



**TARO** Pharmaceutical Industries Ltd

## Taro Provides Results for Year Ended March 31, 2023

May 23, 2023

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HAWTHORNE, N.Y.--([BUSINESS WIRE](#))--Taro Pharmaceutical Industries Ltd. (NYSE: TARO) ("Taro" or the "Company") today provided unaudited financial results for the quarter and year ended March 31, 2023.

### Quarter ended March 31, 2023\* Highlights – compared to March 31, 2022

- Net sales of \$146.6 million increased \$3.3 million, or 2.3%.
- Gross profit of \$75.7 million (51.6% of net sales) compared to \$77.3 million (54.0% of net sales).
- Research and development (R&D) expenses of \$16.3 million increased \$1.4 million.
- Selling, marketing, general and administrative expenses (SG&A) of \$50.1 million increased \$9.0 million.
- Operating income of \$9.3 million compared to operating income of \$21.3 million.
- Interest and other financial income of \$8.0 million increased \$7.4 million.
- Foreign Exchange (FX) expense of \$0.5 million compared to FX income of \$2.5 million – an unfavorable impact of \$3.0 million.
- Tax expense of \$11.0 million compared to a tax benefit of \$2.4 million – an unfavorable impact of \$13.4 million.
- Net income attributable to Taro was \$6.9 million compared to net income of \$27.4 million, resulting in earnings per share of \$0.18 compared to earnings per share of \$0.73.

### Year ended March 31, 2023\* Highlights – compared to March 31, 2022

- Net sales of \$573.0 million increased \$11.6 million.
- Gross profit of \$268.3 million (46.8% of net sales compared to 52.2%) decreased \$24.8 million.
- R&D expenses of \$52.2 million decreased \$2.3 million.
- SG&A of \$198.4 million increased \$84.7 million.
- In the prior year, settlements and loss contingencies of \$61.4 million consisted of a \$60.0 million legal contingency related to ongoing multi-jurisdiction civil antitrust matters and \$1.4 million related to the global resolution with the Department of Justice ("DOJ") in connection with its investigations into the U.S. generic pharmaceutical industry.
- Operating income of \$17.7 million compared to \$63.5 million. Excluding the \$61.4 million impact from the settlement and loss contingencies charges in the prior year, operating income was \$124.9 million.
- Interest and other financial income of \$20.9 million increased \$12.7 million.
- FX expense of \$2.8 million compared to FX income of \$2.0 million – an unfavorable impact of \$4.8 million.
- Tax expense of \$12.8 million compared to tax expense of \$19.6 million, a decrease of \$6.8 million.
- Net income attributable to Taro was \$25.4 million compared to \$58.3 million, resulting in earnings per share of \$0.68 compared to earnings per share of \$1.55. Excluding the impact from the settlement and loss contingencies charges in the prior year, net income was \$126.4 million, resulting in diluted earnings per share of \$3.36.

### Cash Flow and Balance Sheet Highlights

- Cash flow provided by operations for the year ended March 31, 2023 was \$31.8 million compared to cash used in operations of \$158.7 million for the year ended March 31, 2022. Excluding the impact from the settlement payments and settlement and loss contingencies charges impacting both periods, cash flow provided by operations was \$99.0 million compared to \$165.6 million for the year ended March 31, 2022.
- As of March 31, 2023, cash and cash equivalents, short-term bank deposits and marketable securities (both short- and long-term) was \$1.3 billion in line with March 31, 2022; principally the result of settlement payments.

\* *The March 31, 2023 results include full-year results from the February 28, 2022 acquisition of Alchemee.*

