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DuPont Specialty Products USA, LLC

4Q 2025 Earnings

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CORPORATE SPEAKERS:

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DuPont Specialty Products USA, LLC; Chief Executive Officer

Antonella Franzen

DuPont Specialty Products USA, LLC; Chief Financial Officer

PARTICIPANTS:

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Vertical Research Partners; Analyst

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Melius Research; Analyst

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JPMorgan; Analyst

John McNulty

BMO; Analyst

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Joshua Spector

UBS; Analyst

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KeyBanc Capital Markets; Analyst

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Vincent Andrews

Morgan Stanley; Analyst

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PRESENTATION:

Operator^ Ladies and gentlemen, thank you for standing by. (Operator Instructions) At this time, I would like to welcome you to DuPont's Fourth Quarter and Full Year 2025 Earnings Conference Call. (Operator Instructions)

I would now like to turn the conference over to Ann Giancristoforo, Vice President, Investor Relations. Ann, please go ahead.

Ann Giancristoforo^ Good morning and thank you for joining us for DuPont's fourth quarter and full year 2025 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 disclaimer contained in the slides.

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.

As a quick reminder on the basis of presentation for our fourth quarter and full year financial results, our total company net sales, operating EBITDA and adjusted EPS reflect the separation of Qnity and the previously announced divestiture of the Aramids business reported as discontinued operations.

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

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

Earlier today we reported our fourth quarter and full year financial results which were ahead of our previously communicated guidance. We finished the year strong, delivering full year organic sales growth of 2%, operating EBITDA growth of 6% and 100 basis points of margin expansion.

Operational discipline and a focus on productivity were key to our earnings growth and margin improvement. These results led to an adjusted EPS of \$1.68 per share, up 16% year-over-year. Free cash flow generation was strong in the year.

While delivering on our financial metrics, we also executed significant operational and portfolio transformation during the year. We successfully completed the separation of Qnity Electronics, standing up a premier pure-play technology solutions partner to the semiconductor value chain.

We also completed the build-out of my executive leadership team, adding external talent from well-run companies as well as promoting within the organization.

We set the strategic direction of New DuPont, starting with enhancing our core values to drive a culture focused on growth and continuous improvement. This includes building a robust business system and continuing the progress on both our commercial and operational excellence framework.

Finally, we set clear and robust medium-term financial targets aligned with our performance-based culture.

I want to thank our employees for remaining focused on delivering these results and driving the transformation during the year. The momentum and progress we made in 2025 is carrying forward to our 2026 strategic priorities which I will cover on Slide 4.

Consistent with what we outlined at Investor Day, our strategic priorities for 2026 are clear: drive above-market organic growth, continue to build out a robust business system, deploy a balanced capital allocation model, all while consistently delivering financial results.

We have successfully repositioned ourselves and have a streamlined portfolio of leading businesses, the majority of which are aligned to secular end-markets which will enable strong organic growth.

We saw 2% organic growth for full year 2025 and expect it to accelerate to about 3% in 2026. We are well-positioned in secular end-markets and our top line growth will continue to be bolstered by our innovation engine which launched more than 125 new products in 2025.

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Our new products generated greater than \$2 billion in sales this past year, and our vitality index remained strong at about 30%. We are advancing the build-out of our business system and made significant progress last year.

We introduced a core set of enhanced KPIs focused on driving improvement for our shareholders, customers and employees. These KPIs are embedded in our refresh set of management standards, which has added more visibility, rigor and structure to our business processes.

In addition, we will continue to expand the use of Kaizen events across the businesses and functions to identify areas to drive productivity, improve end-to-end processes and accelerate commercial development.

On commercial excellence, we continue to advance the framework across commercial enablement, sales effectiveness and strategic marketing. We have completed a maturity assessment resulting in the identification of key initiatives in 2026 that are primarily on demand generation and pipeline discipline.

Operational excellence enhancements will continue in 2026. Last year, we rolled out an updated set of KPIs aligned with our focus on safety, quality, delivery and cost and refreshed our excellence toolkit with a stronger focus on lean methodologies. In addition, we invested in people and process capabilities across our supply chain and quality functions in order to enhance the customer experience. These improvements and investments will drive overall productivity in 2026.

