



TARO Pharmaceutical Industries Ltd

Taro Provides Results for December 31, 2022

January 24, 2023

HAWTHORNE, N.Y.--(BUSINESS WIRE)--Jan. 24, 2023-- Taro Pharmaceutical Industries Ltd. (NYSE: TARO) ("Taro" or the "Company") today provided unaudited financial results for the quarter and nine months ended December 31, 2022.

Quarter ended December 31, 2022* Highlights – compared to December 31, 2021

- Net sales of \$139.2 million was line with the prior year quarter. We continue to experience price pressures particularly in the U.S. generic business.
- Gross profit of \$64.0 million (46.0% of net sales) compared to \$76.0 million (54.7% of net sales).
- Research and development (R&D) expenses of \$12.9 million decreased \$1.3 million.
- Selling, marketing, general and administrative expenses (SG&A) of \$49.9 million increased \$25.0 million.
- Operating income of \$1.3 million compared to operating income of \$37.0 million. The current year quarter operating result is primarily attributable to the aforementioned price erosion, as well as the on-going impact associated with our recent acquisition.
- Interest and other financial income of \$6.6 million increased \$4.5 million.
- Tax expense of \$1.9 million compared to \$13.2 million in the prior year quarter.
- Net income attributable to Taro was \$7.3 million compared to net income of \$26.3 million, resulting in earnings per share of \$0.19 compared to earnings per share of \$0.70.

Nine Months ended December 31, 2022* Highlights – compared to December 31, 2021

- Net sales of \$426.4 million increased \$8.3 million.
- Gross profit of \$192.6 million (45.2% of net sales compared to 51.6%) decreased \$23.2 million.
- R&D expenses of \$35.9 million decreased \$3.7 million.
- SG&A of \$148.2 million increased \$75.7 million.
- Operating income of \$8.4 million compared to \$42.2 million. Excluding the \$61.4 million impact from the settlement and loss contingencies charges in the prior year, operating income was \$103.6 million. The current year operating income primarily reflects the six-month impact of the factors mentioned above.
- Interest and other financial income of \$12.8 million increased from \$7.5 million.
- Net income attributable to Taro was \$18.5 million compared to \$30.9 million, resulting in earnings per share of \$0.49 compared to earnings per share of \$0.82. Excluding the impact from the settlement and loss contingencies charges in the prior year, net income was \$99.2 million, resulting in diluted earnings per share of \$2.64.

Cash Flow and Balance Sheet Highlights

- Cash flow used in operations for the nine months ended December 31, 2022 was \$24.9 million compared to \$200.0 million for the nine months ended December 31, 2021. Excluding the impact from the settlement payments and settlement and loss contingencies charges impacting both periods, cash flow provided by operations was \$50.4 million compared to \$124.6 million for the nine months ended December 31, 2021.
- As of December 31, 2022, cash and cash equivalents, short-term bank deposits and marketable securities (both short- and long-term) decreased \$54.6 million to \$1.2 billion from March 31, 2022; principally the result of settlement payments.

*** The December 31, 2022 results include nine months' results from the February 28, 2022 acquisition of Alchemee.**

The Company cautions that the foregoing 2022 financial information (including Alchemee) is unaudited 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 2023. 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		Nine Months Ended	
	December 31st		December 31st	
	2022	2021	2022	2021
Sales, net	\$ 139,202	\$ 138,984	\$ 426,365	\$ 418,083
Cost of sales	75,155	62,937	233,750	202,293
Impairment	—	13	—	13
Gross profit	64,047	76,034	192,615	215,777
<i>Operating Expenses:</i>				
Research and development	12,907	14,201	35,937	39,648
Selling, marketing, general and administrative	49,861	24,841	148,238	72,501
Settlements and loss contingencies	—	26	—	61,446
Operating income *	1,279	36,966	8,440	42,182
<i>Financial (income) expense, net:</i>				
Interest and other financial income	(6,592)	(2,090)	(12,814)	(7,503)
Foreign exchange (income) expense	(738)	544	2,344	555
Other gain, net	563	990	1,403	3,714
Income before income taxes	9,172	39,501	20,313	52,842
Tax expense	1,907	13,188	1,781	21,980
Net income attributable to Taro *	\$ 7,265	\$ 26,313	\$ 18,532	\$ 30,862

Net income per ordinary share attributable to Taro:

Basic and Diluted *	\$ 0.19	\$ 0.70	\$ 0.49	\$ 0.82
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Weighted-average number of shares used to compute net income per share:

Basic and Diluted	37,584,891	37,584,891	37,584,891	37,584,891
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May not foot due to rounding.

