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Euro Q1 Consumer Health Earnings Preview: Reckitt, Haleon, Sanofi, Bayer

by Tom Gallen

Major Europe-based consumer health players Reckitt, Haleon, Sanofi and Bayer feature in this sales and earnings preview, which highlights what to look out for as these four firms report their Q1 2023 results over the coming weeks.

Reckitt To Benefit From Strong Season

High levels of cold and flu at the start of the year are expected to translate into solid sales growth for Reckitt's Health division when it reports Q1 results on 26 April.

The company benefited from a strong start to the winter illness season – with Q4 Health sales up 13.6% – and analysts believe the UK-based firm has maintained that momentum into 2023.

Citi's Cedric Besnard predicts Reckitt's cough and cold brands will post organic sales growth in the high-teens percent "as we expect both good sell-out and no sell-in issues." Reckitt's OTC sales are anticipated to rise by 11%, according to JP Morgan's Celine Pannuti, "as cough and cold sell-out data remains buoyant."

"Both Reckitt and peers have referenced continued strong cold & flu trends," highlights HSBC's Jeremy Fialko, who estimates Reckitt's Health sales will rise 13% as reported – up 6.5% on an organic basis.

Barclays' Iain Simpson agrees that Health has had a strong start to the year "with comps from cold & flu not as challenging as we thought." However, while the unit's sales are expected to rise by 14.6%, growth will be held back by a "weak" showing from Reckitt's vitamins, minerals and supplements brands, Simpson suggests.

Echoing Simpson's thoughts, Citi's Besnard forecasts a low double-digit drop in VMS sales in Q1.

UBS' Guillaume Delmas expects a slower low-single-digit decline for the VMS portfolio, which endured a difficult end to 2022.

Reckitt reported a soft performance from VMS in Q4, as growth in China was more than offset by what the company described as "category-led weakness" in the US. (Also see "[Reckitt Records Impairment Charge For Biofreeze](#)" - HBW Insight, 2 Mar, 2023.)

Despite the issues with VMS, the consensus from analysts is that Reckitt is moving in the right direction. Investors are hoping that the imminent appointment of a permanent CEO, following the departure of Laxman Narasimhan last year, will provide further clarity on Reckitt's long-term plans. (Also see "[Reckitt's CEO Unexpectedly Quits After Three Years At The Helm](#)" - HBW Insight, 2 Sep, 2022.)

"Besides the appointment itself, investors will also want to see that the new candidate is fully committed to the financial targets previously outlined," notes UBS' Delmas.

Haleon Building Momentum

"Encouragingly, the momentum we saw in Q4 has continued in the first couple months of 2023," commented Haleon CEO Brian McNamara in March as the UK-based consumer health player reported its 2022 results.

Like Reckitt, Haleon will benefit from a robust cold and flu season when it reports Q1 results on 3 May. Noting that Nielsen data in respiratory and pain looks strong, Barclay's Simpson expects Haleon to post organic sales growth of 5.5% in Q1, despite a tough comparison with the prior-year period when the market was boosted by the spread of the omicron COVID-19 variant.

"We expect respiratory and pain to perform the strongest on inventory rebuild and continued post-COVID normalization," Simpson wrote in a 12 April note.

UBS' Delmas also expects a solid showing from the respiratory and pain categories, which will help Haleon to post organic sales growth of 6.1% for the opening three months of 2022. However, growth is anticipated to be skewed towards pricing, according to Delmas, with volume/mix to be

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By [Malcolm Spicer](#)

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An end to US COVID-19 PHE on 10 April doesn't end inflationary pressure on prices for consumer packaged goods. OTC, supplements and personal care product firms could be reporting consumers during Q1 were going along with price increases, opting for less expensive options or buying less.

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broadly flat for the quarter.

Citi's Besnard is also guiding towards mid-single-digit organic sales growth – up 4.9% – with inventory rebuild helping to deliver mid-teens growth for the respiratory category.

