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RB.L - Full Year 2015 Reckitt Benckiser Group PLC Earnings Call

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PRESENTATION

Rakesh Kapoor *- Reckitt Benckiser Group plc - CEO*

Right, good morning, everyone, and thank you for coming for our full-year results 2015 presentation.

I've been asked to start with the disclaimer slide, all about forward-looking statements. So I hope you have noted that, read that before, so that I don't have to go through this in painful detail.

It was -- this is my fifth results presentation actually. It seems like just yesterday, but it's my fifth results presentation. Way back in 2012 when I first presented results for 2011 I also talked about our strategy; I talked about our new strategy for growth in our performance.

You might remember, some of you must have been there in the room, and I said that during the course of our strategy we might change our immediate goals, and objectives, and targets, but what we will not change is what this Company stands for. We are not going to change our vision and our purpose.

I just wanted to remind you what we said at that time. We said this Company wants to dedicate itself on a clear purpose to make a real difference for healthier lives and happier homes. And we said that if we were to work on our purpose over a period of time, this can create a huge value, amount of value for shareholders.

We wanted -- we said that you can expect us to pursue our purpose with real vigor; with real passion; with real dedication; with discipline; and with focus. And that's what we have been doing; we've been doing.

But beyond all of this, our purpose actually also does more than that, I think to my mind it provides this Company with real meaning. It gives real meaning to our work, what we do every day, every month, every year, and that makes it a little bit more worthwhile.

There is an old saying, that a picture is worth a thousand words, but I think this picture is worth much more than a thousand words to RB.

According to estimates this kid will live 142 years. We have to ask ourselves, how do we make sure that RB can play a real role, a real difference in making this kid not just live 142 years, but live better in 142 years?

As you've seen, actually, over the course of the last few weeks, there are real concerns about kids that are not just yet born. So perhaps RB has a role to play before kids are born, maybe even nine months before, or earlier. And that's what I will give you some examples of doing.

So I think RB has an unbelievable role to play in helping realize this kid, and many others like this, their long-term potential; their long-term potential. For me, if we do that it brings us one step closer to our vision of a world, which is healthier, and lives better.

That's what I think RB is all about, that's what RB is all about. And if we can keep doing this year in and year out, I'm absolutely sure this is going to make RB a better business; a better business that delivers value to all stakeholders, to deliver value to all stakeholders.

As we know, the world we live in today our stakeholders are many, and many important stakeholders, and we must make sure that we deliver values to the society that we live in.

Our own people, actually, are expecting us to keep -- to create value for them, and the society we play in.

Of course, they're the real stakeholder in terms of how we look after the environment we operate in, and whether we can be responsible to the environment that we live in today, so that we can keep our future generations also prosperous, and free from all the challenges of a world that has environmental challenges.

And finally, of course, I'm reminded every day that we need to deliver better financials.

We need to deliver better financials, and this is what I will focus on for most of what I'm going to talk about, although I will want to talk about better society and what we are doing (inaudible); and, something that we really haven't spoken about in forums like this, but clearly I do a lot more inside the Company, and I just wanted to tell you the kind of stuff we do in making sure that we play a responsible role towards our society.

This Company, a few years ago, decided to take one massive program which is called Save a Child a Minute program. Save a Child a Minute, because even in the world we live in today, nearly one child dies every minute from something which is highly preventable, diarrhea. One child under the age of five dies from diarrhea every minute in the world.

RB can play a role here. We can play a role, because we have brands; we have innovation; we have capabilities that can actually help this. We have taken that as a major cause that we want to champion.

This is the reason why we have talked about putting, over a number of years, $30 million, working with a range of partners to help us achieve that goal.

That's an important way through which our own people feel they are doing something worthwhile, what they are doing is worthwhile. Beyond writing pay checks in this direction, what we have done is dedicated quite a lot of our own Company time in helping that.

We have creation innovation, actually, which works to prevent diarrhea for both toilet cleaning purposes, but also hand -- hygienic handwashing and surface cleaning, so a lot of effort going there.

There are a couple of other programs we do, some on more ad hoc basis like the one I am going to describe on Zika, but also on some more far reaching programs that we have championed with Dettol in India.

As you know Prime Minister Modi came and said that he wants to see a cleaner India, probably much more -- both physically and probably in [small] ways too. Well, we have in Dettol taken that very seriously and been a massive force in this whole program, which I will also describe to you.

So, better society. We take that role very seriously, and we are doing something quite significant about this. I'm very proud to say that our people really get behind things like this, to say we are doing something which is good.

Better environment. Another thing that we haven't really talked about. Well, let's take a look at the kind of programs we have in the Company. How do we deal with a better environment?

The first thing we are doing is, I think you've heard about our carbon 2020 program, which means that we look at the end-to-end impact of our carbon and there is a commitment to reduce our carbon impact by one-third by 2020.

But beyond that carbon impact, we are talking about water reduction? We're talking about how do we actually make sure there are -- there's a program called race to zero, which means zero hazardous and non-hazardous waste to landfill by 2016? End of 2016, all our factories will have zero hazardous and non-hazardous waste to the landfill. That's a fantastic program.

Another program which makes sure that with every innovation we find a way of making it more sustainable. By beyond that, you do all these programs and say, well, are we doing something which is interesting?

I'm very, very pleased to say that, actually, RB is one of the, probably, most decorated companies, if I may say so, in terms of external recognition. We've been recognized by leading industries, clearly, for safer [goal] carbon disclosure project, Dow Jones Sustainability Index.

But more recently, we've actually been awarded one of the top 10 companies in the world, and the top company in the UK, in terms of sustainability, so the green sustainability awards, from both Newsweek, which is a respectable benchmark; and also another such benchmark which gave us, basically, one of the most sustainable companies. That tells us that we are making a difference; we are doing something which is really good.

So better society; better environment; they're all very important. But you are not here, I'm quite sure, to talk about society environment. You're here to talk about financials. So, let's get to financials, too.

I think we all can see that 2015 was an excellent year for RB. Our top line grew by 6% on a constant like-for-like basis, which is really very good; also, net income growth, at 15% constant on like-for-like basis, also very, very good. And finally, cash conversion has always been very good.

But one of the interesting things that we managed to do in 2015, which at one point in time looked a bit out of reach, was to make sure that we keep our dividend in total flat, despite the demerger of Indivior.

I think that is a fantastic thing to do to our shareholders. I think I'm very happy about that, that we managed to keep our dividend flat, adjusting our payout ratio by a modest amount to 53%, which I'm sure Adrian will describe in detail and how we managed to deal with that.

Okay, so that's how the financials are.

Is the model working? Is the model virtuous? It is absolutely very virtuous. Gross margin increased by 140 basis points, a combination of things driving that: clearly, some tailwinds in terms of commodity, but also our own programs in driving fuel, our programs to make sure that our mix is working. Of course, the whole strategy is driving better mix, so I think that should not be a matter of surprise.

Then you've got efficiency programs, the efficiency programs that I have described, and I'm going to come back to, from Supercharge: [50] basis points off in all, excluding BEI line, of all the rest of the SG&A.

Reinvest to drive. We invested, in 2015, as per our plan. We invested on our plan. In 2015, we got a lot more out of it; as you can see, our growth well exceeded our ingoing targets. But also, we also channelized a very significant amount of effort in BEI savings from our new power of one organization, which I can describe, if anyone is interested.

But clearly, we invested more money, although in basis points it's 20 basis points down. That gives us a very significant op margin expansion of 210 basis points in 2015, which is clearly outstanding.

Right, how are we measuring ourselves in terms of both strategic and operational progress? The first thing I'd like to say is that in 2012 we embarked on a strategy to make health and hygiene a key part of our strategic focus.

