

# Reckitt Benckiser

## Investor Presentation: Half Year 2012

30th July 2012

# Rakesh Kapoor

## Chief Executive Officer

# HY 2012: Summary

## Business outperforming our market growth:

HY 2012 net revenue **+4%** LFL  
(ex-RBP), **+4%** total at constant FX

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Strong progress in film  
conversion – share now **56%**

## Margins fully in line with expectations

Phasing impact of inputs in H1  
partially offset by Project Fuel

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Effective fixed cost containment

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Increased funding on BEI

# HY 2012: Summary



**Net working capital and  
cash conversion very good**

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**Interim dividend per  
share increased  
by +2% to 56p**

**FY 2012 targets  
re-iterated**

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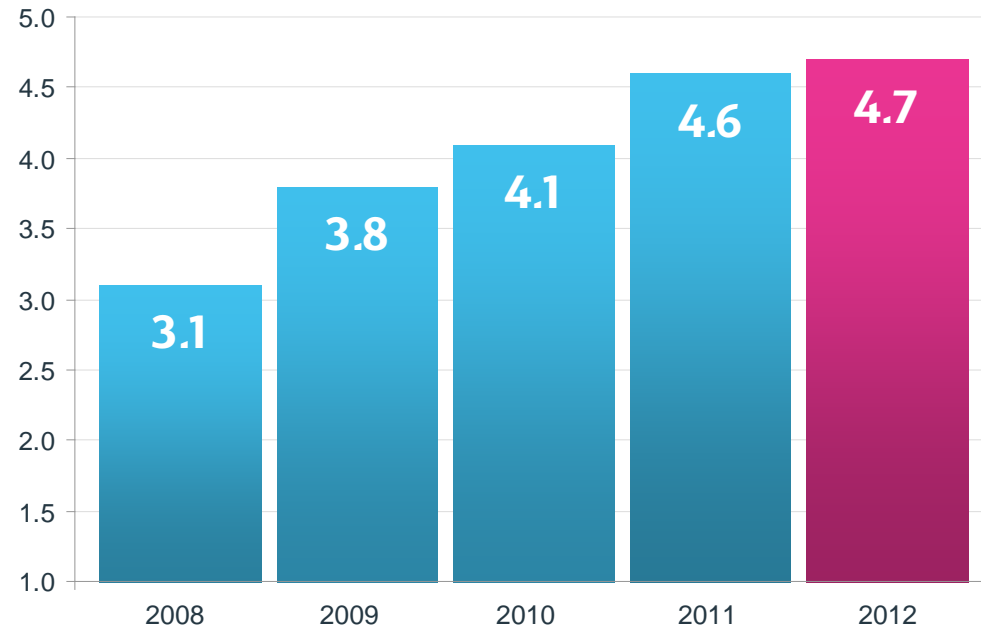
**New Strategy –  
implementation  
well advanced**

# Financial performance – in line

## HY 2012 analysis

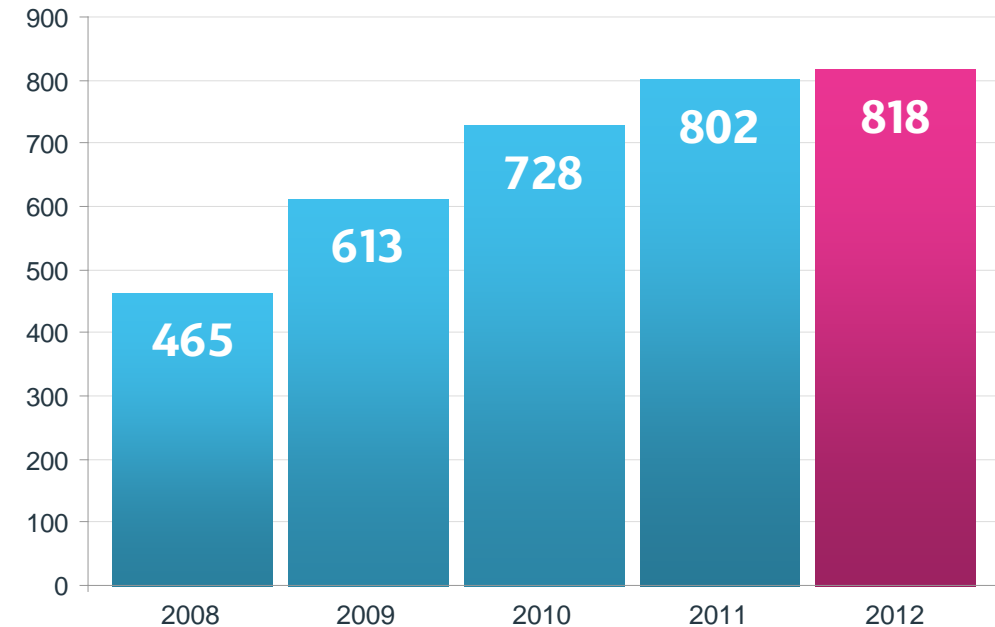
### Net revenue (£bn)

HY 2012: +4% @ constant LFL (Ex-RBP): +4%



### Adj.\* net income (£m)

HY 2012: +4% @ constant (+2% @ actual)



