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DuPont Specialty Products USA, LLC

Q2 2025 Earnings

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CORPORATE SPEAKERS:

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Lori Koch

DuPont Specialty Products USA, LLC; Chief Executive Officer

Jon Kemp

Future Qnity Electronics Company; Chief Executive Officer-Elect, Current Electronics Business President

Antonella Franzen

DuPont Specialty Products USA, LLC; Chief Financial Officer

Edward Breen

DuPont Specialty Products USA, LLC; Executive Chairman

PARTICIPANTS:

Scott Davis

Melius Research; Analyst

Jeffrey Sprague

Vertical Research Partners; Analyst

Stephen Tusa

JPMorgan; Analyst

Christopher Parkinson

Wolf Research; Analyst

John McNulty

BMO Capital Markets; Analyst

David Begleiter

Deutsche Bank; Analyst

Joshua Spector

UBS; Analyst

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Wells Fargo; Analyst

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PRESENTATION:

Operator^ Good morning, ladies and gentlemen and thank you for standing by. (Operator Instructions) At this time, I would like to welcome everyone to the DuPont Second Quarter 2025 Earnings Conference Call. (Operator Instructions)

And I would now like to turn the conference over to VP for Investor Relations Ann Giancristoforo. You may begin.

Ann Giancristoforo^ Good morning and thank you for joining us for DuPont's Second 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 Qnity 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. Our Form 10-K, as updated by our current and periodic reports, includes detailed discussion of principal risks and uncertainties, which may cause such differences. Unless otherwise specified, all historical financial measures presented today are on a continuing operations basis and exclude significant items.

We will also refer to other non-GAAP measures. A reconciliation to the most directly comparable GAAP financial measure is included in our press release and presentation materials and have been posted to DuPont's Investor Relations website.

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

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Lori Koch^ Good morning. Thanks everyone, for joining our second quarter call. Earlier today we reported another solid quarter ahead of our previously communicated guidance. Second quarter sales of \$3.3 billion grew 2% on an organic basis. Operating EBITDA of \$859 million increased 8% year-over-year, resulting in operating EBITDA margin of 26.4%, an increase of 120 basis points from the prior year. Adjusted EPS of \$1.12 was up 15% year-over-year. As a result of our strong second quarter financial performance, we are raising our full year earnings guidance. Antonella will provide further details shortly.

Second quarter saw continued strength in Electronics, driven by AI technology demand in both Interconnect Solutions and Semi and strong volume growth in Healthcare & Water. This momentum is continuing into the third quarter with order patterns remaining strong through July. Weakness in construction continued to impact our Diversified Industrials business during the quarter.

I also wanted to highlight that yesterday jointly with Chemours and Corteva, we announced a settlement with the state of New Jersey to comprehensively resolve all current and future environmental claims, including PFAS, across the four current and former operating sites and statewide for PFAS claim. The settlement will be payable over a 25-year period, and our portion of the total settlement is \$177 million on an NPV basis. Importantly, this settlement also includes AFFF, which was less than 1% of the total settlement amount. The settlement is subject to final court approval.

Regarding our separation milestone, progress on the intended spin-off of Qnity Electronics continues, and we remain on track for a November 1 separation date. In June, we completed the composition of the Qnity Board adding two new members that bring a depth of experience and knowledge of the semiconductor sector that complements the existing diverse set of skills. The Qnity Board will be comprised of 10 members, including Jon Kemp. We filed a first amendment to the Form 10 registration statement with the SEC in June, which included additional pro forma financial information. This will continue to be an iterative process with the SEC as we progress towards separation.

Turning to Slide 4. We are pleased to announce that we will be holding an Investor Day on September 18 for DuPont and Qnity, focused on introducing both portfolios

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and their respective strategies for driving value creation. I continue to be excited about what lies ahead for both future independent companies and the investment potential for each. For the New DuPont as a leading advanced solutions provider, and Qnity as a pure-play technology solutions leader within the semiconductor value chain.

