

## H1 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” and “Other comments for consideration” below, which you may wish to consider in modelling Haleon plc’s financial performance ahead of the First Half results on 2 August 2023.

Please note that the items listed below are not exhaustive and that other factors may affect the comparisons for Q2/H1 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 6-9 of the Q1 2023 trading statement and pages 46-55 in Haleon’s Annual Report and Form 20-F.

### Outlook

With the FY 2022 results on 2 March 2023 and the Q1 2023 trading statement on 3 May 2023, we provided the following guidance in the release and on the accompanying calls:

#### **Revenue**

- FY 2023 organic revenue growth expected to be towards the upper end of the 4-6% range
- On previous calls, Tobias said “we expect organic revenue growth to be higher in the first half of 2023 as we move through the year and annualise pricing...” and “It’s fair to say, at least in the short term, growth is likely to be more weighted towards price than volume mix.”
- In the presentation slides (Q1 2023 trading statement), slide 21, we said that assuming exchange rates as of 21 April 2023 were to hold for the remainder of the year and using FY22 results as a base, there would be a c. (1.5)% adverse impact on reported revenue from estimated translational foreign exchange.

#### **Adjusted operating profit and margin**

- FY 2023 Adjusted operating profit margin broadly flat (FY 2022: 22.8%) after absorbing c.40 bps adverse transactional foreign exchange impact based on current market rates (as at 21 April 2023)
- In the presentation slides (Q1 2023 trading statement), slide 21, we said that assuming exchange rates as of 21 April 2023 were to hold for the remainder of the year and using FY22 results as a base, there would be a c. (1)% adverse impact on adjusted operating profit from translational foreign exchange.
- On H1 2023 margin, we said “we would expect a lower margin in the first half than for the full year,” given two factors impacting this:
  1. FY 2023 adverse transactional foreign exchange impact of around 40 basis points. We said that “we started to see the impact of adverse foreign exchange in the second half of 2022 and therefore this will continue into the first half of 2023. “
  2. Phasing of standalone costs in the prior year. FY 2022 costs were around £200 million, and we said that “we expect a similar amount in 2023 but the phasing of these costs is different year-on-year. In 2022 standalone

costs were skewed to the second half of the year with around 70% of costs incurred in the second half of 2022. However, in 2023 these costs will be more evenly balanced through the year and as such, there is an adverse impact year-on-year in the first half on margin.”

#### **A reminder of other FY 2023 guidance, as shared with FY 2022 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**

- Q1 2023 organic growth was 9.9% with 2.8% volume mix and 7.1% price
- Q2 2022 organic growth was 7.5% with 3.5% volume mix and 4.0% price, H1 2022 organic growth was 11.6% with 7.9% volume mix and 3.7% price
- As shared LY and in the Q1 aide memoire, 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 in Q1 2022, although the impact was predominantly in Oral Health and Pain Relief. The benefit in Q1 2022 to Oral Health was c.2%, Pain Relief was c.3%, VMS and Digestive Health and other were both 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 the 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 2023 organic growth was 6.6% “or up more than 8% excluding the systems cutover.” Comparative in Q2 2022 was +2%, the easiest quarterly comparative in the category through 2022.
- **VMS** – Q1 2023, organic growth declined 3.7% largely due to a decline in our immunity brand Emergen-C which had a tough comparative in Q1 2022. As noted in the H1 2022 results, growth in North America in H1 2022 was supported by increased capacity coming on stream.
- **Pain Relief** – Q1 2023 organic growth was 11.0% driven by “very strong growth in Asia Pacific given Fenbid growth in China following the end of lockdowns in Q4 2022.” The comparative in Q2 2022 was +4.9%.
- **Respiratory Health** – Q1 2023 organic growth was 33.0% given the strong cold and flu season and despite lapping a 52.9% comparative in Q1 2022. The comparative in Q2 2022 was 39.7% albeit supported by the COVID-19 Omicron wave, with no significant COVID-19 waves in Europe or the US in 2023 to date.
- **Digestive Health and Other** – Q1 2023 organic growth was +7.3%. Organic revenue growth has historically been low single digit.

#### **Geographic regions**

- **North America** – Q1 2023 organic growth was 5.1% with strength in Respiratory “given sustained incidence of cold and flu and some restocking given low stock levels at the end of last year.” We also commented that “we believe by end of Q1 that inventory levels in Cold and Flu are at the right level so they are healthy.”
- **EMEA and LatAm** –Q1 2023 organic growth was 13.1%, and there was a c. 2% benefit to revenue from pricing in high inflationary countries. As a reminder most of the impact of the systems cutover in Q1 2022 and respective reversal in Q2 2022 was in this region.
- **Asia Pacific** – Organic growth in Q1 2023 was 11.7%. We highlighted strong performance in Respiratory and Pain Relief driven by Fenbid and Contac in China following the easing of COVID-19 lockdown restrictions. This would not be expected to be sustained for the remainder of the year.

## Other comments for consideration

- **Free cash flow**

In H1 2022, we reported free cash flow of £553m (including £224m related to net cash outflow from separation, restructuring and disposals). In addition, there was a net interest credit of £8m. As a reminder, given the debt raise in March 2022, this did not include any cash interest payments which mainly occur in September and March. We have previously guided that “cash interest charge will catch up with the charge in the P&L from 2023.” Working capital in H1 2022 had a cash outflow given stock build for forward sales.

The normal seasonality of free cash flow is weighted towards the second half of the year.

- **Dividend**

At FY 2022 results, we announced "our current intention is subject to Board approval, to maintain our pay-out ratio around the current level." For FY 2022 this was approx. 30% of adjusted earnings for the period since listing. For FY 2022, our Adjusted diluted EPS was 18.4p.

We also guided that subject to Board approval, dividends are expected to be paid half-yearly with approximately one third of the dividend paid as an interim dividend, following the Company's half-year results and paid in October, and the balance paid as a final dividend, subject to shareholder approval, following the Company's Annual General Meeting.

- **Foreign exchange**

As a reminder, the most recent guidance included in the Q1 2023 trading statement was based on FX rates as at 21 April 2023. Spot rates for the three most important currencies for Group revenue is below.

| /GBP | At 21 April 2023 | At 30 June 2023 | Average rate H1 2023 | Average rate H1 2022 |
|------|------------------|-----------------|----------------------|----------------------|
| USD  | 1.24             | 1.26            | 1.23                 | 1.30                 |
| EUR  | 1.13             | 1.17            | 1.14                 | 1.19                 |
| CNY  | 8.55             | 9.19            | 8.59                 | 8.38                 |

## 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     |
|----------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| North America  | 17.3%        | 3.9%        | 10.4%        | 2.9%        | 1.6%        | 2.2%        | 5.9%        | 5.1%        |
| EMEA and LatAm | 14.5%        | 9.6%        | 12.1%        | 12.2%       | 6.8%        | 9.7%        | 10.9%       | 13.1%       |
| APAC           | 15.2%        | 9.5%        | 12.3%        | 9.0%        | 8.3%        | 8.8%        | 10.6%       | 11.7%       |
| <b>Total</b>   | <b>15.6%</b> | <b>7.5%</b> | <b>11.6%</b> | <b>8.1%</b> | <b>5.0%</b> | <b>6.6%</b> | <b>9.0%</b> | <b>9.9%</b> |

### Organic revenue growth

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

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