



**Shaping Animal Health  
for the Next Decade  
Zoetis Investor Day**

May 25, 2023

**zoetis**

A man with dark skin and short curly hair, wearing glasses and a colorful patterned sweater, is sitting at a desk. He is looking down at a small grey tabby kitten he is holding in his arms. On the desk in front of him is a laptop, some papers, and a small potted plant. The background is a blurred office or home workspace with large windows and indoor plants.

# Introduction

Steve Frank  
Vice President, Investor Relations

zoetis

## Forward-Looking Statements

This presentation contains forward-looking statements, which reflect the current views of Zoetis with respect to: business plans or prospects, future operating or financial performance; future guidance, future operating models, disruptions in our global supply chain; R&D costs; timing and likelihood of success; expectations regarding products, product approvals or products under development; expected timing of product launches; the impact of the coronavirus (COVID-19) global pandemic and any recovery therefrom on our business, supply chain, customers and employees; expectations regarding the performance of acquired companies and our ability to integrate new businesses; expectations regarding the financial impact of acquisitions, future use of cash, dividend payments and share repurchases, foreign exchange rates, tax rate and tax regimes and any changes thereto; and other future events. These statements are not guarantees of future performance or actions. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. Zoetis expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A further list and description of risks, uncertainties and other matters can be found in our most recent Annual Report on Form 10-K, including in the sections thereof captioned "Forward-Looking Statements and Factors That May Affect Future Results" and "Item 1A. Risk Factors," in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K. These filings and subsequent filings are available online at [www.sec.gov](http://www.sec.gov), [www.zoetis.com](http://www.zoetis.com), or on request from Zoetis.

## Non-GAAP Financial Information

We use non-GAAP financial measures, such as adjusted net income, organic operational growth, adjusted net income margin, adjusted EBITDA margin, adjusted diluted EPS and operational results (which excludes the impact of foreign exchange) to assess and analyze our results and trends and to make financial and operational decisions. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. The non-GAAP financial measures included in this presentation should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and revenue growth, and should not be considered measures of liquidity. These non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. Reconciliations of non-GAAP financial measures and the most directly comparable GAAP financial measures are available in the appendix to this presentation.

# Agenda

**9:00 – 9:45**

**Our Strategy & Ambitions:** *Kristin Peck, CEO*

---

**9:45 – 10:15**

**Power of Our R&D:** *Robert Polzer, PhD, EVP and President of R&D*

---

**10:15 – 10:45**

**Delivering Our Value Proposition:** Panel Discussion

- *Jeannette Ferran Astorga, EVP, Corporate Affairs, Communications and Chief Sustainability Officer*
  - *Jamie Brannan, EVP and President, International Operations and Aquaculture*
  - *Wafaa Mamilli, EVP, Chief Digital & Technology Officer and Group President for China, Brazil and Precision Animal Health*
  - *Nick Ashton, EVP & President, Global Manufacturing and Supply*
- 

**10:45 – 11:00**

**Break**

---

**11:00 – 11:30**

**Our Financial Roadmap:** *Wetteny Joseph, EVP and CFO*

---

**11:30 – 12:15**

**Q&A**



# Our Strategy and Ambitions

Kristin Peck  
Chief Executive Officer

zoetis

# What you will hear today

## 1 Building on Our Leadership in Animal Health

We have the right strategy, talent and capabilities to shape and expand the future of Animal Health.

## 2 Delivering Growth in a Dynamic and Resilient Industry

Animal Health is an essential and attractive growth market, and we are confident in our ability to innovate and grow faster than the market.

## 3 Driving Our Next Phase of Game Changing Franchises


We are proven market makers, using internal R&D and business development to advance animal care and create durable and diverse franchises.

## 4 Investing in Capabilities and Innovation that Differentiate Zoetis

Continued investments in R&D, supply chain and commercial excellence will drive our next phase of growth, including the expansion of our diverse portfolio with market-leading franchises.

## 5 Committed To Creating Value

We are well-positioned to deliver on our value proposition, as we have done for the past 10 years, through revenue growth, strategic investments, margin expansion and capital return.

A man with a beard and mustache is sitting in the driver's seat of a car, looking out the window with a smile. A dog with white and brown fur is sitting next to him, looking out the window with its tongue hanging out. The background shows a blurred landscape of green hills and a road. The text "Building on Our Leadership in Animal Health" is overlaid in the center of the image.

# Building on Our Leadership in Animal Health

zoetis



[insert Purpose video]

# Our Purpose

To nurture our world and  
humankind by advancing  
care for animals





## Our Vision

To be the most trusted and valued animal health company, shaping the future of animal care through our innovation, customer obsession and purpose-driven colleagues

A photograph of a herd of sheep in a grassy field. In the foreground, a single thistle with purple flowers is in sharp focus. The sheep are white and woolly, with some looking towards the camera and others looking away. The background is a soft-focus field of green grass and more sheep.

# Our Strategic Priorities

Lead through  
innovation across our  
diverse portfolio

Deliver an exceptional  
experience to delight  
our customers

Power our business  
through digital  
solutions and data  
insights

Support a workplace  
where our colleagues  
can thrive

Advance sustainability  
in animal health for  
a better future

Perform with  
excellence  
and agility

# Our Core Beliefs

Our colleagues make  
the difference

---

Always do the right thing

---

Customer obsessed

---

Run it like you own it

---

We are one Zoetis



# Zoetis at a glance

**70+**

Years of Experience

**\$8.1B**

Annual  
revenue

**7**

Major product  
categories

**8**

Core animal  
species

## We provide:

Medicines

Vaccines

Diagnostics

Biodevices

Genetic tests

Precision animal health

**100+**

Countries where  
Zoetis products  
are sold

**29**

Manufacturing  
sites

**64%** Revenue from  
companion animal  
products<sup>1</sup>

Revenue from  
livestock products<sup>1</sup> **35%**

**1,430**

Approximate  
R&D  
colleagues

**4,200**

Approximate  
field force  
members

**13,800**

Approximate  
colleagues  
worldwide

Note: Facts and figures shown are as of Dec. 31, 2022

<sup>1</sup>In addition, revenue associated with Client Supply Services and Human Health represents 1% of total 2022 revenue.

# We remain committed to the four tenets of our Value Proposition

zoetis



**Grow** revenue  
faster than the market



**Invest** in innovation  
and growth capabilities



**Increase** adjusted  
net income faster  
than revenue



**Return** excess capital  
to shareholders

# Grow revenue faster than the market



## Our track-record

Grew revenue operationally

**3%**

faster than the core animal health market<sup>1</sup> since our IPO

<sup>1</sup> Source: Vetnosis' estimated average annual growth rates from 2013 to 2022 in the core animal health market (which excludes diagnostics, genetic tests, biodevices and precision animal health) for Zoetis (~8%) as compared to estimates for the overall industry including Zoetis (~5%). Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

<sup>2</sup> Targeted average over the forecast period

## Path forward - next 3 to 5 years

**Grow annual revenue mid-to-high single digits<sup>2</sup>**

- Broaden existing billion-dollar franchises
- Innovate and build new franchise opportunities
- Expand across attractive emerging markets
- Accelerate commercial excellence to take share

# Invest in innovation and growth capabilities



## Our track-record

**>\$4B<sup>1</sup>**

Invested in R&D,  
building billion-dollar franchises  
and 15 blockbusters<sup>2</sup>

**Acquired**

Strategic capabilities in  
Diagnostics, Aquaculture  
and other key areas

<sup>1</sup> From 2013 to 2022; R&D investments cumulative.

<sup>2</sup> Blockbuster products in Animal Health generate more than \$100 million in annual sales

<sup>3</sup> ROIC stands for Return On Invested Capital

<sup>4</sup> Targeted average over the forecast period

## Path forward - next 3 to 5 years

### Drive ROIC<sup>3</sup> accretion<sup>4</sup>

- Prioritize R&D investment in the highest ROIC opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners

# Increase adjusted net income faster than revenue



## Our track-record

Grew adjusted net income  
**faster than revenue**  
annually

Expanded margins  
**>1250bps**  
with our focused operating model  
and disciplined portfolio approach<sup>1</sup>

<sup>1</sup> From 2013 to 2022

<sup>2</sup> Targeted average over the forecast period

## Path forward - next 3 to 5 years

### Enable margin improvement<sup>2</sup>

- Expand revenue in higher margin product categories
- Leverage scale to drive bottom line performance
- Optimize and simplify to increase productivity and efficiency

# Return excess capital to shareholders



## Our track-record

Grew dividends by  
**~20%<sup>1</sup>** annually

Bought back  
**>\$5B<sup>2</sup>**  
of Zoetis shares

Delivered total shareholder return of  
**~625%**  
since IPO<sup>3</sup>

<sup>1</sup> CAGR from 2014 to 2023, based on Zoetis internally estimated 2023 full-year dividend payout

<sup>2</sup> From 2013 through the end of 1Q23

<sup>3</sup> Based on initial investment of \$26 per share at IPO in 2013 through May 15, 2023.

## Path forward - next 3 to 5 years

### Maintain balance between investments and return of capital

- Reinvest in the business to drive growth
- Target strategic business development to enhance innovation
- Grow dividend above adjusted net income
- Continue systematic share buybacks

A man wearing a straw hat and a plaid shirt is looking down at a tablet device in his hands. He is standing in a grassy field with several brown cows in the background. The sky is overcast. A white curved line is visible in the upper right corner of the image.

# Delivering Growth in a Dynamic and Resilient Industry

zoetis

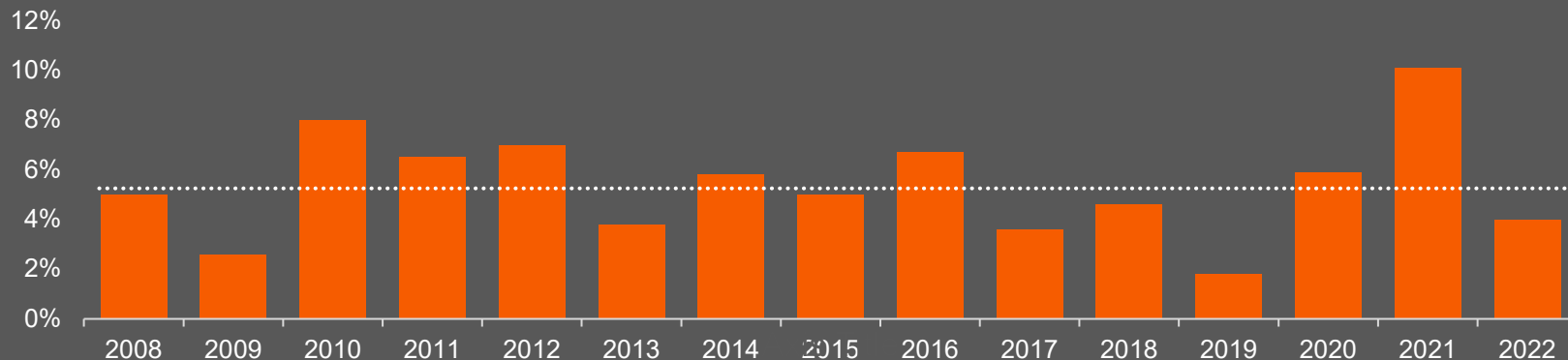
# Core Animal Health market has shown steady and resilient operational growth<sup>1</sup> over time

**~3%**

Growth in 2009  
recession

**5.4%**

average per year  
since 2008



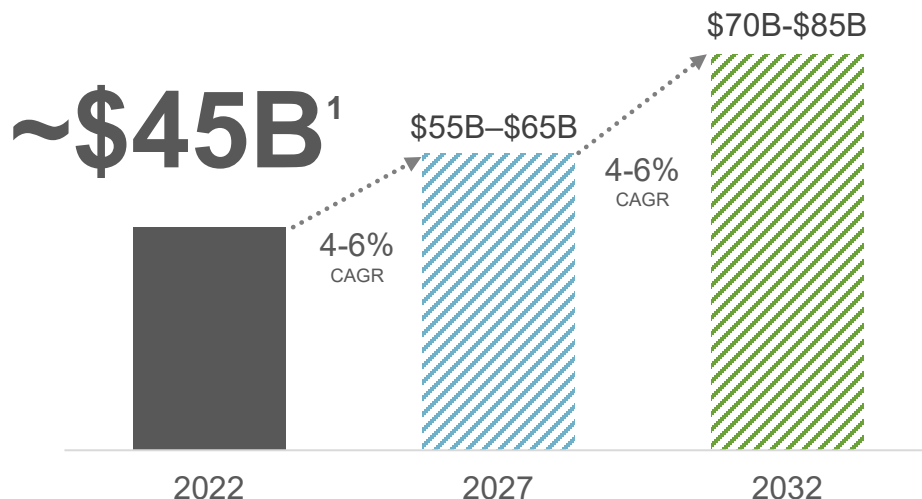
Source: Vetnosis for historical core animal health market, including Zoetis from 2013 to 2022, excludes diagnostics, genetic tests, biodevices and precision animal health.

<sup>1</sup> Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

# Animal Health poised for strong, sustainable growth

Innovation and market expansion are increasing opportunities

## Expected Market Growth (\$B)<sup>1</sup>



## Key Market Drivers in the next 5 – 10 Years

- Increasing medicalization
- Growing human-animal bond
- Innovating to treat chronic diseases and improve wellness
- Expanding global population and animal protein demand
- More sustainable animal agriculture

<sup>1</sup> Source: Zoetis internal estimates based on industry data for core animal health market and diagnostics, genetic tests and biodevices.

# Pet owners are younger, wealthier and more focused on animal care

**~50%**

of pet owners in the U.S.  
are Gen Z or Millennials

---

## High income households in the U.S.:

- Often own one or more pets
- Are more willing to spend during a down economy

Source: American Pet Products Association (APPA) National Pet Owners Survey; 2023



# Human-animal bond is reaching new levels

**95%**

of owners view their pet as a family member<sup>1</sup>

---

**90%+**

of owners would do anything to prevent their pet from suffering<sup>1</sup>

---

When faced with a

**20%**

decrease in budget, pet owners say they will not spend less on their pets<sup>2</sup>

<sup>1</sup> Human Animal Bond Study, September 2021

<sup>2</sup> Zoetis Market Research, December 2022



# Pet medicalization and lifespan are increasing

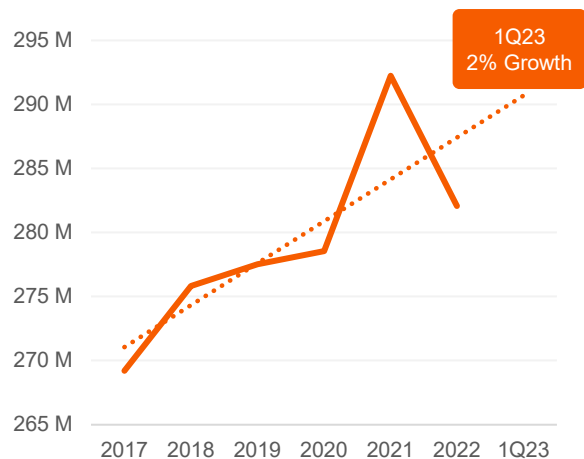
- Pets are receiving **more medical care** as the human-animal bond grows and economies expand
- Pets are **living longer lives**, providing more opportunities for enhanced care and advanced therapies
- Our **focus on innovation** helps meet new market demand and unmet needs

Source: Zoetis Market Research, December 2022

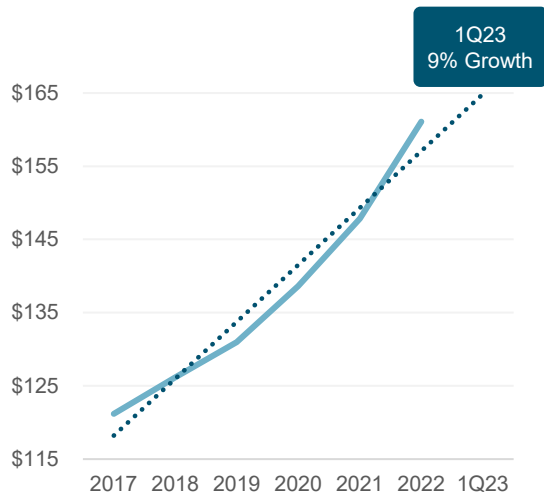


# Vet clinic trends in U.S. continue positive momentum

**Vet clinic visits  
growing again  
after decline from  
pandemic<sup>1</sup> peak**



**Spend per visit  
up ~33%  
since 2017  
(5.9% CAGR)<sup>2</sup>**



**Clinic revenues  
up 39%  
since 2017  
(6.8% CAGR)<sup>3</sup>**



<sup>1</sup> Based on vet clinic visit data in 2022 vs. 2017 Kynetec Data – U.S.

