

Elanco



Animal Health

August 20, 2019

Elanco to Acquire Bayer's Animal Health Business

Forward-Looking Statements

This presentation contains management's statements that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The words "estimate", "seek", "intend", "expect", "believe", "target", "anticipate", "plan" and similar expressions are intended to identify forward-looking statements. Actual results may differ materially due to various factors. Any statements that are not statements of historical fact should be considered to be forward-looking statements, including statements regarding the expected closing date of the transaction, expected cost synergies and earnings accretion, expected financing sources for the transaction and the ability of Elanco to integrate the businesses successfully. Any such forward-looking statements are made based on information currently known and are subject to various risks and uncertainties.

Risks and uncertainties to which these forward-looking statements are subject include, without limitation: (1) the proposed transaction may not be completed on the anticipated terms and timing or at all, (2) required regulatory approvals, including antitrust approvals, are not obtained, or that in order to obtain such regulatory approvals, conditions are imposed that adversely affect the anticipated benefits from the proposed transaction or cause the parties to abandon the proposed transaction, (3) a condition to closing of the proposed transaction may not be satisfied, (4) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transactions, (5) the ability to obtain or consummate financing or refinancing related to the transaction upon acceptable terms or at all, (6) risks associated with third party contracts containing consent and/or other provisions that may be triggered by the proposed transaction, (7) negative effects of the announcement or the consummation of the transaction on the market price of Elanco's common stock, (8) the potential impact of unforeseen liabilities, future capital expenditures, revenues, expenses, earnings, synergies, economic performance, indebtedness, financial condition and losses on the future prospects, business and management strategies for the management, expansion and growth of Elanco's operations after the consummation of the transaction and on the other conditions to the completion of the proposed transaction, (9) the risks and costs associated with, and the ability of Elanco to, integrate the businesses successfully and to achieve anticipated synergies, (10) the risk that disruptions from the proposed transaction will harm Elanco's business, including current plans and operations, (11) the ability of Elanco to retain and hire key personnel and (12) management's response to any of the aforementioned factors.

For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please refer to Elanco's most recent Annual Report on Form 10-K and other SEC filings. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation. Except as is required by law, Elanco expressly disclaims any obligation to publicly release any revisions to forward-looking statements to reflect events after the date of this presentation.

Strengthens and Accelerates IPP Strategy

Continues growth and innovation, accelerates margins



Portfolio: Doubles Pet Business & Balances Mix, Enhances Emerging Markets, Grows Cattle Business



Productivity: Accelerates Reaching GM (60%) and Adj. EBITDA Margin (31%) Goals, Significant Synergy



Innovation: Expands Pipeline, Adds Technology, Builds Scale, Access to Bayer R&D¹



Leadership: Creates #2 Animal Health Company²

Omnichannel Pet Market
Portfolio Innovator

Vet and Pet Owner Focus
Antibiotic Alternatives

Value Creation³

Revenue Growth⁴: Mid-single digit

Adj. EBITDA Growth⁴: Double digit

Adj. EPS⁵: Accretive in Yr 1; High single to low double digit accretive in Yr 2

Synergies: \$275-300mm

Leverage⁶: ~5x at close to <3x in Yr 2

Operating Cash Flow: ~\$1B in Yr 2

Transaction positions Elanco to capitalize on trends shaping the industry.



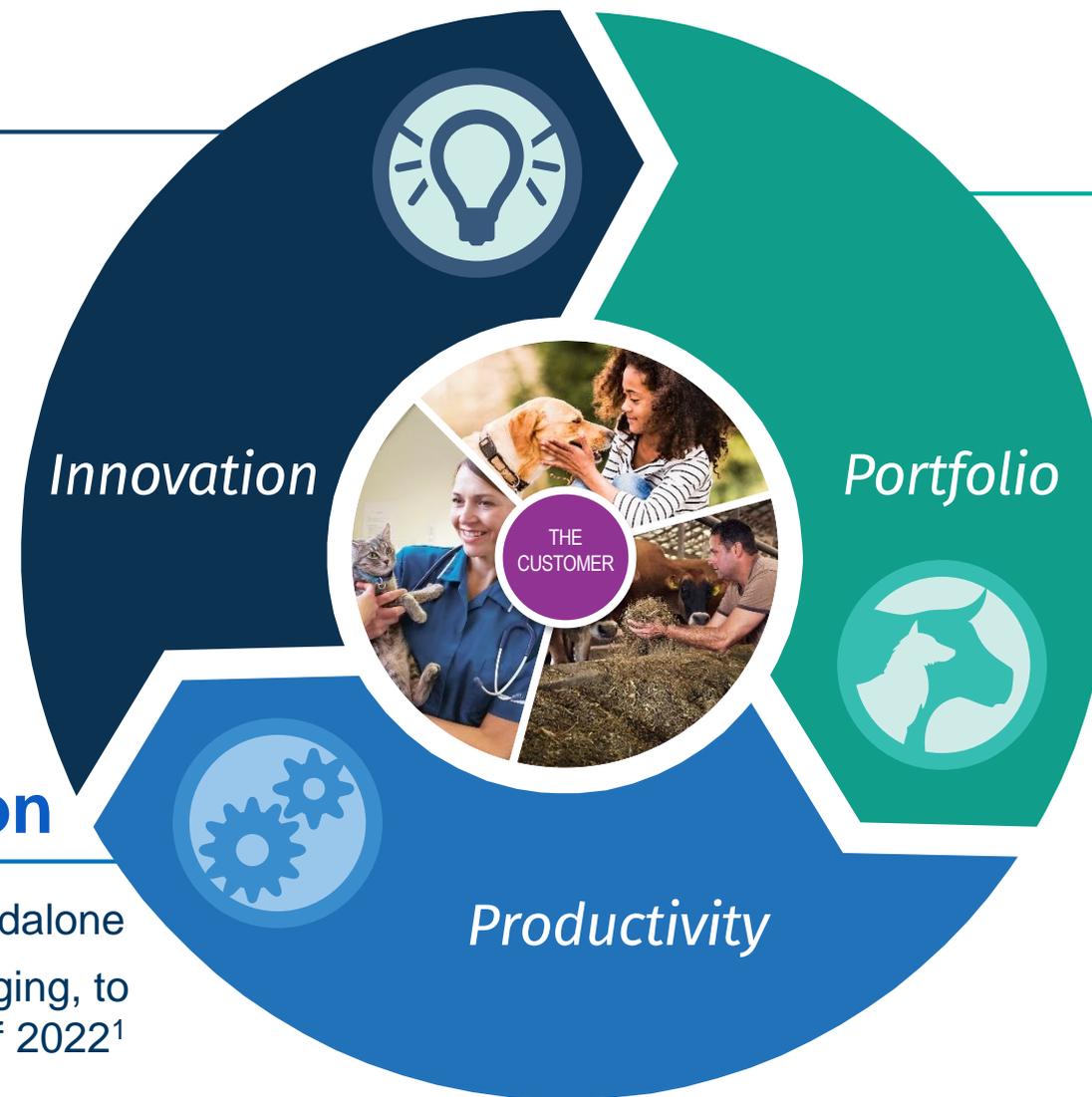
Acquisition Accelerates Our IPP Strategy

