

Biote Corporation

Third Quarter 2023 Earnings

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CORPORATE PARTICIPANTS

Simon Serowiecki – *Investor Relations*

Terry Weber – *Chief Executive Officer*

Samar Kamdar – *Chief Financial Officer*

Marc Beer – *Executive Chairman*

Dr. Ross McQuivey – *Chief Medical Officer*

PRESENTATION

Simon Serowiecki

Good morning. Thank you for joining us today.

Last evening, Biote published financial results for the quarter ended September 30, 2023. This release is available in the Investor Relations section of the Company's website. Terry Weber, Chief Executive Officer, and Samar Kamdar, Chief Financial Officer, will host this morning's call.

Before we get started, I'd like to remind everyone that management will make statements on this call that include forward-looking statements regarding, among other things, the Company's financial results, future performance and growth opportunities, business outlook, strategies, goals, research and development, manufacturing and commercialization activities, regulatory process operations, the impact of macroeconomic conditions on its business, results of operations and financial conditions. These statements are not guarantees of future performance. They are subject to a variety of risks and uncertainties, some of which are beyond the company's control. Actual results could differ materially from expectations reflected in any forward-looking statements.

These statements are subject to risks, uncertainties and assumptions that are based on management's current expectations as of today. Biote undertakes no obligation to update them in the future. Therefore, these statements should not be relied upon as representing the company's views as of any subsequent date. For a discussion of risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC website and the Investor Relations section of our website as well as risks and other important factors discussed in the earnings release.

Management will also refer to adjusted EBITDA and adjusted EBITDA margin which are non-GAAP financial measures to provide additional information to investors. Reconciliation of the non-GAAP to GAAP measure is providing in our earnings release, with the primary differences being stock based compensation, fair value adjustment to certain liabilities, transaction related expenses and other non-operating expenses. Please see our third quarter 2023 earnings press release which is available on the Investor Relations section of our website at ir.biote.com for a reconciliation of adjusted EBITDA and adjusted EBITDA margin to their most directly comparable GAAP financial measures.

I will now turn the call over to Terry Weber.

Terry Weber

Thank you, Simon. And thank you all for joining us. On the call with me today is Samar Kamdar, our Chief Financial Officer, who will review our financial results and discuss our outlook for 2023. Marc Beer, our Executive Chairman and Dr. Ross McQuivey, our Chief Medical Officer are also on today's call to help answer your questions during the Q&A session following our remarks.

Biote continued to generate profitable growth in the third quarter as we made further progress building our hormone optimization practice. We also advanced our efforts to create an evidence based therapeutic wellness platform. Adjusted EBITDA grew at a double digit rate and adjusted EBITDA margin remained strong.

From a strategic standpoint, we achieved significant progress in our commercial evaluation of complementary hormone and therapeutic wellness products delivered by a robust technology platform. I'm pleased with the positive response we received from our top providers to our enhanced offerings, reinforcing our conviction in the long-term growth opportunity for Biote to become a single source provider of hormone and therapeutic wellness solutions.

We also continued to strengthen our presence in men's health by engaging with key opinion leaders, educating practitioners, and extending our outreach and marketing efforts. Third quarter revenue increased approximately 9% year-over-year, with growth in both dietary supplements and procedures. Dietary supplements revenue increased approximately 5%, which represented what we considered to be a more typical rate of growth given the absence of a promotional event this quarter.

Procedure revenue increased approximately 7% as the increase in the number of procedures was partially offset by a decrease in average selling prices, primarily from volume discounting to our top practitioners and to a lesser extent competitive dynamics in the market. We also continued to see heightened interest in the GLP-1 weight loss products that have diverted patient attention from hormone therapies and temporarily limited our practitioners' capacity to provide our pellet treatments.

While we maintained a high level of profitability in the quarter, I am not satisfied with the pace of our procedure revenue growth, which was below our typical historical rate. We are committed to improving our procedure revenue and remain focused on generating profitable growth. I'm as confident as ever in our strategy and in our ability to capitalize on the growth opportunity within the hormone optimization and preventive wellness market.

Our recently completed optimization of sales territories is showing early signs of success, specifically in terms of the number of newly trained providers and the speed that we onboard those new practitioners in clinics. We are also seeing improved rates of procedure growth from those new clinics within the first 12 months. As a reminder, the majority of our revenue is generated by our legacy accounts.

As I discussed on our last call, we're strategically transitioning our sales and marketing efforts to encompass the broader category of therapeutic wellness. In doing so, we are monetizing and expanding our existing hormone practice, while adding complementary wellness therapies that address the patient's unique needs in weight loss, sexual health and preventive wellness. With an expanded suite of hormone and wellness solutions under a single platform, we believe Biote can enhance patient health while elevating our value proposition to our growing network of practitioners.

Over the last several months, we've trialed a proprietary technology platform that provides an expanded scope of wellness offerings to approximately 30 Biote certified healthcare practitioners across 17 high performing sales territories in 11 different states. We will continue to expand our commercial test in the fourth quarter of 2023.

