

**Alcon**

# Investor Presentation

March 2019

## Forward-Looking Statements

This presentation contains “forward-looking statements” that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about the eye care industry and our business and financial results. Forward-looking statements often include words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans,” “believes” and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Important factors that could cause our actual results to differ materially from those in our forward-looking statements include government regulation, economic, strategic, political and social conditions and other factors, including but not limited to: uncertainties regarding the commercial success of our products and our ability to maintain our share of the markets in which we compete; our ability to keep pace with the advances in the highly competitive eye care devices market; the success of our research and development efforts; uncertainties regarding the success of our separation and spin-off from Novartis, including our ability to achieve our expected benefits; pricing pressure from changes in third-party coverage and reimbursement methodologies; general political and economic conditions; consolidation among our distributors and retailers; uncertainties regarding actual or potential legal proceedings and government investigations; potential product recalls or voluntary market withdrawals in connection with defects in or unanticipated use of our products; regulatory actions or delays or government regulation generally; changes in tax laws; changes in IFRS as issued by the International Accounting Standards Board or other applicable accounting policies; the potential volatility in the price of our shares; uncertainties regarding future sales or dispositions of our shares; and other risks and uncertainties detailed in the section titled “Risk Factors,” “Legal Proceedings” and other sections of the Alcon Inc. Form 20-F Registration Statement filed with the Securities and Exchange Commission (“SEC”) and available on the SEC’s website at <http://www.sec.gov>.

We caution you that the foregoing list of important factors is not intended to be exhaustive and may not contain all the material factors that are important to you. Any forward-looking statements made by us in this presentation speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update any forward-looking statements as a result of new information or future events or developments, except as required by law.

## Non-IFRS Financial Measures

We have prepared our financial results in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. In addition, we have discussed in this presentation our results using certain non-IFRS financial measures. Management believes that these non-IFRS financial measures provide an additional means of analyzing the results of the periods presented against corresponding results from other periods. However, these non-IFRS financial measures should be viewed in addition to, and not as a substitute for, Alcon’s reported results prepared in accordance with IFRS. Our non-IFRS financial measures are not meant to be considered in isolation or as a substitute for comparable IFRS measures and should be read only in conjunction with our combined financial statements prepared in accordance with IFRS. Please refer to the appendix of this presentation for definitions and reconciliations of non-IFRS financial measures. In addition, non-IFRS measures are footnoted, where applicable, in each slide herein.

## Notice Regarding Financial Information

The business of Alcon did not form a separate legal group of companies in all years for which historical financial information is presented in this presentation. As a result, the historical financial information contained in this presentation was prepared on a carve-out basis derived from Novartis’ consolidated financial statements and accounting records. This financial information includes certain expenses of Novartis that were allocated to us for certain corporate functions. These shared expenses may not represent the amounts that would have been incurred had we operated autonomously or as an entity independent of Novartis. Consequently, the financial information included in this presentation are not necessarily indicative of results that may be expected in the future.

This presentation also contains estimates, projections and forecasts, including certain five-year outlook measures regarding Alcon’s future financial performance. As with any projection or forecast, these five-year outlook measures are inherently susceptible to uncertainty and are based on various assumptions that may turn out to be incorrect. Our actual results may vary materially from our outlook due to risks and uncertainties including but not limited to those listed above under “Forward-Looking Statements”. Accordingly, undue reliance should not be placed on the outlook included in this presentation. We are under no obligation to, and expressly disclaim any obligation to, update our outlook included in this presentation as a result of new information or future events or developments, except as required by law.

## Intellectual Property

This report may contain reference to our proprietary intellectual property. All product names in this presentation are trademarks owned by or licensed to the Novartis Group.

## Miscellaneous

This presentation is for informational purposes only and is not an offer to sell, or a solicitation of an offer to buy or sell, any securities of Novartis or, following the spin-off, of Alcon, and may not be relied upon in connection with the purchase or sale of any such security. Should you wish to invest in Alcon, you should do so solely on the basis of information Alcon will file with the SEC at or around the time of the spin-off, including the section “Risk Factors” included therein. The information filed with the SEC will be available on the SEC’s website at <http://www.sec.gov>. Alcon is a Novartis Division.

**\$7b  
sales**

growing eye care device leader

**\$23b  
market**

growing at 4%<sup>1</sup>



favorable market trends  
with significant opportunities  
to grow and expand

**#1 or #2**

in all categories within  
Surgical & Vision Care<sup>1</sup>

**140+**

countries served by over  
20,000 employees



strong & experienced  
management team

Note: Numbers are rounded for presentation purposes and based on 2018 sales

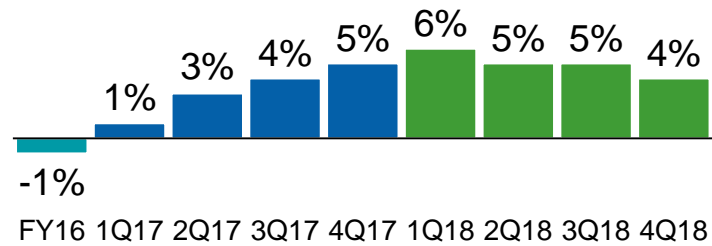
1. Market Scope, GfK, Nielsen, IQVIA, Euromonitor, Alcon internal estimates

# In 2016 we outlined a plan - and strong results have followed

- 1 Fix the foundation and strengthen execution ✓
- 2 Invest in promotion, capital and systems ✓
- 3 Reinvigorate the innovation pipeline ✓
- 4 Strengthen the customer relationship ✓
- 5 Develop a nimble medical device culture ✓

1

Sales have returned to growth<sup>1</sup> over the last several quarters



2

Highest ranking of customer satisfaction in major markets; SAP now spans ~60% of sales; significant capital investment in contact lenses



3

Launched new products (e.g. PanOptix, Ngenuity, DAILIES TOTAL1 multifocal) and expanded the pipeline



4

Service levels at a 3 year high; increased customer training and field service personnel by 10%

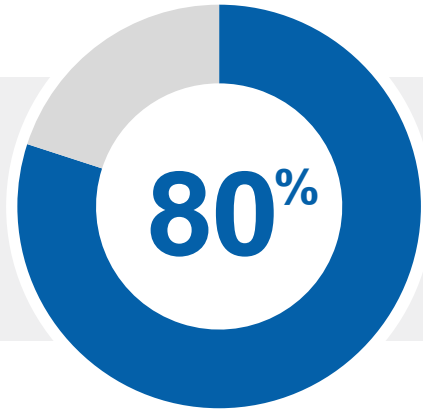


5

Voluntary employee turnover at a 6 year low



1. Sales growth figures presented in constant currency (cc), which is a non-IFRS measure.  
Note: Some quarterly growth rates have been impacted by inventory movements

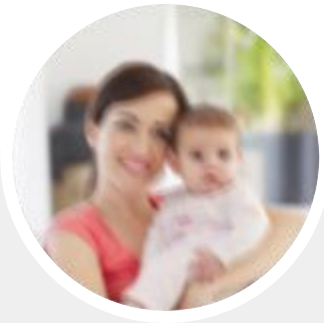


of visual impairment is preventable or curable<sup>1</sup>

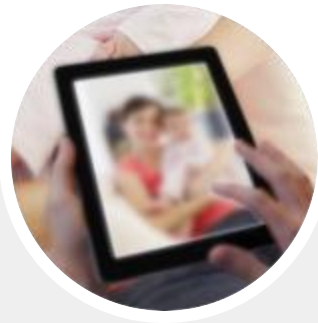


could be saved with appropriate eye care services<sup>1</sup>

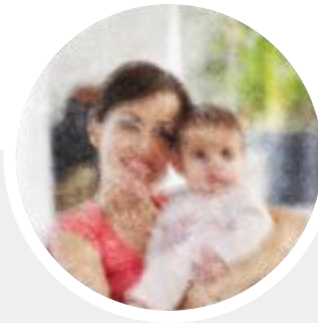
## People:



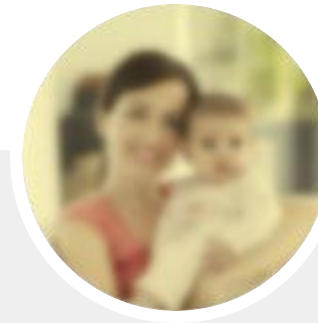
**153 million**  
with uncorrected  
**refractive errors**<sup>1</sup>



**1.7 billion**  
have  
**presbyopia**<sup>2</sup>



**352 million**  
live with  
**dry eye**<sup>3</sup>



**20 million**  
are blind  
from **cataracts**<sup>1</sup>



**93 million**  
have  
**diabetic retinopathy**<sup>4</sup>



**67 million**  
live with  
**glaucoma**<sup>5</sup>

1. World Health Organization (WHO), [www.who.int/blindness](http://www.who.int/blindness)

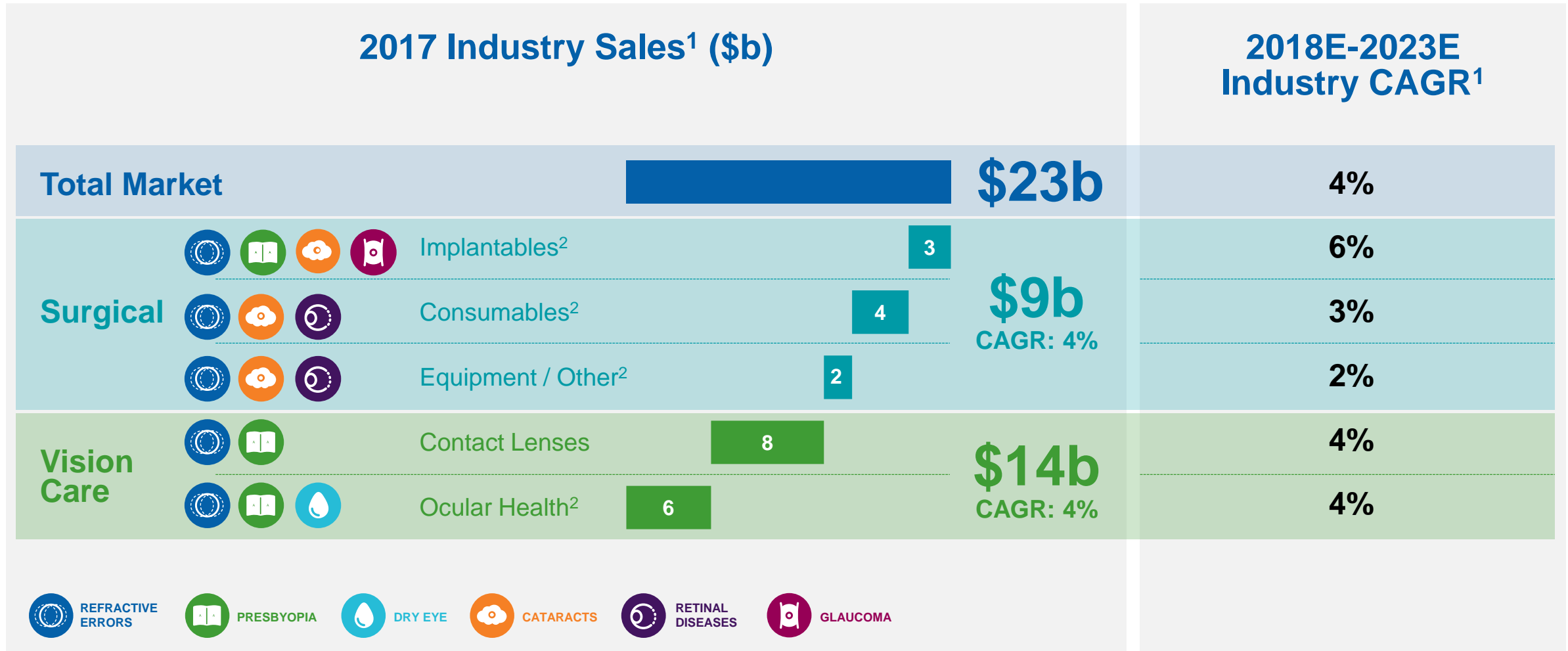
2. Global Prevalence of Presbyopia and Vision Impairment, 2018 Oct;125(10):1492-1499. doi: 10.1016/j.ophtha

3. Epi Database. Kantar Health. June 2015. Custom Dry Eye Self-Reported Prevalence ages 40+, 16 markets

4. Global Prevalence and Major Risk Factors of Diabetic Retinopathy, Diabetes Care 2012 Mar; 35(3): 556-564

5. Glaucoma Foundation, [http://glaucomafoundation.org/Get\\_Involved.htm](http://glaucomafoundation.org/Get_Involved.htm)

# Eye care devices represent a large and growing \$23b market



1. Market Scope, GfK, Nielsen, IQVIA, Euromonitor, Alcon internal Estimates, see "Legal Disclaimers" slide for more information about future industry growth projections

2. Implantables include IOLs, surgical glaucoma devices; Consumables include cataract, vitreoretinal, and refractive disposable instruments; Equipment includes cataract and vitreoretinal consoles and accessories, FLACS lasers, refractive lasers, equipment service & maintenance, microscopes, diagnostics, and drops for mydriatics, cycloplegics, diagnostics, and anesthetics; Ocular Health includes non-Rx dry eye drops, contact lens care solutions, ocular vitamins, non-Rx allergy drops, and non-Rx red eye drops

# Favorable megatrends underpin strong market potential

Alcon



Aging population  
with growing eye care  
needs

Population over age 60  
will **double** by 2050  
(**>1b people**)<sup>1</sup>



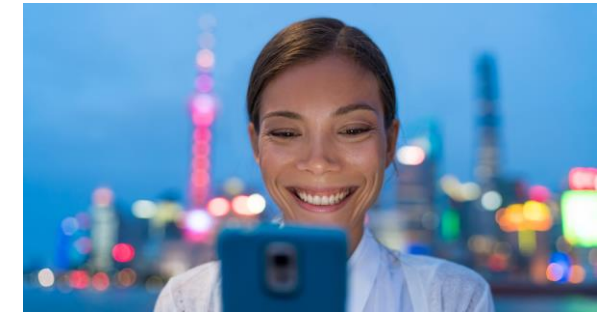
Innovation improving the  
quality of eye care

Patients have more  
options and  
**better outcomes**



Increasing wealth  
and growth from  
emerging economies

**Middle class** will grow  
by **~1.5b people** in the  
next 10-15 years<sup>2</sup>



Myopia prevalence is  
growing; increased  
screen time and mobile  
device use is impacting  
vision

