

CHIEF EXECUTIVE'S REVIEW

Chief Executive's Review



Our strong H2 performance drove record revenues and profit expansion in 2023. With further investment planned to support new product development and increased marketing, the Group is well positioned for mid-term growth."

Peter Butterfield

Chief Executive Officer until 13 May 2024

SEE-THROUGH REVENUE

£182.7m

+6% (2022: £172.0m)

 See our Financial Review on page 44



TRADING PERFORMANCE

Overview

We achieved record revenues in 2023, as we overcame a number of challenges in H1 to deliver a strong recovery in H2. The performance of our Kelo-Cote™ franchise was particularly impressive, with revenues rising 29% CER to £63.2m, including those from our most recent US acquisition (ScarAway™) which exceeded our original expectations. Whilst Amberen revenues were weaker than anticipated, we increased marketing investment to launch award-winning advertising campaigns for Kelo-Cote and MacuShield™, which accelerated organic sales growth, and we brought a number of new products to market.

Alliance's clear focus on the core Consumer Healthcare business, in addition to our well-established scalable platform, is expected to deliver continued growth in the medium term. Our core priority markets remain competitive, but our key brands are well placed within their categories, and we will continue to increase investment in sales, marketing and innovation to maintain their leadership position.

We will continue to focus our resources on those market segments in which we already have a strong presence and expertise, in order to drive solid organic revenue growth above that of the broader Consumer Healthcare market over the longer term.

A challenging H1 but strong recovery in H2

We started 2023 anticipating a greater weighting of revenues in H2 than usual for Alliance due to the planned destocking by our China cross-border partner for Kelo-Cote. Whilst this destocking was completed in line with our forecasts, unexpected regulatory issues caused some manufacturing delays in certain smaller products in H1, and Amberen™ sales were hampered by a number of industry-wide challenges put in place by Amazon.

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However, our colleagues worked hard to address the regulatory issues to ensure that all products were back in stock by the year end. Strong consumer demand for Kelo-Cote™ gave our distributor partners the confidence to restock in H2 and our consumer activation campaigns delivered market share gains for Nizoral™. Amberen™ revenues remain below our expectations, resulting in a further impairment, but we are strengthening our internal and external capabilities in ecommerce and digital marketing to help mitigate future problems on Amazon.

Whilst see-through revenues increased 6% in the year, gross profit increased at a slower rate than revenues at 3% to £105.0m (2022: £101.7m) due to a less favourable product mix, and an increase in warehouse and distribution costs. However through robust control of the costs we actively manage, operating costs decreased 5% versus the previous year and underlying EBITDA increased 15% to £45.0m (2022: £39.2m).

During 2023, we continued the global roll out of our ERP system to all ex-China APAC entities so that our regional and central operational and finance teams now operate on the same platform with a single, standardised way of working. This gives us increased and more immediate business visibility which enhances our operational decision-making and agility.

On 23 May 2024 we announced the successful conclusion of our appeal before the Competition Appeal Tribunal ("CAT") of a decision by the UK Competition and Markets Authority ("CMA"). In a unanimous judgment, the CAT upheld Alliance's appeal, finding that there was no agreement to exclude competition from the market and no breach of competition law. The CMA's decision and £7.9m penalty imposed on Alliance have been set aside. In particular, the CAT found that Alliance's two key witnesses were both impressive and compelling, with their evidence singled out by the Tribunal in its concluding remarks.

Director disqualification proceedings brought by the CMA against two former Alliance CEO's, the first limb of which was joined to the appeal, will also now fall away. In 2021 we provided for the potential penalty, but now reverse this provision.

INNOVATION AND DEVELOPMENT ("I&D")

In 2023, £3.5m of Group revenues were generated by products developed and launched by Alliance, representing 2.5% of total consumer sales in the year and more than twice the revenues delivered in 2022 (£1.7m). This is a pleasing performance given that our dedicated innovation and development ("I&D") team was only established in 2021, and validates our decision to invest in it further.



