
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **June 30, 2025**

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 001-41186



EMBECTA CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

87-1583942
(I.R.S. employer
identification no.)

300 Kimball Drive, Suite 300, Parsippany, New Jersey
(Address of principal executive offices)

07054
(Zip code)

(862) 401-0000
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	EMBC	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>		
Emerging growth company	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Embecta Corp. common stock outstanding as of August 1, 2025 was 58,485,119 shares, par value \$0.01 per share.

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Embeta Corp.

Form 10-Q

For the Quarterly Period ended June 30, 2025

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Statements of Income

Embecta Corp.

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Revenues	\$ 295.5	\$ 272.5	\$ 816.4	\$ 837.0
Cost of products sold	98.4	82.4	298.1	275.6
Gross Profit	\$ 197.1	\$ 190.1	\$ 518.3	\$ 561.4
Operating expenses:				
Selling and administrative expense	84.4	85.7	245.1	268.3
Research and development expense	4.4	20.4	32.7	59.0
Other operating expenses	14.3	28.1	54.9	93.5
Total Operating Expenses	\$ 103.1	\$ 134.2	\$ 332.7	\$ 420.8
Operating Income	\$ 94.0	\$ 55.9	\$ 185.6	\$ 140.6
Interest expense, net	(26.6)	(27.8)	(81.2)	(83.3)
Other income (expense), net	4.8	(1.1)	2.9	(6.1)
Income Before Income Taxes	\$ 72.2	\$ 27.0	\$ 107.3	\$ 51.2
Income tax provision (benefit)	26.7	12.3	38.3	(12.5)
Net Income	\$ 45.5	\$ 14.7	\$ 69.0	\$ 63.7
Net Income per common share:				
Basic	\$ 0.78	\$ 0.25	\$ 1.18	\$ 1.11
Diluted	\$ 0.78	\$ 0.25	\$ 1.18	\$ 1.10

See notes to the Unaudited Condensed Consolidated Financial Statements.

Dollar amounts are in millions except per share amounts or as otherwise specified.

Condensed Consolidated Statements of Comprehensive Income

Embecta Corp.

(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Net Income	\$ 45.5	\$ 14.7	\$ 69.0	\$ 63.7
Other Comprehensive Income (Loss), net of tax				
Foreign currency translation adjustments	25.0	(6.4)	9.5	2.8
Other Comprehensive Income (Loss), net of tax	\$ 25.0	\$ (6.4)	\$ 9.5	\$ 2.8
Comprehensive Income	<u>\$ 70.5</u>	<u>\$ 8.3</u>	<u>\$ 78.5</u>	<u>\$ 66.5</u>

See notes to the Unaudited Condensed Consolidated Financial Statements.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Condensed Consolidated Balance Sheets
Embecta Corp.

	<u>June 30, 2025</u>	<u>September 30, 2024</u>
	<u>(Unaudited)</u>	
Assets		
Current Assets		
Cash and equivalents	\$ 230.6	\$ 267.5
Restricted cash	3.0	6.7
Trade receivables, net (net of allowance for doubtful accounts of \$2.0 million and \$2.8 million as of June 30, 2025 and September 30, 2024, respectively)	182.8	193.0
Inventories:		
Materials	47.6	40.4
Work in process	13.2	4.8
Finished products	129.1	126.3
Total Inventories	\$ 189.9	\$ 171.5
Amounts due from Becton, Dickinson and Company	10.1	53.8
Prepaid expenses and other	65.1	68.5
Total Current Assets	\$ 681.5	\$ 761.0
Property, Plant and Equipment, Net	262.7	290.4
Goodwill and Intangible Assets	22.7	23.7
Deferred Income Taxes and Other Assets	190.4	210.2
Total Assets	<u>\$ 1,157.3</u>	<u>\$ 1,285.3</u>
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 61.9	\$ 91.0
Accrued expenses	129.1	134.2
Amounts due to Becton, Dickinson and Company	19.5	42.5
Salaries, wages and related items	45.0	66.7
Current debt obligations	9.5	9.5
Current finance lease liabilities	3.4	3.4
Income taxes	7.1	26.7
Total Current Liabilities	\$ 275.5	\$ 374.0
Deferred Income Taxes and Other Liabilities	63.5	54.1
Long-Term Debt	1,458.8	1,565.3
Non Current Finance Lease Liabilities	29.1	30.2
Contingencies (Note 6)		
Embecta Corp. Equity		
Common stock, \$0.01 par value		
Authorized - 250,000,000		
Issued and outstanding - 58,473,127 as of June 30, 2025 and 57,707,285 as of September 30, 2024	\$ 0.6	\$ 0.6
Additional paid-in capital	70.2	52.5
Accumulated deficit	(457.1)	(498.6)
Accumulated other comprehensive loss	(283.3)	(292.8)
Total Equity	<u>\$ (669.6)</u>	<u>\$ (738.3)</u>
Total Liabilities and Equity	<u>\$ 1,157.3</u>	<u>\$ 1,285.3</u>

See notes to the Unaudited Condensed Consolidated Financial Statements.

Dollar amounts are in millions except per share amounts or as otherwise specified.

Condensed Consolidated Statements of Equity
Embecta Corp.
(Unaudited)

	Common Stock				Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit			
Balance at April 1, 2024	57,661,433	\$ 0.6	\$ 39.7	\$ (510.0)	\$ (299.9)	\$ (769.6)	
Net Income	—	—	—	14.7	—	14.7	
Other comprehensive (loss), net of taxes	—	—	—	—	(6.4)	(6.4)	
Stock-based compensation plans	—	—	6.3	—	—	6.5	
Dividends and dividend equivalents declared (\$0.15 per share)	—	—	0.3	(8.9)	—	(8.6)	
Issuance of shares related to stock-based compensation plans	15,034	—	(0.1)	—	—	(0.1)	
Balance at June 30, 2024	57,676,467	\$ 0.6	\$ 46.2	\$ (504.2)	\$ (306.3)	\$ (763.7)	
Balance at April 1, 2025	58,327,015	\$ 0.6	\$ 65.0	\$ (493.5)	\$ (308.3)	\$ (736.2)	
Net Income	—	—	—	45.5	—	45.5	
Other comprehensive income, net of taxes	—	—	—	—	25.0	25.0	
Stock-based compensation plans	—	—	5.9	—	—	5.9	
Dividends and dividend equivalents declared (\$0.15 per share)	—	—	0.4	(9.1)	—	(8.7)	
Issuance of shares related to stock-based compensation plans	146,112	—	(1.1)	—	—	(1.1)	
Balance at June 30, 2025	58,473,127	\$ 0.6	\$ 70.2	\$ (457.1)	\$ (283.3)	\$ (669.6)	

See notes to the Unaudited Condensed Consolidated Financial Statements.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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	Common Stock				Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Par Value	Additional Paid-In Capital				
Balance at October 1, 2023	57,333,353	\$ 0.6	\$ 27.9	\$ (541.1)	\$ (309.1)	\$ (821.7)	
Net Income	—	—	—	63.7	—	63.7	
Other comprehensive income, net of taxes	—	—	—	—	2.8	2.8	
Stock-based compensation plans	—	—	20.1	—	—	20.1	
Dividends and dividend equivalents declared (\$0.45 per share)	—	—	1.0	(26.8)	—	(25.8)	
Issuance of shares related to stock-based compensation plans	343,114	—	(2.8)	—	—	(2.8)	
Balance at June 30, 2024	57,676,467	\$ 0.6	\$ 46.2	\$ (504.2)	\$ (306.3)	\$ (763.7)	
Balance at October 1, 2024	57,707,285	\$ 0.6	\$ 52.5	\$ (498.6)	\$ (292.8)	\$ (738.3)	
Net Income	—	—	—	69.0	—	69.0	
Other comprehensive income, net of taxes	—	—	—	—	9.5	9.5	
Stock-based compensation plans	—	—	22.1	—	—	22.1	
Dividends and dividend equivalents declared (\$0.45 per share)	—	—	1.3	(27.5)	—	(26.2)	
Issuance of shares related to stock-based compensation plans	765,842	—	(5.7)	—	—	(5.7)	
Balance at June 30, 2025	58,473,127	\$ 0.6	\$ 70.2	\$ (457.1)	\$ (283.3)	\$ (669.6)	

See notes to the Unaudited Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Cash Flows

Embecta Corp.

(Unaudited)

	Nine Months Ended June 30,	
	2025	2024
Operating Activities		
Net Income	\$ 69.0	\$ 63.7
Adjustments to net income to derive net cash provided by operating activities:		
Depreciation and amortization	27.6	26.7
Amortization of debt issuance costs	6.5	4.8
Impairment of property, plant and equipment	10.6	—
Amortization of cloud computing arrangements	7.8	3.8
Stock-based compensation	22.1	20.1
Deferred income taxes	11.9	(42.9)
Change in operating assets and liabilities:		
Trade receivables, net	11.7	(156.2)
Inventories	(11.3)	(32.8)
Due from/due to Becton, Dickinson and Company	19.8	49.2
Prepaid expenses and other	2.6	53.7
Accounts payable, accrued expenses and other current liabilities	(57.2)	34.5
Income and other net taxes payable	(16.9)	7.2
Other assets and liabilities, net	3.5	(22.7)
Net cash provided by operating activities	\$ 107.7	\$ 9.1
Investing Activities		
Capital expenditures	\$ (2.0)	\$ (15.8)
Net cash used for investing activities	\$ (2.0)	\$ (15.8)
Financing Activities		
Payments on long-term debt	\$ (112.2)	\$ (7.2)
Payments related to tax withholding for stock-based compensation	(5.7)	(2.8)
Payments on finance lease	(1.0)	(1.0)
Dividend payments	(26.2)	(25.8)
Net cash used for financing activities	\$ (145.1)	\$ (36.8)
Effect of exchange rate changes on cash and equivalents and restricted cash	(1.2)	(1.2)
Net Change in Cash and equivalents and restricted cash	\$ (40.6)	\$ (44.7)
Opening Cash and equivalents and restricted cash	274.2	326.5
Closing Cash and equivalents and restricted cash	\$ 233.6	\$ 281.8

See notes to the Unaudited Condensed Consolidated Financial Statements.

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Notes to Unaudited Condensed Consolidated Financial Statements

Embecta Corp.

Note 1 — Background

Embecta Corp. ("Embecta" or the "Company") is a leading global medical device company focused on providing solutions to improve the health and well-being of people living with diabetes. The Company has a broad portfolio of marketed products, including a variety of pen needles, syringes and safety devices. The Company primarily sells products to wholesalers and distributors that sell to retail and institutional channels who in turn sell to patients or use the products to deliver insulin injections to patients.

