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EDITED TRANSCRIPT

CHD - Q4 2014 Church & Dwight Co Inc Earnings Call

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OVERVIEW:

Co. reported 4Q14 EPS of $0.78 and expects 2015 organic sales growth to be 2-3%.

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CORPORATE PARTICIPANTS

Jim Craigie *Church & Dwight Co., Inc. - Chairman and CEO*

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

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

Bruce Fleming *Church & Dwight Co., Inc. - CMO*

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Church & Dwight fourth-quarter and full-year 2014 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 call, Mr. Jim Craigie, Chairman and Chief Executive Officer of Church & Dwight. Please go ahead, sir.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Thank you and good afternoon to all of you. It's always a pleasure to present here in the center of global capitalism in the New York Stock Exchange Board of Directors. So, we're going to have a fun day today. I hope you enjoy your meal. We have a great presentation to make to you. Matt and I will do the presentation today and at the end we'll take Q&A.

My legal beagle in the room, my General Counsel, says I had to open up with this statement about the Safe Harbor statement. It basically says that we have some forward-looking comments today. If you believe anything and buy the stock it's your problem.

The agenda -- I'm going to open up with the remarks. For those of you who have a short attention span, I'm going to give you six points that are going to be made today to walk away with. I'm going to then tell you the ten top total shareholder return drivers that drive our Company.

Matt is going to get up and talk about the fourth-quarter results and the total 2014 results. Matt will also then get up and talk about our 2015 outlook. And then, again, at the end we'll take some questions from you and do our best to give you some answers.

What you're going to hear today, so here is your New York minute coming up -- number one, we had excellent 2014 results. We delivered 8% real EPS growth despite headwinds and we achieved share gains on all four of our mega brands.

Two, we exited the year with very strong momentum. We had 5% organic growth in Q4 and we had the highest gross margin of the year.

Three, as we always do, we're playing to win in 2015 with a very aggressive but achievable plan. We have a very strong new product pipeline, I believe as strong as last year. And we're off to a great start with retailer acceptance. And we have continued focus on growing our four mega brands.

Four, unlike many of our competitors we have minimal exposure to international headwinds. Less than 10% of our revenue is outside of North America and the 8% EPS growth target we have includes a 2.5% foreign exchange headwind. Many of our competitors are facing double-digit headwinds and we'll talk about that later today.

Number five, we're returning cash to our shareholders, raising our dividend to 8%. That ties to about a 40% payout, which is our goal. And we have a new $500 million share authorization to continue to allow us to buy back shares.

Number six, don't take that share buyback as any sign that we're backing off on acquisitions. We are still aggressively pursuing acquisitions. We made two small bolt-on acquisitions in late 2014. And we have $2 billion of additional purchasing power ready to exercise at any time.

So, there is the six points. Those of you with a nanosecond attention span, you're done. Otherwise those who want to pay attention to hear some really great news coming forward, stay tuned. Here we go.

Total shareholder return -- I've told you for my 10-plus years at the reins of this Company we are all about total shareholder return. That's what we care about most. Our investors love us. Our non-investors keep missing the boat on this Company. And let me show you why.

My favorite chart of the day -- this is how Church & Dwight consistently and significantly outperform the S&P 500. Whether it be 1 year 2014, the last 3 years 2012 to 2014, the last 5 years or the last 10 years you see our results there

And I think it's interesting is 21% for 1 year, 22% for 3 years, 23% for 5 years, and 18% for 10 years. And then compare that to what the S&P 500 did over that time frame and you see a significant difference across the board.

Just as importantly, within our industry, you see how we stack up against our major competitors. We are number one across every one of those time frames in the total shareholder return we delivered. So, we're very proud of that.

We aren't just a 1-year wonder, not a 3-year wonder, not 5-year wonder. We are a 10-year total time span here of outstanding results, beating everybody, every major company in our industry.

So, you say -- okay, Jim, great numbers, great results, but that's all about history, what about tomorrow. That's what we are here about, to talk about the future. And I'm going to tell you 10 reasons why we believe we can continue to deliver superior total shareholder return results.

Number one -- and this is a little different -- in the past number one used to be we have a recession-resistant portfolio. I've changed the tune to mean we have a resilient portfolio. Let me tell you what that means.

That means we kept a product and geographic portfolio that continued to excel despite major headwinds on three basis. One, we are still recession-resistant; two, we have minimal exposure to weakening foreign economies; and, three, we have minimal impact on foreign exchange rates. And let me put those in numbers for you.

First of all, our portfolio is unique. Nobody else in our industry has a portfolio like this. We have 60% premium brands, 40% value brands.

By the way, last year that was more 55/45. A couple of businesses we bought were premium-oriented so now we're a little bit more premium. But a 60/40 split.

Why's it important? Don't forget, our competitors, when they talk about they have value brands, what they really mean is they have premium-priced brands with more benefits than other premium-priced brands. Not for us. Our value brands offer a true economic value.

You can see from this chart the different categories we have value brands on. They are significantly lower priced than the premium brand. Why is that important? This economy is still a recessionary tight economy and the consumers are still very value-oriented.

You see the shift of consumers from the premium mid tiers down to the value and extreme value tiers. It's still out there, still strong.

Look at the laundry category, our biggest category we're in, a $6 billion category. More US households now buy a value detergent than a premier mid-priced detergent. So, people love value. It's big.

The value tier has now passed the mid-priced tier to be the number two tier in laundry detergent. That's huge and it's growing. People are still looking for a great value. They learned hard lessens during the recession. They still want a great bang for their buck.

You can see Church & Dwight has been a winner on this. We gained three share points in the value tier since 2009. And we're now bigger than number two, three and four players combined in the value tier.

You can see a little guy named P&G has popped up now in the value tier. We'll talk about that more in a minute.

Church & Dwight is the only laundry detergent manufacturer reporting share growth since 2009. You can see we're up almost 3.5 share points. We're now second to Procter and Gamble and bigger than Sun.

The second about our resilient portfolio is we have minimal exposure to weakening foreign economies. We've listened to earnings reports from our big competitors. They're screaming, these numbers.

Don't forget, 84% of our revenues and almost 90% of our profits come from the United States. A huge advantage right now. Foreign exchange headwinds are huge. It's 2.5% for us but you've heard in the past week or two a 10% headwind for Colgate, 12% for Procter and Gamble, and I heard Newell Rubbermaid the other day report an even bigger number So these guys are faces.

I would challenge you on one thing today. A lot of you have seen your reports are acting as if this is a one-year wonder. I don't get that. Why do you think the US dollar is apparently going to weaken in 2016, or the foreign currencies are going to strengthen?

And I'd ask you a second question. A lot of our competitors that deal with this are raising prices in the foreign economies. Don't you think that's going to have an impact on their consumption?

The consumers in those marketplace don't have more money. And their competitors who are raising their prices to offset some of these headwinds -- hello. If you don't think it's going to hurt consumption I think you ought to think about it again. Not a big problem for us.

Second big driver of our total shareholder return strategy is we have a successful mega brand share growth formula. Now, our share growth formula is not anything new from competition. There's innovative new products. You add to that increased marketing spending, increased distribution, that leaves us share growth. That formula is as old as stone but we do it exceptionally well.

First of all, you can see, since we created a new product team back in 2007, we've had a great track record on driving revenue growth on new products. Today almost 40% of our revenues in 2014 came from new products launched since 2007.

You'd be [a little] surprised by this chart -- what we spend behind our products. Church & Dwight, despite being only a $3- $3.5 billion company, small compared to the other guys on this chart, we spend more on advertising than these major CPG companies. So, we spend big behind our product news.

You take that together with new products and increased marketing spending and you get increased distribution. Lou Tursi, our head of sales here, and his sales team did an outstanding job taking that product news and the spending out to retailers. The retailers appreciate it, they give us more distribution. Winning the shelf is the first war you want to win out there in gaining share and we've done a great job across all our major brands here; sometimes almost doubling space since 2009, like we have on laundry detergent and cat litter.

You put that altogether and it leads to share growth. You can see from this chart, going back to 2008, the green bars on the chart show share gains, the red charts is share losses, yellow is neutral. We have gained share. Gained share on over 75% of the times over the last seven years.

Some of our competitors talk about gaining or holding share. No. We don't count hold share as a win. That's just neutral. When we talk about gaining share we have an outstanding track record. I don't think anybody in the industry can rack up to this chart with 75% of the time growing share.

I would give you a number today. Don't forget, our aggregate categories last year grew 0.2%, and yet we gained share. And our organic growth was in the 3%, 3.5% range. That means we had to gain share to get there. So, we're doing that. You have to gain share and win and we're doing that behind our great new products, our increased marketing spending, and our great distribution results.

Our past success was driven by nine power brands, you can see on the chart. These power brands hit 80% of our revenues and profit. You can see they're very important. They're market leaders in the categories they exist in.

Retailers love them. How many of the top-selling SKUs, stock keeping units in the category, are your brand? You can see from this chart in some cases all 10.

In condoms, for Trojan, we have the top 10 selling condoms in the category. You can see all the way down there. We are very important players in our categories.

But, in 2014 we stepped back and say, you know what? That great strategy [on behind] the eighth and ninth power brands, we've got to evolve it. We want to evolve it to put more focus behind our four biggest brands, which we call mega brands, being Trojan, OxiClean, the Vitamin brands, and Arm & Hammer.

