

# 2024 Earnings – Third Quarter

November 7, 2024

***Elanco***

# Notices and Disclaimers

**Forward-Looking Statements.** This press release contains forward-looking statements within the meaning of the federal securities laws, including, without limitation, statements concerning product launches and revenue from such products, our 2024 full year and fourth quarter guidance, 2025 outlook and long-term expectations, our expectations regarding debt levels, and expectations regarding our industry and our operations, performance and financial condition, and including, in particular, statements relating to our business, growth strategies, distribution strategies, product development efforts and future expenses. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important risk factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions, including but not limited to the following: operating in a highly competitive industry; the success of our research and development (R&D) and licensing efforts; the impact of disruptive innovations and advances in veterinary medical practices, animal health technologies and alternatives to animal-derived protein; competition from generic products that may be viewed as more cost-effective; changes in regulatory restrictions on the use of antibiotics in farm animals; an outbreak of infectious disease carried by farm animals; risks related to the evaluation of animals; consolidation of our customers and distributors; the impact of increased or decreased sales into our distribution channels resulting in fluctuations in our revenues; our dependence on the success of our top products; our ability to complete acquisitions and divestitures and to successfully integrate the businesses we acquire; our ability to implement our business strategies or achieve targeted cost efficiencies and gross margin improvements; manufacturing problems and capacity imbalances, including at our contract manufacturers; fluctuations in inventory levels in our distribution channels; risks related to the use of artificial intelligence (AI) in our business; our dependence on sophisticated information technology systems and infrastructure, including the use of third-party, cloud-based technologies, and the impact of outages or breaches of the information technology systems and infrastructure we rely on; the impact of weather conditions, including those related to climate change, and the availability of natural resources; demand, supply and operational challenges associated with the effects of a human disease outbreak, epidemic, pandemic or other widespread public health concern; the loss of key personnel or highly skilled employees; adverse effects of labor disputes, strikes and/or work stoppages; the effect of our substantial indebtedness on our business, including restrictions in our debt agreements that limit our operating flexibility and changes in our credit ratings that lead to higher borrowing expenses and may restrict access to credit; changes in interest rates that may adversely affect our earnings and cash flows; risks related to the write-down of goodwill or identifiable intangible assets; the lack of availability or significant increases in the cost of raw materials; risks related to our presence in foreign markets; risks related to currency rate fluctuations; risks related to underfunded pension plan liabilities; our current plan not to pay dividends and restrictions on our ability to pay dividends; the potential impact that actions by activist shareholders could have on the pursuit of our business strategies; risks related to tax expense or exposure; actions by regulatory bodies, including as a result of their interpretation of studies on product safety; the possible slowing or cessation of acceptance and/or adoption of our farm animal sustainability initiatives; the impact of increased regulation or decreased governmental financial support related to the raising, processing or consumption of farm animals; risks related to the modification of foreign trade policy; the impact of litigation, regulatory investigations, and other legal matters, including the risk to our reputation and the risk that our insurance policies may be insufficient to protect us from the impact of such matters; challenges to our intellectual property rights or our alleged violation of rights of others; misuse, off-label or counterfeiting use of our products; unanticipated safety, quality or efficacy concerns and the impact of identified concerns associated with our products; insufficient insurance coverage against hazards and claims; compliance with privacy laws and security of information; and risks related to environmental, health and safety laws and regulations. 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 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 the aqua business and/or 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](http://www.elanco.com). These non-GAAP measures are not, and should not be viewed as, substitutes for U.S. GAAP reported measures.

**Notes.** On July 9, 2024, the company completed the divestiture of its aqua business. Revenue growth excluding the impact of prior year aqua revenue is referred to in this presentation as organic revenue growth.

# On Today's Call

## Jeff Simmons

Elanco Animal Health  
*President and CEO*



## Todd Young

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



# Growth Continues, Innovation Milestones Delivered

## Q3 2024 vs Guidance<sup>1</sup>

- Revenue **\$(5)M**
- Adj EBITDA<sup>2</sup> **+\$8M**
- Adj EPS<sup>2</sup> **+\$0.02**

<sup>1</sup>Results compared to the midpoint of the company's third quarter guidance provided August 8, 2024. <sup>2</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations. <sup>3</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates. Organic excludes the aqua business, which was divested July 9, 2024. Bovaer is a trademark of dsm-firmenich.



## Revenue Growth Continues

Excluding aqua, Q3 organic CC<sup>3</sup> growth of 1%; 5<sup>th</sup> consecutive quarter of underlying growth, led by U.S. farm animal and international pet health



## Innovation Shifts to Commercial

Zenrelia™ approved, launched in the U.S.; Credelio Quattro™ approved with expected Q1 2025 U.S. launch; Bovaer® launched with multiple CPGs contracting to buy carbon credits from Athian



## Tightening 2024 Guidance

Expect 3% full year organic CC revenue growth; tightening adjusted EBITDA and adjusted EPS guidance ranges to reflect current assumptions; net leverage expected in the mid-4x at year end



## Accelerating Topline in 2025 Outlook

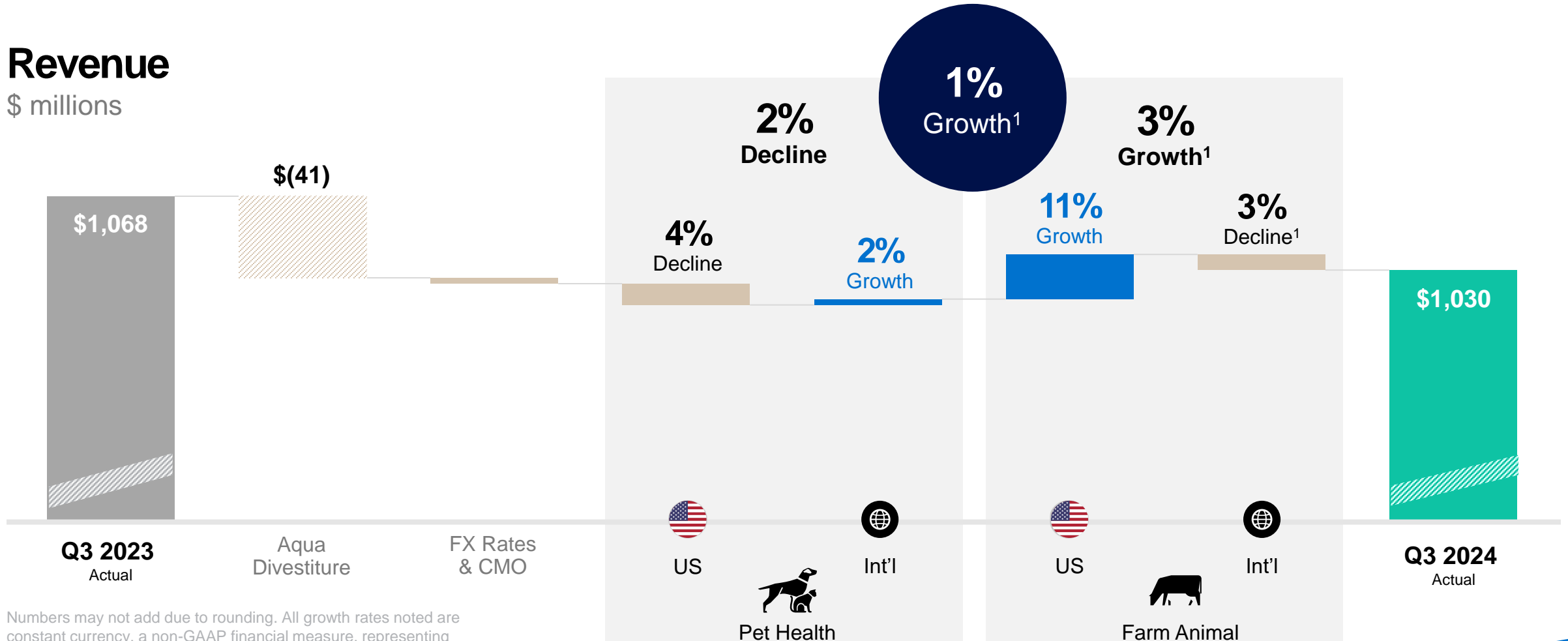
Innovation sales expected to accelerate to drive MSD organic CC<sup>3</sup> revenue growth; adjusted EBITDA, excluding aqua, expected to grow LSD, with underlying MSD growth offset by anticipated U.K. CMO headwind

