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US Q4 Consumer Health Earnings Preview: Will Demand Or Shortage Have More Impact?

by [Malcolm Spicer](#)

Demand for OTC pain relievers and cough/cold products jumped prior to October-December and remained high during quarter due to consumer concern not only about flu but also RSV and additional COVID-19 mutation. US and Canadian firms marketing OTC drugs and supplements also will be offering additional signals on planned spinoffs of consumer health businesses.

High demand for OTC cough/cold and pain relief remedies in the US and Canada almost certainly point to consumer health firms reporting strong sales growth in the most recent quarter, with results for the Vicks line the first barometer as [Procter & Gamble](#) is first out of the sales-and-earnings gate.

US and Canadian firms marketing OTC drug and dietary supplement and reporting results for the October-December period also will be offering additional signals on planned spinoffs of their consumer health business, in the case of [Johnson & Johnson](#), and on early results from completed separations, as with Bausch + Lomb Corp.

The sales and earnings for those businesses remain key for their current or former parent firms, which will make or have made them standalone companies but which will keep or have retained around 90% ownership.

Demand for acetaminophen, ibuprofen and other OTC pain relief ingredients and for cough/cold drugs including dextromethorphan, guaifenesin, phenylephrine and others jumped prior to the October-December and remained high during the quarter due to consumer concern not only about seasonal influenza but also respiratory syncytial virus and an additional COVID-19 mutation.

Raymond James analysts in October, before RSV concerns were widespread, forecast the 2022-2023 cold and flu season rivaling the decade-high levels from 2017-18 on a combination of Rx cough/cold drugs sales increasing and consumers' apparent waning interest in receiving flu vaccines. (Also see "[Strongest US Cough/Cold Season In 10 Years Likely](#)" - HBW Insight, 17 Oct, 2022.)

They wrote that "early indications on cough/cold market dynamics suggest the 2022-23 season will be nothing to sneeze at and could blow past levels not seen since at least 2015."

Since then, Canada reported a shortage of OTC children's pain relievers after consumers in August began stockpiling due in response to high levels of activity in COVID-19, RSV, seasonal flu and other viruses. Health Canada in November approved imports of more than 1m products on "a temporary exception" allowing the products to be sold in the country without required labeling. (Also see "[Canada Responds To Children's OTC Pain Reliever Shortage Linked To Consumers 'Panic Buying'](#)" - HBW Insight, 25 Nov, 2022.)

And in the US, the pharmacy industry earlier in January asked the Food and Drug Administration to increase the supply of acetaminophen and ibuprofen oral suspensions through enforcement discretion allowing pharmacies to compound those ingredients for OTC dosages. (Also see "[US Pharmacy Groups Ask FDA To Allow Compounding OTC Pain Relief Doses](#)" - HBW Insight, 10 Jan, 2023.)

Pharmacy trade groups contacted the FDA after the agency in December said it expects an increase in the US supply of children's OTC pain relievers due to the potential for a widespread jump in demand. It is working with manufacturers "to understand, mitigate and prevent or reduce the impact of intermittent availability of certain products." (Also see "[US FDA, Industry Prepare For Potential Spread Of Surging Demand For Children's Pain Relief OTCs](#)" - HBW Insight, 2 Dec, 2022.)

The Consumer Healthcare Products Association also said it was aware of a jump in demand for children's OTCs in some parts of the US; its members are operating at full capacity and not experiencing widespread shortages.

Euro Q4 Consumer Health Earnings Preview: Sanofi, Bayer, Reckitt And Haleon

By [Tom Gallen](#)

19 Jan 2023

Major Europe-based consumer health players Sanofi Bayer, Reckitt and Haleon feature in this sales and earnings preview, which highlights what to look out for as these four firms report their Q4 2022 results over the coming weeks.

