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PRESENTATION

Bill Schmitz - *Deutsche Bank - Analyst*

Good morning, everyone. I'm very happy to welcome Church & Dwight and its iconic CEO, Jim Craigie, back to the conference this year. Over his long tenure, as I am sure you will hear in Jim's presentation, shareholders have been nicely rewarded with the proven strategy of acquisition, innovation and marketing-driven sales growth and margin expansion in otherwise slow-growing categories and despite a tough macro backdrop.

Recently the US laundry category has seen significant competitive pricing and innovation activity. And we look forward to hearing about Jim's strategy to keep the momentum going. Thanks Jim.

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

Thank you, Bill. It's always a pleasure to come to the beautiful city of Paris and present. I kind of feel like I'm in the boardroom of Proctor & Gamble here with all of this gold glittering around me but I'll try to do my best today in presenting.

As you know you've probably seen this in presentations, the Safe Harbor statement. In 10 words or less it says we are going to talk about some forward-looking statements about our business today and if you go ahead and buy the shares of our Company, it's your problem. I think you would be very wise to do that but you are on your own risk.

Simple presentation today. I'm going to have some opening remarks. I'm going to talk about the top 10 things that drive total shareholder return in Church & Dwight.

Matt is going to come up and talk about our 2014 financial outlook and our Q1 results. And then we will leave time for questions at the end, we will try our best to answer.

So what are you going to hear today? In one slide I'm going to tell you and then you can go listen to another boring presentation but I'm going to try to lighten it up here.

We have had 13 consecutive years of double-digit EPS growth, kind of unprecedented in our industry. We exited 2013 with momentum with share growth in over two-thirds of our businesses.

Our most recent acquisition of the Avid Vitamin business in October 2012 delivered exceptional results. We will talk more about that.

We are playing to win in 2014 with a very aggressive but achievable plan we will talk about. We are launching the largest new product pipeline ever in our Company's history and we are focusing more of our marketing spending on four of our biggest brands we call mega brands.

And we are off to a very good start with very strong retailer acceptance of the new products. And we will talk a little bit about the consumption and share results so far but we will save more of that in our second-quarter earnings call at the end of July.

Last but not least we are aggressively pursuing additional acquisitions. We will tell you in this presentation we have a $2.5 billion warchest behind us and we are just looking for the right acquisition. We will talk a little bit more later on.

All right, top 10 TSR drivers. Our Company is all about total shareholder return. We don't win if you don't win.

100% of the equity for myself and all my officers is stock options. So we don't believe in restricted shares, we don't believe in performance shares, we don't believe in economic value added, we don't even understand that. All we understand is the price of the stock.

And that's what we are totally driven by. We should be.

Here is my favorite chart of the day. This sits across from my desk every day. If you bought my Company 10 years ago when I started here with my great team and through today you have made almost a 5 times return on your money. If you invested $1,000 you're getting back close to $5,000.

In that timeframe $1,000 in the S&P 500 return about $1,500. So fantastic results.

This chart shows the components. The blue part of the chart is the stock price appreciation, the gold part is the dividends. You can see we are highly driven by our stock price appreciation.

We're 100 basis points better than any of our competitors in this industry. So you sit back and say okay, Jim, that's great if I owned your Company I love you, if I didn't I miss the boat, but why can that keep going forward?

I'm going to tell you 10 reasons why we can continue to deliver superior total shareholder return results. Reason number one is we have a very unique product portfolio. I call it a recession-resistant product portfolio.

What I mean by that is 55% of our products that we have are premium, just like most of our major competitors. But 45% of our products are value.

And when I say value I'm not talking like other companies that we have premium priced products with more benefits than other premium priced products. I'm talking about the fact that we have terrific products that actually are offered at significant discount to competitors.

Here is a chart of some of the leading value products we offer. You can see that we are half to one-third the price of the leading competitors delivering great benefits.

Now why is that important? We know since 2007, 2008 the worldwide economy, particularly in North America, has been facing a recession. And we are seeing consumers more and more trade down from premium midprice products into value and extreme value products.

A great example in the laundry detergent category, a $6 billion business in North America, you are seeing now more consumers buy a value detergent than buy a mid- or premium-priced detergent. You even see now in terms of dollars, even though we are offered at a lower price the value segment has now passed the midprice segment and is encroaching the premium segment in laundry detergent.

When you say why that is important to us, Church & Dwight is the leader of the value detergent category in the US. We've gained almost 7 share points in the past five years. We are now bigger than number two, three and four players combined.

Dollar share wise because again we sell for less dollars than premium brands, we now are almost a 16 share in the category. We have grown 4 share points, we are the only player in laundry detergent in the US that has grown our share over the past four years.

In terms of wash loads, the previous chart was dollars now let's talk wash loads. Wash loads actually what people use, put in the laundry detergent, you can see we are a 27 share of wash loads, have gained quite a bit over the last four years. We are encroaching upon the market leader, P&G, in terms of actual usage of our product.