Why? Because those businesses do 60% of our sales and profits. Those businesses have been the fastest growing business in our portfolio. Same formula, same formula on share growth, the innovative new products, marketing spending, increased distribution leads share growth.

But in this case, the mega brands have an advantage. There's four reasons why you want to put focus behind them. One you get a bigger bang, and I'll explain this in a minute, a bigger bang for your marketing investment. Two, they have greater licensing potential. Three, you get a bigger bang for your research and development investment. And four, it helps you keep your organizational costs down.

What do I mean behind that? Look, when you spend a dollar on the advertising behind a mega brand, and you do it smartly, as Bruce Fleming, our head of marketing here and his gang do. When you spend a dollar you'll focus in on one form. Like in Arm & Hammer it would be laundry detergent. But if you do it the right way, people hear Arm & Hammer. And it helps all forms of the brand.

In fact, there are forms of this brand that we don't even advertise specifically that are growing because they have the umbrella effect of this advertising. So, spending money behind a mega brand helps.

Now, just the opposite. I'll pick on one of our competitors, Purex, which we face in the laundry category. Purex is just a laundry detergent brand. When they spend a dollar on Purex, it just helps laundry detergent. Doesn't help anything else. Three's nothing else called Purex out there in another category So, being a mega brand, spending behind it is a big win.

We've entered new categories, you can see. We've taken our mega brands, taken the properties they have, whether it's deodorizing, cleaning, whatever, and taken the side categories to grow those businesses.

Those four mega brands are 60% of revenues but receive 75% of our marketing spending. Why, again? Because I just told you, the marketing spender gets a bigger bang for the buck. Better to spend it there.

Licensing. There's a lot of categories that [have] properties by brands, like deodorizing and that, apply to but we don't want to get into it. They're not our businesses, we don't have the strength. But other companies have come to us, other major companies have come to us and said, hey, can we put your brand as a co-brand on our product to help sell our product? If we like it and we look at it and say it makes sense, we do it.

It's great for us, it's 100% gross margin. We don't make it, we don't sell it. We have the rights to look at it and approve everything and make sure it's done right. They make it, they sell it, we get a licensing fee. It does fantastic for us and expands the breadth of our brand in the store.

The second thing, our R&D group works very hard on doing stuff. But when you're working hard and it's just one category, you can't take something you learn about deodorizing, whitening, brightening, whatever, to other categories. When you have a mega brand you can. You can take that property, it might be a laundry detergent, and apply it to other categories so you get a better bang for your buck out of your R&D investment.

Through your organizational costs when you have just form-specific or category-specific brands, you have to have separate brand teams in all of them. That's a lot of organizational costs. And you'll see later in my presentation, we have the lowest organizational costs of any company in our industry. Why? Because we focus behind these mega brands, that keeps our organizational costs down.

You add that all up: the lower R&D investment, the bigger bang for the marketing spending, the greater licensing potential, lower organization costs; you get more profits. That's what it's all about, folks. I'm a capitalist. I'm not ashamed of saying it. It's all about making more profits.

Let's talk about our examples. Arm & Hammer, our biggest mega brand, over $1 billion in sales. Here is a brand that's in over 12 different categories today; 12 different categories. It's in more aisles in the grocery store than any other brand in America. You walk down those aisles, you see the orange, it's Arm & Hammer. We're all over the place.

It's both a premium and value brand. In the laundry category it's value. In the cat litter category, baking soda, toothpaste; it's a premium brand. So, we span all price segments with this brand.

This might surprise you. Arm & Hammer is much smaller than some of the brands on that chart up there but yet we're one of the top 25 advertised brands in America. I bet you wouldn't think of that. So, we spend good bucks behind Arm & Hammer.

Our marketing team does a brilliant with all forms of marketing, whether it's TV, radio, online, in store, whatever. And the end result is, here is a brand that goes back to 1846, over 160 years old, and in the last six years we've had a high single-digit growth rate. How many brands, that are brand new, have a high single-digit growth rate? And here, because of the way we're going to market, the way I just told you about how we support this business, we're growing at 7% CAGR over the last six years.

And were we done, did we stop? No. This table is loaded with innovation. Last year had some of the great innovations we launched. The Arm & Hammer Clean Scentsations laundry detergent, the Truly Radiant toothpaste, the Clump & Seal cat litter. Major winners.

It was the best laundry detergent launch since Arm & Hammer's OxiClean helped drive the 20th consecutive quarter of Arm & Hammer's share growth. The cat litter was a monster, absolute monster. We drove over 20% increase in our sales, strengthened our position of number two player in the category.

Don't forget we were not in cat litter. We didn't enter that category until 1998. And now, what? Now 16 years later we're number two player with over 20 share, growing over 20% with great innovations.

And the Truly Radian, a real tough category, oral care; we're the number four player in the category against the big guys out there. This was the best new introduction we've had in a long time. And we had twice the growth rate of the category because of this than our competitors did. So despite competitive attacks, it was a tough year, we were attacked on all fronts by major competitors; we still grew share on Arm & Hammer.

OxiClean, our next big mega brand, one we really turned into a mega brand in 2014. In its own category, laundry additives, number one brand. Bigger than the next three brands combined. Second most advertised brand in fabric care. Arm & Hammer in total, across all categories, is bigger advertising. But in fabric care OxiClean actually spends more than Arm & Hammer, second-most only to the big guy in Cincinnati. Loved by consumers.

This brand, I would tell you, from consumer surveys we take, is more loved by consumers than any brand we have, quite honestly. When I run into people and I tell them we own OxiClean, oh my God. The stories that come out of their mouth about OxiClean and the great success they had in saving a jacket that was all done with stains and that. People just love OxiClean and tell their friends about it.

This brand is great success since we bought it in 2006, great high single-digit growth rate. Again, second most advertised brand in the fabric care category.

Last year we step back and say, no, we have this tremendous property, this tremendous property that stands for great stain removal, it's in a $1 billion product category, but it can be bigger than that. So we took a bold move. We said, you know what, let's take this into three adjoining categories. Let's take it right into laundry detergent. People have been adding it to laundry detergent, let's make a laundry detergent with OxiClean that's a great stain remover. Let's take it into the bleach category and go right up against Clorox and that. And let's take it in auto dish where, again, stain removal in dishes is huge.

Se, went into three big categories, making OxiClean into a mega brand. Great new laundry detergent, over 80% of the business we got was incremental. We got 1.0 share. Somebody said, oh, it's only 1.0. Don't forget, this is a $6 billion category that we got a 1 share it.

Second thing, we went into the bleach category, Lou Tursi and his team did a great job. We got distribution in the bleach category where we'd never been before, achieved a 2.2 share. And over 65% of the business here was incremental to our existing business.

Three, auto dish, super tough category. Two big competitors beat their brains out all the time. We got great distribution and achieved a 2.0 share and we exited the year number three player, having passed Colgate's Palmolive brand. We're number three in the category, so very happy.

We increased advertising by 66% behind this business. We did a great holistic marketing campaign in all forms behind all the new products. And consumption all total went up 26% in 2014 OxiClean. We are very happy.

Now, I will tell you, we're treating 2015 as a second trial year behind these forms. We're not going to back it off going, okay, we're back into lesser stage. We are still full speed ahead on Oxi's mega brand. We're going spend just as aggressively in 2015 on this brand as we spent in 2014.

Trojan, our next mega brand, here is a business we bought in 2001. It has a very strong leading share of the common category. In 2005 we said let's make this into a mega brand. We launched into vibrators. In 2013 went into lubricants. So, today we have a mega brand covering all those segments.

This brand has delivered nice steady share growth over time. In 2014 we came out with brand new condoms, some brand new vibrators, brand new lubricants, and had record annual sales and record annual shares.

You might have seen New York Post today ran an article, the movie 50 Shades of Gray breaks on February 14. Gee, why? If you go to the movie theatre and watch that, I know you all will, you'll see some ads running before the movie thing. They will have Trojan in them, so stay tuned. We're taking advantage of something that's very right up our alley in dealing with this brand.

Our fourth mega brand, the vitamin business that we bought just a few years ago. We bought this in October 2012. We saw the beauty in this. A lot of our competitors looked at this and said, well, it's only 3% of the total vitamin business. They said who wants a 3% player?

We looked at it and said yes, 3%, but it's the fastest growing segment of vitamins, the gummy vitamins. Huge opportunity. Already 66% of kids that buy vitamins when we bought were Gummies, but only 3% of adult vitamins were Gummies. And the adult category is a $7 billion category, 21 times the size of the kids category. So we said there's the opportunity. Keep the kids business, keep it growing if you can, but go after the adult category. And the brand was at that time, and still is, the number one gummy brand for kids and adults.

Look at the growth rate on that one. Again, we didn't own it in 2008 but since 2008 tremendous double-digit growth rate in this business. We launched that with new innovations. We took multi vitamins and added some benefits to it for both the adult version, Vitafusion, and the kid version, L'il Critters.

We increased advertising support 35% last year and had great results. We built our number one share position for kids and adults in Vitafusion, again, the key focus. We had the adult side had double-digit sales growth in all 12 months of 2014, and still tremendous upside there.

So, as the year went on we launched all those great new products early years, spent heavily behind it. And then the marketing support kicked in, in Q2, in that. You can see we built momentum across the year and feel really good exiting the year with good organic growth

Our 2015 plan reflects continued focus behind those four mega brands. Major new product launches in every one of them, on the tables here today. Matt will give you the details in a few minutes.