Expands Innovation

- 8 key projects in development and 30+ lifecycle projects
- R&D Capabilities: Parasiticides, Dairy, complementary delivery technologies
- Investment scale to drive internal and external innovation
- Certain access rights to Bayer's CropScience R&D pipeline and de-prioritized clinical Pharma assets

Accelerates Margin Expansion

- 60%+ GM and 31%+ Adj. EBITDA ahead of standalone
- Strong cash flow generation to support deleveraging, to less than 3x gross debt to Adj. EBITDA by end of 2022¹
- \$275-\$300mm run-rate cost synergies
- Adj. EPS high single / low double-digit accretion in second year post-close
- Leverage independent stand up efforts to accelerate margin enhancement



Transforms Portfolio

- Doubles pet portfolio, balances mix, increases international positioning and scale
- Adds Seresto, a top 5 AH brand, one of the fastest growing consumer pet products
- Adds Industry-leading e-commerce/retail capabilities
- Strengthens Elanco's ability to compete across all channels
- Expands Portfolio and Food Animal channel opportunities (e.g., 4 new anchor cattle brands, bio-protection, warm water aqua)
- Increases Companion Animal (CA) presence in key markets (e.g, launching CA portfolio in China)

¹ Assumes transaction close mid-2020 subject to customary conditions and receipt of regulatory clearance.

Transaction Financial Summary

Purchase Price

- Transaction enterprise value of \$7.6 billion¹
- 70% cash and 30% stock to Bayer

Financing Structure

- Committed financing for the cash consideration
- Purchase price financed by:
 - \$2.3bn in Elanco shares issued to Bayer, subject to a 7.5% symmetrical collar centered on \$33.60² (~68 million shares at the midpoint of the collar)
 - \$5.3 billion in cash consideration³ funded with debt and equity

Expected Synergies

- Run-rate cost synergies of \$275mm to \$300mm by 2025, coupled with one-time costs to achieve
- Revenue synergies through combining core capabilities

EPS Accretion

- Mid-single digit % expected in first full fiscal year post-close
- High single / low double-digit % expected in 2022

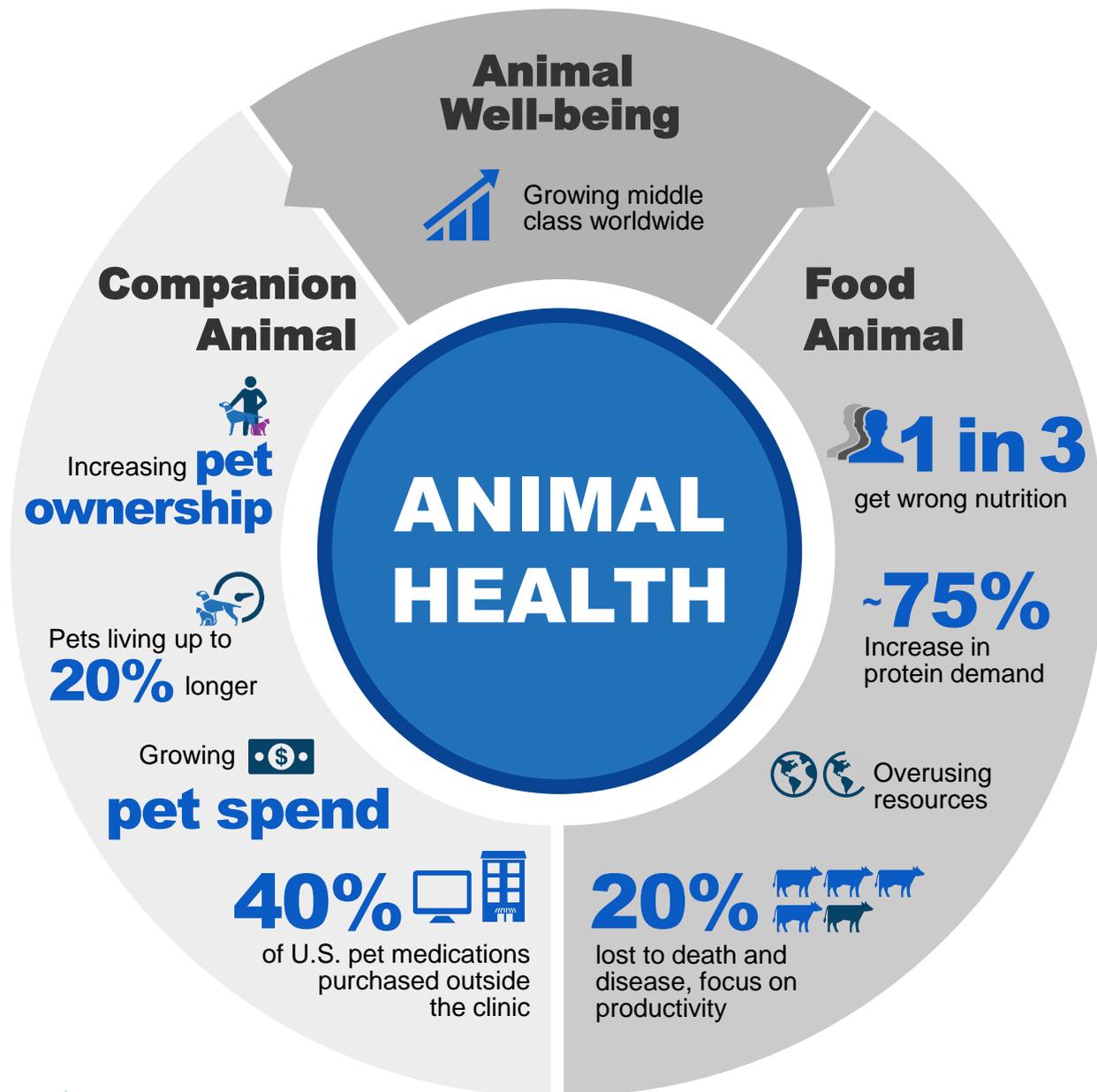
Anticipated Closing

- Transaction expected to close in mid-2020⁴

¹ Based on \$5.32bn cash consideration and \$2.28bn stock consideration, each subject to adjustments as set forth in the purchase agreement. ² Elanco's volume weighted average share price for the 30 trading days ended 06-Aug-2019. ³ Subject to customary purchase price adjustments. ⁴ Subject to customary conditions and receipt of regulatory clearance.

