Smith+Nephew Fourth Quarter and Full Year 2023

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Deepak Nath

CEO, Smith+Nephew

Welcome

Good morning and welcome to the Smith+Nephew Q4 and Full Year 23 Results Presentation. I am Deepak Nath, Chief Executive Officer, and joining me is Chief Financial Officer, Anne-Francoise Nesmes. As you know, this will be Anne-Francoise's last set of results for Smith+Nephew. It has been an absolute pleasure working with her, and I would like to thank her personally for all that she has done in her time as CFO.

I would also like to take this opportunity to welcome our incoming CFO, John Rogers, who is here today in the audience. He brings a wealth of experience to the company, and I very much look forward to working together. John will be up here with me going through the numbers at our Q1 trading update in May.

Summary

I am pleased to report a good finish to 2023, with underlying revenue growth ahead of the guidance that we had already raised during the year, and all three of our business units grew by over 5% for the full year, which is a clear demonstration of the strength of our portfolio.

Sports Medicine and ENT had a very good year, accelerating to double-digit growth despite a slow China market, and Advanced Wound Management has also maintained its momentum. Fixing Orthopaedics is still a work in progress but I’m encouraged by the 12-Point plan progress and the higher overall growth that we have delivered.

I am also very pleased that we have achieved our target margin of 17.5% for the year, despite macro headwinds from inflation, transactional FX, and a slow China market. That included a significant year-on-year step-up in the second half, and the organisation showed what can be done with growth, focus and cost discipline. The company is well positioned going into 2024. We have continued to transform the way we operate Smith+Nephew through our 12-Point plan, which aims to drive better execution in a more focused and accountable business unit structure. Our progress against the plan has laid the groundwork for improvement in US recon, with better product availability and improving set deployments by the end of the year.

Our innovation strategy is delivering a strong pipeline of new products to drive consistent, high growth over the coming years, and our productivity is visibly improving. For 2024, we expect another year of good growth and margin expansion, even against the headwind of China VBP, and I will come to the detail in the outlook section.

FY 2023 Financial Highlights

So, the improvements we have made to how we do business have already translated into stronger financial performance in 2023. Revenue was $5.5 billion, which is 7.2% growth on an underlying basis and 6.4% on a reported basis after an 80-basis points headwind from foreign exchange. Trading profit increased by 7.6% to $970 million, with a 17.5% trading margin, which as I have just highlighted was in line with our guidance for the year. A nearly $200 million improvement in working capital outflow resulted in trading cash flow of $635 million. At 65% conversion, this is a good improvement on 2022, but there is of course still

more to come. Adjusted earnings per share grew 1.3% to 82.80 cents, and we are proposing an unchanged dividend of 37.5 cents for 2023.

I will now pass you to Anne-Francoise to go into the detail of today's results before I come back to discuss our outlook and the strategic progress. Anne-Francoise.

Q4 2023 Revenue

Anne-Francoise Nesmes

CFO, Smith+Nephew

Thank you, Deepak. Good morning everyone. As Deepak said, this is my last set of results, and I am pleased to be presenting to you a good set of improving financial results.

Q4 2023

So I will start by covering the fourth quarter numbers that Deepak referred to. Revenue was $1.5 billion with a 6.4% underlying growth and a 6.8% reported growth after 40 bps benefits from exchange rate. The growth, as you can see, was across all of our regions and businesses, and factors behind the strong finish included the contribution of recent launches, better product availability and the rebound in Bioactives following the successful transfer of central manufacturing to Fort Worth, which we completed in Q3.

Looking at the performance by geography, growth in the quarter was broad based with the US growing by 6.2%, Established Markets rising by 6.1% and Emerging Markets growing by 7.6%. Growth in Emerging Markets includes of course the headwinds ahead of Sports Medicine VBP implementation in China.

Orthopaedics

Foundations set for further improvement.

I will now move to the details by business units as we traditionally do, starting with Orthopaedics, which grew 4.9% in the quarter. Global Hips and Knees grew by 3.6% with strong out-of-US growth reflecting improved product supply and commercial execution. US recon was a little slower, and this was due to a combination of factors which we are continuing to address through the 12-Point Plan. There were still some areas where product availability impacted key US SKUs during the quarter before improving by year end. We also made further progress in set deployments, although again there is a lag before this reflects into the sales. Slower set deployments earlier in the year were still costing us growth in a stronger market, and together with some anticipated turnover, this limited our ability to win new business and offset the usual revenue churn. So overall our US performance is not yet where we want it to be, and this remains a priority.

Other reconstruction delivered revenue growth of 19%, rounding out a good year with a record number of CORI placements in the quarter. Full year installations came in a little behind our target, mainly from a delayed ramp-up in the slower China capital environment. But the broad adoption picture is very positive and running ahead of our recon share position. Utilisation hit a new high in the quarter, building on the over 25% of US knees being replaced with robotics at the end of Q3. We are bringing CORI to the full range of surgical settings, from ASCs to teaching institutions, and we see customers committing in scale with around a third of our new installations in the US coming as part of multi-unit deals. And that is all

underpinned by CORI being the most versatile system on the market, supporting a range of surgeon preferences and a broad suite of procedures.

And if you remember in 2023, we added the saw solution to give surgeons the choice between milling and cutting for the first time with robotics; we added unique functionality with the digital tensioner, enabling them to measure soft tissue tension before cutting the bone; and we added a revision indication which is not available on any other major robotics platform. And of course, there is more coming in 2024, including supporting both image-free and image-based planning as options. And it is clear that CORI has a strong runway of growth ahead.

Trauma & Extremities continues to play an important part in the Orthopaedics growth stories. Revenue grew by 5.8% in Q4 with double digit growth in the US, reflecting the continued ramp-up of the EVOS plating system following improved capital product availability and capital deployments earlier in the year. EVOS can be a multi-year growth opportunity, and we are adding a further driver in Extremities with a full US commercial launch of the AETOS Shoulder System announced earlier in the month.

Sports Medicine and ENT

Consistently strong multi-year growth

As you know, Sports Medicine is a very attractive area of our portfolio. A steady flow of innovation and improving product availability have generated consistently high levels of growth for many years. The business delivered underlying revenue growth of 7.1% in the quarter. Excluding China where we face a headwind ahead of VBP, Sports Medicine and ENT grew 8.7%. Within Sports Medicine, Joint Repair grew 8.8% in the quarter, and if we strip out China, growth would have been 12%. Our REGENETEN Bioinductive Implant was the largest growth driver across the Sports portfolio and will remain a key focus in 2024 with increasing market penetration and the development of new applications.