Q3 2023 to Q3 2024 Revenue Bridge

# Organic Constant Currency Revenue Growth of 1%, Building on Momentum from 4% Growth in H1 2024

## Revenue

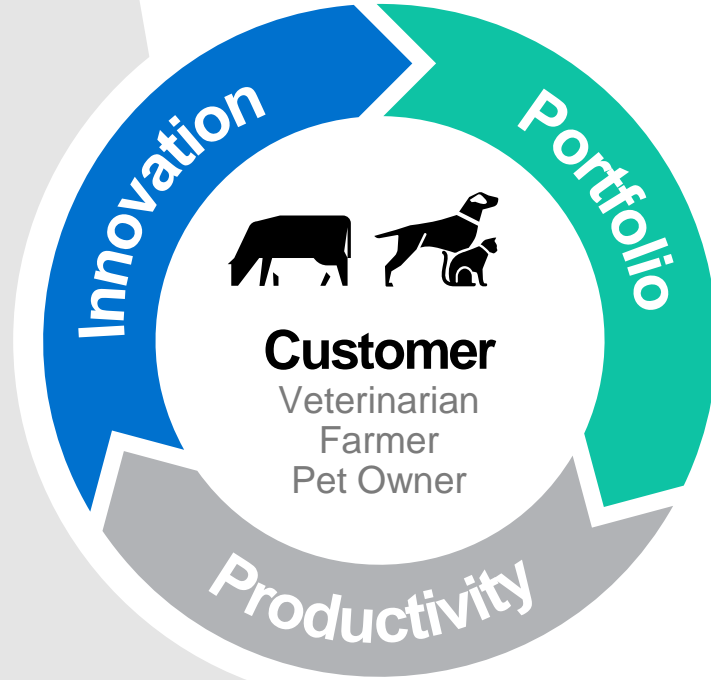
\$ millions



Numbers may not add due to rounding. All growth rates noted are constant currency, a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.  
<sup>1</sup>Represents organic growth/decline which excludes the estimated impact of the aqua business, which was divested July 9, 2024.

# IPP Innovation, Portfolio, Productivity

**Highlights**  
Since Our Last  
Earnings Call



## Innovation

**Innovation Sales**  
Updated full year innovation revenue guidance to \$420M to \$450M

**Credelio Quattro and Zenrelia**  
approved by U.S. FDA; Zenrelia launched in U.S. and Brazil

**Bovaer Launched**  
with California state approval, first feeding and multiple CPGs contracted to buy inset carbon credits from Athian

## Portfolio

**Price Growth**  
2% price growth in Q3 and 3% year-to-date

**OTC Para Growth**  
Led by Seresto volume in U.S. and Europe and Aftab ramp in Europe

**Experior Blockbuster**  
expected globally in 2024 with heifer clearance; portfolio value driving growth for Rumensin

## Productivity

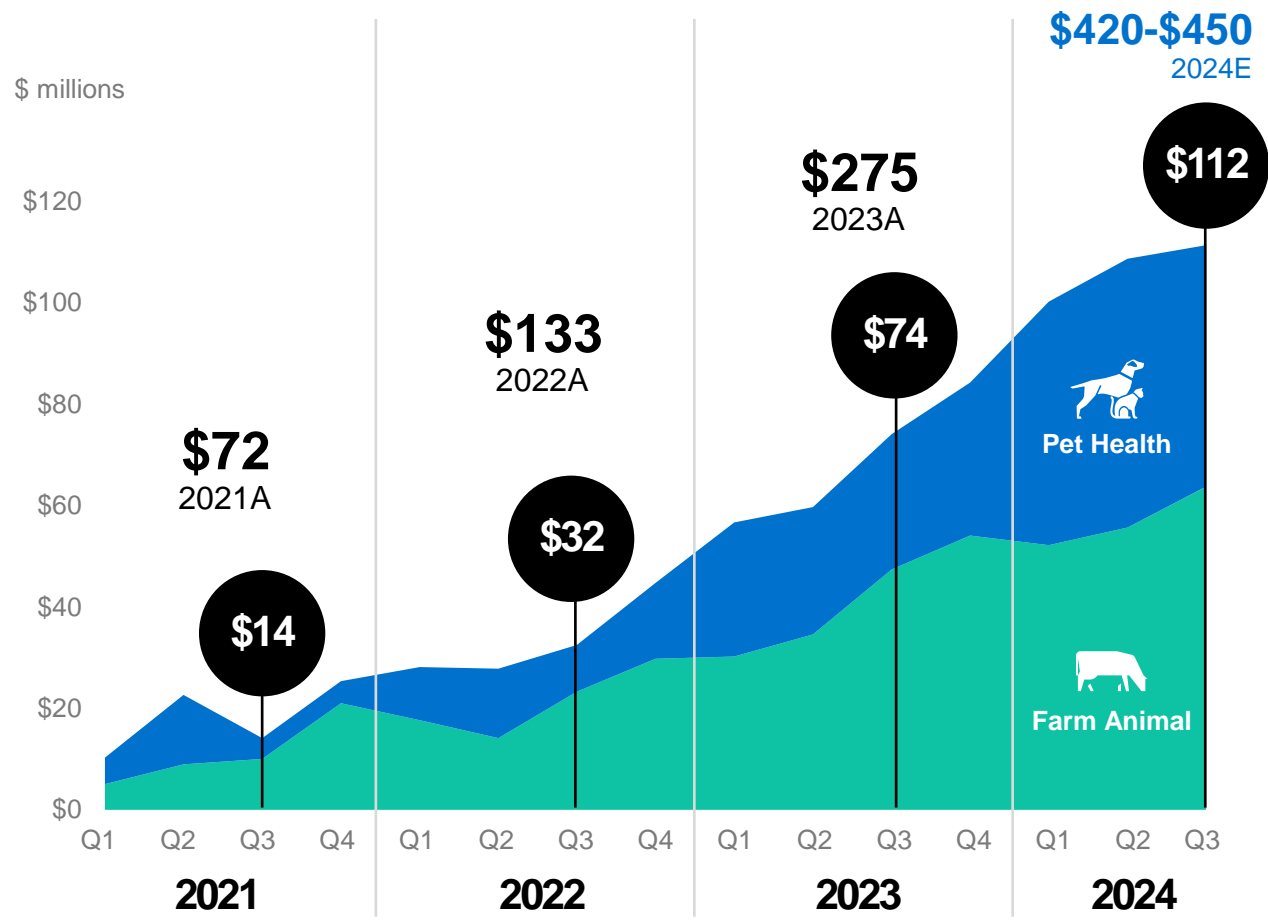
**Debt Paydown**  
reduced gross debt by \$1.331B in Q3, net leverage improves to 4.3x adjusted EBITDA

**Working Capital**  
Year to date cash conversion and net working capital (NWC) improvement



**mAB Capex**  
Announced \$130M expansion of biologics manufacturing facility in Elwood, Kansas to enable further growth of the company's monoclonal antibody platform

Innovation revenue expectations tightened to \$420M-\$450M in 2024

# On-Track to Deliver \$600M-\$700M Contribution in 2025



## Key Products

	Pet Health 	Farm Animal 
2021	Credelio PLUS, Credelio CAT (lotilaner), Elura (capromorelin oral solution)	Elanco Exporior, Elanco Increxza (ceftriaxone injection), Elanco ZooShield
2022	Advantage XD, Zorbium (buprenorphine transdermal solution)	
2023	Bexacat (bexaglitazone tablets), AdTab (Chewable Tablets), Canine Parvovirus Monoclonal Antibody, K9 Advantix, Advantage	NutriQuest
2024-2025	Credelio Quattro, Zenrelia™, IL-31 Dermatology <sup>1</sup>	Elanco Bovaer, Elanco Pradalex (pradofloxacin injection), Elanco Prevacent PRS

<sup>1</sup>Expected approval and launch timing is based on regulatory timelines and internal timeline estimates for regulatory, manufacturing and supply chain.

