

Teva Reports Third Quarter 2021 Financial Results

- Revenues of \$3.9 billion
- GAAP diluted EPS of \$0.26
- Non-GAAP diluted EPS of \$0.59
- Cash flow generated from operating activities of \$529 million
- Free cash flow of \$795 million
- Full year 2021 business outlook reaffirmed
 - Net revenues of \$16.0 - \$16.4 billion
 - Adjusted EBITDA of \$4.8 - \$5.1 billion
 - EPS of \$2.50 - \$2.70
 - Free cash flow of \$2.0 - \$2.3 billion

TEL AVIV, Israel--(BUSINESS WIRE)--October 27, 2021--Teva Pharmaceutical Industries Ltd. (NYSE and TASE: TEVA) today reported results for the quarter ended September 30, 2021.

Mr. Kåre Schultz, Teva's President and CEO, said, "I am very happy with our solid performance in the third quarter of 2021, especially our strong cash flow and continued momentum with key brands. Our results were driven by robust performance of AJOVY® in the U.S., Europe and Japan as well as U.S. sales of AUSTEDO®, our novel therapy for the treatment of patients with Huntington's disease and tardive dyskinesia. We are also very enthusiastic about expanding our pipeline with additional movement disorder products in clinical development for multiple system atrophy (MSA) and Parkinson's disease, through the strategic collaboration announced yesterday with MODAG GmbH."

Mr. Schultz continued, "We are also proud to be launching a Sustainability-Linked Bond (SLB) today, which further demonstrates our commitment to the environment and to securing access to medicines in low and middle-income countries, two of the greatest challenges of our time. Teva is the first generics company to issue an SLB, furthering our leadership in accessible medicines for patients throughout the world."

Third Quarter 2021 Consolidated Results

Revenues in the third quarter of 2021 were \$3,887 million, a decrease of 2%, or 3% in local currency terms, compared to the third quarter of 2020. This decrease was mainly due to lower revenues in our North America segment, mainly due to COPAXONE® and generic products, partially offset by higher revenues from generic and OTC products in our Europe segment, AJOVY® and AUSTEDO®. Revenues continued to be affected by the ongoing impact of the COVID-19 pandemic on markets and on customer stocking and purchasing patterns.



Exchange rate movements during the third quarter of 2021, including hedging effects, positively impacted our revenues by \$42 million and our GAAP and non-GAAP operating income by \$22 million and \$23 million, respectively.

GAAP **gross profit** was \$1,794 million in the third quarter of 2021, a decrease of 3% compared to the third quarter of 2020. GAAP **gross profit margin** was 46.2% in the third quarter of 2021, compared to 46.6% in the third quarter of 2020. The decrease in gross profit margin was mainly driven by a change in the mix of products sold, resulting from lower sales of specialty products that have higher profitability, mainly COPAXONE and lower profitability from Anda, partially offset by improved profitability from generic products, mainly in our North America segment. Non-GAAP **gross profit** was \$2,083 million in the third quarter of 2021, flat compared to the third quarter of 2020. Non-GAAP **gross profit margin** was 53.6% in the third quarter of 2021, compared to 52.4% in the third quarter of 2020.

GAAP **Research and Development (R&D) expenses** in the third quarter of 2021 were \$222 million, a decrease of 14% compared to the third quarter of 2020. Non-GAAP **R&D expenses** were \$217 million, or 5.6% of quarterly revenues, in the third quarter of 2021, compared to \$233 million, or 5.8%, in the third quarter of 2020. In the third quarter of 2021, our R&D expenses related primarily to specialty product candidates in the respiratory, pain, migraine and headache therapeutic areas, with additional activities in selected other areas and generic products including biosimilars. Our lower R&D expenses in the third quarter of 2021, compared to the third quarter of 2020, were mainly due to a decrease in the pain and neuropsychiatry therapeutic areas as well as various generics projects.

GAAP **Selling and Marketing (S&M) expenses** in the third quarter of 2021 were \$597 million, a decrease of 1% compared to the third quarter of 2020. Non-GAAP **S&M expenses** were \$567 million, or 14.6% of quarterly revenues, in the third quarter of 2021, compared to \$566 million, or 14.2%, in the third quarter of 2020.

