Reckitt Full Year 2024 Results

Thursday, 6th March 2025

Introduction

Nick Ashworth

Head of Investor Relations, Reckitt

Welcome

Good morning, everybody, and thank you for joining us for the Reckitt full year 2024 results presentation. For those of you that do not know me, I am Nick Ashworth, Head of Investor Relations here at Reckitt.

Disclaimer

Before we start, can I draw your attention to the usual disclaimers in respect to forward-looking information.

Following the presentation, we will do the usual Q&A session. We will take questions from the room first and then followed by written questions via the webcast. For those of who have joined online, please feel free to submit your questions via the Questions tab. That is at the bottom of the screen, and I will read them out. If you have further questions after the event, please feel free to reach out to the IR team, and we will be happy to help.

With that said, I will hand over to our CEO, Kris Licht to start the presentation… Kris.

2024 Highlights

Kris Licht

CEO, Reckitt

Agenda

Thank you, Nick, and good morning to everyone in the room and those who have dialled in. I am joined this morning by our CFO, Shannon Eisenhardt. I will start with an overview of our 2024 results and some of the key highlights. Then Shannon will take you through the financial performance for the year. I will then come back and provide an update on our strategy and key priorities for 2025 focused on the sharpened Core Reckitt business. After that, we will both be happy to take your questions.

We are executing our plan

2024 was a foundational year for Reckitt as we announced a revised strategy and the steps that we are taking to deliver it. We are making big changes, and I am really proud of the work our team has done as we move towards becoming a world-class consumer health and hygiene company.

We have grown the business, delivering on our ambition of driving top and bottom-line growth with strong earnings and cash returns to shareholders. We have also improved our market shares with 55% of our top CMUs holding or gaining share across both Health and Hygiene.

Our innovation platforms have achieved very good results with new products and new category creation driving higher margin growth across our Powerbrands. We have also increased investment with total capex of £500 million, reflecting continued multiyear investments in R&D and our supply chain, which will help power innovation and the future growth of the business.

We have simplified the business, moving from five to three organisational layers to increase accountability and decision-making, accelerating delivery and execution.

Finally, we are seeing good early benefits from our Fuel for Growth programme, which is supporting increased investment in our brands to drive revenues, expand margins and deliver sustained earnings growth.

Good earnings growth, strong cash returns

This can be seen in our 2024 financial performance, which delivered both top and bottom line growth with strong cash returns to shareholders.

Group net revenue grew 1.4%, in line with our guidance of plus 1% to plus 3% growth. While this includes the impact of the tornado in July and a slow start to the cold and flu season, Health and Hygiene grew like-for-like net revenue by 4.6% and volume by 2.1%, excluding seasonal OTC.

Regionally, we saw good growth in Europe and developing markets, notably in China, where net revenues grew double-digit, while seasonal OTC had a negative impact on our North American performance.

Adjusted operating profit increased 8.6%, helped by the start of our Fuel for Growth programme. The initial actions to sharpen our portfolio and simplify the business enabled us to increase investment in higher growth, higher return areas. Higher operating profit led to strong EPS growth of 7.9%, which was supported by our ongoing share buyback programme as well as a lower tax rate.

We delivered another year of increased cash returns with £2.7 billion returned to shareholders through our dividend and share buyback programme, up 75% on the prior year.

Progress on restructuring

As part of our strategy update, we also set out our intention to exit both Essential Home and Mead Johnson Nutrition over time. At Essential Home, the new leadership team is now in place, and we remain on track to exit this business in 2025. As we move through the process, we will share news with you in a timely fashion.

On Mead Johnson Nutrition, the team has responded well to the challenges it has faced in 2024. We continue to defend ourselves against all cases in the ongoing litigation. Our brands remain strong, led by Enfamil, the number one infant formula brand recommended by paediatricians. Q4 like-for-like net revenue was plus 8.4%. We are confident that Nutrition will deliver growth in 2025.

Delivering our strategic priorities

Overall, we have delivered a solid performance this year, and just as importantly, we are making good progress laying the foundations for future growth.

At the end of 2023, I set out the four strategic priorities for our business. Our progress in each of these areas over the last 12 months has not only contributed to good financial results, it has also strengthened our position for the year ahead and beyond.

Shannon will give more detail on the Fuel for Growth programme, and then I will come back to talk about the progress we are making against our innovation platforms and more detail on our outlook for 2025 and beyond for Core Reckitt.

Shannon, over to you.

Financial Review

Shannon Eisenhardt

CFO, Reckitt

Agenda

Thanks, Kris, and good morning, everyone. I will start by taking you through our financial performance for the year, before coming to our Fuel for Growth programme and why we are confident in our ability to deliver a 300 basis point reduction in fixed costs by the end of 2027. I will then turn to the new structure of the Group, focusing on Core Reckitt in particular, and share our expectations for 2025.

A year of delivery

Turning first to the key Group financials for 2024.

Like-for-like net revenue grew 1.4% in the year, consistent with our guidance. Excluding seasonal OTC, which accounts for around 10% of Group revenues and is impacted by the timing of the cold and flu season, like-for-like growth was 2.4%. Our gross margin remained above 60% and expanded 70 basis points year-on-year, driven by pricing and productivity efficiencies and a more benign environment for cost inflation.

The additional impact of efficiencies from our Fuel for Growth programme helped deliver a 90 basis point reduction in our fixed cost base and supported a 140 basis point expansion in our adjusted operating margin to 24.5%. This progress enabled us to increase brand equity investment by 30 basis points to 13.4% and drive EPS growth of 7.9% on an adjusted diluted basis.

2024 was another strong year for free cash flow of £2.2 billion and enabled £2.7 billion to be returned to our shareholders through our dividend and share buyback programmes. This is consistent with our capital allocation policy of returning excess cash to shareholders while maintaining a strong balance sheet, which closed the year at 2 times net debt-to-EBITDA.

Volume trends – continued sequential improvement

Turning to volume, where we continued to see sequential improvement across the business. In Hygiene, volume trends were supported by the strong performance of our innovation platforms, in particular, across Lysol and Finish. We exited the year with second half volumes growing 2.5%.

In Health, volumes declined 0.4% in the second half, given the soft cold and flu season. Excluding this, volumes were up 2.7% in the second half as we have seen broad-based growth across our Powerbrands of Dettol, Durex, and Gaviscon and as well as double-digit growth in VMS.

In Nutrition, while there was volatility following the Mount Vernon tornado, volume trends improved in the second half as we were coming to the end of the market share rebasing.

Moving to net revenue growth by business unit.

Hygiene overview

Hygiene delivered 4.2% like-for-like growth for the year with a balanced volume and price-mix growth algorithm, which is something we plan to continue into 2025. We delivered revenue growth across all of our Powerbrands and across all of our regions in 2024, despite a more competitive environment.

We are seeing positive market share momentum, driven by being competitive on shelf and our successful innovation delivery.

Looking at market shares, 55% of top CMUs held or gained market share, up from 47% a year ago. While not included in that 55%, it is pleasing to see Finish move into hold or gain share territory in Europe as we exited the year. As the market leader in Europe, we intend to win and we have good momentum.

Auto Dish remains a competitive category in the US with focus on driving in-market execution. Overall, Finish grew revenue mid-single digits in the year and grew high single digits in Q4.

