

# Teva Pharmaceutical Industries Ltd. First Quarter 2020 Results

May 7, 2020



# Cautionary Note Regarding Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are based on management's current beliefs and expectations and are subject to substantial risks and uncertainties, both known and unknown, that could cause our future results, performance or achievements to differ significantly from that expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks relating to:

- our ability to successfully compete in the marketplace, including: that we are substantially dependent on our generic products; consolidation of our customer base and commercial alliances among our customers; the increase in the number of competitors targeting generic opportunities and seeking U.S. market exclusivity for generic versions of significant products; competition for our specialty products, especially COPAXONE®, our leading medicine, which faces competition from existing and potential additional generic versions, competing glatiramer acetate products and orally-administered alternatives; the uncertainty of commercial success of AJOVY® or AUSTEDO®; competition from companies with greater resources and capabilities; delays in launches of new products and our ability to achieve expected results from investments in our product pipeline; ability to develop and commercialize biopharmaceutical products; efforts of pharmaceutical companies to limit the use of generics, including through legislation and regulations and the effectiveness of our patents and other measures to protect our intellectual property rights;
- our substantial indebtedness, which may limit our ability to incur additional indebtedness, engage in additional transactions or make new investments, may result in a further downgrade of our credit ratings; and our inability to raise debt or borrow funds in amounts or on terms that are favorable to us;
- our business and operations in general, including uncertainty regarding the magnitude, duration, and geographic reach of the COVID-19 pandemic and its impact on our business, financial condition, operations, cash flows, and liquidity and on the economy in general; manufacturing or quality control protocols; interruptions in our supply chain, including due to potential effects of the COVID-19 pandemic on our operations and business in geographic locations impacted by the pandemic and on the business operations of our customers and suppliers; our ability to successfully execute and maintain the activities and efforts related to the measures we have taken or may take in response to the COVID-19 pandemic and associated costs therewith; challenges associated with conducting business globally, including adverse effects of the COVID-19 pandemic; costs resulting from the extensive governmental regulation to which we are subject or delays in governmental processing time due to modified government operations due to the COVID-19 pandemic, including effects on product and patent approvals due to the COVID-19 pandemic; disruptions of information technology systems; and our ability to successfully compete in the marketplace;
- our business and operations in general, including: effectiveness of our restructuring plan announced in December 2017; our ability to attract, hire and retain highly skilled personnel; our ability to develop and commercialize additional pharmaceutical products; compliance with anti-corruption sanctions and trade control laws; manufacturing or quality control problems; interruptions in our supply chain; disruptions of information technology systems; breaches of our data security; variations in intellectual property laws; challenges associated with conducting business globally, including adverse effects of political or economic instability, major hostilities or terrorism; significant sales to a limited number of customers; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; our prospects and opportunities for growth if we sell assets and potential difficulties related to the operation of our new global enterprise resource planning (ERP) system;
- compliance, regulatory and litigation matters, including: increased legal and regulatory action in connection with public concern over the abuse of opioid medications in the U.S. and our ability to reach a final resolution of the remaining opioid-related litigation; costs and delays resulting from the extensive governmental regulation to which we are subject; the effects of reforms in healthcare regulation and reductions in pharmaceutical pricing, reimbursement and coverage; governmental investigations into S&M practices; potential liability for patent infringement; product liability claims; increased government scrutiny of our patent settlement agreements; failure to comply with complex Medicare and Medicaid reporting and payment obligations; and environmental risks;
- other financial and economic risks, including: our exposure to currency fluctuations and restrictions as well as credit risks; potential impairments of our intangible assets; potential significant increases in tax liabilities; and the effect on our overall effective tax rate of the termination or expiration of governmental programs or tax benefits, or of a change in our business;

and other factors discussed in our Quarterly Report on Form 10-Q for the first quarter of 2020 and Annual Report on Form 10-K for the year ended December 31, 2019, including in the sections captioned "Risk Factors" and "Forward-looking statements." Forward-looking statements speak only as of the date on which they are made, and we assume no obligation to update or revise any forward-looking statements or other information contained herein, whether as a result of new information, future events or otherwise. You are cautioned not to put undue reliance on these forward-looking statements.

## Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures as defined by SEC rules. Please see our press release reporting our 2020 first quarter financial results, as well as our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, for a reconciliation of the GAAP results to the adjusted non-GAAP figures. The non-GAAP data presented by Teva are the results used by Teva's management and board of directors to evaluate the operational performance of the company, to compare against the company's work plans and budgets, and ultimately to evaluate the performance of management. Teva provides such non-GAAP data to investors as supplemental data and not in substitution or replacement for GAAP measure, because management believes such data provides useful information to investors. A reconciliation of forward-looking non-GAAP estimates to the corresponding GAAP measures is not being provided due to the unreasonable efforts required to prepare it.



# Kåre Schultz

Chief Executive Officer



# Teva's Response to COVID-19



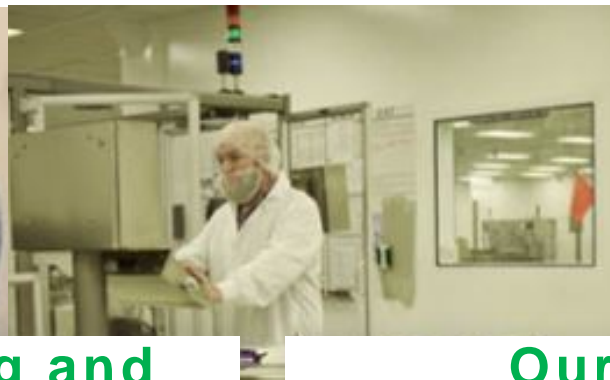
## Business Continuity

- ❖ ~200 million patients continue to have access to our essential medicines
- ❖ Minimal impact to our R&D programs and product launches
- ❖ Positive evolution of digital capabilities for field sales force
- ❖ No job losses related to COVID-19



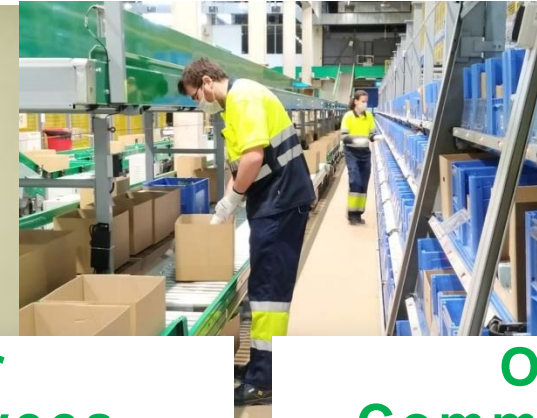
## Sourcing and Production

- ❖ All facilities remain open to meet demand for our essential medicines
- ❖ Adequate inventory of raw materials and finished products across our global network
- ❖ Safe supply and transport of our medicines and APIs remains largely uninterrupted



## Our Employees

- ❖ The health and well-being of our employees is our priority
- ❖ Number of people in our facilities were limited to only those who are essential and may not work remotely
- ❖ Strict guidelines in place to protect and ensure safety of employees including personal protective equipment, hygiene and social distancing



## Our Communities

- ❖ Supporting local governments and health efforts to curb the pandemic
- ❖ Millions of tablets of investigational treatment are being provided to governments and hospitals
- ❖ Production of both API and finished doses for potential treatments are being secured and scaled



# COVID-19 Dynamics

Positive	Risk
- Industry and governments working together to ensure availability of essential medicines	- Sources of raw material and finished dosage concentrated in a few countries
- Worldwide demand for new and existing medicines has not changed	- Overstocking of certain medicines can change the supply dynamics and disrupt forecasting
- New digital capabilities for sales; healthcare moving to virtual system	- Reduced interaction can impact utilization of recently launched products and products with label changes
- No material impact to clinical trials currently ongoing	- Patient recruitment for new trials could face delays

