



### Zoetis, Inc.

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**Chris Schott:** Good morning, everybody. I'm Chris Schott from J.P. Morgan, and it's my pleasure to be kicking off day two of the J.P. Morgan Healthcare Conference with a presentation from Zoetis.

From the company, we have the CEO, Kristin Peck, as well as the company's CFO, Wetteny Joseph. We're going to do a presentation and we'll jump into the Q&A from there. With that, happy New Year, and turn it over to you, Kristin.

**Kristin Peck:** Great. Thank you. I got the clicker. Good morning, everybody. It is great to be back at J.P. Morgan, especially after such an outstanding first three quarters of 2024.

As everybody loves the housekeeping slide, today we'll be discussing forward-looking statements and non-GAAP financials. For more information on the reconciliation and these risks, please find our SEC filings on our investor relations website.

With that, as Chris mentioned, today, I will be presenting with Wetteny Joseph, and we're excited to show how our innovation and our commercial excellence continues to provide a strong investment opportunity for all of you on today's call and in the room today.

To give you a sense of what we'll be covering as you all get yourself caffeinated here for this early start out in California, we're going to start briefly to discuss the 2024 performance to date and how that sets us up for success in 2025 and beyond.

We'll then discuss some of the industry trends. The industry trends make for an incredibly resilient and strong industry. We'll talk about how Zoetis leverages those strengths to drive our growth. Then, Wetteny will discuss a little bit about our portfolio, and how those dynamics in the industry and at Zoetis drive growth across multiple franchises, and how we deliver commercial excellence.

Then we'll get into what many of our investors yesterday when we posted this are most excited

about, and that is the pipeline disclosures. We'll discuss a little bit about what you should expect over the next year, two years, and three years across both lifecycle innovation, market expansion, and disruptive innovation to drive our growth for years to come.

Then lastly, we'll talk about how enhancing the standard of care also drives strong return for our shareholders.

What I wanted to touch briefly is our 2024 performance. As you see on this slide, and, hopefully, as you saw throughout 2024, we had an incredibly strong year through the first three quarters, driving 12 percent top-line revenue growth. We were pleased with that. As you saw, there were strong drivers across almost all of our franchises.

We saw growth across species, across geographies, across price, and across volume. What you, therefore, saw throughout the year were three increases in our guidance, across both the top and the bottom line.

Our guidance in Q3 was for revenue growth for 2024 of 10 to 11 percent. We're super proud of this. Before I go on, I want to say a huge thank you to our colleagues who help us deliver this every day for our customers, so huge thank you to our Zoetis colleagues.

Before I get into animal health, I want to talk a little bit about the fundamental differences between animal health and human health.

I know many of you investors cover human health companies all the time, and there's only a few of us animal companies, but it's important to understand some of the differences and unique advantages of the animal health industry and what makes it so attractive versus human health.

On the first slide, on the left side of the slide, you'll see what's different is we deal directly with the decision-makers, with the veterinarians, with the producers, and even connect directly with our pet owners. This helps us, as we launch new innovations, bring that to the market and develop those markets faster than you might have expected.

Secondly, we're a self-pay model. We're not dependent on third-party payers or governments, and what this helps us do is ensure the innovation we bring to market has a long life cycle. When you might see competition or a loss of exclusivity, it helps us mitigate the impact of some of that. We'll talk a little bit more about that today as we go through.

Thirdly, our R&D is incredibly cost-effective, primarily because we start in our primary species in R&D. What does this mean? It means you can cut two to three years off of the development timeline. That helps in the sense of lowering the cost and speed to market for our products.

Lastly, what's unique is the diversity of our business. That's across species, across geographies. It gives us multiple levers of growth for the company. Collectively, this makes the animal health market a very attractive investment.

Let's talk about some of the drivers of that across our two big components. We'll start with our companion animal business. I know, last year or a few years ago, I talked about how pets used to be in the yard, and then they moved into the house, and now they're on the bed, and what that means, but pets are influencing decisions in a family in unique ways.

They're influencing the housing, where people live. They're influencing how you travel. They're influencing company policies and benefits. Many pet owners today feel like pet parents, and as a result, they're medicalizing their pets much more.

The other big difference is the majority of pet owners are Millennials and Gen Z, and they want to spend more time with their pets. They're looking for increased convenience for those pets, so they're moving to alternative channels. As they do that, we're seeing big expansions in the market.

