Smith+Nephew Q2/H1 2026 Results

Tuesday, 4th August 2026

Introduction

Deepak Nath

CEO, Smith+Nephew

Summary

Good morning, everyone. Welcome to the Smith & Nephew Q2 and Half One Results Presentation. I am Deepak Nath. I am the Chief Executive Officer, and joined by John Rogers, who is our CFO.

This quarter, we delivered underlying revenue growth of 1.6%, which was lower than expected. Sports Medicine & ENT performed strongly once again, with consistent delivery across regions and categories, and we saw double-digit growth from many of our key products. However, this was offset by softness in US Orthopaedics, and in Advanced Wound Bioactives.

In US Orthopaedics, knees remain weak, reflecting similar dynamics to Q1, although we saw sequential improvement as expected, and we do anticipate further improvement through the remainder of the year.

US hips were affected by a delay in CATALYSTEM deployment and a tough comparator, with growth expected to resume as deployment increases during the balance of the year. Within Bioactives, SANTYL growth was primarily impacted by strong distributor demand in the prior quarter, which did not repeat. This should normalise over the balance of the year.

Despite the slower start on revenue, trading profit was strong at $566 million. Excluding M&A, trading profit grew by 9%, supported by stronger-than-expected efficiency savings and tariff refunds that fully offset the forecast tariff headwinds.

Taking into account revenue performance, we now expect underlying revenue growth of around 4% for 2026. We recognise that Orthopaedics is not where we would want it to be, but we remain focused on delivering better performance as we strengthen the portfolio and build on the margin progress that we have made.

We have clear growth drivers across all three business units that support our outlook for the remainder of the year. Importantly, despite the revised revenue outlook, we still expect to deliver our original guidance for profit, trading profit, free cash flow, and ROIC. This includes an additional $50 million in efficiency savings that we identified for 2026, taking our total expected savings from $150 million to $200 million, and a broadly neutral impact from tariffs, net of refunds.

The changes that we implemented in our 12-Point Plan have made the Group more resilient and better able to respond to these challenges.

With that, I will hand over to John to take you through the financial performance, and I will come back after it's done. John?

Q2 2026 Revenue

John Rogers

CFO, Smith+Nephew

Q2 2026 summary revenue performance

Thank you, Deepak. Revenue for the quarter was $1.6 billion, representing plus 1.6% underlying growth and 2.8% reported, including 120 basis points tailwind from foreign exchange.

Geographically, the US declined by 1.3%, reflecting softer performance in Orthopaedics and Advanced Wound Bioactives. Other Established Markets grew by 1.7%, with performance led by Canada, Australia, and New Zealand, continuing the good momentum seen in the first quarter. Emerging Markets grew 10.6%.

Excluding China, Group growth was 1.4% on an underlying basis, and we continue to expect China to be broadly neutral to growth for the full year.

Sports Medicine & ENT

Strong growth in Joint Repair and AET; ENT impacted by China VBP as expected

Let me now take you through the business units in more detail. I will start with Sports Medicine & ENT, which had another excellent quarter and grew 8.6%. Within Sports Medicine, the underlying growth drivers remain unchanged, reflecting the continued momentum of our key growth platforms and consistency of performance across the portfolio.

Growth was broad based across regions and Joint Repair and again, delivered double-digit growth, supported by strong demand for Q-FIX KNOTLESS and REGENETEN.

In AET, FASTSEAL and Services continued to be the main contributors to growth. In China, after intentionally restricting inventory in the channel at the end of last year and ahead of the implementation of VBP, we saw strong demand for our products during the quarter. We continue to expect VBP to be implemented in the second half.

Sports Medicine revenue again exceeded our recon and robotics revenue.

Turning now to ENT. Outside of China, we saw strong growth globally, including double-digit growth in Other Established Markets and Emerging Markets, as well as in our ARIS COBLATION wands for Turbinate Reduction and our HALO Wand for tonsil and adenoid surgeries.

In China, we continue to reduce inventory in the channel ahead of VBP implementation, which had a negative impact on our growth. We still expect the profit headwind for China VBP to be around $15 million to $20 million for the full year.

Advanced Wound Management

Solid growth across AWC and AWD; AWB impacted by US reimbursement change and strong prior quarter for SANTYL

Let us now look at Advanced Wound Management, which declined by 2.1% in the quarter. Within that, Advanced Wound Care grew 3.7% with good growth overall, led by US ALLEVYN and strength in our Emerging Markets.

Our ALLEVYN COMPLETE CARE launch is off to a strong start in the US with good early momentum, and we were pleased to launch in Europe in this quarter.

In Bioactives, revenue declined 12.7% for the quarter, driven by the reimbursement change in skin substitutes and a soft quarter for SANTYL. SANTYL benefited from strong distributor demand in Q1, which resulted in a softer Q2. We have also seen some impact from one of the payors introducing prior authorisation for certain doses of SANTYL. Underlying demand remains healthy, but the change is creating friction in the prescription process, and we are taking action to address this and expect SANTYL to return to growth in the second half.

In our skin substitutes business, we continue to face headwinds in the US, as a result of CMS reimbursement changes that came into effect at the start of the year. We saw a sequential improvement from the first quarter, driven by hospitals. However, volumes and pricing in non-surgical settings remained under pressure, particularly in mobile, where we have limited exposure.

The market is adapting more slowly than expected, which continues to affect billing efficiency and inventory levels across the channel. We now expect the trading profit headwind from skin substitutes to be towards the upper end of the previously guided $20 million to $40 million range. We remain confident in the long-term fundamentals of the segment and see opportunities to benefit as the market normalises.

Advanced Wound Devices grew 3.8%. LEAF delivered double-digit growth, reflecting strong demand. Both PICO and RENASYS performed very strongly in emerging markets as we continue to expand geographically.

PICO sales in Other Established Markets were impacted by doctor strikes in Spain in the surgical sector, and the timing of tender offers. In the US, sales of RENASYS remained soft in the acute care channel, while performance in the post-acute channel was good.

Orthopaedics

Soft quarter in Knees and US hips with solid growth in Trauma & Extremities

Turning now to Orthopaedics. This declined 1.0% on an underlying basis, primarily reflecting the ongoing issues in US knees ahead of new product launches and temporary headwinds in US hips.

Following four consecutive quarters of above-market growth in US hips, we saw softer performance this quarter against a tough comparator. CATALYSTEM continues to grow strongly, but Q2 was impacted by a delay in set deployments and an increasing proportion of existing customer retentions versus competitive conversions. We see a clear path to re-acceleration over the remainder of the year as CATALYSTEM set deployment increases.

As the product moves into its third year post-launch, growth should remain strong, albeit at a lower rate than during the initial launch phase.

US knees remain weak, but we are seeing gradual improvement as expected. The underlying dynamics are unchanged. Deliberate portfolio and capital discipline, combined with an ongoing market shift towards cementless, continue to influence performance in the near term.

Sequential improvement was driven by strong uptake of LEGION MS and double-digit growth in LEGION CONCELOC, our cementless offering. LEGION MS now represents almost 20% of our LEGION mix, up from 15% in Q1, and is enhancing the competitiveness of our installed base. We continue to expect improvement through the year, driven by increased LEGION MS set deployments. This will remain the main driver until LANDMARK launches.

Outside of the US, knees were impacted by a large tender order in the Middle East in the prior year quarter that did not repeat. Hips benefited from the launch of CATALYSTEM in Japan, although we saw some isolated weakness in Australia where we await regulatory approval of CATALYSTEM.

