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Capital Structure and Financial Performance: A Critical Analysis of Reckitt UK

reckitt

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Part A: Introduction

Brief History of Reckitt UK

Reckitt Benckiser Group plc (Reckitt) is a multinational corporation that deals with fast moving consumer goods and personal care products manufacturers located in Slough, Berkshire, United Kingdom. It was established in 1840 from the merger between Britain's Reckitt & Colman Plc and The Netherlands Benckiser N. V. Reckitt is a company that deals with health, hygiene, and home product; it produces Lysol, Dettol, Durex & Enfamil. It is a global organization that is active in over sixty countries while the products are distributed in nearly two hundred countries (Reckitt, 2024).

Key Corporate Events Over the Past Five Years

1. 2019: A legal matter was a focal concern of the year through which Reckitt got a $1.4 billion to the U. S. Department of Justice for the claims that relate to the opioids issue. The fine was regarding its prior pharma segment, Indivior, which was involved in fraud in its marketing (OIG, 2024).
2. 2020: Revenues of Reckitt were affected due to the outbreak of COVID-19 especially in the hygiene and health segments. This includes cleaning agents such as Lysol and Dettol and disinfectants that people ran to in order to achieve higher revenues in their categories. Reckitt also positioned itself in active participation of the support of the global health during the pandemic.
3. 2021: RB sold the baby food and child nutrition in China to Primavera Capital Group at $2. 2 billion. This was in line with the company's policy of outsourcing and leaving aspects with low success probabilities to contracted personnel (Cavale, 2021).
4. 2022: This year was a transitional year regarding the leadership of the firm when Laxman Narasimhan was named the new CEO of the firm after Rakesh Kapoor. In his strategy the Chief Executive Officer Narasimhan declared that Reckitt is going to change the way and is going to walk through new path of sustainable growth, innovation and digitalization.
5. 2023: Reckitt maintained sustainable business and introduced more targets of cutting its carbon footprint and improving sustainability of the firm's goods. The

company also made acquisitions this was another way of expanding its stock of health and hygiene products.

Significant Financial Events

Analyzing the Reckitt five years' financial performance, the following can be noted that the company has experienced some fluctuation in earnings majorly attributable to the following factors; Legal settlements, COVID-19, and Strategic divestitures. However, the following challenges have affected Reckitt: These difficulties however have not stretched the company to the limit because Reckitt has been able to strengthen its financial position through healthy demand for health and hygiene products.

Analyzing the changes that have occurred in the structure of Reckitt company during the last 5 years, one can define some trends in the company's evolution – the trends which point to the fact that the company has changed. The strategic choices are leadership changes and focus on sustainability that has put it in a good position to grow in the future. In the process of evaluating the balance sheets and management decisions of Reckitt we will reveal the impact of these factors on the firm's evolution and its market niche in the global consumer goods sector.

Part B - Financial performance and alternative capital structure considerations

B.1. Critical analysis of the corporation's financial performance

Reckitt Liquidity and Financial Ratios

2019

Liquidity Ratios

- **Current Ratio** = Current Assets / Current Liabilities = 6,436,638 / 11,403,990 ≈ 0.564420
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (6,436,638 – 0 – 0) / 11,403,990 ≈ 0.564420 (CFI, 2024).

Leverage Ratios

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 10,911,110 / 25,095,870 ≈ 0.434777
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 10,911,110 / 3,589,590 ≈ 3.039654
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 10,911,110 / (10,911,110 + 3,589,590) ≈ 0.752454
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 10,911,110 / 4,597 ≈ 2373.528388
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 25,095,870 / 3,589,590 ≈ 6.991291 (CFI, 2024).

In 2019, Reckitt had low liquidity ratios; the Current and Quick Ratio was 0.564 which may point to short term liquidity problems. High leverage is evident from the Debt to Equity ratio of 3.04 and total debt to earnings before interest, taxes, depreciation, and amortization (Debt to EBITDA) of 2373.53, this implies high financial risk and dependency on credit (CFI, 2024).

