



2019 Earnings Third Quarter

November 6, 2019

SAFE HARBOR PROVISION



This presentation contains forward-looking statements that are based on management’s current expectations, but actual results may differ materially due to various factors. The company’s results may be affected by factors including, but not limited to, 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; our ability to implement business strategies or achieve targeted cost efficiencies and gross margin improvements; consolidation of our customers and distributors; 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 Aktiengesellschaft (Bayer); our ability to obtain financing for the acquisition of Bayer animal health business on favorable terms; misuse or off-label use of our products; unanticipated safety, quality, or efficacy concern 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; 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; risks related to our presence in emerging markets; changes in U.S. foreign trade policy, imposition of tariffs or trade disputes; and the impact of global macroeconomic conditions; and the effect on our business resulting from our separation from Eli Lilly & Co. (Lilly), including the various costs associated with transition to a stand alone entity.

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

HIGHLIGHTS



Delivering Top Line Results

Targeted growth categories grew 14%⁽¹⁾
Core Revenue grew 4%⁽¹⁾

Margin Expansion

Adjusted Gross Margin +210 bps to 53.3%
Adjusted EBITDA margin of 22.1%

Independent & Fit-For-Purpose

Restructuring announcement aligned with margin agenda
Stand-up on track, HR System transition began in November

Announced Bayer Animal Health Acquisition

Established experienced integration team
Commenced engagement with regulators on anti-trust

(1) Growth rates excluding the impact of foreign exchange rates.
Note: GAAP reconciliations available on slides 16-21
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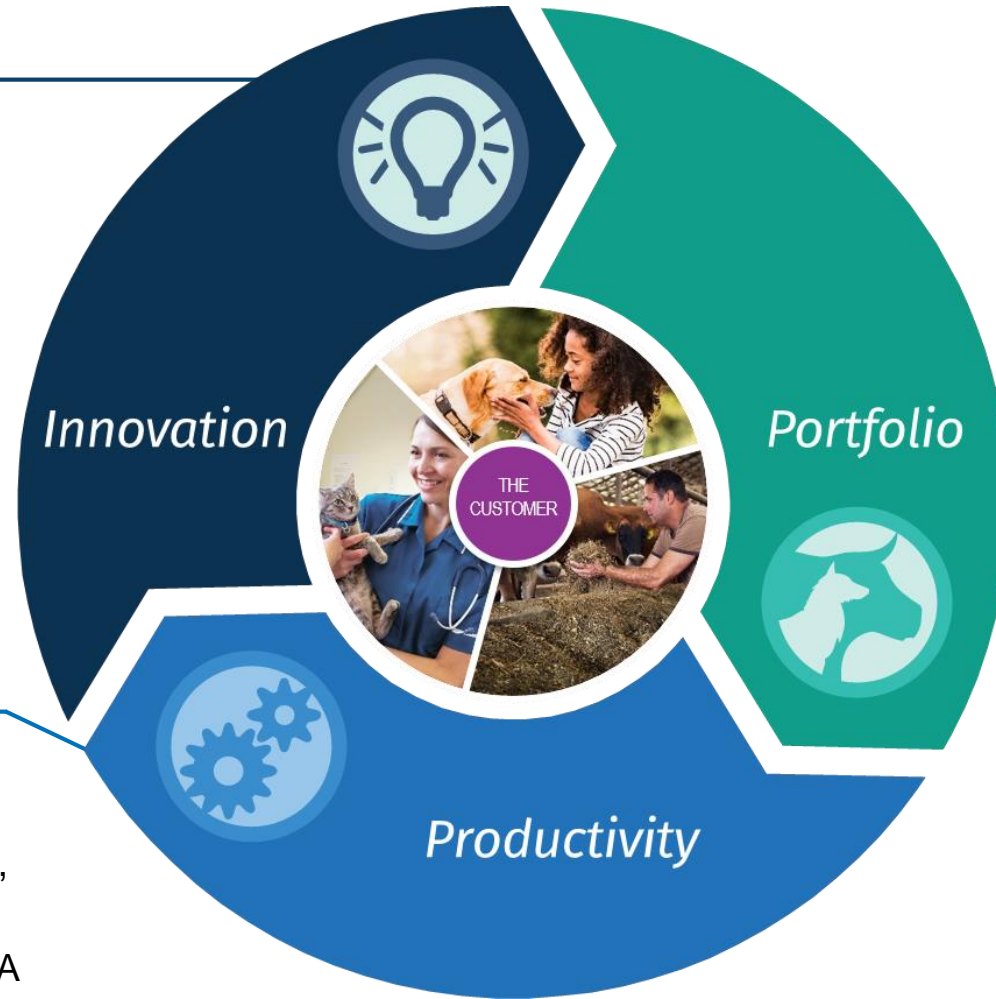
KEY EVENTS SINCE LAST EARNINGS CALL

