



# Investor Presentation

## Sept. 2023



# Safe Harbor Statement



**This presentation contains comments and forward-looking statements based upon current plans, expectations, events, and financial and industry trends, which may affect the Company's future operating results and financial position. Such statements involve risks and uncertainties which cannot be predicted or quantified, and may cause future activities or results of operations to differ materially from those discussed herein. Historical results achieved are not necessarily indicative of future profits of the Company. For further information, refer to the Company's filings with the SEC.**

**Taro occasionally uses numerical measures in investor presentations and other forums which are considered non-GAAP Financial Measures. The Company believes that the presentation of non-GAAP measures, in combination with comparable GAAP measures, together provide our investor community with useful supplementary information concerning the Company's ongoing operations and are an appropriate way to evaluate the company's performance. However, they are provided for informational purposes only.**

**Forward-looking statements are applicable only as of the date on which they are made. The Company undertakes no obligations to update, change or revise any forward-looking statement, whether as a result of new information, additional or subsequent developments or otherwise.**

# Vision



3

**Reaching People and Touching Lives Globally as a Leading Provider of Valued Medicines.**



# Company Overview

## Fully Integrated Pharmaceutical Company



4

- ❑ **Research-based, multinational pharmaceutical company**
  - ❑ Predominantly US driven business (90% of sales in North America)
    - Diverse portfolio of 200+ pharmaceutical products
    - Generic Rx and OTC
    - Key therapeutic categories: dermatological/topical, neuropsychiatric, cardiovascular, and anti-inflammatory
- ❑ **Operations in the U.S., Canada and Israel with 1,500+ employees worldwide**
  - ❑ **35%** of employees in R&D and Quality
- ❑ **Market Share**
  - ❑ **Ranked #1 or #2 in 65%** by market share in the U.S. generic market
- ❑ **Excellent track record with FDA & Other Agencies**
  - ❑ Fully Compliant FDA, Ministry of Health, Health Canada
  - ❑ Vertical Integration of API and formulation of select key products
- ❑ **Financial**
  - ❑ **Sun Ownership: 78.5%**
  - ❑ Strong Balance Sheet
    - **\$1.3 billion** in cash and marketable securities: **-0-** debt
  - ❑ High margins, strong cash generation from operations



# Company Overview

## Key Dates in Taro History



5

- 
- A group of approximately ten Taro executives are standing behind a long, ornate white podium. They are all smiling and clapping. The podium features several logos, including "TARO LISTED NYSE" and "EURONEXT". The background is a light-colored wall with a large "TARO LISTED NYSE" logo.
- 1950** – Established in Israel to manufacture finished pharmaceutical products
  - 1961** – Started chemical synthesis (API production) in Israel
  - 1984** – Established topical product operations in Canada
  - 1988** – Entered U.S. market
  - 2010** – Sun Pharma acquires controlling interest in Taro
  - 2012** – NYSE Listed
  - 2019** – Exited branded presence in U.S.
  - 2022** – Alchemee Acquisition
  - 2023** – Sun Pharma announces proposal to acquire all of Taro's outstanding ordinary shares

### Share Repurchases:

- **2013** – \$193M (Dutch Tender): 2.0M shares
- **2016/2017** – \$500M (10b5-1): 4.3M shares
- **2019** – \$300M announced:
  - **2019** – \$25M (Dutch Tender): 281K shares
  - **2021** – \$50M (10b5-1): 673K shares

### Special Dividend:

- **2018** – \$500M: \$12.86 per share

# Strategy and Opportunity

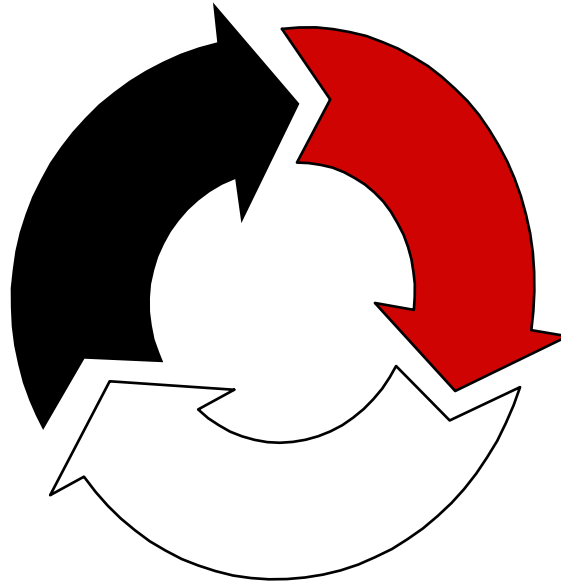
Complex, niche products



6

## CREATE SUSTAINABLE REVENUE STREAMS

- ❑ Differentiation: Technically complex products
- ❑ Regulatory barriers to entry
- ❑ Speed to market



## COST LEADERSHIP

- ❑ Vertical integration : Development through Manufacturing (API and Finished Dosage)
- ❑ Optimize operational costs

## BALANCE PROFITABILITY AND INVESTMENTS FOR FUTURE

- ❑ Development of complex generics
- ❑ Growth both organically and through strategic business development

