

A photograph of two young women taking a selfie at night. The woman on the left is holding a purple smartphone and smiling, while the woman on the right is leaning in and making a peace sign. They are both wearing light-colored blouses. The background is filled with out-of-focus city lights, creating a bokeh effect. A blue diagonal graphic element is in the top left corner.

# Alcon

## Q1 2023 Earnings Presentation

May 10, 2023

# Safe harbor

## Forward-looking statements

This document contains, and our officers and representatives may from time to time make, certain “forward-looking statements” within the meaning of the safe harbor provisions of the US Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our liquidity, revenue, gross margin, operating margin, effective tax rate, foreign currency exchange movements, earnings per share, our plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items such as our transformation program, market growth assumptions, our sustainability and diversity plans, targets, goals and expectations, and generally, our expectations concerning our future performance.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict such as:

- cybersecurity breaches or other disruptions of our information technology systems;
- compliance with data privacy, identity protection and information security laws;
- our ability to comply with the US Foreign Corrupt Practices Act of 1977 and other applicable anti-corruption laws, particularly given that we have entered into a three-year Deferred Prosecution Agreement with the US Department of Justice;
- the impact of a disruption in our global supply chain or important facilities;
- supply constraints and increases in the cost of energy;
- our ability to forecast sales demand and manage our inventory levels and the changing buying patterns of our customers;
- our ability to manage environmental, social and governance matters to the satisfaction of our many stakeholders, some of which may have competing interests;
- our success in completing and integrating strategic acquisitions;
- the success of our research and development efforts, including our ability to innovate to compete effectively;
- global and regional economic, financial, legal, tax, political and social change;
- our ability to comply with all laws to which we may be subject;
- pricing pressure from changes in third party payor coverage and reimbursement methodologies;
- our ability to properly educate and train healthcare providers on our products;
- our reliance on outsourcing key business functions;
- our ability to attract and retain qualified personnel;
- the impact of unauthorized importation of our products from countries with lower prices to countries with higher prices;
- the ability to obtain regulatory clearance and approval of our products as well as compliance with any post-approval obligations, including quality control of our manufacturing;
- our ability to protect our intellectual property;
- our ability to service our debt obligations;
- the need for additional financing through the issuance of debt or equity;
- the effects of litigation, including product liability lawsuits and governmental investigations;
- effect of product recalls or voluntary market withdrawals;
- the accuracy of our accounting estimates and assumptions, including pension and other post-employment benefit plan obligations and the carrying value of intangible assets;
- legislative, tax and regulatory reform;
- the impact of being listed on two stock exchanges;
- the ability to declare and pay dividends;
- the different rights afforded to our shareholders as a Swiss corporation compared to a US corporation; and
- the effect of maintaining or losing our foreign private issuer status under U.S. securities laws.

Additional factors are discussed in our filings with the United States Securities and Exchange Commission, including our Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements in this document speak only as of the date of its filing, and we assume no obligation to update forward-looking statements as a result of new information, future events or otherwise.

## Intellectual property

This report may contain references to our proprietary intellectual property. All product names appearing in *italics* or ALL CAPS are trademarks owned by or licensed to Alcon Inc. Product names identified by a “®” or a “™” are trademarks that are not owned by or licensed to Alcon or its subsidiaries and are the property of their respective owners.

## Non-IFRS measures

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

# Agenda

- 01 Key topics
- 02 IFRS results
- 03 Core results
- 04 Outlook



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# Q1 2023 Highlights

- Sales of \$2.3B, up 7%, or 11% cc<sup>1</sup>; growth driven by continued strength in demand, solid commercial execution, acquired products and price increases
- Operating margin of 11.5%; core operating margin<sup>1</sup> of 20.6%
- Diluted EPS of \$0.35, up 3%, or up 26% cc<sup>1</sup>; core diluted EPS<sup>1</sup> of \$0.70, up 3%, or up 14% cc<sup>1</sup>
- Dividend of CHF 0.21 per share approved at AGM, to be paid on or around May 12, 2023
- Raised full year 2023 cc<sup>1</sup> sales and core diluted EPS<sup>1</sup> outlook



# Q1 2023 Select financial highlights

## 3<sup>rd</sup> party sales



1Q23 **\$2,333M**

1Q22 **\$2,175M**

Sales of \$2.3B, up 7%, or 11% cc<sup>1</sup>

Surgical driven by consumables and equipment, partially offset by PCIOLs in South Korea

Vision Care reflects strength in contact lenses and eye drops, including acquired products

Favorable pricing in consumables, contact lenses and ocular health

~400 basis points (bps) negative impact from FX

## Core operating margin<sup>1</sup>



1Q23 **20.6%**

1Q22 **20.6%**

Operating margin of 11.5%, up 20 bps vs. 1Q22; up 170 bps cc<sup>1</sup>

Core operating margin (COM) of 20.6%, in-line with 1Q22; up 130 bps cc<sup>1</sup>

