

Earnings Release 1Q22



REIMAGINING ANIMAL HEALTH



Earnings Conference Call

May 13, 2022 (Friday)

11 am BRT | 10 am EDT

Portuguese with simultaneous translation into English
[webcast](#)

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Animal Health Award Winner 2021





Cravinhos, May 12, 2022 - 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, 2022 (1Q22).

| QUARTERLY HIGHLIGHTS

- **Net revenue** in 1Q22 grows 19.9% to R\$ 202.3 million
- **Adjusted EBITDA** reached R\$ 28.9 million in 1Q22 (15.1% growth)
- **Adjusted net income** of R\$ 13.9 million in 1Q22
- **Leverage** of 1.4x EBITDA, including debt cost at 9.2% per year and 78% of the long-term debt.
- Completion of **Regenera’s** acquisition, a biotechnology startup with a stem cell-based product for the treatment of Osteoarthritis, Keratoconjunctivitis Sicca and Distemper Sequelae



| MESSAGE FROM MANAGEMENT

In 2022, we continue to advance with the initiatives and projects that have been responsible for our growth over the past years and are outlined in our strategic planning.

For the second year in a row, we held our Ourofino Day under a 100% online model, and we had the opportunity to showcase the consistency of the management model implemented. We brought the results we have achieved so far, and most importantly, we show the prospects for the Company's future growth in all our business lines, with operating strategies focused on the evolution of the customer journey, the generation of demand and access adjacent markets with high growth potential and high scale synergies with our current operations. We remain confident in the strategy adopted, through the centralization of our work on our cultural values: **play to win, care for people and connect with the world**. Access our Ourofino Day 2022 by clicking [here](#).

We have made continuous progress towards improving our environmental, social and corporate governance (ESG) and, in 2021, we were recognized by ABRASCA (Brazilian Association of Public Companies) for our annual report as the best of the year for companies with revenues of up to R\$3 billion. In 2022, we started to adopt the Integrated Reporting model, sharing our strategy, governance, performance and perspectives. To read the material, click [here](#).

It is with great pride that we share that, in 2022, we were certified again as one of the Best Companies in Brazil by GPTW (Great Place To Work), as a result of our team living our values. In 2021 we were ranked 8th place in the State of São Paulo, in the category of large companies in countryside São Paulo.

We know that the year 2022 started in a scenario of uncertainty with the increase in cases caused by the Omicron variant of Covid-19 and a challenging economic environment, with high interest and inflation rates. In this context, we focused our efforts on initiatives to gain productivity, develop products and partnerships, expand the coverage of our inventories, strengthen the relationship with our customers and adjust our prices, in order to maintain the profitability.

We hit solid financial results with 19.9% growth of net revenue, which reached R\$202.3 million, dilution of selling, general and administrative expenses by 1.6 pp and the consequent improvement in adjusted EBITDA, which reached R\$28.9 million with 14.3% margin. We continue to consistently generate cash and keep leverage low, at 1.4x Net Debt/EBITDA.

In the **production animals** segment, the retained growth in 1Q21 was 21.6%, reaching R\$ 140.6 million in net revenue over the period. We are attentive to the impacts that we have seen on our gross margins due to supply chain challenges, especially in China, with the recent increase of Covid-19 cases, and we have already started the year with price transfers in line with these impacts.

As for **companion animals**, we had an 11.3% increase with net revenue of R\$ 33.4 million in 1Q22. In this first quarter, we highlight the gradual resumption of on-site activities and the resumption of families' behavior to pre-pandemic patterns, consuming goods that compete with veterinary products in their baskets. We remain confident in our positioning, access and distribution strategy and, above all, the proximity to the veterinarian and tutors to bring the best solutions for pets.



In **international operations**, we achieved a R\$ 28.4 million net revenue in 1Q22, a 22.5% growth as compared to 1Q21, a result based on the efforts of the commercial teams, committed to generating demand, based on the close relationship with customers and distributors who represent us in these countries. We highlight the growth in local currency and increments of volume sold by our subsidiaries in Mexico and Colombia in a period of high exchange rate volatility, which put pressure on the business unit's margin.

In 1Q22, we concluded the transaction for the acquisition of Regenera, as announced in November 2021, starting the integration into our businesses and starting to reap the rewards of this operation, with the launch and commercialization of the product **NeoStem**. The product Neostem is patented and a solution for the less invasive treatment of diseases limiting the routines of Pets, indicated for dogs that have Osteoarthritis, Distemper Sequelae or Keratoconjunctivitis Sicca.