Positions Elanco to Capitalize on Trends Shaping Industry

CORE TRENDS



EMERGING COMPANION ANIMAL TRENDS

Pet owners making more **pet care decisions** ... while vet relationships remain central to pet health

~15% **e-commerce growth in U.S.** ... omnichannel presence will be a differentiator

Highest growth in **emerging markets** ... global and local leadership imperative

Need for **improved access and affordability** of care

Significant **innovation ecosystem evolution**

EMERGING FOOD ANIMAL TRENDS

Emerging markets driving protein growth

Growth from **nutritional alternatives**

Increasing focus on **bioprotection**

Significant **innovation ecosystem evolution**

The Combination At A Glance



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Bringing Together a Legacy of Leadership

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Animal Health

2018 Revenue	\$ 3.1bn	\$ 1.7bn¹
2018 Gross Margin	50%	64%
2018 Adj. EBITDA Margin	21%	23%
Headquarters	Greenfield, IN	Monheim, Germany
Countries with Presence	~ 50	~ 60
Key Brands	125	100+
Years in Industry	65	100+
R&D Sites	9	4
Manufacturing Sites	12	9
Number of Employees	~ 5,800	~ 4,250

Key Areas of Leadership



Portfolio Innovator



Long-standing Vet Relationships



Recognized Pet and FA Brands



Online and Retail Pioneer

Doubles Pet Portfolio, Balances Mix, Increases Scale

NORTH AMERICA

Leading Position in CA Alternative Channels

Food Animal (FA)

Companion Animal (CA)



INTERNATIONAL

More than doubles CA International scale with immediate footprint in China

Strengthens European CA Parasiticides business

Enhances FA presence in Japan, Mexico, China and Rest of World



TOTAL

Doubles CA revenue from ~\$1bn to ~\$2bn
Diversifies geographic mix



Note: Figures above represent 2018A revenue in billions USD. Converted to USD using spot EUR/USD exchange rate as of 16-Aug-2019. International includes other revenue of \$26mm for Bayer Animal Health and Aqua revenue for Elanco. Total revenue excludes strategic exits for Elanco. International includes EMEA, LATAM, APAC and other global regions. Total sum may not add due to rounding.

Accelerating Our Innovation, Portfolio and Productivity Strategy



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Combines Veterinary Strength with E-Commerce & Retail Leadership

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~15% annual growth in U.S. e-commerce sales

Gain access to 1/3 of U.S. pet owners who do not visit the vet

Meet pet owners where they choose to shop

Bridge pet owners to vet through online capability creating improved care

Blending core capabilities to offer omnichannel relevance and improved access



Combined

Bayer's Portfolio Combines Established Durable Brands with Recently Launched Growth Drivers and Potential Pipeline Opportunities

Portfolio



	Growth Products	Established Brands	R&D Pipeline	R&D Platforms
Companion Animals	 	 	<p>Significant pipeline opportunities</p> <p>8 Key Projects</p>	<p>Parasiticide & formulation / delivery capabilities</p>
Cattle		 	<p>30+ LCM¹ and continuous line extensions</p>	<p>Focused dairy capabilities</p>
Swine	<p>High-growth local brands in International markets</p>	 	<p>Geographic focus with regional / local opportunities</p>	<p>Research efforts in immune modulation & exploring emerging vaccine platform</p>
Poultry				

Access to Bayer R&D²

¹ LCM = Life Cycle Management. ² Certain access rights to Bayer's CropScience R&D pipeline and de-prioritized clinical Pharma assets.

“OUTSIDE THE VET”

Largely Bayer Portfolio

“OUTSIDE THE PET”
(TOPICALS / COLLAR)

Flea/Tick



“INSIDE THE PET”
(ORALS / INJECTIONS)

Flea/Tick



COMPLEMENTARY
PORTFOLIO ACROSS
MODES AND
CHANNELS

\$5.2B global market
6.4% CAGR¹

Combo



(imidacloprid+moxidectin)

Combo



Worms



Worms



Flea/Tick



Portfolio



Largely Elanco Portfolio

VET PRESCRIBED

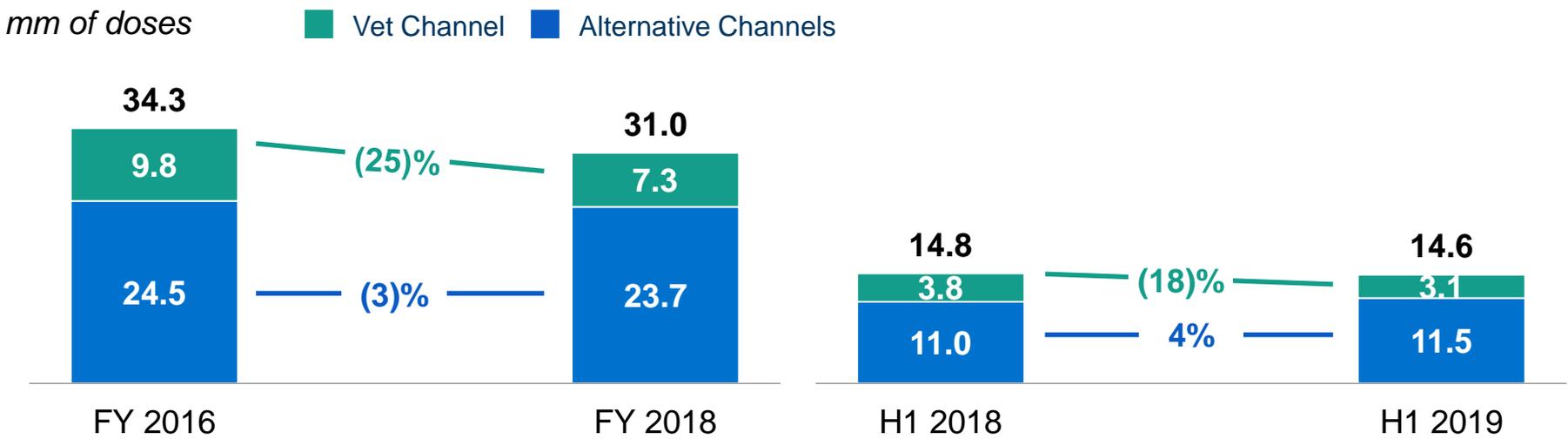
Elanco expands leadership into multiple sales channels, with a diversified product portfolio.

