

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2021

or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38794



COVETRUS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation)

83-1448706  
(I.R.S. Employer  
Identification No.)

7 Custom House Street  
Portland, ME 04101  
Tel: (888) 280-2221

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	CVET	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The registrant had 137,616,602 shares of common stock outstanding as of July 30, 2021.

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**Glossary of Defined Terms and Abbreviations from our Form 10-K and Form 10-Q**

AAFCO	Association of American Feed Control Officials
Acquisition*	Our acquisition of Vets First Choice in an all-stock transaction
Adjusted EBITDA*	Adjusted EBITDA is the segment measure of profit or loss reported to the CODM. Adjusted EBITDA excludes share-based compensation, strategic consulting, transaction costs, formation of Covetrus expenses, separation programs and executive severance, carve-out operating expenses, certain IT infrastructure expenses necessary to establish ourselves as a newly public company, goodwill impairment charges, capital structure-related fees, operating lease right-of-use asset impairments, the proportionate share of the adjustments of consolidated and non-consolidated affiliates where Covetrus ownership is less than 100%, managed exits from businesses we are exiting or closing, and other income and expense items, net. Non-GAAP Adjusted EBITDA on a total segment basis is reconciled in <i>Note 2 - Segment Data</i> as required by ASC 280
AIP*	Annual Incentive Plan
Investment and Shareholders Agreement*	The Investment and Shareholders Agreement of Distrivet, S.A. executed on January 13, 2020
Animal Health Business*	Former Parent's spun-off animal-health business
Animal Owners*	Clients of our Customers
APAC	Asia Pacific
APVMA	Australian Pesticides and Veterinary Medicines Authority
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BEAT	Base Erosion & Anti-Abuse Tax
CEO	Chief Executive Officer
CARES	Coronavirus Aid, Relief, and Economic Security Act
CCPA	California Consumer Privacy Act
CFO	Chief Financial Officer
CODM	Chief Operating Decision Maker
COVID-19	Novel Coronavirus Disease 2019
Credit Facilities*	On February 7, 2019, we entered into a \$1.5 billion syndicated credit agreement with a group of lenders for a five-year term
Customers*	Veterinarians and animal-health practitioners
CVM	Center for Veterinary Medicine
DEA	U.S. Drug Enforcement Administration
DGCL	Delaware General Corporation Law
Defendants*	The Company, our Former Parent, our former Chief Executive Officer and President, and our former Chief Financial Officer, collectively
Distribution*	All the shares of our common stock that were then owned by our Former Parent were distributed to its stockholders of record as of January 17, 2019. Concurrent with the Distribution, we paid a cash dividend of \$1.2 billion to our Former Parent from loan proceeds from our newly established Term Loan Facility
Distrivet*	On April 30, 2020, we combined our subsidiary, SAHS, with Distrivet, S.A. to form a leading animal-health provider on the Iberian Peninsula. We own 50.01% of the company, called Distrivet, a Covetrus company
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization
EFTA	European Free Trade Area
EFSA	European Food Safety Authority
EMA	European Medicines Agency
EPA	Environmental Protection Agency
EPS	Basic earnings (loss) per common share
ESG	Environmental, social, and corporate governance
ESPP	Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FCMA	Fellow Chartered Management Accountant

FDA	U.S. Food and Drug Administration
FDII	Foreign-derived Intangible Income
Form 10-K	Audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2020
Form 10-Q or Report	Quarterly Report on Form 10-Q
Former Parent*	Henry Schein, Inc.
FTC	Federal Trade Commission
GAAP	Generally Accepted Accounting Principles in the United States of America
GDPR	EU General Data Protection Regulation
GFI	Guidance for Industry
GILTI	Global Intangible Low-Taxed Income
Global Technology Solutions or GTS*	The aggregation of our software services with our prescription management platform and related pharmacy services
IRS	Internal Revenue Service
ITGC	Information Technology General Controls
LIBOR	London Interbank Offered Rate
NM	Not Meaningful
NYSE	New York Stock Exchange
NZ EPA	New Zealand Environmental Protection Authority
PSU	Performance Stock Unit
Revolving Credit Facility*	\$300 million revolving line of credit for working capital and general corporate purposes
RSA	Restricted Stock Award
RSU	Restricted Stock Unit
SAHS*	Spain Animal Health Solutions S.L.U.
SEC	Securities and Exchange Commission
Separation*	In anticipation of the spin-off, affiliates of Covetrus purchased from certain minority holders their ownership interests in the applicable operating companies of the Animal Health Business. On February 7, 2019, our Former Parent completed the spin-off of its Animal Health Business and transferred the applicable assets, liabilities, and ownership interests to us
SG&A	Selling, general and administrative expenses
Share Sale*	On February 7, 2019 and prior to the Distribution, we sold \$361 million in shares to accredited institutional investors. The proceeds from the Share Sale were paid to us and distributed to our Former Parent
SMB	Small or Medium-Sized Business
Term Loan Facility*	\$1.2 billion term loan facility
Transactions*	Collectively the following events, effective February 7, 2019, Vets First Choice became a wholly-owned subsidiary of Covetrus, Inc. (f/k/a HS Spinco, Inc.), a company formed by our Former Parent in connection with the spin-off of the Animal Health Business and combination with Vets First Choice
TSA	Transition Service Agreements
U.K.	United Kingdom
USD	U.S. Dollar
USDA	U.S. Department of Agriculture
VCP*	Veterinary Care Plans
Vets First Choice*	Direct Vet Marketing, Inc. (d/b/a Vets First Choice)
VMD	Veterinary Medicines Directorate
VSG*	Veterinary Study Groups, Inc.
Covetrus, Company, we, us, our, or ourselves	Covetrus, Inc. and its consolidated subsidiaries, collectively
XBRL	eXtensible Business Reporting Language

\*Defined term or abbreviation is specific to CVET

## PART I

## Item 1. Condensed Consolidated Financial Statements

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share amounts)

	June 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 230	\$ 290
Accounts receivable, net of allowance of \$5 and \$5	517	507
Inventories, net	557	530
Other receivables	79	67
Prepaid expenses and other	36	26
<b>Total current assets</b>	<b>1,419</b>	<b>1,420</b>
<b>Non-current assets:</b>		
Property and equipment, net of accumulated depreciation of \$120 and \$106	122	116
Operating lease right-of-use assets, net	107	117
Goodwill	1,187	1,187
Other intangibles, net of accumulated amortization of \$531 and \$470	484	555
Investments and other	95	101
<b>Total assets</b>	<b>\$ 3,414</b>	<b>\$ 3,496</b>
<b>LIABILITIES, MEZZANINE EQUITY, AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 427	\$ 411
Current maturities of long-term debt and other borrowings	31	1
Accrued payroll and related liabilities	55	67
Accrued taxes	43	37
Other current liabilities	153	175
<b>Total current liabilities</b>	<b>709</b>	<b>691</b>
<b>Non-current liabilities:</b>		
Long-term debt and other borrowings, net	1,040	1,068
Deferred income taxes	16	28
Other liabilities	124	136
<b>Total liabilities</b>	<b>1,889</b>	<b>1,923</b>
Commitments and contingencies (Note 5)		
<b>Mezzanine equity:</b>		
Redeemable non-controlling interests (Note 10)	23	36
<b>Shareholders' equity:</b>		
Common stock, \$0.01 par value per share, 675,000,000 shares authorized; 137,359,704 shares issued and outstanding as of June 30, 2021; 136,017,964 shares issued and outstanding as of December 31, 2020	1	1
Accumulated other comprehensive loss (Note 9)	(66)	(66)
Additional paid-in capital	2,641	2,629
Accumulated deficit	(1,074)	(1,027)
<b>Total shareholders' equity</b>	<b>1,502</b>	<b>1,537</b>
<b>Total liabilities, mezzanine equity, and shareholders' equity</b>	<b>\$ 3,414</b>	<b>\$ 3,496</b>

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share amounts) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net sales (Note 3)</b>	\$ 1,189	\$ 1,026	\$ 2,291	\$ 2,091
Cost of sales	969	834	1,861	1,696
Gross profit	220	192	430	395
<b>Operating expenses:</b>				
Selling, general and administrative	229	196	442	419
Operating income (loss)	(9)	(4)	(12)	(24)
Other income (expense):				
Interest income	—	1	—	1
Interest expense	(9)	(14)	(18)	(28)
Other, net	—	76	—	75
Income (loss) before taxes and equity in earnings of affiliates	(18)	59	(30)	24
Income tax benefit (expense) (Note 6)	(13)	(6)	(17)	(4)
Equity in net earnings of affiliates	—	1	—	1
<b>Net income (loss)</b>	(31)	54	(47)	21
Net (income) loss attributable to redeemable non-controlling interests	—	—	—	(1)
<b>Net income (loss) attributable to Covetrus</b>	<u>\$ (31)</u>	<u>\$ 54</u>	<u>\$ (47)</u>	<u>\$ 20</u>
<b>Earnings (loss) per share: (Note 4)</b>				
Basic	\$ (0.23)	\$ 0.40	\$ (0.34)	\$ 0.15
Diluted	\$ (0.23)	\$ 0.40	\$ (0.34)	\$ 0.15
Weighted-average common shares outstanding:				
Basic	137	112	137	112
Diluted	137	113	137	113

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(In millions) (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income (loss)</b>	\$ (31)	\$ 54	\$ (47)	\$ 21
<b>Other comprehensive income (loss), net of tax:</b>				
Foreign currency translation gain (loss)	7	6	(4)	(16)
Gain (loss) on derivative instruments	2	1	4	(7)
Total other comprehensive income (loss)	9	7	—	(23)
<b>Comprehensive income (loss)</b>	(22)	61	(47)	(2)
Comprehensive (income) loss attributable to redeemable non-controlling interests:				
Net (income) loss	—	—	—	(1)
Foreign currency translation (gain) loss	1	—	—	(2)
Comprehensive (income) loss attributable to redeemable non-controlling interests	1	—	—	(3)
<b>Comprehensive income (loss) attributable to Covetrus</b>	<u>\$ (21)</u>	<u>\$ 61</u>	<u>\$ (47)</u>	<u>\$ (5)</u>

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In millions, except share amounts) (Unaudited)

Three Months Ended June 30, 2021

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
<b>Balance at March 31, 2021</b>	136,342,036	\$ 1	\$ (75)	\$ 2,637	\$ (1,043)	\$ 1,520
Net income (loss) attributable to Covetrus	—	—	—	—	(31)	(31)
Issuance of shares in connection with share-based compensation plans, net of shares withheld for taxes	1,017,668	—	—	(8)	—	(8)
Redeemable non-controlling interest redemption value adjustment	—	—	—	(2)	—	(2)
Share-based compensation	—	—	—	14	—	14
Other comprehensive income (loss)	—	—	9	—	—	9
<b>Balance at June 30, 2021</b>	<u>137,359,704</u>	<u>\$ 1</u>	<u>\$ (66)</u>	<u>\$ 2,641</u>	<u>\$ (1,074)</u>	<u>\$ 1,502</u>

Six Months Ended June 30, 2021

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
<b>Balance at December 31, 2020</b>	136,017,964	\$ 1	\$ (66)	\$ 2,629	\$ (1,027)	\$ 1,537
Net income (loss) attributable to Covetrus	—	—	—	—	(47)	(47)
Issuance of shares in connection with share-based compensation plans, net of shares withheld for taxes	1,341,740	—	—	(11)	—	(11)
Redeemable non-controlling interest redemption value adjustment	—	—	—	(2)	—	(2)
Share-based compensation	—	—	—	25	—	25
Other comprehensive income (loss)	—	—	—	—	—	—
<b>Balance at June 30, 2021</b>	<u>137,359,704</u>	<u>\$ 1</u>	<u>\$ (66)</u>	<u>\$ 2,641</u>	<u>\$ (1,074)</u>	<u>\$ 1,502</u>

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)**  
(In millions, except share amounts) (Unaudited)

Three Months Ended June 30, 2020

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
<b>Balance at March 31, 2020</b>	111,854,439	\$ 1	\$ (116)	\$ 2,348	\$ (1,034)	\$ 1,199
Net income (loss) attributable to Covetrus	—	—	—	—	54	54
Issuance of shares in connection with share-based compensation plans, net of shares withheld for taxes	820,218	—	—	4	—	4
Share-based compensation	—	—	—	10	—	10
Series A preferred stock cash dividend	—	—	—	—	(2)	(2)
Other comprehensive income (loss)	—	—	9	—	—	9
Other	—	—	—	—	(1)	(1)
<b>Balance at June 30, 2020</b>	<u>112,674,657</u>	<u>\$ 1</u>	<u>\$ (107)</u>	<u>\$ 2,362</u>	<u>\$ (983)</u>	<u>\$ 1,273</u>

Six Months Ended June 30, 2020

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Additional Paid-in Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount				
<b>Balance at December 31, 2019</b>	111,620,507	\$ 1	\$ (86)	\$ 2,339	\$ (1,001)	\$ 1,253
Net income (loss) attributable to Covetrus	—	—	—	—	20	20
Issuance of shares in connection with share-based compensation plans, net of shares withheld for taxes	1,054,150	—	—	4	—	4
Share-based compensation	—	—	—	19	—	19
Series A preferred stock cash dividend	—	—	—	—	(2)	(2)
Other comprehensive income (loss)	—	—	(21)	—	—	(21)
<b>Balance at June 30, 2020</b>	<u>112,674,657</u>	<u>\$ 1</u>	<u>\$ (107)</u>	<u>\$ 2,362</u>	<u>\$ (983)</u>	<u>\$ 1,273</u>

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions) (Unaudited)

	Six Months Ended June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (47)	\$ 21
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	86	82
Amortization of right-of-use assets	14	12
Gain on divestiture of a business	—	(73)
Share-based compensation expense	25	19
Benefit for deferred income taxes	(11)	(2)
Amortization of debt issuance costs	3	3
Other	3	(2)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(12)	(56)
Inventories, net	(30)	130
Other assets and liabilities	(37)	(14)
Accounts payable and accrued expenses	5	(66)
<b>Net cash provided by (used for) operating activities</b>	<b>(1)</b>	<b>54</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(24)	(24)
Payments related to equity investments and business acquisitions, net of cash acquired	—	(13)
Proceeds from divestiture of a business, net	—	104
Proceeds from sale of property and equipment	—	4
<b>Net cash provided by (used for) investing activities</b>	<b>(24)</b>	<b>71</b>
<b>Cash flows from financing activities:</b>		
Proceeds from revolving credit facility	—	190
Repayment of revolving credit facility	—	(190)
Principal payments of debt	—	(62)
Debt issuance and amendment costs	—	(5)
Share-based compensation-related proceeds, net of taxes paid on withholding shares	(10)	4
Proceeds from issuance of Series A preferred stock	—	250
Series A preferred stock issuance costs	—	(6)
Series A preferred stock dividend	—	(2)
Distributions to non-controlling shareholders	(1)	—
Deferred payments related to equity investments and business acquisitions	(13)	(17)
Payments related to the buy-out of non-controlling interests in subsidiaries of Covetrus	(10)	—
<b>Net cash provided by (used for) financing activities</b>	<b>(34)</b>	<b>162</b>
Effect of exchange rate changes on cash and cash equivalents	(1)	(3)
Net change in cash and cash equivalents	(60)	284
Cash and cash equivalents, beginning of period	290	130
<b>Cash and cash equivalents, end of period</b>	<b>\$ 230</b>	<b>\$ 414</b>
<b>Supplemental disclosures of non-cash investing and financing activities:</b>		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 5	\$ 57
Deconsolidation of a subsidiary	\$ —	\$ 15

See notes to unaudited condensed consolidated financial statements.

**COVETRUS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In millions) (Unaudited)**

## **1. BUSINESS OVERVIEW AND SIGNIFICANT ACCOUNTING POLICIES**

### *Business*

We are a global animal-health technology and services company dedicated to supporting the companion, equine, and large-animal veterinary markets.

### *Basis of Presentation and Principles of Consolidation*

The accompanying balance sheet as of December 31, 2020, which was derived from audited financial statements, and the unaudited condensed consolidated financial statements as of and for the six months ended June 30, 2021, have been prepared in accordance with applicable rules and regulations of the SEC for interim financial reporting. Pursuant to those rules and regulations, we omitted certain information and disclosures normally included in annual financial statements prepared in accordance with GAAP.

In our opinion, the accompanying condensed consolidated financial statements reflect all recurring adjustments and transactions necessary for a fair statement of our financial position, results of operations, and cash flows for the interim periods presented. Such operating results are not necessarily indicative of annual or future results. These condensed consolidated financial statements and notes should be read in conjunction with the Form 10-K filed with the SEC on March 1, 2021.

