



2019 Earnings Fourth Quarter

February 19, 2020

SAFE HARBOR PROVISION



This presentation contains forward-looking statements that are based on management’s current expectations, but actual results may differ materially due to various factors. The company’s results may be affected by factors including, but not limited to, heightened competition, including from innovation or 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 food animals; our ability to implement business strategies or achieve targeted cost efficiencies and gross margin improvements; consolidation of our customers and distributors; an outbreak of infectious disease carried by food animals; the success of our R&D and licensing efforts; our ability to complete acquisitions and successfully integrate the businesses we acquire, including the animal health business of Bayer AG (Bayer); misuse or off-label 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; disruption in our supply chain due to manufacturing issues experienced by our contract manufacturers; the impact of increased or decreased sales to our channel distributors resulting in higher or lower inventory levels held by them in advance of or trailing actual customer demand; risks related to our presence in emerging markets; changes in U.S. foreign trade policy, imposition of tariffs or trade disputes; and the impact of global macroeconomic conditions; and the effect on our business resulting from our separation from Eli Lilly & Co. (Lilly), including the various costs and risks associated with transition to a stand alone entity, including the ability to stand up our ERP system and other IT systems.

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

The company undertakes no duty to update forward-looking statements

HIGHLIGHTS FOR 2019



Delivering Top Line Results

Core Revenue grew 3%⁽¹⁾ FY 2019
Targeted growth categories grew 7%⁽¹⁾ FY 2019

Margin Expansion in 2019

Adjusted Gross Margin +220 bps to 52.1%
Adjusted EBITDA margin of 21.6%

Independent & Fit-For-Purpose

Implemented announced restructuring actions
HR system live; 65% of TSAs exited; Standup on track





Bayer Animal Health Acquisition Progressing

Divestitures announced; Antitrust clearance in several markets
Debt and equity financing secured

(1) For growth rates including the impact of foreign exchanges rates, see slide 9.
Note: For GAAP reconciliations, see slides 16-21.

MOMENTUM IN TARGETED GROWTH CATEGORIES



	Q4 2018	Q4 2019	YTD 2019
 Companion Animal Disease Prevention	45%	(14)%	(1)%
 Companion Animal Therapeutics	(4)%	34%	25%
 Food Animal Future Protein & Health	13%	2%	8%
Targeted Growth Categories	20%	0%	7%
 Food Animal Ruminants & Swine	(6)%	3%	(4)%
Core Elanco	9%	1%	3%
Strategic Exits	(5)%	(54)%	(15)%
Total Elanco	8%	(1)%	2%

Note: Percentages exclude the impact of foreign currency. For presentation of results including impact of foreign currency, see slide 9.

