Please standby. Welcome, ladies and gentlemen, to Embecta Corp.'s fiscal fourth quarter and full-year 2024 earnings conference call.

At this time, all participants have been placed in a listen-only mode. Please note that this conference call is being recorded, and a replay will be available on the Company's website following the call.

I would now like to hand the conference call over to your host today, Mr. Pravesh Khandelwal, Vice President of Investor Relations. Mr. Khandelwal, please go ahead.

Thank you, operator.

Good morning, everyone, and welcome to embecta's fiscal fourth quarter and full-year 2024 earnings conference call.

The press release and slides to accompany today's call, and webcast replay details, are available on the Investor Relations section of the Company's website at www.embecta.com.

With me today are Dev Kurdikar, embecta's President and Chief Executive Officer; and Jake Elguicze, our Chief Financial Officer.

Before we begin, I would like to remind you that some of the matters discussed in the conference call will contain forward-looking statements regarding future events as outlined in our slides. We wish to caution you that such statements are, in fact, forward-looking in nature and are subject to risks and uncertainties and actual events or results may differ materially. The factors that could cause actual results or events to differ materially include, but are not limited to, factors referenced in our press release today, as well as our filings with the SEC, which can be accessed on our website. In addition, we will discuss certain non-GAAP financial measures on this call, which should be considered a supplement to, and not a substitute for, financial measures prepared in accordance with GAAP. A reconciliation of these non-GAAP measures to the comparable GAAP measures is included in our press release and conference call presentation.

Our agenda for today's call is as follows:

- Dev will start by presenting an overview of our strategic priorities following the spin-off and will highlight key accomplishments to date.
- He will also share insights into our future strategy and provide details of the restructuring plan announced today.
- Jake will then review our financial results for the fourth quarter and the full fiscal year 2024, as well as discuss the preliminary guidance for fiscal 2025.
- Following these updates, we will open the call for questions.

With that said, I would now like to turn the call over to our CEO, Dev Kurdikar.

Good morning and thank you for taking the time to join us.

Since the spin which occurred on April 1st of 2022, our strategic priorities over the past two and a half years have been focused in three areas. These included the need to strengthen and optimize our core business; the requirement to separate and stand-up the organization from our former parent; and to invest in growth opportunities.

I am pleased to report that during the past two and a half years we made significant progress within each of these objectives.

First, we strengthened our core business by securing exclusive and dual-preferred contracts with key Medicare Part D plans, as well as establishing our products as a top choice within major national formularies, among other accomplishments.

Second, we successfully completed major stand-up programs including the implementation of our own ERP, shared services, and distribution network, covering approximately 98% of our revenue base, with only India remaining. We also executed a complex program to transfer the legal entity ownership of our manufacturing facility in China. I am proud to say that we completed these activities and more while avoiding interruptions to our customers, as well as avoiding disruptions to the people with diabetes who use our products daily.

Finally, we continued to invest in growth. A testament to that is the clearance of our open loop patch pump which occurred in Q4, as well as the launch of a small-pack GLP-1 pen needle set in Germany with the intent to address the needs of a growing customer base.

This strong execution, which occurred in a challenging macro environment, led to financial outcomes that exceeded 2024 expectations that were set prior to spin. This included delivering a constant currency compounded annual adjusted revenue growth rate of approximately 1.3% and an adjusted EBITDA margin of approximately 31.4%. This compared to initial pre-spin expectations which called for a flattish constant currency revenue CAGR, including significantly higher contract manufacturing revenue of non-diabetes products for BD, and an adjusted EBITDA margin of approximately 30%.

As a reminder, we had provided these initial expectations in March of 2022 in a vastly different economic climate, unaware of the unprecedented challenges that would soon follow. Since that time, we navigated historic inflation, a rapidly rising interest rate environment, geopolitical conflicts, and, supply chain and labor issues. Despite these factors, which we estimate cost us roughly 500 basis points in negative margin impact, our team delivered.