We are almost twice the size of our number three and four, almost the same size if you add the number three and four competitors together. So you sit back and say okay we have done fine, what are we doing going forward? We are doing three major new launches this year across three of our major products.

First of all we step back and say, you know what, fragrance is a major driver of laundry detergent. And there really wasn't a fragrance play in the value segment. So we are launching a new brand this year called Clean Sensations under our iconic ARM & HAMMER brand and hoping to make a big play in that category and grow that business.

Second of all we step back and said, you know what, stain removal is the number one consumer complaint in laundry. More people complain about the laundry detergent not taking stains out than anything else. And we sat back and realized that some of our key competitors who used to be focused on that have kind of lost their focus.

And we were sitting on a tremendous equity called OxiClean, one of our major brands. OxiClean was a laundry additive that you add to laundry detergent.

We said, well why not take that brand and actually launch it into a laundry detergent focused on stain removal and offer it at a 20% value to the leading brand out there? So we have launched that brand this year.

Next we sat back and said a lot of people, bleach is a great product but it has some harmful side benefits. So people are really worried about harming their fabrics, they don't like the smell in that.

We kind of said what can we do to take advantage of that? And again we took the OxiClean brand, a great laundry additive and developed a version of it just made for whites. So we get powerful taking out the stains and delivering bleach-like whitening without the damaging benefits of bleach.

So you sit back and say okay, some people think Church & Dwight is all about value. We are not, folks. I told you 55% of our portfolio is premium brands, we are great brand builders.

We have eight power brands -- actually have added a ninth, our new vitamin business. Those eight power brands deliver 80% of our sales and profits. Those eight power brands are all market leaders out there in each of their categories you can see on this chart.

You asked if they are important to retailers. You'll see by this chart, of the top 10 selling SKUs in each of the categories that we are in our products are anywhere from 5 to 10 of those top 10 selling SKUs. So our eight mega brands are very important to those categories.

Now how do we grow share? It's a very simple formula. This is no secret.

We launch innovative new products. We increase our marketing spending. We increase the distribution of our products and that leads to share growth.

You can see over this chart since 2007 through 2013, almost one-third of our sales in 2013 came from new products launched since 2007. People don't think Church & Dwight spends a lot of money because we are not that big of a company. We are only $3 billion in size compared to some of our competitors with $10 billion, $20 billion, $80 billion.

We are the 13th largest advertiser in the US, bigger than some major companies you will see below us in that chart that would surprise you who are much bigger than us in revenues. You can see you take those great new products, you increase the marketing support and our sales force does an outstanding job of driving new distribution. You can see in this chart if you gave 2009, it's an index of 100, where we have grown distribution to in 2013.

Now you put that all together as I said and you get great share growth. This chart over the past six years shows in the categories that we are in, did we grow share, that's green, or red share we declined, or yellow was neutral. We have grown share in 75% of the cases for our top nine brands over the past six years.

That's batting .750 if you're a baseball fan. Nobody in our industry bats .750. Nobody is even close.

Other guys often times tell you we hold or grow share to get to 50%. We only talk about growing share. We are growing share three-quarters of the time.

Now going forward we also said to ourselves hey, I've talked about we've had eight or nine power brands in the past. We are going to focus more on our four biggest brands going forward -- ARM & HAMMER, OxiClean, Trojan and our two vitamin brands.

Those four mega brands, as we call them, represent 60% of our sales and profits. Those four mega brands have delivered very strong revenue growth over the past five years.

So how are we going to grow them? Same formula, folks. Innovative new products, increased marketing spending, increased distribution, you get great share growth.

But there's four advantages to a mega brand. You get a bigger bang for the marketing investment, there's greater licensing potential, there's bigger bang for R&D investment and there's lower organizational costs.

Let me explain that. When you spend $1.00 on a mega brand, a brand that is across many categories, it helps drive greater sales results. So that is power of the advertising in any one of the forms gives you the benefits across the entire brand category.

Licensing. A brand like ARM & HAMMER is licensed in over 400 different categories with $185 million of sales across those categories.

We don't make the product. We don't sell the product. We ourselves don't want to go into that category but the equities of ARM & HAMMER apply to that category and we have people coming to us to say they would like to use our name and we license them and take a nice licensing fee off of it.

You talk about R&D investment. When we find some idea about the product, maybe an idea about baking soda, we can apply that across many different categories so it spreads the R&D costs across those categories.

And last but not least organizational costs. When you have separate brands in each different category you have to have separate team leaders, separate organizations, things like that.

We have a mega brand, we have one mega brand leader, one team behind it. The organizational costs are much less. The bottom line is when you focus on mega brands you get a much more profitable growth per dollar invested.

ARM & HAMMER is a great example of that. Here is a brand that's got a great combination of performance and value, innovation and trust.

It's in over 12 categories today that just we sell largely. It covers more aisles of the grocery store than any other brand in America.

And here is a brand that is interesting. We both have premium products with this portfolio, we have value products within this portfolio of ARM & HAMMER.

This is a 160-year-old business, folks. How many 160-year-old businesses and brands are growing at a high single-digit CAGR over the past five years? I defy you to name me another brand with that kind of results.

