



# Investor Conference Call

**Q2 2019 Results**

July 30, 2019  
Werner Baumann, CEO  
Wolfgang Nickl, CFO





## 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.



# Q2 2019 Results

## Business Update



Werner Baumann, CEO



## Bayer Operationally on Track

**€11,485m**

**Sales**

**€2,927m**

**EBITDA**

Before special items

**€1.62**

**Core EPS**

**€751m**

**Free Cash Flow**

- Sales increased by 21% to €11.5bn (+1% cpa)
- EBITDA before special items improved by 25% to €2.9bn  
→ Margin up 70 bps to 25.5%
- Core EPS plus 6% to €1.62
- Free Cash Flow impacted by timing of closing in PY and reflects seasonality of acquired business



# Progress in all Focus Areas

## 1 *Target Delivery*

- Guidance for 2019 confirmed, yet ambitious

## 2 *Crop Science*

- Operations impacted by extreme weather conditions
- Integration proceeding as planned

## 3 *Pharmaceuticals*

- Positive pipeline news
- Continued profitable growth

## 4 *Consumer Health*

- Positive sales and profit development
- Performance improvement measures starting to deliver

## 5 *Efficiency / Bayer 2022*

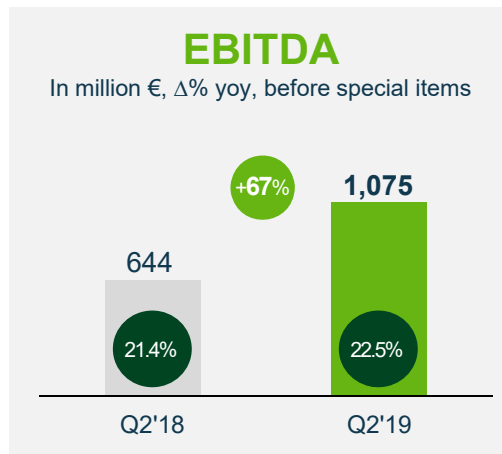
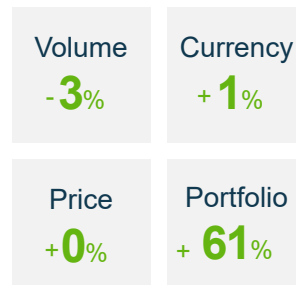
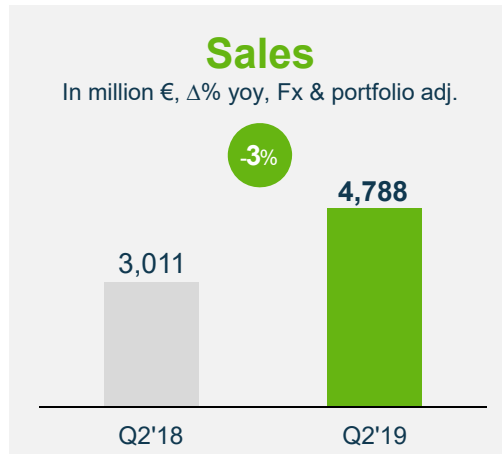
- Detailing phase successfully concluded
- Implementation on track

## 6 *Portfolio Measures*

- Sale of Coppertone and Dr. Scholl's signed
- Ambition to sign all transactions until year end



