



# Q4 Fiscal 2017 Earnings Conference Call

May 25, 2017



### **Cautionary Language Regarding Forward-Looking Statements**

This press release contains certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are information of a non-historical nature and are subject to risks and uncertainties that are beyond Patterson's ability to control. Forward-looking statements generally can be identified by words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. It is uncertain whether any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what impact they will have on the results of operations and financial condition of Patterson or the price of Patterson stock. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those indicated in such forward-looking statements, including but not limited to the other risks and important factors contained and identified in Patterson's filings with the Securities and Exchange Commission, such as its Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, any of which could cause actual results to differ materially from the forward-looking statements. Any forward-looking statement in this press release speaks only as of the date on which it is made. Except to the extent required under the federal securities laws, Patterson does not intend to update or revise the forward-looking statements.

### **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 earnings from continuing operations, net income from continuing operations, and earnings per diluted share from continuing operations, for the impact of transaction related costs, deal amortization, intangible asset impairment, integration and business restructuring expenses, accelerated debt issuance costs and discrete tax matters.

Management believes that these non-GAAP measures may provide a helpful representation of the company's fourth quarter and full year 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.

In addition, the term constant currency used in this release represents net sales adjusted to exclude foreign currency impacts. 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.

### **Discontinued Operations**

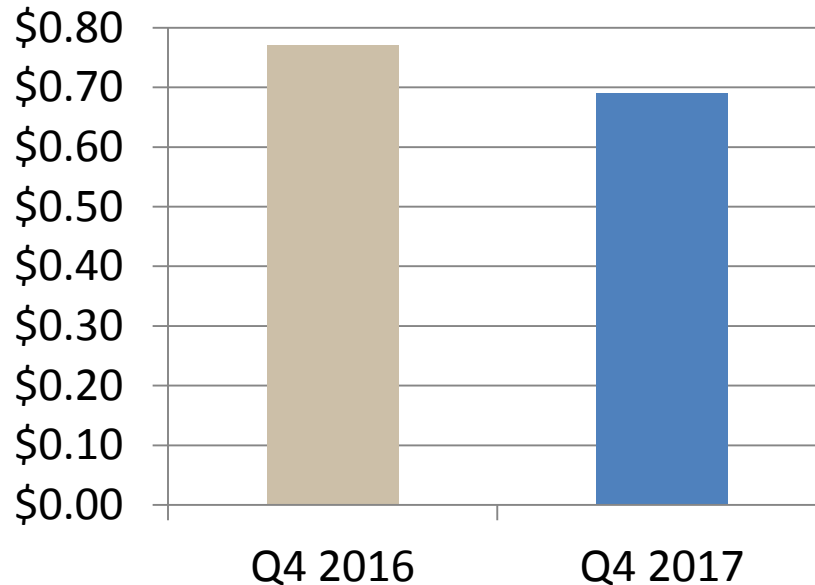
On August 28, 2015, Patterson completed the sale of Patterson Medical to Madison Dearborn Partners for approximately \$717 million. As a result of the sale, Patterson Medical is classified and reported as discontinued operations for all periods presented.

### **Fourth-Quarter Conference Call and Replay**

Investors can listen to a live webcast of the conference call at [www.pattersoncompanies.com](http://www.pattersoncompanies.com). The conference call will be archived on Patterson's website. A replay of the fiscal 2017 fourth-quarter conference call can be heard for one week at 888-203-1112 and by providing the Conference ID 8211258 when prompted.

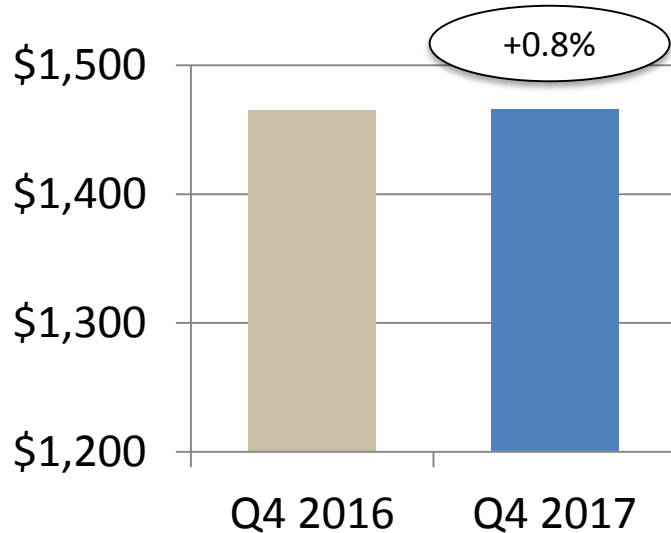
# Fourth Quarter Fiscal 2017 Performance Summary