# Research Strategy

Technically complex products, Regulatory barriers to entry



7

- ❑ **Current State (9/30/23)**
  - ❑ 234 Approved US FDA ANDAs
  - ❑ 19 ANDAs awaiting FDA approval
- ❑ **Generic products with sustainable profitability**
  - ❑ Topicals and other niche products with high clinical and regulatory barriers to entry
  - ❑ Technically complex manufacturing
  - ❑ Opportunity for API synthesis
- ❑ **Proprietary products**
  - ❑ Innovative products for unmet needs
  - ❑ Niche markets – mainly in dermatology
- ❑ **Chemical Synthesis/API**
  - ❑ Developing and manufacturing for most of our top products
  - ❑ 60 Drug Master Files (DMFs) currently submitted to FDA



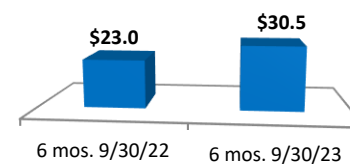
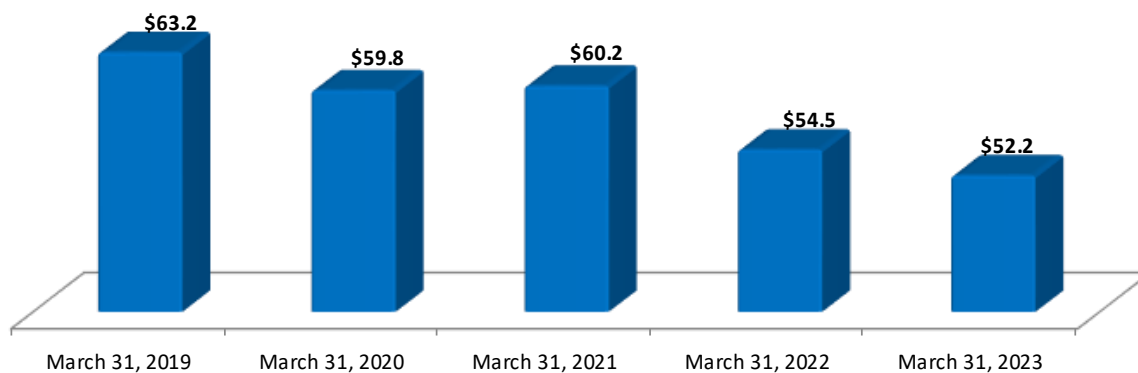
# Research & Development

Investing for the future – \$290 million over 5 years



8

(in millions)