Note: Expected innovation revenue of \$600M to \$700M is incremental in reference to 2020 sales and does not include the expected impact of cannibalization on the base portfolio. Innovation revenue refers to sales from new products, lifecycle management and certain geographic expansions and business development transactions.

# Updates for Key Late-Stage Innovation Products




## A JAK inhibitor targeting control of pruritus and atopic dermatitis in dogs

**Differentiation:** effectiveness (H2H study) and convenience (once daily from start); Box warning related to vaccine response study

### ✓ FDA Approval Received

U.S. approval received ahead of schedule in September; product also approved in Brazil, Canada and Japan

### ✓ U.S. Launch Underway

Product launched in U.S. and Brazil in late September, metrics in-line with expectations

### ✓ Vaccine Booster Data Presented

Additional study data presented in mid-October at ISCAID symposium detailing use with booster vaccines




## A broad spectrum oral parasiticide covering fleas, ticks and internal parasites

**Differentiation:** Effectiveness (tapeworm coverage and heartworm prevention after 1 month)

### ✓ FDA Approval Received

U.S. approval received in October

### Manufacturing Scale Up

Final stages of manufacturing scale-up to optimize the launch

### U.S. Launch

On track for Q1 2025, ahead major parasiticide season





## A first-in-class methane reducing feed ingredient for cattle (Dairy)

**FDA Review Completed** in late May

### Next steps to commercialize for

#### Elanco

- ✓ 1 Dairies activated in UpLook™
- ✓ 2 Bovaer state registrations



























#### Producers

- ✓ 1 Incentive funds activated
- ✓ 2 CPGs contract with carbon inset market



Historic innovation launch window through 2025

# Late-Stage Pipeline Moves Largely Towards Commercialization

Asset	Primary Regulator	Species	Approval <sup>1</sup>	Launch <sup>2</sup>	Peak Sales Opportunity <sup>3</sup>	Commentary
<b>Experior</b> Ammonia Reduction	FDA (Rx)					First-in-class;  Combo clearance approvals for expanded use in heifers
<b>Bexacat</b> SGLT-2 Diabetes	FDA (Rx)		Q4 2022	Q1 2023		First-in-class
<b>Canine Parvovirus Monoclonal AB</b> (CPMA)	USDA (Rx)		Q2 2023 <i>conditional</i>	Q3 2023		First-in-class; Monoclonal AB
<b>K9 Advantix</b> Flea/Tick	EPA (OTC)		Q1 2023	Q1 2023		Establishes Elanco presence in "value" OTC category
<b>Advantage</b> Flea	EPA (OTC)		Q1 2023	Q2 2023		
<b>AdTab</b> Oral Flea/Tick	EMA (OTC)		Q2 2023	Q2 2023		Establishes Elanco presence in emerging EU OTC Oral F/T
<b>Bovaer®</b> Methane Reduction	FDA		Q2 2024	 Q3 2024		First-in-class
<b>Zenrelia™</b> Dermatology	FDA (Rx)		 Q3 2024	 Q3 2024		Differentiated  Brazil launch; Canada and Japan approval
<b>Credelio Quattro™</b> Endecto Parasiticide	FDA (Rx)		 Q4 2024	Q1 2025		Differentiated
<b>IL-31 SA Antibody</b> Dermatology	USDA (Rx)		2025			Differentiated; Monoclonal AB

 \$10-\$49M  
  \$50-\$99M  
  ≥\$100M  
  Update since Q2 2024 Earnings Call

<sup>1</sup>Expected approval timing is subject to regulatory agency outcomes. <sup>2</sup>Expected launch timing is based on regulatory agency outcomes and internal estimates and could change as programs evolve. <sup>3</sup>Potential peak sales represent the level of annual sales expected for a product on a global basis at its peak.

# Financial Results

Third Quarter 2024



**Elanco**

TM

Third Quarter 2024

# Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Organic <sup>1</sup> Volume	Aqua Volume	Total	Organic CC <sup>2</sup> Change
<b>Pet Health</b>	<b>\$486</b>	<b>2%</b>	<b>0%</b>	<b>(4)%</b>		<b>(2)%</b>	<b>(2)%</b>
Cattle	\$253		(1)%			5%	6%
Poultry	\$188		(1)%			2%	3%
Swine	\$88		0%			(5)%	(5)%
Aqua	\$1		0%		(98)%	(98)%	n/a
<b>Farm Animal</b>	<b>\$530</b>	<b>3%</b>	<b>(1)%</b>	<b>0%</b>	<b>(8)%</b>	<b>(6)%</b>	<b>3%</b>
<b>Contract Manufacturing</b>	<b>\$14</b>	<b>6%</b>	<b>(1)%</b>	<b>12%</b>	<b>0%</b>	<b>17%</b>	<b>18%</b>
<b>Total Elanco</b>	<b>\$1,030</b>	<b>2%</b>	<b>(1)%</b>	<b>(1)%</b>	<b>(4)%</b>	<b>(4)%</b>	<b>1%</b>

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

<sup>1</sup>Organic excludes the aqua business, which was divested July 9, 2024.

<sup>2</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

Third Quarter 2024

# Revenue by Geography and Species

	2024	2023	Change (%)	Organic CC <sup>1</sup> Change (%)
US Pet Health	\$289	\$301	(4)%	(4)%
Int'l Pet Health	\$197	\$194	2%	2%
<b>Total Pet Health</b>	<b>\$486</b>	<b>\$495</b>	<b>(2)%</b>	<b>(2)%</b>
US Farm Animal	\$194	\$174	11%	11%
Int'l Farm Animal <sup>1</sup>	\$336	\$388	(13)%	(3)%
<b>Total Farm Animal<sup>1</sup></b>	<b>\$530</b>	<b>\$561</b>	<b>(6)%</b>	<b>3%</b>
<b>Contract Manufacturing</b>	<b>\$14</b>	<b>\$12</b>	<b>17%</b>	<b>18%</b>
<b>Total Elanco<sup>1</sup></b>	<b>\$1,030</b>	<b>\$1,068</b>	<b>(4)%</b>	<b>1%</b>

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

<sup>1</sup>Organic CC Change = Representing revenue change excluding revenue from the aqua business, which we divested July 9, 2024, and the impact of foreign exchange rates.

Third Quarter 2024

**Adjusted<sup>1</sup> Income Statement Highlights**

Including Impact from Aqua Divestiture

\$ millions, except per share values

	2024	2023	Change (\$) <sup>2</sup>	Change (%) <sup>2</sup>
<b>Revenue</b>	<b>\$1,030</b>	<b>\$1,068</b>	<b>\$(38)</b>	<b>(4)%</b>
<b>Cost of Sales</b>	<b>\$492</b>	<b>\$486</b>	<b>\$6</b>	<b>1%</b>
<b>Adjusted Gross Profit</b>	<b>\$538</b>	<b>\$582</b>	<b>\$(44)</b>	<b>(8)%</b>
Adjusted Gross Margin	52.2%	54.5%	NM	(230) bps
<b>Operating Expense</b>	<b>\$410</b>	<b>\$399</b>	<b>\$11</b>	<b>3%</b>
<b>Interest Expense, Net</b>	<b>\$46</b>	<b>\$72</b>	<b>\$(26)</b>	<b>(36)%</b>
Effective Tax Rate	18.7%	16.0%	NM	270 bps
<b>Adjusted Net Income</b>	<b>\$66</b>	<b>\$90</b>	<b>\$(24)</b>	<b>(27)%</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.13</b>	<b>\$0.18</b>	<b>\$(0.05)</b>	<b>(28)%</b>
<b>Adjusted EBITDA</b>	<b>\$163</b>	<b>\$214</b>	<b>\$(51)</b>	<b>(24)%</b>
Adjusted EBITDA Margin	15.8%	20.0%	NM	(420) bps

Note: Numbers may not add due to rounding.

