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# TRANSCRIPT

RECKITT BENCKISER GROUP PLC Q3 2025 TRADING STATEMENT  
CALL

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## COMPANY SPEAKERS

- **Nick Ashworth** Senior Vice President, Investor Relations
- **Kris Licht** Chief Executive Officer, Executive Director
- **Shannon Eisenhardt** Chief Financial Officer, Executive Director

## QUESTIONS FROM

- **Guillaume Delmas** UBS AG, Analyst
- **Warren Ackerman** Barclays Services Corp Equity, Analyst
- **David Hayes** Jefferies LLC, Analyst
- **Celine Pannuti** JPMorgan Chase & Co, Analyst
- **Jeremy Fialko** HSBC Securities (USA) Inc, Analyst
- **Edward Lewis** Redburn Partners LLP, Equity Analyst
- **Rashad Kawan** Morgan Stanley, Analyst
- **Tom Sykes** Deutsche Bank AG, Analyst

## PRESENTATION

### **Nick Ashworth Senior Vice President, Investor Relations**

Good morning, everybody, and welcome to Reckitt's Q3 trading update. I'm here with our CEO, Kris Licht, and our CFO, Shannon Eisenhardt, who will take you through some prepared remarks, and then we will take your questions.

Before we start, I would like to draw your attention to the usual disclaimer in respect to forward-looking statements contained on Page 7 of our results statement published this morning. And with that said, I'll hand over to Kris to start the call.

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**Kris Licht Chief Executive Officer, Executive Director**

Thank you, Nick, and good morning, everyone. We have delivered another quarter of strong execution and performance with our third-quarter results in line with our expectations, keeping us on track to meet our full -- our upgraded full year guidance we provided in July.

Core Reckitt delivered 6.7% like-for-like net revenue growth with sequential volume improvement to 3.4% and a well-balanced algorithm with positive price/mix contributing 3.3%. This progress is being driven by the strength of our 11 Powerbrands, which -- with benefits coming from ongoing investment in premiumization and brand equity, innovation and new category creation and continuously improving in-market execution. Core Reckitt's year-to-date like-for-like net revenue performance now stands at 5%.

As expected, our developed markets businesses in Europe and North America returned to growth during the quarter in what remains a challenging trading and consumer environment. Volumes improved sequentially in Europe, led by nonseasonal Self Care and Intimate Wellness, and we delivered ahead of category growth rates in North America with a strong performance driven by Lysol, while seasonal OTC had a softer quarter.

Emerging Markets had another standout performance, growing 15.5% in the quarter. This reflects broad-based growth across all categories, double-digit growth in a number of smaller but high potential markets, such as Indonesia, Malaysia and Colombia, and continued strong in-market performance in India and China. Let me now talk a little bit more about China, a market where we have delivered nine consecutive quarters of double-digit growth.

This consistent outperformance is driven by the following: First, we are focused on consumer health at a time when the Chinese consumer is very engaged and knowledgeable around that space. Second, we really know our consumer, and we've invested behind that knowledge with brands and claims that resonate.

Third, our track record of innovation is very strong. And last, we know how to launch new brands and grow them, a great example of being Intima, where we have doubled net revenue this year. Our strong in-market execution underpins all of this.

Our focus on e-commerce allows us to engage directly with the consumer, so that we can test and learn with new products very quickly. We are celebrating 30 years in China. Our foundations are strong. Our team is executing at a high level. Given all of this, I am not surprised by this performance, and I believe China will continue to be a very meaningful growth engine for Core Reckitt going forward.

We're looking forward to sharing more with you about our businesses in China and India as well as some of our high

potential markets across the area at our Reckitt's Focus on Emerging Markets event on December 4.

For the group, we delivered like-for-like net revenue growth of 7% in the quarter, driven by Core Reckitt and Mead Johnson Nutrition, which was up 22%, cycling its most impacted quarter following the Mount Vernon tornado.

This was marginally offset by a 4.9% decline in Essential Home, where we remain on track to complete our announced divestment by the end of the year. Overall, we are continuing to execute our plan and make progress against our strategy, delivering results from our sharpened operating structure and enhanced focus on our power brands.

Let me now pass you to Shannon to take you through our group and segment performance in Q3 and the drivers behind it.