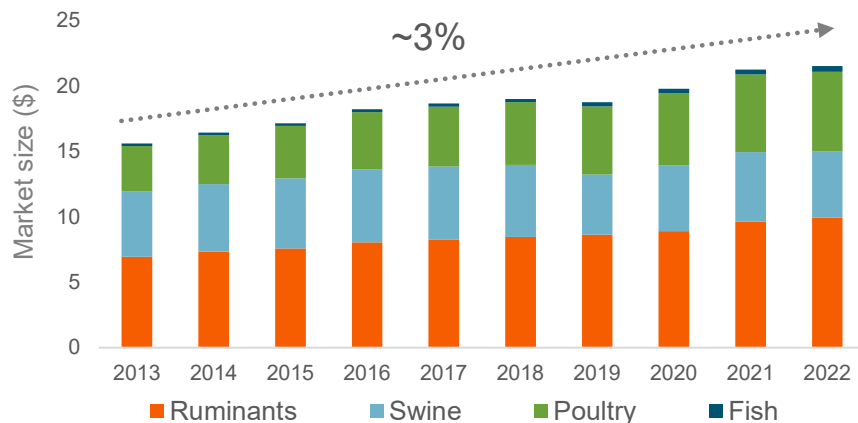
<sup>2</sup> Based on average spend/visit in 2022 vs. 2017 Kynetec Data – U.S.

<sup>3</sup> Based on revenue in 2022 vs. 2017 Kynetec Data – U.S.

# Livestock is poised for continued growth

## 2-4%

market growth anticipated over the medium to long term



Source: Vetnosis for ruminants, swine and poultry; Zoetis internal estimates for fish

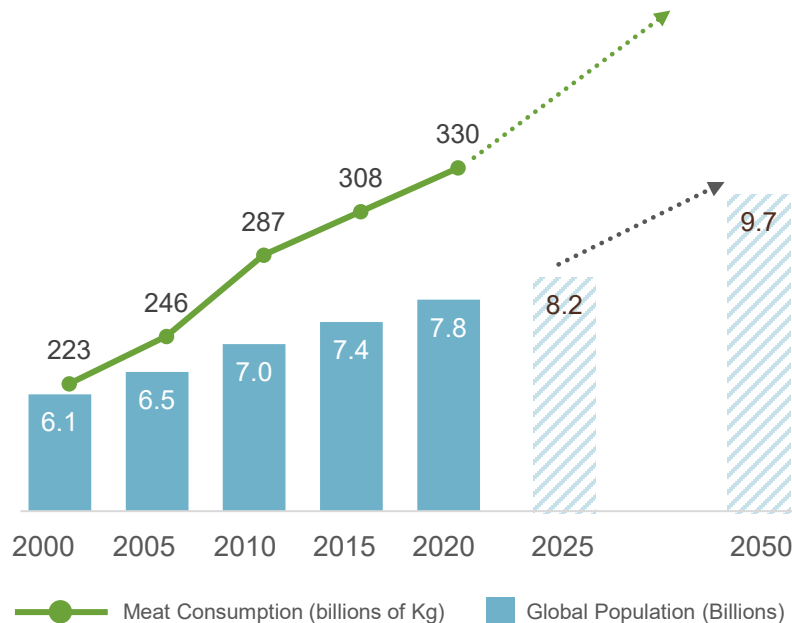


# Global demographic trends drive animal protein demand

Population growth, compounding with GDP growth, will increase meat consumption

- Nearly 2 billion more people to feed by 2050 globally
- Animal protein consumption increases with GDP and average household income growth

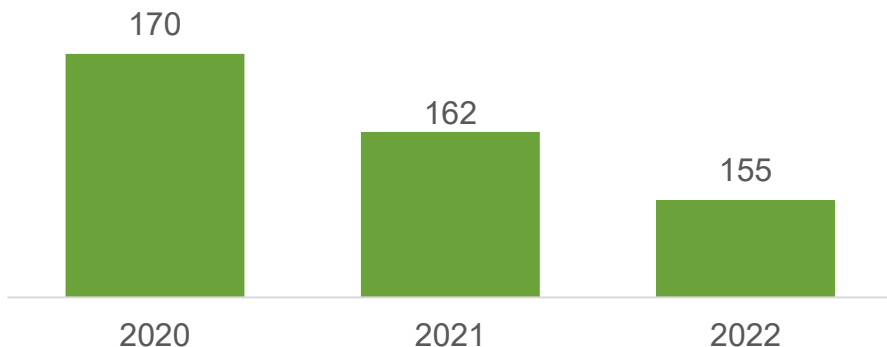
Meat Consumption (Billions of Kg)  
vs. Global Population (Billions)



# Alternative proteins failing to show growth after initial launch

Since 2020, U.S. sales of plant-based meat have **decreased steadily**

**U.S. Retail Plant-based Meat Volume Equivalent**  
(Millions - Volume Equivalents)



Source: Nielsen



# Emerging tailwinds in Livestock should propel the market — and Zoetis

## Supporting Market Trends



**Swine demand  
rebounding in China**

Portfolio and  
supply well  
positioned to grow



**Global poultry  
growth**

Industry-leading  
biodevices and  
a rapidly  
developing  
portfolio



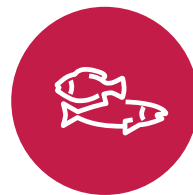
**Shift from treatment  
to prevention and  
sustainability**

Significant  
investment in  
vaccines,  
alternatives to  
antibiotics



**Impact of  
Generics**

Lessening impact  
of generics on  
Draxxin



**Aquaculture growing  
double digits  
annually**

Zoetis is  
growing ~1.5x  
the market rate

# Petcare poised for strong sustainable growth

Younger And Wealthier Pet Owners

---

Stronger Human-Animal Bond

---

Increase in Pet Medicalization

---

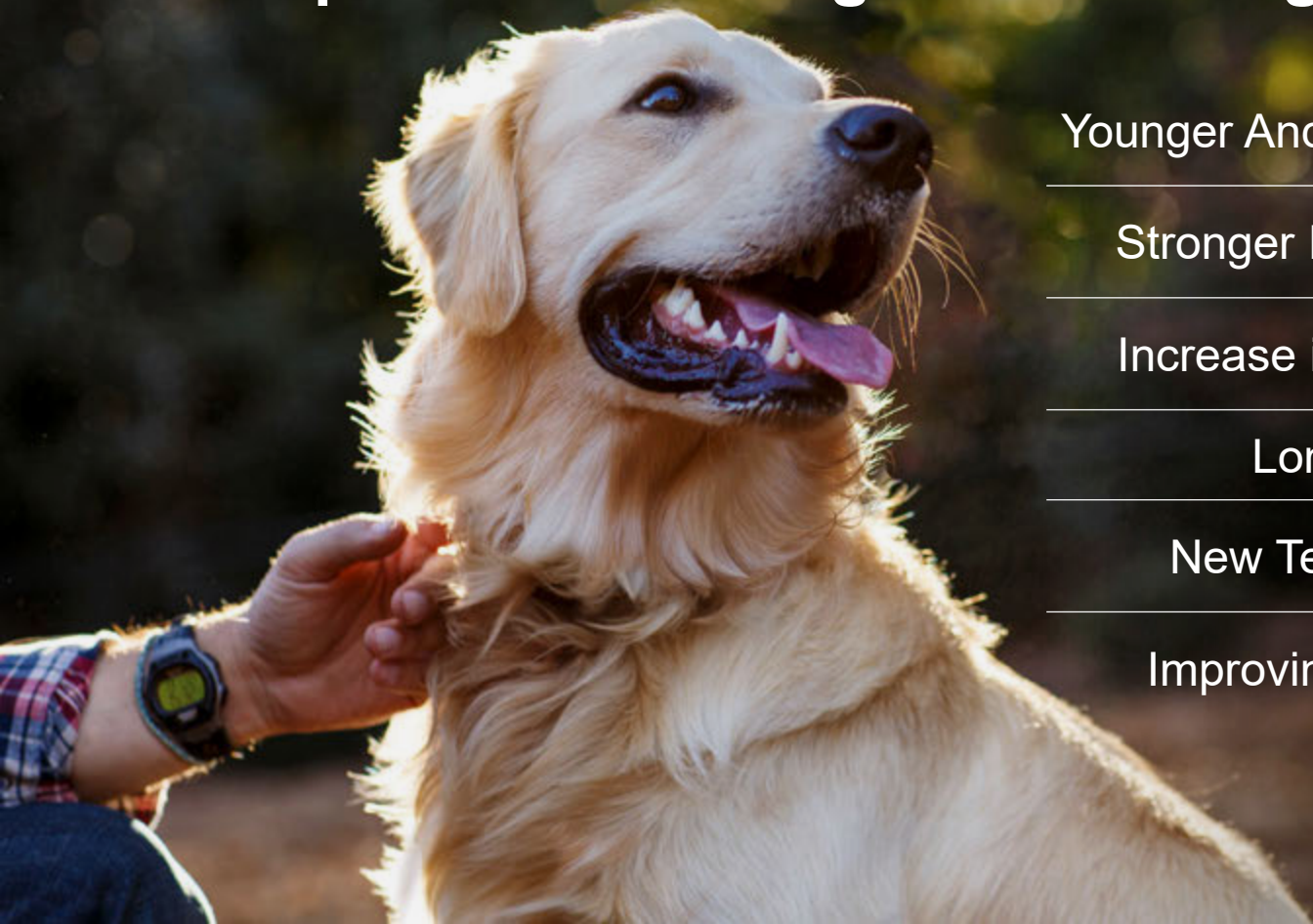
Longer Pet Lives

---

New Tech Developments

---

Improving Vet Clinic Spend



# Livestock continues to benefit from key fundamental growth drivers

Global Population Growth

---

Increased Access to  
Animal Protein Globally

---

Lack of Relevance of  
Alternative Proteins

---

Short Term Headwinds  
Have Dissipated



A wide-angle photograph of a vast, open landscape. In the foreground, a dry, golden-brown field stretches across the frame. Two people are riding horses along a faint path that leads into the distance. The rider on the left is wearing a light blue shirt, and the rider on the right is wearing a red shirt. In the background, rolling hills with sparse vegetation rise under a clear blue sky. A white diagonal line cuts across the top left corner of the image.

# Driving Our Next Phase of Game Changing Franchises

zoetis

# We have a track record of building billion-dollar franchises

## Petcare Innovation Differentiates Zoetis

Zoetis 2022 Revenues:

Dermatology

**\$1.3B**

vs. <\$1M in 2013

**apoquel**  
oclacitinib

**apoquel**  
*chewable*  
(oclacitinib tablet)

**CYTOPOINT**

Parasiticides

**\$1.6B**

vs. \$373M in 2013

**Simparica**

**Simparica**TRIO

revolution **PLUS**

stronghold **PLUS**

## Next Big Opportunity

Expected Zoetis Peak  
Annual Revenue<sup>1</sup>:

Osteoarthritis Pain (OA)

**\$1B+**

**Librela**  
Bedinvetmab

**Solensia**  
Frunevetmab

<sup>1</sup> Zoetis internal estimates

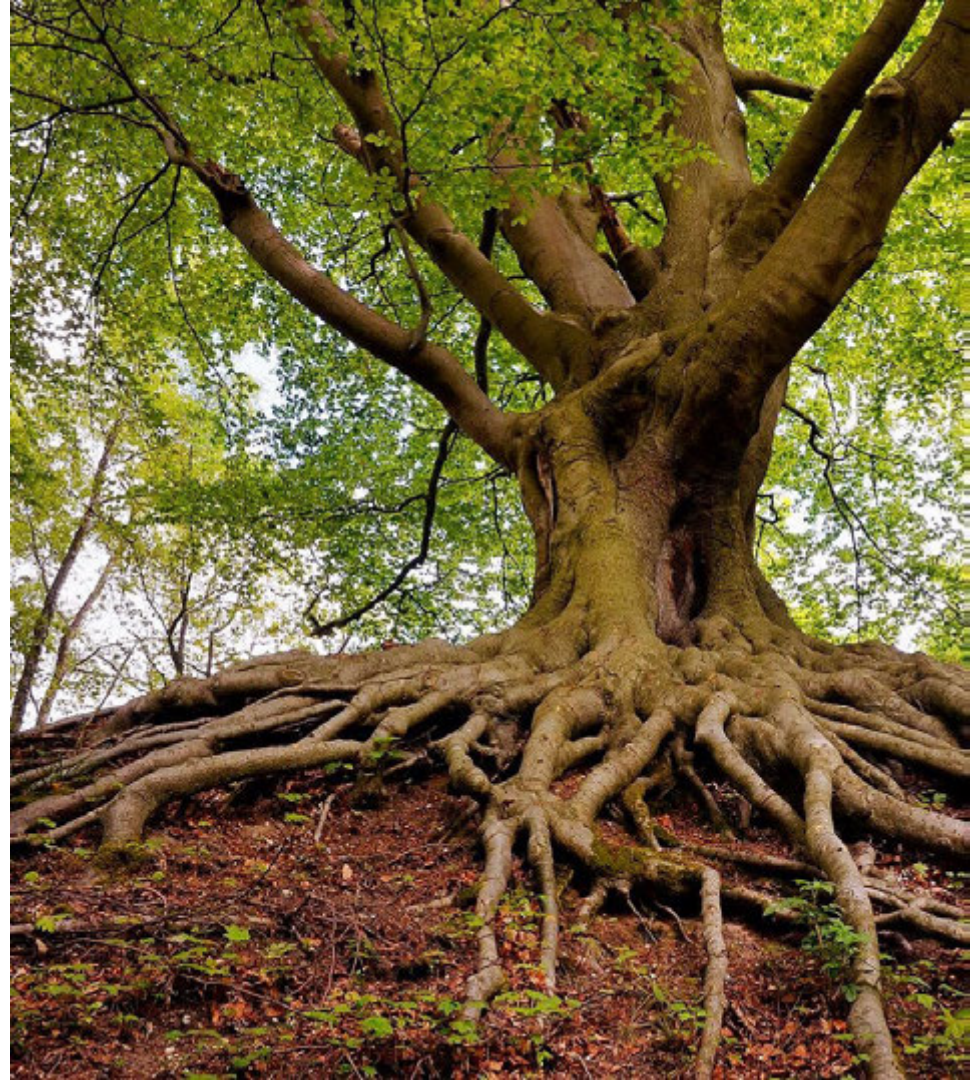
# Beyond today's portfolio, our innovation “roots” run wide and deep

## Today's franchises demonstrate:

- Pipeline delivery and new products
- Product lifecycle enhancements

## Future growth builds on:

- Core R&D expertise
- Strategic partnerships and business development
- Expansion into new species, claims, modalities and markets



# Our billion-dollar track record: Dermatology

Developing the next generation of therapies ahead of the competition



## Protect the market we created

- Strong vet relationships
- Exploration of new claims
- Proven and trusted brands
- Deep experience in category

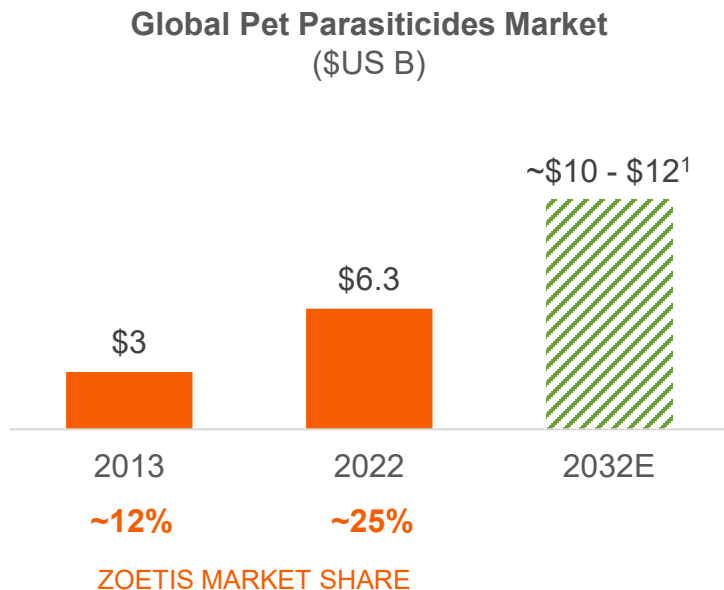
## Expand to new opportunities

- Continued market development
- Apoquel Chewable
- Long-acting Cytoint
- New species – feline and equine

<sup>1</sup> Zoetis internal estimates

# Our billion-dollar track record: Pet Parasiticides

First to market with triple-combination pet parasiticides in U.S., and we continue to innovate with next-generation therapies



