

Reckitt 2025 Full Year results presentation

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Nicholas Ashworth; Reckitt Benckiser Group PLC; Head of Investor Relations:

Good morning, everybody, and thank you for joining us for Reckitt's full year 2025 results presentation. I'm Nick Ashworth, I head Investor Relations here at Reckitt. So before we start, can I draw your attention to the usual disclaimers in respect to forward-looking information.

So presenting today, we have our CEO, Kris Licht; and our CFO, Shannon Eisenhardt. Following the presentation will be the usual Q&A session. We're going to take questions from the room first, as we always do, and then followed by the written questions via the webcast. And if you've got further questions after the event, please feel free to reach out to me or the team, and we'll be happy to help.

So with that said, I'm going to hand over to our CEO, Kris Licht, to start the presentation.

Kris Licht, CEO: Thank you, Nick, and good morning to everyone in the room and those who have dialed in. I'll start with an overview of our 2025 results and some of the key highlights from the year, and then Shannon will take you through our financial performance.

I'll then come back and provide an update on our key priorities for 2026 and some of the elements of our winning playbook. After that, we'll both be happy to take your questions. 2025 was a year of strong financial delivery as we continue to deliver on our strategy.

Core Reckitt net revenue grew 5.2%, ahead of our improved half year guidance of above 4%. Group net revenue increased 5%, including Mead Johnson growth at 3.8%. This was driven by Emerging Markets, with China and India growing double digits in the fourth quarter.

In our developed markets, a weaker season held back growth and the consumer environment in Europe remains tough. However, this was more than offset by a strong non-seasonal performance in North America. Adjusted operating profit increased 5.3%, underpinned by the benefits of the Fuel for Growth program. Core Reckitt margins

expanded 90 basis points to 26.7%, with Emerging Markets margins growing 210 basis points to 20.9%.

We are delivering profitable growth at scale. EPS grew 1.1% and was supported by our ongoing share buyback program, offset by a higher year-on-year effective tax rate, in line with our guidance. And we delivered another year of strong cash returns with GBP2.3 billion returned to shareholders through dividends and our share buyback program.

Looking at our non-core businesses, we completed the divestment of Essential Home to Advent in December, and we returned a further GBP1.6 billion to shareholders via a special dividend in February. Mead Johnson Nutrition grew net revenues by 3.8% as trading normalised.

We continue to consider all strategic options for that business. So we made strong progress delivering against all our strategic priorities during the year. We simplified and sharpened the portfolio, supported by the divestment of Essential Home.

And this has allowed us to focus exclusively on 11 high-growth power brands with increased investment, increased accountability, faster decision-making showing through in our results, in particular, in Emerging Markets.

We delivered superior innovation with launches across all our categories. Some were new products with the power to disrupt such as our Durex Intensity condom, which we've rolled out to 18 countries in 2025. And many others are extensions and improvements helping us to grow loyalty and win new consumers. They included new fragrances for Lysol air sanitizer for Dettol antiseptic liquid as well as Nurofen mini liquid caps and dual-action cough and sore throat products from Strepsils.

We've generated significant benefits from our Fuel for Growth program. This has supported increased investment in our brands to drive revenue, expand margins and deliver our ambition of sustained earnings growth. We feel good about the program, and we believe we can go further. Shannon will come to this later.

And finally, improved execution has strengthened our competitive position. In China, strong e-commerce growth has enabled us to capture more digital-first consumers. And in North America, our omnichannel partnerships and quick commerce are accelerating and widening access to our portfolio.

For example, by bringing Mucinex to consumers in 30 minutes with 68% of buyers new to the brand. Building on this final point, executional excellence can only happen with a strong supply chain. This has been a big focus of mine since becoming the CEO.

It's critical to have a supply chain that reflects the quality of the brands and the products that we make. Historically, modest investment in our supply chain created risk and led to inconsistent performance. We have started to address that by investing in greater levels of localization, automation and digitization, building a supply chain that is more scalable and resilient as we continue to grow.

You can see this in the actions we're taking. On the manufacturing side, there is a lot going on. For example, we're rationalizing and improving our China footprint, installing new Durex lines in our state-of-the-art Taicang factory with a new China Science and Innovation Center due to open this summer in Shanghai.

We're increasing our North America footprint with our new factory in Wilson, North Carolina, which is on track to open next year. And we've also enhanced our Lysol toilet bowl cleaner capacity and capability at our Belle Mead plant.

We're adding a new generation of lines at our Polish factory to support innovation behind Finish. And we're investing in new Gaviscon capacity in Thailand, initially to support growth in Europe and Australia and ASEAN in the longer term. And as part of Fuel for Growth, digital and AI and GBS will enable greater effectiveness and efficiency right across the supply chain.

We've stepped up investment in CapEx to GBP592 million in 2025. And this is starting to deliver results across the portfolio with a few examples shown here on the slide. Our service levels have increased across Europe and North America, and we're driving improved factory operational performance with good early results, in particular, in Emerging Markets. There's more to do, but we have made great progress on the supply chain over the past 18 months.

So in summary, I'm proud of what our teams have achieved in 2025. Our actions have repositioned Reckitt as a world-class health and hygiene company. Our focused portfolio of power brands are in the right categories, driving premiumization and benefiting from geographic diversity.

We have a proven playbook for how to grow and expand our brands, and we're executing

more consistently against it. Our foundations are strong, and we're making them stronger. There is much more to do, and I will come back to you to talk about our priorities for the year ahead shortly. But let me stop now and hand over to Shannon for more detail on our financial performance.

Shannon Eisenhardt: Thanks, Chris, and good morning, everyone. Let me start by running through the key financial highlights and the strong progress we made in 2025. Core Reckitt like-for-like net revenue grew 5.2% with volume growth of 1.5% and price mix of 3.7%.