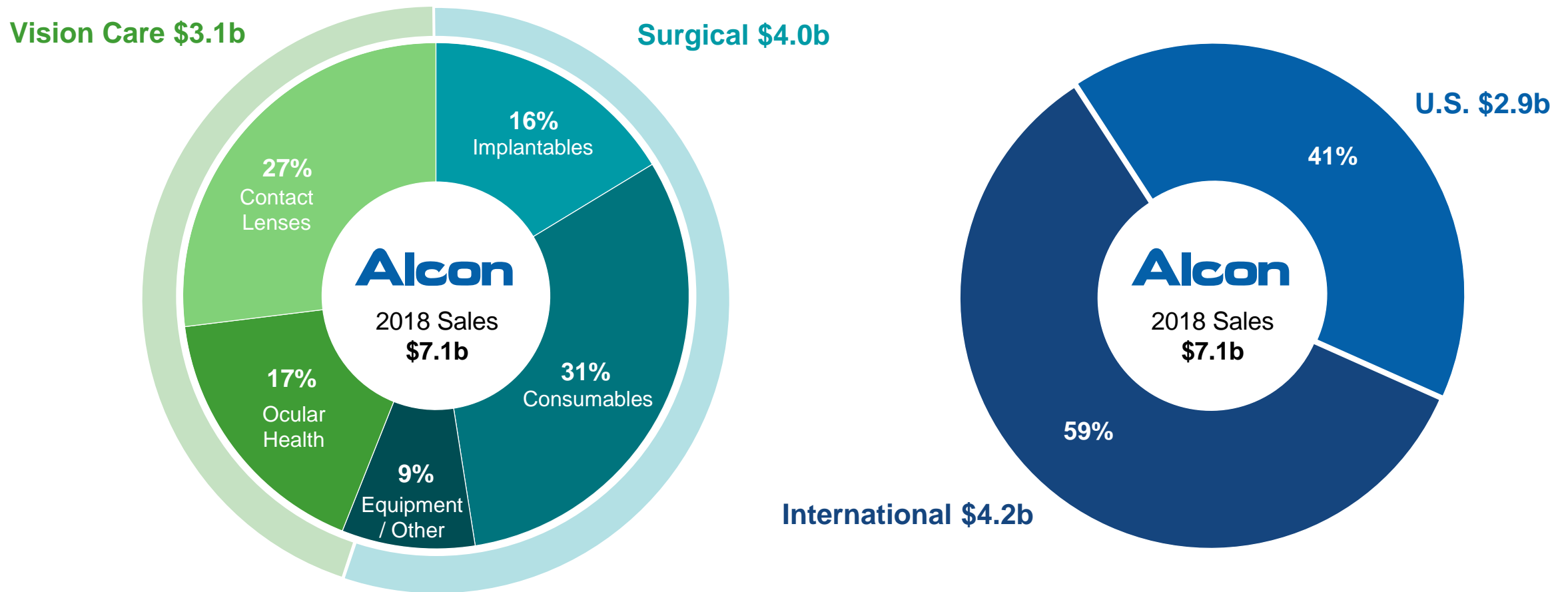
By 2050, half the world,  
**~5b people**,  
will be **myopic**<sup>3</sup>

1. United Nations (UN), <http://www.un.org/en/sections/issues-depth/ageing/>

2. The unprecedented expansion of the global middle class an update, Kharas 2017

3. Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050, Holden, Brien A. et al., Ophthalmology , Volume 123 , Issue 5 , 1036 - 1042

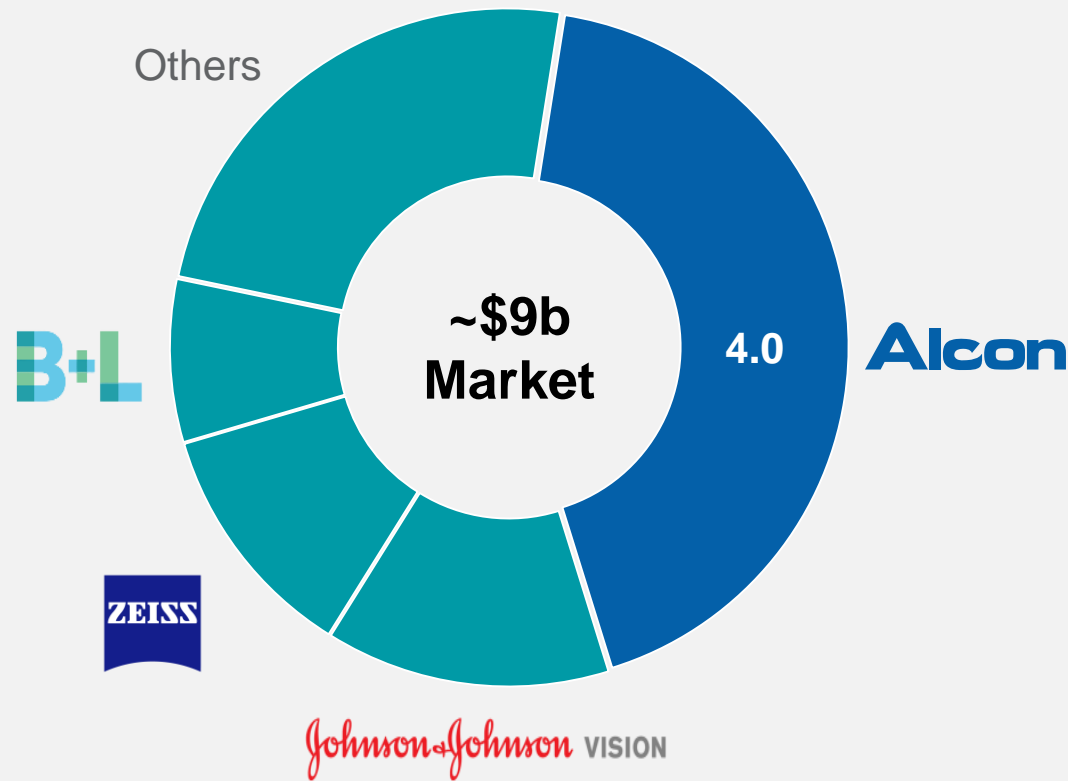
# Diversified portfolio across businesses and geographies





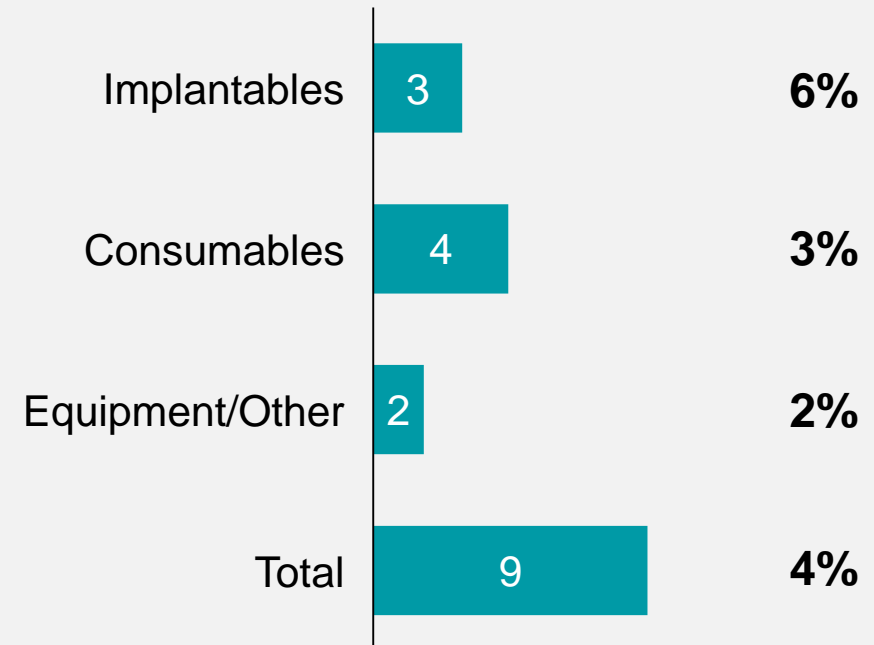
# Leading position in the global Surgical market

## 2018 Global Surgical Sales<sup>1</sup> (\$b)



## 2017 Industry Sales<sup>1</sup> (\$b)

## 2018E-2023E Industry CAGR<sup>1</sup>



1. Market Scope; Alcon internal estimates; see "Legal Disclaimers" on slide 2 for more information about future industry growth projections