The accompanying unaudited condensed consolidated financial statements include the operations of the Company, as well as those of our wholly-owned and majority-owned subsidiaries from their respective dates of inception or acquisition. All significant intercompany transactions and balances were eliminated in consolidation. Investments in unconsolidated affiliates, which are 20% to 50.01% owned, or investments of less than 20% in which we could influence the operating or financial decisions, are accounted for under the equity method.

Certain prior period amounts were reclassified or rounded to conform to the presentation of the current period.

### *Accounting Pronouncements*

- As of January 1, 2021, we adopted ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," which removes specific technical exceptions to general principles found in Topic 740, items that often produce information that investors have difficulty understanding, and simplifies the accounting for income taxes. The adoption of this ASU did not have a material impact on the results of our condensed consolidated financial statements.
- ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting for contracts, hedging relationships, and other transactions that reference LIBOR. The standard is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2022. Our debt agreements and interest rate swaps that utilize LIBOR have not yet discontinued the use of LIBOR and, therefore, this ASU is not yet effective for us. Because our interest rate swaps matured on July 31, 2021, we do not expect an accounting burden, or the relief provided by this ASU for hedging relationships, to impact the results of our condensed consolidated financial statements. The banking syndicate associated with our Credit Facilities intends to cease using the 1-week and 2-month USD LIBOR at the end of 2021, with the other USD Tenors to cease June 30, 2023. We will continue to monitor, and, to the extent our Credit Facilities require amendment to reflect a replacement rate prior to December 31, 2022, we will evaluate the benefits of adopting this ASU.

**COVETRUS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(In millions) (Unaudited)

**2. SEGMENT DATA**

The following tables reflect our segment and Corporate information and reconciles non-GAAP Adjusted EBITDA for reportable segments to consolidated Net income (loss) attributable to Covetrus:

	Three Months Ended June 30, 2021					
	North America	Europe	APAC & Emerging Markets	Corporate	Eliminations	Total
Net sales	\$ 713	\$ 366	\$ 114	\$ —	\$ (4)	\$ 1,189
Adjusted EBITDA	\$ 59	\$ 20	\$ 9	\$ (22)	\$ —	\$ 66

**Reconciliation of Net income (loss) attributable to Covetrus to Non-GAAP Adjusted EBITDA:**

Net income (loss) attributable to Covetrus	\$ (31)
Plus: Depreciation and amortization	43
Plus: Interest expense, net	9
Plus: Income tax (benefit) expense	13
Earnings (loss) before interest, taxes, depreciation, and amortization	34
Plus: Share-based compensation	14
Plus: Strategic consulting	12
Plus: Transaction costs <sup>(a)</sup>	1
Plus: Separation programs and executive severance	2
Plus: Other items, net	3
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 66</b>

(a) Includes legal, accounting, tax, and other professional fees incurred in connection with acquisitions and divestitures

	Three Months Ended June 30, 2020					
	North America	Europe	APAC & Emerging Markets	Corporate	Eliminations	Total
Net sales	\$ 602	\$ 342	\$ 85	\$ —	\$ (3)	\$ 1,026
Adjusted EBITDA	\$ 55	\$ 16	\$ 5	\$ (13)	\$ —	\$ 63

**Reconciliation of Net income (loss) attributable to Covetrus to Non-GAAP Adjusted EBITDA:**

Net income (loss) attributable to Covetrus	\$ 54
Plus: Depreciation and amortization	41
Plus: Interest expense, net	13
Plus: Income tax (benefit) expense	6
Earnings (loss) before interest, taxes, depreciation, and amortization	114
Plus: Share-based compensation	10
Plus: Strategic consulting	5
Plus: Formation of Covetrus <sup>(a)</sup>	7
Plus: Separation programs and executive severance	1
Plus: Capital structure	1
Less: Other items, net <sup>(b)</sup>	(75)
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 63</b>

(a) Includes professional and consulting fees, duplicative costs associated with transition service agreements, and other costs incurred in connection with the separation from Former Parent and establishing Covetrus as an independent public company

(b) Includes a \$73 million gain on the divestiture of scil and a \$1 million gain on the deconsolidation of SAHS

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	Six Months Ended June 30, 2021					
	North America	Europe	APAC & Emerging Markets	Corporate	Eliminations	Total
Net sales	\$ 1,348	\$ 727	\$ 226	\$ —	\$ (10)	\$ 2,291
Adjusted EBITDA	\$ 111	\$ 41	\$ 19	\$ (48)	\$ —	\$ 123
<b>Reconciliation of Net income (loss) attributable to Covetrus to Non-GAAP Adjusted EBITDA:</b>						
Net income (loss) attributable to Covetrus						\$ (47)
Plus: Depreciation and amortization						86
Plus: Interest expense, net						18
Plus: Income tax (benefit) expense						17
Earnings (loss) before interest, taxes, depreciation, and amortization						74
Plus: Share-based compensation						25
Plus: Strategic consulting						14
Plus: Transaction costs <sup>(a)</sup>						2
Plus: Formation of Covetrus <sup>(b)</sup>						2
Plus: Separation programs and executive severance						2
Plus: Equity method investments and non-consolidated affiliates <sup>(c)</sup>						1
Plus: Other items, net						3
<b>Non-GAAP Adjusted EBITDA</b>						<b>\$ 123</b>

(a) Includes legal, accounting, tax, and other professional fees incurred in connection with acquisitions and divestitures

(b) Includes professional and consulting fees, and other costs incurred in connection with the separation from Former Parent and establishing Covetrus as an independent public company

(c) Includes the proportionate share of the adjustments to EBITDA of consolidated and non-consolidated affiliates where Covetrus ownership is less than 100%

	Six Months Ended June 30, 2020					
	North America	Europe	APAC & Emerging Markets	Corporate	Eliminations	Total
Net sales	\$ 1,152	\$ 764	\$ 180	\$ —	\$ (5)	\$ 2,091
Adjusted EBITDA	\$ 96	\$ 34	\$ 12	\$ (31)	\$ —	\$ 111
<b>Reconciliation of Net income (loss) attributable to Covetrus to Non-GAAP Adjusted EBITDA:</b>						
Net income (loss) attributable to Covetrus						\$ 20
Plus: Depreciation and amortization						82
Plus: Interest expense, net						27
Plus: Income tax (benefit) expense						4
Earnings (loss) before interest, taxes, depreciation, and amortization						133
Plus: Share-based compensation						19
Plus: Strategic consulting						9
Plus: Transaction costs <sup>(a)</sup>						6
Plus: Formation of Covetrus <sup>(b)</sup>						14
Plus: Separation programs and executive severance						2
Plus: IT infrastructure						2
Plus: Capital structure						1
Less: Other items, net <sup>(c)</sup>						(75)
<b>Non-GAAP Adjusted EBITDA</b>						<b>\$ 111</b>

(a) Includes legal, accounting, tax, and other professional fees incurred in connection with acquisitions and divestitures

(b) Includes professional and consulting fees, duplicative costs associated with transition service agreements, and other costs incurred in connection with the separation from Former Parent and establishing Covetrus as an independent public company

(c) Includes a \$73 million gain on the divestiture of scil and a \$1 million gain on the deconsolidation of SAHS

See Note 3 - Revenue from Contracts with Customers for our revenue disaggregated by major product category and reportable segment.

**COVETRUS, INC.**  
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### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregation of Revenue

The tables below present our revenue disaggregated by major product category and reportable segment.

	Three Months Ended June 30, 2021				
	Supply Chain Services	Software Services	Prescription Management	Eliminations	Total
North America	\$ 587	\$ 20	\$ 131	\$ (25)	\$ 713
Europe	368	2	—	(4)	366
APAC & Emerging Markets	112	2	—	—	114
Eliminations	(4)	—	—	—	(4)
Total Net sales	<u>\$ 1,063</u>	<u>\$ 24</u>	<u>\$ 131</u>	<u>\$ (29)</u>	<u>\$ 1,189</u>

	Three Months Ended June 30, 2020				
	Supply Chain Services	Software Services	Prescription Management	Eliminations	Total
North America	\$ 495	\$ 19	\$ 110	\$ (22)	\$ 602
Europe	342	2	—	(2)	342
APAC & Emerging Markets	83	2	—	—	85
Eliminations	(3)	—	—	—	(3)
Total Net sales	<u>\$ 917</u>	<u>\$ 23</u>	<u>\$ 110</u>	<u>\$ (24)</u>	<u>\$ 1,026</u>

	Six Months Ended June 30, 2021				
	Supply Chain Services	Software Services	Prescription Management	Eliminations	Total
North America	\$ 1,112	\$ 40	\$ 243	\$ (47)	\$ 1,348
Europe	732	5	—	(10)	727
APAC & Emerging Markets	221	5	—	—	226
Eliminations	(10)	—	—	—	(10)
Total Net sales	<u>\$ 2,055</u>	<u>\$ 50</u>	<u>\$ 243</u>	<u>\$ (57)</u>	<u>\$ 2,291</u>

	Six Months Ended June 30, 2020				
	Supply Chain Services	Software Services	Prescription Management	Eliminations	Total
North America	\$ 956	\$ 40	\$ 195	\$ (39)	\$ 1,152
Europe	766	4	—	(6)	764
APAC & Emerging Markets	176	4	—	—	180
Eliminations	(5)	—	—	—	(5)
Total Net sales	<u>\$ 1,893</u>	<u>\$ 48</u>	<u>\$ 195</u>	<u>\$ (45)</u>	<u>\$ 2,091</u>

#### Contract Assets and Contract Liabilities

Contract asset balances as of June 30, 2021 and December 31, 2020 were not material. There have been no material changes in our current portion of contract liabilities since the end of fiscal year 2020, and the amounts related to non-current contract liabilities were not material as of June 30, 2021 and December 31, 2020. See *Note 1 - Business Overview and Significant Accounting Policies* and *Note 5 - Revenue from Contracts with Customers* of our Form 10-K.

#### Performance Obligations

Estimated future revenues expected to be generated from our long-term contracts with unsatisfied performance obligations as of June 30, 2021 were not material.

**COVETRUS, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. EARNINGS (LOSS) PER SHARE**

EPS is computed by dividing Net income (loss) available to common shareholders by the weighted-average common shares outstanding during the period. In addition, the shares of common stock issuable pursuant to restricted stock awards, restricted stock units, performance stock units, and stock options outstanding under our 2019 Omnibus Incentive Compensation Plan and shares issuable under our Employee Stock Purchase Plan are included in the diluted EPS calculation to the extent they are dilutive.

The following is a reconciliation of the numerator and denominator of the basic and diluted EPS computation for earnings (loss) per share:

<i>(In millions, except per share amounts)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Numerator:</b>				
Net income (loss) attributable to Covetrus	\$ (31)	\$ 54	\$ (47)	\$ 20
Adjustment for:				
Dividends declared on Series A preferred stock	—	(2)	—	(2)
Allocation of earnings to participating securities	—	(6)	—	(1)
Net income (loss) available to common shareholders	\$ (31)	\$ 46	\$ (47)	\$ 17
<b>Denominator:</b>				
<b>Basic</b>				
Weighted-average common shares outstanding	137	112	137	112
<b>Diluted</b>				
Effect of dilutive shares	—	1	—	1
Weighted-average common shares outstanding	137	113	137	113
<b>Earnings (loss) per share:</b>				
Basic	\$ (0.23)	\$ 0.40	\$ (0.34)	\$ 0.15
Diluted	\$ (0.23)	\$ 0.40	\$ (0.34)	\$ 0.15
Potentially dilutive securities <sup>(a)</sup>	5	19	5	12

*(a) Potentially dilutive securities for 2021 and 2020 include stock options, restricted stock units, restricted stock awards, and performance stock units and were excluded from the computation of diluted earnings per share because the securities would have had an antidilutive effect. During 2020, until converted, the outstanding Series A preferred stock was dilutive and excluded from the computation of diluted earnings per share because the stock would have had an antidilutive effect.*

**5. COMMITMENTS AND CONTINGENCIES**

We are involved in various legal proceedings that arise in the ordinary course of business. Substantial judgment is required in predicting the outcome of these legal proceedings, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and can be reasonably estimated. Legal fees are expensed as incurred. No material loss contingencies were accrued as of June 30, 2021.

**Securities Litigation Matter**

On September 30, 2019, the City of Hollywood (Florida) Police Officers' Retirement System filed a putative securities class action lawsuit in the United States District Court for the Eastern District of New York, purportedly on behalf of purchasers of Covetrus common stock from February 8, 2019 through August 12, 2019, against the Defendants. The complaint alleges that the Defendants violated Sections 10(b) and 20(a) of the Exchange Act, by making allegedly false and misleading statements and omissions, primarily regarding the Company's financial prospects and the integration costs relating to the business combination involving the Animal Health Business and Vets First Choice. The suit seeks unspecified damages, fees, interest, and costs. On August 3, 2021, the Court issued an order granting in part and denying in part Defendants' motions to dismiss. In particular, the Court dismissed, with prejudice, all claims asserted against our Former Chief Financial Officer, a director, and our Former Parent, as well as certain claims based on alleged misrepresentations attributed to the Company and our Former Chief Executive Officer.

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We intend to continue to defend the remaining claims vigorously. Given the uncertainty of litigation, the preliminary stage of the case, and the legal standards that must be met for, among other things, class certification and success on the merits, we cannot estimate the reasonably possible loss or range of loss that may result from this action.

### *Purchase Obligations*

We are party to an exclusive supply agreement with an aggregate unconditional commitment to purchase \$32 million for certain products within the U.S. market until 2025. Our unconditional purchase obligation for 2021 is \$8 million. For the three and six months ended June 30, 2021, we purchased products totaling \$2 million and \$4 million, respectively. Our forecasted sales exceed our purchase obligations under this agreement.

In 2019, we engaged a third party for services over a three-year period ending December 31, 2022. We considered the contract to be of a “take-or-pay” nature due to the termination fees embedded in the contract: fixed termination fees of \$12 million until mid-November 2020 and \$14 million thereafter, plus any variable performance fees through termination. The fixed portion of the contract was capped at \$14 million while the variable portion of the contract was capped at \$39 million over the term of the engagement. In April 2021, we amended this contract with the third-party service provider such that the terms of the original agreement were deemed fully satisfied by both parties. This amendment resulted in a decrease of \$18 million from the remaining commitments under the original terms of the agreement. In connection with the contract amendment, we agreed to pay the third party \$10 million for specific services, which were completed and fully accrued for as of June 30, 2021.

## **6. INCOME TAXES**

Income tax expense for the three months ended June 30, 2021 was \$13 million on a loss before taxes and equity in earnings of affiliates of \$18 million. The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from certain U.S. deferred tax assets and certain expenses not deductible in the U.S.

Income tax expense for the six months ended June 30, 2021 was \$17 million on a loss before taxes and equity in earnings of affiliates of \$30 million. The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from certain U.S. deferred tax assets and certain expenses not deductible in the U.S.

Income tax expense for the three months ended June 30, 2020 was \$6 million on income before taxes and equity in earnings of affiliates of \$59 million. The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from deferred tax assets and the sale of our scil business.

Income tax expense for the six months ended June 30, 2020 was \$4 million on income before taxes and equity in earnings of affiliates of \$24 million. The difference between our effective tax rate and the federal statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to non-deductible share-based compensation expenses, the sale of our scil business, valuation allowances due to uncertainty regarding the realization of future tax benefits from deferred tax assets, and the federal tax impact of international operations included as GILTI.

## **7. FAIR VALUE**

GAAP defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We have certain financial assets and liabilities that are measured at fair value on a recurring basis, certain nonfinancial assets and liabilities that may be measured at fair value on a non-recurring basis, and certain financial assets and liabilities that are not measured at fair value in our condensed consolidated balance sheets, but the fair value is disclosed. The fair value disclosures of these assets and liabilities are based on a three-level hierarchy, which is defined as follows:

- **Level 1** - Unadjusted quoted prices in active markets for identical assets or liabilities

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- **Level 2** - Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability
- **Level 3** - Unobservable inputs for the asset or liability

There were no changes in valuation approaches or techniques during the three and six months ended June 30, 2021. See *Note 11 - Fair Value* in our Form 10-K for a description of our valuation techniques.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table presents our financial instruments measured at fair value on a recurring basis and indicates the level within the fair value hierarchy:

Assets	Level	June 30, 2021	December 31, 2020
Distrivet call option	3	\$ 1	\$ 2
Total assets		<u>\$ 1</u>	<u>\$ 2</u>
Liabilities	Level	June 30, 2021	December 31, 2020
Interest rate swap contracts	2	\$ 1	\$ 5
Distrivet put option	3	2	1
Total liabilities		<u>\$ 3</u>	<u>\$ 6</u>

*Interest Rate Swap Contracts*

Our derivatives at June 30, 2021 consisted of five interest rate swap contracts which are over-the-counter and not traded through an exchange. The fair values of our swap contracts are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. These interest rate swap contracts matured on July 31, 2021. See *Note 8 - Derivatives*.

