

## OUROFINO SAÚDE ANIMAL

### EARNINGS CONFERENCE CALL

2Q21

**Operator:** Good afternoon everyone, welcome to the virtual meeting, promoted by Ourofino Saúde Animal, to share the Company's results in the second quarter of 2021. My name is Juliana Matthes, I am part of the corporate communication team and I'm pleased to be here with you to conduct this meeting.

At the end of the presentations, we will open for questions. Please, whoever have questions, just write in our Q&A field. We have a notice I want to read to all of you.

This presentation contains forward-looking statements that are subject to risks and uncertainties. Such statements are based on the beliefs and assumptions of our management and information to which the Company currently has access. Forward-looking statements include information about our current intentions, beliefs or expectations, as well as those of the members of the Company's Board of Directors and Officers.

Disclaimers regarding forward-looking statements and information also include information about potential or expected operating results, as well as statements that are preceded, followed or that include the words "believes", "may", "will", "continues", "expects", "predicts", "intends", "plans", "estimates" or similar expressions.

Forward-looking statements and information are not guarantees of performance. They involve risks, uncertainties and assumptions because they refer to future events, depending, therefore, on events that may or may not occur. Future results and value creation for shareholders may differ significantly from those expressed or suggested by forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict.

So, to conduct the presentations, our CEO, Kleber Gomes, is here and also our financial and investor relations Officer, Marcelo Silva. We also thank them for their presence here. To continue, I give the floor then to Kleber.

**Kleber Gomes:** Hello, good afternoon everyone, it's a great pleasure to be here again, to present our results for the second quarter of 2021. And indeed, we are very happy, we are experiencing a very positive period in the market, a very positive period for the Company, showing consistent results, with high growth. This assures us that we are doing a good job, but still with many

opportunities for improvement ahead. My investiture as the Company's CEO was on April 1, 2020, and right after we had those worst months of the pandemic, but even so we worked a lot here preparing the seeds and on August 20, 2020 we launched our new culture, of our new values, which is our compass here for the day to day life. It's a job done by several hands, but it sought to be simple and effective as we would like it to be. Within our purpose of reimagining animal health, we have three new values: Play to Win, Care for People and Connected with the World. Play to win, that represents our result-oriented culture, our owner mindset and our ambition to always seek superior results. Connected with the world, which is our innovation, we are a technology-based pharmaceutical company that must always seek the best solutions. So it's our culture of innovation. And at the heart of it all: people, right. We always say here that we taking good care of people, they will take good care of our business and that it feeds itself. And in this context, we will celebrate now, on August 20, 2021, the first anniversary of this new culture. We will have a special event here at the company, involving all employees, because thank God this compass is working very well, people are engaged in this purpose, are engaged in living these values. And we have been experiencing good results here in the Company's daily activities. And as I said, this all leads to a series of positive actions. We did our planning, our strategic planning review cycle, we completed it at the end of 2019, and we started implementation in 2020. We are strongly moving forward with implementation even in the context of the pandemic, and so we keep doing it, right? A plan underpinned on 6 very clear pillars, around 20 strategic actions, and that seeks to strengthen our growth and our position among the leading companies in the market. With very clear growth paths, growth path in the international market, where we have achieved great results. Growth also via new products, via adjacent products, via improved execution, with projects also well defined. And we are firmly pursuing the execution of this strategic plan. We have also been seeking other actions and we know today that a very important topic is the ESG issue, and all the companies are focused on it, here we were already focused, so for us this is not new, but of course we have also, in this new management, given a special care and tried to do even better here what was already good. So, we have several social actions, we have a very good level of governance, which you know well, mainly because we are a company in the Novo Mercado. But we are also seeking several other things, so there are N projects in the Company, for example, we are replacing a good part of our packaging with 100% recycled material, we are putting audio leaflets via QR code on our products to ensure accessibility, we are putting braille, we have all our events, including with our employees, with Spanish translation, for our teams in Mexico and the Colombia, with translation into the Brazilian sign language for our employees. We remodeled our office, which is now an accessible office. So, we have been doing a lot of things, we did last year a lot of social