As we look forward to the New DuPont, we've assembled a highly experienced senior leadership team consisting of a healthy mix between in-house and external talent who bring great experience in driving growth and margin expansion. To highlight a few of our new leaders, Jeroen Bloemhard currently leads our Healthcare & Water Technologies business. Jeroen has both internal and external experience in complex global markets with a strong focus on commercial excellence as well as a growth mindset. Beth Ferreira recently joined our team to lead our Diversified Industrials business. Beth brings deep experience and global perspective and in the industrial space with key roles at ITW and IMI, where she successfully led transformation efforts, drove operational efficiencies and fostered a customer-centric culture.

David Koch just recently joined us from Danaher and will be our Chief Operations and Engineering Officer. Dave brings extensive knowledge and operational excellence with a proven track record of driving performance improvement and implementing business systems. The New DuPont will have a more focused portfolio, highlighted by high-growth healthcare and water end markets. With the continued emphasis on innovation and customer relationships, we are well positioned to accelerate growth through a more agile and focused organization.

With that, I'll now turn the call over to Jon.

Jon Kemp^ Thanks, Lori, and good morning, everyone. As we approach our November one spin-off, Qnity is poised to emerge as a premier pure-play technology solutions partner to the semiconductor value chain, with a leading portfolio, a focused business model and global and local scale, I could not be more excited about Qnity's future. Established with decades of innovation, quality, consistency and technical know-how, we are a trusted partner to the world's leading semiconductor customers and electronics industry OEMs.

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Our broad and uniquely positioned portfolio brings end-to-end solutions and competitive advantages that span the entire electronics value chain, enabling AI applications as well as high-performance computing and advanced connectivity. Qnity is well positioned for growth, powered by a large and expanding addressable market and multiple industry tailwinds.

I am equally excited about our upcoming Investor Day. At that event, I will share more about our portfolio and strategy, unique competitive advantages, and innovation engine to drive long-term growth.

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 another quarter of organic growth and margin improvement as continued volume growth across many key end markets and operational focus by our team drove strong financial performance in the quarter, including solid cash conversion. Beginning with second quarter financial highlights on Slide 5. Net sales of \$3.3 billion increased 3% versus the year ago period on 2% organic sales growth. Organic sales growth consisted of a 4% increase in volume, partially offset by a 2% decline in price. Currency was a 1% benefit in the quarter.

From a segment view, both segments saw organic sales growth with ElectronicsCo and IndustrialsCo up 6% and 1%, respectively. Organic growth during the quarter was led by high single-digit growth in Interconnect Solutions and Healthcare & Water technologies, along with mid-single-digit strength in semi.

From a regional perspective, Asia Pacific delivered 4% organic sales growth year-over-year. Organic sales were up 2% in Europe and 1% in North America. Second quarter operating EBITDA of \$859 million increased 8% versus the year ago period as organic growth and productivity benefits were partially offset by growth investments. Operating EBITDA margin during the quarter of 26.4% increased 120 basis points year-over-year.

Turning to free cash flow, we delivered transaction-adjusted free cash flow of \$433 million and related conversion of 93% in the quarter. This was in line with our expected acceleration.

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Turning to Slide 6. Adjusted EPS for the quarter of \$1.12 per share increased 15% from \$0.97 in the year ago period. Higher segment earnings of \$0.11 drove the year-over-year increase, along with a lower tax rate, which resulted in a \$0.04 benefit.

Turning to segment results, beginning with ElectronicsCo on Slide 7. Second quarter net sales of \$1.2 billion increased 6% versus the year ago period on both a reported and organic basis due to an 8% increase in volume, partially offset by a 2% decrease in price. Currency was about flat during the quarter. At the line of business level, organic sales for semiconductor technologies were up mid-single digits on continued strong end market demand driven by advanced nodes and AI technology applications. Semi demand was better than expected, driven by timing shifts of about \$15 million from the third quarter into the second quarter, primarily in China.

Interconnect Solutions also posted another strong quarter with organic sales up high single digits, reflecting continued demand from AI-driven technology ramps and benefits from content and share gains across advanced packaging and thermal management solutions. Operating EBITDA for ElectronicsCo of \$373 million was up 14% versus the year ago period as organic growth and lower legal costs were partially offset by growth investments to support advanced node transitions and AI technology ramps. Operating EBITDA margin during the quarter was 31.9%, up 220 basis points versus the year ago period.

