Convatec interim results for the six months ended 30 June 2025

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Welcome to the half year 2025 Convatec results presentation. First, let me convey apologies from our CEO, Karim, who is not feeling well today and won't be able to attend. So I am going to present his slides as well as the CFO section, and then I'll be very happy to take questions that anyone has afterwards. So the usual disclaimers apply. And the summary message for today is that we delivered a strong performance in the first half financially and strategically, and we're on track to deliver our guidance. The highlights are on the slide. Revenue growth was again broad-based. Further operating margin expansion at the same rate as for the last three years. Second year of double-digit EPS growth. Our product launches are progressing well. And so, as I said, we're on track to deliver guidance. And that's for 2025 and for the medium term. Now these strong results in the first half demonstrate the resilience of our business model. We're not reliant on any one category or geography or product for our growth. At the core of that resilient business model is first that we operate in four chronic care categories. Growing structurally over time, we have strong market positions with high levels of recurring revenue, and we expect to grow ahead of the markets consistently by virtue of our differentiated products and services.

Second, we invest to develop those differentiated products and services, focusing in the fastest growing segments. And innovation is directed towards satisfying unmet customer needs, building customer loyalty and strong IP positions. We now have the richest product pipeline in the country's history, and we achieved the target 30% vitality index one year early in 2024. Third, our growth is broad-based across diverse categories, geographies and products. Organic growth has accelerated in each of the last six years. We're launching 16 new products over the last three years and the next two years, which will contribute to growth across all categories. So that business model is resilient to external impacts on any individual areas.

The FISBE strategy is delivering. We are investing to drive growth, and that is leading to improving sales margin and EPS. This chart shows that on each of those four key financial metrics, the first half of this year was ahead of the results of the last three years. So momentum is building and the flywheel is turning.

So now I'll move on to the financial results in our usual format. And here are the highlights. Organic revenue growth was 6.8% on the basis of our guidance, which is excluding InnovaMatrix, or it was 6%, including InnovaMatrix. Operating margin expanded by 130 basis points or by 140 basis points at constant currency. EPS growth was nearly 20%, benefiting from operating profit growth and lower financing costs. Cash conversion was in line with our expectations, and, similar to last year, we still expect over 80% cash conversion in FY25. Leverage improved by 0.4 turns of EBITDA to 1.9 times, and the dividend will increase by 3%, same as last year, towards the full-year target payout ratio of 35-45%.

Now, sales growth was broad-based across all four categories, as you can see in the columns on the left. As previously reported, Infusion Care benefited from positive order phasing in the first half. And on the right you can see a small contribution from M&A, an FX headwind, and in line with our guidance, we've separated out the impact of InnovaMatrix, which was down by $6 million year on year.

Now let's look at the sales by category, starting with Advanced Wound Care where organic growth was 4.3%, excluding InnovaMatrix. Growth was strong in North America and in global emerging markets, and it's improved in Europe through the first half, supported by new products. AQUACEL Ag Extra, our flagship brand continued to grow well, and the launch of ConvaFoam continued to build momentum, winning more than 50% of new hospital evaluations in the US and Europe. InnovaMatrix sales decreased by 13% to $39 million as the uncertainty around the LCDs continued to weigh. This was in line with the guidance we gave in April, when the LCDs were postponed until 2026. And we continued to make progress in generating clinical evidence for the RCTs and in developing sales in indications outside the scope of the LCDs.

