



NEWS RELEASE

# Avantor® Reports First Quarter 2022 Results

4/28/2022

- Net sales of \$1.95 billion, increase of 9.2%; organic net sales growth of 5.1%
- Net income of \$190.4 million; Adjusted EBITDA of \$423.1 million
- Diluted GAAP EPS of \$0.28; adjusted EPS of \$0.38
- Operating cash flow of \$152.2 million; free cash flow of \$127.7 million
- Adjusted net leverage reduced to 4.0X, in line with long-term target range

RADNOR, Pa., April 28, 2022 /PRNewswire/ -- Avantor, Inc. (NYSE: AVTR), a leading global provider of mission-critical products and services to customers in the life sciences, advanced technologies and applied materials industries, today reported financial results for the quarter ended March 31, 2022.

"Avantor kicked off 2022 with another strong quarter across all key financial metrics. Despite a challenging macroeconomic environment, we continued our track record of execution by delivering core organic growth of 7.3% and approximately 140 basis points in Adjusted EBITDA margin expansion. Ongoing momentum in our end markets is encouraging, particularly in Biopharma, where we realized more than 20% growth in bioproduction," said Michael Stubblefield, President and Chief Executive Officer of Avantor.

"We are successfully advancing our long-term growth strategy by consistently meeting the evolving needs of our global customer base and enabling scientific breakthroughs that create value for all stakeholders. The investments we made during the quarter in manufacturing capacity and innovation, as well as the strong contributions we are realizing from our three recent acquisitions are fortifying our position as a life sciences leader. This continued strong performance gives us increased confidence in our full year outlook and we are raising our adjusted EPS guidance range," Stubblefield concluded.

First Quarter 2022

For the three months ended March 31, 2022, net sales were \$1.95 billion, an increase of 9.2% compared to the first quarter of 2021. Foreign currency translation had an unfavorable impact of 2.5% with M&A adding 6.6%, resulting in organic sales growth of 5.1%. Net income increased to \$190.4 million from \$164.0 million in the first quarter of 2021 and adjusted net income was up 14.7% from the prior year. Adjusted EBITDA increased 16.5% to \$423.1 million, and Adjusted EBITDA margin expanded by approximately 140 basis points to 21.7%, as compared to 20.3% in the comparable prior period.

Diluted earnings per share on a GAAP basis was \$0.28, while adjusted EPS was \$0.38.

Operating cash flow in the quarter was \$152.2 million, while free cash flow in the quarter was \$127.7 million.

Adjusted net leverage was 4.0X as of March 31, 2022, down from 4.2X as of December 31, 2021, and in line with our target leverage of 2-4X.

## First Quarter 2022 – Segment Results

Management uses Adjusted EBITDA to measure and evaluate the internal operating performance of the Company's business segments. Adjusted EBITDA is also our segment reporting profitability measure under generally accepted accounting principles.

### Americas

- Net sales were \$1,143.4 million, a reported increase of 10.5%, as compared to \$1,035.2 million in the first quarter of 2021. Organic sales increased 6.0%.
- Adjusted EBITDA margin increased approximately 140 basis points to 25.7%, as compared to 24.3% in the comparable prior period.

### Europe

- Net sales were \$680.4 million, a reported increase of 4.6%, as compared to \$650.4 million in the first quarter of 2021. Organic sales increased 2.6%.
- Adjusted EBITDA margin increased approximately 90 basis points to 21.1%, as compared to 20.2% in the comparable prior period.

### AMEA

- Net sales were \$126.6 million, a reported increase of 26.6%, as compared to \$100.0 million in the first quarter of 2021. Organic sales increased 11.7%.

- Adjusted EBITDA margin increased approximately 50 basis points to 23.1%, as compared to 22.6% in the comparable prior period.

## Conference Call

Avantor will host a conference call to discuss its results tomorrow, April 29, at 7:30 a.m. Eastern Daylight Time. A live webcast can be accessed on the **investors section of our website**. Or you may listen to the call by dialing (844) 200 6205 (domestic) or (929) 526 1599 (international) and use the conference code 889684. Prior to the webcast, a presentation relating to the earnings call will be available on the Company's website.

Following the live webcast, a replay of the webcast and the slide presentation will be available at <https://ir.avantorsciences.com/investors/news-and-events/events/default.aspx>.

## About Avantor

Avantor<sup>®</sup>, a Fortune 500 company, is a leading global provider of mission-critical products and services to customers in the biopharma, healthcare, education & government, and advanced technologies & applied materials industries. Our portfolio is used in virtually every stage of the most important research, development and production activities in the industries we serve. Our global footprint enables us to serve more than 225,000 customer locations and gives us extensive access to research laboratories and scientists in more than 180 countries. We set science in motion to create a better world. For more information, please visit [www.avantorsciences.com](http://www.avantorsciences.com).