75% of our ad spending is spent behind those four brands in our portfolio. As I said before, we're going to continue to drive trial on the white space launches, particularly on OxiClean, to expand the breadth of the mega brands in 2015. And, again, Matt's going to come up here in a few minutes and give you details behind the great new products.

Number three, of the ten reasons why I believe we continue to deliver great total shareholder return, is we ferociously defend our brands. Greatest example is OxiClean. We bought this business in 2006. We launched new products, increased the advertising by 2009, and it was up to 40% of the category. Great new products we launched in that time frame. We increased the marketing spending by 400% in that time frame.

And then the big guy in Cincinnati decides, you know what, they had a little stain pen in this category but they said why don't we have a bigger piece of this $1 billion category. So, they launched their big name into laundry additives with powder forms and liquid forms. Did we just step back and say we're dead? Hell no.

We step back and say, we're not going to give up in this category. We came out with a whole bunch of great new products. We co-branded on other products in our portfolio to expand the breadth of the brand, the presence toward consumers.

We increased the advertising in the brand. Again, the number two most advertised brand in the category. And at the end of the day look what happened. Not only didn't we lose share, we gained share And the big guy in Cincinnati and our other competitors, who are pretty big names, too, you can see there, lost share. So we, despite being the smallest guy in that chart in terms of size of business, beat them all back.

That story wasn't over. The big guy said, hey, you know what? Let's do it again. So, they came out in 2014, as you all well know, with a laundry brand, taking their big brand name down into the value segment. Did we step back and say we're dead, the game is over? Hell no.

We came out with a great new form of Arm & Hammer called Clean Scentsations, I told you about before. And we went upscale. They went downscale, we went upscale. We brought up OxiClean laundry detergent.

We increased advertising and trade spending by 5%. And this is a category where we already spent a lot of money. We increased it even above that. Look what happened here. Yes, the big guy in Cincinnati gained some share, but we gained share, too, and the other two guys lost. So, as I said, we ferociously defend our businesses. We are not going to give up share. In fact, we're going to gain share.

International growth, been a nice little part of our portfolio, too. International in 2001 was nothing in this Company and then we bought Carter-Wallace and some other businesses. Today it's about 16%. International includes Canada and Mexico, so when I say North America sometimes it's misleading. But international today is about 16% of our portfolio. Basically, in six countries has 95% of the business out there,

We've had great results over time. Some of these countries have really struggled with our economies, we've had great results over time in these economies. In fact, in 2014, overall we did 3.3% organic growth. We exited the year with 7.4% organic growth. So, we have a great business, Steve Cugine, head of international, couldn't be here today, he has the flu, but he and his team are doing an outstanding job in very tough situations out there.

What helps us do that? We have some local brands we call our international power brands in some of the countries that are number one in their categories. We're also trying to expand our US brands, what we call corporate power brands, into these countries.

We also are building scale through acquisitions. We bought some cool businesses like Batiste, which is a dry shampoo on the table here, number one dry shampoo in the UK, growing double digits. We're taking it now to other international countries. And we're leveraging our Company's strength, whether it be R&D, operations, sales, whatever across all the functions in these countries. So, great job.

Gross margin number five, great story here. We've had 800 basis points of growth margin expansion from 2004 to 2014. That far exceeds any of our competitors on the chart there. Most of them, in fact, hadn't even grown. They've gone backwards on gross margin.

How do we do that? We have a good to great. We ripped off the book named Good to Great cost acquisitions. That covers everything from reformulation, reducing packaging. Mark Conish, our head of operations in the room here today, and his team do a great job there with Paul Siracusa, head of R&D.

Supply chain restructuring -- we built and invested a significant amount of money in some new plants to be more efficient, both in Pennsylvania and California. Acquisition synergies, we do like to buy higher margin businesses, bring them in-house and then knock out costs on top of that by bringing them into our plants.

And then lastly we like to launch. We launched new products, higher-margin new products. So that's all behind the great run we've had on new products

Also, (inaudible) in gross margin, this is unique. I know of only one other company in our industry, Newell Rubbermaid, that has gross margin as part of its Company's bonus targets. Before that it was just us.

25% of my employees' bonuses come from hitting their gross margin targets. That's huge and that's tough. That's tough when you are dealing with commodities that are very whiplashed back and forth. It's a big driver.

100% of the people in my Company look at gross margin every day. That does not happen in other companies. It's not part of your bonus target. Many times marketing guys, they don't give a damn about gross margin, that's operations' problem. My Company it's everybody's problem, everybody works on it. Again, we've had programs driving it behind, wrong way, I'm sorry.

Now, 2013 we had a great year, went up 80 basis points. In 2014, as we told you at the start of the year, we invested heavily to launch a record number of new products. And we have some price wars going on, so we went backwards in 2014. But the good news is we exited the year with a 45 gross margin, exactly where we were in 2013. So, we're headed back in the right direction and we are calling gross margin improvement in 2015.

Track record acquisitions have been outstanding. I think you know we're known for this. We're very specific on what we look for. We look for number one or two share brands, we look for higher growth, higher-margin brands as we bought.

We look for asset light. That means we don't like to buy businesses that have a large number of plants or big headquarters, things like that. We like businesses where we can just take them out and leverage our capital base, put them in our plants, put them in our headquarters and deliver sustainable competitive advantage.

The track record has been great. A good part of our growth has been driven through acquisitions. You can see there, the brands, of these nine power brands we had we bought eight of them since 2001. So a big reason behind our good growth

We take those brands, we don't sit on them, we grow them. As I showed you with OxiClean before, we take them, we invest behind them, we launch new products. And we've grown share in every one of the businesses that we've purchased.

We've had two little bolt-ons late last year. One little drug store that had some feminine care businesses we added to our women's health businesses. Great acquisition, about $50 million in sales.

And VI-COR. Believe it or not we bought a business in the specialty products area that fit right in with our specialty products portfolio, about $25 million in sales. They're small, accretive. Their gross margins are accretive to our Company gross margin. Their sales growth's accretive. So we'll get nice little accretion from these two businesses in 2015. Not much, but nice little bolt-ons.

We'd love something much bigger. I will tell you, I've never spent more time in a year than I did in 2014 chasing acquisitions. The right one just didn't happen yet but we're still working hard on it

And we have a lot of money. We have $2.5 billion of dry powder to go out and make an acquisition, which is plenty big.

Best-in-class free cash flow conversion. This is where Matt and Rick Dierker do a great job. We have outstanding numbers here. We're increased cash flow almost 200% since 2004. We are best-in-class.

We do a ratio of 119% of net income is free cash flow. Look at the rest of the guys in that chart. Some get close but nobody beats us. Outstanding numbers.

And we've increased our dividend steadily almost 500% since 2009. And our goal is to be about a 40% payout and raising it again 8% this year.

Overhead management -- this may be something I find interesting. I always had an attitude in house. We started as a small company, we're staying small. A lot of our competitors are big companies, and all I hear about is restructuring charges, restructuring charges, restructuring charges. Kind of, excuse me, pissing away their shareholders' money.

You can see from this chart that I'm very proud of, we've more than doubled the revenue base in this Company, and yet we hardly increased at all, less than 10%, the number of employees growing up. Led to over a 300% increase in earnings per share. That's an awesome job. Most companies who have doubled their size in revenue would have come close to doubling the size in employees. They just bring in the people they hire of the companies they buy and add them on. We don't. We largely buy the Company, get rid of most of the people, and leverage our people in-house to run the businesses.

As a result, we have the highest revenue per employee of any major consumer packages company. We shouldn't win that war. These guys are huge. Look at their revenue base versus us. They should blow us away with $22 billion brands. They should easily beat us on revenue per employee, but they don't because we keep such a tight employee base.

That has lead to the lowest SG&A as a percent of revenue of any major revenue of CPG company. This again, everybody wants to get to be like Church & Dwight. Well, we're going to keep going down so they're going to have to keep chasing us. Lots of good stuff

And this is where we do walk the walk on tight overhead controls. I wish I had a Company car, I wish I had a Company plane, I wish had golf club memberships. We don't do that. We never have done that. We don't believe it's our right in running the Company to take the shareholders' money and spend it on such luxuries and that. So, we're very tight on managing our overhead.

Last but not least, I'm very proud of the expert management team we have. The people who run our strategic business units, there's eight of them, are lifers. I tell them, you're in that job for the rest of your life. They have averaged, they have 24 years of experience in the industry. So I've got people who know their business goal. I don't move them. I don't take the person running women's health and go over and put them in the laundry business and swap around. I think that's stupid.

Why does somebody who runs women's health or the sexual health business, Trojan, going to become an expert on laundry detergent? You're wrong to move people around. We don't move the top people around. As a result they know their businesses cold.

That's why the share results are so great. That's why 75% of the time we grow our share. We know our businesses cold.

And we're also able to minimize head count. I grew up in another company where I was moved every two to three years. I had to have people, a big staff, teaching me all about the business, and then two or three years later I moved and they taught the next person about the business. Sort of like Congress.

We don't do that. We have experts running our business. They don't need a huge staff to tell them what's going on or teach them the business. So, we're able to minimize head count.

We also, therefore, execute great. Our people know what works and what doesn't work in driving share. They don't come into a business new to the game and all of a sudden try something that was tried ten years ago and failed but they didn't know that. Our guys know that. They don't make mistakes. They execute superbly across all functions.