Deliver Innovation

- Revenue from 14 products launched or acquired since 2015 grew 75% at constant currency; now 15% of total revenue – including addition of Entyce[®], Nocita[®], and Tanovea[®]
- GRAS approval for anti-coccidial suitable for NAE poultry production

Unlock Value

- Restructuring announcement aligned with margin agenda
- Shared service centers open in Warsaw, Poland and Kuala Lumpur, Malaysia
- Independent company stand-up and TSA exits on track







Drive Growth of Portfolio

- Q3 Core Revenue: \$753 million, +4% at constant currency
- Targeted Growth Categories +14% at constant currency; 63% of total revenue

STRONG MOMENTUM IN TARGETED GROWTH CATEGORIES



	Q3 2019	YTD 2019
 Companion Animal Disease Prevention	11%	3%
 Companion Animal Therapeutics	10%	22%
 Food Animal Future Protein & Health	20%	11%
Targeted Growth Categories	14%	9%
 Food Animal Ruminants & Swine	(11)%	(6)%
Core Elanco	4%	3%
Strategic Exits	(33)%	(1)%
Total Elanco	2%	3%

Note: Percentages exclude the impact of foreign currency. For presentation of results including impact of foreign currency, see slide 9.

Q3 INCOME STATEMENT - REPORTED



Millions; except per share data

	Q3 2019	Change	YTD 2019	Change
Revenue	\$771.3	1%	\$2,284.0	1%
Gross Margin	53.3%	190bps	53.6%	480bps
Total Operating Expense*	262.2	10%	777.1	6%
Operating Income	148.7	(3)%	446.7	21%
Interest Expense	18.7	NM	60.2	NM
Effective Tax Rate	179.7% ⁽¹⁾	NM	6.2% ⁽¹⁾	NM
Net Income	\$10.0	NM	\$77.4	NM
EPS basic and diluted	\$0.03	NM	\$0.21	NM

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

(1) For the three and nine months ended September 30, 2019, we recognized income tax benefit of \$22.5 million and incurred \$5.1 million of income tax expense, respectively. For the three and nine months ended September 30, 2019, our effective tax rate differs from the statutory income tax rate primarily due to a discrete tax benefit from the resolution of a Brazil tax audit in addition to the impact of lower pre-tax earnings due to restructuring charges. Tax reserves had been established in the 2015 acquisition of Novartis Animal Health and were partially covered by an indemnity. The favorable resolution of the Brazil tax audit resulted in an income tax benefit of approximately \$14 million in the third quarter of 2019.

NM – not meaningful

"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



	Q3 2019			YTD 2019		
Millions; except per share data	2019 Adjusted	2018 Adjusted	Change	2019 Adjusted	2018 Adjusted	Change
Revenue	\$771.3	\$761.1	1%	\$2,284.0	\$2,267.5	1%
Gross Margin	53.3%	51.2%	210bps	53.6%	50.5%	310bps
Total Operating Expense*	262.2	237.9	10%	777.1	735.6	6%
Operating Income	148.9	151.8	(2)%	447.5	409.2	9%
Interest Expense	18.7	8.6	NM	60.2	8.6	NM
Effective Tax Rate	9.6%	22.3%	NM	18.2%	17.1%	NM
Net income	\$111.7	\$107.4	4%	\$306.2	326.4	NM
EPS diluted	\$0.30	\$0.29	3%	\$0.83	\$0.89	NM

Refer to slide 16-21 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

**For periods prior to IPO, effective tax rate was computed on a separate company basis, and therefore may not be indicative of actual results.

EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions	Q3 2019						YTD 2019					
	Revenue	Price	FX Rate	Volume	Total	CER* Growth	Revenue	Price	FX Rate	Volume	Total	CER* Growth
CA Disease Prevention	207.6	7%	(1)%	4%	10%	11%	616.9	2%	(1)%	2%	2%	3%
CA Therapeutics	87.6	1%	(1)%	9%	9%	10%	252.4	4%	(3)%	18%	20%	22%
FA Future Protein & Health	191.5	4%	(2)%	16%	18%	20%	534.5	3%	(4)%	7%	6%	11%
FA Ruminants and Swine	266.2	3%	(1)%	(14)%	(12)%	(11)%	811.8	1%	(2)%	(7)%	(8)%	(6)%
Core Revenue	\$752.9	4%	(1)%	(0)%	3%	4%	\$2,215.6	2%	(2)%	1%	1%	3%
Strategic Exits	18.4	0%	0%	(33)%	(33)%	(33)%	68.4	0%	0%	(1)%	(1)%	(1)%
Total Elanco	\$771.3	4%	(1)%	(1)%	1%	2%	\$2,284.0	2%	(2)%	1%	1%	3%