COM cc<sup>1</sup> growth reflects improved underlying operating leverage from higher sales and manufacturing efficiencies, partially offset by unfavorable PCIOL mix in South Korea and higher R&D

Negative ~130 bps impact from FX on COM

## Core diluted EPS<sup>1</sup>



1Q23 **\$0.70**

1Q22 **\$0.68**

1Q23 diluted EPS of \$0.35 up 3%, or 26% cc<sup>1</sup>

1Q23 core diluted EPS of \$0.70, up 3%, or 14% cc<sup>1</sup>

## Free cash flow<sup>1</sup>



1Q23 **(\$19M)**

1Q22 **(\$52M)**

1Q23 cash from operating activities (CfOA) of \$85M; reflects increased collections from higher sales, partially offset by FX, higher transformation payments, other operating expenditures, including increased R&D, and higher tax payments due to timing

1Q23 free cash flow (FCF) reflects higher CfOA, lower capex

FCF an outflow in both periods due to timing of annual bonus payment

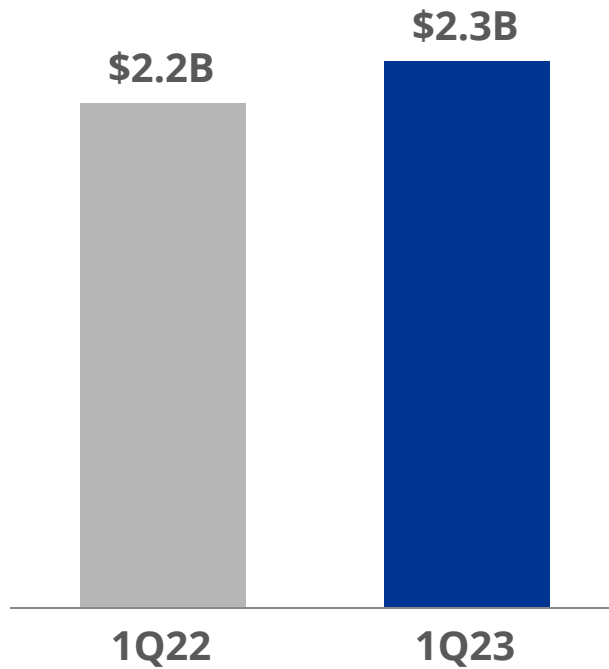
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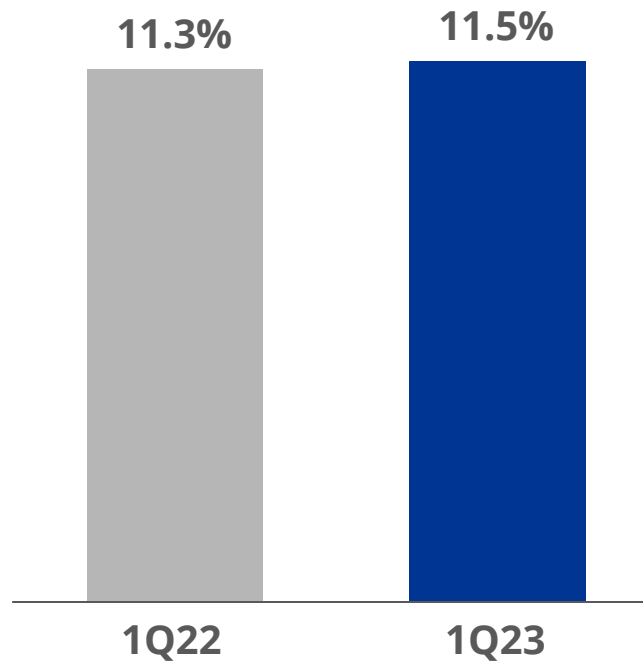
# Q1 2023 IFRS results

