



2020 Earnings Second Quarter

July 30, 2020

SAFE HARBOR PROVISION



Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national, or global political, economic, business, competitive, market, and regulatory conditions, including but not limited to the following, heightened competition, including from innovation or generics; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and alternatives to animal-derived protein; changes in regulatory restrictions on the use of antibiotics in food animals; the impact on our operations, the supply chain, customer demand, and our liquidity as a result of the coronavirus (COVID-19) global health pandemic; our ability to implement our business strategies or achieve targeted cost efficiencies and gross margin improvements; an outbreak of infectious disease carried by food animals; the success of our R&D and licensing efforts; our ability to complete acquisitions and successfully integrate the businesses we acquire, including the animal health business of Bayer AG (Bayer); the impact of the COVID-19 global health pandemic on our ability to achieve the anticipated revenue, earnings, accretion and other benefits associated with the acquisition of the animal health business of Bayer; misuse, off-label or counterfeiting use of our products; unanticipated safety, quality or efficacy concerns associated with our products; the impact of weather conditions and the availability of natural resources; disruption in our supply chain due to manufacturing issues experienced by our contract manufacturers; consolidation of our customers and distributors; the impact of increased or decreased sales to our channel distributors resulting in higher or lower inventory levels held by them in advance of or trailing actual customer demand, which could lead to variations in quarterly revenue results; risks related to our presence in emerging markets; changes in U.S. foreign trade policy, imposition of tariffs or trade disputes; the impact of global macroeconomic conditions; and the effect on our business resulting from our separation from Eli Lilly and Company (Lilly), including the various costs associated with transition to a standalone entity, including the ability to standup our enterprise resource planning (ERP) system and other information technology systems.

For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please see the company's latest Forms 10-K and subsequent form 10-Qs filed with the Securities and Exchange Commission.

The company undertakes no duty to update forward-looking statements

DISCIPLINED EXECUTION



Top Line Results

Channel inventory reduction completed in Q2
COVID headwinds felt most in livestock products

Margin Impacts

Productivity + price delivered 300 bps
Proactive operating expense management

Working Capital & Cash

Bolstered balance sheet with improved receivable terms
Disciplined cash management

Bayer Animal Health Acquisition

All antitrust clearances received; systems ready for go-live
Deal to close in the coming days

