HALEON

H1 2026 Results Q&A

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Introduction

Jo Russell

Head of Investor Relations, Haleon

Good morning, everyone. Welcome to Haleon's conference call for our half year results. I am Jo Russell, Head of Investor Relations. I am joined this morning by Brian McNamara, our Chief Executive Officer, and Dawn Allen, our Chief Financial Officer.

Just to remind listeners on the call that in the discussions today, the company may make certain forward-looking statements, including those that refer to our estimates, plans and expectations. Please refer to this morning's announcement and the company's UK and SEC filings for more details, including factors that could lead to actual results to differ materially from those expressed in or implied by such forward-looking statements. We have posted today's presentation on the website this morning, along with a video running through the results in detail. Hopefully you have all had the chance to see that ahead of this call.

With that, I will hand back to the operator, and we can open for Q&A.

Q&A

Cédric Besnard (Citi): Just a couple of questions, please. One on top line and one on margin. The one on top line will be about North America. Could you just shed some light on the progress you have made there, especially maybe quantify the shelf reset benefits and also how we should think about the organic growth sequence for the rest of the year with the various building blocks?

On margin, I guess another profit beat, but how would you assess whether the business actually remains invested enough, and what are the KPIs you would have internally to make sure no category and no market starts overearning?

Brian McNamara: Great. Thanks, Cédric. Listen, I will take the first question and I will probably kick off the second, and then pass to Dawn.

First of all, I feel good about the progress in North America. Maybe I just start with a bigger step back, Cédric. As you all saw, 3.1% organic sales growth in the quarter. That is a sequential improvement from Q1, which was 2.2%, and we definitely saw a better balance of price and volume mix, with volume mix at 1.4%.

A few other maybe highlights. Emerging Markets, obviously another sequential improvement at 6.3%, and we do look to see that strengthen in the back half. One of the drags to the Emerging Markets was Middle East, where we have a disproportionately large market share versus the balance of our business there, and we have just seen significant market declines in places like Dubai and Pakistan.

Now, we believe that will get better in the back half based on our plans, not counting on the market to do anything different or the war to end. I would say those are two key building blocks.

Then Europe. Europe has been more challenging. What I would say is we ended the quarter where we expected, in line, probably a bit stronger in North America, a bit weaker in Europe.

We have definitely seen Europe market which is declining, and we were relatively flat; up 0.4% or so in the quarter.

Getting to North America, 3.1% growth with 2% volume. I maybe would put it in three buckets of what we are seeing. One is the stronger execution, and we have talked about that. That is the shelf resets, the self-placements across key categories and key customers.

The second I say innovation is delivering. We have launched the third pillar of our clinical range and clinical repair in the US, and that is doing extremely well, beyond that we have launched things like Centrum Age Defy, Excedrin Rapid Relief, and innovation is performing well.

Maybe the third pillar is around e-commerce. We are seeing good momentum in e-commerce, strong double-digit growth and twice the market rate. For me, listen, good progress in the US. I feel good about that. Still more work to do. Very encouraged by the progress. Certainly, we are going to have a stronger second half than first half, and we are confident and that is obviously embedded in our guidance of holding our guidance of 3% to 5%.

Now maybe moving to your margin question. I am going to pass it to Dawn to maybe talk a bit of the margin and the building blocks. But I would start with a bit on your question on investment, just my perspective.

We are investing in the business. A&P in the first half grew 3.2%, broadly in line with sales, slightly ahead, but broadly in line with sales. Our A&P is roughly just below 21% as a percentage of A&P so I think it is strong investment with growth and there are specific areas where we have increased investment, and we are constantly doing resource allocation just to ensure that we are investing behind the key growth areas that we believe we have legroom and key innovations so I feel like we are invested well in the business.

Now that said, our priority is growth. We do not want to invest in the business just for the sake of investing. We want to invest where we see growth opportunities. Listen, in the second half, we expect a step-up of investment and growth, and that will show up in A&P. It will also show up in different areas, like we are investing in China and on Douyin because we have a good business in Douyin. Our portfolio is a bit less exposed to that channel, but we are growing 100%, and we see more opportunities there. So we are going to invest more there, and we are going to invest some more in activations in the US, where we see opportunity, we are going to drive things so let me leave it there.

