



## Consumer Healthcare

Our Consumer Healthcare business develops and markets products in Wellness, Oral health, Nutrition and Skin health. Our portfolio includes some of the world's most trusted and best-selling brands, such as *Sensodyne*, *Voltaren* and *Panadol*.

A migraine is more than just a headache. *Excedrin* is helping people in the US manage their symptoms.

### Grow



## £7.2bn

Sales increased 19% AER and 9% CER<sup>a</sup> (5% pro-forma CER) in 2016, with growth broadly balanced across the US, Europe and International markets.

### Deliver



## 13%

of sales in 2016 were from product innovations launched over past three years.

### Simplify



## 15.5%

Operating profit margin was 15.5% in 2016, 4.2 percentage points higher than in 2015 and 3.7 percentage points higher on a CER pro-forma basis.

### Responsible business



Our *Panadol* power brand is helping raise awareness of dengue fever.

#### Footnote

<sup>a</sup> We use a number of adjusted, non-IFRS, measures to report the performance of our business, as described on page 57, including core results, free cash flow and CER and pro-forma growth rates. Non-IFRS measures may be considered in addition to, but not as a substitute for or superior to, information presented in accordance with IFRS.



## Consumer Healthcare

Our Consumer Healthcare business is a world-leading over-the-counter and consumer healthcare products company.

Our Consumer Healthcare business\* is split almost equally between over-the-counter (OTC) medicines and fast moving consumer goods (FMCG), across our four categories of Wellness, Oral health, Nutrition and Skin health.

### Wellness

We are the global leader in Wellness, which is our largest category, and number one in 36 countries by retail sales. We have leading global positions in respiratory, cold and flu, nasal decongestants, allergy, smoking cessation, and pain management, where we have two of the top four brands, *Panadol* and *Voltaren*.

### Oral health

We are a top three company, globally, by sales in toothpaste and the number one in specialist oral health, globally and in 50 countries, with leading positions in sensitivity, acid erosion, denture care and gum health. In 2016, *Sensodyne* became our first £1 billion consumer healthcare brand, making it the third-largest product by sales in the whole GSK portfolio.

### Nutrition

Our Nutrition business includes *Horlicks*, the long established wheat, milk and malted barley drink.

### Skin health

We are in the top three, by sales, globally in medicated skin health which treats such conditions as cold sores and dry and sensitive skin. Our *Abreva* and *Zovirax* brands hold leading positions in some of the world's largest markets.

### Power brands

We prioritise seven global power brands – *Otrivin*, *Panadol*, *parodontax*, *Poligrip*, *Sensodyne*, *Theraflu* and *Voltaren* – and 12 regional core brands, including *Flonase*, *Horlicks* and *Tums*. These brands, including *Physiogel*, benefit from our broad geographic footprint and a combined focus on scientific expertise and consumer insight.

\* Represents the Consumer Healthcare Joint Venture with Novartis together with the GSK Consumer Healthcare listed businesses in India and Nigeria.

### Managing migraine symptoms



### *Excedrin* brought home the painful reality of migraines with a recent virtual reality campaign.

*Excedrin*, one of the top over-the-counter brands in sales in the US, launched a virtual reality (VR) campaign to correct misunderstandings of migraines. The campaign, which included multi-channel media activity, an expert celebrity panel discussion and a high profile New York event, was launched in March 2016. Product sales rose 15% during the campaign and have shown double digit growth over the year.

*Excedrin* created the campaign after its customer insight research showed that 88% of sufferers felt misunderstood. The documentary-style film featured a 'migraine simulator', developed with the help of four migraine sufferers.

The four worked with VR experts to create the visual effects they experience during attacks, including blurred vision, flashes, object 'auras', room spinning and partial blindness.

The campaign made an enormous impact on social media, with over 17 million views and almost 500,000 engagements, such as shares of the film, comments and re-tweets.

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## Grow

Strong growth in our Oral health and Wellness power brands helped Consumer Healthcare to a 9% increase in reported sales (+5% pro-forma), to £7.2 billion.



