Ironwood 2Q 2019 Earnings

July 30, 2019

Introduction

Meredith Kaya

Safe Harbor Statement

This presentation contains forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements, including statements about the development, launch, commercial availability and commercial potential of linaclotide and our other product candidates and the drivers, timing, impact and results thereof; expectations regarding our ability to sustain net income and expectations and timing regarding our ability to attain or sustain positive cash flow and greater competitiveness and the resulting shareholder value; market size, commercial potential, prevalence, and the growth in, and potential demand for, linaclotide and other product candidates, as well as their potential impact on applicable markets; the potential indications for, and benefits of, linaclotide and other product candidates; our business and operations and any benefits or costs of the separation of Cyclerion; our plans to relocate from our Cambridge headquarters to a new Boston headquarters, the timing of the planned relocation, and the anticipated cost savings associated with the relocation and the amount and timing thereof; the anticipated timing of preclinical, clinical and regulatory developments and the design, timing and results of clinical and preclinical studies, including the MD-7246 Phase II trial and the IW-3718 Phase III trials; expected periods of patent exclusivity, durability and life of the respective patent portfolios for linaclotide and other product candidates; the strength of the intellectual property protection for linaclotide and other product candidates; future licensing and commercialization efforts; the potential for, and timing of, regulatory submissions and approvals for linaclotide and other product candidates, and the level of risk associated with the path to approval; and our financial performance and results, and guidance and expectations related thereto (including the drivers and timing thereof), including expectations related to total revenue, net interest expense, separation expenses, restructuring expenses, adjusted EBITDA from continuing operations and LINZESS net sales growth. Each forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statement. Applicable risks and uncertainties include those related to the effectiveness of development and commercialization efforts by us and our partners; preclinical and clinical development, manufacturing and formulation development; the risk that our clinical programs and studies may not progress or develop as anticipated, including that studies are delayed or discontinued for any reason, such as safety, tolerability, enrollment, manufacturing, economic or other reasons; the risk that findings from our completed studies may not be replicated in later studies; the efficacy, safety and tolerability of linaclotide and other product candidates; the decisions by regulatory and judicial authorities; the risk that we may never get sufficient patent protection for linaclotide and other product candidates or that we are not able to successfully protect such patents; the outcomes in legal proceedings to protect or enforce the patents relating to our products and product candidates, including abbreviated new drug application litigation; the possibility that we may not achieve some or all of the anticipated benefits of the separation of Cyclerion; the risk that financial and operating results may differ from our projections; and the risks listed under the heading “Risk Factors” and elsewhere in Ironwood’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, and in our subsequent SEC filings. These forward-looking statements speak only as of the date of this presentation, and Ironwood undertakes no obligation to update these forward-looking statements. Ironwood uses non-GAAP financial measures in this presentation, which should be considered only a supplement to, and not a substitute for or superior to, GAAP measures. Further, Ironwood considers the net profit for the U.S. LINZESS brand collaboration with Allergan in assessing the product's performance and calculates it based on inputs from both Ironwood and Allergan. This figure should not be considered a substitute for Ironwood's GAAP financial results. An explanation of our calculation of this figure is provided on slide 20 of this presentation.

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Today's Agenda

- **Introduction**
  Meredith Kaya, VP Investor Relations & Communications
- **2Q 2019 Overview**
  Mark Mallon, Chief Executive Officer
- **Financial Highlights & Guidance**
  Gina Consylman, Chief Financial Officer
- **Commercial and Development Highlights**
  Tom McCourt, President

2Q 2019 Overview

Mark Mallon

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IRONWOOD is dedicated to making a difference for patients living with GI diseases

WE AIM TO:

Accelerate LINZESS® (linaclotide) growth

- ✔ 13% Y/Y Rx demand growth, $196M U.S. net sales in 2Q19
- ✔ Generated positive topline Phase IIIb data from linaclotide abdominal symptom trial