IPP STRATEGY CONTINUES TO DELIVER

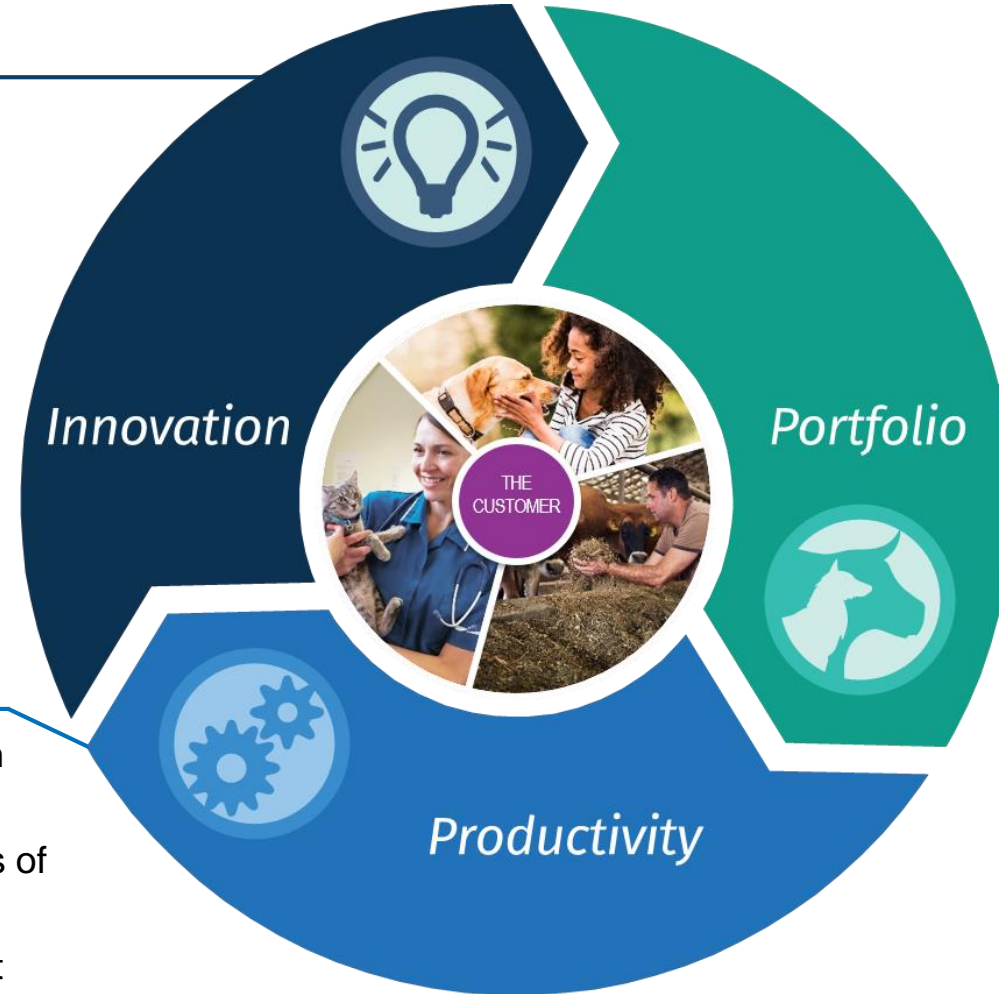
Elanco™

Deliver Innovation

- Revenue from 14 products launched or acquired since 2015 grew 14%, representing 21% of revenue in Q2
- Galliprant named 'Best New Veterinary Product of the Year' in the U.K. and France*
- Increxxa, an injectable antibiotic, received European positive opinion

Unlock Value

- Disciplined operating expense and cash management
- Productivity and price delivered 300 bps of benefit to gross margin
- Manufacturing productivity, independent company stand up, and ERP development remain on track



Drive Growth of Portfolio

- Completed channel inventory reduction
- Our portfolio outgrew the U.S. Flea Tick Heartworm market overall in vet clinic dispensing
- Grew 28% in U.S. alternative channels, driven by e-commerce, outpacing the market
- International business delivered strong growth in Aqua and China swine

Sources: Kynetic, 1010data, Nielsen. *Awarded by the Veterinary Marketing Association in the U.K., AFVAC in France

REPORTED INCOME STATEMENT



Millions; except per share data

	Q2 2020	Change	YTD 2020	Change
Revenue	\$586.3	(25)%	\$1,244.0	(18)%
Gross margin	49.5%	(490) bps	49.5%	(430) bps
Total operating expense*	222.2	(18)%	471.0	(9)%
Operating income	68.2	(56)%	144.4	(52)%
Interest expense, net	24.8	20%	41.3	(0)%
Effective tax rate	30.9%	250 bps	29.4%	40 bps
Net loss	\$(53.2)	(248)%	\$(102.3)	(252)%
Loss per share diluted	\$(0.13)	(232)%	\$(0.25)	(236)%

*Includes research and development expense as well as marketing, selling and administrative expense

"REPORTED" RESULTS

Include all financial results as reported in accordance with Generally Accepted Accounting Principles (GAAP)

"ADJUSTED" MEASURES

Start with **"REPORTED" RESULTS**

Include adjustments for items such as:

- Asset impairment, restructuring and other special charges
- Acquired in-process R&D charges and other income and expenses from business development activities
- Amortization of intangible assets

CERTAIN INCOME STATEMENT ITEMS AS ADJUSTED



	Q2			YTD		
	2020 Adjusted	2019 Adjusted	Change	2020 Adjusted	2019 Adjusted	Change
Millions; except per share data						
Revenue	\$586.3	\$781.6	(25)%	\$1,244.0	\$1,512.7	(18)%
Gross margin	49.5%	54.6%	(510)bps	49.8%	53.8%	(400)bps
Total operating expense*	222.2	269.7	(18)%	471.0	514.9	(9)%
Operating income	68.2	157.1	(57)%	148.7	298.6	(50)%
Interest expense, net	24.8	20.7	20%	40.5	41.5	(2)%
Effective tax rate	17.2%	23.4%	(620)bps	16.4%	22.4%	(600)bps
Net income	\$36.1	\$101.6	(64)%	\$89.7	\$194.5	(54)%
Earnings per share diluted	\$0.09	\$0.28	(68)%	\$0.22	\$0.53	(60)%

Refer to slides 17-20 for the reconciliation between GAAP and Non-GAAP and definition of margin calculation.

*Includes research and development expense as well as marketing, selling, and administrative expense

EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions	Q2 2020						YTD 2020					
	Revenue	Price	FX Rate	Volume	Total	CER* Growth	Revenue	Price	FX Rate	Volume	Total	CER* Growth
CA Disease Prevention	176.3	1%	(1)%	(21)%	(21)%	(20)%	316.6	2%	(1)%	(24)%	(23)%	(22)%
CA Therapeutics	78.0	3%	(1)%	(8)%	(6)%	(5)%	143.8	1%	(1)%	(13)%	(13)%	(12)%
FA Future Protein & Health	157.9	2%	(4)%	(9)%	(10)%	(6)%	337.9	3%	(3)%	(1)%	(2)%	2%
FA Ruminants and Swine	158.2	2%	(2)%	(41)%	(42)%	(40)%	410.8	0%	(1)%	(24)%	(25)%	(23)%
Core Revenue	\$570.4	2%	(2)%	(24)%	(24)%	(22)%	\$1,209.1	2%	(2)%	(17)%	(17)%	(16)%
Strategic Exits	15.9	0%	(2)%	(40)%	(42)%	(40)%	34.9	0%	(2)%	(28)%	(30)%	(28)%
Total Elanco	\$586.3	2%	(2)%	(25)%	(25)%	(23)%	\$1,244.0	2%	(2)%	(18)%	(18)%	(16)%

