



Haleon 2025 Full Year Results Transcript

Wednesday, 25th February 2026

Brian McNamara: Hello and welcome to our Full Year Results Presentation. 2025 was an important year for Haleon and we made good progress against our three strategic priorities. First delivering competitive growth in a challenging environment. Second unlocking productivity gains and third, embedding an agile, performance-focused culture.

In terms of growth in 2025, we delivered 3% organic sales growth which is lower than our medium-term guidance of 4 to 6%. That was primarily the result of lower category growth than we've seen historically which was related to our winter seasonal portfolio along with consumer confidence reaching multi year lows in some of our key geographies impacting consumer spending.

Against that backdrop, our brand portfolio performed well outperforming our global categories with 60% of the business gaining or maintaining share. We remain confident that we can continue to outperform as we focus on the key opportunities we outlined at our Capital Markets Day.

Let me give you some examples.

In China, we're closing the incidence versus treatment gap through the launch of parodontax. As the largest gum health market in the world there is a significant opportunity in China and parodontax has become one of our top selling innovations across China's three largest cities Beijing, Shanghai, and Guangzhou and is now in over 10,000 stores. We're accelerating the roll out to 20 cities this year to drive further penetration.

- And within sensitivity Sensodyne's expanded clinical range including Sensodyne Clinical White, Clinical Repair, and Clinical Enamel Strength has driven a strong uptake among younger consumers. The range is now in 30 markets globally with Sensodyne growing over 1.5x the overall category.
- We're also delivering innovation-led premiumisation. In North America we launched our new nasal mist technology under the Theraflu brand following its success with Otrivin. And that's driving strong market share gains. We also brought Advil Liqui-gels minis to consumers in North America.

- We've continued to make good progress driving penetration among lower income consumers. Take India where we're growing our categories by bringing in more consumers. We're doing that by doubling our direct coverage in small towns and villages to 600 thousand outlets. We've also launched new products such as the 10 Rupee Centrum Recharge and ENO 3 in 1 as well as driving more users into Oral Health through our 20 Rupee Sensodyne pack.

Turning now to our productivity agenda we've made excellent progress with our £800 million gross cost saving programme which enabled us to deliver strong operating leverage across the year. We're also tracking well against our targets to reduce SKUs packaging and formulations by around 30% over the next three years. We have also increased our multi-sourcing of ingredients to around 90%. That progress is enabling us to close the gap between our peers on Service Cost and Inventory. At the same time, we remain best in class on Safety and Quality measures.

And finally, Culture. We're making real strides in transforming Haleon into a world-class consumer company with an agile performance-focused culture. In January we announced plans to evolve our operating model to drive growth and agility in support of our Win as One strategy. I'll come back to this in a minute and will talk through how our new operating model will drive our performance.

Now let's look at our results in more detail. As I just mentioned full year organic revenue growth was up 3.0% for the year. That was split 2.3% price and 0.7% volume/mix. In Q4 we grew 2.1%. That was the result of a much weaker cold and flu season which had a drag of 40 basis points on our full year organic revenue growth and 150 basis points in the fourth quarter.

To be clear we are not satisfied with our organic revenue performance in 2025, and we are focused on delivering stronger top line growth. I'll say more about how we're doing this in a minute looking specifically at how we're evolving our operating model to drive growth and agility and the progress we're making in North America to return the business to growth.

That said we delivered a very strong gross margin performance in the year up 220 basis points resulting in 10.5% organic profit growth with 60 basis points of margin improvement at reported rates. Importantly we did that while still prioritising investment in innovation A&P and building capabilities in critical areas such as data and technology. Cash performance was also strong, and leverage is now at 2.6x net debt to adjusted EBITDA.

Consistent with our capital allocation priorities we have allocated £500 million to share buybacks in 2026 and we remain focused on identifying value accretive bolt-on acquisitions.

Turning to our outlook for 2026. We are not planning for a material improvement in global category growth with consumers in some markets likely to remain cautious.

We expect to return our North America business to growth. To do that, we are building on the actions we've already taken over the last six months. And we're also expecting continued strength in our Emerging Markets.

We will drive performance through disciplined, targeted actions. We'll be investing in A&P and R&D accelerating our innovation agenda and sharpening our commercial execution. That will allow us to drive category growth and continue to outperform the market.

Against that backdrop we expect full year 2026 organic revenue growth to be in the range of 3 to 5%. Strong gross margin expansion through our ongoing productivity initiatives will allow us to continue to invest and deliver high single digit operating profit growth.

