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Corporate Speakers:

Bryan Hanson - *Solventum Corporation; Chief Executive Officer*

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Participants:

Travis Steed *Bank of America; Analyst*

Travis Steed - *Bank of America; Analyst*

Good afternoon. I can finally say afternoon. Next up, as you all know, I'm Travis Steed an analyst at Bank of America. Next up, we have Solventum. Bryan Hanson, Chief Executive Officer and Wayde McMillan, Chief Financial Officer So, so welcome. Thank you.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Yeah. Thanks for having us.

Travis Steed - *Bank of America; Analyst*

Yeah. I just wanted to open it up and I think I'm a little over a year as public company now. This is kind of your first conference a year ago. And so just like maybe talk about some of the -- in the last year as a public company and how you kind of progressed versus your plan, you know, some of the biggest surprises and kind of how you feel about the business today versus where you did a year ago when you were here?

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

So first of all, it's actually hard to believe it was only a year ago that we spun, because so much has happened. But, I'll try to maybe break it down into two groups, things that probably went better than planned and maybe some things that surprised us a little bit on the negative side. So first of all, I'd say that the takeaway is the speed at which the transformation is moving is the thing that stands out for me is maybe being a bit of a surprise, because we've been able to move so fast, make so many changes without breaking anything, which is fantastic.

And just a couple of examples in there. We hired people at the L1, L2, L3 level that have deep experience at a much more rapid pace than I expected. And that really got things moving and that drove a quicker acceptance of the cultural change that we're pushing, which is dramatically different than what was existing before. It's more autonomy, quicker decision-making, just speed overall and accountability. So that happened faster than I expected. I think one that most people noticed is that we moved very fast on a transaction that was sizable and meaningful for us. We haven't closed it yet, but we're in the process with our purification and filtration divestiture. And then the other one is just people may have forgotten because there's a lot going on, but just the speed at which we moved to completely reorganize the company on a global basis, in particular the commercial organization with again, without breaking anything in coming into this quarter really strong with a completely revamped commercial organization from a specialization standpoint. Everything I would say from a positive surprise standpoint beyond the speed is we probably had more meat on the bone than I expected in the brands that we already have in the market, things Tegaderm CHG and the new product pipeline. So, we didn't have much in there, but some other ones that we found are pretty attractive. So, it's the combination of the enhancements we've made to the commercial team, the bright spot that we found in the brands that we already have in the market, and the NPI that's driving our performance right now.

Probably didn't appreciate it. I've said this before, how complex this separation was going to be. 3M was highly entangled, is highly entangled. And to disentangle that takes a lot of effort. So we built a great team to do it. But it's been it's been tough. It's been hard work. We're in the middle of that ERP cutover - the biggest one to date actually started last week. So a lot that's happening there. And the other thing I would say, not really about the separation, but tariffs. We had so much going on in this business and then everybody had to stop, drop and roll to manage those. The team did a great job, but that was an absolute surprise. I think for everybody. That is the way I would sum up the last year.

Anything you'd add Wayde?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, I think Bryan covered it really well. Maybe I would just add confidence has really grown. Last year at the conference a year ago, we were just a few weeks post our initial public offering and most of the team that is in place today, at least at

the L1, L2 L3 level, either was brand new or wasn't even with the team yet. And as Bryan either was brand new or wasn't even with the team yet. And as Bryan said many times, building our strategy over the last year really required having those leaders in place because you want those people accountable and part of the strategy. And so the confidence has built a lot over the last year in both what we've done execution-wise. As Bryan said, the speed has been a little ahead of where we thought we'd be. But as far as building our overall strategy as well, our confidence is building and where we can really take this business.