Note 2 — Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and disclosures required by GAAP for complete consolidated financial statements are not included herein. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year. In the Company's opinion, all adjustments necessary for a fair statement of these interim statements have been included and are of a normal and recurring nature. All intercompany transactions and accounts within Embecta have been eliminated. These interim statements should be read in conjunction with the audited financial statements and notes thereto included in Embecta's Annual Report on Form 10-K for the year ended September 30, 2024, filed with the Securities and Exchange Commission on December 11, 2024 (the "2024 Form 10-K").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates or assumptions affect reported assets, liabilities, revenues and expenses, depreciable and amortizable lives, sales returns and allowances, rebate accruals, inventory reserves and taxes on income as reflected in the Condensed Consolidated Financial Statements. Actual results could differ from these estimates.

The following provides updates to the Company's "Summary of Significant Accounting Policies" as disclosed in the 2024 Form 10-K.

Sales and Transfers of Financial Instruments

The Company may discount and sell accounts receivables during the normal course of business. These receivables which are sold to a third party without recourse, are excluded from the amounts reported in the Condensed Consolidated Balance Sheets. The Company's continuing involvement is limited to servicing the receivables. The cash proceeds received from such sales are included in operating cash flows. The expenses associated with the sale of receivables are recorded within *Other operating expenses* in the Condensed Consolidated Statements of Income. Additional disclosures regarding the Company's accounting for the sales of financial instruments are provided in Note 15.

Restructuring Costs

The Company records liabilities for costs associated with exit or disposal activities in the period in which the liability is incurred. In accordance with existing benefit arrangements, future employee termination costs to be incurred in conjunction with involuntary separations are accrued when such separations are probable and estimable. When accruing these costs, the Company will recognize the amount that is the best estimate. Costs for one-time termination benefits are recognized at the date the employee is notified, unless the employee is required to render services beyond a minimum retention period, in which case the benefits are expensed ratably over the service period. Liabilities for other costs associated with a restructuring activity are measured at fair value and are recognized when the liability is incurred. Other costs primarily consist of contract termination fees and other costs related to restructuring activities and are expensed when incurred. In connection with exit and disposal activities, the Company also assesses the recoverability of long-lived assets employed in the business. Additional disclosures regarding the Company's accounting for restructuring costs are provided in Note 4.

Recently Adopted Accounting Standards

There were no new material accounting standards adopted in the third quarter of fiscal year 2025.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which modifies the disclosure and presentation requirements of reportable segments. This update is effective for the Company beginning with

its fiscal year 2025 reporting and for interim reporting beginning with its fiscal year 2026. While this accounting standard will increase disclosures, it will not have a material impact on the Company's Consolidated Financial Statement results.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, to enhance the transparency and decision usefulness of income tax disclosures. This update is effective for the Company beginning with its fiscal year 2026 reporting. While this accounting standard will increase disclosures, it will not have a material impact on the Company's Consolidated Financial Statement results.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40), to improve disclosures about an entity's expenses including more detailed information about the components of expenses in commonly presented expense captions. This update is effective for the Company beginning with its fiscal year 2028 reporting and for interim reporting beginning with its fiscal year 2029. While this accounting standard will increase disclosures, it is not expected to have a material impact on the Company's Consolidated Financial Statement results.

Note 3 — Third Party Arrangements and Related Party Disclosures

On April 1, 2022, Embecta and Becton, Dickinson and Company ("BD") entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement"). Pursuant to the Separation and Distribution Agreement, BD agreed to spin off its diabetes care business (the "Diabetes Care Business") into Embecta, a new, publicly traded company (the "Separation").

In connection with the Separation, the Company entered into the Separation and Distribution Agreement, which contains provisions that, among other things, relate to (i) assets, liabilities and contracts to be transferred, assumed and assigned to each of Embecta and BD (including certain deferred assets and liabilities) as part of the Separation, (ii) cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of Embecta's business with Embecta and financial responsibility for the obligations and liabilities of BD's remaining businesses with BD, (iii) procedures with respect to claims subject to indemnification and related matters, (iv) the allocation among Embecta and BD of rights and obligations under existing insurance policies with respect to occurrences prior to completion of the Separation, as well as the right to proceeds and the obligation to incur certain deductibles under certain insurance policies, and (v) procedures governing Embecta's and BD's obligations and allocations of liabilities with respect to ongoing litigation matters that may implicate each of BD's business and Embecta's business. In addition, the Company entered into a series of agreements with BD that govern aspects of Embecta's relationship with BD following the Separation which include, but are not limited to the Transition Services Agreements ("TSA"), Trade Receivables Factoring Agreements ("Factoring Agreements"), Distribution Agreements, Cannula Supply Agreement, Tax Matters Agreement, Logistics Services Agreement ("LSA"), employee matters agreement, an intellectual property matters agreement, local support services agreements, certain other manufacturing arrangements and a process services agreement and lease agreement for a manufacturing facility located in Holdrege, Nebraska. Certain of these agreements have expired or terminated as disclosed in the 2024 Form 10-K.

For details on the rights and responsibilities of the parties under these agreements refer to Note 4 to the Consolidated Financial Statements in the 2024 Form 10-K.

The amounts due from BD under the above agreements were \$10.1 million and \$9.2 million at June 30, 2025 and are included in *Amounts due from Becton, Dickinson and Company* and *Trade receivables, net*, respectively. The amounts due to BD under these agreements were \$19.5 million and \$3.5 million at June 30, 2025 and are included in *Amounts due to Becton, Dickinson and Company* and *Accounts payable*, respectively.

As of June 30, 2025, the closing of the transfers of certain assets and liabilities related to the Diabetes Care Business in certain jurisdictions which did not occur at Separation, is complete.

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Note 4 — Business Restructuring Charges

On November 22, 2024, the Company's Board of Directors approved a plan to discontinue internal and external investment in the research and development of the Company's patch pump program. As a result, the Company incurred organizational restructuring plan (the "Patch Pump Restructuring Plan") costs of \$34.3 million during the nine months ended June 30, 2025. This Patch Pump Restructuring Plan is substantially complete as of June 30, 2025. The Company plans to refocus its investment on its core business while looking to optimize free cash flow and strengthen its balance sheet by paying down debt.

During the second quarter of fiscal year 2025, the Company initiated a restructuring plan (the "2025 Restructuring Plan") to streamline the organization and optimize resources. As a result, the Company incurred organizational restructuring plan costs of \$3.5 million during the nine months ended June 30, 2025. The 2025 Restructuring Plan is substantially complete as of June 30, 2025.

The following table summarizes the charges related to the restructuring programs by type of cost for the periods ended:

	Three months ended June 30, 2025			Nine months ended June 30, 2025		
	Employee Termination	Non-Employee Related	Total	Employee Termination	Non-Employee Related	Total
Cost of products sold	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.4	\$ 6.3	\$ 6.7
Selling and administrative expense	—	—	—	0.6	—	0.6
Research and development expense	0.2	0.4	0.6	6.8	4.7	11.5
Other operating expenses	(0.2)	0.3	0.1	14.0	5.0	19.0
	<u>\$ 0.1</u>	<u>\$ 0.9</u>	<u>\$ 1.0</u>	<u>\$ 21.8</u>	<u>\$ 16.0</u>	<u>\$ 37.8</u>

Employee termination costs are associated with actual headcount reductions, including involuntary headcount reductions which were probable and could be reasonably estimated.

Non-employee related costs are associated with termination of contracts and long-lived asset impairments are discussed further in Note 16 and Note 17.

The following table summarizes the charges and spending relating to restructuring program activities for the nine months ended June 30, 2025:

	Employee Termination	Non-Employee Related	Total
Balance at September 30, 2024	\$ —	\$ —	\$ —
Charged to expense	21.8	16.0	37.8
Cash payments	(17.5)	(4.0)	(21.5)
Non-cash adjustments	(3.1)	(10.6)	(13.7)
Balance at June 30, 2025 ^(a)	<u>\$ 1.2</u>	<u>\$ 1.4</u>	<u>\$ 2.6</u>

(a) As of June 30, 2025, \$1.2 million is recorded in *Salaries, wages and related items* and \$1.4 million is recorded in *Accrued expenses*.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Note 5 — Other Operating Expenses

Other operating expenses are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Costs related to the Separation	\$ 9.7	\$ 23.0	\$ 26.3	\$ 83.9
Amortization of cloud computing arrangements	2.6	2.2	7.8	3.8
Costs associated with the discontinued patch pump program	0.3	—	15.6	—
Business optimization and severance related costs	1.0	2.8	4.6	5.7
Other	0.7	0.1	0.6	0.1
Total	\$ 14.3	\$ 28.1	\$ 54.9	\$ 93.5

In connection with the Separation, the Company incurred separation and stand-up costs. The costs incurred primarily consist of costs associated with accounting, auditing, legal services, marketing, supply chain, employee retention, brand transition, and certain other costs to establish certain systems and services, including but not limited to, information technology, procurement, quality and regulatory affairs, medical affairs, tax and treasury services, distribution logistics, and shared services infrastructure support for order-to-cash, source-to-pay, and record-to-report, which, for clarity, includes enterprise resource plan ("ERP") system ("Business Continuity Processes") and stand-alone functions to assist with the transition to being a stand-alone entity.

For both the three and nine months ended June 30, 2025 and 2024, the Company recognized costs associated with the amortization of cloud computing arrangements which is further discussed in Note 11.

For the three and nine months ended June 30, 2025, the Company recognized costs associated with the discontinuation of the patch pump program which is further discussed in Note 4.

For both the three and nine months ended June 30, 2025 and 2024, the Company incurred restructuring, business optimization, and severance related costs associated with standing up and optimizing the organization.

Note 6 — Contingencies

The Company was not a party to any material legal proceedings at June 30, 2025 or September 30, 2024, nor is it a party to any material legal proceedings as of the date of issuance of these Condensed Consolidated Financial Statements.

Note 7 — Revenues

The Company's policies for recognizing revenue have not changed from those described in the 2024 Form 10-K. The Company sells syringes, pen needles and other products used in the management of diabetes which are primarily sold to wholesalers and distributors that sell to retail and institutional channels who in turn sell to patients or use the products to deliver insulin injections to patients. End-users of the Company's products include healthcare institutions, physicians, life science researchers, clinical laboratories, the pharmaceutical industry, and the general public.

