2Q20 and 6M20 Results

Our Purpose

Reimagining
animal health

Highlights

Company's consolidated net revenue grows 6% in 6M20, amounting to R$ 284 million

Gross margin in 6M20 grows 1 p.p. and reaches 50%

Operating cash generation at R$ 79 million in 6M20

Net debt declines 21% in the semester and leverage is 1.6x EBITDA

Conference Call

Portuguese with simultaneous translation into English
August 07, 2020
3:00 pm (BRT) / 2pm (US EDT)

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Cravinhos, August 6, 2020 - Ouro Fino Saúde Animal Participações S.A. ("Company" or "Ourofino") (B3: OFSA3), a company engaged in research, development, production and sales of veterinary drugs, vaccines and other products for production and companion animals, announces today its financial results for the period ended June 30, 2020 (2Q20 and 6M20).

Message from Management

The commitment to the execution of our strategic planning remains a priority for the Company and its employees, despite the challenges brought about by the Covid-19 pandemic.

The close relationship with our broad and diversified customer base, built by a history of solutions offered to producers and owners of companion animals, enabled a 6% y-o-y growth in net revenue for the half-year period. Gross margin showed a 1 p.p. improvement to 50% y-o-y and Adjusted EBITDA improved 27% to R$ 44 million. Also, as a result of the restraint and postponement of non-strategic investments, control of default, which remained at historical levels, the strong operating cash generation and the raising of funds made at the beginning of the pandemic to ensure liquidity, cash increased to R$ 133 million at the end of the half-year period and net debt was reduced by 21% with a net debt/EBITDA leverage ratio at 1.6x.

In the quarter, in turn, in line with what was expected by the Company as a result of the short-term effects of the pandemic, net revenue recorded a 3% decrease due to the weaker sales result in April and slight improvement in May. On the positive side, the essentiality of the market into which we operate and, mainly, all the initiatives carried out by our commercial team, which has been active since the first moment to activate and maintain remote service, allowed lower impacts on revenue in the quarter and a stronger recovery experienced, mainly, from June.

In production animals, farmers remain encouraged to invest in animal health in the search for productivity, given the scenario of positive prospects in the animal protein market, due to the increase in prices and the volume of exports. The restrictions have not discouraged our sales team, which remained in contact with customers throughout the period, either remotely or in person, as the easing measures took place. Thus, in the quarter, net revenue was reduced by only 2%, accruing a 4% growth in the half-year period, highlighting the recovery in sales volume in May and June.

In the companion animals segment, on the other hand, we witnessed a 23% reduction in net revenue in the quarter and 9% in 6M20, even with the resumption of the expected sales volume seen at the end of the period. On the positive side, we highlight the double-digit growth in sell-out in the half-year period (y-o-y), mainly due to the continued work on our team, serving more than 4,500 veterinarians monthly for generating demand. Additionally, as one of the drivers of growth in the market, there was an increase in demand and adoption of companion animals, with expected positive impacts in the search for veterinary products and drugs.

In international operations, net revenues increased 20% in the quarter and recorded a 40% growth in 6M20 (y-o-y). Among the factors, we highlight the positive impact of the foreign exchange rate, and the outstanding performance of exports to countries other than Mexico and Colombia. In the latter, the Company felt more significant impacts on sales, resulting from the restriction of people due to the pandemic, even with price gains and improved gross margin.

At the end of the second quarter, a provision for loss of intangible assets was recorded at R$ 19 million, an amount substantially related to an effective product project, but which had an adverse effect on the animal, making the launch not viable. Another technological development route to make this product feasible is already in course. Also, by commercial decision, the Company chose not to launch another project that makes up the amount, although the corresponding product was considered effective. The Company emphasizes that this decision does not change the growth plan for the coming years, based on the portfolio expansion, mainly in biological products, as outlined in the strategic planning.

We remain confident in the Company's ability to adapt and, by offering solutions to its customers and partners, creating innovative solutions for the care of production and companion animals, in addition to the ongoing care for employees, to be recognized as the best animal health company in Latin America.

