

# Q4 Fiscal 2021 Earnings Conference Call

June 23, 2021



## Cautionary Language Regarding Forward-Looking Statements

This presentation contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, and the objectives and expectations of management. Forward-looking statements often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could” or “may.” Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements.

Any number of factors could affect our actual results and cause such results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the following: the effects of the highly competitive dental and animal health supply markets in which we compete; the COVID-19 pandemic and measures taken in response thereto; general economic conditions, including political and economic uncertainty; risks from disruption to our information systems; our ability to comply with restrictive covenants in our amended credit agreement; our dependence on relationships with sales representatives, service technicians and customers; our ability to realize the long-term strategic benefits of our acquisition of Animal Health International; potential disruption of distribution capabilities, including service issues with third-party shippers; our ability to provide our sales force and customers with the latest technology; our dependence on suppliers for the manufacture and supply of the products we sell; material changes in our purchasing relationship with suppliers; the risk that private label sales could adversely affect our relationships with suppliers; our dependence on positive perceptions of Patterson’s reputation; risks inherent in acquiring other businesses; the risk that our acquired technology or developed technology might not be successful in maintaining or gaining customers; litigation risks, including new or unanticipated litigation developments and new or unanticipated regulatory investigations; changes in consumer preferences; regulatory restrictions; the cyclical nature of the livestock market; the outbreak of an infectious disease within the production animal or companion animal population; pressure from animal rights groups; adverse changes in supplier rebates; fluctuations in quarterly financial results; volatility in the price of our stock; risks from the expansion of customer purchasing power; increases in over-the-counter sales of companion animal products; the risks inherent in international operations, including currency fluctuations; the effects of health care reform; failure to comply with regulatory requirements and data privacy laws; cyberattacks or other privacy or data security breaches; the risk of the products we sell becoming obsolete or containing undetected errors; volatility in the financial markets; our dependence on our senior management; our dependence on leadership development and succession planning; disruptions from our enterprise resource planning system; risks associated with shareholder activism; the risk of being required to record impairment charges; the risk of audit by tax authorities; risks associated with interest rate fluctuations; and the risk that our governing documents and Minnesota law may discourage takeovers and business combinations. The order in which these factors appear should not be construed to indicate their relative importance or priority. We caution that these factors may not be exhaustive, accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results.

You should carefully consider these and other relevant factors, including those risk factors in Part I, Item 1A, (“Risk Factors”) in our most recent Form 10-K, as amended and supplemented by our Quarterly Report on Form 10-Q for the quarterly period ended April 24, 2021, and information which may be contained in our other filings with the U.S. Securities and Exchange Commission, or SEC, when reviewing any forward-looking statement. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider the foregoing list, or the risks identified in our SEC filings, to be a complete discussion of all potential risks or uncertainties.

Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We do not undertake any obligation to release publicly any revisions to any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

## **Non-GAAP Financial Measures**

The Reconciliation of GAAP to non-GAAP Measures table appearing behind the accompanying financial information is provided to adjust reported GAAP measures, namely operating income, income before taxes, income tax expense, net income (loss), net income (loss) attributable to Patterson Companies, Inc. and diluted earnings per share attributable to Patterson Companies, Inc., for the impact of deal amortization, integration and business restructuring expenses, legal reserve costs, accelerated debt-related costs discrete tax matters, investment (gain) loss and goodwill impairment, along with the related tax effects of these items.

The term “free cash flow” used in this presentation is defined as net cash used in operating activities less capital expenditures less the one-time benefit from the initiation of our trade account receivables facilities plus the collection of deferred purchase price receivables.

In addition, the term “internal sales” used in this presentation represents net sales adjusted to exclude the impact of foreign currency and changes in product selling relationships. Foreign currency impact represents the difference in results that is attributable to fluctuations in currency exchange rates the company uses to convert results for all foreign entities where the functional currency is not the U.S. dollar. The company calculates the impact as the difference between the current period results translated using the current period currency exchange rates and using the comparable prior period's currency exchange rates. The company believes the disclosure of net sales changes in constant currency provides useful supplementary information to investors in light of significant fluctuations in currency rates.

Management believes that these non-GAAP measures may provide a helpful representation of the company's fourth-quarter performance and enable comparison of financial results between periods where certain items may vary independent of business performance. These non-GAAP financial measures are presented solely for informational and comparative purposes and should not be regarded as a replacement for corresponding, similarly captioned, GAAP measures.

