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# Supercharging supply performance

Amedeo Fasano – EVP Supply

9<sup>th</sup> June 2015

# Supply – key partner in delivering RB's strategy



**Focus on**  
**consumer**  
**health**  
**capability**

**Driving the**  
**earnings model**  
**Revenue,**  
**Margins & Cash**

# Key facts – supply has always been ‘end-to-end’ ...



# Key facts & figures

COGS :  
**≈ £4B**

**45**  
factories  
(**12** in health)

**160**  
Distribution centres

**≈ £200M**  
total capital  
expenditure



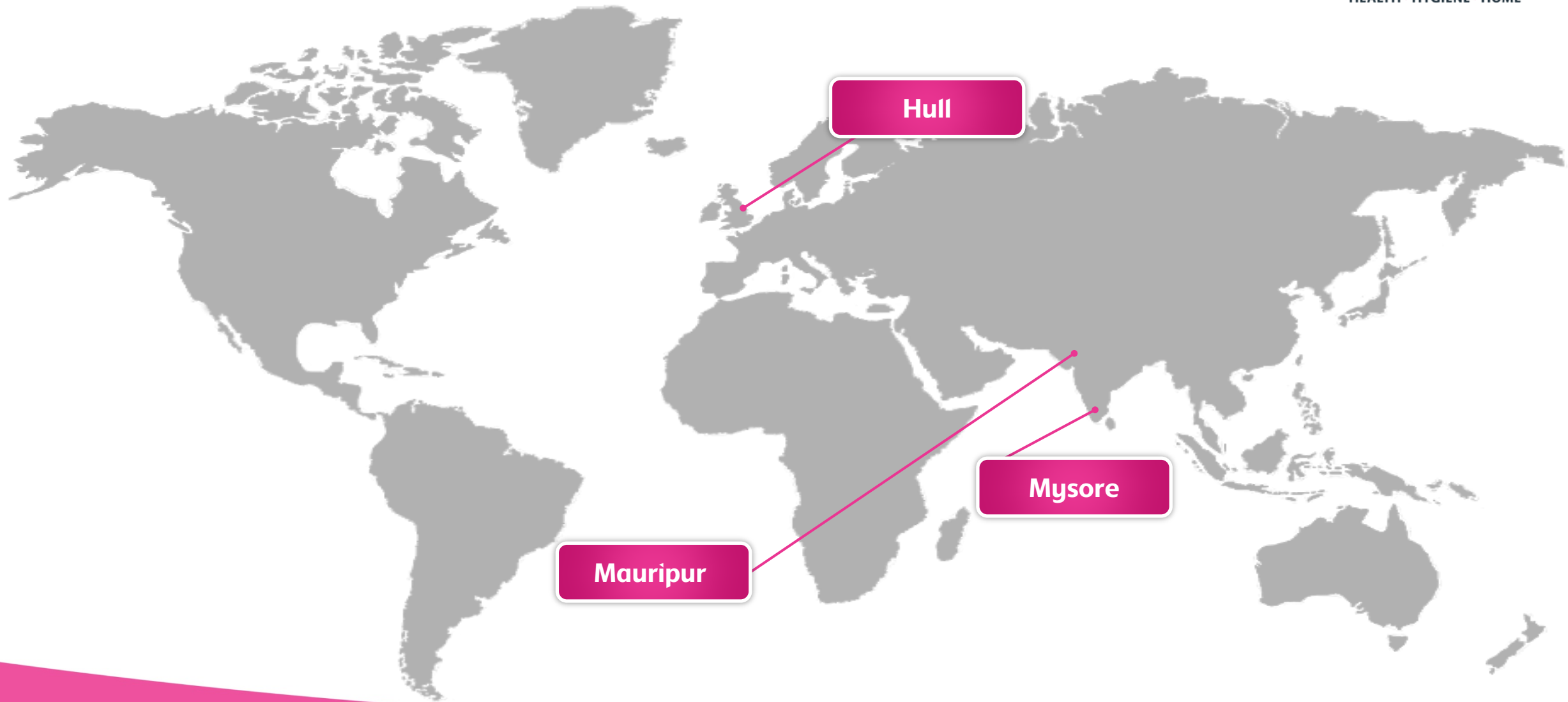
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# Focus on consumer health capability