I do believe that over the last four years, if you look at our health and hygiene performance, it's been very, very good. I think 2015 has been a continuation of that. So I think as that comes in as a more predominant force in RB, that's only going to spell good news for us.

The second bit is this: I've stood here also to say that despite challenging conditions in developed markets, any company which wants to be great, any company that wants to produce outstanding results has to find a way of growing not just in developing markets, but also in developed markets.

I'm very pleased to say that our effort, and our focus, and our commitment, to finding growth in developed markets and not giving them us as something which does not offer us that kind of growth, has -- is also working. I'm very, very pleased with making both our markets, all our markets, a market which can add value and growth to RB.

Finally, in terms of how do we stay a connected company, we all know as people, as individuals we are living in a much more connected way: how we behave; how we interact; how we communicate is extraordinarily connected.

As a company, there's a real danger if we do not actually make sure that the change inside the Company is as rapid as the change outside of the Company. Therefore, we are making quite significant progress inside the Company to move us in the digital, e-commerce-led era, times.

I've always used China as an important benchmark in many, many things I do. I have always felt that China was many decades ahead of many parts of the world when it comes to being connected. It is. You just have to go to China and see how people live their lives in China, and how they interact with themselves and with the system.

China, therefore, has to be almost that yardstick, that benchmark that we need to use inside the Company to say how connected are we in the most connected part of the world? I'm very pleased to say that now, in 2015, more than 25% of our sales in China are coming online; and that is actually going to only rapidly accelerate.

In my personal opinion, China will have 50% of its business online by 2020. That's what we want to get to. That is going to act as our inspiration for how we want to transform this Company. So, I'm very pleased about what we are doing here.

But then, beyond the strategic progress is also the operational progress every business has to make. We had two major building blocks of operational progress. One was, of course, how we supercharged our operating model: supercharge our operating model to keep it agile, to keep it very, very focused on the consumer and the customer, and our earnings model; in our earnings model.

There were headwinds, people remember, headwinds of 18 months ago when the FX crisis was actually going to create a big headwind in earnings. The whole Company galvanized and we actually got to Supercharge, which I think has been a fantastic program, absolutely fantastic program for RB, in every way I can think of. I'm very happy with the operational progress we have made.

So, a lot of good things happening in 2015, as we look forward to 2016, that I'm going to describe. But now I, of course, talk about agility, simplicity, purpose, drive with my CFO.

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Thank you for that introduction, Rakesh. Very good, very good. So, thank you, Rakesh. Good morning, ladies and gentlemen.

The -- so in the spirit of no nonsense, let's turn to the first slide, the income statement.

As you've seen revenue for quarter 4 was GBP2.323 billion, a like-for-like growth of 7%. Total growth at actual exchange rates was 1%. Exchange rate movements was 6% adverse. There was a small effect from the sale of the Medcom hospital business, which closed in October of the year.

Revenue for half 2 was GBP4.518 billion, a like-for-like growth of 7%. For the full year, revenue was GBP8.874 billion, a 6% like-for-like growth.

For the year as a whole, the net translational impact of currency movements on revenue was a 5% reduction. We have set out an analysis of the impacts of currency movements and net acquisitions in the appendices to the presentation.

Gross margin in half 2 increased by 190 basis points, higher than the 90 basis points increase in half 1, giving 140 basis points increase for the full year.

Adjusted operating profit, before exceptional costs in half 2, was GBP1.421 billion, a 13% constant currency increase on last year.

The profit margin was 31.5%, 250 basis points higher than half 2 last year, and after 160 basis points increase in half 1, 210 basis points higher in the full year.

There were a number of drivers of the gross and operating margin improvements, and we will [return] to these in a later slide.

Exceptional items in the half were GBP119 million, principally relating to the Supercharge program and the Medcom disposal. We have set out an analysis of these costs in the appendix.

We have also set out in the appendix, the guidance we have given for exceptional items and progress against that guidance. We are on track with the guidance given.

Moving to the next slide, and further down the income statement; the net finance costs in half 2 were GBP15 million, slightly lower than half 2 last year. Average borrowing levels were slightly lower, and rates similar.

The tax rate in adjusted net income, i.e., excluding exceptional items for half 2 was 18% and 20% for the full year.

As flagged with our half 1 numbers, the tax rate benefited materially from the effect of the planned 1% reductions in the UK corporate tax rate in each of 2017 and 2020, which were enacted during half 2.

We have a substantial deferred tax liability in UK entities relating to acquired intangibles.

Excluding the accounting effect of the future reductions in the UK corporate tax rate, the Group's tax rate on adjusted net income for the full year was 23%, in line with guidance.

Looking forward into 2016, a couple of more detailed points. Firstly, the net effect of acquisitions, disposals and discontinuations made to date will be 1% reduction in full-year reported growth, principally the disposal of the Medcom hospital business.

Secondly, if the exchange rates at end January were to continue to end of 2016, the net translational impact of currency movements would be a 1% tailwind, increasing reported revenue.

Sterling depreciation against the US dollar and the euro is offset by appreciation against the Brazilian real, the Russian ruble, and many other emerging market currencies.

Thirdly, we continue to expect a tax rate in adjusted net income of around 23% in 2016.

Turning then to the next slide, capital allocation policy. As Rakesh mentioned, the Board is recommending a final dividend of 88.7p per share, increase of 12% on the second half dividend last year.

This holds the total full-year dividend flat on 2014, despite the demerger of Indivior, as a result of which total Group adjusted diluted EPS decreases by 4%.

The proposed total dividend for the year therefore represents 53% of adjusted net income.

The Board has decided to recommend a small increase in the level of the dividend payout, in order to avoid a year-on-year decline in the sterling dividend. That we able to do this despite the demerger of the substantial Indivior earnings, and with only a small variation from our 50% payout policy, is a measure of the very strong growth in the business.

It remains the Board's policy to distribute by way of dividend 50% of adjusted net income, subject to minor year-on-year variation in unusual circumstances.

The Board currently expects to hold the absolute sterling dividend flat until the 50% payout level is restored.

It remains the Group's priority to use the Group's strong cash flow to reinvest in the business. The Board continues to regard acquisitions as an important part of the Group's growth and development, and continues to see significant opportunities in this area.

While it is not possible to be precise on future needs, the Board is of the view that the Group has appropriate access to funds to support its business development agenda at broadly the current level of net debt.

Accordingly, as we communicated in December, we are repeating last year's buyback program, that is a program to buy back up to GBP800 million of shares during 2016, including the regular program to neutralize incentive plan share issuance. This program is, of course, subject to change in the event of material acquisitions.

Up to February 8, 2016, we had repurchased 1.3 million shares, at a cost of GBP80 million, under this 2016 program.

Turning then to the next slide, an analysis of revenue growth rates by business segment by quarter. Firstly, on price and volume changes across the geographies we operate in.

The 7% growth for quarter 4 was broadly evenly split between volume on the one side and price and mix on the other. For the year as a whole, the contributions were also broadly equal.

With respect to ENA sales, we achieved another quarter of strong growth at 5% in quarter 4. Sales growth in North America at 4% benefited from strong Amope sales, including some increase in channel inventory associated with the launch of the Amope electronic nail care system.

In North America and in Europe, including Russia, consumer sales of healthcare, and some hygiene products, were impacted by a weaker cold and flu season.

Purchases from us by retailers, however, were less impacted, resulting in some increase in retailer inventory levels, which will likely reverse in Q1 and Q2.

The impact of private label competition on the additional Mucinex extended release D and DM formats, for which FDA approval was granted in quarter 2 and quarter 3 respectively, was limited in quarter 4. We saw only limited launches in the period. We do expect a bigger impact going forward.