¹ Vetnosis: Compound Annual Growth Rate 2019 to 2025

Advantage Family¹: Growth in International Markets, with Stabilization in North America and Europe

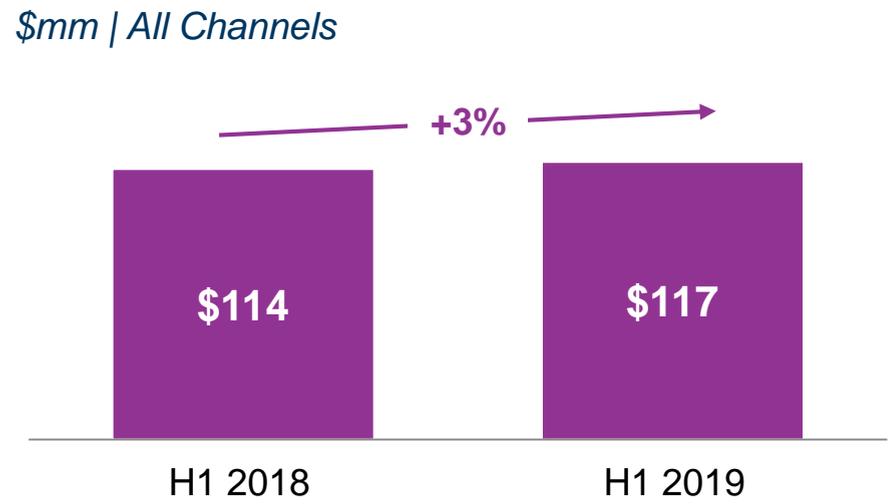


US Dosage Analysis



- **Strong alternative channels presence buffered Advantage Family against entrance of orals, despite erosion of topicals market share**
- **~75% doses lost in last three years were from vet channel**
- **Overall Advantage family demand rests on a large and stable alternative channels base; ~80% of doses**

Europe & International Revenue²



- **China: >60% increase from successful launch of Advantage & Advocate e-commerce entry**
- **Growth in China balances declines in some European markets; signs of stabilization**

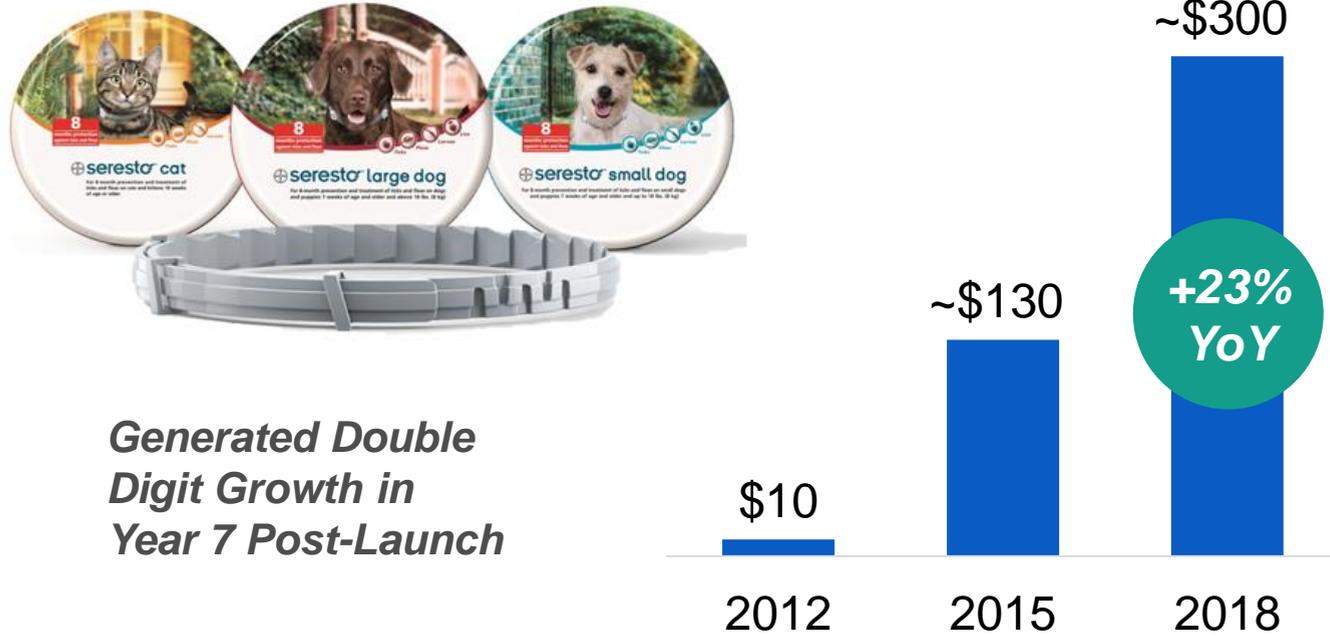
The Advantage Family: One of Industry's Most Recognizable Brands; Further Growth Opportunities: Cats, Alternative Channels and Emerging Markets

¹Advantage Family includes Advantage, Advantix and Advocate brands. ² Represents revenue converted to USD using spot EUR/USD exchange rate as of 16-Aug-2019.



Seresto: \$300mm Revenue, #2 Fastest Growing Blockbuster in AH Industry

Seresto Sales in \$mm¹



Generated Double Digit Growth in Year 7 Post-Launch

Unique 8-month collar delivery for reliable and easy to use prevention and treatment for flea and tick for both Dogs and Cats

Reached ~\$300mm in 2018 with significant continued momentum

7 years of double digit growth trajectory in highly competitive parasiticides space

Significant growth headroom:
1/3 of pet owners in U.S. still unaware

Loyal and growing customer base:
~90%+ current users would re-buy

Omnichannel availability:
#1 on Amazon, Expansion to mass retail

International growth opportunity,
including recent China launch

Unique technology platform,
with addl. line extension opportunities

Seresto: Significant Blockbuster with continued growth potential, complements current portfolio

¹ Represents revenue converted to USD using spot EUR/USD exchange rate as of 16-Aug-2019.



