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Kenvue, Inc. (KVUE)

Consumer Analyst Group of New York Conference

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MANAGEMENT DISCUSSION SECTION

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Kenvue would like to remind you that today's discussion will include forward-looking statements. These statements represent Kenvue's current beliefs about future events. Please refer to Kenvue's registration statement on Form S-1 and subsequent filings with the SEC for a discussion of factors that could cause the company's actual results to differ materially from these projections. Additionally, today's discussion will include certain non-GAAP financial information, the company has posted on its Investor Relations website, investors.kenvue.com, a reconciliation of these measures to the nearest GAAP measure.

Stephen Powers

Analyst, Deutsche Bank Securities, Inc.

All right, good morning. For our next session, I'm thrilled to welcome Kenvue to the stage for their first presentation to CAGNY as an independent public company. Tylenol, Motrin, Neutrogena, Aveeno, Listerine, Kenvue is home to brands that we all know, and that consumers trust. And 2023 was an eventful year for the company, starting the year as part of Johnson & Johnson, Kenvue navigated – sorry, excuse me – Kenvue navigated a dynamic – yeah, a dynamic operating environment amidst an IPO and successful exchange offer, all while standing up a new organization and setting initial transition service and manufacturing agreements with J&J.

As we move into 2024, the company's priorities are clear. Intensify focus on its 15 priority brands, raise the bar on in-market activation excellence, starting with the US, and a revitalization of Skin Health trends, and build a heightened sense of accountability companywide in support of a long-term value-creation algorithm that promises consistent and profitable growth, durable cash flow generation, and disciplined capital allocation.

To provide more details around this journey, please join me in welcoming Chief Executive Officer, Thibaut Mongon; and Chief Financial Officer, Paul Ruh.

Before I hand it over to Thibaut and Paul, Kenvue will first introduce itself to you via a short video.

[Video Presentation] (00:01:54-00:03:16)

Thibaut Mongon

Chief Executive Officer & Director, Kenvue, Inc.

All right. Good morning, everybody. Thank you, Steve. Good morning, everyone. Last stretch for the week, but we are very excited to be here for very first time at CAGNY as Kenvue. As Steve mentioned, 2023 has been a transformational year for all of us at Kenvue, a year in which we transformed from being a unit of a large conglomerate to becoming the world's largest pure play consumer health company by revenue, it doesn't happen every day that you have such a huge transformation at this level of scale. And so, 2023 was certainly, for Kenvue, a transformational year.

I would like to start this short presentation with basically where we left you when we shared our results and our guidance for 2024 in our earnings call two weeks ago. It was the first time that we issued our full year guidance as an independent company. So, you can imagine we put a lot of thought into it. We comprehended a number of different scenarios of things we control that we don't necessarily control. We also reflected in our guidance for the year, the fact that we landed in 2023 softer than we expected. And we are also reflecting the fact that as we move from again being a unit of a large organization, primarily focused on cash to becoming an independent company, focused on profitable growth and share gain, we had to up our level of investments to unleash the full potential of our portfolio. So that's really in the nutshell, what is behind our guidance for the full year 2024.

There is one message I want you to take away from this presentation after many takeaways in a long week is that we are confident in our ability to deliver on this plan for the year. And as importantly, build on this base to deliver moving forward the long-term value-creation algorithm that we talked about with you last year, which is really about growing at the top end of the 3% to 4% category growth that we expect for our categories in the coming years, growing earnings faster than sales, delivering durable cash flow. All of this wrapped in a disciplined capital allocation policy. So that's the transformation we are talking about at Kenvue.

We have a lot to talk about this morning, about our transformation, our priorities for 2024. Then, Paul will come in to talk more about the financials, and we'll have time for Q&A.

