

# 2023 Earnings – First Quarter

May 9, 2023

***Elanco***

# Notices and Disclaimers

**Forward-Looking Statements.** This presentation contains forward-looking statements, including, without limitation, statements concerning our 2023 full year, second quarter and first half guidance, our long-term revenue and earnings growth expectations, expectations regarding reduction of debt and leverage, expectations regarding product launches and related regulatory proceedings, and certain other expectations regarding our industry and our operations, performance, and financial condition, including, in particular, statements relating to our business, growth strategies, distribution strategies, product development efforts and future expenses. 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 competition; disruptive innovations; regulatory restrictions; our ability to implement business strategies; consolidation of customers and distributors; outbreaks of infectious disease carried by farm animals or a human disease outbreak; impacts on our business of global economic conditions; success of our R&D and licensing efforts; misuse of our products; safety or quality concerns; impacts of seasonality; impacts of weather conditions and climate change; modifications of foreign trade policy; currency rate fluctuations; our dependence on our top products; customer exposure to rising costs and reduced income; lack of availability or increases in costs of raw materials; changes in sales in our distribution channels; risks of write-downs of goodwill or intangible assets; risks related to evaluation of animals; manufacturing problems or capacity constraints; impact of litigation or regulatory matters; actions by regulatory bodies; risks related to tax expense; risks related to environmental, health and safety laws; risks related to operating in foreign markets; changes to intellectual property rights; dependence on information technology and potential breaches thereof; impacts of increased regulation or decreased financial support related to farm animals; labor disputes or loss of key personnel; risks related to underfunded pension plan liabilities; integration of acquisitions; substantial indebtedness and risks related to certain governance provisions in our constituent documents. For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please see our latest Form 10-K and subsequent Form 10-Qs filed with the Securities and Exchange Commission. We undertake no duty to update forward-looking statements.

**Non-GAAP Financial Measures.** This presentation contains non-GAAP financial measures, such as revenue excluding the impact of foreign exchange rate effects, EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), adjusted EPS, adjusted gross profit, adjusted gross margin, net debt and net debt leverage, which we use to assess and analyze our operational results and trends. Reconciliation of non-GAAP financial measures and reported GAAP financial measures are included in the tables in the appendix to this presentation and are posted on our website at [www.elanco.com](http://www.elanco.com). These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported measures.

**Notes.** Throughout this presentation, certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments which are reflected in our Form 10-K for the year ended December 31, 2022, subsequent Form 10-Qs, and in the 8-KA dated March 1, 2023. Financial results in the first quarter of 2023 benefited from customer purchases of legacy Bayer Animal Health products that the company believes were shifted from the second quarter of 2023 into the first quarter as a result of communicated commercial shipping blackout periods in April resulting from the company's ERP system integration.

# On Today's Call

## Jeff Simmons

Elanco Animal Health  
*President and CEO*



## Todd Young

Elanco Animal Health  
*Executive Vice President,  
Chief Financial Officer*



# Elanco Looks Toward Stabilization and Inflection

## Q1 2023

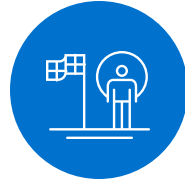
Base business  
in-line with expectations  
in H1 guidance

CC<sup>(1)</sup> Revenue +6%;  
estimated benefit of  
7%-9% from ERP  
system blackout



### Improved Outlook

Raising bottom end of H1 and Full Year 2023 guidance based on progress on milestones and increased confidence in innovation, U.S. Pet Health and international poultry businesses



### Progress on Milestones

ERP integration complete, Parvo conditional approval, IL-31 initial submission, Seresto EPA progress



### Confidence in Liquidity

Remain confident in cash generation capability, liquidity capacity with relationship banks, and position relative to financial debt covenants



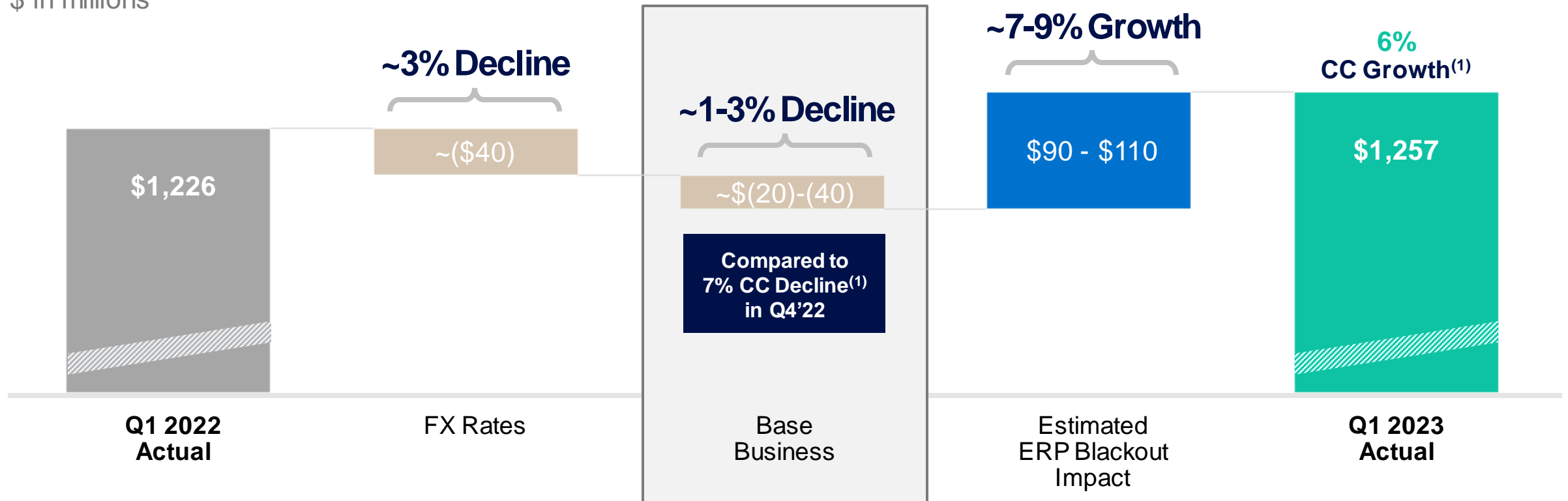
### Considerations for Inflection

Looking toward 2024 and beyond, encouraging yet balanced outlook toward growth and improved free cash flow