*Distrivet Options*

The Distrivet options fair value was derived from a Monte Carlo simulation methodology. The significant unobservable inputs utilized in this Level 3 fair value measurement includes the enterprise value of Distrivet (\$130 million), volatility (35%), and cost of capital, which considered market participant inputs regarding capital structure and risk premiums, (15%). We regularly evaluate each of the assumptions used in establishing the asset and liability. Significant changes in assumptions could result in significantly lower or higher fair value measurements.

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Assets that are measured at fair value on a nonrecurring basis primarily relate to Property and equipment, net, Operating lease right-of-use assets, net, Goodwill, and Other intangibles, net. We do not periodically adjust carrying value to fair value for these assets; rather, the carrying value of the asset is reduced to its fair value when we determine that impairment has occurred. We did not have any assets or liabilities measured at fair value on a nonrecurring basis during the six months ending June 30, 2021.

**Assets and Liabilities Not Measured at Fair Value**

*Financial Assets and Liabilities*

The carrying amounts reported on the condensed consolidated balance sheets for Cash and cash equivalents, Accounts receivable, net, Other receivables, Accounts payable, and accrued expenses approximate their fair value due to the short maturity of those instruments.

*Long-term Debt*

Our long-term debt is classified as a level 2 instrument. The carrying amount of the term loan approximates fair value given the underlying interest rate applied to such amounts outstanding is currently reset to the prevailing monthly market rate.

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**8. DERIVATIVES**

We are exposed to the impact of changes in interest rates in the normal course of business. Our financial risk management program is designed to manage the exposure arising from this cash flow risk and may use derivative financial instruments to minimize this risk. We do not enter into derivative financial instruments for trading or speculative purposes.

In July and August 2019, we executed interest rate swap contracts with notional amounts aggregating \$500 million that are designated as cash flow hedges to manage interest rate risk on our floating rate debt. These interest rate swap contracts effectively fixed the borrowing rates on a portion of our floating rate debt. The base notional amounts matured on July 31, 2021. On the interest rate swap inception dates, we designated the swaps as a hedge of the variability in cash flows we pay on our variable rate borrowings.

Our interest rate swap agreements exchanged payment streams based on the notional principal amount. These agreements fixed our future interest rates ranging from 1.63% to 1.70% plus the applicable margin as provided in our debt agreement on an amount of our debt principal equal to the then-outstanding swap notional amount.

The following table discloses the fair value and balance sheet location of our derivative instruments:

Cash Flow Hedging Instruments	Balance Sheet Location	Liability Derivatives	
		June 30, 2021	December 31, 2020
Interest rate swap contracts	Other current liabilities	\$ 1	\$ 5

At inception of the hedging contract, we used statistical regression to assess the effectiveness of the interest rate hedges. The hedging contracts were deemed highly effective and are expected to be highly effective throughout the hedge period. Therefore, we performed a qualitative assessment of the hedge effectiveness at each subsequent quarterly reporting date. As of June 30, 2021, derivative gains and losses were reported as a component of Other comprehensive income (loss) and will subsequently be recorded in the condensed consolidated statements of operations when the hedged transaction is recognized in earnings.

The effect of cash flow hedges on Other comprehensive income (loss) was as follows:

Cash Flow Hedging Instruments	Location	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Interest rate swap contracts	Interest (income) expense	\$ 2	\$ 1	\$ 4	\$ 1

The net amount of deferred losses on cash flow hedges that are expected to be reclassified from Accumulated other comprehensive income (loss) into Interest expense within the next 12 months is \$1 million.

**9. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following table presents the changes in Accumulated other comprehensive loss, net of applicable taxes, by component:

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	Derivative Gain (Loss)	Foreign Currency Translation Gain (Loss)	Total
<i>Three Months Ended June 30, 2021</i>			
Balance at March 31, 2021	\$ (1)	\$ (74)	\$ (75)
Other comprehensive loss before reclassifications	—	7	7
Reclassified from Accumulated other comprehensive loss to earnings	2	—	2
Period Change	2	7	9
Balance at June 30, 2021	<u>\$ 1</u>	<u>\$ (67)</u>	<u>\$ (66)</u>
<i>Three Months Ended June 30, 2020</i>			
Balance at March 31, 2020	\$ (8)	\$ (108)	\$ (116)
Other comprehensive loss before reclassifications	—	6	6
Reclassified from Accumulated other comprehensive loss to earnings	1	2	3
Period Change	1	8	9
Balance at June 30, 2020	<u>\$ (7)</u>	<u>\$ (100)</u>	<u>\$ (107)</u>
	Derivative Gain (Loss)	Foreign Currency Translation Gain (Loss)	Total
<i>Six Months Ended June 30, 2021</i>			
Balance at December 31, 2020	\$ (3)	\$ (63)	\$ (66)
Other comprehensive loss before reclassifications	—	(4)	(4)
Reclassified from Accumulated other comprehensive loss to earnings	4	—	4
Period Change	4	(4)	—
Balance at June 30, 2021	<u>\$ 1</u>	<u>\$ (67)</u>	<u>\$ (66)</u>
<i>Six Months Ended June 30, 2020</i>			
Balance at December 31, 2019	\$ —	\$ (86)	\$ (86)
Other comprehensive loss before reclassifications	(7)	(16)	(23)
Reclassified from Accumulated other comprehensive loss to earnings	—	2	2
Period Change	(7)	(14)	(21)
Balance at June 30, 2020	<u>\$ (7)</u>	<u>\$ (100)</u>	<u>\$ (107)</u>

Comprehensive income (loss) includes certain gains and losses that are excluded from Net income (loss) under GAAP as these amounts are recorded directly as an adjustment to total equity. We recognize foreign currency translation losses as a component of comprehensive income (loss) due to changes in foreign exchange rates from the beginning of the period to the end of the period. The condensed consolidated financial statements are denominated in USD. Fluctuations in the value of foreign currencies as compared to USD may have a significant impact on Comprehensive income (loss). The tax effect on accumulated unrealized losses on derivative instruments was not material for the periods presented. See *Note 8 - Derivatives*.

#### 10. REDEEMABLE NON-CONTROLLING INTERESTS

Some minority equity owners in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities. We initially record our Redeemable non-controlling interests at fair value on the date of acquisition and subsequently adjust to redemption value. During the three months ended June 30, 2021, we acquired the remaining minority interest held by our former partners in certain of our Brazilian entities.

The following table presents the components of change and balances of Redeemable non-controlling interests within the condensed consolidated balance sheets as follows:

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	<b>Six Months Ended June 30, 2021</b>	<b>Year Ended December 31, 2020</b>
Balance at beginning of period	\$ 36	\$ 10
Decrease due to redemptions	(13)	(4)
Increase due to business acquisitions	—	24
Net income (loss) attributable to redeemable non-controlling interests	—	2
Dividends declared	(2)	—
Effect of foreign currency translation (gain) loss attributable to redeemable non-controlling interests	—	(2)
Change in redemption value	2	6
Balance at end of period	<u>\$ 23</u>	<u>\$ 36</u>

## 11. SUBSEQUENT EVENT

On July 9, 2021, we acquired 100% of VCP, in a cash and stock transaction, for \$65 million. VCP is a wellness plan administration platform providing veterinary practices proprietary software along with business services to enable them to launch, manage, and grow care programs for their clients. Our acquisition of VCP broadens our overall value proposition for our Customers and their Animal Owner clients and offers opportunity to deliver an integrated experience with our practice management software and prescription management platform.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-looking Statements

Certain matters discussed in this Form 10-Q, and in particular, this management's discussion and analysis of financial condition and results of operations, contain statements, estimates, and projections that are "forward-looking statements" as defined under U.S. federal securities laws and involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "future," and the negative of these or similar terms and phrases are intended to identify forward-looking statements. Such statements are subject to numerous risks and uncertainties, and actual results could differ materially from those anticipated due to a number of factors including but not limited to:

- the effect of health epidemics, including the COVID-19 pandemic, on our business and the success of any measures we have taken or may take in the future in response thereto, including our ability to continue operations at our distribution centers and pharmacies
- the ability to successfully integrate acquisitions, operations, and employees
- the ability to continue to execute on our strategic plan
- the ability to retain key personnel
- the ability to achieve performance targets, including managing our growth effectively
- the ability to manage relationships with our supplier and distributor network, including negotiating acceptable pricing and other terms with these partners
- the ability to attract and retain customers in a price sensitive environment
- the ability to maintain quality standards in our technology product offerings as well as associated customer service interactions to minimize loss of existing Customers and attract new Customers
- access to financial markets along with changes in interest rates and foreign currency exchange rates
- changes in the legislative landscape in which we operate, including potential corporate tax reform, and our ability to adapt to those changes as well as adaptation by the third-parties we are dependent upon for supply and distribution
- the impact of litigation
- the impact of accounting pronouncements, seasonality of our business, leases, expenses, interest expense, and debt
- sufficiency of cash and access to liquidity
- cybersecurity risks, including risk associated with our dependence on third-party service providers as a large portion of our workforce is working from home
- additional risks and factors discussed under the heading *Risk Factors* in this Report, in our Form 10-K filed on March 1, 2021, and in our other SEC filings

Our forward-looking statements are based on current beliefs and expectations of our management team and, except as required by law, we undertake no obligations to make any revisions to the forward-looking statements contained in this Report or to update them to reflect events or circumstances occurring after the date of this Report, whether as a result of new information, future developments, or otherwise.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. These expectations may or may not be realized. Some of these expectations may be based upon assumptions, data, or judgments that prove to be incorrect. Actual events, results, and outcomes may differ materially from our expectations due to a variety of known and unknown risks, uncertainties, and other factors. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include those set forth in this Form 10-Q and under the caption *Item 1A. Risk Factors* in our Form 10-K.

We operate in a very competitive and rapidly changing market. New risks emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of what our operating results for the full fiscal year will be. For the foregoing reasons, you are cautioned against relying on any forward-looking statements.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes thereto appearing elsewhere in this Form 10-Q and our consolidated financial statements and the related notes and other financial information included in our Form 10-K.

Rounding adjustments applied to individual numbers and percentages shown in this Report may result in these figures differing immaterially from their absolute values and certain tables may not foot or cross foot.

## Overview

We are a global, animal-health technology and services company dedicated to supporting the companion, equine, and large-animal veterinary markets. Our mission is to provide the best products, services, and technology to veterinarians and animal-health practitioners across the globe, so they can deliver exceptional care to their patients when and where it is needed. In February 2019, we combined the complementary capabilities of the Animal Health Business, previously operated by our Former Parent, and Vets First Choice, bringing together leading practice management software and supply chain distribution businesses with a technology-enabled prescription management platform and related pharmacy services.

We are organized based upon geographic region and focus on delivering our platform of products and services to our Customers on a geographical basis. Our reportable segments are (i) North America, (ii) Europe, and (iii) APAC & Emerging Markets. Our major product groups that we disaggregate within our reportable segments are (i) supply chain services, (ii) software services, and (iii) prescription management. See *Note 2 - Segment Data* and *Note 3 - Revenue from Contracts with Customers*.

Across our segments and major product groups, the willingness of Animal Owners to seek care and spend with their veterinarians on preventative and therapeutic treatments and procedures is critical to our financial performance. In the companion-animal market specifically, there is an ongoing trend of owners humanizing, or providing the best possible lives for, their pets. Across the companion-animal, equine, and large-animal markets, we anticipate that for us to succeed on our strategic roadmap, we should seek to strengthen the relationship between Customers and Animal Owners and provide our Customers with the necessary products, including our proprietary brands and compounded medications, and technology solutions, including our recent acquisition of VCP in the wellness space, for them to deliver care for pets.

## Key Factors and Trends Affecting our Results

### *Growth continues following the onset of the COVID-19 pandemic*

During 2020, the animal-health market largely benefited from the lockdowns instituted in response to the COVID-19 pandemic, including the benefit to veterinary practices, including our Customers, from an increase in visits driven by people adopting more pets during 2020 as well as companion Animal Owners increasing their per-visit spend with their veterinarians. This is expected to be a multi-year effect as these Animal Owners seek care from veterinary practices for their newly adopted pets. Additionally, the required responses to mitigate the spread of the COVID-19 pandemic shifted Customer and Animal-owner demand to our prescription management and online pharmacy services. However, we did not experience this COVID-19 driven growth on a straight-line basis: there was a spike in supply chain services sales in March 2020 that we consider a pull-forward effect, followed by a significant weakening of sales in April 2020 as that pull-forward effect balanced out; our growth in supply chain services and prescription management then accelerated for the remainder of the second quarter of 2020 before normalizing in the third and fourth quarters of 2020.

On a year-over-year basis, the surge of sales during the first six months of 2020, and particularly in the second quarter of 2020, provided a difficult comparable to our first six months of 2021 performance. The net sales growth in the first six months of 2021 reflects the continued resiliency of the companion-animal end-market, our improved sales execution which was furthered by our commercial organization realignment in North America as of January 1, 2021, and elevated purchasing patterns from our prescription management and online pharmacy service users. Our prescription management and online pharmacy service are currently available in North America and as the economy re-opens, which remains unpredictable due to the increasing COVID-19 variant infection rates, users' behavior may change. However, we believe the retention of Customers and their Animal Owner clients brought to us during the COVID-19 pandemic in 2020 and beyond, our continued market penetration, and the introduction of product and service offerings aimed at driving greater utilization of our online pharmacy services could lead to long-term net sales growth.

Due to increasing COVID-19 variant infection rates across the globe, some regions are re-entering lockdowns and stepping up restrictions. As discussed above, the animal-health industry and veterinary-care sector have proven resilient. However, we will continue to actively monitor how COVID-19 is impacting our business operation and the industry and may take further actions to alter our business operations in the best interests of our employees, Customers, partners, suppliers, and other stakeholders, or as required by federal, state, or local authorities.

### ***Foreign Currency Effects***

Our performance was positively affected by the appreciation of other currencies as compared to USD in the first and second quarters of 2021 as compared to the same periods of 2020. However, this effect may be temporary.

### ***Investing in Innovation and Corporate Infrastructure***

During 2020, we undertook certain temporary cost-containment measures to help us manage the uncertainty created by the COVID-19 pandemic, which are no longer present in the second quarter of 2021. Additionally, we experienced a beneficial effect on SG&A in 2020 from decreased travel and in-person trade shows and conferences as a result of the COVID-19 and the return of in-person commercial activity beginning in the second quarter of 2021 has resulted in an increase in our expenses related to these meetings and events. We also continue to spend on our corporate functions to build out the structure necessary to support our business today and in the future. Our strategic initiatives in the near and long-term are focused on accelerating the contribution provided by our higher margin technology, e-commerce, and proprietary products and solutions. SmartPak and Covetrus-branded products and proprietary brands like Kruuse, Vi, and Calibra are included within our supply chain services major product category. Our prescription management platform and compounding services are included within our prescription management major product category. To support these strategic initiatives, our spending will likely further increase to support our continued acquisitive and organic growth in the animal-health market. We also expect to invest in internal initiatives to develop technology to be used across our business to drive greater efficiency as well as coordination of our global employee base.

### ***Terms with Key Suppliers, Customers, and Partners***

Each year, suppliers in the veterinary channel engage in negotiations with us regarding pricing terms, including performance rebates and other growth incentives. Our supply chain services are dependent upon third-party suppliers, and the results of these negotiations, including whether the contractual relationship remains in place, can have a material impact on the financial performance of our business.

Effective January 1, 2021, we no longer are partnered with Merck & Co., in the U.K., which contributed to a decrease in our U.K. Net sales for the six months ending June 30, 2021, and which we expect will also result in decreases for the remainder of this fiscal year. We also are no longer partnered with one of our customers in the U.K., which further depressed our U.K. Net sales, which we expect to continue throughout 2021. We are taking action to mitigate the effects of the supplier and customer loss in the U.K., and we do not expect the profitability impact to be significant. Our U.K. net sales as a percentage of our consolidated net sales decreased to 8% during the six months ending June 30, 2021 from 12% in the six months ending June 30, 2020.

The transition of our supply chain operations in Germany to a third-party logistics provider in late 2020 has resulted in disruption to our supply chain, including a reduction in customer sales volumes. We are likely to experience lower sales volume on a year-over-year basis until the end of the third quarter of 2021 at which time the transition effect is present in our results for both the current and prior year. However, we are making progress on stabilizing our customer base and improving service levels in this market. Our German operations represented 2% of our Net sales for the six months ending June 30, 2021.

Our supplier relationships are concentrated with five suppliers accounting for approximately 49% and 50% of our purchases for the six months ended June 30, 2021 and for the year ended December 31, 2020, respectively. If we were to lose one of these five major manufacturing relationships, our global financial performance could be materially affected. As these contracts are largely country-specific, annual relationships and separated between supply chain and prescription management, our ability to exercise influence over the terms is currently limited and negatively impacting our gross profit margin. We expect our future success necessitates achieving better terms and stronger relationships with our manufacturers and suppliers as we work with these partners on global initiatives. We expect to utilize our strategic growth initiatives to influence Customer and Animal-Owner brand loyalty in our efforts to drive value for our manufacturers and suppliers. However, if a competitor is able to obtain better terms with suppliers in the veterinary channel or obtain exclusivity on products we typically sell to our Customers within the global animal-health market or if a supplier decides to go directly to the Customer or Animal Owner and bypass our services, our business could be impacted beyond the short term.

