# Second Quarter 2019 Earnings Call

**AUGUST 6, 2019**

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SETTING SCIENCE IN MOTION TO CREATE A BETTER WORLD

# Disclaimer

## FORWARD-LOOKING STATEMENTS

- This presentation contains forward-looking statements. All statements other than statements of historical fact included in this presentation are forward-looking statements, including our estimated value model, goals for long-term growth and our full year 2019 outlook. Forward-looking statements discuss our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. These statements may be preceded by, followed by or include the words “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “outlook,” “plan,” “potential,” “projection,” “continue,” “goal,” “objective,” “opportunity,” “near-term,” “long-term,” “assumption,” “project,” “guidance,” “target,” “trend,” “seek,” “can,” “could,” “may,” “should,” “would,” “will,” the negatives thereof and other words and terms of similar meaning.
- Forward-looking statements are inherently subject to risks, uncertainties and assumptions; they are not guarantees of performance. You should not place undue reliance on these statements. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure you that the assumptions and expectations will prove to be correct. Factors that could contribute to these risks, uncertainties and assumptions include, but are not limited to, the factors described in “Risk Factors” in our recently filed Registration Statement on Form S-1 and our Form 10-Q that will be filed later today. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements. In addition, all forward-looking statements speak only as of the date of this presentation. We undertake no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise other than as required under the federal securities laws.

## NON-GAAP FINANCIAL MEASURES

- To evaluate our performance, we monitor a number of key indicators at the consolidated level and, in certain cases, at the segment level. As appropriate, we supplement our results of operations determined in accordance with U.S. generally accepted accounting principles (“GAAP”) with certain non-GAAP financial measurements that are used by management, and which we believe are useful to investors, as supplemental operational measurements to evaluate our financial performance. These measurements should not be considered in isolation or as a substitute for reported GAAP results because they may include or exclude certain items as compared to similar GAAP-based measurements, and such measurements may not be comparable to similarly-titled measurements reported by other companies. Rather, these measurements should be considered as an additional way of viewing aspects of our operations that provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements in their entirety and not rely solely on any one, single financial measurement. See “Use of Non-GAAP Financial Measures” in our press release issued today. A reconciliation of non-GAAP measures can be found at the back of the deck.

## Avantor's Differentiated Position

From breakthrough discovery to agile delivery of mission-critical products and services, we are a trusted global partner to customers in the life sciences and advanced technologies & applied materials industries.

**RESEARCH & DISCOVERY**

**DEVELOPMENT & SCALE-UP**

**MANUFACTURING & DELIVERY**

**5-8%**
Long-term organic revenue CAGR

**100-150 bps/yr.**
EBITDA margin expansion

WORKFLOWS
operational leverage
synergies
PRODUCT CHOICE
cGMP
supply chain
customization
CUSTOMER ACCESS
biomaterials
Ultra High Purity
INNOVATION
$70B TAM
digital
CONVENIENCE
EXPERTISE
REGULATORY
bioproduction
Geographic expansion
AVANTOR BUSINESS SYSTEM

Rapid deleveraging
**0.5-1.0 x/yr.**

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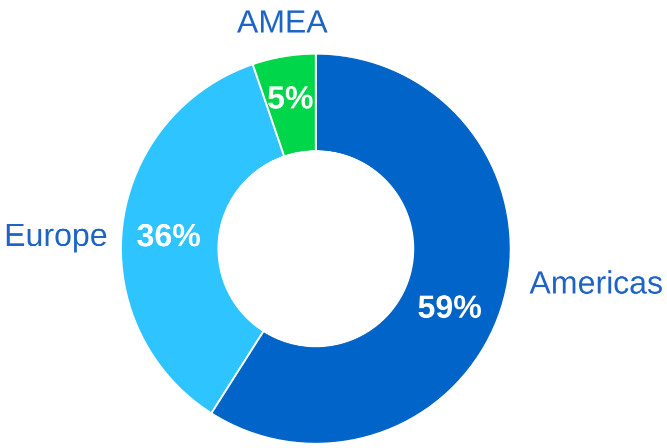
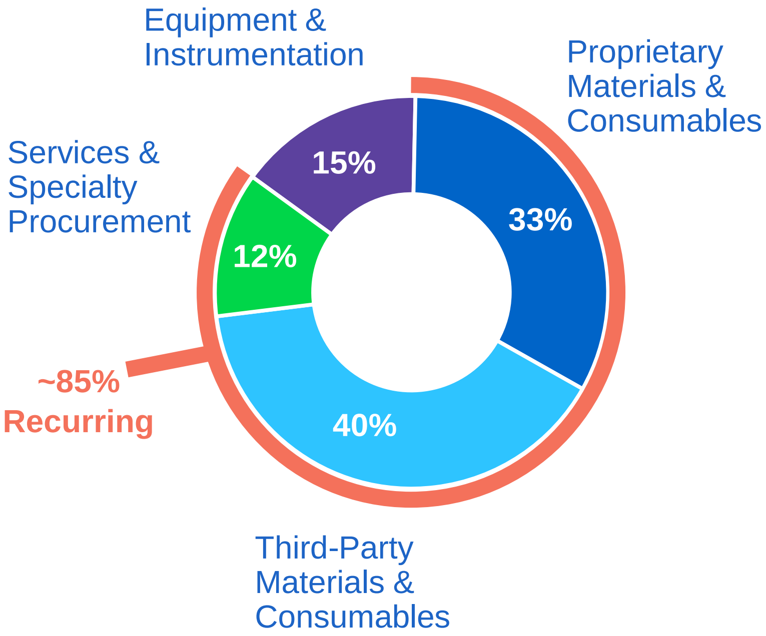
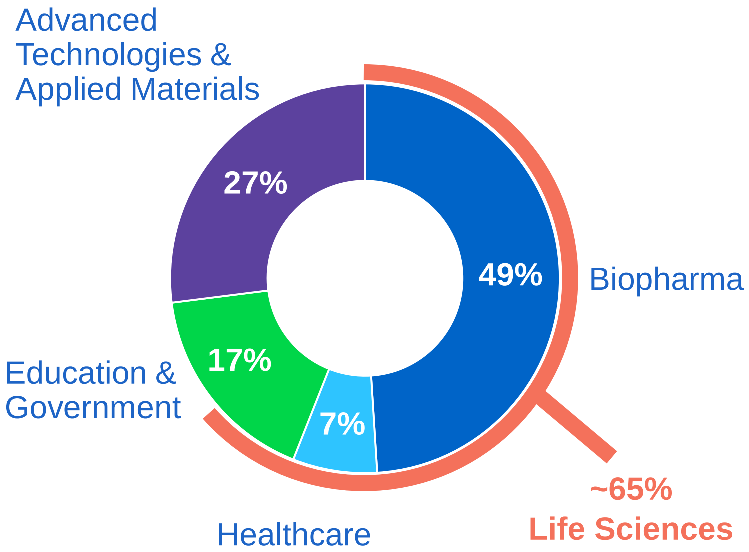
# Diversified portfolio provides a resilient growth profile

