



# Bayer Q3 Roadshow Presentation

November 2019

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# Cautionary Statements Regarding Forward-Looking Information

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer management.

Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at <http://www.bayer.com/>.

The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Guidance at constant currencies, not including portfolio divestitures if not mentioned differently.



# Today's agenda

A vertical white line with four diamond-shaped markers pointing to the right, serving as a list separator.

## **Q3 2019 Results**

**Bayer at a glance**

**Our strategy**

**Bayer: a compelling investment**

# Bayer Remains on Track - Good Performance Across all Divisions

(all figures: continuing operations)

**€9,830m**

**Sales**

**€2,291**

**EBITDA**

Before special items

**€1.16**

**Core EPS**

**€1,263m**

**Free Cash Flow**

- Sales increased to €9.8bn (+5% cpa)
- EBITDA before special items improved by 8% to €2.3bn  
→ Margin up 30 bps to 23.3%
- Core EPS plus 6% to €1.16
- Free Cash Flow grew by 13% to €1.3bn

# Progress in all Focus Areas

## 1

### *Target Delivery*

- Guidance for 2019 confirmed and adjusted for discontinued operations and Fx

## 2

### *Crop Science*

- Good operational performance in challenging market environment
- Integration and synergy realization well on track

## 3

### *Pharmaceuticals*

- Continued strong top-line growth
- Margin development in line with FY guidance

## 4

### *Consumer Health*

- Solid sales and margin development

## 5

### *Efficiency / Bayer 2022*

- Overall contribution target of ~€2.6bn by 2022 confirmed
- Implementation ongoing

## 6

### *Portfolio Measures*

- Coppertone and Derma Rx divestments closed, Dr. Scholl's and Currenta closings imminent
- Sale of Animal Health signed



# Update Glyphosate Litigation

Served lawsuits from approx. 42,700 plaintiffs (as of October 11, 2019)

Number of lawsuits not indicative of the merits of the litigation

Rise in number of plaintiffs follows an exponential increase in advertising sponsored by plaintiffs' lawyers\*

Appeals in the first three cases ongoing

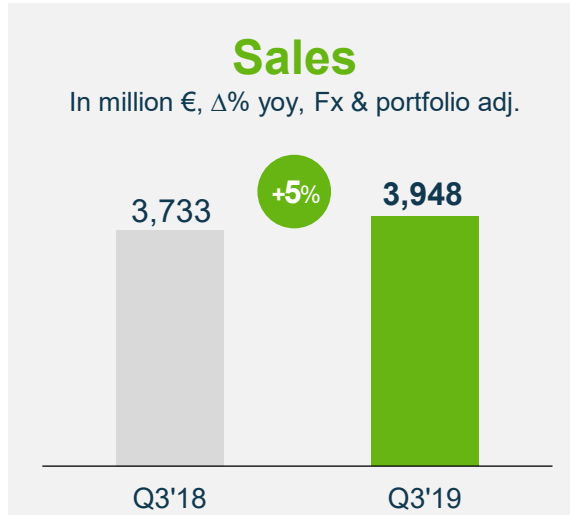
Planning for litigation of further cases in 2020 while ...

... constructively engaging in the mediation process

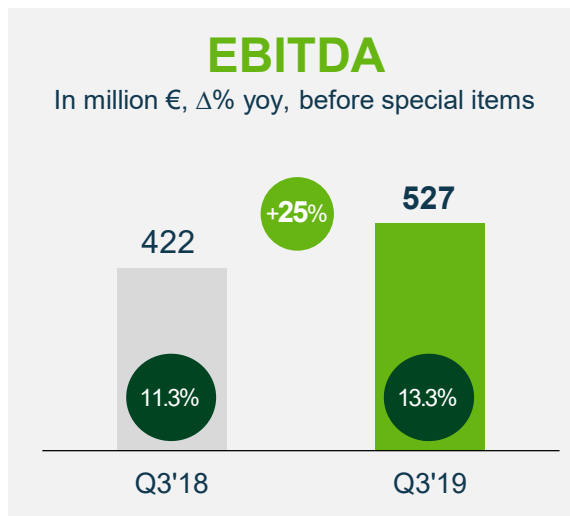
\* Source: Based on Roundup TV advertising data provided by X Ante, a litigation advertising tracking service



# Crop Science with Positive Growth Dynamics



Volume	+1%	Currency	+3%
Price	+4%	Portfolio	-2%

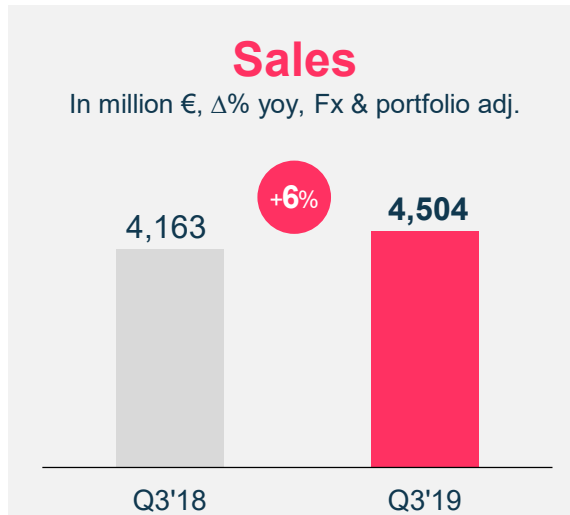


- +5% cpa (+6% ca pro forma) sales growth driven by North & Latin America
- Good growth across corn and soybean seed & traits as well as fungicides
- Strong increase in EBITDA before special items as a result of higher prices and volumes in Latin America as well as lower than expected product returns
- Cost synergy realization in 2019 substantially higher than expected