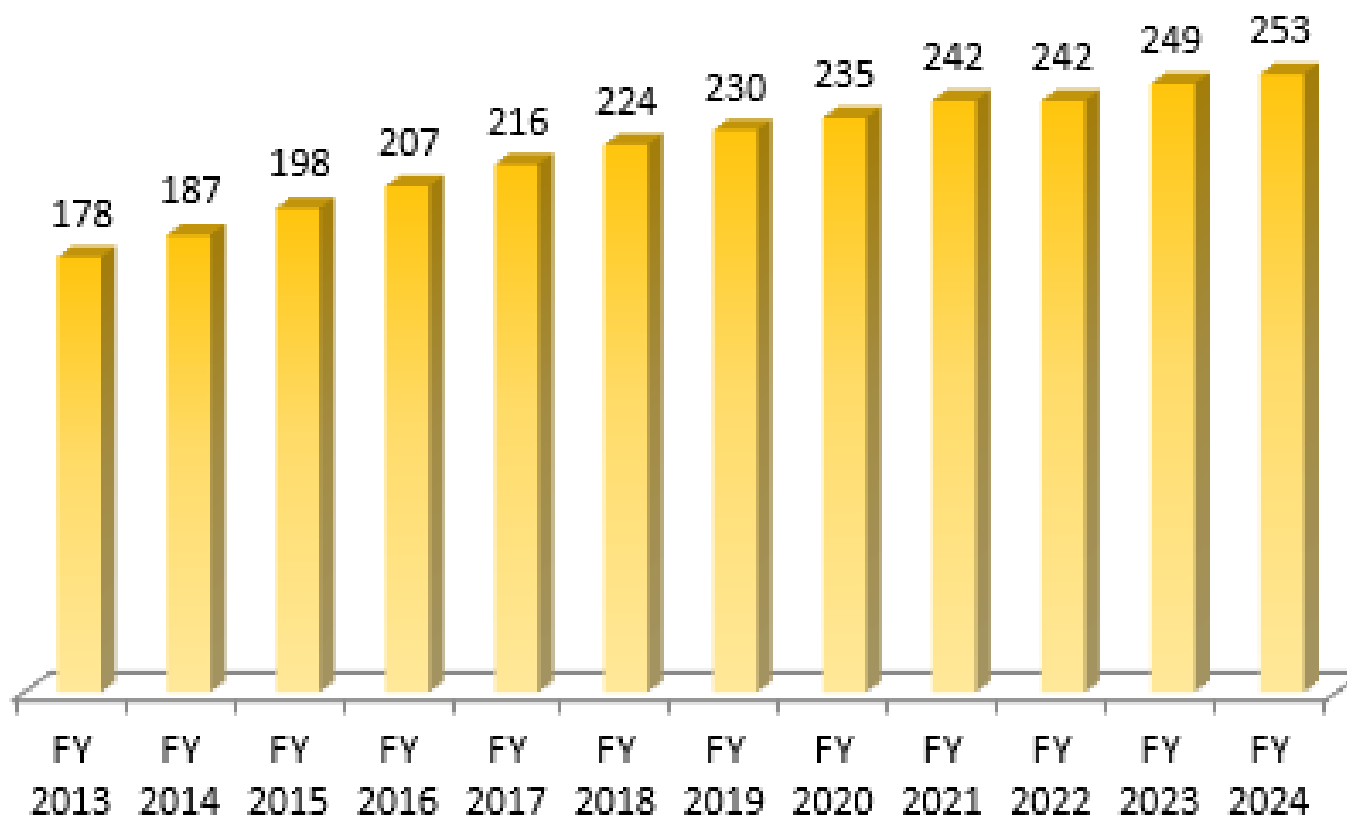


# ANDA Filings

Growing our pipeline of quality products



9



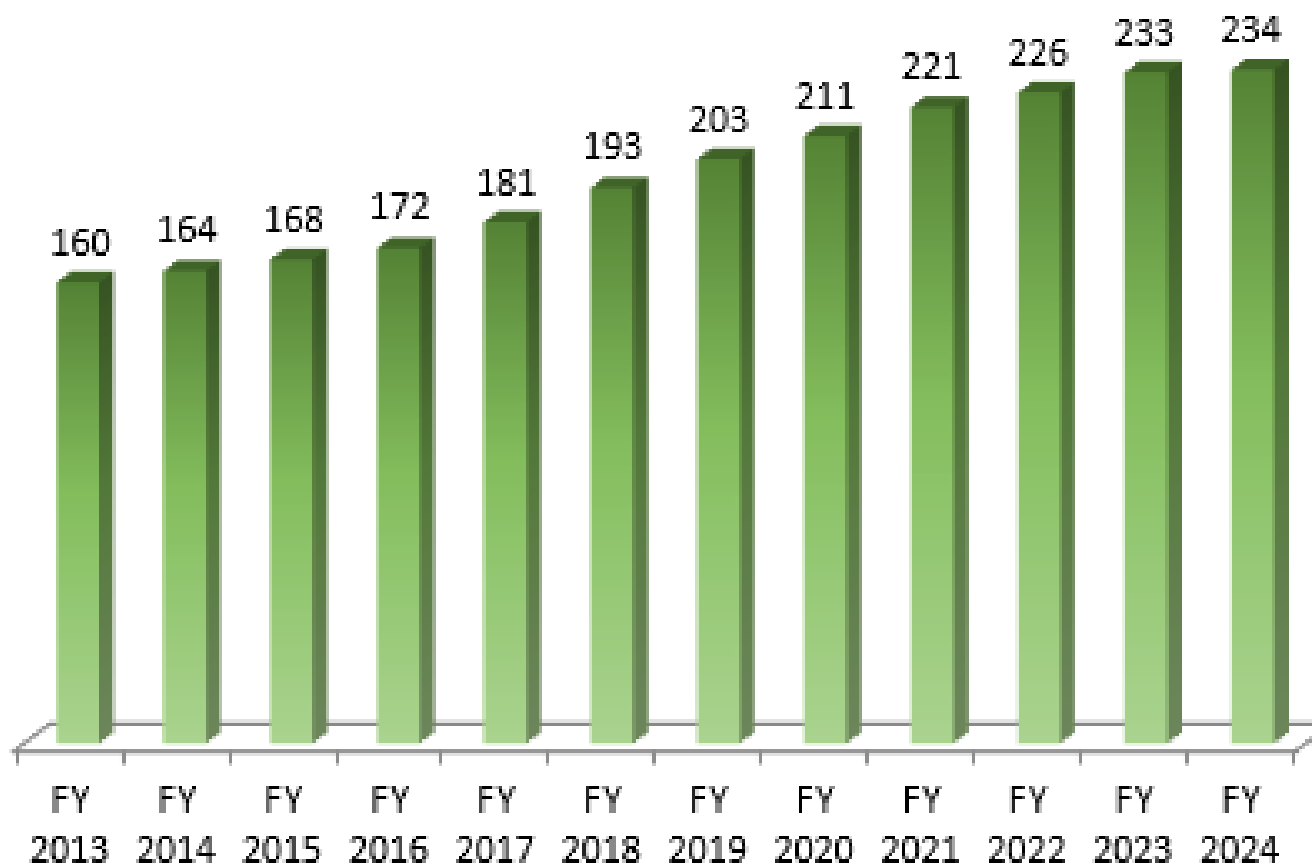
Note: ANDA Filings are presented on a cumulative basis since 1978.

# ANDA Approvals

Strong success in approvals



10



Note: ANDA Approvals are presented on a cumulative basis since 1978.

