



# First Quarter 2017 Earnings

May 9, 2017

## Forward-Looking Statements

This presentation and oral statements made by the Company may contain forward-looking statements. The statements include all estimates and forecasts for full year 2017 and statements regarding, among other things, the expected financial impact and synergies of our acquired businesses and the timing of expected revenue and earnings. The words “outlook”, “guidance”, “anticipates”, “believes”, “expects”, “may”, “plans”, “predicts”, “will”, “potential”, “goal”, “target”, and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Readers should not place undue reliance on these forward-looking statements, as they involve a number of risks and uncertainties, including those discussed in the press release issued today and in the Company’s filings with the Securities and Exchange Commission. The financial guidance offered by the Company with respect to 2017 represents a point-in-time estimate and is based on information as of the date of this presentation. The Company has made numerous assumptions in providing this guidance which, while believed to be reasonable, may not prove to be accurate. Numerous factors could cause actual results to differ materially from any future performance suggested herein. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements to reflect events or circumstances arising after the date hereof.

## Non-GAAP Financial Measures

To supplement our financial results prepared in accordance with U.S. GAAP, we have presented non-GAAP measures of contract gross profit, contract gross margin, gross profit, gross margin, SG&A, net income, and earnings per diluted share, adjusted to exclude certain charges (and gains when applicable) that relate to specific events or transactions, such as impairment charges, restructuring charges, executive transition costs, business acquisition costs, realized and unrealized gains and losses on foreign currency transactions related to business acquisitions, non-recurring professional fees, ERP implementation costs, insurance recoveries on business interruption events, and gains on sales of facilities in the 2017 and 2016 periods presented. Management typically excludes these amounts when evaluating our operating performance and believes that the resulting non-GAAP measures provide investors with a consistent basis for comparison across periods and, therefore, are useful to investors in assessing our operating performance.

Our U.S. GAAP measures are also adjusted to exclude certain non-cash charges (and gains when applicable) such as non-cash debt interest and amortization charges, share-based compensation expense, acquisition accounting inventory adjustments, and acquisition accounting depreciation and amortization for the periods presented for 2017 and 2016. Management typically excludes the amounts described above when evaluating our operating performance and believes that the resulting non-GAAP measures are useful to investors in assessing our operating performance.

We have also presented the non-GAAP measure of adjusted EBITDA, which in addition to the items excluded above, further excludes the impact of interest income and expense, depreciation and amortization expense, and income tax expense or benefit.

We believe presentation of our non-GAAP measures enhances an overall understanding of our historical financial performance because we believe these measures are an indication of the performance of our base business. Management uses these non-GAAP measures as a basis for evaluating our financial performance as well as for budgeting and forecasting of future periods. For these reasons, we believe they can be useful to investors. The presentation of this additional information should not be considered in isolation or as a substitute for the related GAAP measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP financial measures are set forth in the appendix.

A reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures has been included in the appendix.

A reconciliation of organic revenue financial measures to the most directly comparable GAAP financial measures has been included in Table 5.

## 1Q 2017 Financial Highlights

- Delivered strong financial performance on both the top and bottom line
  - Organic contract revenue increased 7%
  - Non GAAP diluted earnings per share doubled to \$0.13
- Total revenue: \$164 million, up 56%
  - Double digit organic growth in DDS and API
- Non GAAP contract margins: 27%
- Adjusted EBITDA: \$24 million
- Adjusted EBITDA margins: 15%

