

2023 Earnings – Second Quarter

August 7, 2023

Elanco

Notices and Disclaimers

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

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

Notes. Throughout this presentation, certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments which are reflected in our Form 10-K for the year ended December 31, 2022, subsequent Form 10-Qs, and in the 8-K/A dated March 1, 2023. Financial results in the second quarter of 2023 were adversely impacted by \$90-\$110 million of customer purchases of legacy Bayer Animal Health products that the company believes were shifted from the second quarter of 2023 into the first quarter as a result of communicated commercial shipping blackout periods in April resulting from the company's ERP system integration.

On Today's Call

Jeff Simmons

Elanco Animal Health
President and CEO



Todd Young

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



Stabilization Drives Inflection, Focus on Return to Growth

Q2 2023 vs Guidance¹

- ✓ Revenue **+\$4M**

- ✓ Adj EBITDA² **+\$61M**

- ✓ Adj EPS² **+\$0.13**

¹Results compared to the high-end of the company's second quarter guidance.

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

³Excluding the impact of the ERP system integration, as noted on slide 2.



Sequential Improvement

Second quarter of sequential improvement³ in revenue growth driven by strong performance in U.S. Pet Health, International Farm Animal and Innovation



Milestones Achieved

Seresto resolution, ERP integration complete, Parvo launch, advancing late-stage potential blockbuster pipeline



'23 Maturity Addressed, Focus on NWC

Retiring 2023 notes, incremental interest rate swaps, remain confident in cash generation capability, and focused on improving operating cash flow



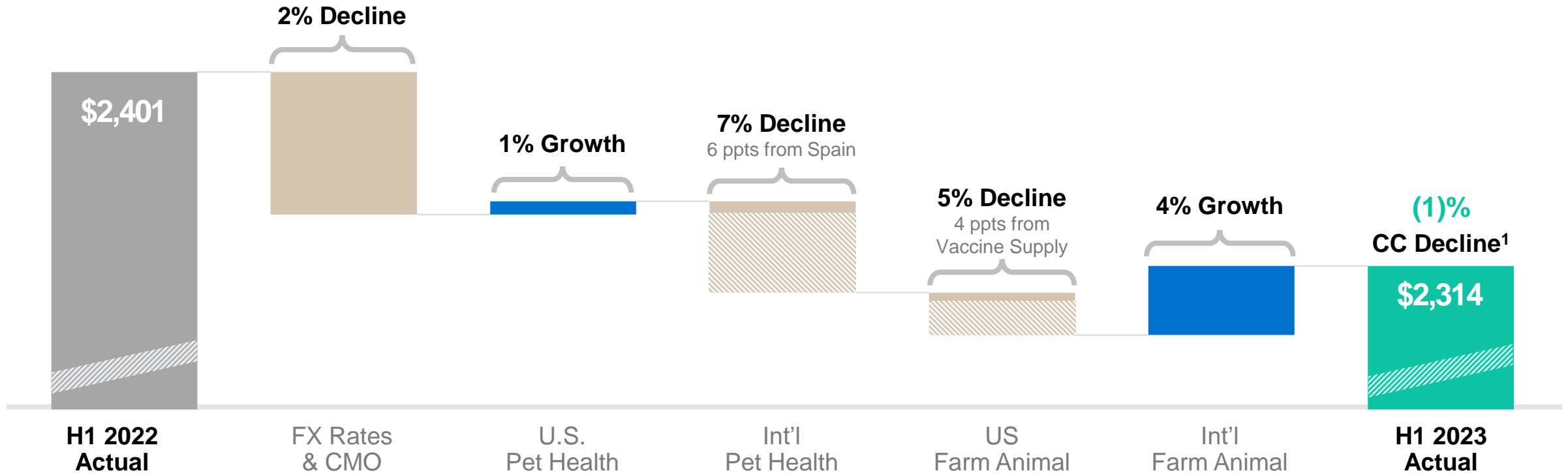
Raised Full Year Guidance

Expected H2'23 return to revenue growth; raising FY'23 guidance for revenue, adjusted EBITDA and adjusted EPS

H1 2022 to H1 2023 Revenue Bridge

Sequential Improvement in Base Business Despite Pockets of Near-Term Headwinds

\$ in millions

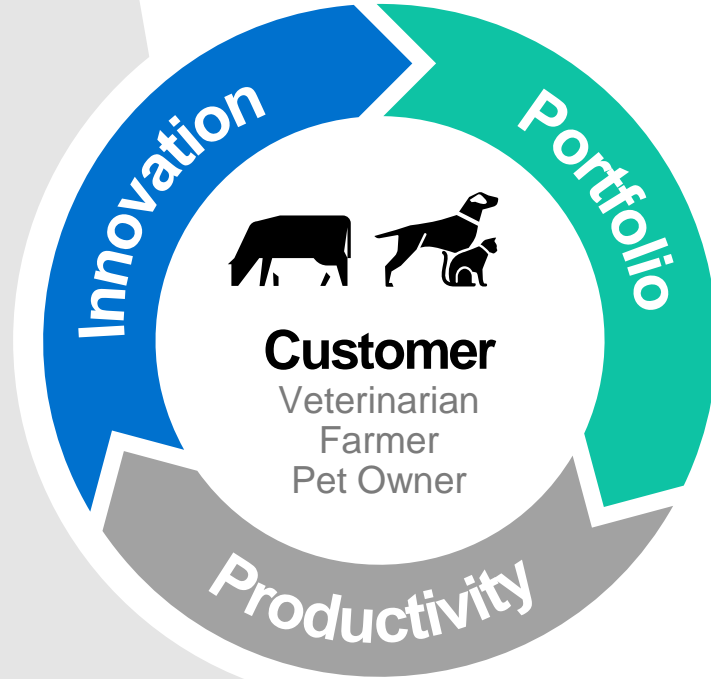


Note: Numbers may not add due to rounding.

