Haleon Full Year 2022 Results

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Full Year 2022 Results

Brian McNamara

Chief Executive Officer, Haleon

Hello everyone. Welcome to our first full year results presentation. As you will have seen, Haleon had an extraordinary year! Following our demerger from GSK, we have remained intently focused on building our track record of growth.

As we close the fiscal year, I'm very proud to tell you about what our team has accomplished.

Not only have we achieved the ambition of becoming the first listed company, 100% focused on consumer health with a compelling purpose to deliver better everyday health with humanity, but we have done it while delivering quality growth across our categories, brands, and geographies. Simply put, we're executing the ambitious strategy we laid out at our Capital Markets Day.

Clear Approach delivering our growth ambitions

We produced the results we're announcing today by capitalising on Haleon's competitive advantages. I'm talking about our world-class portfolio of category-leading brands which are trusted by millions of consumers globally, as well as our ability to combine deep human understanding with trusted science.

We have a clear strategy to drive growth. The first element of that strategy is to continue to drive more household penetration. And, we'll be aiming to increase the number of consumers in the categories where we compete.

The second key part of that growth strategy is capitalising on new and emerging growth opportunities across channels, and geographies, as well as by expanding our portfolio.

We will develop these sources of growth by maintaining our strong focus on both execution and financial discipline to improve profitability. In turn, that will support our reinvestment in growth opportunities.

And finally, acting responsibly is right at the heart of everything we do here at Haleon. And, I say that not just because it's the *right* thing to do but because it's good for business.

Through the combination of all these factors, we are growing Haleon into an exceptional company, and a category leader.

Full Year Results

So, let's take a look at the results in more detail.

We are happy with our overall performance this year the highlight of which was our strong revenue growth. Our overall organic sales growth was up 9%. That's ahead of the guidance range of 8-8.5% we provided at our Q3 update. Importantly, we saw a healthy balance of price and volume mix across the year, with price at 4.3% and 4.7% volume mix.

There were several factors contributing to our sales performance, but I'd like to point out a few highlights: Importantly, our Power Brands led the way with 10.1% growth, and contributed close to 70% of the group's growth. Category-leaders like Panadol, Theraflu, Otrivin and Advil all performed particularly well. And local growth brands were up strongly. Brands including Caltrate, Robitussin and ENO, contributed around 20% of overall growth. Over the course of the year, about two thirds of our business either gained or maintained share.

We are also making good progress on our commitment to bring down leverage. We generated strong cash flow and our net debt leverage now stands at 3.6x. Moving to profits, our adjusted operating margin came in at 22.8% which is flat on a reported basis. Our full year adjusted operating profit was up 6% at constant currency. Our operating leverage, pricing, and integration synergies combined to offset the standalone costs, cost inflation and adverse foreign exchange we saw during the period. You'll hear more about these financial metrics from Tobias in a minute.

Despite the macroeconomic factors we've had to navigate we are confident in the measures we've taken to manage the business. Looking at Q4 specifically price was healthy, and volume mix was flat. And, we had a tough comparator from Q4 last year where we saw a significant uptick in volumes as a result of capacity coming on stream in North America and the impact of Omicron around the world.

I continue to be optimistic about the resilience of our portfolio. Overall, the business has not been significantly impacted by a move to private label or downtrading. In fact, in the US we gained share on private label across the majority of our portfolio. However, there are some areas and certain brand category combinations where there has been some downtrading. We're talking about things like preventative antacids and smoking cessation. So, the business continues to perform well. And encouragingly, the momentum we saw in Q4 has continued in the first couple of months of 2023.

For me, that reaffirms my strongly-held belief that Haleon – with our unique model, competitive advantages, compelling purpose to deliver better everyday health with humanity, and great people is well positioned to manage through challenging times like this.

Now, I'd like to take a closer look at our portfolio performance.

Oral Health

Outperformance: all three Power Brands gaining share

In Oral Health, we maintained our track record of market outperformance, with 5.6% growth. In fact, sales growth has been running at roughly double the rate of the overall market with our three Power brands – Sensodyne, Parodontax and Polident/Poligrip – all gaining share. Sensodyne delivered mid-single digit growth, while Parodontax and Polident/Poligrip produced high single digit growth.

These results are underpinned by a series of winning innovations. As an example, we launched Sensodyne Complete Protection in 18 markets. Complete Protection is a brand-new formula, that's proven to deliver superior cleaning. We also launched Poligrip Power Max Hold Plus - with its precision nozzle in more than 15 markets. And, it's already outperforming the overall category. The growth we've achieved through innovations like these has been supported through our geographic expansion. For instance, we launched Parodontax in both South Africa and India. And, we tailored the product to suit local consumers then applied excellent execution to achieve successful launch in market.