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### **Shannon Eisenhardt Chief Financial Officer, Executive Director**

Thank you, Kris, and good morning. In Q3, we delivered like-for-like net revenue growth of 7% across the group, taking our 2025 year-to-date performance up to 3.3%. Within Core Reckitt Q3 like-for-like net revenue growth was 6.7%, taking our year-to-date performance to 5%. As expected, all three of our areas were in growth in Q3. This was led by Emerging Markets with like-for-like net revenue growth, up 15.5%, delivering balanced growth with 7.4% volume growth and 8.1% price mix.

As Kris highlighted, China's continued strength has been driven by our executional excellence with share gains across key power brands in Intimate Wellness and Germ Protection as well as a strong performance in the VMS segment of Self Care.

India grew low single digit in the quarter with the change to GST resulting in a shift of trade orders to Q4. Sell-out remains strong and year-to-date, our like-for-like net revenue growth in India remains at high single digits. Performance was mixed across our LatAm business in Q3 with a challenging consumer environment in Brazil, impacting growth across Self Care and Intimate Wellness while we delivered encouraging growth across all categories in Mexico. Now moving to our developed markets.

In Europe, market-wide category growth was broadly flat in the quarter. Against this backdrop, Europe delivered 0.8% like-for-like net revenue growth with volumes at minus 0.5% and price/mix of 1.3%. The area continues to deliver sequential improvement in volumes, up from minus 4.7% in Q1 and minus 1.9% in Q2. We continue to drive premiumization and innovation contributing to positive mix.

The launch of Durex Intensity across a number of markets has driven strong growth for us across the category,

already delivering high rankings on Amazon, and high single-digit market share across the total condom category in France.

We're continuing to launch into more markets through Q4. Despite some softness in seasonal Self Care, nonseasonal OTC performed strongly, driven by the continued success of Gaviscon as well as benefits from the launch of Nurofen mini liquid capsules during the year.

Moving to North America, where a premium growth of 2.3% and price/mix of minus 1% delivered like-for-like net sales growth of 1.3%. Growth in North America was driven by our nonseasonal brands, which delivered mid-single-digit like-for-like growth in Q3. Lysol delivered high single-digit growth across its broadened portfolio including laundry and air sanitizers as well as core disinfection.

Finished performance was resilient. And within nonseasonal Self Care, Neuriva delivered a good performance. Our seasonal Self Care OTC brands declined mid-single digits in the context of double-digit category declines across the market.

This was a function of lapping a COVID spike in Q3 of 2024. While we expect the challenging growth environment in our developed markets to continue, we will benefit from ongoing innovation launches and our premiumization strategy across our power brands.

Now moving on to our global categories. Across Self Care, seasonal OTC brands declined low single digits, predominantly in North America, as already mentioned. Excluding seasonal OTC, Self Care delivered 12.3% like-for-like net revenue growth in Q3, led by strong growth in our VMS portfolio, particularly in China, and this was supported by Gaviscon and Nurofen performance in Europe. For the category as a whole, we delivered 5.6% like-for-like growth in Q3.

Germ Protection delivered 9.2% like-for-like net revenue growth, led by double-digit growth in Dettol as the brand benefited from new innovations and go-to-market excellence across our Emerging Markets. Lysol delivered volume-led high single-digit growth in North America, and Harpic showed strong performance in Emerging Markets, while in Europe, growth was tempered by the more challenging environment.

Household Care was resilient in Q3, growing 0.2% on a like-for-like basis. Finish grew low single digits, benefiting from our continued category penetration in Emerging Markets, alongside our premiumization strategy.

Vanish delivered growth in Emerging Markets, offset by a mid-single-digit decline in Europe. Our Intimate Wellness category continued to deliver very strong growth with like-for-like net revenues up 13.5% in Q3. Alongside Durex

Intensity in Europe, we're driving share gains across Emerging Markets, led by China with our upgraded lubricants and benzocaine condoms.

VEET delivered double-digit growth in emerging markets with mid-single-digit growth across Europe. And Intima continues to perform very strongly in China, with the brand more than doubling net revenue in 2025 on a like-for-like basis.