So then on to Ostomy Care, where organic growth was 4.7%. Growth was good in the US with a continuation of positive new patient starts. It was steady in Europe and we saw strong growth in GeM. The highlight of the period was the launch of Esteem Body, our new one-piece soft convex product, which had an enthusiastic response from patients and clinicians, is building sales and is now available in all of our focus markets. Growth was also supported by our updated accessories range, ESENTA. In Continence Care, organic growth of 6.7% was driven by further volume increases in the USA, backed by our outstanding customer service and the broadening portfolio of products. We saw faster growth in sales of Convatec product relative to other manufacturers, which is now over 55% of the mix, and faster growth of hydrophilic product, which is over 60%. We grew strongly outside the USA on a small base, which again contributed over one percentage point to the category growth rate. And then Infusion Care, where organic growth was 14.1%. As we guided in February, Infusion Care benefited from positive order phasing in H1. Growth in H2 will be lower. But that said, the start of the year was ahead of expectations and has led us to increase our guidance for 2025 to double-digit growth. There was continued strong demand in diabetes across longstanding and newer customers, as the penetration of automated insulin delivery over multiple daily injections is increasing. And outside diabetes growth was very strong, led by infusion sets for AbbVie's Parkinson's treatment. Our other therapies now represent mid-teens of Infusion Care revenue, up from about 10% that we have previously reported, and the scope to grow further as a share of the category. We've got a strong position in Infusion Care, with increasing diversity across new customers and products gives us confidence that we can sustain high single-digit growth for years to come.

So let's move on to profitability. Operating margin expanded by 130 points, or 140 points in constant currency, in line with progress of the last few years. In this period, there were significant mix effects. The faster growth in Infusion Care, which has lower gross margin but lower operating cost ratio, and the sales decline in InnovaMatrix, which has higher gross margin and higher operating cost ratio, led to a negative mix in the gross margin and a positive mix in the operating costs, highlighted on the chart there, which offset each other and had no impact on operating margin. Gross margin declined by 60 basis points, but without that mix effect, it would have increased slightly. Price and productivity combined contributed 40 and 110 basis points, respectively. Excuse me. And inflation was 3%; as expected, a headwind of 110 basis points, and we expect it to continue at that level through the second half of the year.

Operating costs. In addition to the mix effect, there were further benefits from our simplification and productivity programmes, which also delivered more improvement in the G&A ratio, down 50 basis points to 7% of sales. This rate of progress in margin, we'd expect to be roughly the same in the second half of the year.

Now, on to the bottom of the P&L. EPS increased 19% in the first half, benefiting from an increase in operating profit and a reduction in financing costs. That's shown on the left. This was a reverse of the effect last year, when EPS was flat in the first half because of increasing financing costs, but it finished the year in double digit growth. Finance costs have now stabilised. We're expecting them to be roughly flat in the second half of the year. That's in the middle column. So, EPS is on track for double digit growth for the second year in a row, in line with our guidance. Cash conversion was in line with expectations and similar to last year at 60% operating and 35% equity. The components of cash flow, which you can see on the chart, were also a similar shape to last year. And we're on track for equity cash conversion of over 80% for the full year. Net debt increased by $107 million, but leverage reduced to 1.9 times.

So following the strong first half, we are confident of delivering our full year guidance, which is unchanged on the four key metrics set out on the chart. In the detail, the guidance for growth of Infusion Care has increased to double digit, and the guidance for finance costs has reduced by $5 million, with all other items remaining the same. So this is the fifth consecutive year of delivering sales growth within our target range. The fourth consecutive year of operating margin expansion towards the target of mid-twenties and the second consecutive year of double digit EPS growth. These financial results are starting to compound.

So, now let's move on to the strategic update. Convatec is well-positioned to deliver that compound growth in top line earnings and cash. Because of our leading positions in attractive and growing markets, the resilient business model that I described at the start of the presentation and the pivot to sustainable and profitable growth that has been delivered through the FISBE strategy. The growth delivered has been broad-based. This chart shows the progress over the last three years, with each category contributing. There is strength and resilience in the broad-based portfolio. The individual contributions to growth will change from period to period, but the diversified portfolio keeps delivering. We have been delivering this growth across the four categories, which you can see at the top of the chart, through changes in the reimbursement landscape.

Reimbursement dynamics are an expected part of our business. We plan for them. We focus on delivering value for patients, payers and healthcare professionals, and we believe that, in the end, product efficacy always wins. We've developed strong competencies to work continuously in this area of reimbursement across our centres of excellence, at the bottom of the chart, which manage pricing, market access and reimbursement, medical and regulatory.