Advance late-stage U.S. GI development portfolio

- ✔ MD-7246: Initiated dosing in Phase IIb
- ✔ IW-3718: Continued Phase III patient enrollment

Deliver profits beginning in 2019

- ✔ Delivered GAAP net income, GAAP net income from continuing operations & positive adjusted EBITDA from continuing operations in 2Q 2019[1]

1. Refer to the Reconciliation of Net Income (Loss) from Continuing Operations on a GAAP basis and Adjusted EBITDA from Continuing Operations on slide 19 of this presentation

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Financial Highlights & 2019 Financial Guidance

Gina Consylman

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2Q 2019 financial summary

Reconciliation of Discontinued Operations (unaudited)

(000s, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Costs and expenses included in discontinued operations	$ -	$ 15,745	$ 21,792	$ 31,774
Research and development	-	8,592	15,646	9,148
Selling, general and administrative	-	906	-	906
Net loss from discontinued operations	-	$ 25,243	$ 37,438	$ 41,828

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2Q 2019 financial performance

$102.2M
in Ironwood revenues

(incl. **$77.3M** in collaboration revenue and **$24.9M** in linaclotide API sales)

$80.6M
in total costs and expenses

Including:

$43.2M in R&D, **$28.8M** in SG&A, **$0.5M** in restructuring, **$11.3M** in cost of revenues

Offset by a **gain of $3.2M** related to lease modification

$12.3M
in **GAAP** net income $0.08/share

$16.0M
in non-**GAAP** net income $0.10/share

$12.3M
in **GAAP** net income from continuing operations

$25.6M
in Adjusted EBITDA from continuing operations

Refer to the Reconciliation of GAAP Results to Non-GAAP Financial Measures appearing on slide 18 of this presentation and the Reconciliation of Net Income (Loss) from Continuing Operations on a GAAP basis and Adjusted EBITDA from continuing operations on slide 19 of this presentation

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Full year 2019 financial guidance

Ironwood continues to expect:

Total revenue	$370 – $390 million
Net interest expense	~$35 million
Separation expenses[1]	$30 – $40 million
Restructuring expenses[2]	$3 – $4 million
Adjusted EBITDA from continuing operations[3]	>$65 million
LINZESS net sales growth	Low-to-mid single digit %

1. Separation expenses were $2.6 million in the second quarter of 2019 2. Restructuring expenses were largely incurred during the first quarter of 2019 in connection with the reduction in workforce commenced in February 2019. Total restructuring expenses in the second quarter of 2019 were $0.5 million. 3. Adjusted EBITDA from continuing operations is calculated by subtracting net interest expense, taxes, depreciation, amortization, fair value of remeasurement of contingent consideration, mark-to-market adjustments on derivatives, restructuring expenses, and separation expenses from GAAP net income (loss) from continuing operations. Beginning in the second quarter of 2019, Ironwood is reporting in its financial statements GAAP net income (loss) from continuing operations which excludes discontinued operations related to Cyclerion. Refer to the Reconciliation of Net Income (Loss) from Continuing Operations on a GAAP basis and Adjusted EBITDA from Continuing Operations on slide 19 of this presentation.

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Commercial and Development Highlights

