

2022 Earnings – Fourth Quarter

As Revised March 1, 2023

Elanco

Notices and Disclaimers

Forward-Looking Statements. This presentation contains forward-looking statements, including, without limitation, statements concerning our 2023 full year and first half 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 factors that could cause actual results to differ materially from those in the forward-looking statements include 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 and risks related to certain governance provisions in our constituent documents. 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.

On Today's Call

Jeff Simmons

Elanco Animal Health
President and CEO



Todd Young

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



Elanco Looks Toward Stabilization and Acceleration

2023

Challenging financials

Continuation of macro
headwinds

Strengthening Elanco
tailwinds



Innovation on track

Path toward now **6 potential blockbusters** approved by H1'24, with addition of Bovaer



Reducing operational complexity

Final Bayer **systems integration** in Q2'23

Significant integration cash needs **conclude** in '23



Enhancing Commercial excellence

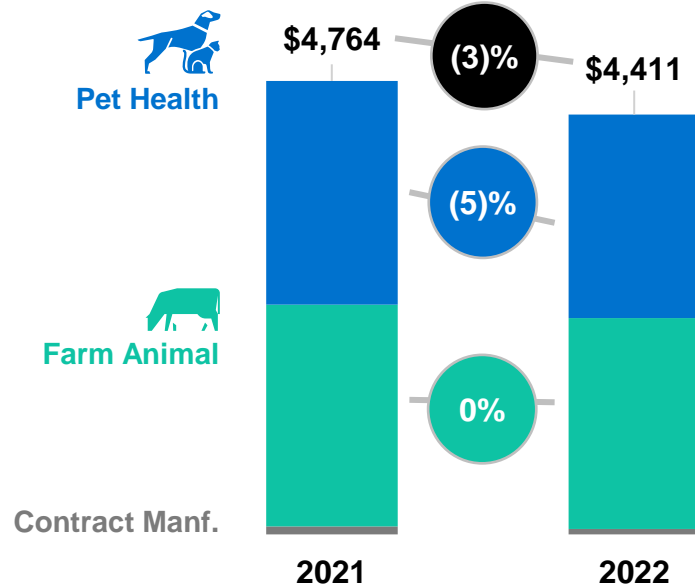
Increasing focus and investment to support
expected historic launch window

Full Year 2022 | Key Financial Metrics

\$ Millions Except Per Share Data

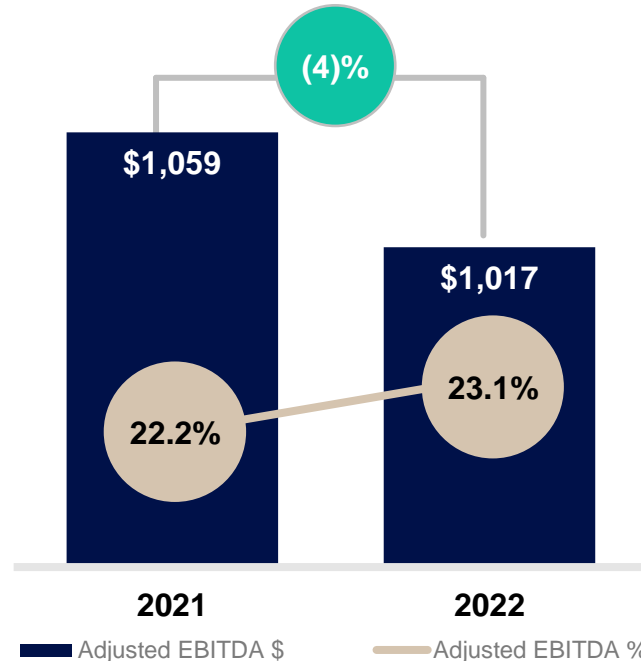
Revenue

Change in CC⁽¹⁾



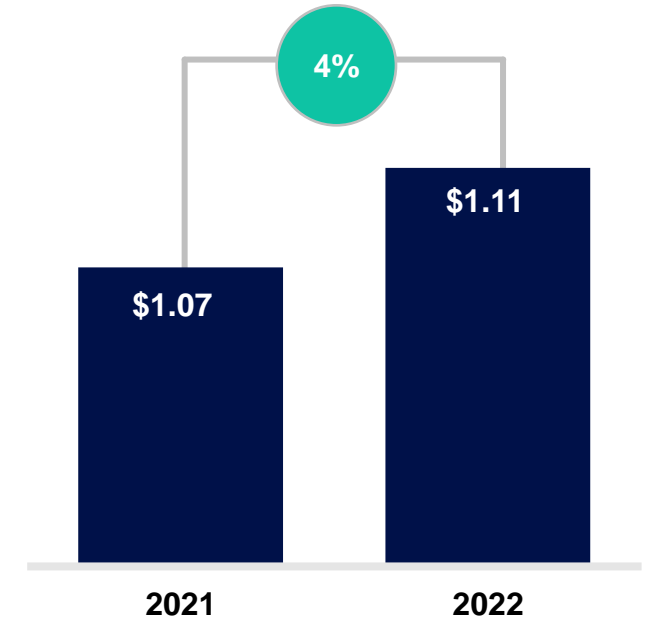
Adj. EBITDA⁽²⁾

Change in reported dollars



Adj. EPS⁽²⁾

Change in reported dollars



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

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

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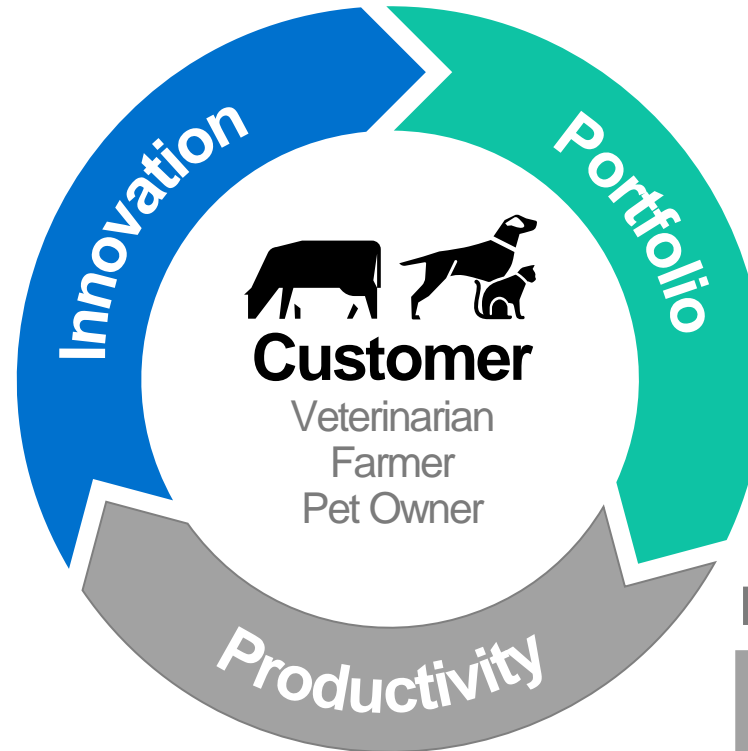
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IPP: Innovation, Portfolio, Productivity

2022 Highlights

Innovation

- 8 product approvals in major markets in 2022; including feline innovations
Zorbium, Advantage XD cat and Bexacat
- Delivered \$133M (+\$61M yoy) in sales from new products in 2021 and 2022
- Initiated U.S. submission of broad spectrum parasiticide and JAK inhibitor



Portfolio

Full year price +2%; Pet and Farm +2% each

Pet Health: U.S. para retail OTC leader⁽¹⁾, Pain portfolio grew DD%, expanding feline portfolio

Farm Animal: #2 in Farm Animal in U.S., Global market leader in medicated feed additives⁽¹⁾

Advanced digital sales capabilities, a key enabler of commercial excellence

Productivity

Productivity enabled flat gross margin despite significant inflation and mix pressure

Delivered cumulative Adj. EBITDA⁽²⁾ synergies of \$363M (+\$137M incremental in '22)

Reduced gross debt by \$501M, year-end leverage ratio of 5.5x

(1) Market share based on analysis of multiple data sources, including Elanco internal estimates, and is based on manufacturer revenue.