This move represents a breakthrough in the biotechnology market and places Ourofino at the forefront of the development of innovative researches and therapies, particularly for companion animals. We reinforce that the acquisition of Regenera added a technological platform to our R&D, which will enable other products to be launched with the same technology.

In 2022, we expanded a **successful partnership with the company Chr. Hansen** and we launched 3 new products in the first quarter. In 2021, the partnership with the Danish company earned Ourofino the recognition as the largest seller of its inoculant products around the world.

We made progress in the strategic pillar of **operational efficiency** with the completion of the first cycle of our Lean University, an initiative that aims to promote a culture of continuous improvement in our team. Through this forum, more than 90 projects were implemented that have already captured financial and productivity returns for the company.

In order to further improve **our customers' experience**, we will launch, in May 2022, the **iUse platform**, which reinforces our commitment to Reimagining Animal Health, by providing knowledge and developing our partners. Access our launch event on May 19 by clicking [here](#).

We understand the Brazilian cyclical and economic challenges for the year 2022 and we trust in the efforts of our teams, and in their adherence to our cultural values, in order to continue with the execution of our profitable growth strategy.

Kleber Gomes
Chief Executive Officer

Marcelo da Silva
Chief Financial Officer and
Investor Relations Officer



| FINANCIAL PERFORMANCE

R\$ Million	1Q21	1Q22	Var %
Net revenue	168.8	202.3	19.9%
Cost of goods sold	(85.5)	(104.5)	22.2%
Gross profit	83.2	97.8	17.5%
(gross margin)	49.3%	48.3%	-1.0 p.p.
Selling, general and administrative expenses *	(53.0)	(60.6)	14.3%
Expenses on research and innovation	(11.6)	(15.8)	36.6%
Operating profit	18.6	21.4	14.9%
(operating margin)	11.0%	10.6%	-0.4 p.p.
Net financial result	(4.5)	(6.7)	48.4%
Income tax and social contribution*	(4.5)	(0.8)	-83.3%
Adjusted net profit	9.6	13.9	45.2%
(adjusted profit margin)	5.7%	6.9%	1.2 p.p.
Adjusted EBITDA *	25.1	28.9	15.1%
(Adjusted EBITDA margin)	14.9%	14.3%	-0.6 p.p.

(*) Excluding non-recurring expenses with refurbishment of the corporate building in 1Q21. In 1Q22, it does not take into account expenses related to M&A operation and merger of the subsidiary OF Pet. in addition to the gain from tax proceedings from previous periods. Including respective tax effects in both periods reported.

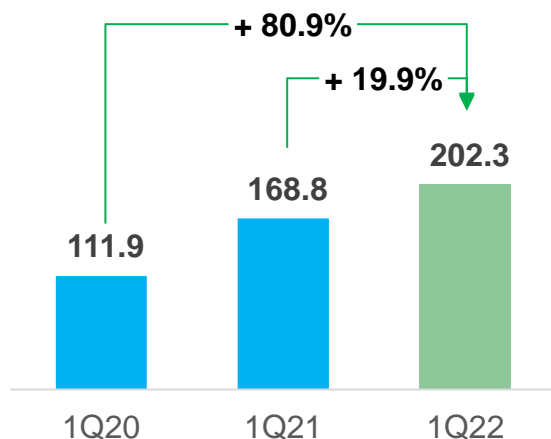


| NET REVENUE AND CONSOLIDATED GROSS PROFIT

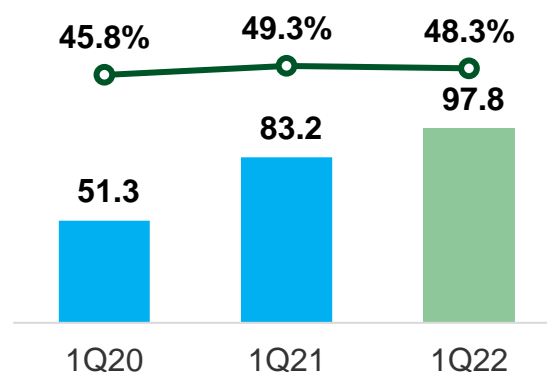
The Company's consolidated net revenue in 1Q22 amounted to R\$ 202.3 million, with 19.9% growth as compared to the same period of the previous year, with a highlight to the progress in the three business units.

