

# 2022 Earnings – Third Quarter

November 8, 2022

***Elanco***

# Notices and Disclaimers

**Forward-Looking Statements.** This presentation contains forward-looking statements including, without limitation, statements concerning product launches and revenue from such products, the impact of the COVID-19 pandemic and related disruptions on our business, our 2022 full year and fourth quarter guidance and certain other long-term expectations, the impact of economic slowdowns, rising interest rates and the strength of the dollar on our business, 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 November 8, 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, 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.

# On Today's Call



**Jeff Simmons**

Elanco Animal Health  
*President and CEO*



**Ellen De Brabander**

Elanco Animal Health  
*Executive Vice President,  
Innovation and Regulatory Affairs*



**Todd Young**

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

# Q3 Highlights: IPP Progress Demonstrated in Pipeline Momentum, Productivity Delivery

- **Delivered:** Focus on productivity drove Adjusted EPS<sup>(1)</sup> growth and expanded Adjusted EBITDA<sup>(1)</sup> margin with continued debt paydown despite topline decline in the quarter
- **Updating Outlook:** Environmental factors (FX, China, economic slowdown impacting Europe and U.S pet retail markets), resulting in a reduction in financial guidance
- **Executing Controllables:** Pipeline, price, productivity, holding market share in-line with internal expectations, accelerating system integration
- **Seresto:** EPA finalizing review; Elanco confident in continued registration and collaborating on brand stewardship and oversight for product
- **Innovation Progress:**
  - Initiated submission for broad spectrum parasiticide, expect JAK inhibitor submission before year end
  - Expect approval for Rx products, Parvovirus and Bexacat, in next several months
  - Expect approval for at least 3 over-the-counter (OTC) retail parasiticide product in 2023
  - 5 potential blockbuster products with a path towards approval by first half 2024 (*Experior, Parvovirus, Broad spectrum parasiticide, JAK inhibitor and IL-31 in dermatology*)

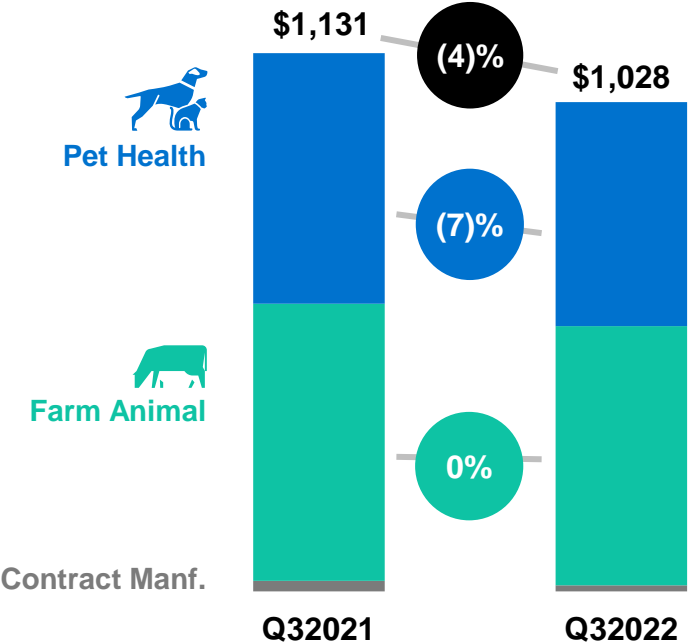
(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

# Third Quarter 2022 | Key Financial Metrics

\$ Millions Except Per Share Data

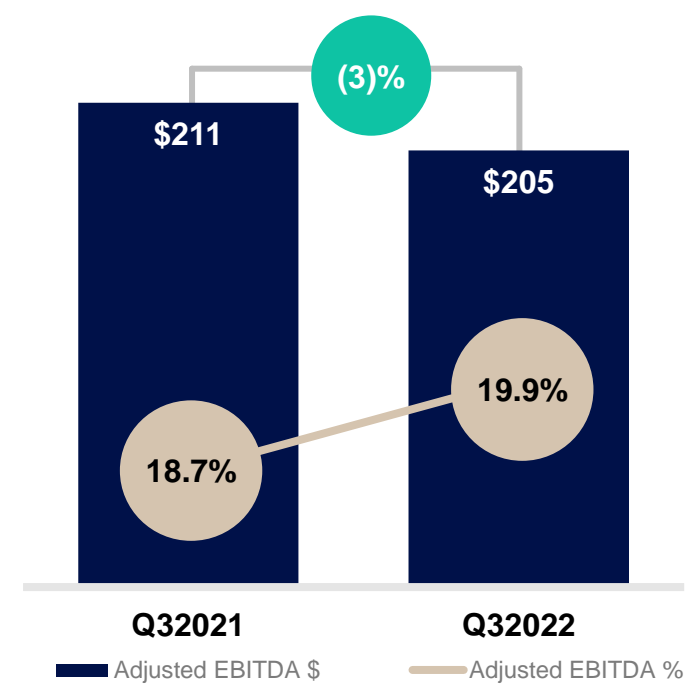
## Revenue

Change in CC<sup>(1)</sup>



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

Change in reported dollars



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

Change in reported dollars



(1) CC = Constant Currency, 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.  
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# Updating 2022 Revenue Guidance Due to Macro Factors

## Changes from August Guidance:

<b>Macro Factors</b>	<b>\$(100)</b>
<b>— Economic</b>	<b>~\$(20)</b>
Foreign Exchange Rates	~\$(20)
<b>— Environmental</b>	<b>~\$(80)</b>
China Market Implications	~\$(25)
Economic Slowdown	~\$(55)
Europe	
U.S. Pet Retail (OTC)	


























<b>Elanco-Specific Factors</b>	<b>No Change</b>
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**\$(100)M**  
vs. August Guidance at Midpoint


**~\$(130)M**  
vs. 2021 at Midpoint in CC  
**(3)% decline**

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

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

Asset	U.S. Regulatory Agency	Species	Research	Exploratory Development	Product Development	Initial Submission <sup>(1)</sup>	Approval <sup>(2)</sup>	Peak Sales Opportunity <sup>(3)</sup>	
<b>Zorbium</b> Pain	FDA (Rx)								
<b>Advantage XD</b> OTC Flea	EPA (OTC)								
								H2 2023	
<b>Bexacat</b> SGLT-2 Diabetes	FDA (Rx)							Q4 2022	
<b>KIND-030</b> Parvovirus	USDA (Rx)							By Q1 2023 (conditional)	
<b>Broad Spectrum Parasiticide</b>	FDA (Rx)							H1 2024	
<b>JAK Inhibitor</b> Dermatology	FDA (Rx)						Q4 2022	H1 2024	
<b>IL-31 SA Antibody</b> Dermatology	USDA (Rx)						H1 2023	H1 2024	

