

Results

1Q24

Earnings Conference Call May, 10 2024 (Friday)

11am BRT

Portuguese with simultaneous
translation into English

[Webcast](#)



Results

1Q24

**Cravinhos,
May 09, 2024**

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, 2024 (1Q24).

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

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Marcelo Silva
Alan Silva
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HIGHLIGHTS

- Net revenue grew 6.7% in 1Q24 to R\$ 178.4 million
- Growth in Production Animals, representing 12.7% compared to 1Q23.
- Growth for the second quarter in a row in Companion Animals, representing 16.3% compared to the previous year.
- Strong growth in profitability indicators: Gross margin +3.1 p.p., EBITDA margin +11.8 p.p. and Net margin +7.8 p.p.
- Leverage Decline from 0.9x to 0.5x EBITDA, with 76.7% of debt in the long term, and an average annual cost of debt of 7.7% p.a.

Launch



MESSAGE FROM EXECUTIVE BOARD

In 2023, we faced a combination of unfavorable factors that led us to make a major adjustment, revisiting our efficiency and productivity agenda, reshaping processes and structures, focusing on what is essential for achieving the company's growth, new solutions in the portfolio and expanding our presence in new markets.

In this sense, we changed some structures to leverage our growth strategy. We have segmented the production animals business unit, which, since January, has been operating with teams dedicated separately to the cattle and horses and poultry and pork markets, with the aim of meeting the needs of each segment on an exclusive basis.

For the unit focusing on cattle and horses, we changed the strategy in Brazil. By the end of 2023, we had a team of executives with regional segmentation, serving demand and commercial needs. In 2024, we started to have national executives, focusing on commercial activities and demand generation with strategies aligned with the needs of beef and dairy cattle farming in Brazil.

In companion animals, we remain attentive to the demands of owners and veterinarians and intensify our team dedicated to generating demand, taking our expertise to more owners, clinics, veterinarians, and pet centers.

The beginning of 2024 has shown us that this is a transition period and with growth resumption. In 1Q24, we reversed the revenue declines recorded in recent quarters together with significant improvements in our operational results in the main business units with revenue and profitability growth. In this context, we showed ability to recover growth, mainly in the domestic market where revenues grew 13.4%, 12.7% in production animals (cattle and horses + poultry and pigs) and 16.3% in companion animals. In international operations, we decreased 28.8%, reflecting substantially the discontinuation of sales of the Foot and Mouth disease vaccine and a lower-than-expected performance in the Mexican subsidiary.

We worked throughout 2023 to continue increasing the level of efficiency of operations, and we made reductions in several internal structures, seeking synergy and reduction of fixed costs in addition to discontinuing low-performance operations and projects. On the other hand, we prioritized areas and projects with a higher impact on commercial and R&D operations. The growth in EBITDA in the first quarter of 2024, as well as the EBITDA margin and the reversal of the net loss in 1Q23 to a profit of R\$ 8.8 million in 1Q24 are the result of the planning made by the Executive Board, which is beginning to generate returns in the company's profitability.

We have maintained our solid financial health, with one more period of robust cash generation, low levels of debt, a long profile and costs aligned with business needs, which allows us to maintain a strategic agenda of investments in research, development and innovation while maintaining healthy levels of liquidity.

Accordingly, we started 2Q24, paying attention to market moves and opportunities in all our business units. With increased commercial and operational efficiency, we will go ahead with our resumption of the company's historic and sustainable growth levels.

Kleber Gomes
Chief Executive Officer

Marcelo da Silva
Chief Financial and
Investor Relations Officer

FINANCIAL PERFORMANCE

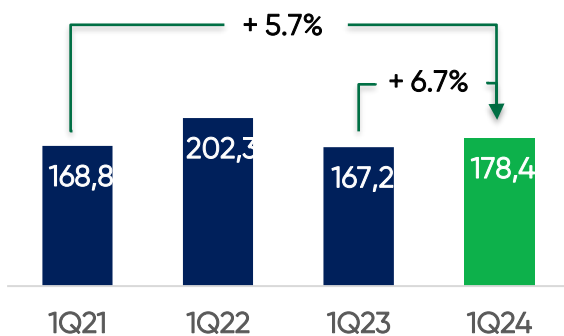
In R\$ million	1Q23	1Q24	Var %
Net revenue	167.2	178.4	6.7%
Gross profit	75.1	85.6	14.0%
<i>Gross margin</i>	44.9%	48.0%	+ 3.1 p.p.
Adjusted Ebitda	3.0	24.2	706.1%
<i>Adjusted Ebitda margin</i>	1.8%	13.6%	+ 11.8 p.p.
Adjusted net income	-3.4	8.8	357.5%
<i>Adjusted net margin</i>	-2.0%	4.9%	+ 7.0 p.p.

