

Fourth Quarter & Full Year 2016 Earnings Call Presentation



MeadJohnson[™]
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NOURISHING THE BEST START IN LIFE

January 26, 2017

Safe Harbor Statement

Forward-Looking Statements

Certain statements in this presentation are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by the fact they use words such as “should,” “expect,” “anticipate,” “estimate,” “target,” “may,” “project,” “guidance,” “intend,” “plan,” “believe” and other words and terms of similar meaning and expression. Such statements are likely to relate to, among other things, a discussion of goals, plans and projections regarding financial position, results of operations, cash flows, market position, market growth and trends, product development, product approvals, sales efforts, expenses, capital expenditures, performance or results of current and anticipated products and the outcome of contingencies such as legal proceedings and financial results. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. Such forward-looking statements are based on current expectations that involve inherent risks, uncertainties and assumptions that may cause actual results to differ materially from expectations as of the date of this presentation. These risks include, but are not limited to: (1) the ability to sustain brand strength, particularly the Enfa family of brands; (2) the effect on the company’s reputation of real or perceived quality issues; (3) the effect of regulatory restrictions related to the company’s products; (4) the adverse effect of commodity costs; (5) increased competition from branded, private label, store and economy-branded products; (6) the effect of an economic downturn on consumers’ purchasing behavior and customers’ ability to pay for product; (7) inventory reductions by customers; (8) the adverse effect of changes in foreign currency exchange rates; (9) the effect of changes in economic, political and social conditions in the markets where we operate; (10) changing consumer preferences; (11) the possibility of changes in the Women, Infant and Children (WIC) program, or participation in WIC; (12) legislative, regulatory or judicial action that may adversely affect the company’s ability to advertise its products, maintain product margins, or negatively impact the company’s reputation or result in fines or penalties that decrease earnings; and (13) the ability to develop and market new, innovative products. For additional information regarding these and other factors, see the company’s filings with the United States Securities and Exchange Commission (the SEC), including its most recent Annual Report on Form 10-K, which filings are available upon request from the SEC or at www.meadjohnson.com. The company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Factors Affecting Comparability – Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures. The items included in GAAP measures, but excluded for the purpose of determining the non-GAAP financial measures, include significant income/expenses not indicative of underlying operating results, including the related tax effect and, at times, the impact of foreign exchange. The non-GAAP measures represent an indication of the company’s underlying operating results and are intended to enhance an investor’s overall understanding of the company’s financial performance and ability to compare the company’s performance to that of its peer companies. In addition, this information is among the primary indicators the company uses as a basis for evaluating company performance, setting incentive compensation targets and planning and forecasting of future periods. This information is not intended to be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. Tables that reconcile non-GAAP to GAAP disclosure are included in the Appendix.

This presentation should be reviewed in conjunction with the company’s earnings release and conference call transcript for the fourth quarter and full year of 2016.

For more information:

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Net Sales Full Year

\$ in Millions

4Q 2016

Change vs. 2015

*Constant
Dollar
Basis*

Actual

Reported

*Foreign
Exchange*

Basis

Gross Sales

\$1,265

(3%)

(3%)

0%

Excluding VZ

0%

Net Sales

\$902

(7%)

(4%)

(3%)

Excluding VZ

(2%)

Full Year 2016

Change vs. 2015

*Constant
Dollar
Basis*

Actual

Reported

*Foreign
Exchange*

Basis

\$5,153

(5%)

(4%)

(1%)

0%

\$3,743

(8%)

(5%)

(3%)

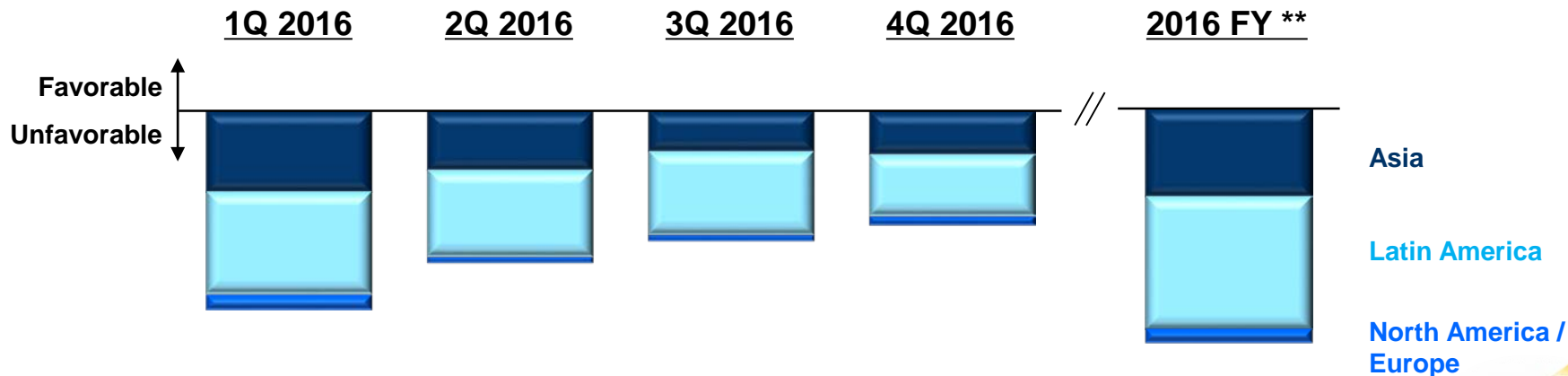
(2%)

Continued Foreign Exchange Headwind

Foreign Exchange Impact on Net Sales*

\$ in Millions

<u>1Q 2016</u>	<u>2Q 2016</u>	<u>3Q 2016</u>	<u>4Q 2016</u>	<u>2016 FY **</u>
(\$64)	(\$47)	(\$38)	(\$37)	(\$190)
(6%)	(5%)	(4%)	(4%)	(5%)



* Compared to the same period of the prior year.