### ***Acquisition-driven Amortization***

As we pursue a growth strategy through acquisitions, we are likely to acquire intangible assets, such as customer relationships, trademarks, patents, product development (including formulas), and non-compete agreements. Our intangibles are predominately composed of intangibles acquired through our acquisition of Vets First Choice. These acquired intangibles have useful lives of 5

years for trademarks and trade names, 11 years for product formulas, 11 years for customer relationships, and 5 years for developed technologies.

The amortization of these intangibles has a long-term effect on our expense recognition. Product formulas are amortized to Cost of sales as these formulas are directly tied to the production of compounded products as alternatives to back-ordered solutions, patient-specific customized medications, and in-clinic use medications. Amortization expense for our other intangible assets not directly related to sales-generating activities, is included in SG&A.

<u>Location</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Cost of sales	\$ 1	\$ 1	\$ 2	\$ 2
Selling, general and administrative	33	32	67	65
Total amortization expense	<u>\$ 34</u>	<u>\$ 33</u>	<u>\$ 69</u>	<u>\$ 67</u>

### **Seasonality**

Our quarterly sales and operating results have varied from period to period in the past and will likely continue to do so in the future. In the companion-animal market, sales of parasite protection products have historically tended to be stronger during the spring and summer months, primarily due to an increase in vector-borne diseases during that time, which correlates with our second and third quarters given that most of our business is in the northern hemisphere. Buying patterns can also be affected by manufacturers' and distributors' marketing programs or price increase announcements, which can cause veterinarians to purchase animal-health products earlier than when those products are needed. This kind of early purchasing may reduce our sales in the quarters these purchases would have otherwise been made. The sales of animal products can also vary due to changes in the price of commodities used in manufacturing the products and weather patterns, which may also affect period-over-period financial results. We expect our historical seasonality trends to continue in the foreseeable future.

### **Definition of Non-GAAP Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization**

Adjusted EBITDA is a non-GAAP financial measure used to (i) aid management and investors with year-over-year comparability, (ii) determine management performance under our compensation plans, (iii) plan and forecast, (iv) communicate our financial performance to our Board of Directors, shareholders, and investment analysts, and (v) understand our operating performance without regard to items we do not consider a component of our core ongoing operating performance. Adjusted EBITDA has certain limitations in that it does not consider the impact of certain expenses to our consolidated statements of operations. Adjusted EBITDA excludes share-based compensation, strategic consulting, transaction costs, formation of Covetrus expenses, separation programs and executive severance, carve-out operating expenses, certain IT infrastructure expenses necessary to establish ourselves as a newly public company, goodwill impairment charges, capital structure-related fees, operating lease right-of-use asset impairments, the proportionate share of the adjustments to EBITDA of consolidated and non-consolidated affiliates where Covetrus ownership is less than 100%, managed exits from businesses we are exiting or closing, and other income and expense items, net. Currently, we do not allocate expenses managed at the corporate level, such as corporate wages and related benefits, corporate occupancy costs, professional services utilized at the corporate level, and non-recurring expenses to our operating segments. Other companies may not define or calculate Adjusted EBITDA in the same way. We provide Adjusted EBITDA by segment as a supplemental measure to GAAP as well as on a consolidated, non-GAAP basis. Non-GAAP Adjusted EBITDA on a total segment basis is reconciled in *Note 2 - Segment Data* as required by ASC 280.

## Results of Operations

(In millions)	Three Months Ended				Six Months Ended			
	June 30, 2021	June 30, 2020	\$ Increase (Decrease)	% Increase (Decrease)	June 30, 2021	June 30, 2020	\$ Increase (Decrease)	% Increase (Decrease)
Net sales	\$ 1,189	\$ 1,026	\$ 163	16 %	\$ 2,291	\$ 2,091	\$ 200	10 %
Cost of sales	969	834	135	16	1,861	1,696	165	10
Gross profit	220	192	28	15	430	395	35	9
Operating expenses:								
Selling, general and administrative	229	196	33	17	442	419	23	5
Operating income (loss)	\$ (9)	\$ (4)	\$ 5	125 %	\$ (12)	\$ (24)	\$ (12)	(50)%
Interest expense, net	\$ (9)	\$ (13)	\$ (4)	(31)%	\$ (18)	\$ (27)	\$ (9)	(34)%
Other, net <sup>(a)</sup>	\$ —	\$ 76	\$ (76)	(100)%	\$ —	\$ 75	\$ (75)	(100)%
Net income (loss)	\$ (31)	\$ 54	\$ (85)	NM	\$ (47)	\$ 21	\$ (68)	NM
Net income (loss) attributable to Covetrus	\$ (31)	\$ 54	\$ (85)	NM	\$ (47)	\$ 20	\$ (67)	NM

(a) Includes a \$73 million gain on the divestiture of scil and a \$1 million gain on the deconsolidation of SAHS

## Year-Over-Year Period Comparisons

### Net Sales

(In millions)	Three Months Ended				Six Months Ended			
	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2021	June 30, 2020	\$ Change	% Change
North America	\$ 713	\$ 602	\$ 111	18 %	\$ 1,348	\$ 1,152	\$ 196	17 %
Europe	366	342	24	7	727	764	(37)	(5)
APAC & Emerging Markets	114	85	29	34	226	180	46	26
Eliminations	(4)	(3)	(1)	(33)	(10)	(5)	(5)	(100)
Total Net sales	\$ 1,189	\$ 1,026	\$ 163	16 %	\$ 2,291	\$ 2,091	\$ 200	10 %

### Consolidated net sales +\$163 million | +16%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to net supply chain organic growth, favorable foreign exchange, and prescription management growth

↓ Largely driven by net sales that are no longer being contributed following our deconsolidation of a subsidiary in Spain in the second quarter of 2020 and the managed exit of our French distribution business in the fourth quarter of 2020

### North America net sales +\$111 million | +18%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to \$88 million in net supply chain organic growth driven by total animal-health market demand and gains in our market share in the companion-animal market, which is our largest market, and \$21 million from prescription management growth

### Europe net sales +\$24 million | +7%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to a favorable foreign exchange impact of \$35 million, \$29 million in organic growth including the strong performance in the Netherlands, Ireland, Belgium and in our proprietary brands, Kruuse and Vi

↓ Largely due to \$24 million driven by the loss of Merck & Co. as a supply partner as well as a loss of a customer, both in the U.K., and disruption in our supply chain operations resulting from our transition to a third-party logistics provider in Germany and \$16 million from divestitures that occurred in 2020 as the deconsolidation of a subsidiary in Spain and the managed exit of our French distribution business contributed net sales for all or part of the second quarter of 2020

**APAC & Emerging Markets net sales +\$29 million | +34%**  
**3 months Q2 2021 v Q2 2020**

↑ More than explained by \$15 million from strong underlying supply chain organic growth and a \$15 million favorable foreign exchange effect

**Consolidated net sales +\$200 million | +10%**  
**6 months Q2 2021 v Q2 2020**

↑ Primarily due to net supply chain organic growth (which is heavily affected by the European supply chain effects discussed below), favorable foreign exchange, and prescription management growth

↓ Largely due to net sales that are no longer being contributed following our disposition of scil and the deconsolidation of a subsidiary in Spain in the second quarter of 2020, and the managed exit of our French distribution business in the fourth quarter of 2020

**North America net sales +\$196 million | +17%**  
**6 months Q2 2021 v Q2 2020**

↑ Primarily due to \$147 million in net supply chain organic growth driven by total animal-health market demand and gains in our market share in the companion-animal market, which is our largest market, and \$48 million from prescription management growth

↓ Largely due to \$3 million from net sales that are no longer being contributed following our disposition of scil in the second quarter of 2020

**Europe net sales -\$37 million | -5%**  
**6 months Q2 2021 v Q2 2020**

↓ Largely due to \$87 million driven by the loss of Merck & Co. as a supply partner as well as a loss of a customer, both in the U.K., and disruption in our supply chain operations resulting from our transition to a third-party logistics provider in Germany and \$55 million from the disposition of scil, the deconsolidation of a subsidiary in Spain and the managed exit of our French distribution business that occurred in 2020 as the divested businesses contributed net sales for all or part of the first half of 2020

↑ Primarily due to \$62 million in favorable foreign exchange, \$43 million in organic growth including the strong performance in the Netherlands, Ireland, Belgium and in our proprietary brands, Kruuse and Vi

**APAC & Emerging Markets net sales +\$46 million | +26%**  
**6 months Q2 2021 v Q2 2020**

↑ Primarily due to \$25 million in favorable foreign exchange and \$21 million from strong underlying supply chain organic growth

**Gross Profit and Gross Profit Margin**

<i>(In millions)</i>	Three Months Ended					
	June 30, 2021	Gross Margin %	June 30, 2020	Gross Margin %	\$ Change	Gross Profit % Change
North America	\$ 144	20.2 %	\$ 127	21.1 %	\$ 17	13 %
Europe	53	14.5	48	14.0	5	10
APAC & Emerging Markets	23	20.2	17	20.0	6	35
Total Gross profit	\$ 220	18.5 %	\$ 192	18.7 %	\$ 28	15 %

  

<i>(In millions)</i>	Six Months Ended					
	June 30, 2021	Gross Margin %	June 30, 2020	Gross Margin %	\$ Change	Gross Profit % Change
North America	\$ 275	20.4 %	\$ 247	21.4 %	\$ 28	11 %
Europe	109	15.0	112	14.7	(3)	(3)
APAC & Emerging Markets	46	20.4	36	20.0	10	28
Total Gross profit	\$ 430	18.8 %	\$ 395	18.9 %	\$ 35	9 %

**Consolidated gross profit +\$28 million | +15%**

**3 months Q2 2021 v Q2 2020**

↑ Primarily due to supply chain organic growth\*, favorable foreign exchange, and prescription management growth

↓ Largely due to net sales that are no longer being contributed following our deconsolidation of a subsidiary in Spain in the second quarter of 2020, and the managed exit of our French distribution business in the fourth quarter of 2020

\*Consolidated supply chain organic growth was heavily affected by the decrease in Europe, largely driven by disruption in our supply chain operations resulting from our transition to a third-party logistics provider in Germany and the loss of Merck & Co. as a supply partner as well as a loss of a customer, both in the U.K. Our proprietary brands are contributing higher gross profit, which is lessening the negative impact from the supply chain effects in Europe

**North America gross profit +\$17 million | +13%**

**3 months Q2 2021 v Q2 2020**

↑ Primarily due to \$11 million from supply chain organic growth and \$4 million from prescription management growth

**Europe gross profit +\$5 million | +10%**

**3 months Q2 2021 v Q2 2020**

↑ Primarily due to \$5 million from favorable foreign exchange, \$4 million from the increased contribution from higher margin proprietary brands, and \$3 million from supply chain organic growth in several markets

↓ Largely due to \$5 million decrease in supply chain gross profit from the items discussed in consolidated above and \$2 million from the deconsolidation of a subsidiary in Spain and the managed exit of our French distribution business that occurred in 2020 as the businesses contributed gross profit for all or part of the second quarter of 2020

**APAC & Emerging Markets gross profit +\$6 million | +35%**

**3 months Q2 2021 v Q2 2020**

↑ Primarily due to \$3 million from organic growth, primarily related to supply chain, and \$3 million from favorable foreign exchange

**Consolidated gross profit +\$35 million | +9%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to supply chain organic growth\*, favorable foreign exchange, and prescription management growth

↓ Largely due to net sales that are no longer being contributed following our disposition of scil and the deconsolidation of a subsidiary in Spain in the second quarter of 2020, and the managed exit of our French distribution business in the fourth quarter of 2020 as the divested businesses contributed gross profit for all or part of the first half of 2020

\*Consolidated supply chain organic growth was heavily affected by the decrease in Europe, largely driven by disruption in our supply chain operations resulting from our transition to a third-party logistics provider in Germany and the loss of Merck & Co. as a supply partner as well as a loss of a customer, both in the U.K. Our proprietary brands are contributing higher gross profit, which is lessening the negative impact from the supply chain effects in Europe

**North America gross profit +\$28 million | +11%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to \$15 million from supply chain organic growth and \$10 million from prescription management growth

**Europe gross profit -\$3 million | -3%**

**6 months Q2 2021 v Q2 2020**

↓ Largely due to \$13 million from a decrease in supply chain gross profit from the items discussed in consolidated above and \$10 million from our disposition of scil, the deconsolidation of a subsidiary in Spain, and the managed exit of our French distribution business that occurred in 2020 as the businesses contributed gross profit for all or part of the first half of 2020

↑ Primarily due to \$9 million from favorable foreign exchange, \$7 million in strong performance in our proprietary brands Kruise and Vi, and \$4 million from organic growth in several markets, including the Netherlands, Ireland, and Belgium

**APAC & Emerging Markets gross profit +\$10 million | +28%**  
**6 months Q2 2021 v Q2 2020**

↑ Primarily due to \$6 million from organic growth, primarily related to supply chain, and \$4 million from favorable foreign exchange

**SG&A**

<i>(In millions)</i>	Three Months Ended				Six Months Ended			
	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2021	June 30, 2020	\$ Change	% Change
North America	\$ 127	\$ 114	\$ 13	11 %	\$ 251	\$ 235	\$ 16	7 %
Europe	42	39	3	8	84	92	(8)	(9)
APAC & Emerging Markets	16	13	3	23	30	27	3	11
Corporate	44	30	14	47	77	65	12	18
Total SG&A	\$ 229	\$ 196	\$ 33	17 %	\$ 442	\$ 419	\$ 23	5 %

**Consolidated SG&A +\$33 million | +17%**  
**3 months Q2 2021 v Q2 2020**

↑ Largely due to increased costs to support growth in our North America supply chain and prescription management services businesses\*, increased costs incurred as we continue to invest in innovation and corporate infrastructure to enable our growth\*, increased strategic consulting fees, unfavorable foreign exchange, increased share-based compensation expense\*

↓ Primarily due to decreased expense related to the formation of Covetrus, a decrease in expenses that are no longer being incurred following the deconsolidation of a subsidiary in Spain and the managed exit of our French distribution business

\*Increases from the year-over-year effect of global COVID-19 related cost containment measures that were undertaken in 2020 and those specific actions no longer being in place in 2021 are captured in our increased costs to support our growth and our share-based compensation expense

**North America SG&A +\$13 million | +11%**  
**3 months Q2 2021 v Q2 2020**

↑ Largely due to increased costs to support the growth in our supply chain of \$6 million and prescription management services of \$4 million

Acquisition-related intangible amortization was 23% in 2021 and 25% in 2020

**Europe SG&A +\$3 million | +8%**  
**3 months Q2 2021 v Q2 2020**

↑ Largely due to a \$4 million impact from unfavorable foreign exchange and \$2 million from increased costs, including costs stemming from the presence of COVID-19 cost containment measures in 2020 that are no longer in place in 2021

↓ Primarily due to a \$2 million decrease from expenses that are no longer being incurred following our deconsolidation of a subsidiary in Spain and the managed exit of our French distribution business and \$2 million from decreased expenses related to the formation of Covetrus

**APAC & Emerging Markets SG&A +\$3 million | +23%**  
**3 months Q2 2021 v Q2 2020**

↑ Largely due to \$2 million in unfavorable foreign exchange

**Corporate SG&A +\$14 million | +47%**  
**3 months Q2 2021 v Q2 2020**

↑ Largely due to \$7 million in increased costs incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth, \$7 million in increased strategic consulting fees, and \$3 million from increased share-based compensation driven by performance stock unit incentive programs

↓ Primarily due to \$4 million from decreased expenses related to the formation of Covetrus

**Consolidated SG&A +\$23 million | +5%**

**6 months Q2 2021 v Q2 2020**

↑ Largely due to increased costs to support growth in our North America supply chain and prescription management services\*, increased costs incurred as we continue to invest in innovation and corporate infrastructure to enable our growth\*, unfavorable foreign exchange effects, increased share-based compensation\* and increased strategic consulting fees

↓ Primarily due to decreased expense related to the formation of Covetrus, a decrease in expenses that are no longer being incurred following our disposition of scil, the deconsolidation of a subsidiary in Spain, and the managed exit of our French distribution business, and a decrease in transaction costs

\*Increases from the year-over-year effect of global COVID-19 related cost containment measures that were undertaken in 2020 and those specific actions no longer being in place in 2021 are captured in our increased costs to support our growth and our share-based compensation expense

**North America SG&A +\$16 million | +7%**

**6 months Q2 2021 v Q2 2020**

↑ Largely due to increased costs to support the growth in our prescription management services of \$7 million and supply chain of \$6 million

↓ Primarily due to \$1 million in decreased travel and advertising expense driven by pre-COVID-19 travel and advertising expense present in the first quarter of 2020 and \$1 million from decreased share-based compensation expense driven by the commercial organization realignment in North America

Acquisition-related intangible amortization was 24% in 2021 and 25% in 2020

**Europe SG&A -\$8 million | -9%**

**6 months Q2 2021 v Q2 2020**

↓ Primarily due to an \$11 million decrease in expenses that are no longer being incurred following our disposition of scil, the deconsolidation of a subsidiary in Spain, and the managed exit of our French distribution business that occurred in 2020, \$3 million decrease in expenses related to the formation of Covetrus, \$2 million in reduced transaction costs, and \$2 million decrease in travel and advertising expense driven by pre-COVID-19 travel and advertising expense present in the first quarter of 2020

↑ Largely due to a \$7 million unfavorable foreign exchange effect and \$4 million of increased costs, including costs stemming from the presence of COVID-19 cost containment measures in 2020 that are no longer in place in 2021

**APAC & Emerging Markets SG&A +\$3 million | +11%**

**6 months Q2 2021 v Q2 2020**

↑ Largely due to \$3 million in unfavorable foreign exchange

**Corporate SG&A +\$12 million | +18%**

**6 months Q2 2021 v Q2 2020**

↑ Largely due to \$12 million in increased costs incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth, \$6 million from increased share-based compensation driven by performance stock unit incentive programs, and \$5 million in increased strategic consulting fees

↓ Primarily due to \$7 million in decreased expenses related to the formation of Covetrus, a \$2 million decrease in transaction costs, \$2 million in decreased IT infrastructure costs, and a \$1 million decrease in capital structure related costs

**Income Taxes**

**3 months Q2 2021**

**Income tax expense of \$13 million on a loss before income taxes and equity earnings in affiliates of \$18 million**

The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from certain U.S. deferred tax assets and certain expenses not deductible in the U.S.