CONSOLIDATED NET REVENUE AND GROSS PROFIT

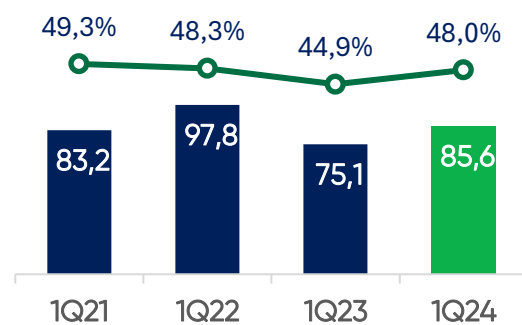
The Company's consolidated net revenue in 1Q24 amounted to R\$ 178.4 million, with 6.7% improvement as compared to the same period of the previous year. The quarter indicated the beginning of a period of transition and resumption of growth in domestic operations, but still with challenges in resuming growth in international operations. In the production animal segment, both ruminants and poultry and pigs showed growth compared to 1Q23. In turn, companion animals segment recovered growth compared to 4Q23, as a result of actions to increase sell-out in the channels and the sales performance of launches made in the year. In International Operations, the lower sales volume in 1Q24 is impacted by foot-and-mouth sales occurred in 1Q23 to Uruguay and Bolivia and difficulties in executing the volume in Mexico and Colombia.

Gross profit amounted to R\$ 85.6 million in 1Q24, with a margin of 48.0%, 3.1 p.p. higher than 1Q23. In addition to the growth in sales, higher production volumes and the consequent dilution of fixed costs contributed to the margin improvement.

Consolidated Net Revenue - R\$ million



Gross Profit - R\$ million



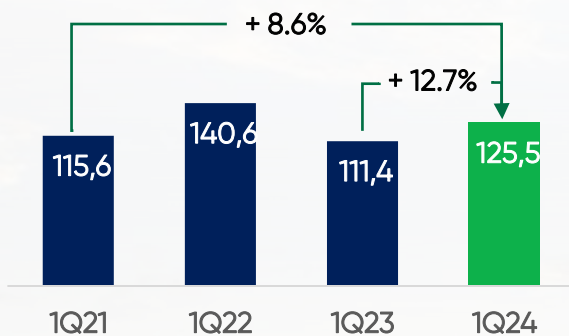
PRODUCTION ANIMALS

The business unit recorded net revenue of R\$ 125.5 million in 1Q24, with 12.7% growth as compared to the same period of the previous year. Gross margin in the quarter was 43.3%, up 6.6 p.p. compared to 1Q23.

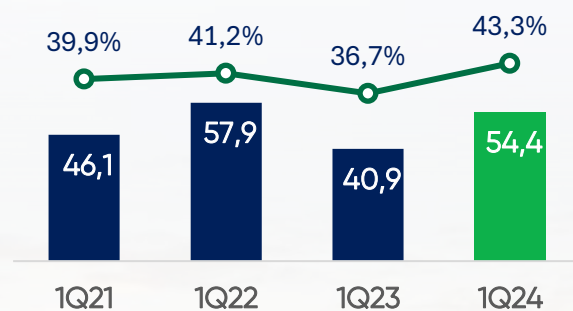
As previously reported, we remodeled the structure, which is now segmented into two departments: cattle and horses and; poultry and pigs. The business unit's sales growth already reflects the increased focus of operations and was positively impacted by the performance of the poultry and pork segment, which has a more technical profile, with large farms and B2B. In cattle and horses, we grew in sales volume of line products, however we sales were lower than expected in the line of reproduction products.

The margin gain reflects a favorable timing regarding the cost of inputs and the average price of our inventories, in addition to the dilution of fixed costs due to the recovery of volumes sold.

Net Revenue - R\$ million



Gross Profit - R\$ million



COMPANION ANIMALS

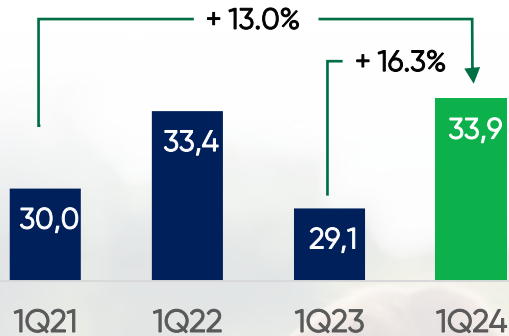
As we have reported in previous quarters, companion animal market had been going through a slowdown that would take growth to pre-pandemic levels. In 1Q24, we can identify this stabilization more clearly and which allowed us to record, for the second consecutive quarter, double-digit growth in the business unit's revenues.