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

REVENUE BY GEOGRAPHY



Millions	Q3 2019						YTD 2019					
	Global		US		International		Global		US		International	
	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change
Core Revenue	\$752.9	4%	\$372.5	4%	\$380.4	4%	\$2,215.6	3%	\$1,118.7	6%	\$1,096.9	1%
Strategic Exits	18.4	(33)%	15.7	(31)%	2.7	(43)%	68.4	(1)%	48.4	(8)%	20.0	22%
Total Elanco	\$771.3	2%	\$388.2	2%	\$383.1	3%	\$2,284.0	3%	\$1,167.1	5%	\$1,116.9	1%

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

2019 FULL YEAR FINANCIAL GUIDANCE



	Prior Guidance	Updated Guidance
Total Revenue	\$3.080 - \$3.120 billion	\$3.070 - \$3.085 billion
Core Revenue <small>(excluding Strategic Exits)</small>	\$3.000 - \$3.040 billion	\$2.990 - \$3.005 billion
Strategic Exits	Approx. \$0.08 billion	Approx. \$0.08 billion
Earnings per Share (GAAP)	\$0.36 - \$0.44	\$0.10 - \$0.18
Earnings per Share (non-GAAP)	\$1.04 - \$1.10	\$1.04 - \$1.08

Updated FX assumptions (% of sales):

- Euro at 1.11 (13%)
- Pound at 1.29 (5%)
- Real at 4.03 (2%)
- Yen at 108.66 (2%)
- Australian Dollar at 0.69 (3%)

2019 GUIDANCE - GAAP TO ADJUSTED EPS



	Prior Guidance		Updated Guidance
	\$0.36	to	\$0.44
GAAP EPS			\$0.10 to \$0.18
Amortization of intangible assets		0.53	0.54
Expenses associated with establishing stand-alone capabilities, severance and acquisitions	0.30	to	0.28
Subtotal	\$1.19	to	\$1.25
Tax impact of adjustments		(0.15)	(0.25)
Adjusted EPS	\$1.04	to	\$1.10
			\$1.04 to \$1.08

Note: We use non-GAAP financial measures, such as core revenue and adjusted EPS to assess and analyze our operational results and trends. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported measures. We caution investors to use U.S. GAAP measures as the primary means of evaluating our performance, value and prospects for the future, and non-GAAP measures as supplemental measures.



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Food and Companionship
Enriching Life