** Figures may not sum due to rounding.

EBIT* Improvement on a Constant Dollar Basis

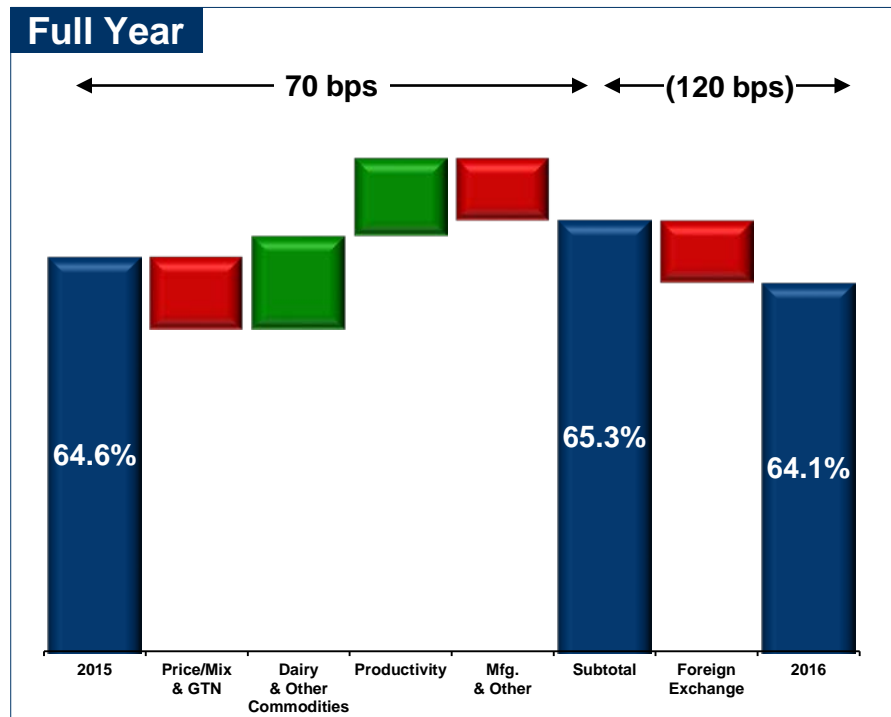
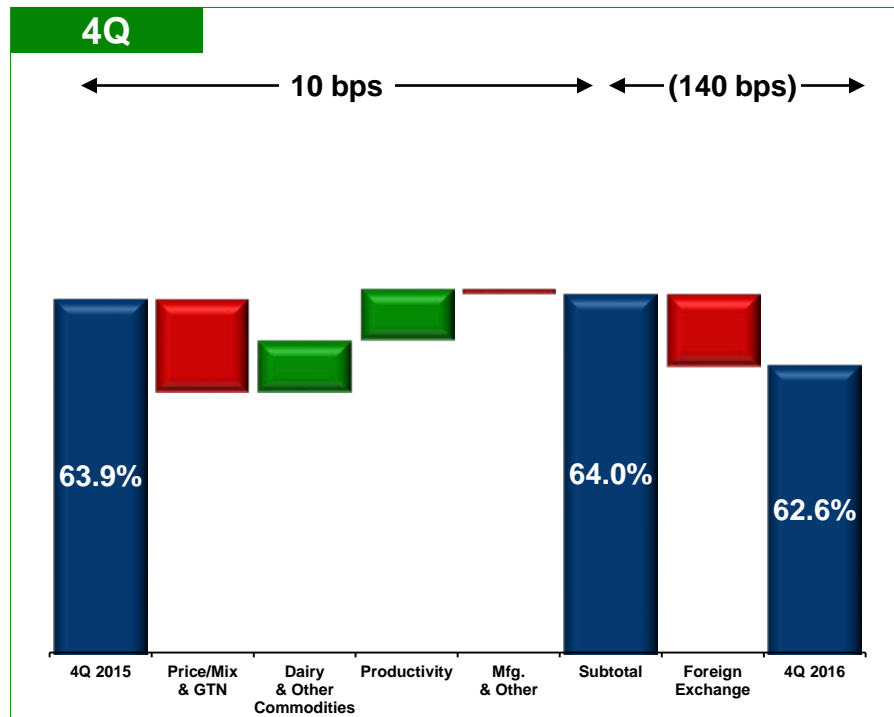
\$ in Millions

	4Q 2016			Full Year 2016		
	<u>Actual</u>	<u>Reported</u>	<u>Constant Dollar Basis</u>	<u>Actual</u>	<u>Reported</u>	<u>Constant Dollar Basis</u>
Net Sales	\$902	(7%)	(3%)	\$3,743	(8%)	(3%)
Gross Profit*	\$565			\$2,399		
<i>Gross Margin*</i>	62.6%	(130 bps)	+10 bps	64.1%	(50 bps)	+70 bps
EBIT*	\$208	(5%)	4%	\$927	(6%)	3%
<i>EBIT Margin*</i>	23.1%	+40 bps		24.8%	+70 bps	

* Presented on a non-GAAP basis.