So what are we going to do it again? We've got some innovative new products to push behind that business.

I talked about Clean Sensations, a highly fragranced value laundry detergent. Cat litter; fascinating category for as. We didn't enter the category until 1998 in cat litter using the ARM & HAMMER name and since then we have grown it tremendously.

We looked at that category and say now odor control is what cat litter is all about. People want to control the odor from their cat litter box.

We came up with a new product called Clump & Seal, which guarantees seven-day odor control. If you heard the Clorox presentation yesterday we are kicking their butts with this product. We are now the number two brand in the category after just entering in 1998.

Oral care, another big part of the ARM & HAMMER brand. Here is a case, the toothpaste segment, whitening is always number one, but we thought consumers demand more than whitening.

We are launching a great new product called ARM & HAMMER Truly Radiant toothpaste that has superb whitening, excellent cleaning, but it also repairs and strengthens enamel in the product. Great new product.

We also launched a toothbrush with great new bristle design, 100% more plaque removal than the normal manual toothbrush in there. So two great new products in the oral care segment.

So we take that, we support it by holistic marketing campaign in all different forms, digital, print, TV, whatever, in-store support. And what will surprise you again, ARM & HAMMER is the 24th largest advertised brand in North America. Bigger than some brands that would surprise you that you hear more about.

Let's talk about OxiClean, our second-biggest mega brand. Here is a case again, it was OxiClean as a laundry additive was bigger than the next two, three and four players combined. Second most advertised brand in fabric care, loved by consumers.

In fact of the entire Church & Dwight portfolio I think people love OxiClean more than any other brand we have. We sat back and said, you know what, it's time to take the great equities of OxiClean multi-dealing with stain removal and take them to other categories, into white space as you would call it.

So we took it into laundry detergent, we take it into bleach and we also took it into auto dishwashing in 2014. I talked about the laundry detergent going after great stain removal at a better value than other brands in the category. I talked about the White Revive going to the bleach category, a very big innovation that has gone in and done very well.

And third auto dishwashing. Haven't talked about this. This is an interesting case.

Consumers are complaining more and more about their auto dishwashing products. Why? Because several years ago the government told those companies to get out of phosphates.

Phosphates are very cheap cleaning agents and phosphates are bad. They were ordered out of laundry detergent 30 years ago because they get out in the water and they make the water horrible. And so this is a case of people were complaining.

They actually were calling the dishwashing machine companies and saying, what the hell is wrong with my product? And they were saying it's not us, it's the dishwashing liquid.

So we sat back and said, we've got an opportunity here because what happened. The two big players in the category didn't want to really change their core products. The core products, to replace the phosphates is very expensive and they didn't want to raise the price.

So they launched some premium versions of their products. Well, that's great, but still 80% of what they sell today is the former product that has been degraded in value.

So we saw an opportunity. We took the OxiClean into the category. It was a great product, offered at a value versus the new premium entries there.

Again, a very holistic marketing campaign around the whole effort. Increased the marketing by 53% and the chart is not in here, but in the latest month total OxiClean consumption of the total brand with all the forms is up 35% versus year ago. So this is working big time and taking this brand into multiple categories.

Trojan, our next biggest mega brand. Here's a case of a brand we bought in the year 2000. At that point in time it was a 70 market share.

Since then we have grown it to a 76 market share but we've expanded this business into vibrators in 2005, into lubricants in 2013. And now we've got this mega brands covering all sexual health categories out there.

We have increased the sales. Been very strong, up 20% since 2008.

What are we doing this year? We've got new forms of condoms going out there. We have got new forms of vibrators going out there, put a little buzz out there in your life.

We've got new lubricants out there, if the buzz doesn't work for you out there. Both the premium tier we launched them last year and the value tier this year. Basically a wonderful brand continues to grow.

Our fourth mega brand out there is the vitamin category. Here is a great business. We acquired this business in October 2012. Gummies is the fastest-growing segment in the vitamin category. This company pioneered gummies into the kid category, and over 60% of all kids' vitamins today are in the gummy form, and we are the number one brand with L'il Critters.

Then this Company also pioneered the launch of gummies into the adult category, and here is the huge benefit. Today in the adult vitamin category, gummies are only 6% of the total category, but that category is 20 times the size of the kid category. It's almost a $7 billion category. So our dream is to do to the adult category what gummies did to the kids' category, and someday be 60% of the adult category. You can do the math. It's just a tremendous upside opportunity.

This business has grown tremendously over the past few years. The whole vitamin category is one of the top 10 growing categories of all of CPG. We've done a lot to unify this brand with a slogan of We Make Nutrition Taste Good. We have launched new forms this year.

We found statistics that basically people are taking a multivitamin plus one other vitamin for bone support, heart support, health support. So we combine the two to make it easier for people just to buy one product and get both the things they want. We do that across the L'il Critters line and we've increased advertising 37%, and we are promising double-digit growth in this category again this year; a tremendous grower for us.