The only other thing I would say before I pass it to Dawn is what the gross margin and productivity has enabled us to do is have the P&L flexibility to invest where we need to, but also drive strong EPS growth if it makes sense. To be clear, we are not holding back on investing in the business. We feel like we are investing where we need to be, and where we see opportunities, we will invest more.

Dawn, maybe a bit on the margin.

Dawn Allen: Good morning, everyone so look, what is important to say on the margin is we have delivered the margin through efficiency. We are driving long-term sustainable improvements in our supply chain.

To Brian's point, the margin has not come from cutting investment. It has not come from taking too much price. When you look at our pricing, our pricing is in line with inflation, and this is a really important point that it is coming from efficiency.

The 120 basis points improvement in operating margin at constant currency is coming from gross margin, up 140 basis points and we also have a 40 basis points benefit coming through FX, which if you think about, it is quite nice to have a tailwind from FX for a change.

To Brian's point, that is pulling through and driving strong EPS in the business, and it is giving us flexibility and agility and why that is important is when you look at the second half, we will start to see costs come through from the Middle East impact as we roll off fixed price contracts and our hedging positions and it means that given that we have got the strength in the supply chain productivity programme, it means we won't have to take exceptional pricing to cover it. We will be able to absorb that cost, which means from a margin perspective, we also expect in half-two that we will deliver high-single-digit operating profit growth as we have in half one.

Let me take your second part of the question, which was about A&P and the KPIs and how we think about A&P.

People buy our brands because they are superior, meaningful, differentiated and salient, which means that people are aware of them and therefore, continued strong investment in A&P at 20.9% as it is today, is really important for our brands. The way that we think about that, there is probably three main areas in how we think about it.

The first question is, are we buying efficiently? If you look at the first half, we have mitigated the majority of our inflation in terms of how we are buying that media. The second piece is, are we spending effectively? We have quite a sophisticated market mix modelling tool, where we look at the incremental retail sales growth and ROI around that spend, and both of those are up in the first half.

The third question is, are we driving growth through reach and relevance? When we think about this, we are trying to match our spend with where consumers are consuming that media or where they are getting their media from. 60% of our spend is allocated to digital, and we continue to increase that spend behind social and expert, which are both up in the first half.

When we think about A&P, we keep it quite dynamic. In areas where we are performing really well, like Oral Health, China, India, we increase our investment. In areas where it needs less investment, so for example, when cough, cold and flu season was weak in Q1, obviously that is an area where we would shift investment to other areas, so that all the time it is very dynamic, so that we are ensuring that we are making our money work harder and we continue to look for opportunities to invest.

Brian McNamara: Good. Thanks, Dawn. Next question.

Guillaume Delmas (UBS): Couple of questions from me. The first one on Respiratory Health. We had another weak quarter in Q2. I think it shaved off 150 basis points of your organic sales growth. My question is, of the three buckets of cough and cold, allergy, smokers' health, which are the ones where you would expect an improvement materialising relatively quickly? Is your confidence in OSG organic sales growth accelerating in the back half largely underpinned by expected sequential pickup in resp? Or do you think the acceleration should be more broad-based than that in the back half?

Second question, just China. High single-digit growth in the second quarter, despite low incidents of cough and cold and some negative pricing. Maybe can you touch on what is driving what seems to be double-digit volume growth in China, and how should we think about this pricing pressures? Is it more of a one-off? Is it the cost of competing in that hospital channel? Does this have any negative implications for your margins in the region?

Brian McNamara: Great. Thanks, Guillaume. Listen, I will take the first question on Respiratory, and I will pass the China question to Dawn.

Listen, on Respiratory Health, you are right, three buckets in Respiratory Health: cough and cold, allergy, and the smallest piece being smokers' health.

