



Alcon 1Q20 Earnings Presentation

May 13, 2020

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Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: “anticipate,” “intend,” “commitment,” “look forward,” “maintain,” “plan,” “goal,” “seek,” “target,” “assume,” “believe,” “project,” “estimate,” “expect,” “strategy,” “future,” “likely,” “may,” “should,” “will” and similar references to future periods. Examples of forward-looking statements include, among others, statements Alcon makes regarding its liquidity, revenue, gross margin, effective tax rate, foreign currency exchange movements, earnings per share, its plans and decisions relating to various capital expenditures, capital allocation priorities and other discretionary items, and generally, its expectations concerning its future performance and the effects of the COVID-19 pandemic on its businesses.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on Alcon’s current beliefs, expectations and assumptions regarding the future of its business, future plans and strategies, and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties and risks that are difficult to predict. Such forward-looking statements are subject to various risks and uncertainties facing Alcon, including: the effect of the COVID-19 pandemic as well as other viral or disease outbreaks; the commercial success of its products and its ability to maintain and strengthen its position in its markets; the success of its research and development efforts, including its ability to innovate to compete effectively; its success in completing and integrating strategic acquisitions; pricing pressure from changes in third party payor coverage and reimbursement methodologies; global economic, financial, legal, tax, political, and social change; the ability to obtain regulatory clearance and approval of its products as well as compliance with any post-approval obligations, including quality control of its manufacturing; ongoing industry consolidation; its ability to properly educate and train healthcare providers on its products; changes in inventory levels or buying patterns of its customers; its reliance on sole or limited sources of supply; ability to service its debt obligations; the need for additional financing through the issuance of debt or equity; its reliance on outsourcing key business functions; its ability to protect its intellectual property; the impact on unauthorized importation of its products from countries with lower prices to countries with higher prices; the effects of litigation, including product liability lawsuits; its ability to comply with all laws to which it may be subject; effect of product recalls or voluntary market withdrawals; data breaches; the implementation of its enterprise resource planning system; its ability to attract and retain qualified personnel; the accuracy of its accounting estimates and assumptions, including pension plan obligations and the carrying value of intangible assets; legislative and regulatory reform; the ability of Alcon Pharmaceuticals Ltd. to comply with its investment tax incentive agreement with the Swiss State Secretariat for Economic Affairs in Switzerland and the Canton of Fribourg, Switzerland; its ability to operate as a stand-alone company; whether the transitional services Novartis has agreed to provide Alcon are sufficient; the impact of being listed on two stock exchanges; the ability to declare and pay dividends; the different rights afforded to its shareholders as a Swiss corporation compared to a US corporation; and the effect of maintaining or losing its foreign private issuer status under US securities laws. Additional factors are discussed in Alcon’s filings with the United States Securities and Exchange Commission, including its Form 20-F. Should one or more of these uncertainties or risks materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated. Therefore, you should not rely on any of these forward-looking statements. Forward-looking statements in this document speak only as of the date of its filing, and Alcon assumes no obligation to update forward-looking statements as a result of new information, future events or otherwise.

Intellectual property

This report may contain references to our proprietary intellectual property. All product names appearing in italics or ALL CAPS are trademarks owned by or licensed to Alcon Inc.

Non-IFRS measures

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies, and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Agenda

- Key Topics
- 1Q20 Financial Results
- Outlook





Key Topics

1Q20 Key Topics

DRIVING MOMENTUM



- Strong sales performance through February
- Vision Care: double-digit growth⁽¹⁾ in 1Q20
- Surgical: 1Q20 growth flat⁽¹⁾ due to COVID-19 slowdown in March

NAVIGATING COVID-19 DISRUPTION



- March sales impacted by COVID-19
- April sales at ~50% expectations
- Prioritize associate safety, supply chain continuity and service customer needs
- Realign production; reduce cost, manage capex
- Digital engagement, direct-to-consumer fulfillment

PREPARING FOR REOPENING



- Markets to recover at different paces
- More normalized rates by year end
- Advance separation, transformation and contact lens manufacturing expansion
- Maximize financial flexibility

1Q20 Financial Accomplishments

TOP LINE GROWTH	PROFITABILITY	CORE EPS	CASH GENERATION
Third Party Sales (\$M)	Core Operating Margin ⁽¹⁾ (%)	Core Diluted EPS ⁽¹⁾ (\$)	Free Cash Flow ⁽¹⁾ (\$M)
1Q19 1,777	1Q19 17.7	1Q19 0.51	1Q19 (69)
1Q20 1,822	1Q20 16.6	1Q20 0.45	1Q20 (60)
Sales growth driven by <i>PANOPTIX</i>, <i>SYSTANE</i>, <i>PATADAY</i> Vision Care double-digit cc growth ⁽¹⁾ Favorable feedback from <i>PRECISION1</i> Ocular Health benefited from stocking and strong demand for <i>PATADAY</i>	Core OM down 110 bps year over year 50 bps negative impact from foreign currency Incremental R&D spend, unfavorable mix, and provisions related to COVID-19	1Q20 EPS of \$0.45 includes interest expense on financial debts of \$0.04 / share	FCF improvement due to lower capex Cash flow from operations of \$30 million, flat to last year 1Q20 negative free cash flow after: • Separation costs • Interest payments on financial debts • Vision Care manufacturing expansion

Alcon's Crisis Management Team leading a globally coordinated response to COVID-19



Associate safety

- Enhanced safety protocols across all sites
- Social distancing
- Temperature screening
- Contact tracing