2020

Liquidity Ratios

- **Current Ratio** = Current Assets / Current Liabilities = 5,314,000 / 6,938,000 = 0.765927
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (5,314,000 – 0 – 0) / 6,938,000 = 0.765927 (Yahoo Finance, 2024)

Leverage Ratios

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 10,557,000 / 31,292,000 = 0.337371
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 10,557,000 / 9,115,000 = 1.158201
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 10,557,000 / (10,557,000 + 9,115,000) = 0.536651
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 10,557,000 / 465,000 = 22.703226
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 31,292,000 / 9,115,000 = 3.43302

In 2020 Reckitt has better liquidity ratios with the Current and Quick Ratio of 0.766, better short-term solvency. Leverage decreased, because of the lower level of the Debt-to-Assets Ratio is 0.337 and Debt-to-Equity Ratio of 1.158. However, the high level of Debt to EBITDA Ratio at 22.703 is used to indicate high financial risk (Yahoo Finance, 2024).

2021

Liquidity Ratios

- **Current Ratio** = Current Assets / Current Liabilities = 5,005,000 / 8,088,000 = 0.618818
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (5,005,000 – 0 – 0) / 8,088,000 = 0.618818 (Yahoo Finance, 2024).

Leverage Ratios

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 9,563,000 / 26,946,000 = 0.354895

- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 9,563,000 / 7,399,000 = 1.292472
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 9,563,000 / (9,563,000 + 7,399,000) = 0.563790
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 9,563,000 / 3,904,000 = 2.449539
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 26,946,000 / 7,399,000 = 3.641843

Looking at the Current and Quick Ratio, Reckitt's liquidity declined in 2021 at 0.619 suggesting that solvency might be an issue in the future (Yahoo Finance, 2024). Leverage ratios rose; the company's Debt to Equity Ratio was 1.292 and the Debt to Capital Ratio of 0.564. However, the Debt to EBITDA Ratio was better at 2.450 more, which suggests a better ability to cover the earnings for debts.

2022

Liquidity Ratios

- **Current Ratio** = Current Assets / Current Liabilities = 5,285,000 / 8,341,000 = 0.633617
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (5,285,000 – 0 – 0) / 8,341,000 = 0.633617

Leverage Ratios

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 8,884,000 / 28,742,000 ≈ 0.309095
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 8,884,000 / 9,443,000 ≈ 0.940803
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 8,884,000 / (8,884,000 + 9,443,000) ≈ 0.484749
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 8,884,000 / 3,166,000 ≈ 2.806064
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 28,742,000 / 9,443,000 ≈ 3.043736

In 2022, Reckitt's liquidity position was slightly better than the previous year, with a Current and Quick Ratio of 0.634. Leverage ratios indicate reduced financial risk: Debt-

to-Equity Ratio has reduced to 0.941 and Debt to Asset ratio is 0.309. However, another important ratio, Debt to EBITDA ratio worsened to 2.806, which suggests that higher earning is necessary to cover the debts.

2023

Liquidity Ratios

- **Current Ratio** = Current Assets / Current Liabilities = 5,302,000 / 8,338,000 ≈ 0.635884
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (5,302,000 – 0 – 0) / 8,338,000 ≈ 0.635884

Leverage Ratios

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 8,537,000 / 27,136,000 ≈ 0.314601
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 8,537,000 / 8,448,000 ≈ 1.010535
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 8,537,000 / (8,537,000 + 8,448,000) ≈ 0.502620
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 8,537,000 / 3,166,000 ≈ 2.696462
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 27,136,000 / 8,448,000 ≈ 3.212121

However, in 2023, Reckitt's liquidity position was still healthy as evidenced by the Current and Quick Ratio of 0.636. Leverage increased slightly, as demonstrated by the company's Debt-to-Equity Ratio at 1.011 and the Debt to Capital Ratio is 0.503. The average of the Debt-to-EBITDA Ratio is 2.696 means that there is moderate amount of debt in relation to the earnings, thus signifying moderate level of financial risk.