Strong innovation has also played a big part in our market share momentum with new launches across a number of our brands. Lysol, in particular, has been a standout performer in 2024, up high single digits as volumes turned positive. We have seen strong growth across established segments aided by innovation with our Laundry and Air Sanitizer launches in recent years.

Health overview

Moving to Health. Health delivered 2.1% like-for-like growth for the year. This reflects broad-based revenue growth across non-seasonal Powerbrands, strong growth in China and new innovations, partially offset by a weak cold and flu season in 2024.

Excluding seasonal OTC, the rest of our Health portfolio had strong performance with like-for-like sales up 8% in Q4, up 5.3% for 2024 with volume growth of 2.5%.

Looking at the market share data, 55% of Health top CMUs either gained or held market share, which is up from 46% a year ago. You will remember in October, we commented on the strong Health share gains we were seeing in the most recent three-month results. Mucinex was a big part of this. It represents one of our largest category market CMUs and has a significant impact on our external share reporting.

With a slow start to cold and flu in Q4, Mucinex moved out of gain / hold territory and is not included in the 55% I just referenced. Our year-end share reporting captures prior 12-month results by CMU. However, as we have seen the cold and flu season develop in Q1, Mucinex has moved back into gain territory. With its superior efficacy, it performs best when consumers are looking for relief.

China continues to perform well, up double digits and is now our second largest country behind the US. Intimate Wellness was a strong driver, up high single digits across the Group as we gained market leadership in PU condoms in China. And VMS was up 10% across the Group, driven by the performance of Move Free in China. We have successfully navigated macro pressures by creating products that solve the unique needs of our Chinese consumers and finding new and innovative routes to market.

Finally, our innovation pipeline across Health continues to deliver with a number of new launches across Mucinex, as well as our launch of GaviDigest across a number of European markets, which is our first move into lower gastrointestinal. We are excited to see the growth that this can deliver.

Nutrition overview

Turning now to Nutrition, where like-for-like net revenue declined 7.3% in the year. Given the disruption to supply from the tornado in July, we exited 2024 with our non-WIC market share at 36%. We expect that to improve through the year as supply normalises.

Given the evolving regulatory environment in US Nutrition, our priority is strengthening our manufacturing capabilities in North America. We have doubled our capex spend in Nutrition over the last two years, addressing key requirements to operate and sustain the business for the future with a focus on driving remediation, compliance and resilience.

AOP growth ahead of NR growth across GBUs

Moving now to Group adjusted operating profit. Consistent with our strategic ambition and in line with our guidance, we delivered growth ahead of net revenue at the Group level as well as across each of our GBUs.

GM expansion and fixed cost savings drive AOP margin expansion

Group adjusted operating profit margin growth was driven by a 70-basis point increase in gross margin from pricing and productivity efficiencies, a 90-basis point fixed cost reduction with early benefits from our Fuel for Growth programme. This was partially offset by a 30-basis point increase in BEI investment as we used some of the benefits of Fuel for Growth to invest behind our brands.

Adjusting for the impact of the tornado, where insurance proceeds to cover lost revenue went through fixed costs, underlying Group AOP margin grew 110-basis points to 24.2%.

On an IFRS basis, operating profit for the year was £2.4 billion. This includes £838 million of impairment charges relating to IFCN and Biofreeze. For Nutrition, this reflects the significant capital investment program underway to meet evolving regulatory environments. For Biofreeze, a more challenging marketplace within topical pain relief.

Fuel for Growth enhanced cost optimisation programme

Turning now to Fuel for Growth in a bit more detail. As we set out in July, our target is to exit 2027 with a 300-basis point reduction in fixed costs, landing at 19% versus 22% in 2023. We are confident that we will deliver on this ambition. We shared in July, we expect to incur estimated one-off cash costs of around £1 billion through the end of 2027, and that the 19% target is inclusive of any residual costs after exiting our non-core businesses.

In 2024, we have taken £161 million of costs against this programme, and expect around £500 million in 2025, with most of the balance in 2026. Today, we have delivered a net 60-basis point improvement in our operating cost base, and we expect a continued steady improvement of our cost base as we head to our 2027 target of 19%.

Fuel for Growth delivering early benefits

I wanted to provide a little more colour around the actions we have taken and what is to come to reduce the cost base further.

Savings will materialise across four areas:

- Organisational simplification;
- A greater adoption of shared services and automation;
- Right sizing some historical investments; and
- Benefits from digital and generative AI opportunities.

As Kris said, we have made great progress on organisational simplification, which will enable Core Reckitt to move quicker, make faster decisions closer to our markets and is driving increased accountability.

We are also making progress on our journey across automation and shared services. Today, we have pockets of services shared across the Group, for example, within finance and within HR, and we can drive increased efficiencies and greater productivity with a more holistic approach to global business services across both functions and processes.

We also see upside from right sizing legacy investments. Take our Global sales team as an example. We have optimised our global and local sales teams to reduce duplication, increasing focus on priority areas while further investing in new digital technologies to drive better operational execution.

We are also investing in digital and generative AI. As a component of Fuel for Growth, this area is important to improve costs as well as driving top line growth through enabling greater levels of collaboration and innovation. We are already seeing results within marketing. An example of this is around product concept development, where early findings show these tools reduce development time by up to 60% while also significantly improving quality.

Gen AI tools will next be rolled out across our R&D function in 2025 to drive both productivity as well as product superiority. There is still a lot to do, but we have clear line of sight to 19% fixed cost base by the end of 2027.

Adjusted diluted EPS – underpinned by growth in operating profit

Turning to EPS, which grew ahead of net revenue at 7.9% in the year to 349p. This was primarily driven by our 140-basis point improvement in adjusted operating margin. Our ongoing share buyback programme added 8p per share, while a lower effective tax rate of 22.2% helped as we continue to close out historic tax positions. We expect our adjusted ETR to be in the 25% to 26% range in 2025. These increases were partially offset by the strength of sterling, our reporting currency.

+75% increase in cash returns to shareholders

We delivered another strong year of free cash flow generation with a 91% conversion rate. We have increased the full year dividend by 5%, and we continue to return excess cash to our shareholders with £1.3 billion returned through share buybacks in 2024 and total cash returned to shareholders, up 75% year-on-year.

Capital allocation framework

We did this while maintaining a strong balance sheet with net debt-to-EBITDA at 2 times, which is consistent with our capital allocation framework.

Our capital allocation policy remains unchanged.

New structure

Turning now to our new operating structure. Going forward, we will be reporting through three segments:

- Core Reckitt;
- Essential Home; and
- Mead Johnson Nutrition.

We use the term Core Reckitt for now to denote the future Reckitt business post exiting Essential Home and Mead Johnson Nutrition.

Within Core Reckitt, we will report three geographic Areas:

- Emerging Markets;
- Europe; and
- North America.

As well as reporting like-for-like net revenue each quarter across our four categories of:

- Self Care;
- Germ Protection;
- Household Care; and
- Intimate Wellness.

Core Reckitt – high growth, high margin portfolio

You will find pro forma financial information across our geographic Areas and categories to aid modelling of the new structure going forward in this morning's release.

Core Reckitt has delivered 5% like-for-like growth on average over the past three years with Emerging Markets and Europe above this and North America broadly flat, following a period of rapid growth through COVID.

