

Zoetis

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Corporate Speakers:

- Steven Frank; Zoetis; Vice President of Investor Relations
- Kristin Peck; Zoetis; Chief Executive Officer
- Wettyeny Joseph; Zoetis; Chief Financial Officer

Participants:

- Michael Ryskin; Bank of America; Analyst
- Jonathan Block; Stifel; Analyst
- Erin Wright; Morgan Stanley; Analyst
- David Westenberg; Piper Sandler; Analyst
- Brandon Vazquez; William Blair; Analyst
- Christopher LoBianco; TD Cowen; Analyst
- Nathan Rich; Goldman Sachs; Analyst
- Balaji Prasad; Barclays; Analyst
- Glen Santangelo; Jefferies; Analyst
- Christopher Schott; JPMorgan; Analyst
- Navann Ty; BNP; Analyst

PRESENTATION

Operator^ Welcome to the First Quarter 2024 Financial Results Conference Call and Webcast for Zoetis. Hosting the call today is Steve Frank, Vice President of Investor Relations for Zoetis.

The presentation materials and additional financial tables are currently posted on the Investor Relations section of zoetis.com. The presentation slides can be managed by you, the viewer, and will not be forwarded automatically.

In addition, a replay of this call will be available approximately two hours after the conclusion of the call via dial-in or on the Investor Relations section of zoetis.com. (Operator Instructions) It is now my pleasure to turn the floor over to Steve Frank. Steve, you may begin.

Steven Frank^ Thank you, Operator. Good morning, everyone. And welcome to the Zoetis First Quarter 2024 Earnings Call. I am joined today by Kristin Peck, our Chief Executive Officer; and Wettyeny Joseph, our Chief Financial Officer.

Before we begin, I'll remind you that the slides presented on this call are available on the Investor Relations section of our website, and that our remarks today will include

forward-looking statements and that actual results could differ materially from those projections.

For a list and description of certain factors that could cause results to differ, I refer you to the forward-looking statements in today's press release and our SEC filings including but not limited to our annual report on Form 10-K and our reports on Form 10-Q.

Our remarks today will also include references to certain financial measures, which were not prepared in accordance with generally accepted accounting principles or U.S. GAAP. A reconciliation of these non-GAAP financial measures to the most directly comparable U.S. GAAP measures is included in the financial tables that accompany our earnings press release and the company's 8-K filing dated today, Thursday, May 2, 2024.

We also cite operational results, which exclude the impact of foreign exchange. And with that, I will turn the call over to Kristin.

Kristin Peck^ Thank you, Steve. And good morning, everyone. And welcome to our first quarter earnings call for 2024. Today, we reported outstanding first quarter results, underscored by steady demand for our products, a focused strategy and our purpose-driven colleagues.

We delivered 12% operational revenue growth and grew adjusted net income 15% operationally in line with the tenet of our value proposition.

Driven by the launch of our osteoarthritis pain franchise, the U.S. led the way with 16% growth and 8% operational growth internationally. More specifically, globally, Librela grew 189% operationally including \$40 million in sales in the U.S., in line with our expectations.

The powerful human animal bond fueled demand for our companion animal portfolio with 20% growth operationally, while livestock declined 1% operationally.

This quarter's results even amidst global uncertainty are a testament, once again, to the power of our diverse and durable portfolio across markets, species and therapeutic areas. It also highlights the continued rise and resilience of the animal health industry.

Our purpose and performance are rooted in science, which has always been the great disruptor. And as animal health is increasingly essential for nutrition and companionship, caregivers demand even more high-quality innovation. That means we identify the most prevalent area of unmet veterinary needs and invest in, develop, manufacture and deliver life-changing products that customers have been waiting for.

Take, for example, Librela and Solensia, our injectable monoclonal antibodies to treat OA pain in dogs and cats, which are helping millions of pets return to play.

With more than 18 million doses distributed worldwide, we are providing long-lasting relief to animals, many of whom were previously undiagnosed or untreated due to limitations of NSAIDs. With nearly 40% of all dogs suffering from OA pain globally, we believe just a third of those are being treated. So we're just scratching the surface of care. And cats are visiting the clinic more often.

In fact, we're helping curb clinic fears with Bonqat, the first FDA-approved product to alleviate anxiety in cat, which means we're expanding care in a historically under-medicalized area of the market.

We understand that social media is a form for convening, a place for pet owners to connect and to share, but we also have responsibility to empower our customers to make informed decisions grounded in science and data.

We are unwavering in our commitment to rigorous safety and quality standards, which has earned us the trust and confidence of veterinarians worldwide. Backed by that commitment, Librela and Solensia are safe and effective. They are anchored in 10 years of science and have been used in Europe for more than three years.

In the U.S., 78% of veterinarians who are at the center of care are very satisfied with Librela. This is driven by real-world experience and consistent with the feedback we hear in other markets. And our research indicates that 46% of vet globally will treat OA earlier and 65% will treat more dogs now that Librela is available.

To accurately reaffirm the safety and efficacy of these therapies, we are doubling down, working directly with veterinarians who need these products, hosting live sessions with our Chief Medical Officer and expanding online education and training while deploying capital to expand our DTC strategy.

And veterinarians continue to be confident in Librela as evidenced by a recent blind survey of U.S. vets confirming that perception, and intent to prescribe remain unchanged. We remain confident that OA pain could be our next \$1 billion franchise because we are meeting the needs of an underserved market.

We are growing by nearly every metric including adoption, penetration, reorder rates, patient share and expanded utilization. And looking at our 4-week rolling average in the U.S., we're excited to report that sales steadily increased through April.

Our performance speaks to the power of the human animal bond. Discerning pet owners want options, and they will work with their vets to find relief for their best friends.

Beyond OA pain, Zoetis has been able to lead the market in other key categories because we deeply understand our customers' needs. This allows us to not only compete in existing markets, but again, to create entirely new ones. And science has created something completely unique to our industry, two \$1 billion franchises.

Our parasiticide portfolio expanded the total market based on deep customer insights. Before Simparica and Simparica Trio, we were #5 in this category. These innovations changed how we compete.

Today we are number two and continue gaining share and growing the market even in the face of competition.

Similarly, we were first to recognize that new therapies were needed to treat canine itch safely and effectively. That market foresight changed the treatment paradigm and revolutionized pet care. A decade of dermatology has led to three products; 20 major life cycle enhancements including Cytoint, the first ever animal health monoclonal antibody and the first chewable with Apoquel chew.

From what was once believed to be just a \$100 million market has grown to \$1.4 billion because we know what our customers need. Today more than 18 million dogs are treated for allergic itch and atopic dermatitis and another 13 million remain untreated globally.