## Q1 2022 to 2023 Revenue Bridge

# Sequential Improvement in the Base Business Paired with Estimated Benefit from ERP Blackout

\$ in millions



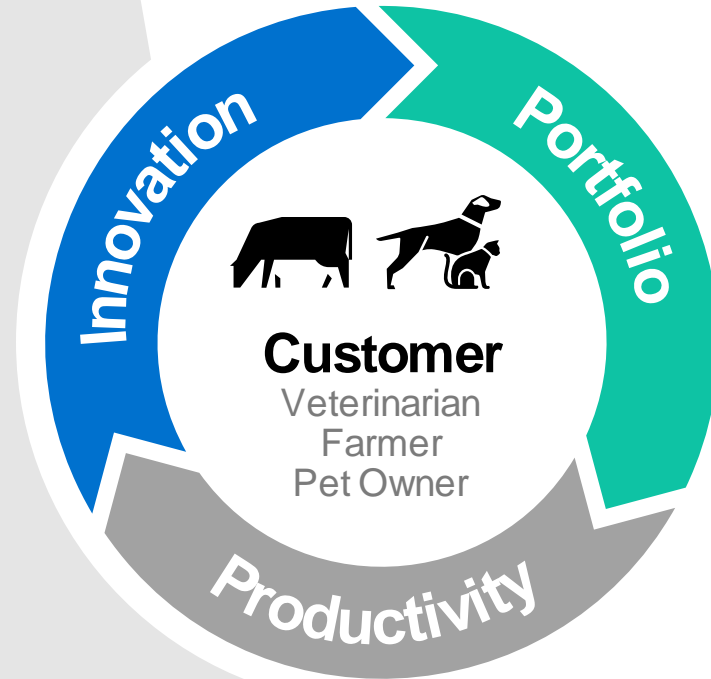
Note: Numbers may not add due to rounding and ranges

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# IPP Innovation, Portfolio, Productivity

**Highlights**  
Since Our Last  
Earnings Call



mAB = Monoclonal antibody  
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## Innovation

**Parvo Approved**  
USDA conditional approval received; Elanco's 1<sup>st</sup> mAB

**OTC Launches**  
3 of 3 new OTC products: Aftab (EU) approved

**Late-Stage Pipeline**  
Initiated U.S. submission of IL-31 mAB for canine dermatology

## Portfolio

**Seresto Progress**  
Aligning on EPA's recommended stewardship actions to support continued registration

**Price Growth**  
+5%, impacted by revenue shift dynamics in H1

**Commercial Excellence**  
Refined U.S. Pet Health strategy with focus on improved share of voice, physical availability, price, and leveraging innovation

## Productivity






















**ERP Integration**  
Legacy Bayer business transitioned; resumed normal operations for all affiliates / sites in April 2023

**Debt Management**  
Rolled \$1B of interest rate swaps that were otherwise scheduled to mature in October 2023

**NWC Focus**  
Enhanced resources and focus on Net Working Capital drivers, specifically inventory

Preparing for a historic innovation launch window in '23 and '24

# Progress and Outlook for Elanco's Next Era of Growth

Asset	Regulatory Agency	Species	Product Development	Initial Submission <sup>(1)</sup>	Approval <sup>(2)</sup>	Launch <sup>(1)</sup>	Peak Sales Opportunity <sup>(3)</sup>	Commentary	
<b>Experior</b> Ammonia Reduction	FDA (Rx)		[Progress bar]					First-in-class	
<b>Bexacat</b> SGLT-2 Diabetes	FDA (Rx)		[Progress bar]			Q4 2022	✓ Q1 2023		First-in-class
<b>KIND-030</b> Parvovirus	USDA (Rx)		[Progress bar]			✓ Q2 2023 <i>conditional</i>	Q2 2023 <i>after state approvals</i>		First-in-class; Monoclonal AB
<b>K9 Advantix</b> Flea/Tick	EPA (OTC)		[Progress bar]			Q1 2023	✓ Q1 2023		Establishes Elanco presence in "value" OTC category
<b>Advantage</b> Flea	EPA (OTC)		[Progress bar]			Q1 2023	✓ Q2 2023		
 <b>Adtab</b> Oral Flea/Tick	EMA (OTC)		[Progress bar]			✓ Q2 2023	✓ Q2 2023		Establishes Elanco presence in emerging EU OTC Oral F/T
<b>Broad Spectrum Parasiticide</b>	FDA (Rx)		[Progress bar]			Q4 2022	H1 2024		Differentiated
<b>JAK Inhibitor</b> Dermatology	FDA (Rx)		[Progress bar]			Q4 2022	H1 2024		Differentiated
<b>IL-31 SA Antibody</b> Dermatology	USDA (Rx)		[Progress bar]			✓ Q1 2023	H1 2024		Monoclonal AB
<b>Bovaer</b> Methane Reduction	FDA		[Progress bar]			Q4 2022	H1 2024		First-in-class

 \$10-\$49M  
  \$50-\$99M  
  ≥\$100M  
  Progress since Q4 2022 Earnings Call  
  Addition since Q4 2022 Earnings Call

(1) Expected submission and launch timing is based on internal estimates and could change as programs evolve. (2) Potential approval timing is subject to regulatory agency outcomes.

(3) Potential peak sales represent the level of annual sales expected for a product on a global basis at its peak.

# Financial Results

First Quarter 2023



**Elanco**™

First Quarter 2023

## Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume	Total	CC Change <sup>(1)</sup>
<b>Pet Health</b>	<b>\$675</b>	<b>5%</b>	<b>(3)%</b>	<b>3%</b>	<b>5%</b>	<b>8%</b>
Cattle	\$248		(3)%		0%	4%
Poultry	\$183		(4)%		2%	6%
Swine	\$102		(6)%		3%	9%
Aqua	\$40		(2)%		(7)%	(5)%
<b>Farm Animal</b>	<b>\$573</b>	<b>5%</b>	<b>(4)%</b>	<b>0%</b>	<b>1%</b>	<b>5%</b>
<b>Contract Manufacturing</b>	<b>\$9</b>	<b>-</b>	<b>(7)%</b>	<b>(41)%</b>	<b>(47)%</b>	<b>(41)%</b>
<b>Total Elanco</b>	<b>\$1,257</b>	<b>5%</b>	<b>(3)%</b>	<b>1%</b>	<b>3%</b>	<b>6%</b>

(1) Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.  
 Note: Reported revenue in millions. Numbers may not add due to rounding.

