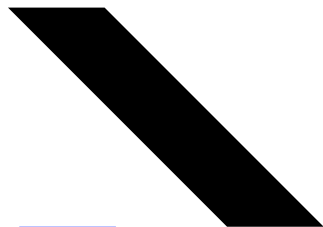
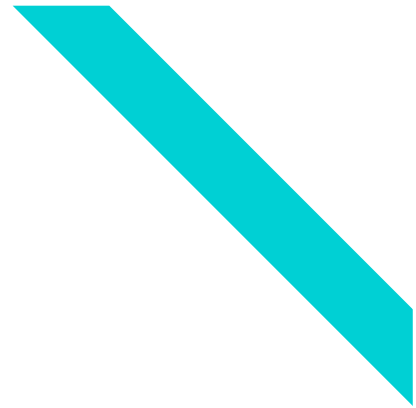


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**Q1 2026 RECKITT BENCKISER GROUP PLC TRADING STATEMENT
CALL**

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- **Shannon Eisenhardt** *Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director*

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- **Guillaume Delmas** *UBS AG - Analyst*
- **Sarah Simon** *Morgan Stanley - Analyst*
- **Nicolas Jerome Ceron** *Bank of America - Analyst*
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PRESENTATION

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Welcome to Reckitt's Q1 trading update. I'm Nick Ashworth, Head of Investor Relations here at Reckitt. And I am here with our CEO, Kris Licht and our CFO, Shannon Eisenhardt, who will 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 7 of our RNS published this morning.

And I'll now hand over to Kris.

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

Thank you, Nick. Good morning, everyone, and thank you for joining us. Core Reckitt delivered 1.3% like-for-like net revenue growth in Q1. This was impacted by the end of a very weak season, a competitive environment in Europe and particularly in the auto dish category as well as geopolitical disruptions. Excluding the seasonal business, Core Reckitt delivered 3.1% like-for-like growth.

This was led by high single-digit growth in emerging markets with China and India, both delivering double-digit growth and Dettol continuing to perform strongly in both countries driven by innovation. Our North America non-seasonal business was strong with Lysol up double digits in the quarter ahead of the spring cleaning season and continued strong performance of Lysol air sanitizer and Lysol laundry sanitizer.

In Europe, auto dish remains a very competitive category, but the actions we've been taking to improve our market share performance have led to Finish regaining leadership across our largest seven markets. But we have clearly seen headwinds in Q1. We've just closed on one of the weakest seasons on record. As an example, incidence levels across our categories in North America were down around 10% versus the prior season. We have seen similar dynamics across all our regions, impacting seasonal performance.

Europe category growth continued to decelerate and a major focus for us is on improving our competitiveness as we move through the year. Innovation will also continue to be a key driver here. And even while delivering high single-digit growth in emerging markets, in line with our medium-term expectations, this includes the impact of geopolitical headwinds.

Notably, changes to the international sanctions machine has impacted our Russia Household Care and germ protection business. And we've also been impacted by the war in the Middle East, where a positive start to the year's trading has been eroded and the disruption has led to flat net revenue performance in our Middle East business in Q1.

As you'd expect, we continue to monitor the evolving situation very closely. Impacts have been largely confined to our Middle East business and we've yet to see any significant spillover to trading in countries outside of the region. Beyond Q2, we cannot predict the course of developments in the region. But we are working on scenarios around higher input costs through the year and how we will mitigate these. Shannon will provide more details.

Winning in a tough competitive environment requires a great innovation pipeline. And in Q1, we've continued to launch new products across each of our categories, which will help us to continue driving growth through 2026 and beyond.

We've launched formula upgrades across Finish and Vanish and we're now bringing the very successful Dettol Activ Botany range into global markets outside of China. We continue to roll out extensions to the Durex intensity range. And in China, we've launched Intima foam wash and high-strength MegaRed formulations aligned to local consumer preferences.

Turning then to our outlook for 2026. Macro uncertainty persists, and it remains unclear what the impact of the war in the Middle East will be on our categories as we look to the second half of the year. However, from what we know today, there are a number of reasons why we expect to deliver good growth this year and why Core Reckitt can achieve 4% to 5% like-for-like net revenue growth.

First, we're now out of the very weak cold and flu season, and the baseline has reset for the remainder of the year. Second, as I said, we are very excited about our innovation pipeline for the year and beyond. This includes the launch of Mucinex 12-hour cold and fever, which we will start shipping later in Q2. Other innovation platforms, particularly as I think about Dettol, Durex and Gaviscon, all have very strong activation plans through the year.

Third, we have strong sustained momentum in our three largest markets. In China, this will continue to be driven by Dettol, VMS and Intima and the strong innovation pipeline we are delivering. In India, our expanded distribution reach will continue to drive growth for our market-leading power brands.

And in North America, our non-seasonal business has strong momentum and is benefiting from our execution with partners in the fastest-growing channels. And finally, in Europe, we expect performance to improve in Q2 as the season resets, and we're focused on continuing to improve our execution as we move into the second half of the year.

Let me now pass you to Shannon to take you through our group and segmental performance in Q1 and the drivers behind that.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

Thank you, Kris, and good morning. In Q1, we've reported like-for-like net revenue growth of 0.6% across the group, driven by 1.3% growth in Core Reckitt. Excluding our seasonal OTC business, Core Reckitt delivered 3.1% like-for-like growth.

