

Elanco Is Operating with Momentum and Disciplined Execution



October 2020

Executing as planned. Strong, early progress with the Bayer integration and debt deleverage

\$660M – \$710M

Recently reaffirmed Q3 guidance

\$100M+ of \$275M – \$300M

Announced initial restructuring that will deliver synergies just weeks after Bayer Animal Health closing.

Debt deleverage begun with \$100M in term loan paydown. We are successfully executing on our strategy.



Streamlined distributor strategy working



Share gains with key Pet Health brand growth; outgrew the U.S. flea/tick/heartworm market in Q2, according to Kynetec dispensing data



E-commerce and alternative channels grew 28% in Q2, a trend that underscores the importance of adding Bayer's leadership in this space.

Increasing position of strength in unprecedented conditions

IPO'd, built and further **transformed Elanco** through one of the most significant **animal pandemics** in African Swine Fever and **human pandemics** in COVID-19. In parallel, consolidation was happening across the industry.



Building a fit-for-purpose leader

Separation from Lilly systems and support largely finished, with the completion of the independent enterprise resource planning (ERP) system on **schedule to go live in early 2021,** while building and shifting the entire Bayer Animal Health ERP system in TCS.



Disciplined execution, while the long-term productivity agenda drives profitability

Strong execution as demonstrated by productivity gains, cash and opex management, and improving payment terms.

Actions taken to enhance productivity and drive efficiencies throughout the company include:

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Manufacturing / R&D Sites Eliminated Since 2015

5,000 SKUs

Rationalized resulting in **\$215M cost savings** and avoidance (2018-2020), and another **\$100M+ planned** (2021-2023)

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Contract Manufacturing Organizations Reduced

Additional productivity initiatives across the enterprise, such as Procurement and Benefits.

Innovation launching and preparing for next era to fuel topline growth

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Portfolio products launched or acquired since 2015 **grew 60%** in 2019, representing **14% of total revenue**.

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Launch equivalents consistently delivered by the end of 2024, and **five** by the end of 2021. These include innovations in major pet markets of broad-spectrum parasiticides, dermatology, and therapy, as well as farm animal antibiotic replacements.



Transforming to lead, with a more balanced portfolio

Executed the highly strategic and transformative acquisition of Bayer Animal Health, despite the challenges of COVID-19, to create the **second largest player in the animal health industry**.

- ✓ Doubles the pet health business at now nearly 50% of total sales, nearly triples the international pet health business, enhances the global cattle portfolio, and delivers overall scale in a consolidating global industry.
- ✓ Combines Elanco's longstanding focus on the veterinarian with Bayer's direct-to-consumer expertise to open new opportunities to fuel growth. Enables Elanco to capitalize on emerging trends accelerated by the COVID-19 pandemic, including significant growth in pet owner purchasing via online, retail, telemedicine, and direct to the doorstep.
- ✓ Improved margin mix with Bayer enhances long-term margin targets.

The right team in place to deliver value

Started the Bayer integration with key leadership and value capture targets in place on day 1.



Created a diverse, independent Board of Directors with deep experience including M&A integration.



Added from Bayer to executive team to include 4 distinct commercial geography leaders and new Chief Marketing Officer.

Track record of driving change

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Since 2007, the company has **grown >4x through organic growth** and 13 successful acquisitions, transforming from a second-tier, \$900M, 100% U.S. farm animal business to the #2 animal health player with a robust, diverse global business balanced between pet and livestock.



A healthy enterprise

Established **Healthy Purpose**, the company's ESG/sustainability framework, that outlines Elanco's ambition to make Healthier Animals, People and Planet while ensuring a healthy, growing enterprise for the long term. Elanco's differentiators — people and innovation with purpose — **aim to create value and improve society through access to the majority of the world's animals**.