Turning to our noncore segment. Mead Johnson Nutrition grew like-for-like net revenue 22% with a volume increase of 12.4% and price/mix of 9.6%. As you'll recall, the prior year comparative net revenue was significantly impacted by the Mount Vernon tornado, which destroyed Mead Johnson's primary US warehouse in July of 2024. The business is returning to a more normalized underlying growth and has now regained its market share leadership in North America.

Outside of North America, the international business grew low single digit in the quarter. Essential Home's like-for-like net revenue was down 4.9% in Q3, reflecting volume growth of 0.6% and a price mix impact of negative 5.5%.

The European business is delivering as expected. However, Essential Home's performance continues to be significantly impacted by a tough Brazil pest season comp as well as continued underperformance in US Air Care.

We now expect Essential Home like-for-like net revenue to decline mid-single digits for full year 2025. Turning to our share buyback, where alongside our half-one results in July, we announced another GBP1 billion program, which began on July 28. As of this morning, you'll see we've completed the first GBP250 million tranche of this program. Finally, turning to guidance. We maintain our fiscal-year '25 outlook, which we upgraded in July.

We expect group like-for-like net revenue growth of plus 3% to plus 4% and in Core Reckitt, we expect to target above 4% net revenue like-for-like growth for the year. Our Fuel for growth program is expected to help drive adjusted operating profit ahead of net revenue growth and we expect to deliver another year of adjusted diluted EPS growth. With that, let me hand it back to Kris to wrap up.

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### **Kris Licht Chief Executive Officer, Executive Director**

Thanks, Shannon. Let me briefly summarize the key messages from the call this morning. Number one, we're executing on our plan and progressing against our strategic objectives. Number two, the enhanced focus on Core Reckitt and improvement in in-market execution is delivering meaningful results.

And three, our ongoing investment in innovation, premiumization and brand equity continues to strengthen our Powerbrands. We still have more work to do, but we have made great progress this year, and we are confident in delivering our objectives.

Let me stop there, and we are very happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

Guillaume Delmas, UBS.

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### Guillaume Delmas UBS AG, Analyst

Thank you very much, and good morning, Chris and Shannon. First, very quick housekeeping. Would it be fair to assume that the short-term disruption in India, which is linked to the GST change, that shaved off roughly 50 basis points of your like-for-like sales growth in Q3. I mean, just the difference between low single-digit like-for-like and high single-digit like-for-like in India gets me to 50 basis points. So just a rough quantification of this would be helpful. And then my two questions.

So first, on seasonal OTC because I think it's the fourth consecutive quarter, seasonal OTC is shaving off more than 150 basis points of Core Reckitt like-for-like. So my question here is, do you think there's an issue with your seasonal OTC portfolio, I mean above and beyond just the persistently soft category growth?

Or do you actually see the glass being half full, I guess, and think that this is a very nice basis of comparison for the next 12 months, assuming a normal incidence of cough and cold? And then second question on Europe. I mean, Shannon, you did mention a particularly challenging pricing environment, I think, in Household Care and Germ Protection.

Wondering here if this is mostly retailer led, so just the usual tough negotiations, threats of delisting or whether you think it's more consumer-led, consumers trading down or buying more on promo? And I guess, do you see this as a temporary headwind or something a little bit more structural? Thank you very much.

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**Kris Licht Chief Executive Officer, Executive Director**

Thanks, Guillaume. I'm going to start with your question two and three, I think. So seasonal OTC, look, if you take a longer-term view, this is a great business. We have leading brands. We have seen great performance from them.

We have a track record of successful innovation. We have really good innovation in the market. We have more coming. So I feel a high comfort level with our seasonal OTC business. And I think we'll see good performance from it.

As you say, when -- it's always a function of what we're doing in the market, but importantly, what we're lapping and so this quarter, as we discussed, there was a COVID bump in the summer last year, and that did affect us a little bit in terms of what we're lapping.

But it really doesn't speak to underlying strength of the business. I don't think there's any structural issues. I think it's purely a function of the strength of the season, and we'll know more about that as we get into this next season. So that's probably hit on seasonal OTC.

On Europe, it is a tough trading environment in Europe. As you know, the consumer is feeling some pressure. Consumer confidence is not high. I think European retailers are always focused on providing good value to shoppers and I don't see anything really changing in how they're operating. But I think they're responding to a consumer that's really feeling some pressure and is displaying some value-seeking behavior.

