Smith & Nephew Q3 2025 Trading Report

Thursday, November 6, 2025

Operator Good morning. Thank you for attending today's Smith & Nephew Quarter Three 2025 Trading Report. My name is Sarah, and I'll be your moderator today. All lines will be muted during the presentation portion of the call, with an opportunity for questions and answers at the end. And if you'd like to ask a question, press star and one on your telephone keypad. I'd like to pass the conference over to our host, Deepak Nath, Chief Executive Officer. Please go ahead.

Deepak Nath Thank you. Welcome to the Smith & Nephew Third Quarter Results. As mentioned, I'm Deepak Nath, I'm the Chief Executive Officer. And joining me is John Rogers, our Chief Financial Officer. Today, we reported Q3 results that remained consistent with our expectations, and support our full-year guidance of both revenue growth and trading margin. Underlying revenue growth was 5% for the quarter, in line with the run rate of H1, and that was driven by continued momentum in sports medicine and advanced wound management.

Orthopaedics growth reflected trends broadly similar to the prior quarter in our recon and robotics business. Strength in hips in the US helped offset softer performance in knees, while internationally strong knees sales balanced more modest results in hips. We had our strongest-ever Q3 for CORI placements worldwide, and global growth in trauma and extremities was also strong.

Group growth was well balanced across geographies, and China headwinds are now beginning to abate. Excluding China, underlying revenue growth was 6.4%. Key product highlights for the quarter include strong double-digit growth in REGENETEN, Q-FIX KNOTLESS, EVOS, AETOS, FASTSEAL, CATALYSTEM, and LEAF. These products are visibly driving the broader segment growth rates.

Our operational improvements under the 12-Point Plan continue to flow through to the P&L, and we're seeing the expected step-up in profitability in the second half, and that's supported by improved cost discipline, better mix and efficiencies across our commercial and manufacturing operations. Strong working capital discipline and a focus on operational efficiency also means we're ahead of our cash flow targets. As a result, we're raising our free cash flow guidance for the year, from more than 600 million to around 750 million. Innovation remains central to our growth, and later, I'll share recent developments that support our confidence in our longer-term outlook. For now, I'll hand you over to John to take us through the quarter in more detail. John?

John Rogers Thank you, Deepak. So, revenue in the quarter was $1.5 billion, with 5% underlying growth and 6.3% reported, following 130 BPS tailwind from foreign exchange. Trading days were unchanged year on year. Geographically, the US grew 5.5%, and other established markets grew 3.9%. Emerging markets grew 5.4%. Orthopaedics grew 4.1% on an underlying basis. In recon, we saw a continuation of the trends of the first half. In the US, trauma and extremities grew strongly, and hips grew above market again, which reflects both the sustained improvements in our commercial organisation under the 12-Point Plan and the strength of our portfolio.

Hip performance continues to be driven by strong uptake of CATALYSTEM, which has now been on the market for a full year. The market shift to direct anterior hips is accelerating, and we are well placed to benefit. We are increasing our CATALYSTEM set deployments to support growth in Q4. US knees remain soft, as sales continue to be impacted by our ongoing portfolio rationalisation efforts. While this is ultimately the right strategy for the business, it has led to some volume loss in the process.

That said, we continue to win new customers, and CORI placements in the US were strong in the quarter. We see knee growth outpaces market growth and accounts where CORI is established, underscoring the potential as adoption grows. Now, as we continue to build out our portfolio, we expect knee performance to improve, just as we've seen in hips.

In OUS, knees, hips, trauma, and extremities, all delivered strong performance overall, except for some localised weakness in hips in emerging markets. We launched CATALYSTEM in strategic sites in Japan, which will drive growth in the coming quarters. Trauma and extremities grew 7.5% overall, an acceleration over the first half, as expected. We continue to benefit from our EVOS Plating System and AETOS Shoulder. Our new TRIGEN MAX Tibia Nailing System is performing well ahead of expectations in the US, and we are awaiting regulatory approval in key international markets. Other recon grew 9.7%.

