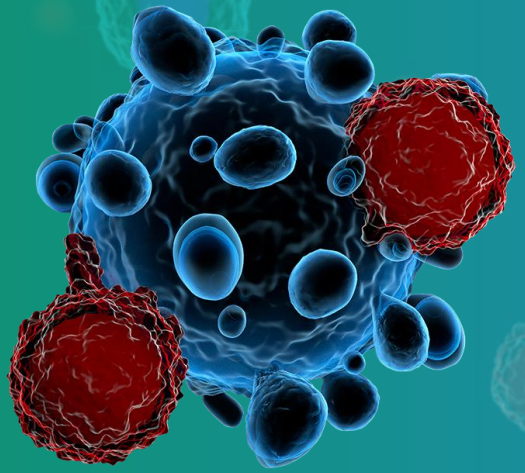
AVTR
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avantor™

Setting science in motion
to create a better world



38th Annual J.P. Morgan Healthcare Conference

SPEAKER

Michael Stubblefield

CHIEF EXECUTIVE OFFICER

January 14, 2020

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 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 for the quarter ended September 30, 2019. 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

This presentation contains certain financial measures which are not prepared in accordance with U.S. generally accepted accounting principles (collectively, the "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. A reconciliation of non-GAAP measures can be found at the back of the deck.

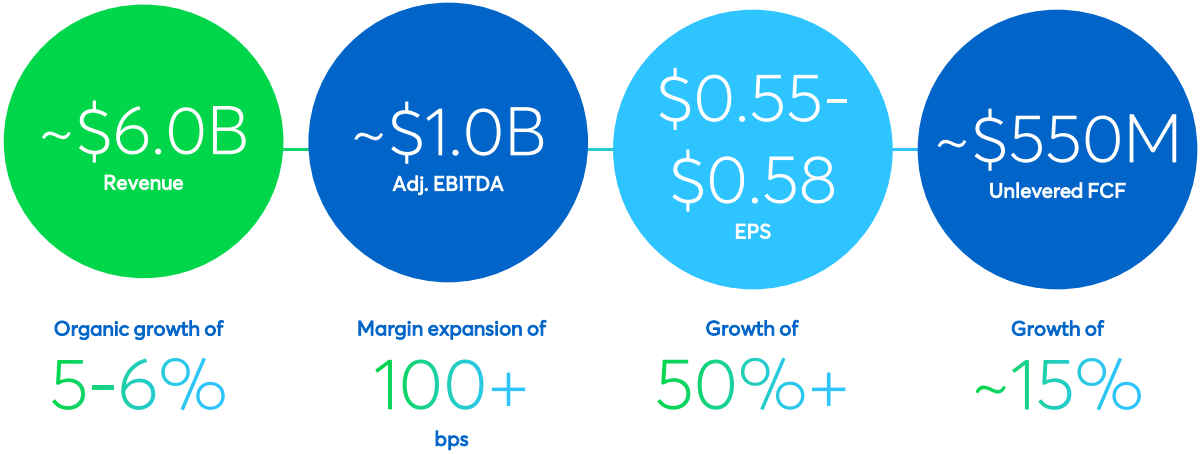
Our unique mission

Setting science in motion to create a better world

From discovery to delivery, we are the trusted global partner to customers in the life sciences and advanced technologies industries



Avantor today[1]



AVTR LISTED NYSE

May 17, 2019: Avantor IPO on NYSE
Largest healthcare IPO in U.S. history

UNIQUE STRENGTHS

- Global scale – serving over 240,000 customer locations in 180 countries
- Broad access to scientists
- Diversified portfolio: Over 6M products and services
- Deep quality and regulatory expertise

19 ISO-Certified Distribution Facilities

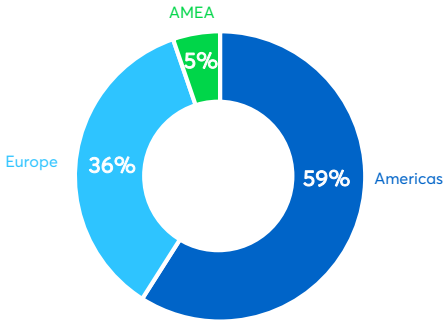
27 Manufacturing Facilities
- 13 cGMP Facilities
- 12 regulated by FDA or foreign regulatory authority equivalent

9 Regional Innovation Centers

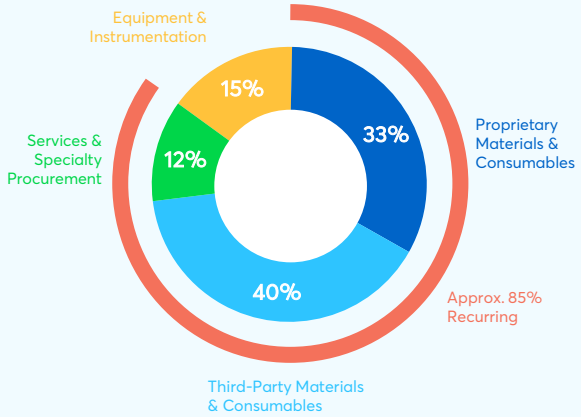
[1] Figures are based on previously published guidance for full year 2019

Diversified portfolio provides a resilient growth profile[1]

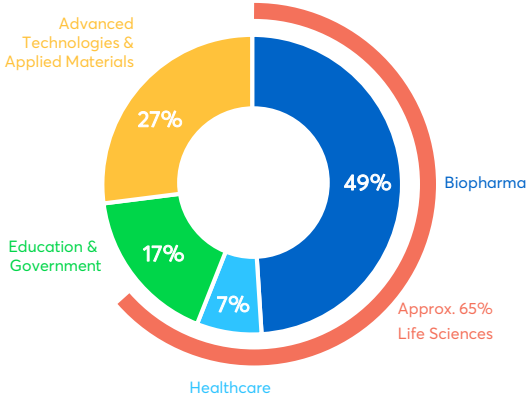
GEOGRAPHY



PRODUCT



INDUSTRY SERVED



More than 85% of our business is recurring; 2/3 of our revenue in life sciences

[1] 2018 revenue by category

Diversified portfolio delivered through agile multi-tiered sales model

HIGH TOUCH SALES

Account managers
Broad geographical coverage responsible for developing customer relationships through workflow-based selling

Technical & application specialists
Subject matter experts covering extensive range of scientific, materials, process and innovation disciplines in industries we serve

Strategic partners
Global key account managers covering top ~40 strategic accounts

HOW WE GO TO MARKET



REMOTE SALES

- Inside sales team
- Sales support
- eCommerce platform

Offering over 6 million products, services & solutions deeply embeds us as valued partners to our customers

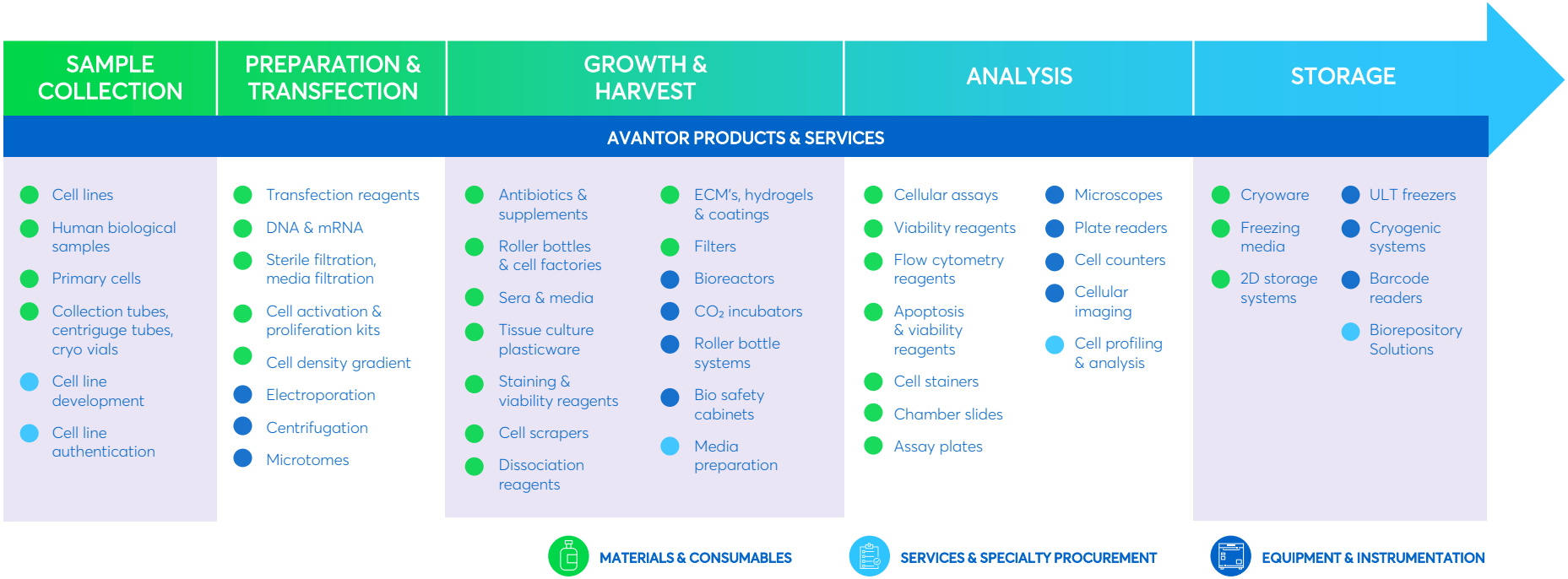
Our unique position:
Adding value from discovery to delivery



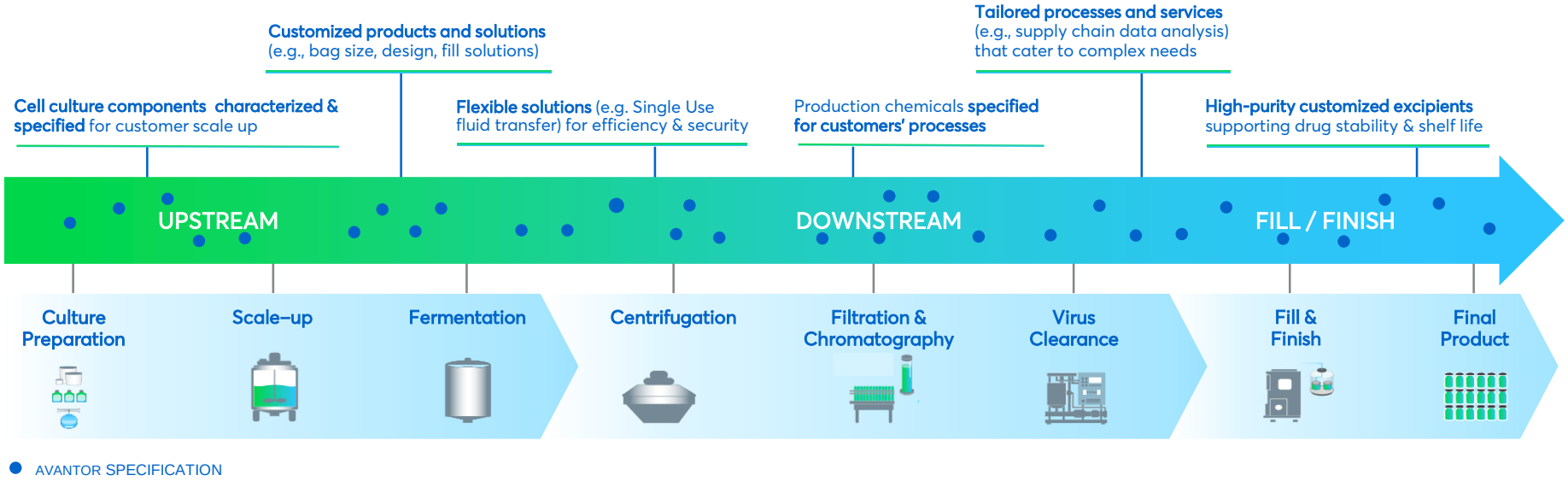
Customized solutions & robust service capabilities embed Avantor in customer workflows

