William Parish, Vice President, Strategy, Corporate Development, and Investor Relations

Thank you, Operator. Good evening, everyone, and welcome to Owens & Minor's Third Quarter Earnings Call. Our comments on the call will be focused on the financial results for the third quarter of 2025, all of which are included in today's press release. The press release, along with the third quarter 2025 supplemental earnings 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, Jon Leon, the Company's Chief Financial Officer, and Perry Bernocchi, the EVP and CEO of the Company's Patient Direct Segment. I will now turn the call over to Ed. Ed?

Edward A. Pesicka, President & Chief Executive Officer

Thank you, Will. Good afternoon, everyone, and thank you for joining us on the call today.

Earlier this month, we announced a definitive agreement with Platinum Equity to sell our Products and Healthcare Services segment, which includes both the Medical Distribution and Global Products divisions. Built on a strong foundation, we believe P&HS will be better positioned to compete in today's evolving market under Platinum Equity's private ownership model. We are also excited to be retaining an equity interest in the business due to Platinum's operational expertise and commitment to building on the customer-centric legacy of the business which will be critical to the future growth of P&HS.

The Owens & Minor name has been long associated with our P&HS business and thus will follow that business in the transaction. As we near the close of the transaction, we are excited that we will be rebranding the public entity to better represent our trajectory going forward.

So, as I think about the future following the divestiture of Products & Healthcare Services, I am thrilled that we can fully align around a single business. Our capital allocation, strategic priorities, and execution are no longer split—they are unified around advancing the future of home-based care through Patient Direct. And by retaining our higher-margin Patient Direct business, we will generate improved and more consistent cash flow. Accordingly we will prioritize debt repayment in the near term to grow our financial flexibility, while investing in technology to lower our cost to serve and improve the customer experience.

Now, I would like to begin by sharing some of the opportunities we're seeing in the market, and how these trends we're tracking continue to support our business, a business that we have grown and strengthened over time.

Beginning with our acquisition of Byram in 2017, we have spent the past eight years firmly establishing ourselves as a leader in the home-based care space. During this time we have expanded and diversified our Payor relationships while broadening our product offering and capabilities. This combined with our coast-to-coast network gives us the reach and infrastructure to provide support for patients across multiple chronic conditions - including diabetes and sleep apnea. These conditions are not only widespread – they're growing, which creates a tremendous opportunity for us to make a meaningful impact. Over 37 million people in the United States have been diagnosed with diabetes, and an estimated 96 million adults aged 18 and older are living with prediabetes, according to the National Institutes of Health.

In order to capture future growth from these tailwinds, we will focus our investments on technology and automation which will 1) improve the patients' experience; 2) allow us to quickly scale our business; 3) increase awareness; and 4) further reduce our cost to serve.

Another core area for us is sleep apnea, where it is estimated that 85 million adults in the United States have some degree of OSA, with approximately 70 million of those presently undiagnosed or undergoing the diagnosis process. While the use of GLP-1s has increased in recent years, recent studies published by The Lancet expect the use of GLP-1s to reduce the prevalence of OSA by only 4% over the next 25 years. This is a significant opportunity for us to serve these future patients. It also further demonstrates the value of our preferred provider agreements where new patients are encouraged to begin their lifelong treatment journey with us – supporting better health and a better quality of life.

Earlier this year, CMS proposed rules regarding competitive bidding around home-based healthcare and DME. Since entering the home-based care space, our top priority has always been, and will continue to be, ensuring patients receive the products and services they need, reliably and on time. While competitive bidding programs have historically raised questions about patient choice and supplier access, we believe our scale, expertise, and the quality of the products we distribute positions us as a standout partner in any environment. As we await further guidance from CMS, we are actively collaborating with industry partners and advocacy groups to maintain a strong, transparent dialogue that keeps patient outcomes at the center of the conversation.

Before I turn the call over to Jon to discuss our third quarter financial performance and our thoughts on the year end, I would like to close my thoughts today on where we're going in 2026. With the divestiture of Products & Healthcare Services expected to close in the first quarter of 2026 we are incredibly excited about our future as a pure-play business in the home-based care space. As our business grows organically through our preferred provider agreements such as our recently announced agreement with Optum and an aggressive sales strategy, we are diligently focused on controlling our balance sheet through debt pay down, managing operational cost controls and lowering the cost to serve, and accelerating our cash flow generation.

As we close out 2025 and look forward to 2026, we will begin the next evolution for Owens & Minor; with myself, Jon, and Perry Bernocchi, the EVP of our Patient Direct business remaining at the helm of our organization. I would like to thank all our teammates who have done a great job of staying focused on serving our customers.

With that, I will now turn the call over to Jon to discuss our financial performance in the third quarter and our outlook for the rest of 2025. Jon?

<u>Jonathan Leon, EVP-Chief Financial Officer</u>

Thanks Ed and good afternoon, everyone.

We were very excited to announce the signed agreement for the sale of the Products & Healthcare Services segment a few weeks ago. I've had the pleasure of getting to know and working with the Platinum Equity team and absolutely believe they are the right owners for the P&HS business.

Further, we're extremely excited about our future as a pure-play, home-based care company with all the positive attributes that come with it, as Ed detailed. We look forward to having a simpler business model and a cleaner investment thesis. We also believe our ability to dedicate investments solely into this attractive space, will lead to much greater results for all stakeholders.