So, transformation, that's what happened in 2023. We did separate from J&J. We did set up a new company, created our own processes, set up transitioning service agreement and manufacturing agreements with J&J to set up and function as a fully independent company. And the teams have done an incredible job. And this huge separation, entangling 135 years of history, went smoothly without any material impact on the business. But now we are in 2024, and in 2024 you are going to see a very different Kenvue from what you saw in 2023, as we start moving into a more fit-for-purpose model that will allow us to deliver the long-term algo that I just talked about.

So that brings me to our priorities for 2024. And the organization is very clear, the 22,000 Kenvuers we have around the world are focused on three priorities, starting with reaching more consumers. We want to put more products in the hands of more consumers. We have an incredible portfolio, iconic brands. You saw some of them in the video. We want more consumers to have access to these incredible products. So, you are going to see a Kenvue with a much higher level of intensity behind our programs in this area, and a much higher focus on the precision of the execution of these different programs.

All of that will require investment. And that's why our second priority is to free up resources in our P&L to reinvest in our brands and create this virtuous cycle where you unleash the full potential of the portfolio. And all of that is going to be enabled by our new culture as Kenvue, which is a culture of being purpose-driven, values-based and focused on rewarding performance and any impact. We impact approximately 1.2 billion people around the world. And we take this purpose and responsibility very seriously, and we want to increase our reach in 2024.

We are going to do it in a uniquely Kenvue way. Why? Is because Kenvue is a special company. We are not your traditional consumer goods company. We are not your traditional healthcare company. We offer the best of both worlds. We operate at the intersection of both worlds. It's all about consumer intimacy and brand building on the one hand. And there's a reason it's the brands we just talked about are in your house is because we build brand love every day, but it's all about health, and providing consumers with the health, efficacious, safe solutions that they need to take care of their own health and the health of their loved ones. And so, it's all about science. It's all about healthcare professional engagement. And our 2024 plan really marries these two aspects.

So, let me get into a little bit more details about each one of these – of three priorities for 2024, starting with reaching more consumers. We aim to reach more consumers. If you want to do that, we need to work differently in 2024 compared to what we did in 2023. And so, you are going to see at Kenvue organization, as I said, more focus on the intensity of our programs and more focus on the precision of the execution of these programs across five key priorities. And so, I'm going to touch on each one of them to give you a little bit more color, it's what I'm talking about here.

Starting with deploying more relevant, more impactful, more distinctive brand experiences for our consumers. And here it's something that we do it well in certain part of the portfolio. We have opportunity in others. The idea is how do you lift the whole portfolio, the whole organization at a different level. And for that we have looked as part of our transformation at making sure that we tighten our ways of working and strengthen the visibility and the clarity in the different roles and responsibilities of our teams around the world. So, our global brand development teams have really worked to make sure that what they are responsible for, which is strategy, the pipeline, the communication is stronger this year than it was last year, and our local brand activation teams brings this to life in the 150-plus countries where we operate around the world are more focused on brilliant execution in collaboration with our retail partners. So, you are going to see more of that in 2024.

Healthcare professional engagement is also going to be part of the plan. That's a unique characteristic of the consumer health space, a large part of the demand generation effort is driven by doctor recommendation or endorsement. And here on this slide, you have a few examples of our leadership position in this area that has been a traditional strength of Kenvue for over a century. In 2024, we are upping our game even more by making sure that we provide doctors around the world in a different categories that matters to us with an even higher level of information about our products, so they can make the informed decisions they need for their patients. So, think about more intensity in how we engage with them, either in their practice, clinic, hospital, the tools we give them so they can talk about the brands and the categories with their patients; and also how we reach to more of them at scale through digital or through professional event. And I invite you to join us at the American Academy of Dermatology in a few weeks, in San Diego, you will see the full power of the Kenvue portfolio in skincare as an example, displayed there. So, healthcare professional engagement, more engagement in 2024.

All of that lands in a shopping moments, right? Whether it's digitally or in a physical store, that's an area where we are good in many places where we have clear opportunities to improve in others, and our underperformance in skin care in Q4 was a good example of that. So, a lot of efforts in 2024 to improve the quality of the execution there, but also making sure that we invest more to be more impactful, more present, more prominent in store. And you have a few examples here, you should see and you will see a higher level of in-store activation in 2024.