Measurement of Revenues

Payment terms extended to the Company's customers are based upon commercially reasonable terms for the markets in which the Company's products are sold. Because the Company generally expects to receive payment within one year or less from when control of a product is transferred to the customer, the Company does not generally adjust its revenues for the effects of a financing component. The Company's allowance for doubtful accounts reflects the current estimate of credit losses expected to be incurred over the life of its trade receivables. Such estimated credit losses are determined based on historical loss experiences, customer specific credit risk, and reasonable and supportable forward-looking information, such as country or regional risks that are not captured in the historical loss information. Amounts are written off against the allowances for doubtful accounts when the Company determines that a customer account is uncollectible. The allowance for doubtful accounts for trade receivables is not material to the Company's Condensed Consolidated Financial Statements.

The Company's gross revenues are subject to a variety of gross-to-net deductions which are recorded in the same period that the underlying revenues are recognized. Such variable consideration includes rebates, sales discounts, and sales returns. Because these deductions represent estimates of the related obligations, judgment is required when determining the impact of these revenue deductions on gross revenues for a reporting period. Rebates provided by the Company are based upon prices determined under the Company's agreements primarily with its end-user customers. Additional factors considered in the estimate of the Company's rebate liability include the quantification of inventory that is either in stock at

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or in transit to the Company's distributors, as well as the estimated lag time between the sale of product and the payment of corresponding rebates.

The Company's liability attributed to variable consideration at June 30, 2025 and September 30, 2024 was \$143.9 million and \$149.6 million, respectively. Sales deductions recorded as a reduction of gross revenues for the three months ended June 30, 2025 and 2024 were \$143.0 million and \$124.5 million, respectively. Sales deductions recorded as a reduction of gross revenues for the nine months ended June 30, 2025 and 2024 were \$436.3 million and \$389.7 million, respectively.

Disaggregation of Revenues

Disaggregation of revenue by geographic region and product line is provided within Note 8.

Note 8 — Segment and Geographical Data

Operating segments are identified as components of an enterprise in which discrete financial information is available for evaluation by the chief operating decision-maker ("CODM") in making decisions regarding assessing business performance and allocating resources and capital. Management has concluded that the Company operates in one segment based upon the information used by the CODM in evaluating the performance of the Company's business and allocating resources and capital.

Disaggregation of Revenues

The Company has distribution agreements with regional or national distributors (including wholesalers and medical suppliers) to ensure broad availability of its products as well as a direct sales force in certain countries and regions around the world. In the United States and Canada, the Company utilizes its key account managers that call on payers, retailers, wholesalers and institutional customers, and field-based territory managers that call on health care providers and pharmacies. In certain markets within Europe, the Company has dedicated sales representatives and in certain regions of the Middle East and Africa, the Company has distribution agreements. In Asia, the Company has distribution agreements, and in China the Company relies on its own commercial team to support sales execution. In Latin America, the Company maintains distribution agreements and direct sales representatives.

The Company disaggregates its revenue by geography and product line as management believes these categories best depict how the nature, amount, and timing of revenues and cash flows are affected by economic factors.

Revenues by geographic region are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
United States	\$ 160.2	\$ 143.6	\$ 437.1	\$ 439.8
International ⁽¹⁾	135.3	128.9	379.3	397.2
Total	\$ 295.5	\$ 272.5	\$ 816.4	\$ 837.0

⁽¹⁾ For the three and nine months ended June 30, 2025 and 2024, no individual country outside of the United States generated net revenues that represented more than 10.0% of total revenues.

Revenues by product line are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Pen Needles	\$ 216.9	\$ 201.3	\$ 596.3	\$ 629.3
Syringes	35.1	31.7	92.3	92.5
Safety	34.8	32.4	103.2	96.5
Other ⁽²⁾	3.2	3.5	9.9	10.6
Contract Manufacturing	5.5	3.6	14.7	8.1
Total	\$ 295.5	\$ 272.5	\$ 816.4	\$ 837.0

⁽²⁾ Other includes product sales for swabs and other accessories.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Note 9 — Stock-Based Compensation

Stock-Based Compensation Expense

Total stock-based compensation expense for the three and nine months ended June 30, 2025 and 2024 and the respective income tax benefits recognized by the Company in the Condensed Consolidated Statements of Income are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Cost of products sold	\$ 0.7	\$ 0.6	\$ 1.9	\$ 2.6
Selling and administrative expense	5.1	5.3	17.2	16.1
Research and development expense	0.1	0.6	0.3	1.7
Other operating expense	—	—	2.8	—
Total Stock-Based Compensation Expense	\$ 5.9	\$ 6.5	\$ 22.2	\$ 20.4
Tax benefit associated with stock-based compensation costs recognized	\$ 0.9	\$ 0.6	\$ 3.1	\$ 1.8

The following table summarizes the Company's total stock-based compensation expense by classification of award for the three and nine months ended June 30, 2025 and 2024:

	Three months ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Equity Awards	\$ 5.9	\$ 6.3	\$ 22.1	\$ 20.1
Liability Awards	—	0.2	0.1	0.3
Total	\$ 5.9	\$ 6.5	\$ 22.2	\$ 20.4

The following table summarizes the Company's total stock-based compensation expense by award type for the three and nine months ended June 30, 2025 and 2024:

	Three months ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
Time-Vested Restricted Stock Units (TVUs)	\$ 5.1	\$ 4.8	\$ 16.9	\$ 15.4
Performance-Based Restricted Stock Units (PSUs)	0.5	0.7	3.8	2.0
Stock Appreciation Rights (SARs)	0.3	1.0	1.5	3.0
Total	\$ 5.9	\$ 6.5	\$ 22.2	\$ 20.4

Time Vested Restricted Stock Units ("TVUs")

During the nine months ended June 30, 2025, Embecta granted 1,576,493 restricted stock units ("RSUs") in the form of TVUs to employees. TVUs vest on a graded basis over a period of three years. The related stock-based compensation expense is recorded over the requisite service period, which is the vesting period or is based on retirement eligibility. These awards accumulate dividend equivalents, which are provided as additional units and are subject to the same vesting requirements as the underlying grant.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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A summary of TVUs outstanding as of June 30, 2025 and changes during the nine months ended June 30, 2025 are as follows:

	TVUs (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at October 1	1,918.0	\$ 21.34
Granted*	1,576.5	18.53
Distributed**	(1,085.4)	22.48
Forfeited, canceled or expired	(326.0)	18.86
Nonvested at June 30	2,083.1	\$ 18.93
Expected to vest at June 30	1,974.9	\$ 18.98

*Includes accumulated nonvested dividend equivalents

**The TVUs distributed include shares withheld for taxes that are not formally issued to the market.

The weighted average grant date fair value of TVUs granted during the nine months ended June 30, 2025 is \$18.53 and the total fair value of TVUs vested during the nine months ended June 30, 2025 is \$25.1 million.

At June 30, 2025, the weighted average remaining vesting term of TVUs is 1.8 years.

Performance Based Restricted Stock Units ("PSUs")

During the nine months ended June 30, 2025, Embecta awarded 538,031 RSUs in the form of PSUs to certain executive officers and employees which cliff vest after three years, subject to continued employment of the recipients and the achievement of certain performance metric targets. The Company has identified certain performance metrics associated with these awards and certain targets will be fully established at a future date. The Company has determined that the service inception date precedes the grant date for these awards as (a) the awards were authorized prior to establishing an accounting grant date, (b) the recipients began providing services prior to the grant date, and (c) there are performance conditions that, if not met by the accounting grant date, will result in the forfeiture of the awards. As the service inception date precedes the accounting grant date, the Company recognizes stock-based compensation expense for each separately-vesting tranche over the requisite service period based on the fair value at each reporting date. The requisite service period is equal to the vesting period or is based on retirement eligibility. These awards accumulate dividend equivalents, which are provided as additional units and are subject to the same vesting requirements as the underlying grant. As of June 30, 2025, there were 945,269 RSUs in the form of PSUs that have been awarded, inclusive of accumulated dividend equivalents, for which a grant date has not yet been established.

A summary of PSUs outstanding as of June 30, 2025 and changes during the nine months ended June 30, 2025 are as follows:

	Stock Units (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at October 1	56.7	\$ 30.24
Granted*	216.1	18.17
Distributed	(47.6)	18.76
Forfeited, canceled or expired	(6.2)	18.96
Nonvested at June 30	219.0	\$ 21.52
Expected to vest at June 30	219.0	\$ 21.52

*Includes accumulated nonvested dividend equivalents

Dollar amounts are in millions except per share amounts or as otherwise specified.

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At June 30, 2025, the weighted average remaining vesting term of PSUs is 0.4 years.

Stock Appreciation Rights

A summary of stock appreciation rights ("SARs") outstanding as of June 30, 2025 and changes during the nine months ended June 30, 2025 are as follows:

	<u>SARs (in thousands)</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Balance at October 1	1,760.4	\$ 29.11		
Exercised*	(3.4)	13.30		
Forfeited, canceled or expired	(250.0)	29.19		
Balance at June 30	1,507.0	\$ 29.14	6.0	\$ —
Vested and expected to vest at June 30	1,497.9	29.14	6.0	\$ —
Exercisable at June 30	1,341.6	\$ 29.16	5.9	\$ —

*The amounts exercised include shares withheld for taxes that are not formally issued to the market.

3,400 SARs were exercised during the nine months ended June 30, 2025.

Unrecognized Stock-Based Compensation Expense and Other Stock Plans

The amount of unrecognized compensation expense for all non-vested stock-based awards granted as of June 30, 2025, is approximately \$30.9 million which is expected to be recognized over a weighted-average remaining life of approximately 1.9 years. At June 30, 2025, 3.3 million shares were authorized for future grants under the Company's 2022 Employee and Director Equity Based Compensation Plan, as amended.

Note 10 — Goodwill and Other Intangible Assets

Goodwill and Other Intangible Assets consisted of:

	<u>June 30, 2025</u>	<u>September 30, 2024</u>
Amortized intangible assets		
Patents – gross	\$ 10.8	\$ 10.8
Less: accumulated amortization	(5.5)	(5.1)
Patents – net	\$ 5.3	\$ 5.7
Customer Relationships and Other – gross	\$ 5.3	\$ 5.2
Less: accumulated amortization	(3.3)	(2.8)
Customer Relationships and Other – net	\$ 2.0	\$ 2.4
Total amortized intangible assets	\$ 7.3	\$ 8.1
Goodwill	15.4	15.6
Total Goodwill and Other Intangible Assets	\$ 22.7	\$ 23.7

Dollar amounts are in millions except per share amounts or as otherwise specified.

