# Teva Pharmaceutical Industries Ltd.
# J.P. Morgan Healthcare Conference

Kåre Schultz

President and CEO

January 7, 2019

# 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; competition for our specialty products, especially COPAXONE®, our leading medicine, which faces competition from existing and potential additional generic versions and orally-administered alternatives; competition from companies with greater resources and capabilities; the uncertainty of commercial success of Ajovy™ or Austedo®; efforts of pharmaceutical companies to limit the use of generics including through legislation and regulations; 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; price erosion relating to our products, both from competing products and increased regulation; delays in launches of new products and our ability to achieve expected results from investments in our product pipeline; our ability to take advantage of high-value opportunities; the difficulty and expense of obtaining licenses to proprietary technologies; 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, and 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: failure to effectively execute our restructuring plan announced in December 2017; uncertainties related to, and failure to achieve, the potential benefits and success of our new senior management team and organizational structure; harm to our pipeline of future products due to the ongoing review of our R&D programs; our ability to develop and commercialize additional pharmaceutical products; potential additional adverse consequences following our resolution with the U.S. government of our FCPA investigation; compliance with sanctions and other trade control laws; manufacturing or quality control problems, which may damage our reputation for quality production and require costly remediation; interruptions in our supply chain; disruptions of our or third party information technology systems or breaches of our data security; the failure to recruit or retain key personnel; variations in intellectual property laws that may adversely affect our ability to manufacture our products; 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 in our U.S. market; our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions; and our prospects and opportunities for growth if we sell assets;
- compliance, regulatory and litigation matters, including: 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 sales and marketing 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 Annual Report on Form 10-K for the year ended December 31, 2017, including the sections thereof captioned "Risk Factors" and "Forward Looking Statements," and in our subsequent quarterly reports on Form 10-Q and other filings with the Securities and Exchange Commission, which are available at www.sec.gov and www.tevapharm.com. 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

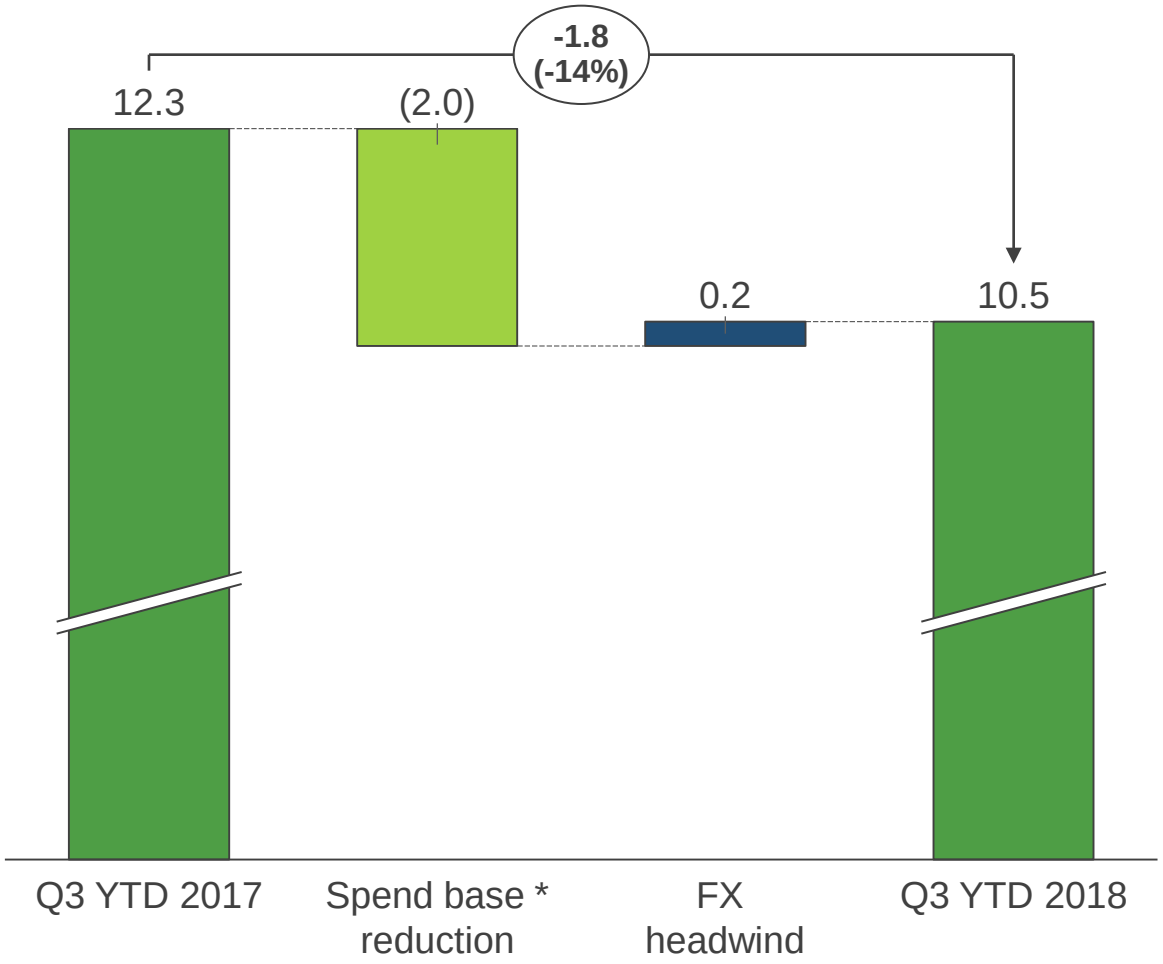
This presentation includes certain non-GAAP financial measures as defined by SEC rules. Please see our press release reporting our 2018 third quarter financial results, as well as our Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, for a reconciliation of the GAAP results to the 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.

