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DuPont

Q1 2025 Earnings

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CORPORATE SPEAKERS:

Edward Barna
DuPont; Investor Relations
Lori Koch
DuPont; Chief Executive Officer
Jon Kemp
DuPont; Electronics Business President and Chief Executive Officer-Elect
Antonella Franzen
DuPont; Chief Financial Officer
Edward Breen
DuPont; Executive Chairman

PARTICIPANTS:

Jeffrey Sprague
Vertical Research; Analyst
Scott Davis
Melius Research; Analyst
Stephen Tusa
JPMorgan; Analyst
John McNulty
BMO Capital Markets; Analyst
Christopher Parkinson
Wolfe Research; Analyst
Joshua Spector
UBS; Analyst
David Begleiter
Deutsche Bank; Analyst
John Ezekiel Roberts
Mizuho; Analyst
Patrick Cunningham
Citi; Analyst
Aleksey Yefremov
KeyBanc Capital Markets; Analyst
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Michael Sison
Wells Fargo; Analyst
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Fermium Research; Analyst
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Morgan Stanley; Analyst
Arun Viswanathan
RBC Capital Markets; Analyst
Steve Byrne
Bank of America; Analyst

PRESENTATION:

Operator^ Thank you for standing by. Welcome to the DuPont First Quarter 2025 Earnings Call. (Operator Instructions) I would now like to turn the call over to Ed Barna, Investor Relations. You may begin your conference.

Edward Barna^ Good morning. And thank you for joining us for DuPont's first quarter 2025 financial results conference call.

Joining me today are Ed Breen, Executive Chairman; Lori Koch, Chief Executive Officer; Jon Kemp, current Electronics Business President and CEO-elect of the future independent Electronics company; 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.

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Our Form 10-K, as updated by our current and periodic reports, include 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 have 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. Thanks everyone for joining our call.

Earlier today we reported solid first quarter results ahead of our previously communicated guidance. First quarter sales grew 6% on an organic basis on strong volume growth.

Operating EBITDA of $788 million increased 16% year-over-year, demonstrating strong leverage in the quarter.

Operating EBITDA margin of 25.7% increased 240 basis points from prior year, and adjusted EPS of $1.03 was up 30%.

From an end market view, we saw continued broad-based demand in Electronics driven by strength in semi-advanced nodes and AI applications and strong volume growth in our Healthcare and Water businesses. We continue to see strong order patterns through April, consistent with our expectations.

Regarding our strategic priorities, I am pleased with the continued progress that our teams are making on the intended spin-off of our Electronics business, which was announced this week as Qnity. In addition to the naming, we recently achieved several key milestones which enables us to remain on track for our November 1st separation date.

First, we completed key executive leadership appointments. Jon Kemp, current DuPont Electronics Business President, was named as CEO-elect. Jon is well positioned to lead the future independent company given his proven leadership

and extensive experience in the semi space and broader electronics industry. We are pleased to have Jon on the call with us this morning.

Matt Harbaugh was named as CFO-elect. Matt has an impressive track record as a public company CFO, along with deep experience in spin-off transactions and will serve as a valuable business partner to Jon.

Next, we've made significant progress on the composition of the Qnity Board. Three existing DuPont directors as well as four external members will joined Jon on the new Board. This is a group of highly accomplished leaders with a global business experience, diverse industry expertise and varying key competencies.

Finally, last week, we submitted the initial filing of the Form 10 registration statement with the SEC. This document contains detailed business and financial information related to the future stand-alone company as well as information related to the separation.

Turning to Slide 4, which details how we are addressing tariff uncertainty.

We are a global organization with presence in all key regions including a significant manufacturing footprint in the U.S. and Asia. Our scale provides ample flexibility to adjust production and product flow, enabling us to mitigate trade risks. Additionally, from a sourcing perspective, the vast majority of our raw material buy is purchased in the region it is consumed and is not subject to the new tariffs.

Our teams have been carefully analyzing ongoing global supply chain dynamics, engaging with our customer and supplier base and actively working on a number of tariff mitigation actions including production shifts, sourcing alternatives, surcharges and product exemption. Based on tariffs in place today, our estimated cost exposure in 2025 before mitigation action is about $500 million on an annualized basis.

We have identified actions to substantially offset this potential headwind with the net cost impact in 2025 currently estimated at about $60 million, which primarily would impact the second half. We continue to evaluate additional measures in order to further minimize the potential impact.

Overall, we have a solid game plan to continue to consistently deliver results, and we are executing well in advancing our strategic priorities. With that, I'll now turn the call over to Jon, who will begin on Slide 5.

Jon Kemp^ Thanks, Lori. And good morning, everyone.

I am honored to be here today as CEO-elect of the future independent Electronics company, which we've named Qnity. The name is inspired by Q, the symbol for electrical charge; and unity, reflecting the collaborative way we work with our customers. Qnity will be one of the largest pure-play electronics materials and solutions providers in the industry with $4.3 billion in net sales in 2024.

We have a broad portfolio and customer relationships founded on a heritage that spans more than 50 years. As the partner of choice for our customers, we have a seat at the design table working to advance their technology roadmaps, enabling the next generation of advanced computing and connectivity applications.