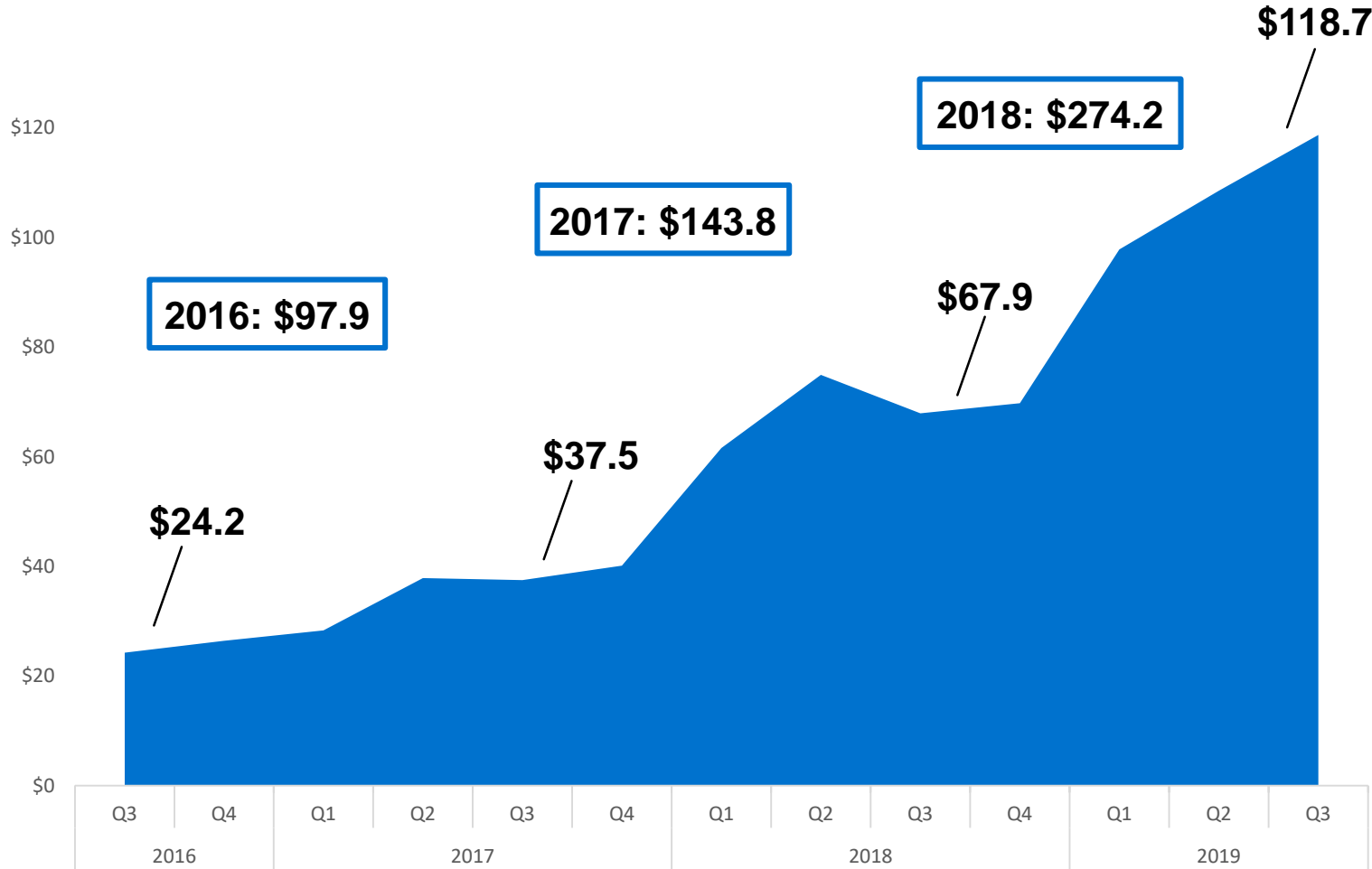
SUPPLEMENTAL SLIDES



UPDATE ON PRODUCT LAUNCH PROGRESS



Millions



Products Include:

COMPANION ANIMAL

- Interceptor® Plus
- Osumnia®
- Galliprant®
- Credelio®
- Entyce®**
- Nocita®**
- Tanovea®**

FOOD ANIMAL

- Imrestor®*
- Imvixa™
- Kavault®
- Intepriety®
- Clynav™
- Prevacent™ PRRS
- Correlink™

2019 Q3 +75%

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

**Added in Q3 2019

Q3 RECONCILIATION OF GAAP to NON-GAAP



Millions; except per share data	Q3 2019			Q3 2018		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Gross Profit	\$410.9	\$0.2	\$411.1	\$369.8	\$(1.6)	\$371.4
Operating Income	\$148.7	\$0.2	\$148.9	\$153.4	\$(1.6)	\$151.8
Amortization of intangible assets	50.7	50.7	—	48.7	48.7	—
Asset impairments, restructuring and other special charges	77.2	77.2	—	12.4	12.4	—
Other-net expense	14.6	8.0	6.6	4.9	—	4.9
Income before taxes	\$(12.5)	\$136.1	\$123.6	\$78.8	\$59.5	\$138.3
Provision for taxes	(22.5)	(34.4)	11.9	18.6	(12.3)	30.9
Net income	\$10.0	\$101.7	\$111.7	\$60.2	\$47.2	\$107.4
Adjusted EPS*	\$0.03	\$0.27	\$0.30	\$0.16	\$0.13	\$0.29

NOTE: For periods prior to IPO, effective tax rate was computed on a separate company basis, and therefore may not be indicative of actual results

*As reported GAAP EPS of \$0.20 for Q3 2018 was calculated using a weighted average shares of 301.2 million; however, in order to provide a more meaningful representation of comparative results, the table above utilized a weighted average shares of 365.6 to get GAAP EPS of \$0.16.

See slide 17 for details on items included in the adjustments for each line and for definitions of margin calculations.

Q3 2019 INCOME STATEMENT NOTES



Q3 2019 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Amortization of inventory fair value adjustments recorded from the acquisitions of Aratana and Prevtex (\$0.6 million), partially offset by favorable inventory adjustments for the suspension of commercial activities of Imrestor® (\$0.4 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 (\$46.1 million), facility exit costs and asset impairments (\$20.7 million), and severance (\$17.5 million), partially offset by a favorable adjustment from reversals for severance programs (\$7.1 million).
- Charges resulting from an increase in the Aratana contingent consideration (\$7.5 million) and impairment of intangible assets as a result of the Prevtex acquisition (\$0.5 million).

