

2020 Earnings – Fourth Quarter

February 24, 2021

Elanco

Safe Harbor Provision

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (Exchange Act), including, without limitation, statements concerning our expectations relating to the integration of Bayer Animal Health, expected synergies and cost savings, product launches and revenue from such products, reduction of debt and leverage, independent company stand-up costs and timing, including transition to standalone ERP system, cost savings and expenses relating to restructuring actions, the impact of the COVID-19 pandemic on our business, our 2021 full year and first quarter guidance and long-term expectations, our industry and our operations, performance and financial condition, and 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 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, including from generics; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and alternatives to animal-derived protein; changes in regulatory restrictions on the use of antibiotics in farm animals; our ability to implement our business strategies or achieve targeted cost efficiencies and gross margin improvements; consolidation of our customers and distributors; an outbreak of infectious disease carried by farm animals; the impact on our operations, the supply chain, customer demand, and our liquidity as a result of the COVID-19 global health pandemic; the success of our research and development (R&D) and licensing efforts; misuse, off-label or counterfeiting use of our products; unanticipated safety, quality or efficacy concerns associated with our products; the impact of weather conditions and the availability of natural resources; use of alternative distribution channels and the impact of increased or decreased sales to our channel distributors resulting fluctuation in our revenues; manufacturing problems and capacity imbalances; challenges to our intellectual property rights or our alleged violation of rights of others; risks related to our presence in foreign markets; breaches of our information technology systems; our ability to successfully integrate the businesses we acquire, including the animal health business of Bayer AG (Bayer Animal Health); effect of our substantial indebtedness on our business; and the effect on our business resulting from our separation from Eli Lilly and Company (Lilly).

For additional information about the factors that could cause actual results to differ materially from forward-looking statements, please see the company's latest Form 10-K and subsequent Form 10-Qs filed with the Securities and Exchange Commission.

The company undertakes no duty to update forward-looking statements

Entering 2021 with Momentum

Q4 2020 Revenue Above Expectations

Driven by strong fundamentals in U.S. Pet Health, U.S. Farm Animal, and China swine

Q4 2020 Adjusted EPS⁽¹⁾ at High-End of Guidance

Adjusted gross margin⁽¹⁾ benefitting from positive mix, partially offset by largely one-time and discretionary operating expense investments

Adjusted EBITDA⁽¹⁾ above the high-end of guidance

Positioned for Sustainable Long-Term Value Creation

Raised 2021 revenue, adjusted EBITDA⁽¹⁾, and adjusted EPS⁽¹⁾ guidance reflecting intact fundamentals and focus on execution

Updated outlook in line with our long-term growth algorithm

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

Actuals vs. Guidance Comparison

	December Guidance	Q4 2020 Actual	Comparison to Midpoint
Revenue	\$1,040 - \$1,070	\$1,140	+\$85
Adjusted Gross Margin ⁽¹⁾	~52.0%	52.7%	+70 bps
Operating Expenses	\$425 - \$445	\$487	+\$52
Adjusted EBITDA⁽¹⁾	\$140 - \$160	\$176	+\$26
Adjusted EBITDA Margin ⁽¹⁾	13.5% - 15.0%	15.4%	+115 bps
Adjusted Earnings Per Share Diluted⁽¹⁾	\$0.06 - \$0.12	\$0.12	+\$0.03

\$ millions, except per share values

(1) Includes non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations. Adjusted gross margin is calculated as adjusted gross profit divided by revenue. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

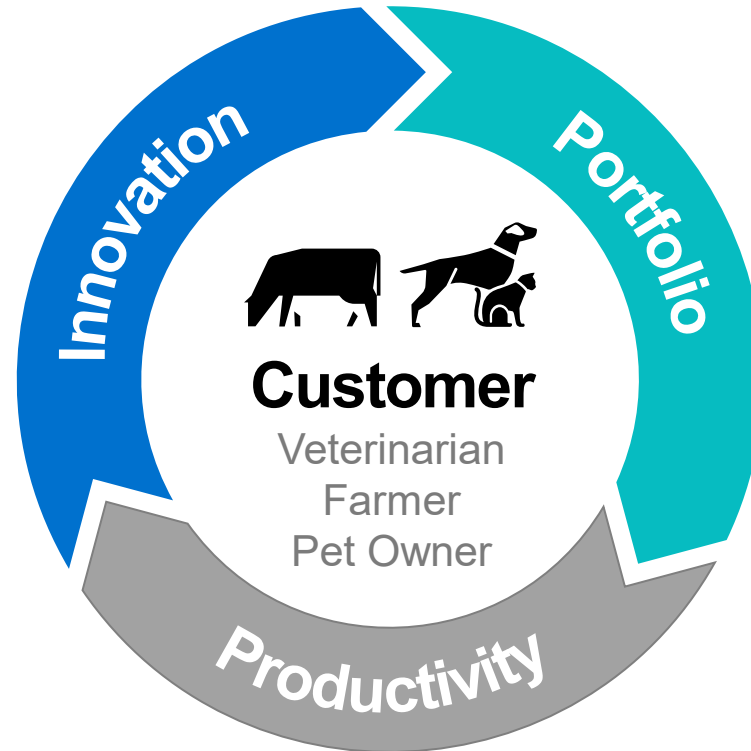
Executing Our Strengthened and Expanded IPP Strategy

Dependable Revenue Growth from Innovation

Launched Credelio Plus (Japan), Increxxa (EU); Q1 launches on track

Increxxa approved in the U.S., Credelio Plus received positive opinion from EMA

On track for \$80 to \$100 million in innovation contributions in 2021



Expanded Portfolio, Capabilities, Access

Credelio achieved blockbuster status

Expanded geographic presence for recent innovations like Galliprant

Leveraging leadership in Pet Health retail to grow our franchise

Cross-functional collaboration supporting new launches






























Unlocking Value

Manufacturing productivity improvements driving GM outperformance in Q4

Independent ERP system build, completion of Lilly TSAs on track for end of Q1'21

Rapid progress toward accelerated \$300 million synergy target

2021 New Product Launches

Product	Species	Description	Geography	Launch Quarter	Update
	 Cattle	Novel in Feed Technology with Environmental Claim	 	Q1 2021	U.S.: On track CA: Approved
	 Cattle  Swine	Injectable <i>Tulathromycin</i> Antibiotic in BRD ⁽¹⁾ /SRD ⁽²⁾	 	Q1 2021	EU: Launched in Jan. U.S.: Approved
	 Poultry	Non-Medicated Feed Ingredient Supporting the Natural Defense System; Suitable for RWA ⁽³⁾	 	Q2 2021	Heat-stable formulation achieved. On track
 (4)	 Poultry	Anticoccidial Portfolio Expansion; Suitable for RWA		Q1 2021	On track
				Q2 2021	
	 Dog	Oral Monthly Flea/Tick/Heartworm	  	Q1 2021	JP: Launched EU: Positive opinion AU: On track
	 Cat	Oral Monthly Flea/Tick		Q2/Q3 2021	FDA technical section complete. On track
	 Cat	Oral Solution for Weight Loss Management in CKD ⁽⁵⁾		Q1 2021	On track

(1) Bovine Respiratory Disease, (2) Swine Respiratory Disease, (3) Raised Without Antibiotics, (4) Intent to Announce Two RWA Products in Q1 2021, (5) Chronic Kidney Disease Note: Elanco analysis based on Vetnosis, AnimalPharm, and other public and proprietary data sources

Fourth Quarter 2020

Financial Performance Highlights

\$ millions, except per share values

		2020	2019
Reported	Revenue	\$1,139.7	\$787.0
	Net Income (Loss)	\$(322.8)	\$(9.5)
	Earnings Per Share	\$(0.66)	\$(0.03)
Adjusted⁽¹⁾	Net Income	\$56.7	\$87.8
	Earnings Per Share Diluted	\$0.12	\$0.23
	EBITDA	\$175.9	\$146.3
	EBITDA Margin	15.4%	18.6%