Core Reckitt has the highest gross margin of the three businesses, enabling a greater BEI investment in our Powerbrands, while still delivering the highest operating profit margin.

2025 guidance

Finally, turning now to our expectations for 2025. This will be an important year for Reckitt as we continue repositioning our company.

We are targeting 3% to 4% like-for-like net revenue growth in Core Reckitt with a balanced delivery across half one and half two.

Across our geographic Areas, in Q1, we expect mid- to high-single-digit growth in Emerging Markets with Europe flat. In North America, we expect low single-digit growth, partially driven by retailer destocking and a slower than expected ramp-up in new capacity to meet stronger Lysol demand.

We expect low single-digit like-for-like growth in both Essential Home and Mead Johnson Nutrition in 2025, with both being back-half weighted. Both of these businesses will show like-for-like declines in half one.

Taking this all together, results in Group like-for-like growth of 2% to 4% with Essential Home and Nutrition making this a little more second half weighted.

With our Fuel for Growth programme moving into its second year, we expect to drive adjusted operating profit ahead of net revenue growth. With adjusted net finance expense of £350 million to £370 million and an effective tax rate of 25% to 26%, we expect to deliver another year of EPS growth.

I will now hand back to Kris to talk about our strategic priorities.

Strategic Update & Outlook

Kris Licht

CEO, Reckitt

Our strategic priorities are driving growth

Great. Thank you, Shannon. I want to turn now to the actions we are taking to reshape Reckitt through a sharper portfolio and a simpler organisation. I am confident that our strategy is transforming the business into a world-class consumer health and hygiene company with one of the strongest growth and margin profiles in the industry.

We have strong foundations with a portfolio of Powerbrands that offer significant growth potential across the world.

Progress towards our strategic priorities

A year ago, I set out four priority areas for our business, areas that we have focused on through 2024.

Portfolio value creation

In July, I gave you an update on our portfolio value creation actions and the three principles that we have applied to our portfolio:

- One, a brand or business must have a clear and credible long-term runway for growth;
- Two, it must have an attractive earnings model with a high gross margin to support continuous investment in growth and premiumisation; and
- Finally, a brand or a business must have enduring competitive advantages, for instance, a number one or two equity position.

Moving to a more focused business driven by our Powerbrands

Core Reckitt is comprised of a sharpened portfolio of 11 Powerbrands that make up just over 80% of our net revenue, all of which meet these principles. Our Powerbrands sit across categories that are helping consumers improve their daily lives.

With ever increasing focus on health and wellbeing, now further accelerated by the broadening use of GLP-1s, consumers across the world are looking to products that protect and provide relief. They are willing to pay a premium for efficacious solutions, whether they are in China, Mexico, India or right here in the UK.

Our Powerbrands play to these trends. Today, I want to talk in more detail about what we are doing in terms of product superiority and how we are enabling our teams to take advantage of these tailwinds to win in each of our markets.

Product superiority

When it comes to ensuring product superiority, our goal is simple: to delight our consumers. Innovation is at the heart of everything we do at Reckitt. It keeps us relevant with consumers and enables us to grow our categories and our market shares through premiumisation, through the ability to enter new markets and by growing into new and adjacent categories.

We create and grow Powerbrands

Our innovation platforms have been a significant focus of mine since I joined Reckitt. Initially, that was in developing and growing our innovation platforms in Health and more recently across the wider Group.

We have a deep understanding of consumer demand spaces, unmet consumer needs and category drivers. Our people know how to build and broaden iconic brands. Many of our brands are synonymous with the categories they lead, categories that are expandable, higher value and less discretionary.

As a result, we are in a far stronger position today than we were five years ago. To give you just two examples. In Durex, we are now market share leaders in polyurethane condoms in China from a standing start five years ago. And in Lysol, we have used our strong brand equity to create an entirely new category with Air Sanitizer. This is what I mean when I talk about innovation platforms, the potential to deliver impactful lasting change to the business in a relatively short time frame.

And our innovation pipeline is getting stronger and stronger. Across all four categories and across all three geographic Areas, we have even more exciting launches planned for this year and for 2026.

Let me tell you what we are doing.

Shared innovation platforms accelerating germ protection growth

In Germ Protection, we are bringing two of our most iconic Powerbrands together: Lysol and Dettol. A great example of how our shared Lysol and Dettol innovation and science platforms will enable future growth is Laundry Sanitizer. This is now a £300 million net revenue business and is the third largest segment within Germ Protection.

These brands deliver trusted disinfection and provides significantly better consumer experience in fabric care with a unique benefit of killing germs that detergents leave behind. The global expansion of our two iconic disinfection brands into new categories such as Laundry Sanitizer has unlocked significant growth with double-digit CAGR over the last four years. There is more to come with significant opportunities to increase household penetration.

Supported by our unique brand equity and superior science, we are expanding rapidly across key markets, including China and the US, to serve more sanitiser occasions with superior product solutions.

Mucinex – leveraging powerful equity to launch superior innovations

Moving to Self Care. Mucinex is known for its efficacious products and performs best when consumers need strong relief. As a result, as the US cold and flu season has picked up since the start of the year, its market share performance has also turned positive. This is another key brand in our portfolio that has a great future powered by innovation.

In the past 18 months, we have launched a number of innovations across our Mucinex brand, including Fast Max Kickstart, Sinus 2-in-1 nasal spray and Mighty Chews for children. We are feeling good about growing these new products in 2025, and we are looking forward to adding more innovation in this space.

Durex – a category defining brand

Turning to Intimate Wellness, which delivered high single-digit growth in 2024, led by our performance across developing markets, powered by the continued success of our innovation platforms.

In 2024, as a result of sharp gains, Durex took market leadership in the polyurethane condom category in China, and at the same time, we successfully launched new hyaluronic acid condoms. The 2025 pipeline is strong. In fact, at the moment, we are rolling out a revolutionary new condom in Europe called Durex Intensity. It is made from Nitrile, a first-to-the-world innovation and a truly superior sensorial product that we are very excited about.

Durex Intensity, coupled with the innovation strength across the rest of the Durex platform, bodes well for the future of the brand and the wider Intimate Wellness portfolio.

Finish – driving premiumisation in auto dish

Last, in our Household Care category, Finish had a good year growing mid-single digits. As I have said before, we are having great success evolving and premiumising the Finish portfolio with 75% of our tabs net revenue now coming from thermoform. This corresponds to over £400 million of net revenue, and our focus in 2025 is to continue to expand into this segment, as well as further improve in-market execution across Europe and within key customers in the US.

Shannon talked about our work using generative AI and Finish is a great example. We are using our new tools to sift through years of past research and testing data, which is resulting in new product concepts that we are assessing, each grounded in science and consumer insights to create great products for the future. There is a lot to look forward to with Finish in the coming years.

Reckitt Focus On Series

Those are just a few examples of what we are doing with our brands and innovations. There is much more to cover.

We have an embedded culture and process for sustained innovation. In May, our Chief Category Growth Officer, Ryan Dullea, will host the first in a new series of regular “Reckitt Focus On” investor seminars. He will explain what we are doing in each of our categories and show how we are working with our regional teams to deliver sustainable growth.