Lastly, during this most recent quarter, we initiated a debt paydown plan. This multi-year commitment to reduce our debt obligations should position embecta with greater financial flexibility as we move forward.

Turning to Slide 6.

As we embark on the next phase of our journey, we recognize that building on our past accomplishments will require both prudent management of our capital structure and thoughtful investments to broaden our product portfolio to support future growth.

Hence, this morning we announced a restructuring plan aimed at streamlining operations and reducing costs.

This restructuring program includes the decision to discontinue our insulin patch pump program.

Following the recent U.S. FDA clearance that we received on the open-loop version of the pump that could be used by people with Type 1 or Type 2 diabetes, the decision to cease the pump program may come as a surprise. However, it is important to understand that we did not intend to do a full-market launch of this product, as the open-loop product currently cleared requires additional enhancements to be commercially competitive, including extensions of the product's shelf-life, as well as enhancements in the form of making the device compatible from a "bring your own device" perspective.

Most importantly, our goal since spin was to come to market with a closed-loop version of a patch pump that had a specific label designation for people with Type 2 diabetes. While our product development team has executed this program extremely well achieving all internal milestones to date, it would take several more years of significant investment for us to be complete a clinical study, obtain FDA clearance, and build up the necessary commercial and support functions before fully commercializing that product and achieving the scale for it to be accretive to our EBITDA.

Additionally, we recognize that the pump market has continued to evolve, and we anticipate that competition in closed-loop, Type 2 indicated products may continue to intensify and our offering would require incremental investments to be market-competitive.

I also want to point out that upon FDA clearance of our open-loop pump, which we announced in September, we performed a market check to identify potential opportunities that would allow us to monetize the asset. Since that did not surface any viable options, we acted promptly to discontinue the program.

The accompanying reorganization is designed to enhance the organization's profitability and cash flow, create a leaner and more efficient operation that would have greater financial flexibility to take advantage of opportunities that leverage our global commercial channel and strength in high-volume manufacturing.

In terms of financial impact, we currently anticipate that we will incur pre-tax cash charges associated with this reorganization of between $25 and $30 million. Additionally, we anticipate that there will be non-cash charges associated with asset impairments and asset write-offs, which we currently estimate to be in the range of between $10 and $15 million on a pre-tax basis.

We expect that this restructuring will be largely complete during the first half of fiscal year 2025 and will deliver annualized pre-tax cost savings of between $60 million and $65 million.

Lastly, given the recency of this decision, we have postponed our Analyst & Investor Day to the Spring of 2025. This delay allows us to fully focus on executing this restructuring plan so that when we come together for our Analyst and Investor Day, we will be able to provide a fuller view of a more streamlined organization.

In summary, we believe this strategic reorganization is a proactive step to improve our financial health, enhance profitability, and strengthen the company for the years ahead.

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Moving forward, our focus will be on the next phase of embecta's transformation which will be guided by three key strategic priorities: continuing to strengthen the core business, expanding our product portfolio, and increasing financial flexibility.

First, I would like to explain how we are planning to strengthen the core business further.

In addition to continuing to deepen our relationships with customers and maintain our leading share of categories, we intend to progress the implementation of our brand transition plan and seek growth opportunities.

By advancing our brand transition plan, we are ensuring that embecta's identity remains strong, clear, and resonates across our markets. We have been planning this transition since the spin-off and we intend for the execution of this program to begin in phases during fiscal year 2025. Notably, we are not changing the product names, or color schemes associated with our packaging. This is important, as people with diabetes will continue to experience the same look and feel of our boxes that they have been accustomed to for many years. The U.S. will be the first region to undergo this transition, followed by Europe, and then the other regions. We expect to be largely complete in the next couple of years, but successful execution will involve a carefully coordinated transition of packaging, labeling, registrations, and regulatory certificates, among other things.

As with the separation activities we were discussing a year ago, our continued standup and transition activities will involve temporary suspensions of our ability to manufacture or promote product in certain markets, which we intend to mitigate through inventory management and other measures that we successfully employed over the past year.