Trauma & Extremities performed well overall. We continue to see good growth in EVOS, IM Nails, and Shoulder, driven by our AETOS implant. We are seeing the impact of competitor launches in the US, but we expect growth to strengthen in the second half as we launch EVOS, Pelvic and ramp up TRIGEN MAX.

Finally, Other Reconstruction grew 0.8%. This business can show some quarter-to-quarter volatility as revenue is influenced by contract timing and mix. This was more pronounced in the period, given another strong prior year comparator. That said, we saw double-digit growth in CORI deployments globally, alongside continued growth in utilisation and penetration. We expect growth to accelerate in the second half, supported by an easier comparator in Q3, continued strong demand for our robotic platform, and good uptake across ASCs and teaching institutions.

H1 2026 Financials

Now I will move on to the half-year financials.

H1 revenue growth by Business Unit

For the half year, revenue was $3.1 billion, up 2.3% on an underlying basis and up 4.6% on a reported basis. There was one fewer trading day versus the prior year, with underlying revenue growth of 3.1% on an average daily sales basis.

Consistent with the performance in Q2, we saw strength in Sports Medicine offset by softness in US Orthopaedics and Advanced Wound Bioactives.

H1 trading income statement

Moving on to the summary P&L. Underlying gross profit was $2.2 billion, representing a gross margin of 71.1%, up 60 basis points year-over-year. This was driven by greater-than-expected efficiency savings across manufacturing and procurement, which more than offset cost inflation and the headwind from inventory revaluation.

Tariff refunds fully offset the forecast tariff headwind to gross margin. Trading profit increased $43 million to $566 million, with trading margin expanding 60 basis points to 18.3%, reflecting the benefits of higher gross margin and ongoing cost savings.

H1 operating profit and EPSA

Moving further down the P&L. IFRS operating profit grew 4.3%, reflecting temporarily higher restructuring charges, driven by further optimisation of our manufacturing network and higher acquisition costs driven by, of course, our acquisition of Integrity. Basic earnings per share grew ahead of this at 6.2%, reflecting the buyback we announced at Q1, and adjusted earnings per share grew by 11% to $0.477.

The interim dividend of $0.156 per share is up 4% on half one 2025.

Trading profit growth in H1 despite headwinds

I will now take you through a more detailed bridge of our trading profit growth. We absorbed $119 million of headwinds from cost inflation, inventory revaluation, changes to Wound reimbursement, and China VBP while continuing to invest $33 million in our growth. This was more than offset by $59 million of operating leverage and $128 million of efficiency savings, which I will discuss in more detail shortly.

While we had previously guided to an incremental tariff headwind in 2026, refunds received in the first half meant net tariffs were broadly neutral to profit growth. Foreign exchange also had a broadly neutral impact.

As a result of all this, trading profit growth was 9.0%, excluding $4 million dilution from the acquisition of Integrity Orthopaedics.

Delivering savings well ahead of expectations

Now, as I said, turning now to efficiency savings, we have delivered around $130 million in the first half, well ahead of expectations. Of this, approximately $50 million came from the 12-Point Plan and Zero-Based Budgeting initiatives. As a result, we have now achieved $330 million of cumulative savings since launching these programmes, reaching the lower end of the $325 million to $375 million target that we set ourselves at our 2024 interim results, more than a year ahead of schedule.

We expect further benefits to be realised through the remainder of 2026 and into 2027. The remaining $80 million in the first half came from additional opportunities across procurement, manufacturing, sales and marketing, and business support functions. We expect a further $70 million of savings in the second half from both the 12-Point Plan and ZBB and other opportunities.

This takes forecast efficiency savings for the year up from around $150 million previously to around $200 million. The additional $50 million is expected to come primarily from manufacturing, including from ongoing footprint optimisation, as well as procurement and sales and marketing.

FY26 trading profit growth unchanged

Our 2026 guidance for trading profit is unchanged. We expect to deliver around 8% reported trading profit growth, excluding M&A, and around $1.3 billion of trading profit, including the impact of Integrity.

We now anticipate that the year-on-year impact of tariffs will be broadly neutral to trading profit, net of refunds. The headwind from skin substitutes is expected to be towards the upper end of the previously guided $20 million to $40 million range, and there are no changes to our assumptions regarding inventory revaluation or China VBP.

As previously disclosed, the acquisition of Integrity Orthopaedics is expected to be marginally dilutive to trading profit in 2026, broadly neutral in 2027, and accretive from 2028.

H1 trading margin by business unit

Coming now to trading margin by business unit. We saw 160 basis points increase for Sports Medicine & ENT margin to 24.7%, a 10 basis points decrease for Wound to 22.0%, and a 30 basis points increase in Orthopaedics margin to 13.0%.

In Sports Medicine & ENT, margin expansion was driven by operating leverage and efficiency savings. In Wound, the small margin decline reflected the impact of US skin substitute reimbursement changes, largely offset by savings initiatives.

In Orthopaedics, manufacturing savings from network optimisation, ongoing productivity initiatives, and disciplined cost control more than offset the headwind from inventory revaluation and softer revenue growth. We expect further margin expansion over time as we work through the inventory revaluation headwind and benefit from improving revenue growth, the impact of actions already taken to right-size our manufacturing capacity, and our Ortho 360 operating model.

These results demonstrate the operational excellence we are driving across the business.

Inventory health improved and reduction in DSI by BU

As you know, inventory remains a key focus for us even now that we have completed the 12-Point Plan. Group DSI, day sales inventory, fell by 72 days, including the reclassification of instrument sets from inventory to PPE, and by 40 if you exclude that. The bigger reduction came from Orthopaedics, down 62 days, excluding reclassification, reflecting continued work to reduce the number of units in inventory and a focus on capital efficiency.

We also saw a reduction in Sports Medicine DSI, albeit to a lesser extent than in Orthopaedics, and no change in Wound DSI excluding the reclassification. Both Sports and Wound are already much closer to industry benchmark DSIs.

We expect to make further progress on inventory in 2026.

H1 cash flow and cash conversion

Trading and free cash flow primarily impacted by increase in capex and other working capital

Moving on to cash flow. Trading cash flow was $437 million in the first half, down $50 million year-over-year. This reflects a $51 million step-up in CAPEX year-over-year, driven by investments in our new Wound manufacturing facility in Melton and in some IT investments. We do not expect this increase to repeat in the second half, and cash generation should improve versus half two 2025.

Other working capital was higher, largely due to timing of bonus accruals and related cash payments. Cash conversion was 77%, and we anticipate this will improve over the course of the year.

Free cash flow was $231 million, down $13 million year-on-year, again, reflecting these factors I have just mentioned and partially offset by reduced restructuring cash costs. We continue to expect free cash flow in 2026 of around $800 million, driven by profit growth and continued focus on working capital, offset by a modest temporary increase in restructuring costs.

Net debt bridge FY 2025 to H1 2026

Strong Balance Sheet

Net debt increased over the first half to $3.0 billion, an increase of $260 million, resulting in a leverage ratio of 1.8 times adjusted EBITDA, within our target of around 2 times. The increase was driven by our investment in our business, the acquisition of Integrity Orthopaedics, growth in our dividend, and of course, the $500 million buyback we announced in Q1, of which we have actually now completed $260 million as of 3rd August. This is in line with our capital allocation priorities.