*\*Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of non-GAAP items*

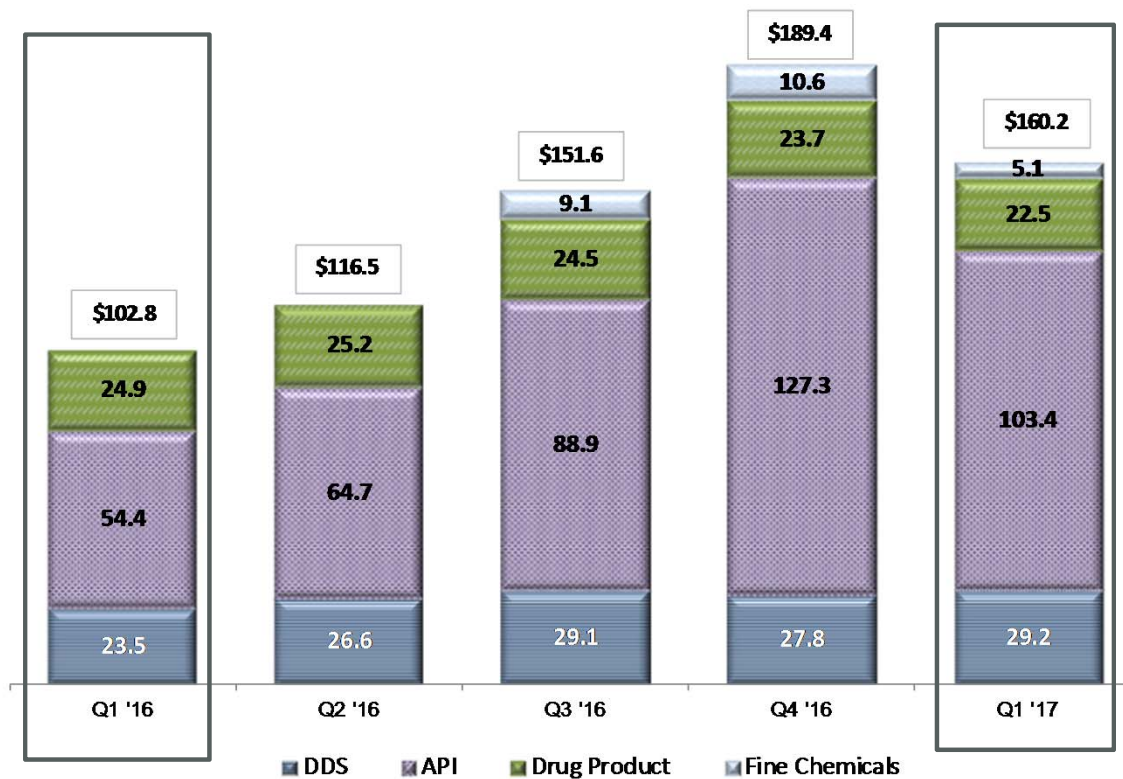
## 1Q 2017 Financial Highlights\*

(\$ millions)	1Q 2017 GAAP	1Q 2017 Non-GAAP	1Q 2016 GAAP	1Q 2016 Non-GAAP	Δ PY % GAAP	Δ PY % Non-GAAP
Contract revenue	160.2		102.8		56%	
Recurring Royalty Revenue	3.6		2.7		31%	
Total Revenue	163.8		105.6		55%	
Contract Margin	23%	27%	23%	27%	0 PPT	0 PPT
R&D Expense	3.4	3.4	3.2	3.2	7%	7%
SG&A	33.4	27.0	24.6	18.4	36%	47%
% of Contract Revenue	21%	17%	24%	18%	(3 PPT)	(1 PPT)
Adjusted EBITDA		24.0		13.1		83%
% of Revenue		15%		12%		3 PPT
Diluted EPS	(0.25)	0.13	(0.29)	0.07	14%	86%

\*Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of non-GAAP items

## Q1 2016 – Q1 2017 Contract Revenue by Segment

(\$ in millions)



- Euticals acquisition contributed \$50M in revenue 1Q 2017 vs 1Q 2016
- Overall Organic Growth of 7%