Here in the middle of the chart are some examples of recent or current areas of work. In Wound Care, we're developing ConvaNiox and generating clinical evidence to demonstrate its strong unique efficacy and to secure reimbursement based on its high value to the healthcare system. We're also generating clinical evidence for InnovaMatrix to secure long-term coverage and access to the private payer market in the US. In Ostomy Care, we're launching Esteem Body, soft convexity one-piece, at a higher reimbursement rate based on improved efficacy. And we're developing the two-piece equivalent as well. On the other hand, we'll be providing feedback on the recently-proposed competitive bidding process. More on that in a moment. And Incontinence Care, we're developing the portfolio of Convatec-manufactured and hydrophilic products to be best positioned to serve customers and to be best positioned for whatever changes there are in reimbursement. In Infusion Care, the recent developments in our product portfolio, in extended wear for diabetes and Neria Guard for Parkinson's. They attract higher pricing, reflecting their improved value to customers and patients.

The message is that we're working in an evolving reimbursement landscape all the time. With our resilient business model, our diverse base of growth, we expect to deliver sustainably 5-7% organic revenue growth and double-digit EPs growth through the reimbursement dynamics that arise. So let's look at the two most recent developments.

First, in Wound Care, there is uncertainty about the potential implementation of the LCDs next January. And CMS has just announced a potential price of $125 per square centimetre for all skin substitutes. For consultation, this price is much lower than most products are currently reimbursed at, including ours. It would have significant implications for the structure of the segment, especially for the more expensive human tissue products. Exposed to this change is approximately 3% of group revenue; and if it's implemented as drafted, we expect the impact could be a headwind of about 1-2% of group revenue in 2026. Now, there's a long way to go before this is implemented. A lot of moving parts, and there could very well be changes to the draft proposal as there were to the initial draft LCDs. We're focusing on strengthening our position, and we're confident of the long term growth opportunity, irrespective of any short term volatility. InnovaMatrix works. Product efficacy is the most important factor leading to market share. Our clinical evidence is good and it's increasing, and ours is an advantageous position for supply and on cost of goods. If this proposal happens as currently drafted, it would have a far greater impact on higher cost players presenting a volume opportunity for us.

So, second, then on the right in Ostomy Care and Continence Care. CMS has just announced the proposal to change rules to enable a competitive bidding process in these areas. This too is in consultation and may face changes before any implementation. 7% of our group revenue is directly exposed to this potential change being the reimbursement to 180 from Medicare. There is an additional 2% of sales to other distributors, which we estimate are also reimbursed by Medicare. But the impact of any CBP on that indirect revenue would be much less. So if implemented as drafted, which it might not be, we would expect a net headwind of 1-2% of revenue in 2027 or later. And you get to that 2% using an average price reduction delivered across previous CBPs of 30% on the 7% of revenue. And the range down to 1% is because of the volume gain opportunity that there would be. We're in a strong position for whatever changes arise, and therefore, hereto, we are confident of the long term growth opportunity whatever the short term volatility. We are an integrated distributor and manufacturer with the leading position of the largest and loyal customer base, a strong and broadening portfolio of products. There are approximately 3000 distributors which are reimbursed by Medicare for these products currently. And CMS has indicated that under a competitive bidding process, it might expect seven or eight for each category, not 3000. So if this proposal is implemented as drafted, there would be far fewer players and there will be an opportunity for us to gain volume.

So to summarise on reimbursement, these dynamics have always been a feature of the healthcare market and will continue to be so. These recent consultations are not extraordinary. In 2025, we have a similar headwind from InnovaMatrix of just over 1%, and we will still deliver within our target sales growth and double digit EPS growth. We set our guidance assuming that such reimbursement dynamics will arise. We do not expect these recent announcements to knock us off track from delivering our medium term targets of sustainable growth.