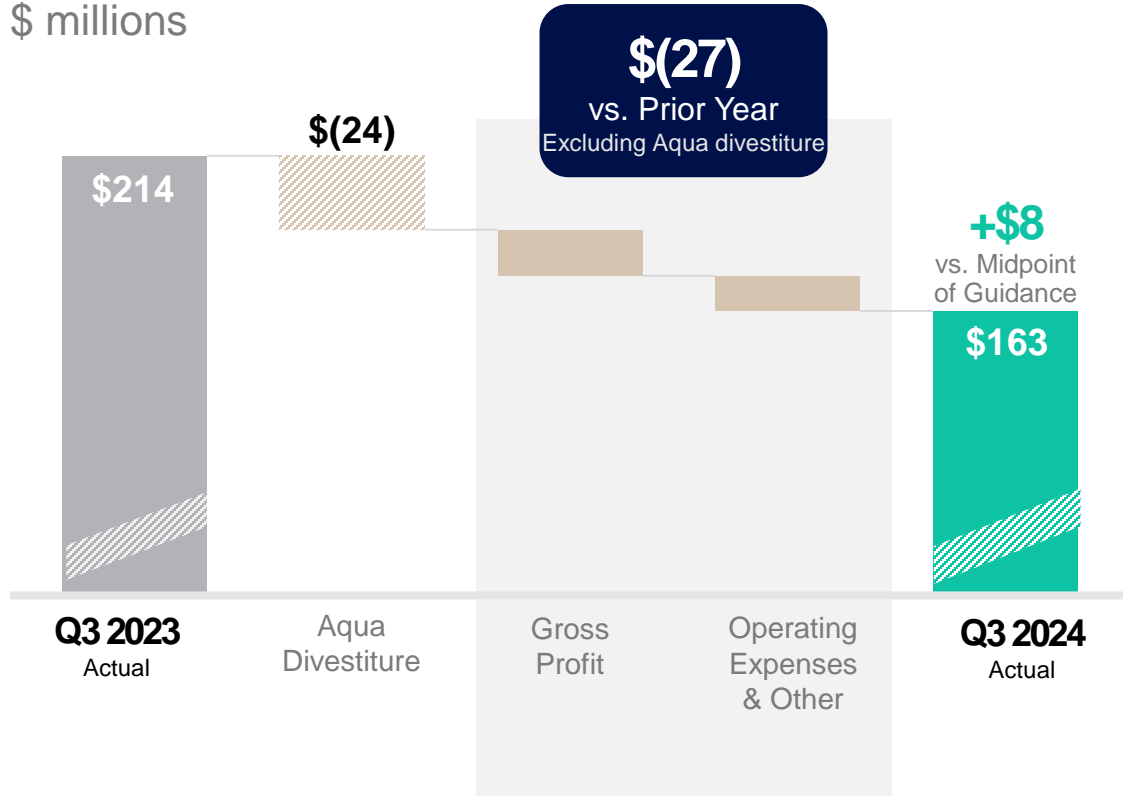
<sup>1</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.<sup>2</sup>Comparisons have not been adjusted for the unfavorable impact of the aqua divestiture which was completed on July 9, 2024. See slide 14 for details regarding the aqua impact in Q3.

Third Quarter 2024

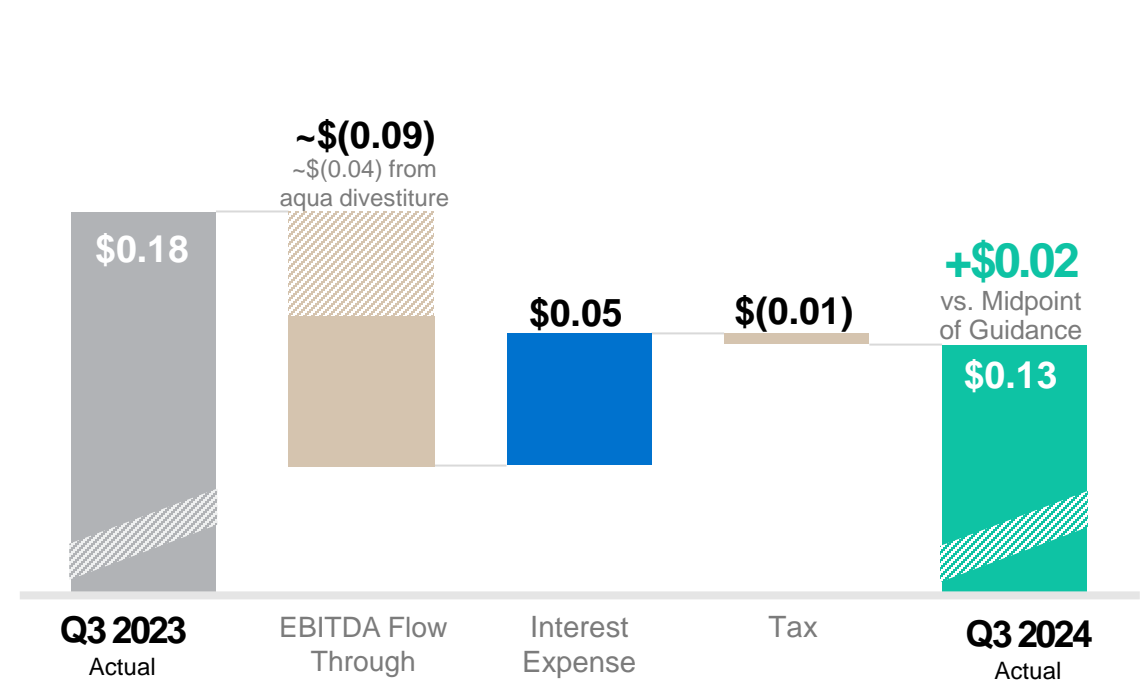
# Adjusted EBITDA and Adjusted EPS Impacted by Strategic Investments & Lower Interest Expense

## Q3 Adjusted EBITDA

\$ millions



## Q3 Adjusted EPS

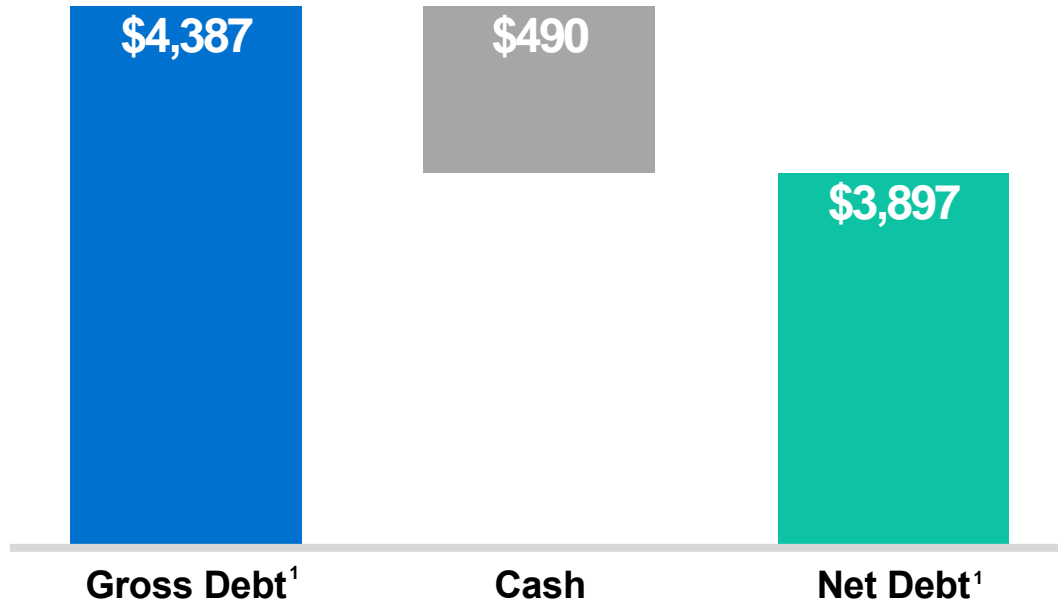


Note: Numbers may not add due to rounding and ranges.

