Haleon H1 2026 Results Transcript

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Overview

Brian McNamara

CEO, Haleon

PART 1: SEQUENTIAL IMPROVEMENT IN A CHALLENGING MARKET

Hello and welcome to our Half Year Results presentation. We're continuing to make good progress against our Win as One strategy and our strategic priorities of delivering competitive growth in our categories, unlocking productivity gains, and embedding an agile performance-focused culture.

In the first half, organic revenue was up 2.6% with sequential improvement in the second quarter, where organic revenue was up 3.1% in a challenging consumer and macro environment

Growth in the quarter was balanced supported by volume / mix of 1.4%. That reflects the targeted actions we are taking across the business to drive improved performance.

In North America, we're continuing to make meaningful progress. We're improving our execution and delivering stronger share gains. We are seeing early signs of underlying market improvement.

In our Emerging Markets, momentum improved through the quarter. We delivered double-digit growth in Oral Health, Digestive Health and Skin Health. China, India and Latin America all delivered strong growth.

Europe continued to be impacted by a challenging market backdrop. We delivered modest growth in a declining market. You'll hear more from Dawn on Europe in a minute.

Encouragingly, our competitive performance remained strong. 73% of the portfolio gained or maintained market share. That reflects the continued relevance of our brands to consumers around the world, and demonstrates our ability to compete effectively in the categories we operate in.

We made strong progress on our productivity agenda. In the first half, our initiatives delivered 140 basis points of constant currency gross margin expansion and 8.2% adjusted operating profit growth.

Cash generation remained strong, with healthy investment in the business to drive future growth. At the same time, we continued to return surplus cash to shareholders through dividends and buybacks.

Looking ahead to the second half, we remain focused on driving competitive growth and delivering against our commitments.

This will be achieved through:

- The improvements we're seeing in North America
- The encouraging performance in our Emerging Markets
- And the opportunity to unlock growth and agility through our new operating model

As a result, reaffirming our Full Year guidance of 3-5% organic revenue growth and high-single digit operating profit growth.

PART 2: CONTINUE TO MAKE PROGRESS AGAINST STRATEGIC PRIORITIES

Taking a step back, it's been a year since we launched our Win as One strategy at Capital Markets Day where we set out our medium-term ambitions and defined our strategic priorities of: growth, productivity and culture.

I'll now take each strategic priority in turn and update you on the progress we're making.

PART 3: GROWTH

First, growth. While our current growth is competitive and we're gaining share, it's below our medium-term 4-6% expectation.

Q2 marks an improvement on Q1, but there is clearly more to do, and we are taking decisive steps to strengthen performance, and drive stronger volumes across the business.

PART 3.1: GROWTH - NORTH AMERICA

Let's take North America, where we are focused on driving growth at the bottom end of our medium-term guidance.

The targeted action plan we set out at full year is showing real progress. Growth is accelerating, execution is improving, and we're delivering an increase in share gains.

We have achieved this through stronger retail execution and enhanced in-store activation during the World Cup as well as continued progress in e-commerce. Innovation is delivering, Sensodyne Clinical Repair, Centrum Age Defy and Excedrin Rapid Relief are all driving category growth. In fact, Sensodyne Clinical Repair, which we launched in January is the third pillar of our Clinical platform in the US and is driving significant share growth.

In e-commerce, we are growing double-digit, twice the rate of the market.

As I mentioned in February, we are building dedicated GLP-1 cross-category shelves across Oral Health, Digestive Health and VMS. That positions us to capture a disproportionate share of the opportunity. It's still very early days but we are optimistic about the potential here.

PART 3.2: GROWTH - EMERGING MARKETS

Turning now to Emerging Markets, a growth engine which we expect to deliver high-single digit growth over the medium-term.

We saw a stronger second quarter across our Emerging Markets with growth of 6.3%. That was underpinned by good momentum in China, India and Latin America, partially offset by the expected impact of the conflict in the Middle East which typically grows high single digit, but was broadly flat in the second quarter.

PART 3.3: GROWTH – CHINA

In China, we see significant opportunity for growth, supported by strong consumer health trends, accelerating digital engagement and continued innovation across our portfolio.

Let’s take e-commerce, which represents around 40% of our revenues in China. We are investing at a healthy rate in high-growth digital channels, including Douyin which is now over 10% of our e-commerce business, and growing at over 100%.