Across these disciplines, we are also actively deploying digital capabilities and AI to accelerate our progress. Within innovation, we are making investments in our lab to enable streamlined workflows and accelerate our product development cycle time. Within operations, we are utilizing tools in the reliability and maintenance base to improve up-time and reduce costs. And on the commercial side, we are focusing on investments in workflow and process automation to improve the customer experience.

On capital allocation, we have a proven model that enables both consistent investments and high-return organic opportunities as well as bolting on to existing businesses with M&A to enable even greater returns. A strong balance sheet is a priority for us. We will continue to return cash to shareholders through a quarterly dividend, in line with our targeted payout ratio as well as utilizing share repurchases. We previously announced a \$2 billion share repurchase authorization, and we executed a \$500 million ASR in the fourth quarter of 2025.

With these priorities, let's move to our 2026 outlook on Slide 5.

Our financial guidance for 2026 is in line with the medium-term targets that we outlined at our September Investor Day.

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On a reported basis, we expect organic sales to grow about 3% year-over-year, operating margins to expand 60 to 80 basis points and adjusted EPS of \$2.25 to \$2.30 per share. On a pro forma basis, our EPS will grow 10% to 12% year-over-year. Free cash flow generation will be solid with an expected conversion of greater than 90%.

Underpinning our organic growth is a mixed macro environment. Market indicators for Healthcare and Water Technologies continue to expect mid-single-digit growth in both spaces on increasing medical procedures to support an aging and growing population and strong global water demand.

Overall automotive demand is about flat in 2026 with weakness in the U.S. and Europe. However, we continue to expect EV builds to significantly outpace overall builds. In construction, after years of decline, market stabilization is expected with flattish demand year-over-year.

We are off to a good start to the year. Our January sales were in line with expectations and overall, we are seeing improving order trends in our Industrial Technologies business which we view as an indication that these markets which were down last year, are beginning to stabilize and recover.

Overall, our teams are executing with a focus on driving growth and operational discipline, and our strategic priorities position us well for long-term value creation. With that, I'll now turn the call over to Antonella to cover the financials and outlook in more detail.

Antonella Franzen^ Thanks, Lori, and good morning, everyone. The fourth quarter marked a strong operational finish to the year. We exceeded our financial guidance on better-than-expected top line mix and productivity, resulting in strong EBITDA and margin improvement in the quarter.

Beginning with fourth quarter financial highlights on Slide 6. Net sales of \$1.7 billion were about flat versus the year-ago period as a 1% organic sales decline was offset by a 1% benefit from currency.

Organic sales consisted of a 1% decrease in volume which included a \$30 million or 2% headwind from order timing shifts into the third quarter from the fourth quarter due to system cutover activities in advance of the electronics separation. Adjusting for the timing shift, organic sales would have grown 1% in the quarter.

Looking at the second half, organic sales increased 2% versus the year-ago period. From a segment view, during the quarter, organic sales grew 3% in Healthcare & Water Technologies, offset by a 4% decline in Diversified Industrials. From a second half perspective, Healthcare &

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Water Technologies grew 5% on an organic basis, partially offset by a 1% decline in Diversified Industrials.

From a regional perspective, in the quarter, we saw organic growth in Europe, up 2% year-over-year, with Asia Pacific down 2%. North America was about flat year-over-year. Fourth quarter operating EBITDA of \$409 million increased 4% versus the year ago period on favorable mix and cost productivity.

Operating EBITDA margin during the quarter of 24.2% increased 80 basis points year-over-year.

Turning to Slide 7, adjusted EPS for the quarter of \$0.46 was up 18% versus the year-ago period. The increase was driven by higher segment earnings of \$0.02, lower interest expense of \$0.04, and a \$0.02 benefit from exchange gains and losses. This was partially offset by a \$0.01 headwind from a higher tax rate.

