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DuPont Specialty Products USA, LLC

Third Quarter 2026 Earnings Call

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CORPORATE SPEAKERS:

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Lori Koch
DuPont; Chief Executive Officer
Antonella Franzen
DuPont; Chief Financial Officer

PARTICIPANTS:

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Scott Davis
Melius Research; Analyst
Joseph Ritchie
Goldman Sachs; Analyst
John McNulty
BMO Capital Markets; Analyst
Chigusa Katoku
JP Morgan; Analyst
Christopher Parkinson
Wolfe Research; Analyst
John Roberts
Mizuho; Analyst
Joshua Spector
UBS; Analyst
David Begleiter
Deutsche Bank; Analyst
Matthew DeYoe
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PRESENTATION:

Operator^ Thank you for standing by. Welcome to the DuPont Third Quarter 2026 Financial Results Conference Call. (Operator Instructions) I would now like to turn the call over to Ann Giancristoforo, Vice President of Investor Relations. Please go ahead.

Ann Giancristoforo^ Good morning. Thank you for joining us for DuPont's third quarter 2026 financial results conference call. Joining me today are Lori Koch, Chief Executive Officer; and Antonella Franzen, Chief Financial Officer. We have prepared slides to supplement our remarks which are posted on DuPont's website under the Investor Relations tab and through the webcast link. Please read the forward-looking statement disclaimer contained in the slide.

During this call we will make forward-looking statements regarding our expectations or predictions about the future. Because these statements are based on current assumptions and factors that involve risks and uncertainties, our actual performance and results may differ materially from our forward-looking statements. Our Form 10-K, as updated by our current and periodic reports, includes detailed discussion of principal risks and uncertainties which may cause such differences. Unless otherwise specified, all historical financial measures presented today are on a continuing operations basis and exclude significant items. We will also refer to other non-GAAP measures. A reconciliation to the most directly comparable GAAP financial measure is included in our press release and presentation materials and has been posted to DuPont's Investor Relations website.

Consistent with our prior earnings calls, we will provide comments on our results versus the prior year pro forma, which adjusts for our post-separation corporate costs, interest expense and income tax rate. This is consistent with the methodology and financial metrics that we provided at our 2025 Investor Day.

I'll now turn the call over to Lori, who will begin on Slide 3.

Lori Koch^ Good morning and thanks everyone for joining our call.

Earlier today we reported our third quarter financial results which again exceeded our previously communicated guidance, demonstrating the strength of our portfolio and the consistent execution of our team. Broad-based sales growth, combined with a continued focus on productivity, enabled organic growth of 5%, 90 basis points of margin expansion, 31% adjusted EPS growth and robust free cash flow conversion in the quarter. As a result of our performance,

we are again raising our full year 2026 financial guidance for organic sales growth, operating EBITDA and adjusted EPS, all at or above the high-end of our previously communicated range. Antonella will provide further details shortly.

We also continue to execute our capital allocation priorities. We completed the previously announced $250 million ASR and substantially completed an additional $100 million of open market purchases in the quarter. We also announced our intention to repurchase another $250 million of shares in the fourth quarter. This underscores our confidence in DuPont's long-term growth potential and reinforces our focus on allocating capital where we see compelling return opportunities, including investing in our own shares.

Overall, this was another solid quarter of strong execution. We delivered strong organic growth, expanded margins, generated robust free cash flow and returned meaningful capital to shareholders, all while continuing to advance our strategic priorities.

Moving to our strategic priorities on Slide 4, we continue to strengthen the operating framework that connects our culture, planning and execution. Our focus remains on accountability, productivity and performance excellence with the objective of building a more consistent and sustainable growth engine.

Innovation Excellence continues to strengthen DuPont's ability to turn differentiated technology and application expertise into opportunities for sustainable growth. We are enhancing the quality of our innovation portfolio through more rigorous portfolio management, stronger visibility to accretive growth opportunities and differential resource allocation. In the past quarter, we substantially increased our front-end innovation pipeline and increased the grow versus renew ratio of our innovation portfolio by about 5%, ensuring that our vitality index remains strong in the mid-30% range.

The results are increasingly visible across our growth markets. In Water Technologies, we expanded our bioprocessing portfolio with a new purification technology aimed at the fast-growing peptide therapeutics market including GLP-1 drug. This product helps pharmaceutical manufacturers achieve the purity, yield and scale needed to meet rising demand for these therapies. In addition, we launched Tyvek® with Renewable Attribution in the quarter, which provides customers with a solution that maintains the superior performance they know while supporting progress on sustainable material sourcing and carbon footprint reduction.

Commercially, we continue to see strong order patterns, with the total company order book solidly up double-digits year-over-year. In addition, we are strengthening the connection across innovation, marketing and sales into a more systemic growth engine, enabling better win rates, faster activation of sales plays, stronger launch readiness and more disciplined execution from opportunity creation through conversion.

The focus on this connection is driving key customer wins.