Community

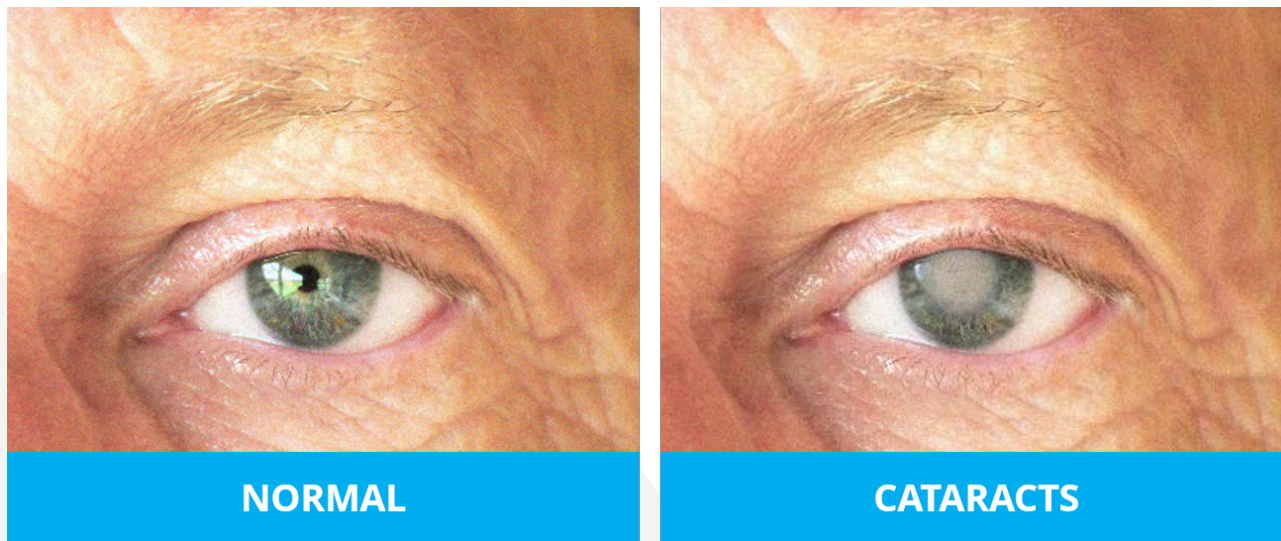
- Production of critical supplies at select sites
- Assistance through the Alcon Foundation



Supply Chain

- Most sites fully operational with add'l safety measures
- Ensure uninterrupted product flow

Cataracts progressively worsen over time



Risk of blindness

Significant risk of visual impairment: 33% of cases account for 51% of blindness⁽¹⁾



Physical risks

Cataract patients prone to fall-related hip-fractures, contributing to greater need for nursing home placement⁽²⁾



Compromised mobility

Drivers with visually significant cataracts are more likely to have an at-fault involvement in an auto accident⁽³⁾

- (1) Mo F et al. The Scientific World Journal. 2004;4:746-57; Seigel K HW et al. Association of Health Services Research Meeting, 1996;16(350).
(2) De Coster C, Dik N, Bellan L. Canadian Journal of Ophthalmology/Journal Canadian d'Ophtalmologie. 2007 Aug 1;42(4):567-72. Masud T, Morris RO. Epidemiology, of falls. Age and ageing. 2001 Nov 1;30:3-7. Ivers RQ et al. American journal of epidemiology. 2000 Oct 1;152(7):633-9. Cummings SR et al. New England journal of medicine. 1995 Mar 23;332(12):767-74. Wang JJ et al. Ophthalmic epidemiology. 2003 Jan 1;10(1):3-13.
(3) Owsley C et al. Journal of Gerontol A Biol Sci Med Sci. 1999;54:M203-11.