We also added a new growth opportunity with the acquisition of CartiHeal, which brings the CartiHeal AGILI-C Cartilage Repair Implant into Smith+Nephew. This is a novel treatment for osteochondral lesions that promotes natural regeneration of the cartilage and restoration of the underlying bone. It has a broad indication, including the previously unaddressed population with lesions in knees with mild to moderate arthritis, as well as the approximately 700,000 patients that receive cartilage repair annually in the US. And importantly, the product is backed by outstanding clinical evidence and is a great fit for our portfolio.

China VBP will be a headwind in 2024. The tender process is now complete, and we expect implementation in the second quarter of 2024. For the year as a whole, we expect around a 5 percentage point headwind to growth in Sport Medicine joint repair.

Arthroscopic Enabling Technologies revenue grew 3.7% underlying, with good growth from COBLATION resection range and patient positioning portfolio, and the China volumes returning to a more normal level after a slow Q3. As we expected, demand growth in ENT continued to moderate in Q4 as we lapped more of the post COVID recovery. As a result, ENT revenue grew 10.7%, led by our tonsil and adrenal business, which represents a return to more normalised procedure volumes.

Advanced Wound Management

Benefitting from broad portfolio

And finally, Advancement Wound Management delivered underlying revenue growth of 7.8% in the quarter. Advanced Wound Care revenue grew 1.4%, primarily driven by our foam dressing and infection management portfolios, both of which grew mid to high single digit. Bioactives growth of 12.5% was due to a very strong quarter for SANTYL following the temporary delays to shipment we saw in the third quarter after the manufacturing transfer to Fort Worth. The rebound in Q4 included some stocking above normal levels, so you should expect Bioactives will see significantly lower growth rates in Q4 2024 as the effect unwinds.

Finally, the ongoing implementation of our Advanced Wound Devices acceleration plan is reflected in the underlying revenue growth of 14.9%, with double digit growth from both our traditional platform RENASYS and our single-use PICO. The outlook for our wound business is strong. We have a good position in what is an underpenetrated market and a high growth market, with the broadest portfolio of products and number one or two positions in each segment and geography. We believe we are positioned to move the growth rate higher in the coming years, including through gaining share in Negative Pressure and biologics, digital solutions to support clinicians in product selection, and demonstrating the value of our existing platform by using our broad commercial reach to build awareness of our clinical evidence.

FY 2023 Financials

Now I will move to the full year financials. And to bring all of these together, for the full year revenue was $5.5 billion, up 7.2% versus 2022 on an underlying basis, which was ahead of our guidance, and up 6.4% on the reported basis. Performance was broad based with all three reporting segments delivering growth above our midterm target for the whole group. As you can see in the chart, Orthopaedics grew 5.7% for the year, Sports Medicine and ENT grew 10.9%, and AWM grew 6.4%.

FY trading income statement

Now I will move to the summary P&L where I will expand on some of the comments in the next few slides, on key elements in the next few slides. The underlying gross profit was $3.9 billion with a gross margin of 70.7%, which is a decrease of 30 bps. Raw materials, inflation was clearly a key headwind with offsets from price increases across the portfolio and productivity measures in manufacturing and procurement.

Trading profit was $970 million, an increase of $69 million, with positive leverage across operating expenses resulting in 20 bps of trading margin expansion to 17.5% for the full year, again, in line with our guidance. While R&D was down on a reported basis, investment in constant currency continued to grow.

FY 2023 trading margin bridge

And slide 13 shows a more detailed bridge explaining the components of the trading margin expansion. As you can see, we absorbed some major macroeconomic headwinds in the year. I already mentioned the continued high input cost inflation, which cost us around 130 bps points of margin. In addition, we had significant transactional fx headwinds of 120 bps, and that arose from the fact we have a higher share of our COGS in US dollar than our revenue. And so the US dollar strength in 2022 resulted in a P&L headwind that was delayed into 2023

by our hedging programme. However, we were able to offset around 160 bps with our productivity savings, including those coming through the 12-Point Plan. And a number of moving parts add up to the remaining 110 bps shown under revenue leverage & other, with volume leverage and price increases more than offsetting higher labour costs.

I would also like to highlight the progress we made as 2023 progressed. The second half trading margin of 19.6% represented 200 bps of expansion over the prior year, with leverage on all expense lines in the P&L. And I am encouraged by that close to the year, which shows that we can drive significant expansion through gross leverage, better productivity and cost discipline.

FY operating profit and EPSA

Now on slide 14, looking further down the P&L, adjusted earnings per share grew by 1.3% to 82.80 cents. That is below the growth in trading profit due to increased financial expense, reflecting both higher interest rates and the negative associates contribution in the year, while the trading tax rate was broadly unchanged from 2022 at 16.2%. Basic earnings per share grew 18% to 30.2 cents.

FY cash flow

And moving to the cash flow statement, we generated trading cash flow of $635 million in the full year, with trading cash conversion of 65%. The increase over 2022 was primarily driven by significantly reduced working capital outflow, and this was mainly as a result of improving inventory trends as the year progressed, and I will come back to that in a moment. There was a partial offset from higher capex as we accelerated instrument set deployments, both for established products and to support our launches, and we expect capex to remain at a level of around 8% of sales in 2024.

We committed to further improve trading cash flow going forward, so it was encouraging to see a return to a more normal level of cash conversion in the second half of 2023. And under free cash flow, restructuring, acquisition, legal and other outflows largely relate to restructuring under the 12-Point plan and the EU MDR compliance cost. And as you will see in the technical guidance, we expect both of those items to be significantly lower in 2024 with the MDR project coming to an end in the first half.

Inventory days improved in H2 2023

Now I will cover the inventory, and as you can see that the long-term upward trend has now stabilised and started to come down later in the year. Whilst there was still a cash outflow from inventory for the full year, inventory fell slightly in absolute dollars in the second half, and DSI also fell to finish broadly flat compared to the start of the year after several years of increase. The second half improvement came across every business unit.

Orthopaedics is where inventory build has been a longer term challenge, as you know, both from supply and demand being disconnected, and also we are building launch capital in Trauma. And addressing this has been a specific focus of the 12-Point Plan, particularly with moving manufacturing volume and mix back into line. For 2023, we were able to bring Orthopaedics DSI down by 5% for the year as a whole, even as we continue to invest behind the rollouts of EVOS and AETOS. Pulling all of that together, we are increasingly confident that inventory days across the organisation have now turned, and we expect ongoing improvements in the coming years.