 \$10-\$49M

 \$50-\$99M

 ≥\$100M

(1) Expected submission 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

Third Quarter 2022



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Third Quarter 2022

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

	Revenue	Price	FX Rate	Volume	Total	CC Change <sup>(1)</sup>
<b>Pet Health</b>	<b>\$471</b>	<b>4%</b>	<b>(4)%</b>	<b>(11)%</b>	<b>(11)%</b>	<b>(7)%</b>
<b>Farm Animal</b>	<b>\$545</b>	<b>3%</b>	<b>(7)%</b>	<b>(3)%</b>	<b>(7)%</b>	<b>0%</b>
Contract Manufacturing	\$12	0%	(6)%	(36)%	(43)%	(36)%
<b>Total Elanco</b>	<b>\$1,028</b>	<b>3%</b>	<b>(5)%</b>	<b>(7)%</b>	<b>(9)%</b>	<b>(4)%</b>

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

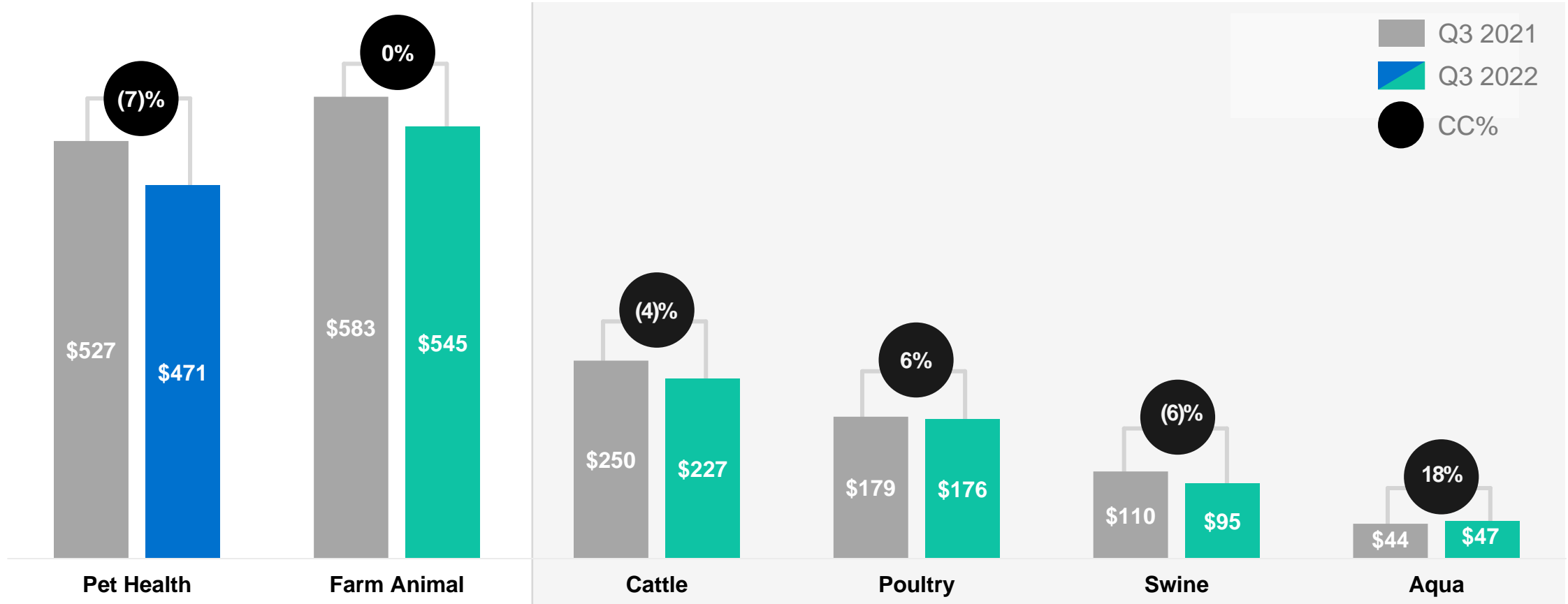
(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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Third Quarter 2022

# Reported Revenue By Species

Revenue \$ in millions, Growth Rates in Constant Currency



CC = Constant Currency, 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

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Third Quarter 2022

# Reported Revenue by Geography and Species

\$ in millions	U.S.		International		
	Revenue	Change	Revenue	Change	CC Change <sup>(1)</sup>
Pet Health	\$301	(8)%	\$170	(15)%	(5)%
Farm Animal	\$171	0%	\$374	(9)%	0%
Contract Manufacturing	\$4	(63)%	\$9	(20)%	(10)%
<b>Total</b>	<b>\$475</b>	<b>(6)%</b>	<b>\$553</b>	<b>(11)%</b>	<b>(1)%</b>
<b>% of Total Elanco</b>	<b>46%</b>		<b>54%</b>		

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Third Quarter 2022

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

\$ millions, except per share values	2022	2021	Change (\$)	Change (%)
<b>Revenue</b>	<b>\$1,028</b>	<b>\$1,131</b>	<b>\$(103)</b>	<b>(9%)</b>
<b>Cost of Sales</b>	<b>\$472</b>	<b>\$501</b>	<b>\$(29)</b>	<b>(6%)</b>
<b>Adjusted Gross Profit</b>	<b>\$556</b>	<b>\$630</b>	<b>\$(74)</b>	<b>(12%)</b>
Adjusted Gross Margin	54.1%	55.7%	NM	(160) bps
<b>Operating Expense</b>	<b>\$376</b>	<b>\$436</b>	<b>\$(60)</b>	<b>(14%)</b>
<b>Interest Expense, Net</b>	<b>\$58</b>	<b>\$60</b>	<b>\$(2)</b>	<b>(3%)</b>
Effective Tax Rate	16.7%	23.5%	NM	(680) bps
<b>Adjusted Net Income</b>	<b>\$96</b>	<b>\$93</b>	<b>\$3</b>	<b>3%</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.20</b>	<b>\$0.19</b>	<b>\$0.01</b>	<b>5%</b>
<b>Adjusted EBITDA</b>	<b>\$205</b>	<b>\$211</b>	<b>\$(6)</b>	<b>(3%)</b>
Adjusted EBITDA Margin	19.9%	18.7%	NM	+120 bps

