

Biote Corp.

First Quarter 2023 Earnings

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**CORPORATE PARTICIPANTS**

**Simon Serowiecki** – *Advisory Partners*

**Terry Weber** – *Chief Executive Officer*

**Samar Kamdar** – *Chief Financial Officer*

**Marc Beer** – *Executive Chairman*

**Dr. Ross McQuivey** – *Chief Medical Officer*

## **PRESENTATION**

### **Operator**

Good day, and welcome to the Biote First Quarter 2023 Earnings Conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Simon Serowiecki, IR representative from Advisory Partners. Please go ahead.

### **Simon Serowiecki**

Good morning and thank you for joining us today. Yesterday Biote published financial results for the quarter ended March 31, 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 be making statements during this call that include forward-looking statements regarding the company's financial results, 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, financial conditions and other matters. These statements are not guarantees of future performance. They're subject to a variety of risks and uncertainties, some of which are beyond our 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 our Investor Relations website, as well as risks and other important factors discussed in the earnings release.

We will also refer to adjusted EBITDA which is a non-GAAP financial measure to provide additional information to investors. A reconciliation of the non-GAAP to GAAP measure is provided with our press release with the primary differences being stock based compensation, fair value adjustments to certain liabilities, transaction related expenses and other non-operating expenses. You are directed to our first quarter 2023 earnings press release which is available on the Investor Relations section of our website at [ir.biote.com](http://ir.biote.com) for a reconciliation of adjusted EBITDA to its closest comparable GAAP measure.

I would now like to 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 answer your questions during the Q&A session, which will follow our remarks.

Building on our accomplishments from last year, Biote achieved financial and strategic progress in the first quarter of 2023. Not only did we achieve solid financial performance, but we launched a major new initiative focused on the large and underserved Men's Health market. We also continue to make

necessary investments to strengthen our infrastructure to support our long-term profitable growth.

Before discussing our first quarter results, I'd like to emphasize that we remain dedicated to building long-term shareholder value, not only through the execution of our growth strategy, but also through improvements to our capital structure. As you recall, earlier this year, we completed a secondary offering, increasing the liquidity of our common stock without diluting current shareholders. And yesterday, we launched a warrant exchange offer and a consent solicitation to simplify our capital structure and reduce the potential dilutive impact of the warrants. For additional information about the warrant exchange offer and the consent solicitation, please refer to our registration statement on the Form S4 filed with the SEC yesterday, May 9th. We will continue to pursue other opportunities that enhance our capital structure.

Now let's turn to our first quarter performance. First quarter revenue increased approximately 21% from the comparable period last year, driven by growth in procedures and dietary supplement sales. Procedures grew at approximately 14% as consumers continued to seek affordable and effective treatments for a range of age-related conditions. Procedure growth was broad-based, reflecting our geographic reach and our expanded practitioner network.

Dietary Supplement sales were strong in the first quarter, benefiting from the introduction of a new direct to patient distribution channel. This new sales channel enables patients to purchase Biote branded supplements conveniently from a practitioners' website or from Biote directly. For practitioners, the sales channel provides an additional source of revenue, regardless of whether patient's purchase supplements from their practitioner or from Biote.

Our financial performance in the first quarter again demonstrated the advantages of our capital-light business model. Gross profit margins improved from the first quarter of 2022, reflecting our successful efforts to generate cost efficiencies. In addition, adjusted EBITDA margins were strong, even as we continued to invest in our people and expand our infrastructure.

As consumers continue to take a more proactive role in their health care, the acceptance of the Biote method will continue to fuel demands for our protocols. Even today, with more than 6,400 practitioners serving more than 400,000 active patients, we believe we're just beginning to tap into the considerable demand for personalized hormone replacement therapy. To better capitalize on what we expect to be a promising long-term growth opportunity, we recently launched a new initiative specifically centered around men's health. Generally speaking, men are reluctant to seek health care treatment. When they do seek care for concerns such as low testosterone, we believe a treatment plan that includes hormone therapy can enhance patient health outcomes.

Our conversations with urologists and other practitioners support this view, as millions of men over the age of 45 suffer symptoms of low testosterone, yet often do not seek or receive treatment. To lead our expansion in Men's Health, we're pleased to have recruited John Denne, a health care industry veteran. We believe John's extensive relationships with practitioners in the men's health industry and the urology field will be instrumental in accelerating our long term growth and the presence in this underserved market.

Concurrent with our efforts to promote men's health, Biote recently hosted an advisory panel with world renowned academic urologists. These independent medical researchers confirmed that they consider pellets as the preferred delivery method for testosterone therapy. Following this panel, we're continuing our dialogue with leading researchers and providing access to our practitioners' clinical data to help guide future research efforts.

While we address the substantial growth opportunity in men's health, we remain committed to advancing

the body of science supporting hormone therapy for women. Led by Dr. Ross McQuivey, our Chief Medical Officer, Biote recently commenced a clinical study comparing subcutaneous pellet therapy versus transdermal hormone therapy in symptomatic postmenopausal women. This first of its kind study has generated interest within the medical community.

In addition to conducting clinical research, we continue to educate and train providers and make resources available to further build awareness of the benefits of hormone therapy. I am pleased with the progress we're making, both within the medical community and the broader public. Thanks to the dedication of the entire Biote team, we are helping to enhance patient health and the quality of life. And we're building long term value for stakeholders as we differentiate and strengthen the Biote brand.