Turning to Slide 8, Healthcare & Water Technologies' fourth quarter net sales of \$821 million were up 4% versus the year-ago period, on a 3% organic growth and a 1% benefit from currency. Organic growth included a headwind of approximately \$15 million, or 2%, in order timing shifts into the third quarter. Adjusting for this headwind, organic sales growth was 5% in the quarter.

For the fourth quarter, Healthcare sales were up mid-single digits on an organic basis versus the year-ago period. Organic growth was broad-based, led by continued strength in medical packaging and medical devices. Water sales were up low single digits on an organic basis, primarily due to strength in industrial water markets. A majority of the headwinds from the order timing shift was within Water.

Operating EBITDA for the segment during the quarter of \$255 million was up 4% versus the year-ago period, on organic growth and productivity gains, partially offset by growth investments. Operating EBITDA margin during the quarter was 31.1%, flat with the prior year.

Turning to Diversified Industrials on Slide 9. Fourth quarter net sales of \$872 million decreased 3% versus the year-ago period on a 4% organic decline, partially offset by a 1% benefit from currency. The organic decline included a headwind of approximately \$15 million in order timing shifts into the third quarter. Adjusting for this headwind, organic sales declined 2% in the quarter.

At the line-of-business level, organic sales for Building Technologies were down high single digits on continued weakness in construction markets. Industrial Technologies organic sales were down low single digits as strength in aerospace was more than offset by weakness in printing and packaging markets. A majority of the headwind from the order timing shift was within Industrial Technologies.

Operating EBITDA for Diversified Industrials of \$197 million was up 2% versus the year-ago period, unfavorable mix and cost productivity.

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Operating EBITDA margin during the quarter was 22.6%, up 110 basis points versus the year-ago period.

Turning to Slide 10, which outlines our first quarter and full year 2026 financial guidance. For the first quarter, we estimate net sales of about \$1.67 billion, operating EBITDA of about \$395 million and adjusted EPS of \$0.48 per share.

Our first quarter net sales guidance assumes about 2% organic growth and about a 2% benefit from currency. Our operating EBITDA assumes a 10% increase year-over-year and margin expansion driven by business improvement and lower corporate costs.

For the full year 2026, as Lori noted, our guidance is in line with our medium-term targets. We expect net sales of about \$7.1 billion, operating EBITDA of about \$1.74 billion and adjusted EPS of \$2.25 to \$2.30 per share.

Our full year net sales guidance assumes about 3% organic growth and a currency benefit of about 1%. Our operating EBITDA assumes a 6% to 8% increase year-over-year with 60 to 80 basis points of margin expansion. Our adjusted EPS guidance at the midpoint assumes about a 35% increase on a reported basis and an 11% increase on a pro forma basis.

For the Healthcare & Water segment, we expect full year 2026 organic sales growth in the mid-single-digits percent range. This assumed growth is expected to be driven by broad-based strength within Healthcare, primarily due to demand in medical packaging applications and medical devices. In Water, we expect continued growth, primarily driven by demand for reverse osmosis and ion exchange within industrial and municipal water markets.

For the Diversified Industrial segment, we expect full year 2026 organic sales growth in the low single-digit percent range. Within Building Technologies, after a year of market declines, we are expecting 2026 to be about flat, primarily driven by stabilization within U.S. construction markets. In Industrial Technologies, we expect low single-digit growth year-over-year driven by strength in aerospace and demand recovery within markets served by our industrial-based product lines.

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) Your first question comes from the line of Jeff Sprague with Vertical Research Partners.

Jeffrey Sprague^ Nice to see a solid, clean quarter and also, Lori, your opening remarks there, all the focus on internal KPIs and growth and you were working on that along the way. But the shift to execution from portfolio moves is welcome, on my behalf, anyhow.

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Lori Koch^ Thank you.

Jeffrey Sprague^ Yes. Good luck with all that. I wanted to shift to a little bit to the external, if I could.

Can you just put a little bit finer point on the industrial side of the equation, sort of the soft U.S. industrial production in your guide that you mentioned, but then seems a little bit countered by your comments about industrial orders picking up. So maybe just a little bit more color what you're seeing really in the core industrial parts of the portfolio, how orders are trending and what do you think is going on in the channel inventories.