Note 11 — Cloud Computing Arrangements

The Company capitalizes costs associated with the development of cloud computing arrangements in a manner consistent with internally developed software. Capitalized costs are included in *Prepaid expenses and other* and *Deferred Income Taxes and Other Assets*. Capitalized costs to implement cloud computing arrangements at cost and accumulated amortization were as follows:

	June 30, 2025	September 30, 2024
Short-term portion	\$ 10.4	\$ 10.2
Long-term portion	61.2	60.6
Total Capitalized implementation costs	\$ 71.6	\$ 70.8
Less: accumulated amortization	(14.2)	(6.3)
Total Capitalized implementation costs, net	\$ 57.4	\$ 64.5

Costs amortized during the three and nine months ended June 30, 2025 and 2024 are included in *Other operating expenses* and were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Amortization of cloud computing arrangements	\$ 2.6	\$ 2.2	\$ 7.8	\$ 3.8

As of June 30, 2025, cloud computing arrangement assets in-service have remaining useful lives which range from approximately one to seven years.

Note 12 — Long-Term Debt

Credit Agreement

On March 31, 2022, Embecta entered into a credit agreement (the "Credit Agreement"), providing for:

- a Term Loan B Facility (the "Term Loan") in the amount of \$950.0 million, with a seven-year term that matures in March 2029. The interest rate is 300 basis points over the secured overnight financing rate ("SOFR"), with a 0.50% SOFR floor. The Term Loan was issued at a discount of 0.50%. Principal and interest payments on the Term Loan commenced on June 30, 2022. Such quarterly principal payments are calculated as 0.25% of the initial principal amount, with the remaining balance payable upon maturity; and
- a Revolving Credit Facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$500.0 million, with a five-year term that matures in March 2027. Borrowings under the Revolving Credit Facility bear interest, at Embecta's option, at an annual rate equal to (a) in the case of loans denominated in United States dollars (i) the SOFR or (ii) the alternate base rate or (b) in the case of loans denominated in Euros, the EURIBOR rate, in each case plus an applicable margin specified in the credit agreement. A commitment fee applies to the unused portion of the Revolving Credit Facility, equal to 0.25% per annum. As of June 30, 2025, no amount has been drawn on the Revolving Credit Facility.

The Credit Agreement and the indentures for Embecta's outstanding 5.00% senior secured notes due February 2030 (the "5.00% Notes") and 6.75% senior secured notes due February 2030 (the "6.75% Notes") contain customary financial covenants, including a total net leverage ratio covenant, which measures the ratio of (i) consolidated total net debt to (ii) consolidated earnings before interest, taxes, depreciation and amortization, and subject to other adjustments, must meet certain defined limits which are tested on a quarterly basis in accordance with the terms of the Credit Agreement and the 5.00% Notes and 6.75% Notes. In addition, the Credit Agreement contains covenants that will limit, among other things, Embecta's ability to prepay, redeem or repurchase its subordinated and junior lien debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, redeem or repurchase equity interests, and create or become subject to liens. As of June 30, 2025, we were in compliance with all of such covenants. The credit agreement and the senior secured notes are secured by substantially all assets of Embecta and each subsidiary guarantor, subject to certain exceptions.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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The following is a summary of Embecta's total debt outstanding as of June 30, 2025:

Term Loan due March 2029	\$	789.1
5.00% Notes due February 2030		500.0
6.75% Notes due February 2030		200.0
Total principal debt issued	\$	1,489.1
Less: current debt obligations		(9.5)
Less: debt issuance costs and discounts		(20.8)
Long-term debt	\$	1,458.8

The debt issuance costs on the Term Loan, 5.00% Notes, 6.75% Notes and the discount on the Term Loan are reported in the Condensed Consolidated Balance Sheets as a reduction of debt and are amortized as a component of *Interest expense, net* over the term of the related debt using the effective interest method. During the nine months ended June 30, 2025, the Company recorded approximately \$6.5 million of amortization on deferred debt issuance costs and discounts.

During the nine months ended June 30, 2025, the Company made interest payments of \$68.5 million on debt outstanding. The weighted-average interest rate on total borrowings as of June 30, 2025 is 6.5%.

During the nine months ended June 30, 2025, the Company paid an aggregate principal amount of approximately \$112.2 million on the Term Loan, of which \$105.0 million was discretionary. Debt extinguishment charges as a result of these discretionary prepayments were not material to the Company's Condensed Consolidated Statements of Income.

The schedule of principal payments required on long-term debt for the next five fiscal years and thereafter is as follows:

2025	\$	2.4
2026		9.5
2027		9.5
2028		9.5
2029		758.2
Thereafter		700.0

The estimated fair value of long-term debt (including current portion) at June 30, 2025 was \$1,430.8 million compared with a carrying value (which includes a reduction for unamortized debt issuance costs and discounts) of \$1,468.3 million. Fair value was estimated using inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability and would be considered Level 2 in the fair value hierarchy.

Note 13 — Earnings per Share

The calculation of earnings per basic and diluted common share for the three and nine months ended June 30, 2025 and 2024 was as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2025	2024	2025	2024
<i>(\$ in millions and shares in thousands, except per share amounts)</i>				
Net Income	\$ 45.5	\$ 14.7	\$ 69.0	\$ 63.7
Basic weighted average number of shares outstanding	58,490	57,768	58,239	57,641
Stock awards and equity units (share equivalent)	5	74	482	502
Diluted weighted average shares outstanding	58,495	57,842	58,721	58,143
Earnings per common share - Basic	\$ 0.78	\$ 0.25	\$ 1.18	\$ 1.11
Earnings per common share - Diluted	\$ 0.78	\$ 0.25	\$ 1.18	\$ 1.10
Antidilutive Shares (millions)	4.3	4.3	2.5	2.8

Earnings per diluted share is computed by giving effect to all potentially dilutive stock awards that are outstanding. The computation of earnings per diluted share excludes the effect of the potential exercise of stock-based awards, when the effect of the potential exercise would be anti-dilutive.

Dollar amounts are in millions except per share amounts or as otherwise specified.

Note 14 — Income Taxes

The Company is subject to income tax in the various jurisdictions in which it operates. A significant portion of the Company's earnings are taxed in jurisdictions with tax rates that are lower than the statutory tax rate of the United States. The effective tax rate can change from quarter to quarter because of variability in global pretax income or geographical mix of the Company's earnings, changes in tax laws and matters related to tax audits.

The effective tax rates were 37.0% and 45.6% for the three months ended June 30, 2025 and 2024, respectively. The decrease in the Company's effective tax rate compared to the prior period is primarily due to favorable tax impacts resulting from overall higher earnings reflected in the current period. This was partially offset by higher taxes on undistributed foreign earnings and reduced tax benefits from non-taxable income.

The effective tax rates were 35.7% and (24.4)% for the nine months ended June 30, 2025 and 2024, respectively. The increase in the Company's effective tax rate compared to the prior period is primarily due to the absence of non-recurring tax benefits recognized in the prior period related to withholding taxes on undistributed foreign earnings, Swiss tax law changes and lower tax reserves. This was partially offset by favorable tax impacts primarily resulting from overall higher earnings reflected in the current period.

On July 4, 2025, the One Big Beautiful Bill ("OBBB") Act, which includes a broad range of tax reform provisions, was signed into law in the United States and we continue to assess its impact. We currently do not expect the OBBB Act to have a material impact on the Company's results of operations in fiscal year 2025.

Note 15 — Receivables Sale Agreement

During the third quarter of 2025, the Company entered into a trade receivables sale agreement with a third-party financial institution to sell certain trade receivables of the Company at a discount on an uncommitted basis. These trade receivable sales are accounted for as a sale of assets, as the Company's continuing involvement is limited to servicing the accounts receivables. The Company receives the sales price, equal to the trade receivable less the applicable discount, at the time of sale.

In connection with the Company's receivables sale agreement, \$26.2 million of trade receivables were sold during the nine months ended June 30, 2025, resulting in derecognition of the receivables from the Company's Condensed Consolidated Balance Sheets. Discounts recognized on the sale of trade receivables were not material to the Company's Condensed Consolidated Statements of Income. The cash received on the sale of trade receivables during the nine months ended June 30, 2025 is presented in changes in trade receivables, net within operating activities in the Condensed Consolidated Statement of Cash Flows.

Note 16 — Financial Instruments and Fair Value Measurements

The following reconciles *Cash and equivalents* and *restricted cash* reported within the Condensed Consolidated Balance Sheets as of June 30, 2025 and September 30, 2024, to the total amounts shown in the Condensed Consolidated Statements of Cash Flows:

	June 30, 2025	September 30, 2024
Cash and equivalents	\$ 230.6	\$ 267.5
Restricted cash	3.0	6.7
Cash and equivalents and restricted cash	<u>\$ 233.6</u>	<u>\$ 274.2</u>

Cash and equivalents as of June 30, 2025 includes cash held in money market funds and other cash equivalents. All cash and equivalents are Level 1 in the fair value hierarchy. Interest income on *Cash and equivalents* was \$1.5 million and \$3.1 million for the three months ended June 30, 2025 and 2024, respectively, and \$4.6 million and \$9.4 million for the nine months ended June 30, 2025 and 2024, respectively, and is included as a component of *Interest expense, net*. Restricted cash consists of cash not readily available for use in the Company's operating activities. The Company's restricted cash balance is primarily pledged as collateral for bank guarantees related to certain customer performance guarantees and property leases internationally.

Foreign Currency Risks and Related Strategies

The Company has foreign currency exposures throughout Europe, Asia, Canada and Latin America. Transactional currency exposures that arise from entering into transactions, generally on an intercompany basis, in non-hyperinflationary countries that are denominated in currencies other than the functional currency are mitigated primarily through the use of forward contracts.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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The notional amounts of the Company's foreign currency-related derivative instruments were as follows as of June 30, 2025 and September 30, 2024:

	Hedge Designation	June 30, 2025	September 30, 2024
Foreign exchange contracts ^(a)	Undesignated	\$ 2.7	\$ 4.5

(a) Represent hedges of transactional foreign exchange exposures resulting primarily from intercompany payables and receivables. Gains and losses on these instruments are recognized immediately in Other income (expense), net. These gains and losses are largely offset by gains and losses on the underlying hedged items, as well as the hedging costs associated with the derivative instruments. Gains and losses recognized to date on these instruments were not material to the Company's Condensed Consolidated Financial Statements.

Nonrecurring Fair Value Measurements

Non-financial assets, including property, plant and equipment as well as intangible assets, are measured at fair value when there are indicators of impairment and these assets are recorded at fair value only when an impairment is recognized. These measurements of fair value are generally based upon Level 3 inputs, including values estimated using the income approach.