Our adhesive business recently secured a customer win with BETATECH™, an advanced thermal material that maintains optimal battery temperatures and helps automakers enhance vehicle performance, reliability and circularity. Our Vespel® custom engineered seals were recently selected for their exceptional durability, wear resistance and thermal stability, enabling safe, reliable fuel transfer during launch operations and showcasing our ability to solve complex aerospace challenges. In addition, we were recently awarded the largest containerized desalination project in EMEA, where our ultrafiltration modules provide greater efficiencies from a cost and space perspective, increasing the amount of clean drinking water that can be produced in each container.

Operational Excellence continues to deliver measurable results. We completed more than 20 Kaizen events during the quarter across our businesses and functions with a continued focus on safety, quality, delivery, inventory and costs. We are seeing the results of this work in our key performance indicators, delivering over 2% net productivity in the quarter, which was also a key component of our margin expansion. Additionally, our OTIF improved by more than 100 basis points, marking the third consecutive quarter of improvement. More broadly, the adoption of AI tools continues to accelerate as we work to connect our business system framework to AI-enabled tool sets. We are seeing faster and better decision-making from our teams on the factory floor where we are starting to realize material benefits in the areas of planning and quality.

Our 2026 financial performance continues to demonstrate the strength and quality of our portfolio, positioning us above the high-end of all of the medium-term targets we established at Investor Day. We have a strong foundation for consistent, profitable growth supported by attractive end-market exposure, continued operating leverage and robust cash generation. We will enter 2027 with confidence in our ability to execute and the significant opportunity we have to drive earnings growth and create long-term shareholder value.

With that, I will now turn the call over to Antonella to cover the financials and outlook in more detail.

Antonella Franzen^ Thanks, Lori, and good morning, everyone.

Strong operational execution and broad-based growth drove another quarter of results ahead of our financial guidance. Organic growth and disciplined productivity translated into strong operating leverage and meaningful margin expansion. Additionally, our businesses continue to convert earnings into cash at a high rate, giving us significant financial flexibility.

Beginning with our third quarter financial highlights on Slide 5. Net sales of $1.9 billion were up 4% versus the year-ago period on 5% organic sales growth, partially offset by a 1% headwind from currency. Top-line growth was broad-based, led by continued strength in healthcare and aerospace, as well as year-over-year growth in Building Technologies on gains in North America and Asia.

From a segment view, during the quarter, organic sales grew 4% in Healthcare & Water Technologies and 5% in Diversified Industrial.

Third quarter operating EBITDA of $469 million increased 8% versus the year-ago period on organic sales growth and productivity. This resulted in operating EBITDA margin of 25.1% in the quarter, an increase of 90 basis points year-over-year.

Turning to cash flow, we delivered transaction-adjusted free cash flow of $341 million and related conversion of 121%, underpinned by earnings growth and net working capital productivity. Based on our year-to-date results, we now expect our full year free cash flow conversion to be approximately 100%, nicely ahead of our 90% target.

Turning to Slide 6, adjusted EPS for the quarter of $2.09 was up 31% versus the year-ago period. Stronger operations, benefits from higher cash, capital allocation and actions taken to lower the tax rate drove 24% of the increase.

Turning to our segment results on Slide 7. Healthcare & Water Technologies' third quarter net sales of $865 million were up 4% versus the year-ago period, on 4% organic growth.

For the third quarter, Healthcare sales were up mid-single digits percent on an organic basis versus the year-ago period. Organic growth was led by double-digit gains in personal protection and medical packaging.

Water sales were up low-single digits percent on an organic basis on strength in industrial water and double-digit gains in semiconductor and specialty markets, partially offset by continued disruptions in the Middle East. Excluding the Middle East, organic sales increased mid-single digits percent in the quarter.

Operating EBITDA for the segment during the quarter of $263 million was up 7% versus the year-ago period on organic growth and productivity gains. Strong operating leverage resulted in operating EBITDA margin of 30.4%, an increase of 80 basis points year-over-year.

Turning to Diversified Industrials. Third quarter net sales of $1 billion increased 4% versus the year-ago period, on 5% organic sales growth, partially offset by a 1% headwind from currency.

At the line of business level, organic sales for Building Technologies were up mid-single digits percent on growth in North America and Asia. Growth in North America was broad-based led by share gains and building envelope for residential markets.

Industrial Technologies organic sales were up mid-single digits percent on double-digit gains in aerospace and electric vehicle battery applications.

Operating EBITDA for Diversified Industrials of $242 million was up 11% versus the year-ago period on organic growth and productivity. This translated to operating EBITDA margin in the quarter of 24.1%, an increase of 140 basis points versus the year-ago period.

Turning to Slide 8, we are again raising our full year 2026 financial guidance, with all metrics at or above the high-end of our previously communicated range.

For the full year 2026 our net sales guidance now assumes organic growth to be approximately 4.5%, reflecting our performance to date and continued strength across most of our key end-markets. We now expect sales to be about $7.19 billion, an increase of $15 million from the midpoint of our prior guidance and at the top end of our prior guidance range. While we have the orders in hand for our large water projects in the Middle East, given the continued disruptions, our guidance now assumes these projects will be pushed into 2027. Continued

strength in our other end-markets allowed us to raise our guidance to the high-end of our previous range.

