

Haleon

FY23 results: strong finish to the year and shareholder returns to start

Reiterate Rating: BUY | PO: 400.00 GBp | Price: 331.45 GBp

Steady compounder. Beat on FY23 earnings. Buybacks.

Haleon is a steady compounder able to consistently deliver company targets thanks to its exposure to attractive consumer health categories combined with solid execution on both top line (market share gains in Oral Health and VMS) and margin expansion (cost savings initiatives and operating leverage) which in turns allow upside on shareholder returns. All in, we expect a 3Y CAGR 9.6% EPS growth combined with ca. 2% dividend yield, leading to low teens TSR, while valuation remains undemanding in our view at 18.3x FY24 PE. Our PO goes to GBp 400/\$10.10 (previously Gbp 390/\$9.90) and we reiterate Buy.

4Q23 results = reassuring + FY24 shareholder returns

Haleon 4Q23 results were reassuring on OG (+6.6% vs Cons +5.3%), with a beat on both volume/mix (+0.2% vs -0.2% Cons) and pricing (6.4% vs 5.5% Cons), which we view as impressive considering some peers' performance in Cough & Cold and the overall difficult macro environment. Major positive surprise was acceleration of shareholder returns through the start of a GBP 500m SBB program (placement favored but open market if needed) and dividends payout increase (35%) for 2024 following strong 2023 deleveraging (3x ND/EBITDA), with Management 24 PSP threshold at 2.4x – 3x ND/EBITDA, highlighting flexibility on leverage post strong cash flow conversion.

New estimates: we are 3% above Cons on FY25 EPS

We increase our FY24 OG forecast by 60bps on the back of stronger pricing outlook and continued market share gains in Oral Health and VMS (OG 200bps and 150bps above Cons respectively). We expect FY24 Adj. EBIT margin of 22.9% (Cons 23%) following impact from translational FX and scope combined with A&P reinvestment, somewhat offsetting operating leverage and cost savings. All in, our EPS is down 2% for FY24E but up 1% for FY25E and we are now 3% above Cons on FY25E. We lift our PO to GBp400 (previously GBp 390) and reiterate Buy.

Estimates (Dec) (GBp)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	17.9	18.4	17.3	18.3	20.8
EPS Change (YoY)	6.7%	2.9%	-5.7%	5.6%	13.5%
Dividend / Share	0	2.40	6.00	6.41	7.28
ADR EPS (Adjusted Diluted - US\$)	0.49	0.45	0.44	0.46	0.53
ADR Dividend / Share (US\$)	0	0.06	0.15	0.16	0.18
Valuation (Dec)					
P/E	18.5x	18.0x	19.1x	18.1x	15.9x
Dividend Yield	0%	0.72%	1.81%	1.93%	2.20%
EV / EBITDA*	16.3x	14.4x	13.9x	13.4x	12.5x
Free Cash Flow Yield*	3.34%	5.20%	4.52%	5.69%	6.48%

* For full definitions of *IQmethod*SM measures, see page 8.

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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01 March 2024

Equity

Key Changes

(GBp)	Previous	Current
Price Obj.	390.00	400.00
2023E Rev (€m)	11,335.0	11,302.0
2024E Rev (€m)	11,496.4	11,511.4
2025E Rev (€m)	12,005.9	12,178.4
2023E EBITDA (€m)	2,901.8	2,858.0
2024E EBITDA (€m)	2,973.0	2,955.7
2025E EBITDA (€m)	3,151.9	3,174.1
2023E DPS	5.36	6.00

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Stock Data

Price (Common / ADR)	331.45 GBp / 8.06 USD
Price Objective	400.00 GBp / 10.10 USD
Date Established	01-Mar-2024 / 01-Mar-2024
Investment Opinion	A-1-7 / B-1-7
52-Week Range	306.50 GBp-357.60 GBp
Market Value (mn)	30,702 GBp
Shares Outstanding (mn)	9,263.0 / 4,631.5
Average Daily Value (mn)	46.11 USD
Free Float	70.2%
BofA Ticker / Exchange	HLNCF / LSE
BofA Ticker / Exchange	HLN / NYS
Bloomberg / Reuters	HLN LN / HLN.L
ROE (2023E)	9.8%
Net Dbt to Eqty (Dec-2022A)	59.5%

