



RESULTS

1Q23

Earnings

Conference Call

May, 12 2023 (Friday)

11 am BRT | 10 am EST

Portuguese with simultaneous translation into English

[Webcast](#)



**Cravinhos,
May 01 2023**

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 veterinary products for production and companion animals, announces today its financial results for the period ended March 31, 2023 (1Q23).


Financial and operating information, except where otherwise indicated, is presented in millions of Brazilian reais.



Investor Relations

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HIGHLIGHTS

- **Largest veterinary pharmaceutical laboratory of Brazilian origin** and 3rd highest in the overall ranking of SINDAN
- Certified for the 3rd consecutive year as one of the best companies to work for by GPTW
- **Leverage Reduction to 0.9x EBITDA**, with 76,3% of debt in the long term, with 76% of all gross debt via FINEP and BNDES and an average annual cost of 10,8%
- **Strong operating cash generation**, reaching R\$ 91 million, R\$ 74 million higher than the same period of the previous year
- **Launch of 2 new products** for Companion Animals



| MESSAGE FROM THE EXECUTIVE BOARD

In the first quarter of 2023, data from Sindicato Nacional da Indústria de Produtos para Saúde Animal - Sindan (National Union of Animal Health Products Industry) was released for 2022 closing and we are proud to report that we are once again in the 3rd position in the general ranking of animal health companies in Brazil, being the largest of Brazilian origin. This achievement is the result of our focus on sustainable growth, our unique market access, broad portfolio and brand strength.

We also highlight that, in 2023, we were certified again as one of the Best Companies in Brazil by GPTW (Great Place To Work), reflecting our team's engagement and the daily experience of our culture and our values. We continue on a journey of evolution and, in 2022, we were recognized as the best agribusiness company to work for, ranking 3rd in the state of São Paulo and moving up to 52nd place among companies with 1,000 to 10,000 employees in the national ranking.

We started 2023 with a combination of economic and market factors that led us to a result below our forecasts and our history for the first quarter. The business environment has been retracted due to political instability in the country and the scenario of high cost of capital, expectations of above-target inflation and increased household debt.

In production animals, we were impacted by several effects, which combined, resulted in a less buying market and with difficulties in destocking the channels. In 1Q23 we had an isolated case of mad cow reported in Pará that triggered a suspension of beef exports to China and Russia, and we are also in a context of outbreaks of avian flu in several Latin American countries, putting Brazilian producers on alert, mainly in the south of the country. Added to this, we have a decline in the price of animal proteins, a pig market still pressured by costs and prices, in addition to the seasonality of the animal health market, which historically is characterized by a first quarter of lower revenues.

As for companion animals, the increase in household debt and the trend towards a slowdown in consumption driven by inflation in recent periods and by the maintenance of high interest rates has hampered the flow of products throughout the chain, which is going through a period of destocking.

In this context, we focused our efforts on initiatives that have been fundamental to our historical evolution, with the strengthening of relationships with our customers, maintenance of a decentralized portfolio with low default rates, and adjustment of prices to maintain our levels of profitability.

We remain with the suitable financial conditions for sustainable growth, with robust operational cash generation and a capital structure that allows us to move forward with our strategy of investing in research, development and innovation and acquisitions, while preserving healthy profitability levels even in a complex economic environment, reflecting our strategy of passing on prices and customer focus.

As we highlighted in previous periods, we continue to allocate a significant part of our revenues to the search for new solutions for the animal protein chain and the well-being of companion animals, with consistent investments in R&D and in open innovation model.



We have also invested in initiatives to promote knowledge to pet owners and facilitate day-to-day care. With this in mind we launched in March 2023, the iUse Pet! It is an app that promotes the connection between veterinarians and owners, aiming at the health and well-being of dogs and cats, in addition to organizing the daily lives of veterinarians.

Also, in Companion Animals, we launched two new products in May. As we announced in recent quarters, we have expanded our presence in the supplement market and, in May, we launched Longil Cães, the palatable paste version of the already successful Longil Snacks. With several active principles, the formulation acts as a support to the physiological defense against the production and circulation of free radicals, contributes to intestinal health, proper functioning of brain activities, reduction of stress and anxiety, among other benefits.

Today we are launching on the market Banni 3, the most complete endectocide product for cats on the market. The product brings three actives and multiple protections against round and flat worms, lice, scabies and fleas, offering internal and external treatment in a pipette based on praziquantel, moxidectin and fipronil.

As a subsequent event, we announced to our shareholders, in April, the conclusion of the STJ judgment, related to topic 1.182, which considered that ICMS tax benefits can only be excluded from IRPJ and CSLL if the requirements set forth in article 10 of Supplementary Law 160/2017 and article 30 of Law 12.973/2014 are met. Our subsidiary Ouro Fino Agronegócio Ltda. has a favorable court decision granting the right to deduct ICMS benefits intended to investment provided for in ICMS Agreement 100/97 for IRPJ and CSLL calculation and the amounts calculated have been presented under a note in the Financial Statements that reconciles the amounts of IRPJ and CSLL the over the periods. Finally, based on the legal support of our advisors, the company maintains the accounting procedures adopted prior to the STJ decision and continues to closely monitor the development of the topic.

