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DuPont Specialty Products USA, LLC

First Quarter 2026 Earnings Call

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CORPORATE SPEAKERS:

Ann Giancristoforo

DuPont; Vice President of Investor Relations

Lori Koch

DuPont; Chief Executive Officer

Antonella Franzen

DuPont; Chief Financial Officer

PARTICIPANTS:

Scott Davis

Melius Research; Analyst

John McNulty

BMO Capital Markets; Analyst

Christopher Parkinson

Wolfe Research; Analyst

Chigusa Katoku

JPMorgan; Analyst

John Roberts

Mizuho; Analyst

Joshua Spector

UBS; Analyst

David Begleiter

Deutsche Bank; Analyst

Matthew DeYoe

BofA; Analyst

Vincent Andrews

Morgan Stanley; Analyst

Patrick Cunningham

Citi; Analyst

Michael Siso

Wells Fargo; Analyst

Arun Viswanathan

RBC Capital Markets; Analyst

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PRESENTATION:

Operator^ Thank you for standing by. (Operator Instructions) At this time I would like to welcome everyone to the DuPont First Quarter 2026 Earnings Call. (Operator Instructions)

I would now like to turn the call over to Ann Giancristoforo, VP of Investor Relations. You may begin.

Ann Giancristoforo^ Good morning and thank you for joining us for DuPont's First 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 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 discussions 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.

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 first quarter financial results which exceeded our previously communicated guidance.

Through disciplined commercial and operational execution, we delivered organic sales growth of 2%, 130 basis points of pro forma margin expansion and double-digit adjusted EPS growth. Free cash flow generation and conversion were solid in the quarter.

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As a result of our first quarter performance, along with price increases due to the Middle East conflict, we are raising our full year 2026 financial guidance. Antonella will provide further details shortly.

We also announced that we expect to launch a \$275 million accelerated share repurchase under our existing program. A clear example of how we continue to advance our strategic priority of driving disciplined capital allocation by returning cash to shareholders.

On the next slide, I will cover the progress we are making on driving growth and continuous improvement.

We completed the previously announced divestiture of the Aramids business on April 1. We are confident in Arclin's ability to continue to drive growth and opportunity for the employees and customers of the combined businesses.

We also recently issued our 2026 sustainability report and announced our new 2035 sustainability goals. The progress we made in 2025 highlights the power of our innovation engine, creating sustainably advanced solutions that help our customers succeed.

We continue to reduce our environmental footprint and increase the use of renewable energy sources across our operations while maintaining a strong focus on execution and discipline.

Safety and culture continue to differentiate DuPont with record safety performance and high employee engagement reinforcing the connection between what we do every day and the value we create for our customers.

Our 2035 goals reinforce our commitment to delivering value by embedding sustainability directly into our business strategy. These goals focus on three impact areas. Sustainable innovation, resilient operations and people, partners and communities. They are designed to drive growth through innovation, operational excellence and accountability across our value chain while also advancing progress in areas such as climate action, circularity, safety and responsible sourcing.

Moving to Slide 4.

We continue to advance our strategic priorities and are seeing direct impacts from the implementation of our business system.

We strengthened our performance-based culture with a clear emphasis on growth and continuous improvement, reinforced by the launch of our refreshed core value. This is enabling greater consistency across the businesses as we drive excellence in innovation, commercial execution and operations.

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Starting with innovation. It remains at the core of our value proposition. Our 2025 Vitality Index was 35%, above the benchmark we previously outlined, reflecting the strength and relevance of our product portfolio.

During the quarter, we delivered a steady cadence of new product introductions and customer wins across healthcare, water and diversified industrial end-markets. Recent launches include upgraded FILMTEC nanofiltration elements designed to help municipalities and drinking water utilities produce high-quality water with lower energy consumption and reduced operating costs.

These innovations are being enabled not only by strong R&D execution but also by continuing investments in digital and AI capabilities.