## 2018 Revenue by category

| GEOGRAPHY | PRODUCT | INDUSTRY SERVED |
|---|---|---|

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# Leading bioproduction portfolio, with products deeply embedded in this highly-attractive, fast-growing sector

**Customized products and solutions** (e.g., bag size, design, fill solutions)

**Tailored processes and services** (e.g., supply chain data analysis) that cater to complex needs

**Cell culture components characterized & specified** for customer scale up

**Flexible solutions** (e.g. Single Use fluid transfer) for efficiency & security

Production chemicals **specified for customers' processes**

**High-purity customized excipients** supporting drug stability & shelf life

**UPSTREAM** → **DOWNSTREAM** → **FILL / FINISH**

Avantor's solutions specified in **>80% of the top 20** biologic drugs

**10 of top 10** biotechs and pharma companies

Downstream buffer product line covers **100% of the traditional buffers packages** used in a biopharmaceutical process

A global network of **cGMP manufacturing and ISO-certified distribution** facilities present on **3 continents**

Formulation product line covers **95% of the excipients** used in commercial mAbs

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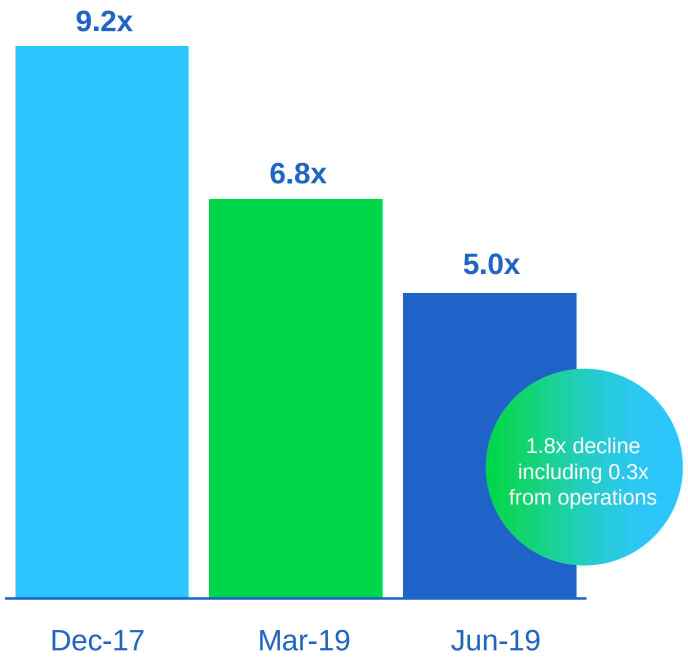
# Largest healthcare IPO in U.S. history

**Successful fundraising…**

| | Common | Mandatory | Total |
|---|---|---|---|
| **Base size** | $3.0B | $0.5B | **$3.5B** |
| **Final size** | $3.3B | $1.1B | **$4.4B** |
| **Final shares** | 238M | 21M | **n/a** |
| **Common shares outstanding** | | | **566M** |
| **Plus dilution[1]** | | | **77M** |
| **Diluted shares outstanding** | | | **643M** |

**…greatly improved financial position[2]**




- Elimination of $2.6B senior preferred equity and junior preferred equity
- Additional debt paydown of $1.6B
- Annualized interest expense reduction from >$500M to <$400M
- Upgrades from all three credit rating agencies
- Creation of 3-year mandatory redeemable (coupon 6.25%, premium of 17.5%)

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1. Dilution assumes conversion of mandatory convertible preferred stock (63M shares), stock-based awards (7M shares) and warrants (7M shares) into common shares
2. Represents outstanding debt divided by LTM adjusted EBITDA, excluding stock-based compensation and including run-rate cost synergies

# Strong second quarter performance

ORGANIC REVENUE GROWTH
**6%**

ADJ. EBITDA MARGIN EXP.
**140bps**

SYNERGY VALUE CAPTURE[1]
**$230M**

DELEVERAGING
**1.8x**

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## BUSINESS HIGHLIGHTS

- Converted several new accounts and secured a number of renewals with no significant contract losses in the quarter
- Won majority supply position for single use products with a leading pharmaceutical customer who is commercializing a recently approved gene therapy treatment
- Realized record revenue in biopharma production and biomaterials
- Began construction on new biorepository center in Frankfurt, Germany
- Implemented significant improvements to eCommerce user experience
- Continued above plan synergy execution
- Secured upgrade from all three rating agencies and successfully repriced term loans