Kleber Gomes	**Marcelo da Silva**
Chief Executive Officer	Financial and Investor Relations Director

Financial Performance

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Net revenue	177.7	172.5	-2.9%	268.7	284.4	5.8%
Cost of goods sold*	(89.4)	(82.2)	-8.1%	(136.4)	(142.8)	4.7%
Gross profit	88.3	90.3	2.3%	132.3	141.6	7.0%
(gross margin)	49.7%	52.3%	2.6 p.p.	49.2%	49.8%	0.6 p.p.
Net expenses*	(60.3)	(77.6)	28.7%	(109.8)	(130.2)	18.6%
Operating profit	28.0	12.7	-54.6%	22.5	11.4	-49.3%
(operating margin)	15.8%	7.4%	-8.4 p.p.	8.4%	4.0%	-4.4 p.p.
Net finance result	(3.4)	(0.6)	-82.4%	(7.0)	(2.1)	-70.0%
Income tax and social contribution*	(9.3)	3.1	-133.3%	(6.6)	2.8	-142.4%
Adjusted profit	15.3	15.2	-0.7%	8.9	12.1	36.0%
(adjusted profit margin)	8.6%	8.8%	0.2 p.p.	3.3%	4.3%	1.0 p.p.
Adjusted EBITDA*	34.6	38.6	11.6%	34.6	43.8	26.6%
(Adjusted EBITDA margin)	19.5%	22.4%	2.9 p.p.	12.9%	15.4%	2.5 p.p.

(*) excluding non-recurring expenses in 6M19 with EY consultancy, expenses with defending the tax assessment notice in 2014 and extemporaneous tax credits from previous years. Excluding non-recurring expenses in 6M20 with EY consultancy and *Follow on* expenses. The events had their respective tax effects.

(**) Also excluding in 6M20 expenses related to intangible asset projects.

Net Revenue

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Net sales revenue	177.7	172.5	-2.9%	268.7	284.4	5.8%
Production animals	138.7	135.7	-2.2%	198.4	207.2	4.4%
Companion animals	23.5	18.2	-22.6%	43.1	39.2	-9.0%
International operations	15.5	18.6	20.0%	27.2	38.0	39.7%

The Company's consolidated net revenue in 2Q20 amounted to R$ 172.5 million, a 2.9% y-o-y reduction. In the consolidated for the half-year period, revenue growth amounted to 5.8% and reached R$ 284.4 million. Below are the comments on the performance for the three segments:

Production animals: the segment recorded net revenue of R$ 135.7 million in 2Q20, a 2.2% decrease as compared to 2Q19. In the half-year period, however, revenues grew 4.4% and reached R$ 207.2 million. Among the factors, we highlight the outstanding performance of the sales team, which maintained remote contact with our broad customer base, even during the period of most severe restrictions on the circulation of people. We also realize that even in the midst of the economic context, producers seek to increase their productivity, to supply the animal protein market, heated by the increase in the volume of exports, and higher prices.

Companion animals: the segment recorded net revenue in the amount of R$ 18.2 million in 2Q20, a 22.6% reduction as compared to 2Q19. In 6M20, the reduction was 9.0%, reaching R$ 39.2 million. The impact was mainly due to the restriction to circulation in the states of RJ and SP and fear of pet shop owners to operate, even though their activities were classified as essential, thus affecting sales, particularly in April and May. In June, we saw the resumption of expected volumes, in line with the movement in several regions of the country towards the easing the restriction measures. On the positive side, the improvement in sell-out stands out, showing a double-digit growth in the half-year period, representing an all-time-high in June (y-o-y), which may be partially due to the increase in demand and adoption of companion animals, with expected positive impacts in the search for veterinary products and drugs and also as a result of the continued work of our team, serving more than 4,500 veterinarians monthly in order to generate demand.

International Operations: the segment recorded net revenue at R$ 18.6 million in 2Q20, a 20.0% increase as compared to 2Q19. In the half-year period, growth was 39.7% and, excluding the positive impact of the foreign exchange rate, growth would have reached 22.3% y-o-y. Of this, the increase in volume and price gains stands out in the consolidated, especially due to exports made to countries where the Company does not operate through subsidiaries, and for which a large part of sales were already contracted *(make to order)*.

In Colombia, the growth in net revenue in 6M20 was 9.5%, as a result of the positive impact of the foreign exchange rate, while in Mexico, net revenue showed a 17.4% reduction in 6M20, with price and foreign exchange rate gains that did not offset the volume losses. In these, sales were particularly affected by the more severe restrictions on the movement of people in some months, but started to show signs of recovery in June.