That good global growth was partially offset by some COVID -19 weakness in China and the ongoing conflict in Russia and Ukraine. But overall, we are really encouraged by what lies ahead for Oral Health.

Now, let's look at Vitamins, Minerals and Supplements.

Vitamins, Minerals & Supplements

Good growth despite tough H2 comparators

Here, we had solid organic growth of 5%. The second half of the year wasn't quite as strong as the first, which we expected. That's a result of benefiting from new capacity coming on stream 12 months ago in North America. We also had some Covid-related spikes in demand last year. We're feeling really good about the sub-categories we compete in and our portfolio of brands. Just look at Scotts, BeTotal and Calsource. They're all local growth brands, and all delivering double digit growth.

Our ability to keep innovating has increased our penetration with younger households. And you can really see what I mean when you look at Emergen-C Kidz in the US and Caltrate Milk Calcium Gummy in China. We also got very encouraging growth from geographic expansion especially in key markets like Middle East Africa and Latin America. In India, we achieved a 10% market share within 3 months of launching our multivitamins on Amazon.

Finally, we leveraged our trusted science, as we always do to further differentiate ourselves from our competitors. Just look at the clinical study on Centrum Adult Silver tablets. That study clearly demonstrated positive results on the cognitive capabilities of people 65 and older.

OTC: Pain Relief

Driving growth through agility and execution

In the over-the-counter pain relief category, we delivered 8.9% growth. Here, the standout was Panadol, which continued to outperform on the back of a prolonged cold and flu season.

Our agility was the key element to our success. Over the past few years, we have seen demand for Panadol across markets increase significantly from pre-Covid 19 times. We have doubled our production in that time, to help meet the elevated demand while simultaneously having to navigate supply issues.

We also showed excellence in execution. Panadol's 'Take Care' campaign was very successful. It launched in over 10 markets with an initial message focused on post-covid vaccination benefits during the first half. The message was then adapted for the cold and flu season in the second half. Advil continued its strong US performance, with excellent market execution. And as the RSV virus surged across Canada, we worked closely with the Government to help parents deal with the unprecedented surge in medication needs for children with our Advil Kids brand.

Voltaren generated low single digit growth. That performance was driven by the trend that shows topical consumption to be lower when people are relying on more systemic pain relief. Nevertheless, we still delivered strong growth in the US, thanks in part to the second wave of our 'Voltaren Caregivers' campaign in November.

OTC: Respiratory Health

Well positioned to capitalise on demand

A prolonged cold and flu season, combined with several new innovations and solid commercial execution all contributed to organic sales growth in OTC Respiratory of

32.6%. Importantly, we grew overall share in the Respiratory category. Theraflu was an important contributor to our success here, thanks to improved penetration in the U.S.

This was supported by innovative launches such as Theraflu Max Strength, which we brought to market early in the flu season, with a full product range across three different formats. And our solid commercial execution allowed the brand to perform strongly.

OTC: Digestive Health and Other

Mixed trends across three sub-segments

In Digestive Health and Other, we increased organic sales growth by 2.9%, consistent with a typical historical run rate for what we usually see in this category. In fact, we saw mixed trends across the three segments.

In Digestive Health, our brands in the immediate relief antacid category such as TUMS, saw growth. We saw challenging conditions in the preventative antacid market and that impacted Nexium. Skin Health grew high-single digit, whilst Smoking cessation, which makes up about a quarter of this category and tends to be more volatile declined.

Performance underpinned by strong execution and financial discipline

Since the de-merger, we have successfully operated as a standalone business and maintained our focus on driving efficiency. But, at the same time, we want to remain agile enough to make the investments required to deliver positive returns. We have delivered the final Pfizer synergies, and we've taken the aggregate annual synergies to over £600 million.

Responsible business integral to our strategy

Taking a step back from our financial performance I'd like to take a minute to talk about running our business responsibly and how key that is to our strategy.

At Haleon, we are on the path to making everyday health more inclusive and accessible. We have a unique opportunity to create solutions to the social and environmental challenges that hold people back from improving their everyday health.

We're continuing to progress against the environmental targets we set out at our Capital Markets Day. And, I'm delighted to say that across our own sites, Haleon was 100% powered by renewable electricity in 2022.