Comparison Analysis

Johnsons and Johnsons

2019

- **Current Ratio** = Current Assets / Current Liabilities = 35,352.39 / 28,082.64 ≈ 1.258870
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (35,352.39 – 0 – 0) / 28,082.64 ≈ 1.258870
- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 20,687.95 / 123,162.55 ≈ 0.167973
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 20,687.95 / 46,438.17 ≈ 0.445495
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 20,687.95 / (20,687.95 + 46,438.17) ≈ 0.308195
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 20,687.95 / 19,530.72 ≈ 1.059252
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 123,162.55 / 46,438.17 ≈ 2.652184 (Yahoo Finance, 2024a).

2020

- **Current Ratio** = Current Assets / Current Liabilities = 51,237,000 / 42,493,000 ≈ 1.205775
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (51,237,000 – 0 – 0) / 42,493,000 ≈ 1.205775
- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 35,266,000 / 174,894,000 ≈ 0.201642
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 35,266,000 / 63,278,000 ≈ 0.557318
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 35,266,000 / (35,266,000 + 63,278,000) ≈ 0.357871
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 35,266,000 / 26,751,000 ≈ 1.318306
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 174,894,000 / 63,278,000 ≈ 2.763899

2021

- **Current Ratio** = Current Assets / Current Liabilities = 60,979,000 / 45,226,000 ≈ 1.348317

- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (60,979,000 – 0 – 0) / 45,226,000 ≈ 1.348317
- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 33,751,000 / 182,018,000 ≈ 0.185427
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 33,751,000 / 74,023,000 ≈ 0.455953
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 33,751,000 / (33,751,000 + 74,023,000) ≈ 0.313165
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 33,751,000 / 26,605,000 ≈ 1.268596
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 182,018,000 / 74,023,000 ≈ 2.458938 (Yahoo Finance, 2024a).

2022

- **Current Ratio** = Current Assets / Current Liabilities = 55,294,000 / 55,802,000 ≈ 0.990896
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities = (55,294,000 – 0 – 0) / 55,802,000 ≈ 0.990896
- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 39,642,000 / 187,378,000 ≈ 0.211562
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 39,642,000 / 76,804,000 ≈ 0.516145
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 39,642,000 / (39,642,000 + 76,804,000) ≈ 0.340432
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 39,642,000 / 23,320,000 ≈ 1.699914
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 187,378,000 / 76,804,000 ≈ 2.439691

2023

- **Current Ratio** = Current Assets / Current Liabilities = 53,495,000 / 46,282,000 ≈ 1.155849
- **Quick Ratio** = (Current Assets – Prepaid Expenses – Inventory) / Current Liabilities

= (53,495,000 – 0 – 0) / 46,282,000 ≈ 1.155849

- **Debt-to-Assets Ratio** = Total Debt / Total Assets = 29,332,000 / 167,558,000 ≈ 0.175056
- **Debt-to-Equity Ratio** = Total Debt / Total Equity = 29,332,000 / 68,774,000 ≈ 0.426498
- **Debt-to-Capital Ratio** = Total Debt / (Total Debt + Total Equity) = 29,332,000 / (29,332,000 + 68,774,000) ≈ 0.298983
- **Debt-to-EBITDA Ratio** = Total Debt / EBITDA = 29,332,000 / 27,542,000 ≈ 1.064992
- **Asset-to-Equity Ratio** = Total Assets / Total Equity = 167,558,000 / 68,774,000 ≈ 2.436357

The analysis of the Reckitt and Johnson & Johnson financial ratios from 2019 to 2023 highlights differences in their financial soundness and business performance. In these years, J&J has presented a better liquidity position than Reckitt at every extent as presented in the following ratios; The Current and Quick Ratios of J&J are, in general, above 1, which shows a better ability to meet short-term obligations and thus, provides more stability to the company's liquidity situation. On the other hand, Reckitt was challenged with liquidity, with most of the ratios being below 1, indicating vulnerability in the company's ability to meet short term liabilities.