# Key Balance Sheet and Cash Flow Metrics

## Debt Balances as of September 30, 2024

\$ millions



### \$1.3B of Debt Paydown in Q3 2024;

Adjusted net leverage ratio<sup>2</sup> decreased to 4.3x from 5.7x at the end of Q3 2023

### Expect full year Gross Debt reduction of \$1.45B;

On track to achieve 2024 deleveraging goal of mid-4x adjusted net leverage ratio

### Operating Cash Flow of \$162M in Q3 2024;

\$250M YoY improvement for first 3 quarters driven by improved inventory performance, strong collections and lower project expenses

### Days sales outstanding (DSO)<sup>3</sup> at 75 days;

a decrease of 1 day compared to Q2 2024

Note: Numbers may not add due to rounding

<sup>1</sup>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. <sup>2</sup>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. <sup>3</sup>DSO calculated as the trailing 12-month average.

# Financial Guidance

Fourth Quarter and Full Year 2024



**Elanco**<sup>TM</sup>



2024 Full Year

# Financial Guidance

\$ millions, except per share values

	August	November	Comments
<b>Revenue</b>	<b>\$4,410 - \$4,460</b>	<b>\$4,420 - \$4,450</b>	3% organic CC <sup>2</sup> growth
<b>Reported Net Income</b>	\$314 - \$352	\$286 - \$317	Includes gain on aqua divestiture
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$900 - \$940</b>	<b>\$900 - \$930</b>	Reflects expected increase in gross margin headwinds
<b>Reported Diluted EPS</b>	\$0.63 - \$0.71	\$0.58 - 0.64	
<b>Adjusted Diluted EPS<sup>1</sup></b>	<b>\$0.88 - \$0.96</b>	<b>\$0.89 - \$0.95</b>	Tightened based on improved outlook for interest and tax



### Impact of FX vs Prior Year

expected to be an approximate ~\$25 million headwind on revenue



### Growth Outlook Consistent

Expect price growth at least 3%; innovation and a stabilizing core to drive continued organic revenue growth



### Improved Non-Operational

Expected full year adjusted interest expense lowered to ~\$225 million

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

<sup>2</sup>Organic CC Growth = Representing revenue growth excluding revenue from the aqua business, which we divested July 9, 2024, and the impact of foreign exchange rates.

Fourth Quarter 2024

# Financial Guidance

\$ millions, except  
per share values

<b>Total Revenue</b>	<b>\$1,000 - \$1,030</b>
Reported Net Loss	\$(59) - \$(32)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$167 - \$197</b>
Reported Diluted EPS	\$(0.12) - \$(0.06)
<b>Adjusted Diluted EPS<sup>1</sup></b>	<b>\$0.13 - \$0.18</b>



### Impact of FX vs Prior Year

expected to be headwind of ~\$5 million on revenue in the fourth quarter; 'Do Different' approach reduces hyperinflationary impact felt in Q4 2023



### Improved Bottom Line

Return to adjusted EBITDA and adjusted EPS growth expected in Q4 as plant slowdown headwinds subside and restructuring savings partially offset strategic investments



### Additional Assumptions

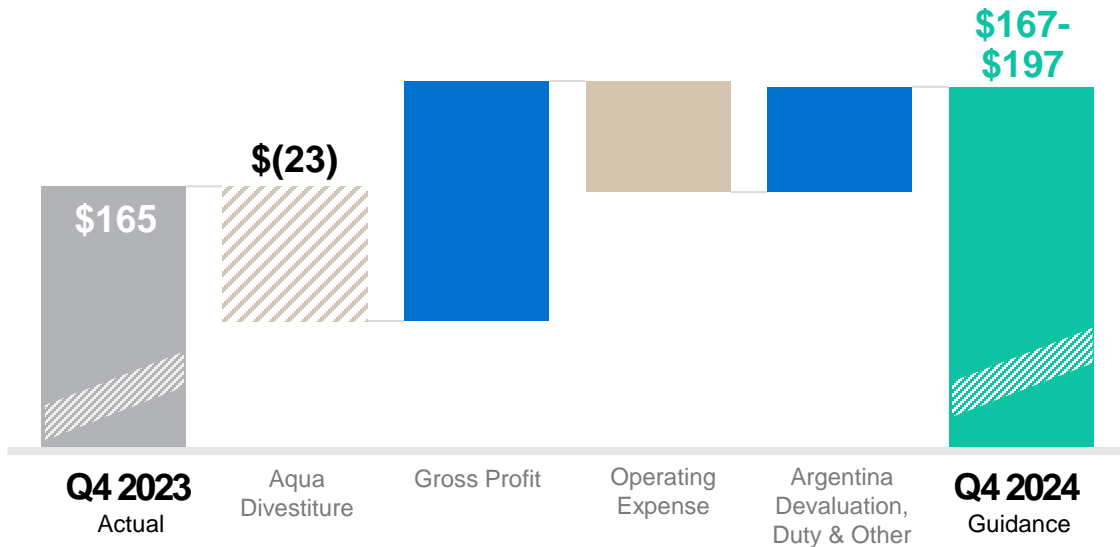
Interest expense expected to be ~\$50 million in Q4; investments in Pet Health drive SG&A growth

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations

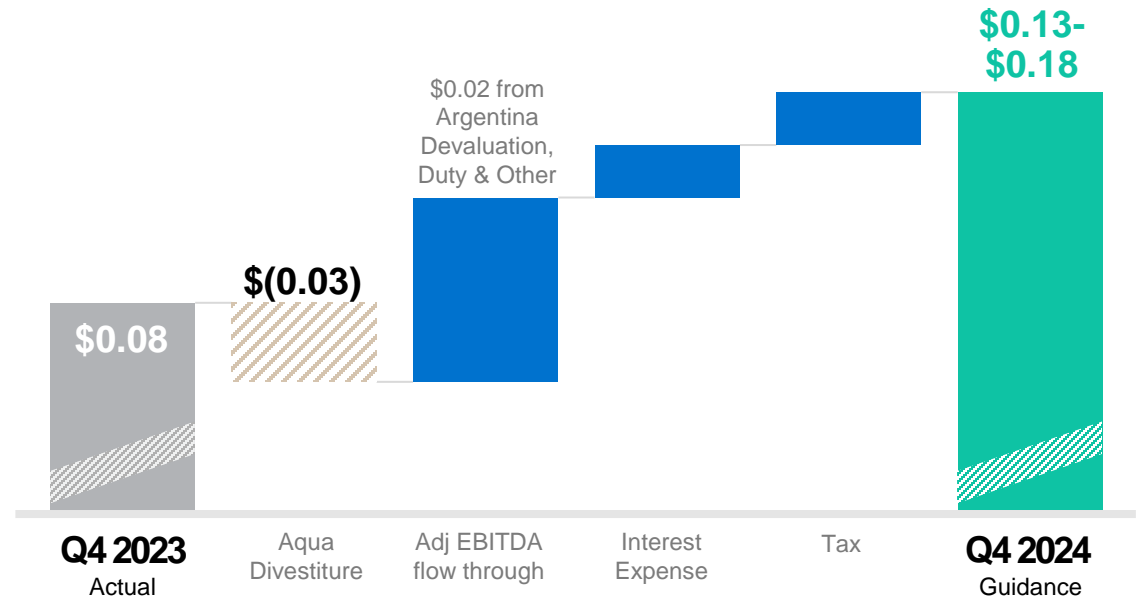
Fourth Quarter 2024

# Expected Adj. EBITDA and Adj. EPS Growth to be Driven by Improved Gross Profit and Lapping '23 Hyperinflation Headwind

## Q4 2024 Adjusted EBITDA Guidance



## Q4 2024 Adjusted EPS Guidance



Note: Numbers may not add due to rounding and ranges. Dollars in millions, except per share amounts.