The response from both patients and practitioners to our wellness offerings in our commercial trial has been exceptionally positive. Patients indicated that they value our broader product offerings and the convenience of treatment from a single provider. Given this favorable feedback, we have accelerated our efforts to secure consistent access to an expanded range of wellness therapeutics. As a result, we anticipate the nationwide launch of our new wellness offerings and technology platform to occur in the first quarter of 2024. We believe our strategic transition to broader therapeutic wellness will enhance our leadership position in the hormone optimization market.

As I noted earlier, we continue to focus on capturing a greater share of the significant growth opportunity in men's health. Our research indicates that on the whole, men, regardless of age, are taking a more active role in their health by increasingly seeking treatments for symptoms. To further expand our presence in men's health, we are engaging with key opinion leaders, whose advocacy strengthens support for hormone optimization in men. Additionally, we are working in close partnerships with certain Biote providers to expand their treatment programs for men. As a part of these efforts, we have launched new marketing programs, led educational seminars and facilitated the sharing of best practices among

Biote providers. Although we have only recently commenced our men's health initiative, I'm pleased with the progress we've achieved so far and with our current growth trajectory in this important market.

I will now turn the call over to Samar to discuss our financial results.

Samar Kamdar

Thank you, Terry and good morning, everyone.

Third quarter revenue increased 8.5% year-over-year to \$45.6 million, with product revenue up 7.8% and service revenue up 83.3%. Within product revenue, procedure revenue increased 7.4% and supplements revenue increased 5.1% year-over-year. Service revenue reflected an increase in training sessions provided to Biote practitioners.

Gross profit margin was 68.9%, an improvement of 70 basis points from third quarter of 2022. The increase in gross profit margin was primarily due to effective product cost management. Selling, general and administrative expenses were \$23.8 million, an increase of \$3 million or 14.3% from the third quarter of 2022. Excluding the impact of share based compensation, litigation expenses, legal settlements, transaction related expenses, mergers and acquisition expenses, and other, selling, general, and administrative expenses would have been \$17.8 million in the third quarter of 2023. This compares to \$17 million in the third quarter of 2022, representing an increase of 4.7% over the prior year period.

Operating income was \$7.6 million, reflecting higher revenues and improved gross profitability, partially offset by increased SG&A expenses. Operating income in the third quarter of 2023 was essentially unchanged from that of the prior year period, as growth in revenue and improved gross profit were offset by increased personnel and other expenses to build our infrastructure.

Net income was \$19.6 million compared to net income of \$0.5 million in the third quarter of 2022. The increase in net income in the third quarter of 2023 was primarily due to a net change in the fair value of earnout liabilities of \$17.5 million.

Adjusted EBITDA was \$14 million in the third quarter of 2023, with an adjusted EBITDA margin of 30.8%. This compares to adjusted EBITDA of \$12.2 million, with an adjusted EBITDA margin of 29.2% in the third quarter of 2022. Adjusted EBITDA and adjusted EBITDA margin in the third quarter of 2023 increased, primarily due to higher sales and improved gross profit.

Third quarter operating cash flow was approximately \$200,000 and totaled \$19.9 million year-to-date.

Turning to our financial outlook, we anticipate continued revenue and adjusted EBITDA growth in 2023. Consistent with our prior guidance, we expect 2023 revenue of \$190 million to \$200 million and adjusted EBITDA of \$56 million to \$60 million. We expect our 2023 results to be toward the lower end of these guidance ranges. We anticipate that fourth quarter revenue will benefit from the launch of new dietary supplement products, as well as a seasonal promotion.

Now I'll turn the call back to Terry for closing comments.

Terry Weber

Thank you, Samar.

Biote remains committed to enhancing patient health while delivering profitable growth to our stakeholders. Through our strategic growth initiatives, we are working to actively address the need for an evidence based approach to hormone optimization and preventive wellness therapies. Ultimately, we

strive to become the leading platform provider of evidence based therapeutic wellness solutions, and we continue to make progress towards achieving our vision.

Now I'd like to open the call for questions. Operator, please begin the Q&A session.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

And our first question comes from Jonna Kim from TD Cowen. Please go ahead.

Tom Nass

Hi, it's Tom Nass on for Jonna. Could you discuss how your wellness offering will look versus competitors and why you think there's a competitive advantage in the market within the space? And then additionally, when can we expect to see a material impact on financial results post launch? Thanks.

Terry Weber

Great. Good morning. Good questions here. So we're expanding this business focus to wellness because that whole category is really growing. So we see patients and providers seeking that wider range of hormone products as well as these wellness solutions like weight loss and sexual health, so we're really monetizing and expanding our practice to capitalize on this large and growing opportunity.

