Lilly Takes Steps to Streamline Business, Invest in New Medicines and Drive Growth

September 7, 2017

INDIANAPOLIS, Sept. 7, 2017 /PRNewswire/ -- Eli Lilly and Company (NYSE: LLY) today announced actions to streamline operations to more efficiently focus resources on developing new medicines and to improve its cost structure. Global workforce reductions, including those from a U.S. voluntary early retirement program, are expected to impact approximately 3,500 positions.

With the streamlining efforts announced, the company expects annualized savings of approximately $500 million that will begin to be realized in 2018. These initiatives are part of a broad productivity plan underway at the company to improve its cost structure, particularly fixed costs.

"We have an abundance of opportunities—eight medicines launched in the past four years and the potential for two more by the end of next year," said David A. Ricks, Lilly's chairman and chief executive officer. "To fully realize these opportunities and invest in the next generation of new medicines, we are taking action to streamline our organization and reduce our fixed costs around the world."

Ricks continued, "The actions we are announcing today will result in a leaner, more nimble global organization and will accelerate progress towards our long-term goals of growing revenue, expanding operating margins and sustaining the flow of life-changing medicines from our pipeline."

Streamlining Initiatives
Lilly expects the majority of the positions eliminated to come from a U.S. voluntary early retirement program, which is being offered to employees who meet certain criteria. Those who participate will receive enhanced retirement benefits. The program, announced to U.S. employees on September 7, 2017, will be largely completed by December 31, 2017.

Remaining positions will come from other anticipated workforce reductions, including select site closures. The company will move production from its animal health manufacturing facility in Larchwood, Iowa, to an existing plant in Fort Dodge, Iowa, and continue productivity improvement efforts around the world. In addition, a research and development office in Bridgewater, New Jersey, and the Lilly China Research and Development Center in Shanghai, China, will close as the company streamlines its pharmaceutical research and development activities. The company will also further consolidate some work to its existing shared service centers.

In addition to the U.S. voluntary early retirement program, the company will determine where it needs to further reduce costs and improve efficiencies. These efforts will include evaluation of necessary adjustments to the workforce, with the goal of continued investment in new medicines and growth. All streamlining efforts will be consistent with applicable local requirements.

Ricks noted, "The commitment and perseverance of our people, who never give up on our mission of tackling hard-to-treat diseases, make up our legacy of more than 140 years. We will implement changes with fairness and the utmost respect for our Lilly colleagues, while we remain a vibrant, thriving competitor."

Financial Outlook
Lilly expects to incur charges of approximately $1.2 billion pre-tax or $0.80 per share after-tax, which includes the estimated participation of the U.S. voluntary early retirement program, global severance and facility closures. These charges will be reflected as asset impairment, restructuring and other special charges in the third and fourth quarters of 2017.

The company's reported earnings per share guidance in 2017 will be reduced by the amount of the charges. There will be no change to the company's non-GAAP earnings per share guidance as a result of these initiatives.

The annualized workforce savings of approximately $500 million will be about equally split to improve the company's cost structure and reinvest in the business, including product launches and clinical development for new indications and line extensions. Lilly confirmed these savings would improve upon its previous commitment and now expects to achieve an OPEX-to-revenue ratio of 49 percent or less in 2018.

About Eli Lilly and Company
Lilly is a global healthcare leader that unites caring with discovery to make life better for people around the world. We were founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today we remain true to that mission in all our work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteerism. To learn more about Lilly, please visit us at www.lilly.com and http://newsroom.lilly.com/social-channels. C-LLY

This press release contains forward-looking statements (as that term is defined in the Private Securities Litigation Reform Act of 1995) about the impacts of the streamlining initiatives planned by Eli Lilly and Company, and reflects Lilly's current beliefs. However, actual results may differ materially due to various factors. With respect to the planned cost and headcount reductions, site closures, and reorganization, there can be no guarantees that the company has correctly estimated the number or demographic characteristics of participants in the U.S. voluntary early retirement program; that the company will be able to achieve the magnitude of global reductions planned; that the initiatives will be completed on the anticipated timeline, or at all; or that Lilly will realize the expected benefits. There are substantial risks and uncertainties in the processes of product research and development and commercialization. For further discussion of these and other risks and uncertainties, please see Lilly's latest Forms 10-Q and 10-K filed with the U.S. Securities and Exchange Commission. Except as required by law, Lilly undertakes no duty to update forward-looking statements.

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