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First Quarter 2023

## Revenue by Geography and Species

	2023	2022	Change	CC Change <sup>(1)</sup>	Estimated ERP Blackout Benefit
US Pet Health	\$361	\$323	12%	12%	~12%
Int'l Pet Health	\$314	\$318	(1)%	5%	~11%
<b>Total Pet Health</b>	<b>\$675</b>	<b>\$640</b>	<b>5%</b>	<b>8%</b>	<b>10% to 12%</b>
US Farm Animal	\$182	\$193	(6)%	(6)%	~2%
Int'l Farm Animal	\$391	\$375	4%	10%	~6%
<b>Total Farm Animal</b>	<b>\$573</b>	<b>\$569</b>	<b>1%</b>	<b>5%</b>	<b>4% to 5%</b>
<b>Contract Manufacturing</b>	<b>\$9</b>	<b>\$17</b>	<b>(47)%</b>	<b>(41)%</b>	<b>-</b>
<b>Total Elanco</b>	<b>\$1,257</b>	<b>\$1,226</b>	<b>3%</b>	<b>6%</b>	<b>7% to 9%</b>

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First Quarter 2023

# Adjusted<sup>(1)</sup> Income Statement Highlights

\$ millions, except per share values	2023	2022	Change (\$)	Change (%)	Estimated ERP Blackout Benefit
<b>Revenue</b>	<b>\$1,257</b>	<b>\$1,226</b>	<b>\$31</b>	<b>3%</b>	<b>\$90 to \$110</b>
<b>Cost of Sales</b>	<b>\$493</b>	<b>\$509</b>	<b>\$(16)</b>	<b>(3)%</b>	
<b>Adjusted Gross Profit</b>	<b>\$764</b>	<b>\$717</b>	<b>\$47</b>	<b>7%</b>	<b>\$70 to \$90</b>
Adjusted Gross Margin	60.8%	58.5%	NM	+230 bps	130 to 170 bps
<b>Operating Expense</b>	<b>\$408</b>	<b>\$403</b>	<b>\$5</b>	<b>1%</b>	
<b>Interest Expense, Net</b>	<b>\$64</b>	<b>\$52</b>	<b>\$12</b>	<b>23%</b>	
Effective Tax Rate	21.9%	29.7%	NM	(780) bps	
<b>Adjusted Net Income</b>	<b>\$220</b>	<b>\$178</b>	<b>\$42</b>	<b>24%</b>	
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.45</b>	<b>\$0.36</b>	<b>\$0.09</b>	<b>25%</b>	<b>\$0.11 to \$0.14</b>
<b>Adjusted EBITDA</b>	<b>\$379</b>	<b>\$338</b>	<b>\$41</b>	<b>12%</b>	<b>\$70 to \$90</b>
Adjusted EBITDA Margin	30.2%	27.6%	NM	+260 bps	370 to 460 bps

(1) Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

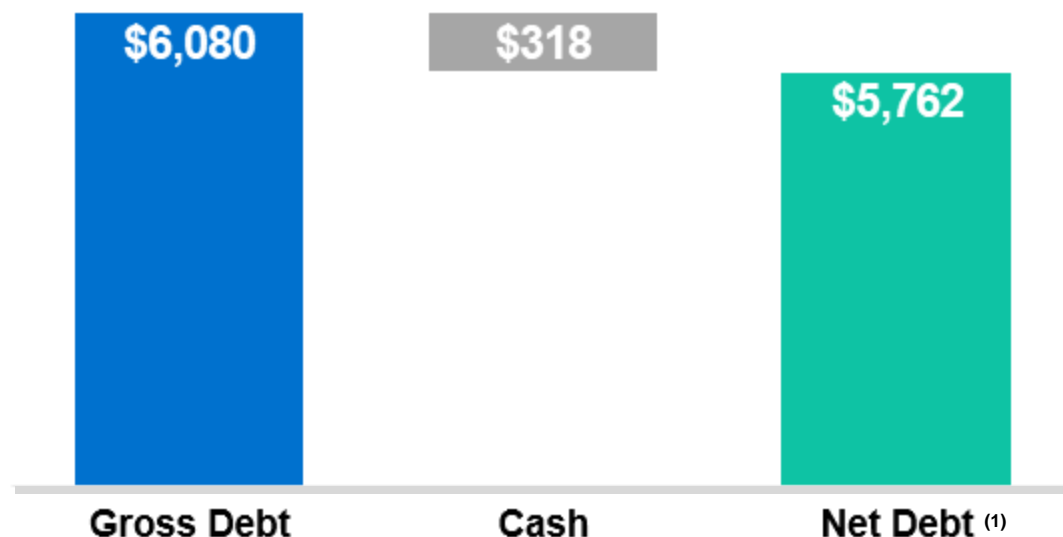
Note: Numbers may not add due to rounding.

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# Key Balance Sheet and Cash Flow Metrics

## Debt Balances as of March 31, 2023

\$ millions



**Operating Cash Flow (OCF) of \$(145)M in Q1 2023;** Year over year decline driven by higher cash interest expense and higher inventory levels.

**Gross debt increased \$180 million in Q1 2023** due to planned draw on revolver in the quarter.

**Net leverage ratio<sup>(2)</sup> decreased to 5.4x;** year end now expected between 5.3x to 5.8x.

**Days sales outstanding<sup>(3)</sup> at 73 days;** an increase of 1 day compared to Q4 2022.

Note: Numbers may not add due to rounding

(1) Net debt is a non-GAAP measure calculated as gross debt less cash and cash equivalents on our balance sheet. Gross debt is the sum of current portion of long-term debt and long-term debt and excludes unamortized debt issuance costs. (2) Net leverage ratio calculated as gross debt less cash and cash equivalents on our balance sheet divided by adjusted EBITDA. This calculation does not include Term Loan B covenant-related adjustments that reduce this leverage ratio. (3) DSO calculated as the trailing 12-month average.