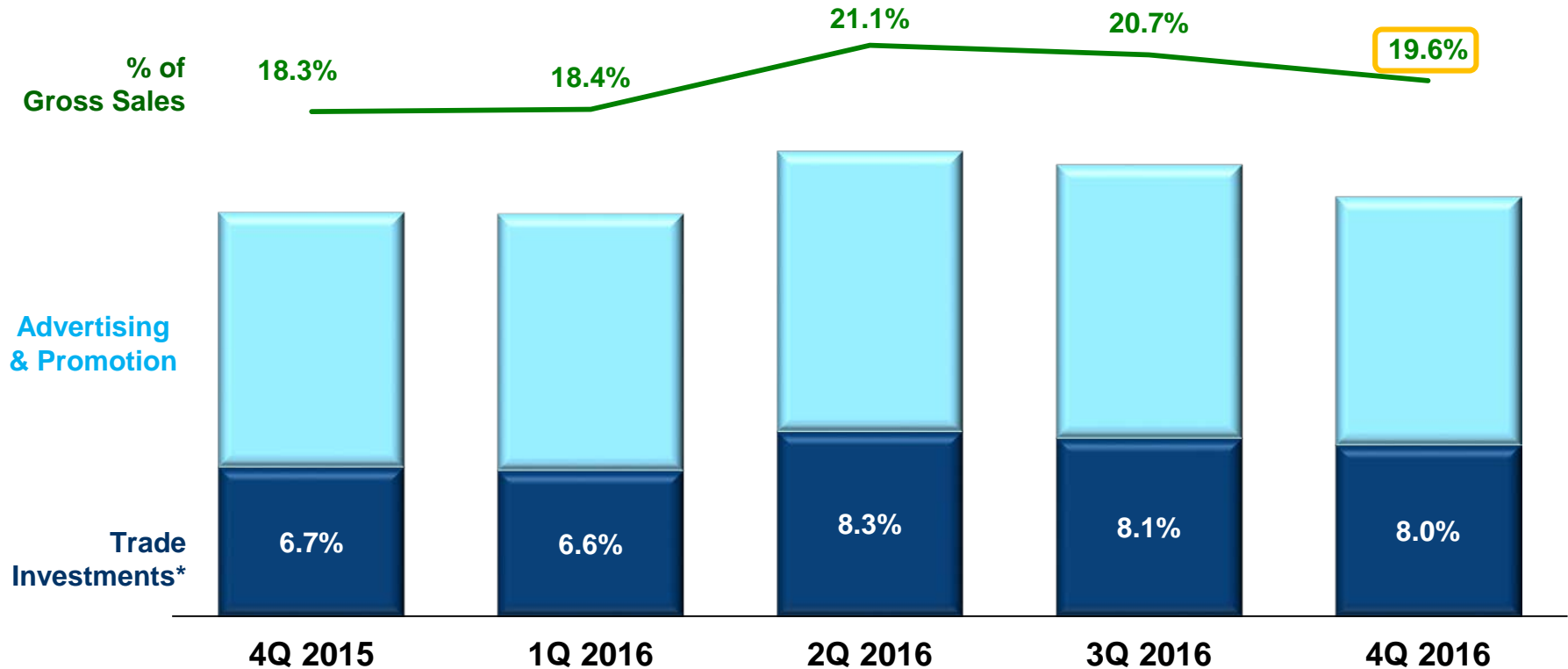
Dairy & Productivity Benefits Offset Other Headwinds

Gross Margin*



* Gross Margin presented on a non-GAAP basis.