One of the reasons we are going to activate more is innovation we aim to bring to the market. Innovation has been the lifeblood of Kenvue forever; 2024 will be no different from that. At Kenvue, we are not reliant on one or two innovations. We launched 300 to 400 new products every year, new innovation every year. And collectively they make our brands more credible with doctors and more relevant with consumers. So, for us, innovation can mean many different things. It can be a new product. On this chart, we show Motrin Dual Action. That's a new product we launched last year. It's a combination of Motrin and Tylenol in one pill, a very successful launch, really drove share gains for Motrin last year in the US. That's a new product, but it can also be other types of innovation.

Talking about digital companions for existing products, we had that in allergy, in sun, in smoking cessation. We can talk about new clinical information, new clinical data that we generate. And this clinical data allows us to obtain from regulatory authorities for new indication for an existing product. You see here, Nicorette, a smoking cessation brand, where in the UK last year through the generation of new clinical data proprietary to us, we are able to secure a new indication for Nicorette for vaping cessation on top of smoking cessation. And so that's a good example of how we can reach to a new set of consumers.

So, all types of innovation across the portfolio always to be more credible with doctors, more relevant with consumers, and make more brands more iconic and increase our penetration every year. One way to make our brands more relevant with consumers is to continuously work on making them more sustainable. And you have a couple of examples here. It can be packaging, it can be formulation, you will continue see that in 2024.

And last but certainly not least, an increased effort in 2024 to make sure that our products are available where and when consumers need us. This is an area where we have not always been great, especially in skin care in 2021, 2022, very pleased with the progress we have seen in 2023. We are back to pre-pandemic service levels across our portfolio, but we are never done in this space. And so, in 2024, we continue to invest in this area, systems, processes to make sure that we increase our level of on-shelf availability, but also increase the resiliency of our supply chain. So, think about end-to-end visibility and connectivity from raw materials to in-store availability. So, more, more on this area as well.

We are also continuing to increase our capacity where we see strong volume growth. So, a couple of recent examples where we added a new line for Listerine in our latest Pennsylvania plant. We are expanding our capacity for Self Care in Fort Washington, Pennsylvania, as well, and a few other initiatives around the world. So that's what we are talking about for 2024 in terms of how we are going to work differently in a very comprehensive way across the five elements of these priorities with an increased level of intensity. And as I said, many times, precision in execution.

All of this will require investment. And you heard us talking about increasing our investment about 15%. That's about \$300 million of additional fuel we are going to put behind our portfolio in 2024 alone. And so that brings me to our second priority, which is to free up resources to generate the fuel to invest behind our brands. And that will come from two pillars; continued gross margin expansion and finding efficiencies in our organization.

So, if I start with gross margin expansion, it's an area where we have a strong track record. You may have heard me talk about the fact that these are the muscles that we grew going to the gym every on gross margin expansion. I didn't go this morning. I didn't have time. But this is an area where – when you look at our track record, 2019 to 2023, the 230 basis point improvement, we intend to continue to grow this muscle in 2024, expand our margins further to create the fuel we need to invest behind our brands. And Paul will give you more details on that in a minute.

The other area where we are going to free up resources is in how we work across the company. And here we have a unique opportunity because we are starting to exit or transitioning service agreements – transition service agreements with J&J, I would say at scale in 2024. And as we do that, we don't replicate the legacy J&J processes at Kenvue. We use this opportunity to reinvent our ways of working to be more fit-for-purpose with all what we need to do to be successful in our consumer health space, and how we can be as a small organization, more agile, simpler ways of working, and also reduce our cost base, so we can free up our resources to invest in behind our brands. So, these two pillars are going to give us the fuel we need to unleash the full potential of this portfolio, continuing to work on our strengths, but also using this unique moment in our history to significantly change the way we work.