# Crop Science: Solid Performance in a Very Challenging Environment

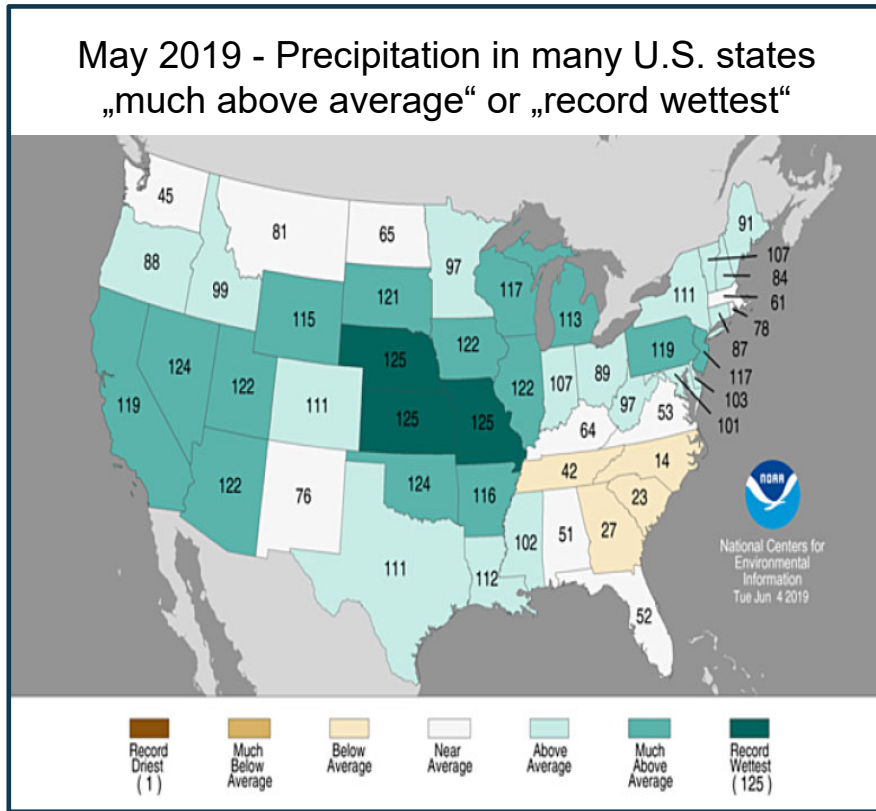


- -3% cpa sales reduction driven by adverse business conditions in North America
- Good growth across insecticides and vegetable seeds
- Pro-forma sales (-10% cpa) primarily impacted by extreme weather conditions in the US
- On track to deliver more than €200m in cost synergies in 2019



# 2019 U.S. Planting Heavily Impacted by Flooding

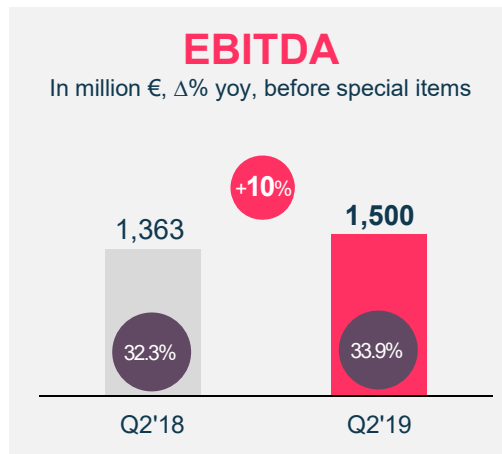
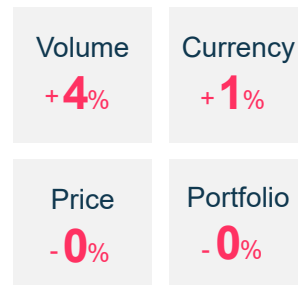
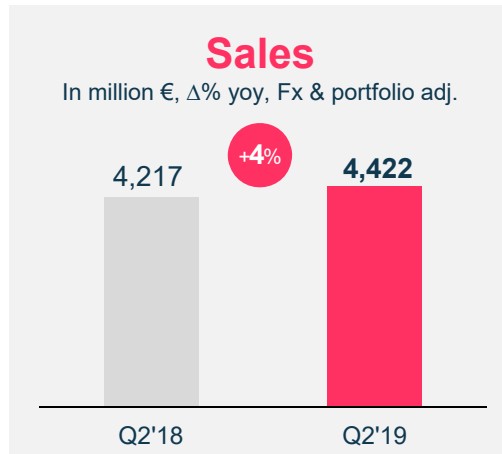
Corn Acres Expected to be Down 2-3% and Soybean Acres to Decline Between 7% and 10% vs Last Year



Source: USDA Weekly Weather and Crop Bulletin, June 11, 2019; USDA Crop Progress, April 3, 1995 - June 17, 2019; USDA WASDE World Agricultural Supply and Demand Estimates, June 11, 2019; FSA Crop Acreage Data Reported to FSA, 2007 – 2019