Strong balance sheet

And to conclude on the financials, I will cover net debt. Net debt ended the year at $2.8 billion, which is an increase of $241 million. The leverage ratio finished at 2.1 times adjusted EBITDA, which is broadly stable and comfortably within our range of 2-2.5 times. In 2023, we refinanced our $1 billion revolving credit facility, which now matures in 2028, maintaining our strong funding position. And in 2024, we have just over $400 million of private placement debt maturing, with the majority in November.

And with that I will hand back to Deepak.

2024 Outlook and 12-Point Plan Update

Deepak Nath

CEO, Smith+Nephew

2024 outlook

Great, thank you Anne-Francoise. So I will now cover our outlook for 2024. So we are guiding for underlying revenue growth of 5-6%. So within that, you should expect further progress in Orthopaedics, driven by improvements in supply and execution improvement, especially in US recon, and the continued rollout of our key growth products. We also expect to continue our strong performance in Sports outside of China and in Advanced Wound Management. VBP for some Sports Medicine products will be the main headwind, with close to 2% of our group sales that are within scope and the implementation, as Anne-Francoise mentioned, expected in the second quarter. Overall, this amounts to another strong year expected for the portfolio as a whole, with revenue growth continuing above historical levels even after the effects of Sports VBP.

There is also phasing to consider through the year with a number of factors driving slower growth in the first quarter. These include a strong US comparator from higher-than-normal surgery volumes at the start of 2023 and a slower first quarter for bio-actives as the strong SANTYL sales at the end of 2023 unwinds. In addition, trading days will initially be a headwind before benefiting growth later in the year. There will be one fewer trading day in Q1, then one additional day in Q2 and two additional days in Q4, for a total of two extra days for the full year.

2024 progress sets up for mid-term margin delivery

We also expect meaningful trading margin expansion to reach at least 18% for the year. There are a lot of moving parts behind that, and the chart on slide 19 shows the major components of the bridge. Macro headwinds should be lower than in 2023 but have not gone away. Input cost inflation will continue to be a headwind much as it was in 2023, although the transactional FX will be a substantially smaller effect at around 30 bps.

China Sports Medicine VBP will be an additional factor this year, and we expect around 70 bps of headwind from lower pricing before any cost and revenue offsets. However, we expect to more than offset all of those headwinds, and that will come from a combination of productivity improvements under the 12-Point plan, including the restructuring programme we presented a year ago and positive operating leverage from our continued higher revenue growth than in the past. As in prior years, we expect the trading margin to be higher in the

second half than in the first half, although with the less marked step-up than in 2023. Our midterm margin target of at least 20% in 2025 is unchanged. And the progress we expect for 2024 will keep us on track. There is clearly still a further step-up to come, and as we have said before, 2025 is the biggest margin improvement year of our plan.

There are more headwinds than when we set this goal 18 months ago, particularly China VBP, transactional FX and input cost inflation that has stayed higher for longer. However, we are also a much stronger and determined organisation than we were, as a result of the 12-Point Plan. There are a number of offsetting positives to consider. First, the incremental impact of input cost increases should reduce. At the same time the operating leverage from a higher level of growth than the past, should continue. So the net of operating leverage, OPEX savings and input cost inflation should be similar to the pre-VBP and pre-FX effects that we benefit from in 2024.

On top of that, one of the major headwinds for 2024 will fall away and will be replaced by an additional tailwind. Sports Medicine VBP will largely annualise and so not to be a meaningful incremental effect in 2025. And then in 2025, we should instead see the largest block of our cost savings, so the bulk of the manufacturing savings flow through into our P&L. The work on our footprint that underpins those savings is well advanced. Putting all of that together, the pre-VBP, pre-FX margin expansion in 2024 can broadly repeat in 2025, with the additional manufacturing savings further lifting the trading margin and continuing beyond 2025.

12-Point Plan update and strategy

12-Point Plan outcomes on track overall

As you know, the 12-Point plan is central to how we are improving our overall performance. We will reach the two years duration in the second half of this year, so while we have made a lot of progress, there is still more to come. What I would like to do is take a step back and look at the overall picture since the plan's inception. On a plan of this many initiatives, there will always be elements moving at different speeds. Some work streams just take longer by nature, and others will meet their milestones a little faster or slower than envisaged at the outset. Taken as a whole though, we are clearly on track for what we set out to do.

There are now multiple positive trends in Orthopaedics. On the operations side, implant availability has dramatically improved since the start of the plan and has now closed more than 95% of the gap between the trough level and our goal.

We are also more effectively deploying and turning capital, with set turns at year end more than 20% higher than at the start of the plan. Commercially Trauma & Extremities has accelerated to become an important growth driver for the whole business unit. CORI placements and utilisation have inflected upwards, and our OUS Recon business has now accelerated to be ahead of the market. There is more to do in US Recon, and I will come back to that in a moment, but we are also making good progress in productivity.

Inventory days and cash conversion improved through 2023, and as Anne-Francoise set out, we turned a corner and were on a positive trajectory by year end, with Orthopaedics DSI down 5% year-on-year after a period of several years of increases.

Pricing excellence is another success area with positive realised pricing across the business units since the second half of 2022. And we have been doing the hard work on manufacturing optimisation, with the planned facility closures in Tuttlingen, Beijing and Lyon now underway.

The third pillar of the 12-Point plan is building on the performance of our Sports Medicine and Advanced Wound Management business units. These are also developing well. We have seen early acceleration in the focus area of Negative Pressure Wound Therapy, and we have more than tripled the pace of cross-unit business deals in ASCs. There is a new headwind with Sports Medicine VBP, which we did not expect at the start of the plan, and we will need to work through that in 2024.

Ongoing execution improvements in Orthopaedics

Improving execution in Orthopaedics is still an important part of the story. As I set out, there is good progress in much of the business and other areas where there is more work to do. In total, sub-segments representing around 60% of Orthopaedics sales are now growing at or above the peer average, based on the second half of the year. Much of that is attributable to the 12-Point plan. We are starting to recover the share that we had lost in EMEA Recon, supported by better implant availability, and we have a dedicated initiative to drive CORI that is producing growth ahead of what we can see from peers.