I'll now turn the call over to Samar Kamdar, our Chief Financial Officer, to review our financial results in detail.

### **Samar Kamdar**

Thank you, Terry.

Revenue for the fourth quarter was \$44.8 million, a 20.7% increase year over year, reflecting 13.8% growth in procedure revenue and 46% growth in dietary supplement revenue. As Terry noted, in the first quarter we increased efficiency in our distribution channel for supplements, which benefited supplement sales. Historically, supplements have represented approximately 20% of our total sales annually and we believe this percentage will remain consistent.

Gross profit margin was 69.1%, up 220 basis points from the first quarter of 2022. The increase in gross profit margin was primarily due to improved contract pricing with suppliers and effective product cost management. Although gross profit margin will vary slightly from quarter to quarter, depending on the product mix and other factors, we continue to expect gross margins to be in the mid-60s range going forward.

Selling, general and administrative expenses were \$23.1 million, an increase of 52.9% from the first quarter of 2022. I'll now provide some additional detail on this quarterly expense increase on a year over year basis. \$1.5 million of this increase was related to the expansion of our sales team, representing a 33.9% increase from the first quarter of 2022. As we have stated, we expect this continued investment in our sales efforts to begin to produce returns starting in the back half of 2023 and all of 2024.

Also included in the growth of SG&A expense, we had three categories of other expenses. First, public company related costs of \$1 million that did not exist in Q1 of 2022. Second, non-cash stock compensation expense of \$2.2 million. And third, non-recurring expenses totaling \$2.5 million.

Operating income was \$7.9 million, down from \$9.8 million in the first quarter of 2022. The decrease in operating income was due to increased SG&A expense, partially offset by improved gross profit on higher sales.

Net loss was \$21.4 million, compared to net income of \$9.4 million in the first quarter of 2022. The net loss in the first quarter of 2023 was primarily the result of lower operating income, increased interest expense, and the net change in the fair value adjustments to warrant and earn out liabilities of \$27 million.

Adjusted EBITDA was \$13.1 million in the first quarter of 2023 with an adjusted EBITDA margin of 29.2%. This compares to adjusted EBITDA of \$11.7 million with an adjusted EBITDA margin of 31.4% in the first quarter of 2022. Adjusted EBITDA in the first quarter of 2023 increased primarily due to higher sales and improved gross profit, while adjusted EBITDA margin decreased due to increased operating expenses.

We generated \$13 million first quarter operating cash flow. We expect the current strength of our balance sheet coupled with positive cash flow generation to support our strategic growth initiatives.

Turning to our financial guidance, we reaffirm our outlook for continued revenue and adjusted EBITDA growth in 2023, with revenue of \$190 million to \$200 million, and adjusted EBITDA of \$56 million to \$60 million. As we stated when originally providing 2023 guidance, we anticipate results will be somewhat stronger in the second half of 2023 as compared to the first half given the nine-month productivity lead time required for sales team members added in late 2022.

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

**Terry Weber**

Thank you, Samar.

I am pleased with Biote's first quarter performance and excited about our long term opportunity to promote health and wellness for both men and women. While we continue to invest to strengthen our capabilities and support our strategic expansion, we remain well positioned to generate continued profitable growth.

Now I'd like to open the call up for questions. Operator, please begin the question and answer session.

**QUESTIONS AND ANSWERS**

**Operator**

Our first question comes from Greg Fraser from Truist Securities. Greg, please go ahead.

**Greg Fraser**

Thank you. Good morning, folks. I had a question on the geographic expansion. For the core ten states, do you have a sense for how penetrated you are with respect to the target prescribers that you're calling on? What are the key states that you're focused on this year? And how should folks think about the potential timeline for growing prescriber penetration in, say, California to the level that you reached in Texas?

**Terry Weber**

That was a series of questions. Good morning, Greg.

So, as we've talked about over the last three years, we've reduced our concentration in those top ten states where we had first reported at 70%. Now, 64% of our market is in those ten core states. And as we talked about, we've expanded into that West, Northwest you're referring to, the Midwest, Mid Atlantic Northeast, that progress is going well. We'll continue to look to add providers. That's the key piece here, is getting those providers educated so we can connect those patients with those providers. So, we'll continue to look at the new expansion territories, which will be those new states as well, those West Coast states that we've added in Idaho, Utah, etc. So, we will continue that expansion throughout the US and we're excited about it.

**Greg Fraser**

Got it. In terms of competition, you've obviously had a lot of success growing the business and you've enjoyed greater visibility since going public. I'm curious if you've seen or detected any signs of the number two player getting more aggressive and trying to take more business? Thank you.

**Terry Weber**

I think one of the blessings and curses of going public is everybody sees your every detail about the company, and we've become a clearer target for all competitors. It's just a great story that we have here. But we got this differentiated model, our tech platforms, what we offer in the Biote method continues to be a competitive moat, and I think we just watch those competitors. There's quite a few telemedicine men's health groups out there, too. So, a lot of noise in the market but nothing substantial.

**Greg Fraser**

Thank you.

**Operator**

There are no further questions. We are going to conclude question the answer session and turn the conference back over to Terry Weber for some final remarks. Thank you.

**Terry Weber**

Thank you so much for joining us today. We look forward to updating you again soon and have a great week. Thank you.