Placements were strong, but revenue growth was impacted by contract mix, with fewer direct placements this year versus prior year. We are pleased with the continued growth of CORI placements in ASCs and teaching institutions. Sports medicine and ENT grew 5.1%. We are seeing stability and a gradual recovery in China, following the anniversary of the joint repair VBP. The AET and ENT VBP are still to come, but the headwinds will be much smaller, given the relative size of the businesses. We have taken actions to manage our inventory ahead of implementation.

Excluding China, joint repair growth was 13.5%, maintaining the positive momentum we saw in the first half. REGENETEN and Q-FIX KNOTLESS, which launched in Europe this quarter, were key drivers. AET growth was led by RF and FASTSEAL in the US, and strong emerging markets. ENT growth accelerated sequentially, despite a continued soft tonsil and adenoid market in the US.

Let's now look at advanced wound management, which grew plus 6% in the quarter. Within that, advanced wound care grew plus 1.1%. Good OUS sales growth was offset by some softness in the US, ahead of our ALLEVYN COMPLETE CARE product launch. We expect this to drive growth in the segment going forward outside the US, and even perform well, with significant tender wins in the UAE and Saudi Arabia. Turning to bioactives, which was up 12.2% for the quarter, we again saw strong growth in SANTYL. This reflects easier comps, given the supply chain challenges last year, which have stabilised, and a recovery in underlying demand as customer confidence in supply returns.

We continue to monitor developments around Medicare reimbursement and local coverage determinations. At the end of last week, CMS issued the final updates to Medicare reimbursement for skin substitutes in physician office settings, which is broadly in line with the initial proposed rate. Based on what we know today, we anticipate that this will be a headwind to advanced wound management sales, and have a 25 to 50 BPS negative impact on group trading profit margin for 2026. However, there are still some unknowns, including how it will impact clinical practice and physician behaviour, which will only become clear in the first few months or so, after implementation.

These results keep us on track to meet our previously raised outlook of mid-single-digit revenue growth for bioactives for the year, even despite a tough Q4 comp. Advanced wound devices grew 6.7%. LEAF and PICO performed well, reflecting strong demand. PICO is benefiting from targeted initiatives in the surgical setting in the US, and similar efforts are now underway internationally. Growth in US RENASYS moderated, reflecting some softness in the acute care channel, while performance outside the US remained strong.

I'll finish with the outlook for 2025. Guidance remains unchanged except for free cash flow, which we are raising. We continue to expect around 5% revenue growth and a trading margin within the range of 19% to 20% for the full year. Our increased focus on cash and capital efficiency has yielded better-than-expected free cash flow, and we now expect to deliver around 750 million, up from our previous expectations of more than 600 million. This reflects the sustained progress we've made in working capital improvement, particularly within our ortho business and the operational cost savings we've driven over the life of the 12-Point Plan.

The impact of tariffs for 2025 remains a net headwind of around 15 to 20 million, consistent with previous expectations, and will compound further in 2026. We continue to look for ways to mitigate this impact, and we continue to expect to drive further margin expansion beyond 2025, through continued momentum and efficiency gains. And with that, I'll hand back to Deepak.

Deepak Nath Thanks, John. As I mentioned, innovation continues to be a hallmark of our strategy. Importantly, more than half of our growth continues to come from products that we've launched within the last five years, reinforcing the strength and relevance of our innovation pipeline.

We have several highlights this quarter. In recon, following FDA approval earlier this year, we fully launched our LEGION Medial Stabilised Knee in the US this quarter. Medial stabilised inserts are designed to provide surgeons with stability and improved kinematics, while aligning LEGION with the three major market trends in knees, the shift to medial stabilised inserts, which are now used in over 30% of procedures, and the trend towards robotics and cementless fixation. As we build out our knee product portfolio, we remain confident that the acceleration we have seen in the rest of our recon business will ultimately extend to knees.

In sports med, we established a new Category One CPT Code for our CARTIHEAL AGILI-C Cartilage Repair Implant. The implant received Breakthrough Device Designation from the US FDA, and is the only FDA-approved device for this indication. The new code will streamline reimbursement processes for providers and payers, and support the integration of CARTIHEAL into standard clinical practice. We're already having positive conversations with payers and are working with early adopters to build a body of compelling evidence, ahead of the new code becoming effective in January of 2027.