We're also committed, as I've mentioned to playing a leading role in making health more inclusive. Just one example of that is our collaboration with Microsoft to expand the functionality of the Seeing AI app for use on our products. That incredible tool helps consumers who are blind, have low-vision or low literacy to access essential information on our labels. After scanning the barcode on a Haleon product the Seeing AI app audibly narrates the use and safety information for consumers to hear.

These initiatives are just a few of the many ways we are staying true to our purpose to deliver better everyday health with humanity. We've made great strides on that front, and I'm encouraged by what else we have in store.

So, as you can see, Haleon had an extraordinary year. We've executed our strategy, built on our track record, and delivered quality growth. With that, I'd like to hand over to Tobias to talk you through the numbers and to show you how our strategy is delivering results across Haleon.

Full Year 2022 Results

Tobias Hestler

Chief Financial Officer, Haleon

Thank you Brian, and good morning everyone. I will mostly focus on our adjusted results as this is the most meaningful way to understand our performance. A full reconciliation of our adjusted to IFRS results can be found in our results press release published today. Let's look at the headline numbers for 22.

Key Financials

2022 Delivering strong results

We continued to deliver strong results proving that our strategy across the business is delivering growth even in a difficult environment. Revenue of £10.9 billion reflected 9% organic revenue growth with a healthy balance of both positive volume mix and price.

Adjusted operating profit of £2.5 billion up 5.9% constant currency resulted in 22.8% margin, down 60 basis points, driven by adverse transactional foreign currency, as well as the ramp up of standalone costs as expected and previously guided.

Finally, the business continued to be highly cash generative with £1.6 billion of free cash flow, including a £435 million outflow mainly related to separation, costs. As a result, we finished the year with reduced leverage of 3.6x.

Turning to the drivers of revenue growth.

Strong FY revenue growth

Healthy balance of volume/mix and pricing

Revenue increased 13.8% to £10.9 billion on a reported basis. There was a 500 basis points benefit from favourable foreign exchange, mainly related to sterling weakness against the US dollar and Chinese renminbi.

Minor disposals carried out in the year, as well as a decline in manufacturing services resulted in a net 20 basis points drag on reported growth.

All in all, we delivered 9% organic sales growth, importantly with 4.3% price and 4.7% volume mix.

Broad based growth across categories

Healthy balance of price and volume/mix

Brian has gone through the growth drivers and performance by category. It's worth highlighting that our business has demonstrated resilience over the last three years, consistently growing in the 4-6% range even excluding the swings from cold and flu.

As Brian mentioned, the year has started well. I am particularly encouraged that Pain Relief and Respiratory have continued to deliver good revenue growth despite tough comparatives. This reassures us that stock levels are healthy with no excess stock from the end of last year. It's fair to say, at least in the short term, growth is likely to be more weighted towards price than volume mix.

Now let's take a deeper look at Respiratory and VMS.

Respiratory

Q4 cold and flu incidences ahead of 2019 and 2021 levels

Starting with Respiratory and Cold and Flu. As I've said before, it is becoming increasingly difficult to split individual year on year movements given elevated cold and flu rates, as well as Covid or RSV symptoms which are flu like in nature.

The data on this chart shows cold and flu weekly industry sell-out data for the US market. The grey shaded area in this chart is pre-pandemic sales, which is indicative of a normal season – low cold and flu sales in the summer and a higher level in the winter. The green and black line show sales in 21 and 2022. And the purple line is the first few weeks of 2023.

While this data is for the US market, we have seen broadly similar trends in other geographies. So first, starting in the middle of the chart, we saw sustained cold and flu demand through the summer, ahead of pre-pandemic levels, and this was very different to 2019. When looking at this year's season, at the end of 22 and the beginning of 23, you can see that demand spiked early in November/December but came down in January and February. The prior year season, across 21 and 22 the peak happened later at the very end of December and then dropped down below pre-pandemic levels in February and March. This compares to 2019 when there was less of a peak but higher consumption throughout the first quarter. So, it's fair to say, a few weeks data points tend not to tell the story of the full season.

Note that this chart shows sell-out data from pharmacies and retail outlets. There is a mismatch to our sales, as we largely stock-up the market in Q3 ahead of the consumption peak.

So, stepping back, whilst there is and always will be some short-term volatility in cold and flu, nothing has changed in our view that this remains an attractive category that remains relevant and where we have a high-quality portfolio of leading brands.

