

Biote Corp.

First Quarter 2025 Conference Call

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CORPORATE PARTICIPANTS

Simon Serowiecki--*Investor Relations*

Bret Christensen--*Chief Executive Officer*

Bob Peterson--*Chief Financial Officer*

Marc Beer--*Executive Chairman*

PRESENTATION

Operator

Hello, and welcome to the Biote First Quarter 2025 Earnings Conference Call. [Operator Instructions]. Please note, this event is being recorded.

I would now like to turn the conference over to Simon Serowiecki. Please go ahead.

Simon Serowiecki

Thank you for joining us today. This afternoon, Biote published financial results for the first quarter ended March 31, 2025. This news release is available on the Investor Relations section of the company's website. Hosting today's call are Bret Christensen, Chief Executive Officer; Bob Peterson, Chief Financial Officer; and Marc Beer, Executive Chairman.

Before we get started, I would like to remind everyone that management will make statements during this call that include forward-looking statements regarding, among other things, the company's financial results, future performance growth opportunities, business outlook, strategies, goals, recent development, manufacturing and commercialization activities, competitive position, regulatory process operations, benefits of its solutions, anticipated impact of macroeconomic conditions on its business, results of operations, financial conditions and other matters that do not relate to historical facts. 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 discussion of risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC's website and the Investor Relations section of our website, as well as 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. A reconciliation of the non-GAAP to GAAP measures is provided in our earnings release, with the primary differences being stock-based compensation, fair value adjustments to certain liabilities, transaction-related expenses, and other non-operating expenses. Please refer to our first quarter 2025 earnings release for a reconciliation of these non-GAAP measures to close comparable GAAP measures.

I'll now turn the call over to Bret.

Bret Christensen

Thank you, Simon, and thank you all for joining us. I'll begin by providing an update on our business and the key initiatives we announced today. And then I'll turn the call over to Bob for a review of our first quarter financials and our 2025 financial outlook. After our comments, we'll open the call for questions.

In the first quarter, we generated strong financial performance with strength in our dietary supplements business more than offsetting the expected softness in procedure revenue. We experienced continued improvement in our gross profit margin, which increased 300 basis

points to 74.3% due to the vertical integration of our 503B manufacturing facility. Total revenue increased 4.7% and adjusted EBITDA decreased 3.4% compared to the same period in 2024, keeping us on track with our 2025 financial forecast for revenue and adjusted EBITDA.

As we expected, procedure revenue was impacted by reduced commercial effectiveness in part due to the residual effect of the transition to our enhanced clinical decision support software, as well as ongoing competitive pressures. A slowdown in new clinic additions, as well as a minor decrease in procedure volumes and select reductions in average selling prices, also contributed to the decline in procedure revenue.

On last quarter's earnings call, I identified three areas of emphasis for 2025, which I believe are fundamental to commercial execution at a high level. The priorities were one, accelerate new providers; two, maximize value from top-tier clinics; and three, improve commercial accountability and discipline.

Consistent with these comments, today, we announced a strategic organizational restructuring designed to drive sustainable, profitable growth and create long-term value for our stockholders. This restructuring builds on the foundational progress we achieved over the past year, supporting our expanded capabilities within the hormone optimization and therapeutic wellness space. We believe that the decisive actions we are taking will enable us to scale our business more effectively and deliver a high level of financial performance.

We are focused on three major objectives. First, we intend to accelerate new provider wins to further expand our nationwide network. Second, we intend to strengthen relationships with our existing top-tier providers. And third, we intend to improve our financial performance by strengthening accountability and improving consistency and discipline throughout the commercial organization. Among the key steps we are implementing is the realignment of our commercial team with the goal of increasing productivity and driving new clinic growth. As part of this realignment, we are working to transition certain commercial support functions to active field sales positions, effectively increasing our field sales team by approximately 25%. We expect that our expanded and strengthened sales force will enable us to recruit new clinics at an accelerated rate and provide the dedicated support our new providers require as they build their medical practices.