## **Fourth-Quarter Conference Call and Replay**

Investors can listen to a live webcast of the conference call at [www.pattersoncompanies.com](http://www.pattersoncompanies.com). The conference call will be archived on the Patterson Companies website. A replay of the fiscal 2021 fourth-quarter conference call can be heard for one week at 800-585-8367 and by providing the Conference ID 2782998 when prompted.

# Fourth Quarter Fiscal 2021 Performance Summary

## Reported Consolidated Net Revenues (\$M)



## GAAP Gross Profit Margin (as % of Revenue)

Q4 2020: 22.9%  
Q4 2021: 19.5%

-340 bps

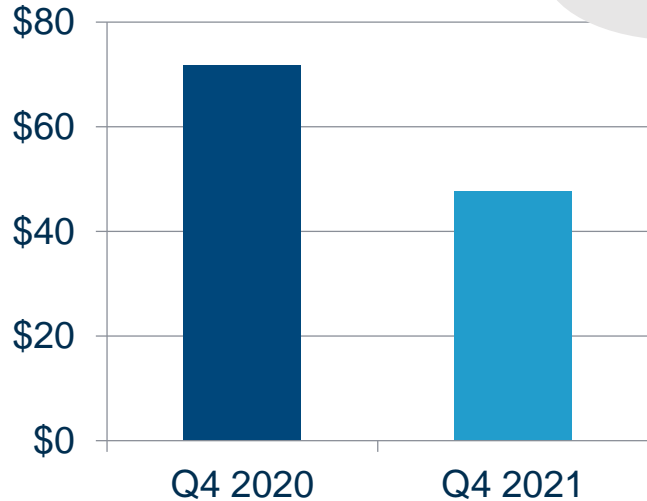
## Adjusted Operating Expenses (as % of Revenue)

Q4 2020: 17.3%  
Q4 2021: 16.4%

-90 bps

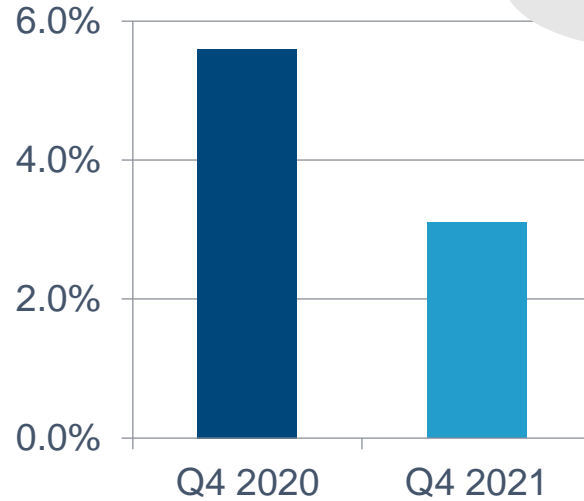
# Fourth Quarter Fiscal 2021 Performance Summary

## Adjusted Operating Income (\$M)



-33.6%

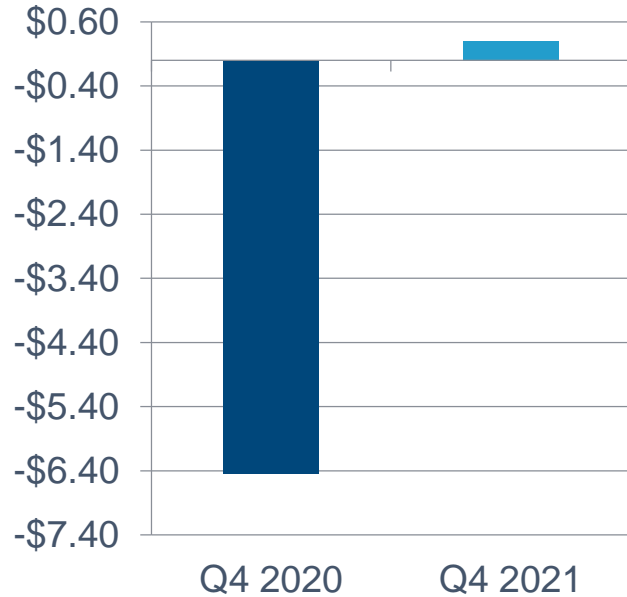
## Adjusted Operating Margin (%) (as % of Revenue)