Growth in the rest of ENA, that is Europe, including Russia plus Australia and New Zealand, was strong at 6%. Russia growth was boosted by material price increases. There was almost no price in the other ENA regions.

All our regions performed strongly with broad-based growth, despite the weaker cold and flu season already noted.

In developing markets, we delivered a 12% quarterly growth rate in Q4, the strongest for some time.

The geographic pattern [to the] growth was similar to the first three quarters of the year. We saw further gradual improvement in India and a continued strong performance in China, and in Turkey and the Middle East.

We saw a mixed performance in Africa. The Nigerian market, in particular, continued to be very weak.

We saw continuing challenging market conditions in Latin American, especially Brazil, although our performance was helped by a strong demand for pest products to help protect against insects carrying the Zika virus.

We also saw challenging conditions in South-East Asia, especially Thailand and Malaysia.

In food, very strong sales in quarter 4 of 8% were boosted by retailer buying in the USA, ahead of a January price increase, which will impact quarter 1 sales.

For the full year, strong sales of Frank's RedHot and the launch of French's Ketchup more than offset the impact of a competitor launch in mustard in the United States. Sales outside the United States continued to grow very strongly.

We've included, as an appendix, a reconciliation of the reported to the like-for-like numbers that we're showing in this slide.

Turning then to the next slide, and an analysis of revenue growth rates by our principal product categories.

Firstly, health, which now accounts for 33% of our revenue. We delivered a growth rate of 14% in quarter 4, in line with the rate for the full year. All our leading brands contributed to the good growth. Gaviscon performed well; the performance of the Scholl brand, together with Amope in the Americas, continued to be very strong. A new nail care product and additions to the insole range, built on the success of the Velvet Express pedi. Durex also continued to perform strongly.

Brands whose revenue is affected by the cold and flu season, including Mucinex, Nurofen, and smaller regional ones, such as Delsym and Lemsip, performed well in the context of a weaker season across all our major markets.

As already noted, sales of our seasonal products benefited as retailer purchasing from us was stronger than sales to consumers. Again, we do expect some modest channel destocking in Q1 and Q2.

We would, again, caution against expecting continued health growth at the current level. We do expect continued material outperformance.

We do expect growth to continue to be broad-based across all our brands. We do expect to have specific brands showing particularly strong growth from time to time. But it will however vary according to the incidents of cold and flu. Frankly, we cannot expect always to have almost all cylinders firing at the very high level of the last year or so.

In hygiene, which accounted for 41% of our revenue, we delivered 4% growth in quarter 4; 3% for the full year.

Dettol performed well, with India particularly strong. Our strong Dettol and Harpic brands have been well-positioned to support the Indian Government's initiative in health and hygiene. Performance across other hygiene brands was, frankly, mixed.

In home, which accounted for 19% of our revenue, we delivered 1% growth in quarter 4, after a stronger quarter 3, and 2% for the full year.

Growth rates across our leading home brands have been similar across the year as a whole, fluctuating modestly quarter by quarter, in particular as a result of our own and competitor launches. For example, in quarter 4, Air Wick brand was lapping the license launch in a number of large markets in the prior year.

Portfolio sales were up 10% in quarter 4, up 1% for the full year. This category includes the food business, which we have seen grow at an exceptional 8% in quarter 4.

The other 40% comprises our laundry business and some small, but variable, mainly institutional, sales.

Following the organizational changes implemented at the end of 2014, we have seen a stabilizing performance in the laundry business, though it remains a challenging space.

In quarter 4, the variable components of portfolio sales was unusually high. You should not expect this 10% portfolio growth to be repeated.

Moving then to the next slide, and an analysis of our margins. As you know, and you've seen we delivered a very strong 250 basis points operating margin improvement in half 2, after 160 basis points in half 1 this is 210 basis points for the full year.

This is higher than we expected at the start of the year, and when we presented our half 1 numbers. Of course, it is lapping half 2 last year, in which we reported a margin, which benefited from 100 basis points of unsustainable cost reduction.

I expect a number of you are asking, how did they achieve it? Was it done in a healthy way? Why did they not reinvest some of the good news that came through in brand building or innovation? And, perhaps above all, what does it mean for future sustainable margins?

This chart shows that of the 250 basis points improvement at half 2 190 basis points came from gross margin; 70 basis points came from lower brand equity investment; and there was a 10% increase in SG&A spend.

For the full year the 210 basis points improvement comprised 140 basis points of gross margin; 20 basis points from lower BEI; and 50 basis points from lower SG&A.

Firstly, then let's look at gross margin, the improvement in half 2 was 190 basis points. The growth in the half 2 margin -- half 2 gross margin, continued to be driven by a number of factors: mix improvement, commodity price weakness, and our own efficiency programs all contributed significantly. Product pricing also contributed, but was balanced by transactional ForEx losses, due to weakening currencies in many emerging markets.

Secondly, we increased the level of investment in brand equity at half 2 by GBP5 million at constant rates after a GBP43 million increase in half 1. This was a lower growth rate than achieved in net revenue leading to a 70 basis points reduction in BEI as a proportion of revenue. For the year as a whole the increase in absolute BEI was GBP48 million, a reduction of 20 basis points as a proportion of revenue.

Does this mean we think that there is margin improvement to be found in BEI? That the substantial efficiency improvements that we're achieving and the way we spend our BEI can drop to the bottom line?

The answer to this is no, we are broadly happy with the current level of BEI. BEI as a percent of revenue dropped in half 2 for two reasons.

Firstly, as discussed with our half 1 numbers we took the decision at the end of 2014 to do what we call fast start our BEI in 2015, bringing some spend forward to earlier in the year.

Secondly, revenue in Half 2 was higher than we expected. We do not believe that short-term increases in BEI to chase revenue typically yield a good return. We believe fundamentally that BEI should be carefully planned and ideas driven.

In the third area highlighted on this chart, SG&A, we succeeded in holding the increase in spend to 10 basis points in half 2 to 18% of revenue. This is lapping, of course, the 100 basis points of unsustainable cost reduction in the comparative numbers, which we flagged last year.

This tremendous achievement was principally the result of the execution of our Supercharge program, which of course we described to you this time last year. You've already heard something about it from Rakesh and he'll tell you a bit more about it in a minute.

In short, as we reported with our half 1 numbers the program is going well. We are achieving the expected benefits more rapidly than we had expected. We are still seeing the total benefit after three years as at the upper end of the GBP100 million to GBP150 million per annum level, which we signaled at half 1. We have to date achieved about GBP100 million per annum, some of it in cost of sales.

We expect the remaining GBP50 million to be achieved over the next two years. We will need the full three years to get to the total savings as some parts of the programs need changes, which will take this long to implement and have an impact.

We still expect the total cost of the program to be GBP200 million. We had incurred GBP75 million by the end of 2015.

Let's turn now to the next slide and profitability by business segment. This shows an analysis of operating margin before exceptional items by business segment for half 1 and half 2.

Within ENA we saw continued excellent margin progress, a 230 basis points increase in half 2, again mix, commodity pricing, and our own programs within gross margin and SG&A all contributed materially. There was no material price benefit except in Russia, where it was balanced by transactional currency losses.

In developing markets, we achieved a 290 basis points increase in the half 2 margin, as in ENA mix, commodity pricing, and our own programs within gross margin and SG&A all contributed materially.

There was also substantial pricing benefit in countries with higher general inflation, but substantially offset again by the transactional ForEx exposure to weakening local currencies.

In food we saw 150 basis points increase in the half 2 margin. Both price and supercharge initiatives contributed materially for this increase.

Turning to the next slide and a summary of the Group's net working capital position. You can see that the strong overall position continues. Period end numbers are, of course, a point in time and subject to come variation. We called out the half-year position as being unrepresentatively strong and, while less so, the full-year numbers also benefit from some variation, and are above our medium-term target level.

