
**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: March 31, 2024

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)

Table of Contents

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 May 2, 2024 was 57,670,209 shares, par value \$0.01 per share.

Table of Contents

Embecta Corp.

Form 10-Q

For the Quarterly Period ended March 31, 2024

Table of Contents

	<u>Page</u>
<u>Part I. Financial Information</u>	1
Item 1. <u>Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Statements of Income</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income</u>	2
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Equity</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4. <u>Controls and Procedures</u>	27
<u>Part II. Other Information</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 6. <u>Exhibits</u>	28
<u>Signatures</u>	29

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Statements of Income

Embecta Corp.

(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Revenues	\$ 287.2	\$ 277.1	\$ 564.5	\$ 552.8
Cost of products sold	101.8	87.3	193.2	174.2
Gross Profit	\$ 185.4	\$ 189.8	\$ 371.3	\$ 378.6
Operating expenses:				
Selling and administrative expense	92.3	85.2	182.6	158.0
Research and development expense	18.4	22.1	38.6	39.0
Other operating expenses	35.5	26.9	65.4	37.2
Total Operating Expenses	\$ 146.2	\$ 134.2	\$ 286.6	\$ 234.2
Operating Income	\$ 39.2	\$ 55.6	\$ 84.7	\$ 144.4
Interest expense, net	(27.8)	(26.8)	(55.5)	(52.4)
Other income (expense), net	(1.5)	(4.3)	(5.0)	(11.4)
Income Before Income Taxes	\$ 9.9	\$ 24.5	\$ 24.2	\$ 80.6
Income tax provision (benefit)	(19.0)	10.5	(24.8)	31.4
Net Income	\$ 28.9	\$ 14.0	\$ 49.0	\$ 49.2
Net Income per common share:				
Basic	\$ 0.50	\$ 0.24	\$ 0.85	\$ 0.86
Diluted	\$ 0.50	\$ 0.24	\$ 0.85	\$ 0.85

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		Six Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Net Income	\$ 28.9	\$ 14.0	\$ 49.0	\$ 49.2
Other Comprehensive Income (Loss), net of tax				
Foreign currency translation adjustments	(2.4)	2.7	9.2	28.7
Total Other Comprehensive Income (Loss), net of tax	\$ (2.4)	\$ 2.7	\$ 9.2	\$ 28.7
Comprehensive Income	\$ 26.5	\$ 16.7	\$ 58.2	\$ 77.9

See notes to the Unaudited Condensed Consolidated Financial Statements.

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

Table of Contents

Condensed Consolidated Balance Sheets

Embecta Corp.

	March 31, 2024	September 30, 2023
	(Unaudited)	
Assets		
Current Assets		
Cash and equivalents	\$ 299.8	\$ 326.3
Restricted cash	6.7	0.2
Trade receivables, net (net of allowance for doubtful accounts of \$ 1.6 million and \$ 1.0 million as of March 31, 2024 and September 30, 2023, respectively)	123.7	16.7
Inventories:		
Materials	37.4	32.1
Work in process	10.5	8.1
Finished products	105.3	111.9
Total Inventories	\$ 153.2	\$ 152.1
Amounts due from Becton, Dickinson and Company	43.3	142.4
Prepaid expenses and other	83.3	111.4
Total Current Assets	\$ 710.0	\$ 749.1
Property, Plant and Equipment, Net	293.2	300.2
Goodwill and Intangible Assets	24.1	24.7
Deferred Income Taxes and Other Assets	172.3	140.4
Total Assets	\$ 1,199.6	\$ 1,214.4
Liabilities and Equity		
Current Liabilities		
Accounts payable	\$ 52.6	\$ 53.5
Accrued expenses	119.7	118.1
Amounts due to Becton, Dickinson and Company	38.5	73.1
Salaries, wages and related items	58.5	62.1
Current debt obligations	9.5	9.5
Current finance lease liabilities	3.7	3.6
Income taxes	27.9	33.6
Total Current Liabilities	\$ 310.4	\$ 353.5
Deferred Income Taxes and Other Liabilities	36.2	57.2
Long-Term Debt	1,591.8	1,593.9
Non Current Finance Lease Liabilities	30.8	31.5
Commitments and Contingencies		
Embecta Corp. Equity		
Common stock, \$ 0.01 par value		
Authorized - 250,000,000		
Issued and outstanding - 57,661,433 as of March 31, 2024 and 57,333,353 as of September 30, 2023	\$ 0.6	\$ 0.6
Additional paid-in capital	39.7	27.9
Accumulated deficit	(510.0)	(541.1)
Accumulated other comprehensive loss	(299.9)	(309.1)
Total Equity	\$ (769.6)	\$ (821.7)
Total Liabilities and Equity	\$ 1,199.6	\$ 1,214.4

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

Embeta Corp.

(Unaudited)

	Common Stock				Accumulated	Accumulated	Other	
	Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Comprehensive (Loss) Income		Total	
Balance at January 1, 2023	57,213,757	\$ 0.6	\$ 12.7	\$ (550.5)	\$ (298.9)		\$ (836.1)	
Net income	—	—	—	14.0	—		14.0	
Other comprehensive income, net of taxes	—	—	—	—	2.7		2.7	
Stock-based compensation plans	—	—	5.6	—	—		5.6	
Dividends declared (\$ 0.15 per share)	—	—	—	(8.6)	—		(8.6)	
Issuance of shares related to stock-based compensation plans	73,780	—	(0.2)	—	—		(0.2)	
Balance at March 31, 2023	57,287,537	\$ 0.6	\$ 18.1	\$ (545.1)	\$ (296.2)		\$ (822.6)	
Balance at January 1, 2024	57,573,497	\$ 0.6	\$ 33.4	\$ (530.0)	\$ (297.5)		\$ (793.5)	
Net income	—	—	—	28.9	—		28.9	
Other comprehensive loss, net of taxes	—	—	—	—	(2.4)		(2.4)	
Stock-based compensation plans	—	—	6.5	—	—		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	87,936	—	(0.5)	—	—		(0.5)	
Balance at March 31, 2024	57,661,433	\$ 0.6	\$ 39.7	\$ (510.0)	\$ (299.9)		\$ (769.6)	

See notes to the Unaudited Condensed Consolidated Financial Statements.

