



Solventum

Q4 FY25 Earnings Call

Transcript

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Corporate Speakers:

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Wayde McMillan – *Solventum Corporation; Chief Financial Officer*

Amy Wakeham – *Solventum Corporation; Senior Vice President, Investor Relations & External Finance Communications*

Participants:

Travis Steed – *Bank of America; Equity Research Analyst*

Jason Bednar – *Piper Sandler; Equity Research Analyst*

Dylan Finley – *UBS; Equity Research Associate*

Ryan Zimmerman – *BTIG; Equity Research Analyst*

David Roman – *Goldman Sachs; Equity Research Analyst*

Brett Fishbin – *KeyBanc Capital Markets; Equity Research Analyst*

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Operator

Good afternoon. My name is Audra and I will be your conference call operator today. I would like to welcome everyone to Solventum's fourth quarter 2025 earnings call. As a reminder, this conference is being recorded. All lines have been placed on mute to prevent any background noise.

I would now like to turn the program over to your host for today's conference, Amy Wakeham, Senior Vice President of Investor Relations & Finance Communications. Please proceed.

Amy Wakeham – Solventum Corporation; Senior Vice President, Investor Relations & External Finance Communications

Thank you. Good afternoon and welcome to Solventum's Fourth Quarter Fiscal Year 2025 Earnings Call. Joining me on today's call are Chief Executive Officer, Bryan Hanson and Chief Financial Officer, Wayde McMillan. A replay of today's earnings call will be available later today on the Investor Relations section of our corporate website. The earnings press release and presentation are both available there now. During today's call, our discussion and any comments we make will be on a non-GAAP basis unless they are specifically called out as GAAP. The non-GAAP information discussed is not intended to be considered in isolation or as a substitute for the reported GAAP financial information. You are encouraged to review the supporting schedules in today's earnings press release to reconcile the non-GAAP measures with the GAAP reported numbers. Additionally, our discussion on today's call will include forward-looking statements including, but not limited to, expectations about our future financial and operating performance. These statements are made based on reasonable assumptions, however our actual results could differ. Please review our SEC filings for a complete discussion of the risk factors that could cause our actual results to differ from any forward-looking statements made today. Following our prepared remarks, we'll hold a Q&A session. For this portion of today's call, please limit yourself to one question and one related follow up. If you have additional questions, you're more than welcome to rejoin the queue.

I'd like to now hand the call over to Bryan.

Bryan Hanson - Solventum Corporation; Chief Executive Officer

All right. Thanks, Amy and to all of our shareholders and everyone else that's interested in the Solventum's story. I just want to say thanks for joining us today as we review our fourth quarter and our full-year results along with our 2026 guidance.

We closed 2025 with solid momentum, making significant progress in our first full year as a standalone public company. Looking back at the year, I'm very proud of what we accomplished. We formally launched our long-range plan and prioritized five growth drivers that are expected to now deliver more than 80% of our future growth. We built an experienced leadership team with strong MedTech experience, but also strong transformation experience, solidified our mission and culture, revamped our innovation process, restructured our global sales organization, and through our SKU rationalization program, sale of our Purification & Filtration business and acquisition of Acera, we rapidly advanced our portfolio strategy as well, all while managing the separation process from 3M. And inside of that throughout the year, we consistently delivered on our strategic, operational and financial commitments. We improved volume growth, outperformed expectations and tripled our annual sales growth from a year ago.

I think it's clear that we are moving toward our long-range revenue targets faster than expected, and have programs in place to overcome external headwinds and execute against our margin targets as well. This team's capacity to deliver results while navigating ongoing separation efforts, ERP implementations and acquisitions and divestitures is a testament to the strong talent and culture we've already built. And building on the foundation of our sales force restructuring project, our revitalized innovation process has meaningfully increased our Vitality Index. And as a result, we now expect a solid cadence of new product launches in our growth driver areas to drive further momentum with this more optimized sales team. And as our separation progresses, we are gaining full ownership of our IT systems and freeing up needed resources to drive greater overall savings and efficiencies. Our Transform for the Future program was built to capture this opportunity, and its impact is reflected in our 2026 operating margin outlook.

Okay. Moving to our quarter results: Well, the fourth quarter reflects another quarter of progress and provides a solid foundation as we head into the new year. And during the quarter, we announced and closed our first tuck-in acquisition, Acera Surgical, which not only opens the door to the fast-growth synthetic tissue market, it also very well complements our existing technology categories and our call points. And as we move forward, portfolio optimization will remain a key lever for value creation here at Solventum. In other words, we will continue evaluating attractive assets to acquire and assessing our current assets for go-forward fit and our business performance, and resulting healthy balance sheet now provide flexibility to return capital to shareholders. And during the quarter, we announced a \$1 billion share repurchase

program which we began executing in January of this year. We see this as a clear and important step in achieving a more balanced capital plan.

Okay. Moving to our business performance in the quarter. Overall, we delivered solid sales growth with Dental Solutions and MedSurg performing better than expected. Starting with MedSurg, we continue to leverage our existing brands, our new product innovation and newly-specialized sales teams and we're seeing traction in each of our growth driver areas, which, as you probably remember are negative pressure wound therapy (NPWT), IV site management and sterilization assurance. In our advanced wound care (AWC) business, we saw continued growth in negative pressure wound therapy, supported specifically by double-digit growth in Prevena and ongoing expansion of our innovative V.A.C.[®] Peel and Place dressing. As mentioned earlier, we recently closed the Acera acquisition, which will now be a part of our advanced wound care business. We're obviously very early in the integration process, but sales teams across our newly-combined business will now have access to an expanded suite of technologies to offer our joint customers. And with our combined clinical differentiation, our robust DME and differentiated infrastructure and proprietary technology, we have a meaningful runway for growth acceleration in this business. In the infection prevention and surgical solutions (IP&SS) business, we saw better than expected growth supported by our two growth driver areas; sterilization assurance and IV site management. Inside sterilization assurance, our strong brand equity continues to provide a solid foundation for our dedicated sales force, and early momentum from our 3M[™] Attest sterilization product launches will continue to support the team's momentum to drive growth going forward. In IV site management, demand for Tegaderm[™] CHG remains strong and our global launch continues to gain momentum. We have meaningful clinical differentiation and our specialized sales teams are focused on converting customers from standard films to this high-value solution that reduces the risk of infection. Tegaderm CHG[™] is still significantly underpenetrated, providing a clear runway for continued growth.