Separately, we are actively pursuing other growth opportunities, identifying new areas to expand our reach and increase our impact. This includes both growing within our current markets and exploring untapped potential.

One of the most promising opportunities on the horizon for embecta is the growth of GLP-1 therapies. We believe that while GLP-1s may delay the progression to insulin dependence, they do not eliminate the need for insulin. Furthermore, as GLP-1 administration methods continue to evolve from autoinjectors to pen injectors—which require pen needles—we anticipate incremental benefit to our business.

As noted on an earlier call we recently launched our new small-pack pen needle product in Germany, specifically targeted for GLP-1 administration. This product introduction marks an important milestone, and we plan to expand this offering to additional markets in the future. We are confident this will help address the growing demand for pen-based GLP-1 administration, meeting the needs of an increasing number of patients using pens and pen needles.

We will share more of our thoughts on the broader GLP-1 market opportunity, and how we intend to benefit in the coming years at our Investor Day in the spring.

Our next strategic priority is to widen our product offering by leveraging our core strengths. One of our strongest assets is our global commercial channel comprising of 600+ commercial resources with deep customer relationships, with over half of these resources serving customers in the faster growing emerging markets. Adding marketappropriate products that can be delivered via our existing channels will allow for increased productivity of our commercial resources.

Another core strength is our expertise in high-volume manufacturing while maintaining robust quality standards. Competency in injection molding and operating highly automated plants can be leveraged into making products that benefit from these competencies. While identifying the right products to manufacture will take time, we intend to start exploring the possibilities now.

Lastly, increasing financial flexibility is an important priority for us. We recognize that without that we are going to be limited in the strategic options available to us that could transition the company towards higher growth markets. Improving operational efficiency is at the heart of this priority. We are committed to refining our processes, eliminating inefficiencies, and optimizing every aspect of our operations. This approach goes beyond cost-cutting; it ensures we remain lean, agile, and ready to adapt. Additionally, we believe that reducing net leverage and debt creates a stronger financial base that enables us to make strategic investments and remain resilient, regardless of market conditions.

In summary, by strengthening the core business, expanding our product portfolio, and increasing financial flexibility, our plan is to build a strong foundation for embecta's future.

Now, let's review our revenue performance for the quarter and full fiscal year.

Before beginning our normal review, I wanted to highlight an event we worked through during the fourth quarter. The Italian government introduced legislation back in 2015 requiring medical device companies that supply goods and services to the Italian National Healthcare System to pay-back a portion of their proportional revenues to contribute to funding any deficit created by government budget overspend for medical devices each year.

The payment amounts are calculated based on the amount by which the regional ceilings for that given year were exceeded. Numerous medical device companies challenged the enforceability of the law, primarily on the basis that the legislation was unconstitutional.

The Italian administrative courts referred the question regarding the constitutionality of the law to the Italian Constitutional Court, which in July 2024, issued a ruling upholding the law as constitutional. Following the ruling of the Italian Constitutional Court, the appeal before the Italian administrative court will proceed with respect to the remaining legal arguments asserted by the appellants regarding the enforceability of the payback law. Since the law was enacted, our fourth quarter and full year revenue includes a reduction to revenue of $4.1 million related to fiscal years 2015 through 2023. Given that this amount relates to prior years, we have normalized for this amount when calculating our adjusted constant currency revenue growth rates for both the quarter and the full year. Additionally, our fourth quarter and full year results also include a $1.2 million reduction of revenue associated with fiscal year 2024. Given that this amount relates to the current year, we have not normalized for this impact, although it was not something that was previously contemplated in our prior financial guidance.

As litigation before Italian Courts is still pending, final resolution is unknown at this time, and it is possible that the amount of the embecta's liability could differ from the amount currently accrued.

Finally, you will notice that in addition to our typical geographic revenue disclosures, we are also providing a breakdown of our revenue on a product family basis.