Gross Profit and Gross Margin

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Gross profit	88.3	90.3	2.3%	132.3	141.6	7.0%
(gross margin)	49.7%	52.3%	2.6 p.p.	49.2%	49.8%	0.6 p.p.
Gross profit - production animals	62.7	65.0	3.7%	86.6	90.8	4.8%
(gross margin - production animals)	45.2%	47.9%	2.7 p.p.	43.6%	43.8%	0.2 p.p.
Gross profit - companion animals	16.6	12.7	-23.5%	30.1	26.5	-12.0%
(gross margin - companion animals)	70.6%	69.8%	-0.8 p.p.	69.8%	67.6%	-2.2 p.p.
Gross profit - international operations	9.0	12.6	40.0%	15.6	24.3	55.8%
(gross margin - international operations)	58.1%	67.7%	9.6 p.p.	57.4%	63.9%	6.5 p.p.

Gross margin in 2Q20 was 52.3%, a 2.6 p.p. increase as compared to 2Q19. In 6M20, we saw a 0.6 p.p. margin increase to 49.8%. In the half-year period, margin was positively impacted by the increase in gross margin in the production animals and international operations segments, which offset the fall in the companion animals segment, as a result of the factors detailed below:

Production animals: the segment had a gross margin of 47.9% in 2Q20, a 2.7 p.p. increase when compared to 2Q19, accruing a 0.2 p.p. growth in the half-year period to 43.8%. Even with the higher share of the poultry and pork sub-segment (lower margins), there was a margin improvement in this sub-segment due to the positive impact of the foreign exchange rate (part of sales are indexed to the U.S. dollar), which, in the consolidated segment, allowed the slight improvement in the margin in the half-year period.

Companion animals: the segment recorded a gross margin of 69.8% in 2Q20, with 0.8 p.p. decrease compared to 2Q19. In 6M20, the reduction was 2.2 p.p., to 67.6%. Price gains were not enough to fully offset the increase in costs.

International Operations: the segment had a gross margin of 67.7% in 2Q20, with 9.6 p.p. increase versus 2Q19. In the half-year period, gross margin reached 63.9%, a 6.5 p.p. increase when compared to 6M19. The positive result is mainly due to the favorable foreign exchange rate, but also as a result of the price increase.

Selling, General and Administrative Expenses

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Selling, general and administrative expenses and others	(60.3)	(77.6)	28.7%	(109.8)	(130.2)	18.6%
Percentages on net revenue	33.9%	45.0%	11.1 p.p.	40.9%	45.8%	4.9 p.p.

Selling, general and administrative expenses in 2Q20 amounted to R$ 77.6 million, a 28.7% increase as compared to 2Q19. In the half-year period, the growth in expenses was 18.6%.

Regarding the percentage growth of expenses on net revenues, it shall be highlighted that some expenses were recognized in the quarter, in the amount of R$ 19.1 million, substantially as provisions, related to investments made in the development of certain products. The Company emphasizes that this decision does not change the growth plan for the coming years, based on the portfolio expansion, mainly in biological products, as outlined in the strategic planning.

Also, excluding this specific non-cash impact in the amount of R$ 19.1 million, selling, general and administrative expenses expressed as a percentage of net revenues would have showed a dilution of expenses, due to the 1.8 p.p. growth in revenues for the half-year period, as shown in the table below:

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Selling, general and administrative expenses and others*	(60.3)	(58.5)	-3.0%	(109.8)	(111.1)	1.2%
Percentages on net revenue	33.9%	33.9%	0.0 p.p.	40.9%	39.1%	-1.8 p.p.

