



Smith+Nephew H1 2025 Results

Tuesday, 5th August 2025

Second Quarter and Half Year 2025

Deepak Nath
CEO, Smith+Nephew

Welcome

Welcome to the Smith+Nephew second quarter and first half results meeting. I am Deepak Nath. I am the Chief Executive Officer, and joining me is Chief Financial Officer, John Rogers.

Summary

2025 is a key year of delivery for Smith+Nephew. I am pleased to announce the results that put us firmly on track for both our full-year growth target and the guided step-up in profitability.

On revenue, 6.7% underlying growth in the quarter reflects sequential acceleration across all regions and business units. In Sports Medicine, we have maintained the strong momentum across Joint Repair and AET outside of China. In Wound, the continued performance of AWD and the rebound in Bioactives produced double-digit growth for the business unit as a whole. In Orthopaedics, we delivered yet another quarter of growth, and in line with our previous commitment, our Recon and Robotics business sustained its recent improvement both internationally and importantly in the US. This is now the fourth quarter of sequential improvement in US Recon and Robotics.

On profitability, 100 basis points of first-half trading margin expansion is slightly ahead of what we indicated as we brought some efficiency savings forward. We remain on track for our full-year margin guidance of 19-20%, which includes the impact of tariffs. There is still a lot of uncertainty about where tariffs will settle, but we continue to expect a net headwind of about \$15-20 million in 2025.

As previously indicated, we expect that margin expansion will pick up further in the second half. This should come from cost savings increasingly dropping through to our P&L, particularly from our manufacturing network optimisation of the last two years, together with the reduced year-on-year headwind from value-based procurement in China.

I have talked already about the improvements in growth and profitability. At the same time, better alignment of the commercial organisation and operations has enabled us to bring down days of inventory. The delivery of our ambitious cost savings and a move to ongoing efficiencies has also brought down restructuring charges. The result is a 70% increase in trading cash flow and almost \$250 million of free cash flow in the first half.

Finally, I am also pleased to announce an additional element of value creation for shareholders with the \$500 million share buyback in the second half of 2025. This is made possible by the operational efficiencies delivered under the 12-Point Plan and will be fully funded by the 2025 cash flow and existing balances, so it can be delivered while maintaining our leverage and without compromising any of our growth plans.

Q2 2025 Revenue

I will return to some of these themes later and John will talk more about profitability, cash and returns in his presentation. For now, I will take you through the detail of the quarter.

Q2 2025 summary revenue performance

Revenue in the quarter was \$1.6 billion with 6.7% underlying growth and 7.8% reported, following a 110-basis-point tailwind from foreign exchange. Growth also included a headwind from one fewer trading day than in the prior year.

All business units accelerated sequentially, and I will come to the detail in a moment. Geographically, the US grew 8.7% and other established markets grew 7.4%. Emerging markets declined 0.2%, reflecting strong double-digit growth across the Middle East and India and the impacts of volume-based procurement in China beginning to ease. Excluding China, emerging markets grew by 12.2%. As we indicated in our Q1 announcement, we have passed the peak of the China impacts, and we expect these to continue to ease to the second half as distributor de-stocking in Orthopaedics reduces and as we lap the effects of Joint Repair, VBP.

Orthopaedics*Sequential improvement in both US and OUS reconstruction*

For business unit performance, I will start with Orthopaedics, which grew 5% underlying and this is an overall solid performance. Total Reconstruction and Robotics grew 5.2% with the US growth of 4%. This is the fourth quarter of sequential growth improvement in the US on an ADS-adjusted basis. Global Knees and Hips grew by 2.9% and 3.4%, respectively. Growth remains higher outside the US, with Knees benefiting this quarter from the timing of a tender order in the Middle East.

Almost half of our Recon business is outside the US, where we are demonstrating that our portfolio can deliver with good execution. As you know, China has been a headwind in recent quarters due to de-stocking and distributors. Their inventory levels have continued to come down and have approached more normal levels at the end of June. In addition, we expect the de-stocking to ease during the third quarter, so we should see the China headwind on our OUS sales start to fall away in the second half.

US Hips and Knees together showed acceleration over Q1 with 2% underlying growth and 3.6% adjusted for the one fewer day, a measure we refer to as average daily sales or ADS. This is the fourth quarter of sustained improvement for US Hips and Knees combined. Hip performance was strong as we continue to roll out the CATALYST hip system, which makes us more competitive in the high-growth direct anterior segment of the market.

We will accelerate set deployment in Q3 and are also preparing to bring the platform to other markets starting in Japan. The softer US knee growth was due in part to some slowing in procedures toward the end of the quarter among our active surgeon base, as well as positive actions that we are taking to increase profitability through streamlining the portfolio and focussing on higher volume accounts. Reassuringly, the balance of competitive wins versus losses has continued to remain favourable.

On an ADS basis, US Knees grew 0.1% and Hips at 9.1%. Other Recon grew 39.8% and reflects another good quarter of robotics placements, particularly in the US, where we are seeing strong growth in ASCs and in teaching institutes. This should mean we are well-positioned as the market continues to pivot away from the inpatient procedures and ideally placed to capture future leading surgeons.

We will also continue to develop our offering with the launch in June of the choreographed preoperative planning and modelling for shoulder replacements. Trauma & Extremities grew 4.4%. The AETOS growth contribution is steadily increasing as we deploy more capital and convert new surgeons, while the EVOS plating system continues to be a key driver, partially offset by a slower quarter for some of our legacy systems. We are continuing to refresh the portfolio with the launch this quarter of the TRIGEN MAX Tibia Nailing System, which could expand our indication range and features modernised instrumentation. Further nail launches are expected in the coming quarters, and we expect Trauma & Extremities to return to stronger growth in the second half.

Sports Medicine & ENT

Continued strong performance in SMJR and AET through China headwind

Sports Medicine and ENT grew 5.7% in the quarter. Within that, Joint Repair growth was 8.4%, including the expected headwind from VBP in China. This is expected to be the last quarter before we lap the effect of the implementation in Q3 of 2024.

Excluding China, Joint Repair growth would have been 13.7%, representing an acceleration on Q1 2025, with a very strong quarter across our other markets. Growth was double-digit across all of knee, shoulder, and hip repair, with the REGENETEN and Q-FIX Knotless suture anchors remaining the key contributors. We expect this good momentum to continue as we extend REGENETEN into Hip and Achilles, and as we further roll out Q-FIX. We are developing CARTIHEAL AGILI-C as a longer-term growth platform, including a new disposable instrument set, which we expect to launch in the near future.

Orthoscopic-enabling technologies grew 2.3%, again improving sequentially. We saw continued growth from WEREWOLF FASTSEAL, which is supporting strong COBLATION revenues.