Trauma & Extremities performance reflects much improved consumables and capital availability and has become a new growth story in our portfolio, driven by the EVOS plating system and more recently AETOS Shoulder.

US Recon robotics is growing as a whole and has returned to its 2019 sales level. Even so, we are still not satisfied with our US Recon growth, particularly in Knees. That remains a key focus in 2024 as we continue through the final year of the 12-Point Plan. A positive sign is that operational KPIs continue to develop favourably. By quarter end, overall implant availability was almost at our goal of being in line with industry standards, including in some previously softer categories such as Oxinium, with increasingly limited areas still trailing.

On the capital side, Hip set availability has now reached our target level for the first time in the life of the plan. Knee sets are improving but still have further to go, with our KPI of instrument orders filled now at the level where it was for Hips back in May of 2023.

The focus now is to convert that operational improvement into revenue growth. And three of our priorities for doing that are listed on the slide. Firstly, we need to complete the improvement of Knee set deployment up to our target level and drive greater utilisation of both Knee and Hip sets that are out there. There is a process we have already followed successfully in Trauma and OUS Recon. Set availability is getting better so from here it is a matter of executing our growth plans while maintaining the discipline around capital efficiency.

Secondly, we need to drive consistent commercial excellence. Part of that is continuing to advance our product milestones through the 12-Point Plan. But the cultural and structural changes we have implemented in the last year are also critical. We expected some initial sales rep turnover after the incentive changes, and that did play out in some areas as the year progressed. We prepared for that with a recruitment pipeline already in place and expect the new growth-oriented structures should increase in benefit as they become a settled way of doing business.

Finally, we need to continue to drive our long-term differentiators at the same time, particularly CORI. We now have the most versatile platform on the market, and as we continue to build our installed base and utilisation, that will both reinforce our relationships with existing customers and help us win new business.

Higher growth underpinned by innovation delivery

More broadly, I am pleased with what Smith+Nephew is already delivering in terms of growth. 7.2% revenue growth in 2023 is well above our historical average, even taking into account the stronger recon market. This achievement is in line with our aim to be a consistently higher growth company. When I look at what is behind the acceleration, it is from sustainable drivers and is aligned with our strategy.

We talked at our November 'Meet the Management' event about the central role of innovation. Through internal R&D and M&A, we are delivering successive waves of technology, including new legs for growth for products already in the market and further launches at the beginning of their life cycles. In 2023, the innovation benefit was clearly visible again, almost 3.5 points or close to half of our group growth, came from products launched in the last five years. That absolute contribution is on its own enough to take us to above that for previous average, even before the contributions of our existing portfolio or M&A. It is important that we maintain that momentum of innovation. It is not all about the dollars spent, but where they are spent and how the technology is supported with clinical data.

We have continued to develop our key growth opportunities in recent months, including new evidence and launches on our existing products and bringing forward the next wave of devices. Firstly, we added new evidence for REGENETEN, publishing the final results of a randomised control trial that confirmed a promising interim signal from 2022. The study found that at one year, medium and large full thickness rotator cuff tears treated with REGENETEN had a statistically significant threefold reduction in re-tear rate compared to the control arm, with no difference in the number of serious or minor complications. This remains a multi-year growth opportunity for Smith+Nephew with only single-digit penetration of rotator cuff procedures today. Bringing compelling clinical evidence like this is a key element of our plans to drive market access and increase that penetration globally.

CORI is another platform where we can keep adding further growth drivers, and we showcased additional functionality at AAOS in 2024, and it is version two of the RI.KNEE ROBOTICS software. This provides AI-powered reference values to guide planning alongside surgeons' preferences.

As I said, our innovation delivery is about successive waves of technology. We have also advanced two key devices from our next wave, acquiring CartiHeal’s AGILI-C, and announcing the full commercial availability of the AETOS Total Shoulder at AAOS. These add important growth drivers to Sports Medicine, Joint Repair, and to Extremities, and both enable us to access significant new markets while leveraging our existing commercial organisations.

Mid-term growth uplift across multiple segments

And importantly, the contribution of innovation will come across our portfolio. This is a slide we have shown before and how the key projects from our current generations of innovation align with our reporting segments. We have highlighted five areas where we expect to grow above historical levels in the coming years, with the innovation as a key driver. Those are

Trauma & Extremities, Other Recon, ENT and Sports Medicine, excluding the headwind as we move through VBP, and of course, Advanced Wound Management. Taken as a whole, around 50% of group revenue is in these areas, with an outlook for higher growth.

Summary

Overall, I am pleased with our progress in 2023. The portfolio as a whole is performing well with all three business units growing very nicely compared to history, and the team is working hard to drive improvement in the remaining areas of weakness. Meeting our financial commitments for the year was important to us. The organisation had a heavy lift to deliver in the second half of the year, but we demonstrated what can be done when we put together operating leverage at higher growth, productivity measures and rigorous cost discipline. We have gained momentum and made clear progress in strengthening, accelerating and transforming Smith+Nephew. In 2024, our opportunity will be to build on this, embed and expand execution discipline we have gained through the 12-Point Plan, leverage our commercial model to better meet the needs of customers and challenge ourselves to achieve greater levels of efficiency and excellence.

So with that, we will be happy to take your questions.

Q&A

Veronika Dubajova (Citi): Hi, good morning. Three questions from me. The first one is just on the Knees performance. Obviously in the fourth quarter it seems like things went a little bit backwards relative to your peers, so just would love to understand exactly what went wrong in in Q4 and what you guys are doing about it as you move into 2024. So that is my first question.

My second question is just on the manufacturing initiatives, and I think you promised, Deepak, that you would give us more this quarter in terms of what exactly is happening and what the expected cost savings are. So if you could elaborate on that just to give us a little bit more insight into what you are shutting down, where you are moving manufacturing to, and how much money that is going to save.

And then my last question, and thank you for your comment on the phasing of growth in 2024. I am going to ask a follow-up as you expect, which is the phasing of margins and how you guys are thinking about the margin improvement, first half versus the second half. Obviously bearing in mind the easy comp from H1 last year, but also appreciating that you have the VBP headwinds, probably more H1 weighted than H2 weighted. Thanks.

Deepak Nath: US Knees, we will start with product availability against the backdrop of overall improving and actually to near target levels overall in terms of LIFR for the portfolio. US Knee specific SKUs, were slow to come, particularly Oxinium related. And the benefits did not start to flow through until really September, late September-ish. So that impacted not only replenishments, but also sets. So set delivery, which we had targeted early in the year, did not come through really well into Q4. So that impacted our ability to drive new growth. And typically when you put a set, it takes anywhere from 45 to 90 days before those sets start to turn at target levels.