## Grow faster than the market as the market expands

- First-to-market advantage in U.S. for Simparica Trio and Revolution Plus
- Reliable, defensible claims
- Expectation for competition to grow market size

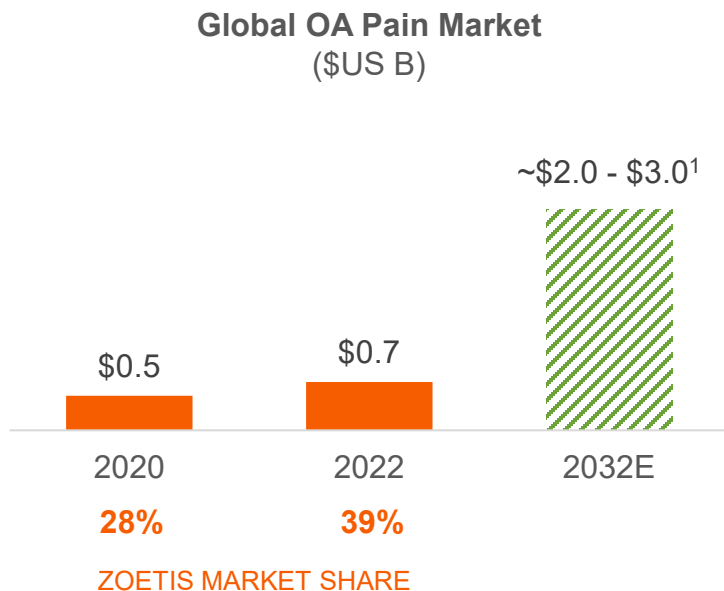
## Expand to new opportunities

- Long-acting injectables
- Aggressive lifecycle investment
- Core franchise expansion

<sup>1</sup> Zoetis internal estimates

# Driving the next billion-dollar opportunity: OA Pain

Revolutionizing pain treatment for dogs and cats to drive outsized growth



<sup>1</sup> Zoetis internal estimates

## Creating new market via innovation

- Librela approval in the U.S. obtained earlier this month, launch expected later this year
- Build on strong momentum from Europe launch
- 'Change the game' vs. NSAIDS as a first in class therapy

## Protecting our market leadership through industry-leading R&D

- Long duration anti-NGF mAbs for OA pain
- Opportunity for improved diagnostics and digital screening tools

## Key Products:

**Librela**  
bedinvetmab

**Solensia**  
(frunevetmab injection)

- Estimated peak sales of over \$1B

# Broadening Diagnostics franchise with Vetscan

**Expect to grow  
faster than the  
Diagnostics market  
via product  
innovation and  
scaling international**

We continue innovating  
to develop market-leading  
products

Multiple next-gen analyzers  
in next 24 months

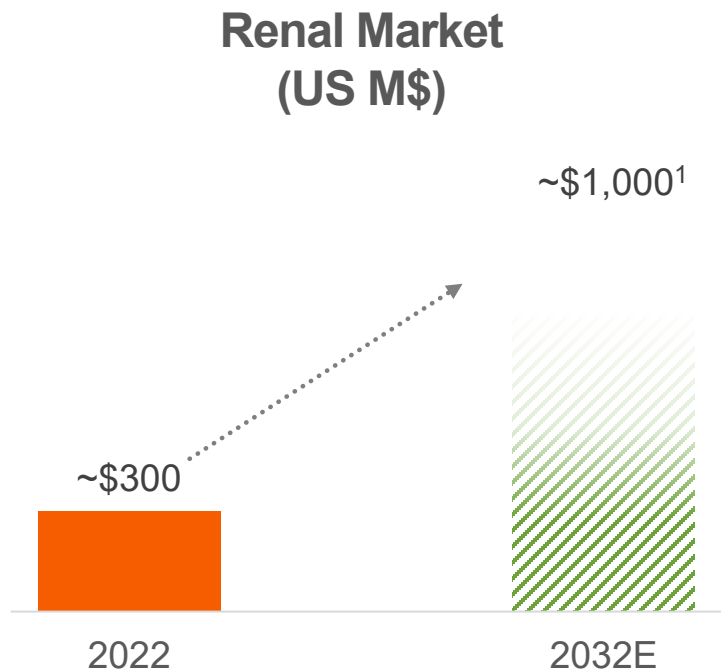
Additional indication on Imagyst  
in the near term

Growing reference lab  
network globally



VETSCAN IMAGYST™

# We are investing in major, evolving market opportunities: Renal

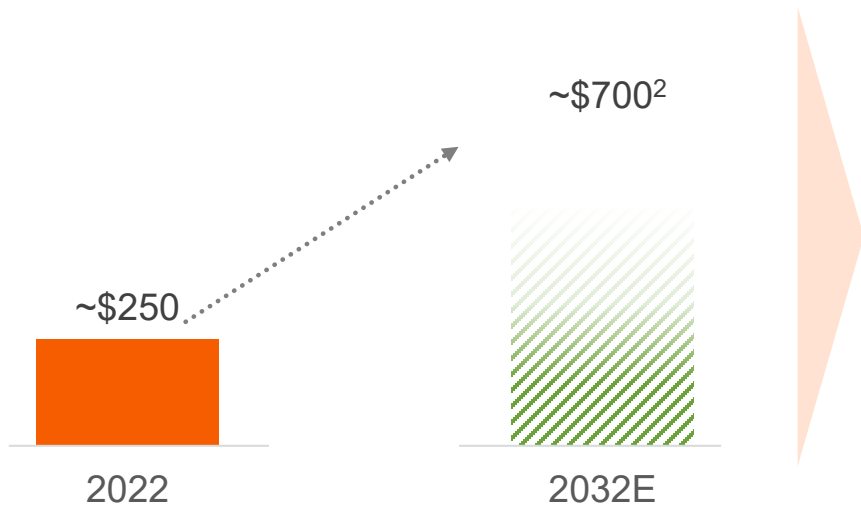


- 10 million cats and dogs globally have chronic kidney disease (CKD)
- Opportunity to expand treatable population and improve patient outcomes with earlier CKD detection
- Market creation through innovative mAbs solutions

<sup>1</sup> Zoetis internal estimates

# We are investing in major, evolving market opportunities: Cardiology

## Cardiology Market (US M\$)



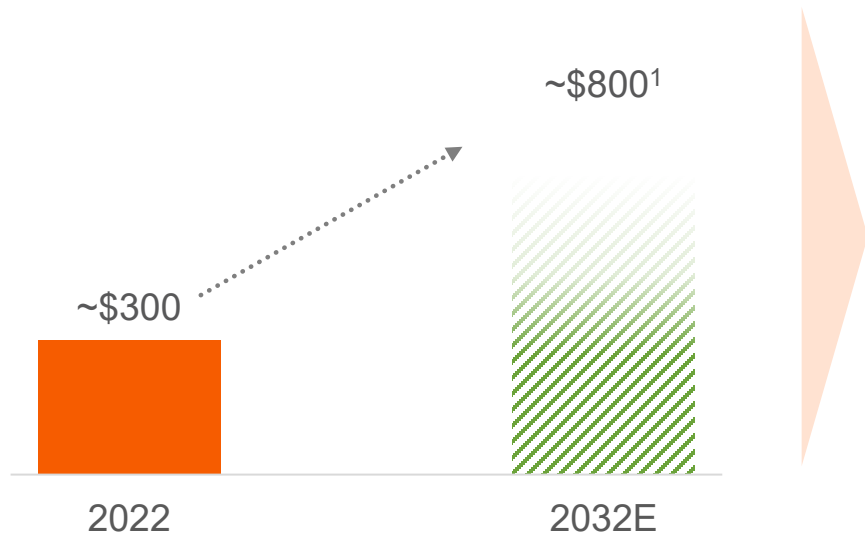
- DMVD<sup>1</sup> is the most common type of heart disease in older dogs
- Strong vet interest for solutions across the continuum of care
- Advances in Dx and Therapeutics are raising awareness and driving earlier intervention

<sup>1</sup> Degenerative Mitral Valve Disease

<sup>2</sup> Zoetis internal estimates

# We are investing in major, evolving market opportunities: Oncology

## Oncology Market (US M\$)



- Unmet needs in cancer care treatment and high prevalence in older pets
- Potential for broader use of therapies by general practitioners
- Opportunity for innovative solutions in diagnostics and therapeutics

<sup>1</sup> Zoetis internal estimates

# Continued commitment to livestock innovation

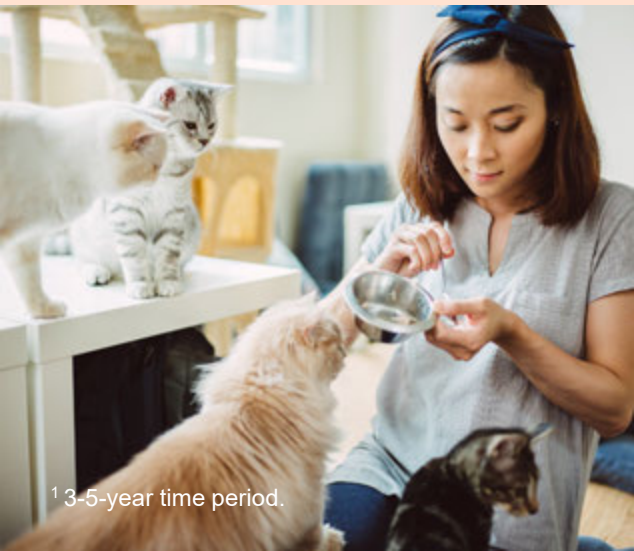
Investing in the future of the livestock industry

- R&D aligned to new market trends
- Strength in vaccines, genetics and our core portfolio
- Further developing immunomodulators, precision animal health and sustainable solutions for healthy animals
- Driving growth across species including ruminants, poultry and swine
- Double-digit growth in our market leading aquaculture franchise



# Emerging markets represent meaningful growth potential

**Key Current Emerging Markets:  
China & Brazil**



<sup>1</sup> 3-5-year time period.

**Medium-Term<sup>1</sup>  
Growth Markets:  
e.g., Eastern Europe, LatAm,  
and Southeast Asia**



**Longer-Term  
Growth Markets:  
e.g., Africa**



A male scientist with a beard, wearing safety glasses and a white lab coat, is focused on his work. He is wearing blue nitrile gloves and is using a small pipette to add liquid to a multi-well plate. The plate is being held by a robotic arm of a machine labeled 'EXMAP3D'. The machine is white and has a blue 'x' logo on its side. The background is a laboratory setting with wooden cabinets. The overall image has a semi-transparent white overlay with a diagonal line running from the top right corner.

# Investing in Capabilities and Innovation that Differentiate Zoetis

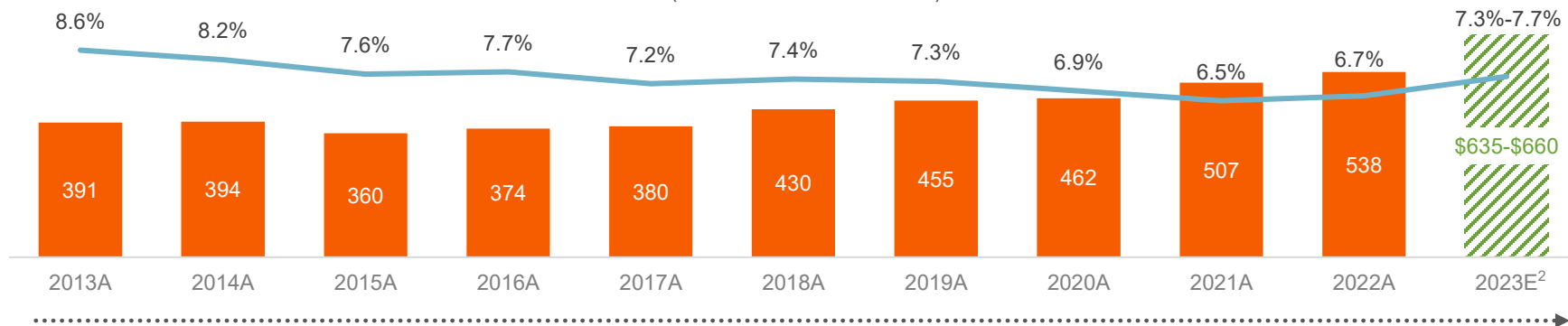
zoetis

# Our investment in R&D fuels our innovation track record

**\$4B+**

**Adjusted R&D investment<sup>1</sup> over 10 years**

(\$ million and as % of sales)



**2000s**



**2010s**



**2020s**



<sup>1</sup> Adjusted net income and its components (non-GAAP financial measures) are defined as reported GAAP net income and its components, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted research and development (R&D) expenses is an income statement line item prepared on the same basis, and, therefore, a component of the overall adjusted income measure. Reconciliations of non-GAAP financial measures are available in the appendix to this presentation.

<sup>2</sup> Represents the 2023 guidance range as provided in the Q1 2023 earnings release issued on May 4, 2023.

# Actively pursuing business development to enhance our reach, capabilities and commercial offerings

Recent acquisitions support our value-creation strategy



Expands product reach, especially ex-U.S. livestock

Bolsters surgical suite



Furtheres R&D capabilities

Expands genetics footprint with access to deep data

Our team has a proven track-record of integrating and enhancing acquisitions



Double-digit revenue growth CAGR since acquisitions, boosting Zoetis' growth track-record

# Our global manufacturing footprint supports agile supply chain

29

sites globally

~9x

mAbs drug substance capacity increase

to **69k** liters<sup>1</sup> over past 5 years

**Significant investments**

in existing and new sites: Atlanta,  
Tullamore, Kalamazoo, China

<sup>1</sup> From 2018 to 2023 estimate.



# Building the best customer experience in the industry

Customers recommend Zoetis over peers and are highly satisfied

Net Promoter Scores<sup>1</sup>



Zoetis Customer Satisfaction<sup>2</sup>



<sup>1</sup> 2022 Vet NPS Overview – Zoetis internal estimates

<sup>2</sup> Percent Satisfied on a 1-5 scale aligned to 100% scale



# Our field is empowered by our world-class Next Generation Sales Engine (NGSE)

NGSE leverages digital and data analytics to enhance customer experience and field effectiveness alike



## Key Outcomes

- **+30-50%** call activity and **\$7K to \$17K** higher average weekly sales per rep
- Expected to contribute a run rate of **~\$130M** in revenue impact for U.S. Petcare and Diagnostics

## Next Steps

- Capability now ubiquitous with U.S. field; additional opportunity as we roll out our NGSE in international markets

# As the pet owner's importance continues to grow, Zoetis is proactively building relationships

## U.S. investments in pet owner relationships

**2.5M**

Pet owners enrolled in Zoetis Petcare Rewards (vs. 708k in 2018)

**\$120M+**

Investing in 2023 between Zoetis Petcare Rewards and Direct-To-Consumer Marketing in the U.S.