We are aware of the less favorable economic conditions, but we remain confident in the consistent execution of our planning for 2023. Accordingly, we started the second quarter attentive to new business opportunities and seeking growth and good results for Ourofino.

Kleber Gomes
Chief Executive Officer

Marcelo da Silva
Chief Financial Officer and
Investor Relations Officer



FINANCIAL PERFORMANCE

R\$ Million	1Q22	1Q23	Var %
Net Revenue	202.3	167.2	-17.40%
(-) Cost of Goods Sold	(104.5)	(92.1)	-11.9%
Gross Profit	97.8	75.1	-23.2%
<i>Gross Margin</i>	48.3%	44.9%	- 3.4 p.p
Adjusted Ebitda**	31.1	3.0	-90.50%
<i>Adjusted EBITDA margin</i>	15.4%	1.8%	-13.6 p.p
Adjusted Net Income	16.0	(3.4)	-121.3%
<i>Adjusted Net Margin</i>	7.9%	-2.0%	-9.9 p.p

** Excluding in 1Q22: (i) recovery of M&A expenses; (ii) expenses related to the merger of subsidiary OF Pet and (iii) gains from tax proceedings in previous periods. Including respective tax effects of the period reported.



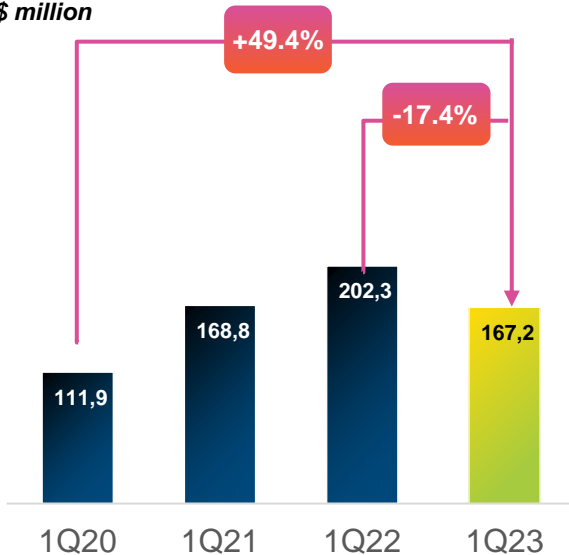
| CONSOLIDATED NET REVENUE AND GROSS PROFIT

The Company's consolidated net revenue in 1Q23 amounted to R\$ 167.2 million, with 17.4% growth as compared to the same period of the previous year. The first quarter is historically the lowest period in terms of revenues and, in 2023, was mainly impacted by lower sales volumes in the domestic market.

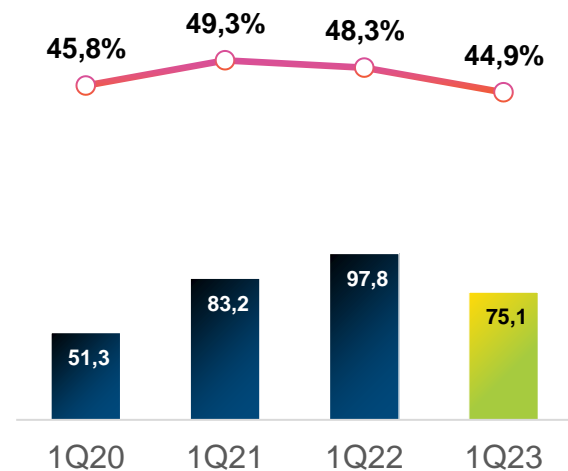
Gross profit amounted to R\$ 75.1 million, with a gross margin of 44.9%, 3.4 p.p. lower than 1Q22. This performance reflects the lower sales volumes in the quarter and the consequent lower dilution of fixed costs.

We reinforce that we remain steady with our commercial strategy, with access and closeness to our clients, attentive to market moves in our three business units and with a team qualified to capture opportunities. We also highlight our continuous work in pursuit of commercial, operational and administrative efficiency, which has been solid pillars in the management of our businesses.

Net Revenue - Consolidated
R\$ million



Net profit and Margin - Consolidated
R\$ million





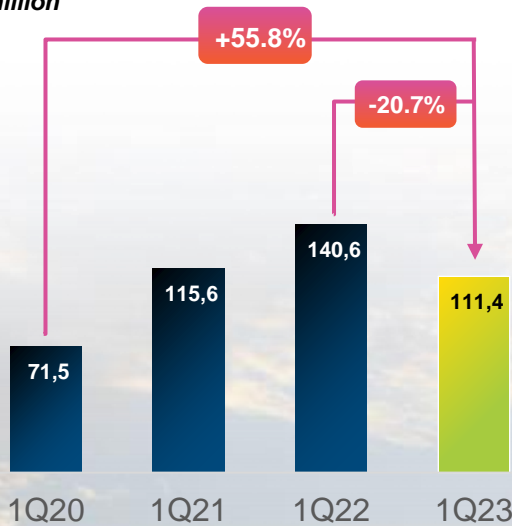
| PRODUCTION ANIMALS

The business unit recorded net revenue at R\$ 111.4 million in 1Q23, with -20.7% drop as compared to the same period of the previous year. Gross margin was 36.7%, representing a 4.4 p.p. drop as compared to 1Q22.