Taking Leadership Across Channels

ALTERNATIVE CHANNELS LEADER FOR COMPANION PARASITICIDES



- ✓ First mover and alternative channel leadership position

- ✓ Portfolio with key brands including Advantage family and Seresto

- ✓ Dedicated channel management

FIRST MOVER IN E-COMMERCE



Amazon Rating ★★★★★

- ✓ Key brands have top presence on Amazon, with more than 3x as many reviews as competitors

- ✓ Structured approach for e-commerce expansion and scale

LEADING DIGITAL AND DTC MARKETING



- ✓ Diverse teams with DTC experience

- ✓ Deep customer understanding

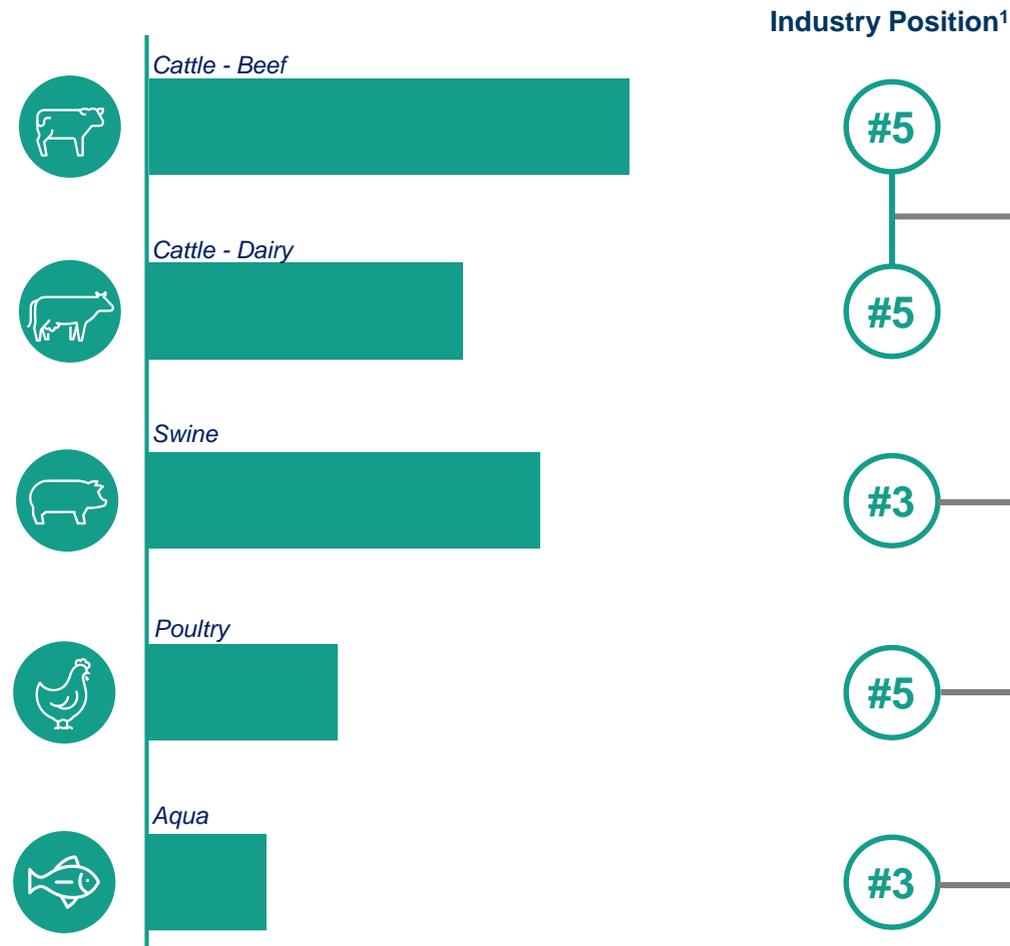
- ✓ Established infrastructure and data capture capabilities

E-commerce and digital sales growing at ~15% as pet owners shift where they learn about and purchase pet products

Bayer Animal Health Leads in Attractive Value Segments Across Range of Health Challenges



Relative Sales and Global Industry Rank by Key Species (2018A)



Leading Positions in Sub-Segments and Geographies (2018A)

Sub-Segment/Geography	Segment Size ¹
Ecto Parasiticides	~\$220mm
Ketosis control	~\$110mm
Mexico (Cattle overall)	~\$165mm
~50% of sales from segments with Leading Positions	
Coccidiosis control	~\$55mm
Injectable Antibiotics	~\$275mm
China	~\$1,220mm
~65% of sales from segments with Leading Positions	
First in ovo-Immunistimulant in the industry with Victrio	n.a.
in Pond aquaculture (Shrimp)	~\$500mm
in China and Vietnam Shrimp	~\$275mm
~80% of sales from segments with Leading Positions	