Again, like Reckitt, the analysts believe Haleon's VMS portfolio will post lower sales in Q1. Citi's Besnard is predicting a mid-single-digit decline for VMS, reflecting “tougher category trends and comps.”

Haleon didn't break-out VMS' performance in Q4, but for the full year organic sales advanced by 8.9%. The firm reported a low-single-digit decline for VMS in North America last year. (Also see "[Double-Digit Power Brand Growth Helps Haleon Beat Guidance In 2022](#)" - HBW Insight, 3 Mar, 2023.)

Sanofi Opening Up

Sanofi's Consumer Healthcare business has slowly been given greater autonomy over the past few years as it moves to operate as a standalone unit within the French group. And this will tick up again in Q1 as Sanofi CHC will report its results as a fully formed organization, carrying its full portion of the support function expenses that were previously shared across the organization.

Sanofi promised analysts a “much enhanced Consumer Healthcare disclosure, allowing you easy peer comparisons” in February, and this has already started to come to fruition, according to Barclay's Iain Simpson. (Also see "[Sanofi Consumer Healthcare Reaches 'Next Level Of Autonomy'](#)" - HBW Insight, 6 Feb, 2023.)

Following an investor meeting with Sanofi CHC leadership, Simpson wrote in a 5 April note, “We were struck by...the pace of change at a business that until recently had very limited disclosure.”

Sanofi CHC's recently disclosed standalone financials revealed 2022 gross margins of 64.5%, and EBIT margins of 29.4%, Simpson points out. “Considering that Sanofi CHC's P&L will benefit from economies of scale on central costs sitting within the broader Sanofi group, this suggests comparable profitability to Haleon and Kenvue.”

As for the upcoming Q1 results on 27 April, JP Morgan's Richard Vosser expects a notably slower sales growth rate to the 6.6% recorded in the final three months of 2023. His forecast is for Sanofi CHC's sales to advance by 2% at constant currencies to €1.36bn.

While Sanofi CHC will benefit from the strong cold and flu season in Q1 – particularly in Europe, where it markets brands such as Doliprane and Bisolvon – the company's lack of presence in the US means it will lag slightly behind the market growth rate.

Bayer Anticipating Slow Start

Bayer Consumer Health is targeting 5% sales growth for 2023 but will likely be slow out the blocks in Q1. The company said it is expecting softer development in the first half of the year due to a challenging macroeconomic environment and strong prior-year comparable.

“Before normalizing in the second half of the year, we expect to see continued inflation in the first half of the year,” Bayer Consumer Health head Heiko Schipper stated in February as the firm reported its Q4 numbers.

Bayer has taken pricing measures to counteract inflation. Indeed, in Q4 Bayer’s currency and portfolio adjusted sales advanced by 5.8% thanks entirely to pricing as volumes declined by 0.8%.

When the firm reports its Q1 numbers on 11 May it faces a difficult comp with the prior-year period when sales advanced by 20.8%. Growth was driven by the allergy & cold category – with sales jumping by 46.4% – but all categories posted turnover up by double digits.

According to Schipper, innovation will be a key growth driver for Bayer in 2023 as it looks to hit its 5% sales target. An “innovative offering in personalized health” is coming later in the year, he noted in February, while Bayer has also been focusing on making sure that its Astepro Allergy brand is the “nasal spray of choice in the upcoming US allergy season.”

Last month, the company launched an advertising campaign featuring actress Meghann Fahy to promote Astepro Allergy, “so allergy sufferers can relieve their allergy symptoms and be more spontaneous in their romantic pursuits.” Catherine Vennat, Bayer’s general manager and vice president for US allergy, cough and cold marketing, stated that around seven in 10 “allergy sufferers say allergies make them feel less attractive or admit it’s affected their love life.” (Also see "[Bayer Relates Feeling ‘Sexy’ To Quick Relief For Allergies In Astepro Allergy Ad Campaign](#)" - HBW Insight, 31 Mar, 2023.)