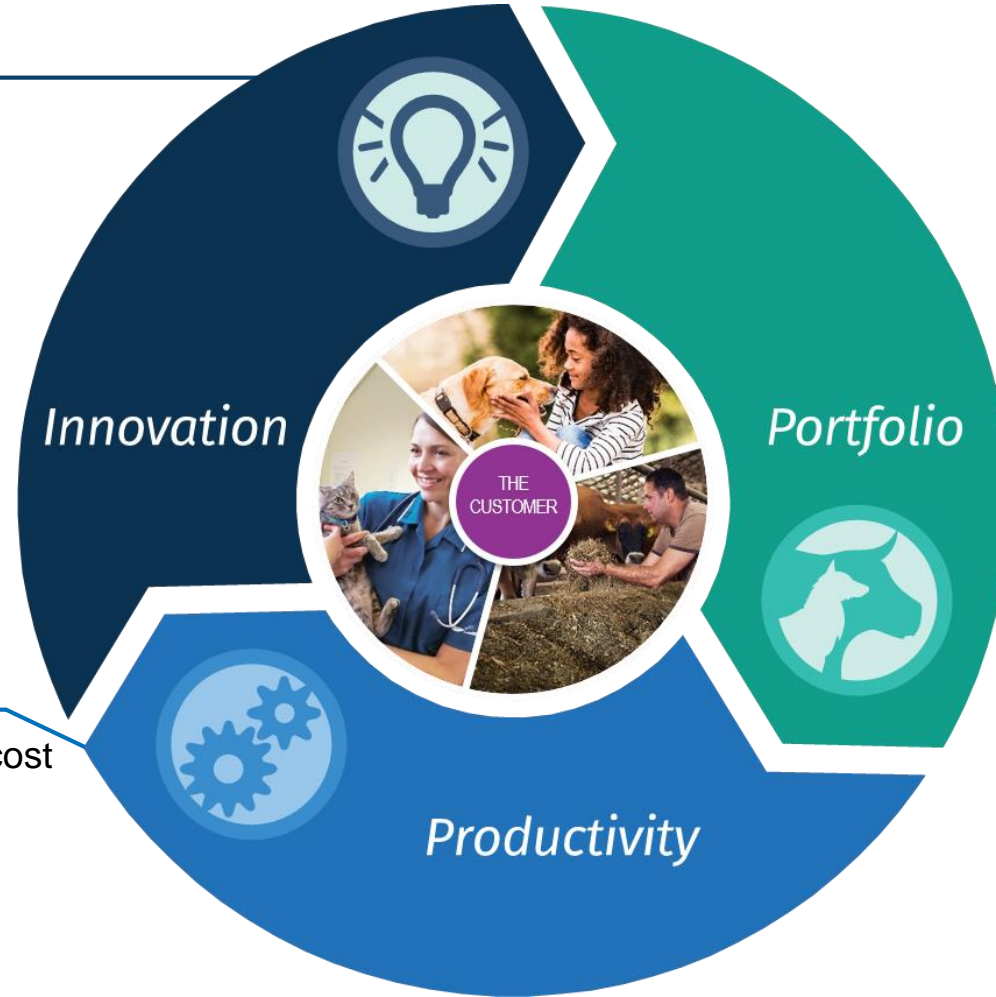
EXECUTING ON THE IPP STRATEGY IN 2019

Deliver Innovation

- Revenue from 14 products launched or acquired since 2015 grew 60% and represent 14% of total revenue for full year – including Entyce®, Nocita®, and Tanovea®
- Entered the last of a committed 25 antibiotic alternatives candidates into pipeline

Unlock Value

- Delivered \$70 million in manufacturing cost savings, on track to deliver \$215 million from '18-'20
- Completed actions for two restructuring events
- Go-live of HR system; now 65% of TSA's have been exited



Drive Growth of Portfolio

- 2019 Core Revenue +3% at constant currency
- 2019 Targeted Growth Categories +7% at constant currency; 61% of total revenue
- Outsized growth in alternative channels

REPORTED INCOME STATEMENT



Millions; except per share data

	Q4 2019	Change	YTD 2019	Change
Revenue	\$787.0	(2)%	\$3,071.0	0%
Gross Margin	47.9%	(50) bps	52.1%	340bps
Total Operating Expense*	253.2	3%	1,030.3	5%
Operating Income	123.7	(12)%	570.4	12%
Interest Expense	18.7	(11)%	78.9	NM
Effective Tax Rate	(121.0%)	NM	13.2%	NM
Net Income (Loss)	\$(9.5)	(158)%	\$67.9	(22)%
Earnings (Loss) per share diluted	\$(0.03)	(157)%	\$0.18	(22)%

*Includes research and development expense as well as marketing, selling and administrative expense
 NM – not meaningful

"REPORTED" RESULTS

Include all financial results as reported in accordance with Generally Accepted Accounting Principles (GAAP)

"ADJUSTED" MEASURES

Start with **"REPORTED" RESULTS**

Include adjustments for items such as:

- Asset impairment, restructuring and other special charges
- Acquired in-process R&D charges and other income and expenses from business development activities
- Amortization of intangible assets

CERTAIN INCOME STATEMENT ITEMS AS ADJUSTED



	Q4			YTD		
	2019 Adjusted	2018 Adjusted	Change	2019 Adjusted	2018 Adjusted	Change
Millions; except per share data						
Revenue	\$787.0	\$799.3	(2)%	\$3,071.0	\$3,066.8	0%
Gross Margin	47.9%	48.4%	(50)bps	52.1%	49.9%	220bps
Total Operating Expense*	253.2	246.2	3%	1,030.3	981.8	5%
Operating Income	123.7	140.6	(12)%	571.2	549.8	4%
Interest Expense	18.7	21.0	(11)%	78.9	29.6	NM
Effective Tax Rate	11.1%	16.2%	NM	16.7%	16.8%	NM
Net income	\$87.8	\$105.4	(17)%	\$394.0	\$431.8	(9)%
Earnings per share diluted	\$0.23	\$0.29	(21)%	\$1.06	\$1.18	(10)%

Refer to slide 16-21 for the reconciliation between GAAP and Non-GAAP and definition of margin calculation.

*Includes research and development expense as well as marketing, selling and administrative expense

**For periods prior to IPO, effective tax rate was computed on a separate company basis, and therefore may not be indicative of actual results.

EFFECT OF PRICE/RATE/VOLUME ON REVENUE



Millions	Q4 2019						YTD 2019					
	Revenue	Price	FX Rate	Volume	Total	CER* Growth	Revenue	Price	FX Rate	Volume	Total	CER* Growth
CA Disease Prevention	171.0	(1)%	(1)%	(13)%	(15)%	(14)%	787.9	1%	(1)%	(2)%	(2)%	(1)%
CA Therapeutics	95.6	7%	(1)%	27%	33%	34%	348.0	5%	(2)%	20%	23%	25%
FA Future Protein & Health	210.6	3%	(1)%	(1)%	1%	2%	745.1	4%	(3)%	4%	5%	8%
FA Ruminants and Swine	298.5	1%	(1)%	2%	2%	3%	1,110.3	1%	(2)%	(5)%	(5)%	(4)%
Core Revenue	\$775.7	2%	(1)%	(1)%	0%	1%	\$2,991.3	2%	(2)%	1%	1%	3%
Strategic Exits	11.3	0%	0%	(54)%	(54)%	(54)%	79.7	0%	0%	(15)%	(15)%	(15)%
Total Elanco	\$787.0	2%	(1)%	(2)%	(2)%	(1)%	\$3,071.0	2%	(2)%	0%	0%	2%