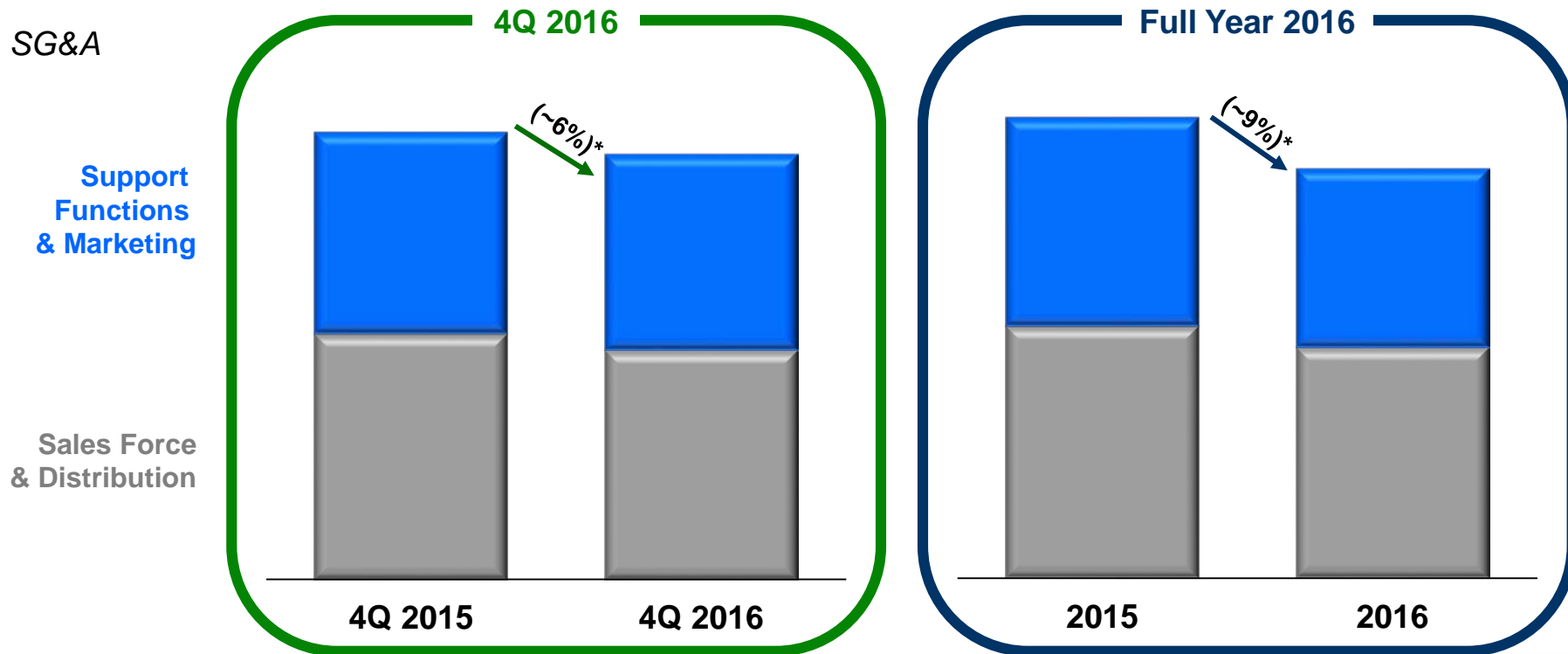
Continued Investments to Support Innovation Rollout



* Trade investments represents sales discounts reported in Gross-to-Net Sales Adjustments.

Fuel for Growth Program Continued to Deliver Substantial Savings

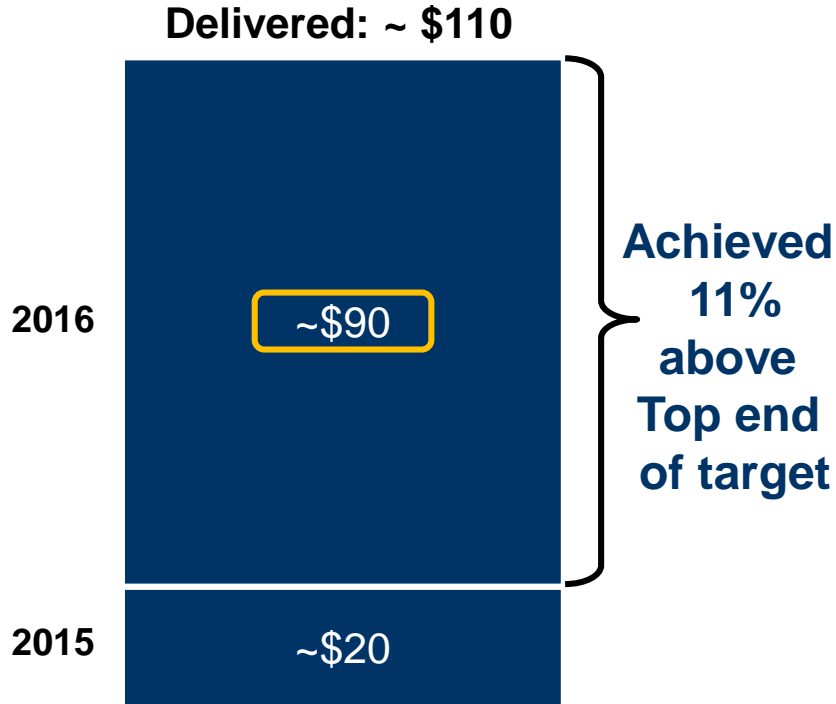
SG&A



* SG&A also known as Selling, General and Administrative expenses. A substantial portion of the year over year reduction is due to Fuel for Growth. Percentage change on a non-GAAP, constant dollar basis.

Fuel for Growth Savings Exceeded Top End of Target

\$ in Millions



2016 Program Achievements

- ~ **\$60M** Corporate & Other savings
- ~ **27%** G&A Outside services reduction

Fuel for Growth Savings

Company Margin Impacted by Lower Asia Profitability

\$ in Millions

	4Q 2016				
	<u>Asia</u>	<u>North America/ Europe</u>	<u>Latin America</u>	<u>Corporate & Other **</u>	<u>Company **</u>
Net Sales	\$ 437	\$ 308	\$ 156	-	\$ 902
vs. 2015*	(4%)	(5%)	4%	-	(3%)
EBIT	\$ 119	\$ 92	\$ 40	(\$ 42)	\$ 208
vs. 2015*	(7%)	(1%)	33%	(15%)	4%
EBIT Margin	27%	30%	25%	-	23%
vs. 2015	(280 bps)	+40 bps	+520 bps	-	+40 bps

Figures may not sum due to rounding.