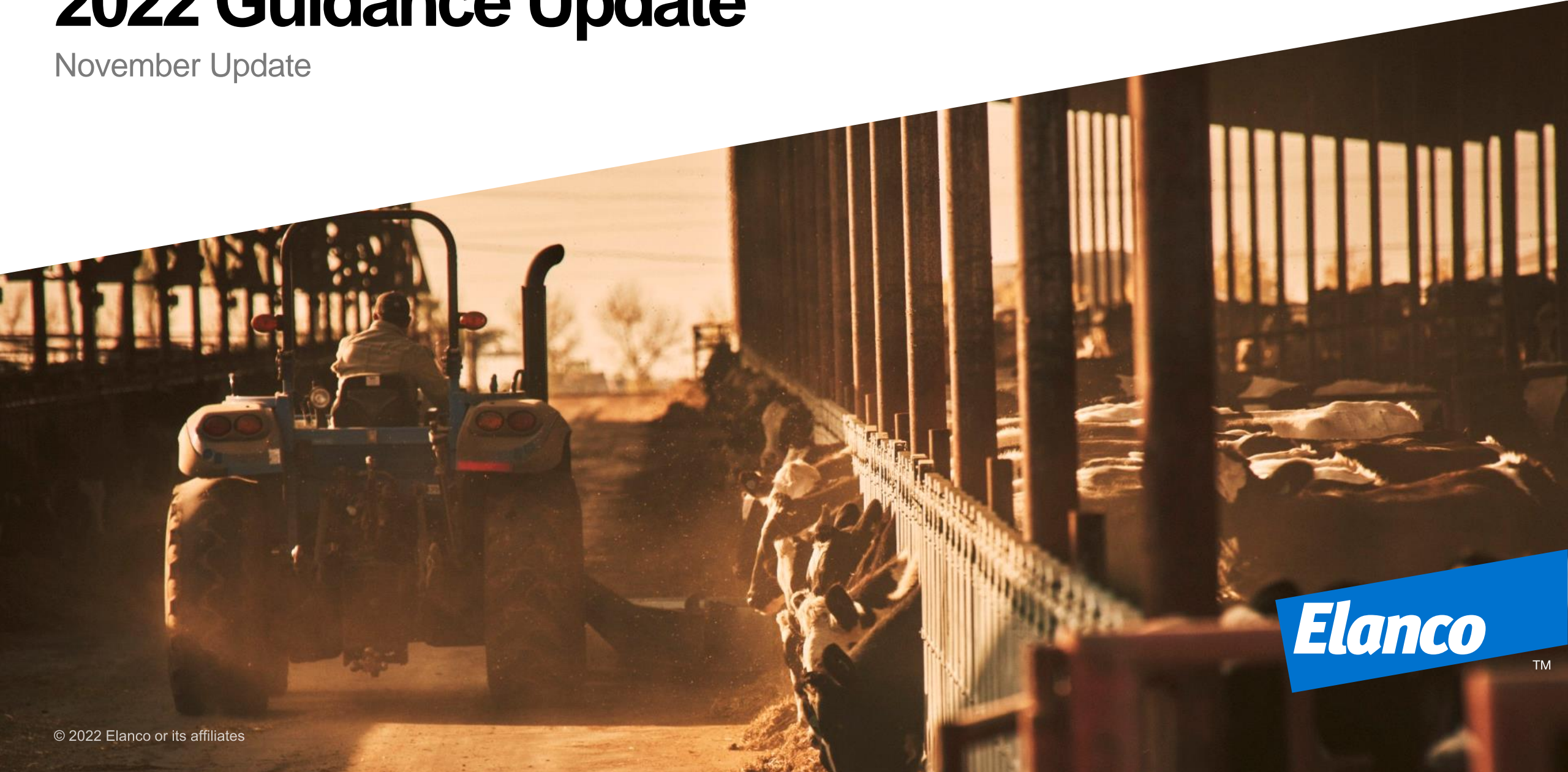
Note: Numbers may not add due to rounding

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

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# 2022 Guidance Update

November Update



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TM

# Financial Guidance

\$ millions, except per share values

	August	November	Comments
<b>Revenue</b>	<b>\$4,465-\$4,550</b>	<b>\$4,385-\$4,430</b>	Reflects updated assumptions for FX, macro factors
Reported Net Loss	\$(48)-\$(15)	\$(82)-\$(57)	Reflects updated FX
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$1,060-\$1,100</b>	<b>\$1,010-\$1,045</b>	Reflects updated FX, impact of updated Revenue guidance
Reported Diluted EPS	\$(0.10)-\$(0.03)	\$(0.17)-\$(0.12)	Reflects updated FX
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$1.06-\$1.13</b>	<b>\$1.01-\$1.07</b>	Reflects updated FX, impact of updated Revenue guidance



## Impact of FX

Revenue, Adjusted EBITDA and Adjusted EPS updated to reflect continued strengthening of the U.S. dollar; now expect a 5% topline FX headwind YOY



## Environmental Factors

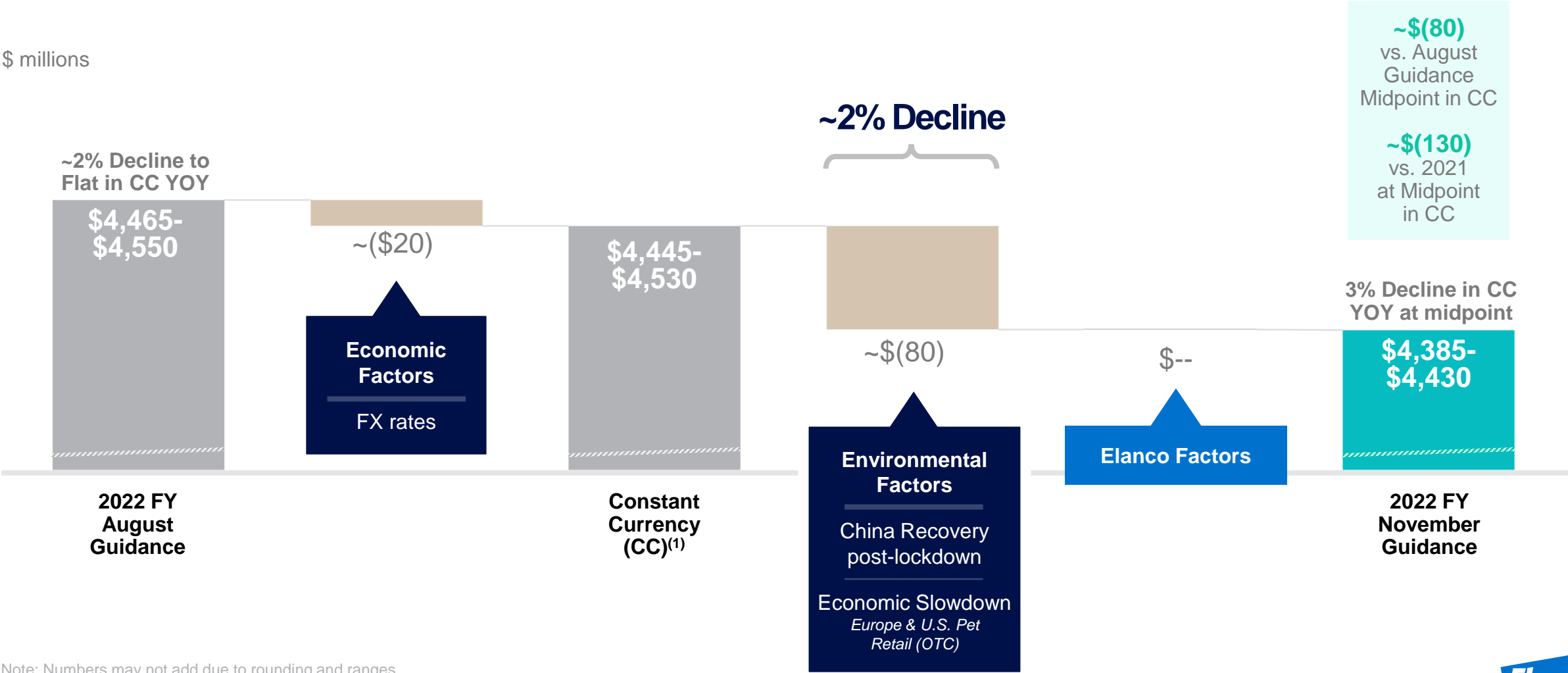
China, Europe and U.S. pet health retail factors expected to reduce topline by an \$80 million for the full year compared to August guidance