Win in market

Having great Powerbrands is critical, but they also need a winning proposition and strong go-to-market execution in each of their markets. This is why it is so important to focus on consistent and excellent execution.

As we embed our new structure, this is an area where I believe we can achieve a step change in performance. The new unified global category organisation operating through the three geographic areas will allow us to address this. We will build on the success we have had with our innovation pipeline while removing the duplication of roles by country that developed within autonomous business units in our old GBU structure.

Emerging markets – driving growth

Turning first to Emerging Markets. This is our largest and highest growth area, where we see a rising middle class and significant penetration opportunities. That is reflected in our like-for-like net revenue CAGR of above 5% over the last three years, including a strong performance in 2024.

We have a great team with extensive experience in the different types of trade partners and channels across these markets, and with a deep understanding of the consumers we serve and the customers we partner with.

We know how to expand distribution. In India, we have expanded into high potential rural areas, growing market coverage by around 25% in two years as we leverage Google API data to map affluence and identify incremental distribution opportunities. In Africa, we are seeing good growth from a small base across a number of Sub-Saharan countries, which promise a long runway for growth ahead.

We know how to expand our categories. In China, we have increased revenues of our female intimate wellness brand, Intima, by 4x since 2023. We have driven Dettol expansion through five-in-one washing machine cleaner resulting in over a 3 times net revenue growth since 2022. We have had success with our VMS portfolio, including Move Free.

We also know how to drive home our competitive advantage. In Latin America, superior execution and strong communication to consumers and healthcare professionals behind the Strepsils brand has enabled us to gain 600-basis points of market share in 2024.

We continue to invest in R&D capabilities to drive future growth. This includes breaking ground on our new global R&D Centre in Shanghai, which will amplify our understanding of the Chinese consumer as we look to expand and create categories through innovation.

I am confident in our ability to drive excellent growth in emerging markets. This will certainly benefit from the heightened focus that our new structure brings.

Europe – a distinct competitive edge

Next, turning to our Europe segment, which is Core Reckitt's second biggest area and delivered good growth of 3.3% in 2024.

We have a distinct competitive edge with most of our brands all holding number one or number two positions spanning both OTC consumer health and hygiene.

As a result, we are particularly well placed to meet the growing demand for Self Care as healthcare systems come under increasing pressure.

We are using data and technology to further improve our in-market execution. In the past 12 months, our R&D teams have been using proprietary GenAI tools that take real-time consumer feedback into account, country by country, to better understand the success of our new product launches and apply these learnings in other markets. We have also deployed a new CRM tool for European pharmacies, offering advanced detailing capabilities and AI-driven assortment optimisation.

We are driving sustained category leadership across channels. Our discounter teams have helped build differentiated product ranges, enabling us to gain share in this high growth channel. We are using our partnership with Dragonfly AI to predict the likelihood of our product images standing out on Amazon and other e-commerce platforms.

North America – Building iconic Powerbrands

Finally, North America, which accounted for 26% of Core Reckitt revenues in 2024.

We see so much opportunity across this area, but I do not believe we are yet executing at our full potential.

We have work to do to leverage our proven track record of creating and building iconic power brands and winning with our customers.

We are investing in supply chain resilience for future growth. This includes the creation of a brand new OTC manufacturing site in Wilson, North Carolina, as well as material upgrades to our St Peter's factory that will enable increased production of our Lysol products.

We are accelerating growth in key categories, by addressing unmet needs by broadening the shoulders of our iconic brands. An example being Lysol, a predominantly North American brand, which had a strong growth year in 2024, taking share, powered by the success of our innovation platforms.

It has successfully moved from being a surface care brand to a known category creator, first with Laundry Sanitizer starting in 2017 and then Lysol Air Sanitizer starting in 2023. Since the launch of Lysol Air Sanitizer, we have seen strong momentum driven by two key factors. First, positive consumer reception reflected in healthy repeat rates. We now hold the second highest ranking SKU in dollars in the instant action category.

Consumers see the value of Lysol Air Sanitizer, not only for sanitising the air, but also for effectively addressing odours, a major need in the air care category. This gives us a long runway for growth with household penetration reaching 4% by year-end.

Second, best-in-class execution. We have doubled our range on shelf in key retailers, unlocked off-shelf location displays and secured twin packs and seasonal promo for early 2025. As a result, Lysol Air Sanitizer accounted for over 20% of total category growth in 2024, a clear demonstration of how Reckitt's innovation and execution can drive market leadership.

2025 guidance and medium-term outlook

There is a lot to do as we move through 2025 and beyond, but the future is an exciting one. Which leads me to guidance starting with 2025.

As Shannon said, this will be an important year for Reckitt as we execute the second year of our strategic plan. We are targeting 3% to 4% net revenue like-for-like growth in Core

Reckitt. With our Fuel for Growth programme moving into the second year, we expect Group adjusted operating profit to continue to grow ahead of net revenue. This will deliver another year of EPS growth.

Looking out beyond 2025, we have the portfolio, the geographic footprint and the execution capabilities for Core Reckitt to consistently deliver 4% to 5% like-for-like net revenue growth from 2026.

We will look to achieve this while consistently delivering annual EPS growth and creating value for shareholders.

The confidence to deliver

In 2024, we set out our strategy and we have made a good start.

Our progress over the last 12 months has not only contributed to solid financial results, it has also strengthened our position for the year ahead and beyond.

If you leave with only one takeaway today, it should be this:

The work to fundamentally reposition Reckitt is well underway, and we are focused on our portfolio of outstanding Powerbrands to drive continued top and bottom-line growth.

Thank you for listening. Shannon and I will now be happy to take your questions.

Q&A

Rashad Kawan (Morgan Stanley): A couple for me, please. First on the 4% to 5% mid-term guide. Obviously, running a little lower than what you guys have communicated over the past few months. What is driving the thought process there? Is there anything structural that has changed over the last couple of months? Is there an element of conservatism there?

Then the second part, just on the building blocks to margin for 2025. If I think about gross margins being up strongly in 2024, what is the expectation for 2025? Presumably some BEI spend will be reinvested from whatever savings you generate. How do you think about the moving parts there?

Kris Licht: Okay, sounds good. I will take number one. Maybe, Shannon, you want to take two?

Shannon Eisenhardt: Perfect.

Kris Licht: Yes. Good question. Look, I said at the half year last year that the medium-term outlook for the Core Reckitt portfolio was a 5% growth rate. Now obviously, when we get to guide, as we are today, we like to provide a range. We thought carefully about this and we are obviously seeing a somewhat uncertain macro environment.

Even though we are quite confident in our portfolio, as you can tell, we have competitive momentum, we have a strong innovation pipeline, our innovation is working in the market. Even though we have that confidence, we thought it would be prudent to take into account that the external environment is uncertain and there are certain headwinds in some of our markets that we see in terms of consumer confidence.

Let us say, it is what we would like to think of as a prudent guide. We know that our portfolio can deliver at the 5% like-for-like growth level. We know that in a great year, it could do better than that. We have done better than that historically sometimes when everything comes together. But we wanted to set a guide here that we feel very confident about.

Obviously, if we do exceed it, I think that will be a positive thing for everyone and a good beat. We have every intention of trying to do that. But as we guide today, we thought this was a prudent guide.