Lori Koch^ Yes, thanks Jeff. So on the Industrial side, so talking ex the Shelter business which we had mentioned, we think will be about flat this year.

So moderating from down mid-single digits in 2025, and the flat on the Shelter side is general, kind of, low single-digit growth expectations for the full year on non-res and repair and remodel and then down low to mid-single digit on the resi side.

But on the Industrial side, it's primarily coming from the Advanced Mobility businesses which comprise of automotive and aerospace and on the consumer-packaged goods side that some of our packaging goods in Cyrel[®].

So we've seen nice order pickup as we exited the year and went into Q1; a lot of it is being driven by aerospace. We're seeing nice low double-digit improvement in orders in aerospace. It's about 3% or 4% of our revenue, so it's in that range.

But all the businesses in that Industrial Technology space are doing nicely and seeing a short-cycle recovery that other names have been pointing to.

Jeffrey Sprague^ Great. Then just on price cost, obviously a lot of attention on metals cost, which is maybe less of an issue for you than some of the metal vendors I cover. But what's going on, on the inflation side of the equation? What price is embedded in the outlook for 2026?

Antonella Franzen^ So Jeff, when -- our organic growth of 3% is predominantly related to volume for 2026. I would tell you, we're not really expecting any significant headwinds from any of the raws, logistics and utilities going into next year. We expect that to be relatively flat. And given our productivity initiatives, we expect to see a nice improvement in our gross margins on a year-over-year basis.

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

Scott Davis^ I echo what Jeff said. Nice to see a more normalized quarter here.

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I wanted to follow-up a little bit on Jeff's question, but on the Shelter side, going from a negative high single digits to something that's more flattish. How do we cadence that into 2026? Is it more back-end loaded or do you see real green shoots here in -- early in the year that you've already seen to be able to call a recovery?

Antonella Franzen^ Yes. So let me start on that one. So when you look at our overall Shelter business, we mentioned that it was down around mid-single digits in 2025. So when we start off 2026, I would tell you that we expect it to be slightly down as we start the year. So part of it is going to be the comps on a year-over-year basis. So just keep in mind that in Q1 of 2025, we were down around 6% in that business. So on a year-over-year basis, when you look at the two-year stack, it's not really changing significantly from the second half of the year where we're exiting going into the beginning of the year. So we do expect a slight improvement as we go through the course of the year, if we start out slightly negative, getting a little bit better. That gets you to the overall flat for the year.

Scott Davis^ Okay. That's helpful. I don't recall hearing Vitality Index on these calls in the past. Maybe you do it and I just haven't heard it. But 30% seems like a pretty robust number, but I don't really have any context to what that's been historically. Perhaps just some color on how helpful is this as it relates to mix or price or volume? Are these iterative, slight improvements or are there real meaningful product changes? Just a little color would be helpful, I think.

Lori Koch^ Sure. Yes. We had first talked about it at Investor Day where we mentioned that the 2024 number was about 30%, and we expect that same performance in 2025. So it is helpful on both the top line side as well as the margin side. So there's work that goes into not only releasing new products where we can get enhanced price and get some incremental share, there's also work that goes on, on the value engineering side to take cost out and deliver margin improvement.

So if we look at the margin profile of those products that comprise any product sales, it is higher than the overall margin of the company. So we're seeing nice lift from both sides.

Our efforts internally -- we did 125 new products last year, we'll expect to continue to do nicely this year. We'll focus on making sure that the shift is happening from renew versus grow.

So you had mentioned the impact to the top line. There is a portion of that 30% vitality index that is replacement and making sure that we stay competitive and differentiated, and we want to continue to do that, but also shift the mix towards growth, so that we can get incremental top line growth out of the innovation engine.

Operator^ Your next question comes from the line of Steve Tusa with JP Morgan.

Chigusa Katoku ^ This is Chigusa Katoku on for Steve. So my first question is on -- so you're making great progress on the margin front and I just wanted to go back to the margin bridge that

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you provided at Analyst Day. You provided zero to 50 bps of productivity here. And I was wondering given the execution, is there potential upside here or are you tracking ahead of plan?