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

Table of Contents

	Common Stock			Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Par Value	Additional Paid- In Capital		
Balance at October 1, 2022	57,055,327	\$ 0.6	\$ 10.0	\$ (577.1)	\$ (891.4)
Net income	—	—	—	49.2	49.2
Other comprehensive income, net of taxes	—	—	—	28.7	28.7
Stock-based compensation plans	—	—	11.1	—	11.1
Dividends declared (\$ 0.30 per share)	—	—	—	(17.2)	(17.2)
Issuance of shares related to stock-based compensation plans	232,210	—	(3.0)	—	(3.0)
Balance at March 31, 2023	57,287,537	\$ 0.6	\$ 18.1	\$ (545.1)	\$ (822.6)
Balance at October 1, 2023	57,333,353	\$ 0.6	\$ 27.9	\$ (541.1)	\$ (821.7)
Net income	—	—	—	49.0	49.0
Other comprehensive income, net of taxes	—	—	—	9.2	9.2
Stock-based compensation plans	—	—	13.8	—	13.8
Dividends and dividend equivalents declared (\$ 0.30 per share)	—	—	0.7	(17.9)	(17.2)
Issuance of shares related to stock-based compensation plans	328,080	—	(2.7)	—	(2.7)
Balance at March 31, 2024	57,661,433	\$ 0.6	\$ 39.7	\$ (510.0)	\$ (769.6)

See notes to the Unaudited Condensed Consolidated Financial Statements.

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

Table of Contents

Condensed Consolidated Statements of Cash Flows

Embecta Corp.

(Unaudited)

	Six Months Ended March 31,	
	2024	2023
Operating Activities		
Net income	\$ 49.0	\$ 49.2
Adjustments to net income to derive net cash provided by operating activities:		
Depreciation and amortization	17.8	15.2
Amortization of debt issuance costs	3.2	3.2
Amortization of cloud computing arrangements	1.6	—
Stock-based compensation	13.8	11.1
Deferred income taxes	(39.6)	1.2
Change in operating assets and liabilities:		
Trade receivables, net	(106.7)	4.3
Inventories	2.0	(30.7)
Due from/due to Becton, Dickinson and Company	64.3	(14.9)
Prepaid expenses and other	36.5	(16.0)
Accounts payable, accrued expenses and other current liabilities	0.4	19.7
Income and other net taxes payable	(7.0)	10.6
Other assets and liabilities, net	(24.1)	(5.5)
Net Cash Provided by Operating Activities	\$ 11.2	\$ 47.4
Investing Activities		
Capital expenditures	\$ (6.1)	\$ (10.5)
Net Cash Used for Investing Activities	\$ (6.1)	\$ (10.5)
Financing Activities		
Payments on long-term debt	\$ (4.8)	\$ (4.8)
Payments related to tax withholding for stock-based compensation	(2.7)	(3.0)
Payments on finance lease	(0.6)	(1.8)
Dividend payments	(17.2)	(17.2)
Net Cash Used for Financing Activities	\$ (25.3)	\$ (26.8)
Effect of exchange rate changes on cash and equivalents and restricted cash	0.2	5.4
Net Change in Cash and equivalents and restricted cash	\$ (20.0)	\$ 15.5
Opening Cash and equivalents and restricted cash	326.5	330.9
Closing Cash and equivalents and restricted cash	\$ 306.5	\$ 346.4

See notes to the Unaudited Condensed Consolidated Financial Statements.

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

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, which are complemented by a proprietary digital application designed to assist people with managing their diabetes. 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, 2023.

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.

Recently Adopted Accounting Standards

There were no new material accounting standards adopted in the second first quarter of 2024.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standards Board 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. As this accounting standard only impacts disclosures, it will not have a material impact on the Company's Consolidated Financial Statements.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update 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. As this accounting standard only impacts disclosures, it will not have a material impact on the Company's Consolidated Financial Statements.

Reclassification

Certain prior period amounts have been reclassified to conform to the current year presentation.

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

Table of Contents

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.

Agreements that Embecta entered into with BD that govern aspects of Embecta's relationship with BD following the Separation 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. For details on the rights and responsibilities of the parties under these agreements refer to Note 4 to the audited Consolidated Financial Statements in Embecta's Annual Report on Form 10-K for the year ended September 30, 2023 filed with the Securities and Exchange Commission on November 29, 2023 (the "2023 Form 10-K").

On March 28, 2024, we entered into (i) a second amendment (the "TSA Amendment") to the TSA, dated as of March 31, 2022 and previously amended as of July 1, 2022 by and between Embecta and BD, and (ii) a second amendment (the "LSA Amendment") to the LSA, dated January 1, 2022 and previously amended as of November 20, 2023, by and between Embecta and BD. Pursuant to the TSA and the LSA, originally entered into in connection with the Separation, Embecta and BD and their respective affiliates provide each other, on an interim, transitional basis, the Business Continuity Processes. Under the TSA Amendment and the LSA Amendment, BD granted Embecta, among other things, a limited extension until November 1, 2024 of certain services in a limited set of markets to support the Business Continuity Processes.

As of March 31, 2024, all factoring agreements between Embecta and BD have expired and terminated as a result of the Company's implementation and onboarding of 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 planning ("ERP") systems ("Business Continuity Processes") in North America, and certain jurisdictions in Europe and Asia.

The amount due from BD under the above agreements was \$ 43.3 million at March 31, 2024 and is included in *Amounts due from Becton, Dickinson and Company*. The amount due to BD under these agreements was \$ 38.5 million at March 31, 2024 and is included in *Amounts due to Becton, Dickinson and Company*.