1. Annualized run rate including both cost and commercial synergies realized to date from the integration of VWR

# Q2 performance vs. long-term goals

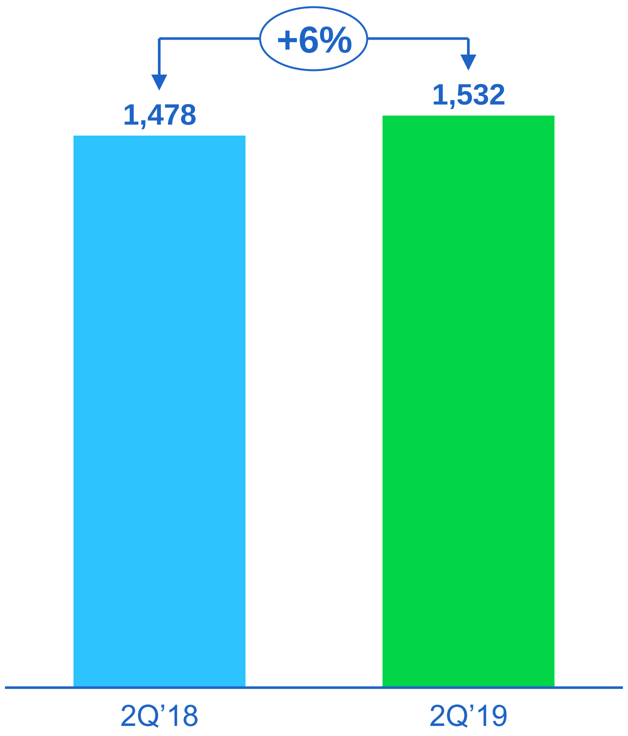
| | L/T Goal | Q2 2019 |
|---|---|---|
| **Organic revenue growth** | **5%-8%** | **6%** |
| **Adjusted EBITDA margin expansion** | **~100-150** bps/year through **2020** | **140 bps** |
| **Deleveraging** | **~0.5-1.0X** per year through **2020** | **~1.8X** |
| **Unlevered free cash flow** | Strong **FCF** | **$95M, up 8%** |
| **M&A** | **1-2%** incremental growth/year | No transactions |

# Q2 organic revenue growth by region

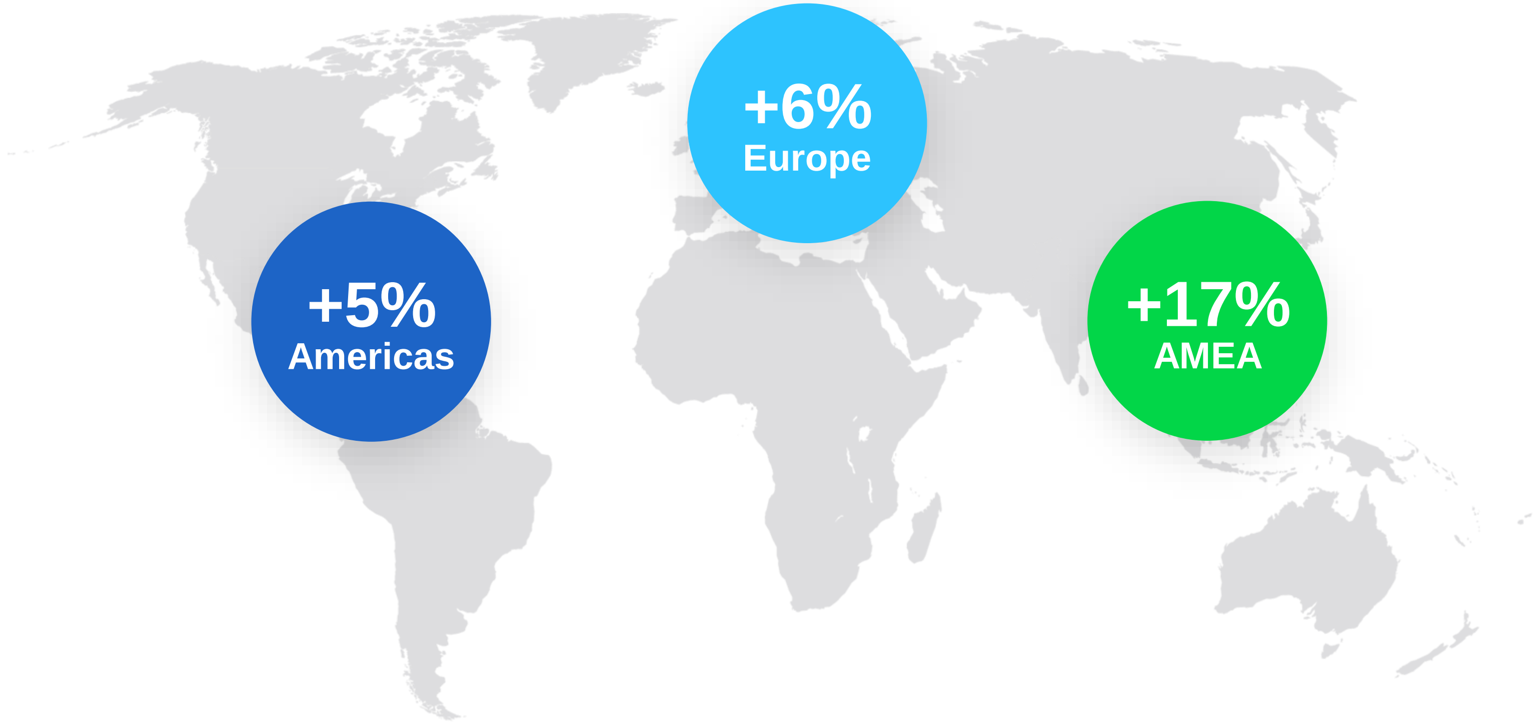
**($M)**

Organic revenue growth %

**Revenue**




**Organic growth by region**



# Q2 organic revenue growth by end market and product group

| By end market | |
|---|---|
| Biopharma | LDD |
| Healthcare | (LSD) |
| Education & government | HSD |
| Advanced technologies & applied materials | LSD |