Note: Numbers may not add due to rounding
 *CER = Constant exchange rate

REVENUE BY GEOGRAPHY



Millions	Q2 2020						YTD 2020					
	Global		US		International		Global		US		International	
	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change
Core Revenue	\$570.4	(22)%	\$241.1	(36)%	\$329.3	(9)%	\$1,209.1	(16)%	\$529.1	(29)%	\$680.0	(2)%
Strategic Exits	15.9	(40)%	7.0	(63)%	8.9	11%	34.9	(28)%	18.9	(42)%	16.0	(2)%
Total Elanco	\$586.3	(23)%	\$248.1	(37)%	\$338.2	(8)%	\$1,244.0	(16)%	\$548.0	(30)%	\$696.0	(2)%

Note: Numbers may not add due to rounding
Growth rates excluding the impact of foreign exchange rates.

BALANCE SHEET CONFIDENCE



Working Capital Improvements

Discipline around discretionary operating expense
Receivables as % of sales lowest since IPO

Strong Liquidity Position

\$1.4 billion in cash and equivalents
\$750 million revolving credit facility undrawn

Covenant EBITDA Established

Pro forma EBITDA will be inclusive of Q2 2020

Stand Up & Integration Cash Needs

Expected \$250 to \$350 million reduction in 2021

Q3 2020 REVENUE GUIDANCE



Q3 2020

Total Revenue	\$660 - \$710 million
Core Revenue (excluding Strategic Exits)	\$650 - \$700 million
Strategic Exits	Approx. \$10 million

Considerations

- All operating guidance elements reflect legacy Elanco
- Guidance excludes divested products, estimated at \$12 - \$20 million in Revenue for two months of the quarter
- Channel inventory reductions were completed in Q2
- Guidance includes an estimate of approximately \$30 to \$50 million of COVID-19 related pressure. The impact is assumed to be less severe sequentially with no recurrence of lockdowns in key markets, and is concentrated in Food Animal
- Q3 2019 Total Revenue included stock in benefit at a major brick & mortar retailer for Companion Animal products

COMBINED COMPANY MODELING ASSUMPTIONS



DEBT

- Term Loan B to fund at deal close
- Go-forward interest expense of ~\$60-65 million per quarter given debt levels at deal close
- Focus on debt repayment

TAX RATE

- Combined company tax rate likely to be higher than legacy Elanco, between 22% and 24%, while significant analysis remains
- Cash tax rate expected to be lower than the effective tax rate

CAPEX

- ~\$170-\$200 million capital expenditure steady-state

SHARE COUNT

Millions of shares

	Q3	Q4
Estimated Weighted Average Diluted Shares – Quarterly	463.0	488.1
Estimated Weighted Average Diluted Shares – YTD	426.9	442.0

BAYER SEASONALITY

- Historically, generated in the first half of the year:
 - Over 50% of Revenue
 - At least 70% of EBITDA