As you know, our consumer health business is more inventory and receivables intensive, due to the centralized nature of the manufacturing and due to the nature of the channels in some markets. We continue to expect, however, to be able to offset this slight structural headwind with our ongoing efficiency efforts. We continue to target negative net working capital of negative 8% to 9%.

Turning then to the next slide and the cash flow statement, as you can see the Group had another good half of cash generation. Half 2 cash flow is slightly lower than half 1. As just mentioned, we called out at half 1 that the net working capital position at the end of the half was anomalously strong and you can see some reverse in the half 2 numbers, and tax payments were also slightly higher in half 2.

Free cash flow generated in the full year was GBP1.655 billion (sic - see press release, "GBP1.656 billion"), this was 95% of net income. The Group had net debt of GBP1.6 billion at the end of the year, this was broadly equal to the level at the end of 2014.

With that summary of the numbers, I'll hand back to Rakesh.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Thank you, Adrian. My next section deals with innovation clearly, and also our targets for the year, Supercharge progress. But before I get there I just wanted to talk to you about something, which I believe passionately in.

I think that there are companies which are designed for a certain culture and a mindset, so there is a different culture, in my opinion, which is a growth culture versus a culture which is all about cost savings. There are two different cultures required for these kinds of companies.

But even within growth, I would say there's a culture which is different, which is about building brands and categories, growing categories, creating categories, and a culture which is different about -- which is all about thinking that there is a fixed pie, and all you can get is a larger slice of it.

In my personal experience and opinion, a culture of innovation which builds categories is different from a culture of a company which is about just winning market share, assuming that the category is only fixed. One is a culture of abundance, and the other is a culture of scarcity; [they're] different.

RB prefer to be a culture of abundance, not of scarcity. If you want to understand RB you need to understand it like this: it's about building categories and it's about building brands.

I want to give you, actually, two examples of how we do that. These two examples are absolutely about our purpose and our mission, but actually on the way they build categories; they create categories; they build the brands; build the equity. That lasts a very, very long period of time.

So the first example is already something I alluded to, it is an example of a program for a cleaner India, championed by the Prime Minister. Here he is on the podium in front of Dettol; no other brand can achieve that.

I just want to show you the outreach of this program in a really short video. It's got all the facts, which tell you how Dettol is championing a cause, which is absolutely central to the country. But it's also central to what Dettol stands for, and how that is going to create Dettol as a massive force in India for a very, very long period of time.

(Video playing).

We are galvanizing our plans and what it will do for our business. The force of this program and how it motivates our people to come to work every day and do their best is unbelievable. I think the power of all this combined is -- cannot be underestimated in a company.

These are, of course, long-term programs that we are committed to, and signed up to, because you can see what is going to happen at the end of this program. But there are some times when you have to wake up and do something, which is of a short-term nature, and Zika I already talked about.

In the short number of weeks that Zika has become a major problem in this -- in many parts of the world, but also the fear that it's causing, RB has stood up, it's actually galvanized.

Again, a number of people: we've got experts; we've got our own Company people working together. We've created education program that has already reached 40 million people in Brazil talking about how they can keep their families, their children, protected against this virus.

We've got leading brands as you know in Brazil with SBP as our leading -- it's a market leader in Brazil, pest control brand.

But we also have -- there is an increasing fear and -- which could potentially talk about how unsafe sex could lead to the Zika virus being transmitted, and as you know we have condom brands.

We can make a major role. It's not a coincidence that every time such a thing happens, RB has a role to play. It's not a coincidence. Each time a Prime Minister announces a hygiene program, or a virus issue happens, RB can play a role, it's not a coincidence.

It's not a coincidence, because that's what we've chosen to be in, and this is why I always find what we do not only worthwhile, but something that is going to create lasting value, absolutely lasting value.

So with great examples of how we can create categories, because in times like this we actually educate people, people education is the best way of building categories, of building equities.

I think these two examples, and there are many more to showcase, but not for today, maybe another time, on what we do every day at a grass-root level, beyond products, beyond brand campaigns, to actually build our categories, to build our categories.

So moving on to 2016 innovations. We have a room full, and I'm going to only take a few of them, because it's not possible to cover everything today.

So let's start, of course, with health, and in health I am going to start with Nurofen.

Now, if you have kids, of which I am quite sure some of you certainly have, between the age of six to, I would say, teens, the suspension that you have, and Nurofen, actually pediatric Nurofen is the market -- is the global leader in pediatric analgesics.

But you don't want to give the suspension, because your kid is too old for the suspension and, of course, don't want to give the tablet, because maybe he is too young; he or she is too young for the tablet.

So what does Nurofen do? It launches a soft chew like in a gel cap kind of product, which is just the right medicine for seven to 11 year olds. It's a gummy format; easy to chew; no need for water. Your kid is happy; mum's really very happy. So that's what we are doing for Nurofen.

Nurofen actually, in my opinion, was again mum's not molecule remember, mum's not molecule. It was probably the only company, which would think about how to get age segmentation.

Therefore, we are -- remember, I talked about, many years ago, launching a youth product in Germany, which has been really very successful, creating specific products for specific age targets makes sense doesn't it, and it does. So we're happy about this going into the market.

The next one is Scholl. You probably saw a Scholl display out there, and I think for those of you who have been looking at foot care in some way or the other, will have seen that just a few years ago -- actually, first couple of years, RB didn't know how to figure out foot care, when we got SSL. We're working very hard how to deal with this very complex category.

A couple of years and we were finding our way. I must tell you RB has, actually, achieved something from scratch; if you want us telling you this.

More than three-fourths of the whole growth of this category is coming from RB, more than three-fourths of the growth. It's coming from RB. Today, when you go and, hopefully, when you will keep going, you will actually see in stores a proper foot care category, which didn't exist.

Foot care did not exist. There was a product here or there, maybe with one brand or the other. Today, our vision and our ambition is to create a foot care zone, put -- like the one you saw.

That's fantastic what we've been able to do with Scholl. Therefore, my second example, of course, is with what this product is.

Now, people tell us that our previous launch did not work and it did not work in wet conditions. So some women actually, or men, prefer to remove their hard skin when they are wet, with wet feet; wet their feet and then do it.

The previous product doesn't work. This one works also in wet conditions. But beyond that, it also comes with a charger button. So it's not with battery operated, it comes with charger button; works on wet and dry feet. It's a fantastic product, it's going to market, and it's going into your goody bag, so hopefully you'll like it.

The next one -- actually, all our products we try before we launch them. So the next one we have to give it to the athlete in the Company, which is Adrian Hennah.

So we gave it to him. This is a product for Athlete's Foot, so if you have an athlete and you have a foot, we gave it to him and asked him, Adrian, does it work?

He said the first product you launched, which doesn't even -- just doesn't take the fungus off my foot, but also off the shoe. That's because we have two in one, so it's a kit basically, which has a spray, which is for your shoe, so kills the fungus at the source, and prevents the reoccurrence, and also the fungus from your foot.

So it keeps my consumers happy, but most importantly, it keeps my CFO very happy.

The next one I didn't ask the CFO to try, but probably with the -- because Head of IR put his hands up. It's the world's thinnest condom, so when you want to have a real skin on skin feeling, when you want to actually have protected sex, but also like the real deal, you need the thinnest condoms from Durex, ever.

In the most fantastic packaging, and I think it's invisible, for all intents and purposes, and I think it's going to be a fantastic innovation. Really it is technically a very, very sophisticated product to make. So I must tell you, we've been working on it for a long time, to get these guys to really do it; it's a fantastic product.