\* Adjusted to exclude the impact of exceptional items

## Update on RBP HY 2012: Driving a more sustainable business

### Generic competition to Suboxone tablet a matter of when NOT if

We continue to estimate **80-90%**  
drop-off of the tablet business,  
plus some film loss

### Suboxone sublingual film

**56%** market volume share  
at end June

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Well ahead of our ingoing  
expectations & film is now the  
market leader

# Liz Doherty

## Chief Financial Officer

# 2012 – Focussing on the right levers

## What we said

**New gross margin definition - more commercially focussed**

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**New brand equity investment (BEI) measure - capturing total investment**

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**£100m increase in BEI. Funded by:**

- £50m Cost optimisation initiatives (Project Fuel)
  - £30m Effective fixed cost containment
  - £20m - other volume leverage, pricing etc
- 

**New NWC definition - more commercially focussed**



# Q2 & HY 2011 results

## Profit & Loss summary

	2012 £m	2011 £m	% change	
			actual	constant
<b>Q2 2012</b>				
Net revenue	2,312	2,338	-1	+3%
Net revenue – LFL (ex RBP)				+4%
<b>HY 2012</b>				
Net revenue	4,669	4,621	+1%	+4%
Net revenue – LFL (ex RBP)				+4%
Gross profit**	2,630	2,630	+0%	+2%
Operating profit – adjusted*	1,120	1,103	+2%	+4%
Net income – adjusted*	818	802	+2%	+4%

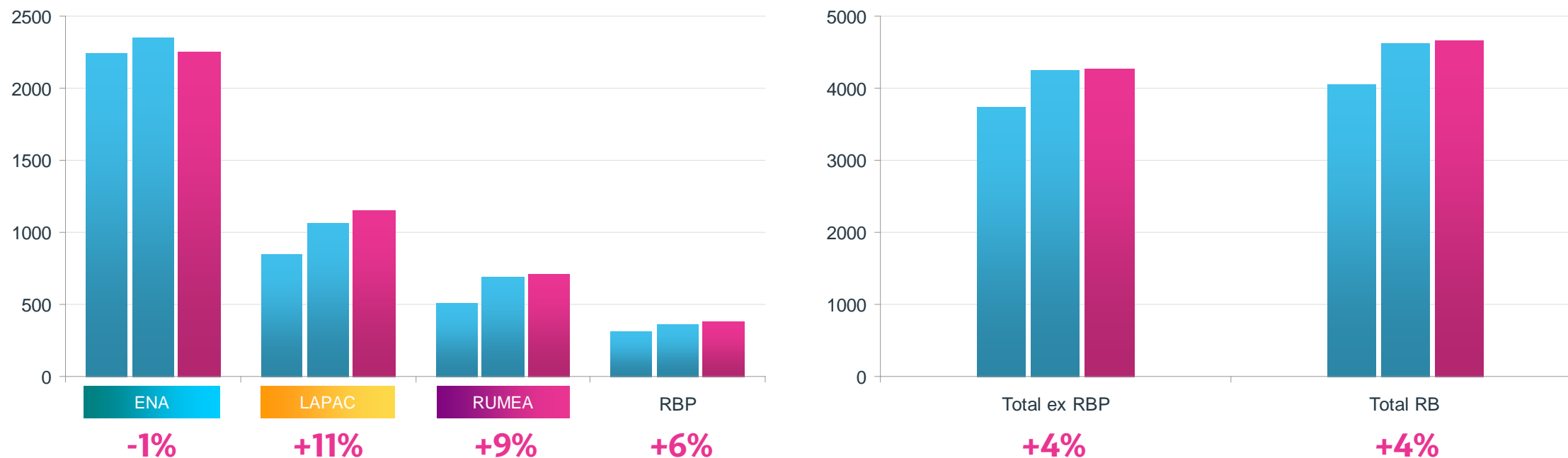
\*Adjusted to exclude the impact of exceptional items