We built a \$1 billion franchise and demonstrated the durability of our portfolio. And we will continue growing this franchise underpinned by strong brand equity, first-mover advantage, life cycle innovations and strong customer relationships.

We've led in parasiticides, dermatology and now OA pain. And each time our innovations have created new categories in animal health, you've seen the total industry opportunity expand.

Now moving to livestock. I'm sure you all saw the news this week on the announcement of our agreement with Phibro Animal Health to sell our global medicated feed additives and certain water-soluble product portfolios and related assets for \$350 million. This deal is another great example of Zoetis' disciplined capital allocation strategy to focus investments in areas with the greatest growth potential and innovation that are aligned with our key capabilities.

I'm confident that under Phibro's management, the global reach of these products will continue to expand to meet customer needs worldwide.

We remain very committed to livestock and just sharpening our focus and our core innovative livestock growth areas including preventative antibiotic alternatives and genetics.

In summary, for more than 70 years, Zoetis has been leading the industry with our commitment to innovation.

We've invested over \$5 billion in R&D since our IPO, which has brought more than 300 product lines to the market.

Science is and always has been the great disruptor and at the core of our success in delivering the innovations that veterinarians, livestock producers and pet owners expect from us.

Our pursuit of science has led to breakthroughs in dermatology, like Cytoint and Apoquel chew; in parasiticide with Simparica Trio; and now the latest in OA pain with Librela and Solensia that are revolutionizing animal health.

Blazing new trails isn't easy. But time and again, our purpose-driven colleagues have proven their ability to expand our industry leadership and forge entirely new markets.

And we remain committed to delivering strong growth through our innovative franchises and diverse portfolio while continuing to invest for the future.

Looking ahead to the remainder of 2024, our increased operational guidance reflects the resilience of the animal health market and the execution of our strategic growth priorities.

We will continue to be disciplined, yet adaptable in our approach to the opportunities, potential challenges and economic shifts that occurred throughout the year. And with that, I will turn it over to Wetteny.

Wetteny Joseph^ Thank you. And good morning, everyone. As Kristin mentioned, we had an outstanding start to the year driven by the underlying strength of our companion animal portfolio, particularly our innovative products, as well as price growth across all species.

In the first quarter, we generated revenue of \$2.2 billion, growing 10% on a reported basis and 12% on an operational basis. Adjusted net income of \$634 million grew 4% on a reported basis and 15% on an operational basis.

Our 12% operational revenue growth was due to the underlying strength of our companion animal portfolio, aided by the impact of a weak comparative quarter in our U.S. companion animal business.

However, the majority of this [probability] to growth was offset by headwinds related to economic conditions in China, the impact of a tough comparative quarter in livestock due to the timing of supply for certain products last year and inventory destocking related to our U.S. diagnostics sales model change.

Of the 12% operational revenue growth, 7% is from price with 5% growth in volume.

While we saw price growth across our portfolio, price was favorably impacted by hyperinflationary markets, especially Argentina, which contributed 2% to our overall price growth.

The volume growth was driven primarily by new products including our monoclonal antibodies for OA pain, Librela and Solensia, as well as our key dermatology products and Simparica Trio.

On a segment basis, the U.S. posted \$1.2 billion in revenue, growing 16% on the quarter, while our International segment reported revenue of \$1 billion with operational growth of 8% in the quarter.

Our companion animal portfolio was the main driver of revenue growth in Q1, growing 20% operationally. This growth was partially offset by livestock, which declined 1% on an operational basis.

We saw double-digit operational companion animal growth in both our U.S. and our International segments again this quarter, driven by the strong performance of our innovative products with contributions from both volume and price.

Simparica Trio was the primary driver of growth in the quarter, generating \$243 million globally, representing operational growth of 61%. We saw strong demand for Trio as well as continued growth in patient share even with competition.

Our OA pain meds were also a significant contributor to growth, posting \$131 million in the quarter. Global growth came from the impact of new launch markets, both in the U.S. and internationally.

In our early launch EU markets, recent vet surveys showed an increase in muscle on therapy and expansion into more moderate OA cases.

Our key dermatology products grew 25% operationally in the quarter with \$360 million in global revenue. Growth within dermatology was driven primarily by our Apoquel franchise, where we are seeing solid conversion to Apoquel Chewable including a modest impact from initial distributor stocking in the U.S.

Cytopoint growth continues to be driven by vet and pet owner preference for injectable methods of treatment.

Our global companion animal diagnostics portfolio declined 12% operationally with declines in the U.S. driven by our distribution model change. These declines were anticipated as our distribution partners sold off their remaining inventory due to our transition to a direct-only model for our U.S. diagnostics portfolio. U.S. declines were partially offset by growth internationally.

Our livestock portfolio declined 1% operationally, as expected, driven by a tough comparative quarter in the prior year especially in the U.S. as well as impacts from the ongoing economic conditions in China. This decline was partially offset by price growth in our other International markets.

Now moving on to revenue growth by segment for the quarter. U.S. revenue was \$1.2 billion in the quarter, growing 16% with companion animal growth of 25% and livestock posting a 7% decline. The companion animal performance in the quarter was driven by Simparica Trio, our key dermatology portfolio, and the impact of the launch of Librela in the U.S. as well as the impact of a weak comparative quarter.

Our outstanding U.S. companion animal growth came in the quarter where we saw vet clinic visits decrease 1.5%. We continued to see growth in the therapeutic visits while wellness visits drove the decline.

Sales outgrowth in the retail and home delivery continued to outpace vet clinic fulfillment, which is based on growing pet owner preference for these alternative channels. This dynamic is expected to put continued pressure on total vet clinic visits without impacting our expectations for revenue.

Despite the visit decline, revenue and spend per visit in the clinic grew 4.5% and 6%, respectively, which reflects continued pet owner willingness to pay.

Turning to product performance. Simparica Trio posted sales of \$205 million in the quarter, growing 61%. We continue to be the market leader in the triple-combination parasiticide space. Our leading footprint across channels has allowed us to continue to drive dosage growth through increased compliance even with declines in wellness visits at the clinic.

In addition to a weak comparable period in the prior year, we are seeing favorable price realization due to more targeted discount programs to vets as well as channel dynamics.

The dermatology product sales in the U.S. were \$233 million for the quarter, growing 27%. We saw growth in both price and volume and across both Apoquel and Cytoint. Both also benefited from a weak comparable period in the prior year.

Market demand for our dermatology products remained high. In the quarter, we saw growth in both our patient share as well as higher periodic visits in the clinic.