## Adjusted Earnings Per Diluted Share From Continuing Operations



# Fourth Quarter Fiscal 2017 Performance Summary

## Consolidated Sales from Continuing Operations\* (in millions)



\*On a constant currency basis

## Gross Profit Margin from Continuing Operations (as % of Revenue)

Q4 2016 – 25.0%

Q4 2017 – 23.2%

-180 bps

## Adjusted Operating Expenses from Continuing Operations (as % of Revenue)

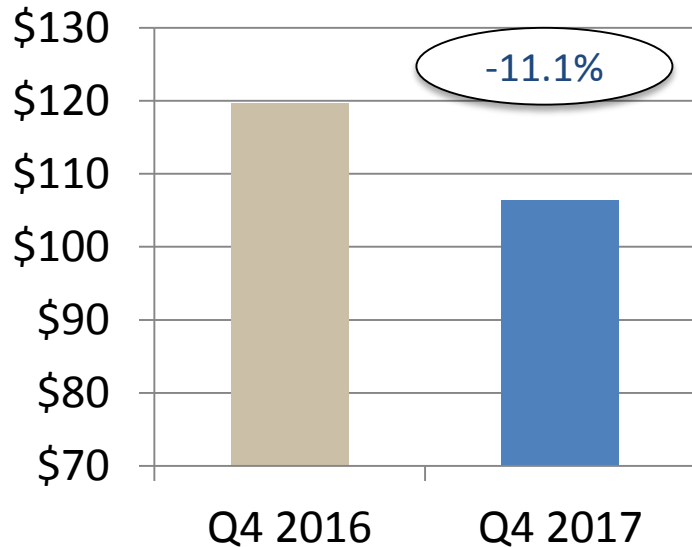
Q4 2016 – 16.8%

Q4 2017 – 15.9%

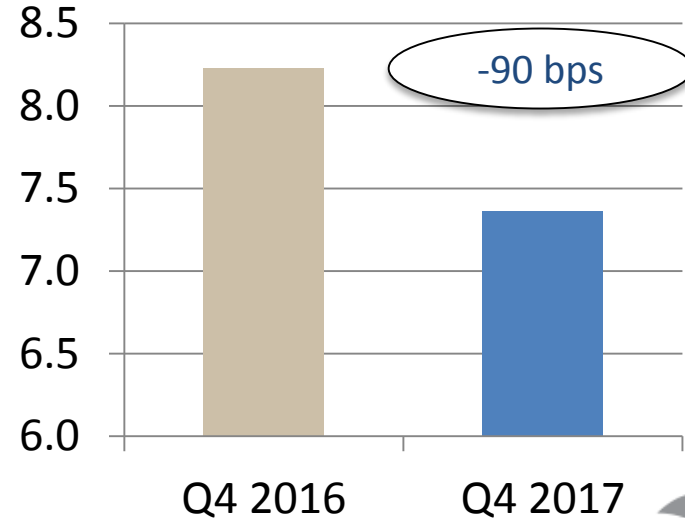
-90 bps

# Fourth Quarter Fiscal 2017 Performance Summary

**Adjusted Operating Profit  
from Continuing Operations  
(in millions)**



**Adjusted Operating Profit  
Margin from Continuing  
Operations (%)**



# Fourth Quarter Fiscal 2017 Performance Summary

(From continuing operations – in millions)	Q4 2016	Q4 2017	FY 2016	FY 2017
Operating Cash Flow	\$242	\$175	\$195	\$166
Cap Ex	(23)	(10)	(79)	(47)
Free Cash Flow*	\$219	\$165	\$116	\$119

**0.9 million shares of common stock, with a value of \$38 million, were purchased in Q4 2017;  
2.9 million shares of common stock, with a value of \$125 million, have been purchased in FY 2017.**

**Cash dividends of \$25 million were paid to shareholders in Q4 2017;  
Cash dividends of \$96 million have been paid to shareholders in FY 2017.**

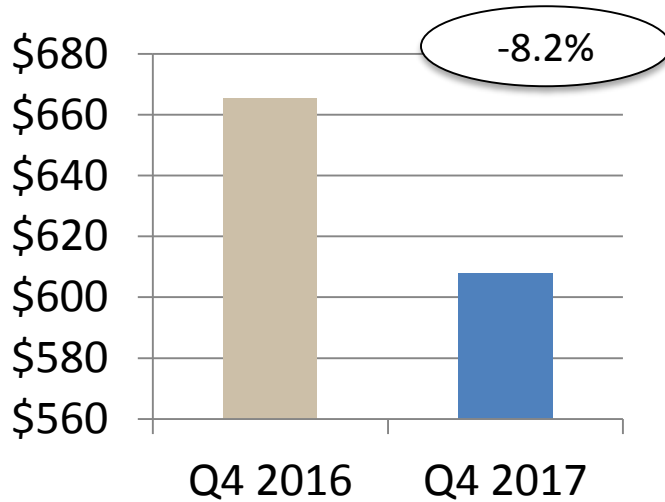
\*Free Cash Flow is defined as Operating Cash Flow less Cap Ex