# Pharmaceuticals Driven by Xarelto, Eylea and China

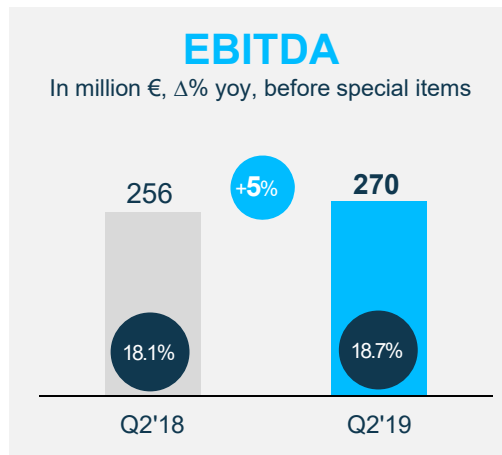
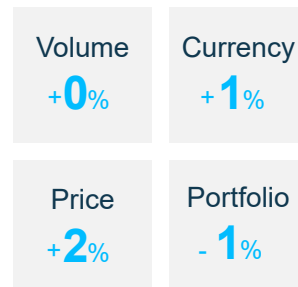
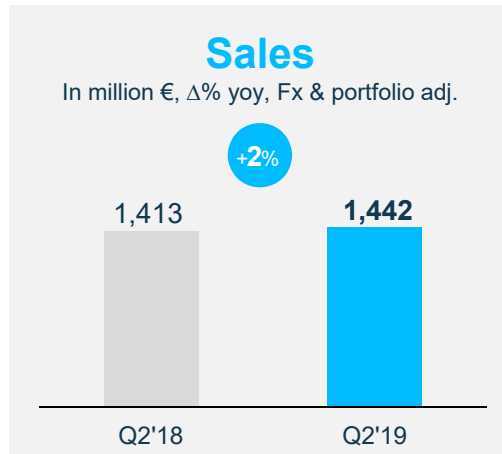


- Xarelto up 12%, Eylea grew by 11%
- Continued strong performance in China overcompensates weaker US business
- FDA granted priority review for darolutamide
- New data for larotrectinib demonstrate benefit in TRK fusion cancer patients with brain tumors
- Investment in stem cell based cancer therapy through Century Therapeutics
- EBITDA before special items increase driven by higher volume, reduced COGS and lower R&D spend





# Consumer Health Returning to Top- and Bottom Line Growth



- EMEA, Asia/Pacific and Latin America with positive development
- North America bottoming out, double-digit growth in allergy and cold
- Increase in EBITDA before special items driven by positive pricing and execution of performance improvement measures
- On track to deliver on FY targets



# Q2 2019 Results

## Financials & Outlook



Wolfgang Nickl, CFO

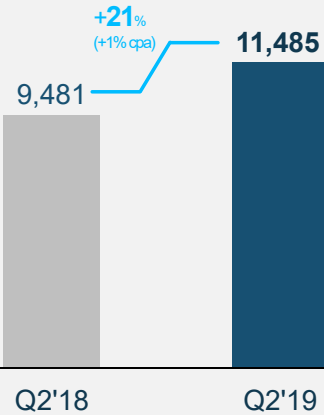


# Q2 Results

## Sales

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

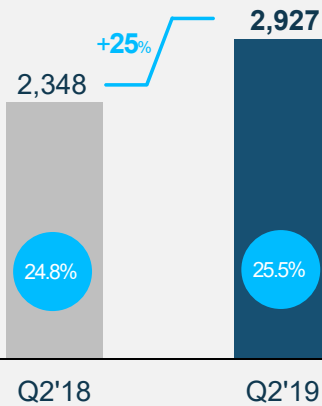
- Positive Fx effect of €113m



## EBITDA

In million €, before special items

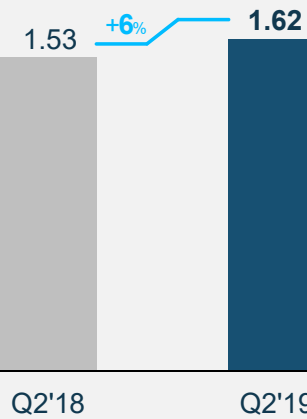
- Negative Fx effect of €59m after hedging



## Core EPS

In €, Cont. Operations

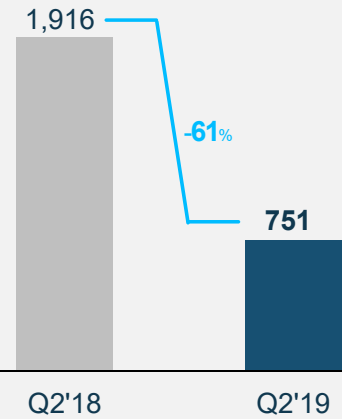
- # of shares increased from 916m to 982m
- Core financial result went from -€217m to -€421m