ENT grew 3.6%, with good growth driven by our ARIS for turbinate reduction, offsetting a softer quarter for tonsils and adenoid procedures in the US. Looking forward, we expect ENT to follow Sports Medicine with the VBP process in China that is expected to take effect in 2026. To give a sense of the size of our business, total ENT sales were around \$35 million in 2024. So, while VBP would be a noticeable drag on ENT growth, it should be a significantly more modest headwind at a Group level than previous VBP processes.

Advanced Wound Management

Growth improvement driven by Bioactives rebound, and strong AWD performance

Looking now at Advanced Wound Management, where growth increased to 10.2% following the strong rebound in Bioactives. In Advanced Wound Care, 2.6% growth reflected continued strong performance in foams, films, and skin care, offset by a decline in infection management. In Bioactives, growth came from the expected sequential recovery in SANTYL, alongside double-digit growth in skin substitutes. Although we will face tougher competitors in H2, as we lap the launch of GRAFIX PLUS, we now anticipate mid-single-digit growth for Bioactives in the year.

You will have seen the proposed updates to Medicare reimbursement of skin subs in the outpatient and physician office setting, including moving to a single payment. Since no products were excluding from participating in the market, it is unclear how clinical practise will be impacted.

While the details of the proposal are yet to be finalised, we anticipate that this will be a headwind to both Advanced Wound Management sales and profitability in 2026. And that would be before any mitigating actions. Finally, Advanced Wound Devices revenue grew by 12.7%, led by our single-use negative pressure platform, PICO, and with strong growth from LEAF, our patient monitoring system.

In traditional negative pressure, competitive wins are an important part of our growth opportunity. I am delighted that we were recently awarded a US Department of Defence contract for RENASYS TOUCH, succeeding in a competitive tender process, having demonstrated clinical efficacy and operational fitness. With an initial term of five years, which can be extended to ten years, this contract is worth up to \$75 million.

Coupled with an ongoing broader refresh of AWM, we are confident about the long-term outlook for Wound.

And with that, I will hand over to John.

H1 2025 Financials

John Rogers

CFO, Smith+Nephew

H1 2025 revenue by business unit

Thank you. Thank you, Deepak.

Revenue was \$3 billion in the first half, up 5% on an underlying basis compared to H1 2024. Reported revenue was up 4.7%, including a foreign exchange headwind of 30 basis points from the relative strength of the dollar against most major currencies versus the same period last year. As the dollar weakened in the second quarter, the forex headwind on revenue became a tailwind, and we now expect a circa 50 bps forex tailwind on revenue for the full year.

Performance in China was in line with expectations and excluding these headwinds, growth would have been 7.2% on an underlying basis. This represents a 220 bps headwind in H1, in line with our guided full-year impact of circa 150 bps as the impacts of Sports VBP unwind in the second half.

Performance was broad-based, with all three business units contributing significantly to the overall Group. Orthopaedics grew 4.1%, Sports Medicine and ENT grew 4.1%, although again, excluding China, growth would have been 9%. Advanced Wound Management grew 7.1%.

Overall, a good set of growth figures, and particularly good to see that three-quarters of our growth is drawn from products launched in the last five years.

H1 trading income statement

100 basis points of trading margin expansion

Moving now to the summary P&L.

Gross profit was \$2.1 billion, resulting in a gross margin of 70.5%, which is a 40-basis-point increase on the prior year driven by positive variances on price and volume. We saw a further 60 basis points of positive leverage across our operating expenses as we benefited from operational savings in SG&A and only a small uptick in R&D spending driven by H1, H2 phasing.

Operational savings were slightly ahead of expectations as we accelerated some of our operational savings into the first half. We also expect to catch up some of the shortfall in R&D spend in the second half, as well as absorb the bulk of the \$15-20 million tariff impact Deepak outlined earlier.

Overall, trading profit grew 11.2% to \$523 million with a margin of 17.7%, up 100 bps. And I will explain the various drivers of the margin expansion on the following slide.

H1 2024 to H1 2025 trading margin bridge

Revenue leverage and cost savings more than offsetting cost inflation and VBP

Slide 12 shows the detailed trading margin bridge.

Going through the moving parts, we absorbed headwinds of 130 basis points from input cost inflation and 140 basis points from the introduction of VBP in China. These costs were more than offset with 190 basis points of revenue leverage from price and volume and 170 basis points from productivity improvements, not only in manufacturing, but also across all other areas of operating expense. FX movements contributed ten basis points.

We have now sustained a trend of revenue leverage offsetting input cost inflation, which means VBP aside, cost savings have been able to drop through to trading profit. As previously guided, we expect the impact of VBP China to unwind in the second half, such that the full-year impact is around 110 basis points. We expect operational savings to step up slightly in the second half versus the first, albeit not as much as previously cited, given the acceleration of savings I mentioned earlier.

Furthermore, we expect the bulk of the \$15-20 million tariff impact to take place in the second half, as well as some catch-up on R&D spend. The net effect is that we expect a step-up in margin in the second half, such that the H1 to H2 margin uplift remains comparable to previous years to deliver margin in line with our guidance of 19-20% for the full year.

H1 trading margin by business unit

I will now come on to trading margin by business unit.

As you can see from this slide, the majority of the margin expansion came through Orthopaedics, where our transformation initiatives to reduce inventory, streamline instrument set allocation, portfolio simplification, and focus on higher volume accounts resulted in 230 basis points margin expansion in H1 2025. We expect these dynamics to continue into the second half.

Sports Medicine and ENT margin declined 130 basis points, reflecting the VBP impact in China. If we stripped out China from these numbers, we would have seen margin accretion in the first half. As we annualise the impact of VBP on joint recovery, we expect to deliver margin accretion in the second half.

Advanced Wound Management margin increased 160 basis points due to a mix of ongoing efficiency gains and the timing of SANTYL revenues in the prior year.

And for 2025, we reiterate that the bulk of our margin expansion will come from Orthopaedics at over 200 basis points, with accretion of around 50 basis points coming from Sports Medicine and Advanced Wound Management combined.

As we have already mentioned at previous results, we have changed our central cost allocation process to better align costs to the appropriate business unit. With this fuller allocation in place, only \$28 million has remained as truly central cost, in line with prior year and our previous guidance that these will be broadly flat year-on-year in 2025.

The purpose of the change was to create transparency and accountability, and there are already positive behavioural changes as a result. We have seen greater scrutiny of spending plans, lower demand for new projects and greater discipline in constructing robust business plans for new IT investment spend, as an example.

Efficiency opportunities 2023-2027

Additional savings identified as 12-Point Plan productivity initiatives progress

We showed you this slide at our interims last year.