\*\* 2011 gross profit restated for new definition

# Growth by area

## HY net revenue trend, 2010-2012

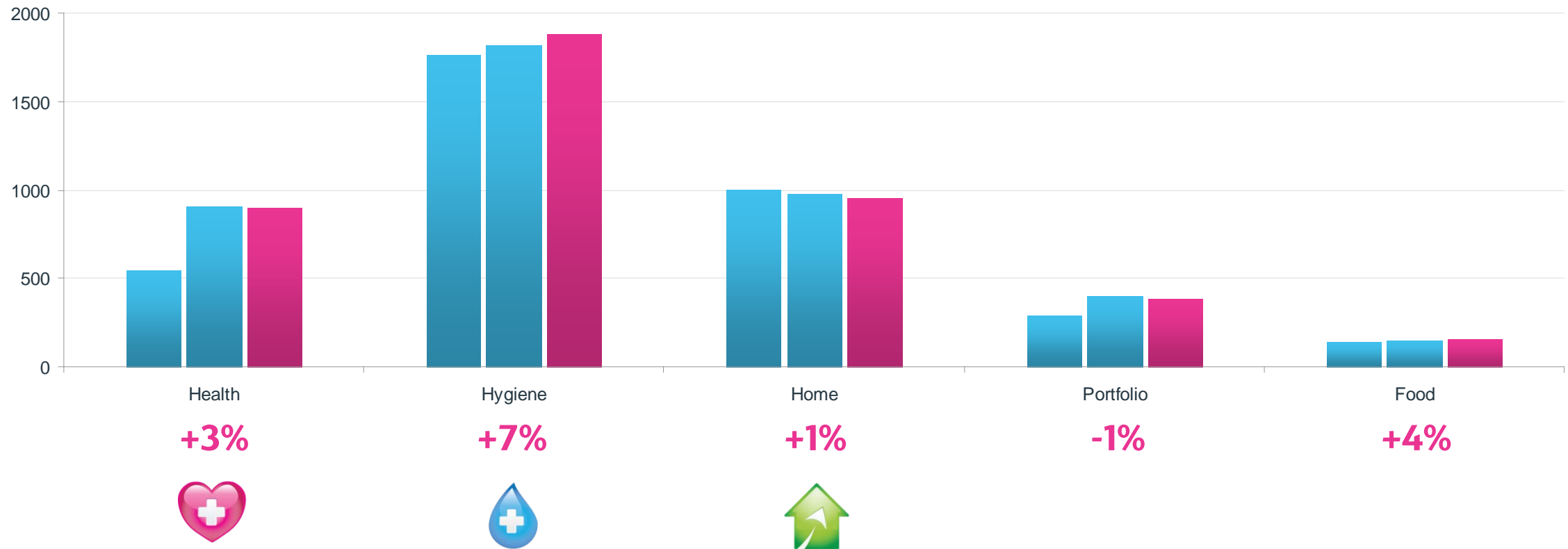
(in £m & LFL growth %)



Excellent growth in EM areas

# Balanced net revenue growth

**HY net revenue trend, 2010-2012**  
(in £m & LFL growth %)



# High quality net revenue growth

## Volume versus price / mix: HY 2012

Q1	+3%
Q2	+2%
<b>HY</b>	<b>+2%</b>
Volume	

Q1	+1%
Q2	+2%
<b>HY</b>	<b>+2%</b>
Price/mix	

**+4%**

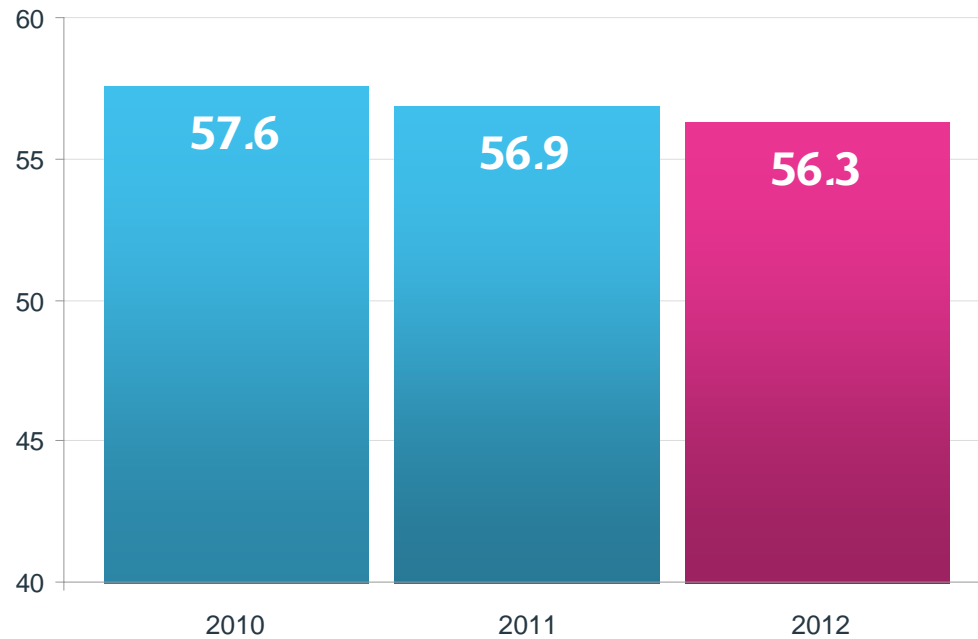
**LFL growth (ex RBP)**

	Q1 %	Q2 %	HY %
RBP	+6	+6	+6
<b>LFL growth (total)</b>	<b>+4</b>	<b>+4</b>	<b>+4</b>
Exchange	-1	-4	-3
Acquisitions / disposals	-	-1	-
<b>Reported growth</b>	<b>+3</b>	<b>-1</b>	<b>+1</b>