Shannon Eisenhardt: Great. On your questions around the building blocks around operating margin and how to think about that for 2025, I would start with gross margins, which did expand in 2024. As we have discussed before, we have industry-leading gross margins. I am not looking to drive further expansion of our gross margins in 2025.

Then if you think through the other elements feeding into operating margin, the fixed cost programme that we have talked about, we have called out 300 basis points of improvement. We delivered an underlying 60 basis points in 2024. I think the delivery of the remainder of that would spread in a somewhat linear fashion over the coming three years. Then I would expect very similar to what we did in 2024. A portion of that we will want to reinvest back into our BEI to really ensure we are driving top line growth in a sustainable way.

Then there will be a portion that falls through and that will drive the operating margin expansion.

Chris Pitcher (Redburn): Following up on the medium term, can you just explain to us what you are trying to tell us in terms of the outlook for operating margin because you have not made an explicit comment while you did for this year. You have not said EPS growth above sales. Could you confirm that?

Then specific to the medium-term, I appreciate it is prudent, but you have effectively made it harder to hit by narrowing the range. Are you telling us you are incredibly confident of 4% to 5%, and therefore, 3% would be disappointing in spite of this complicated and disrupted operating environment?

Kris Licht: Yes. I mean we were setting a medium-term guide. I do not expect the current volatility to be a permanent feature, I hope not. We think it is a prudent guide. We feel quite confident that we can hit it.

Then like I said before, we could have widened the range, but then I think I am not sure we would gain anything. Now we have given ourselves a guide that we feel comfortable with. If we beat it, I think it is a good thing, right? It is going to be a positive for everyone.

Do you want to talk about margin guidance and EPS?

Shannon Eisenhardt: Sure. Your questions were both, Chris, around the medium-term guide on operating margin as well as EPS?

Chris Pitcher: Yes. I mean, I would say you have given no clarity on whether you expect margins to grow, or indeed, EPS to grow ahead of sales. If you could just confirm that.

Shannon Eisenhardt: Sure. We do expect operating margins to grow and I think we have reiterated or we have intended to reiterate that we will be growing profits ahead of revenue. So we are standing by that long-term financial model, which would then have our operating margins expanding over time.

From an EPS standpoint, we are very focused on EPS growth year-on-year. I would not want to guide it to whether it will be ahead of or behind of revenue. But for us, we realise that, that is an element of shareholder value creation that has been missing over the past three to five years. So we intend to deliver that on an annual basis moving forward.

Chris Pitcher: Can I just clarify that? That would be the dilution from future transactions that is causing that position?

Shannon Eisenhardt: Well, so the guide that we provided, just to ensure clarity, for 2025 assumes that we have all three operating segments for the full course of the year. So that is just to make sure we are all operating off the same page for 2025. As you think moving forward, as we execute against an Essential Home transaction, obviously that would bring with it some level of dilution. But we have also been clear that we have a fixed cost programme underway, that we expect to hit the 19% regardless of or in the event of even as we dispose of those businesses.

We have a number of levers around EPS, where we feel confident over the long term of being able to deliver sustainable EPS growth.

David Hayes (Jefferies): Two for me. Just looking back at the 2024, A&P or BEI spend up 30-basis points, but obviously, huge gross margin development and the cost savings. To your point about the outlook strategically, one of the priorities and principles is reinvestment. Was there a decision not to reinvest as much back in the second half? Is there a reason for that? Is that something that kind of accelerates more for these reasons as well as you go into 2026 or 2025 even?

Then secondly, just in terms of the guidance. You mentioned dis-synergies, but I guess you cannot really forecast at the moment until you know when and how, etc., the business gets divested in terms of Essential Home. But is the guidance assuming no dis-synergy? I guess what I am asking now, we assume you are getting it ready to be stand-alone almost day one. Will you be duplicating costs to be ready to do that towards the end of the year? Is there an element of that in the guidance? Or will we get that to offset and we get more information on that as you go through the process? Have you got some guide as to what that dis-synergy might look like through the year?

Kris Licht: Let me start on BEI. So a good question. I think we definitely invested more in our business last year. We always assess these investment opportunities on a case-by-case basis. It is not a broad sweeping decision. It is does this investment make sense? Should we accelerate this brand? Do we have innovation or new news that we want to invest behind and reach more consumers?

We arrived at the conclusion that we arrived at, and I feel good about that. We would like to see a steady increase in our BEI investment. But I would think of it as steady and it is not a place where we want to overinvest necessarily and have wasteful spending. We have seen examples of that in our industry and it does not necessarily drive results. I think we will be smart about it. We will invest, in particular, behind innovation.

When we are creating new categories like Air Sanitizer where we have real new news to share to educate consumers, we are going to invest behind that. I think the good news is with the plan that we have, the guide that we have and the Fuel for Growth programme, which is successfully delivering in its first year, we have the room to invest. We clearly have a good amount of room to invest. We think that is a good place to be for us as management to judge growth opportunities that we can invest behind. So I would expect it to increase.

The other offset is we have quite a good productivity programme that also applies to marketing. We also generate savings that offset some of those increases in the year. Sometimes we actually deploy more working spend than you can see in that number.

On the separations, look, we are working on this at the moment. We made very good progress. I would say the process of setting them up is on track, and I have been pleased with the work that the new leadership teams have done. We are sizing the financial impacts. We are also trying to be smart about not setting up very redundant structures for no reason until they are needed. But obviously, we want to get ahead of any eventual day one where the company has to be fully self-sufficient.

We are working through that at a great level of detail, and we are costing those impacts. Our guide, as Shannon said, assume that we effectively operate these segments through 2025 just because even if there is a transaction, obviously, it takes time for a transaction to close.

Shannon Eisenhardt: Then the intention is that when we have a deal to announce, a signed deal on Essential Home, we will clearly provide more quantitative understanding of dis-synergies.

David Hayes: But you would not see dis-synergies this year then based on, at the moment, I guess, the timing.

Shannon Eisenhardt: Yes, I mean, obviously, it depends on deal timing and how that comes together.

Kris Licht: But what I would tell you is we are driving such significant savings in the Core that I do not expect that to be a big impact.

Jeremy Fialko (HSBC): A couple of questions from me. First of all, just on the 2025 guide for the Core Reckitt business. Could you run through some of the specific factors that lead to that being below your medium-term guide?

Then the second point would be on Biofreeze. You have now taken two write-downs on that business, if I remember correctly. I think at the time this looked a very exciting acquisition. It took you into an area of pain that you were not competing in. The brand like had a good equity, a very good growth track record. Can you talk about, okay, why this acquisition has not worked out as you had expected it to? Also then what you think you can do with the brand, given where it is today and what contribution topical pain can make to your Self Care business?

Kris Licht: Sure. Why do not I start on Biofreeze and then maybe hand to you for the factors in the guide.

Shannon Eisenhardt: Sure.

Kris Licht: Look, I would tell you, first of all, we are very happy that we have Biofreeze in the portfolio. Biofreeze is a brand that fits our criteria for our portfolio. It is a strong equity. It is a category that grew very fast for a long time. Really what we are facing is a pretty broad-based category issue in topical pain in the US that emerged when we went through this historic COGS spike that we have been through and the consumer came under a lot of pressure.