As a reminder, it details the gross run-rate savings of \$325-375 million we are targeting for 2023 through 2027. As we set out at our prelims in February, including 2023 and 2024, we have delivered a cumulative savings of \$210 million. This comprised \$155 million relating to the 12-Point Plan and zero-based budgeting, and \$55 million relating to earlier programmes. That is actually the faint dotted line you see there on the 2023 column.

On zero-based budget implementation, is on track across all business units and central functions. Across our five work streams, 51 initiatives have been mobilised, of which over half are now complete. We anticipate \$120-130 million of savings coming through in 2025. And as you saw from the margin chart earlier, we delivered circa \$50 million of these in the first half, slightly ahead of our plan as we were able to bring some efficiency savings forward from H2 into H1.

In total, therefore, that delivers run-rate savings from the 12-Point Plan and ZBB of circa \$275-285 million at the end of 2025, with a further \$50-100 million of savings to come through in 2026 and 2027, very much in line with what we set out on this chart this time last year. We have now embedded our ZBB approach into our standard processes in line with our culture of continuous improvement.

H1 operating profit and EPSA

Looking further down the P&L, earnings per share grew strongly, up 37% to 33.5 cents, and adjusted earnings per share grew strongly, up 14% to 42.9 cents, reflecting both revenue leverage, operational savings and significantly lower restructuring costs, which were \$8 million in the first half compared to \$62 million in the first half last year. We remain on track to incur an estimated \$45 million of restructuring charge for the full year.

The interim dividend of \$0.15 per share is up 4.2% on H1 2024, in line with our policy set out this time last year of paying 40% of prior year full-year dividend as the interim dividend.

Inventory by business unit

DSI below prior year in all BUs; continued improvement remains a focus for 2025

As you know, inventory management has been a key priority of our 12-Point Plan, and I am pleased to report a further 46-day reduction in DSI across the Group to 506 inventory days, in line with our full-year 2024 year-end position. The reduction in DSI delivered a \$69 million reduction in inventory value at constant currency. All business units contributed to this performance, with the biggest reduction in Sports Medicine and ENT.

There was still an overall increase in inventory for launch products in the first half versus the same period last year, and this means that our inventory mix has also improved, with units of the slowest-turning quartile of SKUs down by 14% in H1 2025 versus H1 2024, and down 22% since the start of 2023. Longer-term improvement will be down to improved forecasting and better alignment of production plans with the commercial needs at the SKU level, enabled by the improved SIOP process.

There is still more work to do here, including aligning our SIOP process with our financial forecasting in a truly integrated business plan. Inventory reduction remains a focus, and we expect further progress in H2 2025.

H1 cash flow and cash conversion

Improved trading and free cash flow on lower working capital costs

Trading cash flow in the period was \$487 million, with trading cash conversion of 93%, well ahead of the 60% in H1 2024.

The improvement came from lower working capital outflows, particularly from the inventory day reductions I detailed on the previous slide. Capital expenditure is slightly lower year-on-year, but we expect to catch up some of this in the second half of the year as we continue to progress the development of our new manufacturing facility in Melton. We expect to exit the year at a similar level of spend to last year.

For the full year, we continue to target trading cash conversion of over 90%. With lower restructuring costs offset by slightly higher tax, free cash flow increased over 500% to \$244 million. We expect to deliver free cash flow of well over \$600 million for the full year.

Net debt bridge FY 2024 to H1 2025

Leverage reflects typical timing of cash generation and dividends

This strong cash generation broadly covered the cost of CAPEX, dividend and other costs in the period, meaning net debt at 28 June 2025 was only \$38 million higher than at year-end 2024. The leverage ratio has also decreased slightly to 1.8x. As we maintain and build on this improved cash generation, capital allocation continues to be a focus.

Capital allocation framework

This is our capital allocation framework that you should now all be familiar with. As Deepak mentioned in his introduction, the good start of the year in terms of profitability and cash conversion has enabled us to increase our cash returns to shareholders in line with our capital allocation policy.

We intend to complete a \$500 million share buyback during the second half of 2025. This will be fully financed from free cash flow and existing cash balances, so it can be delivered while keeping our leverage ratio broadly stable for the full year and without compromising any of our growth ambitions.

Outlook unchanged

I will finish with our outlook for 2025, which as you can see is unchanged. We expect to see a step-up in margin in H2, in line with what we experienced in both 2023 and 2024, reflecting the timing of cost savings and reduced China headwinds.

The tariffs announced by the US government early in the year have continued to evolve, and it remains to be seen what the final outcome will be, but we continue to expect a net headwind of around \$15-20 million, mainly to impact in the second half of the year.

We expect to deliver well over \$600 million free cash flow for the full year, and the strong start to the year in terms of profitability and cash conversion has enabled us to increase our cash returns to shareholders with a \$500 million share buyback during the second half, as I have just mentioned.

You should see this as further demonstrating our commitment to value creation for shareholders in addition to our extensive operational improvements.

And with that, I will hand back to Deepak.

12-Point Plan Update and Strategy

Deepak Nath

CEO, Smith+Nephew

Delivering consistently higher revenue growth

Great. Thank you, John.

When we launched the 12-Point Plan, one of our core ambitions was to reposition Smith+Nephew as a consistently higher-growth business.

We are very much on track. In the first two years of the plan, we delivered growth of over 7% and 5%, respectively. And in the first half of the year, we have delivered yet another 5%, despite some significant headwinds. That includes two fewer trading days for the half. And while China headwind has passed its peak, it still had an impact on H1. If you look through the detail of the quarter, you will see we are doing what we said we would do.

Sports Medicine and Wound continue to grow well. In the US Recon specifically, we are showing progressive improvement quarter by quarter. And our investment in innovation is supporting the acceleration in revenue growth.

US Recon and Robotics is following the Trauma path to success

Implant supply, capital deployment, product launches and leadership

Let me take a moment to go into more detail on these two last points. A year ago, we highlighted the strong performance in Trauma & Extremities based on new product introductions, implant supply, capital deployment, and improved commercial execution. We also detailed that all the same elements were in place to improve performance in our US Recon and Robotics business as well.

As with T&E, these actions have driven four consecutive quarters of sequential improvements in US Recon and Robotics revenue growth. On implant supply, key product line-item fill rate reached its target in the fourth quarter of 2023. And capital availability followed soon after.

With Hip, set shipment also was at goal in fourth quarter of 2023. And knee sets started reaching their goal in the second quarter of 2024. This is also being supported by a steady stream of product launches over time, such as the newly launched short stem hip.

We also launched ten new features on CORI between 2022 and 2024, further contributing to the recent recovery in our hip and knee implant sales growth. We have further new product launches planned to continue this positive momentum.

