

# 2024 Earnings – Second Quarter

August 8, 2024

***Elanco***

# Notices and Disclaimers

**Forward-Looking Statements.** This presentation contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements concerning product launches and revenue from such products, our 2024 full year and second quarter guidance and long-term expectations, our expectations regarding debt levels, and expectations regarding our industry and our operations, performance and financial condition, and 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 risk 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: operating in a highly competitive industry; the success of our research and development (R&D) and licensing efforts; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and alternatives to animal-derived protein; competition from generic products that may be viewed as more cost-effective; changes in regulatory restrictions on the use of antibiotics in farm animals; an outbreak of infectious disease carried by farm animals; risks related to the evaluation of animals; consolidation of our customers and distributors; the impact of increased or decreased sales into our distribution channels resulting in fluctuations in our revenues; our dependence on the success of our top products; our ability to complete acquisitions and divestitures and to successfully integrate the businesses we acquire; our ability to implement our business strategies or achieve targeted cost efficiencies and gross margin improvements; manufacturing problems and capacity imbalances; fluctuations in inventory levels in our distribution channels; risks related to the use of artificial intelligence (AI) in our business; our dependence on sophisticated information technology systems and infrastructure, including the use of third-party, cloud-based technologies, and the impact of outages or breaches of the information technology systems and infrastructure we rely on; the impact of weather conditions, including those related to climate change, and the availability of natural resources; demand, supply and operational challenges associated with the effects of a human disease outbreak, epidemic, pandemic or other widespread public health concern; the loss of key personnel or highly skilled employees; adverse effects of labor disputes, strikes and/or work stoppages; the effect of our substantial indebtedness on our business, including restrictions in our debt agreements that limit our operating flexibility, changes in our credit ratings that lead to higher borrowing expenses and may restrict access to credit and changes in interest rates that may adversely affect our earnings and cash flows; changes in interest rates; risks related to the write-down of goodwill or identifiable intangible assets; the lack of availability or significant increases in the cost of raw materials; risks related to our presence in foreign markets; risks related to currency rate fluctuations; risks related to underfunded pension plan liabilities; our current plans not to pay dividends and restrictions on our ability to pay dividends; the potential impact that actions by activist shareholders could have on the pursuit of our business strategies; risks related to tax expense or exposure; actions by regulatory bodies, including as a result of their interpretation of studies on product safety; the possible slowing or cessation of acceptance and/or adoption of our farm animal sustainability initiatives; the impact of increased regulation or decreased governmental financial support related to the raising, processing or consumption of farm animals; risks related to the modification of foreign trade policy; the impact of litigation, regulatory investigations, and other legal matters, including the risk to our reputation and the risk that our insurance policies may be insufficient to protect us from the impact of such matters; challenges to our intellectual property rights or our alleged violation of rights of others; misuse, off-label or counterfeiting use of our products; unanticipated safety, quality or efficacy concerns and the impact of identified concerns associated with our products; insufficient insurance coverage against hazards and claims; compliance with privacy laws and security of information; and risks related to environmental, health and safety laws and regulations. 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, organic revenue growth excluding the prior year sales of the aqua business, EBITDA, 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.** 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. Results excluding this impact and excluding the impact of foreign exchange rates are referred to as the company's underlying business in this presentation.

# On Today's Call

## Jeff Simmons

Elanco Animal Health  
*President and CEO*



## Todd Young

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



# Topline Momentum, Innovation Progress Continues

## Q2 2024 vs Guidance<sup>1</sup>

- ✓ Revenue **+\$27M**
- ✓ Adj EBITDA<sup>2</sup> **+\$25M**
- ✓ Adj EPS<sup>2</sup> **+\$0.05**

<sup>1</sup>Results compared to the midpoint of the company's second quarter guidance provided May 8, 2024.

<sup>2</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

<sup>3</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates. Organic excludes the aqua business, which was divested July 9, 2024.

<sup>4</sup>Expected trade name upon approval. Bovaer® is a trademark of dsm-firmenich.



## Momentum & Execution on Topline

Excluding the ERP blackout in 2023, Q2 CC<sup>3</sup> growth estimated at 3%-4%; 4<sup>th</sup> consecutive quarter of mid-single digit growth



## Innovation Progress

Innovation revenue of \$209M in H1; launch activities underway for Bovaer®; expect Q3 approval for Zenrelia<sup>TM4</sup> and Q4 approval for Credelio Quattro<sup>TM4</sup>



## Accelerated Deleveraging

Aqua transaction closed early July; Q2 cash flow ahead of expectations, with \$1.3 billion of debt paydown since Q1 earnings call; YE net leverage expected in the mid-4x range



## FY Guidance Updated for Aqua

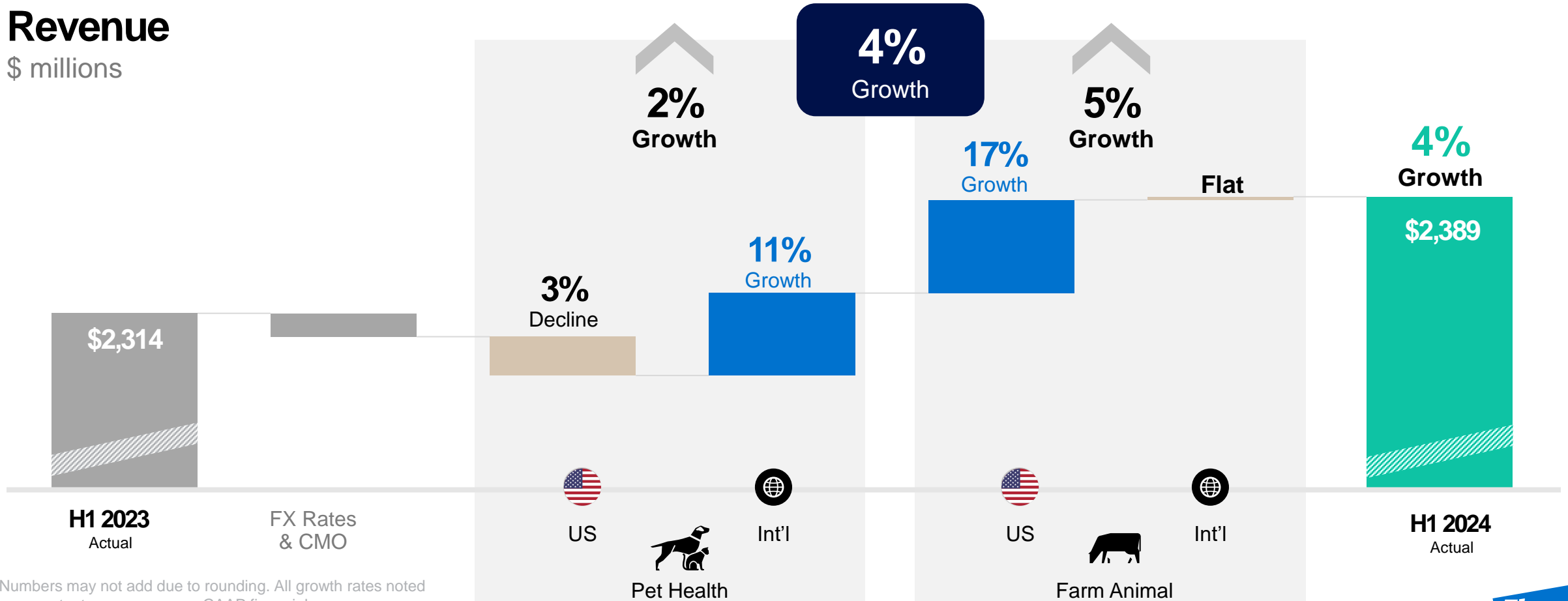
Updating all key metrics for aqua divestiture and innovation contribution; Raising full year organic CC<sup>3</sup> revenue growth to 3%-4%; Maintaining organic adj. EBITDA guidance; Maintaining adj. EPS guidance offsetting aqua with lower interest and tax expense

H1 2023 to H1 2024 Revenue Bridge

# Constant Currency Revenue Growth of 4%, Building on Momentum from 5% Growth in H2 2023

## Revenue

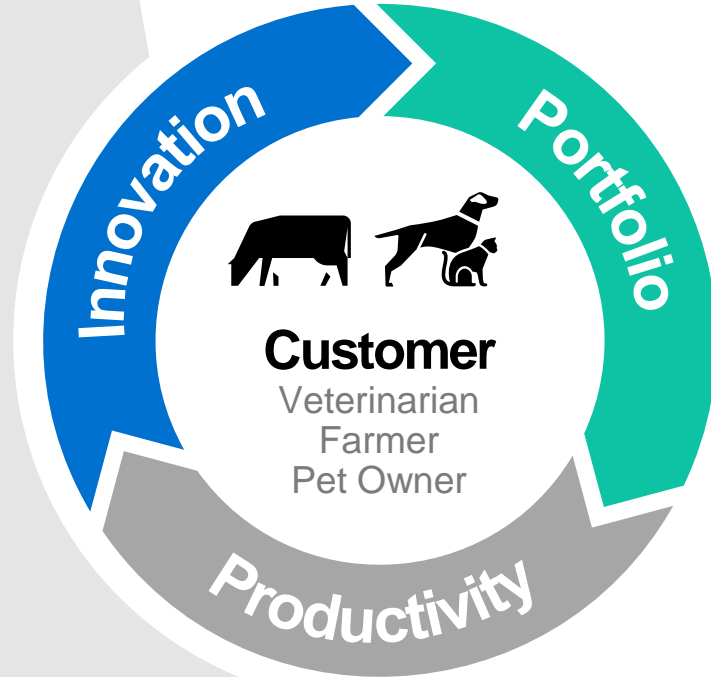
\$ millions



Numbers may not add due to rounding. All growth rates noted are constant currency, a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