# Gross margin progression

## HY gross margin, 2010-2012 (%)

HY 2012: -60bps



**Phasing of inputs,  
but improving**

**Adverse mix**

**Project Fuel (@ £20m)**

# Project Fuel – Packaging change

## Finish® Powerball® tabs

**Current**  
100 count



**Box**  
100 count



# Projected annual COGS savings - >\$2m

## Finish® Powerball® tabs

### Current

100 count Pallet



### Box

100 count Pallet

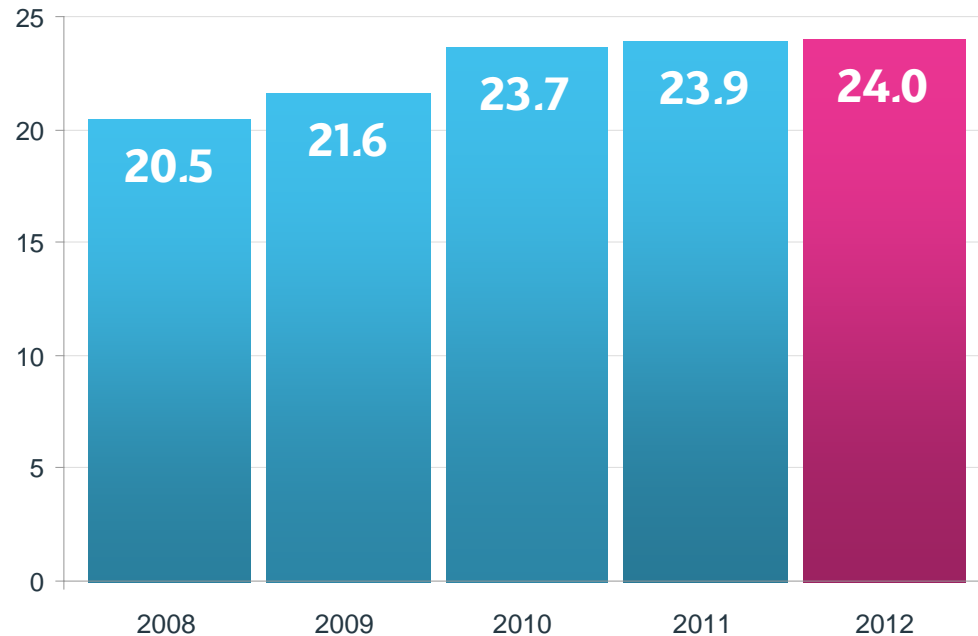




# Operating margin progression

## HY operating margin, 2008-2012 (%)

HY 2012: +10bps (ex RBP)



## Operating margins impacted by:

+60bps effective cost containment

+70bps from profit on disposals

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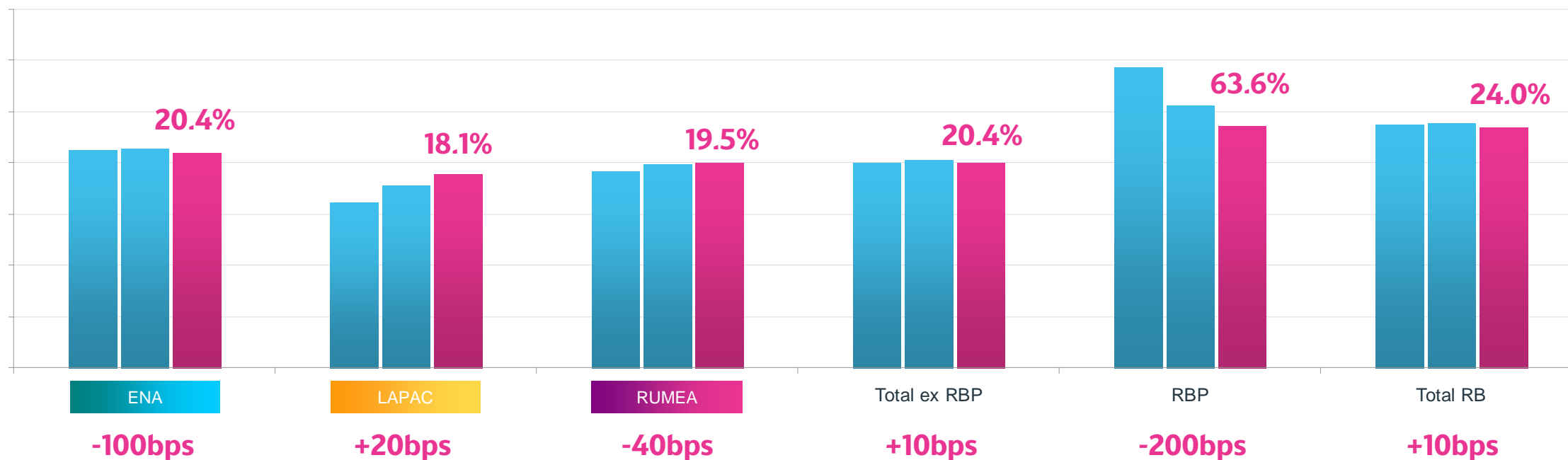
-60bps decline in gross margin

