



TARO Pharmaceutical Industries Ltd

Taro Provides Results for Quarter Ended June 30, 2021

July 27, 2021

HAWTHORNE, N.Y.--(BUSINESS WIRE)--Jul. 27, 2021-- Taro Pharmaceutical Industries Ltd. (NYSE: TARO) ("Taro") today provided unaudited financial results for the quarter ended June 30, 2021.

Quarter ended June 30, 2021 Highlights - compared to Quarter ended June 30, 2020

- Net sales increased \$29.5 million, or 25.1%, to \$147.1 million.
- Gross profit increased \$12.8 million to \$77.7 million (52.8% of net sales compared to 55.2%).
- Research and development expenses of \$13.0 million were in line with the prior year quarter.
- Selling, marketing, general and administrative expenses of \$24.0 million, increased \$1.7 million.
- Settlements and loss contingencies of \$60.0 million reflect an additional legal contingency provision related to ongoing multi-jurisdiction civil antitrust matters. In the prior year quarter, settlements and loss contingencies of \$478.9 million reflects the one-time settlement charge of \$418.9 million related to the global resolution of the Department of Justice (DOJ) investigations into the U.S. generic pharmaceutical industry; and a provision of \$60.0 million related to the multi-jurisdiction civil antitrust matters; however, there can be no assurance as to the ultimate outcome.
- Operating loss of \$(19.2) million compared to \$(449.2) million. Excluding the settlement and loss contingencies charges in both periods, operating income was \$40.8 million as compared to \$29.8 million, an increase of \$11.0 million, and as a percentage of net sales was 27.8% as compared to 25.3%.
- Interest and other financial income of \$3.0 million decreased \$4.3 million, reflecting the continuing lower global interest rate environment.
- Foreign Exchange expense of \$0.3 million compared to income of \$0.2 million in the comparable quarter — an unfavorable impact of \$0.5 million.
- Tax expense of \$2.7 million compared to \$8.9 million. Excluding the impact from the settlement and loss contingencies charges, the effective tax rate for the quarter was 6.1% as compared to 23.4%. The reduced tax rate is primarily the result of acquired net operating losses.
- Net loss attributable to Taro was \$(18.8) million as compared to \$(434.9) million. Excluding the settlement and loss contingencies charges in both periods, net income was \$41.2 million compared to \$29.0 million. Diluted loss per share for the quarter was \$(0.50) as compared to \$(11.37). Excluding the settlement and loss contingencies charges in the both periods, diluted earnings per share was \$1.09 as compared to \$0.76.

Cash Flow and Balance Sheet Highlights

- Cash flow provided by operations was \$44.0 million compared to \$64.1 million for the three months ended June 30, 2020.
- As of June 30, 2021, cash and cash equivalents and marketable securities (both short and long-term) of \$1.59 billion increased \$13.5 million from March 31, 2021. Cash and cash equivalents reflects the impact from the share repurchases of \$18.3 million.

Mr. Uday Baldota, Taro's CEO stated, "We are satisfied with this quarters' results though we remain cautiously optimistic given the continuing challenging generic landscape and the uncertainty in the marketplace brought about by the recent uptick in the COVID cases. Our R&D investment stays on course and we continue to explore inorganic strategic growth opportunities."

FDA Approvals and Filings

The Company recently received an approval from the U.S. Food and Drug Administration ("FDA") for the Abbreviated New Drug Application ("ANDA"), Clindamycin Phosphate Topical Lotion, 1%. The Company currently has a total of nineteen ANDAs awaiting FDA approval, including five tentative approvals.

Share Repurchase Program – Maximizing Shareholder Value

On November 4, 2019, the Company announced that its Board of Directors approved a share repurchase of ordinary shares up to \$300 million. The repurchase authorization enables the Company to purchase its ordinary shares from time to time through open market purchases (including Rule 10b5-1 trading plans), privately negotiated transactions, tender offer or other means, in accordance with applicable securities laws and other regulations. No time period has been set for the repurchase program, and any such program may be suspended or discontinued at any time.