With that, I will now begin with a review of our revenues for the fourth quarter. All amounts that I will refer to are on an adjusted revenue and adjusted constant-currency basis unless otherwise noted.

In the fourth quarter of fiscal year 2024, embecta's adjusted revenues totaled $290.2 million, which represents an increase of 4.1% as compared to the prior year period, or 3.3% if you were to exclude contract manufacturing revenue. This exceeded our prior expectations, with the outperformance in the quarter primarily related to the timing of orders from some distributors. The additional orders occurred as distributors attempted to mitigate any potential impact from the then looming U.S. port strike.

While from a product family perspective, during the quarter pen needle revenue grew approximately 2.8%, syringe revenue grew approximately 4.8%, safety products grew approximately 5.8%, and contract manufacturing grew approximately 96%.

Within the U.S., during the quarter revenues totaled $167.4 million, which represented year-over-year growth of 10.3% on an adjusted constant currency basis. The year-over-year growth was primarily driven by the impact of the aforementioned distributor order timing, favorable pricing, and growth in the sales of non-diabetes products that were manufactured and sold to BD.

Turning to our International business, during Q4 revenue totaled $122.8 million, which equated to a 3.1% decline on an adjusted constant currency basis as compared to the prior year period.

The year-over-year decline within our International business was due to the as expected timing of orders within China in advance of the ERP implementation, as well as absorbing the full year 2024 $1.2 million impact of the Italian payback measure which was all recorded in the fourth quarter. This was partially offset by year-over-year increases within Canada, Latin America, and Asia.

Turning to Slide 9.

For the full year, embecta generated adjusted revenues of approximately one billion one hundred twenty-seven million, which represented an increase of 1.1% on an adjusted constant currency basis, and remains unchanged at 1.1% if you were to exclude contract manufacturing revenue.

Globally, our pen needle and safety product lines grew approximately 2.6% and 2.5%, respectively, as compared to fiscal 2023. Together, these two product categories represented around 86% of our consolidated fiscal year 2024 revenue.

However, this growth was offset by a decline of approximately 9% within our syringe product lines, primarily driven by ongoing end-market volume declines within the U.S. This trend is not new and has persisted over the past several years and is consistent with the decrease in prescriptions for insulin vials as compared with insulin pens.

Lastly, the contract manufacturing revenue of non-diabetes products declined approximately 1.5% as compared to the prior year.

While from a regional perspective, U.S. revenues totaled $607.2 million, which is an increase of 1.0% on an adjusted constant currency basis. Growth in the U.S was primarily due to favorable pricing dynamics, partially offset by continued end market volume declines for syringe products.

Meanwhile, International revenues totaled $520.0 million, which equated to year-over-year adjusted constant currency growth of approximately 1.3%. Growth Internationally was driven primarily by volume growth within Canada, China, and Asia, partially offset by declines within EMEA and Latin America.

Lastly, and before I turn the call over to Jake, I want to highlight that since spin we have been able to successfully increase the prices of our products, particularly within the U.S., to help offset inflationary pressures. However, during 2025 we anticipate that pricing will turn into a headwind, as we seek to renew agreements whose terms are expiring.

With that, let me turn the call over to Jake for him to review other financial highlights, as well as to provide our preliminary financial guidance for fiscal year 2025.

Jake….

Thank you, Dev, and good morning, everyone.

Given the discussion that has already occurred regarding revenue, I will start my review of embecta's financial performance for the fourth quarter at the gross profit line.

GAAP gross profit and margin for the fourth quarter of fiscal 2024 totaled $173.8 million and 60.7%, respectively. This compared to $181.8 million and 64.5% in the prior year period.

While on an adjusted basis, our Q4 2024 adjusted gross profit and margin totaled $178.3 million and 61.4%. This compared to $182.6 million and 64.8% in the prior year period.