## Active Pharmaceutical Ingredients (API) Performance

(\$ in millions)	Q1 2017	Q1 2016	% Change Y/Y
API Royalty Revenue <sup>1</sup>	\$2.8	\$2.7	1%
API Contract Revenue <sup>1</sup>	\$103.4	\$54.4	90%
API Total Revenue	\$106.1	\$57.1	86%
Contract Gross Profit <sup>2</sup>	\$23.5	\$13.7	71%
Contract Gross Margin	23%	25%	(2 PPT)
Non-GAAP Contract Gross Profit	\$28.3	\$17.2	64%
Non-GAAP Contract Gross Margin	27%	32%	(5 PPT)

### Financial

- Euticals contributed \$43M million to API revenue in 1Q 2017
- API organic growth:10%

### Commercial

- Second sterile API site completed construction; ready for commercial sales third quarter 2017
- Strong demand for controlled substance API
- DEA import license in place for commercial manufacture of new APIs

<sup>1</sup>To conform to current year presentation, contract revenue for the three months ended March 31, 2016 in the amount of \$333 related to medium-scale activities in our Wisconsin facility has been reclassified from API to DDS.

<sup>2</sup>To better align with underlying activities and to conform to current year presentation, cost of contract revenue for the three months ended March 31, 2016 in the amount of \$142 previously classified as DDS has been reclassified to API.

<sup>3</sup>Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of non-GAAP items.

## Discovery and Development Services (DDS) Performance

(\$ in millions)	Q1 2017	Q1 2016	% Change Y/Y
DDS Contract Revenue <sup>1</sup>	\$29.2	\$23.5	24%
Contract Gross Profit <sup>2</sup>	\$8.2	\$6.3	31%
Contract Gross Margin	28%	27%	1 PPT
Non-GAAP Contract Gross Profit	\$8.6	\$6.5	32%
Non-GAAP Contract Gross Margin	30%	28%	2 PPT

### Financial

- Discovery revenue: \$10.3 million, up 17%
- Development and small scale revenue: \$9.1 million, up 65%, excluding \$1.4 million from Euticals
- Analytical revenue: \$9.7 million, essentially flat

### Commercial

- Strong execution and growing demand for Biology and Chemistry services
- Conversion of a portion of Wisconsin site from API to medium scale chemical development has yielded robust demand
- High demand for extractable/leachables, micro testing and solid state chemistry services

<sup>1</sup>To conform to current year presentation, contract revenue for the three months ended March 31, 2016 in the amount of \$333 related to medium-scale activities in our Wisconsin facility has been reclassified from API to DDS.

<sup>2</sup>To better align with underlying activities and to conform to current year presentation, cost of contract revenue for the three months ended March 31, 2016 in the amount of \$249 previously classified as DDS has been reclassified to API (\$142) and DP (\$108).

\*Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of non-GAAP items.



## Drug Product (DP) Performance

<i>(\$ in millions)</i>	Q1 2017	Q1 2016	% Change Y/Y
DP Royalty Revenue	\$0.8	\$0.0	-
DP Contract Revenue	\$22.5	\$24.9	(10%)
DP Total Revenue	\$23.4	\$24.9	(6%)
Contract Gross Profit <sup>1</sup>	\$5.2	\$3.5	49%
Contract Gross Margin	23%	14%	9 PPT
Non-GAAP Contract Gross Profit	\$5.5	\$4.0	40%
Non-GAAP Contract Gross Margin	25%	16%	9 PPT

### Key Points

- Timing of shipments and planned site shutdown contributed to lower revenue y/y
- Installation of pre-filled syringe line in Albuquerque initiated; major customer committed to consume bulk of capacity
- Glasgow UK site continues to outperform on early stage programs

<sup>1</sup>To better align with underlying activities and to conform to current year presentation, cost of contract revenue for the three months ended March 31, 2016 in the amount of \$108 previously classified as DDS has been reclassified to DP.

\*Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of non-GAAP items.