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# Financial Guidance

First Half and Full Year 2023



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# Financial Guidance

\$ millions, except  
per share values

	February	May	Comments
<b>Revenue</b>	<b>\$4,280 - \$4,400</b>	<b>\$4,310 - \$4,400</b>	Raised bottom end by \$30M
<b>Reported Net Income</b>	\$(157) - \$(109)	\$(134) - \$(98)	
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$920 - \$1,000</b>	<b>\$940 - \$1,000</b>	Raised bottom end by \$20M
<b>Reported Diluted EPS</b>	\$(0.32) - \$(0.22)	\$(0.27) - \$(0.20)	
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$0.74 - \$0.83</b>	<b>\$0.76 - \$0.83</b>	Raised bottom end by \$0.02



## Impact of FX

expected to be  
~\$20-\$25 million headwind  
on the top-line, with H1  
headwind and H2 tailwind



## Balanced Outlook

Price growth above 2%,  
innovation and stabilizing  
base, more than offset by  
pressured environment  
and competitive backdrop



## Raised Bottom End

based on successful ERP  
integration, advancing innovation,  
and increased confidence in U.S.  
Pet Health and international  
poultry businesses

# Financial Guidance

\$ millions, except per share values

	First Half   February	First Half   May	Second Quarter   May
<b>Total Revenue</b>	<b>\$2,230 – \$2,310</b>	<b>\$2,260 – \$2,310</b>	<b>\$1,003 – \$1,053</b>
Reported Net Income	\$(53) – \$(22)	\$(47) – \$(25)	\$(150) – \$(128)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$490 – \$540</b>	<b>\$510 – \$540</b>	<b>\$131 – \$161</b>
Reported Diluted EPS	\$(0.11) – \$(0.04)	\$(0.10) – \$(0.05)	\$(0.31) – \$(0.26)
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$0.43 – \$0.50</b>	<b>\$0.45 – \$0.50</b>	<b>\$0.00 – \$0.05</b>



## Impact of FX

expected to be headwind of ~\$15 million, or ~1 ppt, on Revenue in the second quarter



## Q2 Cadence

includes an estimated Revenue headwind of \$90 to \$110 million from the ERP Blackout; no impact to H1



## Additional Assumptions

Interest Expense expected to be ~\$75 million in Q2; Sequential step up in Q2 Sales & Marketing investments

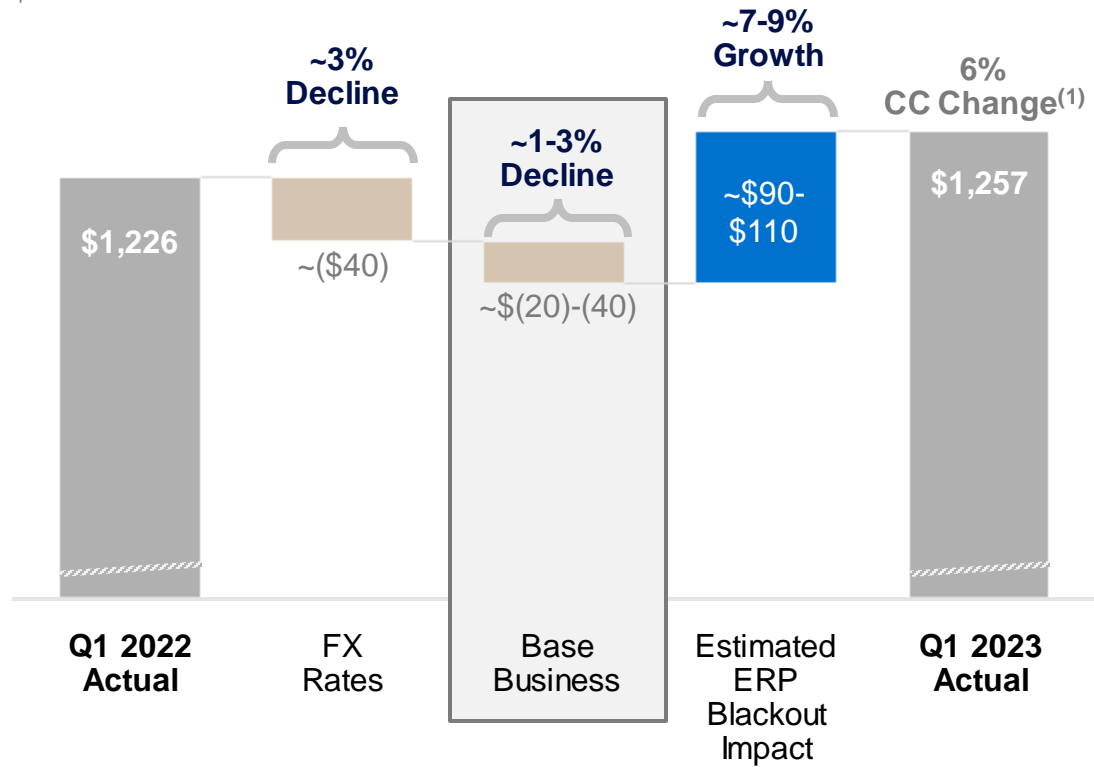
(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