And so that's why our categories are flattish in Europe, and that's obviously not an ideal place to be. I don't think it's necessarily permanent. I don't think it's structural to your question. I think it's reflective of the fact that we are in a moment where consumers are uncertain. We have come out of a very inflationary period and now consumers are looking to catch up to that inflationary pressure that passed through the whole industry and the economy.

And so I think that's why we are where we are. I don't think it's permanent. And hopefully, we see some stronger growth returning in Europe in the coming years. I think on India, I'll hand it to you, Shannon.

**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Okay. Thanks. Guillaume, on the GST impact, I don't think my math would line up with 50 bps. We've talked about the impact in Q3 of GST phasing being low to mid-single digits and that our India like-for-like was low single digit in Q3. I think I would just anchor on that in year-to-date, India has delivered high single-digit growth, and we expect this to simply be phasing. So we expect India to continue contributing in that way going forward.

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**Guillaume Delmas UBS AG, Analyst**

Thank you very much.

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**Operator**

Warren Ackerman Barclays Services Corp Equity, Analyst

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**Warren Ackerman Barclays Services Corp Equity, Analyst**

Good morning, everybody. It's Warren here at Barclays. Two questions as well. Firstly, on the guidance, you've done 5% on Core Reckitt at the nine months. Your guidance is above 4%, and obviously, anything could be above 4%, but you chose not to raise the guidance despite the big beat in Q3. Is there any reason you're being cautious on Q4 other than comps?

Or is it just conservatism? Can you maybe sort of just elaborate if there's any moving pieces that you'd like to call out for the fourth quarter? And then one for, I guess, Kris. Thank you for the color, Kris, on China. I was wondering whether you can maybe dive a little bit deeper.

Why is the consumer so engaged in consumer health at this stage? And what are you seeing in terms of kind of category growth? How much has that accelerated? What's happening in market share in China, what you're seeing on the ground? Any color to give us sort of confidence that this? Because it looks like on my numbers, China growth is probably over 30%. I know you can't comment, but just given it's 15% on EM, and we know about India and Brazil.

So it looks super, super strong on China. So if you can just maybe clarify on that. And then one quick housekeeping. Just on the negative pricing in the US Shannon, is that just related to the seasonal piece being down mid-single digit? Or is there anything else you'd call out on US pricing? Thanks.

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**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Great. I'll hit guidance, and I can do your quick housekeeping question and then pass to Kris for China. So on guidance, I would start with that we're really pleased with Core Reckitt's performance year-to-date. If you look at the robustness of that growth, we have all four categories are in positive territory for volume and for price. We have volume momentum across all of our geographies, and that 6.7% Q3 Core Reckitt growth is very balanced across volume and price.

As we look to Q4, as we discussed in our comments, developed markets we expect will remain challenging. When we look at the category growth rates we're seeing, we see Europe roughly flat. We see low single-digit category growth in North America.

From an Emerging Markets standpoint, we expect Emerging Markets will continue to deliver outsized growth, and we do have a tougher comp in EM in Q4. So when we were thinking about our guidance, we're happy with the current guidance of above 4% for the core.

We believe it's inclusive of a range of potential outcomes. From a negative pricing in the US, yes, that's really the impact we see from the mix across seasonal versus the rest of our business in North America. And then I'll just hand over to Kris around China.

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**Kris Licht Chief Executive Officer, Executive Director**

Yeah, thanks for the question, Warren. So I mentioned, we've been successful in China for quite a long time. Our performance is indeed accelerating. And it is genuinely outperformance, and it's been that way now for several quarters in a row.

I think one thing that's important to note is that the Chinese consumer is a really well informed consumer and we see a lot of segments of Chinese consumers that are very engaged in health. And that's actually not a new thing.

That's been the case for quite a while. We get to engage with them quite directly because we do a lot of business on e-commerce, and we have very successful live streaming operations. We have a very direct and current interaction with consumers.

And so we see a high level of knowledge, a high level of interest. Obviously, this is an aging population in China now. It's a fairly affluent population actually. So there's real spending power, and there's a real willingness to spend in our categories. And it's really not unique to one or two categories.