## Worldwide net sales



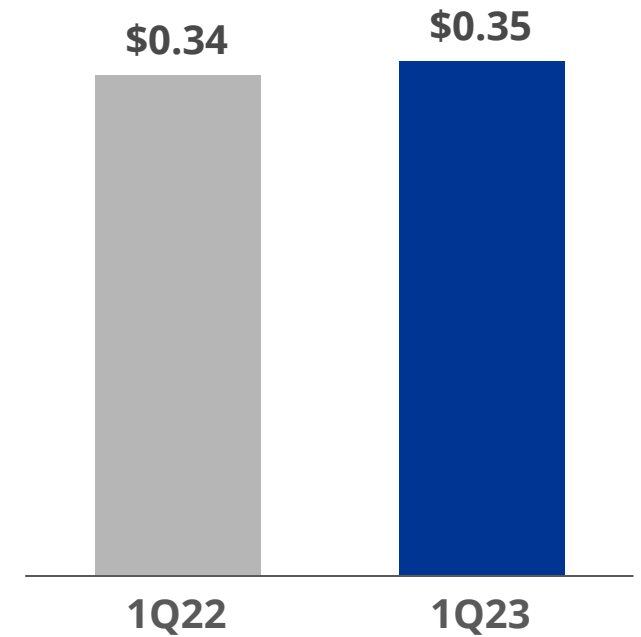
Y/Y change (USD): • +7%

## Operating margin



• +20 bps

## Diluted EPS

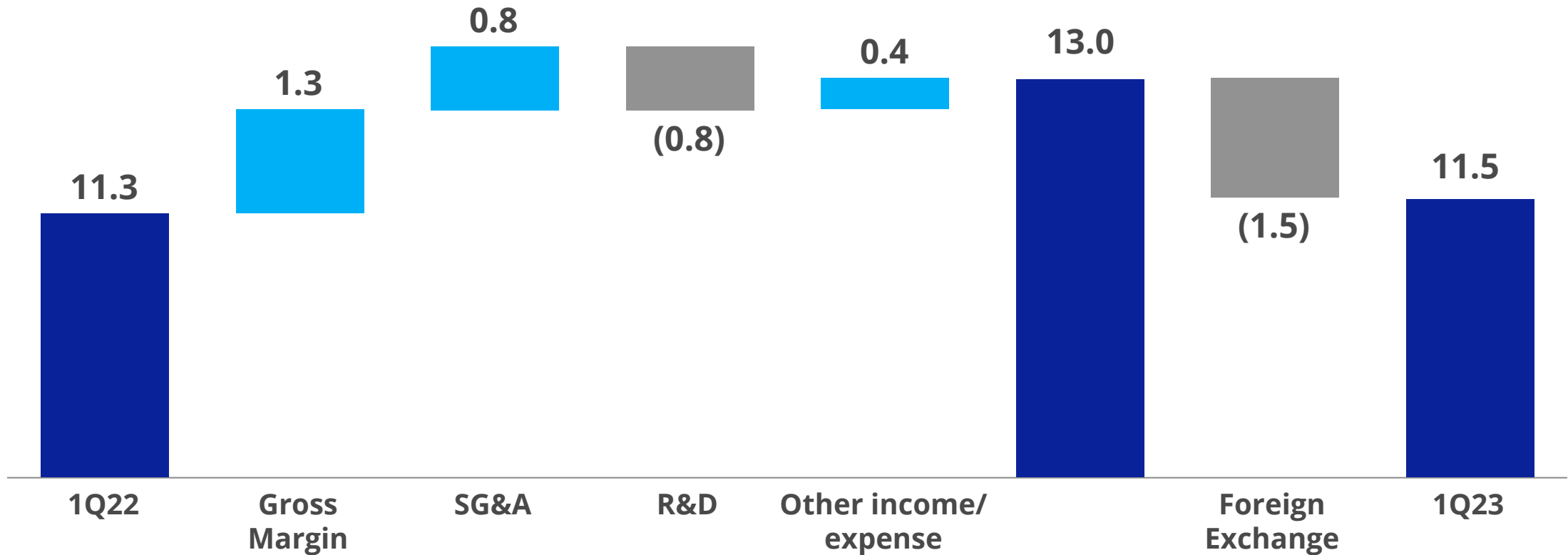


• +3%



# Q1 2023 IFRS operating margin bridge

1Q23 vs. 1Q22, % of net sales

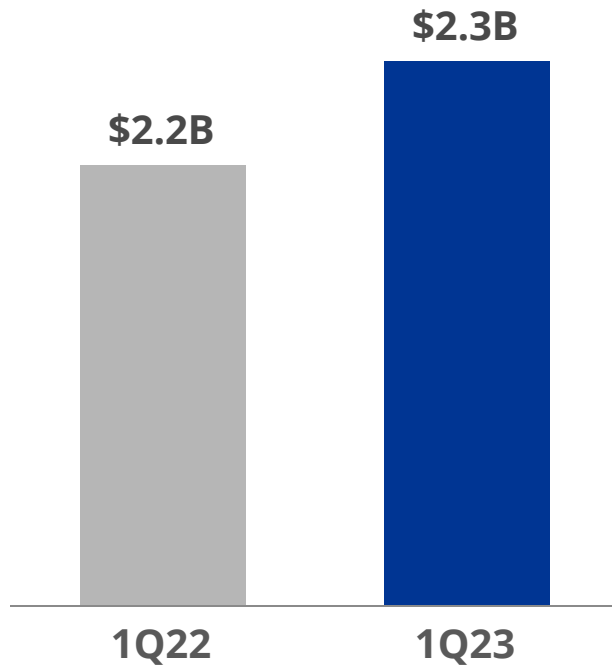


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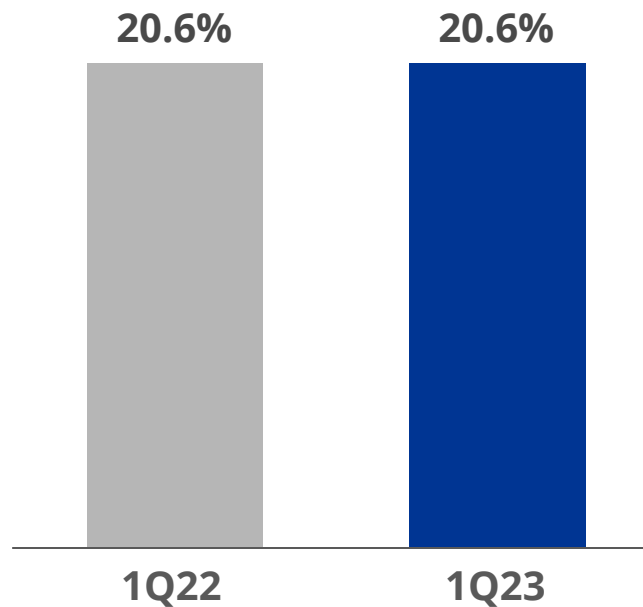
# Q1 2023 Core results<sup>1</sup>