In August, the AAOS revised its guidelines for shoulder rotator cuff repair to include a strong recommendation for the use of bioinductive implants. Bioinductive implants support the body's natural healing process of the tendon by inducing new tissue growth. We're pleased that REGENETEN is well aligned with these updated guidelines, and excited about its long-term potential.

In wound, we're launching ALLEVYN COMPLETE CARE, our new foam dressing, in the United States. Its proprietary unbonded design defends against factors that contribute to pressure injuries, and its multi-way stretch technology improves conformability to the body's anatomy and ease of application. Early customer feedback has been positive.

Overall, this was a solid quarter, which takes us almost to the end of our 12-Point Plan. Our business is undoubtedly in a better place. The global business unit structure has allowed us to drive greater accountability, faster decision-making, and execution and increased focus, customer focus.

You can see the benefits across the portfolio. Orthopaedics remains on an improving trajectory. Sports medicine and advanced wound management are maintaining the strong momentum. And we are seeing a step-up in profitability, cash flow, and ROIC.

We recognise that US knees are not yet performing in line with our expectations, and it will take time to get there. But the sustained growth we're seeing in US hips, trauma and extremities, serve as powerful proof points that the US knees will do the same. We’ve already made the changes that we believe are necessary to our commercial engine and manufacturing footprint, and we are gaining new customers while we're expanding our knee portfolio. These actions position us for continued improvement in the coming quarters and beyond.

As I've said before, 2025 is not the endpoint of our ambition, and I'm excited to have the opportunity to lay out the next phase of our growth at our Capital Markets Day in December. We are holding two events, in fact, in London and in New York. In London, we will introduce our new strategy, following the conclusion of the 12-Point Plan, including our mid-term priorities and financial goals. In New York, we'll follow up with greater detail on our growth drivers and share insights from our customers. I look forward to seeing many of you at either or both of these events, and remind you that both will be webcast. With that let's move to questions.

Operator Thank you. If you would like to ask a question, please press star, followed by one on your telephone keypad. To remove your question, press star, followed by two. Again, to ask a question, press star and one. As a reminder, if you are using a speakerphone, please remember to pick up your handset before asking a question. Our first question comes from Jack Reynolds-Clark, from RBC Capital Markets. You may ask your question.

Jack Reynolds-Clark Hi there. Good morning. Thank you for taking the questions. I have three, please. The first is on the revenue guide. So, given the, I guess, the slowdown in Q3, do you think there's a risk that underlying growth for the full year comes in slightly below that 5% mark you guided to for the full year? And what gives you confidence in the pickup through the remainder of the year?

Then, on margin guidance. You've talked before, I think, about anchoring at the middle of the range, of the 19%, 20% range. I guess, does Q3 performance impact how you're thinking about that now? Where are you? Where would you suggest we anchor within that?

And then, regarding 2026 and the impact of the LCD, can you talk through the assumptions around the bottom and top end of the 25 to 50 BPS margin impact you’ve guided to, and what the driver would be, and where you come in that range? Thank you.

Deepak Nath Sure thing. So, first of all, we feel confident about our revenue guide for Q4. That’s informed by our funnel, our sales funnel in Q3, particularly on the back of the CORI placements, the new customers we've won over, and they start to integrate our products into their practice. And obviously, we've got one full month of Q4 under our belt. So, we are confident of our revenue guide. We're equally confident on our margin guide as well. We've said 19 to 20, but we've led you into the midpoint of that range, and we are very confident about continuing to be there with a slight positive bias.

And regarding the impact for LCD of 25 to 50, as you know, the current reimbursement schedule really goes towards physician office. And it's not LCD per se. That's not what the ruling was about. It’s really about reimbursement for the physician office channel. We still don't know about the hospital outpatient channel yet, so there's still some uncertainty around how that will play out. That informs our range of 25 to 50. The reimbursement level of 127 is in line with what was out there before 125. And of course, there is the uncertainty around how practice patterns will adapt to these new guidelines. So, the combination of these factors give us the range of 25 to 50. So, hopefully, that addresses your questions, Jack.

Jack Reynolds-Clark That's great. Thank you very much.

Operator Thank you. Our next question comes from Veronika Dubajova with Citi. Your line is open.

