

Chair's statement



Sir Dave Lewis
Chair

2023: a year of delivering everyday health with humanity

2023 marked our first full calendar year as a standalone business, during which we made good progress in establishing our position as a world-leading global consumer health company, with strong foundations to support long-term growth.

While we recognise we have much more to achieve, it was good to see the business demonstrate continued momentum. We delivered meaningful progress across all elements of our strategy to drive sustainable growth and shareholder returns, giving us confidence that we are on the right course to achieve medium and long-term success.

The transformation into a global consumer health company continues and the Board and I were encouraged by visits to Haleon's regional operations. The opportunities ahead of Haleon are significant.

Strong financial performance

Haleon's financial performance is driven by deep human understanding and investment in trusted science, coupled with strong execution and financial discipline.

By harnessing these competitive advantages, Haleon achieved organic revenue growth of 8.0% (reported 4.1%), ahead of our medium-term guidance. Adjusted operating profit at constant currency also grew strongly at 10.4% (reported operating profit +9.4%).

Consistent with the priorities set out at the time of listing, we have rapidly de-levered to 3.0x net debt/adjusted EBITDA as at 31 December 2023. Strong cash generation enabled us to accelerate debt repayment and we now expect to operate at leverage of around 2.5x over the medium-term. This underpinned our decision to announce a capital allocation of £500m for share buybacks in 2024.

Dividend

The Board is proposing a total dividend of 6.0p per ordinary share which represents a pay-out ratio of approximately 35% of 2023 adjusted earnings. This includes a final dividend of 4.2p per ordinary share.

In line with our capital allocation priorities to invest for growth, explore acquisitions and return surplus capital to shareholders, our current intention is to grow the dividend at least inline with adjusted earnings.

Importance of governance, purpose and culture

One of my priorities as Chair is to ensure Haleon's continued commitment to good corporate governance, which supports both our purpose and culture.

During 2023, we actively engaged with, and responded to, UK regulatory consultations on corporate governance, reporting and disclosure reforms.

Our first digitally enabled AGM was held in April 2023. We will continue to embrace technology to maximise participation, and will broadcast this year's AGM from Haleon's offices in London.

We also embedded the Environmental & Social Sustainability Committee, which is focused on providing oversight and effective governance over Haleon's environmental and social sustainability agenda, and the external governance and regulatory requirements relevant to these areas. This included approving a baseline year update for our virgin plastic and Scope 3 carbon reduction goals from 2020 to 2022, to align with better data availability and accuracy.

Further progress was also made in ensuring that our growth correlates with our sustainability goals. For example, 70% of packaging for Haleon products is recycle-ready, so we remain on track to make all packaging recyclable or reusable by 2030. We have also taken steps to further enhance our safeguards around modern slavery and the protection of human rights, as they relate to Haleon's operations around the world.

In terms of building our culture, we continued to embed our diversity, equity and inclusion (DEI) principles across the business, with a focus on ethnicity and gender.

Priorities for 2024

The Board considers the following to be our priorities for the year ahead:

- Increasing agility and productivity across the business, by continuing to optimise and evolve existing processes and structures.
- Driving performance quality, by focusing on the strategic pillars which underpin our business.
- Creating shareholder value through effective capital allocation to maximise shareholder returns.
- Continued focus on strong corporate governance and ethical behaviours.

Thank you

On behalf of the Board, I would like to thank the Executive Team and all Haleon employees globally for their hard work throughout the year. Their dedication has enabled the business to achieve strong financial performance, while delivering on our strategic objectives and building strong foundations for the future.

While we are pleased with the progress made to date, we look forward to building on these foundations and delivering on future growth opportunities in 2024, and beyond.