VMS

Underlying consumptions remains strong

Now, coming back to VMS. The VMS market is fragmented with a number of sub-categories such as nutrition, mineral supplements, and herbals where we don't have a presence and then depending on which market definition you look at some providers even include other products (for example energy drinks) in their category definitions. Our portfolio is a focused part of the overall market, in attractive sub-segments.

In the US, which is about a third of our VMS business, you can see on this chart that we saw significant category demand, particularly for immunity products during Covid waves. The last wave created a strong comparator which we are now lapping. There is also an element of seasonality in some sub-categories which see higher demand during winter.

As a reminder, globally, our business is more weighted towards Asia Pacific which is over 40% of our VMS revenues and grew high single digits. And as Brian mentioned, VMS has shown strong growth, supported by both Centrum and our range of local growth brands across all three regions.

Turning now to our regional segment performance.

Strong revenue growth across regions

We delivered strong organic revenue growth across all of our regions, and all with a healthy balance of price and volume mix. Our emerging markets, which are a third of our revenues, saw broad based growth, up 16% with particular strength in India, Latin America and the Middle East. Developed markets saw good growth, up 6%.

Now let's look at the regions in more detail.

North America

Healthy balance of price and volume/mix

Starting with North America.

Organic revenue increased 5.9% with 2.9% price and 3% volume/mix. During the final quarter, organic growth was 1.6% with 3% price and a 1.4% decline in volume mix which was driven by lapping of a tough comparative in 21 where we increased the supply of Advil, Centrum and Emergen-C. Also, volumes were impacted by a reduction in inventory positions at a number of retailers, particularly towards the end of the year along with a recall of Tums which now has been resolved.

Sensodyne continued to perform well with consumption up mid-single digit for the year. Our other growth driver, Parodontax saw strong growth. This combined with mid-single digit growth in Denture Care offset a decline in Aquafresh.

VMS revenues were down low single digit with growth in Emergen-C partly offsetting a decline in Centrum from the tough comparative I mentioned earlier.

Pain Relief was up high single digit given pricing and strong demand for Advil.

As covered earlier, Respiratory Health was up in the mid-thirties percent benefiting from sustained incidences of cold and flu.

Adjusted operating margin increased 250 basis points to 26% and increased 130 basis points on a constant currency basis. Margin expansion was driven by strong pricing combined with productivity improvements including sku rationalisation and improved logistics productivity which taken together more than offset commodity and freight cost pressure and costs from being a standalone company. It is worth bearing in mind, the increase also reflects favourable comparatives, as the prior year included site investments and some one-time manufacturing write-offs.

Turning to Europe, Middle East, Africa and Latin America.

EMEA & LATAM

Strong organic growth helped by pricing

Organic revenue increased 10.9%, with 6.4% price and 4.5% volume/mix. In Q4, organic revenue was up 6.8% with 8.8% price and a 2% decline in volume/mix. The decline in volume mix in Q4 largely reflected our reduced presence in Russia. Across the year, we saw strong growth in Middle East Africa driven by Sensodyne. In both Northern and Southern Europe, revenue was up high single digit with broad based growth, with the exception of Germany which was down. We are well underway in our plans to turn around this business.

Looking at the categories, Oral Health saw good growth with both Sensodyne and parodontax performing well. Denture care continued to recover following the removal of lockdown restrictions. In VMS, there was high single digit growth in Centrum and our local growth brands. Pain Relief revenue was up mid-single digit reflecting double digit growth in Panadol with a slight decline in Voltaren. Respiratory was strong up over 30% following the strong cold and flu rebound in Q1, and Digestive Health and Other saw sales up double digit.

Adjusted operating margin declined by 190 basis points or 200 basis points constant currency largely driven by standalone costs, adverse transactional FX which I will explain further in a moment, and a one-time adverse impact of stock and receivable write downs related to our business in Russia and Ukraine. Higher commodity and freight costs were fully offset by strong operating leverage and efficiencies across the business.

Finally, turning to Asia Pacific.

Asia Pacific

Organic growth driven by strong volume growth

Organic revenue increased 10.6% with 2.6% from price and 8.0% from volume/mix. During Q4, organic revenue growth was up 8.3% with 1.5% from price and 6.8% from volume mix. As expected, there was lower impact from pricing compared to other regions, given less pronounced inflationary pressures and price controls on certain OTC brands.

Over the year, the region delivered good growth, with double digit growth in Pain Relief and Respiratory Health whilst Oral Health and VMS were both up high single digit. China, our second largest market, was up 7% with performance largely reflecting the timing of Covid related lockdowns.