The Company cautions that the foregoing 2023 financial information 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](http://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 2024. 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**  
(U.S. dollars in thousands, except share data)

|  | Quarter Ended<br>March 31st |                   | Twelve Months Ended<br>March 31st |                   |
|--|-----------------------------|-------------------|-----------------------------------|-------------------|
|  | 2023                        | 2022              | 2023                              | 2022              |
| <b>Sales, net</b>                              | <b>\$ 146,587</b>           | <b>\$ 143,264</b> | <b>\$ 572,952</b>                 | <b>\$ 561,347</b> |
| Cost of sales                                  | 70,879                      | 65,919            | 304,629                           | 268,212           |
| Impairment                                     | —                           | —                 | —                                 | 13                |
| <b>Gross profit</b>                            | <b>75,708</b>               | <b>77,345</b>     | <b>268,323</b>                    | <b>293,122</b>    |
| <i>Operating Expenses:</i>                     |                             |                   |                                   |                   |
| Research and development                       | 16,306                      | 14,892            | 52,243                            | 54,540            |
| Selling, marketing, general and administrative | 50,128                      | 41,175            | 198,366                           | 113,677           |
| Settlements and loss contingencies             | —                           | —                 | —                                 | 61,446            |
| <b>Operating income *</b>                      | <b>9,274</b>                | <b>21,278</b>     | <b>17,714</b>                     | <b>63,459</b>     |
| <i>Financial (income) expense, net:</i>        |                             |                   |                                   |                   |
| Interest and other financial income            | (8,036 )                    | (685 )            | (20,850 )                         | (8,187 )          |
| Foreign exchange (income) expense              | 469                         | (2,541 )          | 2,813                             | (1,986 )          |
| Other gain, net                                | 1,059                       | 512               | 2,462                             | 4,226             |
| Income before income taxes                     | 17,900                      | 25,016            | 38,213                            | 77,858            |
| Tax expense                                    | 10,987                      | (2,388 )          | 12,768                            | 19,592            |
| <b>Net income attributable to Taro *</b>       | <b>\$ 6,913</b>             | <b>\$ 27,404</b>  | <b>\$ 25,445</b>                  | <b>\$ 58,266</b>  |

**Net income per ordinary share attributable to Taro:**

|                     |         |         |         |         |
|---------------------|---------|---------|---------|---------|
| Basic and Diluted * | \$ 0.18 | \$ 0.73 | \$ 0.68 | \$ 1.55 |
| Diluted             | \$ 0.18 | \$ 0.73 | \$ 0.68 | \$ 1.55 |

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

|                   |            |            |            |            |
|-------------------|------------|------------|------------|------------|
| Basic and Diluted | 37,584,891 | 37,584,891 | 37,584,891 | 37,641,087 |
|-------------------|------------|------------|------------|------------|

May not foot due to rounding.

Note: Quarter and year ended March 2023 includes results from Alchemee (acquired February 28, 2022).

\* Excluding the settlement and loss contingencies charges of \$61.4 million for the year ended March 31, 2022, Operating income was \$124.9 million, Net income attributable to Taro was \$126.4 million, and basic and diluted earnings per share was \$3.36.

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

|  | <b>March 31,</b>    | <b>March 31,</b>    |
|--|---------------------|---------------------|
|  | <b>2023</b>         | <b>2022</b>         |
|  | (unaudited)         | (audited)           |
| <b>ASSETS</b>                          |                     |                     |
| CURRENT ASSETS:                        |                     |                     |
| Cash and cash equivalents              | \$ 154,495          | \$ 251,134          |
| Short-term bank deposits               | 119,980             | 47,586              |
| Marketable securities                  | 575,814             | 522,028             |
| Accounts receivable and other:         |                     |                     |
| Trade, net                             | 202,260             | 246,973             |
| Other receivables and prepaid expenses | 57,210              | 59,726              |
| Inventories                            | 226,669             | 210,439             |
| <b>TOTAL CURRENT ASSETS</b>            | <b>1,336,428</b>    | <b>1,337,886</b>    |
| Marketable securities                  | 404,896             | 435,189             |
| Property, plant and equipment, net     | 190,139             | 199,692             |
| Deferred income taxes                  | 103,672             | 124,882             |
| Goodwill                               | 17,231              | 11,820              |
| Other assets                           | 83,147              | 66,892              |
| <b>TOTAL ASSETS</b>                    | <b>\$ 2,135,513</b> | <b>\$ 2,176,361</b> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**  
CURRENT LIABILITIES:

|   |                     |                     |
|---|---------------------|---------------------|
| Trade payables                                    | \$ 68,485           | \$ 68,232           |
| Other current liabilities                         | 317,064             | 363,887             |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>385,549</b>      | <b>432,119</b>      |
| Deferred taxes and other long-term liabilities    | 19,106              | 32,799              |
| <b>TOTAL LIABILITIES</b>                          | <b>404,655</b>      | <b>464,918</b>      |
| Taro shareholders' equity                         | 1,730,858           | 1,711,443           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 2,135,513</b> | <b>\$ 2,176,361</b> |

