

## Equity Research

November 18, 2014

### April Scee

(212) 527-3567  
ascee@btig.com

### Abhinav Kapur

(212) 527-3521  
akapur@btig.com

## BTIG Consumer Staples

### CHURCH AND DWIGHT CO., INC

**Fairly Valued on an As-Is Basis, but We See \$14 in Strategic Potential; Initiate with Buy**

We like Church's Mega Brand Strategy, we believe organic will accelerate in F15, that margins should also be strong in F15, and that a transformational acquisition is likely. Although biz looks fairly valued, we est. \$2bn of transactional potential and with a 60/40 probability in the next 12-18mo; this adds \$14 to our valuation and we initiate with a **Buy/tgt \$84**.

#### CHD

**\$74**

12 month target

\$84

Upside

15%

#### BUY

52 week range

\$61 - \$75

Market Cap (m)

\$9,923

- ▶ **Mega Brands help sales via halo mktg & profit with mktg efficiency.** 9 out of 80 brands make 80% of revenue. Focus now on 4 Mega Brands on which 74% of all marketing is spent & all of which could expand into add'l adjacencies, harnesses halo marketing & improves marketing efficiency. Could add 100bps top line & 20-30bps of margin thru F18.
- ▶ **Better US, price wars abating, & F14 launches to drive F15 organic.** F14 was best year of innovation/introductions we've seen from Church. Arm & Hammer grew share for the 19th straight Q and OxiClean consumption is up 35%. Still, we believe an extremely tough backdrop created a 2-3pt drag in F14. With US getting better, price wars abating, and carry-over benefit of big launch year, we believe our 3% organic est could be conservative.
- ▶ **Big margin upside unlikely longer-term, but F15 should be strong.** We assume margins improve 80bp in F15 on easy comps, better U.S. consumer, & margin improvements on acquired Lil' Drug Store as CHD integrates it into the base and strips out costs.
- ▶ **Transformational M&A likely & could add \$14 to valuation.** \$2bn of firepower & mgmt anxious to deploy it. We believe most recent deal is better than market thinks and that an and transformational deal is likely. History suggests CHD can integrate & push out costs quickly, we believe adding \$14 to valuation.
- ▶ **Valuation:** 50% Relative/50% DCF yields a \$84 price target. Our target also includes \$14 in potential transaction value at a 60% probability.

## Estimates

	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	FY15 E
Sales	779	788	805	823	3,194	782	808	842	852	3,284	3,375
Gross Margin (%)	44.9%	44.6%	45.4%	45.2%	45.0%	43.4%	44.1%	43.7%	45.4%	44.2%	44.9%
EBIT (Adj.)	169	141	168	145	622	162	138	177	170	647	692
Diluted EPS (Adj.)	0.76	0.61	0.76	0.65	2.79	0.73	0.65	0.85	0.80	3.02	3.29
Net Income	108	87	108	92	394	103	89	116	109	416	442

Source: BTIG Research Estimates and Company Documents (\$ in millions, except per share amount)

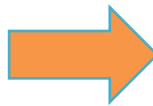
Adjusted values exclude one-time items.

**Please Read: Important disclosures and analyst's certification appear in Appendix**

## Power Brands



## Mega Brands



## Other Brands



Source: Company Documents

## Key Debates

### How Much Value Does Mega Brands Strategy Create?

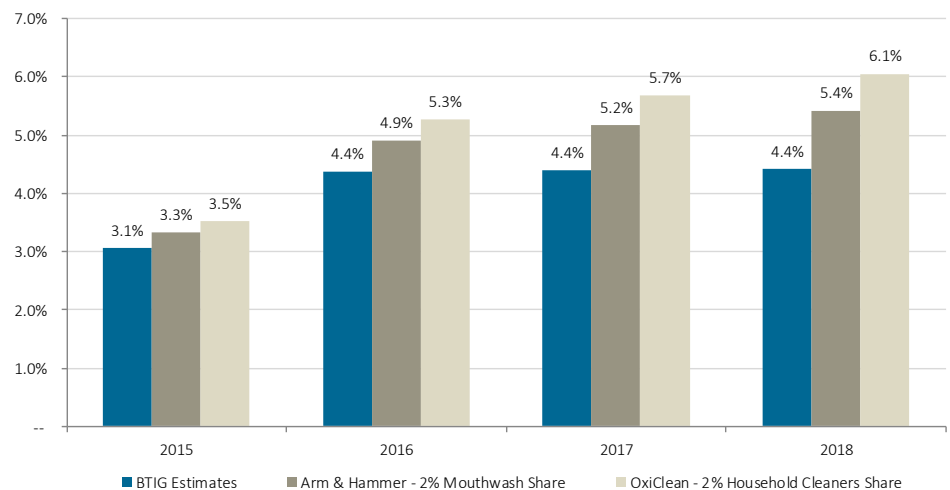
CHD has 80 brands overall but 9 of them generate 80% of the revenues. Focusing on these 9 Power Brands has allowed Church to focus resources disproportionately on brands that move the needle and in 4Q13, Church further narrowed its focus to 4 Mega Brands, all of which truly stand for something (increasingly important, as we discuss in [Breaking Barriers](#)) & which have the power to expand into additional adjacencies. This could add 100bps top line & 20-30bps of margin expansion annually through F18.

**Mega Brands help sales via halo mktg & profit with mktg efficiency.** We've already seen how effectively Church's focus on Mega Brands has driven shares. Over the past few years, Church has been a net share gainer in its Power Brands. We believe the Mega

Brand focus promises to further stimulate growth in key brands as an innovation in any of Arm & Hammer's products, for example, provides a halo effect for the Arm & Hammer brand across all categories.

Take the example of OxiClean's launch into automatic dishwashing. Although the launch just occurred at the beginning of 2014, OxiClean has already gained 2%+ share in the category or \$11m in retail spend. Let's assume OxiClean only has the Extreme Power Crystals (liquid dishwashing & additives). In this instance, a \$10m investment (for example) in marketing behind product launch would have had a >3x return (in terms of retail sales) in the 11 months since launch. However, given OxiClean is a Mega Brand, we must also factor in the rise in share across the OxiClean portfolio. We estimate this adds an additional \$95m in the retail sales and improves the return on the marketing investment to >9x.

### Further Adjacencies for Mega Brands Could Meaningfully Enhance Growth



Source: BTIG Research Estimates, Euromonitor International.

Note: Arm & Hammer – 2% Mouthwash Share scenario assumes brand extension into \$1.7bn category from F15-F18 with 50bp in share gains per year. North American Mouthwash category growing at 2.3% F15-F18 CAGR.

Note: OxiClean – 2% Household Cleaners scenario assumes brand extension into \$2.8bn category from F15-F18 with 50bp in share gains per year. North American Mouthwash category growing at 1.1% F15-F18 CAGR.

**Mega Brands have already demonstrated their value to the portfolio.** For all four Mega Brands, we can point to recent innovations that have driven share gains and, for most, can imagine further categories each brand could penetrate. As a result, we have high hopes for this strategy. We've only detailed two potential category combinations (see chart on previous page), but we believe numerous other opportunities exist (Trojan & the L'il Drug Store Brand Products, OxiClean & Wipes, VitaFusion & OTC supplements, etc). Assuming Church spends the majority of its marketing on innovation launches, and assuming share lifts we've seen historically, we can see Mega Brand innovations generating \$40m-\$60m or 100-150bp of top line growth by 2018. And, while we acknowledge this will be partially be offset by share losses elsewhere (especially where brands are not supported), we see potential to accelerate organic growth from an average of ~3.5% the past 4 years to ~5% through 2018.

- ▶ **Arm & Hammer Mega Brand -- 12 categories, #24 largest advertiser.** Although the Arm & Hammer brand is 160 years old, it continues to grow high single digits, partially due to outsized advertising and, in turn, ability to harness brand power to expand into new adjacencies. We suspect Arm & Hammer will always be Church's largest Mega Brand, at 45% of consolidated revenue and currently 4x larger than OxiClean. Arm & Hammer spans at least 12 categories, including eye care (Simply Saline), baking, cleaning products, auto dishwashing, toothpaste, deodorant, freezer deodorizer, rug/carpet deodorizer, cat litter, puppy pads, detergents, and fabric softener. We don't think it's done, as we can imagine Arm & Hammer entering additional adjacencies.
- ▶ **OxiClean has made big strides recently.** In 2014, Oxi-Clean expanded into laundry, automatic dishwashing, and bleach alternatives, and given the emotional connection many consumers have with the brand, we believe it stands for more than just spot treatment and could potentially span most of the “clean” categories in which Arm & Hammer participates in, in a more premium positioning. This could be meaningful — think kitchen and bathroom cleaners, think toilet cleaners, think grout cleaners (don't just clean it....OxiClean it).
- ▶ **Vitamin brands possibilities seem fairly extensive.** The tagline “we make nutrition taste good” provides both brand meaning and brand flexibility —this tagline becoming the brand enables Church & Dwight to introduce new brand names as necessary as concept travels into more distant adjacencies. We believe not only does brand name not need to be VitaFusion or L'il Critters, but delivery also need not be gummies. The tag line opens Church up to any delivery mechanism and any brand name combination as long as the product makes horrible-tasting-but-good-for-you products more palatable to children or adults. Possibilities include supplements and minerals, or at a more extreme read, cold medicines and other OTC medicines.
- ▶ **Trojan not clear, but Mega Brand status hints mgmt sees adjacencies we don't.** Our best guess is that the newly acquired L'il Drug Store Brand Products will adopt Trojan branding due to the Lubricant overlap (as will their European counterpart to these brands)...but we could just as easily see these slotting into the pregnancy/ovulation business (First Response), so perhaps they all get tied together under the Trojan brand.

**Margin benefit from Mega Brand focus could also be meaningful.** Despite its relatively small size, Church and Dwight is the 13th largest advertiser in the US among CPG companies. And, although Arm & Hammer generates only \$1bn in retail sales, the brand is the 24<sup>th</sup> largest advertiser out of the top 100 brands in America. We believe Church is able to over-index on marketing for its Mega Brands because, in the case of Arm & Hammer, it already spans multiple categories and in the case of other brands, because that is the intention. As a result, any/all advertising spend on a given category has reverberations for the brand overall. Although we would not expect Church's advertising spend to increase as a % of sales, we do believe this increased focus on marketing brands with greatest potential could meaningfully increase productivity/efficiency of spend.

## How Strong Will Organic Revenue Be in F15 on Tough Comps?

*F14 was the best year of product innovation and category introductions we've seen from Church so we are lapping very strong innovation. As a result of this innovation, we estimate Arm & Hammer grew share for the 19th straight Q and OxiClean consumption is up 35% over last year. Despite this, Church's organic growth rate is below historical levels given an extremely tough backdrop which caused its categories to remain roughly flat vs a history of 2-4%. With the US consumer getting a little bit better, price wars likely to lessen, and carry-over benefits of a big launch year, we think our 3.1% organic estimate could prove conservative.*

**A "smidge more optimistic" on the U.S. helps a lot given geographic mix.** Nearly 75% of Church's revenues and 80% of profits are generated in the U.S. Given weakness of the U.S. consumer, Church's weighted average category growth in F14 was well below historical average of 2-4%. In 1Q, its categories were down on average 0.8%, flat in 2Q, and up only 0.8% in 3Q. Given Church's comments about growing optimism in the U.S., combined with similar comments across the peer group, we believe industry growth could return to the bottom end of historical growth levels (2%) or perhaps better in F15. In F14, Church was able to grow ~3% organically, at least 200bp better than its markets. As a result, it seems likely that Church will grow at least 4% organic growth in F15, providing upside to our current estimate of 3.1%.

