

Q2 Fiscal 2021 Earnings Conference Call

December 2, 2020



Cautionary Language Regarding Forward-Looking Statements

This presentation contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, and the objectives and expectations of management. Forward-looking statements often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could” or “may.” Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements.

Any number of factors could affect our actual results and cause such results to differ materially from those contemplated by any forward-looking statements, including, but not limited to, the following: the effects of the highly competitive dental and animal health supply markets in which we compete; the COVID-19 pandemic and measures taken in response thereto; general economic conditions, including political and economic uncertainty; risks from disruption to our information systems; our ability to comply with restrictive covenants in our amended credit agreement; our dependence on relationships with sales representatives, service technicians and customers; our ability to realize the long-term strategic benefits of our acquisition of Animal Health International; potential disruption of distribution capabilities, including service issues with third-party shippers; our ability to provide our sales force and customers with the latest technology; our dependence on suppliers for the manufacture and supply of the products we sell; material changes in our purchasing relationship with suppliers; the risk that private label sales could adversely affect our relationships with suppliers; our dependence on positive perceptions of Patterson’s reputation; risks inherent in acquiring other businesses; the risk that our acquired technology or developed technology might not be successful in maintaining or gaining customers; litigation risks, including new or unanticipated litigation developments and new or unanticipated regulatory investigations; changes in consumer preferences; regulatory restrictions; the cyclical nature of the livestock market; the outbreak of an infectious disease within the production animal or companion animal population; pressure from animal rights groups; adverse changes in supplier rebates; fluctuations in quarterly financial results; volatility in the price of our stock; risks from the expansion of customer purchasing power; increases in over-the-counter sales of companion animal products; the risks inherent in international operations, including currency fluctuations; the effects of health care reform; failure to comply with regulatory requirements and data privacy laws; cyberattacks or other privacy or data security breaches; the risk of the products we sell becoming obsolete or containing undetected errors; volatility in the financial markets; our dependence on our senior management; our dependence on leadership development and succession planning; disruptions from our enterprise resource planning system; risks associated with shareholder activism; the risk of being required to record impairment charges; the risk of audit by tax authorities; risks associated with interest rate fluctuations; and the risk that our governing documents and Minnesota law may discourage takeovers and business combinations. The order in which these factors appear should not be construed to indicate their relative importance or priority. We caution that these factors may not be exhaustive, accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results.

You should carefully consider these and other relevant factors, including those risk factors in Part I, Item 1A, (“Risk Factors”) in our most recent Form 10-K, and information which may be contained in our other filings with the U.S. Securities and Exchange Commission, or SEC, when reviewing any forward-looking statement. Investors should understand it is impossible to predict or identify all such factors or risks. As such, you should not consider the foregoing list, or the risks identified in our SEC filings, to be a complete discussion of all potential risks or uncertainties.

Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We do not undertake any obligation to release publicly any revisions to any forward-looking statements whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Non-GAAP Financial Measures

The Reconciliation of GAAP to non-GAAP Measures table appearing behind the accompanying financial information is provided to adjust reported GAAP measures, namely operating income (loss), income (loss) before taxes, income tax expense, net income (loss), net income (loss) attributable to Patterson Companies, Inc. and diluted earnings (loss) per share attributable to Patterson Companies, Inc., for the impact of deal amortization, integration and business restructuring expenses, legal reserve costs, accelerated debt-related costs and an investment gain, along with the related tax effects of these items.

The term “free cash flow” provided by (used in) this presentation is defined as net cash used in operating activities less capital expenditures plus collection of deferred purchase price receivables.

In addition, the term “internal sales” used in this presentation represents net sales adjusted to exclude the impact of foreign currency. Foreign currency impact represents the difference in results that is attributable to fluctuations in currency exchange rates the company uses to convert results for all foreign entities where the functional currency is not the U.S. dollar. The company calculates the impact as the difference between the current period results translated using the current period currency exchange rates and using the comparable prior period's currency exchange rates. The company believes the disclosure of net sales changes in constant currency provides useful supplementary information to investors in light of significant fluctuations in currency rates.

Management believes that these non-GAAP measures may provide a helpful representation of the company's second-quarter performance and enable comparison of financial results between periods where certain items may vary independent of business performance. These non-GAAP financial measures are presented solely for informational and comparative purposes and should not be regarded as a replacement for corresponding, similarly captioned, GAAP measures.

Second-Quarter Conference Call and Replay

Investors can listen to a live webcast of the conference call at www.pattersoncompanies.com. The conference call will be archived on the Patterson Companies website. A replay of the fiscal 2021 second-quarter conference call can be heard for one week at 800-585-8367 and by providing the Conference ID 1517668 when prompted.