# IPP Innovation, Portfolio, Productivity

**Highlights**  
Since Our Last  
Earnings Call



## Innovation

**Innovation Sales**  
delivered \$109M in Q2, or 5ppt of growth, led by Experior, AdTab and CPMA

**Bovaer®** FDA review completed in May, launch activities underway, feeding expected in Q3 2024

**Zenrelia™** final approval expected in Q3 2024; **Credelio Quattro™** final approval expected in Q4 2024

## Portfolio

**Price Growth**  
4% growth in Q2, led by 4% growth in Farm Animal globally

**Portfolio Value in U.S. Farm Animal**  
demand for livestock sustainability products driving sales growth for Rumensin

**Core Business**  
continues to stabilize, with increased strength where new innovation has enhanced the portfolio

## Productivity

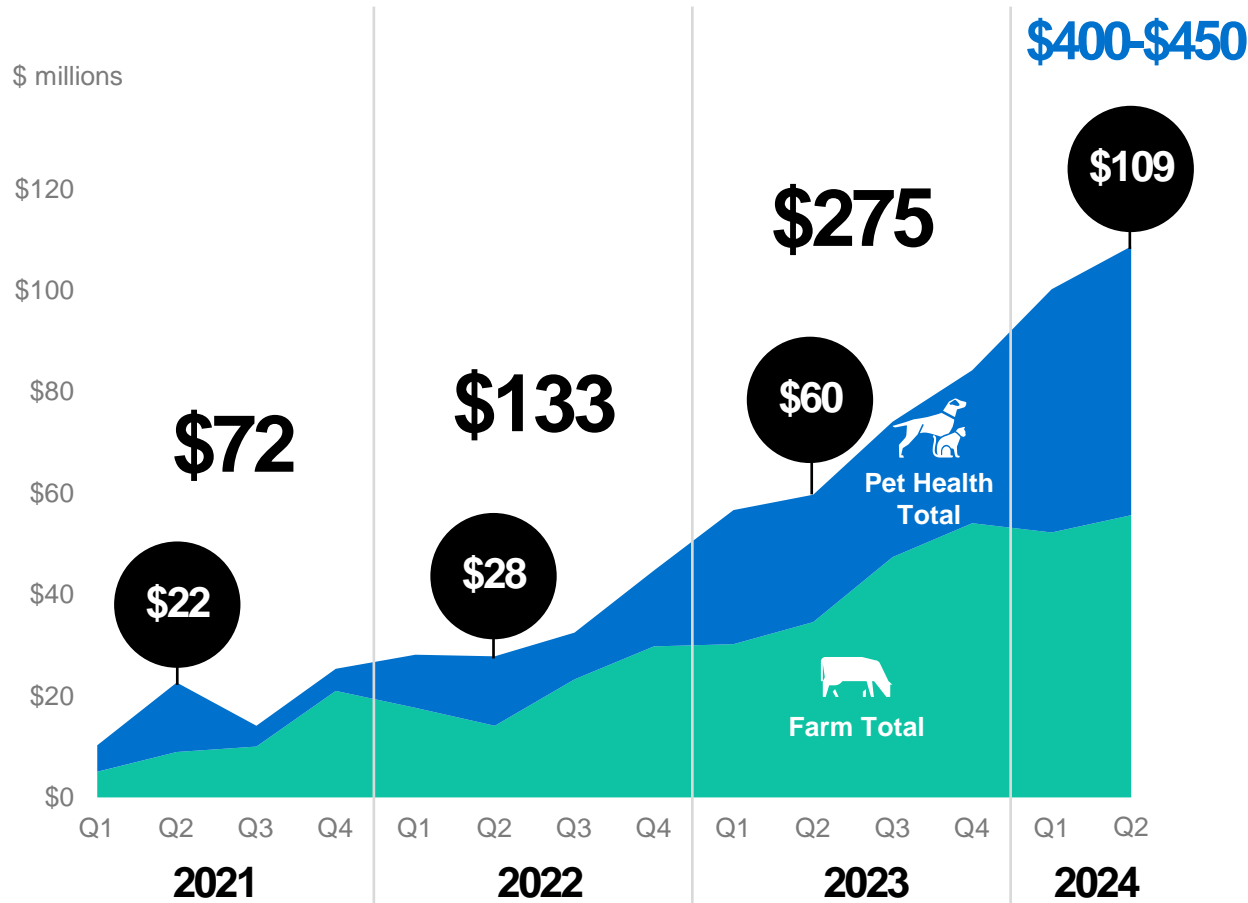
**Working Capital**  
focus delivered \$139M YOY improvement in operating CF, net debt reduction in Q2

**Aqua Sale**  
closed on July 9<sup>th</sup>, with \$1.2 billion of proceeds already used to repay debt



**Full Year Debt Paydown Expected**  
to be \$1.45 billion, resulting in reduced net leverage to the mid-4x range at year end

Innovation revenue expectations increased to \$400M-\$450M in 2024

# On-Track to Deliver \$600M-\$700M Contribution in 2025



## Key Product Approvals & Launches



























	Pet Health 	Farm Animal 
2021	Credelio PLUS, Credelio CAT (lotilaner), Elura (capromorelin oral solution)	Elanco Exporior, Elanco Increxxa (ceftriaxone injection), Elanco ZooShield
2022	Advantage XD, Zorbium (buprenorphine transdermal solution)	
2023	Bexacat (bexaglitazone tablets), AdTab (Chewable Tablets), Canine Parvovirus Monoclonal Antibody, K9 Advantix, Advantage	NutriQuest
2024-2025 Expected <sup>1</sup>	Zenrelia™, Credelio Quattro™, IL-31 Dermatology	Elanco Bovaer, Elanco Pradalex (pradofloxacin injection), Elanco Prevacent (PRRS)





<sup>1</sup>Expected launch timing is based on regulatory timelines and internal timeline estimates for regulatory, manufacturing and supply chain.

Note: Expected innovation revenue of \$600M to \$700M is incremental in reference to 2020 sales and does not include the expected impact of cannibalization on the base portfolio. Innovation revenue refers to sales from new products, lifecycle management and certain geographic expansions and business development transactions.

Historic innovation launch window through 2025

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

Asset	Primary Regulator	Species	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)						First-in-class
<b>Bexacat</b> SGLT-2 Diabetes	FDA (Rx)			Q4 2022	Q1 2023		First-in-class
<b>Canine Parvovirus Monoclonal AB</b> (CPMA)	USDA (Rx)			Q2 2023 <i>conditional</i>	Q3 2023		First-in-class; Monoclonal AB
<b>K9 Advantix</b> Flea/Tick	EPA (OTC)			Q1 2023	Q1 2023		Establishes Elanco presence in "value" OTC category
<b>Advantage</b> Flea	EPA (OTC)			Q1 2023	Q2 2023		
<b>AdTab</b> Oral Flea/Tick	EMA (OTC)			Q2 2023	Q2 2023		Establishes Elanco presence in emerging EU OTC Oral F/T
<b>Bovaer®</b> Methane Reduction	FDA		Q4 2022	 Q2 2024	Q3 2024		First-in-class
<b>Zenrelia™<sup>4</sup></b> Dermatology	FDA (Rx)		Q4 2022	 Q3 2024	 Q4 2024		Differentiated;  Brazil approval
<b>Credelio Quattro™<sup>4</sup></b> Endecto Parasiticide	FDA (Rx)		Q4 2022	 Q4 2024	 Q1 2025		Differentiated
<b>IL-31 SA Antibody</b> Dermatology	USDA (Rx)		Q1 2023	2025			Differentiated; Monoclonal AB

 \$10-\$49M    \$50-\$99M    ≥\$100M    Update since Q1 2024 Earnings Call

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

<sup>3</sup>Potential peak sales represent the level of annual sales expected for a product on a global basis at its peak. <sup>4</sup>Expected trade name upon approval.

# Updates for Key Late-Stage Innovation Products

## Zenrelia



A JAK inhibitor targeting control of pruritus and atopic dermatitis in dogs

**Expected differentiation:** effectiveness and convenience; Box warning related to vaccine response study

### Technical Sections Completed

All technical sections, including label, complete from FDA in late July

### Final FDA Approval

60-day NADA final administrative review underway; final approval expected late Q3

### U.S. Launch

Targeting near immediate launch in early October 2024

## Credelio Quattro



A broad spectrum oral parasiticide covering fleas, ticks and internal parasites

**Expected differentiation:** Effectiveness (tapeworm coverage and heartworm prevention after 1 month)

### Technical Sections

Effectiveness and Safety complete at end of June; expect all technical sections, including label, to be complete from FDA in Q3 2024

### Final FDA Approval

Expect in Q4 2024 after 60-day NADA final administrative review

### U.S. Launch

Targeting Q1 2025



A first-in-class methane reducing feed ingredient for cattle (Dairy)

**FDA Review Completed**  
in late May

### Next steps to commercialize for

#### Elanco

- 1 Dairies activated in UpLook™
- 2 Bovaer state registrations

#### Producers

- 1 Incentive funds activated
- 2 CPGs contract with carbon inset market

# Financial Results

Second Quarter 2024



**Elanco**

TM

Second Quarter 2024

# Impact of Price, Rate, and Volume on Revenue<sup>1</sup>

	Revenue	Price	FX Rate	Volume	Total	CC Change <sup>2</sup>
<b>Pet Health</b>	<b>\$579</b>	<b>3 %</b>	<b>(1)%</b>	<b>10 %</b>	<b>12 %</b>	<b>13 %</b>
Cattle	\$257		0 %		22 %	22 %
Poultry	\$198		(3)%		11 %	14 %
Swine	\$90		(1)%		1 %	2 %
Aqua	\$49		(2)%		(2)%	0 %
<b>Farm Animal</b>	<b>\$594</b>	<b>4 %</b>	<b>(1)%</b>	<b>10 %</b>	<b>13 %</b>	<b>14 %</b>
<b>Contract Manufacturing</b>	<b>\$11</b>		<b>0 %</b>		<b>(8)%</b>	<b>(8)%</b>
<b>Total Elanco</b>	<b>\$1,184</b>	<b>4 %</b>	<b>(1)%</b>	<b>10 %</b>	<b>12 %</b>	<b>13 %</b>