It is true that topical pain is slightly more discretionary as a category. So when consumers are under historic pressure, which they have been over the past few years, they do change their consumption habits and the category slowed significantly during that time. But household penetration is low. These products are highly efficacious, including our Biofreeze products. Biofreeze is a leader in the category, and I fully expect the category to return to strong growth as we get to a more normal environment as the consumer recovers from this cost-of-living crisis in that period of time.

We have a strong innovation pipeline behind Biofreeze that I am very excited about. We are also rolling out Biofreeze in other markets internationally and we will continue to do that. We have other strategic options to expand the brand that we might share with you at a later date. All in all, we have a good growth agenda for Biofreeze, but we did run into a significant category slowdown and headwind from the cost-of-living crisis.

Biofreeze is a brand that really thrives on display and retailers pivoted away from putting this category on display during that time, and we are seeing signs that that is coming back. So while I would have loved to not go through that slowdown, there is nothing structural about the category or Biofreeze that we are worried about.

Shannon Eisenhardt: Okay. On the guide for 2025, guiding Core Reckitt at 3% to 4%, look, our guide for 2025 reflects our current view of the operating environment, which I would say has a level of uncertainty within it. When we look at tariffs, when we look at consumer confidence, when we look at store traffic, when we look at inflation, there is just a level of uncertainty and volatility that exists across North America and across the globe today that we do not see that or hope that, that does not persist ongoing.

That is not necessarily as reflected in the mid-term guidance, but for 2025 we thought it was prudent to provide a guide that reflects the current operating environment and provide a guide that we are confident in our ability to deliver.

Harold Thompson (Chelverton Asset Management): Just a couple of questions. Kris, you indicated the process of separation was well underway and getting ready if something comes along. Is there anything you can maybe say about the actual sale process, so the interest you are getting or anything like that? I realise you cannot say very much, but just anything you can say would be of help.

Then, of course, Shannon, you said that EPS delivery was an important part of your journey, something that has been missing in recent years. I think you have been very clear that were Essential Home sold effectively for cash, the plan is to return everything to shareholders through buybacks. I just want to make sure that commitment is still there and you are not going to a tangent to acquire growth through M&A again?

Kris Licht: Good questions. On the process, I would love to be able to say more, but I think you understand that where we are in the process does not lend itself for me to be overly specific. What I can say is the overall process is on track and I am feeling good about it, and that is about it.

When we have news to share in terms of something concrete, we will of course provide full transparency and visibility and share what we think the financial impacts of it is.

Shannon Eisenhardt: Then the messaging around proceeds from Essential Home remains very consistent. We expect to return all excess cash from that transaction to our shareholders. We have not yet decided whether that will happen through a share buyback or whether that would happen through a special dividend. We will have more to share on that when we get to the point of announcing a transaction.

As far as your question on M&A, I think we would agree our plates are quite full. The intention is to return that cash to shareholders.

James Edwardes Jones (RBC Capital Markets): Just following up on Harold's point, are you double running a spin-off process in case the sale, you cannot dispose to a third party for an acceptable price. Could you say a bit about tariffs, what the potential impact on your business would be?

Kris Licht: Yes. I think I can address both. We are going to do the right thing for Reckitt shareholders, and we are looking at everything under the sun to do that. We are open-minded and quite rational about that. At the same time, as I indicated before, we thought there would be good interest in these assets and so far there is. That is probably all I will say on the first one.

On tariffs, it is a very dynamic picture, as I know you know. Therefore, it is hard to be equivocal about anything. We have been looking at it, and we have been looking at scenarios from what might happen and what impact it would have on our business. The good news is it is not a significant impact to our business. Yes, there will be some, but we source most of our products from the regions we operate in. I think you saw some of the metrics on the slides probably about that. We are making investments to further localise production, and frankly, we were doing that before the tariffs came because it is just a good thing for the business. It is a good business idea.

We will look at these tariffs whatever they turn out to be, and we will have a number of levers to mitigate the impact. We are not as exposed as many other industries and probably other companies. We have quite a good set of levers to pull. We talked about our gross margins, how high they are, how much productivity we have flowing through our P&L. Obviously, we have pricing power as we have shown over the past years, if it comes to that.

But I think it is premature for us to say anything quantitative because it changes every day.

Iain Simpson (Barclays): Just a couple of phasing questions, if I could, in terms of how we think about 2025. You talked about Essential Home being low single-digit for the year, but being negative in H1. Could you just touch on why Essential Home will be negative in H1, please?

Then secondly, when we think about the margin phasing for 2025. You have said core margin expansion for 2025, but I was just wondering any guide you give us as to the phasing of that.

Kris Licht: You want to take those?

Shannon Eisenhardt: Sure. First question on Essential Home, why would it be negative like-for-like in the front half. There is really two significant drivers of that. The first, Iain, that I would share is we are lapping a really strong pest season from a year ago. So it is a bit of a comp in what we are facing there. The second would be, and we talked about it quite a bit last year, Air Care in the US continues to be a very competitive marketplace for us and so that continues to be an area where we are working hard to compete, but where it is a tough battle right now for that business.

As far as margin phasing, we do not provide guidance on operating margin by half. I would leave you to think through the guidance we have provided on how top line phases across the year for the Group. It will be little bit back half-weighted. For Core Reckitt, we expect top line growth to be balanced across half one and half two.

Tom Sykes (Deutsche Bank): Firstly, just on the margin improvement. How much of the margin improvement did come from Essential Home, particularly in the second half of the year, please? Then just on transactional FX at the end of the year post the election, there is obviously a very strong move in the dollar. You import a lot into the US. Perhaps it was slightly surprising how much you do import into the US. You gave that interview that said it was 40% of products sold.

I just wonder how much do you hedge that transactional exposure? What was that hedging year-on-year? And how should we think about transactional FX gains going into 2025, please?

Shannon Eisenhardt: You do not want to take the transactional FX hedging.

Kris Licht: I would be happy to take that. I assumed you were.

Shannon Eisenhardt: Okay. First question, Essential Home, how much margin expansion in 2024 is your question, was driven by Essential Home. I think we would actually have to circle back to you on that because we were not operating the business in 2024 through a lens of Essential Home. I honestly do not top of mind have an answer for you on that.

I am probably going to take a follow-up on the transactional FX hedging of imports into the US as I do not have an answer for you top of mind on that, but I think IR can follow up with you. Apologies.

Callum Elliott (Bernstein): I just wanted to come back to BEI because I think you said, Kris, that you want a steady increase. But the 30 basis points increase in fiscal 2024, I think you were plus 100 basis points in the first half. I think it implies down 50 basis points, something like that, in the second half of the year, which is obviously the opposite of a steady increase. Maybe you can just flesh out for us, should we just be thinking about this as a phasing thing in 2H? Or should we be thinking about it as some steer as to the speed of the reinvestment over the medium term?

Kris Licht: When I say a steady increase, I am talking about annual steady increases. If you are modelling our BEI percentage year-over-year, I would model a steady increase. But like I said before, it is not steady as in steady every month because we invest behind big moments when we have a big launch, when we have new news to share, a new claim, whatever, a reset of the shelf, that is when we invest.

Actually, oftentimes, we make big investments in BEI in the spring because we are launching new innovation across markets. I would not interpret anything into that. Our commitment to invest in BEI is high. We have areas where we can invest.