## Q1 & Q2 2022 to 2023 Revenue Bridges

# Stabilization in Base Business with Estimated Unwind of ERP Blackout in Q2; H1 CC decline ~2-4%

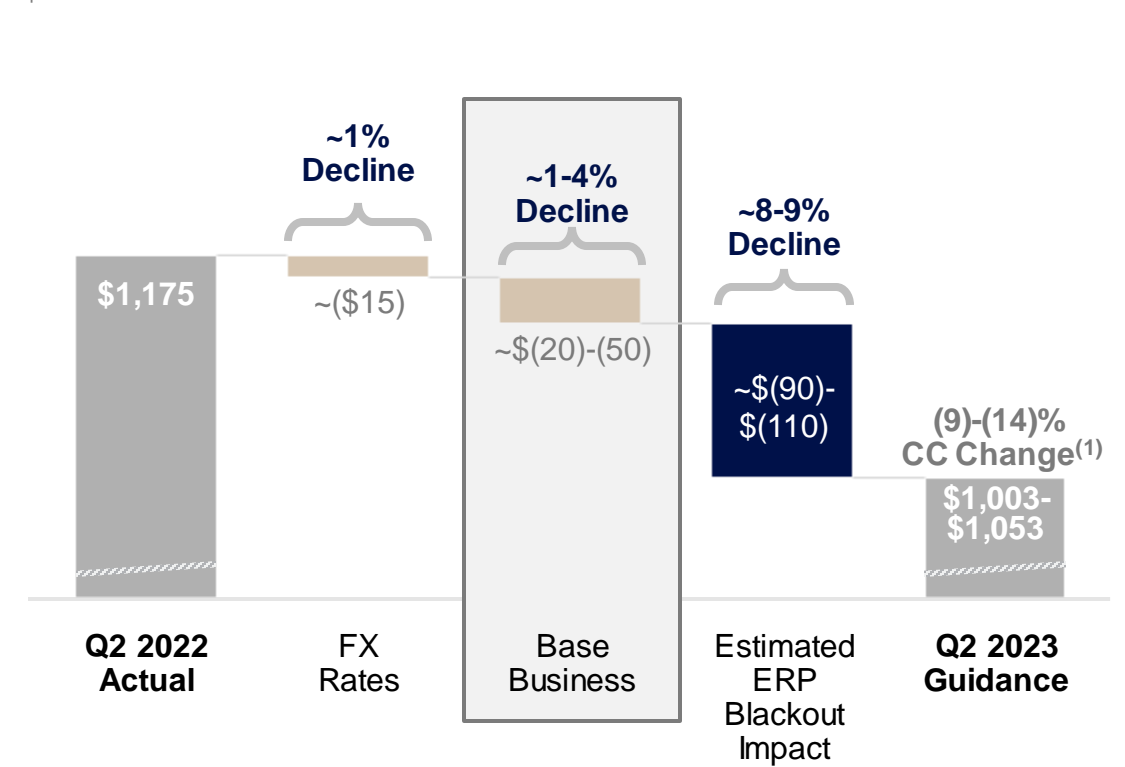
### First Quarter

\$ millions



### Second Quarter

\$ millions



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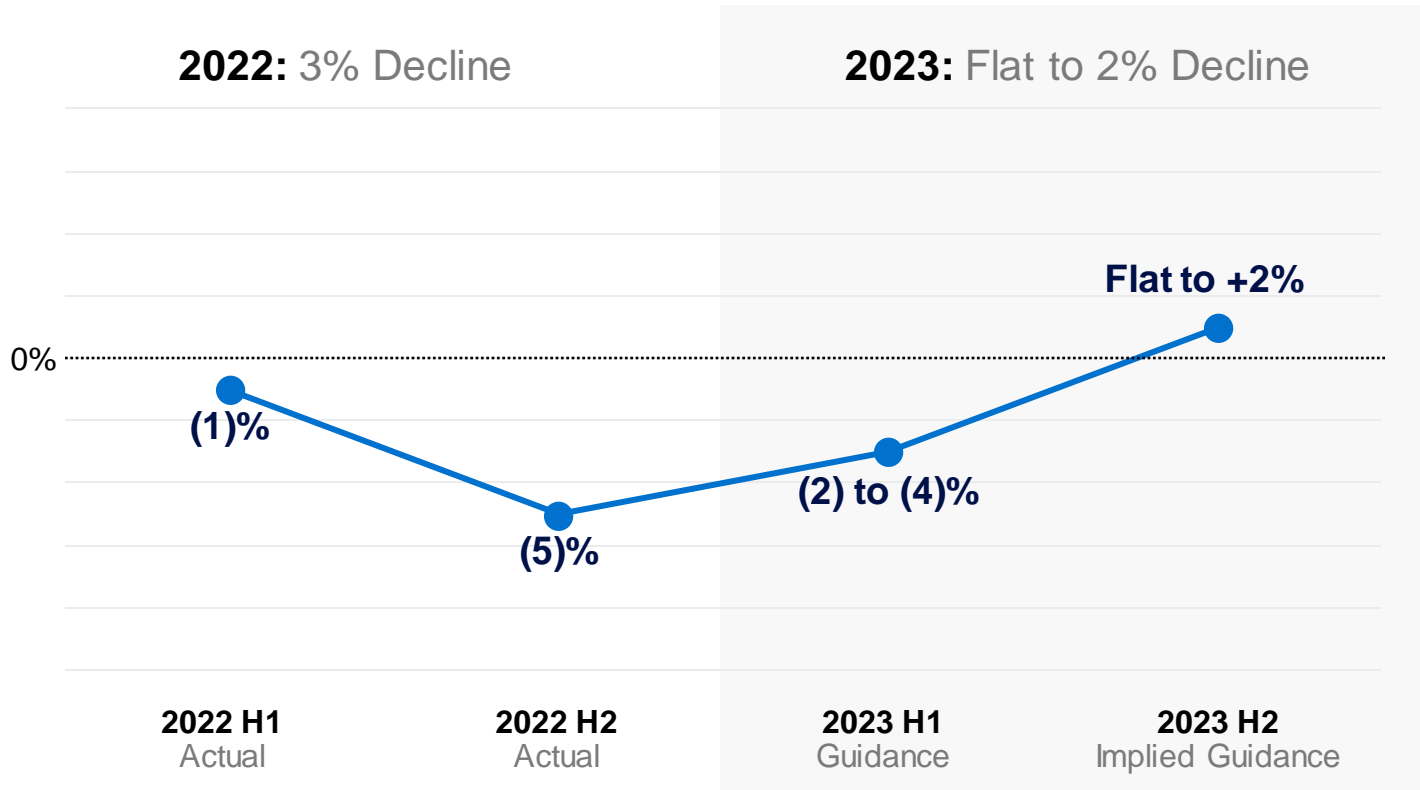
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## 2022 Actual and 2023 Guidance Revenue Change by Half

# Expect Second Half Return to Growth as Reflected in Full Year Revenue Guidance, Supported by Improving Leading Indicators

## Revenue

Year-over-year CC<sup>(1)</sup> Change



### Drivers of H2'23 Improvement:

- ✓ Innovation Ramp
- ✓ Price Growth
- ✓ Improved Supply
- ✓ Improved China market
- ✓ Improved U.S. & EU Pet Retail environment