Elanco

TM

Food and Companionship
Enriching Life

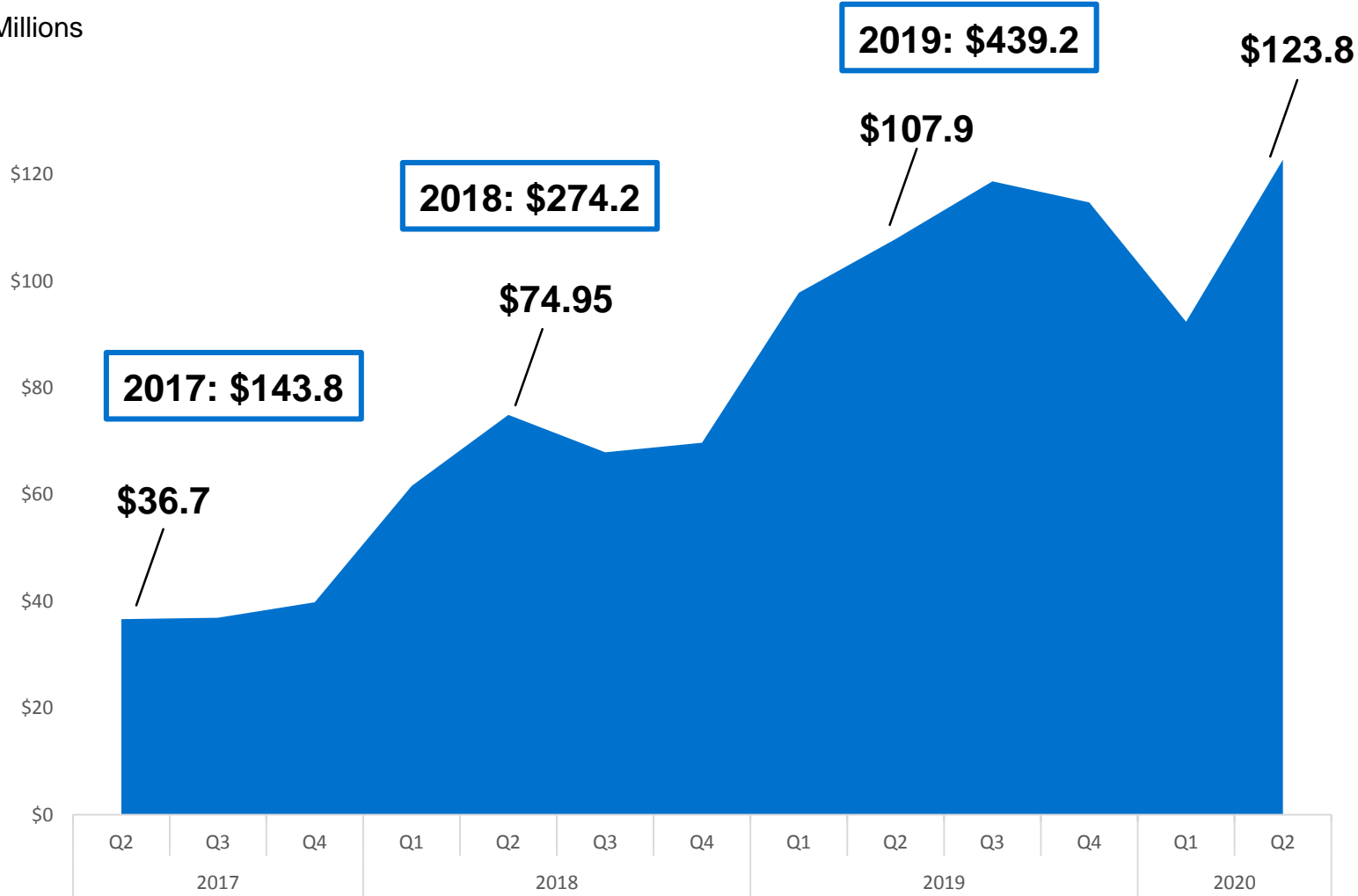
SUPPLEMENTAL SLIDES



NEW PRODUCT PROGRESS



Millions



Products Include:

COMPANION ANIMAL

- Interceptor[®] Plus
- Osurnia^{®***}
- Galliprant[®]
- Credelio[®]
- Entyce^{®**}
- Nocita^{®**}
- Tanovea^{®**}

FOOD ANIMAL

- Imrestor^{®*}
- Invixa[™]
- Kavault[®]
- Intepriety[®]
- Clynav[™]
- Prevacent[™] PRRS
- Correlink[™]

**2020 Q2:
+14% growth**





*Marketing of this product has been suspended while additional indications are pursued

**Added in Q3 2019

***In connection with securing the necessary regulatory clearances for the pending acquisition of Bayer Animal Health, we completed the sale of our remaining interest on July 27, 2020

REVENUE PERFORMANCE BY CATEGORY



	Q1 2020	Q2 2020	2020 YTD
 Companion Animal Disease Prevention	(24)%	(20)%	(22)%
 Companion Animal Therapeutics	(18)%	(5)%	(12)%
 Food Animal Future Protein & Health	10%	(6)%	2%
Targeted Growth Categories	(10)%	(13)%	(11)%
 Food Animal Ruminants & Swine	(7)%	(40)%	(23)%
Core Elanco	(9)%	(22)%	(16)%
Strategic Exits	(13)%	(40)%	(28)%
Total Elanco	(9)%	(23)%	(16)%

Note: Percentages exclude the impact of foreign currency. For presentation of results including impact of foreign currency, see slide 8.

Q2 RECONCILIATION OF GAAP to NON-GAAP



Millions; except per share data	Q2 2020			Q2 2019		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Gross profit	\$290.4	—	\$290.4	\$425.6	\$1.2	\$426.8
Operating income	\$68.2	—	\$68.2	\$155.9	\$1.2	\$157.1
Amortization of intangible assets	49.0	49.0	—	49.3	49.3	—
Asset impairments, restructuring and other special charges	119.4	119.4	—	31.8	31.8	—
Other-net (income) expense	(47.9)	(47.7)	(0.2)	3.9	—	3.9
Income (loss) before taxes	\$(77.1)	120.7	\$43.6	\$50.2	\$82.3	\$132.5
Provision for taxes	(23.9)	(31.4)	7.5	14.3	(16.6)	30.9
Net income (loss)	\$(53.2)	\$89.3	\$36.1	\$35.9	\$65.7	\$101.6
Earnings (loss) per share diluted	\$(0.13)	\$0.22	\$0.09	\$0.10	\$0.18	\$0.28

See slide 18 for details on items included in the adjustments for each line.

