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<<Analyst, Stifel>>

Good afternoon. I can go with good afternoon now. Next up, we have Zoetis, and pleased to be joined on stage by their CEO, Kristin Peck. A lot to discuss, if you don't mind, I'll just dive right in.

<<Kristin Peck, Chief Executive Officer>>

Absolutely.

<<Analyst, Stifel>>

We'll get after it, and I'll start with trends. And so we all sort of see this vet visit data and vet visit trends remain somewhat subdued. But Zoetis just talk repeatedly about the company's ability to execute due to flexibility and let's call it the way pet owners order or secure therapeutics. So maybe talk to us, Kristin, does Zoetis continue to experience ongoing resiliency in its companion animal business despite these modest vet visits that we're seeing?

<<Kristin Peck, Chief Executive Officer>>

Yeah. I mean, I think as you look at our performance year after year, I think we can deliver in lots of different operating environments. On average, we've been growing around 8% per year. As you look at Q1, what you saw a decline in vet visits, we grew 12%. So I think what we continue to say is we're not very leveraged to vet visits overall.

A lot of our products are chronic products that you get multiple months at a time. So they're not requested. If you look at dermatology or preventatives, these are products you're going to take continuously. But I think even if you double click and say, where is the revenue in the veterinarian. It's still up. It's up on a revenue per visit of 4.5%, overall at 6%.

And it's still in my view, supply constrained. There's more demand than there is supply. And I think the previous presenters were actually having that same conversation. So we're very optimistic at the health of the veterinary space going forward and particularly around animal health even as consumers are facing challenging times, they're still spending on veterinary health.

<<Analyst, Stifel>>

Okay. And I was sort of always joked that you and I could throughout this time and presentation, order Apoquel online and secured in a bunch of different ways…

<<Kristin Peck, Chief Executive Officer>>

With your prescription, yes.

<<Analyst, Stifel>>

In Trio, et cetera. Rough numbers in terms of percent of companion animal that goes through that alternative channel.

<<Kristin Peck, Chief Executive Officer>>

So what I would say is you got to look at the U.S. because it's quite different outside of the U.S. But about 10% – I mean, people will say like where could the U.S. business? It could be 10% of the U.S. business can go through online. But again, I do remind you that a vet prescribed that product. So it's going there. And I think the advantages of online is auto ship is what I would say. So as you look at our growth went from 5% to 7%, I mean, I think it's – everyone says, well, is it going to take over everything? No. Majority of our future portfolio is in injectables, which will be done at the – obviously, at the veterinary clinic, but it's going online. But it still requires a veterinary prescription to get there. But I think we see significant advantages to compliance. You can see when you go to auto ship, which is really the vast majority of chewies and most of the online companies sales.

<<Analyst, Stifel>>

Helps drive the compliance of the parasiticides.

<<Kristin Peck, Chief Executive Officer>>

Yes. I mean you look; we had strong growth in the last few quarters across independent vets across corporates and across online and retail. But online and retail is the fastest-growing component that we're seeing. Is it really works for the consumer? I don't know.

<<Analyst, Stifel>>

So continuing to execute in companion animal, maybe just to move over to livestock. I think the initial thought going into the year was low single-digit operational revenue growth in 2024; you had gotten through some of the DRAXXIN headwinds in years prior.

<<Kristin Peck, Chief Executive Officer>>

I'm so happy a livestock question. I haven't seen one of those all there.

<<Analyst, Stifel>>

There you go. We'll mix it up a little bit today. But now it might even be healthier, low to mid-single digits. Is that the right place to be for 2024 specific to livestock and part of that might be benefiting from some of the hyperinflationary markets that you guys discussed in the last call?

<<Kristin Peck, Chief Executive Officer>>

Yeah. I mean I think that was we increased it to low to sort of we get to be a little faster. I think some of that is certainly driven by that. I mean, I would also remind you that we had an incredible strong comp last year as you looked at Q1. So I think Q1 was weak this year, but that was on a very challenging comp. But I do think we'll probably, I mean what we've guided for years is livestock will go back to its 2% to 4% growth, and I think that's what you're continuing to see.

