

Q3 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” “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 Third Quarter Trading Statement on 2 November 2023.

Please note that the items listed below are not exhaustive and that other factors may affect the comparisons for Q3/9M 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, 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 H1 2023 results on 2 August 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%
- Within the FY 2023 presentation, we stated “this guidance assumes a more normal cold and flu season in the second half, with volumes down slightly, resulting in a broadly flat performance for our Respiratory category.”

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 H1 2023 results:

- Net interest expense c. £350m
- Adjusted effective tax rate 23-24%
- Expected restructuring costs c.£150m 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

- H1 2023 organic growth was 10.4% with 7.5% volume mix and 2.9% price; with Q1 2023 organic revenue growth of +9.9% comprised of 7.1% price and 2.8% volume mix, and Q2 2023 organic revenue growth of 11.0% including 7.9% price and 3.1% volume mix.
- As shared in the Q1 Trading Statement and H1 results, there was a c. 1% benefit to Q1, Q2 and H1 organic growth from pricing in Turkey and Argentina.
- 9m 2022 organic revenue growth was 10.3% with 4.0% price and 6.3% volume mix. Q3 2022 organic revenue growth of was 8.1% with 5.5% price and 2.6% volume mix.

Category performance comments

- **Oral Health** – H1 2023 organic growth was 10.8% with all three Power Brands delivering strong growth
- **VMS** – H1 2023 organic growth was down 0.5% with Q2 up 2.7%. Performance was impacted by lapping capacity coming on stream in 2022 and Emergen-C revenue down double digit in North America driven by a tough comparative due to the COVID-19 Omicron wave last year and the change in consumers' behaviour in the immunity category post COVID-19. During the H1 2023 results presentation, we commented that this normalisation “will likely continue to impact the balance of the year.”
- **Pain Relief** – H1 2023 organic growth of 12.9% driven by very strong growth from Fenbid in China, which saw sales more than double on the prior year, and following the end of lockdowns in Q4 2022. We said that we expected sales of Fenbid to normalise through the year.
- **Respiratory Health** – H1 2023 organic growth was 22.0% driven by the strong cold and flu season in the first quarter. Growth was also driven by Contac sales in China, more so in the first quarter, which we said would be expected to normalise through the year. During Q3 2022, organic growth was 30.2% reflecting elevated incidences of cold and flu and COVID-19 persisting through Q3 as well as strong out of season use which add 3% to group revenue in Q3 2022. We said that we expected flat respiratory revenue in H2 2023. Tobias further reminded at the Barclays Global Consumer Staples Conference in September 2023, that in 2022 there was a higher use of cold and flu products than would normally be the case in the Summer season which had gone back to pre-COVID-19 levels.
- **Digestive Health and Other** – H1 2023 organic growth was +7.7%. Organic revenue growth has historically been low single digit. We stated that H1 benefitted from phasing of contract manufacturing sales with all three sub-categories growing mid single digit. We expected this phasing benefit to reverse in H2.

Geographic regions

- **North America** – H1 2023 organic growth was 4.7%, and Q2 2023 organic growth was 4.3%. As a reminder, Q2 was impacted by weakness in VMS given lapping capacity added in H1 2022 and in the immunity segment. We also highlighted that the allergy season was weak in Q2.
- **EMEA and LatAm** – H1 2023 organic growth was 14.9% and Q2 2023 organic growth was 16.8% with c.3% benefit through price from Argentina and Turkey. The region saw double digit growth in Q2 2023 in Oral Health with strong growth in VMS driven by Centrum and some Local Growth brands.
- **Asia Pacific** – H1 2023 organic growth was 11.6% and Q2 2023 organic growth was 11.5%. We highlighted strong performance in Pain and Respiratory from COVID-19 related demand in China, particularly in Fenbid and Contac in China following the easing of COVID-19 lockdown restrictions. We said that this would not be expected to be sustained for the remainder of the year.

Adjusted operating profit

- Q3 2022 Adjusted operating profit was up 4.1% constant currency with a margin of 25.1% at AER.
- We have previously noted that Q3 is typically a higher margin quarter for the business given advanced sales of cold and flu products ahead of the season without there necessarily being A&P spend related to that. Hence, historically, Q3 margin is typically higher than Q4.

Other comments for consideration

- **Foreign exchange**
Assuming exchange rates as of 30 September 2023 were to hold for the remainder of the year and using FY 2022 numbers as a base, the estimated unfavourable translational foreign exchange impact on FY 2023 would be c.(3.5)%

on revenue and c.(6-6.5)% on adjusted operating profit. The expected impact in H2 2023 will be materially more pronounced in Q3 2023.

The above compares with the expected unfavourable translational foreign exchange impact previously shared for FY 2023 with the H1 2023 results of c.(4)% on revenue and c.(6.5)% on adjusted operating profit.

Spot rates as at 30 September is shared below:

/GBP	FY 2022 currency as % of total revenue	At 30 June 2023	At 30 September 2023	Average rate 9m 2022	Average rate 9m 2023
USD	33%	1.26	1.23	1.26	1.24
EUR	16%	1.17	1.16	1.18	1.15
CNY	8%	9.19	8.96	8.27	8.75
CAD	<5%	1.68	1.65	1.61	1.67
AUD	<5%	1.91	1.89	1.78	1.87
JPY	<5%	183	183	160	173
RUB	c. 10%	112	120	88	103
ZAR		24	23	20	23
INR		104	102	97	102
ARS		324	429	150	306
PKR		362	354	248	345
TRY		33	34	20	28
EGP		39	38	22	37

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
North America	17.3%	3.9%	10.4%	2.9%	1.6%	2.2%	5.9%	5.1%	4.3%	4.7%
EMEA and LatAm	14.5%	9.6%	12.1%	12.2%	6.8%	9.7%	10.9%	13.1%	16.8%	14.9%
APAC	15.2%	9.5%	12.3%	9.0%	8.3%	8.8%	10.6%	11.7%	11.5%	11.6%
Total	15.6%	7.5%	11.6%	8.1%	5.0%	6.6%	9.0%	9.9%	11.0%	10.4%

Organic revenue growth

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

Enquiries

Investor Relations

Sonya Ghobrial +44 7392 784784

Rakesh Patel +44 7552 484646

Emma White +44 7792 750133

Email: investor-relations@haleon.com