(2) Non-GAAP financial measure. See Appendix to this presentation for more information.

Data on this slide reflects revisions to previously reported financial results related to the Form 8-K/A filed March 1, 2023

Macro Pressures Remain, Elanco Tailwinds Strengthen in 2023

2021 to 2023 Revenue Bridge

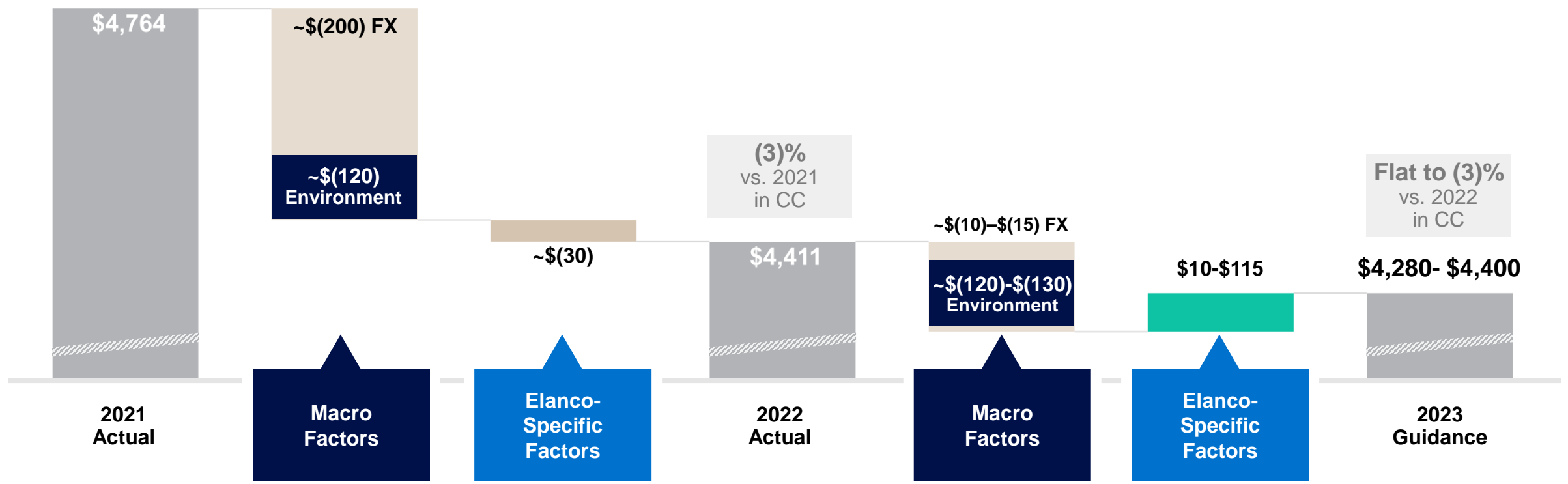
\$ millions

Environmental Factors

- China Covid lockdowns
- Supply Chain disruptions
- Economic Slowdown
Europe and U.S. Pet Retail (OTC)

Elanco Factors

























- Price
- Elanco Innovation
- Competitive Innovation, Supply, CMO, Other



Note: Numbers may not add due to rounding and ranges
 CC = Constant Currency is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.
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Progress and Outlook for Elanco's Next Era of Growth

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

| Asset | US Regulatory Agency | Species | Exploratory Development | Product Development | Initial Submission ⁽¹⁾ | Approval ⁽²⁾ | ➔ Launch ⁽¹⁾ | Peak Sales Opportunity ⁽³⁾ |
|---|----------------------|---|--|---------------------|-----------------------------------|--------------------------|-------------------------|---|
| Bexacat SGLT-2 Diabetes | FDA (Rx) |  |  | | | ✓ Q4 2022 | Q2 2023 |  |
| KIND-030 Parvovirus | USDA (Rx) |  |  | | | Q1 2023 (conditional) | after state approvals |  |
| ➔ K9 Advantix Flea/Tick | EPA (OTC) |  |  | | | ✓ Q1 2023 | Q1 2023 |  |
| ➔ Advantage Flea | EPA (OTC) |  |  | | | ✓ Q1 2023 | Q2 2023 |  |
| Broad Spectrum Parasiticide | FDA (Rx) |  |  | | | H1 2024 | |  |
| JAK Inhibitor Dermatology | FDA (Rx) |  |  | | | ✓ Q4 2022 | H1 2024 |  |
| IL-31 SA Antibody Dermatology | USDA (Rx) |  |  | | | H1 2023 | H1 2024 |  |
| ➔ Bovaer Methane Reduction | FDA |  |  | | | H1 2024 | |  |

(1) Expected submission and launch timing is based on internal estimates and could change as programs evolve.

(2) Potential approval timing is subject to regulatory agency outcomes.

(3) Potential peak sales represent the level of annual sales expected for a product on a global basis at its peak.

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 \$10-\$49M

✓ Progress since Q3 2022 Earnings Call

 ≥\$100M

➔ Addition since Q3 2022 Earnings Call

Financial Results

Fourth Quarter and Full Year 2022



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Fourth Quarter 2022

Data on this slide reflects revisions to previously reported financial results related to the Form 8-K/A filed March 1, 2023

Adjusted⁽¹⁾ Income Statement Highlights

| \$ millions, except per share values | 2022 | 2021 | Change (\$) | Change (%) |
|--|---------------|----------------|-----------------|--------------|
| Revenue | \$985 | \$1,112 | \$(127) | (11)% |
| Cost of Sales | \$448 | \$512 | \$(64) | (13)% |
| Adjusted Gross Profit | \$537 | \$600 | \$(63) | (11)% |
| Adjusted Gross Margin | 54.5% | 54.0% | NM | +60 bps |
| Operating Expense | \$382 | \$419 | \$(37) | (9)% |
| Interest Expense, Net | \$61 | \$55 | \$6 | 11% |
| Effective Tax Rate | (23.8)% | 19.2% | NM | (4,300) bps |
| Adjusted Net Income | \$94 | \$100 | \$(6) | (6)% |
| Adjusted Earnings Per Share Diluted | \$0.19 | \$0.20 | \$(0.01) | (5)% |
| Adjusted EBITDA | \$172 | \$213 | \$(41) | (19)% |
| Adjusted EBITDA Margin | 17.5% | 19.2% | NM | (170) bps |