Adjusted operating margin decreased 100 basis points or 120 basis points at constant currency to 20.5%. The decline was largely driven by increased investment in A&P higher freight costs, along with costs from being a standalone company which more than offset the strong operating leverage and efficiencies delivered during the year.

Moving now to look at our operating performance.

Adjusted operating profit growth of 6% constant currency

As mentioned, revenue increased 13.8%. Adjusted gross profit was slightly behind this at 12.8% resulting in 50 basis point decline in margin. Strong increases in commodity and freight costs along with negative transactional FX could not fully offset in percentage terms strong pricing, synergies, efficiencies and mix benefits.

Adjusted operating profit increased 13.8% or 5.9% at constant exchange rates.

I will now go through the drivers of adjusted operating margin.

Navigating cost inflation with positive operating leverage

As I mentioned, we delivered £2.5 billion of adjusted operating profit resulting in a flat margin of 22.8% on a reported basis. Our margin was slightly below guidance shared at Q3 when I last updated you, this was mainly driven by a 5% movement in the US dollar and volatility in emerging market currencies against sterling by the end of the year which reduced the translational benefit on margin and transactional losses of about 30 basis points that came-in at the upper end of our expectation range.

As a reminder, as part of GSK we did not hedge transactional exposure but as an independent company, we are building capability in this area and as such, we expect this impact to reduce over time.

Looking at the bridge in more detail.

In 21, when we were a JV, we had a 22.8% margin. As a standalone company, we incurred new costs which were at the upper end of the £175 to 200 million range which I guided to, and we also changed our accounting application for SaaS given the majority of our software is in the cloud rather than on premise. Both these had a net 230 basis point drag on operating margin which was largely offset by the final delivery of Pfizer synergies across the business those were ahead of the £120 million I expected for the year.

The 9% organic growth resulted in 40 basis point positive operating leverage with the business absorbing inflationary cost pressures and significant freight costs as we shipped for unexpectedly strong demand. We also incurred higher staff incentive costs for sales results and cash flow being stronger than anticipated.

A&P spend for the year was flat constant currency. It is worth taking a moment to reflect on a number of factors which impacted this spend. First, we ceased advertising in Russia. Second, there were savings and benefits in non-working A&P for example, from bringing production in house and negotiations capitalising on our scale. As a result, our consumer facing A&P spend, was up 6% disproportionately supporting our Power and Local Growth brands. Taken together, this reflects an unusual year for A&P spend which I expect will increase in 2023, more in line with the model I laid out at the Capital Markets Day.

In terms of FX, we had a 30 basis point head wind from transactional FX losses largely from our manufacturing facilities in Switzerland and our operations in emerging markets where there is a mismatch between our trading currencies and the currencies where we purchase our raw materials and manufacture goods. Naturally, this will also impact 2023, particularly in the first half. Beyond this, there was also a £171 million or 60 basis point benefit from movements in foreign exchange rate on a translational basis. Taken together, this resulted in a 14% increase in Adjusted Operating profit to a 22.8% operating margin.

3% Adjusted EPS growth driven by strong operating profit, offset by interest costs

Taking you through the other items in the P&L, our interest charge of £207 million does not reflect a normal full year of interest costs given we issued bonds in March. As such, we had £258 million of expense related to the gross debt partly offset by interest income of £51 million mainly related to the on-lend of funds to GSK and Pfizer before the demerger. For 2023, I currently expect a net interest charge of around 350 million reflecting a full year of carrying the bonds and the absence of interest income we received in 2022.

Our Adjusted tax charge was £506 million representing an effective tax rate of 22.3%. For the full year 2023, I expect the adjusted effective tax rate to be between 23 and 24% reflecting increases in the UK, US and Switzerland.

Overall, this resulted in adjusted earnings per share of 18.4 pence, up 3%.

Adjusting items largely non-cash impairment, separation and admissions costs

Turning to the adjusting items. As guided, the year was heavily impacted by the costs to separate Haleon and the listing of the company.

Taking these in turn; first of all, there was a £129 million non-cash impairment charge driven by a movement in discount rates which impacted Preparation-H given the low headroom we had on this brand relative to others. Separately, we impaired a brand that was largely sold in Russia and Ukraine.

Restructuring costs were significantly lower at £41 million as we reached the end of the Pfizer integration.

As guided, we incurred the majority of separation and admission costs in 2022 at £411 million. As you'd expect, these costs will be significantly lower going forward.

Moving to look at cash.

