Building Brand Equity: The Mucinex Story

Bob Casale

June 4, 2009
Small Company Growth

- Compound Annual Growth Rate
  - From 2003 – 2008: 102%

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$14</td>
</tr>
<tr>
<td>2004</td>
<td>$61</td>
</tr>
<tr>
<td>2005</td>
<td>$160</td>
</tr>
<tr>
<td>2006</td>
<td>$239</td>
</tr>
<tr>
<td>2007</td>
<td>$331</td>
</tr>
<tr>
<td>2008</td>
<td>$468</td>
</tr>
</tbody>
</table>
How did this happen?????
How Did Mucinex Get To Market?

- Immediate/Extended Release Guaifenesin
  - Old Ingredient
  - Unapproved Rx Product
  - Multiple Brand Names – Generic Pricing

- Drug Delivery Strategy - 12 Hour Duration of Action

- Adams filed NDA based on pharmacokinetic studies
  - Sought FDA removal of unapproved products
  - Bridge to OTC monograph for safety
Guaifenesin Technology Patent Protection

- **FDA Tolerances/Adams Patent**
  - +25%
  - -20%

**Levels of Drug in Blood**

- **Cmax**: Maximum desired level in the blood
- **Cmin**: Minimum desired level in the blood

**Time** (in Hours):
- 0
- 6
- 12

**Legend**:
- **Blue** = Mucinex
- **Orange** = IR guaifenesin, 400 mg tablet

**Broad Tolerances in Patent Provide Protection**
The Mucinex Story – Extended Release Guiafenesin

Good News – FDA approved product and takes all other single ingredient products off the market

“Bad News” – FDA approves Mucinex OTC

Opportunity – Consolidate $130MM Rx Market

Real Opportunity -Tap $3 Billion+ OTC market
**Consumer Market Before Mucinex®**

**Basic Characteristics**

- **Growing** (with Claritin) +25% since 2000
- **Complex** >10 ingredients alone and in combination
- **Big** $2.8bn annual sales
- **Confusing** Top 40 SKUs= 36% of sales
- **Crowded** 45 SKUs each Sell >$10MM/year

**OTC Cough/Cold/Allergy Market**
<table>
<thead>
<tr>
<th>Company</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pfizer, Inc.</td>
<td>$350M</td>
</tr>
<tr>
<td>P&amp;G</td>
<td>290M</td>
</tr>
<tr>
<td>McNeil Consumer Products</td>
<td>260M</td>
</tr>
<tr>
<td>Whitehall-Robins</td>
<td>260M</td>
</tr>
<tr>
<td>Novartis Consumer Health</td>
<td>250M</td>
</tr>
<tr>
<td>Schering-Plough</td>
<td>150M</td>
</tr>
<tr>
<td>Bayer Consumer</td>
<td>120M</td>
</tr>
<tr>
<td>Private Label</td>
<td>500M</td>
</tr>
</tbody>
</table>

7 Manufacturers Controlled 70% of the Cold/ Flu/Allergy Market
Clutter Reel
Mucinex Success Factors

- Single minded focus
- Small experienced team
- Rapid decision making
Timeline

- April 2004…Board approves $20MM advertising spend
  ▶ Projected on-air date…November 15, 2004

- May 2004…Qualitative Research, develop positioning, brief ad agencies, select ad agency

- June 2004…Quantitative Research, Creative development

- July 2004…Quantitative Results (Uh Oh), refine creative, produce animatics

- August 2004…Copy test results (Uh Oh), media planning, select campaign, board approval

- September/October 2004…produce commercial including animation, worry

- November 15…2004…On Air
Mucinex Claims

- THE ONLY 12 HOUR FDA APPROVED EXPECTORANT
- Immediate/extended release bi-layer tablets
- Relieves chest congestion
- Makes coughs more productive
- Thins and loosens mucus
- Convenient tablet vs. messy syrup
Single Minded Focus

Mucinex®
600 mg guaifenesin extended-release bi-layer tablets
EXPECTORANT

- Relieves Chest Congestion
- Thins and Loosens Mucus

Please visit our Website:
www.mucinex.com
Brand Positioning

- Educate consumers that mucus is the “root cause” of upper respiratory problems
  
  ▶️ Downplay specific symptoms
  
  ▶️ Simplify in a confusing category
  
  ▶️ Take Mucus out of the closet
Symptoms

- Head Congestion
- Painful Sinuses
- Nasal Congestion
- Post Nasal Drip
- Chest Congestion
- Tight Cough
- Sneezing
- Sinus Pressure
- Frequent Cough
- Excess
- Thick
- Tenacious MUCUS
- Thinner
- Expelled
- Normal
Mucinex Core Equity

Mucinex = Mucus Out

Mucinex In. Mucus Out. ™
Strategy Test

- White Card Concept Test: Mucinex In, Mucus Out
- Results:
  - BELOW AVERAGE

- NOW WHAT?????
Plan of Action

- Say the consumers in the test were stupid and did not understand our brilliance

- Make the strategy work we still believed in it

- Capitalize on Adams culture
Creative Challenges

- Need to make single-minded concept of mucus highly memorable
- Mucus is a new and potentially risky story
- Present “mucus” in an engaging way
Animatic Videos
Torre Lazur McCann
Mucinex
"The Congestor"

:30  NFA
8.4.04
NAPOLEON

Torre Lazur McCann
Mucinex
"Mr. Mucus" C

:30 NFA
8.4.04
Mr. Mucus Actively Involves the Audience

Active words
- interesting, unique, involving, irritating, unpleasant, disturbing.