The year-over-year decrease in adjusted gross profit and margin was expected and was primarily driven by the impact of lower absorption at our plants, as we intentionally reduced inventory levels from Q3 to Q4, as we are now substantially complete with our ERP implementations. Additionally, the year-over-year decline in gross margin in the quarter was also due to revenue mix; as well as from the impact of inflation on the costs of certain raw materials, direct labor, freight, and overhead; and the negative impact of foreign currency translation, primarily due to the weakening of the U.S. dollar. These headwinds were somewhat offset by favorable pricing.

While from a sequential basis, we saw a step-down in adjusted gross margin from Q3 to Q4. This was something that we expected to occur and noted on our third-quarter earnings conference call and is due to the profit-in-inventory benefit we experienced within our third quarter results.

Turning to GAAP operating income and margin, during the fourth quarter they were $26.2 million and 9.2%. This compared to $25.8 million and 9.2% in the prior year period.

While on an adjusted basis, our Q4 2024 adjusted operating income and margin totaled $61.2 million and 21.1%. This compared to $65.2 million and 23.1% in the prior year period.

The year-over-year decrease in adjusted operating income is due to the adjusted gross profit changes I just discussed, as total operating expenses were in-line with the year-over-year quarter. Importantly, total operating expenses were flat as compared to the year-ago period despite absorbing approximately $2.5 million of additional amortization expense associated with the ERP system implementations that occurred during this year. As Dev mentioned earlier, we are continuing to focus on managing operating expenses and becoming a more efficient organization as we move forward.

Turning to the bottom line.

GAAP net income and earnings per diluted share was $14.6 million and $0.25 during the fourth quarter of fiscal 2024, which compared to $6.0 million and $0.10 in the prior year period.

While on an adjusted basis, net income and earnings per share were $25.9 million and $0.45 during the fourth quarter of fiscal 2024. This compared to $34.1 million and $0.59 in the prior year period.

The decrease in year-over-year adjusted net income and diluted earnings per share is primarily due to the adjusted operating profit drivers I just discussed, as well as an increase in year-over-year interest expense associated with the rise in SOFR, and the impact that had on our variable interest rate debt. This was somewhat offset by a reduction in our adjusted tax rate from approximately 14.0% in Q4 of 2023 to approximately 9.5% in Q4 of 2024. The lower non-GAAP tax rate was due to certain tax planning initiatives which were completed before year-end, as well as the geographic mix of profitability.

Lastly from a P&L perspective, for the fourth quarter of 2024 our adjusted EBITDA and margin totaled approximately $73.0 million and 25.2%. This compared to $79.6 million and 28.2% in the prior year period.

Turning to the balance sheet and cash flow.

At the end of the fourth quarter, our cash balance totaled approximately $274 million, while our last twelve months net leverage as defined under our credit facility agreement stood at approximately 3.8x. As a reminder our net leverage covenant requires us to stay below 4.75x.

Our ending cash balance includes a use of cash during the year of approximately $165 million associated one-time separation activities.

Lastly, during both our second and third quarter earnings calls I mentioned that we expected to end the year with a cash balance of approximately $300 million, and that would have been the case. However, we proactively paid down an additional $25 million of our Term Loan B debt before fiscal year-end, as now that we are substantially complete with separation activities, we want to take steps to pay down debt more aggressively.

That completes my comments on our fiscal Q4 results.

Next, I will provide a brief review of our full year 2024 financial results.

GAAP gross profit and margin for fiscal 2024 totaled $735.2 million and 65.5%, respectively. This compared to $749.9 million and 66.9% in the prior year.

While on an adjusted basis, our 2024 adjusted gross profit and margin totaled $740.7 million and 65.7%. This compared to $751.2 million and 67.0% in the prior year.