Additionally, growth of retail autoship programs continued to bolster compliance. At the beginning of April, we made Apoquel Chewable available through our distribution partners.

Our pain meds, Librela and Solensia, posted a combined \$57 million in U.S. sales in Q1. Librela generated \$40 million in the quarter with underlying vet demand continuing to build on the momentum from our full launch in Q4 of last year. Excluding the impact of the initial clinic stocking, which we have provided last quarter, we are seeing robust sequential quarter growth in Librela, in line with expectations.

We continued to see good growth in penetration as well as strong reorder rates, which are approaching 80%, all of which points to positive real-world satisfaction in the clinic and

among pet owners. We remain confident not just in the safety and efficacy of Librela, but also in our expected performance.

As Kristin alluded to, we have seen steady increasing trends in our trailing 4-week sales average in the U.S., even into April, after the increased media attention. We continued to see steady progress in Solensia, which had U.S. sales of \$17 million in the quarter, more than doubling our prior year Q1 sales.

We have indicated the feline market needs significant development, but we are pleased with our progress thus far. Solensia is now the market-leading product for feline OA pain in the U.S., and we have seen a significant increase in the medicalized patient pool since launch.

Our U.S. companion animal diagnostics portfolio declined 21% in the quarter, driven primarily by distributor inventory work-downs following our channel strategy change. This destocking is in line with our expectations and has negligible impact on our underlying clinic demand.

U.S. livestock declined 7% in the quarter while our underlying business performance in the quarter was as expected. Our results are reflective of a strong comparative period in Q1 of 2023, in which we grew 15% due to the return of supply on several products, primarily in cattle.

Sales of swine products declined due to decreased sales of vaccines as well as JAKs. In poultry, we saw declines as a result of increased generic competition in our medicated feed additive products.

Moving on to our International segment where revenue grew 3% on a reported basis and 8% excluding the impact of foreign exchange. Companion animal grew 14% operationally and livestock grew 2% operationally.

Increased sales of our international companion animal products were driven by oral pain meds, key dermatology products, vaccines and small animal parasiticides. This growth was partially offset by impacts in China.

Our International OA pain meds grew 67% operationally to \$74 million in combined revenue in the quarter.

International Librela sales were \$159 million, growing 71% operationally. Growth is balanced across new launch markets and our first wave EU markets.

We continue to see evolution in the European markets, where we have seen expansion in Librela's use in moderate OA cases, which according to the latest vet surveys now represents the majority of the Librela patients in Europe.

We remain pleased with the success of our DTC advertising campaigns in increasing pet owner awareness of OA.

Solensia sales were \$15 million internationally in the quarter, growing 54% on an operational basis.

Our International key dermatology portfolio grew 23% operationally in the quarter, posting \$127 million in sales.

We saw double-digit operational growth across most of our major markets, driven by higher compliance and new patients. Growth was also favorably impacted by prepriced increased buy-ups in Japan and certain European markets.

Our International small animal parasiticides portfolio grew 6% operationally driven by our Simparica franchise with Simparica Trio growing 58% operationally to \$38 million in sales. Trio growth benefited from continued uptake in Europe driven by key account penetration and sales force effectiveness as well as contributions from Trio's launch in China.

Simparica posted \$56 million in revenue, growing 22% on an operational basis in the quarter. This growth was partially offset by a 29% operational decline in our Revolution franchise, which generates a high proportion of sales in China.

International livestock grew 2% operationally in the quarter driven by price increases as in high inflationary markets. Price growth was partially offset by volume declines across all of our species, partially driven by a tough comparative period in the prior year due to the return of supply of certain livestock products.

The volume declines in livestock were driven by cattle due to a tough comparable period related to supply and worsening market conditions in Australia.

Our International swine portfolio saw volume declines driven by China, where we saw lower hog prices as well as a reduction in herd sizes.

In sheep, we saw declines from herd reductions due to expected weather conditions in Australia and New Zealand as well as supply constraints on a key product.

As we mentioned last quarter, we continue to see economic challenges in China, where low consumer spending and higher urban unemployment have reduced spending.

We are also seeing a slowdown in livestock with lower pork prices and smaller herd sizes. The impact on our growth is expected to moderate late in the year, but we expect to continue to see headwinds throughout the year across both companion animal and livestock.

Now moving on to the rest of the P&L for the quarter. Adjusted gross margins of 70.7% declined 10 basis points on a reported basis compared to the prior year.

Foreign exchange had an unfavorable impact of 180 basis points on our reported adjusted gross margins. Excluding FX, we saw higher margins due to price increases, favorable mix and lower freight costs partially offset by higher manufacturing costs, especially in hyperinflationary markets.

Adjusted operating expenses increased 11% operationally, driven primarily by SG&A growth of 10% operationally, mainly due to higher compensation-related expenses as well as increased advertising and promotion spend on our OA pain meds.

R&D grew 13% on an operational basis, driven by higher project spend related to both recent acquisitions as well as advancements of our pipeline candidates.

The adjusted effective tax rate for the quarter was 19.7%, a decrease of 80 basis points, primarily due to a higher benefit in the U.S. related to foreign-derived intangible income and a more favorable jurisdictional mix of earnings.

And finally, adjusted net income grew 15% operationally despite a \$31 million headwind to growth from the nonrecurring benefit of our prior year royalty settlement.

Adjusted diluted EPS grew 17% operationally for the quarter. Capital expenditures in the first quarter were \$140 million. In the quarter, we repurchased \$339 million of Zoetis shares.

Before moving to guidance, I wanted to comment on our recent announcement to divest our medicated food additive portfolio and certain water-soluble products to Phibro Animal Health.

This is a transaction that demonstrates Zoetis' disciplined capital allocation strategy to focus our investments on innovative solutions that advance animal health, productivity and sustainability. This divestiture will allow us to remain focused on other livestock solutions including vaccine, biologic and genetic programs that are more aligned with our strategic priorities. Now moving on to guidance for full year 2024.

As we have mentioned, we had an outstanding first quarter that highlighted our ability to deliver through multiple sources of growth. Our performance in companion animal, especially in parasiticides and our key dermatology franchises, exceeded our expectations.

Additionally, we continue to be pleased with the progress of the U.S. launch of Librela and are confident in our ability to meet expectations.

We are, therefore, raising our 2024 operational guidance provided during February's earnings call. Note that guidance reflects foreign exchange rates as of late April. The

updated foreign exchange rates negatively impacted our reported revenue guidance by approximately 2% and our reported adjusted net income guidance by approximately 4% when compared to our initial guidance issued in February.