# Highlights

- Restructuring program on-track: significant spend base reduction of $1.8 billion Q3 YTD 2018
- Approval and launch of AJOVY™ in the U.S.; demand continues to grow steadily over the first three months of launch
- AUSTEDO® rapid growth continues
- COPAXONE® maintaining share in the U.S.
- North American generic revenues stabilizing
- Partner Celltrion and Teva announced FDA approval of TRUXIMA® (rituximab-abbs), a biosimilar to RITUXAN® and HERZUMA® (trastuzumab-pkrb), a biosimilar to HERCEPTIN®
- Reduction of net debt continues: $27.6 billion (Q3’18)

# Spend Base: Q3 YTD 2018 vs. Q3 YTD 2017

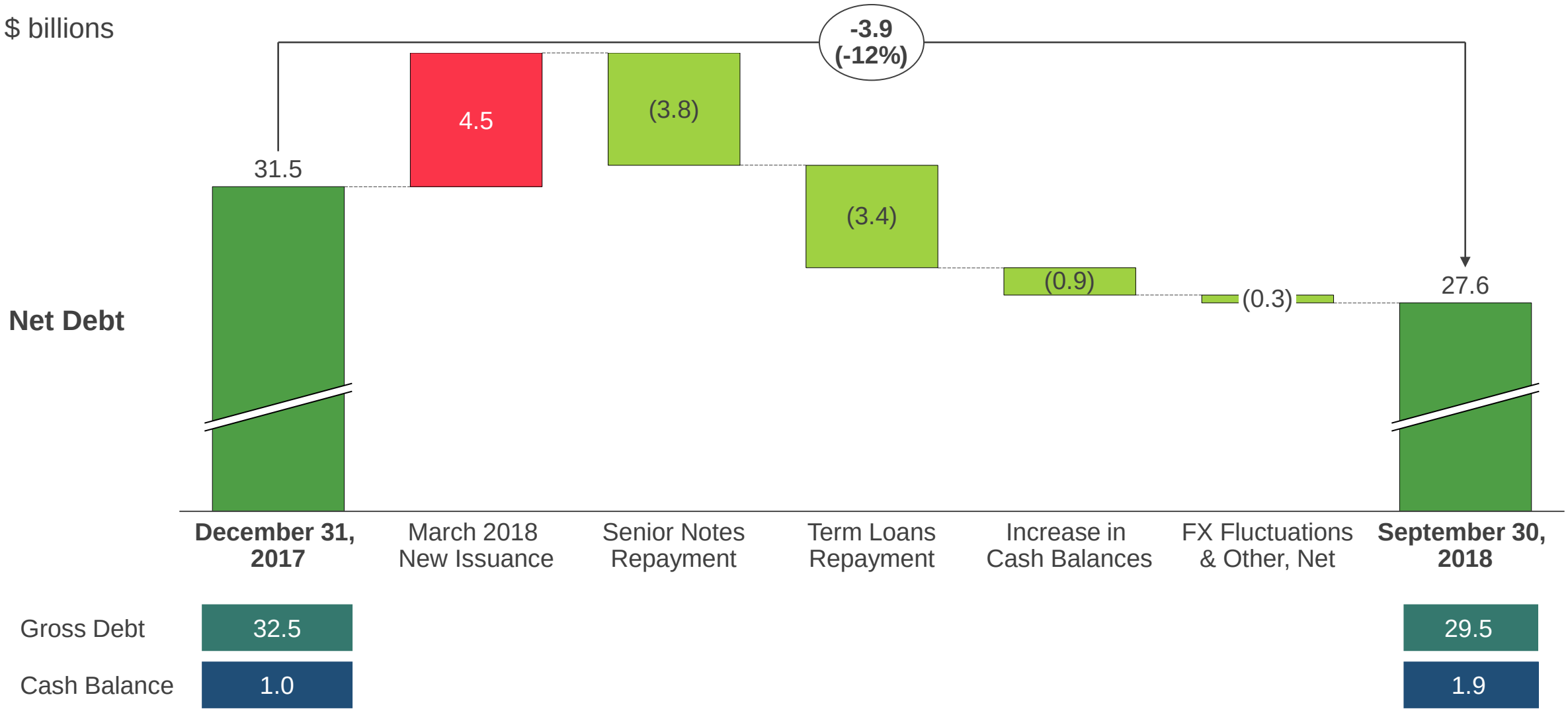
$ billions




- Spend base reduction $1.8B already achieved (Q3 YTD 2018)
- FTE reduced by ~10,000 since the start of the restructuring plan

*Spend Base = Non-GAAP COGS + Operating Expenses (including other income/expenses)

# 2018 Net Debt Movement




* Net Debt = gross debt – cash balance

# Strategy Principles



**One company**



**Organic growth**



**Leadership in Generics**



**Biologics as core R&D platform**



**Targeted investments**

# Generics – Our Way Forward



## Portfolio

- Proactive **portfolio selection** and management
- Keep focus on **first to market and high-barrier**
- Leverage and grow **TAPI and OTC** as core assets
- Increase success rate in approvals



## Profitability

- **Improve pricing**, grow top and bottom line from existing products
- Benefit from restructuring through **higher productivity and efficiency** in global operations and elsewhere



## Biosimilars

- **Build a Biosimilars pipeline** and manufacturing capabilities
- Develop internally and through selected partnering

# Specialty – Our Way Forward

## Commercial

- Ensure the commercial success of core assets
- Continue to build our **commercial capabilities** in new franchises and geographies
- Prioritize **internal capabilities** to launch and commercialize over partnerships

## R&D

- Build a Biologics platform: expand our in-house **Biologics** capabilities
- Focus the **inhaler technologies** on lifecycle management opportunities
- Advance to proof-of-concept the non-core programs
- Selective early stage in-licensing within CNS and Respiratory