Strong free cash flow generation

Our business model is highly cash generative, and we are very focused on cash.

For the year, free cash flow was £1.6 billion which included a £435 million of cash outflow from separation, restructuring and disposals. During the year, there are several key items to note which impacted the cash flow.

The cash tax in 2022 was abnormally low compared to our P&L tax charge largely due to refunds received related to prior years. Going forward, our adjusted P&L tax rate is indicative of our effective cash tax rate.

The net interest payment of £144 million differs from our P&L charge largely due to the timing of coupon payments on our bonds which are mainly in September and March. The cash interest cost will catch up with the charge in the P&L from this year onwards.

As expected, we had an outflow of £48 million for non-controlling interests mainly related to our joint ventures in China and Taiwan.

Net capex was £292 million, nearly double the level of last year. This is simply due to the prior year having £113 million of higher disposal proceeds. Net Capex remained in line with prior guidance at 3% of sales, with spend focused on manufacturing sites, technology and automation.

Debt reduction since demerger

Turning to Haleon's debt and liquidity profile. As a reminder, pre-separation we secured our long-term capital structure with the issuance of just over £9 billion of notes and a £1.5 billion term loan with no financial covenants. Most of our debt is long-term bonds with a weighted average duration of 7.8 years.

Since demerger, we have fully repaid our £1.5 billion term loan through a combination of operational cash flows and £300 million of commercial paper issuance, finishing the year with leverage of 3.6x net debt to adjusted EBITDA and net debt of £9.9 billion. This compares to net debt of £10.7 billion at separation.

Looking at our debt portfolio in more detail, during the fourth quarter we swapped £0.9 billion of debt into Chinese renminbi which allowed us to even better align our currency mix of debt with our currency mix of revenue. At the end of year, our net debt was 87% fixed and 13% floating.

We had £2.5 billion of liquidity at the end of the year, made up of £2.2 billion of undrawn bank facilities and £0.6 billion in net cash, less the £0.3 billion of commercial paper outstanding.

Given our strong cash generation, I now expect to reach our leverage target of less than 3x net debt to Adjusted EBITDA during 2024, somewhat earlier than I guided to at the Capital Markets Day last year.

Outlook

Finally, let me turn to our outlook for 23. We expect to achieve organic sales growth in the 4 to 6% range in line with our medium-term outlook. We see another year of positive operating leverage which along with efficiencies will more than offset investment in the business and cost inflation. If current exchange rates hold, this will results in a broadly flat adjusted operating margin after around 40 basis points of adverse transactional FX. As I mentioned previously, interest expense is expected to be around £350 million and we expect an estimated tax rate on adjusted profit in the range of 23 to 24%.

Conclusion

In summary, Haleon is delivering strong performance, proof that our model outlined at the Capital Markets Day is delivering. We drove very strong free cash flow generation and have made good progress on bringing our leverage down. We will continue to invest in our brands, underpinning our confidence to deliver on guidance.

With that, I will hand back to Brian.

Brian McNamara

Chief Executive Officer, Haleon

Thanks Tobias. Before I close, I want to spend a couple of minutes taking you through the next exciting phase of our journey.

We are already seeing the benefits of being an independent company. We have a highly engaged Board, with rich consumer experience alongside an experienced management Team. As you'd expect, we've been engaged collectively in discussing our strategy. We came out of that with absolute confidence in the potential of the business and I'm more excited than ever about our future.

As you can imagine, as we worked toward our separation from GSK, our focus was on ensuring continuity for the business. Now fully up and running as an independent company, we have the opportunity to drive a more agile, productive and effective organization.

As part of that effort, we announced today that we will generate around £300 million of gross annualized savings largely in 2024 and 2025. We will use these savings to drive investment in growth across the portfolio as well as allow us to offset cost pressure.

We have also identified further opportunities to drive growth across our portfolio. We believe that our Power Brands will continue to drive disproportionate growth through better household penetration and through opportunities for geographic expansion. And we see opportunities to drive even more growth across our Local Growth Brands. As we've explained, these Local Growth Brands represent around 20% of overall sales and we expect them to see disproportionate growth. We plan to fully invest behind the opportunities we've identified.

We've also been clear that we will target bolt-on acquisitions. We will also be reviewing brands that might be right for divestment in areas where we see more limited growth opportunities. In all cases we will only do things that drive long term shareholder value.

Taken together, these initiatives reinforce and underpin my confidence in delivering on our medium-term guidance.

We will provide more details on all these initiatives as we go through the year.

Thank you for your continuing interest and support.