# Health manufacturing footprint in 2000



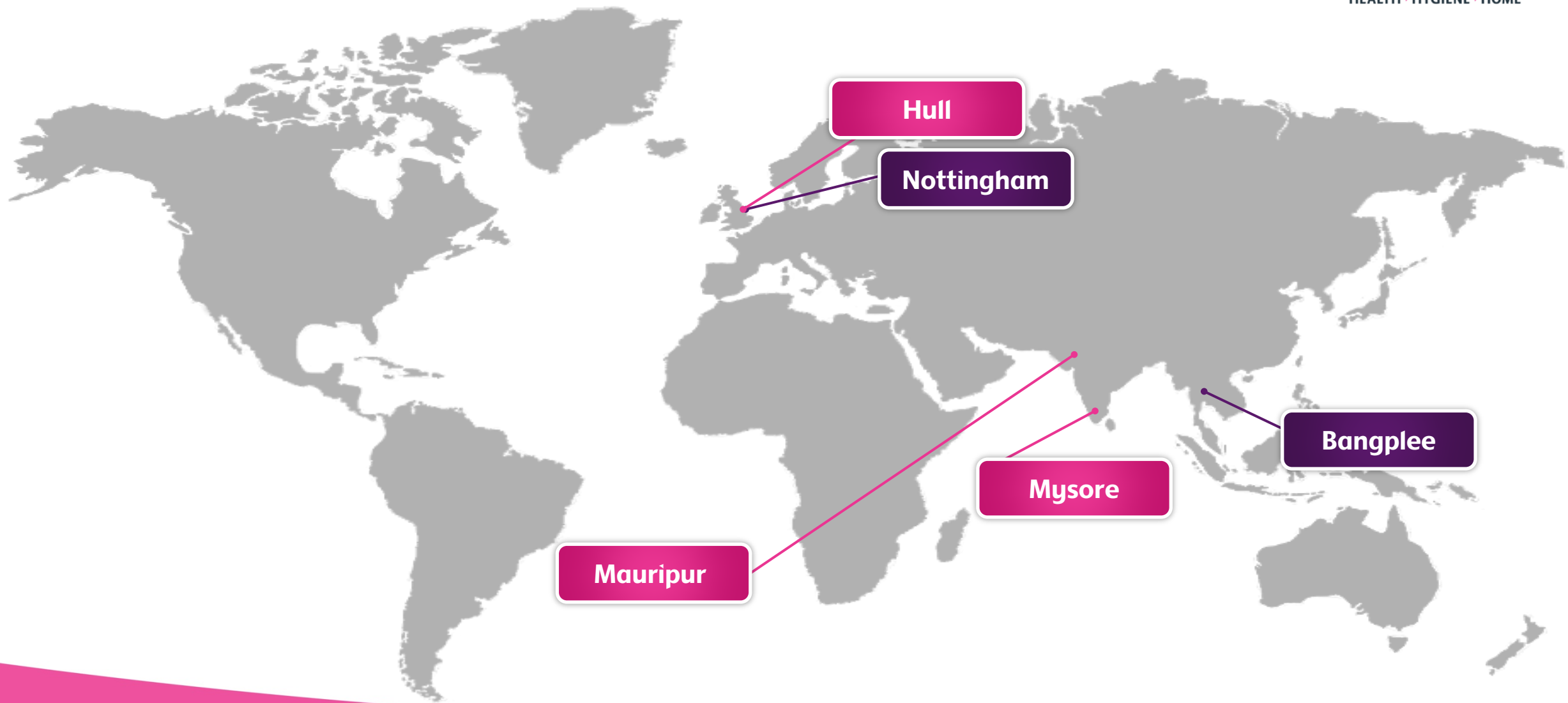
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# Health manufacturing footprint in 2006



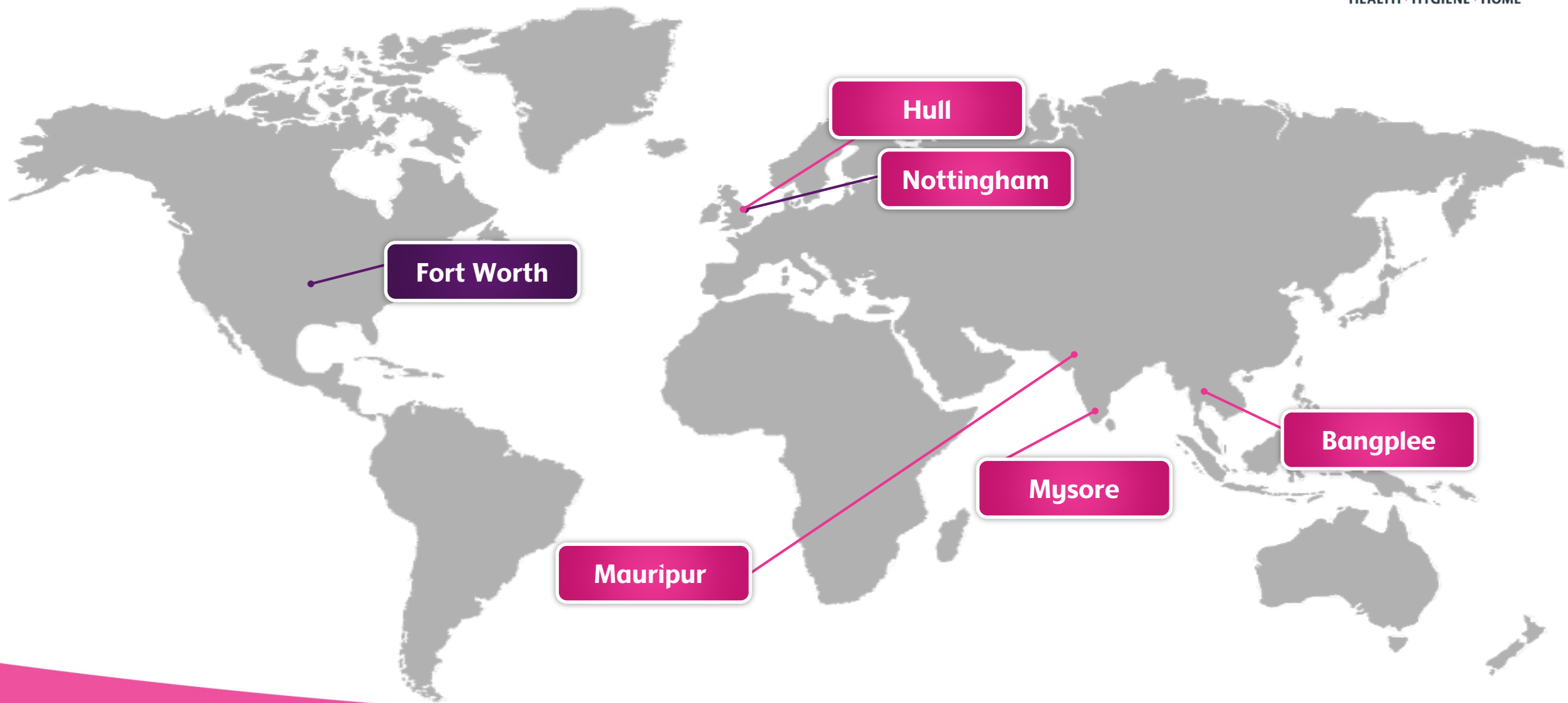
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# Health manufacturing footprint in 2008