First of all, on cold and flu. Cold and flu is about half the size in Q2 than it is in Q1. It is off-season, so it tends not to be as volatile. You are right that Contac, which is a very big cold and flu brand in China, just saw very little, if any, pickup in the quarter. We believe that is just an extension of what was a very difficult cold and flu season. I will get back to cold and flu in the back half in a second.

Then you have allergy, which did well in Q1. It was down a little bit in Q2, just a phasing of the season piece, and you just expect that. That is normal. You tend to see some seasonal swings in allergy, but it is never to the degree of cold and flu in the impact.

Third is smokers' health. Listen, smokers' health still declined in the quarter, but it is declined at a lower rate than it did in Q1 so we are starting to see a stabilisation of that business as we go forward, and we have plans in place, like most things, like in the US in general, we are seeing better execution and we are seeing improvement as they go.

Now, on cold and flu, as we look at the back half in cold and flu, we know that we have had two years of decline in cold and flu and I think I have said in the past, been associated with the category for over 20 years, it is not necessarily common that that it happens, but it is not unheard of. We have obviously done all the work to understand, is that a cyclical or a structural thing. We believe it is cyclical.

What we are assuming in the back half is we see growth off these two years of decline. We still do not expect it to be at the level it was from two years ago. Obviously, in cold and flu, that is more Q4 weighted because that is when the cold and flu season is. That is a bit of the frame around Respiratory and what we are seeing.

Dawn, you want to talk a bit about China?

Dawn Allen: Yes. Let me take the question in three parts. Let me talk about Asia Pac, then I will talk about China, and then I will come onto your specific question around hospital channel and price.

When you look at the growth profile of Asia Pac, over the last few years, more than 80% of that growth is coming from volume. That is a really good growth profile for that region. And you see that also coming through in the year-to-date, and actually even stronger growth in Q2.

China is a really important driver of that so China was up high single-digit in Q2. Main drivers, we increased investment in Douyin. Douyin grew more than 100% in the quarter. Key brands that underpin that were in Centrum, Caltrate, were really strong in terms of driving growth in Douyin. We have actually doubled the amount of content creation in that channel. That is a really strong driver of performance.

The other strong driver of performance was actually on Voltaren, where we increased our presence. Voltaren 2%. Innovation continues to do really well. We have actually put that through the hospital channel. Hospital channel is a channel that we have always been in in China. That is not new. Voltaren is in that channel, which is a real positive.

If I put all of that together and then talk about pricing. You are right, pricing was negative in Asia Pac in Q2. I am not worried about that. It was driven by going into hospital channel where we have a volume-based procurement pricing model, as well as investment in Douyin.

When you look at the gross profit growth in Asia Pac, that is strong. When you look at the margin improvement in Asia Pac at constant currency, that is also strong. For me, it is a real positive. It shows that the investment that we are putting in to drive growth in China and in Asia Pac is actually coming through and as I said, we are still seeing margin improvement overall in that region.

Brian McNamara: Thanks, Dawn. Let us go to the next question.

Nicolas Ceron (Bank of America): Just two questions from me, please. The first one is on your VMS business. Do you think there is any consumer need that your current portfolio is not really able to address? Do you think that you need to do M&A to do that? It is a bit of a thorny question.

The second one is going back to the pain relief, big acceleration in Q2 versus Q1. Maybe if you could just explain to us the key drivers behind the acceleration and whether you think mid-single-digit is the growth for that business going forward?

Brian McNamara: Great. Thanks, Nicolas. First on the VMS business. Listen, first of all, we like our portfolio and, by the way, if we look at Centrum in the US specifically, we have seen improvement in the first half of the year, so mid-single-digit growth.

Actually, if I look at latest consumption data, so now we are into July, you are starting to see double-digit consumption behind the activations and the shelving resets and everything we are doing on that business so we do like the portfolio we have.

Listen, there are higher growth spaces within VMS we don't participate in, and we are looking at that also organically. How can we introduce new products under Centrum? How can we drive that? One example I would give you is our GLP-1 variant on Centrum, which we launched in the US as part of our broader GLP-1 effort to support consumers on that journey and activate in retail.

