

**S&P Global**  
Market Intelligence

**Revvity, Inc.** NYSE:RVTY

*Earnings Call*

*Monday, February 2, 2026 1:00 PM GMT*

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	9

# Call Participants

---

## EXECUTIVES

**Maxwell Krakowiak**

*Senior VP & CFO*

**Prahlad R. Singh**

*CEO, President & Director*

**Stephen Barr Willoughby**

*Senior VP of Investor Relations & Head of ESG*

## ANALYSTS

**Andrew Harris Cooper**

*Raymond James & Associates, Inc., Research Division*

**Brandon Couillard**

*Wells Fargo Securities, LLC, Research Division*

**Catherine Walden Ramsey Schulte**

*Robert W. Baird & Co. Incorporated, Research Division*

**Vijay Muniyappa Kumar**

*Evercore ISI Institutional Equities, Research Division*

**Daniel Anthony Arias**

*Stifel, Nicolaus & Company, Incorporated, Research Division*

**Daniel Gregory Brennan**

*TD Cowen, Research Division*

**Daniel Louis Leonard**

*UBS Investment Bank, Research Division*

**Joshua Paul Waldman**

*Cleveland Research Company LLC*

**Luke England Sergott**

*Barclays Bank PLC, Research Division*

**Tycho W. Peterson**

*Jefferies LLC, Research Division*

# Presentation

---

## Operator

Ladies and gentlemen, thank you for joining us, and welcome to the Q4 2025 Revvity Earnings Conference Call. [Operator Instructions] I will now hand the conference over to Steve Willoughby, SVP, Investor Relations. Steve, please go ahead.

## Stephen Barr Willoughby

*Senior VP of Investor Relations & Head of ESG*

Thank you, operator. Good morning, everyone, and welcome to Revvity's Fourth Quarter 2025 Earnings Conference Call. On the call with me today are Prahlad Singh, our President and Chief Executive Officer; and Max Krakowiak, our Senior Vice President and Chief Financial Officer.

I would like to remind you of the safe harbor statements in our press release issued earlier this morning and those in our SEC filings. Statements or comments made on this call may be forward-looking statements which may include, but may not be limited to, financial projections or other statements of the company's plans, objectives, expectations or intentions. The company's actual results may differ significantly from those projected or suggested due to a variety of factors, which are discussed in detail in our SEC filings. Any forward-looking statements made today represent our views as of today. We disclaim any obligation to update these forward-looking statements in the future, even if our estimates change. So you should not rely on any of today's statements as representing our views as of any day after today.

During this call, we will be referring to certain non-GAAP financial measures. A reconciliation of the measures we plan to use during this call to the most directly comparable GAAP measures is available as an attachment to our earnings press release.

I'll now turn it over to our President and Chief Executive Officer, Prahlad Singh. Prahlad?

## Prahlad R. Singh

*CEO, President & Director*

Thank you, Steve, and good morning, everyone. I'm glad you're able to join us to discuss our fourth quarter results and our initial outlook for 2026.

Overall, 2025 proved to be a dynamic year filled with both new challenges and significant opportunities for both our company and our customers. I'm pleased to share that in spite of the evolving circumstances we faced, we closed the year on a high note, with our fourth quarter revenue, organic growth and adjusted EPS, all surpassing our expectations. This strong fourth quarter performance enabled us to exceed our adjusted EPS guidance for the entire year.

It's especially impressive that even with the factors such as changes in NIH funding, evolving tariffs, pharma policy uncertainty, the extended U.S. government shutdown, foreign exchange movements and shifts in DRG-related volumes affecting our Diagnostics business in China, we were still able to deliver \$5.06 in adjusted EPS, surpassing the initial guidance we provided a year ago. Additionally, our 3% organic growth for the year was also within our original guidance range we outlined last January despite all the unexpected challenges we encountered throughout the year. Our ability to achieve our initial organic growth guidance and exceed our EPS guidance in spite of these hurdles speaks to Revvity's resilience, our agility and our overall ability to execute in those areas that are more fully within our control.

We were able to accomplish all of this while still delivering strong outcomes for our customers, our employees and our shareholders. In the fourth quarter, we saw positive momentum continue across our diagnostic businesses with both reproductive health and immunodiagnostics performing better than anticipated. This strength led to our Diagnostics segment organic growth being up 7% in the quarter overall.

In our Life Sciences segment, we also continued to see trends gradually move in the right direction across our end markets as our organic growth was flat year-over-year with positive low single-digit growth from our pharma customers and a low single-digit year-over-year decline in sales from our academic and government customers, which included a modest headwind from the U.S. government shutdown. Importantly, our sales of life sciences reagents and consumables were a bit better than we had expected and were flat year-over-year overall.

We also saw continued improvements in demand for our Life Sciences instruments during the fourth quarter as they were also roughly flat on a year-over-year basis. This performance for our instruments represented a strong double-digit sequential increase in total revenue as compared to the third quarter and marked a meaningful organic growth improvement compared to the more significant declines we've seen with these products fairly consistently over the past 3 years.

Given the strong finish to 2025 and the progress we've made over the past few years, we chose to reinvest a portion of this operating upside back into the company during the fourth quarter with a particular focus on supporting our employees who have remained highly dedicated and productive throughout the year. This resulted in our adjusted operating margins in the quarter being 29.7%. When combined with some below-the-line favorability, this led to our adjusted earnings per share in the fourth quarter to be \$1.70, which was \$0.11 above the midpoint of our guidance and \$0.06 above the high end. In addition to the meaningful progress we've made operationally in 2025, I'm very proud of what we've been able to opportunistically accomplish from a capital deployment perspective as well.