Operating EBITDA is now expected to be $1.785 billion, an increase of $25 million from the midpoint of our prior guidance, reflecting our stronger third quarter results as well as increased productivity benefits as we exit the year. Our operating EBITDA growth represents about 40% incrementals and translates into margin of 24.8%, an 80 basis point improvement year-over-year. We continue to expect to fully offset higher input costs through pricing actions already taken.

Our adjusted EPS at the midpoint of $7.50 is a $0.25 increase versus our prior guidance and represents a 22% increase compared to the prior year pro forma. Underlying business performance, coupled with the benefits from capital deployment, are driving the year-over-year increase.

For the fourth quarter, our estimated net sales of $1.825 billion assumes organic growth of about 8% year-over-year, driven by continued strength in healthcare, aerospace and industrial, water end-markets, as well as pricing actions taken to offset higher input costs.

As a reminder, our fourth quarter 2025 net sales included a headwind of $30 million, or 2%, from the order timing shift into the third quarter 2025 due to separation-related activities. Currency is expected to be neutral in the quarter. Operating EBITDA is expected to be $455 million, resulting in operating EBITDA margin of 24.9%. Adjusted EPS is expected to be in the range of $1.90 to $1.95 per share, representing an increase of 17% to 19% compared to the prior year pro forma.

For the Healthcare & Water segment, we expect fourth quarter organic sales growth in the high-single digits percent range, led by strength in personal protection, medical devices and industrial water market.

For the Diversified Industrial segment, we expect fourth quarter organic sales growth in the high-single digit percent range on continued strength in aerospace and electric vehicle battery applications.

Before I close, I want to recognize and thank our teams around the world. Our strong performance this year is a direct reflection of their dedication, exceptional execution and commitment to our customers. We have built strong momentum through the first nine months, and we remain focused on carrying that momentum through the balance of the year. With

leading positions in attractive markets, a strong execution mindset, and an exceptional team, I'm confident in our ability to finish the year strong.

With that, we are pleased to take your questions, and let me turn it back to the operator to open the Q&A.

Operator^ (Operator Instructions) And our first question comes from the line of Jeff Sprague with Vertical Research Partners.

Jeffrey Sprague^ Nice to see the volume and the internal initiatives all coming to --

Antonella Franzen ^ Jeff, it's really hard to hear you.

Jeffrey Sprague^ How about that? Any better?

Antonella Franzen ^ Much better.

Jeffrey Sprague^ Okay. Sorry about that. I wanted to see if we could unpack a little bit just the impact of the internal initiatives on what's going on with margins relative to the volume lift you must be getting. And I'm sure you're -- you view yourself as relatively early in these internal initiatives. But maybe you could just give us a little perspective on the runway you have there.

Lori Koch^ Yes, thanks Jeff. Yes. We are seeing a lot of momentum on the productivity side. That was a big piece of the improvement that we saw in overall EBITDA margins in the quarter of about 90 basis points on a pro forma basis. So off to a really great start. We've mentioned that we're targeting a net 3% productivity in the COGS, meaning that we would drive a net 3% reduction there outside, obviously, volume increases.

So we're well on our way. In the quarter, we were a little over 2% net productivity which drove about 100 basis points of the EBITDA margin lift that we saw in the quarter, which was slightly offset by some growth investments that we continue to make within the organization. So really nice improvement. It's really coming from many different levers, not only improvements in cost of poor quality and volume variance, with being able to get more production off of the fixed asset base, but also on the procurement side. Especially in a tough market where obviously there's a lot of oil and gas headwinds, we are driving procurement savings as well.

Then from a top line perspective, really nice improvement in OTIF and defect rates. So we've made steady progress in OTIF. We target 95% is our ultimate target on a delivery to request date, not a delivery to promise, so even a higher bar for us, and we're in the low 80s now. So lots of room for improvement, but we've also made a fair amount of improvement. So we're really happy with the progress.

Jeffrey Sprague^ Great. Then maybe just a more near-term question. Just the water-related projects in the Middle East that were sort of a question mark. So how much revenue was that, that you pushed out of your '26 plan into next year? $25 million or so?

Antonella Franzen^ We actually pushed out about $15 million, Jeff.

Jeffrey Sprague^ $15 million. Great.

Operator^ Our next question comes from the line of Scott Davis with Melius Research.

Scott Davis^ Congrats on a good couple -- several quarters in a row here of improvement.

But look, I wanted to move over a little bit on the innovation side. Jeff took my question on quality and delivery, which I think is really important for you guys. But on the innovation side, it seems like something that's getting some sort of traction. Is it possible to, I don't know, measure it? I mean I guess when you talk about Vitality Index, sometimes that can mean different things to different people because you could just be adjusting a product a little bit. But are you seeing more of an impact on your growth or your margins on the new product flow? And -- that sometimes can answer that question a bit.

