



Bayer AG

# Morgan Stanley Global Healthcare Conference



**Investment Case**

September 14, 2021





# 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.

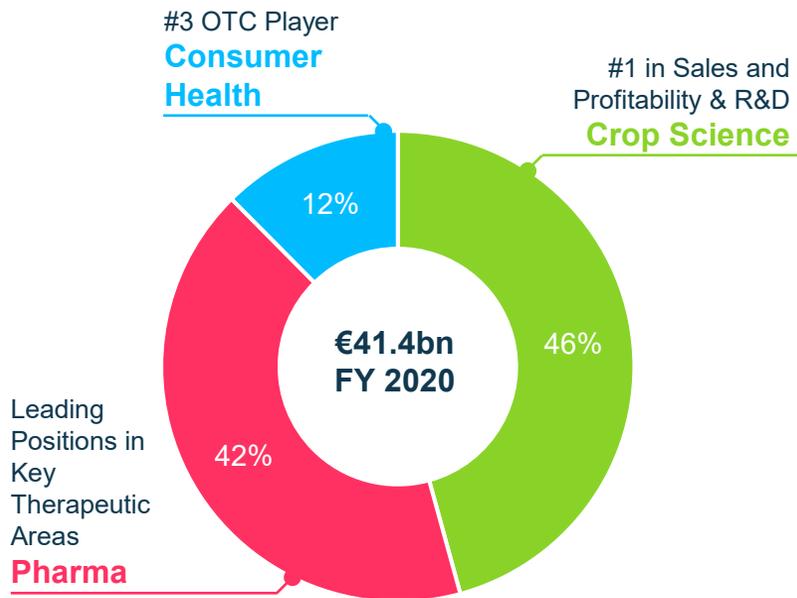
Guidance at constant currencies, not including portfolio divestitures if not mentioned differently.



# Bayer: A Global Leader in Health and Nutrition

Well Positioned to Create Value in Growing Markets using Science to Address Societal Megatrends

## Bayer Group Sales



## Market Size

### Crop Science



~€100bn<sup>1</sup>

### Pharmaceuticals



~€1,000bn<sup>2</sup>

### Consumer Health



~€150bn<sup>3</sup>

<sup>1</sup>Source: Company Estimates

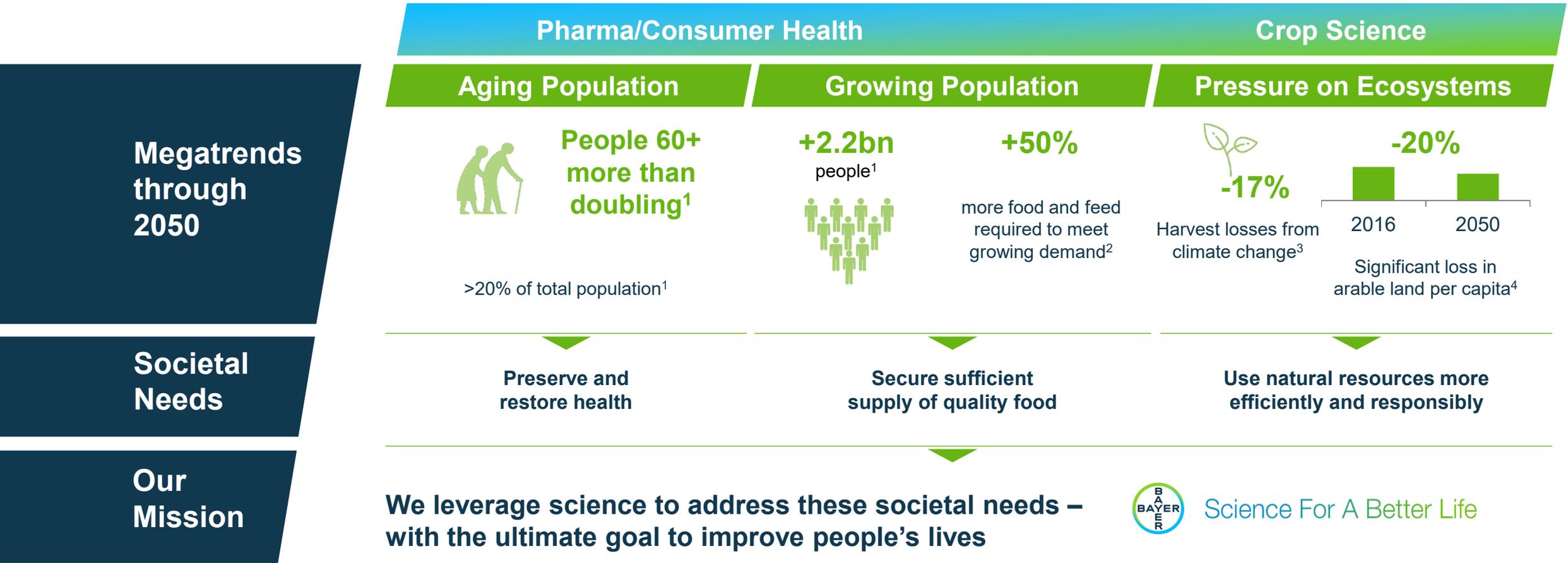
<sup>2</sup>Source: IQVIA MIDAS MAT Q3-20

<sup>3</sup>Source: Nicholas Hall & Company DB6



# Global Megatrends in Health & Nutrition

Attractive Macro Drivers of Our Strategy and Underpin the Need for Innovation



Science For A Better Life

<sup>1</sup> UNDESA 2017 (United Nations Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision)

<sup>2</sup> FAO 2017, (FAO Global Perspective Studies)

<sup>3</sup> Nelson et. al, (2014); FAO 2016 "Climate change and food security"

<sup>4</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



# Leadership and Innovation Set the Course for Our Future Growth

## Key Growth Drivers

- Long-term megatrend tailwinds are propelling growing demand in the Life Sciences
- Number one position in Ag inputs and leading positions in key Pharma and Consumer categories
- World-class innovation: technological breakthroughs driven by the bio-revolution
- Accelerated transformation and further efficiency gains in our operations
- Focus on sustainability to create new value

## Crop Science Innovation Pipeline

Annual R&D Investment:

€2.0bn

Key Current Launch Products:



Key Mid-/Late-Stage Pipeline Opportunities:

- **Short Stature Corn**
- **Soybean Herbicide Trait Stack with Five-Tolerances**
- **Fox Supra (Indiflin®)**<sup>1</sup>

## Pharmaceuticals Innovation Pipeline

Annual R&D Investment:

€2.7bn

Key Current Launch Products:



Key Mid-/Late-Stage Pipeline Opportunities:

- **Factor XI(a) portfolio**
  - Thrombo-embolic diseases
- **Elinzanetant (KaNDy NT-814)**
  - Vasomotor symptoms during menopause
- **P2X3 Receptor Antagonist**
  - Multi-indication opportunity

Note: Subject to regulatory approvals and pending registrations. Represents a subset of the pipeline.