In 2025 alone, we've repurchased over \$800 million worth of our shares, reducing our share count by 8.5 million shares overall. This brings our repurchase activity since becoming Revvity in the middle of 2023 to over \$1.5 billion, representing nearly 15 million repurchased shares or about 12% of our total share count at the time. This robust repurchase activity during a period of elevated end market uncertainty demonstrates not only our continued confidence in our transformation and our medium- and longer-term potential, but also our continued disciplined stewardship of shareholder capital. We will continue to be both opportunistic and disciplined as we evaluate all capital deployment opportunities going forward, both organically and inorganically. While we began to see some encouraging signs during the fourth quarter and take note of a few different promising market tailwinds of late, such as stronger biopharma funding and M&A activity and greater clarity on future NIH funding.

We also want to remain cognizant in our initial outlook for 2026 that the signs of modest improvement we have seen to date have been only recent, and we continue to operate in what is a fluid end market and policy environment. Consequently, while Max will provide more details in a bit, we are reiterating for our organic growth this year to be in the 2% to 3% range as we are assuming recent end market trends continue over the course of the year. If these potentially favorable market conditions do result in customer demand recovering more than we currently anticipate in this outlook, we will look to appropriately update you on future quarterly earnings calls.

I'm happy to report that in mid-January, we closed on our previously announced acquisition of the software company, ACD/Labs. We are already in the process of integrating ACD into our Signals business and initial steps are underway to integrate its core product offerings into our main Signals One platform as well. We expect ACD to contribute a little over \$20 million in total revenue this year, which adds another roughly 75 basis points to our overall revenue growth for the year. So taking into account our 2% to 3% organic growth outlook and the expected tailwinds from FX and the ACD acquisition, it brings our total expected revenue this year to be in a range of \$2.96 billion to \$2.99 billion.

As we've highlighted in the past, we are making good progress with our various cost efficiency initiatives and remain on pace for them to be fully completed by the end of the second quarter. These programs include significant footprint consolidations, deeper commercial and operational integrations and greater supply chain and logistical synergies. While the impact will increase as the year goes on, especially in the second half of the year, we continue to expect these initiatives to result in our adjusted operating margins this year being 28% overall. We expect this all to result in our 2026 adjusted earnings per share to be in the range of \$5.35 to \$5.45, representing high single-digit adjusted EPS growth for the year. So overall,

we are positioned well as we enter 2026, and I'm optimistic that our end markets should begin to recover as we go through the year, which would provide even greater opportunities for us and our shareholders.

Another item we are extremely excited about as we move into 2026 is our recent introduction and upcoming launch of our AI models as a service platform, Signals Xynthetica. Our Signals Software business is perfectly positioned to capitalize on the potential of AI as it is the central repository and workflow engine for nearly all major pharma preclinical R&D activity across the globe and increasingly for many biotechs and small to mid-sized pharma companies as well. Preclinical scientists work within Signals One every day to create new data, analyze results and seamlessly share it with colleagues. With the introduction of Xynthetica, we are providing a platform where bench scientists will be able to seamlessly leverage industry-leading AI and ML models that are both publicly and privately available directly within their existing workflows.

The insights gained by leveraging these AI models will be used by scientists to more quickly iterate and improve their drug candidates in development, both in the wet lab and virtually, enabling a lab-in-the-loop approach to drug development. We expect this repeating loop of faster and more frequent refinement and advancements of drugs in development will ultimately accelerate drug development time lines versus previous methods.

As part of our Xynthetica launch, we also announced our important collaboration with Lilly and its TuneLab initiative. Lilly TuneLab's AI models are built on knowledge and insights from over \$1 billion of R&D investment by the company over the last decade. Lilly is not only making these models available to smaller biotechs in exchange for them sharing data back into the platform, but they are also co-funding with us access to our signals platform and providing Xynthetica modeling credits to biotech users, exemplifying our shared commitment to driving adoption and engagement of both platforms. Signals is embedded in nearly all major pharma companies around the world already. And now with Xynthetica and our collaboration with Lilly TuneLab, we can uniquely deliver functional AI capabilities directly to scientists in a completely transformative way.

So in closing, I'm excited that the power, differentiation and momentum that we have built at Revvity over the last several years is increasingly garnering more and more appreciation amongst our customers, our investors and even our competitors. Driven by leading innovation, coupled with strong and consistent operational and commercial execution, Revvity is on a strong path with a bright future, especially as key end markets likely continue to recover over the coming months and quarters.

With that, I will now turn the call over to Max.

**Maxwell Krakowiak**  
*Senior VP & CFO*

Thanks, Prahlad, and good morning, everyone. As Prahlad highlighted, we navigated and overcame many obstacles during 2025, and we're able to finish the year on a strong note in the fourth quarter as both our organic growth and adjusted earnings per share came in better than we expected. With the stronger finish, we were also able to take the opportunity to further reinvest back into our people while keeping our adjusted operating margins consistent with our expectations overall. I am proud of what we were able to accomplish last year as we were able to achieve both our organic growth and adjusted EPS expectations that were either in line to above our guidance coming into the year despite significant headwinds versus our initial assumptions.