Looking at the areas in more detail and starting with Emerging Markets. Growth of 7.6% included 0.5% from volume and 7.1% from price/mix. Volume growth was lower than recent quarters, impacted by the declines in Russia as well as flat performance in Durex

China. China delivered its 11 consecutive quarter of double-digit growth, led by strong performances in Dettol, Intima and VMS, given the innovation launches Kris touched on.

This strong performance came despite Durex being broadly flat in the quarter following the VAT increase on condoms at the start of the year and heightened promotional levels from competitors in Q1. India also delivered double-digit growth with broad-based strength across all categories, including a very strong performance in Dettol with Durex also up double digits. Latam was flat with Brazil and Mexico showing marginal declines and with double-digit growth in Colombia.

Our MENARP region saw a double-digit like-for-like net revenue decline. This included the impact from changes to international sanctions around our Russia Household Care and germ protection business with Russia declining double digits in the quarter, a 200 basis point headwind to area growth.

To add some context to this impact, Russia accounts for around 2% of Core Reckitt net revenues with the impacted categories being less than half of that business. The changes to the EU sanctions came in towards the end of 2025, and our local teams have been working to mitigate the financial impact. These changes impact our ability to both supply these products and use global brands where the underlying product is restricted under EU sanctions.

Importantly, we now believe the impact we're seeing will persist through 2026. Consistent with what we have said previously, the process to transfer ownership of our Russian operations remains ongoing. In the Middle East, we have delivered a strong start to the year, but have seen a deceleration through the quarter due to the ongoing war resulting in flat like-for-like net revenues in Q1. Overall, despite these headwinds, our emerging markets business delivered in line with our medium-term guidance of high single-digit like-for-like net revenue growth in the quarter.

Turning to Europe. The end of a weak season coupled with the weak consumer backdrop saw a 4.2% decline in Q1 like-for-like net revenue with a volume decline of 4.5% and price/mix growth of 0.3%. Within that, mix was up 1.5% as we continue to drive our premiumization strategy, particularly in Finish.

More than 1/3 of the area like-for-like decline came from our seasonal brands, and we therefore expect to see improvement in that part of the portfolio as we progress into Q2. Gaviscon delivered a strong performance in Q1, up high single digit, driven by the strong activation and expansion of the double action range.

As we shared in Q4, Autodish remains competitive with Finish declining mid-single digits in the quarter. However, as Kris said, our team's actions have delivered encouraging market share momentum in the quarter for Finish.

Moving to North America. Performance was good. While the area delivered like-for-like net revenue decline of 0.9% in the quarter, the expected destocking at the end of a weak cold and flu season was the driver behind this.

We delivered mid-single-digit growth in our non-seasonal business. with growth led by Lysol, up low double digits with continued strong performance from Air and Laundry Sanitizer and strong sell-in ahead of the spring cleaning season.

In Household Care, Finish was up low single digits. Volume growth of 1.5% was driven by strong performance of our non-seasonal portfolio, offset by price/mix decline of 2.4% from a weaker seasonal OTC performance, with like-for-like down double digits in the quarter. From an execution standpoint, we drove strong performance across Walmart and e-commerce, in particular, as we continue to focus on the fastest-growing channels.

Now moving on to our global categories. Self-care was broadly flat in the quarter with a double-digit decline in seasonal OTC brands, largely offset by strong double-digit growth in emerging markets. This was led by our VMS portfolio, in particular, Move Free in China as well as high single-digit growth in Gaviscon, which performed strongly in both Europe and across emerging markets. Germ protection was our strongest category in the quarter, growing 9.5%, driven by double-digit growth in Dettol and Lysol, both benefiting from their innovation platforms.

Household Care declined by 7.6% with Finish down mid-single digit, driven by category softness and competitive challenges in Europe and the impact of sanctions in Russia, more than offsetting the growth in North America. Vanish was down high single digits, driven by weakness in Brazil and Russia.

Finally, intimate wellness grew 0.3% with double-digit growth in Intima alongside a muted performance in direct, which was flat in China, following the VAT increase in January with double-digit growth in India, South Africa and a number of ASEAN markets.

Turning to our non-core business, Mead Johnson Nutrition. As expected, like-for-like net revenue declined 2.7% as it cycled inventory rebuilding in Q1 of 2025, following the Mount Vernon Tornado. We expect a return to growth from Q2 and for the business

to deliver low single-digit growth for the year. We're continuing to progress our GBP1 billion share buyback program, and as of last Thursday, we bought back GBP669 million of shares since this current program commenced in July of 2025.

Now looking to guidance and specifically Q2. In North America, we expect to benefit from the initial shipments of our new Mucinex 12-hour cold and fever launch in June, and lapping the Mucinex sinus PE reformulation in Q2 of 2025. In Europe, we expect a continued sequential improvement in like-for-like net revenue performance as the cold and flu season resets.

In Emerging Markets, we expect Q2 performance to be broadly in line with Q1 2026, given the ongoing headwind to our Russia business as well as our expectation that the impacts we've seen in our Middle East business in March will continue until the end of Q2.

As Kris said, we're maintaining our Core Reckitt like-for-like net revenue guidance for the full year at 4% to 5%. We also maintain our expectations around group adjusted operating profit margins for the full year. When thinking about the shape of margin delivery through the year, as expected, this will be back half weighted.

In the first half, we see the group's AOP margin to be around 200 basis points lower than the 24.6% we delivered in 2025. This is due to the half one impact from stranded costs, the impact of lower seasonal incidents on our high-margin seasonal OTC business in Q1 and some incremental costs from higher commodity prices.