(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

# Appendix

Reference slides and GAAP reported to  
non-GAAP adjusted reconciliations

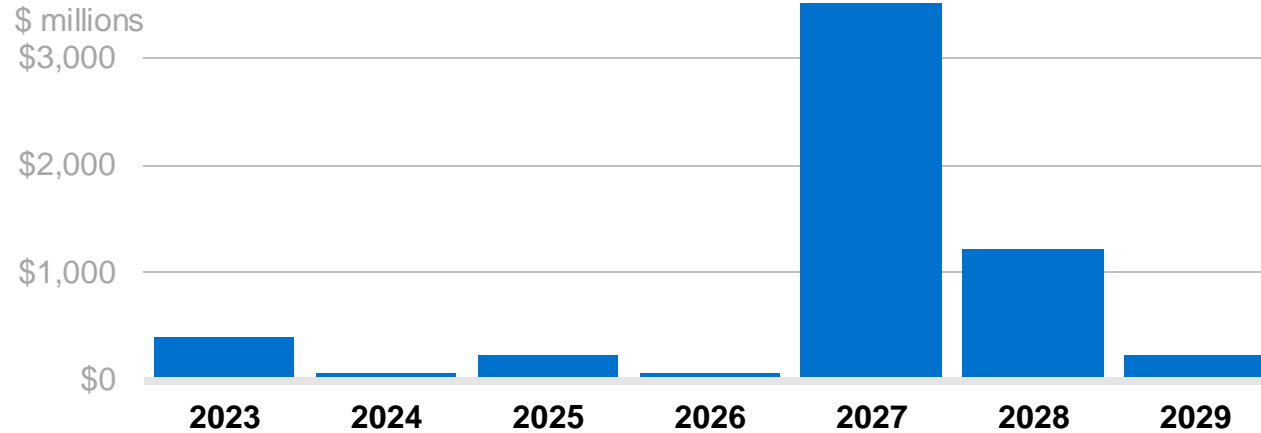


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# Current Debt Profile

## Debt Maturities & Mandatory Payments



## Key Debt Information<sup>(1)</sup>

**Interest Rate Swaps:** \$3 billion matures in 2025; 65% to 70% of debt remains fixed throughout 2023 and 2024

**Term Loans:** \$4.8 billion; bears interest of 1-Month Term SOFR+185 bps

**Revolver:** Access to \$750 million; bears interest of 1-Month Term SOFR+210

**Senior Notes:** \$1.1 billion; bears interest of 6.02% and 6.65%, including a 175 bps credit rating step up

**2023 Assumptions:** Year-end net leverage ratio between 5.3x and 5.8x, peaks above 6x in 2Q; expect \$100m of net debt reduction

## Summary of Financial Covenants Associated with TLB & Revolving Credit Facility

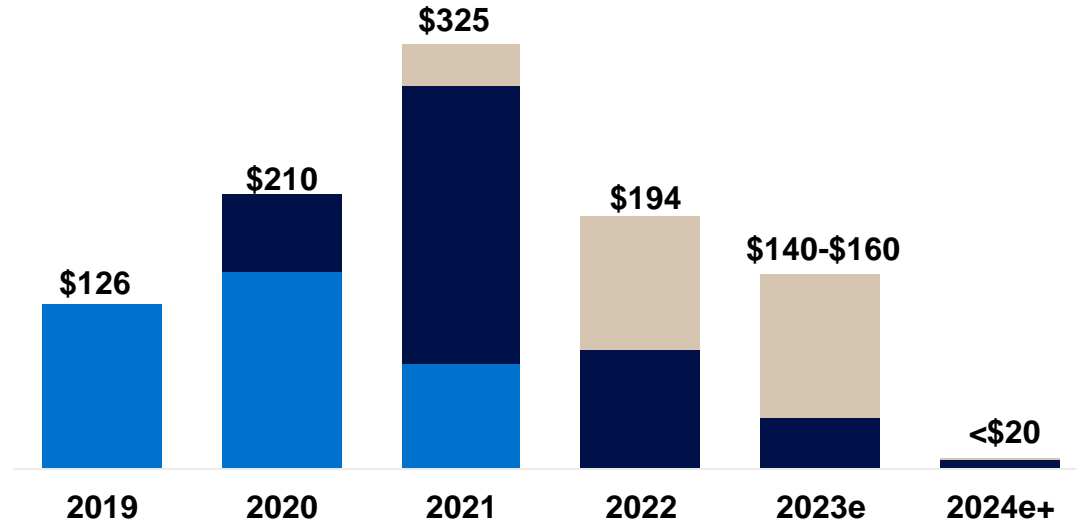
Covenant	Definition	Limit	Current Level <sup>(2)</sup>	Term Loan Enforcement Rights	Revolver Enforcement Rights
<b>Net Leverage Ratio</b>	Net debt <sup>(3)</sup> divided by TTM <sup>(4)</sup> adjusted EBITDA	Max 7.71x	5.4x	None	Yes
<b>Interest Coverage Ratio</b>	TTM adjusted EBITDA divided by TTM cash interest expense	Min 2.0x	3.5x	Only if certain non-financial covenants are tripped	Yes

(1) As of March 31, 2023; (2) This calculation does not include Term Loan B covenant-related adjustments that increase adjusted EBITDA by approximately \$60 to \$70 million. (3) Net debt is a non-GAAP measure calculated as gross debt less cash and cash equivalents on our balance sheet. Gross debt is the sum of current portion of long-term debt and long-term debt and excludes unamortized debt issuance costs. (4) TTM = Trailing Twelve Months.

# Meaningful Reduction in Project Cash Expected to Begin in 2024

## Estimated Project Cash Costs

\$ millions



✓ **Independent Company Stand-Up ~\$360M**  
completed in 2021

🕒 **Bayer Business Integration ~\$400M**  
principally complete in '22, trailing restructuring '23 and '24

🕒 **Bayer Systems Integration ~\$240-\$260M**  
expected to be principally completed in '23

## Factors Impacting Operating Cash Flow

\$ millions

	2021	2022	2023	2024+
<b>Adj. EBITDA</b>	\$1,059	\$1,017	\$940– \$1,000	↗
<b>Project Cash Costs</b>	\$325	\$194	\$140– \$160	↘
<b>Cash Interest</b>	\$221	\$266	\$390– \$400	↘
<b>Cash Taxes</b>	\$151	\$93	\$140– \$160	↗
<b>Change in NWC</b>	\$88	\$462	↘	=

**Cash Conversion** improvement aligned with expected increasing Adjusted EBITDA and declining Project Cash and Cash Interest