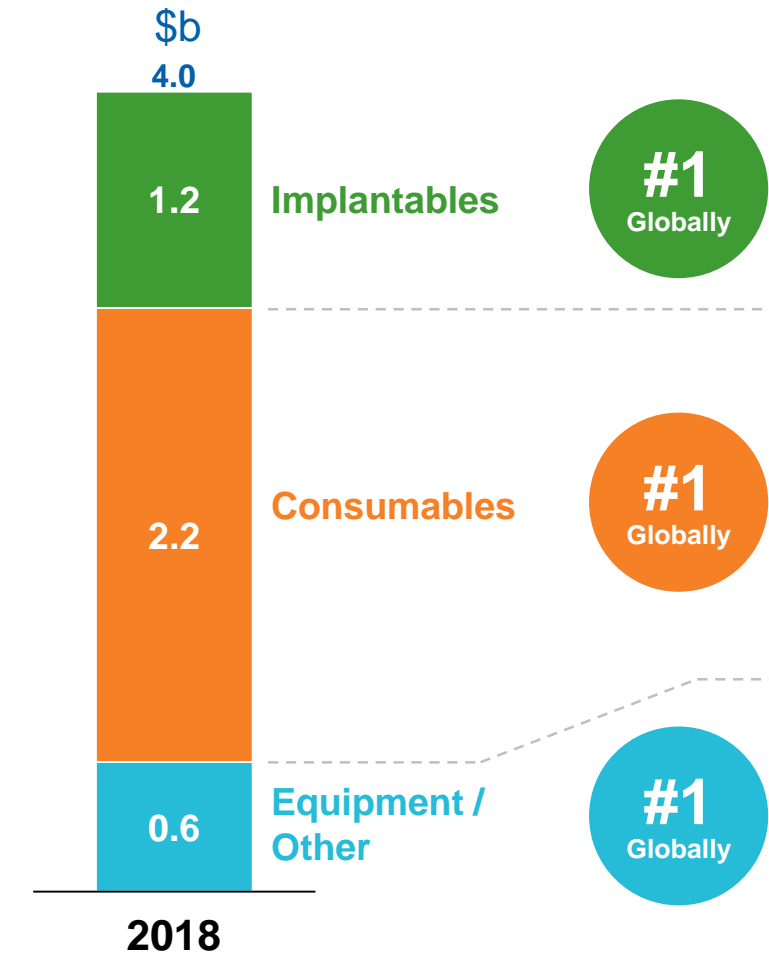
# The most complete line of ophthalmic surgical devices



## Surgical sales

## Market position

## Products



AcrySof brand IOLs  
 UltraSert pre-loaded IOL  
 Clareon AutoNoMe pre-loaded IOL



Cataract consumables  
 Vitreoretinal instruments & consumables  
 Custom surgical packs  
 Refractive consumables



Cataract Refractive Suite  
 Vitreoretinal Constellation Vision System  
 Refractive Wavelight System



Source: Market Scope, Alcon internal estimates

Note: Implantables include IOLs, surgical glaucoma devices; Consumables include cataract, vitreoretinal, and refractive disposable instruments; Equipment includes cataract and vitreoretinal consoles and accessories, FLACS lasers, refractive lasers, equipment service & maintenance, microscopes, diagnostics, and drops for mydriatics, cycloleptics, diagnostics, and anesthetics

1

## Advanced Technology IOLs



- Build on new product launches to drive AT-IOL share and increase margins
- Address barriers to adoption with new technologies and business models

2

## Vitreoretinal



- Deepen technology penetration in key markets
- Advance smaller incision surgery and safer vitrectomy instruments
- Accelerate conversion from optical to digital surgery

# Leading global IOL share with room to grow AT-IOLs



Global IOL Segment Share %, 2017

Alcon

31

Johnson & Johnson  
Vision Care

22

B+L

6

ZEISS

4

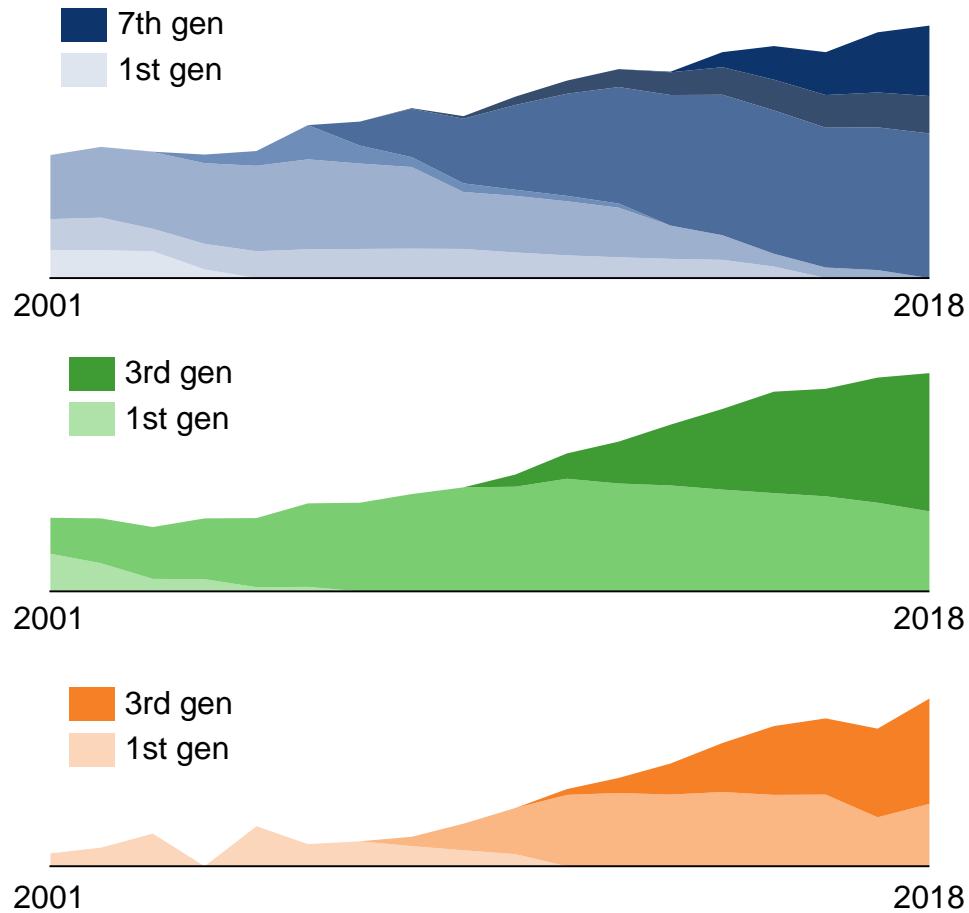
Segment	Description	% of Market units	Value per lens	% of Market revenue
AT-IOLs	Presbyopia Correcting (multi-focal)	8%	5-8x	30%
	Astigmatism Correcting (toric)		3-4x	
Monofocals	Myopia/Hyperopia Correcting	92%	Base Value	70%

