



# Investor Conference Call

FY/Q4 2019 Results

February 27, 2020  
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.

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



# FY/Q4 2019 Results

## Business Update



Werner Baumann, CEO



## FY 2019: We have delivered

|  | 2018    | 2019 outlook <sup>1)</sup> | 2019      |
|--|---------|----------------------------|-----------|
| <b>Sales</b>                             | €36.7bn | ~ €43.5bn                  | €43.5bn ✓ |
| <b>EBITDA<br/>(before special items)</b> | €9.0bn  | ~ €11.5bn                  | €11.5bn ✓ |
| <b>Core EPS</b>                          | €5.60   | ~ €6.35                    | €6.40 ✓   |
| <b>Free cash flow</b>                    | 4.7bn   | ~ €3-4bn                   | €4.2bn ✓  |

<sup>1)</sup> as updated on October 30, 2019 (for continuing operations incl. currency impact)



# Progress in all focus areas

## 1 *Target Delivery*

- We delivered strong performance across the board

## 2 *Crop Science*

- Solid operational performance in challenging markets
- Very successful integration – synergy realization substantially accelerated

## 3 *Pharmaceuticals*

- Strong top-line and earnings growth
- Focus on pipeline progress

## 4 *Consumer Health*

- Top-line growth target overachieved
- Turnaround plan well on track

## 5 *Efficiency / Bayer 2022*

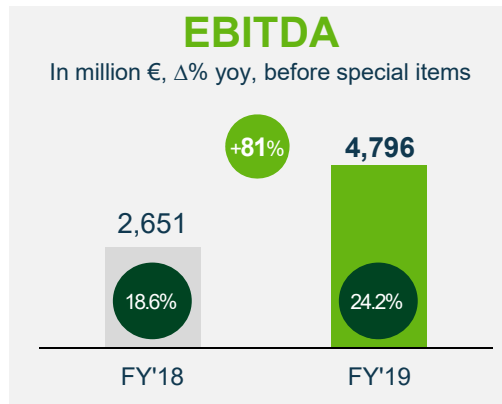
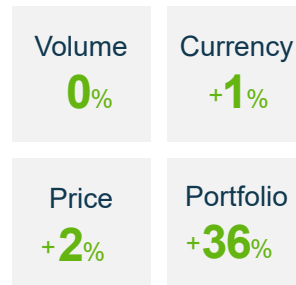
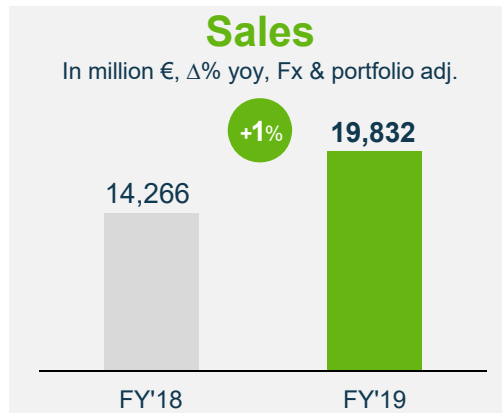
- Overall contribution target of ~€2.6bn by 2022 confirmed
- ~30% realized by end of 2019 – one year ahead of plan

## 6 *Portfolio Measures*

- Currenta, Coppertone, Dr. Scholl's and Derma Rx divestments closed
- Sale of Animal Health signed, closing expected for mid 2020



# Crop Science benefits from successful integration

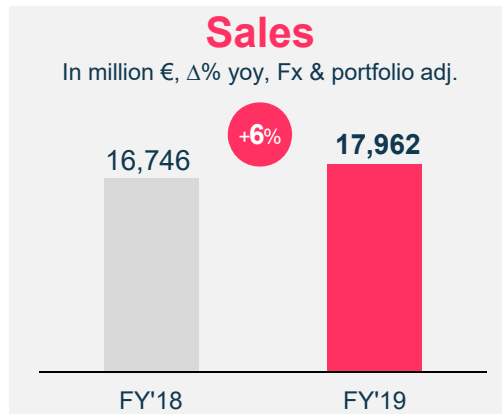


- +1% cpa (-1% ca pro forma) sales growth driven by Latin America; North America was flat due to the record rainfall in the US in spring 2019
- Good growth across corn seed & traits as well as insecticides and fungicides
- Strong increase in EBITDA before special items as a result of the acquisition and cost synergies from the integration
- Innovation pipeline peak sales value of ~€30bn recently confirmed

