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<<Jon Block, Analyst, Stifel>>

Okay, guys let's get started. Jon Block with Stifel, I'm plowing forward and sticking with animal health. And next up I'm happy to introduce Zoetis, the world's number one animal health company. And today from Zoetis, we have Wetty Joseph, Executive Vice President and Chief Financial Officer. Thanks for joining us. Really appreciate it.

I'm going to change things up and it's funny just coming off the Analyst Day. I've gotten a bunch of questions about, hey, look, the stock had a really good run year-to-date, but it really has been, I don't want to say straight down since the Analyst Day, but sold off. And I've gotten questions, why, what's going on? Wetty any confusion that you want to clear up and maybe I'll sort of ask a little bit of a leading question.

One of the topics that keeps getting brought up with me is, you guys talked about mid to high-single-digit revenue growth, which some people can think of as 4% to 9%, yet you talked about a market growing 4% to 6%, and Zoetis continuing to grow at a premium to market. So any maybe a tighter band or any things that you can clarify on that, call it revenue LRP that you provided.

<<Wetty Joseph, Executive Vice President and Chief Financial Officer>>

Yeah. Look, Jon I won't as usual comment on the stock price, per se. What we try to do with the Investor Day was to step back and really share with everyone the reasons we're very optimistic about the future, what we're working on, what our capabilities are and what drives the most productive R&D engine in animal health, and why we believe that's going to continue, including new areas, product categories that we're pursuing to continue to drive our performance from an innovation perspective. So we're very pleased with that.

I think the range that you gave, we were careful not to get too precise on this. But I think that sounds too wide to me. Quite frankly, though I won't peg it to an exact number. The way I look at it, the industry has grown about 5% historically, put in a range of 4% to 6%. We believe based on the underlying secular trends that we see around demographics, standard of care, population growth, et cetera, the market is expected to continue to grow in that range of 4% to 6%.

And over a decade, we have performed anywhere from 2 points to 6 points above that, on average about 3. And so if you look at it that way, then you say, well, 4% to 6% and you do 2% to 6% on top of that, you've got a range that I think might be tighter than what I heard you just say a moment ago. And I think over time, we're looking at a long – relatively long horizon of three to five years in terms of what we wanted to focus the discussion on. And again, share our enthusiasm about our pipeline, our innovation engine, our colleagues around the world that are working tirelessly with our customers, and the combination of R&D, commercial and

manufacturing that has translated to the financial performance that you've seen from Zoetis over the years, and that we expect to continue to drive us going forward.

<<Jon Block, Analyst, Stifel>>

Okay. That's very helpful. Maybe I'll try to ask one more sort of follow-up clarification then I can get into some more specific questions. But when we think about that 300 basis point premium to market that you grew over the past decade, from an investor standpoint, should we be thinking that has to compress? I mean, I think about that 300 bps premium and in there was creating a \$1.4 billion atopic derm being the first out with Simparica Trio. So you're going to have competition come into those markets. But on the flip side, you've got pay mAb, which you've included clearly said is \$1 billion plus. So help us square. Does 3% have to compress or could it actually remain in and around that level due to some new markets that you have that are first in the midst of taking off?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah. Look, I think if you look backwards it's average 3%, right? A market that's grown about 5% where we've gone 8% on a CAGR, but it's gone anywhere from 2% to 6%. And so I don't see a reason why the average of 3% would necessarily compress. I think what we're doing from an innovation perspective continues to be very robust in areas that are the greatest unmet needs in animal health.

I think our portfolio is already very broad and diversified. I think OA pain is an area that we said at the Investor Day, we expect to be \$1 billion plus in the three to five year horizon, by the way, which is how we define peak sales is inside of that period. Obviously the market – that market will continue to grow and will continue to innovate in that OA pain as well.

And even in the areas where we are expecting competition, we have been expecting competition in these areas for years. I mean, we've been in derm for a long time. Our APOQUEL product has been out for a decade. CYTOPOINT has been around for about seven years. And so, we've been investing in mAb as a platform which is allowing us to be able to go after a number of different targets through that platform and investing behind it in terms of building the capacity and the scale to capitalize on those as we go forward.

And in the markets that we've been in, whether it's derm or parasiticides, we continue to see room to expend those markets and continue to grow in those markets. In parasiticides, we're playing in the faster growing end of the market, which is they're all in the triple combinations, though that market grows around 5% to 6%, we've been playing in an area that grows faster than that.

