

## **GSK Capital Markets Day: Haleon**

**28 February 2022 at 12.30 GMT**

### **Filippo Lanzi – Head of EMEA and LatAm**

#### **Haleon: Delivering attractive growth in EMEA & LATAM and leveraging leadership in Pharmacy**

Thank you Keith. I'm Filippo Lanzi and I am the head of EMEA and LATAM. I'm originally from Italy but I have lived and worked in many countries around the world in both the FMCG and Consumer Healthcare industries, working at Novartis, J&J and Nestle. I joined the company in 2015 and, since then, have worked in multiple roles both in Europe and Asia.

I am excited to set out today how we intend to build on our leadership position in EMEA and LATAM and execute on the compelling opportunities for growth.

#### **Haleon: Leader in EMEA & LATAM, a region with compelling opportunities for growth**

This region offers an attractive and balanced growth profile of both developed and emerging markets, where we are positioned to outperform, based on our strategy of driving household penetration, unlocking new and emerging opportunities and strong commercial execution.

In particular, our leading position in Pharmacy is a competitive advantage, helping us to drive excellent execution in the market.

#### **EMEA & LATAM: Scale, diversity and opportunity**

EMEA LATAM, is about scale, diversity and opportunity.

The Region is home to 44% of the world's population, and presents Haleon with significant growth opportunities across this diverse range of markets.

#### **EMEA & LATAM business overview**

We serve about 150 markets and we represent 41% of the business's revenue, around £3.9 billion.

44% of sales come from emerging markets like Middle East and Africa and Latin America and 56% from developed markets, such as the UK and Germany.

Our sales are well balanced across our categories, with Oral health being the largest, representing 34% of sales, followed by Pain relief, representing 28% of sales.

We have a fully integrated business with 13 factories and we are organised into 7 business units. 3 of these are in developed markets and 4 in Emerging market, and I will lean into the example of maximizing the potential of Emerging Markets later.

Given the time constraints today, much of the presentation for Emerging Markets will be focused on the Middle East and Africa, with more limited detail on LatAm.

#### **A leader in a c.£56bn growing market: EMEA & LATAM**

We are well positioned in the £56 billion addressable market for EMEA LATAM and the leader in Pain relief and Respiratory health, with strong positions in oral health and VMS.

Importantly, we have category leading brands in Sensodyne, Polident, Centrum, Voltaren and Otrivin. We are well positioned to build on this industry leading portfolio and generate future growth.

### **EMEA & LATAM 3.9% 2-yr CAGR with consistent margin expansion**

Over the past 2 years, we have generated a sales CAGR of 3.9% at constant exchange rates, despite a net COVID drag of around one percentage point.

We have leveraged meaningful net revenue initiatives across our markets to manage net prices and improve mix.

Since 2019, we have driven nearly 600 basis points of margin expansion across the region, reaching 24.8% Adjusted Operating margin in 2021. We have delivered these benefits to the margin through Pfizer synergy delivery, supply chain rationalisation and disciplined resource allocation.

We have now a solid base and the margin structure to sustain our top line growth.

### **Strategy to outperform in EMEA & LATAM**

Our strategy to outperform is structured around 3 main priorities.

Firstly, we will continue to expand Therapeutic Oral Health and increase relevance of OTC brands to drive household penetration.

Secondly, we will leverage New and emerging opportunities by unlocking VMS growth and maximising the full potential of Emerging Markets.

And third, we will deliver excellent commercial execution, leveraging our leadership in pharmacy and expanding rapidly in e-commerce.

All of this underpinned by our winning culture and by operating as a responsible business.

### **Leading in Therapeutic Oral Health, driving category growth in EMEA & LATAM**

The first example of how we drive successful household penetration is with our leading position in therapeutic oral health.

Toothpaste accounts for around half of the oral Healthcare category and the £5.1 billion toothpaste market is 70% mainstream and 30% therapeutic, with the latter growing around 6 times faster.