As for leverage, J&J built a relatively more conservative financial structure. Specifically, its Debt-to-Assets Ratio remained almost at 0.17 to 0.21, which is significantly below the ratios of Reckitt that ranged from 0.30 and 0.43. This shows that J&J has less debts financing than its assets which put it in a better position. Likewise, J&J's Debt to Equity ratios were below 0.60, which is considerate of equal proportions of debt and equity financing. On the other hand, Reckitt's Debt to Equity ratios were relatively higher, above 1 in most of the years showing that the company relied more on debts and as it is known, debt has greater risk to firms than equity

The Debt-to-Capital Ratios also stress that the company is rather conservative, with all the ratios staying under 0.36, as compared to the ratios of Reckitt which were in most cases greater than 0.50. This clearly shows that a greater proportion of the capital structure of Reckitt is funded through debt, which is a potential concern to the

company's financial manoeuvrability and interest costs. The Debt-to-EBITDA Ratios show how earnings can cover the debts. J&J managed to keep these ratios at approximately 1 to 1.7, implying adequate earnings to handle the debts ,Reckitt's ratios fluctuated significantly; an appalling 22.70 in 2020 because of lower EBITDA since it indicated the company's financial pressure and poor coverage ratios.

The Asset to Equity Ratios show the overall leverage position. All the calculated ratios were lower in case of J&J than Reckitt, meaning that J&J had lesser proportion of debt than equity to fund its assets implying more secure and less risky financial structure. Conversely, the ratios obtained for Reckitt show higher figures of financial leverage, which means higher possible returns and higher volatility.

J&J has better liquidity ratio, low leverage, and good earning per share coverage than Reckitt company because this has higher financial risk since it relies more in debts. These ratios show that J&J has a strong financial management system and good financial health than Reckitt Benckiser and this proves that J&J has a better value to cope with the financial risks than Reckitt Benckiser.

B.2. Rreview the alternative capital structure theories and their implications

Capital Structure Theories

Capital structure theories examine the manner in which firms fund their operations through debt and/or equity. The Modigliani-Miller (MM) proposition that states in a perfect market, the mode of financing is irrelevant to the value of the firm's securities holds true. But factors such as taxes and costs of bankruptcy make financing decisions real. According to the Trade-Off Theory, firms should estimate the tax advantages of debt against the costs of bankruptcy to arrive at the correct level of leverage. Covariant evidence is also in support of this identifying that firms with stable earnings have higher debts due to accrued tax shields.

Pecking order theory formulated by Myers and Majluf says firms rely on internal funds and debt and turn to equity only as the last resort because of information asymmetry and signalling problems. The empirical evidence supports this hierarchy by noting that firms

refrain from equity issuance where possible. Agency Theory deals with the issues of management and shareholders, where it indicates that debt can reduce overinvestment by managers. Studious show that firms with high levels of free cash flow tend to leverage up to correct managerial misbehaviour. Altogether, these theories also emphasize on the fact that capital structure decision-making is a complex and strategic process.

Average Annual Share Returns

Date	Average Annual Share Returns Of Reckitt
31-12-2019	-5.3954
31-12-2020	11.88103
31-12-2021	-5.07415
31-12-2022	-10.1798
31-12-2023	-4.00941