In the second half, group AOP margin will be much stronger than 2025. This will be driven by a greater level of stranded cost mitigation from our Fuel for Growth program, the reset of the cold and flu season, more favorable mix across our categories and our areas continued activation of our innovation pipeline and actions to offset commodity price inflation.

Bringing this together and consistent with what we said in March, we expect our full year group AOP margin to be up on the 24.9% we delivered in 2025. But not all the way to the 25.6% baseline when excluding essential Home. This is reflective of our expectation to largely offset the stranded costs with our Fuel for Growth program.

Now looking at input costs. Our COGS base is around 40% of net revenues and split broadly 2/3 raw materials with the balance in manufacturing and freight costs. While crude oil is not a direct input cost to us, around 40% of our raw materials are correlated to oil prices.

To provide some context, modeling a scenario of \$110 per barrel for the rest of the year, recognizing this is above where prices are today, indicates around GBP130 million to GBP150 million gross impact on our input cost base in 2026.

This is equivalent to around 3% of our COGS. We, therefore, see this as a manageable level to offset through flexibility and productivity in our supply chain, hedging activities, pricing and our strong gross margin profile. We have a strong track record over many years of gross margin delivery and a proven ability to offset and mitigate external costs and we will use that experience as we continue to navigate the ongoing war and impacts from it.

With that, let me hand it back to Kris to wrap up.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Thanks, Shannon. To conclude, we have faced challenging conditions in Q1, impacted by very low seasonal incidents, weak category trends in Europe and geopolitical disruption. However, despite these challenges and excluding seasonal OTC, Core Reckitt delivered 3.1% like-for-like net revenue growth with continuing good underlying growth across emerging markets and in our non-seasonal North America portfolio.

While the economic backdrop is uncertain, we expect to see a step-up in performance in Core Reckitt in Q2 and beyond, and we maintain our guidance for Core Reckitt in 2026. This will be driven by sequential growth from our market-leading Powerbrands as we continue to launch superior innovation, improve our execution across Europe and continue to drive strong growth in China, India and our non-season North America business.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Right, Gavin, I think we're ready to start. Can we please start with Warren at Barclays. And then after Warren will go to Guillaume at UBS. So Warren, over to you.

Warren Ackerman Barclays Services Corp - Equity Analyst

Yeah, good morning, everybody. Warren at Barclays. I guess the first question is on the guidance. Can you maybe, Kris or Shannon, kind of outline a little bit the moving parts given the weaker start to the year and this incremental or Russia headwind and your kind of confidence or you kind of -- your wiggle room, I suppose, within the 4% to 5%, how much are you putting down to innovation and the Mucinex, 12 hour how much is cough, cold, flu dropping out?

Any other kind of swing factors we should be thinking about that gives you the confidence on the on the guidance? And then maybe just on Russia, Shannon, can you maybe sort of outline a little bit more the background on what happened there? Because I think for some people, it's going to be new news. Thank you.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

Okay. Great. Thanks for the question, Warren. So regarding the guide, we are absolutely reiterating what we laid out at full year from both the top line and a bottom line standpoint of the 4% to 5% and to your point, obviously, there have been new developments since we shared that original guide.

Kris and I, I think, have been pretty transparent over the past few years that we always head into guiding externally with an intention to be as prudent as possible and how we lay out those expectations for the year, knowing that there are always unknowns that will develop over the course of the year.

And so while we're certainly managing through some of those unknowns, we do feel confident as we look forward and think through the next three quarters, that there are significant upsides that will help us continue to deliver that 4% to 5%. And I think we've tried to call those out clearly.

I would start with the fact that we're resetting the season. And we have discussed the fact that we had an exceptionally soft season on top of a soft season from the prior year. And so our expectation that is that if we can just get to a normal season, that will be a significant tailwind for us as we head into the remainder of the year.

We've also talked about the specific innovations that are launching. Those are a little bit more weighted towards the back half we'll see the initial shipments from that Mucinex 12-hour product come through in June, and then we'll see more of that as we head into the back half as well as other innovations across our categories and across our areas. And so that really is what gives us confidence when we combine that with what we believe was an appropriate and prudent guide to start the year that we can maintain that 4% to 5% guide looking forward.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Okay. Warren, it's Kris. Let me address your question on Russia. So before I respond, I should note that due to applicable sanctions, there are restrictions on our personal involvement in Reckitt's Russia business. So we rely on appropriately authorized teams for matters relating to Russia.

Russia represents around 2% of Core Reckitt net revenue and the impact from these changes to sanctions have been predominantly in the household care part of our business, and that makes up a little less than half of the total business in Russia.

We said in March that Russia is not a focus of ours as a driver of growth, and it's not a market we're investing in consistent with what we've said before. However, the changes to these sanctions came into force towards the end of 2025 and our local teams have been working to mitigate the impacts in compliance with various sanctions.

Through this quarter, it has become clear that there's a more structural impact on that piece of the business. And so we now expect this to persist through the full year, clearly subject to any future changes to sanctions. As we've said previously, we continue to pursue the process to transfer ownership of our Russian operations, and that remains ongoing, and we will provide a further update on that when we can.

Warren Ackerman Barclays Services Corp - Equity Analyst

And just quickly to clarify, Kris, that 80 bps impact of group 200 bps in the EM. That's not just a Q1 issue. It's in something that will run through the rest of the year, it was kind of like -- is the step down you're expecting to kind of -- you're not assuming that, that recovers at some stage? Maybe just clarify that.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

That's correct.