Turning to Slide 8. IndustrialsCo's second quarter net sales of \$2.1 billion were up 1% versus the year ago period on both a reported and organic basis as 2% volume growth was partially offset by a 1% decline in price. Currency was about flat during the quarter. For the second quarter, Healthcare & Water sales were up high single digits on an organic basis versus the year ago period, with strong growth in both businesses. Diversified Industrial sales were down low single digits on an organic basis due primarily to softness in construction markets. Operating EBITDA for IndustrialsCo during the quarter of \$509 million was up 3% versus the year ago period on organic growth and productivity gains. Operating EBITDA margin during the quarter was 24.4%, up 50 basis points from the year ago period.

Turning to Slide 9, which outlines our latest view on 2025 financial guidance. From a top line perspective, the midpoint of our full-year total company net sales guidance

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of \$12.85 billion remains unchanged as currency benefits are offset by volume softness, primarily due to a delayed recovery in construction end markets.

We are raising the midpoint of our full year operating EBITDA and adjusted EPS guidance to \$3.36 billion and \$4.40 per share, respectively, driven by our stronger second quarter performance, which more than offsets the net impact of tariffs now incorporated into the outlook. The net tariff impact assumed in the second half of 2025 is currently estimated as a \$20 million headwind or \$0.04 per share, equally split between the third and fourth quarter. Our updated guidance assumes no earnings benefit related to currency fluctuations versus the prior guide given our geographic cost base.

For the third quarter, we estimate net sales of about \$3.32 billion, operating EBITDA of about \$875 million, and adjusted EPS of \$1.15 per share, which includes a \$0.02 headwind related to tariffs and a \$0.05 year-over-year headwind related to tax. Our third quarter guidance assumes about 3% organic sales growth versus the prior year, led by continued growth in healthcare, water and electronics end markets, partially offset by continued weakness in construction end markets.

Overall, another solid quarter and strong first half of the year. I want to thank our employees for delivering these results and for their ongoing support of 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^ With that, ladies and gentlemen, we'll take our first question from Scott Davis of Melius Research.

Scott Davis^ I just wanted to drill in a little bit on industrials, because in three months it's going to be a stand-alone. The 1% price, would I assume that's mostly just due to the Tyvek weakness and some price you have to kind of give up in that business when material costs are down.

Lori Koch^ No. It's more related to the price that we took through the inflationary period and having to give back a little bit as the raw material environment resolved.

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So it really was more in the Diversified Industrial space, there really wasn't anything in the Tyvek or healthcare space. So we look to reduce that price headwind as we go through this year just as we lap some of the concessions that started in 2024.

Scott Davis^ Okay. Will there be an effort to capture price to offset the tariff impacts then as well, Lori?

Lori Koch^ We do have some, but the majority of the reduction is related to supply chain moves. So we're able to move product around to avoid the tariffs. There is a little bit of surcharges that we put in to offset, but the majority of the benefit reducing the gross headwind down to the \$20 million net headwind from supply chain moves.

Operator^ Next up, we have Jeff Sprague of Vertical Research Partners.

Jeffrey Sprague^ On the settlement, obviously nice to see that done. Very interesting comment, right, that AFFF was 1% of the settlement amount you've made a long-time argument, right, that you shouldn't really be embroiled in AFFF to a significant degree. But I just wonder how we should read that across. One could maybe guess that New Jersey was so big and complicated and there was so much going on that AFFF considerations were really way down the pecking order. But perhaps not. I would just -- I'd love your thoughts on how to read that 1% across the other outstanding AFFF kind of open issues that you're dealing with?

Lori Koch^ Yes. We were definitely happy to announce the settlement and get another one behind us. The real important piece for us was it's paid over a 25-year period. So the cash flow is related to the settlement will be immaterial to the overall DuPont cash flows at any period.

So -- but to your question, the settlement amount that was related to AFFF is in line with where we said the original water district settlement case would be with about 3% to 7% of the total headwind belonging to DuPont. So if you take -- our portion is related to AFFF and compare it to the 3M announcement earlier in New Jersey in that the 5% range, so right in the middle of that 3% to 7%. So that was really important for us to get out there to kind of give an indication of where future settlements and states where we didn't have a site could land with respect to the overall landscape.