So you step back and say, hey, our focus on four mega brands, what's the benefit? So we've got major new product launches going out there. We increased the percentage of our ad spending on it, and we are entering new white space. I've showed you the great new product launches across each of the four mega brands.

Here is the case, 60% of our revenue, but we are going to spend 74% of our advertising spending against these businesses. The white space entries in the lubricants and bleach and dishwashing liquid. But folks, we have not forgotten about our other what we call our power brands, Nair, First Response, and Orajel. We have a great new product line going against Nair this year with Moroccan argan oil across the whole lines, great depilatory products.

First Response, this is a fantastic business. We bought this business again back in 2000. We were a 12 share at that time. Today, we are over a 30 share. We have been the innovators in this category. This category started with, we could tell you are pregnant 3 days before your missed period, then it went to 4, 5, and now 6.

We are the only product out there that can tell you 6 days before your missed period. It sounds trite sometimes, but every day makes a big difference in sales. And again, we are the market leader in this category with over a 30 share and growing.

Orajel, a great business we bought a few years ago about pain relief. We launched a new severe pain version for the toothache side, and now have launched into the cold sore category out there which is a very big category, with some unique technology to deliver great relief to cold sores.

So again, first two things about what this Company does. A very unique product portfolio, great about building share. Number three, ferociously defends. Some people think little Church & Dwight, $3 billion in sales, could not possibly withstand an assault from companies that are $80 billion, $50 billion in sales.

Let me tell you, you are wrong. And ferociously defending -- uh oh, the lights went out. Hang on a second. I think I panicked one of our competitors out there.

We like the fact, you know, ARM & HAMMER is our biggest brand and when you piss us off, we bring the hammer on you. I need my slides. Come on, Bill, tell a joke here. Is Procter in the back of the room pulling cords out of the machine back there? Okay, here we go. Do you want to hear the first part of the presentation all over again? Give the man a second here to wire me back up. All right, I've got to open some time here. So I went home the other night -- I see a slide coming up in the back. All right, if we have time at the end, I will tell you one of my favorite jokes. All right, we've got all that.

Let's get into the next thing here. Defending our brands. As I said, sometimes people think little Church & Dwight could not possibly withstand an assault from a bigger competitor. Let me tell you that's wrong. A great example, OxiClean. Again, we bought this business in 2006. Between 2006 and 2009, we grew the share from 27 share to a little over 40 share.

How did we do this? Great new products, we increased the advertising by 400%. And then the big dog in the category said, hey, wait a minute, why are we not in this business of laundry additives? They brought their big brand-name into the category.

Some people thought we were dead. Within 12 months they would be the brand leader in the category; we would be a minor factor. No, folks. We launched great new products. We also cobranded in other categories to increase the awareness of the OxiClean brand. We increased the advertising, so we're the number two advertised brand in the whole laundry category. And the end result, we didn't lose share. We not only didn't lose share, we gained almost 3 share points.

Look at the guys that we are bigger than combined: P&G, Reckitt, SC Johnson. It just shows you our ability to defend our brands. So I just -- you better watch out if you come against Church & Dwight, because we will bring out the hammer and nail you between the eyes.

International growth, this is the big news today, folks. I want to tell you this is major news. We are taking all of our marketing spending in North America and our four mega brands, and we are entering Venezuela. That's a joke. Okay, you should buy my stock on the very fact alone that I am not in Venezuela, okay?

How many presentations at this conference have been, well, we would've done better except for Venezuela? So anyways, you will not hear any except for or one-timers from Church & Dwight. We promise a number, we deliver a number, and we make it. No exceptions.

International growth, international is not a huge part of our portfolio. It's about 17%. It's focused in six countries with $500 million of sales. Five of those six have great long-term growth records of mid to high single-digit growth rates.

And how do we do that? We've got great new products. We take some of our power brands out of North America. We also have some very powerful international products out there.

Gross margin, gross margin is king to us, folks. We are heavily focused on gross margin. We think it is one of the key successes out there. We've had a fantastic record. We have increased our gross margin by 1600 basis points since 2001.

We have grown our gross margin more than any of our major competitors between 2007 and 2013, as you can see from this chart. How do we do that? Four key drivers. We have what we call the good to great cost optimization program. That is reformulating products, replacing packaging, reducing SKUs, compaction of laundry.

We also have supply chain restructuring. We've built new plants or modernized our plants. When we acquire businesses, the synergies help drive higher gross margin. We love to buy higher-margin brands. And price mix, we have a rule; we don't launch a new product unless it has a higher margin than the product it's replacing.

Very, very key, 25% of every employee's bonus in my Company is based on achieving the gross margin growth target. I don't think of any other company in this entire industry that has gross margin as part of its bonus. They like to skip it. It's a tough one to make. It's been tough for us. But when you have everybody in the Company focusing on your gross margin target, it delivers great results, as you've seen.

Number six, a proven track record on acquisitions. Acquisitions have been very important to our past history, but we are very picky. We prefer to buy only number one or two share brands. We don't believe we can revive an old, dead brand. We want higher growth, higher-margin brands.

