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## Investor News

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### Capital Markets Day 2018

## **Bayer to drive value creation as company pursues ambitious growth targets through 2022**

- Company strongly positioned to benefit from key megatrends
- Through 2022, Bayer aims to grow sales by 4 percent, EBITDA before special items by 9 percent and free cash flow by 18 percent annually on average
- Adjusted EBITDA margin targets for 2022: Crop Science to exceed 30 percent, Pharmaceuticals to hit more than 35 percent, and Consumer Health to reach approximately 24 percent

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**London/Leverkusen, December 5, 2018** – The Bayer Group aims to significantly enhance its performance in the coming years and has set itself ambitious growth and margin targets through 2022. “Following our transformation into a life science company with leading businesses in health and nutrition, we are strongly positioned to benefit from key megatrends,” commented Werner Baumann, Chairman of the Board of Management of Bayer AG, on Wednesday at Bayer’s Capital Markets Day in London. “We will create substantial value by leveraging our innovation capabilities into growth, improved profitability and a higher cash flow. The recently announced efficiency and structural measures will further support us in these endeavors. All of Bayer’s divisions are expected to contribute to an improvement in Group performance through 2022 and beyond.”

Bayer is targeting sales growth of approximately 4 percent next year and an annual average of 4 to 5 percent in the following years through 2022, based on constant foreign exchange rates. This corresponds to an increase in sales from an anticipated 44.6 billion euros (pro forma) in 2018 to around 46 billion euros in 2019 and to approximately 52 billion euros in 2022. The target for EBITDA before special items is average annual growth of 9 percent, with an increase from an anticipated 11.5 billion euros (pro forma) in

2018 to around 12.2 billion euros in 2019 and to approximately 16 billion euros in 2022. The EBITDA margin before special items is expected to amount to about 26 percent in 2018 (pro forma), with a target of around 27 percent in 2019 and more than 30 percent in 2022. As previously announced, Bayer is targeting an average annual increase for core earnings per share (core EPS) of around 10 percent. Core EPS is expected to amount to 5.70 to 5.90 euros in 2018 in line with previous guidance, with a target of around 6.80 euros in 2019 and approximately 10 euros in 2022.

The 2018 pro-forma figures are based on the assumption that the acquisition of Monsanto and the corresponding divestments – including financing measures – had already taken place as of January 1, 2018. The mid-term guidance takes into account the effects of the efficiency and structural measures announced on November 29. Not included are the planned divestiture of Bayer's Animal Health business unit, the sale of Consumer Health brands Coppertone™ and Dr. Scholl's™, as well as the divestment of Bayer's 60-percent interest in the German site services provider Currenta.

### **All divisions to increase sales and enhance profitability**

**Crop Science** sales are expected to increase by 4 percent in 2019, based on this year's expected pro-forma sales of 19.3 billion euros. Between 2019 and 2022, Bayer is targeting average annual sales growth of more than 4 percent at the division. Crop Science's EBITDA margin before special items is expected to amount to approximately 23 percent in 2018, with a target of around 25 percent in 2019 and over 30 percent in 2022. This increase is based on expected pro-forma EBITDA before special items of 4.5 billion euros in 2018. Crop Science will leverage its industry-leading market position and research and development (R&D) capabilities to deliver world class innovation that benefits farmers and society, harnessing digital innovation to provide tailored solutions.

**Pharmaceuticals** sales are expected to increase by 4 percent in 2019, with average annual growth of 4 to 5 percent targeted between 2019 and 2022. The division's EBITDA margin before special items is expected to amount to 33 percent in 2018, with a target of approximately 34 percent in 2019 and over 35 percent in 2022. The division's long-term growth prospects are based on delivering pipeline output and successful sourcing of external innovation.

Bayer is targeting accelerated sales at **Consumer Health**, with growth gradually increasing to 3 to 4 percent by 2022 from approximately 1 percent in 2019. The division's

EBITDA margin before special items is expected to increase to approximately 21 percent in the coming year. Taking into account portfolio changes, Bayer is targeting an increase in the Consumer Health Division's EBITDA margin before special items to approximately 24 percent by 2022. Key drivers of the improvement under the new leadership team are the announced portfolio changes that sharpen the division's focus on its core over-the-counter categories, accelerated innovation to enhance growth, a modernized marketing and sales strategy to promote the division's strong brands and targeted efficiencies in the range of 500 million euros by 2022.

### **Strong cash flow for higher dividend, deleveraging and improved innovation capabilities**

Between 2019 and 2022, Bayer is targeting a total of approximately 23 billion euros in free cash flow. Free cash flow generation is targeted to accelerate by an annual average of 18 percent compared to the 2018 base year – hitting approximately 8 billion euros in 2022. “We intend to use these funds, together with the additional cash generated from the announced portfolio measures, to further increase dividends and to continue to reduce net financial debt in order to reach financial metrics in line with our A-category credit rating target. Beyond that, we will also explore the option of utilizing a significant portion of the divestment proceeds for share buybacks,” said Chief Financial Officer Wolfgang Nickl. Due to the new IFRS accounting standard on leasing Bayer's net debt level is expected to remain stable at around 36 billion euros in 2019, and then targeted to decrease significantly to between 26 and 28 billion euros by 2022. “Furthermore, the resources will support our efforts to strengthen Bayer's innovative capabilities and finance selective bolt-on acquisitions,” Nickl stated.

Over the past decade and a half, Bayer has transformed from a diversified chemicals and pharmaceuticals group into a life science company with leading positions in health and nutrition, very well positioned to benefit from the megatrends of a growing and aging world population. As an innovation leader, Bayer aims to invest a total of around 35 billion euros in the company's future through the end of 2022 alone with R&D accounting for over two thirds of this figure and capital expenditures for just under one third.

The Crop Science Division features a pipeline with more than 75 projects. Bayer's Pharmaceuticals Division has about 50 projects in clinical development. In addition to the successful advancement of the internal R&D activities, Bayer's reconfigured innovation approach at Pharmaceuticals also includes an increased focus on external sourcing of

innovative technologies, for example via licensing agreements and collaborative research models.

“Through our leading position in health and nutrition, we are creating substantial value for our shareholders and society,” Baumann said. “In doing so, we are utilizing our innovation capabilities, improved profitability and disciplined capital allocation policy, building upon our renowned Bayer brand and the highest sustainability standards it stands for.”

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This news release contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, but rather reflects Bayer's current beliefs, expectations and assumptions regarding the future. This applies, in particular, to statements in this presentation on revenue growth, including product introductions and peak sales potential, synergies, especially in relation to the acquisition and integration of Monsanto Company, portfolio adjustments, cost reduction, financial targets and earnings, cash flow generation, deleveraging and other similar statements relating to future performance, including with respect to the markets in which Bayer is active. Although the forward-looking statements contained in this presentation are based upon what Bayer's management believes are reasonable assumptions, they necessarily involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Forward-looking statements are not guarantees of future performance and undue reliance should not be placed on them. Bayer undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.

For more information on factors that could cause actual results and future events to differ from those anticipated in forward looking statements, please refer to the factors discussed in Bayer's public reports which are available on the Bayer website at <https://www.investor.bayer.de/en/reports/annual-reports/overview>, including in the Annual Report 2017 under the caption "Report on Future Perspectives and on Opportunities and Risks".