# Q1 2020 Highlights

## Financial

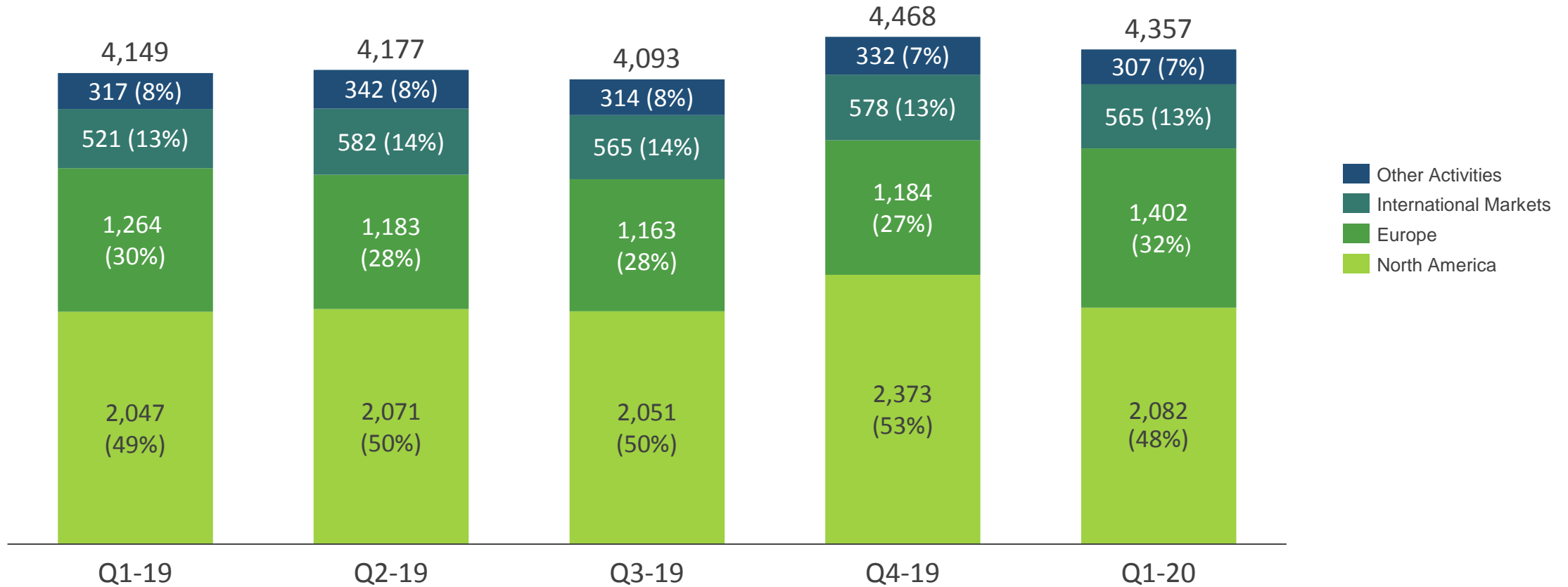
- Revenues of \$4.4 billion
- Non-GAAP EBITDA of \$1.4 billion
- GAAP EPS of \$0.06; Non-GAAP EPS of \$0.76
- Free cash flow of >\$550 million; >\$2.2 billion accumulated last 4 quarters
- Net debt reduction of \$600 million to \$24.3 billion
- 2020 outlook reaffirmed

## Business

- AJOVY<sup>®</sup> Autoinjector approved in the U.S.; launch initiated in April 2020
- AJOVY<sup>®</sup> launches continue in EU; reimbursement now in 12 countries, NICE approval
- Launch of biosimilar HERZUMA<sup>®</sup> in U.S.
- ArmonAir<sup>®</sup> Digihaler<sup>™</sup> approved in U.S.
- BENDEKA<sup>®</sup>/TREANDA<sup>®</sup> ODE exclusivity extended to December '22
- Positive ruling protecting BENDEKA<sup>®</sup> patents until 2031

# Revenue Development

\$ millions



# Growth Drivers



**Austedo**<sup>®</sup>  
(deutetrabenazine)  
6 mg, 9 mg, and 12 mg tablets

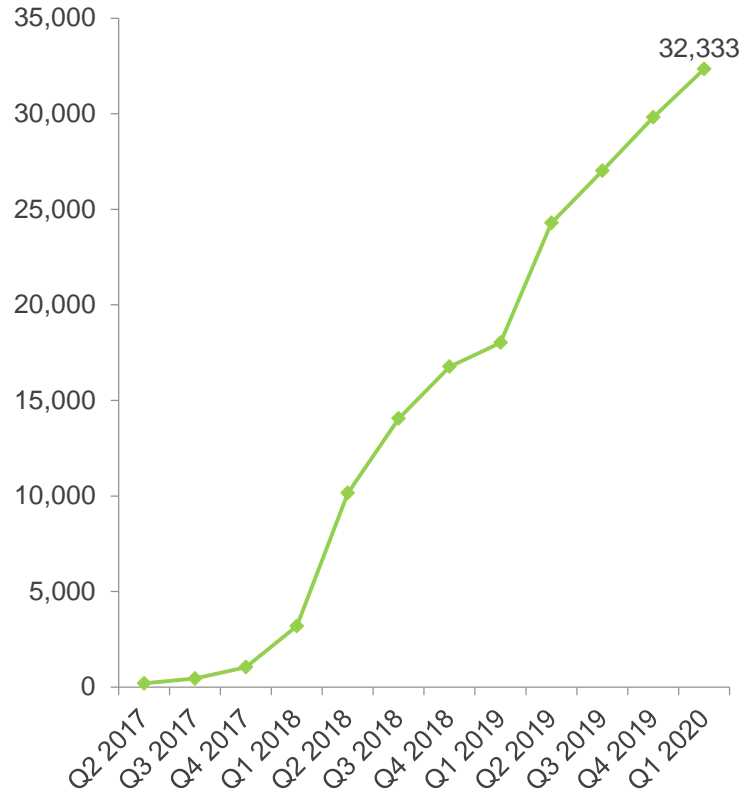
**AJOVY**<sup>®</sup>  
(fremanezumab-vfrm)  
injection 225 mg/1.5 mL