<<Analyst, Stifel>>

Anything that livestock, I mean, this year, it was coming out of pardon me a little bit of the doldrums of years past in part of that was DRAXXIN, but do you think that 2% to 4% is durable. We're on that low to mid-single-digit growth for your livestock franchise going forward, even off of a more difficult comp 2025 versus 2024 arguably?

<<Kristin Peck, Chief Executive Officer>>

Yes. We do believe the 2% to 4%. I mean, first of all, it's what the industry has historically done. I mean, I think we were a little bit of an anomaly for a while first you had African swine fever and then we had DRAXXIN. And by the way, not just DRAXXIN, DRAXXIN and a few other products that also hit LOE. So I think we were a little bit behind once we've worked out of that. I do expect the 2% to 4%. And I think to get at the high end of that it's going to be a little more of bringing innovation and things like that to the market, which we continue to do in livestock, but more in the single. So adding additional vaccines, Valcor. We've added new products, added new genetics. So I do think we'll continue to be able to deliver in the 2% to 4% range. And I think livestock will continue to do that.

<<Analyst, Stifel>>

Very helpful. Guys, again, if you have questions, go ahead, throw your hand up or shout out. I'm going to plow forward Librela. I thought very upbeat commentary on the first quarter conference call. The four-week rolling average increased steadily throughout April. You commented on that. How do we move forward? Did that trend continue so far in the month of May?

<<Kristin Peck, Chief Executive Officer>>

Yeah. We were really pleased with our performance in the quarter, 189% growth, 100 million in sales, 60 million ex-U.S., 40 million in the U.S. Really exciting to see the positive momentum that product continues to have. We did give guidance over there that its four-week rolling average is positive. That trend has continued through May. We're still continuing to see week-over-week growth in that product and real excitement. Veterinarians really are excited to see the

impact that it makes in pet owners. And I think the overwhelming number of pet owners are really pleased with the product.

<<Analyst, Stifel>>

Okay. And I asked about this on the call, but I wanted to circle back. Should we expect any, call it, longer-term data or studies that the company will initiate? Or is a takeaway look, you've got lack of efficacy, frequent urination or frequent drinking, I think, is what you called out. Everything other than that is a rare side of that.

<<Kristin Peck, Chief Executive Officer>>

That's a rare as well. Everything is a rare or super rare side effect is what I would say. Those are the top three. That's in the global data that we published. I would say it's an incredibly safe and efficacious product. We've been publishing the global data, as you see. The product has been on the market for three years with 14 million dogs already using the product. So we stand, obviously, by that.

<<Analyst, Stifel>>

Standby it. Don't expect any changes to the label for either Librela or Solensia?

<<Kristin Peck, Chief Executive Officer>>

Well, to be clear, we have had label changes in every market that we launched in. Well, what I say, so we have had label changes in every market that we had launched that's been on the market for at least two years. We had it in the UK. We had it in Switzerland. We had it in the EU. So could we have it in the U.S. If it follows like every other market, we would expect a label update in the first two years. That is what we've seen in every other market. I have no idea what the FDA may or may not do. I certainly don't know that, but I would just say, like when people ask that question, I don't know what the FDA does, but every other market in the world is so far has been on the market for over two years, has done some type of label update type thing.

<<Analyst, Stifel>>

But nothing that would change your Zoetis'...

<<Kristin Peck, Chief Executive Officer>>

To say, if you look at the label updates in Europe, it hasn't changed the trajectory in Europe. It's growing incredibly well outside the U.S.

<<Analyst, Stifel>>

Okay. And then I've got my own thought on the next question I'm about to ask, but I'll ask the expert obviously. Why do you think there was this, I'll call it, the initial social media outcry? I

mean, we do our own survey work, and we've never seen the level of adoption like Librela. I mean, we had, I think, it was 65% of vets in the first six months that had adopted the product. Is it the – up into the right adoption combined with at least initially using it in severe. So an older dog that created some of this negative. I'm just trying to tie it back and get your thoughts on why we did see that reaction if you would from pet owners?

