Forward Looking Statement

Thank you, Operator. Hello everyone, and welcome to the Owens & Minor First Quarter Earnings Call. Our comments on the call will be focused on the financial results for the first quarter 2025 as well as our outlook for 2025, all of which are included in today's press release. The press release along with the supplemental slides are posted on the Investor Relations section of our website.

Please note that during this call, we will make forward-looking statements that reflect the current views of Owens & Minor about our business, financial performance, and future events. The matters addressed in these statements are subject to risks and uncertainties, which could cause actual results to differ materially from those projected or implied here today. Our expectations, beliefs, and projections are expressed in good faith, and we believe there is a reasonable basis for them. However, there can be no assurance that our expectations, beliefs, and projections will result or be achieved. Please refer to our SEC filings for a full description of these risks and uncertainties, including the Risk Factors section of our annual report on Form 10-K and quarterly reports on Form 10-Q.

Any forward-looking statements that we make on this call or in our earnings press release are as of today, and we undertake no obligation to update these statements as a result of new information or future events, except to the extent required by applicable law.

In our discussion today, we will refer to non-GAAP financial measures and believe they might help investors to better understand our performance or business trends. Information about these measures and reconciliations to the most comparable GAAP financial measures are included in our press release.

Today, I am joined by Ed Pesicka, Owens & Minor's President and Chief Executive Officer, and Jon Leon, the Company's Chief Financial Officer.

I will now turn the call over to Ed.

Ed Pesicka, *President & Chief Executive Officer*

Thank you, Jackie. Good morning, everyone, and thank you for joining us on the call today.

We hit the ground running in 2025, and we continue to progress forward on our broader long-term strategy.

Starting with our Patient Direct segment, we've had a tremendous start to the year. Our top-line grew in the mid-single digits in the first quarter and our operating income grew by 31% or $14 million resulting in a 173-basis point expansion. This exceptional performance was supported by many items. Let me share a few of them with you. Over the last year, we made an investment in the sleep journey. The objective of the sleep journey was to

streamline the new start process and improve adherence for resupply by making it easier for customers to reorder needed products. The results of this investment can be seen in the first quarter results which showed a meaningful increase in our sleep starts, and high-single digit revenue growth in our sleep supplies for the first quarter. In addition, over the last year, we have invested in additional commercial resources. This has enabled us to streamline territories while expanding the sales rep's bag, resulting in double-digit growth in the three categories, wound supplies, ostomy, and urology. Additionally, we continue to identify therapy categories for expansion. For example, within the home respiratory space we launched an organic expansion into chest wall oscillation therapy.

Finally, during 2024 we began to invest in our already strong revenue cycle management process with the goal of enhancing our collection rates. These efforts began with a focus in our Byram division. I am pleased to report that these efforts resulted in a record collection rate in Q1. We are now moving the learnings to our Apria division and anticipate this program to be completed by the end of the year.

With respect to our planned acquisition of Rotech, we are awaiting a final decision from the regulators and still expect to close in the first half of 2025. We have our financing in place and are ready to move forward.

Moving on to our Products & Healthcare Services segment, as a reminder, in February we disclosed that we entered into discussions regarding the potential sale of our Products & Healthcare Services segment. We remain actively engaged with a number of parties in the sale process for this segment, and I look forward to providing more information when it is prudent to do so.

In the meantime, we continue to run this segment with the same level of commitment and attention to detail around serving our customers and delivering high quality products. I also recognize that the sale process creates a bit of distraction in the day-to-day execution. Despite the effort needed to move the sale process forward, there were some great accomplishments in the quarter. Within our Medical Distribution division, we saw continued growth in same store sales and an increase in proprietary product penetration. In addition, we have begun our distribution network automation efforts to drive long-term efficiencies, we successfully opened a new state of the art distribution center in Morgantown, West Virginia to serve the state of West Virginia and surrounding areas anchored by a long-term agreement with WVU. We also recently opened another distribution center in Sioux Falls, South Dakota to serve the upper mid-west.

Finally let me address tariffs. I will start by saying that at Owens & Minor we are dedicated to delivering high quality medical products to support patient care. To date we have worked extremely hard to mitigate the impact of tariffs to our customers through cost reductions, investment in inventory, utilization of our U.S. manufacturing footprint, our multi-country sourcing approach as well as offering un-tariffed product substitutions. However, in a business that operates at less than a 1% profit margin we can no longer absorb these costs. The costs absorbed to date include the 2024 tariffs on Chinese facial protection and gloves ranging from 25% to 50%, the tariffs implemented in March and

April ranging from 145% for imports from China to 25% for non-USMCA imports from Mexico and Canada and 10% or more for imports from most other countries. We anticipate the annual exposure of current tariffs on our products to be in the range of $100M to $150M. Accordingly, we are currently beginning to implement price increases that will be effective in early June. We have elected to impact only products affected by tariffs and not blend or use a weighted average method to spread tariffs across product categories. That said, we are using our diverse manufacturing footprint and our strategic sourcing options to offer our customers alternative products with lesser impact from tariffs. Our primary goal is to ensure our customers receive the critical and high-quality supplies and services their providers and patients rely on every day.