So I think given that we're playing in the areas that others in our space are playing in as well, whether it's vaccines or parasiticides, and have been gaining share by the way, meaningfully in parasiticides, we continue to have opportunity to continue to expand in derm and are also launching the next-generation of the products that we have in derm. And we're going into a

phase of growth coming from osteoarthritis pain as our next billion dollar franchise and shared a few areas of interest that we're working on.

<<Jon Block, Analyst, Stifel>>

Yeah, we'll see further out.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

I think our edge on the market as we see it is sustainable.

<<Jon Block, Analyst, Stifel>>

Okay, that's great. And we're going to hit on a lot of those topics atopic derm and triple and others. I'm going to start off a little bit more granular. Destocking was clearly a big topic in the first quarter of 2023. You commented on the call that destocking seemed to conclude, I think you said around April. But since that time, another major animal health player called out destocking headwinds. So I just did want to check in, has that destocking phenomenon resurfaced for you guys at all, or do you feel comfortable that it's really in the rear view mirror?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Look, the comments we made with our first quarter call in early May continue to stand for us in terms of how we see the market. We came into the year and expected to see a level of destocking in the first quarter, which we saw. There's meaningful destocking in Q1, which we talked about on the call. We saw that continue into April, probably to the third week of April, give or take. And then we saw that stabilized and we shared that we expected to remain stable from here on out.

We didn't factor in sort of a rebound of inventory stocking as we look ahead. But we felt that the level we got to, which was below the sort of normal range that we've seen over the years is something that would sustain and any lower than that would start to introduce challenges for distributors in terms of service levels to customers. And the handling would get to the point where it could increase their costs as well. So we've continued to see the sort of activities in the market be more reflective of the end market demands. For us, and as we set on the call, we expect to see more normalized growth starting in the second quarter. And by the way, that's with the destocking effects that we saw in April, which obviously are part of the second quarter...

<<Jon Block, Analyst, Stifel>>

It takes that into account.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

We take that into account and we say, hey, look, you're going to see a normalization here as we go through the rest of the year. And here we're sitting on actually the last day of the quarter for

our international markets, which are month and weirs. I'm expecting a very strong quarter there as we get through. And I'm expecting the mix to be more joined by companion animal as well, again, consistent with what we said from the start and what we said on the last call. I expect international to grow a bit faster than the U.S., but the growth across both to be more driven by companion animal than livestock.

<<Jon Block, Analyst, Stifel>>

Was that specific to this quarter, Wetteny? I'm sorry, is that what you say?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, yeah. And so – but again, all translating to what are called normalized growth as we look at the second quarter and beyond. One last thing, and I'll let you ask the next question.

<<Jon Block, Analyst, Stifel>>

All good.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Is that if you look at back in February when we gave our guidance, we said, we expect the cadence across the year to be impacted by the timing of supply recovery in 2022. And I think that – I said that's going to drive variability throughout 2023. We saw that in Q1, we're going to continue to see that in some aspects of the business. For example, for livestock in the third quarter last year, we saw intermittent supply challenges recover a bit in the third quarter last year, we'll be up against that on livestock.

But for the rest of the business for comparing animal, the third quarter was a bit more challenging from a supply standpoint, so it becomes a positive comp. So not to get too much detail and specifics here, but I do think that availability will continue, but it'll all translate into more normalized growth for us.

<<Jon Block, Analyst, Stifel>>

So maybe just try to follow-up on that last point. You reiterated on the first quarter call the 6% to 8% operational revenue growth guidance for the year. You've got an easy 3Q comp, a more difficult 4Q comp. So do we think about if we were to go ahead and sort of two year stack it more consistent, so in other words, take the year-over-year comps into effect, but maybe on a two year is somewhat consistent for the duration of the year?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, I would say that's about – that's roughly right.

<<Jon Block, Analyst, Stifel>>

Okay. Fair enough. I want to try to deconstruct 2023 growth because I've gotten some questions on how it breaks down. So again, operational revenue growth guidance of 6% to 8%, I think you guys have been very clear that farm animal or livestock, pardon me, is going to be around zero, give or take. Largely break even that might benefit a little bit from the Jurox acquisition. And so it implies 10% to 11% growth-ish for companion animal. You've talked about atopic dermatitis being maybe around 10%. My main question is how Trio looks? And do we think about Trio, which had a rough first quarter because of some of the destocking. Is that a premium to overall companion animal growth? So again, the implied for companion animal is 10% to 11%, is Trio a 13% to 15% grow or a premium to call it overall CA?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Look, I think first of all, very consistent in how we see the year from where we started in February given guidance on the year. At the time we said, look, livestock is going to be minus one, two plus one. We've moved from that to say it's going to be flat two plus one. We've moved by a point. And so that hasn't changed, which translates to companion animal not changing significantly. I try not to get into too much detail on a specific product. But as we said coming out of Q1, dermatitis is one where if you perform some of the noise in the quarter, you were seeing double-digit growth in dermatitis. So we're expecting dermatitis to operate in the low double-digit range as we see of the balance.