Antonella Franzen^ Yes. So I'll say let's take it one year at a time as we progress through the three-year plan. But I would say we're clearly starting out of the gates in a nice, good spot.

When you look at our guidance for 2026, we have at least 20 basis points of margin expansion coming from productivity. Clearly, the teams are doing a great job. Lori outlined a lot of activities that we have ongoing in the organization. I think you saw some of the benefit of that in our Q4 results. You'll see that continue as we go into 2026, and we'll continue to drive that as we move through the three-year period.

Chigusa Katoku ^ Okay. That's great. Then on the -- the Aramids divestiture, I think is expected to close at the end of the first quarter, which is going to bring in about \$1.2 billion of pretax proceeds, if I remember correctly. Any initial thoughts on what you're thinking about capital deployment?

Lori Koch^ Yes. So we're still in that range of closing around the end of the first quarter, and it will be about \$1.1 billion on a net tax basis. Keep in mind, we've already deployed about half of that with the \$500 million ASR that we announced last quarter and have completed already, which is enabling about 2.5% EPS growth for us this year.

So we'll continue to be shareholder-friendly with respect to deployment of the proceeds. We have mentioned that we would like to continue to add to the top line through M&A. So we've got some opportunities that we're looking at primarily in the Healthcare side right now within similar aspects to what we did with Spectrum and Donatelle.

We'll continue to be mindful, obviously, about ensuring a really strong return. So we'll look to get up to -- higher than our cost of capital by year five with respect to the IRR on the deal.

So we'll continue to be shareholder friendly. We've proven that we've done it in the past significantly, and we'll look to deploy them efficiently.

Operator^ Your next question comes from the line of John McNulty with BMO.

John McNulty^ I wanted to dig into the Diversified margin lift. It was a pretty chunky lift. I guess how much of that is around the mix with the benefit of aerospace hanging in as a really strong driver, versus how much of it is tied to some of that 80-20 work that I know Beth is working on really accelerating as we push over the next 12 to 18 months. Can you help us to think about that?

Antonella Franzen^ Yes. So a couple of things that I would mention there. I would say you're not really yet seeing the benefits of 80-20. It's a little too early. As you know, Beth recently

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arrived. So yes, she is working on that, but the benefits of that, I would say, are to come as we move forward.

When you look at the activity in the fourth quarter, I would point more towards what drove the margin expansion to be a bit of mixed related to the businesses that were growing when you look at the line of business level, as well as a strong push relative to productivity is what really drove the nice margin expansion in the fourth quarter on a year-over-year basis.

John McNulty^ Got it. Okay. Thanks for the color. Then in terms of innovation, you mentioned the Vitality Index. You spoke to, I think it was \$2 billion of growth that you saw from some of the new products. I guess can you help us to think about some of the more exciting innovations, the ones that are starting to move the needle maybe more than others that we should be looking for as we look through '26 into '27?

Lori Koch^ Yes. So the \$2 billion is the total new product sales that are within around the \$7 billion of sales that we reported. So it's a portion of replacement and a portion of growth. So we'll continue to try to shift that mix towards more growth versus replacement in the future.

But as far as exciting innovations that are on the come, I think one for this year, we highlighted on the last call and I'll highlight again, just because it was such a sizable improvement, were the enhanced Tyvek® Garments.

So we announced at a trade show late last year that we came out with a new model that has the best breathability and the best protection in the industry, and we've seen really, really nice customer reaction to that. We announced it first in Europe, and we'll continue to roll it out across the globe.

On the Water side, we continue to advance the latest technology within the Reverse Osmosis side. So this year, we're expanding capacity at our Edina site to be able to produce the Gen 4, which would be the highest-end technology that would enable a significant total cost of ownership to our customers. So we're continuing to advance that and we'll look to commercialize that in 2027.

So those are just two of the highlights, but obviously with 125 new products last year, it's happening all across the portfolio.

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

John Roberts^ Congrats on a good start here.

Could you provide some margin on the four subsegments: Water, Health, Building and Industrial? I'm not sure how much detail you want to provide there.