<<Kristin Peck, Chief Executive Officer>>

I think it probably – I mean, it was – as you look at the launch in EU and the U.S., it is often used early on in the most severe dogs. So I think that – and the most severe dogs are the older dogs who tend to have comorbidities. So I think that could be it. I also think we just live in a different world is what I'd say, in individual voices and their ability to have outsized. The reality is the vast, vast, vast majority of everybody on the product is incredibly happy and having a great experience.

I look at it and say, I can't – obviously, we didn't see that coming is what I would say. And we – partly because we've had the product on the market in other countries in the world for three years, and we didn't see that. So are we in a different space in time in the U.S. with social media and what people's individual experiences and their desires to share that and bring back to life. I mean, I just think it's the new world we live in.

And so it might be that the most, the first fogs were the most severe with the most comorbidities. I really don't know look, my heart goes out to any pet owner who lost their dog. And I don't know whether it was caused by Librela, it wasn't caused by Librela. The overwhelming safety and efficacy of the product is very, very strong. I obviously wouldn't comment on any individual case, but I also think we have to accept that we live in a different world and people's feelings on any topic now. They feel the need to share much more aggressively.

And so I think our goal and to get back at one of the other comments is – we want to be really transparent with our data. We want to make sure we're sharing the great and positive stories. We want to make sure we're educating vets and that we really want to invest in more follow-up publications that can look more deeply with some of the questions that are being asked or peer-reviewed journals, et cetera, so that we can get some of that out there.

<<Analyst, Stifel>>

Very helpful. One last – sorry, please.

Q&A

<Q>: [Question Inaudible]

<A – Kristin Peck>: They added different side effects that they had seen over the real world data in those. So I can give you the different updates – they were different in each market. Again, every regulator is independent and every label started.

<Q>: [Question Inaudible]

<A – Kristin Peck>: I'm sorry, what?

<Q>: [Question Inaudible]

<A – Kristin Peck>: No. That is what some of these – to be very frank, this is what they're complaining about some of these. They say, why does the label in Europe different? And as all of you know, the label for almost every product is different in almost every market. So it's not because we were hiding anything. Every regulator chooses what to put on a label. And if they choose to add things, which they did in Europe, Europe had it for three years.

So the U.S. could choose to add those other side effects that Europe has chosen to add. So I mean I think for people who watch human health and animal health care companies and know this happens all the time, that's very normal. But if you've lost your pet and you're looking for someone to blame and you're saying they didn't – the FDA and the company didn't tell us, we didn't decide our label, as you know. The FDA decided our label and the FDA can choose to update the label the same way regulators and other markets have. So I think what they're asking what these people would like is, why doesn't your label look like it does in Europe and – yes.

<Q>: I think there might have been a question in the back.

<Q>: [Question Inaudible]

<Q>: I might have – go right ahead. I might have missed it before, please.

<Q>: [Question Inaudible]

<A – Kristin Peck>: Yes. It doesn't really change our go-to-market at all. Obviously, if you look at livestock portfolio, the sales of that product are very small percentage of our overall portfolio. So I don't think it changes. Obviously, we'll update our contracts as we move – as we close that transaction at the end of this year. We'll update our contracts. But it's a very small proportion of my overall livestock business, so it doesn't really change my go-to-market in any way for any of the spaces that we have.

<Q>: [Question Inaudible]

<A – Kristin Peck>: Yes. I mean, to be honest with you, those are generally the products with the shortest, with the smallest margin where there's the most competition to be frank, there's very little differentiation in that portfolio. And so you're not going to get a great price. Really, what you're negotiating on is normally you're more innovative products that have, you have a lot more science and differentiation on. So that's why I would say it won't affect it. It won't be that important to us because all – that was one of the reasons we actually looked at this and said there's not much innovation that we saw in the space for Zoetis. And as we looked at innovation,

we could drive there, we thought our dollars were much better spent in other spaces, such as vaccines or in genetics or in immunomodulation.

