

17 Oct 2023 | Analysis

Euro Q3 Consumer Health Earnings Preview: Reckitt, Bayer, Haleon, Sanofi

by [Tom Gallen](#)

Major Europe-based consumer health players Reckitt, Bayer, Haleon and Sanofi all feature in this sales and earnings preview, which highlights what to look out for and potential talking points as these four companies report third-quarter results over the coming weeks.

Reckitt Under New Management

When Reckitt reports its Q3 results on 25 October it will look to put its financial performance center stage following a drawn out leadership transition.

For the past year, the company's earnings calls have been led by interim boss Nicardo Durante while Reckitt searched for a permanent replacement CEO following the unexpected departure of Laxman Narasimhan in September 2022.

Health boss Kris Licht was named CEO-designate back in April but only took up the reins permanently on 1 October this year. (Also see "[People On The Move: Appointments At Weleda, Reckitt, FSA](#)" - HBW Insight, 5 Sep, 2023.)

After being given an opportunity to set out his vision for Reckitt on the Q2 call in July, Licht can now begin to implement his plans. He will do so alongside a new chief financial officer, in the form of Nike, Inc.'s Shannon Eisenhardt, who took up the role of CFO-designate on 17 October. (Also see "[People On The Move: Appointments At Reckitt, Bayer, Glanbia](#)" - HBW Insight, 25 Aug, 2023.)

HSBC analyst Jeremy Fialko expects more details on Licht's strategy soon, but cautions that investors may have to wait until after the Q3 call until November or December. "Overall, we do not expect to see major changes given he was instrumental in designing the strategy under the former CEO, but we still think it will be useful in building confidence in senior leadership after a

rather prolonged transition.”

Licht said in July that while Reckitt’s current strategy was the right one there was a need to better optimize the portfolio and improve in-market execution.

As for Reckitt’s Q3 performance, Fialko predicts Health business organic sales growth of 6.0%, driven entirely by price/mix. The company has seen strong sell-in of cold and flu brands, he noted, ahead of the start of the winter season.

Jefferies analyst Molly Wylenzek also expects Health to benefit from retailers stocking up. “It’s been a bad summer for cold & flu meds. But with memories of last year’s early season and a new COVID variant in the news, we expect retailers will err on the side of caution and stock the shelves well. We shift some sales forward to Q3 as we wait to see how it unfolds.”

US Q3 Consumer Health Earnings Preview: Phenylephrine Question Punctuates Quarter

By [Malcolm Spicer](#)

17 Oct 2023

Consumer health products sector’s earnings reports for July-September period are its first since FDA advisory committee unanimously voted that results of research agency presented show oral phenylephrine at OTC monograph doses is ineffective to treat nasal congestion.

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Reckitt faces a tough comparison with the prior-year quarter when it posted like-for-like Health division sales up by 10.7%, comprising volume growth of 0.6% and price/mix improvements of 10.1%. (Also see "[Reckitt Seeing Softening VMS Demand As OTC Remains Resilient](#)" - HBW Insight, 27 Oct, 2022.)

Bayer Has Consumer Health Options

Another global consumer health player bedding in a new CEO is Bayer, which will report its Q3 results on 8 November.

Bill Anderson took the helm at the German firm on 1 June and like Reckitt’s Kris Licht got his first opportunity to address investors during Q2 earnings season.

Unlike Licht however, Anderson did not promise business as usual. He has been brought in to affect a turnaround in performance and assured investors in August that “nothing is off the table” as he kicked off a group-wide strategic review.

Through this process, Bayer will review whether it is the “best home” for its three businesses – Consumer Health, Pharmaceuticals and Crop Science – “in terms of delivering innovation,

customer service, customer orientation, really adding value,” according to Anderson.

Offloading Consumer Health is seen by some investors as a smart way to create value, given the business is estimated to be worth around €20-30bn. Major pharma players exiting consumer health does seem to be the direction of travel, with first GSK and then Johnson & Johnson spinning off their OTC divisions in 2022 and 2023 respectively.

While taking these moves into consideration, Anderson will likely also note the recent case of Viatris, which earlier this month reversed its decision to completely exit the consumer health market. The Canonsburg, PA-based pharma player has opted to retain select consumer health products and Rx-to-OTC switch candidates after newly-appointed CEO Scott Smith said he had identified “further opportunities for these products within Viatris.” (Also see "[Viatris Retains Interest In OTC As It Spies Switch Opportunities](#)" - HBW Insight, 4 Oct, 2023.)

With Bayer setting a target of early 2024 to outline Anderson’s plans, a decision on Consumer Health’s future won’t come alongside its Q3 report. Bayer Consumer Health faces a tough comparison with the prior-year period in the Allergy & Cold category where sales jumped by 17% in Q3 2022, driven by the high number of cold incidences and the launch of Astepro in the US. The situation is much more favorable for the dietary supplement-focused Nutritionals category, where sales sank by 8% in the prior-year quarter.