Note: Quarter and nine months ended December, 2022 includes results from Alchemee (acquired February 28, 2022).

* Excluding the settlement and loss contingencies charges of \$61.4 million for the nine months ended December 31, 2021, Operating income was \$103.6 million, Net income attributable to Taro was \$99.2 million, and basic and diluted earnings per share was \$2.64.

TARO PHARMACEUTICAL INDUSTRIES LTD.
SUMMARY CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)

	December 31, March 31,	
	2022	2022
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 91,973	\$ 251,134
Short-term bank deposits	169,568	47,586
Marketable securities	602,357	522,028
Accounts receivable and other:		
Trade, net	251,807	246,972
Other receivables and prepaid expenses	51,730	59,727
Inventories	222,675	210,439
TOTAL CURRENT ASSETS	1,390,110	1,337,886
Marketable securities	337,431	435,189
Property, plant and equipment, net	190,507	199,692
Deferred income taxes	121,100	124,882
Goodwill	12,718	11,820
Other assets	65,658	66,893
TOTAL ASSETS	\$ 2,117,524	\$ 2,176,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	\$ 69,549	\$ 68,232

Other current liabilities	304,526	363,886
TOTAL CURRENT LIABILITIES	374,075	432,118
Deferred taxes and other long-term liabilities	23,514	32,799
TOTAL LIABILITIES	397,589	464,917
Taro shareholders' equity	1,719,935	1,711,445
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,117,524	\$ 2,176,362

TARO PHARMACEUTICAL INDUSTRIES LTD.

SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands)

Nine Months Ended December 31,

2022 2021

Cash flows from operating activities:

Net income	\$ 18,533	\$ 30,862
<i>Adjustments required to reconcile net income (loss) to net cash used in operating activities:</i>		
Depreciation and amortization	21,320	19,248
Realized loss on sale of long-lived assets	2	551
Change in derivative instruments, net	(24)	(536)
Effect of change in exchange rate on marketable securities and bank deposits	1,590	(39)
Deferred income taxes, net	4,612	15,003
Increase in trade receivables, net	(5,168)	(11,129)
Increase in inventories, net	(12,361)	(2,154)
Decrease in other receivables, income tax receivables, prepaid expenses and other	7,287	10,973
Decrease in trade, income tax, accrued expenses and other payables	(67,938)	(270,482)
Expense from amortization of marketable securities bonds, net	7,247	7,734
Net cash used in operating activities	(24,900)	(199,969)
Cash flows from investing activities:		
Purchase of plant, property & equipment, net	(11,186)	(9,121)
Investment in other intangible assets	(122)	(120)

Investment in short-term bank deposits, net	(121,982)	(35,573)
Proceeds from (investment in) marketable securities, net	3,060	(17,161)
Other investments	(2,000)	—
Net cash used in investing activities	(132,230)	(61,975)
Cash flows from financing activities:		
Purchase of treasury stock	—	(24,934)
Net cash used in financing activities	—	(24,934)
Effect of exchange rate changes on cash and cash equivalents	(2,031)	(209)
Decrease in cash and cash equivalents	(159,161)	(287,087)
Cash and cash equivalents at beginning of period	251,134	605,177
Cash and cash equivalents at end of period	\$ 91,973	\$ 318,090
Cash Paid during the year for:		
Income taxes	\$ 3,415	\$ 5,667
Cash Received during the year for:		
Income taxes	\$ 14,156	\$ 2,351
Non-cash investing transactions:		
Purchase of property, plant and equipment included in accounts payable	\$ 1,260	\$ 763
Non-cash financing transactions:		
Purchase of marketable securities, net	\$ 2,710	\$ —

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