* Year over year percentage changes are on a constant dollar basis and exclude the impact of foreign exchange transactional gains or losses.

** Corporate & Other and Company presented on a non-GAAP basis.

Full Year EBIT Margin Improved by 70 bps

\$ in Millions

	Full Year 2016				
	<u>Asia</u>	<u>North America/ Europe</u>	<u>Latin America</u>	<u>Corporate & Other **</u>	<u>Company **</u>
Net Sales	\$ 1,857	\$ 1,242	\$ 644	-	\$ 3,743
vs. 2015*	(5%)	(2%)	(1%)	-	(3%)
EBIT	\$ 559	\$ 380	\$ 157	(\$ 170)	\$ 927
vs. 2015*	(12%)	9%	10%	(23%)	3%
EBIT Margin	30%	31%	24%	-	25%
vs. 2015	(330 bps)	+220 bps	+120 bps	-	+70 bps

Figures may not sum due to rounding.

* Year over year percentage changes are on a constant dollar basis and exclude the impact of foreign exchange transactional gains or losses.

** Corporate & Other and Company presented on a non-GAAP basis.

Financial Results: From EBIT to EPS

\$ in Millions, except for per share data

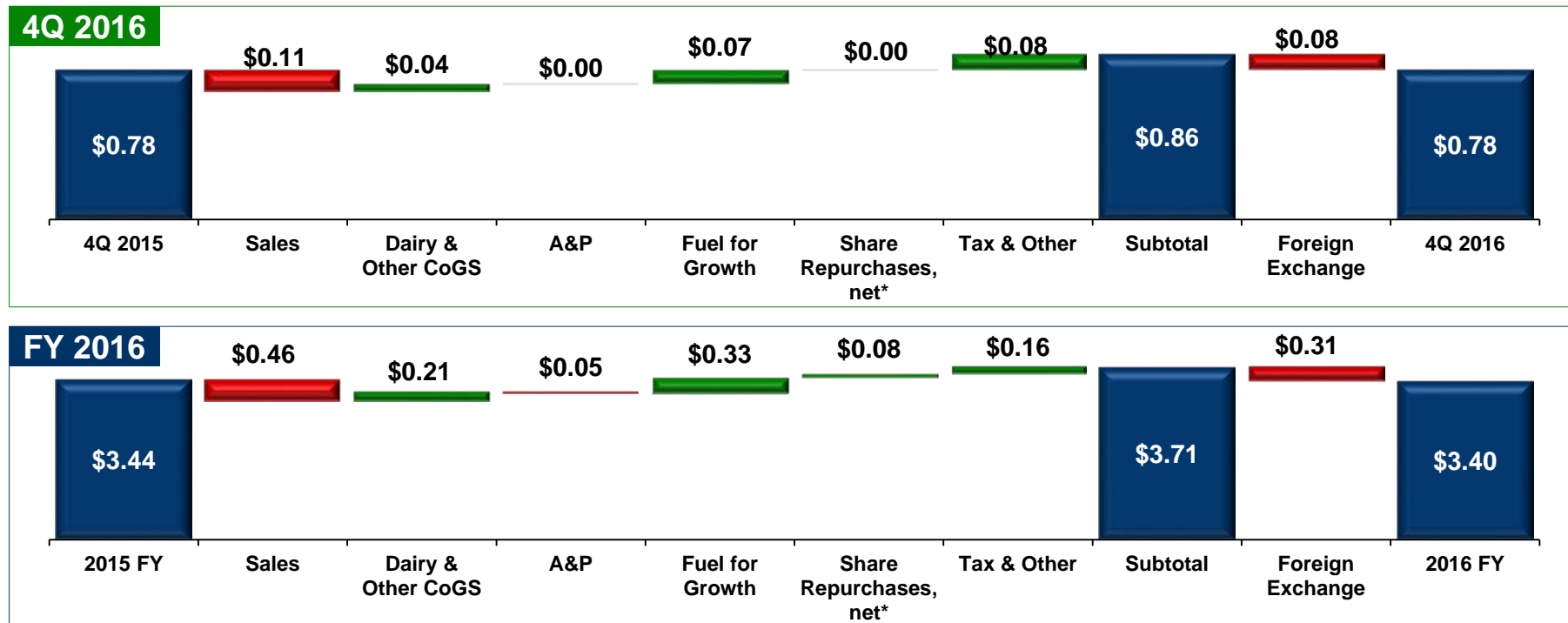
	4Q 2016			Full Year 2016		
	<u>Actual</u>	<u>Reported*</u>	<u>Constant Dollar Basis</u>	<u>Actual</u>	<u>Reported*</u>	<u>Constant Dollar Basis</u>
EBIT*	\$208	(5%)	4%	\$927	(6%)	3%
Interest Exp.	\$27			\$105		
Tax*	\$37			\$182		
ETR*	20.5%			22.1%		
EPS*	\$0.78	0%	10%	\$3.40	(1%)	8%
Diluted Shares**	184.4			185.8		

* Presented on a non-GAAP basis.

