RNS Number : 2911Y
Convatec Group PLC
30 July 2024

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Interim Results for the six months ended 30 June 2024

Strong broad-based revenue growth and further strategic progress
Confirming full year and medium-term guidance

Strong broad-based organic revenue growth of 6.6%[1]:

- AWC[2]: 6.7%[1] with very good growth in Aquacel Ag+ Extra™ and InnovaMatrix®, continued challenges in China
- OC[2]: 4.9%[1] with good growth in Convatec products driven by double-digit growth in soft convex portfolio
- CC[2]: 8.2%[1] with strong volume growth and price increases in the USA supported by international growth
- IC[2]: 7.3%[1] with ongoing strong demand for our innovative infusion sets as we diversify our customer base
- Reported revenue growth was 5.5% and constant currency[3] revenue growth was 5.9%

Further strategic progress

- Innovation pipeline is delivering with new launches starting to grow segment shares:
  - InnovaMatrix® grew strongly and recent Real-World Evidence demonstrates efficacy of the product
  - ConvaFoam™ continued to win more than 50% of customer product evaluations in the USA
  - Esteem Body™ launch is progressing well with a significant step up in new patient starts
  - GentleCath™ Air for Women, which launched in France, is growing share in the female compact segment
  - Strong demand for Extended Wear Infusion sets for Medtronic's 780G pump and our other innovative infusion sets for Tandem's Mobi pump, Beta Bionic's iLet pump, Ypsomed's YpsoPump and AbbVie's Produodopa Parkinson's therapy in Japan and Europe
- Simplification and Productivity is progressing well:
  - Operations automation, plant network optimisation and continuous improvement projects added 50bps to adjusted operating margin
  - G&A expenses reduced to 7.5% of sales (H1'23: 8.2%), due to expanded scope of Global Business Services and further standardisation of processes

Improving profitability and cash

- Adjusted operating profit was $222.8m (H1'23: $214.1m) up 8.2% on a constant currency basis. Reported operating profit was $149.2m (H1'23: $123.4m)
- Adjusted operating margin was 20.0% (H1'23: 20.3%) and 20.7% on a constant currency basis. Price, mix and cost efficiencies more than offset inflation
- Free cash flow to equity was $57m (H1'23: $10m), up $47m, following improvements in working capital efficiency and capex investments to drive growth

Confirming 2024 and medium-term guidance

- 2024: organic revenue growth of 5-7%, now expected to be in the upper half of the range, adjusted operating profit margin of at least 21.0% on constant currency basis and double-digit growth in adjusted EPS and free cash flow to equity
- Medium-term: expect 5-7% organic revenue growth p.a., margin expansion to mid-20s in 2026 or 2027 and to achieve double-digit compound annual growth in adjusted EPS and free cash flow to equity

Karim Bitar, Chief Executive Officer, commented:

"The Group's performance during the first half demonstrated the improving strength of our business - showing broad-based growth across all four categories. Our pipeline of innovative new products is beginning to deliver growth in segment share and we made further progress improving our profitability. We are pleased with this performance and are confident of delivering another year of strong revenue growth and further progress on profit and cashflow.

"We are focused on further strengthening the business as we continue to execute our FISBE 2.0 strategy. We remain confident of delivering our medium-term targets of 5-7% organic revenue growth p.a., expansion of the operating margin to the mid-20s in 2026 or 2027 and double-digit compound annual growth in adjusted EPS and free cash flow to equity."

Key financial highlights

	Reported results			Adjusted[3] results			
	H1 2024	**H1 2023**	**Change**	**H1 2024**	**H1 2023**	**Change**	**CC Change[3]**
Revenue	$1113m	$1055m	5.5%	$1113m	$1055m	5.5%	5.9%
Operating profit	$149.2m	$123.4	20.9%	$222.8m	$214.1m	4.1%	8.2%
Operating profit margin	13.4%	11.7%	170bps	*20.0%*	*20.3%*	*(30)bps*	*40bps*
Diluted earnings per share	3.8 cents	2.7 cents	40.7%	6.8 cents	6.8 cents	(0.2)%	4.5%
Dividend per share	1.822	1.769	3.0%				

- Adjusted[3] diluted EPS 6.8 cents was broadly flat, up 4.5% on a constant currency basis, with operating profit growth offset by the higher adjusted net finance expenses. Reported diluted EPS rose 40.7% to 3.8 cents.
- Net debt[3] of $1,234 million, leverage was 2.3x net debt[3]/adjusted EBITDA[3] (H1'23: 2.5x and FY'23: 2.1x)
- Interim dividend of 1.822 cents declared - a 3% increase (H1'23: 1.769 cents)

Update on InnovaMatrix

InnovaMatrix is our innovative and proprietary mammalian placental extra cellular matrix for the treatment of chronic, surgical and trauma wounds. InnovaMatrix saw strong double-digit growth during the first half and accounted for 4% of Group revenue.

InnovaMatrix has a strong scientific and clinical profile therefore we expect to achieve broad reimbursement coverage with both Medicare and private payors in the future. This is based on positive feedback from many of the c.2000 physicians and nurses using the product and the strong clinical performance demonstrated in the recent Real-World Evidence (RWE) study (see page 4).

As highlighted at the trading update in May, the Medicare Administrative Contractors published a draft Local Coverage Determination (LCD) proposal, which is currently under consideration following a consultation period. The outcome is uncertain but as currently drafted it could, for a period of time, lead to a curtailment of Medicare coverage of InnovaMatrix for diabetic foot ulcers (DFU) and venous leg ulcers (VLU). Year to date we have seen no impact from the publication and there is a reasonable probability that the draft LCD proposal will be modified and/or delayed.

In H1'24, approximately 20% of InnovaMatrix's revenue was in indications or points of care not impacted by the draft LCD proposal. In H2'24 we will grow sales further in these other indications, we will start launching InnovaMatrix outside of the USA, and we have recently initiated randomised control trials (RCTs) in VLU and DFU.

We remain confident of the quality, safety and efficacy of InnovaMatrix, the positive impact on the lives of patients and the strong contribution it will make to Convatec's growth going forward.

(1) Organic growth presents period over period growth at constant currency, adjusted for the acquisitions in Continence Care in 2023 and residual revenue following the exit of hospital care and related industrial sales
(2) AWC is Advanced Wound Care; OC is Ostomy Care; CC is Continence Care and IC is Infusion Care
(3) Certain financial measures in this document, including adjusted results above, are not prepared in accordance with International Financial Reporting Standards (IFRS). All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in the Non-IFRS Financial Information below (pages 14 to 18)
(4) Biologics segment as defined and calculated by SmartTRAK

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Investor and analyst presentation

The results presentation will be held in person at UBS, 5 Broadgate Circle, London, EC2M 2QS at 9am (UK time). The event will be simultaneously webcast and the link can be found here.

The full text of this announcement and the presentation for the analyst and investors meeting can be found on the 'Results, Reports & Presentations' page of the Convatec website www.convatecgroup.com/investors/reports.

About Convatec

Pioneering trusted medical solutions to improve the lives we touch: Convatec is a global medical products and technologies company, focused on solutions for the management of chronic conditions, with leading positions in advanced wound care, ostomy care, continence care and infusion care. With around 10,000 colleagues, we provide our products and services in almost 100 countries, united by a promise to be forever caring. Our solutions provide a range of benefits, from infection prevention and protection of at-risk skin, to improved patient outcomes and reduced care costs. Convatec revenue in 2023 were over $2 billion. The company is a constituent of the FTSE 100 Index (LSE:CTEC). To learn more about Convatec, please visit http://www.convatecgroup.com

Forward Looking Statements

This document includes certain forward-looking statements with respect to the operations, performance and financial condition of the Group. Forward-looking statements are generally identified by the use of terms such as "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "targets", continues", or their negatives or other similar expressions. These forward-looking statements include all matters that are not historical facts.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies that are difficult to predict and many of which are outside the Group's control. As such, no assurance can be given that such future results, including guidance provided by the Group, will be achieved. Forward-looking statements are not guarantees of future performance and such uncertainties and contingencies, including the factors set out in the "Principal Risks" section of the Strategic Report in our Annual Report and Accounts, could cause the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, to differ materially from the position expressed or implied in the forward-looking statements set out in this document. Past performance of the Group cannot be relied on as a guide to future performance.

Forward-looking statements are based only on knowledge and information available to the Group at the date of preparation of this document and speak only as at the date of this document. The Group and its directors, officers, employees, agents, affiliates and advisers expressly disclaim any obligations to update any forward-looking statements (except to the extent required by applicable law or regulation).

Operating Review for the six months ended 30 June 2024

Further progress executing on our FISBE (Focus, Innovate, Simplify, Build, Execute) 2.0 strategy

We are **focused** on growing our customer base and loyalty across our four chronic care categories. By leveraging customer insights we are executing better and increasing our segment shares. We are building a strong technology stack to deliver seamless integration between our digital channels (e.g. websites, apps, social media), our customer interaction centres (e.g. Me+) and our sales teams. This will enable us to further improve customer engagement and loyalty whilst growing sales.

Our **innovation** capability is beginning to deliver and we are currently launching eight new products. The market reaction to these new launches is encouraging (see category reviews on page 4) and we intend to launch these products in more key FISBE markets during H2'24. Furthermore, seven additional new products are progressing well for launch in 2025 and 2026.

Our **simplification and productivity** initiatives are progressing well as we continued to expand our operating margin, on a constant currency basis. We made strong progress in Operations, optimising our plant network as we completed the closure of the EuroTec facility and transferred production to our larger more efficient Slovakia site. We are executing on numerous continuous improvement initiatives to drive productivity, for example a global packaging sourcing project resulted in both cost savings and improved payment terms. In addition, we delivered more efficiencies in G&A, by expanding the scope of our Global Business Services (GBS) function and by further standardisation of processes. Adjusted G&A reduced to 7.5% of sales (H1'23: 8.2%).

We have been **building** our clinical capability and have started to generate and to disseminate more strong clinical evidence in support of our current products and new launches. Notable results during the period included Randomised Control Trial (RCT) for Aquacel Ag+ Extra, Real-World Evidence (RWE) study for InnovaMatrix, clinical paper on GentleCath™ FeelClean Technology™ and medical education relating to soft convexity, which all demonstrated the quality and efficacy of our products. As planned, during the period we established our Market Access Centre of Excellence (CoE).

This team supports access and reimbursement for our existing brands and new product pipeline, such as the innovative nitric oxide wound dressing. Other, more established, CoEs continued to strengthen Convatec. Our Pricing CoE, in collaboration with our business units, achieved 50bps of pricing improvement while our Salesforce CoE further improved targeting, with c.65% of all calls made to key accounts (FY23: c.59%)

Our **execution** excellence focus across the organisation continues. For example, packaging automation of our largest AWC production facility is nearing completion while Home Services Group (HSG) introduced a new AI enabled technology platform which delivers an improved customer service experience while enhancing productivity for our employees.

Implementation of our **FISBE strategy** has continued to strengthen the Group and we are confident of delivering on our 2024 and medium-term guidance (see outlook section below).