Last week, we announced that we are collaborating with Uncountable, an AI-driven platform for end-to-end product and application development, focused on accelerating development, improving cycle times and sharpening how we translate ideas into differentiated solutions for customers. This collaboration streamlines and accelerates the work we have been doing on connected lab infrastructure and digital innovation.

From a commercial standpoint, we are making steady progress in demand generation and pipeline discipline. Across the businesses, we are advancing targeted sales plays that bring together our technologies and application expertise to address specific end-markets where we see attractive growth and differentiated value.

We continue to standardize how opportunities are identified, reviewed and advanced, supported by a clear cadence, better data quality and stronger collaboration between commercial, technical and operations teams. These efforts are driving better visibility, improved conversion and stronger alignment between our commercial teams and customers' highest value needs, improving the quality and durability of our pipeline.

On operational excellence, our teams remain intensely focused on the fundamentals. Safety, quality, delivery, inventory and productivity.

During the quarter, we delivered meaningful improvements in asset reliability and equipment effectiveness across our key facilities which supported better on-time delivery and stronger operational throughput.

At the same time we continue to drive productivity through focused maintenance and reliability initiatives, lean execution and Kaizen activity across our sites.

I am personally excited as we recently kicked off our annual CEO Kaizen event, in which myself and the executive leadership team will each participate in events focus on strengthening our value creation processes across the company.

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We are also advancing how we operate by pairing process discipline with digital and AI capabilities.

Over the last several quarters, we have expanded the use of data-enabled tools to improve maintenance, planning, accelerate defect detection and optimize asset performance. These capabilities are allowing our teams to convert operational data into actionable insights faster, improving reliability, reducing variability and reinforcing safe operations, all while delivering cost and productivity benefits.

Importantly, this operational rigor positions us well as we navigate a dynamic external environment. While we are mindful of potential macro and geopolitical headwinds, our focus on productivity, automation, and structural improvement is creating resilience in the businesses. We are building a strong pipeline of Kaizen events and improvement projects for the balance of the year aimed at sustaining momentum in growth and productivity.

Our first quarter results demonstrate that we are off to a great start. Our April sales were in line with our expectations, and we continue to see strong order growth trends across the majority of our businesses. Our teams continue to 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 first quarter marked a strong operational start to the year, with results exceeding our financial guidance. Favorable top line mix and effective productivity actions drove strong operating EBITDA performance and meaningful margin expansion in the quarter.

Throughout today's call I will provide comments on our results against our prior year reported financials, as well as on a pro forma basis 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.

Beginning with our first quarter financial highlights on Slide 5. Net sales of \$1.7 billion were up 4% versus the year ago period on 2% organic sales growth and a 2% benefit from currency.

Organic sales growth was led by strength in healthcare and aerospace, partially offset by continued softness in construction markets and logistics disruptions due to the conflict in the Middle East. These disruptions primarily impacted sales in our Water business in the quarter.

From a segment view, during the quarter, organic sales grew 3% in Healthcare & Water Technologies with organic sales growth about flat in Diversified Industrials.

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First quarter operating EBITDA of \$414 million increased 15% versus the year ago period on organic sales growth, favorable mix and productivity. This resulted in operating EBITDA margin of 24.6% in the quarter, an increase of 230 basis points year-over-year. On a pro forma basis, operating EBITDA increased 10%, with margins expanding 130 basis points year-over-year.

Turning to cash flow, we delivered transaction-adjusted free cash flow of \$147 million and related conversion of 65%, a solid start to the year.

Turning to Slide 6, on a reported basis, adjusted EPS for the quarter of \$0.55 increased 53% year-over-year.

On a pro forma basis, adjusted EPS for the quarter was up 20% versus the year ago period. The increase was primarily driven by higher segment earnings of \$0.06 with an additional \$0.03 benefit coming from a lower tax rate, share count and exchange gains and losses.

Turning to Slide 7. Healthcare & Water Technologies first quarter net sales of \$806 million were up 6% versus the year ago period on 3% organic growth and a 3% benefit from currency.

