Reckitt Q3 2026 Trading Update | 27 October, 2026

Nick Ashworth, **SVP Head of IR:**

Good morning and welcome to Reckitt's Q3 trading update. I'm Nick Ashworth, head of investor relations at Reckitt. I'm here with our CEO, Kris Licht, and our CFO, Shannon Eisenhardt, who'll take you through some prepared remarks before we then 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 eight of our RNS published this morning. So with that said, we'll start the presentation. I'll hand over to Kris.

Kris Licht, CEO:

Thank you, Nick, and good morning, everyone. We delivered 3.3% like-for-like net revenue growth across core Reckitt in the third quarter and 3.9% excluding Russia hygiene. We are driving good underlying performance with increasingly broad-based growth across our markets, supported by a good combination of both volume and mix. And excluding Russia hygiene, all our categories were in growth. As I said earlier in the year, our innovations are landing well and generating growth. Despite the continued weak consumer backdrop in Europe, as well as a weakening consumer in North America, where we are seeing retailers under some pressure, our strategy is delivering as we continue to execute our clear priorities.

We are encouraged by the breadth of growth across the business and the momentum we're seeing as we move into Q4 and 2027. Turning to each of our areas, emerging markets delivered another strong quarter with broad-based growth across its regions. We returned Europe to growth with many of our power brands performing strongly. However, our performance in North America was below expectations. We experienced a temporary manufacturing constraint at one of our sites, limiting our ability to meet strong consumer demand for Lysol. We have consistently said that a key priority is to increase investment in our North America supply chain to strengthen its resilience.

In September, we announced plans to invest up to £600 million of which £400 million is to build our new Self Care factory in North Carolina, and much of the further £200 million is to upgrade our two hygiene plants. With that work well underway, the upgrades to a small number of our lines at our hygiene factory in St. Peters caused production downtime that was greater than expected during the quarter. This constrained our ability to supply Lysol, but it is important to highlight that this was not a demand issue. Lysol sellout grew low single-digit, and we continue to gain market share year to date. Our manufacturing network simply could not keep pace with that demand for a period of time.

We do expect North America and Lysol to rebound in Q4 and, more broadly, see the investments we're making to address known constraints and build greater resilience across our US network. Turning to emerging markets, we grew 8% in Q3, 9.8% excluding Russia hygiene, with broad-based growth across every region. South Asia and India, ASEAN, and Africa all grew double digits, with Latin America and China growing mid-single-digit. Our power brands are performing strongly. All our Self Care and Germ Protection power brands were up double digits in the area, with Finish also up double digits when adjusting for Russia.

We are delivering against the ambitions set out at our emerging markets focus on event last December and doing what we said we would do, accelerating growth across categories and into new markets to complement the strength of our businesses in China and India. In China, despite lapping a challenging comparator and some category-specific headwinds, particularly in VMS, we delivered mid-single-digit

growth after a strong run of consecutive quarters of double-digit growth. Dettol continued to deliver strong innovation-led growth, particularly behind Active Botany.

Durex continued to improve across the fastest-growing social e-commerce channels, returning to overall growth. And we're seeing good consumer reaction to our new VMS content focusing on the production of Move Free in the US, with growth accelerating in Q4. The drivers of growth in China remain firmly in place, and we continue to see significant opportunity to grow the business from here. In Europe, we returned to growth in Q3, demonstrating the benefits of the actions we have taken. Gaviscon grew double- digit, supported by the rollout of double action.

Durex grew mid-single-digit, with Durex Intensity continuing to perform well. And our improved execution in a highly promotional Autodish category is driving the turnaround in Finish back to growth in Europe in the quarter. This is clear evidence that our strategy in Europe is working and underpins our confidence for the remainder of this year and into 2027. The other important factor as we move into Q4 is seasonal Self Care. As you know, cold and flu incidence has been low through much of the year, including in Q3, and that has been a drag on our performance in both Europe and North America.

Now, as we enter Q4, incidences are running ahead of last year in several important markets, including North America, and we are well positioned. Mucinex 12HR Cold & Fever is now on shelf with very strong initial consumer feedback, including 85% repurchase intent. And we have secured incremental shelf space across our seasonal OTC portfolio. With incidences moving higher, sell-out has been showing positive trends, and we have been gaining share. You will have seen this morning that we have adjusted our full-year 2026 net revenue guidance, taking into account the Q3 Lysol manufacturing disruption and the slowdown in the China VMS category. Together with the positive demand for our cold and flu products at the start of the season, we now expect like-for-like net revenue growth of plus 3.5 to plus 4.5%.

Overall, we continue to execute our plan and make progress against our strategy. The consumer backdrop is weak, and it has weakened through Q3 in North America especially, but our power brands are performing, growth is broadening across our markets, and we're continuing to invest behind our brands and our capabilities to support future growth. You will hear more about this at our Reckitt Focus On event in North America next month. So as we exit 2026, I feel good about the momentum we have and where we're headed as a business. Let me now pass you to Shannon to take you through our group and segment performance in Q3 and the drivers behind it.