Category reviews

Group revenue for the period was $1,113 million, up 5.5% on a reported basis and 5.9% on a constant currency basis. Adjusting for the acquisitions in Continence Care in 2023 and residual revenue following the exit of hospital care and related industrial sales in 2022, revenue rose 6.6% on an organic basis.

	Six months ended 30 June					
	H1 2024 $m	**H1 2023 $m**	**Reported growth**	**Foreign Exchange impact**	**Constant Currency[3] growth**	**Organic[3] growth**
Revenue by Category						
Advanced Wound Care	360	338	6.4%	(0.3)%	6.7%	6.7%
Ostomy Care	311	300	3.7%	(1.2)%	4.9%	4.9%
Continence Care	243	221	9.9%	0.0%	9.9%	8.2%
Infusion Care	199	186	7.1%	(0.2)%	7.3%	7.3%
Revenue excluding hospital care exit	1,113	1,045	6.5%	(0.4)%	6.9%	**6.6%**
Exit of hospital care and related industrial sales	-	10[5]	n/m	n/m	n/m	n/m
Total	**1,113**	**1,055**	**5.5%**	**(0.4)%**	**5.9%**	**6.6%**

(5) Relates to residual stock being sold during H1 2023

Advanced Wound Care revenue of $360 million increased 6.4% on a reported basis or 6.7% on a constant currency and organic basis.

The business achieved solid growth in Europe and Global Emerging Markets despite the ongoing impact of the market-wide Anti-Bribery and Corruption Campaign ('ABAC') in China and some healthcare reforms in LATAM. In both regions we expect improvement in growth during H2'24, as previously guided, given easing comparatives and as we continue to build momentum. Growth in North America was double-digit with continued strong growth of InnovaMatrix supported by good growth in the antimicrobial and foam segments.

In the first half we saw attractive mid single-digit growth in the antimicrobial segment. Our leading AQUACEL® Ag+ Extra™ products grew double-digit as we demonstrated in preliminary RCT results the product's superiority vs the standard of care. We also presented a RWE study which showed that management using Convatec's Wound hygiene protocol with AQUACEL® Ag+ Extra™ resulted in 94% healing or improvement in hard-to-heal infected wounds, with a statistically significant decrease in wound volume, exudate level and local infection.

We saw single-digit growth in foam during the period with good performances in North America and GEM partially offset in certain European markets. ConvaFoam™ made progress in the US, with an increase in evaluations initiated during H1 and continuation of its strong win-rate of completed evaluations. We recently received regulatory approval for ConvaFoam™ with the CE Mark (for products in the European Economic Area) and will start to launch in additional key European markets in H2'24 as planned.

In the biologics[4] segment demand for InnovaMatrix remained high, growing strong double-digit, illustrating the popularity with HCPs given its efficacy and safety. We saw no impact from the draft LCD proposal. We also saw increasing revenue from new indications and new points of care, which now accounts for approximately 20% of revenue. During H1, Intellicure Analytics, renowned for its unique wound care app and powerful real world data insights, completed a RWE study on InnovaMatrix by leveraging data from 502 US wound centres and practices. The data, which is to be presented at US national wound conferences later this year, shows total healing in 53% of wounds amongst a diverse at-risk population, where 44% of the wounds treated were life or limb-threatening. These are strong results for healing of wounds which are more challenging than those typically treated in RCTs.

We also made progress developing the next wave of new products. Our nitric oxide wound dressing, new enhanced hydrofibre and new single-use negative pressure pump with dressing, are all on track to launch in 2025/2026.

Our guidance for AWC is unchanged from May, when we reduced it to mid to high single-digit growth, to reflect the potential uncertainty associated with the draft LCD proposal.

Ostomy Care revenue of $311 million was up 3.7% on a reported basis and 4.9% on a constant currency and organic basis.

This growth was backed by our patient support program Me+ and best-in-class professional education programs. The business continued to achieve double-digit growth in Global Emerging Markets with strong performances in China and Brazil. There was good growth in Europe with notably strong performances in Italy and Poland, where Esteem Body™ has now launched. In North America we continued to grow our community sales via 180 Medical, and increased our category share supported by our strength in accessories.

We made good strategic progress during the period. Esteem Body™ launched in Italy at the beginning of the year and more recently in the US, Czech Republic and Poland. The market reaction has been strong with the overall soft convexity segment growing double-digit. In H2'24 we shall launch in further key European and GEM markets. In addition, we are developing a 2-piece soft convex NaturaBody™ offering which we plan to launch in 2026.

Commercial execution continued to strengthen as we enhanced our offering across the continuum of care. During the period we further strengthened our professional education support for HCPs including launching accredited education modules, a Convexity Summit which attracted over 12,000 attendees world-wide, and participation in various WOCNEXT (Wound, Ostomy, Continence Nursing Society) events. Meanwhile our Me+ offering is driving conversions in core products and accessories.

Flexi-Seal™, our innovative faecal management system, grew well, supported by strong demand from the exclusive HealthTrust GPO won last year.

We continue to expect mid-single-digit growth for Ostomy Care during 2024.

Continence Care revenue of $243 million rose 9.9% on a reported and constant currency basis. Adjusting for the two small US acquisitions made in H2'23 organic revenue rose 8.2%.

The growth was predominantly driven by strong new patient volumes and high customer retention. Growth was aided by c.2.5% US reimbursement price increase from the US Government's Centres for Medicare and Medicaid Services (CMS).

During the period CMS made a preliminary recommendation to expand reimbursement codes relating to intermittent catheters in January 2026. As a leading home service provider in the US we are fully engaged with CMS and industry bodies on this potential development. In H1, 60% of our US Continence revenue was for hydrophilic catheters and Convatec's future product portfolio is being built around our innovative hydrophilic FeelClean Technology™. If implemented in 2026, we anticipate a neutral to potentially positive impact from this change.

The contribution from Europe and GEM continued to develop. Our commercial teams in the UK, France and Italy are now established and we are beginning to leverage our presence in some of the Global Emerging Markets. The response to GentleCath™ Air for Women, which launched in France in Q4'23, is encouraging and we grew share in the female compact catheter segment. In June we started launching in the UK and Italy. We expect to launch in the US during the second half.

Based on the recent trends in the US, coupled with momentum building internationally, we are increasing expectations for Continence Care sales growth this year to high single-digit.

Infusion Care revenue of $199 million increased 7.1% on a reported basis and 7.3% on a constant currency basis and organic basis.

This growth was primarily driven by high demand for our innovative infusion sets for people with diabetes. In H1 we saw strong orders associated with the latest pump launches such as our Extended Wear Infusion Sets with Medtronic's 780G pump, or our other innovative infusion sets for use with Beta Bionic's iLet pump, Ypsomed's YpsoPump and Tandem's Mobi pump.

The performance was also supported by strong double-digit growth of our Neria™ brand infusion sets, for non-insulin therapies. We experienced strong demand for our sets for AbbVie's Produodopa Parkinson's therapy in Japan and certain European countries.

As well as continuing to grow our diabetes business and diversify our patient base, we are investing to increase our manufacturing capacity.

We remain confident our Infusion Care business will grow at high single-digits in 2024.

Historic revenue data

Reported Revenue $m	**H1 2022**	**H2 2022**	**H1 2023**	**H2 2023**	**H1 2024**
Advanced Wound Care	307	314	338	357	360
Ostomy Care	298	285	300	308	311
Continence Care	206	220	221	236	243
Infusion Care	174	167	186	185	199
Group	985	986	1045	1086	1,113
Revenue from exit of hospital and industrial sales	60	42	10	1	-
Total Reported Group	1045	1028	1055	1087	1,113

Organic[3] growth %	**H1 2022**	**H2 2022**	**H1 2023**	**H2 2023**	**H1 2024**
Advanced Wound Care	7.3%	6.3%	8.7%	10.3%	6.7%
Ostomy Care	1.2%	2.3%	3.1%	5.4%	4.9%
Continence Care	4.5%	5.7%	7.6%	5.5%	8.2%
Infusion Care	13.2%	3.6%	7.5%	9.9%	7.3%
Group	6.4%	4.7%	6.6%	7.8%	6.6%

(3) Certain financial measures in this document, including adjusted results above, are not prepared in accordance with International Financial Reporting Standards (IFRS). All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in the Non-IFRS Financial Information below (pages 14 to 18)

Strong financial performance

Group revenue for the period was $1,113 million, up 5.5% on a reported basis and 5.9% on a constant currency basis. Adjusting for the residual hospital care and industrial sales last year and the Continence Care acquisitions in H2'23, revenue increased 6.6% on an organic basis.

Adjusted gross profit rose 3.1% to $678 million (H1'23: $657 million) and adjusted gross profit margin reduced by 140bps to 60.9% (H1'23 62.3%). Reported gross profit was $623 million (H1'23: $592 million). Adjusted operating expenses increased 2.7% year on year, reducing as a ratio to sales. Adjusted operating profit increased by 4.1% to $223 million (H1'23: $214 million) or 8.2% on a constant currency basis. Reported operating profit was $149 million (H1'23: $123 million).

The adjusted operating profit margin was 20.0% in the first half (H1'23: 20.3%). On a constant currency basis the adjusted operating margin was 20.7%, an increase of 40 bps from last year. Price, mix and cost efficiencies in operations each contributed 50bps to margin. Improved productivity in commercial and other opex added 40bps despite investment in sales and marketing, given elevated launch activity and sales growth. There was a further reduction in G&A of 70bps. Together these improvements more than offset COGS inflation of c.6% which was a headwind of 220bps. Inflation in the second half is expected to be lower leading to an unchanged expected range for the full year of 3-5%.

Adjusted diluted EPS was close to flat with operating profit growth offset by higher finance expenses and a higher adjusted tax charge. The increase in finance expenses reflected higher market base rates than in H1'23. There is not expected to be any material growth in finance expenses in the second half which supports our confidence in achieving double-digit EPS growth in 2024.

Reported diluted EPS rose 40.7% reflecting higher reported net profit.

Cash flow and leverage

Free cash flow to capital increased by $60 million to $114 million (H1'23: $54 million), principally driven by significantly lower working capital outflows (an improvement year-on-year of $37 million) and the increase in adjusted EBITDA.Capital expenditure was $51m (H1'23: $59m) as we continued to strengthen our manufacturing lines and digital technologies. The increase in working capital last year was to build inventory for resilience in the supply chain. Going forward, working capital is expected to grow no faster than sales.

Free cash flow to equity increased by $47 million to $57 million (H1'23: $10 million) with the increase in free cash flow to capital partially offset by higher finance cost payments, as described above.

Equity cash conversion improved to 41.2% (H1'23: 7.0%) and is expected to be over 80% at full year, given the seasonality of cash flows.

Net debt increased slightly to $1,234 million (31 Dec 2023: $1,129m) after $71 million of final contingent consideration payments associated with Cure Medical and Triad Life Sciences and after a dividend payment of $92 million, higher than last year because of the 3% increase and the removal of the scrip.

