

Q4/FY 2023 Results Haleon Aide Memoire

Haleon has prepared this pre-announcement aide-memoire, which includes statements made in previous public communications by Haleon. All statements in this aide-memoire have been extracted from their original source and, therefore, by definition, they should only be taken as speaking as at the date they were initially made, and they do not reflect subsequent or recent events, circumstances, or developments. Any updates to these and other previously made statements would only be included in further communications by Haleon to the market and the inclusion of the extracted statements herein should not be taken to indicate that they will not be updated in the future. This includes the items listed under “Overall revenue performance comments” “Category performance comments” “Geographic regions” “Adjusted operating profit” and “Other comments for consideration” below, which you may wish to consider in modelling Haleon plc’s financial performance ahead of the FY 23 results on 29 February 2024.

Please note that the items listed below are not exhaustive and that other factors may affect the comparisons for Q4/FY 2023 versus the same period in the prior year.

This Aide-Memoire contains certain statements that are, or may be deemed to be, “forward-looking statements” (including for purposes of the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Forward-looking statements give Haleon’s expectations and projections, as of the date such statements are made, about future events, including strategic initiatives and future financial condition and performance, and so Haleon’s actual results may differ materially from what is expressed or implied by such forward-looking statements. Please see the “Cautionary statement note regarding forward-looking statements” sections of the FY 2022 results regarding the forward-looking statements from such documents that are extracted in this aide-memoire. Please also read the definitions and reconciliations for non-IFRS measures on pages 23-31 of the 2022 Full year results, pages 34-43 of the 2023 Half year results and pages 46-55 in Haleon’s Annual Report and Form 20-F.

Outlook

With the Q3 2023 Trading Statement on 2 November 2023, we provided the following guidance in the release and on the accompanying call:

Revenue

- FY 2023 organic revenue growth expected to be 7-8%
- The CFO commented that we “expect improved volume mix in the fourth quarter compared with what we have reported for Q3.” As a reminder volume mix in Q3 2023 declined 1.6%.
- For FY 2024 we said that we would guide for this with our FY23 results, but the CFO reminded that the organic 4-6% guidance is an annual guidance and stated ‘confidence that we can grow and continue to grow in this 4-6% range going forward’

Adjusted operating profit and margin

- FY 2023 Adjusted operating profit growth to be 9-11% constant currency
- As a reminder this includes the adverse impact of transactional FX losses, and implies constant currency profit growth ahead of organic sales growth guidance

A reminder of other FY 2023 guidance, as shared with Q3 2023 Trading Statement and H1 2023 results:

- Net interest expense of c. £350m
- Adjusted effective tax rate of 23-24%
- Expected restructuring costs c.£150m in both FY 2023 and FY 2024 in relation to the productivity programme announced 2 March 2023, with annualised gross cost savings of c. £300 million and the benefits largely in FY 2024 and FY 2025.

Overall revenue performance comments

- 9M 2023 organic growth was 8.5% with 1.3% volume mix and 7.2% price; This consisted of Q1 2023 organic revenue growth of 9.9% comprised of 7.1% price and 2.8% volume mix, Q2 2023 organic revenue growth of 11.0% including 7.9% price and 3.1% volume mix and Q3 2023 organic growth of 5.0% comprising 6.6% price and (1.6)% vol/mix.
- As shared in the Q1 Trading Statement, H1 results and Q3 Trading Statement, there was a c. 1% benefit to Q1, Q2, Q3 and 9M organic growth from pricing in Turkey and Argentina
- FY 2022 organic revenue growth was 9.0% with 4.3% price and 4.7% volume mix. Q4 2022 organic revenue growth was 5.0% with 5.0% price and flat volume mix

Category performance comments

- **Oral Health** – 9M 2023 organic growth was 10.3% with all three Power Brands delivering strong growth
- **VMS** – 9M 2023 organic growth was 0.2% with Q3 up 1.4%. Performance was impacted by a “double digit decline in Emergen-C in North America as the immunity category continued to revert to pre-COVID-19 levels.” During the H1 2023 results presentation, we commented that this “will likely continue to impact the balance of the year.”
- **Pain Relief** – 9M 2023 organic growth of 10.6% with Q3 up 6.2%. Q3 saw strong growth helped in part by restocking following improved capacity. Fenbid declined double digit following significant growth in H1 2023 due to the cessation of COVID-19 lockdown restrictions, with inventory levels normalising in Q3. In Q4 in the prior year Fenbid increased double digit as lockdown restrictions ended and given this along with the pick-up in COVID-19 incidence at the same time, the CFO highlighted in the Q3 conference call that this meant we expected a drag from this in Q4 2023. Also, as a reminder the CEO highlighted in the FY22 presentation strength in Advil in Canada which occurred with the RSV virus surge towards the end of the year and when we worked closely with the government to help parents deal with the unprecedented surge in medication needs for children with Advil Kids.
- **Respiratory Health** – 9M 2023 organic growth was 14.8% with Q3 up 4.2% reflecting normal seasonal sell in in EMEA and LatAm, and North America as well as weakness in allergy. We said that our FY group organic revenue guidance of 7-8% assumed flat respiratory revenue in H2 2023.
- **Digestive Health and Other** – 9M 2023 organic growth was 5.3% with Q3 up 0.9%. During Q3, organic growth was adversely impacted by one-off retailer inventory adjustments in North America and to a lesser extent by phasing of contract manufacturing sales. In Q4 2022, growth was adversely impacted by changes in retailer stocking patterns in Smokers Health and by a recall of a Tums SKU.