As you will recall from last quarter, the Products & Healthcare Services segment is being accounted for as an asset held for sale – discontinued operations. So, unless stated otherwise, my remarks today will focus solely on the Continuing Operations, which, as a reminder, is made up of our Patient Direct Business and certain functional operations and identified stranded costs from the separation.

Also, please note that any discussion about the financial results and outlook for the business will cover only non-GAAP financial measures. You can find GAAP to non-GAAP financial reconciliations in the press release filed a short time ago and residing on our website.

Turning now to the third quarter results.
Revenue was $697 million compared to just under $687 million in the third quarter of last year. Last year in the third quarter there was a $6 million one-time revenue benefit from a multi-year claims reprocessing matter. This impacted the growth rate by about 80 basis points. In the quarter there was decent year-over-year growth in the key categories of sleep therapy, ostomy and urology. Diabetes was nearly flat compared to the 3rd quarter of 2024 but showed better year-over-year performance compared to the

second quarter. We continue to ramp up efforts to recapture stronger diabetes growth through improved therapy adherence and capturing more customers across our entire ecosystem of both DME and our own pharmacy channel. Overall, we would expect revenue in Q4 to show a similar year-over-year growth rate but be seasonally improved from the third quarter in absolute dollar terms.

For the nine months ended September 30th, revenue was nearly $2.1 billion up 3.4% - with last year's Q3 one-time benefit that I just mentioned, having a 30 basis point impact on growth – compared to 2024. Similar to the quarter, growth for the year-to-date period was led by sleep therapy, ostomy and urology as well as smaller categories, including chest wall oscillation which although still small, has shown phenomenal growth and demonstrates our ability to successfully expand our therapy portfolio.

Adjusted EBITDA for the third quarter was $92 million compared to $108 million in last year's third quarter. Here, that same one-time $6 million benefit from last year, falls straight through to adjusted EBITDA and hindered reported EBITDA growth by nearly 500 basis points. Additionally, product cost increases and higher health benefit costs were only partially offset by lower general costs such as delivery, outsourcing, and occupancy expenses.

It is important to realize that the third quarter adjusted EBITDA from Continuing Operations of course includes the normal adjustments to EBITDA of interest, income taxes, depreciation and amortization, <u>and less than $1 million of exit and realignment charges.</u> So, the $92 million earned is an appropriate representation of cash earnings before interest and taxes. This return to a higher earnings quality is quite different from what we've been able to report over the past several quarters. There will certainly be periods of time when there are cash adjustments in the adjusted EBITDA figure, but this is an example of what is meant when we refer to a cleaner and simpler investment story as a result of the divestiture.

For the year-to-date period, adjusted EBITDA was $285 million - a reported 6.3% increase compared to $268 million for the nine months ended in 2024. On the larger year-to-date adjusted EBITDA amount, last year's third quarter one-time $6 million benefit was an approximate 230 basis point drag on the year-to-date growth rate.

Third quarter results include $11 million of stranded costs which is the same as last year's third quarter and the second quarter of 2025. Year-to-date, stranded costs were $25 million versus $39 million for the same period in 2024. We continue to believe the annualized stranded costs from the divestiture will be approximately $40 million.

Adjusted net income was 25 cents per share which compares to 36 cents per share in the third quarter of 2024. For the nine months ended September 30th, adjusted net income per share was 80 cents versus 64 cents in the same period last year.

We are affirming our guidance for the 2025 full year of revenue between $2.76 and $2.82 billion, adjusted net income between $1.02 and $1.07 per share and adjusted EBITDA between $376 and $382 million. Based on my earlier comments around fourth quarter revenue, we expect full year revenue to come in toward the bottom of the guidance range.

On the guidance assumption slide that has been posted to the Investor Relations section of our website you will notice that the interest expense range has increased as a result of a change in the allocation of these expenses between Continuing and Discontinued Operations. We believe the increase in interest expense will be offset by lower stock compensation expense, and as a result the EPS guidance range is unchanged.

Turning to the balance sheet and cash flow. At September 30th, net debt was $2.1 billion. Since year-end 2024, the increase in debt is related to the expenses to exit the previously planned Rotech acquisition which were paid in June of approximately $100 million and, more recently, costs to remedy a challenging start-up of a new kitting facility for the Products & Healthcare Services segment which has led to a temporary inventory imbalance. Work needed for that P&HS kitting facility is ongoing and as a result, the net debt level at the end of this year is expected to be only slightly lower than at September 30th.

While detrimentally impacting 3rd quarter cash flow, as shown in the consolidated cash flow statement, the overbought inventory from this start-up will benefit customer demand across the P&HS business lines in the coming months and reduces the cash needed to be spent over that same time period.

It is important to recognize that more than 100% of the cash used from operating activity in the three and nine month ended periods was due to the Discontinued Operations and that Continuing Operations – inclusive of stranded costs - generated cash from operating activity.

In fact, in measuring levered free cash flow as Adjusted EBITDA from Continuing Operations less cap-ex from Continuing Operations and less all interest costs across both Continuing and Discontinued Operations, there was $28 million of free cash flow in the third quarter and $78 million through the first nine months of the year.

Before taking questions - I'd like to say we are very bullish on the outlook for the home-based care business and recognize that it's a very exciting time in the history of Owens & Minor. We look forward to getting on the road, sharing our enthusiasm and having the market better appreciate the attractiveness of the home-based care space.

With that, I'll now turn the call back to the operator for Q&A.