As a global technology leader, we offer a diverse portfolio serving the entire electronics value chain from chip fabrication and advanced packaging to advanced interconnects, assembly and displays. We bring material science expertise and end-to-end engineering solutions across the full breadth of our portfolio to deliver world-class innovation to our customers.

Qnity is well positioned to benefit from robust growth in semiconductor markets while leveraging a strong financial profile. With about 60% of net sales in semiconductors, the company will compete with a set of recognized global semi participants, and we expect to attract an investor base commensurate with this profile.

We have long-term relationships with all key semiconductor and other electronics OEMs in the industry and a strong history of co-development and application engineering to ensure customer success.

In addition, the business is well equipped to continue to participate in the AI-driven growth acceleration via our advanced node semi products and advanced packaging applications for use in data centers and personal devices.

We further enable key AI applications with high-density interconnect products and Laird thermal management solutions. We believe these leading positions will continue to drive industry outperformance for the future Electronics company.

As Lori previously mentioned, we continue to make very good progress on the separation, and I look forward to working more closely with our future Board. I will now turn the call over to Antonella to cover the financials and outlook.

Antonella Franzen^ Thanks, Jon. And good morning, everyone.

I am pleased with the solid start to the year as increased volumes across many key end markets and continued operational focus by our team drove strong financial performance in the first quarter.

I would also like to remind you that we realigned our segment reporting structure during the quarter given the upcoming separation. The segments' results now reported as ElectronicsCo and IndustrialsCo.

Beginning with first quarter financial highlights on Slide 6. Net sales of $3.1 billion increased 5% versus the year ago period, a 6% organic sales growth was slightly offset by a currency headwind of 1%.

Organic sales growth consisted of an 8% increase in volume, partially offset by a 2% decrease in price. From a segment view, both segments saw organic sales growth with ElectronicsCo and IndustrialsCo up 14% and 2%, respectively.

Volume gains during the quarter were led by double-digit growth in our businesses serving electronics, healthcare and water end markets. From a regional perspective, Asia Pacific delivered 13% organic sales growth year-over-year including another strong quarter of growth in China, where organic sales were up about 20% driven by Electronics and Water.

Organic sales were up 4% in Europe and flat in North America given the soft construction and auto markets.

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First quarter operating EBITDA of $788 million increased 16% versus the year ago period as volume gains and savings from prior year restructuring actions were partially offset by growth investments.

Operating EBITDA margin during the quarter of 25.7% increased 240 basis points year-over-year.

On a continuing operations basis, operating cash flow for the quarter of $382 million, Capex of $249 million and $79 million of separation-related transaction cost payments resulted in transaction-adjusted free cash flow of $212 million and related conversion of 49%.

As a reminder, first quarter cash flow is inclusive of our annual variable compensation payout. We expect cash flow conversion to accelerate as we move through the year with full year conversion of greater than 90%.

Turning to Slide 7. Adjusted EPS for the quarter of $1.03 per share increased 30% from $0.79 in the year ago period. Higher segment earnings of $0.19 as well as below-the-line benefits totaling $0.05 drove the year-over-year increase.

Turning to segment results, beginning with ElectronicsCo on Slide 8. ElectronicsCo first quarter net sales of $1.1 billion increased 14% versus the year ago period on both a reported and organic basis due to a 16% increase in volume, partially offset by a 2% decrease in price. Currency was flat during the quarter.

At the line of business level, organic sales for Semiconductor Technologies were up low double digits on strong end market demand, driven by advanced nodes and AI technology applications. Semi demand in China continued to be strong with better-than-expected growth driven by timing shifts from second quarter into first quarter.

Interconnect Solutions also posted another strong quarter with organic sales up high teens, reflecting broad-based demand, volume gains from AI-driven technology ramps and continued benefits from content and share gains across Laird, laminates and metallization.

Operating EBITDA for ElectronicsCo of $373 million was up 26% versus the year ago period as volume benefits were partially offset by continued growth investments to support advanced node transition and AI technology ramps.

Operating EBITDA margin during the quarter was 33.4%, up 340 basis points versus the year ago period.

Turning to Slide 9. IndustrialsCo first quarter net sales of $1.95 billion were flat versus the year ago period as a 2% organic sales growth was offset by a 1% currency headwind and a 1% unfavorable portfolio impact.

Organic sales growth of 2% reflects a 3% increase in volume, partially offset by a 1% decrease in price. In connection with the first quarter segment realignment, we have organized IndustrialsCo into two lines of business: Healthcare & Water Technology and Diversified Industrials.

Healthcare & Water Technologies consist of our high-growth businesses of Healthcare and Water. Our Healthcare portfolio includes Tyvek medical packaging and garment offerings, Spectrum and Donatelle advanced medical device applications and Liveo biopharma processing and solutions.

Our Water business is a leading technology provider with a comprehensive portfolio of filtration technologies including reverse osmosis, ion exchange and ultrafiltration. Water also has strong exposure to secular growth drivers and serves key end markets such as industrial water and energy, municipal and desalination and life sciences.