Shannon Eisenhardt, CFO:

Thanks, Kris, and good morning. In Q3, Core Reckitt delivered like-for-like net revenue growth of 3.3%, taking our year-to-date performance to 2.9%. In the quarter, volumes were up 0.1%, with both price and mix each delivering growth of 1.6%. Excluding Russia hygiene, Core Reckitt grew 3.9% in the quarter. As expected, emerging markets delivered the strongest growth, with like-for-like net revenue up 8% or 9.8% excluding Russia hygiene. This performance was broad-based, with growth across all regions and was broadly balanced between volume, price, and mix.

China delivered mid-single-digit growth despite a challenging comparator and category-specific headwinds in VMS. Growth was driven by continued innovation-led momentum in Dettol, particularly Active Botany. In Durex, we returned to growth on the back of improved execution and share progress, in particular through social e-commerce channels. However, growth in the cross-border VMS category slowed significantly when false claims from smaller local competitors impacted consumer trust. We have launched media showing our VMS brands are US-manufactured, and this is already delivering improved growth.

India delivered another quarter of double-digit growth, broad-based across all categories. We continue to drive growth through strong execution and route-to-market capabilities supporting strong underlying demand. We were also lapping a favorable comparator following GST changes, which we expect to be a headwind in Q4. Elsewhere in the area, ASEAN and Africa grew double digits with strong performance across several smaller high-potential markets, including Indonesia, Vietnam, Thailand, and South Africa.

LATAM grew mid-single digits, with Colombia delivering double-digit growth. As we talked about at our focus on event last December, this growth was led by continued expansion of Gaviscon into new regions as well as Strepsils selling ahead of the cold and flu season. Turning to our developed markets, Europe returned to growth in Q3, delivering like-for-like net revenue up 0.8% driven by executional improvement and innovation launches. Volumes were down primarily from lower seasonal OTC sales, more than offset by pricing benefits, following our actions in the quarter as we looked to mitigate the impact of higher commodity costs, as well as benefits from mix.

We delivered strong underlying performance driven by growth in Gaviscon, Vanish, and Veet, with a return to growth in Finish, Durex, and Harpic, despite limited category growth and a challenging consumer environment. Promotional intensity and Autodish continued to increase during the quarter. Despite this, our actions have returned Finish to like-for-like net revenue growth with continued volume growth and maintaining its position as the number one Autodish brand across our seven largest European markets.

While we're seeing the impacts on our portfolio of consumer value-seeking behavior, particularly in Germ Protection, this was more than offset by improved execution, supported by continued innovation and premiumization programs. Examples include the ongoing rollout of Gaviscon double action and premiumization across the category, supporting double-digit growth in Gaviscon.

Vanish continued to drive growth and gain market share following the rollout of Vanish Turbo, and Intimate Wellness return to growth up high single digits in the quarter, driven by strong performance in Durex Intensity, supported by recent range extensions and ongoing rollout across Europe. Veet also benefited from a strong activation and seasonal trends. Moving to North America, where we were disappointed by like-for-like net revenue decline of 1.3% in the quarter. This was impacted by temporary manufacturing constraints at one of our Lysol facilities, which kept us from meeting strong consumer demand.

For the region as a whole, volumes and mix were both positive, in total up 1.5%. However, this was more than offset by continued price investment given the weaker consumer backdrop. Lysol continues to deliver strong sell-out in the quarter and is growing market share year-to-date. As you heard from Kris, we continue to invest in our North America supply chain capabilities to future-proof the increasing demand for Lysol, which we expect to rebound in Q4. You'll hear more about our supply chain and wider North America business at our focus on event next month in New Jersey.

The broader consumer environment weakened across North America during the quarter, driving greater value-seeking behavior and increasing competitive intensity, particularly in Autodish, where Finish like-for-like net revenue declined mid-single-digit. In addition, at the very end of the quarter, we experienced some retailer order phasing in the drug channel, which we expect to reverse in Q4. Finally, Self Care declined low single-digit. Seasonal OTC was marginally down as we lapped the Mucinex Sinus portfolio reset. Looking forward, with the launch of Mucinex 12HR Cold & Fever and the incremental shelf space secured for our seasonal OTC portfolio, we're well positioned heading into the start of the season, where early incidence levels have been trending higher year-on-year and category sellout has been up double-digit year-on-year for the past five weeks.

Now moving on to our categories. Across Self Care, we delivered 2.2% like-for-like net revenue growth in Q3. Excluding seasonal OTC, Self Care grew 4.2%, driven by strong double-digit growth in Gaviscon. VMS

performance weakened in the quarter, mainly reflecting the cross-border category challenges in China. Seasonal OTC performance was marginally lower in Q3, with strong growth in emerging markets offset by lower cold and flu incidents across Europe and North America in the quarter and the Mucinex sinus reset lap in North America.