### 3 months Q2 2020

#### Income tax expense of \$6 million on income before income taxes and equity earnings in affiliates of \$59 million

The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from deferred tax assets and the sale of our scil business.

### 6 months Q2 2021

#### Income tax expense of \$17 million on a loss before income taxes and equity earnings in affiliates of \$30 million

The difference between our tax expense and the tax expense using the statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to valuation allowances due to uncertainty regarding the realization of future tax benefits from certain U.S. deferred tax assets and certain expenses not deductible in the U.S.

### 6 months Q2 2020

#### Income tax expense of \$4 million on income before income taxes and equity earnings in affiliates of \$24 million

The difference between our effective tax rate and the federal statutory tax rates for the jurisdictions in which we operate, for this period, primarily related to non-deductible share-based compensation expenses, the sale of our scil business, valuation allowances due to uncertainty regarding the realization of future tax benefits from deferred tax assets, and the federal tax impact of international operations included as GILTI.

### Adjusted EBITDA

<i>(In millions)</i>	Three Months Ended				Six Months Ended			
	June 30, 2021	June 30, 2020	\$ Change	% Change	June 30, 2021	June 30, 2020	\$ Change	% Change
North America	\$ 59	\$ 55	\$ 4	7 %	\$ 111	\$ 96	\$ 15	16 %
Europe	20	16	4	25	41	34	7	21
APAC & Emerging Markets	9	5	4	80	19	12	7	58
Corporate	(22)	(13)	(9)	NM	(48)	(31)	(17)	NM
Total Non-GAAP Adjusted EBITDA	\$ 66	\$ 63	\$ 3	5 %	\$ 123	\$ 111	\$ 12	11 %

### Consolidated Non-GAAP Adjusted EBITDA +\$3 million | +5%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to improved performance across certain of our markets, including an increased contribution from higher margin products and services, and a favorable foreign exchange impact

↓ Largely due to increasing costs incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth

### North America Adjusted EBITDA +\$4 million | +7%

#### 3 months Q2 2021 v Q2 2020

↑ More than explained by a \$5 million increase from supply chain organic growth

### Europe Adjusted EBITDA +\$4 million | +25%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to a \$3 million increase in contribution from our higher margin proprietary brands, \$2 million of positive organic growth in several markets, including the Netherlands, Ireland, Belgium, and \$2 million from favorable foreign exchange

↓ Largely due to a \$4 million decrease composed of the loss of Merck & Co. as a supply partner and a loss of a customer, both in the U.K., and the disruption from our transition to a third-party logistics provider in Germany

### APAC & Emerging Markets Adjusted EBITDA +\$4 million | +80%

#### 3 months Q2 2021 v Q2 2020

↑ Primarily due to a \$3 million increase from organic growth mainly related to supply chain and favorable foreign exchange

### **Corporate Non-GAAP Adjusted EBITDA -\$9 million**

**3 months Q2 2021 v Q2 2020**

↓ Largely due to \$7 million in increased expenses incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth

### **Consolidated Non-GAAP Adjusted EBITDA +\$12 million | +11%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to improved performance across certain of our markets, including an increased contribution from higher margin products and services and a favorable foreign exchange impact

↓ Largely due to increasing costs incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth

### **North America Adjusted EBITDA +\$15 million | +16%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to an \$11 million increase from supply chain organic growth and \$1 million from growth from prescription management

### **Europe Adjusted EBITDA +\$7 million | +21%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to an \$8 million increase in contribution from our higher margin proprietary brands, \$4 million of positive organic growth in several markets, including the Netherlands, Ireland, Belgium, and \$3 million from favorable foreign exchange

↓ Largely due to a \$9 million decrease composed of the loss of Merck & Co. as a supply partner and a loss of a customer, both in the U.K., and the disruption from our transition to a third-party logistics provider in Germany

### **APAC & Emerging Markets Adjusted EBITDA +\$7 million | +58%**

**6 months Q2 2021 v Q2 2020**

↑ Primarily due to a \$4 million increase from organic growth mainly related to supply chain and \$2 million from favorable foreign exchange

### **Corporate Non-GAAP Adjusted EBITDA -\$17 million**

**6 months Q2 2021 v Q2 2020**

↓ Largely due to \$12 million in increased expenses incurred as we continue to invest in innovation and our corporate infrastructure to enable our growth and \$3 million from unfavorable foreign exchange transaction loss related to intercompany notes

## **Liquidity and Capital Resources**

### **Overview**

Our primary sources of liquidity are cash and cash equivalents, cash flows from the operations of our business, and available borrowing capacity under our Credit Facilities. Our principal uses of cash include working capital-related items, capital expenditures, debt service, and strategic investments.

### *Credit Facilities*

The Credit Facilities include a Term Loan Facility and a Revolving Credit Facility. There were no borrowings from the Revolving Credit Facility as of June 30, 2021 and December 31, 2020.

### *Short-Term*

Our liquidity fluctuates during the year due to sales seasonality. Generally, our sales of parasite protection products in the companion-animal market peak during the spring and summer months, which are hemisphere dependent, as vector-borne diseases typically increase during these seasons. This seasonality also affects the timing and amount of our inventory purchases, and subsequently our accounts payable balances.

We also operate on a disciplined, global approach to inventory management, including replenishing stock as sales deplete inventory to lower holding levels, executing inventory buy-ins only when price discounts make economic sense with no outsized working capital effect, or when vendor rebate targets are within reasonable reach with incremental purchases and no meaningful impact on cash forecasts.

Planned investments included in our near-term strategic plan:

- Bolstering pharmacy innovation and operational capacity in Arizona and Maine
- Enhancing the consumer experience through continuous improvements in e-Commerce, appointment management, wellness, and veterinarian-to-pet-owner connectivity
- Expanding our value proposition communication to the market and refinement of our commercial organization go-to market strategy
- Developing cloud-based practice management software and technology coordination with select existing service offerings, including our recently acquired software from VCP
- Enabling business-to-business ordering capabilities focused on our compounding services, distribution, and inventory management services
- Optimizing our distribution network in North America, including investments in the systems and facilities that support our network, including investments like our warehouse management system
- Implementing a regional-wide enterprise resource planning system in Europe to reduce complexity in our global enterprise resource planning landscape
- Evaluating external growth opportunities continuously to support our strategic objectives and potentially making acquisitions and investments earlier or later than we expect, including that some acquisitions and investments may not come to fruition.

### *Acquisitions*

In connection with our acquisition of VCP on July 9, 2021, we paid \$61 million in cash, of \$65 million in total consideration. We believe this acquisition during the third quarter of 2021 gives us greater access to the animal-health wellness market, which is experiencing rapid adoption by Animal Owners, and better positions us to help veterinarians deliver proactive and holistic healthcare via membership programs integrated with our practice management and prescription management solutions.

We repatriated \$68 million in June 2021 to provide for greater flexibility in how we fund our planned investments in the United States, including our acquisition of VCP as well as toward certain of our planned investments listed above. As determined, at December 31, 2020, certain unremitted earnings existing in foreign subsidiaries located in various jurisdictions were no longer indefinitely reinvested. Accordingly, our tax liability associated with the repatriation of the undistributed earnings from the applicable subsidiaries located in these tax jurisdictions was already recorded as of December 31, 2020.

### *Trends*

Our operational plans to manage our liquidity continue to involve seeking opportunities to reduce non-critical capital expenditures, sharpening our focus on collecting supplier rebates and amounts owed to us by customers, managing opportunistic inventory purchases as we carefully monitor sales forecasts and timing of projected price increases, quickly reducing our other costs, and maximizing our payment terms wherever possible. We also continue to monitor cash flow projections and will consider additional borrowings, if needed, based on availability under our Revolving Credit Facility.

In December 2020, we fully prepaid the 2021 Term Loan Facility's amortization payments which reduced our outstanding balance and lowered the applicable monthly floating interest rates. The next quarterly principal amortization payment of \$15 million is due on March 31, 2022.

Our interest rate swap contracts, which effectively fix the borrowing rates on a portion of our floating rate debt, matured on July 31, 2021. Based on the current floating interest rate environment, we anticipate that we will incur lower interest expense, at least for a period of time, following the maturity of our interest rate swap contracts.

We were in compliance with the covenants in our Credit Facilities as of June 30, 2021. Based on our expected Credit Facilities-defined leverage as of June 30, 2021, once the quarterly compliance filing is made, the current applicable margin on our borrowings outstanding will remain unchanged at least until the next compliance filing is made for the three months ended September 30, 2021. Based on the revised schedule contained in the 2020 amendment to our Credit Facilities, we are required to remain compliant with a Credit Facilities-defined leverage covenant that is currently set at 5.00x but will decrease by 0.5x as of

December 31, 2021, and finally to 3.75x as of June 30, 2022 through maturity of the Credit Facilities. The decrease in this particular financial covenant and our required compliance may influence our investment decisions.

The duration of the COVID-19 pandemic continues to be unknown. Should the pandemic extend throughout 2021 and beyond, or the severity of variant strains increase that reduces the effectiveness of vaccines and negatively impacts global economic conditions, then we may experience a negative impact on our liquidity position. Therefore, we continuously assess steps we can take to improve working capital and increase cash on our balance sheet, investigate government sponsored financing or tax holiday programs that may be available to us or to our customers, and closely monitor the capital markets for additional opportunities to improve our liquidity position.

#### *Long-term*

Our long-term liquidity is expected to be aligned with our strategic development, and the needs of our growing business in terms of investment to fund growth, as well as availability of financing. We currently anticipate the following long-term liquidity trends for our business:

#### Uses of liquidity:

- Investing in our expansion of global sales and marketing efforts
- Launching new products and services
- Pursuit of strategic, higher-margin acquisition and investment targets
- Increasing our pharmaceutical compounding operations capacity
- International development of presence, product, and service offerings
- Term Loan Facility amortization payments (beginning again in March 2022)
- Ongoing operating lease payments
- Capital investments in current and future facilities
- Pursuit and maintenance of appropriate regulatory clearances, approvals for existing products, and any new products that may be developed

#### Sources of liquidity:

- Operations-driven cash generation
- Borrowings under our Revolving Credit Facility
- Availability of financing through the capital markets
- Sales of businesses or assets if those actions align with our strategic objectives

Our Term Loan Facility and Revolving Credit Facility bear interest on a floating rate basis at our option, which are referenced to as LIBOR. The banking syndicate associated with our Credit Facilities intends to cease using the 1-week and 2-month USD LIBOR at the end of 2021, with the other USD Tenors to cease June 30, 2023. Our Credit Facilities, with which we primarily elect to reference 1-month USD LIBOR for our borrowings, will be amended to reflect the replacement basis rate accordingly, when identified.

Longer term, if we desire to access alternative sources of funding through the capital and credit markets, challenging global economic conditions, such as a long-lasting COVID-19 pandemic or an economic downturn, could adversely impact our ability to do so.

#### ***Cash and Cash Equivalents***

As of June 30, 2021, we had Cash and cash equivalents of \$230 million. We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of fair value.

## Cash Flows

The following table summarizes our cash flows from operating, investing, and financing activities:

<i>(In millions)</i>	Six Months Ended		
	June 30, 2021	June 30, 2020	\$ Change
Net cash provided by (used for) operating activities	\$ (1)	\$ 54	\$ (55)
Net cash provided by (used for) investing activities	(24)	71	(95)
Net cash provided by (used for) financing activities	(34)	162	(196)
Total net cash flows	\$ (59)	\$ 287	\$ (346)

### Cash inflows and outflows from changes in operating activities for the 6 months ended Q2 2021 v Q2 2020

Net cash used for operating activities of \$1 million as compared to net cash provided by operating activities of \$54 million was:

- ↓ More than explained by inventory effects, including the effect on accounts payable, that were caused by purposefully reducing inventory levels to manage the COVID-19 uncertainty, which was more pronounced than our disciplined, global approach to inventory management that was implemented in 2020
- ↑ Increasing accounts receivable in line with growth in our sales, particularly in North America

### Cash inflows and outflows from changes in investing activities for the 6 months ended Q2 2021 v Q2 2020

Net cash used for investing activities of \$24 million as compared to net cash provided by investing activities of \$71 million was:

- ↑ Primarily due to net cash inflows in the prior period including a cash inflow of \$104 million in net proceeds from the divestiture of scil and \$4 million in proceeds from the sale of property and equipment

### Cash inflows and outflows from changes in financing activities for the 6 months ended Q2 2021 v Q2 2020

In 2021, net cash used for financing activities of \$34 million was:

- ↓ Largely due to \$13 million in payments to the former owners of Distrivet S.A. on the one-year anniversary of closing, April 30, 2021 and \$9 million to acquire the remaining minority interest held by our former partners in certain of our Brazilian entities

In 2020, net cash provided by financing activities of \$162 million was:

- ↑ Primarily due to proceeds from the issuance of Series A preferred stock
- ↓ Largely due to principal payments, debt issuance costs, preferred stock issuance costs, and acquisition payments

## Contractual Obligations

During the first quarter of 2021, we had a material change in our contractual obligations since the end of fiscal year 2020 due to a decrease of \$18 million in our purchase obligations. See *Note 5 - Commitments and Contingencies*. There have been no material changes in our contractual obligations for the three months ending June 30, 2021.

## Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts in our condensed consolidated financial statements. There have been no material changes in our critical accounting estimates from those disclosed in *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Form 10-K. For a discussion of critical accounting policies and estimates as well as accounting policies adopted, see *Note 1 - Business Overview and Significant Accounting Policies* of our Form 10-K.

## Recent Accounting Pronouncements

For information on recent accounting pronouncements, see *Note 1 - Business Overview and Significant Accounting Policies*.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We continuously evaluate our exposure to foreign currency exchange rate and interest rate risk. There have been no meaningful changes in our exposure to risk associated with fluctuations in foreign currency exchange rates and interest rates related to our variable-rate borrowings under the Credit Facilities from that discussed in our Form 10-K.

## **Item 4. Controls and Procedures**

### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, is recorded, processed, summarized, and reported within the specified time periods and accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our CEO and our CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act) at June 30, 2021. Based on this evaluation, the CEO and CFO concluded that as of that date, our disclosure controls and procedures required by paragraph (b) of Rules 13a-15 or 15d-15 were not effective, at a reasonable assurance level, because of a material weakness in internal control over financial reporting, which we view as an integral part of our disclosure controls and procedures.

### **Ongoing Remediation of Previously Identified Material Weakness**

As previously disclosed in our Form 10-K, management identified deficiencies in our internal control over financial reporting which related to the accounting for income taxes and determined that the impact of these deficiencies resulted in a material weakness. This material weakness stemmed from issues associated with the transition to expanded in-house tax capabilities and utilization of new tax consultants. As a result of these issues, our controls to review and analyze our income tax provision and deferred income tax balances were not effective.