Gross margin in 1Q22 was 48.3%, 1.0 p.p. lower when compared to 1Q21. Despite the scenario for the supply of inputs and logistics remains challenging, we have been working with backup inventories, particularly for raw materials, and anticipation of purchases to avoid any disruption in the supply chain, fact of which remained stable in 1Q22. As a result, we have been able to fully meet our customers' purchase orders. In addition, there was an impact from the 11% collective bargaining agreement, as adjusted in November 2021, which puts pressure on expenditures in 2022. Additionally, it should be mentioned that price transferred have already been applied in order to maintain profitability.

Net Revenue - Consolidated
R\$ Million



Gross Profit and Margin - Consolidated
R\$ Million



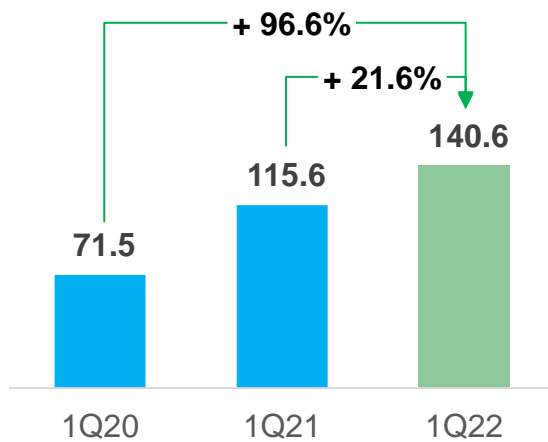


| PRODUCTION ANIMALS

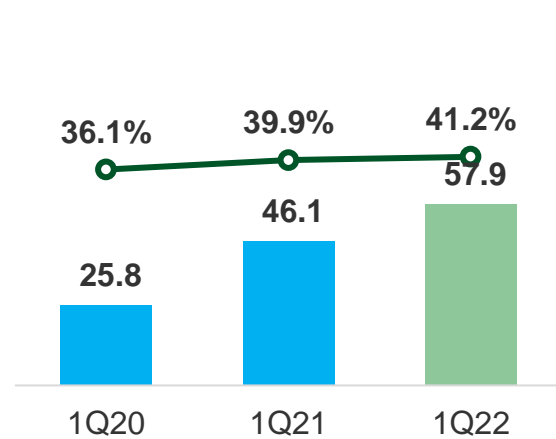
The business unit posted net revenue of R\$140.6 million in 1Q22, an increase of 21.6% as compared to 1Q21. This result was based on volume and price gains, with an emphasis on the IATF protocols and antiparasitic line.

Gross margin grew 1.3 pp as compared to the same period last year, reaching 41.2% and reflects the transfer in the price list in 1Q22.

Net Revenue - Production Animals
R\$ Million



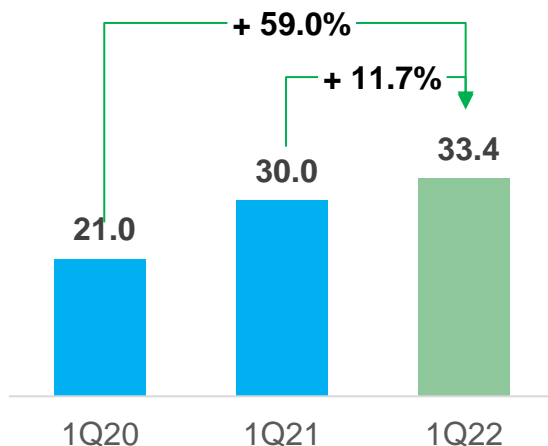
Gross Profit - Production Animals
R\$ Million



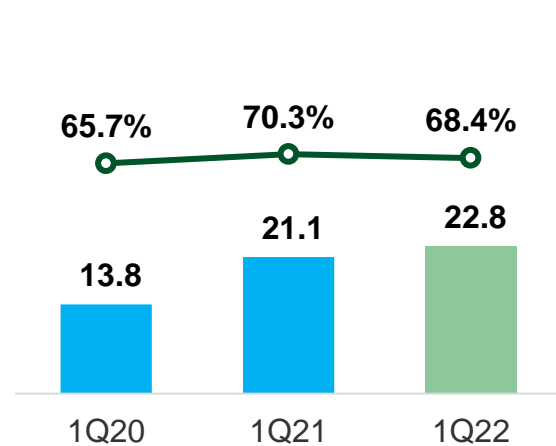
| COMPANION ANIMALS

The business unit achieved net revenue of R\$33.4 million in 1Q22, an increase of 11.3% compared to 1Q21. Gross margin in 1Q22 was 68.4%, 1.9 p.p. lower when compared to 1Q21. The price list in 1Q22 had an increase; however, the gross margin was impacted by a less favorable mix and lower sales volume growth in this quarter.