For the first quarter, Healthcare sales were up high-single digits percent on an organic basis versus the year ago period. Organic growth was broad-based, led by continued strength in medical packaging and biopharma. Water sales were down low to mid-single digits percent on an organic basis as strength in industrial water and microelectronics markets were more than offset by logistics disruptions in the Middle East.

Operating EBITDA for the segment during the quarter of \$244 million was up 9% versus the year ago period on organic growth, favorable mix and productivity gains. This resulted in operating EBITDA margin of 30.3% in the quarter, an increase of 110 basis points year-over-year.

Turning to Diversified Industrials on Slide 8. First quarter net sales of \$875 million increased 3% versus the year ago period on a 3% benefit from currency. Organic sales growth was about flat in the quarter.

At the line of business level, organic sales for Building Technologies were down low single-digits percent on continued weakness in construction markets. Industrial Technologies organic sales were up low single-digits percent as continued strength in Aerospace and growth in Automotive were partially offset by declines in the Printing and Packaging businesses.

Operating EBITDA for Diversified Industrials of \$200 million was up 8% versus the year ago period on favorable mix and productivity. Operating EBITDA margin during the quarter was 22.9%, expanding 110 basis points versus the year ago period.

Turning to Slide 9, we are raising our full year 2026 financial guidance, given our strong start to the year as well as now including the interest income benefit from the Aramids transaction.

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For the second quarter, we estimate net sales of about \$1.8 billion, operating EBITDA of about \$430 million and adjusted EPS of \$0.59 per share. Our second quarter net sales guidance assumes about 3% organic growth year-over-year. Currency is expected to be a slight tailwind in the quarter.

For the Healthcare & Water segment, we expect second quarter organic sales growth in the mid-single digits percent range, led by strength in medical device, biopharma and industrial water markets.

For the Diversified Industrial segment, we expect second quarter organic sales growth in the low-single digits percent range on continued strength in Aerospace and growth in Printing and Packaging, partially offset by continued softness in construction markets.

For the first half, our estimated net sales of about \$3.5 billion assumes growth of about 4% year-over-year. This translates into operating EBITDA of about \$844 million, a year-over-year increase of about 8% on a reported basis and 7% on a pro forma basis, resulting in strong operating leverage and an incremental margin greater than 40%.

Our first half net sales and operating EBITDA guidance, both represent approximately 48% of our total expected full year results at the midpoint. This is in line with our historical sales and earnings cadence.

For the full year 2026 at the midpoint, we now expect net sales of about \$7.185 billion, a net increase of \$80 million versus our prior guide. Our full year net sales guidance now assumes about 4% organic growth including about 1% from pricing actions taken to fully offset higher input costs due to the Middle East conflict. A stronger U.S. dollar has also reduced our expected full year currency benefit to less than 1%.

Operating EBITDA at the midpoint is now expected to be about \$1.745 billion, primarily reflecting our stronger first quarter results partially offset by currency headwinds.

Our adjusted EPS range is now expected to be \$2.35 to \$2.40 per share, a \$0.10 increase versus our prior guidance. Our EPS guidance now includes benefits from higher interest income due to the Aramids transaction as well as a lower tax rate which we now expect to be in the 24% to 25% range. At the midpoint, our adjusted EPS is about a 40% increase on a reported basis, and a 15% increase on a pro forma basis.

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

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QUESTION & ANSWER:

Operator^ (Operator Instructions) Your first question comes from the line of Scott Davis with Melius Research.

Scott Davis^ Congrats on second kind of clean quarter in a row, numbers look pretty good overall. But a couple of kind of big picture questions. I mean you guys have been implementing 80/20. Where are we in that process? And what kind of impact has that had on your top line?

Lori Koch^ Yes. We are well into the process within the Diversified Industrials portfolio. We selected four businesses to start, and we're about two-thirds through the initial study.

We didn't have any impact in the full year guide on either top line or margin with respect to any implementation, but we would expect over time to see nice margin appreciation with minimal top line impact as we look to improve the margin profile of the businesses and scope.