## Worldwide net sales



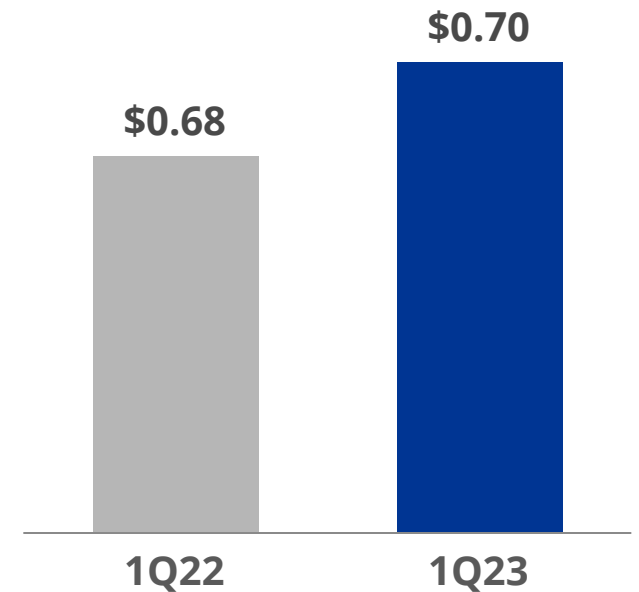
Y/Y change (cc): • +11%

## Core operating margin



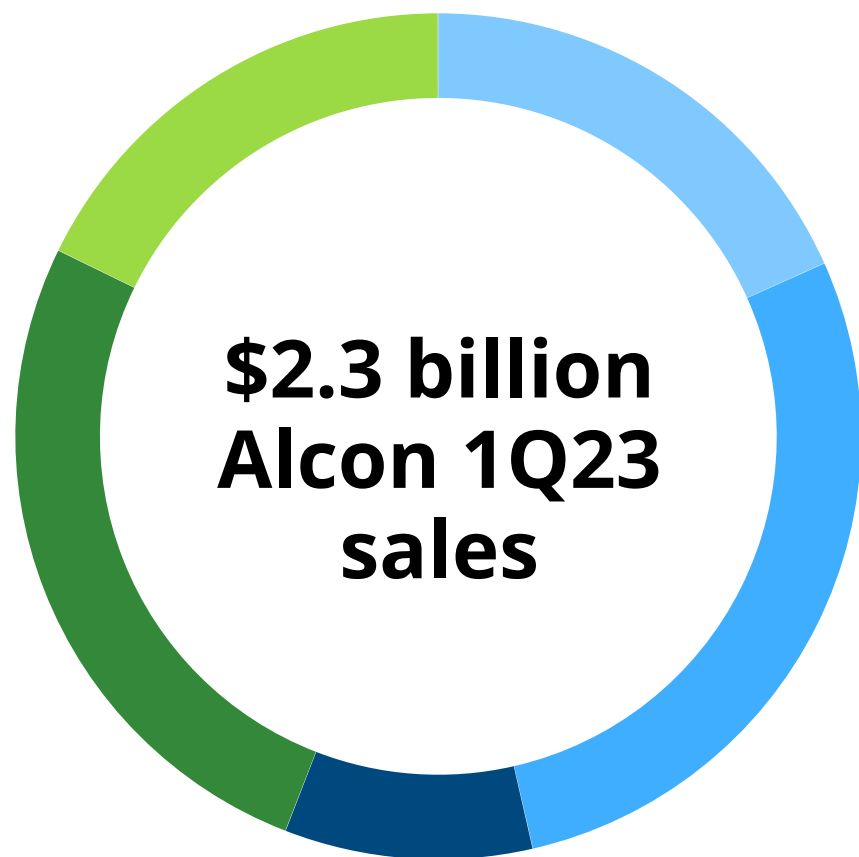
• +130 bps

## Core diluted EPS



• +14%

# Q1 2023 Product mix<sup>1</sup>



**\$2.3 billion  
Alcon 1Q23  
sales**

## Vision Care \$1.0B (44%)

### Ocular health (40%)

Dry eye products

Allergy eye drops

Steroid eye drops

Glaucoma eye drops

Contact lens care

### Contact lenses (60%)

Daily lenses

Reusable lenses

Cosmetic lenses

## Surgical \$1.3B (56%)

### Implantables (33%)

Monofocal IOLs

Advanced technology IOLs

Glaucoma implants

### Consumables (50%)

Dedicated consumables

Custom surgical packs

Procedural products

### Equipment/other (17%)

Cataract equipment

Retinal equipment

Refractive equipment

Diagnostics & visualization

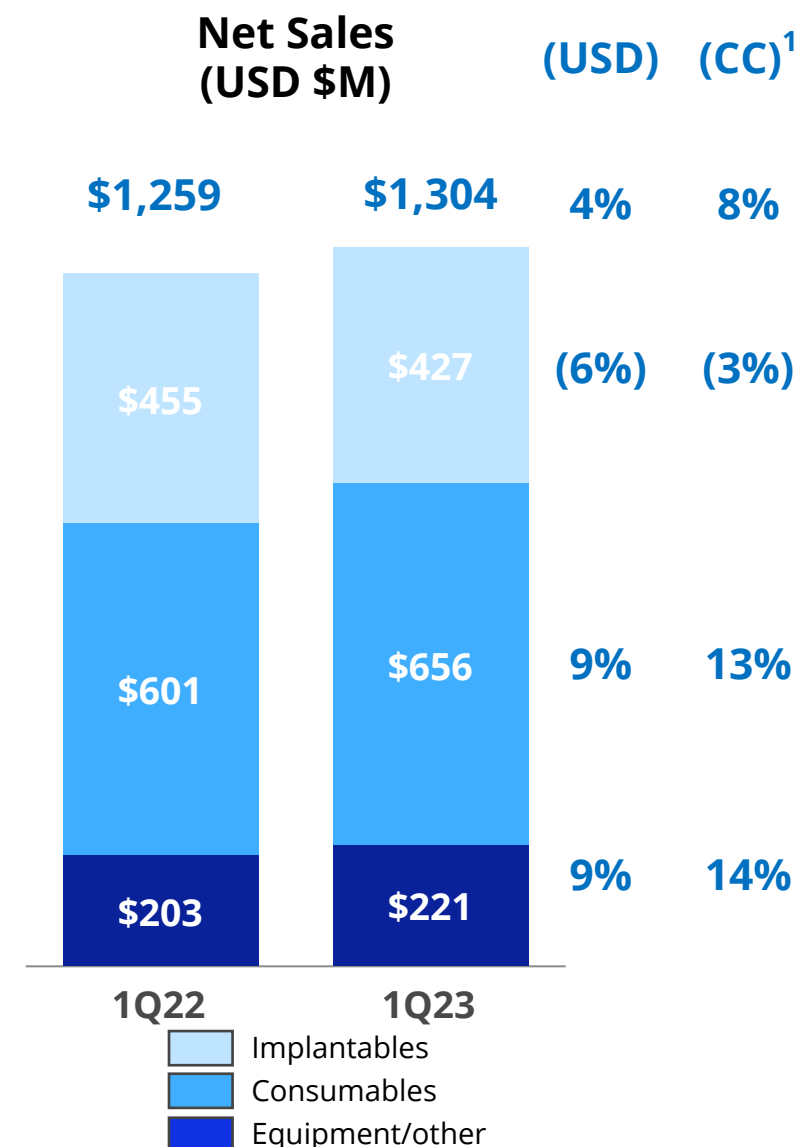
Equipment service

Procedural eye drops

# Q1 2023 Surgical

Surgical growth driven by strong consumables and equipment sales, partially offset by PCIOLs in South Korea

+	<ul style="list-style-type: none"> <li>• Increase in IOL sales across geographies (excl. South Korea); Implantables growth +5% USD y/y excl. South Korea</li> <li>• Global ATIOL penetration +90 bps y/y excl. South Korea; Continued ATIOL global and US market leadership</li> </ul>
+	<ul style="list-style-type: none"> <li>• Consumables growth reflects favorable market conditions across geographies and select price increases</li> <li>• Equipment sales reflect continued strong demand in international markets for cataract and vit-ret equipment</li> </ul>
-	<ul style="list-style-type: none"> <li>• \$47M decrease in Implantables sales from PCIOL sales in South Korea following a reimbursement change that took effect April 1, 2022</li> <li>• ~400 bps of negative impact from FX on Surgical sales growth</li> </ul>