Table 1: Average Annual Share Returns Of Reckitt

Source: Yahoo Finance. 2024b

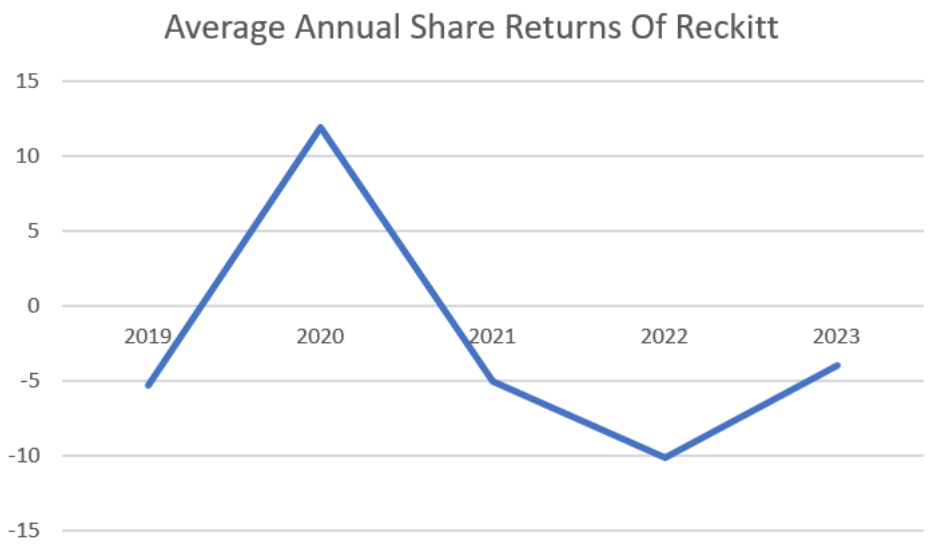

Figure 1: Average Annual Share Returns of Reckitt

Source: Author

Variation in Capital Structure

From the Reckitt's analysis, it is evident that the capital structure has fluctuating leverage within the last five years. As for the Debt-to-Equity Ratio of Reckitt, it has some

fluctuations in the period of 2019-2023, which is indicating the changes in the company's need in debt financing as compared to equity financing. For instance, in 2019, Reckitt had a Debt-to-Equity Ratio of about 3 which is considered very high for the industry. 04, indicating substantial leverage. In the case of Females to Males Ratio, by 2022 it had a better position of 0. 94 to indicating reducing the company's leverage only to increase slightly to 1. 01 in 2023.

Fluctuations in the annual share returns were also quite apparent during this period. The Reckitt's total return in 2019 was slightly negative coming in at about -5%. 40% for negative return and about 11% for positive return. 88% in 2020. This was a short-lived improvement for returns that became negative again in 2021 at -5.07% and continued to reduce in 2022 at -10. 18% but later slightly improved to -4.01% in 2023.

When looking at the correlation between the use of leverage and returns, there probably is an inverse relationship. Higher leverage used in 2019 led to negative returns as stated earlier in this paper. On the other hand, when the Debt-to-Equity Ratio was on the rise in 2020, the share returns were positive. But, as leverage rose marginally again in the follow up years, the returns went into the negative territory.

The result of this pattern is that higher leverage could have led to higher financial risk and fluctuations which in turn decreases the return to shareholders. It also indicates that in the circumstances where there is less dependence on debts the capital structure may be more favorable or stable in term of shares performance and this calls for sound management of financial structures to improve the position of shareholders' value.

Part C - Investment activities and dividend pay-outs

Major Investment Activities

The Reckitt Benckiser Group Plc has been conducting several investment activities with the aim of enhancing its operational capacity and increasing its social responsibility. Such attempts can be seen as a complex approach towards the company's management that implies both financial and non-financial goals and objectives, as well as social responsibility and strategic development of new directions. In terms of financial management Reckitt emphasizes on improving the efficiency and increasing its sales with the help of investment. Organizationally, the company is socially responsible and supports the community incorporating CSR in its business. Tactically, Reckitt's strategic objective is to achieve innovation and sustainable growth through technology advancement and product diversification while the organization seeks to position itself as a leading company in health, hygiene, and nutrition.

Financial Investments and Performance

For the year ended 2023, Reckitt registered its financial improvement through the like-for-like net revenue growth of 3.5% although it continues to experience market fluctuations and inflation rates in the market. Such growth is evidence of the firm's tenacity and the ability to make appropriate strategic changes. Also, Reckitt enhanced its financial position by reporting an adjusted operating margin of 23.1% and the successful reduction of leverage. The management's concern with operational excellence and cash generation resulted in a £2, free cash flow up by 11.3 billion. Such financial accomplishments prove the group's operating efficiency and financial management during the period as well as demonstrating Reckitt's capacity to provide stakeholders with stable value in the conditions of the economic crisis. This financial strength enabled Reckitt to pay £1.5 billion to the shareholders in the form of dividends and the newly announced share buyback program while at the same time delivering outstanding operational performance (Reckitt, 2023).