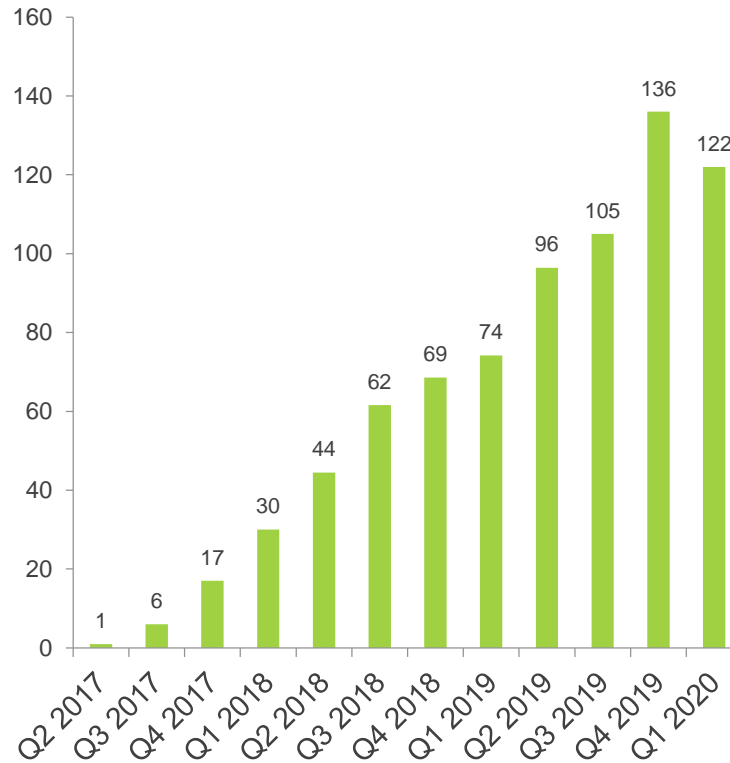
# AUSTEDO® TRx and Net Sales Trend

AUSTEDO® TRx Count Per Quarter



Source: IQVIA U.S. NPA Audit

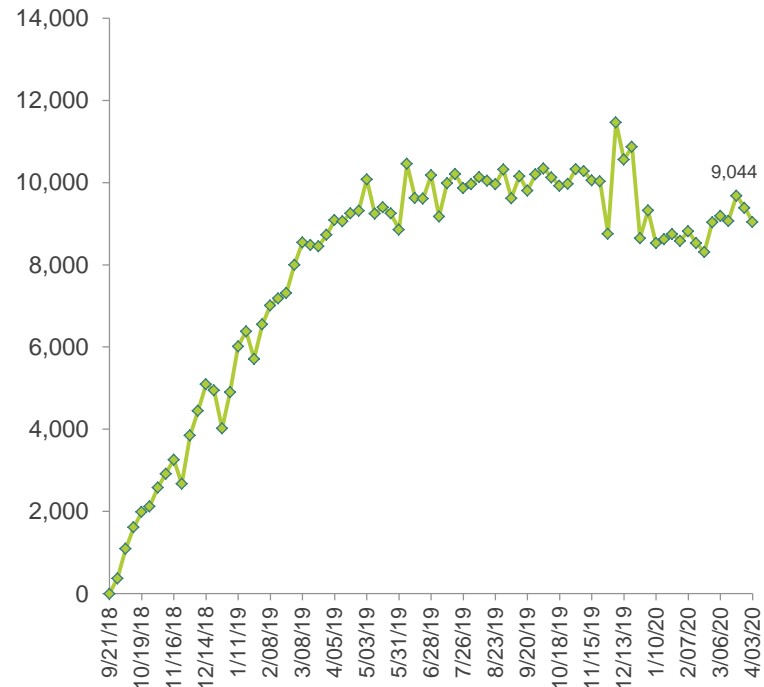
AUSTEDO® Revenues By Quarter (\$ million)



Highlights

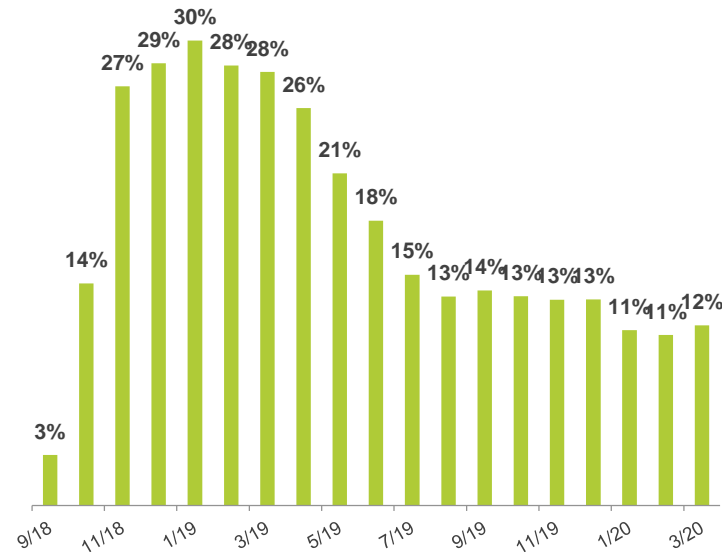
- \$122M in U.S. net sales for Q1 2020
- ~32K prescriptions dispensed in Q1 2020
- Favorable national formulary coverage
  - Commercial: 89%
  - Medicare Part D: 85%

## AJOVY™ Weekly Normalized TRx Count – U.S.



Source: IQVIA NPA TRx (weekly), normalized - wk ending 04/03/20

## AJOVY™ NBRx Share\* - U.S.



\*monthly NBRx share estimated from weekly NBRx data

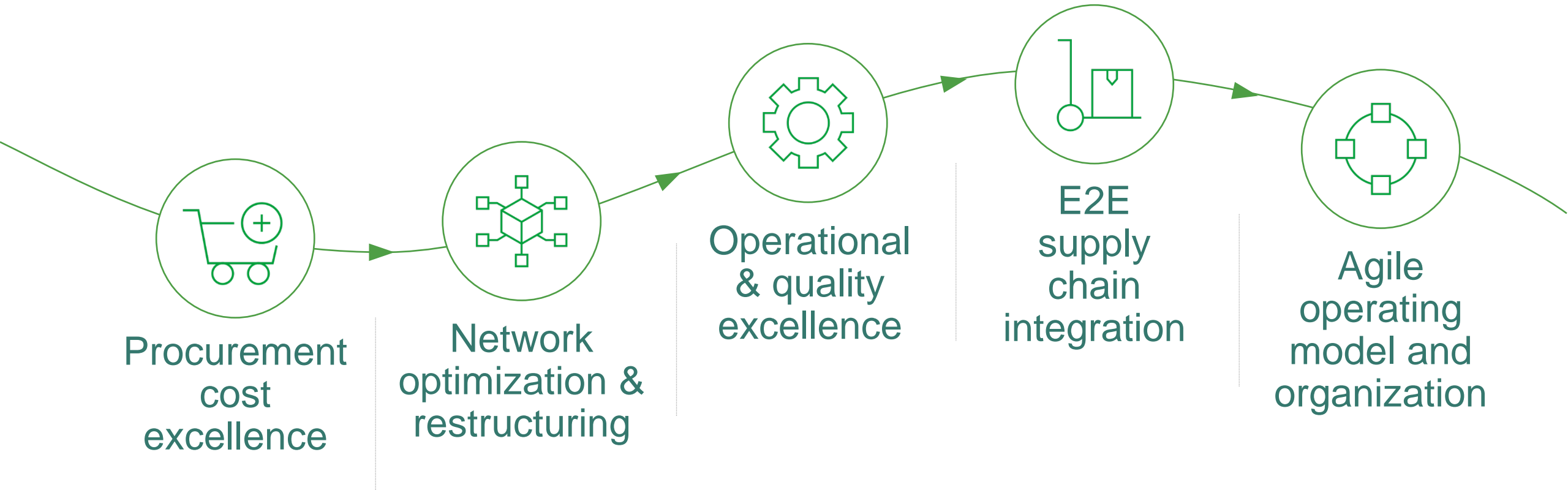
Source: IQVIA NPA MD (weekly)

## Highlights

- \$29M in U.S. net sales for Q1 2020
- Normalized TRx Share\* of ~15%
- Share is trending upward with changes in promotional strategy; expected to continue with intro of autoinjector in April 2020
  - >80% of patients prefer to use an autoinjector
  - Increased commercial patient savings offers
- AJOVY® launches continue in EU; reimbursement now in 12 countries, NICE approval
- Approved in Canada April 2020

\*for week ending 04/10/2020

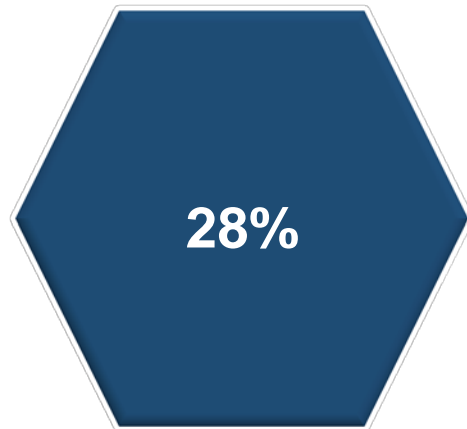
# Gross Margin Improvement Program Focused on 5 Key Levers



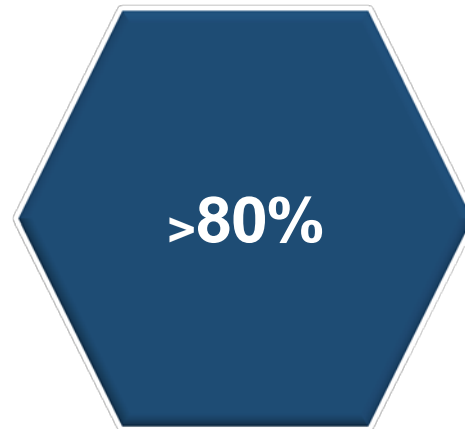
# Long-Term Financial Targets

To be achieved by year-end 2023

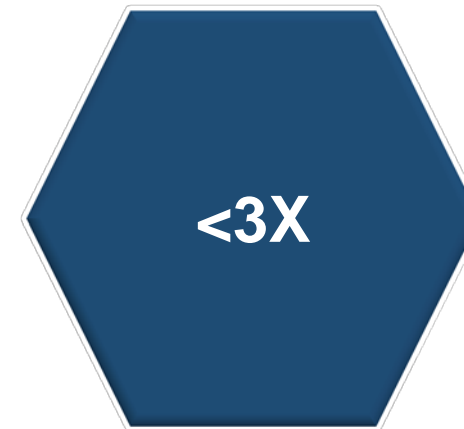
Operating Income Margin <sup>(1)(2)(3)</sup>



Cash-to-earnings <sup>(1)(3)(4)</sup>



Net debt/EBITDA <sup>(1)(3)(5)</sup>



Committed to utilizing cash flow to pay down debt; we do not plan to raise equity

(1) Free cash flow includes cash flow generated from operating activities net of capital expenditures and deferred purchase price cash component collected for securitized trade receivables.