Innovation has been a key, significant driver in our transformation to a higher-growth business. Across 2023 and 2024, more than half of our underlying revenue growth came from products launched in the previous five years. In H1, this proportion was three quarters or 75%.

Continued high cadence of innovation

We continue to invest in our innovation pipeline and introduce new products across all of our business units in the first half of the year, which we are confident will help us sustain our improved revenue growth profile.

In Orthopaedics, we expanded our nailing range with a new system for stable and unstable tibial fractures. TRIGEN MAX builds on more than two decades of proven performance and industry-leading design from our TRIGEN nails portfolio. In Robotics, we received FDA clearance for CORIOGRAPH pre-op planning and modelling services in total shoulder replacement during the second quarter of 2025, which expands our offering to cover all joint replacement procedures, knees, hips, and shoulders.

In Sports Medicine, for the first time, Smith+Nephew is able to market REGENETEN for extra articular ligament injuries in the US, creating opportunities to reach more patients with soft tissue injuries around the body. With an initial focus on hips capsule repair, we have a future expansion plan in other extra articular ligament repairs.

In addition to new products, we also announced a number of significant evidence milestones during the first half of 2025, supporting the adoption of key product families. For instance, a recently published randomised-control trial of Smith+Nephew's handheld robotic system demonstrated the value for patients and surgeons of robotically assisted total knee replacement with JOURNEY II BCS. Patients experienced significantly better outcomes, including reduced pain, improved function, and higher satisfaction compared to conventional surgery at the one-year time point.

Conclusion

In conclusion, I have talked a lot about our 12-Point Plan. We are now in the final year of our three-year transformation that I first set out for you in July 2022, and Q2 performance is yet another proof point that we are on track to deliver our ambitions. Each of the three parts of the 12-Point Plan is delivering great progress. The rewiring of our Orthopaedics business is well underway with sequential growth acceleration over the last four quarters at the global Ortho, US Ortho, and US Recon and Robotics levels.

Orthopaedic inventory levels have improved, and we have seen the associated expected step-up in Ortho margin. Both Sports Medicine and wound management have shown consistent momentum since the start of the programme, and productivity improvements are clearly visible in the P&L. In other words, our operational improvements are increasingly translating into financial gains.

In Q2, once again, we delivered revenue growth ahead of historical levels, even with headwinds from trading days and China. This higher organic growth is underpinned by fundamental competitive strengths, better commercial execution, and a high cadence of innovation across

our portfolio. Cash flow has also stepped up significantly in the last 12 months with better control of inventory to the point where we can start returning excess cash to shareholders through our \$500 million share buyback.

There is still more to do around profitability, but the 100 basis points of expansion puts us on track to deliver the guided step-up in full-year margin. As a reminder, we have delivered 240 basis points Group margin expansion from H1 2023 to H1 2025, despite greater headwinds than we expected when we first laid out the plan in 2022. As I told you in the full-year 2024 results, since the start of 2023, we have successfully offset over 700 basis points of headwinds from inflation, foreign exchange, and VBP.

Finally, these improvements are sustainable. A key objective of the 12-Point Plan has been to drive increased accountability and greater discipline in execution, both of which are now embedded in our culture and our ways of working. As I have said before, the 12-Point Plan is a necessary step, but it is not the limit of our long-term ambitions.

We will set out the next stage of our strategy at a capital markets day in early December. I am looking forward to seeing you all there, and formal invitations will follow shortly. So with that, we will now take your questions.

Q&A

Jack Reynolds-Clark (RBC): Thanks very much. Jack Reynolds-Clark from RBC. Three, please. The first is on revenue guidance.

With Q2 having been, I guess, stronger than I think people were expecting, does that imply that there is upside to the 5% target for the full year? Are you expecting things to slow down elsewhere in the business?

Then on margin guidance, so I appreciate you mentioned some kind of moving around of R&D and possibly some other expenses as well, but could you walk us through, John, the bridge in H2 margin and whether the upper end of the 19-20% margin range is possibly more achievable?

Then the last question was on US Knees. Could you just run us through some more detail of the work you are doing there and how much of the weakness was driven by the market versus your own activities and how you are thinking about growth versus margin in that segment going forward?

Deepak Nath: Sure. I will frame this up, and I will leave it to John to give you the margin guidance.

So overall, as we mentioned, given all the puts and takes that we see, we feel good about the guidance for the full year. There are positives and negatives as we go through. We will continue to improve commercially in the back half of the year, but we do have a step-up that we expect, both from a revenue standpoint and from a profit standpoint.

We are in a more uncertain environment. We have characterised for you what we expect the impact of tariffs to be, but fundamentally there is a much more uncertain period to come. That coupled with the step-up that we need to see in the back half of the year, particularly around margin and all the various effects around comparators, China VBP falling off and other things, we feel at this point it is prudent to maintain the guidance that we have given, both in terms of revenue and margin.

In terms of US Knees, as we unpack that a little bit, the headline is that at a US Orthopaedics level, including Trauma and Recon, US Recon and Robotics level, and at a global Orthopaedics level, we are seeing sequential improvement. And those are very, very strong proof points that the improvements in supply and product availability, commercial execution or ability to connect all the different pieces together is delivering the desired effects. That is the headline in terms of where we are, and I am pleased with the progress we are making.

The softness in Knees, which were offset by the greater than expected strength in Hips, there are a couple of factors. First, we are going through a step to refocus a commercial organisation to the higher volume accounts. I have said in previous settings that we have got a relatively long tail of accounts where we have surgeons use our products on an occasional basis with particular patient populations or what have you. While that is an important part of our business, we do want our commercial activities focused on driving primary use of our Knees or Hip platforms. That is some concerted effort going on there.

There is also some level of portfolio rationalisation work that we are doing, and I have highlighted that in the past. We have got three Knee families that are relevant in the US. We are trying to get all that down two Knee platforms, LEGION and JOURNEY, and there is work involved in having to transition surgeons to doing that.

By and large, we are successful in retaining most of our customers when we go through that process, but not all, and that does have an impact on top-line. However, these actions actually get us to a better position as far as our US business is controlling from a margin standpoint, and these steps do contribute on the back of all the other improvements we are making in the factory and in terms of inventory control for the margin step-up that John talked about. However, what we also saw related to this was particularly in the end of the quarter that we saw some slowdown in terms of the number of procedures in our active base of surgeons, and that just did contribute to the numbers that we see.

With that, John, do you want to take the margin point?

John Rogers: Yes, and just to build on a little bit what you said, we saw the 230 bps of margin accretion in Orthopaedics in the first half, which was a reflection of those changes that Deepak has just talked about, and that very much puts us on track to deliver the margin expansion that we set out last year for Orthopaedics. We ended last year just below 12%. And if we look forward to this year, we should end north of 14%, so, a big step-up, big improvement in margin for Orthopaedics.