campaigns and we did this year too. Quite a lot, a lot of interesting things. And now we are in a project to review our ESG materiality matrix, a project in which we are also seeking contributions from all stakeholders in our chain, so that we can, based on this new positioning, guide our ESG jobs even better. And this work should be completed very soon, by the end of the year we will have our new matrix, which will guide the next years of our ESG work. We have also been working a lot with the Company's digital positioning. We sell directly through the channels, right, we sell to distributors in the production animal segment, and we are not looking for digital sales yet, but we already have a presence in digital channels, and we are pursuing, we are working on several projects that aim to help the sector to evolve, mainly projects related to the educational field, of rural extension. Our team today already has a very strong digital marketing strategy, a very strong social media positioning as well. And, recently, we also engaged some partners to help us along this path, such as Onovolab, which is also helping us with the road map of digital projects and we already have some things in the pipeline to come out soon. A very positive moment for the market, as I said before, right? We already saw this in 2020, it couldn't be different, we always said that the Company's main drivers were the belief that Brazil and Latin America are the breadbasket of the world, who will really provide food for the world. We know that we have an expectation of a very large population increase, especially in countries, China, India and Africa, with more access to protein and that Latin America is the one with this supply capacity, and Brazil is the main player, and Mexico and Colombia also play a key role in this process. And when we look at the market moment, we see that this is mostly due to the demand for Brazilian protein, mainly from Asian countries, especially China, which made our GDP even have a strong agricultural GDP, even in the period of the pandemic. So that's everything we've always said and this moment has been reflected, coupled with some factors, right, when we see, for example, in production animals, we know that there was a lack of animals in the pasture and with the demand for protein, producers need to produce animals, and then you have the whole health package being favored, especially for example our reproductive packages, our artificial reproduction line, artificial insemination for a fixed term and this has been reflected in the tracking numbers of production animals. But not only that, we also made in this one year of work, several changes, you followed the restructuring in the executive office that was made, we made team restructuring, we made adjustments in our processes for generating demand for production animals, which were already very good, but we are always looking for improvement, so we also made adjustments. And here we are proud to be a Brazilian company, which truly works side by side with the producer, and with this we are always very close to the rural producer and really looking for enchantment. We want that whenever you think about animal health, you remember Ourofino and with that we have achieved very good and fairly constant

growth, which gives us the certainty of this positive path. In companion animals, also very much in line with what we always say, right, that the humanization of pets, is already a reality. Today we don't even talk about tutors anymore, we used to say pet owners, then we started talking about tutors, and today, in fact, they are fathers, fathers and mothers and children with paws, right, and with that this market was greatly favored by the pandemic. Brazil is already the world's second largest market for companion animals. We have an increase in the number of domiciled animals, with around 85 million animals, around 55 million dogs and around 30 million cats, and the pandemic with people at home has made pets gain even more attention, because they were also at that time the emotional point of support to the families. And this market is still very strong, it has always been a market with a lot of growth and this situation is even better and the sky is the limit here in this market. And in international operations, we know that this was a weaker base for our Company. That we still have and, we also said that on our Ourofino Day, that we have an open path in these markets, because our share is low, we do not have the same product portfolio that we have in Brazil, which is leading us to register the products there, to increase the portfolio and also the growth of the team. And I would even like to emphasize that it is not easy for a domestic company to carry out an internationalization process as we are doing, because there are cultural differences, but today I am very proud and very pleased to say that we do not have 3 teams, when, for example, we think in Brazil, Mexico and Colombia, we have a single team. Mexico and Colombia teams participate in everything with us, at the same time, at the same moment and it's been very good to work with everyone from this international operations team who is also achieving a very positive result and the expectation is also very good for the future. So, overall, this is a very positive moment in the market, very positive for the Company, the numbers that Marcelo will explain soon reflect this, and we continue to work a lot here, with many projects, many things to do, but with the certainty that we are doing a good job. So I thank you all and I will be available later so that we can answer your questions. I now hand over to Marcelo.