From an innovation perspective, we introduced several very exciting new offerings and collaborations during the quarter, particularly in the areas of software and AI, and we remain opportunistically disciplined with our capital deployment by announcing the acquisition of the software firm, ACD/Labs, which closed a few weeks ago as well as by repurchasing another \$168 million of our shares. As we continue to remain extremely confident in the medium- and longer-term potential of Revvity, we use this opportunity to dramatically reduce our share count. I think this will bode extremely well for our shareholders once end markets more fully normalize and our overall financial performance moves back towards our long-range plan in the upcoming years. Our ability to opportunistically deploy capital like we have is a direct result of

our strong free cash flow generation and conversion over the last several years since becoming Revvity, combined with our strong balance sheet, both of which I expect to continue.

As we look to the future, we will continue to take a balanced and disciplined approach to deploying capital with a focus on pursuing the highest potential return opportunities in front of us. As we have shown in the past, I expect this will continue to represent an appropriate and balanced mix of buybacks, M&A and internal investments. While I will provide more specifics on our guidance for 2026 in a bit, as we look ahead to the future, I'm optimistic that our key end markets, which have been under pressure are beginning to show some signs of potential initial recovery, which would compare favorably to our current expectations that our end market demand trends continue to remain fairly similar to what they have been over the last 3 years.

Now turning to the specifics of our fourth quarter performance. Overall, the company generated revenue of \$772 million in the quarter, resulting in 4% organic growth. FX was an approximate 2% tailwind to growth, and we again had no incremental contribution from acquisitions. For the full year, we generated \$2.86 billion of revenue, which was comprised of 3% organic growth, a 1% tailwind from FX and no impact from M&A. As it relates to our P&L, we generated 29.7% adjusted operating margins in the quarter, which were down 60 basis points year-over-year, but in line with our expectations. For the full year, our adjusted operating margins were 27.1%, which were down 120 basis points year-over-year as margins were pressured from tariffs, FX and lower volume leverage. This was partially offset by an increasing contribution from recently implemented cost containment initiatives.

Looking below the line, our adjusted net interest and other expenses were \$23 million in the quarter. This brought the full year adjusted net interest and other expense to \$84 million. Our adjusted tax rate was 6.5% in the quarter, which benefited from the timing of discrete items, which happened to primarily fall within the fourth quarter. This resulted in a full year adjusted tax rate of 14.5%. As we've previously mentioned, we continue to remain active with our share repurchase program as we averaged 113.2 million diluted shares in the quarter, which was down over 2 million shares sequentially and resulted in our adjusted EPS in the fourth quarter being \$1.70, which exceeded the high end of our expectations. For the full year, our adjusted EPS was \$5.06, which is above the high end of our initial guidance at the beginning of the year and represented 3% growth year-over-year.

Moving beyond the P&L, we generated free cash flow of \$162 million in the quarter, resulting in 84% conversion of our adjusted net income. This brought our full year free cash flow to \$515 million, equating to 87% conversion of our adjusted net income. Our balance sheet remains strong as we finished the year with a net debt to adjusted EBITDA leverage ratio of 2.7x with 100% of our debt being fixed rate with a weighted average interest rate of 2.6% and weighted average maturity out another 6 years. As we evaluate capital deployment, we will continue to remain both flexible and disciplined in order to capitalize on the highest return opportunities while ensuring we maintain our investment-grade credit rating.

I will now provide some commentary on our fourth quarter and full year business trends, which are also highlighted in the quarterly slide presentation on our Investor Relations website. The 4% growth in organic revenue in the quarter was comprised of flat performance in our Life Sciences segment and 7% growth in Diagnostics. Geographically, we had flat performance in both the Americas and APAC, and we grew double digits in Europe. For the full year, we achieved 3% organic growth with 4% growth in Diagnostics and 2% growth in Life Sciences. The Americas grew low single digits, Europe grew high single digits and APAC declined in the low single digits.

From a segment perspective, our Life Sciences business generated revenue of \$382 million in the quarter. This was up 2% on a reported basis and flat on an organic basis. For the full year, our Life Sciences business was up 2% organically. From a customer perspective, sales in the pharma biotech rose in the low single digits in both the quarter and for the year, while sales into academic and government declined in the low single digits, both in the quarter and for the year.

Our Signals software business was flat year-over-year organically in the quarter, driven by the timing of renewals and difficult year ago comps when the business grew in the mid-30s. For the full year, our Signals business grew in the high teens organically. As it pertains to some of the software industry-specific metrics, our SaaS pipeline continues to grow with nearly 40% ARR growth as compared to last year, with

SaaS now representing approximately 35% of the overall business. Signals again had double-digit APV growth versus the prior year and maintained net retention rate of more than 110%.

In our Diagnostics segment, we generated \$390 million of revenue in the quarter, which was up 10% on a reported basis and 7% on an organic basis. For the full year, our Diagnostics business grew 4% organically. From a business perspective, our immunodiagnostics business grew in the high single digits organically in the quarter and in the mid-single digits for the full year. Strong performance outside of China was partially offset by double-digit declines for the business in China for the full year as we've continued to face DRG-related volume pressures, which we expect will continue until we anniversary them around the end of the second quarter this year. Our reproductive health business grew mid-single digits organically in the quarter and for the full year. Newborn screening continued to perform well and grew in the mid-single digits in the quarter and in the high single digits for the full year. Our reproductive health business has continued to meaningfully outperform underlying birth rate trends through fantastic operational and commercial execution and an increasing contribution from our work with Genomics England.