Additionally, we are streamlining sales leadership to ensure better communication and efficiency to drive more consistent performance across the entire commercial team. We are also updating our sales compensation structure to align incentives with our sales goals. As we direct our sales efforts to driving new clinic growth, we also recognize the importance of retaining and maximizing the value from our existing top-tier providers. Over the past year, Biote has significantly expanded our capabilities and product offerings, encompassing hormone optimization, therapeutic wellness, and dietary supplements.

At the same time, we have expanded our education, training, and technical resources, further differentiating Biote in the marketplace. By strengthening engagement with our top-tier providers, we believe we will be better positioned to reinforce our role as a trusted partner, offering a science-based approach to patient care and ongoing practice-building support. As I noted last quarter, we are implementing these initiatives quickly but recognize it will take time to show results. I strongly believe these actions will strengthen our commercial organization through increased productivity and deeper customer engagement and improve financial performance.

As we move forward with our plans, I would like to reiterate my confidence in our exceptional team and our shared commitment to execute on our strategic priorities. While we expect 2025 will be a transition year from a financial standpoint, I believe the actions we announced today are essential to accelerating our growth and enabling us to realize our full potential. I look forward to updating you on our continued progress in the quarters ahead. I will now turn the call over to Bob.

Bob Peterson

Thank you, Bret, and good afternoon, everyone. Unless otherwise noted, all quarterly financial comparisons in my prepared remarks are made against the first quarter of 2024. First quarter revenue increased 4.7% to \$49.0 million. Procedure revenue decreased 3.6% to \$36.0 million, primarily reflecting reduced commercial effectiveness and a slowdown in new clinic additions. As Bret noted, we are redirecting our commercial efforts to drive new clinic growth now that all of our existing clinics are utilizing our enhanced clinical decision support software. Dietary supplement revenue increased 25.5% to \$9.3 million, primarily driven by the growth of our e-commerce channel. We continue to expect solid growth this year from our dietary supplements business.

Gross profit margin was 74.3%, a 300 basis point increase. The improvement reflected cost savings from the continued vertical integration of our 503(b) manufacturing facility as well as effective cost management. While we expect to maintain strong gross profit margins, this metric has historically fluctuated quarter-to-quarter depending on our product mix and other factors. Selling, general, and administrative expenses increased 16.4% to \$26.7 million, reflecting an increased level of investment in sales and marketing focused on driving new customer growth and professional services.

Notably, SG&A expenses decreased approximately 19.2% compared to the elevated level reported in the fourth quarter of 2024 due to the absence of certain employee-related investments and legal expenses. Net income was \$15.8 million, inclusive of a \$10.7 million gain due to a change in the fair value of the earn-out liabilities. Diluted earnings per share attributable to Biote Corp. stockholders was \$0.37 per share. This compares to a net loss in the first quarter of 2024 of \$5.7 million, inclusive of a \$12.1 million loss due to the change in the fair value of the earn-out liabilities and diluted loss per share attributable to Biote Corp. stockholders of \$0.12 per share.

Adjusted EBITDA decreased 3.4% to \$13.8 million with an adjusted EBITDA margin of 28.1%. The decreases in adjusted EBITDA and adjusted EBITDA margin primarily reflected increased sales and marketing expense to drive growth, partially offset by improved gross profit. First quarter cash flow from operations was \$6.5 million. As of March 31st, 2025, cash and cash equivalents were \$41.7 million compared to \$39.3 million as of December 31, 2024.

Now turning to our financial outlook for 2025. We maintain our previously stated guidance of revenue of \$202 million to \$208 million and adjusted EBITDA of \$59 million to \$64 million. For the second quarter of 2025, we expect revenue and adjusted EBITDA to be similar to slightly higher than that of the second quarter of 2024. Also, the company expects to incur a one-time charge of approximately \$0.6 million to \$0.8 million in the second quarter of 2025 due to the restructuring.