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# The challenge

**Healthcare  
GMP standards**

**Enhanced quality  
Greater scrutiny  
Higher compliance**

**Health plants  
& co-packers**

**Managed by household  
manufacturing  
organisation**

## Created a global health manufacturing organisation

**Reporting  
directly to  
EVP Supply**

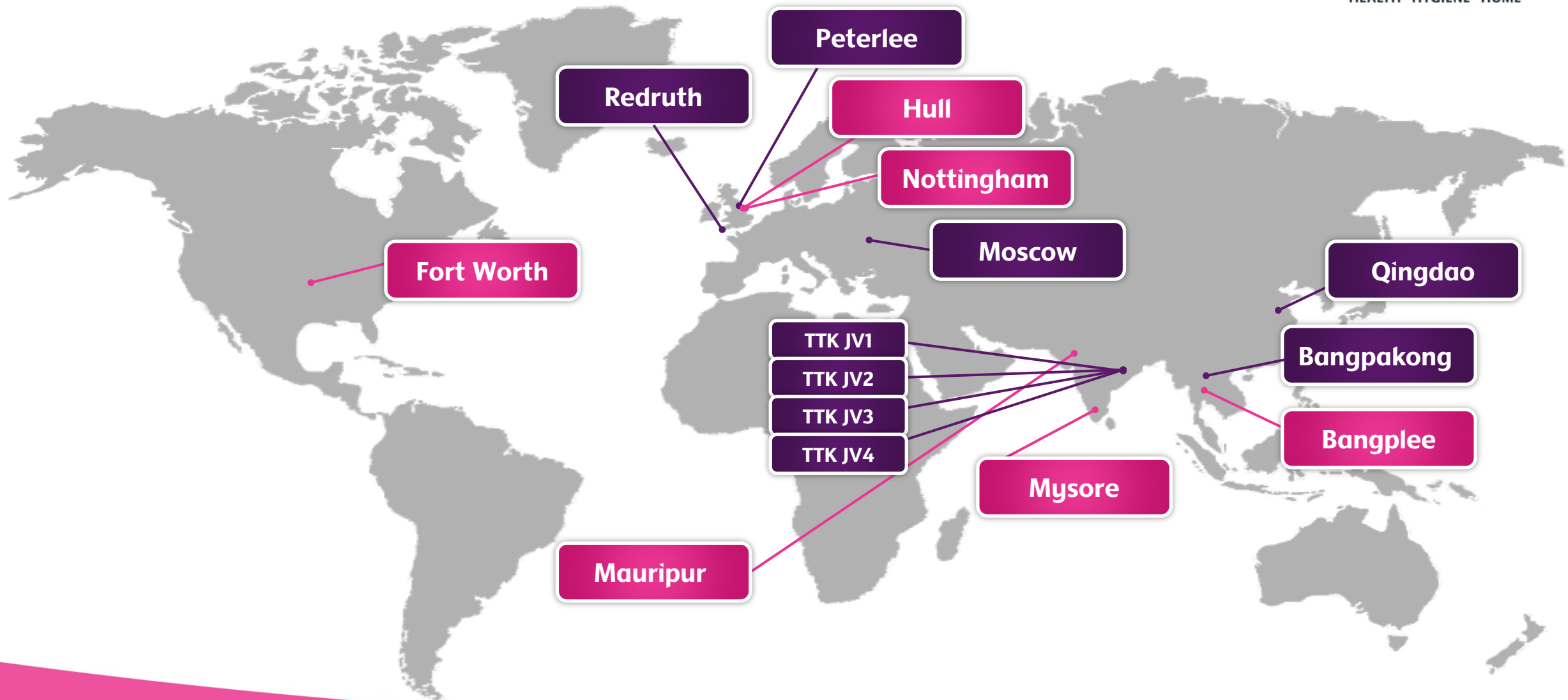
**Enhanced  
resources  
and quality**

**Greater  
investment  
behind  
technology and  
compliance**

# Health manufacturing footprint in 2010 – SSL acquisition



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# Bangpakong (Thailand) – creation of the SWB global R&D center and Polyisoprene condoms capabilities





# Bangpakong – global SWB R&D center



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# Bangpakong – creation of a global Polyisoprene facility



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# Leveraging assets to drive innovation: Real Feel



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- New polyisoprene technology
- Launched so far in 23 markets
- 24 months from brief to sales
- 70M condoms delivered in 2014





# Qingdao (China) at time of acquisition



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# Qingdao now: created world class capabilities in latex condoms



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# Leveraging assets to drive innovation: Invisible