(2) Operating income margin = Non-GAAP operating income divided by net revenues.

(3) All measures including operating income, EBITDA and earnings are presented on a non-GAAP basis.

(4) Cash to earnings = free cash flow divided by non-GAAP net income attributable to ordinary shareholders.

(5) Net debt/EBITDA = Net debt/non-GAAP EBITDA.

# Eli Kalif

EVP & Chief Financial Officer



# Q1 2020 Summary

\$ millions, except EPS	Q1 2020	Q1 2019	Q1 2020	Q1 2019
	GAAP		Non-GAAP	
Revenues*	4,357	4,149	4,357	4,149
Operating income	191	134	1,244	1,019
Net income (loss)	69	(105)	835	654
Earnings (loss) per share (\$)	0.06 1,096 million shares	(0.10) 1,090 million shares	0.76 1,096 million shares	0.60 1,093 million shares

# Non-GAAP Adjustments

\$ millions	Q1 2020	Comments
Impairment items*	724	Mainly comprised of impairments of long-lived intangible assets including results in AUSTEDO for the treatment of Tourette syndrome, ongoing regulatory pricing reductions and generic competition in Japan and updated marketing assumptions regarding price and volumes of certain generic products in the U.S.
Amortization	258	Quarterly run-rate
Restructuring	39	
Equity compensation plans	30	
Other items	37	Finance revaluation of investments, and divestment expenses for sites slated for closure
Legal settlements	(25)	
Minority	(63)	
Tax items effect	(234)	
<b>Total adjustments</b>	<b>766</b>	

# Q1 2020 Non-GAAP Summary

\$ billions, except EPS	Q1 2020	Q1 2019	Change
Revenues*	4.4	4.1	5%
Gross profit	2.3 53.1%	2.1 51.8%	8%
Operating income	1.2 28.5%	1.0 24.6%	22%
EBITDA	1.4	1.2	19%
Net income	0.8	0.7	28%
EPS (\$)	0.76 1,096 million shares	0.60 1,093 million shares	27%
<b>Free cash flow**</b>	<b>0.6</b>	<b>0.4</b>	<b>53%</b>

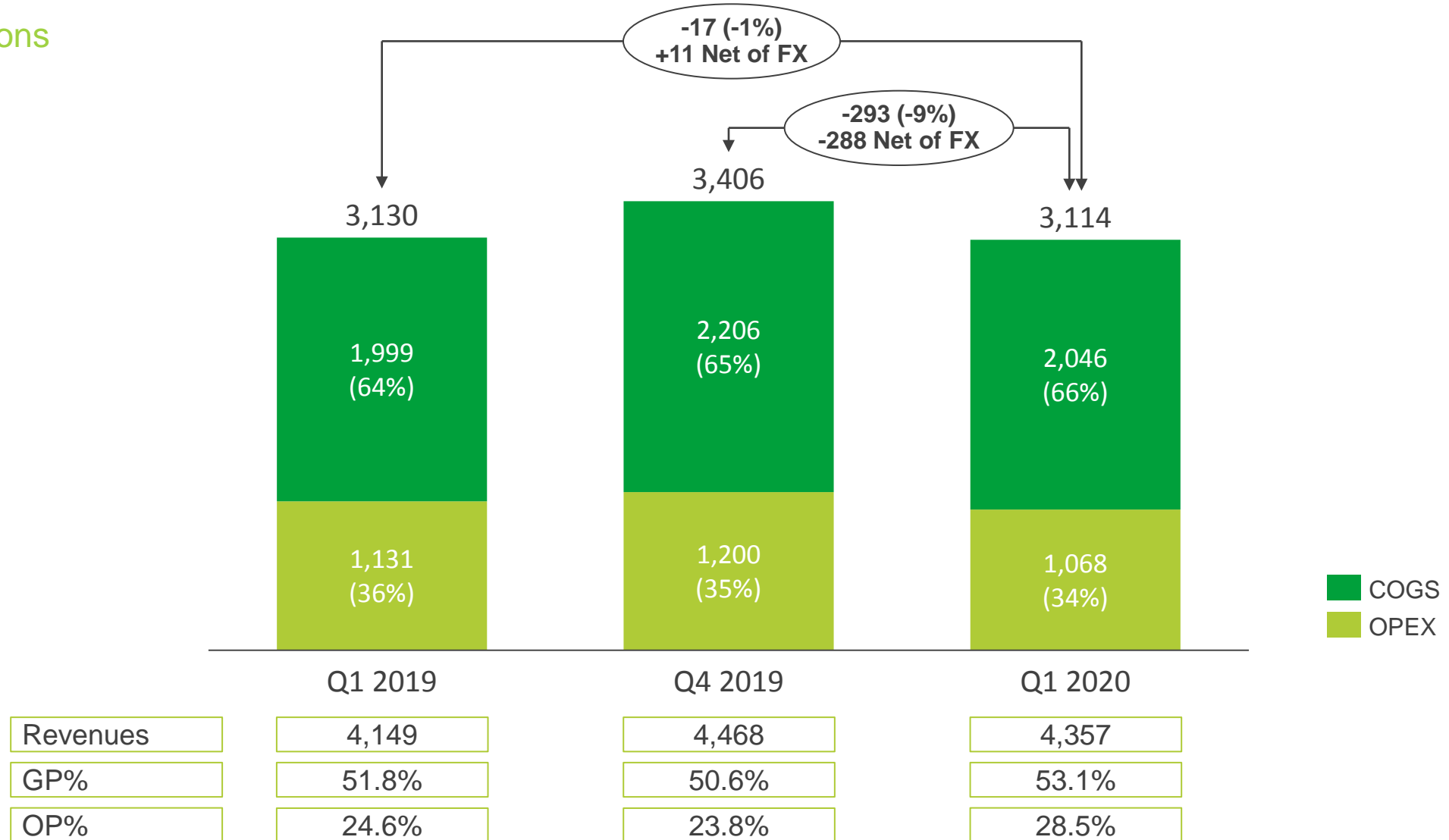


# Revenues by Activity and Geographical Area

\$ millions	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20
<b>North America Segment</b>	<b>2,047</b>	<b>2,071</b>	<b>2,051</b>	<b>2,373</b>	<b>2,082</b>
Generic Medicines	966	946	914	1,137	952
COPAXONE®	208	274	271	264	198
AJOVY	20	23	25	25	29
BENDEKA and TREANDA	122	125	124	125	105
ProAir®*	59	65	71	80	59
QVAR®	64	60	60	67	45
AUSTEDO	74	96	105	136	122
Distribution	379	351	351	412	426
Other	155	131	131	128	146
<b>Europe Segment</b>	<b>1,264</b>	<b>1,183</b>	<b>1,163</b>	<b>1,184</b>	<b>1,402</b>
Generic Medicines	919	844	836	871	1,032
COPAXONE	114	107	106	106	109
Respiratory products	91	89	87	86	106
Other	140	143	134	122	155
<b>International Markets Segment</b>	<b>521</b>	<b>582</b>	<b>565</b>	<b>578</b>	<b>565</b>
Generic Medicines	441	489	474	489	449
COPAXONE	13	13	20	17	12
Other	67	80	71	73	104
<b>Other</b>	<b>317</b>	<b>342</b>	<b>314</b>	<b>332</b>	<b>307</b>
<b>Total Teva</b>	<b>4,149</b>	<b>4,177</b>	<b>4,093</b>	<b>4,468</b>	<b>4,357</b>