Q2 2020 INCOME STATEMENT NOTES



Q2 2020 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Charges associated with integration efforts and external costs related to the acquisition of businesses, including the pending acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$111.1 million), facility exit costs and asset write-downs (\$1.1 million), severance (\$0.6 million), the settlement of a legal matter (\$3.2 million), and the impairment of intangible assets (\$3.5 million), partially offset by a favorable adjustment from reversals for severance programs that are no longer active (\$0.1 million).
- The gain on our sale and leaseback of land and buildings in New South Wales, Australia (\$45.6 million) and the impact of a decrease in the fair value of the Prevtect contingent consideration (\$2.1 million).

Q2 2019 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Inventory adjustments related to the suspension of commercial activities for Imrestor (\$1.2 million).
- Charges associated with integration efforts and external costs related to the acquisition of businesses and charges primarily related to independent stand-up costs and other related activities (\$33.1 million) and severance (\$2.0 million), partially offset by a favorable adjustment from reversals for severance programs (\$3.3 million).

FOR ALL PERIODS:

- Income tax represents the income tax expense associated with the adjusted items.
- Adjusted Gross Margin is adjusted Gross Profit divided by Revenue.

YTD RECONCILIATION OF GAAP to NON-GAAP



	YTD 2020			YTD 2019		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Millions; except per share data						
Gross profit	\$615.4	\$4.3	\$619.7	\$812.9	\$0.6	\$813.5
Operating income	\$144.4	\$4.3	\$148.7	\$298.0	\$0.6	\$298.6
Amortization of intangible assets	100.6	100.6	—	98.3	98.3	—
Asset impairments, restructuring and other special charges	194.2	194.2	—	56.7	56.7	—
Interest expense, net	41.3	0.8	40.5	41.5	—	41.5
Other-net (income) expense	(46.8)	(47.7)	0.9	6.5	—	6.5
Income before taxes	(\$144.9)	\$252.2	\$107.3	\$95.0	\$155.6	\$250.6
Provision for taxes	(42.6)	(60.2)	17.6	27.6	(28.5)	56.1
Net income	(\$102.3)	\$192.0	\$89.7	\$67.4	\$127.1	\$194.5
Earnings per share diluted	(\$0.25)	\$0.47	\$0.22	\$0.18	\$0.35	\$0.53

See slide 20 for details on items included in the adjustments for each line.

YTD 2020 INCOME STATEMENT NOTES



YTD 2020 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Excludes a one-time payment to settle outstanding obligations to a contract manufacturing organization in connection with a divestiture due to the acquisition of Bayer Animal Health (\$4.3 million)
- Charges associated with integration efforts and external costs related to the acquisition of businesses, including the pending acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$187.4 million), facility exit costs and asset write-downs (\$3.0 million), severance (\$1.6 million), the settlement of a legal matter (\$3.2 million), and the impairment of intangible assets (\$3.5 million), partially offset by a favorable adjustment from reversals for severance programs that are no longer active (\$0.7 million) and the gain on the sale of our R&D facility in Prince Edward Island, Canada (\$3.8 million).
- The debt extinguishment loss recorded in connection with the repayment of our existing term loan facility (\$0.8 million).
- The gain on our sale and leaseback of land and buildings in New South Wales, Australia (\$45.6 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$2.1 million).

YTD 2019 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Charges primarily associated with inventory adjustments related to the suspension of commercial activities for Imrestor (\$0.6 million).
- Charges related to severance (\$2.0 million), charges associated with integration efforts and external costs related to the acquisition of businesses, independent stand-up costs and other related activities (\$54.0 million), and the impairment of intangible assets (\$4.0 million), partially offset by a favorable adjustment from reversals for severance programs (\$3.3 million).

FOR ALL PERIODS:

- Income tax represents the income tax expense associated with the adjusted items.
- Adjusted Gross Margin is adjusted Gross Profit divided by Revenue.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP EPS



	Q2		YTD	
	2020	2019	2020	2019
As reported EPS	\$(0.13)	\$0.10	\$(0.25)	\$0.18
Cost of sales	—	0.00	0.01	0.00
Amortization of intangible assets	0.12	0.13	0.25	0.27
Asset impairments, restructuring and other special charges	0.29	0.09	0.48	0.16
Other-net (income) expense	(0.12)	—	(0.12)	—
Interest expense, net of capitalized interest	—	—	0.00	—
Subtotal	\$0.29	\$0.22	\$0.62	\$0.43
Tax impact of adjustments	(0.08)	(0.04)	(0.15)	(0.08)
Total adjustments to EPS	\$0.22	\$0.18	\$0.47	\$0.35
Adjusted EPS⁽¹⁾	\$0.09	\$0.28	\$0.22	\$0.53

Numbers may not add due to rounding. (1) Adjusted EPS is calculated as the sum of As Reported EPS and Total Adjustments to EPS.

