

GSK Capital Markets Day: Haleon

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Haleon: Delivering attractive growth in North America, and building winning partnerships with mass retail

Haleon: Significant growth region with attractive underlying fundamentals and favourable consumer trends

Welcome back everyone I'm Lisa Paley and I am the head of the North America region. I joined GSK in 2019 during the Pfizer Joint Venture and prior to this worked at J&J and also the former Pfizer Consumer Healthcare business from Warner Lambert.

I'm super excited to share how North America is positioned to drive sustainable growth and win in the market.

We've created an extraordinary business across the US and Canada, one that has a world class portfolio of exceptional brands – brands that are not only staples in medicine cabinets across both markets, but are trusted by consumers again and again for themselves and for their families.

Today, I'll share how the region is positioned to: drive growth; drive penetration; and outperform through strong execution, and in particular highlighting how we use our capabilities to create meaningful partnerships with mass retailers, including the large pharmacy chains in the market.

North America: attractive fundamentals with c.90% revenue from the US

North America is a region with attractive fundamentals. The key to success in the region is predictable and consistent growth that creates value over time.

As the largest player in the largest market, we have the critical mass to grow penetration and increase access to Healthcare.

And as the first 100% consumer health company, we can be more deliberate than our competitors in where we focus our resources – both from a talent and R&D perspective.

This sole focus on consumer healthcare allows us to make clear choices in developing superior innovation, leveraging the world class trusted science that we bring from GSK, and linking that with deep human and consumer understanding, providing a competitive advantage.

North America business review

We are one of the largest consumer healthcare players in the region with sales of £3.5 billion. This represents 37% of the business' revenue.

The business is supported by a strong regional manufacturing network and our dedicated R&D centre in Richmond, Virginia, which enables us to develop superior innovation, grounded in our trusted science DNA.

We have transformed our contract manufacturing network over recent years to meet the demands of the US and Canadian markets. Our supply chain is predominantly locally sourced.

Franck took you through some of the incredible capabilities we have in-house.

With 90% of total North American sales in the US, the largest market for the company, the examples I present will be focused on the US market.

A leader in a c.£37bn market: US

The US represents a £37 billion growth market, and we are the number one or number two player across most of our brands. This provides us with a compelling opportunity to shape and develop these categories, and paves the way to increase access to millions of consumers in the US.

North America 3% 2-year CAGR with net COVID headwind

We delivered a 3% sales CAGR from 2019 to 2021 at constant exchange rates, despite a net COVID drag of around 1 percentage point.

Our Power Brands grew ahead of this with a 6% CAGR, consistently gaining share, and with further strong performance of local strategic brands, such as Emergen-C and Tums.

Our performance was adversely impacted by some supply constraints, mainly in the first half of 2021, which we have worked hard to address and we expect to return to more normal levels in the current year.

These supply challenges did create some margin pressure, which was partly offset by synergy delivery and disciplined resource allocation.

The base of 23.5% gives us a good platform from which to grow and we are confident that we have the right structure in place to continue to deliver margin progression.

Strategy to outperform in North America

As Brian has already outlined, the pillars of Haleon's strategy is to drive sustainable growth. I'd like to take you through what this means in the region.

We'll continue to drive household penetration of our brands, doubling down on segment leading brands and leveraging our human understanding and consumer insights to drive innovation.

We are capitalizing on new and emerging growth opportunities through our superior capabilities in Rx-to-OTC switch driving category growth, and using data and digital to win with consumers.

Finally, through our strong execution, particularly through partnerships with mass retailers, we are winning in the market at driving growth.

Accelerating growth in Oral Health: Sensodyne US

We still have a lot of room to drive penetration, broadening the number of consumers using our brands. Sensodyne is a great example of how we can double down investment in a Power Brand to build meaningful and emotional connections with consumers that ultimately drive growth.

Although Sensodyne has been providing sensitivity relief for over 50 years, there are still unmet consumer needs and our brand strategy is two-pronged:

First, to continue to seek expert dentist and hygienist endorsements; and second, to ensure a robust, science-based innovation pipeline based on our deep human understanding to meet these consumer needs.