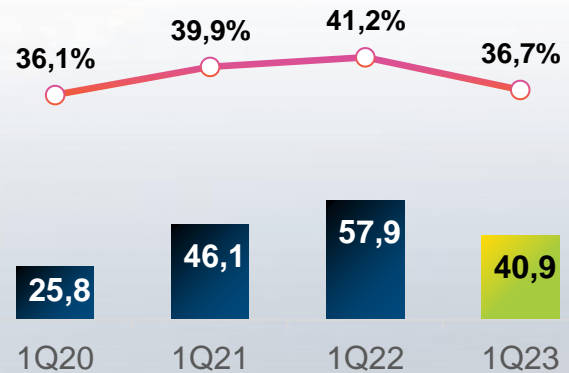
As discussed earlier, the economic and market context hindered sales dynamics. The alert state triggered by the bird flu in Latin America and the mad cow case that affected exports to China and Russia, combined with the drought in southern Brazil have left producers insecure and less willing to buy at a time when the cost of maintaining inventories is high.

In this context, we continue to work hard on our strengths and ended the quarter with a portfolio of 3,900 active customers, which ensures us a low default rate and showcases the strength of our sales and demand generation team, as well as our proximity to the sales channel.

Production Animals - Net Revenue
R\$ million



Net Profit and Margin - Production Animals
R\$ million





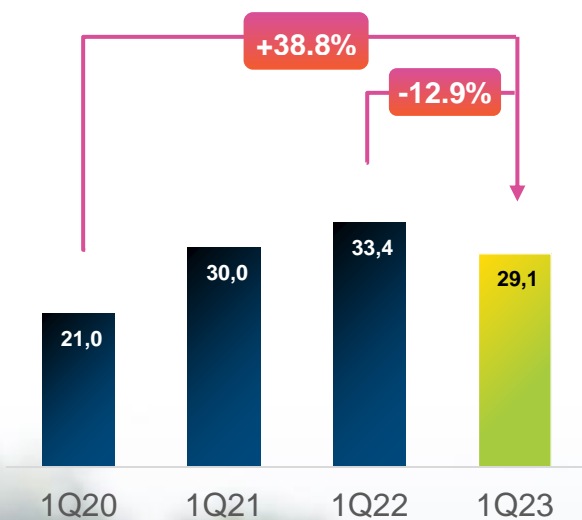
| COMPANION ANIMALS

The business unit recorded net revenue at R\$ 29.1 million in 1Q23, down 12.9% compared to 1Q22. We recorded a gross margin at 64.4%, 3.0 p.p. lower when compared to the same period of the previous year.

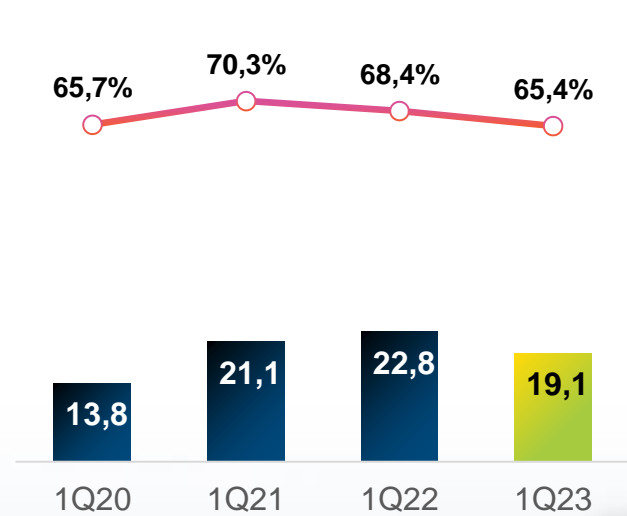
As we commented in 2022, the return of household behavior to pre-pandemic patterns has increased the consumption of goods that compete with pet products in their baskets, furthermore, we have noticed the impact of high interest rates on the cost of retail inventories. We remain confident in our positioning, and in our access and distribution strategy with strategic points, and especially in our close relationship with veterinarians and owners to bring the best solutions for pets.

In this sense, we have expanded our activities by providing solutions that go beyond medicines and products for prevention and care. In recent years, we have included dermocosmetics with nanotechnology, diagnostic kits, cell therapy with stem cells into our portfolio, broadly expanded our activities in supplements and, in 2023, we launched the digital product iUse Pet, an application that helps pet owners and connects them with veterinarians for easier care and monitoring of pets.