# 2025 Outlook Calls for Topline Growth Acceleration

## Expectations

### Revenue Growth<sup>1</sup>

Accelerates to MSD %

### Adjusted EBITDA Growth

MSD %, ex-Aqua, with  
LSD % including U.K. CMO

### Net Leverage

High 3x to Low 4x

## Tailwinds

Innovation sales ramp to \$600-\$700 million driven by Zenrelia, Credelio Quattro, Aftab, CPMA, Bovaer and Experior

OTC Pet Health retail strength

Cattle & Poultry leadership

Price growth

Lower interest expense

## Headwinds

Competition in U.S. Pet Health vet clinic business

Farm Animal generics and poor swine economics

Gross profit headwind related U.K. CMO (\$25M-\$35M)

Elevated strategic investment in launching potential blockbuster products

Increased capex to support capacity expansion for mAB manufacturing

<sup>1</sup>Refers to organic constant currency growth, excluding the impact of foreign exchange rates and the aqua business that was divested on July 9, 2024.

# Appendix

Reference slides and GAAP reported to  
non-GAAP adjusted reconciliations



**Elanco**

TM

Nine Months 2024

# Impact of Price, Rate, and Volume on Revenue

	Revenue	Price	FX Rate	Organic <sup>1</sup> Volume	Aqua Volume	Total	Organic CC <sup>2</sup> Change
<b>Pet Health</b>	<b>\$1,704</b>	<b>3%</b>	<b>0%</b>	<b>(2)%</b>	<b>0%</b>	<b>1%</b>	<b>1%</b>
Cattle	\$754		0%			8%	8%
Poultry	\$583		(1)%			7%	8%
Swine	\$262		(1)%			(8)%	(7)%
Aqua	\$81		(2)%		(32)%	(39)%	(9)%
<b>Farm Animal</b>	<b>\$1,680</b>	<b>2%</b>	<b>(1)%</b>	<b>3%</b>	<b>(3)%</b>	<b>1%</b>	<b>5%</b>
<b>Contract Manufacturing</b>	<b>\$35</b>	<b>2%</b>	<b>(1)%</b>	<b>5%</b>	<b>0%</b>	<b>6%</b>	<b>7%</b>
<b>Total Elanco</b>	<b>\$3,419</b>	<b>3%</b>	<b>(1)%</b>	<b>0%</b>	<b>(1)%</b>	<b>1%</b>	<b>3%</b>

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

<sup>1</sup>Organic excludes the aqua business, which was divested July 9, 2024.

<sup>2</sup>Constant Currency (CC) is a non-GAAP financial measure, representing revenue growth excluding the impact of foreign exchange rates.

Nine Months 2024

## Revenue by Geography and Species

	2024	2023	Total (%)	Organic CC <sup>1</sup> Change (%)
US Pet Health	\$960	\$995	(4)%	(4)%
Int'l Pet Health	\$744	\$693	7%	7%
<b>Total Pet Health</b>	<b>\$1,704</b>	<b>\$1,688</b>	<b>1%</b>	<b>1%</b>
US Farm Animal	\$596	\$518	15%	15%
Int'l Farm Animal	\$1,084	\$1,144	(5)%	(1)%
<b>Total Farm Animal</b>	<b>\$1,680</b>	<b>\$1,661</b>	<b>1%</b>	<b>5%</b>
<b>Contract Manufacturing</b>	<b>\$35</b>	<b>\$33</b>	<b>6%</b>	<b>7%</b>
<b>Total Elanco</b>	<b>\$3,419</b>	<b>\$3,382</b>	<b>1%</b>	<b>3%</b>

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

<sup>1</sup>Organic CC Change = Representing revenue change excluding revenue from the aqua business, which we divested July 9, 2024, and the impact of foreign exchange rates.

Nine Months 2024

**Adjusted<sup>1</sup> Income Statement Highlights**

Including Impact from Aqua Divestiture

\$ millions, except per share values	2024	2023	Change (\$)	Change (%) <sup>2</sup>
<b>Revenue</b>	<b>\$3,419</b>	<b>\$3,382</b>	<b>\$37</b>	<b>1%</b>
<b>Cost of Sales</b>	<b>\$1,502</b>	<b>\$1,413</b>	<b>\$89</b>	<b>6%</b>
<b>Adjusted Gross Profit</b>	<b>\$1,917</b>	<b>\$1,969</b>	<b>\$(52)</b>	<b>(3)%</b>
Adjusted Gross Margin	56.1%	58.2%	NM	(210) bps
<b>Operating Expense</b>	<b>\$1,277</b>	<b>\$1,241</b>	<b>\$31</b>	<b>3%</b>
<b>Interest Expense, Net</b>	<b>\$177</b>	<b>\$210</b>	<b>\$(33)</b>	<b>(16)%</b>
Effective Tax Rate	16.5%	20.2%	NM	(370) bps
<b>Adjusted Net Income</b>	<b>\$380</b>	<b>\$400</b>	<b>\$(16)</b>	<b>(5)%</b>
<b>Adjusted Earnings Per Share Diluted</b>	<b>\$0.76</b>	<b>\$0.81</b>	<b>\$(0.04)</b>	<b>(6)%</b>
<b>Adjusted EBITDA</b>	<b>\$733</b>	<b>\$814</b>	<b>\$(81)</b>	<b>(10)%</b>
Adjusted EBITDA Margin	21.4%	24.1%	NM	(270) bps

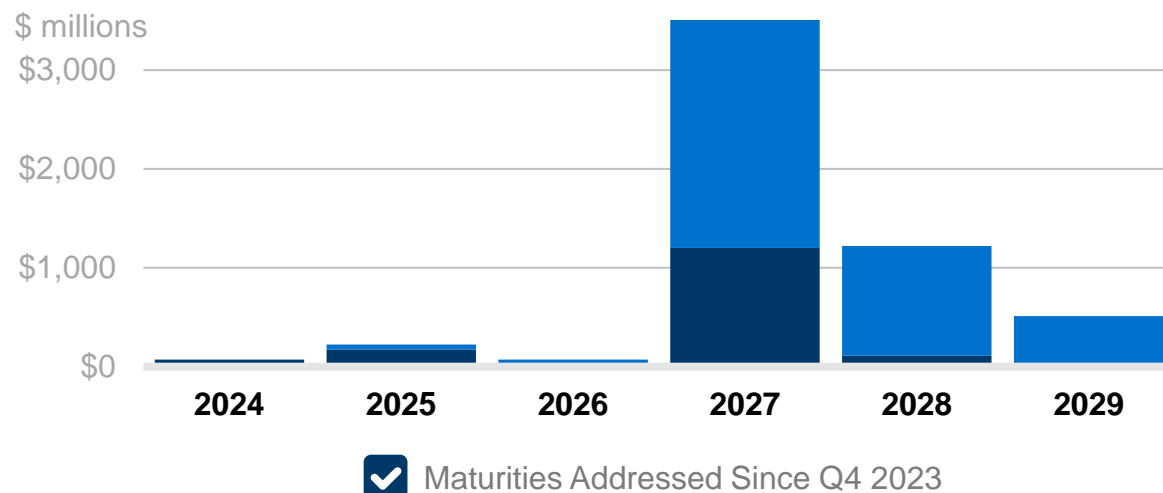
Note: Numbers may not add due to rounding.

<sup>1</sup>Non-GAAP financial measures. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.<sup>2</sup>Comparisons have not been adjusted for the unfavorable impact of the aqua divestiture which was completed on July 9, 2024. See slide 14 for details regarding the aqua impact in Q3.



# Confident in Liquidity and Ability to Manage Debt Obligations

## Debt Maturities & Mandatory Payments



## Key Debt Information<sup>1</sup>

### Total Gross Debt: \$4.4 billion

- **Term Loans:** \$3.5 billion; bears interest of 1-Month Term SOFR+185 bps
- **Senior Notes:** \$750 million; bears interest of 6.65%, incl. 175 bps credit rating step up
- **Revolver:** Access to \$750 million; bears interest of 1-Month Term SOFR+210 bps<sup>2</sup>
- **A/R Securitization:** Access to up to \$300 million; bears interest of 1-Month Term SOFR+125 bps

**Interest Rate Swaps:** \$2.8 billion mature in 2026; \$0.85 billion forward-starting effective in 2026 maturing between 2028 and 2031

**2024 Assumptions:** Year-end net leverage ratio expected in the mid-4x range; expecting ~\$1.45 billion total debt paydown

## Summary of Financial Covenants Associated with TLB & Revolving Credit Facility

Covenant	Definition	Limit	Current Level <sup>1</sup>	Term Loan Enforcement Rights	Revolver Enforcement Rights
<b>Net Leverage Ratio</b>	Net debt <sup>3</sup> divided by TTM <sup>4</sup> adjusted EBITDA	Max 7.71x	4.3x	None	Yes
<b>Interest Coverage Ratio</b>	TTM <sup>4</sup> adjusted EBITDA divided by TTM <sup>4</sup> cash interest expense	Min 2.0x	2.79x	Only if certain non-financial covenants are tripped	Yes

<sup>1</sup>As of September 30, 2024; this calculation does not include Term Loan B covenant-related adjustments that increase adjusted EBITDA by approximately \$60 to \$70 million. <sup>2</sup>Spread based on net leverage ratio. <sup>3</sup>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. <sup>4</sup>TTM = Trailing Twelve Months.