Note: Numbers may not add due to rounding
 *CER = Constant exchange rate

REVENUE BY GEOGRAPHY



Millions	Q4 2019						YTD 2019					
	Global		US		International		Global		US		International	
	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change	Revenue	Change
Core Revenue	\$775.7	1%	\$348.6	(3)%	\$427.1	5%	\$2,991.3	3%	\$1,467.3	4%	\$1,524.0	2%
Strategic Exits	11.3	(54)%	9.0	(36)%	2.3	(78)%	79.7	(15)%	57.4	(14)%	22.3	(18)%
Total Elanco	\$787.0	(1)%	\$357.6	(5)%	\$429.4	3%	\$3,071.0	2%	\$1,524.7	3%	\$1,546.3	1%

Note: Numbers may not add due to rounding
Growth rates excluding the impact of foreign exchange rates.

2020 FULL YEAR FINANCIAL GUIDANCE



2020 Guidance

Total Revenue	\$3.050 - \$3.110 billion
Core Revenue (excluding Strategic Exits)	\$3.000 - \$3.060 billion
Strategic Exits	Approx. \$0.05 billion
Earnings per Share (GAAP)	\$0.04 - \$0.16
Earnings per Share (non-GAAP)	\$1.09 - \$1.16

Guidance Notes:

- Does not include revenue or expenses from **Bayer animal health**
- Does include full-year revenue for **all Elanco products**, including announced divestitures and other product that may be divested
- Does not consider any **financing elements**, such as additional shares or interest expense from additional debt
- Does include expenses associated with **stand-up** of independent Elanco and **integration planning** for the Bayer AH acquisition

FX assumptions (% of sales):

- Euro at 1.11 (13%)
- Pound at 1.29 (5%)
- Real at 4.03 (2%)
- Yen at 108.66 (2%)
- Australian Dollar at 0.69 (3%)

2020 GUIDANCE - GAAP TO ADJUSTED EPS



	2020 Guidance		
GAAP EPS	\$0.04	to	\$0.16
Amortization of intangible assets			0.55
Expenses associated with establishing stand-alone capabilities, severance and acquisitions	0.79	to	0.72
Subtotal	\$1.38	to	\$1.43
Tax impact of adjustments	(0.29)	to	(0.27)
Adjusted EPS	\$1.09	to	\$1.16

Guidance Notes:

- Does not include revenue or expenses from **Bayer animal health**
- Does include full-year revenue for **all Elanco products**, including announced divestitures and other product that may be divested
- Does not consider any **financing elements**, such as additional shares or interest expense from additional debt
- Does include expenses associated with **stand-up** of independent Elanco and **integration planning** for the Bayer AH acquisition

Note: We use non-GAAP financial measures, such as core revenue and adjusted EPS to assess and analyze our operational results and trends. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported measures. We caution investors to use U.S. GAAP measures as the primary means of evaluating our performance, value and prospects for the future, and non-GAAP measures as supplemental measures.