We want asset-light brands. We don't like to buy businesses that have lots of factories and headquarters, whatever. We like to actually take those brands in-house and leverage our internal manufacturing logistics and purchasing base. We want to have a brand or a business that we can deliver sustainable, competitive advantages.

You can see our track record. It's been phenomenal in acquisitions. In fact, I told you of the nine key brands we have driving our Company, we have acquired eight of them. Only ARM & HAMMER, our initial brand back from 1846, was one we haven't acquired as part of our big portfolio.

I told you before, we just don't take these inn and just milk them. We take them in and we grow them. Look at the share results we have done there. Again, a brand like First Response, a 12 share when we bought it, and 14 years later it's a 31 share. Great result. We know how to grow brand share. And I told you, folks, we have got over $2 billion of dry powder to buy more acquisitions right now, and we are very actively on the hunt for it.

Number seven, free cash flow conversion, very important. Matt and his team have done an outstanding job here. We are best in class. We have increased the free cash flow conversion to over 500% since 2002, and here's the chart. Look at all the competitors. 118% free cash flow conversion between 2007-2013, number one against all major CPG players. We have also done a lot on dividends. We've more than quadrupled the dividend since 2009.

Number eight, this one may be one of the more unique that's just unique to Church & Dwight. I believe in superior overhead management. We have doubled the size of the revenue of this Company and yet barely increased the size of the employees. So it's been a tremendous leverage to the bottom line.

You can see we have the highest revenue per employee of any major CPG company. That shouldn't belong to the little guy. That is something the big dogs in the industry should win on because they have huge revenues. We are out there. We're only $3 billion compared to them, but we have the highest revenue per employee.

We walk the walk here, folks. I wish I had a company plane. I wish I had a company car. I wish I had golf club memberships. We don't believe in that. We believe in driving the share price. Our reward is the stock price and the stock options that we have. So we don't waste money on things like that that don't help the bottom line. We are totally focused on driving the share of the Company.

People say, how can you get better? We are number one in the industry. How can we get better? We have new healthcare plans. We are actually going to lower our healthcare costs this year. Most companies are spiraling out of control. We have new information systems we've put in place to help our people work smarter and better without adding headcount.

And bottom line, when we buy companies and we bring them in-house, we usually eliminate 90% of the employees in the Company. We bring them in-house and put them on the backs of our people.

That ties to the next one, my expertise in my management team. I do not believe in moving people around, especially top management people. I have eight strategic business unit leaders. I tell them you are lifers; you are not going anywhere. Some of them have run their business for over 15 years, and it's a huge benefit to the Company. They have huge experience.

So how does that pay off? There's four things. First of all, they know their businesses cold. The woman who runs my female sexual health business has been running it for over 15 years. She knows that business like the back of her hand. She does not make mistakes. She knows how to win shares. She is the one who took the business from a 12 share to over 30 share.

How does that help? Well, she doesn't need a huge staff to support her, to teach her the business and help learn the business, and then 24 months later she's transferred to some other business. She's on it. She can work with a very minimal staff underneath her.

Outstanding execution. All my top people across all the functions, their longevity in that function. They know each other like brothers and sisters. They deliver. They work as a great team.

Last, but not least, the real secret. When we acquire companies, we don't have to add a lot of headcount. Actually, my people running sort of businesses beg me, beg me, to give them more businesses. Not transfer them off, they will keep their other business which they are spending some of their time on because they know it so cold.

They want new things to do. They literally beg me, give me something more to do. So I'm able to bring in new businesses like vitamins and add it on the backs of people in-house running other parts of the business because they have the time, because they know their core business cold.

Last but not least, kind of a summary of the whole thing, TSR junkies. We have had an incredible decade of growth at Church & Dwight. Look at those lines, look at those results. Across every one of them, we've had outstanding numbers, and that's why the stock price has gone so much.

I have a great team, a 10-year CAGR of 16.3%. That's over 3 times the S&P 500 average. There is my great team at Wall Street recently with one of our great spokesman, with Anthony Sullivan there who does OxiClean. We put a big sign up on the New York Stock Exchange, a big OxiClean sign; we were there to clean up Wall Street. Anyways -- they are getting tired, Bill. Bill smiled.

Anyway, hey, most importantly my team is 100% in the game. Our business results are tied to four key factors, the four factors I think every one of your models is tied to. 25% of our bonus is tied to hitting the revenue target. 25% is hitting the gross margin target, 25% hitting the earnings per share target, and 25% free cash flow.

I can't believe any in this room, those aren't the four most important things in your models out there. Our bonuses are tied to those four things. We don't make them. It hurts our bonuses. We make them or we beat them, it helps our bonuses.

The other thing I told you about, our equity compensation is 100% stock options. We don't believe in restricted stock. We don't believe in performance shares. We don't believe in models, economic value added in that. It's all about stock options. You don't win, we don't win. You win, we win. It all pays off and we are all required to be heavily invested in Company stock.