<sup>1</sup> In collaboration with Sumitomo



# Profitable Growth Expected in the Mid-Term

Anticipate €43-45bn Sales and €5bn in Annual Free Cash Flow by 2024 for the Group

At constant currencies<sup>1</sup>      At ,month-end Dec' 20 rates<sup>2</sup>

1

Enable  
growth

2

Drive  
profitability

3

Focus  
on cash

**Sales**  
in €bn

41.4

42 - 43

40 - 41

43 - 45

**Core EPS**  
in €

6.39

6.10 - 6.30

5.60 - 5.80

7.00 - 7.50

**Free Cash Flow**  
in €bn

1.3

-3 - -4\*

-3 - -4\*

~5\*\*

2020

2021e

2021e

2024e

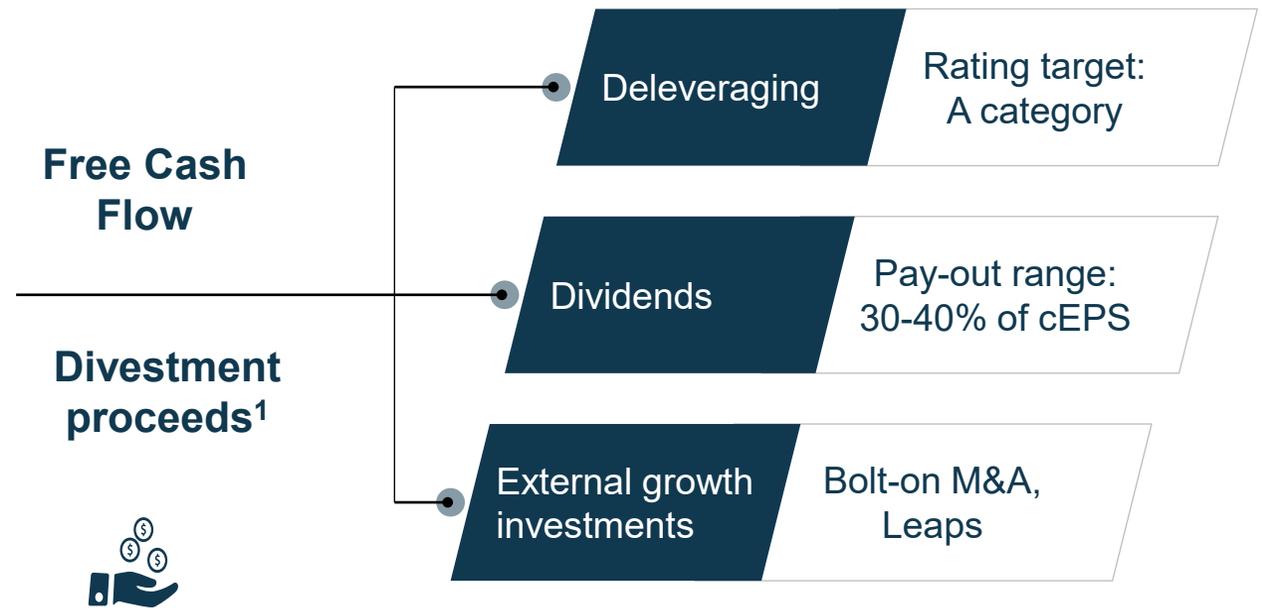
<sup>1</sup> Reflects our 2021 plan at the average actual currencies for 2020 <sup>2</sup> Currency assumptions based on month-end December spot rates (1 EUR=) 1.23 USD, 6.37 BRL, 7.98 CNY, 126 JPY, 24.4 MXN, 91.5 RUB  
\* Settlement payouts of ~€8bn included, \*\* Settlement payouts and special items of ~€1bn included      ▨ = Indicates corridor between high- and low case



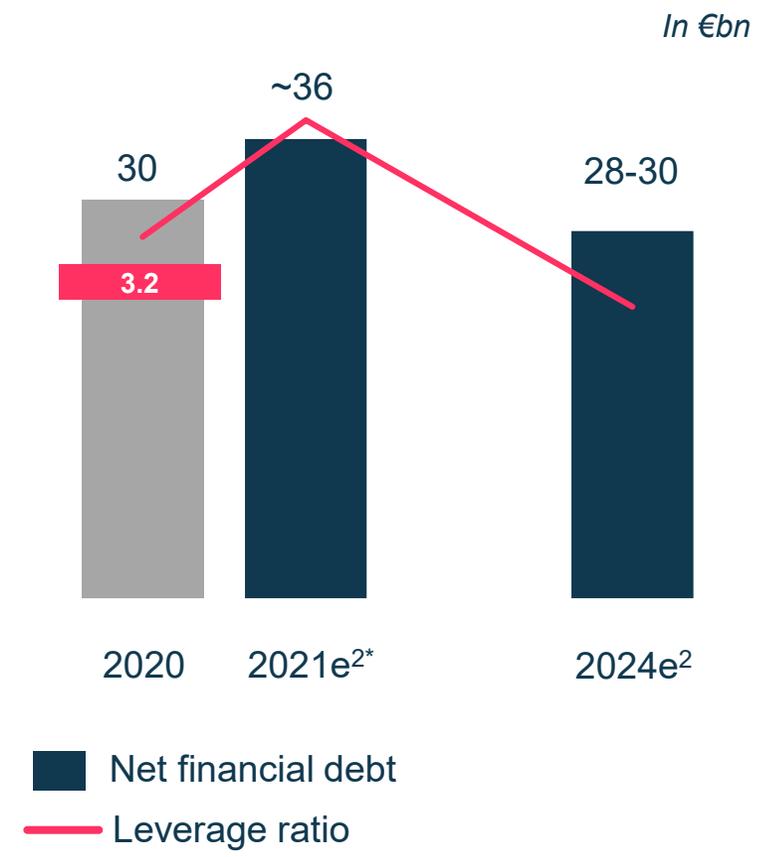
# Disciplined Capital Allocation to Delever, Pay Dividends and Invest

Expect Net Debt to Increase in 2021 with Planned Settlements and Return to €28-30bn by 2024

## Capital allocation priorities



## Net financial debt development



<sup>1</sup> From non-strategic divestments below divisional level and sale of other fixed assets <sup>2</sup> Currency assumptions based on month-end December spot rates (1 EUR=) 1.23 USD, 6.37 BRL, 7.98 CNY, 126 JPY, 24.4 MXN, 91.5 RUB   
 \* incl. expected currency impact of ~€1bn (Impact is calculated as difference to constant currencies) // = Indicates corridor between high- and low case



# Ambitious Measurable Targets for Sustainable Development

2030 Targets in Line with UN SDGs and Our Vision; *Health for All, Hunger for None*

## Help more PEOPLE thrive: Drive growth in underserved regions



Support **100m<sup>1</sup> smallholder farmers** in LMIC<sup>2</sup>



Provide **100m<sup>1</sup> women** in LMIC with **access to modern contraception**



Expand **access to self-care for 100m<sup>1</sup> people** in underserved<sup>3</sup> communities



## Decrease ECOLOGICAL footprint: Drive growth through sustainable resource use



**Climate neutrality at own sites + reduced emissions in our supply chain**

// 42%<sup>1</sup> reduction target for Scope 1 & 2<sup>4</sup>

// 12.3%<sup>1</sup> reduction target for Scope 3<sup>4</sup>

**+ Net Zero emission target until 2050** in line with long term goal of Paris Agreement (Scope 1, 2 & 3)<sup>4</sup>

**Established a Sustainability Council comprised of highly renowned experts to provide advice and review progress on sustainable business strategy and social innovation in consultation with our CEO and Boards**

<sup>1</sup> LMIC: low and middle income countries - All countries included in the World Bank list as per 1 July 2019.

<sup>2</sup> Baseline(2019). Numbers reflect people; preliminary figures; pending external audit : ~42m smallholder farmers; ~38m women; ~41m people; 3.7m tCO<sub>2</sub>e for Scope 1&2; 10m tCO<sub>2</sub>e for Scope 3.

<sup>3</sup> Underserved : Economically or medically.