And in our Dental Solutions business, our core restoratives growth driver was again a key component of our performance in the quarter, and was supported by our strong existing brands, recent new product launches and the sales force specialization that we put into place in 2025. From a new product launch perspective, we continue to see strong demand for products like Clinpro[™] Clear and Filtek[™] Easy Match, and overall new product sales are driving the majority of our underlying business growth. And building on last quarter's service improvements, the Dental team once again significantly reduced back orders which also contributed to growth in the quarter.

Our Health Information Systems (HIS) business delivered another solid quarter supported by its growth driver, revenue cycle management, and we continued to see adoption of 360 Encompass[™], progress against our international expansion efforts and gains in autonomous coding. And relative to autonomous coding, our strong automation and acceptance rates are further positioning us as the largest, and importantly, most capable autonomous coding vendor. Over decades, we built deep rules and algorithms designed to ensure accurate and compliant reimbursement coding. This, combined with our vast data sets and proprietary workflows, uniquely positions us to leverage AI-driven autonomous coding our customers can trust.

And in summary, we finished the year building on the success and the momentum we achieved in the first three quarters, and it's clear to me that we have the right team and strategy and our momentum will continue into 2026 and beyond. And with that, I want to thank our global team for their hard work and ongoing commitment to our mission. It's you that are making a difference every single day by delivering for our patients, our customers and our shareholders.

And with that, I'll turn the call over to Wayde to review our financial results and our 2026 guidance. Wayde, I'll just pass it to you.

Wayde McMillan - Solventum Corporation; Chief Financial Officer

Thanks, Bryan. We reported another solid quarter as we completed our first full year as an independent public company. We made progress across both our transformation phases and turning around the business. Our commercial improvements yielded a significant increase in our organic sales growth, putting us on an accelerated path to reach our long-range plan sales growth target. During the year, we were able to absorb tariff headwinds and expand operating margins off of the Q4 2024 baseline, while continuing to invest in commercial enhancements and innovation. We also moved quickly on portfolio optimization, resulting in accelerated execution of our capital plan to pay down debt. Our progress to date, combined with our planned strategies, positions us well to deliver our long-range plan margin and free cash flow targets. I'll start with an update on our separation activities, status of portfolio moves and then transition to our quarterly and full-year financial performance, concluding with the discussion of our 2026 full-year guidance.

Overall, our work to complete the separation from 3M is going very well. Thanks to the dedicated separation management teams at both 3M and at Solventum. We are progressing well on major milestones as we have now exited over 40% of our transition service agreements (TSAs) from 3M and remain on track to exit approximately 90% by the end of 2026. ERP deployments continue to roll out with the plan to be completed this year. We've just gone live with our latest ERP

deployment earlier this month across Asia-Pacific, including China and additional countries in Europe. We have also transitioned approximately half of the more than 1,000 systems to gain system independence from 3M, which is a significant step in our separation. Regarding supply chain, we've taken further steps to separate from 3M and have now reduced our distribution center network to 55 locations, progressing towards our goal of 45. The P&F divestiture activity continues to progress as planned with the target completion at the end of 2027. There is close collaboration to ensure business continuity from Solventum to support the buyer's integration efforts across the nearly 200 transition service agreements.

Shifting to our recent Acera acquisition, our early integration efforts are off to a good start following the close at the end of December. Our main focus is sustaining and accelerating the momentum that the team has generated in recent years.

Now turning to our Q4 results, starting with top line performance, sales of \$2 billion increased 3.5% on an organic basis compared to prior year and declined 3.7% on a reported basis, which reflects the first full quarter impact of the P&F divestiture following the sale in September 2025. Foreign exchange was a 170 basis point benefit to reported growth, while the net impact of the P&F divestiture and Acera acquisition represented an 890 basis point net impact on our reported growth. Overall, we had stronger than expected sales growth driven by MedSurg and Dental. Volume remains the main driver of growth and pricing remains within the expected range of plus or minus 1%. Our SKU rationalization program also remains on track, with 70 basis point impact in the quarter, bringing the full-year impact to 60 basis points.

Moving to the segments, MedSurg delivered \$1.2 billion in sales, an increase of 3.2% on an organic basis. Within MedSurg, the advanced wound care business grew 1.7%. Solid performance in our negative pressure wound therapy growth driver was partially offset by headwinds in the separate advanced wound dressings category, which was impacted by SKU exits and back orders. Infection prevention and surgical solutions continues to outpace our expectations delivering 4.2% growth that was driven by strong business performance, partially offset by the remaining reversal of first-half volume timing and the SKU rationalization program.

Our Dental Solutions segment delivered higher than expected \$343 million in sales, an increase of 5.9% on an organic basis. Growth was driven by core restoratives, which benefited from further backorder improvement. During 2025, the supply chain team led multiple efforts that helped reduce back orders to historic lows. On a normalized basis, Dental grew closer to 3%.

Our HIS segment also contributed to our performance, with \$348 million in sales, an increase of 3.2% on an organic basis driven by revenue cycle management software solutions and performance management solutions. Together, this growth more than offset expected declines in clinician productivity solutions.

Looking down the P&L, gross margins were 53.5% of sales, a 230 basis point sequential reduction which reflects higher logistics costs and timing of manufacturing performance. Higher logistics costs were mainly driven by ERP and distribution center cut over mitigation efforts in the quarter. These headwinds were partially offset by the benefit of the P&F divestiture. On a normalized basis, gross margins were closer to 55%. Sequentially, operating expenses reduced to \$672 million from \$739 million, which reflects the P&F divestiture, timing of project spend and cost management. In total, we delivered adjusted operating income of \$397 million or an operating margin of 19.9%, below expectations due to gross margin headwinds partially offset with lower operating expenses.

Moving down the P&L to non-operating items. Our net interest expense and other non-operating spend improved versus Q3 driven by a \$30 million reduction in interest expense and higher interest income. These improvements are due to the full quarter benefit of the P&F divestiture, which resulted in a \$2.7 billion debt paydown and a higher cash balance. Lastly, our effective tax rate of 16.6% was favorable due to an end-of-year release of tax reserves and a regional tax provision in combination with favorable geographic mix. We delivered earnings per share of \$1.57, driven by sales outperformance as headwinds and gross margin were partially offset with operating expense savings.