Travis Steed - *Bank of America; Analyst*

Great. Thank you. That's helpful. Maybe just since you just reported Q1, a surprise at 4.3% when I first read it in the press release. And then you come on and said it was only 2.5% underlying, which was still good. So, it's still better than expected. You know, maybe talk about some of the underlying markets, what you saw in the quarter. How confident are you in that? And at 2.5% versus like - maybe artificially higher than you think.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Maybe I'll start with the underlying markets and then you can go to some of what we saw individually in the quarter. But I wouldn't say we saw anything dramatically different in the underlying markets. So I wouldn't look at the quarter as being driven by changes that were unexpected in the market. The only market that we have this really challenged now is dental, but that was relatively stable. So, it wasn't anything in the markets that drove it. From an underlying business strength standpoint, what really resonates with me is the commercial changes that I just talked about and the new products that we've launched recently in concert with some of the products we already had in the market that were underpenetrated. That's where we're getting the steam right now. And again, it's happening a little faster than we expected. Our confidence level has gone up and that's the reason why we were able to raise the guidance for the year. But relative to the one-time items - so that really attractive 4.3 turning into two five, maybe Wayne you can talk about those.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, sure. So even the 2.5%, we think is a good strong growth rate. It's more than double what we grew in all of 2024. And it was nice to see broad-based across all four segments growing faster than we did in 2024. So off to a great start, really good, strong Q1 for us in relation to the order timing that we called out in the quarter that normalized us from 4.3% down to the 2.5%. It's primarily things related to the separation, things like our ERP cutover as Bryan just touched on that we've got our first major ERP implementation happening right now here in Q2. And we also have a distribution center cutover here in Q2. And so we had customers that we had communicated to buy ahead and that was primarily in our MedSurg business within the infection prevention surgical solutions area and that makes sense because that's the area where we have most of the fast moving or high frequency SKUs and it's also sold through distribution. You wouldn't see it as much in some of the other areas.

So, that's primarily where the normalization was. And what we've talked about is we expect that we will give back that order timing later in the year. And it's difficult to know exactly when - we think it will impact Q2, Q3 and Q4, but mostly Q3. And the reason we're estimating that is because the ERP and distribution center cutovers are here in Q2. And then we also saw some customers buying ahead of some of the SKUs that we're planning to exit this year. And so we've been looking at it a lot. We spent a lot of time on it and we've got a lot of questions around how difficult is it to predict and it's very difficult to predict the size and when. But on the back end, after it happens, we're have good fidelity on that and that's why we come up with an estimate of 2.5%. And we know where distributor inventories are and those are estimatable. We also look at those SKUs that we're exiting and we can see elevated purchasing on those.

And so we have good fidelity on that 2.5% estimate and again, we think we're going to give it back later in the year. But nonetheless, off to a great, strong start here.

Travis Steed - *Bank of America; Analyst*

I want to touch on the ERPs and it's like, probably from my seat, we only hear about it when things go wrong of the ERPs. Like nobody talks about we did a great ERP. And so we have this negative connotation with ERP integrations and risk associated with that. So, I want to understand, like how you have confidence in management's ERP and what you're doing differently now other companies have done with the ERP implementations.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Yeah, I'll tell you. On top of that, we have a lot of other things going on. So, as we are coming into the year, it was very clear that we didn't want any distractions that we couldn't manage because we had too many things happening. So, we built a mitigation strategy on the ERP implementation that's probably as robust as I've seen anywhere. Anyway and not probably - I know it's the most robust I've seen. And we looked at it in three vectors. The first one was what you would normally do when you are doing an ERP cutover is, what are all the things we can put into place to mitigate the risk of the ERP the new system actually working.

So the whole goal there is get us to the point where that system is working and is functional, we can make it, we can make it, we can transact as a result of it. And so that was just one work stream to say all of the mitigation you would normally have. The second was, if it does work, what we knew was going to happen is you would have some deficiencies in the way the customer would feel the interaction with us because there was an interim state.

And we said that's unacceptable. So we built a completely different work stream, but connected to say, how do we mitigate those additional just call it inefficiencies that the customer is going to have to deal with. And then we had a third one, which is a different team, but again, connected as a whole group to say everything breaks. We can't use the new system, all the mitigation that we had there did not work.

And what's our fallback position without having to use the system that we were moving to? And so we've built a plan around that to say we have all systems that we can go back to distribution centers that will matter. And then even leveraging some of our customers from a distribution standpoint to leverage to get to our customers. So that's three different prongs that we've had that I've never had before. It will not go perfect. I promise you something will go wrong. But I feel more prepared now than I ever have. We're about a week and a half now into the biggest implementation, as we just referenced. I really look at this as three days, three weeks, three months, as your check-in points to see if it's going well. We're well past the three days. All systems go. Feels really good. Coming up on the three weeks and then we'll keep you abreast. But right now, there's wood here, I'm just going to knock on wood, it feels pretty good.