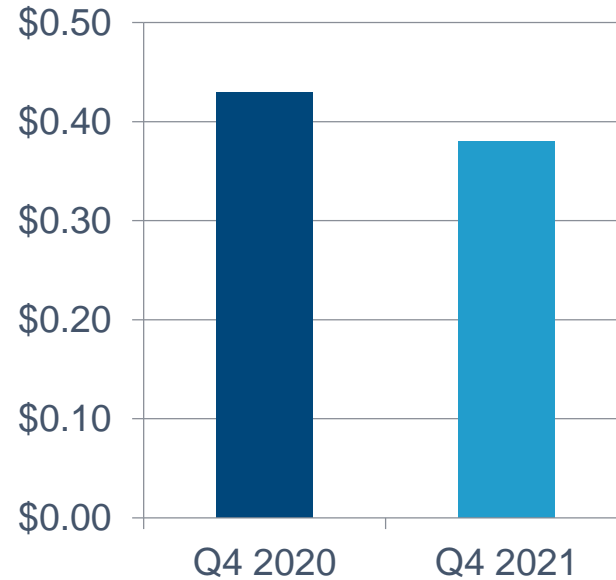
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# Fourth Quarter Fiscal 2021 Performance Summary

## Reported Earnings (Loss) per Diluted Share (\$)



## Adjusted Earnings per Diluted Share (\$)



# Fourth Quarter Fiscal 2021 Performance Summary

	Twelve Months Ended (\$M)	
	April 24, 2021	April 25, 2020
Net Cash Used In Operating Activities	(\$731)	(\$244)
Capital Expenditures	(\$26)	(\$42)
Collection of Deferred Purchase Price Receivables	\$834	\$541
Impact of Trade Account Receivables Facilities	\$0	(\$29)
<b>Free Cash Flow*</b>	<b>\$78</b>	<b>\$227</b>

## Dividends

- During the fourth quarter of fiscal 2021, Patterson Companies declared a quarterly cash dividend of \$0.26 per share. On a year-to-date basis, Patterson has returned \$75.2 million in cash dividends to shareholders.

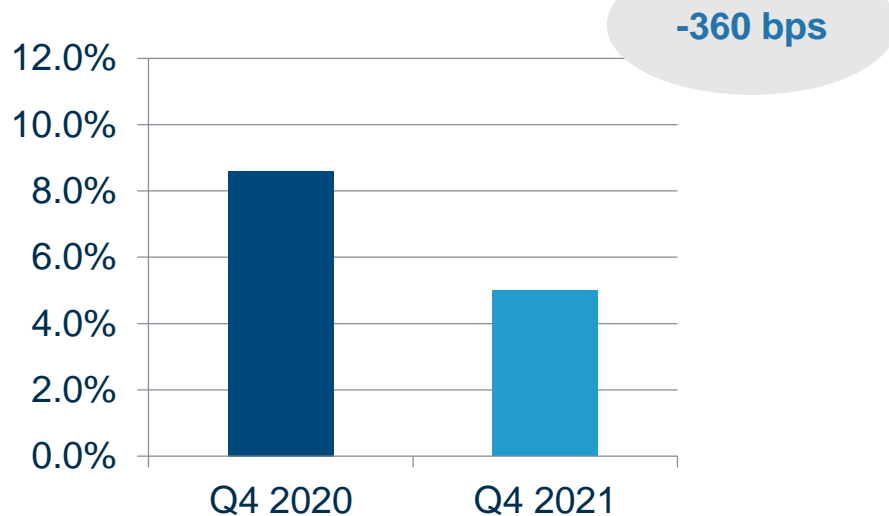
\*Free Cash Flow is defined as net cash used in operating activities less capital expenditures less the one-time initiation of our trade account receivables facilities plus the collection of deferred purchase price receivables.