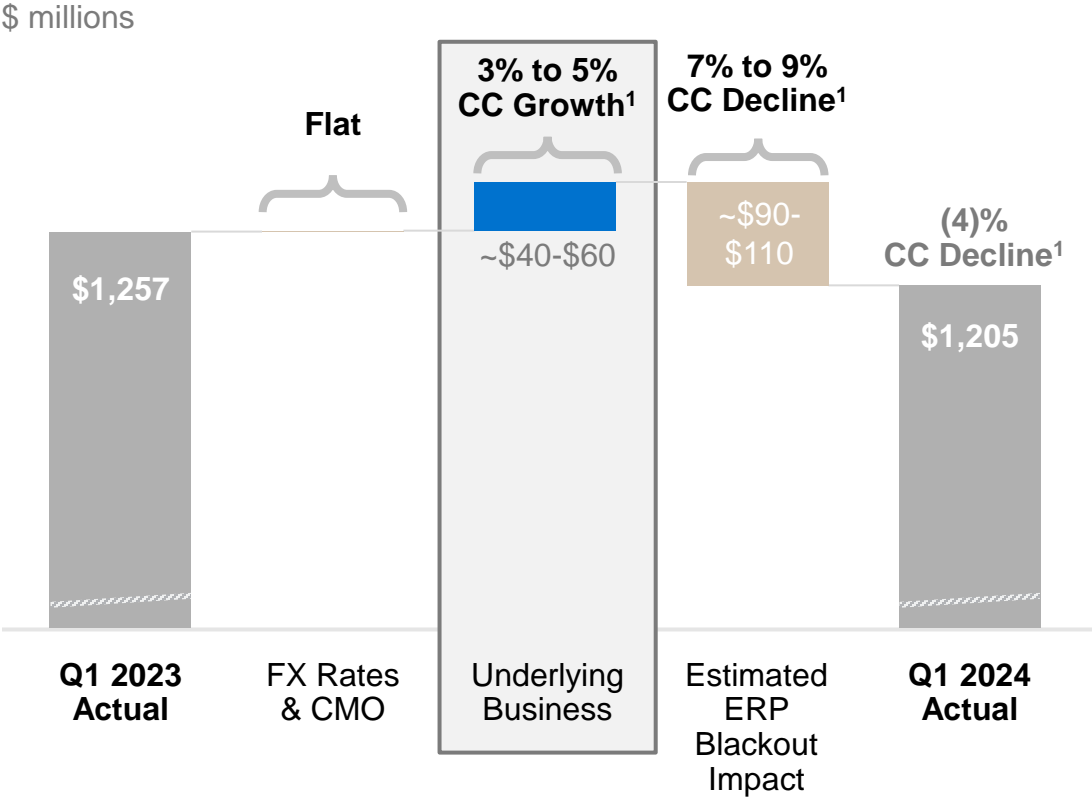
Note: Reported revenue in millions. Numbers may not add due to rounding.

<sup>1</sup>Impacted by ERP system integration in 2023, as noted on slide 2. See slide 13 for further details by business area.

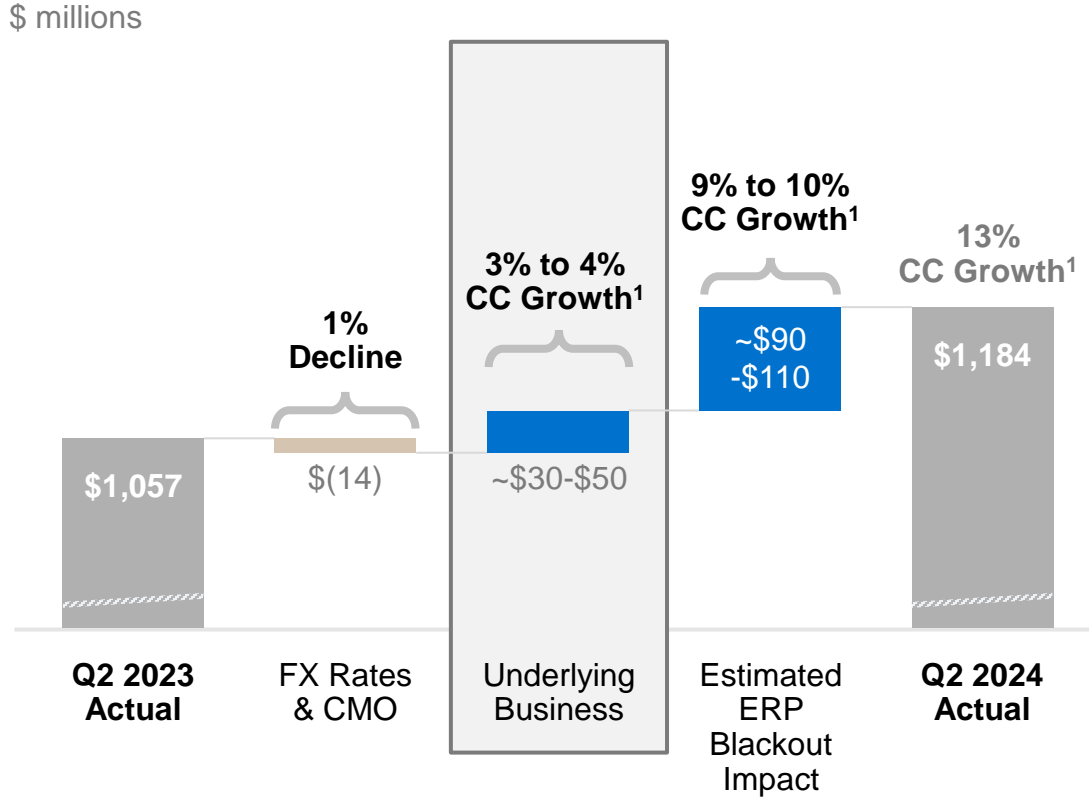
<sup>2</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

# Consistent Performance in Underlying Business CC<sup>1</sup> Growth Across First and Second Quarter

## First Quarter Revenue



## Second Quarter Revenue



Note: Numbers may not add due to rounding and ranges.

<sup>1</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

Second Quarter 2024

# Revenue by Geography and Species

	2024	2023	Change	CC Change <sup>1</sup>	Estimated ERP Blackout Impact
US Pet Health	\$338	\$334	\$4	1 %	~10%
Int'l Pet Health	\$241	\$184	\$57	34 %	~21%
<b>Total Pet Health</b>	<b>\$579</b>	<b>\$518</b>	<b>\$61</b>	<b>13 %</b>	<b>13% to 14%</b>
US Farm Animal	\$206	\$162	\$44	27 %	~3%
Int'l Farm Animal	\$388	\$365	\$23	8 %	~7%
<b>Total Farm Animal</b>	<b>\$594</b>	<b>\$527</b>	<b>\$67</b>	<b>14 %</b>	<b>~5%</b>
<b>Contract Manufacturing</b>	<b>\$11</b>	<b>\$12</b>	<b>\$(1)</b>	<b>(8)%</b>	<b>-</b>
<b>Total Elanco</b>	<b>\$1,184</b>	<b>\$1,057</b>	<b>\$127</b>	<b>13 %</b>	<b>9% to 10%</b>

Note: Reported revenue in millions. Numbers may not add due to rounding. Growth rates on this slide are impacted by the estimated impact of the ERP Blackout in 2023 as noted on slide 2.

<sup>1</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

Second Quarter 2024

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

\$ millions, except per share values	2024	2023	Change (\$)	Change (%)	Estimated ERP Blackout Impact
<b>Revenue</b>	<b>\$1,184</b>	<b>\$1,057</b>	<b>\$127</b>	<b>12 %</b>	<b>9% to 10%</b>
<b>Cost of Sales</b>	<b>\$495</b>	<b>\$434</b>	<b>\$61</b>	<b>14 %</b>	
<b>Adjusted Gross Profit</b>	<b>\$689</b>	<b>\$623</b>	<b>\$66</b>	<b>11 %</b>	<b>12% to 14%</b>
Adjusted Gross Margin	58.2 %	58.9 %	NM	(70) bps	150 to 220 bps
<b>Operating Expense</b>	<b>\$443</b>	<b>\$434</b>	<b>\$9</b>	<b>2 %</b>	
<b>Interest Expense, Net</b>	<b>\$65</b>	<b>\$74</b>	<b>\$(9)</b>	<b>(12)%</b>	
<b>Other Expense</b>	<b>\$4</b>	<b>\$2</b>	<b>\$2</b>	<b>100 %</b>	
Effective Tax Rate	16.9 %	19.9 %	NM	(500) bps	
<b>Adjusted Net Income</b>	<b>\$147</b>	<b>\$90</b>	<b>\$57</b>	<b>63 %</b>	
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.30</b>	<b>\$0.18</b>	<b>\$0.12</b>	<b>67 %</b>	<b>64% to 73%</b>
<b>Adjusted EBITDA</b>	<b>\$275</b>	<b>\$222</b>	<b>\$53</b>	<b>24 %</b>	<b>30% to 36%</b>
Adjusted EBITDA Margin	23.2 %	21.0 %	NM	+220 bps	440 to 570 bps

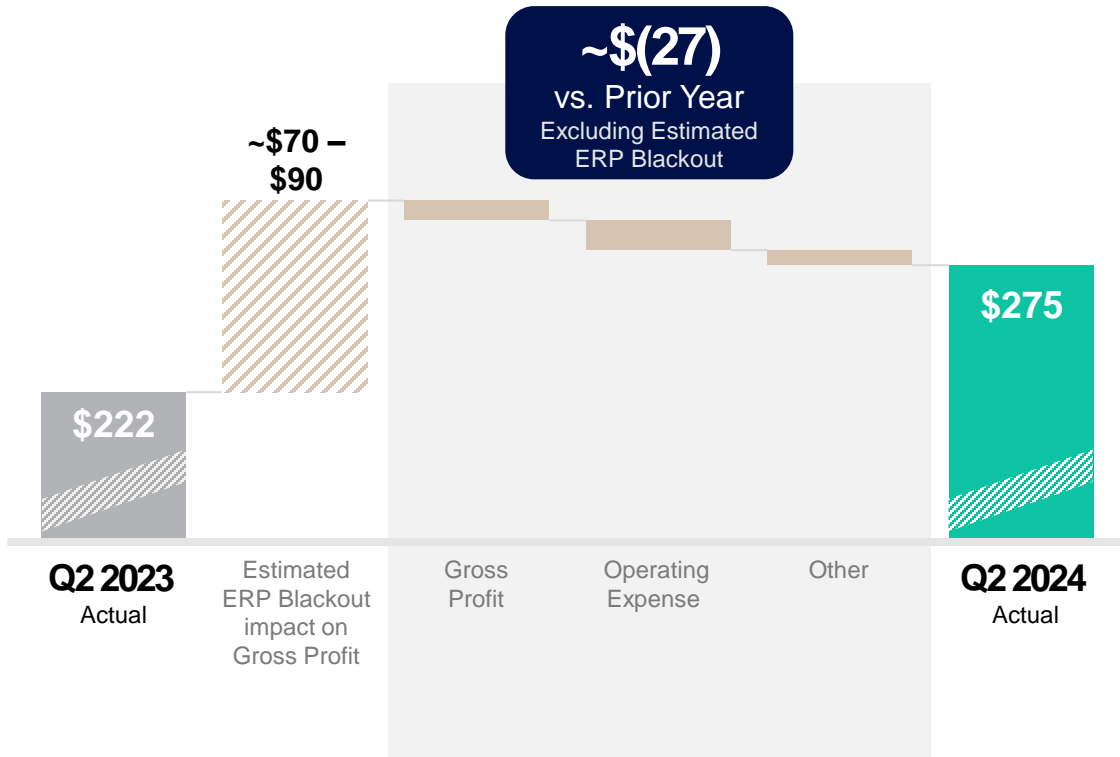
Note: Numbers may not add due to rounding. Growth rates on this slide are impacted by the estimated impact of the ERP Blackout in 2023 as noted on slide 2.