Over the past 5 years, we have successfully delivered on consumer's needs by bringing new innovation to the market each year. Each launch has grown household penetration, attracting new consumers, resulting in a 5-year CAGR of around 9%.

Our focused work in Omni-channel has also helped us achieve the leading e-commerce position of toothpaste brands in the market.

Sensodyne continues to be the number one dentist-recommended sensitivity toothpaste brand in the US, consistently outgrowing the wider toothpaste market and recruiting 3 million new consumers from mainstream toothpaste brands to the premium segment.

Accelerating growth in VMS: Emergen-C

Emergen-C is another great example where we leveraged consumer insights on the need for immunity protection and leveraged the immune health platform to offer new formats and win new customers, resulting in a 2-year sales CAGR of 16%.

Driving innovation with local strategic brands: TUMS US

Tums is a great example of how we have used our capabilities around leveraging our deep human understanding to drive penetration and growth with this iconic US local strategic brand via innovation.

Tums is the leading antacid brand in the US for relieving heartburn. It has been on the market for over 90 years and still continues to grow.

Consumer insights uncovered key behaviours and product usage patterns among millennials in the US. Their hectic lifestyles resulted in higher incidence of heartburn and while they were entering the category, they were also looking for more convenient and enjoyable formats.

In 2017 we launched our new chewy platform that quickly became a blockbuster. Consumers fell in love with this new form, recruiting 3.8 million new consumers to the category, and we achieved a three-year CAGR of 31%.

The impact of Chewy Bites was so significant that retailers were asking for custom flavours and packs to be exclusive for their shoppers. We were able to do this for retailers like Target and Walmart. And most TUMS exclusive SKUs have rapidly become among the top 3 selling SKUs in the category.

Our sales and marketing capabilities turned these successful partnerships with retailers into opportunities to improve our execution through that increased visibility.

Portfolio expansion with Rx-to-OTC switch

Coming to the second pillar of our strategy, driving growth through new and emerging opportunities.

8 out of the top 10 OTC products in the US were switched from prescription brands. In the last 8 years, GSK has led the industry with 4 successful switches, as Brian noted earlier. He

also mentioned that we have 2 of these switches in the pipeline, and we are very excited about these.

Switches require specialised capabilities to navigate complex regulatory processes, such as managing a new drug application process with the FDA.

As you have heard today, we have the in-house capability to deliver these, providing us with a competitive advantage and the ability to become a partner of choice for future switch opportunities.

Portfolio expansion with Rx-to-OTC switch: Voltaren

Our most recent switch was Voltaren which positively impacted our business and also created an effect across the entire category which could last for years.

In the first calendar year post-switch, we sold approximately 45% more tubes than the prescription brand alone. This illustrates how much more access OTC brands in the US market can have versus an Rx.

And this is just the beginning.

From here we will continue our cycle of continuous innovations to further expand the brand to new households over Voltaren's life cycle. Examples of innovations can be channel packs, new forms, or product features. This does not happen in the Rx environment.

It is a genuine unlock of a significant growth opportunity when over 45% of your consumers are incremental to the category - as was the case with Voltaren.

We not only launched with excellent execution, but we also launched during a global pandemic. There was a tremendous effort to reach consumers by partnering with medical experts and physicians. These efforts resulted in Voltaren becoming the number two brand in the topical pain segment and the number one Healthcare professional recommended topical brand. All in the first year of launch.

Data to elevate consumer experience and win with the Omni-Channel Consumer

We are also focused on using data to elevate the consumer experience and also to win in omni-channel.

We have collected and organised over 60 million consumer data points to establish a solid insight foundation that will unlock creative and execution opportunities to drive growth.

Our recent Advil "After my shot" campaign with US celebrity Anthony Anderson aimed to recruit the 'passive acceptors' audience so they would feel confident in their COVID-19 vaccine experience, using Advil as their trusted partner for post-vaccine side effect care.