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

Fourth Quarter 2020

Adjusted⁽¹⁾ Income Statement Highlights

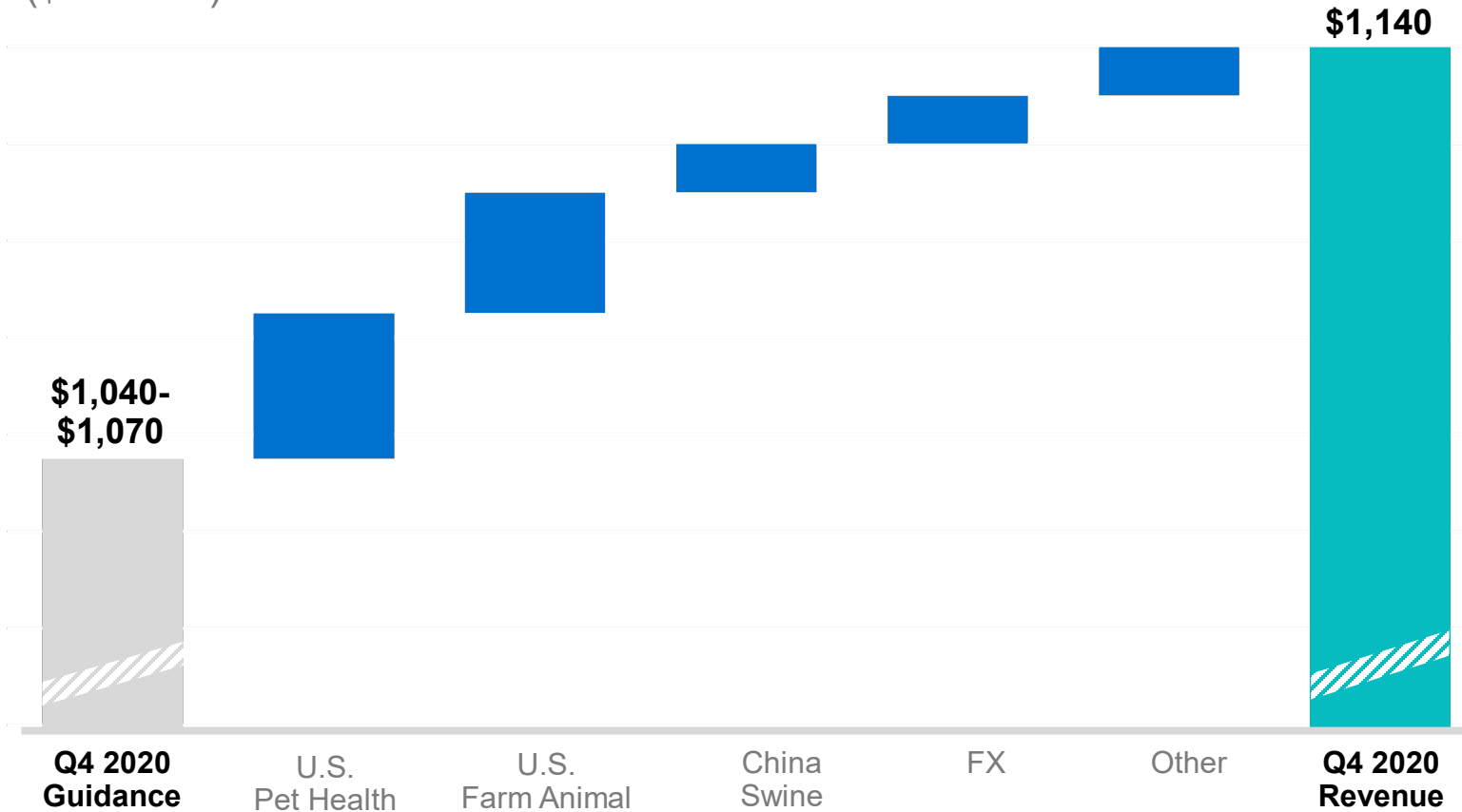
\$ millions, except
per share values

	2020	2019	Change
Revenue	\$1,139.7	\$787.0	45%
Adjusted Gross Profit	600.5	376.9	59%
Adjusted Gross Margin	52.7%	47.9%	480 bps
SG&A Expenses	374.1	185.9	101%
R&D Expenses	112.7	67.3	67%
Interest Expense, Net	60.4	18.7	223%
Effective Tax Rate	16.5%	11.1%	530 bps
Adjusted Net Income	56.7	87.8	(35)%
Adjusted Earnings Per Share Diluted	\$0.12	\$0.23	(48)%

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

Drivers of Q4 2020 Revenue vs. Guidance

(\$ millions)



Drivers

- + U.S. Pet Health retail strength with market share gains

- + U.S. Farm Animal sequential improvement from COVID-19 headwinds

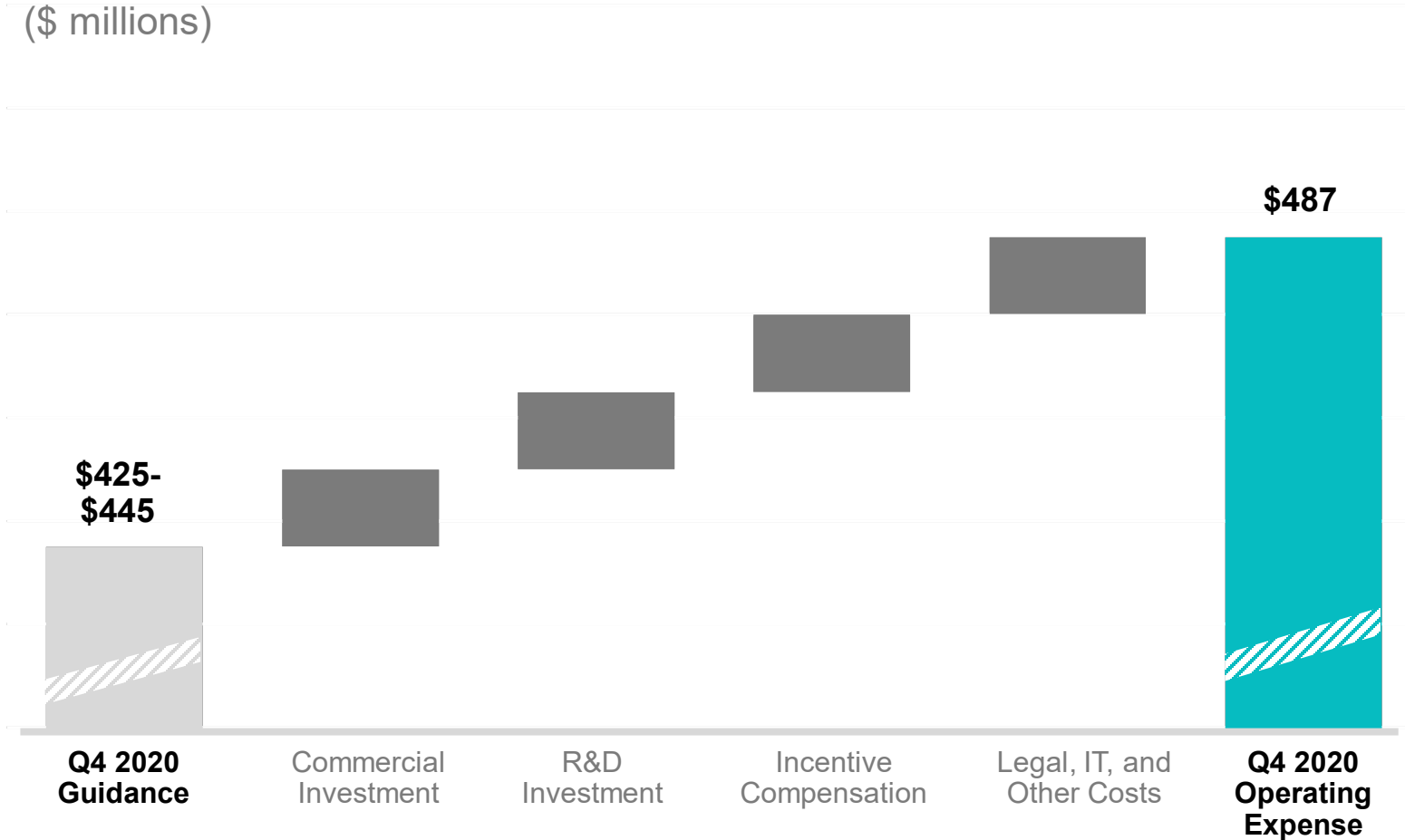
- + China swine benefit from high prices and industrial herd rebuilding

- + Reversal of forecasted FX headwinds into tailwinds

- + Combined other tailwinds including temporary competitor stock outs

Drivers of Q4 2020 Operating Expense vs. Guidance

(\$ millions)



Drivers

Largely One-Time and Discretionary Items

- Targeted commercial reinvestment aligned with revenue strength
- R&D acceleration of key projects expenses and business partnering transactions
- Corporate bonus above expectations on higher revenue
- Legal expenses, and IT and other costs, including those associated with negotiating a cooperation agreement with shareholder and related governance changes

Fourth Quarter 2020

Revenue Summary by Category

	Legacy Elanco	Elanco CER YOY Change	Legacy Bayer	Total	Total CER YOY Change
Disease Prevention	\$178.8	4%	\$200.3	\$379.1	122%
Therapeutics	93.3	(5%)	25.4	118.7	22%
Pet Health	\$272.1	1%	\$225.7	\$497.8	86%
Future Protein & Health	187.8	(10%)	27.5	215.3	3%
Ruminants & Swine	275.7	(8%)	121.7	397.4	33%
Farm Animal	\$463.5	(9%)	\$149.2	\$612.7	21%
Contract Manufacturing	7.8	(29%)	21.4	29.2	160%
Global Total	\$743.4	(6%)	\$396.3	\$1,139.7	45%

Note: Reported revenue in millions. Numbers may not add due to rounding. Percentages exclude the impact of foreign currency. CER = Constant Exchange Rate
For presentation of results including impact of foreign currency, see slide 12.

