

# 2022 Earnings – First Quarter

May 9, 2022

***Elanco***

# Notices and Disclaimers

**Forward-Looking Statements.** This presentation contains forward-looking statements including, without limitation, statements concerning expected synergies and cost savings, product launches and revenue from such products, cost savings and expenses related to restructuring actions, the impact of the COVID-19 pandemic and related disruptions on our business, our 2022 full year and second quarter guidance and long-term expectations, the impact of the war involving Russia and Ukraine and the potential impact on our business and global economic conditions, our expectations regarding debt levels, our industry and our operations, performance and financial condition and, including in particular, statements relating to our business, the economy and other future conditions. Such statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in those forward-looking statements. Important factors that could cause actual results to differ materially are set forth in our earnings release, dated May 9, 2022, which is included as an exhibit to our Form 8-K furnished to the SEC on such date; and in our SEC filings, including our most recent reports on Forms 10-K and 10-Q. Although we have attempted to identify important risk factors, there may be other risk factors not presently known to us or that we presently believe are not material that could cause actual results and developments to differ materially from those made in or suggested by the forward-looking statements contained in this presentation. If any of these risks materialize, or if any of the above assumptions underlying forward-looking statements prove incorrect, actual results and developments may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. We caution you against relying on any forward-looking statements, which should also be read in conjunction with the other cautionary statements that are included elsewhere in this presentation. Any forward-looking statement made by us in this presentation speaks only as of the date thereof. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or to revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should be viewed as historical data.

**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 and adjusted gross margin 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.

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# Elanco is Building, Delivering, & Strengthening in the Durable Animal Health Industry



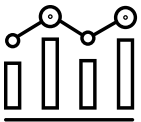
## Strong Start to 2022 in First Quarter



2% Revenue growth at constant exchange rates (CER)<sup>(1)</sup>



Revenue, Adj. EBITDA<sup>(2)</sup>, Adj. EPS<sup>(2)</sup> exceeded midpoint of guidance



## Well-Positioned in Volatile Environment



Tracking macro dynamics: FX, war in Ukraine, Covid-19 precautions in China, inflation and supply chain



Diverse, durable animal health business and structural improvements position Elanco to adapt to evolving conditions



## Sustainable Long-Term Value Creation



Updating 2022 guidance to reflect FX, maintaining guidance for CER<sup>(1)</sup> Revenue growth at 2%-3%



Innovation progress and Bovaer<sup>®</sup> announcement building foundation for next-era of Elanco growth

(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

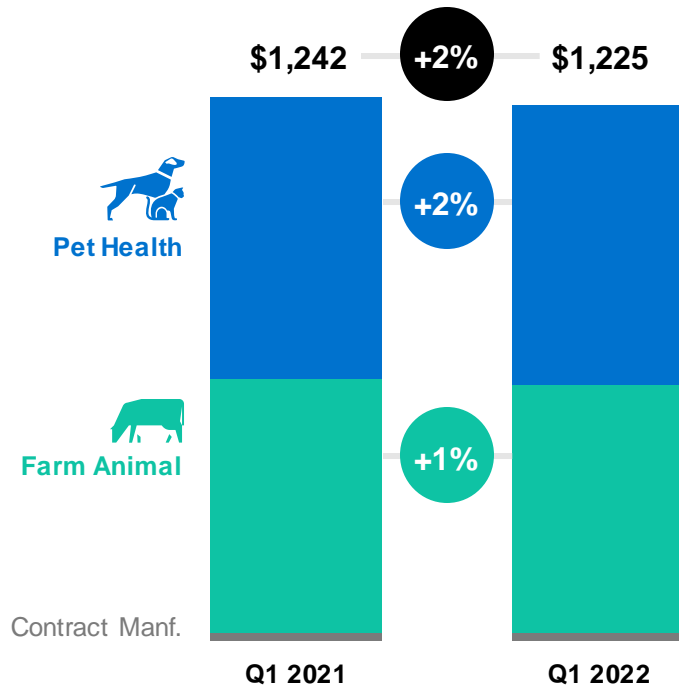
(2) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