Warren Ackerman Barclays Services Corp - Equity Analyst

Okay. Super. Thanks.

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Thanks, Warren. So we're going to move to Guillaume now UBS and after Guillaume, and we'll go to Sarah at Morgan Stanley. So Guillaume.

Guillaume Delmas UBS AG - Analyst

Thank you very much, Nick, and good morning, Kris and Shannon. Two questions. One is on your margin guidance because it now implies a 200 basis points plus improvement in the back half of the year at the time when you could be facing higher commodity costs.

So just trying to understand, what is underpinning your confidence in achieving such a significant margin improvement Shannon, I think you alluded to for growth, the savings. But does the guide also assume a particularly strong cough in cold in the second half? And maybe some rationalization of your BEI of your brand equity investments. So any color on the key building blocks, particularly for the second half margins would be helpful.

And then my second question is just on Durex flat in the quarter seems to be attributable to some decline in China. I thought at the time of the full year results back in early March, you sounded quite confident about Durex continued momentum in China.

So here, just wondering if the impact on the VAT increase and content restrictions was maybe a bit more pronounced than you initially expected. And I guess more importantly, is Q1 a simple glitch in direct success story in China? And should we expect some acceleration from Q2? Or could it be a bit slower for longer? Thank you very much.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

Okay. Let me take a crack at the first question and then Kris will talk about Durex in China. So if you think about the margin guide that we've provided you're obviously hearing us accurately and it does assume a significant step-up in our margin delivery in the back half. And so I'm going to take it in a couple of chunks.

First of all, what I'd say is if you just think of the underlying business and our plan for the year, there are some dynamics that we expect to take place that will naturally provide that uplift in the back half margin delivery. And so we've tried to lay out those clearly.

The first really is, as you just think about how stranded costs are materializing and the ability of our Fuel for Growth program to offset those. All of the stranded costs for the essential home divestiture come in as of January 1.

And as we progress through the year, our Fuel for Growth program will be able to offset a larger and larger percentage of those stranded costs. And so that will be the first dynamic that gives us confidence in our ability to step up our margin delivery in the back half.

The second real driver is just thinking through the category mix of the business and the significant impact that this very weak season that we've seen come to a close in Q1 has had on our margin delivery. And so to answer your specific question, we're not assuming an exceptionally strong season. We always plan our business, assuming a normal season. It is important to note, though, that even in the context of just experiencing a normal season, that would be a significant benefit to our operating margin delivery in the back half of this year.

And then finally, we expect to have Area mix that will also help us as we think about Europe and an improving performance of Europe as we head into the second half. Again, really driven by just the season coming to an end and then assuming a more normal season as we head into the back half of the year. And so that's sort of the underlying drivers that start to or that really give us the confidence in that back half delivery.

Then if you think through the context we've shared around what we expect to see from a COGS impact because of the more that's going on in the oil prices. We're managing that in a very separate way. And so we're not trying to use Fuel for Growth savings to offset an increase in our COGS from oil. We have very active and deliberate work streams going on as we think through how do we mitigate inflationary impacts coming from oil prices.

And our expectation and what we've seen in the past, if you think of tariffs last year, where we found out about tariffs, frankly, around the same time and we were able to mitigate the impacts of those tariffs within the year and actually expanded our gross margins last year.

And so we're running a somewhat similar offense where we really look at our ability to leverage our supply chain to make choices within a flexible supply chain to take pricing to mitigate those COGS impacts, and we're confident that we can take action that lands within the back half of this year.

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

Okay. On Durex, yeah, it was a slower quarter. We are not any less confident in Durex as a Powerbrand. And we know we have great innovation with Durex intensity and other products that we're launching. And so I remain extremely comfortable with, with the outlook for Durex and our ability to drive really strong growth I do think it's fair to say that, yes, the impact of the VAT increase along with some more promotional spending from some of our competitors in China. Caused the quarter to be a bit softer than we expected. I fully anticipate that correcting itself through the balance of 2026. And like I said, there's nothing fundamentally the worrisome about our ability to drive very strong growth in Durex for '26 and beyond.

I just also want to mention that China actually had an excellent quarter. Despite that slower Durex performance. And that's due to the fact that Dettol is the largest business in China and is growing very strongly. And VMS is also very successful.

In fact, the growth we're seeing in China is very broad-based. And we can see that the advantaged capabilities that we've talked with you about before that we have in China, they are really applicable to the whole portfolio. So just feeling quite good about that performance.

Guillaume Delmas *UBS AG - Analyst*

Thank you very much.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Thanks, Guillaume. So we're going to go to Sarah, and then we're going to go to Nicolas at Bank of America. So Sarah.

Sarah Simon *Morgan Stanley* - Analyst

Yeah, good morning. Thanks for taking my questions. I have two -- First one was on cold and flu season. So Sharon, as you said, we had a very weak season on the back of another weak season. So as we think about kind of what's going into your thought process here, what would you classify as the normal season? I mean, are we kind of you thinking of reline to 2023. Is that kind of how we should think about it?

And then the second one was around, you've talked about taking potentially some price to offset COGS. Should we think about a bit of an extra pricing component as part of the way to deliver that 4% to 5%? Are we thinking about how expectation -- how your expectation has evolved on your ability to deliver 4% to 5%, there's more pricing there now than there was before? Thanks.