EBITDA and EBITDA Margin

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Adjusted profit	15.3	15.2	-0.7%	8.9	12.1	36.0%
(+) Non-recurring results*	(1.4)	(0.5)	-64.3%	(0.4)	0.5	-225.0%
Profit for the period	13.9	14.7	5.8%	8.5	12.6	48.2%
(+) Net finance result	3.4	0.6	-82.4%	7.0	2.1	-70.0%
(+) Income tax and social contribution	8.6	(3.2)	-137.2%	5.9	(2.2)	-137.3%
(+) Depreciation and amortization	6.6	6.8	3.0%	12.1	13.2	9.1%
EBITDA	32.5	18.9	-41.8%	33.5	25.7	-23.3%
(+) Non-recurring effects*	2.1	0.6	-71.4%	1.1	(1.0)	-190.9%
(+) Others**		19.1			19.1	
Adjusted EBITDA	34.6	38.6	11.6%	34.6	43.8	26.6%
Net sales revenue	177.7	172.5	-2.9%	268.7	284.4	5.8%
EBITDA margin	18.3%	11.0%	-7.3 p.p.	12.5%	9.0%	-3.5 p.p.
Adjusted EBITDA margin %	19.5%	22.4%	2.9 p.p.	12.9%	15.4%	2.5 p.p.

(*) excluding non-recurring expenses in 6M19 with EY consultancy, expenses with defending the tax assessment notice in 2014 and extemporaneous tax credits from previous years. Excluding non-recurring expenses in 6M20 with EY consultancy and Follow on expenses. The events had their respective tax effects.
(**) In 6M20, corresponds to projects of intangible assets.

Adjusted EBITDA in 2Q20 amounted to R$ 38.6 million, with 11.6% increase versus 2Q19. In 6M20, Adjusted EBITDA grew 26.6% compared to 6M19, reaching R$ 43.8 million. The increase is due to the gross margin improvement in both the quarter and the semester, as well as the dilution of selling, general and administrative expenses, when adjusted, as mentioned in the item above, in relation to intangible assets projects.

Finance Result

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Net finance result	(3.4)	(0.6)	-82.4%	(7.0)	(2.1)	-70.0%

Net finance result in 2Q20 recorded a negative amount of R$ 0.6 million, a 82.4% reduction versus 2Q19. In the half-year period, there was a 70% reduction, reaching a negative amount of R$ 2.1 million. The reduction is due to the lower cost of capital, following indicators such as CDI and TJLP, and due to the impact of the foreign exchange variation and periodic adjustments to derivative financial instruments contracted.

Income Tax and Social Contribution

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Income tax and social contribution	(9.3)	3.1	-133.3%	(6.6)	2.8	-142.4%
Percentage on profit before IT and SC	-37.8%	25.6%	63.4 p.p.	-42.6%	30.1%	72.7 p.p.

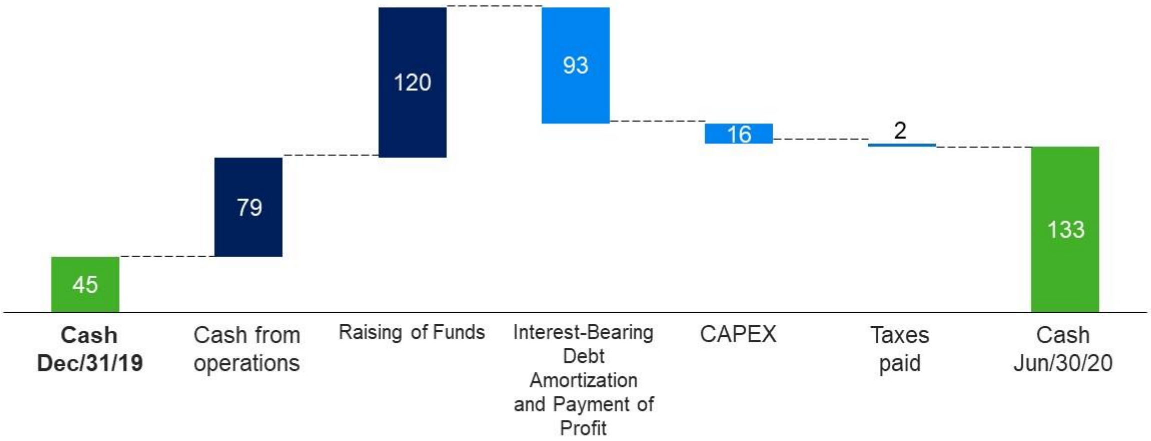
Income tax and social contribution in 2Q20 recorded a positive balance in the amount of R$ 3.1 million compared to a R$ 9.3 million negative balance in 2Q19. In 6M20, income tax and social contribution recorded a R$ 2.8 million positive balance. It should be noted that the calculation of income tax and social contribution is carried out on tax bases other than the accounting profit or loss.