**Price wars could abate, as promo only rents share & small only gains.** The price wars in several of Church's categories, particularly in Laundry, over the past 6+ quarters could be coming to an end. Historically, price wars tend to last longer than they should, as they generate only short-term share gains and can be detrimental to both brand and longer-term share. As this lesson proves itself out (again), the pressure on pricing should begin to abate. This is even more likely if Church and other companies' recent comments about a stronger US consumer play out. Further, with Procter now more focused on its Purge and consolidating power behind the brands that will remain, we believe Procter becomes a tougher competitor but on innovation. Innovation led competition tends to lift category growth, beneficial to all as excitement returns to the category.

## Arm & Hammer 2014 Innovations



Source: Company Documents

Continued benefits from F14's launches should continue to benefit F15. F14 was perhaps the best year of product innovation and category introductions we've seen from Church. As a result, we estimate the Arm & Hammer brand grew share for the 19th straight Q and OxiClean consumption is up 35% over last year.

- ▶ **Arm & Hammer Clump & Seal** (cat litter specially formulated to provide exceptional odor control) was the first of the big F14 launches, we believe near the end of Q1. The introduction helped drive the cat litter category to 8% growth and Church's cat litter business grew +20% or more in both the 2nd and 3rd Qs.
- ▶ **Arm & Hammer Truly Radiant** (toothpaste & power toothbrush; removes surface stains to whiten teeth in just two days) launched in Q1 and has achieved the best sales growth for the brand since '10, helped CHD achieve 5 of the top 10 SKUs for adults in battery-powered toothbrushes.
- ▶ **Arm & Hammer Scentsations** (laundry detergent that gives clothes the pristine freshness of the great outdoors) launched in June (the best new product innovation since Arm & Hammer with OxiClean) and helped deliver the 18<sup>th</sup> consecutive Q of Arm & Hammer liquid laundry share growth year-over-year.

## OxiClean 2014 Innovations



Source: Company Documents

- ▶ **OxiClean Laundry** (Oxi's first launch in the laundry category beyond spot treatment) launched in 2Q and it's already achieved a 1.2% dollar share and is 80% incremental to CHD's total laundry franchise .
- ▶ **OxiClean Extreme Power Crystals** (Oxi's first foray into the automatic dishwashing category) launched in 2Q and is already the #3 brand in the category (ahead of Colgate Palmolive) with 2.4% dollar share
- ▶ **OxiClean White Revive** (Oxi's entry into the bleach alternative category, which helps not only expand into a product adjacency but into a new aisle at retail)

launched in 2Q and has already achieved 2.4% dollar share of the market and is over 70% incremental to the overall OxiClean business

### What Can Margins Get to Longer-Term?

*Although it's hard to see significant upside to operating margins longer-term, we believe F15 will be a strong year for margins due to easy gross margin comps, potential mix shift toward premium, and margin improvements on acquired Lil' Drug Store Products acquisition as Church integrates it into the base and strips costs out.*

**Strong cost control but peer-leading margins, so little expansion modeled.** Church is one of those companies that does not believe in company cars, planes, or golf club memberships. They also have the highest revenue per employee in CPG, which helps fuel their above peer operating margins. Church already boasts 20% operating margins. Procter's Home business, by comparison, has 17–18% margins, Clorox has 18–19% and Henkel's Home business is between 16–17% (even before allocating corporate expenses). As a result, we believe market expectations are relatively low on margin expansion versus Church's historical growth track record. We model only ~35bp annual expansion through F18, suggesting upside if Church's strong track record continues. Assuming they market a new Mega Brand innovation at the same level as their recent successes (14.5% of sales), we estimate CHD can add >100bps of share and 10bp of operating margin expansion based on the "halo effect."

**Easy gross margin comps should help drive 2015.** Gross margins are king at Church and the focus remains on continuous improvement fueled by their Good to Great methodology. This has led margin expansion of 1,600bp over the last 10 years (600bp since 2007) from such activities as cost optimization, reformulation, resizing, reducing packaging and supply chain improvements. Despite progress already made, we expect continued benefits from each bucket going forward and believe that, as Church has stated in the past, it can get to its 50% gross margin goal from 44% currently. Above average expansion in F15 should be facilitated by easy comps against a heavy year of slotting fees in F14 to support what was the most aggressive innovation launch schedule we can remember seeing from Church.

### What Will M&A Look Like?

*Church has \$2bn of firepower and a management team anxious to deploy it. We believe Church's most recent acquisition (Lil' Drug Store Products) is more attractive than market credits them with, that attractive acquisition targets still abound, that a transformational deal is likely near term and that history suggests Church will do a great job of integrating the business and pushing out costs. On very simplistic assumptions, we assume that there's a 60% probability that Church spends the full \$2bn in firepower. This should yield a >\$5bn revenue company with ~21.5% margins growing >8% per year by F18 (with upside under Church's management). This would add 15% to valuation.*

**M&A credentials are strong** Church has repeatedly told us it only buys #1 and #2 brands. It buys brands with high growth and higher margins. Indeed, it has acquired 3 of its 4 Mega Brands and all of its Power Brands, a fact we believe reinforces the discipline of this management team. Management also emphasizes that all acquisitions be accretive by year 2 (unless entering a new geographic market and they believe it's the right long-term strategy).

## M&A History

Type	Announced	Target	Acquirer	Seller Name	Value (\$m)	Payment Type	Deal Status
M&A	9/22/2014	Various brands/Lil' Drug Store Products	Church & Dwight Co Inc	Lil' Drug Store Products Inc	N/A	Cash	Completed
M&A	8/20/2012	Avid Health Inc	Church & Dwight Co Inc		650	Cash	Completed
M&A	11/9/2011	QGN Participacoes SA	Church & Dwight Co Inc		3.41	Cash	Completed
JV	9/22/2011	Natronx Technologies LLC			N/A	Undisclosed	Pending
M&A	6/28/2011	Batiste	Church & Dwight Co Inc	Vivalis Ltd	N/A	Cash	Completed
M&A	5/11/2010	Simply Saline Brand	Church & Dwight Co Inc	Blair Laboratories Inc	N/A	Cash	Completed
M&A	3/11/2010	Brillo	Armaly LLC	Church & Dwight Co Inc	N/A	Cash	Completed
M&A	2/5/2010	Lambert Kay	PBI-Gordon Corp	Church & Dwight Co Inc	N/A	Cash	Completed
M&A	4/1/2008	Del Pharmaceuticals Inc	Church & Dwight Co Inc	BWT Wassertechnik GmbH	380	Cash	Completed
M&A	10/17/2007	USA Detergents Inc	Titan Global Holdings Inc	Church & Dwight Co Inc	N/A	Undisclosed	Completed
M&A	7/17/2006	Orange Glo International	Church & Dwight Co Inc		325	Cash	Completed
M&A	9/14/2005	SpinBrush toothbrush business	Church & Dwight Co Inc	Procter & Gamble Co/The	75	Cash	Completed
INV	5/6/2004	Armkel LLC	Church & Dwight Co Inc	Kelso & Co LP	254	Cash	Completed
M&A	9/10/2003	US/Canada oral care brands	Church & Dwight Co Inc	Unilever NV	103.61	Cash	Completed
M&A	4/2/2001	USA Detergents Inc	Church & Dwight Co Inc		79.28	Cash	Completed
INV	6/14/2000	USA Detergents Inc	Church & Dwight Co Inc		10	Cash	Completed
M&A	10/28/1999	Clean Shower	Church & Dwight Co Inc		N/A	Undisclosed	Completed
M&A	10/28/1999	Scrub Free	Church & Dwight Co Inc	Benckiser NV	N/A	Undisclosed	Completed
M&A	6/16/1999	Quimica Geral do Nordeste SA	Church & Dwight Co Inc		9.1	Undisclosed	Completed
M&A	7/10/1997	5 HOUSEHOLD CLEANING BRANDS	Church & Dwight Co Inc	Dial Corp/The	30	Undisclosed	Completed
INV	6/13/1997	Quimica Geral do Nordeste SA	Church & Dwight Co Inc		N/A	Undisclosed	Completed
M&A	6/13/1997	2 Brazilian chemical cos	Unnamed Buyer	Church & Dwight Co Inc	N/A	Undisclosed	Completed

Source: Company documents, Bloomberg, BTIG Research estimates.

**Most recent acquisition seems off track to some, we disagree.** Some have argued the acquisition of Lil' Drug Store Products seems out of whack with Church's oft-stated acquisition criteria. Although we will admit to never having heard of any of Lil' Drug Store's brands, we have learned that repHresh and Replens are both number one brands and although the lubricant category isn't growing very quickly overall, these sub-categories are. We believe Church can easily integrate this business with its pregnancy/ovulation business (or its Trojan business), remove duplicative costs, expand distribution and grow these brands faster than its consolidated growth rate. Although this will not help organic growth for another year, it should benefit margins near-term.

## Transaction Optionality Adds on Average ~20% to DCF Valuation

		Transformational Deal Probability			
		40%	60%	80%	100%
Multiple of Target Revenue	1.5x	12.3%	19.1%	27.2%	35.3%
	1.7x	9.6	16.4	24.5	31.3
	1.9x	8.3	15.0	20.4	27.2
	2.1x	6.9	12.3	19.1	24.5
	2.3x	5.6	11.0	16.4	21.8

Source: Company reports, BTIG Research Estimates, Bloomberg.

Note: Assumes CHD uses full \$2bn in firepower in 3Q15. 1.9x represents historical average Deal Value / Target Revenue (where data available). Assumes CHD does a transaction additive to its Consumer Domestic segment.

**\$2bn of M&A firepower and a management team anxious to deploy it.** Management has mentioned, on several occasions, that it continues to believe that M&A is the best way for it to deliver returns to shareholders. It has also stressed that it has \$2bn in firepower & is actively pursuing acquisitions in a “hot” market. To facilitate conversion on M&A, CFO Farrell recently added COO to his responsibilities, freeing up CEO Craigie's time to, among other things, push forward on the M&A search. We estimate that there's a 60% chance that CHD pays 1.9x target revenue (their historical average). Assuming they add this new company to their Consumer Domestic portfolio (at a 20% margin), we estimate this would add 15% to our DCF valuation.