Net Revenue - Companion Animals
R\$ million



Net Profit and Margin - Companion Animals
R\$ million



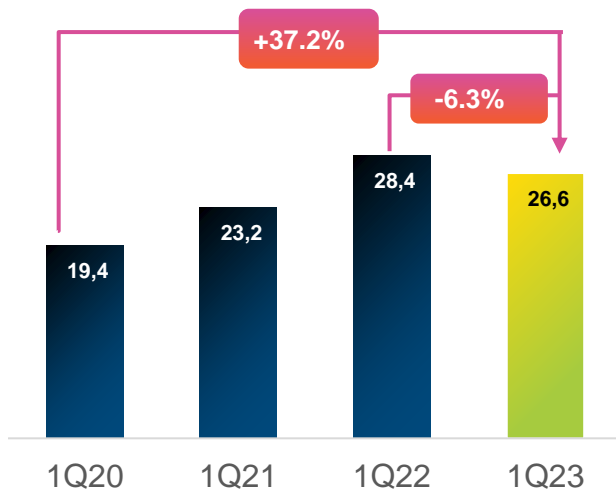


| INTERNATIONAL OPERATIONS

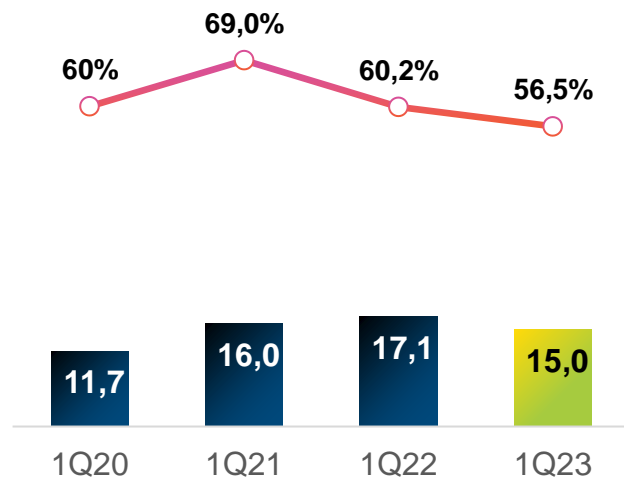
The business unit recorded net revenue at R\$ 26.6 million in 1Q23, down -6.3% versus 1Q22. In Colombia, we had relevant exchange rate losses, but which were offset by price and volume gains, while in Mexico the gains with exchange rate and price were smaller than the loss in sales volume.

The factors mentioned above, added to a less favorable mix, had a negative impact on the gross margin, which totaled 56.5%, 3.7% p.p. lower compared to the same period in 2022. The company has been continuously investing in launching products from our portfolio in Latin American countries, expanding the coverage in the markets in which we operate.

Net Revenue - International Operations
R\$ million



Net Profit and Margin - International Operations
R\$ million





| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

R\$ Million	1Q22	1Q23	Var %
Selling, general and administrative and other expenses	(58.3)	(64.7)	11.0%
Percentages on net revenue	-28.8%	-38.7%	-9.9 p.p.

Selling, general and administrative expenses showed 11% growth, totaling R\$ 64.7 million in 1Q23. The increase is a result of the impact of the 6.5% collective bargaining agreement defined in 4Q22 and the recognition of R\$ 2.8 million related to the long-term incentive plan (ILP- Phantom Units) approved in September 2022.

We reinforce management's commitment to promoting revenue growth and profitability indices even in scenarios of inflationary pressure. In 2023, we continued with initiatives aimed at optimizing administrative processes and operational productivity and efficiency.

| RESEARCH AND DEVELOPMENT EXPENSES

R\$ Million	1Q22	1Q23	Var %
Expenses on research and innovation and portfolio management	(15.8)	(15.8)	-0.2%
Percentages on net revenue	-7.8%	-9.5%	-1.7 p.p.

We invested R\$ 17.1 million in research and development in 1Q23 (graph on page 17), of which R\$ 15.8 million allocated to expenses and reflecting the development stage of projects as well as the associated innovation level, in line with our strategic planning for launches and new partnerships, aimed to provide increased future revenues to the Company.