Looking further ahead we are confident in our medium-term guidance of 4 to 6% annual organic revenue growth with high-single digit adjusted operating profit growth at constant currency.

My confidence comes from:

- The strong progress we continue to make against our Win as One strategy
- Driving stronger performance in North America
- Continuing to deliver on our productivity agenda which underpins our investment in building leading brands and market positions

- And unlocking growth and agility through our new operating model

I'll now hand over to Dawn to talk through our full year results in more detail.

Dawn Allen: Thank you, Brian. Good morning, everyone.

In 2025 we delivered strong organic operating profit of 10.5% and free cash flow of £1.9 billion, in line with our value creation framework. Operating leverage was strong, driven by gross margin improvement of 220bps. This was, ahead of our expectations and enabled further increases in investment in A&P and R&D while delivering more to the bottom line. Cash generation was fuelled by an 11-day reduction in working capital and we continued our track record of disciplined capital allocation, completing our China JV acquisition and returning £1.1bn of cash to shareholders. Despite these strong financial results to be clear we are not satisfied with our organic revenue growth. I am focused on unlocking productivity to drive flexibility and agility in the P&L to enable further growth.

Let's look at the performance in more detail. Starting with revenue.

Organic revenue growth was 3.0% split 2.3% price and 0.7% from volume/mix.

The key drivers of revenue growth were:

- Continued outperformance in Oral Health
- Strong volume growth in APAC
- Resilient growth in Europe helped by strength in the pharmacy channel

This was offset by lower category growth especially in the US and LatAm, proactive inventory actions in North America, and lower than expected levels of cold and flu incidence in Q4.

Overall, reported revenue declined 1.8%, impacted by a drag of 2.0% from divestments and 2.8% from foreign exchange.

Turing to profit.

We delivered 22.9% of operating profit margin, up 60 bps at actual rates. This was driven by 160bps of organic operating profit margin offset by 100bps of headwinds from translational FX and divestments.

Looking at the drivers in more detail. We continued to invest in our core portfolio, innovation and key growth markets, such as India. And we increased A&P spend by 7.5% at constant currency to 20.5% of sales. At the same time, we are focusing on maximising the efficiency and effectiveness of our spend and improving our ROI. We continue to invest in new and

differentiated claims, as well as accelerating our innovation pipeline with R&D spend up 7.7% at constant currency.

On supply chain productivity, we have made excellent progress, with more opportunity ahead. The key productivity drivers were reduction of SKUs and formulations, increased equipment effectiveness and optimised freight routes, as well as network optimisation.

Diving a bit deeper into our revenue drivers, starting with performance across our categories.

Oral Health continues to outperform delivering high single digit growth in 9 out of the 12 last quarters for the year we grew 7.9% around 1.5x times ahead of the market, through a combination of excellent execution, expert recommendation and superior innovation. We continue to attract incremental consumers and drive category growth.

This is demonstrated by high-single digit growth in Sensodyne and, double digit growth in paradontax. We are confident in the runway for future growth in Oral Health, underpinned by a strong innovation pipeline and further geographic expansion.

VMS, grew 1.9%. Good performance outside the US continues, with mid-single digit growth driven by premium innovation such as Centrum daily kits in China and Korea, and Centrum kids in Philippines.

VMS in North America was impacted by a softer multivitamin category and distribution losses which have now been addressed.

Across OTC - Pain Relief, grew 2.3%. Panadol grew ahead of the market with mid-single digit growth driven by the activation of our Optizorb technology and the launch of dual action. The launch of Voltaren patches in Europe and 2% formulation in China drove an improving trend of low-single digit growth with strength across several markets. The new campaign and the launch of Advil Liqui-gels minis in the US is showing early positive signs.

Respiratory Health declined 1.9%. Within this Otrivin nasal mist continues to grow the category driven by increased trial and strong repurchase intent above 80%. This strong performance was more than offset by a continued challenging consumer and competitive environment on US smokers' health which declined double digit in the year as well as a slower than normal start to the cold and flu season in the fourth quarter. This impacted the Group revenue by around 150 bps in the fourth quarter and 40 bps for the full year.

Stepping back, while 2025 has been a challenging year for our seasonal business, we have a high-quality portfolio of leading brands and respiratory health remains an attractive category that is very relevant for consumers. We expect this business to return to growth in the future.