The Group ended the period with total borrowings, including IFRS 16 lease liabilities, of $1,412 million (31 Dec 2023: $1,312 million). Offsetting cash of $97 million (31 Dec 2023: $97 million) and excluding lease liabilities, net debt was $1,234 million (31 Dec 2023: $1,129 million), equivalent to 2.3x adjusted EBITDA (31 Dec 2023: 2.1x adjusted EBITDA). It is worth noting that leverage is usually higher at 30 June than 31 December given the payout of dividend, bonuses and recent timing of earnouts (H1'23: 2.5x adjusted EBITDA).

Dividend

The Board is declaring a 3.0% increase in the interim dividend to 1.822 cents per share (H1'23: 1.769) reflecting confidence in the future performance and cash generation of the Group.

Group outlook

We are pleased with the performance we have achieved so far in 2024 and are confirming our full year guidance.

Guidance for organic revenue growth is 5-7% and we expect to be in the upper half of the range in 2024. We also expect the adjusted operating margin for 2024 to expand to at least 21.0% on a constant currency basis, with more of the increase in H2'24 because of lower inflation.

If current spot rates were to hold for the remainder of the year, the estimated headwinds for FY 2024 revenue growth would be approximately 20bps and for adjusted operating margin would be approximately 60bps.

We expect adjusted net finance expense for the full year to be in the upper half of the $75-85 million range previously provided, given the persistence of higher interest rates. The adjusted book tax rate is expected to be approximately 24%. We still expect capital expenditure of around $120-140 million for the full year reflecting the investment in growing production capacity, increasing automation and investing in digital solutions. We expect leverage at year end to be approximately 2x, absent any further M&A.

For the medium-term, we remain confident of delivering our targets of 5-7% organic growth p.a., expansion of the operating margin to the mid-20s by 2026 or 2027 and double-digit compound annual growth in adjusted EPS and free cash flow to equity.

Principal risks

The Board reviews and agrees our principal risks on a bi-annual basis, taking account of our risk appetite together with our evolving strategy, current business environment and any emerging risks that could impact the business. Our system of risk management and internal control continues to develop, and updates to the principal risks and mitigation plans are made as required in response to changes in our risk landscape. Details of our enterprise risk management framework are set out in the Group's 2023 Annual Report and Accounts on pages 76 to 84.

The Board has reviewed the principal risks as of 30 June 2024, taking into consideration the risks that existed during the first six months of 2024 and those that it believes will have an impact on the business over the remaining six months of the current financial year. The principal risks have been assessed against the context of the global economic pressures that are impacting all businesses at present and the wider uncertain geopolitical climate. The overall profile of our risks remains consistent with the position presented in the Group's 2023 Annual Report and Accounts. Our principal risks are set out below and listed in order of their potential impact on our ability to successfully deliver on our strategy:

- Operational Resilience and Quality;
- Customer and Markets;
- Information Systems, Security and Privacy;
- Political and Economic Environment;
- Innovation and Regulatory;
- People;
- Legal and Compliance;
- Environment and Communities; and
- Tax and Treasury.

The Board assesses the overall risk profile of the Group to ensure it is within our risk appetite. In making this assessment the Board considered the broader risk landscape (including the sustained levels of inflation and interest rates, ongoing supply chain challenges and the continuing impacts of the wars in Ukraine and the Middle East) on the business environment and any continued or additional impact on the Group's business and principal risks, coupled with the controls and mitigations in place to address these challenges. In the main, as our processes and risk mitigations further develop and mature, we have continued to manage the challenges facing the wider business landscape and build further resilience into our operations. Principal risks continue to be appropriately mitigated and we work to ensure that each risk remains within our risk appetite.

Financial Review for six months ended 30 June 2024

Group financial performance

	Six months ended 30 June					
	Reported	Reported	**Adjusted**[1]	Adjusted[1]	**Adjusted @ CC**[2]	
	2024	2023	**2024**	2023	**2024**	Change
	$m	$m	**$m**	$m	**$m**	%
Revenue	**1,113.4**	1,055.5	**1,113.4**	1,055.5	**1,118.0**	5.9%
Gross profit	**623.1**	592.4	**677.9**	657.4		
Operating profit	**149.2**	123.4	**222.8**	214.1	**231.5**	8.2%
Profit before income taxes	**104.0**	76.0	**182.3**	180.4		
Net profit for the period	**78.6**	55.7	**139.1**	138.9		
Basic earnings per share (cents per share)	**3.8**	2.7	**6.8**	6.8		
Diluted earnings per share (cents per share)	**3.8**	2.7	**6.8**	6.8	**7.1**	4.5%
Dividend per share (cents)	**1.822**	1.769				

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measures prepared in accordance with IFRS in the Non-IFRS financial information section on pages 14 to 18.
2. Adjusted 2024 at CC (constant currency) is calculated as 2024 adjusted results translated at 2023 actual FX rates.

Reported and Adjusted results

The Group's financial performance measured in accordance with IFRS (IAS 34 Interim Financial Reporting as adopted by the United Kingdom) is set out in the Condensed Consolidated Interim Financial Statements and Notes and is referred to in this review as "reported".

The commentary in this review includes discussion of the Group's reported results and alternative performance measures (or adjusted results) ('APMs'). Management and the Board use APMs as meaningful supplemental measures in monitoring the underlying performance of the business. These measures are disclosed in accordance with the ESMA guidelines and are explained and reconciled to the most directly comparable reported measure prepared in accordance with IFRS in the Non-IFRS financial information section on pages 14 to 18.

The commentary includes discussion of revenue on a constant currency basis. Constant currency removes the effect of fluctuations in exchange rates to focus on underlying revenue performance. Constant currency information is calculated by applying the applicable prior period average exchange rates to the Group's revenue performance in the respective period. Revenue and revenue growth on a constant currency basis are non-IFRS financial measures and should not be viewed as a replacement of IFRS reported revenue. Organic growth represents period-on-period growth at constant currency, excluding acquisition and divestiture activities. Percentage movements throughout this report are calculated on actual unrounded numbers.

Revenue

Group reported revenue for the six months ended 30 June 2024 of $1,113.4 million (H1 2023: $1,055.5 million) increased 5.5% year-on-year on a reported basis and 5.9% on a constant currency basis.

Adjusting for foreign exchange and acquisition and divestiture-related activities ' Group revenue grew by 6.6% on an organic basis. This was driven by strong growth in Advanced Wound Care, Continence Care and Infusion Care and good growth in Ostomy Care.

For more details about the category revenue performance, refer to the Operating Review.

Reported net profit

Reported gross margin remained consistent at 56.0% (H1 2023: 56.1%), with pricing and mix benefits offset by inflationary pressures and foreign exchange headwinds.

Reported operating profit increased by 20.9% to $149.2 million (H1 2023: $123.4 million). Whilst operating expenses increased by $4.9 million to $473.9 million, operating expenses as a percentage of revenue reduced to 42.6% (H1 2023: 44.4%).

Reported net finance expenses increased by $6.3 million to $40.2 million, with an additional $4.8 million of interest expense on borrowings primarily due to higher market interest rates.

In the six months to 30 June 2024, the fair value movement of contingent consideration arising on acquisitions resulted in a charge of $4.7 million (H1 2023: $13.7 million charge).

The reported income tax expense for the six months ended 30 June 2024 was $25.4 million (H1 2023: $20.3 million) and this is explained further in the Taxation section below. The reported net profit increased by 41.1% to $78.6 million (H1 2023: $55.7 million).

Basic reported earnings per share rose 40.3% to 3.8 cents (H1 2023: 2.7 cents).

Adjusted net profit

Adjusted gross profit increased by 3.1% to $677.9 million (H1 2023: $ 657.4 million) and the adjusted gross margin decreased from 62.3% to 60.9%.

Whilst adjusted operating expenses saw a net increase of $11.8 million to $455.1 million, adjusted operating expenses as a percentage of revenue improved to 40.9% (H1 2023: 42.0%). The Group achieved an adjusted operating profit of $222.8 million (H1 2023: $ 214.1 million), delivering an adjusted operating margin of 20.0% (H1 2023: 20.3%). This was equivalent to 20.7% on a constant currency basis, an increase of 40bps from last year.

Price, mix and cost efficiencies in operations each contributed 50bps to margin. Improved productivity in commercial and other opex added 40bps despite investment in sales and marketing, given elevated launch activity and sales growth. There was a further reduction in adjusted G&A of 70bps, with adjusted G&A as a percentage of revenue falling to 7.5% (H1 2023: 8.2%). Together, these improvements more than offset COGS inflation of c.6%, which was a headwind of 220bps.

Adjusted net profit increased slightly by 0.1% to $139.1 million (H1 2023: $ 138.9 million), with the increased operating profit being largely offset by higher finance expenses and a higher adjusted tax charge. Adjusted basic and diluted EPS at 30 June 2024 were 6.8 cents and 6.8 cents respectively (H1 2023: 6.8 cents and 6.8 cents).

A reconciliation between reported and adjusted numbers discussed above is provided in the Non-IFRS financial information section on pages 14 to 18.

Taxation

	Six months ended 30 June			
	2024		2023	
	$m	**Effective tax rate**	$m	Effective tax rate
Reported income tax (expense)	**(25.4)**	**24.4%**	(20.3)	26.7%

Tax effect of adjustments	**(17.8)**		(21.2)	
Adjusted income tax (expense)	**(43.2)**	**23.7%**	(41.5)	23.0%

The Group's reported income tax expense for the six months ended 30 June 2024 was $25.4 million (H1 2023: $20.3 million). The decrease in the reported effective tax rate was principally driven by the prior period including non-deductible acquisition costs.

The Group's adjusted effective rate of 23.7% for the six months ended 30 June 2024 (H1 2023: 23.0%) was after reflecting the tax impact of items treated as adjusting items (further details can be found in the Reconciliation of reported earnings to adjusted earnings table in the Non-IFRS financial information section on page 16).

The increase in the adjusted effective tax rate was principally driven by the increase in tax rates in Switzerland and the prior period including prior year adjustment tax benefits for US state taxes and other jurisdictions.

Adjusting items

Management and the Board make adjustments to the reported figures, where appropriate, to produce more meaningful measures to monitor the underlying performance of the business - Alternative performance measures (APMs). The Group's APM policy can be found in the Non-IFRS financial information section on pages 14 to 15 and in line with this, the following adjustments were made to derive adjusted operating profit and adjusted net profit.

	Six months ended 30 June					
	Operating profit		**Fair value movement of contingent consideration**		**Income tax**	
	2024	2023	**2024**	2023	**2024**	2023
	$m	$m	**$m**	$m	**$m**	$m
Reported	**149.2**	123.4	**(4.7)**	(13.7)	**(25.4)**	(20.3)
Amortisation of acquired intangibles	**67.3**	67.0	**-**	-	**(16.6)**	(16.0)
Acquisitions and divestitures	**0.3**	9.9	**4.7**	13.7	**0.2**	(1.7)
Termination benefits and related costs	**1.4**	3.5	**-**	-	**(0.3)**	(0.9)
Other adjusting items	**4.6**	10.3	**-**	-	**(1.1)**	(2.6)
Adjusted	**222.8**	214.1	**-**	-	**(43.2)**	(41.5)

Adjustments made to derive adjusted operating profit for the six months ended 30 June 2024 included the amortisation of acquired intangibles of $67.3 million (H1 2023: $67.0 million), of which $46.9 million (H1 2023: $46.4 million) resulted from intangible assets arising from the spin-out from Bristol-Myers Squibb in 2008, which will be fully amortised by December 2026.