Elanco

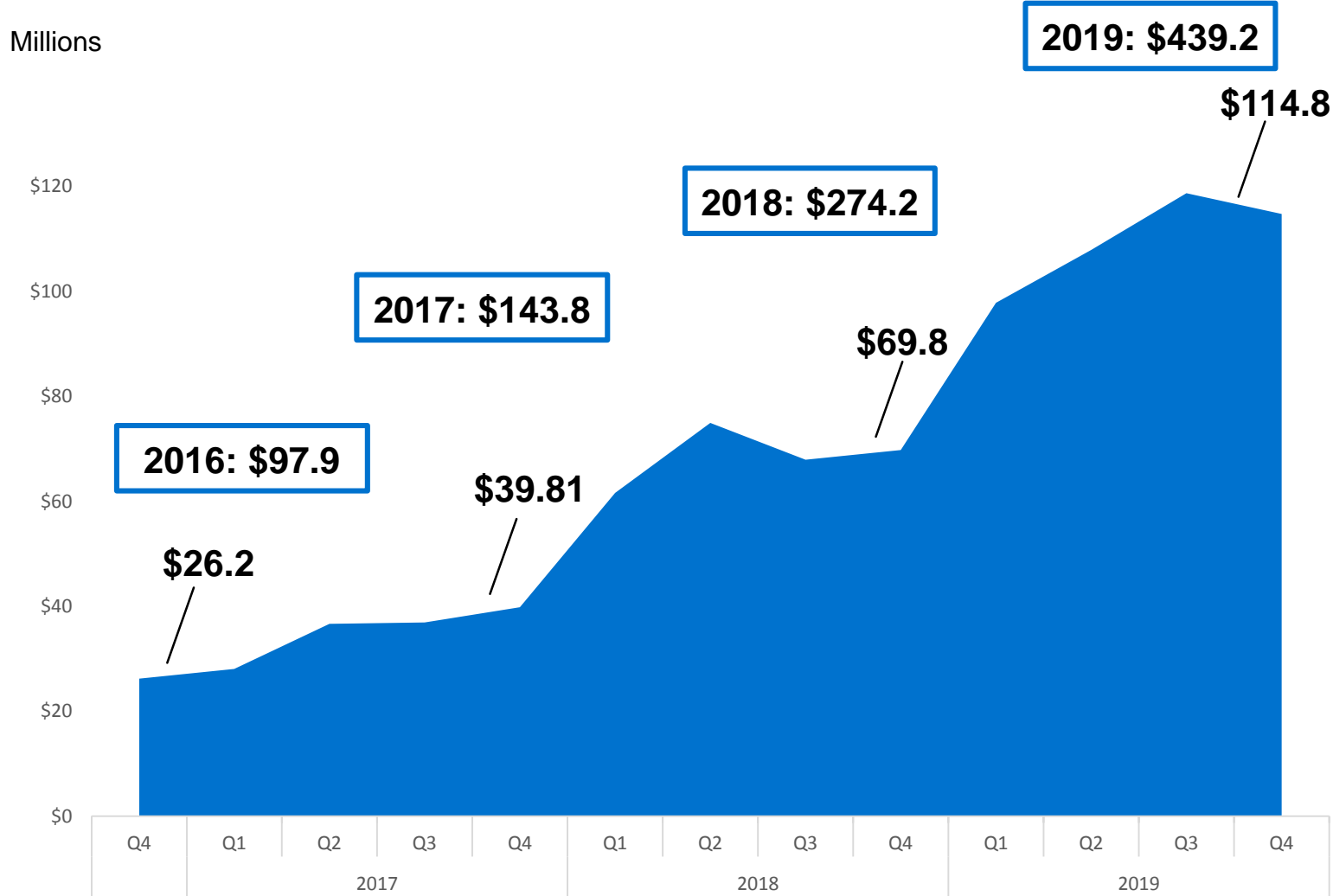
TM

Food and Companionship
Enriching Life

SUPPLEMENTAL SLIDES



NEW PRODUCT PROGRESS



Products Include:

COMPANION ANIMAL

- Interceptor[®] Plus
- Osurnia[®]
- Galliprant[®]
- Credelio[®]
- Entyce^{®**}
- Nocita^{®**}
- Tanovea^{®**}

FOOD ANIMAL

- Imrestor^{®*}
- Imvixa[™]
- Kavault[®]
- Integrity[®]
- Clynav[™]
- Prevacent[™] PRRS
- Correlink[™]

2019 Q4 +65%
2019 Full Year +60%

*Marketing of this product has been suspended while additional indications are pursued

**Added in Q3 2019

Q4 RECONCILIATION OF GAAP to NON-GAAP



	Q4 2019			Q4 2018		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Millions; except per share data						
Gross Profit	\$376.9	—	\$376.9	\$386.8	—	\$386.8
Operating Income	\$123.7	—	\$123.7	\$140.6	—	\$140.6
Amortization of intangible assets	51.4	51.4	—	50.1	50.1	—
Asset impairments, restructuring and other special charges	51.6	51.6	—	46.0	46.0	—
Other-net expense, (income)	6.3	—	6.3	25.7	31.9	(6.2)
Income (loss) before taxes	\$(4.3)	103.0	\$98.7	\$(2.2)	\$128.0	\$125.8
Provision for taxes	5.2	(5.7)	10.9	(18.6)	(39.0)	20.4
Net income (Loss)	\$(9.5)	\$97.3	\$87.8	\$16.4	\$89.0	\$105.4
Earnings (Loss) Per Share diluted	\$(0.03)	\$0.26	\$0.23	\$0.04	\$0.25	\$0.29

See slide 17 for details on items included in the adjustments for each line.

Q4 2019 INCOME STATEMENT NOTES



Q4 2019 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- 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).

Q4 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- 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 (\$16.0 million), and asset impairments (\$18.7 million), and severance (\$18.3 million), partially offset by the gain on the sale of our Cali, Columbia facility (\$1.5 million) and a favorable contract termination related to the suspension of commercial activities for Imrestor (\$5.5 million).
- Expenses resulting from an increase in the Aratana contingent consideration (\$30.2 million) and expenses related to integration activities (\$1.7 million).

FOR ALL PERIODS:

- Income tax represents the income tax expense associated with the adjusted items.
- Adjusted Gross Margin is adjusted Gross Profit divided by Revenue.