Digestive Health grew 0.5% driven by Tums Gummy bites innovation and retail exclusive flavours. Along with Benefiber's 'Grow what feels good' campaign. These strong performances were offset by a decline in Nexium.

Finally, Therapeutic Skin Health and Other grew 2%, with strength in Zovirax partly offset by a decline in *Fenistil*.

Turning now to the regions, starting with North America.

In North America, category growth is soft, consumer confidence is low as a result, consumers are increasingly seeking convenience and value. Against this backdrop, trust in our brands remains strong and we have outperformed a weak market with an acceleration in the fourth quarter.

Organic revenue for the year declined 0.4%, split 1.0% price and a 1.4% decline volume/mix. As expected, performance in the second half of the year was in line with the first half. In Q4, the region delivered a 1% organic revenue decline, split 2.7% price and a 3.7% decline in volume/mix. This was driven by tailwinds, pricing and a better-than-expected outperformance particularly in Oral Health offset by a weaker cold and flu season compared to 2024, the lapping of Eroxon sell-in, and further proactive inventory reduction in the drug channel, which is now at a more appropriate level. For the year, we delivered adjusted operating margin down 20 bps versus the prior year.

Turning now to EMEA and Latin America.

In most of Europe, we have seen a resilient performance this year despite fragile consumer confidence. The economic picture in Middle East & Africa remains positive; and In Latin America, particularly in Brazil, the macro picture is increasingly more challenging. Organic revenue increased 4.7% split by 4.2% price and volume/mix of 0.5%. In Q4 organic revenue growth was 3.2% split 3.5% price and a decline of 0.3% in volume/mix. While oral health strength continues Q4 was impacted by a weaker cold and flu season and a more challenging macro picture in Europe and LATAM. For the year, operating leverage was strong with adjusted operating margin up 90 bps versus the prior year.

In Asia-Pacific, consumers continue to prioritise everyday health spending. This underpins our excitement in the growth opportunity that China and India represent. Organic revenue grew 5.2% with 80% of the growth coming from volume. China grew mid-single digit driven by strength in Pain Relief and Oral Health, including Sensodyne and the continued rollout of parodontax. India delivered double digit growth driven by expanded distribution and excellent in market execution. This strong performance also benefited from macro changes including, for example, GST. In the fourth quarter, organic revenue grew 5.9% split by a decline of

0.3% price and growth of 6.2% in volume /mix. The slight decline in price was driven by the year-on-year timing differences of pricing and promotional phasing in some markets. For the year, we delivered adjusted operating margin of 21.5%, up 40 bps versus prior year.

Let's now look at the remaining drivers of earnings.

Adjusted diluted EPS grew 5.0%. In addition to the operating profit drivers I have already outlined, EPS growth was also driven by a lower net interest charge, from a reduction in net debt, lower interest rates and favourable foreign exchange on US dollar denominated debt. A shift in the geographic mix of profit drove a small increase of 50bps in our effective tax rate to 24.5%. Lower non-controlling interest, following our purchase of the China JV and, a 1.6% reduction in average share count

Adjusting items of £114m were significantly lower than last year.

Key items included a net amortisation and impairment charge for intangible assets of £60m and restructuring costs of £89m mainly due to the £300m productivity programme which is now complete.

Haleon is a highly cash generative business.

We delivered £1.9 bn of free cash flow £194m more than the prior year, on a like for like basis. We are making good progress on reducing working capital with an 11-day reduction versus 2024. This is driven by a 4-day reduction in inventory days as a result of the supply chain initiatives along with the optimisation of payment terms.

Capex increased to 3.7% of sales, driven by additional spend on growth and productivity. This increase in capex was offset by £125m lower restructuring costs, and £68m lower dividends to our China JV partner. Before looking at capital allocation, I'd like to take a moment to talk through the financial impacts of our new operating model.

As Brian mentioned, we are evolving our operating model to drive growth and agility. While cost savings are not the primary driver, these initiatives should result in £175-200m of gross annualised savings which I expect to be delivered one third, two thirds weighted over the next 2 years. These savings will largely be driven by a flatter, more streamlined organisation as well as leveraging automation and AI. One-time costs to deliver these savings are expected to be in the ratio of 1 to 1, with a higher weighting of cost in the first year.

We expect the majority of these costs to be cash related. In addition to the supply chain productivity programme, these savings will provide even more fuel to drive growth, flexibility and agility in the P&L.