Scott Davis^ Okay. Fair enough. And then -- well I'm going to move on to stranded costs. Where are we with stranded costs in the quarter and for the year? I can't recall what you expected.

Antonella Franzen^ Yes. So Scott, we had estimated overall there's about \$30 million of stranded costs which we committed to taking out within the first two years. So this year, we'll have a nice start on that. So for the full year, we'll have approximately like \$10 million out, but from a run rate basis, we'll be actually halfway there. So I would tell you, we're right on cadence with where we expect to be. And again we expect to have that out in the first two years.

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

John McNulty^ Wanted to dig into the Water business a little bit more, and especially just given some of the headwinds that you're seeing around the Middle East logistics.

I guess a couple of things on it. Can you help us to think about the cost of navigating around some of these issues? Can you speak to also the customer base? And if there's been any -- I know there's been some -- desalination impact in the region. I guess any of your customers that may not be coming up, say when things resume or the strait reopens, et cetera.

Can you just help us to think about that?

Lori Koch^ Yes. Thank you. In the quarter, we had about \$10 million of sales that weren't able to ship out of the Middle East. And so if you look at the results for Water, we were down kind of low to mid-single digits. If you isolate out that impact of \$10 million, we would have been about flat to slightly down. Those materials have already shipped in April, and so we continue to be on

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track with respect to our Q2 expectations. We didn't bake in a ton of disruption in Q2 with respect to the Middle East for the Water business.

We will, on a full year basis, continue to expect to be up mid-single digits for Water. It's about flat in the first half and then up in the second half, really driven by the timing of some large projects. And so large projects last year were the reverse of this year where they were stronger in the first half in the second half. But the underlying kind of consumables or recurring revenue business is growing nicely each quarter.

With respect to the impact from our customer base, nothing as of this point. So there have been a little bit of disruption in our site in Saudi Arabia but nothing that we can't navigate around.

We do have some large projects in the second half in the Middle East around the desalination as you had mentioned. Right now we continue to expect them to be on track, but we'll have to watch as the broader situation evolves.

John McNulty^ Got it. Okay. No great results in a really tough, tough environment. I guess our second question would just be around the operational side. So the margin is clearly coming in really strong at this point.

I guess how much of that is mix versus some of the operational improvements you were speaking to? And if it's more leaning toward the latter? It seems like you're -- if anything, you're solidly ahead of kind of the 150 to 200 basis point target that you had set for the next three years, I guess any thoughts or comments around that?

Antonella Franzen^ Yes. So first quarter margins were very strong, as you mentioned. And I would say we got a benefit of both actually. So mix was quite positive in the quarter. That added about 50 basis points of margin. But I would also say net productivity was about another 70 basis points of margin. So again really strong performance as we move forward.

When you take a look at our full year guidance that we have, margins continue to be strong. And even when you go to the first half to the second half, there's another incremental 40 basis points of margin expansion. So to your point, I would say we are well on our way to our 3-year targets that we laid out at our Investor Day.

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

Christopher Parkinson^ Just as it relates to your healthcare exposure, obviously it seems like you're building a decent amount of momentum there. You addressed this at your Analyst Day but I'd love to hear your updated thoughts. Just in terms of your balance between PB, biopharma, med device, and some of the larger secular trends that's going on. And do you feel you're underexposed to anything within that spectrum, no pun intended? And is there anything that you think you'd like to add to the portfolio to really round it out?

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Lori Koch^ Our overall Healthcare segment is about \$2 billion in sales. It's about \$1.2 billion of Tyvek sales and the remainder being the Spectrum/Liveo sales and underneath Tyvek about half of that is healthcare packaging and the rest primarily are the garments. So we like our exposure as we sit today we're nicely positioned in the med device profile between both Spectrum on the CDMO side and then also on the Tyvek healthcare side with packaging needs.

