



## Q3 2022 Aide Memoire

as of October 19<sup>th</sup>, 2022

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.

**\*\*\* Please note that our Quiet Period starts on October 25<sup>th</sup>, 2022. \*\*\***

### Group

#### // Energy Supply and Cost

- // Based on the advanced preparation of our sites and our proactive risk management, we do not expect any material financial impact for the full year 2022.
- // Well prepared to mitigate potential direct exposure for own operations through the end of 2022:
  - // Already achieved wide technical readiness to significantly reduce natural gas dependency by switching to alternative as well as renewable energy sources,

- # Introduced energy reduction programs,
- # Built up finished goods inventory where possible.
- # In general, there is a higher level of uncertainty from any indirect exposure via the supplier network.

# **Full Year Guidance (as of August 4<sup>th</sup>, 2022)**

	At constant FX	Estimated FX impact
Net Sales	<b>€47bn – €48bn</b>	~ + €3bn
EBITDA margin (before special items)	<b>26% – 27%</b>	~ - 0.4%pts
Core EPS	<b>~ €7.30</b>	~ + €0.40
Free Cash Flow	<b>~ €2.5bn</b>	not material
Net Financial Debt	<b>€33bn – €34bn</b>	~ + €1.3bn

	At constant FX	Estimated FX impact
Special Items (EBITDA)	<b>~ -€1.0bn</b>	not material
Depreciation & amortization (clean) t/o for intangible assets (clean)	<b>~ €3.6bn</b> <b>~ €2.1bn</b>	
Core Financial Result	<b>~ -€1.8bn</b>	
Core Tax Rate	<b>~ 23%</b>	
Reconciliation (cEBITDA)	<b>~ -€700</b>	

- # Guidance at constant FX reflects average actual 2021 rates; latest FX impact estimate as shown above was based on June month end rates.
- # Free Cash Flow guidance includes net settlement payments of approx. -€2.5bn. Environmental Science Professional divestment effects not included in guidance.

# **Environmental Science Professional Divestment**

- # Sale to private equity company Cinven closed on October 4<sup>th</sup>, 2022, for purchase price of \$2.6bn (€2.6bn), leading to net proceeds of around €1.8bn after purchase price adjustments and taxes, used to reduce net financial debt.
- # Annual Environmental Science Professional net sales of approx. 600mEUR (based on 2021 data). For modeling purposes, one could assume EBITDA of approx. 180mEUR.

## // Links

- // Please find here our updated [FX Simulation Tool](#) for net sales, at September month end rates.
- // Previous quarter transcripts and Investor Call presentations can be found [HERE](#).

## Crop Science

### Quarterly Profile

- // Business seasonality is generally determined by the different planting seasons for key crops in the Northern and Southern hemisphere. Based on 2021 data, about **60% of net sales** and roughly **75% of EBITDA** before special items were generated in the first half year, whereas the second half year was strong on **cash flow generation**.
- // In absolute terms, **Q3 generally shows the smallest values** in terms of sales and profit. On this small basis, it can be influenced by seed returns at the end of the NA planting season and licensing income which may vary year over year based on acres planted.

### Q3 2021

- // In the prior year quarter, Crop Science delivered a significant increase in **net sales** to about €3.9bn (+26% cpa) mainly driven by
  - 1) Price increases for our glyphosate-based herbicides, particularly in North America
  - 2) Lower product returns for corn and soy seed and traits in North America and a positive shift of corn trait license income into Q3 vs. prior year
  - 3) Strong early demand for seed and traits in Latin America with expanded volume and price as well as contributions from the launch of our VTPRO4 corn trait.
- // **EBITDA before special items** grew to roughly €470m and a margin of 12%, driven by higher volume and price as well as contributions from efficiency measures, more than offsetting cost increases, particularly in cost of goods, as well as negative currency effects.

### Market Information

- // Commodity prices for corn and soybeans remain strong; Dec. 2022 corn contracts at ~\$6.80/bu and Nov. 2022 soybean contracts at ~ \$13.70/bu as of mid-October.
- // The September USDA WASDE report indicates ~-5m acres of corn planted compared to the prior-year and soybean planted acres to come in roughly on prior-year level. For cotton, the USDA expects planted acres to have increased by ~2 to 3m vs. PY.