More robust and resilient business, despite slower than expected revenue growth

Before I turn to guidance, I want to highlight the progress we continue to make across margins, working capital, cash flow and returns. This broad-based improvement reflects stronger operational controls and helps make Smith & Nephew a more resilient business, better positioned to manage through periods of revenue softness or external challenges while maintaining progress against our long-term objectives.

Updated 2026 guidance

Coming now to our updated outlook. Reflecting softer performance in US Orthopaedics and SANTYL, we now expect second half growth to be in the range of 5.0% to 5.5%, and full year growth to be around 4.0%.

Notwithstanding the lower revenue outlook, we are maintaining all other metrics of our guidance. We continue to expect around 8% trading profit growth, excluding M&A for the year, and this translates into approximately $1.3 billion of trading profit, including marginal dilution from the Integrity acquisition. This reflects the step-up in efficiency savings that we are delivering across the business, together with the removal of the forecast tariff headwind.

The progress we demonstrated in the first half gives us confidence we can remain disciplined on costs while supporting improved revenue growth in the second half. We also remain on track to deliver around $800 million of free cash flow and a return on invested capital above 10%.

Drivers of H2 revenue step -up

Let me finish by outlining why we are confident in a step-up in revenue growth. We expect second half growth of 5.0% to 5.5%, driven by factors across all three business units.

In Sports Medicine, we expect continued momentum across segments, including strong growth in REGENETEN and FASTSEAL.

In Advanced Wound Management, we expect to see stabilisation in US skin substitutes, building on the sequential improvement we saw in Q2 versus Q1. We also expect a return to growth in SANTYL, further rollout of ALLEVYN COMPLETE CARE in Europe, the ongoing launch of next-generation LEAF, and the benefits of greater investment behind PICO.

In Orthopaedics, we expect an improving trajectory in US knee implants driven by LEGION MS and the launch of the cementless version of LANDMARK. We also expect US hip implants to return to growth as we deploy more CATALYSTEM sets. Of course, we will also have one extra trading day in the fourth quarter.

With that, I will hand you back over to Deepak.

RISE Strategy

Deepak Nath

CEO, Smith+Nephew

RISE Strategy: H126

Deepak Nath: Thank you, John. Before we conclude, I wanted to spend a few minutes talking about the progress we have made in the first half against each pillar of RISE, which is our strategy for the next three years.

These are the actions we are taking to strengthen the business today and position ourselves for sustainable growth over the long term.

In order to reach more patients, we continue to expand access to our technologies through geographic expansion, new product introductions, and important clinical milestones across our portfolio, including completing the first knee and shoulder procedures using our CORI XT handheld robotics platform and the European launches of ALLEVYN COMPLETE CARE and RENASYS EDGE.

To innovate, we advanced our pipeline, strengthened our clinical evidence base, and launched a number of new products across all of our business units, including FLOW FLEXTEND and LYNX in Sports Medicine & ENT, EVOS Pelvic in Orthopaedics, and LEAF 3.0 in Advanced Wound Management. That brings the total number of new products launched so far this year to nine, putting us well on track to launch 16 for the full year. A key highlight was receiving the FDA approval for TESSA, our spatial surgery system, which I will come on to shortly.

To scale, we continue to invest behind our highest priority growth opportunities, including the acquisition of Integrity Orthopaedics to strengthen our leading shoulder repair portfolio, sales force expansion for PICO, and continued progress in our new Advanced Wound Management manufacturing facility in Melton, which remains on track to open actually in 2027.

To execute, remain focused on driving productivity across the Group, portfolio simplification, and operational excellence. We are making good progress on streamlining our portfolio, which will allow us to manage significantly fewer SKUs across our value chain and improve our capital efficiency.

Earlier this quarter, our Advanced Wound Management manufacturing facility in Suzhou, China, was recognized with the prestigious Shingo Prize, which reflects more than a decade of sustained operational excellence and continuous improvement. Importantly, these are not just strategic priorities.

Incremental and transformative innovation pipeline with strong cadence

They are translating into tangible growth platforms that we believe can create value for shareholders for many years to come.

The clearest example of that is in innovation, where we are building a portfolio of technologies designed to both take share in existing markets and create entirely new growth opportunities. In Sports Medicine, we now have four differentiated growth platforms that we refer to as our Big Four. REGENETEN continues to perform strongly, delivering around 20% growth in the first half, with significant runway remaining to expand penetration in rotator cuff repair and across other tendons and extra-articular ligaments.

Our Integrity acquisition is performing ahead of our expectations, and integration is progressing well as we increase manufacturing capacity and expand our commercial capabilities.

With CARTIHEAL AGILI-C, we are continuing to build awareness and adoption in the US ahead of the new reimbursement beginning in January of 2027, while also expanding internationally with our first cases completed in Australia, Italy, and in Belgium.

In this quarter, we achieved an important milestone with the FDA approval of TESSA, the first in industry spatial surgery platform. TESSA combines advanced imaging, navigation, and AI-enabled assistance to help surgeon perform arthroscopic procedures with greater precision. The initial application is femoral tunnel drilling. We see a significant long-term opportunity to extend the platform across multiple joints and procedures.

In Advanced Wound Management, ALLEVYN COMPLETE CARE strengthens our position in one of the largest and fastest-growing segments of the wound care market. Initial customer feedback has been encouraging, highlighting meaningful differentiation versus current products that are actually on market today.

We are also expanding our Advanced Wound market through the recent launch of LEAF 3.0 and by bringing PICO into new care settings and patient populations.

In Orthopaedics, we continue to build a connected ecosystem around CORI, linking planning, execution, and outcomes to support more personalised care and better optimised clinical workflows. CORI XT provides the foundation for our existing robotics platform. We performed our first robotic shoulder procedures on XT in February, the first knee procedures on it in May. We remain on track to launch our hip execution in the first half of 2027.

Alongside robotics, our implant innovation continues to gain traction. CATALYSTEM is growing and becoming an important contributor within hips, while in knees, increasing set deployments and supporting broader LEGION MS adoption.

We are also looking forward to the launch of LANDMARK in the third quarter, our most robotically enabled implant system that we have developed to-date.

Overall, the breadth and strength of these innovation platforms give us confidence in our ability to deliver sustainable growth over time through a combination of market expansion, share gains, and new category creation.

Key messages

In summary, our second quarter performance was below our expectation, with the strong momentum in Sports Medicine offset by softness in US Orthopaedics and Advanced Wound Bioactives. That is leading us to reduce our revenue outlook for the year.

That said, we remain confident that the growth will step-up in the second half, and John has taken you through the drivers of all of that across our business units. Importantly, while we are lowering our revenue outlook, we remain on track to deliver our original trading profit guidance, free cash flow, and ROIC. This is supported by a step-up forecast of efficiency saving, including a further $50 million of savings that we have identified, which helps offset the impact of lower revenue growth.

We also continue to build a more resilient and agile business. We are investing behind our growth platforms while driving improvements in margin, cash flow, and return, strengthening our ability to respond effectively to challenges.

While Orthopaedics is not where we want it to be, we remain focused on improving execution and delivering better performance. At the same time, we are positioning the business to capitalise on the significant opportunities that we see ahead.

These include the LANDMARK launch in knees, robotic execution on CORI in hips, the Big Four in Sports Medicine, launching new products and entering new settings in Wound, and our broader pipeline of innovation. Taken together, these factors reinforce our confidence in the underlying strength of the business and our ability to create long-term value.