SBB = Share Buybacks

PSP = Performance share plan

TSR = Total Shareholder returns

OG = Organic Growth

MT = Medium term

iQprofileSM Haleon

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(£ Millions)					
Sales	9,545	10,858	11,302	11,511	12,178
EBITDA Adjusted	2,440	2,759	2,858	2,956	3,174
Depreciation & Amortization	(268)	(287)	(309)	(322)	(341)
EBIT Adjusted	2,172	2,472	2,549	2,633	2,833
Net Interest & Other Income	(2.00)	(207)	(368)	(318)	(271)
Tax Expense / Benefit	(197)	(499)	(517)	(518)	(602)
Net Income (Adjusted)	1,652	1,700	1,607	1,683	1,895
Average Fully Diluted Shares Outstanding	9,235	9,239	9,263	9,187	9,111

Key Cash Flow Statement Data					
Net Income (Reported)	1,390	1,060	1,049	1,532	1,895
Depreciation & Amortization	268	287	309	322	341
Change in Working Capital	(152)	181	(107)	156	17.3
Deferred Taxation Charge	0	0	0	0	0
Other CFO	(150)	535	849	383	336
Cash Flow from Operations	1,356	2,063	2,100	2,394	2,589
Capital Expenditure	(298)	(328)	(336)	(342)	(362)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other CFI	265	(8,456)	202	373	31.3
Cash Flow from Investing	(33.0)	(8,784)	(134)	30.8	(331)
Share Issue / (Repurchase)	NA	NA	NA	NA	NA
Cost of Dividends Paid	(1,148)	(2,682)	(388)	(556)	(589)
Increase (decrease) debt	497	9,462	(975)	(1,017)	(1,367)
Other CFF	(585)	131	(205)	(852)	(302)
Cash Flow from Financing	(1,236)	6,911	(1,568)	(2,425)	(2,259)
Total Cash Flow (CFO + CFI + CFF)	87.0	190	398	0	0
FX and other changes to cash	(7.00)	80.0	(38.0)	0	0
Change in Cash	80.0	270	360	0	0
Change in Net Debt	417	9,192	(1,335)	(1,017)	(1,367)
Net Debt (Reported)	595	9,787	8,452	7,435	6,068
Net Debt (Adjusted)	503	9,737	8,429	7,412	6,045

Key Balance Sheet Data					
Property, Plant & Equipment	1,563	1,757	1,780	1,811	1,844
Goodwill	8,246	8,396	8,396	8,396	8,396
Other Intangibles	18,949	20,040	18,459	18,563	18,673
Other Non-Current Assets	442	563	602	602	602
Trade Receivables	2,207	1,881	1,856	1,892	2,169
Cash & Equivalents	414	684	1,044	1,044	1,044
Other Current Assets	2,630	1,494	1,918	1,772	1,778
Total Assets	34,451	34,815	34,055	34,080	34,506
Long-Term Debt	87.0	10,003	8,800	7,783	6,416
Other Non-Current Liabilities	3,646	3,985	3,886	3,886	3,886
Short-Term Debt	922	468	696	696	696
Other Current Liabilities	3,316	3,902	3,944	3,990	4,290
Total Liabilities	7,971	18,358	17,326	16,356	15,289
Total Equity	26,480	16,457	16,729	17,724	19,217
Total Equity & Liabilities	34,451	34,815	34,055	34,080	34,506

Business Performance*					
Return On Capital Employed	6.20%	5.51%	5.70%	6.61%	7.19%
Return On Equity	6.30%	7.97%	9.76%	9.84%	10.3%
Operating Margin	17.2%	16.8%	17.7%	21.1%	23.3%
Free Cash Flow (MM)	1,021	1,591	1,387	1,734	1,956

Quality of Earnings*					
Cash Realization Ratio	0.82x	1.21x	1.31x	1.42x	1.37x
Asset Replacement Ratio	1.71x	1.82x	1.67x	1.65x	1.65x
Tax Rate	12.0%	30.8%	31.8%	24.5%	23.5%
Net Debt/Equity	2.25%	59.5%	50.5%	42.0%	31.6%
Interest Cover	NM	11.9x	6.93x	8.28x	10.5x

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Household Products

Company Description

With GBP10bn+ revenue, Haleon is one of the largest pure play listed consumer health companies. It covers Oral Health (27% with global brands such as Sensodyne, Parodontax and Polident), Vitamins Minerals and Supplements (15% key brands being Centrum) and OTC (58% of sales) with leading brands such as. Advil, Panadol, Voltaren and Theraflu. Haleon boasts global reach with emerging markets making up 1/3 of sales.