Note: Numbers may not add due to rounding

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

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Fourth Quarter 2022

Impact of Price, Rate, and Volume on Revenue

| | Revenue | Price | FX Rate | Volume | Total | CC Change ⁽¹⁾ |
|-------------------------------|--------------|-----------|-------------|--------------|--------------|--------------------------|
| Pet Health | \$420 | 2% | (4%) | (13%) | (15%) | (11%) |
| Cattle | \$222 | | (4%) | | (9%) | (5%) |
| Poultry | \$187 | | (6%) | | (10%) | (4%) |
| Swine | \$100 | | (5%) | | (15%) | (10%) |
| Aqua | \$43 | | (12%) | | 30% | 42% |
| Farm Animal | \$552 | 4% | (5%) | (7%) | (9%) | (3%) |
| Contract Manufacturing | \$13 | 0% | (7%) | (5%) | (13%) | (5%) |
| Total Elanco | \$985 | 3% | (5%) | (10%) | (11%) | (7%) |

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

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

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Fourth Quarter 2022

Revenue and Constant Currency Change by Region

| | U.S. | | International | | Total | |
|--------------------------|--------------|--------------|---------------|--------------------------|--------------|--------------------------|
| \$ in millions | Revenue | Change | Revenue | CC Change ⁽¹⁾ | Revenue | CC Change ⁽¹⁾ |
| Pet Health | \$260 | (13)% | \$161 | (7)% | \$420 | (11)% |
| Farm Animal | \$165 | (17)% | \$388 | 4% | \$552 | (3)% |
| Contract Manufacturing | \$4 | (8)% | \$9 | (3)% | \$13 | (5)% |
| Total | \$428 | (15)% | \$557 | 0% | \$985 | (7)% |
| % of Total Elanco | 43% | | 57% | | 100% | |

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Full Year 2022

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Adjusted⁽¹⁾ Income Statement Highlights

| \$ millions, except per share values | 2022 | 2021 | Change (\$) | Change (%) |
|--|----------------|----------------|----------------|--------------|
| Revenue | \$4,411 | \$4,764 | \$(353) | (7)% |
| Cost of Sales | \$1,913 | \$2,068 | \$(155) | (7)% |
| Adjusted Gross Profit | \$2,498 | \$2,696 | \$(198) | (7)% |
| Adjusted Gross Margin | 56.6% | 56.6% | NM | - |
| Operating Expense | \$1,586 | \$1,772 | \$(186) | (10)% |
| Interest Expense, Net | \$221 | \$236 | \$(15) | (6)% |
| Effective Tax Rate | 17.7% | 22.0% | NM | (430) bps |
| Adjusted Net Income | \$544 | \$522 | \$22 | 4% |
| Adjusted Earnings Per Share Diluted | \$1.11 | \$1.07 | \$0.04 | 4% |
| Adjusted EBITDA | \$1,017 | \$1,059 | \$(42) | (4)% |
| Adjusted EBITDA Margin | 23.1% | 22.2% | NM | +80 bps |

Note: Numbers may not add due to rounding

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

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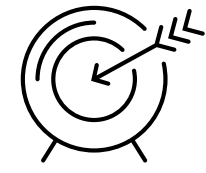
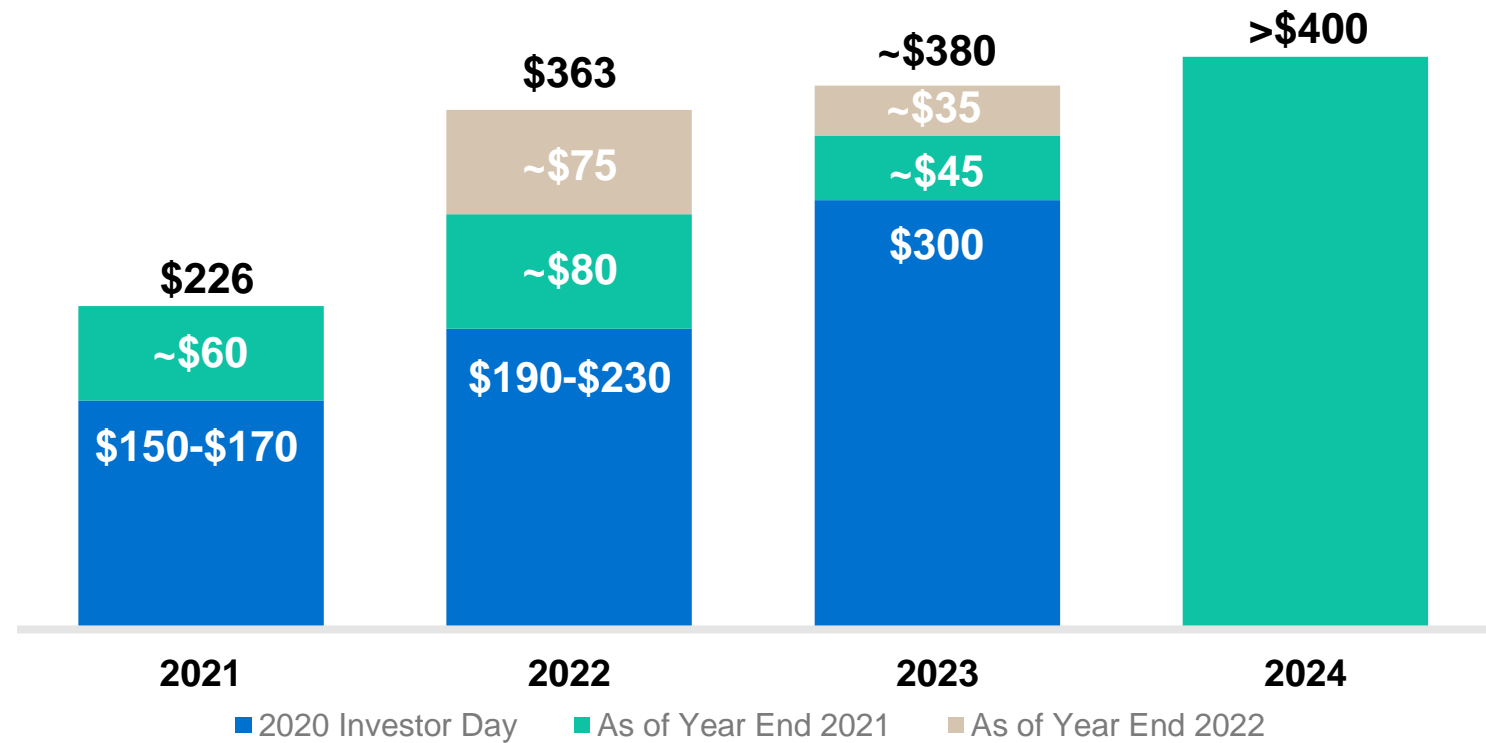
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Value Capture Ahead of Schedule and Expected to Increase

Adj. EBITDA Synergy Expectations⁽¹⁾

Cumulative (\$ millions)



2022 synergies ~\$140 million incremental; exceeded initial expectations by ~\$75 million

2023 expected cumulative synergies of ~\$380 million increased from \$345 million