And so I have a strong belief as we look at a disciplined capital allocation that we want to be investing in spaces where we think we can get the most disruptive innovation where our customers want us innovating. And although we could have innovated there in our margin structure, that's not where the higher margin products will be. And so we really felt like investing for us more in vaccines, genetics, and immunomodulation and antibiotic alternatives was a much higher return investment for us and for other companies who are in that space, that is a high margin product to them, and they are more than willing to invest in that space.

So I just think we're very blessed to have other areas that we can invest in that would have a higher ROI. So it wouldn't really change our go-to-market. It is making sure that we focus our R&D dollars and where we think the innovation and disruption will be the greatest, which is where our margin opportunities are highest and so where our pricing capability.

<Q>: I'll take this back to Librela for a moment. One last one on Librela and then I'll pivot off. Just on the earnings call, I think you said the company's expectation for Librela remains unchanged. What are those expectations in the U.S.? The Street is sort of in and around 210 million to 215 million, is that a good number to use when you say it remains in line with the company's expectations.

<A – Kristin Peck>: So we did not give expectations for Librela number in the U.S. We've given guidance that we think it could be a $1 billion franchise in peak sales. I don't think that number is crazy out of unreasonable number is what I would say, but we have not provided guidance.

<Q>: 40 million in 1Q, but it had an inventory headwind, the inventory headwind is normalized. So I think 210 million to 215 million is a fair representation might be a good place to…

<A – Kristin Peck>: I would say it's not unreasonable.

<Q>: Not unreasonable. Okay. Fair enough. I got that. Thank you. I'll move forward. I want to talk about atopic derm first, your business and then maybe pending competition. So you had another really good quarter, 360 million, the growth was 24%. Easy comp, but two-year stack still around 20% for the past several quarters. It seems like you're convinced there's still a really good volume opportunity. And you mentioned on the call, 18 million of 31 million dogs have been treated, but arguably 40% of the market is still untreated. Are those in markets that can afford an advanced product or premium product like that in Apoquel?

<A – Kristin Peck>: Sure. But I'd also even say, even if you look at the 18 million that have been treated, many of those are undertreated. Maybe many of the treated counts is like I gave you steroids. That counts as a dog that was treated. So I'd say I'm going after, obviously, the untreated you just spoke about, but I'm also going after a large proportion, maybe 11 are on our products.

So the remaining seven are still customers that we think are undertreated and still could really benefit. And I think the same way you've seen more competition enter the triple combination market and it expands the market. We firmly leave more people talking about the need to treat and the benefits of treating in atopic dermatitis will grow the market is what we absolutely believe. So we still believe there is an opportunity to expand the market by bringing more pets in and keeping more pets more months on therapy.

<Q>: Okay. So that future competitor might in and run some advertising or DTC of their own, further increase awareness, we can tap into the other 13 million or a subset 18 million that's being treated suboptimally if you would.

<A – Kristin Peck>: Absolutely.

<Q>: Okay. And then let's discuss the chew. I think 40% of the dogs in the international markets are in the chew.

<A – Kristin Peck>: Correct.

<Q>: What about the U.S., and it looks like this is entirely your market until maybe in and around the end of the year, where do you expect the U.S. to be from a chew perspective by the end of this year?

<A – Kristin Peck>: So we're aggressively trying to convert Apoquel users to Apoquel chew.

<Q>: In some of your commercials [indiscernible] (0:15:24).

<A – Kristin Peck>: Commercials, we also moved Apoquel chew into distribution, make sure that they were motivated as well to convert as many people. We really believe that pet owners that are on our product and are really pleased with our product have no reason to switch. So as you look at sort of the seasonal and chronic pet owners that have used Apoquel for a long time and really, really like it, they're going to stay. And if they even better have a beef-flavored chew versus going back to film coated tablets, they're more likely to stay with us, which limits the market for a new entrant to really be focusing on more of the new starts, new dogs to the category space.