Investment Rationale

We believe Haleon's positioning as a pure-play in consumer health company enables an attractive and defensive growth algorithm (+5.6% FY22-25E CAGR organic growth), steady margin enhancement, and balance sheet de-leveraging through strong free cash flow generation.

Stock Data

Shares / ADR	2.00
Price to Book Value	1.8x

Quarterly Earnings Estimates

	2022	2023
Q1	3.72A	4.21A
Q2	1.88A	3.22A
Q3	4.13A	3.94A
Q4	2.95A	1.48E

Key Changes

(US\$)	Previous	Current
Price Obj.	9.90	10.10
2023E DPS	0.14	0.15

4Q23 results

Haleon reported FY23 EPS of GBp17.3 (2.8% below BofA; 1.8% below Cons.) on the back of GBP 2549m recurring operating income (1.8% below BofA; 0.6% below Cons.) and 22.6% adj. EBIT margin (BofA +23.2%; Cons. +23.1%). 4Q23 Organic revenue growth came in at +6.7% (BofA +6.3%; Cons. +5.3%) on the back of +0.3% volume/mix (BofA +0.6%; Cons. -0.2%) and +6.4% price (BofA +5.7%; Cons. +5.5%).

Exhibit 1: Haleon 4Q23 results were a beat on both volume/mix and pricing

Haleon Actual results vs BofA and Consensus expectations (Group through company compiled and divisions through Visible Alpha)

HALEON		4Q23E				FY23E				
December Year end, GBP m	BofA	Cons.	Actual	Delta vs. BofA	Delta vs. Cons.	BofA	Cons.	Actual	Delta vs. BofA	Delta vs. Cons.
Haleon Group										
Sales	2,797	2,747	2,766	-1.1%	0.7%	11,335	11,281	11,302	-0.3%	0.2%
Volume/mix	0.6%	-0.2%	0.3%	-29	49	1.1%	0.9%	1.0%	-9	10
Price	5.7%	5.5%	6.4%	70	90	6.8%	6.7%	7.0%	16	30
LFL	6.3%	5.3%	6.7%	41	139	7.9%	7.6%	8.0%	7	40
Adj. EBIT						2,596	2,565	2,549	-1.8%	-0.6%
Margin (%)						22.9%	22.7%	22.6%	-35	-18
Adj. EPS (Diluted)						17.81	17.61	17.30	-2.8%	-1.8%
Divisions - By Region										
North America										
Sales	1,115	1,116	1,131	1.4%	1.3%	4,179	4,145	4,195	0.4%	1.2%
Volume/mix	0.0%	-0.7%	0.7%	71	143	-1.1%	-1.3%	-0.9%	20	39
Price	3.2%	3.1%	2.8%	-44	-31	3.7%	3.7%	3.6%	-12	-8
LFL	3.2%	2.3%	3.5%	27	113	2.6%	2.4%	2.7%	7	31
Recurring operating income						1,076	1,067	1,107	2.9%	3.7%
Recurring operating margin (%)						25.8%	25.8%	26.4%	64	64
EMEA + LatAm										
Sales	1,111	1,080	1,067	-4.0%	-1.2%	4,590	4,581	4,545	-1.0%	-0.8%
Volume/mix	0.2%	-0.3%	-1.8%	-200	-145	0.3%	0.3%	-0.2%	-52	-54
Price	9.3%	8.7%	11.9%	255	318	12.1%	11.8%	12.8%	66	99
LFL	9.5%	8.3%	10.1%	55	173	12.5%	12.2%	12.6%	14	44
Recurring operating income						1,074	1,068	1,010	-6.0%	-5.4%
Recurring operating margin (%)						23.4%	23.3%	22.2%	-118	-108
APAC										
Sales	571	555	568	-0.5%	2.3%	2,567	2,551	2,562	-0.2%	0.4%
Volume/mix	2.5%	1.8%	3.3%	80	151	6.1%	5.9%	6.3%	24	40
Price	4.0%	4.1%	2.5%	-150	-157	2.9%	2.9%	2.7%	-15	-17
LFL	6.5%	5.9%	6.8%	30	94	8.9%	8.8%	9.0%	9	24
Recurring operating income						536	532	541	0.9%	1.6%
Recurring operating margin (%)						20.9%	20.9%	21.1%	22	24

Source: Company data, BofA Global Research estimates, Visible Alpha Consensus

BofA GLOBAL RESEARCH

BofA change of forecasts

New estimates

We increase our FY24 OG outlook by 60bps on the back of stronger pricing outlook following carryover pricing from FY23. We expect FY24 Adj. EBIT margin of 22.9% (Cons 23%) following impact from translational FX and scope combined with A&P reinvestments, somewhat offsetting operating leverage and pricing carryover. All in, our EPS goes down 2% for FY24 but up 1% for FY25. We incorporate the GBP 500m Buyback for FY24 but we do not make it recurring at this stage leaving potential shareholder upside from FY25 onward.