Germ Protection net revenue grew 6% on a like-for-like basis. Growth was broad-based across emerging markets with continued momentum in Dettol and double-digit growth in Harpic. Consumer demand for Lysol was strong in North America, and we continue to make share gains year-to-date, although,

As I've said, temporary manufacturing challenges prevented us from fully meeting consumer demand. Household care net revenue declined 1.5% in Q3. However, excluding Russia hygiene, net revenue grew 1%. Finish returned to growth in Europe and delivered double-digit growth across emerging markets, excluding Russia, offsetting a more challenging consumer and competitive environment in North America. Vanish also returned to growth ex-Russia led by the successful rollout of Vanish Turbo and improving market share performance in Europe. Intimate Wellness like-for-like net revenue grew 6.4% in the quarter with growth across all areas. Durex delivered mid single-digit growth driven by continued momentum in Europe and a return to growth in China, and emerging markets remained a key contributor to growth. Veet delivered double-digit growth supported by strong activation and favorable seasonal trends. Now turning to Mead Johnson Nutrition, which delivered like-for-like net revenue growth of 2.7% in Q3. Performance reflected normalized trading conditions following the disruption caused by the Mount Vernon tornado in 2024.

The international business delivered low to mid-single-digit growth led by Latin America. Innovation remained focused on portfolio expansion, including the rice-based product launches introduced earlier this year in Mexico and the Philippines. Turning briefly to the buyback, as we announced at half year, our £500 million share buyback program commenced on the 5th of August. As of October 23rd, we've completed £90 million of the program. Now onto our guidance. As Chris talked about, we now expect Core Reckitt like-for-like net revenue to be 3.5% to 4.5% growth for 2026. In Q3, we've seen constraints with Lysol supply as well as the slowdown in China VMS. However, seasonal incidences have so far been trending ahead of our initial expectations, and we've seen positive demand for our seasonal cold and flu brands in early Q4. Given these recent trends, we're now planning for an improved seasonal performance versus our prior expectation of incidence levels to be slightly higher than the prior season.

We continue to expect to deliver high single digit growth in emerging markets for the full year. We continue to expect Core Reckitt plus MJN adjusted operating profit margin for full year 2026 to be in the range of 24. 9% to 25.6%. With respect to our technical guidance, our adjusted net finance expense is now expected to be lower in 2026 in the range of £250 million to £270 million. This is versus £346 million in 2025. This is primarily driven by the successful tender of our Mead Johnson bond in Q3, which provides a one-off benefit. Although we wouldn't normally guide on next year's net finance expense at this stage of the year, given the abnormally low level now expected for 2026, it's worth setting out some of the moving parts for 2027.

Absent the specific one-offs benefiting 2026 of around £75 million and both the current rate environment and a higher gross borrowing level, we currently expect 2027 net finance cost in the range of £390 million to £410 million. We now expect our effective tax rate for 2026 to be in the range of 26 to 27%, benefiting from some one-offs with our longer-term effective tax rate remaining around 27%. And we reiterate our ambition to deliver long-term sustainable EPS growth, acknowledging in 2026 the headwind from the dilution resulting from the divestment of essential home. With that, let me hand back to Kris to wrap up.

Kris Licht, CEO:

Thank you, Shannon. So to wrap up, emerging markets continues to deliver strong broad-based growth in line with the ambitions we've set out. And after a challenging period, Europe is now back in growth. We're seeing encouraging momentum across the business as we move into the final quarter of the year. We are disappointed with our performance in North America this quarter and there's clearly more work to do, but importantly, demand for Lysol remains strong. The issue we experienced was one of supply and we expect that business to rebound in Q4. Stepping back, there is a lot going well across Reckitt. We're seeing that in our brands with Durex back in growth in China, strong growth in Gaviscon and Veet and Finish back in growth in Europe. I remain confident in our strategy and in our ability to deliver against it. And with that, Shannon and I will be happy to take your questions.

Operator:

Participants can submit questions while dialed into the call by pressing star one on your telephone keypad. To submit a written question via the webcast page, please click the ask a question button. We'll pause for a moment to assemble the queue.

Nick:

Perfect. Thanks Gavin. All right, let's start. We've got Nicolas from Bank of America first and then we'll go to Olivier at Goldman afterwards. So if we can start with Nicolas please.

Operator:

Nicolas, your line is open.

Nicolas Ceron, Bank of America:

Thanks. Hi Kris. Hi Shannon. Just on the guidance cut for the full year by 50 BPS, I think you mentioned Lysol and VMS in China. Could you maybe help us quantify the impact of these two items on the full year? I'm not sure they look that big to me. Am I missing something on the quantum of the impact? And secondly on China, maybe if you could help us understand what growth rate you expect in Q4 is mid-single digit in Q3 the right amount that we should think about for Q4 as well. Thank you.