All of this will have a higher impact in the back half of 2024. As we start putting this in place in the first half of 2024, we will see the impact of that in the back half. This will be brought to life by our teams around the world, 22,000 Kenvuers. Here as well we are creating a new culture as a new company and it's a culture, as I said, purpose-led, values-driven, always doing the right thing, but rewarding performance and impact. And so, one example of that is our new Kenvue incentive system that we are deploying this year, in 2023 we had the legacy J&J system, 2024 we are own Kenvue performance management and incentive system that we have improved to make sure that all employees are incentivized the right way to deliver on the priorities I just outlined.

And so, a couple of differences between where we are today versus where we were before. Our new incentive system has a better balance between the direct contribution of the financial performance of the company to your bonus payout, but also using the individual parts of the bonus payout to better reflect your level of performance, your level of contribution to our collective success. The second improvement is the inclusion of gross profit and margin into the financial indicators to really send home the message that is very important for us to continue to improve gross margins, to fuel the growth. And then finally, there is a stronger differentiation between high performers and low performers to really drive home that Kenvue is all about performance and impact. So that's one example of what we do to drive a different culture at Kenvue, focused on performance and impact.

So that's a summary of what we are going to do differently in 2024. Now, let me bring it to life by sharing more details about our portfolio and what it's going to mean for our portfolio.

So, our portfolio is well-balanced, as you know, in terms of categories between Self Care, Essential Health and Skin Health & Beauty. In terms of geographies, 50% of our revenues are in the US, 50% outside the US. It's a portfolio that we have very intentionally curated for over 135 years. We have not done it for 135 years, but the portfolio has been curated to make sure that everywhere we play, we are best positioned to win. And that's why you have this unique collection of iconic brands across the portfolio.

At Kenvue, you don't have a segment where you have second, third class equities. Our equities are equally strong across the whole portfolio. We have 15 priority brands that represent about two-third of our revenues and about two-third of our growth. The remainder of the portfolio is constituted by what we call our local jewels. These are brands that are number one and number two in their respective markets. The vast majority of them leverage the strength of our priority brands. And the combination of these priority brands and local jewels is what gives us the scale and the leadership position in so many countries around the world.

I'll give you one example, because sometimes it's not always easy to understand how the local jewels leverage the power of the priority brands. The first one is Tylenol; you have here. We don't have the Tylenol brand in the UK as an example. We have children's Tylenol in the US. The equivalent in the UK is called Calpol. It wouldn't make sense for us to launch children's Tylenol in the US when in the UK, when Calpol has been there for generations, and is one of the most beloved brands for children's analgesics in the UK. So, we keep the Calpol

brand, and you don't see it on these charts, but it does leverage our R&D platform, our consumer insights, our go-to-market strategies, everything we do for children's Tylenol in the US is leverage to be successful with Calpol in the UK, which is the number one equity in the category. So that's just one example of how the portfolio work.

So, let's dig into each one of our segments, starting with Skin Health & Beauty, that got a lot of attention recently. And starting with me and the leadership team, given the performance of this segment that I strongly believe doesn't reflect the underlying strengths of our equities in that space. It's a \$4.4 billion segment, grew 1.8% in 2023. And when you look at our performance by region, it's very easy to see where we are strong and where we need to improve. Europe and Latin America in 2023 continue to do very well in a very competitive environment, showing the strength of our brands' equities and plans in these regions. Asia was affected by the soft consumer demand in China that you are all familiar with. The real focus is in the US, where clearly our underperformance doesn't reflect the strength of the brands we have here like Neutrogena or Aveeno.

So, we spent – I've spent personally a lot of time with the US team, with our customers to understand what was going on there, and how we are going to do things differently to get the different results moving forward. The good news is that it's not about the strength of our brands. When you look at the Kantar brand equity study, Neutrogena and Aveeno are respective number one and number three in terms of brand power in the US. So, it's not about the equity. It's not about the products. When consumers have the products in their hands, they love it. When you look at our ratings online, we're at 4.5. That's above the category average of 4.4, and above the average rating that you see with brands that are growing faster than our brands. And by the way, I hope you got our products in your room, and you will enjoy our products as well. But it's not a product issue.