Excluding seasonal OTC, Core Reckitt grew 7% year-on-year. Core Reckitt's growth was led by Emerging Markets, up 14.6%. Group like-for-like net revenue increased 5%. We held Core Reckitt gross margin flat at 62.2% with group gross margin above 60%, expanding 10 basis points year-on-year as productivity efficiencies more than offset the impact of tariffs.

Adjusted operating profit margin for Core Reckitt increased 90 basis points, helped by our Fuel for Growth program, with group adjusted operating profit margin up 40 basis points to 24.9%. At constant currency, group adjusted operating profit grew 5.3% year-on-year with adjusted diluted EPS up 1.1%.

Looking now at volumes for the year, where Core Reckitt volumes grew 1.5%. In Emerging Markets, we delivered broadly balanced growth with volumes up 6.7%, led by online launches and increased penetration in China as well as expanded distribution reach in India.

In Europe, volumes declined 3.1%, reflecting category growth rates slowing throughout the year. This was compounded by a weaker cold and flu season in Q4. In North America, volumes were flat. Encouragingly, volumes improved sequentially in the second half, driven by the performance of our non-seasonal brands.

Turning next to performance across each of our areas and starting with Emerging Markets. Growth was broad-based across all categories and all regions. China delivered its 10th sequential quarter and another year of double-digit growth, driven by strong performance in Dettol with innovations and extensions such as Activ Botany, ongoing strength in VMS and sustained market leadership in Intimate Wellness across both Durex and Intima.

India delivered high single-digit growth for the year, driven by our offline execution as we continued to increase distribution points. We have also seen double-digit growth across a number of our smaller markets, including Indonesia, Colombia and Malaysia.

We're pleased that we're driving this growth while expanding our adjusted operating profit margins 210 basis points on the prior year to 20.9%. This has been driven by continued gross margin expansion, which includes mix benefits from continued outperformance in Self Care and Intimate Wellness.

Moving on to Europe, where net revenue declined 1.4% for the year. During the year, category growth rates slowed to being broadly flat. We saw increasing promotional activity across the area as well as a softer season in Q4. However, our premiumization strategy continued to deliver price/mix benefits.

We continue to focus on our power brands and showing up competitively on shelf for our consumers every day, which enabled us to maintain market leadership positions. Finish declined low single digit, but remained the category leader in Europe, supported by continued premiumization.

In Self Care, non-seasonal OTC grew low single digit, led by strong performance from Gaviscon, partially offset by a mid-single-digit decline in seasonal OTC brands. Durex delivered low single-digit growth, driven by the successful launch of Durex Intensity, our new nitrile condom, enhancing our category leadership.

Adjusted operating profit margin was 31.4%, up 130 basis points on the prior year, with strong delivery from cost savings and efficiencies, offsetting stable gross margins and volume declines. Now in North America. Like-for-like net revenue growth was broadly flat at 0.2%.

Our non-seasonal brands, which represent around 70% of our portfolio performed well with low single-digit growth against a soft category backdrop. Lysol grew low single digits, supported by strong core business execution, particularly in wipes and the continued momentum of recent innovations with laundry sanitizer and air sanitizer, both growing double digits year-on-year.

And while our seasonal OTC business declined mid-single digit, reflecting the soft season, our non-seasonal Self Care business grew double digits in 2025, driven by successful innovation launches across Neuriva, Move Free and Biofreeze. Adjusted operating profit margin at 30.1% was down 30 basis points year-on-year with cost savings partially offsetting a decrease in gross margins driven by category mix.

Now turning to our categories. Self Care net revenue increased 3% on a like-for-like basis. Seasonal OTC declined mid-single digits, more than offset by high single-digit growth in our non-seasonal Self Care business. Gaviscon grew high single digits, and we delivered double-digit VMS growth for the year. For Germ Protection, net revenue increased 8.4% on a like-for-like basis.

This was led by double-digit growth in Dettol across emerging markets, including high single-digit growth in India and double-digit growth in ASEAN and China behind the launch of new innovations. Harpic grew mid-single digits with emerging markets offsetting a softer consumer environment in Europe.

Moving on to Household Care. Like-for-like net revenue declined 0.4%. Finish was broadly flat year-on-year with double-digit growth in emerging markets, offset by softness in both Europe and North America. Vanish was flat with strength in China, offsetting softness in LatAm and mid-single-digit declines in Europe.

Finally, Intimate Wellness was our fastest-growing category with net revenue up 12.5% on a like-for-like basis. Durex delivered double-digit growth, supported by ongoing product innovation, notably the successful launch of Intensity in Europe and additional Durex launches in China and India.

Veet also delivered double-digit growth in 2025 and Intima's like-for-like net revenue almost doubled as brand adoption in China accelerated. Looking at our market share data. As expected, our seasonal business has some share weakness given the soft season. So 51% of Core Reckitt's top CMUs were in gain or hold territory for the year.

Turning to our non-core business. Mead Johnson Nutrition delivered like-for-like net revenue growth of 3.8% in 2025, driven by our specialty brands, particularly Nutramigen in the North America business with favorable price/mix.

The business also benefited from rebuilding retail inventories following the Mount Vernon Tornado in July of 2024. Mead Johnson Nutrition international grew low single digits. Adjusted operating profit margin increased by 150 basis points to 20.4%, reflecting favorable gross margin progression on higher-than-normal production volumes as well as insurance proceeds.

Essential Home is excluded from like-for-like net revenue growth following the disposal completion before year-end. Operating profit is included until the disposal on December

31, 2025. Our Fuel for Growth program continues to drive meaningful simplification and improved effectiveness across our business.

We've made strong progress against each of our focus areas, and our actions are enabling us to deliver savings faster and more efficiently than originally planned. Our investments in digital and AI are creating value, particularly in marketing with automation and shared services also progressing well. The larger impact from these areas will build progressively over time.

In 2025, group fixed costs were 19.4% of net revenue, a 150 basis point improvement year-over-year. As expected, this ratio will rise in 2026 before declining again in 2027, driven by 2 factors, first, the mitigation of stranded costs following the sale of Essential Home; and second, a smaller net revenue denominator resulting from the transaction.