Shannon Eisenhardt:

Sure. Happy to take those two questions. I'll start in order. If you think about the full year guide, we've shifted that range down by 50 BPS and we've called out three real reconciling items. So the first would be the impact of Lysol that we saw in Q3 from our manufacturing challenges and an inability to fully meet consumer demand. And I think the way I'd try to frame up sort of the magnitude of that challenge in Q3 would be we saw a sellout of Lysol continuing to be or in low single digits. We saw our Lysol results for North America down low single digit and that sellout of Lysol in low single digits that we saw in Q3 was impacted by some canceled promotions that we couldn't meet for customers as well as we did have some out of stocks on shelf that impacted our ability to drive sell out in Q3.

The good news is as we look into the first month of Q4, we're seeing that Lysol sellout accelerate back into mid single digits and we're feeling confidence in our ability to supply that demand. So that's sort of the bookends of the magnitude of impact of Lysol in Q3, and we are rolling that full impact into our guide for the full year. The second one from a China VMS standpoint, we've been seeing China VMS in the front half of the year growing strong double digits. If you look at our China VMS results in Q3, it was roughly flat. And so that's the magnitude of that China VMS impact. It's also important to note that as

we look forward, it's not a dynamic where that growth of China VMS will instantaneously be popping back up to double-digit level. So while we're seeing positive results from the content that we've put out in China showing the legitimacy of our brands and the manufacturing facility in Salt Lake, and we're seeing that have an impact, it's not something that will be back to prior levels immediately.

The last piece to think about the guide would be the good guy that we're calling out around the season. So we tried to be very clear at our half year results that our assumption for the season was slightly better than the prior year season. And we know that the prior year was a historically low week season. What we have seen positively around the seasonal development is that we have five consecutive weeks in the US where we've seen our sell out, which is really the most important data point for us in double digits versus prior year. So that's a good guide that we've built into that season. Then you had a question around China, but can Nick remind me what it was?

Nick:

We've delivered mid-single digits in Q3.

Shannon Eisenhardt:

Oh, what we're expecting. Yeah, what we're expecting for China. So I think on China, what I'd say is, again, we think the headwinds that we're seeing in China that have kept us from continuing what was an incredible streak of 12 consecutive quarters of double-digit growth. We do think those are temporary, but we will see a headwind from China VMS in Q4. We were very pleased to see Durex returning to growth in Q3, and we anticipate that that trend will continue in Q4. And as we head into 2027, we're optimistic that we'll get these headwinds behind us and get China back into strong growth.

Nicolas:

Perfect. Thank you.

Nick:

Thanks, Nicolas. Okay, we're going to go to Olivier, and then after Olivier, we're going to go to Celine. So Olivier, over to you.

Olivier Nicolai, Goldman Sachs:

Thank you, Nick. Good morning, everyone. Just two questions, please. First, what has the change in Autodesk in Europe for your performance to improve this quarter and how do you see the competitive landscape evolving over the next few quarters? And secondly, if I may ask about COGS, I mean, your margin guidance isn't changed for Core and for Mead Johnson for this year. Could you provide an updated COGS expectations within that, and is there anything you could say about next year and your hedging level so far? Thank you.

Kris Licht:

Thanks, Olivier. I'll take the first one. So Autodesk in Europe, look, we've been in this highly competitive environment for some time, as you know. Our team has been very focused on the details of how we compete in the marketplace, and there's a lot of promo mechanics and things you can do that can enhance your performance and drive greater ROI on the trade spend that we're investing in. So we have stepped up our promo investment in Europe to respond to the environment and competitive activity, and I think we have gotten quite a bit sharper on how we do that and drive growth in this environment.

So I'm pleased with the executional improvements that we're seeing around that, and at the same time acknowledge that we are stepping up investment to respond and be competitive. And that's really what's driving it. I expect this to continue. I don't think we will see a dramatic change in this environment, but obviously, as I've said before, we have no interest in driving promo down to levels that take value out of the category, and I do hope that we can get ourselves to a place where we are driving category expansion, driving premiumization, and focusing on all the right things to create the most value for everyone. So I think it'll be competitive for a while, but we have clearly demonstrated that we can succeed in that environment.

Shannon Eisenhardt:

Great. So from a COG standpoint, at the end of Q1, we did provide some modeling around $110 barrel, and obviously since then, what we saw were oil prices actually declined and were under that 110 mark for quite a while. In recent weeks, what we've seen is that we've been hovering closer to that 110 mark and actually breaking above it. I don't have new specific guidance to share, but I'd say the overarching principles remain the same. We're very committed to and feel confident in our ability to offset the impacts in 2026 that we're seeing from commodity inflation coming out of the Middle East. As we look forward into 2027, we continue to remain focused on delivering against that same objective. And so that's what I would say on that point. As we've mentioned before, we feel confident that we have a number of levers that we're focused on and that we're showing success to manage against those commodity inflations that are headed our way.