Diversified Industrials is a leading provider of innovative products and solutions, supported by well-known brand names serving industrial-based end markets including construction, advanced mobility and personal protection.

For the first quarter, Healthcare & Water Technology sales were up low teens on an organic basis versus the year ago period, reflecting volume gains in all business lines within Healthcare and strength in Water led by reverse osmosis. Diversified Industrials sales were down mid-single digits on an organic basis due primarily to softness in construction and auto end markets.

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Operating EBITDA for IndustrialsCo during the quarter of $464 million was up 6% versus the year ago period due to volume gains and savings from prior year restructuring actions.

Operating EBITDA margin during the quarter was 23.8%, up 130 basis points from the year ago period.

Turning to Slide 10, which outlines our latest view on 2025 financial guidance. For the second quarter, we estimate net sales of about $3.2 billion, operating EBITDA of about $815 million and adjusted EPS of $1.05 per share. These estimates include a seasonal sequential sales lift, although muted from prior expectations given timing shifts from the second quarter into the first quarter in semi.

For the full year 2025, we are maintaining our guidance at our prior outlook with estimates for net sales of $12.8 billion to $12.9 billion, operating EBITDA of $3.325 billion to $3.375 billion and adjusted EPS of $4.30 to $4.40 per share.

In addition, as Lori mentioned earlier, for 2025, we currently estimate a net cost impact of tariffs of about $60 million or about $0.10 per share, mainly related to the second half of the year.

Our financial guidance does not include this estimated net cost impact as we continue to identify further mitigation actions as well as tariff implementation uncertainty. Overall, I am pleased with the solid start to the year.

I want to thank our employees for delivering these results and for their ongoing support to the separation process.

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

QUESTIONS:

Operator^ (Operator Instructions) Your first question comes from the line of Jeffrey Sprague with Vertical Research.

Jeffrey Sprague^ Hope everyone's well and busy, I see. Maybe since we have Jon on the call could I start there? Jon, I just wonder if you could just walk us through sort of the exemption process. How many kind of different exemptions do you need or do you have? And most of what you need relative to the guide, is that in hand at this point?

Jon Kemp^ Yes. Jeff, thanks for the question. When you look at it total, when we think about all of the tariff actions that we're pursuing in terms of supply chain adjustments, sourcing strategies, surcharges and pricing adjustments and mitigation, the product exemptions, I would say, is probably the smallest of those four categories. Really, the bulk of the tariff savings and mitigation actions that we've done have really been on the procurement and supply chain optimization side of the house.

We continue to have very constructive dialogue with both the U.S. and China authorities on the dynamics, particularly in the semiconductor industry. It's a relatively small percentage of our total mitigation strategy, and we continue to have those dialogues with the teams on the ground.

Jeffrey Sprague^ Thanks for that. Then so on the supply chain optimization side then, does that imply that you're sourcing from Europe now or trying to source from Europe now or somewhere else into China to get around the need for exemptions? Maybe just a little bit more color on what you're actually doing on the supply chain side and sourcing.

Jon Kemp^ Yes. So, when we think about our supply routes into China, actually very little of what we produce in China actually comes from the U.S. It's a very small percentage of the total. Most of what we buy for our products in China are actually sourced from non-U.S., the vast majority of them.

So, we're all sort of -- we're sort of positioned well already given the extensive footprint across the industry and where we have supplier relationships. And in the handful of places where we do have U.S.-sourced materials, generally, we have alternative suppliers that we've been working with our customers to shift to those alternative suppliers that wouldn't have any difficulty with the tariffs.

In some cases, that -- those materials are already qualified. In some other cases, there's a little bit of a timing lag to make sure that we can qualify those new materials. But in general, we're really well positioned within the electronics space from a sourcing standpoint based on where we're already buying our materials.

Lori Koch^ Yes. Jeff, the total company number for sales that we export from the U.S. into China is only about $200 million. So, the bulk of the gross impact that we sized at $500 million on an annual basis is us moving intermediate product into China for final completion and shipping to the customer.

So that's why we're able to flex our own supply chain internally to be able to mitigate a lot of that impact. It's not actually shipping finished product into China.

Jeffrey Sprague^ Right. So that those intermediates can come from other places as part of the sourcing changes and optimization then, to some degree.

Lori Koch^ Correct. Yes.

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

Scott Davis^ Congrats on all this stuff. As Jeff said, you guys have been busy. I wanted just to see if you could give us the tariff numbers broken down into the two businesses, just starting to think about DuPont as completely separate, you've got a few months left. Do you have that data available to Qnity and DuPont.

Antonella Franzen^ Scott, it's Antonella.

So just a couple of comments related to that. So, when you look at our net exposure for 2025, it's actually split pretty evenly between ElectronicsCo and IndustrialsCo.

So, about $30 million in each is kind of the way to think about it. When you think about our exposure relative to a percent of our COGS, it's actually around 6% for both ElectronicsCo and IndustrialsCo. So, on a gross basis, again so pretty evenly split.

The one other thing that I would just mention and bring up related to the impact is we talked about the in-year impact being about $60 million. The one thing I do want to make clear, and as Lori mentioned, that's predominantly in the second half of the year, if you kind of start to look into 2026 and assume nothing changes from where we are today which is a big assumption, I just want to make sure that you don't walk away thinking the $60 million becomes $120 million next year and that we have an incremental $60 million headwind.