Kris Licht *Reckitt Benckiser Group PLC* - Chief Executive Officer, Executive Director

Thanks, Sarah. I'll start on cold and flu. Well, it's important to remember as we said, this season now, we can see the full season Q4 and Q1 taken together is very weak. And on the back of what was a weak season the prior years. So as when we plan the business, we obviously have a lot of experience navigating this kind of seasonal fluctuation.

When we plan the business, we always put ourselves in a position to meet demand should it be elevated and should the season be high, so that our consumers can always find our products. But when we plan financially and as we think about our guide, we try to be prudent, as Shannon said earlier. And so that's what we've done this year as well.

I think it's reasonable to think that we will revert back to sort of the average of seasons. And when we look at averages, we look both at pre-COVID and post-COVID, we try to exclude the COVID period because obviously, that was highly elevated with many symptoms from COVID that look like the other incidences that we treat.

So yeah, I would look at seasonal averages. Sometimes we consider 17% to 19% to be a good range. But we think these choices based on all the information that we have. And so when we plan, we try to plan prudently around that.

Shannon Eisenhardt *Reckitt Benckiser Group PLC* - Chief Financial Officer, Executive Director

Yeah. And then to your question on pricing, Sarah, the way we think about pricing in this kind of situation is really thinking through how are we managing the structural profitability of our brands. how are we managing and maintaining our earnings model. It's a really granular approach to looking at SKU level, country by country, what are the impacts we're seeing from these potential input cost changes to the structural profitability of our products and our brands. We don't take an approach of what's the pricing we need to take to deliver our top line guide.

So as we do take pricing, that's really focused on looking at SKU by SKU profitability, there obviously would be some top line benefit that would flow through. But that's not our starting point for how we think about what makes sense to do from a pricing and from a consumer value standpoint.

Sarah Simon *Morgan Stanley* - Analyst

Okay. Thanks.

Nicholas Ashworth *Reckitt Benckiser Group PLC* - Senior Vice President of Investor Relations

Thanks Sarah, and over to Nicolas, Bank of America, and then we'll go to Jeremy at HSBC.

Nicolas Jerome Ceron *Bank of America* - Analyst

Hi, Kris and Shannon, could I come back on China. You mentioned the growth rate was double digit again this quarter. Could I just clarify if you were starting with the one? And then do you think the Chinese government is starting to take a negative view on the condom category because we've seen the VAT increase. I think you mentioned marketing restrictions. Do you think there's a structural change in there?

And then the second question is on the raw material. Are you starting to see any shortages on your Home Care business at this stage. Have you looked at the inventory level across the supply chain? Do you think that at normal level at the moment? Thank you.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Okay. Let me start, Nicolas. So China. Look, I don't think that there's any structural change there. I mean we have seen some of these evolving regulatory frameworks for a content change before and they'll probably change again. And I don't see anything that's really structural or anything that I think will limit the possibility of growing the category. But we obviously pay a lot of attention to what we see from the regulator, and we'll continue to do that.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

And then from a raw material standpoint, our teams are obviously highly engaged in looking through all of our various raw materials and understanding potential impacts, implications of what's going on in the market today. We have not seen any shortages or had any challenges thus far around our ability to procure necessary materials.

Nicolas Jerome Ceron Bank of America - Analyst

Okay. Thank you.

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Thank you. So we're moving on to Jeremy now, and then we will go to David at Jefferies. So Jeremy, over to you.

Jeremy Fialko HSBC - Analyst

Hi, there. Just first of all, a couple of questions. First of all, on Europe. So you talked about an improvement in Q2 relative to Q1. Now clearly, you're not going to have the flu impact affecting Europe in the second quarter. So is the improvement simply because of the flu impact dissipating? Or would you expect to see some sort of kind of underlying improvement in the business sort of excluding any sort of a seasonal impact -- and would that be an Autodish or in some of the other categories?

And then the second question is, if we take the Middle East business and that weakness you saw towards the end of the quarter, was that kind of a consumer offtake point? Or was it more of a kind of supply disruption point and then kind of inability to get the product to consumers. If it's the latter, how would you see that sort of resolving itself? Thanks.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Okay. Thank you, Jeremy. I think I'll answer both of your questions. So for Europe for Q2, I mean, as you said, it's the seasonal mechanics of the season resetting and it was a very weak season in Europe. So that's not a small factor for us. Obviously, we're now going to be out of the main season. and we're going to start to prepare for the coming season.

So that's one thing that we know will happen. There are two things going on in Europe. So one thing is that we are seeing good signs from the actions that we're taking and the investments we're making -- and so from a market share standpoint, I'm feeling optimistic and good about the trends we're seeing. It's just that the European environment is very soft.

And as we said in the script earlier in our remarks, this is a decelerating environment. So we have to see what happens now that energy prices will be higher and how European markets will absorb that. And so that's also in my mind. So I would say I expect us to continue to see very good results from the actions that we're taking, but it is a tough environment, and I expect it to remain tough.

So that's Europe. In the Middle East, it's very different market by market. But if you think about a market like the UAE, it was, of course, significantly disrupted from the conflict in the month of March. And remains somewhat affected. So we did see offtakes lower in that market and a few other markets showed a similar trend. But there's also some markets in the Middle East where we did not see much reduction in offtake. It depends very much on local dynamics and who is most impacted.

But also, I would say, we took steps to keep our people safe, and that included closing our production facility in Bahrain which we have reopened because we deem it to be safe. But it's -- that obviously limited our ability to ship certain products for the duration of the closure.