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

# 2022 Revenue Guidance Progression

August to November

\$ millions

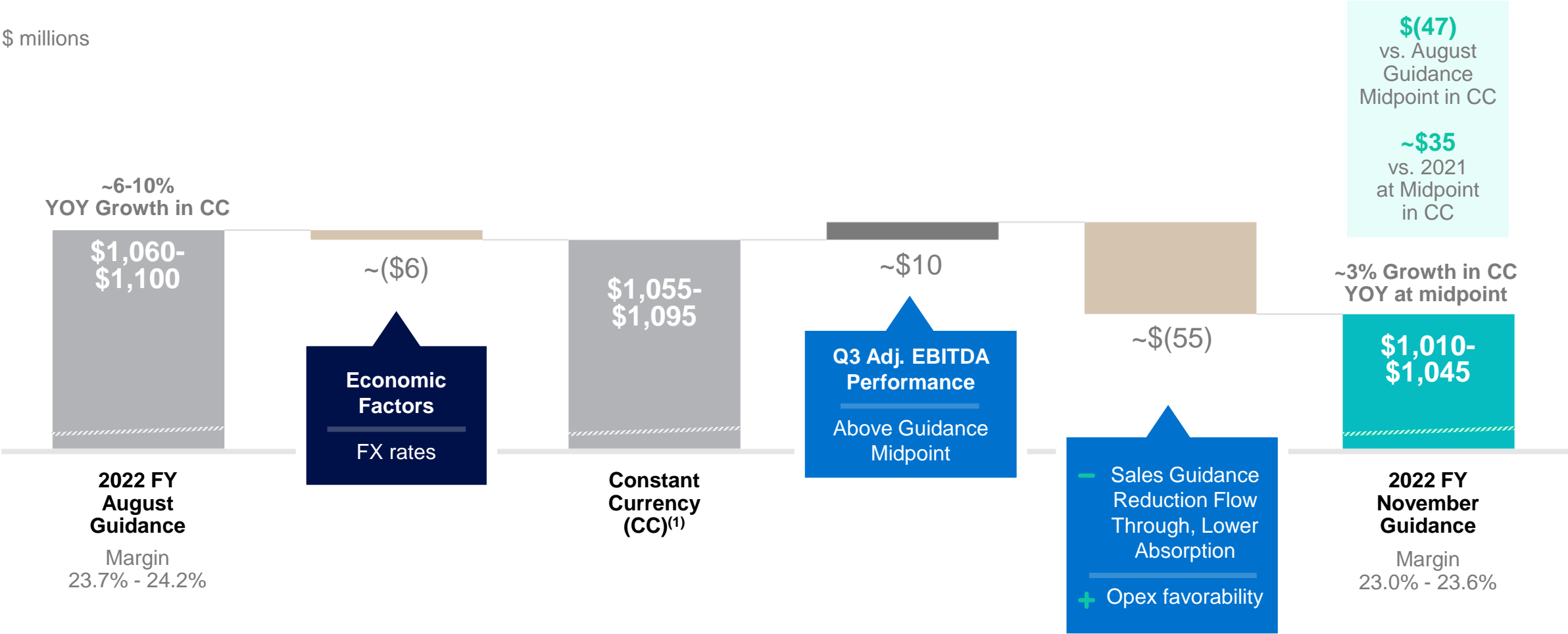


Note: Numbers may not add due to rounding and ranges  
 (1) Non-GAAP financial measure, representing revenue excluding the impact of foreign exchange rates.  
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# 2022 Adjusted EBITDA Guidance Progression

August to November

\$ millions



Note: Numbers may not add due to rounding and ranges  
 (1) Non-GAAP financial measure, representing revenue excluding the impact of foreign exchange rates.  
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# Financial Guidance

\$ millions, except per share values

<b>Total Revenue</b>	<b>\$955 - \$1,000</b>
Reported Net Loss	\$(59) - \$(34)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$165 - \$200</b>
Reported Diluted EPS	\$(0.12) - \$(0.07)
<b>Adjusted Diluted EPS<sup>(1)</sup></b>	<b>\$0.10 - \$0.16</b>



## Impact of FX

Expected ~-(6)ppt, or ~\$70M headwind on topline, with dollar strength compared to 2021



## Environmental Factors

Expected to pressure topline results in China, Europe and U.S. pet health retail (OTC)

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.  
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# Cash Flow and Debt Structure