**TARO PHARMACEUTICAL INDUSTRIES LTD.**  
**SUMMARY CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(U.S. dollars in thousands)

**Twelve Months Ended March 31,**

|  | <b>2023</b>      | <b>2022</b>       |
|--|------------------|-------------------|
|  | (unaudited)      | (audited)         |
| <b>Cash flows from operating activities:</b>   |                  |                   |
| <b>Net income</b>  | <b>\$ 25,445</b> | <b>\$ 58,266</b>  |
| <b>Adjustments required to reconcile net income (loss) to net cash used in operating activities:</b> |                  |                   |
| Depreciation and amortization  | 32,127           | 25,915            |
| Impairment of long-lived assets  | —                | 13                |
| Realized loss on sale of long-lived assets   | 136              | 689               |
| Change in derivative instruments, net  | (24 )            | (631 )            |
| Adjustments to Opening Balance-Sheet (PPA)   | (15,292 )        | —                 |
| Effect of change in exchange rate on marketable securities and bank deposits                         | 2,291            | (449 )            |
| Deferred income taxes, net   | 16,802           | 23,200            |
| Increase (decrease) in trade receivables, net  | 37,482           | (6,229 )          |
| Increase in inventories, net   | (16,922 )        | (2,082 )          |
| Increase (decrease) in other receivables, income tax receivables, prepaid expenses and other         | 2,240            | (5,451 )          |
| Decrease in trade, income tax, accrued expenses and other payables                                   | (60,707 )        | (265,278 )        |
| Expense from amortization of marketable securities bonds, net  | 8,172            | 13,339            |
| <b>Net cash provided by (used in) operating activities</b>   | <b>31,750</b>    | <b>(158,698 )</b> |

**Cash flows from investing activities:**

|  |                   |                   |
|--|-------------------|-------------------|
| Purchase of plant, property & equipment, net             | (17,553 )         | (11,796 )         |
| Acquisition, net of cash acquired                        | —                 | (91,872 )         |
| Investment in other intangible assets                    | (294 )            | (243 )            |
| Investment in short-term bank deposits, net              | (72,394 )         | (47,586 )         |
| Proceeds from (investment in) marketable securities, net | (33,315 )         | (19,084 )         |
| Investment in other investments                          | (2,000 )          | —                 |
| <b>Net cash used in investing activities</b>             | <b>(125,556 )</b> | <b>(170,581 )</b> |

**Cash flows from financing activities:**

|  |          |                  |
|--|----------|------------------|
| Purchase of treasury stock                   | —        | (24,934 )        |
| <b>Net cash used in financing activities</b> | <b>—</b> | <b>(24,934 )</b> |

**Effect of exchange rate changes on cash and cash equivalents**

|   |                   |                   |
|---|-------------------|-------------------|
|   | (2,833 )          | 170               |
| <b>Decrease in cash and cash equivalents</b>            | <b>(96,639 )</b>  | <b>(354,043 )</b> |
| <b>Cash and cash equivalents at beginning of period</b> | <b>251,134</b>    | <b>605,177</b>    |
| <b>Cash and cash equivalents at end of period</b>       | <b>\$ 154,495</b> | <b>\$ 251,134</b> |

**Cash Paid during the year for:**

|              |          |          |
|--------------|----------|----------|
| Income taxes | \$ 4,175 | \$ 7,753 |
|--------------|----------|----------|

**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 | \$ 1,242 | \$ 1,468 |
|--|----------|----------|

**Non-cash financing transactions:**

|  |           |          |
|--|-----------|----------|
| Purchase of intangible assets          | \$ —      | \$ —     |
| Purchase of treasury stock             | \$ —      | \$ —     |
| Purchase of marketable securities, net | \$ 3,038  | \$ 3,890 |
| Sale of marketable securities          | \$ (314 ) | \$ 21    |

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