Lori Koch^ Yes, I would say it's both. So on the growth side, in our Vitality Index, which last year was about 35% -- we're targeting a similar number for this year -- the current mix is about 60% replace, 40% growth. So to your point, we need to continue to drive improvement to be able to see more roundly a 50-50 mix between grow and replace.

So in the quarter, as we mentioned on the call, we were able to move our R&D investment more into the growth space, ultimately then leading to more growth coming out of the innovation engine. So we're seeing nice progress. We have a lot of work going on in the front-end space to be able to continue to see that improvement to get to a targeted 50-50.

We've used a lot of AI tools. We have AI agents running in two of our businesses to be able to speed up the front-end. So what used to take us about three months to move something from stage zero into stage one is now taking about five days because of the improvement that we've driven on using AI and to be able to speed up that front-end.

So it's both a growth and a margin improvement story.

On the last year's basis, we saw about 150 basis points of margin lift from the investment that we're making in replace. The replace is not only to keep our product relevant and differentiated in the market. It also helps us on the productivity side to be able to input lower raw material costs and be able to get those requalified. So that's primarily what we see on the replace side.

Scott Davis^ Okay. That's super helpful. And has that -- have you had to change the entire organization around how you really deliver that kind of product flow, getting closer to the customer or closer to the facilities? I mean what -- I mean DuPont, I think, historically, always centralized a lot of its R&D. Have you guys culturally and physically changed that?

Lori Koch^ Yes. So there's no -- there's really no centralized R&D anymore. It all fits within the businesses and under the business's P&L responsibility. So that was one big change that we made several years ago that we've continued to keep in place because they obviously know what the customer wants, which feeds our innovation engine. So that's been a nice piece of it.

Another piece is really just around the discipline that we've introduced into the system. So we've got all the data in one place where we can see where we're making our investments and making sure that we're differentially investing. We spend about 2.5% of sales in total on R&D, and that's differentially applied to the different businesses to make sure that we're investing more heavily in those that have higher growth entitlement. So we've been able to look, see where we're investing our resources, making sure that we're investing them back to the 80/20 work that applies to R&D investment as well, making sure that the R&D is being invested into the "80" and making sure that we grow the "80" so that we can see overall lift improvement with respect to growth.

Operator^ Our next question comes from the line of Joe Ritchie with Goldman Sachs.

Joseph Ritchie^ So I just wanted to first touch on the revenue beat this quarter. I think it was a little over $30 million higher than what the guide was for the quarter. I'm just wondering, how

much of that came from additional pricing you put through versus just the volume recovery that you're seeing across the end-markets that you highlighted earlier?

Antonella Franzen^ Joe, it's Antonella. So about -- of the $30 million beat or so, about $10 million came from incremental price that got put into place in the quarter and the other $20 million was more from volume.

Joseph Ritchie^ Okay. Got it. That's helpful, Antonella. Then just a quick question. Obviously nice to see the -- how aggressive you guys are being from a share buyback perspective. As we think out beyond the fourth quarter, I mean should we start penciling in a $250 million buyback? Just how are you guys thinking about that versus your other M&A priorities because I know you still want to change the mix of your business to be more healthcare and water focused.

Antonella Franzen^ So Joe, I would say we do have a lot of financial flexibility given where we are. We have a nice position of cash on the balance sheet. Our net debt-to-EBITDA is at 1.1x. So we have a lot of balance sheet flexibility as well.

I view the buybacks as us being more opportunistic versus saying that we have an automatic $250 a quarter. So again, we have the flexibility. So given any timing of potential M&A, we'll determine how much we are doing relative to share buybacks.

Operator^ Our next question comes from the line of John McNulty with BMO Capital Markets.

John McNulty^ I had actually two for the D&I side. So maybe the first one just on -- on the construction piece, you seem to be doing a lot better than some of the other players in that end-market. I guess can you speak to the drivers behind that?

It sounds like some of it is around maybe a better approach from a building envelope side. Just curious if that's the heavier weighting or if it's more about the specific end-markets that you're maybe having access to, whether it's data centers or fabs or what have you. I guess maybe just unpack some of the growth that you're seeing in that business for us. That would be great.

Antonella Franzen^ Sure. So let me -- there's a couple of things let me talk about here. So when you take a look at our Building Technologies business, I would first say the team has done a really good job in what has been a relatively tough market, I would say, over the last five years at this point.

So we are definitely outperforming the overall market, based upon the weightings of where we play, would suggest that the overall market is down low-single digits, and our business has performed really well. I would bifurcate that between volume and price.

So from a volume perspective, I would say we're expected to be relatively flat, and that's compared to a down market. Then we are getting pricing as well, which is really helping to drive the organic growth up.

But where that's coming from the outperformance relative to the market is really in two factors. We have some share gains, and we also have some favorable mix as well. And just to unpack that a little bit more for you, when you think about the national builders and the large regional builders, we do see more conversions to our house wrap, to Tyvek®. That's clearly benefiting for us.

Then also, we've talked before that we do have a nice presence in the multifamily. So within multifamily, increased penetration in that area typically brings, I would say, a broader bundle sale as well. So that's helping to drive the revenue as well.