**We believe management would do a transformational deal if available.** Church has done material acquisitions in the past. We believe that a transformational deal would be attractive to investors as, assuming the right property is acquired, it could accelerate both growth and margin expansion meaningfully. We believe Church has the necessary management strength, including a strong cohesive team of “lifers” that run the 8 strategic business units, to integrate any acquisition quickly. Standard operating practice for Church is to get rid of all unnecessary employees within 90 days of closing and to bring the products into its own plants within 12 months. We believe this is a competitive advantage in M&A execution, and increases our confidence in their ability to effectively scale if they were to use their current firepower.

## Management



James R. Craigie –  
Chairman & CEO (60)

CEO since 2004 & Chairman/ CEO since 2007. 1999 - 2003, President/ CEO of Spalding. 1983 - 1998, various senior management positions with Kraft.



Mark G. Conish – EVP,  
Global Operations (61)

EVP, Global Ops since May-07. Dec-04 to May-07, VP, Global Ops, and Jul-99 to Dec-04, VP, Operations. At Church since 1975.



Steven P. Cugine – EVP,  
Global New Products  
Innovation (51)

EVP, Global New Products Innovation & President, International Consumer Products since Jul-13. From May-07 to Jun-13, EVP, Global New Products Innovation.



Matthew T. Farrell – EVP,  
CFO (57)

EVP Finance & CFO since May-07 and from Sept-06 to May-07, VP & CFO. Prior, EVP & CFO of Alpharma Apr- 02 to Aug-06.



Paul A. Siracusa, PhD –  
EVP, Global R&D (57)

EVP, Global Research & Development since May-07 and VP, Global Research & Development Mar-05 to May-07. Prior, SVP & Development for Playtex Mar-00 to March-05

*Source: Company website, Company filings.*

## Risks

Slower category growth despite increased marketing spend

M&A execution is worse than expected

Macro slowdown in U.S. given high exposure

Historically dependent on acquisitions

Dependent on one mass customer, so any destocking could be meaningful

## Guidance

### Outlook for 2014 and 2015

- ▶ **2014 EPS** range to 8% growth (\$3.01); organic ~3% , gross margin down 75bp; operating margin up. Assumes no impact from recent M&A as incremental cash earnings offset by intangible amortization / transition costs.
- ▶ **4Q14:** organic ~3%; gross margin expand; EPS \$0.78 (+20% -- 10% of which is absence of impairment charge, lower share count, and lower litigation costs).
- ▶ **2015** planning finalized next several months. EPS +hsd, incl Fx. Will mark 2<sup>nd</sup> year of quest to establish OXICLEAN as our next megabrand."

**Recent Acquisition (Sept 14):** Women Health Care brands, incl. REPHRESH and REPLENS from Lil' Drug Store Products, Inc. (1) #1 brands in niche categories (REPHRESH #1 gel for pH balance/vaginal health, REPLENS #1 brand for vaginal moisturizing); (2) asset- light; (3) growing, & (4) gross margin accretive. Acquisition aligns with global women's health & complementary to TROJAN lubricant biz.

- ▶ LTM sales as 6/30/14 ~\$46m. Asset purchase → \$55m cash tax benefit.
- ▶ LTM EBITDA ~\$17m.
- ▶ Financed with debt
- ▶ Earnings neutral '14, 2c accretive rptd '15 EPS, 6c accretive '15 cash earnings.

## Valuation

**\$84 target is based on a 50% relative / 50% DCF valuation (15% upside).**

- ▶ **\$82 relative** assumes multiple of 25x our NTM EPS estimate of \$3.24
- ▶ **\$71 DCF value** assumes medium-term organic topline growth of ~4% (off \$3.26bn LTM-2014 revenues), average op margin ~22% (off LTM-2014 ~20% EBITA margin)
- ▶ **We factor in an incremental \$14 per share** based on 60% probability that CHD does a transformative acquisition using its \$2bn in M&A firepower

**At ~\$74/share, we believe market discounting +4-5% topline & 20-21% op margin.**

## THESIS

**Thesis.** We like Church's new Mega Brand Strategy, we believe organic will accelerate in F15, that margins should also be strong in F15 and that a transformational acquisition is likely. Although biz looks fairly valued as is, we estimate \$1bn of transactional potential and with a 60/40 probability in the next 12-18mo, this adds \$14 to our valuation and we initiate with Buy and a \$84 price target.

### Key Debates:

- How Much Value Does MegaBrands Strategy Create?** Megabrands help sales via halo mktg & profit with mktg efficiency. 80 brands but 9 were generating 80% of revenues. Focusing now on 4 Mega Brands, all of which have power to expand into add'l adjacencies, harnesses halo of marketing across brand & increases marketing efficiency. Could add 150bps top line & 30bps of margin by F18.
- How Strong Will Organic Revenue Be in F15 on Tough Comps?** Better US, abating price wars, & F14 launches to drive F15 organic. F14 was best year of innovation/introductions we've seen from Church. Arm & Hammer has grown share YoY for the 19th consecutive Q and OxiClean consumption +35%. Still, we believe an extremely tough backdrop created a 2-3pt drag in F14. With US getting better, price wars likely to lessen, and carry-over benefit of big launch year, we believe our 3.1% organic est could be conservative.
- What Can Margins Get to Longer-Term?** Big margin upside unlikely longer-term, but F15 should be strong. We assume margins improve 80bp in F15 on easy gross margin comps, better U.S. consumer improves, & margin improvements on acquired Lil' Drug Store as Church integrates it into the base and strips out costs.
- What Will M&A Look Like?** Transformational M&A likely & could add 15% to valuation. \$2bn of firepower & management anxious to deploy it. We believe most recent acquisition better than market believes, that attractive M&A targets still abound, and a transformational deal likely. History suggests Church will integrate & push out costs quickly, we believe adding \$14 to valuation.

### Positives/Opportunities:

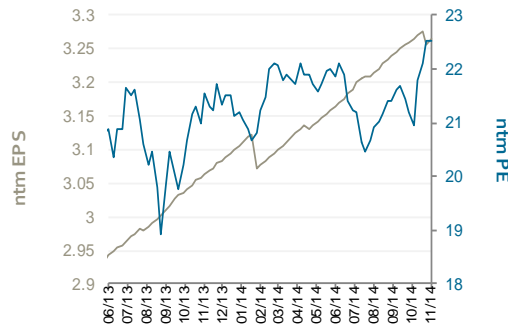
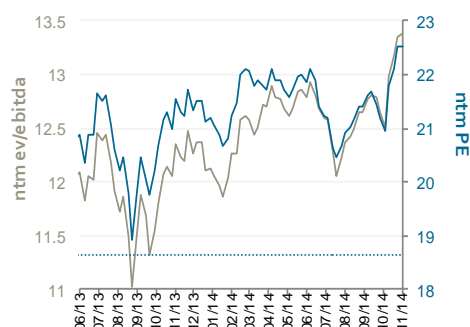
- 75% of biz = US, on which mgmt "a smidge more optimistic"
- 55% premium / 45% value = recession resistant(ish)
- Best-in-class op margins, with continued expansion goals
- Strong innovation chops have meaningfully increased share
- New mega-brand focus increases potency of marketing spend
- Strong FCF (\$400m+/yr) funds continued M&A potential
- Strong management + 8 strategic business unit leaders = lifers

### Negatives/Risks:

- laundry environment fragile; cost of doing biz elevated
- relies on M&A to maintain growth algorithm and multiple
- Slow categories (-1% 1Q, flat 2Q, +1% 3Q) vs 2-4% prior
- Competitive pressure in laundry continues/cost of biz up
- Tougher comps in Specialty for F15, volatile biz
- <5% EM exposure means growth algorithm requires M&A
- In better macro, consumer could trade back up
- Recent weakness in vitamin category

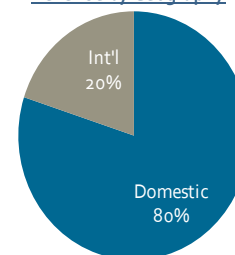
## VALUATION

Fairly valued as is, but we estimate \$2bn of transactional potential, adding \$14 to our valuation. Target = \$84

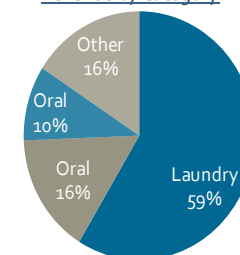


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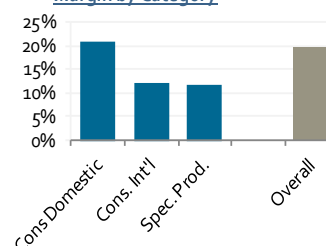
### Revenue by Geography



### Revenue by Category



### Margin by Category



### Organic Growth

		Consumer		Spec	Total
		Dom	Int'l	Prod	Co
F13 A	Mar-Q	1.4%	5.2%	0.8%	2.0%
	Jun-Q	2.5%	6.3%	-11.2%	1.8%
	Sep-Q	0.8%	3.7%	3.7%	1.6%
	Dec-Q	2.9%	0.3%	0.7%	2.3%
F14 E	Mar-Q	0.4%	0.0%	12.4%	1.2%
	Jun-Q	0.7%	3.9%	22.9%	2.9%
	Sep-Q	3.5%	1.7%	22.1%	4.7%
	Dec-Q	1.5%	5.5%	25.5%	4.0%

- Business Mix:** Church and Dwight's 4 Mega Brands and 5 Power Brands span a host of categories, including Laundry Detergent, Toothpaste & Cat Litter (Arm & Hammer), Condoms & Lubricants (Trojan), Bleach, Dishwashing and Laundry Additives (OxiClean) and Vitamins/Dietary Supplements (L'il Critters/VitaFusion). They hold strong positions in most of these categories, and the Mega Brands contribute 60% of sales and take 74% of marketing spend (#1 Laundry Additives, #2 Laundry Care overall, #3 Power Tooth Brushes, #4 Toothpaste, #5 Deodorants).
- Geography:** 80% of sales are to customers in the U.S., giving them significantly higher exposure than the rest of the peer group (~40%).
- Input costs:** Commodity costs have been high in F13 relative to recent years, specifically resin, diesel fuel and oil-based raw and packaging materials. We estimate resin will remain high, and the company already called out that the cost of resin in particular is one of the significant offsets to gross margin expansion
- Fx:** The company's high U.S. exposure insulates it from Fx headwinds in this strong-dollar environment. Currency was a 50bp benefit in F13 and we estimate it to have no impact in F14.
- M&A:** Significant M&A, with management vocal about having \$2bn in firepower and looking for a way to use it. 3 of the 4 MegaBrands were acquired and scaled effectively (only Arm & Hammer - the original Mega Brand for CHD) while the remaining 5 Power Brands (First Response, Orajel, Nair, SpinBrush & Xtra) were all targets as well. We don't model in potential M&A activity, but given the historical success and management's strict adherence to its criteria (higher growth, higher margin brands, asset light, sustainable competitive advantage), we factor a 60% probability for a transformational deal, and think it could add +15% upside to our valuation.