-60bps increase in BEI



# Operating margins by area

## HY operating margin %, 2010-2012

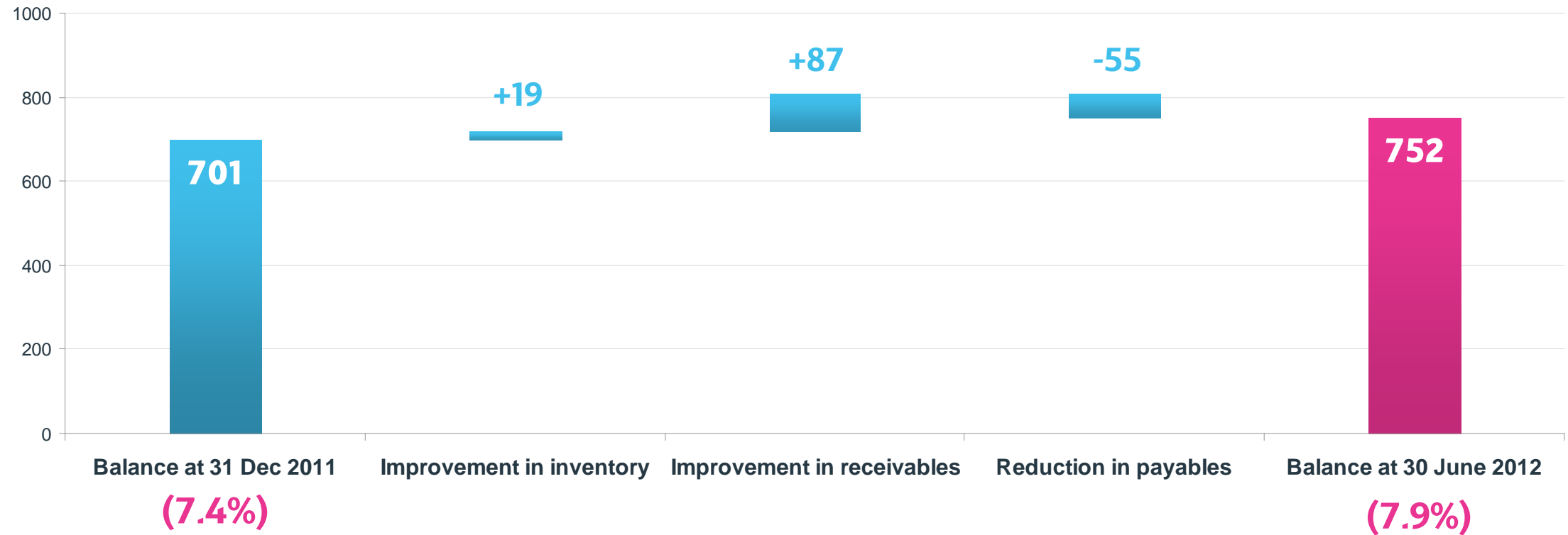


# Income statement

## Adjusted

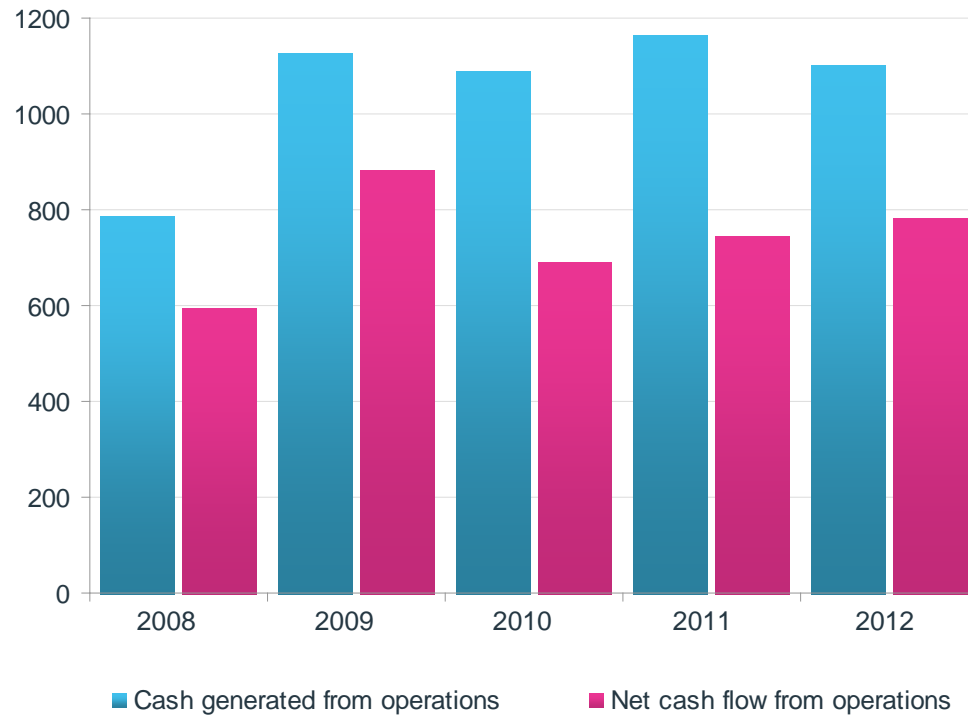
	<b>HY 2012</b>	<b>HY 2011</b>	<b>%ch</b>	<b>%ch</b>
	<b>£m</b>	<b>£m</b>	<b>Actual</b>	<b>constant</b>
<b>Operating profit</b>	<b>1,120</b>	<b>1,103</b>	<b>+2</b>	<b>+4</b>
Interest	(8)	(9)		
Profit before tax	1,112	1,094		
Taxation	(290)	(287)		
- Underlying tax rate	26%	26%		
Non-controlling interest	(4)	(5)		
<b>Net income</b>	<b>818</b>	<b>802</b>	<b>+2</b>	<b>+4</b>
- Net income % NR	17.5%	17.4%		
<b>EPS – fully diluted (adjusted)</b>	<b>111.1p</b>	<b>109.0p</b>	<b>+2</b>	
<b>EPS – fully diluted (reported)</b>	<b>105.8p</b>	<b>103.2p</b>	<b>+3</b>	