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Edward Breen^ And Jeff, we have one more state where we have a site where we've done significant remediation and we continue to. So at some point, you'll probably see something there that will be North Carolina, but every other state is AFFF and should fall, as Lori said, and as this one did in between that 3% to 7%. Then remember that 3% to 7% were a third of the 3% to 7% at DuPont, and one of the other things we liked about this what Lori mentioned, it was over 25 years. So I think there's opportunities to structure things like that for the others.

Jeffrey Sprague^ Yes. That's great to hear. Then just back to the brighter side of IndustrialsCo. Just looking at Healthcare & Water were they up collectively high single digits or both individually were up high single digits? But really, my real question is just I would assume we're kind of through the inventory liquidations that have been weighing on those end markets. But can you give some color on that? Have we recoupled the end demand? Anything else going on in the channel there? And just how you see the back half playing out in those businesses?

Lori Koch^ Yes. No. They were both up nicely. So healthcare was a little bit ahead of water with respect to growth, but both up nicely. And as you had mentioned, they're decoupling from the lapping of the destock that happened in both RO, on the water side, and then in medical packaging on the Tyvek side. So really starting to get to a nice position. As we look to the back half of the year, we'll continue to expect outsized growth versus the rest of the portfolio in Healthcare & Water are really a lot of opportunities on the water side, just given the secular trends around access to clean water and desalination and on the healthcare side, just with the aging population. We've also been pretty clear that we'll look to add to those pieces of the portfolio as we go forward from an M&A perspective. So really starting to try to bolster that piece today. It's about 40% of the portfolio, we'll look to increase that as we can advance some of our M&A activity.

Jeffrey Sprague^ We've had some people play in healthcare mentioned uncertainty about Medicaid, Medicare reimbursements and the like. You're not seeing any of that sort of pressure in your business?

Lori Koch^ No.

Operator^ All right. Next up, we have Steve Tusa of JPMorgan.

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Stephen Tusa^ Just on the electronics trends that are going on there, there's just a lot of mixed messages. How do you see this cycle in totality? Are you guys at kind of like a normalized run rate of growth? Are we still like are we at a bottom in some of the consumer markets and therefore, things can accelerate? Like what is the -- do you think the broad messaging on the Electronics side?

Jon Kemp^ Thanks, Steve. Great question. I know there's been a lot of discussion already over the last couple of weeks. There's lots of industry players have reported already. What I would say is that we continue to be in a fairly mixed environment. Really all of the growth so far for the last several quarters is really coming from AI-driven applications across advanced nodes, advanced packaging and data center. Most of the rest of the electronics economy kind of remains relatively weak. I think we're starting to see the green shoots of stabilization and recovery on the lagging edge parts of the market, and we expect kind of slow improvement as we move through the back half of the year for the more industrial-focused lagging edge semiconductor nodes.

And then we still have a relatively weak consumer environment where consumer devices are expected to be up kind of low single digit. So we're really happy with the growth that we've seen and the position of our portfolio with advanced technologies and data centers and advanced packaging. But as we go forward and we start to see a broader recovery, I think there's plenty of opportunity to see continued improvement.

Stephen Tusa^ Then just one follow-up to that. If you -- I guess there were some news around some changes in the way that they're assembling and manufacturing some of these chips with, I guess direct to the Board-type of process, I'm certainly not an expert on this. I'm not sure if you guys have heard about that or looked at it and what that would mean for kind of your content in general on some of these new chips if they change that process?

Jon Kemp^ Steve, look, I think that those -- we've said for a long time that we see convergence across the technology roadmaps between the chip fabrication and the semi roadmaps as well as the printed circuit board roadmaps, and that kind of converges mostly in the advanced packaging space. But because we have a really nice position kind of on both ends of that spectrum, we're able to sit down at the

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table with our customers and understand their end-to-end manufacturing process, their system integration and really work with them to solve problems. To your point, we're seeing an increased number of engagements broadly with all of the industry leaders to help solve those challenges across both sides of our portfolio.

Operator^ Next up, we have Chris Parkinson of Wolf Research.

Christopher Parkinson^ Jon, if I could just ask that question slightly differently. When I take a step back and I look at the environment heading into 2026, I think most people are aware of the kind of the node transitions. But when you think about your portfolio and where you stand and what you're seeing in terms of second half growth rates and where you think you could ultimately be, could you just quickly comment on what you're seeing across semi advanced packaging and ICS in terms of data center HPC and hyperscalers? It seems like there's some diverging growth rates, but things should ultimately be moving in the right direction over the next 12 months. So I'd love to hear your thoughts on that.