Growth in 1Q24 reached 16.3% compared to 1Q23. Continued growth in 1Q24 is the result of intensified demand actions to increase sell-out, the price repositioning of specific lines and incremental revenue from new products.

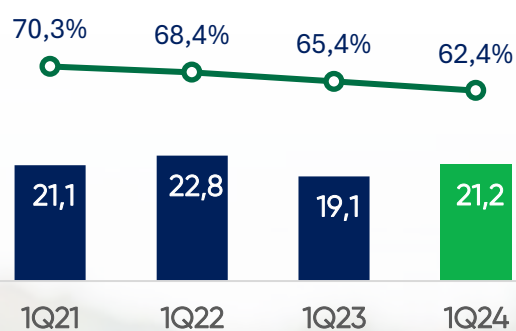
Gross profit in 1Q24 totaled R\$ 21.2 million with a gross margin of 62.4%, representing a drop of 3.0 p.p. versus 1Q23. The price repositioning of some product lines aimed to leverage sales contributed to the reduction in margin compared to the previous period.

Our actions are aimed at access and distribution strategies, improving our closeness to veterinarians and owners so that they have the most appropriate solutions for their pets. Furthermore, we have expanded our operations with major retailers in the sector, which expand the reach of our products to owners.

Net Revenue - R\$ million



Gross Profit - R\$ million



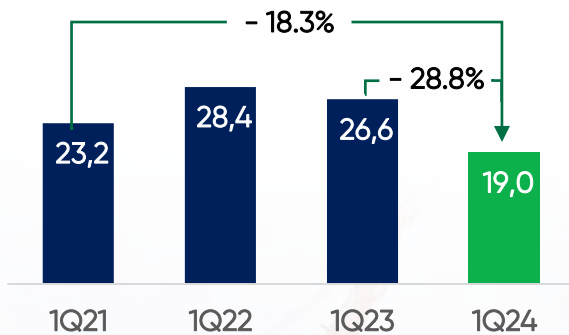
INTERNATIONAL OPERATIONS

The business unit recorded net revenue of R\$ 19.0 million in 1Q24, a drop of 28.8% compared to 1Q23. Gross profit amounted to R\$ 10.0 million, with 52.9% margin.

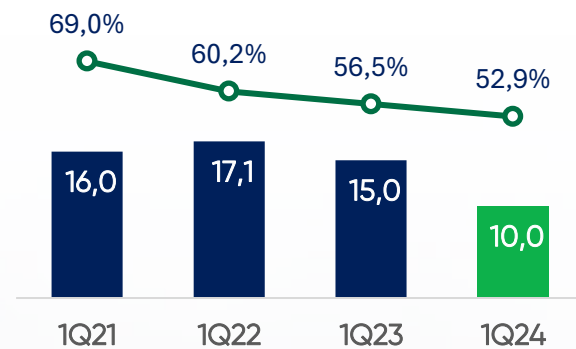
In subsidiaries, our performance was below what was planned for Mexico and Colombia, where losses were reduced by a positive exchange rate impact. For the other countries, we had the impact of the lower volumes of foot-and-mouth disease vaccine which, in 1Q23, were sold to Uruguay and Bolivia and totaled R\$ 6.7 million.

The lower sales volume and consequent lower dilution of fixed costs added to a less favorable mix negatively impacted the gross margin. The company has been continuously investing in launching products from our portfolio in Latin American countries, seeking wider coverage in the markets in which we already operate so as to reverse sales performance.

Net Revenue - R\$ million



Gross Profit - R\$ million



SELLING, GENERAL AND ADMINISTRATIVE AND OTHER EXPENSES

R\$ Million	1Q23	1Q24	Var %
Selling, general and administrative and other expenses	(64.7)	(60.0)	-7.3%
Percentages on net revenue	-38.7%	-33.6%	5.1 p.p.

Selling, general and administrative expenses showed 7.3% drop in 1Q24. The lower expenses substantially reflect the actions taken in 2Q23 and 4Q23 with the reduction or discontinuation of structures with less impact on core business, in addition to projects with lower rates of return. We will continue to work internally to leverage efficiency gains across the entire operation to ensure the company's sustainable growth in the coming periods.