Adjusted Net Profit / Loss

R$ Million	2Q19	2Q20	Var %	6M19	6M20	Var %
Adjusted net profit	15.3	15.2	-0.7%	8.9	12.1	36.0%
margin	8.6%	8.8%	0.2 p.p.	3.3%	4.3%	1.0 p.p.

Adjusted net profit for 2Q20 amounted to R$ 15.2 million, a 0.7% decrease versus 2Q19. This slight decrease in the quarterly net profit is due to expenses related to the discontinuation of intangible asset projects that impacted SG&A, partially offset by the positive impact of income tax and social contribution in the period. For the half-year period, net profit amounted to R$ 12.1 million, with 1 p.p. increase versus 6M19, and a 36.0% growth.

Cash Position and Financial Cycle



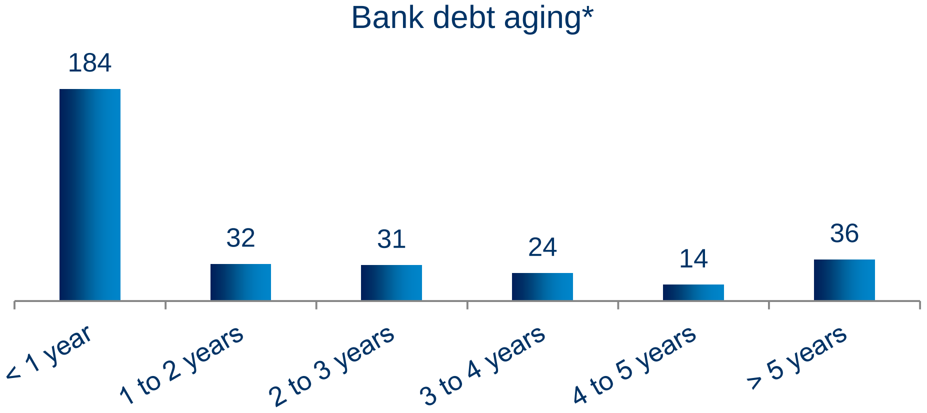
In 6M20, cash generated from operations amounted to R$ 79 million, 18.6% higher than the same period in 2019. In order to mitigate any liquidity risk, the Company also raised funds with banks in the amount of R$ 120.0 million, on favorable terms of CDI rate + 2.4 p.a. and a lower value transaction at a fixed rate of 4.85% p.a., which helped to meet its financial obligations and enabled a positive financing flow of R$ 27.0 million.

Cash generated from operations, associated with non-strategic expenses and investments constraint, allowed the 21% reduction in net debt in the half-year period, equivalent to R$ 50.5 million, to R$ 188.4 million.

Indebtedness

In R$ million	June 30th, 2019	June 30th, 2020
Current	102.4	186.2
Non-current	185.7	136.7
Gross Debt	288.1	322.9
Related derivative financial instruments	0.8	(1.7)
Gross Debt considering related derivatives	288.9	321.2
(-) Cash and cash equivalents	72.4	132.8
Net Debt	216.5	188.4
Average cost of debt (year)[1]	7.14%	5.19%
LTM net debt/adjusted annual EBITDA	1.91	1.62