It's also not a problem online. When you look at our performance in the US online, whether omnichannel or pure play, we are doing very well. The problem is in-store where the quality of the execution is not where it should be. And it's not that easy for consumers to shop our brands. And so that's where we are focusing our attention. We have a new leadership team in place in the US, and Jan, our new leader for North America and his team has developed and are starting to execute a plan to revitalize and stabilize our business in skin in the US. And it's going to be around three priorities making – that reflect the algorithm that I shared with you about the full company a minute ago, making our brands more prominent in in-store, easier to shop in-store. If the packaging is not clearly laid out and easy to understand, let's change the packaging. If we don't have enough visibility for our brands, end caps, displays, let's invest in more. If the communication, the information is not where it should be, let's improve it.

It's about creating engagement plans for both consumers and healthcare professionals that are more impactful, more distinctive, more powerful. And it's about leveraging the amazing innovation we have by putting more fuel behind it and strengthening again the quality of the execution. So, the team is taking very deliberate action. You see an example here with Neutrogena Hydro Boost that spans across the full spectrum of activities you would expect from a brand team like Neutrogena, as an example, with new innovation, stronger activation. Most of it is digital, but broadcast TV is also part of it to increase the reach and frequency of our digital reach. Stronger activation online, social media, both with consumer influencers, but also what we call derm fluences, dermatologists who have a strong followership online, and you will see some of that brought to life out of the American Academy of Dermatology as an example in March. So, as I said, it's not going to happen overnight. The recovery is going to be sequential. But we have a team focused, heavily focused on driving a stronger activation there.

If I move to our second segment, Essential Health, that's where we host probably some of our most iconic brands, Listerine, BAND-AID, Johnson's. These are brands that are synonymous with their categories and are much bigger in their respective categories than the next player, regardless of the markets where we operate. \$4.6 billion

in revenue for this segment alone, continuing to grow faster than our long-term expectations, 3.6% in 2023 with these iconic equities that are for all of them, number one and number two in their categories, many of them are synonymous for the category.

So, in 2024, expect stronger activation, more fuel behind these brands. Listerine here on the chart is a good example of that, where Listerine was a contributor to our growth in 2023, our innovation is doing very well. We are going to do more in 2024. If you take in the US, we have strong momentum, 21-plus weeks of double-digit growth in this market, expanding the category.

And we are excited about our plans for 2024. As we speak, we are running out in the US our clinical solutions line, which is a new line, a new premium line of alcohol and non-alcohol versions focused on specific health benefits. With strong consumer activation, we are ramping up distribution as we speak and specific activation with dentists and hygienists. Our objective here is to continue to grow fast our brand. As I told you, we're increasing our manufacturing capacity, but it's also to grow the category. Remember, if you take Listerine, we are five times bigger than the next competitor. So, for us, it's really about increasing the category, making mouthwash through Listerine more relevant for more consumers around the world. So, excited about our plans there.

And then moving to our Self Care segment. It's our largest segment, \$6.5 billion in revenue. We continue to outperform the market, 8.4% growth in 2023, on top of double-digit growth in 2022 with a well oiled machine and playbook to make our brands more credible, with doctors, more relevant with consumers every day. And we absolutely intend to develop the same playbook in 2024. And that's what we are doing as we speak.

In Self Care, you know, we are not just here waiting for the season to be good or bad, and see what happens. Every day, our teams are working to find new ways to, as I said, make our brands more credible, more relevant for different constituents. As we speak, we are launching, Tylenol Easy – easy chewables – Easy Swallow, sorry, Easy Swallow, which is a great example of the new innovation by Tylenol that will make it easy, especially for the elderly, who sometimes have time to swallow the tablets to make it easier for them to take the right dose of acetaminophen when they need it.