GAAP **General and Administrative (G&A) expenses** in the third quarter of 2021 were \$291 million, an increase of 4% compared to the third quarter of 2020. Non-GAAP **G&A expenses** were \$275 million, or 7.1% of quarterly revenues, in the third quarter of 2021, compared to \$269 million, or 6.8%, in the third quarter of 2020.

GAAP **operating income** in the third quarter of 2021 was \$623 million, compared to a loss of \$4,342 million in the third quarter of 2020. The operating loss in the third quarter of 2020 was mainly due to a goodwill impairment charge and higher intangible asset impairment charges. Non-GAAP **operating income** in the third quarter of 2021 was \$1,042 million, an increase of 2%, compared to \$1,025 million in the third quarter of 2020. Non-GAAP operating margin was 26.8% in the third quarter of 2021, compared to 25.8% in the third quarter of 2020. The increase was mainly due to higher profit in our Europe and International Markets segments, partially offset by lower profit in our North America segment.



EBITDA (defined as operating income, excluding amortization and depreciation expenses) was \$954 million in the third quarter of 2021, compared to negative EBITDA of \$3,961 million in the third quarter of 2020. **Adjusted EBITDA** (defined as non-GAAP operating income excluding depreciation expenses) was \$1,170 million in the third quarter of 2021, an increase of 1% compared to \$1,153 million in the third quarter of 2020.

GAAP **financial expenses** were \$241 million in the third quarter of 2021, compared to \$117 million in the third quarter of 2020. Non-GAAP **financial expenses** were \$235 million in the third quarter of 2021, compared to \$241 million in the third quarter of 2020. Financial expenses in the third quarter of 2021, were mainly comprised of interest expenses of \$232 million. Financial expenses in the third quarter of 2020 were mainly comprised of interest expenses of \$241 million, partially offset by gains on revaluations of marketable securities of \$124 million.

In the third quarter of 2021, we recognized a GAAP **tax expense** of \$76 million, on pre-tax income of \$382 million. In the third quarter of 2020, we recognized a tax expense of \$16 million, on pre-tax loss of \$4,459 million. Our tax rate for the third quarter of 2021 was mainly affected by amortization and interest expense disallowance. Non-GAAP **income taxes** in the third quarter of 2021 were \$137 million, or 17%, on pre-tax non-GAAP income of \$807 million. Non-GAAP **income taxes** in the third quarter of 2020 were \$133 million, or 17%, on pre-tax non-GAAP income of \$784 million. Our non-GAAP tax rate in the third quarter of 2021 was mainly affected by the mix of products we sold and interest expense disallowance.

We expect our annual non-GAAP **tax** rate for 2021 to be 17%-18%, unchanged from our outlook provided in February 2021.

GAAP **net income** attributable to Teva and GAAP **EPS** were \$292 million and \$0.26, respectively, in the third quarter of 2021, compared to net loss of \$4,349 million and a loss per share of \$3.97 in the third quarter of 2020. The loss in the third quarter of 2020 was mainly due to a goodwill impairment charge and intangible asset impairment charges. Non-GAAP **net income** attributable to Teva and non-GAAP **diluted EPS** in the third quarter of 2021 were \$651 million and \$0.59, respectively, compared to \$637 million and \$0.58 in the third quarter of 2020.

The **weighted average diluted shares outstanding** used for the fully diluted share calculation for the three months ended September 30, 2021 and 2020 was 1,109 million shares and 1,096 million shares, respectively. The weighted average **diluted shares outstanding** used for the fully diluted share calculation on a non-GAAP basis for the three months ended September 30, 2021 and 2020 was 1,109 million and 1,100 million shares, respectively.

As of September 30, 2021 and 2020, the fully diluted share count for purposes of calculating our market capitalization was approximately 1,128 million and 1,118 million, respectively.