RESEARCH AND DEVELOPMENT EXPENSES

R\$ Million	1Q23	1Q24	Var %
Expenses on research and innovation and portfolio management	(15.8)	(10.9)	-31.1%
Percentages on net revenue	-9.5%	-6.1%	3.4 p.p.

We invested R\$ 17.2 million in research and development in 1Q24 (chart on page 17), of which R\$ 10.9 million is allocated to expenses and reflects the stage of development of the projects as well as the associated level of innovation. It should be noted that we have an agenda of continuous investment in research, development and innovation and that the level of quarterly investment may change depending on the stage and cycle of the research. We remain aligned with our planning for launches and new partnerships aimed at bringing new revenue to the company.

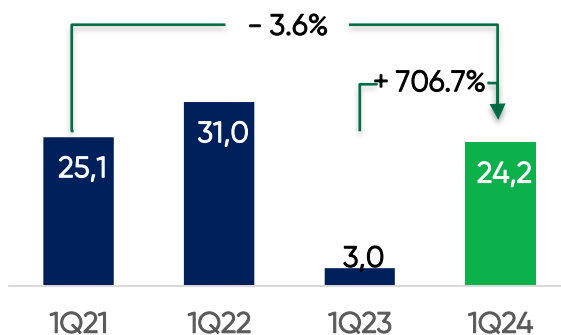
EBITDA AND EBITDA MARGIN

R\$ Million	1Q23	1Q24	Var %
Adjusted net income *	(3.4)	8.8	-357.5%
(+) Non-recurring results		4.1	
Net income (loss) for the quarter	(3.4)	12.8	-477.5%
(+) Net financial result	4.0	1.2	-69.3%
(+) Income tax and social contribution*	(6.1)	6.8	-210.6%
(*) Depreciation and amortization	8.5	9.5	12.4%
EBITDA	3.0	30.4	921.2%
(+) Non-recurring effects (*)	0.0	(6.2)	
Adjusted EBITDA*	3.0	24.2	713.2%
Net sales revenue	167.2	178.4	6.7%
EBITDA margin	1.8%	17.0%	15.2 p.p.
Adjusted EBITDA margin	1.8%	13.6%	11.8 p.p.

* In 1Q24, extemporaneous PIS/COFINS credits from previous periods were excluded. Includes respective tax effects in the period reported.

Adjusted EBITDA in 1Q24 amounted to R\$ 24.2 million, with 713.2% increase versus 1Q23. Adjusted EBITDA margin expanded 11.8 p.p. and it is worth highlighting the gain in operational efficiency with the improvement in gross margin and the reduction and dilution of SG&A.

Adjusted EBITDA - R\$ million



FINANCIAL RESULTS

R\$ Million	1Q23	1Q24	Var %
Net financial result	(4.0)	(1.2)	-69.3%

Net financial result in 1Q24 was R\$ 2.8 million better than that recorded in 1Q23, totaling R\$ -1.2 million. The improvement is due to the cash generation during the period, which resulted in increased liquidity for the Company and the capture of higher financial income.

INCOME TAX AND SOCIAL CONTRIBUTION

R\$ Million	1Q23	1Q24	Var %
Income tax and social contribution	6.1	(4.7)	-176.2%
Percentage on Profit before IT and SC	-64.2%	-34.7%	29.5 p.p.

Income tax and social contribution in 1Q24 reached R\$ 4.7 million, compared to the positive amount of R\$ 6.1 million in 1Q23 and this change is explained by the reversal of a negative EBT scenario to positive this year. It should be noted that the calculation of income tax and social contribution is performed on tax bases that temporarily differ from the accounting result.

ADJUSTED NET INCOME

R\$ Million	1Q23	1Q24	Var %
Adjusted net income	(3.4)	8.8	-357.5%
Margin	-2.0%	4.9%	6.9 p.p.

Adjusted net income amounted to R\$ 8.8 million in 1Q24, representing 138.6% growth compared to 1Q23. The higher net income reflects the growth resumption in revenues and gross profit and the reductions in general and administrative expenses, as mentioned above.

