

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 104419 / December 17, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-22309

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In the Matter of	:	SECOND EXTENSION ORDER
	:	
Elanco Animal Health Inc.,	:	
	:	
Respondent.	:	
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The Division of Enforcement (“Division”) has requested an extension of time until March 20, 2026, to submit a Proposed Plan of Distribution under Rule 1101(a) of the Commission’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1101(a).

On November 12, 2024, the Commission issued an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (the “Order”)¹ against Elanco Animal Health Inc. (“Elanco” or the “Respondent”). In the Order, the Commission found that Elanco failed to disclose material information concerning its sales practices that rendered statements it made about its revenue growth misleading. According to the Order, from the first quarter of 2019 to the first quarter of 2020, Elanco relied on quarter-end incentives to its distributors so Elanco could make sales to meet its internal quarterly revenue and core revenue growth targets (the “Quarter-End Incentivized Sales” or “Incentivized Sales”).

¹ Securities Act Rel. No. 11326 (Nov. 12, 2024).

The Commission found that without these Incentivized Sales, Elanco would have missed its internal revenue and core growth targets in each quarter in 2019. Additionally, the Commission found that Elanco failed to disclose the use of its Quarter-End Incentivized Sales publicly, rendering positive statements it made about revenue materially misleading. The Commission also found that Elanco failed to warn investors of the impact Incentivized Sales to distributors in excess of consumer demand could have on its future revenue and core revenue growth, and that its future performance may suffer if its distributors refused the enticements.

According to the Order, Elanco decided to stop offering Quarter-End Incentivized Sales to distributors and to reduce channel inventory in the first quarter of 2020, which impacted Elanco's revenue and profits for the quarter. On May 7, 2020, Elanco announced an expected \$160 million decline in revenue for the first and second quarters of 2020 that caused its share price to drop by over 13%. The statement cited the uncertainty of the COVID-19 pandemic and a "strategic change" in Elanco's inventory management practices – including reductions in channel inventory – as the reason for the decline. However, the Commission found that prior to the onset of the COVID-19 pandemic, Elanco had already planned to gradually reduce channel inventory levels each quarter and issued lower annual revenue guidance at the start of 2020 that incorporated that change. The Commission found that internal documents and communications from prior to the COVID-19 pandemic reflect that Elanco was planning to make a larger change to its channel inventory levels in connection with a planned merger in the second half of the year.

The Commission found that, as a result of the conduct described in the Order, Elanco violated Securities Act Sections 17(a)(2) and (3) and Exchange Act Section 13(a) and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13a-15(a) thereunder.

The Commission ordered the Respondent to pay a \$15,000,000.00 civil money penalty to the Commission. The Commission also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalty collected can be distributed to harmed investors (the “Fair Fund”).

The Fair Fund consists of the \$15,000,000.00 collected from the Respondent. The Fair Fund has been deposited in a Commission-designated account at the U.S. Department of the Treasury, and any accrued interest will be added to the Fair Fund.

On January 27, 2025, the Division, pursuant to delegated authority, issued an Extension Order,² extending the time to submit a proposed plan of distribution to January 21, 2026, because the staff needed more time to complete the fund administrator solicitation and appointment process, develop the distribution methodology, and prepare the proposed plan of distribution.

During the initial extension period, this matter had to be reassigned because of staff departures. Subsequently, due to the 42-day lapse in the Commission’s appropriations, staff was furloughed and was not able to complete the fund administrator appointment process, develop the distribution methodology, or prepare the proposed plan of distribution. Additional time is needed to complete these tasks, and the staff requests that the time to submit a proposed plan of distribution be extended to March 20, 2026.

² Extension Order, Exchange Act Rel. No. 102292 (Jan. 27, 2025).

Accordingly, for good cause shown, IT IS HEREBY ORDERED that the Division's request for an extension of time until March 20, 2026, to submit a Proposed Plan of Distribution is granted.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.³

Vanessa A. Countryman
Secretary

³ 17 C.F.R. § 200.30-4(a)(21)(i).