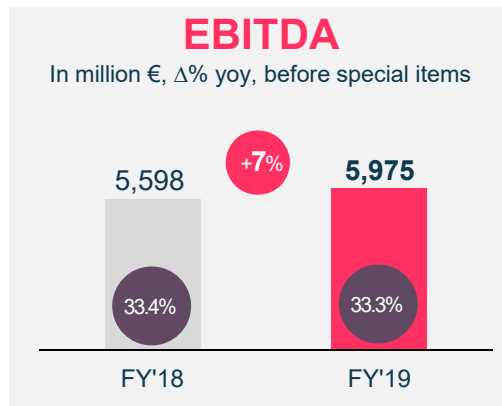
● EBITDA Margin before special items



# Pharmaceuticals driven by Xarelto, Eylea and China



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

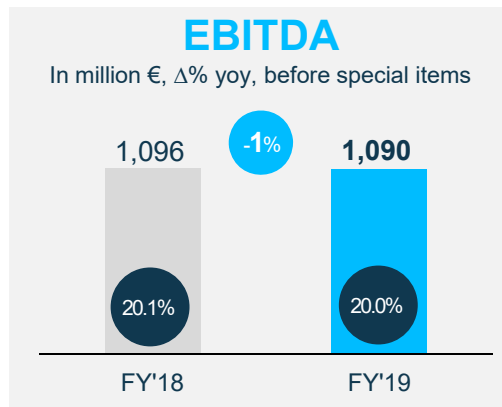
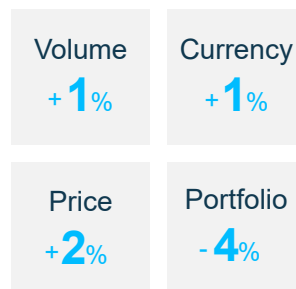
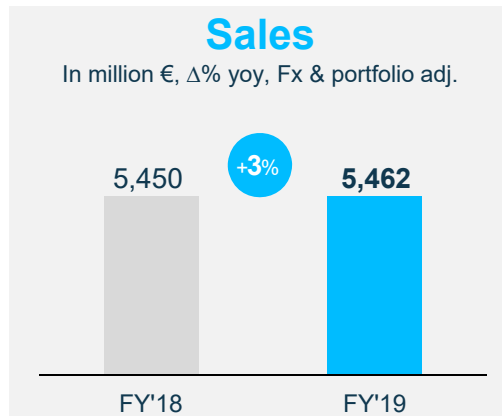


- Strong performance of Xarelto (+13%), Eylea (+13%) and China (+25%)
- EBITDA before special items increased by 7%, driven by good volume growth and favourable cost development
- Further approvals for cancer drugs Vitrekvi and Nubeqa – label expansion for Xarelto
- Pipeline progress: Vericiguat (chronic heart failure) phase III trial met primary endpoint
- Acquisition of BlueRock Therapeutics and investment in Century Therapeutics to establish position in cell therapy

● EBITDA Margin before special items



# Consumer Health rebound to peer growth



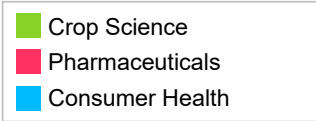
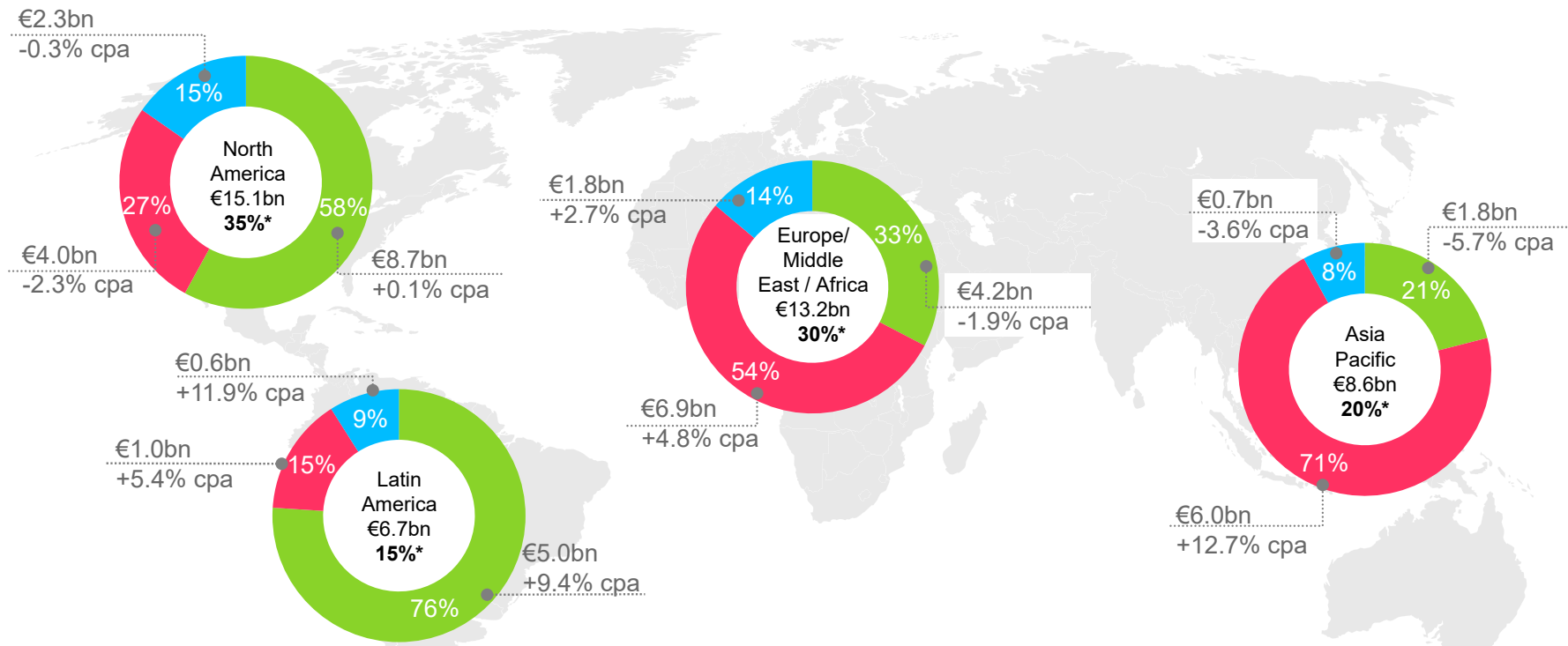
- Good sales growth (+3%) was supported by a strong fourth quarter (+6%)
- Increasing growth dynamic in all regions over the year
- Growth across all categories in 2019
- Efficiency gains compensated for missing earnings contributions from divested businesses and led to an EBITDA before special items on PY level

● EBITDA Margin before special items





# FY 2019: Net sales footprint by region



in € billion, % yoy growth, cpa: currency & portfolio adjusted, \* % of Total Group Sales  
Bayer FY/Q4 2019 Investor Conference Call



# Bayer 2030 sustainable development objectives announced

Our ambition is to generate a **positive sustainable impact for society and the environment** through our business operations.