We developed remediation plans for this material weakness as follows:

- Increasing oversight by our management in the calculation and reporting of certain tax balances of our global operations
- Enhancing policies, procedures, and controls relating to significant judgments impacting our income tax accounts
- Augmenting our tax accounting resources
- Increasing communication to information providers for tax jurisdiction specific information and
- Strengthening communication and information flows between the tax department and the finance group

While Management has made progress to expand our in-house tax resource capabilities and further formalize our internal controls framework, the material weakness in our internal control over financial reporting has not been remediated as of June 30, 2021. It will not be considered remediated until (i) the controls are fully implemented and existing controls are reinforced, (ii) the incremental controls are in operation for a sufficient period of time, and (iii) the controls are tested and concluded by management to be designed and operating effectively. We cannot provide any assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts.

### **Changes in Internal Control over Financial Reporting**

There have been no other changes in our internal control over financial reporting during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

See *Item 1A. Risk Factors*.

### **Limitations of the Effectiveness of Internal Control**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

## PART II

### Item 1. Legal Proceedings

Refer to *Note 5 - Commitments and Contingencies* for information relating to legal proceedings.

### Item 1A. Risk Factors

In addition to the information set forth in the *Forward-looking Statements in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*, you should carefully consider the factors discussed in our Form 10-K. There have been no material changes to the risk factors disclosed in our Form 10-K. If any of the events described in our Form 10-K actually occur, our business, financial condition, results of operations, and cash flows could be materially and adversely affected, and the trading price of our common stock could decline. Our business could also be affected by additional factors that are not presently known to us or that we currently consider not material. The reader should not consider these factors to be a complete statement of all risks and uncertainties.

### Item 2. Unregistered Sales of Securities and Use of Proceeds

#### *Purchases of Equity Securities by the Issuer*

The following table sets forth information about our purchases of our outstanding common stock during the quarter ended June 30, 2021:

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid Per Share <sup>(a)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs
April 2021	104,319	\$ 30.10	—	\$ —
May 2021	255,559	26.25	—	—
June 2021	22,359	27.44	—	—
	<u>382,237</u>	<u>\$ 27.37</u>	<u>—</u>	<u>\$ —</u>

*(a) Shares of common stock we purchased were solely for the cancellation of shares of stock withheld for related tax obligations that occur upon vesting of restricted shares*

**Item 6. Exhibits**

Exhibit Number	Exhibit Description	Form	Filing Date	SEC File Number	Exhibit Reference
3.1*	<a href="#">Second Amended and Restated Certificate of Incorporation of Covetrus, Inc.</a>				
10.1†	<a href="#">Amended and Restated Employment Agreement, effective as of May 4, 2021, by and between the Company and Michael Ellis</a>	10-Q	May 6, 2021	001-38794	10.1
10.2†	<a href="#">Amended Transformation Performance Stock Unit Agreement</a>	10-Q	May 6, 2021	001-38794	10.2
10.3†	<a href="#">2021 Performance Stock Unit Agreement</a>	10-Q	May 6, 2021	001-38794	10.3
10.4†	<a href="#">2021 Performance Stock Unit Agreement for Non-U.S. Participants</a>	10-Q	May 6, 2021	001-38794	10.4
31.1*	<a href="#">Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act</a>				
31.2*	<a href="#">Certification of the Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act</a>				
32.1**	<a href="#">Certification of the Chief Executive Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>				
32.2**	<a href="#">Certification of the Chief Financial Officer, as required by Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)</a>				
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104*	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).				

\* Filed herewith

\*\* Furnished herewith

† Indicates management contract or compensatory plan

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**COVETRUS, INC.**

Date: August 5, 2021

By: /s/ Benjamin Wolin  
Name: Benjamin Wolin  
Title: President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 5, 2021

By: /s/ Matthew Foulston  
Name: Matthew Foulston  
Title: Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**SECOND AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
COVETRUS, INC.**

It is hereby certified that:

1. The present name of the corporation (the “Corporation”) is Covetrus, Inc. The name under which the Corporation was originally incorporated was HS Spinco, Inc., and the date of filing the original certificate of incorporation of the Corporation with the Secretary of State of the State of Delaware was April 13, 2018. The original certificate of incorporation of the Corporation was subsequently amended by the certificate of amendment filed with the Secretary of State of the State of Delaware on January 4, 2019 and on February 1, 2019, and the Corporation filed an Amended and Restated Certificate of Incorporation (the “Amended and Restated Certificate of Incorporation”) with the Secretary of State of the State of Delaware on February 6, 2019.

2. This Second Amended and Restated Certificate of Incorporation (the “Second Amended and Restated Certificate of Incorporation”) has been duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (the “DGCL”) and was approved by the stockholders of the Corporation in accordance with Section 242 of the DGCL.

3. This Second Amended and Restated Certificate of Incorporation amends, restates and integrates the Amended and Restated Certificate of Incorporation in its entirety, as follows:

**FIRST:** The name of the corporation is COVETRUS, INC.

**SECOND:** The registered office of the Corporation in the State of Delaware is located at 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808. The name of its registered agent at that address is Corporation Service Company.

**THIRD:** The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**FOURTH:** The total number of shares of stock which the Corporation shall have authority to issue is 685,000,000 shares of capital stock, consisting of 675,000,000 shares of common stock having a par value of one cent (\$0.01) per share (“Common Stock”) and 10,000,000 shares of preferred stock having a par value of one cent (\$0.01) per share (“Preferred Stock”, and together with the Common Stock, “Capital Stock”). The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares representing at least a majority of the votes that would be entitled to be cast on such matter by all of the then outstanding shares of all classes and series of Capital Stock of the Corporation, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no vote of the holders of any of the Common Stock or the Preferred Stock voting separately as a class shall be required therefor, unless a vote of any such holder is required pursuant to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation (as defined below)).

A. **Preferred Stock:**

1. The board of directors of the Corporation (the “Board of Directors”) may authorize by resolution and without stockholder approval the issuance from time to time of the Preferred Stock in one or more series with such designations and such powers, preferences and rights, and such qualifications, limitations or restrictions (which may differ with respect to each series) as the Board of Directors may fix by resolution and without stockholder approval.

2. The Board of Directors is authorized to file with the Secretary of State of the State of Delaware a certificate pursuant to the DGCL describing such designations, powers, preferences, relative, participating, optional and other special rights and other terms, and the qualifications, limitations and restrictions thereof, if any, of each series of Preferred Stock, as applicable (a “Certificate of Designation”). The designations, powers, preferences and relative, participating, optional and other special rights and other terms of each series of Preferred Stock, and the qualifications, limitations and restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or junior to, or on a parity with, any other series of Preferred Stock to the extent permitted by applicable law. The consent, by class or series vote or otherwise, of the holders of such of the series of Preferred Stock as are from time to time outstanding shall not be required for the issuance by the Board of Directors of any other series of Preferred Stock whether or not the powers, preferences and rights of such other series shall be fixed by the Board of Directors as senior to, or on a parity with, the powers, preferences and rights of such outstanding series, or any of them; provided, however, that the Board of Directors may provide in the resolution or resolutions as to any series of Preferred Stock adopted pursuant to Paragraph A of this Article FOURTH that the consent of the holders of a majority (or such greater proportion as shall be therein fixed) in voting power of the outstanding shares of such series voting thereon shall be required for the issuance of any or all other series of Preferred Stock.

3. Subject to the provisions of Subparagraph 1 of this Paragraph A, shares of any series of Preferred Stock may be issued from time to time as the Board of Directors shall determine for such consideration as shall be determined by the Board of Directors in accordance with applicable law.

4. Subject to any applicable provisions of the DGCL, shares of Preferred Stock that have been issued and reacquired in any manner by the Corporation (excluding, until the Corporation elects to retire them, shares that are held as treasury shares but including shares redeemed and shares purchased and retired, whether through the operation of a retirement or sinking fund, or otherwise) may have the status of authorized and unissued shares of Preferred Stock, and may be reissued as a part of the series of which they were originally a part or be retired and reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors or as part of any other series of Preferred Stock, all subject to the conditions or restrictions on issuance set forth in any resolution or resolutions adopted by the Board of Directors as provided in Subparagraph 1 of this Paragraph A of this Article FOURTH providing for the issuance of any series of Preferred Stock.

B. Common Stock:

1. After the requirements with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of Paragraph A of this Article FOURTH), if any, shall have been met and after the Corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of Paragraph A of this Article FOURTH), and subject further to any other conditions which may be fixed in accordance with the provisions of Paragraph A of this Article FOURTH

and applicable law, then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared thereon from time to time by the Board of Directors in its discretion.

2. Each holder of Common Stock shall have one vote in respect of each share of Common Stock held by him or her on all matters voted upon by the stockholders. Except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Second Amended and Restated Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock) or pursuant to the DGCL.

C. No Preemptive Rights: No holder of stock of any class or series of the Corporation shall be entitled to any preemptive right to subscribe for or purchase any shares of stock of any class or series, whether now or hereafter authorized, or any bonds, debentures or other securities or evidences of indebtedness, whether or not convertible into or exchangeable for stock, but shares of stock of any class or series, or bonds, debentures or other securities or evidences of indebtedness may be issued, sold or otherwise disposed of by the Board of Directors on such terms and for such consideration, so far as may be permitted by law, and to such person or persons as the Board of Directors in its absolute discretion may deem advisable.

#### FIFTH:

For purposes of this Article FIFTH:

“Acquire” or “Acquisition” or “Acquiring” shall mean the direct or indirect acquisition by any means, including, without limitation, through any option, warrant, forward purchase or commitment, convertible security, swap agreement or other derivative or security or arrangement, pledge or other interest or arrangement or commitment, or by reason of Capital Stock being acquired or held by a nominee or similar agent on behalf of a Person, and shall include any action or event that conveys beneficial ownership (or is deemed to convey beneficial ownership for purposes of applying Section 355(e) of the Code) for U.S. federal income tax purposes.

“Affiliate” shall mean a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person as of the date on which, or at any time during the period for which, the determination of affiliation is being made. The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise. For purposes of this definition, Persons who share one or more common board members who do not constitute a majority of the board of any such Person shall not be deemed to be under common control. In addition, for purposes of this definition, two or more Persons shall not be treated as “Affiliates” solely by virtue of the fact that they retain the services of the same investment manager or investment advisor and such investment manager or investment advisor has, pursuant to contract or otherwise, discretionary authority to make investment decisions on behalf of such Persons.

“Beneficial Ownership” shall mean ownership directly or indirectly (including by a nominee), or constructively through the application of the aggregation and attribution rules in Section 355(e)(4)(C) of the Code (including through the application of Section 318 of the Code, as modified by Section 355(e)(4)(C) of the Code), and shall include all deemed ownership under the rules of Sections 355(d) and (e) of the Code and the Treasury regulations promulgated thereunder (including any deemed ownership by reason of being a member of any “coordinating group” within the meaning of Treasury Regulations Section 1.355-7(h)(4)). The terms “Beneficially Own” and “Beneficially Owning” shall have correlative meanings.

“Business Day” shall mean any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

“Charitable Beneficiary” shall mean, with respect to any Trust, one or more organizations described in each of Section 501(c)(3), Section 170(b)(1)(A) (other than clauses (vii) or (viii) thereof) and Section 170(c)(2) of the Code that are named by the Corporation as the beneficiary or beneficiaries of such Trust.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the Treasury regulations promulgated thereunder.

“Distribution” shall mean the distribution of the Capital Stock of the Corporation pursuant to the Contribution and Distribution Agreement, dated April 20, 2018, by and among the Corporation, Henry Schein, Inc., Direct Vet Marketing, Inc. and, solely for purposes of certain articles thereto, Shareholder Representative Services LLC (as it may be amended and/or restated from time to time).

“Distribution Date” shall mean February 7, 2019.

“Grandfathered Holder 1” shall mean the “X Purchasers” (as such term is defined in the Stock Subscription and Purchase Agreement) and any of their successors or assignees, and any Affiliates of any of the foregoing, respectively.

“Grandfathered Holder 1 Interest” shall mean the shares of issued and outstanding Common Stock (by vote, value (using the Valuation Principles), or number, whichever is more restrictive, and as determined on the date of issuance) acquired by Grandfathered Holder 1 pursuant to the Stock Subscription and Purchase Agreement.

“Grandfathered Holder 2” shall mean the “Y Purchaser” (as such term is defined in the Stock Subscription and Purchase Agreement) and any of its successors or assignees, and any Affiliates of any of the foregoing, respectively.

“Grandfathered Holder 2 Interest” shall mean the shares issued and outstanding Common Stock (by vote, value (using the Valuation Principles), or number, whichever is more restrictive, and as determined on the date of issuance) acquired by Grandfathered Holder 2 pursuant to the Stock Subscription and Purchase Agreement.

“Grandfathered Holder 3” shall have the meaning given to such term in the Merger Agreement.

“Grandfathered Holder 3 Interest” shall mean the shares of issued and outstanding Common Stock (by vote, value (using the Valuation Principles), or number, whichever is more restrictive, and as

determined on the date immediately following the Merger) Beneficially Owned by Grandfathered Holder 3 on the date immediately following the Merger.

“Grandfathered Holders” shall mean Grandfathered Holder 1, Grandfathered Holder 2 and Grandfathered Holder 3.

“Legacy Shares” shall mean the shares of Common Stock originally acquired by (i) Voyager Stockholders pursuant to the Merger Agreement, and (ii) Grandfathered Holder 1 and Grandfathered Holder 2 pursuant to the Stock Subscription and Purchase Agreement.

“Market Capitalization” shall mean the product of (i) the total number of outstanding shares of Capital Stock, multiplied by (ii) the Market Price of such Capital Stock, as of the relevant date for measuring such value pursuant to this Article FIFTH.

“Market Price” shall mean with respect to any series of any class of Capital Stock, the last reported sales price of such series reported on Nasdaq on the trading day immediately preceding the relevant date or, if shares of such series are not then traded on Nasdaq, the last reported sales price of shares of such series on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the shares of such series may be traded, or if shares of such series are not then traded over any exchange or quotation system, then the market price of shares of such series on the relevant date as determined in good faith by the Board of Directors of the Corporation.

“Merger” shall mean the transactions contemplated and undertaken pursuant to the Merger Agreement.

“Merger Agreement” shall mean that certain Agreement and Plan of Merger, dated April 20, 2018, by and among the Corporation, Henry Schein, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and, solely for purposes of certain articles thereto, Shareholder Representative Services LLC (as it may be amended and/or restated from time to time).

“Nasdaq” shall mean the Nasdaq Global Select Market.

“Person” shall mean an individual, corporation, partnership, estate, trust, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity or person, and shall include any “coordinating group” (within the meaning of Treasury Regulations Section 1.355-7(h)(4)), it being understood that a “coordinating group” shall be treated as one Person for purposes of this Article FIFTH.

“Prohibited Owner” shall mean any Person who, but for the provisions of Paragraph A of this Article FIFTH, would Beneficially Own Capital Stock in excess of the Share Ownership Limit.

“Public Listing Date” shall mean the date on which Common Stock of the Corporation is first publicly-traded pursuant to the registration statement filed under the Securities Act, which became effective with the U.S. Securities and Exchange Commission on February 4, 2019 (Commission File No. 333-229026 ).

“Ownership Limitation Termination Date” shall mean the first Business Day following the second anniversary of the Distribution Date.

“Securities Act” shall mean the Securities Act of 1933, as amended from time to time, or any successor statute thereto. Reference to any provision of the Securities Act shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.

“Share Ownership Limit” shall mean:

(i) other than in the case of the Grandfathered Holders, Beneficial Ownership of nine and eight tenths percent (9.8%) (determined in respect of voting power, value (calculated using the Valuation Principles), or number, whichever is most restrictive) of all issued and outstanding Capital Stock;

(ii) in the case of Grandfathered Holder 1, the Grandfathered Holder 1 Interest;

(iii) in the case of Grandfathered Holder 2, the Grandfathered Holder 2 Interest; and

(iv) in the case of Grandfathered Holder 3, the Grandfathered Holder 3 Interest.

If a Person Beneficially Owns Capital Stock that is not actually outstanding (e.g. Capital Stock issuable upon the exercise of an option or warrant or the conversion of a convertible security) (“Option Shares”), then, for purposes of determining the percentage of outstanding Capital Stock Beneficially Owned by such Person, the Option Shares Beneficially Owned by such Person shall also be deemed to be outstanding solely with respect to such Person; it being understood that the foregoing shall operate so as to increase the amount of Capital Stock considered to be Beneficially Owned by a Person, and shall not operate so as to dilute or otherwise decrease the amount of any Capital Stock considered to be Beneficially Owned by a Person.