# Haifa, Israel

## Manufacturing, Research, Marketing & Distribution



11

- ❑ Fully Compliant – Approved by FDA, IMH and Accreditation of foreign manufacturing
- ❑ API Development and Manufacturing
- ❑ 900,000 sq. ft. manufacturing facility
- ❑ 700+ employees
- ❑ 100+ finished dosage forms/250+ products manufactured
  - ❑ Focus: oral solids, liquids, semi-solids and foams
  - ❑ Therapeutic Areas – Dermatology, Pain, Gastro, Cardiology and Dental
- ❑ Primary product lines:
  - ❑ Dermatology: Rx and OTC semi-solid and liquid products (creams, ointments, lotions & gels)
  - ❑ Cardiology and Neurology: Prescription oral dosage products
  - ❑ Gastroenterology: Rx and OTC (Nexium, Normalax & Meroken)
  - ❑ Oral analgesics: Rx and OTC
  - ❑ Oral Central Nervous System (CNS): Rx
  - ❑ OTC nasal sprays
  - ❑ Allergy (Antihistamine): OTC oral dosage products
- ❑ +\$46M in sales



# Brampton, Canada

## Manufacturing, Research, Marketing & Distribution



12

- ❑ **Fully Compliant – Approved by FDA and Health Canada**
- ❑ **Manufactures 200+ finished dosage form pharmaceutical products**
  - ❑ Focus: semi-solids and liquids
- ❑ **Primary product lines:**
  - ❑ Dermatology: Rx and OTC semi-solid products (creams, ointments and gels) and liquids
  - ❑ Injectables and specialty products
  - ❑ Solid-oral generic medicines
- ❑ **Ranked #6 in the Canadian generic market**
  - ❑ 160+ products sold in Canada
- ❑ **245,000+ sq. ft. manufacturing facility**
- ❑ **500+ Employees**
- ❑ **+\$136M in sales**



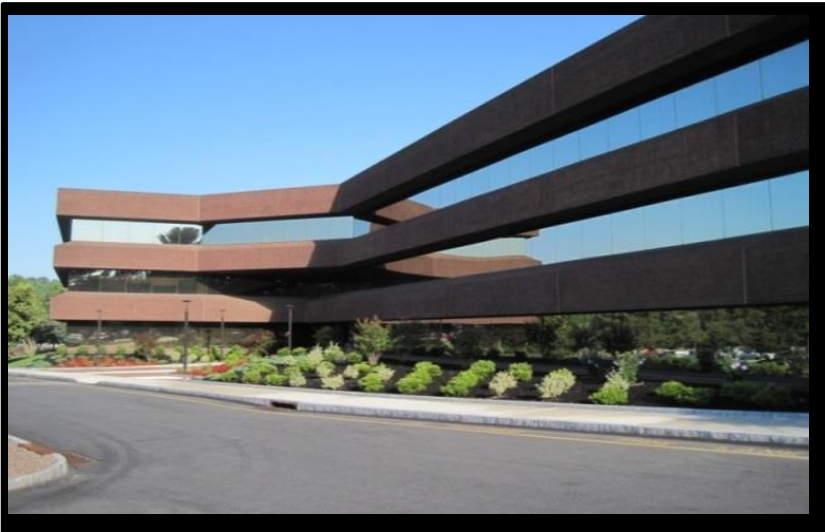
# U.S. Operations

## Headquarters and Distribution Center



13

- HAWTHORNE, NEW YORK -  
*Headquarters*  
130+ Employees



- CRANBURY, NEW JERSEY -  
*Distribution Center*  
300,000 sq. ft.  
**SOLAR POWERED**



# Taro USA

## Headquarters and Distribution Center



14

- ❑ **Headquarters – Hawthorne, New York**
  - ❑ 130+ employees
- ❑ **Distribution Center – Cranbury, New Jersey**
  - ❑ 300,000 sq. ft.
  - ❑ Solar powered
- ❑ **Marketing and distribution of generic products in the U.S. market**
- ❑ **Dermatology: Rx, OTC and Proactiv, semi-solid products (creams, ointments & gels) and liquids**
- ❑ **\$363M in sales**

| Taro USA Top 10 Products          | MAT September Sales USD \$MM |
|-----------------------------------|------------------------------|
| Tretinoin(Base) Cream             | \$51.6                       |
| Clindamycin(Phosphate) Lotion     | \$14.8                       |
| Warfarin(Sodium Salt) Tabs        | \$14.8                       |
| Mupirocin(Base) Ointment          | \$14.7                       |
| Fluorouracil(Base) Cream          | \$14.2                       |
| Dapsone(Base) Gel                 | \$14.2                       |
| Metronidazole(Base) Gel           | \$14.1                       |
| Betamethasone(Dipropionate) Cream | \$12.9                       |
| Enalapril(Maleate) Tabs           | \$12.3                       |
| Phenytoin(Sodium Salt) Caps       | \$12.3                       |

Source: IQVIA MAT Sept. 2023

# Alchemee Acquisition

## Topical skin care products



15



In Feb. 2022, Taro acquired the Proactiv business and product line.

- ❑ Proactiv is a line of topical skin care products with a core acne indication: the products include cleansers and moisturizers as well as acne creams.
- ❑ A majority of Proactiv sales occur through a subscription model, whereby customers receive monthly shipments of products suited to their individual skin types and needs. Proactiv also sells its products to retailers such as Target and on Amazon.