I'll now turn the call back to Bret for his closing comments.

Bret Christensen

Thanks, Bob. Before we open the call for questions, I would like to say a few words. Our financial performance over the past few years has been inconsistent, falling short of our expectations and those of our investors. While I've only recently joined the company as CEO, I have been here long enough to recognize our shortcomings as an organization and what specific actions are required to drive outstanding commercial execution and financial performance.

The restructuring plan we announced today represents a significant step forward for Biote. While it will take time to achieve our goals, and we may experience some speed bumps along the way, I am confident that we are on the right path with the right people and with the right processes to achieve long-term success and build shareholder value.

Operator let's now open the call for questions.

QUESTION AND ANSWER

Operator

Thank you. We'll now begin the question-and-answer session. [Operator Instructions]. Today's first question comes from Kaumil Gajrawala with Jefferies. Please go ahead.

Kaumil Gajrawala

Hey guys, good evening. Can we maybe talk a little bit more about the supplements business and if there was anything maybe onetime in it? It's obviously quite a result. I just want to make sure, are we looking at something as a new run rate based on the changes that you've made? Or was there just something, maybe more temporary in there that we should be aware of?

Robert Peterson

No, no, no. Hey Kaumil, how are you. Look, I think the biggest piece of the supplements business that we saw solid performance in was our e-commerce business. I would say it performed a little bit better than expected. And I think we have a solid runway in this space, and we're comfortable where we are right now in the business that we're in. So, with additional procedure growth, we could see some benefit in the space, but no, no one-time items in this space, really just solid performance in the e-commerce space.

Kaumil Gajrawala

Okay, great. And then let me just try to understand the procedures, number of procedures, and what happened there. You also, in your prepared remarks, mentioned competition a little bit. So, there are some things that you guys are doing, obviously, as part of the process of optimizing the business. But is there anything changing in the marketplace itself that we should be aware of?

Bret Christensen

Hi Kaumil, this is Bret. Nothing significant has changed in the marketplace at all. We highlighted the headwinds to our procedure business. And I would say it's really volume related. And in that, we didn't mention competition. The competition is not new for us. That's an ongoing headwind.

And like every other company, we're going to have competition. We've also highlighted in the past that our attrition has been relatively stable at around 5%, which is a great number and pretty predictable. This past quarter, we expected softness in procedure volume, and we highlighted that last call, mainly due to our launch of our clinical decision support software at the end of last year. That did a couple of things.

One, it slowed down meaningfully new starts. It distracted our field organization, and new practice starts had a dip at the end of last year. In the annuity models, you know that will follow us this year. We highlighted that last call. And certainly, we expected the contribution from new clinics this quarter to be lighter than usual.

So that was probably the biggest component. Second component was really just a slight decline in volume from our base business that we believe is associated with the launch of that CDSS as well.

Kaamil Gajrawala

Okay, got it. And are we fully deployed with that, and now it's sort of a matter of time or are we still in process of the rollout?

Bret Christensen

No, we are fully deployed with CDSS. All of our users are using the new version. The feedback is excellent, especially from new clinics. Remember, this is going to be really key to us advancing in the future and making what we do more mainstream to the average physician. It is critical to get the dose right, and the new CDSS helps them do just that.

So, it's going to give them comfort to do pellets and to do testosterone in their clinics. So, it's a valuable foundation. We have no regrets of launching it. We just saw the headwind for the disruption from last year.

Kaamil Gajrawala

Got it. Okay, great. Thank you.

Operator

Thank you. The next question comes from Les Sulewski with Truist. Please go ahead.

Les Sulewski

Yes, good evening. Thank you for taking my questions. I have 3 essentially. I'll start off with the first one -- on, I think we've heard about the realigning of the sales force over the past few quarters. What is different about today's realignment announcement? Is this a, I guess, at sales, back office, leadership roles, or more broadly across the organization? And then I have 2 follow-ups.

