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CHD - Q4 2015 Church & Dwight Co Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 02, 2016 / 5:30PM GMT

OVERVIEW:

CHD reported 2015 organic sales growth of 3.6% and 4Q15 organic sales growth of 2.6%. Expects 2016 organic sales growth to be 3% and EPS to be $3.48-3.54.

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Church & Dwight fourth-quarter and year-end 2015 earnings conference call. Before we begin, I've been asked to remind you that on this call the Company's management may make forward-looking statements regarding, among other things, the Company's financial objectives and forecasts. These statements are subject to risks and uncertainties and other factors that are described in detail in the Company's SEC filings.

I would now like to introduce your host for today's conference, Mr. Matt Farrell, Chief Executive Officer of Church & Dwight. Please go ahead, sir.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Good afternoon, everybody. We're uptown this year. We normally have this conference at the New York Stock Exchange. It's under construction this year so next year we'll be back.

Rick Dierker is with me today, our new CFO. We have the entire management team here, as well, who will come up here when we're done with the presentation and they'll be available for Q&A. So let's begin.

We have the obligatory Safe Harbor statement. I encourage everybody to read it. And here's the agenda. I'm going to talk about who we are, the categories that are most important to us, that will be laundry and vitamins, how we deliver, how we run the Company, and then Rick is going to take everybody through the financials.

Here's what you're going to hear today. I'm just going to pull it all up on the screen for you viewers at home. But the short story goes like this. We had a terrific 2015. 8% EPS growth and on an all-in basis it's 12% local currency.

We had full-year organic sales growth of 3.6%. This puts us well above our evergreen target of 3%. We had a strong finish as we saw the consumer business grow 3.3% in the fourth quarter, and we had really good momentum going into 2016.

Our new product pipeline is off to a good start. You can ask Lou a few questions about that when we get to Q&A. And we expect 3% organic revenue growth again in 2016. On the EPS front, 2016 outlook is again up 7% to 9% all-in, and that's 9% to 11% on a total currency basis. That's tops in CPG, as you know.

We announced a dividend increase today. That's to keep our payout ratio at 40%. And, finally, we closed a small bolt-on acquisition in early January. We're always on the hunt for good brand acquisitions. So, we're excited about the future. So, let's begin.

Church & Dwight was founded in 1846. So, we have our 170th birthday coming up this year. And in the 19th century was founded with ARM & HAMMER baking soda. Today we have 10 brands that drive our revenues and profits. These are our 10 power brands.

In the year 2000 the only big brand we had was ARM & HAMMER. All nine of those other brands were acquired since the year 2000. Our most recent power brand is now Batiste. Batiste is a business of dry shampoo that we bought in 2011, and in 2016 the global sales of that brand will cross $100 million.

Those 10 brands drive our revenues and profits, 80% of our sales and over 80% of our profits. And of those 10, 4 are megabrands. These are four strong brands that have the ability to go into adjacent categories. And of those megabrands, those megabrands drive 60% of our revenue and over 60% of our profits. As I said, we are an acquirer. Those are the nine brands that we've acquired. And as you can see, also, we generally are focused on number one brands.

We're primarily a US Company today, 82% US, 18% international. This has the benefit of having minimal exposure to the weakening foreign economies. And we're very balanced, about half personal care and half household, with specialty products business rounding it out at 8%.

We are in the land of the giants. We are a small company. In 2016 we'll have about $3.5 billion in sales. A small company, but big returns, the shareholder return, 1-, 3-, 5- and 10-year periods, and stellar for our shareholders.

I'm going to talk about the categories that are important to us. First, laundry. Here's a depiction of the laundry category for the past four years, 2012, 2013, 2014 and 2015. As you can see, in 2012, 2013 and 2014, both the total category and the liquid category declined in each of those three years. That turned around in 2015, particularly in the second half. So, on a full-year basis the total category's up 1.6% and liquid up 0.7%. One of the added benefits of 2014 going to 2015, it was actually a stable promotional environment, so that contributed to the rise.

To continue on, the second quarter I want to talk about is vitamins. As you know, in 2012 we acquired the Avid business. That got us into gummy vitamins. Why we were attracted to gummy vitamins is because it had a fast growing category. In fact, the vitamin, mineral and supplement category has been a mid single-digit grower for many years.

That flattened out in 2014. Why? Because of negative press. And the growth has been rekindled again in 2015. So, the category is growing.

The other thing I want you to focus on is the gummy form. The reason this is attractive is because pills and capsules are becoming less popular and gummies are becoming more popular. If you look in 2012 you can see only 7% of the category was gummy. Today it's 12%. And if you look at how did the gummy form grow in 2015, it grew 16%. The good news is that we have the number one brand in both adult and in children's gummy vitamins.

Here's the one I want to end on as far as trends go, and this is dry shampoo. I mentioned earlier that we acquired Batiste in 2011, and in 2016 we're going to cross $100 million in sales. We're the number one dry shampoo in the UK and in the US. In the UK we have a 75 share, in the US, we have a 15 share, round numbers.

Here's the interesting factoid. The UK has a retail category of $60 million with a population of 65 million. In the US, where the dry shampoo category is in the early innings, it's only a $90 million category, with a population of 319 million. So, we see a lot of runway ahead of us in this category and for this brand.

How we deliver -- if you're a shareholder, you're well aware of the ten drivers of shareholder return. Let's review. First, we have a recession-resistant portfolio. This is very important. We have a portfolio that's going to perform well in any economy -- 60% premium and 40% value. Here's an illustration of some of our products. You can see in many cases our value brand is about 50% less expensive than the premium brand.

Now let's talk about new products. First up is ARM & HAMMER. We're really excited about our 2016 product offerings. On the left hand side you see Clump & Seal. We have a new variant coming to Clump & Seal. That's Clump & Seal MicroGuard. MicroGuard not only seals and destroys odors but it also prevents future bacterial odors.

On the right-hand side, you see BioEnzyme. So, we have a new laundry variant in detergent and that's BioEnzyme. It's formulated to meet the safer choice environmental standards promulgated by the EPA. The third thing that's not on the screen is that we also have a dual-chamber pod that we're launching under the ARM & HAMMER banner in 2016.