Program delivery costs in 2025 were below our GBP500 million guide due to pacing and phasing of costs and around GBP200 million of restructuring and separation costs that were offset against Essential Home proceeds. With this progress and disciplined execution, we remain on track to deliver within the GBP1 billion investment envelope and now expect to exit 2027 with a fixed cost base below 19%.

Reviewing our progress shows the benefits this program is delivering. We delivered 90 basis points of savings in 2024. 30 basis points went back into increased BEI investment. In 2025, we've driven 150 basis points of savings, which enabled 120 basis point step-up in BEI investment. We're investing more behind our brands to fuel our top line growth while also growing our margins.

And importantly, we're enhancing our functional capabilities to enable sustainable growth going forward. In 2025, consistent with our guidance, we grew group adjusted operating profits ahead of net revenues, up 5.3% at constant currency.

Our Fuel for Growth savings enabled us to step up investment behind our brands and also drove group operating profit margins up 40 basis points to 24.9%. Turning now to earnings. EPS grew 1.1% over the year to 352.8p.

This was driven by net revenue and profit growth and further supported by a lower share count resulting from our share buyback program. These benefits were partially offset by a higher effective tax rate and adverse foreign exchange impacts, both totaling a 7% headwind to EPS.

In total, we returned GBP2.3 billion to shareholders through dividends and share buybacks. This included GBP900 million of share repurchases, and we will shortly commence the final tranche of our current buyback program, which was announced at the half year.

We delivered free cash flow of GBP1.7 billion with a conversion rate of 71%, including one-off cash costs associated with transformation and restructuring. Net debt to adjusted EBITDA closed the year at 1.6 times, reflecting the proceeds received on December 31, 2025, from the Essential Home divestment.

Adjusting for the GBP1.6 billion that was returned to shareholders last month via a special dividend, our net debt-to-EBITDA ratio would have been roughly 2 times at the end of 2025. As we move through 2026, we expect leverage to rise towards 2.5 times by half year, given continued investment in the group and the lower EBITDA denominator post divestment before starting to trend back down through 2027.

The Board is proposing an increase to our full year dividend of 5%, consistent with our aim of delivering sustainable dividend growth. Our disciplined capital allocation framework remains unchanged. Our priority continues to be investing in organic growth as we've done in 2025 with a step-up in investment behind our supply chain and R&D capabilities.

We aim to continue to pay a progressive dividend, and we will manage the portfolio for value creation, continuing to return excess cash to shareholders through our share buyback program as well as any excess proceeds from future transactions as we look to continue to deliver attractive total shareholder returns.

Now turning to guidance for 2026. First, Core Reckitt. In 2026, we expect to deliver 4% to 5% net revenue growth, in line with our medium-term guidance. This again will be led by emerging markets growth. We expect the challenging environment in Europe to remain where we're taking actions that are already having an impact.

And similar to the fourth quarter, Q1 will be negatively impacted by the softer season. Given these factors, in Q1, we expect Core Reckitt net revenue growth to be below our full year guide. In our non-core Mead Johnson Nutrition business, we expect low single-digit like-for-like growth in 2026 with a mid-single-digit net revenue decline in Q1 as we lap retailer inventory build from Q1 2025 post the tornado.

At the group adjusted operating profit level, we aim to largely offset stranded costs

associated with the Essential Home divestment through our Fuel for Growth program. Finally, looking at EPS. We'll receive income from our participation in Vestacy, the Essential Home vehicle in three different ways, non-cash interest income from our USD300 million vendor loan note, which is part of our net interest guide; associate income from our 30% equity stake; and around GBP25 million of pretax income from service and other agreements we're providing.

The share consolidation and ongoing share buyback will reduce share count, and we'll provide updates on foreign exchange impacts as we progress through the year. Our ambition remains to deliver long-term sustainable EPS growth, acknowledging in 2026, the dilution headwind resulting from the divestment of Essential Home.

I'll now hand back to Chris to talk about our strategic priorities for the year ahead.

Kris Licht: Thank you, Shannon. I want to spend the last part of the presentation taking you through our key priorities for 2026, as we continue to strengthen Core Reckitt's foundations for long-term sustainable growth. Before I go through each of our areas, I want to revisit a chart that you may have seen me use recently. It's a great chart because it marks an important inflection point.

For the first time, emerging markets have more households with \$25,000 disposable incomes than developed markets. That's a big shift in terms of where global purchasing power lies and Reckitt is in a strong position to benefit.

As our results show, we're capturing these consumers through category penetration and category creation. But it's not just about emerging markets. The opportunities across developed markets also remain exciting. Our power brands are at the premium end of the market where consumer loyalty is high. We're building that premium position with new launches and by expanding our categories.

We have the portfolio to win in both developed and emerging markets. So turning to our areas and starting with Emerging Markets. As we said at our December event, we expect the strong trajectory to continue with high single-digit growth over many years.

The number of consumers able to buy our products increases every day. And in many ways, we're only just touching the surface. Consumption patterns are changing fast, supported by the growth of households that own dishwashers and an increasing number of consumers paying much more attention to their health.

We have three clear priorities for the year ahead. First, to increase penetration in mature categories, driving our distribution strength to reach more consumers through efficient and digitized execution in India and Sub-Saharan Africa and to continue our success of expanding into new categories in China.

Second, to develop nascent categories. In December, our Emerging Markets President, Nitish Kapoor, spoke about growing levels of dishwasher penetration and our focus on rolling out our self-care portfolio across many parts of the area. This is working well with Finish and Gaviscon both growing double digits in 2025.

Finally, to scale up the next tier of countries. We're already seeing very strong double-digit growth across a number of markets that are small today, but they have very high potential. We will continue to drive executional excellence by increasing OTC medical expertise in Latin America, making our sales teams in Africa more digitally enabled and modernizing our go-to-market capabilities in ASEAN.