Terminations costs of $1.4 million (H1 2023: $3.5 million) were in respect of one-off, fundamental transformation projects that have spanned over more than one year. Other adjusting items of $4.6 million (H1 2023: $10.3 million) consisted primarily of legal and professional fees associated with these transformation projects in addition to charges related to the office footprint optimisation programme previously announced.

During the year, the fair value movement of contingent consideration resulted in a $4.7 million charge (H1 2023: $13.7 million charge).

Of the total of $73.6 million of adjusting items recognised within operating profit, $4.2 million was cash impacting in H1 2024. There was also a cash outflow of $7.1 million in respect of adjusting items recorded as accruals in the prior year. For further information on Non-IFRS financial information, see pages 14 to 18.

The Board, through the Audit and Risk Committee, continuously reviews the Group's APM policy and its application to ensure that it remains appropriate, aligns with the regulatory guidance and represents the way in which the performance of the Group is managed.

Contingent consideration arising on acquisitions

During the period, the Group paid $70.9 million in respect of the final contingent consideration amounts associated with the acquisitions of Cure Medical in 2021 and Triad Life Sciences in 2022 (of which $69.7 million had been provided at 31 December 2023). As at 30 June 2024, the discounted fair value of contingent consideration arising on acquisitions was $71.3 million (31 December 2023: $138.0 million).

Dividends

Dividends are distributed based on the realised distributable reserves of the Company, which are primarily derived from dividends received from subsidiary companies and are not based directly on the Group's consolidated retained earnings. The distributable reserves of the Company at 30 June 2024 were $1,516.0 million (31 December 2023: $1,539.4 million).

The Board has decided to increase the interim 2024 dividend by 3.0% to 1.822 cents per share. Our stated policy is a pay-out ratio of 35% to 45% of adjusted net profit but this is interpreted flexibly over time to reflect the underlying performance of the business. The decision to increase the dividend reflects the good progress on delivering sustainable and profitable growth and the Board's confidence in the future prospects of the Group.

Cash Flow and Net Debt

Six months ended 30 June

	Adjusted 2024 $m	Adjusted 2023 $m
EBITDA[1]	**274.9**	261.5
Working capital movement[1]	**(87.0)**	(124.2)
Gain/(loss) on foreign exchange derivatives	**11.9**	(1.9)
Adjusting items[2]	**(11.3)**	(6.7)
Capital expenditure	**(50.6)**	(58.7)
Operating cash flow[1,3]	**137.9**	70.0
Tax paid	**(24.4)**	(16.2)
Free cash flow to capital[1]	**113.5**	53.8
Net interest paid	**(42.5)**	(28.4)
Payment of lease liabilities	**(12.1)**	(11.2)
Other[4]	**(1.6)**	(4.5)
Free cash flow to equity[1]	**57.3**	9.7
Dividends[5]	**(91.5)**	(87.7)
Acquisitions[6]	**(70.9)**	(151.4)
Movement in net debt	**(105.1)**	(229.4)
Net debt[1] at 1 January (excluding lease liabilities)	**(1,129.3)**	(1,068.1)
Net debt[1] at 30 June (excluding lease liabilities)	**(1,234.4)**	(1,297.5)

1. These non-IFRS financial measures are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in the Non-IFRS financial information section.
2. Details of adjusting items are provided in the adjusting items cash movement table in the Non-IFRS financial information section. Of the total cash outflow of $11.3 million during the year, $7.1 million related to accruals recorded in the prior year.
3. Compared with 2023, 'Free cash flow (pre-tax) has been renamed 'Operating cash flow'. The Directors consider that this change results in improved definition, clarity and insight.
4. Other consisted of financing fees amortisation $1.6 million (H1 2023: $1.4 million), net FX loss on cash and borrowings of $0.3 million (H1 2023: $3.6 million gain) and proceeds from PPE sales of $0.3 million (H1 2023: $0.5 million).
5. Dividend cash payments of $91.5 million were made to shareholders in the period in respect of the 2023 final dividend.
6. Payments of $70.9 million were in respect of the final earn outs associated with the acquisitions of Cure Medical and Triad Life Sciences in 2021 and 2022 respectively.

EBITDA

Adjusted EBITDA increased by $13.4 million to $274.9 million (H1 2023: $ 261.5 million), driven primarily from adjusting operating profit increasing by $8.7 million (as explained in the adjusted net profit commentary section).

A reconciliation of adjusted EBITDA to the closest IFRS measure is provided in the Non-IFRS financial information section on page 16.

Free cash flow to capital

Free cash flow to capital increased by $59.7 million to $113.5 million (H1 2023: $53.8 million), driven by significantly lower working capital outflows (resulting in an improvement year-on-year of $37.2 million), the increase in adjusted EBITDA of $13.4 million, favourable foreign exchange movements on derivatives of $13.8 million and a reduction in capital expenditure spend of $8.1 million. These were partially offset by increases in cash outflows arising from adjusting items of $4.6 million (of which details are provided in the Non-IFRS financial information section on page 18 and cash tax paid of $8.2million.

Adjusted working capital movements of $87.0 million improved $37.2 million year-on-year, primarily driven by significantly lower investment in inventory being partially offset by a decrease in trade and other payables. Trade and other payables saw a decrease largely due to a reduction in inventory purchases and timing of payments. The Group invested $50.6 million (H1 2023: $58.7 million) in capital expenditure to further strengthen our manufacturing lines and digital technologies.

Operating cash conversion improved to 61.9% (H1 2023: 32.7%). The improvement in the ratio primarily reflected the improvement in working capital as explained above.

Free cash flow to equity

Free cash flow to equity increased by $47.6 million to $57.3 million (H1 2023: $9.7 million). This was largely driven by an increase in free cash flow to capital of $59.7 million as explained above, partially offset by higher finance cost payments of

$14.1 million primarily due to the timing of interest payments associated with the revolving credit facility.

Equity cash conversion improved to 41.2% (H1 2023: 7.0%).

Borrowings and net debt

	30 June 2024	31 December 2023
	$m	$m
Borrowings	**1,331.3**	1,226.9
Lease liabilities	**80.6**	85.5
Total borrowings including lease liabilities	**1,411.9**	1,312.4
Cash and cash equivalents	**(96.9)**	(97.6)
Total borrowings including lease liabilities, net of cash	**1,315.0**	1,214.8
Net debt (excluding lease liabilities)	**1,234.4**	1,129.3
Net debt (excluding lease liabilities)/adjusted EBITDA[1]	**2.3**	2.1

1. Adjusted EBITDA for the twelve months to 30 June 2024 has been used in this calculation.

The Group's banking facilities comprise of a multicurrency revolving credit facility of $950.0 million and a term loan of $250.0 million, maturing in 2028 and 2027 respectively. The Group's $500.0 million senior unsecured notes, issued in October 2021, remain in place with maturity in October 2029.

As at 30 June 2024, $356.4 million of the multicurrency revolving credit facility remained undrawn (31 December 2023: $459.4 million). This, combined with cash of $96.9 million (31 December 2023: $97.6 million), provided the Group with total liquidity of $453.3 million at 30 June 2024 (31 December 2023: $557.0 million). Of this, $22.1 million was held in territories where there are restrictions related to repatriation (31 December 2023: $21.1 million).

Covenants

At 30 June 2024, the Group was in compliance with all financial and non-financial covenants associated with the Group's outstanding debt.

Non-IFRS financial information

Non-IFRS financial information or alternative performance measures (APMs) are those measures used by the Board and management on a day-to-day basis in their assessment of profit and performance and comparison between periods. The adjustments applied to IFRS measures reflect the effect of certain cash and non-cash items that the Board believes distort the understanding of the quality of earnings and cashflows as, by their size or nature, they are not considered part of the core operations of the business. Adjusted measures also form the basis of performance measures for remuneration, e.g. adjusted operating profit.

It should be noted that the Group's APMs may not be comparable to other similarly titled measures used by other companies and should not be considered in isolation or as a substitute for the equivalent measures calculated and presented in accordance with IFRS.

In determining whether an item should be presented as an adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature and arise from events that are not considered part of the core operations of the business. These tend to be one-off events but may still cross more than one accounting period. Recurring items may be considered, particularly in respect of the amortisation of acquisition-related intangibles assets. If an item meets at least one of these criteria, the Board, through the Audit and Risk Committee, then exercises judgement as to whether the item should be classified as an adjustment to IFRS performance measures.

The tax effect of the adjustments is reflected in the adjusted tax expense to remove the tax impact from adjusted net profit and adjusted earnings per share.

Amortisation of acquisition-related intangible assets

The Group's strategy is to grow both organically and through acquisition, with acquisitions being targeted to strengthen our position in key geographies and/ or business categories or which provide access to new technology. The nature of the businesses acquired may include the acquisition of significant intangible assets, which are required to be amortised. The Board and management regard the amortisation as a distortion to the quality of earnings and it has no cash implications in the year. The amortisation also distorts comparability with peer groups where such assets may have been internally generated and, therefore, not reflected on their balance sheet. Amortisation of acquisition-related intangible assets is, by its nature, a recurring adjustment.

Acquisition-related activities

Costs directly related to potential and actual strategic transactions which have been executed, aborted or are in-flight are deemed adjusting items.

Acquisition-related costs relate to deal costs, integration costs and earn-out adjustments (including the discounting impact), which are incurred directly as a result of the Group undertaking or pursuing an acquisition. Deal costs are wholly attributable to the deal, including legal fees, due diligence fees, bankers' fees/commissions and other direct costs incurred as a result of the actual or potential transaction. Integration costs are wholly attributable to the integration of the target and based on integration plans presented at the point of acquisition, including the cost of retention of key people where this is in excess of normal compensation, redundancy of target staff and early lease termination payments.

Adjusted measures in relation to acquisitions also include aborted deal costs.

Divestiture-related activities

Divestiture-related activities comprise the gains or losses resulting from disposal or divestment of a business as a result of a sale, major business change or restructuring programme. These include write-down of non-current assets, provisions to recognise inventories at realisable value, provisions for costs of exiting contracts and associated legal fees, and any other directly attributable costs. Any income from the ultimate disposal of a business or subsidiary is included in the gain or loss.

Adjusted measures in relation to divestitures also include aborted deal costs.

Impairment of assets

Impairments, write-offs and gains and losses from defined programmes and where the Group considers the circumstances of such event are not reflective of normal business trading performance or when transactions relate to acquisition-related intangible assets where the amortisation is already excluded from the calculation of adjusted measures.

Termination benefits and related costs

Termination benefits and other related costs arise from material, one-time Group-wide initiatives to reduce the ongoing cost base and improve efficiency in the business, including divestitures from non-strategic activities. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying items are limited to termination benefits (including retention) without condition of continuing employment in respect of major Group-wide change programmes. Where discrete qualifying items are identified these costs are highlighted and excluded from the calculation of adjusted measures. Due to their nature, these adjusted costs may span more than one year.