Jon Kemp^ Yes, Chris, thanks for the question. I think you're absolutely right. The hyperscalers for the most part, seem to continue to be very robust in their investments and continuing to put in capacity, and we see ongoing node migrations to support those investments from our customers. We're really excited as we get into the second half of the year on the node migrations, particularly at N2 as well as some of the HBM, whether that's 3E or four on the DRAM side. We're really well positioned with content gains on both N2 and on the HPM side. So we see that as a net positive as those more advanced nodes start to scale.

Then to the comment I made earlier, as we start to see a broader market recovery, both in the more industrial parts of the market and the consumer parts of the market as we start to see some of those refresh cycles tick up, obviously that will be a nice plug as well. And as it gets into more of 2026, stay tuned for that. As we mentioned, we'll be doing Investor Day in mid-September, and we'll provide a lot more color on the trends that we're seeing kind of in the second half of the year and heading into next year.

Operator^ Next up, we have Jon McNulty of BMO Capital Markets.

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John McNulty^ I wanted to dig into Healthcare & Water a little bit more. The high single-digit growth, certainly looks like it did better than what we saw from most in Water and actually most in Healthcare as well. I guess can you speak to the drivers that you're seeing there, which of them are kind of industry or end market driven and which ones are maybe some of your own initiatives that may be helping to accelerate the growth?

Lori Koch^ So a little bit was the recovery. So this was probably the last quarter that we would see the outsized number because of the lapping of the destock last year on the RO side and on the medical packaging side and then also on the Liveo side. So on the biopharma side, we're seeing nice growth there. But underlying it, really just goes back to the megatrends, and we're really well positioned to take advantage of those. So we've got really great customer relationships. We're leading positions in really all the end markets that we compete in. We've done a really nice job on the Water side to really shore up our position in China. So we had mentioned that last year, we saw a bit of a destock, especially within the distributor channel that led to negative growth in 2024, and we quickly corrected that and got us back on track to see really nice share regain within the China on the RO side.

So it's really just being well positioned in a nicely growing market. And as I had mentioned, we'll continue to try to add to that portfolio so that we can continue to drive outsized growth for the New DuPont.

John McNulty^ Got it. Okay. Then maybe just the second question, just, look, splitting up a company has a lot of things to do, as I'm sure you're all seeing. I guess where does M&A and building up a list of assets for potential acquisition and the team to evaluate them? Where does that fit kind of in your to-do list? And how should we be thinking about that? And how are the Boards thinking about that when the assets actually do split come November?

Lori Koch^ Yes. So obviously the first priority for us is getting Qnity separated. So we're well on track with that separation. We have the go live internally on October 1 and then obviously the formal separation on November 1. But our strategy organization and a lot of -- my time and Antonella's time is spent looking at making sure we've got the right pipeline from an M&A perspective to be proactive when we have the opportunity. So we spend a lot of time discussing this with the Board around where the key components are.

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There's a lot of fragmentation left within the healthcare space that we'll look to continue to take advantage of. Obviously we completed Spectrum and Donatelle the past couple of years that really gave us nice positions in the med device space, and we'll look to add on there and the same in Water. So making the decision earlier this year to keep Water in the portfolio was the right one, and we'll continue to add to it.

So it's a key focus of our strategy team. They're not really involved in the separation work that goes on, so they can obviously dedicate their full time to looking and scouting out new opportunities for us.

Operator^ So next up, we have David Begleiter of Deutsche Bank.

David Begleiter^ Jon, just Interconnect Solutions, sorry, organic sales growth did slow versus Q1 or the rate of growth did slow. Can you talk to why that occurred?

Jon Kemp^ Yes. I think it's really just the year-over-year comp. So first quarter of 2024, we were still kind of in the midst - the recovery hadn't really started yet. So first quarter of 2024 was a pretty easy comp. And we started to see acceleration in growth in the recovery, especially on the AI and advanced packaging side. Really starting in the second quarter and then continuing through the back half of 2024. So the ICS has now posted several really strong quarters on the back of some great wins and share gains in both advanced packaging and data centers, and we expect that momentum to continue into the back half of the year.