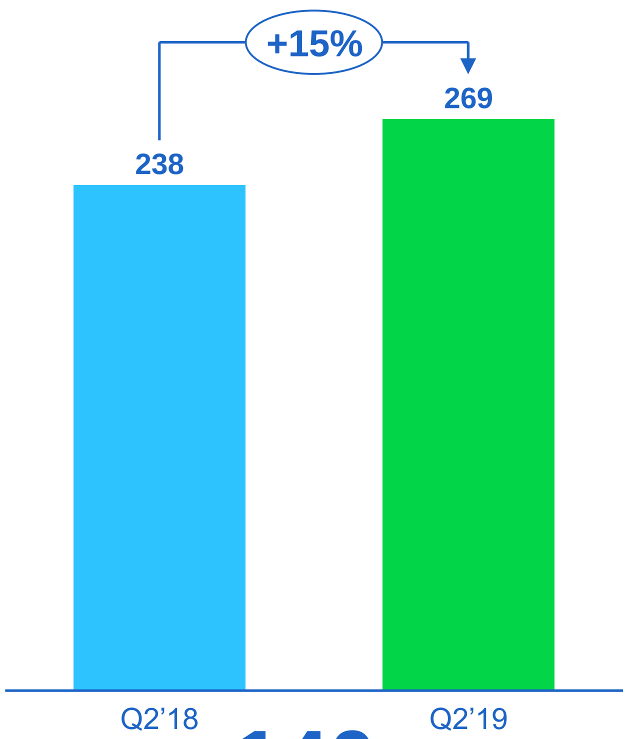
| By product group | |
|---|---|
| Proprietary materials & consumables | HSD |
| Third-party materials & consumables | LSD |
| Services & specialty procurement | LDD |
| Equipment & instrumentation | MSD |

LSD = Low Single Digit, MSD = Mid Single Digit, HSD = High Single Digit, LDD = Low Double Digit

# Q2 performance

($M, except per share data)

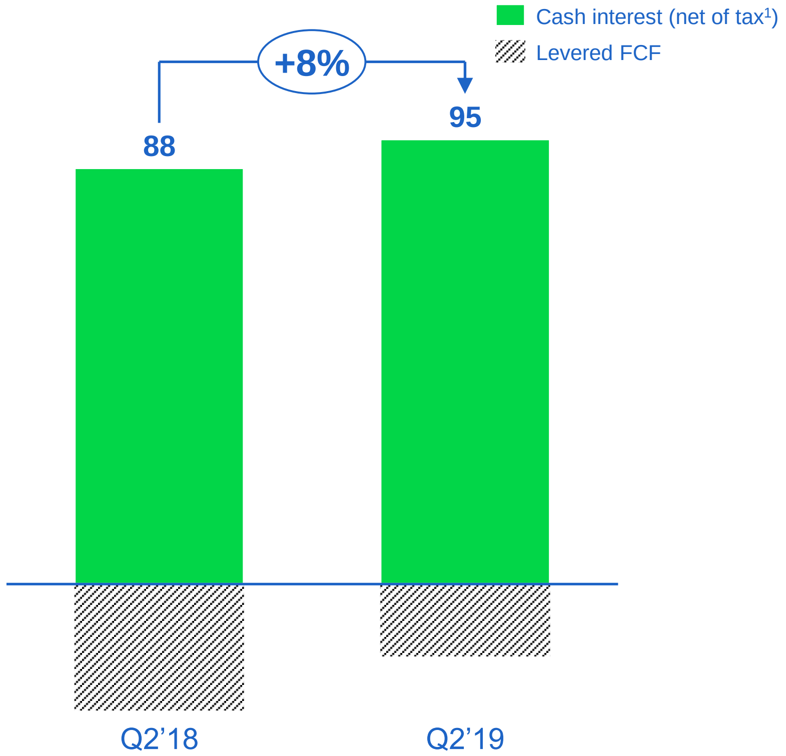
## Adjusted EBITDA




**140**bps

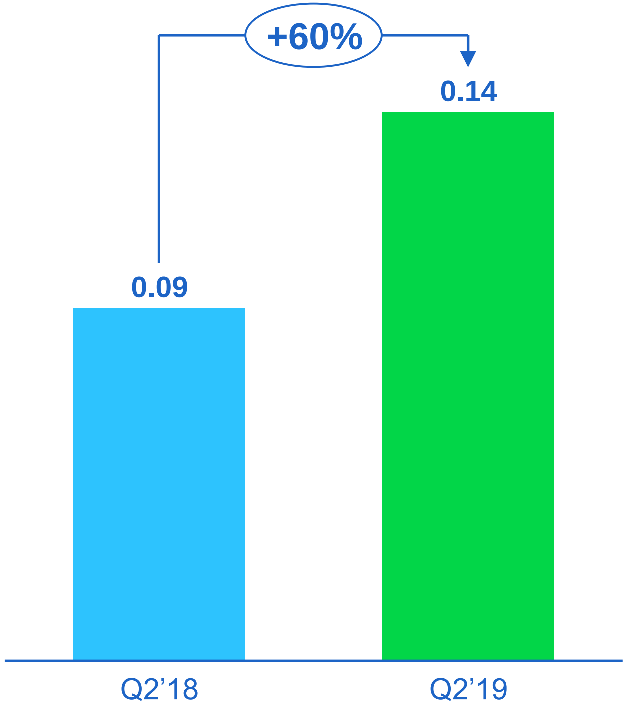
**Margin expansion**

## Free cash flow




**Up 21%**
**Year to date**

## Adjusted EPS (Normalized share count)[2]




**Growth, execution,**
**leverage reduction and tax**

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1 Cash interest tax-effected using a 32% tax rate
2 Assumes fully diluted average weighted shares outstanding of 642.7M for both periods