Like I said, we have innovation where we can invest behind it. I intend for that to be a steady increase year-on-year, but not like a linear steady month-by-month increase because that would not be rational.

Callum Elliott: I have a follow-up for Shannon on free cash flow. You spoke very positively about the free cash flow, Shannon, but I think it is actually down year-on-year and conversion was still strong in the low 90s. Reckitt used to be exceptional and low 90s is maybe more in keeping with where some of your other CPGs peers are. My question is, should we interpret the positive tone around free cash flow despite the negative year-on-year growth as you are happy with 90% free cash flow conversion and that is where Reckitt is going forwards? Or can we expect it to get back to 100%-plus?

Shannon Eisenhardt: I do not know that I am ready to commit that we will get back to 100%-plus. What I would say is we continue to have a high level of focus on free cash flow across management, across Kris and myself. We believe it is actually a unique characteristic of Reckitt and we want to continue to drive that.

I would expect that it would get back up into the mid-90s over time. I would not take this as a change in strategy or some permanent change in direction.

Harold Thompson: Yes. I have just got one follow-up. I mean, when you showed the slide with how your portfolio of key brands looks like, it clearly looks very impressive. There is, of course, a large element of them which are kind of OTC related. In the past, it was always argued that rolling out OTC brands more globally and filling up the white spaces was quite a slow and arduous process because of all the regulatory barriers and so on and so forth. Yet when I look at the presentation on some of the innovations, they also look quite exciting.

How easy will it be to leverage effectively your new portfolio or slimmed down portfolio to deliver that growth because it is actually got constraints, regulatory constraints, to be able to roll that out. How does that balance out?

Kris Licht: Yes, it is a great question. Expanding OTC across the world is a top two priority for the company. This is one of the most attractive things that we can do, but also expanding our OTC portfolios within countries where we already have a trademark and registration where it is easier.

The good news is we know how to do this. If you look at some of the brands in our portfolio like Strepsils and Nurofen and Gaviscon, they have realised very strong growth over the past five, ten years, even because we have been able to register them, get them approved, launch the brands in a series of markets around the world. I do not know if it is arduous, it is time consuming. It is. There is a fair amount of work and investment in regulatory and other activities, sometimes clinicals that you have to go through in order to go through that process.

But what is nice about the OTC business, and it is a little bit different than most other businesses in the consumer sector is once you are there and once you have the registration and once you have built a trusted brand, it is a real moat. What is great about the OTC business is, those investments, you have to make them with a long-term view. But if you make them smartly, considered and sustained, then you get some very good returns in the end. That is how we are running the OTC business.

This is a major priority for us. Now it does not always involve stretching brands because, actually, the premium of having global brands in OTC is not very high. What matters is that you have a strong brand in the local market and that the medical professionals and pharmacies understand the benefit of the product and recommend it. That is how I would look at it.

It is a major priority for us. It does take time, but we are good at it.

Chris Pitcher: Sorry, a follow-up now. I mean, apologies with all the medium-term stuff at the start. In terms of the structure of the new Reckitt business, when the strategy was set when you first joined, Kris, part of the investment was to build out your distribution network, build out sales, target new markets. The pandemic gave you more funds to do that.

The growth in brands like Lysol, etc., seem to be more about the category extension within existing markets. How do you see the business now geographically for the sales force you have got in terms of driving Finish, Lysol, Dettol into new markets. Is that delivering as hoped?

Kris Licht: Yes. We have seen really significant distribution gains in a number of markets over that time frame. We have also fundamentally elevated our relationships with our most important retail partners during that time frame. All of that is something that stands us in good stead and has benefited the business.

As I look ahead from where we sit today, I would say the biggest distribution opportunities we have by far is in Emerging Markets. There is a decade-long runway for growth in terms of driving that distribution, driving out a broader assortment, reaching more outlets. In places like Africa, we are just getting started, but it actually is a very exciting opportunity for us.

Latin America, we still have significant opportunity. In India, even though India is one of our strongest businesses where we have expanded coverage for years, we still have the expansion opportunities that I discussed today. Increasingly, though, the expansion also happens on the screen. It is not just about expanding physical stores. I would say in Europe and in North America, our focus is very much to win on the screen and not just with Amazon, with everyone, right? Every one of our large retailers have become omnichannel retailers pretty much and some of them are extremely good at it.

Right now, we are also very focused on winning on the screen with our big retailers. All the big US retailers are quite sophisticated at this now and it is a real focus for us. That will also happen in Europe over time. It is starting to happen a little slower than the US. That is a major distribution opportunity in developed markets.

But distribution remains a really big pillar of our growth and it is a really nice way to drive volume growth and household penetration, and we will remain focused on it.

David Hayes: A couple of follow-ups for me as well, if I can. Firstly, just on the cost savings. Can you talk a bit about the reaction internally to that? If you look at some of the postings on various websites, there was talk about distracting and disconcerting this. I mean, is that something that you worry gets more of a theme as you try and do even more cost savings. The other thing, you talked about headcount reduction within the savings. Can you give us a sense of headcount reduction to-date? What the actual plan is for headcount over the whole three-year period?

Then just coming back to the guidance again, sorry, on 2025, this modest or cautious, prudent guide of being slightly below the mid-term for the reasons you mentioned. But I guess you have got an easy comp you would think in the fourth quarter against the weak cold and flu season. At the moment, the data shows that everyone in America seems to be sick suddenly, having been not as sick through the fourth quarter. Just what is the assumption in terms of the cold and flu dynamic within that 3% to 4%? Do you expect a normalised season or do you think weak again just in case and it could be upside?

Kris Licht: Okay. Three here. Let us start with the maybe last one. Look, you have to remember that as seasons go, we actually ship the bulk of volumes, just like our peers, that is how the industry works. We ship in the fall. The initial shipments happen in the fall and they happen to plan. We tend to ship to an average season unless retailers want to stock up and then they make those choices.

That is what happened in the fall. What did not happen in the fall is replenishment orders because there was not much of a season, as you said. It was unseasonably warm in the US for most of Q4 and people simply were not getting sick at a normal rate. That has changed. The peak has shifted into Q1. That is why our seasonal OTC business did what it did, just like it did with our peers.

Yes, then you would expect the retailers would sell through that inventory and then they judge when they want to replenish and that is what we are going to see here in this month, and we will know more about that.

In terms of our guide therefore, I mean, yes, you would say from a sell-out standpoint, from a POS standpoint, there is probably a benign lap in Q4, but it does not translate directly to shipments for the reasons that I just talked about.

In terms of headcount, we have not shared any numbers in part because we do not have any final numbers because we are going through an extended process of redesigning, simplifying and optimising our business. We have quantified those benefits in the numbers that Shannon has shared repeatedly on Fuel for Growth. That gives you a sense of magnitude. This is not small.

What I can give you is a sense of magnitude at certain layers of the organisation where we have a lot of visibility now to what we are doing. We have simplified our management structure significantly. As I talked about, we have gone from five to three layers of management in the business, which is a real benefit. By the way, our people feel very good about this.

Our people were tired of the complexity of the prior model and could see that there were too many leaders in the business. It was actually clouding, to some extent, clear and fast decision-making and accountability.