Exhibit 2: We increase FY24 OG by 60 bps but decrease EBIT margin by 30bps.

New vs Old BofA forecasts on Haleon

Decembre Year end, EUR m	2023			2024			2025		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Group Sales	11,335	11,302	-0.3%	11,496	11,511	0.1%	12,006	12,178	1.4%
Volume/mix (%)	1.1%	1.0%	-8	3.0%	2.3%	-67	2.8%	3.0%	20
Pricing (%)	6.8%	7.0%	18	1.6%	2.9%	128	1.7%	2.8%	116
Organic Growth (%)	7.9%	8.0%	10	4.6%	5.2%	61	4.4%	5.8%	136
Gross profit	6,909	6,747	-2.3%	7,044	7,015	-0.4%	7,401	7,467	0.9%
Margin %	60.9%	59.7%	-125	61.3%	60.9%	-33	61.6%	61.3%	-33
Group Adjusted Operating Profit	2,596	2,549	-1.8%	2,663	2,633	-1.1%	2,828	2,833	0.2%
Margin %	22.9%	22.6%	-35	23.2%	22.9%	-28	23.6%	23.3%	-29
Adj. Net Income	1,650	1,607	-2.6%	1,739	1,683	-3.2%	1,910	1,895	-0.8%
Margin %	14.6%	14.2%	-33	15.1%	14.6%	-50	15.9%	15.6%	-35
Group Adjusted EPS - Basic	17.81	17.35	-2.6%	18.77	18.32	-2.4%	20.62	20.80	0.9%

Source: Company data, BofA Global Research estimates

BofA GLOBAL RESEARCH

BofA vs Consensus

Exhibit 3: We are 3%/5% above consensus on FY24 – 25 adj EPS.

BofA vs Consensus forecasts

	FY24			FY25			FY26		
	BofA	Cons.	delta vs Cons	BofA	Cons.	delta vs Cons	BofA	Cons.	delta vs Cons
December Year end, EUR m									
Divisions - By Region									
North America									
Sales	4,221	4,196	0.6%	4,411	4,314	2.3%	4,588	4,483	2.3%
Volume/mix	2.4%	2.0%	33	2.5%	1.8%	72	2.0%	2.3%	-28
Price	1.7%	1.5%	22	2.0%	1.5%	53	2.0%	1.3%	70
LFL	4.1%	3.6%	55	4.5%	3.2%	125	4.0%	3.6%	42
Recurring operating income	1,106	1,089	1.5%	1,173	1,130	3.9%	1,232	1,170	5.3%
Recurring operating margin (%)	26.2%	26.0%	24	26.6%	26.2%	42	26.9%	26.1%	75
EMEA + LatAm									
Sales	4,650	4,634	0.3%	4,930	4,852	1.6%	5,201	4,947	5.1%
Volume/mix	1.2%	2.3%	-103	2.5%	3.3%	-77	3.0%	3.0%	6
Price	4.4%	2.6%	179	3.5%	2.1%	144	2.5%	1.9%	62
LFL	5.6%	4.9%	76	6.0%	5.3%	67	5.5%	4.8%	67
Recurring operating income	1,060	1,099	-3.5%	1,139	1,168	-2.5%	1,212	1,219	-0.6%
Recurring operating margin (%)	22.8%	23.7%	-91	23.1%	24.1%	-96	23.3%	24.6%	-134
APAC									
Sales	2,640	2,610	1.1%	2,838	2,760	2.8%	3,022	2,930	3.1%
Volume/mix	4.2%	3.3%	88	4.5%	3.4%	112	4.0%	4.0%	1
Price	2.1%	2.5%	-39	3.0%	2.5%	47	2.5%	2.6%	-7
LFL	6.3%	5.8%	49	7.5%	5.9%	159	6.5%	6.6%	-7
Recurring operating income	578	554	4.3%	639	596	7.1%	695	645	7.8%
Recurring operating margin (%)	21.9%	21.2%	66	22.5%	21.6%	89	23.0%	22.0%	99
	FY24			FY25			FY26		
	BofA	Cons.	delta vs Cons	BofA	Cons.	delta vs Cons	BofA	Cons.	delta vs Cons
December Year end, EUR m									
Haleon Group									
Sales	11,511	11,407	0.9%	12,178	11,894	2.4%	12,810	12,361	3.6%
Volume/mix	2.3%	2.4%	-6	3.0%	2.7%	25	2.9%	2.8%	4
Price	2.9%	2.2%	72	2.8%	2.0%	88	2.3%	1.9%	42
LFL	5.2%	4.6%	66	5.8%	4.7%	113	5.2%	4.7%	46
Adj. EBITDA	2,922	2,922	0.0%	3,133	3,090	1.4%	3,327	3,255	2.2%
Margin (%)	25.4%	25.6%	-24	25.7%	26.0%	-25	26.0%	26.3%	-36
Adj. EBIT	2,633	2,626	0.3%	2,833	2,777	2.0%	3,015	2,925	3.1%
Margin (%)	22.9%	23.0%	-15	23.3%	23.4%	-9	23.5%	23.7%	-13
Adj. PBT	2,315	2,321	-0.2%	2,562	2,520	1.7%	2,799	2,698	3.8%
Margin (%)	20.1%	20.3%	-23	21.0%	21.2%	-15	21.9%	21.8%	3
Adj. Net Income - Group share	1,683	1,709	-1.5%	1,895	1,856	2.1%	2,076	1,986	4.5%
Adj. EPS (Diluted)	18.32	18.47	-0.8%	20.80	20.10	3.4%	22.79	21.69	5.0%
DPS	6.41	6.04	6.1%	7.28	7.10	2.5%	7.98	8.15	-2.1%
Weighted average Shares outstanding (in millions)	9,187	9,259	-0.8%	9,111	9,233	-1.3%	9,111	9,149	-0.4%
FCF	1,734	1,703	1.8%	1,956	1,882	4.0%	2,121	2,010	5.5%