Q3 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Inventory adjustments related to the suspension of commercial activities for Imrestor (\$0.9 million), as well as the closure of the Larchwood, IA facility (\$0.7 million).
- Charges primarily associated with impairment expenses largely associated with the closure of the site at Larchwood, IA and other facilities (\$7.5 million) as well as restructuring charges (\$4.9 million) related to integration and other activities.

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



Millions; except per share data	YTD 2019			YTD 2018		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Gross Profit	\$1,060.2	\$0.8	\$1,059.4	\$1,161.3	\$38.6	\$1,122.7
Operating Income	\$446.7	\$0.8	\$447.5	\$370.6	\$38.6	\$409.2
Amortization of intangible assets	149.0	149.0	—	147.3	147.3	—
Asset impairments, restructuring and other special charges	133.9	133.9	—	82.8	82.8	—
Other-net expense	21.1	8.0	13.1	15.6	8.5	7.1
Income before taxes	\$82.5	\$291.7	\$374.2	\$116.3	\$277.2	\$393.5
Provision for taxes	5.1	(62.9)	68.0	46.2	(20.9)	67.1
Net income	\$77.4	\$228.8	\$306.2	\$70.1	\$256.3	\$326.4
Adjusted EPS*	\$0.21	\$0.62	\$0.83	\$0.19	\$0.70	\$0.89

For periods prior to IPO, effective tax rate was computed on a separate company basis, and therefore may not be indicative of actual results.

*As reported GAAP EPS of \$0.24 for YTD 2018 was calculated using a weighted average shares of 296.0; however, in order to provide a more meaningful representation of comparative results, the table above utilized a weighted average shares of 365.6 which also resulted in GAAP EPS of \$0.19.

See slide 19 for details on items included in the adjustments for each line and for definitions of margin calculations.

YTD 2019 INCOME STATEMENT NOTES



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

- Amortization of inventory fair value adjustments recorded from the acquisitions of Aratana and Prevtex (\$0.6 million) and inventory adjustments for the suspension of commercial activities of Imrestor® (\$0.2 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 (\$100.1 million), facility exist costs and asset impairments (\$24.7 million), and severance (\$19.5 million), partially offset by a favorable adjustment from reversals for severance programs (\$10.4 million).

YTD 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Charges primarily associated with inventory adjustments related to the suspension of commercial activities of Imrestor® (\$34.7 million) and the closure of the Larchwood, Iowa facility (\$3.9 million).
- Charges primarily associated with impairment and exit costs related to other facility closures (\$75.1 million) as well as restructuring changes (\$7.7 million) related to integration activities and impairment related to the suspension of commercial activities for Imrestor®.
- Expenses resulting from an increase in the Aratana contingent consideration.

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



	Q3		YTD	
	2019	2018	2019	2018
As Reported EPS	\$0.03	\$0.20	\$0.21	\$0.24
Cost of Sales	0.00	(0.01)	0.00	0.11
Amortization of intangible assets	0.14	0.16	0.40	0.40
Asset impairments, restructuring and other special charges	0.21	0.04	0.36	0.23
Other-net expense	0.02	—	0.02	0.02
Subtotal	\$0.37	\$0.20	\$0.79	\$0.76
Tax impact of Adjustments	(0.09)	(0.04)	(0.17)	(0.06)
Total Adjustments to EPS	\$0.28	\$0.16	\$0.62	\$0.70
Impact of Adjusted weighted shares outstanding: Basic and diluted ⁽¹⁾	—	(0.07)	—	(0.05)
Adjusted EPS⁽²⁾	\$0.30	\$0.29	\$0.83	\$0.89

Note: Numbers may not add due to rounding. (1) Impact is based on Adjusted weighted average shares outstanding: Basic and diluted including the full impact of 72.3 million shares sold in the September 2018 initial public offering for the three months and nine months ended September 30, 2018. (2) Adjusted EPS is calculated as the sum of As Reported EPS, Total Adjustments to EPS, and Impact of Adjusted weighted average shares outstanding: Basic and diluted.