Nick:

Thanks, Shannon.

Kris Licht:

Thanks, Olivier.

Olivier:

Thank you very much.

Nick:

All right, we're going to turn to Celine at JPMorgan, and then we'll go to Sarah Simon at Morgan Stanley. So Celine, over to you.

Celine Pannuti, JP Morgan:

Thank you very much. My first question is on the US. Sorry, maybe there will be two sub-question there. The first one is really on Lysol, so you explained that you had some downtime that prevented you from full capacity, but I think it's been frustrating to hear another of these issues from a manufacturing standpoint that we have heard from Reckitt in the past, and I know you have increased your CapEx. Kris, you've been talking about using more technology to also improve with the overall end-to-end production and delivery. So are you spending enough or what does it take to prevent this kind of hiccups that unfortunately are popping in? And then maybe my second question on the US would be if you could talk about the missing next 12 hours and how that has specifically been doing. And then my second question is on emerging market beyond China, if you could give us a bit of

... a roundup of what has sustained a high growth rate there. Thank you.

Kris Licht:

Yeah. Sounds good, Celine. I'll take all of those. So let's start with the US manufacturing hiccup, as you said. I agree with you. It's quite frustrating, but I would also say that I know we're making a lot of progress in strengthening our global supply chain and our manufacturing footprint, including in North America. This challenge that we experienced in Q3 was actually a function of investments we're making to make our sites more resilient. We make those investments all across the world, all the time at the moment. We're upgrading most of our facilities and the vast majority of those investments go off without any disruption and according to plan. So I would say our teams are broadly good at this, but we did find late in Q3 that we did not have the operational capacity that we expected to have coming out of the downtime from these investments in one specific plant in North America.

And really it's about four lines in that plant that caused us the challenge. Our team is all over this, as you might imagine, and we are absolutely going to address this issue and get the capacity back online. We do expect Lysol to have a good Q4 and we expect to be able to deliver that Q4 with improvements on these lines. So I think it's well underway in terms of being addressed. To your point, is it frustrating? Absolutely. Trust me. Now, we're going to continue to invest in manufacturing so that these things won't happen in the future. We have not historically invested as much in manufacturing as a company as I think we need to. And as you know, we've stepped up CapEx and we're very focused on this and this will be addressed. Your second question was about 12HR. Look, it's a little early and I would just caution, we have this very positive trend that we're seeing in sellout in North America that Shannon also talked about, but we're still in the beginning phases of the season.

So we have to see how it develops. In that context, 12HR has an exceptionally strong execution footprint. We have excellent display programs sold in and agreed to with retailers and we gained a lot of incremental shelf space. And so I think we are definitely excited about 12HR and we are now doing a lot of consumer engagement and really turning on the advertising so that consumers can learn about this exciting new benefit. And so we'll give you an update as soon as that's appropriate in terms of how things are going, but I'm optimistic. And then on emerging markets, we know that we have a great opportunity to broaden our performance and really outperformance in China and India to other markets. And that's actually what's causing this acceleration, which is very broad based across all our emerging markets regions. We are leveraging best practices in terms of sales execution, both in offline trade and in online trade.

As you know, we have some quite differentiated capabilities in China that we are broadening to other markets to compete online. And then we're actually building out our OTC portfolio quite significantly led by Gaviscon, but other brands following along as well. That's really strategically one of the most important things we need to do is to build these OTC categories across emerging markets. And the good news is that that is working. So that's very much one of the things that's driving this accelerated performance. I'm very excited about that. It needs to continue and I think it will.

Nick:

Thanks, Celine.

Celine:

Thank you.

Nick:

We are going to move now to Sarah Simon at Morgan Stanley and then we'll go to David Hayes, Jefferies. So Sarah, over to you.

Sarah Simon:

Oh, yes, thanks for taking my questions. So first one, just back on Lysol again. Kris, you said that this occurred late in the quarter. Can you give us an idea of what the selling rate was running at before this impacted? The second question, a quick one would be in terms of Durex in China, have you done your selling for the innovations or should we expect more of that in Q4? And then just on the guidance for financing costs for '27, is that taking account of the Russia trapped cash or interest thereon being out of the perimeter? Thanks.

Kris Licht:

Okay. So on Lysol, I can't really get much more specific. I mean, all I can say is, as we said that there were some promotions that we unfortunately couldn't meet towards the end of that quarter and so that impacted shipments. But again, we're seeing improvement already as we sit here in October and we expect to be able to meet demand and for this issue to be addressed and for Lysol to have a good quarter. On Durex China, we do have a lot of good innovation and actually part of the recovery in Durex this year has been success with that innovation. As you know, there were some content restrictions that came in that we had to navigate. We felt that our team would do a good job with that and they have. So with the innovation platforms that they've been driving this year, it's actually been quite positive.