Fourth Quarter 2020

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume ⁽¹⁾	Total	CER Growth ⁽²⁾
Disease Prevention	\$379.1	14%	0%	108%	122%	122%
Therapeutics	118.7	2%	2%	20%	24%	22%
Pet Health	\$497.8	10%	0%	76%	86%	86%
Future Protein & Health	215.3	3%	(1)%	0%	2%	3%
Ruminants & Swine	397.4	5%	0%	28%	33%	33%
Farm Animal	\$612.7	4%	0%	17%	21%	21%
Contract Manufacturing	29.2	6%	(2)%	154%	158%	160%
Total Elanco	\$1,139.7	6%	0%	39%	45%	45%

Note: Reported revenue in millions. Numbers may not add due to rounding. (1) Revenue from the Bayer Animal Health acquisition is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021. (2) CER = Constant Exchange Rate

Fourth Quarter 2020

Revenue by Geography

	U.S.		International		Global	
	Revenue	CER Change	Revenue	CER Change	Revenue	CER Change
Pet Health	\$304.8	75%	\$193.0	110%	\$497.8	86%
Farm Animal	\$185.1	6%	\$427.6	29%	\$612.7	21%
Contract Manufacturing	16.2	82%	13.0	462%	29.2	160%
Total Elanco	\$506.1	41%	\$633.6	49%	\$1,139.7	45%
% of Total Elanco	44%		56%		100%	

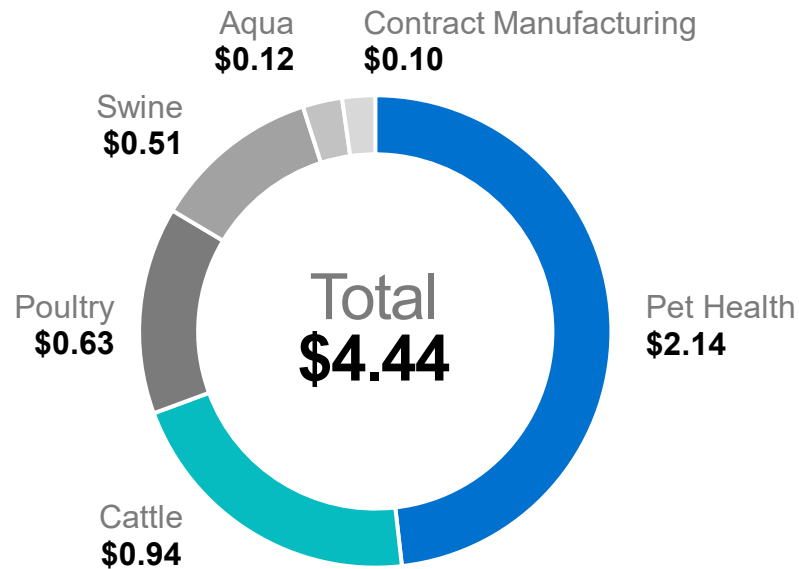
Note: Reported revenue in millions. Numbers may not add due to rounding. Growth rates excluding the impact for foreign exchange rates. CER = Constant Exchange Rate
2020 revenue figures are inclusive of revenue from animal health products acquired from Bayer as of August 1, 2020.

Full Year 2020

Combined Company Revenue Breakdowns

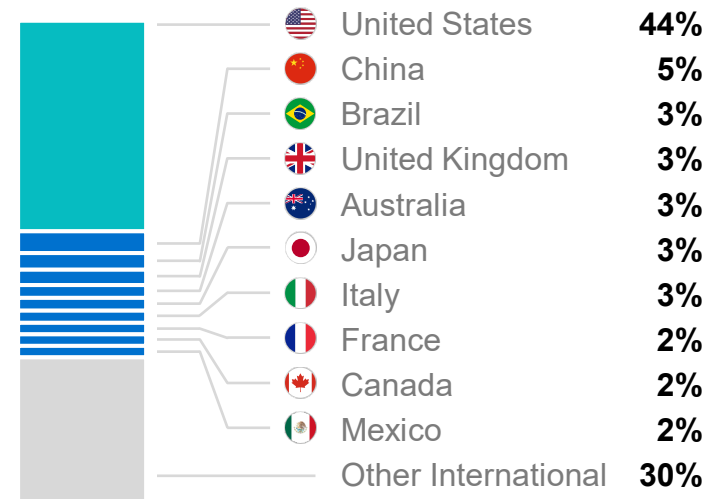
By Species

\$ billions



Transition to New Reporting Structure
with Q1 2021 Results

By Major Country



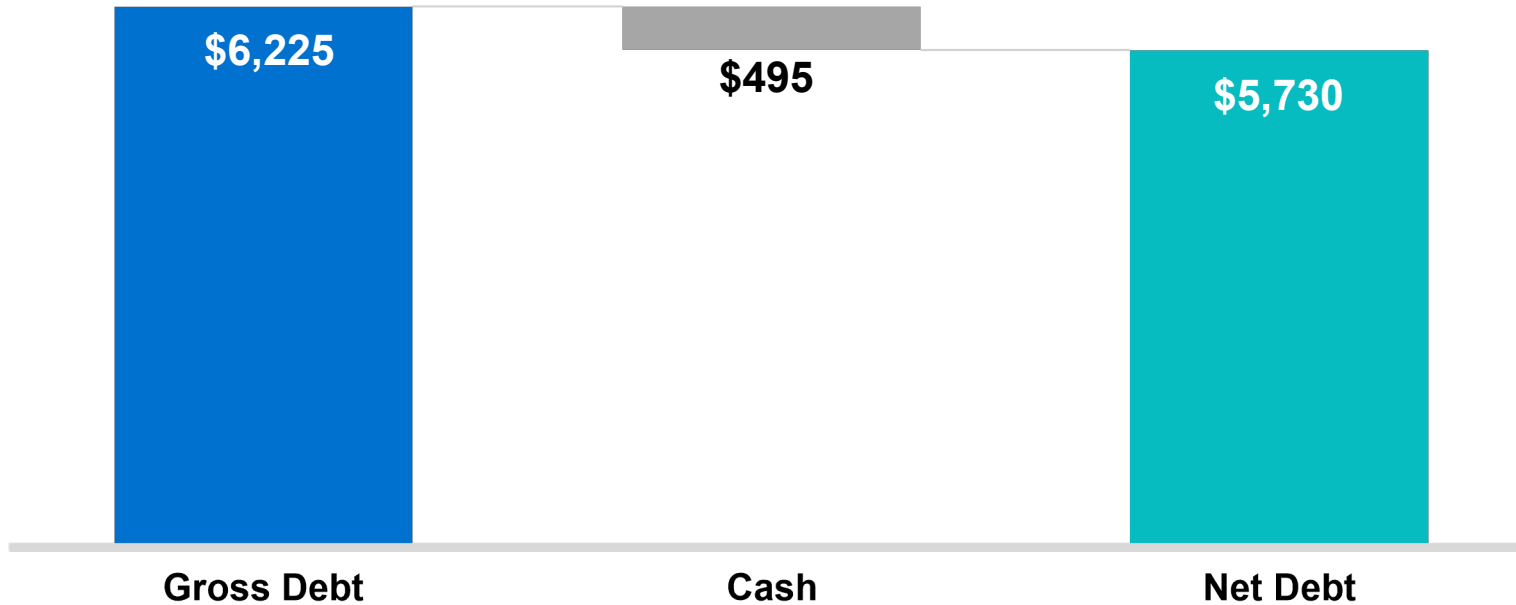
Diverse and Balanced
Geographic Footprint

Note: These breakdowns are materially correct based on the historical records of Bayer and Elanco; however, due to certain data limitations, including foreign exchange rates, these numbers may have some non-material differences to actuals. These breakdowns represent a good faith summary to provide better financial context to investors about the historical performance of the Elanco and Bayer businesses on a combined basis in 2020

Key Balance Sheet and Cash Flow Metrics

Debt⁽¹⁾ Balances as of Year-End 2020

\$ millions



Note: 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

Days sales outstanding

continued to improve sequentially, at 66 days vs. the peak of 103 in the first quarter of 2020