Source: BofA Global Research estimates, Visible Alpha consensus

BofA GLOBAL RESEARCH

Price objective basis & risk

Haleon (HLNCF / HLN)

Our price objective (PO) for Haleon shares of 400GBp per share/\$10.1 per ADR is based on the Adjusted Present Value methodology (a variation of the DCF) whereby we discount the business' operating cash flows as the cost of equity (for Haleon we use 8.5%) and the tax shield at the cost of debt (2.8%). We assume a terminal growth of 2.5%.

Downside risks to PO: Litigation including potential indemnification to GSK/Pfizer (which may include US OTC Zantac liabilities), potential indemnification with regards to ongoing PPI litigation, slowdown of organic growth, increased competition from emerging challengers/global peers/private label players, change of consumer trends, insufficient investment on digitalisation, raw materials inflation, changing macro trends, unfavourable currency swings, and deterioration of brand image.

Upside risks to our PO: stronger than expected macroeconomic recovery, increase of consumer confidence, higher than expected margins/organic growth, raw materials deflation, favourable currency swing, and increase of shareholder returns.

Analyst Certification

I, Victoria Petrova, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - HPC, Food & Tobacco Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Beiersdorf	BDRFF	BEI GY	Victoria Petrova
	Beiersdorf	BDRFY	BDRFY US	Victoria Petrova
	British American Tobacco	BTAFF	BATS LN	Joffrey Bellicha Meller
	British American Tobacco	BTI	BTI US	Joffrey Bellicha Meller
	British American Tobacco	XTALF	BTI SJ	Joffrey Bellicha Meller
	Haleon	HLNCF	HLN LN	Victoria Petrova
	Haleon	HLN	HLN US	Victoria Petrova
	Henkel	HENOF	HENOF US	Victoria Petrova
	Henkel	HENOF	HEN3 GY	Victoria Petrova
	Nestle	NSRGF	NESN SW	Victoria Petrova
	Nestle	NSRGY	NSRGY US	Victoria Petrova
NEUTRAL				
	Imperial Brands	IMBBF	IMB LN	Joffrey Bellicha Meller
	Imperial Brands	IMBBY	IMBBY US	Joffrey Bellicha Meller
	Reckitt Benckiser	RBGPF	RKT LN	Victoria Petrova
	Reckitt Benckiser	RBGLY	RBGLY US	Victoria Petrova
UNDERPERFORM				
	Danone	DANOY	DANOY US	Victoria Petrova
	Danone	GPDNF	BN FP	Victoria Petrova
	Unilever	UL	UL US	Victoria Petrova
	Unilever	UNLYF	ULVR LN	Victoria Petrova
	Unilever	UNLVF	UNA NA	Victoria Petrova
RSTR				
	Essity	ETTYF	ESSITYB SS	Othmane Bricha
RVW				
	BIC	BICEF	BB FP	Othmane Bricha
	Ontex	ONXXF	ONTEX BB	Othmane Bricha