All right, enough from me right now. I'm going to turn it over to Matt to talk about the 2014 financial outlook and Q1 results, and then we'll take questions.

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

Okay, you're going to tell from my cadence that I'm not as heavily caffeinated as Jim is this morning. Okay, we lost it again -- or I can kind of start out without the slides. So if you own us, you know that we started the year by saying that we expected our top line to grow 3% to 4%. We were expected to hold our gross margin around 45%, so what it was in 2013.

Oh, here we go. All right, start over. So we gave our guidance in early February, and our evergreen target is 3% to 4% top line, so that's what we expected for 2014. Our gross margin was 45% in 2013. We expected it to be flat this year. We expect to get a lot of leverage on SG&A while holding marketing flat at 12.5% of sales generating, and we had a range of 6% to 10% for EPS.

The reason we had a really wide range was because we are launching so many new products, there was a question about retailer acceptance, number one, then consumer acceptance as well. And then how are the competitors going to react? So we know that now.

So now in May, we updated our outlook as follows. So we said we were going to be at the low end of the 3% to 4% range. The reason for that is because we needed to spend more money on trade and couponing in order to fight the laundry wars in 2014. So that has an impact on sales.

It also has an impact on the gross margin, because all of this is sort of netted in sales. So we've got more tightness there. We expect to be down there for 50 to 75 basis points for the year.

And then SG&A, we expect approximately 100 basis points or more of leverage. So last year, operating margin was 19.5%. We expect around 20% this year, and the low end of the range then for 3% to 4% top line. So we tightened the EPS to 7% to 9%, so that's where it stands today.

It's also always helpful to take a look back and say, okay, Church & Dwight says they have a 3% to 4% evergreen target; how have you done historically? Do you look back over the last few years and you can see just about every year, we are in that range, 3% to 4. And every one of those years, we have very high volume.

So last year in our 2% organic growth rate, we had 4% volume and 2% negative price. Expect something similar in 2014. Here's the EPS. As Jim said, we have had double-digit EPS growth for 10 years in a row through 2013. That streak may end in 2014.

As you can see, we have 7% to 9% EPS growth that we are calling. But if you're familiar with the space, you probably know that that is clearly in the top quartile of any of the companies that would be presenting at this conference.

Keep moving. So you see lower right there, we have a 40% payout ratio that we target. We are real comfortable with that. There are many companies in our space that have much higher payout ratios, 60% or higher. The reason we keep it around 40% is because we think there's a higher and better use of cash, and that is primarily acquisitions. And as Jim pointed out to you, that is the competency of the Company.

We are very stingy on capital. We are not a capital-intensive business. If you are familiar with us, you own our stock, you know we talk about CapEx as a percentage of sales, about 2.5%. Again, you can kind of -- you can see the history here. This year we are going to be around 2.6%. We're going to spend about $85 million in CapEx this year, and about 35% of that is an investment in our expansion of our vitamin business.

So we have a $300 million vitamin business and we are expanding that this year by a 75% capacity expansion; should tell you we see a lot of runway for that business going forward.

As far as our borrowing capacity, it's very significant. So we are BBB+ rated. We could borrow about $2 billion and maintain our given rating right now. That would be as long as we have then made debt reduction our number one priority, subsequent to an acquisition.

And this is a great interest to most investors, and it should be no surprise here, is that there are five destinations for cash. And this is very deliberate how we list them here. So number one is acquisitions, so we are always on the hunt for acquisitions. And that's why we constantly point out how much cash we have on hand and what our borrowing capacity is and what our history is.

You can run your eyes down the slide here. New products would be number two. Generally, half of our organic growth is driven by our new product effort. Number 3 would be CapEx for organic growth and G2G. G2G is good to great. It's our corny label for our continuous improvement program where we have a 36-month look forward to see how we can debottleneck our plants, spend better in procurement to expand our gross margins.

Return on cash to shareholders, I want to point something out here. Our free cash flow last year was $470 million, our dividend requirements about $170 million annually. So that tells you you have $300 million after CapEx, after dividends, in order to buy back shares or add to your cash warchest or to buy businesses. And then number five, of course, would be debt reduction.

All right, first quarter, how did we do in the first quarter? We had 1% organic sales, so clearly below your 3% to 4% target, but that was as expected. Our expectation for Q1 was 1% organic growth. And we had are 2% drag as a result of couponing and slotting in the first quarter. So said another way, our volume growth in the first quarter was 4.4%. So that's consistent with what you've seen in the last few years from us.

The negative price mix was 3.2%, and 2% of that was negative slotting and couponing. Slotting, by the way, is what you would call in Europe listing fees behind the new products you're trying to get on shelf.

Let's run down the page. So you've heard Jim talk about our mega brands, so we grew share in 3 of our 4 mega brands, so it's a good story there. Gross margin was down 150 basis points, again because of the money that we spent on slotting and incremental couponing behind our new products, we had a bigger drag in Q1.

Marketing spend was up 110 basis points. So that's no surprise either, simply because we are promoting all of our new products in Q1.