Non-GAAP information: Net non-GAAP adjustments in the third quarter of 2021 were \$360 million. Non-GAAP net income and non-GAAP EPS for the third quarter of 2021 were adjusted to exclude the following items:

- Amortization of purchased intangible assets of \$199 million, of which \$175 million is included in cost of sales and the remaining \$24 million in S&M expenses;
- Impairment of long-lived assets of \$47 million, comprised of tangible assets in the North America segment and impairment of intangible assets of IPR&D and product rights assets mainly in connection with the Actavis Generics acquisition;
- Restructuring expenses of \$28 million;
- Equity compensation expenses of \$26 million;
- Contingent consideration expense of \$9 million, mainly related to an increase in future royalties;
- Finance expenses of \$6 million, related to revaluation of marketable securities;
- Other items of \$107 million; and
- Income tax of \$62 million.

Teva believes that excluding such items facilitates investors' understanding of its business. For further information, see the tables below for a reconciliation of the U.S. GAAP results to the adjusted non-GAAP figures and the information under "Non-GAAP Financial Measures." Investors should consider non-GAAP financial measures in addition to, and not as replacement for, or superior to, measures of financial performance prepared in accordance with GAAP.

Cash flow generated from operating activities during the third quarter of 2021 was \$529 million, compared to \$307 million in the third quarter of 2020. The increase in the third quarter of 2021 was mainly due to favorable collection of payments from customers in North America.

Free cash flow (defined as cash flow from operating activities, cash used for capital investments, beneficial interest collected in exchange for securitized accounts receivables and proceeds from divestitures of businesses and other assets) was \$795 million in the third quarter of 2021, compared to \$506 million in the third quarter of 2020. The increase in the third quarter of 2021 resulted mainly from higher cash flow from operating activities.

As of September 30, 2021, our **debt** was \$23,746 million, compared to \$25,132 million as of June 30, 2021. This decrease was mainly due to repayment of our \$1,475 million 2.2% senior notes at maturity in July 2021 and exchange rate fluctuations, partially offset by \$300 million borrowed under our unsecured syndicated revolving credit facility ("RCF"). During the third quarter of 2021, we borrowed \$500 million under our RCF, of which \$200 million was repaid during the quarter and the remaining \$300 million was repaid subsequently. As of the date hereof, no amounts are outstanding under the RCF. Our debt as of September 30, 2021 was effectively denominated in the following currencies: 63% in U.S. dollars, 34% in euros and 3% in Swiss francs. The portion of total debt classified as short-term as of September 30, 2021 was 11%, compared to 14% as of June 30, 2021. Our financial leverage was 67% as of September 30, 2021, compared to 69% as of June 30, 2021. Our average debt maturity was approximately 5.4 years as of September 30, 2021, compared to 5.3 years as of June 30, 2021.



Segment Results for the Third Quarter of 2021

North America Segment

Our North America segment includes the United States and Canada.

The following table presents revenues, expenses and profit for our North America segment for the three months ended September 30, 2021 and 2020:

	Three months ended September 30,			
	2021		2020	
	(U.S. \$ in millions / % of Segment Revenues)			
Revenues	\$ 1,875	100%	\$ 2,017	100%
Gross profit	967	51.6%	1,056	52.4%
R&D expenses	146	7.8%	155	7.7%
S&M expenses	250	13.3%	250	12.4%
G&A expenses	121	6.4%	97	4.8%
Other income	(7)	\$	(5)	\$
Segment profit*	\$ 458	24.4%	\$ 560	27.7%

* Segment profit does not include amortization and certain other items.

§ Represents an amount less than 0.5%.

Revenues from our North America segment in the third quarter of 2021 were \$1,875 million, a decrease of \$142 million, or 7%, compared to the third quarter of 2020, mainly due to a decrease in revenues from COPAXONE and generic products. Our North America segment has experienced some reductions in volume due to less physician and hospital activity during the COVID-19 pandemic, but has also experienced increase in demand for certain products related to the treatment of COVID-19 and its symptoms. In addition, the ability to promote certain specialty products has been impacted by less physician visits by patients and less physician interactions by our sales personnel.

Revenues in the United States, our largest market, were \$1,754 million in the third quarter of 2021, a decrease of \$134 million, or 7%, compared to the third quarter of 2020.



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