A little bit more on Clump & Seal. In 2015, we came out with Lightweight and Naturals followed by MicroGuard in 2016. Here's a story that's worth telling. We have been an innovator in cat litter for years. If you go back to 2011, you see Double Duty, followed by Ultra Last. And you see what happens when you don't have innovation in a year -- you flat line.

In 2014 we came out with Clump & Seal, the best cat litter that's out there. In 2015 we followed with Naturals and Lightweight, and in 2016 we follow with MicroGuard. Great story. (play Clump & Seal MicroGuard video)

Let's keep going and turn to OxiClean. A couple things on OxiClean this year. We have a new liquid laundry detergent called OxiClean Preserve. This laundry detergent reduces pilling in our clothing. And just as we have a dual-chamber pod for ARM & HAMMER, we also have one for OxiClean called OxiClean HD.

Just let's review the OxiClean megabrand for a minute. Let's start with laundry additives. Laundry additives, we had a record share, 45.9%, up 130 basis points, led by White Revive, which was our entry into the bleach category.

Second is the laundry detergent. We end the year with a 1 share. We had a 0.8 share at the end of 2014. It's not moving as fast as we had hoped. The good news is that trial, repeat and consumption are all up year over year. And then finally auto dish detergent category. That's a difficult category. We've got a 1.3 in 2015.

Trojan -- three new offerings for Trojan. First, condoms. We have Trojan Groove. This is a grooved condom that retains the lubricant on the condom during sex. Number two is Trojan Riviera. For those of you who have been waiting for a lubricant for use in the shower, you now have one. So, long-lasting lubrication. And the third one is Trojan Divine, which is a multi-speed vibrating massager. I'm not sure if one, two or all three of these are in your goody bags today, so that will be a little bit of a surprise.

Vitamins -- lots of new products in the vitamin space. The first, beauty. We have a new beauty line with really attractive new packaging. Also a couple offerings for teen, both Teen Sport and also Teen Hair, Skin and Nails. And then licenses. Licenses have become increasingly important in the children's category. We had Barbie and Mario launch in 2015 and then this month we have Minions, as well. That bodes well for our children's' gummy vitamins.

Finally, First Response. There is now a Bluetooth pregnancy test kit. You download the app to your iPhone, you use the pregnancy kit, it sends a result to your app, and what the app does for you, it provides you lots of information throughout your pregnancy. We've all heard about the Internet of Things. This is our first foray into the Internet of Things. It's our ability to test and learn.

Marketing -- you've often heard us talk about how much money we spend on marketing. We're the 15th largest advertiser in the US. We're in pretty good company here, as you can see on this slide. And we've also said that our marketing would generally bang around between 12% and 13% of sales. So you can see over the last four years we've been averaging around 12.5%. And it all is going to show up in your shares.

If I call your attention to the right-hand side of this slide, this is our report card. On the top you have your megabrands and the bottom you have your remaining power brands. Three out of four of our megabrands grew share in 2015. Vitamins is yellow. Why? We went sideways this past year. It's well-known we had some difficulties with the new plant startup. That's all behind us now.

Then with respect to the other six power brands, you see XTRA is red, but actually XTRA profits were up in 2015 versus 2014, as we didn't chase the competition down in discounting. And battery-operated toothbrushes has been a perennial difficult category. That's also red. But 7 out of 10 we're green.

Distribution -- this is new information for you. We took a look at our distribution gains over the past six years. So we looked at 2009 to 2012 and separately 2012 to 2015. We're happy to report that we've been consistent in expanding our distribution year after year after year. We expect to continue to do this in the future. While we're on the topic of distribution, Batiste, with a 15.2 share today, that share is only going to grow because we're expanding at top retailers in 2016. Another good story.

Defense of our brands -- it's no secret that the laundry category has been a difficult category for all competitors for several years now. In 2014 you had Simply Tide show up in the value tier, in 2015 you had Persil show up in the premium tier, and on top of that you have price wars breaking out. So, what happens? Just left to right, in 2013 we had a 14 share, in 2014 14.2, 2015 14.4. So, in each of the past few years we've expanded share in spite of the new entrants and the price wars, and we expect to continue to expand share in the future.

International -- just as I said in the year 2000 the only big brand we had was ARM & HAMMER, in the year 2001 we were just a US company. Today we're a little bit more diverse. 82%, as I said earlier, is US, and 18% is international. Here's how it's spread out.

We have a European business unit, which is our largest business unit. That encompasses the UK and France. It's 37% of the business. Followed by number two Canada, then Mexico and Australia. Our international business has been a stellar performer for many years. You can look at the CAGR for the last five years. Virtually every business, every country is at or above our 3% evergreen target.

Gross margin -- here's a six-year look at gross margin. If you think about the first three years, 2010, 2011, 2012, we were all still dealing with the commodity super cycle, so that was depressing margins. And then more recently you had price wars break out. And this is a bit of an offset from commodity abatement. But we've been around 44.5% gross margins for a good, long time in spite of all those factors.

The four ways we drive gross margin -- this is familiar to many of our shareholders and we'll go clockwise here -- so, Good to Great, that's the name of our continuous improvement program. Second is supply chain optimization. As you know, we built a couple of plants in the last five years. Number three, new products. When we launch new products, those new products need to have higher than average gross margins. And, finally, acquisitions. When we buy businesses one of our requirements is that we buy businesses that are at or above our existing corporate gross margin.

And as you know, we have a very simple compensation structure and we promote financial literacy within the Company. One of the ways we do that is we tie gross margin -- 25% of all employees' annual bonus is tied to us achieving the gross margin target.

Next is acquisitions. We have a very strict criteria with respect to acquisitions. Consequently we're very fussy about the brands and the businesses we're going to buy. And this criteria hasn't changed in quite a few years.

Long history of acquisitions. Obviously that contributed to our top-line growth. In 2004 we were about $1.5 billion. we're $3.5 billion today. A good chunk of that was driven by acquisitions.

And a good way to think about Church & Dwight is an acquisition platform. When we acquire businesses we grow the revenue and we get cost synergies. How do we do that? With respect to the revenue growth, we have veteran marketers within the Company. We have a separate new product development process, separate from the business units, and as a result we expand shares.