With that, we are ready for your questions.

Q&A

Jack Reynolds-Clark (Morgan Stanley): Thank you very much for taking the questions. I have three, please. First, on US Orthopaedics. Could you run through specifically what went wrong here? How much of it was the market, how much of it was other issues, and what you are seeing so far in Q3? If it has any impact on your assumptions around mid-term margin expansion?

Then in 2026. The H2 guide obviously implies a pretty substantial step-up versus H1. Given the comments around VBP delay, where do you see the biggest half-on-half step-up on a segmental basis and really what gives you the confidence in that new guide?

Lastly, on the mid-term guidance. 4% growth in 2026 is very much below the mid-term guidance range. What do you see as stepping up in future years to offset that?

Deepak Nath: Yes, sure. Let me talk about that in turn. US Orthopaedics, there is some market slowdown. That is not the biggest factor. The biggest factor are really company-specific factors. Fundamentally, it is knees. We had flagged that we are behind the market largely because of the portfolio gap we have. So we are not able to participate in the fastest-growing part of knees, which is cementless. We only have that on one half of our installed base.

In Q3, when we launch LANDMARK, we will be better able to retain the market in the other half where we do not have a cementless offering. By far, that is the biggest factor. That is the challenging thing that we are navigating through. We called that out as a factor in Q1. We continue to see it in Q2, although there was some sequential improvement. I will come on to what we see for half-on-half, but that is the fundamental factor that is driving softness in US Orthopaedics.

There was a temporary blip in US hips. CATALYSTEM continued to grow very nicely. We are in the third full year of launch. We do expect, as we go step forward from here, at some point, we are going to need to pivot from competitive takeouts to more holding onto our business retention. That will happen as we progress through the launch. There was a slower-than-expected deployment of sets.

These instrument sets are optimised for one or the other products. For example, if we are trying to take business away from one competitor versus the other competitor, we need to have slightly different instrument sets. Getting that right is a bit challenging. That is what paced our set deployment from the quarter. It is a blip. We expect to regain that in the back half of the year. Those are the two really the fundamental factors, not so much slowdown in procedures, of which there was some.

Half-on-half, fundamentally what we expect is in Orthopaedics, it is LEGION MS, which strengthens our LEGION offering. That is going to be the most material driver. Then as we bring LANDMARK porous onto market, which will be largely a Q4 effect, like I said, we will be able to better retain the business that we have.

Once we go into 2027, when we have the complete offering with LEGION cemented as well by the end of Q2, we will be able to go from defence into more of an offensive crouch. In Orthopaedics, it is LEGION MS and launch of porous.

In Sports, we will continue the trend that you have seen quarter-on-quarter. There has not really been a H1, H2 effect in Sports when you take away the China effect, and we expect the same to continue in this year.

In Wound, it is PICO. We are investing behind geographic expansion of PICO. We are starting to see some proof of that in Q2, but we expect to see that build in the back half of the year.

Skin subs, which there was sequential improvement Q1 to Q2. As we have said, we are on the upper end of the guidance range that we have given in terms of the impact on reimbursement, but H1 to H2, we expect to see an improvement. Those are the components of H1 to H2 in terms of what accounts for the step-up in growth that we see.

Turning finally to the third question, which is around mid-term guidance. Look, we always knew 2026 was going to be a challenging year. Obviously, it has proved to be a bit more challenging than we thought, and that is largely on the back of US knees that we talked about and the prior authorisations that one of the larger insurers ruled out this year that is impacting. There is more friction in the system with prescriptions. It is not end-user demand, it is really the rate at which prescriptions get filled. That is the reason for why we called down 2026.

The fundamental growth drivers, which are new products, either in existing categories or in creating new categories, those drivers remain well intact, whether it is in Orthopaedics. We talked about LANDMARK launch, we talked about hip execution on CORI, AETOS which is on shoulder, and in trauma, rounding out our EVOS portfolio with the Pelvic offering that is new. On the nail part of the portfolio, IM Nails continuing to improve. So multiple growth drivers in Orthopaedics we have got to look forward to in 2027.

In Sports, Big Four, continued execution on those. Finally, in Wound, it is PICO. It is building out of RENASYS and normalisation of skin subs. These are the growth drivers, as you can see, is multiple of them across all of our business units. It gives us confidence that we are fundamentally a 6% to 7% growth company.

John Rogers: Perfect answer. Maybe just a little bit of colour on the phasing in terms of the second half, so Q3, Q4. We do expect to see a step-up in Q4 performance versus Q3 performance. Q3 will improve on Q2, clearly. Q4 will be stronger. That is not jam tomorrow.

That is very clearly because of the timing of investments that we are making, specifically in relation to the launch of LANDMARK.

In the context of skin substitutes, we are actually starting to lap the impact of last year. Remember, Q4 last year was tough in skin substitutes because of the actions that were being taken by the market in anticipation of the changes to reimbursement. We have got a much softer comp in Q4 on skin subs. There is not only the continued recovery that we have already seen in Q2 on Q1, that we will see come through in Q3, but we also start to lap in Q4 the impact from last year. That would be particularly positive on skin subs.

Of course, dare I say it, we should also mention the fact we have got one extra trading day in Q4. When you add all that up, you will see a big step-up in growth in Q4 versus Q3, just to make that absolutely clear.

To your point around the headwinds on Sports, you are right. Deepak is absolutely spot on, of course, that we are continuing to see the momentum. We would expect Sports & ENT to be a little bit softer in Q3 than we saw in Q1 and Q2 because of the impact of VBP coming in both of those areas in the second half. We have factored that into our forecast, and that is fully baked into the expectation of the top line guidance of the 4% and also the profit guidance as well, which remains unchanged.

Jack Reynolds-Clark: That is great. Could I seek in a cheeky follow-up? If you were to quantify Q3 versus Q4 growth, the phasing there, would you be able to offer any colour there?

John Rogers: I could. Look, in Q3, we will see growth in the order of Q1 type dimensions. If you remember in Q1, we were 3.1% growth, 4.7% on an ADS basis. In Q3, we will see growth of a similar level. In Q4, we will see a step-up in that growth. You can work out the maths, but at the growth level, it will be 6% to 7%. Actually on an ADS basis, it will be just north of five because of the extra trading day. That is a step-up on Q3 in absolute terms, not stripping out the trading day impact. That is because of the skin subs, because of the investments being made in PICO, and the timing of those investments, and because, of course, of the launch of LANDMARK, which takes place towards the end of Q3.

Those are the reasons why we have got confidence in our ability to deliver that 4% for the full year.

Hassan Al-Wakeel (Barclays): A couple from me on Orthopaedics. Firstly, maybe to ask Jack's question a little differently. We have seen knee softness this year. Now we are seeing hips, which has been really strong before today. You have said this is not market driven. What are you doing differently when it comes to execution? Why should not some of these set delays in hips weigh on the second half? Specifically on US hips, how are you thinking about growth here beyond the next quarter or two as CATALYSTEM matures as a product?

Secondly, on robotics. If you can try and unpack the growth in the quarter and the development inquiry, is it entirely a function of comps? How should we think about growth in the second half and beyond given the launch of Mako RPS last month?

Deepak Nath: Okay. With hips, just to emphasise again what I had said around set deployment. First there was a comparator. We had a strong competitor in Q2, so that numerically had an impact. When you look at a two-year stack, it is actually not that much of a deceleration in hips, so it is largely consistent.