## Free Cash Flow

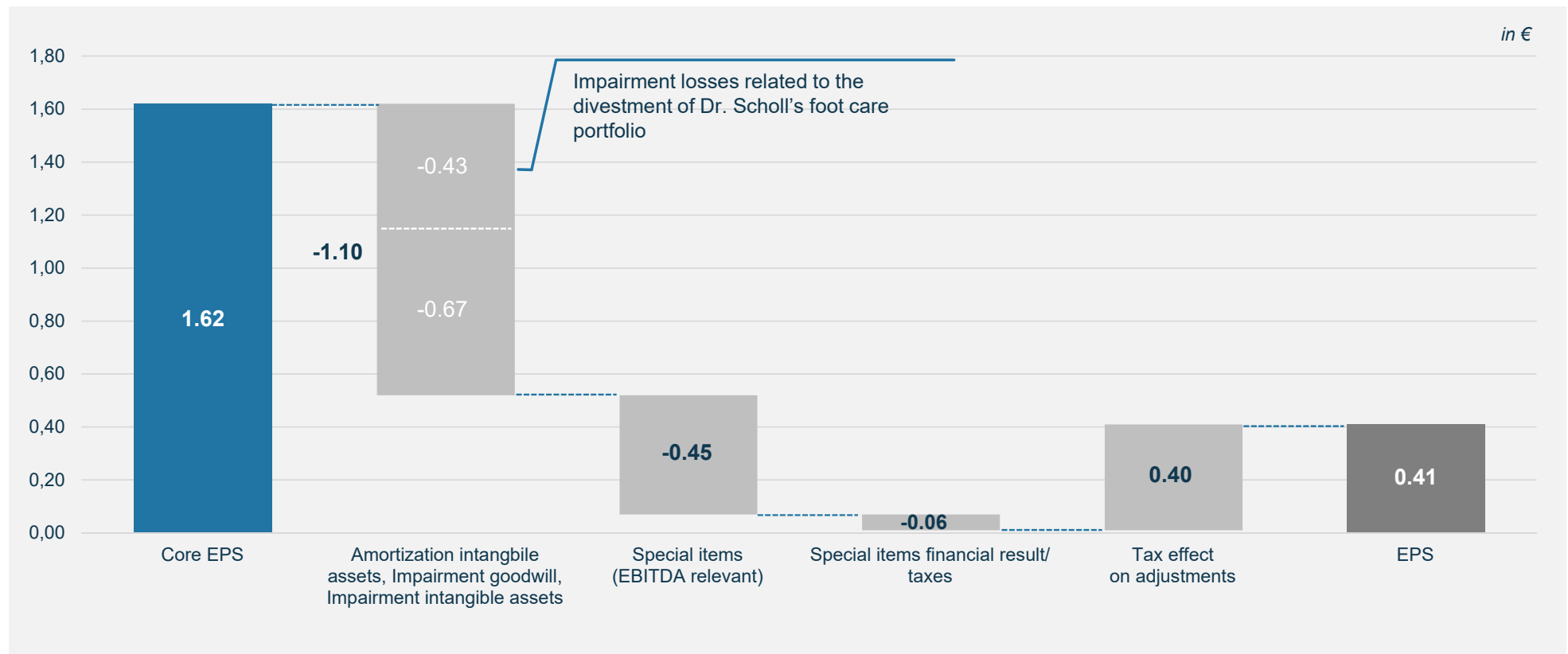
In million €

- Impacted by timing of closing in PY and reflects seasonality of acquired business
- On track to deliver on 2019 FCF target of ~€3-4bn