What I mean by that is the animal health market is still pretty young versus the human health market. They're willing to treat diseases that maybe 5 to 10 years ago, they weren't even willing to treat. We'll talk a lot about that today. There is still significant unmet medical need across animal health.

Then the second part of our business is our livestock business, and that is the desire for safe, affordable protein. There's fundamental growth drivers of that, which is the expansion of the global population from 8 billion today to 10 billion. Those two billion people are looking for more safe, affordable protein that is raised sustainably.

The focus here is often on prevention, keeping animals healthier longer. We'll talk about how Zoetis is helping drive that innovation. What does the animal health market look like over time here?

As you can see, since 2008, even through very different economic cycles, animal health has

delivered, on average, a compound annual growth rate of five percent. That's incredibly resilient over a long period of time. Even better is what the expectation is for the animal health market to grow over the next 5 years and the next 10 years.

Based on some of those key trends that I just mentioned across both companion animal and livestock, we expect the companion animal market to grow four to six percent over the next 5 to 10 years, which would mean an almost doubling of the animal health market over the 10-year period.

What does that mean for Zoetis? At Zoetis, since we IPO'd, our compound annual growth rate is eight percent. That's three percent above the market. We haven't just grown with the market. We've actually helped the market grow.

Our innovations have expanded the market, and what we're excited to share about today is how we do that. With that, I'd love to turn it over to Wetteny who will discuss our current portfolio.

**Wetteny Joseph:** Thank you, Kristin. Kristin just highlighted our demonstrated ability to continuously outperform the overall animal health space, but it doesn't stop there. We outperform key metrics within companion animal, and this is despite a heightened focus on overall vet visits.

As we've been saying for quite some time now, we thought this year, we'll try and let the regression analysis actually say it in a different way, that our growth is not tied or correlated to vet visits. What is it then that drives our industry? It's the human-animal bond that Kristin talked about, which is driving increased importance of pet owners having a higher standard of care for their pets.

On top of that, they are looking for more convenient ways to get those innovative medicines, which is driving increased growth and volume in the retail channel. That convenience is also translating to expansion of the markets that we have been driving for over a decade in some cases.

Now let's take a closer look at how these trends are going to continue to drive our market-leading performance over the next decade. Combination flea, tick, heartworm therapeutics are the fastest-growing segment within animal health, growing approximately 40 percent over the last 12 months.

Simparica Trio had a three-year head start against the competition. This is a significant first-

mover advantage. We know from a decade-plus in this industry that switching is very low when there's not significant differentiation. This is why we expect Simparica Trio to continue to lead this market even in the face of additional competition.

This segment is expanding the market significantly. We can see that now approximately 50 percent of all puppies that are on a prescription parasiticide is on a triple combination. This is clearly showing where the market is heading in the future. In addition, pet owners are increasingly going to retail channels through auto-ship and are expanding the market through higher compliance.

In the US, parasiticide treatment compliance is about six months on average, but through auto-ship, it actually extends to 10 months. That's a 66 percent increase in volume given the shift towards more auto-ship in retail.

In addition, Simparica Trio, we continue to expand across markets with launches in markets like Japan, which is a \$100 million parasiticide market. Beyond Simparica Trio, we have the broadest portfolio of parasiticides in the market with products for cats, dogs, with all medicines like Simparica Trio and topicals as well as injectables.

Let's look at dermatology. We built the dermatology market initially with the launch of Apoquel. That was 11 years ago. Despite a decade of sustained robust growth, we continue to see substantial room to expand this market. We're treating approximately 12 million dogs today for itch.

Beyond that, there's 13 million dogs globally that are medicalized and are not receiving a prescription medicine for itch. In addition to that, there are seven million dogs that are getting older therapies like steroids. As a market leader, we have the most differentiated set of products to meet the needs of pet owners and veterinarians.

We have Apoquel that I talked about. On top of that, we have Apoquel Chewable, which is like giving a treat to your pet, and we have Cytopoint, which drives greater compliance in this space. With a decade of experience and over 25 million dogs treated to date, we still see over 20 million dogs, an substantial market expansion opportunity, which gives us confidence we'll continue to grow this space.