						Stock Performance				EPS Momentum		NTM Multiples					Historical Multiples						Other					
						YTD		LTM				P/E			EV/EBITDA		P/E			EV/EBITDA			DEBT	Yields		Sentiment		
	Market Cap (USD m's)	RATING	Current Price	Target	Return	YTD Δ	v. Sector	LTM Return	v. Sector	EPS 6mo Δ	Exp EPS Gr	Current P/E	PE / Growth	P/E v Hist	EV/EBITDA	v. History	AVG	HI	LOW	AVG	HI	LOW	ND/EBITDA	FCF Yld	Div Yld	% Buy	% Sell	14D RSI
HPC						-7%		-1%		-5%	8%	18x	2.2x	8%	11x	13%	17x	24x	8x	10x	10x	6x	1.7x	5%	2%	44%	11%	57
BEV						1%		14%		-3%	8%	19x	2.7x	22%	13x	25%	16x	22x	8x	10x	10x	6x	2.5x	4%	2%	39%	16%	60
ABI BB	\$179,839	Neutral	€ 89			-2%	-2%	18%	4%	-2%	6%	20x	3.2x	21%	12x	30%	16x	21x	5x	9x	9x	3x	2.5x	6%	2%	50%	10%	59
AVP	\$4,303	Buy	\$10	\$16	64%	-15%	-8%	-41%	-40%	-9%	7%	11x	1.7x	-36%	7x	-28%	18x	26x	9x	9x	9x	3x	4.4x	12%	2%	33%	0%	32
BEI GY	\$21,712	Buy	€ 69	€80	17%	-4%	4%	-6%	-5%	-2%	8%	25x	3.2x	10%	15x	19%	23x	29x	14x	13x	13x	8x	-1.6x	1%	1%	37%	22%	65
BF/B	\$19,994	Buy	\$94	\$102	10%	19%	18%	27%	13%	2%	10%	27x	2.8x	35%	18x	35%	20x	28x	12x	13x	13x	9x	0.5x	3%	1%	44%	17%	65
CARLB DC	\$13,470	Buy	kr.517	DKK708	38%	-10%	-11%	-9%	-23%	-9%	7%	13x	1.9x	-4%	9x	7%	14x	22x	5x	8x	8x	5x	2.6x	3%	1%	26%	29%	49
CHD	\$9,930	Buy	\$74	\$84	15%	4%	12%	15%	16%	-1%	10%	23x	2.2x	25%	13x	30%	18x	24x	12x	10x	10x	8x	0.9x	5%	2%	42%	13%	66
CL	\$61,948	Buy	\$68	\$75	12%	-1%	7%	7%	7%	-5%	9%	22x	2.4x	7%	14x	23%	20x	39x	13x	11x	11x	8x	1.2x	4%	2%	26%	3%	60
CLX	\$13,040	Neutral	\$101			-5%	2%	12%	13%	-1%	7%	22x	3.3x	23%	13x	26%	18x	29x	11x	10x	10x	8x	1.6x	5%	3%	10%	35%	60
COTY	\$6,805	Buy	\$19	\$23	20%	-2%	6%	25%	26%	2%	9%	21x	2.3x	13%	11x	19%	19x	22x	16x	10x	10x	8x	8.4x	4%	0%	50%	7%	69
DGE LN	\$74,916	Buy	1,905p	2,042p	10%	-7%	-8%	-3%	-18%	-10%	5%	19x	3.9x	24%	15x	23%	15x	19x	10x	12x	12x	9x	2.3x	2%	3%	38%	18%	71
EL	\$27,344	Buy	\$72	\$85	19%	-11%	-4%	0%	1%	-8%	11%	23x	2.1x	15%	12x	20%	20x	26x	10x	10x	10x	5x	0.0x	4%	1%	60%	4%	37
ENR	\$7,732	Neutral	\$125			-7%	1%	21%	21%	-5%	6%	17x	2.9x	30%	10x	24%	13x	20x	5x	8x	8x	6x	1.8x	7%	2%	53%	0%	57
HEIA NA	\$44,076	Neutral	€ 61			3%	2%	21%	6%	4%	12%	18x	1.5x	25%	10x	23%	15x	19x	8x	8x	8x	5x	2.7x	5%	2%	31%	17%	62
HEN3 GY	\$43,030	Neutral	€ 83			-7%	0%	3%	4%	1%	8%	18x	2.3x	20%	11x	20%	15x	19x	8x	9x	9x	6x	-0.3x	4%	1%	49%	10%	68
HLF	\$3,518	Buy	\$38	\$55	45%	-27%	-20%	-43%	-42%	-22%		7x		-45%	6x	-21%	13x	21x	4x	7x	7x	0x	1.8x	13%	2%	57%	0%	38
JAH	\$8,597	Buy	\$67	\$78	16%	-2%	5%	22%	23%	0%	12%	15x	1.2x	35%	11x	41%	11x	17x	3x	8x	8x	5x	5.4x	4%	0%	82%	6%	69
KMB	\$42,311	Neutral	\$114			6%	13%	13%	14%	-7%	7%	19x	2.5x	28%	11x	23%	14x	19x	10x	9x	9x	7x	1.3x	5%	3%	14%	5%	68
NUS	\$2,329	Neutral	\$39			-40%	-33%	-65%	-64%	-39%	17%	9x	0.6x	-32%	5x	-28%	14x	23x	5x	7x	7x	4x	0.0x		1%	60%	10%	33
NWL	\$9,619	Buy	\$35	\$38	9%	-8%	0%	22%	22%	2%	10%	16x	1.6x	20%	11x	34%	14x	22x	4x	9x	9x	5x	2.5x	5%	2%	83%	0%	62
OR FP	\$92,752	Neutral	€ 132			-6%	1%	7%	8%	0%	8%	22x	2.7x	7%	14x	5%	21x	26x	13x	14x	14x	9x	-0.2x	4%	2%	40%	21%	68
ORI SS	\$1,017	Neutral	SEK138			-21%	-13%	-32%	-31%	1%		12x		-17%	8x	-23%	14x	20x	7x	10x	10x	6x	2.2x	6%	4%	29%	12%	55
PG	\$237,651	Buy	\$88	\$92	8%	-1%	6%	7%	8%	-4%	9%	20x	2.3x	5%	13x	19%	19x	34x	11x	11x	11x	8x	1.2x	5%	3%	45%	6%	57
RB/ LN	\$58,855	Neutral	5,230p			2%	9%	11%	11%	-1%	4%	19x	5.2x	16%	15x	20%	17x	22x	1x	12x	12x	9x	0.8x	5%	3%	32%	23%	58
RI FP	\$30,555	Neutral	€ 92			2%	1%	6%	-8%	0%	11%	18x	1.7x	18%	13x	10%	15x	19x	8x	12x	12x	7x	3.7x	3%		44%	19%	57
SAB LN	\$88,967	Neutral	3,525p			-3%	-4%	11%	-3%	-5%	7%	21x	2.8x	28%	15x	37%	16x	22x	8x	11x	11x	6x	2.3x	4%	2%	29%	21%	56
TAP	\$14,328	Neutral	\$76			5%	4%	45%	30%	0%	5%	18x	3.8x	27%	12x	32%	14x	24x	10x	9x	9x	7x	3.2x	7%	2%	50%	0%	63
ULVR LN	\$120,369	Buy	2,616p	3,116p	23%	3%	11%	9%	10%	-1%	8%	19x	2.5x	30%	12x	20%	15x	20x	3x	10x	10x	7x	1.1x	4%	4%	23%	35%	61
	\$1.2trillion				22%	-5%	0%	4%	0%	-4%	8%	18x	2.5x	12%	12x	16%	16x	23x	8x	10x	10x	6x	1.9x	5%	2%	42%	13%	58

Source: Company Reports, Bloomberg, BTIG Research estimates.