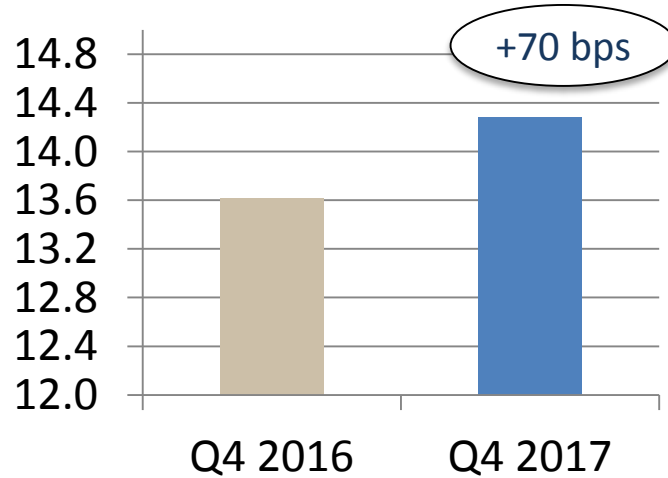
# Fourth Quarter Fiscal 2017 Summary

## Patterson Dental Overview

### Revenue\* (in millions)



### Adjusted Operating Profit Margin (%)

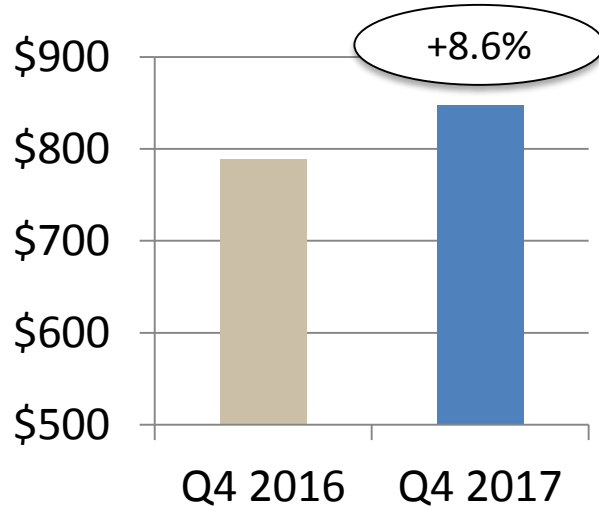


\*On a constant currency basis

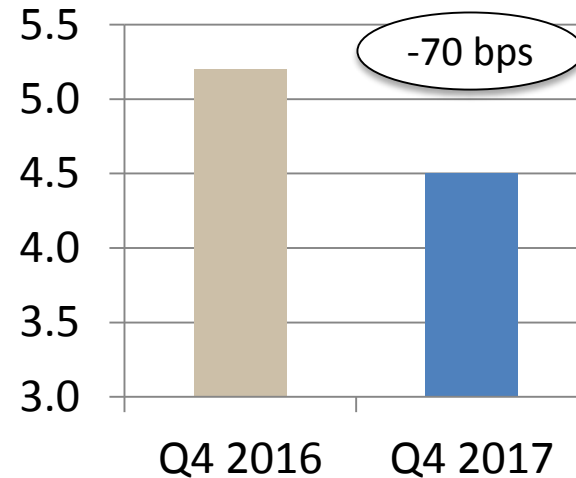
# Fourth Quarter Fiscal 2017 Summary

## Patterson Animal Health Overview

### Revenue\* (in millions)



### Adjusted Operating Profit Margin (%)



\*On a constant currency basis



# Fiscal 2018 Guidance from Continuing Operations

GAAP EPS: \$1.90 - \$2.05

Non-GAAP EPS: \$2.25 - \$2.40

Our non-GAAP adjusted earnings guidance excludes the after-tax impact of:

- Deal amortization expense of approximately \$25.5 million (\$0.27 per diluted share)
- Integration and business restructuring expenses of approximately \$6.4 million (\$0.07 per diluted share)
- Transaction-related costs of approximately \$0.3 million (\$0.00 per diluted share)

Our guidance:

- Is for current continuing operations as well as completed or previously announced acquisitions.
- Does not include the impact of potential future acquisitions or similar transactions, if any, or impairments and material restructurings beyond those previously publicly disclosed.
- Our guidance assumes North American and international market conditions similar to those experienced in FY 2017.



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