Tom McCourt

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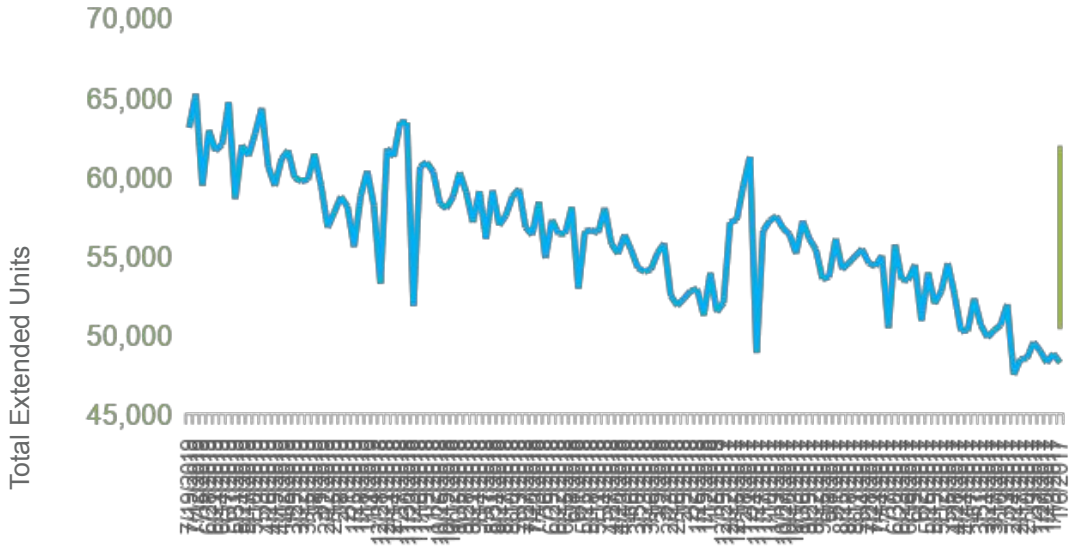
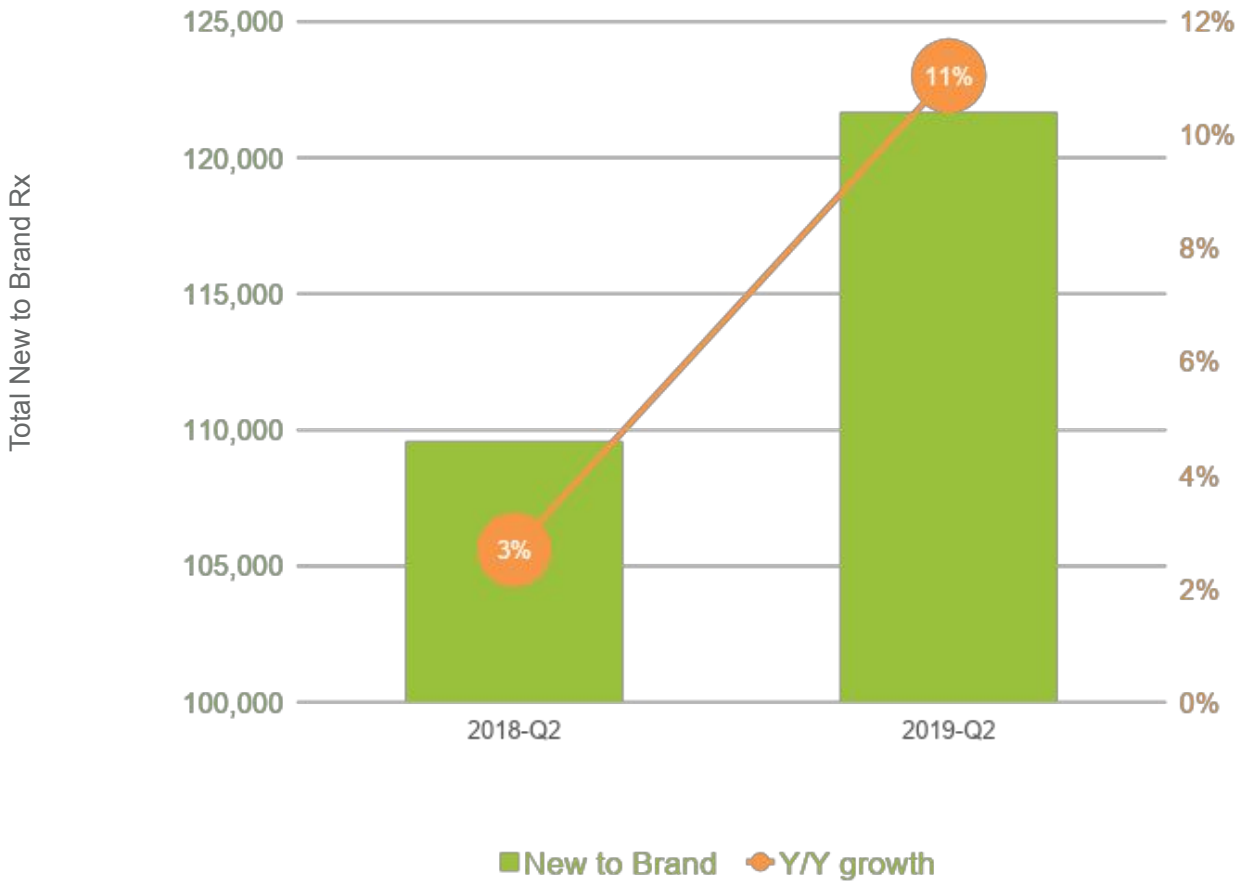
Strong LINZESS demand growth in 2Q 2019