<sup>1</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

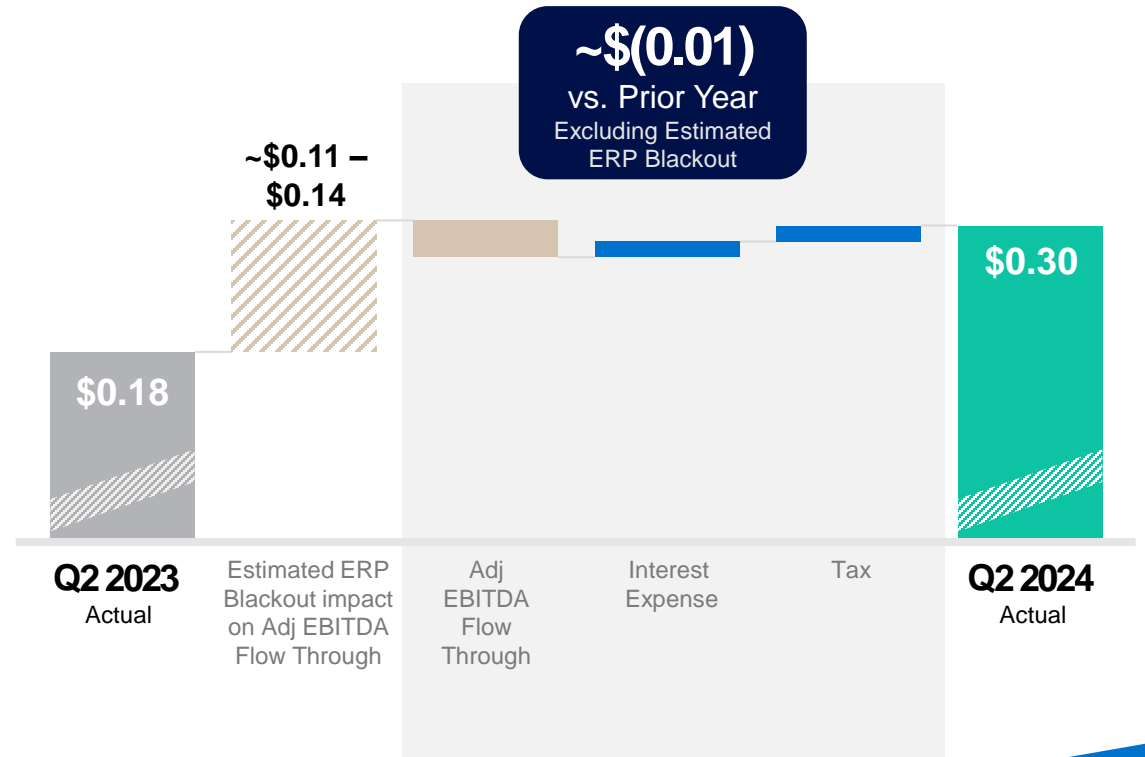
Q2 2023 to Q2 2024 Bridge

# Adjusted EBITDA and Adjusted EPS Impacted by Prior Year ERP Blackout, Manufacturing Slowdown Offsets Sales Growth

## Q2 2024 Adjusted EBITDA



## Q2 2024 Adjusted EPS

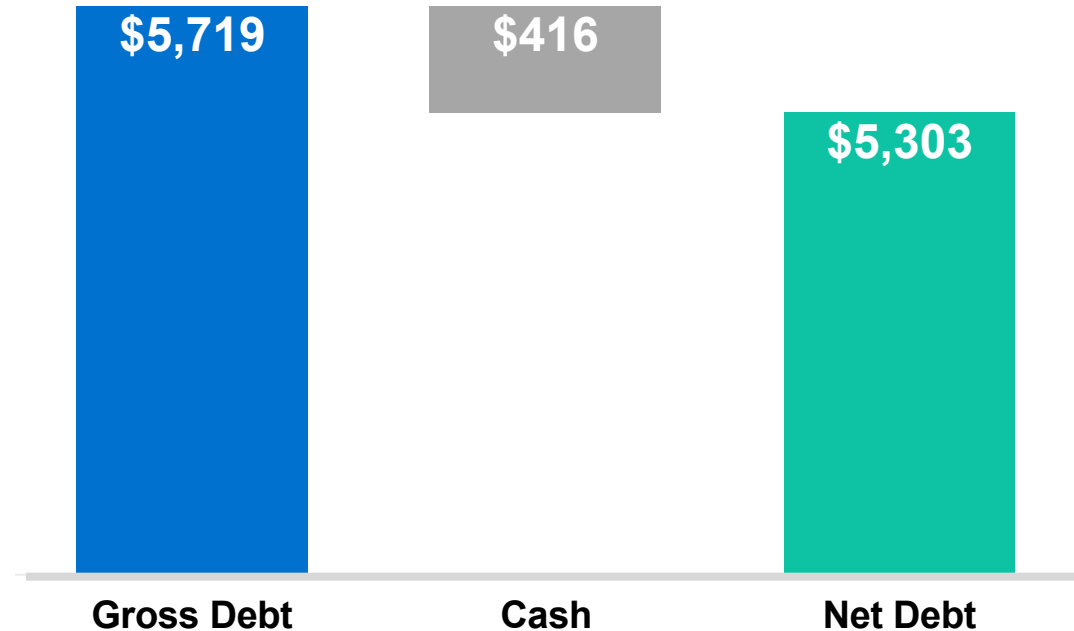


Note: Numbers may not add due to rounding and ranges. Dollars in millions, except per share amounts.

# Key Balance Sheet and Cash Flow Metrics

## Debt Balances as of June 30, 2024

\$ millions



**Operating Cash Flow (OCF) of \$200M in Q2 2024;** Year over year increase driven by improved working capital, specifically inventory, and lower project expenses.

**Net leverage ratio<sup>2</sup> decreased sequentially to 5.6x;** year end expected in mid-4x range.

**Days sales outstanding<sup>3</sup> at 76 days;** a decrease of 2 days compared to Q2 2023.

**Paid down \$1.2 billion of debt in July** with proceeds from the aqua divestiture; gross debt now below \$4.5 billion.

Note: Numbers may not add due to rounding.

<sup>1</sup>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. <sup>2</sup>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. <sup>3</sup>DSO calculated as the trailing 12-month average.

# Financial Guidance

Third Quarter and Full Year 2024



**Elanco**<sup>TM</sup>

2024 Full Year

# Financial Guidance

\$ millions, except per share values

	May	August	Comments
<b>Revenue</b>	<b>\$4,460 - \$4,515</b>	<b>\$4,410 - \$4,460</b>	Raised organic <sup>2</sup> CC <sup>3</sup> growth expectations to 3% to 4%
<b>Reported Net Income (Loss)</b>	\$(45) - \$(3)	\$314 - \$352	Including gain on aqua divestiture
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$960 - \$1,000</b>	<b>\$900 - \$940</b>	Organic <sup>2</sup> guidance maintained excluding aqua divestiture (\$60M)
<b>Reported Diluted EPS</b>	\$(0.09) - \$(0.01)	\$0.63 - \$0.71	
<b>Adjusted Diluted EPS<sup>1</sup></b>	<b>\$0.88 - \$0.96</b>	<b>\$0.88 - \$0.96</b>	Guidance maintained offsetting aqua with lower interest and tax expense



**Impact of FX vs Prior Year**  
expected to be a headwind of approximately \$30 million on revenue and \$15 million on Adjusted EBITDA, no change from May



**Full Year Cadence**  
Return to adjusted EBITDA and adjusted EPS organic growth expected in Q4 as manufacturing headwinds subside and restructuring savings offset strategic investments



**Improved Non-Operational**  
Full year interest expense lowered to \$235 million following debt paydown in Q3 and tax rate lowered to 18%-19%

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

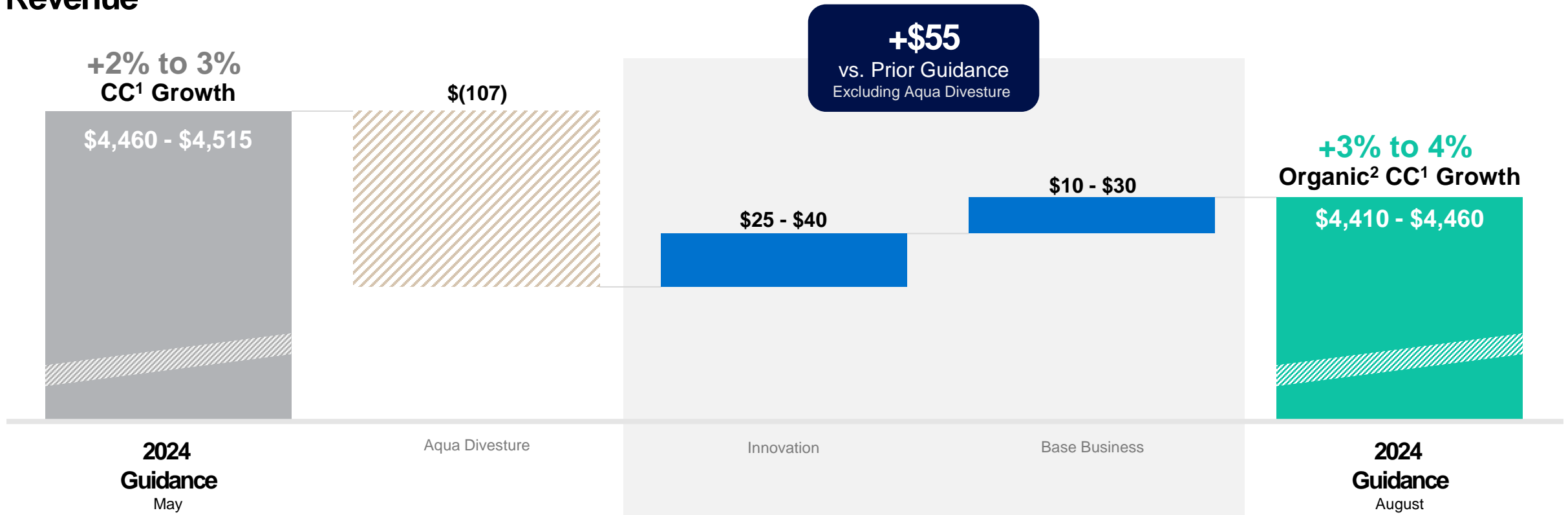
<sup>2</sup>Organic excludes prior year contribution of the aqua business, which was divested July 9, 2024.