As far as the cost synergies go, we leverage the new brand across all classes of trade. And we have a supply chain and R&D organization that are very versatile. So, we can handle liquids, aerosols, powders, gels, devices, et cetera. And our track record is stellar in 9 out of 10 power brands. We get cost synergies every time. Rick's going to tell you a little bit more about access to capital when he gets up here.

How have we done? If we acquire a business, what was the preacquisition share, what's the share today? In every case, you see that we expand shares.

And Toppik -- you've probably read in the release that we acquired this brand earlier this month. We were entering the hair thinning category. This is a problem solution brand. If you think about the characteristics of it, we think it's very much like Batiste.

We had a couple of non-CHD investors agree to demo the product. Here's the male before and after, and here's a woman before and after. Happily, if you've retained more than 50% of your hair -- and you know who you are, particularly sell-side analysts -- this product is for you. A nice side benefit of this, by the way, is that they have a very robust sales and marketing team online. So we're going to learn a lot from them. If you want to learn more about the product, you can go to toppik.com.

Best-in-class free cash flow -- Rick's going to take you through that. But we've averaged well above our peers for many years.

SG&A -- this is a hallmark of the Company. You could say that we have extremely productive employees. And we're the lowest SG&A of any CPG Company, and we intend to stay there.

We have an expert management team. We have lots of people with lots of experience in all of these seats, and driven by a simple compensation program. I said earlier that gross margin is 25% of the annual bonus. The rest is cash from operations, EPS, and net revenue. Very easy to explain, very easy to remember. And our long-term compensation is 100% stock options, and we're all required to be heavily invested in the Company's stock. And here are the results again. So stellar returns to our shareholders over the 1-, 3-, 5- and 10-year periods.

How we run the Company -- as you know, we have an evergreen model. We always target 3% organic growth annually and 50 basis points of operating margin expansion. And we're targeting 8% EPS growth.

As far as our operating systems goes, first is the evergreen model. Second is we know what geographies we're focusing on -- North America first, that's Canada, US and Mexico, and secondarily Europe and Asia.

Allocation of capital, Rick's going to take you through, but at the top of the list -- and these are in order of importance -- is TSR accretive acquisitions. And, finally, those acquisition criteria haven't changed in years.

We have four operating principles. We have number one brands that we leverage. We're very asset-light. We're not capital intensive. We generate lots of cash flow so we leverage assets. And we have very productive employees, the most productive employees in the CPG space.

All of that combines for good returns. But when you leverage acquisitions on top of that you get spectacular returns.

Now we're going to bring Rick up here to talk about financials.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

Okay. Thank you, Matt. I'm going to cover three topics. We're going to talk about the quarter, Q4, and just how we came in. We'll go through 2015 and some of the details there. Then talk about 2016 outlook. If there's one theme to take away from the financials today it's really that 2015 ended well and we have a lot of momentum as we go into 2016, a lot of optimism.

Q4, 2.6% organic sales growth, 3.3% for the consumer domestic division, largely driven by volume. We'll get into the details in a second but 2.5% volume growth. Gross margin expanded 50 basis points behind commodity improvement, behind our productivity programs. A lot of our pricing in laundry is normalized, the same theme you've been hearing about all year long.

Marketing was down 10 basis points so essentially flat, and SG&A was up 10, so operating margin was up 50. EPS was up 5% and currency neutral EPS was up 9%. Great result.

The quarters of 2015, pretty consistent. 2.6% in Q4, remember versus a year ago we were at 5.2%. So, really strong growth in Q4 off of a high comp a year ago.

You guys like to look at stack bars so we threw one in here for consumer business. This is just the relative strength of the consumer business. A lot of momentum going into Q4, 7.2% in Q4, so we're exiting the year at a strong rate. The categories are strong.

Volume is the growth driver, 2.5% out of 2.6% on the organic side for the Company, 3.2% for the domestic division. With the international division we do get a little price as we go into the FX headwinds. And then SPD we're down 4%, largely on volume because milk prices have come down.

Great trend, great momentum on gross margin, as well, 45.5% for the quarter. And, as I said before, normalized pricing environment, commodities are a tailwind and productivity programs continue. And a lot of our vitamin issues for startup happened earlier in the year.

Marketing spend, highest percentage, highest dollar amount of the year. And that leads to share growth, 7 out of 10 power brands. And Matt walked you through those details. 3 out of 4 megabrands grew, as well.

Let's recap on the full year. 3.5% organic sales growth compares to 3% outlook earlier in the year, largely volume driven. Gross margin's up 40 basis points for all the reasons I already walked through. Marketing's down 30. We talked about that a little bit on our Q3 call. We reallocated some of the marketing spend and put it in the trade line for OxiClean to drive trial. And, as Matt alluded to, trial and consumption are both up.

Adjusted SG&A is flat and operating margin's up 70 basis points, so great results. EPS is up 8% and free cash flow is a record at $544 million. Adjusted free cash flow conversion is 125%. That is a very important metric to the Company. We'll be talking about that even more as we go forward, and that should be very important to every shareholder, as well.

So, why can we drive great cash flow productivity? It's because partly of working capital improvement. Our cash conversion cycle, which is inventory, which is receivables, minus payables, has gone from 40 days to 27 days over the last five years. We continue to believe that we can continue to make that go down over time.

Free cash flow conversion is 125% in 2015. Average for the last five years, 119%. So, just stellar result. We did dip our toe in the water in 2015 on AR factoring. That is in that 125%. If we take that out we're still at 119%. As Matt alluded to, 118% for the last seven years or so, which is far above the industry average and far above some other competitors who target 90%.

We have a strong balance sheet, 1.4 times levered. Why is that important? It's important because we have a lot of fire power, a lot of dry powder waiting to do an acquisition. In this example, we could do $2.8 billion deal and maintain our credit rating.

Okay, that's 2015. So why don't I go through 2016. First, organic 3%. There's a couple things behind that number. That would be SPD, 1% to 3% type growth. International, 4% growth. And for the consumer business, domestic, 2% to 3%.