Passive words
- nice, boring, ordinary, soothing, mellow, weak.

Rating scale

Database distribution

‘Mr. Mucus’ (6.84)
- 1%
- 6%
- 17%

OTC Average (5.46)
- 30%

Average (5.14)
- 27%
- 15%
- 3%
- 0.5%

• Base: 775 USA - English Animatic ads
Finished Commercial Video
Kiss me, I'm mucus

Mucinex kisses mucus goodbye.

When mucus settles into your chest and causes congestion, there’s nothing lovelier about it. Especially when you can’t get it out. That’s why there’s Mucinex. Because only Mucinex breaks up the mucus that causes congestion with a special dual-release formula that lasts for 12 hours. That’s a lot longer than a close of those messy, sticky syrups. So the next time mucus moves into your chest, knock it right in the kisser with Mucinex.

Mucinex in. Mucus out.

Visit www.mucinex.com

That’s why there’s Mucinex.

When you’re congested, mucus can take over your chest. End its reign of terror with Mucinex. Only Mucinex has a dual-release formula that’s specially made to loosen, thin out, and break up the mucus that causes congestion. Just one pill lasts up to 12 hours and is more convenient than messy, sticky syrups. So the next time mucus shows up, throw it out with Mucinex.

Mucinex in. Mucus out.

Visit www.mucinex.com
Initial Results: Mucinex® Sales
3/04 - 2/05 (Four Week Total Dollar Sales)

Advertising Begins 11/15/04

Source: IRI Cold/Allergy/Sinus Trend Ranking Report, February 2005
Consumer and Professional: Working Together to Build Trial & Conversion

Consumer Advertising
Generates Consumer Awareness

Professional Detailing
Generates Professional Recommendations

Trial Purchase

Satisfied Consumer
Mucinex Success Factors – Part 2

- If it ain’t broke, don’t fix it
- Actively utilize knowledge of the consumer
- Leverage the brand name through innovation
Married to Mucus Video
Keep Pounding Away At Mucus

Married to Mucus
Know Your Consumer

- Of the consumers who use Mucinex…
  - ~90% intend to buy it again
  - ~30% try more than one type of Mucinex
  - ~70% actually plan their purchase
  - ~50% would rather make an additional trip to another store if their store did not have Mucinex

Source: Proprietary on-line research conducted 12/06.
New Products Fiscal 2007
Expansion Accelerates in FY08

Fiscal 2008
Mucinex Circa 2008

- Children’s line
- Nasal Spray
- Max Strength
Children’s Line

- Consumer Need
  - Mucus and Kids…Perfect Together
  - Guiafenesin Bitter…Taste Masking Required

- Searched US and Europe for taste masking technology
  - Mini Melts!
  - Unique coating technology sourced from Losan (Germany)
Launch of Children’s Line

- Tested on Employee’s Children…No other consumer testing
- Launched Traditional Liquid and Mini Melts line
- Achieved $30 million sales Year 1
- #4 Brand in Children’s Respiratory Market
Mucinex Mini-Melts Video
Adams Respiratory Therapeutics
Mucinex Minimelts Cough

"Jumping"
TRT: 15 Seconds
ZART7006

8/28/2007
Edited Master
©2007 Adams Respiratory Therapeutics
Mucinex Nasal Sprays

**Full Force**

- Effective nasal decongestant
- “Sensory signal” lets consumer know it is working
- “12 Hour Concentrated Vapor Technology”

**Moisture Smart**

- Effective nasal decongestant
- Specially formulated to soothe irritated nasal membranes
- “12 Hour Membrane Hydration Technology”
Maximum Strength Mucinex

- **Mucinex®**
  - 1200 mg guaifenesin extended-release bi-layer tablets
  - Relieves Chest Congestion
  - Thins and Loosens Mucus
  - 14 Immediate/Extended Release Tablets

- **Mucinex® DM**
  - 1200 mg guaifenesin and 60 mg dextromethorphan HBr extended-release bi-layer tablets
  - Controls Cough
  - Thins and Loosens Mucus
  - 14 Immediate/Extended Release Tablets

- **Mucinex® D**
  - 1200 mg guaifenesin and 120 mg pseudoephedrine HCl extended-release bi-layer tablets
  - Clears Nasal / Sinus Congestion
  - Thins and Loosens Mucus
  - 24 Immediate/Extended Release Tablets

Maximum Strength Mucinex
More Commercials
The Future – Before

- Other Mucinex Rx and OTC combinations utilizing extended release guaifenesin platform
- Continued penetration of US market
- Global expansion
- New Rx and OTC respiratory products
The Future - After

- Sold for $60 cash per share
  - 37% premium to recent share price
  - 250% premium over IPO price of $17 per share in July 2005
  - 7 times FY07 sales

- Acquirer Reckitt Benckiser
  - Global leader in household products business
  - Sales in 180 countries
  - Will add significant value in globalizing Mucinex
  - Will culture of innovation survive?