The closing of the transfers of certain assets and liabilities related to the Diabetes Care Business in certain jurisdictions, including China, Mexico, Taiwan, India, Brazil, and Colombia as contemplated by the Separation and Distribution Agreement did not occur at Separation. The transfers of the relevant local assets and liabilities in these certain jurisdictions are expected to close at a future date. As of March 31, 2024, the Company estimates that amounts due from BD related to certain assets and liabilities in these certain jurisdictions are \$ 18.9 million and are reflected in *Prepaid expenses and other*. As of March 31, 2024, the Company estimates that amounts due to BD related to certain assets and liabilities in these certain jurisdictions is \$ 7.0 million and are reflected in *Accrued expenses*.

Note 4 — Collaboration Agreement

In March 2023, the Company entered into a collaboration agreement with a third-party to develop and commercialize an interoperable automated glycemic controller ("iAGC") to complement the Company's insulin patch pump currently in development. The Company believes that both parties are active participants in the operating activities of the collaboration and exposed to certain risks and rewards depending on commercial success. The transaction included an upfront payment of \$ 2.5 million for project costs, which was expensed to *Research and development expense* during the six month period ended March 31, 2023. Upon successful commercialization of the iAGC, the Company will be responsible for the sales and marketing effort and would pay a royalty to the third-party based on future product sales to customers. The Company expects that it will be the principal in the end customer sale and 100 % of product sales will be included in *Revenues* and any royalty payments and continued project costs after commercialization will be included in *Cost of products sold* as they are incurred.

Note 5 — Other Operating Expenses

In connection with the Separation, the Company incurred separation and stand-up costs of approximately \$ 32.6 million and \$ 59.0 million during the three and six months ended March 31, 2024, respectively, and incurred separation and stand-up costs of approximately \$ 25.6 million and \$ 35.5 million during the three and six months ended March 31, 2023, respectively. The costs incurred primarily consist of costs associated with accounting, auditing, legal services, marketing, supply chain, employee retention, the implementation of the Company's new ERP system, and certain other costs to

Table of Contents

establish certain Business Continuity Processes and stand-alone functions to assist with the transition to being a stand-alone entity.

Note 6 — Contingencies

The Company was not a party to any material legal proceedings at March 31, 2024 or September 30, 2023, 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 2023 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 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 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 March 31, 2024 and September 30, 2023 was \$ 177.2 million and \$ 36.4 million, respectively. Sales deductions recorded as a reduction of gross revenues for the three months ended March 31, 2024 and 2023 were \$ 138.5 million and \$ 95.2 million, respectively. Sales deductions recorded as a reduction of gross revenues for the six months ended March 31, 2024 and 2023 were \$ 265.2 million and \$ 187.8 million, respectively.

Disaggregation of Revenues

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

Contract Assets and Liabilities

The Company does not have contract liabilities. Contract assets consist of the Company's right to consideration that is conditional upon its future performance pursuant to private label agreements and are presented within *Prepaid expenses and other* in the Condensed Consolidated Balance Sheets.

The Company's contract asset balance was \$ 1.2 million as of both March 31, 2024 and September 30, 2023.

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

Table of Contents

the world. In the United States and Canada, the Company utilizes its large and small 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 as management believes this category best depicts 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 March 31,		Six months ended March 31,	
	2024	2023	2024	2023
United States	\$ 147.6	\$ 146.4	\$ 296.2	\$ 295.7
International ⁽¹⁾	139.6	130.7	268.3	257.1
Total	<u>\$ 287.2</u>	<u>\$ 277.1</u>	<u>\$ 564.5</u>	<u>\$ 552.8</u>

⁽¹⁾ For the three and six months ended March 31, 2024 and 2023, no individual country outside of the United States generated net revenues that represented more than 10.0% of total revenues.

Note 9 — Stock-Based Compensation

Stock-Based Compensation Expense

Total stock-based compensation expense for the three and six months ended March 31, 2024 and 2023 and the respective income tax benefits recognized by the Company in the Condensed Consolidated Statements of Income are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
Cost of products sold	\$ 1.1	\$ 0.6	\$ 2.0	\$ 1.2
Selling and administrative expense	4.9	4.7	10.8	9.3
Research and development expense	0.5	0.5	1.1	0.8
Total Stock-Based Compensation Expense	\$ 6.5	\$ 5.8	\$ 13.9	\$ 11.3
Tax benefit associated with stock-based compensation costs recognized	<u>\$ 0.5</u>	<u>\$ 0.7</u>	<u>\$ 1.2</u>	<u>\$ 1.5</u>

The following table summarizes the Company's total stock-based compensation expense by classification of award for the three and six months ended March 31, 2024 and 2023:

	Three months ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Equity Awards	\$ 6.5	\$ 5.6	\$ 13.8	\$ 11.1
Liability Awards	—	0.2	0.1	0.2
Total	<u>\$ 6.5</u>	<u>\$ 5.8</u>	<u>\$ 13.9</u>	<u>\$ 11.3</u>

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

Table of Contents

The following table summarizes the Company's total stock-based compensation expense by award type for the three and six months ended March 31, 2024 and 2023:

	Three months ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Time-Vested Restricted Stock Units (TVUs)	\$ 5.2	\$ 4.0	\$ 10.6	\$ 8.1
Performance-Based Restricted Stock Units (PSUs)	0.4	0.6	1.3	0.7
Stock Appreciation Rights (SARs)	0.9	1.2	2.0	2.5
Total	\$ 6.5	\$ 5.8	\$ 13.9	\$ 11.3

Time Vested Restricted Stock Units ("TVUs")

During the six months ended March 31, 2024, Embecta granted 1,393,808 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.

A summary of TVUs outstanding as of March 31, 2024 and changes during the six months ended March 31, 2024 are as follows:

	RSUs (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at October 1	1,188.8	\$ 29.42
Granted*	1,393.8	17.42
Distributed**	(479.7)	28.70
Forfeited, canceled or expired	(38.2)	23.51
Nonvested at March 31	2,064.7	\$ 21.59
Expected to vest at March 31	1,954.6	\$ 21.64

*Includes accumulated nonvested dividend equivalents

**The RSUs 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 six months ended March 31, 2024 is \$ 17.42 and the total fair value of TVUs vested during the six months ended March 31, 2024 is \$ 13.8 million.