The year-over-year decrease in adjusted gross profit and margin was primarily driven by the impact of inflation on the costs of certain raw materials, direct labor, freight, and overhead; the impact of negative manufacturing variances stemming from the temporary shutdown of our manufacturing facility in China; and the negative impact of foreign currency translation, primarily due to the weakening of the U.S. dollar. These headwinds were somewhat offset by the impact of profit-in-inventory adjustments resulting from inventory that was sold to external customers that was manufactured in anticipation of our ERP system and other business continuity processes that went live during fiscal year 2024; and favorable pricing.

Turning to GAAP operating income and margin, during 2024 they were $166.8 million and 14.9%. This compared to $221.5 million and 19.8% in the prior year.

While on an adjusted basis, our 2024 adjusted operating income and margin totaled $296.9 million and 26.3%. This compared to $331.5 million and 29.6% in the prior year period.

The year-over-year decrease in adjusted operating income is due to a combination of factors, including the adjusted gross profit changes I just discussed, as well as an increase in adjusted SG&A. The increase in SG&A costs were all related to standing up the organization and were associated with increased compensation and benefit costs due to increased headcount, as well as increased outbound freight and warehousing costs. These additional costs were somewhat offset by a reduction in TSA expenses.

Turning to the bottom line.

GAAP net income and earnings per diluted share was $78.3 million and $1.34 during fiscal 2024, which compared to $70.4 million and $1.22 in the prior year period.

While on an adjusted basis, net income and earnings per share were $143.1 million and $2.45 during fiscal 2024. This compared to $172.6 million and $2.99 in the prior year.

Like my comments relating to the fourth quarter, the decrease in year-over-year adjusted net income and diluted earnings per share is primarily due to the adjusted operating profit drivers I just discussed, as well as an increase in year-over-year interest expense associated with the rise in SOFR, somewhat offset by a reduction in our adjusted tax rate from approximately 23.0% in 2023 to approximately 20.0% in 2024.

Lastly from a P&L perspective, during 2024 our adjusted EBITDA and margin totaled approximately $353.4 million and 31.4%. This compared to $378.7 million and 33.8% in the prior year.

In closing, during fiscal year 2024, we were pleased with our ability to raise our financial guidance following each quarter of the year, ultimately ending fiscal year 2024 with financial results that were above the high-end of our most recently provided guidance ranges for most financial metrics.

The ability to generate these results was no small task, particularly given all the separation-oriented activities that we focused on during the year. This is a testament to the resiliency of our products, and our people, who put in a countless number of hours to make embecta successful.

That completes my prepared remarks on our fourth quarter and full year 2024 results.

Next, I would like to discuss embecta's preliminary 2025 financial guidance and certain underlying assumptions.

Given that we have made the decision to discontinue the insulin patch pump program, our financial guidance metrics for 2025 will exclude all costs associated with the patch pump program for the entirety of the year. As Dev mentioned earlier, we anticipate that this restructuring and shutdown of the program will be largely complete during the first half of fiscal year 2025.

Additionally, for comparability purposes, as we move forward during the year, we will also update our prior year 2024 adjusted financial results to also exclude the costs we incurred associated with the patch pump program. As a reminder, during fiscal year 2024 we incurred approximately $63 million of total expense related to the pump program, or approximately $16 million per quarter.

With that, let me review our initial 2025 financial guidance ranges, beginning with revenue.

On an adjusted constant currency basis, we currently anticipate that our revenues will be down between 1% and 2.5% as compared to 2024.

At the high-end of our constant currency revenue range, we have factored in that volumes remain relatively flat, as declines in the U.S. are offset by continued growth within emerging markets, most notably China and Asia. While from a pricing perspective, during 2025 we currently anticipate that price will be a headwind of approximately 1% due to the pricing concessions that Dev mentioned earlier related to the renewal of agreements whose terms are expiring.

While at the low-end, we are assuming all the same factors impacting our high-end, except for the potential of greater year-over-year headwinds associated with volumes within the U.S.

Turning to our thoughts on F/X, our initial guidance calls for a foreign currency headwind of approximately 0.6% during 2025.

This assumption is based on foreign exchange rates that were in existence around the mid-November timeframe, including a Euro to U.S. Dollar exchange rate of approximately 1.08.