**3.5M**

Pets enrolled in Zoetis Petcare Rewards (vs. 914k in 2018)

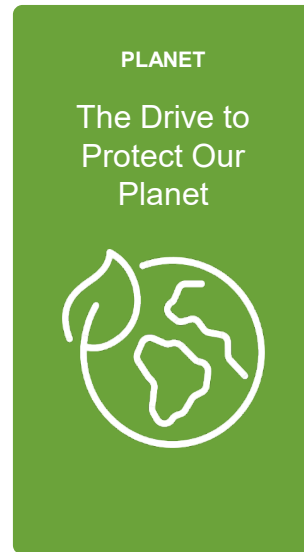
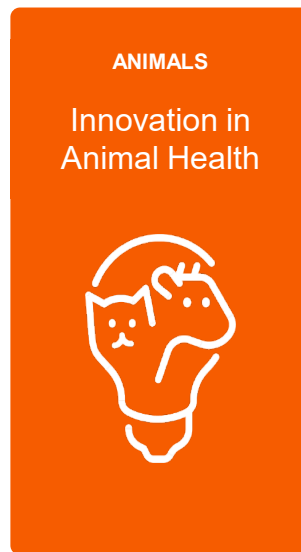
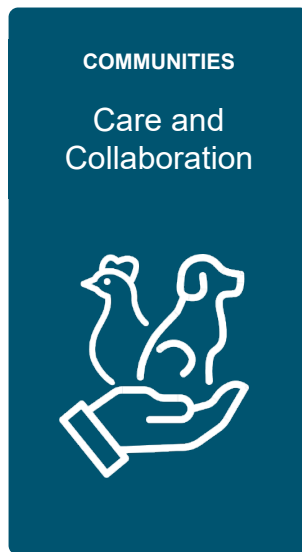
**\$60M+**

Zoetis Petcare Rewards redeemed at vet practices since 2018

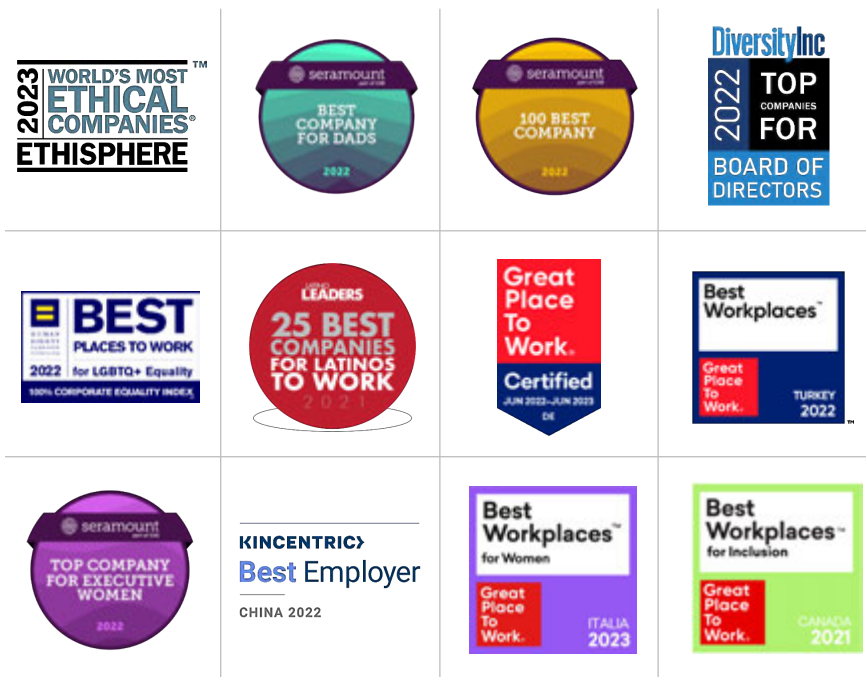
# Integration of sustainability drives innovation, business resiliency and greater access to care

Zoetis strives to be the world's most sustainable animal health company

- Supporting the veterinary profession and increased access to animal care
- Advancing sustainable livestock production in emerging markets
- Investing in manufacturing platform to reach a carbon neutral network
- Enhanced external reporting on key targets and achievements
- Recognition for delivering on our aspirations



# Creating a supportive workplace and culture where colleagues can thrive



>88%

Consistent rate of overall  
colleague engagement

A close-up, low-angle shot of a cow's head in the foreground, looking towards the right. In the background, three people are silhouetted against a bright, hazy sunset or sunrise. The scene is bathed in warm, golden light, creating a long shadow on the ground. A thin white diagonal line runs from the top right corner towards the center.

**Committed to Creating Value**

**zoetis**

# We remain committed to the four tenets of our Value Proposition

zoetis



**Grow** revenue  
faster than the market



**Invest** in innovation  
and growth capabilities



**Increase** adjusted  
net income faster  
than revenue



**Return** excess capital  
to shareholders

# Our continued commitment to value creation

## Key components of our 3 to 5 year outlook



### **Grow** revenue faster than the market

- Broaden existing billion-dollar franchises
- Innovate and build new franchise opportunities
- Expand across attractive emerging markets
- Accelerate commercial excellence to take share



### **Invest** in innovation and growth capabilities

- Prioritize R&D investment in the highest ROIC opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners



### **Increase** adjusted net income faster than revenue

- Expand revenue in higher margin product categories
- Leverage scale to drive bottom line performance
- Optimize and simplify to increase productivity and efficiency



### **Return** excess capital to shareholders

- Reinvest in the business to drive growth
- Target strategic business development to enhance innovation
- Grow dividend above adjusted net income
- Continue systematic share buybacks

Grow annual revenue  
mid-to-high single digits<sup>2</sup>

Drive ROIC<sup>1</sup> accretion<sup>2</sup>

Enable  
margin improvement<sup>2</sup>

Maintain balance  
between investments  
and return of capital

<sup>1</sup> ROIC stands for Return On Invested Capital

<sup>2</sup> Targeted average over the forecast period

# Key Takeaways

## 1 Building on Our Leadership in Animal Health

We have the right strategy, talent and capabilities to shape and expand the future of Animal Health.

## 2 Delivering Growth in a Dynamic and Resilient Industry

Animal Health is an essential and attractive growth market, and we are confident in our ability to innovate and grow faster than the market.

## 3 Driving Our Next Phase of Game Changing Franchises

We are proven market makers, using internal R&D and business development, to advance animal care and create durable and diverse franchises.

## 4 Investing in Capabilities and Innovation that Differentiate Zoetis

Continued investments in R&D, supply chain and commercial excellence will drive our next phase of growth, including the expansion of our diverse portfolio with market-leading franchises.

## 5 Committed To Creating Value

We are well-positioned to deliver on our value proposition, as we have done for the past 10 years, through revenue growth, strategic investments, margin expansion and capital return.

A man and a dog are sitting in a field of tall grass at sunset. The man is on the right, wearing a dark shirt, and the dog is on the left, looking towards the left. The background is a warm, golden glow from the setting sun. A white curved line is visible in the top left corner.

# Summary

We are well-positioned to grow faster than the market, expand margins and balance capital return with investment opportunities that will increase shareholder value.

A close-up photograph of a microscope's objective lenses and eyepiece, with a person's hands in blue nitrile gloves visible at the bottom. The background is blurred, showing a laboratory setting. A white curved line is in the top left corner.

# **Power of Our R&D**

## **Rob Polzer**

Executive Vice President and President,  
Research and Development

**zoetis**

# What you will hear today

- 1 Our R&D Capabilities**  
Leading the industry in value across the continuum of animal care and our unique approach to innovation.
- 2 Our R&D Investment Priorities**  
Animal health differs from human health and how we are focusing our investments.
- 3 Propelling Growth**  
How we address market dynamics and opportunities to ensure consistent delivery.
- 4 Future Innovations**  
Our focus areas in petcare and livestock.



A close-up photograph of a Black male scientist wearing safety glasses and a white lab coat over a plaid shirt. He is focused on using a pipette. The background shows laboratory equipment, including a yellow robotic arm. The text "Our R&D Capabilities" is overlaid in white. The Zoetis logo is visible on the lab coat and in an orange box at the bottom right.

# Our R&D Capabilities

zoetis

zoetis

# Leading the industry in innovation and value across the continuum of care over the last 10 years

>2000

regulatory approvals

15

blockbusters<sup>1</sup>

9 of 15

blockbusters delivered  
in the last 10 years

apoquel

Cerenia

CLAVAMOX™



CYTOPOINT



EXCEDE

ECENEL

NAOCEL

SPECTRAMAST

Librelo  
Bedinvetmab

ProHeart®

RIMADYL

Simparica  
Simparica TRIQ

stronghold®  
revolution

SUVAXYN

Fostera Gold  
PCV

VANGUARD

VETSCAN  
Chemistry Analyzer

<sup>1</sup> A blockbuster is a product or product line that has \$100M or more in annual revenue. Blockbusters shown on this slide are as of 2022.

**Our investment in new products is balanced with lifecycle innovation**

New Products<sup>1</sup>

**60%-70%**

Lifecycle Innovation<sup>1</sup>

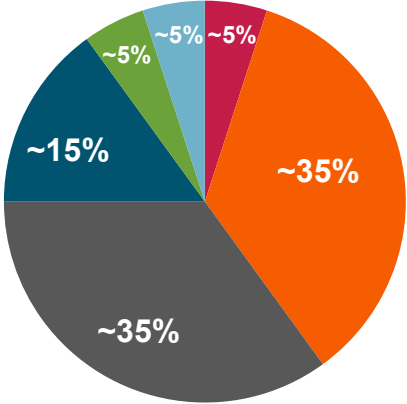
**30%-40%**

<sup>1</sup> Represents range of total Zoetis annual Veterinary Medicine Research & Development (VMRD) expenses for the past 5 years.



# Building durable franchises through lifecycle innovation

2023 Lifecycle Innovation Investment<sup>1</sup>

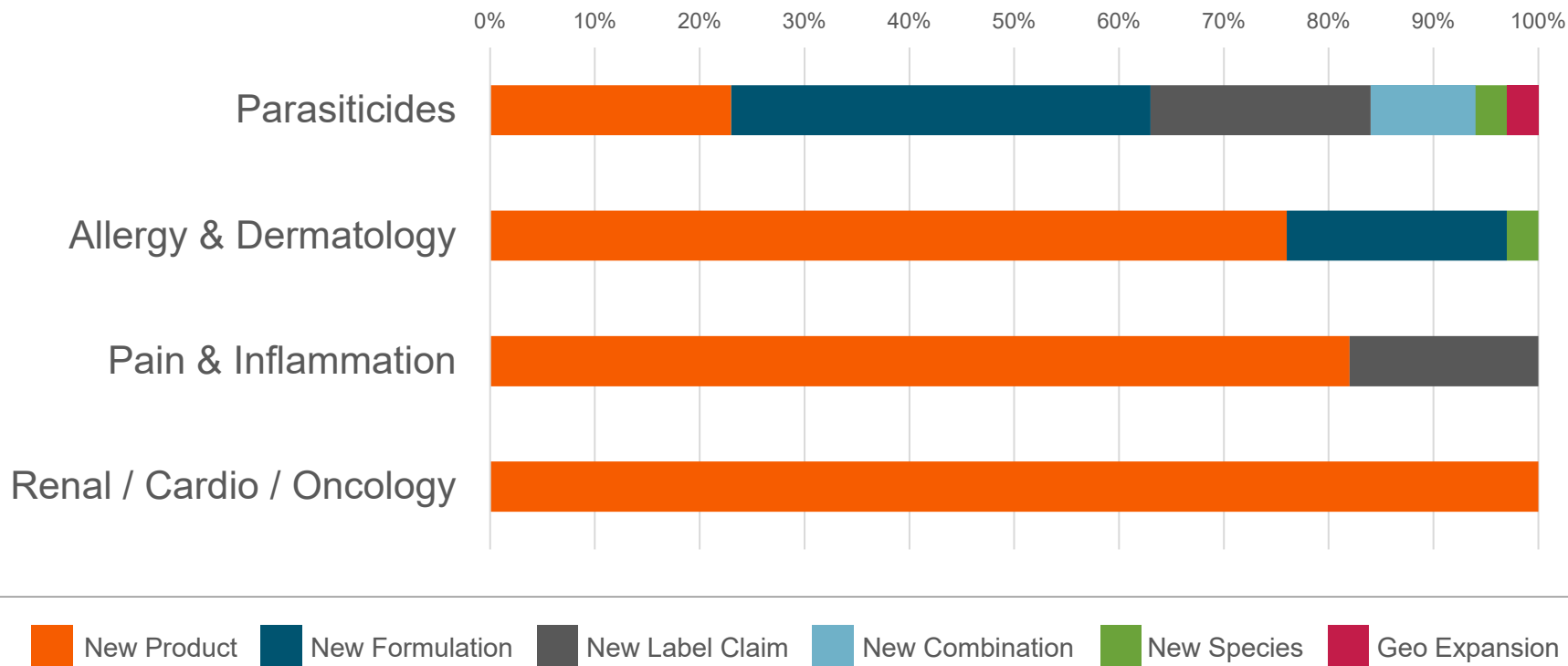


- Other
- New Formulation
- New Combination
- New Claim
- Geo Expansion
- New Species

<sup>1</sup> Represents approximate distribution of Zoetis estimated VMRD expenses for 2023.

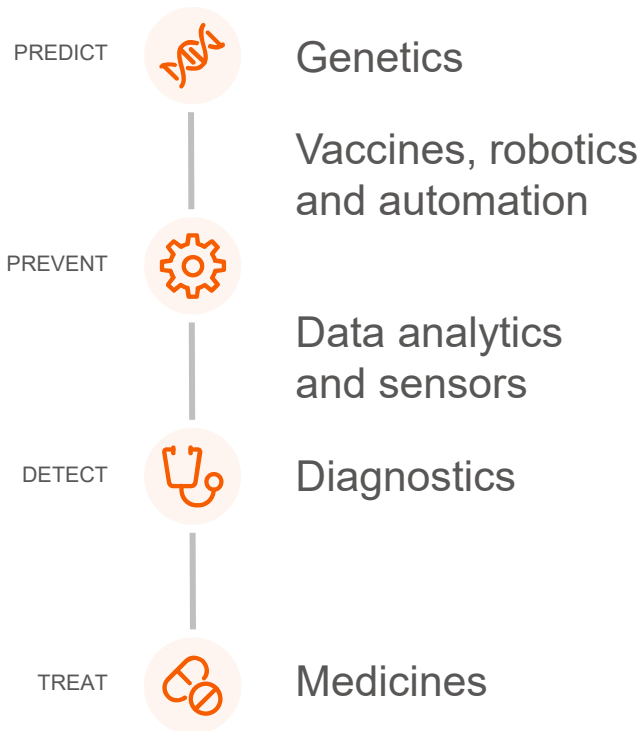
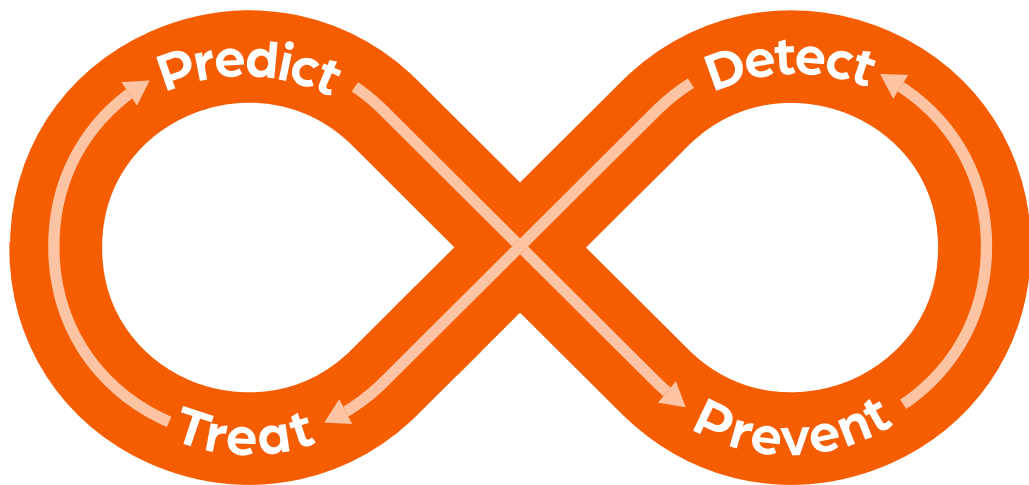


# Investment in key companion animal therapeutic areas<sup>1</sup>



<sup>1</sup> Represents total Zoetis estimated VMRD expenses for 2023.

# Our scale and diverse capabilities give Zoetis an advantage across the continuum of care



# Genetics to Therapeutics

Leveraging our diverse capabilities to attain rapid understanding of disease pathways, progression and biological targets for intervention

Petcare Genetics  
from Basepaws



Genomics Data  
from R&D

Analytics  
Platform

## Risk

What's the animal's  
disease risk?

## Progression

How will the  
animal's disease  
progress?

## Value

What's the  
animal's response  
for treatment?