So, Tylenol, which is our largest brand, the largest analgesics brand in the world, it continues to grow. It continues to grow penetration. It continues to grow share. Why? Is because our teams continue to innovate. And you see it on this chart, on the right-hand side, you see an example of how we continue to bring innovation to the market. I just talked about Easy Swallow, but also bring to consumers and doctors the information they need to make the right decisions. But we also continuously expand the brands. And on the left side, you have an example of how we expand Tylenol in topical analgesics. That's a place where we are not present and where we are expanding starting in 2023, our Tylenol brand.

I like this example because it's a good example of the synergy we have as a pure play consumer health company. In this product, you have the best of our expertise in Self Care, married with our expertise in skin care. And so for the first time in topical analgesics, you have a great efficacious product with the great aesthetics brought to you by skin care experts. And so that's why you have this roller and that's why you have these aesthetics that I encourage you to use next time you need a topical analgesics. Usually the smell is not really a pleasant experience. With Tylenol Precise, you will want to put it on every single day. And I encourage you to try the product. It's only available in the US right now, when you need it, only when you need it.

But this page is a good example of what we do across the portfolio. We talk a lot about Tylenol, about cough and cold, but we are very strong in digestive health, in smoking cessation around the world. And we expect to continue to have a strong performance in this segment in 2024.

So, key takeaways. As you can tell, we are confident in our ability to deliver our plan in 2024, to build from this base and deliver our algo for the long-term. You are going to see a different Kenvue in 2024 compared to what you saw in 2023 with an organization that is focused on reaching more consumers, freeing up resources to invest behind our brands and bring to life a culture of performance and impact.

And with that, I'm going to hand over to Paul, who is going to share with you more about our financials.

Paul Ruh

Chief Financial Officer, Kenvue, Inc.

Thank you, Thibaut, and good morning, everyone. 2023 was a transformational year for Kenvue. In addition to hitting our milestones related to the separation and navigating a complex macro backdrop, we delivered on significant top line growth, gross margin expansion and robust cash flow generation, despite the headwinds that we found in terms of cost inflation and forex. And looking forward, we have very clear priorities like Thibaut played out. But now I want to spend some time talking about the context around our outlook for 2024. And as we continue to refine our models, I'll give you some more specifics.

So, first, I want to echo Thibaut's comment that we have strong conviction in our ability to execute our plans. As we set guidance for the first time as a fully independent company, our re-leveled guidance contemplates a range of scenarios that incorporate some elements that are within our control and some elements that are outside our control, such as variations of our seasonal businesses. On the top line, we expect to achieve 2% to 4% growth with an organic growth rate of about flat in the first quarter, and sequentially improving as we progress throughout the year. We expect volume to become a contributor to growth in the back half of the year, and we expect value realization of about 60% carryover and about 40% of new surgical pricing throughout the world.

As we spoke about in our earnings, we expect headwinds to continue in the first half of the year, such as a lower flu season and also softness in China that is ongoing, and also the impacts of the in-store execution challenges that Thibaut talked about, particularly in Skin Health & Beauty in the US. However, you also see the tailwinds of no longer having the drag of the 2022 product discontinuations, but also the discontinuation of our personal care product line in Russia.

And for the first quarter, we expect volumes to remain negative. Given the outsized volume growth that you see on this chart, in the first quarter of last year, but we expect volumes to improve sequentially from trends in the fourth quarter of 2023 across all segments. We also expect continued strong growth outside the US. And as we look to the back half, we will see growth accelerate as easy compares approach and also behind investments in our brands.

Next, turning to gross margin. And as this chart shows, since 2019, we have delivered 230 basis points of gross margin enhancement. This is the muscle that Thibaut talked about, and we have developing it for quite some time. I'm very pleased with what we have been able to deliver since 2019, and we're confident that we'll continue to do this going forward. In line with our philosophy, it is to maintain gross margin rate through value realization, including premiumization and mix management. And this will be helpful to offset inflation that has occurred over the last few years and also meaningful forex headwinds.