You might ask why is that coming down from 3.5% in 2015? There's really two assumptions in there. One is the international business comes back down to earth. We had a phenomenal year this year behind Steve Cugine and his team, 8% going to 4%. So, back down to earth there. And then the categories, our assumption for that is growth of 2% to 3%. So, if categories are doing better then our top-line will do better, as well.

Gross margin, 40 basis points of expansion. The easy way to think about that is really 70 basis points from productivity programs, from commodities, not having any of the startup costs for York, for the vitamin plant, offset by about a 30 basis point drag from currency. And I'll walk you through it when we talk about currency a little bit more, but we have a 30 basis point drag largely because of transactional currency impacts from the US to Canada.

Marketing is flat but there's a little bit more of a story there, as well. SG&A is down 10 basis points, leveraging the top line. Operating margin's up 50, EPS 7% to 9%, currency adjusted, 9% to 11%. We have a share count number for you, 131 million. What's behind that -- $300 million of buyback and we've already gotten ahead of ourselves of $100 million in December, so $200 million left for 2016.

Here's how we stack up versus our evergreen TSR model of 3%. You can tell we've hit or beat that 3% number over time. Focus on gross margin, absolutely 2010, 2014, in the face of commodity headwinds, in the face of laundry competitiveness, we maintained our gross margin. In 2015 we expanded and we're going to expand again in 2016.

Consistent marketing spend, so, 12.3% to 12.3%. I just want to leave you guys with this comment. The core business we're increasing marketing spend by around 10 basis points. Where a lot of our competition's cutting 20%, we're actually increasing our core business and the marketing spend associated with that. When we layer on the Toppik acquisition it is a $30 million deal. About a third of that revenue is direct, so the marketing spend's a little bit lower. When you do the math it becomes 12.3%, to 12.3%.

SG&A management is the hallmark of the Company. Our people do great things here. This is leveraging the top line. Many companies do zero-based planning process. I'd say we've been doing this for many years.

Operating profit -- 2015 was a big year. We hit 20%. A lot of personal care premium companies are in the neighborhood of 20%, so we're happy to be there. And then in 2016 we think we're going to expand by 50 basis points again.

EBITDA is a good surrogate for cash generation, and we think this stair step tells the Church & Dwight story very well. We've gone from 20% to the mid-20%s -- 24.2%. For EPS we're $3.48 to $3.54. That's the range of 7% to 9%. Again, once you back out the currency it's 9% to 11%.

Here's the FX story. In 2015, as a refresher, we had about a 2.5% drag on currency on the top line, and a 4% drag for EPS. That was a 30 bps impact on gross margin. In 2016 we had a 1% drag for revenue and 2% drag on EPS. But we still have a 30 bps drag from gross margin. That might surprise you. I would just tell you that in 2015, 70% of the drag for currency was translation, and in 2016 70%'s transaction, so, it has more of a gross margin impact.

Allocation of capital -- number one, by far, TSR accretive M&A. We look at deals all the time. The management team, the senior leadership team, we look for deals all the time. You'd be shocked at how much time we actually spend on that. What I want to leave you with that, though, is we're looking for the right deal. It's number one but we want to make sure it's the right deal.

Number two is new product development. That drives our organic growth. Number three is CapEx. Number four is return of cash to shareholders through dividends and buybacks. And number five is debt reduction.

We're not a capital-intensive company. In 2016 our outlook is really $55 million CapEx. You might say -- hey, Rick, you guys have typically been high $60 millions, low $70 millions. And I'd say -- no, the base business is actually in the $50 millions, and then when we have incremental capacity on the demands for vitamins or for a new plant, that's when we spike up to a higher number.

And then as Matt alluded to, 6% dividend increase to $1.42. That gets us right at our 40% payout ratio that we've been very clear on for many years.

And with that, I'll welcome up the rest of management team and we'll take your questions.

QUESTIONS AND ANSWERS

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Do we have microphones for people? Yes, we do. Okay -- Bill.

Unidentified Participant - - *Analyst*

Thank you. As you highlighted both in the release and several times, momentum exiting the year. Can you just give us a little more color, and, particularly, do you see something in vitamins as you finally got the plant issues behind you that you can maybe point to where we have momentum going into this year? And also talk about the laundry category, with more competition, with Persil, with what you're seeing with XTRA? Help me understand how you're seeing momentum as we move into 2016 for that, as well.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay. That's a typical multi-part question.

First, vitamins. Vitamins -- we went sideways this past year. We had issues with supplying customers. We had poor service levels. We had a lot of people unhappy with us. We didn't promote our products. We cut back on advertising because we couldn't service the customers. That is behind us now. So, now we have lots of new products coming out, as I reviewed with you. Customers are jazzed about it. And we're going to get new products on shelf in 2016. We're going to benefit from the tailwind of the category starting to grow again. So we feel really great about vitamins.

What was your second one?

Unidentified Participant - - *Analyst*

Laundry.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Laundry -- look, laundry down three years in a row, and now suddenly we had three quarters in a row where the laundry category has grown. So, there's more money being spent on laundry. Consumers are willing to spend a bigger pot of money. So, that's good news, when a category expands. You're right, in that there's new competition in there with Persil. That's certainly not something we saw coming into the category, us having then OxiClean premium laundry detergent. But we're not giving up on OxiClean. We have, obviously, the new two variants coming out this year with the Preserve product and also the dual-chamber pods.

And don't underestimate that. Remember, we had a powder pod for many years. We focused on liquid and we didn't put a lot of effort behind the pod side of the business. We're coming out with a dual chamber this year because consumers are looking for multiple benefits and you need multiple chambers. So we think the innovation is going to help us there. With respect to unit dose, there's no question that Procter has dominated that. Same story. We have a new product this year, the dual chamber, and that's going to help us.

Let's go on this side for a second. Bill?

Unidentified Participant - - *Analyst*

You talked to it a little briefly, but can you guys do a better job bridging the gross margin, for the puts and takes this year? Because it sounds like there was a fairly significant hit from the vitamin stuff. But given where the commodities are now, and probably some mix lift from Batiste and the acquisition growing much faster -- I know they're small but they're massive gross margins -- how are you only getting to 40 bps for the guidance?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

I've completely forgotten everything that I learned in finance, so I'm going to hand this off to our CFO, Rick Dierker. (laughter)

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

Thank you, Matt.