Net Revenue - Companion Animals
R\$ Million



Gross Profit - Companion Animals
R\$ Million

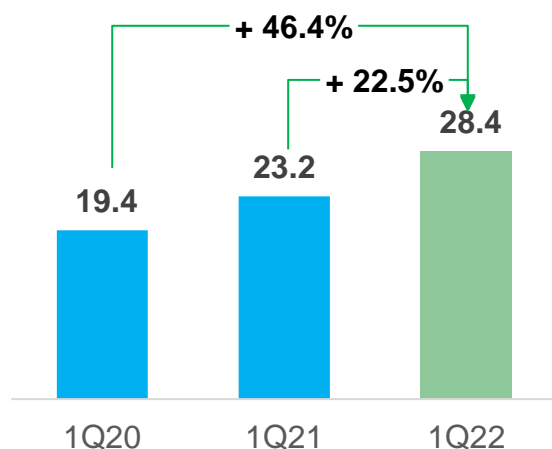




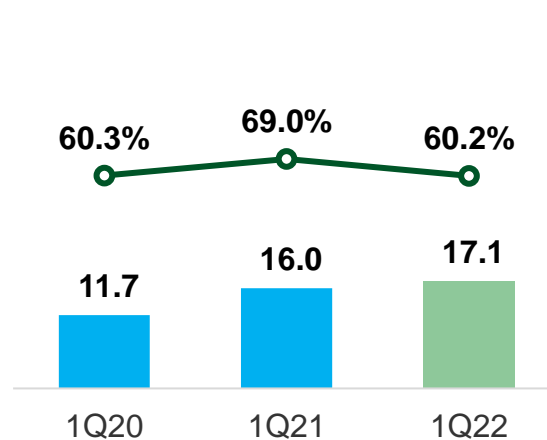
| INTERNATIONAL OPERATIONS

In international operations, net revenue reached R\$ 28.4 million in 1Q22, with 22.5% growth as compared to 1Q21. We highlight the growth in local currency both in volume and price. The strong valuation of Brazilian Real versus 1Q21, plus a less favorable mix per spot sale to Other Countries, adversely impacted the business unit margins, which reached 60.2% in 1Q22, down 8.8 p.p.

Net Revenue - International Operations
R\$ Million



Gross Profit - International Operations
R\$ Million



| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

R\$ Million	1Q21	1Q22	Var %
Selling, general and administrative expenses and others	(53.1)	(60.6)	14.1%
Percentages on net revenue	31.5%	29.9%	-1.6 p.p.

Selling, general and administrative expenses decreased by 1.6 pp compared to 1Q21. This dilution occurred despite the strong increase of inflation and collective bargaining rates, and reflects the efforts of management focused on the continuous improvement of administrative proceedings and the implementation of productivity and operational efficiency initiatives.

| RESEARCH AND DEVELOPMENT EXPENSES

R\$ Million	1Q21	1Q22	Var %
Expenses on research and innovation and portfolio management	(11.6)	(15.8)	36.6%
Percentages on net revenue	6.9%	7.8%	0.9 p.p.

We invested R\$18.1 million in research and development in 1Q22 (chart on page 14), of which R\$15.8 million are allocated to expenses and reflects greater investments in initial cycles of new product



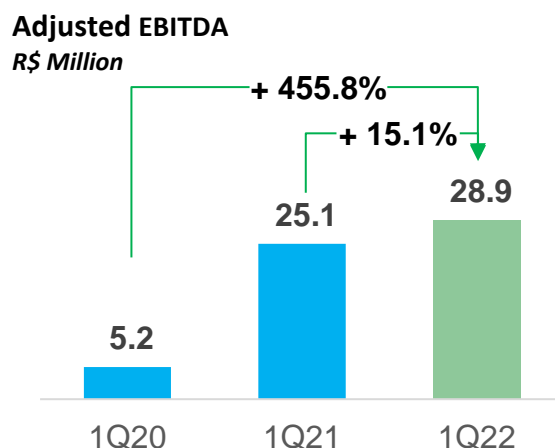
development, in line with our strategic planning for new launches and partnerships, which aim to bring more future revenues to the Company.