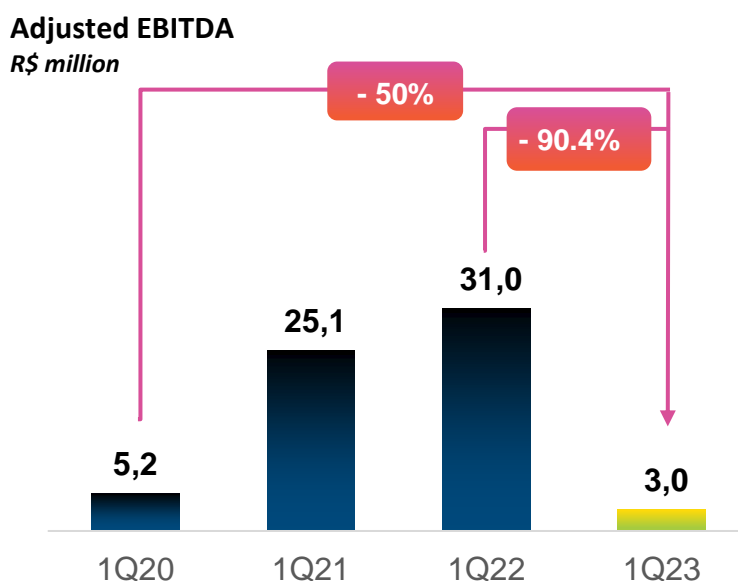


| EBITDA AND EBITDA MARGIN

R\$ Million	1Q22	1Q23	Var %
Adjusted profit	16.0	(3.4)	-121.3%
(+) Non-recurring results*	2.1	0.0	-100.0%
Profit for the period	18.1	(3.4)	-118.8%
(+) Net financial result	6.7	4.0	-39.7%
(+) Income tax and social contribution*	1.0	(6.1)	-743.9%
(*) Depreciation and amortization	7.5	8.5	12.6%
EBITDA	33.2	3.0	-91.1%
(+) Non-recurring effects (*)	(2.3)	0.0	-100.0%
(+) Others**	0.0	0.0	
Adjusted EBITDA	31.0	3.0	-90.4%
Net sales revenue	202.3	167.2	-17.4%
EBITDA margin	16.5%	1.8%	-14.7 p.p.
Adjusted EBITDA margin %	15.3%	1.8%	-13.5 p.p.

** Excluding in 1Q22: (i) M&A expenses and expenses related to the merger of subsidiary OF Pet and gains from tax proceedings in previous periods. Including respective tax effects in the period reported.

Adjusted EBITDA in 1Q23 was R\$ 3.0 million, down 90.4% compared to 1Q22, mainly reflecting the drop in our gross profit as explained above and the non-dilution of selling, general and administrative expenses.





| FINANCIAL RESULT

R\$ Million	1Q22	1Q23	Var %
Net financial result	(6.7)	(4.0)	-39.7%

Net financial result for 1Q23 had a positive impact of R\$ 2.7 million compared to 1Q22, totaling R\$ -4.0 million. The significant improvement is mainly the result of good management of the company's cash and financial hedge transactions carried out to protect our exchange rate exposure.

| INCOME TAX AND SOCIAL CONTRIBUTION

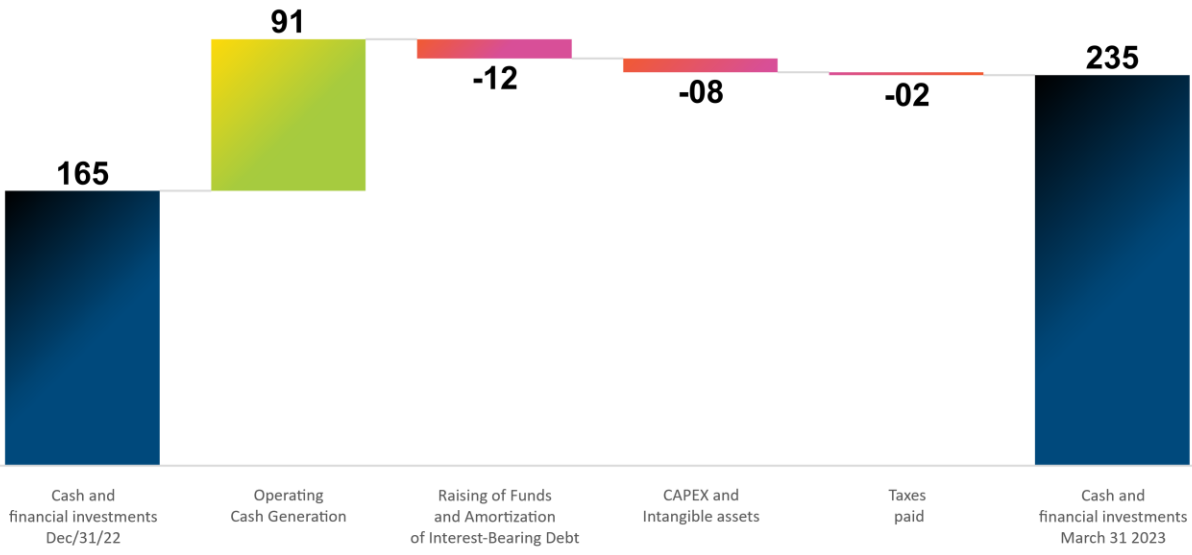
R\$ Million	1Q22	1Q23	Var %
Income tax and social contribution	(1.0)	6.1	-743.9%
Percentage on Profit before IT and SC	-5.6%	-64.2%	-58.6 p.p.

Income tax and social contribution in 1Q23 was positive by R\$ 6.1 million due to the loss recorded in the period, compared to R\$ -1.0 million in 1Q22, when we reported profit.

| ADJUSTED NET INCOME

R\$ Million	1Q22	1Q23	Var %
Adjusted net income	16.0	(3.4)	-121.3%
Net Margin (%)	7.9%	-2.0%	-9.9 p.p.