At March 31, 2024, the weighted average remaining vesting term of TVUs is 2.1 years.

Performance Based Restricted Stock Units ("PSUs")

During the six months ended March 31, 2024, Embecta awarded 541,958 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 March 31, 2024, there were 725,912 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.

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

Table of Contents

As of both March 31, 2024 and September 30, 2023, there were approximately 57.8 thousand nonvested PSUs for which a grant date has been established with a weighted average grant date fair value of \$ 30.24 . As of March 31, 2024, there were approximately 54.6 thousand nonvested PSUs for which a grant date has been established that are expected to vest with a weighted average grant date fair value of \$ 30.24 .

At March 31, 2024, the weighted average remaining vesting term of PSUs is 1.7 years.

Stock Appreciation Rights

A summary of stock appreciation rights ("SARs") outstanding as of March 31, 2024 and changes during the six months ended March 31, 2024 are as follows:

	SARs (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1	1,831.7	\$ 29.06		
Forfeited, canceled or expired	(45.3)	27.36		
Balance at March 31	1,786.4	\$ 29.10	7.2	\$ —
Vested and expected to vest at March 31	1,733.8	29.07	7.2	\$ —
Exercisable at March 31	829.6	\$ 27.84	6.5	\$ —

No SARs were exercised during the six months ended March 31, 2024.

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 March 31, 2024, is approximately \$ 42.0 million which is expected to be recognized over a weighted-average remaining life of approximately 2.1 years. At March 31, 2024, 2.6 million shares were authorized for future grants under the Company's 2022 Employee and Director Equity Based Compensation Plan.

Note 10 — Goodwill, Intangible Assets, and Cloud Computing Arrangements

Goodwill and Intangible Assets

Goodwill and Other Intangible Assets consisted of:

	March 31, 2024	September 30, 2023
Amortized intangible assets		
Patents – gross	\$ 10.6	\$ 10.6
Less: accumulated amortization	(4.8)	(4.5)
Patents – net	\$ 5.8	\$ 6.1
Customer Relationships and Other – gross	\$ 5.4	\$ 5.4
Less: accumulated amortization	(2.6)	(2.4)
Customer Relationships and Other – net	\$ 2.8	\$ 3.0
Total amortized intangible assets	\$ 8.6	\$ 9.1
Goodwill	15.5	15.6
Total Goodwill and Other Intangible Assets	\$ 24.1	\$ 24.7

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Table of Contents

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:

	March 31, 2024	September 30, 2023
Short-term portion	\$ 8.4	\$ 4.0
Long-term portion	50.9	34.0
Total Capitalized implementation costs	\$ 59.3	\$ 38.0
Less: accumulated amortization	(1.6)	—
Total Capitalized implementation costs, net	\$ 57.7	\$ 38.0

Costs amortized during the three and six months ended March 31, 2024 were \$ 1.2 million and \$ 1.6 million, respectively, and are included in *Other operating expenses*. For the three and six months ended March 31, 2023 there were no costs recognized related to the implementation of these cloud computing arrangements due to the timing of when these projects were placed into service. As of March 31, 2024, cloud computing arrangement assets in-service have useful lives which range from approximately three to nine years .

Note 11 — 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 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 March 31, 2024, 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.

The following is a summary of Embecta's total debt outstanding as of March 31, 2024:

Term Loan due March 2029	\$	931.0
5.00 % Notes due February 2030		500.0
6.75 % Notes due February 2030		200.0
Total principal debt issued	\$	1,631.0
Less: current debt obligations		(9.5)
Less: debt issuance costs and discounts		(29.7)
Long-term debt	\$	1,591.8

The debt issuance costs on the Term Loan, 5.00 % Notes, 6.75 % Notes and the discount on the Term Loan are reported in

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

Table of Contents

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.

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

2024	\$	4.8
2025		9.5
2026		9.5
2027		9.5
2028		9.5
Thereafter		1,588.2

The estimated fair value of long-term debt (including current portion) at March 31, 2024 was \$ 1,441.8 million compared with a carrying value (which includes a reduction for unamortized debt issuance costs and discounts) of \$ 1,601.3 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 12 — Earnings per Share

The calculation of earnings per basic and diluted common share for the three and six months ended March 31, 2024 and 2023 was as follows:

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
(\$ in millions and shares in thousands, except per share amounts)				
Net Income attributable to Embecta	\$ 28.9	\$ 14.0	\$ 49.0	\$ 49.2
Basic weighted average number of shares outstanding	57,687	57,260	57,580	57,186
Stock awards and equity units (share equivalent)	120	253	396	426
Diluted weighted average shares outstanding	57,807	57,513	57,976	57,612
Earnings per common share - Basic	\$ 0.50	\$ 0.24	\$ 0.85	\$ 0.86
Earnings per common share - Diluted	\$ 0.50	\$ 0.24	\$ 0.85	\$ 0.85

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. For the three months ended March 31, 2024 and 2023, 4.2 million and 2.2 million, respectively, and for the six months ended March 31, 2024 and 2023, 2.8 million and 1.8 million, respectively, of dilutive share equivalents issuable under stock-based compensation plans were excluded from the diluted shares outstanding calculation because the result would have been antidilutive.

Note 13 — 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 (191.9)% and 42.9 % for the three months ended March 31, 2024 and 2023, respectively. The decrease in the Company's effective tax rate from the prior comparative period is primarily due to lower withholding taxes on undistributed foreign earnings which includes a discrete tax benefit of approximately \$ 18.8 million related to Swiss withholding taxes from prior years, reduced unrecognized tax benefits, and lower income in the current period which increases the variability of the effective tax rate.