High-growth local brands drive **\$325M international sales**

Long-established brands with premium positions

Strength in **high-growth emerging economies**

Sustainable, attractive margins

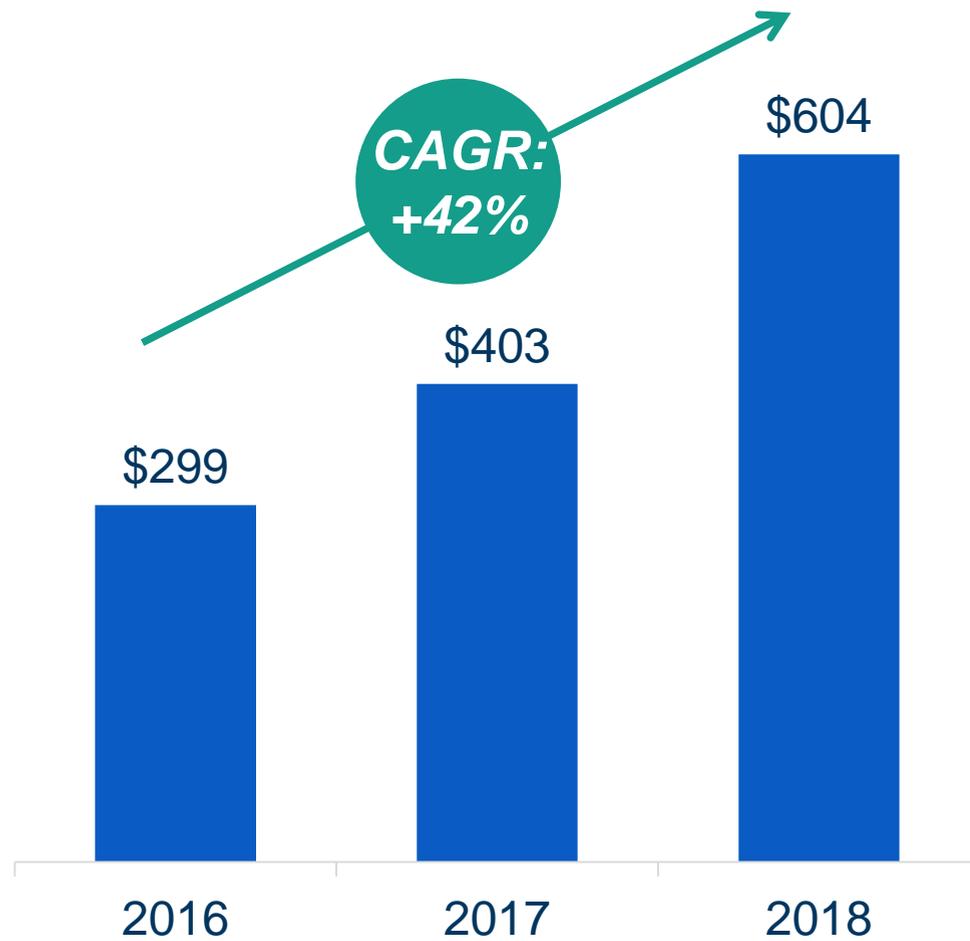
Source: Vetnosis, Bayer competitive intelligence and company information. ¹ Excludes Vaccines.



Expands Growth Portfolio & Development Projects

REVENUE COMBINED GROWTH ASSETS¹

(\$ in millions)



17 GROWTH PORTFOLIO

CA

(milbemycin oxime/praziquantel)

(lotilaner)

(grapiprant tablets)

(lorfenicol-terbinafine-betamethasone acetate)

(florfenicol, terbinafine, mometasone furoate)
Otic Solution

+

FA

Elanco

Elanco

Elanco

Elanco

more control, less effort

Easy | Efficient | Economic

50+ DEVELOPMENT PROJECTS

- Aligned with established platforms
- Within 1 to 5 years of approval
- Inclusive of recent Elanco acquisitions



Expands Innovation



Development pipeline with 8 key projects and 30+ lifecycle management projects



Strengthens R&D Capabilities, particularly in parasiticides and dairy



Complementary delivery technologies and approaches (topical/collar/sterile injection/chewable)



Access to Bayer Crop Science R&D and deprioritized Pharma assets



Recent R&D Collaborations provide access to emerging platforms, e.g. Adivo for monoclonal antibodies

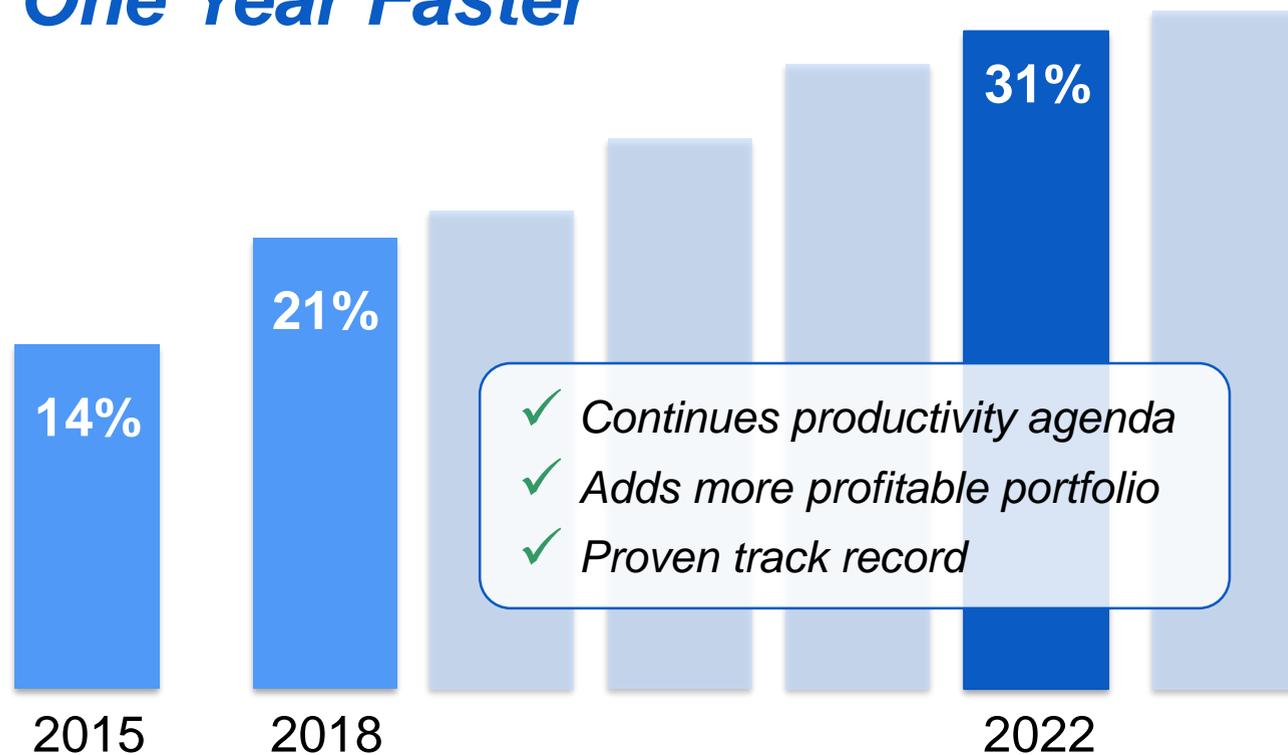


Investment scale to drive internal and external innovation of the new combined company



Improves Elanco's Margin Expansion Trajectory

Anticipated Delivery of 1,000 bps of Adj. EBITDA Margin Expansion One Year Faster



Identified cost synergies: \$275 – \$300mm

Key Areas of Identified Synergies

Value chain, footprint and product mix optimized across geographies to drive long term cost efficiencies

Manufacturing and R&D streamlining

Portfolio optimization

Value & scale in alternative channels

Leverage independent Elanco network

Elanco has an established track record of creating value through M&A, integrating large acquisitions successfully and delivering on synergies.