During the quarter, the Company repurchased 254,717 shares at an average price of \$73.61. In total, through June 30, 2021, the Company has repurchased 586,750 shares at an average price of \$74.53.

Form 20-F Filings with the SEC

On June 17, 2021, Taro filed its Annual Report on Form 20-F with the U.S. Securities and Exchange Commission ("SEC") for the fiscal year ended March 31, 2021.

Taro cautions that the foregoing financial information is presented on an unaudited basis and is subject to change.

About Taro

Taro Pharmaceutical Industries Ltd. is a multinational, science-based pharmaceutical company, dedicated to meeting the needs of its customers through the discovery, development, manufacturing and marketing of the highest quality healthcare products. For further information on Taro Pharmaceutical Industries Ltd., please visit the Company's website at www.taro.com.

SAFE HARBOR STATEMENT

The unaudited consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments necessary to present fairly the financial condition and results of operations of the Company. The unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Annual Report on Form 20-F, as filed with the SEC.

Certain statements in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements that do not describe historical facts or that refer or relate to events or circumstances the Company "estimates," "believes," or "expects" to happen or similar language, and statements with respect to the Company's financial performance, availability of financial information, and estimates of financial results and information for fiscal year 2022. Although the Company believes the expectations reflected in such forward-looking statements to be based on reasonable assumptions, it can give no assurances that its expectations will be attained. Factors that could cause actual results to differ include general domestic and international economic conditions, industry and market conditions, changes in the Company's financial position, litigation brought by any party in any court in Israel, the United States, or any country in which Taro operates, regulatory and legislative actions in the countries in which Taro operates, and other risks detailed from time to time in the Company's SEC reports, including its Annual Reports on Form 20-F. 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.

****Financial Tables Follow****

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(U.S. dollars in thousands, except share data)

| | Quarter Ended June 30, | |
|--|------------------------|-------------------|
| | 2021 | 2020 |
| Sales, net | \$ 147,113 | \$ 117,634 |
| Cost of sales | 69,415 | 52,688 |
| Gross profit | 77,698 | 64,946 |
| <i>Operating Expenses:</i> | | |
| Research and development | 12,952 | 12,932 |
| Selling, marketing, general and administrative | 23,976 | 22,248 |
| Settlements and loss contingencies | 60,000 | 478,924 |
| Operating loss * | (19,230) | (449,158) |
| <i>Financial income, net:</i> | | |
| Interest and other financial income | (3,042) | (7,310) |

| | | |
|--|---------------------|----------------------|
| Foreign exchange expense (income) | 275 | (197) |
| Other gain, net | 384 | 549 |
| Loss before income taxes | (16,079) | (441,102) |
| Tax expense | 2,688 | 8,854 |
| Net loss | (18,767) | (449,956) |
| Net loss attributable to non-controlling interest | — | (15,038) |
| Net loss attributable to Taro * | \$ (18,767) | \$ (434,918) |
| Net loss per ordinary share attributable to Taro: | | |
| Basic and Diluted * | \$ (0.50) | \$ (11.37) |

Weighted-average number of shares used to compute net loss per share:

| | | |
|-------------------|------------|------------|
| Basic and Diluted | 37,794,430 | 38,258,337 |
|-------------------|------------|------------|

** Excluding the settlement and loss contingencies charges of \$60.0 million and \$478.9 million, for the quarters ended June 30, 2021 and 2020, Operating income was \$40.8 million and \$29.8 million, Net income attributable to Taro was \$41.2 million and \$29.0 million, and basic and diluted earnings per share was \$1.09 and \$0.76, respectively.*