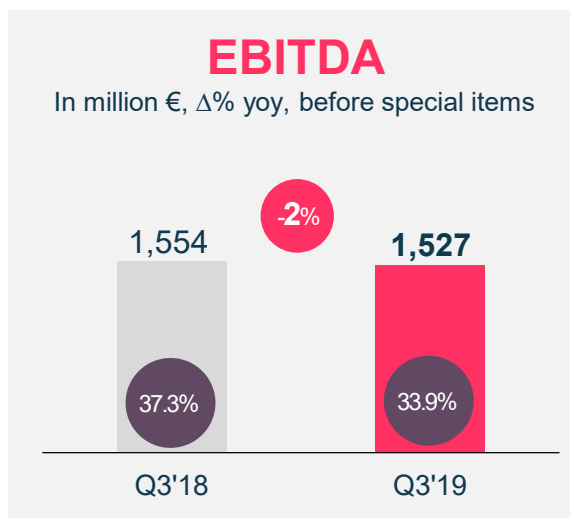
● EBITDA Margin before special items



# Pharmaceuticals Driven by Xarelto, Eylea and China



Volume	+6%	Currency	+2%
Price	+0%	Portfolio	+/-0%



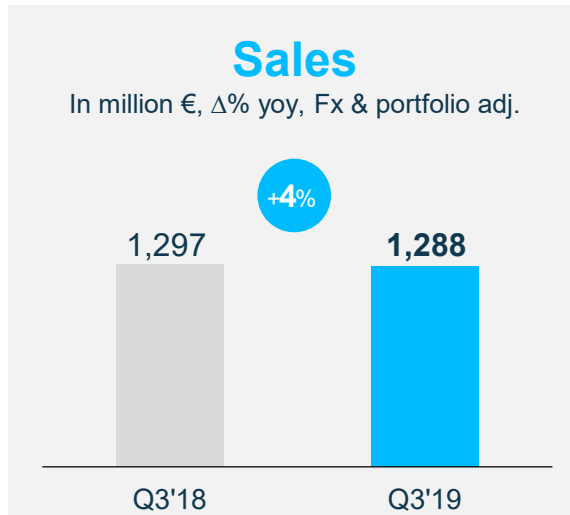
- Xarelto up 9%, Eylea grew by 16%
- Continued strong performance in China
- FDA approvals of Nubeqa (darolutamide) and the medically ill indication for Xarelto
- Vitrakvi received first tumor-agnostic approval in Europe
- Acquisition of BlueRock Therapeutics to expand position in cell therapy
- Strong EBITDA before special items as Q3 2018 benefited from opt-in payment of ~€190m

● EBITDA Margin before special items

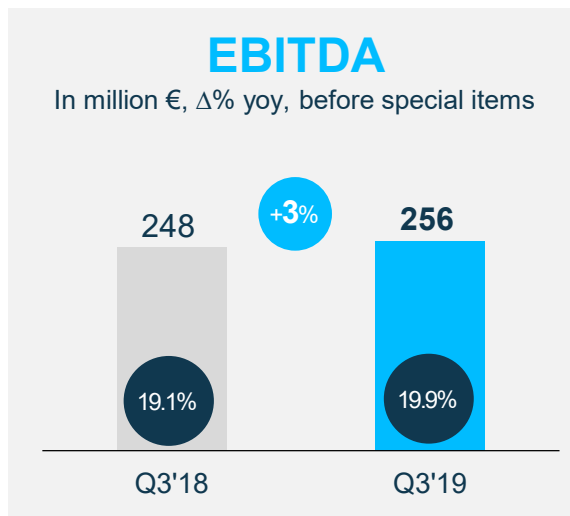




# Consumer Health with Solid Performance



Volume	+2%	Currency	+1%
Price	+2%	Portfolio	-5%



- EMEA and Latin America with positive development
- North America and Asia/Pacific with declining sales
- Nutritionals, Allergy & Cold and Pain & Cardio with good sales growth
- Increase in EBITDA-margin before special items driven by sales growth and cost savings

● EBITDA Margin before special items



# Q3 Results (Continuing Operations)

## Sales

In million €, Δ% yoy, (Fx & portfolio adj.)

- Positive Fx effect of €215m

9,261 **+5% cpa** 9,830

Q3'18

Q3'19

## EBITDA

In million €, before special items

- Positive Fx effect of €77m after hedging

2,132 **+8%** 2,291

23.0%

23.3%

Q3'18

Q3'19

## Core EPS

In €

- Core financial result went from minus €497m to minus €455m
- Core tax rate was 18.3% (PY 14.2%)