Shifting to our balance sheet, we ended the quarter with just under \$900 million in cash and equivalents, and net debt of \$4.2 billion. This includes funding the \$725 million Acera acquisition, which closed on December 23. We're in a healthy position to accelerate our capital allocation strategy as indicated by our recent 1 billion share repurchase authorization and maintain flexibility to pursue tuck-in M&A. We generated cash flow of \$33 million, below our expectations, due to higher divestiture costs, the earlier-than-expected close of the Acera acquisition, as well as higher costs to support the ERP and distribution center cut overs.

Now, moving to full-year 2025. We delivered 3.3% organic sales growth ahead of our expectations of 2% to 3%. When normalizing for SKU exit impact and mainly the benefit of backorder improvement in dental, our growth was approximately 3.5%. Operating margins finished at 20.5%, within our assumptions of 20% to 21%, while absorbing 65 basis points of tariff impacts that were not contemplated at the beginning of the year. We also completed the Solventum Way restructuring program, exceeding expectations and delivering annualized savings of approximately \$125 million at a lower total cost of \$90 million. Our adjusted tax rate of 19.1% was also better than our assumption of 20% to 21%.

At the bottom line, we generated non-GAAP earnings per share of \$6.11, also ahead of our expectations, of \$5.98 to \$6.08. Free cash flow was negative \$10 million, below our expectations, of \$150 million to \$250 million due to higher Q4 costs to support portfolio moves and ERP cutovers. Excluding these, we were in line with our expectations. When adjusting for the P&F divestiture and separation costs during 2025, free cash flow would have been approximately \$1 billion for the year.

Now turning to our 2026 guidance. Starting with our top line, we are guiding to an organic sales growth range of 2% to 3%. This translates to 3% to 4%, excluding the continued estimate of 100 basis point impact of SKU exits for 2026. While not reflected in our organic sales growth outlook for 2026, we expect our recent Acera acquisition to contribute meaningfully to our reported growth going forward and will roll up as part of advanced wound care sales. We also expect a modest 100 basis point tailwind for foreign exchange, mostly in the first half.

Looking down the P&L, we estimate operating margins of 21% to 21.5% for the year, expanding from the 20.5% full-year 2025. Underlying the 50 to 100 basis points of margin expansion is a combination of sales leverage, programmatic savings for supply chain and our Transform for the Future program. We expect portfolio optimization for divestiture and acquisition activity to be neutral to operating margins. Regarding tariffs in place before last week's Supreme Court ruling, we estimate full-year impact of \$100 million to \$120 million. Given the evolving nature of the environment, at this time, we are assuming the impact under any new tariffs will be within a similar range. For earnings per share, we are guiding to a range of \$6.40 to \$6.60. For free cash flow, we are expecting approximately \$200 million in 2026, excluding mainly the impact of costs to separate from 3M, as well as payments due to 3M and cost to support the recent divestiture, we would expect to be closer to \$1 billion. As a reminder, separation costs reduce significantly in 2027 as we complete the separation from 3M. Other considerations for 2026 include capital expenditures of \$400 million to \$450 million, an effective tax rate between 19.5% to 20.5%, and non-operating expenses of \$300 million, primarily due to net interest expense of around \$270 million. To provide some additional color related to our first quarter 2026, remember, we had a tough comparison given the approximately 180 basis points of additional sales volume benefit in the prior year. And on gross margins, Q1 will reflect the typical sequential seasonal pressure, while year over year will reflect the additional tariff impact headwinds. All in, we anticipate operating margins will again be the lowest of the year.

In conclusion, we delivered another strong quarter to complete our first full year post-separation. We're making great progress on our separation from 3M and on our portfolio moves to divest P&F and integrate Acera, and we're moving with urgency towards our long-range plan goals of accelerating sales growth to 4% to 5%, operating margins of 23% to 25%, growing earnings per share at a 10% CAGR and free cash flow conversion rate above 80%.

We want to extend our gratitude to all Solventum team members for their hard work and commitment to our values and mission enabling better, smarter, safer health care to improve lives while consistently delivering or exceeding on our financial goals.

With that, we'll hand it back to the operator for the Q&A portion of the call.

Operator

Thank you. We will now begin the question-and-answer session. As a reminder, please limit yourself to one question and one follow up. We'll take our first question from Travis Steed at Bank of America.

Travis Steed – *Bank of America; Equity Research Analyst*

Hey, thanks for taking the question. I guess first on margins, Wayde, I don't know if there's anything one time in Q4, it was a little light versus the street in the quarter. And then on 2026, if you can maybe elaborate a bit more on kind of what's assumed in that 50 to 100 basis points, how much of the \$500 million cost savings is baked in, into that? And anything else that you'd kind of frame up for the margins in 2026?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Sure. Hi, Travis. So, margins are obviously an important part of our story. As we think about Q4 first, approximately 150 basis points of the cost in our gross margins was one time in nature. So, you'll see in our prepared remarks that we shared a more normalized gross margin of 55%, is more where we would have expected, and we saw a lot of separation activity in Q4, so it ended up just costing us more. If we think about operating margins, certainly lower than we expected, but really just driven by that headwind in gross margins. We were able to offset it partially with some savings in our operating

expenses. And as we think about 2026, first of all, I'll just say we are committed to growing our sales as well as expanding operating margins each year. And so, in that theme, we're now planning to expand operating margins 50 to 100 basis points in 2026, as you mentioned. A couple of things that are important here. Certainly, tariffs are a headwind for us again in 2026. People may recall that we have a very fast inventory turn, and so, we had approximately two quarters of impact of tariffs in 2025 and we will annualize that in 2026. You'll see from our prepared remarks, it's about a doubling of the tariff headwinds for us. And so with that in mind, it's a pretty significant margin expansion. The drivers of that, are our sales leverage as we continue to drive sales on an accelerated basis, as well as our programs within gross margin. We've talked about programmatic savings. We gave a lot of details at our Investor Day, and we've got significant efforts to drive favorable gross margins over time. And then, as you mentioned, Travis, our more recently announced Transform for the Future restructuring project, which is a longer-range project that is targeting several areas of efficiency, and we will start to see some of that in 2026 will benefit us more over the long term. To put all that together, we do think we've got a nice operating margin expansion story again in 2026, despite the tariff estimate that we have in the numbers at this time.