In terms of setting a little bit of colour on the revenue guidance, you are right to highlight that we did say that we would expect to see a step-up in Q3 given China annualising, given the reversal of the impact of trading days. In Q3, we have got level trading days year-on-year as opposed to less in the first half.

We will expect to see a step-up in Q3. That said, important to remind you that Q4 for us last year was a very strong quarter, particularly in the US, so, we have got quite a tough comparator.

I would say that we are only six months of the way through the year. There continues to be significant uncertainty over macro and external conditions like tariffs, for example. Now is not the time to be changing our guidance.

In terms of the margin phasing, again, we talked about bringing savings forward from H2 into H1. And of course, those savings will repeat in H2. So, that is an upside. At the same time, we have got the impact of tariffs, the \$15-20 million that we made reference to. And that will, of course, primarily hit us in the second half. So, that broadly offsets that.

And then also, we have got the US mix in Q4 as well. Again, we had a very strong US in Q4 of last year. So, again, at this stage, I would say now is not the time to be changing our guidance on margin. The 19-20% holds. And we have said in the past that we expect it to be broadly centre of that range.

And actually, if you look at the bridge from H2 2024 to H2 2025, I will give you a little bit of colour here, we would expect cost inflation of around 1.9% or so. VBP on China will be about a drag of 80 bps or so. If you remember, we said it was going to be 110 bps for the year. So, that is averaging out H1, H2.

We would expect to see revenue leverage of around 200 bps or so and then operating savings of a similar amount to get us up to the circa 19-20% margin for the full year. So, that gives you a little bit of colour on the H2 bridge.

Jack Reynolds-Clark: Great. Thanks very much.

Richard Felton (Goldman Sachs): Richard Felton from Goldman Sachs. First one, just to follow up on margin. John, can you remind us of the drivers of the operating savings in H2? How well advanced are those programmes? How much visibility do you have that that is going to be achieved and fully de-risked? And then also, what elements of those operating savings are structural, and how should we think about that dynamic into FY 2026? That is the first one.

The second one, just to follow up on US Knees, Deepak, you mentioned at the end of the quarter, a slightly softer procedure environment. Why do you think that happened? Why was that the case? And have you seen that continuing into Q3? Thank you.

Deepak Nath: Sure. I will take the US Knees part. So, this is in our base of customers. And it is hard to speculate. We do not know the reasons, really. And we can talk about vacation schedules because there are vacations every year on that time frame. It is hard to really define that. It is hard to tell what drove it. What we can tell is there was a slowdown in our base there.

I have, in the past, been somewhat loath to comment on market. We are in a period of performance recovery in the Orthopaedics business, where it is sometimes difficult to parse how much of something is us versus the market. We can do that in Wound. We can do that in Sports. I have been loath to comment on that for Ortho. Now, we are in a better place, actually, much better place, even in Orthopaedics in the US than we were a year ago or two years ago.

However, having said that, what I do feel comfortable is talking about what is happening with our account base. However, there seems to be, at least from what we can tell in our numbers, some slowdown related to vacations. Surgeon transitions was another factor as surgeons were moving practises, in some cases, from hospitals to ASC settings or across networks. That did have an impact and that is something within our base.

What is encouraging for me is when I look at churn, you have heard me comment about that in the past, where through much of 2023 and early 2024, we are net unfavourable. In other

words, we lost more surgeons than we gained, for a variety of factors. Retirements and those types of things were the largest factor, and we had some competitive losses too.

However, we also commented in the previous period that those have turned favourable, starting in really the Q3, Q4 of 2024. And I am pleased to report that that trend has continued even into Q2, building off of Q1. I feel good about the operational progress that we are making. And I do feel confident that as we go through the second half of the year, we will be in a good place.

And again, I come back to, in the end, there is different ways to slice and dice this. We are looking at Knees and Hips separately as well. However, in the aggregate, when you look at US Recon, we are seeing nice sequential improvement, and we are closing the gap to market. We will see, of course, not all of our competitors reported in the quarter. However, when we look at the trend, Q3 2024, Q4 2024, Q1 of 2025, we are closing the gap at the US Recon level. And of course, outside the US, we have seen some strength now. Over the last couple of years, we have continued to maintain that. So overall, I feel good about where we are positioned.

I will hand it to you, John, for margin.

John Rogers: Thank you. In terms of the savings and where they are coming from, again, I point you to the slide that we have got in the deck, which sets out quite clearly, they come from across the board. There is a big chunk, clearly, that come from manufacturing, procurement, but there is also warehousing, distribution, business support, sales and marketing.

We are seeing savings across the entirety of our business. We had 51 different programmes, most of which, well, all of which are already in train and many of which are already complete. And so, in terms of visibility of those savings, I feel pretty confident that we will see that margin accretion come through in the second half, as we said consistently before.

In terms of 2026 and 2027, again, point you to the chart, we should expect to see another 50-100 million of savings flow through in 2026 and 2027 as a consequence of some of the changes we are making now, as we see those flow through into future years. So again, we should see a little bit of support for margin improvement as we go into 2026 and 2027.

Richard Felton: Thank you very much.

Graham Doyle (UBS): Thanks. It is Graeme from UBS. Just two from me, please.

On the Ortho inventory, in terms of the lower cost inventory started to flow through post the site closures over the last 12-18 months, have we seen much of that yet? I think we always thought that would be a H2-weighted story. It would be interesting to get some colour on that.

And then, just on tariffs, one of your peers appears to be able to not pay tariffs on Hips and Knees. Just to get your sense as to have you explored the Nairobi Treaty for that protocol, and is there anything to do there? Thank you.

Deepak Nath: Thanks, Graeme. In terms of inventory, you are right, we have previously called out that the big, the accumulated benefits of all of the network optimisation efforts we have done will fully manifest in the second half of the year. We remain on track to that. So that will be one of the key drivers of the continued margin step-up from where we are today into the back half of the year. However, it is not like we have not seen the impact of that already. So those have come over the period of time, one at a time.

And so mechanically what happens is you close a site, obviously there are upfront costs associated with the site closure, will typically build up some level of inventory as a safety stock in terms of what we manufacture there. And then we transition that production to elsewhere within our network. The impact of all of that will flow through. And there is a timescale associated with it.

What we are actually doing also in addition to that is as part of improving our product availability, which has twin objectives. One is to improve availability and actually reduce our inventory. And there it is about how we connect supply and demand down to SKU levels. And we have been at this now since the start of the programme. And there we have made really, really good progress in terms of being able to connect that at a much better level. Now, there is still more work to be done, but when I compare it to where we were in 2022 versus this, it is kind of a night and day thing.