Now, I don't know who tried this next one, which is a Durex ring. So it's a constriction ring. We all know that there's -- I've talked about the pleasure gap, which is the amount of time it takes for a woman and a man to have orgasms, and there's a time difference. Well, this product basically helps to mitigate some of the time difference.

So I think we are fully committed to actually bringing down the time difference to zero, and hopefully this one should help do that.

Moving from interesting products that people have tried or not, let's get to hygiene. The first one I'm going to talk about on hygiene, actually it starts, of course, with Dettol.

Now this product has a name, it's called Gold, because inside the Company we said we must have the gold standard in germ kill. Dettol is the gold standard in germ kill.

So we need to actually have a product which has a simple claim, which is it's better germ protection, or better germ kill than other antibacterial soaps, not just any other soap. That's the high bar we asked ourselves.

This has been a project for quite some time, to really get to a technical solution that gets us the best germ protection that you can find. We all know that -- and people think that germs are getting worse and worse, and we've got to have better and better products to make sure our products can take care of all the new germs that are yet to be dealt with, and that's what Dettol Gold does.

I think we also have this in the goody bag. I promise you, not only will you have 100% germ protection, but they are probably the best products you have tried. They are fantastic products, in terms of how the product experience works. So, I'm really excited about that.

Moving from Dettol to Lysol. In my opinion this is one of the more material innovations we've done on the disinfectant spray, although it's a very different version of it.

Which is we do know that people use disinfectant sprays on large surfaces, but not just large surfaces, some soft surfaces too, like mattresses and like your pillow covers and stuff like that.

You need to have the right product, which can be right for these soft surfaces, but also you need a product that works really rapidly to cover those surfaces. But sometimes also the nooks and crannies that you can't normally spray.

So this is a wide [mask over] mist, which in three seconds, you can actually have a king size mattress disinfected; three seconds. That's the power of this spray. We're very excited about this one too.

Moving on from here to Harpic. Harpic, when you use in the bowl cleaning products, or in the bowl fragrance products, they don't actually work the same way from the first week to the last, and this one does.

It also comes with very cool fragrances, but also in -- the whole product experience is very, very nice, because when you put it in your toilet, you also want to make it look nicer. This one is a very nice looking product.

Being launched under Harpic, Cillitt Bang and Lysol at the same time, so I think it's going to a number of markets now.

Cillitt Bang, Cillitt Bang is the first, I would say, we all know that cleaning is not fun, so RB decided to make cleaning fun. Bring some fun into cleaning, but not just fun into cleaning, build I would say, some achievement orientation and cleaning. Like you feel like you've done something fantastic.

There is no better way -- Cillitt Bang was all about building an iconic brand, through iconic advertising. So this is a new attempt at re-launching the whole brand with some very iconic stuff.

(Video playing).

(Inaudible) at home and, actually, it's going everywhere in Europe, except we can't seem to replace Barry Scott in UK (laughter). They want to stick to Barry Scott, and I think the guy's so much better than Barry Scott.

Anyway, moving on from Barry Scott to Powerball. The challenge here is very simple, which is that we are moving to phosphate-free products in Europe. [Eventually], it's going to be phosphate-free in Europe.

When you have phosphate-free products, we all know that the cleaning performance is compromised. It's not very easy to get the same high level of cleaning with phosphate-free products. That's what Supercharged Powerball is all about: supercharging the performance of the product, and yet having it phosphate-free.

So this is what is going into Europe, but also at a number of markets across the world. We are very happy, and it's also going with a massive re-design and a new campaign behind it. So Finish is going to have a bigger year, at least a technical upgrade, but also an environmental upgrade in 2016.

Moving to home, and I have to say that a couple of years ago, and we still are not very happy with our growth in home care. So don't get me wrong, we'll never be happy with any growth, by the way, but at home care is no different.

But we did actually make a very significant attempt to strengthen the innovation pipeline. So I'm going to show you two innovations that are coming in Air Wick, and the first one is Pure.

The best way to describe Pure -- is it also in the goody bag? Well, if it's not you should buy it, because we can't get everything for free (laughter).

Yes, and have to say, Pure is a fantastic product; really, a fantastic product. The best way to describe this product is through a very small campaign.

(Video playing).

In my personal opinion, this could be the best innovation in aerosols in 10 years.

So moving to another one in Air Wick, and we know this character for a long time. We know that people love air fresheners, particularly these electrical products. But they have either large homes or small homes, some like it more strong, and sometimes like it weak. We were tempted in the past to give some kind of a control, where you can control the fragrance level.

But actually, believe it, no control products actually work: they don't really actually control the amount of fragrance. It's tough to actually get there.

The great thing about this innovation is that we've found the new control -- I would say the device itself, has been re -- completely reformulated, or redesigned, to give a real control; the claim is eight times more fragrance control.

So it does truly work. The control of the device works, so that actually it doesn't matter whether you like the higher intensity of fragrance or lower. Whether you're putting it in a bigger room or a smaller room, you can actually design your own atmosphere, because the product really works.

I'll move to something that I haven't really talked about before, and this is because they always tell me, Rakesh, you never talk about the food business, and maybe I should, because I do love our food business too.

What these guys have been doing over the last many years is actually spectacular, because this month it has not really been growing; it has not really been growing.

Obviously, they've got competitive aspects and dynamics to this market; but these guys have year in and year out turn a very, very nice business, and very nice performance.

They do it because they silently, without being talked about in public, go and do fantastic things. This one is also a very interesting example.

In line with maybe all the things that we maybe want to do in life, get healthier, what these people did was to interrogate all the formulas, all the formulas in our business, in 2015, and took out all artificial flavors, preservatives, fillers, colors; made them gluten-free. They redesigned them, and put them with the promise of real ingredients: nothing artificial, great taste.

Beyond that there's a program to actually help 11 million meals -- serve 11 million meals for free, to help communities, and so on and so forth. So it's a fantastic relaunch of the entire, I would say, French's line, behind a green promise -- or not green promise, I would say a healthy promise -- healthy-eating promise. We have a wonderful plan to take this forward.

Actually, you know, if you just take a look at the market-leading products in ketchup, let's just take ketchup as an example, take the market-leading products, you'll find some tomatoes, of course. But you also find high-fructose sugar, corn syrup, and so on and so forth. We have taken high-fructose corn syrup out, and still have fantastic-tasting products.

So really there's a huge commitment to having healthy eating, and to have greener products, and better products for you, with the promise of the French's brand. I think this is going to be also appreciated. I already see some good signs that people love to see French's being the leader, take this very significant position in the market.

Now, like I said, I could go on and talk about more stuff. But I'm going to pause here, and then talk about something which I think you must be asking about, which is what happened to Project Supercharge? How do I see it?

The first thing I want to remind you again is, Supercharge was not a ZBB program. It was not a cost program. It was a cultural program. I did say, in this probably room, in this room, that companies that become bigger have a natural force, which also takes shape: which is, they become more complex; they become slower; they become more internally-focused.

That's not RB. RB wants to fight this force. RB's best comes when we are agile; when we are externally focused; when we are not driving internal alignments. The whole Supercharge program was to supercharge and reignite the best in RB, but also take out the waste not just in the way we do business, but also in the cost. There was a cost aspect to it.

So I just wanted to remind you, because that's what we did, look at how we can make this Company simpler and more agile; make it more fit; fitter and fitter; and then there was this virtuous (inaudible).

At that time, I said the only two things that matter when it comes to value creation are both outside the Company -- are both outside the Company; It's the consumer and the customer: how we understand consumers; how we innovate for them; how we make a real difference; and how do we execute in store?

In a way, it becomes more and more important how we execute in store. In fact, we try to show you some of these examples outside, and put these two on the pedestal really rather than worry too much about how internal issues happen. And then, design the whole organization around it.