Extended Unit Growth up 13% Y/Y in 2Q 2019[1]



New to Brand Growth up 11% Y/Y in 2Q 2019[1]



1. IQVIA Smart, June 2019

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Positive topline data from Phase IIIb LINZESS trial in IBS-C

Data showed LINZESS improvement on overall abdominal symptoms (bloating, pain, discomfort)

Phase IIIb trial met primary and secondary endpoints
Demonstrated linaclotide improved overall abd symptoms (bloating, pain, discomfort)

≥1x/week
Majority of IBS-C patients surveyed reported **experiencing these symptoms 1x/week or more**[2]

~95%
of IBS-C patients
surveyed reported experiencing abdominal pain, bloating and/or discomfort[1,2]

Communication of data
to healthcare practitioners began July 2019

Source: 1. GfK "IBS in America", 2016. 2. Lieberman GI Patient Landscape Survey, 2010. 3. Galileo Patient Exploratory Research, 2018.

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Advancement of GI pipeline

Two important data milestones expected in 2020

MD-7246 - Phase IIb data expected 2H 2020

- ✔ In development for treatment of abdominal pain associated with IBS-D
- ✔ Initiated Phase IIb clinical trial in adult IBS-D patients
- ✔ ~16 million U.S. adults suffering from IBS-D[1,2]

IW-3718 - Phase III data expected 2H 2020

- ✔ In development for treatment of persistent GERD
- ✔ Phase III trials continue to enroll patients
- ✔ ~10 million U.S adults suffering from heartburn and regurgitation associated with persistent GERD[3]

1. Grundmann O, Yoon SL. Irritable bowel syndrome: epidemiology, diagnosis and treatment: an update for health-care practitioners. J Gastroenterol Hepatol. 2010 Apr;25(4):691-9 2. US Census Bureau. USA QuickFacts from the US Census Bureau. Available at https://www.census.gov/quickfa.... Accessed October 27, 2016 3. US Census; Lieberman HCP Survey, 2018; Lieberman GI Patient Landscape Survey, 2010

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IRONWOOD
is dedicated to making a difference for patients living with GI diseases

WE AIM TO:

- **Accelerate LINZESS®** (linaclotide) growth
- **Advance late-stage U.S. GI development** portfolio
- **Deliver profits** beginning in 2019

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Thank You!

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2Q 2019 financial summary

Condensed consolidated statement of operations (unaudited)

	Three Months Ended June 30, 2019 (000s, except per share amounts)
Revenue	$ 102,215
Cost and expenses:	
Cost of revenue	11,313
Research and development	28,758
Selling, general and administrative	43,246
Restructuring expenses	490
Gain on lease modification	(3,169)
Total cost and expenses	80,638
Income from operations	21,577
Other expense, net	(9,294)
GAAP net income from continuing operations	$ 12,283
GAAP net income	$ 12,283
GAAP net income per share – basic and diluted	$ 0.08