And that is part of what John talked about in terms of our inventory health being better. He provided some stats around what our slow-turning inventory has been doing. And in fact, when we started out, our mix was not great.

We had too much of the stuff we do not need and not enough of the stuff we did need. And part of that is because in our business, Trauma is a relatively higher proportion compared to Recon. Trauma has particularly high inventory requirements, and they are particularly slow-turning in that. Some of that is related to it. However, we have actually brought down the slow-turning inventory level significantly. So that is another contributor in terms of both inventory levels down and days of inventory coming down. And of course, the impact of that as it flows through the balance sheet and P&L is a bit more complex. There are inflexion impacts for which there are timescales associated with it.

The second thing is our manufacturing capacity. We have taken down capacity, but we have navigated through much of this period with excess capacity. And that has obviously complicated impacts on both balance sheet and P&L. However, all these put together, we are on track to delivering the margin expansion associated with this as just as we said, and as you rightly call out, that was the second half of the year.

In terms of tariffs, obviously, we are looking at all different ways, including the one you mentioned as ways to mitigate. However, as far as we can tell, based our read of the situation, we are calling for a \$15-20 million impact. To remind you of our network, I think your question was more within Orthopaedics, referencing one of our competitors.

For us, we have got two primary sites, well, three total, but it is Memphis, it is Malaysia, and we have got Switzerland. On the one hand, because a significant part of our Orthopaedics production comes from Memphis, we are naturally hedged in that regard, but it is not zero. It is very much down to a SKU level in terms of what comes from there.

There is actually impact, not to mention the impact of raw materials, the input feedstock that comes in from other places. Look, it is a very dynamic situation. It is hard to call out where things actually settle out. We have got a team that is looking at this, at the pace that you would expect companies like ours to look at, and we are now keeping that situation under review.

Graham Doyle: Thank you.

John Rogers: Just to build on Deepak's point there, if you look at our manufacturing network, as it happens, more of the tariff impact comes through for us on Wound and Sports and less on Ortho, because most of our manufacturing is US-based for Ortho. There is a little bit more of an impact in Wound and Sports than in Ortho.

David Adlington (JP Morgan): Hi. A couple from David Addington at James Morgan. Just on the buyback, John, given the strong cash flow in the first half, just wondered how you are thinking about ending the year in terms of net debt-to-EBITDA.

And then secondly, also good to see progress on the inventories. As you look into the medium term, where do you think you could get down to and how much cash could that free up?

Deepak Nath: Go take that, John.

John Rogers: Yes. On the buyback, notwithstanding the \$500 million buyback in the second half, I am still expecting us to exit the year below our 2x net debt-to-EBITDA target level, giving us plenty of capacity for all of our growth ambitions, etc. Very strong cash flow, which is very positive.

On the inventory side, obviously, we do not want to overly guide to what we are going to deliver in the future. However, you have seen the direction of travel over 2024 and 2025. And we would expect that improvement to continue. I think when it comes to Sports and Wound, we are now getting down to what would be pretty good industry levels. I think the opportunity continues to exist in Ortho, and we have seen good improvement in the first half. We would expect that to continue into the second half of this year, and then further improvement in Ortho next year as well.

Sam England (Berenberg Bank): Morning. It is Sam England from Berenberg. The first one, just in Hips, you called out the benefit from CATALYSTEM in Q2. How should we think about the market share gains you think this can drive, especially in the ASC channel, given the focus on anterior surgery, and how crowded is that space becoming now for anterior products?

And then just looking at the other Recon business and the growth there that you called out was driven by Robotics. Can you just talk a bit about demand and placements for CORI in Q2? And I suppose, is more of the demand being driven by the hospital or ASC channel or just some sense for the sort of split of demand between channels?

Deepak Nath: Yes. We are pleased with the uptake of CATALYSTEM. Obviously, not everyone of our competitors have reported. We feel good about where we are positioned. The surge in feedback on CATALYSTEM has been very, very good. And so, we feel good about how we are positioned there and continue to have traction across a range of settings, not only in ASCs, but also in hospitals, academic centres and community hospitals as well.

We feel good about its value proposition. As you know, the market over the last three or four years has gone through a fairly profound shift from a traditional approach into direct anterior approach. So we were among the later players, not the first players to come into that space, but we have a very compelling product offering in a segment that is rapidly growing, so feel good about the surgeon feedback and the resonance that we are getting across a range of settings.

In terms of Robotics, what we are looking at is not just placements. We could be executing a place first kind of strategy. What we are looking at is both placements and utilisation. And we

are seeing very nice uptake. In other words, where we place, we have got surgeon champions that are using that integrated into their kind of routine practise, which is really the true measure of what we are trying to do.

We are also looking at whether it is driving competitive conversions, or we are using that to retain our existing customer base, both of which are important. There are multiple things we are looking at around CORI placements just being one of many, many factors. And continue to be pleased with the progress there.

We are looking at how we do in ASC channel as well as in teaching institutions where historically we have skipped a beat or two. And so, the progress we are making on both of those is very, very encouraging for me. So overall, very pleased with how CORI is doing across channels, and the type of utilisation it is getting in where we place them.

John Rogers: Again, just to build on Deepak's comments there, we are not going to split out obviously numbers that go into the channel, but it is fair to say that in the second quarter, we certainly over-indexed in ASCs in terms of proportion of our CORI placements that went into ASCs in the second quarter, which, I think, is really encouraging. We said before, we think that CORI in terms of its form factor, in terms of its size and its footprint, and also its capital costs being significantly lower than the competition, actually puts it in a very strong position, particularly in the ASC channel. And we are starting to see that come through in terms of the number of placements we are putting into that channel.

Veronika Dubajova (Citi): Good morning, Deepak and John. Thank you, guys, for taking my question. I hope you can hear me okay. I have three, please.

First one is just Joint Repair. And again, another impressive quarter for you guys is double-digit growth, excluding China. Just curious, Deepak, if you could touch upon the drivers that are enabling you to deliver that growth and how sustainable you think that is, not just into the back half of this year, but also as we think about 2026.

My second question is just maybe if you can elaborate a little bit on the skin substitutes exposure that you have and the risks that you might see there from the new proposal, and maybe just give us a flavour for where your current pricing stands relative to the \$125 that has been proposed by CMS.

And then my final question is around the buyback, and just to what extent do you feel this year is it giving us a good indication for your ongoing, recurring future capacity to return cash to shareholders? Thank you, guys.

Deepak Nath: Sure. So, in terms of Joint Repair growth, we take China out of it, as we have indicated multiple times. We will annualize the impact of Joint Repair VBP as we head into Q3.

