Chief Executive's Review

Continuing on our growth trajectory

"I'm delighted with the strong performance of the Group in 2021. Kelo-cote enjoyed another excellent year, helping us to deliver double digit organic revenue growth, and Amberen is now fully integrated into our enlarged US operations"

See-through Revenue*

£169.6m +23%

(2020: £137.5m)

Statutory Revenue

£163.2m +26%

(2020: £129.8m)

* Non-IFRS alternative performance measures (see note 34). See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Chief Executive's Review continued

TRADING PERFORMANCE

Overview

The Group delivered strong growth in the year, with see-through revenue up 23% to £169.6m (2020: £137.5m), despite the impact of currency headwinds and continuing lockdowns, particularly in the APAC region; at constant exchange rates (CER), revenue growth was 27%. Like-for-like (LFL) revenue, excluding revenues attributable to Amberen, which was acquired by the Group at the end of 2020, grew 9% (12% CER). On a statutory reported basis, Group revenues were up 26% to £163.2m (2020: £129.8m) (+30% CER) and up 11% to £144.0m (2020: £129.8m) on a like-for-like basis, excluding Amberen (+14% CER).

Gross profit increased by 32% to £109.5m (2020: £82.8m), the increase outstripping revenue growth due to favourable changes in product mix, resulting from the inclusion of Amberen and the significant growth in Kelo-cote sales. This was balanced by an expected increase in operating costs, primarily reflecting the inclusion of the Amberen cost base, the resumption of discretionary spend deferred from the early stages of the pandemic and higher levels of investment in the business to support growth. Coupled with a small increase in depreciation and amortisation charges, as we brought our new ERP system into service, underlying profit before tax increased 26% to £42.2m (2020: £33.5m), with the profit before tax margin increasing by 50 basis points to 24.9% (2020: 24.2%).

Non-cash amortisation and impairment charges, together with a provision in relation to the Competition and Markets Authority (CMA) decision and restructuring costs, resulted in reported profit increasing by 39% to £18.2m (2020: £13.0m).

Consumer Healthcare

Our Consumer Healthcare business continued to perform well through 2021, with increased e-commerce activity and the integration of Amberen helping to drive year-on-year see-through revenue growth of 31% (36% CER), to £121.8m (2020: £93.0m). On a statutory basis, reported revenues were £115.4m, up 35% from the previous year (2020: £85.3m) and up 41% CER.

Excluding the impact of Amberen, like-for-like Consumer Healthcare see-through revenue increased by 10% (14% CER) to £102.6m whilst reported revenue increased by 13% (16% CER) to £96.1m.

Kelo-cote – scar prevention & treatment

Kelo-cote delivered another excellent performance, particularly in the APAC region, generating revenues of £48.8m, up 41% on the prior year (2020: £34.7m). CER revenues were up 47% due to continued strong demand from China, reflecting the growth of both domestic sales and significant cross-border e-commerce ('CBEC') sales.

Kelo-cote is very well established in China, with high brand awareness and usage. The growth in domestic and CBEC revenues reflects the increasing trend for consumers in China and elsewhere to migrate more to online purchasing, both of the brand itself and healthcare products generally – a trend accelerated by the pandemic.

In 2021, we entered into a new CBEC distribution agreement for Kelo-cote, to move Alliance closer to the customer and provide greater control of our distribution chain. This decision was taken in response to the success of CBEC in facilitating export sales from the EU to consumers in China, and in recognition of the significant opportunity that China offers for this key brand. As a result, we expect further top-line growth in China over the medium term.

Performance across the rest of the APAC region was more mixed, as many countries continued to be impacted by the pandemic, although both Hong Kong and South Korea recorded strong growth. A similar trend was evident across South America and much of EMEA; with strong performances from a number of European territories including France (domestic and export sales), and the UK.

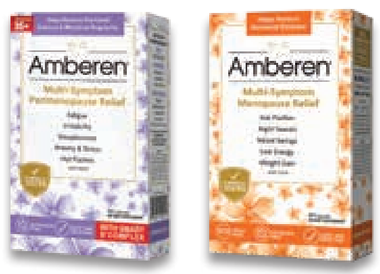
* See-through revenue includes all sales from Nizoral as if they had been invoiced by Alliance as principal. For statutory accounting purposes the product margin relating to Nizoral sales made on an agency basis is included within Revenue, in line with IFRS 15.