We tried to illuminate for you a little bit, Bill, the transactional drag, the 30 basis points of it. While commodities -- the core commodities like resin and surfactants and paper -- are all down. That's a tailwind, of course. Other costs are still up -- transportation and labor and everything else. Everyone wants to talk about the pure commodity piece, but other costs, there still is inflation in the business.

Mix of Batiste -- yes, that's helpful. Personal care margins, no doubt. And, like you said, vitamin costs are behind us. We never really quantified that. We said it's about the size of a breadbox, is the quote. By and large, commodities do benefit us; productivity programs do benefit us; mix does benefit. But there are also some other headwinds like FX and everything else I just said.

Unidentified Participant - - *Analyst*

Great. And then just to follow-up on the vitamin stuff -- if you did 3%, plus or minus, growth last year in scan channels, how much do you think you lost because of capacity outages in the allocation? Now are you guys are fully up, you can support all the orders you're going to get now with the new supply chain? And maybe what you think that 3% growth will do.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

You'd assume that if the category grew 3% in 2015, that's at a minimal what we lost if we were going to hold share. That would be our surrogate for that.

Unidentified Participant - - *Analyst*

All right. Thank you.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Let's go right here. Second row.

Unidentified Participant - - *Analyst*

Just a comment on vitamin margins. Versus the average, as you get the vitamin business growing again and you're investing, is that actually a negative mix shift that would be affecting gross margins?

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

Caroline, it's a good question.

Remember, a year ago we had told you that we had actually got our vitamin margins up to the corporate average. That was prior to the investment of the new plant. We said we're going to invest all this capital and fixed overhead structure for all this future growth, 75% increase in capacity, and we have to grow our way into it over a few years. As we grow our way into it, the margins for vitamins are, again, below the Company average, but we think that with the growth over time they'll get back to or above Company average.

Unidentified Participant - - *Analyst*

Thank you. And if I might, just on international, there have been some markets where the consumers' very weak. Is your business small enough that you can still grow in that environment overseas?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Steve, do you want to take a swing at that one?

Steve Cugine - *Church & Dwight Co., Inc. - EVP of Global New Products Innovation*

Yes, sure. I would say that our business in developed markets has been quite strong, actually. Europe delivered strong high single-digit domestic growth behind launch of new products -- Batiste, femfresh. Emerging markets has been something where we've really performed well. You saw from Matt's chart, Mexico in particular is a good sub for us. That's double-digit growth. And then export markets, an area that we've really focused on, has delivered double-digit growth, as well. So, we're feeling pretty confident relative to international playing a strong contributing role in the Company's overall growth rate.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay. Jason, it looks like you have the mic, so you've got the power.

Unidentified Participant - - *Analyst*

All right. Thanks.

Obviously, your operating margins are best in class. When you talk about aggressive but achievable guidance for 2016, the balance between sales and EPS growth -- what are some of the levers you can lean on in case sales do come in a little bit lighter because of the macro backdrop? I know you've got the recession part of the portfolio, but this is a question that we ask you every couple of years when things start to look a little gloomier out there. But I was just wondering, as you continue to impress us with the margins, how do you think about the next levers that you can lean on?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

We always have the same answer, too, by the way, because you have asked this before. It's always the what if. What if there's some pressure on the top line? Obviously it's always -- we know where all the discretionary costs are in the Company. So, even with the 12% SG&A, there's always something you can reach for. That's always the first stop on the train. The last stop on the train is going to be marketing. As you saw in the release, our marketing spend was $417 million in 2015. And the year before it was $416 million. We did not cut marketing this past year. On a reported basis, and on a local currency basis it went up.

We're very committed to holding the marketing where it is. But SG&A would be the first stop on the train. And we have a very creative supply chain organization, as well, to try to find ways to lower the cost per unit.

Let's go to Kevin.

Unidentified Participant - - *Analyst*

Thanks for the question. Two unrelated questions.

First, good to see innovation on the unit dose front. Can you possibly frame -- and maybe you don't want to comment -- what the trajectory of that looks like? Matt, you made the comment in the past that you intend to get your fair share in unit dose. Over what period of time should investors expect to see that?

And then an unrelated question for Rick -- you commented on free cash flow conversion. You guys have done a tremendous job on that. What's the runway there? How long can you guys maintain free cash flow conversion like 115%, maybe even north of that, like you did this year? Thanks.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay. With respect to unit dose, and our share today is 2.6%. If we said, okay, what's your share of ARM & HAMMER today, of the total category, you'd say 9%. So, clearly we're way under index there. In some accounts we have a 5 share, in other accounts we have a zero, voids. Obviously it is possible to grow it. In some cases we're already at 5%.

As far as a crystal ball goes, it's very difficult to say what the trajectory is. Going from a powder to a dual chamber we think is going to be a big help to the brand. We'll probably be better able to address that question in six or nine months and see how successful we are with the dual chamber.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

And in terms of free cash flow and the runway, the same way we have a TSR model for the P&L, I feel like we have an operating model for cash flow generation, whether it's working capital or CapEx -- whatever it is. I'd say the pure operating model organically for the business, we have years of runway. But the good thing about Church & Dwight and the acquisition platform that we are is, when we buy businesses we just don't have synergies from a P&L perspective, we have it from a working capital perspective, too. So, as long as we buy businesses, and that's our strategy, then the runway is going to be there for a long time.

Steve Cugine - *Church & Dwight Co., Inc. - EVP of Global New Products Innovation*

Kevin, I'd like to add, build on something that Matt said.

I don't want anybody in the room to think we're taking our eye off the liquid business. We will continue to support the liquid business moving forward. But as Matt articulated, we're putting a lot of emphasis on building our share in the unit dose. I think that should make you happy. I know that's one of the questions you ask me very often. But I don't want you to think we're taking our eye off the liquid business either.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay. How about Joe.