| EBITDA AND EBITDA MARGIN

R\$ Million	1Q21	1Q22	Var %
Adjusted profit	9.6	13.9	44.6%
(+) Non-recurring results*	(0.1)	2.1	-2155.4%
Profit for the period	9.5	16.0	67.7%
(+) Net financial result	4.5	6.7	48.4%
(+) Income tax and social contribution*	4.5	1.0	-78.9%
(*) Depreciation and amortization	6.5	7.5	16.5%
EBITDA	25.0	31.1	24.6%
(+) Non-recurring effects (*)	0.1	(2.3)	-2354.5%
Adjusted EBITDA	25.1	28.9	15.1%
Net sales revenue	168.8	202.3	19.9%
EBITDA margin	14.8%	15.4%	0.6 p.p.
Adjusted EBITDA margin %	14.9%	14.3%	-0.6 p.p.

(*) Excluding non-recurring expenses with refurbishment of the corporate building in 1Q21. In 1Q22, it does not take into account expenses related to M&A operation and merger of the subsidiary OF Pet, in addition to the gain from tax proceedings from previous periods. Including respective tax effects in both periods reported.

Adjusted EBITDA in 1Q22 amounted to R\$ 28.9 million, with 15.1% increase versus the same period in 2021. Adjusted EBITDA margin decreased by 0.6 p.p. and it is worth noting the cost pressures mentioned above, impacting the gross margin, but offset by SG&A dilution, in an environment of higher inflationary pressure and collective labor agreement for our workforce.





| FINANCIAL RESULT

R\$ Million	1Q21	1Q22	Var %
Net financial result	(4.5)	(6.7)	48.4%

The negative net financial result in 1Q22 was 48.9% higher as compared to 1Q21, reaching R\$ 6.7 million. The main factor is the increased interest expenses on financial loans, due to the increased SELIC/CDI and TJLP rates. Even though these expenses have been partially mitigated by higher financial revenues on financial investments.

| INCOME TAX AND SOCIAL CONTRIBUTION

R\$ Million	1Q21	1Q22	Var %
Income tax and social contribution	(4.5)	(0.8)	-83.3%
Percentage on profit before IT and SC	-31.9%	-4.6%	27.3 p.p.

Income tax and social contribution reached R\$ 0.8 million in 1Q22, compared to R\$ 4.5 million in 1Q21. 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

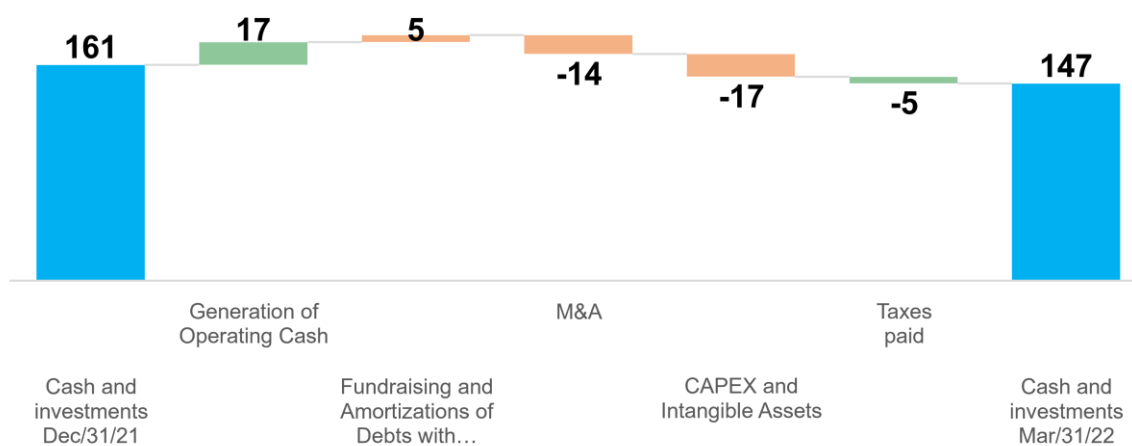
R\$ Million	1Q21	1Q22	Var %
Adjusted net profit	9.6	13.9	45.2%
margin	5.7%	6.9%	1.2 p.p.