And innovation is a big driver of Durex recovery and now back in growth in China. And we expect that to continue. In fact, we have a very good pipeline of innovation for Durex for next year. As you know, China is an extremely competitive market, perhaps the most competitive consumer market we operate in anywhere in the world. And we are moving at a very high rate of speed, leveraging our Shanghai R&D facility and the investments we've made recently in China, such that we can innovate at a very rapid clip, much faster than we do in most parts of the world. So that's going to help Durex have a good year in '27 and I feel very confident about that.

Shannon Eisenhardt:

Russia. Yeah, Celine. So our guide includes us owning the Russia business as we continue to own it today. So the interest guide within that would also include the Russia trapped cash and the benefit from that. But I would say closing a transaction within the year, which is our expectation, I wouldn't expect that to have a significant impact on that piece of the guidance.

Sarah Simon:

For 2027?

Shannon Eisenhardt:

Yes.

Sarah Simon:

Okay, thanks.

Nick:

Thanks, Sarah. All right, we're going to go on to David now and then we're going to go onto James at RBC after David. So David, over to you.

David:

Thanks, Nick. Yeah, good morning all. Just a couple from me. So just in terms of the guide, just to clarify the moving parts a little bit. So with the cold and flu more optimistic view, is that fair to say that you are assuming with that continuing through the next couple of months, you'd be at the top end of that range? Is that why the range is there effectively, that extra optimism that takes you towards the top end of the 3.5 to 4.5? And then I just also wanted just to clarify, I [inaudible 00:37:36] about shipment timings or order timing at the end of the quarter. Those in the US, I'm assuming that's a different comment to the Lysol comment. I'm just trying to understand whether A, those sales have been caught up already in the first few months or first few weeks, sorry, of October and which categories they were in and why there was that later or delayed buying. And then just more broadly, to get to the bottom of the range, 5.5% I think is what you'd need roughly for the fourth quarter. You talked about Lysol being more normalized, VMS though still going to be challenged. India GST will face a tougher comp. So beyond cold and flu, what else is in there that means that you get that sequential acceleration towards a 5.5 number from what we saw in the third? Thank you.

Shannon Eisenhardt:

Do you want me to take the first and the last? Okay. So first question was around cold and flu and what we're assuming there and whether it would get us to the top end. I think what I would say, David, is as I'm sure you can appreciate, it's really hard to predict the season. And so while we're encouraged by the past five weeks of data and what we've seen coming through in incidents and sellout and having answered questions for the past year around whether we think something has structurally changed and there's no longer going to be a season, it's encouraging to feel like hopefully that is now being put to bed and we are going to see a season. I'm not going to try to guide you to, at this point, five weeks in, whether I think the seasons that is developing in the US but not quite yet developing in the same way in Europe would put us to the top end of the guide.

I think what we've tried to lay out very clearly is that we had a couple headwinds in Q3 that we won't get back. Those are headwinds on the year. We see good news coming out from the early indications on the season. And when we put that all together, we're confident that the right guide for the year is that 3.5 to 4.5. I'll jump to the next one and then I'll pass to Kris on the middle question just because it's related. And so you've asked what are the other drivers outside of this season that will help us deliver the strong Q4? I think first and foremost, it's Lysol rebounding in the US. And so we called out the fact that we've seen sellout back to mid single digits and we're seeing improvement at the manufacturing site that gives us confidence we can deliver against that.

It's obviously the season which we've hit on and the fact that we see that tracking ahead. And then I'd say continued momentum in Europe. So we were very pleased to get Europe back to growth in Q3. We've indicated that Europe would get back to growth in the back half, and so we expect to see continued momentum coming out of Europe as well.

Kris Licht:

And just on the phasing of orders, you are exactly right to pick up on the fact that that is a different matter relative to the Lysol manufacturing constraint. This is order phasing that we experienced in the drug channel. I think it's more connected to the fact that it's a tough environment and retailers are having to make choices and perhaps make choices that are slightly different than they otherwise would normally have to do. I suspect and expect that given the seasonal trend, the strong seasonal trend, that those orders will come and will be needed to have good inventory levels and coverage in that channel. And that's all I can say about it right now, but that is what we were referencing.

David:

Thank you.

Nick:

Thanks, David. All right, we're going to go to James at RBC and then after James, we're going to go to Ed Lewis. So James first, over to you.

James:

Thank you, Nick. Fairly or not, you are seen as being prone to pretty regular unanticipated disruptions. This latest Lysol disruption seems to be the sort of business as usual slip up that could happen to anyone. Is there an argument you should set expectations, I mean both short and medium term expectations more cautiously so they can absorb speed bumps like this?