I have always said every portfolio can benefit potentially from a bit of bolt-on M&A, a bit of divestment as we go but I feel good about the portfolio we have, and I am confident that while VMS has been a bit of an up and down business for us over the last few years to acknowledge that we have plans in place where we feel like we are going to get that to a place where it can deliver the growth that we would like.

On Pain Relief, it was a stronger quarter in Pain Relief and that links to a few things. First, I would say we saw strength in Voltaren, and that linked to a launch in China, by the way, of a Voltaren 12-hour variant that is doing very well. Also in the US, we are seeing some strength in Voltaren behind some of those changes we have talked about across shelving, because we also saw benefits from shelving across Voltaren.

Panadol has grown healthy growth and ahead of our global number, and that is behind good activations but also the rollout of Panadol Dual Action, which is the combination of acetaminophen and ibuprofen. We market that under Advil Dual Action in the US, but outside the US market, we have launched that under Panadol.

Overall, I would say a stabilisation and slight growth of share in Advil. We are starting to see share growth in Advil, which we would expect, although the category is still a bit muted, but we are ahead of the category.

Overall, I feel there is some fundamental things that are happening in Pain Relief that helped drive those numbers.

Warren Ackerman (Barclays): Apologies if this question has been asked before because I just jumped on late, multiple results today. I just want to just dive a little bit deeper on a couple of places. Latin America, Brian, looks like it has accelerated from low singles to high singles. Can you talk a little bit about the new team that you have got in LATAM and what you are doing differently in terms of price pack architecture and understanding local consumers better? Do you think this step-up in Latin America is sustainable? Is it a one-timer, or do you see real legs for the improvement in that region?

The other region I just wanted to touch on was, again, Europe. Sorry if this has been asked already, but it did seem a little bit softer in the quarter sequentially in Q2 versus Q1. Just wondering whether you can outline, is there anything weird happening in the pharma channel? Is it Germany? What are you seeing in terms of consumer dynamics in that region? That would be super helpful.

Brian McNamara: Thanks, Warren. I do not think either of those questions were asked, so I will take them both.

Listen, on Latin America, you are right. What we saw was kind of flattish in Q1, and we are seeing high single-digit growth in Q2. Is that sustainable in the back half? I would expect to see similar results to that high single-digits, albeit maybe a bit of phasing Q3, Q4, just because of some base effects and stuff.

To take a step back, on January 8th, when we announced the new operating model, we also announced a new leader in Latin America, Andrés, who has spent many years at a Colombian-based company called Quala in Latin America, and then spent some time at Unilever once that company was acquired. Clearly, deep deep understanding of the Latin American markets and the consumer and I think he has come in and has done a very robust assessment of what is happening and has taken actions.

One of the actions we have talked, Warren, that I believe I have mentioned in the past, is very quickly identified a bit of an opportunity in Brazil and a few other markets on our price gaps on Sensodyne. Very quickly did a pilot test and saw that would drive double-digit volume growth. We have executed against that so we have taken pricing down.

Again, it was not broad-based pricing on Sensodyne. It was a particular SKU on Sensodyne and the price gap versus one of our competitors that got a little out of whack but we have made that change and we move.

I would say just purely on execution across the region, understanding moves we need to make and looking as we go forward of better capitalising on the low-income consumer, where obviously we have a tremendous case study in India on the low-income consumer that has driven now over 20% growth on Sensodyne and also huge opportunities we are seeing in Centrum area.

He is making good progress again on all this stuff. Encouraged with the progress. You never want to declare victory. We are not complacent, but what we are seeing in Q2 is sustainable in the back half.

On Europe, there is no question what I said earlier, Warren. You may not have been on, is that if I look at where we ended up in the quarter, it was in line with our expectations of what we thought we would deliver in the quarter. It was a bit better in the US, but it was a bit tougher in Europe. There is no question that we are seeing a tougher market in Europe, and we are seeing kind of low single-digit declines in the categories.