Next, turning to Europe. Our performance in 2025 was impacted by the challenging market backdrop, a slowdown in our categories throughout the region and weak seasons. We expect consumer sentiment to remain weak, and we've already taken actions to improve our competitive position with early positive share results.

And while the season has continued to be soft in Q1, we have maintained our market share, and so we're well positioned looking forward. Our priorities in Europe are, therefore, to capture trade-up and premiumization, and we're doing this. Our highest tier dishwasher tab, Finish Ultimate Plus all-in-one grew double digits across Europe in 2025, driven by the formula upgrade. Competition will remain tough, but the mix opportunity for us remains.

Next, we will drive category expansion through innovation. We will continue to successfully roll out Durex Intensity as well as launching Nurofen mini liquid caps into a number of new markets. And finally, we'll take steps to strengthen our competitive position.

A big focus will be on the pharmacy channel, working with pharmacists on product education and by better equipping our sales force with improved technology. We will also strengthen e-commerce and tailor our North America omnichannel best practices for Europe.

And then finally, North America. I believe this area has great opportunity for us. 2025 saw

good progress, and we're encouraged by the momentum we saw through the second half. Our non-seasonal business is strong, outperforming low single-digit category growth, offset by the weaker seasonal OTC.

The investments we're making in our supply chain and in our iconic brands are strengthening our platform for further growth in 2026. Our priorities will be to expand our premium categories. We built a strong track record of category expansion, moving into laundry and air sanitizer with Lysol into lozenges and pediatrics with Mucinex, and there is much more to come in 2026.

We will work closely with our partners to deliver customer-centric growth. This means greater online and omnichannel focus and continued focus on winning in the club channel. Innovation and digital execution are helping us do this, whether it's through exclusive SKUs, pack sizes and variants for specific retailers or working together with quick commerce partners to accelerate and broaden access to our brands.

And finally, we want to deliver consistent operational excellence. We've seen improved performance in Lysol wipes in 2025 as we invested in our largest US factory in St. Peter's, and this will support greater consistency in 2026. We will also continue to invest in our supply chain in North America with our Wilson, North Carolina site moving towards operational readiness by 2027. And there's more work to do, but the future is an exciting one in North America.

Moving to our seasonal business, which represents right around 12% of our core portfolio. The past few years, we've seen the natural volatility that we all associate with this category, but it doesn't change the attractiveness or strategic importance of the portfolio.

Even after a couple of weak seasons, the upper respiratory category has still grown at a 5% CAGR from 2019 to 2025, supported by strong macro tailwinds from an increasingly health-conscious consumer base. When viewed through a longer-term lens rather than just a one year basis, the trajectory is good. Strepsils delivered a 7% CAGR between 2019 to 2025, while Mucinex grew 5% in the same period.

These are two of the highest gross margin brands in the portfolio. The strength of these brands is underpinned by leading brand equity, superior claims and a consistent track record of innovation. Part of our excitement for 2026 in North America is around Mucinex. This is a brand with a great history of innovation, powering growth.

This slide shows you that it has delivered a number of firsts over a number of years, and I'm proud to say that we're going to continue this strong track record in 2026. Mucinex 12-hour Cold and Fever will be launched later this year. It is the first and only 12-hour cold and fever multi-symptom remedy in the market.

This is a real breakthrough. It lasts three times longer than other cold medicines from just a single dose. It took us 15 years to develop. It's the first FDA-approved new drug application in the upper respiratory category in over 15 years, and it's our first approved NDA. So when I talk about superior innovation, this really is an excellent example of our teams delivering, and we're doing this right across our portfolio and all around the world.

This slide shows some of the other launches we've delivered in 2025. Innovation is integral to our ongoing success because it enables us to grow our categories, it strengthens further loyalty to our brands. It captures more consumers, and it drives pricing and ongoing premiumisation.

The investment that we've been making in R&D will ensure that our pipeline remains strong to underpin a steady stream of launches in 2026 and the years ahead. As many of you know, we started our series focus on educational events last spring. For 2026, I'm pleased to announce our next two events.

On the May 14, we will showcase digital science with our first virtual event where our digital and R&D teams will come together to show how we're applying new digital and AI technology to innovate faster and better. And then on November 19, at our new office in New Jersey, we will host our first event in the US, showcasing our North America business. So there's a lot to look forward to in 2026.

Shannon took you through our guidance for 2026, and I want to reiterate our confidence in delivering on our medium-term ambitions. Our strategy is focused on positioning Core Reckitt to consistently deliver 4% to 5% like-for-like net revenue growth alongside annual EPS growth.

Last year, we saw a tough consumer backdrop, and 2026 doesn't show much sign of improvement, especially in Europe. However, I'm confident that our portfolio, geographic footprint, executional excellence, combined with continued investment and innovation puts us in a strong position to deliver our targets.

So in summary, we achieved a lot in 2025. The transformation of Reckitt is well underway.

We've simplified the portfolio. We've reduced costs. We've expanded margins, and we've invested behind our brands to accelerate growth.

We have iconic brands in categories with decades of runway for growth. We have the innovation pipeline, the executional capabilities and the financial model to win. Core Reckitt is built to deliver sustainable profitable growth year in and year out, and that's what we're focused on doing in the year ahead.

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

Q & A

Nicholas Ashworth: Thank you very much. (Event Instructions) James got the first. Wait for the mics as well, I should say, if you can introduce yourselves.

James Edwardes Jones: Thanks Nick. It's James Edwardes Jones from RBC. Two questions, if I may. Obviously, you're not giving explicit margin guidance for 2026. Can we interpret your comments as being that margins for Core Reckitt are likely to decline in 2026? And within that, can you give any indication on brand equity investment sales whether that will go up to support all those innovations you're talking about?

Secondly, you said 51% of your top CMUs are gaining or holding share. I'm not sure if that was Q4 or full year. So clearly, 49% are losing share. Is that something we should be concerned about? Is there any intensification in the competitive environment?