John McNulty^ Got it. No, that's really helpful color on it. Then I guess the second piece would be more on the industrial side. It's -- the last couple of quarters, you've highlighted aerospace as a big crown jewel. I guess can you help us to scale that business? And maybe think about the backlog that you see and how that may be playing out as we look out, say into 2027?

Lori Koch^ Yes. So aerospace has done quite well for us. It's about $300 million or 3% of revenue or so, but really growing in the double-digit range and the backlog that we have is quite sizable as well. So this is one of our businesses across the whole portfolio, where we do have more visibility than others. So we generally can start each quarter with full order book and start each year with a pretty good sign of where we'll land.

So we had highlighted on the call that a nice win we had with our Vespel® business. We've got really great relationships with all the large OEMs. On the Tedlar® side, the same thing. So Vespel® is more within the engine. Tedlar® is more within the body of the plane, and both of them are seeing a similar amount of both low double-digit growth. And we continue to see that level of growth for the foreseeable future.

Operator^ Our next question comes from the line of Chigusa Katoku with JP Morgan.

Chigusa Katoku^ So my first question on the Diversified Industrial margins. I think they were especially stronger than what I had expected. Understanding you're driving a lot of good productivity, just curious to know what drove the outperformance. Then, I think it's just expected to step down sequentially in the fourth quarter. So what's driving that, too?

Lori Koch^ Yes. We've seen really nice margin improvement within DI every quarter this year. So part of it is a little bit of favorable mix. Obviously, to the conversation we just had with the -- with the low double-digit growth within aerospace, that does have a really nice margin portfolio for us to be able to drive improvement.

The other piece is just the focus on productivity in 80/20 that we're feeling within that business. And so we've called out a few times the opportunities that we have from an 80/20 perspective that we've been piloting within Beth's businesses within DI. So we continue to believe that we'll see a few million dollars of benefit this year from the 80/20 work and then a runway to tens of millions on the initial scope that we first put in place, which is about $700 million of revenue.

We've since expanded that 80/20 work to the Molykote® business, which is about a $200 million business, and we see a few million dollars of opportunity there on the pricing side where we put the 80/20 methodology to work.

So just really nice improvement, really nice focus on productivity. We've had some businesses that have had assets that have run sold out and driven sizable improvement within capacity release that have helped the margin profile as well.

Chigusa Katoku^ Okay. Then as a follow-up on the pricing side, I think you just earlier mentioned about $10 million of incremental price this quarter. So I guess a few bps was pricing closer to maybe 3% this quarter. Are you offsetting inflation on a dollar-per-dollar basis or maybe better? Then how should we think about it heading into next quarter?

Antonella Franzen^ Yes. So we are offsetting inflation on a dollar basis. I would say for the full year versus the $90 million of pricing we had previously discussed, that's now closer to $110 million.

So you could expect that the fourth quarter pricing will be pretty similar to the third quarter pricing that you're seeing as well. And again, obviously the team continues and will continue to, if prices continue to move, to take action to make sure that we continue to offset any incremental costs.

Operator^ And our next question comes from the line of Chris Parkinson with Wolfe Research.

Christopher Parkinson^ Just wanted to drill down a little bit more into Healthcare Tech. You've been consistently citing basically broad-based strength across the portfolio. But for the intermediate to long-term, do you see any further divergence between the personal protection market versus more of the med packaging? It seems like there's some newer products in there that could actually affect the growth rate. Just trying to get to the heart of the longer-term growth algo within that business by subsegment.

Lori Koch^ Yes. So we can -- there is a bit of a bifurcation underneath the Tyvek® business in general, which is what you're referring to. So we've got -- and broadly in healthcare, there's Tyvek®, which is about $1 billion and the remaining $800 or $900 million or so is the med device businesses with Liveo™ and Spectrum.

So on the Tyvek® side, the med packaging is about half of the revenue, and the garments is about the other half. So garments will generally grow alongside industrial production, give or take, so in the 2% to 3% range. And med packaging will more be along the surgical procedures which are in the mid-single digit range. And so we've got a nice opportunity to continue to drive expansion in both.

So we talked about Tyvek® with Renewable Attribution on the call that will give us a more -- profile that is in line with the sustainability initiatives of our customers. On the garments side, we've talked in previous calls about the Apex garments, which are coming out, that provide more comfort and flexibility and breathability that will allow us to be competitive within the garment space.

But overall, the net tieback should be butting up against 4% from a volume perspective, and then we obviously expect to drive above-market growth just based on the investments that we're making in the business. But they'll generally be about 2% to 3% alongside industrial production for garments and then in the 5%-ish range for the med packaging side.

Christopher Parkinson^ That's very helpful. And just as a follow-up, Lori, we're exactly one year, more or less, away following the Qnity spin. I think everybody always focuses on the company that's been spun out and the opportunities for independence.

I'd love to give you the opportunity to say what have you been doing differently? What are you satisfied with year one, in terms of the more nimble industrial portfolio? And what should we be looking forward to for '27 and '28?