## Fine Chemicals (FC) Performance

<i>(\$ in millions)</i>	Q1 2017	Q1 2016
FC Contract Revenue	\$5.2	N/A
Contract Gross Profit	\$0.6	N/A
Contract Gross Margin	11%	N/A
Non-GAAP Contract Gross Profit	\$0.7	N/A
Non-GAAP Contract Gross Margin	15%	N/A

### Key Points

- Fine Chemicals (FC) is a new reporting segment for AMRI resulting from the acquisition of Euticals
- Contract gross profit and margin reflect the impact of acquisition accounting adjustments associated with the acquisition of Euticals

## AMRI Capitalization and Debt (\$ in millions)

	March 31, 2017	December 31, 2016
Term B Loan <sup>1</sup>	425	426
Seller Notes <sup>2</sup>	59	58
2018 Cash Convertible Sr. Notes <sup>3</sup>	150	150
Revolver	0	0
Other Debt	45	49
<b>Total Debt</b>	<b>679</b>	<b>684</b>
Cash & Equivalents	35	51
<b>Net Debt</b>	<b>644</b>	<b>633</b>
Leverage	5.7	5.9

<sup>1</sup>LIBOR plus 4.75% with floor of 1%

<sup>2</sup>Interest @ 0.25% annually payable in three annual installments beginning in 2019

<sup>3</sup>Interest @ 2.25% annually

## 2017 Financial Forecast

(\$ millions)	2017 Forecast	2016 Proforma Actuals <sup>(1)</sup>	V PY %
Total Revenue	710 - 740	687	5%
DDS Contract revenue growth, organic			12%
API Contract revenue growth, organic			8%
DP Contract revenue growth, organic			8%
FC Contract revenue growth, organic			(28%)
Non-GAAP Contract Margin <sup>(2)</sup>	~29%	~29%	~ ppt
Non-GAAP R&D Expense <sup>(2)</sup>	~2%	~3.5%	~(1.5) ppt
Non-GAAP SG&A Expense as a % of Revenue <sup>(2)</sup>	~15%	~15%	~ ppt
Adjusted EBITDA <sup>(2)</sup>	135 to 145	114	22%
Adjusted EBITDA% <sup>(2)</sup>	19% to 20%	16%	3 pts
Non-GAAP Diluted EPS <sup>(2) (3)</sup>	1.08 – 1.20	0.96	18%
Capital Expenditures	35 to 40	55	(36)%
Cash Interest Expense <sup>(4)</sup>	30	30	~%

(1) Proforma includes a full year of Euticals for 2016.