¹Constant Currency (CC) is 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

JAK Inhibitor
for canine dermatology, all data for approval with FDA

Credelio Quattro™¹ & Bovaer expect all data for approval to be with FDA by end of August

Approval Shift
for IL-31 SA mAB for canine dermatology now expected in 2025

Portfolio

Seresto Resolution
EPA's review complete with confirmed registration, aligned stewardship actions

Price Growth
Year-to-date price growth of 4% price with deceleration expected in H2; at least 3% for full year

Pet Health Investment
Enhancing Pet Health sales & marketing org to prepare for launches and optimize portfolio value

Productivity

ERP Integration
completed enabling synergies, simplifying business process, and increasing optionality for the business

2023 Notes Refinanced² with funds from asset securitization on A/R and revolver resulting in limited interest expense impact

Working Capital
increased company-wide focus on improving NWC, namely inventory, to accelerate debt paydown
























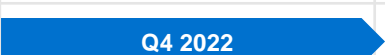


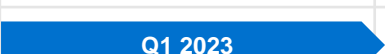



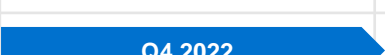

¹Expected trade name upon approval.

²2023 notes to be retired by end of day on August 7, 2023.

SA = short-acting; mAB = Monoclonal antibody

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

Progress and Outlook for Elanco's Next Era of Growth

Asset	Regulatory Agency	Species	Initial Submission ¹	Approval ²	Launch ¹	Peak Sales Opportunity ³	Commentary
Experior Ammonia Reduction	FDA (Rx)						First-in-class
Bexacat SGLT-2 Diabetes	FDA (Rx)						First-in-class
Canine Parvovirus Monoclonal AB	USDA (Rx)						First-in-class; Monoclonal AB
K9 Advantix Flea/Tick	EPA (OTC)						Establishes Elanco presence in "value" OTC category
Advantage Flea	EPA (OTC)						
Adtab Oral Flea/Tick	EMA (OTC)						Establishes Elanco presence in emerging EU OTC Oral F/T
 Credelio Quattro™⁴ Endecto Parasiticide	FDA (Rx)						Differentiated
JAK Inhibitor Dermatology	FDA (Rx)						Differentiated
IL-31 SA Antibody Dermatology	USDA (Rx)						 Differentiated; Monoclonal AB
Bovaer⁴ Methane Reduction	FDA						First-in-class

 \$10-\$49M  \$50-\$99M  ≥\$100M  Progress since Q1 2023 Earnings Call  Addition since Q1 2023 Earnings Call

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

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

Financial Results

Second Quarter 2023



Elanco

TM

Second Quarter 2023

Impact of Price, Rate, and Volume on Revenue¹

	Revenue	Price	FX Rate	Volume	Total	CC Change ²
Pet Health	\$518	4%	(1)%	(19)%	(15)%	(14)%
Cattle	\$210		(2)%		(15)%	(13)%
Poultry	\$178		(3)%		2%	5%
Swine	\$89		(1)%		0%	1%
Aqua	\$50		2%		19%	17%
Farm Animal	\$527	3%	(2)%	(6)%	(5)%	(3)%
Contract Manufacturing	\$12	0%	1%	1%	0%	1%
Total Elanco	\$1,057	4%	(1)%	(12)%	(10)%	(9)%

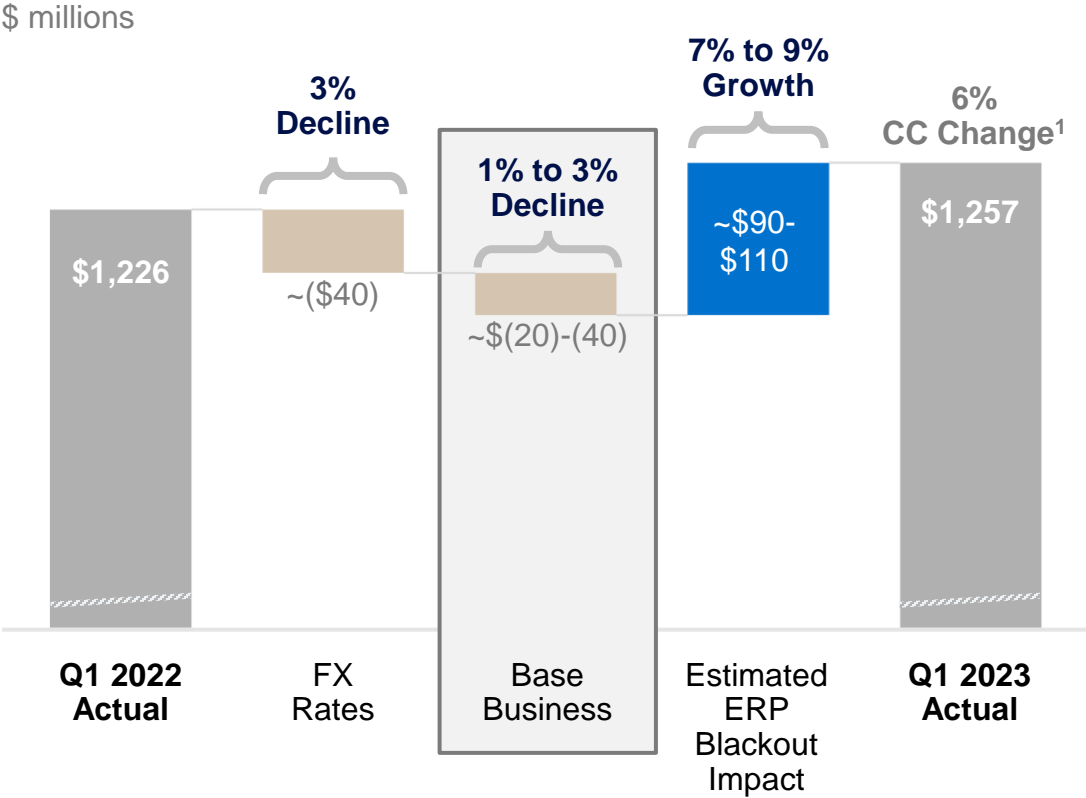
Note: Reported revenue in millions. Numbers may not add due to rounding.

¹Unfavorably impacted by ERP system integration in Q2 2023, as noted on slide 2. See slide 11 for further details by business area.