Reckitt has also demonstrated its innovation prowess in the Lysol Air Sanitiser which has indeed opened up a new segment in the Air Care market. This strategic move also shows

the concern of the company towards the consumer needs and also consolidates the position of the company as the market leader in the health and hygiene products. Internally, Reckitt has been confirmed by the annual GLINT employee survey that it is a company with a very clear and meaningful culture. This study found that the company was well supported in terms of direction and values by the employees. Further, such positive feedback can go along with the company's efforts in the context of Reckitt's strategies for the integration of the workforce and the furthering of the mission that can contribute to the company's success (Reckitt, 2023).

Most of these strategic investments have been very helpful in the improvement of Reckitt's brand image and the operations of the firm. The management of the company has paid much attention to the creation of innovations and long-term client relations which have been the main drivers of the performance. Such efforts have led to the enhancement of its revenues as Reckitt's net revenues were enhanced to slightly over one-third of the 2019 revenues. This growth proves the efficiency of the Reckitt's strategic management; the company has shown commitment not only to the consumers but also to the place it takes in the market through product innovations and consumer satisfaction. This growth has been founded on a good strategic and systematic expansion of the firm's investment on e-commerce and digital media. For instance, Repos the B2B e-commerce platform in Mexico since it was established has registered a promising performance. These investments have developed Reckitt's competence in the digital platform and improved its position in the market by reformulating the usefulness of technology to fulfil consumers' demand and expanding its market share in the digital economy, and therefore, the Reckitt's revenues spiked (GlobalData, 2023).

Social Impact Investments

Reckitt's approach to social impact can also be seen in terms of investment plans, where the company plans to invest 1% of adjusted operating profit for the social projects over the next three years. In 2023 the company spends £31 million, which affected about 7 million people in 40 countries. These are clean water, sanitation, maternal and children's health, sexual and reproductive health among others. Remarkably, Reckitt's efforts have

impacted millions of people through such programmes and specific project in India for instance has reduced school absenteeism and childhood diarrhoea (Upadhyay, 2022).

The social impact investments by the company are also scrutinized, and the data gathered on these investments are also audited. This approach does not only increase accountability but also allows Reckitt to track the real impact of its actions in terms of the number of people benefiting from its programs, thus strengthening the company's position as a responsible business that is working to improve the lives of people around the world (Reckitt, 2023).

Challenges and Future Directions

However, Reckitt still has issues mainly in the growth area especially in the mature market such as North America and the Western Europe which are expected to grow at low to moderate rates. On the other hand, the Asia-Pacific region offers better growth prospects, and this is Reckitt's reason for focused investments and innovation. In addition, Reckitt, in its latest financial year, recorded £810m goodwill impairment charge on Nutrition business suggesting certain weaknesses. This impairment underlines the need for strategic realignment and the concentration on the company's competence as it moves forward (GlobalData, 2023).

The investment activities that Reckitt Benckiser engage in are moderate and aim at improving the company's financial performance while abiding by its social responsibility obligations. The company's strategic management priorities of innovation, e- commerce, and social responsibility make it well suited to future growth, especially in developing regions. However, opportunities remain limited in the developed markets and some segments of the businesses, which means that the strategies have to be constantly reviewed to prolong its effectiveness and outcomes.

Dividend Pay-out

Date	Dividend
Aug 4, 2023	0.20 Dividend
Apr 10, 2023	0.27 Dividend
Aug 5, 2022	0.18 Dividend
Apr 28, 2022	0.27 Dividend
Aug 5, 2021	0.20 Dividend
May 6, 2021	0.28 Dividend
Aug 20, 2020	0.19 Dividend
Apr 16, 2020	0.25 Dividend
Aug 22, 2019	0.18 Dividend
Apr 22, 2019	0.26 Dividend

Table 2: Dividend in past 5 years

(Source: Yahoo Finance, 2024c)

Reckitt has remained consistent with its dividend policies over the past five years as shown below, this shows its commitment to creating shareholder value while facing several economic conditions. Dividend information from 2019 to 2023 reveal that the company pays its dividends bi-annually, one of which is in the spring and the other in the later summer. This regularity reflects the company's good financial discipline and commitment to delivering steady returns to shareholders.