Bret Christensen

Yeah. Hi, Les, this is Bret. We didn't do any realignment last quarter. So, the realignment that we announced today is new, and it's the only one that we've done, frankly. So, what we did was focused around growth. It was not a cost-cutting effort for us. We're not in cost-cutting mode. We're in growth mode.

But what I highlighted in the last call and what you probably heard me say is we needed to change a lot of things in the organization to get us more focused and more aligned to growth. And one of those things was the alignment of our commercial organization. So, we needed different territory alignments. We need different comp plans. We need everything focused on growing the business and a little less on maintaining the business.

So, if you noticed in our release, one of the things that we highlighted was we effectively grew the sales team this week by about 25% as we transition nearly 20 people in the field from

support roles to sales roles. And so that's going to be really important for us to have everybody focused on growing the business, and that was the alignment change that we announced this week.

Les Sulewski

Okay. I guess on that front, the individuals, were the redundancies in the -- on more on the support roles or not sales included? Or is it also sales included? And I guess maybe perhaps overall, maybe use a baseball terminology, if you could. Can you help us kind of reconcile where inning you are in? And I guess, CDSS implementation, the new sales reorg, although that seems to be new, and as well as vertical integration, maybe kind of line item by item, if you could.

Bret Christensen

Sure. I'll let Bob take the last part of that. But as far as CDSS goes, we're in late innings, if not, the game is over for CDSS. So, we are fully integrated with CDSS. And so, while we're still the only reason we're talking about it, Les, is that in this annuity model, as you know, new starts follow us for a year. So, you need whatever we're doing this quarter, the contribution we get from new starts is a function of all the new clinic starts that we added over the last year and frankly, the quality of those starts and how they started.

And so CDSS just meant a decline in new starts and probably new starts that got off to a slower start than normal because, again, they were distracted, and our field was distracted with CDSS. But today, we are fully implemented with CDSS, and there is no more work being done as far as rollout, system change, training, any of that. We're fully aligned and implemented with CDSS. Bob, do you want to talk about vertical integration?

Robert Peterson

Yes. On the vertical integration front, I'd say we're probably in around the fourth inning to use your baseball analogy. Look, we have not expanded too much further than we had on the last call, and a goal to not disrupt our clinics. That's a mantra that we have since the CDSS, and we are in the process now of expanding and getting prepared for conversion, but I'd say we're probably in the fourth inning. You're seeing some of the benefits of that now on the margin front, but that's kind of where we -- I would say we are on Asteria.

Les Sulewski

Great. That is helpful. Perhaps on the supplement side, maybe, a kind of talk to your exposure to tariffs potentially from API sourcing. And then second, you've called out the e-commerce business being a little bit stronger than you expect. Any sort of more color on that? Thank you.

Robert Peterson

Yes. So, on tariffs, look, at this point, we don't see an impact to our business on the tariff front. In our core pellet business, we're largely sourced domestically. And where we have had exposure to overseas providers, we've increased our inventory coverage to lock in price. So, I don't see any significant direct exposure in the current year. And as far as the nutra business, we've talked about it a little bit over time.

Our e-commerce business has -- since we've taken over, we are seeing solid growth in that space. And I think what I could highlight here is that a good amount of that growth is centered around that one piece of the business. So solid performance to date and yes, a continuation of what we started in August of last year.

Les Sulewski

Thank you.

Operator

Thank you. The next question comes from Jonna Kim with TD Cowen. Please go ahead.

Jonna Kim

Thank you for taking my question. Could you just elaborate a little bit on the decline in the volume from the base business and whether you think that will continue to improve as we move throughout the year? And when can we start to see some improvements from the realignment that you talked about today? Thank you very much.

Bret Christensen

Thanks, Jonna. I'll try to give as much color as I can on our procedure revenue. So, you heard me mention earlier to Kaumil's question, it was mainly volume related. So, I'll hit that again real quick. Two real components there. The contribution from new starts, which has been lower and I'm sure everybody is clear on that as we've talked about it a lot. And so, most of what we did today in the restructure, the realignment, and the new start of what we're doing at Biote is really aimed at growing new starts.