### Acquisition Rationale

- ❑ Taro identified four key benefits from the Proactiv acquisition.
  - ❑ Expansion of consumer health business
  - ❑ Enhanced branded consumer health business
  - ❑ Strengthened leadership position in dermatology: Taro is elevated to a top 5 position in topical dermatology in the US consumer health market.
  - ❑ Creation of a comprehensive acne portfolio within the Sun group

### Proactiv Product

- ❑ The original Proactiv 3-step skin care routine was dermatologist-developed and launched in 1995. It has tremendous brand awareness especially in the USA and Japan.
- ❑ Proactiv has evolved from a single product direct-response company to a diversified, omni-channel platform. It is sold direct-to-consumer, as well as, in brick & mortar stores like Ulta, Target and CVS, and on e-Retailer sites like Amazon.
- ❑ Proactiv has a wide range of products beyond its well-known kits, ranging from Clear Skin SPF 30, Hydrocolloid Blemish Patches, Post Acne Dark Mark Relief and Post Acne Scar Gel.
- ❑ In July 2023, Proactiv launched its newest skin care routine "Proactiv Clean," a clean and gentle routine that smooths and helps calm skin while clearing mild breakouts. It features mineral sulfur and salicylic acids with azelaic acid, bakuchiol and chamomile, and formulated without parabens, phthalates, sulfates, cyclic silicones.