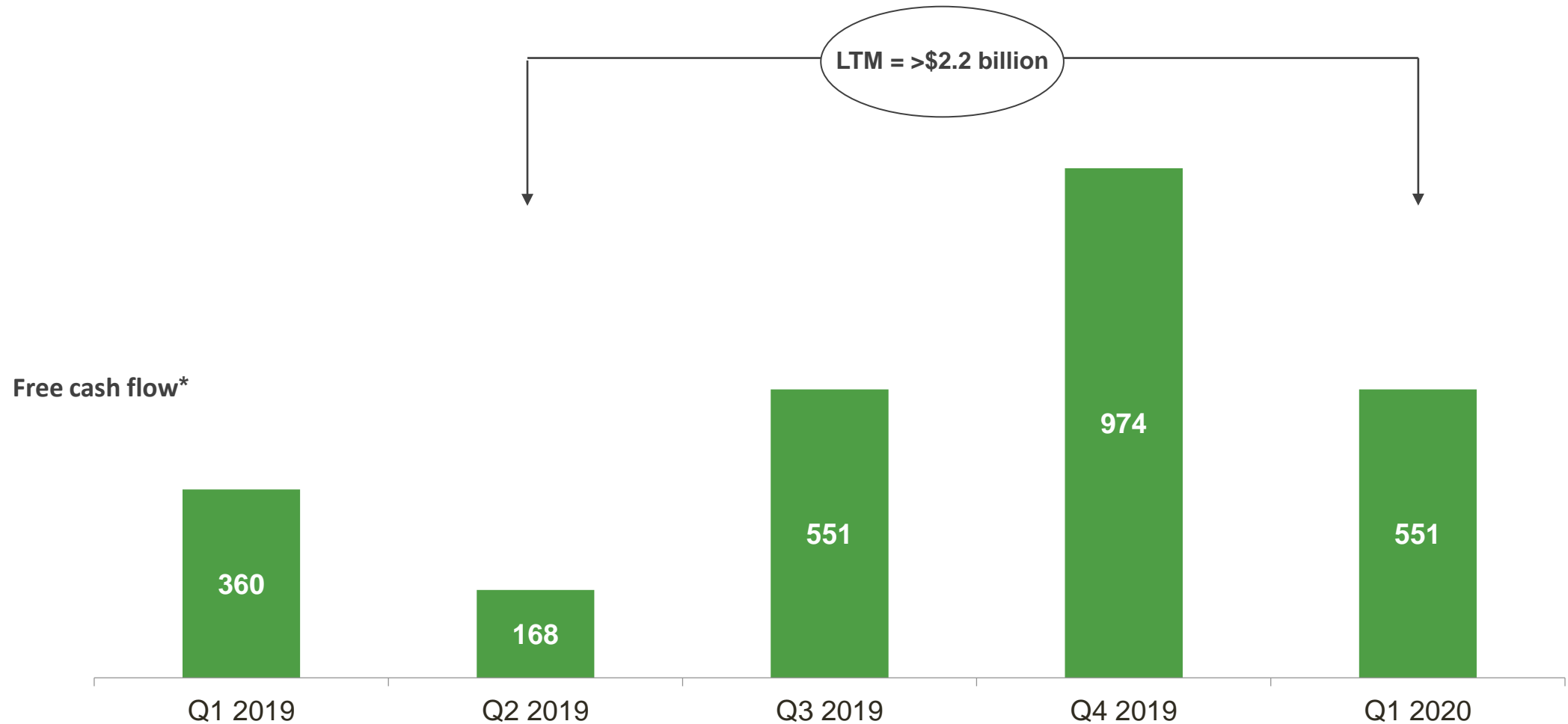
# Spend Base

\$ millions



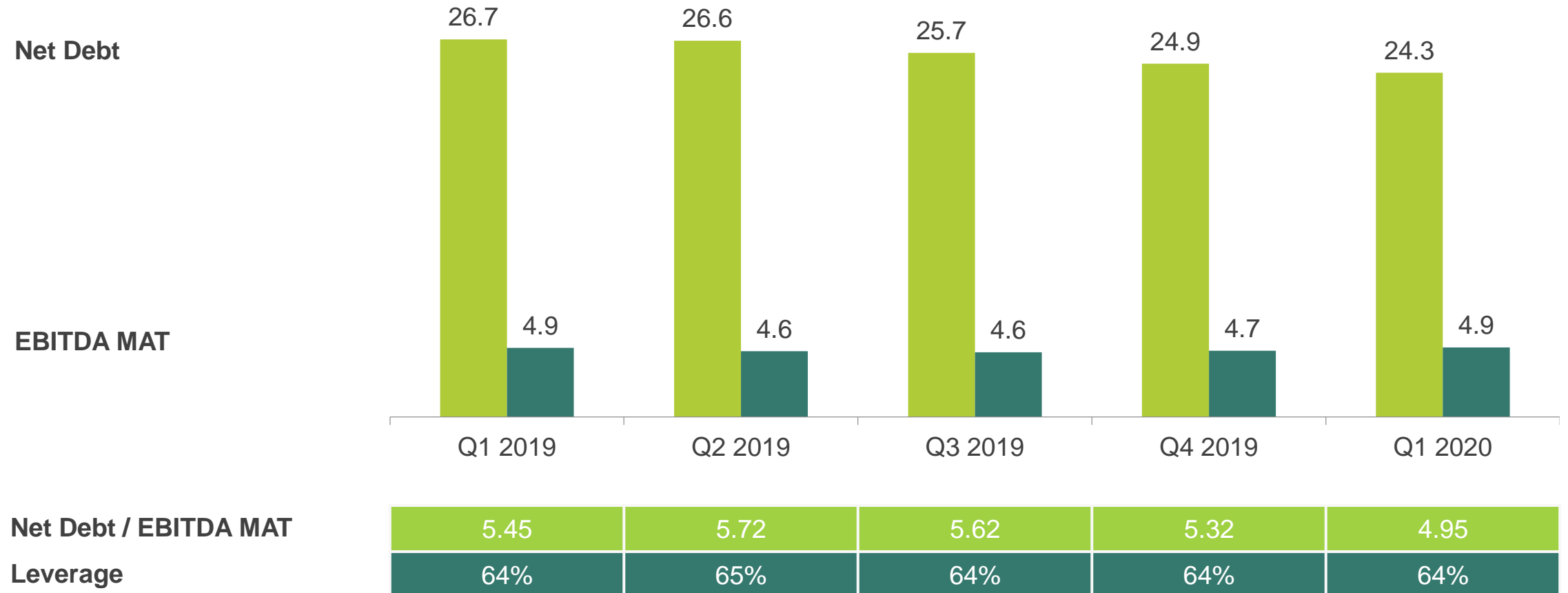
# Free Cash Flow

\$ millions



# Liquidity

\$ billions



# 2020 Outlook - Main Assumptions

Product / Business	FY 2019	Commentary for 2020
<b>Global COPAXONE</b>	\$1.5 billion	Continued generic erosion; revenues of ~\$1.2 billion
<b>AUSTEDO</b>	\$412 million	Continued increase of revenues in the U.S. to ~\$650 million
<b>Global AJOVY</b>	\$96 million	Continued increase of revenues to ~\$250 million
<b>Foreign Exchange</b>		Volatile swings in FX can negatively impact revenue and income
<b>Non-GAAP Tax Rate</b>	18%	17% - 18%
<b>CAPEX</b>	\$0.5 billion	\$0.6 billion

# Reaffirming 2020 Non-GAAP Outlook

\$ billions, except EPS	2020 Outlook	FY 2019
<b>Revenues</b>	16.6 - 17.0	16.9
<b>Operating Income</b>	4.0 - 4.4	4.1
<b>EBITDA</b>	4.5 - 4.9	4.7
<b>EPS (\$)</b>	2.30 - 2.55 1,098 million shares	2.40 1,094 million shares
<b>Free Cash Flow*</b>	1.8 - 2.2	2.1