## NWC – more commercially focussed £(m)



# Strong cash flow generation

## HY operating & net cash flow, £m



**Cash generated from operations of £1.1bn**

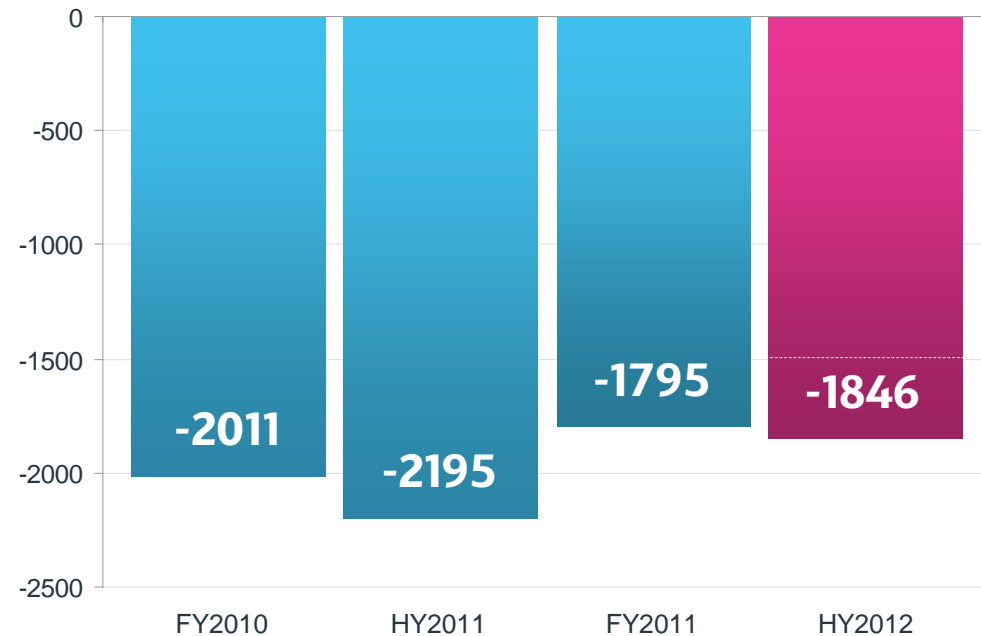
**Net working capital of minus £752m**

**£51m improvement versus y/e December 2011**

**Net cash flow of +5% to £784m**

**Cash conversion @ 100% of Net Income**

## Net debt In £m

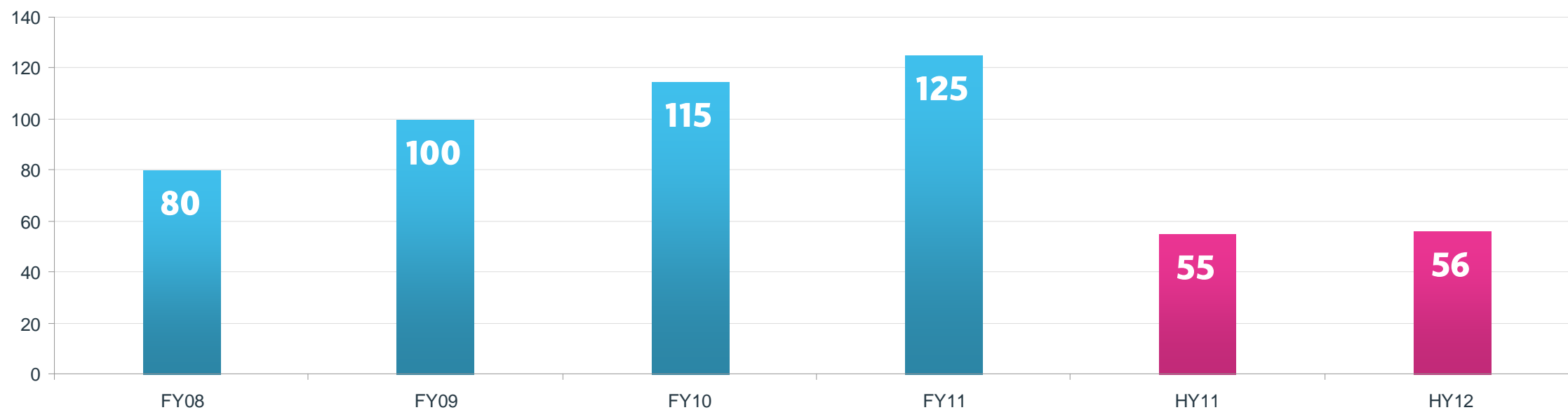


Net cash flow from ops	784
Dividends	(511)
Disposals	91
Share repurchases	(352)
Other (inc. FX)	39
<b>Change in net debt</b>	<b>51</b>