And as Jon briefly talked about, we do have additional incremental mitigating actions that we're looking at. Some of it relates to qualifying certain products in different areas. So, we have incremental mitigating actions that will come into play towards the end of the year that will help mitigate any further impact that we would have in 2026, assuming there's no changes from where we are right now.

Scott Davis^ That's helpful, Antonella. And just to follow-up on Jeff's question, that $200 million of intermediate product that's being shipped to China, how -- would there be a long-term plan to try to locate that in China? Is there IP protection?

Is that one of the reasons why you're shipping it from here to there? Just trying to get a sense of just the challenge of moving that asset base or whether this is a bit of a kind of permanent structural issue.

Lori Koch^ Yes. So, the $200 million was the finished product export sales from the U.S. to China. So, when I talked about the intermediates, that's the bulk of the gross exposure of the $500 million that we sized. So, I know a lot of numbers flying around.

So yes, we believe, as Antonella had mentioned, that we've got continuing actions that we can take either on our own supply chain or favorable outcomes on the exemptions or ultimately pricing actions in excess of the surcharges that we're putting in place. So, we're not done yet. And ideally, we get to the place where it's really not a net impact for us.

Scott Davis^ Okay. But it's not moving your own fixed assets? I guess that was kind of the question.

Lori Koch^ No. Yes. No.

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

Stephen Tusa^ I'm just curious, how much of the sales in China do you think -- are you like spec-ed in on with like long-term contracts with your OEMs there or whoever is buying and integrating your products and the finished products? What percentage of those sales can they kind of substitute?

Jon Kemp^ So Steve, this is Jon. Good question. So, when you think about from an electronics point of view, we've got roughly -- last year, for example, we had about $1.4 billion of sales into China.

I would say almost half of that went to multinational company sales and almost 100% of those multinational company sales are materials that are spec-ed in. There is an additional probably 25% to 30% that go to the semi customers, where we have what we would call process of record identified, which means that we're spec-ed into their particular technologies.

So, switching us out immediately for a competitor is not an easy task. It takes time and there's a lot of costs involved in making that switch. So, in general, you put those two numbers together and we get to a point where north of 70% of our sales into China are really kind of spec-ed in materials.

Stephen Tusa^ Okay. Great. Then you don't really have anything that's like coming cross-border into the U.S., right? That's not really the issue here. It's more what you're shipping to China.

Jon Kemp^ That's correct.

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

John McNulty^ Maybe a little bit of a shift away from the tariff question.

We've been seeing some of the water markets starting to accelerate a bit, but you guys seem like you're definitely at the high end of some of the results that we're seeing. I guess can you help to unpack that a little bit as to what that demand really

is stemming from, if there's any specific end markets or industries that are maybe driving that? That would be helpful.

Lori Koch^ Yes. So, we did have really nice results in Water in the quarter, and we expect Water to be up kind of high single -- mid- to high single digits for the year. So, a piece of it is the favorable comp from last year.

So last year, Q1 was our low point for the Water business as we saw the tail end of the destocking specifically within China taking place.

But more broadly, the demand is very strong across the main technologies, whether it's RO with all of the desalination requirements as we address the water scarcity issue, ion exchange where we get more diversification from an end market and application perspective.

So, there's a lot of opportunity whether it's in microelectronics for purification of water or within food and beverage for purification of water. And then there's some key nascent technologies that we're following that aren't in our numbers today but present nice upside for us as we go forward, especially around PFAS cleanup and the DLE, so the direct lithium extraction opportunity for us. So, we're really excited to have the water opportunity in the portfolio.

John McNulty^ Got it. Okay. No. That's helpful color. And then just another question on the ElectronicsCo side. I know in the past; you've spoken to some of your AI exposure.

You specifically called out the Interconnect Solutions side and some of the AI-driven technology ramps. I guess can you help us to understand the size of that business in Interconnect Solutions and some of the applications that you're helping to address there?

Jon Kemp^ Yes. Sure.

So, I think last time on the last call we sort of talked about sort of AI and particularly kind of the data center and high-performance computing exposure. And part of that is comprised of the advanced chips that are coming from advanced nodes, whether that's 3-nanometer, 2-nanometer coming out this year and the high-

bandwidth memory, and then the rest of it is sort of in advanced packaging and other interconnect technologies.

So, data center for us is about 15% of our portfolio. I would say in the first quarter, we had another terrific number. It was actually up mid-teens in the quarter, really with the growth across all of those categories.

Of the advanced chip, the advanced packaging, the layered thermal materials and EMI shielding materials and then, in particular, some high-performance laminates.

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

Christopher Parkinson^ Can you just hit on very quickly what you're seeing across both semi-tech and ICS and how you're thinking about the China market versus just the non-China market in terms of how things are evolving thus far in 2Q and how that could potentially lead to second half trends?

Jon Kemp^ Yes, Chris. Sure.

So, in China, as we've talked about before, the China growth has really been driven by fairly strong domestic demand in China as well as a bunch of new fab start-ups that are taking place. And if you recall when you start up a new fab, typically, you're running a lot of material because you're starting out with a fairly low yield.