<sup>4</sup> Scope 1: emissions from own operations; Scope 2: emissions from purchased energy; Scope 3: emissions along the value chain



# Investment Thesis

## Key Takeaways

**1**

**We are a global leader in Health & Nutrition that addresses societal megatrends**

**2**

**We are well-positioned to shape disruption in the bio-revolution**

**3**

**We expect to translate innovation into profitable mid-term growth**

**4**

**We expect to improve our profitability by accelerating our transformation**

**5**

**We have disciplined capital allocation priorities: delever, pay dividends and invest**

**6**

**We have integrated sustainability in our business strategy and incentive systems**

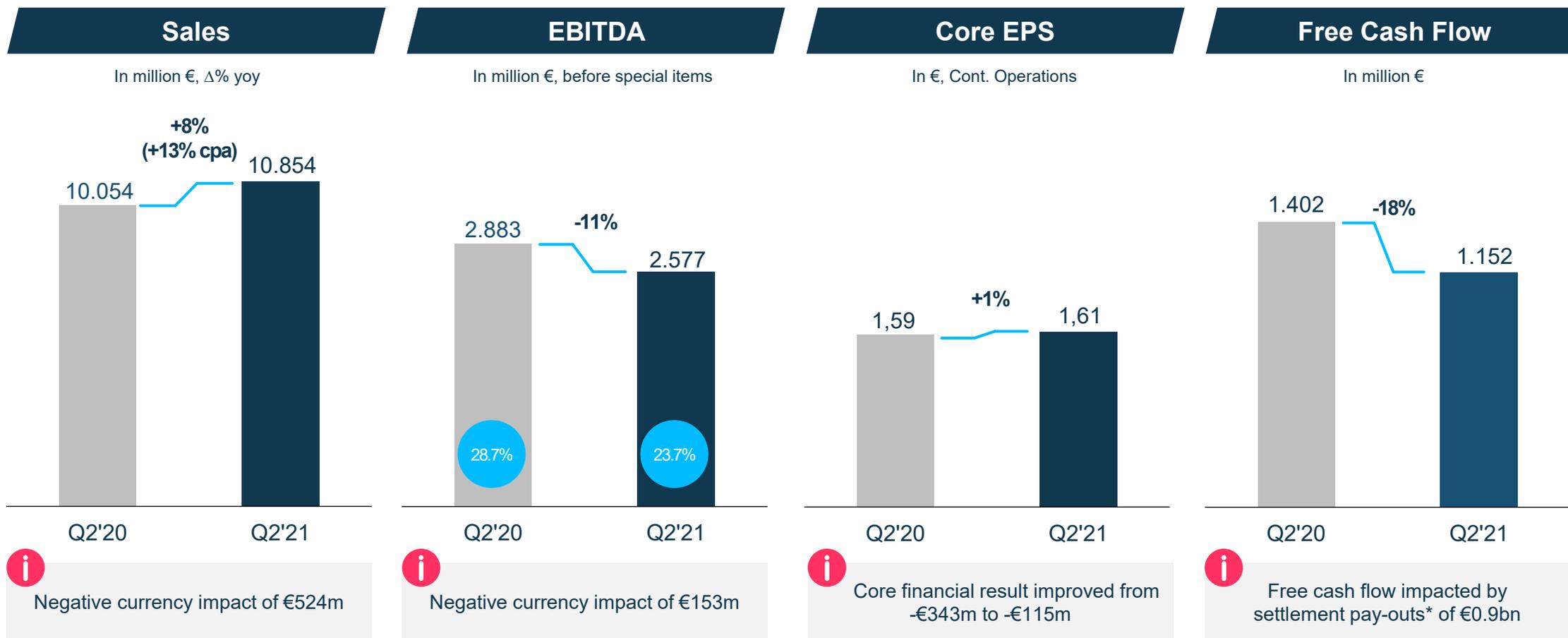


# *Q2'21 Results*



# Q2 2021: All Businesses Contribute to Strong Sales Growth

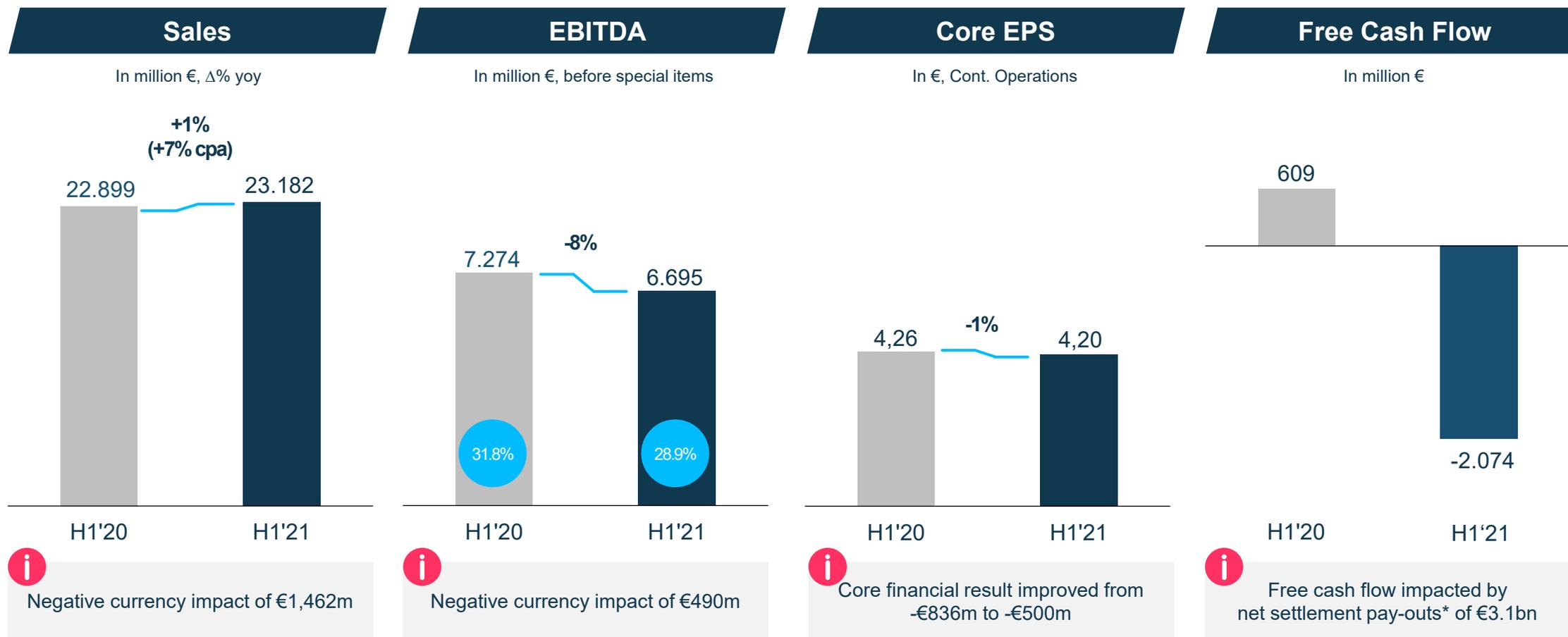
## Currency Headwinds Weigh on EBITDA Before Special Items



● EBITDA Margin before special items, cpa = currency and portfolio adjusted; \*includes Glyphosate, Essure and Dicamba