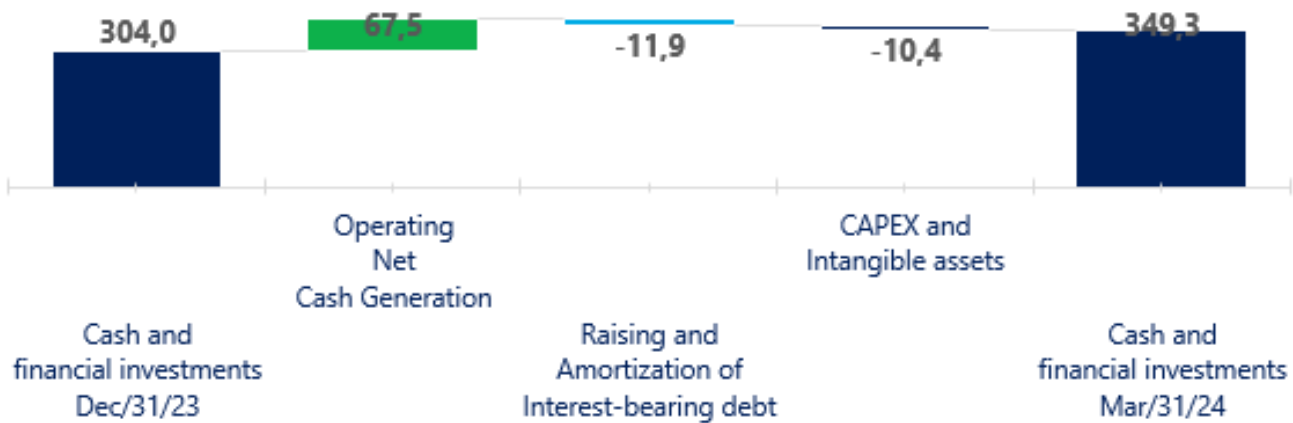
CASH POSITION

In 1Q24, we had robust operating cash generation, totaling R\$ 67.5 million, maintaining the high levels of cash generation from last year. This result reflects the reduction in the financial cycle, considering the maintenance of inventory levels, increases in negotiation terms with suppliers and the drop in expenses in operational and administrative structures.

This result reaffirms the strong ability to generate and convert cash through the operation, the Executive Board’s financial management ability, which maintains a solid financial structure, suitable for Ourofino's strategic needs and prepared to resume the historic business growth.

The flow of financing showed a R\$ -11.9 million change due to the amortization of loans, while the flow of investments had an impact of R\$ -10.4 million due to the acquisition of maintenance CAPEX and R&D intangible assets.

Cash Position - R\$ million



INDEBTEDNESS

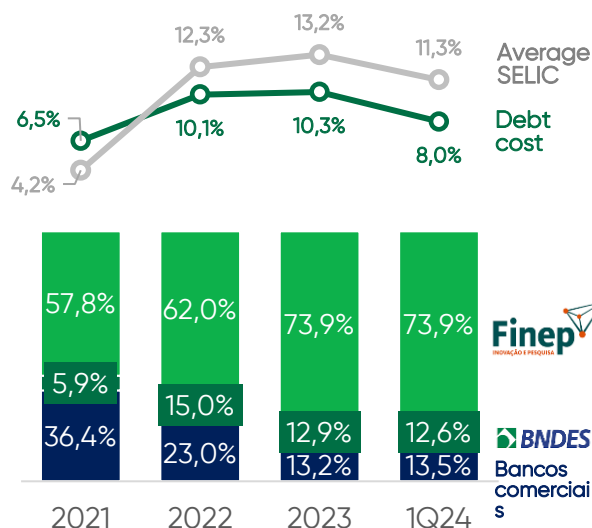
In R\$ million	2023	2024
Current	98.9	98.2
Non-current	333.1	323.2
Gross Debt	432.0	421.4
Related derivative financial instruments	0.2	
Gross Debt considering related derivatives	432.2	421.4
(-) Cash and cash equivalents and short-term investments	304.0	349.3
Net Debt	128.1	72.2
Average cost of debt (end of period) ¹	10.9%	7.7%
Average cost of debt (YTD) ¹	10.8%	8.0%
Average cost of debt (LTM) ¹	10.5%	9.7%
LTM net debt/adjusted annual EBITDA	0.9 x	0.5 x

¹ Net debt with banks considering bank-issued guarantee costs.