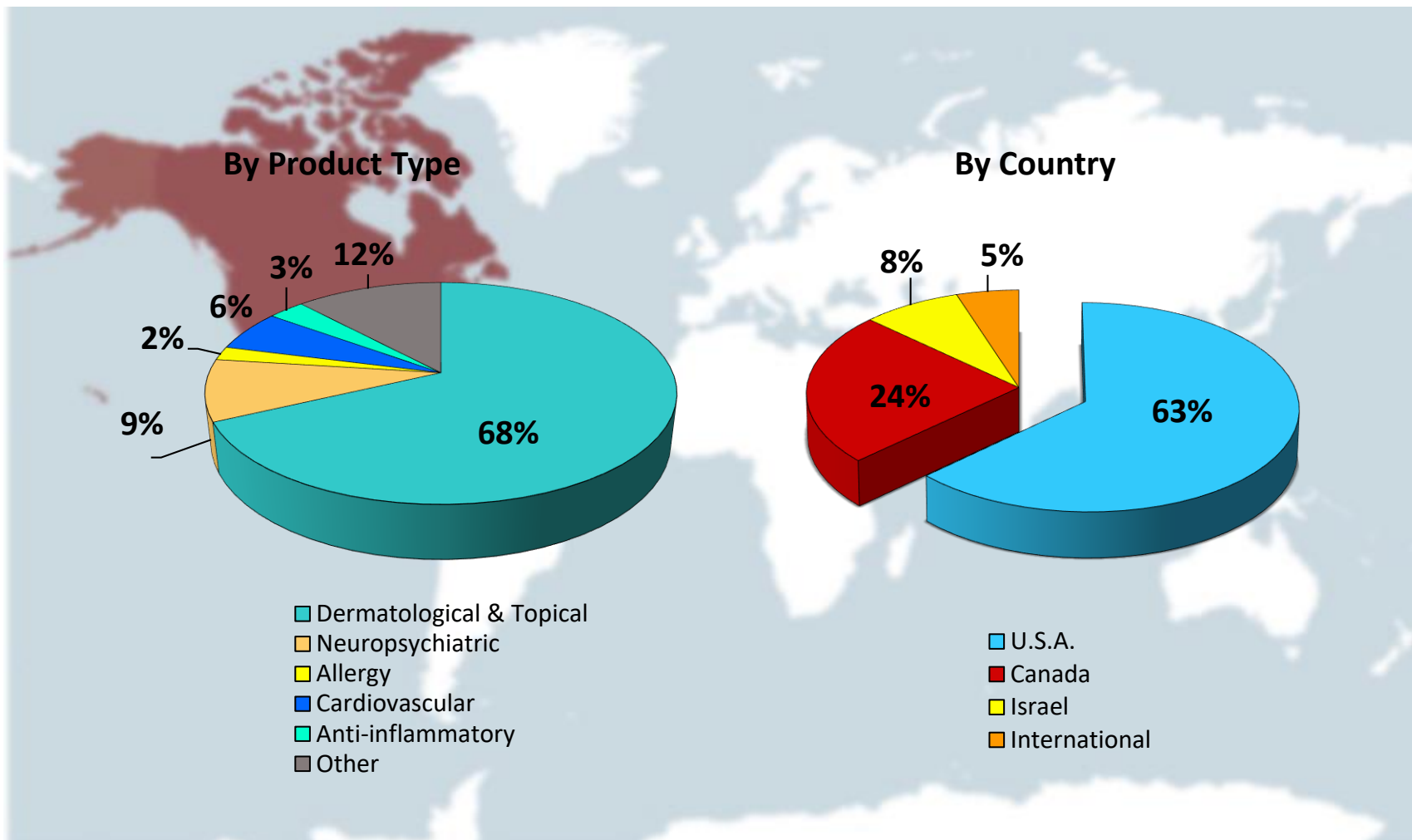
# Net Sales Composition

## North America and Derm Focused



16

Source: Taro 2023 Form 20-F

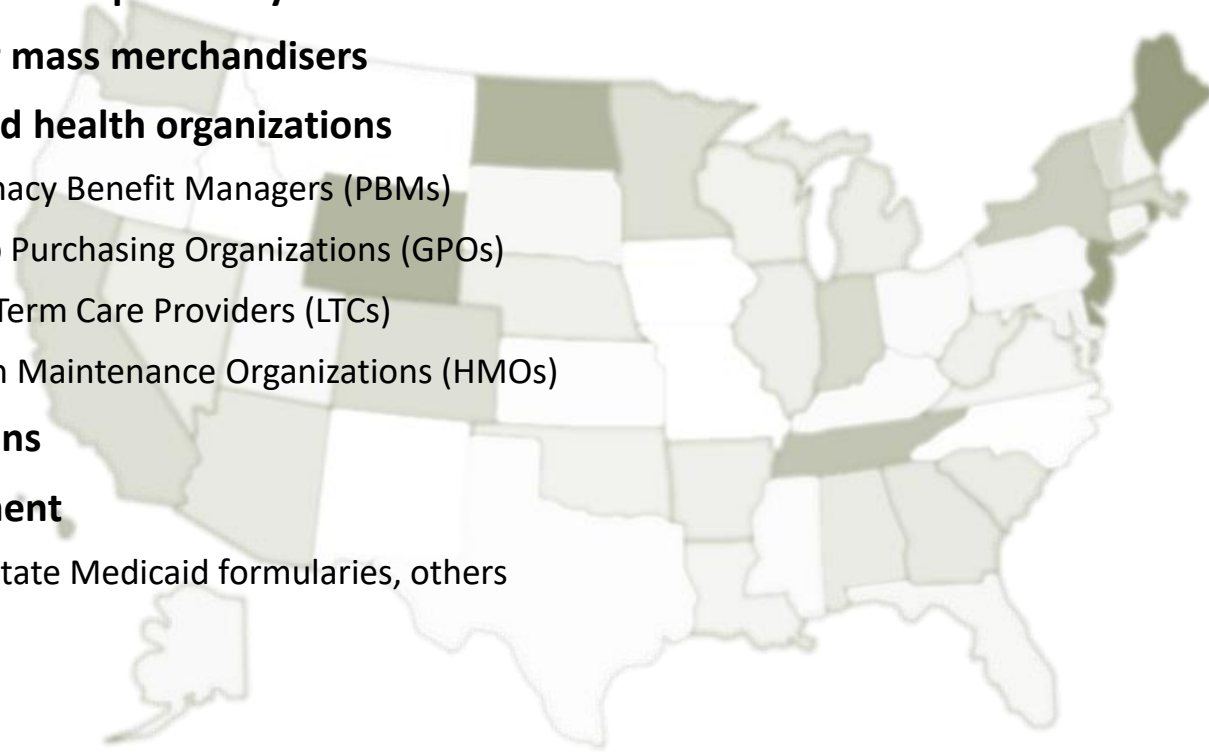


# Strong presence in U.S. distribution channels



17

- ❑ **Major U.S. drug wholesalers, smaller wholesalers and distributors**
- ❑ **All major retail pharmacy and food chains**
- ❑ **All major mass merchandisers**
- ❑ **Integrated health organizations**
  - ❑ Pharmacy Benefit Managers (PBMs)
  - ❑ Group Purchasing Organizations (GPOs)
  - ❑ Long-Term Care Providers (LTCs)
  - ❑ Health Maintenance Organizations (HMOs)
- ❑ **Institutions**
- ❑ **Government**
  - ❑ V.A., State Medicaid formularies, others