Before I move on to the next therapeutic category, I'd like to take a moment and share a case study in market development. We pride ourselves in continually driving breakthrough innovation

in our space. One of the prime examples of this is Cytopoint. Cytopoint is a monoclonal antibody that binds IL-31 and blocks the cytokines that signal itch.

Before Cytopoint, monoclonal antibodies were not well known in the veterinary space, which means we had to take the time to educate veterinarians on the mechanism of action and how Cytopoint worked. This translated to growth that was not linear and sequential growth was not an important metric for Cytopoint.

However, the growth trajectory is absolutely undeniable. Why am I sharing this story today? Because we believe Cytopoint provides a framework to understand how we're developing the monoclonal antibodies for osteoarthritis pain franchise within Zoetis.

Just like Cytopoint, these mAbs are creating a new standard of care. Just like Cytopoint, these mAbs require education of veterinarians and pet owners on the use of these medicines. Just like Cytopoint, we will have years of sustainable growth coming from expanding this market.

Let's talk about why we have so much confidence in our ability to drive growth here. Our monoclonal antibodies for osteoarthritis pain for cats and dogs are positively changing the lives of animals across the world. Librela is already the number one OA pain product, not only in Europe, but also in the US. It is the most successful launch ever in the history of animal health.

We are expanding this market significantly. Over 40 percent of the dogs that are put on Librela are new to the category. In addition, speaking of vet clinic visits, we're seeing double-digit visit increases in OA pain driven by our products. Before Solensia, there are very little solutions into the therapies for cats, which is also bringing cats into the clinic.

As we look ahead, the opportunity to continue to expand the market in osteoarthritis pain is tremendous. Like we did with Cytopoint, we are confident that there'll be years of sustainable growth to come from our OA pain franchise.

Now driving, consistently delivering, outperforming the market requires not only the confidence that we have in our existing franchises, but it requires that we also continue to innovate in new areas. To tell you a little bit more about that, I invite Kristin back.

**Kristin:** What we were super excited about yesterday when we posted this deck is to provide greater insight into how we deliver on our commitment to enhance the standard of care through innovation. One of the key points about how we do this is it's not just about disruptive innovation.

We get a lot of attention often in disruptive innovation.

I'll certainly spend time there today, don't worry, but I want to underscore the important role of life cycle enhancements, whether that's new indications which increase the value of our product, or geographic extensions which help us extend the reach and the sales of our products, certainly, in addition to disruptive innovation, which sets a new standard of care.

What differentiated Zoetis and provides such a reliable, consistent performance is our ability to execute across all three. In this slide, what we talk about is innovation that you should expect to deliver revenue in 2025.

As we see on the left-hand side, significant geographic expansions, some of which Wetteny just managed, for products such as Librela and Solensia, Simparica Trio. We're also looking at new indications, which, again, extends the value of the molecules we already have on the market and continues to deliver the growth in established franchises like what Wetteny spoke about in derm.

We've been there 11 years, driving double-digit growth 11 years later, and that's because of new indications and continued life cycle enhancements. We're also excited to talk about some core portfolio launches. Not in maybe the sexy big franchises, but as you see here, continuing in livestock with poultry vectors and in swine with our Lawsonia vaccine.

We're also super excited that we're going to have at least one approval each year for next several years that will drive significant growth for the company. As you can see on the left-hand side of the slide, in the 12 to 18 months, we're expecting long-acting pain for both dog and cat, as well as in livestock, a conditional approval of our HPAI vaccine for poultry.

In the 12 to 36 months and in the 36 to 30 months, you're going to see new markets. Markets that, again, don't even exist throughout animal health. In renal, in oncology, and in cardiology, where sadly in animal health, unlike in human health, it's mostly palliative care. This is a huge opportunity, and we'll talk a little about how we'll build those markets.

We're also, as you can see, launching a number of products across our livestock space as well, as well as an expansion of our parasiticides market, which, today, is the biggest market, as well as some long-acting.

Super excited, but I'm hoping you also see the cadence of potential multiple blockbuster products that we'll be launching. One approval every year for the next few years, so super excited about

that.

I want to talk for a second on long-acting because some people may look at long-acting and say, "Well, you're just going to cannibalize yourself. You're going to take a one month, you're going to move it to a three month. Does it change the market?" We think it genuinely does. It doesn't just meet a need. It creates new opportunity.