Kris Licht: Do you want to handle margins? I can do the share.

Shannon Eisenhardt: Yeah. I'll start. Okay. So from a margin standpoint, we exited the current year at 24.9%, which is what we shared in the release this morning. Obviously, when you think about it from the group level with the Essential Home divestiture, that will be a positive tailwind to our operating margins in 2026 just because it's a lower profit business that we're divesting.

We will, however, be facing the stranded costs coming from Essential Home. And so what we outlined was that we expect to largely offset those stranded costs with the Fuel for Growth program in 2026. So the expectation would be that operating margins will increase. However, the amount of increase is obviously dependent on how much of those stranded costs we offset within 2026.

We're confident as we then head into 2027 that will more than offset those costs, and that's why we also changed the guidance for the Fuel for Growth program to now get below 19% as we move forward.

James Edwardes Jones, RBC: Shannon, Just to check, so operating margins for the group, you expect to increase, but not necessarily for Core Reckitt.

Shannon Eisenhardt: For Core Reckitt, I think it will be the same dependence around exactly how much of those fixed costs we offset because we have to metabolize that within Core Reckitt, obviously, going forward without Essential Home.

From a BEI standpoint, we remain very consistent in the fact that our intention is to be growing BEI as a percent of net revenue year-on-year. We believe it's important to be investing behind innovation. So we'll continue to focus on that in 2026 as with any other year.

Kris Licht: On your question on market share. So 51% it's a full year number for the CMUs. One of the things that happens when we have a weaker season is some of our self-care brands that are highly efficacious and medicated and premium lose a bit of share.

Conversely, when we have strong seasons, they gain a bit of share. So we did see Mucinex suffer some share loss during the year because of that weaker season. Mucinex is a really big CMU. If you consider that effect, how we're running is okay. Obviously, I'm not happy unless that number is 60% or higher. But with a weaker season, we know and expect that that's a headwind on share, and it's temporary.

Jeremy Fialko, HSBC: So good morning, Jeremy Fialko, HSBC. So a couple from me. First one is, can you delve a little bit more into Europe and what's going on there? Because you talked about the markets being broadly flattish at the end of the year. Obviously, you were down somewhat more than that.

So talk about why there's that difference in the market, what the sort of the seasonal bit there is and how you think you can get at least that back to, let's say, around flattish or into positive territory during '26, your confidence in that?

And then secondly, maybe we have a bit of a follow-up on this margin question. If we think about some of the other components of margin. So for example, would you expect some --

any progress in gross margins over the course of the year? Would there be any leverage as other factors beside this sort of fixed cost versus this -- fixed cost versus stranded overheads point?

Kris Licht: Let me tackle Europe first, and I'll hand it to you. Look, the first thing I'll say is we had a tough quarter in Q4 in Europe. A part of that was the season being weak, as we talked about. And so that's sort of quite understandable. And obviously, we hope that the next season will not mirror that.

The other part of it is a very competitive environment, slowing category growth to broadly flat growth in our categories in Europe and a more competitive environment. So more promotional activity, deeper promotional activity. In that environment, we need to stay focused on being competitive, but we also have to strike the right balance. And some of the promotional activity in Europe at the moment, we feel is excessive.

So we saw a return to what we would say was normal promotional activity last year after the period of time when there was almost no promotions when we were all passing on the COGS increases, the unprecedented COGS increases. But now the promo has gotten to a level that we think is probably not sustainable.

However, we are very focused on being competitive. We're very focused on striking that balance, and we have taken some actions, and we're seeing some good early share results as a consequence of that. However, I would say that Europe will likely remain tough. Everything that we see in terms of consumer behavior, category dynamics and really the outlook for growth in Europe is not particularly strong.

So that's why we were clear and even in -- when we discussed our guide. We're setting that guide knowing that Europe will be a tough marketplace to operate in and will be highly competitive. But we have a portfolio that can handle that.

I think the point of really the 2025 results that we're showing is, yes, Europe was tough. Yes, we had a weaker season, but look at what we delivered in terms of top line growth. So I think that speaks to the strength of our company.

Shannon Eisenhardt: Yeah. Do you want me to answer the second? Look at that Nick was not going to answer your second question. So the other components from operating margin, I think I'd call out -- I mean, gross margins, we've been pretty consistent in discussing over the past two years that we have sector-leading gross margins. We're not

looking to drive significant expansion there, particularly given the increased investments we want to be making in supply chain.

You saw in the current year, we did end up expanding gross margins by 10 bps. But if I think looking forward, I wouldn't change the general theme that we're not looking to drive expansion in gross margins. I think the only other driver I would call out is obviously geography mix plays a role.

You can see the various profitability levels across our geographies. And so we've talked a fair amount around the fact that we do expect to see developing markets deliver more in 2026. And so that would obviously roll through as well from an operating margin standpoint.

Olivier Nicolai: Thank you, Nick. Olivier Nicolai from Goldman Sachs. Two questions for you. First, a quick follow-up on Europe, perhaps on auto dish specifically, since you mentioned high promotional activity in end of '25. How much room do you see for premiumization in the category there? And do you think you've reached somehow the end of the journey in terms of how much you can premiumize that category auto dish?

And then secondly, perhaps for Shannon, on free cash flow delivery, it was down year-on-year, reaching GBP1.7 billion. You mentioned the higher cash costs associated with Fuel for Growth and the CapEx that led to about 70% free cash flow conversion. What are the building blocks for 2026? And how can we expect the free cash flow conversion to improve from there? Thank you.

Kris Licht: Yeah. So just on Europe, I mean, I said a few things already, but auto dish is actually the category that's most promotionally intense to your point. Premiumization is entirely doable. In fact, we did really well with Finish and our ultimate all-in-one range, which is the most premium offering we have, and that grew really strongly in the year, and we will continue to fuel that. The tiering that we run and moving consumers up that ladder, that's absolutely critical in our playbook, and we'll continue to run it. And we're seeing no signs that, that can't work.