Now, let's take a quick look at the focus areas for each category, starting with AWC. So, on this chart, you see the four segments of Wound Care that we focus on and the structural growth rates in each. The middle row shows the key and new products in each segment. On the left, AQUACEL Ag Extra is our market leading flagship brand, which continues to perform well. The other products are all new. This is the richest pipeline of new products we believe of any competitor in Wound Care. Our focus currently in Wound Care is to continue driving the success of AQUACEL, to build on the launch of ConvaFoam, to begin launching ConvaNiox and ConvaFiber this year, and ConvaVac[?] next year, and to deliver further clinical evidence of the efficacy of these products, especially InnovaMatrix.

In Ostomy Care. This chart shows the segments we compete in and their respective growth rates. In the middle of the chart are our main products in each segment, existing and new, and the innovation is focused in the fastest growing segments. Our focus is on driving the Esteem Body launch, building on the good momentum we have in GeM with our existing product portfolio, further developing the ESENTA accessories range and filling the main remaining gap in our product portfolio with Natura Body in 2027.

Incontinence Care. Here we're showing the category by geographic region. We've got a strong presence in the US. The number one home care brand, 180 medical, with over 40% share. But we're small in Europe and GeM. In the middle you see our existing and new products. In particular, the GCC Air brand using our hydrophilic fuel clean technology and the value brand Cure. Our focus is on maintaining our outstanding customer satisfaction and loyalty scores in the US to develop our market-leading position; growing the penetration of ConvaTec and hydrophilic products, and building our services and product presence in Europe and GeM to grow quickly from a small base.

And then in Infusion Care. We show the diabetes segment and other therapies. In diabetes, the number of insulin-intensive people using pumps is still very small. That's about 6% of the potential total. The growth in pump use is accelerating, driven by innovation in pumps and monitors. In therapies outside diabetes, pump usage is growing quickly for pain management, for immunoglobulin deficiency and especially for Parkinson's, led by AbbVie's new VYALEV therapy. Our infusion set technology can support a wide range of different types of pumps. Our focus in this category is working with customers to innovate, meeting the growing demand for our infusion sets with great service and diversifying our customer and product base.

So I hope that summary update of our strategic agenda by category is helpful in demonstrating the breadth and diversity of Convatec's current and future growth.

So let me finish with a recap. We have a resilient business model based on leading positions in growing markets. Diversity of growth across our categories, geographies and products, all underpinned by a strong pipeline of new product innovation. The first half saw strong delivery from that business model financially and strategically, including good progress on product pipeline, colleague engagement and customer loyalty. We are on track to deliver our financial guidance for 2025 and for the medium term. Thanks very much. I'll now be happy to take any questions. Oh, well, David, are you going to help compare the questions?

Q&A

Graham (UBS): Yeah. There we go. It's Graham[?] from UBS. Thanks, guys. Just two questions for me. So, firstly, on the wound acceleration through the year. Should we expect that to get a mid to high single digits once you get ConvaNiox, and does ConvaNiox launch a bit differently to ConvaFoam? So maybe faster.

And the second question then is on CBP, which is you've given us the revenue potential outlook. I suppose on the cost side, is it feasible that you can switch product, more products to your own brand, which would presumably help gross margins? And is there much OpEx change in the business model in case studies where you've gone to CBP elsewhere?

Jonny Mason: Okay. Thank you. Wound Care, first of all, the acceleration in sales growth, we do expect to build through this year. But we're aiming for mid-single digits growth in 2025 for Wound Care. ConvaNiox won't have a material impact in 2025. You asked if ConvaNiox would launch differently from ConvaFoam. Well, to a certain extent, it will, because it's effectively a new category in our minds. In ConvaFoam, we are updating, replacing existing foams with a superior product, but in ConvaNiox, there's nothing like it out there. ConvaNiox, we wouldn't expect to build quickly. Let's not get carried away. It'll build steadily and slowly, but for a long time, in our mind. Once the new products are all launched, because we got five of them in Wound Care, we do see wound care being a high single digit business in the medium term, but not this year.