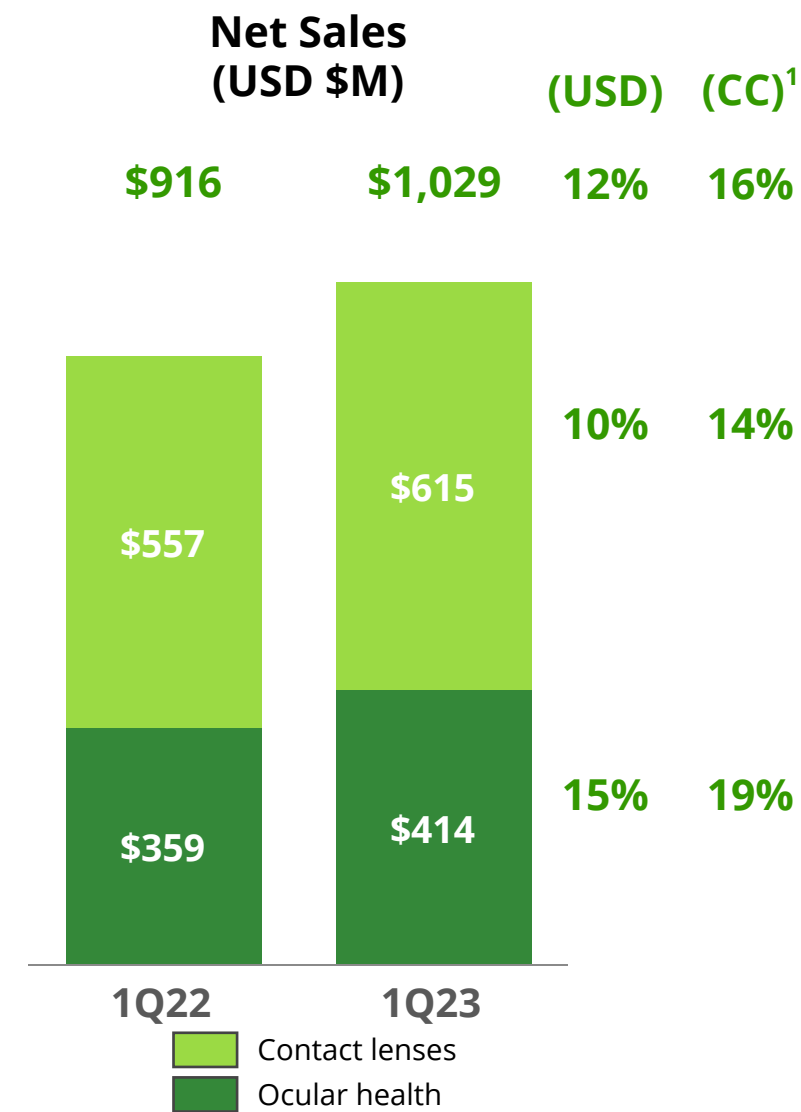




# Q1 2023 Vision Care

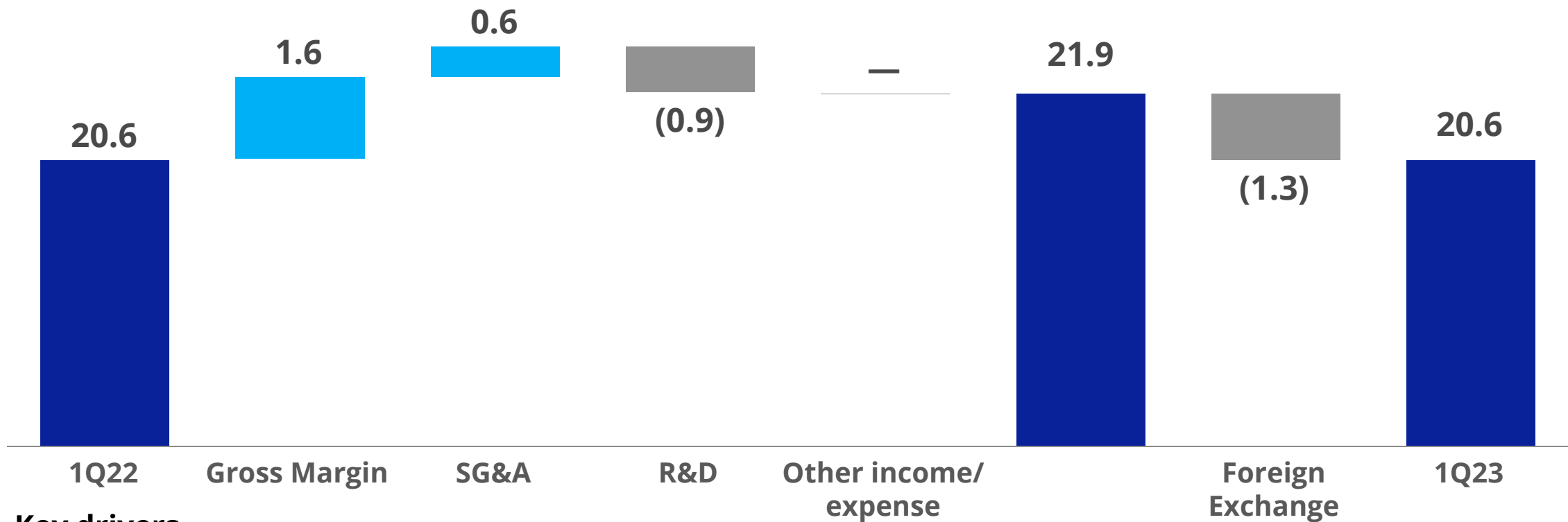
Double-digit Vision Care growth reflects strength in contact lenses and eye drops, including acquired products