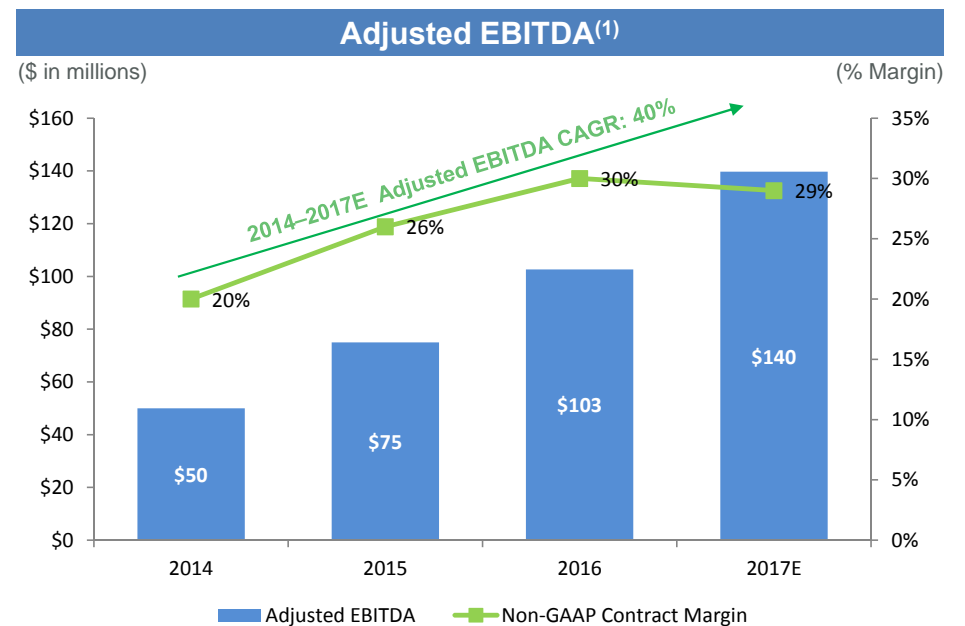
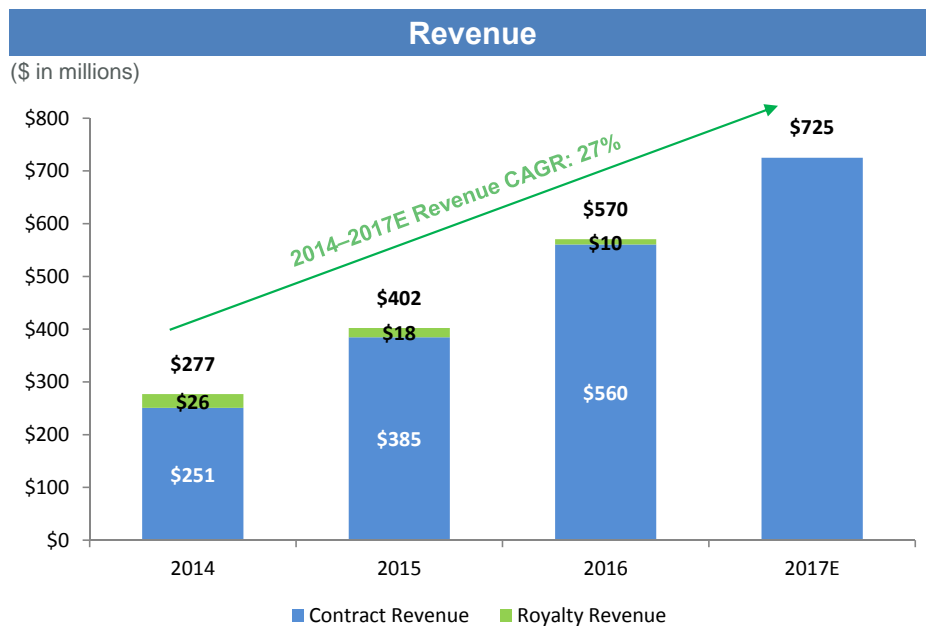
(2) Please refer to the appendix and 1<sup>st</sup> quarter 2017 earnings press release for a reconciliation of 2017 forecast non-GAAP items

(3) Assumes tax rate of approximately 28% and 44 million shares outstanding.

(4) Cash Interest Expense is non-proforma.



# AMRI Revenue and EBITDA Trends



2017E represents midpoint of guidance as of 5/9/17.

(1) 2014 based upon Adj. EBITDA plus add-back for non-cash stock-based compensation.



**Thank You**

# Appendix

## AMRI Key Financial Metrics

\$ millions

	2010	2011	2012	2013	2014	2015	2016
<b>Total Revenue</b>	\$198.0	\$207.6	\$226.7	\$246.6	\$276.6	\$402.4	\$570.5
<i>% growth</i>	—	4.8%	9.2%	8.8%	12.2%	45.5%	41.8%
<b>Adjusted EBITDA<sup>1</sup></b>	\$9.5	\$5.8	\$31.5	\$49.1	\$50.0	\$75.2	\$102.0
<i>% margin</i>	4.8%	2.8%	13.9%	19.9%	18.1%	18.7%	17.9%
<b>Cash &amp; Equivalents<sup>2</sup></b>	\$41.5	\$20.2	\$28.5	\$180.5	\$51.0	\$52.3	\$50.8
<b>Debt</b>	\$13.2	\$5.8	\$8.0	\$163.4	\$187.7	\$421.5	\$683.5
<b>Net Debt</b>	(\$28.3)	(\$14.4)	(\$20.5)	(\$17.1)	\$136.7	\$369.2	\$632.7