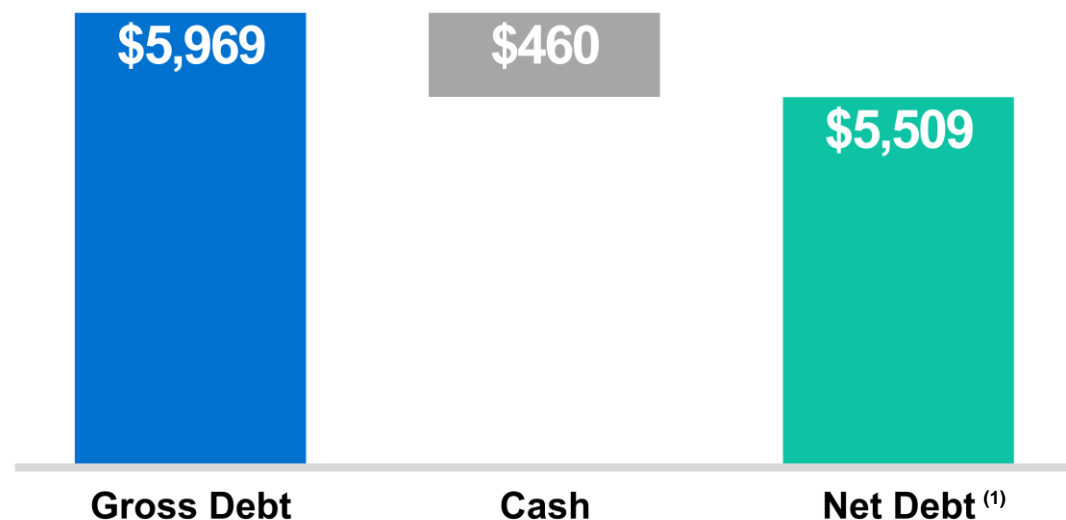


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# Key Balance Sheet and Cash Flow Metrics

## Debt Balances as of September 30, 2022

\$ millions



### Operating Cash Flow of \$189M in Q3

reflecting lower net losses and a net \$73M benefit from an interest rate swap settlement

### Net leverage ratio<sup>(2)</sup> decreased to 5.2x;

5.2x to 5.3x expected at YE

### Gross debt paydown expected to be

\$500 to \$525 million for the full year

### Days sales outstanding increased to 77 days

primarily driven by the seasonal sequential decrease in sales

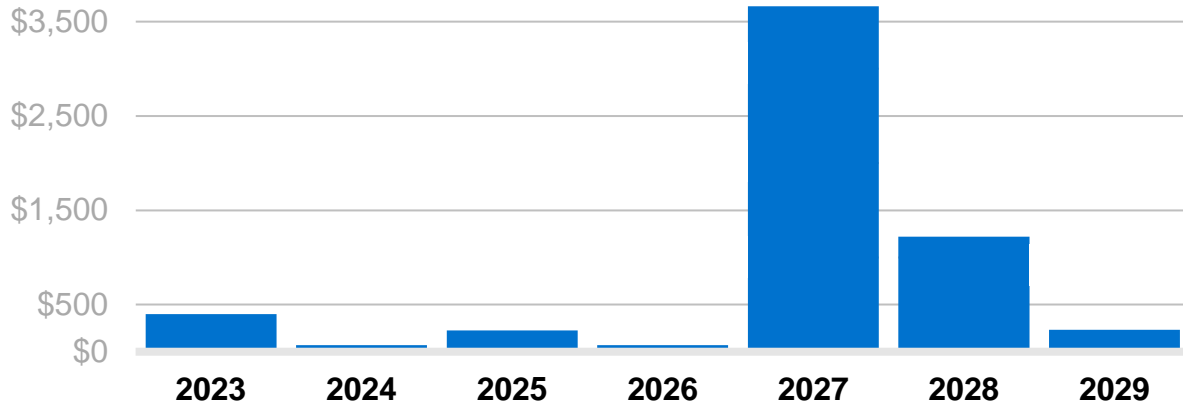
Note: Numbers may not add due to rounding

(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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# Current Debt Profile

## Debt Maturities & Mandatory Payments



## Key Debt Information

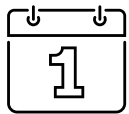
Q3 Interest Expense WACD was 3.9%

Q3 Cash Interest WACD was 5.9%

~70% of gross debt is fixed as of September 30, 2022

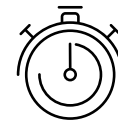
Net Leverage covenants of 7.7x (current 5.2x)

## Limited Maturities Until 2027



2027 maturity consists of the Term Loan B we entered into in 2020 to fund the Bayer Animal Health acquisition

## Interest Rate Swap Tenors



\$1 Billion of interest rate swaps mature in October 2023;  
\$2 Billion mature in Q4 2025