So we've got an intent to continue to add to that piece of the portfolio. We've got a nice robust pipeline of assets that are both accretive to growth and also affordable. So there are assets that we would like to add, whether it's around the packaging side to have a broader net packaging offering or whether on the CDMO side, they continue to round out our sales into that space.

With respect to our appetite for M&A, we obviously closed the Aramids transaction on April 1. So we got about \$1.2 billion of gross proceeds, about \$1.1 billion net proceeds. We will continue to be balanced. We announced the \$275 million ASR this morning. And we also continue to be prudent. So we're not going to lever up to do a deal. We targeted 2x leverage. We're a little below that today.

So between the dry powder we have on the balance sheet as well as the remaining proceeds from the Aramids divestiture, it puts us in good position to also take advantage of potentially an accretive growth deal for us.

Christopher Parkinson^ And just as a quick follow-up, just kind of a broader question on pricing in terms of the second quarter and also the second half environment. Just how are you thinking about this by segment in terms of what you're seeing in your inputs, transportation, logistics cost. Just obviously a lot of moving parts. I'd love to just hear your thoughts on strategy and how quickly you believe the organization can pivot?

Antonella Franzen^ I would say the organization has done a great job pivoting as all this has started. So we already have surcharges as well as certain price increases in place to cover these incremental costs. So overall, our expectation is around incremental cost of around \$90 million which we expect to fully cover from a top line perspective related to price and surcharges. As you would expect, it's starting in Q2, so we don't have a full run rate in the second quarter, but the second half will have a full run rate.

Just to put a little bit of numbers around it, the second quarter is around \$25 million or so of price on the top line to cover those costs.

Operator^ Your next question comes from the line of Chigusa Katoku with JPMorgan.

Chigusa Katoku^ Congrats on a great quarter and a challenging operating environment. So I just wanted to follow up on the price cost. So margins were really strong this quarter. If my math is correct, it looks like it's going to step down to around 24% in the second quarter. So if you could just help me understand the puts and takes around this.

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I think that you plan to institute price increases on April 1, you had inventory. So I think meaningful raw material inflation as opposed to come be felt around maybe late 2Q, but any moving pieces here? And what's impacting the softer margins in the second quarter?

Antonella Franzen^ Yes. So when you go from the first quarter to the second quarter, two things to keep in mind, price cost, to your point, we have pricing actions, we'll have costs in the P&L. That's about a 30 basis point margin headwind. And there's about 40 basis points of a margin headwind from Q1 to Q2 related to mix. So that's your Q1 to kind of Q2 walk relative to where we're at, but underlying performance continues to remain very strong.

When we talk about kind of what's embedded in terms of the full year, and the timing of that. So we did have some that started in April, I'll tell you, a majority of increases related to surcharges and price increases started on May 1st because there is some customer notification time that's needed relative to that.

Obviously every product that we have in inventory has different terms associated with it. So keep in mind that these increased costs started at the latter end of the first quarter. So we definitely have some impact related to that in the second quarter. And as I mentioned, when you take the difference between price on the top line and costs on the bottom line, it's about 30 basis points of the headwind in the quarter.

Chigusa Katoku^ Okay. Great. So is my understanding correct that the majority of increases started in May versus April. So you haven't been seeing the order trends -- I guess maybe put it differently, after you started some price increases in April, how have order trends been compared to March?

Antonella Franzen^ s Lori mentioned, I would say our order trends in April were actually -- we have very similar demand as we have been seeing and nice increases overall on a year-over-year basis. So order trends are doing well.

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

John Roberts^ I think you noted strength in automotive during the quarter. Maybe you could comment a little bit on where that came from and how sustainable that might be since I think the auto outlook is not that rosy right now.

Lori Koch^ Yes. So we've got automotive - it's primarily within the Industrial Technologies line of business within Diversified - we've got the predominant exposure within adhesives but we also have positions in Molykote and Multibase. So our outperformance amid a tough market, as you had mentioned, is really based on the battery adhesive volumes that we have.