And then the acquisition -- why you say, well, don't they get bored running businesses for so long? The last point there's the secret. I give them new businesses we acquire.

I just gave the two new businesses we bought in the little drug store brands to the woman who runs our women's sexual health business. She's been running that business now for 16 years. But now she [begs] these new acquisitions. So I gave her that, I gave her Batista a few years ago. They love getting more businesses to work on. And she will be running those businesses for the rest of her career at Church & Dwight. Then she will be an expert of those businesses.

That's a really crucial point. I hear some of our competitors now are changing their tune, they're starting to keep their people longer on businesses. Well, yes, it makes sense. Why take a person off just as they get to really know a business, you move them to something that's totally different. It makes no sense to me. We don't do that.

Last but not least, a summary of everything up here, we are total shareholder return junkies. The numbers there speak for themselves across every line of the P&L how much we have grown across every one; industry-leading numbers. There's my favorite chart.

I think I'll just stop here today and just admire this for a few minutes. No, seriously folks, this is why you're here, right? Are you here today to learn we won the ad award of the year, best new Super Bowl ad? Are you here today to learn that we had the best new product of the year?

No, you're here today because of that chart. You're here today to pick Church & Dwight stock, recommend it to your people who buy your companies, tell us we're worth more than $65 a share, and move us on out there, So, there's the results.

Industry-leading numbers across the board. There's my great team. That was shot a year ago. We'll be ringing the bell at 4 o'clock today up there. I'm very proud of it

Last but not least, let me tell you, too, our bonus system is somewhat unique. Our bonuses are tied right to what drives total shareholder return. Our return on bonus is tied to those four factors.

25% of it's tied to hitting the net revenue growth number, 25% hitting the gross margin expansion number, 25% the EPS number, 25% free cash flow. Everybody in the Company from me on down. I've been on other boards and other companies where the chairman has one set of targets, the CEO has another set of targets and it changes. You can't have that.

We have alignment. Everybody in the Company has the same targets, the same numbers. That makes us all work together in the same way.

Our equity, number two, is 100% stock options. Very unique in this industry. Other companies have restricted stock, which is free money. You get it no matter what.

In our Company if that stock price doesn't go up from the day you get the stock option, it's worthless. So, we are very incentive on driving the stock price. It's what all our equity is based on.

And we're required to be heavily invested in the Company in the stock price. So, we live and die Church & Dwight. 90% of my net worth is tied up in Church & Dwight stock. Believe me, I look at it every day. In fact, I'm going to look at it right now. What is it? We're doing okay.

Last but not least, here's Matt.

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

Hello, everybody. I'm going to talk about some numbers now. We're going to start with the fourth quarter. I'm just going to roll down the headlines so you can see that we had a fabulous quarter from an organic standpoint, 5.2%, highest of the year. I'm going to show you the progression of the quarters in a second. And largely driven by volume, see 4.7%

And then our gross margin contracted 20 basis points. We actually had expected expansion in the fourth quarter. A couple things happened to us. We had a little bit more FX contraction, or FX causing contraction in gross margin in the fourth quarter. And we mostly had a mix issue because our friends in the specialty products business had another stellar quarter and they have a lower gross margin than the other divisions

Operating margin up 130 basis points. We also expected that to be higher but you probably all noticed that our marketing spend in the quarter was 13.8%, and in our third quarter call we expected 12.2%. So, we elected to dial that up in the fourth quarter behind our brands. And as you can see we hit our expectations of $0.78.

Here's a little bit more color on the division. So, you see domestic was up 3.1%, international 7.4%, and specialty products business 20% -- that was a bit of a surprise. We came out a little over 5% for the quarter.

Now, you should look at that in context to what we're calling for next year. You read in the release 2% to 3% and say, well, they had an awfully strong third and fourth quarter, so what's up with the 2% to 3%? The way to think about that is specialty products business had a stellar year, so everything went right. Green lights all the way. That's not going to happen again in 2015

You had all-time record prices for milk in 2014, of $24. Guess what it is today? It's $17 today, The dairy industry will still be profitable in 2015 but not as profitable as it was in 2014, So, specialty products, you'd expect them to come way down to earth and be more of a 1% to 3% grower in 2015.

Going up the page, now you have international, 7.4%. Before we get giddy about that, let's remember what it was in the third quarter. Third quarter international was up 1.7%. That can be a very lumpy business so that's not representative of the run rate for international. And keep in mind that our two biggest subsidiaries are Europe and Canada, and you can't expect that those areas are going to be growing significantly next year

Consumer domestic on a full year basis was 2% in 2014. Next year, we're expecting 2% to 3% for domestic.

When you weight those altogether, you come out with 2% to 3% for the business That's how the math works. Specialty products 1% to 3% and the other two businesses you can expect 2% to 3% each.

Let's keep going. Here is the trend throughout the year. You can see we're generally a volume-driven business. We average between 4% and 5% on a full-year basis.

There is the trend that Jim talked about. We finished the year super strong but, again, we're calling next year 2% to 3%, first quarter 3%. And the first quarter next year will be our highest quarter for trade, coupon and slotting.

There's the gross margin progression, as well. Highs for the year in Q4 expected to be a little bit higher but we're happy with the result of 45%.

And here is marketing. This is 13.8%, so that was a surprise I'm sure, to a lot of people, how much money we spent. The difference on a full-year basis, if you spend 13.8% and we expected to spend 12.2% in the fourth quarter, that's 160 basis points more than we told everybody in November. So that's a 40 basis points hit to operating margin on a full-year basis, It's simple math

Now let's go to full-year 2014. Full-year 2014 you see 3.5% organic sales, 4.4% volume. So, it's a volume-driven year. Gross margin expected to be down 50 basis points. Marketing up 10% to 12.6%.

And SG&A, I should talk about. In 2014 we expected to tighten our belts in order to fund the trade wars in 2014. That 90 basis points down on a full-year basis for gross margin contrasts with what we said a year ago. We expected gross margin to be flat in 2014. It was not, so that 90 basis points down reflects the price wars in 2014.

Marketing, you can see, is 12.6%. That's the good news. It was actually 12.5% in 2013. I'm going to show you the trend in a minute.

And, as Jim said, we are great at overhead management. SG&A was down 90 basis points to 12.1%. You might ask what are some of the contributors to that. Obviously, we have significant headcount control. We've also said in the past we've invested in systems in order to make our people more efficient.

One of the other unique things we did in 2014 is we moved to a private exchange for our medical and dental costs. And unlike lots of other companies, our average cost of claim per employee actually declined 8% in 2014. And that is without passing on costs to employee. So that was a win-win for the Company and for the employees.

Just rolling down the page, you see free cash flow of $470 million. That's a record for us. And, then, free cash flow conversion 113%. And we've averaged about 118% free cash flow conversion for the past five years.

Now let's talk about shares. So you can see in full-year 2014 six of nine power brands grew share, three did not. You can see the red ones up there: First Response, XTRA and Spinbrush. We think that's a great record

And here's cash conversion cycle. As you know, this is a real good measure of the discipline within a company. We keep a lid on the cash conversion cycle. You see the math up there in the upper right what the calculation is. DSO plus DIO minus DPO, So, again a very good result.

And then here is what I talked about earlier, $470 million of free cash flow. One thing you should be aware of, because that's after CapEx, and our dividends on an annual basis are about $170 million. So you start with $470 million and you say, okay, I'm going to subtract the dividend of $170 million, so now you have $300 million. You're going to add to that $50 million that we normally get from option exercises. And you're going to see we have $350 million available to us after CapEx, after dividends, on an annual basis. So we are a cash generation machine.

And we have a very strong balance sheet. When you are generating that kind of dough, $350 million of free cash flow after CapEx and dividends, that grows over time, and then on top of that we have an unlevered balance sheet. That's why Jim is always telling you we have tremendous fire power and a great ability to acquire businesses. But, again, we're very fussy about what we're going to acquire.

And we declared an 8% dividend increase. That's commensurate with our EPS call for next year, 8% EPS growth and 8% dividend increase. Pretty proud of that upper right, 114 consecutive years of dividends. Again, our target payout ratio was 40%. Probably a little bit ahead of that, probably around 41% right now.

So, now we're going to talk about 2015. And before I get into the numbers, as Jim said, let's talk a little bit about what our new products are. So, you'll want to study these charts carefully.

2014, the year we just ended, was our biggest year ever for new product launches. And we have a great line up for 2015. We're building on the success of Clump & Seal, Truly Radiant, and also OxiClean.

We'll start with Clump & Seal. You can see it was our most successful product launch in the litter category ever. That category actually grew 8% in 2014. Our share grew 290 basis points. We're at 22.9% share right now And the Clump & Seal brand alone is 7.3% share.

We're moving into two areas now in 2015 with Clump & Seal. One is lightweight. We're the third entrant in there. You already have Clorox and Nestle. And we're also moving into natural. We're definitely building on the strength of that Clump & Seal brand in 2015,

Now let's go to Truly Radiant. You heard Jim talk about that, as well. That was a very successful new launch for us in 2014.

Now we're taking it into two new areas where we're not today. On the left you see manual toothbrush, in the middle you see rinse, and on the far right we have a new variant of Truly Radiant toothbrush. Let's start on the left-hand side of the page.