Continued expectation

of \$500 million in gross debt paydown in 2021

Unchanged target

net leverage of being under 3x by the end of 2023

2021 Guidance

Raising full year guidance and providing guidance for the first quarter



Elanco

2021

Full Year Guidance

\$ millions, except per share values

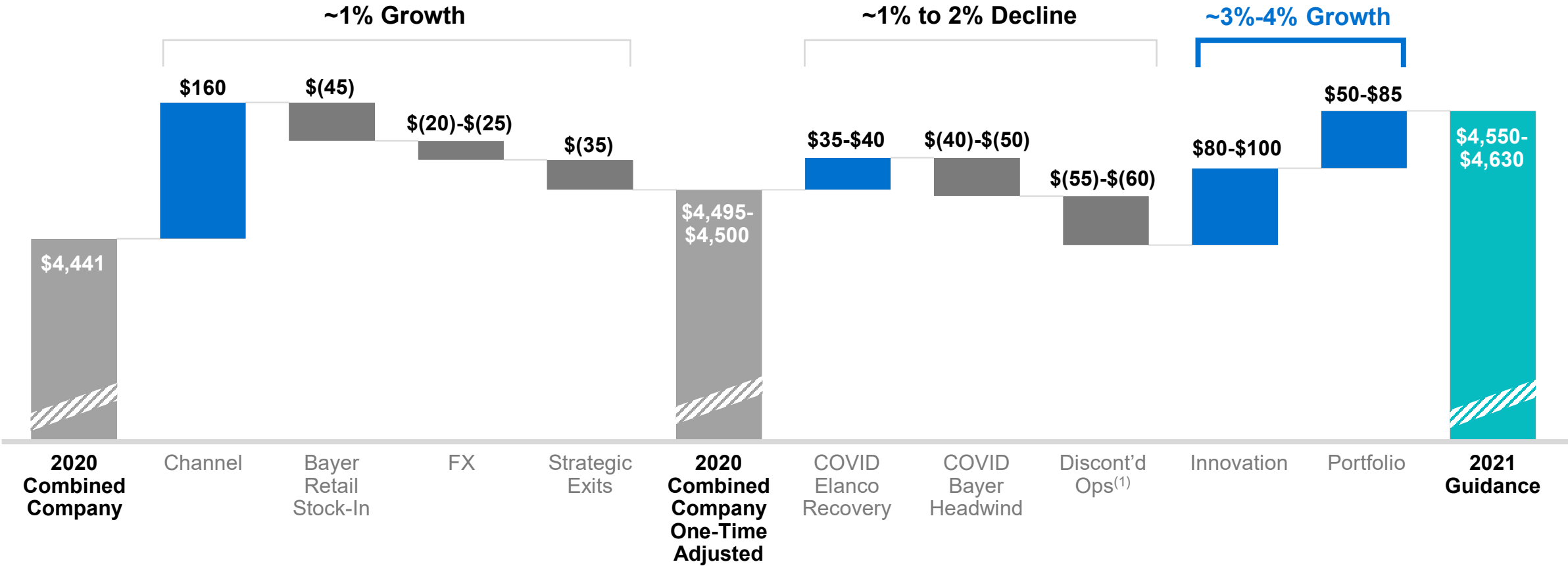
	December Guide	January Update	February Update
Total Revenue	\$4,520 – \$4,600		\$4,550 – \$4,630
Adjusted Gross Margin ⁽¹⁾	55.5% – 56.5%		56.0% – 57.0%
Operating Expenses	\$1,730 – \$1,760		\$1,730 – \$1,750
Adjusted EBITDA⁽¹⁾	\$940 – \$1,000	\$955 – \$1,005	\$980 – \$1,040
Adjusted EBITDA Margin⁽¹⁾	21% – 22%	21% – 22%	21% – 22%
Depreciation	Approx. \$175		Unchanged
Interest Expense, Net of Capitalized Interest	\$236 – \$244		Unchanged
Tax Rate	21% – 22%		Unchanged
Reported Earnings per Share	(\$0.28) – (\$0.14)	(\$0.37) – (\$0.25)	(\$0.30) – (\$0.20)
Adjusted Earnings per Share⁽¹⁾	\$0.83 – \$0.95	\$0.86 – \$0.96	\$0.90 – \$1.00
Weighted Average Diluted Share Count	Approx. 494.5 million		Unchanged
Capital Expenditures	\$145 – \$165		Unchanged
Net Cash Impact from Bayer, Stand-Up, Integration, and Restructuring	Approx. \$250		Unchanged
Cash Taxes ⁽²⁾	\$30 – \$35		\$25 – \$30

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

(2) Net of an expected U.S. federal income tax refund of \$16 million and U.S. state income tax refund of \$3 million

2021 Revenue Growth Includes ~3% to 4% Underlying Growth

(\$ millions)



(1) Includes the impact from exiting certain low margin distribution agreements across both legacy Elanco and Bayer portfolios

Guidance

\$ millions, except per share values

Total Revenue

\$1,150 – \$1,170

Reported Diluted EPS

\$(0.22) – \$(0.17)

Adjusted Diluted EPS⁽¹⁾

\$0.20 – \$0.25



Overall momentum

carrying forward from Q4 2020 outperformance



Balanced outlook

with continued challenges in a competitive backdrop, and with macro and pandemic-related pressures still affecting international poultry and aqua growth



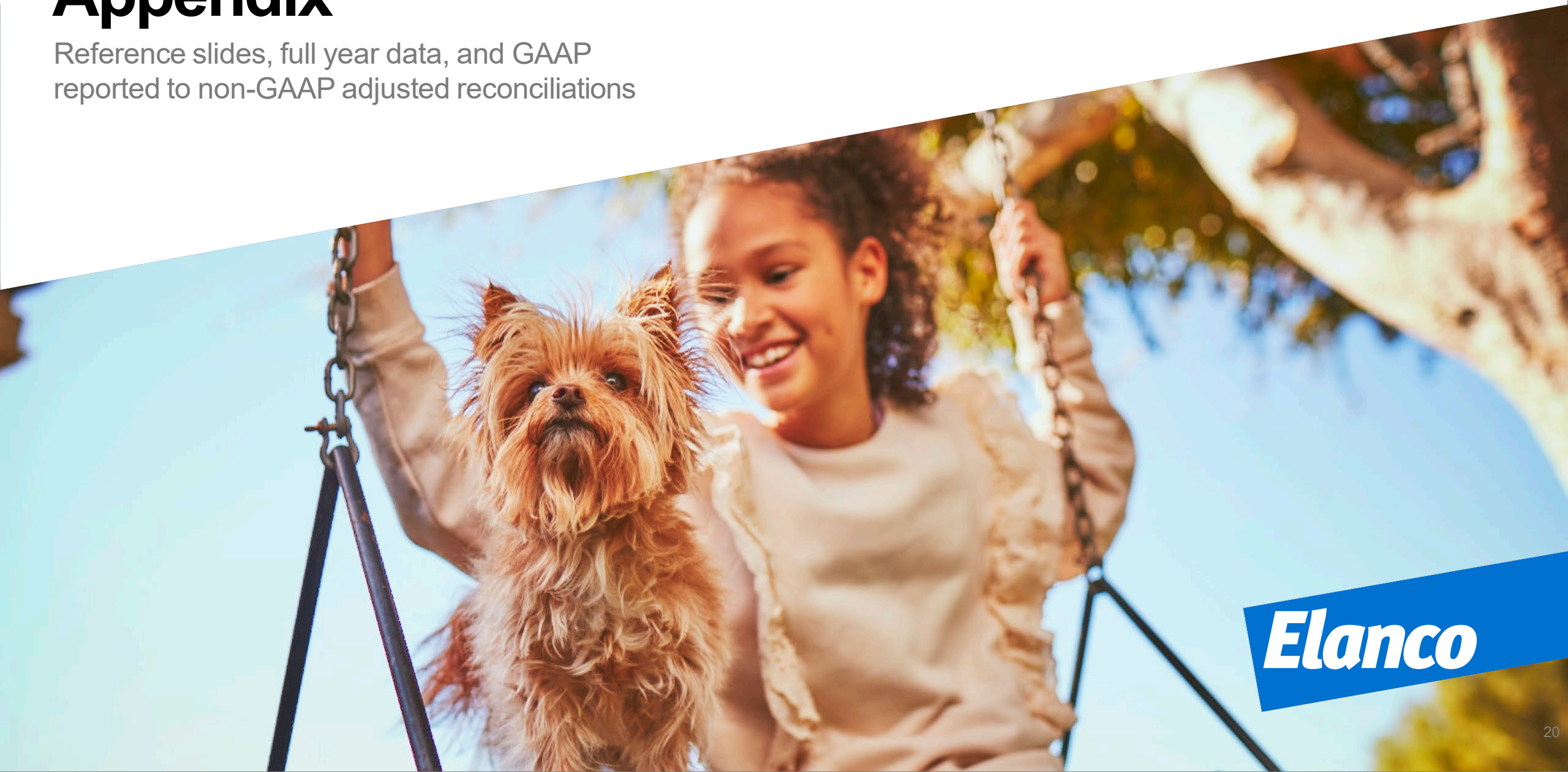
Sequential reduction in opex dollars and as a % of revenue

as compared to Q4 2020, despite brand investments into the parasiticide season

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

Appendix

Reference slides, full year data, and GAAP reported to non-GAAP adjusted reconciliations



Elanco

Combined Company Revenue

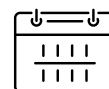
2020 Reference Base⁽¹⁾

\$ millions

Elanco Reported Revenue	\$3,273
Bayer Animal Health (Prior to Close)⁽²⁾	\$1,249
Less: Divestitures from Combined Company ⁽³⁾	\$82
Combined Company Revenue	\$4,441