Douyin is helping us drive trial, repeat purchase and brand engagement through social content and influencer activation. We plan to increase investment in Douyin in the second half, and we have a strong pipeline of innovations designed to meet evolving consumer needs for this channel.

PART 3.4: GROWTH – INDIA

Now turning to India, one of our most important growth engines. India continues to deliver sustainable double-digit growth, up in the mid-teens for the quarter.

Oral Health is a significant driver of growth in our India business and the second largest market for Sensodyne globally growing at over 20% in the first half.

We are successfully driving penetration with lower-income consumers. We started this two years ago through our Rs. 20 access packs, which are gaining real momentum, and making up 40% of the tubes sold in the first half.

Our strong delivery goes beyond access. We launched Pronamel and Pronamel kids at the start of 2026, broadening our reach from consumers over 35 to the full age range with science-backed products that help consumers build strong enamel.

Toothbrushes are also an important part of our business. 70% of consumers who enter through the brush franchise are new to Sensodyne. That is driving nearly 230 basis points of share gains in the toothbrush market taking our share to 13%, supported by media activation and expert endorsement.

To support the Oral Health growth opportunity in India, we are investing £175 million in a new manufacturing site to meet growing consumer demand and drive stronger productivity.

We are also seeing good momentum in Centrum. Centrum Recharge, priced at Rs. 10 continues to recruit new consumers. Here we have leveraged our rural distribution and regional activations to drive strong in-store visibility. This has driven strong consumer uptake since we launched last year.

PART 3.5: GROWTH - LATIN AMERICA

In Latin America, while there's still more to do. We are encouraged by the good progress we're making from the targeted actions we've taken to drive growth.

In Oral Health, we have optimised pricing in Brazil which has accelerated Sensodyne volume growth and consumption.

We are also developing more accessible Sensodyne offerings for lower-income consumers. These new offerings are gaining traction and are delivering 50 basis points of share growth in Mexico. We are scaling that into Brazil, where the Sensodyne pilot in São Paulo is performing well.

Our World Cup in-store activations delivered good results. ENO saw a significant uplift in consumption versus typical daily levels over the tournament.

And finally, new launches are performing well. For example, Advil Gripa Max in Colombia is resonating well with consumers. It's helping to expand the category and delivered double-digit consumption growth and over 140 basis points of market share gains.

PART 4: PRODUCTIVITY

Now turning to productivity, where we have continued to make excellent progress against our £800 million gross cost savings programme. These savings we are generating are creating capacity to invest behind growth, innovation, and capabilities while supporting the delivery of high-single digit operating profit growth.

A key driver of this is our simplification programme. Today, we have reduced SKUs by 27%, formulations by 26%, and continued packaging optimisation. These actions are making the business simpler to run and they're helping teams focus more sharply on the biggest growth opportunities.

At the same time, we are investing in new capabilities, including AI and digital twins to improve speed, resilience, and decision making across our supply chain and our broader operations. And our investments in new manufacturing facilities in India and China will further enhance productivity, strengthen resilience, and support our long-term growth ambitions.

PART 5: CULTURE

And finally, culture.

Our new operating model is now largely embedded across the organisation. And it’s bringing us even closer to our consumers, shaping a culture that will help us deliver on our strategy and on our financial commitments.

We have already seen early benefits in North America, where implementation took place at the start of the year. Accountability is clearer, execution is sharper, and teams are moving with greater pace.

I’ll now hand over to Dawn to run you through the first half results in more detail.

Financial Review

Dawn Allen

CFO, Haleon

PART 1: KEY HIGHLIGHTS

Thank you, Brian

We made good progress in the first half of 2026.

We delivered strong adjusted operating profit growth of 8.2% at constant currency, and free cash flow of £769m, in line with our value creation framework.

Gross margin improved 140bps at constant currency, underpinned by our productivity programme. A&P grew broadly in line with revenue, resulting in strong drop through to operating margin. This increased 120bps at constant currency or 160bps at actual rates.

Cash generation was also strong, and we continued our track record of disciplined capital allocation, returning £893m to shareholders. We also announced two capital investments in the half for manufacturing sites in India and China, reflecting the long-term growth opportunities of these markets.

There is more to do to drive organic revenue growth, which was 2.6% for the half. While this is below our medium-term guidance, we continue to deliver against our value creation framework, driving operating leverage, strong free cash flow and disciplined capital allocation. In particular, the quality of our EPS has significantly improved with most of delivery coming from operating profit.