Other adjusting items

Other adjusting items relate to material, one-time initiatives which are part of the Group's strategy to improve productivity in the business and optimise cash flows. The Board considers each project individually to determine whether its size and nature warrants separate disclosure. Qualifying costs are limited to directly attributable costs of the initiatives and any realignment costs. Due to the nature of the initiatives, these adjusted costs may span more than one year.

Organic revenue growth

Organic revenue growth represents the change in organic revenue year on year. Organic revenue represents reported revenue, as determined under IFRS, and excludes the impact of acquisitions, divestitures and currency exchange movements.

Cash flow measures

Operating cash flow is the net cash generated from operations, as determined under IFRS, less capital expenditure. Free cash flow to capital is defined as operating cash flow less tax paid.

Free cash flow to equity reflects how effectively we are converting the profit we generate into cash (after accounting for working capital, capital investments, adjusting items, tax and interest). Refer to page 18 for details on how these measures are calculated.

Reconciliation of reported earnings to adjusted earnings for the six months ended 30 June 2024 and 2023

Six months ended 30 June 2024	Revenue $m	Gross profit $m	Operating costs $m	**Operating profit $m**	Finance expense, net $m	Fair value movement of contingent consideration $m	Non-operating expense $m	**PBT $m**	Taxation $m	**Net profit $m**
As reported	1,113.4	623.1	(473.9)	**149.2**	(40.2)	(4.7)	(0.3)	**104.0**	(25.4)	**78.6**
Amortisation of acquired intangibles	-	53.7	13.6	**67.3**	-	-	-	**67.3**	(16.6)	**50.7**
Acquisition-related costs[1]	-	-	0.9	**0.9**	-	4.7	-	**5.6**	-	**5.6**
Divestiture-related costs	-	-	(0.6)	**(0.6)**	-	-	-	**(0.6)**	0.2	**(0.4)**
Termination benefits and related costs	-	-	1.4	**1.4**	-	-	-	**1.4**	(0.3)	**1.1**
Other adjusting items	-	1.1	3.5	**4.6**	-	-	-	**4.6**	(1.1)	**3.5**
Total adjustments including tax effect	**-**	**54.8**	**18.8**	**73.6**	**-**	**4.7**	**-**	**78.3**	**(17.8)**	**60.5**
Other discrete tax items	-	-	-	**-**	-	-	-	**-**	-	**-**
Adjusted	**1,113.4**	**677.9**	**(455.1)**	**222.8**	**(40.2)**	**-**	**(0.3)**	**182.3**	**(43.2)**	**139.1**

Amortisation	**11.0**
Impairment/write-off of assets	**0.4**
Depreciation	**31.4**
Share-based payments	**9.3**
Adjusted EBITDA	**274.9**

1. The comparatives have been re-presented as outlined in Note 1 to the Condensed Consolidated Financial Statements.

Fair value

Six months ended 30 June 2023	Revenue $m	Gross profit $m	Operating costs $m	Operating profit $m	Finance expense, net $m	Fair value movement of contingent consideration $m	Non-operating income $m	PBT $m	Taxation $m	Net profit $m
As reported	1,055.5	592.4	(469.0)	123.4	(33.9)	(13.7)	0.2	76.0	(20.3)	55.7
Amortisation of acquired intangibles	-	56.1	10.9	67.0	-	-	-	67.0	(16.0)	51.0
Acquisition-related costs	-	1.5	6.2	7.7	-	13.7	-	21.4	(1.2)	20.2
Divestiture-related costs		2.7	(0.5)	2.2	-	-	-	2.2	(0.5)	1.7
Termination benefits and other related costs	-	2.2	1.3	3.5	-	-	-	3.5	(0.9)	2.6
Other adjusting items	-	2.5	7.8	10.3				10.3	(2.6)	7.7
Total adjustments including tax effect	-	65.0	25.7	90.7	-	13.7	-	104.4	(21.2)	83.2
Other discrete tax items	-	-	-	-	-	-	-	-	-	-
Adjusted	1,055.5	657.4	(443.3)	214.1	(33.9)	-	0.2	180.4	(41.5)	138.9

Amortisation	9.4
Impairment/write-off of assets	0.8
Depreciation	29.7
Share-based payments	7.5
Adjusted EBITDA	261.5

Adjusted operating profit margin of 20.0% (H1 2023: 20.3%) is calculated as adjusted operating profit of $222.8 million (H1 2023: $ 214.1 million) divided by revenue of $1,113.4 million (H1 2023: $1,055.5 million). A reconciliation of adjusted operating profit to its closest IFRS measure is shown in the tables above.

Reconciliation of operating costs to adjusted operating costs for the six months ended 30 June 2024 and 2023

	Six months ended 30 June							
	2024				2023			
	S&D	**G&A**	**R&D**	**Operating costs**	S&D	G&A	R&D	Operating costs
	$m	**$m**	**$m**	**$m**	$m	$m	$m	$m
As reported	**(322.1)**	**(97.8)**	**(54.0)**	**(473.9)**	(304.7)	(110.7)	(53.6)	(469.0)
Amortisation of acquired intangibles	**0.3**	**9.5**	**3.8**	**13.6**	-	9.0	1.9	10.9
Acquisition-related costs	**-**	**0.9**	**-**	**0.9**	-	6.3	-	6.3
Divestiture-related costs	**(0.6)**	**-**	**-**	**(0.6)**	(0.5)	-	-	(0.5)
Impairment of assets	**-**	**-**	**-**	**-**	-	-	-	-
Termination benefits and related costs	**0.2**	**1.2**	**-**	**1.4**	-	1.2	0.1	1.3
Other adjusting items	**0.3**	**3.2**	**-**	**3.5**	-	7.7	-	7.7
Adjusted	**(321.9)**	**(83.0)**	**(50.2)**	**(455.1)**	(305.2)	(86.5)	(51.6)	(443.3)

Reconciliation of basic and diluted earnings per share to adjusted earnings per share for the six months ended 30 June 2024 and 2023

	Six months ended 30 June			
	2024	**Adjusted 2024**	2023	Adjusted 2023
	$m	**$m**	$m	$m
Net profit for the period attributable to the shareholders of the Group	**78.6**	**139.1**	55.7	138.9
		Number		Number
Basic weighted average ordinary shares in issue		**2,047,599,499**		2,036,308,534
Diluted weighted average ordinary shares in issue		**2,055,953,301**		2,049,996,858
	cents per share	**cents per share**	cents per share	cents per share
Basic earnings per share	**3.8**	**6.8**	2.7	6.8
Diluted earnings per share	**3.8**	**6.8**	2.7	6.8

Cash flow conversion

	Six months ended 30 June	
	2024	2023

	2024	2023
	$m	$m
Operating cash conversion[1]	**61.9%**	32.7%
Equity cash conversion[1]	**41.2%**	7.0%

1. 'Adjusted cash conversion', previously calculated as Operating cash flow/Adjusted EBITDA, has been replaced by 'Operating cash conversion' and is calculated as Operating cash flow/Adjusted operating profit. 'Equity cash conversion' is calculated as Free cash flow to equity/Adjusted net profit. The Directors consider that these changes result in consistency of cash flow measures and provide improved definition, clarity and insight.

Reconciliation of Operating cash flow, free cash flow to capital and free cash flow to equity

	Six months ended 30 June	
	2024	2023
	$m	$m
Net cash generated from operations	**188.5**	128.7
Less: Acquisitions of property, plant and equipment and intangible assets	**(50.6)**	(58.7)
Operating cash flow[1]	**137.9**	70.0
Tax paid	**(24.4)**	(16.2)
Free cash flow to capital	**113.5**	53.8
Net interest paid	**(42.5)**	(28.4)
Payment of lease liabilities	**(12.1)**	(11.2)
Financing fee amortisation	**(1.6)**	(1.4)
Foreign exchange (loss) on cash	**(2.8)**	(1.6)
Foreign exchange gain/(loss) on borrowings	**2.5**	(2.0)
Proceeds on sale of property, plant and equipment	**0.3**	0.5
Free cash flow to equity	**57.3**	9.7

1. 'Free cash flow (pre-tax)' has been renamed 'Operating cash flow'. The Directors consider that this change results in consistency of cash flow measures and provide improved definition, clarity and insight.

Free cash flow to equity has increased by 490.7% to $57.3 million (H1 2023: $9.7 million). The increase is calculated as the movement in free cash flow to equity year-on-year divided by the free cash flow to equity in the prior year. A reconciliation of free cash flow to equity to its closest IFRS measure is shown in the table above.

Reconciliation of reported and adjusted working capital movement

	Six months ended 30 June	
	2024	2023
	$m	$m
Reported working capital movement	**(92.0)**	(110.2)
Increase/(decrease) in respect of acquisitions and divestitures	**1.1**	(4.6)
Increase/(decrease) in termination benefits	**4.4**	(2.4)
(Decrease) in respect of other adjusting items	**(0.5)**	(7.0)
Adjusted working capital movement	**(87.0)**	(124.2)

Cash outflows from adjusting items

	Six months ended 30 June	
	2024	2023
	$m	$m
Acquisition and divestitures adjustments	**(1.4)**	(5.3)
Termination benefits and related costs adjustments	**(5.8)**	(1.1)
Other adjusting items	**(4.1)**	(0.3)
Total adjusting items	**(11.3)**	**(6.7)**

Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement

		Six months ended 30 June	
		2024	2023
	Notes	**$m**	$m
		(unaudited)	*(unaudited)*
Revenue	2	**1,113.4**	1,055.5

Cost of sales		**(490.3)**	(463.1)
Gross profit		**623.1**	592.4
Selling and distribution expenses		**(322.1)**	(304.7)
General and administrative expenses		**(97.8)**	(110.7)
Research and development expenses		**(54.0)**	(53.6)
Operating profit		**149.2**	123.4
Finance income	3	**2.6**	2.2
Finance expense[1]	3	**(42.8)**	(36.1)
Fair value movement of contingent consideration[1]	9	**(4.7)**	(13.7)
Non-operating (expense)/income, net[1]		**(0.3)**	0.2
Profit before income taxes		**104.0**	76.0
Income tax expense	4	**(25.4)**	(20.3)
Net profit		**78.6**	55.7
Earnings per share			
Basic earnings per share (cents per share)	6	**3.8¢**	2.7¢
Diluted earnings per share (cents per share)	6	**3.8¢**	2.7¢

1. The comparatives have been re-presented as outlined in Note 1 to the Condensed Consolidated Interim Financial Statements.

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations (see Note 2 for details).

Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2024	2023
	Notes	**$m**	$m
		(unaudited)	*(unaudited)*
Net profit		**78.6**	55.7
Items that will not be reclassified subsequently to the Consolidated Income Statement:			
Fair value movement on equity investments		**(3.1)**	(8.7)
Items that may be reclassified subsequently to the Consolidated Income Statement:			
Foreign currency translation		**(22.1)**	49.6
Effective portion of changes in fair value of cash flow hedges		**(3.1)**	-
Costs of hedging		**(1.8)**	-
Changes in fair value of cash flow hedges reclassified to the Consolidated Income Statement		**2.9**	(1.1)
Income tax relating to items that may be reclassified		**(0.4)**	(0.1)
Other comprehensive (expense)/income		**(27.6)**	39.7
Total comprehensive income		**51.0**	95.4

All amounts are attributable to shareholders of the Group and wholly derived from continuing operations.