1.09 **+6%** 1.16

Q3'18

Q3'19

## Free Cash Flow

In million €

- Increase driven by positive operating development

1,116 **+13%** 1,263

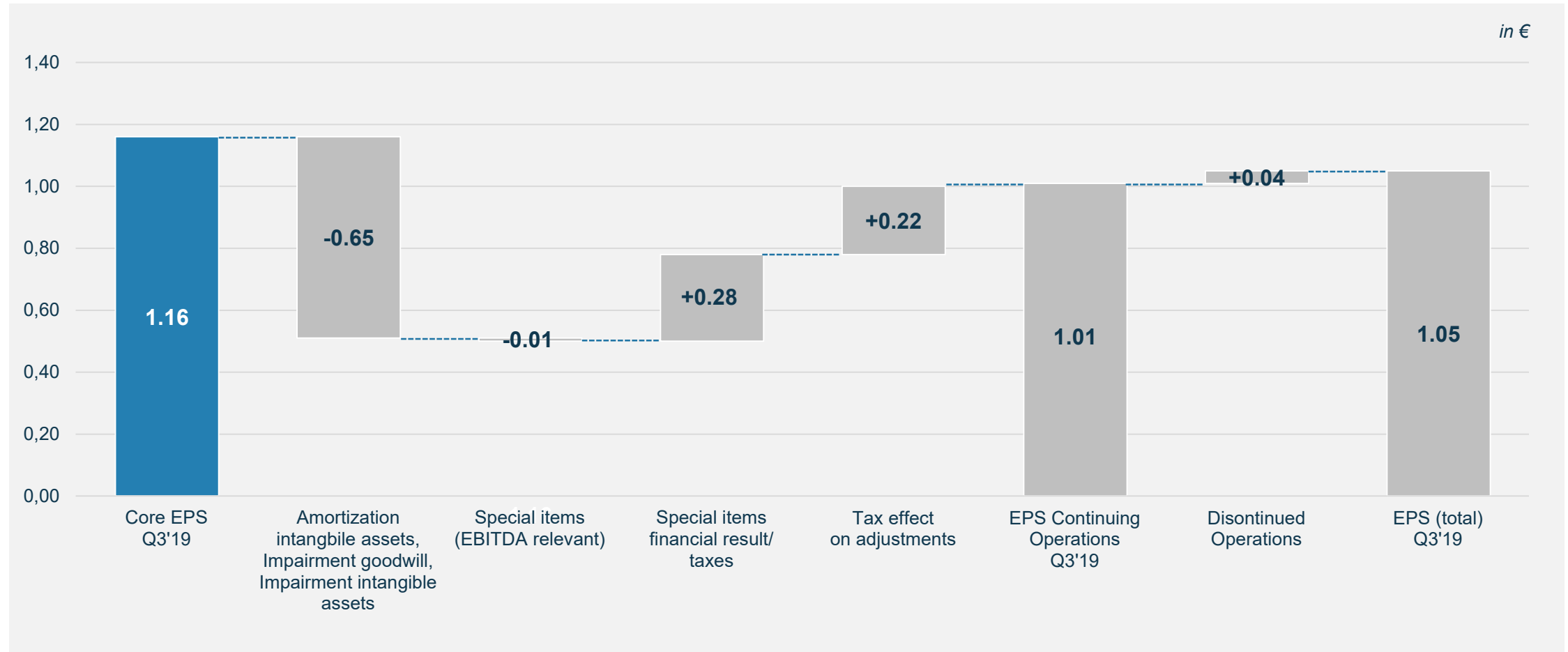
Q3'18

Q3'19

● EBITDA Margin before special items



# Bridge: Core EPS to EPS (Q3 2019)










# Bayer Delivers on Announced Portfolio Measures

**Animal Health**

**CURRENTA**   
Leistung für Chemie und Industrie

**Coppertone** 

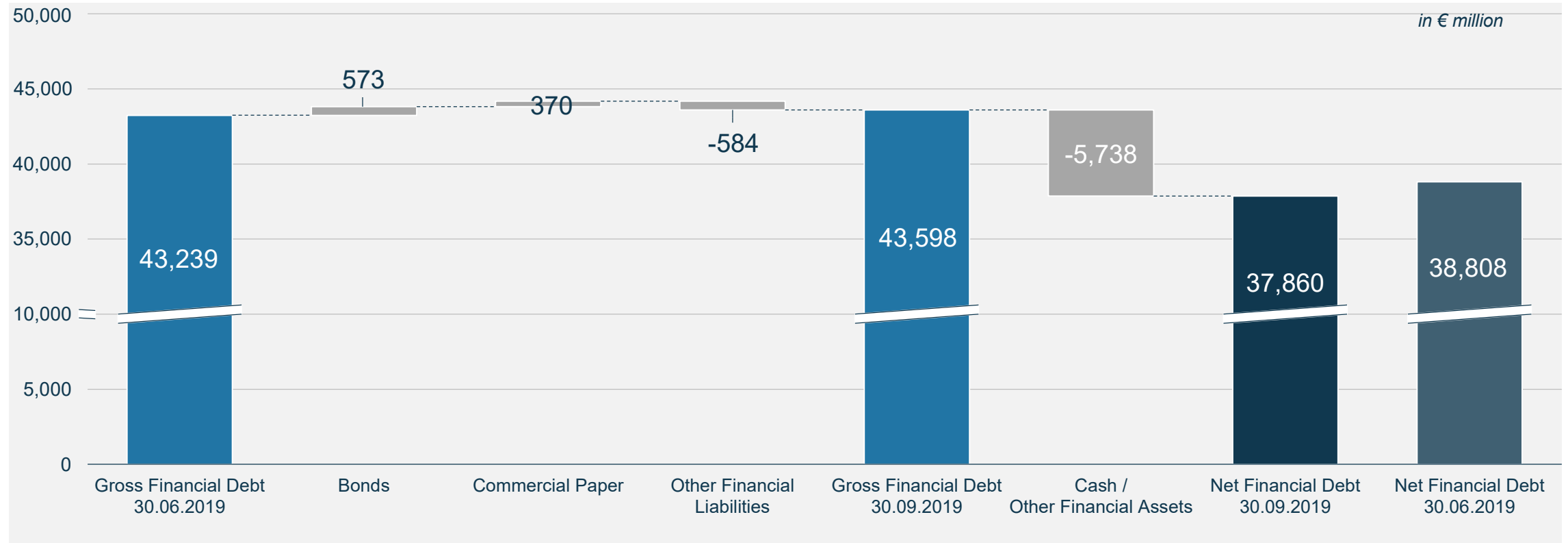
**Dr.Scholl's** 

<b>Sales &amp; EBITDA* 2018</b>	// Sales: €1,501m // EBITDA: €358m	// Sales: €1,344m // EBITDA: €220m	// Sales: 213m USD // Below average margin	// Sales: 234m USD // Below average margin
<b>Gross Proceeds</b>	// US\$7.6bn, thereof // US\$5.3bn in cash and // US\$2.3bn in Elanco stock**	// ~€1.4bn (60% stake and selected real estate)	// US\$550m	// US\$585m
<b>Acquirer</b>	// Elanco	// Macquarie Infrastructure and Real Assets (MIRA)	// Beiersdorf	// Yellow Wood Partners
<b>Signing</b>	// August 20, 2019 	// August 6, 2019 	// May 13, 2019 	// July 19, 2019 
<b>Expected Closing</b>	// Mid 2020	// December 2019	// Closed on August 30, 2019 	// November 2019
<b>Consolidation</b>	// Discontinued operations	// Discontinued operations	// Until closing	// Until closing

\* EBITDA = EBITDA before special items

\*\* based on the unaffected 30-day volume weighted average price as of August 6, 2019 of 33,60 USD. The number of shares constituting the equity consideration is fixed within a 7.5% collar. This means that the number of Elanco shares that Bayer receives increases (decreases) in the event of share price decreases (increases) within this 7.5% corridor. Based on the closing price of Elanco shares on September 30, 2019, Bayer would receive approx. 73 million Elanco shares.