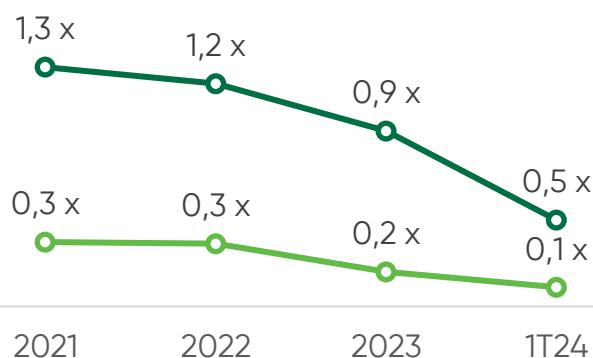
We ended 1Q24 with a 43.6% reduction in net debt, mainly due to cash generation between periods. The level of financial leverage was 0.5x Adjusted EBITDA, versus 0.9x in 1Q23.

1Q24 presented gross debt at the same levels as 1Q23, but with 14.9% higher cash availability, which reflects a decrease in net debt. The debt profile remains well-suited to the Company's long-term investment characteristics, with 76.7% of the debt in the long term and 39.3 % of gross debt with maturities above 5 years.

Composition

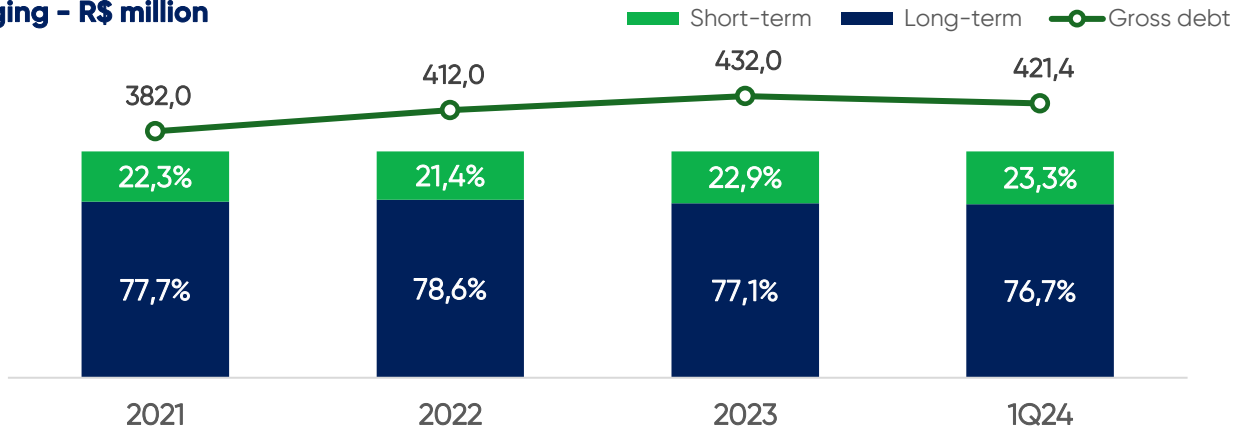


○ Net Debt/Equity
 ● Net Debt/Adjusted EBITDA LTM

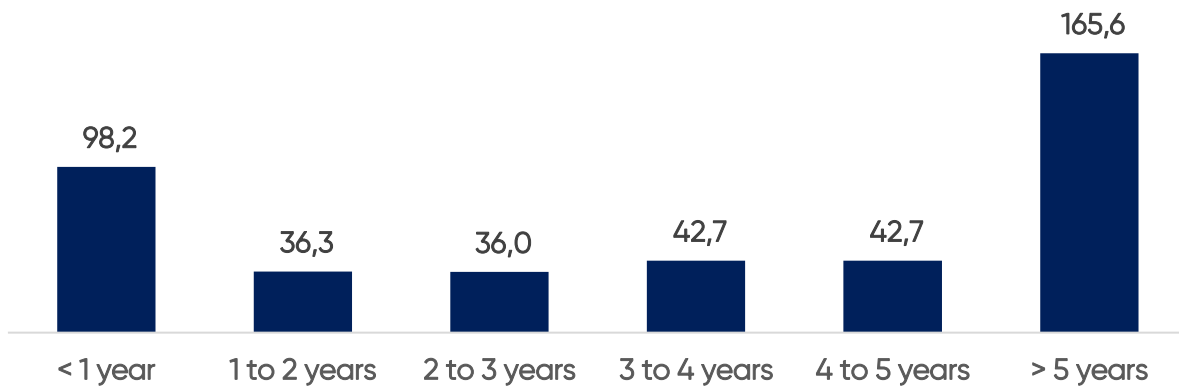


The cost of debt as of March 31, 2024 was 7.7% p.a. and represents 3.05 p.p. lower than SELIC at the end of the quarter. We reduced our exposure to SELIC with the new FINEP project signed in 4Q23, and currently we have 86.5% of our debt not indexed to CDI.