**Full Year Guidance (as of August 4<sup>th</sup>, 2022)**

- // In Q2 we raised our full year guidance for **net sales** growth to approximately 13% cpa, up from previously approximate of 7% cpa.
- // The improved growth outlook assumes **continued favorable market environment for glyphosate pricing into HY2 2022.**
- // Guidance also assumes mid-single digit percent price increases in fungicides, insecticides and corn seed and traits for the full year.
- // As a result of the improved growth outlook, our **EBITDA margin before special items** is expected to come in at approximately 27% at constant currencies, up from a range of 25% to 26% previously, despite significant cost inflation, particularly in crop protection.

	at constant FX (average 2021 rates)
Net Sales Growth (cpa)	~ <b>13%</b>
EBITDA margin (before special items)	~ <b>27%</b>

// Environmental Science Professional divestment effects not included in guidance.

**Pharmaceuticals**

**Q3 2021**

- // In the prior year quarter, Pharma **net sales** increased considerably (+7% cpa) to about €4.5bn
- // Eylea<sup>TM</sup> (+19% cpa) with market share gains and a recovery from pandemic restrictions, particularly in Europe
- // Xarelto<sup>TM</sup> (+4% cpa) sales driven by volume increases offsetting price reductions in China
- // Higher volumes for Nubeqa<sup>TM</sup> and initiation of market launch for Kerendia<sup>TM</sup> in the U.S.
- // **EBITDA before special items** decreased to about €1.4bn (margin at 30%), impacted by higher marketing costs because of the launches of Kerendia<sup>TM</sup> and Nubeqa<sup>TM</sup> and an increase in R&D expenses related to the cell and gene therapy unit. Growing cost of goods sold and negative currency effects also weighed on earnings.

**Full Year Guidance (as of August 4<sup>th</sup>, 2022)**

- // In Q2 we confirmed our FY 2022 guidance with **net sales** expected to grow 3 to 4% cpa with new launches increasingly contributing to topline

- // Eylea™ to grow mid-single-digit percent
- // Xarelto™ to see a slight decrease, VBP pricing headwinds in China started to impact sales in September 2021 and expected to be washed out in Q3 2022
- // China VBP impact on Adalat™ expected to kick in in HY2 2022, leading to flat sales in FY 2022 due to a strong performance in HY1 2022
- // FY 2022 **EBITDA margin before special items** expected to be around ~32% at constant currencies despite ongoing investments into technologies, early- to late-stage pipeline as well as launches and rollouts.

	at constant FX (average 2021 rates)
Net Sales Growth (cpa)	<b>3% to 4%</b>
EBITDA margin (before special items)	<b>~ 32%</b>

### Newsflow (until October 17<sup>th</sup>)

- // Aug 8: U.S. FDA approved **darolutamide (Nubeqa™)** in combination with docetaxel for treatment of metastatic hormone-sensitive prostate cancer
- // Aug 28: Announcement of landmark Phase III study program OCEANIC to examine preventive effectiveness and safety of asundexian in patients with atrial fibrillation (OCEANIC-AF) as well as in patients with a non-cardioembolic ischemic stroke or high-risk transient ischemic attack (OCEANIC-Stroke)
- // Sep 2: U.S. FDA granted label upgrade for **finerenone (Kerendia™)** to include results from Phase III FIGARO-DKD cardiovascular outcomes study
- // Sep 8: **Aflibercept 8 mg** achieves non-inferior improvements in two global pivotal studies, maintaining a 16-week treatment interval, with consistent safety profile to aflibercept 2mg (Eylea™)

## Consumer Health

### Q3 2021

- // Previous year quarter with **net sales** growth of 11% cpa to roughly €1.3bn across all regions with steadily strong demand for Nutritionals (+20% cpa) and launches of innovative products in all categories, such as the Aleve line extension in Pain & Cardio (+17% cpa).

# **EBITDA before special items** grew to €308 million (margin at 22.9%) due to strong business performance and effective cost management efforts. Investments in relation to launches of innovative products, cost increases caused by inflation, product mix, and a one-time effect from the precautionary recall of Lotrimin™ and Tinactin™ diminished earnings.

#### Full Year Guidance (as of August 4<sup>th</sup>, 2022)

- # In Q2 we raised our **net sales** growth guidance from previously a range of 4% to 5% cpa to now 6% to 7% cpa based on exceptionally strong growth in HY1 2022.
- # In HY2, we cycle over a very high growth comparison from the previous year (HY2 2021: +9.7%).
- # FY 2022 **EBITDA before special items** margin expected to be within the 22-23% range. Efficiency measures as well as a focus on pricing are put in place to compensate rising input costs. Higher investment in the brands behind our launches as well as in research and development foreseen to step up in innovation.

	at constant FX (average 2021 rates)
Net Sales Growth (cpa)	<b>6% to 7%</b>
EBITDA margin (before special items)	<b>22% to 23%</b>

#### 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](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.

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