# Net Financial Debt Reduced to €37.9bn in Q3



// ~60% of financial debt denominated in US\$

// ±1% change of US\$ vs € = ±€200m

\* Excluding divestment proceeds

# Key Initiatives for Q4 2019

Crop Science: Expect continued growth in Latin America and a strong start to the US season; continued momentum in achieving integration synergies

Pharmaceuticals: Continuing strong growth of Xarelto, Eylea and China

Consumer Health: Further driving turnaround and expect North America to return to growth

Continued cost and cash management discipline across the Group

Cash-in from Currenta & Dr. Scholl's divestments





# FY 2019 Guidance Confirmed, Aligned to Continuing Operations and Including Expected Currency Impact

	Excluding currency impact				
	2019 outlook <b>confirmed</b> (excl. portfolio measures)	Of which discontinued operations	2019 outlook for continuing operations	Expected currency impact	2019 outlook for continuing operations incl. currency impact
Sales	~ €46 bn ✓	~ €3bn	~ €43 bn	approx. +€0.5bn	~ €43.5 bn
EBITDA (before special items)	~ €12.2 bn ✓	~ €0.6bn	~ €11.6 bn	approx. -€0.1bn	~ €11.5 bn
Core EPS	~ €6.80 ✓	~ €0.35	~ €6.45	approx. -€0.10	~ €6.35
Free cash flow	~ €3-4 bn ✓	No impact	~ €3-4 bn	approx. -€0.1bn	~ €3-4 bn
Net financial debt	~ €36 bn ✓	~ €2.0bn <small>Proceeds from the sale of Coppertone, Dr. Scholl's and Currenta</small>	~ €34 bn	approx. +€1.1bn	~ €35 bn

# Focus Areas

**1**

## ***Target Delivery***

- Deliver on operational targets

**2**

## ***Crop Science***

- Integration of acquired business to shape the future of agriculture

**3**

## ***Pharmaceuticals***

- Deliver sales and margin expansion
- Further strengthening of pipeline and intensify external sourcing

