

# Solventum: Which Path for Health Information Systems?

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## **Student case • Information cutoff: August 5, 2026, end of day ET**

On August 5, 2026, Solventum announced its intention to pursue a separation of its Health Information Systems (HIS) business. The company said it would evaluate three broad pathways: HIS as an independent company, a combination with a scaled player, or another transaction. It targeted completion within 12 to 18 months, but said no ultimate structure or timing had been decided and that a separation was not assured. Any transaction would require customary approvals, including the Solventum board and regulators. [S1, Exhibit 99.1, pp.1-2, lines 10-18, 35-39.]

For this classroom exercise, assume you advise Solventum's strategy committee on how to conduct the review and which pathway, if any, deserves priority. The advisory assignment is a teaching construct; public disclosures do not establish a scheduled board vote or an internal committee mandate. Your task is to recommend decision criteria, a process and evidence gates-not to treat a transaction as already selected.

## **What would separation solve?**

Solventum described HIS as a healthcare software business with \$1.4 billion in sales for the twelve months ended December 31, 2025. It said HIS's solutions were used in more than 75% of U.S. hospitals, deployed in over 30 countries and processed about 660 million clinical documents monthly. The company estimated a roughly \$10 billion addressable market growing 5-6% annually. Those reach, volume and market figures are management claims, not independently verified measures. [S1, pp.1-2, lines 14-18.]

Management's argument was that separation could sharpen Solventum's focus on MedSurg and Dental Solutions, while giving HIS a dedicated management team and greater autonomy over investment and growth. It highlighted autonomous coding, international markets, partnerships and acquisitions as possible HIS growth avenues. These are the company's expected benefits, not results already demonstrated. [S1, pp.1-2, lines 12-17, 26-33.]

The financial profile gives the review something concrete to assess. HIS reported \$1.360 billion in FY2025 net sales and \$496 million in segment operating income, or 36.5% of sales. In Q2 2026, sales were \$354 million, up 4.4% reported and 5.4% organically; segment operating income was \$145 million, or 41.0% of sales. For the first six months of 2026, sales were \$696 million, up 4.3% reported and 5.1% organically; segment operating income was \$276 million, or 39.6% of sales. [S2, pp.34-35, lines 1429-70; S4, pp.49-50, lines 1589-1613.]

The trends were not uniform across products. Solventum attributed growth to continued adoption of 360 Encompass and Performance Management solutions. It said clinician-productivity solutions declined because of changing market conditions. Management

attributed higher HIS segment margins to price, favorable mix and savings. [S2, p.34, lines 1450-70.]

Those segment figures do not provide a standalone income statement. Solventum's CEO uses segment operating income to allocate resources and guide annual budgeting, but the company does not provide the CEO with discrete asset information by segment. Corporate and unallocated items include amortization, restructuring, litigation, transaction-related costs and other items. [S2, pp.24-25, lines 1047-59.]

## The separation boundary

Solventum reported \$403 million in cash and cash equivalents and \$5.079 billion in total debt at June 30, 2026. About \$291 million of cash was held by foreign subsidiaries and \$112 million in the United States. These are company-level balances; no HIS cash or debt allocation was disclosed. Solventum said discretionary cash could be directed to strategic acquisitions, share repurchases or debt repayment. [S2, p.14, lines 664-70; p.35, lines 1472-85.]

The separation review had a cost, but the disclosed figure did not settle the economics. The Q2 results release recorded a \$6 million pre-tax planned-HIS-separation adjustment in its adjusted-results reconciliation for Q2 2026 and \$6 million for H1 2026. The same Q2 expense is included in the H1 figure. The disclosure establishes an incurred-to-date amount, not the full transaction cost, future cash timing or HIS's standalone cost base. [S3, Exhibit 99.1, lines 398-440, 456-496.]

Transition arrangements create another boundary problem. Solventum reported \$201 million of transition-agreement expenses with 3M during H1 2026 across the company; it also attributed part of lower operating cash flow to payments connected to exiting some 3M agreements. Separately, after selling its Purification & Filtration business, Solventum provided transition services to Thermo Fisher and recorded \$36 million Q2/\$70 million H1 of related income within SG&A as an offset to service-support costs. That income included recognition/amortization of the initially \$113 million unfavorable contract liability associated with the agreements, of which \$76 million remained at June 30. These are distinct arrangements, and neither figure tells you what HIS would need to pay for standalone services or receive under an HIS transition-services agreement. [S2, pp.9, 23-24 and 35, lines 432-35, 1025-45, 1504-12.]

The company's Q2 filing says the review may not identify or implement a transaction, may be delayed or abandoned, or may result in another structure or no action. Costs may be incurred whether or not a transaction closes. Solventum also warned of uncertainty for customers, employees and counterparties, and of management attention diverted from operations. It did not quantify these effects. [S2, p.39, lines 1652-55.]

## The choice

The disclosed pathways differ in autonomy, capital access, possible scale and execution risk. No counterparty, offer, price, synergy estimate, financing plan or final structure was public at the cutoff. "Other transaction" was not defined further. The board therefore faced both a pathway question and a process question: what evidence would make one route better than the others, and at what point should the company narrow its choices?

1. **Develop the independent-company pathway.** Assess whether HIS can fund its product and commercial agenda as a standalone business, what management and public-company costs would be added, and what debt, assets and transition services it would require.