It is intended that the “Share Ownership Limit” prevent (v) any Person (other than Grandfathered Holder 3) from becoming a “ten-percent shareholder” (within the meaning of Treasury Regulations Section 1.355-7(h)(14)) of the Corporation (or any “predecessor” or “successor” thereof, within the meaning of Section 355(e)(4)(D) of the Code), (w) Grandfathered Holder 1 from Acquiring or Beneficially Owning any Capital Stock in excess of the Grandfathered Holder 1 Interest, (x) Grandfathered Holder 2 from Acquiring or Beneficially Owning any Capital Stock in excess of the Grandfathered Holder 2 Interest, (y) Grandfathered Holder 3 from Acquiring or Beneficially Owning any Capital Stock in excess of the Grandfathered Holder 3 Interest and (z) any other Transfer or Acquisition or Beneficial Ownership of Capital Stock that could reasonably be expected to adversely affect the intended tax free treatment of the Distribution and related transactions, and that this restriction shall be interpreted consistently with that intent. The Board of Directors may from time to time increase or decrease the Share Ownership Limit; provided, however, that (i) any increase or decrease may only be made prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law that would require a decrease in order for the Corporation to preserve the tax-free treatment of the Distribution under Section 355 of the Code, in which case such decrease shall be effective immediately), (ii) any increase or decrease may only be made if the Board of Directors reasonably determines that such increase or decrease is advisable to help the Corporation maintain the tax-free treatment of the Distribution under Section 355 of the Code, and (iii) any increase or decrease, as applicable, must be publicly announced by the Corporation.

“Stock Subscription and Purchase Agreement” shall mean that certain Stock Subscription and Purchase Agreement, dated December 21, 2018 (as it may be amended and/or restated from time to time).

“Transfer” shall mean any direct or indirect issuance, sale, transfer, exchange, gift, assignment, devise or other disposition, as well as any other event that causes any Person to Beneficially Own Capital Stock or have the right to vote or receive dividends on Capital Stock, or any agreement or arrangement (or any agreement, understanding, arrangement or substantial negotiations (within the meaning of Treasury Regulations Section 1.355-7(h)(1)) to take any such actions or cause any such events, including (but not limited to): (i) the granting or exercise of any option (or any disposition of any option) or contractual right, (ii) any issuance, sale, transfer, gift, assignment, devise or other disposition of any securities or rights convertible into or exchangeable for Capital Stock or any interest in Capital Stock, (iii) any exercise of any conversion right or exchange right or similar right, (iv) the issuance, sale, transfer, gift, assignment, devise or other disposition of interests in other entities that result in changes in Beneficial Ownership of Capital Stock, and (v) any transaction, event, understanding or arrangement that results in any Person Acquiring Beneficial Ownership of Capital Stock; in each case, whether voluntary or involuntary, whether owned of record, or Beneficially Owned and whether by operation of law or otherwise.

“Trust” shall mean any separate trust created pursuant to Subparagraph 2 of Paragraph A of this Article FIFTH and administered in accordance with the terms of Paragraph D of this Article FIFTH, for the exclusive benefit of any Charitable Beneficiary.

“Trustee” shall mean any Person or entity that is not an affiliate of either the Corporation or any Prohibited Owner and that is appointed by the Corporation to serve as trustee of the Trust.

“Valuation Principles” shall mean, for purposes of calculating the value of a number of shares of Capital Stock Beneficially Owned by a Person, the value calculated by (A) (i) multiplying (x) the number of shares of Capital Stock Beneficially Owned by such Person by (y) the Market Price of such Capital Stock as of the measurement date, and assuming for this purpose that all shares of Capital Stock within a single class have the same Market Price (and without taking into account control premiums or minority or blockage discounts), and (B) (ii) dividing the product by the Market Capitalization of the Corporation as of the relevant measurement date. If a Person Beneficially Owns Capital Stock by reason of Beneficially Owning Option Shares, then, for purposes of determining the value of outstanding Capital Stock Beneficially Owned by such Person, the Option Shares Beneficially Owned by such Person shall also be deemed to be outstanding solely for purposes of calculating the value of outstanding shares of Capital Stock owned by such Person; it being understood that the foregoing (insofar as it relates to Option Shares) shall operate so as to increase the value of Capital Stock considered to be Beneficially Owned by a Person, and shall not operate so as to decrease the value of Capital Stock considered to be Beneficially Owned by a Person.

“Voyager Stockholders” shall have the meaning ascribed to such term in the Merger Agreement.

A. Restrictions on Transfers.

1. Basic Restrictions. Except as provided in Paragraph E of this Article FIFTH, from the Public Listing Date and through and including the Ownership Limitation Termination Date, no Person shall Beneficially Own, or enter into any agreement, understanding, arrangement or substantial negotiations (within the meaning of Treasury Regulations Section 1.355-7(h)(1)) to Beneficially Own, in each case, Capital Stock in excess of the applicable Share Ownership Limit. Except as provided in Paragraph E of this Article FIFTH, from the Public Listing Date and through and including the Ownership Limitation Termination Date, any purported Transfer that, if effective, would result in any Person Beneficially Owning Capital Stock in excess of the applicable Share Ownership Limit shall be

void *ab initio* as to the Transfer of that number of shares of Capital Stock which would otherwise be Beneficially Owned by such Person in excess of the applicable Share Ownership Limit, and the intended transferee shall acquire no rights in such excess shares of Capital Stock.

2. Transfers in Trust. If at any time from the Public Listing Date and through and including the Ownership Limitation Termination Date, a purported Transfer occurs that, if effective, would result in any Person Beneficially Owning Capital Stock in excess of the applicable Share Ownership Limit, then, (i) the number of shares of Capital Stock in excess of the applicable Share Ownership Limit (rounded up to the nearest whole number of shares) shall be automatically transferred to a Trust for the exclusive benefit of the Charitable Beneficiary, effective (to the fullest extent permitted by law) as of the close of business on the Business Day prior to the date of such purported Transfer, (ii) the intended transferee shall acquire no rights in such Capital Stock, and (iii) such Capital Stock shall be registered on the books of the Corporation in the name of the Trustee.

B. Notice of Restricted Transfer or Acquisition. Any Person who makes, or attempts to make (or who enters into, has entered into, or attempts to enter into, any agreement, understanding, arrangement or substantial negotiations (within the meaning of Treasury Regulations Section 1.355-7(h)(1)) to make), a Transfer or Acquisition that violates any of the provisions of Paragraph A of this Article FIFTH shall immediately give written notice to the Corporation of such event and shall promptly provide to the Corporation such information as the Corporation may request in order to determine the effect, if any, of such Transfer or Acquisition (or attempted Transfer or Acquisition) on the Distribution's qualification for tax-free status under Section 355 of the Code and to ensure compliance with the Share Ownership Limit.

C. Owners Required to Provide Information. From and after the Public Listing Date until and including the Ownership Limitation Termination Date, on or prior to January 31 of each calendar year (or at such other time or times as the Corporation may request), every Person who Beneficially Owns (or who has entered into any agreement, understanding, arrangement or substantial negotiations (within the meaning of Treasury Regulations Section 1.355-7(h)(1)) to Beneficially Own) five percent (5%) or more of the issued and outstanding shares of any class or series of Capital Stock, shall provide to the Corporation such information as the Corporation may reasonably request in order to determine the effect, if any, of such Person's Beneficial Ownership of Capital Stock on the Distribution's qualification for tax-free status under Section 355 of the Code and to ensure compliance with the Share Ownership Limit.

D. Shares Held in Trust.

1. Status of Shares Held in Trust; Dividend and Voting Rights. Capital Stock held by the Trustee (i.e., that has been automatically transferred to a Trust pursuant to Subparagraph 2 of Paragraph A of this Article FIFTH) shall be issued and outstanding Capital Stock of the Corporation. The Prohibited Owner shall have no rights in the Capital Stock held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any Capital Stock held in trust by the Trustee, shall have no rights to dividends or other distributions on such Capital Stock, and shall not possess any rights to vote or other rights attributable to such Capital Stock. The Trustee shall have all voting rights and rights to dividends or other distributions with respect to Capital Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. To the fullest extent permitted by law, the Prohibited Owner shall be deemed to have given to the Trustee, as of the close of business on the Business Day prior to the date of the purported Transfer that results in the transfer of the Capital Stock to the Trust under Subparagraph 2 of Paragraph A of this Article FIFTH, an irrevocable proxy to vote the Capital Stock held in the Trust in accordance with this Subparagraph 1 of Paragraph D of this Article

FIFTH. To the fullest extent permitted by law, the Trustee shall have the authority (at the Trustee's sole discretion) to (i) rescind as void any vote cast by a Prohibited Owner prior to the discovery by the Corporation that the Capital Stock has been transferred to the Trust and (ii) to recast such vote in accordance with the desires of the Trustee acting for the exclusive benefit of the Charitable Beneficiary; provided, however, that if the Corporation has already taken irreversible corporate action, then the Trustee shall have no authority to rescind and recast such vote. To the fullest extent permitted by law, dividends or distributions with respect to Capital Stock held in the Trust inadvertently paid to a Prohibited Owner shall not be the property of the Prohibited Owner and shall be the property of the Trust and shall be paid by the Prohibited Owner to the Trust upon request. In the event the Prohibited Owner fails to comply with any such request, the Corporation shall have the power to take all measures that it determines reasonably necessary to recover the amount of any such dividend or distribution paid to a Prohibited Owner with respect to such Capital Stock held in Trust, including, without limitation, if necessary, (x) withholding any portion of future dividends or distributions payable on Capital Stock Beneficially Owned by the Prohibited Owner that are not held in Trust pursuant to the provisions of this Article FIFTH, and (y) as soon as reasonably practicable following the Corporation's receipt or withholding thereof, paying to the Trust for the benefit of the Charitable Beneficiary the dividends or distributions so received or withheld, as the case may be. The Prohibited Owner shall, to the fullest extent permitted by law, be deemed to have consented to the Corporation taking any and all such actions. Notwithstanding the provisions of this Subparagraph 1 of this Paragraph D of this Article FIFTH, until the Corporation has received notification (or otherwise discovers) that Capital Stock has been automatically transferred to a Trust, the Corporation shall be entitled to rely on its share transfer and other stockholder records for purposes of maintaining lists of stockholders entitled to vote at meetings, determining the validity and authority of proxies, otherwise conducting votes of stockholders, and determining the shareholders of record entitled to receive distributions from the Corporation in respect of its issued and outstanding Capital Stock.

2. Sale of Capital Stock by Trustee. As soon as practicable following its receipt of notice from the Corporation that Capital Stock has been transferred to a Trust, the Trustee of the Trust shall sell the Capital Stock held in the Trust to a Person, designated by the Trustee, whose Beneficial Ownership of the Capital Stock will not (when taken together with all other Capital Stock Beneficially Owned by such Person) violate the Share Ownership Limit and that is not otherwise a Prohibited Owner. Upon such sale, the interest of the Charitable Beneficiary in such Capital Stock sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided in Subparagraph 2 of Paragraph D. The Prohibited Owner shall receive the lesser of (i) the price paid by the Prohibited Owner for the Capital Stock or, if the Prohibited Owner did not give value for the Capital Stock in connection with the event causing the Capital Stock to be held in the Trust (e.g., in the case of a gift, devise or other such transaction), the Market Price of the Capital Stock on the date of the event causing the Capital Stock to be held in the Trust and (ii) the price per share received by the Trustee from the sale or other disposition of the Capital Stock held in the Trust. The Trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends and distributions which have been paid to the Prohibited Owner and are owed by the Prohibited Owner to the Trustee pursuant to Subparagraph 1 of Paragraph D of this Article FIFTH. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Corporation that Capital Stock has been transferred to the Trust, such Capital Stock is sold by a Prohibited Owner, then (i) such Capital Stock shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Prohibited Owner received an amount for such Capital Stock that exceeds the amount that such Prohibited Owner was entitled to receive pursuant to this Subparagraph 2 of Paragraph D, then, to the fullest extent permitted by law, the Prohibited Owner shall be liable to the Trustee for such excess amount, and shall promptly pay such excess amount to the Trustee upon demand.

E. Exception. The Board may exempt a Person from the applicable Share Ownership Limit for a specific Transfer, on such conditions and terms as the Board of Directors deems desirable, if (i) the Board of Directors concludes that the Transfer (taking into account all relevant facts, including the manner of such Transfer) will not affect the Distribution's qualification for tax-free status under Section 355 of the Code, (ii) such Person agrees that any action taken by such Person (or otherwise) which is contrary to the restrictions contained in this Article FIFTH will result in such Capital Stock being automatically transferred to a Trust in accordance with the provisions of this Article FIFTH, and (iii) the Transfer for which such exemption is sought has not yet occurred; it being understood that, to the extent it is established to the satisfaction of the Board of Directors that a secondary transfer or exchange between stockholders of the Corporation of issued and outstanding shares of Capital Stock will solely involve Legacy Shares (based on, in part, such representations and undertakings from the applicable transferor and transferee as the Board of Directors deems satisfactory in its reasonable discretion), the Board of Directors shall permit such transfer or exchange. In exercising its discretion under this Paragraph E of this Article FIFTH, the Board of Directors may, but is not required to, obtain a ruling from the Internal Revenue Service or an opinion of counsel or nationally recognized accounting firm.

F. Remedies for Breach. If the Board of Directors or its designees shall at any time determine in good faith that (i) a purported Transfer or Acquisition has taken place in violation of Paragraph A of this Article FIFTH, (ii) that a Person intends to or has attempted to (or has entered into any agreement, understanding, arrangement or substantial negotiations (within the meaning of Treasury Regulations Section 1.355-7(h)(1)) to Transfer or Acquire Beneficial Ownership of Capital Stock in violation of Paragraph A of this Article FIFTH or (iii) that any Transfer, Acquisition, intended or attempted Transfer or Acquisition would be inadvisable (in terms of preserving the tax-free treatment of the Distribution under Section 355 of the Code), then the Board of Directors or its designees shall take such actions as it deems advisable to refuse to give effect or to prevent such Transfer or Acquisition, including, but not limited to, refusing to give effect to such Transfer or Acquisition on the books of the Corporation or instituting proceedings to enjoin such Transfer or Acquisition.

G. Remedies Not Limited. To the fullest extent permitted by law, the Corporation shall have the exclusive right to enforce the provisions of this Article FIFTH, including by seeking legal and/or equitable relief against any Prohibited Owner (and its broker, nominee or other agent). Nothing contained in this Article FIFTH shall limit the authority of the Corporation to take such action as it deems necessary or advisable to ensure all relevant Persons comply with the applicable Share Ownership Limit and this Article FIFTH, or to take such other actions as the Corporation otherwise has the authority to take.

H. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Article FIFTH, including any defined term contained herein, the Board of Directors shall have the power to determine the application of the provisions of this Article FIFTH with respect to any situation based on the facts known to it. In the event that this Article FIFTH requires an action by the Board of Directors and this Certificate of Incorporation fails to provide specific guidance with respect to such action, the Board of Directors shall have the power to determine the action so long as such action is in furtherance of, and not inconsistent with, the provisions of this Article FIFTH.

I. Settlement of Nasdaq Transactions. Nothing in this Article FIFTH shall preclude the settlement of any transaction entered into through the facilities of Nasdaq or any other national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of this Article FIFTH and any transferee in such a transaction shall be subject to all of the provisions and limitations set forth in this Article FIFTH.

J. Severability. If any provision of this Article FIFTH or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

K. Legend. Each certificate for shares of Capital Stock and each notice evidencing uncertificated shares of Capital Stock shall bear substantially the following legend:

“The shares represented by this [certificate / notice] are subject to restrictions on transfer for the purpose of maintaining the tax-free treatment of the distribution of the Corporation’s capital stock under the Internal Revenue Code of 1986, as amended (the “Code”). Subject to certain exceptions set forth in the Corporation’s certificate of incorporation, no Person may Beneficially Own shares of capital stock of the Corporation in excess of 9.8% (or in the case of certain grandfathered holders, certain percentages specified in the Corporation’s certificate of incorporation), or such other percentage as is determined from time to time by the board of directors, of the voting power, number or value of outstanding shares of capital stock (whichever is more restrictive). Any Person who attempts to Beneficially Own shares of capital stock or other securities in excess of the above limitations must notify the Corporation in writing immediately. Any transfer in violation of the above limitations will be void *ab initio*. Notwithstanding the foregoing, if the restrictions above are violated, the shares of capital stock or securities represented hereby will be held in trust for a charitable beneficiary in the manner provided in the Corporation’s certificate of incorporation. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to, and all capitalized terms in this legend have the meanings defined in, the Corporation’s certificate of incorporation, a copy of which, including the restrictions on transfer, will be sent without charge to each stockholder who so requests.”

SIXTH:

A. Except as otherwise provided in this Second Amended and Restated Certificate of Incorporation or the DGCL, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. Subject to the rights of the holders of Preferred Stock to elect directors, the number of directors which shall constitute the entire Board of Directors shall initially be eleven (11) and shall thereafter be as fixed in the manner provided in the By-Laws of the Corporation (such total number of authorized directors, whether or not there exist any vacancies or previously authorized but unfilled directorship, the “Entire Board”). In no event shall a decrease in the number of directors constituting the Board of Directors shorten the term of any incumbent director.