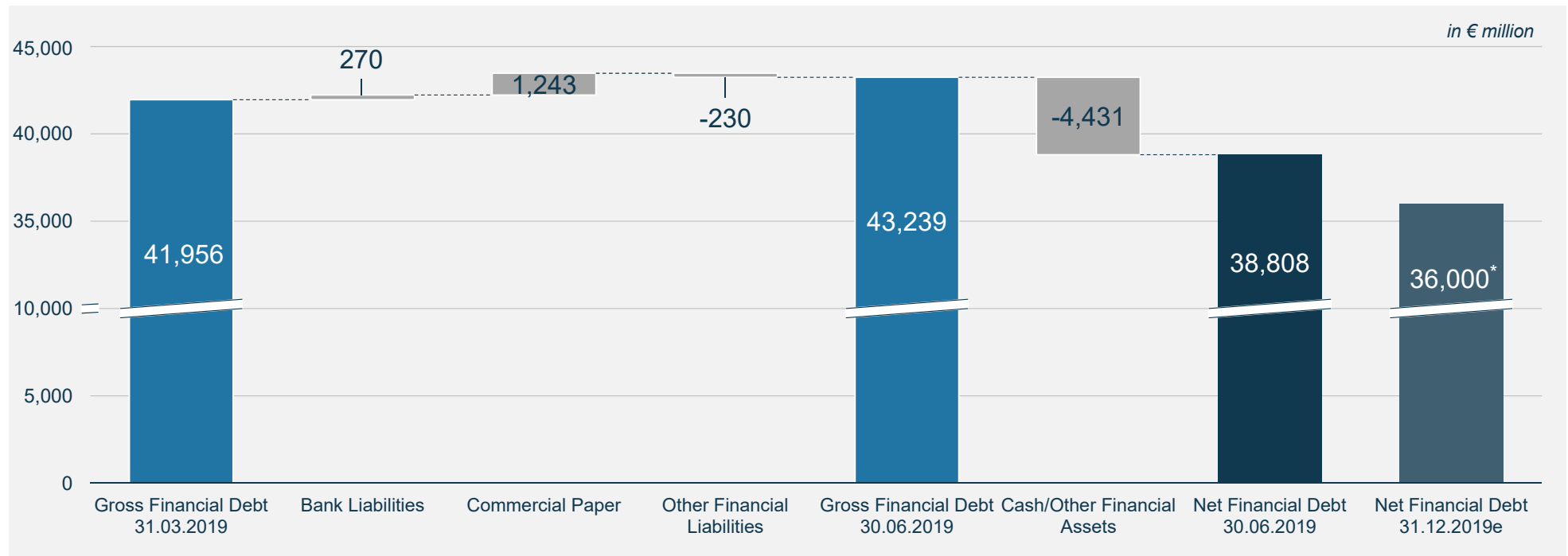


# Bridge: From Core EPS to Reported EPS





# Net Financial Debt: On Track to Meet FY 2019 Guidance of ~€36bn\*



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

//  $\pm 1\%$  change of US\$ vs € =  $\pm \text{€}200\text{m}$

\* Excluding divestment proceeds



# Business Drivers to be Considered for H2 2019

## ***Crop Science***

- Corn and soybean commodity prices up which may lead to positive volume impact in H2
- Market growth in H2 expected to be strong in Latin America and Asia Pacific; expect mid-single-digit percentage sales growth (cpa) for our business
- On track to deliver cost synergies of more than €200m in 2019

## ***Consumer Health***

- Execution of turnaround plan to strengthen top-line growth and profitability in H2

## ***Pharmaceuticals***

- Xarelto, Eylea and China expected to keep on growing
- Launch of Darolutamide in the US

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

- Gross savings of ~€500m expected for 2019 across all programs



# FY 2019 Guidance Confirmed, Yet Ambitious

	2018 <sup>1</sup>	Group Forecast 2019 <sup>2</sup> (at constant currencies)	Δ 2018 – 2019	
<b>Sales</b>	€39.6bn	~€46bn	+~16% (thereof +~12% portfolio)	<b>Fx-sensitivity:</b> ± 1% change of the € vs all other currencies = ± ~€340m on Sales & ± ~€100m on EBITDA (before special items and after hedging)
<b>EBITDA</b> (before special items)	€9.5bn	~€12.2bn	+~28%	
<b>Core EPS</b>	€5.94	~€6.80	+~14%	
<b>Free Cash Flow</b>	€4.7bn	~€3-4bn		

<sup>1</sup> Monsanto included since June 7 and assets divested to BASF included until August 2018, <sup>2</sup> not including portfolio divestitures