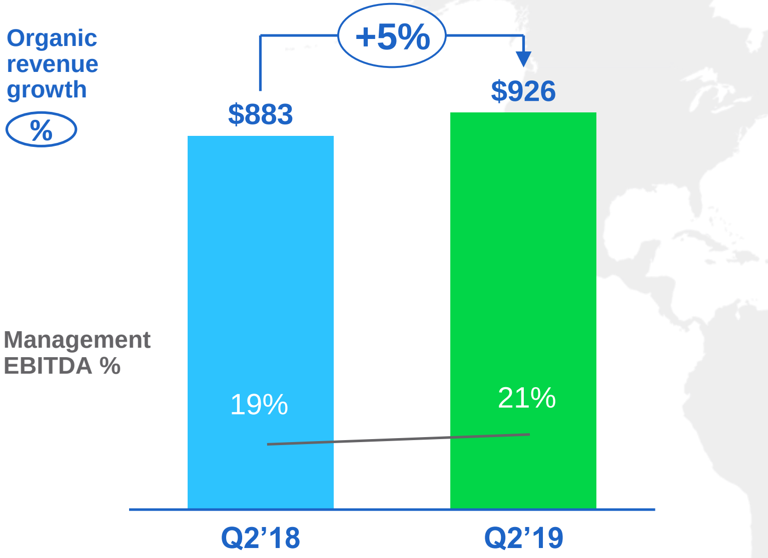
# Q2 EBITDA margin expansion

| | | |
|---|---|---|
| **Q2 2018** | **16.1%** | |
| **Gross margin** | **0.4** | **Positive price - inflation, supply chain productivity and synergies** |
| **SG&A** | **1.0** | **Volume leverage and synergies offset by targeted investments** |
| **Q2 2019** | **17.5%** | |

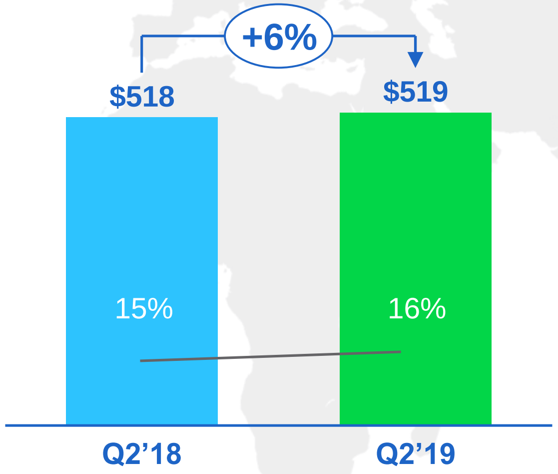
# Q2 segment performance

Revenue, $M

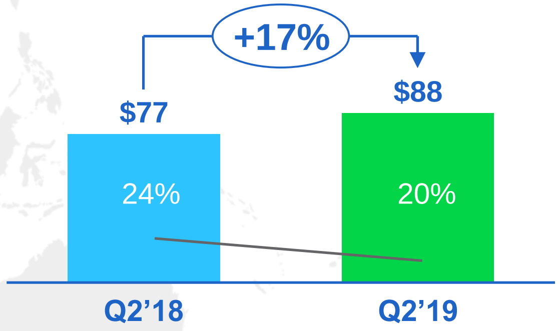
## Americas




## Europe




## AMEA




### Key Drivers

**Americas**

- Strong biopharma growth across all product groups, particularly in production
- Growth across all product groups, particularly services
- Management EBITDA growth through commercial excellence, cost controls and synergies

**Europe**

- Strong biopharma growth from cell biology, HPLC and large global accounts
- Strong growth in healthcare from equipment sales and proprietary biomaterials
- Management EBITDA growth from volume growth and synergies