We are more and more seeing also lots of vets and pet owners preferring Cytopoint and preferring injectables. So we really feel like our ability to continue to grow the market and also defend our franchises, I think we've got a very strong life cycle innovation approach to doing that.

<Q>: Okay. And did I get a chew number from you for the U.S. by the end of the year?

<A – Kristin Peck>: Did not.

<Q>: Okay. And I'm not going to get one.

<A – Kristin Peck>: You're probably not, no.

<Q>: Okay, fair enough. Any questions? Got it. Competition, for several months I'll sort of lay out what we've heard and then you can tell me if it's reasonable or not. Well, we've done our, I think our homework on ZENRELIA we've repeatedly heard chatter about no induction period. So no two a day dosing for the first 14 days and maybe superior efficacy on the label. Let me go after the second point first, I think the efficacy on your label is around mid-to-high-60s, but when I do my work in the channel I always get back, hey, I think it's 80% effective, 85% effective. So maybe let's start there Kristin, do you think the real world efficacy of Apoquel is considerably higher than what we might see on the...

<A – Kristin Peck>: Yes.

<Q>: Okay.

<A – Kristin Peck>: I mean, I think this is one of those phases where I really feel like if you talk to vets and pet owners, there's very few people who are like, there's definitely lack of efficacy for every product. There's certain pets who do not respond and that will be a great market for someone else coming. But oftentimes it's the class, which would mean whether or not the new competitor would also be effective in that dog remains to be seen. I don't think lack of efficacy is our biggest complaint about our product. I don't really think there is a biggest complaint other than we really like competition and we like to pay a lot less for your product. That is the number one thing.

Again, I don't think the two pills a day for 14 days, now that they're beef flavored, really, two treats a day for 14, like I don't think that's also. I mean, we have heard that that they're, you know, if that's your differentiation that lasts for two weeks, and maybe that's really important for those, some of those new starts that are really acute. I don't really know, but I have not heard about the significant label differentiation, to be honest.

We have heard what you've heard with regards to the induction period. If that really is the movement for somebody, I think vets trust our product. It's been out on the market for over ten years. They understand the safety. They understand what to expect. I think there's a huge advantage to them.

<Q>: Okay. And maybe I'll go down the road of market share. You alluded to this a little bit earlier, but you think most of the battleground will revolve around the new dogs. Is that fair?

<A – Kristin Peck>: New dogs or dogs that didn't respond for whatever reason, those will be...

<Q>: Okay. And again, the non-responders you believe is very different. It's not one less 65% to 70%. It's one less real world of, I don't know, 80% to 90%.

<A – Kristin Peck>: Correct.

<Q>: Okay. And then I'll move to maybe your response in pricing. So in the past, we've seen you guys get aggressive on price. Not so much in companion animal. Let's go over to livestock and distraction. You meaningfully lowered price to preserve volumes.

<A – Kristin Peck>: Yeah.

<Q>: How are you going to, I don't want to say how are you going to compete? How are you going to defend here? Is it sort of [indiscernible] (0:19:05) chew, think distribution, think safety that's what we'll lead with and put pricing more secondary and in the background?

<A – Kristin Peck>: I would say, first of all I don't think livestock is a good – having a generic competitor on seven of them is a very different place than a innovative competitor with a unique molecule with a unique label. Like if you look at DRAXXIN it was – during our DRAXXIN I wasn't, like other than the safety and efficacy of my manufacturing site, it was the same exact product. So I don't think that I would look at that as a...

<Q>: As an analog.

<A – Kristin Peck>: ...as an analog. So what you would look at in this case. Obviously, until we understand what the label is, what their differentiation is and what their price is it's hard to respond to a theoretical. But I would say I think we have an innovative product. I think we have a beef flavored chew. I think we have a lot of reasons to believe in years of safety data to say we don't need to play a price game where we run a promotion here and there, sure. But I would be surprised if this becomes a major. I don't think either party wants a race to the bottom on price.

<Q>: Yeah, do you label of $1 billion plus market, that's still untapped.