I think the promotional intensity is really more on sort of base products, and that's where we're seeing that. And again, I hope that we can return to a more rational environment. I think right now, the consumer is under a lot of pressure. Retailers are wanting to provide great value, and some of our competitors are promoting in very deep rates, and we're just

trying to strike that balance.

The thing about Finish that's also important to remember is we have a good, strong business. We're market leaders in Europe, and obviously, we'll defend that position. But at the same time, the runway for growth for Finish in emerging markets is the exciting part for this franchise.

So we'll continue to premiumize, and innovate in Europe, and I think that will deliver good results in a tough environment, but I'm really very focused on making sure that we win in emerging markets because that is the future growth for the franchise.

Shannon Eisenhardt: So for free cash flow, the impacts you referenced in 2026 around the one-off restructuring costs as well as the heightened CapEx spend, I would expect those to continue in '26 and '27. And so we'll exit that restructuring program at the end of 2027.

From a CapEx standpoint, I'm sure you saw the guide for '26 was around 4%. And so a higher guide than last year, but consistent with how we ended up spending last year. I would expect the restructuring costs, as I said, roll off when we enter '28.

The CapEx, I think we intend to continue to be investing for the foreseeable future at that higher level of CapEx. From a free cash flow conversion then, I think you'd see it around similar levels in '26, '27. And then we would expect once we're through the restructuring program that free cash flow conversion would get back to more normalized historical levels.

Tom Sykes, DB: Thank you, Tom Sykes from Deutsche Bank. Just one question, firstly, on Russia. How much is Russia now of your sales and I guess the ecosystem that supports into Russia? And how much would that be of Intimate Wellness, please, which is obviously growing quite quickly?

And then just sort of further on that CapEx point, could you give a feeling for what the geographic split between EMs and DMs on the CapEx is because your D&A to sales that you give in the release for the EM business is relatively low, it looks like. So I was wondering how hot are you actually running the EM businesses? And how quickly can the CapEx actually give you more capacity in EM to continue that growth, please?

Kris Licht: Okay. Just on Russia. So what I can share with you, we've shared this before is Russia today is part of our MENARP business. It's about 15% of sales for Core Reckitt. It's --

for Emerging Markets and Core Reckitt. Russia is not a driver of growth.

It's not a place where we're investing, and this is what we've shared before. And so the growth performance you're seeing is not -- there's no contribution to that from Russia. So it's not significant, including for Intimate Wellness.

Shannon Eisenhardt: Yeah. Then on CapEx. So expect to spend around 4% of net revenue on CapEx. Within that, when you think about it, the majority of that is supply chain CapEx, manufacturing CapEx. When we look at how that splits across our geographies, I'd say it splits I'm not going to say evenly, but it's across all of our geographies.

So we've talked around the Taicang facility in China has been a place within developing markets where we've been investing CapEx. We've just overtaken or Harald, our Chief Supply Chain Officer, overtook an entire review of our manufacturing footprint around the globe, and we'll be spending across all three geographies to support growth.

So we've talked about the Wilson facility in North America, which will be a significant source of CapEx spend, but it will be spread across both developed and developing markets.

Edward Lewis, Rothschild & Co Redburn: Thanks, Edward Lewis from Rothschild & Co. Redburn. A couple of questions. I guess just on the first year that you've done the change in the organizational structure. And clearly, that benefited the emerging market business with the strong results there.

Can you just talk about the impact that's had on the developed market business, Europe and North America, where obviously contrasting performance is relative to the emerging markets. And then, Kris, you mentioned about bringing omnichannel capabilities in North America into Europe. What sort of opportunity is that? Could you elaborate further, please?

Kris Licht: Sure. So let me start with the organization. Look, I'm very pleased with the way the new organization is functioning, but it's also year one. So I think it's important to know that there's more benefits that will come from the simpler organization that we have now. And obviously, we have more scale in our markets when we are not split into GBUs, and that's a benefit that will keep paying off for us.

Emerging Markets was one of the main reasons why we changed the structure because they were -- they didn't receive the level of focus that I think is important for them to

receive. And obviously, we can see what happens when we set them up for success like we've done in China and India, but we want to do that in many more markets. This organization facilitates that. So very pleased with that. Europe went through a lot of change last year.

And obviously, going through a lot of organizational change takes up some time, some capacity of the organization, but that's behind us now. And so therefore, one of the reasons why we believe Europe will be able to demonstrate improving performances because they have that stability and they have greater scale in what they're doing in a number of markets.

In North America, we're actually quite pleased with how the business is doing. So I mean, recognize that it's not quite the growth rate we're realizing in Emerging Markets, but it probably won't be, but actually, we're outpacing our categories.

And as we shared, the non-seasonal business, 70% of the business is doing really well and I expect it to do really well this year. And then with the innovation behind Mucinex, I think we'll see a strong year from North America.

That's my expectation. They are an energized organization at this moment. We were actually just with them and spent a lot of time with the team there, and they're fired up. And I'm very pleased with what I'm seeing there. And I think we're laying the foundation for very good performance. So North America will definitely also benefit and is benefiting. And as you said, now we have to see the benefits come through in Europe, too.

Omnichannel. So omnichannel is really the name of the game in terms of how increasingly our business operates. Obviously, we have very sophisticated capabilities in China, and the business there has really moved quite heavily online. The vast majority of the business is now online. In North America, it's been a more measured evolution, I would say, and the majority of the business is certainly still offline in the US

But leading retailers are now operating in an omnichannel way, right? So you're seeing many of the retailers that are succeeding are really running multiple fulfillment models and relatively seamlessly moving across the screen in the store and combining these two.

So that means that we have to work with them in that way, too. So we can't do the traditional thing that we did where we had a separate team doing e-commerce and separate investments and separate P&Ls. And now we have to unite it and we have to run optimization and growth initiatives across these platforms seamlessly. So we have to

activate online, offline in a very cohesive manner.