Travis Steed – *Bank of America; Equity Research Analyst*

Okay, thank you. And I guess my follow up question, since there's been more focus on the healthcare IT business and some of the AI stuff that's going on, just would kind of love to give you the opportunity to kind of explain that and explain your business a bit more for investors.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah. Thanks, Travis. I'll probably answer that one and I assumed seeingnote that you might ask that question. So we were actually betting which question you would ask first and you asked both questions.

Travis Steed – *Bank of America; Equity Research Analyst*

You know me well.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

I know you pretty well. So, I would just say, first of all, I think it's important to state right out of the gate. We actually see AI as an opportunity more than we do at a threat. I think you could probably end the statement there, but I think that's a really important statement to make. And then there's probably three vectors to look at it, which I think could be helpful to people. Number one, I think we see artificial intelligence as a lever to drive autonomous coding. That's why we've been spending so much in that area and that's what's driving us in autonomous coding, but we don't see it by itself as the answer to autonomous coding. I think that's important - by itself is not the answer - it's just a piece of the equation. And we really don't see AI, again, by itself as a competitor. We see it as a tool. We see it as a tool or variable in the equation to solve for autonomous coding. Remember autonomous reimbursement coding, not computer coding, right? And then three, and this is important because AI will be available to anybody who wants to use it in an autonomous coding or revenue cycle management. We truly do believe that we're differentially capable of using AI because, number one, we've been in the market for decades and as a result of that, we have a vast number of proprietary, I'm going to call algorithms, rules, that we have around reimbursement coding, actually close to a million plus of those rules and algorithms, which is substantial. And of course, because we've been working at scale at the hospitals, we have very vast datasets as well. So, we really believe that what we have available to us allows us to train AI in ways that others can't. So, we actually look at this as an opportunity more than we do a threat, but I appreciate you asking the question because there's a lot of folks that may not see it that way.

Travis Steed – *Bank of America; Equity Research Analyst*

Great. Thanks a lot.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah, no problem. Thanks, Travis.

Operator

We'll move next to Jason Bednar at Piper Sandler.

Jason Bednar – *Piper Sandler; Equity Research Analyst*

Good afternoon, everyone. Thanks for taking the questions. Wayde, I wanted to come back to some of the guidance points you are making. I appreciate all the color around the first quarter. I wanted to give you an opportunity to talk if there's any other sequential call outs. Last year, 2025 was lumpy. It was good lumpy, but lumpy in that you had the ERP cut overs, the DC cut overs, that you just created some volatility in the volumes. So, anything else you'd call out as we try to model throughout the year and then within that also in the first quarter, should we be considering any headwinds tied to just some of the weather dynamics that may or may not have impacted volumes for your businesses in the first quarter here?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Got it. Hi, Jason. Yeah, I can certainly start that one for you. And I'm glad you picked up on the Q1 comments that we had in our prepared remarks because it is the one quarter for us, it's a little more challenging, that the other quarters in the year look more stable. So, maybe I'll just summarize the information that we shared and it's really in the three areas, sales, gross margin and OpEx.

So, for sales, we had the 180 basis points of tough comp and that's put a lot of pressure on our Q1 sales here. And so, if you just take the full year guide of 2% to 3% and you take the midpoint 2.5%, if you use the 180 basis points of headwind, you'll get just under 1%. And so, that's how we'd like people to think about the first quarter, and I think that'd be a reasonable place to start.

If you move down the P&L, operating margin is setting up to be the lowest of the year in Q1, sequentially down from Q4 2025 to Q1 2026, but that's similar to what we experienced last year in 2025. So, very similar setup to last year. And that's really driven by gross margins, which relative to the normalized 55% we gave for Q4, we would expect to see some normal sequential seasonal headwind to that moving from Q4 2025 to Q1 2026, so same set up again as last year. Keep in mind, tariffs are a headwind in the first half as well before we annualize them.

And then when you move down to operating expenses kind of similar here, we'll have higher OpEx in Q1, as we have some seasonally higher expenses than Q4 2025. And Q4 2025 was a little unnaturally low, as we had some favorable project timing. And then just given the gross margin pressures we were having in the quarter, we did some cost reduction initiatives that gave us some favorable OpEx in Q4 as well.

I don't – We don't have any weather-specific things to that specific question, Jason. Nothing that we would call out.

And then again, I would just say for the remainder of the year, the setup looks more consistent, other than, I would just highlight and it was really the driver of that volume in Q1 this first half, second half impact of IP&SS. We had a lot of volume mainly in the first half last year and these were mostly ERP timing driven impacts. But the good news is, they're all contained within the year. So first half, second half dynamic, mostly a Q1 additional volume, Q3 give back. But the good news, the story actually gets quite simple at a full year basis. But there is that tradeoff, particularly in IP&SS between mainly Q1 and Q3.

Jason Bednar – *Piper Sandler; Equity Research Analyst*

All right. Super helpful. Thank you for that. Bryan, I wanted to shift over to your bigger picture question. You mentioned product pipeline that's expanded within some of the core growth categories you've identified, or you identified at your Investor Day. Can you give us a sense as to some of the things you're more excited about or expect to be more impactful when we look out this year and also next year, really to help bridge to that 4% to 5% growth target, knowing that you're targeting 3% to 4% underlying growth this year, what helps accelerate you that, that last 100 basis points to get to those LRP targets you have out there?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah, yeah. I appreciate the question. And I would say, maybe first is taking a step back because I have a feeling some of our Solvers are listening to this call as well, and I just want to say that I appreciate the work that they put into revamping and revitalizing our innovation process and it's paid dividends as we talked about in the prepared remarks. Vitality Index

has gone up and the cadence is more focused on products that we're going to see. I'm not going to speak specifically about any individual product as you know, competitive reasons, but maybe I'll give you some color that I think could at least help. We've got close to 20 new products that we're going to be launching now over the next two years, relatively evenly over those two years, so it's not back-end loaded. And those, as you would expect, just given the size of MedSurg, almost half of those are going to be at MedSurg. The other half is split between HIS and Dental. And as you would expect, a decent portion of those are going to be inside of the growth driver areas. But it's not just those, I kind of look at as a three-legged stool, right. You've got this opportunity for new products in that revitalization of innovation that I've been talking about, but we also have existing products and brands that are really strong in the marketplace. And I think some people underappreciate the fact that they're also underpenetrated. So, with the new specialized sales organization, we can get after that under-penetration even with existing brands. And the third leg of the stool is just the commercial enhancements we've made. And those really have three components to it. First is specialization, which is probably the most important, but we're also training those individuals now to be more clinically adept, which is very important when you have clinically differentiated technology. And the final one is just to make sure that we have a sales operations team, that is best in class to focus the organization and to make sure that they have the tools to be successful in the field. So, it's all three of those really that's driving the growth.