# First Quarter 2022 | Key Financial Metrics

\$ Millions Except Per Share Data

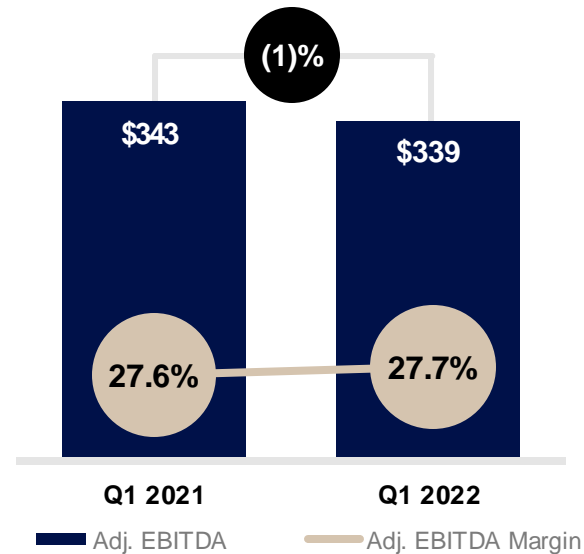
## Revenue

Change in constant exchange rate (CER)<sup>(1)</sup> terms



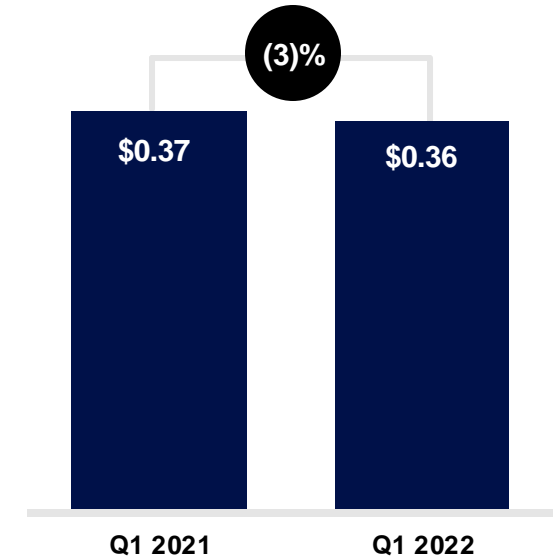
## Adj. EBITDA<sup>(2)</sup>

Change in reported terms



## Adj. EPS<sup>(2)</sup>

Change in reported terms

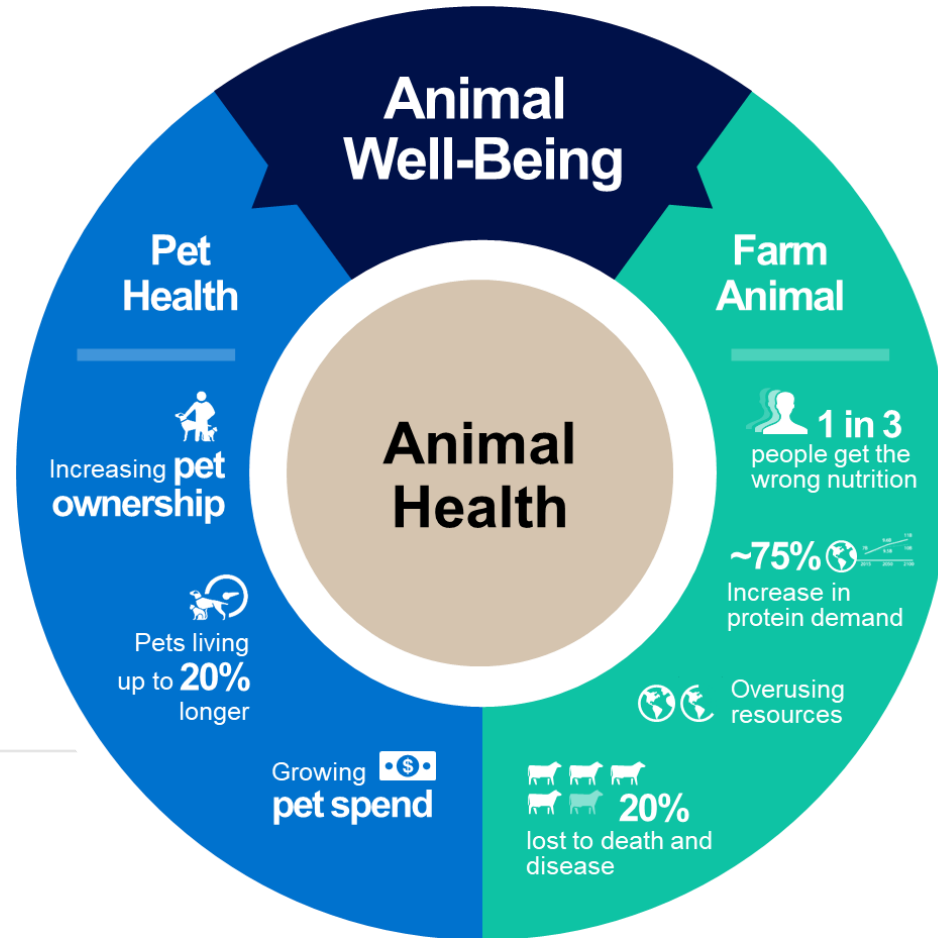


(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

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

# Animal Health Industry Well-Positioned in Today's Environment

Improving Pet Owner Experience  
Growth in e-Commerce  
Resiliency in inflationary times



Global protein demand  
Stabilization of food service in most of the world  
Elevated feed costs drive need for efficiency

## Macro Environment Factors

FX Rates | War in Ukraine |  
China COVID-19 restrictions | Inflation

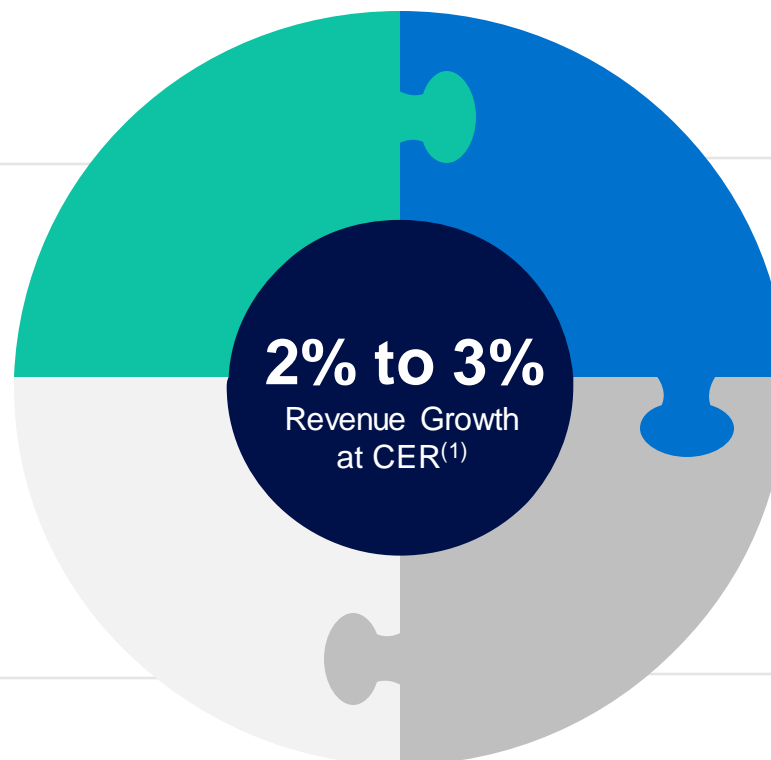
# Maintaining 2022 Constant Currency Revenue Growth