**4**

## ***Consumer Health***

- Drive performance improvement

**5**

## ***Efficiency / Bayer 2022***

- Execute efficiency improvement program and realize synergies

**6**

## ***Portfolio Measures***

- Finalize remaining portfolio measures



# Today's agenda

◆ Q3 2019 Results

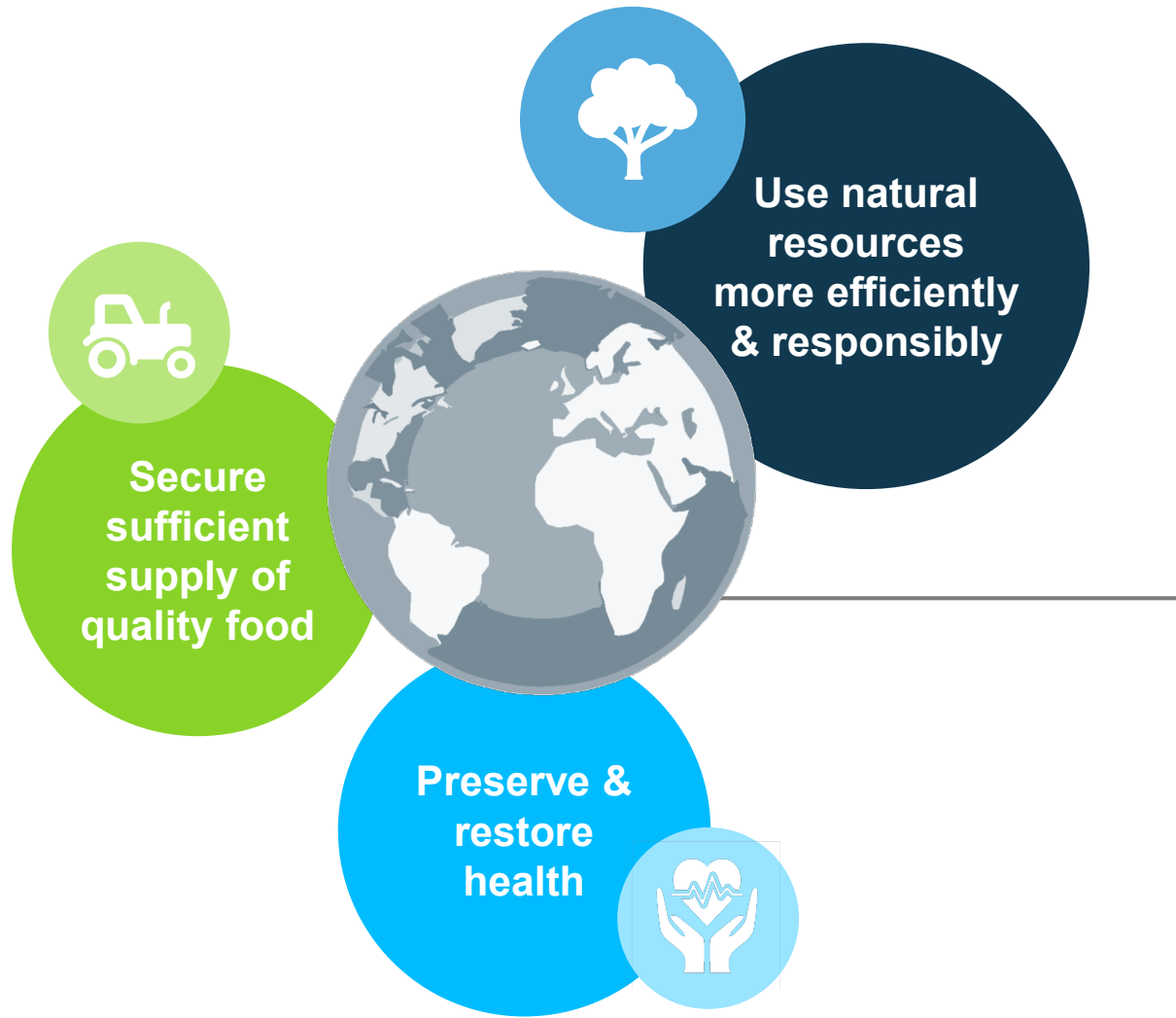
◆ **Bayer at a glance**

◆ Our strategy

◆ Bayer: a compelling investment



# We are a global leader in health and nutrition



**Purpose:**  
**Science For A Better Life**

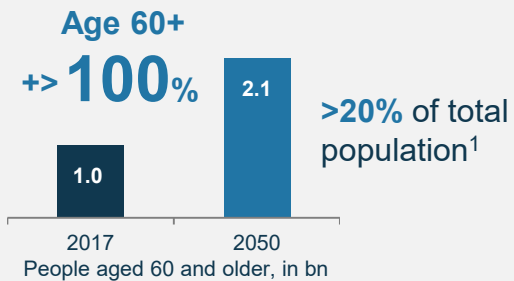
**We leverage science to address urgent societal needs – with the ultimate goal to *improve people's lives***



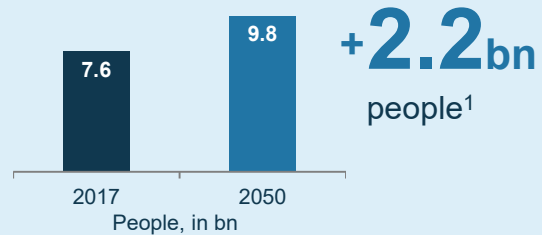
# We address megatrends which impact lives across the globe

## Megatrends through 2050

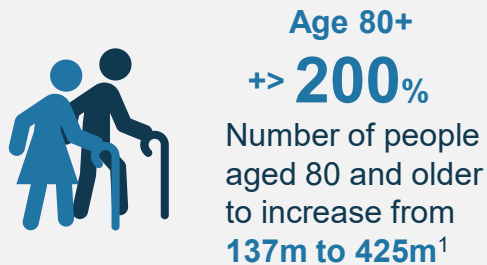
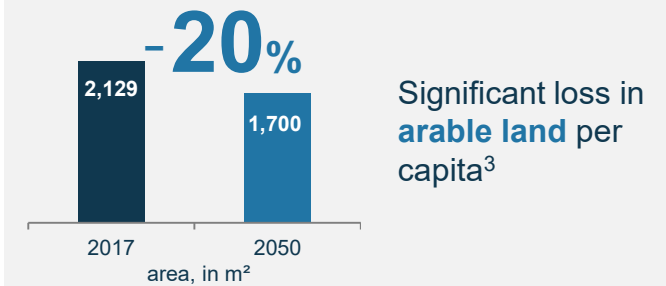
### Aging population



### Growing population



### Pressure on ecosystems



<sup>1</sup> World Population Prospects: The 2017 Revision | <sup>2</sup> FAO 2017, (FAO Global Perspective Studies) | <sup>3</sup> FAOSTAT (accessed Oct 30, 2018) for 1961-2016 data on land, FAO 2012 for 2030 and 2050 data on land, and UNDEDA 2017: World Population Prospects for world population data | <sup>4</sup> Nelson et. al, (2014); FAO 2016 "Climate change and food security"



# We are a major global player with broad geographical presence

All figures as of FY 2018

€ **39.6**bn

**Sales**

Fx & portfolio adj.

€ **9.6**bn

**EBITDA**

Before special items

**117**k

**Employees**

32.000 of which in Germany

**90**

**Countries**

with local Bayer presence

€ **4.7**bn

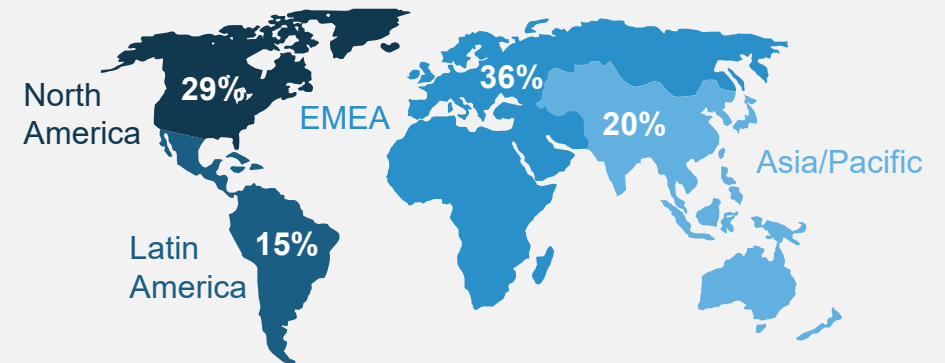
**Free cash flow**

€ **5.2**bn

**R&D Investments**

Expense ratio of 13.3% with regard to sales

## Sales by region<sup>1</sup>



<sup>1</sup>Monsanto only included since June 7th, 2018





# We have three strong segments in health and nutrition

## #1

Position



### Crop Science

- Growing ahead of competition over last five years on average
- Best-in-class profitability through the cycle
- Leading portfolio of seeds & traits, crop protection and digital farming

### Leading positions

in key therapeutic areas



### Pharmaceuticals

- One of the fastest growing Pharma businesses over the past five years
- Xarelto and Eylea among the world's leading Pharma brands
- Innovative medicines in areas of high unmet medical need