David Begleiter^ Perfect. And Lori, in the PFAS news yesterday you're agreeing to buy rights and insurance proceeds from Chemours. Can you discuss why you're doing that and what that means for potential future support from DuPont to Chemours?

Lori Koch^ Yes. So together with Corteva, we did that to ensure that Chemours had the ample liquidity to be able to make the payments over the next 5 years, and I think they were making statements that it covered them through 2030. So they should be in a really nice position to be able to make those payments as they come due, and I think reiterating what we had said earlier, just the 25-year payment schedule was really key to that announcement and sets a precedent, hopefully for

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future announcements. So that was really the reason behind it. We obviously had the MOU broadly governing the payments between the three parties, and I think it's been working really well for us.

Edward Breen^ And we're also highly confident we're going to recover the insurance money. So it's not a freebie. We'll get paid back on that.

Operator^ Next up, we have Josh Spector of UBS.

Joshua Spector^ I wanted to ask a question for Jon about the mix in electronics. I think one of the learnings from us from the Form 10 filings was the greater share of China exposure within Qnity, it's about 34% almost double where some of the peers are. I think some of the commentary in the industry is higher exposure to leading edge nodes, which helps drive above-average growth. Can you just square that view versus higher exposure in China? And why that is I guess good exposure in your opinion?

Jon Kemp^ Yes. Thanks, Josh. So when you look about China for Qnity, last year, and I think this is what's in the Form 10, we had about \$1.4 billion. It's just over 30 -- it's about a third of our total sales. When you look at that, -- more than half of that is really coming from the ICS part of the portfolio and the PCB and assembly. And that's just a function of where that part of the market is and the preponderance of printed circuit board and assembly manufacturing in the world is taking place in China. So it's somewhat natural that our position in -- with the technology leaders in that space would give us some outside sales in China.

Then on the semi side, it's about -- nominally, it's about \$650 million. A part of that is going to multinational companies who are manufacturing in China, and then we've seen the start-up of a lot of new fabs in China over the last couple of years. We're well positioned in the start-up environment because of the quality and the reputation of our materials. So that's what's fueled a lot of the growth that we've seen specifically in China.

As we look forward, we've said over the last couple of quarters, we said we expect a normalization of growth in China. I would expect that to come down to be kind of -- if you take kind of 2024 and the acceleration out, typically we would expect to be about 30% of sales in China, and I think that's kind of where we'll normalize to.

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That's pretty consistent with others in the industry. I think China is a large and growing market in electronics, and we're well positioned to win in China. And particularly in -- like I said, in some of the circuit board and assembly technologies where we've got local teams on the ground there, and we're doing a lot of local-for-local type strategies. As supply chains shift based on kind of geopolitical or other requirements, we've got a really good global position, and we'll shift with our customers as those supply chains evolve over time.

Joshua Spector^ That's very helpful. I wanted to ask separately just if you can comment at all on if there is a process on Aramids divestment? And if so, I guess how you're thinking about in the context of an Investor Day in 1.5 months, is there a goal to maybe have a firm view of if that's in or not the portfolio before that happens to make an easier communication story for you on the RemainCo DuPont? Or is this just ongoing and we'll see where it ends up?

Lori Koch^ I mean no comment. Our focus right now obviously as I mentioned, is getting Qnity out the door on November 1. So no comment on the Aramids speculation. We have been pretty clear, though, that we'll look to shift the focus of the portfolio towards the Healthcare and the Water and that we had incremental portfolio work that we would probably be doing for New DuPont. So I'll kind of leave it at that. So no incremental comments to the news out there.

Operator^ Next up, we have Jon Roberts of Mizuho.

John Roberts^ Let me ask this maybe a different way. The agreement with Chemours and Corteva has a minimum EBITDA [requirement]. So if you do decide to further focus RemainCo, how much EBITDA would you divest about going below the minimum requirement? Or does the lower leverage that you're going to have to RemainCo signal that you're going to do acquisitions first that might give you some headroom on the EBITDA requirement.

Lori Koch^ Yes. So we'll reset the minimum EBITDA between Qnity and New DuPont at separation, and that will kind of set the new minimum floor for each of those entities. So there will be a cushion in each side if there wanted to be incremental divestments to be made to be able to work the portfolio. So there is room there at the outset. Obviously the intent, I think on both organizations, if there were divestments would be to redeploy the proceeds in M&A to continue to

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grow. So you don't run into problems with the Corteva side of the agreement, but there will be some cushion at the outset. So today our combined EBITDA is over, so each of them will have an over.