Overall, Consumer Health delivered currency and portfolio adjusted sales growth of 4% in Q3 2022 and Bayer will hope to match or better that growth rate in its latest quarter to keep it on track to hit its full-year sales guidance of +5%. (Also see "[Astepro Launch And Strong Cold Season Boost Bayer In Q3](#)" - HBW Insight, 9 Nov, 2022.)

Haleon Hoping For Cold & Flu Normalization

Like Bayer, and indeed the majority of its consumer health peers, Haleon faces a tough comparison with the prior-year quarter for cold & flu product sales when it reports Q3 results on 2 November.

Bayer Consumer Health's Future Undecided As Firm Kicks Off Strategic Review

By [Tom Gallen](#)

09 Aug 2023

Bayer's new CEO says nothing is off the table when it comes to assessing the future direction of the business. As part of a company-wide strategic review, he and his executive team will decide whether to break up or keep in place Bayer's three pillar structure, comprising Consumer Health, Pharmaceuticals and Crop Science.

[Read the full article here](#)

Haleon's Respiratory Health category recorded organic sales growth of 30.2% in Q3 2022 as COVID-19 continued to circulate and there was strong out-of-season use of cough and cold treatments. (Also see "[Haleon Raises Sales Guidance But Warns Of Tougher Q4](#)" - HBW Insight, 11 Nov, 2022.)

CFO Tobias Hestler reminded the Barclays Global Consumer Staples Conference last month that the Omicron COVID variant had triggered in patients a lot of cold and flu-like symptoms. "There was higher use of cold and flu products that you would normally have in the summer season," he recalled.

But this is no longer the case. "That has gone back now to pre-COVID levels," Hestler observed.

As a result, Haleon anticipates cold and flu sales will be broadly flat in the second half. "We expect volumes to be down, broadly offset by price," he said.

Hestler hopes this normalization will take the focus off the respiratory category for the first time following the pandemic. "I think we're finally probably getting back to a place where I hope we can talk much less about cold and flu because it's in the mid to high-teens percent of our business.

I mean, it's not that big. And it shouldn't and it will not fluctuate that much. So I think it's going to come back to the normal plus/minus 0.5 point to point."

According to Barclays analyst Iain Simpson, Haleon's Respiratory Health category is anticipated to deliver growth of 2% in the third quarter. Recent US Nielsen data looks encouraging for Haleon, Simpson said, indicating that cold & flu has been positive since mid-August and up double-digits in September. "This suggests to us that investor concerns around tough comps in Respiratory may be overdone."

Simpson expects Haleon to reach 5.2% organic sales growth in Q3, driven by gains of 9% and 6% for the Oral Health and Pain Relief categories respectively.

Sanofi Not Reliant On Winter Illnesses

One consumer health player less exposed to the fluctuations of the cold & flu market is Sanofi, which reports its Q3 results on 27 October. Cough & Cold is the Paris, France-based firm's

China Helps Propel Haleon To Double-Digit Sales Gain In First Half

By [Tom Gallen](#)

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China sales that jumped by 23% helped Haleon post first-half group turnover up by 10.6%. The company sees lots of headroom for further growth in the country given the relatively low per capita spend on OTC and VMS compared to the US and Europe.

[Read the full article here](#)

smallest product category in terms of sales, generating 9% of total Sanofi Consumer Healthcare turnover in the second quarter of 2023.

While this can be beneficial during weak seasons, it has put Sanofi at a disadvantage to its competitors during the COVID-19 pandemic and its aftermath. Consumer Healthcare head Julie Van Ongevalle noted on the company's Q1 earnings call that the strong cough & cold category performance was at the time the key growth driver of the OTC market. "In this environment, our absence in key cough and cold markets like the US has impacted our growth versus market in recent months, yet our overall performance approximates that of the market."

Sanofi has been able to keep up with market growth rates, she explained, thanks to the growth of its Digestive Wellness category, taking key brands into new markets, and innovative new product launches.

Following a disrupted Q2, Sanofi will be glad to get back to normal in Q3. In the second quarter, sales took a hit from a software switch linked to ordering and billing in the US and Brazil. Turnover in the three months declined by 5.0% as reported but edged up by 0.7% at constant currencies.

JP Morgan analyst Richard Vosser expects Sanofi Consumer Healthcare to enjoy a much better Q3 with constant currency sales growth of around 5%, driven by "price and potentially increased cough and cold demand amidst increased COVID-19 infections."

Sanofi faces a fairly favorable comparison with Q3 2022 when sales advanced at constant currencies by 1.9% as the Physical and Mental Wellness, and Pain Care categories posted declines in turnover. (Also see "[Sanofi Sees Tough Economic Environment Start To Temper Demand](#)" - HBW Insight, 31 Oct, 2022.)

Sanofi Grows In US With Healthy Aging VMS Brand Qunol

By [Tom Gallen](#)

31 Jul 2023

Sanofi Consumer Healthcare announced the acquisition of US VMS brand Qunol as it reported second-quarter sales up 0.7% at constant currencies.

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