Jason Bednar – *Piper Sandler; Equity Research Analyst*

All right. Thank you.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah, thank you.

Operator

We'll go next to Kevin Caliendo at UBS.

Dylan Finley – *UBS; Equity Research Associate*

Thanks for the question. This is Dylan Finley on for Kevin. Maybe for a minute, could you guys talk about the strong outperformance in Dental this quarter? Again, you grew organically nearly 6%. How much of that was volume expansion versus price capture, related to or not related to tariffs? And what do you think a normalized growth rate looks like in Dental, controlling for any sell outs or unusual comps?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Okay. Yes. So again, that was another one we thought we might get a question on because it was pretty standout quarter again for Dental. So again, because I know they're listening to the call, congratulations, great quarter. And I would say that probably, well, I know – the biggest underlying reason for growth is new products. They have done a nice job of revitalizing innovation, launching new products and that's really what's driving our underlying business performance. Now, in the quarter, I think we said in the prepared remarks, yet another factor was backorder recovery. That's the second quarter in a row they've done a really good job of capturing backorder recovery, and that's boosting us. That's more of a one-time thing. I would think about that as a go-forward opportunity, but it definitely helped us in the quarter. When we think about the market, because I know that's probably inside of your question as well as I'm sure you're covering other companies in dental, we kind of look at it the same as what you're hearing from others, it's a stable to maybe slightly improving market. But that's really the way we look at it. Stable market, slightly improving. We would expect that to go forward in 2026, but really the momentum here is the new product development. We're just doing a great job with that specialized sales organization driving right now.

Dylan Finley – *UBS; Equity Research Associate*

Appreciate it.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Thanks for the question.

Dylan Finley – *UBS; Equity Research Associate*

And – Yeah, thank you.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Did you have another one? I didn't want to cut you off there. Sorry about that.

Dylan Finley – *UBS; Equity Research Associate*

Oh, sorry. Yes, I had a moment. Looking at the \$500 million, the Transform for the Future program, and apologies if this was hit on earlier. But what should we contemplate regarding the phasing of those, both the cost going into the restructuring and the timing of the benefits. Is that really a big growth driver, discretely as we look at the benefit for 2026, or is the phasing more 2027 thereafter?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

I can start that one, Bryan, if you want. So, obviously very important program for us. It is a multi-year program from starting this year, 2026 into 2029 and 2030. Maybe just to highlight, as you said, it's a \$500 million cost takeout program. It's meant to support both margin expansion as well as opportunities to meaningfully invest for growth. We want to make sure that we are driving efficiencies that, despite things like tariffs, we've got enough efficiencies going, so we can continue to reinvest for growth given the importance of us continuing to drive and accelerate that sales growth line. Maybe just a little bit more about the program itself. It's targeted at transforming our cost structure. I mentioned the operational efficiencies and then repositioning us through that profitable growth. We'll be looking at streamlining systems, increasing automation, so really comprehensive program.

To your question on the phasing, we haven't given details on that. We're still developing the program. As I said, it's a multi-year program. But I would say just generally, we will start to benefit from the program in 2026, but the majority of the benefits will be in 2027 and beyond, as it just takes time to put the programs together and then execute on them.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

One other thing, maybe, to add to that, too. What's very important about this program, it is a cultural shift for our organization, all around the concept of continuous improvement. We've got this mantra here that we can be satisfied-- we can be happy, but we never be satisfied, right? So, we can be happy and celebrate success, but we can always get better. And that's what this program is. It really is the concept of transforming for the future through continuous improvement and it's not just at the senior level of the organization. This is, transcends the organization. We're asking everybody to get involved in the program. So it really is a cultural event, not just a savings program.

Dylan Finley – *UBS; Equity Research Associate*

Thank you and appreciate the questions.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah, of course.

Operator

We'll take our next question from Ryan Zimmerman at BTIG.

Ryan Zimmerman – *BTIG; Equity Research Analyst*

Good afternoon. Thanks for taking our question. Just following up on the HIS comments and there's been a lot of investor focus on this of late. I appreciate your answers earlier, Bryan. I've got to dig a little deeper, though, and just kind of ask, is there any guardrails that you want to put around this? If this is up for a competitive bidding or competitive entrants and so forth, I mean how should we think about maybe what's contractually obligated over a certain time period? Or any other additional details, I think, you can give that, again, kind of isolates what impact there may or may not be around the HIS business?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yes. So, I would tell you two things here. Number one, we have pretty long contracts, multiple year contracts, and so we feel comfortable. And I don't want to rest on that because I do believe we have significant differentiation here. We're a leader today. We absolutely expect to be a leader in this transformation in the future, there's no question in our minds. But we do have contractual obligations in our favor. And there are switching costs associated with this, it doesn't happen overnight.

And I think very importantly for people to remember here, if you make mistakes - even small ones - in your reimbursement model and in your coding, not only do you lose revenue, you have the risk of compliance concerns and there is a trust factor that goes into that. As a matter of fact, we look at autonomous coding competitors as risking autonomous coding because we don't think they're going to do it the way we would do it, right? Again, using all those rules and all those algorithms that we have, they're proprietary to us. So, we truly do believe we're going to win. We're going to transform. We're already leading with – we feel like we're going to continue to lead. And we do believe, we really do believe that that's just the way it's going to be. I don't see this at this point in time as a risk. I see it as an opportunity, and the contractual helps, but we're not going to rest on that.