With set deployments, just to double-click what I said, largely it has to do with instrument sets. When you are trying to take a customer from their existing approach, whether it is one of our legacy products or one of our competitor products, the instrument that you have to deploy to cater to the surgical approach of that particular surgeon has some variability. It is not just some standard instrument that you deploy that works regardless of which legacy platform that they are using.

Getting the demand right for that instrument is a bit tricky because of that variability. We did not quite get that right, and we were somewhat paced by that in Q2. The combination of numerically stronger comp plus this has led to what you saw.

We have also said, as we progress through the launch, typically what happens in Orthopaedics launches, certainly in the way we approach CATALYSTEM, is we targeted competitive surgeons initially. You expect to do that for a period of time, but eventually, you are going to have to address your base of customers. That mix of competitor versus retention will start to flip from competitor-heavy against retention to more retention-heavy, smaller competitor.

At some point, that will normalise, so we will get back to, in effect, market levels of growth in hips. That is what you should expect as we proceed to the back half of this year and beyond. Hopefully, that explains the blip in instrument deployment that paced Q2, but what you should expect as we go through the launches.

The second question that you had was in CORI for this quarter and beyond. John, you said we had double-digit growth in CORI placements in quarter two, and also that got a similar number in first half. Continue to be pleased with the pace at which we are placing CORI, and also where we are placing them, right, hospitals versus ASCs, teaching institutions versus across the mix. We are having actually nice impact across a range of care settings.

Generally speaking, when I look across the board, we are at least at our market share. That is encouraging. When I look in the ASC, it is slightly ahead of our market share in terms of CORI placements within the ASC. Not by leaps and bounds, but certainly. What it shows is that we are tracking relative to our share.

The strategy we are following is that we are not just placing first and then allowing utilisation to catch up. We are placing where we see a demand, where we see a surgeon who wants to integrate it into their practice, and we are equally monitoring utilisation as we are placement. We could have followed a different approach, but ours is actually placement and utilisation. I am actually pleased with not only the headline, but also the texture of the thing.

You referenced Stryker coming up with their handheld. Look, for me as a headline, there are always questions around, is CORI a science experiment? Is this really in a mainstream platform or not? The last reported number was 1,100 that we talked about. We have talked about double-digit growth off of that, and you can do the rough math.

The fact we are placing in proportion to our share says CORI is a mainstream product where it is being accepted by the market. The fact that there is competitors who are now thinking that they need to have their own handheld platform is validation of our approach, and also speaks to the innovation that is in Smith+Nephew at our scale, where we have taken bold bets. We could have come up with our handheld rather a fixed-arm robot, too, but we did not. We had the strength of our conviction to go with a handheld platform, and great that our competitors are following suit.

At the end of the day, it is deploying them in the playbook that we have developed, and I feel very confident about how we are doing that. Those are the questions that you had.

John Rogers: Just to build a little bit just on Deepak's comments, and notwithstanding that double-digit growth in placements. Of course, when you place CORI initially, they start off with low utilisation and then slowly ramp up over time. Notwithstanding that double-digit growth in placements, we continue to see progression on both utilisation, which has gone up 4 or 5 percentage points from the end of 2025, and also in penetration, which has gone up about 2 percentage points from the end of 2025.

Notwithstanding the dilutive impact of putting out more CORIs there and the buildup curve that those necessitate, we are still continuing to see improving trends in penetration and utilisation, which is very encouraging.

Deepak Nath: I will move so I do not betray a leftward bias in who I call on. I will go to the right part of the room and I'll call on colleagues there, and then I will hop around the room.

Seb Jantet (Panmure Liberum): Couple of questions. Just on tariffs, obviously, you have had the guidance change, but remember, you were talking about $60 million hit prior to that. I just want to check that the gross and the net numbers have not changed so that the refund is still $60 million, and just check the logic that that just shifts as a headwind into 2027 rather than 2026.

John Rogers: Yes, you are right. Just to say it was really clear on tariffs. The P&L impact for last year was $15 million. The anticipated P&L impact for this year was $60 million, so it was a $45 million drag. We now expect refunds for this year to be around $50 million.

Net-net, when you net all that out, it broadly means that tariffs in total compared to last year is neutral on the P&L. The refunds effectively offset what would have been the P&L charge.

Seb Jantet: We will get the headwind next year, effectively.

John Rogers: Then you will get the headwind next year. The cash tariffs is of the order of $50 million. That is the P&L impact in next year will be circa that quantum. There is also a little bit of further refunds that will come through likely in next year.

Look, there is a lot of moving parts on tariffs. We have still got to see the outcome of the Section 232 review that we probably would not find out about until the back end of this year. There is lots of moving parts on tariffs, as you always expect. We would expect a little bit of an offset of the P&L charge next year with some further refunds. Obviously, we will provide more guidance on that when we come to our prelims.

Seb Jantet: Okay. The second question then is just around the cost savings. Obviously, you've managed to get some decent momentum in the cost savings. If I heard you correctly, you were saying the extra $50 million is largely coming from manufacturing and things like footprint reduction, that type of area. Those in my experience take quite a lot of time to achieve. I am just wondering how have you managed to find new ones so quickly there?

John Rogers: There is a lot of efficiency savings in the way that we run our facilities. There is some benefit coming through from the changes that were made historically that was better than expected. There is an element of historical change that has come through better than we thought would come through in terms of the way it is flowing through the P&L.

There has also been changes that we have made in how we operate things. We have also streamlined our operations, for example, from Austin, and also Warwick, which we closed. We consolidated that into our Memphis facility, and we have delivered greater-than-expected efficiency savings. The efficiency savings are not just in manufacturing. The bulk of them, you are right to say, are in manufacturing, but there is also savings we are seeing in sales and marketing. There is also savings that we are seeing in our business services as well.

Deepak Nath: And procurement.

John Rogers: Procurement. Yes. Thank you, Deepak. It is very exciting. I alluded to, I read back the script to the Q1 or the prelim number, and I said at the time, $150 million or possibly better. We always had a little bit of line of sight of being able to beat that $150 million. It is very pleasing to be able to talk about the $200 million target today.

It really reflects an ongoing discipline around our cost savings, that we built initially through the 12-Point Plan and then added to with the ZBB programme. Today, we are now looking at our next wave. We are not going to talk too much detail about this, but a lot of the stuff that we are doing, for example, on putting in new systems and also the overlay of AI, and we are doing a lot of work in the business now to look at how do we fundamentally simplify and streamline our end-to-end processes, which remain quite complex.

We have gone through three phases of cost reduction in our business, the first of which was just to get the P&L in a decent shape to deliver the numbers. The second of which is to basically take our existing processes and take away some of the, what we call the fat and the cost in those. The third wave is to fundamentally simplify and automate and streamline our processes. We are now in that third wave. No doubt we will talk more in the future about what the opportunity to come is.

Deepak Nath: Just two things. One clarification and just more a broader point. Just when you talk about footprint, it is not that we are closing any more factories that we had not contemplated, and you are right, those things take time. It is actually how we are utilising our current footprint that is the key driver, apart from all of the things that John said, how we use Malaysia versus Memphis, in terms of optimising across our network, for example, in Orthopaedics, is one of the contributors to that.