In the first nine months of fiscal year 2025, the Company recorded non-cash asset impairment charges of \$10.6 million to write down the carrying value of certain property and equipment as a result of the Company's plan to discontinue the patch pump program. \$6.3 million was recorded to *Cost of products sold* and \$4.3 million was recorded to *Research and development expense*. The amount recognized was recorded to adjust the carrying amount of assets to the assets' fair values, which were estimated, based upon a market participant's perspective, using Level 3 measurements, including values estimated using the income approach.

Concentration of Credit Risk

Three of the Company's customers represented at least 10.0% of total gross revenues individually and, in the aggregate, represented approximately 40.7% for the three months ended June 30, 2025, and three of the Company's customers represented at least 10.0% of total gross revenues individually and, in the aggregate, represented approximately 41.2% of total revenues for the nine months ended June 30, 2025.

Two of the Company's customers represented at least 10.0% of total gross trade receivables individually and, in the aggregate, represented approximately 29.1% as of June 30, 2025.

Substantially all of the Company's trade receivables are due from public and private entities involved in the healthcare industry. The Company does not normally require collateral from its customers.

Note 17 — Property, Plant and Equipment

Property, Plant and Equipment, Net consisted of:

	June 30, 2025	September 30, 2024
Land	\$ 3.1	\$ 3.1
Buildings	121.6	121.7
Machinery, equipment and fixtures	593.5	607.3
Leasehold improvements	12.9	11.9
Construction in progress	57.9	35.1
	\$ 789.0	\$ 779.1
Less: accumulated depreciation	(526.3)	(488.7)
Total Property, Plant and Equipment, Net	\$ 262.7	\$ 290.4

During the nine months ended June 30, 2025, the Company recorded non-cash asset impairment charges of \$10.6 million to write down the carrying value of certain property and equipment as a result of the Company's plan to discontinue the patch pump program. \$6.3 million was recorded to *Cost of products sold* and \$4.3 million was recorded to *Research and development expense*.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Note 18 — Leases

Finance Leases

The Company's finance lease assets and liabilities are attributed to its manufacturing site in Holdrege, Nebraska, which has an initial term of ten years and an option for the Company to extend the lease term for an additional period of up to five years. This lease is classified as a finance lease because the present value of the sum of the lease payments associated with the lease exceeds substantially all of the fair value of the manufacturing site.

Operating Leases

The Company's operating leases primarily relate to its real estate leases that are not classified as finance leases.

Aggregate Lease Information

The Company's leases are included in its Condensed Consolidated Balance Sheets as follows:

	<u>June 30, 2025</u>	<u>September 30, 2024</u>
Finance Leases		
Property, Plant, and Equipment, Net	\$ 28.9	\$ 30.8
Total Finance Lease Assets	\$ 28.9	\$ 30.8
Current finance lease liabilities	\$ 3.4	\$ 3.4
Non Current Finance Lease Liabilities	29.1	30.2
Total Finance Lease Liabilities	\$ 32.5	\$ 33.6
Weighted-average remaining lease term (years)	11.8	12.5
Weighted-average discount rate	6.8 %	6.8 %
Operating Leases		
Other Assets	\$ 20.3	\$ 22.6
Total Operating Lease Assets	\$ 20.3	\$ 22.6
Accrued expenses	\$ 6.1	\$ 6.0
Deferred Income Taxes and Other Liabilities	10.7	11.9
Total Operating Lease Liabilities	\$ 16.8	\$ 17.9
Weighted-average remaining lease term (years)	6.0	6.3
Weighted-average discount rate	6.8 %	6.5 %

Supplemental cash flow information related to leases for the nine months ended June 30, 2025 and 2024 were as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Right of use assets obtained in exchange for lease liabilities		
Operating Leases	\$ 2.2	\$ 1.5
Cash used for amounts included in the measurement of lease liabilities		
Operating cash flows from Operating Leases	\$ 4.4	\$ 5.0
Financing cash flows from Finance Lease	1.0	1.0
Operating cash flows from Finance Lease	1.7	2.0

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Maturities of the Company's finance and operating lease liabilities as of June 30, 2025 by fiscal year are as follows:

	Finance Leases		Operating Leases		Total
2025	\$ 0.9	\$	1.8	\$	2.7
2026	3.7		3.6		7.3
2027	3.8		2.0		5.8
2028	3.9		2.0		5.9
2029	3.9		1.8		5.7
Thereafter	32.3		7.5		39.8
Total lease payments	\$ 48.5	\$	18.7	\$	67.2
Less: amount representing interest	16.0		1.9		17.9
Present value of lease liabilities	\$ 32.5	\$	16.8	\$	49.3

Dollar amounts are in millions except per share amounts or as otherwise specified.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Certain Factors Affecting Forward-Looking Statements

The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and accompanying notes contained elsewhere in this Quarterly Report on Form 10-Q. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and other factors described throughout this discussion and analysis, particularly in the section “Cautionary Statement Concerning Forward-Looking Statements.”

Company Overview

We are a leading global medical device company focused on providing solutions to improve the health and well-being of people living with diabetes. In the 100-year history of our business, we believe that our products have become some of the most widely recognized and respected brands in diabetes management in the world. We estimate that our products are used by approximately 30 million people in over 100 countries for insulin administration and to aid with the daily management of diabetes. Our business traces its origins to 1924, when BD developed the first dedicated insulin syringe. Since then, we have built a world-class organization with an unique manufacturing, supply chain and commercial footprint.

We have a broad portfolio of marketed products, including a variety of pen needles, syringes and safety injection devices. Our pen needles are sterile, single-use, medical devices, designed to be used in conjunction with pen injectors that inject insulin or other diabetes medications. We also sell safety pen needles, which have shields on both ends of the cannula that automatically deploy after the injection to help prevent needlestick exposure and injury during injection and disposal. Our traditional and safety pen needles are compatible and frequently used with widely available pen injectors in the market today. In addition to pen needles, we sell sterile, single-use insulin syringes, which are used to inject insulin drawn from insulin vials. We also sell safety insulin syringes, which have a sliding safety shield that can be activated with one-hand after the injection to help prevent needlestick exposure and injury during injection and disposal.

We primarily sell our products to wholesalers and distributors that sell to retail and institutional channels who in turn sell to patients or use the products to deliver insulin injections to patients.

Key Trends Affecting Our Results of Operations

Competition. The regions in which we conduct our business and the medical devices industry in general are highly competitive. We face significant competition from a wide range of companies in a highly regulated industry. These include large companies with multiple product lines, some of which may have greater financial and marketing resources than us, as well as smaller more specialized companies. Non-traditional entrants, such as technology companies, are also entering into the diabetes care industry and its adjacent markets, some of which may have greater financial and marketing resources than us.

Pricing Pressures. We face significant pricing pressures from competitors in the pen needle and insulin syringe categories who not only can provide competitive products at lower costs, but also provide payors and customers with more choices for formulary partners in these categories. In addition, the increased scrutiny by regulators on healthcare spending, which accelerated in light of the COVID-19 pandemic, along with a shift towards volume-based procurement and group purchasing organizations, which generally values lower cost over product features, benefits and quality, have placed significant pressure on Embecta to lower price in both developed and emerging markets. These trends may reduce our operating margins, which are only partially offset by our ability to differentiate our products and sell at higher prices.

Commoditization of Injection Devices. Given the growing demand for medical devices to assist in the treatment of diabetes and difficulties around access to diabetes care due to complex and costly insurance plans, patient care is increasingly focused on providing more affordable products, which has led to the commoditization of more traditional injection delivery devices, such as insulin syringes and pen needles. Existing and new local and regional low-cost providers, in combination with a shift from insulin vials to insulin pens, have made the pen needle category highly competitive.

Global Trade. The current global economic environment has been recently influenced by rapidly changing new tariff policies instituted by the United States ("U.S.") government and foreign governments. As a global company that both imports raw materials and products into the U.S. and distributes products and raw materials originating from the U.S. to global manufacturing sites and markets, these new tariffs may have a financial impact on our cost of goods, our profit margins, our business generally and our global distribution strategy. These new tariffs may cause foreign governments and private purchasers to consider transitioning away from products originating from certain countries (including the U.S.) in favor of buying “local” products resulting in the additional possibility that local manufacturers, brands and other competitors may engage in aggressive competitive pricing to take advantage of the uncertain global trade environment and transition customers away from global manufacturers, all of which may impact the company’s business and operations.

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Changes in Clinical Practice. Introduction of new drugs and increased penetration of oral and once-weekly anti-diabetic drugs (e.g., SGLT-2s), GLP-1s and GLP-1 combination products have delayed initiation of insulin therapy and contributed to less demand for our products. New drug therapies, including weekly insulin, are targeted to challenge the current diabetes treatment paradigm, including the frequency insulin is dosed (weekly vs. daily injections) and amount of insulin used. Additionally, insulin therapy in developed markets continues to transition to infusion pumps.

Decentralization of Chronic Care. Many countries are facing an aging population and a rapidly growing number of people living with diabetes. While healthcare investments in certain regions continue to grow, there is an increased burden on physicians and longer wait times for patients. Healthcare delivery for non-emergency diabetes care is expected to continue shifting outside of hospitals to primary care providers, which could have a material impact on our results of operations.

Political and Economic Instability in Emerging Markets. We operate in a number of emerging markets, many of which are subject from time to time to significant political and economic disruptions. However, the number of countries we provide products to and our proactive channel management strategies help us manage this variability.

Recent Developments

We continue to face increases in the cost and disrupted availability of raw materials, components, and other inputs necessary to manufacture and distribute our products due to constraints and inflation within the global supply chain, as well as increases in the cost and time to distribute our products. To date we have been able to successfully mitigate this disruption and provide uninterrupted supply to our customers by increasing our inventory levels and taking other measures. Given our global business, we expect recently announced tariffs will result in additional cost for us and our suppliers, and there is the potential that such tariffs may influence future decisions by foreign governments and private purchasers to source non-U.S., “locally” manufactured products instead of products originating from certain countries (including the U.S.) and that local manufacturers, brands and other competitors may engage in aggressive competitive pricing or other strategies to take advantage of the uncertain global trade environment and transition customers away from global manufacturers. We will continue to monitor the evolving tariff environment and we will focus on optimizing operations and leveraging existing strategies to reduce the impact from tariffs.

On November 22, 2024, the Company's Board of Directors approved a plan to discontinue internal and external investment in the research and development of our patch pump program. As a result, the Company incurred organizational restructuring plan (the "Patch Pump Restructuring Plan") costs of \$34.3 million during the nine months ended June 30, 2025. Restructuring actions associated with the Patch Pump Restructuring Plan to discontinue the patch pump program are substantially complete as of June 30, 2025. In addition, we discontinued our commercial operation plans for the insulin delivery system, including the previous intended limited launch. The Company plans to refocus its investment on its core business while looking to optimize free cash flow and strengthen its balance sheet by paying down debt.