Now let me tell you one simple gravitational force, which is happening in every company, a gravitational force.

There's a team which looks after how to innovate and creates innovation. Then, that goes through several hoops and by the time it gets into the market the size of the outcome is lower than the perceived size of the innovation. It's a gravitational force.

I have seen this time in and time out again. This curve happens in all companies, you start with the idea and the idea when it changes hands, by the time it gets to the market it becomes smaller.

This is not cool, because if we could design an organization which could do the reverse that would be fantastic. That's what we wanted to do in Supercharge, which is to simplify the Company to say, who's going to create; who's going to actually be responsible. We created this whole scale organizational of that, and the power of one organization that I talked about.

And then we activate organization, which is our go-to-market organization with clear roles and responsibilities, clear handover points, making sure that in each step there's an expectation, the scale organization is going to make what -- what create big bigger. The activate organization is going to activate with such brilliance that it's going to even outperform what the scale organization came up with.

That's the mandate, that's the demand, that's the expectation that we placed, underpinned also by changes that we made on the foundations of the Company.

We created a global manufacturing organization, and a global supply services organization.

The manufacturing, working closely with the category development organization to make sure that the products we were making were actually fantastic. And the supply services were working with our country organizations to activate better, service the consumer customer better, making sure that we were the best we could be at that point of sale.

That's what we have done.

So how do I feel about this? So its early days first and foremost, 12 months in, but the average size of our stock projects, not of all projects, of all projects is easy to show, but our top 10 projects the average size has increased by 27%.

So this is a create organization, focused completely on making sure that there are no internal issues to deal with, but absolutely making the best ideas become bigger.

The scale organization, the pipeline becomes bigger between 2015 and 2014, 18% bigger.

Now how's that going to be? These are the projects which are going into the market, by the way, in 2016 and beyond. Okay, these are the projects which are going into the market in 2016 and beyond, activate, dot, dot, dot.

We will see; we will see. We will read how it all goes in the future in the market.

So early days, 12 months in, I have to say that the whole organization feels that the additional focus we have brought, in terms of how we actually -- we have -- like I said, everyone is charged to make everyone else better. This is the real idea to make -- what somebody else did, I'm going to make it better.

I think we are on the way to making this Company better than we were. There's absolutely no doubt in my mind it has released positive energy and momentum in the Company. So that's how I feel about one part.

The other part was, of course, to supercharge the earnings model from a waste and cost reduction point of view, because we have always said that there is that juice in the lemon. Don't forget this visual. You can give me the squeezed, most squeezed lemon, and I'm going take out some juice from it too.

But we did say at that time our ambition is not to become the very best in the world when it comes to cost. Our ambition is to right size it for RB, and to find the treasure hunt where the waste is there, where we can take waste out of the Company.

We put a target of GBP100 million to GBP150 million you might remember which we upgraded to GBP150 million our report at the top end of the estimate at the half-year stage, so GBP150 million.

As the CFO just told you, in the first 12 months we are ahead of where we thought we would be.

Again, I must tell you this is RB. You put a program, people embrace it, they are switched on, they want to get on with it, and you always find you've done better than what you started with. I'm absolutely delighted with how this whole thing has gone, absolutely delighted.

So, I feel this program has been central to our growth in our performance, if you asked me 12 months ago how this program is going to help you, and I'm saying to you that in 2015 this program has made that vital difference, has made the vital difference.

Right 2016. So, on 2016 I have a couple of things to say, the first thing is that our net revenue in the context of the markets we operate in, and you heard all the things about not just from me, from everyone else what's really happening outside.

I can give you my own take on it too if you want, but at this point in time we think that the markets and the global growth remains challenging. It remains tough.

Therefore, in this context and context of everything else that you heard we are targeting net revenue growth of 4% to 5% on a like-for-like basis.

Then finally on in terms of operating margin, we are targeting moderate margin expansion, which is our medium-term target, plus part of the supercharge savings that we think we can get in 2016.

Now, what does that add up to? What does moderate margin expansion plus Supercharge add up to? This is financing, moderate margin expansion plus Supercharge. Rakesh, that means nice and only I know what nice means, and that's also [proven].

Anyway, key messages. We are truly convinced we are on the right strategy. The purpose-inspired strategy and you can see how that strategy enables us to do great things in our world today. It's absolutely the right strategy for this Company.

We've been following this strategy with discipline, with rigor, with vigor and passion. But beyond that, as somebody said, culture eats strategy for breakfast. Okay, we have a supercharge culture, and when you have these two, you have what is a better business.

(Technical difficulty) Q&A.

QUESTIONS AND ANSWERS

Celine Pannuti - *JPMorgan - Analyst*

Celine Pannuti, JPMorgan. My first question is what you said about the health division. I think I heard 4% to 6% category growth, but I'm not sure if I made it up myself. If you could share with us what you feel the category growth is?

You also said that you expect to continue outperforming. Can you clarify whether this was a comment for this year, given that you also talk about the destocking?

Then my second question is on gross margin. What was behind the acceleration that we saw in H2 versus H1?

If you, as well, can give us some commentary on raw material cost inflation or deflation for 2016. Thank you.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Let me just answer the first one, Celine. We have spoken of this before, and I'm happy to repeat this again.

I think the medium to long-term outlook for health category is about 4% to 6%. Some of this could vary based on seasonality, and some of this could vary because of something happens more particularly.

What we have said is that you should expect us to outperform this medium to long-term category growth, because of our strategic focus, because of our capability, and because of our ambition and that's not going to change.

However, we said that the 14% growth that you saw, which is I think multiple times more than the average, is not a sustainable growth number.

That's how you should see it as our guiding principle for the future. We haven't given a specific target for 2016 for health, neither do I want to and neither do I -- will. I think you should not think anything about 2016 specific target for health.

I think what we said about health is long term 4% to 6%; you should expect RB to be an outperformer -- material outperformer in some cases. But 14%, double-digit growth rate, these are not sustainable levels of growth.

The second question was gross margin half 2 versus half 1, do you want to answer that?

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Yes. It clearly was significantly higher in half 2 than half 1, but the drivers were essentially the same and were broad based. So we got good mix, slightly better in the second half. We got commodity tailwind, no question, slightly stronger in the second half.

Our self-help program, Project Fuel as we've called it over several years now, slightly stronger in the second half.

All the components were the same, they were broad based, they were just slightly stronger in the second half. Price was important, but price, we think, are very much in the context of transactional ForEx headwinds, which were about of the same magnitude as price. Net-net price in transactional ForEx was not large in either half.

So -- but that was the story. There is no discontinuity between the first and the second half; it's just the same broad base, just more in the second half.

THOMSON REUTERS

In terms of your question on commodity tailwind, how big was it, it's very difficult to give a figure, and we can't give a figure really, Celine. There's no question, we do have some commodity-related benefit in the year. We have oil-related products, mainly plastics and things in our products: soap-related items, some sort of paper-related items. So there is a material part of cost of sales that is commodity-related. There is no question of a tailwind in the year.

But one also has to remember, transactional ForEx, which nets against that too, and also the impact that has on pricing in the market. Net-net, yes, a helpful tailwind in the year, but more than that it's very hard to say, to be honest.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Harold?

Harold Thompson - *Deutsche Bank - Analyst*

Harold Thompson, Deutsche Bank. Three questions. At the start, I've forgot the exact words, you said there's two types of cultures, basically the cost-cutting culture and the growth culture, or something like that. When you go back to your food business, why are your ambitions in that category seem to be -- jumping forward, going into ketchup?

That surely is quite a bit jump. Is it because the category is either a cost-cutting culture and you think there's a growth opportunity. Is it something about the industry change? Or is it about the French brand that can go forwards? Will that visibly become bigger than we've been used to recently?