The effective tax rates were (102.5)% and 39.0 % for the six months ended March 31, 2024 and 2023, respectively. The decrease in the Company's effective tax rate from the prior comparative period is primarily due to lower withholding taxes on undistributed foreign earnings which includes a discrete tax benefit of approximately \$ 18.8 million related to Swiss withholding taxes from prior years, a tax benefit of approximately \$ 17.1 million for the establishment of a deferred tax asset attributed to a higher Swiss cantonal tax rate and additional tax basis that is amortizable for income tax purposes over

Table of Contents

a period of seven years, reduced unrecognized tax benefits, and lower income in the current period which increases the variability of the effective tax rate.

Note 14 — Financial Instruments and Fair Value Measurements

The following reconciles *Cash and equivalents* and *restricted cash* reported within the Condensed Consolidated Balance Sheets as of March 31, 2024 and September 30, 2023, to the total amounts shown in the Condensed Consolidated Statements of Cash Flows:

	March 31, 2024	September 30, 2023
Cash and equivalents	\$ 299.8	\$ 326.3
Restricted cash	6.7	0.2
Cash and equivalents and restricted cash	<u>\$ 306.5</u>	<u>\$ 326.5</u>

Cash and equivalents as of March 31, 2024 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 \$ 2.9 million and \$ 2.7 million for the three months ended March 31, 2024 and 2023, respectively, and \$ 6.3 million and \$ 3.8 million for the six months ended March 31, 2024 and 2023, 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.

The notional amounts of the Company's foreign currency-related derivative instruments were as follows as of March 31, 2024 and September 30, 2023, respectively:

	Hedge Designation	March 31, 2024	September 30, 2023
Foreign exchange contracts (a)	Undesignated	\$ 10.1	\$ 6.7

- 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.

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 42.0 % for the three months ended March 31, 2024, and three of the Company's customers represented at least 10.0% of total gross revenues individually and, in the aggregate, represented approximately 42.0 % of total revenues for the six months ended March 31, 2024.

Four of the Company's customers represented at least 10.0% of total gross trade receivables individually and, in the aggregate, represented approximately 63.6 % as of March 31, 2024.

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.

Table of Contents

Note 15 — Property, Plant and Equipment

Property, Plant and Equipment, Net consisted of:

	March 31, 2024	September 30, 2023
Land	\$ 2.3	\$ 2.3
Buildings	121.0	124.5
Machinery, equipment and fixtures	576.3	567.2
Leasehold improvements	9.1	9.1
Construction in progress	44.2	44.8
	<u>\$ 752.9</u>	<u>\$ 747.9</u>
Less: accumulated depreciation	<u>(459.7)</u>	<u>(447.7)</u>
Total Property, Plant and Equipment, Net	<u>\$ 293.2</u>	<u>\$ 300.2</u>

Note 16 — 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:

	March 31, 2024	September 30, 2023
Finance Leases		
Property, Plant, and Equipment, Net	\$ 32.0	\$ 33.1
Total Finance Lease Assets	<u>\$ 32.0</u>	<u>\$ 33.1</u>
Current finance lease liabilities	\$ 3.7	\$ 3.6
Non Current Finance Lease Liabilities	30.8	31.5
Total Finance Lease Liabilities	<u>\$ 34.5</u>	<u>\$ 35.1</u>
Weighted-average remaining lease term (years)	13.0	13.5
Weighted-average discount rate	6.8 %	6.8 %
Operating Leases		
Other Assets	\$ 21.6	\$ 23.0
Total Operating Lease Assets	<u>\$ 21.6</u>	<u>\$ 23.0</u>
Accrued expenses	\$ 5.9	\$ 5.9
Deferred Income Taxes and Other Liabilities	14.0	15.4
Total Operating Lease Liabilities	<u>\$ 19.9</u>	<u>\$ 21.3</u>
Weighted-average remaining lease term (years)	6.8	7.3
Weighted-average discount rate	6.7 %	6.9 %

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

Table of Contents

Supplemental cash flow information related to leases for the six months ended March 31, 2024 and 2023 were as follows:

	March 31, 2024	March 31, 2023
Right of use assets obtained in exchange for lease liabilities		
Financing Leases	\$ —	\$ —
Operating Leases	1.5	14.0

	March 31, 2024	March 31, 2023
Cash used for amounts included in the measurement of lease liabilities		
Operating cash flows from Operating Leases	\$ 2.9	\$ 0.9
Financing cash flows from Finance Lease	0.6	1.8
Operating cash flows from Finance Lease	1.2	—

Maturities of the Company's finance and operating lease liabilities as of March 31, 2024 by fiscal year are as follows:

	Finance Leases	Operating Leases	Total
2024	\$ 1.8	\$ 4.0	\$ 5.8
2025	3.7	4.7	8.4
2026	3.7	2.4	6.1
2027	3.8	1.9	5.7
2028	3.9	2.1	6.0
Thereafter	36.2	11.3	47.5
Total lease payments	\$ 53.1	\$ 26.4	\$ 79.5
Less: amount representing interest	18.6	6.5	25.1
Present value of lease liabilities	\$ 34.5	\$ 19.9	\$ 54.4

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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 our 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 a 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, which are complemented by our proprietary digital application designed to assist people with managing their diabetes. 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. This has forced providers to provide clinical evidence to differentiate their products.

Changes in Clinical Practice. Introduction of new drugs and increased penetration of oral 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, in development 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

Table of Contents

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.

On March 28, 2024, we entered into (i) a second amendment (the "TSA Amendment") to the Transition Services Agreements ("TSA"), dated as of March 31, 2022 and previously amended as of July 1, 2022 by and between Embecta and BD, and (ii) a second amendment (the "LSA Amendment") to the Logistics Services Agreements ("LSA"), dated January 1, 2022 and previously amended as of November 20, 2023, by and between Embecta and BD. Pursuant to the TSA and the LSA, originally entered into in connection with the Separation, Embecta and BD and their respective affiliates provide each other, on an interim, transitional basis, the Business Continuity Processes. Under the TSA Amendment and the LSA Amendment, BD granted Embecta, among other things, a limited extension until November 1, 2024 of certain services in a limited set of markets to support the Business Continuity Processes.