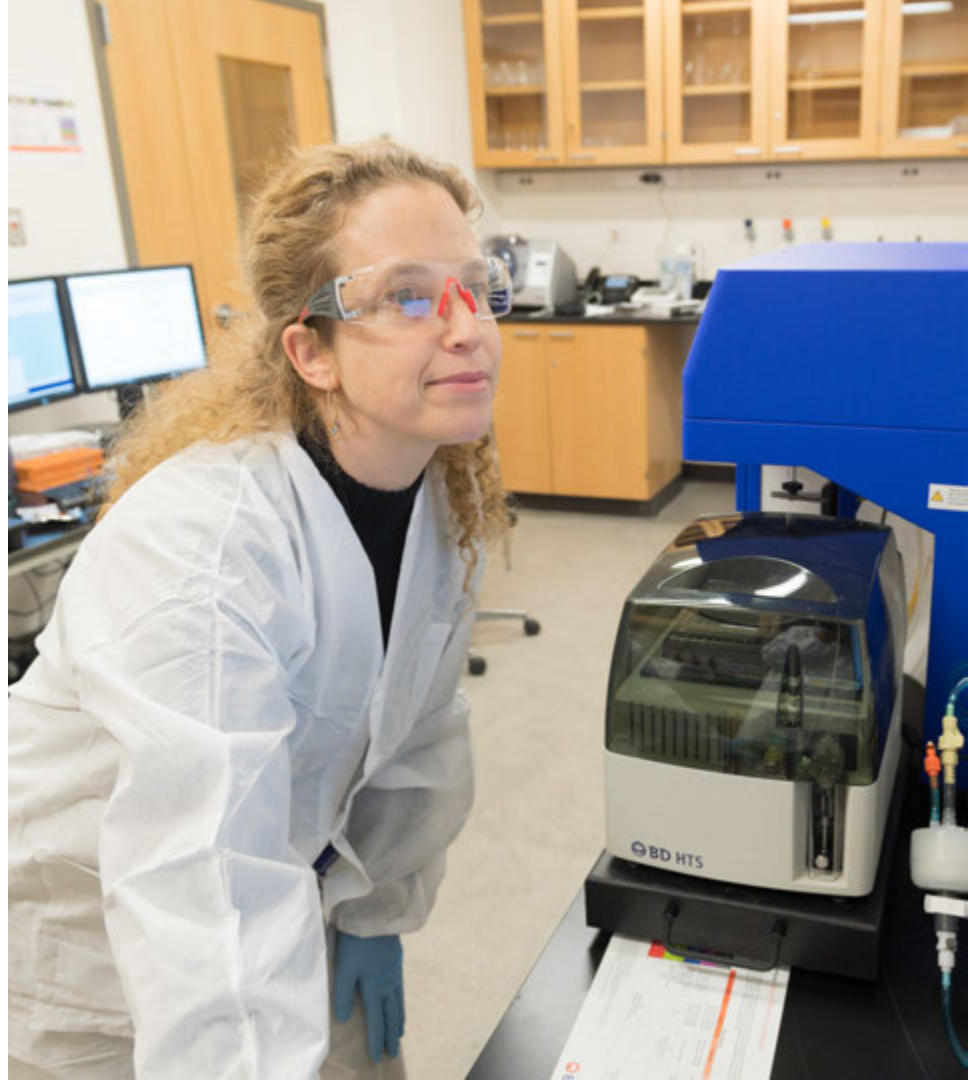
## Outcome

Better identification of  
biological targets,  
enabling rapid progress  
of therapeutics in key  
areas:

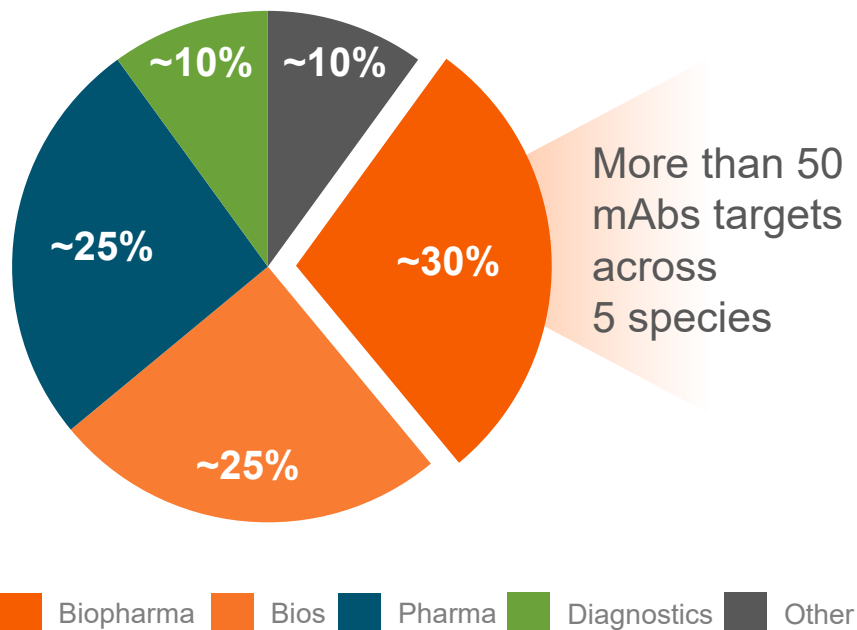
- Allergy & Dermatology
- Pain & Inflammation
- Renal / Cardio / Oncology

# Our incubator model increases efficiency and speed to fuel our pipeline

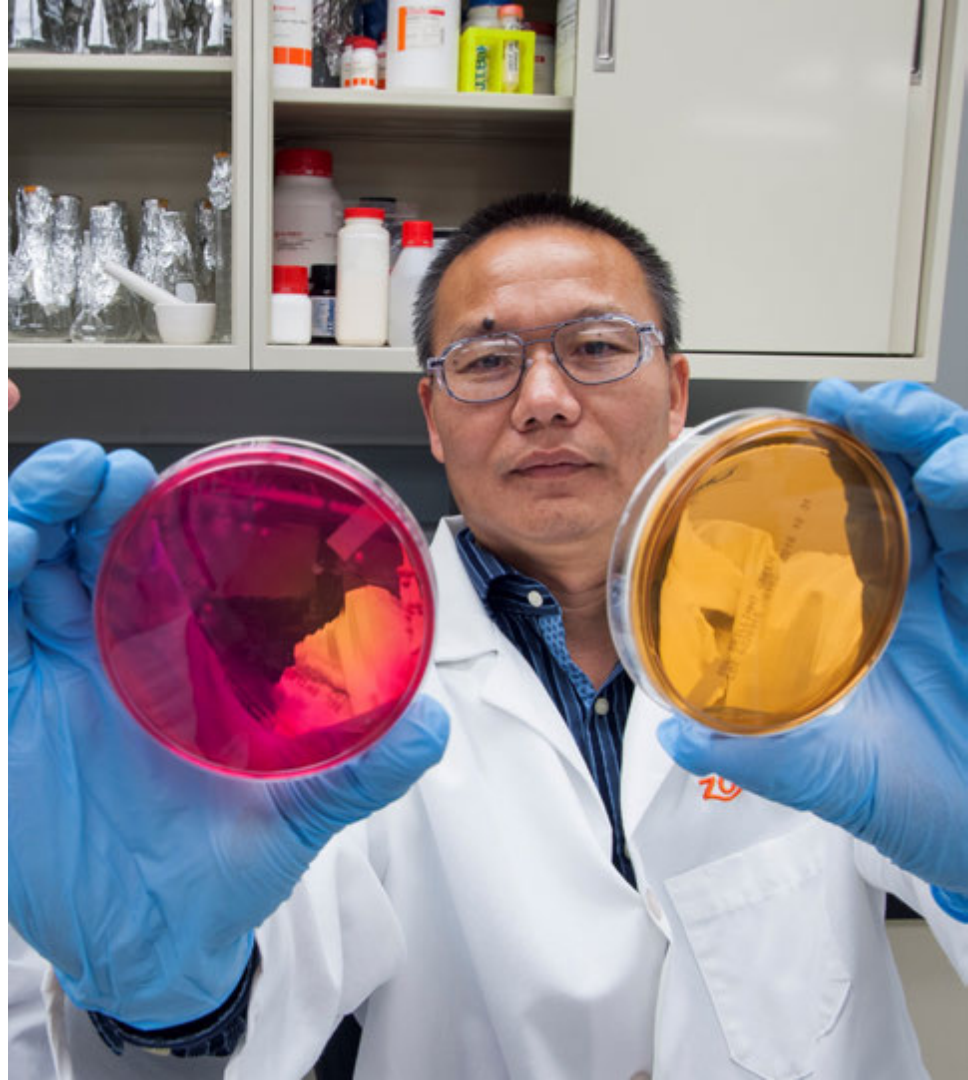
- Focused resourcing
- Advancing 20+ mAb substrates across species and targets in parallel vs. traditional sequential approach
- Increases chance of success



# Well-balanced investment across the continuum of care<sup>1</sup>



<sup>1</sup> Represents approximate total Zoetis estimated VMRD expenses for 2023.





# Our R&D Investment Priorities

# Animal health is distinctly different from human health

Innovation combined  
with significant  
product lifecycle  
focus

More predictable and  
less costly R&D  
model

Limited third-party  
payers; direct selling  
relationships

Greater brand loyalty

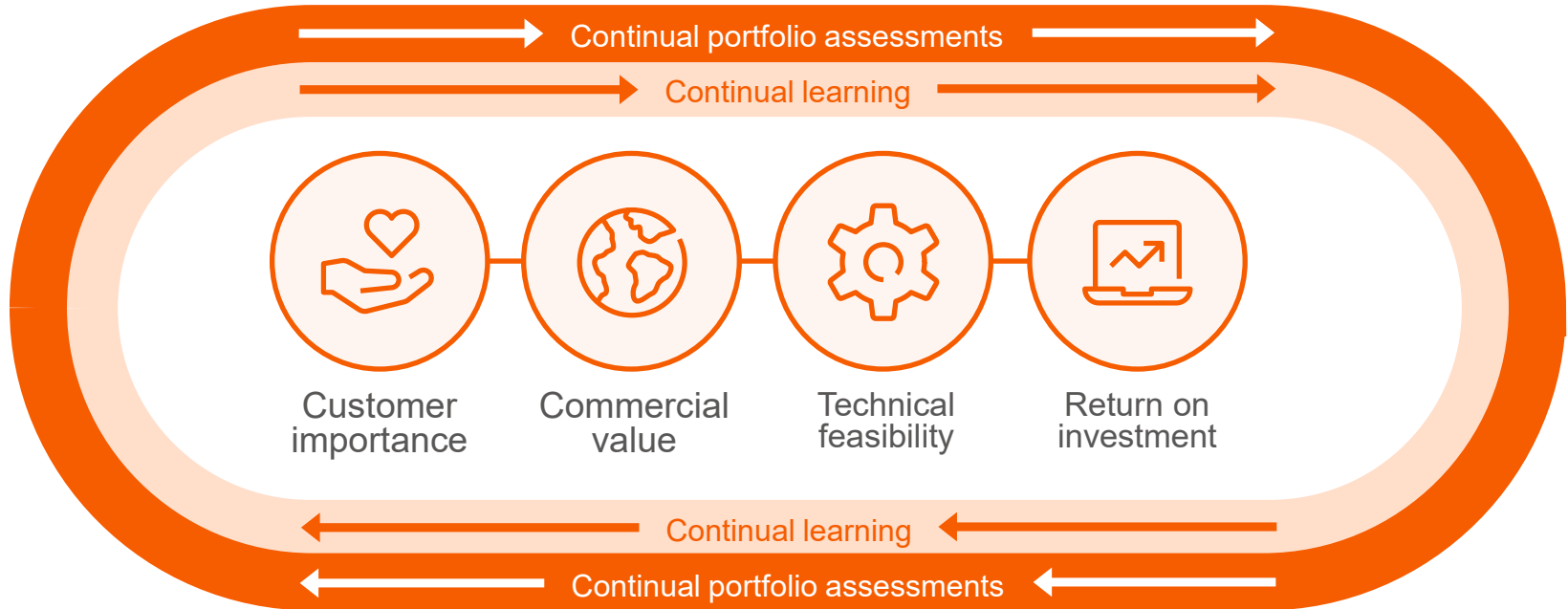
Complexity of 8 different species and  
distinct regional needs

**Interconnected capabilities  
and purposeful process  
ensure consistent delivery**



# R&D investment decisions based on four key criteria

A consistent, rigorous and accountable portfolio investment approach



**Robust  
portfolio  
delivery  
requires  
investment in  
external  
innovation  
opportunities**



# Ensuring consistent portfolio delivery



Product profile and  
market dynamics



Risk mitigation



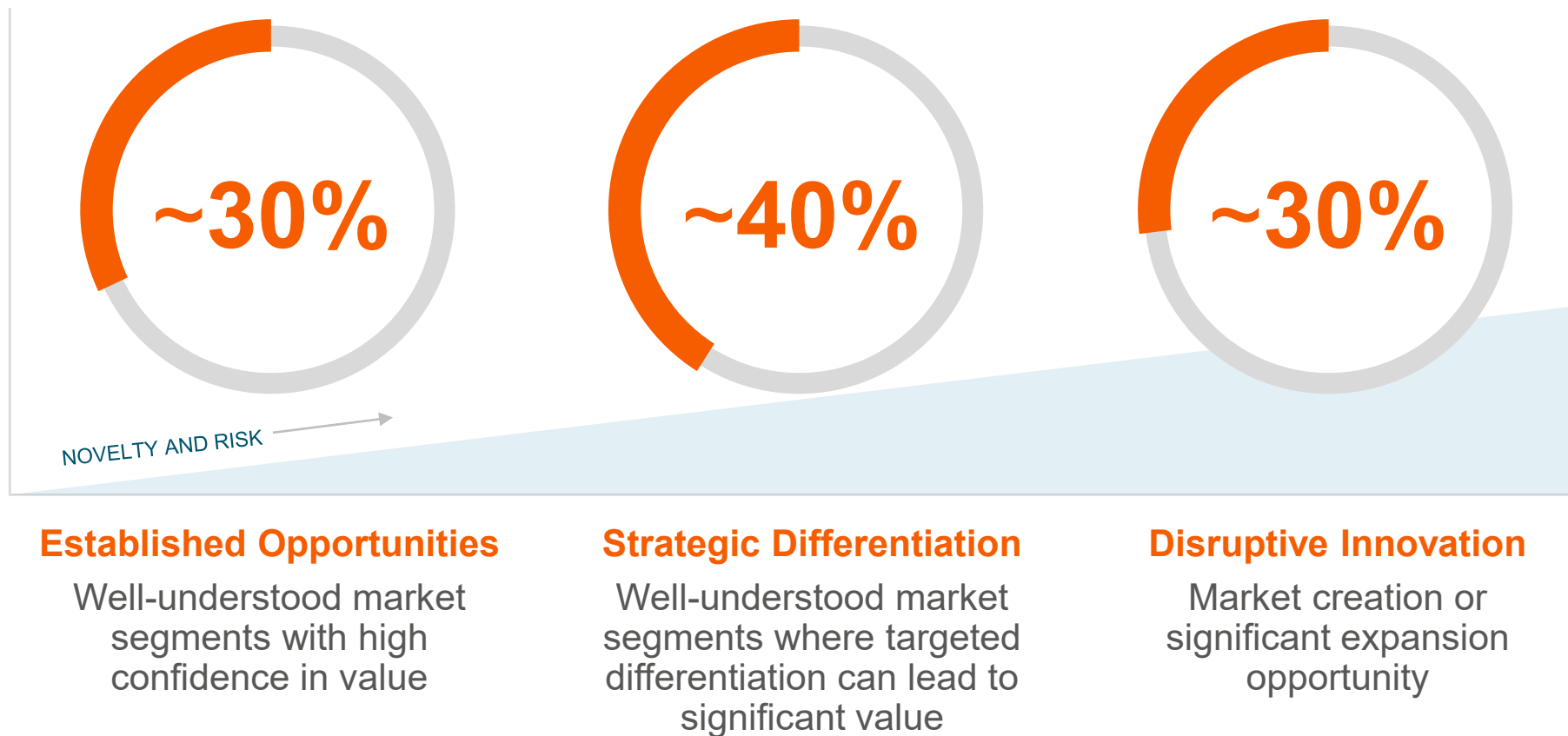
Project timeline



# Propelling Growth

zoetis

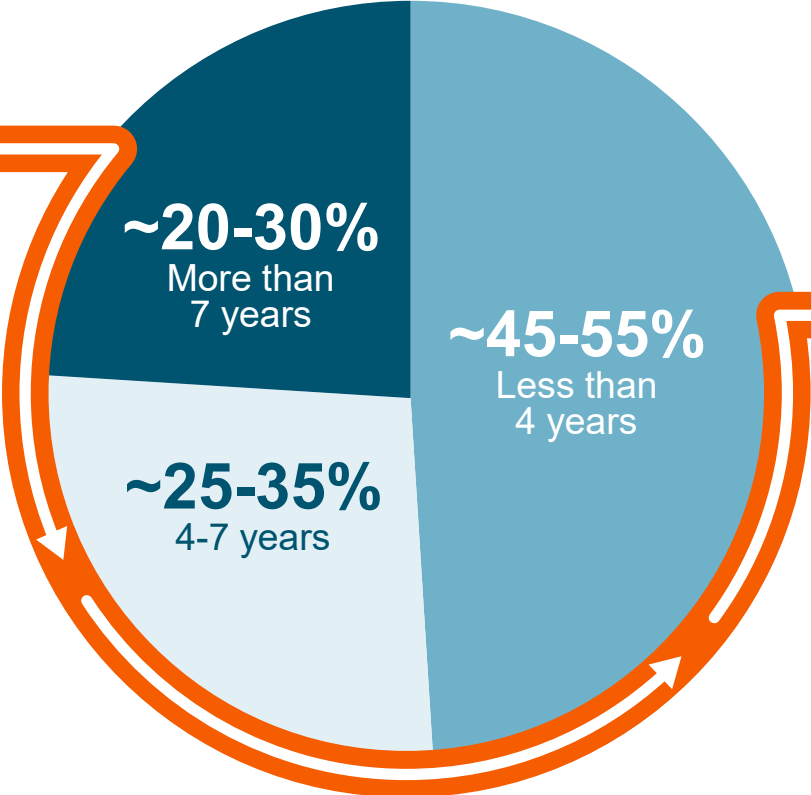
# Deliberate investment across market opportunities<sup>1</sup>



<sup>1</sup> Represents total Zoetis estimated VMRD expenses for 2023.