Unidentified Participant - - *Analyst*

Just going back to gross margin for a second -- what are you baking in, in terms of the promotional environment, particularly in laundry and litter, for example, which is a category that you've done very well in? And how do we think about the quarterly progression this year, because your compares get tougher but the transactional impact of FX should ease, as well?

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

On a promotional perspective, promotional spending is pretty consistent with the year ago. But, remember, in Q4 this year, promotional volume for laundry, for example, came down from 36% in Q3 to 33% in Q4. We believe the trends are going to be pretty consistent year over year for both laundry and litter -- nothing surprising. We know there are competitive launches but we have competitive launches, as well.

The other one was transactional currency and just timing of when that's -- as you would expect, it's probably more front-half weighted because currency rates, spot rates, are pretty much unchanged now versus what they were in late Q4. So it's more front-half weighted than back-half.

Unidentified Participant - - *Analyst*

So, even though the compares get tougher throughout the year, you think you see more expansion in the back half on the gross margin side.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

Oh, for gross margin? I thought your conversation was more on the top line. Gross margin is pretty actually balanced throughout the year. We called expansion in Q1. I'd tell you gross margin expansion is pretty balanced throughout the year.

Unidentified Participant - - *Analyst*

And just one quick one on the balance sheet. The inventories were up 11% year over year in the fourth quarter.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

Right, no doubt. Working capital was phenomenal. Cash conversion cycle is down to 26 days. Inventory was going the wrong way. Part of that is our vitamin business. We want to make sure we're not cutting customers, and our fill rates are 99.7%. We've probably overcorrected there, but over time we'll bring that back in line. But for now it's great where it's at.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Jill. And then you can pass it down to Lauren when you're done.

Unidentified Participant - - *Analyst*

Can you talk a little bit more about the distribution slide? I thought that was a great slide. I didn't realize actually that you had gained that much distribution for something like liquid detergent. Can you tell us maybe for detergent and cat litter and vitamins -- those are the three categories I care the most about -- what inning are you in? How much more distribution expansion is there to be had?

And then, related to that, particularly on vitamins, the innovation is awesome but the tradeoff is the risk that there are too many SKUs on the shelf. So, how are you managing that? And what's retailer response been? Are they giving you enough shelf space to take all of that assortment?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

I'm going to let Lou comment on the distribution gains, because he does take a bow for that particular slide. Lou will tell you that the game is never over and we're always in the middle innings.

Lou Tursi - *Church & Dwight Co., Inc. - EVP of North America Sales*

Thanks, Matt.

First of all, I'd like to answer by saying it's a team effort from everybody, all functions. It really helps the salesperson when you're out at retail when you have great innovation to sell against; secondly, supported by a marketing team that really believes in the products that we have. You put that combination together and a great sales team, and you deliver the results that Matt showed on that slide. All the modules aren't done and completed yet in 2016, but we are expecting very similar. The ones that we are hearing about are all positive and in line, that we have. But I really would put my hat off to everybody else at this table, because it requires all of us to work together to get those results.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

The other part of your question was vitamins. You're right, it's a very crowded space. And as I said before, in 2015 we didn't get any new products on shelf because of our own issues. The retailers are very excited about us, when you're the number one brand. We have over a 30 share both in adult and children's gummy vitamins. That's all outlet. We have the ability to get product on shelf. If you have the innovation, you're going to get the shelf space.

Lou Tursi - *Church & Dwight Co., Inc. - EVP of North America Sales*

One thing to add on that. If you remember last year, it was a difficult year for us with the startup of the plant issues that we had. And we took a very measured approach to 2015, that being -- as you know, vitamin is a category that's highly promoted, so since we were having trouble supplying the retailers we cut back on some of those promotions in 2015 that we would put back in, in 2016. And it's also, when you're having trouble supplying the customer, no one's looking to really expand on your distribution base. We have those missed opportunities from 2015 that would be carried into 2016. You saw the innovation platform that we have for 2016 and we feel very confident on that.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay, Lauren.

Unidentified Participant - - *Analyst*

Thank you.

Just following up, actually, on vitamins, and this would apply to OxiClean, as well -- sometimes I think when you launch new products, clearly your P&L structure can afford a lot, but I am curious the cost of keeping things on shelf. When I look like in the Nielsen data at some of the vitamin products you've launched over the years, the different variants beyond the basic multivitamin, they get share, then they lose it. And that's been a pretty repeated pattern when you look at the -- not SKU by SKU, but the title by title in the Nielsen data on vitamins. What's the cost to keep stuff on shelf when it's not really selling through? What pressure are you under from retailers to get it out and get something new?

And the same would go for OxiClean. In the retailers where 20 basis point of share gain, this would be starting year three, how easy it is to keep it on shelf when you're at those share levels?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Lou, you can answer this, but I want to give you some color with respect to vitamins. When you think about vitamins, there are lots of different variants, there's lots of different vitamins -- vitamin B, vitamin C, vitamin D, et cetera. There's also some specialty vitamins, as well. Multivitamins, in general -- round numbers, 40% of the vitamin category. So, that's your anchor. That one is the one you pay the most attention to. And it is common knowledge within the Company that you can have a lot of SKUs which drive the supply chain guys crazy, that need to be on shelf because some consumers are looking for them. That is the way to think about it.

And, yes, you're right, some things cost money to get on shelf. You may have to pay slotting, et cetera. We do have a process that meets monthly, a SKU rationalization team, so we're always looking at these and saying -- okay, is this something we should take off shelf? And in 2015 we did eliminate a half a dozen SKUs for exactly the reason that you're pointing out.

Anything you want to add to that, Lou?

Lou Tursi - *Church & Dwight Co., Inc. - EVP of North America Sales*

The only addition would be that this is a category where you have to stay on trend, so we continually innovate in this class and this business. We will continue to do so. You do need a good mixture of the base business that Matt talked about, and continuing to add productive ideas that are on trend, and deleting some nonproductive SKUs as you go forward.

On OxiClean -- you asked an OxiClean question -- I would step back and provide this input, because there are a lot of really good things I think we all should feel terrific about: those being, as Matt showed, the category's growing again. First time in a while that's happened. The second big thing is that there are two new premium products in the category. That's a good thing for a couple reasons. One being it promotes healthy competitive environment; and, two, it allows us to build our business.