We believe that we've got the best, most robust therapeutics wellness platform in the market at launch. So our trial of an expanded suite of requested wellness products has met with very positive response and that's why we're confident in growing the opportunity. So we expanded our fourth quarter test, and then we are looking to a nationwide launch in the front end of 2024. So we haven't really provided specific guidance yet in 2024, but we're confident with these additional hormone products and wellness products, that we'll see those initial benefits in 2024 and we'll be able to not only increase our procedure revenue, but the whole wellness category. And we think we've got the single source provider for this. We already have the 6,400 providers, they're very interested in this, and this is how we'll launch in '24.

Tom Nass

Great. A quick follow up. What have you seen in quarter to date trends? What would give you upside to come in above the lower end guidance range this year?

Terry Weber

I missed the first part of your question. I couldn't hear it. Could you repeat the first one?

Tom Nass

Yes. So quarter to date trends, and then what could lead to any potential upside relative to coming in at the lower end of the guidance range?

Terry Weber

Okay, so you're saying quarter trends. So we're looking at continuing in this year looking at the growth of the new products for next year, but we'll also be looking to '24 for that. Q4 is expected to benefit from the launch of our new supplements. So we've got new supplements, as well as a seasonal promotion that's included in our 2023 guidance. So we remain committed to continued profitable growth, but then we're

looking at that 2024 launch to have impact on both procedure growth and this expanded wellness TAM.

Tom Nass

Great, thank you.

Operator

And our next question comes from Les Sulewski from Truist Securities. Please go ahead.

Jeremy Jacoby

Hi, this is Jeremy on for Les. Thanks for taking our questions.

Can you provide some more color on the commercial trials of the wellness therapeutics? And what has the feedback been from partners? And do you expect additional providers to partner with you as your platform expands? And then also, can you just give some color on the sales force transition and how has that been shaping up? Thanks.

Terry Weber

So good morning. We are currently testing this with our providers, and we've seen a very positive response so far. So that plan to expand this commercial test is going on right now in the fourth quarter, and then we're preparing for that nationwide launch in the first quarter of '24. So we're very committed to this increased TAM from both our hormone therapies, as well as these new wellness therapies. So I think we're excited about that.

And to answer your second question, looking at those sales territory realignment, yes, we're seeing accelerated growth both in the clinics and the procedures. We're also onboarding practitioners faster, which accelerates the ramp of the demand for these products and services. Even though it'll delay as you know, we have a little bit of a cycle delay by adding these clinics, but we'll see the impact of that in '24 as well. So we continue to invest in this infrastructure and in the single source provider for these expanded hormone as well as wellness therapies. So we believe it will expand, in answer to your question, will expand the overall TAM market for providers interested in hormones as well as these new products. And we're clearly the provider to give them the one stop shop.

Jeremy Jacoby

Great, thank you.

Operator

And we have a question now from JP Wollam from Ross MKM. Please go ahead.

JP Wollam

Good morning, everyone. Thanks for taking the questions.

If we could just maybe start on the procedure revenue growth, I'm curious if you could maybe just talk a little bit more about that and kind of the deceleration that we have seen for a couple of quarters now. Maybe you don't want to go into quite as much detail, but I'm just trying to get a sense of what the increase in procedures were, and then kind of how much that was offset by the volume discounting or competitive. That'd be helpful if you could kind of help break that down for us.

Terry Weber

Yes, I'll go through those two questions. Thanks this morning.

So there were two primary factors that affected our procedure revenue growth in Q3. So one was the

decrease in ASP. As we provided volume discounts to our top practitioners, we have a dynamic pricing model that we've had as they hit the higher tiers. There was also this heightened interest in wellness products, such as the GLP-1 weight loss category that really diverted the patient attention from hormones, but it also temporarily limited our providers' capacity for treatment. We had one provider talk about it as a tidal wave in their practice. But this wellness market's evolving as the category continues to grow, and we feel like we're really positioned to capitalize on the opportunity through that existing dominance in the hormone practice and then adding these desirable wellness products.

And in talking about the ASP decline, the slight ASP decrease was primarily due to this volume discounting to our top practitioners and to a lesser extent, the ASP's decreased due to competitive dynamics in the marketplace. But our growth in procedures through new clinic acquisition more than offset the potential for those ASP declines. So TAM remains large, and we have the right strategy to capitalize on this growth.

JP Wollam

Great. It's very helpful. And then maybe if I could have just one follow up. Is there anything you can share on the negotiations with the manufacturers?

Terry Weber

So the negotiations with the manufacturers are going well. We have longstanding relationships with our compounding manufacturers. So, in many cases, we're their largest customer. So these are very positive relationships and we've been able to expand these test products with these manufacturers. So it's going very well, relationship remains close and that's what this commercial test is for is ensuring we have access in all of our markets for these new products.

JP Wollam

Thank you.

CONCLUSION

Operator

Thank you very much. This concludes our question and answer session. I would now like to turn the conference back over to Terry Weber for some closing remarks.

Terry Weber

Thank you, everyone, for joining us in this early morning. We really look forward to providing more updates in the months to come. Speak with you soon.

Operator

And the conference has now concluded Thank you very much for attending today's presentation. You may now disconnect.