

Q1 2023 Trading Statement 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” and “Other comments for consideration” below, which you may wish to consider in modelling Haleon plc’s financial performance ahead of the First Quarter trading statement on 3 May 2023.

Please note that the items listed below are not exhaustive and that other factors may affect the comparisons for Q1 2023 versus the same period last 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, and pages 46-55 in Haleon’s Annual Report and Form 20-F.

Outlook

With the FY 2022 results on 2 March 2023, we provided the following guidance in the release and on the call:

Revenue

- Organic revenue growth of 4-6%.
- On the FY 2022 results conference call Tobias said “It’s fair to say, at least in the short term, growth is likely to be more weighted towards price than volume mix”.
- We expect c. +1.0% uplift to revenue from translational foreign exchange assuming exchange rates as of 10 February 2023 were to hold for the remainder of the year and using FY22 results as a base.
- In terms of current trading on the FY 2022 results conference call we said: “The momentum we saw in Q4 has continued in the first couple of months of 2023...and particularly encouraged that Pain Relief and Respiratory have continued to deliver good revenue growth despite tough comparatives.”

Adjusted operating margin

- FY Adjusted operating profit margin broadly flat after absorbing c.40 bps adverse transactional foreign exchange impact based on current market rates (as at 10 February 2023)
- We expect c. +1.5% uplift to adjusted operating profit from translational foreign exchange assuming exchange rates as of 10 February 2023 were to hold for the remainder of the year and using FY22 results as a base.
- For 2023 transactional foreign exchange impact, on the FY 2022 results call we said that this is the “full year effect of what we had seen come through in late Q3 and in Q4 (2022). They are going to hit predominantly in H1 as we work through those effects.”

A reminder of other FY 2023 guidance, as shared with FY 2022 results:

- Net interest expense of c. £350m
- Adjusted effective tax rate of 23-24%

- We expect to incur c.£150m restructuring costs in both FY 2023 and FY 2024 in relation to the productivity program announced 2 March 2023, with annualised gross cost savings of c. £300 million over the next 3 years, with the benefits largely in FY 2024 and FY 2025.

Overall revenue performance comments

- Q1 2022 organic growth was +15.6% and benefitted from favourable prior year comparators especially in Respiratory Health which saw a strong rebound following the historically low cold and flu season in Q1 2021, with cold and flu sales contributing approximately five percentage points to total growth.
- Initial distributor sell-in due to the systems cutover and distribution business model change ahead of demerger contributed approximately 2% to organic growth in Q1 2022, which reversed in Q2 2022. This benefited all categories, although the impact was predominantly in the Oral Health and in Pain Relief. The benefit to Oral Health was c.2%, Pain Relief was c.3%, and in VMS and Digestive Health and other impacted by c.1%, and Respiratory Health was impacted by c.0.5%. Regionally, the cutover had the most impact in EMEA & LatAm, and a smaller impact in North America.
- In Russia, in H1 2022, we reduced our portfolio, including our importation of Oral Health products and no longer import Food and Dietary supplements. At the same time, we also stopped advertising activities in the country which came through in H2.

Category performance comments

- **Oral Health** – Q1 2022 organic growth of 7.9% benefitted c.2% from the systems cutover. Note comparatives across all 3 Power Brands were up at least high single digit.
- **VMS** – Q1 2022, organic growth was 14.9% benefitting from increased capacity rolling through, particularly *Emergen-C* as well as the systems cutover. At FY results, we highlighted that the US market was down in the first few weeks of 2023 relative to 2022, given the strong comparative arising from the Covid wave (as shown in the FY 2022 results presentation on slide 19); The US is around a third of our VMS business.
- **Pain Relief** – Q1 2022 organic growth was 18.9% which benefitted from increased demand during the Covid-19 Omicron wave for *Panadol*, and there was a c. 3% benefit from the systems cutover. At the time of FY 2022 results, we said that we were seeing positive momentum into Q1 in Pain Relief with continued positive growth.”
- **Respiratory Health** – Q1 2022 organic growth was 52.9% which was largely driven by the rebound from the historically low demand for cold and flu products in Q1 2021. At the time of FY 2022 results, we stated that “Respiratory continued to deliver good revenue growth despite tough comparatives.”
- **Digestive and Other** – Q1 2022 organic growth was +4.3%. The final quarter of 2022 was impacted by reduction in retailers inventories for *Sensodyne* and in Smokers Health in the US. Organic revenue growth has historically been low single digit.

Geographic regions

- **North America** – Q1 2022 organic growth was 17.3% including a benefit from the systems cutover. Notably, VMS saw growth in the low twenties percent, particularly *Emergen-C* up in the high 30s benefitting from demand during the Omicron wave (see CFO FY 2022 Results slides & commentary) and increased capacity. As noted at FY 2022 results, the US VMS market was down in the first few weeks of 2023 compared with last year.
- **EMEA and LatAm** – Organic growth in Q1 2022 was 14.5%, including a c. 4% benefit from the systems cutover and distribution model change.
- **Asia Pacific** – Organic growth in Q1 2022 was 15.2%, with no benefit from the systems cutover. As highlighted last year both Q2 and Q4 were negatively impacted by lockdowns in China, and in the release we noted a progressive recovery in H2.

Adjusted operating profit

- Q1 2022 Adjusted operating profit margin was 24.0% and represented the business prior to demerger on 18th July.
- At FY 2022 results, we said that the transactional FX impact was about 30bps, at the upper end of our expectation range for FY 2022. We have guided to a FY 2023 impact of c.40bps with the impact largely in the first half.
- H1 2023 is expected to have higher standalone costs than H1 2022 as these costs in H1 2022 were more limited as they ramped up following completion of the demerger. In FY 2022 standalone costs were £0.2bn.

Other comments for consideration

- **Foreign exchange**

As a reminder, the most recent guidance included in the FY 2022 Results was based on FX rates as at 10 February 2023. Spot rates for the three most important currencies for Group revenue is below.

/GBP	at 10 February 2023	at 31 March 2023	Average rate Q1 2023	Average rate Q1 2022
USD	1.21	1.24	1.22	1.34
EUR	1.13	1.14	1.14	1.19
CNY	8.22	8.51	8.38	8.46

Prior year comparatives and recent performance

Organic revenue growth

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
North America	-20.7%	0.8%	16.4%	12.8%	1.3%	17.3%	3.9%	2.9%	1.6%	5.9%
EMEA and LatAm	-9.9%	11.6%	4.3%	11.5%	3.5%	14.5%	9.6%	12.2%	6.8%	10.9%
APAC	20.3%	5.4%	8.0%	5.3%	9.1%	15.2%	9.5%	9.0%	8.3%	10.6%
Total	-9.0%	5.9%	9.4%	10.7%	3.8%	15.6%	7.5%	8.1%	5.0%	9.0%

Organic revenue growth

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022
Oral Health	0.3%	10.7%	4.7%	2.8%	4.4%	7.9%	2.0%	6.7%	5.3%	5.6%
VMS	-0.3%	-6.0%	17.8%	6.9%	4.2%	14.9%	9.0%	-1.4%	-0.7%	5.0%
Pain Relief	-8.4%	12.0%	12.1%	12.7%	6.5%	18.9%	4.9%	3.6%	8.9%	8.9%
Respiratory Health	-43.5%	8.1%	14.0%	44.6%	-1.8%	52.9%	39.7%	30.2%	16.2%	32.6%
Digestive Health & other	1.8%	2.2%	4.2%	4.9%	3.1%	4.3%	2.8%	8.4%	-3.2%	2.9%
Total	-9.0%	5.9%	9.4%	10.7%	3.8%	15.6%	7.5%	8.1%	5.0%	9.0%

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