Second Quarter Fiscal 2021 Performance Summary

Reported Consolidated Net Revenues (\$M)



GAAP Gross Profit Margin (as % of Revenue)

Q2 2020: 21.3%
Q2 2021: 20.6%

-70 bps

Adjusted Operating Expenses (as % of Revenue)

Q2 2020: 17.5%
Q2 2021: 15.3%

-220 bps

Second Quarter Fiscal 2021 Performance Summary

Adjusted Operating Profit (\$M)

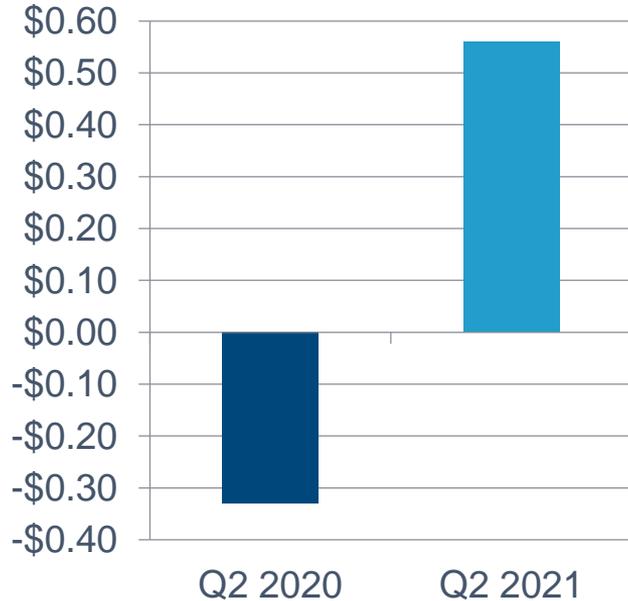


Adjusted Operating Margin (%)



Second Quarter Fiscal 2021 Performance Summary

Reported Earnings/(Loss) per Diluted Share (\$)



Adjusted Earnings per Diluted Share (\$)



Second Quarter Fiscal 2021 Performance Summary

	Six Months Ended (\$M)	
	October 24, 2020	October 26, 2019
Net Cash Used In Operating Activities	(\$423)	(\$15)
Capital Expenditures	(\$14)	(\$23)
Collection of Deferred Purchase Price Receivables	\$409	\$212
Free Cash Flow*	(\$29)	\$175

Dividends

- During the second quarter of fiscal 2021, Patterson Companies declared a quarterly cash dividend of \$0.26 per share. On a year-to-date basis, Patterson has returned \$25.0 million in cash dividends to shareholders.

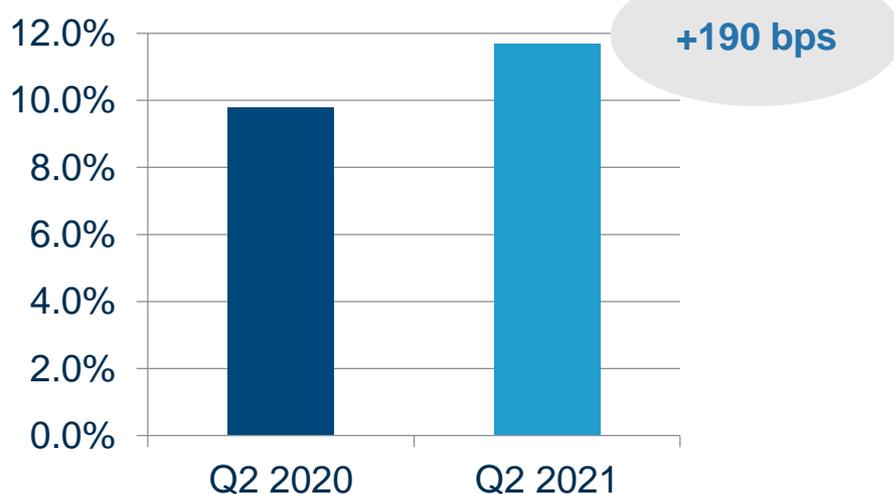
*Free Cash Flow is defined as net cash provided by (used in) operating activities less capital expenditures plus collection of deferred purchase price receivables.

Second Quarter Fiscal 2021 Patterson Dental Overview

Revenue (\$M)



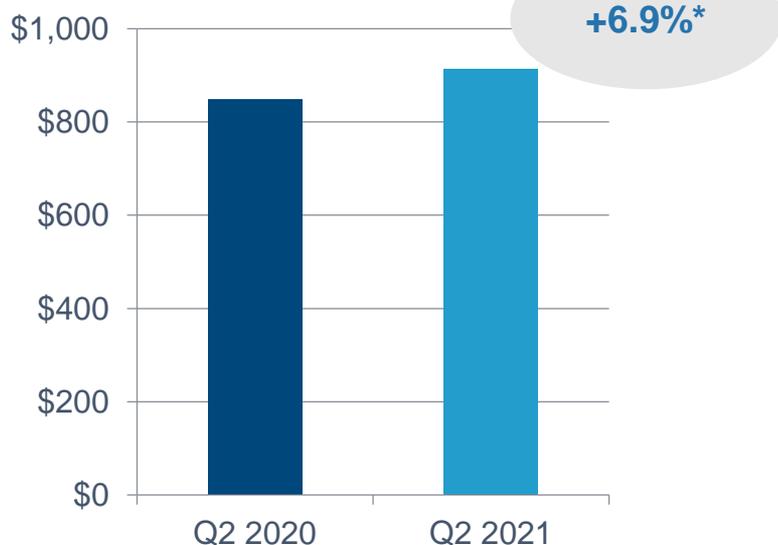
Adjusted Operating Margin (%)



