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<<Brandon Vazquez, Analyst, William Blair>>

Hi, good morning everyone. My name is Brandon Vazquez. I am the research analyst here at William Blair that covers Zoetis. I'm required to inform you that a complete list of research disclosures of potential conflicts of interest, please visit our website at williamblair.com.

So we have here with us today this morning CFO of Zoetis, Wetty Joseph. Wetty's going to walk us through a little bit of an intro and then I will lead us through a little bit of fireside chat before we go to the breakout room after this.

With that, I will introduce Wetty here and let him give a little background.

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

Thank you, Brandon. Hello, everyone. For those of you who may be relatively new to Zoetis, we are the global leader in animal health, delivering \$9.3 billion of revenue last year. We have more than a 70-year history of delivering medicines, vaccines, diagnostics, genetic testing, et cetera, across the spectrum. We're highly diversified. If you think about our species coverage, eight core species, major product categories, geographies, et cetera, with about 14,000 colleagues around the world and quite frankly, the best R&D engine in our space.

We compete in two attractive end markets with strong secular growth trends. On top of that, our competitive advantage starts with innovation, our scale, and our differentiated execution. Those have led us to grow faster than an already healthy industry that grows between 4% to 6%. But growing on average, three percentage points above that.

And if you look at the sources of growth that we have, we see long-term sustainable growth starting with our existing franchises, where we have three franchises or six products, and the market expansion opportunity across those are vast, and we see those sustaining our growth rate in addition to lifecycle innovation that actually enhances the opportunity to grow long-term by adding enhancements to various products long after the initial breakthrough innovations come out, which extends the timeframe and the expansion that we see in the markets, whether it's geo or claims from a label, et cetera, perspective, or new presentations or longer acting formulations, et cetera. where we see significant new opportunities that we recently announced that we expect to see a new approval in a major market each of the next several years across the spectrum.

Those will go into what is the next wave of major innovation that is approaching for us, where we're going after areas of the greatest unmet needs in our space as we continue to demonstrate an ability to lead from the front. Establishing new standards of care in the areas of greatest unmet need with profiles of products that meet a safety efficacy and a need that drives animal health across the world that then leads our product cycles in areas like chronic kidney disease, oncology, and cardiology, just to name a few.

Lastly, our commitment underpinned by our strategy is to drive long-term shareholder value. We do that, as I shared a couple of slides ago, growing faster than a very healthy market at the top line from a revenue perspective. We have the ability to invest in our business to drive innovation and new capabilities and driving bottom line adjusted net income growth faster than our top-line through high ROIC, and because of the cash generating power of the business to actually return excess capital to our shareholders, which we've been doing consistently both through dividends as well as share buybacks.

With that, I will take Brandon your questions from here.

<<Brandon Vazquez, Analyst, William Blair>>

Yes. Great. So let's, Brandon, let's keep high level here in the first presentation room and then in the breakout session we'll get a little more granular. But – one of the interesting stats that always strikes me from your presentation is the outperformance in the companion animal business for a long time. Let's spend a minute. Can you just talk to us about what is the growth innovation flywheel here? What is it that consistently allows you to outperform the market and maybe give us a couple of tangible examples of that?

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

I'd be happy to. I think it starts with just being really close – closely connected with our customers. Commercial teams are constantly and the relationships that they've built with our customers are plugged into what their greatest needs are, and those that are caring for animals. And it's not just in companion animals. It's across the spectrum from our livestock as well, though we spend a lot of time talking about companion animals given the size of the markets and the longevity of their lives and the type of chronic conditions and so on that might come up that provide significant opportunity for us.

However, it stems across the way we approach the business and that connectivity between our commercial units and R&D remains throughout the development cycle, which keeps us in tune with what is the profile of a product that we need to deliver in order to meet those needs and that they're willing to pay for, which is largely a cash paid business. And so that is sort of the underpinning, but then the scale of our business is another component, which I don't think we talk enough about. We talk a lot about innovation. I think that is supported by capabilities and data and knowledge of the animal biology. We study the progression of diseases across different markers, et cetera, across different animal species to really understand again so that we have a

profile of a product and a target that we're going after that's going to meet those needs. And so we set the bar in terms of the new standards that we're establishing then at a level that makes it more difficult for someone to surpass.

Now, with time, of course, we expect competition in places, which may come with a product that may be equal to ours, maybe inferior from a label perspective to ours or better than ours, but the chances because of the process we go through in our development makes it a new standard that we're establishing. Then the commercial relationships that we have and the ability to, with lifecycle, continue to extend and expand those, which by the way, comes at a lower risk, because you already established a market and customers are willing to pay for that incremental innovation as well. That extends the longevity of growth that we get out of new innovation. And then we continue to pursue the new areas and the scale of manufacturing to do that with and the commercial relationships coupled with our R&D in terms of innovation. That's this sort of a three-way sort of formula, if you will, that drives our success.