**Support 100m smallholder farmers<sup>1</sup>**  
in low- and middle-income countries (LMIC)



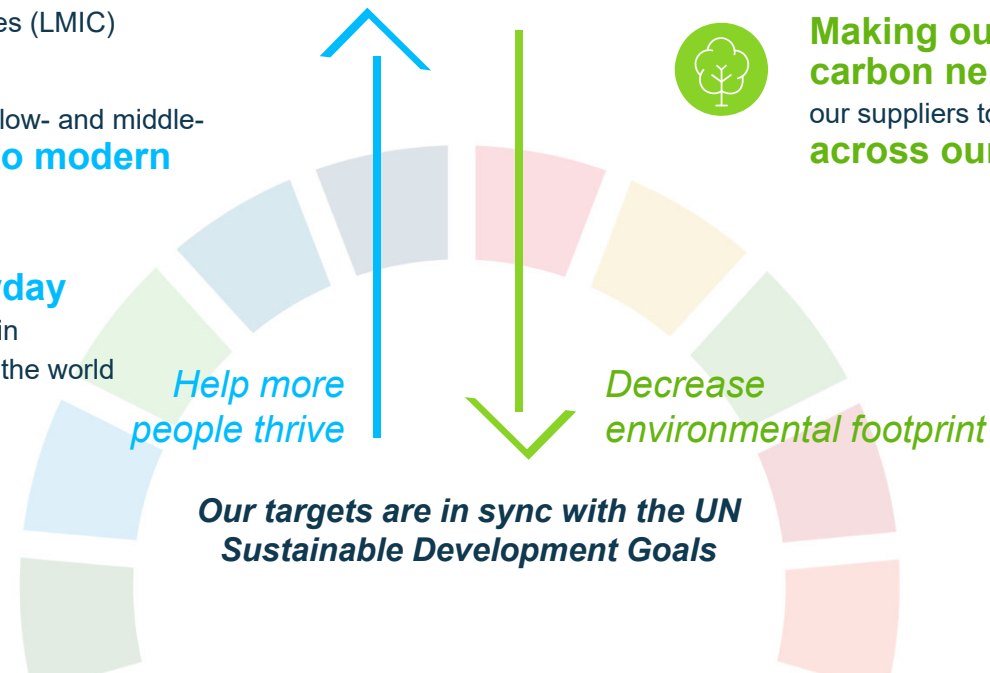
**Provide 100m women** in low- and middle-income countries with **access to modern contraception**



**Expand access to everyday health for 100m people** in underserved communities around the world



**Making our own operations carbon neutral** and working with our suppliers to **reduce emissions across our value chain**



<sup>1</sup> A farmer who farms crops on less than 10 ha (FAO definition)



# FY/Q4 2019 Results

## Financials & Outlook



**Wolfgang Nickl, CFO**

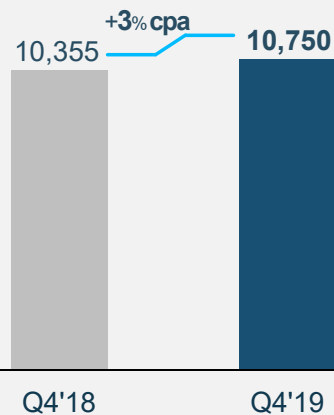


# Q4 2019 results: Strong finish to FY 2019

## Sales

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

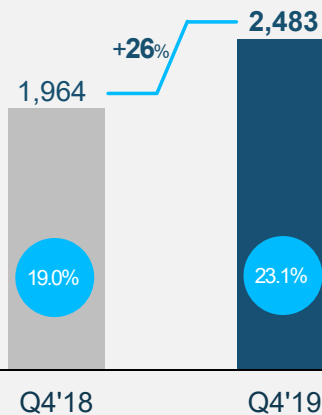
- Positive Fx effect of €135m



## EBITDA

In million €, before special items

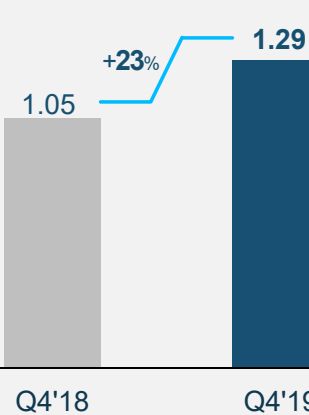
- Positive Fx effect of €49m after hedging



## Core EPS

In €

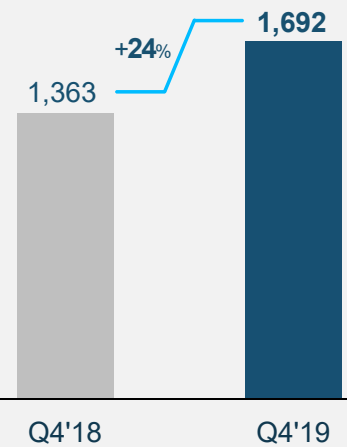
- Core financial result improved from €-424m to €-368m
- Core tax rate was 23.4% (PY 16.5%)



## Free Cash Flow

In million €

- Increase driven by positive operating development



● EBITDA Margin before special items

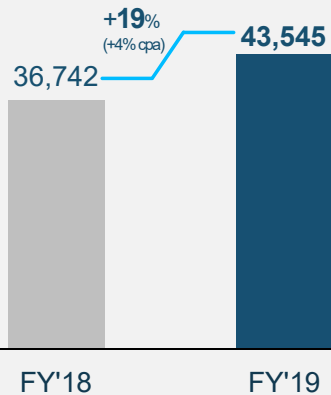


# FY 2019 results: All targets achieved

## Sales

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

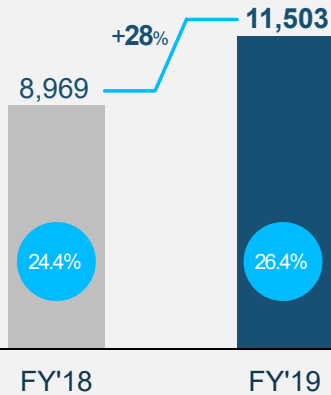
- Positive Fx effect of €548m



## EBITDA

In million €, before special items

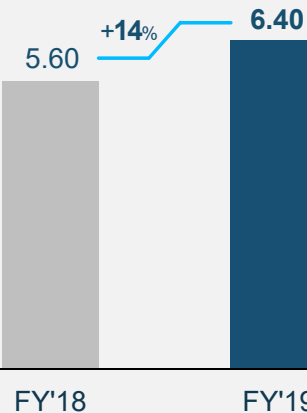
- Negative Fx effect €-43m after hedging