Now turning to our initial outlook for 2026. As we recently highlighted at a sell-side conference just a few weeks ago, while we may be starting to see some modest improvements in pharma and biotech customer sentiment, for the time being, we are expecting a continuation of the major end market trends that we've been experiencing over the last 2 to 3 years to continue as we move into 2026. Should demand trends sustainably improve more than this initial outlook, we would look to update you at an appropriate time. With this backdrop, we are reiterating our outlook for 2% to 3% total company organic growth in 2026. Using FX rates as of the end of December, we expect the impact from exchange rates to be an approximate 1% tailwind to our revenue given the weaker dollar.

With us closing the ACD/Lab software acquisition in mid-January, we expect this acquisition to add approximately 75 basis points to our overall company revenue growth this year. We expect this all to result in our 2026 total revenue to be in a range of \$2.96 billion to \$2.99 billion overall. As we've discussed at length over the past few quarters, given some of the unexpected headwinds we faced last year, such as tariffs, diagnostic volume pressures and FX, we chose to implement and accelerate additional cost efficiency measures in the second half of the year, which we anticipate will take until close to the end of the second quarter of this year to be fully implemented. It is because of these actions that we expect to be able to generate 28% adjusted operating margins this year, up from the 27.1% we reported for 2025. As we've also highlighted in the past, if we are able to generate upside to our organic revenue growth outlook this year above our initial 2% to 3% expectation, we would anticipate some additional leverage and margin expansion above this initial outlook as well.

We had another strong cash generation and conversion year in 2025, which I anticipate will continue going forward. As a reminder, we do have a low-cost EUR 500 million bond that is maturing this July, which we will look to retire. Because we will lose this currently favorable spread on our cash versus this low-cost debt and also have lower average cash balances as a result of our 2025 share repurchases, we anticipate our net interest expense and other to be approximately \$95 million this year, up from \$84 million in 2025. We clearly had some strong performance from our tax planning initiatives as we moved into the second half of 2025. While we could again see some benefit from our tax planning programs as we move throughout 2026, we are not going to assume any benefit from them in our initial outlook. Consequently, we are assuming an 18% adjusted tax rate in our initial 2026 guidance, up from the 14.5% we ultimately generated last year.

While the timing and impact from discrete tax items can vary year-to-year, I am still very proud of the progress we have been making as it pertains to our overall tax structure over the last few years. Given our progress, our normal annual tax rate has now been lowered to approximately 18%, down from our previous 20% level just a year or 2 ago. Lastly, given our significant share repurchase activity throughout 2025, we expect our diluted average share count to be approximately 112 million in 2026. We expect all of this to result in our full year 2026 adjusted earnings per share to be in a range of \$5.35 to \$5.45. Here in the first quarter, we expect our organic growth to be in line with our full year 2% to 3% outlook and a sizable 3% tailwind from FX given the weaker dollar year-over-year. While movements in FX do not

typically have a meaningful impact on our adjusted EPS, they can have an impact on both our revenue as well as our adjusted operating margins.

Consequently, between FX, our first quarter this year having 14 operating weeks, tariffs and not all of our cost efficiency projects yet being fully complete, we expect our adjusted operating margins here in the first quarter to be approximately 23% before stepping up in the second quarter and then further stepping up in the back half of the year. Our margin expansion will improve as we go throughout 2026 as we will increasingly benefit from the cost programs currently underway -- will anniversary tariff impacts and will not have as large of a headwind from FX beyond 1Q, assuming current rates continue. This all results in our first quarter adjusted earnings per share expected to represent approximately 19% of our full year earnings.

Overall, we finished off 2025 on a strong note with momentum into 2026. We are well positioned to capitalize as end market trends recover while still also being appropriately prudent with our initial outlook for this year, given continued market uncertainties and the dynamic environment we've experienced over the last 3 years. We have positioned the business well for the future, given our dedication to innovation and our ability to consistently deliver for our customers. When combined with our ongoing cost efficiency programs and robust share repurchase activity, we are well situated to see outsized performance should end markets recover more than we are currently anticipating.

With that, operator, we would now like to open up the call for questions.

## Question and Answer

---

### Operator

[Operator Instructions] Your first question comes from the line of Dan Brennan with TD Cowen.

### Daniel Gregory Brennan

*TD Cowen, Research Division*

Congrats on the quarter, Prahlad and Max. Maybe just on the 2% to 3% organic guide, I know you started talking about it back, I think, early September. And this was prior to the first MFN deal meeting struck by Pfizer. I think we've had 13 other signs since then. So there are definitely signs the biotech market is improving as well. So just -- I know you've talked about it throughout this call about the arguable conservative nature to start here and you're leaving room for upside. But nonetheless, given you had that anchored back then and things haven't improved, I'm just wondering if you could provide more color on this 2% to 3% framework and kind of what the potential upside could be as the year unfolds?

### Maxwell Krakowiak

*Senior VP & CFO*

Yes. Thanks, Dan. Look, so I think as we think about our 2026 guidance, to your point, it is consistent with the framework that we provided back in September. And yes, there have been some positive signs in our end markets since September. Therefore, I think as we look at the guidance for 2026, we do believe that there are multiple paths to potential upside across both revenue and EPS.

When you look at things from a revenue organic growth perspective, some of those paths, starting first on the Life Sciences side, so one, we aren't really modeling any improvement in the preclinical markets across both pharma biotech and academic and government. I think we continue to see positive trends in pharma biotech, whether that's around the MFN deals and the certainty that brings our customers, the biotech funding environment, the M&A environment, there's definitely been some positive indicators over the past couple of months. And look, it's tough to believe that academic and government is going to be as challenged as it was last year.