Oftentimes, many pet owners here, "I've gotta come in every month for an injection. I'm really busy. Like all of you, I've got jobs. I'm not sure I can do that." Then some of you're like, "I am going to try, but it's hard. You miss a visit. It's the holiday." Does your pet stay on 12 months of therapy?

As you think about long-acting, it means better compliance, which means better outcomes for the animal. It's certainly convenient. As we saw, what we managed, the role that convenience plays for pet owners in driving compliance, as you see with auto-ship and it also expands the market to people who might not have thought about that because that's 12 appointments, that's hard.

Can I manage four? Probably. We see long-acting not as something that just cannibalizes and protects. We think it extends the value of our important franchises in key areas.

I also want to talk a little bit about the markets of the future. As we've talked about, animal health is a young market versus human health. These are markets that are not well-established today. One of the opportunities I am most excited about because it has such unmet medical need throughout animal health is renal.

As you can see on this slide, we see significant expansion of what today is an incredibly small market, around \$500 million going to \$3 to \$4 billion. This is a significant improvement from what we put out about 20 months ago at our last investor day meeting. A fair question is, "Well, why has it all of a sudden gone up so much? What really drove that?"

There's a few things. For starters, our pipeline has progressed. As you saw two slides ago, we're expecting some approvals within the 12 to 36-month category, which means we better understand how our molecule is going to stack up versus our target profile. We're more confident that our product is going to meet the unmet medical need in the market.

As we better understand that, we're interviewing and we're doing studies with veterinarians and pet owners to understand, "Would you prescribe this product? Would you use this product? How

much would you spend for this product?"

As you look across these three categories, another major change is the increase in diagnostics and the willingness to diagnose these products and having products out there. One of the biggest changes here is in oncology. There's been so much innovation in both large diagnostics companies like Zoetis, but as well in small biotechs to be able to better diagnose.

With the ability to diagnose and the willingness of pet owners to treat, we see a significant expansion of that market. Cardiology, as you saw on the slides before, is a little farther out, so there's obviously an improvement there, but we'll know more as that pipeline really progresses. What I want to underscore is we are super excited.

We believe the pipeline that we have will continue to drive value and increase the size of the market, both in the short, the medium, and the long term. What that helps do for all of you, our investors, by raising the standard of care across animal health, it creates significant value for all of our shareholders.

Our strategy in the short and medium term is to do just that, and it's to deliver on our commitment to our shareholders that we've continued to articulate. First and foremost, it's to grow revenue faster than the market. As you saw, we've continued to do that.

Secondly, it's to invest in the innovation and the capabilities that continues to drive our market, like we've been doing in digital and data across gen AI. Third is increase our adjusted net income faster than revenue. Again, we've consistently done that over time. Lastly, to return excess capital to our shareholders, to you in this room.

What I hope you got from today's presentation is strong performance in the first three quarters of 2024, and investing in animal health is an incredibly resilient industry with strong growth drivers for the future, and how Zoetis has leveraged those and driven our innovation and our commercial excellence to drive value for our colleagues, our customers, and ultimately for you, our shareholders.

With that, we'll turn it over to Q&A.

[applause]

**Chris:** Appreciate all those comments here. To kick off the Q&A, we'd love to dive into a few of

the growth drivers. I know you laid out the slides, some of these non-linear launches with products. Seems like Librela has been one of the controversies this year within the portfolio.

Can you first address the recent "Dear Vet" letter? What that means for the franchise, how you're addressing that, how you think about label changes? Things like that.

**Kristin:** Sure. We are super excited at the performance of Librela across 2024. Again, as Wetteny managed, it's been the best launch ever in animal health, and we see significant value continuing there. We did get the "Dear Vet" letter, which I know some investors were surprised we found terribly helpful, actually, like you did found it helpful as well.

People say, "Well, why was it helpful?" Because what we've been telling all of you throughout this year is that, as we have in every other market across the world, we were expecting a label update, that we were expecting the label update in the US to look largely like what we've seen in other markets.

What the "Dear Vet" letter did, and just so people don't know, it's a way of the FDA communicating their thoughts with all the attention that you were talking about. The FDA was under pressure to make sure they articulated what they were seeing as they looked at adverse event reports.

Again, what they were seeing is what we've been telling all of you. It's what's been in our global data. What we found helpful is their recommendations at the end were what is in the international label, and this is what we've been sharing with you. Obviously, we are continuing to work with the FDA on getting a label update.