# Early Considerations for 2023

## Tailwinds

Innovation ramp and new launches

More consistent supply chain inputs

Price growth

Improving dynamics in China

Productivity efforts to continue; inflation cools

## Headwinds

Economic slowdown continuing to impact Europe and U.S. pet retail markets

Competition in U.S. Pet Health business and Farm Animal generics

Important investments in R&D, launch, manufacturing

Higher interest rates

U.S. dollar strength in H1



## Focus

IPP  
Strategy

Control the  
Controllables

Advancing  
Capabilities

Debt  
Paydown

# Appendix

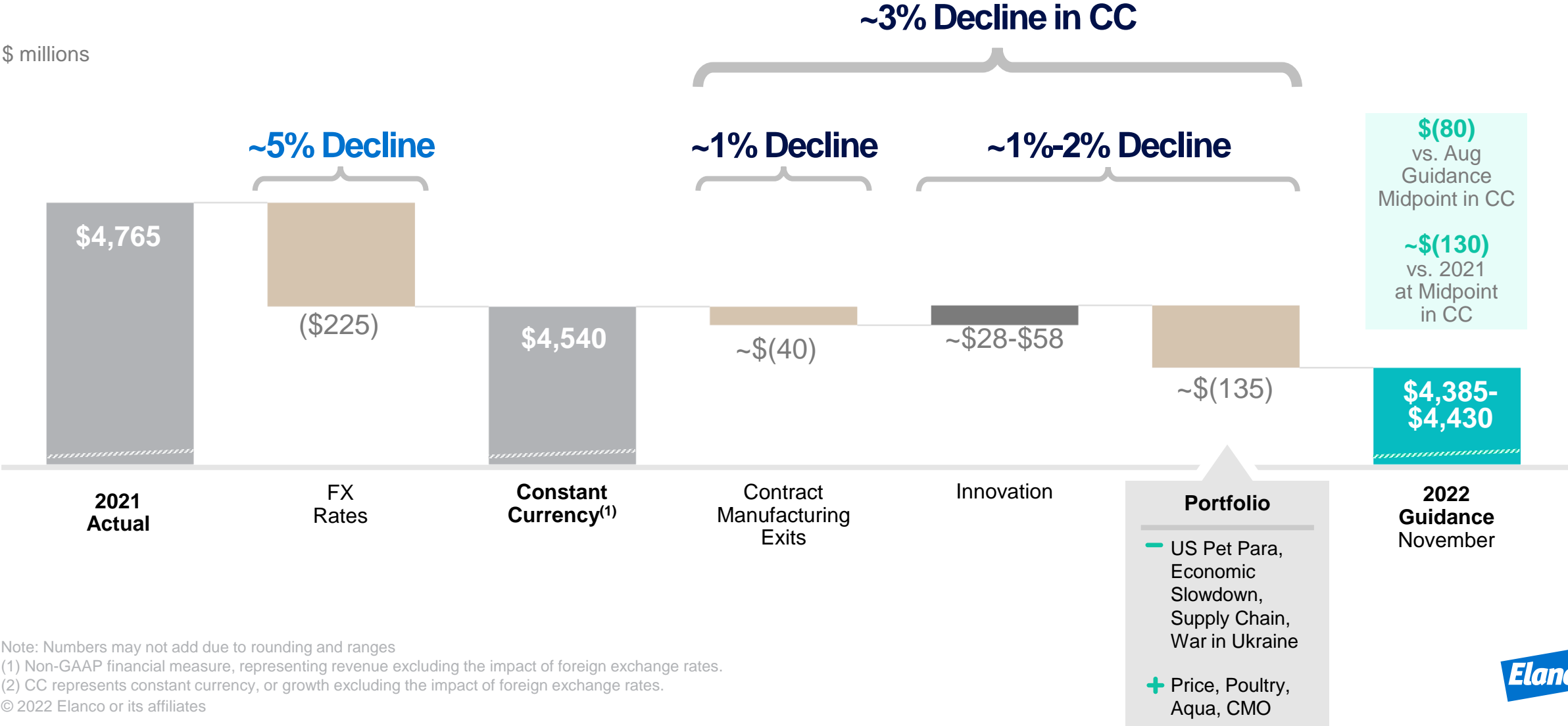
YTD Financials, Reference slides and  
GAAP reported to non-GAAP adjusted  
reconciliations



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# 2022 Revenue Guidance Reflects Updated Assumptions

November Guidance vs. 2021



Note: Numbers may not add due to rounding and ranges

(1) Non-GAAP financial measure, representing revenue excluding the impact of foreign exchange rates.

(2) CC represents constant currency, or growth excluding the impact of foreign exchange rates.

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Nine Months 2022

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

	Revenue	Price	FX Rate	Volume	Total	CC Change <sup>(1)</sup>
<b>Pet Health</b>	<b>\$1,722</b>	<b>2%</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(7%)</b>	<b>(4%)</b>
<b>Farm Animal</b>	<b>\$1,667</b>	<b>2%</b>	<b>(5%)</b>	<b>(1%)</b>	<b>(4%)</b>	<b>1%</b>
Contract Manufacturing	\$41	0%	(3%)	(34%)	(39%)	(34%)
<b>Total Elanco</b>	<b>\$3,430</b>	<b>2%</b>	<b>(4%)</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(2%)</b>

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

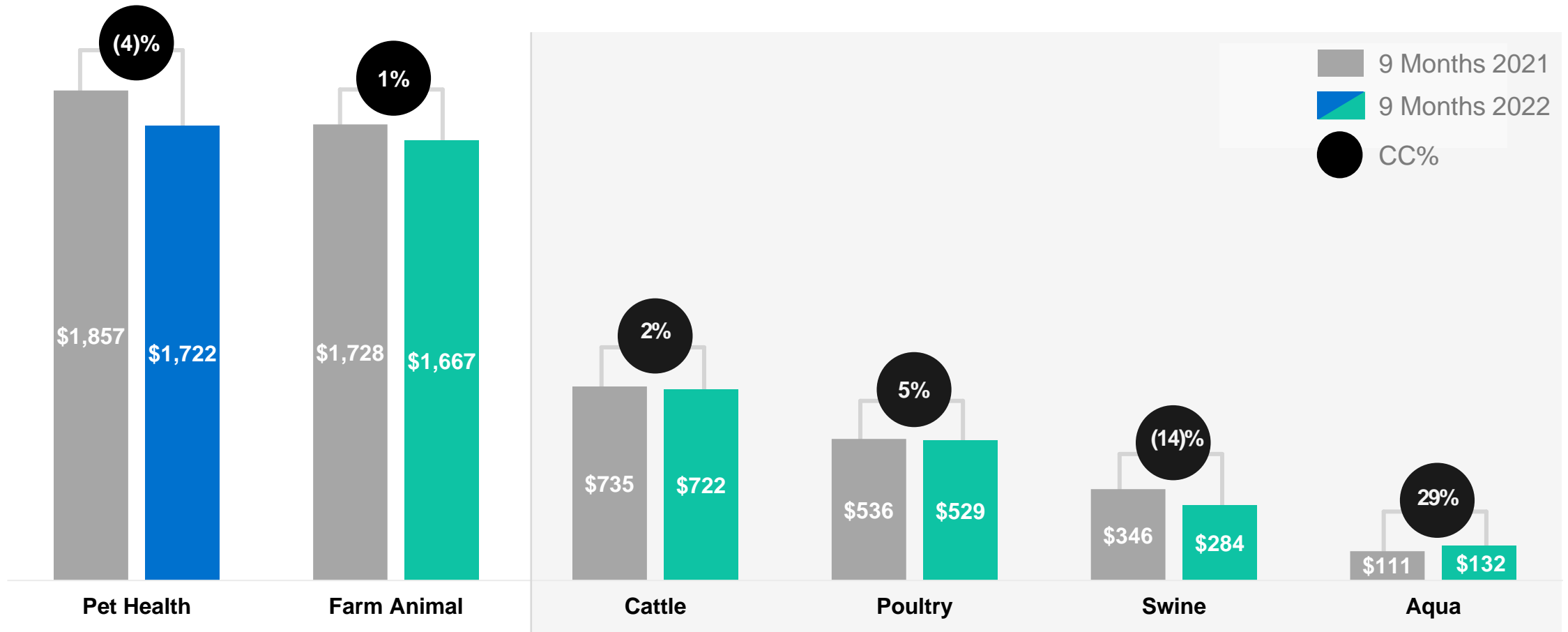
(1) CC = Constant Currency, representing the growth rate excluding the impact of foreign exchange rates.