NET INCOME TO EBITDA AND ADJUSTED EBITDA

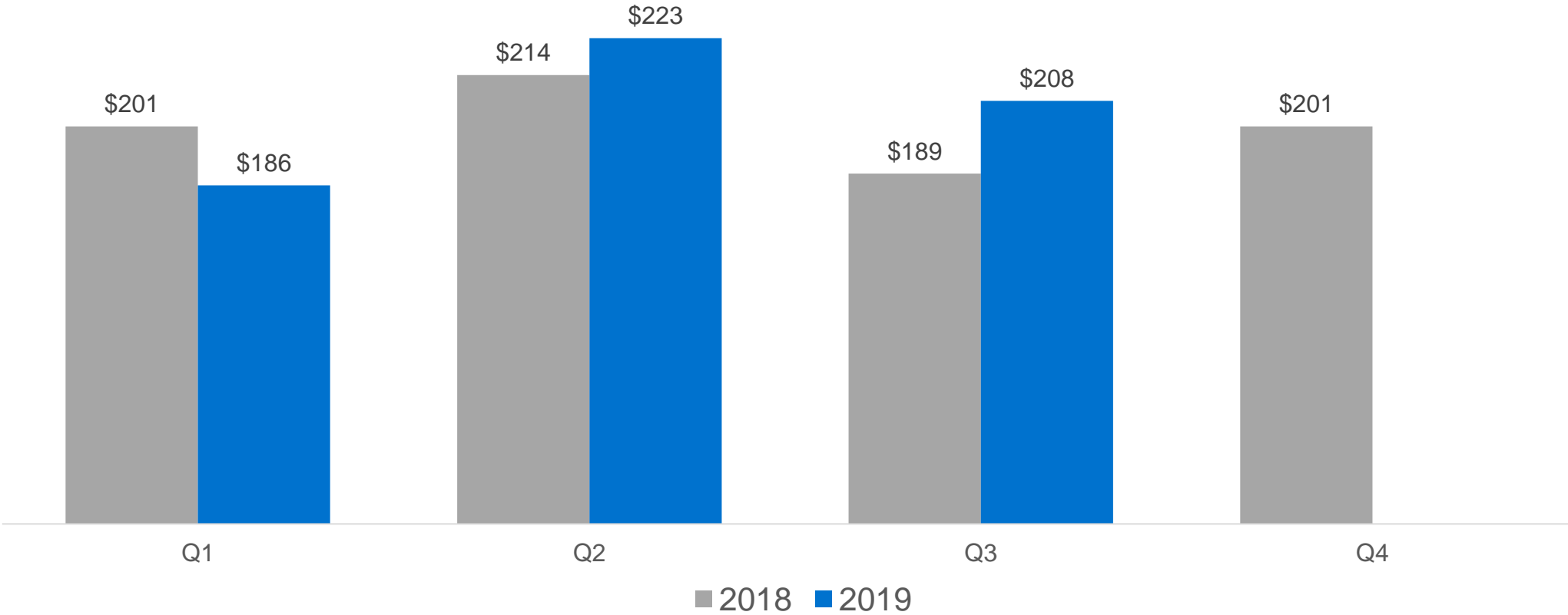


(dollars in millions)

	Q3		YTD	
	2019	2018	2019	2018
Reported net income	\$10.0	\$60.2	\$77.4	\$70.1
Net interest expense	18.7	8.6	60.2	8.6
Income tax (benefit) expense	(22.5)	18.6	5.1	46.2
Depreciation and amortization	78.7	72.7	231.1	222.3
EBITDA	\$84.9	\$160.1	\$373.8	\$347.2
Non-GAAP adjustments:				
Cost of sales	0.2	(1.6)	\$0.8	38.6
Asset impairment, restructuring and other special charges	77.2	12.4	133.9	82.8
Other-net, expense	8.0	—	8.0	8.5
Adjusted EBITDA⁽¹⁾	\$170.3	170.9	\$516.5	\$477.1
<i>Adjusted EBITDA Margin</i>	<i>22.1%</i>	<i>22.5%</i>	<i>22.6%</i>	<i>21.0%</i>