Manual toothbrush is a $700 million category and it's growing 6% annually. Our point of differentiation here is we have a rotating head on the manual brush. And lots of consumer tests and the consumer scores are extremely high so we think we have a point of differentiation in entering that category.

Rinse is next. Here is another category, $1.4 billion, also growing at 6%. We're not in this category today. We're going in with a rinse that is alcohol free and, I was going to say drug free, and peroxide free.

You probably know that both of those are causes of sensitivity in tooth and gums. Again, we think we have a great point of differentiation in entering that category And, finally, Truly Radiant, successful launch in 2014, coming out with a different flavor in 2015 just to build upon our success in 2014.

Next we have, White Revive. You heard Jim talk about we entered the bleach category in 2014. Very successful. And we have a 2.6% share right now in bleach

This is a logical extension for us. We're coming out with a liquid form of the additive. You see that in the middle of the slide. And we're also coming out with a White revive laundry detergent that will be shelved in the detergent category, again building on the 2014 success.

Now let's talk about Gummies. As you know, we had a very successful gummy acquisition that we acquired in 2012. Now we're pushing out into another brand. You recognize First Response as one of our powerful power brands, and this is a women's health brand, so we're leveraging that equity in 2015 by coming out with a prenatal vitamin. And we already have a Vitafusion prenatal vitamin, so this is going to be additive to the business.

And then we come to Odor Blasters. This is another point of differentiation for us. So, a focus on odor removal here. And we have an exclusive formulation which neutralizes odors.

We're going to bring that into two forms of product. You see on the left the Arm & Hammer with OxiClean detergent. That's also going to be with Odor Blasters. And OxiClean, our base OxiClean, we're going to have a variant that's also going to have the Odor Blasters. So, bring in some innovation there in 2015.

And we have fresheners and boosters and you wonder what is that? That is a $290 million category that we're not in today. And, as Jim said, we had a very successful launch of Clean Scentsations in 2014 with the fragrances identified as Clean Scentsations for Arm & Hammer detergent. So, what we're doing is we're taking those fragrances and we're entering this category in 2015, so we have high hopes for that.

Now, let me get to some numbers. I took you through the 2% to 3% organic sales already and gave you the components of that. The gross margin is the next story, 25 basis points, up in 2015.

That breaks down as follows. We actually have a 75 basis point help in 2015 coming from three areas: one is commodities; next is good-to-great program, which Jim mentioned earlier; and the third is a normalized pricing environment.

On a perfect world, that's where we would be up in 2015. But we have some things going the other way. We have 50 basis points headwind from currency and also a new plant that's coming online in the first quarter.

I'll just remind everybody that we've spent $60 million on building a new vitamin plant in York, Pennsylvania. That's going to come online at the end of the first quarter. And what we have to deal with in 2015 are startup costs. And we have to grow our way into all of the additional fixed costs that are added to that business.

So, that capacity and that growth is on the come but for now we have to deal with the drag from that So, you've got 75 up, from the three factors I mentioned, and 50 going the other way. That's how you get to 25 basis points of gross margin.

Marketing at 12.5%. I'm going to show you a chart on that in a second. You see a lot of consistency there. We've often said that we spend 12% to 13% on marketing on an annual basis so that's right down the middle.

And SG&A we expect to get some more leverage in 2015. The way you get to 50 basis points of operating margin is 25 from gross margin, 10 help from marketing which is12.6% in 2014, and another 15 basis points from SG&A. So, that's your 50

And then you come to EPS. EPS ex-pension charge of 7% to 9%. I want to remind everybody that in derisking the Company we've been getting out of our defined benefit plans.

Back in 2010, we got out of our US pension plan. We terminated the plan, we took an $0.11 charge back then. This is our Canadian plant. We have a $0.05 charge we're going to take probably in the second quarter you're going to see it, and we're looking through that.

As you know, we're purists when it comes to reporting numbers, so it's rare for us to actually call something out separately. But we're consistent with how we dealt with the US pension termination.

Currency-neutral EPS, we said 7% to 9% EPS growth, but we also pointed out that we have 2.5% drag on the bottom line from currency. So, on a currency-neutral basis, if you picked the mid point of the 7% to 9%, you had a 2.5% from currency, to get 10.5%

And then share count, what you should use for a fully diluted share calculation is 134 million. What that assumes is that we would spend approximately half of the $500 million authorization that we announced today. So that is the math.

So, let's get some context. Here is just a look back. We've got out evergreen target is 3% to 4% for top line. This is how we've done over time. You can see we're calling 2% to 3% in 2015.

The marketing spend, you're not seeing this from many CPG companies these days. And as consistency it's supporting the brand equity. We've been around 2.5% now for the last couple years and we expect to be there again in 2015.

Here is the EPS story. You can see we've had a consistent double-digit growth for many years up until 2014. Obviously, in 2014 we ran into the price wars and we're calling 7% to 9% for 2015.

And here is the FX story. This was included because there seems to be a lot of discussion with respect to multipliers and ratios in comparing what's the hurt to the top line versus the bottom line. You can see in 2014, we laid it out for you there, is 50 basis points hurt to the top line and 1.8% to the bottom line.

We see a very different story for 2015. That EPS hurt of 2.5% you would expect to be a lot higher. One of the things that is going in our favor is we actually hedged the currencies early for 2015. Otherwise that number would be far higher than 2.5%.

And capital, we've always said we generate so much cash flow we don't have a big investment. Very stingy with respect to CapEx. And you can see 2015 is very much like 2014, about $70 million.

And for our tight uses of free cash flow. The number one destination in our company for free cash flow is going to be acquisitions. We're very deliberate about the order that you see up there. I won't read it to you, but you see with respect to number four, we announced today an 8% dividend increase and a $500 million share buyback, half of which we expect to use in 2015.

And now, we're going to do some Q&A.

QUESTIONS AND ANSWERS

Unidentified Participant - - *Analyst*

Thank you, guys. I don't know if we can ask from the broader leadership team?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

I'm sorry, I should have said that. I'm bringing my leadership team up here. Bruce Fleming, head of Marketing; Jackie Brova, head of Human Resources; Mark Conish of Operations; Patrick de Maynadier, General Counsel; and Lou Tursi, my head of Sales; and Rick Dierker, who's our number two guy in Finance. We'll try to see if we can field it. If not, we'll toss it to one of our specialists here who have been key drivers behind the Company.

Unidentified Participant - - *Analyst*

Perfect. I'd actually like to hear from the specialists first, if that's possible. A question for you, Lou. You've lived through lots of environments out there. Right now a lot of us are looking at oil prices down, we're expecting resin prices to roll over. Now you told us you're banking on more of a normalized price environment as we go through 2015.

So, Lou, in your experience, what do you see when input costs start to roll over? What are you expecting in terms of competitive intensity, trade spend, demands from retailers, et cetera? And, Matt, if we do see more pricing pressure out there in the market what offsets do you have throughout that P&L to absorb that?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

What was your second question?

Unidentified Participant - - *Analyst*

If pricing goes bad how do you absorb it?

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

With respect to your first question, one of the things I'm sure everybody is tracking, what's happened with respect to how much you sold on deal in Q3 versus Q4. That was quite an improvement. And if you look at, say, the four weeks ended January 17, I'm sure everybody has looked at, that period looks a lot like Q4 rather than Q3. So, that's early thinking with respect to that.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

The Q4 laundry detergent category was down only 1.9%, the best time of the year. And, yes, the trends are looking a little better but I wouldn't say the war is over. I don't know, Lou, do you want to add in?

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

Yes, there's nothing much more to add than what they just said. It has subsided in the back half of last year, especially the fourth quarter. And we're going in not knowing exactly where it's going to end up for 2015, but our Company does an unbelievable job of reacting to whatever they do.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Jason, to your second question, if things get hot again out there, some trade spending, as we did this year, we have two levers to step on. We would step on SG&A probably first and try to squeeze even harder. And then if we had to, as a last resort, we would step on the marketing line.

I think Matt made the comment towards the end of this time, a lot of our competitors are cutting marketing spending in 2015. They cut it at the end of 2014 and they're talking about cutting in 2015. We are not.

But if pricing was a problem you can't be wrong on price out there, but hopefully pricing now is stabilizing out in the marketplace, and we'll spend our advertising dollars. But, again, if trouble happens we always have the SG&A lever to pull. Don't talk to my employees but we pull hard.

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

Lou, did you want to add to any of that discussion?

Unidentified Participant - - *Analyst*

Can you talk a little bit about the increase in the marketing between end of October, beginning of November when you gave us the guidance for the fourth quarter and what you actually spent, and where you saw -- it sounds like that was more advertising than promotion, but where did you see the benefit from that? Because it seeps like in the fourth quarter the big upside surprise on the revenue line was on specialty, which you don't advertise. And it seems like the first quarter is only going to be 3% top-line growth. So, I'm wondering how confident you are or how happy you are with the payback from that incremental spending.

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

Just to be clear, though, the fourth quarter, the 5% versus the 3% call actually was broad-based. It was not just specialty. It was actually all three divisions did better than we had expected. That's the way you should think about it.

So, it wasn't a doughnut for -- in other words, you're saying if you take up the marketing spend did you get anything back for that. Remember, the international business is a component of that. That's consumer business. And the domestic business also was up, as well. And, as Jim will describe for you, we put most of the spend behind the mega brands.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

At the end of the quarter, thinking about 12.2% which is lower than our annual average. And as we saw the quarter progress things were looking pretty good. It's a big quarter for brands like Trojan. Trojan sells very big at the end of the fourth quarter and things like that. It's a big quarter for laundry detergent.