We have called out the spirit of continuous improvement as kind of the key underlying things that enables the strategy to happen. I am pleased to report that some of those things the organisations have embraced very nicely. The spirit of continuous improvements that lead to these additional savings. It is not a point in time activity, it is actually how we are operating the business this way. That is what enabled us to hold to a profit target despite the revenue miss.

Yes, there is not the headwind that we had from tariffs that we expected, but it is more than that. It is all of these additional savings that allow us to make essentially that simple statement come true.

Charles Weston (RBC Capital Markets): Just to quickly clarify that. How much of that $50 is brought forward from 2027, and how much of it is incremental and we should be modelling off that for 2027?

Deepak Nath: Sure. Do you want to take that or I can?

John Rogers: The way I think about it is, in terms of first half performance, there is an element of bringing forward some of the half two into half one. In terms of the back half of the year, there is an element of bringing in some of the half one 2027 into the half two of 2026. It is almost shifting everything forward.

We are not going to sit here and guide now to 2027 numbers, but the point I would make is that this is not a one-off exercise. To Deepak's language just now, he deliberately used the words continuous improvement. I also talked a little bit about some of the savings that we are now driving through things like our ERP programme and also AI as well. I would say we have got good visibility, and we are not going to set out the guidance now, but we have got good visibility of future opportunities to drive further efficiency savings in this business, and we will set out that much more clearly, of course, when we give the guidance for 2027.

I would not classify it as robbing Peter to pay Paul in terms of bringing it forward from 2027 into 2026. There will be plenty more to come in 2027.

Charles Weston: Okay. Sorry, that was a long clarification, but I had two actual questions. One of them on ACA. Have you noticed any changes in terms of either procedure volumes or CAPEX sale or CAPEX demand from US hospitals?

Secondly, just in terms of LANDMARK launch timing, can you just confirm that everything is on track for both cemented and cementless and the typical you said it is two quarter ramp to really start meaningfully getting sales from those.

Deepak Nath: Sure. On ACA, we did see some impact of that in terms of procedures. It is both across elective procedures. You have some hospital systems comment on that. We did see that, but it was not the most pronounced effect, so we did not overly major on that. There is an impact from ACA-related procedures that we have seen both across knees and hips. Like I said, it is not the dominant factor that explains our performance.

In terms of LANDMARK timing, Porous is the very end of Q3, so largely a Q4 effect. Then the cemented version of LANDMARK is the end of Q2 of 2027. As you know, Charles, there is a ramp associated with that. You have talked about two quarters. It is not quite as straightforward as that. It depends on competitive dynamics.

There is a good way and not so good way of introducing these launches. One, you can throw a lot of capital at it and encourage a lot of trial, at a great deal of capital expense. A more methodical and a proper way to do an Orthopaedics launch is to be much more mindful in terms of how you deploy capital in order to encourage trial and then ultimately adoption.

One of the things that we have gotten much better as an organisation is around capital discipline and capital efficiency in Orthopaedics business that we did not consistently have. That does impact top line and we have called that out in previous quarters. We expect to bring that level of capital discipline and efficiency mindset to the LANDMARK launch. The consequence of that is a slower ramp. It would be a more durable one and also the more disciplined way to tackle these.

Okay. One question here, then we will go online.

Richard Felton (Goldman Sachs): The first one, I want to ask about something that is been coming up a little bit more in our investor conversations, and that is on potential competitive risk for SANTYL. Could you remind us of the size of that product today? How revenue splits between different care settings, what you perceive as the key competitive strengths for SANTYL?

The second one is on Advanced Wound devices. I suppose over the last four quarters or so, we have seen a bit of a deceleration from double-digit growth to mid-single digit growth for that part of the business. What has been driving that, and what is the right way to think about the trajectory for Advanced Wound devices going forward?

Deepak Nath: Sure. SANTYL, we do not typically give product-level detail. It is a multiple hundred million-dollar product. To your point, it is a category where effectively, a large proportion of that market and there is some competitive activity in that. Just want to emphasise that that is not what is driving our numbers today. Just want to clearly emphasise that.

Where we stand out in SANTYL is we do not require refrigeration, so supply chain is simpler. There is not pain associated with the use of our product, which some of our competitors feature. One of the disadvantages is that it is a slower process. It takes time for the product to take effect, right? That is one of the downsides of SANTYL.

Having said that, it is got a proven track record in utilisation across a range of use cases and across settings, whether it is an acute setting or when patients get discharged home with a prescription for SANTYL. It is across all of those areas. We feel very good about how we are positioned within that category. We have line of sight, obviously, to what competitor products are, what they offer, and how SANTYL continues to be differentiated relative to it.

Of course, we are not resting on our laurels there. There is a next-gen product, so we aim to improve upon SANTYL, building upon its advantages around supply chain, its advantages around the level of pain, of which there is not with the use of the product, but actually have it be faster in terms of how it works. That is our next-gen SANTYL.

In terms of AWD, there is two broad categories: the single use and traditional negative pressure. We also classify LEAF within that, and LEAF has both the device component and the dressing component, just to disaggregate what is in our AWD.

Largely, the deceleration that you see is in our traditional negative pressure category, which is our RENASYS platform. There, as we have highlighted, we are doing well in the post-acute segment. We are not taking share in the acute channel. The answer to that is actually have a better-rounded offering with RENASYS. Both in terms of the next-gen canister, but actually having a whole assortment of dressings that is fit for purpose for the application, whether it is OB/GYN, whether it is GI procedures, orthopaedic procedures, and the like. That each one is got a specialised dressing and we have a narrower range there than the large competitor within that.

We obviously have product development to address that, and we will start to build that out in 2027. The deceleration is largely within the acute care segment of traditional negative pressure.

On the single-use with PICO, that is been a product that has been a growth engine for us for quite some time. In addition to its use across care settings, we are actually invested to drive it into geographies where we are not present in the same way today. That is part of the investment that we have talked about, and we expect to see the benefits of that come through in Q3 and especially in Q4, right? We continue to do well there.

There is competitor activity within the single-use segment. We feel well-positioned within that, but we also have our pipeline there that we expect. We called that out in our Capital Markets Day presentation, somewhere in the 2028 timeframe, we expect to come up with our next-generation PICO.

Hopefully, it gives you a feel for how that segment is categorised and the dynamics within that.

We will now go online first, then I will come back into the room.

Veronika Dubajova (Citi): I have two, please. One, slightly diving into the nitty-gritty, but just curious to get your thoughts on what is happening in Trauma & Extremities. Obviously, we had a number of good years post the AETOS launch. The growth there has really accelerated pretty dramatically year-to-date. Just curious if you can touch upon the dynamics you are seeing in Trauma versus Extremities, and if there are things you can do to get that growth rate back into the mid-to high-single digits.

My second question is a big picture one. I apologise, but I have to come back to the mid-term guide. Even just to hit the low end of the 6% to 7% that you have guided for previously, if you are doing four this year, you would have to do 7% in the other two years. That would be a pretty dramatic acceleration versus the trends we have seen in the last couple of years. I appreciate there are headwinds to this year, but there were also headwinds to last year and the year before. I am just trying to understand the logic for why you are sticking to that 6% to 7%. Is there any way at all in your mind to get anywhere above the low end of that range? What gives you the confidence at this point in time to maintain that?

Deepak Nath: Sure. Thanks, Veronika. I will take them in order. Trauma & Extremities, I will talk about Trauma and then I will talk about Extremities.

With trauma, we are positioned nicely with our EVOS platform. I have talked about pelvic, which is something like 1.5% of the overall pie, but it is an important piece that we are going to launch into. It will be even fuller now.