During the second quarter of fiscal 2025, the Company initiated restructuring actions in connection with the 2025 Restructuring Plan to streamline the organization and optimize resources. As a result, the Company incurred organizational restructuring plan costs of \$3.5 million during the nine months ended June 30, 2025. The 2025 Restructuring Plan is substantially complete as of June 30, 2025.

We continue to monitor the conflict in Ukraine and the associated sanctions and other restrictions. We also are monitoring the conflicts in the Middle East and Houthi attacks on commercial shipping vessels and other naval vessels. As of August 8, 2025, there is no material impact to our business operations and financial performance as a result of the aforementioned conflicts. However, the full impact of the conflicts on our business operations and financial performance remains uncertain and will depend on future developments, including the severity and duration of the conflicts and their impact on regional and global economic conditions. We will continue to monitor these conflicts and assess the related restrictions and other effects on our business.

In addition, our revenues and results of operations have been affected by various fluctuations in macroeconomic conditions and regulatory and policy changes, both on a global level and in particular markets, which include inflation and slowing economic growth and contractions, a changing interest rate environment, supply chain interruptions, tariff policy changes, volatility in capital markets and the availability of credit, tax rates and the rate of exchange between the United States dollar and foreign currencies. The nature and extent of the impact of these factors among others varies by region and remains uncertain and unpredictable and may affect our business.

On July 4, 2025, the One Big Beautiful Bill ("OBBB") Act, which includes a broad range of tax reform provisions, was signed into law in the United States and we continue to assess its impact. We currently do not expect the OBBB Act to have a material impact on the Company's results of operations in fiscal year 2025.

Dollar amounts are in millions except per share amounts or as otherwise specified.

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Results of Operations

Our unaudited Condensed Consolidated Statements of Income are as follows:

	Three months ended June 30,			Nine months ended June 30,		
	2025	2024	%	2025	2024	%
Revenues	\$ 295.5	\$ 272.5	8.4 %	\$ 816.4	\$ 837.0	(2.5)%
Cost of products sold	98.4	82.4	19.4	298.1	275.6	8.2
Gross Profit	197.1	190.1	3.7	518.3	561.4	(7.7)
Operating expenses:						
Selling and administrative expense	84.4	85.7	(1.5)	245.1	268.3	(8.6)
Research and development expense	4.4	20.4	(78.4)	32.7	59.0	(44.6)
Other operating expenses	14.3	28.1	(49.1)	54.9	93.5	(41.6)
Total Operating Expenses	103.1	134.2	(23.2)	332.7	420.8	(20.9)
Operating Income	94.0	55.9	68.2	185.6	140.6	32.0
Interest expense, net	(26.6)	(27.8)	(4.3)	(81.2)	(83.3)	(2.5)
Other income (expense), net	4.8	(1.1)	(536.4)	2.9	(6.1)	(147.5)
Income Before Income Taxes	72.2	27.0	167.4	107.3	51.2	109.6
Income tax provision (benefit)	26.7	12.3	117.1	38.3	(12.5)	(406.4)
Net Income	\$ 45.5	\$ 14.7	209.5 %	\$ 69.0	\$ 63.7	8.3 %
Net Income per common share:						
Basic	\$ 0.78	\$ 0.25	212.0 %	\$ 1.18	\$ 1.11	6.3 %
Diluted	\$ 0.78	\$ 0.25	212.0 %	\$ 1.18	\$ 1.10	7.3 %

Three Months Ended June 30, 2025 Summary (on a comparative basis)

Key financial results for the three months ended June 30, 2025 were as follows:

- Revenue increased by \$23.0 million to \$295.5 million from \$272.5 million;
- Gross profit increased by \$7.0 million to \$197.1 million from \$190.1 million. Gross profit as a percent of revenue was 66.7%, as compared to 69.8% in the prior year comparative period;
- Operating income increased by \$38.1 million to \$94.0 million from \$55.9 million; and
- Net income increased by \$30.8 million to \$45.5 million from \$14.7 million.

Nine Months Ended June 30, 2025 Summary (on a comparative basis)

Key financial results for the nine months ended June 30, 2025 were as follows:

- Revenue decreased by \$20.6 million to \$816.4 million from \$837.0 million;
- Gross profit decreased by \$43.1 million to \$518.3 million, from \$561.4 million. Gross profit as a percent of revenue was 63.5%, as compared to 67.1% in the prior year comparative period;
- Operating income increased by \$45.0 million to \$185.6 million from \$140.6 million; and
- Net income increased by \$5.3 million to \$69.0 million from \$63.7 million.

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Revenues

Our revenues increased by \$23.0 million, or 8.4%, to \$295.5 million for the three months ended June 30, 2025 as compared to revenues of \$272.5 million for the three months ended June 30, 2024. Changes in revenues are driven by the volume of goods that the Company sells, the prices it negotiates with customers, and changes in foreign exchange rates. The increase in revenues was driven by \$13.5 million of favorable changes in volume, \$6.8 million of favorable changes in price, a \$1.7 million increase in contract manufacturing revenues related to sales of non-diabetes products to Becton, Dickinson and Company ("BD"), and \$1.0 million associated with the positive impact of foreign currency translation primarily due to the weakening of the U.S. dollar.

Our revenues decreased by \$20.6 million, or 2.5%, to \$816.4 million for the nine months ended June 30, 2025 as compared to revenues of \$837.0 million for the nine months ended June 30, 2024. The decrease in revenues was driven by \$31.0 million of unfavorable changes in volume and \$7.0 million associated with the negative impact of foreign currency translation primarily due to the strengthening of the U.S. dollar. This was partially offset by \$10.9 million of favorable changes in price and \$6.5 million increase in contract manufacturing revenues related to sales of non-diabetes products to BD.

Cost of products sold

Cost of products sold increased by \$16.0 million, or 19.4%, to \$98.4 million for the three months ended June 30, 2025 as compared to \$82.4 million for the three months ended June 30, 2024. Cost of products sold as a percentage of revenues was 33.3% for the three months ended June 30, 2025 as compared to 30.2% for the three months ended June 30, 2024. The increase in cost of products sold for the three month comparative period was primarily driven by higher volumes and the impact of net changes in profit in inventory adjustments period over period.

Cost of products sold increased by \$22.5 million, or 8.2%, to \$298.1 million for the nine months ended June 30, 2025 as compared to \$275.6 million for the nine months ended June 30, 2024. Cost of products sold as a percentage of revenues was 36.5% for the nine months ended June 30, 2025 as compared to 32.9% in the nine months ended June 30, 2024. The increase in cost of products sold for the nine month comparative period was primarily driven by the impact of net changes from profit in inventory adjustments period over period and non-cash asset impairment charges recorded to write down the carrying value of certain property and equipment as a result of the Company's Patch Pump Restructuring Plan. This was partially offset by lower volumes in the current period compared to the prior year period.

Selling and administrative expenses

Selling and administrative expenses decreased by \$1.3 million, or 1.5%, to \$84.4 million for the three months ended June 30, 2025 as compared to \$85.7 million for the three months ended June 30, 2024. Selling and administrative expenses decreased by \$23.2 million, or 8.6%, to \$245.1 million for the nine months ended June 30, 2025 as compared to \$268.3 million for the nine months ended June 30, 2024. The decrease for both the three and nine month comparative periods was primarily driven by lower TSA and LSA costs with BD in addition to lower compensation expense recognized in the current periods.

Research and development expenses

Research and development expenses decreased by \$16.0 million, or 78.4%, to \$4.4 million for the three months ended June 30, 2025 as compared to \$20.4 million for the three months ended June 30, 2024. Research and development expenses decreased by \$26.3 million, or 44.6%, to \$32.7 million for the nine months ended June 30, 2025 as compared to \$59.0 million for the nine months ended June 30, 2024. The decrease for both the three and nine month comparative periods was primarily driven by a reduction in payments made in connection with the development of our insulin patch pump program in the current periods as compared to the prior periods, given the discontinuation of the patch pump program. We expect our research and development expenses to decrease sequentially in fiscal year 2025 compared to fiscal year 2024.

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Other operating expenses

Other operating expenses are as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2025	2024	2025	2024
Costs related to the Separation	\$ 9.7	\$ 23.0	\$ 26.3	\$ 83.9
Amortization of cloud computing arrangements	2.6	2.2	7.8	3.8
Costs associated with the discontinued patch pump program	0.3	—	15.6	—
Business optimization and severance related costs	1.0	2.8	4.6	5.7
Other	0.7	0.1	0.6	0.1
Total	\$ 14.3	\$ 28.1	\$ 54.9	\$ 93.5

Other operating expenses incurred primarily consist of the following:

- Accounting, auditing, legal services, marketing, supply chain, employee retention, costs associated with the implementation of our new ERP system and other Business Continuity Processes, costs associated with brand transition, and certain other costs to establish certain stand-alone functions to assist with the transition to being a stand-alone entity;
- Restructuring related costs associated with the optimization of certain business functions as we transition to being a stand-alone entity;
- Severance and contract termination costs associated with the discontinued patch pump program; and
- Costs recognized associated with the amortization of cloud computing arrangements.

Interest expense, net

Interest expense, net decreased by \$1.2 million to \$26.6 million for the three months ended June 30, 2025 as compared to \$27.8 million for the three months ended June 30, 2024. Interest expense, net decreased by \$2.1 million to \$81.2 million for the nine months ended June 30, 2025 as compared to \$83.3 million for the nine months ended June 30, 2024. The decrease for both the three and nine month comparative periods was primarily driven by lower debt levels and lower short-term interest rates in the current periods as compared to the prior periods. It remains unclear whether the United States Federal Reserve will increase or decrease the benchmark interest rate during the remainder of fiscal 2025. An increase in the benchmark interest rate would result in an increase in interest expense on our variable rate debt and a decrease in the benchmark interest rate would result in a decrease in interest expense on our variable rate debt.

Other income (expense), net

Other income (expense), net, was \$4.8 million and \$(1.1) million for the three months ended June 30, 2025 and 2024, respectively. Other income (expense), net was \$2.9 million and \$(6.1) million for the nine months ended June 30, 2025 and 2024, respectively. The income generated for the three and nine month periods ended June 30, 2025 was primarily attributed to favorable impacts from foreign exchange. The costs incurred for the three and nine month periods ended June 30, 2024, was primarily attributed to amounts due to BD for income taxes payable incurred in deferred jurisdictions where BD is considered the primary obligor and the unfavorable impacts from foreign exchange. We do not expect to incur any additional amounts where BD is considered the primary obligor in the current fiscal year.