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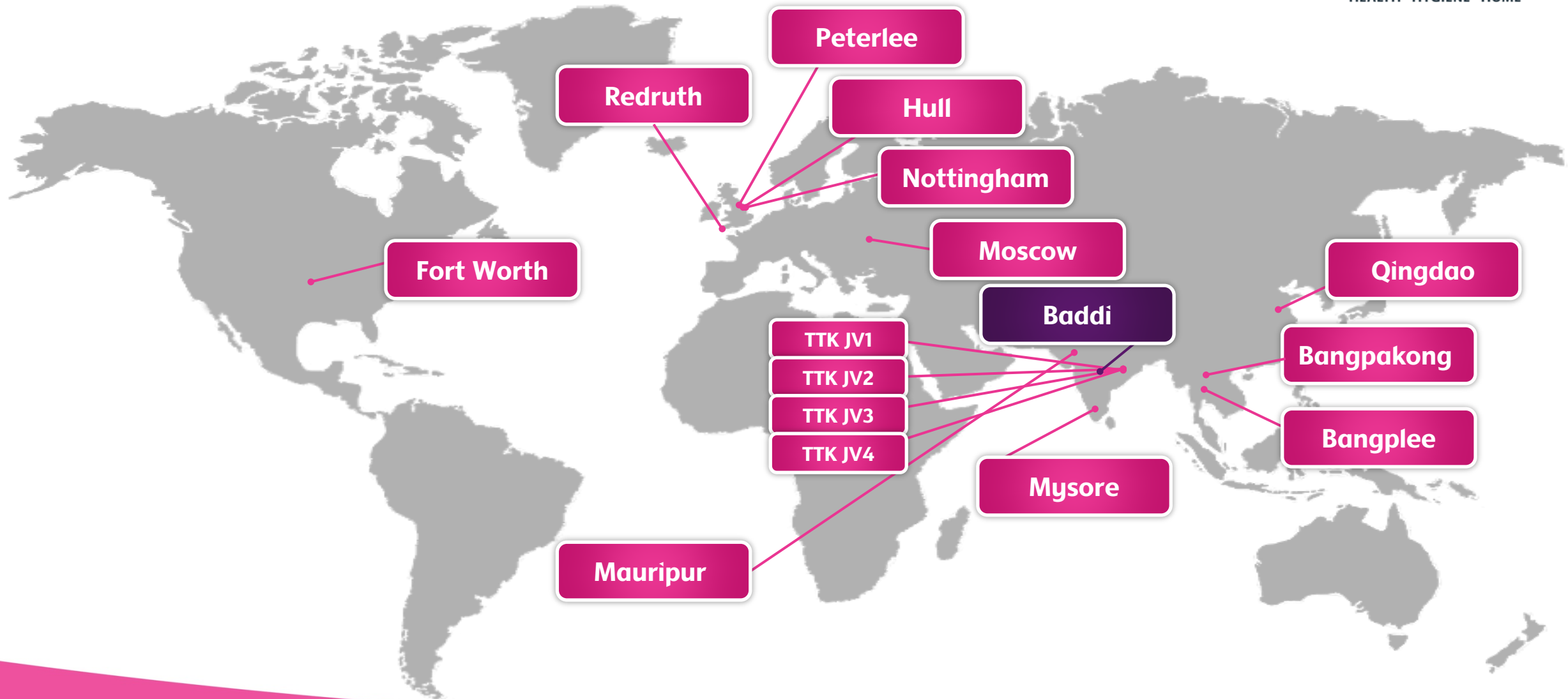
- Thinnest Durex condom ever developed six months ahead of schedule
- Leveraging the new production process to manufacture a condom 10% thinner than the next thinnest Durex condom
- Outperforms all major competitor products in consumer experience



# Applying HC capability to more acquisitions – Paras (India)



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# Applying new HC capability to future factories