## Full Year 2023

# Financial Guidance & Additional Assumptions

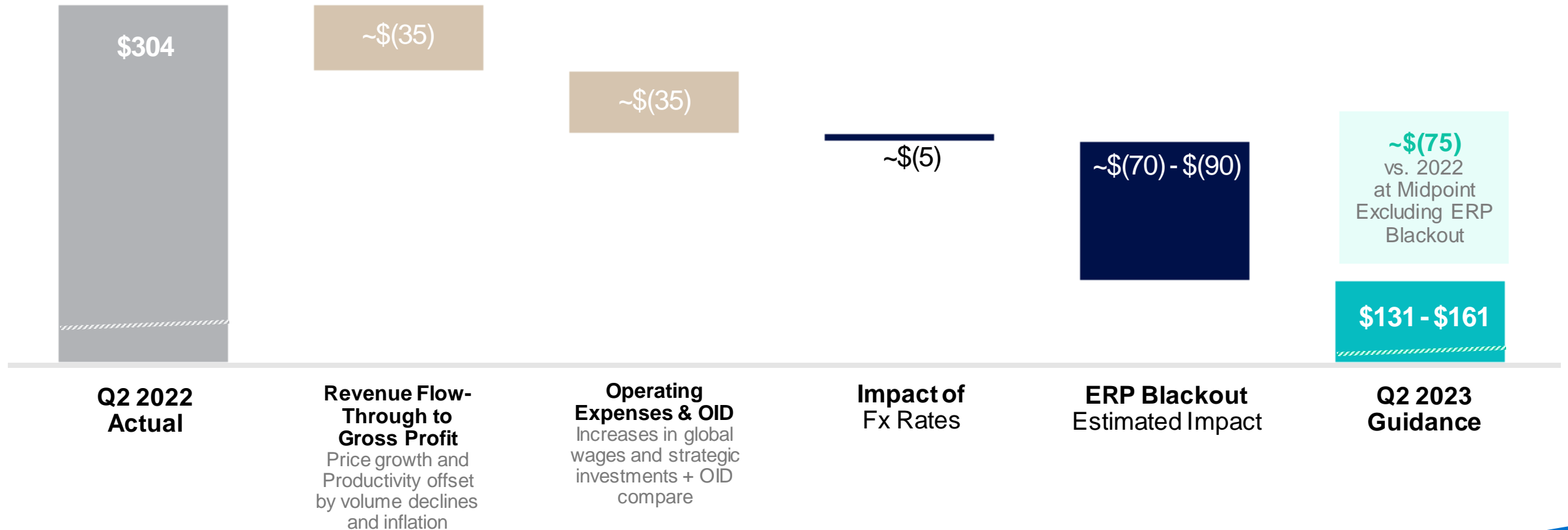
\$ millions, except  
per share values

	February	May
<b>Total Revenue</b>	<b>\$4,280 – \$4,400</b>	<b>\$4,310 – \$4,400</b>
Adjusted Gross Margin <sup>(1)</sup>	55.7% – 56.4%	56.3% – 56.9%
Operating Expenses	\$1,580 – \$1,605	\$1,595 – \$1,605
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$920 – \$1,000</b>	<b>\$940 – \$1,000</b>
<b>Adjusted EBITDA Margin<sup>(1)</sup></b>	<b>21.5% – 22.7%</b>	<b>21.8% – 22.7%</b>
Depreciation	Approx. \$145	Approx. \$140
Interest Expense, Net	Approx. \$315	Approx. \$315
Tax Rate	24% – 26%	24% – 26%
<b>Adjusted Earnings per Share<sup>(1)</sup></b>	<b>\$0.74 – \$0.83</b>	<b>\$0.76 – \$0.83</b>
Weighted Average Diluted Share Count	Approx. 497 million	Approx. 497 million
Capital Expenditures	\$170 – \$190	\$170 – \$190
Cash Taxes	\$140 – \$160	\$140 – \$160
Cash Interest <sup>(2)</sup>	\$390 – \$400	\$390 – \$400
Net Cash Impact from Bayer Integration and Restructuring	\$140 – \$160	\$140 – \$160

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

(2) Estimated cash interest based on 1-Month Term SOFR forward curves as of early May.

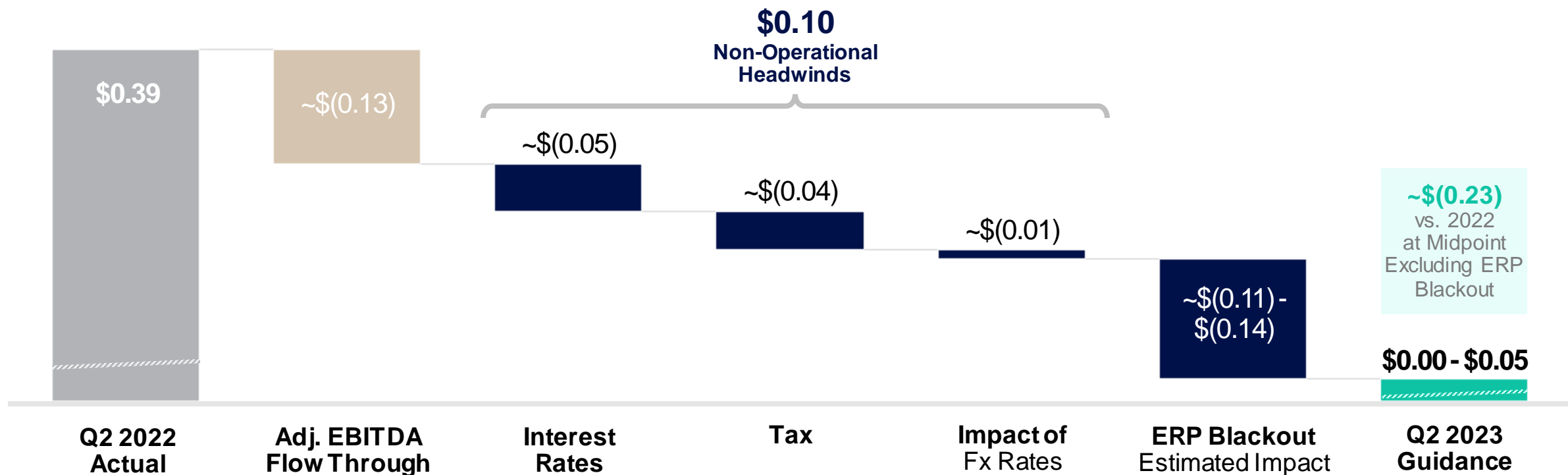
# Q2 Adj. EBITDA Impacted by ERP Blackout Unwind, Lower Sales Volumes, and Increased Investments



Note: Numbers may not add due to rounding and ranges

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# Q2 Adjusted EPS Impacted by Unwind of ERP Blackout, EBITDA Flow Through & Non-Operational Items



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First Quarter 2023

## Adjusted EBITDA Reconciliation

\$ millions

	2023	2022
<b>Reported Net Loss</b>	<b>\$103</b>	<b>\$51</b>
Net Interest Expense	\$64	\$52
Income Tax Expense	\$5	\$24
Depreciation and Amortization	\$173	\$176
<b>EBITDA</b>	<b>\$344</b>	<b>\$303</b>
Non-GAAP Adjustments		
Cost of Sales	\$1	\$0
Asset Impairment, Restructuring, and Other Special Charges	\$40	\$40
Accelerated Depreciation and Amortization <sup>(1)</sup>	\$(5)	\$(5)
Other Expense (Income), Net	\$(2)	\$0
<b>Adjusted EBITDA</b>	<b>\$379</b>	<b>\$338</b>
<b>Adjusted EBITDA Margin</b>	<b>30.2%</b>	<b>27.6%</b>

Numbers may not add due to rounding

(1) Represents depreciation and amortization of certain assets that was accelerated during the periods presented. 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.