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Antonella Franzen^ Yes, we typically give color on the revenue side of our segments. But when you do look from a margin perspective, I mean what I would add is you will see margin improvement, I would say in both of our reportable segments as we move forward.

And we'll also obviously get some margin expansion from a lower corporate cost as well, and that's certainly what's going to drive the 60 to 80 basis points of margin expansion in 2026.

John Roberts^ Then your Asia-Pacific sales were down 2% organic. Was that Water supply chain contraction again, or is there something else going on there?

Lori Koch^ No. It wasn't Water. It was primarily within the Diversified side. We had a supply chain change in our Shelter business that was the single largest item. So it was really just a change in the distributor joint venture relationship, so nothing permanent. We'll push it into 2026.

So nothing material. We expect to return to growth across all the regions, both in the quarter and the full year for 2026.

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

Joshua Spector^ I had two questions on Water, maybe one slightly related to the comments earlier on Asia. Is that -- in your forecast, you're talking about mid-single-digit growth in Water for '26. China is lower than that. Can you go into some of the details on why and what you're seeing there? I mean you and some other peers are seeing slower growth in China in general.

Then secondly, does that help or hurt your mix in the overall segment?

Lori Koch^ Yes. So we are seeing a slower start in China with respect to overall growth within the Water business, and it's primarily stemming from just the reduced industrial production in the region. So we'll start in the low single digits in China, in Water, and then we'll ramp into the back half to get over all to that mid-single digit. I think as you had mentioned, our peers are seeing a similar dynamic. So it's really just a reflection of the industrial production malaise in China. About half of our Water is used in the industrial wastewater treatment or industrial utility water space. So when industrial production is down, obviously it would have an impact on that.

As far as the mix, no material change in the mix depending on where the regional growth is on margin.

Operator^ Your next question comes from the line of Aleksey Yefremov with KeyBanc.

Paul Staudinger^ This is Paul on for Aleksey. Can you discuss what you're currently seeing in auto trends right now and maybe the cadence for your outlook for 2026?

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Lori Koch^ Yes. Overall, the expectation for auto builds from IHS is to be about flat. We would expect to slightly outperform that, just based on our EV growth. So we did see nice EV growth in 2025, and we'll continue to see nice EV growth in 2026. It will vary by quarter, but overall, the full year is about flat and will be slightly up.

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

Matthew DeYoe^ So clearly, the portfolio is shaking out a lot, but as we settle here, is there any hope to establish annual pricing initiatives in any of the businesses that could be enough to actually drive structural pricing gains across consolidated DuPont, whether that's 50 bps or 100 bps? Do we have a framework there?

Lori Koch^ We do. I mean we've had -- obviously the past two years have been the unwind of the sizable price that we took through the inflationary environment coming out of Covid. But going forward, we would expect to see structural price lift. As Antonella mentioned at the beginning, in 2026, our 3% organic is primarily volume, but there -- underneath that, there is some price in some of the businesses. We continue to expect to have to give back a little bit on the Shelter side primarily as that sizable price raise that we drove in the 2022, 2023 timeframe starts to unwind. But yes, there is opportunity to drive structural price in most of the businesses in our portfolio.

Matthew DeYoe^ And as you comment on something like Tyvek[®] with the new advanced garments, right? How much margin uplift would something like that give versus legacy product? And I guess maybe -- I don't know if you want to comment specifically on that, but is a different one maybe, what is the average margin uplift? If you were to look at the Vitality Index and you're thinking about replacement, is this through the index of 30 basis points or 100 basis points or is it flat? What's the uplift look like as we think about --

Lori Koch^ Yes. I'd rather not comment on the margin lift that -- at the product line level. But overall, in the Vitality Index, in the 30%, we have about 145 basis points of margin lift from those products that are introduced in the past five years.

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

Christopher Parkinson^ Can we just take a step back and look at your Healthcare portfolio? I know this is a focus of your CMD. But Lori, what are you the most enthusiastic as you go through '26, and perhaps even the longer-term growth algos, is it on the biopharma side? Is it pharma solutions, med device? If you could just comment on the enthusiasm in terms of your product portfolio, Livio. That would be particularly helpful, then I'll have a follow-up.