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**Hull UK**

**Baddi - India**

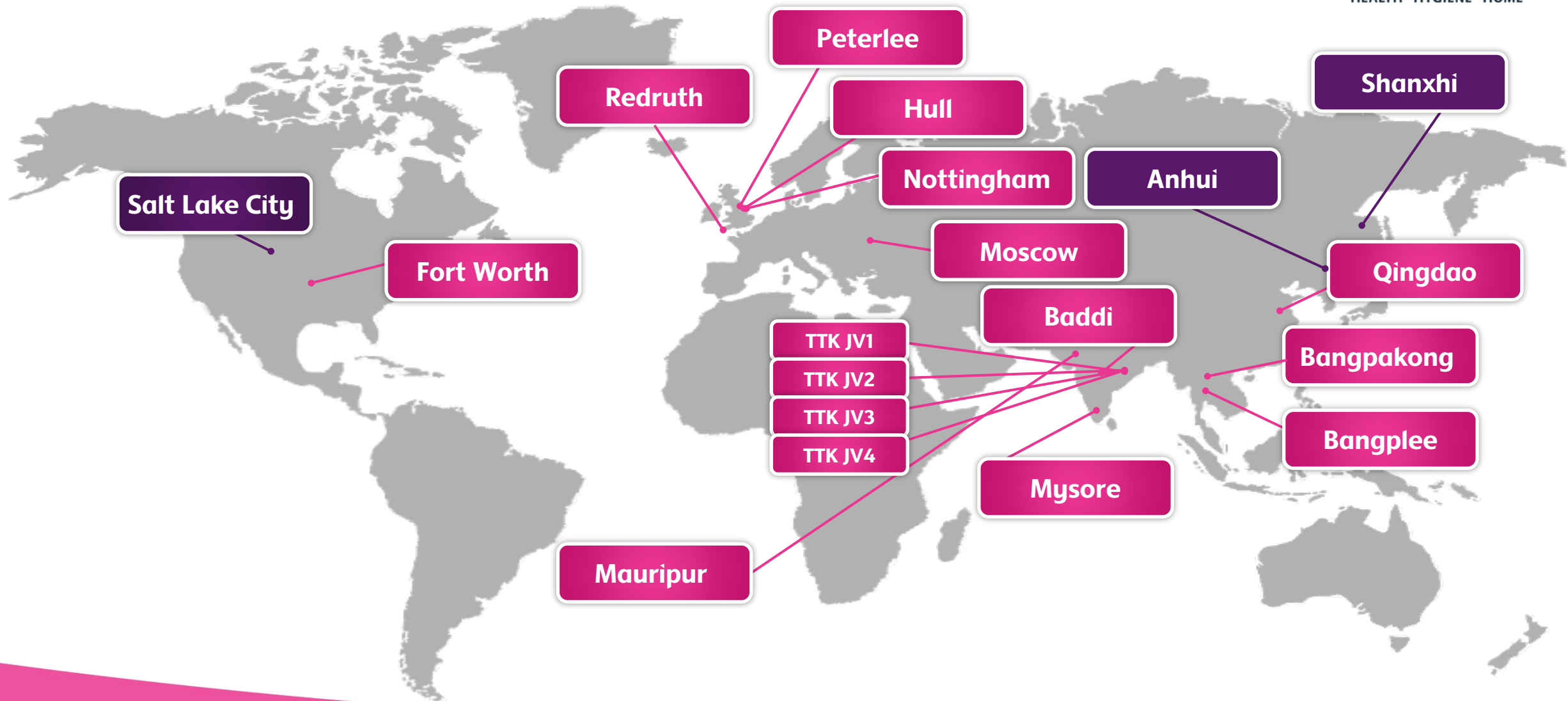
**Once you are through the gate  
You are not anymore in DMs  
You are in an RB Health plant**



# Applying HC capability to more acquisitions – Schiff & Guilong



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# Schiff – at time of acquisition – a VMS plant



# Schiff today – conversion to OTC standards



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# Schiff – leveraging new OTC standards MegaRed/softgels insourcing and future softgels OTC NPD