## Core EPS

In €

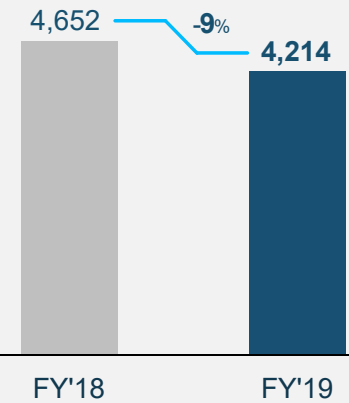
- Core financial result went from €-1.2bn to €-1.6bn due to acquisition financing
- # shares increased from 941m to 982m



## Free Cash Flow

In million €

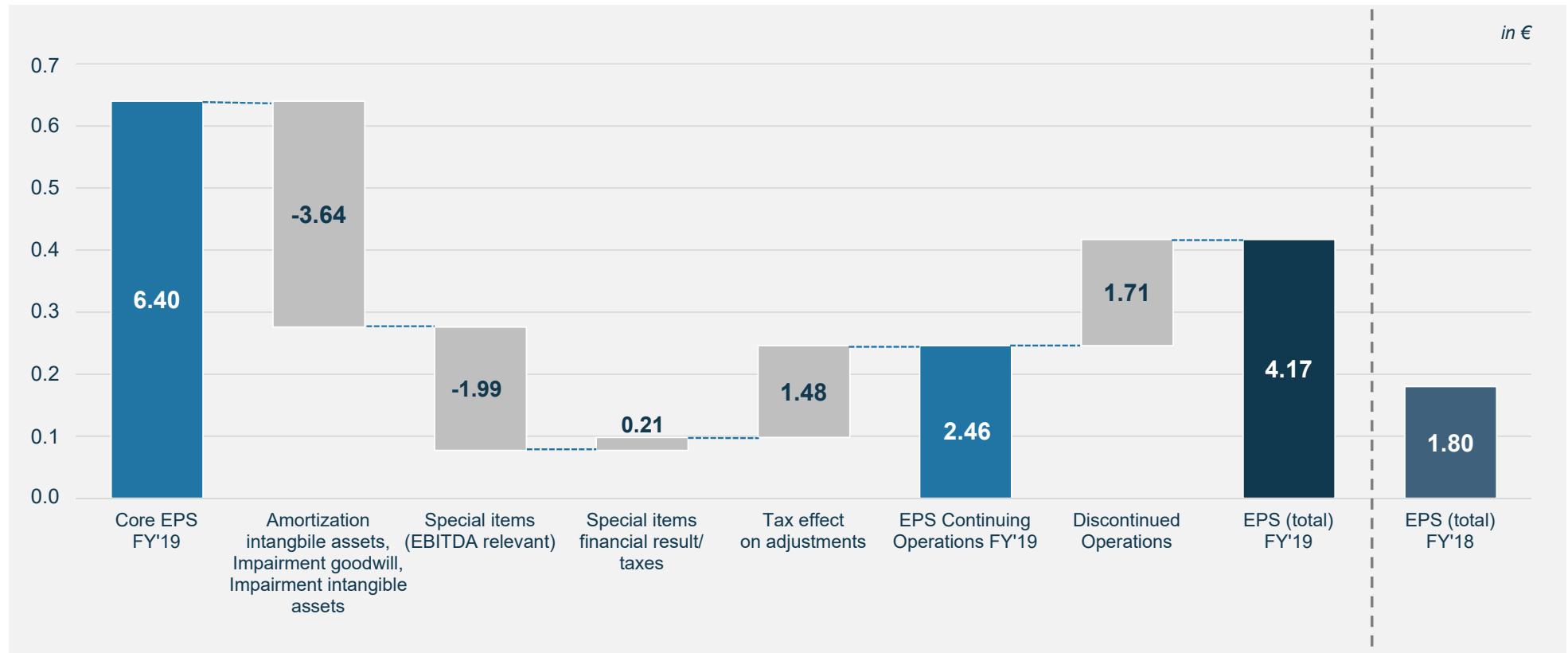
- Better than guidance of €3-4bn
- Higher interest for full year acquisition financing