By leveraging the right data, we were able to tailor content on the basis of where the consumer was on their COVID vaccination journey and personalise it. We saw brand engagement levels growth 3x a Facebook standard benchmark resulting in increased market share for Advil.

We also expanded our consumer presence with the launch of a Direct To Consumer platform for Chapstick, allowing the consumer to not only purchase the flavours they love directly but also be able to personalise them and we have partnered on Amazon direct fulfilment to better service on line orders.

As society evolves, we need to engage shoppers in new and exciting ways. Our e-commerce sales today represent 12% of our total sales in the US and we see opportunity for growth in this key channel.

Over the past two years, we have consolidated our position within the e-commerce segment, doubling our sales in this channel versus where we were pre-COVID.

We've obtained leading positions in multiple categories, specifically in Oral Health, the most competitive consumer health category, where we are the number one brand on Amazon.

If we look across our portfolio, our online market share on 70% of key brands is above our offline market share - proof that we are successfully improving the overall consumer experience and meeting consumers where they want to shop.

Strategic partnerships with mass retail to win in categories

Building lasting partnerships and relationships with mass retailers is a key element of our market execution strategy. Through our best in class launch capabilities, we are a partner of choice for many mass retailers, and our state-of-the-art shopper science labs provide insights and breakthrough ideas to co-create and build meaningful campaigns with our partners.

Our category market leadership has enabled higher-level strategic partnerships that have delivered impressive results and led us to win both category captaincy and aisle leadership positions. We have achieved industry leading recognition from the largest customers – competing with companies like P&G, J&J, Bayer and others.

Our scale, market position and strong shopper insight-led capability contributes to aisle leadership. At Walmart, the Advil lead aisle / brand block initiative drove Walmart's total analgesics sales 1.7 times faster than the market. And moving antacids to the lead aisle at CVS has increased total digestive health aisle sales, with antacids growing 11% and Tums growing 15%.

By bringing the best of our sales teams together, we have created one first-in-class team that is making step changes in our execution capabilities.

Winning in mass retail driven by shopper insights: Walgreens

Let me next share a video that shows how our strong partnership with Walgreens in the US has earned us the vendor and innovator of the year awards.

Video

This work with Walgreens, and all of the key retailers that we work with, will set us up well for the future and support further growth plans.

Demonstrating excellent launch capabilities in market: Advil Dual Action

Advil Dual Action is a great example of how we can deliver flawless execution with our innovation.

Advil Dual Action is a first-to-market new drug to relieve acute pain through the combination of two ingredients. This was the most innovative launch in 25 years for the OTC oral pain relief category, continuing to build on the legacy of Advil.

Our goal was to secure a blockbuster launch on day one – which we achieved.

To maximise the success of the campaign, on day one we shipped over 120,000 cases and 45,000 displays, double the average amount, to approximately 400 retail locations across the US.

For our Expert community, we developed a robust multichannel approach reaching 89% of relevant Healthcare professionals in primary care. Share of Expert recommendations for the total Advil brand reached an all-time high of 17.5% in the third quarter of 2021, up 1.1 points versus a year ago.

This speed to market and surround sound campaign make Advil Dual Action a best-in-class launch.

Running a responsible business, integral to all we do

As Brian shared earlier and as Teri will give more colour on shortly, running a responsible business is integral to what we do and how we do it.

In addition to our environmental sustainability goals, we work closely with our partners to deliver ESG initiatives. For example, we launched a 100% recyclable toothpaste packaging initiative at Walmart in mid-2020; and we are planning a comprehensive Inclusion and Diversity platform programme with Target focusing on wellness for all and featuring many of our brands.

We'll also continue to focus on ensuring that more consumers have access to our exceptional brands, which all serve a real health need.

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In conclusion, we have a strong business with amazing potential in North America.

We have strong core capabilities, category leading brands and a strategy to drive growth through: increased penetration, superior innovation, a laser focus on consumer needs and excellent commercial execution.

We have the right people and leadership team to win in this very large and important market.

Thank you for your time. I'll now hand over to Keith.