Lori Koch^ Yes. It's really across all three. So both med packaging, med device and biopharma all are nicely contributing to the mid- to high single-digit range in 2026. They all participate nicely in the higher-end aspects of the med device universe.

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So if you think about the majority of our applications are more in the cardiovascular space, which has an overall higher growth rate with respect to overall surgical procedures. So all three of them are going to contribute nicely. We'll continue to differentially invest in those businesses to ensure that we can continue to grow.

Christopher Parkinson^ Got it. And just a similar question for the Water business now that all the dust has settled post the split. When you take a look at your Water portfolio in filtration in particular across NFRO U.S., is there -- it's clearly a great business, but do you feel as though you're missing any scale? Do you feel as though there's a piece of your portfolio -- obviously you got into those things in ion exchange over the years? What else do you think you need to do, if anything, quite frankly, to further garner investor appreciation for that specific business?

Lori Koch^ Yes. I think from a technology perspective, we've got the leading technology across all the main components within water filtration, so leading in RO, leading in Ion Exchange, leading in U.F. and nanofiltration. So we're nicely positioned there.

We've mentioned the desire to start to build around Water, so potentially going into spaces beyond filtration, just given filtration would be difficult from a regulatory perspective for us, given that we've got the leading position.

So we continue to scout and look for opportunities to expand in the Water space. Obviously, we'll be highly in tune to the valuations there. They can be quite pricey. We've seen a few assets with some of our competitors trade in the last few quarters that had a high valuation that would make it difficult for us.

But we'll continue to see. We recently added just to continue to shore up our supply chain in the Water space and asset in China. RO has huge growth in China. We didn't have an established footprint. We bought an asset outside of Shanghai that gave us established membrane capacity in the region for us to continue to be competitive and local to our customers there.

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

Vincent Andrews^ I wanted to ask on Healthcare, you called out in the deck that surgical procedures, you're expecting to be up mid-single digits this year. Can you just give us a sense, is that the normal growth rate? And is that favorable or about the same versus '25? Then is your portfolio well represented across that entire cohort or how should we think about it?

Lori Koch^ Yes. I would say it's a similar growth rate to what we saw in '25, minus the destock that happened in the first quarter that drove up the overall Healthcare growth for the year.

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So we're nicely positioned, as I mentioned, in the areas that are driving above the average surgical procedure rates. So if you say general surgeries is about 4%, where we play, we expect that overall average to be more market weighted to about 5%.

So we're nicely positioned on both the Healthcare side with the Tyvek[®] Packaging as well as on the Spectrum Donatelle side on the device. Our single largest end-market there is also within the cardiovascular and vascular space.

Vincent Andrews[^] Okay. Then just to follow up on the balance sheet and capital allocation. You ended the year with, I think, \$750 million in cash, you've got the \$1.1 billion coming in. Earlier, you spoke to, well, we've spent some of that \$1.1 billion already with the \$500 million ASR. So can you just refresh us on what the minimum level of cash is that you want to carry?

Then as you move forward through the year and generate more cash, obviously you're expecting another very strong year of cash conversion, understanding the dual track of pursuing M&A as well as share repurchases.

Should we think about that remaining proceeds from the divestiture to be earmarked for M&A, but the free cash flow generation from this year to be ratably allocated to CapEx, to dividends and to repurchases? Or is that not the right way to think about it?

Antonella Franzen[^] Yes. So let me start with your first question. So typically, on the balance sheet, we will carry around \$1 billion in cash. So we were a little bit below that at the end of the year, given the cash that we spent on the ASR of \$500 million.

So as you mentioned, we will have a nice cash flow generation year in 2026. So we do expect our free cash flow conversion in '26 to be greater than 90%. In addition to that, we do have the proceeds that are coming in the door related to the Aramids transaction.

As Lori mentioned earlier, I would say in terms of capital allocation, we view that in the eyes of a shareholder in terms of what creates the most amount of value. So I wouldn't say there's a specific amount earmarked towards an M&A deal or a specific amount earmarked towards share repurchases. We'll continue to look at both.