<A – Kristin Peck>: Doesn't seem like a smart, yes.

<Q>: Okay. And then you know what, last question on Apoquel would just be your conviction on growth in 2025 U.S. So here they come. They're coming to, I mean, they're going to have some international markets but predominantly in the U.S. You've had some price at your disposal and volume growth. You still think that U.S. franchise for Apoquel is a grower in 2025?

<A – Kristin Peck>: We do believe. I think we believe that this category is going to continue to grow. We believe, again, I would speak to the category versus the product because we have like Apoquel, Apoquel chew and we have Cytopoint. We think our dermatology franchise overall, maybe we will trade in and trade out of Apoquel versus Apoquel chew and Cytopoint; the vets will. I believe that this market is still underpenetrated. There are still millions of pets globally that are not served. So I think that market will continue to grow. We will go with it.

<Q>: Okay. Any questions? Atopic derm, Librela, I'm going to move to Trio. Another really good number, I don't need to rattle it off for you in 1Q 2024. Just talk about sort of like the ongoing success. I mean, you've had NexGard PLUS come, right, I mean, a really big brand. They've come to market. The growth has been very resilient. We've done some work that you're

winning in puppies. Where is that winning formula? Where does it largely reside for you guys specific to Simparica Trio the ongoing shares?

<A – Kristin Peck>: I think pet owners really love the product. Pets love the product. It's simple, it's easy. I think we've done a really good job. I mean, being first to market and really establishing it. We've seen others enter the market. They're just growing the market. They're bringing more people into triple combination. And as you look at, again this is a very competitive space and always has been in parasiticides. So I think you look people enter, the first thing they're doing is cannibalizing their existing sales and then they're growing the market.

We're pulling more people into the triple combination market and I think that's what we've continued to see. I think the reality is vets and pet owners are very happy with the product. We've done a great job in retail. We're getting – doing really well on auto-ship, which is increasing compliance. So I think the other reason you're seeing the market grow is the more times we get more pets on, more pets on auto-ship you're getting greater compliance, greater months, and there's no reason to switch.

I mean, what's the reason to switch? The pet owners who are on using the product on their pets really feel like those dogs are doing well. Like why am I going to switch because there's a new product out there.

<Q>: And arguably that monthly compliance was starting from a pretty suppressed low, right?

<A – Kristin Peck>: Yes.

<Q>: I mean, it's not like it was 11 out of 12 months to begin with.

<A – Kristin Peck>: That was four to six.

<Q>: Yeah. And so it has a long way to go and a long way to increase. What's the bigger threat for Zoetis, one or the other or none? If I throw Credelio Quattro at you or Merck flea and tick injectable?

<A – Kristin Peck>: As you look at it, I mean, we haven't talked about what I would have as well. I mean, there. So what I say...

<Q>: We're going to do that, that's next on 2025 innovation?

<A – Kristin Peck>: Okay. So what I say is, do I think Credelio Quattro is going to dramatically change the landscape? I don't. And by the way, do I think it'll grow and do well? I'm not arguing that.

<Q>: Some of that might [indiscernible] (0:22:53) sales and...

<A – Kristin Peck>: Yes, and by the way do you really want to pick up a third parasiticide? Why are you switching? If you're really – if your customers and your vets are really happy with what

you're carrying, you generally carry one or maybe two. Do you need a third? Unless there's significant differences or you're solving something that pet owners are really worried about. They're not have their need met. I guess – I guess I'm a little bit more struggling with what is the big need that people feel is not being met on that one. So I think the compliance that you could get to injectables as you look at, we already have an injectable parasiticide in ProHeart 6 and ProHeart 12. I think as you look at new disruptive innovations, we're really focused and we've talked about sort of long acting injectables as a key growth opportunity for the industry. So I think that will be the next wave of disruption.

<Q>: So let's explore that a little bit, because we had a couple panels earlier today and one of them talked glowingly about ProHeart 12, he really likes it, but he's also excited about the injectables. And it's got that theme behind it of trying to bring back revenue into the practice right after being disintermediated. So for you guys, do we think about a flea and tick offering for an injectable as part of 2025? Or is this that you might sort of try to leapfrog and move more to an injectable triple in whatever time period would accompany that?