<sup>3</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

May Guidance to August Guidance

# Innovation and Base Business Drive Improvement in Organic Growth Expectations

## Revenue



Note: Numbers may not add due to rounding and ranges. Dollars in millions, except per share amounts.

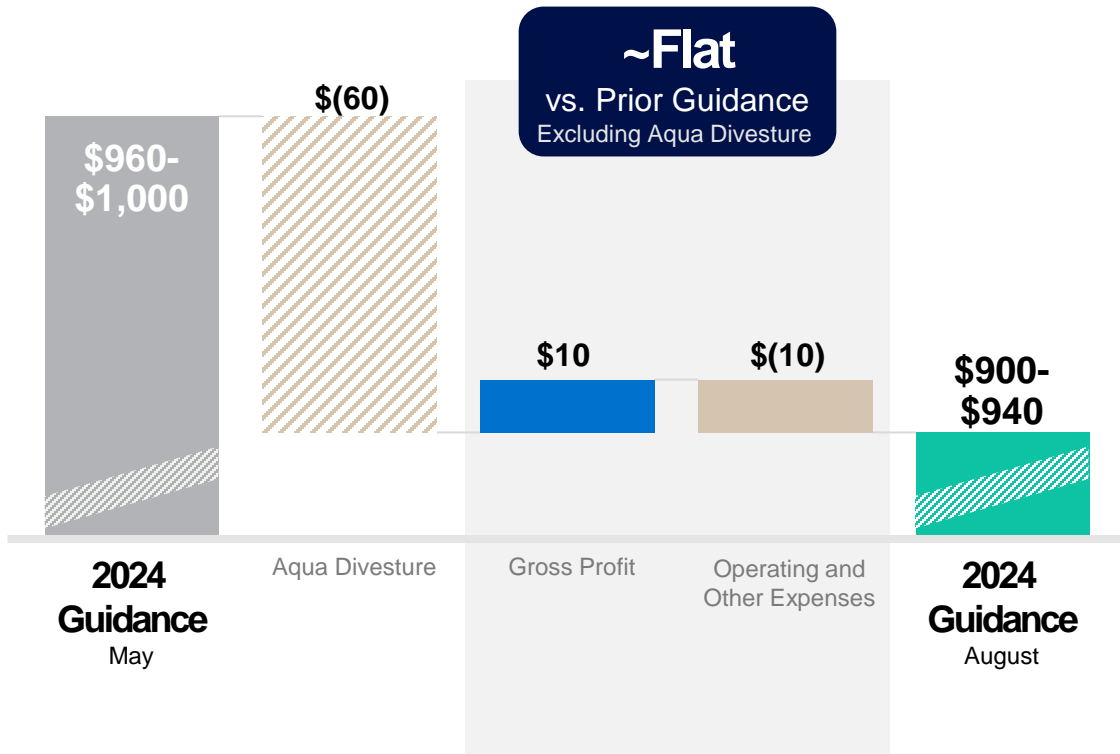
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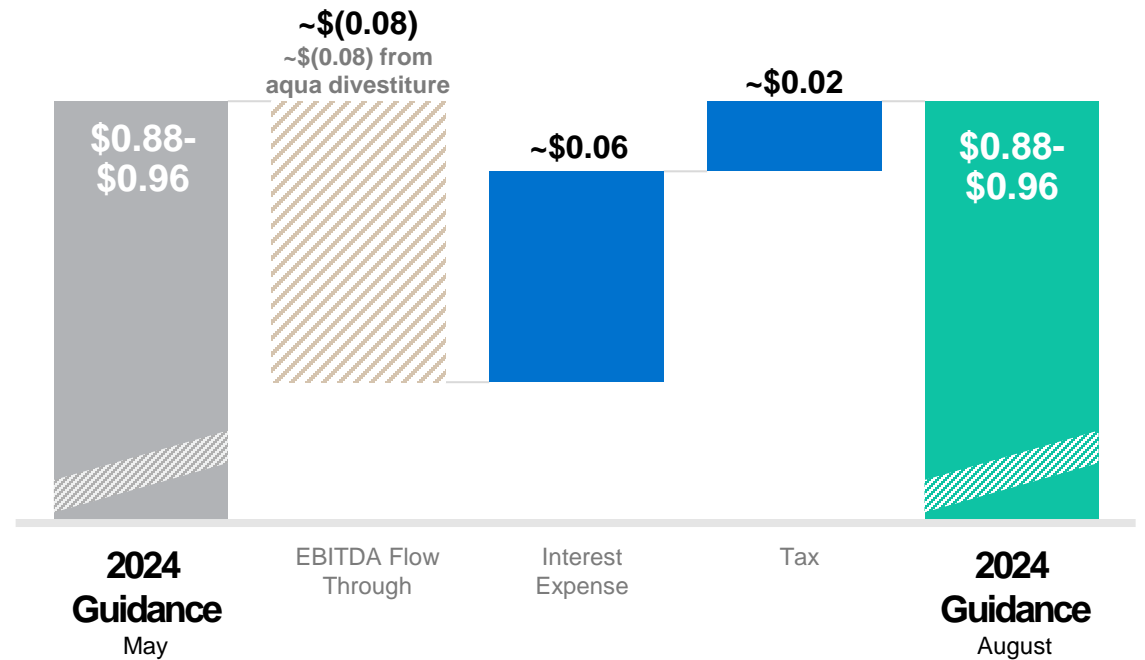
May Guidance to August Guidance

# Adjusted EBITDA Guidance Maintained ex-Aqua, Adjusted EPS Guidance Maintained with Lower Interest & Tax Offsetting Aqua

## 2024 Adjusted EBITDA



## 2024 Adjusted EPS



Note: Numbers may not add due to rounding and ranges. Dollars in millions, except per share amounts.

Third Quarter 2024

# Financial Guidance

\$ millions, except  
per share values

<b>Total Revenue</b>	<b>\$1,020 - \$1,050</b>
Reported Net Income	\$368 - \$396
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$140 - \$170</b>
Reported Diluted EPS	\$0.74 - \$0.80
<b>Adjusted Diluted EPS<sup>1</sup></b>	<b>\$0.09 - \$0.14</b>



## Reported Net Income

driven by approx. \$650 million pre-tax gain on divestiture of aqua business



## Margin Expectations

price growth expected to be more than offset by impact of FX and inflation; impact of reduced plant utilization neutral compared to prior year



## Additional Assumptions

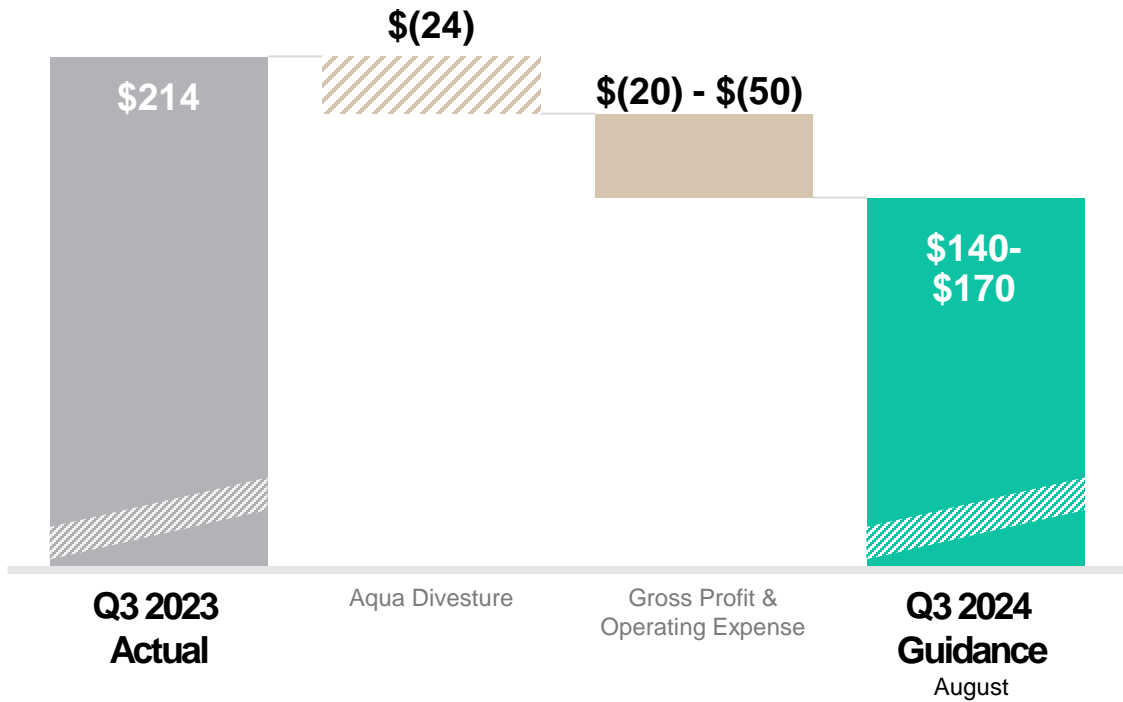
Fx expected to be headwind of ~\$15 million on revenue in Q3; interest expense expected to be ~\$50 million; investments in Pet Health drive SG&A growth