## #2

Position



### Consumer Health

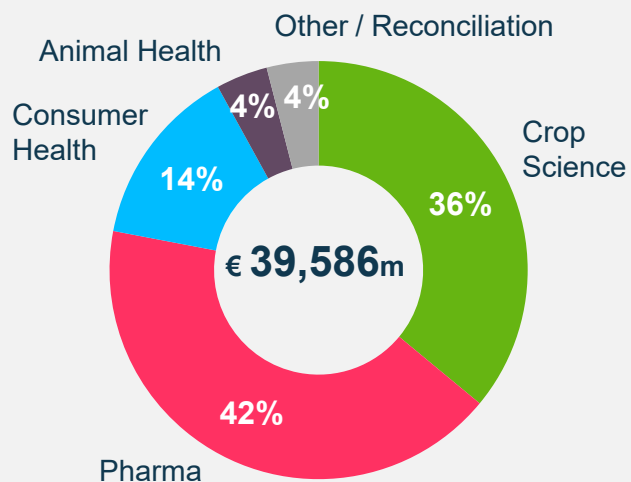
- Leading positions in 7 of the Top 10 OTC markets
- Portfolio of 14 trusted iconic brands with >€100m revenue
- Branded self-care solutions that help transform people's daily health



# Strong businesses contributed to sales and earnings growth in 2018

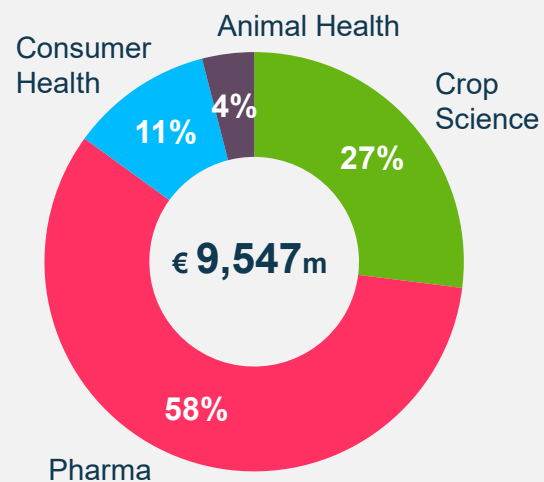
## Sales by segment

Fx & portfolio adj., in 2018



## EBITDA by segment

Before special items in 2018

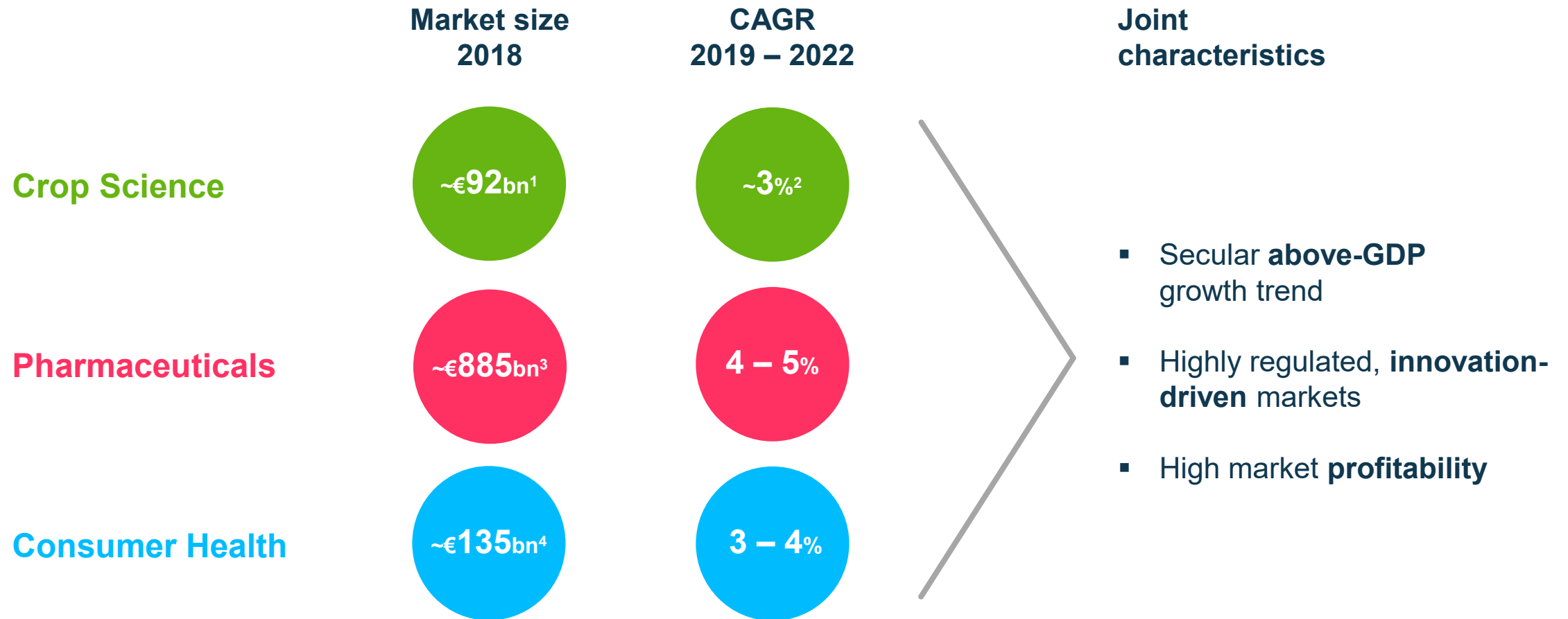


## Commentary

- **Crop Science** sales and earnings development reflects Monsanto contribution since June 2018
- **Pharmaceuticals** continued to grow, driven by Xarelto, Eylea and China
- **Consumer Health** with stable sales development – implementation of turnaround plan started



# We are active in attractive, innovation-driven markets



<sup>1</sup> Pro-forma calculations Bayer, Bayer CS market model | <sup>2</sup> excluding potential cyclical recovery of the Crop Science market | <sup>3</sup> IQVIA | <sup>4</sup> Market model in-market sales OTC medicines, data from IQVIA, Nicholas Hall