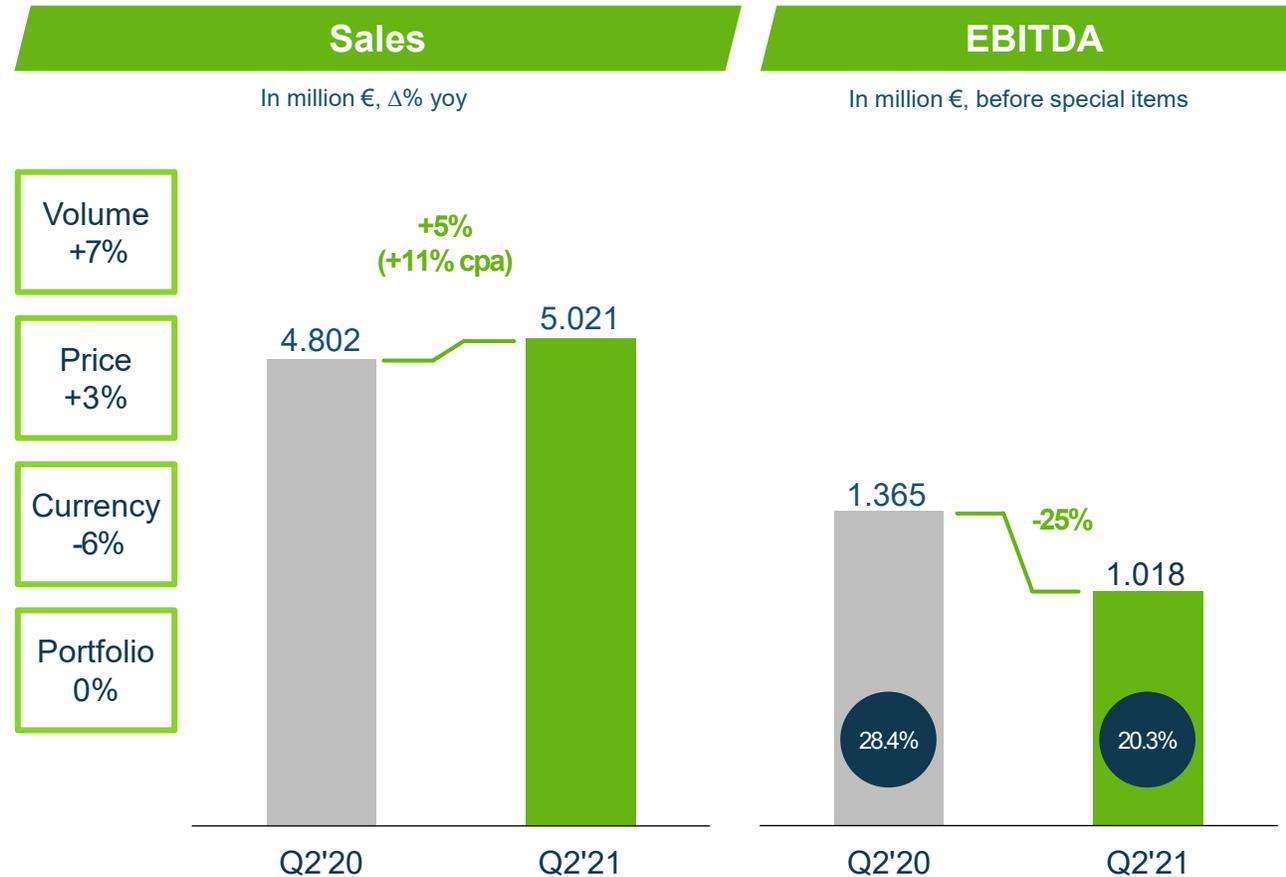
# HY1 2021: Good Performance Setting Stage for Guidance Raise



● EBITDA Margin before special items, cpa = currency and portfolio adjusted; \*includes Glyphosate, Essure and Dicamba



# Crop Science with Strong Growth Momentum Supported by Positive Market Dynamics



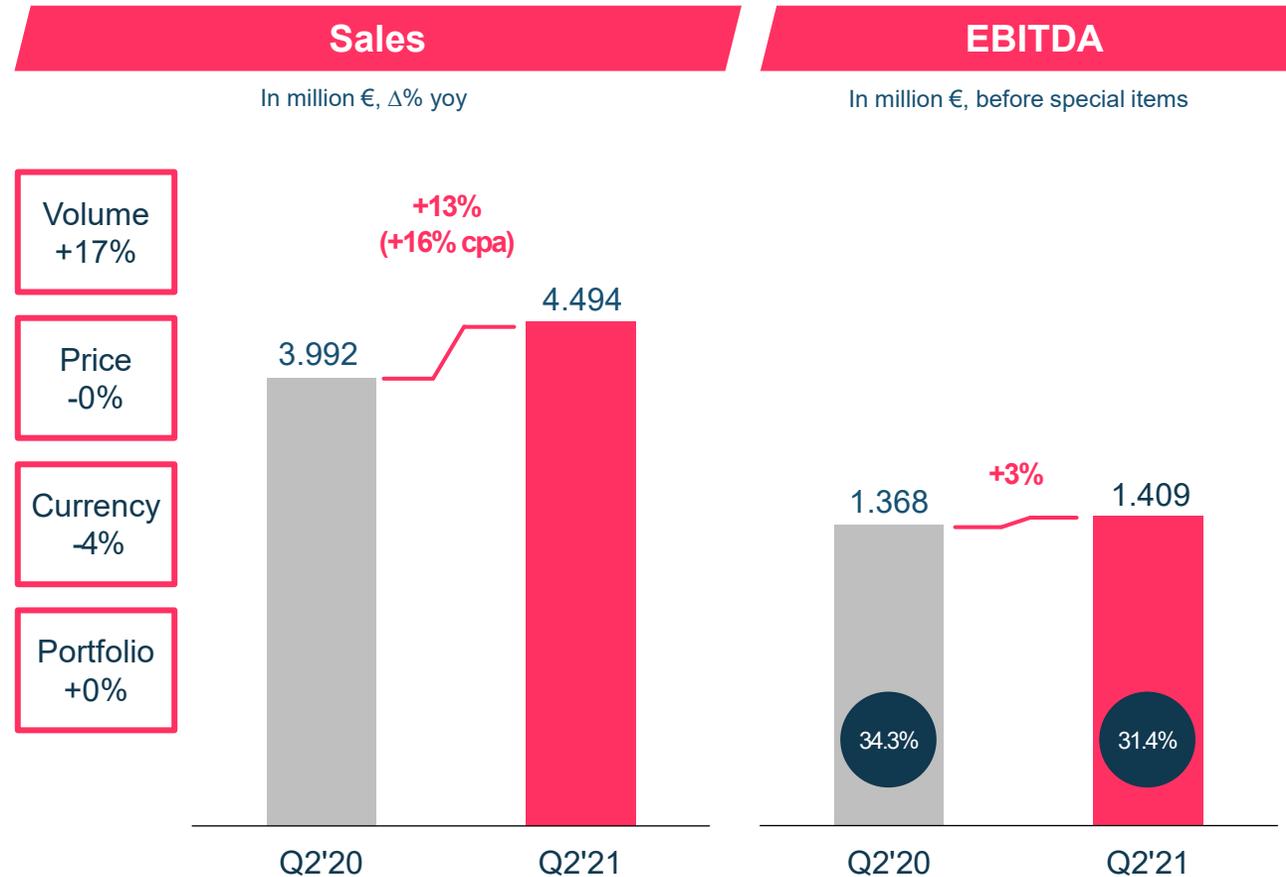
## Key Messages

- + Fungicides (+23% cpa) driven by Fox Xpro™ and new launches in North America
- + Herbicides (+16% cpa) benefit from higher sales of XtendiMax™ and price increases of Roundup™ in North America
- + Volume gains in North America drive Soybean Seed & Traits (+9% cpa)
- + Corn Seed & Traits up (+9% cpa) due to expansion in all regions, most notably in the Americas
- Insecticides (-1% cpa) impacted by loss of thiacloprid license
- EBITDA before special items affected by currency headwinds, increased COGS and negative sales mix