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2Q 2019 financial summary

Reconciliation of GAAP results to non-GAAP financial measures

	Three Months Ended June 30, 2019 (000s, except per share amounts)
GAAP net income	$ 12,283
Adjustments:	
Mark-to-market adjustments on the derivatives related to convertible notes, net	672
Restructuring expenses	490
Separation expenses	2,587
Non-GAAP net income	16,032
GAAP net income per share (basic and diluted)	$ 0.08
Adjustments to GAAP net loss (detailed above)	0.02
Non-GAAP net income per share (basic and diluted)	$ 0.10

The company presents non-GAAP net income (loss) and non-GAAP net income (loss) per share to exclude the impact of net gains and losses on the derivatives related to our convertible notes that are required to be marked-to-market, the amortization of acquired intangible assets, the impairment of intangible assets, and the fair value remeasurement of contingent consideration. Ironwood also excludes restructuring and separation-related expenses from non-GAAP net income (loss). Investors should consider these non-GAAP measures only as a supplement to, not as a substitute for or as superior to, measures of financial performance prepared in accordance with GAAP. In addition, these non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. For a reconciliation of the company's non-GAAP financial measures to the most comparable GAAP measures, please refer to the table above. Additional information regarding the non-GAAP financial measures is included in the company's press release dated July 30, 2019.

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2Q 2019 financial summary

Reconciliation of GAAP net income (loss) from continuing operations to adjusted EBITDA from continuing operations

	Three Months Ended June 30, 2019 (000s, except per share amounts)	Six Months Ended June 30, 2019 (000s, except per share amounts)
GAAP net income (loss) from continuing operations	$ 12,283	$ (9,563)
Adjustments:		
Mark-to-market adjustments on the derivatives related to convertible notes, net	672	(3,272)
Restructuring expenses[1]	490	3,818
Separation expenses[1]	2,587	7,477
Interest	8,762	17,618
Depreciation[1]	851	1,539
Adjusted EBITDA from continuing operations	$ 25,645	17,617

1. These adjustments relate to the portion of costs included in continuing operations and not the amounts that have been recast to discontinued operations 2. Ironwood presents GAAP net income (loss) from continuing operations and adjusted EBITDA from continuing operations, a non-GAAP measure. Adjusted EBITDA from continuing operations is calculated by subtracting net interest expense, taxes, depreciation, amortization, fair value of remeasurement of contingent consideration, mark-to-market adjustments on derivatives, restructuring expenses, and separation expenses from GAAP net income (loss) from continuing operations. Investors should consider these non-GAAP measures only as a supplement to, not as a substitute for or as superior to, measures of financial performance prepared in accordance with GAAP. In addition, these non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. For a reconciliation of the company's non-GAAP financial measures to the most comparable GAAP measures, please refer to the table above. Additional information regarding the non-GAAP financial measures is included in the company's press release dated July 30, 2019.

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2Q 2019 financial summary

LINZESS U.S. brand collaboration

Commercial Profit & Collaboration Revenue[1]

	Three Months Ended June 30, 2019 (000s)
LINZESS U.S. net product sales	$ 195,958
Allergan & Ironwood commercial costs and expenses	66,730
Commercial profit on sales of LINZESS	$ 129,228
Commercial Margin	*66%*
Ironwood's share of net profit	64,614
Reimbursement for Ironwood's selling, general, and administrative expenses	10,359
Ironwood's collaboration revenue	$ 74,973

Ironwood & Allergan Total Net Profit

	Three Months Ended June 30, 2019 (000s)
LINZESS U.S. net product sales	$ 195,958
Allergan & Ironwood commercial costs and expenses	66,730
Allergan & Ironwood R&D expenses[2]	14,474
Total net profit on sales of LINZESS	$ 114,754

1. The purpose of the Commercial Profit and Collaboration Revenue table is to present the calculation of Ironwood's share of net profits (losses) generated from sales of LINZESS in the U.S. and Ironwood's collaboration revenue / expense; 2. R&D expenses related to LINZESS in the U.S. are shared equally between Ironwood and Allergan under the collaboration agreement.

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