2024 synergy expectations of >\$400 million with annualization of \$50-\$60 million expected from ERP system and business process integration

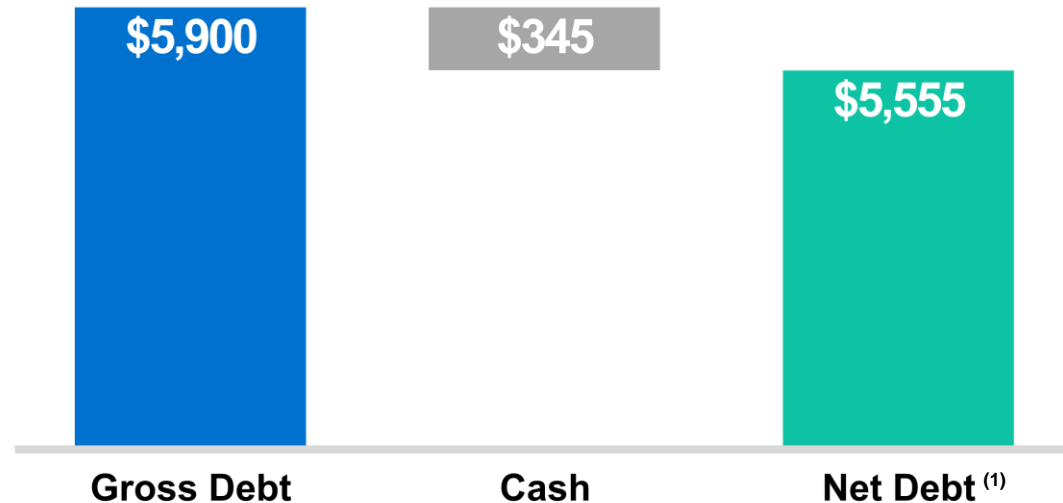
(1) Non-GAAP financial measure. See Appendix to this presentation for more information.
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Key Balance Sheet and Cash Flow Metrics

Debt Balances as of December 31, 2022

\$ millions



Operating Cash Flow (OCF) of \$452M in FY 2022;
Q4 OCF of \$13M, year over year decline driven by lower sales and higher inventory levels at year end.

Net leverage ratio⁽²⁾ increased to 5.5x;
increase of 0.1x compared to year end 2021.

Gross debt paydown of \$501 million in FY 2022
reflecting commitment to pay down debt.

Days sales outstanding decreased to 75 days
primarily driven by seasonal sequential decrease in sales.

Note: Numbers may not add due to rounding

(1) Net debt is a non-GAAP measure calculated as gross debt less cash and cash equivalents on our balance sheet. Gross debt is the sum of current portion of long-term debt and long-term debt and excludes unamortized debt issuance costs (2) Net leverage ratio calculated as gross debt less cash and cash equivalents on our balance sheet divided by adjusted EBITDA. This calculation does not include Term Loan B covenant-related adjustments that reduce this leverage ratio.

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Financial Guidance

First Half and Full Year 2023



TM

2023 Full Year

Financial Guidance

\$ millions, except per share values

| | 2023 | Comments |
|---|--------------------------|---|
| Revenue | \$4,280 - \$4,400 | Expect flat to 3% decline in constant currency |
| Reported Net Loss | \$(157) - \$(109) | |
| Adjusted EBITDA⁽¹⁾ | \$920 - \$1,000 | Price growth partially offsets lower volume, inflation, and strategic investments |
| Reported Diluted EPS | \$(0.32) - \$(0.22) | |
| Adjusted Diluted EPS⁽¹⁾ | \$0.74 - \$0.83 | Includes headwinds from higher interest expense and higher assumed tax rate |



Impact of FX

expected to be ~\$10-\$15 million headwind on the top-line, with H1 headwind and H2 tailwind



Environmental Factors

persist as expected Elanco tailwinds strengthen driven by price and innovation












Full Year Cadence

Operating expenses expected to increase in H1, decrease in H2; interest expense expected to increase sequentially each quarter

(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations. Additional assumptions for the 2023 full year guidance included on slide 35.

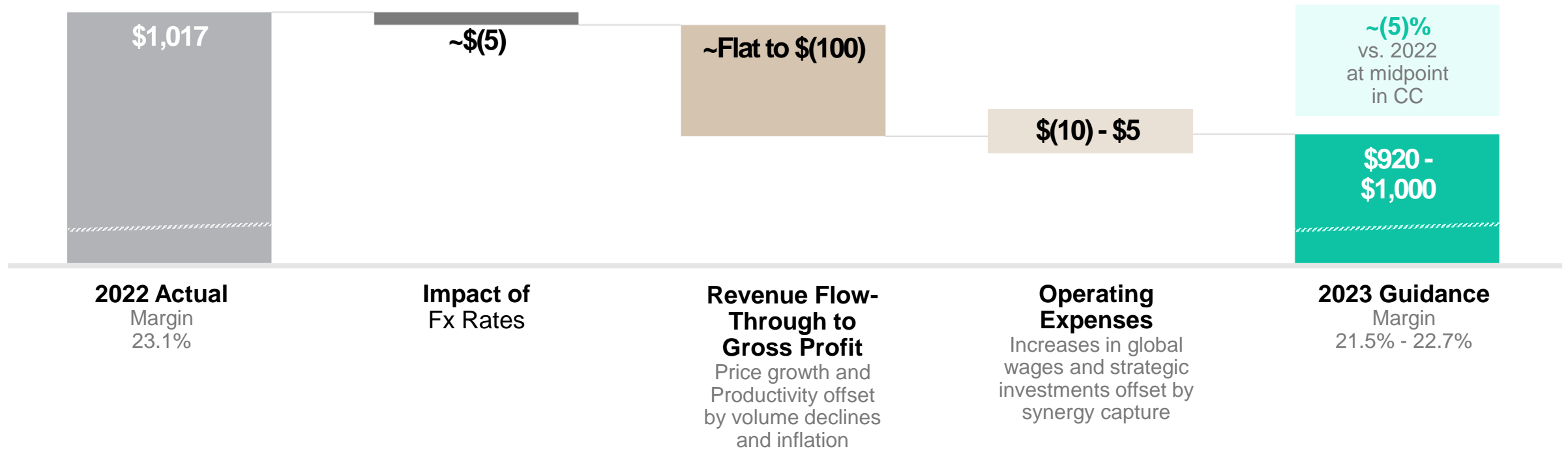
Expected 2023 Revenue Drivers by Category

| | Tailwinds  | Headwinds  |
|--|---|--|
| <p>Portfolio</p>  <p>Pet Health</p> | <p>Price growth greater than +2% across portfolio</p> <hr/> <p>Innovation growth led by  </p> <p> Parvovirus  Other OTC</p> <hr/> <p>More consistent supply impacting A-Family + Vaccines</p> <hr/> <p>Return to growth in China</p> | <p>Foreign exchanges rates: H1 headwind, H2 tailwind</p> <hr/> <p>Competitive pressure in pockets of U.S. veterinary market (para, pain, otitis)</p> <hr/> <p>Economic driven pressure on U.S. and Europe retail markets</p> |
|  <p>Farm Animal</p> | <p>Accelerated growth and adoption for </p> <hr/> <p>Portfolio enhancing bolt-ons, including alternatives to antibiotics for swine, poultry, dairy</p> <hr/> <p>Producer profitability in China improves with expected steady improvement in pork price</p> <hr/> <p>Strength in Aqua markets</p> | <p>Continued generic pressure across species</p> <hr/> <p>Strong 2022 sheep season as a result of weather conditions likely not to repeat</p> <hr/> <p>Unfavorable market conditions in U.S. cattle</p> |