● EBITDA Margin before special items, cpa = currency and portfolio adjusted



# Pharmaceuticals with Substantial Growth and Progress on Late-Stage Pipeline



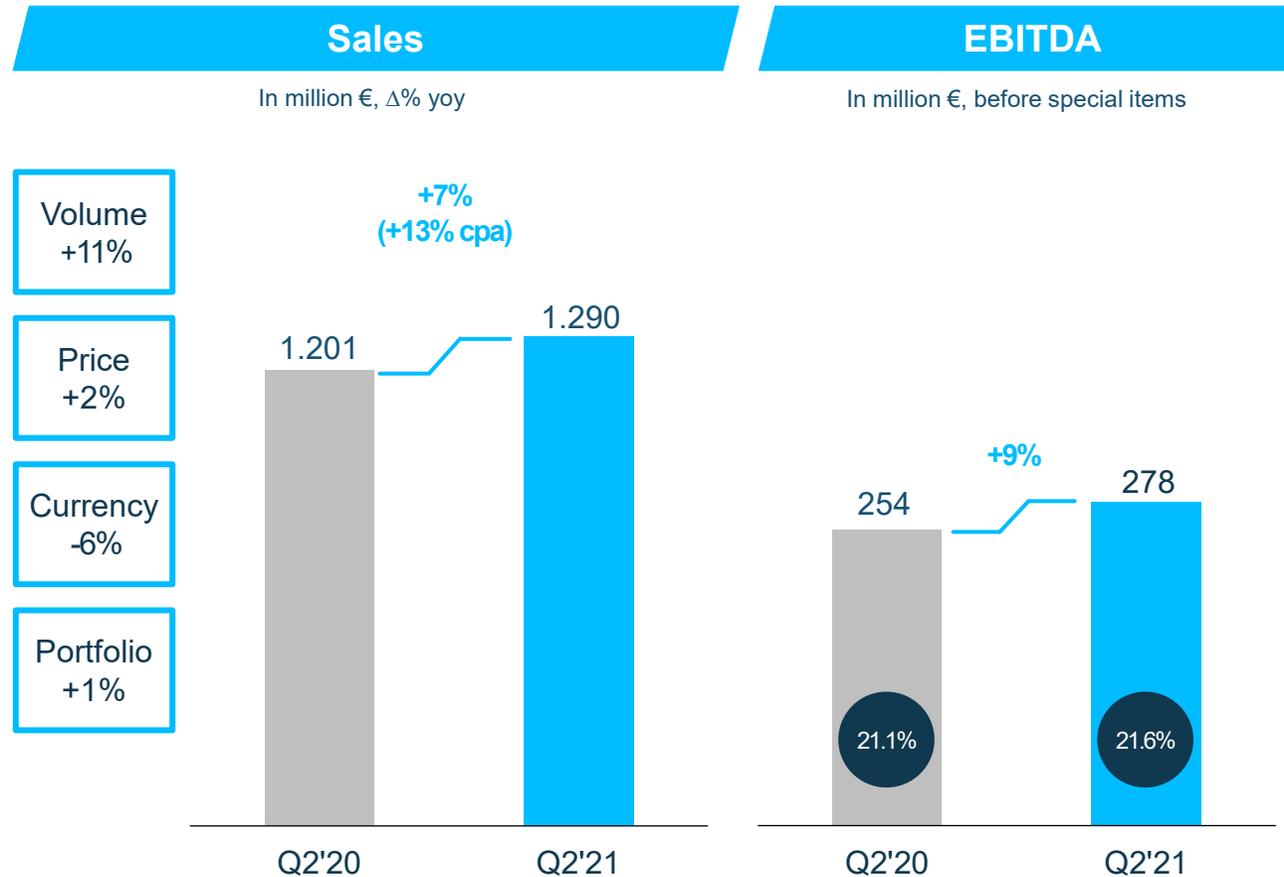
## Key Messages

- + Strong performance of Eylea (+27% cpa) and Xarelto (+13% cpa)
- + IUD franchise (+68% cpa) and Radiology (+37% cpa) up significantly following recovery from Covid-19 impact
- + Double digit sales growth in China (+22% cpa)
- + De-risking of key late-stage pipeline with approvals for Verquvo and Kerendia
- EBITDA before special items affected by launch investments and currency headwinds

● EBITDA Margin before special items, cpa = currency and portfolio adjusted



# Consumer Health Continues to Outperform



## Key Messages

- + Growth across all regions and categories
- + Allergy & Cold (+16% cpa) driven by a strong spring allergy season
- + Nutritionals (+16% cpa) continues growth trajectory due to sustained high demand
- + Successful launches of Bepanthen DrySkin and Aleve Topical
- + Margin expansion supported by sales growth and disciplined cost management despite launch investments and negative currency effects

● EBITDA Margin before special items, cpa = currency and portfolio adjusted



# Updated Full-Year Guidance 2021 - Group

Excluding currency impact

	Outlook as of Feb 2021 <sup>1</sup>	Outlook as of Aug 2021	Expected currency impact <sup>2</sup>	Outlook as of Aug 2021 incl. currency impact
Sales	€42 - €43bn	~ €44bn	~ -€1bn	~ €43bn
EBITDA margin (before special items)	~ 27%	~ 26%	-50 bps	~ 25%
Core EPS	€6.10 – €6.30	€6.40 – €6.60	-€0.40	€6.00 – €6.20
Free cash flow	~ -€3 - -€4bn <sup>3</sup>	~ -€2 - -€3bn <sup>4</sup>	no material effect	~ -€2 - -€3bn <sup>4</sup>
Net financial debt	~ €36bn - €37bn	~ €36bn	~ €1bn	~ €35bn

<sup>1</sup> Reflects our 2021 plan at the average actual currencies for 2020; Acquisition of Vividion Therapeutics not yet included

<sup>2</sup> Currency assumptions based on month-end June spot rates (1 EUR=) 1.19 USD, 5.90 BRL, 7.69 CNY, 131 JPY, 23.6 MXN, 86.8 RUB. Impact is calculated as difference to constant currencies.

<sup>3</sup> Settlement payouts of ~€8bn included; <sup>4</sup> Settlement payouts of ~€7bn included