# Investing for consistent delivery over the next decade<sup>1</sup>

Incubator and early research approaches feed the longer-term



Near-term projects feed our product portfolio

<sup>1</sup> Represents range of total Zoetis VMRD expenses for the past 5 years.



# Future Innovations

zoetis

# Our growing investment in companion animals<sup>1</sup>

COMPANION ANIMALS

**~60% - 65%**

<sup>1</sup> Represents range of estimated VMRD expenses in 2023 and projected VMRD expenses in 2024.

LIVESTOCK

**~35% - 40%**

# Key areas of investment for petcare



Protect and expand  
franchises



New innovation  
including mAbs



Diagnostics

# Key areas of investment for livestock



Genetics



Focus on  
prevention with  
vaccines



Mitigating  
greenhouse gas  
emissions



Alternatives  
to antibiotics

**Zoetis will continue driving innovative care in animals**



**Consistent Delivery**



**Robust & Diverse  
Portfolio**



**Rigorous Process**

**Insights from data analytics further boost  
our innovation capabilities**



# Panel Discussion

**Jeannette  
Ferran Astorga**

EVP, Corporate Affairs,  
Communications and  
Chief Sustainability  
Officer

**Jamie Brannan**

EVP and President,  
International Operations  
and Aquaculture

**Nick Ashton**

EVP and President,  
Global Manufacturing  
and Supply

**Wafaa Mamilli**

EVP, Chief Digital and  
Technology Officer and  
Group President for  
China, Brazil and  
Precision Animal Health

**zoetis**

A close-up, warm-toned photograph of a person's hand gently petting the back of a ginger cat. The cat is lying on a light-colored, textured rug. The background is softly blurred, showing more of the rug and the cat's head in profile.

# **Our Financial Roadmap**

## **Wetteny Joseph**

Executive Vice President  
and Chief Financial Officer

# We remain committed to the four tenets of our Value Proposition

zoetis



**Grow** revenue  
faster than the market



**Invest** in innovation  
and growth capabilities



**Increase** adjusted  
net income faster  
than revenue



**Return** excess capital  
to shareholders

# Grow revenue faster than the market



PATH FORWARD

**Grow annual  
revenue mid-to-high  
single digits<sup>1</sup>**

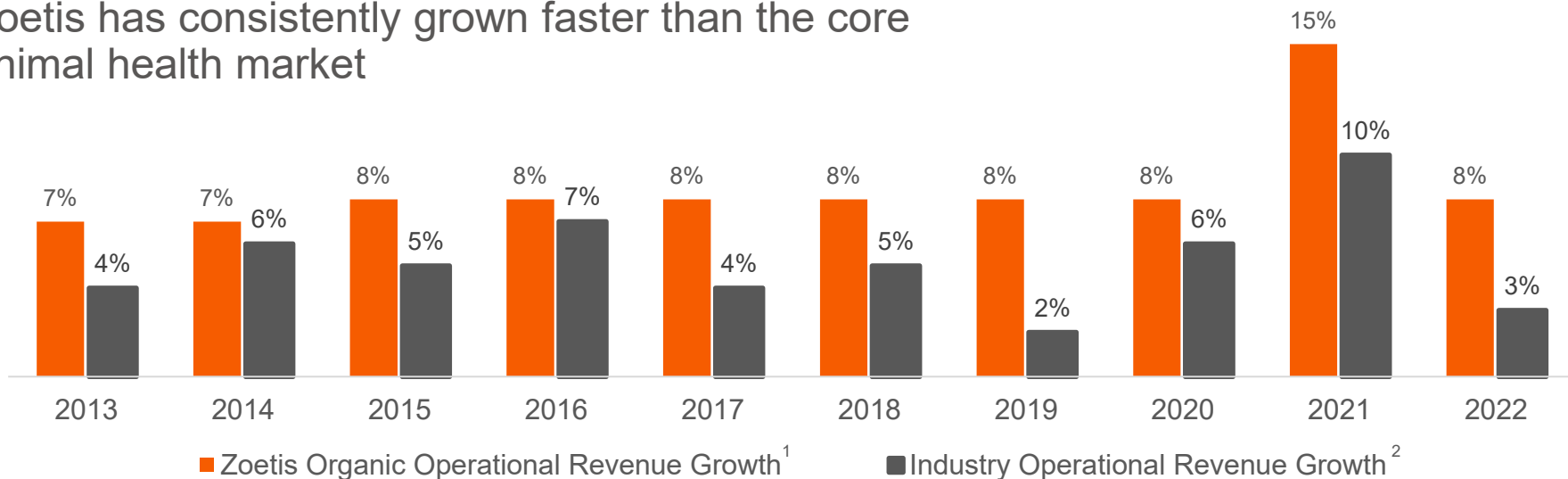
- Broaden existing billion-dollar franchises
- Innovate and build new franchise opportunities
- Expand across attractive emerging markets
- Accelerate commercial excellence to take share

<sup>1</sup> Medium to long-term outlook

# Proven track record of financial performance



Zoetis has consistently grown faster than the core animal health market



**8% Revenue CAGR** since our IPO in 2013 compared to **5%** for the Animal Health Industry<sup>3</sup>

<sup>1</sup> Organic operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange, the impact of acquisitions and the operational efficiency initiative in 2016. Reconciliations of non-GAAP financial measures are available in the appendix to this presentation

<sup>2</sup> Source: Vetnosia for historical core animal health market, including Zoetis from 2013 to 2022, excludes diagnostics, genetic tests, biodevices and precision animal health. Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

<sup>3</sup> Source: Vetnosia's estimated average annual growth rates from 2013 to 2022 in the core animal health market for Zoetis (~8%) as compared to estimates for the overall industry including Zoetis (~5%). Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

# Fundamental industry growth drivers are compelling



Attractive end markets



# Compelling market position

Established world leader in Animal Health<sup>1</sup>



By Species Market Leader in Species Representing ~90% of Our Portfolio by Revenue <sup>3</sup>	
Companion Animal	#1
Cattle	#1
Fish <sup>3</sup>	#1
Swine	#2
Poultry	#5

By Product Category	
Other Pharma <sup>2</sup>	#1
Anti-Infectives	#1
Medicated Feed Additives (MFA)	#2
Parasiticides	#2
Vaccines (Biologicals)	#3
Diagnostics <sup>3</sup>	#3

By Geography	
North America	#1
Latin America	#1
Asia	#1
Eastern Europe	#2
Western Europe	#2

High Growth Franchise Areas <sup>3</sup>	
Dermatology	#1
Pet Pain	#1
Pet Parasiticides	#2

<sup>1</sup> Vetnosis Executive's Guide April 2023. Rankings are based on revenues.

<sup>2</sup> Includes pain, sedation, internal medicine, dermatology, etc.

<sup>3</sup> Zoetis internal estimates

# Diverse, durable and innovative portfolio

**Diversity across geographies, species and product categories drives steady performance**

**7**

Major Product Categories

**8**

Core animal species

**15<sup>1</sup>**

Blockbusters

**+30<sup>2</sup>**

Year average market life of key brands in portfolio

**~300**

Product lines

**>2,000**

New products and lifecycle innovations introduced in last 10 years

<sup>1</sup> Number of blockbuster products with annual revenues of \$100M or more as of year-end 2022

<sup>2</sup> Market life refers to the number of years a product has been commercially available.

# Multiple sources of revenue growth



Companion animal  
parasiticides

**\$1.6B FY22<sup>1</sup>**



Key dermatology  
portfolio

**\$1.3B FY22<sup>1</sup>**



Osteoarthritis (OA)  
pain

**est. \$1.0B+ Peak<sup>2</sup>**



Global  
diagnostics



Growth in  
emerging markets



New product  
categories

<sup>1</sup> Zoetis product category revenue

<sup>2</sup> Based on internal Zoetis estimates

# Invest in innovation and growth capabilities



PATH FORWARD

**Drive ROIC<sup>1</sup>  
accretion<sup>2</sup>**

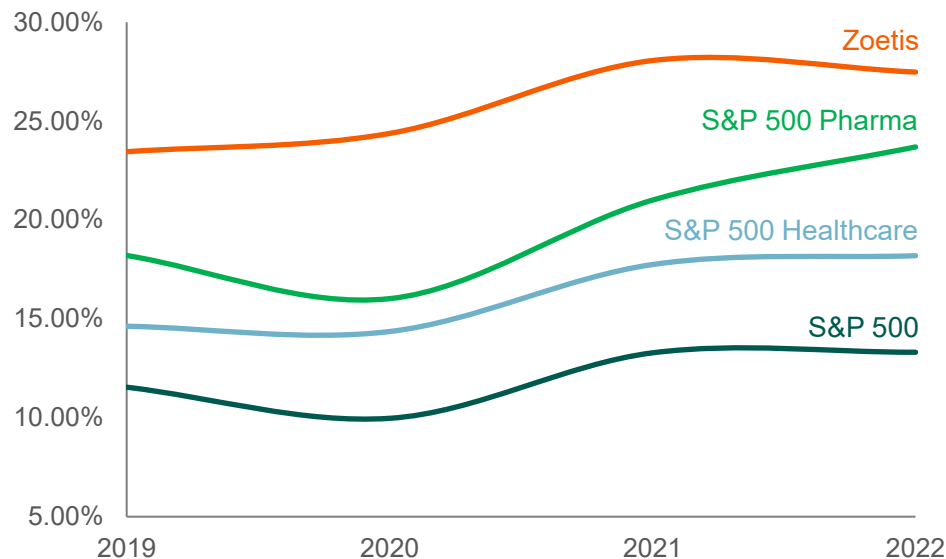
- Prioritize R&D investment in the highest ROIC opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners

<sup>1</sup> ROIC stands for Return On Invested Capital

<sup>2</sup> Targeted average over the forecast period of 3-5 years

# Track record of ROIC investment discipline

Return On Invested Capital is our guiding principle



Source: S&P Capital IQ

Note: ROIC including Goodwill is based on Operating Profit after tax times capital productivity based on two-year average of invested capital; Aggregates are based on the weighted average ROIC of index constituents (sum of operating profit after tax / sum of 2-year average of invested capital); Index constituents are as of May 2023 (S&P 500: 433, S&P 500 Healthcare: 56, S&P 500 Pharma: 9)



# Reinvest to drive compelling growth

High ROIC investments to support future profitable revenue growth



<sup>1</sup> Represents operating expenses and cost of sales for the Zoetis Technology and Digital function, which includes data and analytics (insights and engineering), digital product strategy, data management, application innovation, enterprise information technology, technology risk and compliance, and information security.

# Unique Animal Health R&D model

Compelling innovation with balanced risk

Lower cost than  
Human Health

Faster  
development  
timelines

Higher success  
rates

Long innovation  
cycles

Attractive global  
regulatory position

No government  
payer



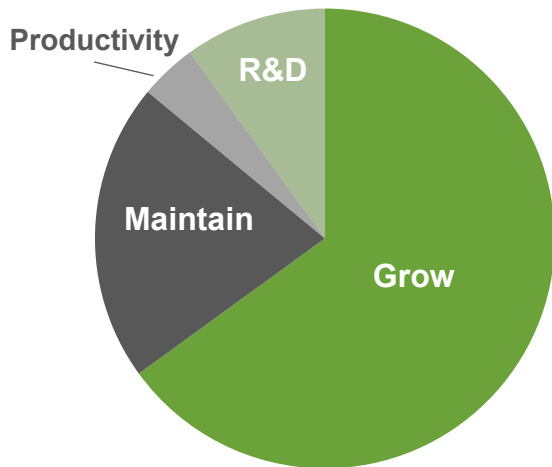
# Capital investments prioritize growth and returns



Key growth-oriented capital expenditures include additional manufacturing capacity

## \$1B

Estimated 2023 CapEx



Major Capital Projects:



Lincoln



Atlanta



# M&A and strategic partnerships



- Leverage our scale
- Partner of choice for innovation

# Increase adjusted net income faster than revenue



PATH FORWARD

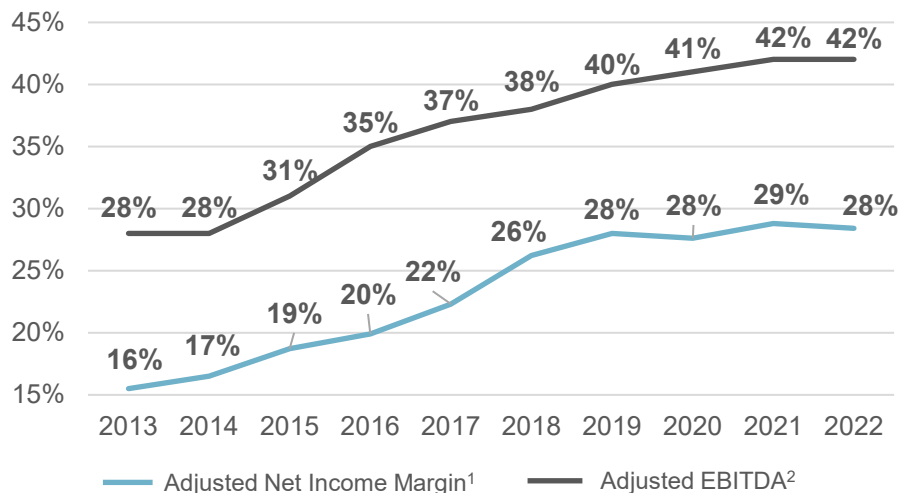
**Enable margin improvement<sup>1</sup>**

- Expand revenue in higher margin product categories
- Leverage scale to drive bottom line performance
- Optimize and simplify to increase productivity and efficiency

<sup>1</sup> Targeted average over the forecast period of 3-5 years

# Track record of margin expansion

Adjusted net income margin improvement driven by our portfolio mix, ability to take price, and operational efficiency



<sup>1</sup> Adjusted net income and its components (non-GAAP financial measures) are defined as reported GAAP net income and its components, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Reconciliations of non-GAAP financial measures are available in the appendix to this presentation.