*Solid financial footing with increasingly attractive profile*

1) Please refer to our historical earnings releases for a reconciliation of non-GAAP items: <http://ir.amriglobal.com/results.cfm>

2) Cash and cash equivalents includes restricted cash





## Reconciliation of Contract Gross Profit and Contract Gross Margin (Dollars in thousands)

Non-GAAP Measures (Dollars in thousands)	Three Months Ended March 31,	
	2017	2016
Consolidated Contract Revenue, as reported	\$ 160,225	\$ 102,838
Consolidated Cost of Contract Revenue, as reported	122,778	79,363
Consolidated Contract Gross Profit, as reported	37,447	23,475
add: Share-based compensation expense	319	279
add: Acquisition accounting inventory adjustments	-	3,310
add: Acquisition accounting depreciation and amortization	5,486	700
Non-GAAP Consolidated Contract Gross Profit	\$ 43,252	\$ 27,764
Consolidated Contract Gross Margin, as reported	23.4%	22.8%
Non-GAAP Consolidated Contract Gross Margin	27.0%	27.0%
<hr/>		
DDS Segment Contract Revenue, as reported	\$ 29,167	\$ 23,536
DDS Segment Cost of Contract Revenue, as reported	20,974	17,261
DDS Segment Contract Gross Profit, as reported	8,193	6,275
add: Share-based compensation expense	135	134
add: Acquisition accounting depreciation	299	279
Non-GAAP DDS Segment Contract Gross Profit	\$ 8,627	\$ 6,688
DDS Segment Contract Gross Margin, as reported	28.1%	26.7%
Non-GAAP DDS Segment Contract Gross Margin	29.6%	28.4%

## Reconciliation of Contract Gross Profit and Contract Gross Margin (cont.) (Dollars in thousands)

Non-GAAP Measures (Dollars in thousands)	Three Months Ended March 31,	
	2017	2016
API Segment Contract Revenue, as reported	\$ 103,364	\$ 54,369
API Segment Cost of Contract Revenue, as reported	79,881	40,666
API Segment Contract Gross Profit, as reported	23,483	13,703
add: Share-based compensation expense	113	91
add: Acquisition accounting inventory adjustments	-	3,310
add: Acquisition accounting depreciation and amortization	4,738	135
Non-GAAP API Segment Contract Gross Profit	\$ 28,334	\$ 17,239
API Segment Contract Gross Margin, as reported	22.7%	25.2%
Non-GAAP API Segment Contract Gross Margin	27.4%	31.7%
<hr/>		
DP Segment Contract Revenue, as reported	\$ 22,534	\$ 24,933
DP Segment Cost of Contract Revenue, as reported	17,322	21,436
DP Segment Contract Gross Profit, as reported	5,212	3,497
add: Share-based compensation expense	71	54
add: Acquisition accounting depreciation and amortization	262	286
Non-GAAP DP Segment Contract Gross Profit	\$ 5,545	\$ 3,837
DP Segment Contract Gross Margin, as reported	23.1%	14.0%
Non-GAAP DP Segment Contract Gross Margin	24.6%	15.4%
<hr/>		
FC Segment Contract Revenue, as reported	\$ 5,160	\$ -
FC Segment Cost of Contract Revenue, as reported	4,601	-
FC Segment Contract Gross Profit, as reported	559	-
add: Acquisition accounting depreciation and amortization	187	-
Non-GAAP FC Segment Contract Gross Profit	\$ 746	\$ -
FC Segment Contract Gross Margin, as reported	10.8%	-
Non-GAAP FC Segment Contract Gross Margin	14.5%	-