The second thing, from a software perspective, we have the launch of some new products at the end of '25, early '26. We are not embedding any material benefit from those software launches in 2026, but obviously, there's a potential that those could accelerate quicker.

And then I think when you look at things from a Diagnostic side, on the newborn screening side, in particular, we're assuming more LRP-type performance for that business as opposed to the outperformance that it's driven over the past couple of years. There's nothing fundamentally changing there other than just a more prudent assumption to start off the year.

And then secondly, from an immunodiagnostics side, we are taking a little bit more, I would say, of a conservative and prudent approach on some of the expectations for our China IDX business, which at the end of 2026, will be less than 5% of total company revenue, but we are taking, I would say, a more prudent assumption there.

So then from an EPS perspective, right, a couple of potential opportunities for upside. One, as it relates to from a margin perspective, I just talked about multiple paths from a organic growth upside. If those were to come through, we've previously mentioned that we would expect that to come with incremental margin expansion above the 28% baseline that's embedded in our guidance.

And then secondly, from an EPS perspective, I'd say there's opportunity from upside from a below-the-line perspective. Obviously, we finished 2025 with a lot of momentum in terms of some of our tax planning initiatives. And as we've mentioned in the prepared remarks, we're not really embedding any further upside or execution from a tax planning perspective or any benefits from any discrete items from the year, which we generally have a track record of being able to execute on. So I think that's how I think about it in terms of the upside, both from an organic growth perspective and also from an EPS perspective.

**Daniel Gregory Brennan***TD Cowen, Research Division*

Great. And then maybe just as a follow-up, just on the Life Science side. Is it really just preclinical spending recovering that's going to drive the strength in instruments and reagents? Are there any share potential there? And what can we be watching to get ahead of like when those businesses could start to turn up?

**Maxwell Krakowiak***Senior VP & CFO*

Yes. Look, so I think from a preclinical perspective, I think one -- a big part of that is just continued momentum in the end market. I talked about some of the positive signs we're seeing there. And so really just a continuation of the demand development of those positive indicators.

In terms of your comment on share, I would argue we've been taking share over the past couple of years, continuously in the preclinical market, particularly within the reagents business. And so I think that's something that we look to continue to execute upon.

**Operator**

Your next question comes from the line of Dan Arias with Stifel. [Operator Instructions]

**Daniel Anthony Arias***Stifel, Nicolaus & Company, Incorporated, Research Division*

Max, on software, to your point, you have a handful of new products that you're launching here. Can you just sort of refresh us on the timing of coming to market and then what your uptake trajectory might be? I mean it doesn't sound like you have much baked in for this year, but what should we think about the curve looking like? And then how quickly do you think that gets you back to the 9% to, I believe, 11% range that you've laid out as an LRP for software?

**Prahlad R. Singh***CEO, President & Director*

Yes. Let me take that, Dan. As you saw in our results for last year, in our Signals business, obviously, overall, is doing extremely well. And as you pointed out, with the upcoming launch of BioDesign, the introduction of Xynthetica and the launch later this year of LabGistics, our Signals business actually is in the midst of the most significant new product introduction phase in its history.

Despite historically it being focused primarily on small molecule workflows, its revenue CAGR is solidly in the double digits. And as you pointed out, above our LRP assumption of 9% to 11%. So even before all these new product launches, the advent of AI or how we might participate there, the business is already performing better than we expect from it over the coming years.

I would say, as you pointed out to these new product launches and our new focus to also start gaining traction in other end markets such as material sciences, there is good potential for our growth rates in this business to accelerate even further despite having to grow off a larger base of revenue. So obviously, while we are not going to revise our LRP assumption of a particular business on an earnings call, I would reiterate, as I've said in the past, but we would be really disappointed if this business does not at least double in revenue over the next 4 to 5 years, which would imply something closer to a 15% organic growth, right?

**Daniel Anthony Arias***Stifel, Nicolaus & Company, Incorporated, Research Division*

Okay. Helpful. And then maybe just on biopharma, Prahlad. You referenced biotech funding improvements as something that can help the recovery here. You're not alone, several of your peers have done that, too. I'm just curious, if you dig into the order book, are you finding that some of the early uptick signals that you're talking about, are they coming from the companies that have successfully raised money, and

so that makes you kind of feel okay about the thesis? Or is that a trend at all that you're seeing in the discovery space? I'm just trying to understand whether better biotech funding is actually something that we can count on for 2026?

**Prahlad R. Singh**

*CEO, President & Director*

Yes. Then I would say it's a combination of both. Obviously, we started seeing some modest improvement in the fourth quarter from these customers. I think it's a lot more clarity and confidence in the policy and regulatory environment that we saw compared to the earlier part of '25, which is allowing more action and more meaningful decisions.

And on the behavior that we see with the uptick in biotech M&A improvement in the funding, I think all of these are contributing. So I wouldn't say that there is one lever, but definitely, there's just the confidence that you are seeing and consistency. But we've got to see this for a longer period of time before we make a call on a true durable uptick. But I'm optimistic that these customers are starting to move on the right path.

**Operator**

Your next question comes from the line of Vijay Kumar with Evercore ISI.

**Vijay Muniyappa Kumar**

*Evercore ISI Institutional Equities, Research Division*

My first one, maybe on the guidance 2% to 3%. How are you thinking about Life Science versus Diagnostics relative to that 2% to 3% corporate? Your exit rate was 4%, diagnostics 7%. Anything one-off in the diagnostics 7% in the Q4?