Now that said, as you saw, we delivered roughly flat results, up 0.4% or so. We are growing market share in Europe. Sensodyne continues to perform well and broadly, we are performing.

Listen, as we look at the balance of the year, we are not counting on anything changing in the Europe dynamic. Obviously, we are just very focused on driving our execution, driving our innovation, delivering the growth that we think we can get in that market but we certainly have seen a tougher backdrop in Europe than we had seen as the year has gone on.

Okay, next question.

Mikheil Omanadze (Exane BNP Paribas): One question on cold and flu, please. Can you please remind us what the timeline for the sell-in for the season? Also, one of your competitors speaks a lot about a major innovation in cold and flu coming. Do you see this as a bit of a challenge for you?

The second question would be on price-volume split for H2. You did say that you are not intending to take any material pricing, but should we think about H2 being a bit balanced between price and volume?

The last question would be on one-offs. Were there any notable one-offs benefiting your Q2 delivery?

Brian McNamara: Good. What I will do is let me take the cold and flu question, and then I will pass Dawn to the second part of that question, and then the one-off question.

Listen, on cold and flu, the sell-in happens as we speak. July and August typically is when sell-in happens in cold and flu as expected typically, in cold and flu, the big potential for any seasonality effect happens later in the year in Q4.

As far as competitive activity, listen, nothing we were unaware of. We feel like we have good plans in the US combined with all the executional improvements that we are seeing and then the plans we have behind our cold and flu portfolio. Again, never complacent, never take anything for granted. We are aware of launches of multiple competitors, and we feel good about our cold and flu plans in the back half. Dawn?

Dawn Allen: Yes. If we think about the price-volume mix, we have been working hard to improve that balance, the price-volume mix. You have seen in the quarter the step-up in volume performance, with volume mix at 1.4%.

Where is that coming from? We have obviously talked about Asia Pac and significant volume growth in Asia Pac in the quarter. We also saw a big step-up in North America to 2% in terms of volume mix on the back of all of the execution activities, innovation that Brian has talked about.

Those two step-ups in the quarter were offset by EMEA, where volume mix was down on the back of a very tough macro picture in Europe and obviously softness in the Middle East, given what is happening there. If we look to the second half, we continue to focus on a balanced price-volume mix. We would expect to see a step-up in volume mix half-two versus half-one, particularly given that we have cough, cold and flu in Q4 and as I said, from a pricing perspective, I would expect pricing to be broadly similar second half versus first half.

To come to the third part of your question, I guess there have been activities, whether it is Amazon Prime Day, whether it is World Cup, where we have had activities in terms of US soccer. What I would say is obviously they have both been successful for us. If I think about phasing Q2, Q3 or sell-in, sell-out, there is nothing significant to call out in that respect.

Brian McNamara: Next question.

David Hayes (Jefferies): Two from us. Just came back to the growth profile in the second quarter, obviously doing a 3%, but still that 4%-plus ambition mid-term remains aloof in what is a relatively benign cold and flu season. I guess the question is, there is lots of moving parts as you talked about, Brian. Your Asia cold and flu, there was an effect of Middle East, US momentum's building, Brazil execution improvement. So just that gap, can you kind of quantify what broadly that the big ones are that leaves that gap there and I guess where that leads me is would you expect to do 4%-plus through the second half as those gaps are resolved, as you are kind of alluding to?

The second question, just on the margin. Obviously very impressive margin delivery. You talked again about some of the drivers of that. The question is, A, is the supply chain delivery a little bit lumpy was it just you have just got a lot of savings in the first half, might be a bit less in the second.

Then on the cost of goods sold inflation. I guess some of the contract manufacturing rolls off in terms of the agreements. Can you just give us a sense of cost of goods sold inflation in the first half versus what you might expect in the second half?

Brian McNamara: Thanks, David. Listen, I will take the first one, and then I will pass the questions on margin and supply chain over to Dawn.

Listen, on the growth profile, by the way, you are right that we are below our 4% to 6% medium-term ambition and we are very focused on getting back to there. If you take a step back, David, on what we need to be to get to that 4% to 6% ambition, and then maybe what is the difference between that and Q3, I think in one area is emerging market growth, which we saw sequential improvement at 6.4% in the quarter.