<<Jon Block, Analyst, Stifel>>

Derm to full year.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah. Of the year and look, I would look at dermatitis combined, both APOQUEL and CYTOPOINT.

<<Jon Block, Analyst, Stifel>>

Sure.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Because I do think there's some dynamics there with respect to being able to lift some of the restrictions that we had with respect to inputs for mAbs that we can capitalize on the demand that we see both from vets and pet owners given the compliance and being able to do one injection, et cetera. So that is going to continue to drive that dynamic for us as we look ahead. I think parasiticides is an area that we have a very broad portfolio. Obviously, Trio being a big driver for us, a big product for us, and saw that impacted by some of the destocking you saw in the quarter as well as through April. But as we look at the rest of the year, we're expecting strong growth coming from our Trio product as well as the rest of our parasiticides.

<<Jon Block, Analyst, Stifel>>

Okay. I'm going to try to ask it a different way just because I don't think I have very clear questions. So in – you can get inside my head and try to walk me off the ledge. So this is what I'm struggling with. If Trio were not to grow at a premium to companion animal, let's just say, hey, Trio's an 8% grower. I think the incoming that I get from investors is it implies very healthy growth for what people call like the legacy companion animal business, right, or the base business? If Trio is a 13%, 14% grower, considering the 1Q it had, it implies a really big high teen 2Q to 4Q or even higher once you normalize for 4Q 2022. So like, which way do you lean, do you sort of say, Jon, it doesn't have to grow north of companion animal and therefore the underlying base business might be healthier than you could appreciate? Or is it, look, 1Q is particularly ugly for Trio because of destocking, but we still think this is going to be a 13%, 14% grower for full year?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, look, I'm not going to lock into a specific growth range for Trio. What I would say is if you look across the portfolio, we see strength across the board. I think you've seen some dynamics both with respect to destocking that impacted Trio, as I said, in Q1 as well as through April. You also see some promotional activities that impacted this market. But what we said in the first quarter was we saw an uptick in terms of our share gain in terms of patients. And so I would look at the underlying market as we go through the year in terms of what's happening there. We still don't see a competitor yet. We expected sometime this year. We'll see what the timing is and what their behavior is in the shorter term.

<<Jon Block, Analyst, Stifel>>

Your thoughts are officially 2H there now, correct?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Right. Yeah. Look, we expect an approval sometime in the summer, potentially launch in the third quarter. So we'll look at what that does in terms of promotional activities that might have some short-term impacts on price or what have you depending on what they do. We'll watch that. We don't think this is going to be a price play long term. This is more of a – who's – how do we continue to transition from topicals and collars into orals and triple combinations.

And we think that our first mover advantage will play out well for us, and we're well positioned from a price standpoint. So I would look at what's the patient share? Are there more paras patients coming in and we keeping up with our share or gaining share in that regard, and then let the rest flow through. But I think the rest of our portfolio really holds up well here across our markets. And you don't have to have the type of growth that you saw in Trio last year, which we were not expecting anyway to deliver our guidance. We're factored in our expectations around competition into the guidance that we reaffirmed as well in the – on the first quarter call.

<<Jon Block, Analyst, Stifel>>

Okay. Fair enough. You guys, obviously, I probably should have kicked this off this way, but if you have any questions, let me know, throw your hand up and I'll call you out. Farm animal, so I do want to touch on farm animal, which now because of the great growth and companion animals down to roughly a third of revenue, but the snap back in livestock in 1Q 2023, was surprising the most. I know it was a little bit surprising to me. You guys described the sort of refilling inventory levels that were a little bit low. Here we are a couple months later, your conviction that livestock inventory was called it normalized properly and not high exiting 1Q 2023?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, I would put it within the normal range is what I would say. And look, there's always some level of variability. I don't want to get too precise as if it's always one number. It does vary a bit. I think you've got some different seasons within livestock with the third quarter and the fourth quarter. In terms of movement of animals in the U.S., that impacts cattle business. So I don't want to get too, again, too precise on one number. I think it can vary from time to time as we exited the first quarter versus we're in the fourth quarter. We might have been a little bit low on the fourth quarter, but we're all within a range here as we exit the first quarter. I do expect more variability just in the comps given what I said earlier. So I'll just repeat the one point which is variability in terms of timing of stocking and timing of supply constraints in 2022 will have an impact overall, in particular for livestock.