Income tax provision (benefit)

The effective tax rates were 37.0% and 45.6% for the three months ended June 30, 2025 and 2024, respectively. The decrease in the Company's effective tax rate compared to the prior period is primarily due to favorable tax impacts resulting from overall higher earnings reflected in the current period. This was partially offset by higher taxes on undistributed foreign earnings and reduced tax benefits from non-taxable income.

The effective tax rates were 35.7% and (24.4)% for the nine months ended June 30, 2025 and 2024, respectively. The increase in the Company's effective tax rate compared to the prior period is primarily due to the absence of non-recurring tax benefits recognized in the prior period related to withholding taxes on undistributed foreign earnings, Swiss tax law changes and lower tax reserves. This was partially offset by favorable tax impacts primarily resulting from overall higher earnings reflected in the current period.

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LIQUIDITY AND CAPITAL RESOURCES

We believe that our cash and our cash equivalents and cash from operations, together with our borrowing capacity under our Revolving Credit Facility, will provide sufficient financial flexibility to fund seasonal and other working capital requirements, capital expenditures, debt service requirements and other obligations, cash dividends on common shares and additional growth opportunities for the foreseeable future. However, should it become necessary, we believe that our credit profile should provide us with access to additional financing in order to fund normal business operations, make interest payments, fund growth opportunities and satisfy upcoming debt maturities.

The following is a summary of Embecta's total debt outstanding as of June 30, 2025:

Term Loan	\$	789.1
5.00% Notes		500.0
6.75% Notes		200.0
Total principal debt issued	\$	1,489.1
Less: current debt obligations		(9.5)
Less: debt issuance costs and discounts		(20.8)
Long-term debt	\$	1,458.8

The schedule of principal payments required on long-term debt for the next five years and thereafter is as follows:

2025	\$	2.4
2026		9.5
2027		9.5
2028		9.5
2029		758.2
Thereafter		700.0

Certain measures relating to our total debt outstanding as of June 30, 2025 were as follows:

Total debt	\$	1,468.3
Short-term debt as a percentage of total debt		0.6 %
Weighted average cost of total debt		6.5 %

The credit agreement and the indentures for the 5.00% Notes and the 6.75% Notes contain customary financial covenants, including a total net leverage ratio covenant, which measures the ratio of (i) consolidated total net debt to (ii) consolidated earnings before interest, taxes, depreciation and amortization, and subject to other adjustments, must meet certain defined limits which are tested on a quarterly basis in accordance with the terms of the credit agreement and indentures governing the 5.00% Notes and the 6.75% Notes. In addition, the credit agreement contains covenants that limit, among other things, our ability to prepay, redeem or repurchase our subordinated and junior lien debt, incur additional debt, make acquisitions, merge with other entities, pay dividends or distributions, redeem or repurchase equity interests, and create or become subject to liens. As of June 30, 2025, we were in compliance with all of such covenants. The credit agreement and the senior secured notes are secured by substantially all assets of Embecta and each subsidiary guarantor, subject to certain exceptions.

During the nine months ended June 30, 2025, the Company paid an aggregate principal amount of approximately \$112.2 million on the Term Loan, of which \$105.0 million was discretionary. Debt extinguishment charges as a result of these discretionary prepayments were not material to the Company's Condensed Consolidated Statements of Income.

During the nine months ended June 30, 2025, the Company made interest payments of \$68.5 million on debt outstanding.

We may, from time to time, seek to retire or repurchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchase, or privately negotiated transactions, or otherwise may redeem some or all of our debt pursuant to its terms. Such repurchases or exchanges, if any, will depend upon various factors existing at the time, including prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and there can be no assurance as to which, if any, of these alternatives, or combination thereof, we may choose to pursue in the future.

For additional information related to the Company's debt related activities, refer to Note 12 within the *Notes to Condensed Consolidated Financial Statements* within this Form 10-Q.

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Leases

Maturities of our finance lease and operating lease liabilities as of June 30, 2025 by fiscal year are as follows:

	Finance Lease		Operating Leases		Total
2025	\$ 0.9	\$	1.8	\$	2.7
2026	3.7		3.6		7.3
2027	3.8		2.0		5.8
2028	3.9		2.0		5.9
2029	3.9		1.8		5.7
Thereafter	32.3		7.5		39.8
Total lease payments	\$ 48.5	\$	18.7	\$	67.2

For additional information related to our leases, refer to Note 18 within the *Notes to Condensed Consolidated Financial Statements* of this Form 10-Q.

Factoring Agreements

In conjunction with the Separation, we entered into the Factoring Agreements with BD. Embecta owed BD a service fee calculated as 0.1% of annual revenues related to countries subject to the Factoring Agreements, in exchange for the services provided by BD pursuant to the Factoring Agreements.

As of March 31, 2024, all Factoring Agreements between Embecta and BD had expired and terminated as a result of our implementation and onboarding of certain Business Continuity Processes in North America, and certain jurisdictions in Europe and Asia.

During the third quarter of 2025, the Company entered into a trade receivables sale agreement with a third-party financial institution to sell certain trade receivables of the Company at a discount on an uncommitted basis. These trade receivable sales are accounted for as a sale of assets, as the Company's continuing involvement is limited to servicing the accounts receivables. The Company receives the sales price, equal to the trade receivable less the applicable discount, at the time of sale.

In connection with the Company's receivables sale agreement, \$26.2 million of trade receivables were sold during the nine months ended June 30, 2025, resulting in derecognition of the receivables from the Company's Condensed Consolidated Balance Sheets. Discounts recognized on the sale of trade receivables were not material to the Company's Condensed Consolidated Statements of Income. The cash received on the sale of trade receivables during the nine months ended June 30, 2025 is presented in changes in trade receivables, net within operating activities in the Condensed Consolidated Statement of Cash Flows.

Access to Capital and Credit Ratings

In May 2025 and June 2025, Moody's Investor Services and Standard & Poor's Ratings Services published updates to our credit ratings. Our Moody's Investors Services credit rating is B1 and our Standard & Poor's Rating Services credit rating is B+.

Cash and equivalents and restricted cash were \$233.6 million as of June 30, 2025 as compared to \$274.2 million as of September 30, 2024.

The primary uses of cash that contributed to the \$40.6 million decrease were:

September 30, 2024 Cash and equivalents and restricted cash balance	\$ 274.2
Cash provided by operating activities	107.7
Cash used for investing activities	(2.0)
Cash used for financing activities	(145.1)
Effect of exchange rate changes on cash and equivalents and restricted cash	(1.2)
June 30, 2025 Cash and equivalents and restricted cash balance	<u>\$ 233.6</u>

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Net cash provided by operating activities was primarily attributable to:

Net Income	\$	69.0
Non-cash adjustments related to depreciation and amortization, impairment of property, plant and equipment, stock-based compensation, and deferred income taxes		86.5
Change in accounts payable and accrued expenses		(57.2)
Change in trade receivables		11.7
Change in inventories		(11.3)
Change in amounts due from/due to Becton, Dickinson and Company		19.8
Change in prepaid expenses and other		2.6
Change in income and other net taxes payable		(16.9)
Change in other assets and liabilities, net		3.5
Net cash provided by operating activities	\$	<u>107.7</u>

The change in accounts payable and accrued expenses is primarily attributed to timing of payments to vendors and annual bonus payments.

The change in trade receivables is primarily attributed to the timing of sales and receivables factored.

The change in inventories is primarily attributed to actions taken to build inventory to support the execution of our brand transition program.

The change in amounts due from/due to Becton, Dickinson and Company is attributed to the timing of payments associated with certain agreements effectuated at Separation.

The change in prepaid expenses and other is primarily attributed to timing of payments to vendors.

The change in income and other net taxes payable is primarily attributed to timing of required tax payments.

The change in other assets and liabilities, net is primarily attributed to costs capitalized attributed to cloud computing arrangements.

All other movements related to working capital were due to timing of payments and receipts of cash in the ordinary course of business.

Net cash used for investing activities was comprised of capital expenditures of \$2.0 million for the nine months ended June 30, 2025 to support our business and operations.

Net cash used for financing activities was primarily attributable to:

Dividend payments	\$	(26.2)
Payments on long-term debt		(112.2)
Payments related to tax withholding for stock-based compensation		(5.7)
Payments on finance lease		(1.0)
Net cash used for financing activities	\$	<u>(145.1)</u>

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Contractual Obligations

Our contractual obligations as of June 30, 2025, which require material cash requirements in the future, consist of purchase obligations and lease obligations. Purchase obligations are enforceable and legally binding obligations for purchases of goods and services which include inventory purchase commitments. Over the next several years, we expect to incur material costs associated with operating and maintaining our information technology infrastructure. Lease obligations include lease agreements for which a contract has been signed even if the lease has not yet commenced. Refer to "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2024 Form 10-K for further details. As of June 30, 2025, there have been no material changes to our contractual obligations outside the ordinary course of business.

Critical Accounting Policies

Our significant accounting policies, which include management's best estimates and judgments, are included in Note 3 to the Consolidated Financial Statements included in the 2024 Form 10-K. A discussion of accounting estimates considered critical because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates are disclosed in the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2024 Form 10-K. There have been no changes to our critical accounting policies as of June 30, 2025.

Cautionary Statements Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995 and other securities laws. Forward-looking statements include those containing such words as "anticipates," "believes," "can," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "outlook," "plans," "possible," "projects," "seeks," "sees," "should," "targets," "will," "would," or other words of similar meaning. All statements that reflect Embecta's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts relating to discussions of future operations and financial performance (including volume growth, pricing, sales and earnings per share growth and cash flows) and statements regarding Embecta's strategy for growth, the Patch Pump Restructuring Plan, the 2025 Restructuring Plan, expectations related to the impact of incremental tariffs, brand transition, future product development, anticipated product and regulatory clearances, approvals, and launches, competitive position and expenditures. Forward-looking statements are based upon our present intent, beliefs or expectations, are not guarantees of future performance and are subject to numerous risks, uncertainties, and changes in circumstances that are difficult to predict. Although Embecta believes that the expectations reflected in any forward-looking statements it makes are based on reasonable assumptions, it can give no assurance that these expectations will be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such risks and uncertainties include, but are not limited to:

- Competitive factors that could adversely affect Embecta's operations, including adoption of new drug therapies for treatment of diabetes, new product introductions by Embecta's competitors, the development of new technologies, lower cost producers that create pricing pressure, and consolidation resulting in companies with greater scale and market presence than Embecta.
- The risk that Embecta is unable to replace the services, including the Business Continuity Processes, that BD currently provides to it on substantially similar terms as the terms on which BD is providing these services under the transaction agreements or that BD terminates such services.
- Any failure by BD to perform its obligations under the various separation agreements entered into in connection with the Separation and distribution, including the cannula supply agreement.
- Any events that adversely affect the sale or profitability of one of Embecta's key products or the revenue delivered from sales to its key customers.
- Increases in operating costs, including costs incurred from the new tariffs instituted by the U.S. government and certain foreign governments on raw materials and products, fluctuations in the cost and availability of oil-based resins, other raw materials, and energy as well as certain components, used in its products, the ability to maintain favorable supplier arrangements and relationships, and the potential adverse effects of any disruption in the availability of such items.
- The risk that as a result of the current global trade environment from the newly instituted tariffs, certain foreign governments, private purchasers and other customers in certain countries may consider transitioning away from products originating from certain countries (including the U.S.) in favor of buying "local" products and local manufacturers and competitors may attempt to capitalize on these sentiments and participate in aggressive competitive pricing or other strategies to transition, or divert, current and potential customers away Embecta.