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

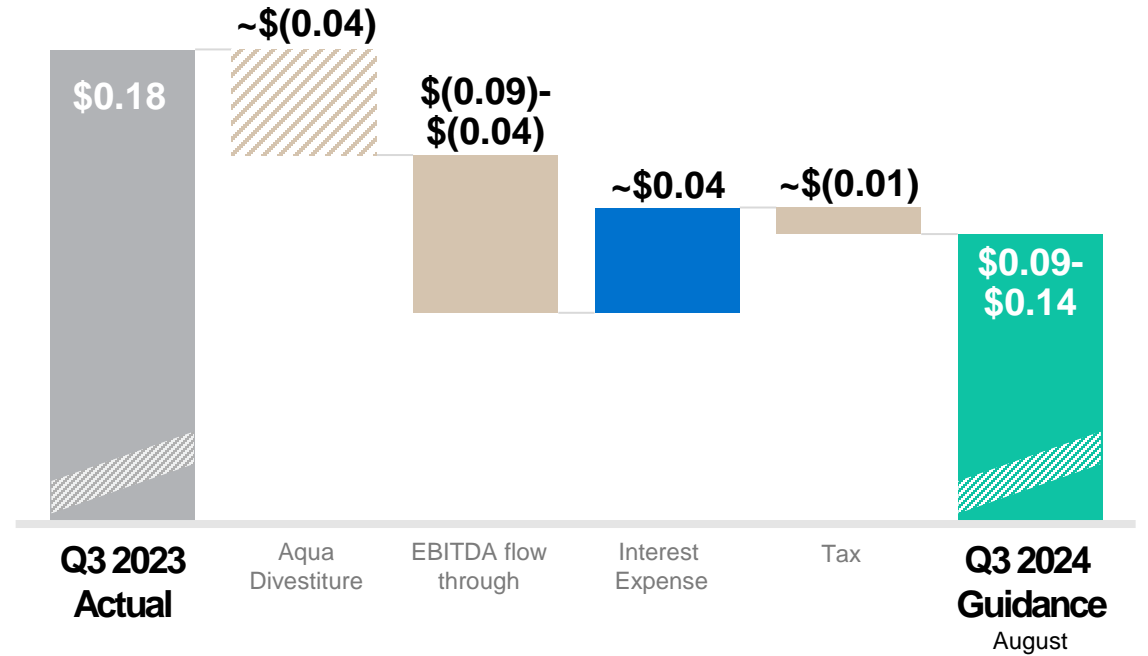
Q3 2023 to Q3 2024

# Third Quarter Guidance Reflects Business Excluding Aqua

## Q3 2024 Adjusted EBITDA



## Q3 2024 Adjusted EPS

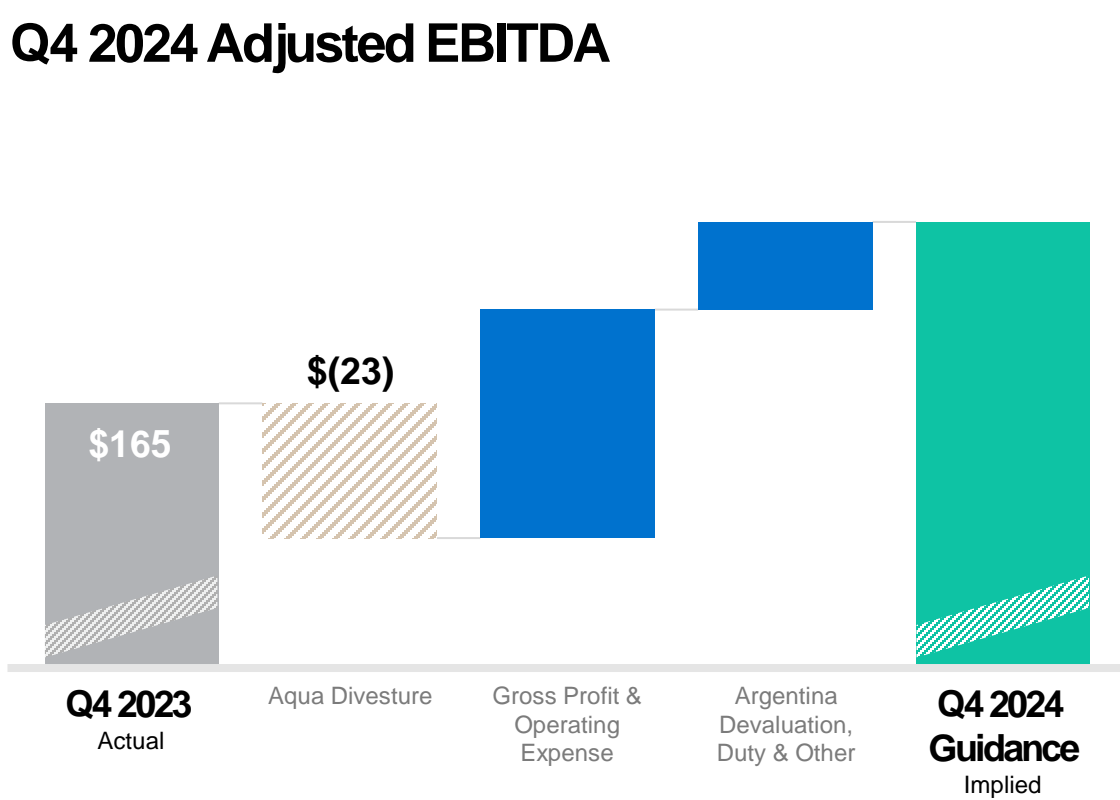


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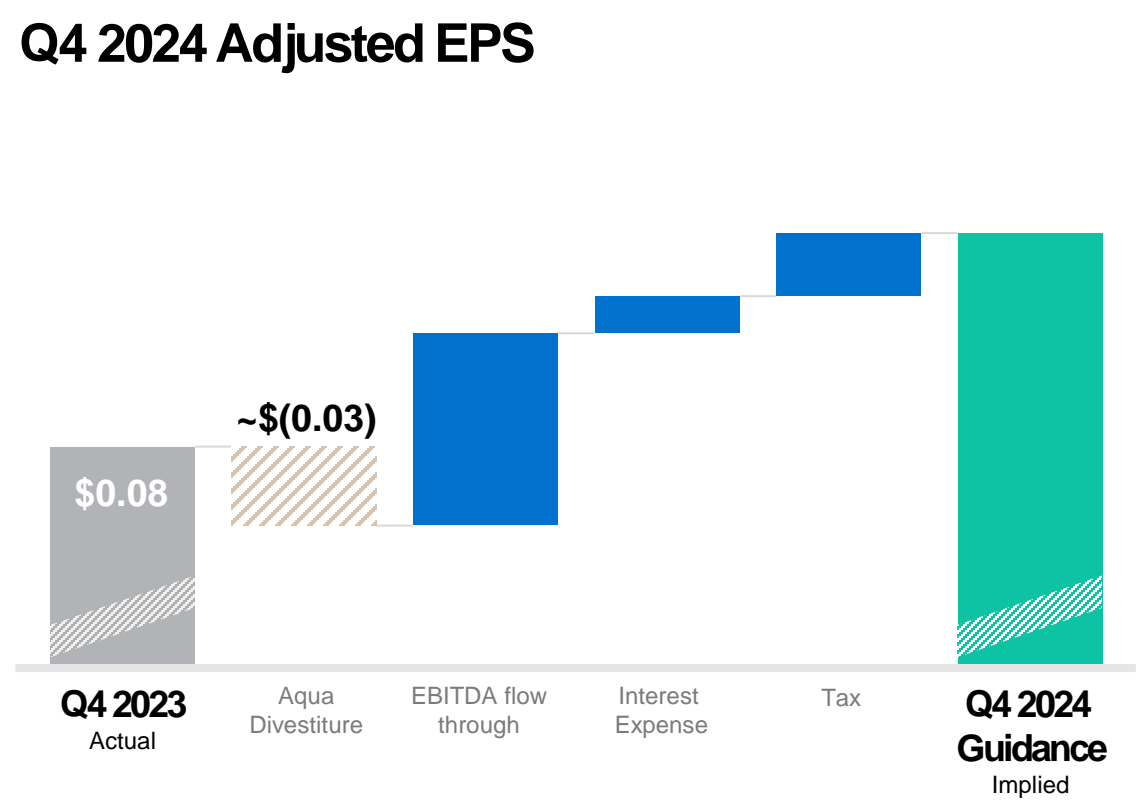
Q4 2023 Actual to Q4 2024 Implied Guidance

# Implied Fourth Quarter Adj. EBITDA and Adj. EPS Growth Driven by Improved Gross Profit and Lapping '23 Hyperinflation Headwind

## Q4 2024 Adjusted EBITDA



## Q4 2024 Adjusted EPS



Note: Numbers may not add due to rounding and ranges. Dollars in millions, except per share amounts.

# Appendix

Reference slides and GAAP reported to  
non-GAAP adjusted reconciliations



**Elanco**

TM

First Half 2024

# Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume	Total	CC Change <sup>1</sup>
<b>Pet Health</b>	<b>\$1,218</b>	<b>3 %</b>	<b>0 %</b>	<b>(1)%</b>	<b>2 %</b>	<b>2 %</b>
Cattle	\$501		0 %		9 %	9 %
Poultry	\$395		(2)%		9 %	11 %
Swine	\$174		(1)%		(9)%	(8)%
Aqua	\$80		(2)%		(11)%	(9)%
<b>Farm Animal</b>	<b>\$1,150</b>	<b>2 %</b>	<b>(1)%</b>	<b>3 %</b>	<b>5 %</b>	<b>5 %</b>
<b>Contract Manufacturing</b>	<b>\$21</b>	<b>(1)%</b>	<b>(1)%</b>	<b>2 %</b>	<b>0 %</b>	<b>1 %</b>
<b>Total Elanco</b>	<b>\$2,389</b>	<b>3 %</b>	<b>(1)%</b>	<b>1 %</b>	<b>3 %</b>	<b>4 %</b>

Note: Reported revenue in millions. Numbers may not add due to rounding.

<sup>1</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

First Half 2024

# Revenue by Geography and Species

	2024	2023	Change	CC Change <sup>1</sup>
US Pet Health	\$671	\$694	\$(23)	(3)%
Int'l Pet Health	\$547	\$499	\$48	11 %
<b>Total Pet Health</b>	<b>\$1,218</b>	<b>\$1,193</b>	<b>\$25</b>	<b>2 %</b>
US Farm Animal	\$402	\$344	\$58	17 %
Int'l Farm Animal	\$748	\$755	\$(7)	— %
<b>Total Farm Animal</b>	<b>\$1,150</b>	<b>\$1,100</b>	<b>\$50</b>	<b>5 %</b>
<b>Contract Manufacturing</b>	<b>\$21</b>	<b>\$21</b>	<b>\$0</b>	<b>1 %</b>
<b>Total Elanco</b>	<b>\$2,389</b>	<b>\$2,314</b>	<b>\$75</b>	<b>4 %</b>

Note: Reported revenue in millions. Numbers may not add due to rounding.