2023 Adjusted EBITDA Reflects Topline & Investment Expectations

Full Year 2022 to 2023 Bridge

\$ millions



Note: Numbers may not add due to rounding and ranges

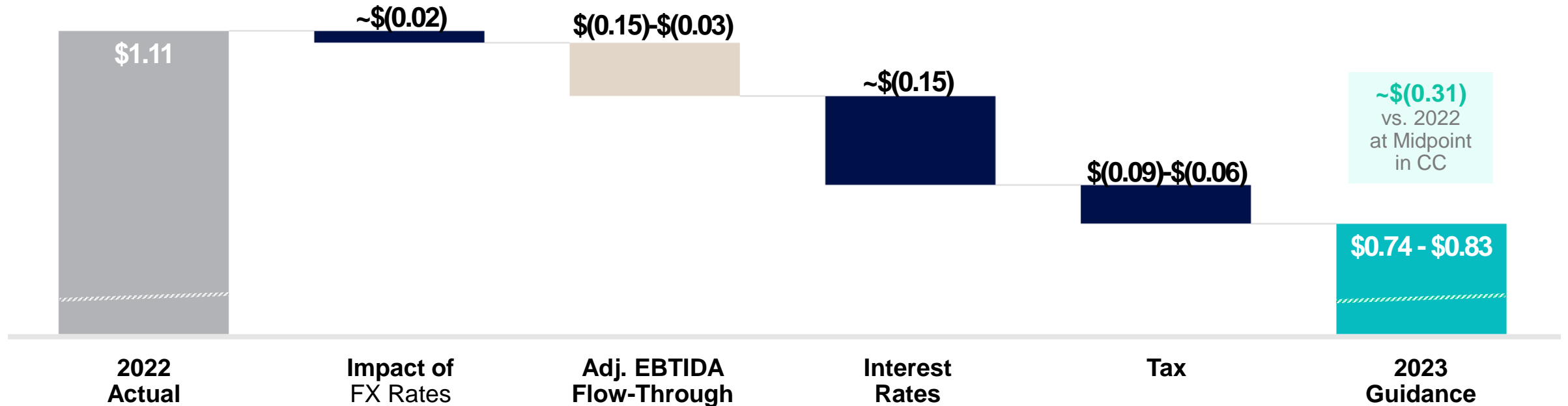
CC = Constant Currency is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

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2023 Adjusted EPS Impacted by Rising Interest Rates & Tax Compare

Full Year 2022 to 2023 Bridge



Note: Numbers may not add due to rounding and ranges

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First Half 2023

Financial Guidance

\$ millions, except per share values

| | |
|---|--------------------------|
| Total Revenue | \$2,230 – \$2,310 |
| Reported Net Income | \$(53) – \$(22) |
| Adjusted EBITDA⁽¹⁾ | \$490 – \$540 |
| Reported Diluted EPS | \$(0.11) – \$(0.04) |
| Adjusted Diluted EPS⁽¹⁾ | \$0.43 – \$0.50 |



Impact of FX

expected to be a ~\$40 million, or ~2ppt, headwind on top-line, with dollar strength compared to 2022



H1 Cadence

ERP system cutover expected to shift \$40 to \$80 million of revenue from Q2 into Q1



Additional Assumptions

Interest Expense expected to be ~\$65 million and ~\$75 million in Q1 and Q2 respectively; Expected adjusted tax rate between 24% and 26% in H1

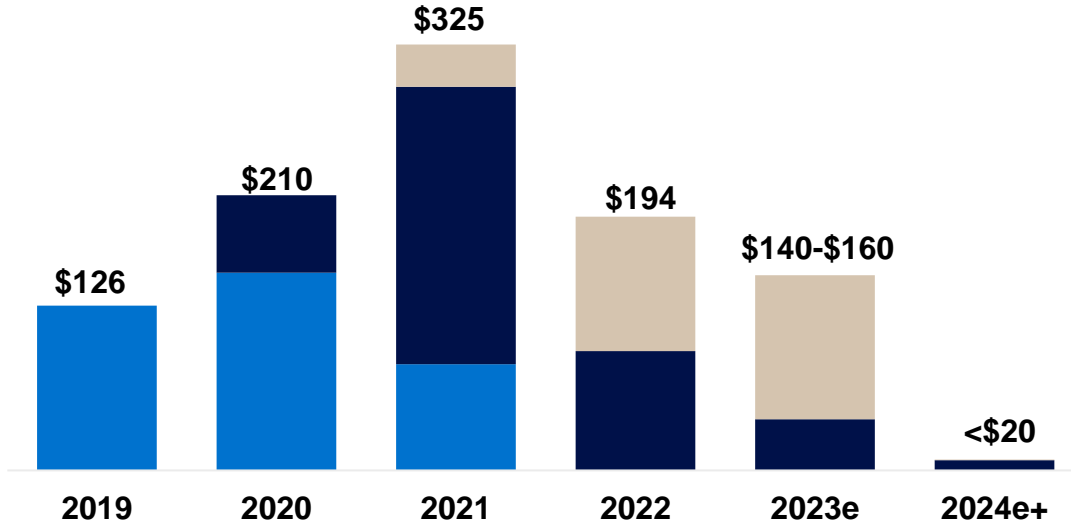
(1) Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

Meaningful Reduction in Project Cash Begins in 2024

Adj. EBITDA reflects revisions related to the Form 8-K/A filed March 1, 2023. The Change in Net Working Capital (NWC) line has been updated to reflect NWC as a use of cash in line with the other cash costs in the chart. The figures have been updated to accurately reflect 2021 and final cash flow figures for 2022. Additionally, the arrow has been flipped to represent that the company expects improvement in NWC in 2023.

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+ |
|---------------------------|---------|---------|--------------------|-------|
| Adj. EBITDA | \$1,059 | \$1,017 | \$920 – \$1,000 | ↗ |
| Project Cash Costs | \$325 | \$194 | \$140 – \$160 | ↘ |
| Cash Interest | \$221 | \$266 | \$390 – \$400 | ↘ |
| Cash Taxes | \$151 | \$93 | \$140 – \$160 | ↗ |
| Change in NWC | \$88 | \$462 | ↘ | = |

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

Note: Certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments. See February 21, 2023 earnings release for details.