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- Embecta’s ability to obtain clearance from the U.S. Food and Drug Administration of any product, to market and sell such products successfully, to anticipate the needs of people with diabetes, and future business decisions by Embecta and its competitors.
- Changes in reimbursement practices of governments or private payers or other cost containment measures.
- The adverse financial impact resulting from unfavorable changes in foreign currency exchange rates, as well as regional, national and foreign economic factors, including inflation, deflation, and fluctuations in interest rates, and their potential effect on its operating performance.
- The impact of changes in United States, federal laws and policy that could affect fiscal and tax policies, healthcare and international trade, including import and export regulation, tariffs and international trade agreements. In particular, tariffs or other trade barriers imposed by the United States or other countries could adversely impact its supply chain costs or otherwise adversely impact its results of operations.
- Any future impact of pandemics or geopolitical instability on Embecta’s business, including disruptions in its operations and supply chains.
- New or changing laws and regulations affecting Embecta’s domestic and foreign operations, or changes in enforcement practices, including laws relating to healthcare, environmental protection, trade, monetary and fiscal policies, taxation (including tax reforms that could adversely impact multinational corporations) and licensing and regulatory requirements for products.
- The expected benefits of the Separation from BD.
- Risks associated with indebtedness and our use of indebtedness available to us.
- The risk that dis-synergy costs, costs of restructuring transactions and other costs incurred in connection with the Separation will exceed Embecta's estimates.
- The impact of the Separation on Embecta's businesses and the risk that the Separation, including brand transition timelines and efforts, may be more difficult, time-consuming or costly than expected, the impact on its resources, systems, including ERP, procedures and controls, diversion of management’s attention and the impact on relationships with customers, suppliers, employees and other business counterparties.
- Embecta’s ability to timely and successfully complete the brand transition, including any resulting regulatory delays of transferring or obtaining registrations and licenses in the “Embecta” name, interruptions in, or customer confusion from, the replacement and transfer of the rebranded product into the current commercialization, supply and distribution networks, or other issues arising out of system, supply chain logistics, administrative and adjudicative operations transitions in the end-to-end product flow and end-user access.
- The expectations related to the costs, profitability, timing and the estimated financial impact of, and charges associated with, the Patch Pump Program Restructuring Plan and the 2025 Restructuring Plan.
- The risk that we may not complete strategic collaborative partnerships and acquisition opportunities that enable us to accelerate our growth or strategic collaborative opportunities that give us access to innovative technologies, complementary product lines, and new markets.
- The risks associated with the material weakness identified in our internal control over financial reporting and our ability to remediate such material weakness.

There can be no assurance that the transactions or uncertainties described above will in fact be consummated or occur in the manner described or at all. As a result, you should not place undue reliance upon our forward-looking statements. The above list of factors is not exhaustive or necessarily in order of importance. For additional information on identifying factors that may cause actual results to vary materially from those stated in forward-looking statements, see the discussions under “Risk Factors,” included within the 2024 Form 10-K. Any forward-looking statement speaks only as of the date on which it is made, and Embecta expressly disclaims and assumes no obligation to update or revise such statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Dollar amounts are in millions except per share amounts or as otherwise specified.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in information reported since the filing of the 2024 Form 10-K except as follows:

Foreign Currency Exchange and Other Rate Risks

We operate on a global basis and are exposed to the risk that changes in foreign currency exchange rates could adversely affect our financial condition, results of operations and cash flows.

From time to time, we enter into foreign currency forward exchange contracts with major financial institutions to manage currency exposures for transactions denominated in a currency other than an entity's functional currency. As a result, the impact of foreign currency gains/losses recognized in earnings are partially offset by gains/losses on the related foreign currency forward exchange contracts in the same reporting period. Refer to Note 16, *Financial Instruments and Fair Value Measurements* of the Notes to Condensed Consolidated Financial Statements for further information.

Consequently, foreign currency exchange contracts would not subject us to material risk due to exchange rate movements, because gains and losses on these contracts offset gains and losses on the assets, liabilities or transactions being hedged.

Interest Rate Risk

Debt - Our interest rate risk relates primarily to our Term Loan. The interest rate is set at 300 basis points over SOFR, with a 0.50% SOFR floor. Based on our outstanding borrowings at June 30, 2025, a 100 basis points change in interest rates would have impacted interest expense on the Term Loan by \$7.9 million on an annualized basis. To the extent we borrow on our Revolving Credit Facility, we will be subject to risks related to changes in SOFR.

Dollar amounts are in millions except per share amounts or as otherwise specified.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934), as amended. Based upon that evaluation as of June 30, 2025, our Chief Executive Officer and Chief Financial Officer each concluded that, as of the end of such period, our disclosure controls and procedures were not effective due to the material weakness in our internal control over financial reporting, as described in Management's Report on Internal Control Over Financial Reporting in "Item 9A. Control and Procedures" in the 2024 Form 10-K.

In 2022, the Company commenced the process of implementing a new ERP system and other Business Continuity Processes to replace the existing systems provided by BD. The ERP system is designed to accurately maintain the Company's financial records used to report operating results. The implementation of the ERP system and other Business Continuity Processes is highly complex and has occurred in phases across our geographies. The implementations of North America, EMEA, Asia and Greater China were completed in phases within fiscal years 2023 and 2024. The Latin America implementation was completed in the first quarter of fiscal year 2025 and the implementation for India, the final phase, was completed in the third quarter of fiscal year 2025. A standardized internal control framework was implemented with each phase as the Company moves away from relying on BD's systems and controls.

Management's Remediation Plan

Upon the identification of the material weakness, management immediately effectuated a plan to remediate the design and operation of the related control activities. The execution of this plan is in progress and will continue through completion. Remediation activities in process include, but are not limited to the following actions:

- evaluating the design of processes and internal controls related to certain account reconciliations and certain analyses;
- executing a robust and formal training program regarding diligence in control performance and Sarbanes-Oxley Act requirements and emphasis of certain finance policies;
- implementing enhanced oversight and governance over account reconciliations and certain financial analyses;
- enhancing control documentation and design to include additional procedures regarding confirmation of the completeness and accuracy of data used to perform controls and the precision of control activities; and
- leveraging existing technology to develop enhanced reporting and to drive process efficiencies and automation.

The Company is committed to remediating the material weakness. The ongoing actions are subject to management review, as well as oversight from the Audit Committee. When fully implemented and operational, the Company believes the measures described above will remediate the underlying cause of the material weakness and will strengthen the Company's internal control over financial reporting. However, the Company will not be able to fully remediate this material weakness until these steps have been completed and have been operating effectively for a sufficient period of time. The Company may also identify additional measures that may be required to remediate the material weakness in its internal control over financial reporting, necessitating further action. The Company will continue to build on the progress made in the remediation plan. A determination cannot be made on when the remediation plan will be fully completed, and the Company cannot provide any assurance that these remediation efforts will be successful or that internal control over financial reporting will be effective as a result of these efforts.

Changes in Internal Control over Financial Reporting

The Company is working towards executing the remediation plan to address the material weakness. However, none of these efforts have resulted in the remediation of the material weakness as of June 30, 2025. There have been no changes in internal control over financial reporting during the three months ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Dollar amounts are in millions except per share amounts or as otherwise specified.

PART II. OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes to Embecta's risk factors from those described in "Risk Factors" included within the 2024 Form 10-K and Embecta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2025 filed with the Securities and Exchange Commission on May 9, 2025.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
31.1*	Certification of Chief Executive Officer, pursuant to SEC Rule 13a-14(a)
31.2*	Certification of Chief Financial Officer, pursuant to SEC Rule 13a-14(a)
32.1**	Certification of Chief Executive Officer, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code
32.2**	Certification of Chief Financial Officer, pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code
101*	The following materials from this report, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith
**	Furnished herewith

Dollar amounts are in millions except per share amounts or as otherwise specified.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMBECTA CORP.

Date: August 8, 2025

By: /s/ Devdatt Kurdikar

Name: _____
Devdatt Kurdikar
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2025

By: /s/ Jacob Elguicze

Name: _____
Jacob Elguicze
Title: Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: August 8, 2025

By: /s/ Anthony Roth

Name: _____
Anthony Roth
Title: Vice President, Controller and Chief Accounting Officer
(Principal Accounting Officer)

CERTIFICATION

I, Devdatt Kurdikar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Embecta Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2025

/s/ Devdatt Kurdikar

Devdatt Kurdikar

President and Chief Executive Officer

CERTIFICATION

I, Jacob Elguicze, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Embecta Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2025

/s/ Jacob Elguicze

Jacob Elguicze

Chief Financial Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, in connection with the Quarterly Report on Form 10-Q of Embecta Corp. for the quarter ended June 30, 2025 as filed with the Securities and Exchange Commission (the "Report"),

I, Devdatt Kurdikar, the Chief Executive Officer of Embecta Corp., certify that, to the best of my knowledge:

1. such Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Embecta Corp.

Date: August 8, 2025

/s/ Devdatt Kurdikar

Devdatt Kurdikar

President and Chief Executive Officer

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, in connection with the Quarterly Report on Form 10-Q of Embecta Corp. for the quarter ended June 30, 2025 as filed with the Securities and Exchange Commission (the "Report"),

I, Jacob Elguicze, the Chief Financial Officer of Embecta Corp., certify that, to the best of my knowledge:

1. such Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Embecta Corp.

Date: August 8, 2025

/s/ Jacob Elguicze

Jacob Elguicze

Chief Financial Officer