● EBITDA Margin before special items



## Bridge: Core EPS to EPS (FY 2019)





# Delivered on portfolio measures

Animal Health

**CURRENTA**  
Leistung für Chemie und Industrie

**Coppertone**

**Dr.Scholl's**

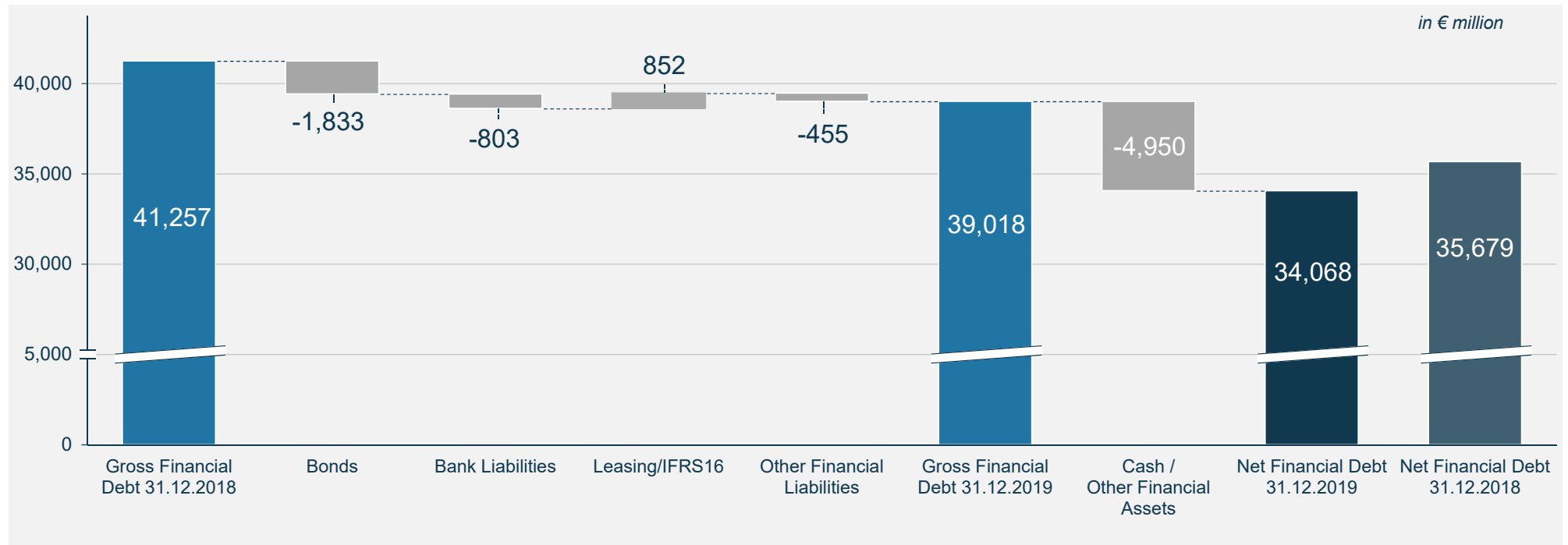
|                      |   |  |   |   |
|----------------------|---|--|---|---|
| Sales & EBITDA* 2018 | // Sales: €1,501m<br>// EBITDA: €358m   | // Sales: €1,343m<br>// EBITDA: €220m              | // Sales: 213m USD<br>// Below average margin | // Sales: 234m USD<br>// Below average margin |
| Gross Proceeds       | // US\$7.6bn, thereof<br>// US\$5.3bn in cash and<br>// US\$2.3bn in Elanco stock** | // ~€1.4bn (60% stake and selected real estate)    | // ~US\$550m                                  | // ~US\$585m                                  |
| Acquirer             | // Elanco   | // Macquarie Infrastructure and Real Assets (MIRA) | // Beiersdorf                                 | // Yellow Wood Partners                       |
| Signing              | // August 20, 2019 ✓  | // August 6, 2019 ✓                                | // May 13, 2019 ✓                             | // July 19, 2019 ✓                            |
| Closing              | // Mid 2020   | // November 29, 2019 ✓                             | // August 30, 2019 ✓                          | // November 1, 2019 ✓                         |
| Consolidation        | // 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 €34.1bn in FY 2019



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

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





## Group guidance 2020

|   | 2019    | Group guidance 2020<br>(before currency impact) | Δ 2020/2019    |
|---|---------|---|----------------|
| <b>Sales</b>                                    | €43.5bn | €44 to 45bn                                     | +3 to 4% (cpa) |
| <b>EBITDA-margin<br/>(before special items)</b> | 26.4%   | ~ 28%   | ~ +160bps      |
| <b>Core EPS</b>                                 | €6.40   | €7.00 to 7.20                                   | +9% to 13%     |
| <b>Free cash flow</b>                           | €4.2bn  | ~ €5bn  | ~ +19%         |
| <b>Net debt</b>                                 | €34.1bn | ~ €27bn   | ~ -21%         |



## Divisional guidance 2020

|                            | Sales<br>2019 | Sales<br>Growth<br>2020<br>(cpa <sup>1</sup> ) | EBITDA-margin<br>before special items |   | EBITDA-<br>margin<br>2020<br><small>(before special items<br/>and currency impact)</small> | Key parameters / drivers  |
|----------------------------|---------------|--|---------------------------------------|---|--|---|
|                            |               |  | 2019                                  | 2019<br><small>change in enabling cost<br/>allocation<sup>2</sup></small> |  |   |
| <b>Crop<br/>Science</b>    | €19.8bn       | ~ +4%  | 24.2%                                 | 23.8%   | ~ 26%  | + Rebound from adverse weather in North America in 2019<br>+ Continued sales and cost synergies<br>+ Growth from new products |
| <b>Pharma</b>              | €18.0bn       | +3 to 4%                                       | 33.3%                                 | 32.6%   | ~ 33%  | + Further growth of Xarelto & Eylea<br>+ Tight cost control<br>- Value based pricing in China                                 |
| <b>Consumer<br/>Health</b> | €5.5bn        | +2 to 3%                                       | 20.0%                                 | 20.9%   | 22-23%   | + Top-line growth<br>+ Realization of full effects from portfolio measures<br>+ Further execution of efficiency measures      |

<sup>1</sup> currency and portfolio adjusted <sup>2</sup> effective for 2020



# Focus areas 2020

## 1 *Target Delivery*

- Deliver on operational targets

## 2 *Crop Science*

- Grow above market
- Further margin improvement

## 3 *Pharmaceuticals*

- Deliver sales and margin expansion
- Further launches of Nubeqa & Vitrakvi
- Launch preparation for Vericiguat & Finereone