# Focus Areas

**1** ***Target Delivery***

- Deliver on operational targets

**2** ***Crop Science***

- Integration of acquired business to shape the future of agriculture

**3** ***Pharmaceuticals***

- 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***

- Execution of announced portfolio measures for sharpened business focus





# Investor Conference Call

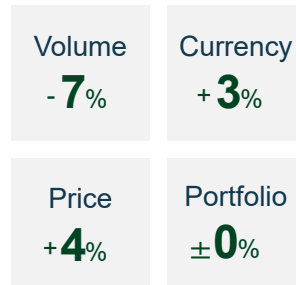
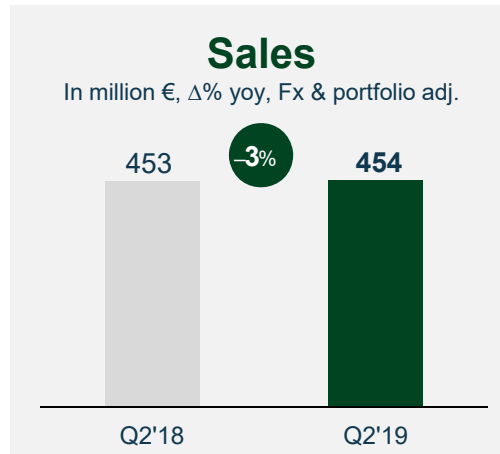
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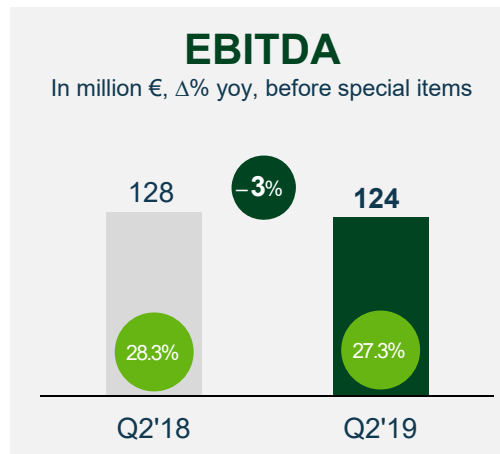




# Animal Health Performance on Track for Full Year



- -3% sales decline vs strong growth in PY (+8%)
- Seresto, Baytril and Drontal with positive development
- Slight decrease in EBITDA before special items mainly due to lower volumes (Advantage)



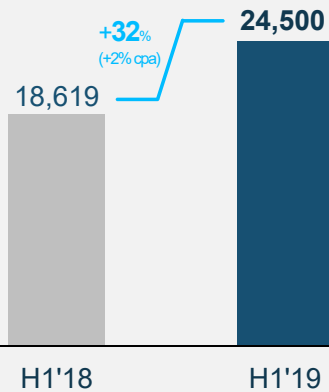


# H1 2019 Results

## Sales

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

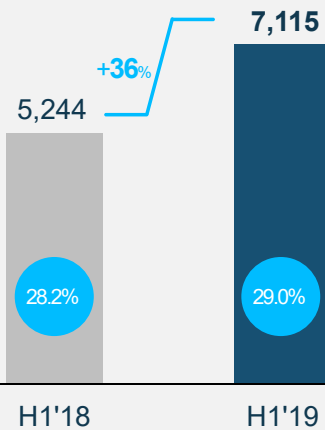
- Positive Fx effect of €221m



## EBITDA

In million €, before special items

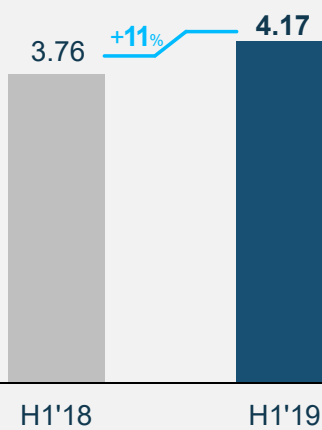
- Negative Fx effect of €169m



## Core EPS

In €, Cont. Operations

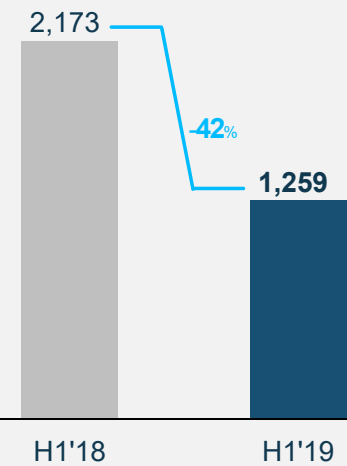
- # of shares increased from 901m to 981m
- Core financial result went from -€323m to -€791m



## Free Cash Flow

In million €

- Impacted by timing of closing in PY and reflects seasonality of acquired business
- On track to deliver on 2019 FCF target of ~€3-4bn