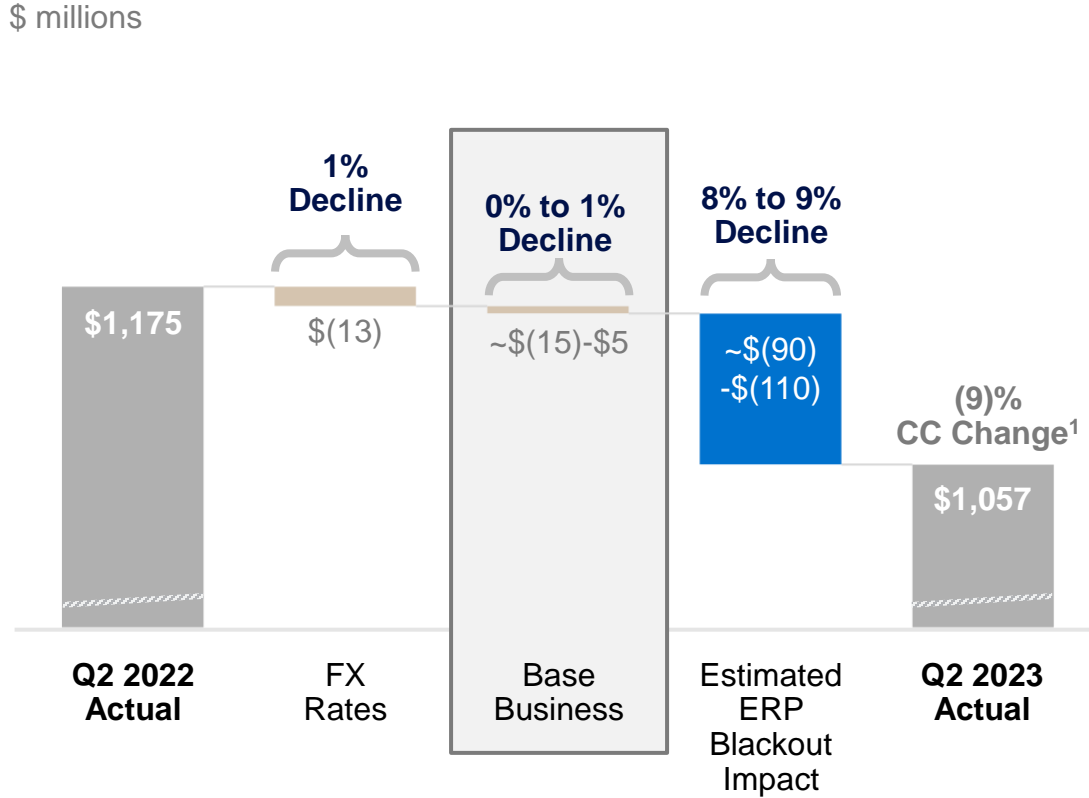
²Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

Sequential Improvement in Base Business with Anticipated Unwind of ERP Blackout Impacting Q2 Reported Revenue

First Quarter Revenue



Second Quarter Revenue



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

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

Second Quarter 2023

Revenue by Geography and Species

	2023	2022	Change	CC Change ¹	Estimated ERP Blackout Impact
US Pet Health	\$334	\$366	(9)%	(9)%	~(11)%
Int'l Pet Health	\$184	\$243	(24)%	(23)%	~(14)%
Total Pet Health	\$518	\$610	(15)%	(14)%	(11)% to (13)%
US Farm Animal	\$162	\$170	(5)%	(5)%	~(2)%
Int'l Farm Animal	\$365	\$383	(5)%	(2)%	~(6)%
Total Farm Animal	\$527	\$553	(5)%	(3)%	~(5)%
Contract Manufacturing	\$12	\$12	0%	1%	-
Total Elanco	\$1,057	\$1,175	(10)%	(9)%	(8)% to (9)%

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

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

Second Quarter 2023

Adjusted¹ Income Statement Highlights

\$ millions, except per share values	2023	2022	Change (\$)	Change (%)	Estimated ERP Blackout Benefit
Revenue	\$1,057	\$1,175	\$(118)	(10)%	\$(90) to \$(110)
Cost of Sales	\$434	\$484	\$(50)	(10)%	
Adjusted Gross Profit	\$623	\$691	\$(68)	(10)%	\$(70) to \$(90)
Adjusted Gross Margin	58.9%	58.8%	NM	+10 bps	(150) to (180) bps
Operating Expense	\$434	\$425	\$9	2%	
Interest Expense, Net	\$74	\$50	\$24	48%	
Effective Tax Rate	19.9%	13.2%	NM	+670 bps	
Adjusted Net Income	\$90	\$191	\$(101)	(53)%	
Adjusted Earnings Per Share Diluted	\$0.18	\$0.39	\$(0.21)	(54)%	\$(0.11) to \$(0.14)
Adjusted EBITDA	\$222	\$304	\$(82)	(27)%	\$(70) to \$(90)
Adjusted EBITDA Margin	21.0%	25.9%	NM	(490) bps	(450) to (540) bps

Note: Numbers may not add due to rounding.