# Fourth Quarter Fiscal 2021 Patterson Dental Overview

## Revenue (\$M)



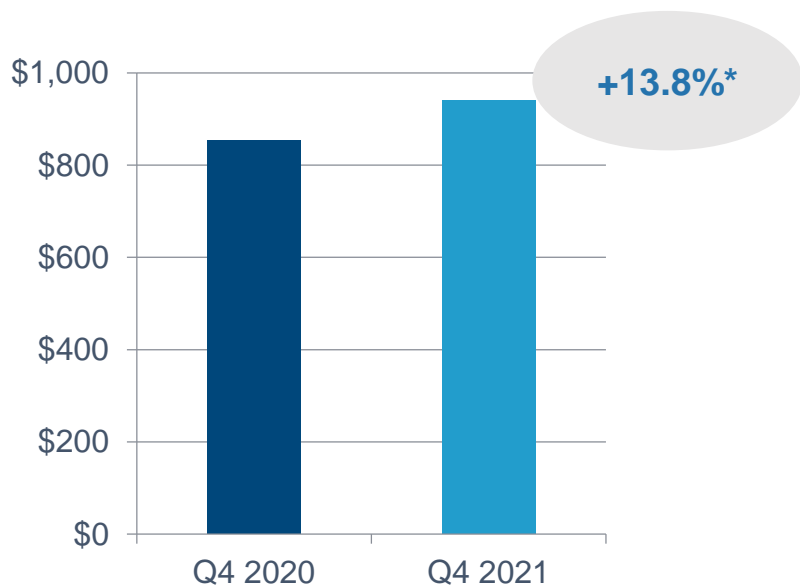
## Adjusted Operating Margin (%) (as % of Revenue)





# Fourth Quarter Fiscal 2021 Patterson Animal Health Overview

## Revenue (\$M)



## Adjusted Operating Margin (%) (as % of Revenue)



# Fiscal 2022 Guidance

Patterson Companies today announced its fiscal 2022 earnings guidance, which is provided on both a GAAP and non-GAAP adjusted<sup>1</sup> basis:

- GAAP earnings are expected to be in the range of \$1.61 to \$1.76 per diluted share.
- Non-GAAP adjusted earnings<sup>1</sup> are expected to be in the range of \$1.90 to \$2.05 per diluted share.
- Our non-GAAP adjusted earnings<sup>1</sup> guidance excludes the after-tax impact of:
  - Deal amortization expenses of approximately \$28.2 million (\$0.29 per diluted share).

Our guidance is for current operations as well as completed or previously announced acquisitions and does not include the impact of potential future acquisitions, dispositions or similar transactions, if any, or impairments and material restructurings beyond those previously publicly disclosed. Our guidance assumes North American and international market conditions will improve over those experienced in fiscal 2021 and not revert back to the pandemic environment of early fiscal 2021.

# Appendix

June 23, 2021



# Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

<b>For the three months ended April 24, 2021</b>	<b>GAAP</b>	<b>Deal amortization</b>	<b>Integration and business restructuring expenses</b>	<b>Legal reserve costs</b>	<b>Accelerated debt-related costs</b>	<b>Investment (gain) loss</b>	<b>Goodwill impairment</b>	<b>Non-GAAP</b>
Operating income (loss)	\$ 37,348	\$ 9,261	\$ 1,090	\$ —	\$ —	\$ —	\$ —	\$ 47,699
Other expense, net	(1,652)	—	—	—	—	—	—	(1,652)
Income (loss) before taxes	35,696	9,261	1,090	—	—	—	—	46,047
Income tax expense (benefit)	7,182	2,196	273	—	—	—	—	9,651
Net income (loss)	28,514	7,065	817	—	—	—	—	36,396
Net loss attributable to noncontrolling interests	(241)	—	—	—	—	—	—	(241)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$ 28,755</u>	<u>\$ 7,065</u>	<u>\$ 817</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 36,637</u>
Weighted average shares*	97,393							97,393
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.**	<u>\$ 0.30</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.38</u>
Operating income (loss) as a % of sales	2.4 %							3.1 %
Effective tax rate	20.1 %							21.0 %

# Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

For the three months ended April 25, 2020	GAAP	Deal amortization	Integration and business restructuring expenses	Legal reserve costs	Accelerated debt-related costs	Investment (gain) loss	Goodwill impairment	Non-GAAP
Operating income (loss)	\$ (614,463)	\$ 9,252	\$ 2,000	\$ —	\$ —	\$ —	\$ 675,055	\$ 71,844
Other expense, net	(18,461)	—	—	—	—	623	—	(17,838)
Income (loss) before taxes	(632,924)	9,252	2,000	—	—	623	675,055	54,006
Income tax expense (benefit)	(24,127)	2,201	500	—	—	156	34,428	13,158
Net income (loss)	(608,797)	7,051	1,500	—	—	467	640,627	40,848
Net loss attributable to noncontrolling interests	(211)	—	—	—	—	—	—	(211)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$ (608,586)</u>	<u>\$ 7,051</u>	<u>\$ 1,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 467</u>	<u>\$ 640,627</u>	<u>\$ 41,059</u>
Weighted average shares*	94,462							95,394
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.**	<u>\$ (6.44)</u>	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6.72</u>	<u>\$ 0.43</u>
Operating income (loss) as a % of sales	(47.8)%							5.6 %
Effective tax rate	3.8 %							24.4 %

\* When we present GAAP or non-GAAP net loss attributable to Patterson Companies, Inc., incremental shares related to dilutive securities are not included in the diluted EPS calculation because they would have an anti-dilutive impact on EPS. When we present GAAP or non-GAAP net income attributable to Patterson Companies, Inc., incremental shares related to dilutive securities are included in the diluted EPS calculation.