Adjusted net income for 1Q22 amounted to R\$ 13.9 million, an increase of 45.2% compared to the same period in 2021. This result is due to SG&A dilution, offsetting the impact of the financial result and the lower gross margin in the period, considering the cost pressures.



| CASH POSITION

Cash Position R\$ Million



In 1Q22, operating cash generation amounted to R\$ 17.0 million, with impact of the inventory policy, particularly raw materials, a mitigating action for the risks of the supply chain in China. It is worth noting that the average collection period was reduced between the periods. The flow of investments was impacted by R\$ 14.2 million by the closing of the Regenera acquisition transaction. In CAPEX, we have the Company's investments in R&D and maintenance CAPEX, amounting to R\$ 16.9 million.



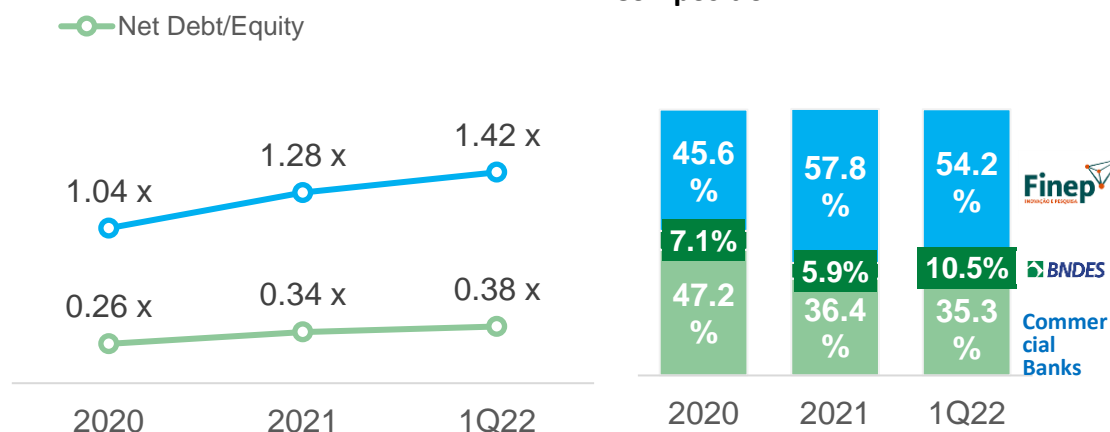
| INDEBTEDNESS

In R\$ million	1Q21	1Q22
Current	99.0	86.2
Non-current	289.8	309.7
Gross Debt	388.8	395.8
Related derivative financial instruments	(3.6)	0.0
Gross Debt considering related derivatives	385.2	395.8
(-) Cash and cash equivalents and short-term investments	236.9	147.4
Net Debt	148.3	248.5
Weighted debt cost (per year) ¹	5.3%	9.2%
LTM net debt/adjusted annual EBITDA	0.91 x	1.42 x

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

The level of financial leverage was 1.42x Adjusted EBITDA. The debt profile remains well suited to the Company's long-term investment characteristics, with 78% of the debt in the long term and 28% of the total gross debt with term longer than 5 years.

Composition



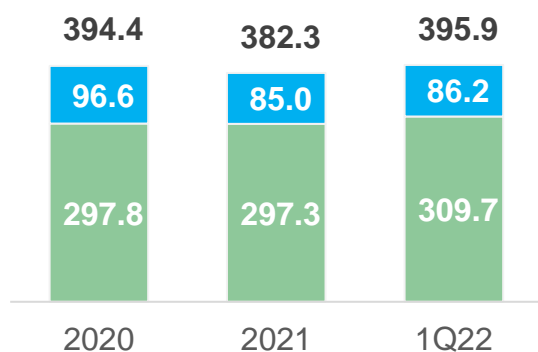
Additionally, the average debt cost on March 31, 2022 was 9.2% per year, reflecting the level of the SELIC rate at 11.75% per year on that date. On the other hand, the average debt cost does not fully follow the increase in the SELIC rate due to the company's indebtedness profile, with approximately 48% of the volume indexed to TJLP and/or fixed at about 4.5% per year. It is worth noting that we still have R\$ 58.5 million to be released by FINEP in a contract signed in 2020 to finance the R&D activity.