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes, Vijay, look, so I think as you think about the framework of the 2% to 3% organic growth for 2026, right, I would say Life Sciences is embedded in sort of a low single digit as well as Diagnostics.

Breaking it down further within the Life Sciences business, we've got Life Sciences Solutions at low single digits and then software at mid-single digits. Within that Life Science Solutions bucket, we anticipate low single-digit growth in our reagents business and flattish performance from our instrumentation.

And then as we look at things from a Diagnostics side, we've got, again, low single-digit overall for DX. And then embedded underneath that, you have reproductive health growing at mid-single digits and immunodiagnostics growing at low single digits given the headwinds from China. But outside of China, we still expect our immunodiagnostics business to grow in the high single digits for 2026.

**Vijay Muniyappa Kumar**

*Evercore ISI Institutional Equities, Research Division*

That's helpful, Max. Maybe, Prahlad, one for you on M&A environment. I'm curious how you're thinking about deal size? I know you mentioned returns metrics have to clear the hurdles. What is the potential for a merger of equals? Would that be on the table?

**Prahlad R. Singh**

*CEO, President & Director*

Yes, Vijay, obviously, we continue to evaluate redeploying cash into potential M&A targets. But it has to make a strong strategic addition to the company, not just for size and scale. Our focus is on software and life sciences reagents, primarily. And then as you pointed out, with our multidisciplinary criteria, we haven't seen yet any targets that are compelling enough, either from a financial profile or an expected return perspective to move forward with.

**Operator**

Your next question comes from the line of Josh Waldman with Cleveland Research.

**Joshua Paul Waldman**

*Cleveland Research Company LLC*

Two for you. Prahlad, I wondered if you could provide more detail on what you saw within pharma biotech within the Life Sciences Solutions business. I believe you mentioned no budget flush. Was the improvement in the quarter fairly evenly dispersed over the 3 months. And then were these more like longer-term projects that started to flip to orders? Or did you see the actual new opportunities coming into the pipeline start to ratchet up?

**Prahlad R. Singh**

*CEO, President & Director*

Josh, let me give you an overall color. And again, I think it's very similar to what I've said during Dan's question. I think overall, what we've seen is cautious optimism and consistency in terms of order trending. I wouldn't say that there was a budget flush. I think that's the way I would think of it. But what I would say, a lot more clarity and confidence in policy and regulatory environment enables our pharma biotech customers to plan appropriately and with more degree of confidence as we get into 2026.

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes. And I would just say from a financial perspective in the fourth quarter, Josh, when you look at the performance of Life Sciences Solutions, it really kind of came in line with our expectation. Reagents were a little bit better than we had anticipated in the fourth quarter, coming in at approximately flattish versus a down low single-digit assumption heading into the fourth.

And then from an instruments perspective, although it was significantly improved from the trends that we saw over the past 12 quarters, it was a little bit lighter than what we had anticipated, but it also came in at around flattish for the fourth quarter, which again was a significant improvement versus the trends we've seen over the past 3 years.

**Joshua Paul Waldman**

*Cleveland Research Company LLC*

Okay. And then on the Diagnostics business, can you run through the areas that came in better than expected, either from a product angle within the subsegments or geographic? And then how durable do you think this is going into '26? Do you think Diagnostics could also be a source of upside to the 2% to 3%? Or is it more really the Life Science business on the back of pharma biotech that could produce the upside?

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes. So I think as you look at the Diagnostics performance in the fourth quarter, it did come in better than expectations. We had expected about positive mid-single-digit growth, and it came in at a high single-digit growth. When you really look at the drivers of that, I would say, one, we did have continued strength globally in newborn screening, which was a tailwind to us versus our expectations. And then the second component was immunodiagnostics did a little bit better globally as well. Some of that though was around instrument-related timing, and so there was a little bit of additional tailwind from that.

As you think about how that then dovetails into 2026, as I mentioned in the response, I think it was to Dan's initial question on where is upside, we definitely think we have some upside in the Diagnostics business. The first area, as I mentioned, we have a more prudent assumption around newborn screening versus what we've seen over the past couple of years. Again, nothing is fundamentally changing there. Just a more prudent assumption to start the year that's more in line with our LRP.

And then the second dynamic is around immunodiagnostics. We've mentioned that we've taken, again, a little bit more of a conservative assumption on immunodiagnostics in China, just given some of the

uncertainty there that's happened over the past couple of years, but nothing is fundamentally changed. And should it have played out, we could see some potential benefit there as well. So that's how I kind of think about the upside for Diagnostics in '26. It's not just related to the Life Sciences business.

### Operator

Your next question comes from the line of Luke Sergott with Barclays.

### Luke England Sergott

*Barclays Bank PLC, Research Division*

Just wanted to follow up on that last China DX question on the IDX. I understand that you're taking a little bit more prudent outlook here. Does that have anything to do with kind of what peers are talking about from potential increasing of DRG or VBP plans over there to get into cancer or oncology testing? I don't imagine you have a lot of exposure to those types of tests. But just what are you guys hearing over there from that perspective? Is that -- that's what's leading to that prudence?

### Maxwell Krakowiak

*Senior VP & CFO*

Luke, look, as I think about China IDX, Again, I think the first thing I want to call is, again, this will represent less than 5% of the total company revenue in 2026. So this continues to just become an overall smaller piece of the portfolio.