- +
  - Solid global contact lens market growth
  - ALC above-market growth, particularly in US, with silicone hydrogel contact lenses, including *Precision1* and *Total* product families
  - Price increases across the contact lens portfolio
- +
  - Strong demand for portfolio of eye drops, including *Rocklatan* and *Rhopressa*; approximately 5 percentage points of growth contribution to Vision Care from products acquired in 2022
  - Price increases across the over-the-counter portfolio, including *Systane*
- - ~400 bps of negative impact from FX on Vision Care sales growth



# Q1 2023 Core operating margin<sup>1</sup> bridge

1Q23 vs. 1Q22, % of net sales



## Key drivers

- Improved underlying operating leverage from higher sales and manufacturing efficiencies, offset by unfavorable product mix from lower PCIOL sales in South Korea and increased R&D
- Negative 130 bps impact from currency

# Q1 2023 Cash flow and balance sheet highlights

## Cash and cash equivalents **\$889 million**

1Q23 cash flows from operations \$85 million

1Q23 free cash flow<sup>1</sup> (\$19) million

## Capex **\$104 million**

Investments in new contact lens manufacturing capacity

## Debt **\$4.7 billion**

No financial covenants

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# FY 2023 Outlook

2023 outlook	as of February	as of May	Comments vs. February
Net sales (USD)	\$9.2 to \$9.4 billion	\$9.2 to \$9.4 billion	Maintain
Change vs. prior year (cc) <sup>1</sup>	+6% to +8%	+7% to +9%	Increase
Core operating margin <sup>1</sup>	19.5% to 20.5%	19.5% to 20.5%	Maintain
Interest expense and OFI&E <sup>2</sup>	\$260 to \$280 million	\$245 to \$255 million	Decrease
Core effective tax rate <sup>3</sup>	17% to 19%	17% to 19%	Maintain
Core diluted EPS <sup>1</sup>	\$2.55 to \$2.65	\$2.55 to \$2.65	Trending toward high end of range
Change vs. prior year (cc) <sup>1</sup>	+16% to +20%	+20% to +24%	Increase

## Assumptions:

- Markets grow at or slightly below historical averages in the second half of the year
- Exchange rates as of mid-April 2023 prevail through year-end
- Inflation and supply chain challenges continue through 2023
- Approximately 497 million weighted-averaged diluted shares



# Appendix



# Appendix: Non-IFRS measures as defined by the Company

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These supplemental non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These supplemental non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

## Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss ("FVPL"), fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, and certain acquisition related items. The following items that exceed a threshold of \$10 million and are deemed exceptional are also excluded from core results: integration and divestment related income and expenses, divestment gains and losses, restructuring charges/releases and related items, legal related items, gains/losses on early extinguishment of debt or debt modifications, past service costs for post-employment benefit plans, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

Taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions.

Alcon believes that investor understanding of its performance is enhanced by disclosing core measures of performance because, since they exclude items that can vary significantly from period to period, the core measures enable a helpful comparison of business performance across periods. For this same reason, Alcon uses these core measures in addition to IFRS and other measures as important factors in assessing its performance.

A limitation of the core measures is that they provide a view of Alcon operations without including all events during a period, such as the effects of an acquisition, divestment, or amortization/impairments of purchased intangible assets and restructurings.

## Constant currencies

Changes in the relative values of non-US currencies to the US dollar can affect Alcon's financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, we present information about changes in our net sales and various values relating to operating and net income that are adjusted for such foreign currency effects. Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate can be made of underlying changes in the Consolidated Income Statement excluding (i) the impact of translating the income statements of consolidated entities from their non-US dollar functional currencies to the US dollar and (ii) the impact of exchange rate movements on the major transactions of consolidated entities performed in currencies other than their functional currency. Alcon calculates constant currency measures by translating the current year's foreign currency values for sales and other income statement items into US dollars, using the average exchange rates from the historical comparative period and comparing them to the values from the historical comparative period in US dollars.