Adjusted net income in 1Q23 amounted to R\$ -3.4 million, 121.3% lower versus the same period in 2022. Result of the reversal of revenues and gross profit and the non-dilution of general and administrative expenses.



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and the flow of PEX and R&D

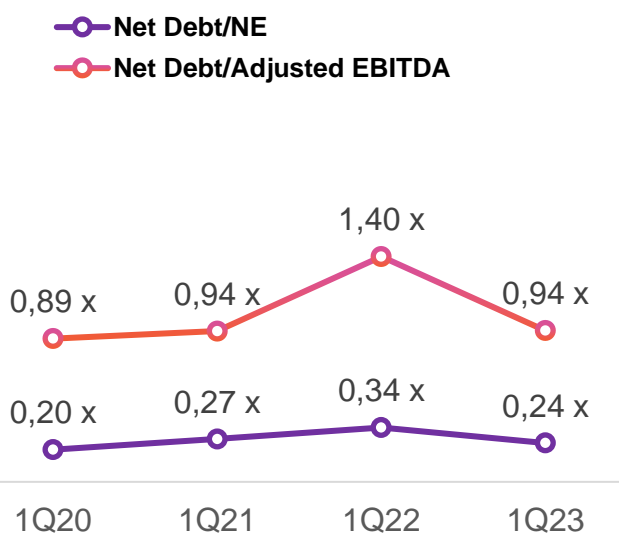
Cash position
R\$ Million



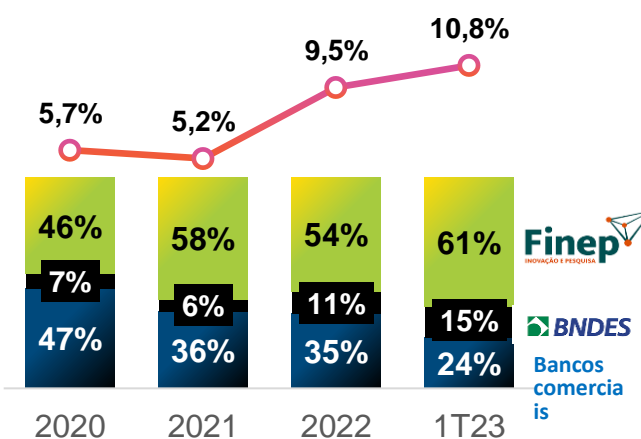
| INDEBTEDNESS

In R\$ million	1Q22	1Q23
Current	88.2	97.6
Non-current	324.1	314.1
Gross Debt	412.4	411.6
(-) Cash and cash equivalents and short-term investments	(165.0)	(234.6)
Net Debt	247.3	177.0
Average cost of debt (year)¹	9.50%	10.80%
LTM net debt/adjusted annual EBITDA	1.40x	0.94x

The level of financial leverage was 0.94x Adjusted EBITDA, down 32% versus 1Q22. The debt profile remains well-suited to the Company's long-term investment characteristics, with 76.3% of the debt in the long term and 31% of gross debt with maturities above 5 years.



Breakdown

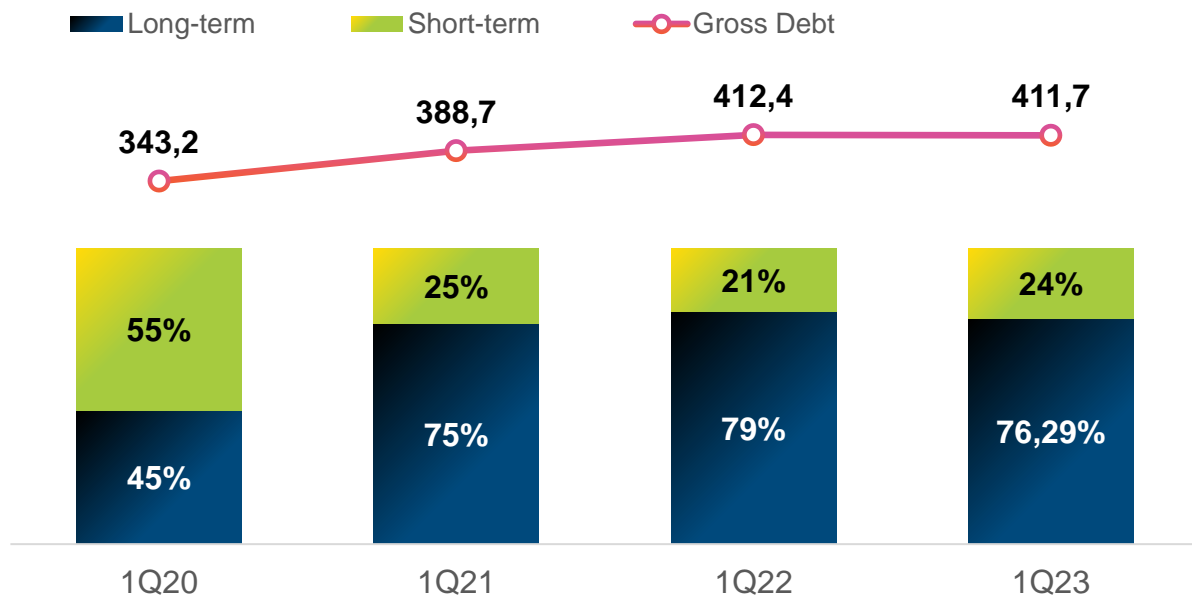


Additionally, the average cost of debt as of March 31, 2023 was 10.8% p.a., reflecting the average SELIC rate at 13.75% p.a. during 2023. This cost does not fully match the increase in SELIC rate due to the

