# Q1 2023 Aide Memoire

as of April 18th, 2023

As a service to our investors and analysts, we are providing a quarterly Aide Memoire ahead of our quiet period and concurrent with our publication schedule. This document is intended to provide a summary of relevant information that we have communicated previously and of the key drivers in the corresponding prior year's quarter. It may also include key macroeconomic developments that have an impact on our businesses. Please note that this release and all information therein is unaudited. Consistent with our general practices, any updates to our guidance or business prospects will be provided in our quarterly or ad-hoc disclosures.

We are constantly working on improving the level of transparency and making relevant information available as early as possible. Please note that starting with Q1 2023, we will publish the **prepared notes / script <u>ahead</u> of our conference call**, together with the other materials, at 7:30 am CET on the day of publication.

***** Please note that our Quiet Period starts on April 24th, 2023. *****

## Group

**Full Year Guidance (as of Feb 28th, 2023)**

- **Net Sales** guidance represents growth of 2% to 3% cpa for the Group; for modelling purposes, please note that the Group net sales guidance includes a negative portfolio effect of approx. €500m from the businesses we divested in 2022.
- In our Q4/FY call we mentioned that in terms of **phasing,** we expect business performance to be skewed towards the second half of this year when compared to 2022.
- **Free Cash Flow** guidance includes expected settlement payouts of €2bn to €3bn. As indicated in the Q4/FY call, approx. €1.3bn out of these payments related to the PCB Oregon settlement and the PCB municipal water class settlement were paid in Q1 already.
- **Reconciliation** result is expected to come in at minus €700m to minus €800m, including assumed increased provisions for long-term incentives based on a share price of €60 at the end of the year.
- Guidance at constant FX reflects our 2023 plan at average actual 2022 rates; **latest FX impact estimate** was based on December 2022 month end rates.

| | At constant FX | Estimated FX impact |
|---|---|---|
| Net Sales | **€51bn – €52bn*** | ~ - €1bn |
| EBITDA (before special items) | **€12.5bn – €13bn** | not material |
| Core EPS | **€7.20 – €7.40** | |
| Free Cash Flow | **~ €3bn** | |
| Net Financial Debt | **€32bn – €33bn** | |

| | At constant FX | Estimated FX impact |
|---|---|---|
| Special Items (EBITDA) | **~ - €1bn** | not material |
| Core Depreciation | **~ - €1.6bn** | |
| Core Financial Result | **~ - €1.9bn** | |
| Core Tax Rate | **~ 23%** | |
| Reconciliation (cEBITDA) | **- €0.7bn to - €0.8bn** | |

* Includes portfolio effects of -€500m related to 2022 divestitures

### Links

- Please find here our updated **FX Simulation Tool** for net sales, at **March** month end rates.
- Previous quarter transcripts and Investor Call presentations can be found **HERE.**

## Crop Science

### Q1 2022

- In Q1 of 2022, Crop Science achieved outstanding **net sales** growth of 27% cpa to €8.4bn
  - Herbicides (+60%) were single largest growth contributor due to strong price increases for glyphosate-based products and volume expansion in NA, LATAM and Asia/Pacific
  - Corn S&T (+10%) mainly driven by price
  - Soy S&T (+1%) with higher pricing in NA, but discontinuation of business in Argentina
  - Fungicides (+19%) mostly driven by volume, partially due to early demand
- **EBITDA before special items** increased 50% yoy to €3.7bn and a margin of 43.4% due to strong pricing contribution more than offsetting cost inflation; FX tailwind was €98m.

### Market Information

- Commodity prices for corn and soybeans remain strong; Dec. 2023 corn contracts at $5.60/bu and Nov. 2023 soybean contracts at ~$13.01/bu as of April 14.
- Pricing for generic glyphosate technical continues to normalize; still above levels seen in early 2021 and 2020.
- The March USDA Prospective Plantings report indicates ~3.5m more acres (+4%) of corn planted in the U.S. compared to the prior-year and soybean planted acres to come in roughly on prior-year level in 2023. For cotton, the USDA expects planted acres to decline by ~2m to 3m (-18%) vs. PY.

### Full Year Guidance 2023

- Expecting full year 2023 **net sales** growth of approximately 3% cpa.
- **Portfolio ex. glyphosate** expected to grow by 8%, or ~€1.6bn: Anticipating double-digit percent sales increases in corn S&T, fungicides, insecticides, supported by higher prices from continued innovation and strong farm incomes. Expecting share and volume gains in corn S&T from higher planted acres and volume gains from improved supply in fungicides and insecticides.