Kris Licht:

Look, I think we always try to guide prudently and there's no question that any large business will have a setback here or there, just like we have quite positive surprises happen to us as well. That's the nature of a global business that's certainly one where you're investing as heavily as we are in it. I would say that this was indeed not what we wanted to see from North America, but I would also say that I know we have our hands around it and we will address it and this business will rebound in Q4. It already is rebounding. So I think it is frustrating, but we do try to set a prudent guide and we will continue to try to do that and put this one behind us.

Nick:

Thanks, Kris. Ed, we're going to go to you and then we'll go to Warren at Barclays. So Ed, over to you.

Ed Lewis, Rothschild & Co:

Yes, thanks very much. A couple ones from me. Yeah, I know the European performance is better, but the volumes were down over 3%. So I wonder if you could just talk specifically to that. And then Kris, just on the Autodish, interesting commentary around what you're saying around Europe, but I know in the call that there's... Sorry, in the press release, then there's pickup in competitive activity in Autodish in North America. How should we think about that? And are you able to apply some of the learnings in Europe over to North America so that the impact of that promotion may not be as negative as it's been in Europe for you?

Kris Licht:

Yeah, thank you for those questions. So I think it's not surprising that volume is down in Europe because it is a very, very weak consumer environment. There's a lot of value seeking behavior and consumers are definitely throttling their purchases. So it's actually not a surprise. I think the pleasant surprise is that we are able to deliver the revenue growth and we have premiumization rolling through the finished portfolio, which is part of our playbook. And so I'm actually pleased with that. As the environment hopefully improves in Europe in the medium term, I think that this will change, but I think it will probably not change dramatically in the near term. In North America, you're right, there's an opportunity to learn from what's working well in Europe. At the same time, it's worth remembering that in Europe, we are the clear market leader. In North America, we are not.

So the competitive dynamic is quite different and causes us to compete a little bit differently. But I certainly want to see our North America business also get back to good growth and that's the goal.

Nick:

Thanks, Ed. Okay, Warren, and then we'll go to Tom Sykes of Deutsche. So Warren, over to you.

Warren Ackerman, Barclays:

Yeah, morning, Kris, Shannon. It's Warren here at Barclays. One housekeeping, two questions. The first on

... some housekeeping on this Lysol issue again, sorry to keep coming back to it, obviously it wasn't flagged at back to school in early September or in the pre-closes. I just want to check when you first found out about it, because obviously it has come out of left field, just the timing of when you knew about that? And then secondly, main questions are really on the negative price mix in North America, I see that pricing was minus two, but I assume there was some mixed positive in there. So pricing probably was worse than minus two. Can you maybe, Kris or Shannon, unpack how much of that price weakness was related to penalties for the inability to supply Lysol? And if that is the case, is that a one-off?

And then what's happening to promotional activity ex that? It does seem like in places like Finish in the U.S. it's stepping up, if you're able to maybe quantify what kind of step up you're seeing? I'm just trying to understand on the look forward on price mix in North America, how should we think about it if the penalties are a one-timer? And then secondly, on the Johnson up 2.7% in the quarter, a nice beat versus consensus. Could you maybe just outline what growth you're seeing in the U..S versus LATAM and Asia and what kind of outlook we should be thinking about for the business? Because you were cycling the tornado comp. And how you're feeling about momentum market share and Mead? Thanks.

Kris Licht:

Okay. Maybe I'll take the first one and the third one and then hand the second to you, Shannon.

Shannon Eisenhardt:

Okay.

Kris Licht:

So on Lysol, yeah, as I said, it was late in the quarter, Warren. And when you miss out on a big promotion with a brand like this and you have some out of stocks happening, the numbers are pretty significant and that's what caused it to have the impact that it's had late in the quarter. And like I said, the business is rebounding and we are not expecting this to continue, so that was that one. On Mead, Mead is trading quite well. We're seeing very strong share gains in most of the portfolio. We're seeing innovation landing, trading conditions have normalized. And so yeah, this is a good performance. I would expect Mead Johnson to be a low single digit grower, and that's what we have consistently said and that's what we're seeing. And I don't expect there to be any real material changes to that. It's trading well. I'm pleased with how the team is running that business at the moment.

Shannon Eisenhardt:

Great. And then on North America and the price mix dynamics and how to think about that. First off, you're right, Warren, there were some penalties that we incurred related to our supply challenges in

Lysol with our customers and that did flow through pricing. So you would definitely see that as a headwind within the pricing that we quote. I do think it's important to call out, I'm not going to share an exact amount, I would say it's not a huge factor, but there were some penalties in there. I do think it's worth noting we were very pleased to see that we continued to have positive volume in North America and we also had positive mix. And so within that price number, there's actually an offset in there of positive mix, which is roughly equal to the same positivity we saw coming from volume.

From a promo dynamics and what we're seeing in the U.S., we are certainly seeing increase in promos. I'd say, it's primarily focused around Lysol and around Finish, which I don't think is super surprising when you just think about what dynamics we tend to see in a tough retail environment in the U.S.