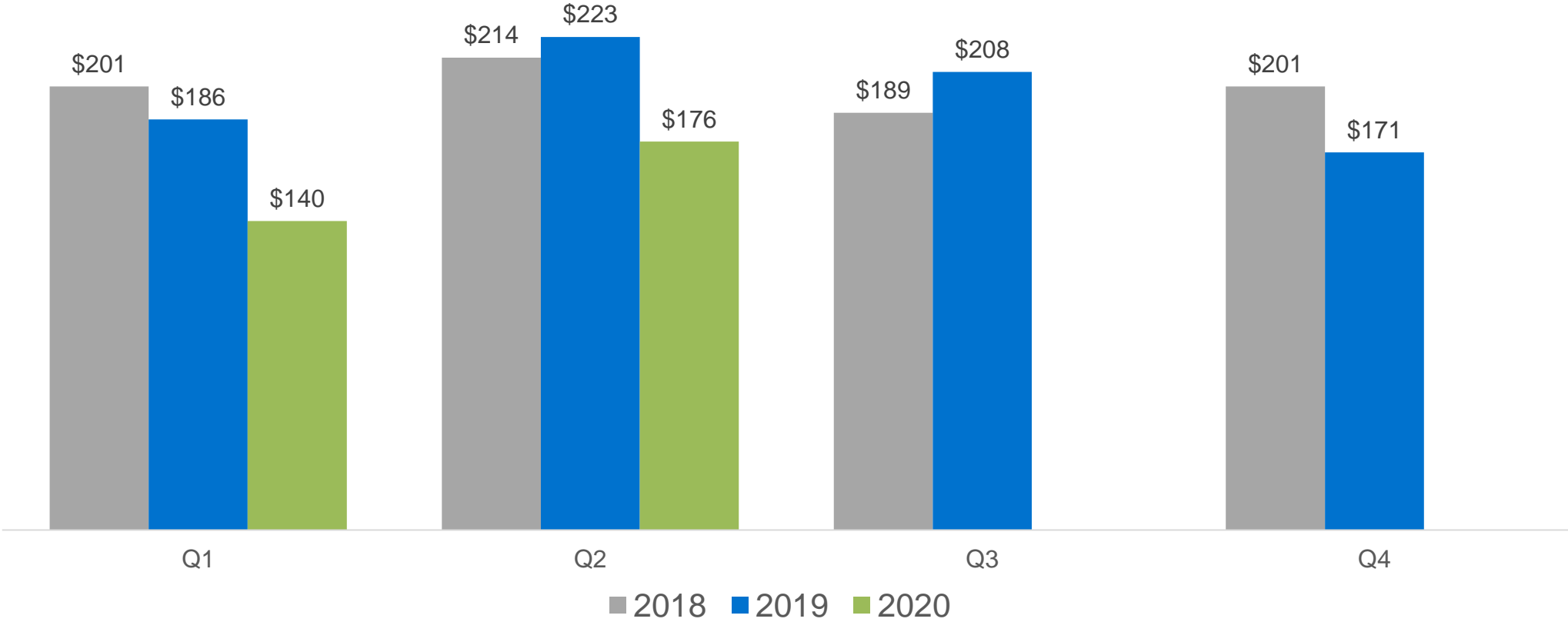
NET INCOME TO EBITDA AND ADJUSTED EBITDA



	Q2		YTD	
	2020	2019	2020	2019
(dollars in millions)				
Reported net income (loss)	\$(53.2)	\$35.9	\$(102.3)	\$67.4
Net interest expense	24.8	20.7	41.3	41.5
Income tax expense (benefit)	(23.9)	14.3	(42.6)	27.6
Depreciation and amortization	80.9	77.2	162.4	152.4
EBITDA	\$28.6	\$148.1	\$58.8	\$288.9
Non-GAAP adjustments:				
Cost of sales	—	\$1.2	\$4.3	\$0.6
Asset impairment, restructuring and other special charges	119.4	31.8	194.2	56.7
Accelerated depreciation and amortization ⁽¹⁾	(2.5)	—	(5.3)	—
Other net (income) expense	(47.7)	—	(47.7)	—
Adjusted EBITDA	\$97.8	\$181.1	\$204.3	\$346.2
<i>Adjusted EBITDA margin</i>	16.7%	23.2%	16.4%	22.9%