**Updated from
Investor Day**
with Q4
reported revenue



**Assumes Bayer Animal
Health transaction**
closed January 1, 2020



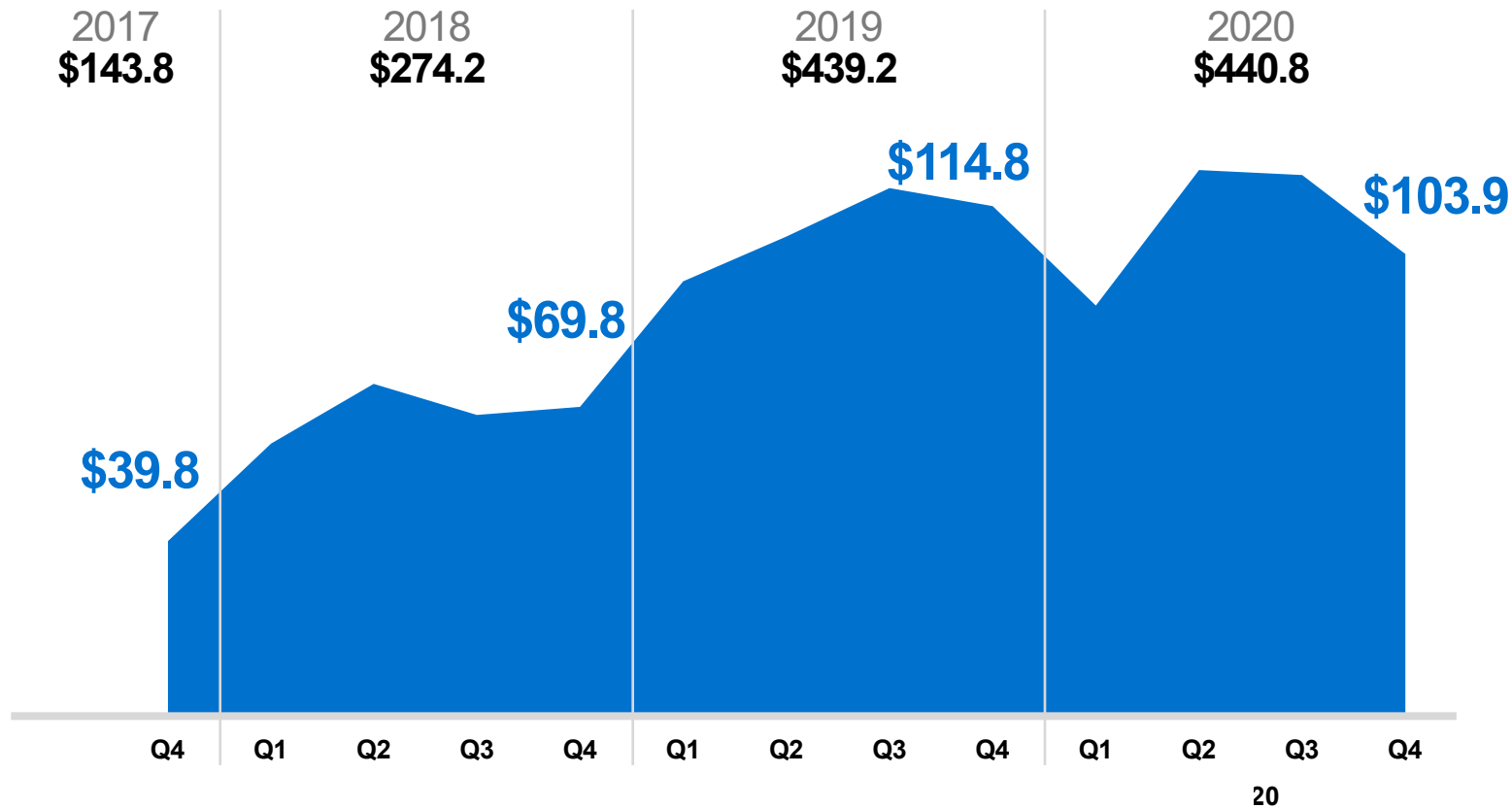
Assumes related divestitures
completed January 1, 2020
and accounting
reclassifications complete

- (1) This reference base is materially correct based on the public filings of Bayer and Elanco; however, due to certain data limitations, including foreign exchange rates, these numbers may have some non-material differences to actuals. This reference base is a good faith summary to provide better financial context to investors about the expected performance of Elanco in 2021
- (2) Includes revenue from Bayer Animal Health for the first seven months of 2020, that has been adjusted for differences in accounting methodologies between IFRS and GAAP, and for foreign exchange rates
- (3) Less revenue from products that were included in Elanco and Bayer reported revenue prior being divested, in most cases, as of August 1, 2020. Divestitures from legacy Elanco include: Osurnia, Capstar, StandGuard, Vecoxan, Itrafungol, and Clomicalm. Divestitures from legacy Bayer Animal Health include: Drontal, Profender, Avenge, Maggo, and Zapp Encore

Launched or Acquired Since 2015⁽¹⁾

New Product Progress

\$ in millions



Products Include

Pet Health

- | | |
|-------------------------|-------------------------------|
| Osumnia ^{®(2)} | Interceptor [®] Plus |
| Galliprant [®] | Nocita [®] |
| Credelio [®] | Tanovea [®] |
| Entyce [®] | |

Farm Animal

- | | |
|--------------------------|-----------------------------|
| Imrestor ^{®(3)} | Clynav [™] |
| Invixa [™] | Prevacent [™] PRRS |
| Kavault [®] | Correlink [™] |
| Inteprity [®] | |

Full Year 2020

5% growth excluding divestitures

(1) Excludes products acquired from Bayer Animal Health

(2) Osumnia was divested as of deal close on August 1, 2020; growth rate excludes Osumnia in 2020

(3) Marketing of Imrestor has been suspended while additional indications are pursued

Full Year 2020

Financial Performance Highlights

\$ millions, except per share values

		2020	2019
Reported	Revenue	\$3,273.3	\$3,071.0
	Net Income (Loss)	\$(560.1)	\$67.9
	Earnings Per Share	\$(1.27)	\$0.18
Adjusted⁽¹⁾	Net Income	\$206.7	\$394.0
	Earnings Per Share Diluted	\$0.47	\$1.06
	EBITDA	\$528.5	\$662.8
	EBITDA Margin	16.1%	21.6%

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

Full Year 2020

Adjusted⁽¹⁾ Income Statement Highlights

\$ millions, except
per share values

	2020	2019	Change
Revenue	\$3,273.3	\$3,071.0	7%
Adjusted Gross Profit	1,702.7	1,601.5	6%
Adjusted Gross Margin	52.0%	52.1%	(10) bps
SG&A Expenses	996.6	760.2	31%
R&D Expenses	327.0	270.1	21%
Interest Expense, Net	146.9	78.9	86%
Effective Tax Rate on Adjusted Income	14.6%	16.7%	(210) bps
Adjusted Net Income	206.7	394.0	(48)%
Adjusted Earnings Per Share Diluted	\$0.47	\$1.06	(56)%

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

Full Year 2020

Revenue Summary by Category

	Legacy Elanco	Elanco CER YOY Change	Legacy Bayer	Total	Total CER YOY Change
Disease Prevention	\$692.7	(12)%	\$300.0	\$992.7	26%
Therapeutics	326.9	(6)%	38.9	365.8	5%
Pet Health	\$1,019.6	(10)%	\$338.9	\$1,358.5	20%
Future Protein & Health	690.7	(5)%	43.4	734.1	1%
Ruminants & Swine	917.8	(16)%	182.7	1,100.5	0%
Farm Animal	\$1,608.5	(12)%	\$226.1	\$1,834.6	0%
Contract Manufacturing	53.3	(31)%	26.9	80.2	3%
Global Total	\$2,681.4	(12)%	\$591.9	\$3,273.3	8%

Note: Reported revenue in millions. Number may not add due to rounding. Percentages exclude the impact of foreign currency. CER = Constant Exchange Rate
For presentation of results including impact of foreign currency, see slide 26

Full Year 2020

Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Volume ⁽¹⁾	Total	CER Growth ⁽²⁾
Disease Prevention	\$992.7	6%	0%	20%	26%	26%
Therapeutics	365.8	2%	0%	3%	5%	5%
Pet Health	\$1,358.5	5%	0%	15%	20%	20%
Future Protein & Health	734.1	3%	(2)%	(2)%	(1)%	1%
Ruminants & Swine	1,100.5	1%	(1)%	(1)%	(1)%	0%
Farm Animal	\$1,834.6	2%	(1)%	(2)%	(1)%	0%
Contract Manufacturing	80.2	1%	(2)%	2%	1%	3%
Total Elanco	\$3,273.3	3%	(1)%	5%	7%	8%

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

(1) Revenue from the Bayer Animal Health acquisition is reflected in volume. As is typical with acquisitions, we will continue to report the addition of the Bayer business in volume through the third quarter of 2021. (2) CER = Constant Exchange Rate