Serving customers facing new reality

Digital marketing



Virtual training



Telehealth



Restart programs



eCommerce

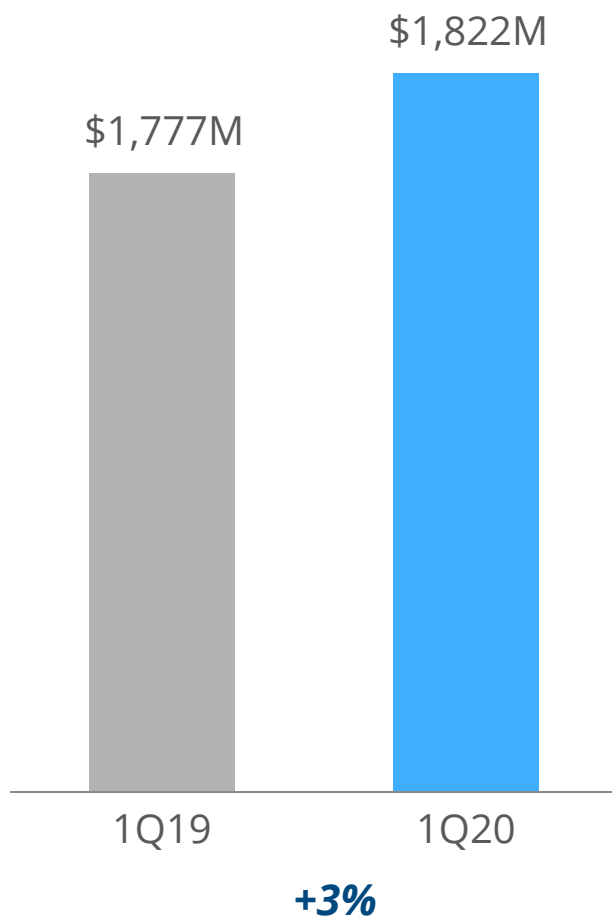




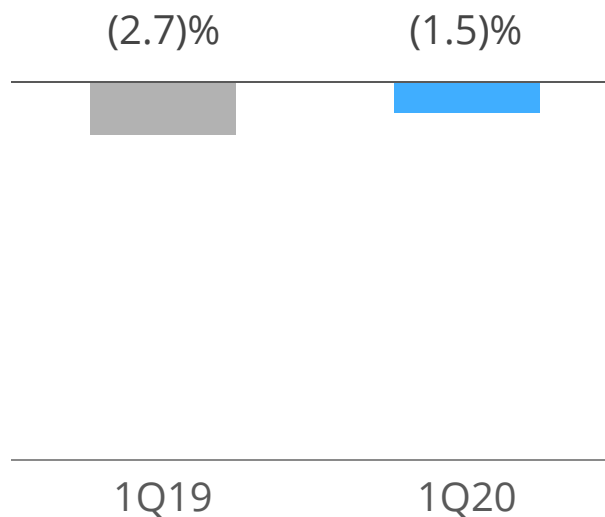
1Q20 IFRS Results

1Q20 IFRS Results

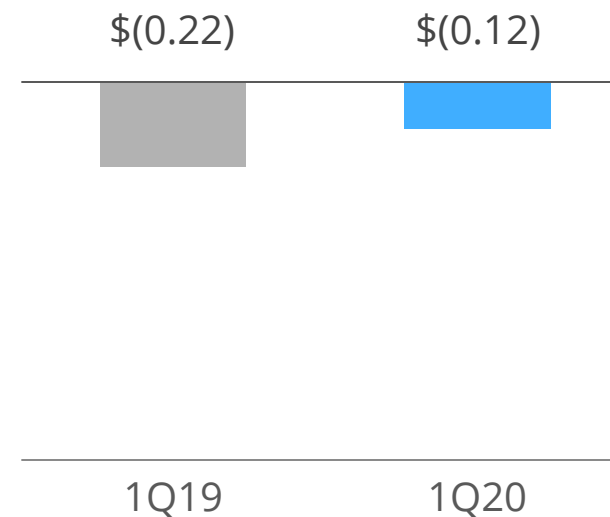
Worldwide Net Sales



Operating Margin

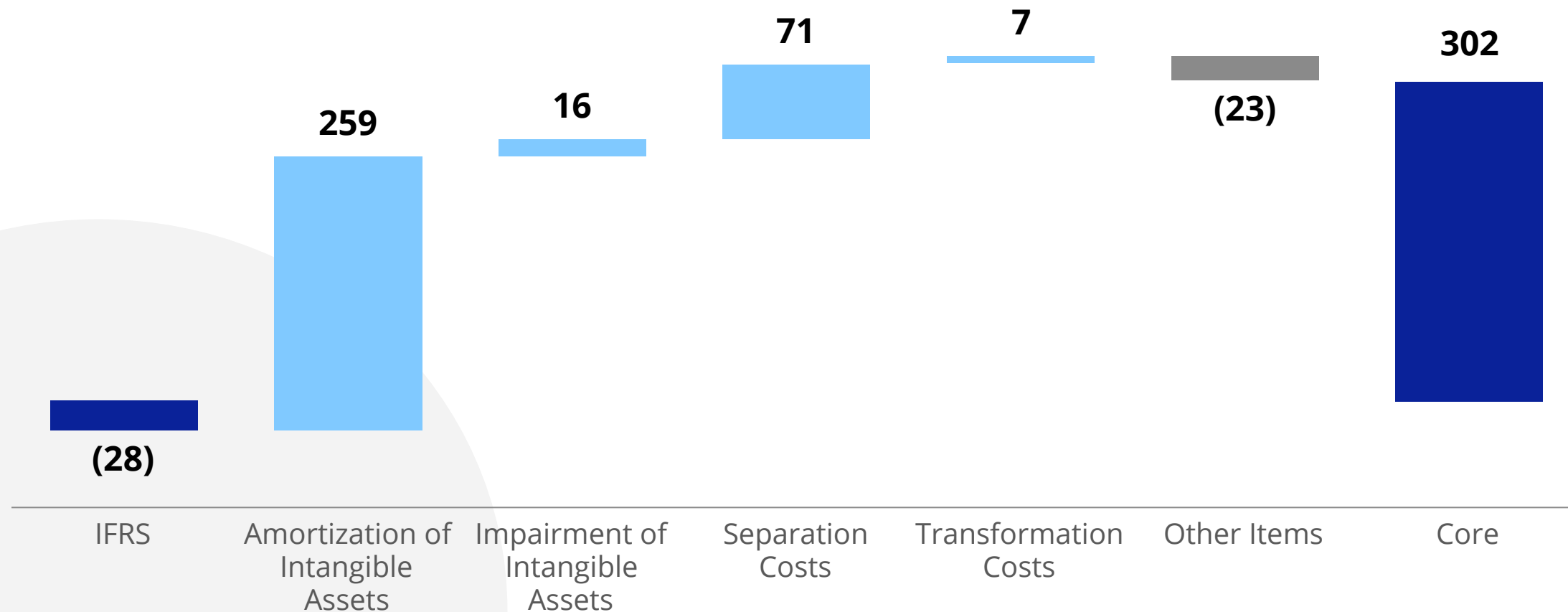


EPS



1Q20 includes \$0.04 / share of interest expense on financial debt

1Q20 IFRS to Core Operating Income⁽¹⁾ bridge

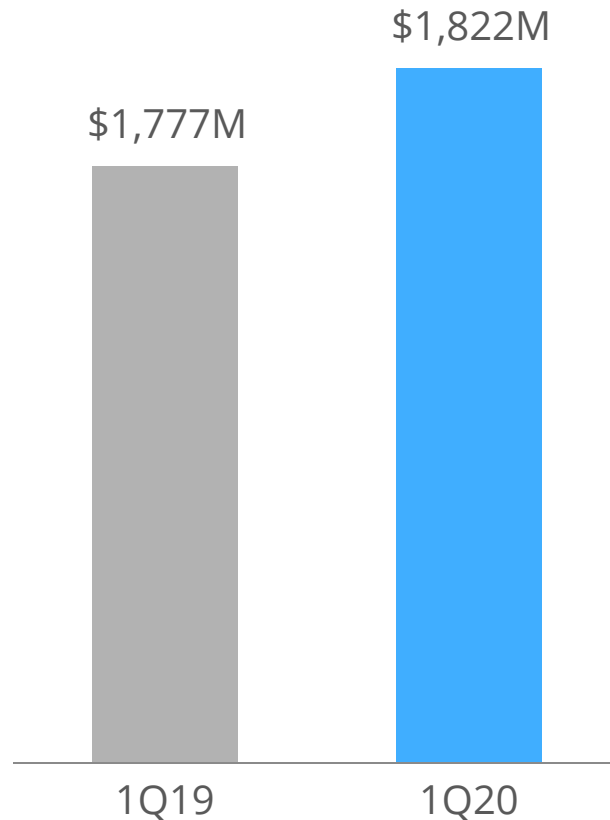




1Q20 Core Results