<A – Kristin Peck>: We have not given guidance on that. The only thing we've been clear on is it is a space that we are very invested in and winning in that space really matters. So we are – we were the first with an injectable, which is ProHeart 6 and ProHeart 12. We'll continue to invest in that space and continue to look to grow that, but we have not given guidance on when we're launching that.

<Q>: Okay. I'll continue to try to go down the road of 2025 innovation. I feel like you guys have talked a little bit around, hey, look, next year, well, I'll take you back to the Analyst Day and you throw out some big opportunities. But you also had a multi-year timeline associated with that that seems unlikely to land next year in 2025, maybe more 2026 and beyond. For 2025 should we be thinking more about lifecycle innovation? And if so, what comes to mind would be longer lasting mAb IL-31, maybe if you can talk around that a little bit?

<A – Kristin Peck>: I think what we think is the more near-term is obviously incremental vaccines and things like that, and long acting mAb's. And I know we call that incremental. I think they'd actually be pretty disruptive if you could get long acting monoclonal antibodies. A lot of pet owners, how – do you want to go every month and things like that? And there's a supply constraint on the vet side. So I think both vets and pet owners and compliance, having something that was like multi months would be a huge advantage. I think there's still space for a single and a multi-one. So I do think we've really said in the near-term you'll see lots of new vaccines, which I know you all don't model and things like that.

So lots of innovation in the smaller products but driving good growth and in long acting mAb's, which I think is a bigger deal than I think some people probably expect. And we have not given guidance beyond that as to some of the other categories. We did talk about which is renal chronic kidney disease, cardiology and oncology at some spaces.

<Q>: And to go back to the mAb's and longer lasting what's the optimal dosing interval? I mean, if I look at it like a month is difficult, right? I mean, compliance can be an issue. Do you have time to come in for every month? I would think for the practice it could be maybe a little bit

overbearing on the flip side. A 12-month could be difficult from a cost perspective, right, because now the pet owners got to absorb 12 payments of x. Is it three months, is it six months, how do you see that playing out?

<A – Kristin Peck>: Yeah. I mean, I think really what we're hearing is there's a desire more for a three-month as you look to start. And I think if they got comfortable there, then you could continue to expand it. I mean, this is a new space for the veterinary space. I think ProHeart 6 and ProHeart 12 are the first injectables that have really been they've experienced. Can you – how do you price a 12-month? I mean, and so I think vets are getting – starting to get comfortable of how do you price these sort of longer acting products? But I think as you look at, that's a much less expensive decision than a long acting mAb has been. So I think there's finding their comfort to safety and efficacy and how long someone wants to commit? And I think we'll look at a three-month and then you can look at something longer than that, but I think that seems to be where the vets feel like the sweet spot is right now.

<Q>: And just to take you back and sort of go through the iteration of innovation for you guys, it's like he crushed it with Apoquel, here comes competition. I've got the chew; I've got IL-31. There's chatter that's going to come to market next year, maybe long acting at that point in time and there's still an opportunity on the pain mAb's further down the road if someone comes with a competing product where again that would be life cycle innovation among longer acting. Is that fair?

<A – Kristin Peck>: We're always looking at life cycle innovation on everything. I mean, that's – we talk a lot about franchises and I think that matters, which is we look at a space and we want to make sure that we're continuing to innovate and grow that market in anything that we enter. And so I think you saw Apoquel, you saw Apoquel chew even if you look at DRAXXIN and DRAXXIN and DRAXXIN KP. We are looking at our brands as franchises and looking at how we can continue to expand those. Those are brands that we've invested a dramatic amount of money in and building those markets and building that trust. So we'll continue looking at every single space we have and how we can continue to build on that.