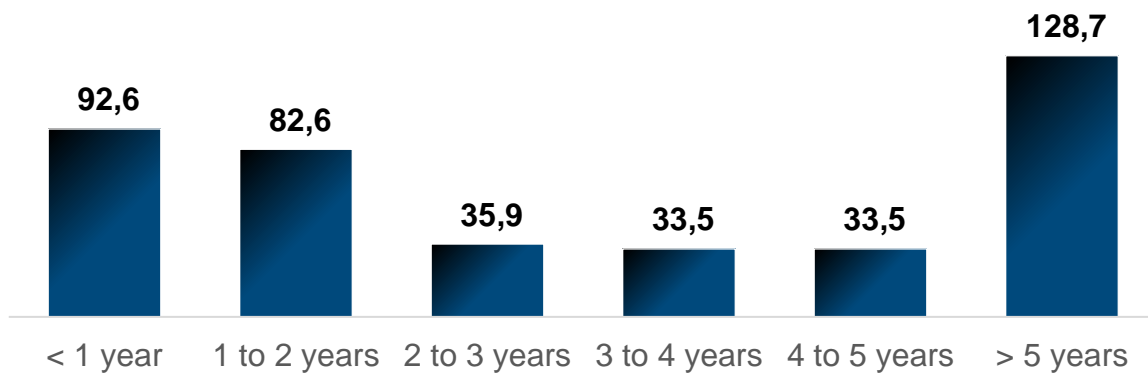


company's debt profile with approximately 76% of the volume pegged mostly to TJLP, which currently stands at 7.37%, 21.2% higher than the same period in 2022, when it as at 6.08%.

Aging (R\$ million)



Banking debt aging
R\$ million

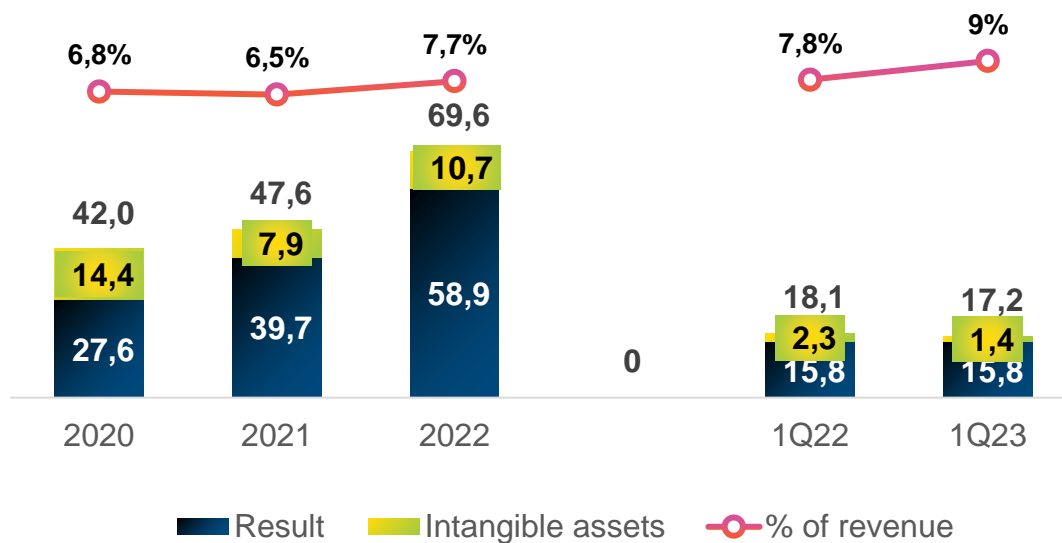




| INVESTMENTS IN RESEARCH AND DEVELOPMENT

In 1Q23, 9.4% of net revenues was invested in R&D, amounting to R\$ 17.2 million. The total investment at the same level as in 1Q22 shows the commitment to project initiatives that can bring results in the short, medium, and long term. In May, we had 2 launches for the companion animals segment, increasing our portfolio of pharmaceutical products and bringing more solutions to our line of supplements for pets.