For the year, we expect revenue between \$9.05 billion and \$9.20 billion, representing a range of 8.5% to 10.5% operational growth.

Our increase in operational growth is reflective of Argentina's pricing impact as well as due to performance in our companion animal parasiticides and key dermatology products.

We now expect our full year operational growth for Simparica Trio to be double digit while we expect growth in our key dermatology products to be in the high single-digit range.

As we stated earlier, we remain pleased with our U.S. launch of Librela. Our expectations for Librela for the year remain unchanged. Moving down the P&L, we now expect adjusted net income to be in the range of \$2.62 billion to \$2.67 billion, representing operational growth of 13% to 15%.

And finally, we expect adjusted diluted EPS to be in the range of \$5.71 to \$5.81 and reported diluted EPS to be in the range of \$5.34 to \$5.44. Just to summarize before we go to Q&A, we are very pleased with our start to the year.

While our reported results are reflective of various foreign exchange-related headwinds, operationally, we continued to deliver growth across our key therapeutic areas and across most of our major markets. This growth highlights the diversity and dependability that allows us to continually outpace the animal health market.

Additionally, we continue to lead the way, creating new markets and launching new innovation that increases the standard of medical care for animals. Now I'll hand things over to the operator to open the line for your questions. Operator?

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) With that, we will take our first question. It's coming from Michael Ryskin with Bank of America.

Michael Ryskin^ Great.

First, I want to ask just about the guide change.

It seems like there's just so many moving pieces right now: the FX moves, you've got all the price you're taking in Argentina, some of the stocking comments for Apoquel Chewable, and obviously Librela. Just this early in the year to decide to raise the guide, just sort of like what went into that? And what do you see as the upside risks or downside risks to that as you go through the year?

And then just a quick follow-up question, and I'll squeeze both in. My question is on margin. With all the price, with all the strength in companion, gross margin was still a little bit weaker in the quarter and you're not raising EPS operationally for the year.

So just what's going on with the gross margin and why isn't the flow-through for the companion animal portfolio better?

Wetteny Joseph^ I'll be happy to take this, Mike. Look, we're very pleased with an outstanding quarter to start the year, clearly delivering 12% operational growth at revenue; 15% at adjusted net income from an operational perspective. Couldn't be more pleased with this.

In terms of the guidance, of course, there are puts and takes, as you laid out. The performance in the quarter, when we think about the prior year comps, we think these are largely offsetting puts and takes that go into the performance. And I think that feeds into the later part of your question, which is how do we decide to go into increasing our guidance from an operational perspective.

But when you look at the puts and takes, clearly the performance from our Trio and key derm, seeing growth as we continue to ramp the launch of Librela not only in the U.S., but across International markets gave us a lot of confidence in terms of underpinning the growth that you saw in the quarter from an operational perspective.

Yes. There are some easier comps when you look at the companion animal business, particularly in the U.S. We talked about those at length last year with the destocking and the timing of promotional activity, et cetera.

But we also had some headwinds where we had strong comps across livestock, in particular, because of the timing of supply last year as well as the China market that we've been talking about we expected, as well in Argentina given the pricing impacts, et cetera, and then Australia and New Zealand.

So when we take a look at those, we think there's probably one to two points of tailwind on a net basis is what we would estimate coming into the quarter.

But then when you look at the bottom line, 15% operational growth in adjusted net income despite the royalty settlement that we had last year, again, is an offsetting element so we still end up with a sort of an operational growth that's in the same range that we've delivered.

And so though it's still early in the year, we have confidence in the underlying market and demand that we see across our products.

We're seeing increased periodic visits into the clinic for dermatology. Trio, despite head-to-head competition, had a phenomenal quarter, up 61% with \$243 million of revenue with the U.S. leading that at 61% as well.

So when we take all those into consideration -- and we're seeing price realization across the globe including increased price from a hyperinflationary market like Argentina, so these gave us enough confidence to be able to raise the guidance and still be very confident in delivering the revised guidance that we did today.

Now in terms of margins, let me just make sure I give you -- cover that. If you look at the headline, right, the gross margins are down about 10 basis points. FX had about nearly 200 basis point headwind in this.

I think it's important to remind everyone there was a significant devaluation in Argentina that occurred two times last year, right? In December as well as prior to that in August. The December devaluation is actually in our first quarter. Keep in mind, our International operations close their books a month earlier.

So December is actually Q1. So you're seeing the impact of that Argentina devaluation play out, particularly as you look at inventories and the effects on COGS, cost of goods sold, as well as lower in the P&L.

And so when you factor those out, we actually had about a 200 basis point expansion operationally in our gross margins, which again aided our way into the expansion of adjusted net income and growing that at 15%.

Operator^ And our next question comes from Jon Block with Stifel.

Jonathan Block^ I guess I'll ask both upfront as well. Wetteny, I'm getting a lot of questions on Argentina, so hope this is clear. The strength of the top line was big. You raised the guide revenue by 150 bps for the year. You mentioned 200 bps of year-over-year growth in the quarter from Argentina, if I have that right.

But what is the incremental growth contribution from Argentina for the year? I do think everyone is like trying to figure out what the raise is, call it, like ex Argentina due to that market's hyperinflationary environment. I hope that's clear. Let me know if it's not.

And then maybe just to shift gears, Kristin, on Librela, very helpful comments on the April run rate. And [I'll recheck], we hear about a safe drug that might have some issues in dogs with neurological issues and so just would love your thoughts on that. And does the company plan to do any, call it, follow-up studies maybe addressing select AEs, that would be great.

Wetteny Joseph^ I'll take the Argentina question first and then Kristin will cover Librela. Look, the way I look at it, as we said in the prepared commentary and you quoted here, there's a 200 basis point contribution to the top line from Argentina in the quarter. And so

if I were to say, look, we're still early in the year and we'll continue to look to take price in that market. And we'll have to watch how that plays out between price and volume as we go.

It's a hyperinflationary market. We're pegging what we're looking at based on the actuals and what we anticipate. But again, it's still early in the year.

So if you were to take this 200 basis points and you spread them for the year, in effect, you could say there's 50 basis points contribution to the year, if I don't account for any more price from here on, right? And so that's kind of how you look at it. And you'd say, well the other 100 basis points in the raise is from the rest of the underlying business. The answer is somewhere between there, right? But certainly contribution from the growth we're seeing, which we said is above our expectations for our dermatology franchise delivering \$360 million, growing 25% on the quarter, as well as Trio, which continues to perform really well for us.

And so those, I would say, are significant contributors to the top line guide that we gave.

So we're increasing the top line by 150 basis points in terms of the range of operational growth. And Argentina is a piece of that, but I would say there is a significant contribution from the underlying business as well.