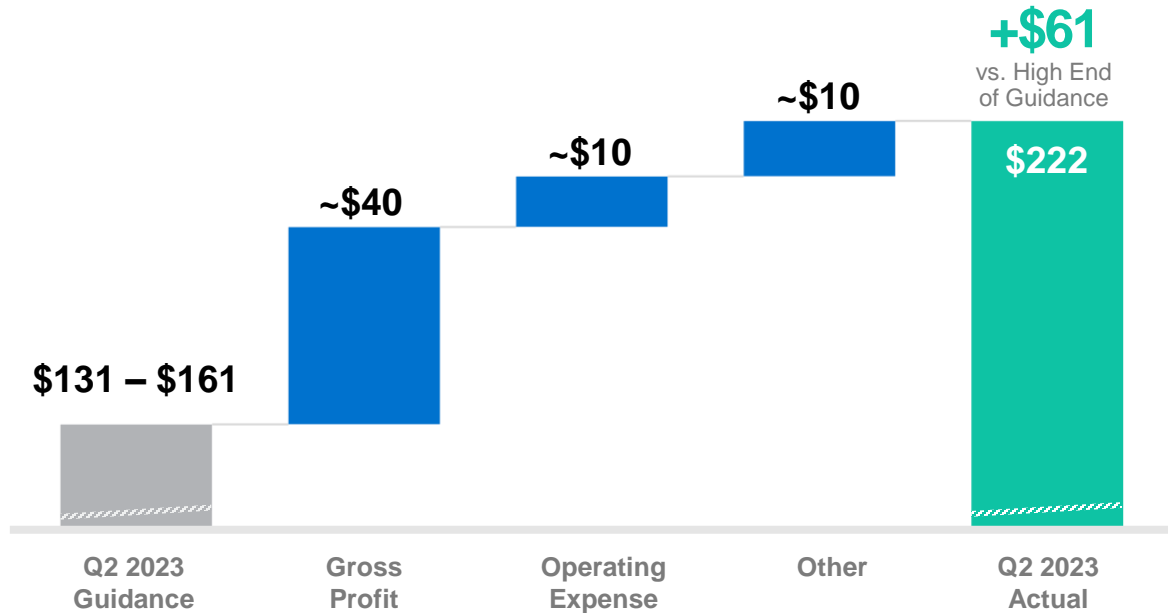
¹Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

Second Quarter 2023

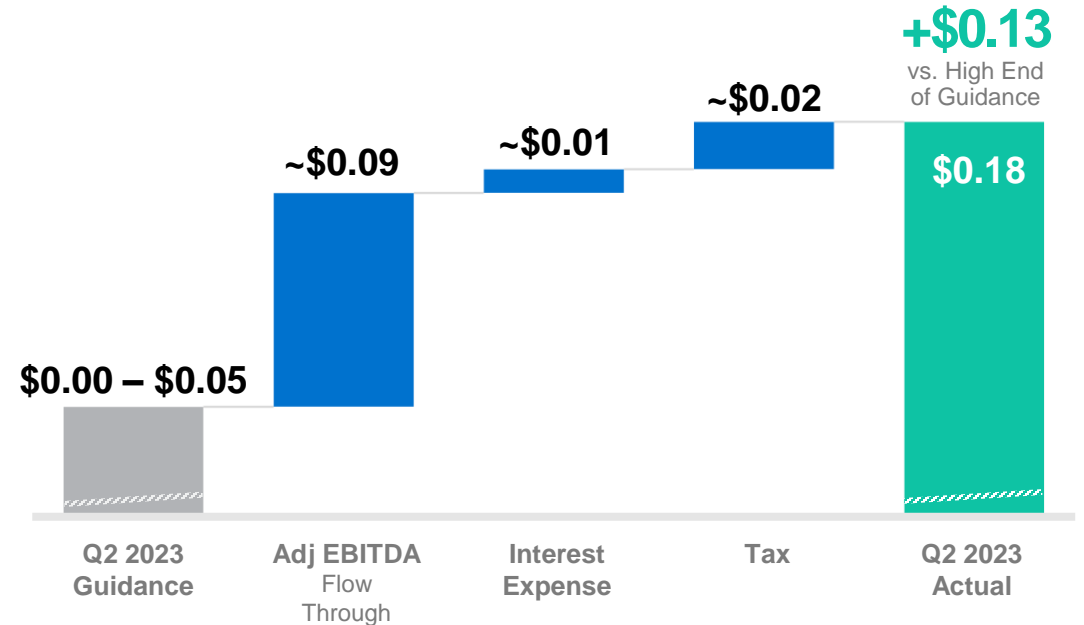
Adjusted EBITDA and Adjusted EPS Benefitted from Gross Profit Performance & Improved Tax and Interest

Q2 Adjusted EBITDA

\$ millions



Q2 Adjusted EPS

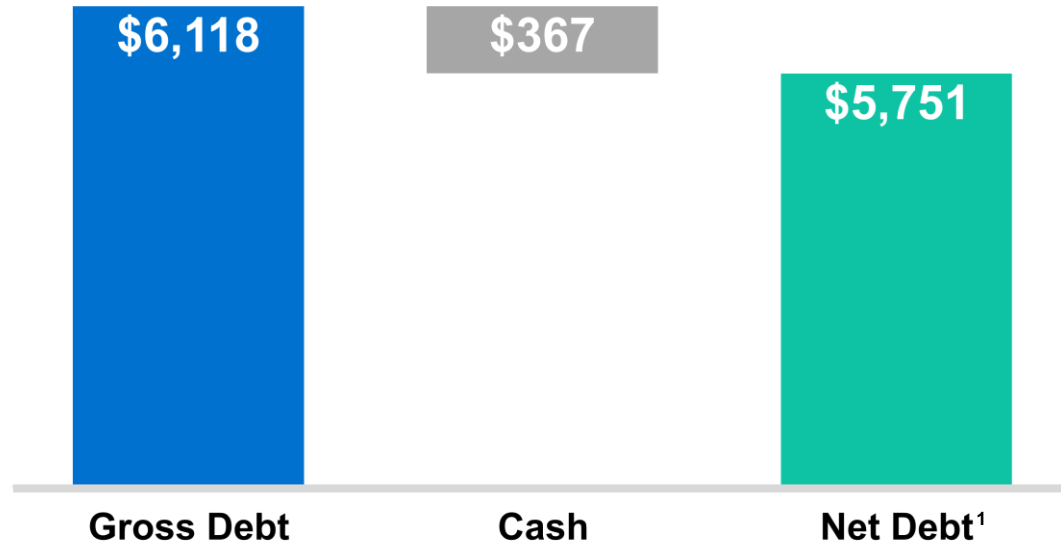


Note: Numbers may not add due to rounding and ranges

Key Balance Sheet and Cash Flow Metrics

Debt Balances as of June 30, 2023

\$ millions



Operating Cash Flow (OCF) of \$61M in Q2 2023; Year over year decline driven by 2022 interest rate swap settlements, higher cash interest expense and higher inventory levels.

Net leverage ratio² increased to 5.9x; year end expected between 5.5x to 5.8x.

Days sales outstanding³ at 77 days; an increase of 6 day compared to Q1 2023.