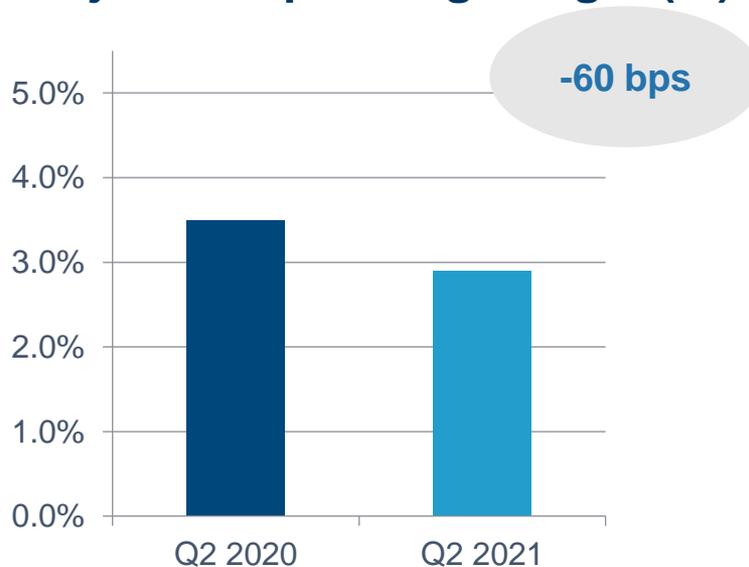
*Internal sales

Second Quarter Fiscal 2021 Patterson Animal Health Overview

Revenue (\$M)



Adjusted Operating Margin (%)



Fiscal 2021 Guidance

Due to the continued uncertainty surrounding the COVID-19 pandemic and its impact on business operations, Patterson is not providing fiscal 2021 financial guidance at this time.

Appendix

December 2, 2020



Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

For the three months ended October 24, 2020	GAAP	Deal amortization	Integration and business restructuring expenses	Legal reserve costs	Accelerated debt-related costs	Investment gain	Non-GAAP
Operating income (loss)	\$73,706	\$ 9,250	\$ —	\$ —	\$ —	\$ —	\$ 82,956
Other income (expense), net	(3,158)	—	—	—	—	—	(3,158)
Income (loss) before taxes	70,548	9,250	—	—	—	—	79,798
Income tax expense (benefit)	16,722	2,199	—	—	—	—	18,921
Net income (loss)	53,826	7,051	—	—	—	—	60,877
Net loss attributable to noncontrolling interests	(234)	—	—	—	—	—	(234)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$54,060</u>	<u>\$ 7,051</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 61,111</u>
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.*	<u>\$ 0.56</u>	<u>\$ 0.07</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 0.63</u>
Operating income (loss) as a % of sales	4.7 %						5.3 %
Effective tax rate	23.7 %						23.7 %

Reconciliation of GAAP to non-GAAP Measures

(Dollars in thousands, except per share amounts)

(Unaudited)

For the six months ended October 26, 2019	GAAP	Deal amortization	Integration and business restructuring expenses	Legal reserve costs [‡]	Accelerated debt-related costs	Investment gain	Non-GAAP
Operating income (loss)	\$(1,472)	\$ 18,491	\$ 5,747	\$ 78,966	\$ —	\$ —	\$101,732
Other income (expense), net	14,450	—	—	—	959	(34,334)	(18,925)
Income (loss) before taxes	12,978	18,491	5,747	78,966	959	(34,334)	82,807
Income tax expense (benefit)	16,520	4,401	1,442	6,541	240	(7,884)	21,260
Net income (loss)	(3,542)	14,090	4,305	72,425	719	(26,450)	61,547
Net loss attributable to noncontrolling interests	(455)	—	—	—	—	—	(455)
Net income (loss) attributable to Patterson Companies, Inc.	<u>\$(3,087)</u>	<u>\$ 14,090</u>	<u>\$ 4,305</u>	<u>\$ 72,425</u>	<u>\$ 719</u>	<u>\$ (26,450)</u>	<u>\$ 62,002</u>
Diluted earnings (loss) per share attributable to Patterson Companies, Inc.*	<u>\$ (0.03)</u>	<u>\$ 0.15</u>	<u>\$ 0.05</u>	<u>\$ 0.76</u>	<u>\$ 0.01</u>	<u>\$ (0.28)</u>	<u>\$ 0.65</u>
Operating income (loss) as a % of sales	(0.1)%						3.7 %
Effective tax rate	127.3 %						25.7 %

[‡] Includes costs and expenses incurred in the first quarter of fiscal 2020 of \$17,666 related to the settlement of litigation with SourceOne Dental, Inc., costs and expenses incurred in the second quarter of fiscal 2020 of \$58,300 related to the then-probable settlement of litigation with the U.S. Attorney's Office for the Western District of Virginia and \$3,000 related to other legal proceedings.

* May not sum due to rounding