# Earnings Conference Call

Fiscal Q1 2023

February 14, 2023

# Forward-Looking Statements

**Safe Harbor Statement Regarding Forward-Looking Statements**

This presentation contains express or implied "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other securities laws. These forward-looking statements concern our current expectations regarding our future results from operations, performance, financial condition, goals, strategies, plans and achievements. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors, and you should not rely upon them except as statements of our present intentions and of our present expectations, which may or may not occur. When we use words such as "believes," "expects," "anticipates," "estimates," "plans," "intends", “pursue”, “will” or similar expressions, we are making forward-looking statements. For example, embecta is using forward-looking statements when it discusses its fiscal 2023 financial guidance and its expectations with respect to strengthening its base business, separating and standing up embecta as an independent company, and investing in growth, and its ability to obtain sustainable success. Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved, and actual results may differ materially from our expectations. In addition, important factors that could cause actual results to differ from expectations include, among others: (i) competitive factors that could adversely affect embecta’s operations, (ii) any events that adversely affect the sale or profitability of embecta’s products or the revenues delivered from sales to its customers, (iii) any failure by BD to perform of its obligations under the various separation agreements entered into in connection with the separation and distribution; (iv) increases in operating costs, including fluctuations in the cost and availability of raw materials or components used in its products, the ability to maintain favorable supplier arrangements and relationships, and the potential adverse effects of any disruption in the availability of such items; (v) changes in reimbursement practices of governments or private payers or other cost containment measures; (vi) the adverse financial impact resulting from unfavorable changes in foreign currency exchange rates, as well as regional, national and foreign economic factors, including inflation, deflation, and fluctuations in interest rates; (vii) the impact of changes in U.S. federal laws and policy that could affect fiscal and tax policies, healthcare and international trade, including import and export regulation and international trade agreements; (viii) any continuing impact of the COVID-19 pandemic or geopolitical instability, including disruptions in its operations and supply chains; (ix) new or changing laws and regulations, or changes in enforcement practices, including laws relating to healthcare, environmental protection, trade, monetary and fiscal policies, taxation and licensing and regulatory requirements for products; (x) the expected benefits of the separation from BD; (xi) risks associated with embecta’s indebtedness; (xii) the risk that embecta’s separation from BD will be more difficult or costly than expected; (xiii) risks associated with not completing strategic collaborative partnerships and acquisitions for innovative technologies, complementary product lines, and new markets; and (xiv) the other risks described in our periodic reports filed with the Securities and Exchange Commission (“SEC”), including under the caption “Risk Factors” in our most recent Annual Report on Form 10-K, as further updated by our Quarterly Reports on Form 10-Q we have filed or will file hereafter. Except as required by law, we undertake no obligation to update any forward-looking statements appearing in this release.

# Agenda and Presenters

**Today's topics:**

- ✓ embecta overview
- ✓ Strategic priorities
- ✓ Enterprise highlights
- ✓ Revenue and earnings review
- ✓ Guidance
- ✓ Q&A

**Dev Kurdikar**
Chief Executive Officer

**Jake Elguicze**
Chief Financial Officer

**Pravesh Khandelwal**
Vice President, Investor Relations



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Advance every day together

**Mission**

To develop and provide solutions that make life better for people living with diabetes

**Vision**

A life unlimited by diabetes

# Strategic Priorities for Fiscal Year 2023

## 1 Strengthen base business

- Maintain core injection business revenue
- Navigate through operating environment; manage costs

## 2 Separate and stand-up

- Continue to execute on ERP Implementation
- Manage through the temporary suspension of manufacturing operations associated with the regulatory approvals and transitions, including for inspections, at our Suzhou, China facility
- Execute separation projects (e.g., setting up distribution networks and back-office functions, initiating product and brand transitions)

## 3 Invest in growth

- Continued progress on insulin patch pump development
- Seek M&A and partnership opportunities

# Q1 Fiscal Year 2023 Enterprise Highlights

- **Strong commercial performance** in a challenging macro environment, including supply chain and inflationary pressures, geo-political concerns, as well as certain COVID-19 disruptions
- Held **over 50 scientific and educational events** reaching **over 2,000 Health Care Professionals**
- **Recent customer wins** such as inclusion on the **Express Scripts National Preferred Formulary** and awarding of **VA contracts**
- Exited several transition service agreements, as we continue to **build up embecta's internal organization, systems and processes**
- Commercial teams began to **execute on previously announced strategic partnerships**
- Continued progress on the development of a **type 2 closed loop insulin delivery system** utilizing embecta's proprietary patch pump, which carries **Breakthrough Device Designation** from the U.S. Food & Drug Administration
- **Raising our guidance for key financial reporting metrics** based on the performance during the first quarter



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# Q1 FY23 vs. Q1 FY22 Revenue

| Dollars in Millions | Three Months Ended | | % Increase / Decrease | | |
|---|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | As-Reported Revenue Growth | Foreign Currency Impact | Constant Currency Revenue Growth |
| U.S. | $149.3 | $150.9 | (1.1)% | – | (1.1)% |
| International | $126.4 | $138.4 | (8.7%) | (11.3)% | 2.6% |
| **Total** | **$275.7** | **$289.3** | **(4.7)%** | **(5.4)%** | **0.7%** |

**Note:** Constant currency is a non-GAAP measure. Please see Appendix for the definitions of Constant Currency.

# Q1 FY23 Financial Highlights

| | |
|---|---|
| **Revenue** | Q1 FY23 revenue of $275.7 million, down (4.7%) on an as-reported basis; up 0.7% on a constant currency basis, as compared to the prior year period |
| **Gross Profit** | Q1 FY23 GAAP gross profit and margin of $188.8 million and 68.5%, compared to $203.9 million and 70.5% in the prior year period<br>Q1 FY23 adjusted gross profit and margin of $188.9 million and 68.5% |
| **Operating Income** | Q1 FY23 GAAP operating income and margin of $88.8 million and 32.2%, compared to $116.6 million and 40.3% in the prior year period<br>Q1 FY23 adjusted operating income and margin of $101.6 million and 36.9% |
| **Net Income & Diluted EPS** | Q1 FY23 GAAP net income and diluted earnings per share of $35.2 million and $0.61, compared to $98.8 million and $1.73 in the prior year period<br>Q1 FY23 adjusted net income and adjusted diluted earnings per share of $55.4 million and $0.96 |
| **Adjusted EBITDA** | Q1 FY23 adjusted EBITDA and margin of $110.2 million and 40.0%, compared to $138.3 million and 47.8% in the prior year period |



**Note:** embecta was spun-off from BD on April 1, 2022. Financial results during the pre-spin period were presented on the carve-out basis of accounting and do not purport to reflect what embecta's financial results would have been had embecta operated as a standalone public company. Therefore, financial results for the three-month periods ended December 31, 2022, and December 31, 2021, are not meaningfully comparable.

# Fiscal Year 2023 Financial Guidance

| Dollars in Millions, except per share and percentages | Current | | Previous (1) | |
|---|---|---|---|---|
| | Low | High | Low | High |
| **Revenue** | **$1,084** | **$1,107** | **$1,050** | **$1,073** |
| *As-Reported %* | *(4.0%)* | *(2.0%)* | *(7.0%)* | *(5.0%)* |
| *Constant Currency %* | *(1.5%)* | *0.5%* | *(2.0%)* | *0.0%* |
| *F/X %* | *(2.5%)* | | *(5.0%)* | |
| *Contract Manufacturing* | *$5* | *$10* | *$5* | *$10* |
| **Adjusted Gross Margin** | **~ 63.5%** | | **~ 62%** | |
| **Adjusted Operating Margin** | **~ 26.5%** | | **~ 25%** | |
| **Adjusted Diluted EPS** | **$2.20** | **$2.35** | **$1.75** | **$2.00** |
| **Adjusted EBITDA Margin** | **~ 31.5%** | | **~ 30%** | |

**Note:** We are unable to present a quantitative reconciliation of our expected adjusted gross margin, expected adjusted operating margin, expected Adjusted EPS or expected adjusted EBITDA margin as we are unable to predict with reasonable certainty and without unreasonable effort the impact and timing of certain one-time items. The financial impact of these one-time items is uncertain and is dependent on various factors, including timing, and could be material to our Condensed Consolidated Statements of Income.

(1) Previous guidance was issued on December 20, 2022.



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# Thank you

# Appendix

# Non-GAAP financial measures

In evaluating our operating performance, we supplement the reporting of our financial information determined under GAAP with certain non-GAAP financial measures including (i) earnings before interest, taxes, depreciation, and amortization ("EBITDA"), (ii) Adjusted EBITDA and Margin, (iii) adjusted gross profit and adjusted gross profit margin, (iv) Constant Currency revenue growth, (v) Adjusted Operating Income and Margin (vi) Non-GAAP Pre-tax Income and, (vii) Adjusted Net Income and Adjusted diluted earnings per share. These non-GAAP financial measures are indicators of our performance that are not required by, or presented in accordance with, GAAP. They are presented with the intent of providing greater transparency to financial information used by us in our financial analysis and operational decision-making. We believe that these non-GAAP measures provide meaningful information to assist investors, stockholders and other readers of our consolidated financial statements in making comparisons to our historical operating results and analyzing the underlying performance of our results of operations. However, the presentation of these measures has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the company's results as reported under GAAP. Because not all companies use identical calculations, the presentations of these non-GAAP measures may not be comparable to other similarly titled measures of other companies. The company uses non-GAAP financial measures in its operational and financial decision making, and believes that it is useful to exclude certain items in order to focus on what it regards to be a more meaningful representation of the underlying operating performance of the business.

Each reporting period, we face currency exposure that arises from translating the results of our worldwide operations to the U.S. dollar at exchange rates that fluctuate from the beginning of such period. A stronger U.S. dollar, compared to the prior-year period, resulted in an unfavorable foreign currency translation impact to our revenues as compared to the prior-year period. We evaluate our results of operations on both a reported and a Constant Currency basis, which excludes the impact of fluctuations in foreign currency exchange rates by comparing results between periods as if exchange rates had remained constant period-over-period. As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a Constant Currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. We calculate Constant Currency percentages by converting our current-period local currency financial results using the prior-period foreign currency exchange rates and comparing these adjusted amounts to our current-period results. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a Constant Currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with GAAP.

# Adjusted Gross Profit Margin Reconciliation

| Dollars in Millions, except percentages | Three Months Ended |
|---|---|
| | December 31, 2022 |
| **Gross Profit** | **$188.8** |
| ***Gross Margin*** | ***68.5%*** |
| Amortization of intangible assets [(1)] | 0.1 |
| **Adjusted Gross Profit** | **$188.9** |
| ***Adjusted Gross Profit Margin*** | ***68.5%*** |

(1) Amortization of intangible assets is recorded in Cost of products sold.

# Adjusted Operating Income Margin Reconciliation

| Dollars in Millions, except percentages | Three Months Ended |
|---|---|
| | December 31, 2022 |
| **GAAP Operating Income** | **$88.8** |
| ***GAAP Operating Income Margin*** | ***32.2%*** |
| Amortization of intangible assets (1) | 0.1 |
| One-time stand up costs (2) | 10.2 |
| European regulatory initiative-related costs ("EU MDR") (3) | 0.2 |
| Stock-based compensation expense (4) | 1.9 |
| Restructuring-related costs (5) | 0.4 |
| **Adjusted Operating Income** | **$101.6** |
| ***Adjusted Operating Income Margin*** | ***36.9%*** |



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# Adjusted Operating Income Margin Reconciliation – Continued

(1) Amortization of intangible assets is recorded in Cost of products sold.

(2) One-time stand up costs incurred during the three months ended December 31, 2022 primarily include costs to stand up the Company. Approximately $9.9 million of the one-time stand up costs are recorded in Other operating expenses and $0.3 million are recorded in Selling and administrative expense.

(3) Represents costs required to develop processes and systems to comply with regulations such as the EU MDR and General Data Protection Regulation ("GDPR") which represent a significant, unusual change to the existing regulatory framework. We consider these costs to be duplicative of previously incurred costs and/or one-off costs, which are limited to a specific period of time. These costs are recorded in Research and development expense.

(4) Represents stock-based compensation expense recognized during the period associated with the incremental value of converted legacy BD share-based awards and one-time sign-on equity awards granted to certain members of the Embecta leadership team in connection with the separation from BD. Stock-compensation expense are recorded in Selling and administrative expense.

(5) Represents restructuring-related costs recorded in Other operating expenses.

# Adjusted Diluted Net Income Per Share Reconciliation

| Dollars in Millions, except per share amounts | Three Months Ended December 31, 2022 |
|---|---|
| **Income Before Income Taxes** | **$56.1** |
| Adjustments: | |
| Amortization of intangible assets [(1)] | 0.1 |
| One-time stand up costs [(2)] | 10.2 |
| European regulatory initiative-related costs ("EU MDR") [(3)] | 0.2 |
| Stock-based compensation expense [(4)] | 1.9 |
| Restructuring-related costs [(5)] | 0.4 |
| Deferred jurisdiction adjustments in Other income (expense), net for taxes [(6)] | 5.0 |
| **Total Adjustments** | **17.8** |
| **Adjusted Pre-Tax Income** | **73.9** |
| Adjusted Taxes on Income | (18.5) |
| **Adjusted Net Income** | **$55.4** |
| **Adjusted Diluted Net Income per share** | **$0.96** |
| **GAAP and Adjusted Diluted weighted-average shares outstanding (in thousands)** | 57,484 |



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# Adjusted Diluted Net Income Per Share Reconciliation – Continued

(1) Amortization of intangible assets is recorded in Cost of products sold.

(2) One-time stand up costs incurred during the three months ended December 31, 2022 primarily include costs to stand up the Company. Approximately $9.9 million of the one-time stand up costs are recorded in Other operating expenses and $0.3 million are recorded in Selling and administrative expense.

(3) Represents costs required to develop processes and systems to comply with regulations such as the EU MDR and GDPR which represent a significant, unusual change to the existing regulatory framework. We consider these costs to be duplicative of previously incurred costs and/or one-off costs, which are limited to a specific period of time. These costs are recorded in Research and development expense.

(4) Represents stock-based compensation expense recognized during the period associated with the incremental value of converted legacy BD share-based awards and one-time sign-on equity awards granted to certain members of the Embecta leadership team in connection with the separation from BD. Stock-compensation expense are recorded in Selling and administrative expense.

(5) Represents restructuring-related costs recorded in Other operating expenses.

(6) Represents amounts due to BD for tax liabilities incurred in deferred jurisdictions where BD is considered the primary obligor.

# Adjusted EBITDA Reconciliation

| Dollars in Millions, except percentages | Three Months Ended | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| **GAAP Net Income** | **$35.2** | **$98.8** |
| Interest expense, net | 25.6 | — |
| Income taxes | 20.9 | 17.8 |
| Depreciation and amortization | 7.2 | 8.4 |
| **EBITDA** | **$88.9** | **$125.0** |
| Stock-based compensation expense (1) | 5.5 | 4.6 |
| One-time stand up costs (2) | 10.2 | 8.4 |
| European regulatory initiative-related costs (“EU MDR”) (3) | 0.2 | 0.3 |
| Restructuring-related costs (4) | 0.4 | — |
| Deferred jurisdiction adjustments in Other income (expense), net for taxes (5) | 5.0 | — |
| **Adjusted EBITDA** | **$110.2** | **$138.3** |
| ***Adjusted EBITDA Margin*** | ***40.0%*** | ***47.8%*** |



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# Adjusted EBITDA Reconciliation – Continued

(1) Represents stock-based compensation expense incurred during the three months ended December 31, 2022 and 2021, respectively. For the three months ended December 31, 2022, $4.6 million is recorded in Selling and administrative expense, $0.6 million is recorded in Cost of products sold, and $0.3 million is recorded in Research and development expense. For the three months ended December 31, 2021, $2.9 million is recorded in Selling and administrative expense, $1.0 million is recorded in Cost of products sold, and $0.7 million is recorded in Research and development expense.

(2) One-time stand up costs incurred primarily include costs to stand up the Company. During the three months ended December 31, 2022, approximately $9.9 million of the one-time stand up costs are recorded in Other operating expenses and $0.3 million are recorded in Selling and administrative expense. During the three months ended December 31, 2021, $8.4 million of the one-time stand up costs are recorded in Other operating expenses.

(3) Represents costs required to develop processes and systems to comply with regulations such as the EU MDR and General Data Protection Regulation ("GDPR") which represent a significant, unusual change to the existing regulatory framework. We consider these costs to be duplicative of previously incurred costs and/or one-off costs, which are limited to a specific period of time. These costs are recorded in Research and development expense. During the fourth quarter of fiscal year 2022, the Company updated its definition for adjustments to include costs associated with complying with EU MDR. This amount was not previously included as an adjustment in the prior period.

(4) Represents restructuring-related costs recorded in Other operating expenses.

(5) Represents amounts due to BD for tax liabilities incurred in deferred jurisdictions where BD is considered the primary obligor.

# Fiscal Year 2023 Updated Financial Guidance Assumptions

| Dollars in Millions, except percentages | Current | Prior |
|---|---|---|
| Interest Expense, Net | ~ $115 | ~ $115 to ~$120 |
| Adjusted Tax Rate | ~ 25% | ~ 25% |
| Weighted Average Shares (in millions) | ~ 57.7 | ~ 57.7 |
| **Foreign Exchange** | | |
| EUR/USD | ~ 1.06 | ~ 0.98 |
| USD/YEN | ~ 134 | ~ 149 |
| USD/CNY | ~ 6.90 | ~ 7.20 |



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