<sup>2</sup> Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) margin (a non-GAAP financial measure) is defined as adjusted net income attributable to Zoetis excluding (i) interest expense and interest income (ii) income taxes and (iii) depreciation/amortization (all as included in adjusted net income). Reconciliations of non-GAAP financial measures are available in the appendix to this presentation

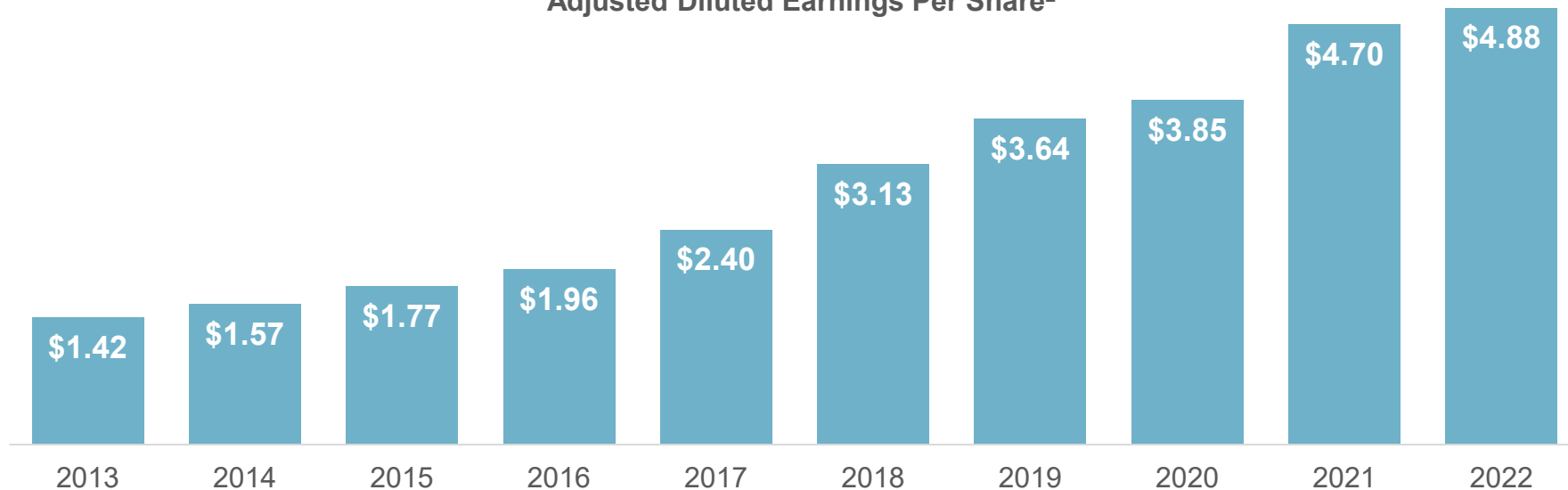


# Revenue growth and operational execution drives strong bottom line



15% Operational EPS CAGR<sup>1</sup>

Adjusted Diluted Earnings Per Share<sup>2</sup>

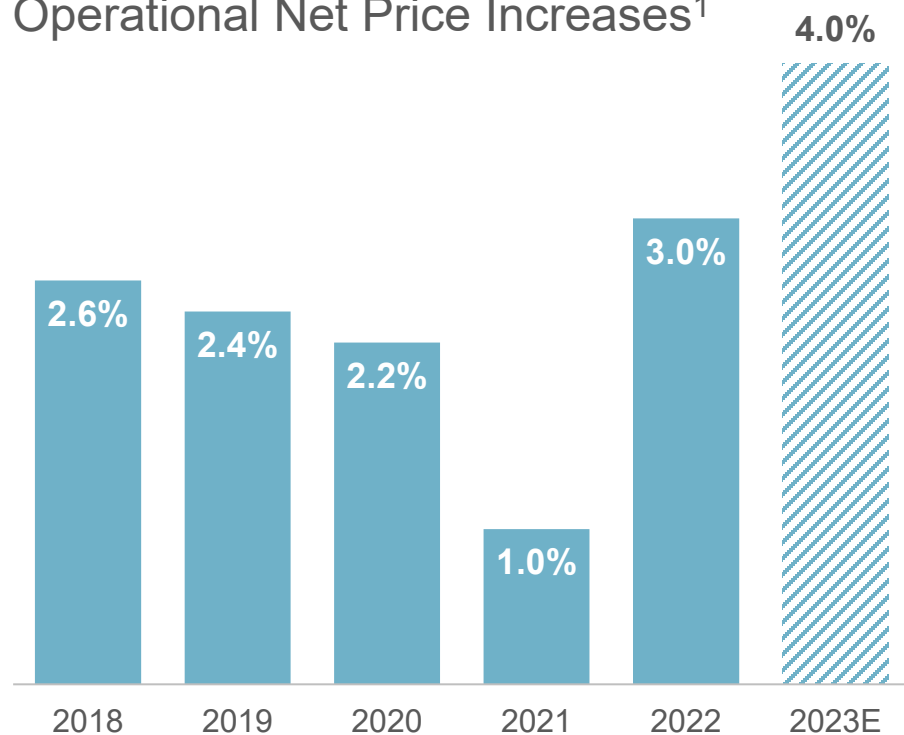


<sup>1</sup> From 2013 to 2022, excludes the impact of foreign exchange.

<sup>2</sup> Adjusted diluted earnings per share (a non-GAAP financial measure) is defined as reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Reconciliations of non-GAAP financial measures are available in the appendix to this presentation

# Growth and margin expansion through price increases

Operational Net Price Increases<sup>1</sup>



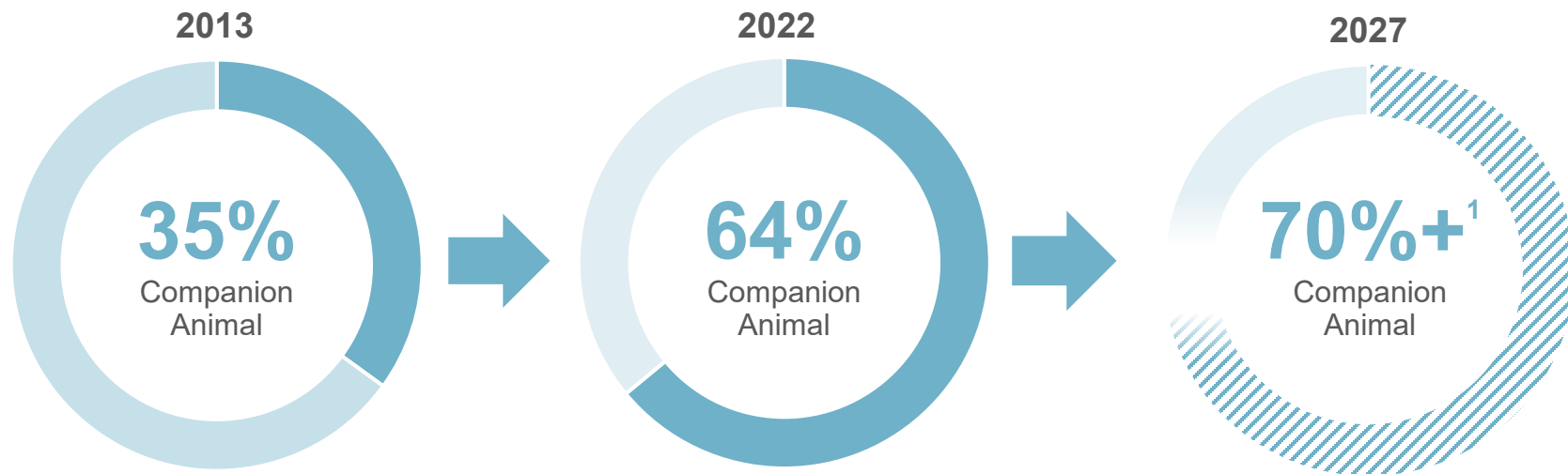
<sup>1</sup> Based on internal Zoetis net price calculations and estimates



# Companion Animal growth creates margin expansion



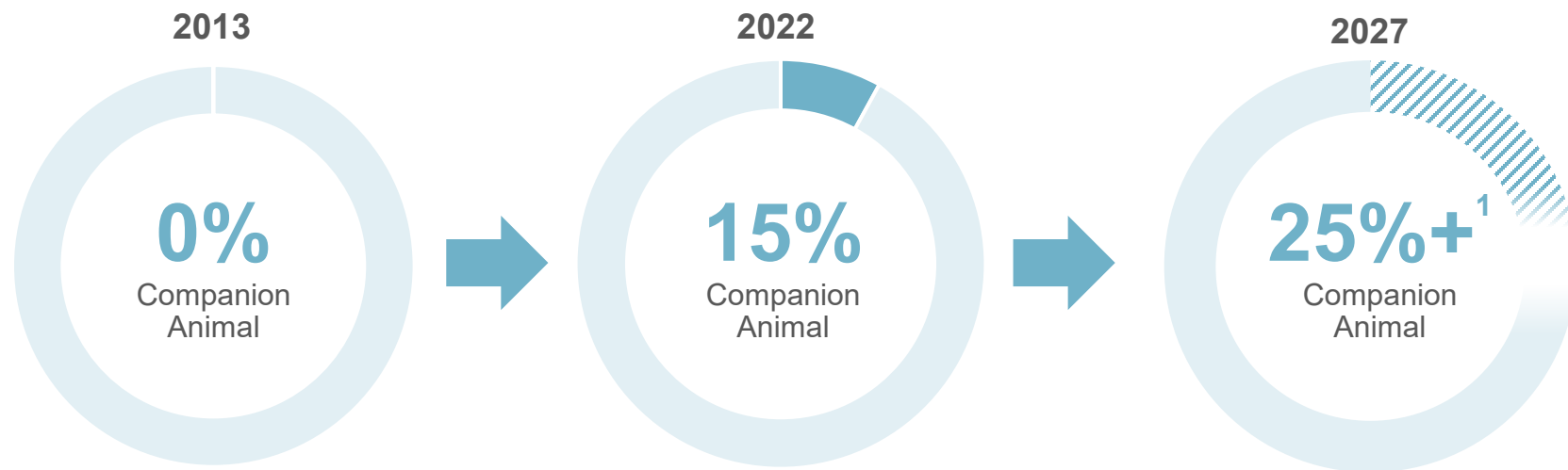
Companion Animal is an increasing driver of revenue growth and margin improvement



Companion Animal revenues as a % of total Zoetis revenues

<sup>1</sup> Based on internal Zoetis estimates

# Monoclonal antibodies expected to represent increasing share of Companion Animal revenue



Monoclonal Antibody Revenues as a % of Total Companion Animal Revenues

<sup>1</sup> Based on internal Zoetis estimates

# Monoclonal antibodies also expected to expand margins

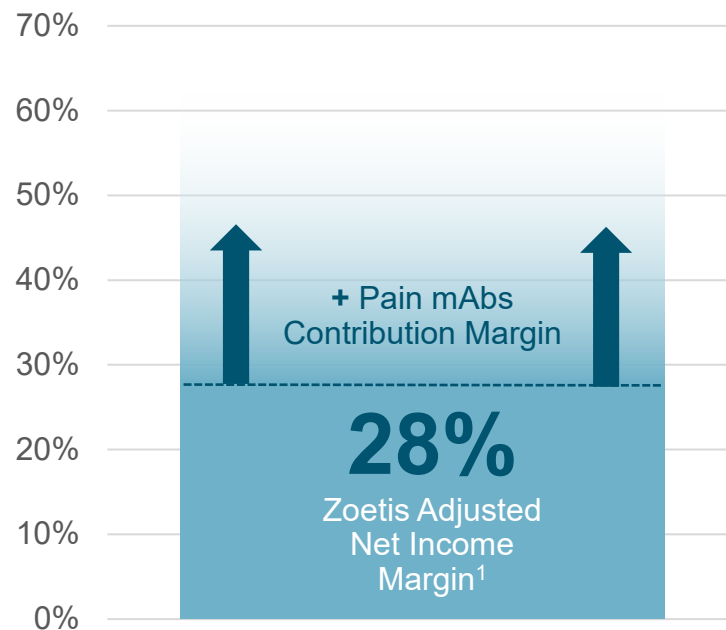


Sales and contribution margin for Librela and Solensia

**Librela**  
Bedinvetmab

**Solensia**  
Frunevetmab

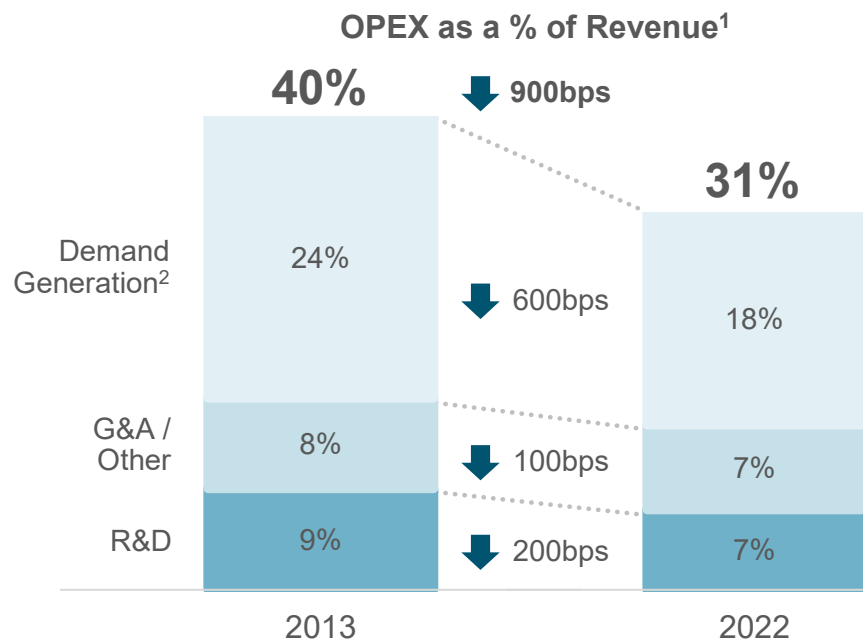
**\$1B+**  
Peak Sales



<sup>1</sup> Based on 2022 actual Zoetis adjusted net income margin and internal estimates of Osteoarthritis Pain mAb contribution margins

# Proven track record of OPEX discipline

Driving a leaner more efficient structure



<sup>1</sup> Percentages may not add due to rounding

<sup>2</sup> Demand Generation includes Selling, Marketing, and Advertising and Promotion spend, as well as distribution expenses.



# Key drivers of additional profit growth



Operating expense leverage 2024+

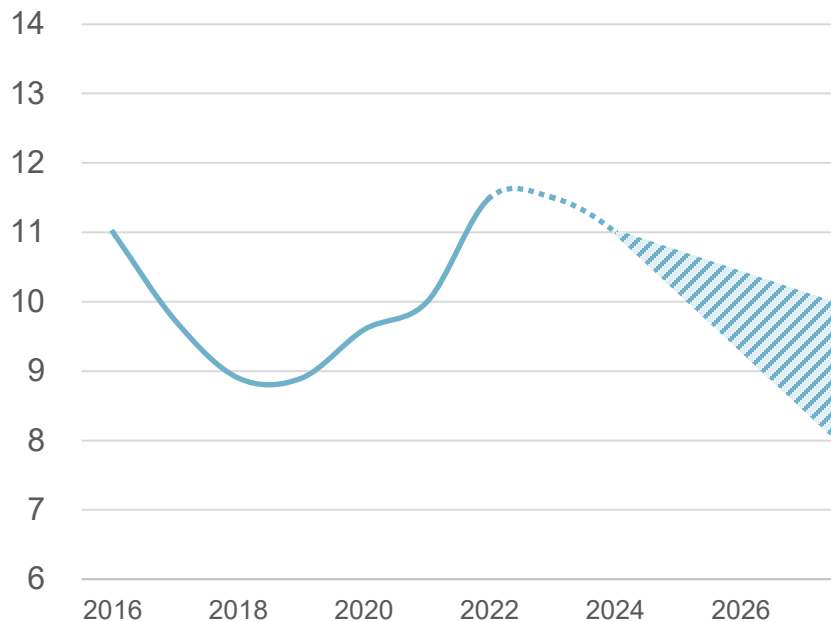
<b>R&amp;D</b>	Grow in-line with revenue growth
<b>Field Selling</b>	Global scale allows us to grow faster than G&A but slower than R&D
<b>Other Selling &amp; Marketing</b>	
<b>Digital and Data</b>	Tech growing in-line with revenue growth
<b>Other G&amp;A</b>	Growing low single digits

# Free cash flow growth

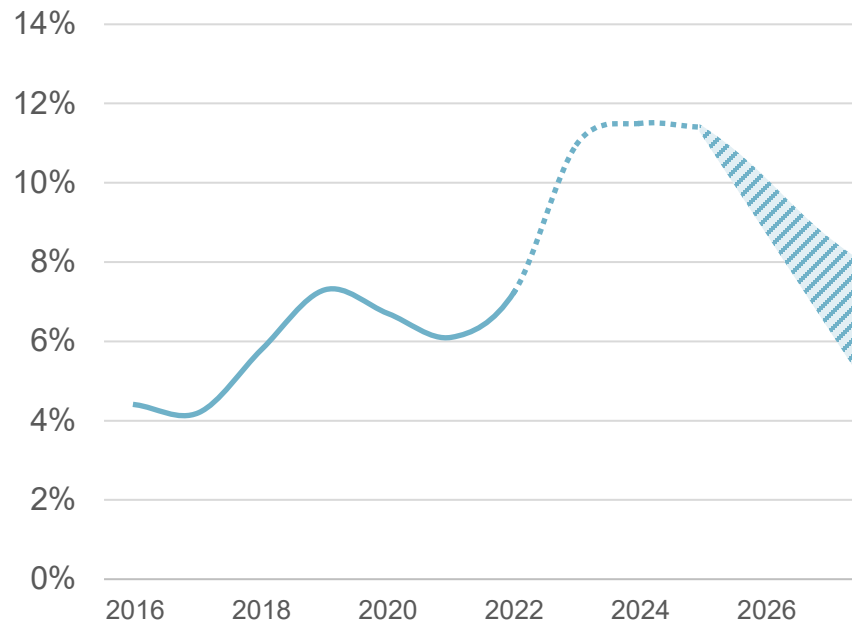


We will normalize Inventory and CapEx to support FCF

Inventory Months on Hand



CapEx as a % of Revenue



# Return excess capital to shareholders



PATH FORWARD

**Maintain balance  
between investments  
and return of capital**

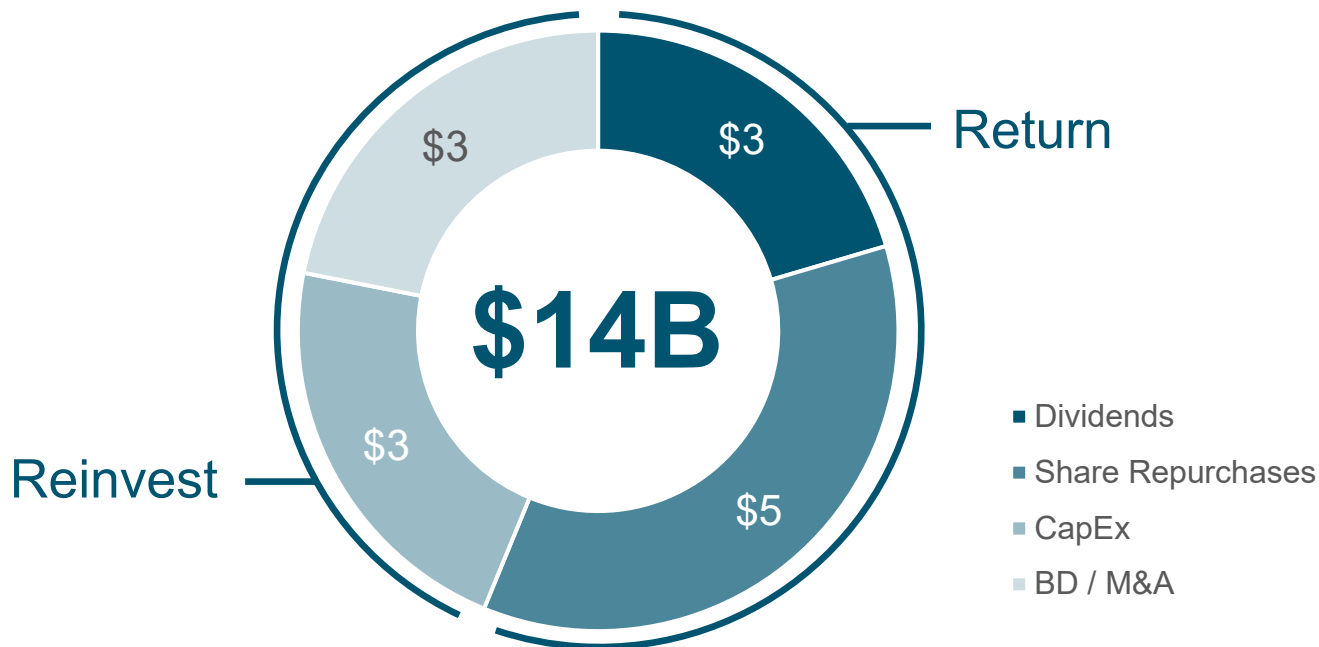
- Reinvest in the business to drive growth
- Target strategic business development to enhance innovation
- Grow dividend above adjusted net income
- Continue systematic share buybacks