Somewhat offsetting F/X is the fact that our as-reported 2025 GAAP revenue will not be impacted by the 2015 through 2023 amount that we needed to accrue associated with the Italian payback measure which impacted our 2024 as-reported GAAP revenue. This equates to a tailwind of approximately 0.4%.

On a combined basis, our as-reported revenue guidance calls for a decline of between 1.2% and 2.7%, resulting in an initial revenue guide of between \$1 billion 93 million and \$1 billion 110 million.

Turning to adjusted gross margin, we currently anticipate that our 2025 adjusted gross margin will be in the range of between 63.25% and 64.25%, or a decline at the mid-point of approximately 200 basis points as compared to 2024 levels.

The largest anticipated year-over-year headwind being that we will not see the same level of benefit in 2025 that we did in 2024 related to profit-in-inventory, which alone is expected to be a year-over-year headwind of approximately 150 basis points. Additional gross margin headwinds are associated with pricing and inflation, which are somewhat offset by a variety of productivity initiatives identified by our manufacturing team.

Continuing down the P&L, given that we are largely complete with separation, including the establishment of necessary internal full-time resources, we expect that our adjusted SG&A as a percentage of revenue will be flattish as compared to 2024 levels, while from an adjusted R&D perspective, which excludes the patch pump program, we expect R&D as a percentage of revenue to approximate 2%.

All totaled, we anticipate that our adjusted operating margin during 2025 will be between the range of 29% and 30%.

Moving to earnings, during 2025 our initial guidance calls for an adjusted diluted earnings per share range of between $2.70 and $2.90 and is based on a weighted average diluted share amount of 58.9 million shares.

Our initial adjusted earnings per share range includes an assumption that during 2025 we will repay approximately $110 million in debt and that our annual net interest expense will be approximately $107 million.

Our guidance assumes that we will use between $50 and $60 million of cash during fiscal 2025 associated with separation costs, largely related to brand transition; between $25 million and $30 million in cash usage associated with the discontinuation of our insulin patch pump program; and approximately $20 million in capital expenditures.

While from a tax perspective, our initial adjusted earnings per share range assumes that our annual adjusted tax rate will be approximately 25%, which includes the impact of Pillar 2.

Lastly, our initial guidance for fiscal year 2025 calls for an adjusted EBITDA margin of between 35.5% and 36.5%.

And before I turn the call over to the Operator, I'd like to highlight some considerations regarding the cadence of quarterly revenue expectations during 2025. Moving forward, we may not provide any further commentary concerning the quarterly cadence of revenue on an ongoing basis.

During fiscal year 2024, we generated approximately 50% of our adjusted revenue dollars during the first half of the year, including approximately 25% during the first quarter.

During 2025, we currently anticipate generating a slightly lower percentage of our annual revenue during both the first quarter and first half of 2025, as compared to the prior year periods, since the first half of 2024 revenue was positively impacted by customers buying additional product in advance of our ERP implementations; as well as because of the additional orders we received from some U.S. distributors during Q4 2024 due to the then-looming U.S. port strike.

That completes my prepared remarks, and at this time, I would like to turn the call over to the operator for questions.

Operator…

As we wrap up the call, I want to extend my heartfelt appreciation to all my colleagues at embecta across the globe. Our global team has executed complex, major separation-related initiatives with dedication and resilience, never wavering from our mission of developing and delivering solutions that improve the lives of people living with diabetes.

With that said, I also want to acknowledge the restructuring plan we have announced and recognize that these changes have impacted valued team members. To those affected, we are sincerely grateful for your contributions, and I am conscious of the difficult transitions that this decision has brought for many. We believe these changes, though challenging, are necessary steps to strengthen embecta, setting us up for a stronger, more sustainable future.

Finally, we look forward to engaging with all of you at upcoming conferences and at our rescheduled Investor Day in Spring 2025, where we'll share more about our vision for embecta.