**Net cash flow offset by payment of FY11 dividend and share repurchases**

# Dividend per share

## In pence



**H1 dividend increased to 56.0p**

# 2012 – Focussing on the right levers

## What we said

- ✓ **New gross margin definition - more commercially focussed**
- ✓ **New brand equity investment (BEI) measure - capturing total investment**
- ✓ **£100m increase in BEI. Funded by:**
  - £50m Cost optimisation initiatives (Project Fuel)
  - £30m Effective fixed cost containment
  - £20m - other volume leverage, pricing etc
- ✓ **New NWC definition - more commercially focussed**

# Rakesh Kapoor

## Chief Executive Officer



# RB strategy for growth and outperformance

## A new vision for RB

### **Our vision**

is a world where people are healthier and live better

### **Our purpose**

is to make a difference by giving people **innovative solutions** for healthier lives and happier homes

# A strategy to outperform





## What we said

### New organisation structure to execute new strategy

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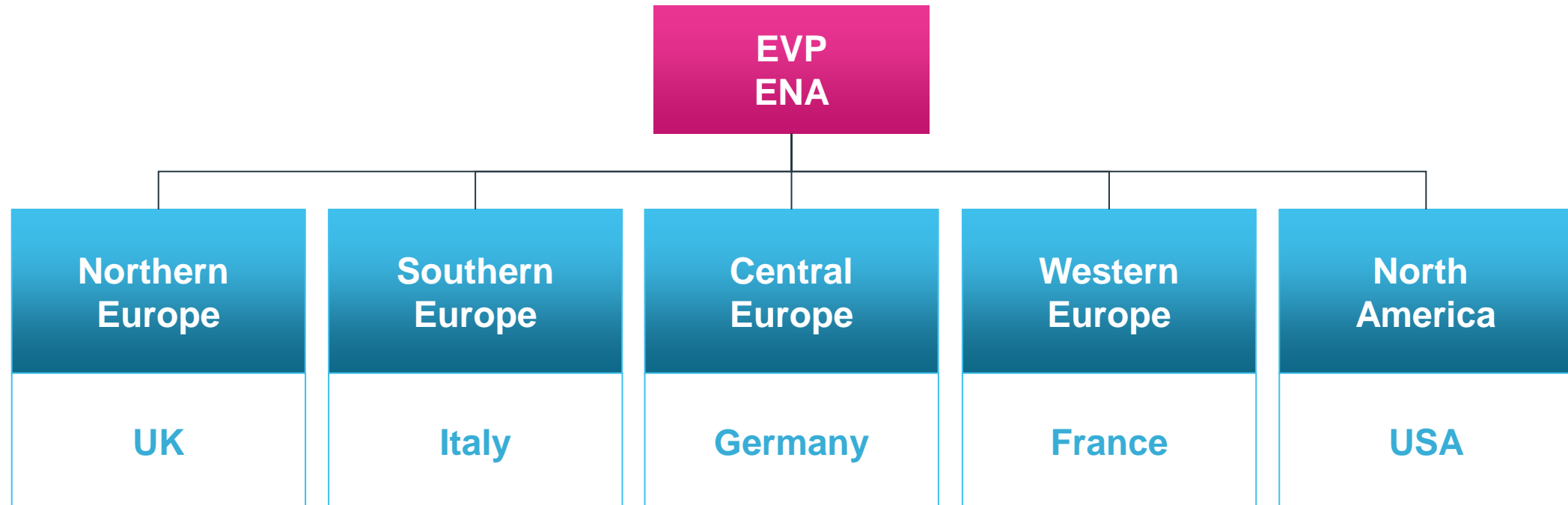
LAPAC



RUMEA

ENA

# Driving greater consistency and speed in Europe & North America



## What we said

**New organisation structure to execute new strategy**

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**Brand Equity Investment (BEI) mindset**

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- Invest an additional £100m in BEI in 2012
-

# Appropriate KPIs to measure brand equity investment

Share of heart

Consumer  
& Medical  
Education

- Medical marketing
- Detailing and Key Opinion Leader (KOL) programmes
- Point of market entry programmes