YTD RECONCILIATION OF GAAP to NON-GAAP



Millions; except per share data	YTD 2019			YTD 2018		
	GAAP Reported	Adjusted Items	Non-GAAP	GAAP Reported	Adjusted Items	Non-GAAP
Gross Profit	\$1,600.7	\$0.8	\$1,601.5	\$1,493.0	\$38.6	\$1,531.6
Operating Income	\$570.4	\$0.8	\$571.2	\$511.2	\$38.6	\$549.8
Amortization of intangible assets	200.4	200.4	—	197.4	197.4	—
Asset impairments, restructuring and other special charges	185.5	185.5	—	128.8	128.8	—
Other-net expense	27.4	8.0	19.4	41.3	40.4	0.9
Income before taxes	\$78.2	\$394.7	\$472.9	\$114.1	\$405.2	\$519.3
Provision for taxes	10.3	(68.6)	78.9	27.6	(59.9)	87.5
Net income	\$67.9	\$326.1	\$394.0	\$86.5	\$354.3	\$431.8
Earnings Per Share diluted*	\$0.18	\$0.88	\$1.06	\$0.24	\$0.94	\$1.18

For periods prior to IPO, effective tax rate was computed on a separate company basis, and therefore may not be indicative of actual results.

*As reported GAAP EPS of \$0.28 for YTD 2018 was calculated using a weighted average shares of 313.7; however, in order to provide a more meaningful representation of comparative results, the table above utilized a weighted average shares of 365.6 which also resulted in GAAP EPS of \$0.24.

See slide 19 for details on items included in the adjustments for each line.

YTD 2019 INCOME STATEMENT NOTES



YTD 2019 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Amortization of inventory fair value adjustments recorded from the acquisitions of Aratana and Prevtex (\$0.6 million) and inventory adjustments for the suspension of commercial activities of Imrestor® (\$0.2 million).
- 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).
- 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 Prevtex (\$0.5 million).

YTD 2018 NON-GAAP INFORMATION HAS BEEN ADJUSTED TO EXCLUDE:

- Charges primarily associated with inventory adjustments related to the suspension of commercial activities for Imrestor (\$34.7 million), as well as the closure of the Larchwood, IA facility (\$3.9 million).
- 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 (\$26.5 million), facility exit costs and asset impairments (\$88.3 million), and severance (\$15.5 million), partially offset by the gain on the sale of our Cali, Columbia facility (\$1.5 million).
- Expenses resulting from an increase in the Aratana contingent consideration (\$38.7 million) and expenses related to on going integration activities (\$1.7 million).

FOR ALL PERIODS:

- Income tax represents the income tax expense associated with the adjusted items.
- Adjusted Gross Margin is adjusted Gross Profit divided by Revenue.

RECONCILIATION OF GAAP REPORTED TO NON-GAAP EPS



	Q4		YTD	
	2019	2018	2019	2018
As Reported EPS	\$(0.03)	\$0.04	\$0.18	\$0.28
Cost of Sales	—	—	—	0.10
Amortization of intangible assets	0.14	0.14	0.54	0.54
Asset impairments, restructuring and other special charges	0.14	0.13	0.50	0.35
Other-net expense	—	0.09	0.02	0.11
Subtotal	\$0.28	\$0.36	\$1.07	\$1.10
Tax impact of Adjustments	(0.02)	(0.11)	(0.19)	(0.16)
Total Adjustments to EPS	\$0.26	\$0.25	\$0.88	\$0.94
Impact of Adjusted weighted shares outstanding diluted ⁽¹⁾	—	—	—	(0.04)
Adjusted EPS⁽²⁾	\$0.23	\$0.29	\$1.06	\$1.18

Note: Numbers may not add due to rounding. (1) Impact is based on Adjusted weighted average shares outstanding diluted including the full impact of 72.3 million shares sold in the September 2018 initial public offering for the three months and twelve months ended December 31, 2018. (2) Adjusted EPS is calculated as the sum of As Reported EPS, Total Adjustments to EPS, and Impact of Adjusted weighted average shares outstanding diluted.