Aging - R\$ million



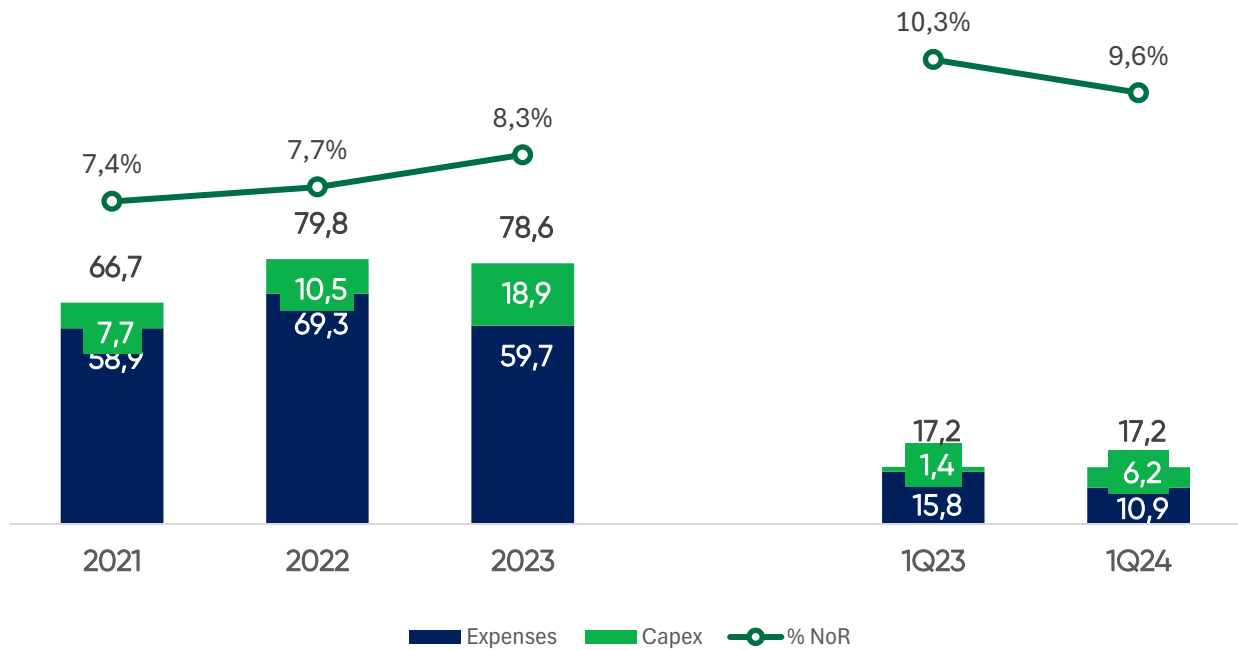
Banking Debt Aging - R\$ million



INVESTMENTS IN RESEARCH AND DEVELOPMENT

In 1Q24, 9.6% of net revenues was invested in R&D, amounting to R\$ 17.2 million. This amount is in line with the strategy of expanding the product portfolio with the aim of ensuring future revenue and generating value for the company.

R&D - R\$ million



INCOME STATEMENT - ADJUSTED

Income Statement (R\$ thousand)	1Q23	1Q24
Revenues	167,172	178,390
Cost of sales	(92,114)	(92,796)
Gross profit	75,058	85,594
Selling expenses	(49,585)	(46,167)
Expenses on research and innovation	(15,814)	(10,903)
General and administrative expenses	(15,119)	(13,224)
Other expenses, net (*)	(35)	(636)
Operating profit (loss)	(5,495)	14,664
Financial income	5,919	8,177
Financial expenses (*)	(10,845)	(9,440)
Derivative financial instruments, net	1,097	(424)
Foreign exchange variation, net	(197)	451
Financial result	(4,026)	(1,236)
Profit (loss) before income tax and social contribution	(9,521)	13,428
Current and deferred income tax and social contribution (*)	6,117	(4,662)
Net income (loss) for the quarter	(3,404)	8,766

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

INCOME STATEMENT - CORPORATE

Income Statement (R\$ thousand)	1Q23	1Q24
Revenues	167,172	178,390
Cost of sales	(92,114)	(92,796)
Gross profit	75,058	85,594
Selling expenses	(49,585)	(46,167)
Expenses on research and innovation	(15,814)	(10,903)
General and administrative expenses	(15,119)	(13,224)
Other revenues (expenses), net	(35)	5,550
Operating profit (loss)	(5,495)	20,850
Financial income	5,919	8,177
Financial expenses	(10,845)	(9,440)
Derivative financial instruments, net	1,097	(424)
Foreign exchange variation, net	(197)	451
Financial result	(4,026)	(1,236)
Profit (loss) before income tax and social contribution	(9,521)	19,614
Current and deferred income tax and social contribution	6,117	(6,765)
Net income (loss) for the quarter	(3,404)	12,849