How discovery to delivery works: End-to-end solutions in research workflows

CELL BIOLOGY WORKFLOW EXAMPLE

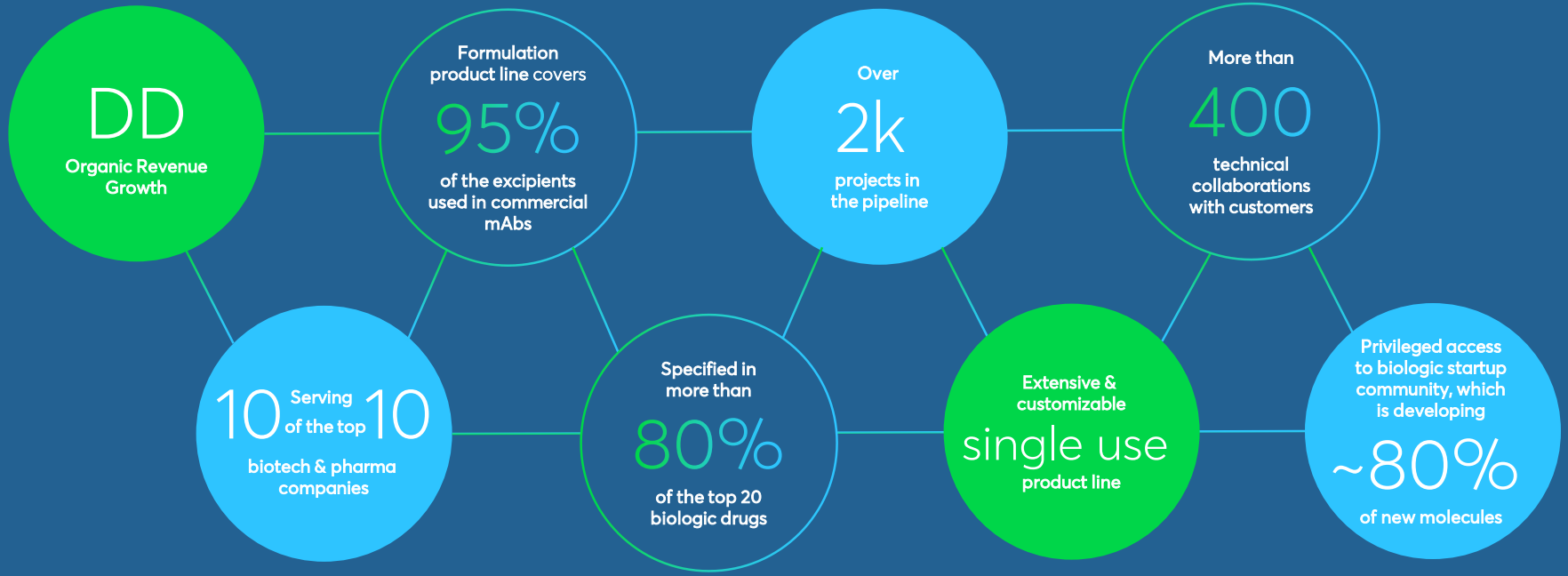


How discovery to delivery works: mAb customer workflow example



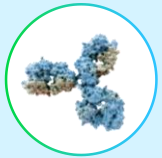
Avantor is deeply embedded across 30 points in this drug manufacturing process

Avantor bioproduction platform: Trusted by industry leaders



Our strengths position us to support breakthroughs in life-changing biologics

MONOCLONAL ANTIBODIES



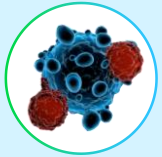
Improving yields via high raw material consistency/purity; expertise to help accelerate molecule development

VACCINES



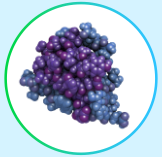
Reducing harvest process validation time with cGMP products, optimizing sampling, reducing risk with alternatives to animal derived vaccine adjuvants

CELL THERAPY



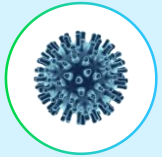
Closing gaps between R&D and commercial development with expertise in chemicals, sterile fluid transfer and high-quality excipients

RECOMBINANT PROTEINS



Supporting industry efforts to reduce costs with solutions to enhance protein production, risk reduction via upstream supplement cGMP conversion

GENE THERAPY



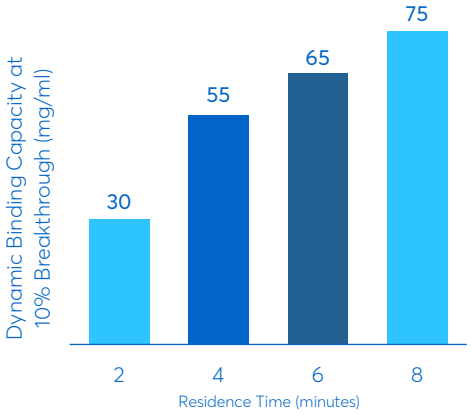
Enabling consistent viral vector production with cGMP materials, supply chain control and high consistency, optimizing downstream via new chromatography offerings

Applying our deep materials & process expertise to tackle problems, improve outcomes

Innovation model grounded in collaboration

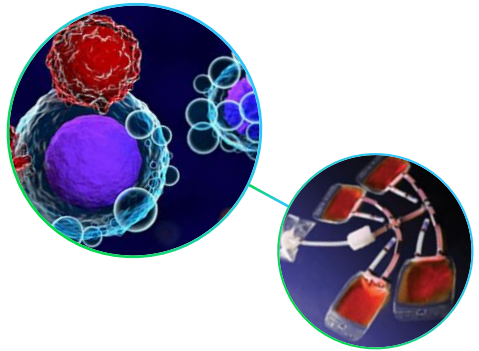
RECENT BIOPRODUCTION INNOVATIONS
IMPROVE CUSTOMER PROCESSES

AFFINITY CHROMOTOGRAPHY



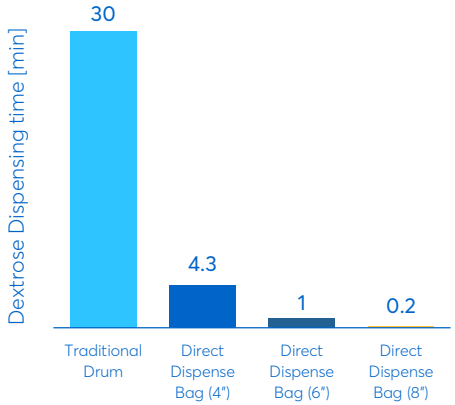
High performance Protein A resin supports process intensification

CELL & GENE THERAPY



Supporting manufacturing processes & reducing risk

DIRECT DISPENSE & HYDRATION



Improving customer workflow for raw material handling

Medical grade silicones trusted for a wide range of medical devices

~470
customer-driven innovation projects in pipeline

750+
master access files

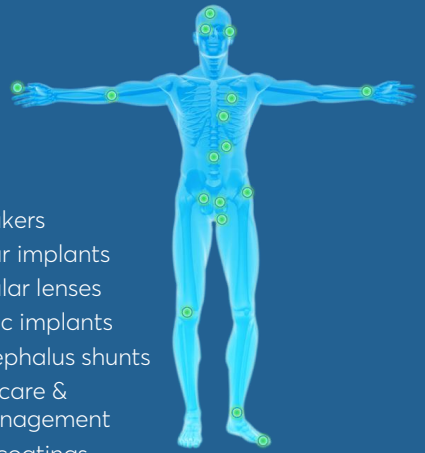
20+
Year average top customer relationship

$1B
of application opportunities

Supplier to 10 of the top 10 medical device companies

30+
Years supporting customers' regulatory processes

HOW SILICONE TECHNOLOGY ENHANCES LIVES

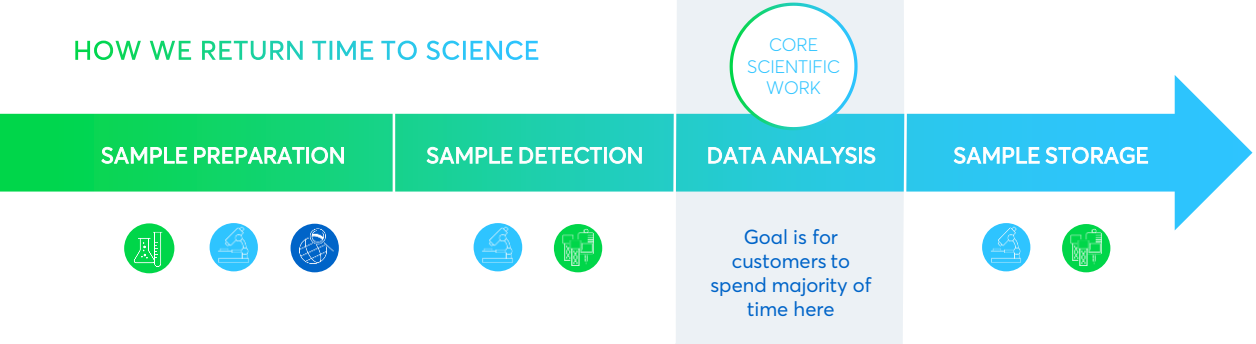


- Pacemakers
- Cochlear implants
- Intraocular lenses
- Aesthetic implants
- Hydrocephalus shunts
- Wound care & scar management
- Needle coatings
- Prosthetics
- Airway management
- Skin care products

Avantor Services:
Extends our reach and value



HOW WE RETURN TIME TO SCIENCE



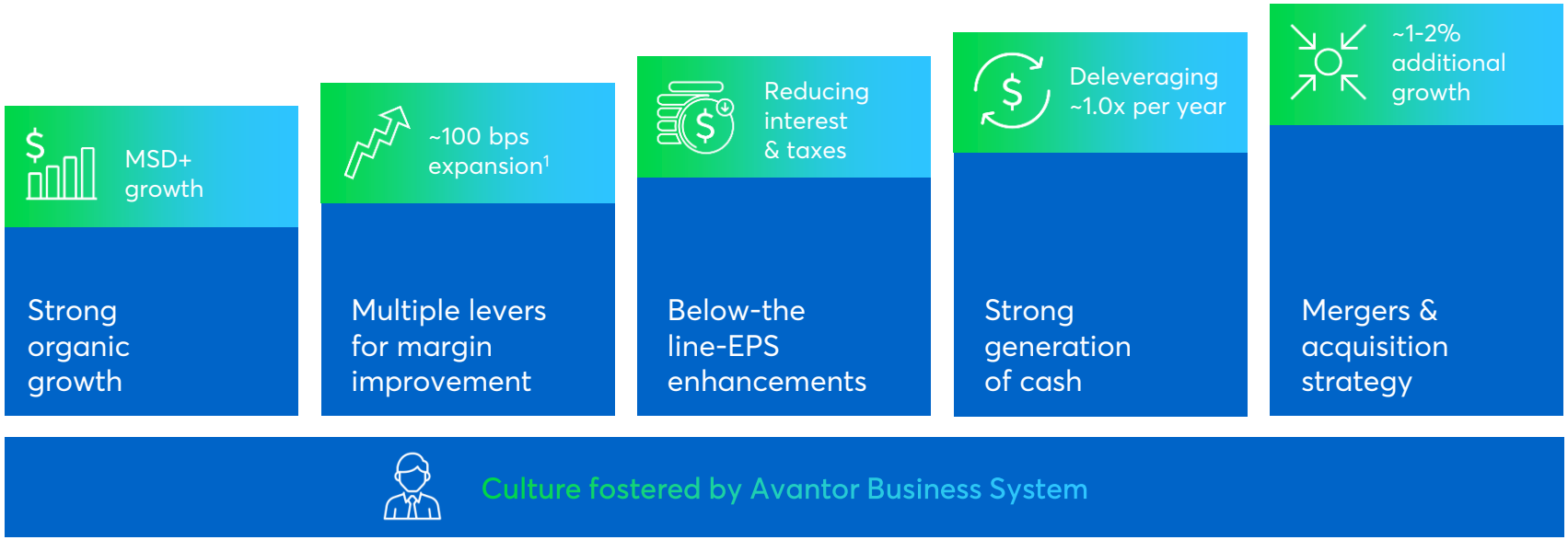
STRENGTHENING CUSTOMER RELATIONSHIPS

- Drive stickiness by embedding our teams and capabilities in customer workflows
- Inventory management and vendor consolidation enable product pull through
- Partnering with customers to solve difficult challenges generates insights and innovation opportunities
- Broadening our reach and relevance by supporting critical customer demands for increased productivity and cost efficiencies

2.2k
services professionals

1.4k
Professionals co-located with customers

Our framework for creating long-term value



[1] Refers to 2017-2020 time period

Growth supported by attractive industry dynamics and our unique business model

ATTRACTIVE INDUSTRY DYNAMICS

- Proliferation of R&D
- Sustained sector growth
- Externalization of drug discovery
- Geographic expansion
- Tackling tough problems
- Digitization of science

+

UNIQUE BUSINESS MODEL ATTRIBUTES

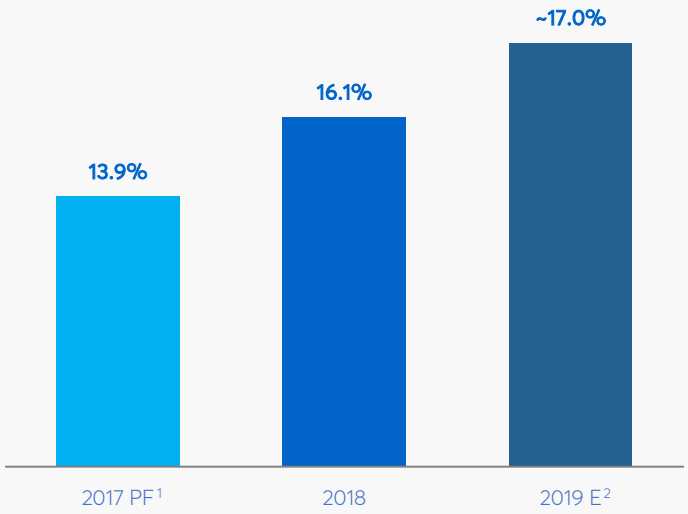
- 1/2 — Roughly half of sales concentrated in biopharma
- DD — Bioproduction, Biomaterials and Services & Spec. Procurement growing by double digits
- +15% — Outsized growth in AMEA
- 85% — Business model is very resilient. 85% of revenue is recurring