Many people said we'd obviously love that sooner rather than later, but investors, and more importantly for us, veterinarians and pet owners now have a better understanding what the FDA is seeing, and it's been consistent with what we've been telling them for the last year.

**Chris:** Great. In terms of the label, black box from your perspective is off the table at this point, would you say?

**Kristin:** I never speak for the FDA, but I would say it's highly unlikely, given, again, the FDA has expressed what they see, and if they had thought that that was a recommendation, I would have thought they would have articulated it, but, obviously, I do not speak for the FDA.

**Chris:** Perfect. The sequential gating of revenue, talk a little bit about how we should think about pushes and pulls for Librela as we think about this quarter and beyond.

**Wetteny:** We're incredibly pleased with the performance through the first three quarters of 2024 and look forward to guidance next month. When we step back and look at the trends that are driving our business, we see strong demand across companion animal obviously.

For the first three quarters of the year, globally, companion animals grew 16 percent. In the US, 18 percent. We see those underlying trends that I spoke about earlier continue to drive our growth as we look as we look ahead. Price is something that's been top of mind for investors throughout this year. Clearly, we've been running at price levels that are above what we typically do.

One thing that's important about Zoetis is we have consistently taken price to the tune of two to three points historically. We didn't suddenly jump up to 10 points of price. If you look at this year for example, there's nice balance between price and volume in terms of how we're performing.

As we look at next year, I wouldn't expect pricing to be at the levels that they are in 2024. I would expect it to be closer to historical levels, maybe slightly above that. That's one element to think about.

Then a couple of other points I'll make is that, if you look at this year, China has been a drag on our performance, despite a phenomenal year that we're having almost to the tune of a full point. We're not signaling suddenly that China's going to rebound and see significant growth, but we do think it's not going to be a drag as we go into next year as it has been over the past.

If you look at the divestiture of our MFA business, that's something to look at. If you look at recent years, that's been also a drag to our overall growth. We do think that would be accretive if you look at it from a organic standpoint.

**Chris:** Great. As we go back to Librela, one more question. I know you addressed the long-acting elements here. This one in particular with the long-acting coming in potentially 2025, how do you think about what that means for the franchise being able to extend out the dosing there? Is that one more impactful than others or some...?

**Kristin:** We think long-acting for all of our franchises is important part of how we not just do life cycle innovation. Long-acting will be a little bit more than we added a new indication or we made

it chewable. It provides a significant improvement in convenience, and importantly for the outcomes for the pets.

Coming in every month, we look at the data in international where the product's been on the market over three years, and it was first four months, then it was five to six, and we're now at seven to eight months. Many people say, "Well, why isn't it even higher?" Because the reality of getting there every 30 days is really tough.

We think it will drive better outcomes for the pet and enhance the market, and we're very excited because we are expecting competition in many of our franchises. What Zoetis has consistently done is innovate and move the goalpost each time higher and higher so that when someone's coming with a one month, we already have a three month. Our goal is to continue to enhance the standard of care.

**Chris:** Great. Speaking of competition, derm, another category where there's been a lot of conversation there. Your competitor launched a few months ago. Just share what you've been seeing from an Apoquel perspective as Zenrelia has come to market.

**Wetteny:** As competition was launching in the US, we printed 16 percent growth in derm in the third quarter operationally. That gives strong signal in terms of how well we're positioned. 11 years of history, a very strong track record from a safety and efficacy perspective. Satisfaction levels that are about 90 percent. That's a strong indicator in terms of how we came into this.

As I said in the prepared comments earlier, substantial more room to expand this market. Even as we expect more competition to come in this space, our 11 years gives us a lot of confidence and also the broad slate of products that we have meeting different needs of customers.

**Chris:** Anything surprising in terms of how your competitors behaved so far in the launch or as largely as expected?

**Wetteny:** Nothing surprising. We're now showing over the last 12 months or so, year and a half, in parasiticides, we faced direct competition for Trio. You saw us print 25 percent growth and gain market share during that time.

I'm not saying that's exactly what's going to happen every time, but I do think these products, when we launch them, we're very careful and deliberate about the profile we want to drive. We drive high level of satisfaction with these products over time.

Unless you have real differentiation, it makes it very hard to take over. Now there is room to expand, so we'll see more competition, but we're confident in our ability to continue to grow.