2. **Test a combination with a scaled player.** Determine whether an actual partner could add distribution, capabilities, investment or cost advantages-and compare those with integration, control and customer-continuity risks. No partner or offer had been disclosed.
3. **Keep other structures and no action available.** Continue to evaluate other transaction structures or abandon the review if evidence does not support a value-creating transaction. No public source estimates the value or terms of these paths.

### Exhibit 1. HIS operating measures

| Period  | Net sales (\$m) | Reported growth | Organic growth | Segment operating income (\$m) | Segment operating income / sales |
|---------|-----------------|-----------------|----------------|--------------------------------|----------------------------------|
| FY2023  | 1,285           | -               | -              | 423                            | 32.9%                            |
| FY2024  | 1,306           | 1.6%            | 1.6%           | 431                            | 33.0%                            |
| FY2025  | 1,360           | 4.1%            | 4.0%           | 496                            | 36.5%                            |
| Q2 2025 | 339             | 3.4%            | 3.2%           | 120                            | 35.5%                            |
| Q2 2026 | 354             | 4.4%            | 5.4%           | 145                            | 41.0%                            |
| H1 2025 | 667             | 3.5%            | 3.5%           | 229                            | 34.3%                            |
| H1 2026 | 696             | 4.3%            | 5.1%           | 276                            | 39.6%                            |

**Source and note:** Solventum 2025 Form 10-K, pp.49-50, and Q2 2026 Form 10-Q, p.34 (S2/S4). All values are company-reported and rounded. Reported growth and organic growth differ; do not substitute one for the other. Segment operating income is not a post-separation earnings forecast or standalone profit measure.

### Exhibit 2. What the pathways establish-and leave open

| Path under evaluation                | What Solventum said                                                                                          | Information not disclosed at cutoff                                                                                                                |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| HIS as an independent company        | HIS would have a dedicated management team and control over its strategic direction and resource allocation. | Standalone costs, assets, debt and cash; capital needs; transition-service scope and price; tax structure; customer or employee retention effects. |
| Combine with a scaled player         | Solventum is evaluating a combination with a scaled player in the space.                                     | Counterparty, offer, purchase price, financing, synergies, integration costs and governance terms.                                                 |
| Other transaction                    | Solventum will evaluate other transaction structures.                                                        | The structure, parties, economics and terms.                                                                                                       |
| No transaction / different structure | The Q2 filing says the review may be abandoned, delayed, changed or result in no action.                     | Decision thresholds, future review cost, and conditions under which Solventum would stop or redesign the process.                                  |

**Source and note:** Solventum's Aug. 5, 2026 Exhibit 99.1, p.2, lines 35-39, and Q2 Form 10-Q p.39, lines 1652-55. This table summarizes disclosed possibilities and uncertainty; it does not

imply that each path is fully defined or equally actionable.

### Exhibit 3. Company-level financial and transition context

| Measure                                                              | Reported amount     | Period / scope                                                                                                                                                                                     |
|----------------------------------------------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash and cash equivalents                                            | \$403m              | June 30, 2026, companywide; \$112m U.S., about \$291m foreign                                                                                                                                      |
| Total debt                                                           | \$5,079m            | June 30, 2026, companywide; \$506m current and \$4,573m long-term                                                                                                                                  |
| 3M transition-agreement expenses                                     | \$201m              | H1 2026, companywide                                                                                                                                                                               |
| Planned HIS-separation adjustment in adjusted-results reconciliation | \$6m                | Q2 2026 and H1 2026; same cumulative cost, not additive                                                                                                                                            |
| P&F buyer transition-service income recognized                       | \$36m Q2 / \$70m H1 | Companywide; recorded within SG&A as an offset to service-support costs; includes recognition/amortization of the initially \$113m unfavorable contract liability, with \$76m remaining at June 30 |

**Source and note:** Q2 2026 Form 10-Q, pp.9, 14, 23-24 and 35, and furnished Q2 results Exhibit 99.1, lines 398-440 and 456-496 (S2/S3). Figures have different scopes and accounting treatments; the \$6m is incurred-to-date, not a full/future HIS transaction-cost estimate. P&F transition-service income is an SG&A offset to support costs-not net profit, cash or an HIS TSA proxy. 3M services received, P&F buyer services provided and planned HIS separation costs are separate categories. None establishes HIS's standalone cost base or post-transaction liquidity.

### Your assignment

Prepare a short recommendation for Solventum's strategy committee:

- Which pathway should receive priority in the review, and what is your strongest argument against that choice?
- What criteria should Solventum use to compare the pathways, and what evidence would be needed before making an irreversible commitment?
- Which milestones should be used to narrow, continue or stop the process?
- What evidence would cause you to change your recommendation?

You may state assumptions for analysis, but label them. Do not assign the company's cash, debt, transition costs or segment income to HIS without evidence. Do not infer an offer, synergy, tax result, standalone profitability or transaction value that Solventum had not disclosed by the cutoff.

### Selected sources

- **S1:** Solventum, "Solventum Announces Intent to Separate its Health Information Systems Business," Aug. 5, 2026, [SEC Exhibit 99.1](#).
- **S2:** Solventum, Form 10-Q, quarter ended June 30, 2026, filed Aug. 5, 2026, [SEC filing](#).

- **S3:** Solventum, Q2 2026 financial results, Aug. 5, 2026, furnished Form 8-K Exhibit 99.1, [SEC exhibit](#).
- **S4:** Solventum, 2025 Form 10-K, filed Feb. 27, 2026, [SEC filing](#).

Academic sources and reading-depth notes appear in the research source register.