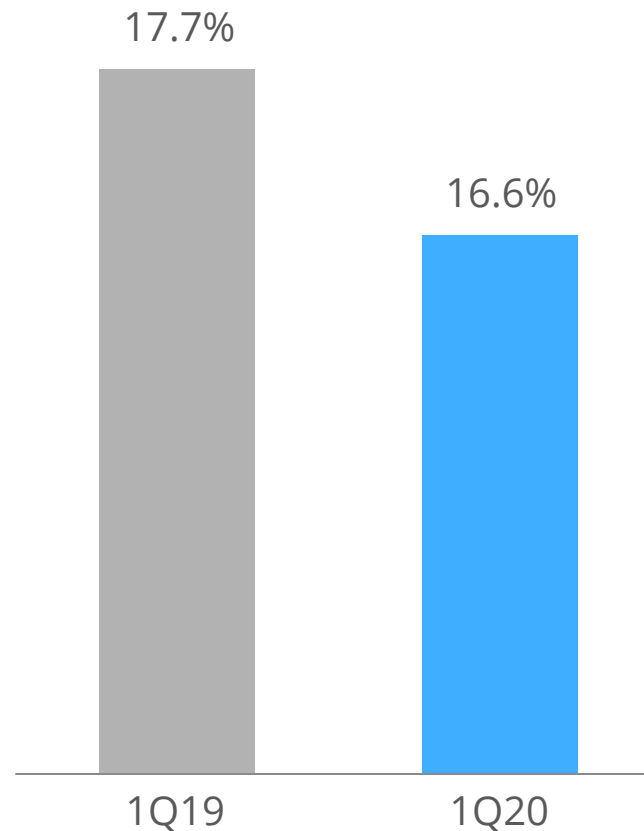
1Q20 Core Results⁽¹⁾

Worldwide Net Sales



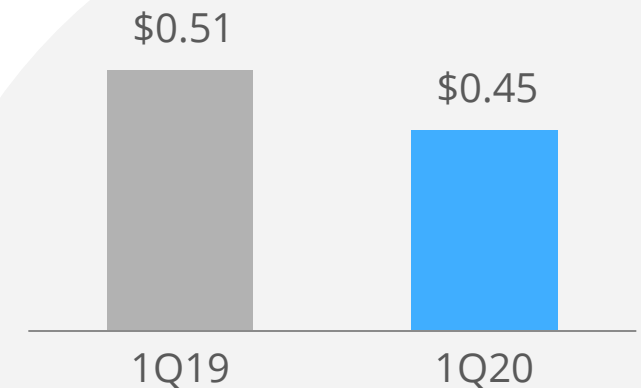
+4% cc

Core Operating Margin



Includes -50 bps FX impact

Core Diluted EPS



1Q20 includes \$0.04 / share of interest expense on financial debt

Mix of Vision Care and Surgical Products

Vision Care \$0.8B (46%)

Ocular Health (40%)

- Dry eye products
- Allergy eye drops
- Contact lens solution

Contact Lenses (60%)

- Daily lenses
- Reusable lenses
- Cosmetic lenses

Surgical \$1.0B (54%)

Implantables (31%)