We had the opportunity to go back and spend back. We felt very good. Bruce Fleming and his gang talked to the agencies. There was good quality advertising out there.

Whenever we can, and still deliver what we promise, we went out there and spent the money. And the organic results speak for themselves, it was a good quarter. And we think it gave us momentum coming into 2015. We've done that in prior years too.

The payback ratio is always high. We can't even calculate that for another couple months to look back on it and things like that. But we always feel we have a good return on the money. And, again, the organics is the first sign. Organic was good, the sales results were good, 20% EPS was good. So, whenever we get a chance to support our brands.

And we did have, to be honest with you, we had a sign that some of our competitors were pulling back. So, it's a competitive advantage for us to step up the gas in categories we face competitors out there, so we took the ability to do it -- again, only because we knew, we felt we could make sure we could deliver the goal we set for third and forth quarter EPS. Once we felt that was pretty solid, we let loose with some money in the marketplace when we had a good chance for quality advertising out there. It was advertising. It wasn't trade, it was advertising dollars.

Unidentified Participant - - *Analyst*

Thank you.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Over here, Mr. Schmitz, then we'll get Lauren.

Unidentified Participant - - *Analyst*

A couple questions, Jim. I think for the first time in probably five years you said you think the US economy is going to accelerate in the back half of the year. But you only guided to 2% to 3% growth in the consumer business. So, how do you square those two?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Don't forget, I do think $2 gas is going to be a good thing in the economy. It's got to help out. But, again, if you look at our aggregate categories across the year, the 13 or so categories, the aggregate categories grew on the year 0.2%. Again we still delivered 3.5% growth.

Fourth quarter, a little bit better, was 0.6% growth. So, even with that we're still calling 2% to 3% off category growth. I was wondering where this money is going. We all saw Apple's results -- iPhone sales were through the roof.

My personal belief, the majority of the savings from lower gas prices, lower energy costs, is going to go into more discretionary categories such as iPhones, such as digital games, such as restaurant sales and things like that. I don't think people are going to rush out and buy more laundry detergent and toothpaste and cat litter and things like that. At least, again, we haven't seen -- 0.6% was one of the best quarters we had in the fourth quarter but it's not the old days of 2% to 3% category growth. I'm not willing to step out right now until I see stronger category growth in 2015, which we haven't seen yet.

Unidentified Participant - - *Analyst*

And then, Matt, can you just go through the gross margin guidance? Because this quarter you said you have this massive negative mix from specialty, and next year specialty is going to go to, like you said, maybe flat to 2% or whatever. So, aren't you going to benefit from that mix reversing back out? And then on the commodity side, do you have hedges that are hurting you this year or are they even or are they beneficial?

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

The first thing with respect to specialty year over year, if we said it's going to grow 1% to 3%, so it's not going to have a big negative mix but it's not going to be a big positive year over year, it's so small, because this year when you have a business that's 9% of your sales and it grows 20% it's a big swinger. That business going now 14% to 15%, growing 1%, and the others growing 2% to 3%, it's not going to be a big needle mover. What was your second question?

Unidentified Participant - - *Analyst*

The commodity stuff, just where your hedges are there because you talked about--.

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

We have seven inputs that are most volatile that we've talked about in the past. I'm just going to run through them for you again. There's surfactants, resins, paper. Those would probably be your big three.

After that you probably have palm fatty acid distillate and then diesel oil, and then followed by latex. So we've probably got six or seven right there. I think I hit them all

As far as the hedging, diesel, we're more hedged now than we were this time last year. I know you guys are readers of the 10-K, so when you pick that up you're going to see we're 60% hedged in diesel for 15, last year around 30%. So, we're sad about that. We prefer to be less hedged on diesel.

The good news is on currency, as I said earlier we got out ahead of that so we're not having as big a hurt as you would expect on the currency line. Some of the other ones that I discussed were not hedged at all. I won't go into which ones. But on a fully loaded basis, we're less hedged today than we were last year going into 2015, with the exception of diesel.

Unidentified Participant - - *Analyst*

Got you. And then, Jim, do you still think that VMS and OTC is a platform for you guys? Because I know it's been a few years now since Avid. And I know there's been a couple of little bolt-ons. But it's still a massively fragmented industry and it seems like there's so much stuff out there. So why is it taking so long to get a more sizeable deal done?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Bill, it's just -- I think it's a massive platform. I call it the gummifying of the OTC world, especially for kids. It's just difficult because you have to, unlike vitamins where you have vitamin levels and that you put in, in vitamins you could eat the whole jar and it won't kill you.

When you're dealing with actives, whether it's cough and cold or aspirin or allergy medicines, you have to have the exact amount of active in that gummy and maintain the exact amount of actives in that gummy for 18 to 24 months. That's the trick and that's what we are trying to crack right now. We believe we can but it takes time to get there. So, we can't just, unlike launching another vitamin, which is relatively easy getting into the OTC categories is much more difficult and it's just taking time. But we do see it as a big opportunity.

All right, you're done. Lauren? Anybody who wants to sell their shares for $65, go see Lauren.

Unidentified Participant - - *Analyst*

I'm buying. Thanks. First, just to follow up on the input cost question, I'm going to assume the reason why the benefit is mostly in the second half of the year is because of the diesel hedge. So, it's that everything else starts to catch up in the second half?

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

No, it's not just diesel. I think a lot of people would look at oil and say -- wow, it's down 50%, therefore everything else must be down 50%. It's not the case.

Resin, for example, is down 10%. Things it takes time for it to work their way through the supply chain and through the inventory. I think you've probably heard a lot of CPG companies saying they expect the benefit more in the second half than the first half. So, it's not a diesel story. It's just all the inputs.

Unidentified Participant - - *Analyst*

And at this point how significant? When we think about gross margin through the year, is it down in the first half and then up significantly in the second? Is it that sort of progression?

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

We said that we were going to be flat year over year in the first quarter. That was 43.4% last year first quarter. We're going to get no help in the first quarter so obviously the next three quarters are going to have to be bigger than a 25% expansion. So, yes.

Unidentified Participant - - *Analyst*

Okay. And if you could talk a little bit about the children's Gummies. You mentioned in the release that that business is a little bit softer in the fourth quarter. So, just curious if there's any real color on why and if your competitors are finally waking up and realizing that this is a great product for them?

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

Look, it's very competitive. The children's gummy section is very mature. So, if you think about the vitamins for kids, two-thirds of it is already in Gummies. There's not a lot of room there so it's super competitive.

We're still the number one there. We don't have as big of a gap as we had before. In measured channels, L'il Critters is 28% share and Flinstones is also a 28% share, which is bare. But that excludes Costco and we're huge in Costco. So, with Costco we're still the number one in kids.

But, yes, people have woken up to how competitive it is. We see a lot of the people who are successful in children's gummies come in with characters. They license characters. So, that sells with kids. Which we don't pay a license, consequently we have a higher margin because we just have the L'il Critters. But we haven't gone that path with the characters.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

But again we're more focus on adult because it's 21 times the size of the kid category -- $7 billion category with only 8% penetration of gummies right now. I just had my annual physical at John Hopkins a few months ago and I was talking to my doctor and he was asking about the business. I told him we sell vitamins so I sent him a box of gummy vitamins. And he just wrote me back the other day his mother-in-law was in town and she tasted the vitamins. She loved them so much she took home the bottle of gummy vitamins. Which is exactly what I've always said -- I dare anybody to try a gummy vitamin, any adult, and if you don't switch from your hard pills you're crazy.

You're done, pass the microphone back there.

Unidentified Participant - - *Analyst*

Thanks. A year ago this time we were talking a lot about really intense slotting fees in the first half with all of the new launches. Matt, in your gross margin bridge I didn't hear about any pull back in that year over year, so I'm wondering what's gone on in that line.

And then just given the commentary around hedging, given where you are in FX and the timing delays in the commodities, holding everything else equal, does that imply you're going to probably have a 1 point incremental FX drag in 2016 that we should be thinking if we're thinking beyond 2015?

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

I want to take that one first, the FX. You're right. If in fact the dollar stays strong for the next three to four years, then from 2015 going to 2016 we would have a hit, a bigger hit with respect to currency. But that is a broader issue for any multinational company.

One of the things that seems to me that a lot of investors are not focusing on is, when you look at EPS, people say -- well, here is the EPS, I'm going to add back local currency, so I'm going to feel good saying, absent local currency, here is my number. But as you point out, if the dollar stays strong for a three- to four-year period, the cash earnings of multinationals is permanently depressed.

We don't have that issue because, as Jim said, we have 90% of our profits come in the US. Yes, we'll have a bit of a hurt in 2016 versus 2015 but I think the good news is that our cash earnings will not be permanently depressed by a strong dollar.

Your first question was with respect to slotting. Yes, you're right, we had a lot of slotting in the first half of this year and I didn't call that out separately. What I did say was that gross margin would be up 75 basis points in 2015 for three reasons, and it was commodities, good to great, and a normalized environment for pricing. It's all mushed in there.