Veronika Dubajova Hi guys. Good morning, and thank you for taking my questions. I will keep it to two, please. My first one is just actually going back to Jack's question around the revenue guide. I think when you had previously talked about the shape of the year, you had always cautioned us around the fourth quarter and how difficult the comparison base was. And I think the messaging from you was always, this is something that we should expect, the fourth quarter to be weaker.

Obviously, with where Q3 has progressed and your comments, Deepak, just right now on how you feel about the rest of the year, just curious if your thinking on that has changed, and maybe what's driven that? Is it a phasing of revenues through Q3 and Q4? Just if you can talk through that, that would be super helpful.

And then US knees, I hate to be the person to ask this question, but I have to. Just obviously, we are still seeing a very wide gap between you and the market. I know you are continuing to work through the portfolio rationalisation, but I was hoping maybe you can give us a little bit of the financial impact on what the portfolio rationalisation meant from an actual sales basis point of growth, and then how you're thinking about when we might see this gap narrow somewhat from where we are at the moment? And is this really a 2026 event? Is this a Q4 2026 event or 2027? Just your updated thinking on that. Thank you, guys.

Deepak Nath Sure. Thanks, Veronika, for the question. So, I'll lead off, and I'll hand it over to John to talk through the shape of the year. So, let me pick up your US knees point. As you rightly point out, we are behind the market within that. We acknowledge that. And there's a number of factors, but one we call out, really, as the most important of them is the ongoing portfolio rationalisations, particularly relative to GENESIS, which is the relevant platform within the US.

This is a line that we've long straddled as we've gone through the 12-Point Plan Programme, in terms of how aggressively to address this, particularly with our focus on capital efficiency and really driving the business in a more efficient fashion than we have historically. It is a line we’ve straddled, because go more aggressive, then we put top line at risk. Be more conservative, and that obviously impacts the returns in the business. And so, while we've recognised that inherent tension there, we have gone forward with that effort.

So, what gives me confidence? So, first of all, to anchor everyone, US knees is about 9% of the group. As I look ahead, I'm very encouraged by the pace of CORI placements because it was a record Q3 for us. I'm particularly encouraged by where we're placing CORI, teaching institutions, where historically we've been somewhat under-indexed, and there's quite a bit of effort we've put into strengthening our presence there, which has been good to see. Our placements into ASCs have also been very encouraging. And as we called out, where we place CORI we see above-market levels of utilisation, and where we also place CORI we see great uptake. So, all of those are very encouraging.

The introduction of LEGION Medial Stabilised Knee inserts is a factor. We're just now getting going. Actually, in the final month of Q3 was where we fully launched. And we look at the pipeline into Q4, we feel very good about the uptake, particularly into competitive accounts. So, you put all of these things together. While the shape is not exactly as we had expected, Q4 is actually shaping up to be a reasonable quarter for us. So, hopefully, that gives you a little bit of the texture behind US knees. And, John, you want to comment on the financials?

John Rogers Yes, just on the shape of the half, I think, Veronika, you're right. Q3 was a little bit softer than expected, but Q4 we expect to be a little bit stronger. So, in the round, the two play a draw, and we're very comfortable with the guidance of around 5% for the full year. And just to reiterate, we expect to be in the middle of the range on the margin, with a slight bias to the upside, which is what we said previously. So, really, no change to what we said on guidance.

But let me give you a little bit of the colour behind that shape. I think in terms of Q3, a little bit softer. There're a number of drivers. China was probably a little bit worse than expected. We talked about 150 BPS impact of China for the full year. We think that'll probably end up being about 160 to 170 BPS of an impact for China, maybe a little bit worse than expected. Also, ENT was a little bit soft in the quarter, US knees a little bit soft, AET a little bit soft, explaining why Q3 was slightly lower than perhaps we anticipated.

That said, as I've just said, Q4 we expect to be stronger. We've got one extra trading day. We've got the benefits of new product launches in CATALYSTEM, where we're deploying new sets that will drive growth hard there. In Q4, we've got the launch of ALLEVYN COMPLETE CARE coming through in the US, where we expect to see some upside. We've got the benefits of LEGION MS inserts coming through in Q4. So, there's a number of reasons to believe why we think Q4 will be a little bit stronger.