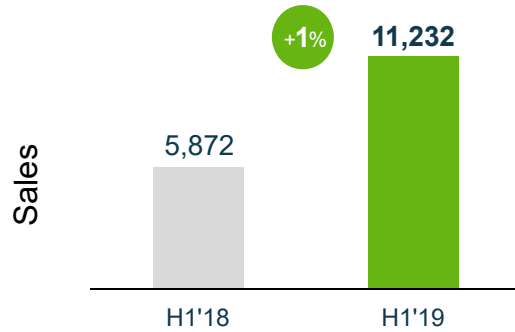




# H1 2019 - Segment Overview

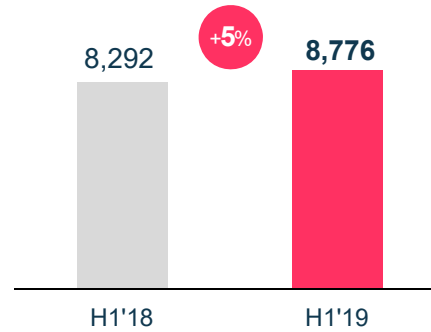
## Crop Science

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



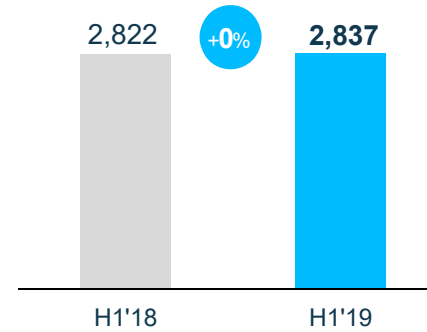
## Pharma

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



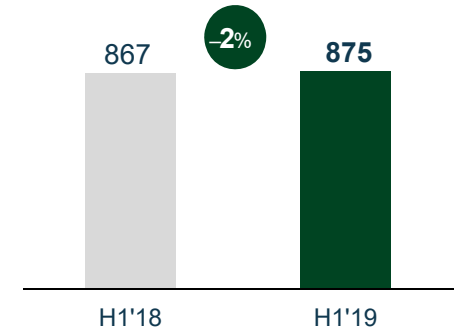
## Consumer Health

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

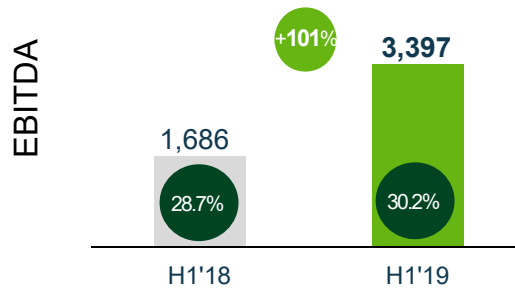


## Animal Health

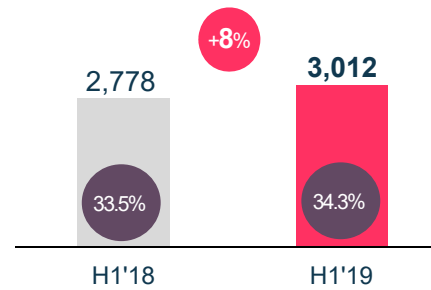
In million €, Δ% yoy, Fx & portfolio adj.



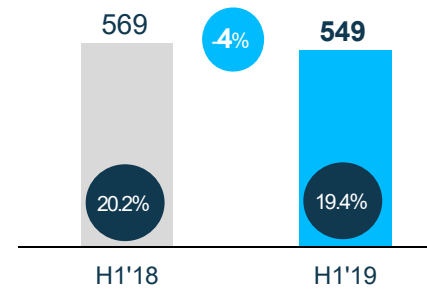
In million €, Δ% yoy, before special items



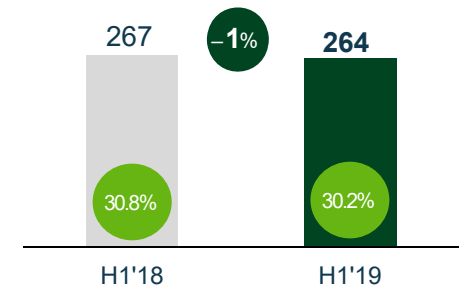
In million €, Δ% yoy, before special items