Reckitt declared and paid dividends of $0.26 in April and $0.18 in August, making the cumulative amount $0.44 for the year. Slight changes were made the following year 2020 with a dividend of $0.25 in April and $0.19 in August for a cumulative of $0.44, which is almost the same as the total recorded in the previous year though the global pandemic affected the economy.

For the year 2021, Reckitt raised the total payout to $0.48, with $0.28 in May and $0.20 in August. This increment shows that the company is back on its feet and will perform well after the pandemic. It also remained the same in 2022 with a dividend of $0.27 in April and $0. 18 of August, retaining the $0.45 annual payouts.

In 2023, Reckitt showed more solidity in terms of the dividends of $0. 27 in April and $0. 20 in August for a cumulative of $0. 47. This steady or slightly increasing trend in the payment of dividends shows that Reckitt has been able to withstand the test in the market and deliver enough free cash flows to meet the needs of the shareholders.

In analysing Reckitt's dividend payout for the past five fiscal years, it is evident that there is a progressive increase in the returns that are paid to shareholders with a consistent indication of the company's stability and a positive outlook on the future. This is a good message to investors regarding the company's resource management and the ability to generate shareholders' value (Kanakriyah, 2020).

Critical Review of Reckitt's Dividend Payouts

Reckitt has also been paying dividends twice every year over the past five years, which shows that it is a company that is committed to providing returns for its shareholders. In formulating the dividend policy, the following factors are taken into consideration: Earnings predictability, free cash flow, amount of debt, stock market trends and shareholders' expectations to ensure that it achieves a good balance between sound financial position of the company and shareholders' satisfaction:

1. **Earnings and Profitability**: Paying dividends with Reckitt is solely tied on the capability of the company to earn revenues and profits. The organization has maintained a rather stable dividend policy of the company since 2019 to 2023 with little variations which indicates the stability of the company's profitability. This stability shows that Reckitt has good financial planning and it is a financially well-buffeted company. For example, although the COVID-19 pandemic in 2020 negatively affected the economy in many ways, Reckitt was able to maintain its dividend payments at $0.25 in April and $0.19 in August. Such a strategy of keeping up with the steady dividend payments during the period of economic instability in the global economy only goes to prove the strong earnings power of the company coupled with strategic management that puts a lot of emphasis on shareholders' returns, even where the global environment is unfavourable. This has put a lot of emphasis on steady dividends which Reckitt has maintained to date demonstrating its future profitability and financial stability (Hasan, 2021).

2. **Free Cash Flow**: Free cash flow is useful for dividend policy since it is the cash generated from operations by the firm after it has covered operating costs and investments in working capital and property, plant, and equipment. For the year-end 2023, the Reckitt's free cash flow improved by 11% to stand at £2.3 billion. This must have provided a strong cash flow that probably supported the steady dividends as reflected throughout the year. The firm can declare sufficient dividends, it does so know that no capital expenditure or business propositions that may bear great returns will be hampered due to insufficient cash flow. This strong financial position evidences good cash management at Reckitt and its capability to reward shareholders while maintaining key business operations and growth plans (Dirman, 2020).
3. **Leverage and Debt Levels**: The amounts of debt that Reckitt currently uses are described by its leverage ratios. High leverage reduces the dividend policy as more cash is expected to be used to meet the interest expense. The company has made attempts to decrease leverage, which would help in sustaining or even enhancing the dividends. For instance, debt/ equity has relatively increased, meaning debt management has been enhanced, therefore more space for dividends is available (Kathuo et al., 2020).
4. **Market Conditions and Economic Environment**: Factors in the external environment including market fluctuations and inflationary trends affect the issue of dividends. However, such challenges do not deter Reckitt's stable dividend payout, although the company seems to be conservative but positive. The firm has been able to avoid a great reduction in dividends due to economic fluctuations, this underlines good financial planning (Romus et al., 2020).
5. **Shareholder Expectations and Signal Effect**: Dividends are used by the management to convey the sound financial health of the firm to the shareholders. Such dividends provide confidence to investors and make them understand that the company is stable. Reckitt has been consistent in their dividends for the past five years including the time of recession showing that the company is financially stable (Blagoeva et al., 2020).

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