We do expect that that can get to high single digits, and we would expect that to get there in the second half. What is driving that? Certainly, we have seen mid-teens growth in India. We are confident that will continue. We talked about Latin America and the improvement we have seen in Q3. We have talked a bit about China in high single digits in Q2.

The other piece that has been a drag to that high-single-digit growth has been Middle East. Our Middle East Africa business was flat. In Middle East, we are disproportionately big in the

Middle East. If I look at my market shares in the Middle East, in many cases, they are double where they are in the market so brands like Panadol in Pakistan is an 80-plus kind of share.

What we have seen is we have seen declines in the market in both Dubai and Pakistan. That said, versus Q2, we expect that to improve in the back half and not expecting wars to stop or anything like that based on our plans and what we are going to do and the activations we are going to drive. We would expect to see an improvement on that as we go into the back half.

The other piece is we have said, listen, US, for us to get to that growth number, needs to be in that 3% to 4% range. I am very encouraged by the progress we are seeing in the US. Again, not complacent, not declaring victory, but really feel good about the progress that they are making, and we think it is very encouraging.

Europe. You would expect Europe to be in a kind of low single-digit, kind of 2% to 3% growth. Obviously, it is a bit lower than that as we look at the back half. That is the algorithm to get us into that 4% to 6% range in a confident way.

On the back half, listen, I am not going to guide beyond what we have already said, which is confidence in the 3% to 5%, and the building blocks that I have laid out, which is you see the progress in North America. We expect to have less of that drag from the Middle East going forward. Then obviously cold and flu, which will be more Q4 focus and what we are expecting to see is growth versus a year ago, versus two years of decline. Not expecting to see it as high as it was in 2024, just as a benchmark.

Dawn, maybe I pass it over to you to the margin question.

Dawn Allen: Yes. As I said earlier, in terms of the margin progression, this is coming from the productivity savings in supply chain. Just as a reminder, there is three parts to that. The first one is around complexity reduction, so harmonising packaging, formulations, optimising the number of SKUs.

The second one is operational efficiency so this is all about debottlenecking in the plants, process improvement, equipment optimisation.

The third one is about optimising our broader network in terms of what we do in-house, what we co-manufacture and when I think about that holistic programme, it continues to deliver incredibly well. I do not see it as lumpy. We track the pipeline of potential future savings i we track that into the future. When I look at half-two versus half-one, that is looking good.

In terms of the COGS piece and increasing costs, we have seen a small increase from Middle East in the first half, particularly in freight. As I said earlier, I would expect that to increase in the second half as we come off some of the contracts.

When I look at the gross margin, we have had 140 basis points improvement in the first half. I would still expect us to deliver improvement in the second half. Will it be to the same extent given that we will be absorbing some of the Middle East costs? I think that depends on how much those costs are but as I said, we would expect to absorb that. So I think some growth in gross margin.

The other things to talk about, we will continue to invest in the business. You saw us in the first half, A&P, we increased ahead of revenue. Second half, we will continue to invest. The other thing that we will have in the second half is the benefit from the operating model changes.

We said at full year that we expected that in total to be in the range of £175 million to £200 million, of which broadly one third, we expect to be in this year.

A bit similar to the supply chain productivity savings, we will decide how much of that do we reinvest in terms of future capabilities and how much do we drop through. When you look at that overall, as I have said, I would expect half-two operating profit to also be high single-digit, but different moving parts in the P&L.

When you look from an EPS perspective, 12% growth in EPS in the first half is very strong. I would also expect strong EPS growth in the second half.

Brian McNamara: Thanks, Dawn. Next question.