## Growth Drivers:

Focus Brands  
Pricing  
International  
Innovation

## Exceeding Expectations:

Poultry & Aqua  
Pet Health in Europe  
Price in International



## Expected Headwinds:

Contract Manufacturing  
Competitive & Generic  
Pressure  
China Swine

## Emerging Headwinds:

War in Ukraine  
China COVID-19 restrictions  
U.S. Pet Health stock-outs

(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.  
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# Progress and Actions for Elanco's Next Era of Growth

## Innovation

### Approvals (at least 7 expected)

- ✓ **5 portfolio enhancing approvals** achieved year to date, primarily in Pet Health

### Submissions (5-7 expected)

- ✓ **Overall portfolio advancing** per our expectations
- ✓ **Achieved 2 major milestones for** our late-stage pet health development programs
- ✓ Continue to expect to submit up to **2 differentiated Pet Health potential blockbusters in the U.S., in Dermatology and Parasiticides**

## Farm Animal Sustainability

### Strategic Alliance with DSM

**Exclusive licensing rights** to develop, manufacture, and commercialize Bovaer® in U.S.

Bovaer is a **first-in-class, methane-reducing** product for beef and dairy cattle

Upon approval, expected to have **blockbuster revenue potential in excess of \$200 million in the U.S. market**, with initial contribution by mid-decade

Expected to be **complementary with Experior**, and be foundational to the next era of growth for Elanco

# Financial Results

First Quarter 2022



**Elanco**

First Quarter 2022

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

	Revenue	Price	FX Rate	Volume	Total	CER Change <sup>(1)</sup>
<b>Pet Health</b>	<b>\$639</b>	<b>2%</b>	<b>(3)%</b>	<b>0%</b>	<b>(1)%</b>	<b>2%</b>
<b>Farm Animal</b>	<b>\$569</b>	<b>1%</b>	<b>(3)%</b>	<b>0%</b>	<b>(2)%</b>	<b>1%</b>
Contract Manufacturing	17	0%	(3)%	(8)%	(11)%	(8)%
<b>Total Elanco</b>	<b>\$1,225</b>	<b>2%</b>	<b>(3)%</b>	<b>0%</b>	<b>(1)%</b>	<b>2%</b>

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

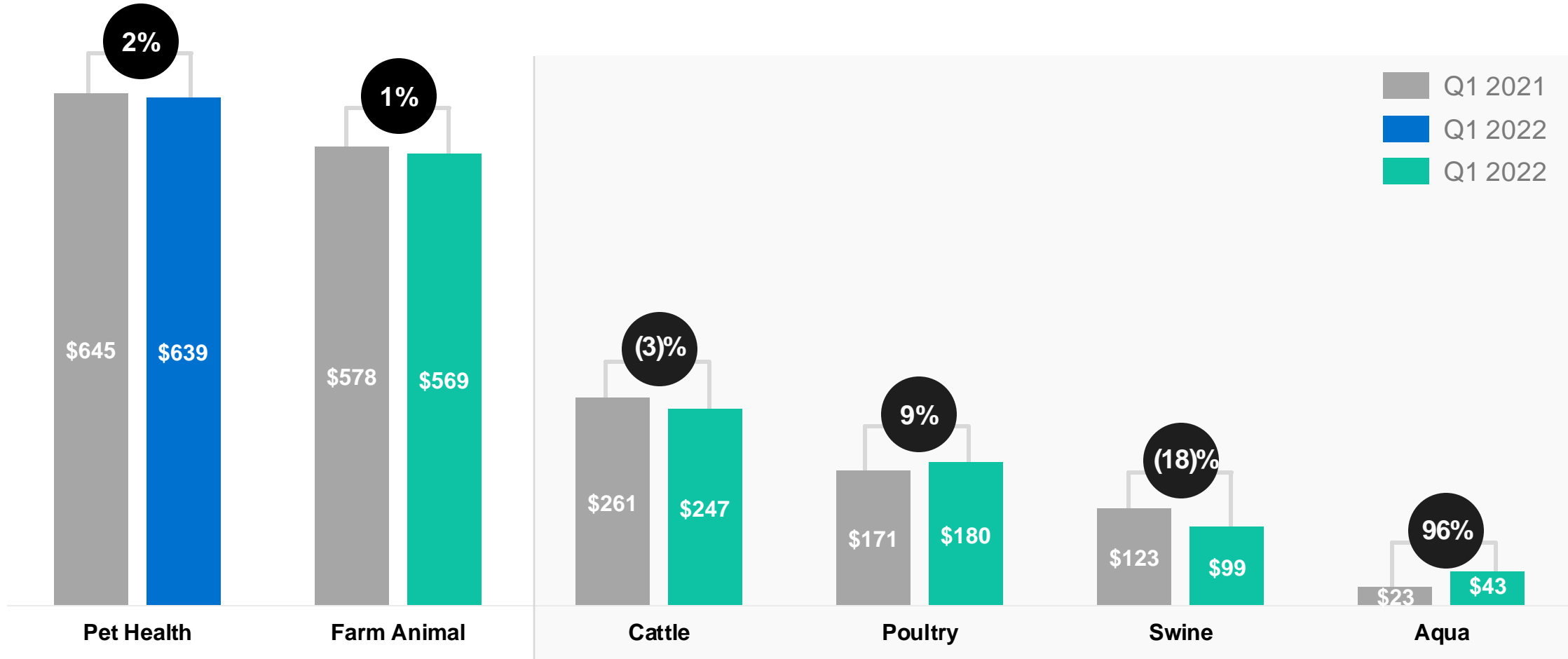
(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

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First Quarter 2022

# Revenue By Species

Reported Revenue in \$ millions, change % in CER<sup>(1)</sup>



(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates. Certain reclassifications of prior year farm animal species revenue has been made to conform to the current year's presentation. Numbers may not add due to rounding.