We do have a pipeline of some M&A that we are looking at. Ultimately, you'll see if they come to fruition or not. But clearly, we will continue to deploy capital in the best interest of our shareholders as we move forward.

Operator[^] Your next question comes from the line of Patrick Cunningham with Citi.

Rachel Lee[^] This is Rachel Lee on for Patrick. So I think in an earlier response, you mentioned all regions should be up organic sales-wise this year and in 1Q. So with recent PMI trending

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more favorably, can you just provide more color on that response and maybe what you're seeing in terms of organic sales growth versus GDP?

Lori Koch^ You dropped off at the end, I couldn't hear which quarter you were referencing. But to the earlier comment, we do expect to see organic growth across all regions, both in the first quarter and in the full year. The improvement -- the first quarter being at 2% organic and the full year being at 3%, most of that improvement is going to be in North America just based on the improvement that we expect to see on the Shelter side. So with Shelter starting slightly negative and trending to even on the full year, you'll see that lift given the majority of the end-markets in Shelter are in North America.

Rachel Lee^ Got it. Can I just ask what level of visibility you have for order books across the Healthcare portfolio in general?

Lori Koch^ Yes. I'll answer the question broadly for the company because it's a bit about -- we don't have a long lead time. I'll put it that way. So we start each month with about 80% of the orders on the books and we start each quarter with about 50% of the orders on the books and then we build from there.

Shelter is definitely the shortest cycle. On the longer cycle, I would say would be our Aerospace businesses and our Water business would be on the longer end, and everyone else will fall in between.

Operator^ Your next question comes from the line of Michael Sison with Wells Fargo.

Michael Sison^ Nice quarter and outlook. Just a quick one on U.S. construction. Your outlook is flat. Any differences between non-res, res and repair and remodel in that outlook?

Antonella Franzen^ Yes. So as we look into 2026, our expectations would be that non-res would be up in the low single-digit range as well as repair-remodel, and that would be offset by a low to mid-single-digit decline on the resi side of the business.

Michael Sison^ Got it. Then a quick follow-up. Your outlook and your results, particularly the organic growth, continues to look a lot better than the chemical folks. Are you still looking to -- is it still possible to change your industry designation?

And how does that work, given I think your results have been much more steady than my group.

Antonella Franzen^ Yes. So when you take a look clearly at the portfolio, our portfolio is not a chemical company portfolio. To your point, when you look at our performance, our performance is not mirroring that of a specialty chemical company either.

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So I would tell you, we continue to make some progress in terms of the GICS classification. But what I would tell you is our first priority is just to continue to execute, but we will continue to move forward in terms of trying to get the GICS code changed to more appropriately reflect the portfolio that we have today.

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

Arun Viswanathan^ I just wanted to, I guess, clarify on both Healthcare and Water - so did you see any destocking there? We did see maybe one of your competitors within Healthcare Packaging reference some of that. Then similarly, on Water, maybe some of the downstream players are also speaking about that in different regions.

So I guess you're not seeing that given your robust outlook for Healthcare. Is that correct?

Lori Koch^ Correct. Yes. I mean we -- the destock was behind us in the first quarter of 2025, so we continue to see normalized inventory levels across both those businesses.

Arun Viswanathan^ Just given that being the case, sorry if I missed this, but did you also mention maybe M&A across both of those businesses, if there are opportunities and where you are in that trajectory?

Lori Koch^ We continue to scout opportunities in both spaces. I would say the pipeline is more robust on the Healthcare side, just given the fragmentation that exists as well as the valuations are a little lower in that area. So we continue to look hard at both.

We've been busy looking on the med device side similar to the acquisitions that we did with Spectrum and Donatelle, as we continue to build out a total fleet of offerings to our customers, really building our relationship with them and them viewing us as a solutions partner and an application development partner. But we continue to look.

Operator^ Ladies and gentlemen, I will now turn the conference back over to Ann Giancristoforo for closing comments.

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

Operator^ Ladies and gentlemen, thank you for your participation. You may now disconnect.