Expansion of margin on the other side will come from continued enhancements and productivity initiatives. And we have an array of building blocks and initiatives already lined up for this year and beyond. For 2024, we expect gross margin to near the 2021 levels, approximately 59% as we continue to utilize all these levers that I talked about.

Now going down the P&L, operating efficiencies beginning to materialize gradually will partially offset the increased brand investment, the 15% or the \$300 million that Thibaut talked about in our marketing spend, and also the absorption of a full year of new public company costs. And as a result, our adjusted operating margin will be slightly lower than last year. But at the midpoint, our 2024 EPS guidance is about flat when comparing to 2023 in a like-for-like basis.

Let me give you some context about the cadence of the year for you to consider as you refine your models, because we expect SG&A as a percentage of sales to be weighted towards the first half, as we begin our investments out of the gate with higher top line and efficiencies materializing towards the back half of the year.

Now moving to capital allocation strategy. Our number one priority is to deliver long-term value for shareholders. And as such, we will evaluate all available drivers for shareholder and value creation on an ongoing basis. And today, we remain committed to our philosophy – our financial philosophy of capital allocation that starts first and foremost with investment in our business to drive profitable growth. Second, we are highly committed to our dividend, which is critical element for our TSR algorithm. And third, delevering as well. Our reliable cash flow generation gives us the flexibility to prudently delever and reduce interest rate at the appropriate time. And fourth, we assess potential growth opportunities through tuck-in acquisitions as we strengthen our portfolio and to become a leader in consumer health. And lastly, we will also execute share repurchases to offset dilution. That's exactly the playbook we followed in 2023, and that's what we intend to follow always as we continue to analyze responsibly all options to drive enhanced shareholder value.

So, to conclude, we are very confident in our ability to deliver guidance that we outlined for 2024, and from that base delivering on a long-term algorithm to create value in a balanced way as we strengthen our investments in our portfolio of iconic brands. There is no limit to how we can take care of our own health, and also no limit to how Kenvue can deliver science-backed solutions for our consumers. With this opportunity in mind, we're executing on our strategic priorities for 2024, which include reaching more consumers, freeing up resources to invest behind our brands, and fostering a culture for performance and impact.

Our sharp focus on these priorities and continuing to advance in the long-term value-creation algorithm around profitable growth and durable cash flow generation and disciplined capital allocation will position us as an undisputed leader in consumer health and will continue to drive our growth story.

Thank you very much for joining us today, and we appreciate the opportunity to share the vision with you. And now, let me open it up for questions.

QUESTION AND ANSWER SECTION

Tina Romani

Head-Investor Relations, Kenvue, Inc.

A

We've only got time for just a couple of questions, and happy to take more in the breakout room after. So, maybe we'll start with Andrea, here in the center.

Andrea Teixeira

Analyst, JPMorgan Securities LLC

Q

Andrea Teixeira, JPMorgan. Thank you for coming and showcasing the Skin Health & Beauty recovery plan. I think you've prepared everyone to see more of a gradual recovery, which I think we all appreciate the cadence. But if you can try, you can help us, kind of educate us how we're going to be looking at this going forward, given that we all get fast-tracked data with Nielsen, how we should be seeing that improving?

And give us a little bit of set up for the quarter, which I think, Paul, you did talk about like how we should expect especially SG&A to be strong in the first quarter as you cited up for the balance. But I think one of the things that investors might want to hear from you is that given that you want that progression to go, how you seem comfortable with this order, the first quarter kind of guidance for flat organic, how you are seeing that's evolving in your plan, and how much visibility you have not only in Skin Health & Beauty, but also in healthcare and in the other divisions.

Thibaut Mongon

Chief Executive Officer & Director, Kenvue, Inc.

A

So, maybe I can start and Paul can chime in for the...