Compelling Value Proposition for Shareholders

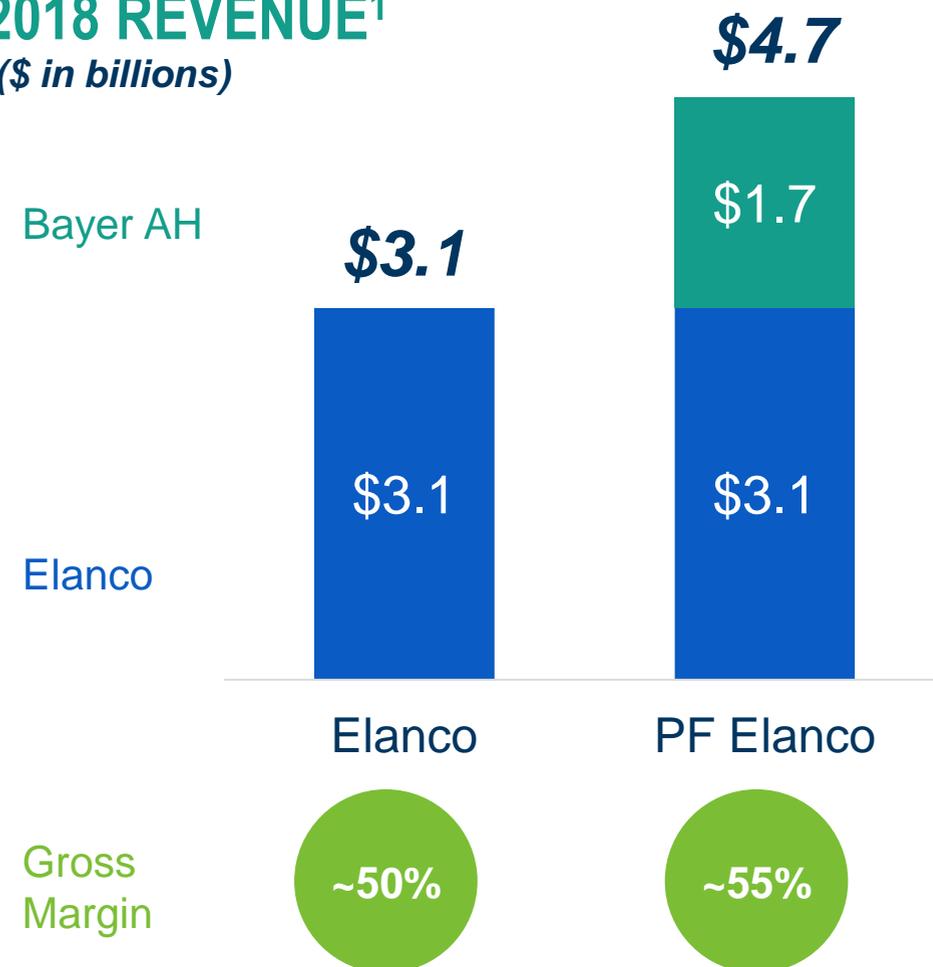
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Key Components of Growth Agenda

2018 REVENUE¹ (\$ in billions)



COMPONENTS OF MID-SINGLE DIGIT GROWTH

- Seresto's Continued Leadership and Growth ▲▲
- Growth of FA Products in Emerging Markets ▲
- Pipeline Value from 8 Key Projects and 30 Life Cycle Management Opportunities ▲
- Incremental Channel Expansion Opportunity ▲
- Stabilization within Advantage Family ■

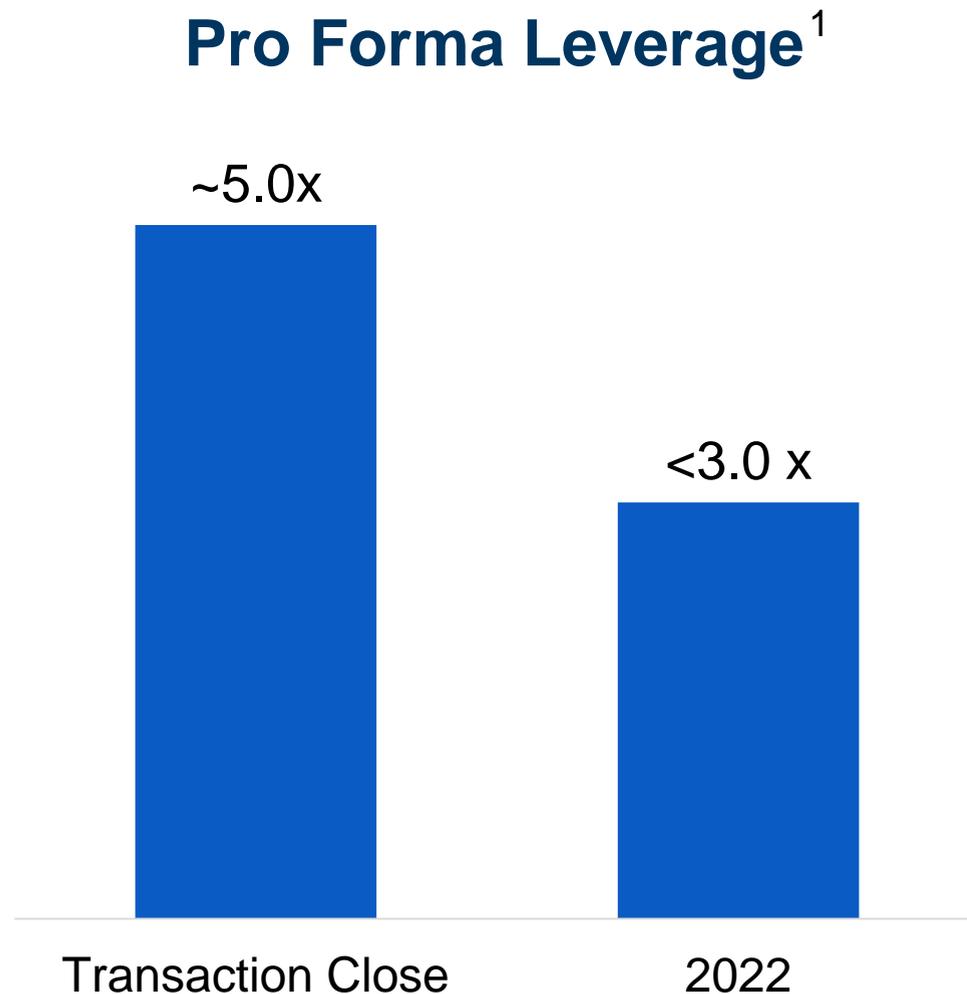
Dedicated Animal Health Focus

Durable and growth brands, innovative pipeline, and dedicated focus to sustain mid-single digit revenue growth.