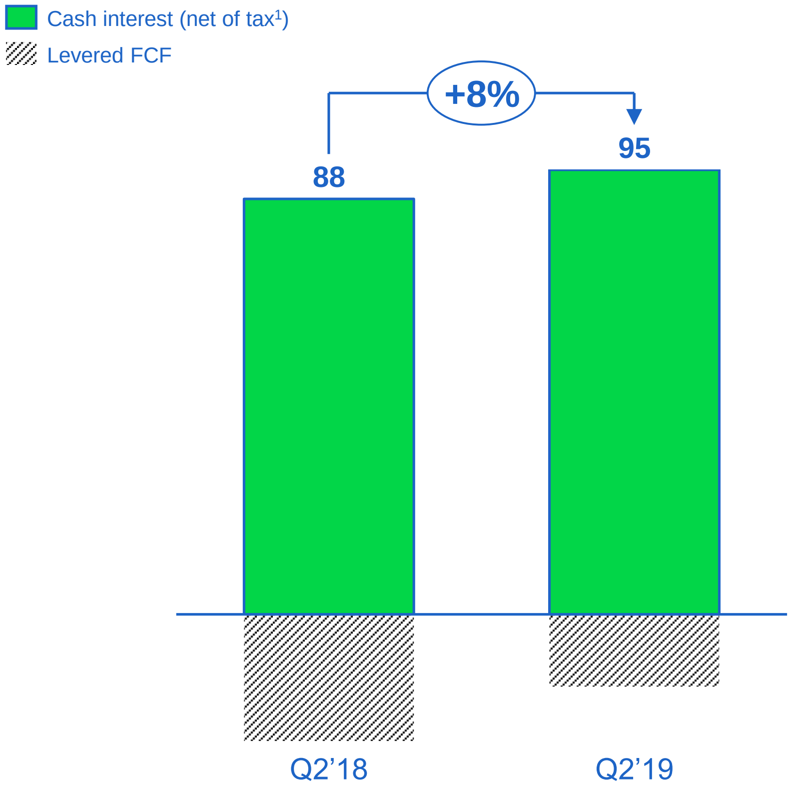
**AMEA**

- Significant biopharma volume growth from investments in sales force, supply chain and warehousing
- Long-term growth initiatives impacted management EBITDA

# Q2 free cash flow generation

($M)

## Free Cash Flow

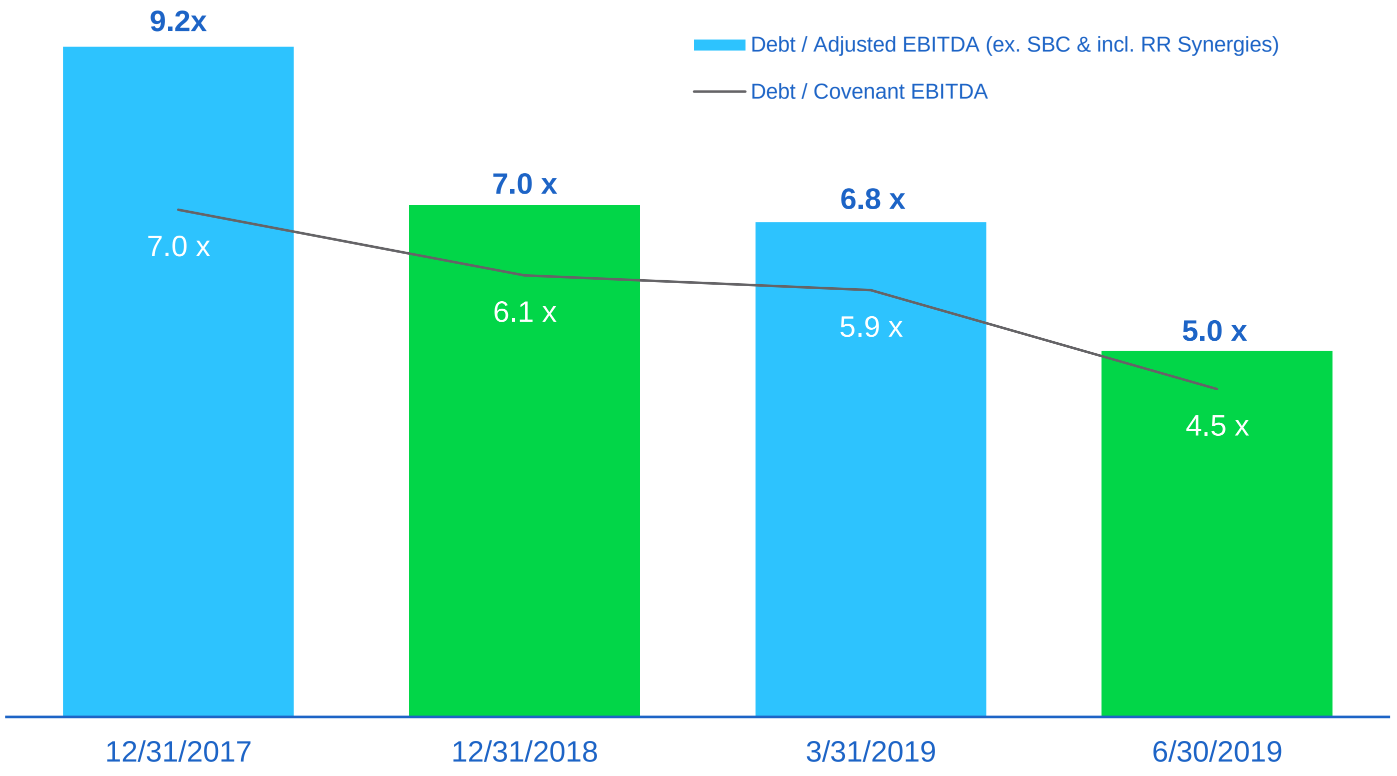



| Financial Item | Q2 2018 | Q2 2019 | Commentary |
|---|---|---|---|
| **Adj. net income** | **$57** | **$92** | |
| Non-cash Items | 181 | 177 | Interest, tax, depreciation |
| **Adj. EBITDA** | **238** | **269** | |
| Cash interest | (180) | (169) | Deleveraging and repricing |
| Cash taxes | (25) | (41) | In line with growth |
| Net working capital | (11) | (40) | Investing to support growth |
| Other assets / liabilities | (46) | (25) | Revenue recognition accounting change ($12M) and severance payouts ($10M) |
| **Cash used by operating activities** | **(24)** | **(6)** | |
| Capital expenditures | (11) | (14) | CapEx light business model |
| **Free cash flow (levered)** | **(35)** | **(20)** | Q2YTD $44M, up $44M |
| Cash interest (net of tax[1]) | 123 | 115 | |
| **Free cash flow (unlevered)** | **$88** | **$95** | |