**Marcelo:** Hi everyone, good afternoon, thank you Kleber. I'm pleased to be here with you to announce one more quarter of consistent financial results. The company grew in the 2nd quarter of 2021, 34%, when compared to the 2nd quarter of 2020. 2Q20 was the period most affected by the pandemic, especially in April and May, but we started to see a recovery as of June and we made 2020 a very good year, as Kleber has already commented, favored by the favorable economic scenario and also for the work of the Company and the teams that spared no effort to keep customers activated, the team engaged, to deliver an excellent year. So, the growth in the 2nd quarter was 34%, we reached R\$ 231 million in net revenue and in the half-year period we are growing 41% versus the same period in 2020, reaching a net revenue of R\$ 400 million. I

will explain a little further, per unit, the main points that generated growth. As concerned to the gross margin, the gross margin in the 2nd quarter of 2021 was 50.1% of net revenue versus 52% last year. This quarter we had a higher impact on input costs, especially in dollarized inputs, the less favorable exchange rate in this quarter when compared to 2Q20, considering the average period for replenishment of inventories, but in the half-year period, the Company had a gross margin of 49.8%, at the same levels as in 2020, that is, we are working internally to grow, maintaining a healthy level of profitability in all business lines. Looking at the production animals segment, as Kleber explained, the market is still heated, right, favored by the export scenarios that have kept protein prices at favorable levels and these conditions keep cattle raisers and producers motivated and encouraged to increase the level of investments in animal health, also focusing on increased productivity, replacement of the herd, and this is reflected in the growth of some product lines, particularly, the reproductive line, the antiparasitic line. So, we are experiencing strong growth. Our thesis within this segment has always been that the market would grow because of the need to increase technification, and technification goes through health and this movement has been seen a lot, both in 2020 and now in 2021. Our net revenue in the 2nd quarter of 2021 grew 28%, versus the second quarter of 2020 and in the six-month period, we have a 40% growth compared to last year, reaching R\$ 289 million in net revenue. In the 2nd quarter of 2021, gross margin was 44.5% of net revenue, versus a better gross margin last year, and this reflects two factors: one is the increase in the proportion of sales of FMD in this 2021 campaign versus 2020, which is a product that has a less favored margin when we compare it with other items in the line and also the impact of the dollar on the cost of some imported inputs that end up being favored when we look at exports, that the impact on sales ends up being proportionally higher, but the domestic market brought this pressure in the second quarter of 2021, on the cost of products. When we look at the 6 months, gross margin is 42.7, versus 43.8% last year and internally the Company has been very attentive to seize market opportunities and make, when applicable, price transfers to recompose margins in line with what has been made by the competition and always looking at the issue of demand, price elasticity and volume. In companion animals, in this 2nd quarter it is 66% and here I want to make a caveat, because in the 2nd quarter of 2020 this segment declined about 23%, as it was in fact the most affected, right, mainly by the lockdown, in large cities, São Paulo, Rio, Belo Horizonte, but it is an important growth, especially when we look at the 6 months, we reached R\$ 60 million in net revenue, so 53% growth and this is a growth in a segment that has been growing healthily, the teams have maintained a level of investment in generating demand, we have increased the volume of sales conversion and maintained a very healthy balance of inventories at distributors. So, it's a relevant and very sustainable growth, considering the