Source: Market Scope quarterly

Note: All trademarks are property of the respective owner

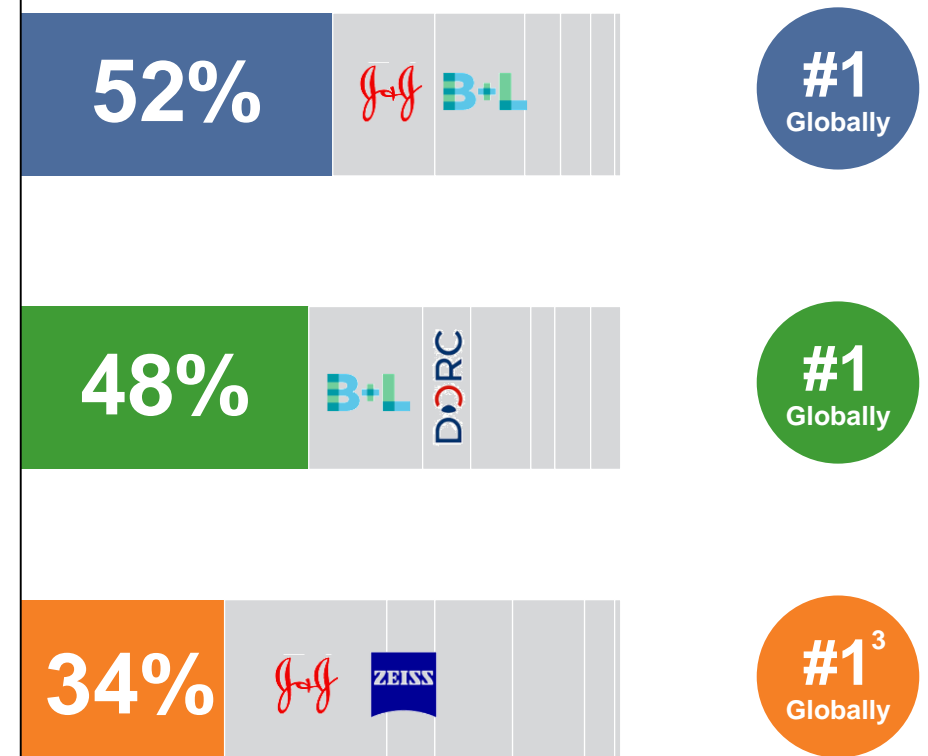
# Unmatched equipment installed base

### Alcon equipment installed base (2001-2018)



### 2017 installed base share (%)

### 2017 new installs



Source: Market Scope; Alcon internal estimate  
 Note: All trademarks are property of the respective owner

1. Includes combined units that can perform both cataract and vitrectomy procedures  
 2. Includes excimer and femtosecond lasers  
 3. Refers to new installs of excimer lasers

# Equipment footprint delivers a recurring consumable contribution

Consumables that work with Alcon equipment



**40%** of consumables sales from dedicated items<sup>1</sup>

1. Dedicated items include fluidic management system (FMS) packs and patient interfaces

Custom Surgical Packs combining Alcon & 3<sup>rd</sup> party products

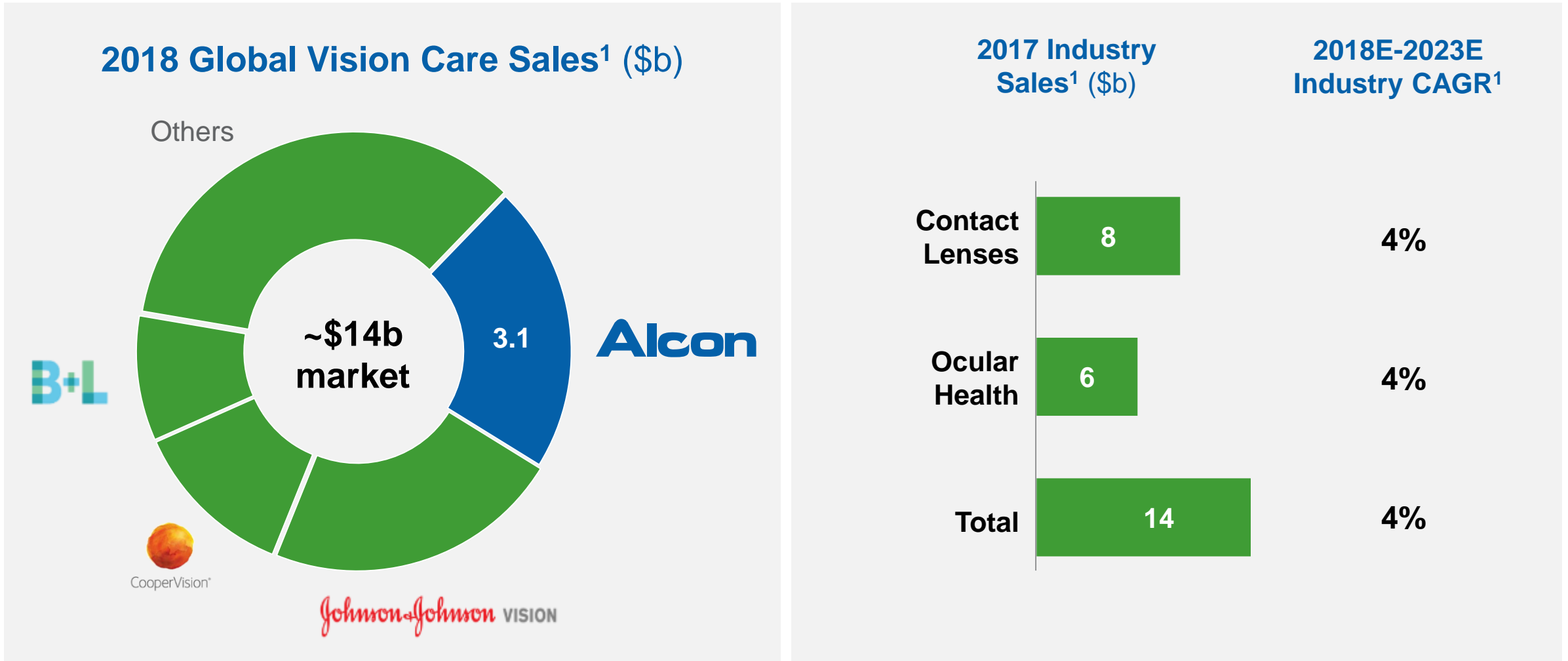


- Reduces operating room complexity, improves inventory management
- Alcon delivers over 11,000 configurations using >2,500 components worldwide

Flexible contracting methods that enable adoption of latest technology



# A leading position in the global Vision Care market

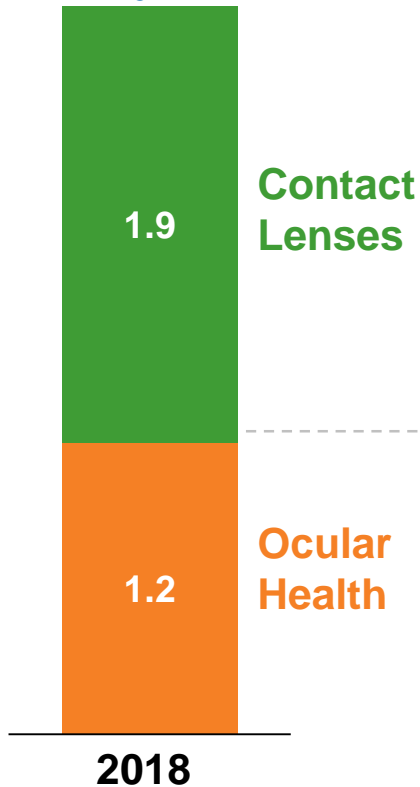


1. Source: GFK, Nielsen, IQVIA, CBG, Euromonitor data, Market Scope, Company filings, Alcon internal estimates; see "Legal Disclaimers" on slide 2 for more information about future industry growth projections  
 Note: All trademarks are property of the respective owner

# A leading portfolio of recognizable brands

## Vision Care sales

\$b  
3.1



## Market position<sup>1</sup>

**#2**  
Globally

**#1**  
Globally

## Portfolio includes:

DAILIES TOTAL1  
water gradient lenses

DAILIES AquaComfort Plus

AIR OPTIX monthly reusable lenses

AIR OPTIX COLORS cosmetic lenses

FreshLook cosmetic lenses



SYSTANE family of Dry Eye products

CLEAR CARE cleaning  
and disinfecting solution

OPTI-FREE family of multi-purpose  
solution and rewetting drops



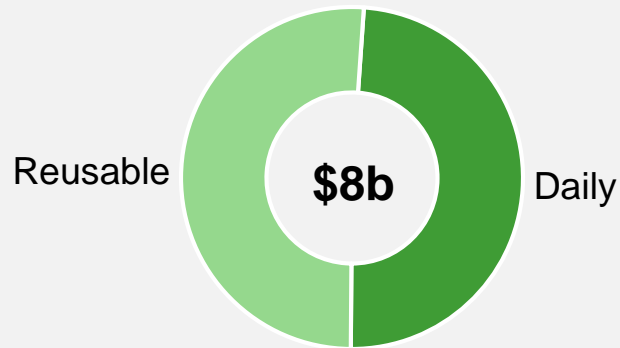
Note: Numbers may not add up due to rounding

