

17 Jul 2022 | Analysis

Euro Q2 Consumer Health Earnings Preview: Volatility, Delay, Upturn And Goodbye

by Tom Gallen

Major Europe-based consumer health players Bayer, Sanofi, Reckitt and GSK feature in this sales and earnings preview, which highlights what to look out for as these four firms report their Q2 2022 results over the coming weeks.

Bayer Points To Increased Volatility

Bayer maintained its positive outlook for Consumer Health back in May as it reported a strong double-digit rise in Q1 sales at the business. A favorable comparison with the prior-year period – when winter illnesses had been significantly reduced by pandemic social restrictions in key markets – helped lift Consumer Health sales by 20.8% to €1.51bn (\$1.51bn) and led the firm to confirm its full year sales growth guidance at 4-5%.

The company noted that while inflationary cost pressures were expected to persist, it would seek to offset these with pricing and ongoing efficiency programs. (Also see "[Bayer Sees Increased Demand Across All Consumer Health Categories In Q1](#)" - HBW Insight, 11 May, 2022.)

On Bayer's Q1 analysts call, CFO Wolfgang Nickl admitted that across all of the firm's businesses, including Consumer Health, it would have to deal with "a lot of uncertainty and volatility...be it the Ukraine war or COVID-19 or the supply and energy-

US Q2 Consumer Health Earnings Preview: Horizon Brightens Beyond Current Questions, Challenges?

By Malcolm Spicer

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Consumer health product firms' vistas include challenges of supply chain disruptions lingering from pandemic's impact as well as potential for marketplace restrictions as additional varieties of the novel coronavirus spread. Clouds also include shifts in consumer

related challenges we might face.”

Since Nickl made those comments the global macroeconomic picture has continued to deteriorate, exacerbated by the protracted war.

Bayer was one of the main beneficiaries of the pandemic-induced shift to preventative health measures, with sales at its dietary supplement Nutritionals category growing by 12% in 2021. But will consumers who are seeing their disposable income significantly squeezed continue to use supplements at the same level?

Ingredients supplier Chr. Hansen has warned the probiotic supplements industry in particular is facing a “very challenging time.” (Also see "[Chr. Hansen Flags Challenging Outlook For Probiotic Supplements Market](#)" - HBW Insight, 12 Jul, 2022.)

When Bayer reports its Q2 results on 4 August Consumer Health faces a tough sales comparison with the prior-year period. Turnover at Consumer Health was up 7.4% in Q2 2021, driven by a 12.3% rise in Nutritionals sales.

Sanofi Faces Cialis Questions

Alongside news of Sanofi’s Consumer Healthcare Q2 sales performance on 28 July, analysts will be just as keen, if not more so, to hear about progress related to the firm’s plans for the Rx-to-OTC switch of Cialis in US.

Paris-based Sanofi in April revealed it had received a key nod from the US Food and Drug Administration for its work on a switch new drug application for erectile dysfunction treatment Cialis (tadalafil) and planned to start an actual use trial for OTC Cialis before July. Sanofi noted the approval as a first for an ED-drug switch study and estimated it could launch Cialis OTC in 2025. (Also see "[Sanofi Starting US Cialis OTC Actual Use Study Soon While Tamiflu Switch Progress Delayed](#)" - HBW Insight, 28 Apr, 2022.)

However, just one month on Sanofi announced the FDA informed it that its planned actual use

spending, increases in costs caused by inflation and foreign exchange headwinds as the value of the US dollar strengthens against other currencies.

[Read the full article here](#)

Bayer Raises Consumer Health Guidance Following Double-Digit Gain In Q2

By Tom Gallen

06 Aug 2021

Bayer believes its Consumer Health business has the potential to grow at twice the rate of the global market in 2021 following a double-digit rise in sales in the second quarter.

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trial was “placed on clinical hold due to matters surrounding the protocol design.” At the time a Sanofi representative responding to HBW Insight questions said the firm couldn’t “disclose study design details as we are continuing to work with the FDA on next steps.” It also didn’t estimate when it would propose potential changes in the design to the FDA. (Also see "[Delay For Sanofi’s OTC Cialis Study In US Could Be Sign of Hurdles Holding Back Other Switches](#)" - HBW Insight, 31 May, 2022.)

Questions from analysts on the Q2 call are likely to include how the FDA’s apparent higher bar for switch approval will impact Cialis’ planned launch timeline. The switch is key to Sanofi’s strategy of adding \$1bn in sales to its Consumer Healthcare business by 2026, alongside the reclassification of influenza treatment Tamiflu, the launch of which has been delayed due problems with commencing the studies needed to support the application. (Also see "[Sanofi Counts On OTC Switches Adding \\$1bn In Consumer Revenues By 2026](#)" - HBW Insight, 11 Dec, 2019.)