And then on CBP, what is the opportunity if that happens? And I do want to emphasise its early days. Can we sell more of our own product? I think that was one of the questions. Yes, we can and we already are doing. There's been a steady increase in the proportion of Convatec-manufactured product because our product portfolio is getting better. Remember, in 180 Medical, the emphasis is what does the customer want. It's about customer loyalty driving that retention, driving the growth in volume of customers. And as we get better products and as our portfolio expands, one would expect naturally for more of the products to be Convatec. That's our salt. So I would expect that trend to continue, maybe accelerate a bit. Operating costs are variable as they are in all of our categories, so we will adjust accordingly. But our emphasis will be on driving that growth long term.

John Aman (Barclays): Good morning, John Aman[?] from Barclays. I have two questions. Both are on InnovaMatrix. In the current environment, the doctor maybe gets reimbursed at like $1,000, Convatec maybe gets half of that. So there's a differential there. In a world where the doctor is getting reimbursed at $125, what would you expect Convatec's realised price to be?

And then the second question is on the price cut and the revenue headwind guidance. If your realised price is going from 500 to maybe 125, that feels like a bigger price cut than the 1-2%

headwind that you're guiding to, which is like a 40-60% cut to the 3% revenue. So why is it not a bigger headwind if the price cut is greater?

Jonny Mason: Good questions. Thanks, John. So InnovaMatrix. Let's recognise, this development in InnovaMatrix in the US has been going for some time. We've shared previously that we are developing our sales in other indications as well. So to the question on what will the discount be in the physician's office, obviously, if the price is as low as 125, this is going to lead to a significant change in the structure of the segment. To our estimation, there could be many of the especially higher cost human tissue type operators that just don't continue. And so, you'd expect for sure there to be some incentives for the physician's office to continue, but it would be much less than currently. So, we've made an estimation of what we think it is, but that remains to be proven out.

The worst it can be in InnovaMatrix, obviously, is a 3% headwind, because that's all the sales there are. We don't think it's going to be like that because as our product, which is strongly positioned and we continue to generate clinical evidence to prove that, as that has a volume gain opportunity, and as the other indications grow, we think that there is a long term growth opportunity for InnovaMatrix. And therefore, in a worst case, 2%, we'd like to aim for 1% down, even at that low price level, if that's what happens. I mean with 3% is the worst case, I don't think 1-2% is a is overly racy in terms of headwind.

Speaker: [Inaudinble] Liberum[?]. So just sticking on the skin substitutes and CBP. On the skin substitutes, we talked about revenue, but just help me understand what that happens, what the 1-2% hit does to your bottom line, because obviously you're taking some big price cuts there, which are going to obviously affect your gross margin and your bottom line, but you've obviously got some OpEx you can move around there. So I'm just trying to understand what that does.

And then the other piece is just on the CBP piece. Just trying to understand. I mean, you've said 1-2%, you've talked about 30% price cuts, you talk about 9% of potential sales. There must be some volume assumptions that you are making to get to that 1-2%, even the top end. So, if I could just get a sense of what you're assuming for volume kind of improvements against that.

Jonny Mason: Yeah. Sure thing. So well, let me do it in reverse. On the CBP 1-2%, what we have done there is, first of all, it's 7% of revenue that is directly impacted. The indirect impact on the smaller piece of revenue we think is a fraction of that and probably a rounding error. So we've taken very simply 30% price reduction, which is the average of the CBPs over time against 7% of sales. There's your 2%. And then reducing 2% towards the 1% would rely on volume recovery of some kind. Now we think we'll be successful in that. I quoted the number of distributors currently in the US market, as you know, approximately 3000, if that goes down to under 20, which is the expressed desire of CMS, we think we'd be in a very good position to gain volume. That's why it might not be as bad as 2%, worst case, could be could be better towards one. That's how we've come up with that number.