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Nine Months 2022

# Reported Revenue By Species

Revenue \$ in millions, Growth Rates in Constant Currency



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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

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Nine Months 2022

# Reported Revenue by Geography and Species

\$ in millions	U.S.		International		
	Revenue	Change	Revenue	Change	CC Change <sup>(1)</sup>
Pet Health	\$990	(8)%	\$732	(7)%	2%
Farm Animal	\$534	3%	\$1,133	(6)%	1%
Contract Manufacturing	\$13	(55)%	\$28	(25)%	(19)%
<b>Total</b>	<b>\$1,537</b>	<b>(5)%</b>	<b>\$1,893</b>	<b>(7)%</b>	<b>1%</b>
<b>% of Total Elanco</b>	<b>45%</b>		<b>55%</b>		

Numbers may not add due to rounding.

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

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Nine Months 2022

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

\$ millions, except per share values	2022	2021	Change (\$)	Change (%)
<b>Revenue</b>	<b>\$3,430</b>	<b>\$3,652</b>	<b>\$(222)</b>	<b>(6%)</b>
<b>Cost of Sales</b>	<b>\$1,465</b>	<b>\$1,558</b>	<b>\$(93)</b>	<b>(6%)</b>
<b>Adjusted Gross Profit</b>	<b>\$1,965</b>	<b>\$2,094</b>	<b>\$(129)</b>	<b>(6%)</b>
Adjusted Gross Margin	57.3%	57.3%		0 bps
<b>Operating Expense</b>	<b>\$1,202</b>	<b>\$1,352</b>	<b>\$(150)</b>	<b>(11%)</b>
<b>Interest Expense, Net</b>	<b>\$160</b>	<b>\$181</b>	<b>\$(21)</b>	<b>(12%)</b>
Effective Tax Rate	23.1%	24.8%		(170) bps
<b>Adjusted Net Income</b>	<b>\$450</b>	<b>\$409</b>	<b>\$41</b>	<b>10%</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.91</b>	<b>\$0.84</b>	<b>\$0.07</b>	<b>8%</b>
<b>Adjusted EBITDA</b>	<b>\$845</b>	<b>\$845</b>	<b>\$0</b>	<b>0%</b>
Adjusted EBITDA Margin	24.6%	23.1%		+150 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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Third Quarter 2022

## Adjusted EBITDA Reconciliation

\$ millions

	2022	2021
<b>Reported Net Loss</b>	<b>\$(49)</b>	<b>\$(104)</b>
Net Interest Expense	\$60	\$60
Income Tax Expense (Benefit)	\$7	\$(26)
Depreciation and Amortization	\$167	\$170
<b>EBITDA</b>	<b>\$184</b>	<b>\$100</b>
Non-GAAP Adjustments		
Cost of Sales	\$0	\$1
Asset Impairment, Restructuring, and Other Special Charges	\$26	\$111
Other Expense (Income), Net	\$0	\$(1)
Accelerated Depreciation and Amortization <sup>(1)</sup>	\$(5)	\$0
<b>Adjusted EBITDA</b>	<b>\$205</b>	<b>\$211</b>
<b>Adjusted EBITDA Margin</b>	<b>19.9%</b>	<b>18.7%</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.

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Third 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>	\$472	\$0	\$472	\$502	\$1	\$501
Amortization of Intangible Assets	\$128	\$128	\$0	\$141	\$141	\$0
Asset Impairment, Restructuring and Other Special Charges <sup>(2)(3)</sup>	\$26	\$26	\$0	\$111	\$111	\$0
Interest Expense, Net of Capitalized Interest <sup>(4)</sup>	\$60	\$2	\$58	\$60	\$0	\$60
Other Expense (Income), Net <sup>(5)(6)</sup>	\$8	\$0	\$8	\$11	\$(1)	\$12
<b>Income (Loss) Before Taxes</b>	<b>\$(42)</b>	\$156	<b>\$114</b>	<b>\$(130)</b>	\$252	<b>\$122</b>
Provision for Taxes <sup>(7)(8)</sup>	\$7	\$(11)	\$18	\$(26)	\$(55)	\$29
<b>Net Income (Loss)</b>	<b>\$(49)</b>	\$145	<b>\$96</b>	<b>\$(104)</b>	\$197	<b>\$93</b>
<b>Earnings (Loss) per Share Diluted</b>	<b>\$(0.10)</b>	\$0.29	<b>\$0.20</b>	<b>\$(0.21)</b>	\$0.40	<b>\$0.19</b>
Adjusted Weighted Average Shares Outstanding Diluted <sup>(9)</sup>	<b>488.4</b>	492.0	<b>492.0</b>	<b>487.3</b>	489.0	<b>489.0</b>

See slide 30 for details of adjustments to certain GAAP reported measures  
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## Details of Adjustments to Certain GAAP Reported Measures

### For the three months ended September 30, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health resulting from the delayed purchase of certain entities (\$1 million).
- 2) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$27 million), partially offset by an adjustment related to asset write-downs (\$1 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio, and charges primarily related to independent stand-up costs and other related activities (\$30 million), a charge associated with the settlement of a liability for future royalty and milestone payments triggered in connection with our acquisition of KindredBio (\$26 million), costs associated with the sale of our manufacturing site in Shawnee, Kansas (\$1 million), asset impairments (\$50 million), asset write-downs (\$6 million), and the settlement of a legal matter (\$8 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 a favorable adjustment from reversals for severance programs that are no longer active (\$2 million).
- 4) 2022 excludes the debt extinguishment losses recorded in connection with the early repayment of our Term Loan B (\$2 million).
- 5) 2022 excludes the impact of hyperinflationary accounting related to Turkey (\$2 million), fully offset by up-front payments received in relation to license and asset assignment agreements (\$2 million).
- 6) 2021 excludes an adjustment to a loss that was previously recorded in relation to the divestiture of products (\$1 million).
- 7) 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 (\$2 million).
- 8) 2021 represents the income tax expense associated with the adjusted items, as well as a net decrease in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
- 9) During the three months ended September 30, 2022 and 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 3.6 million and 1.7 million, respectively, of common stock equivalents.

Nine Months 2022

## Adjusted EBITDA Reconciliation

\$ millions

	2022	2021
<b>Reported Net Loss</b>	<b>\$(23)</b>	<b>\$(375)</b>
Net Interest Expense	\$179	\$181
Income Tax Expense (Benefit)	\$34	\$(71)
Depreciation and Amortization	\$514	\$542
<b>EBITDA</b>	<b>\$703</b>	<b>\$277</b>
Non-GAAP Adjustments		
Cost of Sales	\$0	\$64
Asset Impairment, Restructuring, and Other Special Charges	\$158	\$518
Other Expense (Income), Net	\$(1)	\$(9)
Accelerated Depreciation and Amortization <sup>(1)</sup>	\$(15)	\$(5)
<b>Adjusted EBITDA</b>	<b>\$845</b>	<b>\$845</b>
<b>Adjusted EBITDA Margin</b>	<b>24.6%</b>	<b>23.1%</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.