## Adjusted EBITDA Reconciliation

(Dollars in thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Net loss, as reported	\$ (10,692)	\$ (10,067)
Depreciation and amortization	16,857	8,524
Interest expense, net	12,830	7,136
Income tax benefit	(850)	(2,218)
EBITDA	18,145	3,375
Share-based compensation expense	2,355	2,140
Restructuring and other charges	2,159	1,458
Non-recurring professional fees	887	-
Business acquisition costs	264	2,174
ERP Implementation costs	141	623
Acquisition accounting inventory adjustments	-	3,310
Adjusted EBITDA	<u>\$ 23,951</u>	<u>\$ 13,080</u>
Adjusted EBITDA Margin:		
Adjusted EBITDA as a percent of total revenue	15%	12%

## Reconciliation of Non-GAAP Measures (Dollars in thousands, except per share data)

	Three Months Ended	
	March 31,	
	2017	2016
Consolidated net loss, as reported	(10,692)	(10,067)
Acquisition accounting depreciation and amortization	8,588	2,268
Non-cash interest and amortization charges	5,063	2,772
Income tax effects of Non-GAAP adjustments	(2,974)	(3,447)
Share-based compensation expense	2,355	2,140
Restructuring and other charges	2,159	1,458
Non-recurring professional fees	840	-
Business acquisition costs	264	2,174
ERP implementation costs	141	623
Acquisition accounting inventory adjustments	-	3,310
Acquisition accounting depreciation adjustments in restructuring	-	1,142
Non-GAAP net income	<u>\$ 5,744</u>	<u>\$ 2,373</u>
Consolidated Basic loss per share, as reported	\$ (0.25)	\$ (0.29)
Effects of Non-GAAP adjustments	0.39	0.36
Non-GAAP Basic earnings per share	<u>\$ 0.14</u>	<u>\$ 0.07</u>
Consolidated Diluted loss per share, as reported	\$ (0.25)	\$ (0.29)
Effects of Non-GAAP adjustments	0.38	0.36
Non-GAAP Diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.07</u>
Consolidated Cost of Contract Revenue, as reported	\$ 122,778	\$ 79,363
Acquisition accounting depreciation and amortization	(5,486)	(700)
Share-based compensation expense	(319)	(279)
Acquisition accounting inventory adjustments	-	(3,310)
Non-GAAP Cost of Contract Revenue	<u>\$ 116,973</u>	<u>\$ 75,074</u>
Consolidated Selling, general and administrative, as reported	\$ 33,430	\$ 24,600
Acquisition accounting depreciation and amortization	(3,102)	(1,568)
Share-based compensation expense	(2,036)	(1,861)
Non-recurring professional fees	(840)	-
Business acquisition costs	(264)	(2,174)
ERP implementation costs	(141)	(623)
Non-GAAP Selling, general and administrative	<u>\$ 27,047</u>	<u>\$ 18,374</u>
Consolidated Interest expense, as reported	\$ 12,830	\$ 7,136
Non-cash interest and amortization charges	(5,063)	(1,142)
Non-GAAP Interest expense	<u>\$ 7,767</u>	<u>\$ 5,994</u>



# Reconciliation of Forward-Looking Non-GAAP Financial Measures to Forward-Looking GAAP Financial Measures (Dollars in thousands, except per share data)

## Reconciliation of GAAP net loss and GAAP diluted loss per share to non-GAAP net income and non-GAAP diluted earnings per share (Dollars in millions, except per share amounts)

	<u>Low</u>	<u>High</u>
GAAP net loss	\$ (12)	\$ (7)
Reconciling items (a)	\$ 59	\$ 59
Non-GAAP net income	<u>\$ 47</u>	<u>\$ 52</u>
GAAP diluted loss per share	<u>\$ (0.28)</u>	<u>\$ (0.16)</u>
Non-GAAP diluted earnings per share	<u>\$ 1.08</u>	<u>\$ 1.20</u>

(a) Reconciling items primarily include restructuring costs, acquisition accounting depreciation and amortization, share-based compensation, non-cash debt interest and amortization charges and the tax effect for such items.