PART2: REVENUE PERFORMANCE

Looking at the performance in more detail. Starting with revenue.

Organic revenue growth for the half was 2.6%, split 2.1% price and 0.5% from volume/mix. In Q2, we delivered 3.1% growth. And a more balanced price and volume/mix, with 1.7% price and 1.4% volume/mix.

We continued to deliver strong volume/mix growth in Oral Health and Asia Pacific with stronger execution in North America and an improvement in VMS, which overall was partially offset by weaker volumes in Europe and the Middle East.

Turning to profit.

PART 3: PROFIT BRIDGE

Operating profit grew 9.7% at actual rates, representing a margin of 24.3%, up 160 bps. This included a translational FX benefit of 40bps, driven by the strength of Sterling, Euro and several emerging market currencies.

The key driver was continued excellent progress on supply chain productivity with further reductions of SKUs and formulations, increased equipment effectiveness and network optimisation.

AI continues to be a driver of efficiencies, with analytics enhancing quality and reducing line stoppages as well as helping to reduce complexity and cost in harmonising packaging and formulations.

The strength in gross margin enabled us to continue to invest in our core portfolio, innovation and key growth markets.

We increased A&P spend by 3.2% at constant currency to 20.9% of sales

We are focused on maximising the efficiency and effectiveness of our spend through media quality, precision targeting and social first.

PART 4: RESILIENT PERFORMANCE ACROSS CATEGORIES

In terms of our categories, Oral Health remained a standout performer, delivering 6.2% growth in the second quarter and 7.3% in the half, more than twice the market growth, driven by double digit growth in Sensodyne and parodontax. Denture care also performed well driven by the successful launch of Ultimate All-in-One in Japan.

VMS improved in the second quarter to 2.2% with 1.9% growth in the half, driven predominantly by the US and China. In the US, Centrum delivered mid-single digit growth driven by shelf resets and the launch of Age Defy. In China, Centrum daily kits and Caltrate kids' liquid contributed to high single digit growth.

Within OTC, Pain Relief grew strongly at 4.6% in Q2, taking the first half to 2.1%. Performance was driven by major consumer activations, including the London Marathon and UEFA Champions League alongside innovations such as Excedrin rapid relief. Voltaren 2% Gel delivered exceptional growth in China driving the brand's highest ever market share in the country.

Panadol outperformed the market driven by geographic expansion of Dual action and the activation of Opti Zorb technology.

Respiratory Health declined 6.5% in the second quarter and 4.7% in the half. This reflects a weaker cold and flu season. Across other parts of Respiratory, Otrivin grew with Otrivin Nasal Mist, now in 18 markets. Allergy was broadly flat, with a strong early start which tailed off in the second quarter. The US Smokers' Health business showed improvement in the second quarter but remains a drag.

Digestive Health grew 5.5% in Q2 and 2.4% for the half. With strong innovation helping Tums outperform the market by almost 2.5 times and Benefiber saw strong growth due to media activations, both of which were partially offset by declines in Nexium.

Now looking at the regions.

PART 5: NORTH AMERICA

In North America, whilst we have seen some market improvement, US consumers remain cautious.

In the quarter, Organic revenue accelerated to 3.1% split 1.1% price and 2.0% volume/mix taking the half to 2.0%, split 2.5% price and 0.5% decline in volume/mix. Volume growth was broad based in the quarter across all categories except respiratory.

As mentioned in the category summary – Oral Health, Centrum and Digestive Health all saw good growth.

For the half, adjusted operating margin increased to 23.0%, up 270bps at constant currency driven by strong gross margin expansion.

PART 6: EMEA & LATAM

In EMEA and Latin America, organic revenue in Q2 grew 1.7% split 3.5% price offset by a 1.8% decline in volume/mix. And for the half, organic growth was 1.9% split 3.0% price and a 1.1% decline in volume/mix.

In Europe, the overall market saw low-single digit volume declines. In this context we continued to outperform the market driven by strength across our Oral Health and Pain Relief.

In Middle East and Africa, geopolitical uncertainty weighed on our second quarter performance which was broadly flat. We saw strength in Sensodyne as well as innovation launches across Voltaren and Panadol which was offset by double digit revenue declines in the UAE and Pakistan. This region continues to remain challenging.