And as Deepak said at the beginning, not that I like to get drawn into talking about individual trading periods within a quarter, but we've gone through P10. P10 is actually our biggest period of the quarter, and we can see those numbers already. So, all of those things combined give us complete confidence in delivering our guidance for the full year, as I've just set out.

Veronika Dubajova That's great. Thanks so much, guys. Really appreciate it.

Deepak Nath Thanks, Veronika.

Operator Thank you. Our next question is from Hassan Al-Wakeel, from Barclays. You may ask your question.

Hassan Al-Wakeel Thanks for taking my questions. A couple, please. Firstly, as you look into 2026, what are the key pulls and pushes on the margin? And to what extent does continued softness in knees, next year, hold back your margin expansion potential in this business and overall, versus what you might have thought at the start of this year?

And then, secondly, if you could please elaborate on the hips weakness outside of the US. How much of this was down to China? And is that market or share, or both? And how are you thinking about the future of this business? Thank you.

Deepak Nath Great. So, thanks for the questions. First of all, for 26, we've outlined a couple of factors that work against us in terms of headwinds, but the overall message is that we expect to deliver margin expansion beyond where we exit in 2025. So, that's the headline.

In terms of knees, the combination of knees and hips hasn't played out exactly as we had expected at the beginning of the year. But the overperformance in knees and the softness, sorry, overperformance on hips and the softness in knees, actually allow us to still deliver margin in line with the expectations, certainly for 2025. And as we go into 2026 as well, actually, that combination works for us. So, despite where we are with knees, that doesn't impact for us, just because of the strength in hips, where we expect to outturn in orthopaedics in terms of margin for 25, or indeed for 26.

In terms of hips OUS, the reason is China and actually softness in the distributor markets. There's nothing particular about either market or share to call out there. There are quarterly fluctuations, particularly in the distributor market, so there isn't anything noteworthy that we would call out around hips OUS.

John Rogers And Hassan, just to maybe give you a little bit of colour on 2026. Clearly, we're going to set this out in a little bit more detail at the Capital Markets Day, and obviously provide specific guidance at our prelims in February of next year. But as you rightly highlighted, there's a number of headwinds going into 2026, which we called out in the release. So, tariffs being an obvious one, skin subs pricing being another. And we've provided specific guidance there. VBP on ENT and the annualisation of AET coming through, and then there's a little bit on inventory rebound as well, as a result of lower manufacturing costs. So, there's a couple of headwinds that we've got to take account of, going into 2026.

That said, we've always been confident of the benefits of the actions we've taken on the 12-Point Plan coming through. So, the manufacturing benefits, that we expect to drive margin accretion in the second half, will continue to come through in 2026. We've got further savings opportunities to deliver in 2026. So, when you add all these things together in the round, we continue to expect to drive further margin expansion into 2026, beyond, from 2025. We'll set that out in a lot more detail, of course, as I said, at the Capital Markets Day and the prelims, but that just gives you a little bit of a flavour for the direction of travel going into 2026.

Hassan Al-Wakeel Very helpful. And the future of the China business?

Deepak Nath Look, we constantly evaluate where we choose to make investments, and we're committed to building a sustainable business in China. And we'll continue to evaluate, product line by product line, where it makes sense for us to do that. Just to remind this group, trauma, for example, post the implementation VBP, that wasn't a profitable business for us, so we chose to exit the market. And so, a decision like that, we expect to make across all product lines. The key is to build a sustainable business, and we'll continue to keep evaluating that on an ongoing basis.

Hassan Al-Wakeel Perfect. Thank you.

Deepak Nath Thanks, Hassan.

Operator Thank you. Our next question comes from Graham Doyle, from UBS. Please go ahead.

Graham Doyle Thanks a lot, guys. And just two questions from me, on the margins. And the first is just, John, in terms of the guide for this year, we've only got two months left, and it's a pretty wide margin range. So, can you please remind us why November, December can be quite broad in terms of the impact to the business, and why you haven't got better visibility on that at this point?

And then just on next year, obviously the numbers could be wrong. I look at ENT, AET, the wounds you've described, and tariffs, I get to 150 BPS of margin headwinds next year. So, is it realistic to assume a modest margin uplift against that? Or do you think you can do something a bit more similar to this year? Thank you.