So we've got about roundly \$300 million of sales that go into EVs. A piece of that is battery which is all incremental growth for us, and it's growing nicely in the year, well above kind of

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where the 20-ish percent EV growth expectations are because it's new volume for us and new wins. So we continue to be positioned nicely and realize the pipeline has been building over the last couple of years, frankly, as we got qualifications with the large OEMs.

John Roberts^ And then just a clarification. When you talk about desalination, is that municipal to you? Or is that industrial to you?

Lori Koch^ It's primarily industrial. Primarily RO as well. It's the reverse osmosis component of Water.

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

Joshua Spector^ I wanted to follow up on just the Middle East impacts around Water. I think on some of the pre-closed conversations, there was messaging that there were maybe \$25 million a month in sales into and out of the Middle East. And there was an inability to get material out, I guess while the strait is closed. Just based on your comments about not really baking in much in terms of the outlook, have you found alternative routes for those materials? I guess it sounds like you've mitigated that, but I'm not 100% clear. So can you expand on that a bit more?

Antonella Franzen^ Sure. So let me size up our total exposure related to the Middle East. So in total, it's around \$300 million, about 4% of our top line. Half of that is related to sales into the Middle East and the other half is related to things that are sourced from the Middle East. So when you kind of do the math around that and one month of the strait being closed, that's kind of where the \$25 million came from.

As we mentioned earlier, there was about a \$10 million impact to the top line in the first quarter related to products that we weren't able to get out. So that clearly tells you we have been able to mitigate quite a bit of that and obviously have taken that into consideration relative to our Q2 guidance.

Joshua Spector^ But I guess if I take that then in those comments, it seems like half of it is still impacting, maybe a little bit less. So is there something to the tune of \$30 million to \$40 million in sales and maybe a third of that in terms of EBITDA impact in 2Q to assume that the impacts linger or does that lessen through the quarter and therefore this whole math becomes somewhat not necessary?

Antonella Franzen^ All that math is not necessary. I would say that the teams have done a great job to find alternative routes in order to get some products out and to make sure that we have the necessary raw materials in order to be able to produce at the site as well.

So again the teams have stepped in very quickly to find alternatives related to that. We were able to have minimal disruption as it first occurred and clearly have plans in place as we move forward.

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

David Begleiter^ Lori, just on construction, can you talk about the weakness in those markets? And how much is it down for you guys in Q1 and your expectations for the first half of the year?

Lori Koch^ Yes. So we continue to expect overall construction markets to be about flat on a full year basis. We do have about 1% price in that space that will give us some slight organic growth but it's really kind of slightly down in the first half and then slightly up in the second half.

So in the first quarter, we were down low-single digits. Our performance was in line with the market where the resi, primarily North America resi continues to be weak and then you're seeing about flattish in the commercial and do-it-yourself base once you back out the data center volume that happened in commercial, our commercial is more on the healthcare, education, retail side.

David Begleiter^ Very good. And just on the Middle East conflict, are there any opportunities longer term from you being a more U.S. supplier, reliable supplier at lower cost overall down the road?

Lori Koch^ I mean I think there's always opportunities that we're looking for to be able to continue to expand both our share and our TAM. Not only are we well positioned from a share perspective, we're also well positioned with where our asset base sits which has enabled us to navigate quite a few disruptions over the past couple of years.

So starting back with tariffs, we were able to move product around our supply chain to mitigate the headwind there. And then now with the Middle East tariffs, we've been able to move volume around to be able to mitigate the impact that was felt initially within our KSA plant in Saudi Arabia.

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

Matthew DeYoe^ Healthcare sales seem to be like accelerating quite a bit. I wanted to just dig in a little bit more on comps versus market versus owned portfolio position for 1Q. And as we look, I guess to the guidance a bit, you're looking for 4% on the year, 1% from price.

I think 1Q is probably closer to 1.5%. And so I kind of bridge this like 1.5%-ish from 1Q to 3% for the back half. It seems like maybe normalization of Water, but can you fill in the gaps and maybe how that also relates to how Healthcare should trend from here?