1. Cash interest tax-effected using a 32% tax rate

# Leverage update

## Leverage




## Deleveraging is our initial capital allocation priority

- Strong cash generation and EBITDA growth drives deleveraging
- IPO proceeds provide incremental deleveraging:
  - Senior preferred redeemed
  - Additional proceeds used to pay down existing debt
- Deleveraging of ~1.0X per year during integration of VWR
- Targeted long-term leverage range of 2 – 4X
- Significant future repricing/refinancing opportunities

# 2019 full year guidance

All amounts in $M except growth, EPS

| | 2019 | | %V YoY | |
|---|---|---|---|---|
| | Low | High | Low | High |
| Net sales | $6,080 | $6,140 | 3.7% | 4.7% |
| *Organic sales growth %* | *N/A* | *N/A* | *5.6%* | *6.6%* |
| Adjusted EBITDA | $1,040 | $1,060 | 10.0% | 12.1% |
| Pro forma adjusted fully diluted EPS | $0.55 | $0.58 | 36.7% | 42.1% |
| Pro forma fully diluted share count | 643 | 643 | N/A | N/A |

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Note: Guidance assumes June 30 foreign currency exchange rates.

# Summary

**Strong quarter for growth**
- 6% organic sales growth
- Biopharma and Services lead drivers

**Outstanding execution**
- 140 basis points adjusted EBITDA margin expansion
- 8% adjusted free cash flow growth
- Leverage down to 5.0x (from 9.2x at YE 2017)

**Attractive outlook**
- Initiating full year guidance 5.6%-6.6% sales growth and $1,040M-1,060M adjusted EBITDA
- Clear path to remaining deal synergies
- Multiple levers for EPS growth including operations, interest, tax

# Appendix

# Q2 debt update

| | Instrument | Maturity | Principal ($M) | Interest |
|---|---|---|---|---|
| Working capital | AR facility ($250M) | 11/2020 | $153 | L + 1.75% |
| | Revolver ($250M) | 11/2022 | — | L + 3.00% |
| Secured debt | Term loan B | 11/2024 | $745 | L + 3.00% |
| | Term loan B (€384M) | 11/2024 | $437 | E + 3.25% |
| | Senior secured | 10/2024 | $1,500 | 6.00% fixed |
| | Senior secured (€500M) | 10/2024 | $569 | 4.75% fixed |
| Unsecured debt | Senior unsecured | 10/2025 | $2,000 | 9.00% fixed |
| | Capital leases | — | $68 | — |
| | | | $5,472 | |

## COMMENTARY

- Minimal required debt repayments before 2024
- Improvements in credit ratings allowed for refinancing of term loans with lower interest rate
- IPO provided funds to repay $1.6 billion of debt
- Additional refinancing opportunity with fixed rate debt – first call 4Q 2020

# Reconciliation – U.S. GAAP vs. adjusted

| | GAAP | Adj | Adjusted |
|---|---|---|---|
| **Operating income** | $119 | $124 | **$243** |
| Interest expense | 115 | - | 115 |
| Loss on debt extinguishment | 70 | (70) | - |
| Other expense | (15) | 14 | (1) |
| Pre-tax (loss) income | (51) | 180 | 129 |
| Tax provision (benefit) | (2) | 39 | 37 |
| *Rate%* | *(3.6%)* | *(21.4%)* | *(29.1%)* |
| Net (loss) income | **($49)** | **$141** | **$92** |
| **EPS:** | | | |
| GAAP basis share count (323.4) | ($.98) | | $0.28 |
| Fully diluted share count (427.3) | N/A | | $0.22 |
| Proforma fully diluted share count (642.7) | N/A | | $0.14 |

| | |
|---|---|
| **Operating income** | **$243** |
| Other income / (expense) | 1 |
| Depreciation | 25 |
| Adjusted EBITDA | **$269** |
| *EBITDA %* | ***(17.5%)*** |

| Operating Income Adjustments | |
|---|---|
| Purchase accounting | ($3) |
| Amortization | 78 |
| Stock based comp triggered by IPO | 43 |
| Other adjustments | 6 |
| **Total adjustments** | **$124** |

## OTHER MATTERS

**Tax rate:**
- 2019 adjusted effective tax rate is expected to be 30-31%
- 2020 effective tax rate is expected to be 26–27%

**Share count:**
- Q2 GAAP basis share count not representative of go-forward expectation
- Proforma fully diluted share count reflects all shares currently outstanding plus dilution from mandatory PS, options

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# Reconciliations of GAAP to non-GAAP measures

($M)

| | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Net (loss) income (GAAP)** | **(41.2)** | **(26.9)** | **34.5** | **(53.3)** | **(6.2)** | **(48.7)** |
| Amortization | 82.6 | 80.5 | 79.4 | 78.8 | 78.6 | 78.3 |
| Net foreign currency loss (gain) from financing activities | 6.9 | (10.1) | 3.4 | 6.3 | 6.2 | (14.3) |
| Other share-based compensation expense | — | — | — | (0.7) | — | 42.7 |
| Restructuring and severance charges | 7.5 | 32.9 | 16.7 | 24.1 | 5.5 | 0.9 |
| Loss on extinguishment of debt | — | — | — | — | — | 70.2 |
| Purchase accounting adjustments | 10.3 | (3.4) | (4.1) | (3.8) | (0.8) | (3.3) |
| VWR transaction, integration and planning expenses | 7.2 | 7.1 | 5.1 | 16.8 | 6.3 | 5.1 |
| Other | — | 4.2 | 1.2 | 3.1 | — | — |
| Income tax benefit applicable to pretax adjustments | (25.9) | (27.0) | (24.6) | (27.4) | (21.4) | (39.3) |
| **Adjusted net income (non-GAAP)** | **47.4** | **57.3** | **111.6** | **43.9** | **68.2** | **91.6** |
| Interest expense | 128.3 | 130.2 | 130.2 | 135.1 | 128.6 | 115.1 |
| Depreciation | 19.2 | 19.9 | 21.9 | 22.3 | 19.7 | 24.7 |
| Income tax provision (benefit) applicable to adjusted net income | 22.0 | 30.4 | (8.8) | 34.4 | 31.5 | 37.4 |
| **Adjusted EBITDA (non-GAAP)** | **216.9** | **237.8** | **254.9** | **235.7** | **248.0** | **268.8** |