Ryan Zimmerman – *BTIG; Equity Research Analyst*

Yeah, no, that's helpful. I appreciate the color there. And then, maybe turning to Acera, what are you embedding for expectations on Acera if you can provide any high-level commentary around it? I mean I think it was doing, call it \$90 million at the time of acquisition. And so, where can that sustain once it turns organic and from a contribution and growth standpoint?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Well, I'll tell you, we wouldn't have bought the asset if we didn't believe that it had a real opportunity to help advanced wound care, MedSurg, and the total business from a revenue growth standpoint. So, we feel like it's a great starting point, but it is just a starting point. And to give you some perspective on it, if they are in a \$1 billion market growing 10% right now, and there are in a subcategory, synthetics, inside of that market that's more attractive and they got differentiation in that space, so it is a healthy double-digit grower for us. And I want to continue to remind people it's in the space we already play and have commercial infrastructure. So, we have a force-multiplier effect, even our two organizations coming together from a commercial standpoint, but also eventually from an innovation perspective. So, I feel really good about this as a separate growth avenue for advanced wound care for total business. And it's profitable, it's really nice profitability.

Ryan Zimmerman – *BTIG; Equity Research Analyst*

Thank you. Thanks, Bryan.

Operator

We'll move next to David Roman at Goldman Sachs.

David Roman – *Goldman Sachs; Equity Research Analyst*

Thank you. Good afternoon, everyone. Maybe I could just go into the Dental dynamic and a little bit more detail here. And I think last quarter there were a similar set of dynamics at play here. But maybe, Bryan, if you kind of maybe template

Dental as one of the businesses where you have, I think you said in the follow up last quarter that it is a good example of when you have new products, what can happen to the top line. But you're seeing kind of that impact in one of those slower growing categories that you serve. So, maybe you could just extrapolate the experience in Dental to when we could – when you think it's reasonable to expect that same dynamic to play through in MedSurg and HIS. And I just have a follow up on the buyback.

Bryan Hanson - Solventum Corporation; Chief Executive Officer

Yeah, David. Thanks for the question. I agree, I think Dental laid out a roadmap that was pretty clear to people. But you're already seeing it in MedSurg. It's not just the commercial enhancements that we made. We are launching new products in both MedSurg and HIS. Just to recap, I'll give you some of them, not a full list of them, but V.A.C.[®] Peel and Place was a big one. Tegaderm[™] CHG was launched in the US, but now it's on a global launch so we're rolling that out around the world. We've had CHG Ioban[™] as well, which is a new product that we use in surgical procedures. We've had three Attest sterilization products, the eBowie-Dick was also launched, so we got a number of products launched in MedSurg.

And in HIS, you've seen various applications in autonomous coding and a lot of applications for Encompass 360 when we look at outside-the-U.S. implementation. So, they're not, not having product launches right now. The key thing that's driving those product launches is the commercial enhancements. We didn't have those before and as a result, those products were being launched into a void, if you will, in a general sales organization. So, we're already beginning to see that momentum from those new products. And as I said before, we've got almost 20 new products coming over the next two years.

David Roman – Goldman Sachs; Equity Research Analyst

Got it. And then maybe Wayde, looks like the share count still stepped up on both a year over year and sequential basis. You obviously announced the large buyback authorized in November. How are you thinking about deploying the buyback? I think there was quite a bit of volatility in the stock over the past several months. So maybe what's sort of the strategy behind the buyback and what are the factors that would drive you to deploy either on a programmatic or more significant basis?

Wayde McMillan - Solventum Corporation; Chief Financial Officer

Sure. Yeah. Hey, David. So I think directionally, it's reasonable to think about the authorization as offsetting the impact of our stock-based comp dilution and holding that share count relatively flat. I think that's one of the objectives that we have. As you said, without a share repurchase in place over the previous year, our share count went up. And so one of the major goals here is to, number one, offset that stock-based comp, and then over time, it is an opportunity for us. We've got room within the authorization if we see a need or a reason, depending on performance of the share price, to potentially purchase more shares. Obviously, if we do something like that, we have to work it through with our board and make those decisions as well. But I think just taking a step back, we're very happy with the accelerated capital plan over the last year with our ability to pay down debt. And if you remember back from our Investor Day, that was the primary objective. Most spins spin with a pretty significant amount of debt, and one of our primary goals was to pay down that debt. We did that in an accelerated fashion, and now we're in a position to have more balanced return and returning capital to shareholders via this authorization. So, as Bryan said in his prepared remarks, we started that in January, this is our first quarter, and we're pretty excited to be moving in this direction as well.

David Roman – Goldman Sachs; Equity Research Analyst

Great. Thanks so much.

Bryan Hanson - Solventum Corporation; Chief Executive Officer

Thanks, David.

Operator

Our next question comes from Brett Fishbin at KeyBanc Capital Markets.

Brett Fishbin – *KeyBanc Capital Markets; Equity Research Analyst*

Hey, guys. Thank you very much for taking the questions. First, just wanted to ask on the overall organic revenue guidance of 2% to 3%, and I was curious if you could just directionally provide any commentary on how you're thinking about that across the different segments, whether we should expect any material departure from what we've seen on a normalized basis in 2025? And then also if the 100 basis point impact from SKUs would be more pronounced in any specific quarter?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Bryan, you want me to start that one?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

No, maybe rephrase that question on any specific quarter. You could maybe answer that, but also any specific business.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, yeah, that's the key. So, yeah, maybe we'll start there. We don't see a significant difference across the quarters from the program at this time, and so nothing to share there. But as Bryan just highlighted, we do see a significant more impact within MedSurg and particularly the IP&SS business. So, as we move from 60 basis points of impact in 2025 to 100 basis points of impact in 2026, we'll see the majority of that 100 basis points hitting in IP&SS and MedSurg business.