Q&A

# Additional Information



# Quarterly GAAP Income Statement

\$ millions, except EPS	Q1 2020	Q1 2020 Margins	Q1 2019	Q1 2019 Margins	Change
<b>Revenues*</b>	<b>4,357</b>		<b>4,149</b>		<b>5%</b>
COGS*	2,294	52.7%	2,293	55.3%	0%
<b>Gross profit</b>	<b>2,063</b>	<b>47.3%</b>	<b>1,856</b>	<b>44.7%</b>	<b>11%</b>
R&D	221	5.1%	261	6.3%	(15%)
S&M	613	14.1%	648	15.6%	(5%)
G&A	304	7.0%	292	7.0%	4%
Legal settlements and loss contingencies	(25)	(0.6%)	57	1.4%	n/a
Impairments, restructuring and others	770	17.7%	470	11.3%	64%
Other income	(13)	(0.3%)	(6)	(0.1%)	115%
<b>Operating income</b>	<b>191</b>	<b>4.4%</b>	<b>134</b>	<b>3.2%</b>	<b>43%</b>
Finance exp.	224	5.2%	218	5.3%	3%
Tax	(59)	181.3%	9	(10.8%)	n/a
Minority and share in profit (loss)	(43)	(1.0%)	12	0.3%	n/a
<b>Net income attributable to Teva</b>	<b>69</b>	<b>1.6%</b>	<b>(105)</b>	<b>(2.5%)</b>	<b>n/a</b>
Dividends on preferred shares	-		-		
<b>Net income attributable to ordinary shareholders</b>	<b>69</b>		<b>(105)</b>		
# of shares (diluted, millions)	1,096		1,090		
<b>Earnings (loss) per share (\$)</b>	<b>0.06</b>		<b>(0.10)</b>		<b>n/a</b>

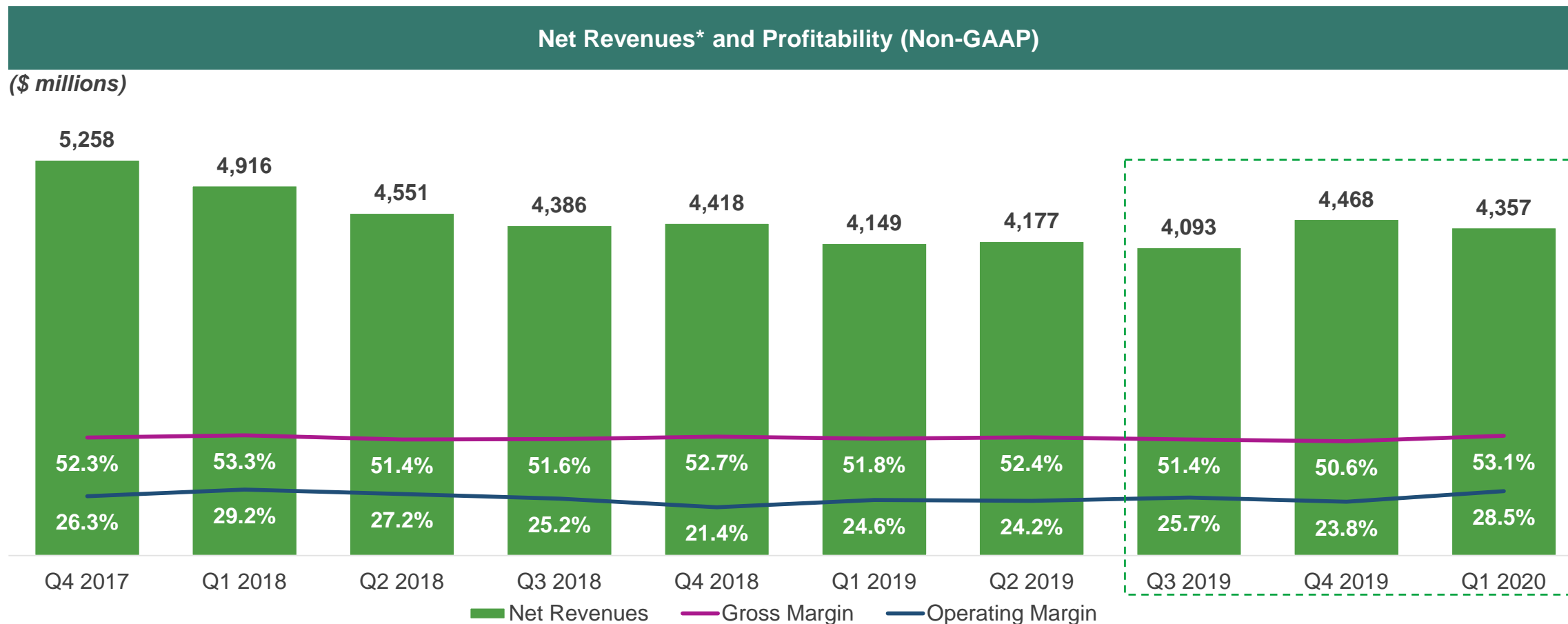
Some amounts may not sum due to rounding.

# Q1 2020 Foreign Exchange Impact

\$ millions	Q1 2020	Q1 2019	Diff	FX Effect*	Diff net FX
Revenues	4,357	4,149	208	(3)	211
Operating income <b>GAAP</b>	191	134	57	27	31
Operating income <b>Non-GAAP</b>	1,244	1,019	225	25	200

Some amounts may not sum due to rounding.

# Net Revenue and Profitability (1/2)<sup>(1)</sup>

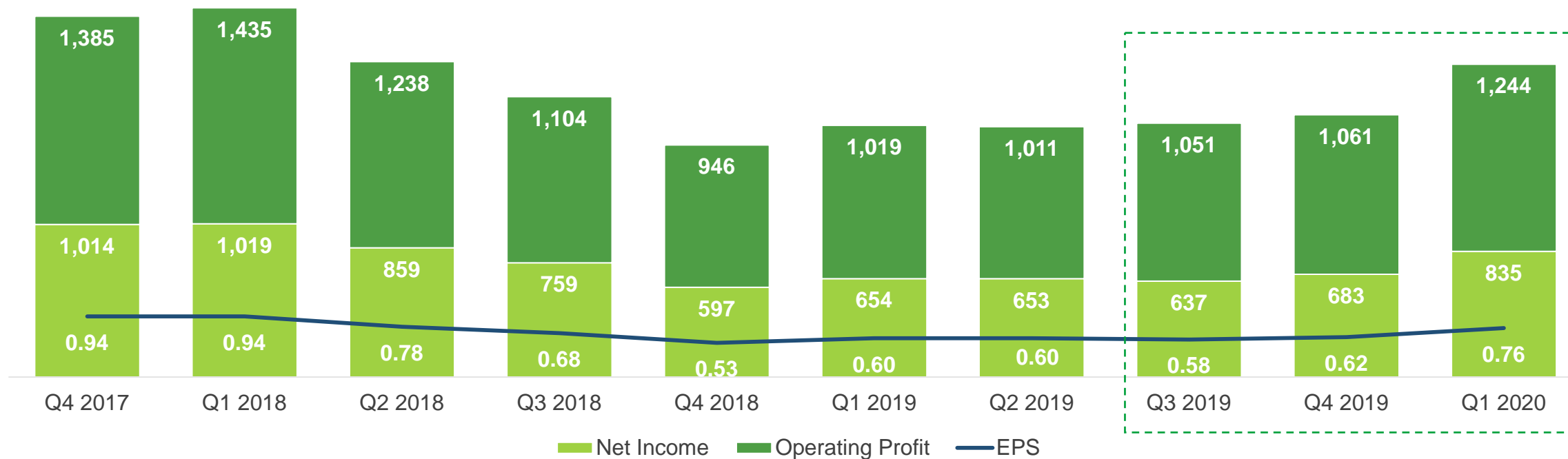


(1) Source: Company filings.