And then on InnovaMatrix dropping to the bottom line. Yes, it's a price cut. But do remember what I described in the margin bridge, which is that InnovaMatrix has very high operating costs? It's a complicated sale. And so, we would have to adjust accordingly. What we've previously said is that although it's very high gross margin, InnovaMatrix operating margin is not that far from the group's average. So, you'd expect a drop through rate a bit above the group's average operating margin, but not dramatically so.

Speaker (Rothschild & Co Redburn): Hi. [Inaudible] Rothschild & Co Redburn. Put a bigger question on the CMS discussions. To what extent are you speaking to them about the broader benefits of xenograft versus allograft? The safety benefits, the administrative benefits. And to what extent are they actually receptive in those conversations? And then I had a quick question on Neria Guard. Clearly an interesting product. Can you talk to the contribution from Neria Guard to IC[?]?

Jonny Mason: Okay. We have a very close and extensive dialogue with CMS, as you would expect. Like many others in the industry, the discussion, the debate, the lobbying is flowing freely. We talk to them about all sorts of things. I won't get into the details of what they are, but that's why we want to be cautious about these two announcements are initial draft proposals and they are under discussion. And that discussion is genuine. And there are pros and cons, and there are lots of people for and lots of people against. And we saw how that played out with the LCDs. They were extended. They changed. We wouldn't be surprised if a similar thing happens in the case of these announcements too. Your other question. Sorry.

Speaker: On Neria Guard.

Jonny Mason: Neria Guard, yes. Look, Neria Guard and in particular for Parkinson's now, look, it's growing really well, growing really strongly. We've said it's now -- that other therapies area has grown from 10% of the category to now being over 15% of the category. And we won't get into specifics, but I said in the presentation that the pricing reflects the value to the healthcare system. So it does come at a higher margin.

Richard (Goldman Sachs): Thank you. Richard [Inaudible] from Goldman Sachs. Two questions for me, please. First one is just a clarification, but the 1-2% headwind from InnovaMatrix, is that including both the reimbursement changes announced this month and LCD? That's the first question. And then the second question is on the mid-term guide for mid-twenties margin by 2026, 2027. Obviously, you've reiterated that guidance this morning. Is it fair to assume that the path to achieve that is maybe a little bit different now versus what it was 6 or 12 months ago? And if that is the case, what gives you confidence that the other parts of your business can pick up some of the slack to compensate for the reimbursement headwinds? Thank you.

Jonny Mason: Yeah. Okay, let me do that in reverse as well. One of the points that we're trying to make in the presentation was that that we plan for something to happen. It's the nature of the healthcare industry, reimbursement dynamics. And so, are we still expecting to hit our medium term margin target? Yes, we are. Is the shape of it going to be different from how we originally planned it? Well, I'd say no, not really, because we had planned to be delivering on the levers which are within our control. It is simplification and productivity across operations, commercial and G&A. It's pricing, which we saw another 40 basis points of price improvement in the first half. Operating leverage is helping us as our top line growth picks up. All of those levers within our control are still contributing to mix improvement. It's a margin improvement. Excuse me. And then we've got some things going on in reimbursement, but we always have had and we always will have. So, I don't think these most recent announcements knock us off track from the trajectory that we were on. And what was the first one?

Richard: Does the 1-2% for InnovaMatrix headwind? Is that LCD and the --

Jonny Mason: That's right. Excuse me. So no, it doesn't because we think that if the price goes to 125, that achieves the objective that the LCD was seeking to achieve, which is reducing excess cost and removing bad actors from the sector. So if the price were to stick at 125, no guarantees, but we don't expect the LCD would carry on in its current form.

Jack (RBC): Hi there. Thanks for taking the questions. Jack, from RBC[?]. First on Infusion Care manufacturing. I think you mentioned in the release that you're kind of looking to expand manufacturing in Infusion Care. Is that a change given the strength you've had kind of the back end of this half, or was that already in the plan? And then how much opportunity is there to kind of really automate kind of processes within that manufacturing, I guess, footprint there to kind of improve gross margin over the medium term. And then just following up on the ex-US InnovaMatrix and the other indications you spoke about, could you give a bit of a bit more detail there? So kind of what the timelines are and what your expectations are over the next couple of years?