Travis Steed - *Bank of America; Analyst*

What do you think about it Wayde on the ERP?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah. As Bryan said, we've been through these before and you always have challenges with them. It's all about preparation. And as Bryan said, we've got the resources on it. We've hired a really strong team that's implementing this for us. We get a lot of confidence both in the team as well as the processes they put in place. Having said that, will we expect some challenges as we work through them? For sure. But it's all about how fast can the team address those challenges and keep us moving.

Travis Steed - *Bank of America; Analyst*

Have you baked in some of the challenges into the revenue guidance this year?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

No. Our expectation is that, we'll continue to perform at the ways that we're supposed to perform at. Having said that, the high end of the guidance range means that everything goes perfectly and we don't see any headwinds. The low end of the range assumes some disruption from ERP.

Travis Steed - *Bank of America; Analyst*

Okay. And then anything else you'd call out on the cadence, the growth rate for the year?

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah. So, I would probably relate it more to the order timing that we're talking about before. And I mentioned that we're expecting to give back the order timing benefit that we saw in Q1. Throughout the next three quarters, Q2, Q3 and Q4. In particular, Q3 is where we're assuming because that European optimization is happening in Q2 and assuming it goes well and we complete that as well as the big distribution center cut over, customers then get more comfortable and start to bring those inventory levels down in Q3.

Travis Steed - *Bank of America; Analyst*

Then the tariffs you called out \$80-\$100 million. Only two days later, the rates changed. And so I think how are you thinking about the impact of the China mitigation on the \$80-\$100 million.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

You want me to start again? Yeah. Okay. So I would say great, great news, you know, I mean, fantastic. We said on the earnings day, I think it was prepared remarks and maybe in the Q&A - that if tariffs went away, we would definitely see a benefit. I said in my prepared remarks that if it wasn't for tariffs, just the underlying business strength we would have we would have raised our EPS guidance.

So, we'll clearly see a benefit as a result of this weighted reference that China was about 50% by zero percent of our overall tariff impact. The one thing I would just caution you on is we had three different vectors to be able to alleviate or just manage the tariff impact. One of those was underlying business strength. That clearly would be the thing that would allow us to have strength as a result of tariffs going away because it was there, it was just being eaten up by the tariff impact.

The second was the FX benefit that we're getting. We're seeing some of that being given back already as soon as tariffs start to get less crazy. My guess is that we're going to see some of that FX benefit go away so we can count on that portion of it. And then the mitigation efforts that we put into place would really not be worth anything when the tariffs go away.

As an example of that, if we have an exemption that offsets the tariff and the tariff goes away, there's no bounceback effect. But the takeaway is we will see a benefit as a result of that going down, just not to the tune of mathematically 50% of the 80 to 100 million.

Travis Steed - *Bank of America; Analyst*

So it's some flow through from that.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Some will flow through.

Travis Steed - *Bank of America; Analyst*

How should we think about the cadence of gross and op margins for the year now that we've got the tariff stuff and you know, all the other puts and takes.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah. You want me to start that one Bryan? Yeah. So starting with gross margins, we called out in Q1 just so everybody has it - that we saw some normal seasonality in Q1. What that means is we had Q4 less absorption because we have some shutdowns in the plants due to the holidays in Q4. And so that naturally brings some COGS pressure into Q1. And that's because we capitalize fairly fast in our business, probably one of the fastest of all MedTech companies out there. We capitalize our cost of goods sold into inventory and then we turn it on to the P&L in about 90 days. And most MedTech companies are in that five month to six month time-frame, almost double. And, so with that, we've got pressure on our gross margins in Q1 and we're going to see that come back. We would expect Q2 to be more in line with what we saw in Q4. And, then of course, gross margins then get impacted by the tariffs in the second half of the year. And, that's where we're going to see the pressure. And the reason I shared a little bit more on that deferral of our inventory COGS is because we turn the tariffs faster than most as well. So, we're going to build the higher tariff costs into our inventory here in Q2 and that immediately starts to impact us in Q3, full effect in Q3, Q4 for a lot of other companies who say have a six month turn, they'll have some of that deferred all the way into Q4 and probably won't see as much Q3 impact as we will. And so that's why, as Bryan said, we were working very hard to mitigate that, understanding that we've got the faster turns impacting us in Q3 and we're very happy with the combination of FX, the business performance and then the mitigation that we've put in place to hold it. Now, with the China exemptions changed, we're expecting that we'll see some benefit to that. We haven't calculated that out or talked about it publicly yet. It's just been a couple of days, so we're still working through it. But as Bryan said, we would expect to see some positive benefit on EPS when we do update, okay. And then on operating margins, just quickly there, we had good operating margins in Q1, a little better, frankly, than we were expecting given performance of the business in Q1. We do expect Q2 operating margins to be stronger and business momentum to continue into Q2, but then operating margins will feel the pressure of that gross margin or pardon me - the tariff impact to gross margins in the second half of the year. And, we think that at the time of our earnings that - that all netted out to the low end of our 20% to 21% operating margin. And we're going to have to rethink that now as we incorporate the China guidance.