# Every market has its own specific characteristics

## Crop Science

- Market with **high seasonality**, Bayer with solid first half
- Consolidated industry with Bayer in **leading position**
- Digitalization** creating significant opportunity

## Pharmaceuticals

- Highly **innovative** and **research-intensive** industry
- Very **fragmented market**
- Technological disruption** by breakthrough science

## Consumer Health

- Strong brands** are decisive for success
- Fragmented market with **ongoing consolidation**
- Accelerating **e-commerce**



# Crop Science: number one global platform

## FINANCIALS

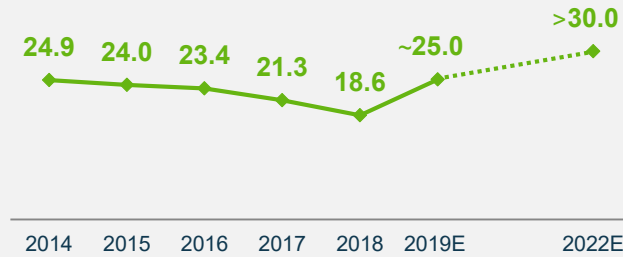
### Sales development

In €m



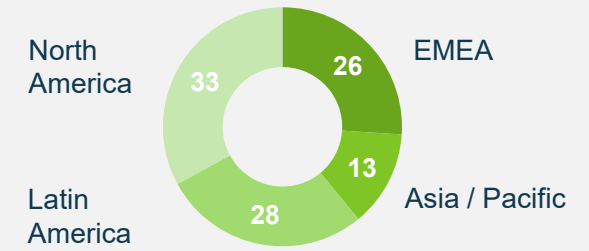
### EBITDA margin development

In %, before special items



### Sales by region

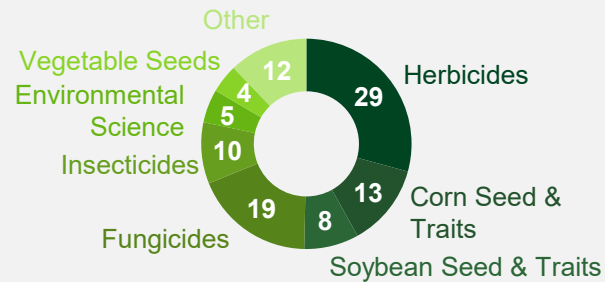
In %, in 2018



## PRODUCTS

### Leading product areas

In %, based on sales 2018



### Market positions<sup>1</sup>



- Corn
- Soybean
- Horticulture
- Cereals
- Digital Farming

### Key products



<sup>1</sup> Source: Bayer CS market model

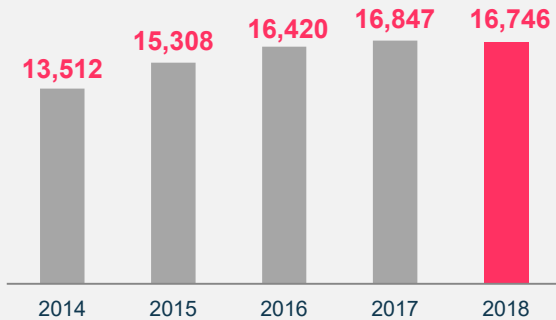


# Pharma: focused on therapeutic areas with high unmet needs

## FINANCIALS

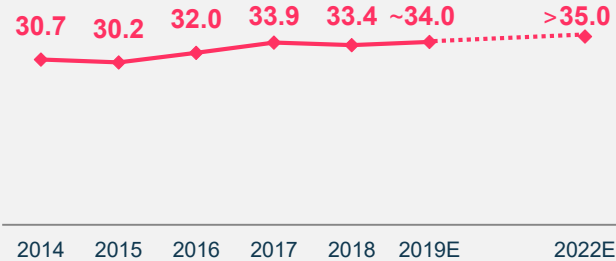
### Sales development

In €m



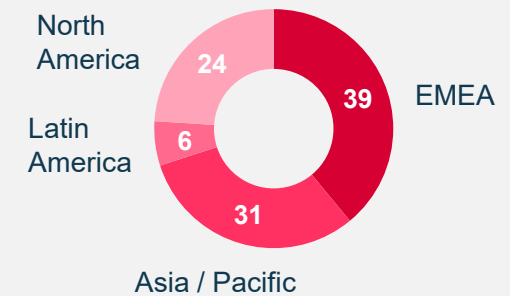
### EBITDA margin development

In %, before special items



### Sales by region

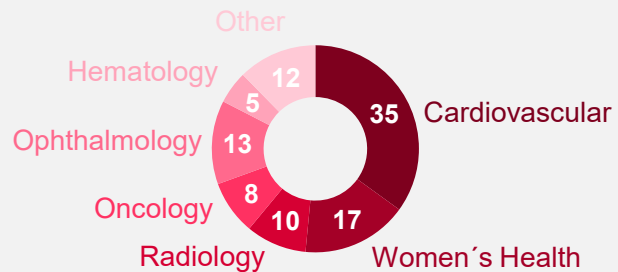
In %, in 2018



## PRODUCTS

### Therapeutic areas

In %, based on sales 2018



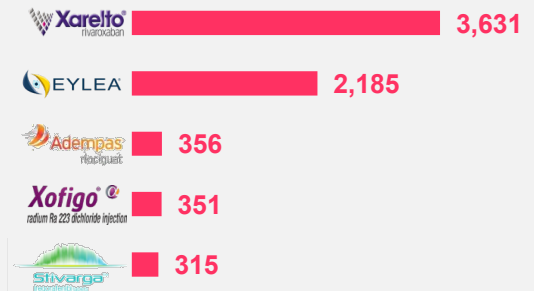
### Leading positions in key therapeutic areas<sup>1</sup>