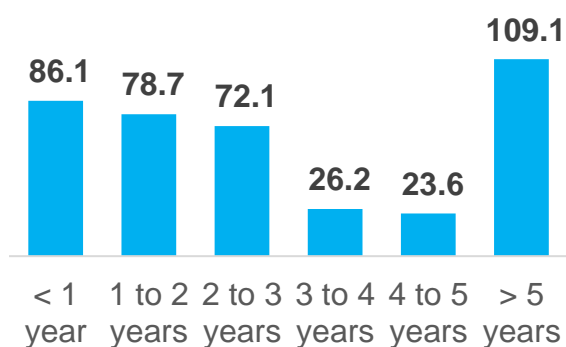
with a final term of 12 years and a 3-year grace period (cost of that specific line of TJLP+0.39% per year), R\$ 33.4 million via BNDES for CAPEX maintenance carried out and planned for the next periods with total term of 10 years and with a 2-year grace period.

Aging (R\$ million)

- Short Term
- Long Term



Bank Debt Aging
R\$ Million

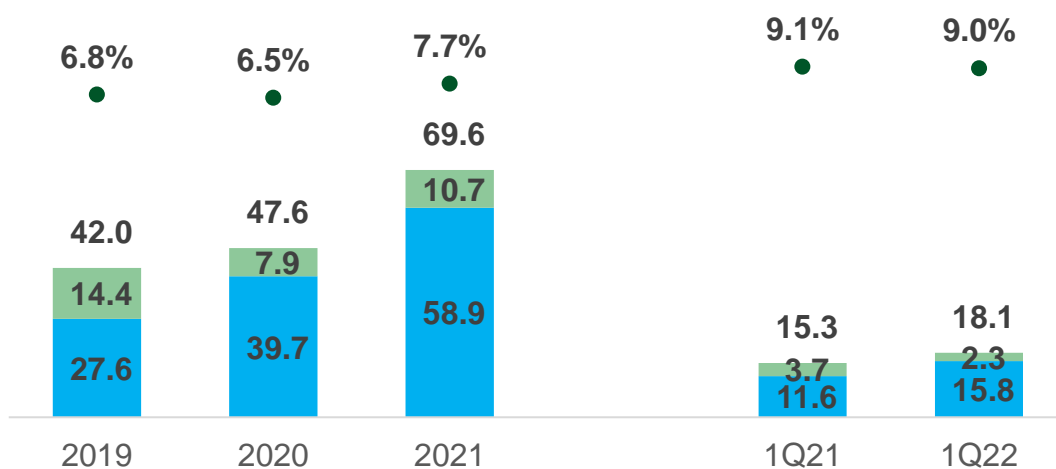




INVESTMENTS IN RESEARCH AND DEVELOPMENT

In 1Q22, 9,0% of net revenues was invested in R&D, amounting to R\$ 18.1 million. The invested amount growth of 18.6% in comparison with 1Q21 is in line with the Company's strategic plan of continuous investment in its product portfolio for ensuring their future revenues and will remain so for the coming periods. The graph below shows the Company's R&D total investments from 2019 to the first quarter of 2022.

R&D Investment
R\$ Million





| INCOME STATEMENT - ADJUSTED

Income Statement (R\$ thousands)	1Q21	1Q22
Revenues	168,784	202,315
Cost of sales	(85,522)	(104,522)
Gross profit	83,262	97,793
Selling Expenses	(40,745)	(48,072)
Expenses on research and innovation	(11,651)	(15,840)
General and administrative expenses*	(12,233)	(13,084)
Other expenses, net*	(100)	569
Operating profit	18,533	21,365
Financial revenues	1,169	3,962
Financial expenses	(4,751)	(8,847)
Derivative financial instruments, net	1,275	
Foreign exchange variation, net	(2,171)	(1,791)
Financial Result	(4,478)	(6,676)
Earnings before Income tax and social contribution	14,054	14,689
Current and deferred income tax and social contribution	(4,516)	(751)
Adjusted net income for the period	9,538	13,939

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



| INCOME STATEMENT - CORPORATE

Income Statement (R\$ thousands)	1Q21	1Q22
Revenues	168,784	202,315
Cost of sales	(85,521)	(104,522)
Gross profit	83,262	97,793
Selling Expenses	(40,745)	(48,072)
Expenses on research and innovation	(11,651)	(15,840)
General and administrative expenses	(12,233)	(13,115)
Other expenses, net	(175)	2,854
Operating profit	18,458	23,620
Financial revenues	1,169	3,962
Financial expenses	(4,751)	(8,847)
Derivative financial instruments, net	1,275	
Foreign exchange variation, net	(2,171)	(1,791)
Financial Result	(4,478)	(6,676)
Earnings before Income tax and social contribution	13,980	16,944
Current and deferred income tax and social contribution	(4,490)	(950)
Net income for the year	9,490	15,994



| CASH FLOW STATEMENT (1/2)