Paul Ruh

Chief Financial Officer, Kenvue, Inc.

A

For the quarter, yeah.

Thibaut Mongon

Chief Executive Officer & Director, Kenvue, Inc.

A

So, as you heard, Paul and I say, we are confident in our ability to deliver on the guidance. That means that we are going to see continued momentum in Self Care and Essential Health, and stabilize and recover in Essential – in Skin Health. So, you will see across the portfolio, an improved level of execution and intensity of actions that will result in sequential improvements throughout the year. Specifically for Skin Health, in the US, you are going to get the share data. That's what you are going to see very vividly. It's going to be noisy again this year because you have puts and takes. And so, we'll do our best to give you more color behind the share data that you will get to give you a better sense of how much we are progressing on the different building blocks that we have.

The Skin Health business has its own rhythm in terms of seasonality of products between the summer products, the winter products. And so, each quarter we will give – we will do our best to give you a sense of how much we are progressing on the execution of our plans, the return on the investment we are seeing, and give you as much color as we can on our progress.

Paul Ruh

Chief Financial Officer, Kenvue, Inc.

A

So, thank you for the question, Andrea. And let me give you a little bit of perspective of the cadence throughout the year. And let me start by talking about Q1 first. So, we expect volume to improve across all segments, but they will be still negative. So, they will improve from – sequentially from what we saw in Q4 of 2023. We expect continued strength from – coming from OUS. And in Q1, we will also see the benefit of pricing carryover from last year. I mentioned about 60% of pricing from carryover and 40% of new pricing. And also from a comps perspective, you will not see the drag from Russia or the 2022 discontinuations. So that gives me confidence, all those puts and takes give me confidence in Q1.

But now from Q1 on, we expect the benefits of the building blocks that Thibaut talked about. For Skin Health & Beauty, gradual recovery. And also you should see the benefit of the investments of the brands that we're putting in place right out of the gate. So, we just started investing in our brands across all our segments.

And as we look into the back half, we expect volume to become more of a contributor to growth, as the compares have become significantly easier, as you saw in the chart. So, volume will become a contributor to growth more towards the second half of the year. And all of this gives me actually very much confidence in the guidance that we provided. We have a range of scenarios that we considered has been setting our guidance not only for Q1 but also for the full year. So, pretty confident about it.

Tina Romani

Head-Investor Relations, Kenvue, Inc.

A

Okay. We have time to squeeze one more in. Maybe we'll go with Peter because he's closest to the mic.

Peter Grom

Analyst, UBS Securities LLC

Q

Thanks, Peter Grom from UBS. I just wanted to follow up on that. So, Paul, you mentioned, that there's stuff within your control, but there's also some assumptions in the guidance that are kind of outside your control. So, when we think about the implied improvement, like how much of that improvement is really within your control versus kind of the variations you mentioned? And if these kind of seasonal variations break your way, does that kind of put your growth rates towards the high end of the range, is it upside, just trying to just understand the confidence given all the moving pieces?

Paul Ruh

Chief Financial Officer, Kenvue, Inc.

A

So, the way we thought about the process to define our guidance, we actually built building block by building block, initiative by initiative, when we said our upside scenario has these elements that are within our control. And let's assume things, all of them fall into place that these – these are the ones that are outside our control. And we – that's more towards the upper limit. What happens in the opposite? What happens in terms of the internal activities? What happens is the recovery is slower, but also in the seasonal, particularly in the seasonal businesses, there's a variety of scenarios that are not within our control. What happens is there's something around the flu season or the allergy season, so that defines our bottom end of the range. So that's where, how we established the range that we talked about. So, we considered a variety of scenarios, and that's why we feel confident about them.

Stephen Powers

Analyst, Deutsche Bank Securities, Inc.

All right. With that, we'll go to breakout. Let me thank Thibaut, Paul and Kenvue, for the first of what will hopefully be many CAGNY presentations. Thank you very much.

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