Operator^ Next up, we have Aleksey Yefremov with KeyBanc Capital Markets.

Ann Giancristoforo^ I think we can just move to the next question.

Operator^ Will do. Patrick Cunningham of Citi.

Patrick Cunningham^ You had pretty robust margin performance in Industrials and posting pretty strong incremental margins despite price down. Can you help us think about the margin progression for the second half given you've lapped the bulk of destocking and maybe have some additional mix normalization there?

Antonella Franzen^ Yes. We have had very strong margin performance, and I would say better margin performance than we initially anticipated at the beginning of the year. And quite honestly, when you look at our updated guidance and you kind of take a look at where we're at, I would say on an overall basis, although we expect about 70 basis points of margin expansion from an underlying basis, so when you kind of put to the side the impact of tariffs and the impact of FX, it's actually more of a 100 basis points of margin expansion. So we're definitely doing better than we had originally anticipated.

And to your point, focusing on IndustrialsCo explicitly, although our organic growth has been relatively low, the team is very focused on productivity, which is clearly helping drive the incremental margins. And particularly in the second quarter, I would say very strong incrementals in that 70% range, and we'll continue to post nice margins on the industrial side.

Patrick Cunningham^ Got it. That's helpful. Then just a follow-up on IndustrialsCo on pricing. Just to clarify, we should expect less of a drag from price in the second half? And now that this will be a stand-alone business, how should we think about pricing across sub-businesses in a more normalized environment?

Antonella Franzen^ Yes. So as Lori mentioned earlier, so one, yes, we will continue to see pricing be less of component of that in terms of price going down. As Lori

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mentioned earlier, where we have been seeing some of the pricing is on the diversified industrial side. Because when you take a look back at the last couple of years, we had some really strong pricing that clearly more than offset the impacts of some of the increased costs that we had. So we always take a look at the trade-off between volume and price, and you always got to look at each business individually when you're doing that from a line of business level. And what's most important at the end is that we continue to grow the business from an organic perspective and continue to have healthy margins.

Operator^ Next up, we have Michael Sison of Wells Fargo.

Michael Sison^ Just for IndustrialsCo, volumes and EBITDA performance this year has been much more stable than my traditional chemical coverage. Anything else to point out to folks as you look to maybe shift that SIC code to industrials or manufacturing versus chemicals that you might highlight at your Analyst Day but just give us maybe your preview of the case there, given the results this year?

Antonella Franzen^ Yes. I think when you kind of take a look at our portfolio, it's pretty clear that IndustrialsCo is an industrial company and not a chemical company, and I think that kind of shows through clearly within our performance. So when you take a look at kind of the composition of IndustrialsCo and 40% of it being in Healthcare & Water. Then even when you look at the diversified side, although there are a couple of different components within that piece of the portfolio, it's clearly much more akin to an industrial portfolio.

I think that that's very clear. We are continuing to progress down the path relative to the GICS code. It will be looked at, and we'll see ultimately where we land, but I think that there's no question that we're an industrial company.

Michael Sison^ Great. And a quick follow-up for ElectronicsCo. Can you remind us kind of where we're at in terms of how much the portfolio is in advanced nodes and how much AI will continue to drive the growth there down the road?

Jon Kemp^ Yes, Michael. So for advanced nodes, we have about 35% of our semiconductor exposure is in advanced nodes, which compares to about kind of 20% of the total industry. So nice outsized outperformance there, which is kind of contributing to us growing better than the market.

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On the AI side, what we've said before is AI, high-performance computing and data center is about 15% of our portfolio, and it's growing nicely. In the second quarter, for example, we saw growth rates above 20% in that AI data center space. So really pleased by the performance there.

Operator^ We have Frank Mitsch of Fermium Research.

Frank Mitsch^ So, the Chinese investigation into Tyvek was dismissed. I was curious if you have any further dialogue with the Chinese? And are there any other investigations that they may or may not be undertaking?

Lori Koch^ No. So we were happy to see it suspended and closed. So it was -- when it first came out, news that we quickly said was related to Tyvek and Tyvek only, and now it's been suspended. So we were happy with that conclusion.