<sup>1</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

First Half 2024

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

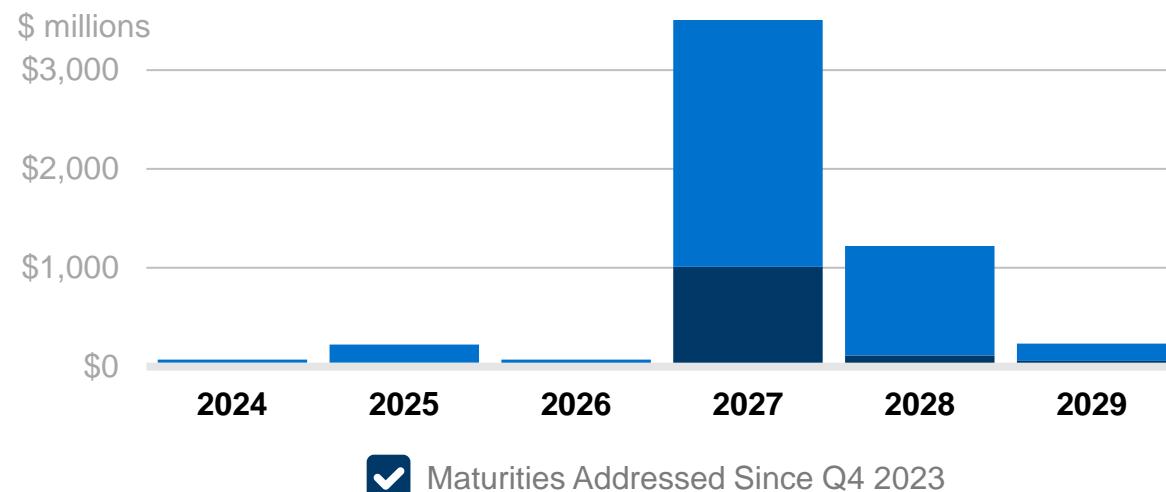
\$ millions, except per share values	2024	2023	Change (\$)	Change (%)
<b>Revenue</b>	<b>\$2,389</b>	<b>\$2,314</b>	<b>\$75</b>	<b>3 %</b>
<b>Cost of Sales</b>	<b>\$1,010</b>	<b>\$927</b>	<b>\$83</b>	<b>9 %</b>
<b>Adjusted Gross Profit</b>	<b>\$1,379</b>	<b>\$1,387</b>	<b>\$(8)</b>	<b>(1)%</b>
Adjusted Gross Margin	57.7 %	59.9 %	NM	(220) bps
<b>Operating Expense</b>	<b>\$867</b>	<b>\$842</b>	<b>\$25</b>	<b>3 %</b>
<b>Interest Expense, Net</b>	<b>\$131</b>	<b>\$138</b>	<b>\$(7)</b>	<b>(5)%</b>
<b>Other Expense</b>	<b>\$8</b>	<b>\$13</b>	<b>\$(5)</b>	<b>(38)%</b>
Effective Tax Rate	15.8 %	21.9 %	NM	(610) bps
<b>Adjusted Net Income</b>	<b>\$314</b>	<b>\$310</b>	<b>\$4</b>	<b>1 %</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.63</b>	<b>\$0.63</b>	<b>\$0.00</b>	<b>— %</b>
<b>Adjusted EBITDA</b>	<b>\$569</b>	<b>\$601</b>	<b>\$(32)</b>	<b>(5)%</b>
Adjusted EBITDA Margin	23.8 %	26.0 %	NM	(220) bps

Note: Numbers may not add due to rounding.

<sup>1</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

# Sale of Aqua Business Enables Significant Debt Paydown

## Debt Maturities & Mandatory Payments<sup>1</sup>



## Key Debt Information as of August 8, 2024<sup>1</sup>

### Total Gross Debt: \$4.5 billion

- **Term Loans:** \$3.5 billion; bears interest of 1-Month Term SOFR+185 bps
- **Senior Notes:** \$750 million; bears interest of 6.65%, incl. 175 bps credit rating step up
- **Revolver:** Access to \$750 million; bears interest of 1-Month Term SOFR+210 bps
- **A/R Securitization:** Access to up to \$300 million; bears interest of 1-Month Term SOFR+125 bps

**Interest Rate Swaps:** \$2.8 billion matures in 2026; approximately 79% of debt fixed

**2024 Assumptions<sup>4</sup>:** Year-end net leverage ratio expected in mid-4x range; with approximately \$1.45 billion gross debt paydown

## 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	5.6x	None	Yes
<b>Interest Coverage Ratio</b>	TTM adjusted EBITDA divided by TTM cash interest expense	Min 2.0x	2.6x	Only if certain non-financial covenants are tripped	Yes

<sup>1</sup>Reflects \$1.222 billion of debt paydown subsequent to closing of the sale of the company's aqua business on July 9, 2024; <sup>2</sup>As of June 30, 2024; this calculation does not include Term Loan B covenant-related adjustments that increase adjusted EBITDA by approximately \$60 to \$70 million. <sup>3</sup>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. <sup>4</sup>TTM = Trailing Twelve Months.

# Factors Impacting Cash Flow and Leverage

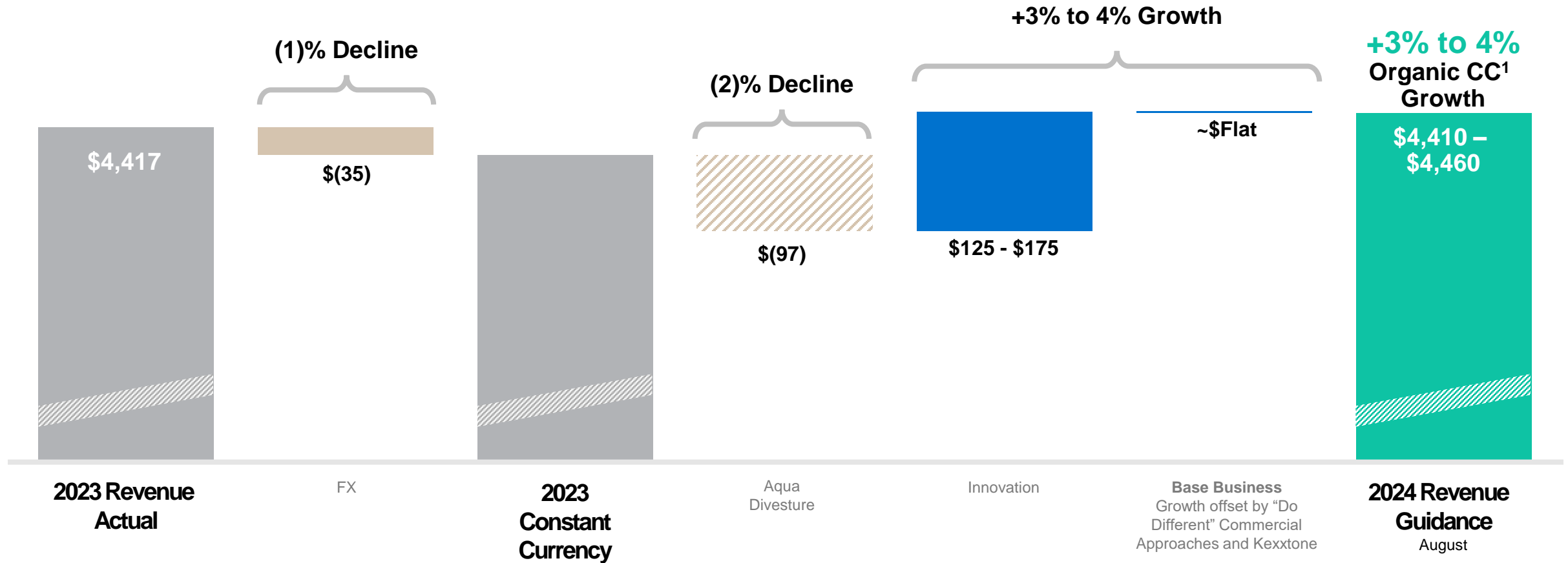
\$ millions	2021	2022	2023	2024 Projected	Comments
<b>Project<sup>1</sup>/Restructuring Cash</b>	\$325	\$194	\$149	<b>\$40 - \$50</b>	Lower project spend partially offset by Q1 2024 restructuring
<b>Cash Interest</b>	\$221	\$266	\$379	<b>Approx. \$305</b>	Lower cash interest driven by debt paydown
<b>Cash Taxes</b>	\$151	\$93	\$95	<b>\$130 - \$150</b>	Expected step up in 2025 driven by tax payments from aqua sale proceeds
<b>Change in NWC<sup>2</sup></b>	\$88	\$462	\$300	<b>\$20 - \$50</b>	Operating cash inflow from improvements in inventory
<b>CAPEX</b>	\$159	\$171	\$140	<b>\$160 - \$180</b>	Increased investments supporting launches
<b>Gross debt paydown</b>	\$(176)	\$501	\$76	<b>Approx. \$1.45B</b>	Includes \$1.22B from aqua sales proceeds
<b>Net Leverage Ratio</b>	5.5x	5.5x	5.6x	<b>Mid-4x</b>	

<sup>1</sup>Project refers to cash costs associated with the independent company stand-up, Bayer business integration and Bayer ERP system integration.

<sup>2</sup>Change in NWC reflected as: Use (Source) of Cash. 2024 Guidance does not include \$66 million dollar inflow of cash that was included in Cash Flows from Investing Activities.

2023 to 2024 Full Year Revenue Bridge

# Innovation Step Up Drives Organic Growth Expectations



Note: Numbers may not add due to rounding and ranges. Dollars in millions.

<sup>1</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates. Organic revenue growth excludes the aqua business, which was divested July 9, 2024.

## Full Year 2024

# Financial Guidance & Additional Assumptions

\$ millions, except  
per share values

	May	August
<b>Total Revenue</b>	<b>\$4,460 – \$4,515</b>	<b>\$4,410 – \$4,460</b>
Adjusted Gross Margin <sup>1</sup>	55.6% – 56.1%	55.1% – 55.6%
Operating Expenses	\$1,650 – \$1,670	\$1,645 – \$1,660
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$960 – \$1,000</b>	<b>\$900 – \$940</b>
<b>Adjusted EBITDA Margin<sup>1</sup></b>	<b>21.5% – 22.2%</b>	<b>20.4% – 21.1%</b>
Depreciation	Approx. \$135	Approx. \$130
Interest Expense, Net	Approx. \$275	Approx. \$235
Tax Rate	19%-21%	18% – 19%
<b>Adjusted Earnings per Share<sup>1</sup></b>	<b>\$0.88 – \$0.96</b>	<b>\$0.88 – \$0.96</b>
Weighted Average Diluted Share Count	Approx. 497 million	Approx. 497 million
Capital Expenditures	\$180 - \$200	\$160 – \$180
Cash Taxes	\$80 - \$100	\$130 – \$150
Cash Interest	Approx. \$345	Approx. \$305
Project <sup>2</sup> /Restructuring Cash	\$40 - \$50	\$40 – \$50

Note: Shaded boxes represent figures that have been revised compared to the prior guidance.

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

<sup>2</sup>Project refers to cash costs associated with the independent company stand-up, Bayer business integration and Bayer ERP system integration.