Amberen – vitamin mineral supplement for the relief of menopause symptoms (US)

Amberen made an encouraging start during its first year of trading under the Group's ownership, generating net revenues of $26.5m (£19.2m) in the Year, with H2 2021 revenues up 12% CER on H2 2020 (under previous ownership). Full year revenue growth was up 3% CER, with the brand's Amazon sales in particular experiencing strong year-on-year growth, compensating for more challenging trading conditions for the category as a whole in the bricks and mortar retail sector.

We expect to see Amberen revenue growth accelerate in 2022, with a weighting towards H2, as we look to leverage the expanded operating platform we have put in place in the US, increase our focus on brand positioning and execute a new integrated marketing campaign for the brand.

We are focused on developing an innovation pipeline to underpin the growth of the brand in the longer term.



Nizoral – medicated anti-dandruff shampoo

Nizoral had a challenging start to the year due to a combination of distributor order phasing, manufacturing delays, and the ongoing impacts of COVID-19 on demand, particularly in India. We experienced some delay to the transitioning of regulatory approvals in Vietnam and the Philippines, whilst growth in key pharmacy chain listings for the new Triatop combi product in China was also slower than planned.

However, revenues started to recover in the second half of the year, with see-through revenue of £11.6m in H2 2021 (£9.0m in H1 2021 and £11.2m in H2 2020), as the challenging regional trading conditions affecting both supply and demand eased. Triatop combi product pharmacy listings in China also improved in the last few weeks of the year, which should help support further sales momentum in 2022. Consequently, see-through revenues for the Year of £20.6m, were up 1% CER (-2% as reported) (2020: £21.0m). On a statutory reported basis, revenues were up 7%, at £14.2m (2020: £13.3m) (+9% CER).

We expect to see further improvement in 2022, as the pandemic recedes and we take full control of the supply chain following the end of the transition period with J&J. The roll-out of our strategic brand plan for Nizoral is now well underway, with consumer activation campaigns ongoing or planned across a number of key territories, including Australia, South Korea and Taiwan. These activities are being carried out in partnership with our local distribution partners as part of a growth strategy centred around consumer and healthcare professional activation, e-commerce, and Innovation & Development (I&D).

Other Consumer Healthcare brands

We continued to see a mixed performance across our other Consumer Healthcare brands, particularly for those products sold principally through international distributors.

MacuShield (eye health supplement), was an early beneficiary of a recovery in UK retail sales post COVID-19, whilst Vamousse (prevention and treatment of head lice) continued to be impacted by COVID-19 challenges as school closures and social distancing requirements led to significantly reduced incidence of head lice, particularly in the US, the product's primary market. With distributor stocking patterns contributing to declines in Oxyplastine and Aloclair, revenues in other Consumer Healthcare brands fell 9% CER.

As we progress through 2022, and global trading patterns and consumer behaviours start to normalise post COVID-19, we expect to see sales of Vamousse, Aloclair, Oxyplastine and a number of our other smaller consumer brands start to pick up again. Further revenue detail on these brands is available in note 3.

Prescription Medicines

The Prescription Medicines business delivered robust revenues of £47.8m (2020: £44.5m), up 8% on the prior year, reflecting a partial return to the delivery of routine treatments and normalisation of daily life compared with the early stages of the pandemic in 2020. Key drivers of revenue growth included the Opus range of stoma care products, Forceval (nutritional supplement), Hydromol (emollient for the treatment of eczema) and Flammazine (prevention of infection of burns and wounds).

We continue to actively manage this part of our portfolio, periodically discontinuing or disposing of smaller products that deliver very low sales and margins. However, the cash generation from these assets remains good and, coupled with their limited requirement for promotional investment, this business will continue to play an important part in our overall product portfolio.

Chief Executive's Review continued

Regional performance

EMEA (Europe, UK, Middle East & Africa)

EMEA regional revenues of £89.2m were down 5% versus those for the prior year (2020: £93.8m), primarily due to a mid-year change in the distributor for Kelo-cote CBEC, which is now located in APAC, and hence sales are now included in APAC revenues, whereas previously they were included in EMEA. This change in revenue classification was partially offset by the uplift in Prescription Medicines revenues, with this region accounting for 95% of all Prescription Medicines sales in the year, coupled with the growth in MacuShield sales, which originate primarily in EMEA (the largest market being the UK).

APAC (Asia Pacific and China)

APAC regional see-through revenues rose 47% versus the prior year at £54.4m (2020: £37.0m), with statutory revenues up 64% to £48.0m (2020: £29.3m).

Revenues in this region are dominated by Kelo-cote and Nizoral (which is only sold by Alliance in APAC) and which collectively account for 90% of APAC sales in 2021.