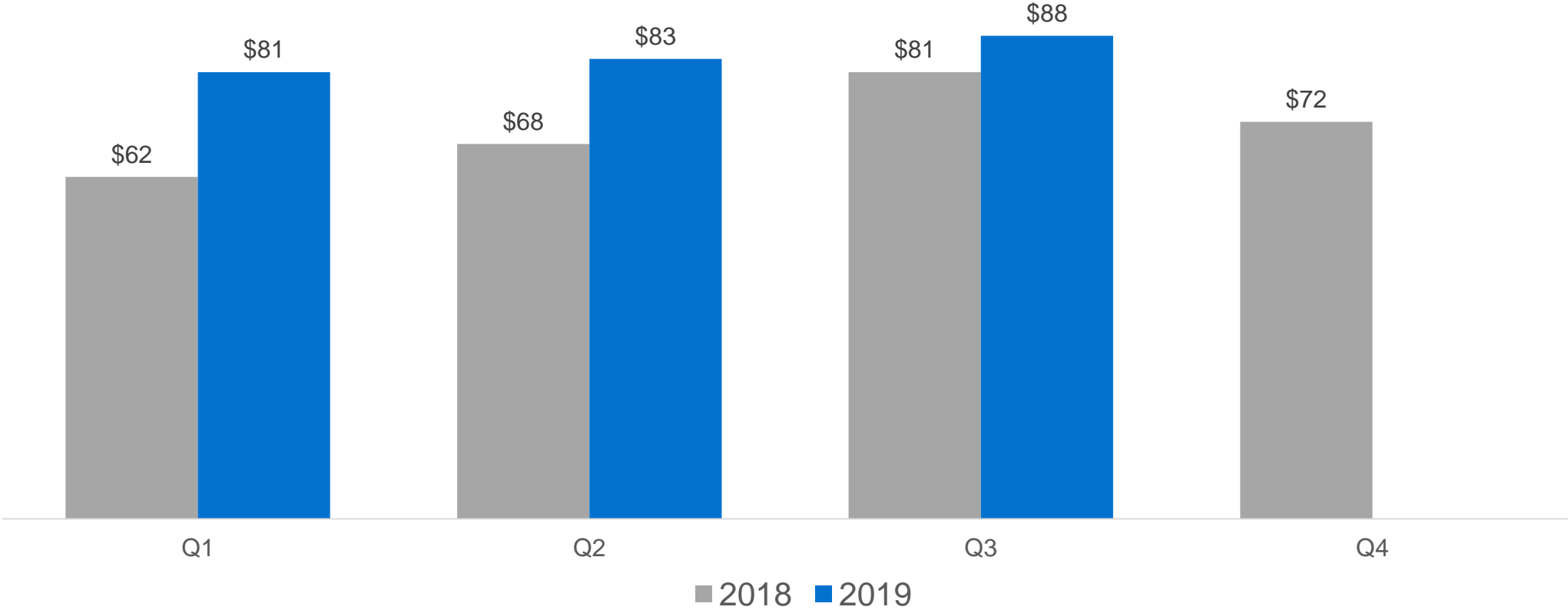
(1) Adjusted EBITDA for the second quarter of 2018 and the six months ended June 30, 2018 as shown on the slides for the second quarter of 2019 were understated by \$8.5 million due to an error. For the second quarter of 2018 and the six months ended June 30, 2018, Adjusted EBITDA should have been \$148.6 million and \$306.2 million, respectively. The value shown for the nine months ended September 30, 2018 above is correct.

Q3 2019 CA PREVENTION SALES INCREASED 10%



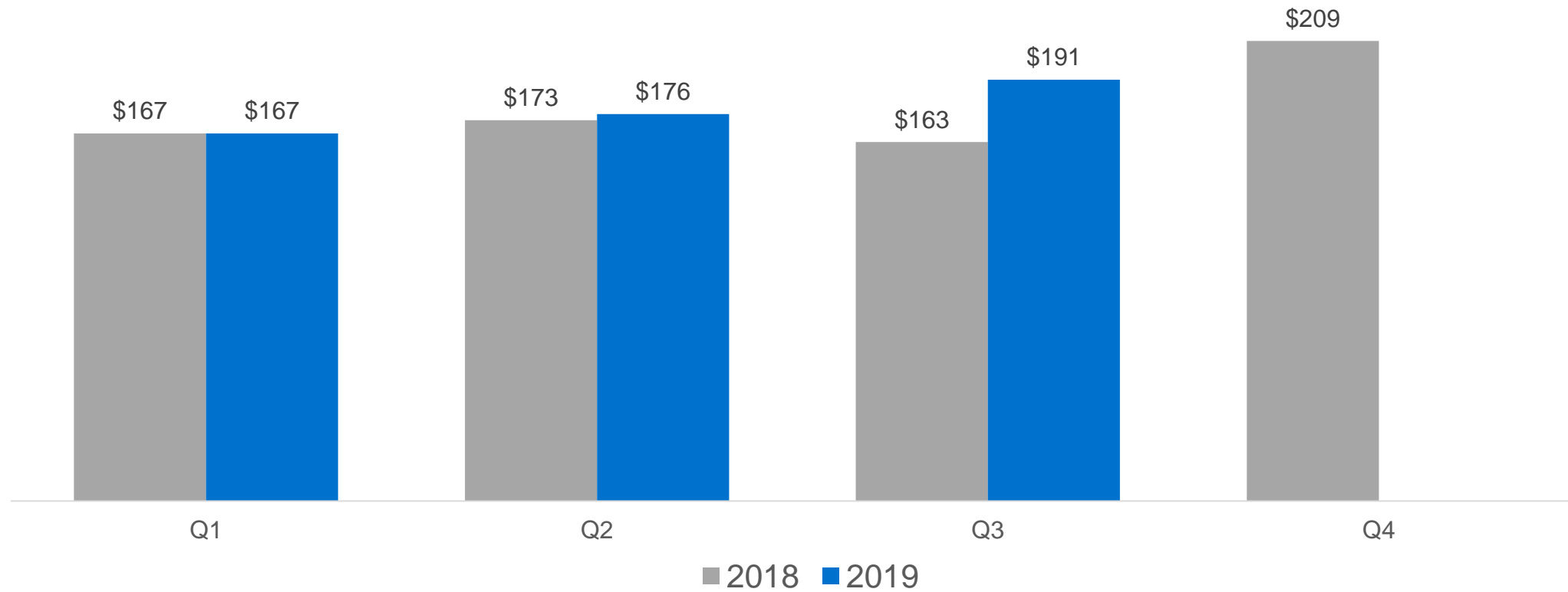
Note: Amounts and growth rates in reported dollars; dollars in millions