# Focus on our healthcare capabilities

**Constant upgrade  
of GMP/Quality  
standards**

**Every new license is only  
a 'license to learn'**

**We are succeeding with  
authorities – maintaining  
our licenses and adding  
new licences**

**You are as good as  
your last landing**

# Quality vision – a healthy combination of.....

**Fear**

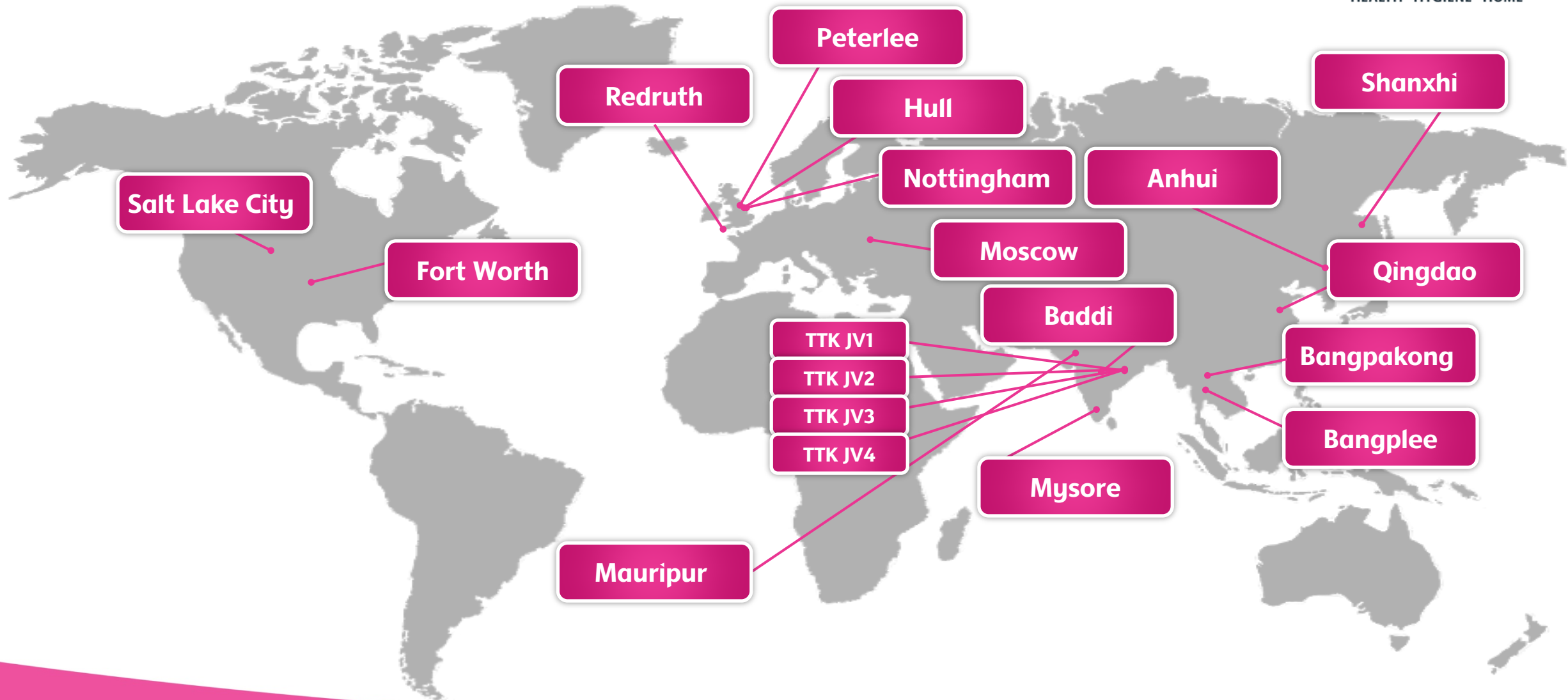


**Passion**

# Health global manufacturing cluster – rationalisation



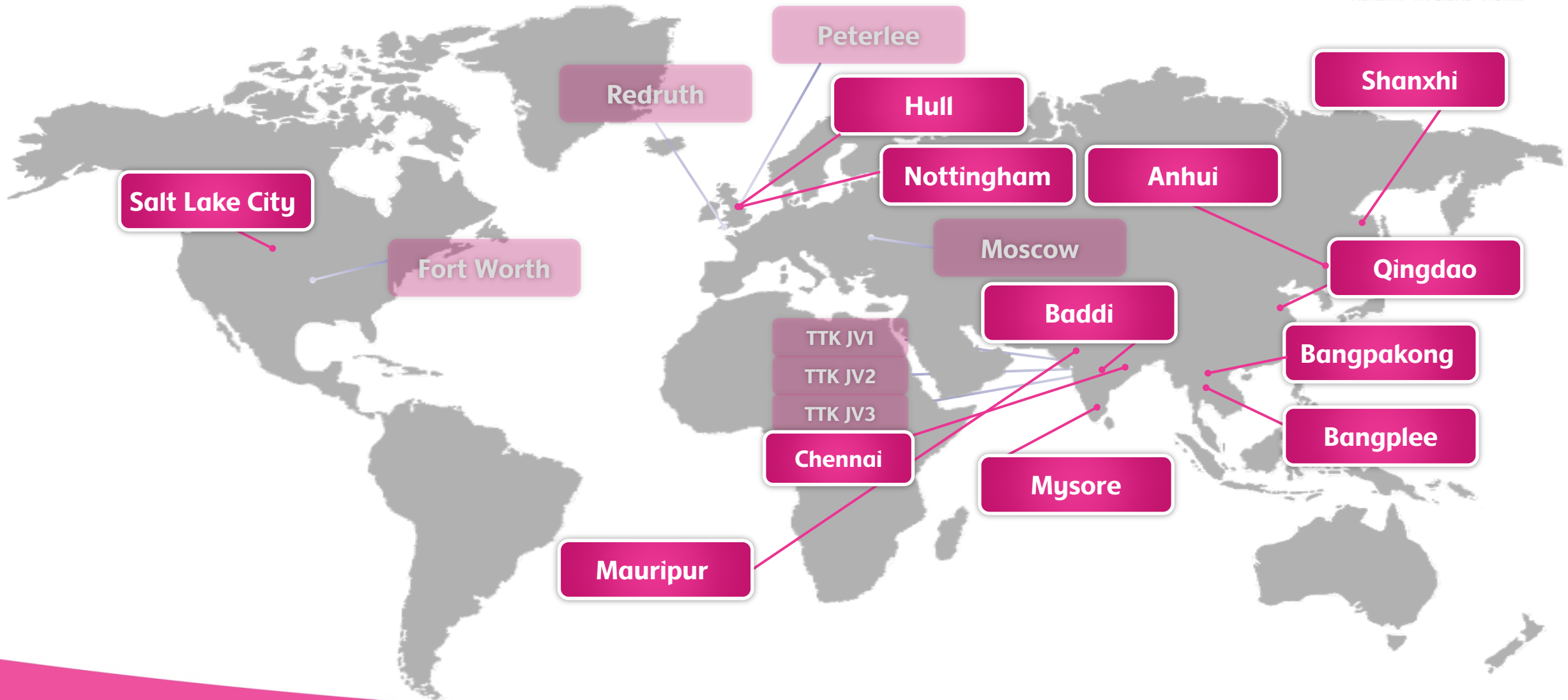
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# Health global manufacturing cluster – rationalisation



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# Health global manufacturing cluster – rationalisation



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**From 19 plants to 12**

**Fewer is better**

**Driving identical GMP  
& quality standards**



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# Driving the earnings model



# Driving the earnings model

	Global MFR	Supply services
NR growth	Quality & compliance Innovation	Compliance Customer service
Margin expansion	Procurement Conversion cost FUEL	Freight Inventory losses Logistics fixed costs
Cash	Payables CAPEX	Inventory