NET INCOME TO EBITDA AND ADJUSTED EBITDA

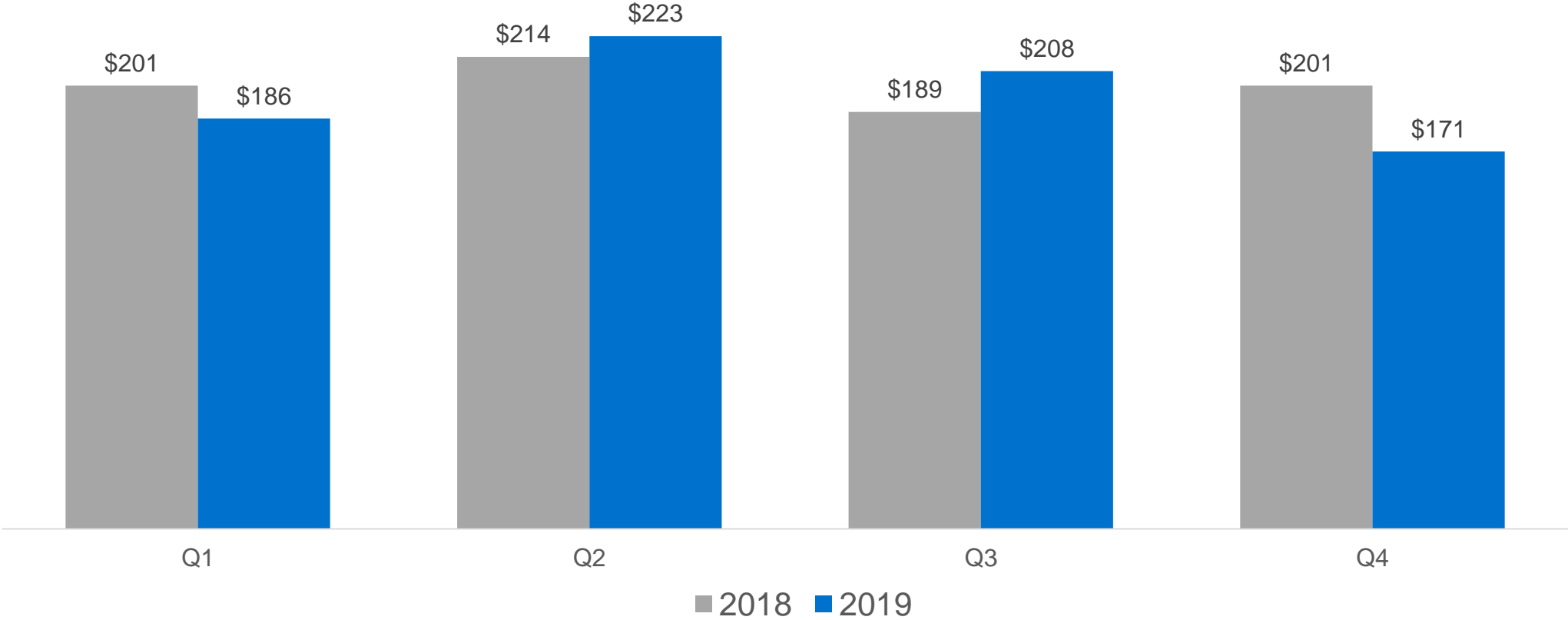


(dollars in millions)

	Q4		YTD	
	2019	2018	2019	2018
Reported net income	\$(9.5)	\$16.4	\$67.9	\$86.5
Net interest expense	18.7	21.0	78.9	29.6
Income tax expense (benefit)	5.2	(18.6)	10.3	27.6
Depreciation and amortization	83.3	70.0	314.4	292.3
EBITDA	\$97.7	\$88.8	\$471.5	\$436.0
Non-GAAP adjustments:				
Cost of sales	—	—	\$0.8	38.6
Asset impairment, restructuring and other special charges	51.6	46.0	185.5	128.8
Accelerated depreciation ⁽¹⁾	(3.0)	—	(3.0)	—
Other-net, expense	—	31.9	8.0	40.4
Adjusted EBITDA	\$146.3	\$166.7	\$662.8	\$643.8
<i>Adjusted EBITDA Margin</i>	<i>18.6%</i>	<i>20.9%</i>	<i>21.6%</i>	<i>21.0%</i>

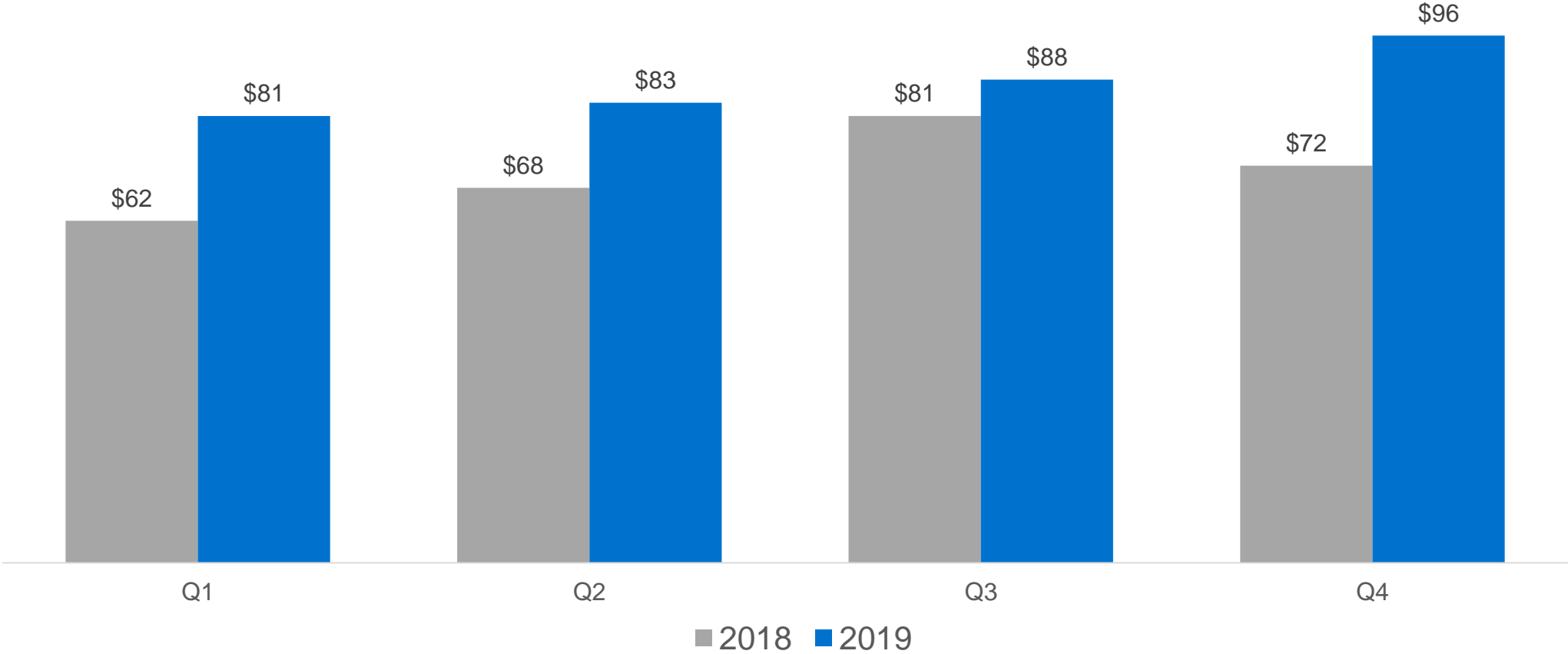
(1) Represents depreciation of certain assets that was accelerated during the three months ended December 31, 2019. This amount must be added back to arrive at Adjusted EBITDA because it is included in Asset impairment, restructuring, and other special charges but it has already been excluded from EBITDA in the "Depreciation and amortization" row above.