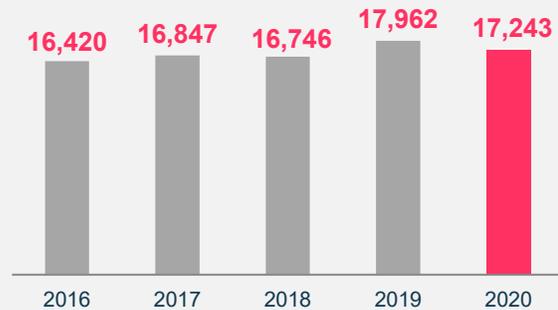
# *Our Businesses*



# Pharma: Focused on Therapeutic Areas with High Unmet Needs

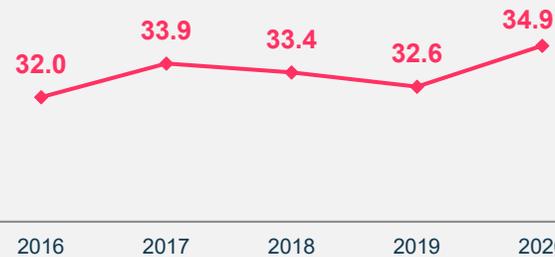
## Sales development

In €m



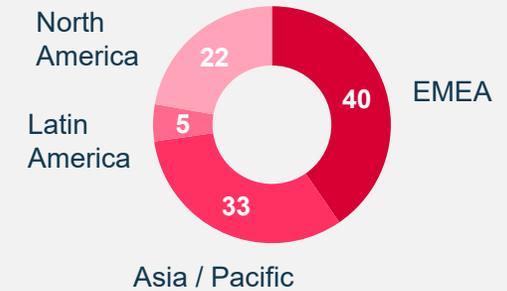
## EBITDA margin development

In %, before special items



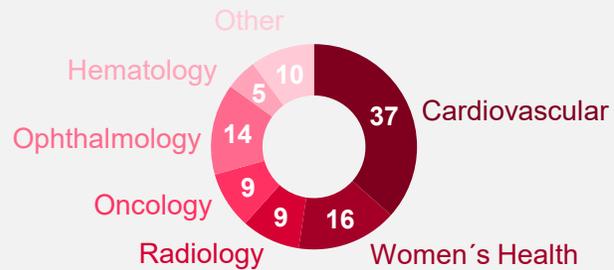
## Sales by region

In %, in 2020



## Therapeutic areas

In %, based on sales 2020



## Leading positions in key therapeutic areas



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

## Top products

In €m, based on sales 2020





# The Transformation of Pharma is Underway



**New management team focused on improving existing structures and processes**



**Realize full potential of products and pipeline to mitigate LoE impact and return to growth**



**Re-allocate resources and shape financial profile to post LoE future**



**Capitalize and build on investments in breakthrough innovation, espec. C&GT**



**Challenge strategic direction of R&D - enhance focus on external innovation**



# Our Transformation is Guided by Five Strategic Focus Areas

## Strategic Focus Areas

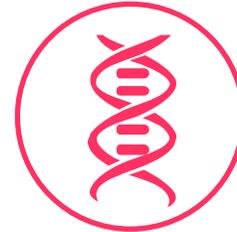
Portfolio and Pipeline



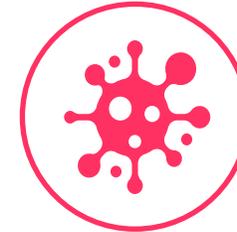
Digital Health



Cell & Gene Therapy



Oncology



China & US

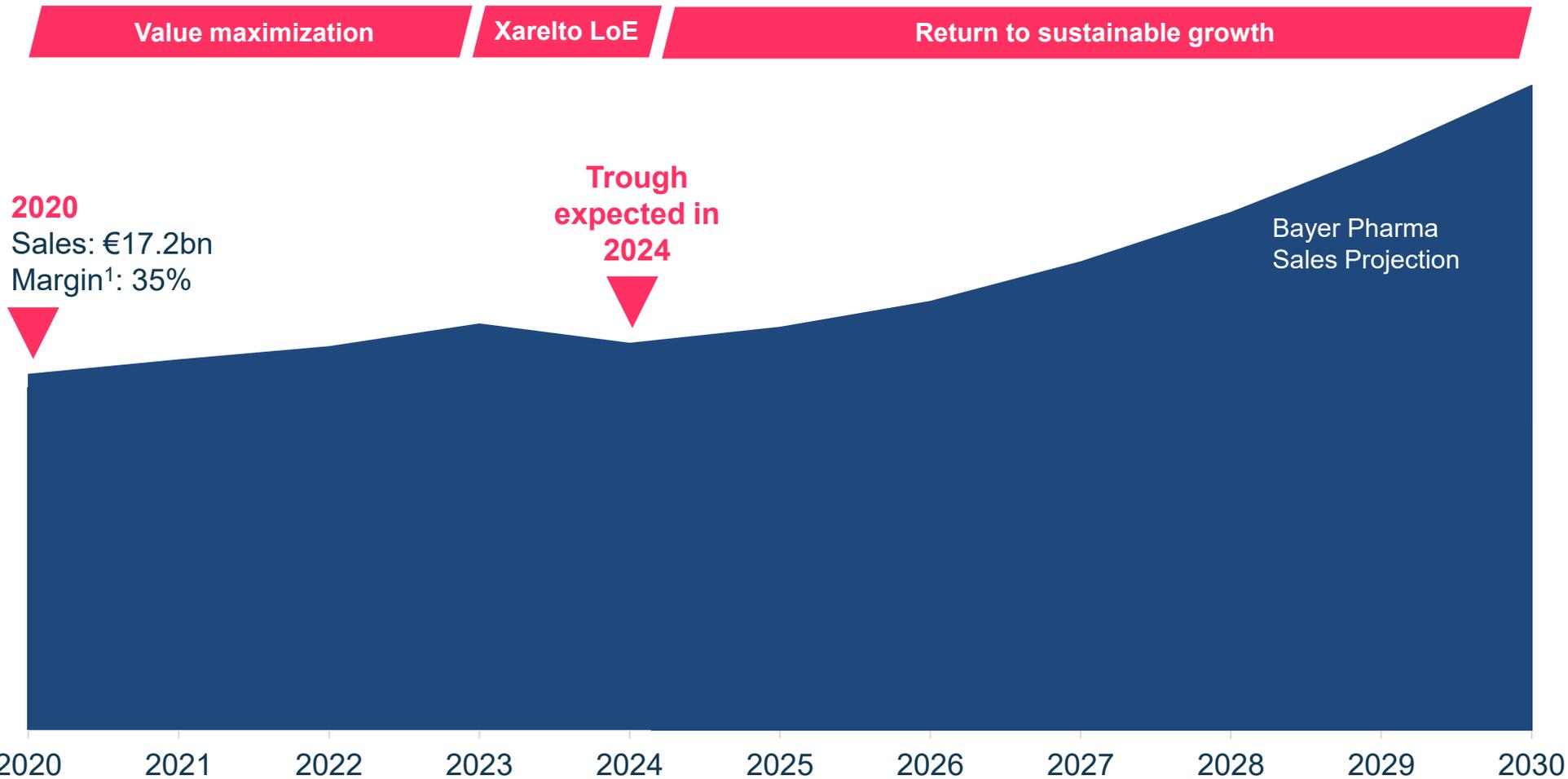


## Key Priorities

- ▶ **Maximize the value** of the current portfolio and **manage the loss of exclusivity** for Xarelto & Eylea
- ▶ **Deliver three new potential blockbusters** from late-stage pipeline
- ▶ **Build digital health solutions** and capitalize on **Cell & Gene therapy platform**
- ▶ **Build an at scale player** in oncology in our areas of focus
- ▶ **Evolve regional strategies in China and the US** to sustain future growth



# Bayer's Long-Term Sales Projection Reveals Limited LoE Impact and Return to Sustainable Long-term Growth



¹ EBITDA margin before special items

Graphic illustrative



# We Laid The Foundation for Long-term Growth at Pharma

## Main Building Blocks of Post LoE Growth

**Late-stage Pipeline  
in CV & WH**



**Elinzanetant**  
(KaNDy NT-814)

**Oncology**



**Pipeline**  
eg. EGFRexon20 inhib., ATR inhib., TTCs

**Cell & Gene Therapy  
Platform**

C&GT platform expected to deliver significant sales contributions from ~2025 onwards



**External Innovation  
and BD&L**

>25 BD&L-transactions signed in 2020  
Enhanced focus on external innovation to replenish pipeline