I am excited about what's ahead for our company, and over to Jon to discuss our financial performance in the first quarter. Jon?

Jonanthan Leon, *Chief Financial Officer*

Thanks Ed and good morning, everyone.

As I walk through details of the quarter and discuss the outlook for the business, please note that my remarks on today's call will cover only non-GAAP financial measures.

All GAAP to non-GAAP financial reconciliations can be found in the press release filed earlier this morning.

Now, let's turn to our first quarter results. The business delivered on almost all our expectations and the Patient Direct segment performed exceedingly well.

Our revenue for the quarter was $2.6 billion, up just under 1.0% as reported, but up 2.3% compared to the prior year on a same days basis, noting that there was one less selling day in Q1 2025 versus 2024.

Patient Direct revenue of $674 million grew by 6%, compared to the 1st quarter of 2024. On a same days basis, the year-over-year growth was 7.3%. I am pleased to say that almost every therapy category showed good growth and sleep supplies, and diabetes once again led the way. Smaller categories like ostomy, wound, and urology also performed very well. We were encouraged by the continued improvement in oxygen therapy growth which began in the fourth quarter and feel comfortable saying that we have seen the bottom for that category and expect growth throughout 2025.

The reported revenue for the Products & Healthcare Services segment showed a decline of 0.8%, but on a same-sales day basis grew 0.7% compared to the 1st quarter last year. Segment revenue totaled $1.96 billion for the quarter. The Medical Distribution division again showed good same-store-sales, but lower year-over-year glove prices and lower international sales offset the Med Distribution same-store-sales growth. We were encouraged to again see an increase in the amount of our proprietary product sales running through our distribution channel – a key strategic initiative of ours.

Gross profit in the first quarter was $526 million or 20% of net revenue. Although gross margin expanded by 40 basis points in Patient Direct, a rise in commodity input costs, particularly nitrile, and an abnormally large and adverse change in foreign currency rates within P&HS drove the consolidated gross margin rate down by about 50 basis points.

Our distribution, selling, and administrative expenses for the quarter were $462 million or 17.6% of revenue compared to $478 million in last year's 1st quarter, which was 18.3% of revenue. Lower benefits costs and focused expense reduction and efficiency efforts drove the improvement in DS&A. These lower expenses were partially offset by costs related to the build-out of our two new state-of-the-art Medical Distribution facilities.

Adjusted operating income was $61 million in the first quarter, an improvement of about 7% versus Q1 2024. This included 31% segment operating income growth at Patient Direct. The Products & Healthcare Services segment realized a larger impact from foreign currency in the first quarter than we usually see, and this negatively impacted consolidated adjusted operating income by $3 million.

Interest expense for the 1st quarter was just under $34 million, down $1.7 million compared to the prior year's first quarter. This change was driven by lower average borrowings throughout the course of the quarter, partially offset by less interest income than we had in the first quarter of 24.

Our adjusted effective tax rate was 31.9%, as compared to 29.2% in the first quarter last year. The increase is primarily due to the impact of a lower share price on equity compensation.

Adjusted net income for the quarter was $18 million, or $0.23 cents per share compared to $15 million or $0.19 cents per share last year, representing about 20% growth.

Adjusted EBITDA grew 5% to $122 million, versus $116 million reported during the first quarter of 2024.

As expected, and discussed last quarter - we had what we believe to be the weakest cash flow quarter of the year. The consumption of working capital was driven by a number of factors, none larger than the increase in Products & Healthcare Services inventory ahead of the opening of the previously mentioned new distribution centers as well as in anticipation of tariffs. Additionally, the first quarter always marks the payment of incentive compensation to a number of our teammates and due to the timing of payroll at the end of the first quarter, accrued salaries declined by $22 million as compared to year-end. Also, cash expenses related to both the planned Rotech acquisition and the potential sale of the Products & Healthcare Services segment totaled approximately $23 million. Cash outlays from most of these items are expected to reduce over the course of the year. This, along with seasonal profit growth and seasonal improvement in the already best-in-class

collection rates at Patient Direct, should lead to marked improvement in cash flow which will be used for debt reduction as we continue to focus on returning to the targeted leverage debt range of 2x-3x EBITDA.

As you heard from Ed, we are actively making pricing changes to pass along the impact of tariffs in addition to reworking sourcing strategies and we are also prepared to leverage our US manufacturing footprint. The vast preponderance of potential tariff exposure resides in Products & Healthcare Services and the margin profile of that business obviously makes any tariff absorption impossible. While we believe - we will be - well-positioned to protect the business from a tariff impact, the possibility exists of, at least, an adverse timing impact on working capital as tariffs are paid ahead of AR collections.

Importantly, as noted in this morning's press release, we have reaffirmed guidance for the year and continue to expect improving results in each subsequent quarter and we still see at least 70% of earnings and cash flow generated in the second half of the year.

Overall, it is pleasing to have the business start the year largely as expected and we remain bullish on the outlook for earnings and cash flow for the remainder of 2025.

I will now turn the call over to the operator for questions.