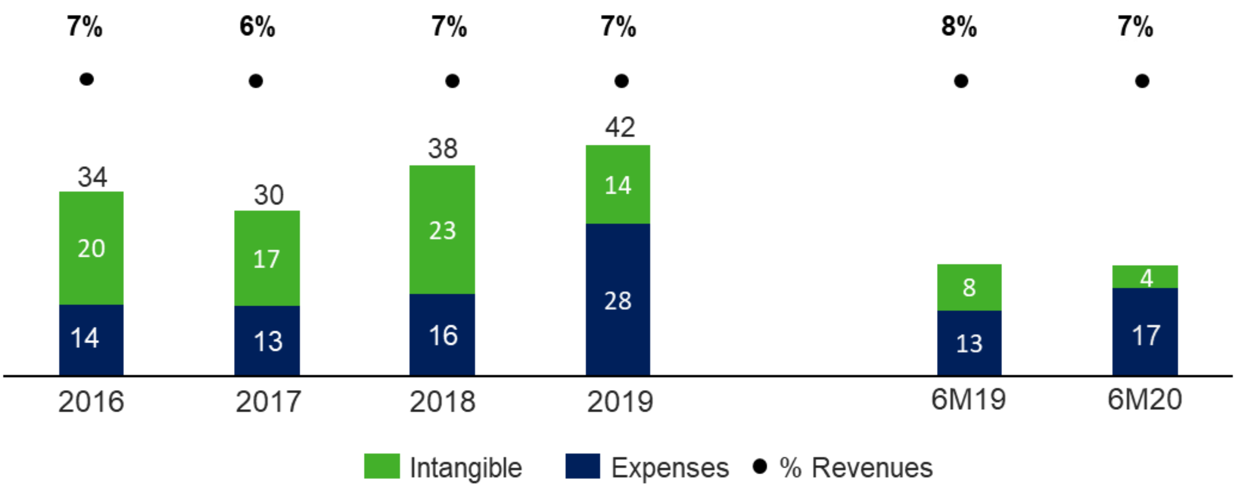
[1]Net debt with banks considering related derivatives and bank-issued guarantee costs.



Short-term debt is substantially impacted by debt contracting made in the end of the 1Q20 and beginning of the 2Q20, when the Company raised funds in the total amount of R$ 120 million with a term of 1 year and with the objective of ensuring liquidity during the pandemic. It is worth mentioning that the Company is already negotiating to lengthen the term of these funds, seeking more favorable market conditions in terms of rates and terms.

Investments in Research and Development

In 6M20, 7% of net revenues was invested in R&D, in line with the Company's history, amounting to R$ 21 million. The graph below shows the Company's R&D total investments from 2016 to 2019:



2020 Launchings

Maxicam Oral Solution

The pioneer brand in Meloxicam in Brazil now with the convenience of an exclusive palatable oral solution.

Maxicam Oral Solution, the new anti-inflammatory drug for cats and dogs, honey-flavored. It's the only one in the market in solution format, thus avoiding the need for shaking before use.

The product is sold in 15mL-bottles and it is the basis for meloxicam, an active substance globally deemed safe for treating pets' pains and inflammation.

Segment:

Pet

Therapeutic Class:

Anti-inflammatory

Adjusted Income Statement

Statement of income (R$ thousand)	2Q19	6M19	2Q20	6M20
Revenue	177,726	268,704	172,535	284,414
Cost of sales*	(89,370)	(136,384)	(82,184)	(142,760)
Gross profit	88,356	132,320	90,351	141,654
Selling expenses*	(50,034)	(90,678)	(47,483)	(89,757)
General and administrative expenses*	(10,548)	(19,365)	(11,228)	(21,326)
Other income (expenses), net*	417	321	(18,985)	(19,125)
Operating profit (loss)	28,191	22,598	12,655	11,446
Finance income	1,145	2,238	1,160	1,470
Finance costs	(4,008)	(8,184)	(3,756)	(6,502)
Derivative financial instruments, net	(948)	(1,353)	1,309	14,990
Foreign exchange variations, net	381	272	697	(12,033)
Finance result	(3,430)	(7,027)	(590)	(2,075)
Profit (loss) before income tax and social contribution	24,761	15,571	12,065	9,371
Income tax and social contribution - current and deferred*	(9,378)	(6,644)	3,219	2,760
Profit (loss) in the period adjusted	15,383	8,927	15,284	12,131

(*) Excludes non-recurring expenses and their respective tax effects.

Income Statement - Corporate

Statement of income (R$ thousand)	2Q19	6M19	2Q20	6M20
Revenue	177,726	268,704	172,535	284,414
Cost of sales	(89,370)	(136,384)	(82,184)	(142,760)
Gross profit	88,356	132,320	90,351	141,654
Selling expenses	(50,034)	(90,678)	(47,483)	(89,757)
General and administrative expenses	(12,655)	(21,472)	(11,813)	(22,350)
Other income (expenses), net	417	1,361	(18,985)	(17,131)
Operating profit (loss)	26,084	21,531	12,070	12,416
Finance income	1,145	2,238	1,160	1,470
Finance costs	(4,008)	(8,184)	(3,756)	(6,502)
Derivative financial instruments, net	(948)	(1,353)	1,309	14,990
Foreign exchange variations, net	381	272	697	(12,033)
Finance result	(3,430)	(7,027)	(590)	(2,075)
Profit (loss) before income tax and social contribution	22,654	14,504	11,480	10,341
Income tax and social contribution - current and deferred*	(8,662)	(5,928)	3,254	2,231
Profit (loss) in the period	13,992	8,576	14,734	12,572