Share of mind

Social & Digital

- Online CRM, video etc
- Social media, web & apps etc

Share of voice

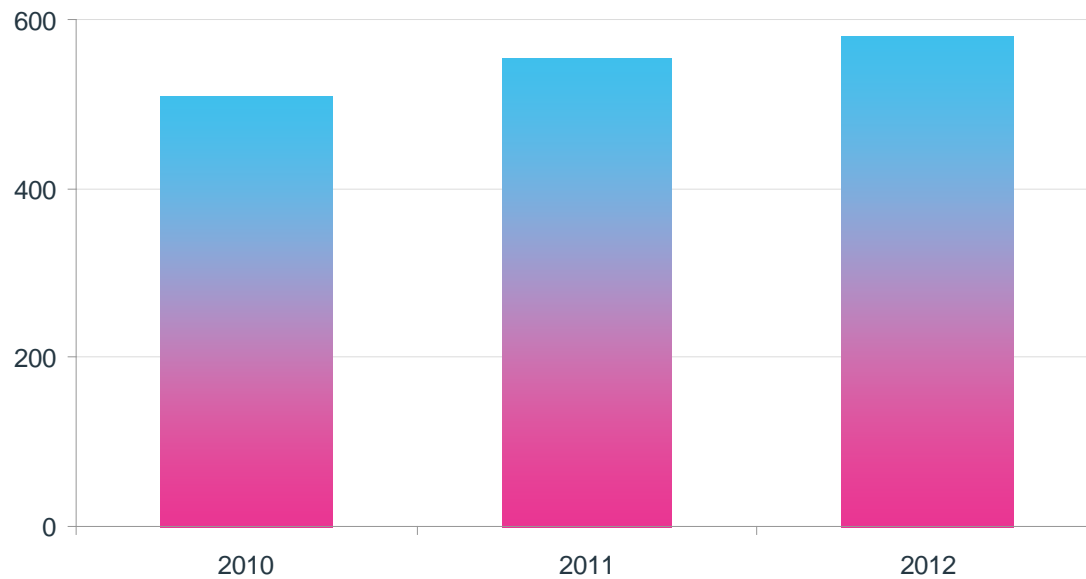
TV & Print

- TV campaigns
- Cinema advertising
- Radio and newspapers etc



## BEI Metrics (ex RBP) HY 2012

£m



Media

**+40bps**

BEI

**+60bps**

BEI

**+£40m\***

## What we said

**New organisation structure to execute new strategy**

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**Brand Equity Investment (BEI) mindset**

- Invest an additional £100m in BEI in 2012
- 

**Renewed focus on the core business**

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## Focus on the CORE

**Discontinuation  
of Private Label  
business**

**Disposal  
/discontinuation  
of other small non  
core brands**

**Sale of Paras  
Personal Care  
business**

**Purchase of  
minority interest  
in Medcom**

**Allows greater focus, resource and investment  
in powerbrands and powermarkets!**

## What we said

### New organisation structure to execute new strategy

---

### Brand Equity Investment (BEI) mindset

- Invest an additional £100m in BEI in 2012
- 

### Renewed focus on the core business

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### KPIs (core business)

- Net revenue +200bps above our market growth
- Health and Hygiene to be 72% of the business by 2016
- Emerging Markets to be 50% of the business by 2016

# RB medium term KPIs



## KPI 1

Net revenue growth on average **+200 bps per annum** above our market growth



## KPI 2

**Powerbrands in Health & Hygiene** – **72% of CORE NR** from Health & Hygiene by 2016



## KPI 3

**Emerging market areas** to be **50%** of CORE NR by 2016

## What we said

 **New organisation structure to execute new strategy**

 **Brand Equity Investment (BEI) mindset**

- Invest an additional £100m in BEI in 2012

 **Renewed focus on the core business**

 **KPIs (core business)**

- Net revenue +200bps above our market growth
- Health and Hygiene to be 72% of the business by 2016
- Emerging Markets to be 50% of the business by 2016

# New initiatives for H2 2012

# Initiatives for H2 2012 - Health

## Mucinex® Fast-Max caplets



**Multi-symptom relief from your worst cold symptoms, now in a caplet!**



## Initiatives for H2 2012 - Health

### Nurofen® Express PERIOD PAIN capsules



**Targets period pain fast & lasts up to 8 hours**

# Initiatives for H2 2012 - Health

## Durex® B Closer



**Designed for Youth, by Youth.**

# Durex trade video



# Initiatives for H2 2012 - Health

## Cepacol® Sensations



**New range of cooling, warming & hydra sensations  
with long-lasting & gentle numbing relief**

# Initiatives for H2 2012 - Hygiene

## Finish® Quantum Gel



**New concentrated Gel format of Quantum that  
“Leaves nothing behind but the shine even in short cycles”**



## Initiatives for H2 2012 - Hygiene

Dettol® / Lysol® / Sagrotan® Dettol® Touch of Foam handwash



**Launch of a range of Manual Foaming Hand Soaps  
- differentiated format in a highly competitive market**

# Initiatives for H2 2012 - Hygiene

## Harpic® Thick Bleach Multi-Purpose Gel



**Innovation that takes Harpic beyond the toilet  
& delivers superiority vs competition**



# Initiatives for H2 2012 - Hygiene

## Cillit Bang® Turbo Power



**New Turbo Power that acts in seconds without scrubbing**

## Initiatives for H2 2012 - Home

### Air Wick® Filter & Fresh



**Breathes In Odours & Breathes Out Clean, fresh Fragrance**

# Air Wick Demo



## Initiatives for H2 2012 - Home

### Air Wick® Black Edition Candles



**Extends the highly successful Aurora Franchise with elegant designs**

# HY 2012: Summary

## **New strategy** - well advanced

- Implementation ahead of schedule
- BEI mindset in place
- Renewed focus on the core
- KPIs – early days but on track

## **Trading** - in line with expectations

- Market growth as expected, and outperformance being delivered

## **RBP** - becoming a more sustainable business

## **New initiatives** - great new products to fuel H2 2012 and beyond

## **2012 targets** - reiterated

## 2012 Targets - Reiterated



**2012**  
will be a year of  
**transition and  
investment**

**Targeting to outperform the  
market growth by +200bps**

We expect market growth to be **1-2%**

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**Maintain operating margins**

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**Both these targets exclude RBP**

# Q&A