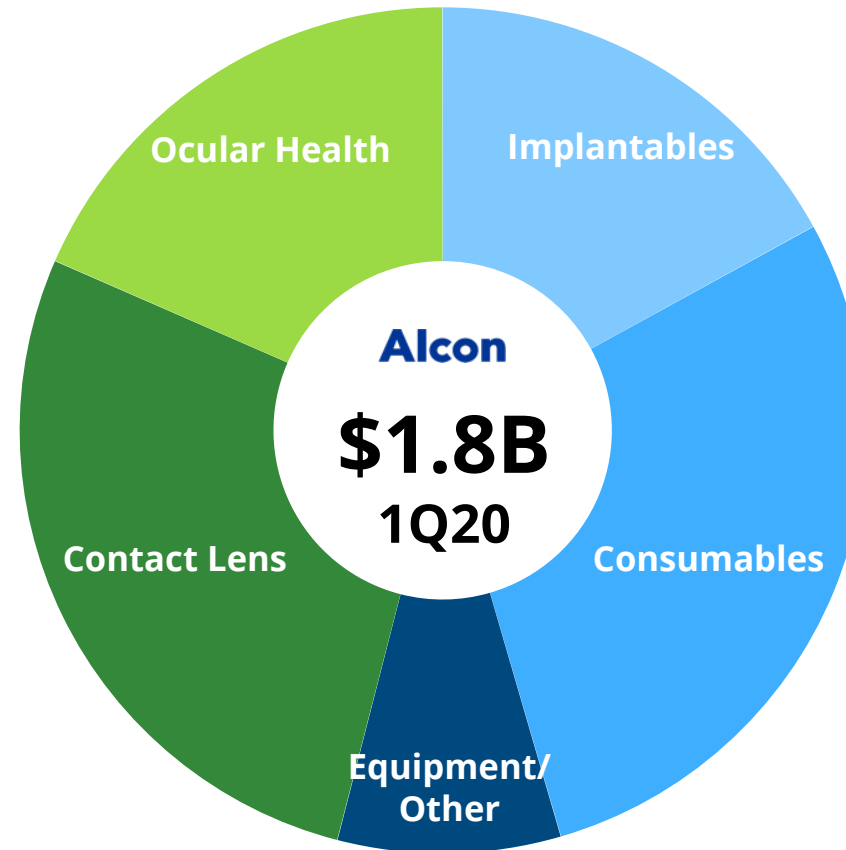
- Monofocal intra-ocular lenses (IOLs)
- Advanced technology IOLs

Consumables (53%)

- Dedicated consumables
- Custom surgical packs
- Procedural products

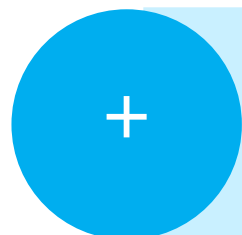
Equipment/Other (16%)

- Cataract equipment
- Retinal equipment
- Refractive equipment
- Diagnostic and visualization
- Equipment service
- Procedural eye drops

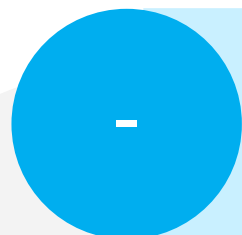


Numbers may be rounded for presentation purposes.

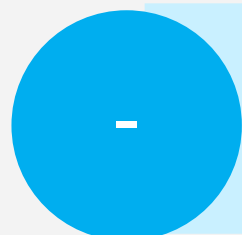
Surgical business impacted by COVID-19



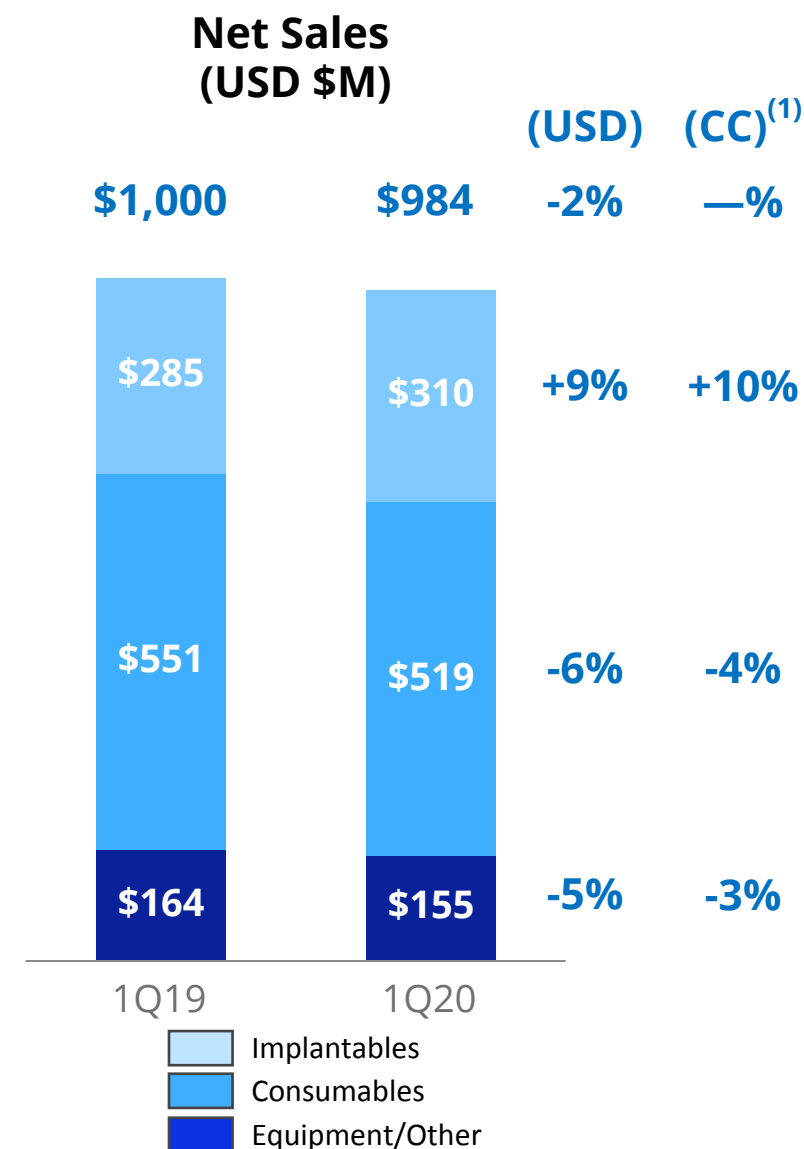
- Strong gains from *PANOPTIX* in newly launched countries and continued strong performance in APAC
- Growth in service revenues