Lori Koch^ Yes. So it has been a year. November 1 and -- both are off to a really great start.

So Qnity continues to produce really, really strong top-line growth. They're squarely in the AI data center trade, and they have a lot of runway on the multiple side. So they should be up with Entegris in my opinion. So they've got a lot of room for opportunity to drive growth.

On the DuPont side, I'm super proud about what we've driven out of the gate, as well. So we are at the top end, or above, our medium-term targets that we just put out a year ago on all metrics: on growth, on margin expansion, on EPS and on free cash flow generation. So off to a really great start.

What makes me the most proud is a nice mix of both the top and the bottom line.

So it’s driving growth. It's really focusing on our Innovation Excellence and in our growth rooms and our Commercial Excellence opportunities that you're seeing play out, especially in a pretty choppy market. So you consider that we've got 4.5% organic growth this year. We still have about 40% of our portfolio that's down, on the construction side and the automotive side. So when you look at those two markets, low-single digit declines in both. We're still posting 4.5% growth speaks to the quality of our portfolio on the growth side.

Then on the productivity perspective, I would say we're a little ahead of where I would have expected to be. So we said 50 to 70 basis points or so a year of annual lift, and we're sitting at 80 with a headwind of about 40 from price cost. So really nice, strong performance out of the gate.

So I'm just really proud of the team. I see a lot of momentum going forward. We've got a very energized, quite fun team, to be honest. So I'm really happy with where we're sitting.

Operator^ Our next question comes from the line of John Roberts with Mizuho.

John Roberts^ Nice quarter and nice guidance. How does the bolt-on pipeline look in both the water and healthcare areas? Is the increased buyback a sign that it's kind of thin right now and are higher interest rates affecting deal activity?

Lori Koch^ No. I mean the pipeline remains robust. So we've got enough cash to be able to do both. So we've -- since we came out of the gate, we've announced the intent to buy back about 7% of our shares. So a nice improvement there, and it still leaves us with about $1.5 billion of firepower to be able to do some accretive growth in M&A.

So we've just been really diligent about what we're going after. We've got a defined set of financial parameters that we're operating within, and we have assets that can check those boxes. We're just being prudent and playing the process along the way.

So I still -- I still am looking for some M&A opportunities, but we're not going to make a hasty decision and do a deal just to do a deal. We're going to make one that's right down the middle of the fairway, and you can see really good returns on our end.

In the meantime, trading below 12, for the high-quality portfolio that we have, tells me I should be buying back my shares whenever I can.

John Roberts^ Okay. Then back to Building Solutions. Have raw materials stabilized in that segment now?

Antonella Franzen^ Yes. I mean overall, obviously we continue to look at both where the price of oil is as well as the price of natural gas as we have some production in Europe as well. And as you saw in our results this quarter, as things move, we will act and we will move as well, and we have clearly offset all of our inflationary costs.

Operator^ Our next question comes from the line of Josh Spector with UBS.

Joshua Spector^ I wanted to follow-up on some of the productivity comments. So I think you said 2% net productivity achieved in the quarter that delivered something like 90 basis points margin improvement, maybe more.

What does the 3% net productivity mean as it relates to your algo? Does that mean you should be delivering greater than 50 to 70 basis points of margin improvement as you look over the next couple of years? Or are you reinvesting that some place within the business that we should see that offset?

Antonella Franzen^ Yes. I think you just got to make sure you don't double-count because we're talking about net productivity within COGS.

So we will take those costs out. Some of those cost outs helped to offset inflationary pressures in other areas of the P&L because that 3% is net in COGS. So it will take care of inflation in that space, but you will obviously have some inflation in SG&A. Then to your point, there are some investments as well.

So for example, if you look at our third quarter performance and our overall 90 basis points of margin expansion we had, about 120 basis points of that was driven by the combination of growth and productivity benefits, offset by oil and gas inflation, and then we had a little other positives from some FX moves in there that got us to the 90 basis points overall.

So just to keep in mind, as Lori mentioned earlier, that net productivity target does include the benefit of volume. So you just got to put that into the equation as well.

Lori Koch^ Yes and the oil and gas inflation was just a margin headwind. So we are full on a cost dollar basis. It's just that the math suggests the margin headwind.

Joshua Spector^ Okay. No, I appreciate that. That's very helpful. I do want to follow-up quickly just on Water organic. Looking at your reporting this year, the Middle East each quarter has been a low-single digit headwind. If things stay as they are, is the base business going enough that you could see mid-single digit growth return next year, assuming the Middle East stays as it is, understanding that's a pretty big assumption?

Lori Koch^ Yes. So I mean if you look at our full-year expectations for Water, right now there's about 1% organic growth baked into our guide with the push that we made on the Middle East projects. If you take out the Middle East from those numbers, we would be up more in the mid-single digit range alongside where the GWI, the Global Water Index, sits.

So assuming no material improvement, or deceleration, in the Middle East for next year, then you would expect us to again be in line with where the Global Water Index is, which has generally been in the 4% to 4.5% range. So we've got really nice performance outside the Middle East that's been able to give us overall low-single digit growth, but obviously we've been impacted by that.