Warren:

Super, thanks.

Nick:

Thanks, Warren. Okay, we've just got two more questions. If anybody else wants to ask, then please do connect. We have Tom up, and then Guillaume at UBS. So Tom, over to you.

Tom Sykes, Deutsche Bank:

Yeah, morning. Thank you, Nick. So just on North America, could you just clarify the comment you made on the phasing in OTC? Was that phasing in the drug channel or phasing of the drug category, but across different channels? And then also on North America, you'd previously said that the grocery channel is a little bit slower. You've had very volatile growth in Costco, but it looks been outsized growth and perhaps that's added to some of the seasonality on Lysol. So when we think about the comps that you have in Q1, are those comps that you feel are going to in the short term impact the organic growth? Are those ones you can overcome in North America with innovations? And maybe just a quick follow up on the pricing question, do you think the industry is pricing at COGS inflation or deciding not to at the moment and looking to get volume growth to offset perhaps not pricing at COGS? Thank you.

Kris Licht:

Okay, let me try to take a shot at those. So just to clarify on the first one, we are talking about the drug channel, and obviously in the drug channel we sell a fair amount of OTC, so that gives you a sense of what that is. In terms of grocery, yeah, we're seeing a slowdown. Actually, what we're seeing is U.S. consumers are really facing some headwinds with where gas prices and diesel prices are. And so it appears to us, at least from the data that we have, that in the grocery channel, the consumer is spending broadly the same, but they have to shift the mix of their spending. They're spending more on gas and less on everything else. So that does create some headwinds in the channel.

In terms of Q1 comps, I'm not so worried about it. We have a very strong plan for North America. And like I said, the business is already rebounding, and obviously you know we have a very weak season comparator. So I think Q1 looks okay to me. We have been very successful in COGS, as you mentioned, and in general, we are winning with the winning retailers in North America, and I'm happy with that and I expect that to continue. In terms of the industry and what we're seeing on pricing vis-a-vis COGS, I mean, we have successfully priced this year to cover a significant amount of the COGS headwind, but not all of it. And I expect that to be the pattern that continues.

We all know that the consumer, especially in Europe and North America is in a tough place. So I think I would expect everyone to be quite calibrated about how much pricing they put through and how they offset that with step up in promo spending. And that's the balancing act at the moment that I expect us

to have to navigate until we see some more benign trends in commodities, which I don't know when that's going to be. But I think we're going to be in this moment for some time, if I was to venture a guess.

Tom:

Many thanks, Kris. Thank you.

Nick:

So this is the last question, unless anybody raised their hand again. So over to you Guillaume.

Guillaume Delmas, UBS:

Hi Nick, and thank you for squeezing me in. Good morning, Chris and Shannon. A couple of questions for me please. Just to follow up on the pricing outlook, Kris, I mean we've seen that nice step up in price mix in the third quarter to 3% plus. Wondering if you're planning additional pricing actions in the coming months in order to fully compensate for higher commodity costs? And potentially early days, but have you seen higher levels of elasticity in some regions or categories? And then my second question, I mean it's your EPS growth, you've got this medium term ambition to deliver sustainable EPS growth, with net finance cost, tax rates now expected to be lower, effects to be probably a bit more of a tailwind than you initially anticipated, I mean, is there a scenario whereby your adjusted EPS in 2026 could be not too far off the one you reported last year? Thank you.

Kris Licht:

Great. I'll take the first one. We will probably have to price more at this level of commodity cost and input costs. We have been successful in the first round and I think we will need to take more pricing. There is also pricing that we have sold in that has not been fully reflected yet. So as a result, I think pricing is certainly still going to be a building block for us in the algorithm as we look ahead, say through the next six to 12 months. But like I said before, we have to calibrate that. We have to be cautious. There are places where the elasticity is high. There are certain categories, there's certainly signs that there's real elasticity in Europe. In some of our businesses, particularly more the household care, segments in Europe are more elastic. So we have to be smart about this, but it will be a building block, and certainly if commodities stay where they are, it'll have to be.

Shannon Eisenhardt:

Yeah. And then I'll take EPS. So absolutely correct on the midterm guide. Our ambition is to consistently grow EPS. You also captured the puts and takes, I think for 2026 that we were trying to lay out today very clearly. As you heard, we've reiterated our margin guidance for the year. And so I think it's a fair statement to say that we continue to be pushing EPS to land what we set out at the beginning of the year, acknowledging that our guidance or our ambition is to grow, but we knew that heading into this year, we were facing some headwinds associated with the divestment of the essential home business.

Guillaume :

Thank you very much.

Nick: Thanks Kris, thanks Shannon. Thank you everyone for joining the call. Jon and I will be around if you have any more questions or follow-ups. And if not, then hopefully we'll see a good many of you in New Jersey next month for the next Reckitt focus on North America. See you soon. Thank you.