- Temporary slowdown of surgical procedures impacting consumables and equipment
- Decline in monofocals

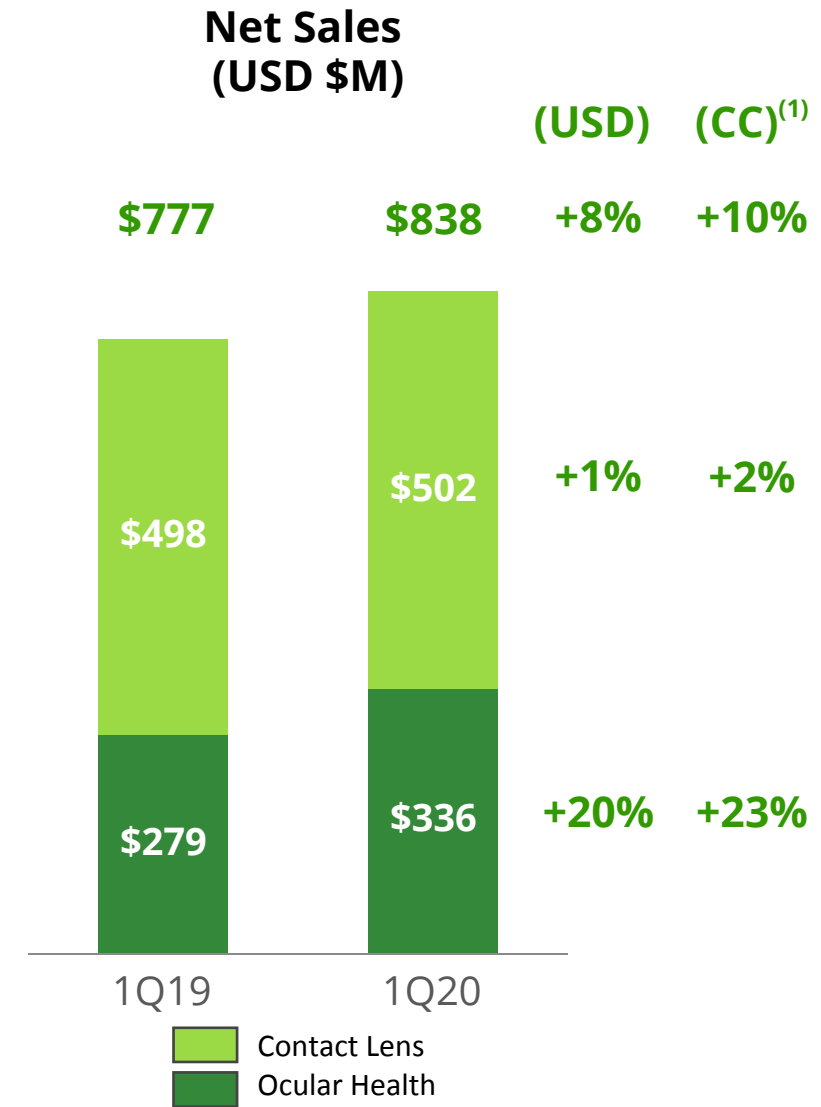


- Unfavorable comparisons in procedural eye drops vs. prior year due to competitor outage



Vision Care posted double-digit cc growth⁽¹⁾

- +**
 - DAILIES TOTAL1* growth in sphere and multifocal
 - Favorable feedback from *PRECISION1*
 - Successful launch of *PATADAY* over-the-counter in the US
- +**
 - Strong global performance of *SYSTANE*
 - Consumer and retail stocking of OTC products (9% of growth)
- - Other lenses declined in line with market



PATADAY

*makes OTC switch in the US featuring the
#1 prescribed eye allergy itch ingredient*

CUSTOMER PROFILE

66M Americans suffer from ocular allergies, with only 10% using OTC eye drops⁽¹⁾⁽²⁾

Ideal for customers seeking lasting, rapid prescription-strength relief

~\$600M US ocular allergy market⁽³⁾

Q1 RESULTS:

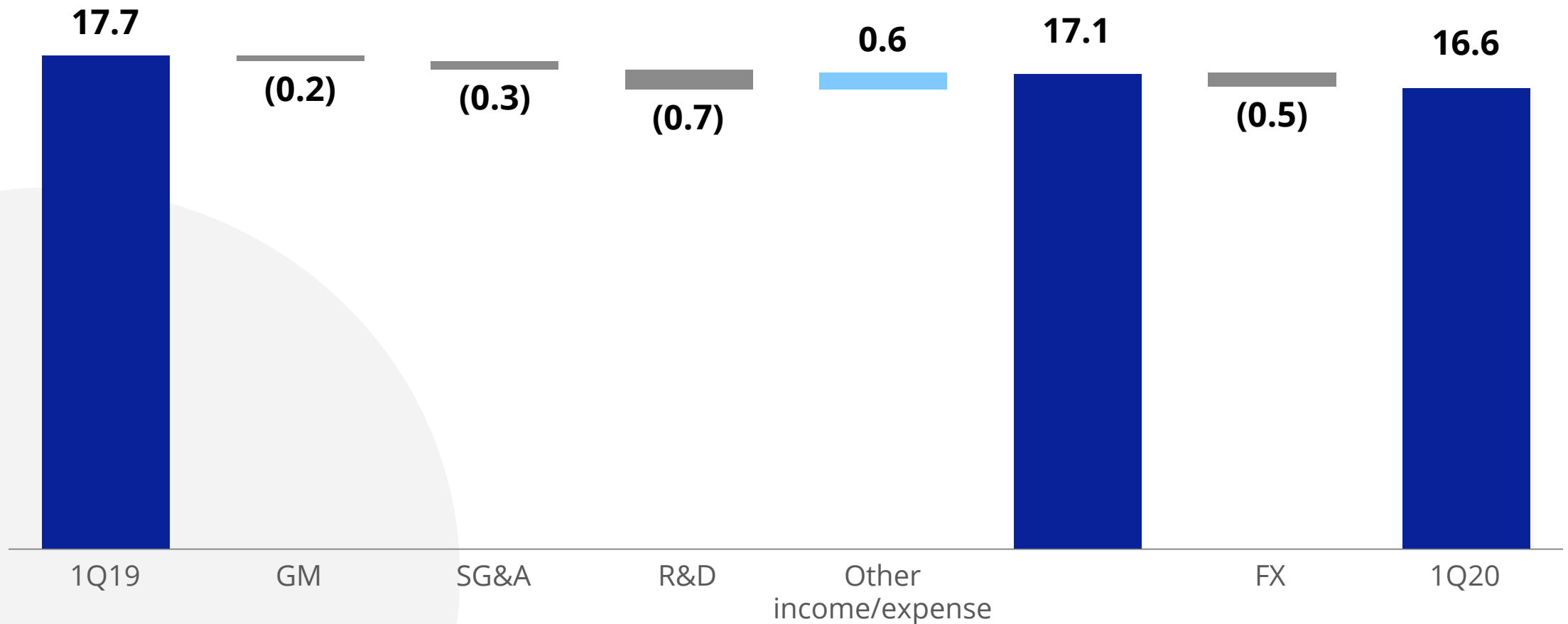
Solid commercial execution, product availability and brand recognition

Strong market share results strengthened Alcon's leadership position in US OTC ocular allergy market



Core operating margin⁽¹⁾ bridge

1Q20 vs 1Q19 (% of net sales)



Balance sheet and cash flow

Cash and cash equivalents

\$760 million

Cash flows from operations \$30 million

Free cash flow⁽¹⁾ \$(60) million

Debt

\$3.5 billion

No major maturities before 2024

No financial covenants

\$1 billion available in existing credit facility

Capex

\$90 million

Investing in new VC manufacturing lines





Outlook

Increasing financial flexibility

ACTIONS

\$200 million in savings in 2Q20
(travel, meetings, consulting,
sales and marketing)

Re-aligning production
schedules

Phasing capital spending into
2H20 and 2021

GOALS

Keeping our associates safe

Supporting our customers

Continuing separation,
transformation

VC manufacturing expansion

Innovation and R&D

Evaluating market
opportunities for liquidity

Preparing for the recovery



**Product
training**

**Launch
preparedness**

**Manufacturing
expansion**

Innovation



**Serve our doctors, patients,
customers and associates**

Fulfill our mission

**See Brilliantly
Live Brilliantly**

Appendix



Appendix: Non-IFRS measures as defined by the Company

Alcon uses certain non-IFRS metrics when measuring performance, including when measuring current period results against prior periods, including core results, percentage changes measured in constant currencies, and free cash flow. Because of their non-standardized definitions, the non-IFRS measures (unlike IFRS measures) may not be comparable to the calculation of similar measures of other companies. These non-IFRS measures are presented solely to permit investors to more fully understand how Alcon management assesses underlying performance. These non-IFRS measures are not, and should not be viewed as, a substitute for IFRS measures.

Core results

Alcon core results, including core operating income and core net income, exclude all amortization and impairment charges of intangible assets, excluding software, net gains and losses on fund investments and equity securities valued at fair value through profit and loss ("FVPL"), fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, and certain acquisition related items. The following items that exceed a threshold of \$10 million and are deemed exceptional are also excluded from core results: integration and divestment related income and expenses, divestment gains and losses, restructuring charges/releases and related items, legal related items, gains/losses on early extinguishment of debt or debt modifications, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$10 million threshold.

Taxes on the adjustments between IFRS and core results take into account, for each individual item included in the adjustment, the tax rate that will finally be applicable to the item based on the jurisdiction where the adjustment will finally have a tax impact. Generally, this results in amortization and impairment of intangible assets and acquisition-related restructuring and integration items having a full tax impact. There is usually a tax impact on other items, although this is not always the case for items arising from legal settlements in certain jurisdictions.

Alcon believes that investor understanding of its performance is enhanced by disclosing core measures of performance because, since they exclude items that can vary significantly from period to period, the core measures enable a helpful comparison of business performance across periods. For this same reason, Alcon uses these core measures in addition to IFRS and other measures as important factors in assessing its performance.

A limitation of the core measures is that they provide a view of Alcon operations without including all events during a period, such as the effects of an acquisition, divestment, or amortization/impairments of purchased intangible assets and restructurings.

Constant currencies

Changes in the relative values of non-US currencies to the US dollar can affect Alcon financial results and financial position. To provide additional information that may be useful to investors, including changes in sales volume, we present information about changes in our net sales and various values relating to operating and net income that are adjusted for such foreign currency effects. Constant currency calculations have the goal of eliminating two exchange rate effects so that an estimate can be made of underlying changes in the consolidated income statement excluding (1) the impact of translating the income statements of consolidated entities from their non-US dollar functional currencies to the US dollar and (ii) the impact of exchange rate movements on the major transactions of consolidated entities performed in currencies other than their functional currency. Alcon calculates constant currency measures by translating the current year's foreign currency values for sales and other income statement items into US dollars, using the average exchange rates from the prior year and comparing them to the prior year values in US dollars.