In million €, Δ% yoy, before special items



In million €, Δ% yoy, before special items





## From EBITDA Before Special Items to Core EPS (Q2 2019)

P&L	Q2 2018	Q2 2019	
	€ million	€ million	
<b>EBITDA before special items</b>	2,348	2,927	Mainly related to acquisition and integration costs (€112m) and restructuring costs (€248m)
Special items	-317	-441	
<b>Reported EBITDA</b>	2,031	2,486	
Depreciation & Amortization	-685	-1,560	Amortization mainly resulting from acquisitions
<b>Reported EBIT</b>	1,346	926	
Amortization and impairment losses / loss reversals on intangible assets	409	1,075	
Special items (EBITDA)	317	441	
Other	2	7	
<b>Core EBIT</b>	2,074	2,449	Increase mainly due to financing costs related to the acquisition
Core financial result (before special items)	-217	-421	
<b>Core EBT</b>	1,857	2,028	FY guidance unchanged at ~23%
Taxes (before special items)	-451	-431	
Core tax rate	24.6%	21.2%	
Minorities	-6	-2	
<b>Core Net income</b>	1,400	1,595	Increase in weighted number of shares due to equity measures
No. of shares (m)	915.7	981.7	
<b>Core EPS (€)</b>	1.53	1.62	



# From EBITDA Before Special Items to Core EPS (H1 2019)

P&L	H1 2018	H1 2019	
	€ million	€ million	
<b>EBITDA before special items</b>	5,244	7,115	Mainly related to acquisition and integration costs (€604m) and restructuring costs (€641m)
Special items	-395	-1,491	
<b>Reported EBITDA</b>	4,849	5,624	
Depreciation & Amortization	-1,193	-2,748	Amortization mainly resulting from acquisitions
<b>Reported EBIT</b>	3,656	2,876	
Amortization and impairment losses / loss reversals on intangible assets	706	1,781	
Special items (EBITDA)	395	1,491	
Other	9	5	
<b>Core EBIT</b>	4,766	6,153	Increase mainly due to financing costs related to the acquisition
Core financial result (before special items)	-323	-791	
<b>Core EBT</b>	4,443	5,362	FY guidance unchanged at ~23%
Taxes (before special items)	-1,052	-1,270	
Core tax rate	23.7%	23.7%	
Minorities	-6	3	
<b>Core Net income</b>	3,385	4,095	Increase in weighted number of shares due to equity measures
No. of shares (m)	900.7	980.9	
<b>Core EPS (€)</b>	3.76	4.17	



# Free Cash Flow Generation

	Q2 2018	Q2 2019	H1 2018	H1 2019
	€ million	€ million	€ million	€ million
Net cash provided by operating activities	2,240	1,600	2,898	2,679
Cash outflows for PPE and intangible assets	-459	-458	-808	-853
Interest and dividends received	123	58	145	82
Interest paid/received (incl. interest-rate swaps)	12	-449	-62	-649
<b>Free Cash Flow</b>	<b>1,916</b>	<b>751</b>	<b>2,173</b>	<b>1,259</b>



# FY 2019 Guidance

	Sales 2018	EBITDA-margin 2018 (before special items)	Sales Growth 2019 (cpa <sup>2</sup> )	EBITDA-margin 2019 (before special items)
	(at constant currencies)			
<b>Crop Science</b>	€14.3bn <sup>1</sup>	18.6%	~4%	~25%
<b>Pharma</b>	€16.7bn	33.4%	~4%	~34%
<b>Consumer Health</b>	€5.5bn	20.1%	~1%	~21%
<b>Animal Health</b>	€1.5bn	23.9%	~4%	~24%

<sup>1</sup> Monsanto included since June 7 and assets divested to BASF included until August 2018; <sup>2</sup> currency and portfolio adjusted





## 2019 Guidance for other Key Data of the Group

### At constant currencies and going concern

Special items (EBITDA)	~€2.0 billion
R&D expenses	~€5.5 billion
Capital expenditures	~€2.9 billion
of which for intangible assets	~€0.8 billion
Depreciation and amortization	~€4.3 billion
of which for intangible assets	~€2.6 billion
Core financial result	-€1.8 billion
Core tax rate	~23.0%
Free Cashflow	~€3-4 billion
Net financial debt <sup>1</sup>	~€36 billion

<sup>1</sup> Including ~€1.0bn lease liability due to IFRS 16