It's very broad-based across our portfolio. And so whether it's new brands that we're launching that we're bringing from elsewhere in our portfolio or new innovation with new benefits that we're bringing to market, and that's working really well, we're just seeing a very receptive consumer that is willing to try new things, willing to pay a premium for improved performance and effectiveness.

And I think that's a good place to be. So I am not surprised that we're having this traction in China because we have been doing that for some time. It's just that our team is incrementally executing at higher and higher levels. And I think that's what's coming through in the results.

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**Warren Ackerman Barclays Services Corp Equity, Analyst**

Thank you.

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**Operator**

David Hayes, Jefferies.

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**David Hayes Jefferies LLC, Analyst**

Thank you. Good morning all. So for me, just on the Emerging Markets performance, which continues to build, you called out just now, Shannon, that the comp gets more difficult. But looking at the comp, it was very price led last year, volumes didn't necessarily step up that much.

So just trying to understand there was kind of an outlier on pricing mix in the fourth quarter last year. Can you just remind us, you may have talked about it, but then I can't remember, but what's going on there? And then just how difficult the comp is in that regard?

And then I guess more broadly, it feels like when you read the release, we listened to you, the innovation levels, the category market developments are incredibly intense at the moment, which must be difficult to manage and keep investing in. So the question is, is this -- is that running at a max level now? Or can you build on that again as you go into 2026?

And then in some ways, in terms of profitability, often those kind of initiatives are upfront loss-making and then you kind of leverage into them, but your profitability still seems to be very secure. Just wondering exactly what the dynamics are in terms of financing that intensity of innovation whose profitability continues to stay stable? Thank you.

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**Kris Licht Chief Executive Officer, Executive Director**

Great. Let me start with your last question, and then I hand to Shannon. So we've been investing in innovation and in our pipeline for years now. And what we're seeing today is a product of years of work to really bolster the pipeline and create meaningful big innovation platforms. And so I would say we have had the capacity to make these investments for a while, a good while.

And we certainly have it today. The Fuel for Growth program that we are executing is delivering significant benefits. So that gives us incremental firepower to invest in new innovation and scale up existing innovation. So I am not concerned with the affordability of that. Obviously, to your point, when we are successful with innovation, we tend to premiumize the category and grow the category and we end up with a larger business.

And that, of course, produces leverage through the P&L and gives us fuel to invest even more. So overall, I think what we're seeing now is a function of years of work, years of investment, and it is intense, but in a positive way.

And we aim to continue to fuel that. I mean innovation is incredibly important for us as a company and as a market leader with the Powerbrands that we have, we really need to lead on innovation, and I'm quite pleased with how that's going.

Shannon Eisenhardt^ Great. And then your first question, David, around our expectations and the type of growth we're delivering from Emerging Markets. So nothing specific to call out from the delivery or the base last year. I'd say we're very pleased with the balanced growth that we've been delivering from Emerging Markets across both price and volume. We've called out the fact that it's broad-based growth.

China, obviously, it's our ninth quarter of double-digit growth, but we've also been seeing strong growth in some of our smaller markets, and really do view Emerging Markets as a geography that will deliver sustainable growth and continue to be delivering outsized growth for the group as we look forward.

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### **Nick Ashworth Senior Vice President, Investor Relations**

Thank you.

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**Operator**

Celine Pannuti, JPMorgan.

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**Celine Pannuti JPMorgan Chase & Co, Analyst**

Thank you. Good morning, everyone. My first question is on North America. Shannon, you said that the market is down losing up to single digit and you expect it to be like that in Q4. Is that right? Just wondering whether what expectation you expect into a seasonal OTC, and how we should be looking at this in the light of quite an easy comparative for you from Q4 of last year. And the second question is on Europe. Can I talk about whether you think the environment has worsened sequentially? And how your market share has performed across the different categories? Thank you.

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**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Sure. I'll take North America and then let Kris speak to Europe. So what I was calling out in North America, Celine, was just as we look at what we've seen develop over the year from a category growth standpoint, when we entered the year, we saw North America categories growing sort of at the low end of mid-single digits when we headed into the year in January. What we've now seen is that, that category growth has stabilized or appears to have stabilized at sort of the low end of low single-digit growth.