Again, the third quarter is one that I'm expecting a tougher comp for livestock, given, some supply recovery in the third quarter last year from a vaccine standpoint. And that'll play out as well. But our expectations haven't changed here wholly. If you look at where we came into the year expecting livestock to be versus where we expect it to be now for the balance of year, despite the 12% operational growth in the first quarter.

<<Jon Block, Analyst, Stifel>>

Yes. Got it. Got it. Okay. Fair enough. And if you could just talk to us a little bit about Draxxin. I mean, we know it's been this multi-year headwind, where are we in 2023? Is this sort of through the thick of it and then the headwind, sort of fully abates exiting 2023, and we can think about maybe livestock getting back to a growth profile in 2024 once that headwinds behind us?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, look – I look at livestock first and then I'll double click on Draxxin to fully answer your question, Jon. Look, livestock has grown somewhere in the 2% to 4% range even if you look at backwards. And over the last couple years, we have had this Draxxin headwind as well as Zoamix a couple products where you see some generic competition that has impacted us specifically with respect to our livestock. And the first year we saw about a 16% headwind to Draxxin which started out in the mid-300s in terms of revenue, so the biggest livestock product for us globally. And we saw another 20%, almost 25% impact on the second year. So you get into a level now where it just won't move the needle as much.

I'm not saying that we won't see more headwinds coming in. But we've also seen some volume increases that offset some of that as the price points have gotten to a point where you use this class of products a little bit more in that regard. So that is offsetting some of that. And so we expect some of that dynamic to continue to play out. But we're at a level now after two years of generic competition that it just won't move the overall livestock picture as much as it has the last two years.

<<Jon Block, Analyst, Stifel>>

Okay. Fair enough. And so if I think about livestock, I mean, that clearly was a pretty big headwind as you mentioned for the past couple years. I think on the most recent earnings call, maybe even at the Analyst Day, you talked a little bit more openly about livestock innovation. Is there one or two species or one or two products that from an investor standpoint we should be focused on and sort of saying, Hey, for Zoetis, Draxxin less of a headwind, innovation more a plus than a net neutral and feel better about getting back into a positive growth profile for the overall division?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Yeah, look, I – that's kind how I would summit. In terms of how we get there probably more singles and doubles if I were to use a baseball analogy.

<<Jon Block, Analyst, Stifel>>

From an innovation standpoint...

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Than sort of big home runs. I think areas of vaccines, for example, we started launching some effective vaccines on the poultry side. We're continuing to do that. We have some great vaccine advantage on the swine side that's been – has had some supply constraints, but we look to get on the other side of those. So I think vaccines in general will be – would be beneficial to the business as we look ahead. Look at some of the markets that we operate in. Brazil looks to be on good footing with exports out to China, and consumption in China looks good.

So in terms of the mix of our business and where we play, we see some positives and not have as much of an offset coming from a Draxxin, Zoamix, as we look ahead. I think, we talked on Investor Day, some of the alternatives to antibiotics like immunomodulators that we're working on and other things like that. Those could be meaningful an ASF type vaccine could be meaningful in the future. Not to put any particular timeframe around them, but that's kind of how I look at it, singles and doubles in the near term with some bigger potential items if they play out in a mid to long term.

<<Jon Block, Analyst, Stifel>>

And at least the generics pressure on one of your biggest products, more behind you than in front of you all sort of adding up to that better growth profile.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

That's right.

<<Jon Block, Analyst, Stifel>>

I mentioned on sort of hit on a bunch of different topics, one of them being atopic dermatitis. Maybe just a quick clarification, Wetteny, earlier you said low double digit growth for atopic dermatitis. Was that for the balance of the year or full year? In other words, do you still expect to make up – pardon the expression, but like the 1Q whole and still get to 10% plus for a full year 2023?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

That's what I'm expecting for the full year.