[Read the full article here](#)

Most recently, the Massachusetts congressional delegation contacted J&J to ask why consumers across the state “are experiencing a shortage” of the firm’s OTC pain relievers in children’s formulations and are “still visiting store after store only to find empty shelves.”

J&J Sustains Control In Pending Kenvue IPO

J&J isn’t sitting on its consumer health hands approaching an initial public offering of shares to spin out the business, established as Kenvue Inc.

In October, the New Brunswick, NJ-based firm announced consumers living in central London could its consumer health products delivered in minutes, around the clock through a partnership with online retailer Zapp. (Also see "[Londoners Get J&J Brands 'In Minutes' 24/7 Via Zapp Partnership](#)" - HBW Insight, 12 Oct, 2022.)

More digital-driven changes should be coming for Kenvue, which J&J plans to separate in late 2023, its president of global self-care and consumer experience organization, Manoj Raghunandanan, told HBW Insight in October. (Also see "[J&J's Manoj Raghunandanan On Becoming A 'Digital First' Consumer Health Company](#)" - HBW Insight, 10 Oct, 2022.)

Raghunandanan said technology isn’t something to bolt on to consumer health, but something that must be placed at the very center of pure self-care firms like Kenvue. Technology is key for consumers in meeting rapidly evolving healthcare needs, he added, and for resolving “friction points” in everyday self-care experience.

J&J also announced Kenvue – a combination of “ken” meaning knowledge and primarily used in Scotland and “vue,” implying sight – as the name of the planned standalone business in October. With a name absent a link to J&J, it emphasizes a total division between the consumer business unit and its core pharmaceutical and device businesses. (Also see "[Branding For J&J's Kenvue Cements Consumer Division Separation](#)" - HBW Insight, 7 Oct, 2022.)

However, Kenvue’s Security and Exchange Commission Form S-1 Registration Statement filing explains that J&J will hold a majority of shares and will control the separated company.

As long as Johnson & Johnson beneficially owns a majority of the voting power of our outstanding shares of common stock, Johnson & Johnson will generally be able to control the outcome of matters submitted to our shareholders for

- On 24 January, J&J will report its latest results after in October reporting worldwide consumer results slipped 0.4% to \$3.8bn on a 2.1% increase in the US offset by 2.3% international decline. Overall, it reported sales of \$23.79bn, up 1.9%, and net of \$4.56bn, up 21.6%; earnings per dilute share increased

approval, including the election of directors, without the approval of our other shareholders,” according to Kenvue’s S-1 form.

Following the completion of [the planned IPO], Johnson & Johnson will continue to control the direction of our business, and the concentrated ownership of our common stock may prevent [other shareholders] from influencing significant decisions,” it says.

Attorneys specializing in securities law said the language isn’t unusual in S-1 statements in that parent firms, across industries, typically retain control of spinouts. A separated business’s performance could lead a parent firm to divest its majority share, but keeping a controlling stake initially ensures it will continue making decisions for the business.

J&J in August announced Larry Merlo, who was president and CEO of CVS Health from 2011 to 2021, as non-executive chair designate for Kenvue . In May, it said its current consumer health division head, Thibaut Mongon, will be at the helm of the spinout while the division's CFO, Paul Ruh, will move with the separation.

P&G Targeted Digital Advertising On Target?

Procter & Gamble on 19 January likely will report strong growth for its extensive Vicks cough/cold line while escaping questions and accusations concerning the shortage of children’s OTC pain relievers, formulations it doesn’t market.

In November, the Cincinnati-based firm’s leadership stressed to investors that the health of its brand building activities cannot be inferred from marketing spend alone.

P&G, the largest advertiser worldwide followed by Amazon Inc. and Unilever PLC, achieved the same or better outcomes via targeted digital advertising, at lower cost, compared with traditional approaches. (Also see "[P&G Leaders On Precision Digital Marketing, Why Less Can Be More](#)" - HBW Insight, 28 Nov, 2022.)