# Net Revenue and Profitability (2/2)<sup>(1)</sup>

## Profits and EPS (Non-GAAP)

(\$ millions, EPS in \$)



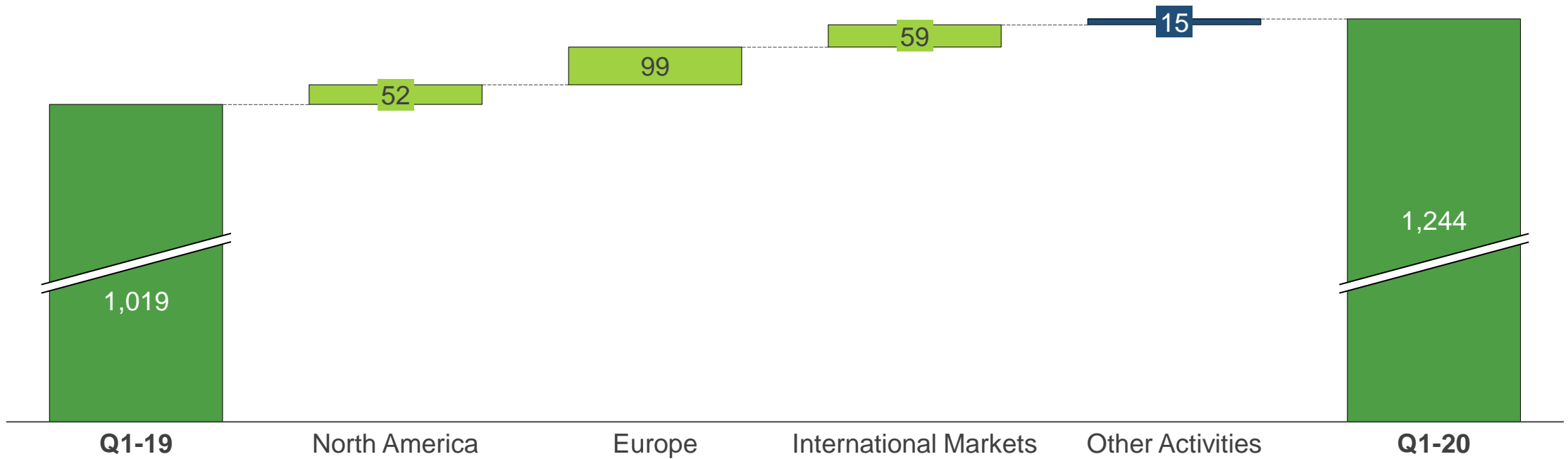
(1) Source: Company filings.

# Spend Base Trend (Non-GAAP)

\$ millions	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
COGS	1,999	1,989	1,990	2,206	2,046
S&M	602	621	551	665	570
R&D	255	271	242	237	221
G&A	280	286	270	309	290
Other income	(6)	(0)	(11)	(9)	(13)
<b>Total</b>	<b>3,130</b>	<b>3,167</b>	<b>3,042</b>	<b>3,406</b>	<b>3,114</b>