<Q>: One more innovation then we'll see what else I can get to. But are vets going to be comfortable using like a ProHeart 12 and a Bravecto Quantum in mixing? Because the pushback that I've got is if I use an injectable right now, if I'm using ProHeart 12, I still have to send the pet owner home and hope and cross my finger that they're going to go ahead and use a flea and tick every month, right. So I'm not really answering or fully answering compliance. Do you think they'll be comfortable mixing and matching essentially their own home brood triple injectable in that regard?

<A – Kristin Peck>: I don't know. I think that question's better answered to a vet and by the way, I think it's hard for the vet to answer it today because they don't have the data and the experience and the clinical data that would support that is what I would say. I think it remains to be seen what that would look like. I mean, I think they're very comfortable with a ProHeart plus a flea and tick, I mean, so they're, I think, but you're asking more about the injectables. I don't think we have enough data to say yet how comfortable they would be. I think they'd want to see the data before they could tell you the answer to that question.

<Q>: Okay.

<A – Kristin Peck>: So I think once those are launched and you can get a look at like how they're seeing and running trials and things like that, I think you'd have to get comfortable.

<Q>: Last couple questions and it might go over to Wetteny question here or there. But maybe first before we even go there, diagnostics...

<A – Kristin Peck>: Sure my inner Wetteny is as best I can, but if not, Steve's here, he can answer for me.

<Q>: Abaxis acquisition over five years ago, we've seen several different approaches to market, right. Like you were leaning in the labs, you pulled back. Now, you sort of made this transformation here in North America of selling direct. Do you feel like this was the last tweak that was needed and why the decision to lean more into the direct sales model?

<A – Kristin Peck>: Yeah. I think as you looked at it, we first we got it, and then we thought, you know what? We'll sell it together. The vets gets one sales rep, we answer all your problems and I would say that didn't work so well and partly because we have a really broad portfolio, they didn't have enough time to spend, and capital equipment sales were quite different. And I think then we changed it about, I think two years ago, we said we want a dedicated diagnostics field force that's going to drive our equipment sales as well as our consumables.

And once we got that up and running, we also realized that paying distribution to sell when they were pretty much distributing to be perfectly frank, they weren't really selling consumables. They weren't talking about how you think about a wellness visit versus a derm visit versus a pain visit. We said we can much better spend that money having investing that internally and being able to drive demand. I think we know that we're better at driving demand than trusting distribution.

Distribution is great at distributing, and if you have the demand meeting that need but that was really the movement to bring it inside. And I think we looked at our, if you look at our reference lab strategy in the U.S. it's really doubling down on our hubs and being able to meet that need and really thinking of more innovative technologies. I think we brought disruptive technology to diagnostics, which is what we promised when we did the deal.

We brought an IMAGYST platform. We have six indications on the IMAGYST platform, and growing. And I think having an AI diagnostic that can really disrupt has helped us get into clinics where we were really blocked before by long-term contracts. So we remain very positive and very optimistic on the diagnostic space and on our strategy and on our ability to continue growing.

<Q>: Can it still be, I think when you did the acquisition it was thought of like premium growth to corporate and gaining share. Are those...

<A – Kristin Peck>: Yeah. I mean, we said look, we've been gaining share really quickly and done a great job internationally, which is what we said we would do. We said the U.S. would be slower.

<Q>: It is difficult.

<A – Kristin Peck>: It is difficult and it is difficult, a six-year contract, you only got 10% that's up every year to negotiate.

<Q>: Very last question. I promise you. Just 2025 margins in some of the moving parts there companion arguably grows faster. You get greater scale on Librela in 2025 versus 2024. On the flip side price has been pretty prominent. Maybe that comes in a little bit and I'm assuming Apoquel is your highest margin product. So pushes and polls still some conviction that 2025 could be a healthy year for margin expansion for Zoetis?

<A – Kristin Peck>: I don't believe we've given specific guidance but that was very – that was a great story that I like. I don't think we've given guidance for 2025 yet. Good effort though.

<<Analyst, Stifel>>

We'll have to end it there. Kristin, thank you very much.

<<Kristin Peck, Chief Executive Officer>>

Absolutely.