## 4 *Consumer Health*

- Drive performance improvement

## 5 *Efficiency / Bayer 2022*

- Execute efficiency improvement program and realize synergies

## 6 *Portfolio Measures*

- Closing of Animal Health sale by mid 2020



# Investor Conference Call

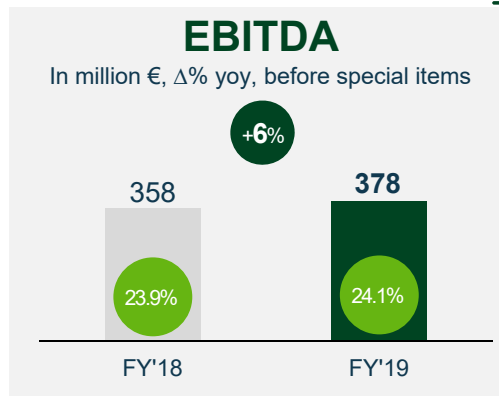
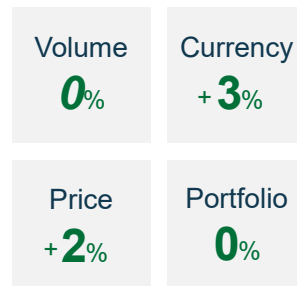
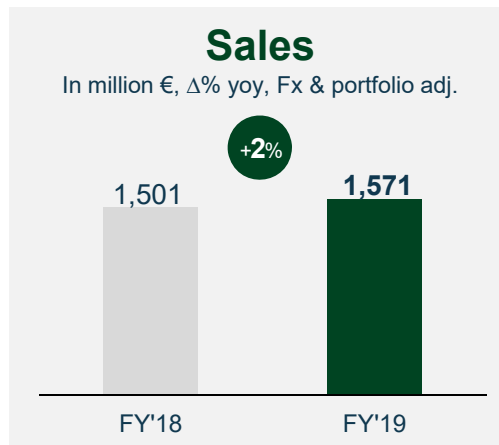
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# Animal Health with solid performance in FY 2019

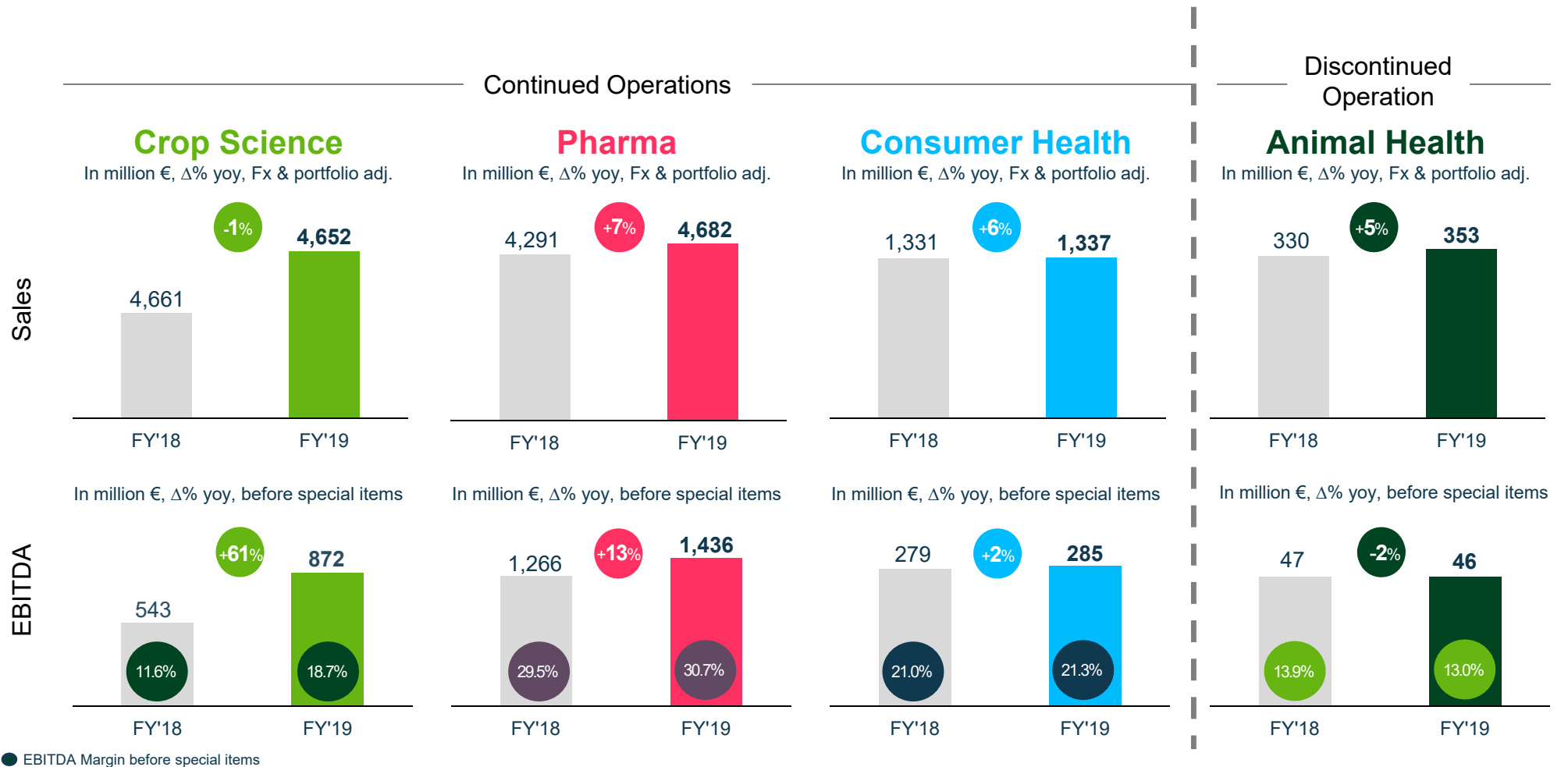


● EBITDA Margin before special items

- Seresto with positive performance (+6%), primarily in Europe
- EMEA, Asia/Pacific and Latin America with good sales development
- Solid increase in EBITDA before special items driven by positive price and Fx effects