22.6% to \$1.68. (Also see "[Checking Boxes Toward Consumer Health Spinoff, J&J Notes Costs For Preparing To Change](#)" - HBW Insight, 18 Oct, 2022.)

- In October, the firm reported sales for the July-September period, its fiscal year 2023 first quarter, reached \$20.6bn on 1% net sales growth. Growth was driven by a 9% increase from higher pricing and a 1% boost from positive product mix, partially offset by a 3% decrease in shipment volumes. Analysts’ consensus had projected 5.5% organic sales growth for the quarter. P&G performed well despite supply chain constraints, accelerating

With its results in October, P&G noted soaring costs drove reduced marketing spend for the second quarter in a row.

P&G executives also told investors that they're raising the bar for its "irresistible superiority" program for products, packaging and communications amid rising macroeconomic and competitive pressures. It launched the approach in 2017, targeting best-in-class innovation and execution across its portfolio of products, packaging and communication.

(Also see "[P&G Recalibrates 'Irresistible Superiority' As Economy, Competition Tighten](#)" - HBW Insight, 28 Nov, 2022.)

headwinds from foreign exchange, COVID-19 disruptions impacting consumer confidence and historically high inflation impacting consumers' budgets. (Also see "[P&G's Organic Growth Despite Market Volatility: Validation For Firm, Surprise For Analysts](#)" - HBW Insight, 19 Oct, 2022.)

Perrigo Moves On Formula, Waits On Opill NDA

Investors could be forgiven for overlooking that [Perrigo Company PLC](#) expanded its infant formula business during the October-December period by acquiring the Good Start formula line marketed in the US and in Canada along with a formula plant in Eau Claire, WI, in a \$170m agreement with Swiss firm Nestle. (Also see "[Perrigo Adds Good Start Brand In \\$230M Statement On Boosting Infant Formula Production Capacity](#)" - HBW Insight, 1 Nov, 2022.)

Dublin-based Perrigo also said it would invest \$60m to expand by 7m the current 29mil pound annual production capacity of the plant within 18 months. The capacity expansion will be equal to more than 100m 8-ounce bottles while also adding a total of 36m pounds of capacity to Perrigo's current formula manufacturing capacity.

Still, that news may not be front of mind for investors with the first new drug application for OTC sales of a daily oral contraceptive submitted in July by Perrigo's HRA Pharma business pending at the FDA.

The agency's timeline for a decision on a switch of 0.075-mg norgestrel, a progestin-only formulation branded Opill, was pushed back 90 days from an initial date of May 19, 2023, in October when the FDA postponed an advisory committees' meeting scheduled for 18 November to discuss HRA Pharma's NDA because it needed additional information and time

- During the third quarter, Perrigo, which will publish its latest results on 28 February, worked to catch-up on demand for its OTC cough/cold lines, likely missing \$11m in revenues from the

to review it. (Also see "[US FDA Requests More Information, Needs More Time To Review Birth Control OTC Switch Proposal](#)"

- HBW Insight, 26 Oct, 2022.)

While the FDA's request for additional information wasn't unusual as a part of the agency's evaluation of NDAs, whether its handling of HRA Pharma's proposal for the country's first OTC daily oral contraceptive continues along a normal,

expected arc is a question which prompts concerns. (Also see "[Opill AdCom Delay Not Unusual – Will Evaluation Of US OTC Switch Proposal Continue In The Norm?](#)" - HBW Insight, 2 Nov, 2022.)

Seeking an advisory panel's recommendation, and likely asking for a broader discussion of nonprescription access to birth control drugs, also is typical for the FDA.

However, the agency likely won't ask its advisors to discuss the safety and efficacy of a daily oral contraceptive. Like other proposals that would make a category of drug available OTC in the US for the first time after a long Rx history of safety and efficacy, an advisory committee discussion promotes transparency into the FDA's decision.