=

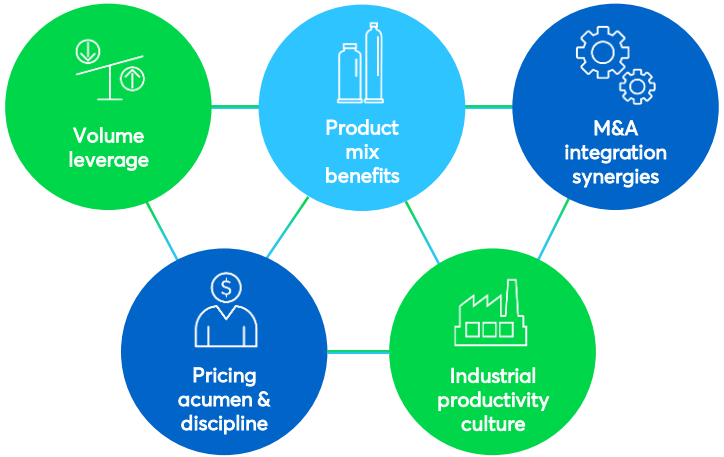
MSD growth, with potential for more

Multiple levers driving significant margin expansion

ADJUSTED EBITDA MARGIN EXPANSION



DRIVERS OF MARGIN EXPANSION

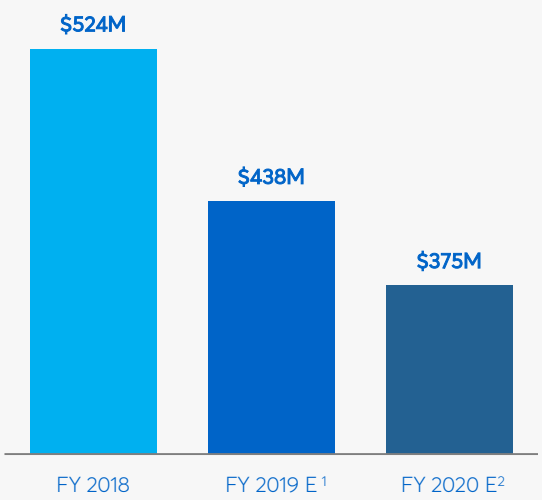


Attractive margin expansion profile

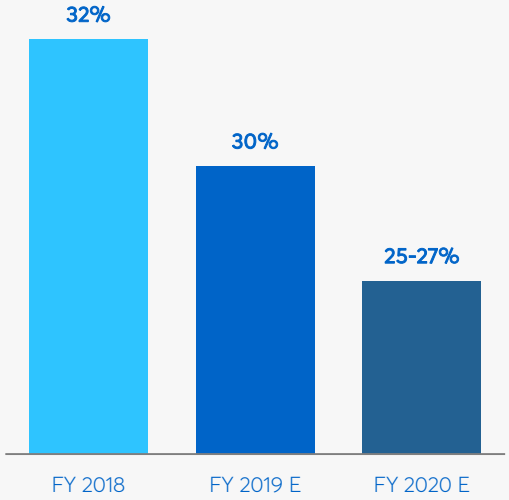
[1] 2017 PF for VWR deal close 1/1/2017
[2] Midpoint of 2019 E guidance range

Strong EPS growth from below-the-line enhancements

INTEREST EXPENSE



ESTIMATED TAX RATE



ATTRACTIVE REFINANCING OPPORTUNITIES IN 2020

$2B of unsecured bonds priced at 9%

$1.5B of bonds priced at 6%

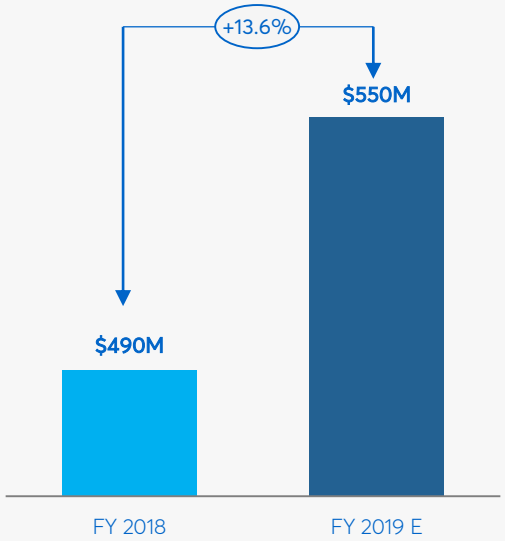
Ongoing repricing options for term loans

[1] Excludes impact of debt extinguishment ($70M)

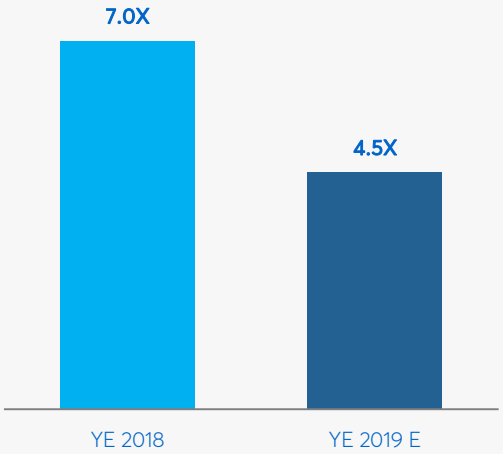
[2] Interest calculated using rates in effect on December 31, 2019. Assumes FCF used to amortize debt over course of 2020.

Robust cash generation enabling rapid deleveraging, creating M&A flexibility

UNLEVERED FREE CASH FLOW



LEVERAGE [1]



Deleveraging of ~1.0x per year

DRIVERS

STRONG EBITDA growth

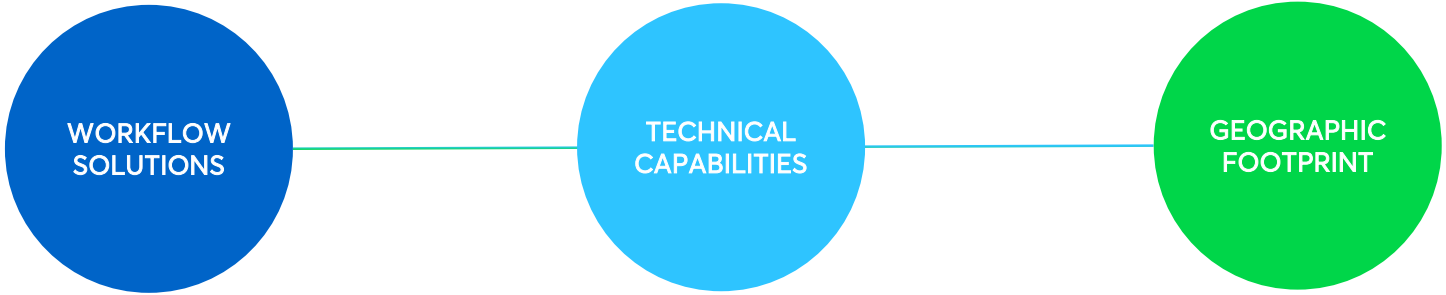
1-2% of revenue for CapEx annually

Working capital improvements via focused initiative

[1] Debt / adjusted EBITDA (ex. SBC & includes run-rate synergies)