# Q4 2019 - Segment overview





# FY 2019 - Segment overview

## Continued Operations

## Discontinued Operation

### Crop Science

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

### Pharma

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

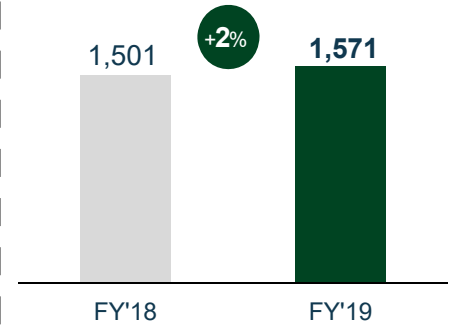
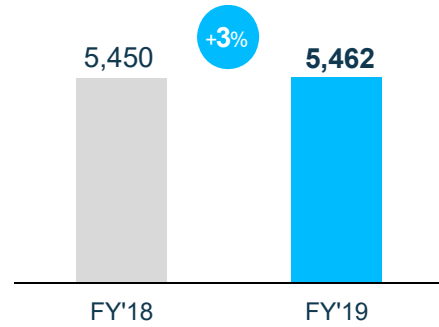
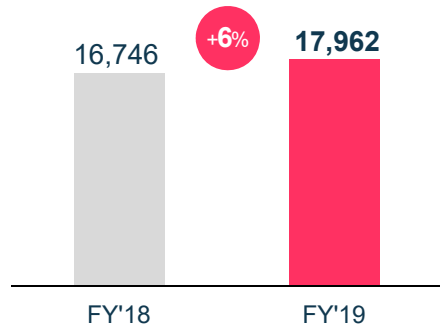
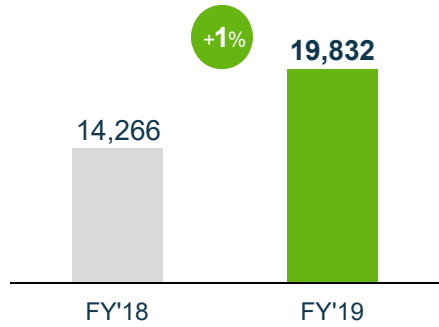
### Consumer Health

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

### Animal Health

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

Sales



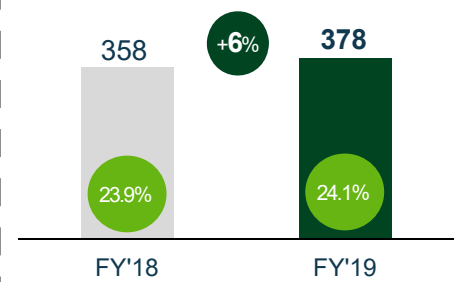
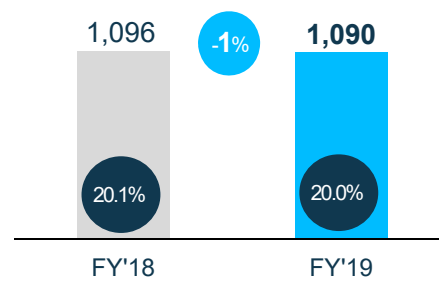
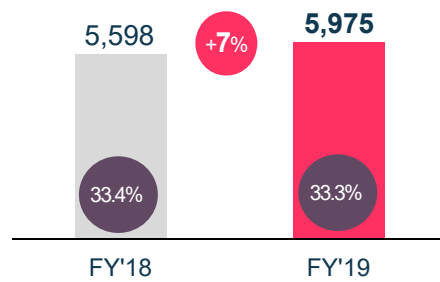
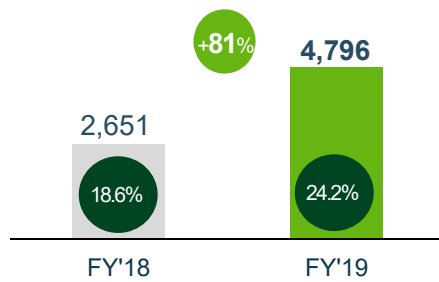
EBITDA

In million €, Δ% yoy, before special items

In million €, Δ% yoy, before special items

In million €, Δ% yoy, before special items

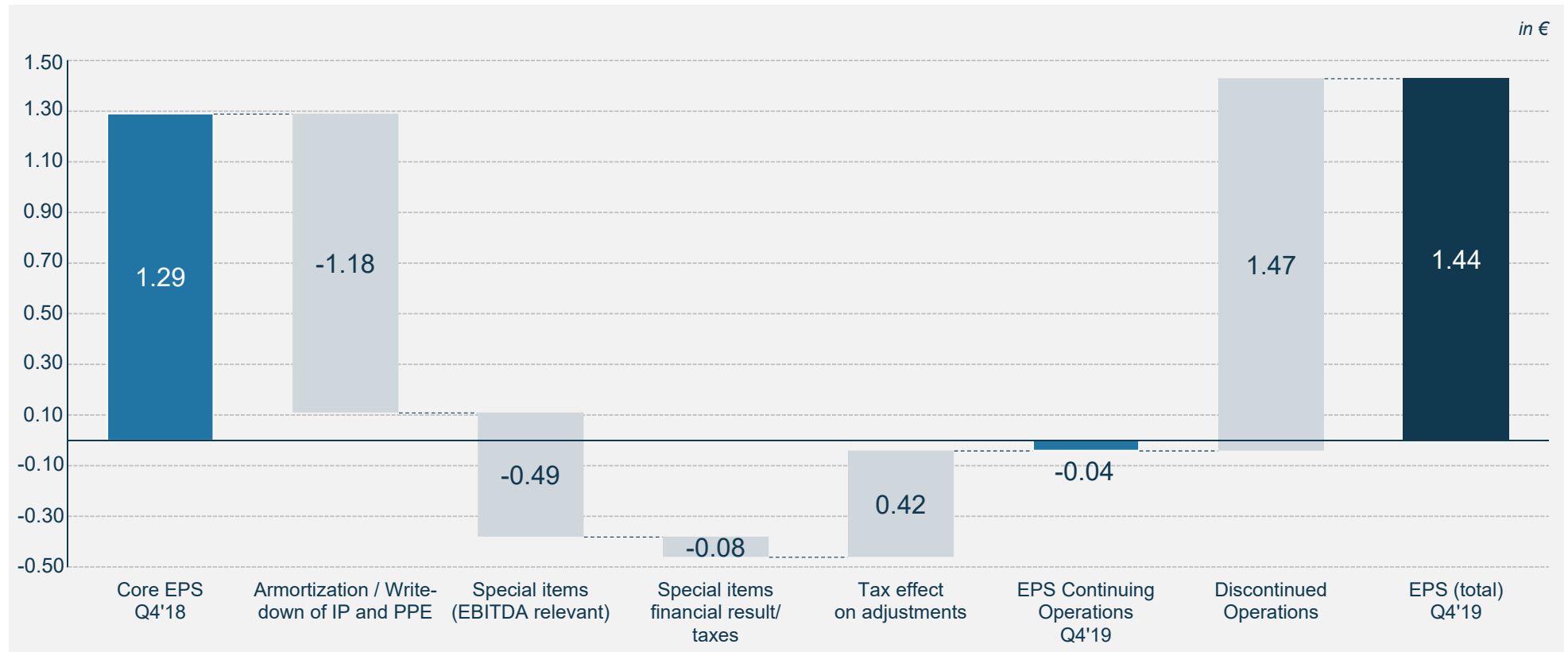
In million €, Δ% yoy, before special items