We continue to monitor and respond to the conflict in Ukraine and the associated sanctions and other restrictions. We also are monitoring the Israel-Hamas war and Houthi attacks on commercial shipping vessels and other naval vessels. As of May 9, 2024, 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 rising 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.

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

Table of Contents

Results of Operations

Our unaudited Condensed Consolidated Statements of Income are as follows:

	Three months ended March 31,			Six months ended March 31,		
	2024	2023	%	2024	2023	%
Revenues	\$ 287.2	\$ 277.1	3.6 %	\$ 564.5	\$ 552.8	2.1 %
Cost of products sold	101.8	87.3	16.6	193.2	174.2	10.9
Gross Profit	185.4	189.8	(2.3)	371.3	378.6	(1.9)
Operating expenses:						
Selling and administrative expense	92.3	85.2	8.3	182.6	158.0	15.6
Research and development expense	18.4	22.1	(16.7)	38.6	39.0	(1.0)
Other operating expenses	35.5	26.9	32.0	65.4	37.2	76.8
Total Operating Expenses	146.2	134.2	8.9	286.6	234.2	22.4
Operating Income	39.2	55.6	(29.5)	84.7	144.4	(41.3)
Interest expense, net	(27.8)	(26.8)	3.7	(55.5)	(52.4)	5.9
Other income (expense), net	(1.5)	(4.3)	(65.1)	(5.0)	(11.4)	(56.1)
Income Before Income Taxes	9.9	24.5	(59.6)	24.2	80.6	(70.0)
Income tax provision (benefit)	(19.0)	10.5	(281.0)	(24.8)	31.4	(179.0)
Net Income	\$ 28.9	\$ 14.0	106.4	\$ 49.0	\$ 49.2	(0.4)
Net Income per common share:						
Basic	\$ 0.50	\$ 0.24	108.3 %	\$ 0.85	\$ 0.86	(1.2)%
Diluted	\$ 0.50	\$ 0.24	108.3 %	\$ 0.85	\$ 0.85	— %

Three Months Ended March 31, 2024 Summary (on a comparative basis)

Key financial results for the three months ended March 31, 2024 were as follows:

- Revenue increased by \$10.1 million to \$287.2 million from \$277.1 million;
- Gross profit decreased by \$4.4 million to \$185.4 million from \$189.8 million. Gross profit as a percent of revenue was 64.6%, as compared to 68.5% in the prior year comparative period;
- Operating income decreased by \$16.4 million to \$39.2 million from \$55.6 million; and
- Net income increased by \$14.9 million to \$28.9 million from \$14.0 million.

Six Months Ended March 31, 2024 Summary (on a comparative basis)

Key financial results for the six months ended March 31, 2024 were as follows:

- Revenue increased by \$11.7 million to \$564.5 million from \$552.8 million;
- Gross profit decreased by \$7.3 million to \$371.3 million, compared to \$378.6 million. Gross profit as a percent of revenue was 65.8%, as compared to 68.5% in the prior year comparative period;
- Operating income decreased by \$59.7 million to \$84.7 million from \$144.4 million; and
- Net income decreased by \$0.2 million to \$49.0 million from \$49.2 million.

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

Table of Contents

Revenues

Our revenues increased by \$10.1 million, or 3.6%, to \$287.2 million for the three months ended March 31, 2024 as compared to revenues of \$277.1 million for the three months ended March 31, 2023. Changes in our revenues are driven by the volume of goods that the Company sells, the prices we negotiate with customers and changes in foreign exchange rates. The increase in revenues was driven by \$15.0 million of favorable changes in volume. This was partially offset by \$2.5 million associated with the negative impact of foreign currency translation primarily due to the strengthening of the U.S. dollar, \$1.4 million of unfavorable changes in price, and a \$1.0 million decrease in contract manufacturing revenues related to sales of non-diabetes products to BD.

Our revenues increased by \$11.7 million, or 2.1%, to \$564.5 million for the six months ended March 31, 2024 as compared to revenues of \$552.8 million for the six months ended March 31, 2023. The increase in revenues was driven by \$13.0 million of favorable changes in volume and \$2.0 million of favorable changes in price. This was partially offset by a \$3.1 million decrease in contract manufacturing revenues related to sales of non-diabetes products to BD and \$0.2 million associated with the negative impact of foreign currency translation primarily due to the strengthening of the U.S. dollar.

Revenues by geographic region are as follows:

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
United States	\$ 147.6	\$ 146.4	\$ 296.2	\$ 295.7
International	139.6	130.7	268.3	257.1
Total	\$ 287.2	\$ 277.1	\$ 564.5	\$ 552.8

Cost of products sold

Cost of products sold increased by \$14.5 million, or 16.6%, to \$101.8 million for the three months ended March 31, 2024 as compared to \$87.3 million for the three months ended March 31, 2023. Cost of products sold as a percentage of revenues was 34.2% for the three months ended March 31, 2024 as compared to 31.5% for the three months ended March 31, 2023. Cost of products sold increased by \$19.0 million, or 10.9%, to \$193.2 million for the six months ended March 31, 2024 as compared to \$174.2 million for the six months ended March 31, 2023. Cost of products sold as a percentage of revenues were 34.2% for the six months ended March 31, 2024 as compared to 31.5% in the six months ended March 31, 2023. The increase in cost of products sold for the three and six month comparative periods was primarily driven by the impact of inflation on the costs of certain raw materials (including freight), direct labor, and overhead, the impact of negative year-over-year manufacturing variances primarily attributable to the planned temporary shutdown of our Suzhou, China facility as it relates to production for the domestic Chinese market, and unfavorable impacts due to foreign exchange rates. We intend to continue to work to improve productivity to help partially offset these increased costs.

Selling and administrative expenses

Selling and administrative expenses increased by \$7.1 million, or 8.3%, to \$92.3 million for the three months ended March 31, 2024 as compared to \$85.2 million for the three months ended March 31, 2023. Selling and administrative expenses increased by \$24.6 million, or 15.6%, to \$182.6 million for the six months ended March 31, 2024 as compared to \$158.0 million for the six months ended March 31, 2023. The increase for both the three and six month comparative periods were primarily driven by an increase in compensation and benefit costs due to increased headcount and increased outbound freight and warehousing costs. This was partially offset primarily by lower TSA and LSA costs with BD incurred in the current year periods.