First Quarter 2022

# Reported Revenue by Geography and Species

	U.S.		International		
\$ in millions	Revenue	Change	Revenue	Change	CER Change <sup>(1)</sup>
Pet Health	\$323	(3)%	\$317	2%	8%
Farm Animal	\$193	2%	\$375	(3)%	1%
Contract Manufacturing	\$6	(27)%	\$11	7%	13%
<b>Total Elanco</b>	<b>\$522</b>	<b>(2)%</b>	<b>\$703</b>	<b>(1)%</b>	<b>4%</b>
<b>% of Total Elanco</b>	<b>43%</b>		<b>57%</b>		

Numbers may not add due to rounding.

(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

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First Quarter 2022

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

\$ millions, except per share values	2022	2021	Change (\$)	Change (%)
<b>Revenue</b>	<b>\$1,225</b>	<b>\$1,242</b>	<b>\$(17)</b>	<b>(1)%</b>
<b>Cost of Sales</b>	<b>\$509</b>	<b>\$507</b>	<b>\$2</b>	<b>—</b>
<b>Adjusted Gross Profit</b>	<b>\$716</b>	<b>\$735</b>	<b>(19)</b>	<b>(3)%</b>
Adjusted Gross Margin	58.4%	59.2%	NM	(80) Bps
<b>Operating Expense</b>	<b>\$401</b>	<b>\$437</b>	<b>\$(36)</b>	<b>(8)%</b>
<b>Interest Expense, Net</b>	<b>\$52</b>	<b>\$61</b>	<b>\$(9)</b>	<b>(15)%</b>
Effective Tax Rate	30.4%	21.3%	NM	910 Bps
<b>Adjusted Net Income</b>	<b>\$177</b>	<b>\$182</b>	<b>\$(5)</b>	<b>(3)%</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.36</b>	<b>\$0.37</b>	<b>\$(0.01)</b>	<b>(3)%</b>
<b>Adjusted EBITDA</b>	<b>\$339</b>	<b>\$343</b>	<b>\$(4)</b>	<b>(1)%</b>
Adjusted EBITDA Margin	27.7%	27.6%	NM	10 bps

Note: Numbers may not add due to rounding

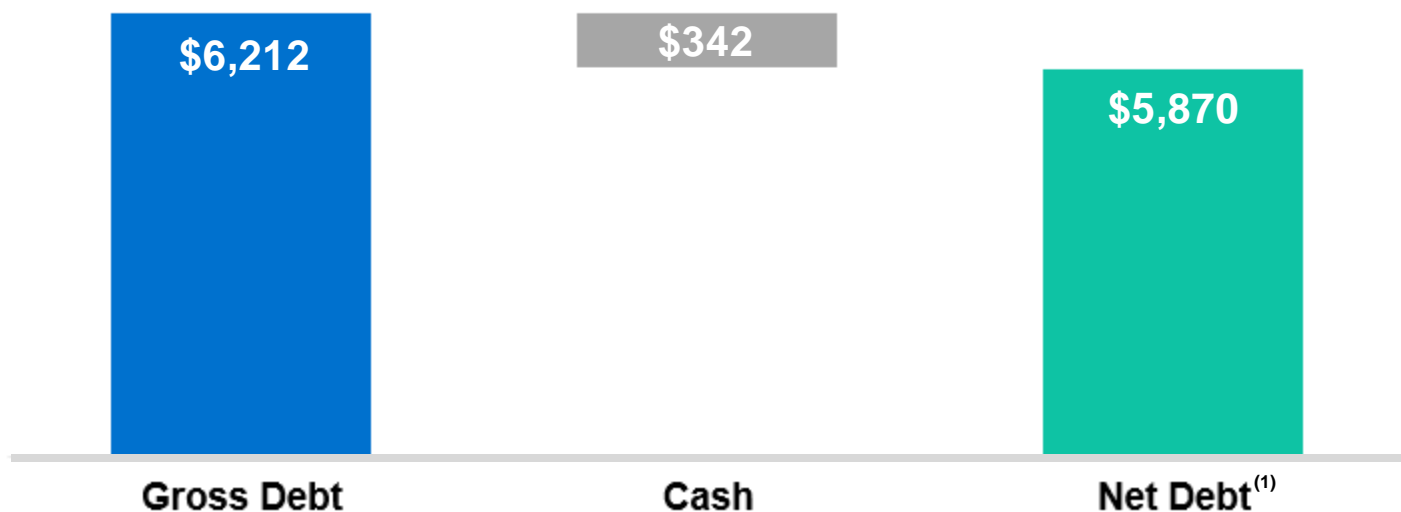
(1) Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

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# Key Balance Sheet and Cash Flow Metrics

## Debt Balances as of March 31, 2022

\$ millions



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.