** 4Q 2016 average diluted shares outstanding.

Full Year EPS +8% on a Constant Dollar Basis

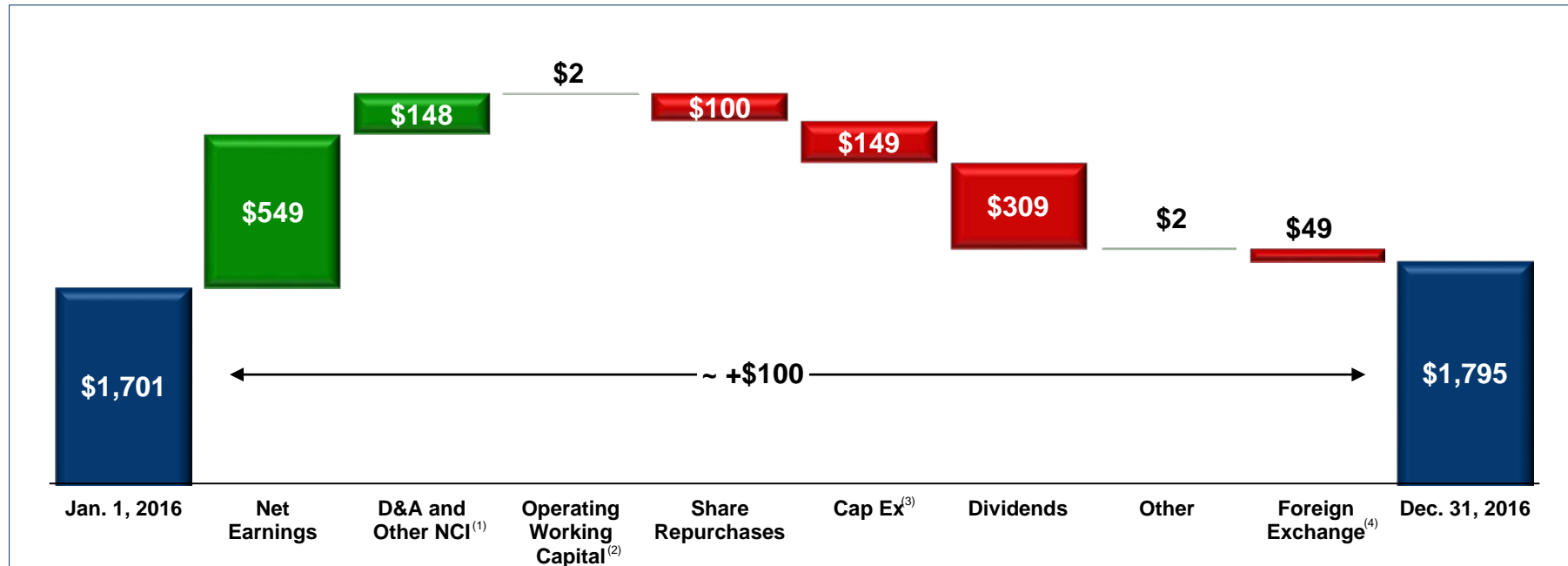
Non-GAAP



* 2015 share repurchase impact is net of increase in interest expense, as repurchases were financed with long-term debt.

Continued Strong Cash Generation

\$ in Millions



(1) Other Non Cash Items (NCI) includes Impairment of Long-Lived Assets and other.

(2) Operating Working Capital includes changes in Receivables, Inventory and Trade Payables (excluding Capital Expenditure accruals).

(3) Cap Ex includes payments for Capital Expenditures and Proceeds from Sale of Property, Plant and Equipment.

(4) Foreign Exchange is mainly from Venezuela cash devaluation.

2017 Guidance

	<u>Prior Outlook⁽¹⁾</u>	<u>Guidance⁽²⁾</u>	
Net Sales	Modest constant dollar improvement	Constant \$ (1%) to +2%	Reported \$⁽³⁾ (3%) to 0%
GAAP EPS⁽⁴⁾		\$3.05 - \$3.20	
Non-GAAP EPS	Modest constant dollar improvement	\$3.35 - \$3.50 Constant dollar basis	

(1) For Prior Outlook see the company's Current Report on Form 8-K filed with the SEC on November 15, 2016.

(2) Guidance provided in the company's press release on January 26, 2017.

(3) Based on recent spot rates, the estimate adverse foreign exchange impact on sales is approximately 2%. Sales on a reported basis will be impacted by future foreign exchange changes which cannot be estimated.

(4) GAAP EPS guidance includes estimated adverse foreign exchange impacts of approximately \$0.20, based on recent spot rates. GAAP EPS will be impacted by future foreign exchange changes which cannot be estimated. GAAP EPS guidance also includes \$0.10 per diluted share of specified items, but excludes future mark-to-market pension adjustments which cannot be estimated.