**Chris:** Can I ask on the dermat growth you see over time, how much of that is driven by Apoquel and the JAK side of the franchise versus Cytopoint directionally?

**Wetteny:** We've seen a strong preference for Cytopoint if you look at the most recent years, and particularly, with having that go through the vet clinic and injectable, it drives compliance. However, the piece that's keeping Apoquel as well, the strength, including this last quarter, is pretty close in terms of their performance, but what drove it is this additional piece on the retail.

If you look at retail, about a third almost of our Apoquel sales are going through retail. The alternative channels continue to grow, which grew about 35 percent in the quarter overall, alternative channels for us.

If you think about that with auto-ship, that's driving more and more compliance. That means you're getting volume tailwind as these products go into these other channels, and both are driving growth for us.

**Chris:** Excellent. Last question on dermat. I know Merck, in our presentation yesterday, announced that they're going to have a product in the dermat setting as well. Again, thinking about that competitive dynamic going from one player to a second player, with a little bit of question marks around it and a third coming in, how do you think about pricing dynamics in the dermat market as that plays out?

**Wetteny:** We look at pricing every year in every market for every product. We're very careful to look at the value that we drive and what that means for veterinarians and pet owners, so we will look at those. Of course, when there's competitors in a particular space, that's one additional attribute and factor that you take into consideration.

I'm not going to give specifics in terms of how we're going to approach pricing for dermat here on this call, but suffice it to say, again, we have a profile here that's been a decade long and high satisfaction. That's a factor we'll think about as we think about pricing.

**Chris:** Good. Continuing on some of the bigger products here, Trio, another great year this year, it seems. Talk about, as we go into 2025, any pushes and pulls we should keep in mind for that

one specifically.

**Wetteny:** This is a market segment that we expect to continue to drive expansion and growth, and Trio is in great position.

We've seen this play out previously with evolution in this space, where when other entrants come in, they add more DTC and more awareness for pet owners and you're going to continue to see this movement from older therapies, collars, topicals, and combination flea-tick into the super combination space. We do think Trio is well positioned as we exit this past year and going into the next.

**Chris:** I know, in the chart, you're talking about six and a half billion for the triples over time. What does that imply in terms of what type of share you think triples can get of the overall parasiticide market?

**Wetteny:** One leading indicator is that more and more puppies are going on triples. If you look at all the puppies that are getting a prescription parasiticide, over 50 percent are now on. I do think that's an early signal. Triple combinations don't have 50 percent of the parasiticide market, but puppies do.

When you start, you don't see a lot of switching. However, when you start a new puppy, there are more and more going to be, and more players that come into the space, they'll be cannibalizing their existing flea-tech products, but going into the triple combinations. That is spelling quite a significant share gain over time.

**Chris:** On parasiticide, how do you think about innovation? What are you most focused on to keep advancing the portfolio?

**Kristin:** For starters, again, we'll focus first on life cycle innovation. We'll continue looking, and we talked a little bit on the slides, around some new indications. We're looking on some of these, certainly, geographic expansion, as well as as you saw a new pipeline products, new molecules, as well as a long-acting injectable.

We already have injectable pairs, as you know, with our ProHeart 6 and ProHeart 12, but looking to expand that. It's a wellness product that every dog and every cat needs to be on 12 months a year, so it's a huge market. We're continuing to innovate across different types of molecules and different modalities in both, the oral space, where we are a leader right now, as well as in

injectables.

**Chris:** On the long-acting injectable, what role does that play in the market from your perspective? How big of a segment is that?

**Kristin:** Our view is, to differentiate yourself and move to a new standard of care, you need a triple combination long-acting. We have a long-acting today, and it does well. It does fine. We know there's another one coming from a competitor, but, again, it won't be a triple combination. The market is, I would like one and done. I would like to have one product and not have to take multiple ones.

Certain people like injectables for the compliance, so we do quite well with ProHeart 6 and ProHeart 12. 50 percent of new puppies are going on a triple combination. Our view is we obviously have long-actings today. We'll continue, but we think the new standard of care will be a triple combination long-acting.

I still think even when you have that, there's still space. Vets like to practice differently, and every pet owner, some people prefer an oral and some prefer an injectable. We think there's space for both, but we think the new standard of care will be a triple combination long-acting.