Research and development expenses

Research and development expenses decreased by \$3.7 million, or 16.7%, to \$18.4 million for the three months ended March 31, 2024 as compared to \$22.1 million for the three months ended March 31, 2023. Research and development expenses decreased by \$0.4 million, or 1.0%, to \$38.6 million for the six months ended March 31, 2024 as compared to \$39.0 million for the six months ended March 31, 2023. The decrease for the three and six month comparative periods were primarily driven by an upfront payment made in connection with a collaboration arrangement in the prior year. This was partially offset by increased spending in the current year periods on our insulin patch pump platform. In December 2023, we submitted our first 510(k) premarket filing to the U.S. Food and Drug Administration ("FDA") for our proprietary disposable insulin delivery system.

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

Table of Contents

Other operating expenses

We incurred other operating expenses of \$35.5 million and \$26.9 million for the three months ended March 31, 2024 and 2023, respectively, and \$65.4 million and \$37.2 million for the six months ended March 31, 2024 and 2023, respectively, driven by costs related to the Separation. The costs incurred primarily relate to accounting, auditing, legal services, marketing, supply chain, employee retention, increased costs associated with the implementation of our new ERP system and other Business Continuity Processes, and certain other costs to establish certain stand-alone functions to assist with the transition to being a stand-alone entity. As we continue to stand-up various corporate functions as a stand-alone publicly-traded company, we expect to incur similar costs associated with the same type of activities in the current year.

Interest expense, net

Interest expense, net increased by \$1.0 million to \$27.8 million for the three months ended March 31, 2024 as compared to \$26.8 million for the three months ended March 31, 2023. Interest expense, net increased by \$3.1 million to \$55.5 million for the six months ended March 31, 2024 as compared to \$52.4 million for the six months ended March 31, 2023. The increases for both comparative periods were primarily a result of higher interest rates on our variable rate debt which is attributable to increases in SOFR that impacted our Term Loan. This was partially offset by an increase in interest income from amounts held in interest bearing accounts and money market funds. It remains unclear whether the United States Federal Reserve will increase or reduce the benchmark interest rate during the remainder of fiscal 2024. An increase in the benchmark interest rate would result in an increase in interest expense on our variable rate debt and a reduction 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 \$(1.5) million and \$(4.3) million for the three months ended March 31, 2024 and 2023, respectively. Other income (expense), net, was \$(5.0) million and \$(11.4) million for the six months ended March 31, 2024 and 2023, respectively. The costs incurred for all periods primarily relate to amounts due to BD for income taxes payable incurred in deferred jurisdictions where BD is considered the primary obligor.

Income tax provision (benefit)

The effective tax rates were (191.9)% and 42.9% for the three months ended March 31, 2024 and 2023, respectively. The decrease in the Company's effective tax rate from the prior comparative period is primarily due to lower withholding taxes on undistributed foreign earnings which includes a discrete tax benefit of approximately \$18.8 million related to Swiss withholding taxes from prior years, reduced unrecognized tax benefits, and lower income in the current period which increases the variability of the effective tax rate.

The effective tax rates were (102.5)% and 39.0% for the six months ended March 31, 2024 and 2023, respectively. The decrease in the Company's effective tax rate from the prior comparative period is primarily due to lower withholding taxes on undistributed foreign earnings which includes a discrete tax benefit of approximately \$18.8 million related to Swiss withholding taxes from prior years, a tax benefit of approximately \$17.1 million for the establishment of a deferred tax asset attributed to a higher Swiss cantonal tax rate and additional tax basis that is amortizable for income tax purposes over a period of seven years, reduced unrecognized tax benefits, and lower income in the current period which increases the variability of the effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

We believe that our cash and our 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, share repurchases and additional growth opportunities for the foreseeable future. However, should it become necessary, we

Table of Contents

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 March 31, 2024:

Term Loan	\$	931.0
5.00% Notes		500.0
6.75% Notes		200.0
Total principal debt issued	\$	1,631.0
Less: current debt obligations		(9.5)
Less: debt issuance costs and discounts		(29.7)
Long-term debt	\$	1,591.8

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

2024	\$	4.8
2025		9.5
2026		9.5
2027		9.5
2028		9.5
Thereafter		1,588.2

Certain measures relating to our total debt outstanding as of March 31, 2024 were as follows:

Total debt	\$	1,601.3
Short-term debt as a percentage of total debt		0.6 %
Weighted average cost of total debt		7.1 %

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 March 31, 2024, we were in compliance with all of such covenants. The credit agreement and the senior secured are secured by substantially all assets of Embecta and each subsidiary guarantor, subject to certain exceptions.

For additional information related to the Company's debt related activities, refer to Note 11 within the *Notes to Condensed Consolidated Financial Statements* within this Form 10-Q.

Leases

Maturities of our finance lease and operating lease liabilities as of March 31, 2024 by fiscal year are as follows:

	Finance Lease		Operating Leases		Total
2024	\$	1.8	\$	4.0	\$ 5.8
2025		3.7		4.7	8.4
2026		3.7		2.4	6.1
2027		3.8		1.9	5.7
2028		3.9		2.1	6.0
Thereafter		36.2		11.3	47.5
Total lease payments	\$	53.1	\$	26.4	\$ 79.5

For additional information related to our leases, refer to Note 16 within the *Notes to Condensed Consolidated Financial Statements* of this Form 10-Q.

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

Table of Contents

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 have 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.

Access to Capital and Credit Ratings

In November 2023 and February 2024, Moody's Investor Services and Standard & Poor's Ratings Services published updates to our credit ratings of Ba3 and B+, respectively. These ratings remain unchanged from the initial published ratings from January 2022.

Cash and equivalents and restricted cash were \$306.5 million as of March 31, 2024 as compared to \$326.5 million as of September 30, 2023.