Appendix

Reconciliation of Non-GAAP to GAAP Results

This presentation contains non-GAAP financial measures, each of which is listed in the tables below. The items included in GAAP measures, but excluded for the purpose of determining the non-GAAP financial measures, include significant income/expenses not indicative of underlying operating results, including the related tax effect and, at times, the impact of foreign exchange. The non-GAAP measures represent an indication of the company's underlying operating results and are intended to enhance an investor's overall understanding of the company's financial performance and ability to compare the company's performance to that of its peer companies. In addition, this information is among the primary indicators the company uses as a basis for evaluating company performance, setting incentive compensation targets and planning and forecasting of future periods. This information is not intended to be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. Tables that reconcile non-GAAP to GAAP disclosure follow below and appear elsewhere in this presentation.

Constant Dollar

Certain measures in this presentation are presented excluding the impact of foreign currency exchange (constant dollar). To present this information, current period results for entities reporting in currencies other than United States dollars are translated into United States dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than the actual average exchange rates in effect during the current fiscal year. The company believes that these constant dollar measures provide useful information to investors because they provide transparency to underlying performance by excluding the effect that foreign currency exchange rate fluctuations have on period-to-period comparability given volatility in foreign currency exchange markets. The primary currencies which impact the company are: the Argentine peso, the Chinese renminbi, the Hong Kong dollar, the Mexican peso and the Philippine peso.

Specified Items

Non-GAAP measures presented within this presentation exclude Specified Items. The company considers Specified Items to be significant income/expense items as not indicative of underlying operating results, including the related tax effect. See below for a description of Specified Items and the related tax effect.

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016

Gross and Net Sales \$ in Millions		Three Months Ended December 31,		% Change				
		2016	2015	Reported	Foreign Exchange	Constant Dollar	Impact of Venezuela	Excluding Venezuela
Gross Sales								
Total Gross Sales	\$ 1,265.3	\$ 1,310.2	(3%)	(3%)	—%	—%	—%	
Net Sales								
Asia	436.9	468.0	(7%)	(3%)	(4%)			
Latin America	156.3	169.8	(8%)	(12%)	4%	(4%)	8%	
North America/Europe	308.4	329.2	(6%)	(1%)	(5%)			
Net Sales	\$ 901.6	\$ 967.0	(7%)	(4%)	(3%)	(1%)	(2%)	

Gross and Net Sales \$ in Millions		Year Ended December 31,		% Change				
		2016	2015	Reported	Foreign Exchange	Constant Dollar	Impact of Venezuela	Excluding Venezuela
Gross Sales								
Total Gross Sales	\$ 5,152.6	\$ 5,411.9	(5%)	(4%)	(1%)	(1%)	—%	
Net Sales								
Asia	1,856.9	2,039.0	(9%)	(4%)	(5%)			
Latin America	643.7	757.1	(15%)	(14%)	(1%)	(7%)	6%	
North America/Europe	1,242.1	1,275.2	(3%)	(1%)	(2%)			
Net Sales	\$ 3,742.7	\$ 4,071.3	(8%)	(5%)	(3%)	(1%)	(2%)	

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016, continued

Gross Profit \$ in millions	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	GAAP	\$ 575.1	\$ 608.4	\$ 2,401.7
Pension Remeasurement	(10.5)	(0.4)	(2.5)	3.0
Fuel for Growth	—	10.3	—	10.3
Non-GAAP	\$ 564.6	\$ 618.3	\$ 2,399.2	\$ 2,629.3

Gross Margin %	Three Months Ended December 31,		% Change		Year Ended December 31,		% Change	
	2016	2015	Reported	Constant Dollar	2016	2015	Reported	Constant Dollar
	GAAP	63.8%	62.9%	0.9%		64.2%	64.3%	(0.1%)
Pension Remeasurement	(1.2%)	(0.1%)			(0.1%)	0.1%		
Fuel for Growth	—%	1.0%			—%	0.2%		
Non-GAAP	62.6%	63.9%	(130) bps	10 bps	64.1%	64.6%	(50) bps	70 bps
Impact of Foreign Exchange	(140) bps				(120) bps			
Non-GAAP Constant Dollar	64.0%				65.3%			

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016, continued

Selling, General & Administrative \$ in Millions	Three Months Ended December 31,				Year Ended December 31,		
	2016	2015	\$ Change	% Change	2016	2015	% Change
GAAP	\$ 170.9	\$ 211.1	\$ (40.2)	(19%)	\$ 766.5	\$ 890.6	(14%)
Pension Remeasurement	17.3	1.1			4.2	(4.4)	
Venezuela	—	—			(2.0)	—	
Fuel for Growth	—	(0.4)			—	(0.4)	
All Other	(0.8)	(0.1)			(2.4)	(2.0)	
Non-GAAP	187.4	211.7		(12%)	766.3	883.8	
Impact of Foreign Exchange	11.0	—			40.2	—	
Non-GAAP Constant Dollar	\$ 198.4	\$ 211.7	\$ (13.3)	(6%)	\$ 806.5	\$ 883.8	(9%)