John Rogers Sure, I'll take both of those. So, in relation to the guidance on margin, I think we've been very clear that we expect to be in the middle of the range, with a slight bias to the upside. That gives you an indication of the direction of travel for the full year. There's obviously always lots of moving parts, not least of which Q4 is a big quarter. But nonetheless, 19.5, with a bias towards the upside, gives you a little bit of a narrowing of the overall range.

In terms of for next year, again, we're not going to get drawn today on giving specific guidance. We set out for you what we see as being the key headwinds, and we also set out where we think we can offset those through operational efficiencies and various savings coming through in the P&L, such that for 2026, we would expect to see margin accretion year on year. But we'll clearly provide a lot more colour on that in detail, both at the Capital Markets Day, and of course, when we give specific guidance for 26 at our prelims in February.

Graham Doyle Okay. Thanks a lot, guys.

Deepak Nath Thanks, Graham.

Operator Thank you. Our next question comes from Kane Slutzkin, from Deutsche Bank. You may proceed.

Kane Slutzkin Morning, guys. Sorry, I think most of have been answered, but just a quick one on the US knees. Picked up yesterday from one of your competitors, talking about a soft or a slowdown in the US revision market. I don't know if you've got any comments on that.

And just on the US recon piece, you're saying you're quite confident in the Q4 number. Just wondering, the comp is pretty tough, isn't it? And would it be right to say most, a lot of that, would be in the US, the high-margin stuff in Q4 in terms of the comp?

Deepak Nath Yes, so I'll take that, Kane. US knees revision, yes, there was a modest effect that we saw as well, but we called out the dominant factor for us in terms of the softness. And in terms of US recon, obviously we know what our comps look like, and when we talk about how we're positioned and our ability to hit the full-year numbers, we've taken that into account.

You're right, it was a strong quarter for us last year in US recon. We've obviously taken that into account when we expressed this confidence. But one other thing, as John highlighted, we have one extra trading day as well. But we've been quite transparent with you about full reported numbers and also ADF as well, so you can judge for yourself how we do. So, we've taken these things into account when we have reiterated our confidence in guides.

Kane Slutzkin Okay. And the target for market growth, is that still the end of this year? You haven't changed that, have you?

Deepak Nath We have not.

Kane Slutzkin Is it end of the year? Okay.

Deepak Nath Yes, for exit. We've always said exit at market, and that remains very much within reach. The shape of it, it maybe looks a little different than we had thought. Better performance in hips versus knees. But when you add that together in terms of better US recon level, as we said, we expect to be exit at market, and that remains within reach.

Kane Slutzkin Okay, so I guess a bit of legwork maybe will be done by hips. And there's nothing really to call out there in terms of any potential headwinds that could derail the overall US recon piece? I'm consciously talking about US recon now.

Deepak Nath Yes, look, it's a dynamic market, right? So, there's always moving pieces, but we've factored that into our confidence and expression of where we expect to outturn the year.

Kane Slutzkin Okay, lovely. All right. Thanks, guys.

Deepak Nath Thanks, Kane.

Operator Thank you. Our next question comes from Julien Dormois, from Jefferies. You may ask your question.

Julien Dormois Hi. Good morning, gentlemen. Thanks for taking my questions. I have two. The first one relates to bioactives. You were kind enough to provide a margin guidance for next year as to how it will impact you, but just curious whether you could do the same in terms of sales headwinds that would be into 26? And also, how you see this change in reimbursement impacting the competitive landscape, and whether you expect to gain some share over the medium term?

And the second question relates to the pricing in ortho and particularly in recon. We've seen an inflection in the pricing trends, and that has been reported by US payers since the beginning of the year, and again in Q3. So, how should we think about the hip and knee market growth into 26 and beyond, if there is the return of structural price pressure? Thank you.

Deepak Nath Sure. I'll take that. So, we've disclosed margin impact of bioactives. Obviously, there's an associated sales impact, but we've not been explicit about that, just for competitive reasons. So, that's the first part of your question.