Entered A/R asset securitization facility in early August with intention to pay down 2023 senior notes on August 7th

Note: Numbers may not add due to rounding

¹Net 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. ²Net 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. ³DSO calculated as the trailing 12-month average.

Financial Guidance

Third Quarter and Full Year 2023



TM

2023 Full Year

Financial Guidance

\$ millions, except
per share values

	May	August	Comments
Revenue	\$4,310 - \$4,400	\$4,350 - \$4,410	Raised midpoint by \$25M
Reported Net Income	\$(134) - \$(98)	\$(170) - \$(127)	
Adjusted EBITDA¹	\$940 - \$1,000	\$950 - \$1,010	Raised midpoint by \$10M
Reported Diluted EPS	\$(0.27) - \$(0.20)	\$(0.34) - \$(0.26)	
Adjusted Diluted EPS¹	\$0.76 - \$0.83	\$0.80 - \$0.89	Raised midpoint by \$0.05



Impact of FX

expected to be ~\$25-\$30 million headwind on the top-line



H2 Return to Growth

Expect price growth at least 3%, innovation and a stabilizing base to drive a return to growth in H2 2023



Improved Non-Operational

Full year interest expense lowered to \$305 and tax rate lowered to 21% to 22%

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

Third Quarter 2023

Financial Guidance

\$ millions, except
per share values

Total Revenue	\$1,025 - \$1,060
Reported Net Income	\$(92) - \$(69)
Adjusted EBITDA¹	\$170 - \$200
Reported Diluted EPS	\$(0.18) - \$(0.14)
Adjusted Diluted EPS¹	\$0.08 - \$0.13



Impact of FX

expected to be benefit of ~\$10 million, or ~1 ppt, on revenue in the third quarter



Margin Expectations

price growth expected to be offset by inflation and the impact of reduced plant utilization



Additional Assumptions

Interest expense expected to be ~\$80 million in Q3; investments in Pet Health drive SG&A growth

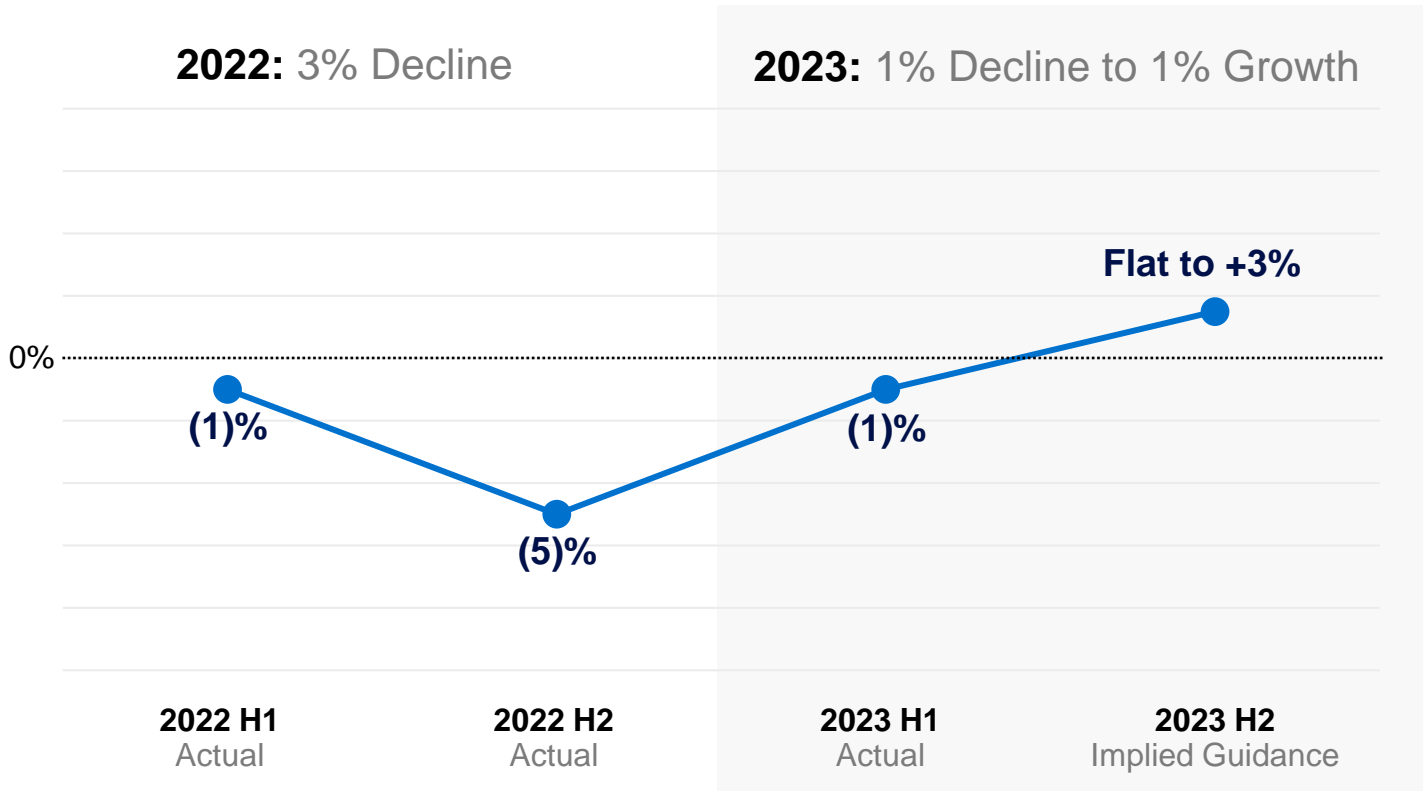
¹Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

2022 and 2023 Revenue Growth by Half

Expect Second Half Return to Growth as Reflected in Full Year Revenue Guidance, Supported by Diverse Portfolio Drivers

Revenue

Year-over-year CC¹ Change



Drivers of H2'23 Improvement:

- ✓ Innovation Ramp
- ✓ Price Growth
- ✓ Improved Supply
- ✓ Improved U.S. & EU Pet Retail environment
- ✓ Growth in Poultry & Aqua