The other components, though, we get a lot of volume from our base business. And while attrition has been fairly stable, there might have been a slight uptick in attrition this past quarter that we believe is temporary. And we do believe that attrition will stabilize and be a constant around 5%. The other -- there was also a small contribution to selective ASP declines, which were concessions due to CDSS in the field. And so those are the components, of course, always the components of an annuity model is volume, the contribution you get from new starts, and any changes to ASP.

What we've been really good at is keeping ASP and attrition relatively constant. And that's why you'll hear us talk over and over again about the effort to increase new starts in the field.

Jonna Kim

Got it. And any softness you're seeing from the consumer side from any macro headwinds at this point?

Bret Christensen

Jonna, we don't typically see too much softness as far as price sensitivity if that's what you're referring to. It's really hard to gauge. I mentioned that there was a slight decline in volume in our existing business, but we do believe that is related to the launch of CDSS last year. Nothing, even anecdotally, that I could comment on as far as macro effects and pricing sensitivity.

Jonna Kim

Got it. Thank you very much.

Bret Christensen

Thank you.

Operator

The next question comes from Jeff Van Sinderen with B. Riley. Please go ahead.

Jeff Van Sinderen

Great. Hi, everyone. Bret, I wonder, given that you've been there for a quarter or so, can you speak a little bit more about what you've learned on a granular level to the degree that you feel comfortable doing that? And kind of what the specific inefficiencies are that you've uncovered outside of the CDSS. And I guess also what steps you might take to turn around the new clinic additions? What other steps you might take to get those ramps back up again and get procedure growth up?

Bret Christensen

Sure, Jeff. I'll start with the first one, just sort of what I've learned. I guess how I would describe that is I've really gained just clarity on some of what I highlighted in the call from Q4. And in Q4, I highlighted the amazing opportunity that brought me to Biote, the massive TAM, the really underpenetrated marketplace as far as physicians that are both utilizing testosterone therapy, but also the nutraceuticals that we offer, and just the need for better execution as an organization to capture more of that TAM.

And so, I would say what's changed since that call is I've just gained more clarity in exactly what we need to do to get there. The restructure that we announced today that took place this week is step 1. It's not the answer. It's step 1 to the answer of a real culture shift in the organization where the entire company is focused on growth.

We are a company -- and this sort of gets to the second part of your question here. We were a company that had a fantastic start. And when you start from zero, you grow territories to the point where it's tough to grow them. And this is where structure and comp plans and those types of things come into play, where you've got to split territories. You got to make sure you've got incentives that don't penalize sales reps for getting their territory split.

You need a comp plan that is really focused on growth and less on maintaining the base. And then, of course, you need the right messaging to communicate the value proposition that we're offering to our customers, which isn't just products. It is the training, the education, the systems, everything we do to help clinicians practice-build. We're the only ones in the marketplace doing this. Others are going around and competing on price. So, I've got a lot of clarity into, one, the value that Biote offers, and I think it's fantastic, and I couldn't be more optimistic about the long-term prospects here.

But two, just what we need to do in the short term this year, as we highlighted this year, is a transition year for us. So, we're making a lot of changes here. Some of them are disruptive. All of them will be good for the long term. And what we're just trying to assess now is when we'll start to see the results of those changes. But I know what a strong commercial organization looks like and those elements, and we're slowly putting those things into place. But the restructure this week was paramount and the start of what we're doing.

Jeff Van Sinderen

Okay, good to hear. And then not to beat a dead horse of the business, but I guess I'm just trying to reconcile a little bit here, very strong in the quarter. It doesn't sound like any one-time items. But I think your guidance is baking in a sequentially slower growth there. Can you remind us of the year-over-year comparisons, maybe that's the major thing? Just trying to understand why that business would slow down sequentially as far as the growth.