Regional revenues in 2021 benefitted from the change in distribution arrangements for Kelo-cote CBEC sales, with revenue recognised as part of APAC, rather than EMEA, from the middle of the year. The uplift in sales also reflects underlying growth in Kelo-cote sales, both in China and across the wider APAC region, coupled with the slight decline in Nizoral sales.

AMER (The Americas)

Revenues in the AMER region increased by £19.3m to £26.0m (2020: £6.7m), reflecting the acquisition of Amberen, which contributed £19.2m to sales in the year. On a like-for-like basis, sales were in line with those for the prior year at £6.8m, with a decline in Vamousse sales in the US, due to the continued impacts of the pandemic, offset by increased sales of Kelo-cote in South America. This region now accounts for more than 20% of our Consumer Healthcare revenues.

Following a period of investment to expand its local operating capabilities, the US business now has an enhanced platform from which to generate strong growth in Amberen and other existing brands and to scale up further when suitable acquisitions are identified.

Developing our regional platform

Rounding out our operational capabilities across the three geographic regions in which we operate, EMEA, APAC and AMER, has been a major focus for us in recent years. The platform which we've created across these three regions, underpinned by our global support functions, enables us to create value through both driving the growth of our existing brands and acquiring and integrating new assets with ease – as demonstrated most recently with Amberen.

CURRENT TRADING AND OUTLOOK

2022 has started well, and we remain confident in our ability to deliver financial performance in line with market expectations.

We now have a clear focus on our core Consumer Healthcare business, supported by a well-defined value maximisation strategy and a scalable platform across EMEA, APAC and the US, to drive future growth.

The new distribution agreement we put in place in 2021 will enable us to deliver further growth for Kelo-cote through our CBEC business and gives us the opportunity to extend the range of products made available through this channel, potentially accelerating the growth of a number of our other consumer brands.

Through 2022, we expect to see increased growth from Nizoral as we accelerate the roll-out of our strategic plan for the brand and as the impact of the pandemic recedes.

With Amberen now fully integrated into our enlarged US operations, we expect to see revenues increasing as we begin to realise the benefits of additional revenue opportunities that the brand has brought into the Group.

We now have a more balanced consumer portfolio around the globe and, as our net debt and leverage continue to reduce, we are increasingly well placed to participate in complementary acquisitions in the consumer healthcare space and to leverage the operating platform we have built across EMEA, APAC and the US. Coupled with a proven ability to extract value from our key consumer brands, we remain confident in our ability to realise our mid-term growth ambitions.

Chief Executive's Review continued

OPERATIONAL DEVELOPMENTS

We recognise the need to invest in our business to maintain strong organic revenue growth. We recently implemented a new Innovation & Development (I&D) process and in 2021 we created new dedicated roles and a central I&D budget to deliver new products, claims and packaging ideas. We expect to see a number of these innovations come to market in 2022 as we refresh existing products to maintain consumer appeal.

We have also commenced the roll-out of our new Digital Excellence training programme to our global marketing teams to ensure our staff have the necessary skills and knowledge to drive sustainable long-term value.

Our ERP system went live in the first half of 2021, and we have already realised benefits to the business through the standardisation of processes. Our significant pre-launch preparation ensured a virtually seamless changeover; work continues on refining some of the reporting requirements and rolling the system out to a few remaining smaller entities, but we expect this to complete in the next 12 months.

During the year we secured new, larger offices in Cary, North Carolina, to accommodate our growing US team, closed our office in Los Angeles and streamlined our European footprint through the closure of our Milan office, incurring associated restructuring costs of £2.4m, which have been presented as non-underlying.

We also completed further substantial upgrade and refurbishment works at our UK headquarters, improving the building's environmental credentials whilst also reconfiguring space to better accommodate post-pandemic working arrangements. All employees have now returned to the office on a hybrid basis, both in the UK and in our regional offices around the globe, as pandemic restrictions allow.

INCREASING OUR FOCUS ON SUSTAINABILITY

We have continued to focus on developing our sustainable business strategy during the year, under the direction of the ESG Board Committee, and informed by feedback from a number of our key investors plus external gap analysis. This work has resulted in the development of our Sustainability Framework; we now have greater clarity regarding our specific areas of focus and the key activities which underpin these.

We have initiated a programme of work to drive improvements to the sustainability of our product packaging and are also in the early stages of developing our broader environmental strategy, including our response to climate change. In 2021, we quantified our Scope 3 greenhouse gas emissions for the first time and are using the results to help inform the development of our carbon action plan, with a view to setting carbon reduction targets and our path to net zero in the near future.