<<Jon Block, Analyst, Stifel>>

Yeah. Okay. One of the things that Zoetis has done and I get it. Not all the animal health companies give you the roadmap of their future products, but you guys have always had very good insight, maybe six to nine months out is who can be around the corner. And admittedly, you've been conservative. You sort of said, Hey, here comes someone. Nope. They don't. And fast forward to today, there's still not a triple player or atopic dermatitis. What's your intel tell you about atopic dermatitis competitors for 2024? One's been pretty vocal being Elanco, but there's two other very big players. Should we expect some level of competition from others outside of Elanco in 2024?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Look I mentioned earlier, APOQUEL's been around for 10 years and CYTOPOINT for seven, we've been expecting competition for most of that time. And so it could come any, any time. There's not any precision that we have looking out the next six to nine months that says, we know specifically this is a time range for something to come. As you said, once player has been a little bit more vocal in terms of where they believe they're going to be. We think there's more room to continue to expand this market, number one.

And number two, we continue to innovate in this market. If you look at we have, as I mentioned, I'm expecting CYTOPOINT to outpace the growth for us here, given the release of some of the constraints that we had, looking back over the last two or three years. But overall dermatitis will be a meaningful grower for us, certainly above the company average. As we look, at this year, and we'll give guidance as we go into each year. And we're already launching some of the next generation of these products with approval – in Europe; we're making progress on that product in

the U.S. to get that to an approval. And then we'll have that as well. And then long-acting CYTOPOINT is something we have in our pipeline.

So I think there are a number of things we're doing. And then if we look further than that you have other species like Equine, APOQUEL, et cetera that we're working on and other products that sort of expand the horizon of what we're looking at into other allergies as well. So we're, this is an important franchise for us, we're not stopping in terms of innovation here. And when competition comes, we have a number of different levers to look at.

<<Jon Block, Analyst, Stifel>>

So that's 2 billion plus, I can't remember it off the top of my head, but that you alluded to for atopic derm at the Analyst Day, that's look, there's still more, more new dogs to put on the therapy. There's lifecycle innovation on both the small molecule and the monoclonal. There's international, which usually lags from a penetration standpoint. All that rolls up to the future opportunity.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

That's right. That's right.

<<Jon Block, Analyst, Stifel>>

When we get to competition, and it's funny, we did some diligence of ways back. It was a survey maybe, I don't know, 18 months ago or so, but what popped off the page were the satisfaction levels around APOQUEL and CYTOPOINT. I mean, we had doc saying it was like 88%, 89% responders. Okay. When future competition gets here and maybe they come with a lower price, how do they attack the market? I guess what I'm trying to ask is if 90% are dogs, and that's my number, are responders, is the future competition going to be sort of limited to non-responders and new dogs? Or do you think vets would still be willing to take a responding dog off an APOQUEL or CYTOPOINT for a cheaper alternative? I'm just trying to think about that landscape when that future competitor comes to market.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Look, I think when we look at this, given our track record of how long these products have been on the market and the safety record and with efficacy record, certainly we haven't seen much switching in our space. When you have that, you don't have significant differentiation...

<<Jon Block, Analyst, Stifel>>

So I think – has been a responder for right – a certain period of time. Why are you incentivized? To go ahead and...

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

And so we won't know precisely what our response is until we know what label we're competing against. So I don't want to venture too much into what the response would be without that. But I do think, one thing you can expect from us is to leverage that track record that, that safety record, that efficacy record and a decade in the market to our advantage. And we'll see who comes and how they come and what their label is. In terms of any other response.

<<Jon Block, Analyst, Stifel>>

And for you guys, you've got APOQUEL, small molecule, which has a little bit of like a retail risk versus CYTOPOINT, which is obviously going through the practice. In front of competition, are you going to get a little bit more aggressive maybe in trying to move people over to the monoclonal? Because I think that'd be a little bit stickier. Unless of a, call it like a leakage online risk, maybe the company's approach and how they think forward over the next 12 to 18 months, if there's additional players?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Look, depending on when competition comes, you at least would have a two small molecules with the, film coded APOQUEL and then the chewable version of that product potentially. And then you have the monoclonal. In terms of CYTOPOINT again, depending on how far out we go, we'll see where a long-acting might come into play with respect to competition. So I think we have a number of ways, we can go at it naturally. We see the demand pull for CYTOPOINT already to go into more of the mAb. I think there are things we can look at in terms of how we position the different options and pricing and how much DTC we put behind them and so on that we can influence which way the market goes.