B. The Board of Directors shall exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject to the provisions of the DGCL and this Second Amended and Restated Certificate of Incorporation. Without limiting the generality of the foregoing and in furtherance and not in limitation of the powers conferred by the DGCL and other applicable law, the Board of Directors is expressly authorized:

1. To adopt, amend or repeal any By-Law (provided, however, that any By-Law made, amended or repealed by the Board of Directors may be amended or repealed, and that any By-Laws may be adopted, by the stockholders of the Corporation, pursuant to Article THIRTEENTH);
2. To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation;

3. To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created; and

4. By resolution adopted by the affirmative vote of a majority of the Entire Board, to designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which, to the extent permitted by applicable law and provided in such resolution or in the By-Laws of the Corporation, and to the fullest extent permitted by the DGCL, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

C. Commencing at the 2020 annual meeting of stockholders, the directors, other than those who may be elected by the holders of any series of Preferred Stock voting separately pursuant to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), shall be elected by the stockholders entitled to vote thereon at each annual meeting of stockholders (including the 2020 annual meeting of stockholders) in the manner provided in the By-Laws of the Corporation. From the effective date of this Second Amended and Restated Certificate of Incorporation until the election of the directors at the 2022 annual meeting of stockholders, the directors of the Corporation, other than those who may be elected by the holders of any series of Preferred Stock voting separately pursuant to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the Entire Board. If the number of directors has changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class. The initial assignment of directors to each such class shall be made by the Board of Directors. The term of office of the initial Class I directors shall expire at the 2020 annual meeting of stockholders, the term of office of the initial Class II directors shall expire at the 2021 annual meeting of stockholders and the term of office of the initial Class III directors shall expire at the 2022 annual meeting of stockholders. Each director elected at the 2020 annual meeting of stockholders and each director elected at the 2021 annual meeting of stockholders shall hold office until the 2022 annual meeting of stockholders and, in each case, until his or her respective successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. Commencing with the 2022 annual meeting of stockholders, the Board of Directors will no longer be classified under Section 141(d) of the DGCL and each director shall be elected annually and shall hold office until the next annual meeting of stockholders and until his or her respective successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal. Directors need not be stockholders of the Corporation.

D. Except as otherwise expressly provided for or fixed by or pursuant to the provisions of this Second Amended and Restated Certificate of Incorporation relating to the rights of the holders of any outstanding series of Preferred Stock (including any Certificate of Designation relating to such series of Preferred Stock), newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from the death, resignation, or removal of any director or from any other cause shall be filled solely by the Board of Directors by the affirmative vote of a

majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or if such vacancy is not so filled or otherwise eliminated by a reduction in the number of authorized directorships prior to the next annual meeting of stockholders, by the stockholders at the next annual meeting thereof. Any director elected in accordance with the first sentence of this Paragraph D shall hold office for a term that shall coincide with the remaining term of the class such director is elected to and until such director's successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

E. From the effective date of this Second Amended and Restated Certificate of Incorporation until the earlier of (i) such time as the Board of Directors is no longer classified under Section 141(d) of the DGCL, and (ii) the election of directors at the 2022 annual meeting of stockholders, any director or the Entire Board, other than those who may be elected by the holders of any series of Preferred Stock voting separately pursuant to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), may only be removed for cause. For purposes of this Second Amended and Restated Certificate of Incorporation, "cause," with respect to any director of the Corporation, shall be deemed to exist if (i) he or she is convicted or pleads *nolo contendere* to a felony or (ii) a final adjudication of a court of competent jurisdiction adverse to such director, and from which there is no further right to appeal, establishes that he or she (A) is of unsound mind, (B) willfully committed acts of misconduct that have a material and adverse economic effect on the Corporation, (C) breached his or her duty of loyalty to the Corporation, (D) engaged in active and deliberate acts of dishonesty against the Corporation, or (E) he or she received an Improper Personal Benefit (as defined below). "Improper Personal Benefit" shall mean a person's receipt of a personal gain by reason of a person's position as a member of the Corporation's Board of Directors of a financial profit, monies or other advantage not also accruing to the benefit of the Corporation or to the stockholders generally and which is unrelated to his or her usual compensation by the Corporation for serving as a director, including, but not limited to, pursuant to the use or communication of confidential or inside information relating to the Corporation or its business or affairs for the purpose of generating a profit from trading in the Corporation's securities or providing a benefit to a third party. Notwithstanding the foregoing, "Cause" shall not exist unless and until the Corporation has delivered to the director a written notice of the director's failure to act that constitutes "cause" and, if cure is possible, such director shall not have cured such act or omission within ninety (90) calendar days after the delivery of such notice.

From and after the 2022 annual meeting of stockholders, any director or the Entire Board, other than those who may be elected by the holders of any series of Preferred Stock voting separately pursuant to this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), may be removed with or without cause.

Notwithstanding the foregoing, whenever holders of outstanding shares of one or more series of Preferred Stock, voting as a separate class, are entitled to elect one or more directors of the Corporation pursuant to the provisions of this Second Amended and Restated Certificate of Incorporation (including any Certificate of Designation relating to such series of Preferred Stock), any such director of the Corporation so elected may be removed only in accordance with this Second Amended and Restated Certificate of Incorporation (including such Certificate of Designation).

#### SEVENTH:

A. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in

the manner as shall be provided in the By-Laws of the Corporation in its present form or as hereafter amended from time to time.

B. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to call a special meeting of the stockholders of the Corporation, special meetings of the stockholders of the Corporation may be called at any time only at the direction of the chair of the Board of Directors, the chief executive officer of the Corporation, the lead outside director of the Board of Directors or by resolution adopted by the affirmative vote of a majority of the Entire Board. Except as otherwise required by the DGCL and subject to the provisions set forth in the By-Laws of the Corporation, the business to come before, and be conducted at, a special meeting of stockholders of the Corporation shall be limited exclusively to the business set forth in the Corporation's notice of meeting (and any supplement thereof), and the person or group calling such meeting shall have exclusive authority to determine the business included in such notice. Any special meeting of the stockholders shall be held at such place, if any, within or outside the State of Delaware, and on such date and at such time, as shall be specified in the notice of such special meeting.

C. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation at which a quorum is present, and may not be effected by the stockholders of the Corporation by written consent or electronic transmission in lieu of any such meeting of stockholders.

D. Election of directors need not be by written ballot unless the By-Laws of the Corporation shall so provide.

EIGHTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

NINTH: No director shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, that this Article NINTH shall not eliminate or limit the liability of a director (A) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (B) for acts or omissions of such director not in good faith or which involve intentional misconduct or a knowing violation of law, (C) under Section 174 of the DGCL, or (D) for any transaction from which such director derived an improper personal benefit; nor shall this Article NINTH eliminate or limit the liability of a director for any act or omission occurring

prior to the date this Article NINTH originally became effective. If the DGCL is amended after approval by the stockholders of this Article NINTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended from time to time.

TENTH:

A. Each person who was or is a party, or is threatened to be made a party to, or is involved in any pending or completed action, suit or investigation (including any internal investigation), inquiry, hearing, mediation, arbitration, other alternative dispute mechanism or any other proceeding, whether civil, criminal, administrative, regulatory, arbitratve, legislative, investigative or otherwise, and whether formal or informal, or any appeal of any kind therefrom, and whether instituted by or in the right of the Corporation, a governmental agency, the Board of Directors, any authorized committee thereof, a class of its security holders or any other party, and whether made pursuant to federal, state or other law (hereinafter a “Proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, (1) is or was a director or officer of the Corporation or (2) is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, limited liability company, partnership, joint venture, trust, association, or other enterprise, whether for profit or not-for profit, including service with respect to employee benefit plans (each such person, an “Indemnitee”), whether the basis of such Proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators.

B. Except as provided in Paragraph E of this Article TENTH, notwithstanding the provisions of Paragraph A of this Article TENTH, the Corporation shall not indemnify any person indemnified pursuant to Paragraph A of this Article TENTH in connection with a Proceeding (or part thereof) initiated by such person unless (i) the Board of Directors, by resolution thereof adopted by the affirmative vote of a majority of the Entire Board, authorized the Proceeding (or the relevant part of the Proceeding) prior to its initiation, (ii) the Corporation provides the indemnification, in its sole discretion, pursuant to the powers vested in the Corporation under the DGCL or other applicable law, or (iii) such indemnification is otherwise required by the DGCL or other applicable law.

C. The rights conferred upon Indemnitees in this Article TENTH shall be considered contract rights between the Corporation and the Indemnitee and shall be effective to the same extent and as if provided for in a contract between the Corporation and the Indemnitee. Such contract rights shall be deemed to vest at the commencement of the Indemnitee’s service to or at the request of the Corporation. Such contract rights shall include the right to be paid by the Corporation the expenses (including, without limitation, attorney’s fees) incurred by or on behalf of the Indemnitee in connection with any such Proceeding in advance of its final disposition, consistent with the provisions of the DGCL or other applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment and unless applicable law otherwise requires, only to the extent that such amendment permits the

Corporation to provide broader rights to payment of expenses than such law permitted the Corporation to provide prior to such amendment), and the other provisions of this Article TENTH. Such advancement of expenses shall be paid by the Corporation within twenty (20) calendar days after the receipt by the Corporation of a statement or statements from an Indemnitee requesting such advancement of expenses from time to time together with a reasonable accounting of such expenses; provided, however, that, if the DGCL so requires, the payment of such expenses incurred by a director or officer in his or her capacity as such (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service with respect to an employee benefit plan) in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right of appeal that such director or officer is not entitled to be indemnified under this Article TENTH or pursuant to the DGCL or otherwise. A director's or officer's undertaking to repay the Corporation any advancement of expenses shall not be required to be secured, shall not bear interest, and shall be made without regard to such director's or officer's ability to repay such advancement of expenses. Except for any undertaking required by the DGCL or this Article TENTH, the Corporation shall not impose on any director or officer additional conditions to the advancement of expenses or require from any director or officer additional undertakings regarding repayment. Advancements of expenses to an Indemnitee shall include any and all reasonable expenses incurred pursuing an action to enforce this right of advancement, including expenses incurred preparing and forwarding statements to the Corporation to support the advancements claimed. The right to advancement of expenses provided by this Article TENTH shall not apply to (i) any Proceeding against a person brought by the Corporation and approved by resolution adopted by the affirmative vote of a majority of the Entire Board which alleges willful misappropriation of corporate assets by such person, wrongful disclosure of confidential information, or any other willful and deliberate breach in bad faith of such person's fiduciary duty to the Corporation or its stockholders, or (ii) any claim for which indemnification is excluded pursuant to this Article TENTH, the DGCL or other applicable law.

D. Subject to the provisions of this Article TENTH, the Corporation may, by action of its Board of Directors and to the extent not prohibited by the DGCL or other applicable law, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers. The Board of Directors shall have the power to delegate the determination of whether employees or agents shall be indemnified to such person or persons as the Board of Directors determines.

E. If a claim under Paragraph A or C of this Article TENTH is not paid in full by the Corporation within (i) sixty (60) calendar days after a written claim for indemnification has been received by the Corporation or (ii) twenty (20) calendar days after a written claim for an advancement of expenses, together with a reasonable accounting of such expenses, has been received by the Corporation, the Indemnitee may at any time thereafter bring suit against the Corporation, in compliance with Article TWELFTH, to recover the unpaid amount of the claim or to obtain the advancement of expenses, as applicable, and, if successful, the Indemnitee shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the Indemnitee has not met the standards of conduct which make it permissible under the DGCL for the Corporation to indemnify the Indemnitee for the amount claimed, but the burden of proving such defense shall, to the fullest extent not prohibited by applicable law, be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the Indemnitee is proper in the circumstances

because he has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, a committee thereof, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The termination of any Proceeding described in this Article TENTH, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal proceeding, that the Indemnitee had reasonable cause to believe that such person's conduct was unlawful.

F. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Article TENTH shall not be exclusive of any other right which any Indemnitee may have or hereafter acquire under any statute, provision of this Second Amended and Restated Certificate of Incorporation in its present form or as hereafter amended from time to time, By-Law of the Corporation, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

G. The Corporation may purchase and maintain insurance, at its expense, to protect itself and/or any director, officer, employee or agent of the Corporation or who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article TENTH or the DGCL. The Corporation may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to insure the payment of such sums as may become necessary to effect the indemnification provided in this Article TENTH.

H. No amendment to or repeal of any Paragraph of this Article TENTH, nor the adoption of any provision of this Second Amended and Restated Certificate of Incorporation inconsistent with this Article TENTH, shall, unless otherwise required by law, eliminate or reduce the effect of this Article TENTH in respect of any matter occurring, or any action or proceeding accruing or arising, prior to such amendment, repeal or adoption of such inconsistent provision.

ELEVENTH: The Corporation, on behalf of itself and its subsidiaries, renounces, to the fullest extent permitted by the DGCL or other applicable law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "Excluded Opportunity" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries (a "Covered Person"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation. Neither the alteration, amendment or repeal of this Article ELEVENTH, nor the adoption of any provision of this Second Amended and Restated Certificate of Incorporation inconsistent with this

Article ELEVENTH, nor, to the fullest extent permitted by Delaware law, any modification of law, shall eliminate or reduce the effect of this Article ELEVENTH in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article ELEVENTH, would accrue or arise, prior to such alteration, amendment, repeal, adoption or modification. Any person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article ELEVENTH.

**TWELFTH:** Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (the “Court of Chancery”), or in the event that the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware or other state courts of the State of Delaware (each such court, as applicable, the “Selected Forum”), shall, to the fullest extent permitted by law, be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, other employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (C) any action asserting a claim arising pursuant to any provision of the DGCL (or any successor provision thereto), this Second Amended and Restated Certificate of Incorporation or the By-Laws of the Corporation (in each case, as they may be amended from time to time) or as to which the DGCL (or any successor provision thereto) confers jurisdiction on the Selected Forum, (D) any action asserting a claim governed by the internal affairs doctrine, (E) any action to interpret, apply, enforce or determine the validity of the Second Amended and Restated Certificate of Incorporation or the By-Laws (in each case, as they may be amended from time to time), or (F) any other action asserting an “internal corporate claim” as that term is defined in Section 115 of the DGCL. If any action, the subject matter of which is within the scope of the preceding sentence, is filed in a court other than a court located within the State of Delaware (a “Foreign Action”) in the name of any stockholder, such stockholder shall be deemed to have consented to (1) the personal jurisdiction of the Selected Forum in connection with any action brought in such court to enforce the preceding sentence and (2) having service of process made upon such stockholder in any such action by service upon such stockholder’s counsel in the Foreign Action as agent for such stockholder. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of Capital Stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article TWELFTH.

**THIRTEENTH:**

A. The Corporation reserves the right, at any time and from time to time, to amend, modify or repeal any provisions contained in this Second Amended and Restated Certificate of Incorporation (including any rights, preferences or other designations of Preferred Stock), and any other provisions authorized by the DGCL may be added or inserted, in the manner now or hereafter prescribed by law, subject to the express provisions hereof and all rights, preferences, privileges and powers of whatsoever nature conferred on stockholders, directors, officers or any other persons whomsoever by and pursuant to this Second Amended and Restated Certificate of Incorporation in its present form or as hereafter amended from time to time are granted subject to the right reserved in this Article THIRTEENTH.

B. In furtherance and not in limitation of the powers conferred upon it by law, the Board of Directors is expressly authorized to amend, alter, repeal or adopt the By-Laws of the Corporation by resolution adopted by the affirmative vote of a majority of the Entire Board. The affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of Capital Stock of the Corporation shall be required for stockholders to adopt, amend, alter or repeal any provision of the By-Laws of the Corporation.

**FOURTEENTH:** If any provision (or any part thereof) of this Second Amended and Restated Certificate of Incorporation in its present form or as hereafter amended from time to time shall be held invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (A) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Second Amended and Restated Certificate of Incorporation (including, without limitation, each portion of any section of this Second Amended and Restated Certificate of Incorporation containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (B) to the fullest extent possible, the provisions of this Second Amended and Restated Certificate of Incorporation (including, without limitation, each such portion of any section containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service or for the benefit of the Corporation to the fullest extent permitted by law.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been signed and attested to on this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

/s/ Benjamin Wolin

Name: Benjamin Wolin

Title: President and Chief Executive Officer

## CERTIFICATION

I, Benjamin Wolin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Covetrus, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Benjamin Wolin

Name: Benjamin Wolin

Title: Chief Executive Officer, President and Director  
(Principal Executive Officer)

## CERTIFICATION

I, Matthew Foulston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Covetrus, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

By: /s/ Matthew Foulston

Name: Matthew Foulston

Title: Executive Vice President and Chief Financial  
(Principal Financial Officer)