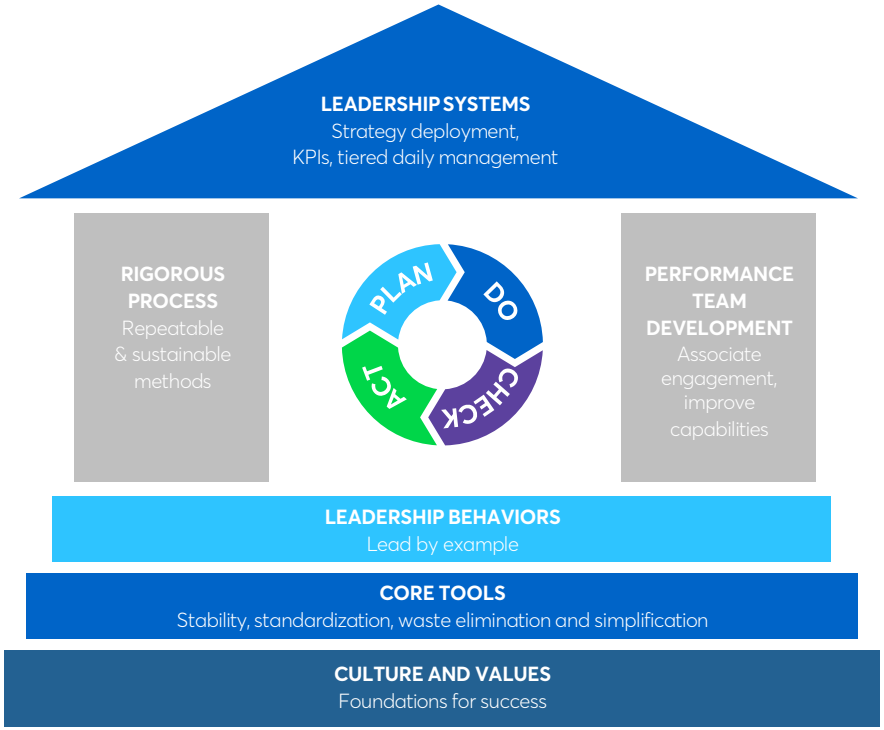
Enhancing capabilities via our M&A strategy

SELECTED ACQUISITIONS



EPL ARCHIVES Research Lives Here
mesm
STI
THERAPAK
Integra Companies
PAW BioScience VWR Bioprocessing Division
NuSil
Reliable Biopharmaceutical
CHROM
Seradigm
SEASTAR CHEMICALS
AMRESCO
VWR
POCH
RANKEM Total Scientific Laboratory Solutions Provider
jm SEPARATIONS

Avantor Business System underpins everything we do



KEY FACTORS

- Drives achievement of **breakthrough objectives**
- Fosters **profitable growth through transformation**
- Focus on **excellence in Leadership, Strategy, People, Processes, and Problem Solving**
- Apply to **drive continuous improvement**
- Execute strategies through **unified/standard processes**

2019 full year guidance[1]

	IMPLIED Q4'19		FY19	
	LOW	HIGH	LOW	HIGH
Net sales	$1,504	$1,564	$6,020	$6,080
Organic sales growth %	5%	6%	5%	6%
Adjusted EBITDA	$257	$267	$1,025	$1,035
Adjusted EBITDA growth %	9%	13%	8%	9%
Adjusted EPS	$0.16	$0.19	$0.55	$0.58
Adjusted EPS growth %	57%	87%	52%	60%
Share count for Adjusted EPS	642.7	642.7	642.7	642.7

[1] Guidance assumes September 30th foreign currency exchange rates. All amounts in $M except growth, EPS.



Setting science in motion to create a better world

AVANTOR: FULFILLING OUR MISSION
& ENHANCING OUR POTENTIAL

ELEMENTS IN PLACE FOR LONG-TERM VALUE CREATION

- Serving attractive industries that are investing and growing across the globe
- Deeply embedded in workflows of a sophisticated, exacting customer base
- Innovation-driven model delivered through global footprint and deep customer access
- Strong financial track record of growth, cash generation and deleveraging enabled by the Avantor Business System

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Reconciliations of GAAP to non-GAAP financial measures