We had expected churn as we implemented tighter performance management and incentives. I talked about that in previous forums. It was a bit later in the year than we expected

because the first half of the year, the market was quite frothy. And so the expected turnover did not materialise until the second half of the year. So what ended up happening was we had turnover, it came later in the year, set and replenishment availability was impacted in US Knees, and there is of course commercial performance that layered on top. So the combination of all of those effects led to a weaker-than-expected performance in US Knees.

But when I look to the fundamentals of how we work our way out of it, first and foremost, the sets are flowing now. They came later in the year than we expected, but they are flowing. I think the chart that we had showed relatively speaking where Hips are versus Knees. Hips are pretty much a target levels. We are getting there on Knees. Roughly speaking, Knees are where Hips were May of last year when the Hip performance started to turn.

So as we go into 2024, we expect the sets that we have got out there - and we have got a much tighter process now in terms of where we allocate those sets. So part of the operational improvements that we have been making over the last year and a half is much tighter discipline around sets, around where we deploy capital, and we are starting to see the benefit of that. So where we have placed sets, those are starting to turn, and we will expect that to continue as we turn the chapter.

So improved product availability. The rep churn that we had expected, as we indicated, there is a pipeline. So we are okay in terms of hiring the reps to offset that turnover. And on the back of those factors coming together in 2024, I expect to see improved Knee performance.

So that is your first question. Your second question around manufacturing optimisation. So we would always said 2025 was the big year for the benefits of our efforts to bring capacity in line with demand would start to pay off. The steps to get there are optimising our footprint. I called out Tuttlingen, I called out Lyon, I called out Beijing, are the three big factories. We announced the closure. They are at various stages of actually being closed, and volumes from those being shifted into either Memphis or into Malaysia. So all of these are Orthopaedics related plants, which is where our issue actually is around capacity.

So as those volumes get shifted into those sites, the, the benefit from a P&L standpoint will start to flow through into 2025. And there is also a balance between Memphis and Malaysia in terms of what gets manufactured there. So there it is about costs and of course resiliency in terms of how we determine which SKUs get manufactured there. The combination of those should yield significant margin benefit. I do not think we have called out exactly the number, but there is a little block there. You can bring out your rulers and maybe dimensionalise it, but what we wanted to call out is that is the one big factor that you did not see in 2023, you did not see in 2024. And we have been pretty consistent in our messaging around that.

So the third question is around phasing, margin phasing. I will start off and maybe you can chime in, Anne-Francoise. As you say, easy comps from a margin standpoint for 2023. A lot went into making sure that we overcame that in the second half of 2023. We said we would. I do not think many people believed it, but we have got the results to show for it. So we came in bang on where we said we were going to come in.

That said, I would expect 2024 to be more of a normalised year in terms of first half margin. To state the obvious we will see growth H1 to H1, so 2024 to 2023. And the step-up between H1 to H2 will be more normalised, so you can go through the history in terms of where the averages are around that. So we expect more of a normalised performance. We called out

particular factors last year. A lot of it had to do with incentives and commissions that we paid. Some of it, we had calibrated our quota to a certain market assumption. The market was significantly higher than we calibrated to. So that resulted in a commission's delta.

We had some one-off investments last year around commercial that we do not expect to repeat in this year. And, of course, all the productivity measures and our measures around cost discipline, we started last year. It has now matured a year forward. So all of those will start to flow through to what we expect to be a normalised year.

The one thing around growth, the top line - you asked about margin phasing, Veronika, but the top line, so the comps there are not easy, particularly on Recon because we had a very strong market, as you know, particularly in Q1. So that will impact a little bit growth in Q1. And also for SANTYL, where as we transferred production over into Fort Worth, there was an unusual ordering pattern in Q4 for SANTYL. And as a result of that stocking that happened in Q4, we will expect compared to Q4, Q1 will be softer. Those two effects to call out in Q1, relative to growth.

Anything you want to add to that, Anne-Francoise?

Anne-Francoise Nesmes: Actually not on margin, but if I may come back to manufacturing, because you focused very much on the network optimisation, so that is aligning capacity with volume. There are other elements and a significant amount of work around the cost base. So if you look at the 12-Point Plan, working with our suppliers to get better raw material cost, being smarter, more disciplined. So that is one. The other is around lean and looking at overheads and how can we reduce. So if you have aligned your volumes, you are reducing your cost base, that is what takes time, but delivers from 2025 and 2026 onwards.

David Adlington (JP Morgan): Hi, morning. Two questions please. Just wondered if you could quantify your pricing expectations for 2024. Wonder where you are coming out at there. And then something slightly longer term. So I know you have not quite delivered on 2025 margins yet, but beyond 2025, is it set up here for further annualisation of the cost savings on the manufacturing side, but also ongoing operating leverage so we get some further margin expansion beyond 2025?

Deepak Nath: Sure. 2024, there is two things. One is inflation-related pricing. So we expect that to start to come down in terms of our ability to pass through. So we expect a lower impact of that in 2024 compared to 2023. Layered on top is our efforts around strategic pricing which is really the substance of the pricing component of the 12-Point Plan, where we have not been, as an organisation, as mature relative to best-in-class around the strategic pricing efforts. We have made tremendous progress over the last year. We just had a review of that not too long ago, and very pleased with the capabilities we have built up as an organisation to take ourselves to the next level. And the benefits of that will start to flow into our P&L starting in 2024.

So you put those two effects net a little bit less than in 2023, but we expect to see pricing benefit as we move forward.

As to how we think about the world after 2024, obviously we are not giving specific guidance beyond 2025. We have reaffirmed 20+ in 2025. The world does not end then. So we expect to continue to realise the benefits that that will start to occur in 2025 as we move forward

beyond. So continued improvement from 2025 onwards, but we are not guiding specifically to those numbers.

Sam England (Berenberg): Morning guys. Firstly, just to follow up on pricing, does the commentary around positive pricing across the portfolio mean that all three segments were positive or just positive in aggregate across the group? And then can you dig into some of the drivers of the stronger growth in wound devices and Negative Pressure specifically? And on the 12-Point plan initiatives, what is being most impactful in driving the levels of growth that you are seeing there?