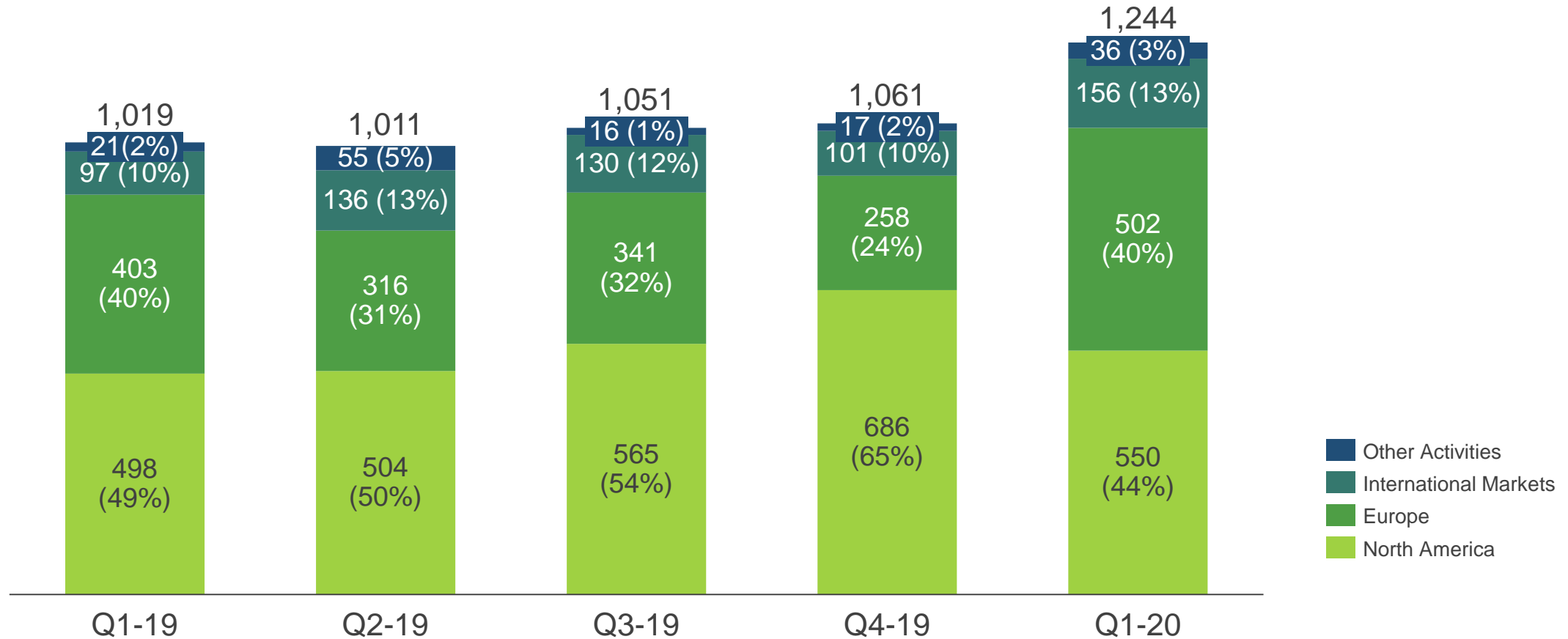
# Quarterly Non-GAAP Operating Income

\$ millions



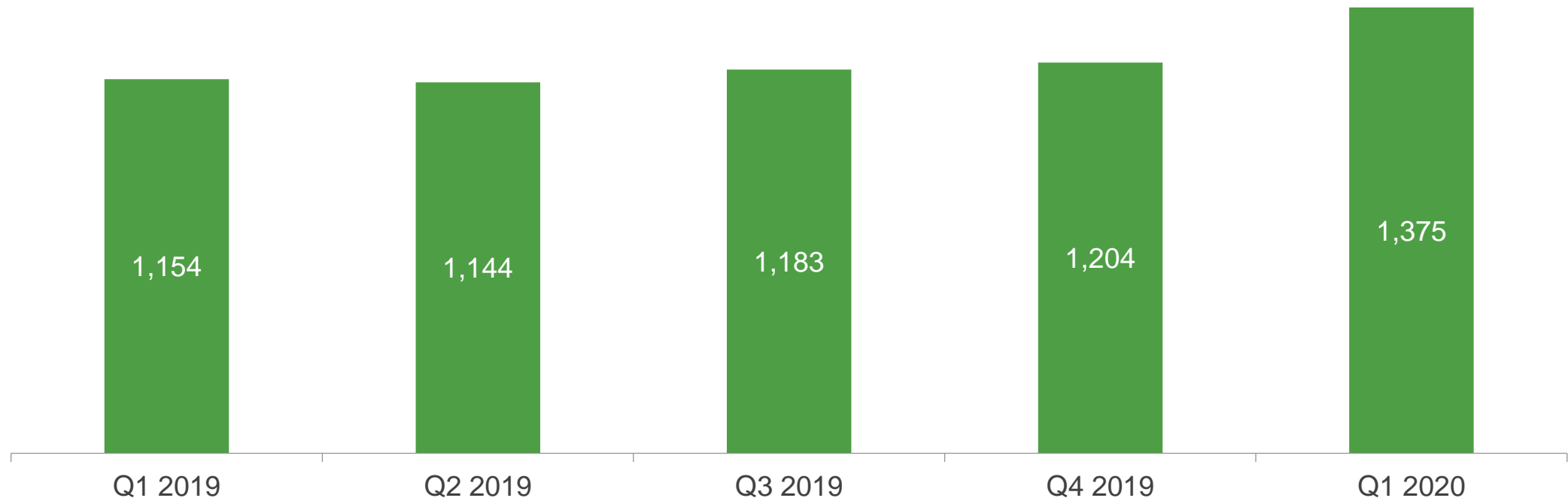
# Quarterly Non-GAAP Operating Income

\$ millions



# Quarterly EBITDA

\$ millions

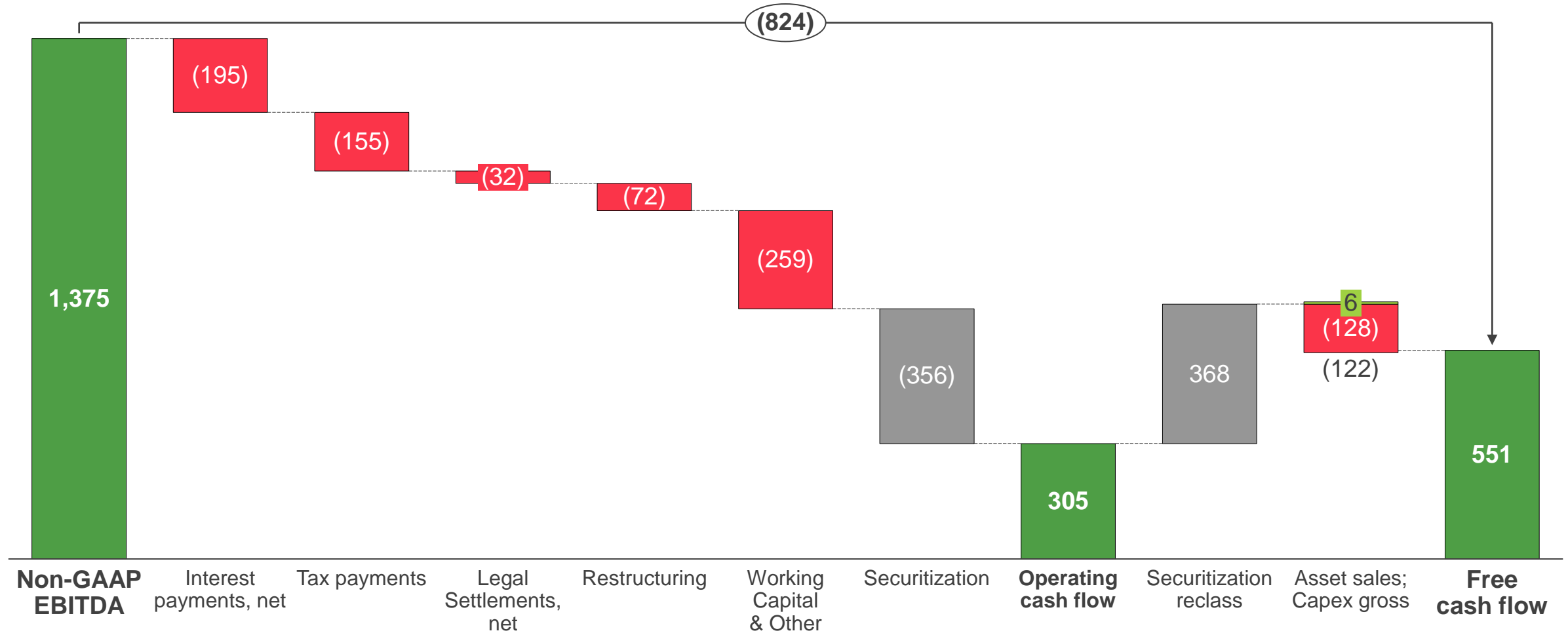


\* EBITDA is based on non-GAAP operating income (which excludes amortization and certain other items, as well as depreciation expenses).



# Q1 2020 EBITDA to Free Cash Flow

\$ millions



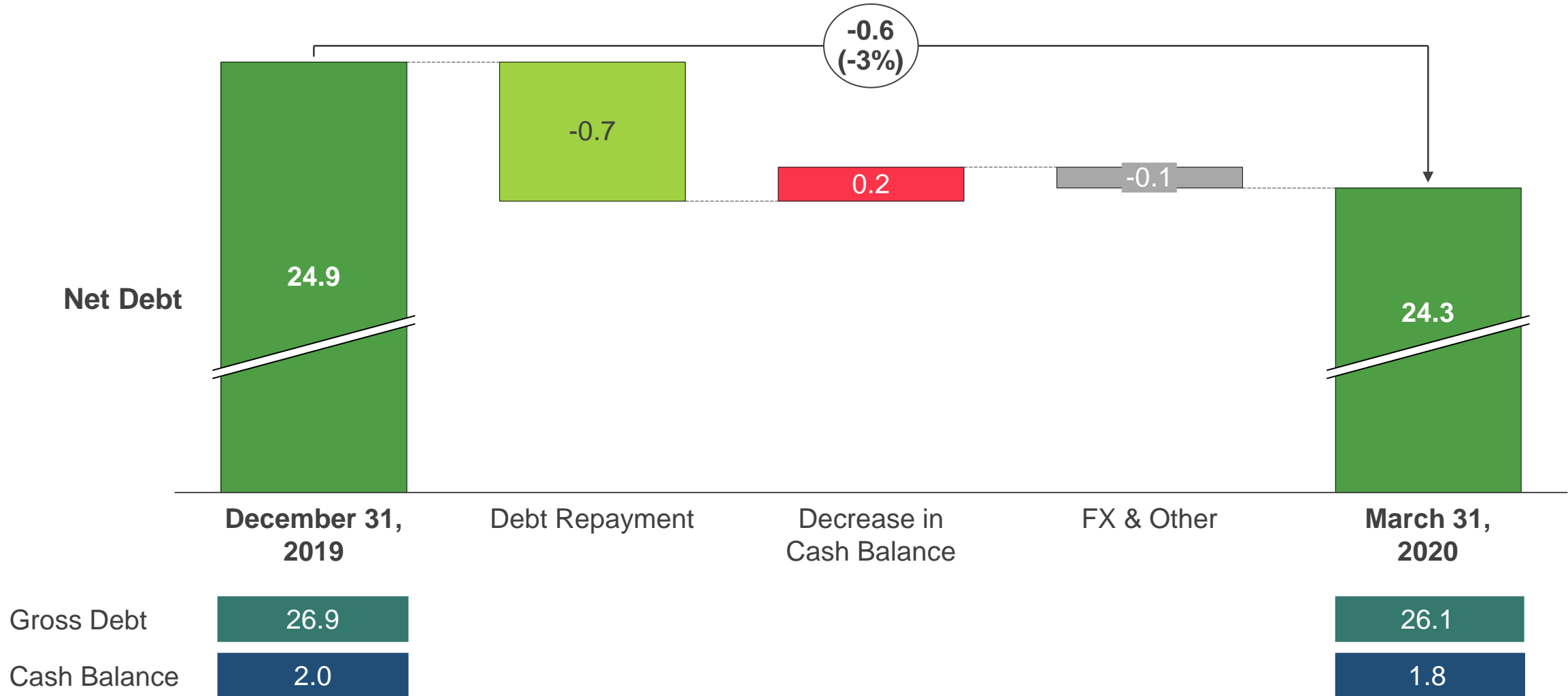
# Consolidated Balance Sheet

\$ billions	Mar 31, 2020	Dec 31, 2019	Diff
Cash and Cash Equivalents	1.8	2.0	(0.2)
AR Trade	5.2	5.7	(0.5)
Pre-paid Expenses and Other Current Assets	2.1	1.9	0.2
Inventory	4.3	4.4	(0.1)
Fixed Assets	6.2	6.4	(0.2)
Intangible Assets	10.3	11.2	(1.0)
Goodwill	24.5	24.8	(0.4)
Other Long Term Assets	1.0	1.0	0.0
<b>Total Assets</b>	<b>55.3</b>	<b>57.5</b>	<b>(2.1)</b>
AP Trade	1.7	1.7	(0.0)
SR&A	5.7	6.2	(0.5)
AP Other	3.3	3.5	(0.1)
Total Debt (ST+LT)	26.1	26.9	(0.8)
Other Long Term Liabilities	3.9	4.2	(0.2)
Minority	1.1	1.1	(0.0)
Teva Shareholders' Equity	13.5	14.0	(0.4)
<b>Total Liabilities &amp; Equity</b>	<b>55.3</b>	<b>57.5</b>	<b>(2.1)</b>

Some amounts may not sum due to rounding.

# Q1 2020 Net Debt Movements

\$ billions



teva