# Historic capital return



Disciplined and balanced capital allocation priorities

Uses of Operating Cash Flow Since the IPO (\$US Billion)



# Dividend growth



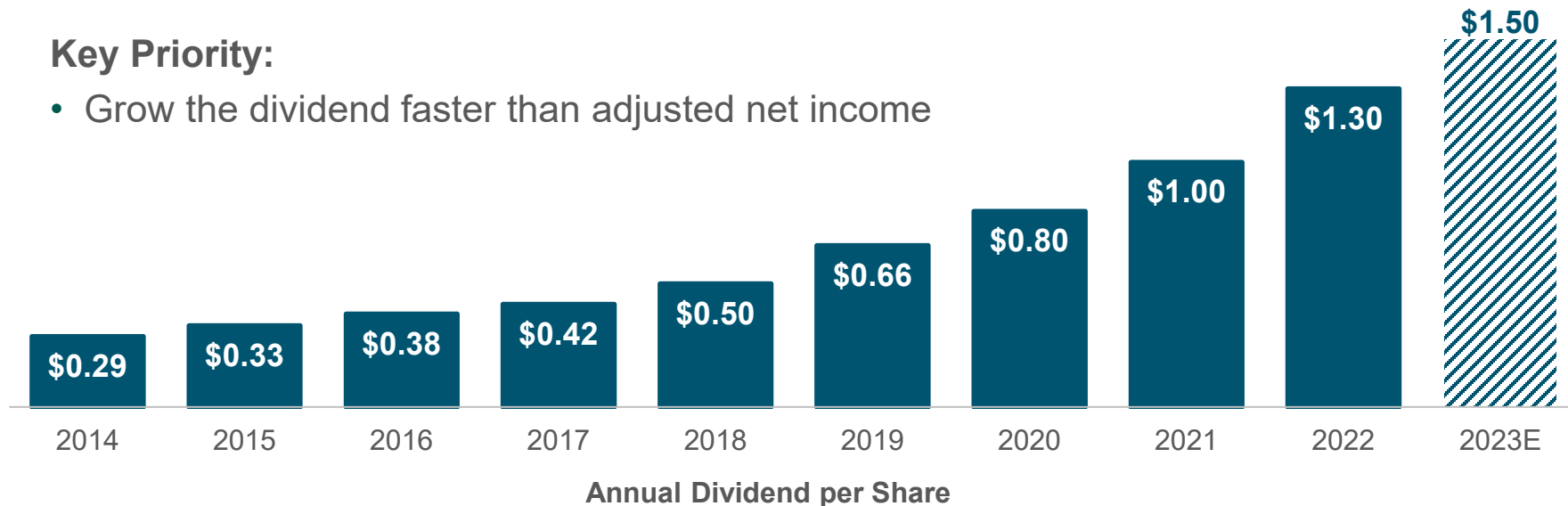
## Track Record:

- 10 consecutive years of dividend increases
- \$3 billion returned to shareholders since IPO

## Key Priority:

- Grow the dividend faster than adjusted net income

~ **20%**  
CAGR<sup>1</sup>



<sup>1</sup> CAGR from 2014 to 2023, based on Zoetis internally estimated 2023 full-year dividend payout

# Share repurchases

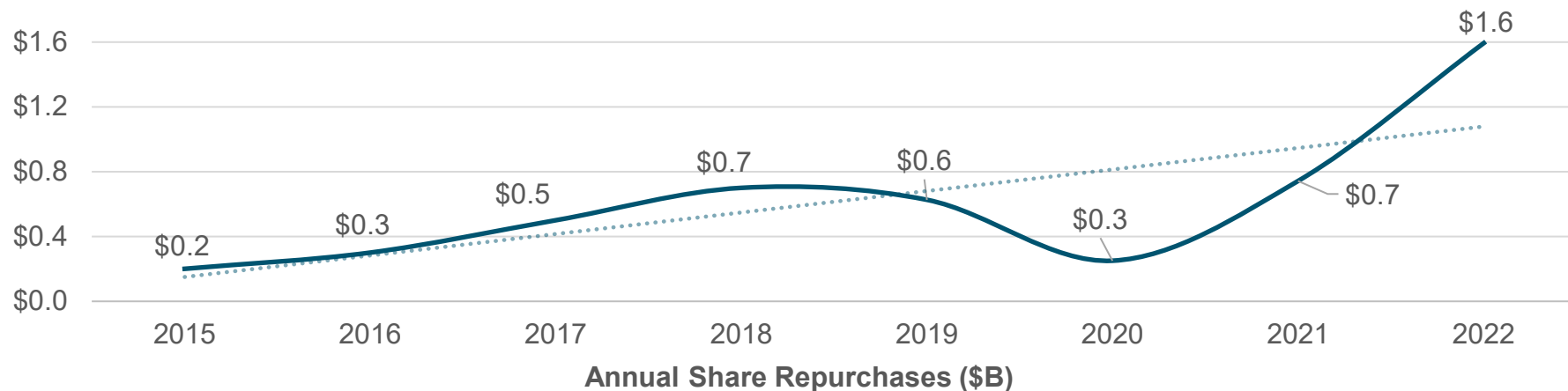


## Track Record:

- Reduced share count by 7% since 2013
- Bought back >\$5 billion<sup>1</sup> of Zoetis shares since the IPO

## Key Priority:

- Consistent and systematic buybacks flexing opportunistically



<sup>1</sup> From 2013 through the end of 1Q23

# Our continued commitment to value creation

## Key components of our 3 to 5 year outlook



### **Grow** revenue faster than the market

- Broaden existing billion-dollar franchises
- Innovate and build new franchise opportunities
- Expand across attractive emerging markets
- Accelerate commercial excellence to take share

Grow annual revenue mid-to-high single digits<sup>2</sup>



### **Invest** in innovation and growth capabilities

- Prioritize R&D investment in the highest ROIC opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners

Drive ROIC<sup>1</sup> accretion<sup>2</sup>



### **Increase** adjusted net income faster than revenue

- Expand revenue in higher margin product categories
- Leverage scale to drive bottom line performance
- Optimize and simplify to increase productivity and efficiency

Enable margin improvement<sup>2</sup>



### **Return** excess capital to shareholders

- Reinvest in the business to drive growth
- Target strategic business development to enhance innovation
- Grow dividend above adjusted net income
- Continue systematic share buybacks

Maintain balance between investments and return of capital

<sup>1</sup> ROIC stands for Return On Invested Capital

<sup>2</sup> Targeted average over the forecast period



# Q&A

zoetis

*zoetis*

[investor.zoetis.com](https://investor.zoetis.com)

# Appendix

## Non-GAAP Financial Measures Disclosure and Reconciliations

# Reconciliation Of GAAP To Non-GAAP Financial Measures

## GAAP Reported to Non-GAAP Adjusted R&D Expense

<i>(Dollars in millions)</i>	GAAP Reported R&D Expense	Non-GAAP Adjustments	Non-GAAP Adjusted R&D Expense <sup>1</sup>
2013	\$399	\$(8)	\$391
2014	396	(2)	394
2015	364	(4)	360
2016	376	(2)	374
2017	382	(2)	380
2018	432	(2)	430
2019	457	(2)	455
2020	463	(1)	462
2021	508	(1)	507
2022	539	(1)	538

<sup>1</sup> Adjusted net income and its components (non-GAAP financial measures) are defined as reported GAAP net income and its components, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted research and development (R&D) expenses is an income statement line item prepared on the same basis, and, therefore, a component of the overall adjusted income measure.

# Reconciliation Of GAAP To Non-GAAP Financial Measures

## Reported Revenue Growth to Organic Operational Growth

<i>(Dollars in millions)</i>	Revenue	Change from Prior Year	Foreign Exchange	Operational Growth <sup>1</sup>	Acquisitions	Operational Efficiency Initiative <sup>2</sup>	Organic Operational Growth <sup>3</sup>
2013	\$4,561	5%	(2)%	7%			
2014	\$4,785	5%	(2)%	7%			
2015	\$4,765	—%	(8)%	8%			
2016	\$4,888	3%	(2)%	5%	2%	(5)%	8%
2017	\$5,307	9%	1%	8%			
2018	\$5,825	10%	—%	10%	2%		8%
2019	\$6,260	7%	(3)%	10%	2%		8%
2020	\$6,675	7%	(2)%	9%	1%		8%
2021	\$7,776	16%	1%	15%			
2022	\$8,080	4%	(4)%	8%			

<sup>1</sup> Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange

<sup>2</sup> Includes product and market rationalizations, as part of the operational efficiency initiative

<sup>3</sup> Organic operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange and acquisitions, and in 2016, called Normalized Organic Operational Growth, also excluded the operational efficiency initiative

# Reconciliation Of GAAP To Non-GAAP Financial Measures

## Reported Net Income to Adjusted Net Income Margin

<i>(Dollars in millions)</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net income attributable to Zoetis <sup>1</sup>	\$504	\$583	\$339	\$821	\$864	\$1,428	\$1,500	\$1,638	\$2,037	\$2,114
Purchase accounting adjustments-net of tax <sup>2</sup>	32	34	39	60	51	119	156	142	136	120
Acquisition-related costs-net of tax <sup>3</sup>	14	5	22	4	7	50	36	19	10	4
Certain significant items-net of tax <sup>4</sup>	159	168	489	90	263	(72)	63	45	57	59
Adjusted net income attributable to Zoetis <sup>5</sup>	\$709	\$790	\$889	\$975	\$1,185	\$1,525	\$1,755	\$1,844	\$2,240	\$2,297
<b>% of revenue<sup>6</sup></b>	<b>16%</b>	<b>17%</b>	<b>19%</b>	<b>20%</b>	<b>22%</b>	<b>26%</b>	<b>28%</b>	<b>28%</b>	<b>29%</b>	<b>28%</b>

<sup>1</sup> As reported under U.S. generally accepted accounting principles (GAAP).

<sup>2</sup> Purchase accounting adjustments represent expenses incurred associated with the amortization of fair value adjustments to inventory, intangible assets and property, plant and equipment.

<sup>3</sup> Acquisition-related costs represent costs associated with acquiring and integrating newly-acquired businesses, such as transaction costs and integration costs.

<sup>4</sup> Certain significant items comprise substantive, unusual items that, either as a result of their nature or size, would not be expected to occur as part of our normal business on a regular basis, such as restructuring charges and implementation costs associated with our cost-reduction/productivity initiatives that are not associated with an acquisition, certain asset impairment charges, certain legal and commercial settlements and the impact of divestiture-related gains and losses.

<sup>5</sup> Adjusted net income (a non-GAAP financial measure) is defined as reported U.S. GAAP net income excluding purchase accounting adjustments, acquisition-related costs and certain significant items. The adjusted net income measure is not, and should be not be, viewed as a substitute for U.S. GAAP net income. Non-GAAP adjusted net income is presented solely to permit investors to more fully understand how management assesses performance.

<sup>6</sup> Adjusted net income margin (a non-GAAP financial measure) is defined as adjusted net income expressed as a percentage of revenue.

# Reconciliation Of GAAP To Non-GAAP Financial Measures

## Adjusted Net Income to Adjusted EBITDA as a % of Revenue

<i>(Dollars in millions)</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Adjusted net income attributable to Zoetis <sup>1</sup>	\$709	\$790	\$889	\$975	\$1,185	\$1,525	\$1,755	\$1,844	\$2,240	\$2,297
Interest expense <sup>2</sup>	113	117	124	166	175	206	223	231	224	221
Interest income <sup>2</sup>	(3)	(6)	(6)	(8)	(13)	(31)	(37)	(12)	(6)	(50)
Income taxes <sup>2</sup>	292	290	326	415	465	351	390	413	511	583
Depreciation <sup>2</sup>	138	131	124	133	136	146	166	202	236	266
Amortization <sup>2</sup>	17	17	16	16	18	19	27	40	37	40
Adjusted EBITDA <sup>3</sup>	\$1,266	\$1,339	\$1,473	\$1,697	\$1,966	\$2,216	\$2,524	\$2,718	\$3,242	\$3,357
<b>% of revenue<sup>4</sup></b>	<b>28%</b>	<b>28%</b>	<b>31%</b>	<b>35%</b>	<b>37%</b>	<b>38%</b>	<b>40%</b>	<b>41%</b>	<b>42%</b>	<b>42%</b>

<sup>1</sup> Adjusted net income attributable to Zoetis (a non-GAAP financial measure) is defined as reported U.S. GAAP net income attributable to Zoetis excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

<sup>2</sup> As included in adjusted net income.

<sup>3</sup> Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (a non-GAAP financial measure) is defined as adjusted net income attributable to Zoetis excluding (i) interest expense and interest income, (ii) income taxes and (iii) depreciation and amortization (all as included in adjusted net income).

<sup>4</sup> Adjusted EBITDA margin (a non-GAAP financial measure) is defined as adjusted EBITDA expressed as a percentage of revenue.



# Reconciliation Of GAAP To Non-GAAP Financial Measures

## Reported Diluted EPS to Adjusted Diluted EPS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Earnings per share (EPS)-diluted <sup>1</sup> :										
GAAP reported EPS attributable to Zoetis-diluted <sup>2</sup>	\$1.01	\$1.16	\$0.68	\$1.65	\$1.75	\$2.93	\$3.11	\$3.42	\$4.27	\$4.49
Purchase accounting adjustments-net of tax	0.06	0.07	0.08	0.12	0.10	0.24	0.32	0.30	0.29	0.26
Acquisition-related costs-net of tax	0.03	0.01	0.04	0.01	0.01	0.10	0.08	0.04	0.02	0.01
Certain significant items-net of tax	0.32	0.33	0.97	0.18	0.54	(0.14)	0.13	0.09	0.12	0.12
Non-GAAP adjusted EPS-diluted <sup>3</sup>	\$1.42	\$1.57	\$1.77	\$1.96	\$2.40	\$3.13	\$3.64	\$3.85	\$4.70	\$4.88

<sup>1</sup> Diluted earnings per share was computed using the weighted-average common shares outstanding during the period plus the common stock equivalents related to stock options, restricted stock units, performance-vesting restricted stock units and deferred stock units (weighted-average diluted shares outstanding).

<sup>2</sup> As reported under U.S. generally accepted accounting principles (GAAP).

<sup>3</sup> Non-GAAP adjusted EPS-diluted (a non-GAAP financial measure) is computed by dividing non-GAAP adjusted income attributable to Zoetis by the weighted-average diluted shares outstanding.