However, when you look at our performance across all other regions, very, very nice double-digit growth. The key drivers are Q-FIX and what we have done with that, and REGENETEN. And REGENETEN, it is increasing adoption within rotator cuff, which was kind of our lead indication. However, as we expand indications into the Achilles in particular, we are seeing an increasing proportion within Achilles as well. And of course, we are not stopping there. Hips is another area that we are going after. So, very nice uptake of REGENETEN. We expect it to be a platform technology. So, we are starting to see its utilisation across different joints.

So, Q-FIX, REGENETEN, key drivers of Joint Repair growth everywhere outside of China.

In terms of skin subs, look, it will be a net headwind, both from a revenue and profit standpoint for our Wound business. Fundamentally, obviously, there is the pricing that you mentioned.

However, in addition to that, no products got taken off the market as a result of this. So, how practise patterns change as a result of that does remain to be seen. However, relative to a previous version of this, where on the back of expected clinical evidence, there would be fewer players in the market at lower price point with some limits on adoption, was for us, we would characterise it as a net neutral thing for us as we pivot into this regime, which of course, has not been finalised. It would be a net headwind.

Obviously, for the year, we have taken this into account in our guide. I have made some remarks and John did as well. So, we feel good about our ability to navigate through this headwind for 2025. And of course, as to 2026, as we look in the year, we are not going to guide to that quite yet. Now is not the moment to do so.

However, let us just say that we are active participants in it. We remain committed to bringing forward products that have strong clinical evidence backing them. In terms of what we are going to do, we are going to stick to what, we think, would be the right way to develop products that are substantiated with clinical evidence, and we will see how things evolve from there.

In terms of buyback, do you want to take that, John?

John Rogers: Yes. I will cover that. Again, just to make very clear, I will sort of draw your attention to the capital allocation policy, which is very clearly set out.

So, first and foremost, we want to be able to invest in our organic growth. That is absolutely clear. That is one of our key objectives is to drive the growth of our business forward.

Secondly, we want to be able to acquire businesses that are complementary to our portfolio that will assist in driving growth. Thirdly, we have got to pay a dividend. And then if there is anything left over from that, then, of course, we have the option of paying a share buyback or doing another share buyback.

However, I want to make it very clear that that is the last option and that the primary focus is driving our top-line growth, investing in our business through organic growth and acquisitions and obviously paying a dividend, and then as the last element of the capital allocation, share buyback. We were able to make the share buyback in the second half of this year of \$500 million. As I said earlier on, we will expect to still end the year below our target leverage ratio and with all the capacity that we need to drive our top-line growth.

Veronika Dubajova: Got it. Thank you, guys. Very clear.

Deepak Nath: Sure thing, Veronica.

Hassan Al-Wakeel (Barclays): Good morning and thank you for taking my questions. I have three, please.

Firstly, Deepak, if I can follow up on your comment on slowing procedures amongst more active surgeons in Knees. I wonder if you are seeing this beyond Knees. And separately, any colour on the weaker OUS hit performance and any key challenges faced here, and I guess combined what are your expectations here and in US Knees in the second half?

And then secondly, if I can follow up on skin subs, was the stronger growth in the quarter supported by any physician behaviour changes due to the LCP? And then on the proposed

reimbursement, appreciate behaviour can change as can volumes, but what is the impact from the lower price in isolation, and what is your exposure to the hospital inpatient channel? And what are the mitigating actions that you could take?

And then finally, how are you thinking about the pipeline of potential bolt-on deals, particularly as we look into next year given the buyback announced for this year? Thank you.

Deepak Nath: Okay. What we have seen in terms of procedure slowdown was really in Knees and Hips and medically a different level of, I would say, urgency around knee replacements versus hip placements, as you know. What we have seen in our active base was really more around Knees compared to Hips. And so that is that.

In terms of Hips, OUS, there is the China factor. There is a little bit in Japan, for example, that we are looking at, but overall, OUS Orthopaedics performance remains an area of strength.

We continue to perform well commercially, and although there is quarterly volatility primarily around timing of distributor orders and things, we feel good about how we position OUS at large. However, there are individual markets where there may be something from one quarter to the next.

In terms of skin subs, in terms of physician behaviour changes in response to pricing, we did see some of that, but it was not to the extent that that was the dominant kind of factor driving a performance there.

Now we have not previously split out how much of our business is skin subs, but I will just say it is material, but in the realm of from a Group impact standpoint, I expect that with pricing changes here, we will be able to navigate through this. I guess rather than get into breaking out the impact of skin subs, I will just leave it at that.

In terms of proportion of utilisation in hospital versus physician office, it is about 30% of use is in the physician office compared to the hospital. And in terms of our own activities, we have always had a strong presence on the hospital side, which we continue to maintain. And in terms of development of products, we continue to be focused on not just coming up with the next version of skin subs but also investing behind the development of clinical evidence. And that will remain the case as we go into next year and beyond. So, skin subs.

And in terms of acquisitions, as John mentioned, a key priority is to drive growth top-line. And at the level of buyback that we have announced, we are not going to be limited in terms of the type of bolt-on acquisitions that we are going to be able to do as a result of it.

We feel good about the opportunity set in front of us and the ability to execute on that. Bolt-on M&A or M&A in general is a key part of value creation in med tech. We have an active corporate development team that is well plugged into the ecosystem, and we have got a pipeline that we feel good about. And we do not feel constrained in our ability to do those bolt-on M&A even with the announced buyback.

John Rogers: And just to add some colour to your question on Hips, Hassan, just looking at the numbers for the second quarter, we were actually up on an average daily sales basis. Globally, we were up around 5% for Q2. And actually, if you look at ex-China, we were up 7.5%. You are right to highlight the OUS growth was pretty flat in the second quarter. However, to Deepak's point, we expect the OUS number to significantly step up in the second

half as some of the impacts on China start to reverse. And we should see a pretty strong H2 on our Hips ADS growth on an OUS basis.

Hassan Al-Wakeel: Perfect. Thank you.

Robert Davies (Morgan Stanley): Yes. Morning. Thanks for taking my questions. I had three.

The first one was just how you are thinking about the strategic position within Ortho, I guess, within the context of both the 12-Point Plan and you mentioned the constructive discussions with the activists. Maybe just provide us a little more colour on that.

The second question was around the trajectory for margins beyond 2025 and whether the sort of savings plans that you have laid out has changed your views over the mid-term profitability targets of the company.

And then the final one was just around the sustainability of growth, I guess, and just getting a little more colour on the future pipeline. You have obviously made a lot of comments over the last couple of years around the products you brought to market. I just wondered if you could provide some colour around the pipeline looking forward over the next couple of years. Anything meaningful to look out for? Thank you.