1. Source: Nielsen, IQVIA, CBG, Euromonitor data, Market Scope, third party research, and Alcon internal estimates



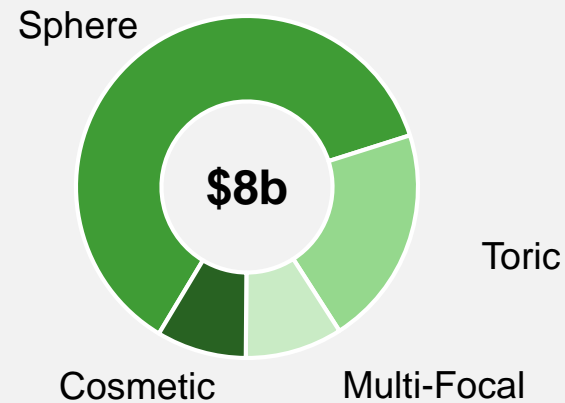
## 2017 Contact Lens Market Breakdown<sup>1</sup> % Sales

### MODALITY



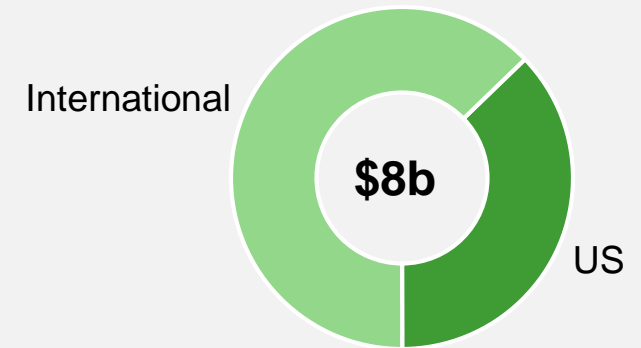
- Market shifting from reusable to daily disposable lenses
- Sales per patient increases 2-3x for daily disposable wearers

### DESIGN



- Increasing demand for premium lenses (Toric, Multi-Focal, Cosmetic)
- Premium lenses command ~15-30% premium over spherical lenses due to added benefits

### GEOGRAPHY

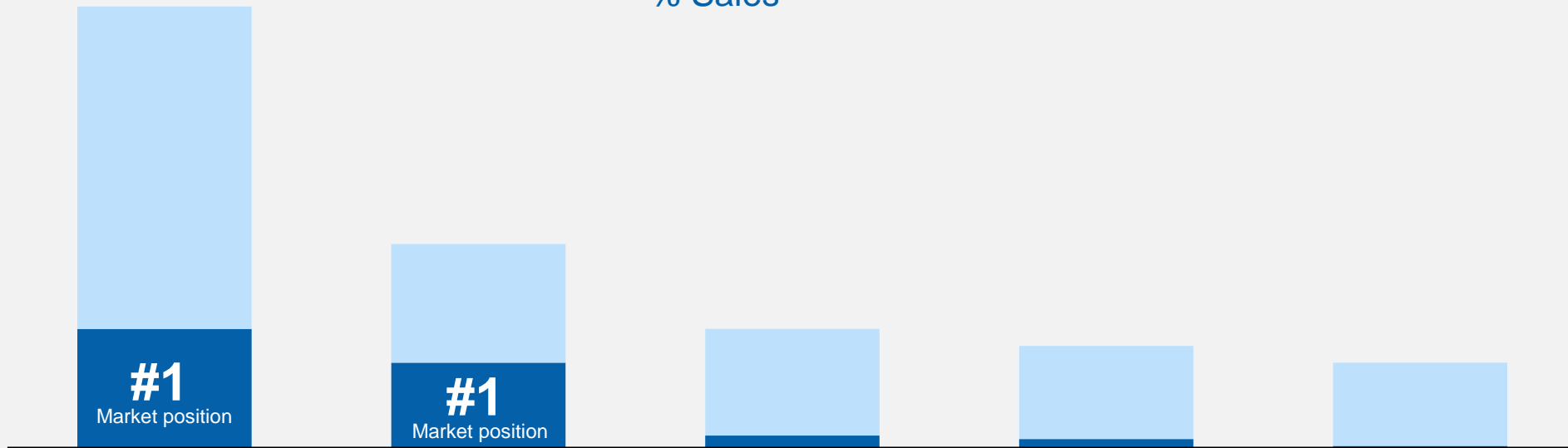


- Accelerating growth in under-penetrated international markets
- North America, Western Europe, and Japan remain highest penetration markets

# Significant opportunity for growth in Ocular Health

## 2017 Ocular Health Market Breakdown<sup>1</sup>

% Sales



Dry Eye



Increased awareness of treatment options drives demand

Contact Lens Care (CLC)



Growth in daily lenses inversely impacts CLC in developed markets

Vitamins



Aging population leads to uptick in consumption

Allergy



Growth in market with younger population and increased economic means

Red Eye



New technology revitalizing growth, disadvantages older mechanisms

**Market forces**

1. Source: Nielsen, IQVIA, CBG, Euromonitor data, Market Scope, third party research, and Alcon internal estimates

1

## DAILIES TOTAL1



- Grow DAILIES TOTAL1 family of products
- Expand presbyopia category through increased consumer awareness, lens comfort and quality
- Capitalize on market shift to daily disposable

2

## Dry Eye



- Continue global roll-out of SYSTANE Complete
- Leverage #1 position in Dry Eye
- Grow consumer demand with investments in DTC marketing

# Rich pipeline to fuel growth into the future

## SELECTED LAUNCHES

	Recent	2018 - 2020	2020+
SURGICAL	<p>Clareon with AutonoMe (Intl)</p> <p>UltraSert</p> <p>PanOptix Trifocal (Intl)</p> <p>ReSTOR Toric with ACTIVEFOCUS (US)</p> <p>NGENUITY 3D</p>	<p>PanOptix Trifocal (US)</p> <p>Non-diffractive presbyopia correcting IOL</p> <p>Clareon with AutonoMe (US)</p> <p>ORA System with VerifEye Lynk</p> <p>CENTURION Active Sentry Handpiece</p> <p>Alcon first Digital Health Platform</p>	<p>4 major new IOL platforms (e.g. accommodating)</p> <p>Next generation cataract and vitreoretinal technology platforms</p> <p>Integrative technologies to connect the clinic to the operating room</p>
VISION CARE	<p>AIR OPTIX plus HydraGlyde</p> <p>DAILIES Total1 Multifocal</p> <p>Clear Care plus HydraGlyde</p>	<p>SYSTANE Complete</p> <p>FRESHLOOK – 5 new designs</p> <p>AIR OPTIX plus HydraGlyde (Toric and Multifocal lenses)</p> <p>PRECISION1 new daily disposable contact lens platform</p> <p>DAILIES Total1 for Astigmatism</p>	<p>2 innovative new contact lens platforms</p> <p>Accommodating contact lens</p> <p>SYSTANE product line expansion</p>

Note: Global launch unless otherwise indicated



## Sales growth

- Solid growth in Surgical and Vision Care
- 5% constant-currency growth for full year 2018



## Surgical

- Double digit growth of AT-IOLs
- Robust consumables expansion



## Vision Care

- Double digit growth of Dailies Total1
- Strong performance of Systane franchise



