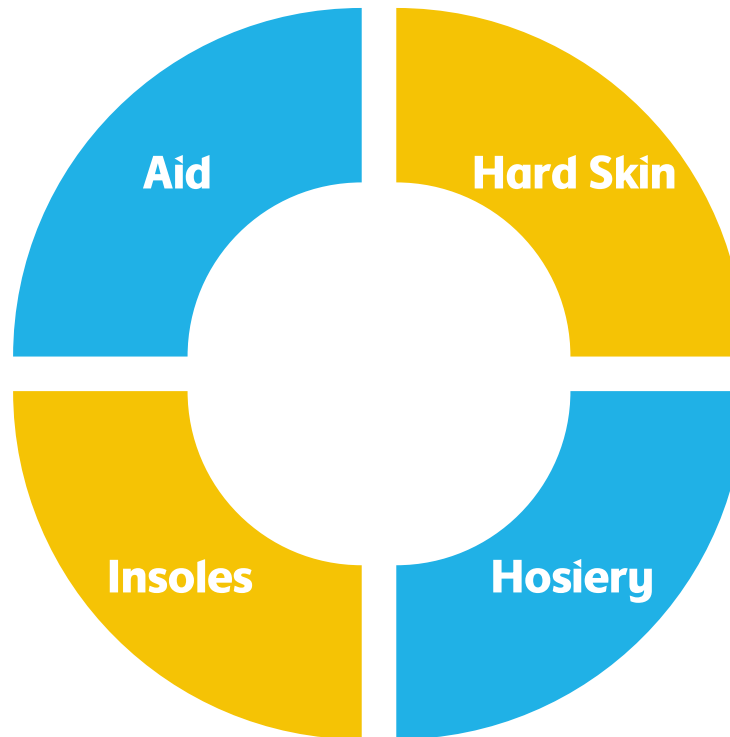
Part of the K-Y Duration platform: Desensitising Spray and Gel for Him

Scholl Aid



Treatment range with new visual identity and updated claims
Ensures easier consumer navigation at shelf

Scholl is launching a range of initiatives across its full portfolio



Mucinex All in One



Mucinex Fast Max Cold & Flu All in One
Max strength relief of your cold & flu symptoms

Move Free in China



Move Free

Making more VMS products available in China through online channels

MegaRed Ultra Strength – exclusive to Amazon



Exclusive to Amazon

MegaRed Ultra Strength 2000mg

2x More Omega-3s - for your heart health and overall well-being

Hygiene – Home

Harpic® Swach Bharat (Clean India) pack



Harpic® Swach Bharat (Clean India) pack

New format – making Harpic affordable to every Indian household
Continuing Clean India' Mission

Finish® in-wash dishwasher cleaner tabs



Finish® in-wash dishwasher cleaner tabs

Clean your machine while your machine cleans your dishes.

Air Wick 2018 Fall / Winter seasonal range



Air Wick 2018 Fall/Winter seasonal range
6 exclusive new scents across our air care range

Air Wick® ViPoo Pre-Poo Spray



Air Wick® ViPoo Pre-Poo Spray

4 New Fragrances - to trap nasty odors into your bowl

SBP PRO Personal Insect Repellent



SBP PRO Personal Insect Repellent

Contains 25% Picaridin, providing up to 12H protection against mosquitoes

2018 Net Revenue Target Increased



From

**Net
revenue***

+13-14% Total

implying

+2-3% LFL



To

**Net
revenue***

+14-15% Total

implying

**Upper end of
+2-3% LFL**

* at constant rates

Adjusted Operating Margin*

2018

No change

- Pricing pressure + input headwinds
- MJN synergies to slightly exceed RB2.0 incremental costs
- -70bp impact of MJN consolidation in 2018

**Medium
Term**

No Change

**Moderate
expansion****

* Adjusted to exclude the impact of exceptional items

** Adjusted operating margin will vary from year to year depending on the impact of acquisitions or disposals, synergies and higher infrastructure costs of the new organisation etc.

Q&A

Appendices

H1 2018 results

Analysis of exceptional items

£'m	Total Guidance	P&L H1 18	Total P&L to date	Total cash to date
Continuing operations				
Acquisition, integration and related restructuring	(390)	(3)	(329)	(289)
Litigation provisions	(210)	-	(210)	(146)
Korea "HS"	(300)	-	(300)	(188)
MJN synergies/RB2.0	(450)	(121)	(211)	(144)
MJN amortisation		(38)	(197)	n/a
		(162)		
Discontinued operations				
Gain on demerger of Indivior	1,282	-	1,282	n/a
Gain on disposal of Food	3,037	-	3,037	n/a
Litigation (DoJ / FTC) – USD400m	(296)	(7)	(303)	-
		(7)		

H1 2018 results

Reconciliation of Reported to Adjusted

£'m	Reported	Exceptional	Adjusting items		Adjusted
	2018		Other	Finance expense	2018
Operating profit	1,286	124	38	-	1,448
Net finance expense	(173)	-	-	26	(147)
Profit before taxation	1,113	124	38	26	1,301
Taxation	(232)	(29)	(9)	(26)	(296)
Non-controlling Interest	(12)	-	-	-	(12)
Continuing Net income	869	95	29	-	993
Discontinued Net income	(7)	7	-	-	-
Total Net Income	862	102	29	-	993

H1 2018 results

Revenue growth by Business segment – Q2 18

%	LFL	GST	Net M&A	FX	Reported
IFCN*	7%	-	n/m	n/m	n/m
Rest of Health	3%	-1%	-	-4%	-2%
Health	3%	-1%	49%	-7%	45%
Hygiene Home	4%	-1%	-	-6%	-2%
Total	4%	-1%	26%	-6%	23%

* Because of the timing of the MJN acquisition in June 2017, certain growth rates for IFCN are marked as not meaningful ("n/m").

H1 2018 results

Revenue growth by Business segment – H1 18

%	LFL	GST	Net M&A	FX	Reported
IFCN*	7%	-	n/m	n/m	n/m
Rest of Health	2%	-1%	-	-5%	-4%
Health	2%	-1%	54%	-8%	47%
Hygiene Home	4%	-1%	-	-6%	-3%
Total	3%	-1%	28%	-7%	23%

* Because of the timing of the MJN acquisition in June 2017, certain growth rates for IFCN are marked as not meaningful ("n/m").

H1 2018 results

Reconciliation in Net Debt

£'m	2018
Opening net debt	(10,746)
Free cashflow from continuing operations	919
Shares reissued	65
Purchase of investments	(10)
Dividends paid	(698)
Exchange and other movements	(279)
Closing net debt	(10,749)

H1 2018 results

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
3.1		165	42	25%	39		
3.2		188	21	11%	20		
3.3		99	3	3%	2		
3.4		205	18	9%	15		
3.5		12	-	-	-		
4*	4,745	4,054	157	4%	143	Ongoing	Dec 2018
4.1		1,009	79	8%	73		
4.2		339	7	2%	7		
4.3		536	9	2%	8		
4.4		912	20	2%	17		
4.5		753	15	2%	14		
4.6		505	27	5%	24		

* 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 11 July 2018.