First Quarter 2023

## Reconciliation of GAAP Reported to Non-GAAP Adjusted Income Statement Items

\$ millions, except  
per share values

	2023			2022		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales <sup>(1)</sup>	\$494	\$1	\$493	\$509	\$0	\$509
Amortization of Intangible Assets	\$134	\$134	\$0	\$137	\$137	\$0
Asset Impairment, Restructuring and Other Special Charges <sup>(2)(3)</sup>	\$40	\$40	\$0	\$40	\$40	\$0
Other Expense (Income), Net <sup>(4)</sup>	\$9	\$(2)	\$11	\$9	\$0	\$9
<b>Income Before Taxes</b>	<b>\$108</b>	\$173	<b>\$281</b>	<b>\$75</b>	\$177	<b>\$253</b>
Provision for Taxes <sup>(5)(6)</sup>	\$5	\$(56)	\$61	\$24	\$(51)	\$75
<b>Net Income</b>	<b>\$103</b>	\$117	<b>\$220</b>	<b>\$51</b>	\$126	<b>\$178</b>
<b>Earnings per Share Diluted</b>	<b>\$0.21</b>	\$0.24	<b>\$0.45</b>	<b>\$0.10</b>	\$0.26	<b>\$0.36</b>
Adjusted Weighted Average Shares Outstanding Diluted	<b>492.8</b>	492.8	<b>492.8</b>	<b>492.2</b>	492.2	<b>492.2</b>

See slide 26 for details of adjustments to certain GAAP reported measures.

Numbers may not add due to rounding.

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## Details of Adjustments to Certain GAAP Reported Measures

### For the three months ended March 31, 2023 and 2022:

- 1) 2023 excludes amortization of inventory fair value adjustments recorded from the acquisition of certain assets of NutriQuest, LLC (\$1 million).
- 2) 2023 primarily excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health (\$40 million).
- 3) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$24 million), the finalization of a write-down charge associated with the sale of our manufacturing site in Speke, U.K. (\$22 million), and facility exit costs (\$1 million), partially offset by adjustments resulting from the reversal of severance accruals (\$7 million).
- 4) 2023 excludes the impact of hyperinflationary accounting related to Turkey (\$1 million) and a gain recognized on our 2022 investment in BiomEdit (\$1 million).
- 5) 2023 represents the income tax expense associated with the adjusted items partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$4 million).
- 6) 2022 represents the income tax expense associated with the adjusted items as well as a decrease in the valuation allowance recorded against our deferred tax assets during the period (\$14 million).

Full Year 2023

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Loss</b>	<b>\$(134) - \$(98)</b>
Net Interest Expense	Approx. \$315
Income Tax Provision	\$(17) - \$16
Depreciation and Amortization	Approx. \$690
<b>EBITDA</b>	<b>\$841 - \$921</b>
Non-GAAP Adjustments	
Income Tax Expense	Approx. \$1
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$100
Accelerated Depreciation and Other Special Charges	Approx. \$(10)
Other Income, Net	Approx. \$(1)
<b>Adjusted EBITDA</b>	<b>\$940 - \$1,000</b>
<b>Adjusted EBITDA Margin</b>	<b>21.8% - 22.7%</b>

Note: Numbers may not add due to rounding  
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Full Year 2023

## EPS Guidance Reconciliation

<b>Reported Loss per Share</b>	<b>\$(0.27) - \$(0.20)</b>
Amortization of Intangible Assets	Approx. \$1.08
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.18 - \$0.22
<b>Subtotal</b>	<b>\$1.26 - \$1.30</b>
Tax Impact of Adjustments	\$(0.28) - \$(0.23)
<b>Total Adjustments to Earnings per Share</b>	<b>Approx. \$1.03</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$0.76 - \$0.83</b>

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts, including the acquisition of the animal health business of Bayer.

(2) Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

First Half 2023

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Loss</b>	<b>\$(47) - \$(25)</b>
Net Interest Expense	Approx. \$140
Income Tax Provision	\$(8) - \$8
Depreciation and Amortization	Approx. \$350
<b>EBITDA</b>	<b>\$437 - \$476</b>
Non-GAAP Adjustments	
Income Tax Expense	Approx. \$1
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$80
Accelerated Depreciation and Other Special Charges	Approx. \$(10)
Other Expense, net	Approx. \$(1)
<b>Adjusted EBITDA</b>	<b>\$510 - \$540</b>
<b>Adjusted EBITDA Margin</b>	<b>22.6% - 23.4%</b>

Note: Numbers may not add due to rounding  
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First Half 2023

## EPS Guidance Reconciliation

<b>Reported Loss per Share</b>	<b>\$(0.10) - \$(0.05)</b>
Amortization of Intangible Assets	Approx. \$0.54
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.15 - \$0.17
<b>Subtotal</b>	<b>\$0.69 - \$0.71</b>
Tax Impact of Adjustments	\$(0.16) - \$(0.14)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>Approx. \$0.55</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$0.45 - \$0.50</b>

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments primarily relate to integration efforts of acquired businesses, including the animal health business of Bayer.

(2) Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

Second Quarter 2023

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Loss</b>	<b>\$(150) - \$(128)</b>
Net Interest Expense	Approx. \$76
Income Tax Provision	\$(13) - \$3
Depreciation and Amortization	Approx. \$177
<b>EBITDA</b>	<b>\$93 - \$132</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$40
Accelerated Depreciation and Other Special Charges	Approx. \$(5)
Other Net Expense	Approx. \$2
<b>Adjusted EBITDA</b>	<b>\$131 - \$161</b>
<b>Adjusted EBITDA Margin</b>	<b>13.1% - 15.3%</b>

Note: Numbers may not add due to rounding  
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Second Quarter 2023

## EPS Guidance Reconciliation

<b>Reported Loss per Share</b>	<b>\$(0.31) - \$(0.26)</b>
Amortization of Intangible Assets	Approx. \$0.27
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.07 - \$0.09
Other Expense	Approx. \$0.01
<b>Subtotal</b>	<b>\$0.34 - \$0.36</b>
Tax Impact of Adjustments	\$(0.03) - \$(0.05)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>Approx. \$0.31</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$0.00 - \$0.05</b>

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments primarily relate to integration efforts of acquired businesses, including the animal health business of Bayer.

(2) Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.