Deepak Nath: Yeah, so pricing, as we indicated, it is not in the aggregate. In fact, each of our businesses contributed to positives. And it is actually quite refreshing to see that not only was it across each of the businesses, but also across geographies. The levels varied, depending on the geography, but it was quite broad based. So that is the short answer to that question.

Secondly, in terms of Negative Pressure in the 12-Point plan, we are launching Renasys Edge, and it is new product driven growth. We are still in the very early stages of that, so we expect that to be a multi-year platform for growth. And so expect to see continued traction, but it is new product launch driven.

Jack Reynolds-Clark (RBC): Thanks for taking the questions. I had three, please. First on VBP. So you mentioned that that 70 bps point headwind is without any kind of mitigations. Could you just remind us what mitigations you may be able to implement and the magnitude of those?

Second on CORI. So you mentioned the placements in the year was slightly below your target. I am just wondering if you are expecting a rebound in 2024, if you had a rebound already, and whether you can give us some colour on your target for this year.

And then my third question is on demand. So there has been a bit of debate around on market level, whether we are still having some COVID rebound, whether it is secular drivers there. I was wondering if you could give us how you see that progressing through 2024.

Deepak Nath: Yeah, so regarding mitigating effects for VBP, it is restructuring around the organisation, how we go to market in response to VBP, the types of actions that you expect us to take when you are faced with that kind of an impact. We went through that in Orthopaedics, we were able to offset some of some of the margin impact from price. Not all of it, of course, but there is things that you do commercially in terms of your channel and how you go to market. And those are the steps we expect to take.

I do want to remind the group that in Sports, what is impacted is Joint Repair and certain components in Joint Repair. Capital is not impacted. We are also re-launching Regeneten in China. So there is a bunch of factors that are going into it. And so having experienced this with Orthopaedics, we have a way to adapt to our commercial model in response to this.

So, that is the first question. The second question is around CORI. I think that was the second one. So CORI, we fell short, I said sitting here where I am sitting, about 300. Last year we came in at 240. The primary delta there is China. We had expected a more robust market for CORI. And largely because of the anti-corruption driving China, there was a significant impact to the uptake of robotics. It is not us, it is just the market in robotics. That is the biggest

source of the delta. As Anne-Francoise has called out, our CORI placements were above our relative share. So I am actually genuinely pleased with the traction we have gotten. We saw a step-up actually in Q4. To your question about what does the momentum look like, the momentum in Q4 was great, US, OUS.

What I am particularly pleased about is it is not just placements, we are not running a strategy of place first. We are actually being much more thoughtful about placing it where there is actual demand. And one of the proxies that I look at, or we look at, is utilisation. So we are at 25%, which is a build on when we last reported on that number. So even as our fleet is growing, our utilisation is growing with it. And, so that is what you want to see, the CORI that we are placing are in fact getting used. The other thing that I like is where we are seeing CORIs being placed, and Anne-Francoise called that out too, this has got broad appeal across a range of settings. You have heard us talk about ASCs and the resonance that it has, but it is not just there, but it is also in other places like academic medical centres. We have said that historically has not necessarily had the strongest position in AMCs. What I am particularly pleased about is the kind of traction we are getting in the academic medical centres with CORI.

So that is a good thing. And we also called out multi-unit deals. So one of the value propositions of CORI is that given its price point, you can put multiple of these things as you outfit an entire institution. And as Anne-Francoise said, a third of our deals are multi-unit deals.

So very encouraged by the traction type of traction that we are getting. We are up to nearly 800 units, robotic placements for us, which is pretty good, but we are still in the early stages of our commercialisation there. So that is the story around CORI.

And in terms of the market, obviously last year was quite robust in Recon, we fully participated in that. And then some OUS markets, you see the gap narrowing relative to our competitors. In the US, it was more mixed in terms of ability to participate in the market. I believe 2024 will continue to be a strong market, but for us, in terms of what is going to be driving growth, it is our own improvement in performance. That is far and away going to be the biggest driver of growth for us. And our plans are based on a normalised kind of market. So I think I answered your questions.

Sebastien Jantet (Liberum): Two questions if I could. One, just on the revenue guidance for the year, I am just wondering what type of headwind from a revenue perspective you have baked in for VBP in Sports Medicine. And the second one is just picking up on Advanced Wound Care, it was quite a slow quarter and certainly a slow down if you look over long term in the growth rates in Advanced Wound Care. I wonder if you can comment a little bit on that and what you are doing to try and stimulate the growth there.

Deepak Nath: Yeah, sure. On the VBP, we had said about 2% impact on group sales is how VBP translates. In terms of Wound Care, your question was overall wound or wound?

Sebastien Jantet (Liberum): Just Advanced Wound Care specifically.

Deepak Nath: Wound care.

Anne-Francoise Nesmes: Whilst you think about that one, just to what we have said in the presentation as well, that you should expect Joint Repair growth to be impacted by about 5% percentage points, for the full year.

Deepak Nath: 2% group, 5% Joint Repair. For AWC there is two factors. One, we were impacted by supply. Historically, there were periods of time when we just did not have regular supply and our teams were commercially on the back foot relative to that. We've had now a couple of quarters of more steady supply in Wound Care. So we are in a more front-footed pasture relative to that. It takes time for us to recover some of the share we have lost there. But that is one factor.

The second is, from a product standpoint, we have made investments where there is a gap between us and competitor offerings. That will start to come through in about 18 months' time where there will be new product offerings to make us even more competitive from a product line-up standpoint. That will continue to drive better performance. Right now, the focus is on commercial. We are coming off of a period of interrupted supply. So the way these things ladder up will be going forward, you should just see improved AWC growth numbers.

Richard Felton (Goldman Sachs): Thank you. Good morning. Two questions please. The first one is on the medium-term margin targets, the implied step-up in 2025. So thank you for the colour you gave us in the presentation. One of the building blocks to better margin in 2025 was easing of inflationary pressures. So my question is, what level of visibility or confidence do you have either through hedges or your discussions with suppliers that inflationary pressures can actually ease in in 2025? And then a small point of clarification on your 2025 margin expectations. Are there any FX assumption embedded in that guidance?

Then second question on free cash flow. So obviously better performance this year. You both alluded to more to come, particularly on inventory. So as you benchmark your business either against peers or your own history, how big is that opportunity to drive better inventory performance from here? Thank you.