In terms of the competitive landscape evolution, obviously what we've got now is reimbursement. The LCD, there's been no update to that, since the announcement was made some time ago. And if the LCD remains in place, as it is, clearly there'll be a fewer number of competitors and we expect to benefit from that. And of course, if that changes, then we'll have to adapt. But putting the pieces together, I feel good about how we're positioned in the bioactives landscape. And clinical data has always been a key part of our value proposition. We invest behind not only the product, but generating clinical evidence, and we expect to stick to our knitting with that. And so, I feel good about how we're positioned in this landscape. Clearly, a dynamic one.

In terms of ortho pricing, we've had favourable pricing until recently. I've always said that we expect that to moderate and revert to more normalised levels, and we're seeing that in our business, when you look at the company picture. And as we go into 2026, I expect that to continue in terms of going back to historical levels of pricing. There's obviously the shift and dynamic in terms of site of care, from hospitals to ASC, and that has an impact as well.

So, putting all these pieces together, it remains a dynamic and a competitive market, but we feel well positioned to compete in that, on the back of, A, the improvements we've made in terms of our wiring in orthopaedics, improvements made to our commercial engine, and our portfolio that has gotten better and better. And actually, we're positioned to make even more enhancements, particularly to our knee portfolio, which we'll detail out on the Capital Markets Day. So, we feel, I feel, very good about how we're positioned within this competitive market.

John Rogers And just to give you a little bit of colour on the orthopaedics pricing, we're seeing improvements year to date, roughly around just below 1%, which, as Deepak said, would be slightly above the norm. That's year-to-date impact. And in Q3, that probably drops to about 0.7%, Q3. So, we're seeing the trend that Deepak's described. And I would imagine that for next year, we'll probably see a benefit on price of around 0.5% or so, starting to get back to more normalised levels.

Julien Dormois Super helpful. Thank you very much.

Deepak Nath Thanks, Julien.

Operator Thank you. Again, if you would like to ask a question, please press star, followed by one on your telephone keypad. Our last question comes from David Adlington, from JP Morgan. You may ask your question.

David Adlington Hey, guys. Thanks for the questions. Maybe just on other recon, where it was certainly a bit of a slowdown there, I think on CORI placements and mix, maybe just give some further colour on your expectations for Q4, would be great. Thank you.

Deepak Nath Sure. Just to remind you, David, in terms of other recon, we've put all of the robotics consumables in knee, so we've detailed that out previously. What we have in other recon is effectively the impact of cash sales of CORI placements, of CORIs. As I remarked, and John as well, we're very pleased with the placements of CORI.

And as I've historically commented, it's placements and utilisation. And I'm very happy with where we're placing them across a range of institutions, rural hospitals, academic medical centres where historically we've been under-indexed, and we've done a lot to improve upon that, as I said. And then, actually ASCs, where this increasing in volumes, of volume growth is. And I'm very comfortable with those placements there.

And second is utilisation. And roughly where we place CORI, we see, in steady-state, utilisation of greater than 50% of our knees. And that's actually a pretty good number. And where we place CORI, we tend to see above-market levels of growth in knees.

So, you put these two points together, both in terms of placement, in terms of utilisation, in terms of where we're placing them, the story is very good. And as I said, we had a record Q3. Look at the funnel for Q4, where that's shaping up very nicely as well.

John Rogers I think, David, the reason for the relatively low number in Q3 was, as we explained, basically the mix of contracts. So, fewer on the cash side, more on the volume-based side. To Deepak's point, this Q3 was actually a record Q3. We've never had a stronger Q3 in terms of CORI placements, so we feel very positive about that. And actually, we expect to see the other recon line bounce back in Q4 to a similar level that we saw in Q2, so we're very happy with the momentum and direction of travel.

David Adlington That's great. Thank you.

Deepak Nath Thanks, David.

Operator Thank you. There are no questions at this time. I'll turn the call over to the Management Team for closing remarks.

Deepak Nath Great. Thank you very much for your questions. We're looking forward to seeing you all at our Capital Market Events in London and in New York, and looking forward to telling you about the next chapter of the Smith & Nephew journey and what that looks like. So, looking forward to seeing you all. Thank you very much for your engagement today.

Operator Thank you. That concludes Smith & Nephew's Quarter Three 2025 Trading Report. Thank you for your participation. You may now disconnect your lines.