Free cash flow

Alcon defines free cash flow as net cash flows from operating activities less cash flow associated with the purchase or sale of property, plant and equipment. Free cash flow is presented as additional information because Alcon management believes it is a useful supplemental indicator of Alcon's ability to operate without reliance on additional borrowing or use of existing cash. Free cash flow is not intended to be a substitute measure for net cash flows from operating activities as determined under IFRS.

Reconciliation of guidance of forward-looking non-IFRS measures

The forward-looking guidance included in this presentation cannot be reconciled to the comparable IFRS measures without unreasonable efforts, because Alcon is not able to predict with reasonable certainty the ultimate amount or nature of exceptional items in the fiscal year. These items are uncertain, depend on many factors and could have a material impact on its IFRS results for the guidance period.

Reconciliation of IFRS to Core Results

Three months ended March 31, 2020

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of Intangible Assets ⁽¹⁾	Impairments ⁽²⁾	Separation Costs ⁽³⁾	Transformation Costs ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	872	252	16	3	—	(10)	1,133
Selling, general & administration	(677)	—	—	3	—	—	(674)
Research & development	(139)	7	—	—	—	(20)	(152)
Other income	9	—	—	—	—	—	9
Other expense	(93)	—	—	65	7	7	(14)
Operating (loss)/income	(28)	259	16	71	7	(23)	302
(Loss)/income before taxes	(69)	259	16	71	7	(23)	261
Taxes ⁽⁶⁾	12	(44)	(4)	(13)	(1)	8	(42)
Net (loss)/income	(57)	215	12	58	6	(15)	219
Basic (loss)/earnings per share	(0.12)						0.45
Diluted (loss)/earnings per share	(0.12)						0.45
Basic - weighted average shares outstanding ⁽⁷⁾	488.6						488.6
Diluted - weighted average shares outstanding ⁽⁷⁾	488.6						491.2

(1) Includes recurring amortization for all intangible assets other than software.

(2) Includes impairment charges related to intangible assets.

(3) Separation costs are expected to be incurred over the two to three-year period following the completion of the Spin-off from Novartis and primarily include costs related to IT and third party consulting fees.

(4) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.

(5) Gross profit includes fair value adjustments of contingent consideration liabilities. Research & development includes a \$34 million fair value adjustment of a contingent consideration liability partially offset by \$14 million in amortization of option rights. Other expense primarily includes fair value adjustments of a financial asset.

(6) Total tax adjustments of \$54 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$330 million totaled \$64 million with an average tax rate of 19.4%.

Core tax adjustments for discrete items totaled \$10 million, primarily related to tax expense from the delayed spin of a legal entity.

(7) Core basic earnings per share is calculated using the weighted-average shares of common stock outstanding during the period. Core diluted earnings per share also contemplate dilutive shares associated with unvested equity-based awards as described in Note 5 to the Condensed Consolidated Interim Financial Statements.

Reconciliation of IFRS to Core Results

Three months ended March 31, 2019

(\$ millions except (loss)/earnings per share)	IFRS Results	Amortization of Intangible Assets ⁽¹⁾	Separation Costs ⁽²⁾	Transformation Costs ⁽³⁾	Legal Items ⁽⁴⁾	Other Items ⁽⁵⁾	Core Results
Gross profit	852	250	—	—	—	8	1,110
Selling, general & administration	(656)	—	—	—	—	7	(649)
Research & development	(146)	5	—	—	—	7	(134)
Other income	12	—	—	—	—	(3)	9
Other expense	(110)	—	—	—	32	56	(22)
Operating (loss)/income	(48)	255	—	—	32	75	314
(Loss)/income before taxes	(65)	255	—	—	32	75	297
Taxes ⁽⁶⁾	(44)	(34)	—	—	(8)	36	(50)
Net (loss)/income	(109)	221	—	—	24	111	247
Basic (loss)/earnings per share	(0.22)						0.51
Diluted (loss)/earnings per share	(0.22)						0.51
Basic - weighted average shares outstanding ⁽⁷⁾	488.2						488.2
Diluted - weighted average shares outstanding ⁽⁷⁾	488.2						488.2

(1) Includes recurring amortization for all intangible assets other than software.

(2) Separation costs are expected to be incurred over the two to three-year period following the completion of the Spin-off from Novartis and primarily include costs related to IT and third party consulting fees.

(3) Transformation costs, primarily related to restructuring and third party consulting fees, for the multi-year transformation program.

(4) Includes legal settlement costs and certain external legal fees.

(5) Gross Profit and Selling, general & administration include spin readiness costs. Research & development includes \$17 million amortization of option rights and expenses for integration of recent acquisitions, partially offset by \$10 million fair value adjustment of a contingent consideration liability. Other income and expense primarily includes spin readiness costs.

(6) Total tax adjustments of \$6 million include tax associated with operating income core adjustments and discrete tax items. Tax associated with operating income core adjustments of \$362 million totaled \$57 million with an average tax rate of 15.7%. Core tax adjustments for discrete items totaled \$51 million and primarily include tax expense related to rate changes in the US following legal entity reorganizations executed related to the Spin-off partially offset by net changes in uncertain tax positions.

(7) For periods prior to the Spin-off, the denominator for both core basic and diluted earnings per share was calculated using the 488.2 million shares of common stock distributed in the Spin-off.

Reconciliation of Free Cash Flow

The following is a summary of Alcon free cash flow for the three months ended March 31, 2020 and 2019, together with a reconciliation to net cash flows from operating activities, the most directly comparable IFRS measure:

(\$ millions)	2020	2019
Net cash flows from operating activities	30	30
Purchase of property, plant & equipment	(90)	(99)
Free cash flow	(60)	(69)

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