## Operating expense

- Continued investment behind long-term growth drivers, operational improvements and preparation for the spin-off



## Margin expansion

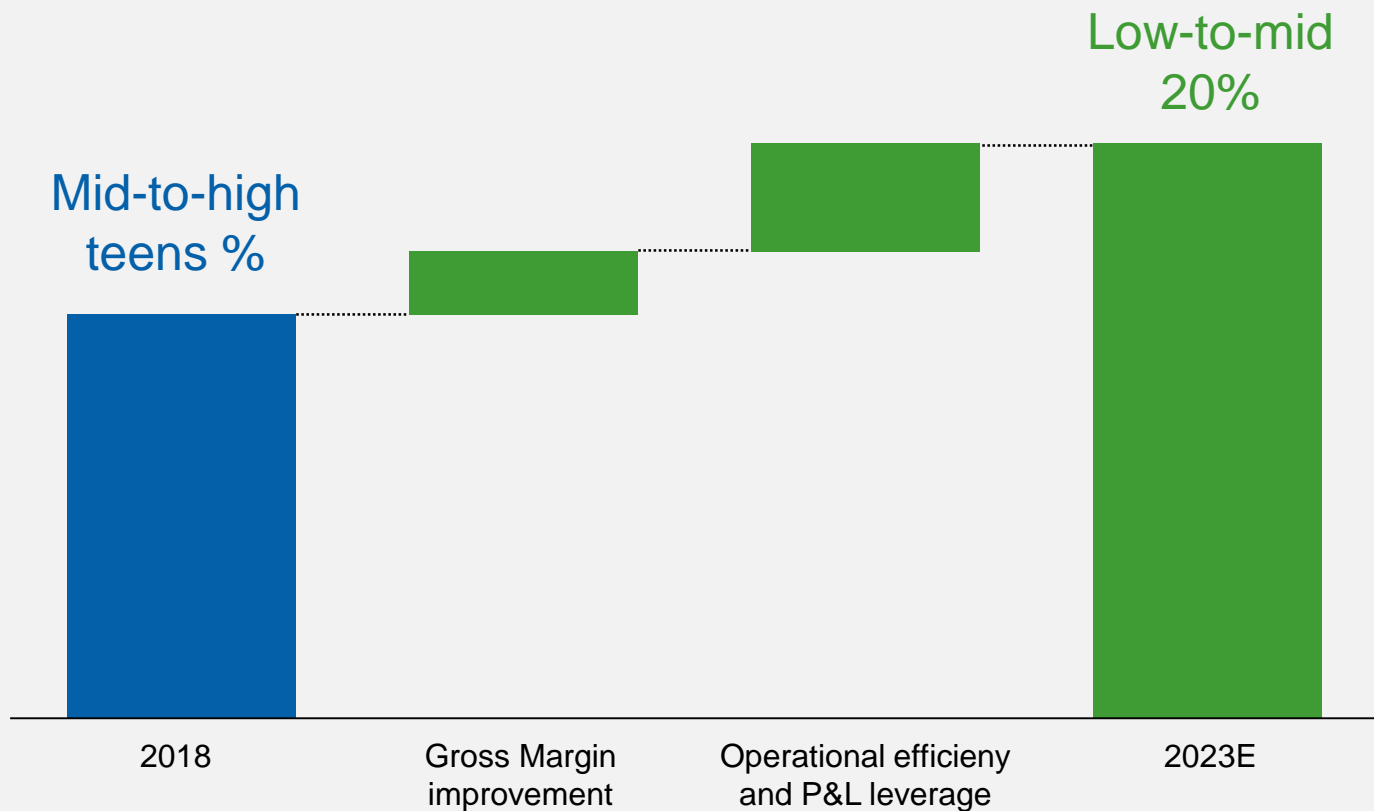
- Driven by higher sales and improved gross margin

	2023E <sup>1</sup>
<b>Sales growth</b> (% CAGR 2018-2023)	Mid-single digit
<b>Core operating margin<sup>2</sup></b> (%)	Low-to-mid 20s
<b>Capex</b> (as % of sales)	Mid-single digit
<b>Core tax rate<sup>2</sup></b> (%)	High-teens

1. 5 year outlook is subject to various risks and uncertainties. See "Legal Disclaimers" on slide 2

2. Sales growth figures presented in constant currency (cc), which is a non-IFRS measure

## Core operating margin<sup>1,2</sup> (% of sales)



## Drivers of margin improvement

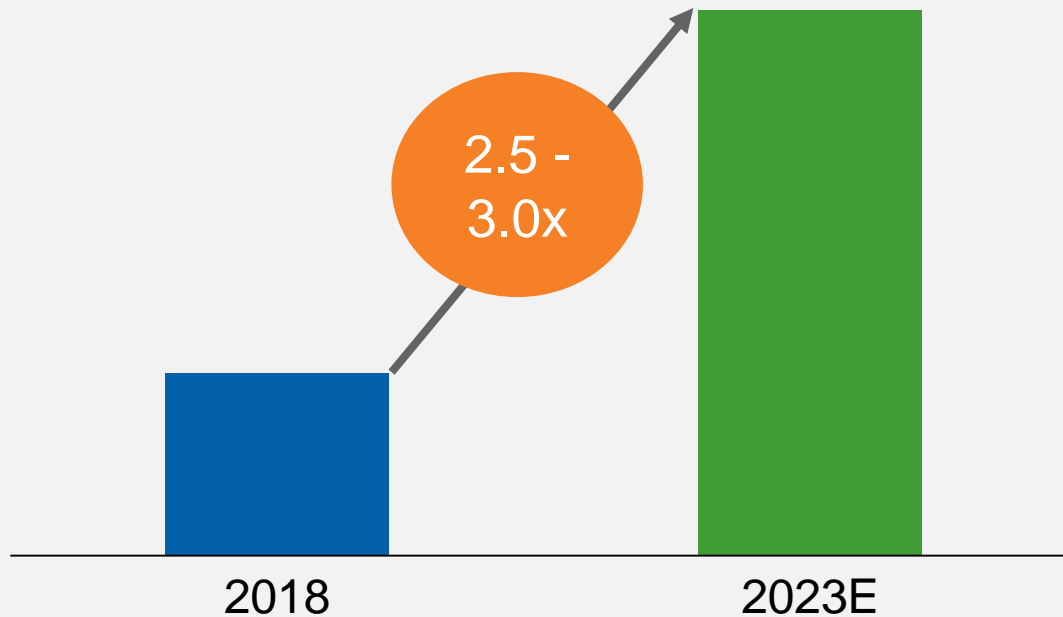
- + Sales acceleration on the back of near term growth drivers and new innovation
- + Favorable product mix
- + Manufacturing efficiencies from new lower cost contact lens platforms
- + SG&A improvement as we leverage existing infrastructure (built up during turnaround phase)
- + Process & cost efficiencies from global business services and reaping benefits of SAP implementation

1. Core operating margin is a non-IFRS measure

2. 5 year outlook for our core operating margin expansion is subject to various risks and uncertainties. See "Legal Disclaimers" on slide 2

# Cash flow generation expected to increase 2.5x – 3.0x by 2023

## Free cash flow<sup>1,2</sup> (\$)



*Including separation costs  
in 2019-2020 of ~\$0.3b*

## Drivers

- + Sales growth
- + Margin expansion
- + Stabilization of capital and IT investments

1. 5 year outlook for our free cash flow generation is subject to various risks and uncertainties. See "Legal Disclaimers" on slide 2.