I don't anticipate these things to necessarily linger on for a long time. But as we've said, as we look at Q2, we do anticipate there being an impact to sales in the Middle East. It obviously all depends on what happens with the actual war and the resolution of this. And we are paying close attention to that, but we have no further information than you do as it pertains to the world.

Jeremy Fialko HSBC - Analyst

Okay. Thanks.

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Thanks, Jeremy. So we're going to go David now at Jefferies and then we'll go to Celine at JPMorgan, David.

David Hayes Jefferies LLC - Analyst

Thanks. Good morning to all. I'm going to do two follow-ups and then a question, if I can. Just on the follow-up to Guillaume's question, I think you mentioned BEI phasing it. Is that going to be a little bit phased or with the first half spending, I guess, around the most next launch part of that may be. So just trying to understand whether there is a little bit of a BEI swing first half to second half, the margin impact as well.

The second follow-up is just on the Durex in China, you mentioned for competition. Is that just price led? Or is that also competition catching up in terms of the streaming airtime and that's becoming a little bit more competitive in terms of getting the audience as it were?

And then my question, just in terms of Europe, you talked to people about unsustainable pricing levels of competition. I just wonder is that thing now and related the retailers -- the more delisting for other companies like delisting in retail in the first quarter? Was there a sort of delisting dynamic and then those have been resolved in terms of getting back on shelf, and that's going to help the second quarter versus the first. Thank you.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

Okay. So I think I'll take the BEI one to start. Sorry that I forgot to answer that the first around. So from a phasing of BEI standpoint, I mean, first and foremost, we continue to prioritize our BEI spend and our objective is that, that grows as a percent of net revenue year in and year out.

Obviously, it varies on an area basis and a brand basis as we look at which brands are most receptive to the BEI, and we have some environments where it's making sense to shift some of that investment into trade versus BEI.

From a waiting across the year, I don't expect to see a significant difference between the front half and the back half from a percent of net revenue standpoint. Obviously, different innovations hit at different times. But when you look at the group level, I don't expect there to be a significant difference. I think your next one was China. So I'll hand to Kris.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Yeah, Durex China, I think you asked about the nature of competitiveness and promo. I mean it is just promotional investment. And some of our competitors have decided that they wanted to add some promotional offers that go beyond what we saw in last year. And obviously, some of that probably has to do with the VAT increase and sort of prices being a bit higher. We have not seen the need to do that yet, and we're keeping an eye on that. But I think it's -- again, it's sort of -- I would describe it as tactical promo activity and not something as market leaders that I think we need to be overly concerned with, but we're paying attention to it.

From a competitive standpoint, China is a dynamic market. And obviously, we've done really well, and we're doing well, like I said, in all our businesses in China, not just in Durex. But I think what's probably worth highlighting is there's some competitors that we have competed with for a long time, and we have done well over the years.

And then I think there's newer competitors that are starting businesses that are more e-commerce driven and sometimes more and more niche or focused on a particular consumer. And some of those are doing a pretty good job.

I mean so I think this will remain a competitive marketplace. We are not worried about that competition. It makes us better, too. And as we've shared before, we have some very advantaged capabilities that we will continue to harness in China, and I have a lot of faith that, that will go well this year.

You asked about delisting. That was your third question. I would say this has not been a major factor for our business. I mean obviously, as with any large consumer goods company like us, you see listings coming in and coming out, but I wouldn't say that there's any sort of significant delisting impact. If anything, we've done really well in some of our recent reviews with our largest customers. And we referenced good progress on that so earlier. So I'm actually pleased with how selling into our customers is going.

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Thanks, David. Okay. We can Celine and then after Celine, we're going to go to Jeff at BNP. So Celine, over to you.

Celine Pannuti JPMorgan Chase & Co - Analyst

Thank you so much for taking my questions. My first question, if you refer to innovation in Mucinex is it possible to quantify, I mean, Mucinex is more than 1 billion brand in sales. So how big that launch could be in relation to the to the overall sale because it seems that a lot of the growth acceleration we will see in North America coming from that.

And my second question, which probably is quite related. If I look at the 4% to 5% guidance and trying to look at the building block, but from a regional perspective, so you're guiding for high single digits 7-8 for H1 for Emerging Markets, which are the things tougher, especially in Q4 and then the Russia impact will be there.

So I would presume you could even see the generation in the second half in Emerging Market. So that means the developed market to pick up quite materially, and we should probably be around, I don't know, 2% to 3% for the year. I just want to understand whether is that a fair way to look at it? Both Europe and North America to be positive, maybe North America more positive? And maybe that's linked to the first question on Mucinex. Thank you.

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Thanks, Celine. I will start on Mucinex. So you're right, Mucinex is a very large business, a Powerbrand and a leader in our categories. Obviously, Mucinex as a range always responds when we have a strong season, right? So now that the season resets, Mucinex is again looking to meet consumer needs.

And I'm sure that Mucinex will perform well and a more normal seasonal environment. And that's in and of itself a really big significant swing, okay? So it's not just reliant on the innovation, we happen to have a really strong innovation lineup for the year for Mucinex and the 12-hour cold and fever product is uniquely new to the category. And one of the biggest innovations that we have been able to bring to market in some time.

We typically don't quantify those. I think I probably told you before that I prefer that we speak about the numbers when we have delivered them rather than what we expect them to be. And so but obviously, the reason why we're talking about it is because it's

quite significant. So the sell-in of that has gone well. We started shipping in June, and then we'll definitely share with you in the coming quarters how that's going, but I expect it to go well.