Kelo-Cote Kids (launched in 2022) and Canker-X, part of the Aloclair™ brand franchise (launched in early 2023), were responsible for the majority of these revenues. Amberen™ Advanced Menopause Relief gummy was launched in late 2023.

This year, we will double our investment in I&D as we aim to achieve 10% of Consumer Healthcare sales through products developed on our I&D platform within the next five years. New products already launched in 2024 include ScarAway Kids and ScarAway Acne Scar Gel, both in the US.



In May 2024 we launched a second gummy in the Amberen range, which uses a different active ingredient to the original gummy launched in late 2023. This new gummy aims to promote positive energy, mood and improve sleep, which is particularly relevant to the perimenopause market.



CHIEF EXECUTIVE'S REVIEW CONTINUED

CONTINUING OUR SUSTAINABILITY JOURNEY

We continue to make good progress against our environmental sustainability agenda in 2023, setting a target to reach net zero for all Scope 3 emissions by 2044, with an interim target of 25% reduction by 2030; in addition to our previously published target to reach net zero Scope 1 and 2 emissions by 2030. This year, we conducted a risk assessment and climate change scenario analysis to support the publication of our second voluntary stand-alone Task Force on Climate-Related Disclosures ("TCFD") Report and more extensive voluntary TCFD disclosures on our journey to mandatory TCFD compliance.



During the Year, we have invested to install photovoltaic panels on the roof of our UK Headquarters in Chippenham. This programme of work also includes the installation of a new, more efficient substation and electric vehicle charging points. When this work completes and the panels become operational, we will be able to generate around 25% of our own electricity needs.

Throughout the Year, we developed a number of social and governance workstreams. We appointed a new e-learning provider to deliver 'gamified', engaging compliance training to our colleagues, including data protection, unconscious bias, modern slavery, anti-bribery and corruption and competition awareness training. We also entered a three-year partnership with the social enterprise Slave Free Alliance ("SFA") to safeguard individuals across our business from modern slavery and human trafficking, including those in our supply chain. Working with SFA we carried out a gap analysis, strengthened our Modern Slavery Statement and provided training to our quality, sourcing and supply chain teams to help these teams better identify modern slavery 'red flags' during quality audits and supplier site visits.

We implemented a Partner Code of Conduct in 2022 and, throughout 2023, have worked to ensure that all of our Contract Manufacturing Organisations ("CMOs") and distributors agree to comply with our code.



We have also introduced an Employee Code of Conduct, which includes a section on our Speak Up Policy. To support this, we have engaged Safecall, an independent reporting helpline, to allow colleagues and external partners to raise concerns anonymously from over 100 countries. The service is operational 24 hours a day, seven days a week and available in over 60 languages.



Further detail on the progress we have made with our sustainable business strategy will be provided in our Online Sustainability Report, which will be published shortly on our website.

CHIEF EXECUTIVE'S REVIEW CONTINUED

BUILDING A STRONG ALLIANCE OF COLLEAGUES

Our business, and the delivery of our strategy, is only possible due to our network of talented, dedicated colleagues.

We currently employ more than 290 people in nine locations around the world. We created eight new roles in 2023, including Chief Operating Officer, as we looked to meet our evolving business needs. This, in addition to the head count expansion we delivered in 2022, means we now have the right size organisation to support our medium-term strategy.

We have also continued our talent development programmes to ensure we attract and retain an appropriate mix of skilled professionals. In 2023, we welcomed the second cohort of our graduate and year in industry programmes to support those at the early stages of their career development, which also complements our existing apprenticeship programme in the UK.



Our investment in colleague engagement continues to pay dividends as evidenced by our re-certification as a Great Place to Work® in the UK, US China and Singapore. In the 2023 survey, we were pleased to have received an overall Trust Index rating of 74% (2022: 79%) with 73% of participants globally saying that Alliance was a Great Place to Work (2022: 82%).