- **Glyphosate-based herbicide** sales expected to decline by 15-20%, or ~€900m at the midpoint: Anticipating continued normalization of pricing as a result of improving global supply, partially offset by higher sales volumes in the latter half of the year.
- On **calendarization,** we said that the outlook is heavily influenced by glyphosate-based herbicide sales trends, considering the tough comp in the first half of last year. As a result, we guided towards a relatively flat HY1 sales and accelerating growth in HY2 leading to on average 3% for the FY.
- Out of the €500m portfolio effect mentioned in the Group net sales guidance, approx. 75% relate to the divestment of the Environmental Science Professional portfolio. For modeling purposes, one could assume a linear quarterly phasing for Q1 until Q3.
- **FY 2023: EBITDA margin before special items** expected to come in at 25% to 26% at constant currencies. Stronger pricing (ex. glyphosate) and ~€300m cost saving measures to partially offset incremental inflation (~3-4% of sales) and declines in glyphosate-based herbicide sales.
- **Q1 2023:** For the first quarter specifically, we pointed in our Q4/FY call to an **EBITDA margin before special items** estimate in the range of 36-38%.

| **FY 2023 Outlook** | at constant FX (average 2022 rates) |
|---|---|
| Net Sales Growth (cpa) | **~ + 3%** |
| EBITDA margin (before special items) | **25% - 26%** |

## Pharmaceuticals

### Q1 2022

- In the first quarter of 2022, Pharmaceuticals **net sales** increased by around 3% cpa to €4.6bn driven by
  - Eylea™ (+14%) with market share gains and strong growth in Europe and China
  - Xarelto™ (-5%) impacted by volume based procurement price reductions in China
  - Nubeqa™ (+62%) with ongoing strong roll-out momentum
- **EBITDA before special items** dropped by 7% to €1.4bn (margin at 30.0%) as a result of continued growth investments (launch execution and R&D), non-recurring proceeds in Q1 2021 and cost inflation. Changes in FX had a negative impact of €34m on EBITDA before special items (equivalent to a 160 bps margin decline).

**Full Year Guidance 2023**

- **Net sales** to grow about 1% cpa, particularly as a result of
  - Combined sales for Nubeqa™ and Kerendia™ to exceed €1bn
  - Eylea™ expected to offset increasing price pressure through higher volumes
  - Xarelto™ to decline mid-single digit driven by ongoing pricing headwinds and patent expiries in various smaller markets like Mexico, Australia and Canada
  - Volume-based procurement in China to lower Adalat™ sales by ~50%
- Out of the €500m portfolio effect mentioned in the Group net sales guidance, approx. 25% relate to the Pharma divestments. For modeling purposes, one could assume a linear quarterly phasing for Q1 until Q4.
- **EBITDA margin before special items** expected to be above 29% at constant currencies, mitigating continued investments in R&D and gross margin dilution from pricing headwinds and cost inflation through shifts of marketing resources from mature franchises towards launch assets, tightly managed operating expenses and gains from efficiency measures.
- **Q1/Q2 2023:** Top and bottom line in the first half clearly below second half as sales declines from mature assets and soft trading conditions in China at the beginning of the year to come in earlier than offsetting dynamics from launch assets; improving sequential quarterly performance over the year

| **FY 2023 Outlook** | at constant FX (average 2022 rates) |
|---|---|
| Net Sales Growth (cpa) | **~ + 1%** |
| EBITDA margin (before special items) | **> 29%** |

**Newsflow (until Apr 14th, 2023)**

- Mar 23, 2023 — Initiation of Phase III study ARASTEP to investigate the efficacy of darolutamide in patients with biochemical recurrence (BCR)
- Mar 1, and Mar 20, 2023 — Approval of darolutamide (Nubeqa) in mHSPC in Europe and in China
- Mar 1, 2023 — Submission of aflibercept 8 mg for marketing authorization in Japan

## Consumer Health

### Q1 2022

- In Q1 of 2021, Consumer Health net sales increased by 17% cpa to about €1.5bn with Allergy & Cold (+39%) after very low demand for Cough and Cold products due to COVID-19 restrictions in 2021; Nutritionals (+15%) as well as Dermatology (+12%) driven by product line extension Bepanthen Dry Skin
- **EBITDA before special items** expanded to €388m and a margin of 25.7% due to strong topline growth, continuous spending discipline and price management offsetting inflationary cost pressures. Year over year foreign exchange effects led to a marginal tailwind in earnings and 30 basis points margin dilution.

### Full Year Guidance 2023

- **Net sales** growth guidance at approximately 5% cpa for the full year 2023
- Supply constraints and price elasticity expected to continue, leading to market growth expectation of 3% - 5% p.a.; executing on our mid-term ambitions, innovation and the value of our brands will drive outperformance vs. market
- Expecting softer development in HY1 due to challenging macroeconomic environment and strong prior year comparable
- **EBITDA margin before special items** expected to be around 23% at constant currencies, overcompensating cost pressures by firmly executing on ongoing comprehensive cost productivity program.
- Strong focus on optimizing gross margin, enhancing digital capabilities and lifting SG&A efficiencies.

| **FY 2023 Outlook** | at constant FX (average 2022 rates) |
|---|---|
| Net Sales Growth (cpa) | **~ + 5%** |
| EBITDA margin (before special items) | **~ 23%** |

**Forward-Looking Statements**
This release 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 www.bayer.com. The company

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

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