Company's economic fundamentals. In international operations, we are going forward at an accelerated pace within our international expansion project, as Kleber commented, despite the challenges, we are consistently growing for one more quarter, not only in Mexico and Colombia, but also in exports to other countries in Latin America. We had 46% growth, reaching R\$ 27 million, and it is worth noting that Mexico and Colombia grew, showed significant growth in volume in local currency, also favored by the exchange rate and the gross margin in 2Q21, slightly lower than in 2Q20, is especially due to a sale of foot-and-mouth disease vaccine to Bolivia, which did not occur in 2Q20, that is, it is a circumstantial issue when we look at the 6-month period, gross margin increases from 63.9% to 65.9%, there is a recovery reflecting the favorable mix, mainly in Mexico and Colombia, and also the favorable exchange rate in exports. So, we maintained healthy growth in international operations, favored by the exchange rate, but also with the increase in sales in local currency operations, mainly in Mexico and Colombia. Regarding expenses, we had a dilution in expenses for the period, a substantial part of the Company's expenses are fixed, with no direct correlation with sales, so sales grew, but we were able to dilute SG&A, both in the quarter and in the six-month period and this trend should occur in the next 6 months as well. Regarding R&D, the Company maintains its investment schedule in projects for new product development, from R\$ 18 million growth in 6M20, to R\$ 25 million in 6M21, reflecting the impact that we have in the increase of projects, in the higher density of the Company focused on the development of new products, maintaining a percentage ratio of 6.3% of net revenue. The combination of revenue growth, seeking to maintain the balance of gross margin and SG&A dilution contributed to EBITDA growth in 2Q21 of around 32%, EBITDA reached R\$ 51 million, and in the 6M21, the growth is 74% and we reached R\$ 76 million in EBITDA, with a 19% margin versus 15% last year. Financial result was negative by R\$ 3.7 million in 2Q21 and R\$ 8 million in the first 6 months, and here it is worth noting that the relative deterioration is due to the exchange rate variation on operating assets and liabilities, which was very favorable in the first half of 2020, because at that time we had a hike in the exchange rate, which led to an appreciation of our sales in dollars, and this year the exchange rate variation remains positive if you look in the explanatory notes, but less positive in the 6M20, which brings a relatively smaller variation, right, the smaller gain in the financial result. In income tax, the company increased the taxable profit base, so there is more income tax on the result of these first 6 months compared to last year, remembering that the tax and accounting calculation base may have temporary differences and not be exactly the same. The Company's adjusted net income grew 92%, reaching R\$ 29 million in the quarter and R\$39 million in the half-year period, with 220% increase, and is a combination of growth, margin retention and dilution of expenses. I would like to highlight the Company's cash generation. We grew 40% in revenue and

maintained robust cash generation. Last year, the Company decided to maintain an adequate level of inventories, especially input inventories to prevent any possible disruption of the chain; we had no disruption, but we are maintaining a healthy and adequate level of inventories for the current context, so we invested more in inventories and even so, we managed to generate R\$ 44 million in operating cash, quite expressive, and an important point is that sales growth occurs with a reduction in the average billing period. So, the fundamentals of the Company's growth are very healthy, and compliant with the fundamentals of good working capital management. We are growing, maintaining a healthy level of inventories and maintaining the average billing terms in descending order. The average term fell when compared to the same period of the previous year. Well, the combination of growth, cash generation, contributed to the decline in net debt/EBITDA, which was 1.6x in the first half of 2020, fell to 0.9 in the first half of 2021, that is, we have a very comfortable financial situation in terms of liquidity, cash position and leverage. The average cost of debt increased from 5.19 to 6.15%, basically reflecting the increase in the basic interest rate in this period. As I mentioned earlier, the Company maintains its investment schedule in R&D, we are investing in R&D, both the part that flows to results, the expense part, which is more related to research, and the investment part, amounting to R\$31 million invested in the first 6 months of the year, representing 8% of the Company's net revenue. Well, these are the main numbers and results and I'm also available for any questions on Q&A.

**Operator:** Thanks Marcelo, thanks also to Kleber. Well, we will open our Q&A session. Estela Estrano, JP Morgan Bank: Good afternoon, thank you for the presentation, thank you too, Estela, for your question. She actually has three questions. Does the company have some M&A strategy in the pipeline? How do you currently see the opportunities in the production of Covid-19 vaccines? and; how does the company intend to accelerate growth in the pet chain? Which product lines make sense to add to the portfolio?