Robert Peterson

No, I think what we've said in the past is that we would have a 5% to 10% growth from a guide perspective. And what we're seeing now is we are in the -- as we were just mentioning on a

prior question, we're in the earlier phases of this with our e-commerce platform. And as we get through the remainder of the year, we will start lapping solid performance in the e-commerce space which would potentially drive us lower. But yes, the performance that we saw in Q1 was solid in that space.

Jeff Van Sinderen

Okay. So just to clarify there, the comparisons get tougher and is it Q3 and Q4? I just wasn't sure of the timing.

Robert Peterson

In the second half of the year, we started onboarding Amazon.

Jeff Van Sinderen

Okay. Fair enough. Thanks for taking my questions.

Operator

Thank you. The next question comes from George Kelly with ROTH Capital Partners. Please go ahead.

George Kelly

Hey everybody, thanks for taking my questions. Just a couple for you. First, on Asteria, I was curious if you plan over the course of 2025 to grow penetration? And where might you sort of end the year? And I guess, secondarily, have there been issues with ramping production there?

Robert Peterson

No. And in fact, our inventory levels are at solid points. So, we have not had any issues from an Asteria perspective. I can tell you our focus right now has been on a smooth transition and the focus on not disrupting the clinic. We do have a plan to expand further in the remaining months of the year, and we have that baked into our guide. So, we will continue to expand in this arena throughout the remainder of the year just in a tempered fashion.

George Kelly

OK, understood. And then second question on your 2025 guide for procedure revenue growth. I think it's plus 2% to 4%. Just curious what gives you confidence in that guide? It's been a pretty steady deceleration for, I don't know, 1.5 years, 2 years now, and including in the first quarter with it being negative. So, I'm just wondering what -- is it -- can you help sort of give us confidence that you see that reversing? And perhaps what have you seen so far in Q2 and April?

Robert Peterson

So let me give you an overview, and Bret, feel free to add. So, as Bret said, we've taken decisive action, and we're changing a lot on the commercial team. We know what we need to do to drive new penetration, new customer penetrations, new -- monitoring and filling our clinic pipeline, and maximizing the value from our top-tier providers. And we have line of sight into the actions that are needed.

So, let's just -- we'll level set there. As shared, we expect a slower start in the first half of the year as we shared as we start to reinvigorate that new customer volume in this annuity model. We know that this is going to be a bit of a transition year in the space, and we believe that we will begin to see the benefits of this restructure in the latter half of the year as we begin to drive the culture of accountability and growth.

Look, to your question, to be pretty direct, is there a potential risk around the 2% to 4% procedure revenue growth? The answer is yes. And we recognize that certain actions have to go to plan to achieve that 2% to 4% procedure revenue growth. But that said, we are confident overall in the overall guide for the year on revenue and EBITDA. And maybe, Bret, if you wanted to add anything to the key facets that we want to achieve.

Bret Christensen

Yes, George, you heard me talk quite a bit about what we're doing to change each of those components in the annuity model, volume, ASP, attrition. And we're confident in each of those. What's really difficult to predict at this moment is just how quickly we'll see results from all the changes that we're making. We're going to learn a lot over the next quarter, maybe not in the form of results that we'll report.

However, we're going to -- there's a lot of early indicators into what we're doing here, including training volumes, training classes, new starts coming onboard. Those things we'll see before we'll report revenue on an increase in procedure growth. So, we're confident in the changes we're making, and it's difficult to project when you'll start to see revenue change materially from the changes. But as Bob said, we're comfortable in the top line overall, and there will be pressure on the 2% to 4%, but we definitely see line of sight to get there.

George Kelly

Okay, thank you.

Conclusion

Operator

Thank you. This concludes our question-and-answer session. I would now like to turn the call back over to Bret Christensen for closing remarks.

Bret Christensen

Thank you, everyone, for joining us today. We appreciate your interest in Biote and look forward to speaking with you on our next conference call.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines.