



2020 Financial Guidance

January 10, 2020

Cautionary Statements Regarding Forward-Looking Statements & Anticipated 2019 Financial Results



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 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 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); our ability to obtain financing for the acquisition of Bayer animal health business on favorable terms; 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, which could lead to variations in quarterly revenue levels; risks related to our presence in emerging markets; changes in U.S. foreign trade policy, imposition of tariffs or trade disputes; 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 associated with transition to a standalone entity.

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 Forms 10-Q filed with the Securities and Exchange Commission.

The 2019 anticipated financial results are the responsibility of management and have been prepared in good faith on a consistent basis with prior periods. However, we have not completed our financial closing procedures for the three months and year ended December 31, 2019 and our actual results could be materially different from the anticipated financial results discussed in this press release. During the course of the preparation of our consolidated financial statements and related notes as of and for the year ended December 31, 2019, we and our auditors may identify items that would require us to make material adjustments to the anticipated financial results disclosed here. As a result, you should exercise caution in relying on this information and should not draw any inferences from this information regarding financial or operating data not discussed. In addition, these anticipated financial results are not necessarily indicative of the results to be achieved in any future period.

The company undertakes no duty to update forward-looking statements.

SETTING THE STAGE



State of Elanco

Speed, Agility and Execution

- Moving with speed and agility, making tradeoff and key investments
- Advancing innovation that is robust, novel and valuable
- Significantly improving our profitability

State of Growth

Durable and Resilient

- Driven by new products, attractive segments and positive industry fundamentals
- Positive growth every quarter since IPO
- Resilient in the face of environmental and competitive challenges

State of Bayer AH Deal

Better Than Expected

- Anti-trust advancing ahead of expectations – clearance received from Chinese competition authority on January 9, 2020
- Integration planning and business case is solid
- Business performance and transaction activities on track

State of Our Journey

Building for Long Term Leadership

- History of transforming, innovating and growing
- Performing now as an independent company
- Building an industry leader for long-term value creation

IPP STRATEGY IS DELIVERING

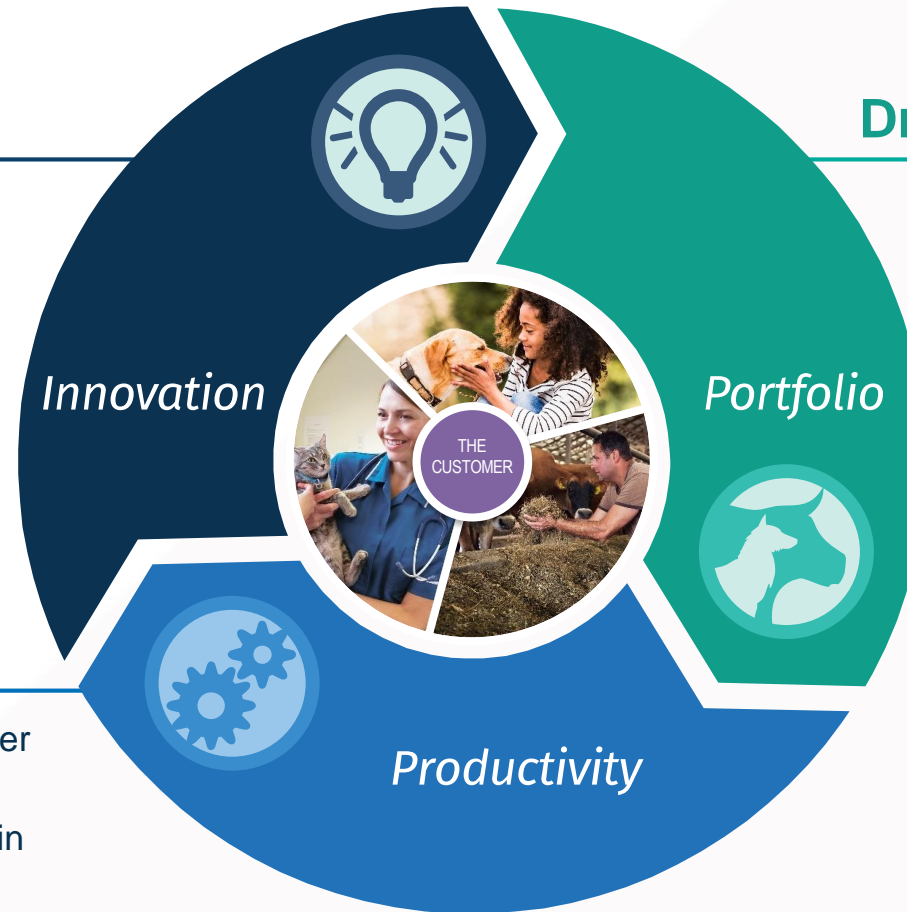
Elanco

Sustainable Innovation

- Portfolio of 14 newly launched or acquired products driving growth
- Novozymes and AgBiome R&D collaborations
- Integration of Aratana and Prevtect pipelines
- Focus on 6 key platforms, aligned with targeted growth categories

Unlock Value

- 100% of productivity initiatives underway to deliver cost savings through 2020
- Executing restructuring efforts aligned with margin expansion journey
- Independent company stand-up and TSA exits on track; ERP implementation in progress



Drive Growth of Portfolio

- Targeted Growth Categories growing double digits; now >60% of total revenue
- Geographic and molecule expansions to extend brands
- Acquisition of Aratana; launch of specialty sales force
- Acquisition of Prevtect, strengthening antibiotic alternatives portfolio for swine

Multiple levers to deliver value in a dynamic industry

2019: SOLID PERFORMANCE IN A DYNAMIC INDUSTRY



Initial expectations; still early in the accounting close process

Trending to low-end of guidance range provided last Nov. 6

- Total Revenue \$3,070 - \$3,085
- GAAP EPS \$0.10 to \$0.18
- Adjusted EPS \$1.04 - \$1.08

DELIVERED:

- Innovation Product Growth
- Global Leader in Poultry and Aqua
- Significant Margin Expansion
- Strategic Business Development

HEADWINDS ~\$100M:

- Unprecedented ASF
- Contract Manufacturing issue
- Environmental, Regulatory & Trade

Diversity and durability enabled Elanco to deliver growth despite significant environmental pressures