**Kleber:** Hi Estela, how are you? Thanks for your questions, very good indeed. Starting with M&A, yes, we do. We have already commented on this, including on Ourofino Day, we included this in our strategic planning, we are assessing market opportunities. Of course, this is not a simple task, since we are a company with a portfolio that is, somehow, robust, and also, we are not a company with a great history of M&A. So, we decided to start, let's say, conservatively; on the other hand, the Company has been preparing over last year, with cash generation, with deleveraging, and we are ready to seek market opportunities. So, we have and are assessing all opportunities. Regarding the issue of the covid vaccine, it is also a point that has been highly discussed, and that the press has discussed a lot. And what do we say about this, obviously, as a Brazilian company, we would very much like to help the country at this time, considering that there are few industrial parks for vaccine production in Brazil and that, in this context, some

veterinary companies, in fact, 3 veterinary companies stand out because they already have a good history of FMD vaccine production and have their FMD production parks with laboratories with the highest level of biosafety in the country. And Ourofino, as you also know, particularly, even distinguishing itself from other veterinary companies, has a project for the production of other veterinary vaccines in the country, with a complete pipeline, and invested in the construction of another industrial park for recombinant vaccines and this industrial park is certainly one of the best in Latin America. And, in this context, we would have these parks with the possibility of production, but several issues needed to be resolved. And one of them is that we do not have the technology to produce the vaccine. We here, who follow the pharmaceutical laboratories, we know that every medicine, every vaccine, has a development, a product registration, a patent, whatever, and we did not develop the vaccine. So, in this context, for us to be able to use our plants, we would need to make some kind of partnership with a human laboratory that holds the technology. That hasn't happened until now, we still haven't had any negotiation conditions that could happen in this aspect. We are still assessing this opportunity, right, and we are going to see how this can happen in the future, but right now, it is well aligned with what we have disclosed in notices to the market that the possibility exists, but there is still no material information in that sense, okay? And regarding the growth of the pet line, this is also a very good question, because it is a market that grows a lot, a lot in the world, a lot in Brazil, a lot in Latin America and it is a market where yes, we have growth opportunities. We are developing a whole pipeline strategy, in fact, we have a pipeline strategy for this line, which also goes through entry in biologicals, also remembering that today we do not work with vaccines in the pet segment, yet, which goes through the entry into products that are currently patented and we need to wait for the issue of patents at some point, and also goes through entry and explore adjacent markets. So, we know that the pet market is much larger than the pet pharmaceutical market itself, so, for example, we have recently launched a line of dermocosmetics and we will come with news soon, even some this year, ok. So, we have a complete development, not only for the companion animals line, seeking, as you said, to capture the accelerated growth of this market, but also for production animals and for international operations. This is our day-to-day work here, seeking to accelerate the Company's growth in general, and which is fully based on the work we did in strategic planning in 2019 and which we are now, as I said at the beginning, putting into practice. This often takes some time, we have a product launch cycle, but we are working very hard on this. Thanks for your questions.

**Operator:** Very well, Guilherme also said hello to us, Guilherme Nunes, but I believe that one of Estela's questions was his too. So, with that, we end our Q&A session, thank you for your

presence. And our company is always open for us to live and share Our Ourofino Values. Now I turn the floor over to Kleber, to close with you. Thank you.

**Kleber:** Thank you Ju. Thanks, Marcelo for the help. I would also like to thank all the team that was in support here to make this happen, especially the IR team, the technology team, who helped us with this live broadcast. I would like to thank all our shareholders who trust in our work, our board of directors, always present, helping us on a daily basis, the officers who have spared no effort so that we can bring the best possible results and, above all, to the entire Ourofino team, which I would also say is the best team in the market. There is no one better than our team, and who are working here daily with us, to make it happen, in any situation, so we have always to thank our team a lot, and we are always available to you to answer your questions, our IR team will always be available. So, thank you very much, high expectations for the rest of the year and let's go! Thanks to everyone!