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

Appendix

Reference slides and GAAP reported to
non-GAAP adjusted reconciliations



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First Half 2023

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume	Total	CC Change ¹
Pet Health	\$1,193	5%	(2)%	(7)%	(5)%	(3)%
Cattle	\$458		(3)%		(7)%	(5)%
Poultry	\$361		(4)%		2%	6%
Swine	\$191		(4)%		1%	5%
Aqua	\$90		0%		6%	6%
Farm Animal	\$1,100	4%	(3)%	(3)%	(2)%	1%
Contract Manufacturing	\$21	0%	(4)%	(23)%	(28)%	(23)%
Total Elanco	\$2,314	4%	(2)%	(5)%	(4)%	(1)%

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

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

First Half 2023

Revenue by Geography and Species

	2023	2022	Change	CC Change ¹
US Pet Health	\$694	\$688	1%	1%
Int'l Pet Health	\$499	\$561	(11)%	(7)%
Total Pet Health	\$1,193	\$1,250	(5)%	(3)%
US Farm Animal	\$344	\$363	(5)%	(5)%
Int'l Farm Animal	\$755	\$758	(0)%	4%
Total Farm Animal	\$1,100	\$1,122	(2)%	1%
Contract Manufacturing	\$21	\$29	(28)%	(23)%
Total Elanco	\$2,314	\$2,401	(4)%	(1)%

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

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

First Half 2023

Adjusted⁽¹⁾ Income Statement Highlights

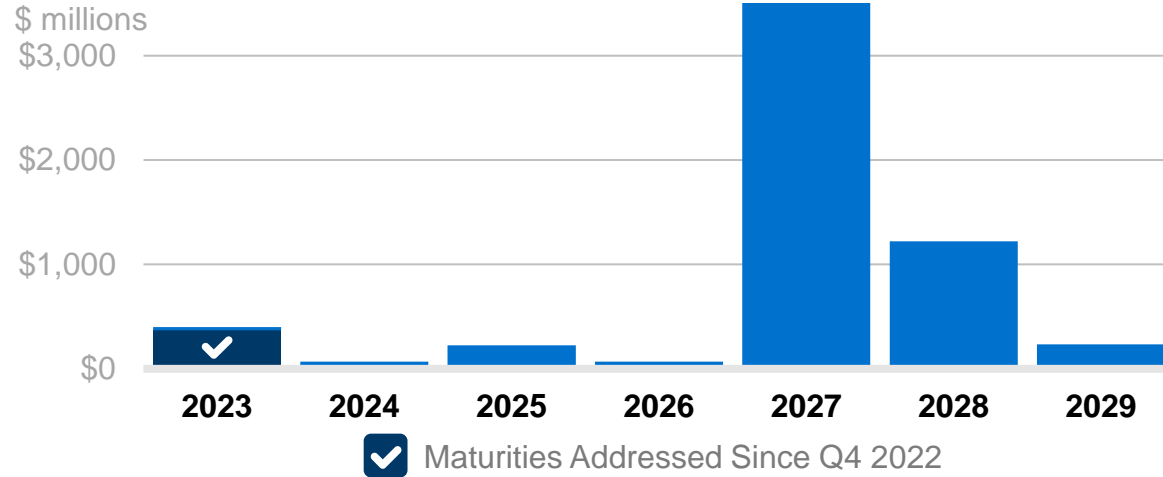
\$ millions, except per share values	2023	2022	Change (\$)	Change (%)
Revenue	\$2,314	\$2,401	\$(87)	(4)%
Cost of Sales	\$927	\$993	\$(66)	(7)%
Adjusted Gross Profit	\$1,387	\$1,408	\$(21)	(1)%
Adjusted Gross Margin	59.9%	58.6%	NM	+130 bps
Operating Expense	\$842	\$829	\$13	2%
Interest Expense, Net	\$138	\$102	\$36	35%
Effective Tax Rate	21.3%	22.0%	NM	(70) bps
Adjusted Net Income	\$310	\$369	\$(59)	(16)%
Adjusted Earnings Per Share Diluted	\$0.63	\$0.75	\$(0.12)	(16)%
Adjusted EBITDA	\$601	\$642	\$(41)	(6)%
Adjusted EBITDA Margin	26.0%	26.7%	NM	(70) bps

Note: Numbers may not add due to rounding.

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

Confident in Liquidity and Ability to Manage Debt Obligations

Debt Maturities & Mandatory Payments¹



Key Debt Information¹

Total Gross Debt: \$6.1 billion

- **Term Loans:** \$4.8 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: \$3 billion matures in 2025, \$0.8 billion matures in 2028; 75% to 80% of debt remains fixed throughout 2023 and 2024

2023 Assumptions: Year-end net leverage ratio expected between 5.5x and 5.8x; with ~\$50 million debt paydown

Summary of Financial Covenants Associated with TLB & Revolving Credit Facility

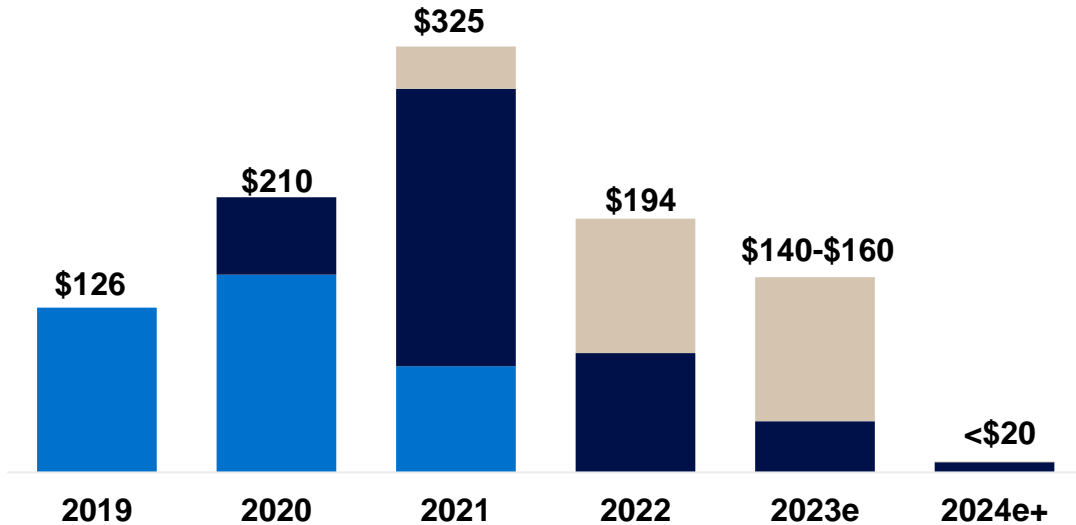
Covenant	Definition	Limit	Current Level ²	Term Loan Enforcement Rights	Revolver Enforcement Rights
Net Leverage Ratio	Net debt ³ divided by TTM ⁴ adjusted EBITDA	Max 7.71x	5.8x	None	Yes
Interest Coverage Ratio	TTM adjusted EBITDA divided by TTM cash interest expense	Min 2.0x	2.9x	Only if certain non-financial covenants are tripped	Yes