Deepak Nath: So the first one around inflation, what I remind this group is there is about a year lag as inflation flows through inventory and impacts our P&L. So we have visibility now in terms of the type of contracts we are doing as part of the procurement efforts, it is one of the elements of the 12-Point plan. We see the benefits we are seeing through the negotiations that Anne-Francois mentioned. So we have some visibility to how that is coming down.

Now, we have called out the impact in 2024 relative to 2023, which is really at comparable levels. The double click within that is within Orthopaedics, the particular raw materials that we see, there has not been a lot of change from 2023 to 2024. So that part of it is going to be slower to unwind. But when you look across the portfolio, we have a reasonable sense as to how this will start to flow into our P&L in 2025. So in other words, a year removed we have some visibility.

The second thing around the working capital and inventory, as we have said, we have turned the corner in 2023. Our biggest challenge on inventory is in Orthopaedics. So there is two pieces. There is Recon and there is Trauma. Actually, this comment applies to both, our ability to connect commercial and operations were historically not very good. We have made tremendous progress over the last 18 months in doing that. Our new S&OP process has led to significantly better ways to connect supply and demand down at a SKU level, not just in a

product family or a category level. And that has been the key underpin for us to start to bring DSI down. And that is both Trauma and Recon.

Specifically in Trauma, a big chunk of the inventory build-up has been fuelling our launch of EVOS. As you know, Trauma is a capital intensive business, a particularly capital intensive business within Orthopaedics. And we are in a launch phase. Towards the latter part of the year or the second half of the year, there was AETOS, but the bigger driver actually is in Trauma. So we are in the big bolus of investment there. But it will continue into, into 2024. But our ability to match demand and supply at a SKU level is a key unlock that leads to DSI.

The second is our production planning itself, where we had been previously running our factories for absorption, we are now running our factories for mix attainment. And that has led to us producing exactly what is needed, rather than too much of the stuff we do not need and not enough of the stuff that we do need. So that is another key part of it, and that was great progress actually in 2023 that we made.

So these factors will lead to this modest improvement, 5% improvement in DSI and Orthopaedics start to gather steam and deliver as we go on. So, we feel very good about how we are positioned in being able to drive that down as we go into 2024 and 2025.

Richard Felton (Goldman Sachs): I am sorry. Is there any embedded assumption for FX?

Anne-Francoise Nesmes: I was hoping you would not go back there. I do not have a crystal ball. So certainly, as you know, we hedge some of our FX, so we are guiding to a lower transactional FX impact in 2024 of 30 bps points versus the 120 bps we have seen in 2023. In 2025, we assume normalise. And that is a variable, that is part of the pluses and minuses you face when you forecast. But if I get FX right, then I will be rich next time I talk to you.

Julien Dormois (Jefferies): Hi, good morning Deepak. Thanks for taking my questions. I have three, but before I would just like to say [French, 1.04.31] to Anne-Francoise, while also wishing John a warm welcome. So my three questions relate to products. The first one is on CartiHeal, AGILI-C. I was just curious whether there is a timeline for the full product rollouts. What is the total adjustable market and whether we shall see an early contribution to Sports Medicine sales already in 2024?

The second question is you guys seems to place greatest emphasis on the AETOS Shoulder System. Is there any plan on that side of making it available with CORI? Because I think one of your competitor has just received approval for the first time ever robotic application on that side. So wondering whether you have similar plans on the agenda?

And my last question coming back to the Knee business, I am just curious whether you have set some sort of internal KPI for 2024 of maybe growing the Knee business at or above the market growth in the US specifically?

Deepak Nath: Sure. So I will take those. So CartiHeal is more of a midterm driver for growth. There will be some impact in 2024, but it will not be material to the group. Where we are right now is we are in the process of training up our organisation. So we featured it in our booth at AAOS, we are putting through our reps through CartiHeal, through AGILI-C training. And as we roll through the year, we expect to see traction. But in terms of a material growth driver for the group, it is more of a midterm thing. So it is not 2024.

AETOS, we have just now entered shoulder on the arthroplasty side. AETOS is our foray into it. As we announced in AAOS, we have plans to build out a full offering into shoulder.

You have heard me comment about my level of excitement for CORI in shoulder. Its form factor is ideally suited for shoulder given its anatomy. We have a program for a shoulder on CORI. It is roughly two years out before we bring it to market. It will line up with our implant portfolio coming to light. So those things will come together, so it does not make sense to have CORI when we do not have an implant portfolio to go with it. So we have got a holistic programme that brings out the full shoulder portfolio and take advantage of the unique applicability of CORI to that anatomy. So we are very excited about it and look for more progress as we continue.

In terms of Knee, what am I looking for in terms of market performance? What I hope to see in Knee is a trajectory that we have seen in Trauma, where about this time last year, we would have lamented on limitations on supply. In fact, the main story about this time last year was how we are exiting certain markets. Fast forward a year, we are talking about growth in the US and a key unlock on the basis of availability. I am expecting something like that in Knee. It will not be quite as dramatic because the dynamic in Knee is a bit different than Trauma. But on the back of supply availability and all the other commercial things that we are doing - an incentive scheme aimed at growth, tighter performance management, very crystal clear set of plays that we are executing and holding our teams accountable to, and more discipline around capital deployment. All of these things come together to get better performance. As to whether they will be above market in the first half of the year or not, that is for us to work out. I do not want to get into that level of detail here, but what I am trying to give you is a sense of the building blocks that I am looking for.

In terms of KPIs, yes, obviously at the end of the day, we are looking for growth and growth compared to competitors as the ultimate KPI. But what I am looking at is set turns, both for the sets that are out there but also newly placed sets and how they are performing. I am looking at quota adherence in terms of how our reps are performing in the distribution around that. I am looking at CORI, we are replacing CORI, how CORI is being utilised and win rates and how we are doing in terms of competitive situations versus defensive or retention type of situation. So these are some things that are not the full set of KPIs, but gives you a feel for the types of things we are looking at for a turnaround in Knee performance.

Hope those answer your questions, Julien.

Lisa Clive (Bernstein): Hi, just two questions from me. First of all, given all the movements in VBP in China, can you just remind us of what your exposure is in Wound in case it goes in that direction? I know at least for 2022, China was 6% of your total sales. If you could just let us know for Wound, whether that's a higher proportion or not. And also if you could comment on what proportion of sales in China Wound are into hospitals or whether you have a self-pay segment in the community as well.