Cash Flow Statement

Statement of cash flows (R$ thousand)	6M19	6M20
Cash flows from operating activities		
Profit (loss) before income tax and social contribution	14,504	10,341
Adjustments for:		
Provision for impairment of trade receivables	255	103
Provision for inventory losses and write-offs	2,052	4,135
Changes in the provision for sales returns	(124)	119
Provision for bonuses to customers	(808)	(900)
Depreciation and amortization	11,997	13,190
Provision for impairment of intangible assets	140	16,749
Result on disposal of property, plant and equipment	(143)	(330)
Result on disposal of intangible assets		2,330
Interest and monetary and exchange variations, net	7,658	22,304
Derivative financial instruments	1,353	(14,990)
Provision for contingencies	138	(210)
Stock options granted	325	72
Changes in working capital		
Trade receivables	27,954	44,590
Inventories	(5,073)	(12,906)
Taxes recoverable	(1,049)	(3,238)
Other assets	(991)	(3,303)
Trade payables	14,187	(9,661)
Taxes payable	(1,667)	806
Other liabilities	(4,036)	9,868
Cash provided by (used in) operations	66,672	79,069
Interest paid	(8,127)	(6,093)
Income tax and social contribution paid	(8,532)	(2,688)
Net cash provided by (used in) operating activities	50,013	70,288
Cash flows from investing activities		
Investments in intangible assets	(9,095)	(4,904)
Purchases of property, plant and equipment	(16,370)	(11,727)
Proceeds from sale of property, plant and equipment	888	485
Net cash provided by (used in) investing activities	(24,577)	(16,146)
Cash flows from financing activities		
Proceeds from borrowings	30,000	120,000
Repayment of borrowings	(31,234)	(97,152)
Payment of dividends and interest on capital	(16,351)	(836)
Realized derivative financial instruments	(581)	11,048
Net cash provided by (used in) financing activities	(18,166)	33,060
Net increase (decrease) in cash and cash equivalents	7,270	87,202
Cash and cash equivalents at the beginning of the year	65,183	45,009
Exchange losses on cash and cash equivalents	(43)	551
Cash and cash equivalents at the end of the year	72,410	132,762

Balance Sheet

Consolidated balance sheet (R$ thousand)	12/31/2019	06/30/2020
Assets		
Current assets	425,035	485,791
Cash and cash equivalents	45,009	132,762
Trade receivables	189,076	146,195
Derivative financial instruments		1,690
Inventories	165,294	176,155
Taxes recoverable	12,478	14,650
Income tax and social contribution recoverable	6,657	4,361
Related parties	393	3,349
Other assets	6,128	6,629
Non-current assets	444,501	438,198
Long-term receivables	71,567	80,415
Taxes recoverable	51,277	51,575
Deferred income tax and social contribution	15,441	23,202
Inventories	4,342	4,731
Other assets	507	907
Permanent assets	372,934	357,783
Intangible assets	93,295	75,083
Property, plant and equipment	279,639	282,700
Total Assets	869,536	923,989
Liabilities and equity		
Current liabilities	210,519	267,647
Trade payables	40,381	33,013
Derivative financial instruments	2,252	
Borrowings	118,230	186,180
Salaries and social charges	20,151	32,161
Taxes payable	4,993	3,386
Income tax and social contribution payable	87	1,520
Dividends and interst on equity	10,991	
Related parties	172	225
Commissions on sales	4,816	3,401
Other liabilities	8,446	7,761
Non-current liabilities	166,536	140,362
Borrowings	162,852	136,652
Provision for contingencies	3,684	3,710
Total liabilities	377,055	408,009
Total Equity	492,447	515,951
Non-controlling interests	34	29
Total liabilities and equity	869,536	923,989