That initiative enjoys broad-based support and we have reduced our senior leadership ranks something like 15% to 20% already, and we are not done. That is because we want to simplify our company. We want to simplify the business, and we think it makes it better.

Now in terms of canopy distracting, I think we had a pretty open conversation in the summer of last year about this. Of course, when you undertake large-scale change, there is always the possibility of some distraction and that is a fact of these kinds of programmes. But there is a way to do it where you minimise that and where you have early warning systems and you detect it.

We have put in place significant structure to oversee the change and enable the change and track the change. We measure that at a fairly granular level and quite frequently. We and the Group executive meet on it weekly. We are pretty close to what is going on and we are watching it. I would not tell you that there is not something that could go wrong somewhere, that I cannot guarantee, but what I can say is that we will mitigate it whatever it is. So far, that has not been the case.

I am actually very pleased to see the kind of market share momentum we have, the kind of execution I am seeing in the business, how Fuel for Growth is happening, how our innovation is paying off. That does not indicate to me that we have a problem executing while we are doing this. But it is a challenge. So I think it is a very fair question. Did I miss answering any of your questions?

Nick Ashworth: There are a few online, and unsurprisingly, some of them are quite long. Who would have thought that analysts want to ask long questions? There is a few on guidance. I mean, I have not seen anything which is different to what has been asked already. I am planning on parking those for now and we can follow up if people want.

Karel Zoete from Kepler asking around some of these. For Hygiene, you mentioned to see balanced volume and price mix for 2025. What is the outlook for the entire company? Then white spaces appear to be a big priority for several Powerbrands. What are the platforms that have the largest potential over the next few years?

Then just one on the transactions from a production supply chain point of view. How is the separation of the Home Care business proceeding?

Shannon Eisenhardt: Do you want me to do price-mix?

Kris Licht: Sure.

Shannon Eisenhardt: Okay. As I think about the growth algorithm that we should be seeing moving forward, I would say my expectation is that it will be pretty balanced. So what you have seen is coming out of 2022 where our top line growth was very driven by pricing and I think we all know the history and the reasons why. As we moved through 2023 and as we showed on one of those slides today moving through 2024, we have sequentially seen improvement across both Health and Hygiene over those two years and gotten to where we are exiting 2024 with a pretty balanced algorithm.

When I think about our business going forward, I would expect that year in and year out, we should have 1 point or 2 of our growth that is coming from pricing as we price with innovation. As we take strategic pricing in markets and brands where needed, I think we would have 1 point or 2 of growth that should be coming from unit volume growth because that is a foundational element of healthy top line growth. And then I think we should see some top then that comes through mix year in and year out as we innovate and premiumise across our brands.

Kris Licht: Yes. I think there was a question about Essential Home manufacturing separation, did I hear that right, supply chain separation?

Nick Ashworth: Yes.

Kris Licht: Yes, I would say the same thing. We have very capable teams working on this separation at the moment and they have been working for some time, and that work is progressing well. I am very pleased with the work that they have done. So there is nothing in that work that tells me that there is going to be any roadblocks there or anything. That is on track.

Shannon Eisenhardt: White space.

Nick Ashworth: White space, yes. Of course.

Kris Licht: White space from a category or geography standpoint?

Nick Ashworth: It was across the platform.

Kris Licht: Yes. Well, I mean, the good news is, as I went through each of our core categories, you can see that these big innovation platforms that we are investing behind are pervasive. It is not one brand, one country. It is a broad-based pipeline that we have that we are investing behind.

When we land a successful platform like we did in Laundry Sanitizer and Air Sanitizer, polyurethane condoms and a number of others, when we land one of those, we continue to invest behind it. It does not go anywhere. It just compounds. That has been our experience. Therefore, the category priorities that I talked about today are the priorities that we are going to focus on and they have significant runway for growth.

Nick Ashworth: Perfect. Then I have got a couple from Guillaume at UBS. One is a clarification on your guidance for operating profit. Is the starting point 24.5%, or is it 24.2%?

Then secondly, on Mead Johnson, you expect low single-digit like-for-like this year notwithstanding a favourable comp in Q3 and ambition to regain some market share in non-WIC. What are the main factors that we need to think about as we go through the year for Mead Johnson?

Shannon Eisenhardt: Okay. Do you want me to do both of those? Okay. For operating profit, the starting point should be the 24.2%. We are trying to be clear and transparent around what were the benefits that we saw as we had insurance proceeds related to the Mount Vernon tornado and the Nutrition business flow through the P&L this year. We had shared at the half year the guidance that that was our expectation and that our teams were working hard to get the full proceeds within the fiscal year so that this does not become a cross-year dynamic. 24.2% would be the answer for the first question.

On the Mead Johnson question, low single-digit growth for the year. We expect negative like-for-like in the front half, growth in the back half. There are a few different dynamics that are driving why we would see negative like-for-like for Mead Johnson in the front half. I will acknowledge and we discuss it regularly, it is a complex business because of some of the factors that we have been dealing with. So there are really three drivers I think about that are impacting Nutrition's top line in the front half.

The first would be continued impact from the tornado. We discussed at the half year and at Q3 the fact that there were some supply gaps because of the tornado. In a business like Nutrition, when you do have periods of time that you have supply gaps, you think about it as losing a cohort of babies. I shared the fact that our market share is at 36%. We fully expect that to build back over the course of the year, but that is a process that takes a little bit of time in a business like infant nutrition.

The second would be last year in the front half, we discussed the fact that private label infant nutrition was having supply challenges. So we were seeing tailwinds and benefits from that in our front half results and that seems to have been resolved. That is now something that we are comping in the front half of this year.

Then the other comp issue is really last year in the front half, we were refilling the pipe around Nutramigen coming off of that voluntary recall. That is another comp that you have to think about when you look at front half growth rates versus a year ago and versus back half growth for this year.

Nick Ashworth: Perfect. All right. I think we are down to the last one. Just to say, Victoria Petrova from Bank of America asked on guidance. Vika, I think we have touched on that. Likewise, Jeff Stent from BNP asked about North America volumes, and I think we touched on that on tariffs. I think the last one then is another one, it is a follow-up from Guillaume on Q1 guidance. What is driving the soft start to the year in Europe?

Then the second part of that is a question around private label. Do we see any pressure from private label in the region?

Kris Licht: Let me take those. Europe, Q1, we fully expect to have a good year in Europe in 2025. Q1 is flat. We expect it to be flat. Part of that is some phasing of shipments. Part of that is a relatively subdued consumer environment. But we have a really good plan for the year in Europe. We have good innovation launching. I talked about the Nitrile platform as a really key one that will help Durex realise some good growth in Europe. But I feel like it is not a structural issue, it is just a slower start and sometimes that happens.

The second question was private label. We are not seeing a big impact in our categories from private label. We did see it spike a bit in certain categories during the cost-of-living crisis and when consumers were under a lot of pressure. Generally, it is always important to remember that we are a very premium branded business and we tend to exist at the higher end of the categories we operate in.

So we are actually at times a little bit less vulnerable to trade down from private label than if you operate in the middle. But anyway, the good news is there is no real issues on the horizon as it pertains to private label.

Nick Ashworth: That is everything from online.

Kris Licht: Okay. Thank you very much.

Shannon Eisenhardt: Thank you.

[END OF TRANSCRIPT]