## Second Quarter 2024

# Adjusted EBITDA Reconciliation

\$ millions

	2024	2023
<b>Reported Net Loss</b>	<b>\$(50)</b>	<b>\$(97)</b>
Net Interest Expense	\$65	\$74
Income Tax Expense	\$18	\$18
Depreciation and Amortization	\$164	\$177
<b>EBITDA</b>	<b>\$197</b>	<b>\$171</b>
Non-GAAP Adjustments		
Asset Impairment, Restructuring, and Other Special Charges	\$80	\$35
Accelerated Depreciation and Amortization <sup>1</sup>	\$0	\$(5)
Other Expense (Income), Net	\$(2)	\$21
<b>Adjusted EBITDA</b>	<b>\$275</b>	<b>\$222</b>
<b>Adjusted EBITDA Margin</b>	<b>23.2 %</b>	<b>21.0%</b>

Numbers may not add due to rounding.

<sup>1</sup>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.

## Second Quarter 2024

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

\$ millions, except  
per share values

	2024			2023		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Amortization of Intangible Assets	\$131	\$131	\$–	\$136	\$136	\$–
Asset Impairment, Restructuring and Other Special Charges <sup>1</sup>	\$80	\$80	\$–	\$35	\$35	\$–
Other Expense (Income), Net <sup>2</sup>	\$2	\$(2)	\$4	\$23	\$21	\$2
<b>Income Before Taxes</b>	<b>\$(32)</b>	\$209	<b>\$177</b>	<b>\$(79)</b>	\$192	<b>\$113</b>
Provision for Taxes <sup>3</sup>	\$18	\$(12)	\$30	\$18	\$(5)	\$23
<b>Net (Loss) Income</b>	<b>\$(50)</b>	\$197	<b>\$147</b>	<b>\$(97)</b>	\$187	<b>\$90</b>
<b>Earnings per Share Diluted</b>	<b>\$(0.10)</b>	\$0.40	<b>\$0.30</b>	<b>\$(0.20)</b>	\$0.38	<b>\$0.18</b>
Adjusted Weighted Average Shares Outstanding Diluted <sup>5</sup>	494.2	497.1	497.1	<b>492.6</b>	492.6	<b>492.6</b>

Numbers may not add due to rounding.  
See slide 34 for details of adjustments to certain GAAP reported measures.

## Second Quarter 2024

# Details of Adjustments to Certain GAAP Reported Measures

### For the three months ended June 30, 2024 and 2023:

- 1) Adjustments of \$80 million for the three months ended June 30, 2024, principally included a \$53 million impairment charge related to a pet health IPR&D asset (IL-4R) for which management terminated future R&D activities due to concerns about the asset's future commercial viability and \$10 million of transaction costs associated with the sale of our aqua business. Adjustments of \$35 million for the three months ended June 30, 2023, related to charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health.
- 2) Adjustments of \$2 million for the three months ended June 30, 2024, related to a gain related to the divestiture of a non-material product line, partially offset by the impact of hyperinflationary accounting in Turkey. Adjustments of \$21 million for the three months ended June 30, 2023, primarily related to an accrual of \$15 million for a potential settlement of the Seresto class action lawsuits, as well as the impact of hyperinflationary accounting related to Turkey.
- 3) Adjustments of \$16 million for the three months ended June 30, 2024 represented the income tax expense associated with the adjusted items discussed above. Adjustments of \$5 million for the three months ended June 30, 2023, represented the income tax expense associated with the adjusted items discussed above, partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$8 million).

First Half 2024

## Adjusted EBITDA Reconciliation

\$ millions

	2024	2023
<b>Reported Net (Loss) Income</b>	<b>\$(18)</b>	<b>\$6</b>
Net Interest Expense	\$131	\$138
Income Tax Expense	\$(2)	\$23
Depreciation and Amortization	\$329	\$350
<b>EBITDA</b>	<b>\$440</b>	<b>\$516</b>
Non-GAAP Adjustments		
Cost of Sales	\$0	\$1
Asset Impairment, Restructuring, and Other Special Charges	\$126	\$75
Accelerated Depreciation and Amortization <sup>1</sup>	\$0	\$(10)
Other Expense, Net	\$3	\$19
<b>Adjusted EBITDA</b>	<b>\$569</b>	<b>\$601</b>
<b>Adjusted EBITDA Margin</b>	<b>23.8 %</b>	<b>26.0%</b>

Numbers may not add due to rounding.

<sup>1</sup>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 Half 2024

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

\$ millions, except  
per share values

	2024			2023		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales <sup>1</sup>	\$1,010	\$0	\$1,010	\$928	\$1	\$927
Amortization of Intangible Assets	\$264	\$264	\$-	\$270	\$270	\$-
Asset Impairment, Restructuring and Other Special Charges <sup>2</sup>	\$126	\$126	\$-	\$75	\$75	\$-
Other Expense, Net <sup>3</sup>	\$11	\$3	\$8	\$32	\$19	\$13
<b>Income Before Taxes</b>	<b>\$(20)</b>	<b>\$393</b>	<b>\$373</b>	<b>\$29</b>	<b>\$365</b>	<b>\$394</b>
Provision for Taxes	\$(2)	\$(61)	\$59	\$23	\$(61)	\$84
<b>Net Income</b>	<b>\$(18)</b>	<b>\$332</b>	<b>\$314</b>	<b>\$6</b>	<b>\$304</b>	<b>\$310</b>
<b>Earnings per Share Diluted</b>	<b>\$(0.04)</b>	<b>\$0.67</b>	<b>\$0.63</b>	<b>\$0.01</b>	<b>\$0.62</b>	<b>\$0.63</b>
Adjusted Weighted Average Shares Outstanding Diluted	493.7	496.5	496.5	<b>492.7</b>	492.7	<b>492.7</b>

Numbers may not add due to rounding.  
See slide 37 for details of adjustments to certain GAAP reported measures.

## First Half 2024

## Details of Adjustments to Certain GAAP Reported Measures

**For the six months ended June 30, 2024 and 2023:**

- 1) Adjustments of \$1 million for the six months ended June 30, 2023, primarily related to amortization of inventory fair value adjustments recorded from the acquisition of certain assets of NutriQuest.
- 2) Adjustments of \$126 million for the six months ended June 30, 2024, principally included the above noted \$53 million IPR&D asset impairment charge (IL-4R), \$43 million of costs associated with our restructuring plan announced in February 2024 and \$17 million of transaction costs related to the sale of our aqua business. Adjustments of \$75 million for the six months ended June 30, 2023, related to charges associated with the integration efforts and external costs related to the acquisition of Bayer Animal Health.
- 3) Adjustments of \$3 million for the six months ended June 30, 2024, primarily related to the impact of hyperinflationary accounting in Turkey and an increase in our accrual related to a possible resolution or settlement relating to our previously disclosed matter with the SEC, partially offset by a gain related to the divestiture of a non-material product line. Adjustments of \$19 million for the six months ended June 30, 2023, primarily related to an accrual of \$15 million for a potential settlement of the Seresto class action lawsuits, as well as the impact of hyperinflationary accounting in Turkey.
- 4) Adjustments of \$65 million for the six months ended June 30, 2024, represented the income tax expense associated with the adjusted items discussed above and \$13 million related to the partial release of a valuation allowance attributable to the anticipated sale of our aqua business. Adjustments of \$61 million for the six months ended June 30, 2023, represented the income tax expense associated with the adjusted items discussed above, partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$12 million).

Full Year 2024

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Income</b>	<b>\$314 - \$352</b>
Net Interest Expense	Approx. \$245
Income Tax Provision	\$179 - \$201
Depreciation and Amortization	Approx. \$655
<b>EBITDA</b>	<b>\$1,390 - \$1,449</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$150
Gain on Divestiture	Approx. \$(650)
Other Expense (Income), Net	Approx. \$3
<b>Adjusted EBITDA</b>	<b>\$900 - \$940</b>
<b>Adjusted EBITDA Margin</b>	<b>20.4% - 21.1%</b>

Note: Numbers may not add due to rounding

Full Year 2024

## EPS Guidance Reconciliation

<b>Reported Earnings per Share</b>	<b>\$0.63 - \$0.71</b>
Amortization of Intangible Assets	Approx. \$1.05
Asset Impairment, Restructuring, and Other Special Charges <sup>1</sup>	\$0.28 - \$0.32
Gain on Divestiture	Approx. \$(1.31)
Other Expenses, Net	Approx. \$0.03
<b>Subtotal</b>	<b>\$0.06 - \$0.10</b>
Tax Impact of Adjustments	\$0.19 - \$0.16
<b>Total Adjustments to Earnings per Share</b>	<b>Approx. \$0.25</b>
<b>Adjusted Earnings per Share<sup>2</sup></b>	<b>\$0.88 - \$0.96</b>

Note: Numbers may not add due to rounding.

<sup>1</sup>Asset impairment, restructuring and other special charges adjustments primarily relate to a pet health IPR&D asset (IL-4R) impairment charge recorded during the second quarter of 2024, charges related to the restructuring plan announced in February 2024 and acquisition integration and divestiture-related costs.

<sup>2</sup>Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

Third Quarter 2024

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Income</b>	<b>\$368 - \$396</b>
Net Interest Expense	Approx. \$60
Income Tax Provision	\$180 - \$192
Depreciation and Amortization	Approx. \$165
<b>EBITDA</b>	<b>\$772 - \$812</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$10
Gain on Divestiture	Approx. \$(650)
<b>Adjusted EBITDA</b>	<b>\$140 - \$170</b>
<b>Adjusted EBITDA Margin</b>	<b>13.7% - 16.2%</b>

Note: Numbers may not add due to rounding

Third Quarter 2024

## EPS Guidance Reconciliation

<b>Reported Earnings per Share</b>	<b>\$0.74 - \$0.80</b>
Amortization of Intangible Assets	Approx. \$0.26
Asset Impairment, Restructuring, and Other Special Charges <sup>1</sup>	\$0.02 - \$0.04
Gain on Divestiture	Approx. \$(1.31)
Other Expense, Net	Approx. \$0.03
<b>Subtotal</b>	<b>\$(1.00) - \$(0.98)</b>
Tax Impact of Adjustments	\$0.35 - \$0.34
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>\$(0.66) - \$(0.65)</b>
<b>Adjusted Earnings per Share<sup>2</sup></b>	<b>\$0.09 - \$0.14</b>

Note: Numbers may not add due to rounding.

<sup>1</sup>Asset impairment, restructuring and other special charges adjustments primarily relate to costs associated with the divestiture of our aqua business and charges related to the restructuring plan announced in February 2024.

<sup>2</sup>Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.