And so as you look forward to Q4 from a seasonal business, we plan assuming a normal season. It's obviously very hard to predict exactly what that means or to predict when a season will hit and what the shape of that season will be. But our planning assumes a normal season.

What we are really pleased with is the nonseasonal piece of our North America business, which is growing mid-single digits in Q3, and that's a business that's obviously much more within our control versus having to wait a bit to see the shape and strength of a season.

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**Kris Licht Chief Executive Officer, Executive Director**

On Europe, Celine, I would say that it's -- as we said before, a challenging environment. And in the face of that, actually, satisfied with our performance. It's good to see success with big innovation like Durex Intensity, which has really proven to be a winning innovation in the marketplace. But I think our European team put in a resilient performance.

Market shares are around the level that we've discussed before, which is a pretty good level. It's intensely competitive. So we are doing everything that we can to be as competitive as possible, but I'm satisfied with what the team has done. The growth number is not eye-popping, but like I said, it is quite a challenging environment in Europe and probably will remain so for the foreseeable future.

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**Celine Pannuti JPMorgan Chase & Co, Analyst**

Thank you.

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**Operator**

Jeremy Fialko, HSBC.

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**Jeremy Fialko HSBC Securities (USA) Inc, Analyst**

I want a couple of questions from me. The first one is if we go into the Emerging Markets, you've highlighted some of these smaller countries, Indonesia, Malaysia, Colombia, the three mentioned in the statement. Is there any chance you can size of those businesses roughly sort of what percentage of the kind of EM region they are, what sort of growth rates they are, just how sustainable you think this is for the kind of distribution growth standpoint?

And then the second thing is just coming to this pricing question is in Europe. Is -- you are just seeing promotion from your competitors that you're seeing kind of increasing trading down from consumers, the retailers has behavior changed? Just give us a bit more detail on what happening from this standpoint? Thanks.

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**Kris Licht Chief Executive Officer, Executive Director**

Okay. Great. Let me take both of those. So Emerging Markets, thank you for the question. I think this is a really important thing about our plans and our forward outlook. We have a very successful business in China. We have a very successful business in India.

Both of those businesses have been delivering, great performance now for a long time. We have a big opportunity to take the next tranche of markets to that level of excellence and execution. And that's a big focus at the moment in our Emerging Markets portfolio.

We think that a short list of high potential markets like Malaysia, like Colombia, like Indonesia, but there's more that they take together can be a third engine for growth that will be of similar size once we execute at that level to India and China.

So this needs to become the third engine of growth, and it's really nice to see that we have the momentum that we now have in these markets. So we're going to talk a lot more about that at our Focus On event, and you'll get a real chance to understand how we're going to grow the business. It is a mix of fundamentals and investment and innovation, but you'll see a lot more of that when we get together later in the year. In terms of Europe, we've seen the return of promotions.

I wouldn't say that it is an abnormal situation. It's just that we have normalized after the inflationary period where promo was less prevalent and maybe less of a focus. So now we're back to a fairly normal level of promotions, and it's just important to be promo competitive and put a great offer in front of the consumer and yeah, executing that at a high level, and that's what our teams are very focused on. Your question about trading down. Look, we are seeing some value-seeking behavior.

People are cutting back a bit on trips, on quantities, and we are seeing private label growing in certain segments. But it's important to note that private label for us is a little bit less of an issue than if you are positioned solidly in the mainstream.

We are premium, our brands are premium and they are market leaders. And the equities are very, very strong. And so while we always watch what's going on with private label, and it's certainly always something that we're thinking about.

It is not a major drag on our performance to this point. So we're going to continue to focus on being competitive in Europe, and it's a challenging environment. And so I anticipate this to be a thing that we need to stay focused on through next year as well. But it's not something that I'm concerned about in terms of our ability to drive good performance.

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**Jeremy Fialko HSBC Securities (USA) Inc, Analyst**

Okay. Thanks so much.

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**Operator**

Edward Lewis, Rothschild and Co Redburn.

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**Edward Lewis Redburn Partners LLP, Equity Analyst**

Yes, thanks very much. I guess just looking at the results and the commentary, I mean you've kept guidance the same, but would I be right in thinking that your sort of thoughts on the global categories that you're playing in or the global sort of (inaudible) environment is softer.