We are well positioned, having 2 of the top 5 toothpaste brands in our portfolio, but beyond this, a key competitive advantage is to have 81% of our portfolio in the fast-growing therapeutic segment, with Sensodyne being the leading brand with 60% market share of this segment, and driving about three quarters of its growth.

### **Expanding the Therapeutic Oral Health segment with Sensodyne**

Sensodyne has delivered a 9% sales CAGR over the last 11 years, with further significant headroom to grow, as nearly 1 in 3 suffers from tooth sensitivity, but only 1 in 3 people in this group treat with a sensitivity toothpaste.

Over time, we have developed a proven approach to drive growth and penetration, with our insights into consumer needs being at the centre of the strategy.

Building awareness of the condition of sensitive teeth is a key component of this and we engage with both consumers and Dentists, leveraging our expert network and brand innovation capabilities to offer specialist solutions to satisfy different need states.

This powerful model has driven our share as high as 30% in some markets and we see significant scope for share gains across the region.

### **Increasing relevance of our Pain Relief brands**

A second key example of driving household penetration is in Pain Relief.

The Pain Relief category is large and growing. This is no surprise as pain affects almost everybody, with more than 90% of adults experiencing pain in a given year and more than 70% suffering from Muscle & Joint pain.

Beyond the incidence, at the need-state level frequency of sufferance is also very high for certain consumers, with one in three for instance suffering back pain every week, and one in five suffering weekly headaches.

Here, we are well positioned with our leading power brands, Voltaren and Panadol, to help address the significant unmet needs of consumers, delivering a top line of more than £1 billion.

Voltaren is the number one brand in the total OTC market in EMEA LATAM Region and leads the topical pain relief category with a 30% share, while Panadol is the number two brand in the systemic pain relief category.

### **Driving growth across demographics and need states with Voltaren**

Looking at Voltaren in more detail, it has been growing at around 5 per cent CAGR over the past 6 years, and still, similarly to Sensodyne, we see significant potential to drive growth.

Our approach is to target demographic and need states to drive uptake and penetration.

Currently, Voltaren is used in 1 out of 5 occasions of back, neck and muscle pain, and by only 1 out of 5 consumers aged between 45 to 70.

Driving penetration and growth starts by building our distinctiveness, through solution consideration, supported by scientific innovation, expert advocacy and strong point of sale activation to help shoppers navigate the category.

Focusing on our R&D capabilities, we seek to deliver specialist and safe products for the different manifestations of pain.

Here for example, you can see a specific easy opening solution for osteo-arthritis sufferers, and with the additional advantages of a unique formulation that delivers benefit at the point of pain for a certain duration of time.

You also see here VoltaNatura, a recent launch which taps into the 'Naturals' consumer trend.

### **Strong position in VMS with global and local brands**

Moving onto the second pillar of our strategy, here I will cover our new and emerging opportunities, beginning with VMS. In this large and growing category we have a big opportunity thanks to the recent Pfizer integration.

While we are number three overall our global brand Centrum is already the number one VMS brand in the region, and we also have very strong local strategic brands with leadership positions in key markets.

### **Unlocking VMS growth by leveraging scale and innovation**

Our strategy is to unlock VMS growth by leveraging scale and innovation across markets.

Since we integrated the Pfizer portfolio, we have been growing Centrum at an 18% sales CAGR, ahead of the market.

One key growth opportunity is based on leveraging the scale of our footprint, both in terms of the number of countries we can activate the brand in, but also the distribution reach we can give to this franchise.

The other growth lever is based on extending the brand across different need states and formats. For example, we are entering the immunity segment and geo-expansion of our gummies format.

### **Maximise the full potential of our Emerging Markets presence**

Let me now move to the geographic dimension of the second pillar of the strategy, which is about capitalising on the potential in Emerging Markets, where we have further room to grow our business.

4 out of the 7 region's Business Units are focused on Emerging markets, and we have set up extensive supply networks.

From a portfolio point of view, we strongly positioned to win.