## Reconciliation of GAAP net loss to Adjusted EBITDA (Dollars in millions)

	<u>Low</u>	<u>High</u>
GAAP net loss	\$ (12)	\$ (7)
Income tax (benefit) expense	\$ 12	\$ 13
Interest expense, net	\$ 48	\$ 48
Depreciation and amortization	\$ 62	\$ 66
EBITDA	\$ 110	\$ 121
Reconciling items (b)	\$ 24	\$ 24
Adjusted EBITDA	<u>\$ 135</u>	<u>\$ 145</u>

(b) Reconciling items primarily include restructuring costs, share-based compensation charges and the tax effect of all non-gaap reconciling items.

## Reconciliation of GAAP contract gross margin to non-GAAP contract gross margin

GAAP contract gross margin	26%
Add: acquisition accounting depreciation and share-based compensation	3%
Non-GAAP contract gross margin	<u>29%</u>

## Reconciliation of GAAP SG&A as a percentage of contract revenue to non-GAAP SG&A as a percentage of contract revenue

GAAP Selling, General and Administrative Expense	18%
Reconciling items (c)	(3%)
Non-GAAP Selling, General, and Administrative Expense	<u>15%</u>

(c) Reconciling items primarily include acquisition accounting depreciation and amortization and share-based compensation.



## Reconciliation of Organic Revenue Financial Measures

	Three Months Ended	
	March 31,	
	2017	2016
Consolidated Contract Revenue, as reported	\$ 160,225	\$ 102,838
Less: Euticals contract revenue	(49,976)	-
Non-GAAP: Organic Consolidated Contract Revenue	<u>\$ 110,249</u>	<u>\$ 102,838</u>
Non-GAAP: Organic Consolidated Contract Revenue Growth	7%	
<hr/>		
API Contract Revenue, as reported	\$ 103,363	\$ 54,369
Less: Euticals API contract revenue	(43,412)	-
Non-GAAP: Organic API Contract Revenue	<u>\$ 59,951</u>	<u>\$ 54,369</u>
Non-GAAP: Organic API Contract Revenue Growth	10%	
<hr/>		
DDS Contract Revenue, as reported	\$ 29,166	\$ 23,536
Less: Euticals DDS contract revenue	(1,404)	-
Non-GAAP: Organic DDS Contract Revenue	<u>\$ 27,762</u>	<u>\$ 23,536</u>
Non-GAAP: Organic DDS Contract Revenue Growth	18%	

## About AMRI

Albany Molecular Research Inc. (AMRI) is a global contract research and manufacturing organization that has been working with the Life Sciences industry to improve patient outcomes and the quality of life for more than two decades. With locations in North America, Europe and Asia, our key business segments include Discovery and Development Services (DDS), Active Pharmaceutical Ingredients (API), Drug Product (DP) and Fine Chemicals (FC). Our DDS segment provides comprehensive services from hit identification to IND, including expertise with diverse chemistry, library design and synthesis, *in vitro* biology and pharmacology, drug metabolism and pharmacokinetics, as well as natural products. API Manufacturing supports the chemical development and cGMP manufacture of complex API, including potent, controlled substances, biologics, peptides, steroids, and cytotoxic compounds. Drug Product Manufacturing supports pre-clinical through commercial scale production of complex liquid-filled and lyophilized parenteral formulations. For more information about AMRI, please visit our website at [www.amriglobal.com](http://www.amriglobal.com) or follow us on Twitter (@amriglobal).

### Contacts:

Investor Relations: Patty Eisenhour, AMRI Investor Relations, 518-512-2261, [patty.eisenhour@amriglobal.com](mailto:patty.eisenhour@amriglobal.com)

Media: Gina Rothe, AMRI Communications, 518-512-2512, [gina.rothe@amriglobal.com](mailto:gina.rothe@amriglobal.com)