And the US is ahead of Europe on this dimension. So European retailers are certainly investing in this space, but they're not as advanced as the leading retailers in the US And so that's why we can take what we do well in the US because we really are quite successful with the leading retailers in the US on this dimension.

And so we want to move those best practices to Europe. And we'll do that gradually as the trade landscape in Europe evolves and gets more advanced.

Fon Udomsilpa, RBC: Thank you. It's Fon Udomsilpa from RBC. It's a question for you, Shannon. So Reckitt's share is not very cheap anymore. And with the level of leverage at the moment and the planned spending on CapEx, what's your view on share buyback going forward?

Shannon Eisenhardt: I won't address the not very cheap comment. But on the share buyback, look, we view the share buyback program as a really important lever in how we return value to shareholders. And we've talked pretty consistently since that started in October of '23 around the fact that we view it to be an ongoing component of how we think about capital allocation and of how we return value to our shareholders.

And so we mentioned today the fact that the next tranche of our already announced program will be announced imminently to finish up that program. And then my expectation would be that it will be an ongoing program.

Now we've also talked that the magnitude of the program can vary. And so that can be impacted in line with our capital allocation principles around our net debt ratio and other uses of cash, but we view it to be an important component.

Nicholas Ashworth: Great. So we have a number coming online. (Operator Instructions). I'm just going to work through an order. So starting with Feng at Jefferies. She's got three questions. The first one was around operating margins for Core Reckitt. I think you've already answered that one, Shannon.

So I'm going to move on to, can you talk about the price/mix for Core and/or Emerging Markets, specifically, how much of EM price contribution reflects underlying pricing versus the VAT increase on contraceptives? And have you secured the California WIC contract?

And if so, when should it start contributing to Mead volumes and revenue?

Shannon Eisenhardt: All right. I'll do emerging markets price/mix. So we've talked around the fact that our ambition is that price/mix, we want to drive balanced growth. So we want our growth across all of our geographies to be balanced across volume and across price/mix.

Specific to emerging markets, if you look at the first 3 quarters of the year, our results were very balanced across volume and price. When you look at the Q4 number, it's important to note a couple of things. One of them is the fact that we did have a realignment of some of our marketing investments where we moved that from an accounting standpoint out of trade spend and down into BEI.

And so that was a onetime contributor of seeing more price/mix driving growth. We did also, and I think she mentioned it, we had condom pricing in China ahead of the new VAT policy. And so we took that pricing a little bit early. And so that influenced. And then we had some positive mix coming through India as we look at the Dettol products that have been driving growth for us in India. And then California WIC.

Kris Licht: California WIC. So that's a contract we secured last year, and it is contributing. I think that's all we can say about that.

Nicholas Ashworth: Okay. So the next, I've got a couple from Callum at Bernstein. The first one, I think we've already answered, it was around the free cash flow conversion, a step down to 71% this year. And what's the outlook? And I think you've already talked about that, Shannon.

So then the second one, strong progress of Fuel for Growth in 2025. Can you help us understand the 19.4% fixed cost in 2025, what does it look like if you adjust for the Essential Home divestiture?

Shannon Eisenhardt: I mean I think the answer is that we haven't been sharing a specific number around stranded costs for Essential Home. What we're really focused on is getting to the target we set out, I guess, 18 months ago around getting to 19%, which we're seeing strong progress.

It's coming in faster than expected. It's coming in more efficiently than expected. And I think a reflection of our confidence came through today and the fact that we've now

increased our ambition that as we exit 2027, we'll be below 19%, which obviously reflects more than offsetting any stranded costs from the Essential Home transaction.

Nicholas Ashworth: Thank you. Next up from Guillaume, UBS. And Guillaume, I can see that you've sent me through a few. So thank you. I'm going to start with the -- I'll start with the first two and then come back to some of the other ones later.

The first one then on Latin America. Region's like-for-like was down mid-single digits in Q4. Can you shed some light on the main drivers behind this decline? And what do you expect for the year? Is it going to be similar challenging trading conditions or some gradual improvement?

And then second, on the tax rate, you're guiding to around 27% this year. This is the second year in a row where tax is increased. What's driving the uptick? And how should we think about it over the medium term?

Kris Licht: So let me answer on Latin America. So obviously, we run a seasonal OTC business in Latin America, too. So some of that weakness is directly impacted by a weaker season. The other thing is it is a subdued trading environment, and it is highly competitive in some of our categories.

We're also changing a couple of things about how we enhance our go-to-market system. And so I fully expect Latin America to get back to growth, but those are some of the drivers why we've seen the weakness.

Shannon Eisenhardt: Then from a tax rate standpoint, so it's important to remember, we exited 2024 with what we had called out as an abnormally low tax rate. I think we were around 22%. So for 2025, we'd guided that we'd be 25% to 26%. We came in a bit under that with 24.7%.

2026, guiding the tax rate at around 27% is just reflecting that we're getting -- returning back to our more structural tax rate. And so there's no specific driver other than the fact that we're coming off of an abnormally low base in 2024.

Nicholas Ashworth: Perfect. Thank you. Diana Gomes at Bloomberg. This is a question around the current geopolitical events and the impact on gas and oil prices. So have you talked about hedging levels for 2026? How should we think about gross margins as we move through the year?

Kris Licht: So I think the first thing I'll just say on that, and maybe you want to talk about hedging. I think the most important thing for us to say on current events is we're watching it very closely, but our overwhelming focus right now is the safety and well-being of our team members in these markets and their families and anyone that's impacted by it in our organization. And obviously, we hope for a resolution soon.

Shannon Eisenhardt: Yeah. I mean I would just say we obviously have an active hedging program to try and mitigate risk and to provide some level of consistency or ability to forecast gross margins. As we head into 2026, we hedge out 12 months, and we have about 55% of exposures hedged at this point in time. And so we'll continue to run that program and to manage volatility as much as possible.