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Nine Months 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>	\$1,465	\$0	\$1,465	\$1,622	\$64	\$1,558
Amortization of Intangible Assets	\$398	\$398	\$0	\$417	\$417	\$0
Asset Impairment, Restructuring and Other Special Charges <sup>(2)(3)</sup>	\$158	\$158	\$0	\$518	\$518	\$0
Interest Expense, Net of Capitalized Interest <sup>(4)</sup>	\$179	\$19	\$160	\$181	\$0	\$181
Other Expense (Income), Net <sup>(5)(6)</sup>	\$17	\$(1)	\$18	\$8	\$(9)	\$17
<b>Income (Loss) Before Taxes</b>	<b>\$11</b>	\$574	<b>\$585</b>	<b>\$(446)</b>	\$990	<b>\$544</b>
Provision for Taxes <sup>(7)(8)</sup>	\$34	\$(101)	\$135	\$(71)	\$(206)	\$135
<b>Net Income (Loss)</b>	<b>\$(23)</b>	\$473	<b>\$450</b>	<b>\$(375)</b>	\$784	<b>\$409</b>
<b>Earnings (Loss) per Share Diluted</b>	<b>\$(0.05)</b>	\$0.96	<b>\$0.91</b>	<b>\$(0.77)</b>	\$1.60	<b>\$0.84</b>
Adjusted Weighted Average Shares Outstanding Diluted <sup>(9)</sup>	<b>488.3</b>	492.1	<b>492.1</b>	<b>487.1</b>	488.6	<b>488.6</b>

See slide 33 for details of adjustments to certain GAAP reported measures  
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# Details of Adjustments to Certain GAAP Reported Measures

### For the nine months ended September 30, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$64 million).
- 2) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$77 million), a nonrecurring charge for acquired IPR&D with no alternative future use that we recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million), the finalization of a write-down charge associated with the sale of our manufacturing site in Speke, U.K. (\$28 million), a measurement period adjustment to the consideration transferred and charge associated with the settlement of a liability for future royalty and milestone payments that was triggered in connection with the acquisition of KindredBio (\$2 million), and facility exit costs (\$2 million), partially offset by adjustments resulting from the reversal of severance accruals (\$9 million) and an adjustment related to asset write-downs (\$1 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health and KindredBio, and charges primarily related to independent stand-up costs and other related activities (\$141 million), a charge associated with the settlement of a liability for future royalty and milestone payments triggered in connection with our acquisition of KindredBio (\$26 million), costs associated with the sale of our manufacturing sites in Shawnee, Kansas and Speke, U.K. and other business development transactions (\$4 million), severance accruals net of reversals (\$26 million), asset impairments (\$63 million), and asset write-downs (\$275 million) and the settlement of a legal matter (\$8 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 (\$26 million).
- 4) 2022 excludes the debt extinguishment losses recorded in connection with the early repayment of our 4.272% Senior Notes due August 28, 2023 and our Term Loan B (\$19 million).
- 5) 2022 excludes the gain recognized on the disposal of the microbiome R&D platform (\$3 million) and up-front payments received in relation to license and asset assignment agreements (\$2 million), partially offset by the impact of hyperinflationary accounting related to Turkey (\$4 million).
- 6) 2021 excludes up-front payments received and equity issued to us in relation to license and asset assignment agreements (\$9 million).
- 7) 2022 represents the income tax expense associated with the adjusted items and the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to the interest rate swap settlement (\$17 million), partially offset by a net increase in the valuation allowance recorded against our deferred tax assets during the period (\$4 million).
- 8) 2021 represents the income tax expense associated with the adjusted items, partially offset by a net increase in the valuation allowance recorded against our U.S. deferred tax assets during the period (\$2 million).
- 9) During the nine months ended September 30, 2022 and 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 period, 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 3.8 million and 1.5 million, respectively, of common stock equivalents.

Full Year 2022

## EPS Guidance Reconciliation November Update

<b>Reported (Loss) per Share</b>	<b>\$(0.17) - \$(0.12)</b>
Amortization of Intangible Assets	\$1.07
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.39 - \$0.40
Other Expense, Net	\$0.04
<b>Subtotal</b>	<b>\$1.50 - \$1.51</b>
Tax Impact of Adjustments	\$(0.33) - \$(0.32)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>\$1.18</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$1.01 - \$1.07</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, and IPR&D related to the feline diabetes care asset Elanco licensed during the second quarter.

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

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Full Year 2022

**EBITDA  
Guidance  
Reconciliation**  
November Update

\$ millions

<b>Reported Net Loss</b>	<b>\$(82) - \$(57)</b>
Net Interest Expense	Approx. \$245
Income Tax Provision	\$(9) - \$(5)
Depreciation and Amortization	Approx. \$680
<b>EBITDA</b>	<b>\$836 - \$865</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$195
Accelerated Depreciation and Other Special Charges	Approx. (\$20)
Other Expense, Net	\$2
<b>Adjusted EBITDA</b>	<b>\$1,010 - \$1,045</b>
<b>Adjusted EBITDA Margin</b>	<b>23.0% - 23.6%</b>

Note: Numbers may not add due to rounding  
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Fourth Quarter 2022

## EPS Guidance Reconciliation November Update

<b>Reported Earnings (Loss) per Share</b>	<b>\$(0.12) - \$(0.07)</b>
Amortization of Intangible Assets	\$0.26
Asset Impairment, Restructuring, and Other Special Charges <sup>(1)</sup>	\$0.07 - \$0.08
Other Expense, Net	\$0.01
<b>Subtotal</b>	<b>\$0.34 - \$0.35</b>
Tax Impact of Adjustments	\$(0.12)
<b>Total Adjustments to Earnings (Loss) per Share</b>	<b>\$0.22</b>
<b>Adjusted Earnings per Share<sup>(2)</sup></b>	<b>\$0.10 - \$0.16</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.

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Fourth Quarter 2022

**EBITDA  
Guidance  
Reconciliation**  
November Update

\$ millions

<b>Reported Net Loss</b>	<b>\$(59) - \$(34)</b>
Net Interest Expense	Approx. \$70
Income Tax Provision	\$(43) - \$(39)
Depreciation and Amortization	Approx. \$170
<b>EBITDA</b>	<b>\$132 - \$161</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$25
Accelerated Depreciation and Other Special Charges	Approx. \$(5)
Other Expense, Net	\$3
<b>Adjusted EBITDA</b>	<b>\$165 - \$200</b>
<b>Adjusted EBITDA Margin</b>	<b>17.3% - 20.0%</b>

Note: Numbers may not add due to rounding  
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