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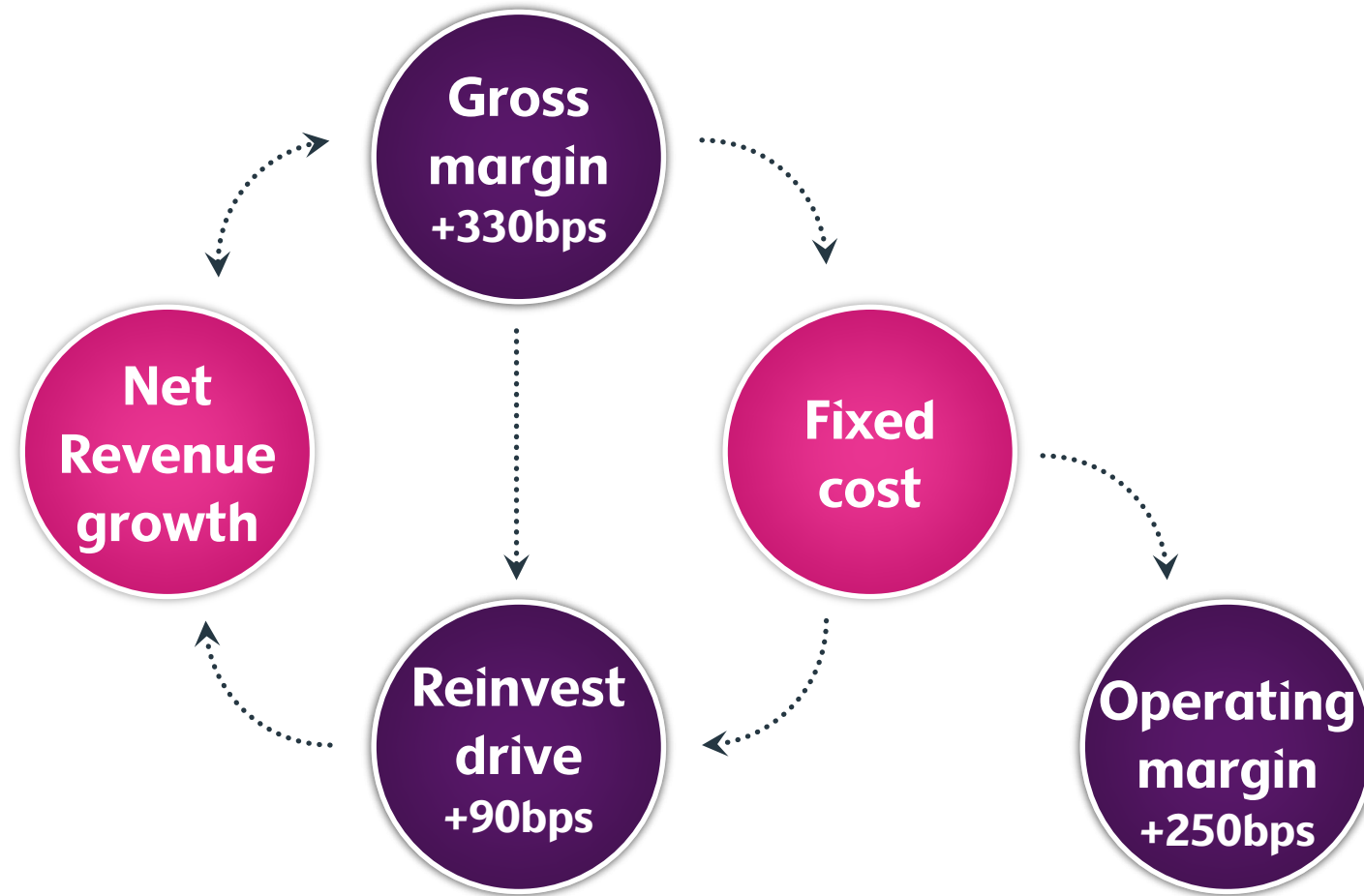
# Margin expansion



# Margins – 3 years of virtuous earnings



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# Earnings model —→ Gross margin

**Global  
procurement**

**Manufacturing  
Network  
Strategy**

**Logistics  
efficiencies**

**Project  
FUEL**

# Project Fuel:



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**Airborne**  
(vitamin pre-mix)  
£1.1m annual saving