So your relative to performance you're feeling sort of more confident about. So is it really sort of the uncertainty around the categories that's holding you back? And then I guess we have -- no one's asked you yet around inventory levels.

I mean, particularly in the US retail channels, you've been -- I think it's fair to say, relatively sanguine against peers on this point. Do you still see sort of that the case, it not necessarily being as much of an issue as say others have called out for you in the US?

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**Kris Licht Chief Executive Officer, Executive Director**

Okay. Let me take those in turn. So on our categories, our categories enjoy good tailwinds fundamentally attractive categories. And we think we have the right portfolio to win in our four categories. So overall, I would say we have a high comfort level that our categories are good categories.

with runways for growth that extend far into the future. It is true that there's always going to be some variability in the shorter term, right? Whether it's the shape of a season like Shannon talked about or it's tougher environments from a consumer standpoint that we're facing in developed markets. So I think what you're seeing us do is we're being prudent. We upgraded our guide three months ago, and we're very comfortable with that upgrade, and that's really where we're at.



So there's no major worry that's driving our decision-making. We upgraded guide and we're comfortable with it. In terms of inventories, you're right, we did see a little bit of destocking in certain retailers in the spring. But since then, we haven't seen this impacting our business. So nothing really on inventories. We're comfortable with where we're sitting. And it's not an adverse impact on the business.

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**Edward Lewis Redburn Partners LLP, Equity Analyst**

Thank you.

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**Operator**

Rashad Kawan, Morgan Stanley.

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**Rashad Kawan Morgan Stanley, Analyst**

Hey, good morning, Kris, Shannon and Nick. Thanks for taking my questions. Just two for me, please. First, at the risk of pre-empting some of the focus on presentation content later in the year. As you think about the different categories across Emerging Markets, are there somewhere -- you're seeing more opportunities than others? And then second, just quickly on Essential Home. Just any comments there around whether the sale and carve-out is on track for a pre-year-end completion here would be helpful. Thank you.

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**Kris Licht Chief Executive Officer, Executive Director**

Okay. So for Emerging Markets, look, I think that next tranche of markets, our whole portfolio is relevant, and we know how to activate the portfolio in these markets. We know the importance of things like opening price points and kind of the tiering that we need to bring people into our brands and then trading them up over time. So I think all our brands are relevant. I think if I had to pick a few, it's very clear that Intimate Wellness can be a strong growth driver in these markets.

And Self Care can be a strong growth driver. So I think what we are certainly going to focus on is ensuring that we build leadership in those categories over time. In some places, we're already leaders with Durex. In other places, we have big opportunities to build leadership. And when we do that, the structural economics of those categories are really great.

And so that creates a nice foundation for us to grow the whole portfolio. So it's really all our brands are relevant, but we -- you might see us sequencing and investing slightly heavier on the health side of things. And in terms of Essential

Home, I mean, we're on track. Yes, there's really no significant news to report. It's going well in terms of the carve-out, and we expect to complete it before the end of the year.

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## Operator

Thank you. Tom Sykes, Deutsche Bank.

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## Tom Sykes Deutsche Bank AG, Analyst

Yeah, morning. Thank you. Just on seasonal OTC. So the Q3 sell-in is normally very profitable when you don't have the advertising. So does that mean that we should think about OTC being lower margin this year even if you do have a regular season in Q4? And is the FX that's baked into the inventory in Q4 and Q1 peak, is that lagged FX? Or would that be spot FX?

And just on China, you've obviously talked about the growth of live streaming. How big is live streaming as a proportion of your sales? And when you think about where people are that are buying the products, is it Tier 1 cities? Or are you seeing high growth in Tier 2, Tier 3, please?

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## Kris Licht Chief Executive Officer, Executive Director

Great. Let me take a couple of these, and I'll hand it to Shannon on your FX question. So look, on OTC, I would say, no, I'm not expecting there to be any differential in the margin profile that we'll see. I also wouldn't really venture a guess as to the shape of the season yet. I've seen enough seasons to know that you can't sit in October and no, it's not realistic.