- Cardiovascular
- Hematology
- Retinal Diseases
- Women's Health
- Radiology

### Key products

In €m



<sup>1</sup> Source: IQVIA 2017



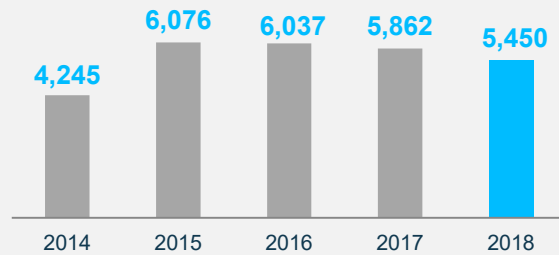


# Consumer Health: focus on five core OTC categories

## FINANCIALS

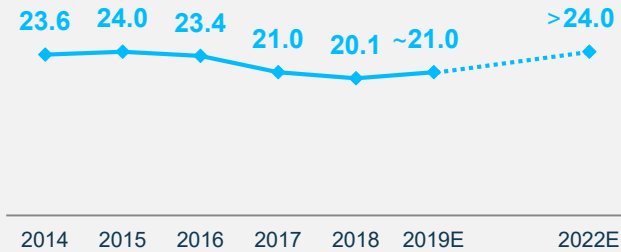
### Sales development

In €m



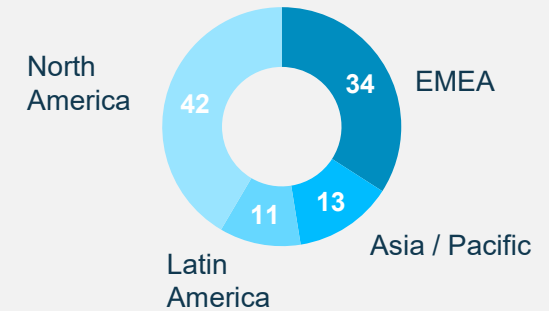
### EBITDA margin development

In %, before special items



### Sales by region

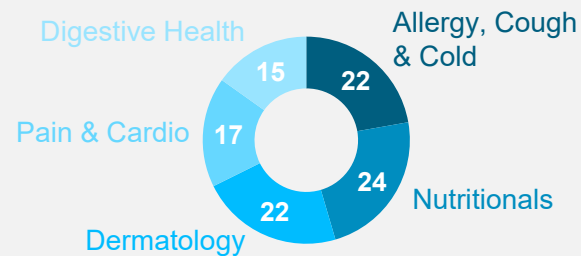
In %, in 2018



## PRODUCTS

### Categories

In %, based on sales 2018



### Market positions<sup>1</sup>



### Key products



<sup>1</sup> PARS database January 2019



# Today's agenda

◆ Q3 2019 Results

◆ Bayer at a glance

◆ **Our strategy**

◆ Bayer: a compelling investment



# Four clear strategic priorities to drive value creation



Growth ahead of competition  
in health and nutrition



Strong free cash  
flow generation



Consistent profitability  
enhancement



Disciplined  
capital allocation



# Good progress of Bayer 2022 synergy and efficiency programs

## GROUP

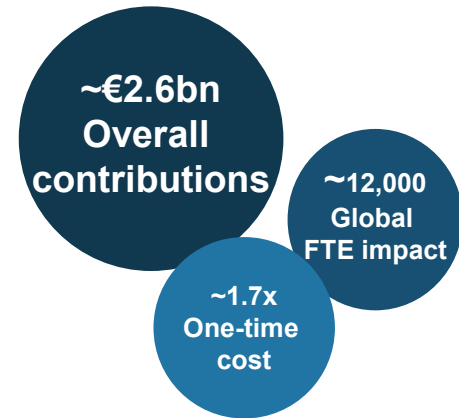
- ✓ Implementation of Bayer 2022 platform program well on track
  - Annual cost savings of €1.4bn by 2022 confirmed
  - Functional targets defined and translated into granular action plan
  - Consultation with employee representatives started
  - Good response to offered personnel instruments for FTE reduction in Germany

9M 2019

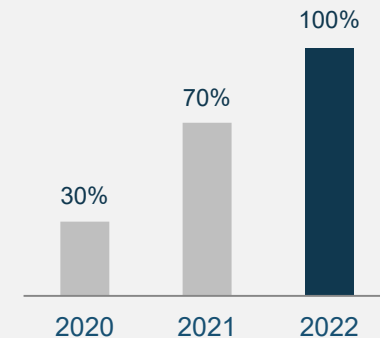
## SEGMENTS

- ✓ **Crop Science**
  - Strong progress with integration
  - Synergy capture on track
- ✓ **Pharmaceuticals**
  - Target operating model for realigned R&D defined
  - Focus on disciplined cost management
- ✓ **Consumer Health**
  - Executing on Phase 2 of turnaround plan
  - Reset of cost base well advanced

## Outlook 2020



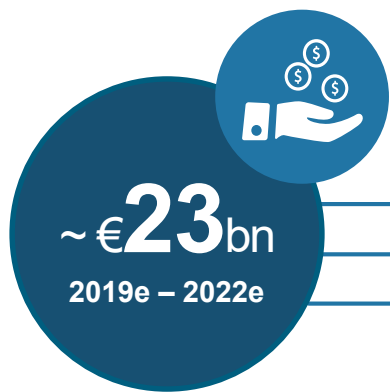
## Indicative phasing of contributions





# Clear priorities for capital allocation

## Targeted free cash flow



## Disciplined capital allocation

- Shareholder return**
  - Growing dividends
  - Consider share buy backs with parts of divestment proceeds
- Deleveraging**
  - Target range ~€26 – 28bn<sup>1</sup> net financial debt by end 2022
- Innovation & acquisitions**
  - Investment in licensing opportunities
  - Potentially selective bolt-on acquisitions

## Divestment proceeds



<sup>1</sup> Before M&A / Portfolio



# Today's agenda

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◆ Our strategy

◆ **Bayer: a compelling investment**



# Bayer: a compelling investment

- 1** Global leader in health and nutrition
- 2** Active in highly attractive, growing and profitable markets driven by megatrends
- 3** Focused strategy and ambitious targets for 2022
- 4** Strong deleveraging ability to achieve single-A rating again
- 5** Clear priorities for capital allocation