Deepak Nath: Yes, sure. With Orthopaedics, look, we are a portfolio company, as many other med tech companies are. And in terms of Orthopaedics, what we have said a number of times is, as we look dispassionately at all different ways in which we can drive shareholder value, far and away, the best opportunity is to get Orthopaedics functioning as it has the potential to do and as it once did within our portfolio.

And as I have detailed in this quarter and previous presentations, we are making really good progress in our ability to do that. And there were a number of elements associated with it in terms of product availability, the way we connect supply and demand, our commercial execution, which itself has multiple pieces around people, process, how we manage the business. On every one of those fronts, we have made tremendous progress.

When I take a step back and look at all the things we could be doing, driving performance improvement along the dimensions that I have outlined is by far the best thing we can do for shareholders at this point. And we are well on a path to doing that. And I do believe we get it to where this business can perform in its ability to deliver great returns, whether it is in terms of revenue growth contributor, contributor in terms of margin expansion, which as John mentioned earlier, we are on track to go to about 14% margin this year, which is more than 200 bps.

As we look ahead, that journey will continue. 14% is not the end point, but it is a waypoint along the journey. So, as we look ahead, we expect it to do its part in driving growth, importantly, driving margin expansion as we get it back to levels at which we were a number of years ago.

And importantly, as we move into a position where it starts to deliver excess return ahead of its cost of capital. So, we have all of those opportunities in front of us in Orthopaedics. I think we have with Q2 delivered yet another proof point on our journey there, but we have got more to do in the balance of 2026. And then, of course, as we look into the future.

And that brings me to the second question that you have around continued margin expansion. We have said that the target for 2025, which is 19-20%, that is not an endpoint. It is a punctuation, but we expect to continue to improve beyond that. In particular, Orthopaedics margins, we expect to continue to expand as we go into 2026. The right time for us to be talking about what we expect to do would be on the back of full-year 2026 results, so that you can judge how we did on the three-year transformation programme, where we are positioned and what makes sense in terms of reasonable mid-term targets.

So, we will come out and do that. As a prequel to it, in our Capital Markets Day, we will detail out what we see as the key growth drivers. I will take the mystery out of it. We are an innovation-driven company. We have said three-quarters of our growth in H1 was from products launched in the past five years. And we have commented on that periodically.

Full year 2024, that number was about 50%. In 2023, that number was about a little over 50%, I think we might have said 60%. So, we have had a good track record of bringing forward innovations. We are not always first to market, but what we bring forward, and if you look at our greatest hits reel, if you will, we are actually punching above our weight class in terms of the type of innovations we bring forward. And as an organisation, we are very, very committed to maintaining our levels of investment within R&D. That will be one of the key drivers of growth. Going forward, we expect to build off of where we hope to exit in 2025 in terms of further margin progression, but we will detail that out at the right time.

In terms of sustainability of growth, we have gone from being a low single-digit growth company into a mid-single-digit growth company during this transformation period. I think at this point, we have given you enough proof points in terms of our ability to do that.

So, the next chapter will be to build off of where we have come. So, here, I will leave this a little bit of a mystery. You can come to the Capital Market Day and see what those drivers are. And then, of course, with full year, we will give you that in more detail.

John Rogers: And just to comment on the margin trajectory, as always, there are a lot of moving parts on margin, as Deepak highlighted. We have got the positives in terms of this additional savings coming through, and I talked about \$50-100 million at least coming through in 2026 and 2027. We have got the positives in terms of the continued progression on the Orthopaedics margin.

As Deepak says, 14% is not our end game. We expect to continue to improve that over time. At the same time, of course, we have got to offset the challenges of tariffs coming in, in 2026 and also, of course, the impact of skin subs.

So, there is always lots of moving parts. However, we hope to set out at the Capital Markets Day clear direction of travel as to where we expect things to go forward. And also, obviously, the prelims in February of next year provide very clear guidance as to what we expect to happen in 2026.

Deepak Nath: Yes. Just a quick build on what you said, John, in terms of sustainability of both growth and margin. Part of being a portfolio company is being able to go through all these different factors and offset these things to deliver more consistent top-line growth and margin expansion. That is part of being a portfolio company.

However, another thing that I will accentuate here is in terms of sustainability, when you look at how Q2 turned out, the growth came from all regions and all of our businesses. And that has been a theme that if you go back and kind of look at our messaging over previous quarters, that is something that has been true actually for a number of quarters now.

So, it is not just coming from one particular part of our business, but the growth has been relatively broad-based. And that you should take as another encouraging sign in terms of the sustainability of growth as we move out of this period of transformation or turnaround into a more new and improved Smith+Nephew.

Robert Davies: Very helpful. Thank you, both.

Deepak Nath: Thanks, Robert.

Kane Slutzkin (Deutsche Bank): Good morning. Just quickly on US Recon, you are obviously still targeting the market growth rate by end of year, I would assume. I am just wondering if anything has changed in your thinking there, in terms of how you get there, given the softer US Knees but stronger Hips?

And then just secondly, you obviously mentioned you are in the final year of the transformation. You are making good progress against this plan. Without being too sensationalist, I am just wondering with the Cevian stake slowly building, could you sort of just provide us with any confirmation or details of the nature of any discussions you have had with them, what their influence has been to date, if at all, and I guess just how active have they been? Thank you.

Deepak Nath: Sure. In terms of what we are targeting, as we have said before, getting to market growth in US Recon remains a goal. Ideally, we would like to do that with all parts of our business working. In other words, we want to continue to show progress in Knees and progress in Hips. However, obviously, there are multiple ways we could get there. In Q2, we had not overperformance, great performance in Hips that offsets a somewhat softer performance in Knees.

We expect to build on both of those things as we go into Q3, Q4. However, the objective is at a US Recon level to exit at market. It could be a different shape, but that remains the goal.

In terms of Cevian, as you know, our position has always been we maintain open dialogue with all of our shareholders. We spend time, John and I do, engaging with our shareholders in an open and constructive way. And so, we have done that with Cevian as well. The conversations so far have been quite deep, quite meaningful and constructive, and we expect to maintain that as we move forward as well.

Kane Slutzkin: Great. Thank you.

Dylan Van Haaften (Stifel): Hi, guys. Just one clarification at the end for me. Baked into your tariff guide, are you using the Nairobi protocol for any of the, let us say, non-US for US business? And I will stop there.

Deepak Nath: The short answer is no, not at this time.

Dylan Van Haaften: Perfect. Thanks.

Deepak Nath: Great. Thank you very much for your questions. As we said, we are very encouraged by where we are in Q2, and we remain confident of our ability to deliver within the guidance that we have set out.

Thank you for your attention today.

[END OF TRANSCRIPT]