# Factors Impacting Cash Flow and Leverage

\$ millions	2021	2022	2023	2024 Projected	2025 Expectations
<b>Project<sup>1</sup> / Restructuring Cash</b>	\$325	\$194	\$149	<b>\$40 - \$50</b>	Minimal restructuring spend; no project spend expected
<b>Cash Interest</b>	\$221	\$266	\$379	<b>Approx. \$295</b>	Lower cash interest driven by debt paydown
<b>Cash Taxes</b>	\$151	\$93	\$95	<b>\$150 - \$160</b>	Increase due to timing of tax payments for aqua sale proceeds
<b>Change in NWC<sup>2</sup></b>	\$88	\$462	\$300	<b>\$20 - \$50</b>	Continue disciplined focus on NWC management
<b>CAPEX</b>	\$159	\$171	\$140	<b>\$155 - \$165</b>	Increased capital investments supporting mAB manufacturing
<b>Gross debt paydown</b>	\$(176)	\$501	\$76	<b>Approx. \$1.45B</b>	One-time benefit in 2024 from aqua sale not repeated
<b>Net Leverage Ratio</b>	5.5x	5.5x	5.6x	<b>Mid-4x</b>	Expected in the high-3x to low-4x

<sup>1</sup>Project refers to cash costs associated with the independent company stand-up, Bayer business integration and Bayer ERP system integration.

<sup>2</sup>Change in NWC reflected as: Use (Source) of Cash. 2024 Guidance does not include \$66 million dollar inflow of cash that was included in Cash Flows from Investing Activities.

## Full Year 2024

# Financial Guidance & Additional Assumptions

\$ millions, except  
per share values

	August	November
<b>Total Revenue</b>	<b>\$4,410 – \$4,460</b>	<b>\$4,420 – \$4,450</b>
Adjusted Gross Margin <sup>1</sup>	55.1% – 55.6%	55.2% – 55.3%
Operating Expenses	\$1,645 – \$1,660	\$1,660 – \$1,670
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$900 – \$940</b>	<b>\$900 – \$930</b>
<b>Adjusted EBITDA Margin<sup>1</sup></b>	<b>20.4% – 21.1%</b>	<b>20.4% – 20.9%</b>
Depreciation	Approx. \$130	Approx. \$130
Adjusted Interest Expense, Net	Approx. \$235	Approx. \$225
Tax Rate	18% – 19%	Approx. 18%
<b>Adjusted Earnings per Share<sup>1</sup></b>	<b>\$0.88 – \$0.96</b>	<b>\$0.89 – \$0.95</b>
Weighted Average Diluted Share Count	Approx. 497 million	Approx. 497 million
Capital Expenditures	\$160 – \$180	\$155 – \$165
Cash Taxes	\$130 – \$150	\$150 – \$160
Cash Interest	Approx. \$305	Approx. \$295
Project <sup>2</sup> /Restructuring Cash	\$40 – \$50	\$40 – \$50

Note: Shaded boxes represent figures that have been revised compared to the prior guidance.

<sup>1</sup>Non-GAAP financial measure. See Appendix to this presentation for more information, including GAAP to non-GAAP reconciliations.

<sup>2</sup>Project refers to cash costs associated with the independent company stand-up, Bayer business integration and Bayer ERP system integration.

Third Quarter 2024

## Adjusted EBITDA Reconciliation

\$ millions

	2024	2023
<b>Reported Net Gain (Loss)</b>	<b>\$364</b>	<b>\$(1,096)</b>
Net Interest Expense	\$58	\$72
Income Tax Expense (Benefit)	\$195	\$(1)
Depreciation and Amortization	\$169	\$173
<b>EBITDA</b>	<b>\$786</b>	<b>\$(852)</b>
Non-GAAP Adjustments		
Cost of Sales	\$-	\$1
Asset Impairment, Restructuring, and Other Special Charges	\$17	\$16
Goodwill Impairment	\$-	\$1,042
Gain on Divestiture	\$(640)	\$-
Other Expense (Income), Net	\$-	\$6
<b>Adjusted EBITDA</b>	<b>\$163</b>	<b>\$214</b>
<b>Adjusted EBITDA Margin</b>	<b>15.8%</b>	<b>20.0%</b>

Numbers may not add due to rounding.

Third Quarter 2024

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

\$ millions, except  
per share values

	2024			2023		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales	\$492	\$-	\$492	\$487	\$1	\$486
Amortization of Intangible Assets	\$133	\$133	\$-	\$140	\$140	\$-
Asset Impairment, Restructuring and Other Special Charges <sup>1</sup>	\$17	\$17	\$-	\$16	\$16	\$-
Goodwill Impairment	\$-	\$-	\$-	\$1,042	\$1,042	\$-
Gain on Divestiture	\$(640)	\$(640)	\$-	\$-	\$-	\$-
Interest Expense, Net of Capitalized Interest <sup>2</sup>	\$58	\$12	\$46	\$72	\$-	\$72
Other Expense, Net <sup>3</sup>	\$1	\$-	\$1	\$9	\$6	\$3
<b>Income Before Taxes</b>	<b>\$559</b>	<b>\$(478)</b>	<b>\$81</b>	<b>\$(1,097)</b>	<b>\$1,205</b>	<b>\$108</b>
Income Tax (Benefit) Expense <sup>4</sup>	\$195	\$180	\$15	\$(1)	\$(19)	\$18
<b>Net Income</b>	<b>\$364</b>	<b>\$(298)</b>	<b>\$66</b>	<b>\$(1,096)</b>	<b>\$1,186</b>	<b>\$90</b>
<b>Earnings per Share Diluted<sup>(6)</sup></b>	<b>\$0.73</b>	<b>\$(0.60)</b>	<b>\$0.13</b>	<b>\$(2.22)</b>	<b>\$2.40</b>	<b>\$0.18</b>
Adjusted Weighted Average Shares Outstanding Diluted	<b>497.7</b>	497.7	<b>497.7</b>	<b>492.7</b>	494.4	<b>494.4</b>

Numbers may not add due to rounding.  
See slide 30 for details of adjustments to certain GAAP reported measures.

## Third Quarter 2024

## Details of Adjustments to Certain GAAP Reported Measures

**For the three months ended September 30, 2024 and 2023:**

- (1) Adjustments of \$17 million for the three months ended September 30, 2024, principally reflected \$15 million of asset impairments tied to the financial difficulties of our contract manufacturing supply partner, TriRx, the largest of which was a \$12 million impairment of a contract asset related to a favorable supply agreement. Adjustments of \$16 million for the three months ended September 30, 2023, related to charges associated with integration efforts and external costs related to the acquisition of Bayer Animal Health (\$11 million) and the write-down of certain indefinite-lived intangible assets primarily due to increases in discount rates (\$5 million).
- (2) Adjustments of \$12 million for the three months ended September 30, 2024, were attributable to the write-off of previously deferred financing costs associated with our term loan debt, given accelerated principal repayments made during the three months ended September 30, 2024.
- (3) Adjustments of \$6 million for the three months ended September 30, 2023, primarily related to increases in contingent consideration payable to NutriQuest, as well as the impact of hyperinflationary accounting related to Turkey.
- (4) Adjustments of \$180 million for the three months ended September 30, 2024, represented the income tax expense associated with the adjusted items discussed above, particularly the gain on divestiture (\$171 million). Adjustments of \$19 million for the three months ended September 30, 2023, primarily represented the income tax expense associated with the adjusted items discussed above.