Latin America in the second quarter was more encouraging, and was up high-single digit, benefiting from stronger execution, with Sensodyne and ENO performing well.

In the half, adjusted operating margin was 28%, increasing 160 bps at constant currency driven by supply chain productivity.

PART 7: ASIA PACIFIC

Finally, in Asia Pacific, we are seeing consumers adopt a digital first approach, which is more discovery-led, supported by digital platforms, content and increasingly AI-enabled tools. These are areas where we continue to increase investment particularly in China.

In Q2, organic growth was 5.4% split 6.1% volume mix and a 0.7% decline in price. Pricing was slightly impacted by higher hospital channel growth, driven by participation in China's volume-based procurement programme. For the half, organic revenue grew 4.7%, with 4.9% growth in volume mix partly offset by a 0.2% decline in price.

Overall, China growth accelerated in the second quarter to high single digit supported by Oral Health, Pain Relief and VMS partially offset by weaker Respiratory Health demand for cold and flu products.

India also accelerated in Q2, delivering mid-teens growth driven by expanded distribution and strong in-market execution.

For the half, adjusted operating margin was 24.6%, up 160 bps at constant currency, reflecting strong operational execution and productivity benefits.

PART 8: ADJUSTED EPS GROWTH

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

Adjusted diluted EPS grew 12%.

In addition to the operating profit drivers I have shared, EPS growth was also driven by

- A lower net interest charge, from a reduction in net debt.
- An increase of 140bps in our effective tax rate to 25.9%. Driven by discrete items which are expected to reverse in the second half.
- And a 1.6% reduction in average share count, benefiting from the share buy backs in 2025 and 2026.

PART 9: ADJUSTING ITEMS

Adjusting items were £192m, up £152m year-on-year, driven primarily by restructuring costs associated with the operating model transformation.

We continue to expect the programme to deliver £175m to £200m of annualised gross savings over the next two years. One-off implementation costs are expected to be broadly equivalent to the annual savings, with the majority recognised in the first half.

Moving to cash.

PART 10: FREE CASH FLOW GENERATION

Haleon is a highly cash-generative business.

We delivered £769m of free cash flow, an increase of £35m versus the prior year. This was due to strong operating profit and further reductions in working capital of 5 days compared to the first half of last year, this was due to payables optimisation.

Net capital expenditure increased to £140m, reflecting investments in systems, processes and automation to support sustainable long-term growth, alongside initiatives to drive productivity

PART 11: DISCIPLINE CAPITAL ALLOCATION

Our capital allocation policy remains unchanged

In line with that, our dividend policy is to pay one third of the prior year total dividend as an interim. And the Board has declared an interim dividend of 2.4p per share, a 9% increase on the prior year.

PART 12: BRIDGE TO NEW REPORTING STRUCTURE

Before moving to the outlook, let me briefly walk through our new reporting structure. Full details, including historical pro formas, are provided in the appendix to the presentation.

- North America is largely unchanged apart from a modest impact on operating margin due to the reallocation of R&D investment under the new structure.
- We have introduced a new international segment which is made up of our three smaller operating units - LATAM, India subcontinent and the Middle East and Africa.
- This means Europe is now reported separately and Asia Pacific no longer includes India subcontinent.

This new reporting structure better aligns with the way we manage the business and highlights the growth opportunities across our key markets. We will report on this basis moving forward.

Now, let me turn to our outlook for 2026.

PART 13: OUTLOOK

As Brian mentioned we expect to deliver organic revenue growth within the 3% to 5% range. And high single-digit adjusted operating profit growth at constant currency.

Driven by continuing benefits from our supply chain productivity programme, and higher SG&A savings from the operating model changes, these will be partially offset by higher input costs from the conflict in the Middle East.

This enables flexibility and agility in our P&L to continue to invest behind our brands and in future capabilities.

And with that, I'll now hand back to Brian.

Close

Brian McNamara

CEO, Haleon

Thank you, Dawn.

So, to sum up. We delivered a sequential improvement in growth in the second quarter against a challenging consumer and macro environment.

Our financial performance was strong. We benefited from the excellent progress we've made on productivity, which has driven strong profit growth. We continued to make progress against our Win as One strategy and our strategic priorities of growth, productivity and culture.

I remain confident in the opportunities ahead to deliver on our medium-term guidance of 4-6% annual organic revenue growth with high-single digit adjusted operating profit growth at constant currency.

Thank you for your continued support and interest in Haleon.