Now, we have been expecting competitors to launch within that category, and two of our competitors are in fact at various stages of launch in the core plating category. There will be some level of trial, some level of adoption as those competitors launch within that category. We are seeing some impact of that. That is not a new factor. It is just that has been out there in the market.

The EVOS compares very favourably to competitors' offerings. Over time, as surgeons try those, you will see some quarterly variations depending on who is trying, who has adopted, and so forth. I feel very good about how we are positioned within that category. We do have drivers of our own beyond EVOS. IM Nails, we launched that, I guess, in Q1. You will have to remind me, John. Yes, in the recent quarter or two, we launched our own IM Nail offering.

We had not had a new product there in, my sales force likes to remind me, in far too long. We have got a nice offering there that should expect to drive growth, and we called that out in the last quarter. Core trauma category, nicely positioned in terms of our products, but there is competitor launches, particularly in plating.

On Extremities, our presence now. We are a relatively small player in Extremities, as you know. For us, the real call-out here is shoulder with AETOS. There, again, we are a relatively small player, but we now have more or less the offering we need on the implant side. Actually, importantly, we have got CORI-enabled for planning and execution, and there is some real differentiation there within that reverse anatomic, glenoid, and humeral planning and execution which is quite a differentiating feature. Our handheld robot actually is differentiated relative to a fixed-arm robot for shoulder surgery.

We are working off of a small base, and we are in the early stages of launch. It will be more group relevant, I would say 2027, 2028. We are in that early stages, and then we are getting nice traction, not only with surgeons who are trying it but surgeons who have actually integrated that as part of their routine practice.

It is there, it is just not as material to the Group given the small base. Hopefully, it gives you a bit of texture and colour around Trauma & Extremities.

On the mid-term guide, look, as I said, 2026 was softer. Veronika, you have done a bit of the numerics around 4% and then 6% to 7%. The reality is we are two quarters into a three-year plan, right? Obviously, we have thought through the numerics ourselves, and we have gone through the fundamentals of what actually drives the 6% to 7%.

As I said earlier, once we get through the period today. What is holding us back this year? Why did we actually reduce the guide? One, it is our position in US knees and how that is impacting us today with the gap in the portfolio. The second is SANTYL with the prior authorisation that we are having to contend with.

On the skin subs side, we are on the upper end of the range, but still within the corridor that we guided to. That is, in combination, not a great thing to have to navigate in this year because you have a bunch of headwinds and not a whole lot of tailwinds. As we move into 2027, we expect to normalise the skin subs. We expect to normalise on the SANTYL, and then we will have the portfolio complete in the way that allows us to be competitive.

Now, there will be a ramp starting in Q4 this year. Cementless first, and then starting in the back half of next year with cemented LANDMARK. There will be a phasing or pacing in terms of how we become more competitive in knees. You put all of that together. We feel good about the growth drivers we have got stacked up in Orthopaedics. I have talked about knees and hips. It is about getting execution capability in CORI.

We are seeing contracting activity that ties together both knees and hips. We will be able to better compete within that as we have execution ability in CORI as well on the CORI XT platform. Then as I have talked about AETOS becoming more relevant in the 2027, 2028 period.

Then in Sports, we have talked about Big Four, and they are very nice growth drivers that are lined up within that business unit. Then in Wound, beyond the normalisation of skin subs, you have got new product launches coming in the traditional negative pressure category where we have given up ground, and I have previously commented on the fact that that is one part of the 12-Point Plan that did not work as well, right? The growth rates were great, but when you looked at the placements of RENASYS, we were behind on that. We have addressed that, but we understand the reasons why. As we turn into 2027, that will become a growth driver together with the investments we have made in LEAF and next gen PICO.

You stack all of that up. That gives us the confidence that at the end of the day, we are a 6% to 7% growth company despite the challenges we are navigating through in 2026.

We will come back into the room and then back online.

Kane Slutzkin (Deutsche Bank): John, just a quick one for you on the savings. Can you give us some comfort that, I guess, none of what has been done over the last few years or still to be done, is at the detriment of growth down the line? Often we do see these situations where you could cut too close to the bone.

Just for Deepak, just quickly coming back to the US environment. You mentioned some of it is a slower growth. Your bigger peers have seemed to push back at a view that the market is weakening. There was one smaller peer suggesting that we go back to pre-COVID growth rates. Just wondering if you have any thoughts on that with a view to obviously trying to launch.

Deepak Nath: Do you want to take it first?

John Rogers: Yes. We can be categorically clear that we are not strangling the business vis-à-vis growth. In fact, we are very deliberately investing in growth in the business. We have been very conscious about how we deliver cost and efficiency savings, and how do we actually invest in our growth, so much so that we actually split it out in the bridge that we give you. We are really super transparent.

You see the savings in that bridge, and you see the $33 million investment that we are making in growth.

What does that look like in practice? Very simply, if you look at it just purely in headcount terms, and I am massively in favour of cutting headcount where we can. Actually, over the last 12 months or so, we have actually increased our headcounts. The areas where we have actually reduced our permanent headcount, in those areas where we can drive efficiency savings, say, for example, manufacturing and operations. We have actually reduced our overall permanent headcount.

We have actually increased our headcount almost singularly in Sports and Wound, where we see very specific opportunities to grow our business. Obviously, the Sports story is very clear, and Deepak's talked about the four opportunities we have across CARTIHEAL and TESSA and REGENETEN and etc, etc. That is very clear.

In Wound, we have the opportunities in PICO and ACC and skin subs. If you actually look at the increase in our headcount, all of it comes into Wound and Sport, and at least 75% of that increase comes in the front line. In other words, into sales, into medical education, into customer service. We are not adding to the back office. I can be absolutely clear that we are recycling resource. We are taking resource away from things like the back office functions, where we are streamlining and taking cost out, and we are reinvesting into the frontline to drive that top line growth.

Now, we would not see a return on that investment within 2026. There are $33 million that we are investing in that growth. To Deepak's earlier comments about what gives us confidence in our ability to deliver, why do we think we are a 6% to 7% growth company? Because we are investing in that growth. We are being very deliberate, and we are spelling that out for you as well.

It is not assumed in one lump in the bridge. We are very clearly separating out the cost savings from the investment piece.

Deepak Nath: Just a couple builds on it. As we navigated the 12-Point Plan journey, I will tell you, with all the margin pressures we faced, it would have been easy for us to meet the targets, particularly within the years, the interim years by cutting R&D. I can tell you that that was a place we could have gone, although we more or less got there at the end of the three-year period.

You will remember the periods in 2023, 2024, where there was tremendous margin pressure, and there were all the questions whether we were going to get to what we set out. We resisted the urge to do that, right? We maintained the level of investment in R&D in order to fuel the growth, and we are starting to see the benefits of that, and it will come even as we go through the next three years.

Life is a balancing act, but what we have actually held on to is to not cut the things that position this business for sustainable growth over the longer term. John has talked about the trade-offs there in manufacturing and commercial investments, particularly in R&D as well. We have made sure that we have ring-fenced or protected the things that really drive long-term growth of this business.

In terms of your question on US procedure, I assume it is primarily in Orthopaedics. Believe it or not, it is actually harder to get at what the market is doing than you might think, right? Third-party data sources in the space are not as robust as it is in other areas. We are all trying to parse based on limited data points what the market actually is doing, right?