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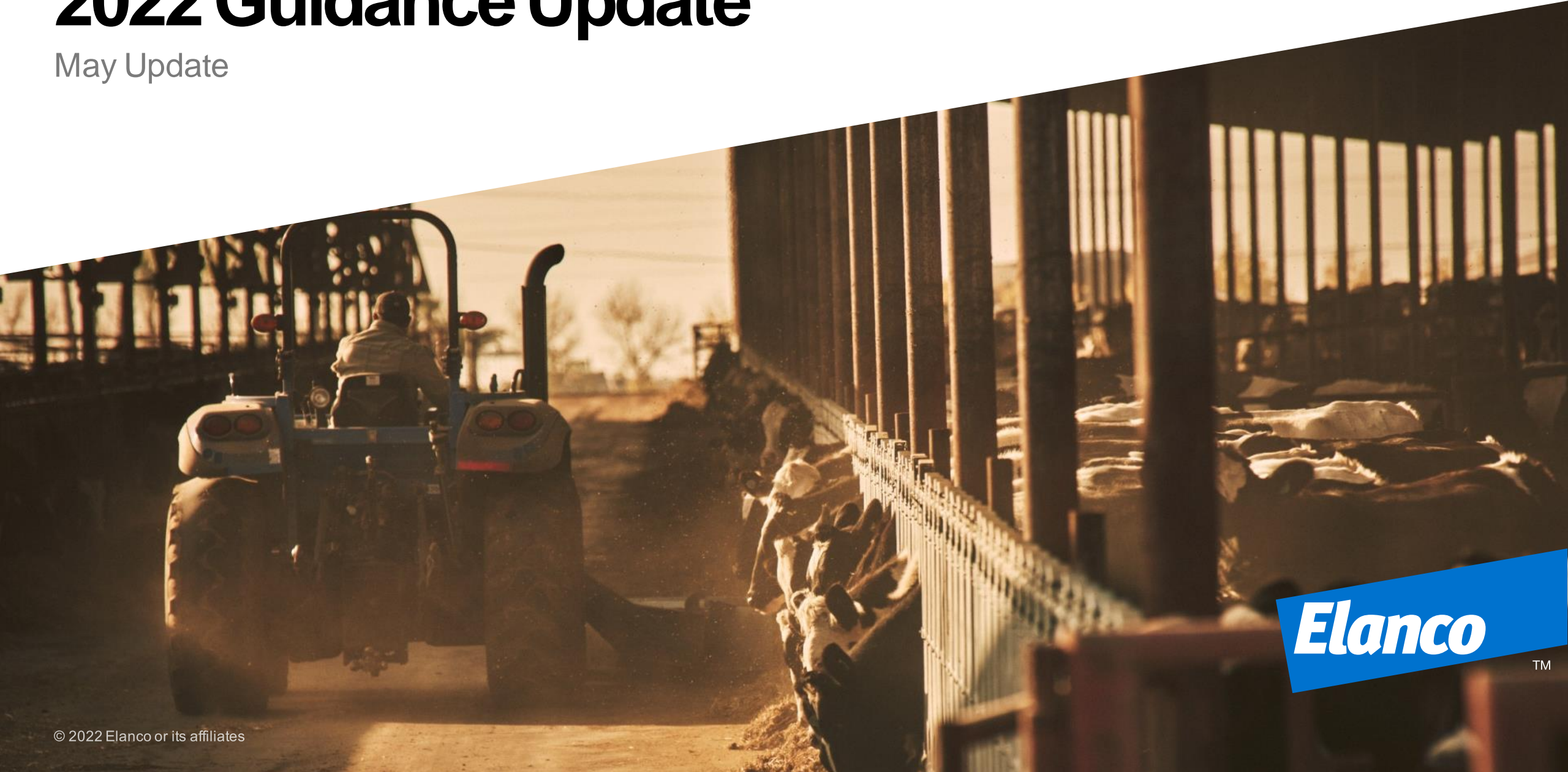
**Operating Cash Flow of \$(62) million in Q1** as a result of increased severance and bonus payments, and reduction in accounts payable

**Net leverage ratio<sup>(2)</sup> increased to 5.6x vs 5.5x** at the end of Q4 2021

**In April, completed \$406 million debt tender** of our 2023 senior notes; Increased Farm Credit Term Loan A by \$250 million

# 2022 Guidance Update

May Update



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TM

# Financial Guidance

\$ millions, except per share values

	February	May	Comments
<b>Revenue</b>	<b>\$4,745-\$4,800</b>	<b>\$4,700-\$4,755</b>	Maintains CER <sup>(1)</sup> growth of 2% to 3%; now expect FX headwind of \$140 million for full year
<b>Reported Net Income</b>	<b>\$4-\$27</b>	<b>\$10-\$41</b>	
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>\$1,140-\$1,180</b>	<b>\$1,125-\$1,165</b>	Updated to reflect strengthening U.S. dollar
<b>Reported Diluted EPS</b>	<b>\$0.01-\$0.07</b>	<b>\$0.02-\$0.09</b>	
<b>Adjusted Diluted EPS<sup>(2)</sup></b>	<b>\$1.18-\$1.24</b>	<b>\$1.15-\$1.21</b>	Updated to reflect strengthening U.S. dollar



## Impact of FX

Revenue, Adjusted EBITDA and Adjusted EPS updated to reflect continued strengthening of the U.S. dollar



## Balanced Outlook

Focus brands, Price and Innovation driving growth, offset by a continued competitive backdrop and emerging macro dynamics



## Margin Expansion

Company-wide productivity agenda and sales growth drive year-over-year margin expansion despite inflation

(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

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

# Financial Guidance

\$ millions, except per share values

<b>Total Revenue</b>	<b>\$1,160 – \$1,200</b>
Reported Net Income (Loss)	\$(23) – \$6
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$245 – \$275</b>
Reported Diluted EPS	\$(0.05) – \$0.02
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$0.22 – \$0.28</b>



## Impact of FX

expected ~-(3)ppt, headwind on top-line, with dollar strength compared to 2021



## Balanced Outlook

expected and emerging macro environment driven headwinds, limit top-line growth in the quarter