Herbalife Returns To Experience At Helm

[Herbalife Nutrition Ltd.](#) reports its latest results for the second straight quarter with Michael Johnson at the helm, though it recently removed "interim" from Johnson's CEO title after he was appointed temporarily in October to replace about 90 minutes before the firm reported a 9.5% decrease in its third-quarter net sales to \$1.3bn.

Herbalife, which has scheduled publishing its full-year and fourth-quarter results on 22 February, earlier in January announced it will pay Johnson a \$1 annual salary along with long-term stock incentives in his third stint at the helm. He previously was CEO from 2003 to 2017 and from 2019 to early 2020, as well as chairman from 2007 to early 2020. (Also see "[Twice Retired Herbalife CEO Johnson Returns To Helm For \\$1 Salary Plus Stock Incentives](#)" - HBW Insight, 12 Jan, 2023.)

The Los Angeles-based nutrition, weight loss and wellness supplement direct seller is emphasizing digital sales, as businesses across consumer packaged goods sectors have for a decade, after the major channel for sales by its independent sales associates, meeting directly and regularly with customers in "nutrition clubs," has faded due to COVID-19 shutdowns on consumer activity, particularly in China, a key market for Herbalife. (Also see "[Herbalife Survey Points To Emphasizing Digital For Growing Asia-Pacific Sales](#)" - HBW Insight, 15 Oct, 2021.)

category at a time when sales were expected to jump. The firm reported a \$49.4m net loss in the quarter, down from a \$58.9m loss in the prior-year period. (Also see "'[Catch-Up](#)' Symptoms Slow Perrigo In Cold Season" - HBW Insight, 8 Nov, 2022.)

While consumers already were moving more to digital channels for myriad products, the pandemic shutdown accelerated the shift, adding urgency for Herbalife and other direct sellers to make online sales their primary channel.

B+L Extends Lines Under Bausch Health Credit Shadow

Bausch + Lomb will report its third quarterly results since being spun out of Bausch Health Companies Inc. still under a shadow of its former parent firm.

Vaughan, Ontario-based B&L recently announced the US launch of PreserVision AREDS 2 OCUSorb in a mini-softgel using micronized lutein and zeaxanthin, and in October launched enhanced OcuVite Adult 50+ eye vitamin with 30 mg vitamin D, replacing the former OcuVite Adult 50+ formulation. (Also see "[Bausch + Lomb Micronizes Lutein, Zeaxanthin In PreserVision OCUSorb](#)" - HBW Insight, 9 Jan, 2023.)

But more than line extensions are needed for B+L to separate from Bausch Health enough to shed the influence of its former parent's credit rating, according to an S&P Global report. S&P analysts reported they "believe that B+L's credit quality is still negatively affected by" Bausch Health, which owns 89% of B+L, leaving little room for outside shareholders to invest.

- In November, B+L reported third-quarter revenues off 1% at \$942m as currency exchange rates had a \$55m impact; otherwise, revenues increased around 5%. Its vision care business, which includes its OTC eye drop and dietary supplement brands, generated \$598m in sales during the July-September period, off 1% but up 4% on a constant currency measure.

They "view that B+L's stand-alone credit profile is stronger than" Bausch Health's and they would raise the rating over the next year if they "come to believe that weaker credit quality at [Bausch Health] no longer poses a risk to B+L."

B&L's results will come with CEO Joseph Papa at the helm although he agreed in July, 10 weeks after the firm's IPO, to step down when a successor was named. His time as CEO in December was extended through 23 June as the search for the next CEO continues. (Also see "[Bausch + Lomb CEO Leaving 10 Weeks Following IPO, Month After Icahn Gains Two Board Seats](#)" - HBW Insight, 22 Jul, 2022.)

On 17 January, it announced it's acquiring d Acufocus Inc. through the merger of an affiliate company with the parent company of Acufocus, which develops small aperture intraocular technology.