The second one is you said, is it on China I think you said 50% of RB's business will be is it online by 2020. There's lots of targets out there on that kind of stuff. But how do you think for your Company/your industry, online is, from a growth margin control of the brands, risk/threat, that kind of stuff?

Then the third one is on the buyback. Do I interpret correctly that you just want to maintain an absolute level of debt, Adrian, at around GBP1.6 billion, and therefore we should just assume for modeling purposes that you just keep buying back shares to that level unless something comes along? Thank you.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Do you want to answer the simple question, Adrian?

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Indeed, the answer is yes, quite simple. The Board -- current policy of the Board, yes, roughly the same level of net debt.

Harold Thompson - *Deutsche Bank - Analyst*

(Inaudible - microphone inaccessible).

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Yes, current policy can always change, but that is the current policy, yes.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Right, you asked, on the first question, several questions; it's not a simple one question. But all I would say is that French's does not want to think about what competitors are doing, and whether they're encroaching your domain and therefore, your reactions and --

I think what we're trying to do is provide people and consumers what they expect from French's, which is a market-leading brand, French's one.

When I enter US immigration nowadays, of course, I have this, what they call, the global entry or whatever, so I don't have to see charming immigration people. But when I used to, they asked me which company do you work for? I always say French's and they would then welcome me with a smile. It's a fantastic brand. As an iconic brand, I think you all will ask yourself, am I giving consumers what they want.

I think we found a way of getting into ketchup, which is different from what everyone else is doing, which is giving them tomatoes with sugar. We found a cleaner way of providing real tasting ketchup and that's what we are doing.

Harold Thompson - *Deutsche Bank - Analyst*

Is that different now, (inaudible)?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Well, I think the strategy for food does not really change, which is that it's still not a core of RB does. RB does not want to be a food company.

Since we have a fantastic asset we manage that asset like everything else we do in RB, manage it as well as we possibly can.

Is it becoming a more international business? Yes, it is, we are taking into many more markets. If you go to the shelves in the UK you will find a lot more French's products, including the Frank's RedHot sauce, which I've told many people on the side is the best red hot sauce in the world. I've certified it as an Indian, believe me, and we know what hot sauce is.

It's got great products. We're trying to take them international, make them become important and interesting, but it does not mean that we are using the RB organization to do that. They're doing it their own way, which is, in some cases, going through distributors with a limited presence of the Company people.

But RB organization is not involved, the rest of the RB organization is not involved in internationalizing that portfolio. But we are expanding that as we go along into markets where we believe we can with a dual -- a hybrid, let's say, expansion model, that's on French's.

You asked me an important question on China. Like I said, I personally expect China to be the way through which we should think how the world will change in the future, not the other way round. When it comes to digital and e-commerce the world will change east to west and not west to east. Therefore, I've always used China as a way through which we can be the best in the world in this area.

I think one of our advantages in China, my personal opinion is this, this is how I feel, one of the advantages is that we didn't have to -- many companies don't like to change what they already have, all these bricks and mortar. The problem with bricks and mortar retail is also very well documented, and part of the problem is that they don't want to destroy what they have created.

In China we had no such problem, we didn't have much. In 2012, I said to people one day I'll take you guys to China, because I do believe that's something I want to really do something about. I think China we have made unbelievable progress in the last four years in China, absolutely fantastic progress.

The reason is we didn't use, let's call it, the burden of our history. We created a pristine business as it should be, which is focusing a huge amount in terms of not just building brands from a digital point of view, but also the online e-commerce marketplace that it offers us. That's why I think that we are on the road to making it 50%.

How big is it for other companies? I cannot tell you, and I think it's for them to talk about. But I also personally say that those companies that have faced problems in China in terms of growth over the last few years have something to do with them being behind the curve on e-commerce where all the growth is coming from e-commerce even if it is small today in percentage to revenue, but the growth is absolute; it's quite -- it's interesting. They find themselves on the back foot.

Thankfully, we don't want to suffer. Well, first of all, we have to paranoid to say that this could also happen, but we are not in the same issue. This is the reason why we called out also the reason that our business in China is doing well, and I hope it will continue that way to be ahead of the curve. That's on China.

Yes, I expect it to be 50%, that's what I'd like it to be, at least 50% of our revenue shift come online 2020.

Harold Thompson - *Deutsche Bank - Analyst*

(Inaudible).

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Yes, that was another important question. It's [PCU], but I think in the world we find ourselves brands are going to become even more important in the online space than they were in the bricks and mortar space.

The reason is very simple, think about you, you're driving to the next supermarket and you want to buy some brands, the supermarket has a problem or the customer has a problem with the brand owner, and you don't find your favorite brand on the shelves, what do you do? Do you really drive to the next supermarket? Maybe, when it's really, really direct -- the equity is really that strong, maybe. But sometimes you don't.

You know what happens in the digital space, if that supermarket doesn't have it, you just click and get it from another one. The brand owners are really back in this world. I genuinely -- you go to China, which I'm going to next week, by the way, and you see -- you put your iPhone in front of the barcode or from the QR code, and suddenly you get basically all the details of a product and where to buy. If it's not available in one you buy it where it is. Brand owners are back, number one.

The economics could be very different; the economics could be very different in the case of online.

Our own online store in China is now the single largest store we serve in China, the single largest store. I don't have problem giving you the details, we are selling more than GBP20 million in our own online store, that mathematics is very different.

I think what is happening to us and what we are trying to do in China I think is several years ahead but also something that I believe can be a very powerful positive force for RB.

But we cannot be complacent. I think this is one of the lessons for everyone. We have to constantly worry about the next one. As somebody told me, I was talking to somebody in the digital e-commerce space, I hope this doesn't apply to us. He said that we are all going to be disrupted one day, the only question is for how long can we keep ourselves out of it.

I hope that is not for RB, because our brands are built to last, but certainly in that kind of space that's the thing. Always be paranoid and genuinely so, anyway.

Charles Pick - *Numis Securities - Analyst*

Charles Pick, Numis. Four questions I'm afraid. You obviously had a couple of factors flat at the like for like in Q4 and therefore for the year, is it possible to specify what that flatter impact was worth to you?

Secondly, what do you think the NPD effect was on the full-year revenue line in terms of that like for like of 6%?

Thirdly, at the Q1 stage you emphasized you weren't in any rush to write the next check as regarded M&A, is that still the case?

Finally, on Nurofen Australia, the situation that cropped up in the December, are you expecting much loss of sales from that this year, and any penalties?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Let me answer quickly some of those questions. For Nurofen, I think we are working very hard with the local authorities to really change the packaging, in Australia and New Zealand. I do not expect that to be a material issue for RB.

The second question was M&A, I think my views are well documented on M&A. At the end of the day, M&A for RB, and I think you should just keep that -- first of all, before I get to M&A, you've just seen 2015 and you've seen 2014, we are an organic growth company, organic growth has unbelievable opportunities. You just have to come with me and I'll take you to parts -- automatic dishwash penetration in this world, as a whole, is 20%, one in five homes have an automatic dishwash. We have plenty of opportunities on organic growth.

We are not going into work every day thinking about writing the next check. But my views are well known, in a market, in the categories that we have chosen, it happens to be fragmented, we happen to be a great player.

We will look at those opportunities as and when they arrive. When they are sensible from a financial point of view we will look at them. There's nothing more to say on that one.

I think you had a couple of other questions. Can I specify how much of this is one-off factors or NPD. I think NPD performance has been good in 2015, and we are going with a full pipeline also in 2016.