Last year, if you remember, on OxiClean we said we would incrementally spend against that brand, and we did. And as Matt showed on his slide, our consumption's up 25%, our trial's up about 50%, and our repeat purchase is up about 40%. So, although it's a difficult environment because consumers are used to buying for over 50 years one particular brand, we believe in our brand. We will continue to support that brand moving forward.

Unidentified Participant - - *Analyst*

Can I just ask one more on M&A?

It was on Toppik. When you showed the list of acquisitions, the two that don't get mentioned in the recent past would be Feline Pine and then RepHresh and Replens from last year. So, one, a big picture question on M&A: when you set out to look at these brands, be they tuck-in or big scale, do you have a vision for whether or not you think they're going to be a power brand one day? Like Batiste -- are Batiste and Feline Pine the same on day one, and Batiste just really worked and Feline Pine less so? Are there roles that the different acquisitions are meant to play when you bring them in? And, then, where would Toppik fit in that continuum?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Simply Saline -- we acquired Simply Saline a couple years ago. For those of you who don't know, that's a nasal hygiene product. And keep in mind that we have the number one nasal hygiene product in Europe. It's called Sterimar. So, we thought -- hey, we know a little bit about this category. It's not only successful in Europe but it's successful in export markets. This is a pretty safe move for us to move into in nasal hygiene. Now, has it caught on in the US the way it is in other countries? No. But it's a high margin business. There was no plant that came along with it, so we thought -- okay, this makes some sense for us.

Feline Pine -- it was a number one or number two natural cat litter that was really in vogue at the time when we looked at it. We said -- hey, this likes like one that might make some sense for us. Again, no plant, it's co-packed. So, we had the criteria; it was a solid brand. That one hasn't taken off. But when you buy it, we know we're looking at trends, does it make sense.

You mentioned RepHresh and Replens. A year ago we buy RepHresh and Replens. This is the number one gel vaginal moisturizer. People with that issue will look high and low for a product that's going to solve their problem. So, again, problem solution brand. We put some money behind that as soon as we bought it, and it's grown really nicely in 2015, so we're real happy about that acquisition.

And coming back to Toppik -- again, problem solution. We learned a lot about the hair category through Batiste. We're not going to get into what could be a shampoo company, liquid shampoo. But we feel really good about hair thinning. That is an issue that you don't have a good solution there, because today the big brand in hair thinning is Rogaine, a J&J product, and it's putting chemicals. If you look at the consumer research, people aren't happy with what offerings are out there to solve the problem. And we think Toppik, if you go online and look at Amazon, some of the reviews for that product -- people love it. This business has people that have been customers for 20 years.

Again, it's the kind of thing we say -- hey, this looks like a really solid brand. It's not going to go backwards. It's going to grow quite a bit. Again, asset light, high margins, throws off a lot of cash.

Steve Cugine - *Church & Dwight Co., Inc. - EVP of Global New Products Innovation*

Matt, can I add something?

For each acquisition we really do a deep dive and look at what the global opportunities are. When you look at something like Feline Pine, we know that's really a domestic US play, period. And does it work with the portfolio that we have. I'll take Batiste as an example, or Toppik. Toppik, a third of their sales are, in fact, in international markets with good overlay over what we do today, and it complements our capability to deliver in specialty personal care products.

I would say RepHresh, Replens, internationally off to a very good start, as well. Again, we do a lot of doctor detailing, for example, in international markets. We feel that's a great product for us. We have a great way to access those markets and educate doctors on the benefits of these great products. We have a model per acquisition in terms of where we think we can play and how to win.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Okay, it's a good add.

One more up here.

Unidentified Participant - - *Analyst*

Thanks for taking my question.

Recently in the news there's been more negative commentary following a PBS documentary on vitamins and supplements. I just wanted to get a sense of whether you guys have seen any impact on your business related to that.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

You know what the results were for this past year. We went sideways. I think the only way to react to that is just to look at what happened to the category. It continued to grow in 2015 and it's growing in the first quarter. So, I would say no.

By the way, that has generally been the reason why the category has flattened out, because there was a lot of press in 2014 and you saw up on the screen today that it flattened out the category.

Unidentified Participant - - *Analyst*

The second question, on Batiste -- you highlighted in your slide an opportunity to expand with your top retailers this year. I just want to get a sense of what your penetration is currently with those retailers.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

With these top retailers?

Unidentified Participant - *- Analyst*

Yes.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Next to zero for some of them. When I said we had a 15.2% share, that's going to grow in 2016. We have voids, in other words.

Lou Tursi - *Church & Dwight Co., Inc. - EVP of North America Sales*

I'll add to that.

Clearly when we bought Batiste it was more of an international opportunity, so there is a reverse of what Steve said. We are looking at it globally but it started more out of the States and we brought it to the United States about 18 months ago. We're very pleased to say, within the United States that we became the number one dry shampoo brand in the United States in that short window of time. And that's been through a constant charge from our group and our team across all functions to deliver the best products out there, which we think we have. And there's a lot of distribution opportunities still in front of us.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Here's another fun fact for you: remember, we said that the retail category for dry shampoo is $90 million in 2015. In 2014 it was $60 million. So it's grown significantly year over year.

Anybody else? Jason.

Unidentified Participant - *- Analyst*

Thank you, guys. Thank you for the question. Congratulations on a strong finish to the year.

I want to come back to the gross margin questions we had earlier. Pricing appears to be a dramatic swing factor in your resumption of gross margin growth last year, with the first time in many years that you reported positive price growth. You closed out the year with a little bit of price leakage. What drove the price leakage late into the year? And as we think about moving into 2016, what should we expect on the price line of the P&L?

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

I wouldn't characterize it as -- here's the story on price. If you think back, Q4 year ago was when we started saying it was a normalized pricing environment in laundry. So, Q1, Q2, Q3, on paper looks like favorable pricing year over year in 2015 versus 2014, but that was just the normalized pricing environment. In Q4 there you're comping a time period that didn't have any pricing difference. In general I'd say 2015 versus 2014 was the absence of the competitiveness in the pricing laundry category. 2016, as I said earlier, I think it's going to be very comparable to 2015.