But we haven't lost -- I mean the -- it's one business. So it's just a matter of when the stabilization happens in the region so that we can ship the materials.

Operator^ Our next question comes from the line of David Begleiter with Deutsche Bank.

David Begleiter^ Lori, a little bit more on that question. Looking into 2027, early look, what's in your control? What's not in your control? And what could that mean for EBITDA growth? I see consensus is up 5% year-over-year. I think you can probably do better than that, but any early thoughts on 2027?

Lori Koch^ Yes. So we'll give full color on 2027 on the next call. But as of right now, if we look at it strictly from an end-market perspective, let's leave the Middle East conversation that we just had to the side, we kind of see a similar end-market performance with a slight improvement in automotive.

So this year, automotive is down 1.5% to 2%. I think the initial expectation for next year is to be up slightly. But every other end-market, we're generally thinking would be consistent. So nice mid-single digit growth in healthcare markets, nice mid-single digit growth in water, ex the Middle East situation, a similar environment within the construction space and generally a similar environment in the in the 3% to 4% range for industrial production.

So given that top-line algorithm, we should - and the productivity initiatives that we still have in place - then you would continue to expect to us to be able to compound some margin expansion on top of a top-line opportunity that's pretty similar to this year. But we'll give full color as we get into '27.

David Begleiter^ Very helpful. And just on pricing, how much pricing is being carried over to next year? I know most of this is surcharges, but how much pricing tailwind could you get for, benefit from in 2027?

Antonella Franzen^ Yes. So we started predominantly our pricing actions in May of this year. So it was kind of in the middle of the second quarter. So clearly, it'll have a full carryover effect into Q1 and part of that into the second quarter as well.

Operator^ Our next question comes from the line of Matthew DeYoe with Bank of America.

Matthew DeYoe^ To kind of build a little bit on Dave's question, how -- are there any opportunities to move some of these price surcharges to more structural price increases as inflation stays probably stickier for longer than maybe we had been thinking about?

And I might have missed this, so I apologize. But on the net productivity benefits of 2%, I know that was consolidated, but do you know how much of this went into D&I versus Healthcare & Water?

Lori Koch^ Yes. So I mean maybe to your first question first on the pricing side. So we'll obviously look to see how the market plays out and that we can remain competitive and favorable. But we have a really good track record of maintaining price whenever there's been increases and then we've been able to hold the increases. So we'll look to see what the competitive landscape looks like.

As of right now, as Antonella had mentioned, that we would expect a flip of the second half price improvement that we saw from the oil and gas perspective to be in the first half of this year. Then we'll see how the remaining half plays out, assuming the Middle East and oil and gas stay generally where they are today.

To your second question –

Antonella Franzen^ So related to the productivity and where it went in the quarter, I would say both businesses had net productivity above the 2% mark, in the quarter.

Operator^ Our next question comes from the line of Vincent Andrews with Morgan Stanley.

Turner Hinrichs^ This is Turner Hinrichs on for Vincent. Do you mind giving us a little early color about how you're thinking about 2027 relative to the algorithm? What might take us to the high or low end of 3% to 4% organic growth? And any puts or takes on margins in particular?

Lori Koch^ Yes. So I mean I think if we look at strictly an end-market perspective, generally 2027 feels similar to 2026 with the exception of, we're not quite sure, obviously, what the Middle East does.

So we're making the assumption that it stays the way it is today from both the pricing stays in place and the water impact doesn't improve. We don't see a big bump coming back next year with respect to the projects that were pushed, but we also don't see the growth headwind that existed as well.

So we'll see -- the only material change we see in end-markets is maybe a slight improvement in auto builds from being down 1.5% to 2% this year to being slightly up. But where we see the

outperformance this year, we expect to see it next year with the EV battery side within automotive, aerospace continuing to do quite well. Healthcare is continuing to do quite well.

On the productivity side, we still have runway to the targets that we set with respect to net 3%. So we did -- we did a little over 2% this year. So really nice improvement that we've got runway to continue to see improvement in that area.

Operator^ And our next question comes from the line of Patrick Cunningham with Citigroup.

Patrick Cunningham^ I was hoping you could provide an update on the Water side in terms of what you're seeing in terms of semiconductors? What are you seeing in terms of growth from that business? And what are your expectations for volume and mix lift into 2027?

Lori Koch^ Yes. So we saw really nice performance on the semiconductor side in the Water business. So it's about 20% of the ion exchange, which is about half of the portfolio, and we saw it up in in the 20% range in the quarter. So obviously, driven by the AI data center lift that's going on. So really nice performance there.

In general, outside the desalination situation in Middle East, all of our end-markets are doing quite well in Water. So you've got the wastewater treatment side doing quite well. You've got the specialty side in food and beverage and biopharma filtration doing quite well. Then obviously the piece that we mentioned at the top end would be on the microelectronics side.