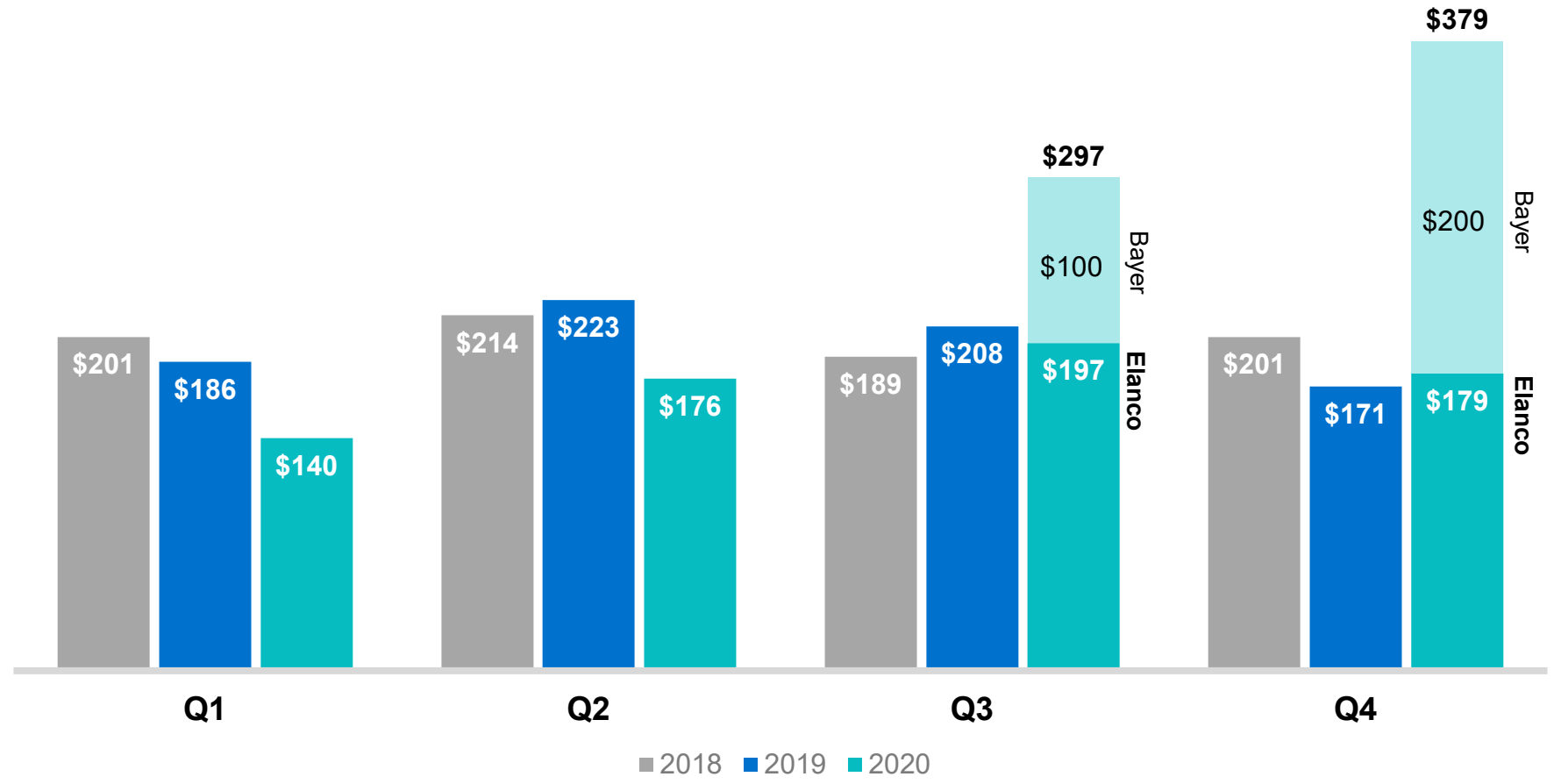
Full Year 2020

Revenue by Geography

	U.S.		International		Global	
	Revenue	CER Change	Revenue	CER Change	Revenue	CER Change
Pet Health	\$873.7	11%	\$484.8	42%	\$1,358.5	20%
Farm Animal	559.1	(18)%	1,275.5	10%	1,834.6	0%
Contract Manufacturing	42.8	(25)%	37.4	74%	80.2	3%
Total Elanco	\$1,475.6	(3)%	\$1,797.7	18%	\$3,273.3	8%
% of Total Elanco	45%		55%		100%	

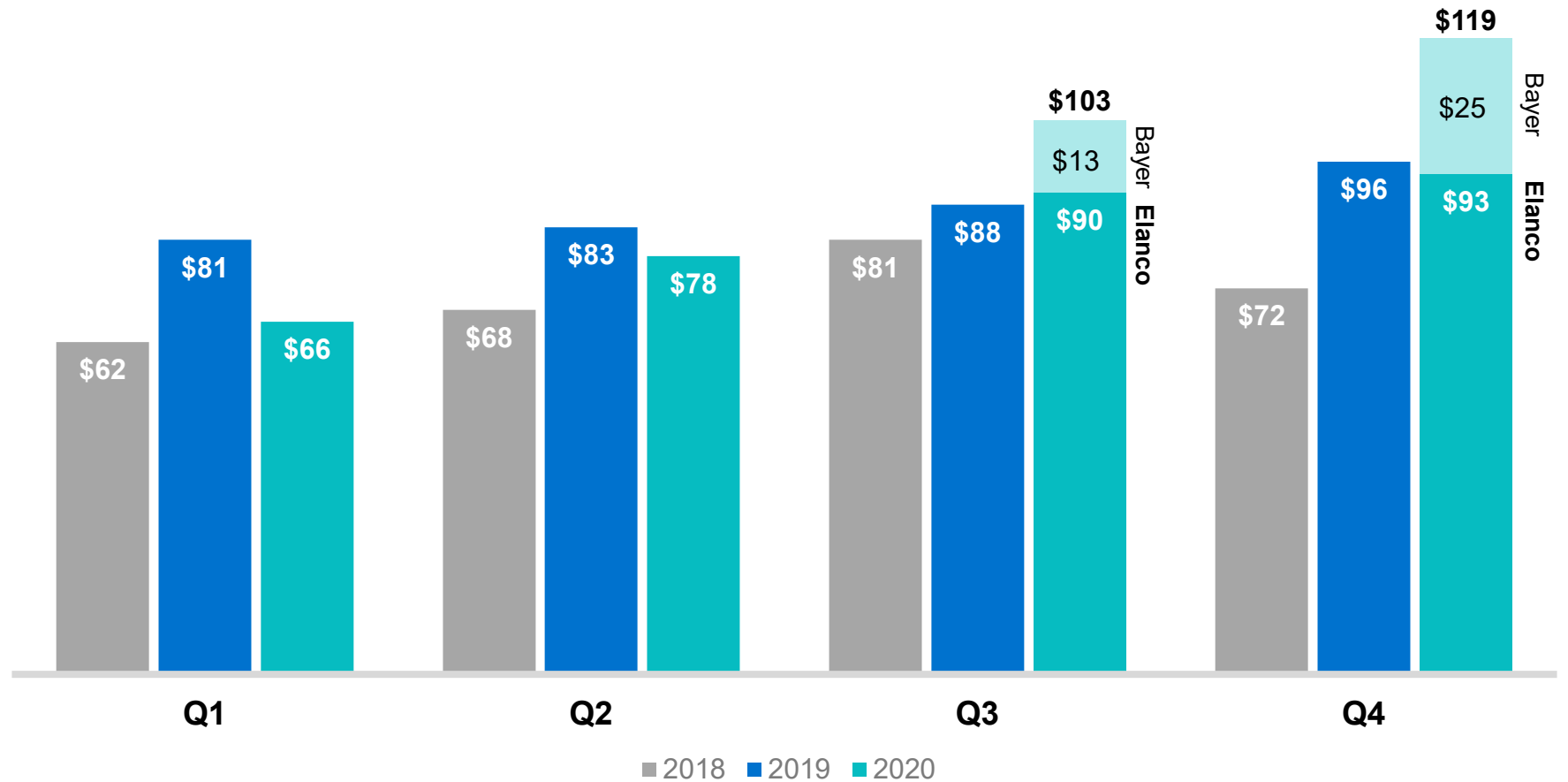
Note: Reported revenue in millions. Numbers may not add due to rounding. Growth rates excluding the impact for foreign exchange rates. CER = Constant Exchange Rate
2020 revenue figures are inclusive of revenue from animal health products acquired from Bayer as of August 1, 2020