Q4 2019 CA PREVENTION SALES DECREASED 15%



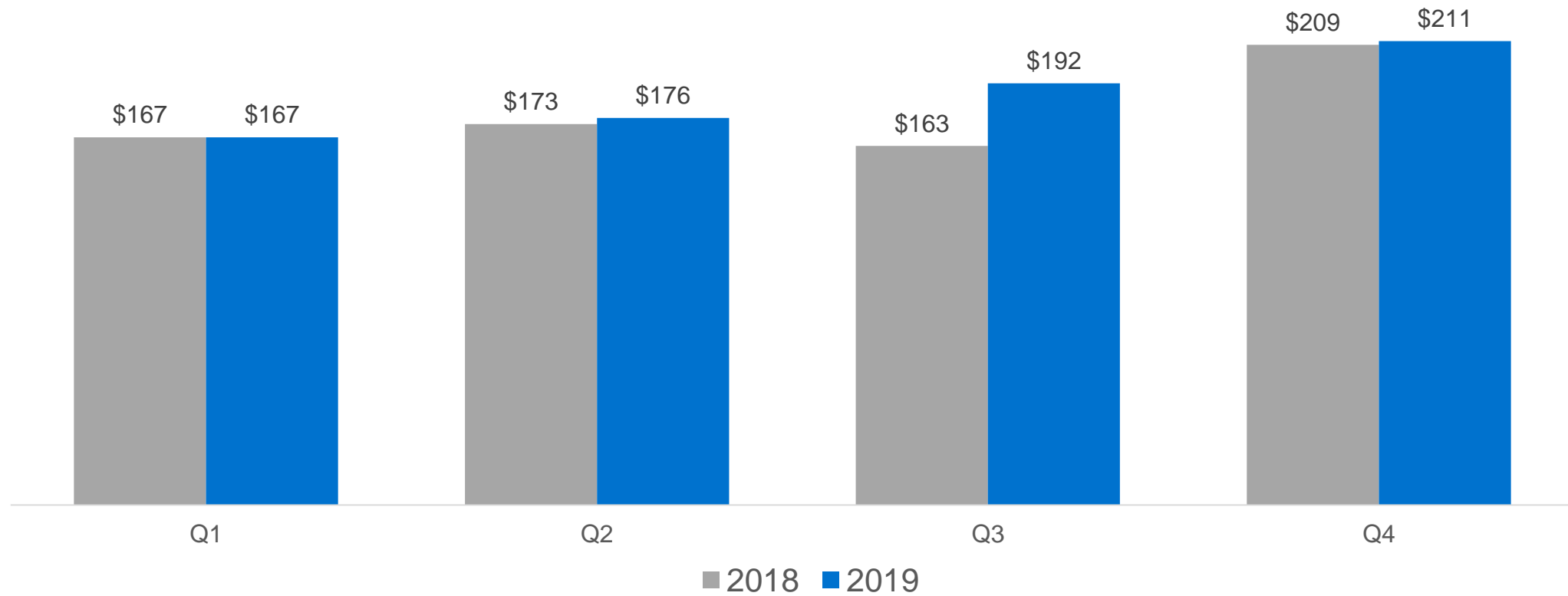
Note: Amounts and growth rates in reported dollars; dollars in millions