Kristin Peck^ Sure, Jon. And I'll take the second part of your question on Librela. I mean first, I really want to underscore that we have the utmost confidence in the safety and efficacy of Librela.

It has been used for over three years across the globe in over 14 million dogs and it's approved in over 50 countries. And if you overall look at the rate of reported adverse events, it's about 18 per 10,000 or 0.18% globally.

And I think it's important to keep in mind that no single adverse event is classified under the EMEA guidelines as more than rare, which is more than one to 10 out of 10,000. So we remain very confident in the safety and efficacy of this product. We watch these reported adverse events very carefully.

It's an important part of what every pharmaceutical company does to make sure that we understand any trends that we're seeing. We remain very confident in the data. I really want to underscore, they've been on the market for three years.

So we continue to watch the AEs that are coming in. And to be clear, the top adverse events today are, number one, lack of efficacy, so it's not working maybe as well as they wanted; polydipsia, which is frequent drinking; and the third being polyuria, which is frequent urination.

So the other ones you're talking about remain a rare side effect. In other words, not more than one in 10,000. So hopefully, that answers your question.

Operator^ Our next question will come from Erin Wright with Morgan Stanley.

Erin Wright^ Great. Just another one on Librela, just given the stellar trends that you were mentioning, how do we think about the quarterly progression from here in the second quarter. And then also just like new patient starts, like how has that looked since kind of the media attention.

And then on livestock and just a broader rationalization kind of the business with the selling of the feed additives business, which made sense. Do you see other opportunities to further prune the portfolio and presumably this lifts your long-term top line growth targets and margin profile just on the improved mix alone and the focus you can have on these higher-growth, higher-margin businesses.

What does Zoetis look like in three to five years down the road because it could be potentially more skewed to that? And how do you think about that?

Kristin Peck^ Sure. I'll let -- Weteney, why don't you start with Librela performance and the questions you got there and then I can take the livestock question after that. Weteney?

Weteney Joseph^ Yes. I'd be happy to. Look, we delivered \$100 million of revenue in Q1 on Librela. That's 189% growth over the prior year. Clearly, the U.S. contributing \$40 million is a big part of that.

But we're very pleased with the performance across our International markets as well for Librela. And we saw a really strong sequential quarter growth across our International markets, and we continue to see the uptake.

We're very pleased as well when surveyed, European vet clinics actually indicating that now they're seeing more than 50% of the cases being moderate cases, which is very encouraging, as we continue to progress the product having been out there for three years.

In terms of the progression for the year, clearly, we continue to ramp in the U.S. And as Kristin said and we said in the prepared commentary, as we look at -- on a rolling 4-week basis through the quarter and beyond the quarter into April, we continue to see steadily increasing orders of Librela as well which again caused us to be able to be confident in our expectations for Librela as we look at the guidance that we gave as well.

We're not going to get into very specific quarter-by-quarter. But I would say, if you look at the \$40 million in Q1, there's very little to no stocking in that number. Now we did speak at length in February about the stocking in the initial launch in the fourth quarter.

We had about 2.5 months at the end of the year for the product launch and you have to factor holidays as well into that. And we saw a very fast penetration into the 60-plus percent in clinics very quickly, which means that there's a lot more stocking in that.

Now we give you a range of somewhere between 1/4 and a third of that being stocking, I would say it's likely in the high end of that range.

So when you factor that into the \$40 million this year, this is a really substantial sequential growth in Librela, and as we said, we continue to see momentum in the product.

The one thing I would remind everyone is in International, we did have a number of markets that we launched in the second quarter last year.

So we'll be lapping those across the international markets. Those included Canada, Brazil, Australia, Japan and so we'll be lapping those.

But we still continue to expect to see strong meaningful growth for the product as well as sequential growth as we go through the rest of the year is what I would remind you in terms of how we expect progression for Librela.

Kristin Peck^ Sure. And Erin, I'll take your second question on livestock.

As you and I have talked about many times, livestock generally historically in our industry has grown at around 2% to 4%.

I know we grew less for a period of time when we were facing the LOE on DRAXXIN and with some [large] disease outbreak across the globe.

But I think you're seeing is Zoetis over the last year and going into this year is we're turning more to those historic levels.

I think as you look at this year, we expect to be above that level. Again, as Wetteny mentioned, Q1 is not a good indication if you look at sort of the comparable that we had there.

So we remain very confident again in livestock.

We believe we'll end at the higher end of that range.

As you look at the divestiture of our medicated feed additive and water-soluble portfolio and assets, we've continued to be disciplined around our capital allocation.

We divested our Pumpkin Pet care last year. This is something that, as a leadership team, we continue to do.

We look at every asset we have.

We want to make sure that we're investing in the highest areas of growth.

So I think that actually is something that's just a rigorous part of how we manage the company.

And I think as you look at livestock, obviously the divestiture of the medicated feed additives portfolio will increase the overall growth of the company and the overall growth of livestock and also help overall on margins.

But our real focus of the divestiture really had to do with doubling down and investing in what we see are great potential in the livestock industry and really playing to what are our core strength in preventatives, into antibiotic alternatives, into genetics as we think about vaccines and biologics and new genetic solutions.

So again, we'll continue to look at our portfolio, as we always have and as we've done every year, but remain confident in livestock and -- especially this year in our ability to grow faster than the market.

Operator^ Our next question is coming from David Westenberg with Piper Sandler.

David Westenberg^ Congrats on the quarter.

So you gave a lot of commentary on April and Librela sales, and it sounds like there's week-on-week build. Just to confirm that is in [fact] clinic administration or end market that you're looking at versus like stocking or sales out from you.

Veterinarians are really behind the product.

It seems like there is some consumer social media kind of stuff.

I just want to confirm that the DT sales advertising is on track or if there's any kind of changes there?

And then just finally, if I could squeeze in just one more.

In terms of your assumptions on that high single-digit in derm, what is the assumption in terms of competitive launch there?

Wetteny Joseph^ Yes, David.

Look, I'll take a stab at this and then Kristin may add some.

First of all, when you look at Librela sales in the U.S., keep in mind, Librela is sold direct to clinics and the turnaround is very fast. And so there's no sort of channel dynamics to play out in terms of what we're seeing.

What we're seeing from week to week is actually coming directly from what the clinics are ordering.

And then look, DTC continues to be on track.

As we said in our prepared commentary, part of the increase you see in our SG&A spend is really advertising and promotion behind our pain franchise, and clearly, Librela in the U.S. is a big part of that.

And then when you think about derm, of course, very pleased with our performance here, \$360 million, up 25%.