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016, continued

Earnings Before Interest and Income Taxes (EBIT) \$ in Millions	Three Months Ended December 31,		% Change			Year Ended December 31,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar	2016	2015	Reported	Foreign Exchange	Constant Dollar
	EBIT	\$ 226.0	\$ 195.8	15%	(10)%	25%	\$ 818.7	\$ 936.2	(13%)	(9)%
EBIT Margin	25.1%	20.2%				21.9%	23.0%			
Pension Remeasurement	(30.8)	(1.7)				(7.4)	8.2			
Investigation Accrual	—	—				—	12.0			
Fuel for Growth	10.8	25.1				29.2	25.1			
Venezuela	0.6	—				81.8	—			
All Other	1.5	0.4				4.5	(0.7)			
Non-GAAP EBIT	\$ 208.1	\$ 219.6	(5%)	(9)%	4%	\$ 926.8	\$ 980.8	(6%)	(9)%	3%
Non-GAAP EBIT Margin	23.1%	22.7%	40 bps			24.8%	24.1%	70 bps		

Provision for Income Taxes and Effective Tax Rate \$ in Millions	Three Months Ended December 31, 2016		Three Months Ended December 31, 2015		Year Ended December 31, 2016		Year Ended December 31, 2015	
	Provision for Income Taxes	Effective Tax Rate	Effective Tax Rate	Effective Tax Rate	Provision for Income Taxes	Effective Tax Rate	Effective Tax Rate	Effective Tax Rate
GAAP	\$ 31.3	15.7%	24.4%	24.4%	\$ 164.0	23.0%	24.8%	24.8%
Pension Remeasurement	(10.9)	(3.6%)	(0.1%)	(0.1%)	(2.6)	(0.1%)	0.1%	0.1%
Fuel for Growth	1.4	0.1%	(0.7)%	(0.7)%	4.6	(0.3)%	(0.2)%	(0.2)%
Venezuela	14.7	8.1%	—	—	14.7	(0.5)%	—	—
All Other	0.7	0.2%	(0.1)%	(0.1)%	1.2	—%	0.1%	0.1%
Non-GAAP	\$ 37.2	20.5%	23.5%	23.5%	\$ 181.9	22.1%	24.8%	24.8%

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016, continued

Corporate and Other EBIT \$ in Millions	Three Months Ended December 31,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar
	GAAP	\$ (24.2)	\$ (75.2)	68%	
Pension Remeasurement	(30.8)	(1.7)			
Fuel for Growth	10.8	25.1			
Venezuela	0.6	—			
All Other	1.5	0.4			
Non-GAAP EBIT	\$ (42.1)	\$ (51.4)	18%	3%	15%

Corporate and Other EBIT \$ in Millions	Year Ended December 31,		% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar
	GAAP	\$ (277.6)	\$ (282.8)	2%	
Pension Remeasurement	(7.4)	8.2			
Investigation Accrual	—	12.0			
Fuel for Growth	29.2	25.1			
Venezuela	81.8	—			
All Other	4.5	(0.7)			
Non-GAAP EBIT	\$ (169.5)	\$ (238.2)	29%	6%	23%

Reconciliation of Non-GAAP to GAAP Results Fourth Quarter and Full Year 2016, continued

Earnings Before Interest and Income Taxes (EBIT) \$ in Millions

	Three Months Ended December 31,			% Change			Year Ended December 31,			% Change		
	2016	2015	Reported	Foreign Exchange	Constant Dollar	2016	2015	Reported	Foreign Exchange	Constant Dollar		
	Asia	\$ 118.6	\$ 139.9	(15%)	(8%)	(7%)	\$ 559.3	\$ 682.0	(18%)	(6%)	(12%)	
Latin America	39.6	34.2	16%	(17%)	33%	156.7	175.2	(11%)	(21%)	10%		
North America/Europe	92.0	96.9	(5%)	(4%)	(1%)	380.3	361.8	5%	(4%)	9%		

Earnings per Share \$ in millions

	Three Months Ended December 31,			% Change			Year Ended December 31,			% Change		
	2016	2015	\$ Change	Reported	Foreign Exchange	Constant Dollar	2016	2015	\$ Change	Reported	Foreign Exchange	Constant Dollar
	GAAP	\$ 0.91	\$ 0.67	\$ 0.24	36%			\$ 2.92	\$ 3.27	\$ (0.35)	(11%)	
Pension Remeasurement	(0.11)	(0.01)					(0.03)	0.03				
Investigation Accrual	—	—					—	0.04				
Fuel for Growth	0.05	—					0.13	0.11				
Venezuela	(0.08)	0.11					0.36	—				
All Other	—	—					0.02	(0.01)				
Non-GAAP	0.78	0.78	—	—%	(10)%	10%	3.40	3.44	(0.04)	(1%)	(9%)	8%
Impact of Foreign Exchange	0.08	—					0.31	—				
Non-GAAP Constant Dollar	\$ 0.86	\$ 0.78	\$ 0.08				\$ 3.71	\$ 3.44	\$ 0.27			

Reconciliation of Non-GAAP to GAAP 2017 Guidance

	<u>High End</u>	<u>Low End</u>
Reported Sales	—%	(3%)
Less impact of Foreign Currency	(2%)	(2%)
Constant Dollar Sales	2%	(1%)
GAAP Earnings per Share*	\$ 3.20	\$ 3.05
Less Specified Items	(0.10)	(0.10)
Less impact of Foreign Currency	(0.20)	(0.20)
Non-GAAP Earnings per Share	\$ 3.50	\$ 3.35

*GAAP guidance is likely to be impacted by potentially significant future mark-to-market pension adjustments which cannot be estimated and are classified as a Specified Item.

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