Jonny Mason: Yeah. InnovaMatrix capacity, I think what I said in the presentation was we have a focus on growing, on meeting the growing demand with great service. It's not a new plan, no. We've always said Infusion Care is going to be growing high single digits. It's a long standing plan of ours to be expanding our capacity to meet that demand. Sure, this year we think it's going to be double digit, not high single digit; but in the grand scheme of things, that doesn't make much difference to the manufacturing plan. These automation projects, capacity projects, they take years to bring to fruition. So we've been planning this a long time.

And then InnovaMatrix outside the USA, look, we are launching in Latin America now. We have ambitions to launch in other markets too. But honestly, the market opportunity is currently much smaller outside the USA. So it's the USA that's going to move the needle most when it comes to InnovaMatrix and biologics.

Jack: Great. Thanks a lot.

Sam England (Berenberg): Great. Thanks. Hi, Sam England from Berenberg. So first one just on Ostomy Care in the US. You called out growth in new patient starts in the release. Do you think you're now growing ahead of the market in the US, or do you think it's going to take the Natura launch to sort of get that business sustainably growing ahead of the US market? And then on the Wound Care side, can you just give us a bit of an update on ConvaVac ahead of the planned launch in 2026? I suppose, where are you in the product development cycle at the moment, and what are you doing to avoid some of the issues the business has had historically in negative pressure?

Jonny Mason: So ConvoVac, then, we are well progressed with our product development. We're developing a very nice product. We're very excited about it. It will have features that the existing single use negative pressure wound products don't have. So we think we've got a good opportunity to grow share. Convatec has had a chequered history in this area with the launch of Vavel[?], which wasn't really good enough and hasn't competed effectively. But we've learned our lesson there, I think. And the launch of ConvaVac is being properly prepared, not being rushed. We're on track for next year, and we're looking forward to a good launch and growing share. Yes.

And then in the US, I wouldn't say we're gaining new patients ahead of the market yet, honestly. We have stabilised our share loss with a much improved commercial execution, much better customer loyalty, contact centres, websites, better training, better leadership, better education. And so, we've stabilised that. We are gaining share revenue-wise because our accessories range does really well. But to really get motoring in terms of market share growth there, you're right, we do need to get Natura body to make a big difference for us.

Angela (JP Morgan): Hi. Good morning. This is Angela[?] [Inaudible] from JP Morgan. Two questions please, Johnny. The first one is on H2 margins. The full year guidance implies a decent step up in H2 margins, which is in line with seasonality and the efficiency measures. But can you provide a bit more colour on the potential magnitude? Is it fair to assume a similar year-on-year improvement as we saw in H1 continuing to H2? So around 130 bit of year on year improvement in H2? And then the second one is on tariffs. You've outlined around $5-$10 million of headwind; can you please outline what are your assumptions for this number and what are the tariff rates that you've used for this?

Jonny Mason: Margin first, yes, we would expect a similar quantum of improvement in the second half year over year. And it might not be 130. It might be 100. But we're on track to deliver our mid-22s, as it were, 22-25 is our target range and we're on track to achieve that. That requires a significant step up in operating margin in H2 compared to H1, just like we did last year. So there is a little bit of seasonality in the margin. And with a growth of 130 in H1, we're bang on track to deliver that for the full year.

And then on tariffs. Yeah. Look, it's a moving target. But most of our products are exempt under the Nairobi protocol. What we have included in that estimate is the few products that aren't. And that's mostly a bit of the Wound Care and the FMS within Ostomy, which are subject to those tariffs. And the tariff rates vary depending on where they're coming from. We've used what's out there mostly 20%, but there are some exceptions for different sources of products. We've looked into it in great detail.