I would say from a market perspective, we've not seen anything fundamentally change in the past 90 days. There has been, I think, some noise around potential theoretical new policies that could come in place. But again, those are theoretical and no real details have really been released. And then as you mentioned, some of the policy changes related to oncology, et cetera, it really don't impact our business. So I would say the punchline for us is nothing has really fundamentally changed. This is really just a matter of us taking a more prudent assumption for what's going to happen in China IDX for 2026.

### Luke England Sergott

*Barclays Bank PLC, Research Division*

All right. Great. And then on the interest piece, life science instruments, you guys are assuming that flat for '26. Can you just give us a look at like what the -- and what kind of the backlog looks like or the demand is like? Just kind of mirroring, I guess, the last year, any type of pacing or pickup that you guys see throughout the year?

### Maxwell Krakowiak

*Senior VP & CFO*

No. Look, I would say from an instruments perspective, nothing particular to call out. Again, most of our projects generally have 4 to 5 months lead time. Most of our instrumentation is customized. And so we have generally good visibility from a funnel perspective. Again, we had talked about the funnel strength we were seeing heading into the fourth quarter. Again, that mostly largely played out as anticipated. It was still a really good performance for our instruments business in the fourth quarter. And so I would say, as you think about the flattish assumption, again, this is assuming a similar CapEx environment that we just faced in 2025, and I think there's been some real indicators that things could be improving, but we need to see it over the course of a couple of quarters before we start rolling that into the numbers.

### Operator

Your next question comes from the line of Andrew Cooper with Raymond James.

### Andrew Harris Cooper

*Raymond James & Associates, Inc., Research Division*

Maybe just to start with margins. Can you just give a little bit more of a breakdown of some of the moving parts for the year, especially the first quarter? I mean, we're used to some drop from 4Q to 1Q, but what

would you call normal versus the tariffs, versus FX, versus cost saving program costs? Just help us size some of those moving pieces would be great.

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes. Absolutely, Andrew. So I think, look, when you think about things from an operating margin perspective, it is, to your point, normal for us to have Q1 be, I would say, several hundred basis points below our full year operating margin. Then normally Q2, Q3 is kind of in line with the full year and the fourth quarter is several hundred basis points above our full year operating margin.

I think as you look at 2026, both the first quarter and the second quarter would be, I would say, lighter than normal, and there's for a couple of reasons for that. First, as you look at the first quarter, you do have the impact of the extra week, which is an operating margin headwind for us. And then secondly, as we mentioned in the prepared remarks, our cost actions are going to continuously be executed throughout the first half of the year without being fully completed until the end of the second quarter. So you will get a little bit of a cost productivity benefit in the second half once those are 100% actioned.

**Andrew Harris Cooper**

*Raymond James & Associates, Inc., Research Division*

Okay. Helpful. And then maybe just as a follow-up. High-level launching products sometimes into what we'd all admit is still a challenging kind of end market is always a little bit tricky. I mean how have you guys calibrated some of the software launch expectations? And is it different given, I think all the new launches are more SaaS-oriented versus kind of on-prem upfront license fee. But how does this constrained capital environment impact the way you go to market with these newer products, if at all?

**Prahlad R. Singh**

*CEO, President & Director*

Yes. Andrew, I mean, the way our software business is set up, is you just -- essentially, you have an installed base and most of these product launches go into the Signals suite. So it is more of an upsell opportunity that comes in. And then that rolls over, in some cases, when the contracts come up for renewal, in some cases, based on the customers' needs that they might have an immediate need for it.

And as we've talked about earlier, right, most of what you -- our product launches, whether it's around BioDesign or LabGistics, are based on customers' demand and asks from the user group that the team puts in place. So there has been more of a pull for these than a push of a new NPI. So we expect them to start gaining traction earlier as we move from small molecules to larger molecules with BioDesign, but generally, it takes a few quarters for them to start gaining traction.

**Operator**

Your next question comes from the line of Dan Leonard with UBS.

**Daniel Louis Leonard**

*UBS Investment Bank, Research Division*

I've got another China diagnostic question. Fully appreciate that China immunodiagnostics is less than 5% of your revenue. But how confident are you that this returns to growth in the second half of the year?

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes. Dan, thanks for the question. Again, it's on China IDX, I would say that as we have taken a more prudent assumption, I would say we are no longer forecasting a return to low single-digit growth in the second half of the year. We expect it to now be, I would say, down slightly in the second half of the year. And again, that just goes to what we're calling a more prudent and conservative assumption as we head into 2026, nothing has fundamentally changed about the underlying market conditions.

**Daniel Louis Leonard**

*UBS Investment Bank, Research Division*

And an unrelated follow-up, I could just use some help better understanding how you're framing the economic opportunity for that AI drug discovery offering in software.

**Prahlad R. Singh**  
*CEO, President & Director*

Yes, Dan. I mean, look, the fact is that as we talked about at a health care conference earlier during the year, and we went through what Xynthetica does. We really feel it's a very exciting area for us as a company. And I think -- I would be bold enough to say for the industry as a whole.

Xynthetica for me is not an AI. It's even more potentially important in the near term as it is in the longer term because what it does is it brings to action how drug discovery happens. When you think of it today, you move from only being a wet lab to doing in silico modeling and being able to then link it back to what happens in the wet lab, bring it back on to the Xynthetica platform.