I don't want to quantify exactly the impact of one thing to the other. But, clearly, we have outperformed our market and when we outperform our markets it's a combination of factors: combination of factors including NPD; including new supercharge model of activation; our power of one making it better and better.

I think they're a strong combination of factors, I don't want to take on one versus the other. And (technical difficulty) yes.

Graham Jones - *HSBC - Analyst*

Graham Jones, HSBC. We've heard a lot about the Powerbrands, but obviously one of Reckitt's acquisition strategies is to buy local heroes. I think since you bought SSL you made a series of local hero acquisitions. So I was just wondering you could update us how they're performing?

Are you good at growing these small brands? How's Paras Pharma performing in India? How's the Chinese sore throat business doing? How's Sico in Mexico? Are you getting the -- what you expect from these small acquisitions?

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

The small acquisitions that you talked about are either infill, which is our category presence is boosted because of that. So Sico is a great example of that, as is the recent one we announced in Brazil, where we bought the market-leading condom brands, or sexual wellbeing brand.

Those are -- they typically will fall into the Powerbrand model, which means that even if the name is different, the whole strategy, the whole pipeline, etc., will be as the Powerbrand goes.

Then there are some that are bought, which you call local heroes. So I wouldn't typically all the Sico as a local hero, or even the sexual wellbeing brands that we have bought in (inaudible). They immediately get rolled-over in the Powerbrand management of the Company.

The local heroes that you referred to are the Manyanshuning of China, or some of the Paras brands, not all of the Paras brands. How are they doing so -- why did we buy them? We didn't buy them because they're local heroes: we bought them because we wanted to create a geographic platform in some of the most strategic and important markets for RB's future. China and India is an example here.

That's why it gets the attention and focus, because we want to buy them, create a platform on the back of which we can do more -- other more interesting things. Both these are progressing well. We are happy with where we are, with both Paras and -- we take -- I have described this in detail to people.

I think in many companies you make acquisitions and you move on, and you do the next one, and you forget about it. In RB, basically, first and foremost, people are incentivized on delivering the numbers we all sign up to. So they don't -- we don't forget we have -- our memory is not weak when it comes to this.

Second thing is that every year we will do a review, not just amongst ourselves, with the Board, saying, what did we say? And in the last Board review we showed the acquisition of 2008. What did we say we will be, and where are we against it?

So there is a real, how shall I say, accountability. There is a real accountability to make sure that whatever we spend, whether it's a small amount of money for one market, or a material transaction, we can actually make a big difference, and deliver on the numbers as guide to.

Now, some acquisitions do -- which is normal. Some acquisitions do far better than your ingoing assumption. Some acquisitions do not as much and far better, if you want to know, as we are ingoing, not because of anything else, but that's how it is.

As I said, if you asked me two years into the thing, I thought Durex is, in aggregate, doing well; Durex doing very well; and Scholl as expected. But now, like really it's unbelievable. It's unbelievable.

So I think some of these also -- another way to give the message is, we have a long term on the M&A also. We don't forget what we bought. Basically, there's a long-term expectation to keep getting at it, and making it better and better. So I think we are good at this, and we want to stay that way.

Another one?

Eduardo Santos - - *Analyst*

Eduardo Santos, (inaudible). I have just couple of questions.

First on Supercharge, you were able to reach two-thirds of the savings you were targeting, by investing a bit less than 40% of you intend to invest. So why do these investments you have already made have a higher return, or you expect a higher return than the one that you still do? And why two years to get to the next one-third, when you have just took a year for two-thirds? And that's the first question.

The second is, on the organic growth for the year, 6%, can you quantify or give an idea of how much that is [flared] by your very high inflationary fix rage -- fix exchange rate regimes, like Venezuela, Ecuador, Nigeria, Vietnam and some other? Because if Venezuela is 1% of your sales, that will be maybe depend on how you account for currency, 1.5% of the impact on FX. So if you could give an idea on that? Thank you.

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Okay. On the first question, the -- it is the nature of the programs we have within Supercharge. Some just take longer to implement. They are working their way through the system. They're also the ones that are a bit more expensive, and they just take longer. So some types do that, and so we can see them in advance, and that will be the case. It is as simple as that: there's no magic to it.

The -- on the inflation question. To give you a sense of it, if we were to exclude, let's say, Venezuela; let's say Argentina; let's say Russia; perhaps the three large high-inflation economies. If we were to exclude all three of those, it would have less than 1 percentage point effect on our growth rate.

So they are very -- Russia's relatively large, sort of 3% or 4% on our revenue. Argentina and Venezuela are very small indeed. So we do not get a significant boost in our constant exchange rate growth from high-inflation economies.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

As well as being a [touted] number in many Company results, it has an immaterial impact on our constant number. We have adjusted. As we guided some time ago, we adjusted Venezuela, and we must.

First of all, we have a very simple way of managing Venezuela, which is, nobody benefits, nobody in the Company benefits if they show paper growth, in terms of their achievement of their target. That's one very way -- interesting way to limit people's ambition. You see what I'm saying? Don't give them any credit for producing the numbers.

Secondly, we have actually limited the amount of money, cash, we are going to put in Venezuela: no more. Therefore, we are not in the game of actually making that paper money become bigger and bigger.

And the third, we readjusted it to SICAD --

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

A long time ago.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Ago, and therefore made it smaller. So therefore mathematically it's not an interesting number; and Argentina the same there, so.

Last one. Let's take the last one.

Chas Manso - *Societe Generale - Analyst*

Chas Manso, Soc. Gen. A question on health. Obviously there -- health is a division of many moving parts, and I get that, in 2015, foot care was particularly strong, and maybe condoms as well. Could you maybe give a bit of color on the major moving parts? How did analgesics do: cold and flu, VMS, that kind of thing?

And if the roll-out of Amope was a big feature for 2015, how much of a drag will that be when you start lapping it?

And then a separate question, the tax question. I'm a little bit confused. You had 20% for this year; you said underlying was 23%; you're saying 2016 underlying will be 23%. Does that mean that your tax rate's going to go up those 300 basis points, and it's a drag on earnings? Or does that kind of -- the 20% of 2015 continue on? Thank you.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Right, Chas. Let me just answer the first one. I think our growth rate on healthcare has been broad-based. So the first think I want you to take away is that it's not a growth of Durex or Scholl. It's a growth of Durex; Scholl; Nurofen; Gaviscon; Strepsils and -- so it's a broad-based growth.

In all these brands we are happy with the growth we have got. Some of them have some seasonality built into it. It's normal, because some are more seasonal amongst the portfolio healthcare; some are less seasonal. So --but the growth on health is broad-based growth, and we are happy with how we're performing across the healthcare portfolio.

You asked whether -- there was another question, I think, on healthcare? I might have missed out, or is that -- yes, how should I index [here]? I think it's all covered in the targets we have given. I don't think we should now decompose every little thing to say, well, with this or without that. I think our targets basically look at what is the impact of Amope launch over the last 18 months or so; and how we should think about setting targets for the year ahead.

But Amope, clearly, has been a fantastic success, because in the world we live in today, building a new brand in North America is not an easy thing. We have created a nice brand, and I think we have -- want to build on the success of that brand.

I think there was a question, I think, on tax, which --

Adrian Hennah - *Reckitt Benckiser Group plc - CFO*

Yes. Chas, the 2015 tax rate did, indeed, have a one-off 3% benefit as a result of the effect on deferred tax of the future reductions in the UK Corporate Tax rate. So unless the Chancellor wishes to repeat that by reducing the rate beneath 18% in the future next year, there will be a headwind of that 3% in 2016.

Rakesh Kapoor - *Reckitt Benckiser Group plc - CEO*

Okay. So I would just stop it here. Thank you once again for listening to all of this, and being part of this. Thank you very much, and see you some time shortly.