**Strepsils**  
(formula harmonisation)  
£1.1m annual saving



**Air Wick**  
(solvent reformulation)  
£2.4m annual saving



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# Cash

# CAPEX & PPE - KPIs

**CAPEX/NR**

**2%**

**CAPEX/COGS**

**5%**

**PPE/NR**

**8%**

**PPE/COGS**

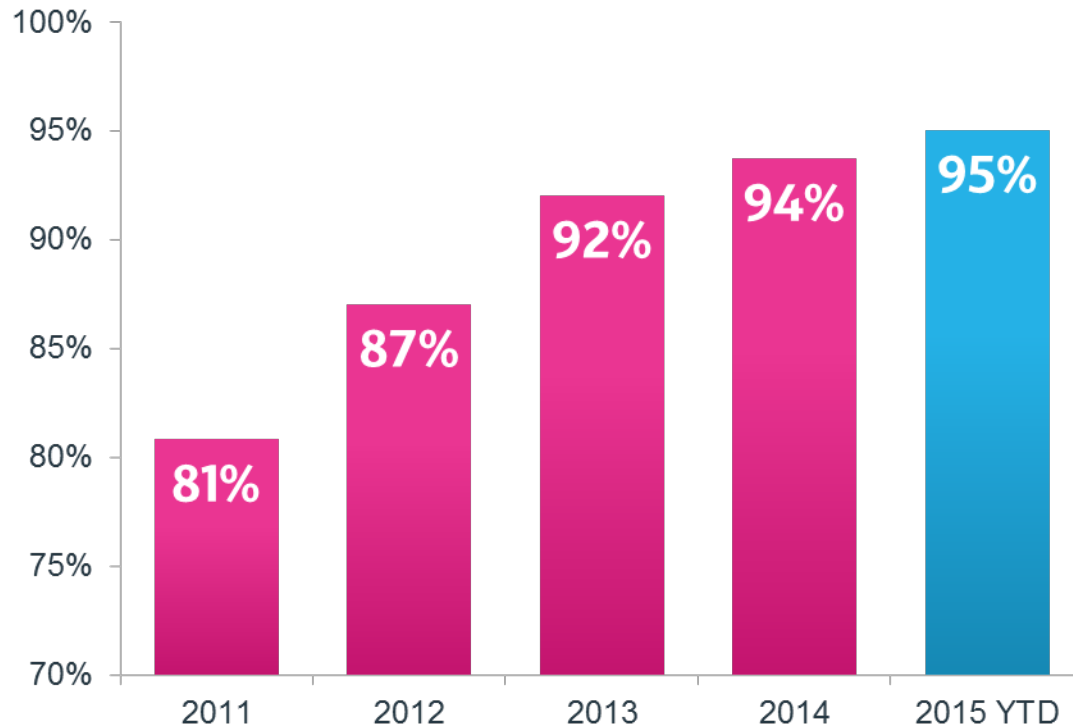
**18%**

# Driving efficiency in our plants to leverage assets



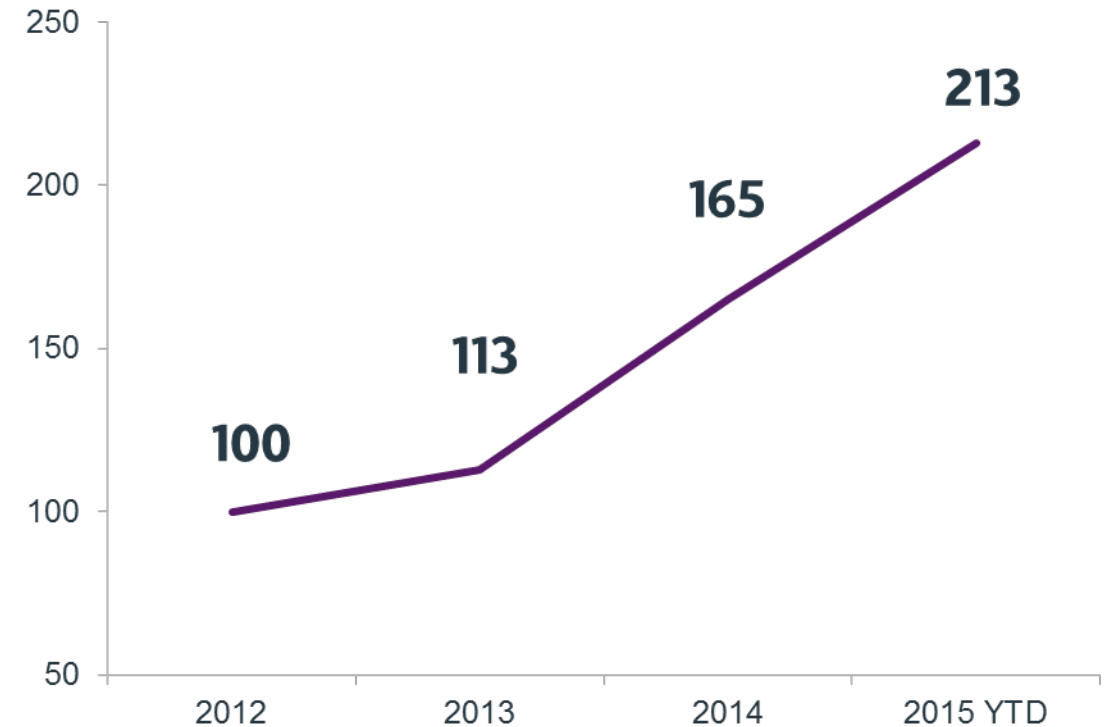
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## Overall manufacturing yield



Dipping process – China SWB factory

## Labour Productivity index



Finish Quantum process – Poland ADW factory

# CAPEX is about strategy and discipline

**Impact on cash is immediate .....**  
**.....today's decisions last for years**

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# Q&A



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# Appendix

# On track for Vision 2020 sustainability targets

	 <b>Energy</b>		 <b>Waste</b>			 <b>Water</b>	
	Energy	GHG emissions	Waste	Waste Sent to landfill	Zero waste to landfill	Water efficiency	Waste water quality
	kWh per 1000 CUs	tons CO2e per 1000 CUs	tons of waste per 1000 Cus	% of manufacturing waste sent to landfill	Number of landfill free factories	Cubic metres per 1000 CUs	mg/l discharging directly to a water body
<b>2020 Target</b> vs 2012 baseline	<b>-35%</b>	<b>-40%</b>	<b>-10%</b>	<b>0% Zero Waste to Landfill</b>	<b>100%</b>	<b>-35%</b>	<b>Meet minimum standards</b>
	 <b>Systems</b>		 <b>GMS</b>				
	ISO 14001 certification		GMS compliance				
	% of sites certified		% compliance with RB social standards				
<b>2020 Target</b>	<b>100% (&amp; maintain certification)</b>		<b>100%</b>				