Frank Mitsch^ All right. Terrific. And then the adjustment downward of the tariff impact from \$60 million to \$20 million, can you provide any more context on the \$20 million? And could that -- obviously things are changing on a daily basis, but any context you can provide around that -- the expectations for the \$20 million?

Antonella Franzen^ Yes. So to your point, it does tend to change on a day-to-day basis. But based upon where we're at, I would tell you that what we included in our guidance is based on the 90-day pause that went into effect in May and we are assuming that that kind of holds through the remainder of the year. There have been a couple of other changes, particularly related to tariffs on the EU and India that we've put into our number. I think the latest news that potentially came out Sunday night into Monday is not necessarily included in the \$20 million. We continue to watch it closely as do all other companies, and continue to work our mitigating actions as we move forward.

Operator^ Next up, we have Vincent Andrews of Morgan Stanley.

Vincent Andrews^ Just wanted to revisit ElectronicsCo and the margins and maybe some thoughts into the 3Q on the margins. You had volume up 8%. It sounds like that had some favorable mix to it as well but price was down 2 and you still got EBITDA margins up 220 basis points, which is obviously a robust increase. There

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was also a call out of lower legal costs. So could you just help us understand which parts of that are sustainable into where the margin in 3Q should be and how you're able to offset that negative price?

Jon Kemp^ Thanks, Now the price decline that we saw, it's really more of a mix issue with the strong growth that we had in ICS, ICS typically has a slightly lower margin than our semi business. So as the ICS business as a percentage of the sales is a little bit higher, it brings the margin down just a little bit, but not too much, still pretty healthy levels.

As it relates to the overall margin potential, very similar to what Antonella commented on earlier. The teams do -- continue to do a really nice job of balancing the volume and price equation and then driving underlying productivity. Obviously as we get more volume, we do see nice incrementals as we put more volume through the plant sites and then the teams continue to drive additional productivity on top of that, giving us opportunities to continue to invest in our technology roadmaps to really sustain and fuel the organic growth of the business. So I feel good about kind of where margins are at, and I think they're in a quite healthy place for us as we look to the second half of the year.

Vincent Andrews^ Then if I could ask you on sundry expense. There's been a pretty big swing in it year-to-date of about \$137 million. How much of that is stuff that sort of was one-time items and was it excluded versus stuff that is actually in the numbers? And where do you think they will wind up being for the full year? Is it just sort of self out through the course of the year? And is there some way we can tease it out of the guidance that's on, I think it's Slide 14 that you have the below-the-line stuff.

Antonella Franzen^ Yes. So when you look at our sundry expense, one of the big things in there is the market-to-market on the swap. So that's really what's driving the number within that line item, and that is excluded from our underlying results that we report on.

Operator^ All right. With that, our final question for today will come from Arun Viswanathan of RBC Capital Markets.

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Arun Viswanathan^ This is Adam, on for Arun. Congratulations on a great quarter. You guys have already spoken at length about the reasons for the cancellation of the Water spin previously. But looking past the Qnity spin in November, are you looking at the Water business as core to the New DuPont? Or do you think you could potentially revisit that in the future?

Lori Koch^ No. Thanks for the question. Yes. We definitely see it as core to the New DuPont. So the decision to keep and shore up the growth portfolio in the New DuPont was the right one. So we've got roundly 40% of our revenue today in Healthcare & Water and we'll look to add to that to bolster it and get it increase in the future. So no intent to do anything but grow and invest in the business.

Arun Viswanathan^ Great. If I could slip in one more. Just to dig a little bit more into the tariff comments. You mentioned that you're taking a lot of mitigating factors. Is that mostly from moving volumes around your network, changes in procurement, I think you also mentioned local for local strategy, or is it a combination of all that? Any additional color on that would be helpful.

Antonella Franzen^ Yes. So I would say about more than 90% of it is really related to supply chain movements. Then as Lori mentioned earlier, there is a small piece related to surcharges.

Operator^ And with that, ladies and gentlemen, this does conclude our Q&A session. So I'll turn things back over to Ann for concluding remarks.

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

Operator^ All right, Ladies and gentlemen, this does conclude your call. You may now disconnect your lines. And thank you again for joining us today.