The Signals suite provides a platform or a marketplace where all of this can happen in one place without you having to being a software expert. I think that's the value of Xynthetica. It provides a federated model where you are able to curate, put AI modules on one platform that are validated, and be able to use them and enable drug discovery to happen in an accelerated form. I think in the longer term, the benefit of what you will see from that is not just on productivity and efficiency, but also acceleration of drug discovery. So we really are, needless to say, very excited about Xynthetica. And then the first one of, hopefully, a few, is the partnership that we have announced with Lilly on that initiative.

**Operator**

Your next question comes from the line of Brandon Couillard with Wells Fargo.

**Brandon Couillard**  
*Wells Fargo Securities, LLC, Research Division*

Just one for me. Max, free cash flow conversion has improved for the last 2 years. I didn't hear you talk about a target for this year, but just kind of give us a little more color on kind of the levers to improvement there and kind of where you're seeing free cash flow shake out for '26?

**Maxwell Krakowiak**  
*Senior VP & CFO*

Brandon, yes, look, I think from a free cash flow conversion standpoint, we've continued to execute, I would say, incredibly well over the past couple of years. I think if you look on average over the past couple of years, it's been close to a 90% free cash flow conversion for us, which is obviously, again, a dramatic change from where we were. If you go back a handful of years ago, we were hovering kind of around 70% conversion. And I think there's really been a couple of drivers of that. One, we continue to execute on some of the working capital initiatives that we have across the company. Two, I would say it's a benefit of the portfolio we have now with the higher reoccurring mix of product. And then three, we really made sure that everyone across the company is incentivized and has targets from a cash flow perspective, which is really starting to pay a lot of dividends.

I think as you look at 2026 and the expectation, we do expect to have continued momentum. Our LRP kind of calls for 85% conversion or greater on a given year. And I think that's the expectation we have for 2026 as well.

**Operator**

Your next question comes from the line of Catherine Schulte with Baird.

**Catherine Walden Ramsey Schulte**  
*Robert W. Baird & Co. Incorporated, Research Division*

Just one for me as well. Can you just size how much benefit 1Q organic growth has from the extra week? And any other pacing commentary on how to think about organic growth for the rest of the year, maybe what's implied in the guide for a 4Q exit rate?

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes. Catherine, look, so I'll actually answer the second part there first. From an organic growth cadence over the course of the year, we're calling for 2% to 3% here in the first quarter, which is in line with the full year. I would say we're expecting relatively consistent performance around that 2% to 3% for each quarter of the year. So it's relatively consistent there.

And then I think as you look at the extra week financials, just to talk through some of the different moving pieces across the entire P&L. From an organic growth perspective, we expect it to be about 100 bps tailwind to OG in the first quarter. That's roughly 20 basis points for the full year. The benefit from a revenue perspective, the majority of that tailwind is really from our life sciences reagents business as we pick up a couple of extra selling days. And then there's a little bit of service and software contract amortization. We are not expecting an impact across our DX or CapEx purchases from our customers.

I think then when you look at it from a margin perspective, it is a headwind for us as you do have an extra week of cost, which is predominantly labor driven. Obviously, you have to pay your employees for that extra week. And so that ends up actually being a margin headwind for us, which is again leading to the lighter than normal Q1 margins.

And then from an EPS perspective, it's roughly about a \$0.06 headwind that we're facing for the first quarter related to that extra week due to the margin, and then there's a little bit of extra net interest expense below the line as well.

**Operator**

Your final question will come from the line of Tycho Peterson with Jefferies.

**Tycho W. Peterson**

*Jefferies LLC, Research Division*

I wanted to just touch on reagents. I appreciate all the color in 4Q a little bit better. But just curious, last quarter, there was noise on margins, discounting, promotional activity by some of your peers. Can you just talk a little bit about competitive dynamics on the reagent side, how you're thinking about pricing and margins there on consumables, if the top line does come back a bit?

**Prahlad R. Singh**

*CEO, President & Director*

Yes. Tycho, I think as Max pointed out, we feel very good about the way the business has been playing out. And I think we've taken some share. So we've not seen any margin dilution per se on the reagents business, and it continues to do well for us and bodes well for the way we are looking at how it is positioned in 2026. So I wouldn't say that from our perspective, there was any noise either in terms of margins or share. I think we did well on both.

**Tycho W. Peterson**

*Jefferies LLC, Research Division*

Okay. And then the second question and last one is just on instruments. Curious if we can get a little more color just on the various buckets, how you're thinking about liquid handling in vivo, high-content screening, obviously, some GLP benefit there. Maybe just talk about the 4 buckets on the instrument side and what's baked in for each of those this year.

**Maxwell Krakowiak**

*Senior VP & CFO*

Yes, Tycho. Look, from an instruments perspective, we're not going to guide by subproduct line. But I think as you think about the trends, right, particularly around high content screening, high-content screening for us, we had mentioned, was looking at a strong fourth quarter. It did end up being strong, I would say, double-digit growth in the fourth quarter as we continue to see momentum there, which again, really is sold into the pharma biotech environment. And so from that perspective, we expect the high content screening momentum to continue in 2026. And I would say the rest of the portfolio, again, we expect it to be, I would say, relatively flattish as we kind of come off the lower baselines here exiting 2025.

**Operator**

There are no further questions at this time. I will now turn the call back to Steve for closing remarks.

**Stephen Barr Willoughby**

*Senior VP of Investor Relations & Head of ESG*

Thank you, Nicole. Thanks, everyone. We look forward to catching up with you over the remainder of this week, and hopefully see you in person at upcoming conferences in the next month or so. Have a good day.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

© 2026 S&P Global Market Intelligence.