## Use of non-GAAP Financial Measures

To evaluate our performance, we monitor a number of key indicators. 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 we believe are useful to investors, creditors and others in assessing our performance. These measures 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 measures, and such measures may not be comparable to similarly titled measures reported by other companies. Rather, these measures 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 included in reports filed with the SEC in their entirety and not rely solely on any one, single financial measurement or communication.

The non-GAAP financial measures used in this press release are sales growth on an organic basis, sales growth on a core organic basis, Adjusted EBITDA, adjusted net income, adjusted EPS, adjusted net leverage and free cash flow.

- Sales growth on an organic basis eliminates from our reported net sales growth the impacts of earnings from any acquired or disposed businesses and changes in foreign currency exchange rates. Sales growth on a core organic basis eliminates from our organic growth the impacts of any COVID-19 related net sales. We believe that these measurements are useful as a way to measure and evaluate our underlying commercial operating performance consistently across our segments and the periods presented.
- Adjusted EBITDA is to measure and evaluate our operating performance exclusive of interest expense, income tax expense, depreciation, amortization and certain other adjustments. We believe that this measurement is useful as a way to analyze the underlying trends in our core business consistently across the periods presented.
- Adjusted net income is our net income or loss first adjusted for the following items: (i) amortization of acquired intangible assets, (ii) net foreign currency remeasurement gains or losses relating to financing activities, (iii) losses on extinguishment of debt, (iv) other costs or credits that are either isolated or cannot be expected to recur with any regularity or predictability. From this amount, we then add or subtract an assumed incremental income tax impact on the above noted pre-tax adjustments, using estimated tax rates, to arrive at Adjusted Net Income. We believe that this measurement is useful as a way to analyze the business consistently across the periods presented.
- Beginning with the quarter ended March 31, 2022, Adjusted EPS is our adjusted net income divided by our diluted GAAP weighted average share count. Prior to the first quarter of 2022, Adjusted EPS was our adjusted net income divided by the normalized shares outstanding. The normalized shares outstanding reflected for all periods (i) the total number of shares of common stock outstanding following our initial public offering, plus (ii) the dilutive effect of the assumed exercise or conversion of instruments (including our 6.250% Series A mandatory convertible preferred stock assuming the lowest rate of conversion into common stock). We believe that this measurement is an additional way to analyze the underlying trends in our business consistently across the periods presented.
- Adjusted net leverage is equal to our gross debt, reduced by our cash and cash equivalents, divided by our trailing 12-month Adjusted EBITDA (excluding stock-based compensation expense and including the expected run-rate effect of cost synergies and the incremental results of completed acquisitions as if those acquisitions had occurred on the first day of the trailing 12-month period). We believe that this measurement is a useful way to evaluate and measure the Company's capital allocation strategies and the underlying trends in the business.
- Free cash flow is equal to our cash flow from operating activities, excluding acquisition-related costs paid in the period, less capital expenditures. We believe that this measurement is useful as it provides a view on the Company's ability to generate cash for use in financing or investment activities.

Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are

included in the tables accompanying this release.

## Forward-Looking and Cautionary Statements

This press release contains forward-looking statements. All statements other than statements of historical fact included in this press release are forward-looking statements. 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," "project," "projection," "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 most recent Annual Report on Form 10-K and quarterly report on Form 10-Q, as such risk factors may be updated from time to time in our periodic filings with the SEC.

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 press release. 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.

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Avantor, Inc. and subsidiaries

Unaudited condensed consolidated statements of operations

	Three months ended March 31,	
	2022	2021
(in millions, except per share data)		
Net sales	\$ 1,950.4	\$ 1,785.6

Cost of sales	1,260.5	1,172.8
	<u>689.9</u>	<u>612.8</u>
Gross profit		
Selling, general and administrative expenses	382.9	346.5
	<u>307.0</u>	<u>266.3</u>
Operating income		
Interest expense	(64.8)	(51.5)
Loss on extinguishment of debt	(1.8)	(5.2)
Other income, net	1.4	1.8
	<u>241.8</u>	<u>211.4</u>
Income before income taxes		
Income tax expense	(51.4)	(47.4)
	<u>190.4</u>	<u>164.0</u>
Net income		
Accumulation of yield on preferred stock	(16.1)	(16.1)
	<u>\$ 174.3</u>	<u>\$ 147.9</u>
Net income available to common stockholders		
Earnings per share:		
	\$ 0.29	\$ 0.25
Basic	\$ 0.28	\$ 0.25
Diluted		
Weighted average shares outstanding:		
	610.1	581.1
Basic	681.3	589.1
Diluted		