Travis Steed - *Bank of America; Analyst*

That's super helpful. And I guess switching gears, I want to spend some time on MedSurg, and I think the first way to break it down is like you've got the wound care business, kind of \$1.8 billion in revenue and you've got the infection prevention and surgical solutions was like \$2.8 billion. Is that kind of get to the \$4.6 billion business that you got?

And so we take that \$1.8 billion, that's in wound care and I think I'm estimating about \$1.5 billion of that is negative pressure wound therapy. And let me know if I'm off on that. And, so if you think about the negative pressure wound therapy and talk about the market growth rates, like why is this market growing the way it is? Like where - what's your share in that market? You know, your how is that business growing for you within that \$1.5 billion business growing. And just trying to get a sense like where your position is, the market, there's the disposable single-use, there's the traditional negative pressure room therapy. And obviously, the single-use is growing faster than traditional. But where's the mix of your

business and how are you planning on changing that? So just to understand that kind of the growth outlook for that \$1.5 billion for that business.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

So, okay there's a lot there.

So, maybe I'll just talk about the space. So, if you think about advanced wound care, overall - negative pressure therapy, by far the largest category - we also advanced dressings and some other products inside there as well. On the advanced dressings side - this could be a future area of concentration for us because we're pretty nascent in those dressings outside of negative pressure therapy, but we're calling on the endpoint. So, either we do it organically or we acquire, but that's an area of interest for sure. It's relatively fast growth, good margin, and we have a right to play and win in the space. So, let's set that aside for a second and talk about negative pressure therapy.

This is a big business for us. I see growth vectors not just in the fastest growth category, which is single-use, but also in traditional negative pressure therapy as well because of the penetration of that business. But if I just first look at the mix, first of all, we're a very significant player in the space. If you look at us and Smith & Nephew, we basically are the largest majority of negative pressure therapy. If you break them up and you look at traditional negative pressure therapy, we are the largest majority by far of that space – that's the slower growth category. And then if you look at the single-use, we're a little closer to the same size, a little bigger than Smith & Nephew. But again, we're the largest majority together of that space. So, what you find is that overall, we're the highest market share player in traditional negative pressure wound therapy, dramatically so. And even in single, single-use where we're the largest. So, what do we see as the opportunity for growth?

Well, clearly taking advantage of more penetration of single-use, that is a double-digit growing category within negative pressure wound therapy. Unfortunately, it's the smallest piece of our overall negative pressure wound therapy business, but it is growing very rapidly. We have great technology in that area and that's one of the reasons for the specialization of the sales organization to make sure that we're driving continued traction in that space. On traditional negative pressure wound therapy, the overall market, that the individual market is not as fast growth, but it's under-penetrated. So, we see a huge opportunity here to be able to develop the market and ultimately through that development of the market, grow it at a much faster pace. It's not really a competitive thing. We're not going to go out and try to take competitive business. We're going to go out and try to expand the usage of negative pressure wound therapy in that traditional way.

One of the big benefits to us to do that is the specialized sales organization that we have that we just put into place, and also the Peel and Place technology that we keep talking about, the V.A.C. Peel and Place. The real beauty of the V.A.C. Peel and Place Dressing as it makes it it democratizes the technology. This is not a wound dressing, it's a therapy. And so it typically takes a more capable nurse to apply it. We've just made it simple so that almost any nurse could apply this technology, which just opens the door for more people to be able to use the therapy for their patient.