And then over time your yields will gradually come up. And so, as you start up new fabs, the material consumption is a little bit higher. That benefits us. And then the underlying demand in China has been strong for several quarters now. As we think about the China demand in semi going forward, we think that normalizes to -- so it doesn't have kind of be elevated.

It normalizes to a more normal demand level, and we are expecting about flat for the full year. On the ICS side, those customers are operating kind of most, closer to actual demand.

So, there's not a lot of -- there's not really pull-forward dynamics that are happening in the ICS market. It's more real-time production. And that demand

continues to be strong both in China and really in the rest of the world driven from really kind of, I would say the smartphone PCs bill that is happening in China as well as some of the data centers and the advanced packaging applications, the OSAT, for example.

And then when you go to -- and when you go kind of more broadly, the rest of the world, we're expecting high single-digit growth from both semi and ICS for the rest of the year. So even with a flat China, we see demand really being driven by the AI advanced nodes and advanced packaging applications continuing through the year.

And that's really what's fueling most of the growth. Advanced logic and DRAM continue to have high utilization rates. And then it's the -- as we've talked about before, NAND and Mature Logic are a little bit slower.

So, if we -- I would say if we see any uptick in Mature Logic and NAND, that would probably give us some nice upside.

Those tech commentary is pretty consistent with what I think what you've heard from our customer base in the broader market over the last couple of weeks.

Christopher Parkinson^ That's helpful. And actually, you're kind of leading me into my follow-up. When we think about your exposure in packaging and circuit materials, we think about kind of the intermediate to long-term trends in HPC, can you just talk about your competitive positioning? Like what are we going to be talking about as we approach November one as it relates to like '26, '27 earnings in terms of that specific business and how it's evolving?

Jon Kemp^ Thanks, Chris. So, we're excited about our position.

We've got a terrific position in both the advanced nodes and the advanced packaging, especially in areas like our CMP business. Pads, slurries, and cleans continues to be a very strong business for us. And as we go forward into '26 and '27, one of the exciting opportunities, you're starting to see some of those CMP processes that are used today on the front end of the line in the semi world moving into the back end of line into some of the packaging.

And that's a nice upside. That will help contribute to kind of what I would call content growth in the semi process because today you're only using those steps mostly on the front end. And as you start to see those processing steps needed on the back end, that will be some nice upside opportunity for us.

On the advanced packaging side, we have a broad set of materials going into that market, the largest of which is metallization materials. We're well positioned on both metallization materials and thermal materials.

We're working with, in particular, some of the foundry customers to be able to scale up their 2.5D and 3D packaging technologies. And as we continue to see that build out including some of the vertical scaling that may happen in some of the outer parts of the time horizon that you mentioned, that also represents additional upside for us. And as we do that, we are seeing some nice share gains in the advanced packaging space in particular.

And in our Interconnect Solutions business, so packaging slurries, for example, packaging metallization, IC substrates are all businesses where we've seen some nice share gains over the last few quarters.

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

Joshua Spector^ First, I just want to ask on the guidance and just kind of the logic of not changing the guidance but highlighting the tariff impact.

I guess are you messaging that there is potentially more offsets that could that get you into your original guidance range? Or is it just uncertainty and you didn't want to adjust yet?

Antonella Franzen^ It's Antonella. Two things related to that. So, one, as you very well know, it's kind of been a moving target day by day.

So, we wanted to keep our underlying guidance clean so you can see our operational performance. And as we've been talking about, I would tell you, the teams have been working really, really hard to offset the impact of the tariffs.

We started with a $500 million annualized number. Our impact for the year currently is around $60 million. We're continuing to work actions. We have not stopped. We will continue to look at that. There clearly could be some incremental mitigation actions that we have in place by the end of the year as well. So, we'll continue to watch it. We'll continue to assess it.

We'll see what position we're in at the end of the second quarter, and then we'll -- depending on where things kind of land will embed it into our guidance.

Joshua Spector^ That's helpful. If I could follow up on the China anticompetitive review that's going on, on Tyvek. One, can you comment on that beyond what you guys had in the press release a month or so ago?

Then two, if you can say anything about the potential or lack of potential for further China reviews to spread to other parts of the business. Is that a risk that you're worried about? Or is it something that you're not worried about?

Lori Koch^ Yes. So, on the second part of your question first, we don't see a risk of it going beyond the initial Tyvek investigation. So, the investigation is kind of at a steady point. So, we complied very quickly with all of their requests and are awaiting information from them.

As we saw when the initial news came out, the exposure is not large, it's less than 1% of sales. So, it's not a huge number for the total company. And as mentioned, we don't see it creeping into other areas of the business.

Ed Breen^ And the documents that we turned over to them were all related to just the Tyvek business.

Antonella Franzen^ And the only thing I would add as well this is ongoing. There is no changes to the businesses. We are able to continue to sell to customers within the area. There's no changes to that as well.

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

David Begleiter^ Lori, are Kevlar, Nomex core to the new DuPont? I would have thought they would be, but it sounds like they may not be. So why is that the case?