Condensed Consolidated Statement of Financial Position

		30 June 2024	31 December 2023
	Notes	**$m**	$m
		(unaudited)	*(audited)*
Assets			
Non-current assets			
Property, plant and equipment		**474.3**	473.8
Right-of-use assets		**70.5**	74.7
Intangible assets		**868.1**	935.3
Goodwill		**1,290.2**	1,298.8
Investment in financial assets		**19.8**	22.9
Deferred tax assets		**20.7**	21.2
Restricted cash		**5.1**	5.3
Other non-current receivables		**11.7**	11.7
		2,760.4	2,843.7

Current assets			
Inventories		**378.5**	396.1
Trade and other receivables		**343.7**	333.7
Current tax receivable		**19.5**	16.5
Derivative financial assets	8	**11.0**	13.6
Restricted cash		**11.8**	12.5
Asset held for sale	1	**2.5**	-
Cash and cash equivalents		**96.9**	97.6
		863.9	870.0
Total assets		**3,624.3**	3,713.7
Equity and liabilities			
Current liabilities			
Trade and other payables		**319.1**	388.7
Lease liabilities		**20.9**	20.7
Current tax payable		**25.8**	26.6
Derivative financial liabilities	8	**7.9**	16.7
Provisions	9	**7.9**	83.7
		381.6	536.4
Non-current liabilities			
Borrowings	7	**1,331.3**	1,226.9
Lease liabilities		**59.7**	64.8
Deferred tax liabilities		**88.8**	88.2
Provisions	9	**74.6**	71.3
Derivative financial liabilities	8	**-**	0.9
Other non-current liabilities		**33.4**	32.5
		1,587.8	1,484.6
Total liabilities		**1,969.4**	2,021.0
Net assets		**1,654.9**	1,692.7
Equity			
Share capital		**251.5**	251.5
Share premium		**181.0**	181.0
Own shares		**(2.2)**	(0.6)
Retained deficit		**(901.6)**	(888.7)
Merger reserve		**2,098.9**	2,098.9
Cumulative translation reserve		**(144.3)**	(122.2)
Other reserves		**171.6**	172.8
Total equity		**1,654.9**	1,692.7
Total equity and liabilities		**3,624.3**	3,713.7

Condensed Consolidated Statement of Changes in Equity

	Notes	**Share capital**	**Share premium**	**Own shares**	**Retained deficit**	**Merger reserve**	**Cumulative translation reserve**	**Other reserves**	**Total**
		$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 1 January 2024 *(audited)*		**251.5**	**181.0**	**(0.6)**	**(888.7)**	**2,098.9**	**(122.2)**	**172.8**	**1,692.7**
Net profit		**-**	**-**	**-**	**78.6**	**-**	**-**	**-**	**78.6**
Other comprehensive expense:									
Foreign currency translation adjustment, net of tax		**-**	**-**	**-**	**-**	**-**	**(22.1)**	**-**	**(22.1)**
Changes in fair value of cash flow hedges, net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**(2.4)**	**(2.4)**
Change in fair value of equity investments		**-**	**-**	**-**	**-**	**-**	**-**	**(3.1)**	**(3.1)**

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
Other comprehensive expense		**-**	**-**	**-**	**-**	**-**	**(22.1)**	**(5.5)**	**(27.6)**
Total comprehensive income/(expense)		**-**	**-**	**-**	**78.6**	**-**	**(22.1)**	**(5.5)**	**51.0**
Dividends paid	5	**-**	**-**	**-**	**(91.5)**	**-**	**-**	**-**	**(91.5)**
Purchase of shares by Employee Benefit Trust		**-**	**-**	**(6.9)**	**-**	**-**	**-**	**-**	**(6.9)**
Share-based payments		**-**	**-**	**-**	**-**	**-**	**-**	**9.1**	**9.1**
Share awards vested		**-**	**-**	**5.3**	**-**	**-**	**-**	**(4.8)**	**0.5**
At 30 June 2024 *(unaudited)*		**251.5**	**181.0**	**(2.2)**	**(901.6)**	**2,098.9**	**(144.3)**	**171.6**	**1,654.9**

	Notes	Share capital $m	Share premium $m	Own shares $m	Retained deficit $m	Merger reserve $m	Cumulative translation reserve $m	Other reserves $m	Total $m
At 1 January 2023 (audited)		250.7	165.7	(1.5)	(892.2)	2,098.9	(177.1)	165.2	1,609.7
Net profit		-	-	-	55.7	-	-	-	55.7
Other comprehensive income/(expense):									
Foreign currency translation adjustment, net of tax		-	-	-	-	-	49.6	-	49.6
Changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	-	(1.2)	(1.2)
Change in fair value of equity investments		-	-	-	-	-	-	(8.7)	(8.7)
Other comprehensive income/(expense)		-	-	-	-	-	49.6	(9.9)	39.7
Total comprehensive income/(expense)		-	-	-	55.7	-	49.6	(9.9)	95.4
Dividends paid	5	-	-	-	(87.7)	-	-	-	(87.7)
Scrip dividend	5	0.2	4.5	-	(4.7)	-	-	-	-
Share-based payments		-	-	-	-	-	-	7.4	7.4
Share awards vested		-	-	0.8	-	-	-	0.1	0.9
At 30 June 2023 (unaudited)		250.9	170.2	(0.7)	(928.9)	2,098.9	(127.5)	162.8	1,625.7

Condensed Consolidated Statement of Cash Flows

	Notes	Six months ended 30 June **2024** **$m**	2023 $m
Cash flows from operating activities		***(unaudited)***	*(unaudited)*
Net profit		**78.6**	55.7
Adjustments for			
Depreciation of property, plant and equipment		**20.0**	18.3
Depreciation of right-of-use assets		**11.4**	11.4
Amortisation of intangible assets		**78.3**	76.4
Income tax	4	**25.4**	20.3
Non-operating expense/(income), net[1]		**12.2**	(2.1)
Fair value movement of contingent consideration		**4.7**	13.7
Finance expense, net[1]		**40.2**	33.9
Share-based payments		**9.3**	7.5
Impairment/write-off of intangible assets		**0.2**	-
Impairment/write-off of right-of-use assets		**-**	1.9
Impairment/write-off of property, plant and equipment		**0.2**	1.9
Change in assets and liabilities:			
Inventories		**6.7**	(63.5)
Trade and other receivables		**(29.0)**	(35.1)
Derivative financial assets		**4.8**	13.9

Other non-current receivables		**(0.2)**	(0.3)
Restricted cash		**0.8**	5.0
Trade and other payables[1]		**(56.5)**	(10.5)
Provisions		**(4.9)**	5.2
Derivative financial liabilities		**(15.2)**	(22.9)
Other non-current payables[1]		**1.5**	(2.0)
Net cash generated from operations		**188.5**	128.7
Interest received		**2.6**	2.2
Interest paid		**(45.1)**	(30.6)
Payment of contingent consideration arising from acquisitions[1]	9	**(48.1)**	(21.7)
Income taxes paid		**(24.4)**	(16.2)
Net cash generated from operating activities		**73.5**	62.4
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(50.6)**	(58.7)
Acquisitions, net of cash acquired		**-**	(56.7)
Proceeds from sale of property, plant and equipment and other assets		**0.3**	0.5
Payment of contingent consideration arising from acquisitions[1]	9	**(22.8)**	(73.0)
Net cash used in investing activities		**(73.1)**	(187.9)
Cash flows from financing activities			
Proceeds from borrowings	7	**105.3**	158.7
Payment of lease liabilities		**(12.1)**	(11.2)
Dividends paid	5	**(91.5)**	(87.7)
Net cash generated from financing activities		**1.7**	59.8
Net change in cash and cash equivalents		**2.1**	(65.7)
Cash and cash equivalents at beginning of the period		**97.6**	143.8
Effect of exchange rate changes on cash and cash equivalents		**(2.8)**	(1.6)
Cash and cash equivalents at end of the period		**96.9**	76.5

1. The comparatives have been re-presented as outlined in Note 1 to the Condensed Consolidated Financial Statements.

1. Basis of preparation and accounting standards

Convatec Group Plc (the "Company") is a public limited company incorporated in the United Kingdom. The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2024 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the United Kingdom. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern as described further below.

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the 2023 Convatec Group Plc Annual Report and Accounts, which were prepared in accordance with the United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These Condensed Consolidated Interim Financial Statements and the comparatives are unaudited, except where otherwise indicated, and do not constitute statutory financial statements. The statutory financial statements for the Group in respect of the year ended 31 December 2023 have been reported on by the Group's auditor and delivered to the Registrar of Companies. The audit report on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024 were approved by the Board on 29 July 2024.

Going concern

As at 30 June 2024, the Group held cash and cash equivalents of $96.9 million (31 December 2023: $97.6 million) and had borrowings of $1,331.3 million (31 December 2023: $1,226.9 million). The borrowings as at 30 June 2024 comprised of senior notes of $500.0 million, term loan of $250.0 million and drawn multicurrency revolving credit facilities of $593.6 million, net of unamortised financing fees of $12.3 million. The Group's multicurrency revolving credit facility of $950.0 million is committed until November 2028. The term loan of $250.0 million and $500.0 million senior unsecured notes are repayable in 2027 and 2029 respectively. $356.4 million of the multicurrency revolving credit facilities remained undrawn as at 30 June 2024, which together with cash and cash equivalents of $96.9 million, provided the Group with total liquidity of $453.3 million as at that date (31 December 2023: $557.0 million). The principal financial covenants remain unchanged and as at 30 June 2024, the Group was in compliance with its financial covenants.

In preparing their assessment of going concern, the Directors have considered available cash resources, financial actual and forecast performance, including strategy delivery, together with the Group's financial covenant compliance requirements and principal risks and uncertainties. The Group's liquidity remains strong as management continues to monitor its liquidity requirements to ensure there is sufficient cash to meet operational needs and maintain adequate headroom.

The Board has reviewed the downside scenarios as disclosed in the 2023 Annual Report and Accounts and has concluded that these scenarios remain aligned to the Group's principal risks and continue to adequately reflect the financial risk of downside events and circumstances during the going concern period. Under each scenario, the Group is forecast to retain significant liquidity and covenant headroom throughout the going concern period.

The Group has carried out a reverse stress test against the forecast base case to determine the performance levels that would result in a breach of covenants. For a breach of covenants to occur in the next 12 months, before Board and management mitigation, the Group would need to experience a sustained revenue reduction of at least 10% across all categories and markets. This was considered to be implausible given the Group's strong global market position and diversified portfolio of products and the mitigations available to the Board and management, which include reducing expansionary capital investment.