Speaker: If there's others, one more in the room and then I've got a couple online. Miles[?].

Miles Dixon (Peel Hunt): Thank you. Sir. Miles Dixon from Peel Hunt. Just a couple of quick ones, if I could, Johny. On ConvaNiox, firstly, is that supposed to be adjunctive therapy relative to InnovaMatrix? Secondly, you've kindly given us a guide on the CBP and the LCD. Can you give me a broad idea of what the US revenue portfolio exposure is to Medicaid, Medicare and commercial payers? And then maybe I'll do the third one last separately.

Jonny Mason: Yeah. Thank you. I don't stretch my stretch my memory too far. Well, on the second one, I think we've shared those numbers, which is Medicare. Public payers altogether it's 12% of group revenue. And the Medicare piece itself is 7%. And that spreads across Ostomy and Continence Care, which is the primary components. And then what was the first one?

Miles Dixon: On ConvaNiox and whether it's adjunctive --

Jonny Mason: Yes. Oh I'm sorry. Of course. Yeah. So ConvaNiox works, yes, with InnovaMatrix, they do different things. So InnovaMatrix offers a scaffolding on which the skin can be triggered to regrow. ConvaNiox, you might use earlier in your wound treatment protocol. It has a dual function. It increases the blood flow, which accelerates healing. And it also is an antimicrobial. So in InnovaMatrix, there is no antimicrobial action. For instance, if you've got an infection, you wouldn't use an InnovaMatrix; you would use ConvaNiox. InnovaMatrix you might use later on and for bigger wounds. So they work together.

Miles Dixon: Got it. Thank you. And very lastly on what's been going on since early July in managed care. Are you seeing any signs yet of days sales out stretching? Is there any risk to year end receivables?

Jonny Mason: Not that we've seen, no.

Speaker: Thanks. We've got a couple of questions online. I'll just take them in the order that they came. First one was also related to ConvaNiox. Have we got any update on the likely price point for that product? And is there any crossover into the biologics dressing price cap range?

Jonny Mason: So, on the latter, no, because it's not a skin substitute. And on the former, I think best wait and see. What we are doing at the moment is launching steadily, slowly, properly in Europe. We're building clinical evidence to demonstrate the product's efficacy. And we'll come to reimbursement levels in the US at the right time next year. What we'll be keen to secure is reimbursement that reflects the strong value that we think ConvaNiox adds to the healthcare system.

Speaker: Great. Thank you. That was from Gregoire de Menel[?] at Rothschild. The next one is from Kane[?]. His first question around InnovaMatrix has been answered already. He's asked about whether there's any change to our capital allocation priorities and whether we would consider a share buyback at a certain level -- at the current levels.

Jonny Mason: No change to capital allocation priorities. Just to remind us, they are investing to drive organic growth. We're doing more of that this year than we have ever done before. Ordinary dividend, we are targeting a payout ratio of 35-45%, and we're comfortably within that this year. Appropriate M&A, we're still looking for M&A, which adds to our competitive strengths in our focus areas. But we're very disciplined about it. And then thereafter, any surplus capital would be returned to shareholders. But we're not triggered by share prices in applying those capital allocation priorities.

Speaker: Thank you. Any more questions in the room? Follow up on John.

John Aman: Just on ConvaNiox. Obviously has an antimicrobial element to it. And I know you've said this is a new category of product, but does it expand indications to wounds that normal antimicrobials can't treat? And what I'm getting at, is there any risk of cannibalisation between ConvaNiox and the AQUACEL range, if they're both antimicrobials and one is much better than the other?

Jonny Mason: There may be times when you would choose to use ConvaNiox as your antimicrobial instead of, for instance, a silver product. But I don't think we'd mind that because it's more effective and therefore we would be expecting better reimbursement.

Okay. Stunned them into silence. Well, thank you, everybody, for your attention this morning. You know where we are. Any further questions, please let us know. Thanks very much.

[END OF TRANSCRIPT]