The primary sources and uses of cash that contributed to the \$20.0 million decrease were:

September 30, 2023 Cash and equivalents and restricted cash balance	\$	326.5
Cash provided by operating activities		11.2
Cash used for investing activities		(6.1)
Cash used for financing activities		(25.3)
Effect of exchange rate changes on cash and equivalents and restricted cash		0.2
March 31, 2024 Cash and equivalents and restricted cash balance	\$	<u>306.5</u>

Net cash provided by operating activities was primarily attributable to:

Net income	\$	49.0
Non-cash adjustments related to depreciation and amortization, stock-based compensation, and deferred income taxes		(3.2)
Change in accounts payable and accrued expenses		0.4
Change in trade receivables		(106.7)
Change in inventories		2.0
Change in amounts due from/due to Becton, Dickinson and Company		64.3
Change in prepaid expenses and other		36.5
Change in income and other net taxes payable		(7.0)
Change in other assets and liabilities, net		(24.1)
Net cash used for operating activities	\$	<u>11.2</u>

The change in accounts payable and accrued expenses is primarily due to timing attributable to payments to vendors in the first six months of fiscal 2024.

As a result of the implementation of certain Business Continuity Processes, including our ERP system that went live in November 2023 for our North America business operations and in March 2024 for our EMEA and Greater Asia business operations as well as the expiration and termination of the factoring agreements between Embecta and BD, we are now responsible for the collection of any outstanding trade receivables in those respective regions. The increase in trade receivables is a direct result of this impact, and we expect to convert these outstanding trade receivables into cash during fiscal 2024 in line with contractual customer payment terms.

The change in inventories is driven by an increase in raw material purchases in the current year offset by current year product sales of certain inventory levels that had been built up at the end of fiscal 2023 in anticipation of our ERP system and other Business Continuity Processes that went live during the first half of fiscal 2024.

The change in amounts due from/due to Becton, Dickinson and Company primarily relates to the expiration and termination of the Factoring Agreement between Embecta and BD as we are now responsible for the collection of any outstanding trade receivables on a global basis.

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Table of Contents

The change in prepaid expenses and other are primarily driven by a reduction in payments during the first half of fiscal 2024 to BD for future payments made to third parties on our behalf as a result of our implementation of certain Business Continuity Processes, including our ERP system, that went live in fiscal 2024.

The change in income and other net taxes payable was primarily due to the timing of required tax payments.

The change in other assets and liabilities, net is primarily due to costs capitalized during fiscal 2024 associated with the implementation of our ERP system.

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 \$6.1 million for the six months ended March 31, 2024 to support further expansion of our business and operations.

Net cash used for financing activities was primarily attributable to:

Dividend payments	\$	(17.2)
Payments on long-term debt		(4.8)
Payments related to tax withholding for stock-based compensation		(2.7)
Payments on finance lease		(0.6)
Net cash used for financing activities	\$	(25.3)

Contractual Obligations

Our contractual obligations as of March 31, 2024, 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 2023 Form 10-K for further details. As of March 31, 2024, 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 2023 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 2023 Form 10-K. There have been no changes to our critical accounting policies as of March 31, 2024.

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, 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

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Table of Contents

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 TSA, the LSA, and other 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 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.
- Embecta's ability to obtain clearance from the FDA 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 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 the COVID-19 pandemic 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 may be more difficult, time-consuming or costly than expected, including 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.
- 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.

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 2023 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in information reported since the filing of the 2023 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 14, *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 March 31, 2024, a 100 basis points change in interest rates would have impacted interest expense on the Term Loan by \$9.3 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.

Item 4. Controls and Procedures.

An evaluation was carried out by Embecta's management, with the participation of Embecta's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Embecta's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of March 31, 2024. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to Embecta and its consolidated subsidiaries would be made known to them by others within these entities.

In 2022, the Company commenced on the process of building 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 Business Continuity Processes will occur in phases. The first phase of the implementation began in the fourth quarter of fiscal year 2023. The second phase began in the first quarter of fiscal year 2024 with the remaining phases expected to commence throughout the current calendar year. A standardized internal control framework is implemented with each phase as we move away from relying on BD's systems and controls.

Up until the second phase of the implementation of the Business Continuity Processes discussed previously, we relied on certain material processes and internal controls over financial reporting performed by BD. Subsequent to the second phase of this implementation, we have and will continue to rely on certain processes and internal controls over financial reporting performed by BD for China, Taiwan, India, and certain countries in Latin America.

Except as set forth above, there were no changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, Embecta's internal controls over financial reporting.

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 2023 Form 10-K and Embecta's Quarterly Report on Form 10-Q for the quarter ended December 31, 2023 filed with the Securities and Exchange Commission on February 9, 2024.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
10.1	<u>Amendment No. 2 to Transition Services Agreement, dated as of March 28, 2024, by and between BD and Embecta (Incorporated by reference to the Company's Current Report on Form 8-K filed on March 28, 2024)</u>
10.2	<u>Amendment No. 2 to Logistics Services Agreement, dated as of March 28, 2024, by and between BD and Embecta (Incorporated by reference to the Company's Current Report on Form 8-K filed on March 28, 2024)</u>
31.1*	<u>Certification of Chief Executive Officer, pursuant to SEC Rule 13a-14(a)</u>
31.2*	<u>Certification of Chief Financial Officer, pursuant to SEC Rule 13a-14(a)</u>
32.1**	<u>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</u>
32.2**	<u>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</u>
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.

Table of Contents

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: May 9, 2024

By: /s/ Devdatt Kurdikar

Name: Devdatt Kurdikar

Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2024

By: /s/ Jacob Elguicze

Name: Jacob Elguicze

Title: Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2024

By: /s/ Brian Capone

Name: Brian Capone

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: May 9, 2024

/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: May 9, 2024

/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 March 31, 2024 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: May 9, 2024

/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 March 31, 2024 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: May 9, 2024

/s/ Jacob Elguicze

Jacob Elguicze

Chief Financial Officer