<sup>1</sup> In collaboration with Merck & Co. Inc., Kenilworth, NJ, USA



# A Successfully Matured Late-stage Pipeline May Deliver Three New Potential Blockbusters

## **Nubeqa (Darolutamide)<sup>1</sup> AR-Antagonist**

- Launched in nmCRPC - global roll-out underway
- Differentiated clinical profile - 31% OS benefit & favourable safety profile (ARAMIS)
- Prim. completion of phase III trial in mHSPC with chemo in 2021e (ARASENS)
- Phase III trial in mHSPC without chemo (ARANOTE)
- Peak sales potential  $\geq$ €1bn

## **Kerendia (Finerenone) MR-Antagonist**

- Significant reduction of renal and cardiovascular outcomes in patients with CKD and T2D
- Launched in the US - filed in key markets
- Phase III trial in HFmr/pEF (FINEARTS-HF) ongoing
- Peak sales potential  $\geq$ €1bn

## **Elinzanetant Dual NK 1,3 Receptor-Antagonist**

- First-in-class oral, non-hormonal, once-daily neurokinin-1,3 receptor antagonist
- Promising phase IIb data for the treatment of frequent menopausal symptoms
- Phase III initiated
- Peak sales potential  $>$ €1bn

<sup>1</sup> In collaboration with Orion Corporation



# Our Pipeline Comprises Attractive Late-/mid-stage Opportunities and Scientifically Appealing Early Assets

## Late-/mid-stage Opportunities<sup>1</sup>



### Finerenone

- CKD in T2 Diabetes Patients
- Heart Failure



### Elinzanetant (KaNDy NT-814)

- Vasomotor symptoms during menopause



### Factor XI(a) portfolio

- Thrombo-embolic diseases



### P2X3 Receptor Antagonist

- Multi-indication opportunity

## Scientifically Appealing Early Assets<sup>1</sup>



### Precision Molecular Oncology

- EGFRex20 inhibitor
- ATR inhibitor



### Targeted Alpha Therapies

- Thorium conjugates



### CAR T-Cell Immuno-oncology

- Collaboration with Atara Biotherapeutics



### Gene Therapy

- AskBio AAV gene augmentation platform



### Cell Therapy

- BlueRock iPSC technology platform

<sup>1</sup> selected examples



# Our Cell & Gene Therapy Strategy Builds on Four Integrated Platforms to Drive the Next Wave of Innovation at Pharma

## Gene Augmentation



- Industry-leading AAV vector gene augmentation platform
- Monogenic & pathway diseases
- CDMO business (Viralgen) already generates revenues

## Stem Cells



- Creating induced pluripotent stem cells (iPSC) with broad differentiation
- Create an entirely new generation of cellular medicines
- Ph 1 for lead program in Parkinson's disease

## Allogeneic Cell Therapy

### Collaboration with Atara Biotherapeutics

- Next-generation, mesothelin-directed CAR T-cell therapies
- Focus on potential allogeneic, "off the shelf" tumor therapies

**Gene Editing** as cross-functional enabling technology



# We are Targeting to Significantly Expand our Presence in Select Areas of Oncology where One Blockbuster can Build a Franchise



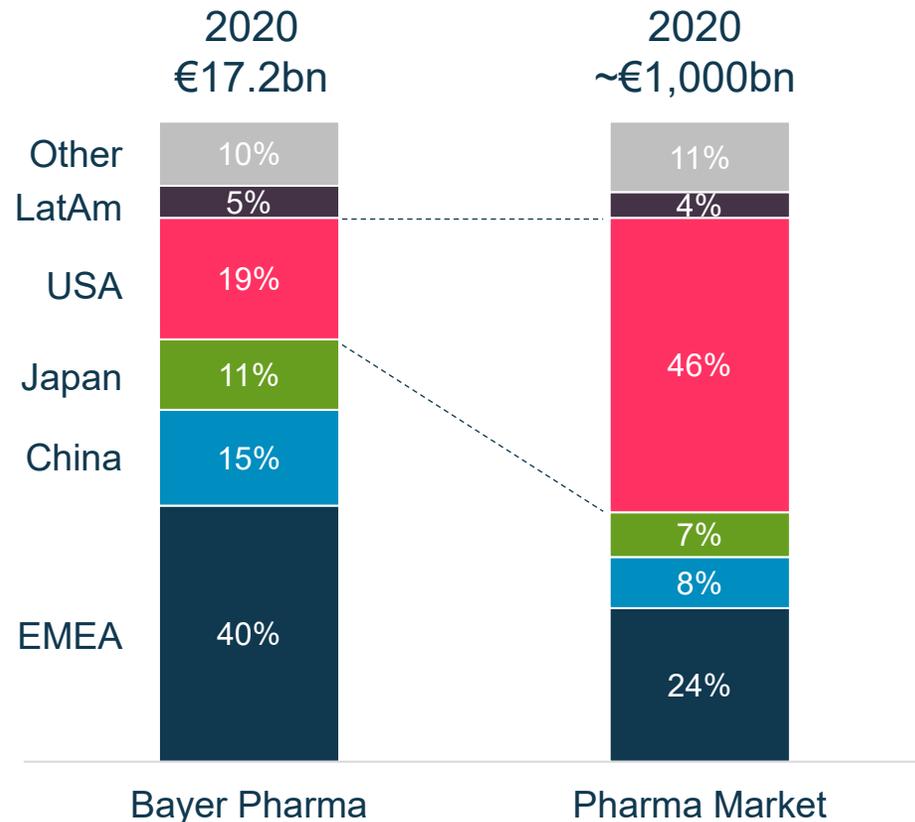
Key sales contributors, graphic illustrative

## Key elements to achieve our growth aspiration

- Realize blockbuster potential of NUBEQA
- Expand prostate franchise with NUBEQA and Xofigo
- Continue to execute launch of VITRAKVI
- Expand into IO-combo opportunities with Stivarga
- Accelerate early pipeline projects
- Seek external growth opportunities through BD&L
- Continue to invest in next generation disruptive technologies



# Evolving Our Regional Strategies to Address Portfolio Imbalance Relative to the Market



- Europe & China centric Pharma business
- Lacking US-rights for Xarelto & Eylea
- Portfolio evolution to balance the business geographically
- USA
  - Capitalizing on our strength in Women’s Health (Elinzanetant) and Radiology
  - Growing in oncology, espec. prostate cancer (Nubeqa)
  - Entering cardio-renal with Finerenone & Verquvo
- Europe
  - Portfolio evolution into cell & gene therapies
- China
  - Innovation driven growth strategy

Market data source: IQVIA MIDAS MAT Q3-20



# Mid-term Targets for Pharma Reflect Limited Impact from the LoE for Xarelto

## Sales / Sales Growth

	act	At constant currencies <sup>1</sup>	At month-end Dec' 20 rates <sup>2</sup>	
	2020	2021e*	2022/2023e	2024e
Pharmaceuticals	€17.2bn	~ 6%	3% to 5%	Low- to mid-single-digit decline

## Divisional Drivers

- Top-line trough due to Xarelto LoE expected in 2024 - returning to growth thereafter
- New launches (eg. Nubeqa, Verquvo, Finerenone) to drive growth