And within that you have trade, coupons and slotting. So, there are a lot of variables. Coupons is a multiple of slotting. We did call that out last year because we're going after so much new distribution for OxiClean. But the math is far more complicated than that. It was 75 basis points up from those three factors and then we had FX and the new plant 50 basis points going the other way.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Okay, go ahead, Jason.

Unidentified Participant - - *Analyst*

Okay, two questions. One we heard a lot about the four mega brands obviously getting the bulk of the resources, and the shares were well. But can you talk about the five power brands that I think two of the shares were up, three were down? Can you just talk about how you manage those sales versus profitability just on an ongoing basis and taking innovation into the context of it?

The second question is really on international. I know you have some international power brands out there, too, but can you talk a little bit more about the nine core brands and any plans in terms of incremental distribution that's not out there already?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Bruce, correct me if I'm wrong, but in the fourth quarter, of the five other power brands, three of them had share up, two had share down. The ones with share down were both pricing situations. One was XTRA. XTRA, which is our lowest-priced laundry detergent, has been hit hard by all of the discounting going out there. We're fighting back and EXTRA share is actually coming back to pretty much plus or minus now.

And then First Response has been hit hard again by one of our competitors. There's been a lot of deep discounting on pregnancy kits, so we're fighting back. The share losses were minimal. They weren't big at all.

Innovation-wise, we're just as strong on those brands. We're launching all new forms of products across those brands. So, I feel very strong.

But, again, we are putting more of the focus on the mega brands because the dollars spent will give you a lot more than other brands. But we haven't cut back that much on other ones and we're still spending appropriately. Honestly, we haven't faced as much competition on an advertising basis in those categories as in the past. Some of our competitors have pulled back on advertising going into price, so we're trying to find the right balance.

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

Bruce, could you comment on our vigilance with respect to share of voice and share of market?

Bruce Fleming - *Church & Dwight Co., Inc. - CMO*

I would just echo what Jim said. And also, by focusing on the four mega brands, we float our marketing and media support against those brands to drive them. But also against the power brands that have innovation in a particular year, So, you'll see us calling audibles from year to year and even within a year.

Typically we pick our spots where we think we have the best innovation or we have the most competition, and then we'll spend there. And to Matt's point, over the years that I've been marketing, I've really tried to spend about a share of voice, a share of market of about a 200% index, if not higher, depending upon the category. And if you're in white space, even more.

We really look at our media budget as one that we're not stealing from Peter to pay Paul on a day-to-day basis. What we're doing is we're trying to figure out where we're going to optimize the return for the shareholders.

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

Jason, I'll just add, too -- in the two examples, like Jim said, they were both specific examples of highly aggressive competitive pricing activity in both those cases.

Unidentified Participant - - *Analyst*

On vitamins, if gummies are such a great category, why is it still only a single-digit percentage of the category in the adult area? Is there more that needs to be done in terms of promotion, marketing, et cetera? Why isn't there bigger --?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

The best answer to that is, honestly, the vitamin category is not a heavily advertised category. When we entered it we saw what happened. A lot of competitors did buy one get one free. They were putting all their money into promotion. They weren't putting their money into advertising, so people just, honestly, were not aware.

To this day, I meet people, many adults I go to and say -- did you ever try a gummy vitamin? And they say -- yes, my kids take them. And I say -- no, we have them for adults. They have no idea.

I think we said this, we increased our advertising spending by 25% or something like that this year. But it's still started off a very low base, the business we bought. So, it's something we keep trying to raise the budgets on while we're fighting the promotional competition and that.

Centrum is in there, One a Day is in there. The money has started to come through. And we do a lot of in-store trials. I swear to God, if you've ever been in a Costco and things like that, they try to pop two of those gummies in your mouth. And that when, like my doctor example, his mother-in-law, his 70-year-old mother-in-law, all of a sudden tastes the gummies and she's like 00 I'm converted. But she never even knew they existed before until I literally gave him a free bottle.

Bruce Fleming - *Church & Dwight Co., Inc. - CMO*

I would add that the demographic wins are in our favor, too, because a lot of parents who have been giving their children gummies over the last 20 years, which are a relatively new form of vitamin, now they are reaching the age when they are thinking -- what can we do for ourselves, what can we do as a caregiver for their parents. So, we see great upside. As Jim mentioned before, only 8% of the adult vitamin category is in the gummy form, so there's much more runway there.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Its gone from 3% to 8% in just two years. That may not seem like -- but that's a pretty big shift over time. We want to get into double digits in 2015 and keep growing, so we're going to be launching new forms of stuff.

The bigger thing is advertising and trial, driving trial, because people just -- it's not a category like laundry detergent where we spend a ton of money on it. It was never a big advertised category. Blame the competitors and that included the company we bought. They just didn't advertise heavily so people just really weren't aware of it.

And the kids did because the kids wouldn't eat anything but a gummy. Adults had no problem taking -- they would take the hard pills, they're used to it. The parents switched the kids to gummies because the kids would not eat the hard pills so that's why gummies became so popular with kids.

But Bruce is right, our advertising target today is people who were parents of kids who ate gummies. They eat gummies because they're like -- yes, my kids ate them. In fact, we find many times parents were stealing the kids' gummies out of the jar in the morning and popping them, so that's the case. We've just got to keep spending on the advertising, keep driving the trials.

Unidentified Participant - *- Analyst*

Got it. And then on organic sales I'm still trying to understand the gap between Q1's plus 3% versus the full year of 2% to 3%, because you made the commentary on the press release about how you expect US to get better. You've got a lot of incremental activity dedicated towards OxiClean which is hitting the top line in Q1. So, US is getting better, presumably you're taking some pricing in some of your international markets where you can, and slotting fees and all these incremental trade spending things should go down as the year progresses. So, what's the delta there?

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

Q1 we're saying 3% but on a full-year basis we're saying 2% to 3%. There are two things. One is, Q1 is our easiest comp, after we were, I think, 1.4% organic growth. And the other piece of that is specialty products, although they're only going to be 1% to 3%, they are going to come in like a lion and out like a lamb. They are going to do fairly well in the first quarter but they are coming back down to earth in a hurry They won't look like Q4 for specialty products but they'll have a decent first quarter.

Unidentified Participant - - *Analyst*

There was an article I think today about some retailers being charged with selling product that actually didn't have in it what it was supposed to. Which we were wondering if that would affect your vitamin business at all. Or if it's good for you because you can defend that, in fact, if people analyze what's in your vitamins they do what they say they do. Or if this is another negative piece of news for the category. I don't know if you saw the article.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Yes, I've heard of that this morning. I would just tell you, we are extremely vigilant on our quality control of our vitamins. I'm not going to go out and make hay of it either way or the other, but it's something we're very on top of, we're very careful that we put exactly in the vitamins what we say they do. And I'm not going to comment on the competition. But we're aware of it and our quality control -- we've stepped up spending on quality controls since we took over the business.

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

Caroline, just to be clear, that article was about herbs, herbal products. We don't have an herbal products business. I think it's only in our vitamin C products that we have a couple of herbal ingredients. So we're unaffected by that announcement.

Unidentified Participant - - *Analyst*

And then my second question just on product mix and the contribution of that to price mix and margin. If you see growth on your four power brands, mega brands, does that generally help margin? If you could just walk us through some of the big movers there.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

That will generally help margin. Almost all of the power brands' gross margin is slightly above the Company average. Arm and Hammer is a complex one.

Arm and Hammer has some forms that are below the Company average, some above. It depends on which ones are hot or cold at the time. But generally it's a positive. And Trojan, very high gross margin. Vitamins is a little bit above the Company average. What am I missing?

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

Another way to think about it is household generally has lower gross margins, personal care higher. You've got to look at how is personal care growing. The second piece of it is how is international growing because that's largely personal care business, to help you think about where you are going to get gross margin expansion from.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Mr. Chappell came in late from Atlanta or he's with some other more important company?

Unidentified Participant - *- Analyst*

Did I miss the TSR chart?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Yes you did. Good comeback.

Unidentified Participant - *- Analyst*

I'll catch up on that. A couple questions on detergent. On OxiClean, I know you did go through it, but give me a state of state from you or Lou after the first year. Was 1% share what you were thinking? Where can it go? Is it priced right in terms of within the grand mix? And do you expect increased distribution even coming into this year or is the goal to hold it?

And then on the bigger category -- and I'm sorry if you did talk about compaction -- are we still on plan for next year for the next round? And are there any costs associated in the back half of the year to make that transfer?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Yes, I would tell you -- and I'll let Lou jump in -- OxiClean laundry detergent came into the ballpark where we expected. Don't forget, we launched right into the peak of a massive price war, so that made us pull back our expectations a little bit. The brand built nicely through the year. We're going to again continue trial level devices behind it this year to continue to grow share behind the business. So, it's on track.

It was set back by the price war, which we didn't expect, as to the extent it happened in 2014. I know another year of strong trial in OxiClean. Consumer feedback is outstanding. The consumer comments we get and the surveys we take is just outstanding. So the product absolutely delivers.

We are this year making minor tweaks to, in some cases, pack sizes and price points. I'm not going to get into that kind of detail but we're making some minor tweaks that we think will make the brand more competitive out there. Lou, do you want to add anything?

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

The only thing I would add, Bill, is, going into 2014, we knew from the beginning that this was going to be a multi-year launch. It wasn't going to be a one hit wonder. And we needed to spend behind it over multiple years. Jim and Matt said earlier that's exactly what we are going to do and we're full guns blazing in 2015, again to help support that whole launch.