Nicholas Ashworth: Thank you. So next up from Warren at Barclays. A couple of questions. So the first one, I actually think has two parts. On the modeling for 2026, what associate contribution would you expect from Essential Home? And on 2026 fixed costs, I assume they go up before they go down to below 19% in 2027.

So can fixed costs be above 20% in 2026? And then how much more below 19% could they get to in 2027? So I actually apologize, I'm not sure that was two questions. I think there's a few more.

Shannon Eisenhardt: Yeah. I would say five questions from Warren. Okay. I'll do my best here. So on the associate contribution to EPS, we're not providing a specific figure. I think the variables that would be important to think through as you model that would be, we obviously shared last year the profitability of Essential Home.

That level of profitability will change as that comes under new ownership. I think it's important to remember that it will be highly leveraged, and that will have an impact. And then that we're a 30% shareholder in that business. And so to reflect that as you think through the modeling.

From a fixed cost standpoint, the question was fixed costs, will they go up before they go down. And so I think the answer is yes, consistent with the language around Fuel for Growth largely offsetting, which would imply it doesn't fully offset. From a number standpoint, I'm not going to provide a specific number of guidance on fixed costs for 2026. But I will say that we'll be below 19% as we exit 2027.

Nicholas Ashworth: And then a second one from Warren sort of. It's on the volume price mix. And so some of our peers put mix into volume. Can you, therefore, try to give us a feel for what mix is versus pricing in Q4, given volume was a little bit weaker. But then, as I said, others put mix into volume. So is there an argument that we should be doing likewise?

Shannon Eisenhardt: I saw Warren's request bolded and underlined in his note this morning. So it's on my list of things to talk to Nick about. I mean I don't think we have a specific mix number to share. We've talked around the fact that we want to drive balanced top line growth that we would expect that to look like a point or two a year from volume, a point or two a year from price and a positive impact from mix.

Kris Licht: I think the only thing to add is in emerging markets, we are seeing really good mix benefits. And that's a function of the innovation. It's a function of the fact that we're driving growth in categories that have better structural economics than the base business. So there's sort of a benign trend there that we think will continue, and it's significant.

Nicholas Ashworth: And coming back to Guillaume again, a couple more. Thank you, Guillaume. So on condoms in China, do you expect a material impact from the recent change in VAT on category growth? And so how could this affect Durex's momentum in 2026?

And then on brand equity investments, it increased 120 bps as a percentage of sales last year. Which brands and geographies got the lion's share of this increase? And are you satisfied that you're getting the right returns on that incremental investment?

Kris Licht: So on the VAT change and the sort of outlook for Durex, I fully expect Durex to have a good year in China. Durex has been growing really well in China for a very long time. I mean it's a very steady pattern. And so obviously, when you have changes flowing through like the change you're asking about, it can have short-term impacts and a little bit of upside and a little bit of downside in the next quarter, but it's not going to change the trajectory of Durex performance. And I think Durex will do well in China in '26.

Shannon Eisenhardt: Yeah. From a BEI standpoint, I mean, I think the best way to think about where we are putting incremental BEI is we always want to prioritize innovations and making sure that as we launch new innovations that those are fully funded and that we're really driving to make sure those launches are as successful as possible.

Beyond that, we look across all three geographies and really go sort of think of it as going

brand by brand, country by country to understand where we are investing in line with what we view as the minimum levels of BEI that we'd want to be spending and where are we below that.

And then deciding where it makes the most sense to put the incremental investment each quarter, if not more frequently. And again, our intention is that, that BEI as a percent of net revenue should be increasing year-on-year.

Nicholas Ashworth: So just a couple left. (Operator Instructions). So a couple from Celine at JPMorgan. Firstly, on China, I'm not sure whether we might have answered this already. Have you seen higher orders ahead of the VAT implementation in condoms?

And what has been the impact on pricing that you mentioned? And then on Mead, you mentioned you were looking at all strategic options for Mead. Can you help us understand what those are and any time expectations around litigation?

Kris Licht: So China, I mean, yes, we saw a little bit. But again, like I just said, we're not expecting this to be a significant headwind for Durex in 2026. For Mead, I would say that we've been very clear. We're looking at all strategic options, and we've been consistent about not setting a timeline for that so as to give ourselves the flexibility to do what's best for shareholders.

And of course, as you know, we're working to resolve the litigation. So the -- today, we don't have a lot of new news on that. I think the thing to maybe just focus on is that Mead Johnson is trading well. And Mead Johnson had a good year, and we expect them to have another good year this year, and that's a positive.

Nicholas Ashworth: And this is the -- for now, the final one I have online. So it's from Juan Rios at Santander. Again, a couple of questions. Firstly, on Mead. There's been some turbulence in infant nutrition market recently. Could you comment on whether this has any knock-on implications for the Mead Johnson brands operationally and from brand perception?

And secondly, regarding issues in the Middle East, can you provide some color on how you're thinking about the potential impact on your business?

Kris Licht: So I think it's easy to answer the first one because it had no impact on us. So we were not involved in it, and we haven't seen any commercial impact because we don't

operate in the markets in question in any significant way. The geopolitical events -- look, it's too early for us to really assess where this is going. The range of possible outcomes, as you know, the uncertainty is extremely high. It's developing live, and we're just paying a lot of attention to what's going on.

Obviously, mostly focusing right now, as I said before, on the safety and well-being of our employees and of course, protecting our assets, our business. But it's too early for us to quantify any impacts.

Nicholas Ashworth: That was everything online. Anymore in the room? We've got through a lot. Perfect. So look, with that, we will call it the end.

Thank you very much for all the questions and interest. And I will just highlight the next slide, which is going to come up on the screen as if by magic. The next focus on events. The next one will be May 14. And hopefully, we will see many of you then. Thank you very much.

Link to register for next Reckitt Focus on event on May 14th 2026: [Reckitt Focus On: Digital Science | Reckitt.com](#).