So I would say I would not anticipate there being any significant differences in terms of the margins or the profit delivery of OTC in the coming quarters. But we will certainly update on it when we know more. I think on China, live streaming is a significant part of our business. It is not the majority of our business, but it's fast growing and it's very much where the consumer is. We have discussed before that our business in China has moved to be quite heavily online.

So e-commerce is a really big part of our business now, is the majority of our business, but live streaming is a smaller component of that's growing quite fast. We are good at executing there. And I think that is one of the ways in which we successfully engage with consumers and build relationships there. In terms of coverage in China, these channels cover more or less all of China. So we used to have this discussion about Tier 1, Tier 2, Tier 3 cities.

At this point, the fulfillment network for e-commerce is more or less national in China. And so we can execute at a very high level across all significant urban centers in China in a similar manner. So it is no longer really a question of tiers for us. It's a national go-to-market model.

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**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Okay, thanks. (multiple speakers) FX question, so I can answer that for you. I didn't catch it fully.

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**Tom Sykes Deutsche Bank AG, Analyst**

Yes. It's just, I guess, because you, at the moment, will still import quite a lot of the OTC from in North America and the UK is just in the inventory that you would be selling into the US. What's the lag versus spot -- what's the FX in that versus the spot rate? Is it lagged? Or does it come in at spot, particularly in, I guess, Q4, Q1 because you obviously come up against tougher comps on sterling versus the dollar?

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**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Yeah. So I think -- I mean, that obviously would be coming through in our gross margins, which the guidance we've given on gross margins and what you've seen throughout this year is roughly flat versus prior year. And I think we've guided that we don't -- that that's the right expectation from a gross margin standpoint is how I think about that.

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**Tom Sykes Deutsche Bank AG, Analyst**

Okay, no problem. Thank you.

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**Operator**

There are no further questions on the conference line. I want to hand over to the management, Nick Ashworth, SVP, Investor Relations.

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**Nick Ashworth Senior Vice President, Investor Relations**

Thanks, Gavin. So we've got a couple of questions, I think, coming through on the text box, if I can read them. So first one from Jeff at EMP. You've got nearly 11% price mix in Intimate Wellness whilst driving such a strong development at many mix?

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**Shannon Eisenhardt Chief Financial Officer, Executive Director**

Yeah. So I can take that one. Intimate Wellness, we continue to execute against the strategy around premiumization, which is driving positive mix benefits within Intimate Wellness. And then one additional specific example of that, which we've talked about, I think, every quarter this year is the launch of Durex Intensity in Europe, which is also driving a positive contribution there.

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**Nick Ashworth Senior Vice President, Investor Relations**

Thanks, Shannon. And then we also have an from Carol at Kepler. Can you expand on the performance of Finish and Vanish? What's holding back to growth? Is it pricing in Europe? Or is it more broadly difficult market? I know we sort of talked a little bit about the dynamics of Europe but specifically on Household Care.

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**Kris Licht Chief Executive Officer, Executive Director**

Yeah. I mean I would say it's a resilient performance. It's very competitive, as I said before. Finish is a market leader, and we're very focused on making sure that we remain the market leader and that we're very competitive. But I think it's going to be a focus of ours as we move through the next couple of quarters given the overall pressure in terms of consumer sentiment.

But I think we have all the ingredients to be successful with that. I think Vanish you're seeing a bit of a mixed performance in some markets and developed markets. We're seeing good performance in some European markets. I'm not completely satisfied with what I'm seeing. And so on balance, that's a place that we can do better. And I'm sure that we will.

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**Nick Ashworth Senior Vice President, Investor Relations**

Thanks, Kris. Gavin, are there any more questions coming in on the phone, Otherwise, I will wrap it.

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## Operator

There are no further questions on the conference line.

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## Nick Ashworth Senior Vice President, Investor Relations

Brilliant. Look, thank you very much, everyone, for joining today's update. As a quick reminder and following Kris' earlier plug as well, our next event is going to be the Reckitt's Focus on Emerging Markets, which will be led by Nitish Kapoor, President of Emerging Markets. It's Thursday, December 4, this is in London.

So you can join us in person or you can watch online, and all the information is available on our website. As ever, all materials from today, including a recording of the call can be found on our website. If you have any further questions, please feel free to reach out to me or the team. We look forward to catching with you soon. Thank you very much.

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