We're also introducing some new items. And you asked how is the distribution going. It's still too early to tell. We're still waiting to hear.

But we've been fortunate enough over the many years -- Jim has a chart in one of his earlier ones how we've grown distribution. So, the retailers have been very supportive of all our innovation over the years. So, we're very hopeful that, although it's still early yet, that they will support our launches in 2015.

On the compaction, there's been nothing announced on compaction when the next round will be. And we tell you our Company would participate, look forward to it, but I'm not exactly sure it's 2016.

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

Wal-Mart says 2017 probably.

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

It's out a ways.

Unidentified Participant - *- Analyst*

Thanks. Jim, when you look at the gross margin chart right over time, you cited, I think, 2004 until current in it's really impressive gross margin expansion. But it struck me that most of that came through 2009. It's been extraordinary circumstances but since then the gross margin has been roughly flat. So, I was hoping you could walk through and explain what kind of an opportunity do you see in gross margin over time? And where does it come from? Is it more M&A dependent or can you really squeeze more out of the Company for awhile?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

You're fairly probably right. We've run into a lot of price wars and competition since 2009. But our goal is still long term to be 25 to 50 basis points of gross margin growth as we get stuff and new product. We haven't had a massive acquisition since 2009 of a high level gross margin from that. But we still believe over time we can grow gross margin on average 25 to 50 basis points, so that's our goal getting into there.

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

Remember what we said earlier, Chris, is that personal care is where the high margin is, so that's where you want to concentrate your growth in the future. And acquisitions, one of our standards is it has to be accretive to corporate gross margins, and that has certainly helped us over time and needs to continue if we're ever going to get to 50%.

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

The only thing I would add, too, is Matt and Jim have said before that we're enhancing our systems. So, we're looking for, through the system enhancement, how do we improve our efficiencies within all levers of our spending -- trade, coupon, et cetera. We are looking for other ways through enhancements of our systems moving forward.

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

Joe?

Unidentified Participant - *- Analyst*

Thanks. Is there a brand in your portfolio today you see becoming the next mega brand? Or do you have to go out and buy one first? And, second, what's been the issue on the M&A side? Has it been all valuation or are there just not targets that are in your alley, effectively?

Jim Craigie - *Church & Dwight Co., Inc. - Chairman and CEO*

I can't answer the first one. It's possible based on some stuff we're looking at -- could one of our current other power brands become a mega brand. Possible but I'm not going to say more than that.

M&A environment is very interesting. We've been very active. I think I said to you I've spent more time and my team has spent more time in 2014 pursuing acquisitions than ever before.

One of the reasons I made the switch and promoted Matt to COO was, besides the fact he's been voted the number one CFO for five straight years and he was getting a little bored, I wanted to spend more time looking at the acquisitions, looking at long-term strategy. He was already practically running the day-to-day business anyway, so I gave him that promotion. But it allowed me to spend more time with my team looking at acquisitions.

It's an interesting market. It's interesting because acquisition should be very hot. Debt is so cheap. Everybody wants organic growth, wants to get sales growth and that.

I would tell you generally sellers are a little greedy. I'll give you a roundabout case. We had one this year, was in the ballpark of a $0.5 billion acquisition price, we are very interested it, very high gross margin. We were told it was a competitive bidding process. We got very deeply involved, we chased it. In the end we assessed a bid that was a little less than what the seller wanted, but that was after due diligence and using proper multiples in the marketplace for sales. And then we got a phone call saying you're out and somebody else is going to win the bid.

So, guess what's happened? Nobody's won the bid. It was bologna. There was nobody else in there and our bid was the best. They didn't get what they want, so they pulled back, which is what's been happening in the M&A market to some extent.

And I'm happy because I would have felt awful if we had raised our bid to give them what they want and then found out, like some of our competitors found out, that they were the only one and they got snookered by the investment bankers into paying a higher multiple that really wasn't justified, and really took away a lot of the accretion from the deal you can get.

We're very diligent about it. We spend a lot of time on the due diligence. We pay a very fair price but in the end we're not going to just going any price to win a bid and bring it in-house --hey, I made an acquisition. Not going to do that. I'm very prudent about our shareholders money.

But it's active. I would say it's active and we spend a lot of time. And just other than the two nice little small deals we landed, we're very happy about. We haven't been able to land the big deal yet but I'm not going to feel the pressure to do that until we find the right deal for the Company, because when we find them you'll see the history. The history is fantastic. We buy good businesses.

Most of the things on the table there were acquisitions over the course of the last 10, 15 years. We grow them, we build them, drive the companies' earnings up, it's a great story. But we have our process, we have our rules, we have our due diligence that's unbelievable. We uncover stuff on deals sometimes that's deal killers that some other guys don't uncover sometimes.

We do our hard work. We're working very hard on it. But can't tell you when but I'm telling you we're working as hard as ever to find the next great acquisition for the Company. And we have the money. But I'm not just going to spend it on something to say we've done an acquisition. More questions?

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

Kevin?

Unidentified Participant *- - Analyst*

Thanks. Jim, just to follow on to Joe's question there on M&A, we talked last year at CAGNY. Is there still a personal care bias with respect to M&A? And then I think ideally you were saying at the time that the right asset could potentially have a footprint in both the US and international where you could recognize higher cost synergies but maybe expand the footprint internationally. But maybe reconcile that today with some of the commentary around the stronger dollar, et cetera.

Jim Craigie *- Church & Dwight Co., Inc. - Chairman and CEO*

As Matt said several times, a personal care acquisition almost always comes with higher gross margin. OxiClean, a household business, came with personal care type margins to it.

Generally we'd love to buy a business with the best possible gross margin. Yes, that's generally personal care business. But, honestly, I'm quite agnostic about -- I'll still buy a great household business.

To your second point, it's interesting. Because of what's happened in currencies right now, everybody and their brother is looking for US-based acquisitions. US-based acquisitions have become very hot because the dollar situation, the foreign currencies. So, maybe there's a little more competition there.

I somewhat look at that as maybe there's a good opportunity to get a great buy on a foreign company and things like that. So, we haven't cut back at all on our look around the whole globe for good acquisitions, paying a fair price for them. We're just out there trying our best to find the right deal out there.

But you haven't seen that many acquisitions happen, honestly, in the industry. It's been quiet. I think, honestly, part of it is because the stock market has still been so strong. I think a lot of boards are sitting there going -- yes, our organic growth is not good, we've got problems, but, hey, the stock's up 20%, what's the problem? And let's not go make the big deal on that.

So, I think despite debt being super cheap, it's a perfect time to take debt and leverage it out there. A lot of companies are sitting back just saying -- I'm not going to make the move. Because there are no perfect deals out there, the perfect little company with the one brand that you just want to add to your portfolio. It's usually a company that's got a great business and then a lot of what we call hair, a lot of things you don't want to buy that are added with it. And of course they're selling you the whole bundle.

A lot of our competitors, we believe, have stepped back and said -- we don't feel the need to go out and buy that bundle and bring it in house here because things are good. Stock price is up. So, I think most investment bankers, despite telling you it's been a very good year overall for deals, would tell you they thought it would be much bigger for deals. So everybody is still looking and maybe the currency has caused more focus on the US-based companies selling. But we're just active, we're very active. I'm very tired looking for deals. We're working hard on it.

All right. I'd like to do one thing special here today before we sign off. There's a person in the room today, one of your colleagues, who's retiring after many years in the business, oftentimes rated a five-star analyst -- Alice Longley in the back of the room there. She just announced her retirement recently. And we have a special gift for Alice today. It's something, the first time ever we've done this. Alice, come on up here for a second.

As we do with all of you, we consider you all good friends. Alice sometimes we call the dentist because she would drill us on earnings call about every line of the P&L until she had an answer. Then she would ask us again.

Alice, what I have for you today is something -- I want you to open this up to show the crew here. Bill, you'll get a big kick out of this. Who wrapped this? (laughter) Somebody with a knife open it up -- and then you'll get arrested going outside.

What we have here is a chart that we have only ever given before to retiring members of Church & Dwight, either staff or Board of Directors. And what the chart shows is -- Alice starred covering our Company on September 29, 1998 -- she put a buy on us. What this chart shows is what's happened to Church & Dwight stock price since that time versus the S&P 500.

And if you had invested $1,000 when Alice told you to invest $1,000 back on September 29, 1999, and held it until today, that $1,000 would be worth $11, 041. If you invested that $1,000 in the S&P 500, it would be worth only $1,615.

There you can see the total shareholder return of Church & Dwight stock price if you listened to certain analysts. And there you can see if you put your money in the S&P 500. So, Alice, this probably goes on the walls of all the retiring members of our Company and our Board of Directors, and we wanted you to have it, too, my dear. Thank you.

She said she'd try to down grade us unsuccessfully a few times but we still succeeded. Anyway, we love you and good luck in retirement.

For the rest of you today, we showed you our plans, we feel very proud of the results we turned in, in 2014. 2015, we think our outlook is right on the button going forward. A very tough year with all of the foreign stuff going on but we're going to deliver outstanding results compared to our competitors, who are often negative EPS numbers call for next year, when you take currencies into effect. Do I need to say that again? Deliver you 8% real reported EPS next year, which is, I think, top of the pack of the industry.

With that, I thank you for coming on a very difficult weather day and please get home safe and sound. Thank you.