¹Reflects the expected redemption of the Company's 4.272% Senior Notes due 2023 on August 7, 2023; ²As of June 30, 2023; this calculation does not include Term Loan B covenant-related adjustments that increase adjusted EBITDA by approximately \$60 to \$70 million. ³Net 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. ⁴TTM = Trailing Twelve Months.

Meaningful Reduction in Project Cash Expected to Begin in 2024

Estimated Project Cash Costs

\$ millions



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

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

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

Factors Impacting Operating Cash Flow

\$ millions

	2021	2022	2023	2024 & beyond
Adj. EBITDA	\$1,059	\$1,017	\$950 – \$1,010	↗
Project Cash Costs	\$325	\$194	\$140 – \$160	↘
Cash Interest	\$221	\$266	\$385 – \$395	↘ ¹
Cash Taxes	\$151	\$93	\$135 – \$155	↗
Change in NWC²	\$88	\$462	↘	↘

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

¹Expect cash interest of \$340-\$355 million in 2024, with further reduction beyond 2024.

²Directional arrows on Change in NWC represent expectation of a lower year over year headwind on operating cash flow.

Full Year 2023

Financial Guidance & Additional Assumptions

\$ millions, except
per share values

	May	August
Total Revenue	\$4,310 – \$4,400	\$4,350 – \$4,410
Adjusted Gross Margin ¹	56.3% – 56.9%	56.4% – 56.9%
Operating Expenses	\$1,595 – \$1,605	\$1,610 – \$1,615
Adjusted EBITDA¹	\$940 – \$1,000	\$950 – \$1,010
Adjusted EBITDA Margin¹	21.8% – 22.7%	21.8% – 22.9%
Depreciation	Approx. \$140	Approx. \$140
Interest Expense, Net	Approx. \$315	Approx. \$305
Tax Rate	24% – 26%	21% – 22%
Adjusted Earnings per Share¹	\$0.76 – \$0.83	\$0.80 – \$0.89
Weighted Average Diluted Share Count	Approx. 497 million	Approx. 497 million
Capital Expenditures	\$170 – \$190	\$170 – \$190
Cash Taxes	\$140 – \$160	\$135 – \$155
Cash Interest	\$390 – \$400	\$385 – \$395
Net Cash Impact from Bayer Integration and Restructuring	\$140 – \$160	\$140 – \$160

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

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

Second Quarter 2023

**Adjusted
EBITDA
Reconciliation**

\$ millions

	2023	2022
Reported Net Loss	\$(97)	\$(10)
Net Interest Expense	\$74	\$67
Income Tax Expense	\$18	\$(4)
Depreciation and Amortization	\$177	\$171
EBITDA	\$171	\$224
Non-GAAP Adjustments		
Cost of Sales	\$-	\$-
Asset Impairment, Restructuring, and Other Special Charges	\$35	\$86
Accelerated Depreciation and Amortization ¹	\$(5)	\$(5)
Other Expense (Income), Net	\$21	\$(2)
Adjusted EBITDA	\$222	\$304
Adjusted EBITDA Margin	21.0%	25.9%

Numbers may not add due to rounding.

¹Represents 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 2023

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

\$ millions, except
per share values

	2023			2022		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Amortization of Intangible Assets	\$136	\$136	\$-	\$133	\$133	\$-
Asset Impairment, Restructuring and Other Special Charges ¹	\$35	\$35	\$-	\$86	\$86	\$-
Interest Expense, Net of Capitalized Interest ²	\$74	\$-	\$74	\$67	\$17	\$50
Other Expense (Income), Net ³	\$23	\$21	\$2	\$(6)	\$(2)	\$(4)
Income Before Taxes	\$(79)	\$192	\$113	\$(14)	\$234	\$220
Provision for Taxes ⁴	\$18	\$(5)	\$23	\$(4)	\$(33)	\$29
Net Income	\$(97)	\$187	\$90	\$(10)	\$201	\$191
Earnings per Share Diluted	\$(0.20)	\$0.38	\$0.18	\$(0.02)	\$0.41	\$0.39
Adjusted Weighted Average Shares Outstanding Diluted ⁵	492.6	492.6	492.6	488.4	492.0	492.0

Numbers may not add due to rounding.
See slide 28 for details of adjustments to certain GAAP reported measures.

Second Quarter 2023

Details of Adjustments to Certain GAAP Reported Measures

For the three months ended June 30, 2023 and 2022:

- 1) 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. Adjustments of \$86 million for the three months ended June 30, 2022, primarily related to charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$26 million) and a nonrecurring charge for acquired IPR&D with no alternative future use that was recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million).
- 2) Adjustments of \$17 million for the three months ended June 30, 2022, primarily related to a loss recorded in connection with the partial early extinguishment of our 4.272% Senior Notes due 2023.
- 3) Adjustments of \$21 million for the three months ended June 30, 2023 primarily related to an accrual of \$15 million during the quarter for a potential settlement related to the Seresto class action lawsuits, as well as the impact of hyperinflationary accounting in Turkey (approximately \$5 million). Adjustments of \$2 million for the three months ended June 30, 2022, primarily related to a gain on the disposal of the microbiome R&D platform.
- 4) Adjustments of \$5 million for the three months ended June 30, 2023 represent 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). Adjustments of \$33 million for the three months ended June 30, 2022, represent the income tax expense associated with the adjusted items discussed above and the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to an interest rate swap settlement (\$17 million), partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$24 million).
- 5) During the three months ended June 30, 2022, 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 3.6 million of common stock equivalents.