Revenue by Quarter



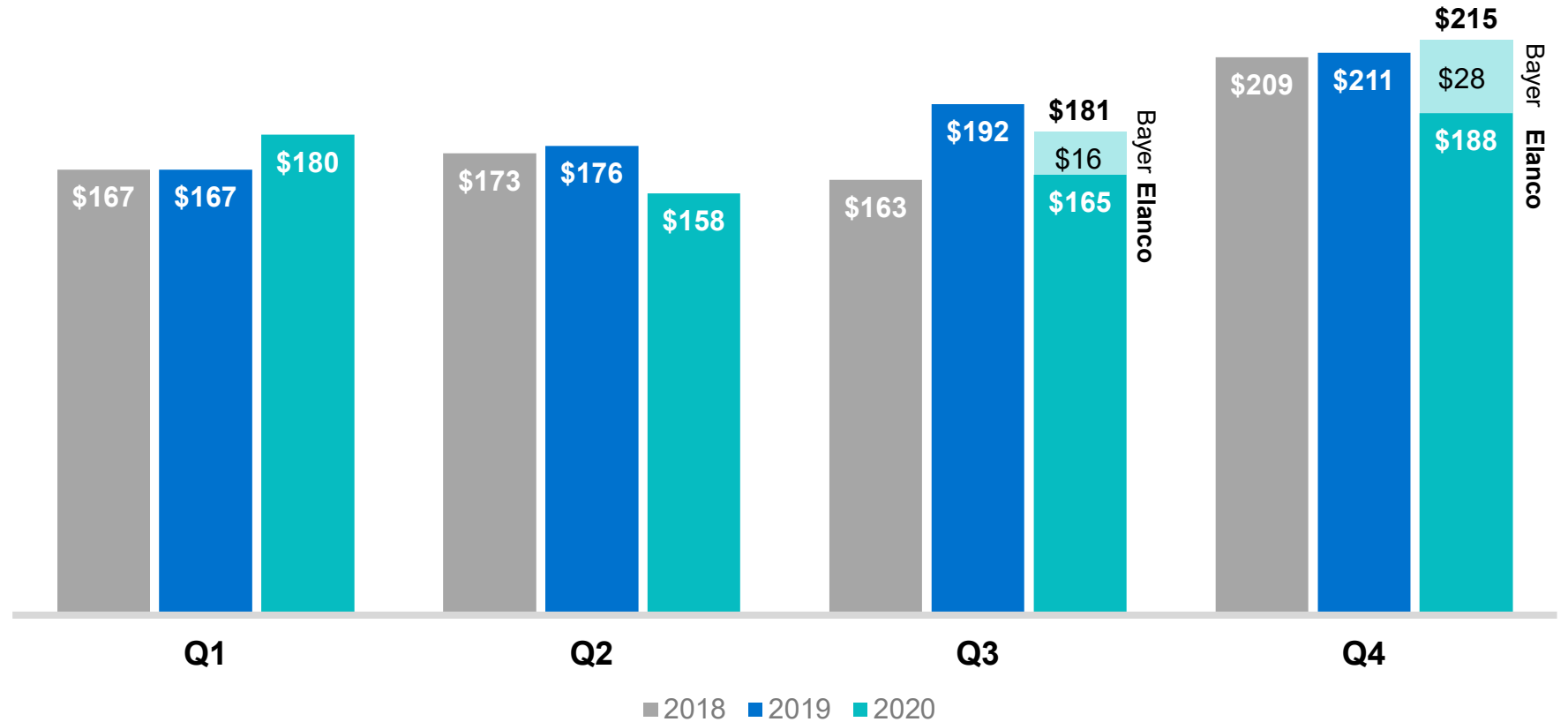
Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Revenue by Quarter



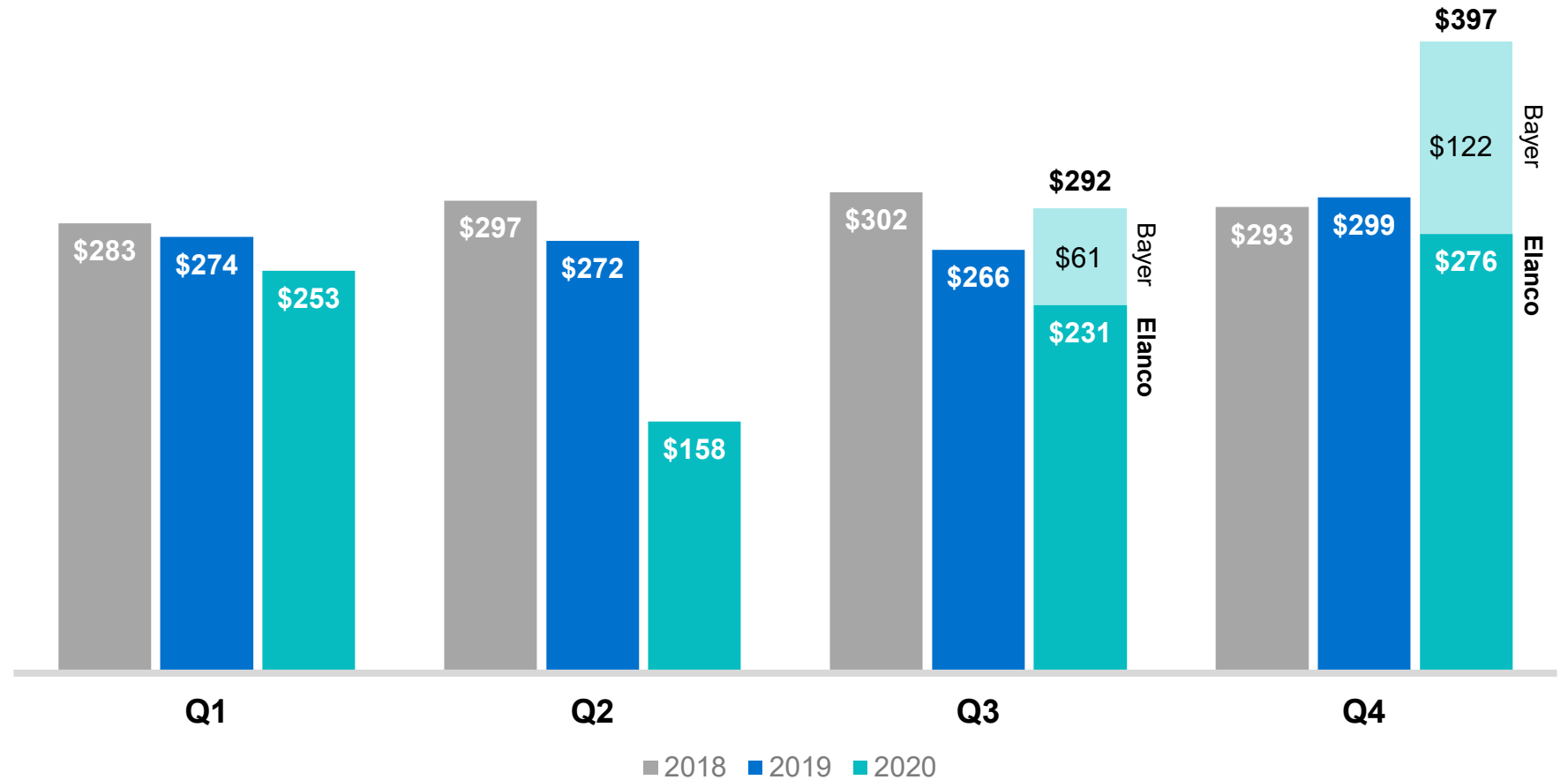
Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Revenue by Quarter



Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Revenue by Quarter



Note: Revenue in reported dollars in millions. Numbers may not add due to rounding

Fourth Quarter 2020

Adjusted EBITDA Reconciliation

\$ millions

	2020	2019
Reported Net Loss	\$(322.8)	\$(9.5)
Net Interest Expense	\$60.4	\$18.7
Income Tax Expense	\$4.7	\$5.2
Depreciation and Amortization	\$222.2	\$83.3
EBITDA	\$(35.5)	\$97.7
Non-GAAP Adjustments		
Cost of Sales	\$57.0	-
Asset Impairment, Restructuring, and Other Special Charges	\$167.3	\$51.6
Accelerated Depreciation ⁽¹⁾	\$(10.8)	\$(3.0)
Other Expense (Income), Net	\$(2.0)	-
Adjusted EBITDA	\$175.9	\$146.3
Adjusted EBITDA Margin	15.4%	18.6%

(1) Represents depreciation 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

Full Year 2020

Adjusted EBITDA Reconciliation

\$ millions

	2020	2019
Reported Net Income (Loss)	\$(560.1)	\$67.9
Net Interest Expense	\$149.8	\$78.9
Income Tax Expense (Benefit)	\$(111.9)	\$10.3
Depreciation and Amortization	\$516.9	\$314.4
EBITDA	\$(5.3)	\$471.5
Non-GAAP Adjustments		
Cost of Sales	\$96.0	\$0.8
Asset Impairment, Restructuring, and Other Special Charges	\$623.7	\$185.5
Accelerated Depreciation ⁽¹⁾	\$(17.4)	\$(3.0)
Other Expense (Income), Net	\$(168.5)	\$8.0
Adjusted EBITDA	\$528.5	\$662.8
Adjusted EBITDA Margin	16.1%	21.6%

(1) Represents depreciation 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