Shannon Eisenhardt *Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director*

Then I can take the question as far as the guidance goes, Celine. I think -- the way I would think about the halves and the guidance is I'd start with the fact that our Q1, when you back out the season for Core Reckitt, we were at 3.1% like-for-like growth.

And so we will need an acceleration, obviously, as the year continues to progress. But I think it's a pretty manageable level of acceleration that we're looking for. And so while we don't guide at the area level, you're absolutely right. And we've tried to give some proof points today around the belief that our developed markets together that we will see that acceleration.

And so again, for both North America and for Europe, it's the fact that we're resetting the season. For both North America and for Europe, we talked about innovations and the strength of innovation, our innovation pipeline that we expect to deliver.

And then, again, I think it's worth noting that our Emerging Markets business, even with these headwinds is delivering right in that range of high single digits, and we continue to see really strong growth coming through both China and India. And so we are confident that we can deliver against this acceleration that gets that 3.1 when you exclude the season up into Core Reckitt delivering that 4% to 5% growth over the course of the year.

Celine Pannuti *JPMorgan Chase & Co - Analyst*

Thank you. Can I just want a follow-up, which may not or may be quick, but there has been news that one company may be looking at Mead Johnson, and I want -- obviously, we still have this ongoing litigation. So I just wanted to understand whether selling Mead Johnson with maybe separating the litigation could be something that you would be looking at as a potential? Or is there anything you can tell us about a potential timing on settlement?

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

I think you said that this could be long or short. I mean the short version is no. There's no news that we can share today. But I understand that you're interested in this topic. All we can say is that we continue to review our strategic options for Mead Johnson. It is a Non-Core business. It is a good business, and it's trading well, and we will keep you posted when this new information to share.

Celine Pannuti *JPMorgan Chase & Co - Analyst*

Thank you.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Thanks, Celine. Okay. We go to Jeff, and then we're off to Tom at Deutsche. So Jeff, over to you.

Jeff Stent *BNP Paribas - Analyst*

Good morning. Just really a sort of housekeeping question. But if I put together everything that's been said, so it strikes me that there should really be any material movement in consensus earnings? And is that your expectation?

Shannon Eisenhardt *Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director*

I think that makes sense. When you put together what we've tried to provide us the context of the guidance. Yeah, I agree with that.

Jeff Stent *BNP Paribas - Analyst*

That's great. Thank you.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Thanks, Jeff. Tom, and then Olivier is the last one online and then we've got a couple of questions that have been typed in. So Tom, over to you.

Tom Sykes *Deutsche Bank AG - Research Analyst*

Thanks. Good morning, everybody. Just -- sorry, coming back to the seasonal product improvement in H2. Do you see that as H2 or Q4? Because your seasonal OTC business, you said last year was down a little over 3% in Q3, which is weak, but is not that weak. And you said that you lapped a COVID spike in Q3 '24. So are you saying that your seasonal business will go back to the level that you saw of a COVID spike in 2024. I don't quite see whether that's Q3 sell in, which you say every year is the same or whether this is Q4 improvement on sell-in and sell-out, please?

And then on Russia, obviously, it's a bit of a surprise that you were asked about at the full year. What visibility do you have on the Russia business? I mean when did you find out this was an issue, and how much cash at all is kept in the Russia business, please, I believe it's probably 3% plus of the -- Thanks.

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

Okay. Thanks, Tom. I'm going to start on cold and flu. So the first thing to remember about this is our net revenues are obviously a function of the pattern of shipments and sell into the trade. And so we sell in a season starting in June, and then we go all through Q3 and Q4.

So fluctuations in incidences and offtakes are not that closely related to our seasonal sales through that period because, as you know, we ship to a season and then that inventory makes its way to the shelves and is available through the season.

And then, of course, if there's high levels of demand, we ship again at points in the season. So I just want to make sure it's clear that these things are not directly related sort of week by week, month by month because of how the industry functions. This is not unique to us. This is how the category is shipped.

That being said, yes, we're saying we expect to have some good tailwind in the seasonal business in the second half. And we have this exceptional innovation that we're very focused on and harnessing the full potential of that in the fall and then obviously into '26 -- '27, rather, that will be an important growth platform as well.

Shannon Eisenhardt *Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director*

And I'll take the Russia question. And similar to Kris, I'll just call out the fact that there's obviously restrictions around our personal involvement in Reckitt Russia business, and we rely on the local teams to really manage that business.

From a visibility of the sanction standpoint, it was really late '25 is when we had visibility to the potential implications of the changes in sanctions and how we think through our categories and businesses within Russia.

At that point in time, our belief was that -- it was an impact that would happen for a quarter or I think the key change is that we now believe, and obviously, it's a complex and dynamic situation, but we believe that this is an impact that will persist for the foreseeable future. And so as the length of the impact has crystallized and as we now believe that to be a full year impact, that's why we're now taking time to communicate that and to ensure folks have the right expectations around the impact that, that has on our overall Emerging Markets results.

Obviously, we're very pleased that even in light of these kinds of volatilities and headwinds within emerging markets, we're still delivering within that high single-digit guide that we've been talking about for many, many quarters at this point. From a trapped cash standpoint, we do not disclose the amount of trapped cash that our Russia business currently has on hand.