### 2016 performance summary

Consumer Healthcare sales grew 19% at actual rates, 9% CER and 5% on a pro-forma basis to £7,193 million.

On a category basis there was growth in Wellness (15%), Oral health (8%) and Skin health (4%). This was partly offset by Nutrition which declined 8%.

At a brand level, *Sensodyne*, *Panadol* and *Otrivin* performed strongly. Sales of *Sensodyne* reached £1 billion for the first time. Sales from innovation within the last three years represented 13% of sales, with a particular contribution from *Flonase*, which was switched to OTC in Q1 2015. Other notable launches in 2016 included *Sensodyne True White* and *Excedrin Gel-tabs* in the US.

Growth was broadly balanced across our three global geographies. US sales grew 9% to £1,761 million (5% pro-forma) driven primarily by *Sensodyne* delivering double-digit growth following the launch of *True White* combined with strong momentum from *Pronamel*. Within Wellness, *Flonase* OTC grew strongly in the first half following line extensions.

All growth rates are at CER, a non-IFRS measure as described on page 57, unless otherwise stated.

In Europe, sales grew 12% to £2,191 million (4% pro-forma). Good momentum across Germany, Scandinavia and Italy was partly offset by the impact of challenging economic conditions in the Commonwealth of Independent States. *Voltaren* grew in double-digits as a result of the continued success of the 12-hour variant, while in Oral health, *Sensodyne* and the Gum health portfolio also recorded strong growth.

In International markets, sales grew 8% (5% pro-forma) to £3,241 million. Growth was impacted by the sale of the Nigerian beverages business on 30 September 2016 and the effective cessation of trade in Venezuela at the end of 2015. Demonetisation implemented in India in November also impacted the Indian business. Sales in the Middle East, Latin America and China grew particularly strongly as a result of better pricing and new product introductions.

### New over-the-counter launch extends *Flonase* brand

#### We continue to see success in switching products from prescription-only to over-the-counter.



In 2016 the FDA approved *Flonase Sensimist Allergy Relief* for seasonal and perennial allergies. This builds on our success in moving products from prescription-only to over-the-counter (OTC) in the USA. The product was launched in February 2017, in time for the allergy season. In making the product available OTC, we are meeting consumer demand for greater control over their personal healthcare.

The product was formerly available only on prescription as *Veramyst*. In managing the switch to OTC, we drew on the regulatory insights of our Pharmaceuticals business which helped us navigate through the highly regulated pharmaceutical environment.

The new product acts on multiple inflammatory substances and has additional features such as being suitable for children as young as two years old, being scent and alcohol-free, and causing little or no drip while it is being applied.

By bringing *Sensimist* under the *Flonase Allergy Relief* umbrella, we aim to build on *Flonase's* market success.

## Consumer Healthcare continued

### Deliver

Our success in delivering consumer-driven, science-led innovation enabled us to generate our best-ever sales from recent launches.



The success of our Consumer Healthcare business is built on our ability to understand customer needs and meet them with effective products from our strong research pipeline. In 2016, we refocused our investment in innovation to ensure we achieve a high return and delivered 30 new-to-market product launches. During 2016, 13% of our sales were generated from innovations launched over the past three years – our highest level ever.

In 2016, R&D investment in Consumer Healthcare was £243 million (2015 – £258 million). We prioritise investment on our power and core brands, with our strategic focus now on fewer but bigger innovations. In 2016, examples included *Sensodyne True White*, *Excedrin Gel-tabs*, a new *Eno* ajwain herb flavour variant in India and *Otrivin Oxy* which was launched a record six months from conception.

We continue to see success in moving products from prescription-only to over-the-counter, with the approval and launch of *Flonase Sensimist Allergy Relief* in the US in 2017. (See case study on page 37).