## Free cash flow

Alcon defines free cash flow as net cash flows from operating activities less cash flow associated with the purchase or sale of property, plant and equipment. Free cash flow is presented as additional information because Alcon management believes it is a useful supplemental indicator of Alcon's ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS.

## Reconciliation of guidance for forward-looking non-IFRS measures

The forward-looking guidance included in this presentation cannot be reconciled to the comparable IFRS measures without unreasonable efforts, because we are not able to predict with reasonable certainty the ultimate amount or nature of exceptional items in the fiscal year. These items are uncertain, depend on many factors and could have a material impact on our IFRS results for the guidance period.

# Reconciliation of IFRS results to core results

Three months ended March 31, 2023

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Transformation costs <sup>(2)</sup>	Other items <sup>(4)</sup>	Core results
<b>Gross profit</b>	<b>1,305</b>	<b>169</b>	<b>—</b>	<b>4</b>	<b>1,478</b>
<b>Operating income</b>	<b>268</b>	<b>173</b>	<b>26</b>	<b>13</b>	<b>480</b>
<b>Income before taxes</b>	<b>213</b>	<b>173</b>	<b>26</b>	<b>13</b>	<b>425</b>
Taxes <sup>(5)</sup>	(39)	(31)	(5)	(3)	(78)
<b>Net income</b>	<b>174</b>	<b>142</b>	<b>21</b>	<b>10</b>	<b>347</b>
Basic earnings per share (\$)	0.35				0.70
Diluted earnings per share (\$)	0.35				0.70
Basic - weighted average shares outstanding (millions) <sup>(6)</sup>	492.4				492.4
Diluted - weighted average shares outstanding (millions) <sup>(6)</sup>	495.5				495.5

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

# Reconciliation of IFRS results to core results

Three months ended March 31, 2022

(\$ millions except earnings per share)	IFRS results	Amortization of certain intangible assets <sup>(1)</sup>	Transformation costs <sup>(2)</sup>	Legal Items <sup>(3)</sup>	Other items <sup>(4)</sup>	Core results
<b>Gross profit</b>	<b>1,208</b>	<b>140</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>1,357</b>
<b>Operating income</b>	<b>246</b>	<b>146</b>	<b>15</b>	<b>20</b>	<b>21</b>	<b>448</b>
<b>Income before taxes</b>	<b>200</b>	<b>146</b>	<b>15</b>	<b>20</b>	<b>21</b>	<b>402</b>
Taxes <sup>(5)</sup>	(32)	(25)	(2)	(5)	—	(64)
<b>Net income</b>	<b>168</b>	<b>121</b>	<b>13</b>	<b>15</b>	<b>21</b>	<b>338</b>
Basic earnings per share (\$)	0.34					0.69
Diluted earnings per share (\$)	0.34					0.68
Basic - weighted average shares outstanding (millions) <sup>(6)</sup>	490.9					490.9
Diluted - weighted average shares outstanding (millions) <sup>(6)</sup>	494.0					494.0

Refer to the associated explanatory footnotes at the end of the 'Reconciliation of IFRS results to core results' tables.

# Reconciliation of IFRS results to core results

## Explanatory footnotes to IFRS to core reconciliation tables

- (1) Includes recurring amortization for all intangible assets other than software.
- (2) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.
- (3) Includes a provision for a legal settlement.
- (4) For the three months ended March 31, 2023, Gross profit includes the amortization of inventory fair value adjustments related to a recent acquisition. Operating income also includes integration related expenses for a recent acquisition and fair value adjustments of financial assets.  
  
For the three months ended March 31, 2022, Gross profit includes charges related to the conflict in Ukraine and amortization of inventory fair value adjustments related to an acquisition. Operating income also includes charges related to the conflict in Ukraine, integration related expenses and fair value adjustments of financial assets.
- (5) For the three months ended March 31, 2023, tax associated with operating income core adjustments of \$212 million totaled \$39 million with an average tax rate of 18.4%.  
  
For the three months ended March 31, 2022, total tax adjustments of \$32 million include tax associated with operating income core adjustments, partially offset by discrete tax items. Tax associated with operating income core adjustments of \$202 million totaled \$35 million with an average tax rate of 17.3%.
- (6) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares associated with unvested equity-based awards as described in Note 4 to the Condensed Consolidated Interim Financial Statements.



# Reconciliation of free cash flow

The following is a summary of free cash flow for the three months ended March 31, 2023 and 2022, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	2023	2022
<b>Net cash flows from operating activities</b>	<b>85</b>	<b>66</b>
Purchase of property, plant & equipment	(104)	(118)
<b>Free cash flow</b>	<b>(19)</b>	<b>(52)</b>

**Alcon**

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