Research & Development Investments R\$ million





| INCOME STATEMENT - ADJUSTED

Income Statement (R\$ thousand)	1Q22	1Q23
Revenues	202,315	167,172
Cost of sales	(104,522)	(92,114)
Gross profit	97,793	75,058
Selling Expenses	(48,072)	(49,585)
Expenses on research and innovation	(15,840)	(15,814)
General and administrative expenses (*)	(13,115)	(15,119)
Other expenses, net (*)	2,854	(35)
Operating profit	23,620	(5,495)
Financial revenues	3,962	5,919
Financial expenses	(8,847)	(10,845)
Derivative financial instruments, net	-	1,097
Foreign exchange variation, net	(1,791)	(197)
Finance Result	(6,676)	(4,026)
Earnings before Income tax and social contribution	16,944	(9,521)
Current and deferred income tax and social contribution (*)	(950)	6,117
Net income for the year	15,994	(3,404)

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



| INCOME STATEMENT - CORPORATE

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Earnings before Income tax and social contribution	16,944	(9,521)
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Net income for the year	15,994	(3,404)



| CASH FLOW STATEMENT (1/2)

Cash Flow Statement (R\$ thousands)	1Q22	1Q23
Cash flows from operating activities		
Earnings before Income tax and social contribution	16,944	(9,521)
Adjustments for:		
Expected credit gains (losses)	(10)	2
Provision for inventory losses and write-offs	752	3,106
Provision for customer bonuses	(236)	(178)
Depreciation and amortization	7,523	8,469
Gain (loss) on disposal of property, plant and equipment	(591)	(207)
Gain (loss) on disposal of intangible assets		14
Interest and monetary/foreign exchange variations, net	6,882	10,272
Derivative financial instruments		(1,097)
Provision (reversal) for contingencies	(867)	183
Long-term incentive	307	3,020
Fair value adjustment	207	401
Changes in working capital		
Trade accounts receivable	43,636	116,341
Inventories	(44,651)	(15,521)
Taxes recoverable	2,530	11,663
Other assets	525	(1,045)
Trade accounts payable	4,345	(20,073)
Taxes payable	(9,439)	(1,703)
Other liabilities	(10,873)	(12,997)
Cash provided by operations	16,984	91,129
Interest paid	(6,572)	(7,815)
Income tax and social contribution paid	(4,944)	(1,752)
Net cash from operating activities	5,468	81,562



| CASH FLOW STATEMENT (2/2)

Cash Flow Statement (R\$ thousands)	1Q22	1Q23
Cash flows from investing activities		
Companies' acquisition, net of acquired cash	(14,241)	
Investment in intangible assets	(2,863)	(2,618)
Purchase of property, plant and equipment	(15,157)	(5,861)
Proceeds from sale of property, plant and equipment	1,108	241
Net cash used in investing activities	(31,153)	(8,238)
Cash flows from financing activities		
New loans and financing	20,000	4,681
Repayments of loan and financing	(8,053)	(8,029)
Lease payments	(390)	(725)
Realized derivative financial instruments		74
Net cash used in financing activities	11,557	(3,999)
Increase (decrease) in cash and cash equivalents, net	(14,128)	69,325
Cash and cash equivalents at the beginning of the quarter	161,254	165,036
Foreign exchange gains on cash and cash equivalents	247	220
Cash and cash equivalents at the end of the quarter	147,373	234,581



| BALANCE SHEET – ASSETS

Balance Sheet (R\$ thousands)	2022	2023
Assets		
Current assets	842,904	809,619
Cash and cash equivalents	165,036	234,581
Trade accounts receivable	301,008	184,424
Derivative financial instruments		959
Inventories	324,971	338,640
Taxes recoverable	31,368	28,432
Income tax and social contribution to recover	11,438	12,413
Related parties	414	519
Other assets	8,669	9,651
Non-Current Assets	503,601	503,167
Long-term receivables	55,167	52,333
Taxes recoverable	18,983	10,121
Deferred income tax and social contribution	34,069	40,210
Inventories	276	137
Other assets	1,839	1,865
Permanent	448,434	450,834
Property, plant and equipment	342,358	344,049
Intangible assets	106,076	106,785
Total assets	1,346,505	1,312,786



| BALANCE SHEET - LIABILITIES AND NET EQUITY

Balance Sheet (R\$ thousands)	2022	2023
Liabilities and equity		
Current Liabilities	259,425	235,731
Trade accounts payable	85,566	65,691
Derivative financial instruments	64	-
Loans and financing	88,229	97,551
Salaries and payroll charges	47,875	35,669
Taxes payable	7,993	5,119
Income tax and social contribution payable	-	-
Dividends and interest on equity	10,576	10,576
Related parties	414	146
Commissions on sales	6,614	6,274
Other liabilities	12,094	14,705
Non-Current Liabilities	351,111	342,803
Loans and financing	324,140	314,064
Provision for contingencies	5,675	5,878
Obligations on investment acquisition	8,153	8,153
Other liabilities	13,143	14,708
Total liabilities	610,536	578,534
Total Equity	735,950	734,233
Non-controlling interest	19	19
Total liabilities and equity	1,346,505	1,312,786

REIMAGINATING ANIMAL HEALTH



OFSA3