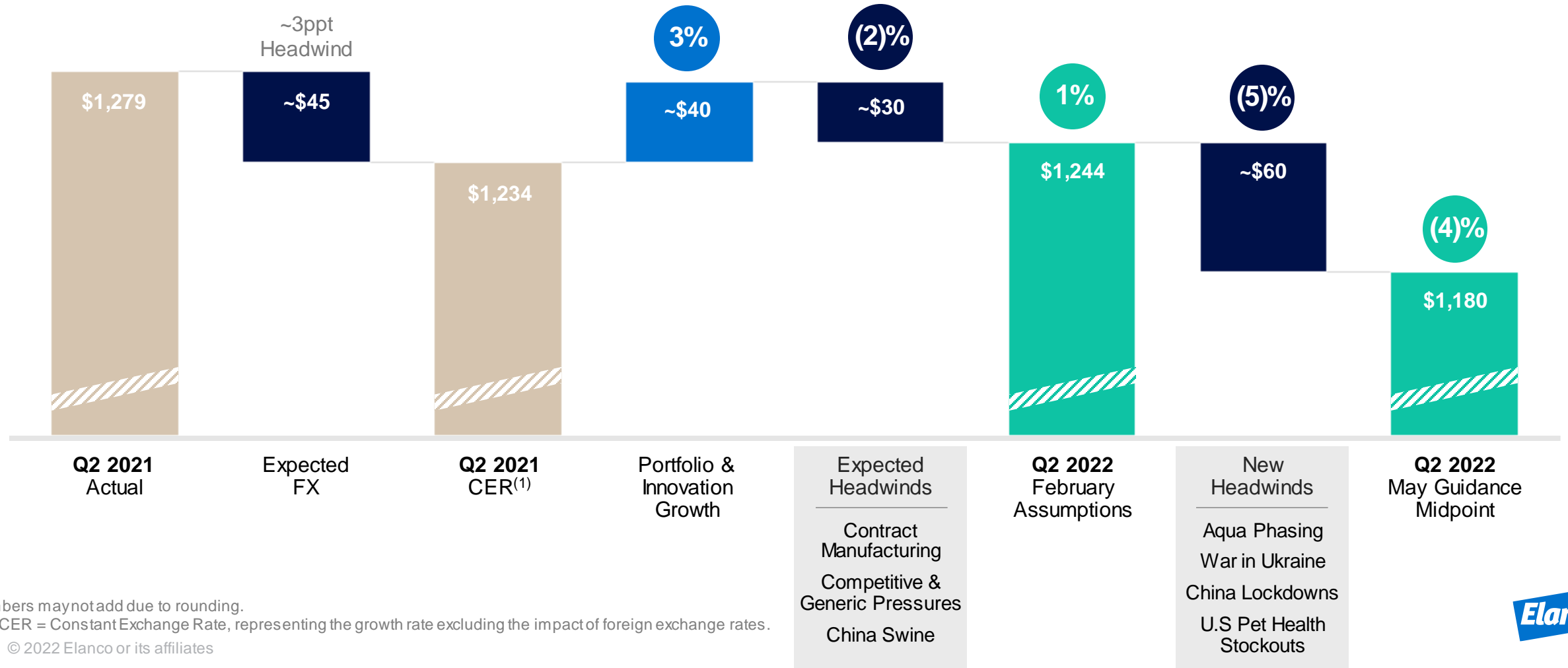
## H2 Acceleration

implied H2 guidance includes growth acceleration from improved comparisons, innovation, incremental price and phasing in China

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.  
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# Q2 2022 Revenue Guidance Impacted by Macro Dynamics

(\$ millions)



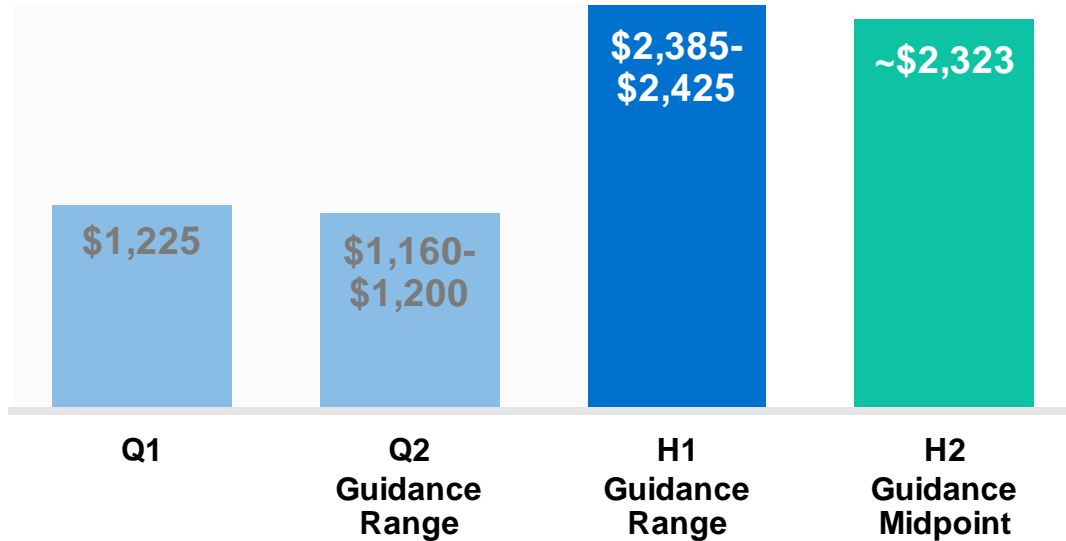
Numbers may not add due to rounding.

(1) CER = Constant Exchange Rate, representing the growth rate excluding the impact of foreign exchange rates.

# H1 vs. H2 2022 Guidance

## Reported Revenue

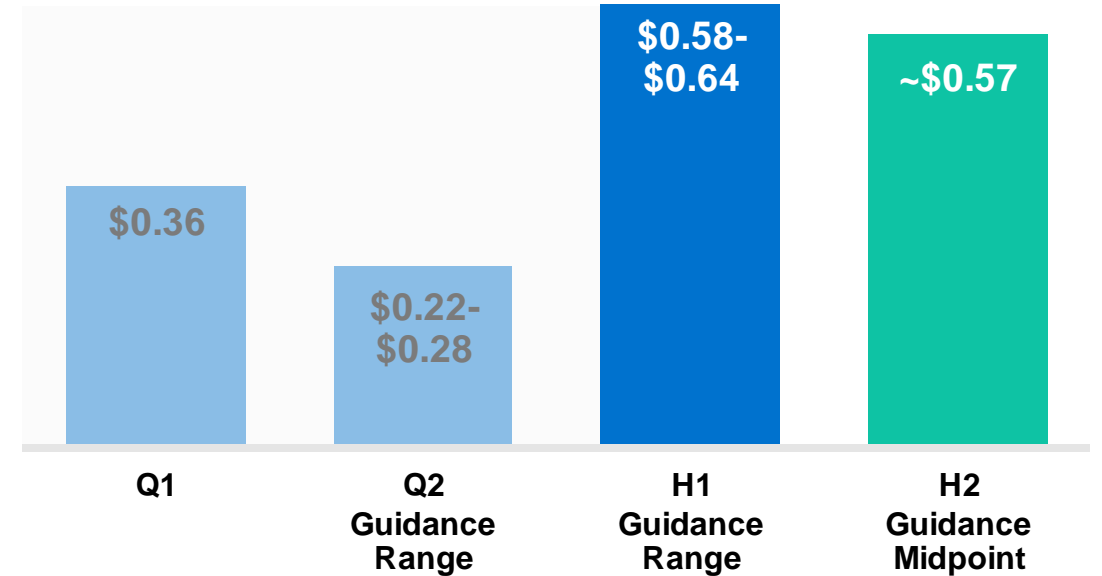
\$ millions



H1 2022 outlook represents **~51%** of full year 2022 revenue, compared to **53%** reported in H1 2021