Accordingly, at the time of approving these Condensed Consolidated Interim Financial Statements, the Directors have a reasonable expectation that the Group will have adequate liquid resources to meet their respective liabilities as they become due and will be able to sustain its business model, strategy and operations and remain solvent for a period of at least 12 months from 29 July 2024. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Interim Financial Statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Condensed Consolidated Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets and liabilities, income and expense. Actual results may differ from these estimates or judgements of likely outcome. Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Condensed Consolidated Interim Financial Statements and the sources of estimation uncertainty that are considered to be "key estimates" due to their potential to give rise to material adjustments in the Group's Consolidated Financial Statements within the next financial year.

In preparing the Condensed Consolidated Interim Financial Statements, no critical accounting judgements have been identified.

One key source of estimation uncertainty has been identified in respect of the provision for contingent consideration on acquisitions.

The underlying drivers of the contingent consideration are determined in accordance with the contractual terms of the purchase agreements for each relevant acquisition and may vary depending on the amounts or timing of product revenues (including future revenues, which are inherently uncertain), particularly when it relates to products which are relatively new to market or not yet launched, the future achievement of regulatory clearance for new products, or other uncertainties deriving from the purchase agreement. The Group estimates provisions for contingent consideration based on information available at the balance sheet date.

Actual results may differ from estimates or there may be delays to estimated timetables for regulatory clearances which would lead to a change in estimate of provisions for contingent consideration and may vary materially within the next financial year. At 30 June 2024 the discounted estimate of provisions for contingent consideration was $71.3 million (see Note 8 - Fair value measurement). Management has determined that a reasonable possible range of discounted outcomes within the next financial year is $15.9 million to $71.3 million.

New standards and interpretations applied for the first time

The accounting policies adopted by the Group in preparation of these Condensed Consolidated Interim Financial Statements are consistent with those set out in the 2023 Annual Report and Accounts, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

On 1 January 2024, the Group adopted the following amendments which are mandatorily effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback - Amendments to IFRS 16
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1
- Non-current liabilities with Covenants - Amendments to IAS 1

The adoption during the year, of the amendments and interpretations, has not had a material impact on the Condensed Consolidated Interim Financial Statements.

Prior year re-presentation

Certain line items in the primary financial statements have been disaggregated to provide greater clarity, and accordingly, the corresponding comparative amounts have been re-presented for consistency and comparability between periods.

Within the Condensed Consolidated Income Statement, the fair value movement of contingent consideration has been presented separately. The 2023 comparative amount includes $11.6 million that was previously included within finance expense, and $2.1 million previously included within non-operating (expense)/income, net.

Within the Condensed Consolidated Statement of Cash Flows, trade and other payables and other non-current payables have been re-presented to separately disclose the cash impact of movements in provisions of $5.2 million.

Within the Condensed Consolidated Statement of Cash Flows, payment of contingent consideration arising from acquisitions has been re-presented to separately disclose the settlement of the amount initially recognised upon acquisition of $73.0 million within cash flows from investing activities, and the subsequent remeasurement of $21.7 million within cash flows from operating activities. Consequently, net cash generated from operating activities has reduced from $84.1 million to $62.4 million, with a corresponding decrease in net cash used in investing activities from $209.6 million to $187.9 million.

There is no impact on net profit, net assets and net change in cash and cash equivalents presented previously.

Asset held for sale

As a result of closing a small factory in the Netherlands and migrating production to Slovakia, the building in the Netherlands was classified as held for sale in January 2024, at which point depreciation ceased. There is an active programme to locate a buyer and the property is being actively marketed for sale. The sale is expected to complete within one year from the date of classification.

2. Revenue and segment information

The Board considers the Group's business to be a single segment entity engaged in the development, manufacture and sale of medical products and technologies. R&D, manufacturing and central support functions are managed globally for the Group. Revenues are managed both on a category and geographic basis. This note presents the performance and activities of the Group as a single segment.

Convatec's Executive Leadership Team (CELT), as the Group's Chief Operating Decision Maker, is the function that allocates resources and evaluates the Group's global product portfolios on a revenue basis and evaluates profitability and associated investment on an enterprise-wide basis due to shared infrastructures and support functions between the categories. Financial information in respect of revenues provided to the CELT for decision-making purposes is made on both a category and geographic basis. Resources are allocated on a Group-wide basis, with a focus on both category and the key markets but primarily based on the merits of each individual proposal.

Revenue by category

The following table sets out the Group's revenue by category:

	Six months ended 30 June	
	2024	2023
	$m	$m
Advanced Wound Care	**360.0**	338.5
Ostomy Care	**311.1**	300.0
Continence Care	**242.6**	220.7
Infusion Care	**199.5**	186.3
Revenue excluding hospital care exit	**1,113.2**	1,045.5
Revenue from hospital care exit	**0.2**	10.0
Total	**1,113.4**	1,055.5

Revenue by geography

The following table sets out the Group's revenue by regional geographic market in which third-party customers are located:

	Six months ended 30 June	
	2024	2023
	$m	$m
North America	**622.2**	572.5
Europe	**327.4**	327.8
Rest of World (RoW)[1]	**163.8**	155.2
Total	**1,113.4**	1,055.5

1. Rest of World (ROW) comprises all countries in Asia Pacific, Latin America (including Mexico and the Caribbean), the Middle East (including Turkey) and Africa.

3. Finance income and expenses

Finance expenses arise from interest on the Group's borrowings and lease liabilities. Finance income arises from interest earned on investment of surplus cash.

Finance costs, net for the six months ended 30 June were as follows:

	Six months ended 30 June	
	2024	2023
	$m	$m
Finance income		
Interest income on cash and cash equivalents	**1.8**	**2.2**
Interest income on interest rate derivatives	**0.8**	**-**
Total finance income	**2.6**	**2.2**
Finance expenses		
Interest expense on borrowings	**(38.0)**	**(33.2)**
Other financing-related fees[1]	**(4.8)**	**(3.5)**
Interest expense on lease liabilities	**(1.7)**	**(1.7)**
Capitalised interest[2]	**2.8**	**2.5**
Other finance costs	**(1.1)**	**(0.2)**
Total finance expenses	**(42.8)**	**(36.1)**
Finance costs, net	**(40.2)**	**(33.9)**

1. Other financing-related fees include the amortisation of deferred financing fees of associated with the multicurrency revolving credit facilities, term loans facilities and senior notes and receivables financing fees.
2. Capitalised interest was calculated using the Group's weighted average interest rate over the period of 6.0% (2023: 5.5%) and will be treated as tax deductible.

4. Income taxes

The Group's income tax expense is accrued using the tax rate that would be applicable to expected annual total earnings (i.e. the estimated average annual effective income tax rate applied to the profit before tax).

The tax charge for the six months ended 30 June 2024 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 31 December 2024 using rates substantively enacted as at 30 June 2024.

For the six months ended 30 June 2024, the Group recorded an income tax expense of $25.4 million (30 June 2023: $20.3 million). The Group's reported effective tax rate for the period ended 30 June 2024 was 24.4% (2023: 26.7%). The decrease in the reported effective tax rate was principally driven by the prior period including non-deductible acquisition costs and prior year adjustments.

The Group continues to believe it has made adequate provision for uncertain tax positions on open issues in accordance with IFRIC 23 *Uncertainty over Income Tax Treatments*. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of discussions with relevant tax authorities or, where applicable, appeal proceedings.

The Group has applied the temporary exception as detailed in the IASB announcement "International Tax Reform - Pillar Two Model Rules", which amended IAS 12 *Income Taxes*, and therefore has not recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes.

5. Dividends

The Board ensures that adequate realised distributable reserves are available in the Company in order to meet proposed shareholder dividends, and the purchase of shares for employee share scheme incentives. The Company principally derives distributable reserves from dividends received from subsidiary companies.

In determining the level of dividend in the year, the Board considers the following factors and risks that may influence the proposed dividend:

- Availability of realised distributable reserves
- Available cash resources and commitments
- Strategic opportunities and investments, in line with the Group's strategic plan
- Principal risks of the Group

The Board paid the 2023 final dividend in May 2024. The Board has taken into consideration balancing the return to shareholders, and the additional investment in transformation in the period. The decision to increase the dividend for 2024 reflects the Board's confidence in the future performance of the Group and the underlying financial strength, distributable reserves position and cash generation of the Group when assessing cash flow forecasts for the next two years from the date of the dividend payment.

Dividends paid and proposed were as follows:

	pence per share	cents per share	Total $m	Settled in cash $m	Settled via scrip $m	No of scrip shares issued
Final dividend 2022	3.657	4.330	92.4	87.7	4.7	1,717,549
Interim dividend 2023	1.380	1.769	34.4	23.0	11.4	4,199,962
Paid in 2023	5.037	6.099	126.8	110.7	16.1	5,917,511
Final dividend 2023	3.517	4.460	91.5	91.5	-	-
Paid in 2024 to date	**3.517**	**4.460**	**91.5**	**91.5**	**-**	**-**
Interim dividend 2024 proposed	**1.422**	**1.822**	**37.3**			

The proposed interim dividend for 2024, to be distributed on 4 October 2024 to shareholders registered at the close of business on 23 August 2024 is based upon the issued and fully paid share capital as at 30 June 2024. The dividend will be declared in US dollars and will be paid in Sterling at the exchange rate of $1.281/£1.00 determined on 29 July 2024.

6. Earnings per share

Basic earnings per share is calculated based on the Group's net profit for the year attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is net of shares purchased by the Group and held as own shares.

Diluted earnings per share take into account the dilutive effect of all outstanding share options priced below the market price in arriving at the number of shares used in its calculation.

	Six months ended 30 June 2024	2023
Net profit attributable to the shareholders of the Group ($m)	**78.6**	55.7
Basic weighted average ordinary shares in issue (number)	**2,047,599,499**	2,036,308,534
Dilutive impact of share awards (number)	**8,353,802**	13,688,324
Diluted weighted average ordinary shares in issue (number)	**2,055,953,301**	2,049,996,858
Basic earnings per share (cents per share)	**3.8¢ per share**	2.7¢ per share

Diluted earnings per share (cents per share)	**3.8¢ per share**	2.7¢ per share

The calculation of diluted earnings per share does not contain any share options that were non-dilutive for the year, because the average market price of the Group's ordinary shares exceeded the exercise price.

7. Borrowings

The Group's sources of borrowing for funding and liquidity purposes derive from senior notes and credit facilities, including a committed revolving credit facility.

The Group's consolidated borrowings were as follows:

	Currency	Year of maturity	**30 June 2024 Face value $m**	31 December 2023 Face value $m
Revolving Credit Facility[1]	Multicurrency	2028	**593.6**	490.6
Term Loan	USD	2027	**250.0**	250.0
Senior Notes	USD	2029	**500.0**	500.0
Interest-bearing borrowings			**1,343.6**	1,240.6
Financing fees[2]			**(12.3)**	(13.7)
Carrying value of borrowings			**1,331.3**	1,226.9
Current portion of borrowings			**-**	-
Non-current portion of borrowings			**1,331.3**	1,226.9

1. Included within the Revolving Credit Facility as at 30 June 2024 was €50.0 million ($54.6 million), representing 9.0% of RCF debt denominated in Euros and 91.0% denominated in US dollars. As at 31 December 2023, this was €100.0 million ($110.4 million) and £8.0 million ($8.2 million), representing 22.5% of RCF debt denominated in Euros, 2.1% of the RCF debt denominated in GBP and 75.4% denominated in US dollars.
2. Financing fees of $12.3 million (31 December 2023: $13.7 million) related to the remaining unamortised fees incurred on the credit facilities and senior notes.