And then back to the front end of your discussion and Bryan can start that one, we obviously put a lot of thought into this guidance and I'm glad you brought it up because it gives us an opportunity to talk a little bit about it. We did intentionally share that, for 2025, our sales growth rate on a normalized basis was about 3.5%, and that's an important stake in the ground for us. It's really normalized for both the SKU program as well as mainly the Dental back order. And so, with that 3.5% in mind, the way we looked about our guide for 2026 is, we put that at the midpoint of our ex-SKU guide. We're 2% to 3% guide for 2026, on a 100 basis point SKUs, we're guiding 3% to 4%. So, what that really means is, if we continue to perform at an accelerated rate here in 2026 - we had big step up in our growth in 2025 - and if we continue that momentum, continue to perform at that level, be at the midpoint of our guidance for 2026. And of course, at the high end, more 4% on an ex-SKU basis will be above last year's strong performance, and we're very focused on getting to that because then that would put us, on an accelerated basis, getting to the low end of our 4% to 5% target for a long-range plan. And so, on an ex-SKU basis, the high end of our guidance is already touching the low end of our long-range plan guidance for 2028. So, we do feel that 2025 was a very strong year where we really accelerated the sales growth rate. We shared some of that detail in our prepared remarks, so I won't repeat it here, but that's some color in behind that full year.

You did call our segments as well. As you know, we don't guide at the segment level, but we can provide a little bit of color here. Overall, we expect all segments to improve their underlying growth year over year. And again, the momentum that we see in the business, if it continues, will be at the high end.

Brett Fishbin – *KeyBanc Capital Markets; Equity Research Analyst*

All right, great. Got it.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

With the MedSurg is going to be impacted more by SKUing, obviously, Dental is going to be impacted by the backward recovery comp, but outside of that, no major impacts to the businesses.

Brett Fishbin – *KeyBanc Capital Markets; Equity Research Analyst*

All right. That was super helpful. And then, just for my follow-up question, wanted to ask, during the fourth quarter, you announced some changes to the management structure, and was hoping you could just touch on your decision to implement a chief commercial officer position, and any thoughts on how that impacts the broader strategy for Solventum? Thank you.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

It is funny because that feels like old news to me already. I was looking, I go “what is he talking about?” Yes. So, as you know, we brought Heather in to be the primary leader of our businesses, so she is the Chief Commercial Officer now. And I felt very fortunate to be able to bring Heather in. She and I have a history working at Covidien together, she's worked with me in the past, she's a very strong operator, so it was just serendipity that she became available at the same time that Chris was going to be exiting the organization. So, very lucky to get her but it was really just the continuation of the strategy, which would have been to combine the businesses under a leader. Chris, for his own reasons, couldn't do that and Heather was available, and we were able to get her, which is fantastic for us. I wouldn't read anything else into it other than the fact that we've got a great operator now looking at synergies across our businesses.

Brett Fishbin – *KeyBanc Capital Markets; Equity Research Analyst*

All right. Thank you, Bryan.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Yeah, of course.

Operator

Our next question comes from Vik Chopra at Wells Fargo.

Lei Huang – *Wells Fargo; MedTech Equity Research Associate*

Hi. It's Lei calling in for Vik. Thanks for taking questions. My first one is on ERP. I think you have another ERP implementation coming this year. Last year when you had the European one, there was some pull forward buying in the first half. Is that something we should consider for 2026? And I have a follow up.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, hi. So, ERPs, obviously we've got a lot of work going on in this area. We did share in our prepared remarks that we are planning to be done with the 3M separation ERPs in 2026. And so, by definition, we still got several ERPs to go. We've got a couple of large ones, both in the first half and the second half of this year. I did share in my prepared remarks that we've started another wave here in February. We've got about 16 countries involved in that wave, and that's off to a really good start. And so, we will have several more waves as we go along through the year but planning again to be done by the end of the year. Regarding volume, we're not putting anything out at this time. It really is dependent upon at what point in the quarters it falls. Sometimes, if it's early in the quarter, most of the inventory changes have washed out within the quarter. To the extent we see them and if we see additional volume either buying ahead or being delayed as a result of the ERP, we'll call that out in our actuals, but very difficult to predict those, so we don't call them all.

Lei Huang – *Wells Fargo; MedTech Equity Research Associate*

Got it. That's helpful. And then for my follow up, you talked about pricing being plus or minus 1% in Q4. Anything we should think about as far as pricing for 2026, either for the overall company or across segments? Thanks again for taking the questions.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Sure. Yeah. So, as we've shared before, our focus for growing the sustainability of the business is all on volume. Our new products, our commercial efforts, all focused on – shouldn't say "all" -- almost all on volume. We certainly have pricing capability, and we've got people looking at price. We do have several areas in the business where we have the ability to raise price, and we do. But what we've shared is, we expect price to be in the more normalized range of plus or minus 1%. We saw that again in Q4 and that's where we're expecting it to be again in 2026. So, we don't see price being an outsized driver of the business again in 2026, more in that normalized range. And our growth will really be on sustainable volume growth.

Operator

We'll go next to Rick Wise at Stifel.

Rick Wise – *Stifel; Equity Research Analyst*

Good afternoon to you both. Bryan, just maybe reflect a little bit more on your updated thinking on your M&A strategy. Is another deal possible? What are you prioritizing, with making so much progress towards whether you're on an accelerated path to your long-term targets? Is it more likely we're going to see additional tuck-in, growth-enhancing, margin-enhancing deals sooner rather than later?

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

I probably won't speak to the timing, but I was pretty intentional and have been for a while, and it was in our prepared remarks and every time I probably talk to you and others is, it is definitely a lever we will continue to flex for value creation. So, portfolio optimization, to me, and the reason why I am leaning on it so much is, I don't want people to think because we've done so much so fast that we're finished. This will be a perpetual lever that we're going to continue to flex in the organization, which will include acquiring companies on a tuck-in basis in a serial fashion to be able to drive revenue growth and profitability. That's a requirement. It's got to be mission centric. First and foremost, it's got to be in attractive markets with strong profitability in areas that we think we can win and we'll continue to do that. I won't speak to the timing of that, but we do have the financial flexibility to do them. So, that's probably all I'll say on that, but it clearly is a continued lever for us.

Rick Wise – *Stifel; Equity Research Analyst*

Okay. And just reflecting, sort of stepping back and reflecting on the increasing probability, that, or your increasing confidence in the 2028 goals on sales and margins and EPS, et cetera. Maybe just – I'd be curious to hear, maybe, Wayde for you, it's like is it the SKU program being done? Is the debt coming down? Is it the exit of the TSA agreements? I mean, what's the relative importance over the next 12 months in terms of observing that progress and building confidence as you approach 2027, 2028? Thank you.