● EBITDA Margin before special items



## Bridge: Core EPS to EPS (Q4 2019)







## Free cash flow better than guidance of €3-4bn

|  | FY 2018      | FY 2019      |
|--|--------------|--------------|
|  | € million    | € million    |
| Net cash provided by operating activities          | 7,917        | 8,207        |
| Cash outflows for PPE and intangible assets        | -2,593       | -2,650       |
| Interest and dividends received                    | 247          | 135          |
| Interest paid/received (incl. interest-rate swaps) | -919         | -1,478       |
| <b>Free Cash Flow</b>                              | <b>4,652</b> | <b>4,214</b> |



# From EBITDA before special items to core EPS (Q4 2019)

| P&L  | Q4 2018   | Q4 2019   |
|--|-----------|-----------|
|  | € million | € million |
| <b>EBITDA before special items</b>                                       | 1,964     | 2,483     |
| Special items (EBITDA)   | -2,017    | -481      |
| <b>Reported EBITDA</b>   | -53       | 2,002     |
| Depreciation & Amortization  | -4,153    | -1,606    |
| <b>Reported EBIT</b>   | -4,206    | 396       |
| Amortization and impairment losses / loss reversals on intangible assets | 3,192     | 486       |
| Special items (EBITDA)   | 2,017     | 481       |
| Other  | 660       | 674       |
| <b>Core EBIT</b>   | 1,663     | 2,037     |
| Core financial result (before special items)                             | -424      | -368      |
| <b>Core EBT</b>  | 1,239     | 1,669     |
| Taxes (before special items)   | -205      | -388      |
| Core tax rate  | 16.5%     | 23.4%     |
| Minorities   | -3        | -12       |
| <b>Core Net income</b>   | 1,031     | 1,269     |
| No. of shares (m)  | 980.2     | 982.4     |
| <b>Core EPS (€)</b>  | 1.05      | 1.29      |

Mainly related to restructuring (€384m) and acquisition/integration costs (€66m)

Amortization mainly resulting from acquisitions; last year including €2.7bn of impairments related to Consumer Health

FY guidance ~23%



## From EBITDA before special items to core EPS (FY 2019)

| P&L  | FY 2018   | FY 2019   |   |
|--|-----------|-----------|---|
|  | € million | € million |   |
| <b>EBITDA before special items</b>                                       | 8,969     | 11,503    | Mainly related to restructuring (€1,237m) and acquisition/integration costs (€707m) |
| Special items (EBITDA)   | 726       | -1,949    |   |
| <b>Reported EBITDA</b>   | 9,695     | 9,554     |   |
| Depreciation & Amortization  | -6,241    | -5,365    | Amortization mainly resulting from acquisitions                                     |
| <b>Reported EBIT</b>   | 3,454     | 4,189     |   |
| Amortization and impairment losses / loss reversals on intangible assets | 4,443     | 2,889     |   |
| Special items (EBITDA)   | -726      | 1,949     | Higher financing costs related to the acquisition                                   |
| Other  | 678       | 682       |   |
| <b>Core EBIT</b>   | 7,849     | 9,709     |   |
| Core financial result (before special items)                             | -1,213    | -1,577    | FY guidance ~23%  |
| <b>Core EBT</b>  | 6,636     | 8,132     |   |
| Taxes (before special items)   | -1,350    | -1,824    |   |
| Core tax rate  | 20.4%     | 22.5%     | Increase in weighted number of shares due to equity measures                        |
| Minorities   | -17       | -23       |   |
| <b>Core Net income</b>   | 5,269     | 6,285     |   |
| No. of shares (m)  | 940.8     | 981.7     |   |
| <b>Core EPS (€)</b>  | 5.60      | 6.40      |   |



## 2020 Guidance for other group KPI's

|  | <b>Before currency impact</b> |
|--|-------------------------------|
| Special items (EBITDA)                         | ~ €0.9 billion                |
| R&D expenses                                   | ~ €5.4 billion                |
| Capital expenditures (cash relevant)           | ~ €2.8 billion                |
| of which for intangible assets (cash relevant) | ~ €0.7 billion                |
| Depreciation and amortization (clean)          | ~ €4.3 billion                |
| of which for intangible assets (clean)         | ~ €2.4 billion                |
| Core financial result                          | ~ - €1.5 billion              |
| Core tax rate                                  | ~ 23%                         |