\*\* May not sum due to rounding and difference in weighted average shares used to calculate diluted earnings (loss) per share.

# Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

For the twelve months ended April 24, 2021	GAAP	Deal amortization	Integration and business restructuring expenses	Legal reserve costs	Accelerated debt-related costs	Investment (gain) loss	Goodwill impairment	Non-GAAP
Operating income (loss)	\$ 210,607	\$ 37,002	\$ 1,090	\$ —	\$ —	\$ —	\$ —	\$ 248,699
Other expense, net	(10,676)	—	—	—	—	—	—	(10,676)
Income (loss) before taxes	199,931	37,002	1,090	—	—	—	—	238,023
Income tax expense (benefit)	44,822	8,792	273	—	—	—	—	53,887
Net income (loss)	155,109	28,210	817	—	—	—	—	184,136
Net loss attributable to noncontrolling interests	(872)	—	—	—	—	—	—	(872)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$ 155,981</u>	<u>\$ 28,210</u>	<u>\$ 817</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 185,008</u>
Weighted average shares*	96,664							96,664
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.**	<u>\$ 1.61</u>	<u>\$ 0.29</u>	<u>\$ 0.01</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1.91</u>
Operating income (loss) as a % of sales	3.6 %							4.2 %
Effective tax rate	22.4 %							22.6 %

# Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

For the twelve months ended April 25, 2020	GAAP	Deal amortization	Integration and business restructuring expenses	Legal reserve costs †	Accelerated debt-related costs	Investment (gain) loss	Goodwill impairment	Non-GAAP
Operating income (loss)	\$ (572,119)	\$ 37,010	\$ 15,461	\$ 81,254	\$ —	\$ —	\$ 675,055	\$ 236,661
Other expense, net	(18,288)	—	—	—	9,943	(33,711)	—	(42,056)
Income (loss) before taxes	(590,407)	37,010	15,461	81,254	9,943	(33,711)	675,055	194,605
Income tax expense (benefit)	(1,040)	8,802	3,870	7,113	2,486	(7,728)	34,428	47,931
Net income (loss)	(589,367)	28,208	11,591	74,141	7,457	(25,983)	640,627	146,674
Net loss attributable to noncontrolling interests	(921)	—	—	—	—	—	—	(921)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$ (588,446)</u>	<u>\$ 28,208</u>	<u>\$ 11,591</u>	<u>\$ 74,141</u>	<u>\$ 7,457</u>	<u>\$ (25,983)</u>	<u>\$ 640,627</u>	<u>\$ 147,595</u>
Weighted average shares*	94,154							95,059
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.**	<u>\$ (6.25)</u>	<u>\$ 0.30</u>	<u>\$ 0.12</u>	<u>\$ 0.78</u>	<u>\$ 0.08</u>	<u>\$ (0.27)</u>	<u>\$ 6.74</u>	<u>\$ 1.55</u>
Operating income (loss) as a % of sales	(10.4)%							4.3 %
Effective tax rate	0.2 %							24.6 %

† Includes costs and expenses incurred in the first quarter of fiscal 2020 of \$17,666 related to the settlement of litigation with SourceOne Dental, Inc., costs and expenses incurred in the second quarter of fiscal 2020 of \$58,300 related to the then-probable settlement of litigation with the U.S. Attorney's Office for the Western District of Virginia and \$5,288 related to other legal proceedings.

\* When we present GAAP or non-GAAP net loss attributable to Patterson Companies, Inc., incremental shares related to dilutive securities are not included in the diluted EPS calculation because they would have an anti-dilutive impact on EPS. When we present GAAP or non-GAAP net income attributable to Patterson Companies, Inc., incremental shares related to dilutive securities are included in the diluted EPS calculation.

\*\* May not sum due to rounding and difference in weighted average shares used to calculate diluted earnings (loss) per share.