Note: Upside includes projected dividend

Note: All prices in document are of November 18, 2014

CHURCH & DWIGHT	Dec-10	Dec-11	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Dec-16	Dec-17	Dec-18
\$ millions	FY10 A	FY11 A	FY12 A	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	1Q15 E	2Q15 E	3Q15 E	4Q15 E	FY15 E	FY16 E	FY17 E	FY18 E
<b>Income Statement</b>																					
Net revenues	\$2,589	\$2,749	\$2,922	\$779	\$788	\$805	\$823	\$3,194	\$782	\$808	\$842	\$852	\$3,284	\$812	\$830	\$850	\$883	\$3,375	\$3,522	\$3,677	\$3,840
Cost of goods sold	1,431	1,535	1,631	429	437	440	451	1,756	443	452	474	465	1,834	449	458	470	481	1,858	1,940	2,025	2,115
Gross profit	1,158	1,215	1,291	350	351	365	372	1,438	339	356	368	387	1,450	363	372	379	402	1,516	1,583	1,652	1,725
Marketing expenses	338	354	357	79	104	100	118	400	88	113	97	114	412	89	112	103	118	423	434	445	456
Selling, gen & admin	351	368	389	102	107	98	110	416	90	105	94	102	390	93	108	95	106	401	419	437	456
Other operating expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT (underlying)	469	493	545	169	141	168	145	622	162	138	177	170	647	180	152	182	178	692	730	771	813
Memo item: EBITDA	541	570	630	193	163	189	167	713	185	161	199	193	738	204	176	204	201	785	825	867	911
Non-recurring items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring charges	-24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain (loss) on sale of assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating profit (reported)	445	493	545	169	141	168	145	622	162	138	177	170	647	180	152	182	178	692	730	771	813
Interest expense	-32	-13	-11	-7	-7	-7	-7	-28	-7	-7	-7	-8	-28	-7	-7	-7	-7	-28	-33	-38	-43
Interest income	0	1	1	1	1	1	1	3	1	1	1	0	2	0	0	0	0	1	1	1	2
Equity earnings	5	10	9	1	-1	2	1	3	2	3	3	1	9	2	3	3	1	9	9	9	9
Other income, net	0	4	-2	0	-1	0	-1	-2	-1	0	-1	0	-2	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit before tax	418	495	543	163	132	163	139	598	157	135	173	164	629	175	149	178	172	675	708	743	781
Income tax	148	185	193	56	46	55	47	203	54	46	57	55	213	60	51	62	59	233	244	256	269
Net income	271	310	350	108	87	108	92	394	103	89	116	109	416	115	97	117	113	442	463	487	511
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-recurring items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income avail to common	271	310	350	108	87	108	92	394	103	89	116	109	416	115	97	117	113	442	463	487	511
Diluted share count	144	146	143	141	141	141	142	141	141	137	136	136	137	136	135	134	133	135	132	129	126
<b>E.P.S. (reported)</b>	<b>\$1.87</b>	<b>\$2.12</b>	<b>\$2.45</b>	<b>\$0.76</b>	<b>\$0.61</b>	<b>\$0.76</b>	<b>\$0.65</b>	<b>\$2.79</b>	<b>\$0.73</b>	<b>\$0.65</b>	<b>\$0.85</b>	<b>\$0.80</b>	<b>\$3.03</b>	<b>\$0.85</b>	<b>\$0.72</b>	<b>\$0.87</b>	<b>\$0.85</b>	<b>\$3.29</b>	<b>\$3.52</b>	<b>\$3.77</b>	<b>\$4.04</b>
E.P.S. (underlying)	\$1.98	\$2.21	\$2.45	\$0.76	\$0.61	\$0.76	\$0.65	\$2.79	\$0.73	\$0.65	\$0.85	\$0.80	\$3.02	\$0.85	\$0.72	\$0.87	\$0.85	\$3.29	\$3.52	\$3.77	\$4.04
<b>CHURCH &amp; DWIGHT</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Mar-13</b>	<b>Jun-13</b>	<b>Sep-13</b>	<b>Dec-13</b>	<b>Dec-13</b>	<b>Mar-14</b>	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>	<b>Dec-14</b>	<b>Mar-15</b>	<b>Jun-15</b>	<b>Sep-15</b>	<b>Dec-15</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18</b>
<b>Inc Statement Ratios</b>	<b>FY10 A</b>	<b>FY11 A</b>	<b>FY12 A</b>	<b>1Q13 A</b>	<b>2Q13 A</b>	<b>3Q13 A</b>	<b>4Q13 A</b>	<b>FY13 A</b>	<b>1Q14 A</b>	<b>2Q14 A</b>	<b>3Q14 A</b>	<b>4Q14 E</b>	<b>FY14 E</b>	<b>1Q15 E</b>	<b>2Q15 E</b>	<b>3Q15 E</b>	<b>4Q15 E</b>	<b>FY15 E</b>	<b>FY16 E</b>	<b>FY17 E</b>	<b>FY18 E</b>
<b>Growth Analysis (%)</b>																					
Net revenues	2.7%	6.2%	6.3%	12.8%	13.1%	11.0%	1.6%	9.3%	0.3%	2.6%	4.6%	3.5%	2.8%	3.8%	2.7%	0.9%	3.7%	2.8%	4.4%	4.4%	4.4%
Gross profit	2.5%	4.9%	6.3%	15.7%	15.8%	11.5%	3.7%	11.4%	-3.1%	1.5%	0.6%	4.0%	0.8%	6.8%	4.4%	3.2%	4.0%	4.6%	4.4%	4.4%	4.4%
EBIT (underlying)	11.4%	5.0%	10.7%	18.6%	14.8%	15.4%	7.4%	14.1%	-4.3%	-1.6%	5.6%	17.6%	4.1%	11.2%	10.3%	2.6%	4.5%	6.9%	5.5%	5.5%	5.5%
Net income	11.2%	14.0%	13.0%	12.4%	9.2%	14.9%	14.1%	12.8%	-4.7%	2.5%	7.4%	17.8%	5.4%	11.8%	9.8%	0.9%	4.0%	6.3%	4.8%	5.0%	5.0%
E.P.S. (reported)	10.1%	13.3%	15.4%	15.6%	10.1%	15.6%	14.2%	13.9%	-4.5%	5.4%	11.6%	22.6%	8.3%	16.0%	11.6%	2.2%	6.1%	8.6%	7.2%	7.2%	7.1%
E.P.S. (underlying)	14.0%	11.4%	10.9%	15.6%	10.1%	15.6%	14.2%	13.9%	-4.5%	5.4%	11.6%	22.6%	8.2%	16.0%	11.6%	2.2%	6.1%	8.7%	7.2%	7.2%	7.1%
<b>Profitability (%)</b>																					
Gross profit margin	44.7%	44.2%	44.2%	44.9%	44.6%	45.4%	45.2%	45.0%	43.4%	44.1%	43.7%	45.4%	44.2%	44.7%	44.8%	44.7%	45.5%	44.9%	44.9%	44.9%	44.9%
EBIT margin (underlying)	18.1%	17.9%	18.7%	21.7%	17.8%	20.8%	17.6%	19.5%	20.7%	17.1%	21.1%	20.0%	19.7%	22.2%	18.4%	21.4%	20.1%	20.5%	20.7%	21.0%	21.2%
<b>Margin Improvement (bps)</b>																					
Gross profit margin delta	-9 bp	-54 bp	2 bp	112 bp	106 bp	22 bp	92 bp	82 bp	-152 bp	-47 bp	-172 bp	20 bp	-87 bp	125 bp	75 bp	100 bp	15 bp	78 bp	0 bp	0 bp	0 bp
EBIT margin delta	141 bp	-21 bp	74 bp	106 bp	26 bp	80 bp	95 bp	82 bp	-101 bp	-74 bp	20 bp	239 bp	24 bp	147 bp	127 bp	35 bp	15 bp	79 bp	22 bp	22 bp	22 bp
<b>Cost Analysis (%)</b>																					
Cost of goods sold	55.3%	55.8%	55.8%	55.1%	55.4%	54.6%	54.8%	55.0%	56.6%	55.9%	56.3%	54.6%	55.8%	55.3%	55.2%	55.3%	54.5%	55.1%	55.1%	55.1%	55.1%
Marketing expenses	13.1%	12.9%	12.2%	10.1%	13.2%	12.4%	14.3%	12.5%	11.2%	14.0%	11.5%	13.4%	12.5%	11.0%	13.5%	12.1%	13.4%	12.5%	12.3%	12.1%	11.9%
Selling, gen & admin	13.5%	13.4%	13.3%	13.1%	13.6%	12.1%	13.3%	13.0%	11.5%	13.0%	11.1%	12.0%	11.9%	11.5%	13.0%	11.1%	12.0%	11.9%	11.9%	11.9%	11.9%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Interest Rates &amp; Taxes (%)</b>																					
Interest rate on debt	5.5%	4.4%	1.9%	3.2%	3.4%	3.5%	3.3%	3.2%	3.3%	3.4%	3.0%	3.0%	3.3%	3.0%	3.0%	3.0%	3.0%	2.8%	2.9%	2.9%	2.9%
Interest yield on cash	0.1%	0.6%	0.4%	0.9%	1.0%	0.7%	0.5%	0.6%	0.5%	1.2%	0.8%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Reported tax rate	35.3%	37.4%	35.5%	34.0%	34.5%	33.9%	33.8%	34.0%	34.5%	34.2%	33.1%	33.8%	33.9%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%
Effective tax rate	35.3%	34.9%	35.5%	34.0%	34.5%	33.9%	33.8%	34.0%	34.5%	34.2%	33.1%	33.8%	33.9%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%
Tax on exceptional items	35.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.8%	8.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%	34.5%
<b>Dividend Policy</b>																					
Cash dividends per share	\$0.30	\$0.67	\$0.94	\$0.27	\$0.28	\$0.27	\$0.27	\$1.10	\$0.30	\$0.31	\$0.30	\$0.30	\$1.22	\$0.33	\$0.33	\$0.33	\$0.33	\$1.32	\$1.40	\$1.56	\$1.64
Dividend payout ratio	15%	30%	38%	36%	45%	36%	42%	39%	41%	47%	36%	38%	40%	39%	46%	38%	39%	40%	40%	41%	41%