Now there is some soft comp in that.

But when we neutralize for that, we still see really, really strong underlying growth and strong demand. And we continue to be able to take price across derm.

Now of course, it's still early in the year.

So as we look at, particularly in the back half, we are factoring different scenarios around what's the timing of competition. And while we remain confident in our ability to continue to grow our franchises post competition, as we're doing in Trio, there can be some near-term or short-term promotional activity that we are mindful, right? So we do factor those into our thinking in terms of how we land at the high single-digit range, which is up from what we said last time, which was mid- to high single digit.

So clearly, our confidence continues to increase there.

Operator^ And our next question is coming from Balaji Prasad with Barclays.

Okay.

We will take our next question from Brandon Vazquez with William Blair.

Brandon Vazquez^ First, on Librela, I'll ask two upfront here.

On Librela, can you guys talk about are you starting to see any pockets of that going from maybe the more severe OA dogs and being used in the moderate OA population? Anything you guys can do to kind of help push that market development because that seems to be the bigger opportunity as you -- as this grows over the coming years.

Follow-up, second question is you're spending over \$600 million in R&D now.

I think we're about a year out from the nice Investor Day you guys held for us last year. Any meaningful updates in the pipeline that you guys can share with us, either new products or life cycle innovation, that might be coming in the near to medium term?

Kristin Peck^ Sure.

Wetteny, do you want to take the first one on Librela and I can take the R&D question?

Wetteny Joseph^ Yes.

I'd be happy to.

Look, we continue to be very pleased with the performance of Librela, as we said, both the U.S. and International.

We did complete a recent survey of vet clinics across European markets.

And after three years in the market, we are certainly seeing the transition to having a lot more moderate cases.

In fact, vets, based on surveys, are saying more than 50% of the cases they're seeing now are moderate and even some mild cases coming into the mix.

So that's very encouraging.

And again, and that also contributed to an increase in months on therapy going somewhere between seven and eight months now is what we're estimating based on those surveys with vets.

So that progression is what we count on and anticipate, and we're seeing that across International markets.

We're still very early in the U.S. But that's the sort of progression we would expect. And we'll continue to educate vets on the product, as we've talked about, to continue to drive that as we move forward. Kristin?

Kristin Peck^ Sure. And Brandon, to your second question on our R&D. Yes. You probably saw the strong growth in R&D in the quarter that is really because we remain very confident in our pipeline in many of the key areas that we mentioned at Investor Day, which was, I guess, a little less than a year ago, really investing behind some of the key therapeutic areas, both our long-lasting monoclonal antibodies, which will be some of the more near-term launches.

We are not making any announcements on today's call obviously with regards to that.

But that's going to be some of the more near-term launches.

And then as we talked about, very excited as you look at renal, as you look at oncology and cardiovascular and diagnostics to continue to invest in those areas where we see huge potential.

As you look at renal, cardiology, in oncology, we always said, as we said last year, those are more in the four years-plus range.

So there's no near-term updates there.

But we continue to launch products.

As you look at -- as I spoke in my script about on Bonqat, which is around anxiety for cats, that's really important.

It may not seem a huge product overall, but it's an unlock for the rest of our portfolio.

If we can get cats to the clinic, we can sell more -- a lot of our other products, and more importantly, meet the needs of the cat population, which to date has very under-medicalized.

So I know we don't give you all the visibility that you're dying for in R&D.

But I think as you can see, we've continued to deliver on our pipeline and both in really innovative products, like what you're seeing Librela and Solensia, but also life cycle innovations that will really extend the life of important franchises such as some of our long-acting monoclonal antibodies, which should be more in the near term.

Operator^ Our next question is coming from Steve Scala with TD Cowen.

Christopher LoBianco^ This is Chris on for Steve Scala.

We had two questions.

First, on livestock, are you seeing any impacts on ongoing outbreak of H5N1 avian influenza?

And then second on the U.S. companion animal market, what underlying trends are you seeing in U.S. pet adoption and abandonment rate? And are you seeing any change in share of wallet, share of consumer pet spend on medicines versus other product categories?

Kristin Peck^ Thanks, Steve (sic) [Chris]. I'll try to take those, and Wetteny, certainly if there's anything I missed, you can jump in. Look, we, like all of you, are continuing to watch the outbreak of H5N1.

If you look at the portfolio that we have and our capabilities, we stand ready to support both governments and customers across the globe as they look at potential solutions to address H5N1, both on the vaccine side and on the diagnostics side.

To date, we have not been requested to do that.

But I think like many of our peer companies, we stand ready to support government authorities when that's needed.

I do want to reassure people, I mean data has come out that the milk is safe. Data came out from [FISS] this morning reassuring people that the meat base is safe.

So we have not seen any impact to our business whatsoever with regards to this.

This is a major issue for our customers. And our real focus is supporting them through this and making sure that we focus on what we can do certainly around biosecurity surveillance and detection, which we're more and more engaged with the U.S.

FDA and others, given our diagnostics portfolio as well.

So no, we have not seen any impacts to our business to date on that.

Regards to the U.S. and looking at -- we have not seen a significant U.S. national increase in people bringing their pets back to shelters.

I know there's been some isolated here and there, but as the overall U.S., that is not a trend. And those pets that they all adopted during COVID are all aging and continue to be drivers of our growth, not just in the U.S.

globally.

And I know there has been some talk around consumer sentiment and is that really changing.

Obviously we've seen some changes in sort of collars or treats and things like that.

But what's really been clear and what we've talked about for a long time is when you think about animal health care, it's essential. They are not skipping on their animal health care. And if you look at the trends in the quarter as you look at increase in (inaudible) visits, as Wetteny talked about, the reality is when their animal needs care, they are getting that care.

And as you look at spend per visit in the U.S., we're seeing spend per visit up 6% in the U.S., which means, again, consumers and pet owners want to take care of their animals and they continue to invest in this.

You look at the strength of the human-animal bond, this is another reason that we say animal health is a very resilient industry that people will continue to invest in the health of their pets, and that's certainly what we're seeing in the quarter. And as you saw, our expanded operational guidance for the year really being driven by our companion animal portfolio is what we expect for the year as well.

Operator^ We'll take our next question from Nathan Rich with Goldman Sachs.

Nathan Rich^ First, just a clarification on Argentina and the price increase.

I guess, the price increase you referenced coincide with the December devaluation? It sounds like that price increase wasn't contemplated in the initial operational revenue range for the year.

So I guess, like as we think about the impact going forward, I'd imagine that contribution should be similar over the balance of the year, I guess, assuming no major change in the currency dynamics in that market.