CASH FLOW STATEMENT (1/2)

Cash Flow Statement (R\$ thousands)	1Q23	1Q24
Cash flows from operating activities		
Earnings before Income tax and social contribution	(9,521)	19,614
Adjustments for:		
Expected credit losses	2	18
Provision for inventory losses and write-offs	3,106	4,091
Provision (reversal) of provision for customer bonuses	(178)	274
Depreciation and amortization	8,469	9,520
Gain (loss) on disposal of property, plant and equipment	(207)	(10)
Gain (loss) on disposal of intangible assets	14	(111)
Interest and monetary/foreign exchange variations, net	10,272	8,592
Derivative financial instruments	(1,097)	424
Provision (reversal) for contingencies	183	(119)
Long-term incentives	3,020	(4,496)
Fair value adjustment	401	637
Changes in working capital		
Trade accounts receivable	116,341	61,347
Inventories	(15,521)	(18,546)
Taxes recoverable	11,663	(3,120)
Other assets	(1,045)	(1,835)
Trade accounts payable	(20,073)	7,088
Taxes payable	(1,703)	(3,583)
Other liabilities	(12,997)	190
Cash from operations	91,129	79,975
Interest paid on loans and financing	(7,501)	(7,771)
Interest paid on leases	(314)	(530)
Income tax and social contribution paid	(1,752)	(4,197)
Net cash from operating activities	81,562	67,477

CASH FLOW STATEMENT (2/2)

Cash Flow Statement (R\$ thousands)	1Q23	1Q24
Cash flows from investing activities		
Investment in intangible assets	(2,618)	(6,328)
Purchase of property, plant and equipment	(5,861)	(4,384)
Proceeds from sale of property, plant and equipment	241	215
Amount received from the sale of intangible assets		111
Net cash used in investing activities	(8,238)	(10,386)
Cash flows from financing activities		
New loans and financing	4,681	11,875
Repayments of loan and financing	(8,029)	(23,080)
Lease payments	(725)	(729)
Realized derivative financial instruments	74	(94)
Net cash used in financing activities	(3,999)	(12,028)
Increase (decrease) in cash and cash equivalents, net	69,325	45,063
Cash and cash equivalents at the beginning of the year	165,036	304,029
Foreign exchange gains on cash and cash equivalents	220	159
Cash and cash equivalents at the end of the year	234,581	349,251

BALANCE SHEET – ASSETS

Balance Sheet (R\$ thousands)	2023	2024
Assets		
Current Assets	828,889	832,136
Cash and cash equivalents	304,029	349,251
Trade accounts receivable	263,035	202,911
Derivative financial instruments	546	34
Inventories	207,888	222,414
Taxes recoverable	16,306	18,596
Income tax and social contribution to recover	15,215	15,594
Related parties	15,120	15,039
Other assets	6,750	8,297
Non-Current Assets	450,120	459,834
Long-term receivables	24,313	23,807
Taxes recoverable	462	388
Deferred income tax and social contribution	21,888	21,121
Other assets	1,963	2,298
Permanent	425,807	436,027
Property, plant and equipment	333,146	339,439
Intangible assets	92,661	96,588
Total assets	1,279,009	1,291,970

BALANCE SHEET - LIABILITIES AND NET EQUITY

Balance Sheet (R\$ thousands)	2023	2024
Liabilities and net equity		
Current Liabilities	232,656	239,284
Trade accounts payable	74,558	82,003
Derivative financial instruments	181	
Loans and financing	98,852	98,208
Salaries and payroll charges	30,212	33,502
Taxes payable	10,825	7,249
Income tax and social contribution payable		1,110
Related parties	338	263
Commissions on sales	5,335	4,115
Leases	2,553	4,829
Other liabilities	9,802	8,005
Non-Current Liabilities	356,958	349,872
Derivative financial instruments		
Loans and financing	333,122	323,216
Provision for contingencies	5,022	4,948
Leases	2,968	9,466
Others	15,846	12,242
Total liabilities	589,614	589,156
Total Equity	689,374	702,794
Non-controlling interest	21	20
Total liabilities and equity	1,279,009	1,291,970

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We produce solutions
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