**Chris:** Great. I know, on the slides, the renal market was a pretty striking number you guys have up there. Talk a little bit about the development of that market. Is this one that will take time to build out or one that is pretty well identified that you could see a faster uptake once the product is approved?

**Kristin:** It is probably the largest significant unmet medical need across animal health for both dogs and for cats. The prevalence is incredibly high for renal, especially in cats, but also in dogs. It's often diagnosed much earlier than some of the other therapeutic areas that we're talking about, and it's a chronic product.

What we are seeing right now is that the product is we're looking at it having it move through our pipeline is hitting the target profile to be able to be used in a broader set of dogs and of cats. There's a real willingness from pet owners as we talked about, the Millennials and Gen Z, to make sure they're treating their animals and getting ahead of that.

We remain super excited, but it will take time to build this market. What we now know, we're starting early. One of the other things we've been talking about is making sure that we're prepping

the market for these launches, and that importantly, we're following up with Phase 4 studies to give veterinarians and pet owners experience in the real world to better understand how to be using this product.

We see this as a massive new opportunity in animal health. We think we will be the leader in this space and we're working hard right now to prepare the market, but, as Wetteny mentioned, again, we want to underscore that side of point. As you launch new standards of care, it does take time in animal health.

It's not like human health where you're adding a new product in oncology or in renal and it's an incremental improvement and we're excited, but the market already exists and they already know that modality. This is going to be different. We're excited. We've demonstrated it at Zoetis. We can build these markets, and we've done so consistently.

**Chris:** I noticed in that chart, it seemed like cats were a larger percent in that typical product. Talk about the accessibility of getting pet owners to take their cats to the vet for a therapy. How do you think about that?

**Kristin:** We've talked often that building cat markets takes much longer, and that's because many cats are not medicalized. One of the big changes from two years ago to today was if you provided a product that made a difference and improved the standard of care, would cat owners bring their cats to the market?

What we learned with Solensia, our monoclonal antibody for pain for cats, is absolutely, yes, they would. With that, it gave us confidence that if we launch a renal product, which, again, renal is a huge issue in cats, bigger than in dogs, would cat owners come in? Our answer now is absolutely, yes, they would, and that they will treat. That gave us increased confidence to increase that market size.

**Chris:** Great. A couple of bigger-picture questions. I know in your slides, you talked about the lack of correlation with vet visits. It still seems like a lot of investors, that's the metric that gets paid attention to most closely. On that topic, what is your expectation on visit trends? Do you expect that this will eventually normalize, or are we in a new environment these days? Elaborate on that.

**Wetteny:** We've been trying to dislodge that metric, and clearly have been outperforming it for years.

**Chris:** Absolutely. Yeah.

**Wetteny:** When you think about what's happening, particularly, with the retail channels, we expect those to continue to do outpace what's happening in the vet clinic. I do think that is an adjustment that needs to be made in terms of the expectations around what's happening in the clinic. As we are successful with our long-acting components, that will also mean fewer visits for those products.

I do think that is a context that needs to be factored into what to expect. As we look ahead, the convenience pet owners are looking for on the Zoetis channel is going to continue. I'm not signaling exactly what's going to happen in terms of overall visits, but we have proven that now with our performance that it's not what drives our business.

In terms of therapeutics, pet owners continue to prioritize that, and they're coming into the clinic for that. We see increases in derm visits even when overall visits are down. We see increases in OA pain in the clinic even when, clearly, overall visits are down.

We're confident in terms of the macro and what's happening in the clinic as well as outside of the clinic, driving our business going forward. Overall visits, though, I do think we have to consider what's going to happen with the retail in the alternate channels.

**Chris:** One last question in the bigger picture. The aging of some of the COVID pet bolus that came through. Is that a tailwind for your business at all as we think about the next few years as some of those animals start to get to middle and...?

**Kristin:** We think it's a significant tailwind. We think a few things are a tailwind. The fact that those pets are aging, the facts of who owns those pets, and we think the opportunity of huge unmet medical needs that we have the products of the future for.

As those pets age and they get renal conditions, cardiac conditions, or cancer, we're going to have the product. We see it as a significant tailwind for our business given that we have the innovation that that market's going to be looking for over the coming years.

**Chris:** Great. That's all the time. Thank you so much for the comments. Appreciate it. Thank you.

**Kristin:** Thank you so much, everybody. Thanks for coming.

**Wetteny:** Thank you.

[applause]

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