So is that the correct way to think about it?

And then on derm, the company decided to start selling Apoquel Chewable through distribution.

Could you maybe just talk about the factors that led to that decision? And any impact on top line and margins for Apoquel as well as the broader portfolio as you think about the potential benefits of selling that portfolio through distribution.

Wetteny Joseph^ I'll take the first one, Nathan, just on Argentina.

Look, clearly, the devaluation occurred prior to us issuing guidance and we have plans and continue to see our ability to take price fairly significantly in that market perhaps beyond what we factored in.

And so yes, we won't sit here and forecast what FX is going to do or what's going to happen in Argentina.

It is a hyperinflationary market after all, so we'll continue to monitor that. And so we're only through one quarter here and we're all on our way through the second quarter, so we're factoring that into our thinking as well. And we are seeing an ability to continue to do that.

But we can't sort of forecast, forecast for the rest of the year what will happen there.

So we are a bit measured in how we treat that.

I would say a portion, again, to what I said earlier, a portion of our increase is certainly coming from that.

I would say somewhere between a third to half of the increase we're giving in terms of operational guidance is coming from that because we are getting the operational lift from

price there. And the rest of it coming from the rest of the underlying business, as we've talked about, is how I would think about that.

In terms of derm, I'll start and then see if Kristin wants to add.

Look, clearly, we have products in derm with Apoquel and Cytospor, they've been in the market for over 10 years and seven years, respectively. And the level of satisfaction on these products is very high among vets and pet owners.

We've launched Apoquel Chewable as an important element because, one, there's a preference from pet owners and perhaps vets to have a palatable chewable. And so we see that as, one meeting, a need in the market as well as an important part of a defense strategy.

And so as we anticipate competition in derm, we believe that competition will more likely be a film-coated tablet. And the conversion to Apoquel Chewable is important to us.

We are seeing that conversion occur across international markets.

In particular, if you look at Europe, we now have about 40% conversion to chewable after being in the market the last couple of years.

So that's very encouraging.

We just launched in the U.S. at the same time as we launch Librela. And so we want to look to potentially accelerate that transition in that conversion, hence, what went into the thinking here.

And so it's still relatively early. There's only a little bit of contribution in the quarter here, perhaps out of the 25% growth you saw in key derm, there might be two points coming from that. And so we'll see some more of that occur in the second quarter, but it is an important part of our defense strategy.

Operator^ We will take our next question from Balaji Prasad with Barclays.

Balaji Prasad^ Apologies for missing my spot earlier and also in case my questions are a repeat.

So on Librela, curious to understand how has your messaging changed, if at all, with the vets in how they use, how it reacts for dogs that they want to treat and what does this mean for the total addressable market, one.

And two, can you help us understand the quarterly cadence for the rest of the year? I think the understanding before was that 1Q was expected to be the weakest quarter and second half stronger than 1H.

On the back of this print, does this alter the quarterly cadence in any way?

Kristin Peck^ Sure.

I'll take your first question, Balaji, on Librela. And Wetteny, I expect you can take the second one on quarterly cadence.

As we think about how we're approaching vets, vets are at the center of care. And our focus has always been around ensuring vets are educated on the product, that they understand it, that they understand how it should be used, when it should be used, et cetera. Certainly since a lot of the social media, we've been more committed than ever to make sure that vets have better access to a lot of the education we've always been providing. And we've significantly increased our education with vets and their access.

So things that we've done.

We've done over 1,000 webinars.

We have daily sessions with our Chief Medical Officer, Dr. Richard Goldstein, to make sure they can have interactive sessions.

We have an always-on customer support team.

And I think, really, what you're seeing with regards to the vets and how they feel about the product is the confidence that they have access to the education that they need. And as you look at that, that is why you're seeing such a strongly positive experience, not just from pets, but from vets who really are confident in the product, as Wetteny mentioned, their confidence in prescribing the product more, their confidence in the safety and efficacy of the product.

As we've talked about, we invest a lot in Zoetis in veterinary education, and we always have, and our vet operations in every market.

So I think this is something that's been our strength. Clearly, with the social media, we have doubled down to ensure there's more access to this veterinary education to make sure that any vet who wants to understand more has access to experts, both internally as well as external KOLs, so they can best understand the product.

And that again underscores our confidence in this product that we've talked about and the fact that we continue to believe this product will be -- this category, not just Librela, but Librela and Solensia, we continue to commit this will be a \$1 billion franchise for Zoetis and that is really rooted in the safety and efficacy of this product and in investment we're putting into both vet and pet owners to make sure they understand the product.

Wetteny Joseph^ Yes. And Balaji, in terms of quarterly cadence and I'll answer the question specific with respect to Librela.

If you mean it for overall, I can certainly recap that conversation.

But look, clearly, \$40 million contribution in the first quarter. And keep in mind, we continue to see really strong growth across our international markets, which moved 71% on the quarter as well.

So those will continue to drive growth for us.

We won't get ultra-specific in terms of the exact contribution as the quarters go, but we would expect to continue to ramp up from that \$40 million through the year. And then, of course, the fourth quarter in terms of percentage growth, we'll be lapping the \$44 million that we delivered in the fourth quarter and the first quarter of launch.

Operator^ We'll take our next question from Glen Santangelo with Jefferies.

Glen Santangelo^ Hi, Kristin, obviously the outlook for Trio in derm continues to be encouraging here.

But just given the recent launch of BI and the Elanco launches that presumably may be coming in the second half, if you could look out to 2025 for a second.

I'm kind of curious if you anticipate any sort of noticeable shift in the competitive landscape or anything that you think might impact your ability to take price?

And the reason I ask is some are getting concerned about increasing competition and a weakening consumer at the same time maybe would impact the company's ability to take price increases consistent with what you have done historically.

So any sort of high-level commentary, I think, would be helpful.

Kristin Peck^ Sure.

I'll start and then, Wetteny, you can certainly build on this one.

We remain very confident and it's really based on our historical performance, and I think you can look at that, we invest in the local innovation across our franchises.

We were number five, let's be clear, guys, in paras when we entered with Simparica and Simparica Trio and we're now number two.

We're facing competition from the leader in parasiticide, and we grew our share of 0.7% if you look at Q1 in the U.S.

So even with very strong competition, we continue to grow share.

So we remain confident we can continue to grow our parasiticides and our dermatology franchises even with competition.

I mean paras has always been a very competitive space with most companies operating there.

We think our strength, obviously with the vets, our strength with pet owners, really seeing tremendous growth in our franchises for both Trio and derm in alternative channels, in home delivery and retail.

And we see great strength there as you look at the autoship.