Callum Elliott (Bernstein): I wanted to start with Oral Care, please. The 6.2% is obviously objectively a fantastic growth number But at the same time, it is also the slowest quarterly growth for nearly four years. One of your biggest Oral Care competitors reported yesterday a mid-single-digit decline in organic sales for their Oral Care business. I guess you are probably benefiting from their struggles, as you have been for the past several quarters. They are not a bad company, I do not think, and I do not think anybody would say that they are. It would be dangerous to assume that they will continue to be such a big share donor over the longer term and so I guess what I am getting at here is, can you talk a bit about the moving pieces, the drivers of longer term, what the sustainable growth rate for that Oral Care business should be?

My second question. I was really interested in your comments around what Andrés is doing to fix LATAM, Brian. Without meaning to be too pejorative, it strikes me that fixing price gaps really should be bread and butter for a company of your size and so I guess I am surprised that you need to be poaching senior leaders from Unilever to do that. My question is, can you speak a little bit to the infrastructure in your business around this kind of competitive intelligence? Do you think this Brazil Sensodyne pricing example is just an isolated incident? Or do you systematically need to be doing more to improve this infrastructure across the company?

Brian McNamara: Okay. Thank you, Callum. I will take these questions. On Oral Care, 6.2%, still feel very good about that. I expect that that will improve in the back half. Nothing really to see from the 7.3% on half year to the 6.2% in Q2 and within that, Sensodyne continues to be very strong, Parodontax continues to be very strong, and mid-single-digit kind of growth on Denture Care, which is what we kind of expect.

Listen, this is a business that has grown at this level for years in the past. If I think about our competitors, our competitors in Oral Care are both fantastic companies and fantastic competitors. Have a ton of respect for both of them. A lot of times what you see is what we are driving is incremental category growth and incremental consumers into the more premium segment of the category via the innovation we have.

Again, if I look at Clinical White, then Clinical Enamel, and then Clinical Repair this year, in all three cases, they were the largest innovations in the US market in that given year in the toothpaste category and there is more to come. I look forward, and I see more innovation coming that we already have in the can.

Post the clinical range, we already have a very clear view of what that pipeline looks like, and I really feel good about that. A lot of times when you see our competitors moving around on stuff, it tends to be because they are fighting each other. Again, do not take any of them lightly but we have been consistently driving that growth through new users, new penetration, and it is the very simple thing, which is now half the people in the world have sensitive teeth. A bit more than a third of those people use a sensitivity toothpaste, and we continue to drive that growth and by the way, well beyond the US, by the way.

I mentioned earlier India. India is our second largest market, second only to the US, over 20% growth. Two years ago, we introduced a low-income consumer SKU in India at INR20. It took a bit of time for that to gain critical mass. In the last quarter, it was over 40% of our volume was driven by that low-income consumer, and half our growth is coming from that so I think we have a very broad-based programme. Also there is parodontax, by the way, which grows consistently in the mid-teens.

Overall, do not complacent, but the ups and downs of our competitors in any given quarter tend to be less relevant to us than just our agenda and what we are driving on that because the

other piece is we are also a much less promotion-driven business, to be clear. We invest quite heavily in advertising and promotion and dental detailing. We do not necessarily get into the fray on fighting the promotion game so that is what I say.

Listen, in Latin America, as I said when we created the new operating model, I was aware that we needed to make a change in Latin America. I want to be very clear. Also made the decision that having Latin America, Middle East, Africa, and India, given the growth profiles and the opportunities, and having the right talent in those businesses, was a decision I made, and I think it is going to pay dividends for the longer term.

Understand your comment and agree with your comment, but like anything else, Callum, when people are trying to run the business and drive the business and taking different pricings, every now and then you have a misstep. Would we have caught that if Andrés did not go in? I would expect we would have.

It happened at some point in the back half of last year, he happened to be put in place and do it. Listen, he is a great talent. I am really happy to have him. I am happy to have him and Kedar and Özlem, which are our new leaders across our three regions, on my leadership team and reporting directly to me and it is all part of this operating model change we have made, which was all about driving growth and agility. Happens to be providing also some efficiencies that Dawn mentioned, which will help us in the back half but itis all about streamlining and simplifying what we do.

Okay. Next question.