Credit facilities

The credit facilities held by the Group are committed and available for the refinancing of certain existing financial indebtedness and general corporate purposes. The Group's bank credit facility of $1.2 billion comprises of a $250.0 million term loan and a $950.0 million multicurrency revolving credit facility. As at 30 June 2024, the term loan was fully drawn and $593.6 million of the revolving credit facility was drawn, with $356.4 million undrawn.

Financial covenants

The principal financial covenants are based on a permitted net debt to covenant-adjusted EBITDA[1] ratio and interest cover test as defined in the credit facilities agreement. Testing is required on a semi-annual basis, at June and December, based on the last 12 months' financial performance. At 30 June 2024, the permitted net debt to covenant-adjusted EBITDA[1] ratio was a maximum of 3.50 times and the interest cover a minimum of 3.50 times, terms as defined by the credit facilities agreement. In accordance with the credit facilities agreement, the net debt to covenant-adjusted EBITDA[1] ratio can increase to a maximum 4.00 times for permitted acquisitions or investments.

The Group was in compliance with all financial and non-financial covenants at 30 June 2024, with significant available headroom on the financial covenants (in excess of $539.2 million debt headroom on the net debt to covenant-adjusted EBITDA[1]).

1. Covenant-adjusted EBITDA is calculated based on terms as defined in the credit facilities agreement. This is different to adjusted EBITDA, which is an alternative performance measure (APM).

Senior notes

Unsecured senior notes of $500.0 million are subject to an interest cover financial covenant as defined in the indentures which is a minimum of 2.0 times, with testing required annually at 31 December on the last 12 calendar months' financial performances.

8. Fair value measurement

Financial instruments are classified as Level 1, Level 2, or Level 3 in the fair value hierarchy in accordance with IFRS 13 Fair Value Measurements, based upon the degree to which the fair value movements are observable. Level 1 fair value measures are defined as those with quoted (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 fair value measurements are defined as those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (prices from third parties) or indirectly (derived from third-party prices). Level 3 fair value measurements are defined as those derived from significant unobservable inputs.

The only instrument classified as Level 1 are the senior notes, given the availability of quoted market price. The Group's derivative financial instruments as well as the Group's other borrowings are classified as Level 2, and the Group's equity investment in preference shares, together with contingent consideration arising on business combinations, are classified as Level 3. There were no transfers between levels during the year.

30 June 2024 31 December 2023

	Carrying amount	Fair value	Carrying amount	Fair value
	$m	$m	$m	$m
Financial instruments measured at fair value				
Non-current				
Equity investment	19.8	19.8	22.9	22.9
Derivative financial liabilities	-	-	(0.9)	(0.9)
Contingent consideration	(71.3)	(71.3)	(68.3)	(68.3)
Current				
Derivative financial assets	11.0	11.0	13.6	13.6
Derivative financial liabilities	(7.9)	(7.9)	(16.7)	(16.7)
Contingent consideration	-	-	(69.7)	(69.7)
Financial instruments not measured at fair value				
Non-current				
Senior notes	(500.0)	(452.4)	(500.0)	(450.1)
Other borrowings	(593.6)	(864.6)	(490.6)	(774.9)

Senior notes and other borrowings

The Group's senior notes are listed and their fair value has been obtained from quoted market data and therefore categorised as a Level 1 measurement in the fair value hierarchy under IFRS 13 Fair Value Measurements. For the Group's other borrowings, the fair value is based on discounted cash flows using a current borrowing rate and is categorised as a Level 2 measurement.

Derivative financial instruments

The Group holds interest rate swap agreements to fix a proportion of variable interest on US dollar and EURO denominated debt, in accordance with the Group's risk management policy. The interest rate swaps are designated as hedging instruments in a cash flow hedging relationship.

The fair values of the interest rate swap agreements are calculated by discounting expected future principal and interest cashflow and translating at the appropriate balance sheet rates and are therefore categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13 Fair Value Measurements.

The Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge certain forecast third-party foreign currency transactions for up to one year. When a commitment is entered into, a layered approach is taken when hedging the currency exposure, ensuring that no more than 100% of the transaction exposure is covered. The currencies hedged by forward foreign exchange contracts are US dollars, Swiss francs, Pound sterling, Danish krone and Japanese yen. The Group further utilises foreign exchange contracts and swaps classified as fair value through profit or loss (FVTPL) to manage short-term foreign exchange exposure.

The fair values of the forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate balance sheet rates and are therefore categorised as a Level 2 measurement in the fair value hierarchy under IFRS 13 Fair Value Measurements.

Contingent consideration

Contingent consideration arising on business combinations is classified as a recurring fair value measurement within Level 3 of the fair value hierarchy, in line with IFRS 13, Fair Value Measurements. Key unobservable inputs in respect of the Group's acquisitions include actual results, management forecasts and an appropriate discount rate.

Management has determined that the potential range of undiscounted outcomes at 30 June 2024 is between nil and $163.9 million, from a maximum undiscounted amount of $163.9 million.

The table below shows an indicative basis of the sensitivity to the income statement and balance sheet at 30 June 2024.

	Sales forecast				Discount rate			
	+5%	+10%	-5%	-10%	+1.0%	+2.0%	-1.0%	-2.0%
Increase/(decrease) in financial liability and loss/(gain) in income statement	0.5	1.0	(0.6)	(1.1)	(2.2)	(4.2)	2.4	4.9

Equity investment

The investment is in relation to the Group's investment in BlueWind Medical Limited in 2022. The Group considers this investment to be strategic in nature and it is not held for trading. In line with IFRS 13 Fair Value Measurement, this investment has been classified as Level 3 in the fair value hierarchy as its measurement is derived from significant unobservable inputs by reference to available information, including the current market value of similar instruments, recent financing rounds and discounted cash flows of the underlying net assets. The fair value of the investment has been determined by using an average of three valuation methodologies, those being the precedent transaction method, the income approach method and the probability-weighted expected return model.

The Group made an irrevocable election at initial recognition to present subsequent changes in the fair value of the investment in other comprehensive income. It was initially recorded at fair value plus transaction costs and is remeasured to fair value at subsequent reporting dates. The fair value of the investment at 30 June 2024 was $19.8 million (31 December 2023: $22.9 million), with the movement of $3.1 million taken to the Condensed Consolidated Statement of Other Comprehensive Income. No dividends were recognised during the period.

9 Provisions

9. Provisions

A provision is an obligation recognised when there is uncertainty over the timing or amount that will be paid. Provisions held by the Group are primarily in respect of restructuring, dilapidations, legal liabilities and contingent consideration. The contingent consideration provisions recognised by the Group is in respect of acquisitions and includes amounts contingent on future events such as development milestones and sales performance.

The movements in provisions are as follows:

	Dilapidations	Restructuring	Legal	Contingent consideration	Total
	$m	$m	$m	$m	$m
1 January 2024	**2.4**	**14.0**	**0.6**	**138.0**	**155.0**
Charged to the income statement	**0.3**	**3.8**	**0.3**	**-**	**4.4**
Fair value movement of contingent consideration	**-**	**-**	**-**	**4.7**	**4.7**
Released to the income statement	**-**	**(1.5)**	**-**	**-**	**(1.5)**
Utilised	**-**	**(8.3)**	**-**	**(70.9)**	**(79.2)**
Foreign exchange	**-**	**(0.4)**	**-**	**(0.5)**	**(0.9)**
30 June 2024	**2.7**	**7.6**	**0.9**	**71.3**	**82.5**

Current provision	**7.9**
Non-current provision	**74.6**

The expected payment profile of the discounted provisions at 30 June 2024 and at 31 December 2023 was as follows:

	30 June 2024	31 December 2023
	$m	$m
Within 1 year	**7.9**	83.7
2 to 5 years	**59.0**	58.8
More than 5 years	**15.6**	12.5
Total	**82.5**	155.0

Dilapidation provisions

Dilapidation provisions are in respect of contractual obligations, on the expiry of a lease, to return leased properties in the condition which is specified in the individual leases.

Restructuring provisions

Restructuring provisions are in respect of the Group's strategic transformation activities. All restructuring provisions are supported by detailed plans and a valid expectation has been raised in those affected as required by the Group's accounting policy.

Legal provision

The legal provision is in respect of ongoing cases. Legal issues are often subject to uncertainties over the timing and the final amounts of any settlement.

Contingent consideration

As at 30 June 2024, the discounted fair value of the contingent consideration payable in respect of the Group's acquisitions was $71.3 million (31 December 2023: $138.0 million). During the year, final earn out payments totalling $70.9 million were made in respect of the Cure Medical and Triad Life Sciences acquisitions ($22.8 million recognised within cash flows from investing activities and $48.1 million recognised within cash flows from operating activities in the Condensed Consolidated Statement of Cash Flows). The net charge to the income statement in respect of the changes in fair value of contingent consideration (based on the best estimates of the amounts payable as at 30 June 2024) was $4.7 million. In addition, there was a foreign exchange movement of $0.5 million from the re-translation of non-USD denominated balances.

10. Foreign exchange

The following table summarises the exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results:

		Six months ended 30 June		Year ended 31 December
Currency	Average rate/ Closing rate	**2024**	2023	2023
USD/EUR	Average	**1.08**	1.08	1.08
	Closing	**1.07**	1.09	1.10
USD/GBP	Average	**1.27**	1.23	1.24
	Closing	**1.26**	1.27	1.27
USD/DKK	Average	**0.15**	0.15	0.15
	Closing	**0.14**	0.15	0.15

11. Related Party Transactions

There were no changes in the related party transactions described in the 2023 Annual Report and Accounts that have had a material effect on the financial position or performance of the Group during the six months to 30 June 2024.

12. Commitments and contingencies

Capital commitments

At 30 June 2024, the Group had non-cancellable commitments for the purchase of property, plant and equipment, capitalised software and development of $19.3 million (31 December 2023: $22.3 million).

Contingent liabilities

Other than disclosed elsewhere in these financial statements, there were no contingent liabilities recognised as at 30 June 2024 and 31 December 2023.

13. Subsequent events

The Group has evaluated subsequent events through to 29 July 2024, the date the Condensed Consolidated Interim Financial Statements were approved by the Board of Directors.

On 29 July 2024, the Board declared an interim dividend to be distributed on 4 October 2024. Refer to Note 5 - Dividends for further details.

Directors' Responsibilities Statement

The Directors confirm that to the best of their knowledge:

- The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 as adopted by the United Kingdom; and
- The interim management report includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The composition of the Board of Directors of Convatec Group plc has not changed since reported in the 2023 Annual Report and Accounts. A list of current Directors is maintained on our corporate website (www.convatecgroup.com).

By order of the Board:

Karim Bitar	Jonny Mason
Chief Executive Officer	Chief Financial Officer
29 July 2024	29 July 2024

INDEPENDENT REVIEW REPORT TO CONVATEC GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024, is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

29 July 2024

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