Tom Sykes Deutsche Bank AG - Research Analyst

Okay. Thank you. Sorry, if I could just come back on the seasonal point. I mean, I'm trying to understand, is Q3 just a regular sell-in for -- and the growth or the benefit is coming in Q4? Or do you think that Q3 should also be showing a decent sell-in benefit because there's obviously, as you say, it's not a big instance quarter. And is Mucinex 12-hour I mean is the innovation coming at higher price, and is pricing an important aspect of this break as well?

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Yeah. So Tom, let me try to be clear. So Q3 is when we ship most of the products for the season. And so anything that pertains to our shelf position, our new innovation will be an upside. If those things go well, our growth will come through in Q3. if that makes sense.

And yes, our innovation is premium priced because it delivers a whole new benefit to the category. And obviously, that's our whole model. We premiumize with new innovation and better products. So I don't know if that answers your question, but our performance in the seasonal business in Q3 is a function of all the parts that we do to drive growth in our business.

Tom Sykes Deutsche Bank AG - Research Analyst

Okay. Alright. Many thanks, indeed. Thank you.

Nicholas Ashworth Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations

Alright. The last one online is from Olivier from Goldman. Olivier, over to you.

Jean-Olivier Nicolai Goldman Sachs Group Inc - Analyst

Alright. Thank you, Kris and Nick. Good morning, Kris and Shannon. Two questions, please, just to finish. Could you first comment on seasonal OTC profitability. I remember that most of the Mucinex supply to the US is currently imported from Europe. Considering the increase in site costs and the current disruption, should we expect a material impact on profitability there?

And secondly, going back to Household Care and Finish specifically in Europe. I think you flagged that the innovation of Finish Ultimate Plus delivered double-digit growth, yet finish overall was quite soft in Europe. So how do you interpret this bifurcation in consumer strength?

Kris Licht Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director

Okay. Thanks, Olivier. So cold and flu, we have very high gross margins, we don't disclose the gross margins for individual product lines. As I think you know, but let's just say, these are very high gross margins. And that means that any impacts in these particular categories from cost increases are generally small.

In addition, we, of course, know that we have leading equities, number 1 equities, and we have excellent innovation. And so if we have to make any adjustments, we certainly have the ability to do that. And over the course of the years, when we've had to offset bigger cost increases, we've been able to do that in the health portfolio with really no meaningful impact, especially in this high-margin segment.

Shannon Eisenhardt Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director

Yeah. And then on Finish, I mean, it's worth noting that we called out the fact that in our Europe results within that we had 1.5 points of positive mix coming through within our results. And so -- that was significantly driven by our results on Finish and by the success we're seeing at the more premium levels of our Finish business.

However, we also called out the fact that the Finish overall net revenue was down. And so I think that's a reflection of what Kris has been describing as far as a consumer under pressure. And seeing that more at the low end when you think about sort of tiers of consumer. And so that's that sort of bifurcation of results that you're seeing come through in those numbers.

Jean-Olivier Nicolai *Goldman Sachs Group Inc - Analyst*

Thank you very much.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Thanks, Olivier. So I think those are all the ones we've calling in. I've got a couple written in, so from Karel at Kepler. Based on your comments for Core markets, do you expect that in Q2, you are back in the 4% to 5% growth range? And can you expand on what is driving on the drivers of improving underlying ex flu trends in the North America market? What's driving North America? And then do you want to give any specific guidance for Core Reckitt in Q2?

Shannon Eisenhardt *Reckitt Benckiser Group PLC - Chief Financial Officer, Executive Director*

I don't think so beyond what we've provided is trying to shape what the geographies are going to look like. But I think we can talk to the non-seasonal North America business.

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

Yeah. I mean it's just a really strong performance. And it's broad-based, but Lysol is to stand out. So really excellent performance from Lysol and this has been an accelerating business for some time now. And this shows the power of our innovation.

I mentioned earlier that both Lysol Air and Laundry Sanitizers are doing extremely well. And these are really platforms that we've created that are new to the category that continue to provide great growth and do premiumize the category too. So just our playbook at work, I would say, and just a really great example.

We're also seeing really good traction with our retail partners in North America, and I'm very pleased with executional improvements that I'm seeing on that front. And I also think our supply chain is getting stronger. So in North America, we have a lot of things coming together to contribute to what I think will be a strong year.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Thanks, Kris. And just a flag, but we will obviously be talking more detail about North America market, our Reckitt Focus On in November in New York, and you can already sign up that. The second question is from Callum Elliott from Bernstein. China and India still very strong in Q1. Can you talk about how growth in those two big markets evolved through the quarter? Did you see any impact or slowdown in growth towards the end of the quarter and the way the Middle is conflict and its impact on gas prices, et cetera?

Kris Licht *Reckitt Benckiser Group PLC - Chief Executive Officer, Executive Director*

Sure. Yeah, they were very strong, both of them. And actually, as you can see, India is accelerating. And China has remained very strong for 11 quarters, and we continue to expect it to be strong. We have not seen any impacts on trading, really. So I think you're thinking about that something happened in March or towards the end of March. We haven't seen anything yet, but obviously, we're paying close attention to it. And we have nothing more that we can share on that today.

Nicholas Ashworth *Reckitt Benckiser Group PLC - Senior Vice President of Investor Relations*

Alright. Thank you very much, and thank you very much for joining the call. I think that's all the questions. If you have any more, please do reach out to me and the team we're around today. Just to say, the next time that we will be with you is the Reckitt Focus On about Digital Science May 14. It's virtual. Hopefully, you can see on the screens, and you can sign up now and look forward to seeing you then. Thanks a lot.

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