# Reconciliations of GAAP to non-GAAP measures (continued)

(Shares in M)

| | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Diluted loss per share (GAAP)** | **$(0.79)** | **$(0.70)** | **$(0.26)** | **$(0.94)** | **$(0.59)** | **$(0.98)** |
| Dilutive impact of convertible instruments | 0.63 | 0.60 | 0.39 | 0.73 | 0.57 | 0.87 |
| Normalization for shares issued in IPO | 0.10 | 0.06 | (0.08) | 0.13 | 0.01 | 0.03 |
| **Fully diluted loss per share (non-GAAP)** | **(0.06)** | **(0.04)** | **0.05** | **(0.08)** | **(0.01)** | **(0.08)** |
| Amortization | 0.13 | 0.13 | 0.12 | 0.12 | 0.12 | 0.12 |
| Net foreign currency loss (gain) from financing activities | 0.01 | (0.02) | 0.01 | 0.01 | 0.01 | (0.02) |
| Other share-based compensation expense | — | — | — | — | — | 0.07 |
| Restructuring and severance charges | 0.01 | 0.05 | 0.03 | 0.04 | 0.01 | — |
| Loss on extinguishment of debt | — | — | — | — | — | 0.11 |
| Purchase accounting adjustments | 0.02 | (0.01) | (0.01) | (0.01) | — | (0.01) |
| VWR transaction, integration and planning expenses | 0.01 | 0.01 | 0.01 | 0.03 | 0.01 | 0.01 |
| Other | (0.01) | 0.01 | — | — | — | — |
| Income tax benefit applicable to pretax adjustments | (0.04) | (0.04) | (0.04) | (0.04) | (0.03) | (0.06) |
| **Adjusted EPS (non-GAAP)** | **$0.07** | **$0.09** | **$0.17** | **$0.07** | **$0.11** | **$0.14** |
| Weighted average share count (GAAP) | 133 | 133 | 133 | 133 | 133 | 323 |
| Pro forma fully-diluted share count (non-GAAP) | 643 | 643 | 643 | 643 | 643 | 643 |

# Reconciliations of GAAP to non-GAAP measures (continued)

($M)

| | 2017 | 2018 | 2019 | |
|---|---|---|---|---|
| | | | Q1 | Q2 |
| Debt | 7,396.1 | 7,162.9 | 7,021.1 | 5,472.0 |
| Cash and cash equivalents | (185.4) | (184.7) | (143.9) | (164.6) |
| ***Numerator of adjusted net leverage*** | ***7,210.7*** | ***6,978.2*** | ***6,877.2*** | ***5,307.4*** |
| TTM adjusted EBITDA | 289.5 | 945.3 | 976.4 | 1,007.4 |
| TTM ongoing share-based compensation expense | 21.6 | 19.1 | 19.4 | 23.2 |
| Pro forma adjustment for VWR | 472.6 | — | — | — |
| Pro forma adjustment for projected synergies | — | 29.7 | 17.5 | 32.2 |
| ***Denominator of adjusted net leverage*** | ***783.7*** | ***994.1*** | ***1,013.3*** | ***1,062.8*** |
| **Adjusted net leverage (non-GAAP)** | **9.2x** | **7.0x** | **6.8x** | **5.0x** |
| TTM adjusted EBITDA | 289.5 | 945.3 | 976.4 | 1,007.4 |
| TTM covenant adjustments | 34.5 | 60.7 | 70.3 | 76.1 |
| Pro forma adjustment for VWR | 492.7 | — | — | — |
| Pro forma adjustment for projected synergies | 219.0 | 145.1 | 127.5 | 108.3 |
| ***Denominator of covenant net leverage*** | ***1,035.7*** | ***1,151.1*** | ***1,174.2*** | ***1,191,8*** |
| **Covenant net leverage (non-GAAP)** | **7.0x** | **6.1x** | **5.9x** | **4.5x** |

# Reconciliations of GAAP to non-GAAP measures (continued)

($M)

| | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Net cash provided by operating activities (GAAP)** | **46.2** | **(24.1)** | **108.7** | **69.7** | **75.0** | **(5.9)** |
| Capital expenditures | (12.3) | (10.8) | (9.2) | (5.4) | (12.4) | (14.0) |
| **Levered free cash flow (non-GAAP)** | **33.9** | **(34.9)** | **99.5** | **64.3** | **62.6** | **(19.9)** |
| Cash interest, net of taxes[1] | 41.6 | 122.5 | 40.2 | 122.9 | 39.8 | 115.2 |
| **Unlevered free cash flow (non-GAAP)** | **75.5** | **87.6** | **139.7** | **187.2** | **102.4** | **95.3** |
| **Net cash provided by investing activities (GAAP)** | **(11.8)** | **(7.2)** | **(4.2)** | **—** | **(7.9)** | **(12.4)** |
| **Net cash provided by financing activities (GAAP)** | **(77.8)** | **28.1** | **(66.2)** | **(54.4)** | **(106.1)** | **38.3** |

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1. Cash interest tax-effected using a 32% tax rate