C&D Wrestles With Supply, Production Problems

[Church & Dwight Co. Inc.](#)'s fourth-quarter results will show whether it solved production and supply chain problems to meet demand for its gummy vitamin and supplements lines.

The Ewing, NJ-based firm, yet to schedule a date for publishing its latest results, reported in October, even with the number of consumers buying vitamin, mineral and supplement products and total spending on the category dropping compared to the spike in sales sparked by response to the COVID-19 pandemic during 2020 and 2021, it didn't fill all customer orders during the quarter. In 2021 and in previous 2022 quarters, staff shortages at its production plants also limited its capacity for filling orders. (Also see "[Church & Dwight Delays Expanding VMS Production Capacity As Pandemic-Driven Sales Growth Slows](#)" - HBW Insight, 28 Oct, 2022.)

C&D put a hold on expanding its gummy vitamin and dietary supplement production capacity as consumer demand slowed after soaring in response to the novel coronavirus. Sales of its Waterpik oral care devices and Flawless feminine hair-removal, skin and nail care line also slowed during the third quarter, not on production shortage but on consumer response to inflation. Those two and the vitamin business combined for a 6% drag on C&D's net sales.

An additional drag of 1% from foreign currency exchange also held revenue growth for its consumer health, personal care and household products portfolio during the July-September period to 0.4% to \$1.32bn.

Prestige Frank About Disruptions, Inflation

[Prestige Consumer Healthcare Inc.](#) anticipated COVID-19-related disruptions could continue affecting its supply chain during the most recent quarter and additional price increases could be needed to offset its costs rising with inflation.

The Tarrytown, NY-based firm, with publication of its latest results not yet scheduled, in November noted that around half its reported 4.7% growth to \$289.3m in the second quarter of its fiscal year 2023 came from price increases. North America sales, \$285m, were flat from the year-ago period, when it reported higher sales as consumers continued emerging from COVID-19 restrictions that had begun in early 2020.

International sales during the July-September period grew more than 60%, excluding loss to foreign currency exchange, to \$37.2m. While shifts in order schedules by some international customers helped drive revenue growth for the July-September period, Prestige Consumer said sales for its Hydralyte hydration brand in Australia remained a driver.

Its reported net income for the period was \$51m, down 11.2% from a year ago; diluted EPS was \$1.02, up from 89 cents.

Abbott Turns Page With Latest Results?

[Abbott](#) looks to put further behind it the quality-control problems at its Michigan infant formula plant which led to a temporary shutdown of the facility, a recall of three of its major formula brands and a widespread shortage of powder formula products in the US.

The firm based in the Chicago area announced with its third-quarter results in October that it planned to invest \$500m in building an additional formula production facility. (Also see "[Abbott Concludes Former Employees' Allegations](#)

[Concerning Michigan](#)

[Formula Plant 'Unfounded'](#)" - HBW Insight, 19 Oct, 2022.)

- The firm, reporting its latest results on 25 January, reported \$10.4bn in total third-quarter sales, down 4.7% on a reported basis but up 1.3% on an organic basis, excluding losses to foreign exchange. Sales of diagnostics, which include OTC COVID-19 tests, in the quarter slowed as spending worldwide dipped on the tests. Abbott said global COVID-19 testing-related sales were \$1.7bn, down from \$1.9bn a year ago. Excluding COVID-19 tests, its diagnostics sales declined 0.2% percent on a reported basis and increased 6.1% excluding losses to foreign exchange.

Its third-quarter worldwide sales for formula and other pediatric nutritional products were down 24.8% on a reported basis as US sales dropped 31.9% and international market sales 8.6%. Those slumps came despite restarting some production of powder formula at its Sturgis, MI, plant in July and continuing to increase capacity there during the quarter

The firm also announced completing its investigation of a former employee's allegations in a whistleblower report that lax quality control allowed unsafe levels of bacteria to accumulate at the Sturgis plant. Abbott determined "the allegations about quality were unfounded," president and CEO Robert Ford said.