Geographic regions

- **North America** – 9M 2023 organic growth was 2.4%, and Q3 2023 organic growth was (1.5)%. During Q3, volume/mix declined 4.1% largely reflecting reduced volumes in Digestive Health and Other largely driven by a one-off retailer inventory adjustment and the expected double-digit decline in Emergen-C. We commented that we took pricing in the US in Q3 of “mid-single digit to low double digit on about a quarter of the portfolio.” Also as highlighted in the comment above for Pain Relief, Canada has a particularly tough comparative given strong performance in Advil Kids.
- **EMEA and LatAm** – 9M 2023 organic growth was 13.4% and Q3 2023 organic growth was 10.8% with c.3% benefit through price from Argentina and Turkey. During Q3, volume mix declined 1.9% reflecting a decline in LatAm, predominantly from weakness in Mexico and Colombia.
- **Asia Pacific** – 9M 2023 organic growth was 9.6% and Q3 2023 organic growth was 5.9%. During Q3, we noted that Fenbid and Contac declined following strong sales during H1 2023 and the subsequent normalisation of stock levels in H2. As a reminder in Q4 last year both Fenbid and Contac increased double digit as COVID-19 lockdowns ceased.

Adjusted operating profit

- 9M 2023 Adjusted operating profit was up 8.9% constant currency with a margin of 23.0%.
- In the Q3 Trading Statement, we stated that we completed the Lamisil disposal on 31 October. The impact of this in 2023 would be slightly dilutive to constant currency adjusted operating profit growth which is already reflected in the guidance provided.

Other comments for consideration

- **Foreign exchange**

Assuming exchange rates as of 31 December, the estimated unfavourable translational foreign exchange impact on FY 2023 would be (3.8)% on revenue and (7.3)% on adjusted operating profit. This is slightly worse than the expected translational foreign exchange impact previously shared with the Q3 Trading Statement, and reflects the movement in Sterling relative to the US Dollar from 1.23 as at 30 Sept 2023 to 1.27 at the 31 Dec 2023, as well the change in Sterling relative to the Argentine Peso towards the end of 2023. As a reminder, the previous estimated unfavourable translational foreign exchange impact shared with the Q3 Trading Statement was (3.5)% on revenue and c. (6-6.5)% on Adjusted operating profit.

Spot rates as at 31 December is shared below:

/GBP	FY 2022 currency as % of total revenue	At 30 September 2023	At 31 December 2023	Average rate FY 2022	Average rate FY 2023
USD	33%	1.23	1.27	1.24	1.24
EUR	16%	1.16	1.15	1.17	1.15
CNY	8%	8.96	9.06	8.31	8.81
CAD	<5%	1.65	1.69	1.61	1.68
AUD	<5%	1.89	1.87	1.78	1.87
JPY	<5%	183	180	161	175
RUB	c. 10%	120	115	86	105
ZAR		23	24	20	23
INR		102	106	97	103
ARS		429	1030	161	382
PKR		354	355	252	347
TRY		34	38	20	30
EGP		38	39	24	38

- **Chapstick**

On 25 January 2024, Haleon announced an agreement to divest Chapstick to Yellow Wood Partners for pre-tax cash proceeds of c. \$430m, as well as a passive minority interest in the Suave Brands Company. At the time of entering into the binding agreement, this interest was valued at approximately \$80 million.

Prior year comparatives and recent performance

	Organic revenue growth										
	Q1 2022	Q2 2022	H1 2022	Q3 2022	Q4 2022	H2 2022	FY 2022	Q1 2023	Q2 2023	H1 2023	Q3 2023
North America	17.3%	3.9%	10.4%	2.9%	1.6%	2.2%	5.9%	5.1%	4.3%	4.7%	-1.5%
EMEA and LatAm	14.5%	9.6%	12.1%	12.2%	6.8%	9.7%	10.9%	13.1%	16.8%	14.9%	10.8%
APAC	15.2%	9.5%	12.3%	9.0%	8.3%	8.8%	10.6%	11.7%	11.5%	11.6%	5.9%
Total	15.6%	7.5%	11.6%	8.1%	5.0%	6.6%	9.0%	9.9%	11.0%	10.4%	5.0%

	Organic revenue growth										
	Q1 2022	Q2 2022	H1 2022	Q3 2022	Q4 2022	H2 2022	FY 2022	Q1 2023	Q2 2023	H1 2023	Q3 2023
Oral Health	7.9%	2.0%	5.1%	6.7%	5.3%	6.1%	5.6%	6.6%	15.4%	10.8%	9.4%
VMS	14.9%	9.0%	11.9%	-1.4%	-0.7%	-1.0%	5.0%	-3.7%	2.7%	-0.5%	1.4%
Pain Relief	18.9%	4.9%	11.7%	3.6%	8.9%	6.3%	8.9%	11.0%	14.9%	12.9%	6.2%
Respiratory Health	52.9%	39.7%	46.7%	30.2%	16.2%	23.1%	32.6%	33.0%	9.2%	22.0%	4.2%
Digestive Health & other	4.3%	2.8%	3.5%	8.4%	-3.2%	2.4%	2.9%	7.3%	8.1%	7.7%	0.9%
Total	15.6%	7.5%	11.6%	8.1%	5.0%	6.6%	9.0%	9.9%	11.0%	10.4%	5.0%

Enquiries

Investor Relations

Sonya Ghobrial +44 7392 784784

Rakesh Patel +44 7552 484646

Emma White +44 7792 750133

Email: investor-relations@haleon.com