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Appendix

Reference slides and GAAP reported to
non-GAAP adjusted reconciliations



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Full Year 2022

Impact of Price, Rate, and Volume on Revenue

| | Revenue | Price | FX Rate | Volume | Total | CC Change ⁽¹⁾ |
|-------------------------------|----------------|-----------|-------------|--------------|--------------|--------------------------|
| Pet Health | \$2,138 | 2% | (4%) | (7%) | (9%) | (5%) |
| Cattle | \$944 | | (4%) | | (4%) | 0% |
| Poultry | \$716 | | (6%) | | (4%) | 2% |
| Swine | \$384 | | (5%) | | (17%) | (13%) |
| Aqua | \$175 | | (10%) | | 22% | 32% |
| Farm Animal | \$2,219 | 2% | (5%) | (2%) | (5%) | 0% |
| Contract Manufacturing | \$54 | 0% | (4%) | (29%) | (34%) | (29%) |
| Total Elanco | \$4,411 | 2% | (4%) | (5%) | (7%) | (3%) |

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

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

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Full Year 2022

Revenue and Constant Currency Change by Region

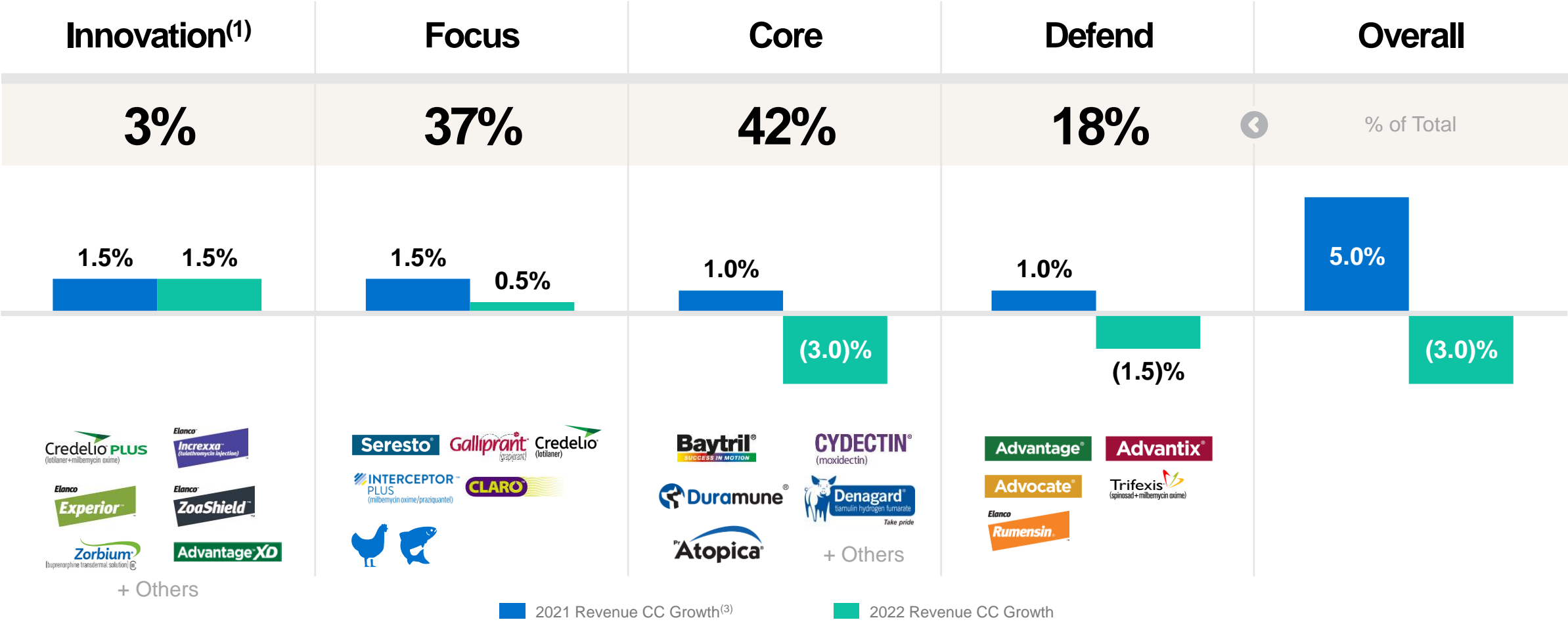
| | U.S. | | International | | Total | |
|--------------------------|----------------|-------------|----------------|--------------------------|----------------|--------------------------|
| \$ in millions | Revenue | Change | Revenue | CC Change ⁽¹⁾ | Revenue | CC Change ⁽¹⁾ |
| Pet Health | \$1,250 | (9)% | \$888 | (0)% | \$2,138 | (5)% |
| Farm Animal | \$699 | (3)% | \$1,520 | 2% | \$2,219 | 0% |
| Contract Manufacturing | \$17 | (49)% | \$38 | (15)% | \$54 | (29)% |
| Total | \$1,965 | (8)% | \$2,446 | 1% | \$4,411 | (3)% |
| % of Total Elanco | 45% | | 55% | | 100% | |

Numbers may not add due to rounding.

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

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2022 Results in Investor Day Framework



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












(1) As defined during the company’s 2020 Investor Day, innovation revenue includes all projects entering the market in 2021 through 2025, including both new products and lifecycle management.

(2) Represents comparison to the 2020 pro forma combined company revenue reference base and has been adjusted from the presentation in the Q4 2021 earnings call materials to reflect constant currency

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Revenue Performance by Top Countries

\$ millions






| | Total | % of Total | CC Change ⁽¹⁾ |
|--|----------------|-------------|--------------------------|
|  United States | \$1,948 | 44% | (7)% |
|  China | \$223 | 5% | (14)% |
|  Brazil | \$161 | 4% | 6% |
|  United Kingdom | \$138 | 3% | (13)% |
|  Italy | \$117 | 3% | 1% |
|  Australia | \$114 | 3% | 9% |
|  Canada | \$107 | 2% | 3% |
|  Mexico | \$107 | 2% | 1% |
|  Spain | \$98 | 2% | (3)% |
|  Japan | \$103 | 2% | 2% |
|  France | \$94 | 2% | (11)% |
| Other International | \$1,147 | 26% | 4% |
| Contract Manufacturing | \$54 | 1% | (29)% |
| Total | \$4,411 | 100% | (3)% |

Note: Numbers may not add due to rounding

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

Revenue Performance for Select Products

\$ millions

| | 2022 Revenue | % of Total | CC Change ⁽¹⁾ |
|--|--------------|------------|--------------------------|
|  | \$458 | 10% | (8)% |
|  | \$348 | 8% | (8)% |
|  | \$248 | 6% | (1)% |
|  | \$142 | 3% | 11% |
|  | \$103 | 2% | (24)% |

Note: Numbers may not add due to rounding

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

(2) Includes Credelio Dog and Credelio Cat

Fourth Quarter 2022

Adjusted EBITDA Reconciliation

\$ millions

| | 2022 | 2021 |
|--|---------------|----------------|
| Reported Net Loss | \$(55) | \$(105) |
| Net Interest Expense | \$62 | \$55 |
| Income Tax Expense (Benefit) | \$(35) | \$(15) |
| Depreciation and Amortization | \$169 | \$174 |
| EBITDA | \$141 | \$109 |
| Non-GAAP Adjustments | | |
| Cost of Sales | \$0 | \$0 |
| Asset Impairment, Restructuring, and Other Special Charges | \$32 | \$110 |
| Accelerated Depreciation and Amortization ⁽¹⁾ | \$(4) | \$(1) |
| Other Expense (Income), Net | \$3 | \$(5) |
| Adjusted EBITDA | \$172 | \$213 |
| Adjusted EBITDA Margin | 17.5% | 19.2% |

Numbers may not add due to rounding

(1) Represents depreciation and amortization of certain assets that was accelerated during the periods presented. This amount must be added back to arrive at adjusted EBITDA because it is included in asset impairment, restructuring, and other special charges but it has already been excluded from EBITDA in the "depreciation and amortization" row above.