SG&A down 160 basis points. So this is very notable, because remember we said if we're going to be expanding our operating margin 50 basis points in 2014, you need to reduce your SG&A leverage by 100 basis points in 2014, in order to get there. So we are off to a good start, down 160 in the first quarter. And operating margin is just the math.

So EPS was down 4%, but that was no surprise. Actually, we beat our expectations. As a Company, we were expecting about $0.72. And our free cash flow was approximately $100 million.

So we are ready for Q&A now.

QUESTIONS AND ANSWERS

Bill Schmitz - *Deutsche Bank - Analyst*

Questions? Gentleman in the back.

Unidentified Audience Member

Jim, you gave us a figure on OxiClean, up 35% so far this year. Are there any other figures you can give us at this stage on how new innovations and products are doing this year, just to give us some comfort that something more like mid single-digit growth might be seen in the second half of the year?

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

Yes. To be clear, I said 35% OxiClean consumption growth in the latest 4 weeks, not year to date, latest 4 weeks. That's still an awesome number. Every one of our new products is doing well, showing positive progress. Some are tracking slightly behind what we expected, particularly in the laundry category, because of the pricing going on there. Everything else is doing very well.

So yes, to hit our 3% to 4% obviously on the year, we are going to be picking up the pace on organic since it was only 1% in the first quarter on that. So that is right in line with our tracking. And I would say, again, today we're coming in here and just reaffirming our annual results, so we feel very good.

Every one of the new products has done very well. Some like cat litter has exploded. Our cat litter sales are up 20% year to date. That was the first product we launched. We actually started shipping that late December. Other ones didn't start shipping until February. So I'm going to hold off on any facts about the other ones until Q2 is over, just to give it a good amount of time since they've been in market.

They've only started marketing late March, and by the end of Q2 I will have a better read on those things. But everything, we are very happy so far. Everything has been good, and some like cat litter have exploded. Some like laundry are showing still good positive growth, but a little behind our expectations because of some aggressive pricing from our competitors.

More questions? Yes, sir, in the back.

Unidentified Audience Member

Can you talk a little bit about your couponing strategy? Certainly, in light of new digital couponing initiatives, like with coupon.com, for instance?

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

Are you talking about -- sorry, just to clarify, the couponing activity going out in the marketplace and that, or are you talking about something differently?

Unidentified Audience Member

How you are responding to the new kind of possibilities you have with the digital coupon companies you could use.

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

The only place we've seen activity pick up is the laundry category again. Proctor and we launched out with innovations this year; two competitors, Henkel and Sun in that category. We are the number three and four players. Panicked and responded with increased couponing and increased lower trade promotions. We are dealing with that. I don't want to get into any specifics.

I will just say we will not -- our brands will be competitive. We will deal with that, and we are showing great results. A week ago, we had the second-highest share ever in a liquid laundry detergent category of a 19.1. Our -- I will give you some facts to this prior thing, too. OxiClean laundry detergent is now a higher share than P&G's Cheer brand, which has been around for 100 years. So we are very happy with the progress there.

Again, I can't tell you -- all I'll tell you is we know the price gaps we have to maintain versus competitors. We are seeing what they are doing. We are not going to be uncompetitive from now through the rest of the year. We had hoped this was just a short-term pantry loading effort by competitors. They've shown more than that.

And they don't have the innovations we do, and so we are going to be supporting our products with the right amount of advertising and promotion efforts to drive the results that we have promised Wall Street. And everything so far is fine.

Bill Schmitz - *Deutsche Bank - Analyst*

Jim, how do price wars typically end? What makes it stop?

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

What makes them largely stop is you prove to the folks who started them that their spending is no longer delivering benefits. When they come out the door, they always surprise you with the activity. The marketplace went from, in some cases, buy one get one free to buy one get two free by the competitors, which is just ridiculous.

So you largely in some cases match that and show them that that spending is not delivering more share results and that it makes -- so, therefore, their revenues and profits are lower and they stop. So you've got to, in some cases, match them and show them that it's not working anymore.

They are not getting share growth out of it, and that's what I think you will see in the marketplace. And hopefully, they will get smart and go back to a strategy of innovation. Innovation is really the best thing in this environment, even though categories just a week out there for the most part. Over half our categories were down in the first half of the year, our first -- year to date.

We are responding to innovation, and our consumption is up in more than two-thirds of the category, showing the innovations are paying off. We're driving share gains in the categories. Everything has been great results, like cat litter to solid results across the rest of the businesses. So that's the way to win.

And I hate to say the competitors who don't have innovations, all they have left is the price lever. And if they are stupid enough, they pull it. And then we will do what we have to do to make them pay, so we will deal with it.

Ma'am, you had a question.

Unidentified Audience Member

Just given what you said about your approach to management in the business, I guess my immediate thought is how do you deal with succession planning? And aside from obviously stock options, because money is important to a lot of people, obviously, but there's also ambition.

So I'm just wondering how you keep good people when they know they are not going to get to that number one slot necessarily?