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

| | June 30, | March 31, |
|--|------------------|------------------|
| | 2021 | 2021 |
| ASSETS | (unaudited) | (audited) |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 614,888 | \$ 605,177 |
| Marketable securities | 410,590 | 418,480 |
| Accounts receivable and other: | | |
| Trade, net | 216,833 | 213,539 |
| Other receivables and prepaid expenses | 55,596 | 53,347 |
| Inventories | 182,860 | 180,292 |
| TOTAL CURRENT ASSETS | 1,480,767 | 1,470,835 |
| Marketable securities | 568,878 | 557,209 |
| Property, plant and equipment, net | 202,031 | 205,508 |

| | | |
|-----------------------|---------------------|---------------------|
| Deferred income taxes | 130,832 | 142,007 |
| Other assets | 30,797 | 31,314 |
| TOTAL ASSETS | \$ 2,413,305 | \$ 2,406,873 |

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

| | | |
|---------------------------|-----------|-----------|
| Trade payables | \$ 62,066 | \$ 61,166 |
| Other current liabilities | 667,084 | 615,135 |

| | | |
|----------------------------------|----------------|----------------|
| TOTAL CURRENT LIABILITIES | 729,150 | 676,301 |
|----------------------------------|----------------|----------------|

| | | |
|--|--------|--------|
| Deferred taxes and other long-term liabilities | 26,099 | 35,115 |
|--|--------|--------|

| | | |
|--------------------------|----------------|----------------|
| TOTAL LIABILITIES | 755,249 | 711,416 |
|--------------------------|----------------|----------------|

| | | |
|---------------------------|-----------|-----------|
| Taro shareholders' equity | 1,658,056 | 1,703,649 |
|---------------------------|-----------|-----------|

| | | |
|--------------------------|---|----------|
| Non-controlling interest | — | (8,192) |
|--------------------------|---|----------|

| | | |
|---|---------------------|---------------------|
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,413,305 | \$ 2,406,873 |
|---|---------------------|---------------------|

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(U.S. dollars in thousands)

| | Quarter Ended June 30, | |
|--|------------------------|----------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net loss | \$ (18,767) | \$ (449,956) |
| <i>Adjustments required to reconcile net loss to net cash provided by operating activities:</i> | | |
| Depreciation and amortization | 6,346 | 5,571 |
| Realized gain on sale of long-lived assets | (4) | — |
| Change in derivative instruments, net | (166) | (923) |
| Effect of change in exchange rate on marketable securities and bank deposits | (589) | (1,728) |
| Deferred income taxes, net | 11,244 | (2,367) |
| (Increase) decrease in trade receivables, net | (3,295) | 45,921 |
| Increase in inventories, net | (2,568) | (13,150) |

| | | |
|---|-------------------|-------------------|
| Increase in other receivables, income tax receivables, prepaid expenses and other | (2,598) | (3,462) |
| Increase in trade, income tax, accrued expenses and other payables | 52,211 | 483,957 |
| Expense from amortization of marketable securities bonds, net | 2,179 | 247 |
| Net cash provided by operating activities | 43,993 | 64,110 |
| Cash flows from investing activities: | | |
| Purchase of plant, property & equipment, net | (3,855) | (5,133) |
| Investment in other intangible assets | (72) | (63) |
| Investment in marketable securities, net | (12,500) | (40,825) |
| Net cash used in investing activities | (16,427) | (46,021) |
| Cash flows from financing activities: | | |
| Purchase of treasury stock | (18,319) | — |
| Net cash used in financing activities | (18,319) | — |
| Effect of exchange rate changes on cash and cash equivalents | 464 | 601 |
| Increase in cash and cash equivalents | 9,711 | 18,690 |
| Cash and cash equivalents at beginning of period | 605,177 | 513,354 |
| Cash and cash equivalents at end of period | \$ 614,888 | \$ 532,044 |
| Cash Paid during the year for: | | |
| Income taxes | \$ 3,333 | \$ 7,119 |
| Cash Received during the year for: | | |
| Income taxes | \$ 2,351 | \$ — |
| Non-cash investing transactions: | | |
| Purchase of property, plant and equipment included in accounts payable | \$ 1,225 | \$ 1,304 |
| Non-cash financing transactions: | | |
| Purchase of treasury stock | \$ 430 | \$ — |
| Purchase (sale) of marketable securities | \$ 3,179 | \$ (745) |

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Source: Taro Pharmaceutical Industries Ltd.