Lori Koch^ Yes. So, we've been talking when we made the decision to keep the Water business, that we would build around the high-growth components of the portfolio, which are Healthcare and Water, and we would look to take complexity out over time so i.e., start to reduce the end markets in which we play.

So, I don't want to comment any further on the speculation around the news from the Aramids business beyond saying that we've been pretty vocal about differentially investing and driving growth around the Healthcare, Water.

David Begleiter^ Got it. And just can you quantify the impact of the pull forward of Semiconductor Technologies' earnings into Q1 versus Q2?

Antonella Franzen^ Yes. So, it's Antonella. So, in total, that was -- we sized that around $30 million of sales that went into the first quarter from the second quarter. That's at a pretty high margin rate, I would say.

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

John Ezekiel Roberts^ Could you give us a little more granularity for the Diversified Industrials segment? And will the 10-Q have any more additional reporting within that kind of subsegment?

Lori Koch^ No. So, the diversified is primarily comprised of the shelter business, which is about $1.7 billion in sales; next-gen mobility, which is our auto and aerospace-exposed businesses, which are about $1 billion in sales; the Aramids business, which is about $1.3 billion; and the remainder is printing and publishing that came over -- printing and packaging, which came over from Electronics, which was reported within the Industrial Solutions space.

So those are the key components. You'll see that we're disaggregating revenue for the new DuPont company at two levels. So, you'll see today the Healthcare & Water under one segment and then Diversified Industrials underneath another segment. So, as we get to separation, we'll have to disaggregate that even further.

So, you would see most likely the areas that I just identified for diversified, and then you would see the Healthcare and Water separately for Healthcare & Water.

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

Patrick Cunningham^ You noted share gains pretty consistently for Electronics. I'm just wondering, in the current sort of environment where we're seeing normalization and tariff uncertainty, do you see any pressure on that outperformance, whether it's additional competitive dynamics or changes with customer relationships or engagement on new product introduction?

Jon Kemp^ So thanks, Patrick. Look, it's a competitive space. Our teams have been -- we're fighting the battle kind of on the street customer by customer, business by business every single day.

Our teams are in constant contact with our customers and we're watching that really closely. It is a competitive environment. We feel good about our competitive position. The dialogue that we have with our customers is strong.

And when I think about the way in which our customers continue to work towards more advanced technologies with increasing process complexity and increasing quality requirements, the reality is that there's not as many participants who can help them to maintain the quality and the yields that they need in their facilities, whether you're talking a semiconductor chip or a printed circuit board.

And we supplement that with large groups of application engineers in the local geographies where our customers are at to help them optimize their production, really. Our engineers are working side-by-side with them in the factory to help them optimize how our products are used to maximize their performance.

And that's part of the value proposition that we bring and part of why we have kind of a seat at the design table with them.

Patrick Cunningham^ Got it. Very helpful. In the past, I think there's been restrictions on U.S. product shipments to China, mainly in electronics. Could fresh restrictions be a potential retaliatory measure in this trade environment?

Jon Kemp^ I think it's -- we watch that closely. It's certainly a dynamic environment and it's possible. We don't have anything kind of scoped out that we're anticipating at the moment.

But I think as we've seen since going all the way back to 2019, that it continues to be a dynamic environment, and we'll continue to watch it closely. I think the teams have demonstrated an ability to navigate those changes pretty well and we'll continue to do so.

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

Aleksey Yefremov^ In Industrial, your full year sales guide is for 3% to 4% growth, that’s acceleration from flat in 1Q. So, what would get better this year and year-over-year?

Lori Koch^ Yes. I think you're mixing as reported and organic.

So, in Q1, our organic sales for Industrials were 2% up. And for Q2, we're kind of forecasting low single digits, so with similar profile. And then for the full year, we're seeing organic, 3% to 4%, and we had mentioned that we were trending towards the lower end. So, I think the guidance on an organic basis versus a total company reported basis.

Aleksey Yefremov^ Okay. That's helpful. So not much of a change in trends, it sounds like.

Lori Koch^ No.

Aleksey Yefremov^ Okay. Going back to Electronics in China, just to clarify, you mentioned the pull-in from Q1 -- from Q2 to Q1. And last year, you've been talking about also potentially some of the givebacks from strong sales in China that you could see in '25. Is that still on the table sometime later in '25? Or how do you think about that dynamic, just China being so strong last year?

Jon Kemp^ Yes. So, I think our guide has it normalizing kind of through the rest of the year as we continue to see kind of the customers. It's kind of flat year-over-year.

And part of that is whatever materials they have, we expect will be consumed based on demand.

But when we talk to our China customers, they continue to see fairly strong local demand and they're not talking about hugely elevated inventories. We do expect that there will be some normalization. So, we'll be flat year-over-year. But we'll have to monitor we'll have to monitor how that goes.

I would go back to -- globally, we still expect the market to be fairly strong, especially in some of the advanced technologies that I've talked about. For China, a lot of -- China has got data center activity going on. They've got a very strong EV and automotive business that they're supporting. Their consumer electronics businesses have been fairly strong.

And as we see that kind of pan out globally, we think that demand conditions -- what we're hearing from our customers is those demand conditions should continue.