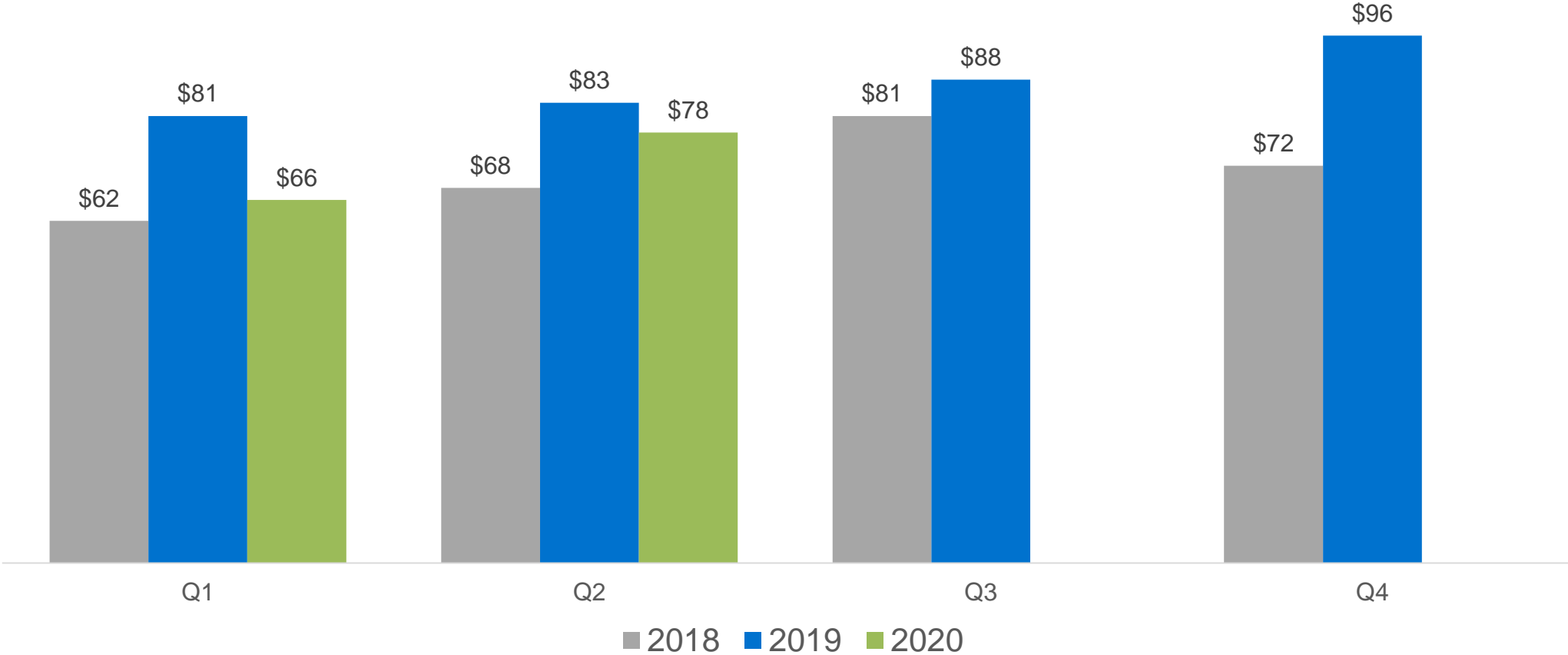
(1) Represents depreciation and amortization of certain assets that was accelerated during the three and six months ended June 30, 2020. This amount must be added back to arrive at Adjusted EBITDA because it is included in Asset impairment, restructuring and other special charges but it has already been excluded from EBITDA in the "Depreciation and amortization" row above.

Q2 2020 CA PREVENTION SALES DECREASED 21%



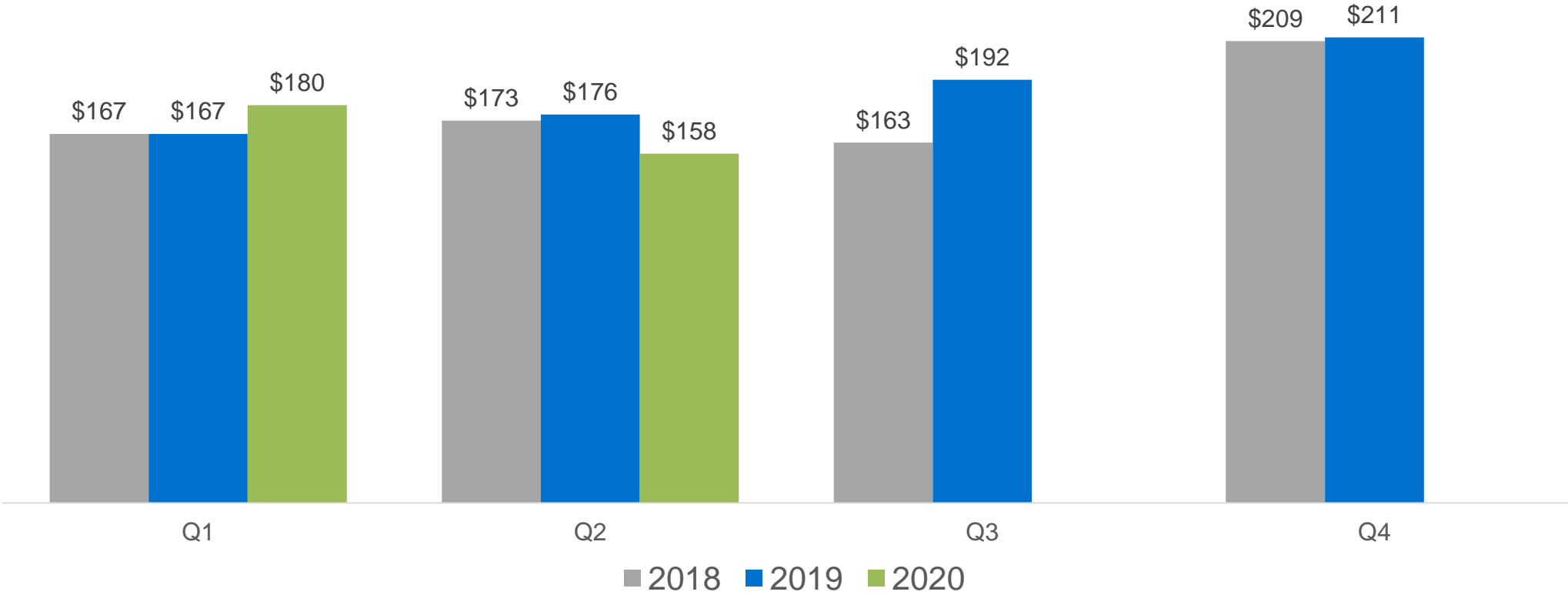
Note: Amounts and growth rates in reported dollars; dollars in millions