Q2 guidance includes expected and emerging macro environment driven headwinds

## Adjusted EPS<sup>(1)</sup>

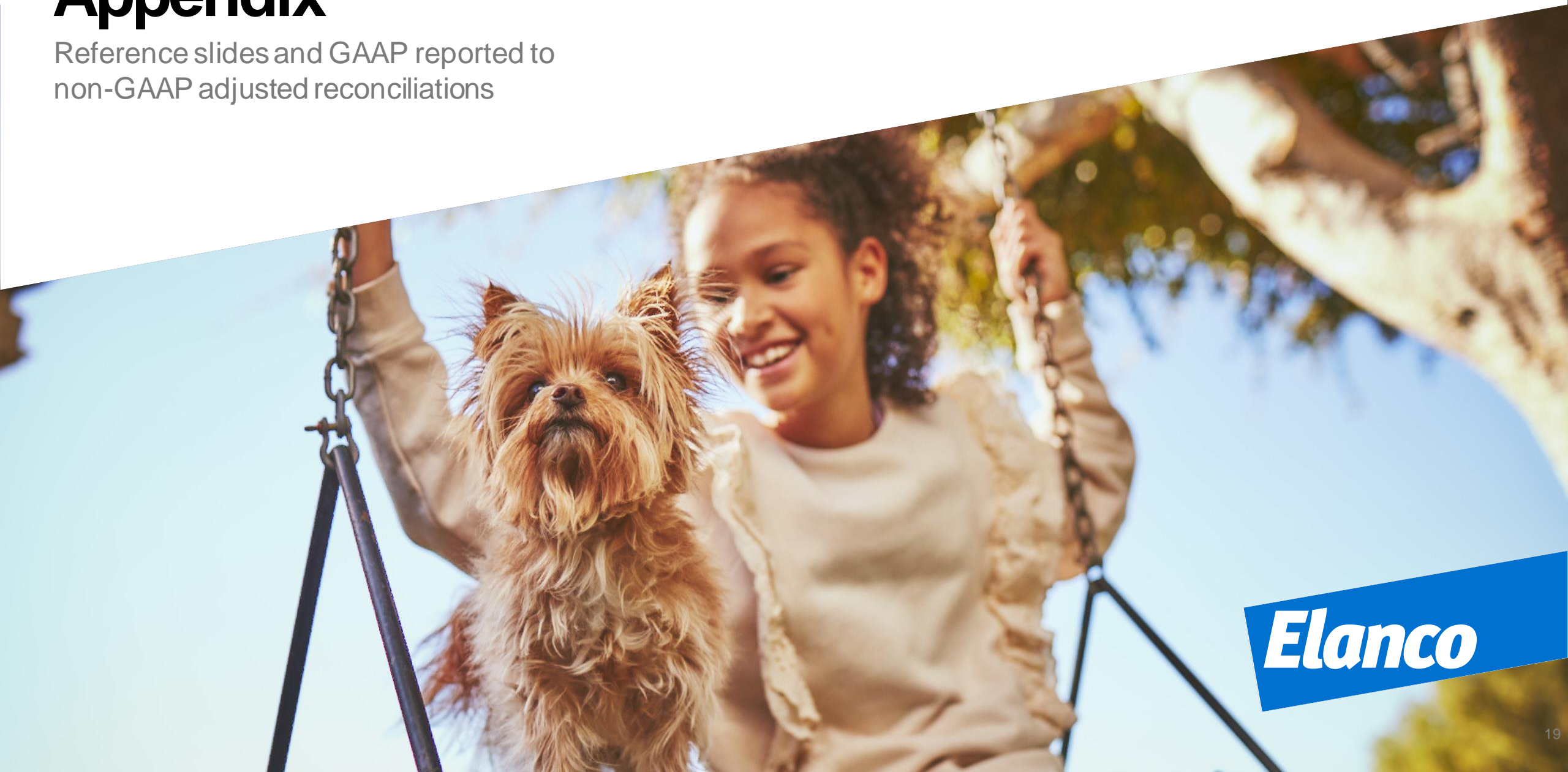


H1 2022 Adj. EPS represents **~52%** of full year 2022, compared to **62%** reported in H1 2021

Increased inflation and promotional spend in Q2 results in lower sequential Adjusted EPS

# Appendix

Reference slides and GAAP reported to  
non-GAAP adjusted reconciliations



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First Quarter 2022

## Adjusted EBITDA Reconciliation

\$ millions

	2022	2021
<b>Reported Net Income (Loss)</b>	<b>\$48</b>	<b>\$(61)</b>
Net Interest Expense	\$52	\$61
Income Tax Expense (Benefit)	\$23	\$(19)
Depreciation and Amortization	\$176	\$202
<b>EBITDA</b>	<b>\$298</b>	<b>\$183</b>
Non-GAAP Adjustments		
Cost of Sales	–	\$62
Asset Impairment, Restructuring, and Other Special Charges	\$46	\$108
Other Expense (Income), Net	–	\$(7)
Accelerated Depreciation and Amortization <sup>(1)</sup>	\$(5)	\$(3)
<b>Adjusted EBITDA</b>	<b>\$339</b>	<b>\$343</b>
<b>Adjusted EBITDA Margin</b>	<b>27.7%</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 2022