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Maybe I'll start on the revenue side – revenue growth side and you speak can more to the margin.

So, proof's kind of in the pudding, right? I mean, at the end of the day, you look at our growth rates and, you know, we normalize and it's 3.5% as we said, as Wayde just referenced. That's pretty darn good, right out of the gate. That's almost three times better than what we had in our base couple of years before expanding and that's great traction that we're seeing. It's coming from the commercial enhancements that we've made. It's coming from the brands that we already have and it's coming from those new products that we talked about. But that, that is giving us confidence. It was only a short period of time ago, in March of 2025, that I had people questioning whether we could ever get to the LRP targets that we were providing. I think it's pretty clear we'll not only get there, but we might do it faster than expected and hopefully we do it this year, that's the goal. So, I think it's really just all the things that we put into place are together and the team is making it work. Even in the face of all of the challenges we continue to throw at them - acquisitions, divestitures, ERP cutovers, separations, you name it - this team has stayed focused on delivering and again, I'll compliment the team that I know is listening, congratulations for that.

On the margin side, we've had a lot of headwinds come our way as well, since we put that LRP target out. But we still feel like we've got the programs in place to deliver on those margin targets. And I think it's important when you think about us versus the organization before spin, we've got like 300 basis points of pressure that we're going to be feeling, that we did not have before spin. Looking at raw material increases, looking at tariffs that we didn't have before spin. So, that 23% to 25% is really like a 26% to 28% when you look at benchmarking where we were before the spin. So, I'm pretty proud of the team leaning in there as well.

I probably just took everything you were going to say, wait, so I apologize again.

Wayde McMillan - Solventum Corporation; Chief Financial Officer

No, no. I think you covered it really well, Bryan.

Maybe just to the sort of second part of your question, Rick, on what are the milestones or things that we need to clear along the way, you touched on a couple of important ones. In order to achieve those margin targets Bryan mentioned, we do need to clear our separation from 3M. We are very excited. As I shared in my prepared remarks, 90% of the TSAs we plan to have done here in 2026, we plan to be through the ERPs here in 2026. So, 2026 is a very important year for us, but we're pretty excited to get to 2027 and put most of that separation work behind us, and move a lot of our resources, a lot of our best and brightest focusing around the business versus on the separation.

And then maybe Bryan I'll just clear a couple of the other metrics we put out. Earnings per share at a 10% CAGR. We are very confident with the initiatives that we have in place that will be supporting that sales growth that Bryan touched on, achieving those operating margins and then driving that 10% EPS CAGR.

And then the last thing is the free cash flow conversion, over 80%, and we've got these transient issues that we're dealing with today around the separation costs, divestiture costs, and again, we can't wait to be complete - mostly complete - with the separation in 2026 and shed a lot of these additional costs starting in 2027. And so once do get beyond those, we will have very strong. We are a cash, very strong cash-operating company without, again, those special projects around separation and divestiture. If you clear those out of the way, we're already at our free cash flow conversion targets.

And so, we're very confident in hitting all those metrics. As Bryan said, sales growth, with all the initiatives we have in place, operating margins with the initiatives we have there, including Transform for the Future, will lead us to that EPS 10% CAGR, and then we get beyond these transient projects, and we'll be at our +80% free cash flow. So, very confident on our path to hitting our long-range plan targets by 2028.

Rick Wise – Stifel; Equity Research Analyst

Thank you so much to you both.

Bryan Hanson - Solventum Corporation; Chief Executive Officer

Thanks, Rick.

Operator

And next, we'll move to Steven Valiquette at Mizuho Securities.

Steven Valiquette – Mizuho; Managing Director and Senior Equity Research Analyst

Hi, great. Good afternoon. Thanks for taking the question. I guess at this point by more of a follow up question, but just to come back on the topic on the TSAs and exiting 90% by the end of 2026. For the 10% that's still going to be left, just remind us again, is that really more on the supply side? And then you've talked about you have those 2027 headwinds. There was like \$100 million step up in inventory cost from 3M, or it might have been quantified under basis points as well, but is that piece that would still be kind of hanging out there? Or has some of that dissipated with your progress? Just want to just connect the dots around all those components. Thanks.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, great question, Steven, and that will help us clarify because we do get this question quite a bit. I'll just start on the 90% of TSAs is primarily around separating our systems and our ERPs, as well as our distribution centers and our – the manufacturing that we do for 3M, and the 3M does for us. And so, we'll have mostly rebranding work and some supply chain work to do in 2027, that remaining 10%. But I do want to just specifically differentiate between the raw materials work that we do, and that's the additional step up that you're talking about, that 3M gave themselves a contractual option to again step up our cost in 2027, and we've shared that that's about a 100 basis point headwind for us if that in fact happens. We don't have any updates to share at this time, but we are working with 3M to see if there is a better solution for both companies, frankly, than going that route, so that'll be an update down the road. So, with that in mind, we've got most of the separation work done in 2026. We do have some rebranding, some supply chain that will carry over into 2027. Bryan, if there's anything.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

And maybe the only other one, because sometimes there's confusion on the raw materials piece, I just want to make sure that it's clear that with those raw materials, most of that is including intellectual property that we have access to, actually we own. There was concern that we didn't have that intellectual property. We have full ownership rights in our field of use, and it is transferable. We can continue to buy from 3M as a raw material supplier with that intellectual property, or we can go to another chemical manufacturer to use them as well. So, just want to be clear that even though we have that long-term supply agreement with 3M, we do have the option - because we own the rights to the intellectual property - to go elsewhere.

Steven Valiquette – *Mizuho; Managing Director and Senior Equity Research Analyst*

Okay. Got it. Thanks.

Operator

And that concludes the question-and-answer session. I'll now turn the call back over to Amy for closing remarks.

Amy Wakeham - *Solventum Corporation; Senior Vice President of Investor Relations & External Finance Communications*

Awesome. Thank you, Audra, and thank you everyone for listening. We appreciate all your questions. If you do have any follow ups or need to clarify anything, please don't hesitate to reach out to the Investor Relations team. Audra, you can go ahead and close the call.

Operator

Thank you. This concludes today's conference call. Thank you for your participation. You may now disconnect.