Firstly, 70% of our sales come from the power brands, where we have proven models and scale advantage; and secondly, we also have local strategic brands with leading positions. For example, GrandPa, a Pain Relief brand, in South Africa is the number one OTC brand, and Eno is the number one antacid brand in Brazil.

### **MEA: Capitalising on leadership and potential**

Now let's take a closer look at one of these four Business Units, which is Middle East and Africa, which has been consistently delivering double digit growth over the past two years, with sales of around £700 million in 2021.

We have more than 80% weighted distribution coverage in MEA and we are operating across different channels, growing twice the market.

### **Leading positions and proven capabilities to leverage MEA portfolio**

Diving deeper into MEA, we already have leading positions in the categories we operate in.

We are number one in Pain Relief and Respiratory Health, and number two in Oral Health and VMS.

To give you a sense of the growth opportunity we still have 50% of our net sales driven by two brands: Panadol and Sensodyne.

Reflecting our strong market positions, we are well placed to both leverage our portfolio and execute strategic initiatives to generate further growth through expanding our brand offering, which is driving growth of Centrum, and through supply chain and go-to-market strategies.

### **Strong route-to-market and commercial excellence across all channels**

Now let's move to the third strategic priority in EMEA LATAM to drive sustainable growth which is about excelling in commercial and digital execution across all channels.

This is a topic which is close to my heart, and excelling in this requires relentless focus on being brilliant at the basics on one side, but also constantly looking for ways to evolve how we do things on the other.

We hold the number one position in Pharmacy which accounts for 60% of sales in the region and which I'll cover separately.

The mass market is very important and accounts for 35% of sales and here we have very strong reach, with a more than 80% weighted distribution.

Now, e-commerce is a relatively smaller proportion of the region's sales, but is growing at around 30% per year, and its contribution to the overall sales mix in the region varies from 1% to 14%, given the variety of regulatory environments and digital maturity across the countries.

We are number one in digital OTC in Russia and in the UK we have more than 25 per cent market share, growing ahead of the UK market.

In line with our strategy to win in e-commerce, we have been investing in capabilities across all 7 business units, and we have been supplementing this by our Digital Accelerator Hub, which leverages know-how from third parties and accelerates the scaling of learning from different use cases.

Before talking through Pharmacy in more detail, let me share a short video to show you some of our shopper capabilities, which we apply across channels.

## **Video**

### **Leading in Pharmacy through continuous focus on commercial excellence**

Expanding on our performance in Pharmacy, we are around one and a half times the size of our nearest rival in OTC in this channel.

We have a number of important competitive strengths here. These include a dedicated sales force at scale, with digitally enabled account management and in-store execution capabilities.

This is key to manage and generate demand by maximizing the point of sale potential and by improving shoppers' experience.

Additionally, a core element of our integrated pharmacy strategy is distinctive expert engagement.

Here, the purpose is to help Healthcare professionals to best serve their own customers, through deep understanding of the distinctive science behind our products and their effectiveness in meeting specific patient needs.

Healthcare professionals are engaged face to face through our dedicated field forces, but also leveraging digital solutions like our proprietary Health Partner portal and webinars.

### **Running a responsible business, integral to all we do**

As in the other regions, we know that running a responsible business is integral to all we do.

Here you can see a number of our important initiatives to reduce carbon and CO2 emissions as well as water consumption in our sites across the region.

In addition, we are innovating to create more sustainable products based on renewable materials, such as the first carbon neutral toothbrush in Germany.

You are going to hear a lot more about Haleon's ESG initiatives from my colleague Teri.

**Haleon: Leader in EMEA & LATAM, a region with compelling opportunities for growth**

In summary, Haleon is the leader in the EMEA LATAM region, with an attractive and balanced growth profile across the diverse markets in which we operate.

We have clear competitive strengths and we are well positioned to execute on the strategy I have outlined today.

Personally, I am excited and confident about our prospects as we drive our business forward from the strong base that we have built up over a number of years.

We have the portfolio, the people and the passion to deliver.

With that, we will now pause for a break before Teri. We will see you again in 15 minutes. Thank you.