I have been somewhat loathed to comment on the market because we have had performance challenges in the US, so I have been less front-footed on commenting on the market historically.

Now, our performance still is challenged, but it is not necessarily all because of commercial execution. I have got a little bit more visibility into what is going on in the market. When I tell you there is a little bit of a market effect. It is based on what we can see, and I would not have been able to say that even last year, never mind two years ago.

Against that backdrop of market as not as robust third-party sources call it, I do believe when you look, it is an exercise in triangulation.

What are those things you look at? First is look at reimbursement. Those are public, and you can see what is happening to how procedures, knees, and hips get reimbursed in various care settings. You can see what that is done in the past, what it is projected to do in 2027. That is one data point.

The second data point you have got is the shift in site of care. As you go from a hospital setting into an ASC, the reimbursements are lower. There is an impact on ASPs as you go through that. That is a very dynamic thing, but there is impact around that.

Against that, you have got other factors like mix. In the shift from cemented to cementless, you have a mixed benefit that runs counter to the things that I have talked about.

You put all of these pieces together, working out what the market is doing in revenue terms and what it is doing in volume terms can be trickier. Then you have got the ACA impact that you asked about earlier, which is not only patients who are coming off of the ACA rolls as they lose subsidies, but also what is really happening to those who are in commercial programmes that are not necessarily recipients of those subsidies, but their out-of-pocket fees have gone up, the premiums have gone up, and how that impacts their desire or their willingness or ability to undertake elective procedures is also another factor into this.

You put all of this in. What I see and what I have seen in Q2 is a slowdown, but I am not going there to explain our performance in the quarter. Hopefully, it gives you a bit of colour around market, the position that I have taken, why I have taken it based on what I see.

Back to the calls. Yes.

Caitlin Roberts (Canaccord Genuity): Maybe just starting with skin subs. How are you thinking about the recovery of this business as you noted it taking longer for the market to adapt? Could this weakness bleed into 2027? Are there any efforts that you are making to really help the market adopt these changes?

Deepak Nath: On skin subs, what is happening there? First, there is the utilisation of skin sub across settings. It is in the hospital setting, it is in physician offices, it is in HOPD settings, so hospital outpatient settings. That is in mobile, right?

What we are talking about here in terms of impact is greatest in the mobile setting, followed by physician office and hospital outpatient. By and large, in-hospital users have been impacted by the change in reimbursement.

The second thing that we are talking about is what products get used. You have got new entrants that have products that do not have a lot of clinical data supporting them, and you have got players like us and a couple of others who have been in the market for a long period of time, who have got products that have stood the test of time, and who have got a great deal of clinical data supporting the appropriate use in the clinic for those products.

What is happening this year now is, as the change in reimbursement has gotten implemented, the mobile is where we expected the greatest impact, and that is what we are seeing. We, as Smith+Nephew, have had the least exposure in the mobile segment. We have had exposure in the physician office and HOPD in the physician office, and we have previously detailed that out. You can go back through our previous releases to see how we have parsed that.

Generally speaking, that impact on mobile office is playing out as we thought. In the physician office, how they get reimbursed has changed. There is the mechanics of how you bill for it, whether it is per application or per episode of care, and that has changed. Right? As physician offices have adapted to the new ways of billing, that is introduced friction into the system, right? That part has taken time.

The reimbursement part of it has also been slower, and there are about four MACs within the US that have gone through or are currently covered under the WISeR Model, which you have heard about either from us or from other disclosures, where there is an AI-based algorithm for how claims are reimbursed. There has been friction associated with that.

What are we doing about it? We had always expected that the parts of our portfolio that we have always had uptake based on the clinical data and everything else, will get robust utilisation, and we are seeing that. In fact, our OASIS product line is growing by leaps and bounds, and that has been great.

As we move into 2027, where all of this administrative friction that I am talking about, whether in terms of how claims get submitted or how claims get processed and how physicians then adapt their care to which products they use, all of that we expect to settle out in 2027 as the new calendar year or the new fiscal year in the United States turns over.

In that new world, we expect to be very well-positioned because we have got a product portfolio that is very relevant to that category. We have got a price point that works within the reimbursement level that the government has set at $127 per square centimetre. We have got the clinical evidence for the products that we aim to use.

It is a great category, growing at double-digit when products are used appropriately, when it is relevant for a clinical setting, and we are very well-positioned within that. It is really about navigating this year that has been a challenge. Based on taking all of these factors into account, we provided a range of something like $20 million to $40 million. We are navigating to the upper end of that range, but we are still within that corridor that we had provided all of these dynamics.

Within that, we had also called for sequential improvement or normalisation from first half to the second half. We have seen sequential improvement from Q1 to Q2, and we expect that trend from first half to second half. Hopefully, that unpacks the skin subtopic.

Anything you want to add to that, John?

John Rogers: Just a little bit of colour just on the numbers, because you remember at the beginning of the year, we said that revenues would be down 15% to 20%. That was driven by a 20% to 25% reduction in price, offset by a slight positive on volumes. That is what got us to the $20 million to $40 million range, and actually we were slap bang in the middle of that range, hence why we said $20 million to $40 million.

What we have actually seen in practice is that actually revenues in the first half were off about 20% or so, so towards the upper end of that range. That is, broadly speaking, what we are now forecasting for the full year. We are not expecting the price impact for 20% to 25% that we have previously called out to be quite as harsh. The price impact will be less than that.

Equally, the converse, we are not necessarily expecting the volume to be as flat to positive. We are expecting now to be a slight decline in the volume. Volume is a little bit worse than we thought. Price, a little bit better than we thought. The net-net is that we are up towards the upper end of that $20 million to $40 million range, but it is not a million miles from where we thought we would be.

What is really important, as Deepak's pointed, that sequentially, we have seen Q2 is better than Q1. We are seeing the market change just a little bit slower than we first forecast.

Deepak Nath: Right. Shall we come back to the room? David, you have had your hand up for a while.

David Adlington (J.P. Morgan): Sorry, John, just to come back on tariffs. The net amount was $5 million in the first half. I just wonder what the gross was. Was it all $50 million received in the first half? How do you expect that to play out through the second half? Just wondering how that was spread across the three businesses.

John Rogers: It is slightly focused towards Orthopaedics, and then more so on Sports, with Wound being the least impacted is roughly the way it trades out. To be honest, it is not massively differentiated across all businesses.

Basically we saw a net benefit in the first half between tariffs and the refunds of $5 million or so. We are expecting to see a net benefit in the second half between the tariffs and the refunds of about $1 million or so. For the overall year, it will be plus or minus $4 million, $5 million, or something of that nature. Effectively in both halves, on a year-on-year basis, the refund is effectively offsetting the tariff headwind.

Just to be absolutely clear, we still expect to see a net tariff cost in the year, but last year we saw a net tariff cost of $15 million. This year, we expect to see a net tariff cost of $10 million. The delta is the $5 million positive. Make sense?

Deepak Nath: We will draw this to a close. Just to summarise. While our revenue performance in the first half was of course below our expectations, we did deliver a strong profit performance, and in doing that, we demonstrated the inherent resilience in our business that we have built. We do remain confident of the actions we are taking to drive better performance more consistently over time.

Just want to take the moment to thank you for joining us today. Appreciate the engagement, the support, and your questions. We do look forward to coming back and updating you on progress as we move forward. Thank you very much.

[END OF TRANSCRIPT]