The second piece to it is it just reduces the time. It takes a lot of time to put the dressing on. It's almost like arts and crafts. It's got to be perfectly done. We've taken all that out of it. We make it very simple for anybody to apply, and it dramatically reduced the time it takes to place the dressing - again, making it easier for people to use. And, it can now be on the patient for seven days, which doesn't sound like a big deal. But if you're changing every three days now, it's every seven days. You've just changed the way you show up external from the hospital, in home care, because that's a better set up for home care. So, we think about being able to develop the market, we see a real opportunity here and it's all up to us. This is our responsibility. We built the market. We have technology differentiation in the market. We have under-penetration in the market. That's up to us to develop it, and we believe we have the tools to do it.

Travis Steed - *Bank of America; Analyst*

Is there anything about contact lenses like going from traditional to single-use and is that a growth driver for you guys just like pushing more traditional to single-use? Or is that an option in this market? I don't know the market well enough to know.

Bryan Hanson - Solventum Corp; Chief Executive Officer

It's a great question. I'm glad you asked it, actually. I think maybe what's missed is that most of the single-use is a different application of the technology, and so it's not really cannibalistic.

You can see a little bit of cannibalization, but it's very little. It is really using negative pressure therapy in a different way. So, if you think about traditional negative pressure therapy, it's more around hard to heal wounds, diabetic patients, heart heal wounds, these venous ulcers, these types of things. If you think about the single-use, that's different. It becomes difficult to close incisions, post-surgery, and so that open it up into orthopedics and other areas. So, it really isn't cannibalistic. It's actually just taking a great technology and finding other uses for where we didn't have it before. So, that's the beauty of the speed at which that's growing. It's not hurting the other category.

Travis Steed - Bank of America; Analyst

So it's a different call point.

Bryan Hanson - Solventum Corp; Chief Executive Officer

It's a different call point, similar technology, different call point...and it just adds to the opportunity and negative pressure wound therapy.

Travis Steed - Bank of America; Analyst

Okay. When you think about - is this a market where, you know, commercial focus can drive growth? And how? Like now that you've got sales reps more focus on this market, how's it going to lead to better growth here?

Bryan Hanson - Solventum Corp; Chief Executive Officer

Absolutely. I mean, when you have a clinically relevant product like this and it's a challenging product to use, as we talked about all the reasons that we talked about training and servicing everything else, and it's going to cost more upfront than a traditional dressing that is a very clinical sale that needs to happen. You've got to have a sales representative in clinical support that understands the clinical differentiation of the product, how you apply it, how I can teach people to use it, and then the benefits from a cost standpoint when you do use it. If you have a generalized sales organization and you have a product like that in their bag, it will be the very last thing they sell because they're going to go to the easiest thing. And so what we did is the specialize, the sales organization, it's the only thing they can sell. And we're educating them on how to use the clinical documentation, giving them the support, but it's the only place they can go to drive revenue. In addition to that, their compensation has shifted to growth. So, it's not just base salary and a little bit of variable based on growth. It is now most of their compensation with no cap on it – it comes from growth. And so we just dramatically changes the psyche of the individual and it just assumes now that they're going to have to sell that because that's the only way that they can make their money.

Travis Steed - Bank of America; Analyst

Great. That's helpful. So switching gears to the other \$2.8 billion in your MedSurg business, infection prevention and surgical solutions, you kind of identified that and broke it down to five different buckets. I.V. site management, sterilization, surgical solutions, hospital consumables and medical technology OEM. Those are kind of the five buckets there. But you've called out two areas kind of as a growth drivers right now, I.V. site management, sterilization assurance. But I kind of want to take those two separate since they're some of the growth drivers. And like I'd love to get a breakdown on how much of the \$2.8 billion is in those two businesses, if you're willing to share it. And then kind of what they're -- what they've been growing and what you're doing to make those businesses grow more?

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Yeah, I think we've given specifics, but I would say I think we've said I.V. site management is the largest. But catch me, I'm looking at you to make sure I'm okay there. The sterilization is smaller... ..but the opportunity is nice. So, if I take sterilization first versus sterilization assurance, it's not sterilizing products. We're just providing sterilization assurance that a product was sterilized. So, we're not competing against Steris, we're not talking about capital, we're talking about ensuring that the products that are being used in an account are sterilized. And so, that's the product that we have. And this is a very surprisingly antiquated process that they use to do this. And as a result, they don't use it as often as they should. You should always for every load -- every load of sterilized products that come, that you sterilize in an account you should check sterilization. It's pretty important as sterile product when you're when you are working on a patient. And so, what we need to do is make it simpler and digitize it so that anybody can do it. And you get confidence that you do have an outcome that you can count on. And that's exactly what the eBowie-Dick is.