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

First of all, nobody wants my job, okay? It's very successful. Really, that's goes back to the point because that's very often asked when I keep people in the same jobs. And I'm talking just my top management team. The people below them, we rotate around for experience. But my top 30 to 40 people across all the functions are my lifers. I keep them in place.

So you say, they are going to get bored, they are going to want to go to another company and that. But first of all, they are running big businesses. Second of all, when I get the acquisitions, I get them more to do. So it actually builds their responsibilities over there.

And third of all, it's had a great payoff. Come look at our parking lots. The Chevys and Fords are gone; the Mercedes and BMWs are all over the parking lot. My folks, I've got more millionaires in my top management team percentagewise than I think most companies, and they've earned it. It isn't just they didn't give them restricted stock. They have earned it. They are very proud of that.

It's a very proud things to see -- to grow a brand share up, drive the profits up, be part of the Church & Dwight Company and that. So I've got a great team. They love working there. They literally, because we have keep overhead low too, they have a great impact on the Company. Other companies, there's so many layers, you make a decision and 10 people above you rethink that decision.

In my Company, my people make decisions, they check it off with me and it's a go. So they really love the sense of responsibly they have in driving the businesses. And we all understand the formula. It's all about driving the share price. That sets the magic they know. Don't come to me and ask for more people unless it's going to result in driving the revenues and profits.

Everything is about driving the revenues and profits and cash flow in the Company, and they get it and they work together. You know what, and there's a great pride in working with people and having a team where you know.

In a prior company I worked for, I was running at $2.5 billion division of that company, and there were so many changes going on I would sometimes call the head of logistics. I didn't know who they were. I'd never worked with them. They were at another location. They were like, who are you? And I was asking them to help me out on some business and that, and they were like, yeah, yeah, I'll get back to you.

In my Company, it's very personal. The top 40 people know each other, again, like brothers and sisters. They've worked with each other for 10, 15, 20 years. When they say -- they answer the phone when you call them. When they say they're going to do it, they do it, because it's that close a relationship. And that teamwork has been a key driver of our results, so they love it.

It's a great work environment to be in. It's very rewarding personally and financially and, again, I give them more new things to do when we buy businesses, We've been buying businesses regularly and that, and they love the -- believe it or not, they love the added workload they have because they know their core business like the back of their hand. They're delivering great business results there.

They get a new business, it's something fun, something new and fun to work with. They want to build and grow that. So I know it sounds like why they would do it, but they love it. If you came in-house, I think we have lost -- our turnover rate of our top 30 or 40 is largely just retirement. And we have great people below them who have been trained, so it's largely in-house replacements and stuff, and it just works. It just works.

Other questions? Yes, ma'am.

Unidentified Audience Member

How is competition in the vitamin market? Have a lot of people moved into that gummy category, given that it has such huge potential?

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

Yes, it's true, Centrum has come in. One A Day has come in. Other players have come in. So the competition, nobody ever loves competition. The good news is it has brought a lot of attention. When the number one players, Centrum and One A Day, go from hard pills to gummy, it legitimizes the whole business. So it's been a big part of the growth of the category, as people have seen those great brands come into the category.

You say, so why aren't we afraid of that? And I would tell you gummies make a lower margin than the hard pills, and those players are part of major companies. And the gross margin of gummies is lower than their corporate averages, because we studied all that.

We were afraid. Pfizer owns Centrum, and God, who wants to fight Pfizer? They are a monster. But vitamins are not a critical part of their business. That's not their focus. They didn't even build their own factories because it wasn't their focus. They go through a co-packer.

So we can respond quicker. We have our own factory in this case. We can respond quicker and that, so we were very concerned about facing guys like Pfizer in that business with big brands like Centrum. But we realized when we bought the business or before we bought the business that vitamins was really not a core focus of that company.

They didn't even want to invest in their own plants. They really didn't want to spend on the advertising side, and they only went into the gummy business because it was eating their shorts. So they got into it.

But that was great for us because it legitimized the fact that a gummy vitamin is just as good as a hard pill. And I defy any of you who have not tasted a gummy to taste a gummy; you will never go back to a hard pill. It is just a phenomenal tasting thing, and actually we believe it increases compliance in the category.

I know myself, I used to be a hard pill vitamin taker. I would forget to take it half the time. It was not a pleasant experience swallowing that horse pill. Now I get up in the morning, I go to my cabinet and I have fun deciding, do I want the cherry flavor or the orange flavor? Which fruity flavor do I want? It's like a fun experience to wake up to instead of a not fun experience and that.

So the entry of big players has actually legitimized the category. When we bought the business just in October 2012, on the adult side gummies were only 3%. They're now 6%. So their entry has helped jack up the category, and our business results have been terrific.

I think -- again, my dream is someday the adult business gummy side will be as big as the kids' side, which is 60% of the business.

So if we could take it from 6% to 60% of an almost $7 billion category, thank you very much; that will be a good part of Church & Dwight's future growth driving.

The sign says end. I hope we entertained you today. And if you don't own Church & Dwight stock, please buy it. And if you do, please hold it. No further questions, thank you.