



Investor FAQ as of June 21, 2021

**1. What is the purpose of the March 31, 2021 10Q filing?**

In accordance with Securities & Exchange Commission rules, Organon (the Company) is required to file its quarterly report on Form 10-Q for the period ended March 31, 2021 within 45 days of the effective date of its Form 10 registration statement because that registration statement did not include first quarter financials.

**2. The first quarter 2021 was a period where the Organon business was still fully integrated within Merck and not yet stand-alone, so how should investors be thinking about the financial results in this filing?**

In the filing, the condensed combined financial statements reflect the company's GAAP results as if it was operated as part of Merck prior to the spin-off. The financial statements do not purport to reflect what Organon's results, financial position or cash flows would have been had the Company operated as a standalone public company during the first quarter.

**3. Why isn't management hosting a Q1 2021 earnings call with live Q&A?**

The Company recently provided a detailed presentation of its strategy, along with non-GAAP financial guidance for full year 2021 at an Investor Day on May 3, 2021, which was co-hosted with Merck. The Company believes the presentation and resulting discussion provided a meaningful depiction of the go-forward operations of the business under the new management team's direction.

The 10Q filing for the quarter ended March 31, 2021 does not purport to reflect what Organon's results, financial position or cash flows would have been had the Company operated as a standalone public company during the first quarter.

In a press release today, Organon affirmed the non-GAAP guidance it provided at the Investor Day, including the ranges for revenue and non-GAAP Adjusted EBITDA margin. To view the Investor Day presentation in its entirety, please visit [www.organon.com/investor-relations](http://www.organon.com/investor-relations) under the "Events and Presentations" tab.

4. Does this filing impact Organon’s full year guidance provided at its May 3<sup>rd</sup> Investor Day?

No. The Company affirmed the guidance it provided at the Investor Day, including the ranges for revenue and non-GAAP Adjusted EBITDA margin it provided at the May 3, 2021 Investor Day today in a press release, [Organon Announces Filing of Form 10-Q for the Quarter Ended March 31, 2021 | Organon](#).

5. The 10-Q filing presents information on a GAAP basis. The guidance Organon gave at Investor Day was on a non-GAAP basis. What was gross margin and EBITDA (earnings before taxes, interest, depreciation and amortization) for the first quarter of 2021 on a non-GAAP basis?

\$ mil	Q1 2021 GAAP	Non-GAAP adjustments	Q1 2021 non GAAP
Sales	\$1,506		\$1,506
Cost of goods sold	591	(20) <sup>1</sup>	571
Gross margin	915		935
<b>Gross margin percentage</b>	<b>60.8%</b>		<b>62.1%</b>

	Q1 2021
<b>Net income from continuing operations as reported under GAAP</b>	<b>\$395</b>
Interest (income) expense, net	1
Taxes on income	72
Depreciation	18
Amortization	20
<b>EBITDA</b>	<b>506</b>
Restructuring costs	1
One-time charges related to stand up of Organon	49
Stock based compensation	11
<b>Adjusted EBITDA</b>	<b>567</b>
<b>Adjusted EBITDA margin</b>	<b>37.6%</b>

(1) Reported GAAP cost of goods sold includes \$20 million of amortization, which the company excludes in its non-GAAP calculation for adjusted gross margin.

At the May 3, 2021 Investor Day, the Company guided to non-GAAP adjusted gross margin in the low to mid 60% range for full year 2021. The Company provided non-GAAP Adjusted EBITDA margin guidance of 36.0%-38.0% for full year 2021 but stated that it expects the back half of year margins to be lower than this range by about 1 point to 1.5 points, based on seasonality of spending.

**6. Does the Company intend to bifurcate 2021 guidance into pre-spin and post-spin and if so, when?**

Organon issued guidance at its May 3, 2021 Investor Day, including ranges for full year 2021 revenue and non-GAAP Adjusted EBITDA margin. The company affirmed that guidance today in a press release, [Organon Announces Filing of Form 10-Q for the Quarter Ended March 31, 2021 | Organon](#). The company intends to give annual non-GAAP guidance for similar metrics going forward. The next update to guidance would occur in August when the company will report its second quarter results.

**7. When will Organon initiate a dividend?**

No dividend has yet been declared by Organon's Board of Directors, but the Company has indicated that it intends to begin paying dividends in 2021, targeting a payout at approximately 20% of free cash flow. The planned Organon dividend is incremental to the pre-spinoff dividend paid by Merck.

**8. Can you provide any updates on the previously announced acquisition of Alydia Health?**

Organon closed its acquisition of Alydia Health on June 16, 2021. The Company announced its intent to acquire Alydia Health on March 30, 2021, <https://www.organon.com/news/merck-announces-acquisition-of-alydia-health-on-behalf-of-its-planned-spinoff-of-organon>.

Alydia Health is an early commercial-stage medical device company focused on preventing maternal morbidity and mortality caused by postpartum hemorrhage (PPH) or abnormal postpartum uterine bleeding. Organon has publicly stated that business development will be key to Company's goal of becoming a leader in Women's Health.

**9. What was the impact from COVID-19 for the first quarter 2021?**

In the first quarter of 2021, the Company estimates that the adverse effect of the COVID-19 pandemic to Organon sales was approximately \$100 million. The Company believes that global health systems and patients have largely adapted to the impacts of the COVID-19 pandemic, and for the full year expects the impact to revenue to be approximately \$250 to \$350 million, compared with an estimated \$400 million in 2020.

**10. LOE (Loss of Exclusivity) and VBP (Volume Based Procurement) are two themes Organon covered at Investor Day. What was the impact of each in the first quarter?**

The total impact on the portfolio from loss of exclusivity (LOE) during the first quarter of 2021 compared with the first quarter of 2020 was approximately \$80 million and is primarily due to new generic competition for products in the last 12 months mainly from Nuvaring in the US, Zetia in Japan, and Atozet in the EU. In its May 3, 2021 guidance, the Company indicated that LOE impact could range between \$400 million and \$500 million for full year 2021.

Additionally, the volume based procurement program ("VBP") in China continues to affect a number of our products and had a total impact to sales for the first quarter of 2021 compared to the first quarter of 2020 of approximately \$50 million. In its May 3, 2021 guidance, the Company indicated that impact from VBP could range between \$200 million and \$300 million for full year 2021.