Patrick Cunningham^ Great. You talked a little bit about this on the call, but I was hoping you could elaborate and provide some examples, some of the AI-enabled tool sets both in terms of manufacturing productivity and on the commercial side and where you're already seeing returns? How much do you expect to do in terms of further technology investment there?

Lori Koch^ Yes. So if I think about it in the three main buckets of innovation, commercial and productivity, we've got really nice opportunities to drive really strong returns in all three.

So on the innovation side, we talked about the focus right now being on improving the front-end. So not only improving the dollar amount that sits in the front-end, but also significantly reducing the time, to be able to advance projects into stage one. So we've taken two businesses where we piloted AI agents that we've created that have improved, what used to be a front-end process of about three months, to roundly five days. So really nice improvement there and being able to speak to the speed at which we go to market.

On the commercial side, we've been using sales plays that are enabled by AI tools to be able to shorten the development of the sales play opportunity. We first piloted it in garments, and we saw roundly $5 million or $6 million of lift on the top line within the Tyvek® garment space from the AI-enabled sales opportunity.

We're also using it on the customer service side to be able to create a much broader portfolio of touchless -- touchless order opportunities on the customer service side to driving productivity.

Then finally, at the plant level, we've been investing on the reliability and maintenance side in tools that allow us to be able to assign the right level of resources to the different maintenance opportunities that exist so that we can see overall lower maintenance costs.

And we've also been implementing some AI tools on the visual management side, especially within the Tyvek® business from an inspection perspective. So taking what used to be a visual inspection process done by an operator and moving that to a digital tool so that we can reduce our labor costs.

So nice lift across all three phases of our overall Business System when you think about the frameworks of operations, commercial and innovation. So I'm really excited about the opportunity.

Every exempt worker within the company has access to Copilot and the usage is really, really high. We've been piloting some co-work opportunities within some spaces in the business, and we've also implemented the Copilot for the sales force to be able to drive productivity there.

Operator^ Our next question comes from the line of Abigail Eberts with Wells Fargo.

Abigail Eberts^ Congrats on the quarter. Just a question on your geographic distribution for your auto business. I know you mentioned you expect very modest growth next year. S&P has global builds up less than 1%, but that isn't unanimous across regions. They are expecting some declines in certain areas. So just wondering where your exposure lies.

Lori Koch^ It's not materially different from the global auto builds. With the one exception that within China, our presence right now is more with the multinational players than it is with the local players, from a China perspective. So we're more exposed to North America and the Western OEMs, than we are within China to the BYDs and the Geelys and the others.

But on the EV battery side, which is where a lot of our opportunity is sitting, that is pretty broad-based. So we've seen about a 60% lift in our EV battery sales this year, which is driving really nice performance for us, and we would expect to continue to see real nice growth there, sizably outpacing the EV battery car build numbers as well.

Operator^ Our next question comes from the line of Arun Viswanathan with RBC Capital.

Arun Viswanathan^ I just wanted to get maybe some initial thoughts on '27, if possible. You got a pretty good '26 on both pricing and volume growth in the mid-single digit range. I know you've highlighted a lot of those reasons on the call already and objectives. But just wondering, given the backdrop of uncertainty and recent inflation, do you still see mid-single digit growth across both verticals likely? Or how should that play out as you move through '27?

Antonella Franzen^ So I would say, I think we've talked about the end-market expectations into '27 a couple of times on the call. So just to reiterate, we'll give our formal guidance on our Q4 earnings call. When you look at things from a market perspective going into 2027 and you put aside the Middle East, we expect the underlying markets to perform similarly to what we saw this year with the only exception really being auto builds that were down this year that are expected to have a little bit of growth next year. So we will provide explicit commentary by each of the businesses as we get into the next quarter call.

Operator^ Our final question comes from the line of Aleksey Yefremov with Barclays.

Aleksey Yefremov^ I seem to recall you changed your sales incentives to commission-based pay. I wonder how that is going?

Lori Koch^ Yes. So it's changing in January. So we've been putting the process in place and communicating with the sales organization about the change throughout 2026. We piloted it a little bit on the variable compensation side. So we gave them targets that will determine their individual performance factor on the variable compensation side today, which is the STIP that everybody gets within the organization. So we will officially move January 1st with a few exceptions in Europe where we have to wait a year just given the works council requirements.

But the initial feedback is a lot of excitement around the opportunity for the salesforce to be able to have more control over their overall compensation, which ultimately would be to higher

growth for us when those two pan out together. So we're excited about the change and the opportunity that it will bring.

Aleksey Yefremov^ A follow-up on Healthcare. Just wonder how your medical device end-market is doing relative to packaging and protection?

Lori Koch^ Yes. They're all nicely growing in the same general vicinity. So we saw a really nice performance in 2026 across the Healthcare space.

Operator^ That concludes our question-and-answer session. I will now turn the call back over to Ann for closing remarks.

Ann Giancristoforo^ Thank you everyone for joining our call. For your reference, a copy of our transcript will be posted on DuPont's website. This concludes today's call.

Operator^ Ladies and gentlemen, this concludes today's call. Thank you all for joining. You may now disconnect.