Operator^ Your next question comes from the line of Mike Leithead with Barclays.

Michael Leithead^ My first question is -- my understanding is Water and some of the Industrials businesses are often sold through distributors. So, I guess do you have any sense of channel inventories and any impact to potential prebuying in that segment?

Lori Koch^ Yes. So, you're right. So, the new DuPont is about 50-50 between direct and distribution. It's heaviest in shelter. That's what kind of driving up the average.

But no, we -- in Water, to your specific question, we saw all of the destock activity kind of as we headed into the tail end of '23 and then the beginning of '24. So, the inventory levels are definitely normalized and we don't see anything building there again.

Michael Leithead^ Okay. Great. Then second, I wanted to follow up on the Aramids business. I appreciate the disclosure around what drove the timing or need to perform an impairment analysis.

But can you just talk a bit more about what drove the write-down? Was it volume, profitability decline?

Was it (inaudible)? Or was it long ago, closer to when the merger occurred? Just some sort of context on that would be helpful.

Antonella Franzen^ Sure. It's Antonella.

So just to be clear, there was actually no significant changes to the future cash flows of the business at all. What happened was really more accounting related, is how I would characterize it.

So, you've got to keep in mind that we -- as we redid our segments, we had to reidentify what our reporting units were. So, Aramids is now a stand-alone reporting unit. Previously it was part of Protection. You heard us talk about that kind of in the 10-Q when we would do our annual impairment test.

So, there was other businesses within there as well. When you pull Aramids out on a stand-alone basis, again no changes to what was expected in terms of performance.

But when you look at the carrying value versus the fair value, the carrying value -- the fair-value was lower so we had to take the impairment charge during the quarter. So, it all stemmed from the realignment of the businesses during Q1.

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

Michael Sison^ Congrats, Jon. A question for you. In terms of Qnity comparisons, how should investors think about sort of the right companies to compare you with?

And the thought was semiconductor materials and equipment folks, but you've seen pretty significant multiple compression at Entegris and others.

Then -- on the other side, a lot of the higher-quality materials companies like [Linde], Sherwin, [Jivadan], Ecolab, their multiples have held up really, really well. So how do you think about the right comps for your business and how we look to value the company post spin?

Jon Kemp^ Yes. Thanks, Mike. I still think that the industry, the semi-industry pure plays are still probably the best peer set for us. So Entegris is still a good peer.

I recognize there's been a little -- there's been some compression in the short term. But I think over the long term, the industry dynamics are still very favorable with long-term growth and where we're going broadly across the electronics space.

I think that -- that will support -- kind of overtime that will support a long-term very nice valuation for us and for others in the electronics industry.

Michael Sison^ Got it. As a quick follow-up, curious if you'd like to opine on AI. There's a lot of questions on whether we peak, whether we're continuing to grow, we're early in the potential. Obviously, that's probably a good driver for this business longer term.

Jon Kemp^ Yes. So, look, I think when I think about AI, I think we're -- we continue to believe that we're still in the very early days of the adoption of AI use cases and there's still a lot of opportunities for further adoption and further growth.

I think that's been reaffirmed a lot by the hyperscalers that have come out. If anything, they're not pulling back their investment. They're increasing the size of their investment in the space. When we think about our AI exposure, our AI exposure, I kind of sized it with kind of the data center number that I gave earlier. It's about 15% of the portfolio, and it was up mid-teens.

It's a big part of our advanced packaging business as well, which is about 10% of the portfolio, and it was up in the low 20s in the first quarter. So really nice growth rates for us. And we continue to see opportunities for market expansion as well as for share expansion as that continues, and we see more and more adoption of use cases.

To the extent that AI use cases become more broadly affordable for more people, that will only accelerate. Because fundamentally, it comes back down to needing more compute and more connectivity. And both of those trends support growth for our business.

Operator^ Your next question comes from the line of Frank Mitsch with Fermium Research.

Frank Mitsch^ I wanted to drill into the IndustrialsCo side of the house. Obviously very strong in the Healthcare, and Water did low teens.

I believe that initially, there was a thought that the Healthcare and Water side would grow mid- to high single digits. And having done low teens in the first quarter, what your thoughts are for the balance of the year?

Then secondly, taking a look at Diversified Industrials, obviously down in 2Q, what your thoughts are in terms of growth rates on that side of the business.

Lori Koch^ Yes. So Frank, we're still in the same zone for the full year growth for Water and Healthcare, as you had mentioned, so Healthcare being up more in the high single digits, and Water, mid- to high single digits. So, I see a lot of momentum there.

We actually see them lifting as we go through the year on the Water side from new system implementations being put in place in the second half; and on the Healthcare side. pickup on the med device side that's driving the growth there.

On like the first quarter being up 14% and 11% organically for those businesses was a function of strong markets, but also the prior year comp, which as you -- we had mentioned earlier in the call the Water was low from the completion of the destock, and we were still seeing the destock on the Tyvek medical packaging side in the first quarter of last year.

So, we do see those growth rates moderating as we head into the second quarter, but still very robust. And on diversified, the 4% organic decline was really driven by shelter and automotive.