Q3 2019 CA THERAPEUTICS SALES INCREASED 9%



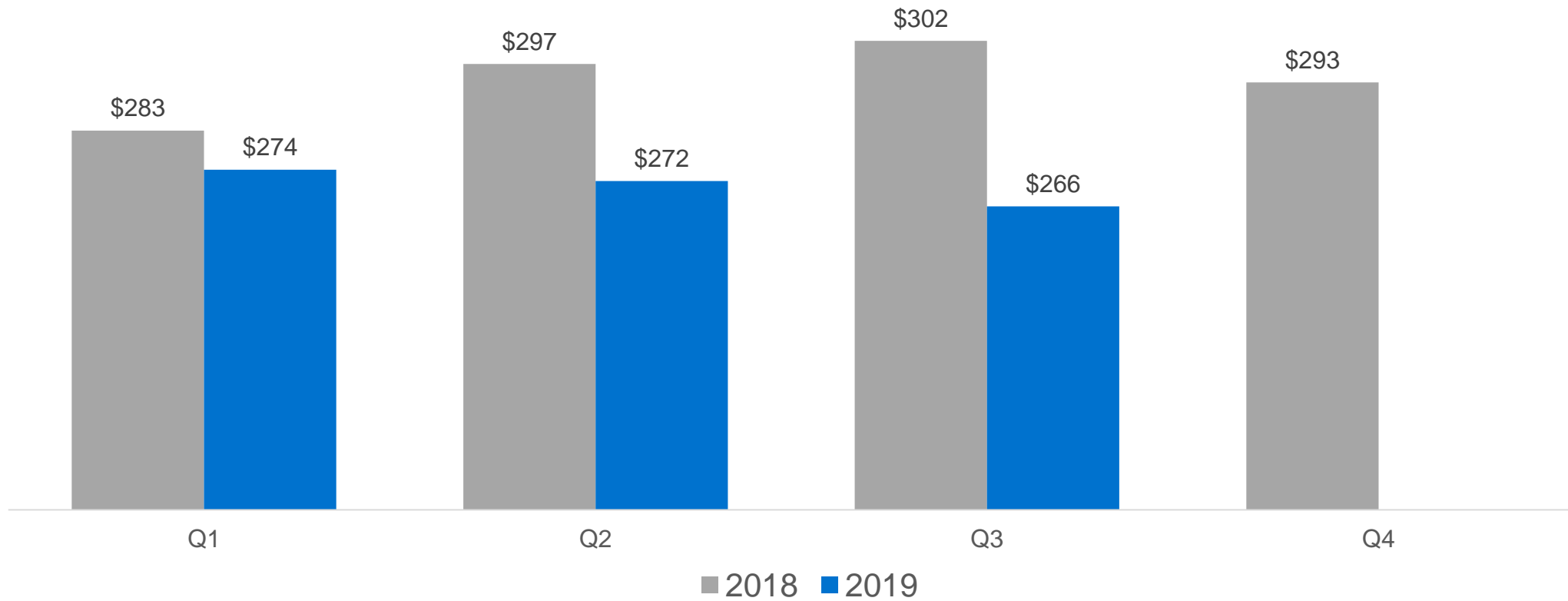
Note: Amounts and growth rates in reported dollars; dollars in millions

Q3 2019 FUTURE PROTEIN & HEALTH SALES INCREASED 18%



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

Q3 2019 RUMINANTS & SWINE SALES DECREASED 12%



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