Note: Certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments. See February 21, 2023 earnings release for details.

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Fourth Quarter 2022

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

\$ millions, except per share values

| | 2022 | | | 2021 | | |
|---|-----------------|----------------|---------------|-----------------|----------------|---------------|
| | GAAP Reported | Adjusted Items | Non-GAAP | GAAP Reported | Adjusted Items | Non-GAAP |
| Amortization of Intangible Assets | \$130 | \$130 | \$0 | \$139 | \$139 | \$0 |
| Asset Impairment, Restructuring and Other Special Charges ⁽¹⁾⁽²⁾ | \$32 | \$32 | \$0 | \$110 | \$110 | \$0 |
| Interest Expense, Net of Capitalized Interest ⁽³⁾ | \$62 | \$1 | \$61 | \$55 | \$0 | \$55 |
| Other Expense (Income), Net ⁽⁴⁾⁽⁵⁾ | \$21 | \$3 | \$18 | \$(3) | \$(5) | \$2 |
| Income (Loss) Before Taxes | \$(90) | \$165 | \$76 | \$(120) | \$244 | \$124 |
| Provision for Taxes ⁽⁶⁾⁽⁷⁾ | \$(35) | \$(17) | \$(18) | \$(15) | \$(39) | \$24 |
| Net Income (Loss) | \$(55) | \$148 | \$94 | \$(105) | \$205 | \$100 |
| Earnings (Loss) per Share Diluted | \$(0.11) | \$0.30 | \$0.19 | \$(0.22) | \$0.42 | \$0.20 |
| Adjusted Weighted Average Shares Outstanding Diluted ⁽⁸⁾ | 488.5 | 492.6 | 492.6 | 487.4 | 489.8 | 489.8 |

See slide 31 for details of adjustments to certain GAAP reported measures

Numbers may not add due to rounding.

Note: Certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments. See February 21, 2023 earnings release for details.

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Details of Adjustments to Certain GAAP Reported Measures

For the three months ended December 31, 2022 and 2021:

- 1) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$28 million), asset impairments (\$2 million), and the write-off of a receivable associated with a previous R&D collaboration arrangement (\$1 million).
- 2) 2021 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$21 million), severance (\$85 million), asset impairments (\$3 million), and asset write-downs (\$2 million), and the settlement of a legal matter (\$2 million), partially offset by curtailment gains recognized due to the remeasurement of pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$2 million).
- 3) 2022 excludes the debt extinguishment loss recorded in connection with the early repayment of our Term Loan B (\$1 million).
- 4) 2022 excludes a contribution to The Elanco Foundation (\$3 million).
- 5) 2021 excludes the gain recorded on the sale of certain equine assets (\$4 million) and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$1 million).
- 6) 2022 represents the income tax expense associated with the adjusted items and a net tax benefit associated with the sale of the Speke manufacturing site (\$12 million), partially offset by the impact of a net increase in the valuation allowance recorded against our deferred tax assets during the period (\$69 million).
- 7) 2021 represents the income tax expense associated with the adjusted items, partially offset by the impact of the valuation allowance recorded against our deferred tax assets during the period (\$44 million).
- 8) During the three months ended December 31, 2022 and 2021, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating Adjusted EPS include 4.1 million and 2.4 million, respectively, of common stock equivalents.

Full Year 2022

Adjusted EBITDA Reconciliation

\$ millions

| | 2022 | 2021 |
|--|----------------|----------------|
| Reported Net Loss | \$(78) | \$(483) |
| Net Interest Expense | \$241 | \$236 |
| Income Tax Expense (Benefit) | \$6 | \$(88) |
| Depreciation and Amortization | \$682 | \$716 |
| EBITDA | \$851 | \$381 |
| Non-GAAP Adjustments | | |
| Cost of Sales | \$0 | \$64 |
| Asset Impairment, Restructuring, and Other Special Charges | \$183 | \$634 |
| Accelerated Depreciation and Amortization ⁽¹⁾ | \$(19) | \$(6) |
| Other Expense (Income), Net | \$2 | \$(14) |
| Adjusted EBITDA | \$1,017 | \$1,059 |
| Adjusted EBITDA Margin | 23.1% | 22.2% |

Numbers may not add due to rounding

(1) Represents depreciation and amortization of certain assets that was accelerated during the periods presented. This amount must be added back to arrive at adjusted EBITDA because it is included in asset impairment, restructuring, and other special charges but it has already been excluded from EBITDA in the "depreciation and amortization" row above.

Note: Certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments. See February 21, 2023 earnings release for details.

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Full Year 2022

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

\$ millions, except per share values

| | 2022 | | | 2021 | | |
|---|-----------------|----------------|---------------|-----------------|----------------|---------------|
| | GAAP Reported | Adjusted Items | Non-GAAP | GAAP Reported | Adjusted Items | Non-GAAP |
| Cost of Sales ⁽¹⁾ | \$1,913 | \$0 | \$1,913 | \$2,132 | \$64 | \$2,068 |
| Amortization of Intangible Assets | \$528 | \$528 | \$0 | \$556 | \$556 | \$0 |
| Asset Impairment, Restructuring and Other Special Charges ⁽²⁾⁽³⁾ | \$183 | \$183 | \$0 | \$634 | \$634 | \$0 |
| Interest Expense, Net of Capitalized Interest ⁽⁴⁾ | \$241 | \$20 | \$221 | \$236 | \$0 | \$236 |
| Other Expense (Income), Net ⁽⁵⁾⁽⁶⁾ | \$32 | \$2 | \$30 | \$5 | \$(14) | \$19 |
| Income (Loss) Before Taxes | \$(72) | \$733 | \$662 | \$(571) | \$1,240 | \$669 |
| Provision for Taxes ⁽⁷⁾⁽⁸⁾ | \$6 | \$(111) | \$117 | \$(88) | \$(236) | \$147 |
| Net Income (Loss) | \$(78) | \$622 | \$544 | \$(483) | \$1,004 | \$522 |
| Earnings (Loss) per Share Diluted | \$(0.16) | \$1.26 | \$1.11 | \$(0.99) | \$2.06 | \$1.07 |
| Adjusted Weighted Average Shares Outstanding Diluted ⁽⁹⁾ | 488.3 | 492.2 | 492.2 | 487.2 | 488.9 | 488.9 |

See slide 34 for details of adjustments to certain GAAP reported measures

Numbers may not add due to rounding.

Note: Certain of the prior period measures reflect revisions primarily relating to tax valuation allowance adjustments. See February 21, 2023 earnings release for details.