## Avantor, Inc. and subsidiaries

### Unaudited condensed consolidated balance sheets

(in millions)	March 31, 2022	December 31, 2021
Assets	<u></u>	<u></u>
Current assets:		

	\$	283.6	\$	301.7
Cash and cash equivalents				
		1,345.4		1,222.1
Accounts receivable, net				
		896.0		872.0
Inventory				
		81.3		81.4
Other current assets				
		<u>2,606.3</u>		<u>2,477.2</u>
Total current assets				
Property, plant and equipment, net		699.9		705.5
Other intangible assets, net		5,013.0		5,140.3
Goodwill		5,265.2		5,341.1
Other assets		252.0		233.1
		<u>\$ 13,836.4</u>		<u>\$ 13,897.2</u>
Total assets				
Liabilities and stockholders' equity				
Current liabilities:				
	\$	44.7	\$	45.2
Current portion of debt				
		818.2		755.1
Accounts payable				
		134.9		199.7
Employee-related liabilities				
		39.8		49.8
Accrued interest				
		409.5		401.0
Other current liabilities				
		<u>1,447.1</u>		<u>1,450.8</u>
Total current liabilities				
Debt, net of current portion		6,815.8		6,978.0
Deferred income tax liabilities		854.4		913.0
Other liabilities		361.1		358.4
		<u>9,478.4</u>		<u>9,700.2</u>
Total liabilities				
Stockholders' equity:				
		1,003.7		1,003.7
Mandatory convertible preferred stock including paid-in capital				
		2,749.3		2,752.6
Common stock including paid-in capital				
		674.3		483.9
Accumulated earnings				
		(69.3)		(43.2)
Accumulated other comprehensive loss				
		<u>4,358.0</u>		<u>4,197.0</u>
Total stockholders' equity				
	\$	<u>13,836.4</u>	\$	<u>13,897.2</u>

Total liabilities and stockholders' equity

Avantor, Inc. and subsidiaries

Unaudited condensed consolidated statements of cash flows

Three months ended March 31,

(in millions)

Cash flows from operating activities:

2022 2021

\$ 190.4 \$ 164.0

Net income

Reconciling adjustments:

114.5 89.0

Depreciation and amortization

10.7 11.4

Stock-based compensation expense

15.9 7.9

Provision for accounts receivable and inventory

(22.3) (5.3)

Deferred income tax (benefit)

4.4 3.9

Amortization of deferred financing costs

1.8 5.2

Loss on extinguishment of debt

(1.8) 2.7

Foreign currency remeasurement (gain) loss

Changes in assets and liabilities:

(137.3) (106.8)

Accounts receivable

(46.4) (54.3)

Inventory

73.2 30.3

Accounts payable

(10.0) (17.7)

Accrued interest

(46.2) (5.9)

Other assets and liabilities

5.3 2.5

Other, net

152.2 126.9

Net cash provided by operating activities

Cash flows from investing activities:

(24.5) (15.1)

Capital expenditures

(15.3) —

Cash paid for acquisitions, net of cash acquired	0.3	0.5
Other	(39.5)	(14.6)
Net cash used in investing activities		
Cash flows from financing activities:		
Debt borrowings	(111.9)	(208.6)
Debt repayments	—	—
Payments of debt refinancing fees and premiums	(16.1)	(16.1)
Payments of dividends on preferred stock	5.7	19.9
Proceeds received from exercise of stock options	(4.9)	(16.2)
Shares repurchased to satisfy employee tax obligations for vested stock-based awards	(127.2)	(221.0)
Net cash used in financing activities	(4.2)	(5.4)
Effect of currency rate changes on cash		
Net change in cash, cash equivalents and restricted cash	(18.7)	(114.1)
Cash, cash equivalents and restricted cash, beginning of period	327.1	289.2
Cash, cash equivalents and restricted cash, end of period	\$ 308.4	\$ 175.1

## Avantor, Inc. and subsidiaries

### Reconciliations of non-GAAP measures

(in millions)	Three months ended March 31,	
	2022	2021
Net income	\$ 190.4	\$ 164.0
Amortization	92.2	68.0
Loss on extinguishment of debt	1.8	5.2
Net foreign currency loss from financing activities	0.1	0.8
Other stock-based compensation (benefit) expense	(1.3)	0.6
Acquisition-related expenses	—	3.0
		9

Integration-related expenses <sup>1</sup>	3.9	—
Purchase accounting adjustments <sup>2</sup>	(4.4)	—
Restructuring and severance charges <sup>3</sup>	1.9	1.6
Income tax (benefit) applicable to pretax adjustments	(25.8)	(17.7)
	<u>258.8</u>	<u>225.5</u>
Adjusted Net income		
Interest expense	64.8	51.5
Depreciation	22.3	21.0
Income tax provision applicable to Adjusted Net income	77.2	65.1
	<u>\$ 423.1</u>	<u>\$ 363.1</u>
Adjusted EBITDA		

1. Represents non-recurring direct costs incurred with third parties to integrate acquired companies. These expenses represent incremental costs and are unrelated to normal operations of our business. Integration expenses are incurred over a pre-defined integration period specific to each acquisition.
2. Represents the non-cash reduction of contingent consideration related to the Ritter acquisition.
3. Reflects the incremental expenses incurred in the period related to initiatives to increase profitability and productivity. Typical costs included in this caption are employee severance, site-related exit costs, and contract termination costs.