Minimising our environmental impact

In 2021, we completed a programme of upgrading and refurbishment works at our UK headquarters, further improving the building's environmental credentials. We continue to actively look for ways to reduce our direct (Scope 1 & 2) emissions as part of the drive towards net zero and intend to achieve carbon neutrality for our Scope 1 & 2 UK emissions for 2021 retrospectively in 2022, through the use of sequestration schemes.

Given the nature of our business, and our use of third-party distributors, contract manufacturers (CMOs) and logistics service providers (LSPs), the majority of our greenhouse gas emissions are classified as Scope 3. In 2022, we plan to reach out to our larger CMOs and LSPs to better understand where they are on their respective emissions reduction journeys and to obtain their Scope 1 and 2 data to help improve the methodology used for our Scope 3 calculations. We will also continue to reduce our own Scope 1 and 2 emissions, which were 90tCO_2e for our UK operations in 2021, and will achieve carbon neutrality for these retrospectively in 2022 through the use of sequestration schemes.

With the foundations now in place, we will be looking to raise the profile of sustainability within the business more widely in 2022, as we continue our journey to become a more sustainable business. We remain a responsible corporate citizen, committed to minimising the negative impacts of our operations on the environment, whilst making a positive contribution to society.

Further coverage on the progress we have made with our sustainable business strategy can be found on pages 25 to 33 of this report.

Chief Executive's Review continued

PEOPLE

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to all those who have helped to make 2021 such a successful year for Alliance. We currently employ around 250 people in 10 locations around the globe. In 2021, we created around 20 new roles, spread across all our main geographic locations, as we looked to meet our evolving business needs. This included the creation of a new dedicated I&D team to underpin the growth of our Consumer Healthcare brands.

We recognise the need to develop appropriate in-house expertise in specific skill sets, using a blend of external subject matter experts and internal training to ensure our platform remains scalable as we grow. We anticipate continued investment in our global team in 2022.

In 2021, we once again participated in the Great Place To Work® survey, as we further progressed our employee engagement journey. We were very pleased to have received an overall Trust Index© rating of 76% and to have been recertified as a Great Place To Work® in the UK and China whilst gaining an additional certification in Singapore, with 81% of participants globally saying that Alliance was a Great Place To Work®.

Further coverage on this and other aspects of our people strategy can be found on page 22.

During the second half of the Year, we rolled out and refined our new ways of working to provide flexibility over office and home working for our employees around the globe, based on individual role, activities, and the location of other colleagues with whom they interact regularly. The majority of employees now spend 2 or 3 days a week in the office, subject to local government guidance, allowing them to combine the benefits of individual focus time with the increased connection and collaboration opportunities that come from being physically present with colleagues in the office. This increased flexibility has been very positively received across the business and is working well for us.

We recognise that great people, and the successful partnerships that they build both within the business and externally, are key to the delivery of great results.

BOARD CHANGES

As previously announced, Kristof Neirynck, a highly experienced consumer brands executive, took up his position as an independent Non-executive Director of the Group on 1 December 2021, bringing with him almost 20 years of international consumer brand experience, including complex omnichannel business models, direct-to-consumer strategies and CBEC sales into China. His experience will be invaluable as we look to further develop and grow our business, in particular our CBEC activities, over the coming years.

Supporting early-stage career development
2021 saw two of our employees successfully complete their apprenticeship training and move on to new permanent roles within the business – demonstrating the continued success of Alliance's apprenticeship programme in fostering early-stage skills development. We have since taken on an additional apprentice in our Finance team and have recently launched both a graduate scheme and an industry placement scheme, furthering our commitment to supporting those at the start of their careers.

LOOKING FORWARD TO 2022

2022 has got off to an encouraging start. We remain confident in our ability to further capitalise on identified organic growth opportunities within the business and to deliver financial performance in line with market expectations.

Operationally, the priorities for the Group in 2022 are:

- To continue to invest behind our larger Consumer Healthcare brands, in order to drive further growth, supported by our increasing focus on e-commerce and I&D activities;
- To continue to progress our sustainable business agenda, including the creation of our carbon action plan and the setting of emissions reduction targets;
- To continue to look for opportunities to participate in complementary acquisitions in the consumer healthcare space, to leverage the operating platform we have built across EMEA, APAC and the US, and balance the scale of our business operations across these regions.

Peter Butterfield
Chief Executive Officer

30 March 2022