Sanofi's Focus On Priority Categories Bears Fruit In Second Quarter

By [Tom Gallen](#)

30 Jul 2021

Sanofi says a double-digit gain for its Consumer Healthcare business in Q2 is evidence its new category prioritization strategy is paying off.

[Read the full article here](#)

As for the Q2 sales report, Sanofi is facing a tough comparison with the prior-year period when turnover grew by 11.9% at constant exchange rates, driven by double-digit rises for the Digestive Wellness and Pain Care categories.

The firm’s sales have benefitted from price increases this year but it has not forecast whether this will continue. “We’re obviously very closely monitoring the situation because, yes, we are increasing price,” said Consumer Healthcare head Julie Van Ongevalle responding to an analyst’s question on the firm’s Q1 call.

Reckitt Building On Solid Start

Like its peers Reckitt is facing inflationary cost pressures, but unlike many of them it does not have to deal with a high comparative with the prior-year period when it reports its results on 27 July.

Reckitt’s Q2 2021 Health business sales declined by 11.9% as the effects COVID-19 pandemic continued to impact demand for its cold and flu products. Reckitt’s vitamins, minerals and supplements category also continued to suffer with first-half sales down 15%.

The firm will be confident it can reverse these declines in Q2 given a solid start to the year which saw it increase its group like-for-like sales outlook to the upper end of its 2022 guidance of 1-4%. (Also see "[Reckitt's Q1 VMS Results Exceed Expectations Driven By Sales In China](#)" - HBW Insight, 2 May, 2022.)

Key to its Q1 performance was the revival of its VMS business, which since the start of the year has operated as part of the Health unit. (Also see "[Reckitt Restructure Seeks To Maximize Dietary Supplement Growth](#)" - HBW Insight, 22 Feb, 2022.)

While sales were moving in the right direction, Reckitt warned in Q1 that Russia's invasion of Ukraine had caused high levels of inflation, leading the firm to increase its inflation guidance to low to high teens. "Since February, we've seen about £250m extra costs in relation to inflation," CEO Laxman Narasimhan said at the time. "We're now facing inflation of close to high teens, which is around £1bn of cost of goods sold."

GSK Waves Goodbye To Consumer Health

GlaxoSmithKline will cease to operate in the OTC market from 18 July when its Consumer Healthcare business launches as a standalone entity under the name Haleon.

Following the demerger, GSK will not completely cut ties with Haleon, however, as it will continue to hold a stake of around 6% in the business. The pharma giant has also promised a trading update for Haleon when it reports its own results on 27 July. A full Q2 report from Haleon is not expected until September. (Also see "[EU Business News: Haleon Launch Date Set, BioGaia Pens Korea Deal, Revive Active Gets Investment](#)" - HBW Insight, 14 Jun, 2022.)

GSK Consumer Healthcare had a strong start to 2022 – with sales up 14% in Q1 – with management confident the business could achieve moderate margin expansion over the 12 months despite growing macroeconomic pressures. (Also see "[GSK Achieves Strong Sales Growth In Q1 Despite Cost Of Living Pressures On Consumers](#)" - HBW Insight, 27 Apr, 2022.)

Reckitt Sees Positive Signs For Cold & Flu Brands After Difficult First Half

By [Tom Gallen](#)

28 Jul 2021

Reckitt is seeing good signs in the US that cold and flu incidence is returning to more normal levels. However, the upswing came too late to materially impact first-half sales at its Health business, which posted turnover down 14%.

[Read the full article here](#)

GSK Highlights E-Commerce Gains As Sales Growth Returns

By [Tom Gallen](#)

29 Jul 2021

CEO Brian McNamara noted Consumer Healthcare was less exposed structurally to inflation costs as many of its consumer peers. “If you look at the commodity and commodity-related costs, it's less than 10% of our overall sales,” he pointed out.

Asked on the Q1 call if he was concerned that cost of living affordability issues would force consumers to downgrade from the company's premium brands to

cheaper alternatives, McNamara said he was yet to see such a change in behavior. However, the firm remained “focused and conscious of where and how” it increased prices.

Consumer Healthcare's showing in the prior-year period was mixed. Total sales advanced by 3% at constant exchange rates as double-digit gains in pain relief and oral health were held back by a mid-single-digit decline for vitamins, minerals and supplements.

GSK is continuing to invest in e-commerce and sees opportunities for online growth in its "underdeveloped" dietary supplements category. Better e-commerce sales helped to drive up GSK Consumer Healthcare's Q2 turnover by 7% at constant currencies.

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