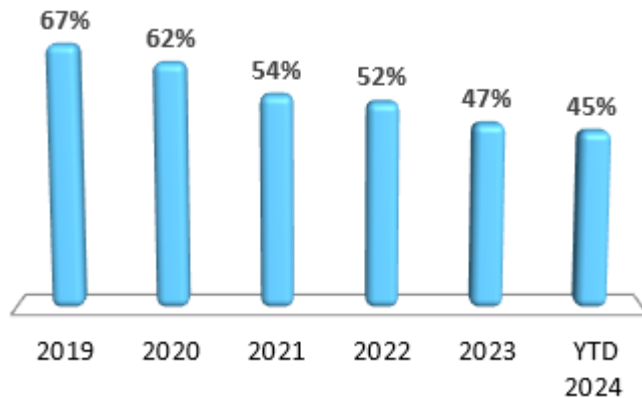
# Key Financial Ratios

## Full-year results

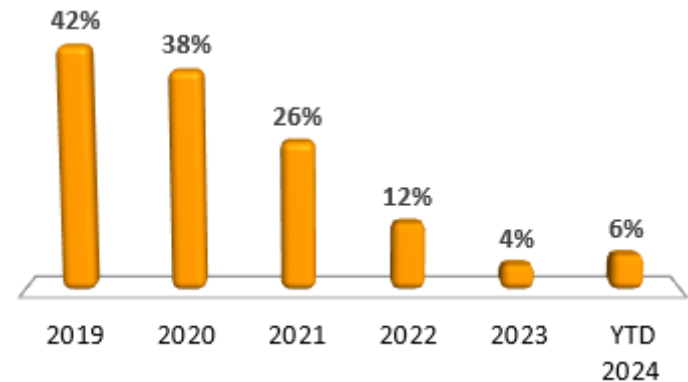


18

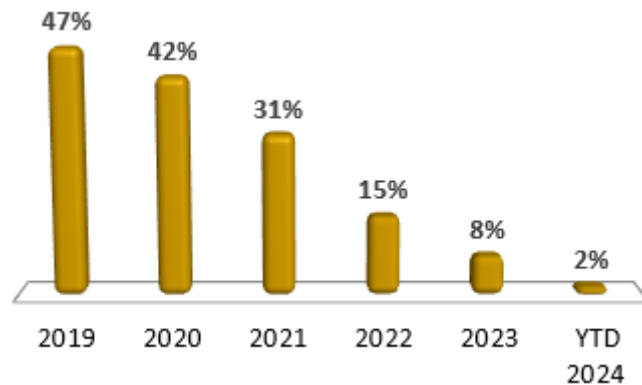
### Gross margin \*



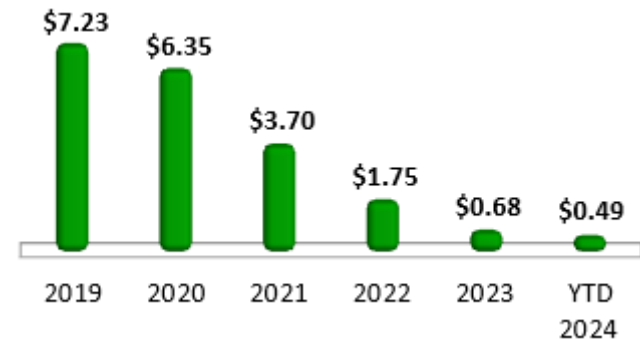
### Net margin \*



### EBITDA margin \*



### Earnings per share \*



- FY20/21 & FY21/22 excludes settlement and loss contingency charges.
- YTD 2024 = 4/1/23 to 9/30/23

# Taro Income Statement

## Current 6 month and full year comparisons



19

(In thousands)

|  | Six Months Ended Sept. 30, |                     | Year Ended March 31, |                     |                  |                     |                  |
|--|----------------------------|---------------------|----------------------|---------------------|------------------|---------------------|------------------|
|  | As Reported<br>2023        | As Reported<br>2022 | As Reported<br>2023  | As Reported<br>2022 | Proforma<br>2022 | As Reported<br>2021 | Proforma<br>2021 |
|  | (unaudited)                | (unaudited)         | (audited)            | (audited)           | (unaudited)      | (audited)           | (unaudited)      |
| Sales, net   | \$ 307,096                 | \$ 287,163          | \$ 572,952           | \$ 561,347          | \$ 561,347       | \$ 548,970          | \$ 548,970       |
| Cost of sales  | 169,410                    | 158,595             | 304,629              | 268,212             | 268,212          | 252,314             | 252,314          |
| Gross profit   | 137,686                    | 128,568             | 268,323              | 293,122             | 293,122          | 296,656             | 296,656          |
| Operating Expenses:  |                            |                     |                      |                     |                  |                     |                  |
| Research and development                                   | 30,470                     | 23,030              | 52,243               | 54,540              | 54,540           | 60,152              | 60,152           |
| Selling, marketing, general and administrative             | 110,398                    | 98,377              | 198,366              | 113,676             | 113,676          | 91,355              | 91,355           |
| Settlements and loss contingencies                         | —                          | —                   | —                    | 61,446              | —                | 558,924             | —                |
| Operating income (loss)                                    | (3,182)                    | 7,161               | 17,714               | 63,460              | 124,906          | (413,775)           | 145,149          |
| Financial (income) expense, net:                           |                            |                     |                      |                     |                  |                     |                  |
| Interest and other financial income                        | (24,862)                   | (6,221)             | (20,850)             | (8,187)             | (8,187)          | (20,174)            | (20,174)         |
| Foreign exchange expense (income)                          | (460)                      | 3,082               | 2,813                | (1,986)             | (1,986)          | 365                 | 365              |
| Other gain, net  | 956                        | 840                 | 2,463                | 4,226               | 4,226            | 2,892               | 2,892            |
| Income (loss) before income taxes                          | 23,096                     | 11,140              | 38,213               | 77,859              | 139,305          | (391,073)           | 167,851          |
| Tax expense (benefit)                                      | 4,515                      | (126)               | 12,768               | 19,592              | 12,901           | 9,667               | 26,380           |
| Net income (loss)  | 18,581                     | 11,266              | 25,445               | 58,267              | 126,404          | (400,740)           | 141,471          |
| Net (loss) income attributable to non-controlling interest | —                          | —                   | —                    | —                   | —                | (14,087)            | 80               |
| Net income (loss) attributable to Taro                     | \$ 18,581                  | \$ 11,266           | \$ 25,445            | \$ 58,267           | \$ 126,404       | \$ (386,653)        | \$ 141,391       |

# Balance Sheet Highlights

Strong Balance Sheet - Cash (\$1.3 billion), No Debt



20

(In thousands)