Q4 2019 CA THERAPEUTICS SALES INCREASED 33%



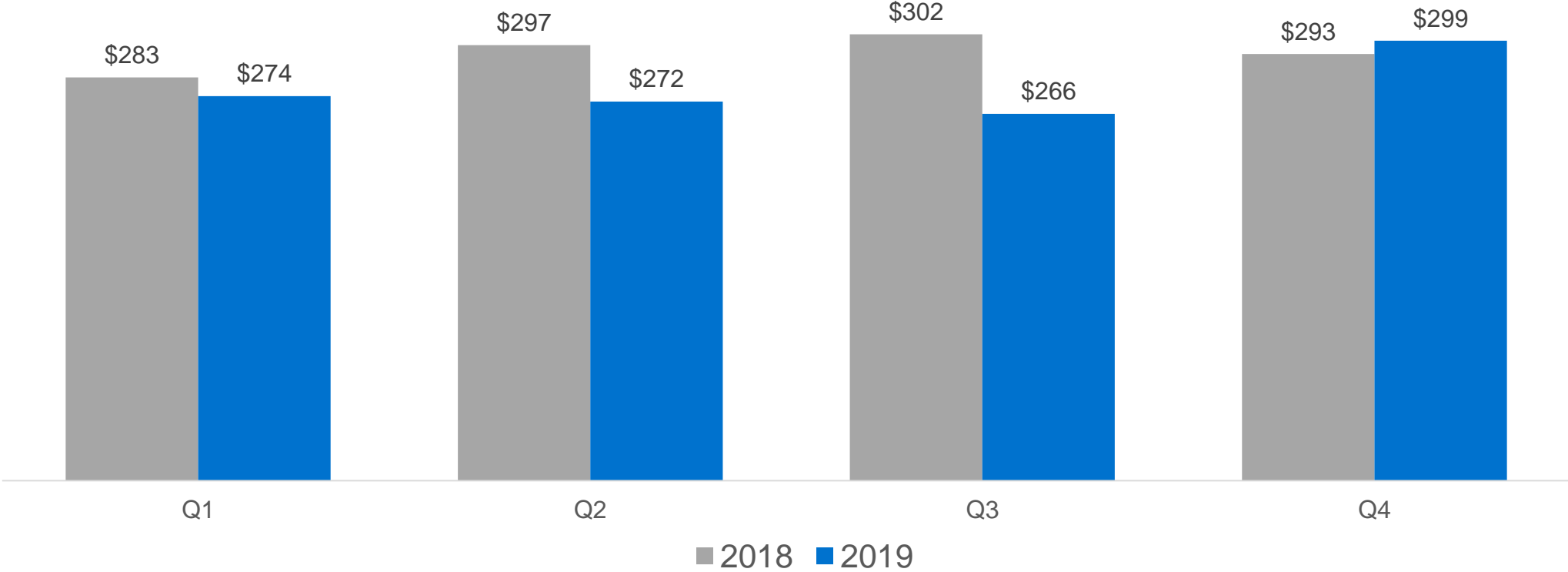
Note: Amounts and growth rates in reported dollars; dollars in millions

Q4 2019 FUTURE PROTEIN & HEALTH SALES INCREASED 1%



Note: Amounts and growth rates in reported dollars; dollars in millions

Q4 2019 RUMINANTS & SWINE SALES INCREASED 2%



Note: Amounts and growth rates in reported dollars; dollars in millions

SHARE COUNT WALK FORWARD



Shares in millions

	Range Outcome of Shares	
Share-count as of Jan. 1, 2020	373.0	
+ Common Shares issued January 27 <i>Including the underwriters' option</i>	25.0	
+ Shares attributable to Tangible Equity Units (TEUs) ¹ <i>Will vary based on price of ELAN common stock</i>	14.3	to 17.2
+ Equity award settlements	0.8	
Share-count as of Feb. 19, 2020	413.1	to 416.0
+ Equity award settlements	0.4	
+ Shares to be issued to Bayer ² <i>To satisfy stock portion of purchase price</i>	62.8	to 72.9
Share-count post-Bayer shares	476.3	to 489.4
<i>Estimated Weighted Average Shares for FY 2020</i>	<i>446.7</i>	

Note: Actual shares represented in a given period will be the weighted average of shares issued and shares attributable to TEUs during that period.

¹Number of shares attributable to TEUs will be calculated as Gross Proceeds of \$550 mm / Stock Price. The denominator will be range bound by the 20% conversion premium on the \$32.00 reference price, so \$32.00 to \$38.40, resulting in a potential range of 14.3m to 17.2m shares. TEUs will convert to common shares February 1, 2023.

²Shares issued to Bayer will be based on the stock consideration of \$2,280 mm / the 20-day volume weighted average price (VWAP) as of the last day of trading prior to close. The implied number of shares will be bounded by applying the +/- 7.5% symmetrical collar on the number of shares implied by the center at \$33.60, resulting in a potential range of 62.8m to 73.0m shares.