Understanding consumers' everyday healthcare needs, views and product preferences is an integral part of our new product development process. As digital technology becomes central to all our lives, we are exploring ways – both internally and in discussion with external entrepreneurs and inventors – of harnessing digital capability to improve consumer health. We continued to invest in state-of-the-art digital and real life innovation by opening new US shopper and sensory labs. (See case study below).

In 2016, we strengthened our commitment to R&D in India, building headcount to ~200 people – a significant increase versus both legacy organisations. Our increased focus on innovation in this area is already paying off, with seven market-first innovations launched in the region over the course of the year. Two of our six R&D hubs are now based in emerging markets, a region that represents over a third of our business.

# 13%

of our sales were generated from innovations launched over the past three years.

### The science of consumer insight



### Our new innovation labs in the US increased our ability to understand and deliver unmet consumer needs.

Following the success of our UK innovation labs we launched three labs based at our new US Consumer Healthcare HQ in Warren. They enable us to integrate customer insights into all stages of product development, from the original inception of an idea to an item's positioning on the store shelf. They include:

- An R&D suite combining flexible work spaces with rapid prototyping capabilities; allowing us to move swiftly from concept to manufacture, whether of tablets, liquids, powders or creams.
- Consumer sensory capabilities to assess how people use products. It includes simulated environments where our products are often found, for example, the bathroom, doctor's consulting room, a shop and pharmacy.

- A shopper science facility that enables us to work with our retail partners on the best way to present products in store.

Together, the labs are enabling us to discover fresh insights and develop tailor-made products to meet the needs of our consumers and retailers. This helps us to meet our ambition of becoming first choice for shoppers and customers.

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## Simplify

We continued to further simplify and streamline our Consumer Healthcare business and increased our operating profit margin.



During 2016, we completed the majority of the integration enabling us to increase our emphasis on core innovation and to deliver stronger growth from our brands. Incremental annual cost savings in 2016 helped to increase the operating profit margin by 4.2 percentage points to 15.5%. This was 3.4 percentage points higher than in 2015 on a CER basis and 3.7 percentage points higher on a CER pro-forma basis. We remain on track to deliver the annual cost savings anticipated, and to deliver our target operating margin of at least 20% by 2020.

Our consolidation activities over the year resulted in a reduction of costs and overheads. We established common distribution routes and shared enterprise resource planning platforms, enabling access to data across the organisation and more informed decision making.

In 2016, unified branding was rolled out to all integrated sites and more than 10,000 artwork changes were delivered.

Our streamlining efforts also involved 59 markets moving to standardised platforms over the course of the year, and we are on track to deliver against our synergy targets.

### Committed to quality

Our Consumer Healthcare products are manufactured to the highest quality standards, according to current Good Manufacturing Practice (cGMP) regulations. In 2016, we had 56 regulatory inspections, all with satisfactory outcomes.

## Responsible business



### Helping communities to better identify, prevent and treat dengue fever

A GSK-led health campaign encouraged better understanding of how to manage the disease.

Mosquito-borne dengue fever causes around 400 million infections and 20,000 deaths each year. It is endemic in more than 100 countries, particularly across the South East Asia and Western Pacific regions.

Paracetamol, in *Panadol*, can help treat some of the symptoms of dengue fever, so GSK Consumer Healthcare launched the Allied Against Dengue campaign in 2016 in Malaysia, Indonesia and the Philippines. It brought together GSK and our *Panadol* power brand with doctors, pharmacy chains, governments and non-government organisations.

The campaign has helped educate seven million people about the disease.

It included 48 'train the trainer' sessions, to refresh physicians' and pharmacists' knowledge of the virus; the recruitment of 21,000 voluntary 'dengue warriors' to spread the word about prevention and treatment; and the distribution of 'dengue proficiency kits' to healthcare professionals.

Assisted by wide media coverage, the campaign's impact was dramatic. In Malaysia, after three years of rising mortality rates, the campaign contributed towards the number of deaths falling by 39%.

The campaign also helped increase our regional Consumer Healthcare product sales. In the Philippines alone, net sales increased by 48% in Q3 2016, versus the same period in 2015.