2. Free cash flow is a non-IFRS measure



## Key priorities



Invest in organic growth drivers



Invest in R&D

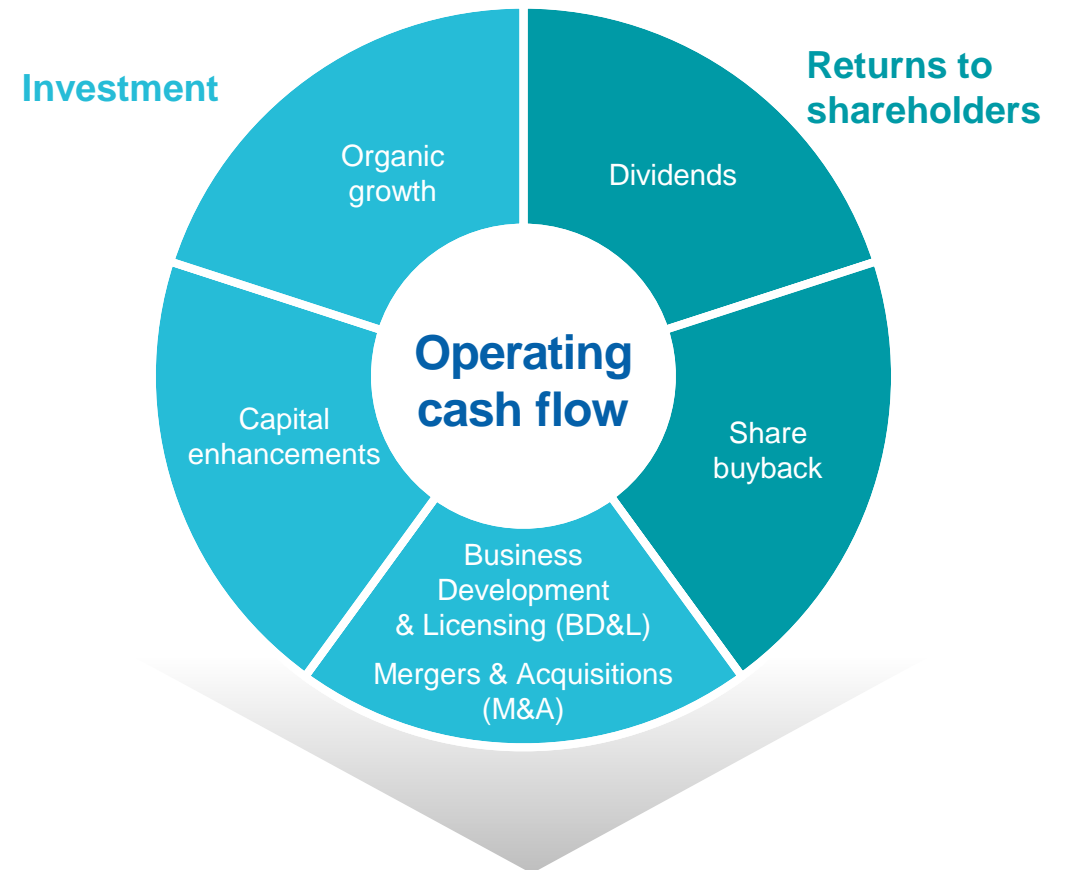


Disciplined BD&L and M&A



Return to shareholders

- Expect to pay regular cash dividend beginning in 2020 at approximately 10% of 2019 core net income<sup>1</sup>



Targeting investment grade credit rating

1. Future dividend policy, including potential dividend increases, will be subject to recommendation by the new Alcon Board of Directors and shareholder approval

# BD&L and M&A strategy primarily focused on new technologies

Innovation driven with particular interest in next-generation technologies

Focus on bolt-on acquisitions to surgical, vision care and adjacencies

Opportunity to leverage Alcon's global footprint/scale

Agnostic to source of innovation

Flexibility to execute different investment structures

# Maintaining flexibility with our balance sheet and investment grade profile

1

Alcon will be externally financed at spin-off



2

Financing at spin will be provided by bank debt / loans



3

Part of this bank debt is expected to be re-financed in the capital markets



4

Net financial debt of \$3b at the time of spin



5

Targeting investment grade credit rating from ratings agencies



# A 100% spinoff will be in the best interest of shareholders



Alcon incorporated and headquartered in Switzerland; Fort Worth will continue to be a key location



Dual listing on SIX Swiss Exchange and NYSE with one global share (Ticker: ALC)



1 Alcon share for every 5 Novartis shares / ADRs<sup>1</sup>

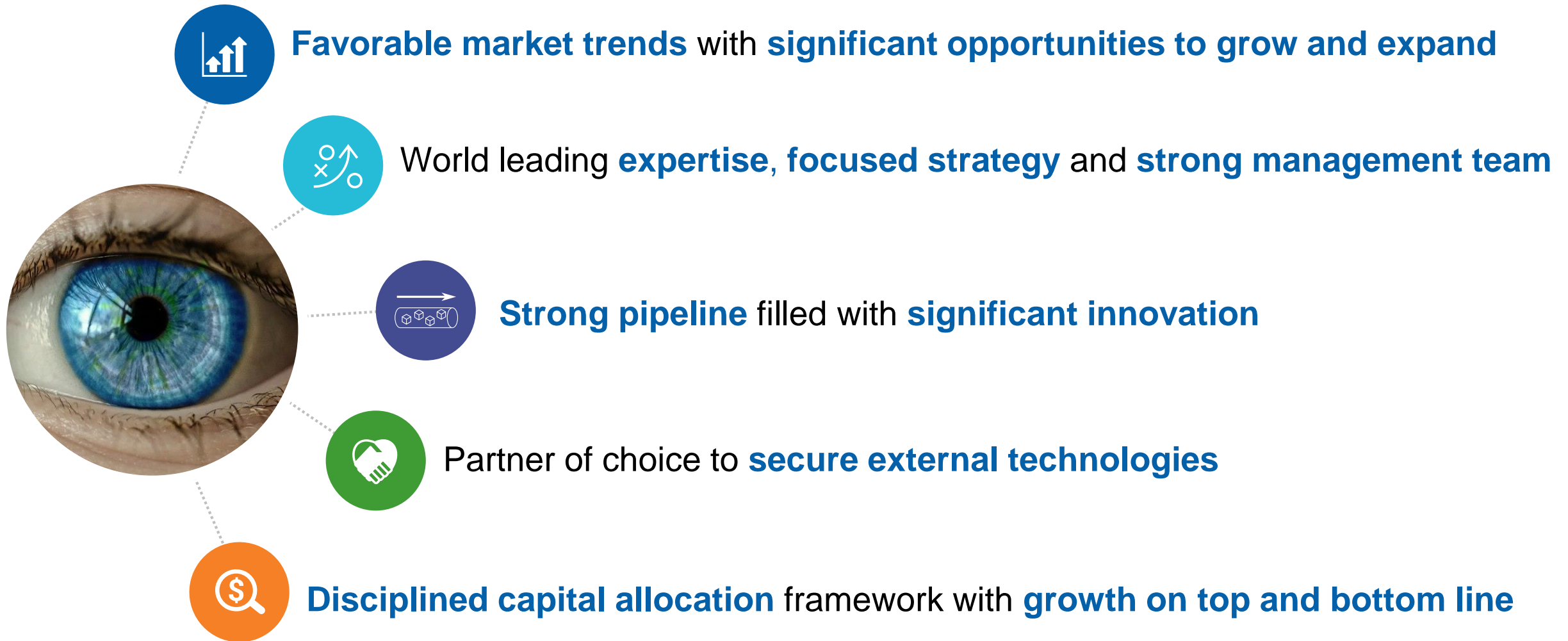


Expected completion in Q2 2019 and earliest in April



Novartis shareholders approved the spinoff at the 2019 Novartis Annual General Meeting on February 28. Completion remains subject to certain conditions precedents, such as no material adverse events and receipt of necessary authorizations

1. Any fractional interest will be compensated in cash



**Alcon**