Reconciliations of GAAP to non-GAAP measures

($M)	2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net (loss) income (GAAP)	**(41.2)**	**(26.9)**	**34.5**	**(53.3)**	**(6.2)**	**(48.7)**	**22.1**
Amortization	82.6	80.5	79.4	78.8	78.6	78.3	77.9
Net foreign currency loss (gain) from financing activities	6.9	(10.1)	3.4	6.3	6.2	(14.3)	8.2
Other share-based compensation (benefit) expense	—	—	—	(0.7)	—	42.7	(9.2)
Restructuring and severance charges	7.5	32.9	16.7	24.1	5.5	0.9	13.4
Loss on extinguishment of debt	—	—	—	—	—	70.2	—
Purchase accounting adjustments	10.3	(3.4)	(4.1)	(3.8)	(0.8)	(3.3)	(3.1)
VWR transaction, integration and planning expenses	7.2	7.1	5.1	16.8	6.3	5.1	5.4
Other	—	4.2	1.2	3.1	—	—	0.2
Adjustment for U.S. tax reform	—	—	(48.8)	21.5	—	—	—
Income tax benefit applicable to pretax adjustments	(25.9)	(27.0)	(24.6)	(27.4)	(21.4)	(39.3)	(21.1)
Adjusted net income (non-GAAP)	**47.4**	**57.3**	**62.8**	**65.4**	**68.2**	**91.6**	**93.8**
Interest expense	128.3	130.2	130.2	135.1	128.6	115.1	98.3
Depreciation	19.2	19.9	21.9	22.3	19.7	24.7	22.4
Income tax provision applicable to adjusted net income	22.0	30.4	40.0	12.9	31.5	37.4	36.3
Adjusted EBITDA (non-GAAP)	**216.9**	**237.8**	**254.9**	**235.7**	**248.0**	**268.8**	**250.8**

Reconciliations of GAAP to non-GAAP measures (continued)

(Shares in M)	2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Diluted (loss) earnings per share (GAAP)	**$(0.79)**	**$(0.70)**	**$(0.26)**	**$(0.94)**	**$(0.59)**	**$(0.98)**	**$0.01**
Dilutive impact of convertible instruments	0.63	0.60	0.39	0.73	0.57	0.87	0.02
Normalization for shares issued in IPO	0.10	0.06	(0.08)	0.13	0.01	0.03	—
Fully diluted (loss) earnings per share (non-GAAP)	**(0.06)**	**(0.04)**	**0.05**	**(0.08)**	**(0.01)**	**(0.08)**	**0.03**
Amortization	0.13	0.13	0.12	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)	0.01
Other share-based compensation expense (benefit)	—	—	—	—	—	0.07	(0.01)
Restructuring and severance charges	0.01	0.05	0.03	0.04	0.01	—	0.02
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	0.01
Adjustment for U.S. tax reform act	—	—	(0.07)	0.03	—	—	—
Other	(0.01)	0.01	—	—	—	—	—
Income tax benefit applicable to pretax adjustments	(0.04)	(0.04)	(0.04)	(0.04)	(0.03)	(0.06)	(0.03)
Adjusted EPS (non-GAAP)	**$0.07**	**$0.09**	**$0.10**	**$0.10**	**$0.11**	**$0.14**	**$0.15**
Weighted average share count (GAAP)	133	133	133	133	133	323	581
Share count for Adjusted EPS (non-GAAP)	643	643	643	643	643	643	643

Reconciliations of GAAP to non-GAAP measures (continued)

($M)	2017	2018	2019		
			Q1	Q2	Q3
Debt, gross	7,396.1	7,162.9	7,021.1	5,472.0	5,272.9
Less: cash and cash equivalents	(185.4)	(184.7)	(143.9)	(164.6)	(173.9)
Numerator of adjusted net leverage	***7,210.7***	***6,978.2***	***6,877.2***	***5,307.4***	***5,099.0***
TTM adjusted EBITDA	289.5	945.3	976.4	1,007.4	1,003.3
TTM ongoing share-based compensation expense	21.6	19.1	19.4	23.2	28.3
Pro forma adjustment for VWR	472.6	—	—	—	—
Pro forma adjustment for projected synergies	—	29.7	17.5	32.2	36.2
Denominator of adjusted net leverage	***783.7***	***994.1***	***1,013.3***	***1,062.8***	***1,067.8***
Adjusted net leverage (non-GAAP)	**9.2X**	**7.0X**	**6.8X**	**5.0X**	**4.8X**
TTM adjusted EBITDA	289.5	945.3	976.4	1,007.4	1,003.3
TTM covenant adjustments	34.5	60.7	70.3	76.1	81.3
Pro forma adjustment for VWR	492.7	—	—	—	—
Pro forma adjustment for projected synergies	219.0	145.1	127.5	108.3	94.2
Denominator of covenant net leverage	***1,035.7***	***1,151.1***	***1,174.2***	***1,191,8***	***1,178.8***
Covenant net leverage (non-GAAP)	**7.0X**	**6.1X**	**5.9X**	**4.5X**	**4.3X**

Reconciliations of GAAP to non-GAAP measures (continued)

($M)	2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net cash provided by operating activities (GAAP)	**46.2**	**(24.1)**	**108.2**	**69.7**	**75.0**	**(5.9)**	**197.9**
Capital expenditures	(12.3)	(10.8)	(9.2)	(5.4)	(12.4)	(14.0)	(13.1)
Free cash flow (non-GAAP)	**33.9**	**(34.9)**	**99.0**	**64.3**	**62.6**	**(19.9)**	**184.8**
Cash interest, net of taxes[1]	41.6	122.5	40.2	122.9	39.8	115.2	21.3
Unlevered free cash flow (non-GAAP)	**75.5**	**87.6**	**139.2**	**187.2**	**102.4**	**95.3**	**206.1**
Net cash provided by investing activities (GAAP)	**(11.8)**	**(7.2)**	**(4.2)**	**—**	**(7.9)**	**(12.4)**	**(10.4)**
Net cash provided by financing activities (GAAP)	**(77.8)**	**28.1**	**(66.2)**	**(54.4)**	**(106.1)**	**38.3**	**(172.6)**

1. Cash interest tax-effected using a 32% tax rate through Q2 2019 and a 30% tax rate for Q3 2019