# Long-term Growth Drivers

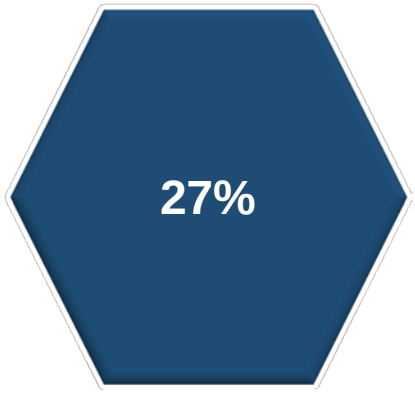
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|---|---|
| **Generics** | • Continued global volume growth trend<br>• Size of generic launch opportunities stable for both ‘classical’ generic and biosimilars; <$200B worldwide sales at risk from patent expiration through 2024*<br>• Complexity of generic product development requires deep R&D capabilities in multiple technologies favoring integrated Specialty-Generic R&D organizations |
| **Biosimilars** | • Biosimilars required for sustainable healthcare systems – regulations will adjust over time to allow faster market penetration<br>• Teva focused on wave 3 programs with in-house R&D<br>• In-licensing strategy targets early stage opportunities that fit core capabilities |
| **Biologics** | • Biologics expected to account for one-third of worldwide biopharma sales by 2025<br>• Teva is building a biologics network with a full set of capabilities<br>• Focus on in-house R&D pipeline; 20 biologics programs in development<br>• Opportunities in core Teva therapeutic areas - CNS and Respiratory – as disease mechanisms are better understood allowing for targeted therapies |

*SOURCE: EvaluatePharma®

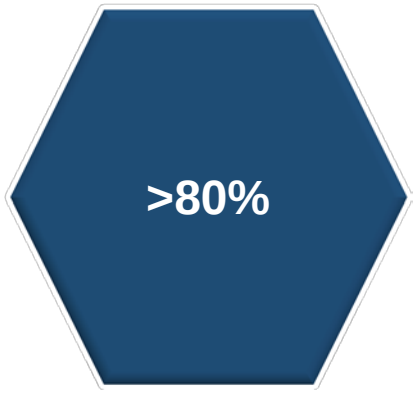
# Long-term Financial Targets

## To be achieved within 3-5 years

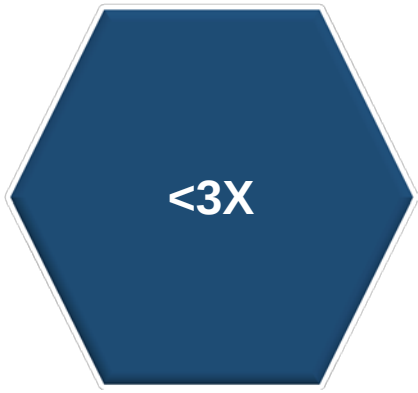
**Operating Income Margin*[1]**




**Cash-to-earnings*[2]**




**Net debt/EBITDA*[3]**




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

[1] Operating income margin = Non-GAAP operating income divided by net revenues

[2] Cash to earnings = Free cash flow divided by non-GAAP net income attributable to ordinary shareholders

[3] Net debt/EBITDA = Net debt/ non-GAAP EBITDA

*All measures including operating income ,EBITDA and earnings are presented on a non-GAAP basis

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.

# 2019 Areas of Focus

## Revenue Generating

- **AJOVY™ and AUSTEDO®**: Full organizational focus for ongoing launch success; expect EMA action on AJOVY in the first half of 2019
- **Stabilize Generics** business in 2019
  - **Execute new Gx launches** including EpiPen
- **Loss of exclusivities** COPAXONE®, ProAir® HFA, bendamustine

## Expense Management

- Achieving **restructuring target:** spend base reduction of $3 billion vs. 2017
- **Executing site consolidation** with 10 manufacturing sites to be closed/divested in 2019
- Targeted investments in high ROI specialty brands

## Debt Reduction

- **Committed** to utilizing cash flow to pay down debt
- Targeting leverage (Net Debt / EBITDA) of below 4x by YE 2020

Thank you.