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

\$ millions, except  
per share values

	2022			2021		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales <sup>(1)</sup>	\$509	–	\$509	\$569	\$62	\$507
Amortization of Intangible Assets	\$137	\$137	–	\$147	\$147	–
Asset Impairment, Restructuring and Other Special Charges <sup>(2)(3)</sup>	\$46	\$46	–	\$108	\$108	–
Other Expense (Income), Net <sup>(4)</sup>	\$9	–	\$9	–	\$(7)	\$7
<b>Income (Loss) Before Taxes</b>	<b>\$71</b>	<b>\$183</b>	<b>\$254</b>	<b>\$(80)</b>	<b>\$310</b>	<b>\$231</b>
Provision for Taxes <sup>(5)(6)</sup>	\$23	\$(54)	\$77	\$(19)	\$(68)	\$49
<b>Net Income (Loss)</b>	<b>\$48</b>	<b>\$129</b>	<b>\$177</b>	<b>\$(61)</b>	<b>\$242</b>	<b>\$182</b>
<b>Earnings (Loss) per Share Diluted</b>	<b>\$0.10</b>	<b>\$0.26</b>	<b>\$0.36</b>	<b>\$(0.12)</b>	<b>\$0.50</b>	<b>\$0.37</b>
Adjusted Weighted Average Shares Outstanding Diluted <sup>(7)</sup>	492.2	492.2	492.2	486.7	488.1	488.1

See slide 22 for details of adjustments to certain GAAP reported measures

## Details of Adjustments to Certain GAAP Reported Measures

### For the three months ended March 31, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$62 million).
- 2) 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. (\$28 million), and facility exit costs (\$1 million), partially offset by adjustments resulting from the reversal of severance accruals (\$7 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health, and charges primarily related to independent stand-up costs and other related activities (\$81 million), severance (\$26 million), asset impairments (\$9 million), and asset write-downs (\$2 million), partially offset by curtailment gains recognized due to the remeasurement our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$9 million) and the gain recorded on the divestiture of an early-stage IPR&D asset acquired as part of the Bayer Animal Health acquisition (\$1 million).
- 4) 2021 excludes up-front payments received and equity issued to us in relation to a license agreement (\$8 million), partially offset by net losses recorded in relation to divestitures (\$1 million).
- 5) 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 (\$16 million).
- 6) 2021 represents the income tax expense associated with the adjusted items, partially offset by an increase in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
- 7) During the three months ended March 31, 2021, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating adjusted EPS include 1.4 million of common stock equivalents.

Full Year 2022

## EPS Guidance Reconciliation May Update

<b>Reported Earnings per Share</b>	<b>\$0.02 – \$0.09</b>
Amortization of Intangible Assets	\$1.11
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.32 – \$0.36
Other Expense, Net	\$0.03
<b>Subtotal</b>	<b>\$1.45 – \$1.49</b>
Tax Impact of Adjustments	\$(0.37) – \$(0.33)
<b>Total Adjustments to Earnings per Share</b>	<b>\$1.12 – \$1.13</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$1.15 – \$1.21</b>

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities, including severance

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

Full Year 2022

# EBITDA Guidance Reconciliation May Update

\$ millions

<b>Reported Net Income</b>	<b>\$10 – \$41</b>
Net Interest Expense	Approx. \$250
Income Tax Provision	\$10 – \$40
Depreciation and Amortization	Approx. \$710
<b>EBITDA</b>	<b>\$975 – \$1,036</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$165
Accelerated Depreciation and Other Special Charges	Approx. \$(20)
Other Expense, Net	\$(5)
<b>Adjusted EBITDA</b>	<b>\$1,125 – \$1,165</b>
<b>Adjusted EBITDA Margin</b>	<b>24% – 25%</b>

Note: Numbers may not add due to rounding

Second Quarter 2022

**EPS Guidance  
Reconciliation**  
May Update

<b>Reported Earnings (Loss) per Share</b>	<b>\$(0.05) – \$0.02</b>
Amortization of Intangible Assets	\$0.28
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.05 – \$0.09
Other Expense, Net	\$0.03
<b>Subtotal</b>	<b>\$0.35 – \$0.40</b>
Tax Impact of Adjustments	\$(0.13) – \$(0.09)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>\$0.26 – \$0.27</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$0.22 – \$0.28</b>

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments are related to integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities, including severance

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

Second Quarter 2022

**EBITDA  
Guidance  
Reconciliation**  
May Update

\$ millions

<b>Reported Net Income (Loss)</b>	<b>\$(23) – \$6</b>
Net Interest Expense	Approx. \$75
Income Tax Provision	\$(22) – \$6
Depreciation and Amortization	Approx. \$180
<b>EBITDA</b>	<b>\$210 – \$260</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$35
Accelerated Depreciation and Other Special Charges	Approx. \$(5)
Other Expense, Net	\$(5)
<b>Adjusted EBITDA</b>	<b>\$245 – \$275</b>
<b>Adjusted EBITDA Margin</b>	<b>21% – 23%</b>

Note: Numbers may not add due to rounding

## 2022 First Half (H1) and Second Half (H2)

### EPS Guidance Reconciliation May Update

	H1 2022 Full Ranges	H2 2022 Implied Midpoints
<b>Reported Earnings (Loss) per Share</b>	<b>\$0.05 – \$0.12</b>	<b>~\$(0.03)</b>
Amortization of Intangible Assets	\$0.56	\$0.56
Asset Impairment, Restructuring, and Other Special Charges	\$0.14 – \$0.18	~\$0.18
Other Expense (Income), Net	\$0.03	–
<b>Subtotal</b>	<b>\$0.72 – \$0.77</b>	<b>~\$0.72</b>
Tax Impact of Adjustments	\$(0.24) – \$(0.20)	~\$(0.13)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>\$0.52 – \$0.53</b>	<b>~\$0.60</b>
<b>Adjusted Earnings per Share<sup>(1)</sup></b>	<b>\$0.58 – \$0.64</b>	<b>~\$0.57</b>

Note: Numbers may not add due to rounding

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