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Details of Adjustments to Certain GAAP Reported Measures

For the twelve months ended December 31, 2022 and 2021:

- 1) 2021 excludes amortization of inventory fair value adjustments recorded from the acquisition of Bayer Animal Health (\$64 million).
- 2) 2022 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio (\$105 million), a nonrecurring charge for acquired IPR&D with no alternative future use that we recorded upon the initial consolidation of a variable interest entity that is not a business (\$59 million), the finalization of a write-down charge associated with the sale of our manufacturing site in Speke, U.K. (\$22 million), a measurement period adjustment to the consideration transferred and charge associated with the settlement of a liability for future royalty and milestone payments that was triggered in connection with the acquisition of KindredBio (\$2 million), facility exit costs (\$2 million), asset impairments (\$2 million), and the write-off of a receivable associated with a previous R&D collaboration arrangement (\$1 million), partially offset by adjustments resulting from the reversal of severance accruals (\$9 million) and an adjustment related to asset write-downs (\$1 million).
- 3) 2021 excludes charges associated with integration efforts and external costs related to the acquisitions of Bayer Animal Health and KindredBio, and charges primarily related to independent stand-up costs and other related activities (\$162 million), a charge associated with the settlement of a liability for future royalty and milestone payments triggered in connection with our acquisition of KindredBio (\$26 million), costs associated with the sale of our manufacturing sites in Shawnee, Kansas and Speke, U.K. and other business development transactions (\$5 million), severance accruals net of reversals (\$110 million), asset impairments (\$66 million), asset write-downs (\$284 million), and the settlement of legal matters (\$10 million), partially offset by curtailment gains recognized due to the remeasurement our pension benefit obligations resulting from workforce reductions associated with our recent restructuring programs (\$29 million).
- 4) 2022 excludes the debt extinguishment losses recorded in connection with the early repayment of our 4.272% Senior Notes due August 28, 2023 and our Term Loan B (\$20 million).
- 5) 2022 excludes a contribution to The Elanco Foundation (\$3 million) and the impact of hyperinflationary accounting related to Turkey (\$4 million), partially offset by the gain recognized on the disposal of the microbiome R&D platform (\$3 million) and up-front payments received in relation to license and asset assignment agreements (\$2 million).
- 6) 2021 excludes up-front payments received and equity issued to us in relation to license and asset assignment agreements (\$9 million), the gain recorded on the sale of certain equine assets (\$4 million), and the impact of a decrease in the fair value of the Prevtex contingent consideration (\$1 million).
- 7) 2022 represents the income tax expense associated with the adjusted items, the reversal of tax expense that was previously stranded in accumulated other comprehensive income due to the interest rate swap settlement (\$17 million), and a net tax benefit associated with the sale of the Speke manufacturing site (\$12 million), partially offset by a net increase in the valuation allowance recorded against our deferred tax assets during the period (\$62 million).
- 8) 2021 represents the income tax expense associated with the adjusted items, partially offset by a net increase in the valuation allowance recorded against our deferred tax assets during the period (\$56 million).
- 9) During the years ended December 31, 2022 and 2021, we reported a GAAP net loss and thus potential dilutive common shares were not assumed to have been issued since their effect is anti-dilutive. During the same periods, we reported non-GAAP net income. As a result, potential dilutive common shares would not have an anti-dilutive effect, and diluted weighted average shares outstanding for purposes of calculating Adjusted EPS include 3.9 million and 1.7 million, respectively, of common stock equivalents.

Full Year 2023

Financial Guidance & Additional Assumptions

\$ millions, except
per share values

| | |
|--|--------------------------|
| Total Revenue | \$4,280 – \$4,400 |
| Adjusted Gross Margin ⁽¹⁾ | 55.7% – 56.4% |
| Operating Expenses | \$1,580 – \$1,605 |
| Adjusted EBITDA⁽¹⁾ | \$920 – \$1,000 |
| Adjusted EBITDA Margin⁽¹⁾ | 21.5% – 22.7% |
| Depreciation | Approx. \$145 |
| Interest Expense, Net of Capitalized Interest | Approx. \$315 |
| Tax Rate | 24% – 26% |
| Adjusted Earnings per Share⁽¹⁾ | \$0.74 – \$0.83 |
| Weighted Average Diluted Share Count | Approx. 497 million |
| Capital Expenditures | \$170 – \$190 |
| Cash Taxes | \$140 – \$160 |
| Cash Interest ⁽²⁾ | \$390 – \$400 |
| Net Cash Impact from Bayer Integration and Restructuring | \$140 – \$160 |

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

(2) Estimated cash interest based on 1-Month Term SOFR and 1-Month USD LIBOR forward curves as of Mid-February.

Full Year 2023

EBITDA Guidance Reconciliation

\$ millions

| | |
|--|--------------------------|
| Reported Net Loss | \$(157) - \$(109) |
| Net Interest Expense | Approx. \$315 |
| Income Tax Provision | \$(27) - \$30 |
| Depreciation and Amortization | Approx. \$690 |
| EBITDA | \$819 - \$919 |
| Non-GAAP Adjustments | |
| Asset Impairment, Restructuring, and Other Special Charges | Approx. \$100 |
| Accelerated Depreciation and Other Special Charges | Approx. \$(10) |
| Adjusted EBITDA | \$920 - \$1,000 |
| Adjusted EBITDA Margin | 21.5% - 22.7% |

Note: Numbers may not add due to rounding
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Full Year 2023

EPS Guidance Reconciliation

| | |
|---|----------------------------|
| Reported Loss per Share | \$(0.32) - \$(0.22) |
| Amortization of Intangible Assets | Approx. \$1.07 |
| Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾ | \$0.19 - \$0.23 |
| Subtotal | \$1.26 - \$1.30 |
| Tax Impact of Adjustments | \$(0.25) - \$(0.22) |
| Total Adjustments to Earnings (Loss) per Share | \$1.05 - \$1.06 |
| Adjusted Earnings per Share⁽²⁾ | \$0.74 - \$0.83 |

Note: Numbers may not add due to rounding

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

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

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First Half 2023

EBITDA Guidance Reconciliation

\$ millions

| | |
|--|------------------------|
| Reported Net Loss | \$(53) - \$(22) |
| Net Interest Expense | Approx. \$140 |
| Income Tax Provision | \$(17) - \$15 |
| Depreciation and Amortization | Approx. \$350 |
| EBITDA | \$421 - \$484 |
| Non-GAAP Adjustments | |
| Asset Impairment, Restructuring, and Other Special Charges | Approx. \$75 |
| Accelerated Depreciation and Other Special Charges | Approx. \$(10) |
| Adjusted EBITDA | \$490 - \$540 |
| Adjusted EBITDA Margin | 22.0% - 23.4% |

Note: Numbers may not add due to rounding
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First Half 2023

EPS Guidance Reconciliation

| | |
|---|----------------------------|
| Reported Loss per Share | \$(0.11) - \$(0.04) |
| Amortization of Intangible Assets | Approx. \$0.54 |
| Asset Impairment, Restructuring, and Other Special Charges ⁽¹⁾ | \$0.14 - \$0.16 |
| Subtotal | \$0.68 - \$0.70 |
| Tax Impact of Adjustments | \$(0.16) - \$(0.14) |
| Total Adjustments to Earnings (Loss) per Share | Approx. \$0.54 |
| Adjusted Earnings per Share⁽²⁾ | \$0.43 - \$0.50 |

Note: Numbers may not add due to rounding

(1) Asset impairment, restructuring, and other special charges adjustments primarily relate to integration efforts of acquired businesses, including the animal health business of Bayer.

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