Lori Koch^ Yes. So we had a very strong quarter with Healthcare in Q1, where our results were up high-single digits organically. That was really nice volume and some nice price as well. And we continue to expect Healthcare to be up mid-single digits as the year progresses and land at maybe mid-to-high-single digits on a full year basis.

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So we have really nice positions I had mentioned on the healthcare packaging side and see nice growth in procedures that influenced both the med packaging as well as the Spectrum side. Liveo, which is our biopharma business, a really, really nice results in Q1. So there's a nice recovery in demand there that will continue to see nice results.

And then maybe just quick on Water. I had mentioned that it was down in the first quarter that was really more around the \$10 million of volume that didn't ship as well as the timing of large projects. So we'll be will be about flat overall in Water in the first half and then we think up kind of high-single digits in the second half really around the project timing volume to land at mid-single digits for the full year.

Antonella Franzen^ The only thing I would add to that is just around the Water business, although it's relatively flat first half, high-single digits in the second half, if you adjust for the timing of the projects and normalize that, you're more going from like a 4% growth to a 5% growth.

Matthew DeYoe^ Okay. And then quickly, so Tyvek's been able to absorb a fair amount of raw material pressure in the short time. And I'm looking at obviously some of your suppliers talking about another \$0.20 per pound for May. And I don't know we'll see if they can get it, right? But I'm wondering, is there kind of an ongoing propensity to be able to push surcharges in a world where this gets increasingly sketchy.

I'm thinking almost maybe a little bit more on the building products side because I feel like Healthcare would probably be less plastic, but maybe that's not the case.

Lori Koch^ Yes. I mean we had nice success with both mix of prices and surcharges that we already put in place, whether it was April 1st or May 1st. And so I think if you can provide the documentation to your customers around what we're seeing with respect to input costs, as we had mentioned, are most felt on the HDPE side, as you had mentioned within Tyvek and then with the Styrene side in Water and Shelter. But there's other pieces that we've seen as well.

So I think there's -- we haven't received an abnormal amount of pushback. Obviously there's always a discussion that needs to be had, but we're not looking to profit. We're looking to just cover it, and the conversation has been constructive.

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

Vincent Andrews^ You called out some weakness in packaging. We've been hearing sort of mixed things about the packaging arena. So maybe you could just talk about what you're seeing there what the outlook is for the remainder of the year? And I would assume there's also some inflation there that you need to push through.

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Lori Koch^ Our impact in the Packaging business weakness in the first quarter was really more around the inks business. In scope, it's really around home and office printing. It was a tough comp from a strong first quarter of last year.

I think on a full year basis, we see the overall Printing and Packaging businesses normalizing being up kind of low-single digits.

Vincent Andrews^ Okay. And I think the answer to this is there's nothing. But is there -- is there any at all updates to PFAS or anything that's going on with the personal injury litigation?

Lori Koch^ Happily, no. No updates.

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

Patrick Cunningham^ You previously noted, I think free cash flow greater than 90% for 2026. Is that still the case? And how should we think about working capital dynamics given the higher input costs potentially impacting cash generation cadence for the year.

Antonella Franzen^ Yes. So first off, yes, free cash flow generation is still expected to be greater than 90% for the year. As I mentioned in our prepared remarks, our first quarter conversion was around 65%. So we did have a good start to the year.

As you would expect, we tend to have a stronger free cash flow conversion in the second half of the year than the first half of the year, predominantly in the third quarter as we have our interest payments twice a year in Q2 and in Q4.

Clearly, the increased cost in materials will increase your inventory dollar value, but the teams, I would say are doing a good job relative to our inventory days outstanding and kind of taking those numbers down on a year-over-year basis. So we do have that embedded within our free cash flow conversion.

So I would say we are managing working capital very well and the teams are also focused not only on inventory but as well as DSO in terms of collections which will put us in a good spot to achieve our free cash flow conversion for the year.