2019 GAAP TO ADJUSTED EPS

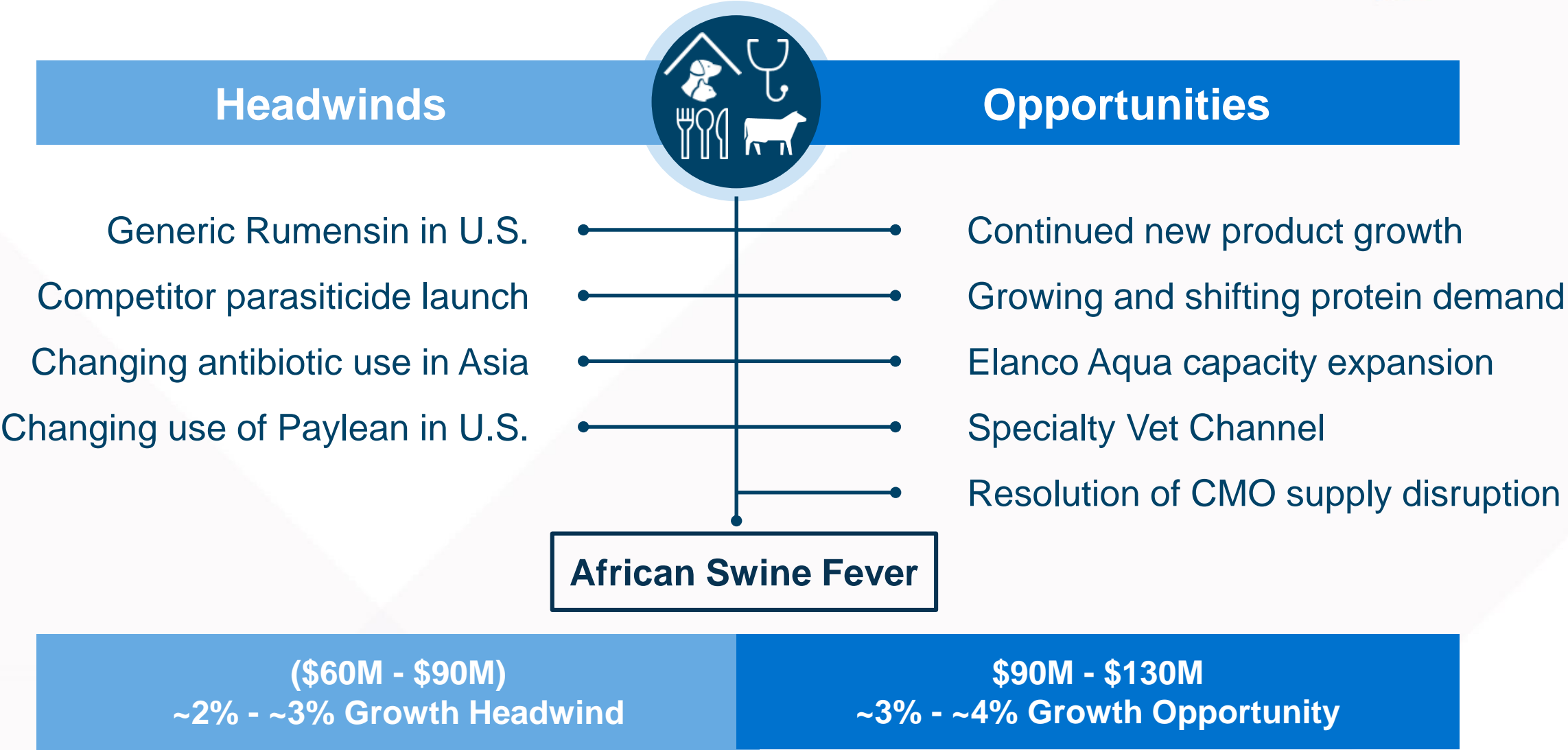


	Full Year 2019 Expectation		
GAAP EPS	\$0.10	to	\$0.18
Amortization of intangible assets			0.54
Expenses associated with establishing stand-alone capabilities, severance and acquisitions	0.66	to	0.62
Subtotal	\$1.29	to	\$1.33
Tax impact of adjustments			(0.25)
Adjusted EPS	\$1.04	to	\$1.08

Numbers may not add due to rounding

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.

2020: HEADWINDS & MITIGATING OPPORTUNITIES



2020

Total Revenue	\$3.05 - \$3.11 billion
Core Revenue (excluding Strategic Exits)	\$3.00 - \$3.06 billion
Strategic Exits	Approx. \$0.05 billion
Reported EPS (GAAP)	\$0.04 – \$0.16
Adjusted EPS	\$1.09 – \$1.16

Foreign exchange:

~\$25M FX headwind on Total Revenue

- Euro at 1.11; ~13% of Total Sales
- Pound at 1.29; ~5% of Total Sales
- Real at 4.16; ~2% of Total Sales
- Yen at 108.00; ~2% of Total Sales
- Australian Dollar at 0.68; ~2% of Total Sales

Guidance notes – all guidance elements reflect stand-alone Elanco:

- Does not include any revenues or expenses from Bayer Animal Health
- Includes full-year revenues from Elanco assets that may be divested
- EPS does not include additional shares issued as part of Bayer purchase
- No other Bayer-related financing actions included (such as incremental interest expense from new debt)

2020 REPORTED EPS TO ADJUSTED EPS GUIDANCE



	<u>Full Year 2020 Guidance</u>		
Reported EPS (GAAP)	\$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

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KEY MESSAGES FOR 2020



Sales Growth |

Revenue growth driven by new products, investments in aqua, poultry and specialty vet clinic, and favorable industry fundamentals; mitigating known competitive events

Margin Expansion |

Continued productivity initiatives improving our profitability

Balanced Assumptions |

Guidance balances strength of fundamentals with external factors

Will update guidance for combined company after Bayer close

BAYER AH ACQUISITION PROGRESSING POSITIVELY



Business Performing

- **Q3 YTD results in line** with robust diligence

Integration Focus

- **Dedicated** and **experienced** internal and external team
- **Synergy expectations** remain intact
- Focus on **future state** design and **successful Day 1**

Antitrust Advancing

- Received **clearance from Chinese competition authority** on Jan 9, '20
- Received U.S. FTC **Second Request** Dec. '19
- Announced intended **disposition of Ournia**; total divestiture revenue expected to be between \$120-140 million

Transaction Key Events

- Financing **bridge commitment secured**
- **On track** to access capital markets
- **Plan to optimize financing mix** based on market dynamics

Deal remains aligned with diligence; Closing on track for mid-2020



Food and Companionship
Enriching Life