|  | Sept 30,<br>2023    | March 31,<br>2023   | March 31,<br>2022   | March 31,<br>2021   |
|--|---------------------|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                     |                     |
| <b>CURRENT ASSETS:</b>                                       |                     |                     |                     |                     |
| Cash and cash equivalents                                    | \$ 269,011          | \$ 154,495          | \$ 251,134          | \$ 605,177          |
| Short-term and current maturities of long-term bank deposits | 119,980             | 119,980             | 47,586              | —                   |
| Marketable securities  | 518,058             | 575,814             | 522,028             | 418,480             |
| Accounts receivable and other:                               |                     |                     |                     |                     |
| Trade, net   | 181,064             | 202,260             | 246,973             | 213,539             |
| Other receivables and prepaid expenses                       | 46,254              | 57,210              | 59,726              | 53,347              |
| Inventories  | 208,188             | 226,669             | 210,439             | 180,292             |
| <b>TOTAL CURRENT ASSETS</b>                                  | <b>1,342,555</b>    | <b>1,336,428</b>    | <b>1,337,886</b>    | <b>1,470,835</b>    |
| Marketable securities  | 388,370             | 404,896             | 435,189             | 557,209             |
| Property, plant and equipment, net                           | 189,893             | 190,139             | 199,692             | 205,508             |
| Deferred income taxes  | 100,807             | 103,672             | 124,882             | 142,007             |
| Goodwill   | 17,231              | 17,231              | 11,820              | 7,191               |
| Other assets   | 80,617              | 83,147              | 66,892              | 24,123              |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,119,473</b> | <b>\$ 2,135,513</b> | <b>\$ 2,176,361</b> | <b>\$ 2,406,873</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                  |                     |                     |                     |                     |
| <b>CURRENT LIABILITIES:</b>                                  |                     |                     |                     |                     |
| Trade payables   | \$ 43,059           | \$ 68,485           | \$ 68,232           | \$ 61,166           |
| Other current liabilities                                    | 318,429             | 317,064             | 363,887             | 615,135             |
| <b>TOTAL CURRENT LIABILITIES</b>                             | <b>361,488</b>      | <b>385,549</b>      | <b>432,119</b>      | <b>676,301</b>      |
| Deferred taxes and other long-term liabilities               | 10,429              | 19,106              | 32,799              | 35,115              |
| <b>TOTAL LIABILITIES</b>                                     | <b>371,917</b>      | <b>404,655</b>      | <b>464,918</b>      | <b>711,416</b>      |
| Taro shareholders' equity                                    | 1,747,556           | 1,730,858           | 1,711,443           | 1,703,649           |
| Non-controlling interest                                     | —                   | —                   | —                   | (8,192)             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>            | <b>\$ 2,119,473</b> | <b>\$ 2,135,513</b> | <b>\$ 2,176,361</b> | <b>\$ 2,406,873</b> |

**T** RANSPARENCY  
**A** CCOUNTABILITY  
**R** ESPONSIBILITY  
**O** PENNESS

*Dedicated to maintaining the  
highest standards of quality,  
safety, and excellence.*

# Cash Flow

## Significant Cash Flow Generation



21

(In thousands)

|   | Six Months Ended Sept 30, |                     |                     |                  | Year Ended March 31, |                  |                     |                  |
|---|---------------------------|---------------------|---------------------|------------------|----------------------|------------------|---------------------|------------------|
|   | As Reported<br>2023       | As Reported<br>2022 | As Reported<br>2023 | Proforma<br>2023 | As Reported<br>2022  | Proforma<br>2022 | As Reported<br>2021 | Proforma<br>2021 |
| <b>Cash flows from operating activities:</b>  |                           |                     |                     |                  |                      |                  |                     |                  |
| Net income (loss)   | \$ 18,581                 | \$ 11,266           | \$ 25,445           | \$ 25,312        | \$ 58,266            | \$ 126,404       | \$ (400,740)        | \$ 141,391       |
| Adjustments required to reconcile net income (loss) to net cash used in operating activities: | 36,712                    | (48,933)            | 6,305               | 73,730           | (216,964)            | 39,214           | 446,510             | (11,164)         |
| Net cash provided by (used in) operating activities   | 55,293                    | (37,667)            | 31,750              | 99,042           | (158,698)            | 165,618          | 45,770              | 130,307          |
| Net cash provided by (used in) investing activities   | 59,866                    | (36,039)            | (125,556)           | (125,556)        | (170,581)            | (78,709)         | 67,741              | 67,741           |
| Net cash used in financing activities   | —                         | —                   | —                   | —                | (24,934)             | (24,934)         | (24,196)            | (24,196)         |
| Increase (decrease) in cash and cash equivalents  | 114,516                   | (75,943)            | (96,639)            | (29,347)         | (354,043)            | 62,145           | 91,823              | 91,823           |
| Cash and cash equivalents at beginning of period  | 154,495                   | 251,134             | 251,134             | 251,134          | 605,177              | 605,177          | 513,354             | 513,354          |
| Cash and cash equivalents at end of period  | \$ 269,011                | \$ 175,191          | \$ 154,495          | \$ 221,787       | \$ 251,134           | \$ 667,322       | \$ 605,177          | \$ 605,177       |



# Taro Summary Overview



22

## ❑ Shareholder value creation

- ❑ NYSE Listed in 2012
- ❑ Special Dividend: \$500 million (\$12.86/share)
- ❑ Share Repurchases:
  - **2013** Dutch Tender: 2.0M shares (\$193M)
  - **2016** 10b5-1: 1.8M shares (\$250M)
  - **2019** 10b5-1: 2.5M shares (\$250M)
  - **2019** Dutch Tender: 281K shares (\$25M)
  - **2021** 10b5-1; 673K shares (\$50M)

## ❑ Cash and cash equivalents (including bank deposits and short-term/long-term marketable securities)

- ❑ \$1.3 billion

## ❑ Company well positioned for medium & long-term performance



# Thank You!

NYSE: TARO

[www.taro.com](http://www.taro.com)