Q2 2020 CA THERAPEUTICS SALES DECREASED 6%



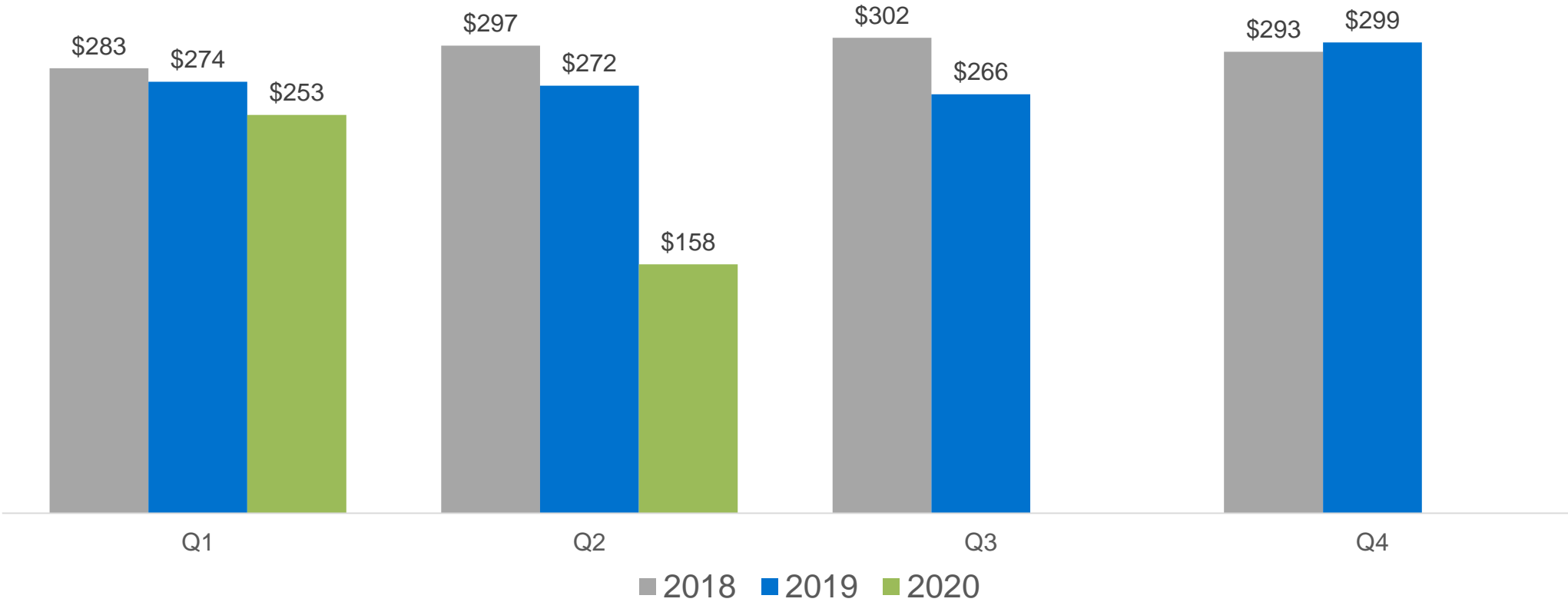
Note: Amounts and growth rates in reported dollars; dollars in millions

Q2 2020 FUTURE PROTEIN & HEALTH SALES DECREASED 10%



Note: Amounts and growth rates in reported dollars; dollars in millions

Q2 2020 RUMINANTS & SWINE SALES DECREASED 42%



Note: Amounts and growth rates in reported dollars; dollars in millions