Patrick Cunningham^ Great. And then I think this is the first time you kind of explicitly called out microelectronics within Water. So can you help us size the business there? What sort of growth rates we should expect? And any color on market penetration, new technology, new wins?

Lori Koch^ Microelectronics is primarily within Ion Exchange. So it's about 20% of Ion Exchange. We saw nice volume in the first quarter, as you would expect, just around the broader data center AI trend. So we continue to expect to perform nicely there with that business.

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

Abigail Eberts^ Hi there, this is Abby on for Mike. Thanks for taking my question. I wanted to confirm your assumptions underpinning your full year '26 guidance.

So when are you assuming the conflict in the Middle East resolves, if at all? And if it stretches to the end of the year, does that mean you're going to have to raise prices of more than 1%, offset incremental raw material inflation, do you think you'd see any demand destruction if it stretches that long? Any color you can give would be helpful.

Antonella Franzen^ Yes. So I would say our overall full year guidance anticipates that the current situation continues through the remainder of the year. So current oil prices, current natural gas prices, our assumption is that continues all year long. That is covered by the pricing actions that we have already put in place. Clearly, if this were to escalate or get even worse from where we are today that would obviously have some impact on the assumptions that we've made, but we're not planning on it going away.

Also I would tell you if things were to escalate from where we are today the teams would obviously see what other actions that we could take in order to mitigate any disruptions.

Abigail Eberts^ Got it. And then just pivoting back to Healthcare, can you just talk about some of the underlying demand trends that are driving growth across the medical packaging and devices spaces.

Lori Koch^ Yes, a lot of it is around the aging population and healthcare access. So that's one of the key global mega trend drivers for both med packaging and the healthcare needs. A lot of our exposure on the med packaging side to the higher-end class three devices and on the med device side with Spectrum, it's really around cardiovascular and higher-end growth not elective surgery type application. So really, with the aging population and the access to healthcare is what's driving that megatrend.

Operator^ And the last question will come from Arun Viswanathan with RBC Capital Markets.

Arun Viswanathan^ I guess just one final question for me was given that you've had many years of portfolio transformation here, would you expect -- and maybe you can just provide us an update on the 80/20 strategy within Diversified Industrials and so -- if there's any further portfolio reconfiguration that we can expect?

Lori Koch^ The 80/20 work within Diversified is really to look at enhancing margin profile. So we had targeted four businesses to start and have been working through a really robust process on making sure that we're looking at the tail spend, looking at where we are investing, making sure that we're investing for growth in pockets of where there's opportunity across those businesses.

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I would say more broadly with respect to the portfolio, we're excited about the portfolio that we have. It's nicely balanced between Healthcare & Water and Diversified Industrials. We're about 50-50 today. We've mentioned that over the medium term, we would like to get to more two-thirds, one-third with respect to growth above market.

So moving more of the company more towards that Healthcare & Water space. But as of now, we're happy with the portfolio. But we'll always be looking, as I had mentioned, to do some M&A, we've got dry powder and cash from Aramids to be able to potentially take advantage of some good opportunities.

Arun Viswanathan^ Okay. And sorry, just one more. Given the \$275 million ASR, is that really the last kind of accelerated repurchase activity that we should expect? Or maybe you can just comment on your outlook for further buybacks or yes, capital return.

Antonella Franzen^ I would say overall, we're always looking to see what's going to bring the best return to our shareholders. So we already had completed, as we announced in the last quarter, the \$500 million ASR. We now announced this morning an additional \$275 million ASR. As Lori mentioned, we do have a lot of flexibility relative to the cash in the door related to the Aramids transaction, as well as the balance sheet we have. So we will continue to evaluate.

As a reminder, we do have a \$2 billion program, of which we've used the \$500 million and now the \$275 million. So we'll continue to evaluate our opportunities, and we'll act on what brings our shareholders the most amount of value.

Operator^ I will now hand the call back over to Ann Giancristoforo for closing remarks.

Ann Giancristoforo^ Great. 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^ Thank you. This concludes today's conference call. You may now disconnect.