We just launched this product is basically taking a decades-old technology and digitizing it and ensuring there's consistency in the way that you check for sterilization. Now, right away, you're going to have an opportunity to cannibalize whatever else is out there because it's a better technology. But you also will likely expand the market because it's underpenetrated today. You just got to make it easier and you've got to have people have confidence that it's actually telling them what they need to know. So that's why we've looked at that as a growth driver for us. We have a dedicated sales organization there that was there before. Actually, we didn't specialize it. They were already there. And then this new product launches is a big benefit to us. It's a smaller business, but an attractive area with good growth potential.

Travis Steed - *Bank of America; Analyst*

But double-digit growth potential or...

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

I can't say that yeah, but it's fast enough to make one of our growth drivers, otherwise... It would be there. And then if I look at I.V. site management, that's one that again is a pretty big business for us. Tegaderm is a technology that's a clear dressing, that transparent dressing that has had a really strong market share for a very long period of time. But what we're able to do in Tegaderm is a while ago was to get a CHG coating on it and then get a claim from the FDA that it can reduce infection, which is very hard to get and not a lot of competition can get it. And as a result of that, we have a significantly differentiated product on already a great delivery platform, which is Tegaderm. And actually the investment that I talked about in capacity expansion in South Dakota was for that product to make sure that we have plenty of capacity to be able to drive capacity in that space.

And what I can tell you is that that one for me has an opportunity for us to go to friends and family where we already have Tegaderm in place because right now it's only about 30% penetrated with this infection prevention and upsell them to a technology that can reduce infection in a catheter, which is a big deal. If you have an I.V. site and you get an infection, it's very bad for the patient and it costs a lot of money.

And so we have an opportunity to go to our customers that already trust us, upsell and get a mixed benefit as a result of it, benefit to the patient. So that's the reason why, that's become a growth driver for us - because we already have the technology, it is clinically differentiated, it's underpenetrated, and it's a fast growth market. And that's another area where we specialized our sales organization.

Travis Steed - *Bank of America; Analyst*

There've been a lot of sales force changes since you joined.

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Yeah, a lot. A lot. I mean, we've and as far as, the reason why we are, you know, we were prudent in our guide for 2025, it was that we had a lot of changes. You know, we were completely restructuring the commercial organization we're changing compensation for the commercial organization. We pretty much revamped the entire leadership of the commercial organization, and we're changing the culture all at one time. And, hey, it's working. You know, you could break something when you do that, but we haven't. And that gave us confidence as we came into Q1 and saw the results that hey, we can continue to move this forward. But there have been a lot of changes, a lot of changes in that commercial organization.

Travis Steed - *Bank of America; Analyst*

Before we run out of time I want to touch on P&F divestiture. And kind of once you get the proceeds from that and pay down debt, how quickly can you go towards M&A? Are you considering a dividend at any point? Again, just curious how that proceeds and kind of capital allocation after that.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Yeah, sure. I can start capital planning. You probably want to talk about our strategy around going on offense on M&A, which we're pretty excited about. So, from a capital planning standpoint, we, as you said, are very excited for this transformational deal with purification filtration and it'll allow us to significantly pay down our debt. And that's our number one priority today in our capital plan, get our debt paid down. We haven't talked about any switch to enhancing our capital plan with either dividends or share repurchases at this time. That's something we'll have to work through with our board once we get on the other side of purification filtration. But the good news is it does get our leverage in a position where we'll be able to start to contemplate other uses of cash and certainly will be going on offense on the inorganic side. I don't know Bryan, if you want to pick up on that?

Bryan Hanson - *Solventum Corp; Chief Executive Officer*

Yeah. Just with a few seconds left here, I would say for us, we looked at three vectors of growth. It was the enhancement of the commercial organization, new NPI and then peppering in inorganic innovation through M&A. And the fact that we're moving purification filtration through, we're going to change the balance sheet flexibility, we absolutely will be looking for M&A in 2026.

Travis Steed - *Bank of America; Analyst*

Okay, great. Thanks a lot.

Wayde McMillan - *Solventum Corporation; Chief Financial Officer*

Okay. Thank you.