Edward Lewis (Rothschild & Co Redburn): A couple from me, bigger picture. First one, Brian, if I think about the Investor Day last May, you talked about wanting to reach a billion more consumers. You have made investments in India, you made investments in China this year, but the world has got a bit more volatile. Just an update on how you are thinking about that longer-term view.

Dawn, when I think about Investor Day, things like AI were obviously mentioned, but it is just made so much more impact on our lives now. I presume all of us are using it so much more. When I think about your outlook in terms of how you are thinking about driving margins, how much more of a benefit are you seeing from deploying these capabilities than you would have thought before?

Brian McNamara: Thanks for the question, Ed, and I will pass it to Dawn on that AI question.

Listen, we set out a strategy that had two ambitions, a billion more consumers and delivering industry-leading shareholder returns I think both of those were really important. What that did in the organisation is opened up the opportunity and strategically for us to go after the low-income consumer, where we see opportunities that have not been addressed before.

Now, some of this low-income consumer stuff does take time to build momentum. If I talk about India and the INR20 pack, you have to sell a lot of INR20 packs to start having an impact on that business. That is having an impact on that business. 20% growth, half that growth is coming. It is so much more than just offering packs, by the way. It is the route to market, it is the communication, it is the education, it is the dental detailing.

That strategic shift for us is really important because that is something that we see as a Long-term, medium-term, long-term growth opportunity in Emerging Markets. We have some really good proof points of where it is working, and we are in the process of making that broader in other areas. We have done much more than India, but I have talked about India because it is the one that started, and now we are two years in.

Listen, the volatility in Emerging Markets is always there. I do not think that will change the consumer need that we see in the low-income consumer, and by the way, it is about providing really great products at accessible price points in a way that helps meet their needs and we still believe that opportunity is there.

Dawn, on AI?

Dawn Allen: Yes. You are right. Look, AI is obviously a fast fast-moving space, and we are investing in AI, and we are seeing the benefits. Let me give you just a sense of that, and I will give you an example across supply chain, across our demand space in terms of growth, and then maybe just broader productivity.

In terms of supply chain, we have built quite a connected chain of AI interventions, from consumption-based forecasting to production scheduling, preventative maintenance and inventory deployment so examples of that would be on our consumption-based forecasting. This has improved our forecast accuracy by 5% to 6%. It has also reduced our stock cycle times as well, which is obviously important in terms of our levels of inventory.

If I look at our AI scheduling and digital twins, for example, at our Nyon site, that is our digitally enabled work process solution has delivered a 5-percentage point in operational effectiveness. Similarly, in terms of preventing unplanned shutdowns, for example, at our Dungarvan site, that is also delivered a similar level of operational improvement.

From a supply chain, that is definitely embedded, as I said, in terms of a holistic space. If we look from a demand perspective, we have embedded AI across insights, innovation, marketing and commercial execution, so all of the steps along that path. From an insight perspective, we have a great tool that is enabling us faster and deeper access to actionable insights.

From an innovation perspective, we are leveraging AI in terms of faster claims generation and in terms of marketing, we are actually leveraging AI in terms of reducing the cost of our content production.

Then in commercial execution, in terms of AI around tools such as Next Best Action that we talked about Capital Markets Day, that is also driving sales growth. Actually, quite an end-to-end demand space AI capability that we are embedding.

Then the third area, just more broadly across the organisation, obviously tools like Copilot, language translation with our tools like Lingo and even if I think about finance in terms of some of our core finance processes like optical recognition in terms of invoices are also driving process improvements and savings.

Look, I guess like everybody else, we are on a journey with AI. It is changing quite quickly. All of the things I talked about earlier, what that is enabling us to do in terms of supply chain productivity, the benefits that we are getting from the operating model changes, that is enabling us to test and learn in this space and build capabilities for the future.

Brian McNamara: Great. Thanks, Dawn. That was the last question. Thanks everyone for joining us today. I look forward to catching up with you at upcoming roadshows and meetings. And as always, feel free to reach out to the IR team with any further questions.

Thanks for your interest and continued support. Enjoy the rest of your day.

[END OF TRANSCRIPT]