Nine Months 2024

## Adjusted EBITDA Reconciliation

\$ millions

	2024	2023
<b>Reported Net Loss</b>	<b>\$346</b>	<b>\$(1,090)</b>
Net Interest Expense	\$189	\$210
Income Tax Expense	\$193	\$22
Depreciation and Amortization	\$498	\$523
<b>EBITDA</b>	<b>\$1,226</b>	<b>\$(335)</b>
Non-GAAP Adjustments		
Cost of Sales	\$-	\$2
Asset Impairment, Restructuring, and Other Special Charges	\$143	\$91
Goodwill Impairment	\$-	\$1,042
Gain on Divestiture	\$(640)	\$-
Accelerated Depreciation and Amortization <sup>1</sup>	\$-	\$(10)
Other Expense (Income), Net	\$4	\$25
<b>Adjusted EBITDA</b>	<b>\$733</b>	<b>\$814</b>
<b>Adjusted EBITDA Margin</b>	<b>21.4%</b>	<b>24.1%</b>

Numbers may not add due to rounding.

<sup>1</sup>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.

Nine Months 2024

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

\$ millions, except  
per share values

	2024			2023		
	GAAP Reported	Adjusted Items	Non- GAAP	GAAP Reported	Adjusted Items	Non- GAAP
Cost of Sales <sup>1</sup>	\$1,502	\$-	\$1,502	\$1,415	\$2	\$1,413
Amortization of Intangible Assets	\$397	\$397	\$-	\$410	\$410	\$-
Asset Impairment, Restructuring and Other Special Charges <sup>2</sup>	\$143	\$143	\$-	\$91	\$91	\$-
Goodwill Impairment	\$-	\$-	\$-	\$1,042	\$1,042	\$-
Gain on Divestiture	\$(640)	\$(640)	\$-			
Interest Expense, Net of Capitalized Interest <sup>3</sup>	\$189	\$12	\$177	\$210	\$-	\$210
Other Expense (Income), Net <sup>4</sup>	\$12	\$4	\$8	\$41	\$25	\$16
<b>Income Before Taxes</b>	<b>\$539</b>	<b>\$(84)</b>	<b>\$455</b>	<b>\$(1,068)</b>	<b>\$1,570</b>	<b>\$502</b>
Income Tax (Benefit) Expense <sup>5</sup>	\$193	\$118	\$75	\$22	\$(80)	\$102
<b>Net Income</b>	<b>\$346</b>	<b>\$34</b>	<b>\$380</b>	<b>\$(1,090)</b>	<b>\$1,490</b>	<b>\$400</b>
<b>Earnings per Share Diluted</b>	<b>\$0.70</b>	<b>\$0.06</b>	<b>\$0.76</b>	<b>\$(2.21)</b>	<b>\$3.02</b>	<b>\$0.81</b>
Adjusted Weighted Average Shares Outstanding Diluted	<b>496.9</b>	496.9	<b>496.9</b>	<b>492.1</b>	493.4	<b>493.4</b>

Numbers may not add due to rounding.  
See slide 33 for details of adjustments to certain GAAP reported measures.



## Nine Months 2024

## Details of Adjustments to Certain GAAP Reported Measures

**For the nine months ended September 30, 2024 and 2023:**

- (1) Adjustments of \$143 million for the nine months ended September 30, 2024, principally included impairment charges of \$53 million related to a pet health IPR&D asset (IL-4R) during the second quarter of 2024 and the aforementioned \$15 million of asset impairments tied to the financial difficulties of our contract manufacturing supply partner, TriRx, \$45 million of costs associated with our restructuring plan announced in February 2024 and \$17 million of transaction costs related to the sale of our aqua business. Adjustments of \$91 million for the nine months ended September 30, 2023, related to charges associated with the integration efforts and external costs related to the acquisition of Bayer Animal Health and the write-down of certain indefinite-lived intangible assets described above.
- (2) Adjustments of \$12 million for the nine months ended September 30, 2024, were attributable to the write-off of previously deferred financing costs associated with our Term Loan, given accelerated principal repayments made during the current period.
- (3) Adjustments of \$4 million for the nine months ended September 30, 2024, primarily consisted of foreign currency exchange losses and mark-to-market adjustments. Adjustments of \$25 million for the nine months ended September 30, 2023, primarily related to a settlement charge of \$15 million for a potential settlement of the Seresto class action lawsuits, the impact of hyperinflationary accounting in Turkey (\$6 million) and increases in contingent consideration payable to NutriQuest (\$4 million).
- (4) Adjustments of \$118 million for the nine months ended September 30, 2024, represented the income tax expense associated with the adjusted items discussed above, particularly the gain on divestiture (\$171 million). Adjustments of \$80 million for the nine months ended September 30, 2023, represented the income tax expense associated with the adjusted items discussed above, partially offset by an increase in the valuation allowance recorded against our deferred tax assets during the period (\$14 million).

Full Year 2024

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Income</b>	<b>\$286 - \$317</b>
Net Interest Expense	Approx. \$235
Income Tax Benefit	\$190 - \$199
Depreciation and Amortization	Approx. \$660
<b>EBITDA</b>	<b>\$1,373 - \$1,413</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$155
Gain on divestiture	Approx. \$(640)
Other Expense (Income), Net	Approx. \$5
<b>Adjusted EBITDA</b>	<b>\$900 - \$930</b>
<b>Adjusted EBITDA Margin</b>	<b>20.4% - 20.9%</b>

Note: Numbers may not add due to rounding

Full Year 2024

## EPS Guidance Reconciliation

<b>Reported Earnings per Share</b>	<b>\$0.58 - \$0.64</b>
Amortization of Intangible Assets	Approx. \$1.06
Asset Impairment, Restructuring, and Other Special Charges	\$0.29 - \$0.31
Gain on Divestiture	Approx. \$1.28
Other Expenses, Net	Approx. \$0.04
<b>Subtotal</b>	<b>\$0.11 - \$0.13</b>
Tax Impact of Adjustments	\$0.19 - \$0.20
<b>Total Adjustments to Earnings per Share</b>	<b>\$0.31 - \$0.32</b>
<b>Adjusted Earnings per Share<sup>1</sup></b>	<b>\$0.89 - \$0.95</b>

Note: Numbers may not add due to rounding.

<sup>1</sup>Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.

Fourth Quarter 2024

## EBITDA Guidance Reconciliation

\$ millions

<b>Reported Net Loss</b>	<b>\$(59) - \$(32)</b>
Net Interest Expense	Approx. \$50
Income Tax Provision	\$(1) - \$8
Depreciation and Amortization	Approx. \$165
<b>EBITDA</b>	<b>\$151 - \$187</b>
Non-GAAP Adjustments	
Asset Impairment, Restructuring, and Other Special Charges	Approx. \$10
<b>Adjusted EBITDA</b>	<b>\$167 - \$197</b>
<b>Adjusted EBITDA Margin</b>	<b>16.7% - 19.1%</b>

Note: Numbers may not add due to rounding

Fourth Quarter 2024

## EPS Guidance Reconciliation

<b>Reported Loss per Share</b>	<b>\$(0.12) - \$(0.06)</b>
Amortization of Intangible Assets	Approx. \$0.26
Asset Impairment, Restructuring, and Other Special Charges <sup>1</sup>	\$0.02 - \$0.03
<b>Subtotal</b>	<b>\$0.28 - \$0.29</b>
Tax Impact of Adjustments	\$(0.04) - \$(0.05)
<b>Total Adjustments to Earnings per Share</b>	<b>\$0.24 - \$0.25</b>
<b>Adjusted Earnings per Share<sup>2</sup></b>	<b>\$0.13 - \$0.18</b>

Note: Numbers may not add due to rounding.

<sup>1</sup>Asset impairment, restructuring, and other special charges adjustments primarily relate to costs associated with the divestiture of our aqua business and charges related to the restructuring plan announced in February 2024.

<sup>2</sup>Adjusted EPS is calculated as the sum of reported EPS and total adjustments to EPS.