

Chief Executive Officer's review



Brian McNamara
Chief Executive Officer

Building a track-record for growth

I am very pleased with Haleon's performance in 2023, which despite the challenging economic backdrop, saw Haleon deliver strong financial results; a testament to the strength of our category-leading brands.

During the year, we advanced our ambition to become more dynamic and agile, driven by our purpose to deliver better everyday health with humanity. As I reflect on 2023 and look to 2024 and beyond, I am confident about our ability to continue building a business that creates value for all our stakeholders.

Our strategy is delivering

In 2023, we delivered organic revenue growth of 8.0% (reported 4.1%), and adjusted operating profit growth of 10.4% at constant currency (reported operating profit +9.4%). Importantly, this was underpinned by growth in both price and volume, reflecting the quality and resilience of our brands. Haleon continued to drive consumer preference, with 58% of our brands maintaining or growing market share. We also maintained our attractive financial profile, delivering free cash flow of £1.6bn, enabling us to de-lever faster than expected to 3.0x leverage as at 31 December 2023.

Strong delivery against strategic pillars

Our four strategic pillars underpin our growth ambitions. Highlights last year included:

- Increasing household penetration, with market share gains for many of our category-leading brands. Sensodyne performed well, as more consumers sought the therapeutic benefits of the brand's sensitivity toothpastes. For example, Sensodyne Sensitivity & Gum and Sensodyne Pronamel Active Shield were named as the top two innovations in the US toothpaste market. Panadol also performed well, boosted by addressing specialist need states such as migraine and body pain.

- Capitalising on new and emerging opportunities, by innovating and delivering our brands to more consumers in more markets, and increasing channel penetration. For example, we expanded the Centrum global footprint by entering new markets in Sweden, the Middle East and Africa. Our e-commerce sales also grew, increasing 17% over the year to account for 10% of total sales globally.
- Maintaining strong execution and financial discipline, with operating profit growing ahead of revenue growth in 2023, delivering margin expansion at constant currency and positive operational leverage.
- Running a responsible business, with the business making good progress against its ethical standards, environmental and health inclusivity goals. During 2023, we empowered over 41m people to be more included in opportunities for better everyday health. We met our aim for producing 1bn recycle-ready toothpaste tubes two years ahead of schedule and were recognised by the Dow Jones Sustainability Index Europe 2023. We also progressed our Diversity, Equity and Inclusion (DEI) ambitions, including the launch of our diverse talent programme.

Building a more agile and dynamic business

We are focused on ensuring that Haleon is best placed to deliver consistent outperformance over the long-term. As an independent company, we have a unique opportunity to re-evaluate how the business operates, ensuring we deliver as effectively and efficiently as possible.

Our three-year productivity programme is on track, delivering efficiencies and greater agility, while supporting continued investment. The programme is expected to result in gross annualised cost savings of c.£300m, largely in 2024 and 2025, with around one third of the benefit expected in 2024 and the remainder in 2025.

We also continue to actively manage our portfolio, exploring opportunities for divestments and bolt-on acquisitions that offer strategic and commercial benefits.

Recent examples include the completion of the Lamisil disposal in October 2023 and the disposal of ChapStick announced in January 2024. These divestments allow us to reduce complexity and focus on higher growth brands, while providing optionality in capital allocation, consistent with the allocation of £500m for share buybacks in 2024, announced with full-year results.

Changes to our leadership team

During the year, we continued to build our Executive Team to ensure the right mix of capabilities and experience to drive Haleon's future growth and success. Namrata Patel was appointed as Chief Supply Chain Officer, together with Ed Petter as Chief Corporate Affairs Officer, and Björn Timelin as Head of Strategy. Each bring strong leadership credentials and experience with global consumer-facing companies.

Confidence in delivering on growth ambitions

I am confident in the strength of our business and brand portfolio and remain committed to our medium-term growth targets. During 2024, we expect to deliver organic revenue growth of 4-6% and organic profit growth ahead of revenue growth. Together with our focus on continued strong cash generation and effective capital allocation, we expect to drive value and attractive returns for our shareholders.

Thank you

I'd like to thank all Haleon employees for their enormous contribution during a period of significant transformation. I'm incredibly proud to work with such a talented and dedicated global team. On behalf of the Executive Team, I'd also like to thank the Board for their ongoing support and guidance.