Source: Company documents, BTIG Research estimates

CHURCH & DWIGHT	Dec-10	Dec-11	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Dec-16	Dec-17	Dec-18
\$ millions	FY10 A	FY11 A	FY12 A	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	1Q15 E	2Q15 E	3Q15 E	4Q15 E	FY15 E	FY16 E	FY17 E	FY18 E
<b>Balance Sheet</b>																					
Cash & cash equivalents	\$189	\$251	\$343	\$260	\$274	\$446	\$497	\$497	\$300	\$197	\$370	\$273	\$273	\$260	\$266	\$272	\$283	\$283	\$295	\$308	\$322
Accounts receivable	231	265	303	332	327	324	330	330	344	343	321	342	342	358	352	324	354	354	370	386	403
Inventories	195	201	242	259	256	258	251	251	265	271	262	258	258	269	275	259	267	267	279	291	304
Other current assets	34	39	46	61	54	38	38	38	44	54	40	40	40	46	55	40	41	41	43	45	47
Current assets	649	755	934	912	911	1,065	1,116	1,116	954	864	993	912	912	933	947	896	945	945	987	1,030	1,075
Net property, plant, & equip	468	506	586	585	577	576	594	594	588	586	596	619	619	610	606	611	635	635	653	672	693
Goodwill & other intangibles	1,730	1,773	2,469	2,456	2,447	2,441	2,427	2,427	2,419	2,407	2,608	2,600	2,600	2,592	2,584	2,576	2,568	2,568	2,535	2,503	2,470
Equity investment in affiliate	9	12	23	25	24	26	25	25	24	25	25	23	23	22	23	23	21	21	18	16	14
Other non-current assets	88	72	87	88	89	91	99	99	102	106	104	104	104	104	104	104	104	104	104	104	104
Non-current assets	2,296	2,362	3,164	3,153	3,137	3,134	3,144	3,144	3,133	3,124	3,333	3,346	3,346	3,329	3,317	3,313	3,327	3,327	3,311	3,295	3,282
Total assets	2,945	3,118	4,098	4,065	4,048	4,199	4,260	4,260	4,086	3,988	4,326	4,259	4,259	4,261	4,264	4,209	4,273	4,273	4,297	4,325	4,357
Short-term debt	90	3	254	204	155	154	154	154	154	153	404	268	268	268	292	295	410	410	562	732	909
Accounts payable	355	379	432	413	423	483	495	495	471	490	502	511	511	478	497	498	528	528	551	575	601
Accrued liabilities	2	2	40	38	2	3	2	2	35	2	12	2	2	36	2	12	2	2	3	3	3
Other current liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current liabilities	447	384	726	656	580	640	651	651	659	645	918	781	781	782	791	805	941	941	1,116	1,310	1,513
Long-term debt	250	250	649	649	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650
Deferred tax liabilities	254	292	470	466	469	475	476	476	483	489	491	491	491	491	491	491	491	491	491	491	491
Provisions & other liab	123	151	192	208	202	203	183	183	182	185	180	180	180	180	180	180	180	180	180	180	180
Non-current liabilities	627	693	1,311	1,323	1,321	1,328	1,309	1,309	1,314	1,323	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320
Minority interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital	377	418	465	475	495	501	499	499	474	490	510	510	510	510	510	510	510	510	510	510	510
Retained earnings	1,502	1,714	1,929	1,998	2,046	2,115	2,169	2,169	2,229	2,275	2,350	2,419	2,419	2,492	2,556	2,630	2,702	2,702	3,000	3,305	3,629
Treasury stock	-25	-94	-336	-385	-383	-382	-368	-368	-587	-750	-758	-758	-758	-828	-898	-1,042	-1,186	-1,186	-1,635	-2,106	-2,601
Reserves & other items	16	3	3	-3	-12	-4	0	0	-1	5	-14	-14	-14	-14	-14	-14	-14	-14	-14	-14	-14
Shareholders' equity	1,871	2,041	2,061	2,085	2,147	2,231	2,300	2,300	2,113	2,020	2,087	2,157	2,157	2,159	2,153	2,084	2,012	2,012	1,861	1,695	1,524
Total liab & equity	2,945	3,118	4,098	4,065	4,048	4,199	4,260	4,260	4,086	3,988	4,326	4,259	4,259	4,261	4,264	4,209	4,273	4,273	4,297	4,325	4,357
<b>CHURCH &amp; DWIGHT</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Mar-13</b>	<b>Jun-13</b>	<b>Sep-13</b>	<b>Dec-13</b>	<b>Dec-13</b>	<b>Mar-14</b>	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>	<b>Dec-14</b>	<b>Mar-15</b>	<b>Jun-15</b>	<b>Sep-15</b>	<b>Dec-15</b>	<b>Dec-15</b>	<b>Dec-16</b>	<b>Dec-17</b>	<b>Dec-18</b>
<b>Balance Sheet Ratios</b>	<b>FY10 A</b>	<b>FY11 A</b>	<b>FY12 A</b>	<b>1Q13 A</b>	<b>2Q13 A</b>	<b>3Q13 A</b>	<b>4Q13 A</b>	<b>FY13 A</b>	<b>1Q14 A</b>	<b>2Q14 A</b>	<b>3Q14 A</b>	<b>4Q14 E</b>	<b>FY14 E</b>	<b>1Q15 E</b>	<b>2Q15 E</b>	<b>3Q15 E</b>	<b>4Q15 E</b>	<b>FY15 E</b>	<b>FY16 E</b>	<b>FY17 E</b>	<b>FY18 E</b>
<b>Net Trading Cycle</b>																					
Receivables days	33	35	38	39	38	37	37	38	40	39	35	37	38	40	39	35	37	38	38	38	38
Inventory days	50	48	54	55	53	54	51	52	55	55	50	51	51	55	55	50	51	52	52	52	52
Payable days	91	90	97	88	88	100	100	103	97	99	97	100	102	97	99	97	100	104	104	104	104
Accrued liab days	0	0	5	4	0	0	0	0	4	0	1	0	0	4	0	1	0	0	0	0	0
Net trading cycle	-8	-8	-10	2	3	-10	-13	-13	-6	-6	-13	-13	-12	-6	-6	-13	-13	-13	-13	-13	-13
<b>Working Capital</b>																					
Current assets (ex-cash)	\$460	\$504	\$591	\$652	\$637	\$620	\$619	\$619	\$654	\$668	\$623	\$640	\$640	\$673	\$682	\$624	\$663	\$663	\$692	\$722	\$754
Non-interest bearing liab	357	381	472	452	426	486	497	497	505	492	514	513	513	514	499	510	531	531	554	578	604
Working Capital	103	123	119	201	211	134	122	122	149	175	108	127	127	159	183	114	132	132	138	144	150
Working capital % of sales	4.0%	4.5%	4.1%	6.4%	6.7%	4.2%	3.7%	3.8%	4.8%	5.4%	3.2%	3.7%	3.9%	4.9%	5.5%	3.3%	3.7%	3.9%	3.9%	3.9%	3.9%
<b>Capital Structure</b>																					
Short-term debt	\$90	\$3	\$254	\$204	\$155	\$154	\$154	\$154	\$154	\$153	\$404	\$268	\$268	\$268	\$292	\$295	\$410	\$410	\$562	\$732	\$909
Long-term debt	250	250	649	649	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650	650
Total debt	340	252	903	853	804	804	803	803	803	803	1,054	918	918	918	942	944	1,060	1,060	1,212	1,382	1,559
Provisions for liabilities	123	151	192	208	202	203	183	183	182	185	180	180	180	180	180	180	180	180	180	180	180
Shareholders' equity	1,871	2,041	2,061	2,086	2,147	2,231	2,300	2,300	2,113	2,020	2,087	2,157	2,157	2,159	2,153	2,084	2,012	2,012	1,861	1,695	1,524
Total capital	2,334	2,444	3,156	3,146	3,153	3,238	3,286	3,286	3,098	3,007	3,321	3,255	3,255	3,257	3,275	3,208	3,251	3,251	3,253	3,257	3,263
Total debt % total capital	14.6%	10.3%	28.6%	27.1%	25.5%	24.8%	24.4%	24.4%	25.9%	26.7%	31.7%	28.2%	28.2%	28.2%	28.8%	29.4%	32.6%	32.6%	37.3%	42.4%	47.8%
Cash on B/S as % sales	7.3%	9.1%	11.7%	8.3%	8.7%	13.8%	15.1%	15.6%	19.2%	12.2%	22.0%	16.0%	8.3%	16.0%	16.0%	16.0%	16.0%	8.4%	8.4%	8.4%	8.4%
Net debt	\$150	\$1	\$560	\$594	\$530	\$358	\$306	\$306	\$503	\$606	\$684	\$645	\$645	\$658	\$676	\$672	\$777	\$777	\$917	\$1,074	\$1,237
Net debt % total capital	7.0%	0.0%	19.9%	20.6%	18.4%	12.8%	11.0%	11.0%	18.0%	21.6%	23.2%	21.6%	21.6%	21.9%	22.5%	22.9%	26.2%	26.2%	31.0%	36.4%	42.1%
<b>Credit Ratios</b>																					
NBIT / interest expense	14.7x	38.3x	50.1x	37.7x	29.9x	25.4x	22.6x	22.6x	22.5x	22.5x	23.0x	22.9x	22.9x	23.4x	23.9x	23.9x	24.8x	24.8x	21.9x	20.2x	18.8x
Net debt / EBITDA	0.3x	0.0x	0.9x	0.9x	0.8x	0.5x	0.4x	0.4x	0.7x	0.9x	1.0x	0.9x	0.9x	0.9x	0.9x	0.9x	1.0x	1.0x	1.1x	1.2x	1.4x

Source: Company documents, BTIG Research estimates

CHURCH & DWIGHT	Dec-10	Dec-11	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Dec-16	Dec-17	Dec-18
\$ millions	FY10 A	FY11 A	FY12 A	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	1Q15 E	2Q15 E	3Q15 E	4Q15 E	FY15 E	FY16 E	FY17 E	FY18 E
<b>Cash Flow Statement</b>																					
Net income	\$271	\$310	\$350	\$108	\$87	\$108	\$92	\$394	\$103	\$89	\$116	\$109	\$416	\$115	\$97	\$117	\$113	\$442	\$463	\$487	\$511
Depreciation	72	50	56	16	15	14	15	60	15	15	14	15	58	15	15	14	15	60	62	64	66
Amortization	0	27	29	8	8	8	8	31	8	8	8	8	33	8	8	8	8	32	32	32	32
Equity earnings of affiliates	0	1	1	2	3	-1	2	5	1	-1	1	2	2	1	-1	1	2	2	2	2	2
Deferred income taxes	39	59	13	3	3	6	-1	11	5	4	2	0	11	0	0	0	0	0	0	0	0
(Gain) loss on sale of assets	3	3	2	0	1	0	8	8	0	6	0	0	6	0	0	0	0	0	0	0	0
Stock-based compensation	12	11	12	2	11	2	2	17	2	11	2	2	17	2	11	2	3	18	19	20	20
Other items	8	0	-1	0	2	0	0	3	1	-1	1	0	1	0	0	0	0	0	0	0	0
Operating cash flow	404	461	463	138	127	138	126	529	134	130	144	136	544	141	131	142	141	555	579	605	632
Accounts receivable	-13	-35	-9	-31	0	6	-7	-31	-14	4	15	-21	-16	-16	6	28	-30	-13	-16	-16	-17
Inventories	24	-9	-1	-15	1	-1	8	-7	-14	-5	9	3	-7	-11	-5	15	-8	-9	-12	-12	-13
Accounts payable	23	27	31	-13	9	58	14	68	-28	17	9	8	6	-33	19	1	30	17	23	24	25
Accrued liabilities	-8	19	59	3	-30	3	1	-24	37	-23	12	-10	17	34	-34	10	-10	0	0	0	0
Other curr assets, net of liab	-2	-25	-19	-9	-18	11	-19	-35	-13	-18	14	0	-18	-7	-9	15	-1	-1	-2	-2	-2
Net working investment	24	-23	61	-65	-39	78	-3	-29	-32	-25	58	-18	-17	-32	-24	69	-18	-5	-6	-6	-6
Cash from operations	428	438	524	72	89	216	123	500	102	104	202	118	526	109	107	211	122	550	573	599	626
Capital expenditures	-64	-77	-75	-10	-10	-10	-37	-67	-6	-11	-19	-38	-74	-7	-11	-19	-40	-76	-80	-83	-87
Acquisition of businesses	-126	-72	-666	-3	-1	-1	-1	-6	0	0	-216	0	-216	0	0	0	0	0	0	0	0
Disposal of assets / other	9	1	-1	-20	19	-2	-1	-4	0	0	-1	0	-1	0	0	0	0	0	0	0	0
Cash from investing	-180	-148	-741	-33	8	-13	-38	-77	-7	-11	-236	-38	-292	-7	-11	-19	-40	-76	-80	-83	-87
New (paid) debt	-477	-87	651	-50	-49	-1	0	-99	7	-8	251	-136	115	0	24	2	116	142	152	170	177
Capital increase	23	39	39	20	11	5	9	45	6	24	9	0	39	0	0	0	0	0	0	0	0
Treasury stock	0	-80	-250	-50	0	0	0	-50	-260	-175	0	0	-435	-70	-70	-144	-144	-428	-449	-471	-495
Dividends	-44	-97	-135	-39	-39	-39	-39	-155	-43	-42	-41	-41	-167	-45	-45	-44	-44	-178	-184	-201	-207
Cash from financing	-498	-227	305	-119	-76	-35	-30	-260	-290	-200	219	-177	-449	-115	-90	-186	-72	-463	-481	-502	-525
Net effect of exchange rates	-2	-1	4	-4	-6	4	-4	-9	-3	4	-12	0	-10	0	0	0	0	0	0	0	0
Change in cash	-252	62	92	-83	15	171	51	154	-197	-103	173	-98	-224	-13	6	6	11	10	12	13	14
Beginning cash on B/S	447	189	251	343	260	274	446	343	497	300	197	370	497	273	260	266	272	273	283	295	308
Ending cash on B/S	189	251	343	260	274	446	497	497	300	197	370	273	273	260	266	272	283	283	295	308	322
<b>CHURCH &amp; DWIGHT</b>																					
<b>Cash Flow Ratios</b>	<b>FY10 A</b>	<b>FY11 A</b>	<b>FY12 A</b>	<b>1Q13 A</b>	<b>2Q13 A</b>	<b>3Q13 A</b>	<b>4Q13 A</b>	<b>FY13 A</b>	<b>1Q14 A</b>	<b>2Q14 A</b>	<b>3Q14 A</b>	<b>4Q14 E</b>	<b>FY14 E</b>	<b>1Q15 E</b>	<b>2Q15 E</b>	<b>3Q15 E</b>	<b>4Q15 E</b>	<b>FY15 E</b>	<b>FY16 E</b>	<b>FY17 E</b>	<b>FY18 E</b>
<b>Earnings Quality</b>																					
OCF / net income (underlying)	141%	143%	132%	128%	147%	128%	137%	134%	131%	146%	124%	125%	131%	123%	134%	122%	125%	126%	125%	124%	124%
CFO / net income	150%	136%	150%	67%	102%	200%	133%	127%	100%	118%	174%	108%	127%	95%	110%	181%	108%	124%	124%	123%	122%
FCF / net income	127%	112%	128%	57%	91%	190%	93%	110%	94%	105%	158%	73%	109%	89%	98%	164%	73%	107%	106%	106%	105%
<b>Investment Rates</b>																					
NWI % sales	0.9%	-0.8%	2.1%	-8.4%	-4.9%	9.7%	-0.4%	-0.9%	-4.1%	-3.1%	6.9%	-2.2%	-0.5%	-4.0%	-2.9%	8.2%	-2.1%	-0.2%	-0.2%	-0.2%	-0.2%
Capex % sales	-2.5%	-2.8%	-2.5%	-1.3%	-1.2%	-1.3%	-4.5%	-2.1%	-0.8%	-1.3%	-2.3%	-4.5%	-2.3%	-0.8%	-1.3%	-2.3%	-4.5%	-2.3%	-2.3%	-2.3%	-2.3%
Cash on B/S % sales	7.3%	9.1%	11.7%	8.3%	8.7%	13.8%	15.1%	15.6%	9.6%	6.1%	11.0%	8.0%	8.3%	8.0%	8.0%	8.0%	8.0%	8.4%	8.4%	8.4%	8.4%
<b>Fixed Assets Analysis</b>																					
Capex / depreciation	89%	154%	133%	66%	65%	72%	249%	112%	43%	73%	137%	253%	127%	43%	72%	135%	256%	127%	129%	131%	132%
Depreciation % fixed assets	15.5%	10.2%	10.3%	10.8%	10.3%	9.8%	10.1%	10.1%	9.9%	10.0%	9.4%	10.1%	9.6%	9.9%	10.0%	9.4%	10.1%	9.6%	9.6%	9.6%	9.6%
Sales / net pp&e	5.6x	5.6x	5.4x	5.3x	5.4x	5.6x	5.6x	5.4x	5.3x	5.5x	5.7x	5.6x	5.4x	5.3x	5.5x	5.6x	5.7x	5.4x	5.5x	5.6x	5.6x
<b>Free Cash Flow</b>																					
Operating cash flow	\$404	\$461	\$463	\$138	\$127	\$138	\$126	\$529	\$134	\$130	\$144	\$136	\$544	\$141	\$131	\$142	\$141	\$555	\$579	\$605	\$632
Net working investment	24	-23	61	-65	-39	78	-3	-29	-32	-25	58	-18	-17	-32	-24	69	-18	-5	-6	-6	-6
Capital expenditures	-64	-77	-75	-10	-10	-10	-37	-67	-6	-11	-19	-38	-74	-7	-11	-19	-40	-76	-80	-83	-87
Free cash flow	365	361	449	62	79	205	86	433	96	94	183	80	452	102	96	192	83	473	493	515	539
Dividend payments	-44	-97	-135	-39	-39	-39	-39	-155	-43	-42	-41	-41	-167	-45	-45	-44	-44	-178	-184	-201	-207
Share repurchases	0	-80	-250	-50	0	0	0	-50	-260	-175	0	0	-435	-70	-70	-144	-144	-428	-449	-471	-495
Cash available for debt rep	321	184	64	-27	40	166	48	227	-206	-124	141	38	-150	-12	-19	4	-105	-132	-140	-157	-163
<b>Share Repurchase</b>																					
Cost of shares repurchased	0	80	250	50	0	0	0	50	260	175	0	0	435	70	70	144	144	428	449	471	495
Number of shares repurchased	0.0	1.8	5.0	0.9	0.0	0.0	0.0	0.9	3.8	2.5	0.0	0.0	6.3	0.9	0.9	1.8	1.8	5.5	5.3	5.2	5.0
Avg price shares repurchased	\$0.0	\$44.5	\$50.0	\$56.0	\$0.0	\$0.0	\$0.0	\$56.0	\$68.4	\$70.0	\$0.0	\$74.0	\$69.0	\$75.5	\$77.0	\$78.5	\$80.1	\$78.3	\$84.1	\$91.1	\$98.6