## EBITDA margin (before special items)

	2020	2021e	2022/2023e	2024e
Pharmaceuticals	34.9%	~32%	32% to 34%	Above 30%

- Continued focus on tight expense control
- Investing in new launches

cpa: currency and portfolio adjusted

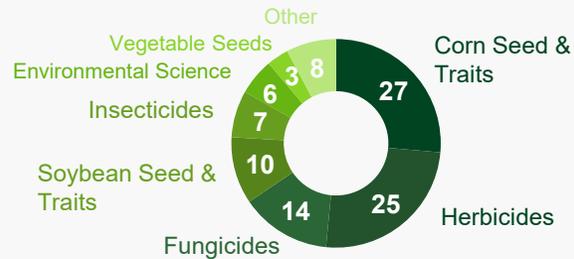
\* As updated in August 2021

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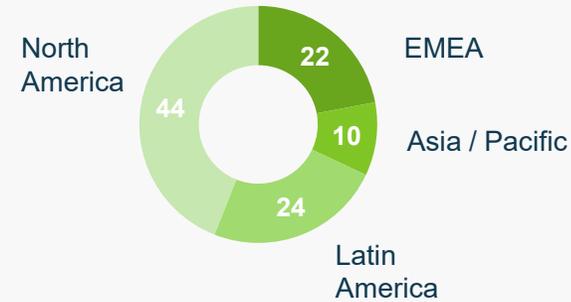


# Crop Science: Global #1 in Seed & Traits with Leading Crop Protection Portfolio

## Product areas – Bayer Crop Science In %, based on sales 2020 €18.8bn



## Sales by Region – Bayer Crop Science In %, in 2020 €18.8bn

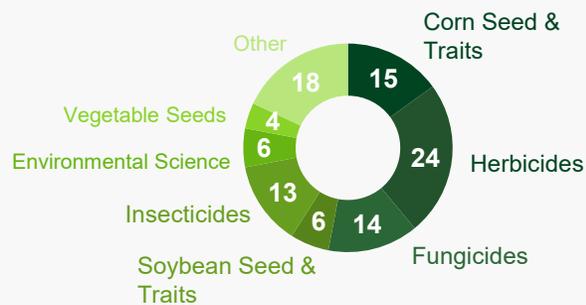


## Market Positions<sup>1</sup>

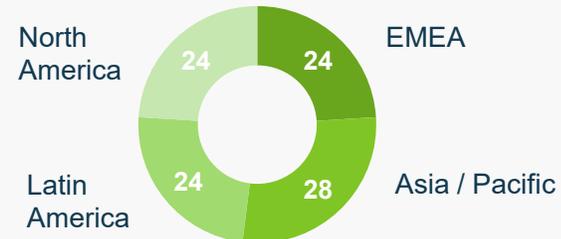


Corn S&T	#1
Soybean S&T	#1
Vegetable Seeds	#2
Herbicides	#1
Fungicides	#2
Insecticides	#3

## Product areas – Ag Input Market In %, based on sales 2020 ~€100bn<sup>1</sup>



## Sales by Region – Ag Input Market In %, in 2020 ~€100bn<sup>1</sup>



## Key Products



<sup>1</sup> Source: Company estimates. Market positions based on 2019 data.



# Crop Science Mid-Term Targets

A Clear Plan to Outperform the Market and Expand Industry-Leading Profitability

## Sales / Sales Growth

Actual	cpa	At month-end Dec. 20 rates <sup>1</sup>
2020	2021e*	2022-'24e

Crop  
Science

€18.8bn	~ 7%	3% to 5%
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## EBITDA Margin (before special items)

	At month-end Dec. 20 rates <sup>1</sup>	
2020	2021e	2024e

Crop  
Science

24.1%	~ 23%	27% to 29%
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## Divisional Drivers

CAGR cpa  
2020-'24<sup>2</sup>

Sales:

- 3-4%** • **Herbicides:** Xtendimax with VaporGrip Xtra recovery, Bayer Plus and other integrated offerings, pricing
- 6-7%** • **Fungicides and Insecticides:** New products like Fox Xpro, iblon, Luna and Vayego, integrated offerings
- 3-4%** • **Corn S&T:** New hybrids, VTPro4 and SmartStax PRO traits
- 1-2%** • **Soybean S&T:** Transition in 2021, then grow thereafter with trait upgrades in the Americas
- 4-5%** • **Vegetable Seeds:** New hybrids/varieties
- 1-2%** • **Other:** ThryvOn Technology, U.S. and Brazil cotton, offset by loss of TSA sales to BASF

cEBITDA:

- Pricing lift from innovation and FX recovery in Brazil, augmented by new cost efficiency program; assumes Dec. 20 currency rates throughout plan.

\* As updated in August 2021

cpa: currency and portfolio adjusted

<sup>1</sup>Currency assumptions based on month-end December spot rates (1 EUR=) 1.23 USD, 6.37 BRL, 7.98 CNY, 126 JPY, 24.4 MXN, 91.5 RUB.

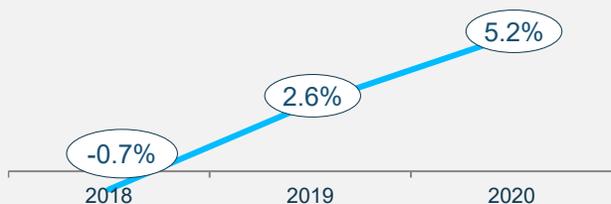
<sup>2</sup>CAGR from 2020 base year.



# Consumer Health: A Leading Global OTC Player

## Sales development

In €m / % yoy cpa



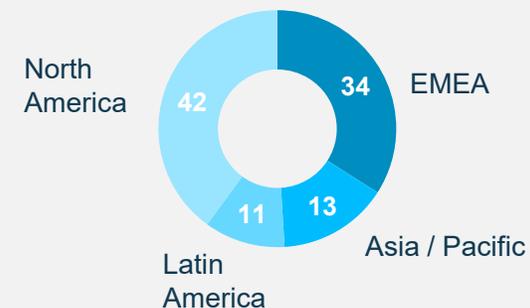
## EBITDA margin development

In %, before special items



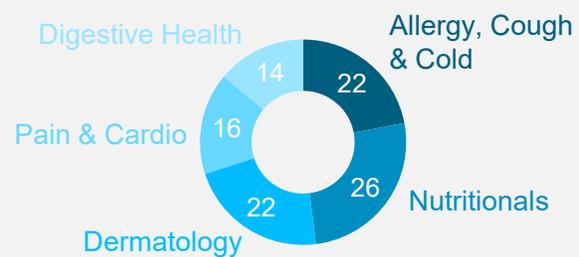
## Sales by region

In %, in 2020



## Categories

In %, based on sales 2020



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



## Key products



<sup>1</sup> Nicholas Hall & Company DB6 October 2020



# Consumer Health: Sustainable Profitable Growth

## Sales / Sales Growth

— act — At constant currencies<sup>1</sup> — At month-end Dec' 20 rates<sup>2</sup>—

2020 2021e\* 2022-'24e

€5.1bn 3 to 4% 3 to 5%

Consumer Health

## EBITDA Margin (before special items)

2020 2021e 2024e

22.0% 22 - 23% Mid-20's

Consumer Health

## Divisional Drivers

- Net Sales to grow above market
- cEBITDA improvement through growth acceleration and continued efficiency gains
- Focus on continued Cash Flow improvement

\* As updated in August 2021

cpa: currency and portfolio adjusted

<sup>1</sup> Reflects our 2021 plan at the average actual currencies for 2020 <sup>2</sup> Currency assumptions based on month-end December spot rates (1 EUR=) 1.23 USD, 6.37 BRL, 7.98 CNY, 126 JPY, 24.4 MXN, 91.5 RUB



Bayer AG

# Morgan Stanley Global Healthcare Conference



## Investment Case

September 14, 2021