Cash Flow Statement (R\$ thousands)	1Q21	1Q22
Cash flows from operating activities		
Earnings before Income tax and social contribution	13,980	16,944
Adjustments for:		
Expected credit earnings	(10)	(10)
Provision for inventory losses and write-offs	2,238	752
Reversal of provision for customer bonuses	(497)	(236)
Depreciation and amortization	6,459	7,523
Gain (loss) on disposal of property, plant and equipment	(11)	(591)
Interest and monetary/foreign exchange variations, net	6,414	6,882
Derivative financial instruments	(1,275)	
Reversal of provision for risks	(597)	(867)
Stock options expenses	110	307
Fair value adjustment		207
Changes in working capital		
Trade accounts receivable	38,242	43,636
Inventories	(41,928)	(44,651)
Taxes recoverable	3,696	2,530
Other assets	(2,355)	525
Trade accounts payable	15,925	4,345
Taxes payable	124	(9,439)
Other liabilities	(17,047)	(10,873)
Cash provided by operations	23,468	16,984
Interest paid	(3,572)	(6,572)
Income tax and social contribution paid	(2,000)	(4,944)
Net cash from operating activities	17,896	5,468



| CASH FLOW STATEMENT (2/2)

Cash Flow Statement (R\$ thousands)	1Q21	1Q22
Cash flows from investment activities		
Acquisition of companies, net of acquired cash		(14,241)
Investment in intangible assets	(3,065)	(2,863)
Purchase of property, plant and equipment	(13,942)	(15,157)
Proceeds from sale of property, plant and equipment	170	1,108
Net cash used in investing activities	(16,837)	(31,153)
Cash flows from financing activities		
New loans and financing		20,000
Repayments of loan and financing	(8,191)	(8,053)
Lease payments		(390)
Net cash provided by (used in) financing activities	(8,191)	11,557
Decrease in cash and cash equivalents, net	(7,132)	(14,128)
Cash and cash equivalents at the beginning of the period	225,575	161,254
Foreign exchange gains on cash and cash equivalents	278	247
Cash and cash equivalents at the end of the period	218,721	147,373



| BALANCE SHEET - ASSETS

Balance Sheet (R\$ thousands)	03/31/2021	03/31/2022
Assets		
Current assets	677,748	701,456
Cash and cash equivalents	218,721	147,373
Financial investments:	18,150	
Trade accounts receivable	172,807	198,995
Derivative financial instruments	3,573	
Inventories	228,644	311,767
Taxes recoverable	24,026	24,968
Income tax and social contribution to recover	2,114	7,544
Related parties	428	327
Other assets	9,285	10,482
Non-Current Assets	432,493	502,449
Non-Current Receivables	67,673	80,975
Taxes recoverable	39,005	44,095
Deferred income tax and social contribution	23,672	33,865
Inventories	3,369	1,201
Other assets	1,627	1,814
Permanent	364,820	421,474
Intangible	77,332	98,370
Property, plant and equipment	287,488	323,104
Total assets	1,110,241	1,203,905



| BALANCE SHEET - LIABILITIES AND NET EQUITY

Balance Sheet (R\$ thousands)	03/31/2021	03/31/2022
Liabilities and equity		
Current Liabilities	242,168	224,148
Trade accounts payable	74,222	72,410
Loans and financing	98,955	86,152
Salaries and payroll charges	26,168	32,270
Taxes payable	5,035	6,073
Income tax and social contribution payable	1,671	
Dividends and interest on equity	21,309	12,768
Related parties	234	248
Commissions on sales	4,388	4,585
Other liabilities	10,186	9,642
Non-Current Liabilities	296,820	326,611
Loans and financing	289,810	309,664
Provision for contingencies	5,815	4,842
Obligations for investment acquisition		8,784
Taxes payable		64
Other liabilities	1,195	3,257
Total liabilities	538,988	550,759
Total Net Equity	571,217	653,126
Non-controlling interest	36	20
Total liabilities and equity	1,110,241	1,203,905



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