We have a strong track record of disciplined capital allocation. Our priorities are focused on investing for growth, bolt-on M&A and returning excess cash to shareholders. This is all underpinned by our strong investment grade balance sheet and our commitment to a medium-term leverage target of around 2.5x net debt/Adjusted EBITDA. Consistent with our track record of delivering attractive shareholder returns, we are announcing £500m allocation to share buybacks for 2026. In line with our dividend policy, to grow dividends at least in line with earnings, the Board has proposed a final dividend of 4.9p which represents a 7.6% increase in the total dividend for the year to 7.1p

So, turning to the outlook for 2026. We expect to deliver 3-5% organic revenue growth, with North America returning to growth, continued strength in emerging markets, particularly India and China. On-going resilience in Europe and a more challenging macro picture in Brazil. We expect another year of high-single digit adjusted operating profit growth at constant currency driven by a gross margin improvement of 50-80 basis points fuelling further investment in A&P and R&D. We expect net interest expense to be around £255m and an estimated effective tax rate on adjusted profit of around 24.5%.

Overall, this will drive operating leverage, strong EPS growth and healthy free cashflow generation.

In summary, we delivered good financial performance despite the lower revenue growth: 60 bps of operating margin improvement, 5% adjusted diluted EPS growth and strong free cash flow generation of £1.9bn.

Looking ahead, I am focused on building flexibility and agility in our P&L by unlocking productivity savings to drive sustained investment in growth. Alongside this an even sharper focus on return on capital reinforces our confidence in our medium-term guidance.

And with that, back to Brian.

Brian McNamara: Thanks Dawn. Now, I'd like to come back to our culture and specifically our new operating model. I'll talk briefly about how it will enable our transformation into a world-class consumer company. And, how it will drive growth and agility in support of our Win as One strategy.

In January we set out what our new operating model will look like, starting with my leadership team. It's built to create the conditions for our long-term success simplifying how we work bringing consumers closer to our strategic decision making and enabling faster speed of execution in our markets.

We created a new Chief Growth Officer role with responsibility for bringing together category, leadership, marketing, and strategy. We've also established a new global commercial excellence team. Together with R&D, they will lead our growth and innovation agenda making strategic choices, priorities and trade-offs through the lens of our categories.

And we announced the creation of six new Operating Units. They will be led by Presidents who all sit on the Haleon Executive Leadership team. These include high growth markets like India and Latin America.

This line of sight from category strategy to operating unit execution will be sharper and it will allow us to scale innovation across the business supporting faster execution and growth across the board. At the same time, as Dawn mentioned these changes will make us a more efficient organisation.

I'd like to take North America as an example of the changes we are making through our new operating model alongside implementing a broader action plan to return the business to growth. First in May 2025 I appointed Nathalie Gerschtein as our new President of North America. She brings deep consumer experience and a track record of strong execution and of driving growth. Under her leadership and in alignment with our new operating model we have strengthened our North America team and we've invested in best-in-class capabilities in two critical areas. Improving our net revenue management to drive distribution with key retail partners. This includes putting in place a comprehensive programme to drive both volume and value through optimising consumer purchase occasions and driving a sharper focus on marketing effectiveness. We are building AI powered tools to improve return on spend across our brands and channels. Early signs are showing encouraging results.

Second, we have appointed new leaders in North America for our Oral Health, VMS, and OTC categories. In partnership with our global teams they will drive end to end category leadership from improved innovation market competitiveness and execution we have also established a Cross-Category Growth Platform team responsible for driving growth with opportunities such as GLP-1 support.

Third we are doubling down on our efforts to scale innovations in North America faster and leverage the full strength of our portfolio to drive penetration. That includes making significant changes to drive an improvement in the competitive position of our Pain Relief and VMS categories. Take Advil where our new No Pain, More Gain campaign is resonating with consumers. And in VMS we are excited about the pipeline for Centrum with even stronger claims on Centrum Silver from slowing cognitive ageing.

Taken together we expect these initiatives to deliver meaningful topline benefits as the year progresses supported by effective market execution and new innovations giving us confidence in returning North America to growth in 2026.

So, to conclude, we're making good progress against our Win as One strategy to transform Haleon into a world-class consumer health company. While market category growth slowed during the year we outperformed through the strength and scale of our trusted brand portfolio. We made excellent progress against our productivity agenda driving strong profit growth. 2026 will be another important year for Haleon and we remain confident in the opportunity ahead.

Thank you for your continued support and interest in Haleon.

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