And then next question is, given all the changes in your salesforce in the US, can you just give us an overarching view of how it is set up today? Is Sports Medicine totally separate from Ortho? Within Ortho, is Recon separate from Trauma? How do Extremities fit in? And then also, I guess in terms of the structure of those reps, are they direct employees? I know some companies do it differently and just try and understand what it looks like. I know

Smith+Nephew has tried a bunch of different structures in the past, so just trying to figure out why the new setup should be the winning formula. Thanks.

Deepak Nath: Sure. Hi Lisa. So VBP in Wound, our position in Wound is relatively small in in China. Certainly from a group standpoint, it would not be hugely material, in contrast to sports where we were the market leader, in Ortho, we were the market leader. So VBP implementation had significant impact not only to our businesses, but also to a group level. In Wound, we are not positioned in that way. Good news, bad news story.

In terms of our sales, I will need to get back to you in detail. We will do that, but I believe the majority of our sales are to hospitals versus self-pay. But let me confirm that with you, Lisa, post -

Anne-Francoise Nesmes: We have a smaller portion of retail, but it is small.

Deepak Nath: In terms of salesforce, we do have distinct salesforces for Trauma and Recon, and we have distinct salesforces for Sports and Recon.

Now, there is of course some geographies somewhere where there is some overlap. So there are certain pods, if you will, in the US where there is Trauma and Recon go together. There are certain distributors that we have that carry both Trauma and Recon. So there are those exceptions. So by and large, there are distinct salesforces. I think you asked the question around the US. That is certainly true in the terms of direct versus 1099s or agents, our Sports is primarily direct, our Orthopaedics is a mix. I do not know that I necessarily want to give you that mix, but it is a mix between direct and distributors. Obviously as you know, you can make any model work, but that is the difference between our Sports versus our Ortho.

And then in terms of Extremities, that is combined with our Trauma salesforce. In other words, we do not have a shoulder-specific salesforce, at least not at the moment. So that is, I think, the rough answer to your question. If I missed anything, let me know, Lisa.

Lisa Clive (Bernstein): No, that is super helpful, thank you. And leading from that, given this gradual shift for Recon procedures in ASCs, could you talk about what that looks like? Are these surgeons who may be doing 70% of their procedures in a hospital, but then maybe do 30% in an outpatient setting? I am just trying to understand which reps are servicing that growing area, and also given your comments around potential cross-selling opportunities, Sports Medicine and Recon are distinct. I know some surgeons will do a little bit of each, but just trying to understand how you are capitalising on that potential new opportunities.

Deepak Nath: Yeah. So we have got a ton of experience in ASCs. About 40% of our Sports business flows through the ASCs already. So we have got quite a bit of experience in that channel. And as you note, there is more and more joint replacements that are moving into that channel, and recognising that, we have called that out as one of the elements of the 12-Point Plan. We noted the progress. We started off at a good place in 2022. We built upon that in 2023, where I think we tripled the number of deals that we did. Now it sounds great, but it is still a fairly modest thing in the universe of all deals that could be done. But we are pleased with the progress and the traction we are getting.

We are also the only ortho company to have a significant sports business that is well represented in the ASC. So we know the channel well and there are cross-selling opportunities. But having said that, there are distinct surgeon groups that do them. Now, of

course, there is always surgeons that do both procedures, but by and large the distinct surgeons that do replacements versus sports cases.

So we are particularly excited about the prospects there. CORI, as we have called out in in previous forums like this, has resonance across the board, but in particular in ASCs, given its price point, given its form factor it. There is a very compelling value proposition for CORI. So as we start to capitalise on the trend of procedures moving into the ASC, we have got in CORI a great vehicle or catalyst to start to be competitive in that segment. What we are seeing as we look at our business in the ASC channel versus our hospital channel, we are seeing a relatively higher performance in ASC relative to our overall average share position.

So it is early days yet but I am pleased with the traction that we are getting there. But we do need to keep a focus. There is a lot going on. It is a highly dynamic market. I like the way we are positioned, but we of course have to execute commercially to take advantage of the opportunity. But the building blocks for us to do that are there, CORI and Recon, a strong presence already in that channel through our Sports position and a fundamental value proposition that seeks to tie those things together where it makes sense.

Lisa Clive (Bernstein): Great. Thanks.

Deepak Nath: Yep.

Sezgi Oezener (HSBC): Hi, thanks for squeezing me in. Just two please. First of all, on China in CORI, you said there is of course an impact from the anti-corruption. Have the sales completely come to a halt, or are you selling at a much slower pace? And also going forward, what is your target in terms of out of US CORI placements? That was the first question.

And the second one on sales incentives, you said you that had an impact on the churn and you are trying to replace that through recruitments. Have you more observed the salesforce going to competition, and would you be reacting in terms of changing the incentive structure to that? Or would you be reacting by completely hiring new salesforce that adjusts to the current incentive system? Thanks.

Deepak Nath: Yeah, so China CORI, it is primarily a market effect. So when we look at how many CORIs we did place relative to the number of robotic placements that happen in China, we are doing very, very well relative to our share. These are small numbers, so it isn't necessarily a value proposition question for CORI in China, but rather an overall adoption of robotics in the orthopaedic space. So that is by far and away the effect in China.

OUS versus US. We are already the number one robotic – CORI is the number one robotic system in EMEA already. That was the case in 2022. We built upon that position in 2023. So we are looking to capitalise on the opportunities there. We have targets internally of course, but not something that I would want to put out there in a public sphere. But suffice it to say that the value proposition of CORI is quite strong in a range of settings within the US but also in a range of healthcare systems.

In terms of incentives, it is incentives and also tighter performance management that led to the churn. We expected that, it just came later in the year than we thought would happen. in terms of how we respond to it, the solution is not a structure change. We went through a structure change in terms of going to a more business-unit-first model compared to a matrix model that we had run primarily impacted the OUS geographies. We are not looking to make

further changes from a structure standpoint. We have a structure that at least I am happy with. And it is more about trying to have the best organisation that we possibly can.

In terms of where our reps are going, there is a range of things, so some going to competitors, some going into other fields. And in terms of our response to that, I do not know that I want to necessarily spell that out other than we have got a great recruitment pipeline. And I expect that we will have a great - we have a great team already. We are looking to add to that team as we move forward.

Sezgi Oezener (HSBC): That is very helpful. Thank you.

Deepak Nath: You are welcome. Okay, let us wrap. Thank you very much. Appreciate the attention and engagement. Thank you.

[END OF TRANSCRIPT]