So those businesses or well telegraphed to be softening, shelter kind of across -- mainly the largest soft is spilling on the residential side and the do-it-yourself side.

On the automotive side, it's in Europe and the U.S. auto market. The revision that came out from IHS and in the last cycle the full year growth down about 120 basis points. So that is reflected in the Q1 numbers.

We do see a little bit of a pickup in the second half really around the personal protection space and the aero piece of Industrials remaining strong and then, obviously continued strength, as I had mentioned in Healthcare and Water.

Frank Mitsch^ Very helpful. Very helpful. And just to follow up on the building and construction and auto side, how are your order books looking April, May for 1Q relative to how they are historically? I mean, are you seeing a lot less visibility? How could you characterize the order books there?

Lori Koch^ Yes. So, no change there. We had mentioned April turned out strong for us.

Within IndustrialsCo, we typically start with about 75% of the orders on the books for the month. So, we're in good shape there. We haven't seen any slowdown in orders. We actually usually see orders pick up as you start the year, and we nicely saw that. So, no change in momentum from that perspective.

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

Vincent Andrews^ Ed, wondering if you can give us an update on PFAS and whether you think there'll be any material developments between now and the November spin, either in the state attorney generals or in the individual litigations?

Edward Breen^ Yes.

It doesn't seem like anything big will happen until at the earliest kind of going towards the tail end of this calendar year. You have two things coming up. You have the Chambers work New Jersey trial, which starts sometime this month. But that will -- it's in phases, so that will probably most likely go through the whole summer.

Then the -- I'd say the bigger issue that would be nice to get settled is the personal injury ones, and the first bellwether cases for that are in October of this year. So really nothing imminent in the kind of the next six months.

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

Arun Viswanathan^ Maybe I could just ask a question about the logistics of the spin. So, I guess is there -- is it possible that you could pursue any M&A ahead of the spin?

You talked about growth in Healthcare & Water. If you were to possibly monetize some -- and could you potentially monetize any other assets ahead of the spin? Or is that something that we should expect after November 1?

Lori Koch^ Yes. I would say probably nothing material before the November 1.

So obviously all hands-on deck to get the November one separation complete.

But we are actively looking at areas where we can either add to the portfolio, and I'll speak to RemainCo and Jon can talk a little bit too in Qnity, if they're looking at stuff. But we're always looking and have robust pipeline.

But there's nothing that I would say is imminent that would happen before the November one separation.

Jon Kemp^ And with Qnity, it would be very similar to how Lori characterized it.

Arun Viswanathan^ Okay. Great.

Then just as a follow-up, have you seen any change in your order patterns amongst some of the industrial customers, maybe in different countries on the Water side?

Do you see any change in behavior as far as pulling back or maybe extending out orders as it relates to tariffs or any other macro concerns? Or have that momentum kind of continued?

Lori Koch^ Yes. We haven't seen any oddities in the order patterns for new DuPont.

So, as I had mentioned, April was strong. The order book is consistent with our expectations as we see it through the second quarter.

Operator^ Your next question will be Steve Byrne, the last question for today with Bank of America.

Steve Byrne^ A couple of days ago, the EPA put out their PFAS action item list, and I'm really anxious to hear your view of it. It is quite detailed and quite a few action items. It seems to be a little bit of a different approach than the way they've taken on to cut lots of other environmental regs.

But a couple of items in there that I wonder what your view is. Like they're proposing to develop some effluent guidelines, which Lori, you had mentioned the potential benefit in your Water business from treatment for PFAS, maybe effluent guidelines could assist in that, although they might cut or change drinking water standards.

And the other one they've highlighted was the liability framework, whether or not you think that could have an effect on some of the future litigation.

Lori Koch^ Yes. I mean we continue to study it. I think as I had mentioned, there's no change right now on the opportunity side within the Water business to address the PFAS cleanup and remediation work.

I think on the liability side, we continue to make progress within the South Carolina MDL which from our experience, our exposure is most concentrated. So, we got a large one out of the way like 1.5 years ago with the water district. As Ed had mentioned, the bellwether cases on the personal injury front started in October.

So, we'll see how discussions go as you get closer to that date, and then we continue to manage our own kind of state-by-state exposure with the attorney general. But we'll read through the documents and see if there's any changes to our current views.

Edward Breen^ Yes. And remember, the personal injury case is coming up our firefighting foam, which we never made it. So, I think the parameters we had in the last big settlement would clearly apply here also.

Steve Byrne^ Then one quick follow-up. This $200 million of finished goods shipments from the U.S. to China, what products are those? What business is that? And how are you avoiding this 125% tariff?

Lori Koch^ Yes. So those are exports from the U.S. to our customers. And so, the tariffs would be on them with respect to payments.

So, obviously we're working to make sure that maybe all the exemptions that could mitigate that piece for them would be in place evenly -- that's split kind of evenly between Electronics and IndustrialsCo, that $200 million from an export perspective.

Operator^ (technical difficulty) question and answer session for today. I will now turn the call over back to Ed Barna for closing remarks.

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

Operator^ Ladies and gentlemen, this concludes the conference. You may now disconnect. Thank you for your participation.