On behalf of the Board, we would like to thank all those colleagues who helped us to deliver our achievements in 2023.

BOARD AND EXECUTIVE CHANGES

Alliance has successfully continued its journey to becoming a fast growth Consumer Healthcare company, with Consumer Healthcare revenues representing 75% of Group revenues in the Period. The Board and Executive team have evolved accordingly in 2023, to ensure that the Group has the right skills and expertise to align with its longer-term strategy.

In February 2023, we welcomed Jeyan Heper to the Alliance Board as an Executive in the newly-created role of Chief Operating Officer. Jeyan has a strong track record of strategic leadership in the international Consumer Health market, overseeing a number of global programmes and driving growth in flagship brands. In his career spanning more than 25 years, Jeyan has held senior Executive roles at Procter & Gamble, Danone Group and Ansell's sexual wellness global business, before it was spun-out to become Lifestyles Healthcare – a private equity/pharma-owned Company where Jeyan became CEO, helping to bolster the Group's operational capabilities, identify growth opportunities, and support the delivery of the Company's strategy to expand its Consumer Health presence through, leveraging his experience of ecommerce in China and the US, and improve operational effectiveness.

The Board was strengthened further by the appointment of Martin Sutherland as an additional Independent Non-Executive Director in February 2023. Martin is a senior Executive with over 30 years' experience in global businesses and is currently Non-Executive Chair of Logiq Consulting Ltd, and a Non-Executive Director at both Forterra plc and XPS Pensions plc; prior to this, Martin was CEO of De La Rue PLC. Martin has a proven track record of delivering growth through new product innovation, market diversification and international expansion.

In November 2023, we added a further two new Independent Non-Executive Directors, Eva-Lotta Sjöstedt and Richard McKenzie. Eva-Lotta has in-depth knowledge of global consumer retail, supply chain and digital transformation and has held leadership roles in consumer-facing industries across Europe, Japan, China and the US. From 2016 to 2018, Eva-Lotta was CEO of Georg Jensen, the luxury jewellery and Scandinavian design brand.



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Prior to this, Eva-Lotta was CEO at Karstadt, a chain of premium department stores in Germany with a strong ecommerce presence. She started her career at IKEA, establishing the business in Japan where she worked for four years before becoming CEO of IKEA Netherlands and then Deputy Global Retail Manager. In this role, she was responsible for IKEA's global multi-channel strategy and the implementation of its on and offline experiences throughout the entire global value chain.



Richard has international ecommerce, distribution, supply chain and logistics experience in the consumer, retail and technology sectors, along with particular expertise in the Asia-Pacific region having lived and worked in mainland China for 10 years. From 2019 to 2023, Richard was Chief Commercial Officer and latterly President (Europe and Asia) for Ocado Solutions, driving the growth of this leading grocery ecommerce platform globally. Prior to this, Richard was a strategy consultant for OC&C in London and China, building the Company's presence in Asia-Pacific, before becoming a Senior Partner for the Consumer Goods and

Retail practice of Oliver Wyman in Asia-Pacific. During this time, he built extensive experience of the retail consumer market in China, and Asia-Pacific more broadly.



In February 2024, Jo LeCouilliard stepped down from the Board with the appointment of Camillo Pane as the new Independent Chair of Alliance. Camillo Pane has over thirty years of relevant experience. He has held a number of senior positions at Reckitt Benckiser, including Senior Vice President and Global Category Officer for Consumer Health, before moving to Coty Inc, one of the largest beauty companies in the world, where, as CEO, he led the merger with Procter & Gamble Specialty Beauty. Most recently, he was Group CEO of Health & Happiness Group, a global Health and Nutrition company listed on the Hong Kong Stock Exchange with revenues of around \$2.0bn.

On behalf of the entire Group, we would like to thank Jo for her contribution to the business over the last five years.

Peter Butterfield

Director

18 June 2024



[More information on our Senior Leadership Team can be found on our website](#)