Source: Company documents, BTIG Research estimates

CHURCH & DWIGHT	Dec-10	Dec-11	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Dec-16	Dec-17	Dec-18
\$ millions	FY10 A	FY11 A	FY12 A	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	1Q15 E	2Q15 E	3Q15 E	4Q15 E	FY15 E	FY16 E	FY17 E	FY18 E
<b>Revenue Build-Up</b>																					
Net revenues	\$2,589	\$2,749	\$2,922	\$779	\$788	\$805	\$823	\$3,194	\$782	\$808	\$842	\$852	\$3,284	\$812	\$830	\$850	\$883	\$3,375	\$3,522	\$3,677	\$3,840
% reported	2.7%	6.2%	6.3%	12.8%	13.1%	11.0%	1.6%	9.3%	0.3%	2.6%	4.6%	3.5%	2.8%	3.8%	2.7%	0.9%	3.7%	2.8%	4.4%	4.4%	4.4%
% volume	5.5%	3.9%	6.3%	2.5%	2.8%	4.7%	5.2%	3.9%	4.4%	3.5%	5.2%	4.8%	4.5%	4.8%	6.4%	4.6%	4.6%	5.1%	4.4%	4.4%	4.4%
% price & mix	-2.5%	0.2%	-1.1%	-0.5%	-0.9%	-3.1%	-2.9%	-1.9%	-3.2%	-0.6%	-0.5%	-0.8%	-1.3%	-0.7%	-3.1%	-3.3%	-0.9%	-2.0%	0.0%	0.0%	0.0%
% organic	3.1%	4.1%	5.2%	2.0%	1.8%	1.6%	2.3%	1.9%	1.2%	2.9%	4.7%	4.0%	3.2%	4.1%	3.3%	1.3%	3.7%	3.1%	4.4%	4.4%	4.4%
% currency	1.1%	1.0%	-0.8%	0.4%	0.2%	0.8%	0.7%	0.5%	0.8%	0.1%	0.0%	-0.5%	0.1%	-0.2%	-0.6%	-0.4%	0.0%	-0.3%	0.0%	0.0%	0.0%
% acquisitions	-1.5%	1.1%	1.8%	10.4%	11.0%	8.6%	-1.4%	6.9%	-1.7%	-0.5%	-0.1%	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Revenue Breakout</b>																					
Consumer Domestic	1,886	1,979	2,157	591	595	605	623	2,414	593	599	627	632	2,451	614	620	630	657	2,522	2,648	2,780	2,919
Consumer International	444	509	510	129	133	135	136	533	124	137	136	140	536	124	135	138	145	542	564	587	610
Total Consumer	2,330	2,488	2,667	720	727	740	759	2,946	717	736	763	772	2,988	738	755	768	803	3,064	3,212	3,367	3,529
Specialty Products Division	259	261	255	59	60	65	64	248	65	73	78	80	296	74	75	82	80	311	311	311	311
Total group	2,589	2,749	2,922	779	788	805	823	3,194	782	808	842	852	3,284	812	830	850	883	3,375	3,522	3,677	3,840
<b>Reported Growth</b>																					
Consumer Domestic	0.2%	4.9%	9.0%	15.7%	17.4%	14.1%	2.2%	11.9%	0.4%	0.7%	3.6%	1.5%	1.6%	3.5%	3.5%	0.5%	4.0%	2.9%	5.0%	5.0%	5.0%
Consumer International	12.8%	14.6%	0.2%	6.5%	9.4%	2.6%	0.0%	4.5%	-4.3%	2.9%	1.3%	2.6%	0.7%	0.1%	-1.0%	1.1%	4.0%	1.1%	4.0%	4.0%	4.0%
Total Consumer	2.4%	6.8%	7.2%	14.0%	15.8%	11.8%	1.8%	10.5%	-0.4%	1.1%	3.2%	1.7%	1.4%	2.9%	2.7%	0.6%	4.0%	2.5%	4.8%	4.8%	4.8%
Specialty Products Division	5.6%	0.8%	-2.4%	0.7%	-12.0%	2.0%	-0.6%	-2.7%	10.0%	20.5%	20.6%	25.5%	19.3%	14.0%	3.0%	4.0%	0.5%	5.0%	0.0%	0.0%	0.0%
Total group	2.7%	6.2%	6.3%	12.8%	13.1%	11.0%	1.6%	9.3%	0.3%	2.6%	4.6%	3.5%	2.8%	3.8%	2.7%	0.9%	3.7%	2.8%	4.4%	4.4%	4.4%
<b>Organic Growth</b>																					
Consumer Domestic	2.1%	3.6%	6.3%	1.4%	2.5%	0.8%	2.9%	1.9%	0.4%	0.7%	3.5%	1.5%	1.5%	3.5%	3.5%	0.5%	4.0%	2.9%	5.0%	5.0%	5.0%
Consumer International	7.1%	4.1%	3.3%	5.2%	6.3%	3.7%	0.3%	3.8%	0.0%	3.9%	1.7%	5.5%	2.8%	1.5%	2.5%	3.5%	4.0%	2.9%	4.0%	4.0%	4.0%
Total Consumer	3.0%	3.7%	5.7%	2.1%	3.2%	1.4%	2.4%	2.3%	0.3%	1.3%	3.2%	2.2%	1.8%	3.2%	3.3%	1.0%	4.0%	2.9%	4.8%	4.8%	4.8%
Specialty Products Division	3.6%	7.4%	0.7%	0.8%	-11.2%	3.7%	0.7%	-1.7%	12.4%	22.9%	22.1%	25.5%	20.9%	14.0%	3.0%	4.0%	0.5%	5.0%	0.0%	0.0%	0.0%
Total group	3.1%	4.1%	5.2%	2.0%	1.8%	1.6%	2.3%	1.9%	1.2%	2.9%	4.7%	4.0%	3.2%	4.1%	3.3%	1.3%	3.7%	3.1%	4.4%	4.4%	4.4%
<b>Volume Growth</b>																					
Consumer Domestic	5.6%	4.4%	8.1%	1.8%	4.6%	4.5%	6.6%	4.5%	4.4%	1.5%	4.3%	2.5%	3.2%	4.5%	7.5%	4.5%	5.0%	5.4%	5.0%	5.0%	5.0%
Consumer International	8.3%	4.3%	3.9%	6.2%	2.8%	3.7%	-0.7%	2.9%	-0.6%	4.7%	3.1%	7.5%	3.7%	3.0%	2.5%	3.0%	3.0%	2.9%	4.0%	4.0%	4.0%
Total Consumer	6.1%	4.3%	7.3%	2.6%	4.3%	4.3%	5.3%	4.2%	3.5%	2.1%	4.1%	3.4%	3.3%	4.2%	6.6%	4.2%	4.6%	4.9%	4.8%	4.8%	4.8%
Specialty Products Division	0.3%	-0.3%	-3.2%	1.2%	-10.9%	7.9%	4.5%	0.4%	15.3%	20.9%	18.2%	22.0%	19.1%	11.0%	5.0%	8.0%	4.0%	6.8%	0.0%	0.0%	0.0%
Total group	5.5%	3.9%	6.3%	2.5%	2.8%	4.7%	5.2%	3.9%	4.4%	3.5%	5.2%	4.8%	4.5%	4.8%	6.4%	4.6%	4.6%	5.1%	4.4%	4.4%	4.4%
<b>CHURCH &amp; DWIGHT</b>																					
<b>Price &amp; Mix</b>																					
Consumer Domestic	-3.5%	-0.7%	-1.8%	-0.4%	-2.1%	-3.7%	-3.7%	-2.5%	-4.0%	-0.8%	-0.8%	-1.0%	-1.6%	-1.0%	-4.0%	-4.0%	-1.0%	-2.5%	0.0%	0.0%	0.0%
Consumer International	-1.2%	-0.2%	-0.6%	-1.0%	3.5%	0.0%	1.0%	0.9%	0.6%	-0.8%	-1.4%	-2.0%	-0.9%	-1.5%	0.0%	0.5%	1.0%	0.0%	0.0%	0.0%	0.0%
Total Consumer	-3.1%	-0.6%	-1.6%	-0.5%	-1.0%	-3.0%	-2.8%	-1.9%	-3.2%	-0.8%	-0.9%	-1.2%	-1.5%	-1.1%	-3.3%	-3.2%	-0.6%	-2.0%	0.0%	0.0%	0.0%
Specialty Products Division	3.3%	7.7%	3.9%	-0.4%	-0.3%	-4.2%	-3.8%	-2.2%	-2.9%	2.0%	3.9%	3.5%	1.7%	3.0%	-2.0%	-4.0%	-3.5%	-1.8%	0.0%	0.0%	0.0%
Total group	-2.5%	0.2%	-1.1%	-0.5%	-0.9%	-3.1%	-2.9%	-1.9%	-3.2%	-0.6%	-0.5%	-0.8%	-1.3%	-0.7%	-3.1%	-3.3%	-0.9%	-2.0%	0.0%	0.0%	0.0%
<b>Currency</b>																					
Consumer Domestic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumer International	5.9%	5.4%	-3.5%	1.3%	0.9%	3.4%	3.5%	2.3%	3.6%	0.4%	0.1%	-2.9%	0.3%	-1.4%	-3.5%	-2.4%	0.0%	-1.8%	0.0%	0.0%	0.0%
Total Consumer	1.0%	1.0%	-0.7%	0.2%	0.2%	0.7%	0.6%	0.4%	0.6%	0.1%	0.0%	-0.5%	0.0%	-0.2%	-0.6%	-0.4%	0.0%	-0.3%	0.0%	0.0%	0.0%
Specialty Products Division	2.2%	0.8%	-1.3%	1.8%	0.8%	1.7%	1.3%	1.4%	2.1%	1.0%	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total group	1.1%	1.0%	-0.8%	0.4%	0.2%	0.8%	0.7%	0.5%	0.8%	0.1%	0.0%	-0.5%	0.1%	-0.2%	-0.6%	-0.4%	0.0%	-0.3%	0.0%	0.0%	0.0%
<b>Acquisitions / (Disposals)</b>																					
Consumer Domestic	-1.9%	1.3%	2.7%	14.3%	14.9%	13.3%	-0.7%	10.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Consumer International	-0.2%	5.1%	0.3%	0.0%	2.2%	-4.5%	-3.8%	-1.6%	-7.9%	-1.4%	-0.5%	0.0%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Consumer	-1.6%	2.0%	2.2%	11.6%	12.4%	9.8%	-1.3%	7.7%	-1.4%	-0.2%	0.0%	0.0%	-0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Specialty Products Division	-0.2%	-7.4%	-1.8%	-1.9%	-1.6%	-3.4%	-2.6%	-2.4%	-4.5%	-3.4%	-1.5%	0.0%	-2.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total group	-1.5%	1.1%	1.8%	10.4%	11.0%	8.6%	-1.4%	6.9%	-1.7%	-0.5%	-0.1%	0.0%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company documents, BTIG Research estimates