Unidentified Participant - *- Analyst*

Thanks.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Steve.

Unidentified Participant - *- Analyst*

Thanks.

You touched upon this to some degree -- on OxiClean, you talked about how you're behind where you want to be, 1 share, just over. I think last year you said you want to be at 2. So I'm just trying to figure out where you are in that arc? And how much additional commitment in terms of trade or spending behind that brand we should expect as we track it in 2016.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

As Lou said, we're not going away when it comes to OxiClean. As you know, in the second half of 2015, we took some money out of marketing and put it up in the promotional spend area in order to promote trial. We're going to need to continue to do that in the future. Does that help you?

Unidentified Participant - *- Analyst*

It does. So, we should expect that to continue?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Yes, we're going to need to do that.

Unidentified Participant - *- Analyst*

Okay. Then are there other pockets of -- I'm assuming unit dose is going to get additional promotional support; maybe vitamins as they comes back -- are there pockets where we should be expecting and looking for year-over-year increases?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Typically we're going to put the muscle behind the new products. So, some of the new products you saw up today, generally their first quarter is our lowest marketing spend quarter and it picks up in Q2. So, we move marketing around depending on where our new products are landing.

Rick Dierker - *Church & Dwight Co., Inc. - CFO*

It would be incorrect to walk out of here to think our promotional spend is up year over year. It is essentially flat year over year. All the commodity benefits are being plowed back into price issues in the category.

Unidentified Participant - *- Analyst*

Okay. Thanks.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Caroline.

Unidentified Participant - - *Analyst*

Hello.

You talk about this BioEnzyme product formulated to meet Safer Choice. Can you elaborate on what that is? And are there any pressures from environmental groups or any ingredients that look to be under pressure right now?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

We have somebody that's been waiting for that question for about 45 minutes now, and that's Paul Siracusa, our Head of R&D.

Paul Siracusa - *Church & Dwight Co., Inc. - EVP of Global Research and Development*

Thank you.

The Safer Choice logo or label is an EPA designation. There's plenty of green or partner organizations out there that try to certify the safety and efficacy and environmental compatibility of products. The EPA has a program. It used to be called Design for the Environment. It never gained a lot of traction because the consumers didn't have a clue what it was for. So, they repurposed their whole program. They went out and talked to consumers and came back with this Safer Choice approach, which means all the chemicals in there have to be certified by the EPA to be best in class from a consumer toxicity, from an environmental toxicity, and biodegradability perspective. So, you have you to formulate to those targets and that's what we've done with the BioEnzyme product. We wanted to go after efficacy with the BioEnzyme, so it's an enzyme-based product that does great cleaning and stain removal. At the same time, we did it with materials that meet the EPA's Safer Choice program.

Unidentified Participant - - *Analyst*

And are there opportunities to do this in other brands?

Paul Siracusa - *Church & Dwight Co., Inc. - EVP of Global Research and Development*

You could do it across the line, if you want to formulate to these targets. What we're doing inside the Company is, we're looking for where those opportunities make the most sense. ARM & HAMMER is a safe brand to begin with, so differentiating safer and safest is a difficult challenge, as you can imagine. But we took this approach because we added enzymes into the ARM & HAMMER franchise, which were never there before.

Unidentified Participant - - *Analyst*

And then just jumping topics -- last question -- on vitamins and gummy vitamins, private label is a big factor in that category. Is there any other category where you compete with private label as big? And how do you do things differently just in the face of private labels?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

With respect to private label, the way to compete with private label, frankly, is your features and benefits. If you keep your features and benefits different than private label you're going to be able to command the premium. And we do compete in private label in lots of categories. For example, in baking soda, 25% is private label. The cat litter is high teens private label. We're no strangers to private label. By the way, in vitamins it's pretty stable. It's been around 12% of the category.

Bill, did you have one more important question? (laughter) This is the last question so make it a good one.

Unidentified Participant - - *Analyst*

Since you did that, I'll turn it to Britta, since you're new.

Can you just talk, actually, as you're looking, since you're new to the role, what you're looking at in marketing and advertising, and actually from a cost standpoint? Is there any changes in terms of TV versus print versus digital that you're doing differently? As we look at your marketing spend being flat year over year, really there's some savings that you're actually getting? Can you maybe talk about your you approach, and then cost?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Britta, before you answer, let me just introduce Britta. Britta Bomhard is our EVP of Marketing. She's the Chief Marketing Officer for the Company. She just joined us earlier this month. Bruce Fleming, who had a stellar career with Church & Dwight, retired at the end of 2015. Britta comes to us from our European business. She ran our European operation, which is 37% of the international business, with fabulous results. And you can tell the folks a little bit more about your background and then help Bill with his question.

Britta Bomhard - *Church & Dwight Co., Inc. - EVP and Chief Marketing Officer*

Thank you. I think coming back to that question, I'm three weeks into the job. I'd say it's a little bit early.

What you can tell is, if you look at the results, that we seem very successful with the approach that we have. And I would like to compliment my predecessor, Bruce Fleming, on the kinds of brands he has set up with very clear longevity on brand assets and on communication. I would say this isn't broke. This is a winning formula we currently have. Obviously we all look at ways of optimizing and I will do that in due course. But currently I would say it's a winning formula. There's no reason to upset the apple cart -- isn't that a nice American expression?

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Very nice. You got that out of your book this morning, right? -- don't upset the apple cart?

Britta Bomhard - *Church & Dwight Co., Inc. - EVP and Chief Marketing Officer*

Yes -- Americanisms.

Matt Farrell - *Church & Dwight Co., Inc. - CEO*

Just to build on that, I think one of the things that was a side question is what are we spending on digital, and has that changed much over the years. And it has. We were around 26% in 2015. We'll be a little bit higher, 27% is what we're targeting right now. So, it's about a quarter of our spend. Going back a few years, five years ago it was less than 10%, so we're moving in that direction.

I want to thank everybody for coming today. We're going to wrap it up. We're about an hour now. And we'll talk to you again at the end of the first quarter and we'll see you again next year at the exchange. Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.