We continue to increase autoship out there, which absolutely increases compliance, which we think is really important.

As you look at, for example, the alternative channels, they grew 55%.

Now that was a little bit of a weaker comp if you look at last year.

But even if you adjust for all that, that's 25%-plus growth in the alternative channel.

So we really believe that we can continue to grow this franchise based on the strength of our products, the strength of our portfolio, our life cycle innovation if you look at what we're doing with Chewable, as well as leveraging some of these new channels, which have the benefit of increased compliance.

So back again, it's our confidence not just for '24, but for '25.

I don't know Wettney, if you want to add anything on that.

Wettney Joseph^ Look, the only thing I would say is two things.

One, we are not seeing a weakening consumer. You saw us post high double-digit growth across Trio and our key derm franchise. And even if we normalize for some of the tailwinds from last year, we still have high double-digit growth across each of those. And so that certainly demonstrates continued demand products and our innovation.

The other one I would say is, look, as we look ahead and we're not going to give guidance specific to 2025 here, but we're confident in our ability to grow in the face of competition.

Now there can be some short-term promotional activity that might have some impact.

But beyond those, we're confident in our products and we'll see what the labels are that we're going to compete against.

Operator^ We'll take our next question from Chris Schott with JPMorgan.

Christopher Schott^ Just two questions for me. Just continuing on Trio, can you quantify if there's a channel dynamic benefit you saw here? And just give us a little more color on maybe the size of that.

And then the second one was Librela U.S. Should we expect a similar dynamic in the U.S. that we saw ex U.S., where initial uptake is more in the severe OA pets, which I think would be maybe a little bit less sensitive to some of the headlines we've seen over the past month and then the moderate piece of the business is happening kind of a year or two or further out? Or is the U.S. market you're thinking different where those severe and moderate may be scaling kind of simultaneously with each other?

Kristin Peck^ Sure. Thanks, Chris. I'll let -- you take, Wetteny, the Trio question. I can follow up on Librela.

Wetteny Joseph^ Yes, absolutely. Look, the short answer is no. There's no channel dynamics that we're seeing here. As I mentioned just a moment ago, we did have dynamics last year in the quarter where you saw destocking coming from promotional -- timing of promotions in the prior year and more prepriced buy-ups. And so that did provide some tailwind here.

So we posted 61% growth globally, and that's the same percentage growth in the U.S., \$205 million growing 61%. And if you were to say -- there's no precision here, but I would say our internal estimates is that if we factor in the tailwinds from last year, that may account for about half of the growth that we're seeing.

So still remaining very significant growth on Trio, and there's no channel dynamics in terms of inventories to speak of in the current year.

Kristin Peck^ Sure. And on your second question with regards to Librela in the U.S., I mean what we have seen historically in Europe and in markets that launched first is it is often put into the severe dogs who are desperate for a new therapy initially and moving to the moderate.

But we've learned that lesson after three years in Europe. And so we're making sure as we launch in the U.S. that we get into that moderate.

As you think about the early Experience Trial, for example, that we did in the U.S., we made sure there was a balance of mild, moderate and more severe cases so that they have experience and they can see the impact of the product in that.

As you even look at some of the data that Wetteny spoke about earlier, which is we have more than 50% of -- outside of the U.S. of patients right now in moderate -- mild to moderate cases, which I think is tremendous growth. And what you're seeing when you do that is also an increase in compliance. So compliance is now between seven and eight months, up from six to seven months outside the U.S.

So our goal as we were launching in the U.S. as we designed the early Experience Trial and as we market with vets is to make sure that this is a product that can be a first-line therapy for mild, moderate and severe cases and making sure that we can get that conversion into mild and moderate, similar to where we are in Europe, faster in the U.S. So that is certainly our focus as we think about growing that brand in the U.S.

Operator^ We'll take our final question from Navann Ty with BNP.

Navann Ty^ Thanks for the color on Librelva. I have some follow-ups. What is the early effect from the vet from your online education sessions? And how many of vets approximately did you reach out to so far? Also interested in your early dialogue with the FDA, if any? Is that just a common surveillance after a product launch so far?

Kristin Peck^ Sure. Thank you. With regards to your first question on the vets we've reached out to, we've reached out to through our tech bulletins with letters directly from our Chief Medical Officer almost every vet in the U.S. -- any vet who's a customer of ours in the U.S.

We think that, that's really critical. Any of those vets can join, for example, our open office hours with our Chief Medical Officer, Richard Goldstein.

We've invited vets to these webinars and really working with our veterinary operations group in every area across the U.S. to make sure they have access not just to internal and external.

So thousands of vets have attended these webinars to date. Again, this is something we normally do. Obviously we put it -- it's had more urgency to make sure that we have more ways to engage with them, to make sure that the veterinarian's questions are answered.

And as I think as you look at the fact that our 4-week trailing sales continue to accelerate, as Wetteny mentioned, is demonstration that vets still are getting the education they need to confidently prescribe this product appropriately there.

And with regards to the questions with regards to our interactions with the FDA.

As you know from covering us, those are regular conversations we have with the FDA all the time. That's a normal course of business for any company as you launch a new brand, as you expand that and sharing the information in the U.S. and having a dialogue around that, sharing the global information with them.

So that's a usual course of what we would do as we launch a product, and honestly, even when the product's on the market for years.

So we continue to be a usual course and collaborate with the FDA to make sure that they have all the information they need there. So there's nothing out of the ordinary there in the normal engagement with the FDA.

Operator^ And there are no further questions at this time. I'll turn the call to the speakers for any closing remarks.

Kristin Peck^ Thank you. Look -- sorry, back to me. Thank you. Look, I really want to thank everyone for joining today. I want to reiterate that this was an outstanding performance this quarter.

I really want to thank our colleagues for their commitment. And hopefully, you see our focus on creating shareholder value. I think it's a strong start as we look forward to continued momentum in 2024.

We are customer obsessed from unrivaled R&D investment to expanded manufacturing capabilities to a world-class, purpose-driven colleagues. Everything that we do at Zoetis is aimed at anticipating and addressing what we believe are the most pressing needs in veterinary care even before they're widely recognized by many others. And our scientific breakthroughs have firmly established us as a trusted and preferred partner to our customers. And we will continue to invest in the talent, the pipeline and the capabilities that will support Zoetis' future growth.

So we remain committed to the safety and efficacy of our products and of our industry-leading products because our treatments change lives. Based on our track record of performance, I think our customers agree as well. So thanks so much for joining us. We look forward to engaging throughout the quarter.

Operator^ Thank you. And this does conclude today's program. Thank you for your participation. You may disconnect at any time.