Certainly, and by the way, let's not forget that you still have 6 million dogs in the U.S. that are not being treated another 2 million that are either getting into histamines or steroids. So there's ample room to expand here. So I think whether it's us, certainly we are a competitor might try to tap into that, that market given, given the track record we have in terms of safety and efficacy here certainly that's logical. But again, we'll, we'll have to see what the label is and who we're up against.

<<Jon Block, Analyst, Stifel>>

One more question sort of on some of these topics, and then I want to make sure I leave a couple minutes to the end for questions on margins. But and I'm sure you're ahead of R&D would cringe at my next question, but when we think about half-life technology for CYTOPOINT, how easy or difficult is that to pull over to the pain mAbs? I mean, I just think as a pet owner and coming in every month, it's not easy from a compliance standpoint, but the long acting or half-life technology that we used to hear back in the day from Kindred is that something where, you'll see it in CYTOPOINT and the not distant future, and then eventually that can also be pulled over to some of the other pain mAbs that you've recently commercialized?

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

So look, I think, I'm not going to do my impression of Rob here as our Head of our R&D, but clearly we went into Investor Day talking about a couple areas that you can see more long-acting elements come to play in the market. I think CYTOPOINT is one, and if we're talking about that means, we've already been working on it. And we think there's also long-acting formulations on the parasites aspect that, that will come as well. And certainly we're working on and others are as well. So I think in terms of looking at what the technical, hurdles are around those, they're going to vary depending on the product and the target and so on. So I'm not going to paint with a brush there. But these are all areas that, that we certainly are capable and we understand these molecules and these areas very, very well to be able to work through those.

<<Jon Block, Analyst, Stifel>>

Okay. Fair enough. And maybe one last one, Wetty, I mean, I started with some clarifying questions from the Analyst Day and I get some of the margins as well. So you got up there, and if I remember some of your slides correctly, you talked about several areas of potential leverage. I think most notably was G&A. You talked about someone sales and marketing, R&D as a percent of sales was largely consistent. And then I think you also talked about positive mix shift and a gross margin perspective. So three out of four leverageable line items, some of the other companies sort of got to make it easy for us on, from a Wall Street perspective, but they'll sort of roll all that up and say, therefore I can see 50 to 75 bps per annum of OM expansion.

50 to a 100 I think about a [indiscernible] (0:29:04) is 50 to a 100. I think about the first company we add up here today and just its 50 to 75 when we take those leverage points throughout the P&L and I get, it's not going to be 60 bps per annum in a straight line. It's going to fluctuate similarly, like you talked about revenue, but where does it fall? Is it south of 50 bps per annum? Is it closer to a 100 bps per annum? How do we think about the leverage opportunities that you talk to at the Analyst Day?

<<Wetty Joseph, Executive Vice President and Chief Financial Officer>>

Look, I think the business has demonstrated an ability to demonstrate operating leverage throughout the years even in the midst of, heavier investment cycles or other disruptions in the industry. And we've been able to do just that, clearly first we see line of sight to sustain long-term growth at the top line which we already discussed. On top of that, we see mixed shift with respect to more companion animal, which runs at a higher gross margin and a higher operating margin as well than livestock. So mixed shift is there for us, we'll continue to use price as a lever, our innovation position us to continue to do that.

So we feel very good about the components to get there. If I look back at the last few years, despite having things like ASF or additional investments in our supply chain to add more resiliency through the COVID, impacts, et cetera, the Draxxin impacts we talked about already today as well as, war in Ukraine and then that took some revenues out, et cetera, we still delivered each of the last three years and certainly be long before that – have consistently met that core tenet of growing adjusted and income faster than revenue to the tune of last year was three percentage points above, the year before that was five points above, the year before that

was two points above. So I think you can see anywhere between two and five points, higher growth at the bottom than the top despite these things that I've talked about.

And I think the, the elements that I described or that we covered on Investor Day show, that we have potential to continue to do those things without getting to a specific basis points that we see. The one thing we didn't cover is just FX, which has had an impact and created some noise over the last year or so. And so I'm not going to forecast what FX is going to do, but operationally it is a discipline that we have around expense management and the mix also helps us to continue to do that.

<<Jon Block, Analyst, Stifel>>

Okay. Great. That was fantastic. We got to end there. Wetteny, thanks very much for your time.

<<Wetteny Joseph, Executive Vice President and Chief Financial Officer>>

Thanks, Jon. Thank you for having me.