¹ Represents revenue converted to USD using spot EUR/USD exchange rate as of 16-Aug-2019. Numbers may not add due to rounding.

Pro Forma Elanco Intends to Rapidly De-lever

Pro Forma Leverage¹



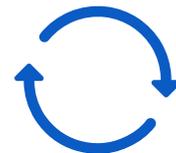
Transaction Financing

- Bridge facility fully committed by Goldman Sachs
- Issuance of ~\$5-6bn of debt and equity prior to close



Near-Term Focus on Rapid De-leveraging

- Expected free cash flow, Adj. EBITDA growth and synergies will enable Elanco to de-lever quickly
- Intend to have credit metrics in-line with investment grade



Capital Return to be a Part of Value Proposition

- Dividend part of future plans

Proven Transformation Track Record

ACTIVELY BUILDING STANDALONE CAPABILITIES

Standup efforts **on schedule and in-line** with cost expectations

Creating **“fit-for-purpose” organization** with processes, programs and capabilities

Operational planning and cost savings initiatives underway in line with integration

Leveraging stand up to combine two former divisions into one dedicated animal health company

PLAN IN PLACE TO DELIVER OUR COMMITMENTS AND SEAMLESS INTEGRATION

Run: Dedicated focus driving Core Elanco and our IPP agenda

Stand up: Significant progress on Lilly separation, largely complete prior to integration

Integrate: Demonstrated expertise (created value through 10 acquisitions)

Innovative plan with a third-party in place to carve out business prior to close

Timing allows build of optimal structure for combined organization.

Combination Strengthens & Accelerates Elanco's Strategic Evolution

Enhances Scale...

\$4.7bn
PF Revenue

...Supporting Our
Standalone Growth Targets

Mid-Single Digit
Revenue Growth

Doubles Our Pet Portfolio
& Rebalances Mix

~50/50
Companion/Food Animal

Expands CA Presence
in Emerging Markets

>2X
EM Presence

Creates Omnichannel
Leadership

#1 in Alternative
Channels

Augments Our Pipeline
& Capabilities

8 Key Projects
30+ LCM, Platforms &
Technology

Advances Our
Productivity Strategy

1,000bps
of Adj. EBITDA Margin
Expansion, 1 year faster

Generates Meaningful
Expected Synergies

\$275-300mm
Expected Cost Synergies

Unlocks Value
to Shareholders

**High Single /
Low Double-Digit**
2022 EPS Accretion

Allows Us to Retain
Financial Flexibility

<3.0x
Target Debt-to-Adj. EBITDA
by end of 2022

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A woman with long blonde hair, seen from behind, is holding a golden retriever puppy. The puppy is looking towards the camera with its tongue out. They are in a stable or barn setting, with a red metal railing in the foreground and a corrugated metal wall in the background. A yellow tag with the number '4' is visible on the railing to the left.

Elanco

TM

Food and Companionship
Enriching Life

Our Commitments at IPO and Now

1 Our Commitments at IPO

2 Our Commitments Now¹

Revenue Growth	<ul style="list-style-type: none"> At industry growth rate of 4-6% 	<ul style="list-style-type: none"> Mid-single digit growth 	✓
Components of Revenue Growth	<ul style="list-style-type: none"> ~2% price; rest volume 	<ul style="list-style-type: none"> ~2% price; rest volume 	✓
Portfolio Mix	<ul style="list-style-type: none"> 60% from growth categories; 40% from Ruminants and Swine 	<ul style="list-style-type: none"> ~50% CA / ~50% FA 	✓
Portfolio Innovator	<ul style="list-style-type: none"> Not dependent on a single product Rumensin ~10% of sales 	<ul style="list-style-type: none"> Adding Seresto and complementary products to Elanco's growth assets Rumensin = ~7% / Seresto ~6% 	✓
Pipeline	<ul style="list-style-type: none"> Access to Lilly's Pharma compound library 36 development projects 	<ul style="list-style-type: none"> Access to Bayer's Crop Science R&D and Pharma assets 8 key development projects and 30+ life cycle projects 	✓
Product Launches	<ul style="list-style-type: none"> Launched 3 products a year since 2015 New product launches represent ~10% of total sales 	<ul style="list-style-type: none"> Intend to average 3 product approvals per year Growth product revenue to represent ~13%+ of total 	✓
Alternative Channels	<ul style="list-style-type: none"> Emerging presence in alternative channels (vet clinic, specialty clinics, corporate clinics) 	<ul style="list-style-type: none"> Leadership in the pet alternative channels; retail and online presence 	✓

Our Commitments at IPO and Now (Continued)

1 Our Commitments at IPO

2 Our Commitments Now¹

Gross Margin	<ul style="list-style-type: none"> ■ 59% by 2023 	<ul style="list-style-type: none"> ■ 60% by 2022 	✓
Margin Expansion Initiatives	<ul style="list-style-type: none"> ■ 85% of Elanco initiatives underway to deliver cost commitments through 2020 	<ul style="list-style-type: none"> ■ 100% of Elanco initiatives underway to deliver cost commitments through 2020 	✓
Adj. EBIT / EBITDA Margin	<ul style="list-style-type: none"> ■ 1,000bps of Adj. EBIT margin expansion (~18% to ~28%) from 2018-2023 	<ul style="list-style-type: none"> ■ 1,000bps of Adj. EBITDA margin expansion (~21% to 31%) from 2018-2022 – one year earlier, additional opportunity beyond 2022 	✓
Stand-up Efforts	<ul style="list-style-type: none"> ■ We are already substantially dis-entangled from Lilly 	<ul style="list-style-type: none"> ■ Standup efforts are complementary with integration efforts needed / third-party mitigates transition risk 	✓
Leverage	<ul style="list-style-type: none"> ■ Long-term gross leverage target of 2.5-2.75x by 2020 ■ Committed to achieving investment grade 	<ul style="list-style-type: none"> ■ Target gross leverage of <3x by 2022 ■ Intend to have metrics in line with investment grade 	✓ <i>Delayed</i>
Dividend	<ul style="list-style-type: none"> ■ Committed to initiating a dividend 	<ul style="list-style-type: none"> ■ Not initiating dividend in the near-term, but intent remains 	<i>Delayed</i>