## Avantor, Inc. and subsidiaries

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

#### Earnings per share

(shares in millions)	Three months ended March 31,	
	2022	2021
Diluted earnings per share (GAAP)	<u>\$ 0.28</u>	<u>\$ 0.25</u>
Dilutive impact of convertible instruments	—	0.01

	0.28	0.26
Fully diluted earnings per share (non-GAAP)		
Amortization	0.14	0.11
Loss on extinguishment of debt	—	0.01
Net foreign currency loss from financing activities	—	—
Other stock-based compensation (benefit) expense	—	—
Acquisition-related expenses	—	—
Integration-related expenses	0.01	—
Purchase accounting adjustments	(0.01)	—
Restructuring and severance charges	—	—
Income tax (benefit) applicable to pretax adjustments	(0.04)	(0.03)
	<u>\$ 0.38</u>	<u>\$ 0.35</u>
Adjusted EPS (non-GAAP)		
Weighted average shares outstanding:		
	681.3	589.1
Diluted (GAAP)	—	62.9
Incremental shares excluded for GAAP	—	(9.3)
Normalization	<u>681.3</u>	<u>642.7</u>
Share count for Adjusted EPS (non-GAAP) <sup>1</sup>	<u>681.3</u>	<u>642.7</u>

1. Beginning with the quarter ended March 31, 2022, we have conformed our Adjusted EPS share count to reflect our diluted GAAP share count.

Avantor, Inc. and subsidiaries

Reconciliations of non-GAAP measures (continued)

Free cash flow

Three months ended March 31,

(in millions)	2022	2021
Net cash provided by operating activities	\$ 152.2	\$ 126.9
Capital expenditures	(24.5)	(15.1)
	\$ 127.7	\$ 111.8
Free cash flow (non-GAAP)		

## Adjusted net leverage

(dollars in millions)	March 31, 2022
Total debt, gross	\$ 6,943.9
Less cash and cash equivalents	(283.6)
	\$ 6,660.3
Trailing twelve months Adjusted EBITDA*	\$ 1,598.1
Trailing twelve months ongoing stock-based compensation expense	48.9
Pro forma adjustment for projected synergies	—
	\$ 1,647.0
	4.0 x
Adjusted net leverage (non-GAAP)	

\* Represents the Adjusted EBITDA of Avantor for the trailing twelve-month period plus management's best estimates of the incremental results attributable to acquired companies as if such acquisitions had been completed on the first day of such trailing twelve-month period, as permitted by our debt covenants. Such estimates and financial information for acquired companies may or may not have been audited, and in certain instances may have been prepared on a basis other than U.S. GAAP though we believe these differences in the basis of accounting to be immaterial for the purpose of presenting net leverage.

Avantor, Inc. and subsidiaries

Reconciliations of non-GAAP measures (continued)

Net sales

Reconciliation of reported change to organic and core organic change

(in millions)	March 31,		Reported change	Foreign currency impact	M&A impact	Organic	COVID-19	Core organic**
	2022	2021						
Three months ended:								
Americas	\$ 1,143.4	\$ 1,035.2	\$ 108.2	\$ (1.0)	\$ 47.1	\$ 62.1	\$ (18.6)	\$ 80.7
Europe	680.4	650.4	30.0	(39.5)	52.4	17.1	(23.7)	40.8
AMEA	126.6	100.0	26.6	(2.8)	17.7	11.7	3.1	8.6
Total	\$ 1,950.4	\$ 1,785.6	\$ 164.8	\$ (43.3)	\$ 117.2	\$ 90.9	\$ (39.2)	\$ 130.1

\*\*Core organic sales growth eliminates from our organic growth the impacts of any COVID-19 related net sales. Numbers in this column are calculated by removing the impact of COVID-19 sales from the numbers in the "Organic" column.

Adjusted EBITDA

Three months ended March 31,

(in millions)	2022	2021
Americas	\$ 294.2	\$ 252.0
Europe	143.4	131.1
AMEA	29.3	22.6
Corporate	(43.8)	(42.6)
Total	\$ 423.1	\$ 363.1

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