CHURCH & DWIGHT	Dec-10	Dec-11	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Dec-15	Dec-16	Dec-17	Dec-18
\$ millions	FY10 A	FY11 A	FY12 A	1Q13 A	2Q13 A	3Q13 A	4Q13 A	FY13 A	1Q14 A	2Q14 A	3Q14 A	4Q14 E	FY14 E	1Q15 E	2Q15 E	3Q15 E	4Q15 E	FY15 E	FY16 E	FY17 E	FY18 E
<b>Revenue by Category</b>																					
Consumer Domestic	\$1,886	\$1,979	\$2,157	\$591	\$595	\$605	\$623	\$2,414	\$593	\$599	\$627	\$632	\$2,451	\$614	\$620	\$630	\$657	\$2,522	\$2,648	\$2,780	\$2,919
Consumer International	444	509	510	129	133	135	136	533	124	137	136	140	536	124	135	138	145	542	564	587	610
Total Consumer	2,330	2,488	2,667	720	727	740	759	2,946	717	736	763	772	2,988	738	755	768	803	3,064	3,212	3,367	3,529
Specialty Products Division	259	261	255	59	60	65	64	248	65	73	78	80	296	74	75	82	80	311	311	311	311
Total group	2,589	2,749	2,922	779	788	805	823	3,194	782	808	842	852	3,284	812	830	850	883	3,375	3,522	3,677	3,840
<b>EBIT (underlying)</b>																					
Consumer Domestic	\$342	\$386	\$429	\$134	\$113	\$136	\$118	\$501	\$127	\$108	\$141	\$129	\$505	\$139	\$118	\$145	\$136	\$538	\$568	\$599	\$632
Consumer International	53	69	71	22	16	16	12	65	18	14	15	17	65	21	16	16	18	71	74	78	81
Total Consumer	394	455	500	156	129	152	129	566	145	122	156	146	570	160	134	161	154	609	642	676	713
Specialty Products Division	19	30	34	7	4	10	9	30	10	10	13	11	45	13	12	15	12	52	52	52	53
Corporate	56	8	12	7	7	7	7	27	7	6	7	12	33	7	7	6	11	32	37	42	48
Total group	469	493	545	169	141	168	145	622	162	138	177	170	647	180	152	182	178	692	730	771	813
<b>EBIT Margin</b>																					
Consumer Domestic	18.1%	19.5%	19.9%	22.7%	19.1%	22.5%	18.9%	20.8%	21.4%	18.0%	22.5%	20.4%	20.6%	22.6%	19.0%	23.0%	20.7%	21.3%	21.4%	21.5%	21.6%
Consumer International	11.8%	13.5%	13.9%	16.7%	11.9%	11.5%	8.5%	12.1%	14.7%	10.5%	11.0%	12.5%	12.1%	16.7%	12.0%	11.3%	12.5%	13.0%	13.1%	13.2%	13.3%
Total Consumer	16.9%	18.3%	18.7%	21.6%	17.8%	20.5%	17.0%	19.2%	20.2%	16.6%	20.5%	19.0%	19.1%	21.6%	17.7%	20.9%	19.2%	19.9%	20.0%	20.1%	20.2%
Specialty Products Division	7.2%	11.4%	13.3%	11.9%	7.0%	15.1%	13.4%	11.9%	15.4%	13.9%	17.1%	14.4%	15.2%	17.9%	15.4%	18.1%	15.1%	16.6%	16.7%	16.8%	16.9%
Corporate	2.2%	0.3%	0.4%	0.9%	0.9%	0.8%	0.8%	0.9%	0.9%	0.8%	0.9%	1.4%	1.0%	0.9%	0.9%	0.7%	1.3%	0.9%	1.0%	1.1%	1.2%
Total group	18.1%	17.9%	18.7%	21.7%	17.8%	20.8%	17.6%	19.5%	20.7%	17.1%	21.1%	20.0%	19.7%	22.2%	18.4%	21.4%	20.1%	20.5%	20.7%	21.0%	21.2%
<b>Margin Improvement</b>																					
Consumer Domestic	82 bp	138 bp	38 bp	70 bp	8 bp	48 bp	185 bp	88 bp	-128 bp	-108 bp	8 bp	150 bp	-16 bp	125 bp	100 bp	50 bp	30 bp	74 bp	10 bp	10 bp	10 bp
Consumer International	204 bp	169 bp	39 bp	-125 bp	-29 bp	-68 bp	-499 bp	-181 bp	-200 bp	-144 bp	-51 bp	400 bp	1 bp	200 bp	150 bp	30 bp	0 bp	91 bp	10 bp	10 bp	10 bp
Total Consumer	92 bp	136 bp	46 bp	40 bp	9 bp	43 bp	63 bp	45 bp	-137 bp	-117 bp	1 bp	194 bp	-12 bp	141 bp	114 bp	45 bp	25 bp	79 bp	11 bp	11 bp	11 bp
Specialty Products Division	73 bp	413 bp	189 bp	43 bp	-733 bp	-219 bp	352 bp	-136 bp	354 bp	692 bp	201 bp	100 bp	330 bp	250 bp	150 bp	100 bp	75 bp	143 bp	10 bp	10 bp	10 bp
Corporate	53 bp	-187 bp	10 bp	57 bp	67 bp	56 bp	9 bp	46 bp	2 bp	-16 bp	7 bp	60 bp	14 bp	0 bp	10 bp	-15 bp	-15 bp	-5 bp	10 bp	10 bp	10 bp
Total group	141 bp	-21 bp	74 bp	106 bp	26 bp	80 bp	95 bp	82 bp	-101 bp	-74 bp	20 bp	239 bp	24 bp	147 bp	127 bp	35 bp	15 bp	79 bp	22 bp	22 bp	22 bp

Source: Company documents, BTIG Research estimates

## Appendix

### Analyst Certification

I, April Scee, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

I, Abhinav Kapur, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

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#### Analyst Stock Ratings Definitions

BTIG LLC's ("BTIG") ratings, effective May 10, 2010, are defined as follows:

**BUY** – A stock that is expected at initiation to produce a positive total return of 15% or greater over the 12 months following the initial recommendation. The BUY rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

**SELL** – A stock that is expected at initiation to produce a negative total return of 15% or greater over the next 12 months following the initial recommendation. The SELL rating may be maintained following initiation as long as it is deemed appropriate, notwithstanding price fluctuations that would cause the target to fall outside of the 15% return.

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BUY: 57% NEUTRAL: 37% SELL: 6%

Stocks in coverage as of the end of the most recent calendar quarter (September 30, 2014): 105

The percentage of Investment banking services is calculated as of September 30, 2014. Distribution of investment Banking Relationships: BUY: 100% NEUTRAL: 0% SELL: 0% after the ratings distribution.

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#### **Valuation**

50% Relative/50% DCF yields a \$84 target. Our target also includes \$14 in potential transaction value at a 60% probability.

#### **Risks**

•Slower category growth despite increased marketing spend •M&A execution is worse than expected •Macro slowdown in U.S. given high exposure •Historically dependent on acquisitions •Dependent on one mass customer, so any destocking could be meaningful

#### **Other Disclosures**

Additional Information Available Upon Request

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