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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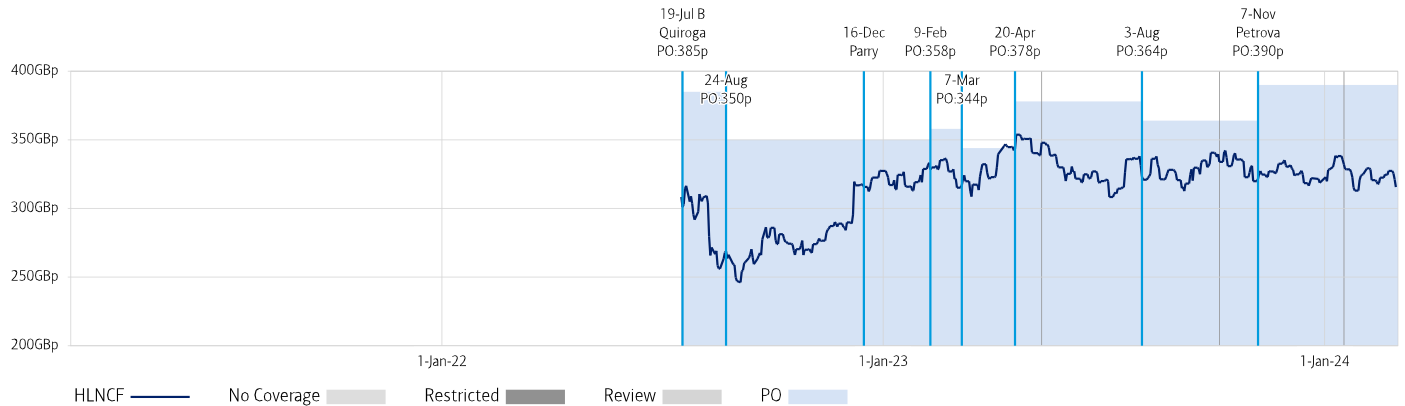
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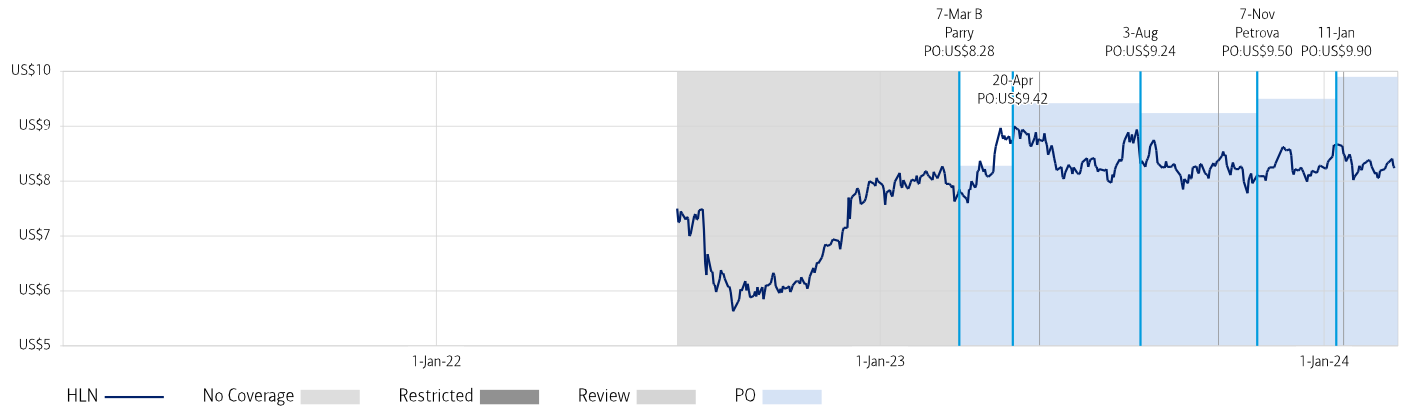
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Haleon (HLNCF) Price Chart



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Haleon (HLN) Price Chart



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Equity Investment Rating Distribution: Consumer Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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