First Half 2023

Adjusted EBITDA Reconciliation

\$ millions

	2023	2022
Reported Net Loss	\$6	\$41
Net Interest Expense	\$138	\$119
Income Tax Expense	\$23	\$20
Depreciation and Amortization	\$350	\$347
EBITDA	\$516	\$527
Non-GAAP Adjustments		
Cost of Sales	\$1	\$—
Asset Impairment, Restructuring, and Other Special Charges	\$75	\$126
Accelerated Depreciation and Amortization ¹	\$(10)	\$(10)
Other Expense (Income), Net	\$19	\$(1)
Adjusted EBITDA	\$601	\$642
Adjusted EBITDA Margin	26.0%	26.7%

Numbers may not add due to rounding.

¹Represents 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 2023

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

\$ millions, except
per share values

	2023			2022		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales ¹	\$928	\$1	\$927	\$993	\$-	\$993
Amortization of Intangible Assets	\$270	\$270	\$-	\$270	\$270	\$-
Asset Impairment, Restructuring and Other Special Charges ²	\$75	\$75	\$-	\$126	\$126	\$-
Interest Expense, Net of Capitalized Interest ³	\$138	\$-	\$138	\$119	\$17	\$102
Other Expense (Income), Net ⁴	\$32	\$19	\$13	\$3	\$(1)	\$4
Income Before Taxes	\$29	\$365	\$394	\$61	\$412	\$473
Provision for Taxes ⁵	\$23	\$(61)	\$84	\$20	\$(84)	\$104
Net Income	\$6	\$304	\$310	\$41	\$328	\$369
Earnings per Share Diluted	\$0.01	\$0.62	\$0.63	\$0.08	\$0.67	\$0.75
Adjusted Weighted Average Shares Outstanding Diluted	492.7	492.7	492.7	492.1	492.1	492.1

Numbers may not add due to rounding.
See slide 31 for details of adjustments to certain GAAP reported measures.

First Half 2023

Details of Adjustments to Certain GAAP Reported Measures

For the six months ended June 30, 2023 and 2022:

- 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, LLC.
- 2) Adjustments of \$75 million for the six months ended June 30, 2023 related to charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health. Adjustments of \$126 million for the six months ended June 30, 2022, primarily related to charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$50 million), a nonrecurring charge for acquired IPR&D with no alternative future use that was recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million) and the finalization of a write-down charge associated with the sale of our manufacturing site in Speke, U.K. (\$22 million), partially offset by adjustments from the reversal of severance accruals (\$7 million).
- 3) Adjustments of \$17 million for the six months ended June 30, 2022, primarily related to a loss recorded in connection with the partial early extinguishment of our 4.272% Senior Notes due 2023.
- 4) Adjustments of \$19 million for the six months ended June 30, 2023 primarily related to an accrual of \$15 million during the second quarter for a potential settlement related to the Seresto class action lawsuits, as well as the impact of hyperinflationary accounting in Turkey (approximately \$4 million). Adjustments of \$1 million for the six months ended June 30, 2022, primarily related to a gain on the disposal of the microbiome R&D platform.
- 5) Adjustments of \$61 million for the six months ended June 30, 2023 represent 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). Adjustments of \$84 million for the six months ended June 30, 2022, represent the income tax expense associated with the adjusted items discussed above and the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to an interest rate swap settlement (\$17 million), partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$10 million).

Full Year 2023

EBITDA Guidance Reconciliation

\$ millions

Reported Net Loss	\$(170) - \$(127)
Net Interest Expense	Approx. \$305
Income Tax Provision	\$6 - \$44
Depreciation and Amortization	Approx. \$690
EBITDA	\$830 - \$911
Non-GAAP Adjustments	
Cost of Sales	Approx. \$1
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$100
Accelerated Depreciation and Other Special Charges	Approx. \$(10)
Other Expense (Income), Net	Approx. \$22
Adjusted EBITDA	\$950 - \$1,010
Adjusted EBITDA Margin	21.8% - 22.9%

Note: Numbers may not add due to rounding

Full Year 2023

EPS Guidance Reconciliation

Reported Loss per Share	\$(0.34) - \$(0.26)
Amortization of Intangible Assets	Approx. \$1.09
Asset Impairment, Restructuring, and Other Special Charges ¹	\$0.18 - \$0.22
Other Expenses, Net	Approx. \$0.04
Subtotal	\$1.32 - \$1.36
Tax Impact of Adjustments	\$(0.21) - \$(0.17)
Total Adjustments to Earnings per Share	\$1.14 - \$1.15
Adjusted Earnings per Share²	\$0.80 - \$0.89

Note: Numbers may not add due to rounding.

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

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

Third Quarter 2023

EBITDA Guidance Reconciliation

\$ millions

Reported Net Loss	\$(92) - \$(69)
Net Interest Expense	Approx. \$80
Income Tax Provision	\$(12) - \$6
Depreciation and Amortization	Approx. \$170
EBITDA	\$148 - \$188
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$15
Other Expense (Income), Net	Approx. \$2
Adjusted EBITDA	\$170 - \$200
Adjusted EBITDA Margin	16.6% - 18.9%

Note: Numbers may not add due to rounding

Third Quarter 2023

EPS Guidance Reconciliation

Reported Loss per Share	\$(0.18) - \$(0.14)
Amortization of Intangible Assets	Approx. \$0.27
Asset Impairment, Restructuring, and Other Special Charges ¹	\$0.02 - \$0.04
Subtotal	\$0.30 - \$0.32
Tax Impact of Adjustments	\$(0.05) - \$(0.03)
Total Adjustments to Earnings (Loss) per Share	Approx. \$0.27
Adjusted Earnings per Share²	\$0.08 - \$0.13

Note: Numbers may not add due to rounding.

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

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