Fourth Quarter 2020

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

\$ millions

	2020			2019		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales ⁽¹⁾	\$596.2	\$57.0	\$539.2	\$410.1	–	\$410.1
Amortization of Intangible Assets	\$163.7	\$163.7	–	\$51.4	\$51.4	–
Asset Impairment, Restructuring and Other Special Charges ⁽²⁾⁽³⁾	\$167.3	\$167.3	–	\$51.6	\$51.6	–
Other Expense (Income), Net ⁽⁴⁾	\$(16.6)	\$(2.0)	\$(14.6)	\$6.3	–	\$6.3
Income (Loss) Before Taxes	\$(318.1)	\$386.0	\$67.9	\$(4.3)	\$103.0	\$98.7
Provision for Taxes ⁽⁵⁾⁽⁶⁾	\$4.7	\$(6.5)	\$11.2	\$5.2	\$(5.7)	\$10.9
Net Income (Loss)	\$(322.8)	\$379.5	\$56.7	\$(9.5)	\$97.3	\$87.8
Earnings (Loss) per Share Diluted	\$(0.66)	\$0.78	\$0.12	\$(0.03)	\$0.26	\$0.23
Adjusted Weighted Average Shares Outstanding Diluted ⁽⁷⁾	486.2	488.2	488.2	373.0	374.8	374.8

See slide 35 for details of adjustments to certain GAAP reported measures

Details of Adjustments to Certain GAAP Reported Measures

For the three months ended December 31, 2020 and 2019:

- 1) 2020 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$57.0 million).
- 2) 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$105.4 million), severance (\$23.9 million), asset impairments (\$14.0 million), facility exit costs and asset write-downs (\$12.4 million), a one-time expense associated with our agreement to build a new corporate headquarters (\$9.4 million), registration fees for Elanco common shares sold by Bayer AG during the quarter (\$1.2 million), and a payment for acquired IPR&D from a collaboration arrangement (\$1.0 million).
- 3) 2019 excludes charges associated with integration efforts and external costs related to the acquisition of businesses and charges primarily related to independent stand-up costs and other related activities (\$44.5 million) and facility exit costs and asset impairments (\$8.0 million), partially offset by a favorable adjustment from reversals for severance programs (\$0.9 million).
- 4) 2020 excludes gains recorded in relation to the divestiture of several products required as a result of the acquisition of the animal health business of Bayer (\$0.2 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$1.8 million).
- 5) 2020 represents the income tax expense associated with the adjusted items, partially offset by the impact of the valuation allowance recorded against our U.S. deferred tax assets during the period (\$74.9 million).
- 6) 2019 represents the income tax expense associated with the adjusted items.
- 7) During the three months ended December 31, 2020, 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 2.0 million of common stock equivalents.

Full Year 2020

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

\$ millions

	2020			2019		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales ⁽¹⁾⁽²⁾	\$1,666.6	\$96.0	\$1,570.6	\$1,470.3	\$0.8	\$1,469.5
Amortization of Intangible Assets	\$359.9	\$359.9	–	\$200.4	\$200.4	–
Asset Impairment, Restructuring and Other Special Charges ⁽³⁾⁽⁴⁾	\$623.7	\$623.7	–	\$185.5	\$185.5	–
Interest Expense, Net of Capitalized Interest ⁽⁵⁾	\$149.8	\$2.9	\$146.9	\$78.9	–	\$78.9
Other Expense (Income), Net ⁽⁶⁾⁽⁷⁾	\$(178.3)	\$(168.5)	\$(9.8)	\$27.4	\$8.0	\$19.4
Income (Loss) Before Taxes	\$(672.0)	\$914.0	\$242.0	\$78.2	\$394.7	\$472.9
Provision for Taxes ⁽⁸⁾⁽⁹⁾	\$(111.9)	\$(147.2)	\$35.3	\$10.3	\$(68.6)	\$78.9
Net Income (Loss)	\$(560.1)	\$766.8	\$206.7	\$67.9	\$326.1	\$394.0
Earnings (Loss) per Share Diluted	\$(1.27)	\$1.74	\$0.47	\$0.18	\$0.88	\$1.06
Adjusted Weighted Average Shares Outstanding Diluted ⁽¹⁰⁾	441.4	442.6	442.6	370.3	370.3	370.3

See slide 37 for details of adjustments to certain GAAP reported measures

Details of Adjustments to Certain GAAP Reported Measures

For the year ended December 31, 2020 and 2019:

- 1) 2020 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$90.2 million), charges associated with the write-off of marketing inventory recorded from the acquisition of Bayer Animal Health (\$1.5 million), and a one-time payment to settle outstanding obligations to a contract manufacturing organization in connection with a divestiture (\$4.3 million).
- 2) 2019 excludes amortization of inventory fair value adjustments recorded from the acquisitions of Aratana and Prevtect (\$0.6 million) and inventory adjustments for the suspension of commercial activities of Imrestor® (\$0.2 million).
- 3) 2020 excludes charges associated with integration efforts and external costs related to the acquisition of businesses, including the acquisition of the animal health business of Bayer, and charges primarily related to independent stand-up costs and other related activities (\$423.9 million), severance (\$155.8 million), asset impairments (\$17.5 million), facility exit costs and asset write-downs (\$16.6 million), a one-time payment associated with our agreement to build a new corporate headquarters (\$9.4 million), the settlement of a legal matter (\$3.2 million), registration fees for Elanco common shares sold by Bayer AG during the quarter (\$1.2 million), and a payment for acquired IPR&D from a collaboration arrangement (\$1.0 million), partially offset by adjustments to write-downs of assets held for sale (\$0.4 million), a favorable adjustment from reversals for severance programs that are no longer active (\$0.8 million), and the gain on the sale of our R&D facility in Prince Edward Island, Canada (\$3.8 million).
- 4) 2019 excludes charges associated with integration efforts and external costs related to the acquisition of businesses and charges primarily related to independent stand-up costs and other related activities (\$144.7 million), facility exit costs and asset impairments (\$32.6 million), and severance (\$19.5 million), partially offset by favorable adjustments from reversals for severance programs (\$11.3 million).
- 5) 2020 excludes the debt extinguishment losses recorded in connection with the repayments of our existing term loan facilities (\$2.9 million).
- 6) 2020 excludes the gains recorded in relation to the divestiture of several products as required as a result of the acquisition of the animal health business of Bayer (\$156.7 million), a hedging gain related to the closing of the acquisition of the animal health business of Bayer (\$6.0 million), the gain on our sale of land and buildings in New South Wales, Australia (\$45.6 million) and the impact of a decrease in the fair value of the Prevtect contingent consideration (\$3.9 million), partially offset by financing commitment and advisory fees associated with the Bayer Animal Health acquisition (\$36.3 million) and a loss recorded in relation to the divestiture of products (\$7.3 million).
- 7) 2019 excludes expenses resulting from an increase in the Aratana contingent consideration (\$7.5 million) and the write-off of marketing authorizations as a result of the acquisition of Prevtect (\$0.5 million).
- 8) 2020 represents the income tax expense associated with the adjusted items, partially offset by the impact of the valuation allowance recorded against our U.S. deferred tax assets during the period (\$74.9 million).
- 9) 2019 represents the income tax expense associated with the adjusted items.
- 10) During the year ended December 31, 2020, 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 1.2 million of common stock equivalents.

Full Year 2021

EPS Guidance Reconciliation February Update

Reported Earnings per Share	\$(0.30) – \$(0.20)
Cost of Sales	\$0.12
Amortization of Intangible Assets	\$1.19
Asset Impairment, Restructuring, and Other Special Charges	\$0.37 – \$0.44
Subtotal	\$1.68 – \$1.74
Tax Impact of Adjustments	\$(0.55) – \$(0.48)
Total Adjustments to Earnings per Share	\$1.20
Adjusted Earnings per Share⁽¹⁾	\$0.90 – \$1.00

Note: Numbers may not add due to rounding

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

Full Year 2021

EBITDA Guidance Reconciliation

February Update

\$ millions

Reported Net Income (Loss)	\$(150) – \$(100)
Net Interest Expense	\$236 – \$244
Income Tax Expense	\$(130) – \$(110)
Depreciation and Amortization	Approx. \$760
EBITDA	\$720 – \$790
Non-GAAP Adjustments	
Cost of Sales	Approx. \$55
Asset Impairment, Restructuring, and Other Special Charges	\$190 – \$210
Adjusted EBITDA	\$980 – \$1,040
Adjusted EBITDA Margin	21% – 22%

Note: Numbers may not add due to rounding

First Quarter 2021

EPS Guidance Reconciliation February Update

Reported Earnings per Share	\$(0.22) – \$(0.17)
Cost of Sales	\$0.12
Amortization of Intangible Assets	\$0.30
Asset Impairment, Restructuring, and Other Special Charges	\$0.24 – \$0.28
Subtotal	\$0.66 – \$0.70
Tax Impact of Adjustments	\$(0.28) – \$(0.24)
Total Adjustments to Earnings per Share	\$0.42
Adjusted Earnings per Share⁽¹⁾	\$0.20 – \$0.25

Note: Numbers may not add due to rounding

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