<<Brandon Vazquez, Analyst, William Blair>>

Okay. Let's spend a second. I feel like a part that we don't talk a lot about in your story is, what you were hinting at the commercial side. We often, a competitive drug comes out, we download the FDA label, and we start looking at clinical data and we start counter detailing it. But there's so much more to this story on the commercial side that sometimes we get into, but we don't often get into enough. Spend some time talking to us about what is it that the scale and the breadth of your portfolio allows you from a commercial perspective that is frankly hard for others to match, even if they come out with one or two products.

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

We support our customers in many ways, and I think the innovation that we drive in the breadth and scale of our portfolio is a big starting point. I get the opportunity to get out often with our sales teams and do field rides. We call them both on livestock and companion animal. And I'm always amazed just the amount of time and attention they give us in terms of their time. And I think it's because of the importance that we play in their business and the solutions that we bring.

If you look at in the U.S., for example, across companion animal clinics, you ask them what are the most important products in their portfolio? Three out of the five are coming from Zoetis. And these are products with high level of satisfaction and are very important in terms of meeting the needs of care for animals that they have. And so I think that, and plus we continue to innovate for them. If you look at what we're working on, chronic kidney disease as an example, when you ask vets what are the most problematic, troublesome diseases for them to treat with virtually no therapy today, that would be one of them. Certainly, I would guess it would be in the top two that they would come out with, and we're actively working with solutions, again, with a profile

that's going to meet their needs and pet owners needs in terms of that. So I think that goes a long way as well in terms of those relationships.

<<Brandon Vazquez, Analyst, William Blair>>

So one of the great parts of this story is that you guys have really invented several, I would say, basically \$1 billion markets, right? You guys have been the innovators in several spaces, dermatology, parasiticides, OA pain is coming up as well. There's more competition coming into the market. And I think as a lot of investors here will start to do work, that's going to be the one thing that they're going to start to ask, while these now have competition, talk to us about internally, do you guys look at this market now and say, is the growth flywheel different? Is it the same here? How do you view an evolving competitive landscape in many of the areas that you guys have basically created?

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

Multiple sources of growth, the short answer is, the flywheel is no different. We've been expecting competition in these spaces virtually from the time we launched and start working on our product. We're expecting competition to come and if you look across the existing franchises, I alluded to this in the prepared commentary a little bit, but I'll double click on it for a minute. Across our existing franchises, there is this perception if you've been in derm for over a decade, there can't be that much more room to grow.

And quite frankly, I think the expansion opportunities in each and every one of them is so vast. I can talk parasiticide, I can talk derm. So in derm, for example, we're treating globally about 12 million dogs with our derm products. Right? We have Apoquel, Apoquel Chew, we have Cytoint 12 million today. If you were to look at medicalized dogs globally, so these are dogs that are seen a vet on a regular basis with dermatology issues that should be treated that are either getting a steroid or not getting anything at all from a prescription standpoint, that number is 20 million. So there are more to go after in this space than we're actively treating today.

Not only that, the opportunity for even better compliance on those products is also another opportunity. So if you look at what's happening in the U.S. as pet owners increasingly going to alternative channels where they're getting the product via online delivery, et cetera, or in retail establishments, you can see a marked increase in terms of the volume that they're consuming of these products, which means better compliance across when they should be using them. And so that's another dimension, if you will, in terms of what the extension opportunity is. It's not just the number of animals we can get on, but how much use are they getting.

Similarly on parasiticides, They're close to \$90 million in the U.S. And I know I'm speaking U.S. largely, but the opportunities are even more vast, if you think outside the U.S., based on where we are in terms of militarization [ph] rates. But if I were to use some of the stats in the U.S., almost 90 million dogs, only about a third on prescription parasiticides. And of those, a third of those are on triple combinations. So the

opportunity to continue to expand triple combinations is really significant. And we're still talking about two-thirds of the nano prescription, and only a third total parasiticides. So you're going to continue to see the growth of that end of the market for quite some time in expanding that is another example I'll give.

Again, I can go on and on, OA, we're still in the relatively early stages in terms of developing that market. So across the board, yes, there's competition coming, but the expansion opportunities are far greater than some sort of zero sum share fight, if you will, in terms of those spaces.

<<Brandon Vazquez, Analyst, William Blair>>

How do you drive that expansion? If the name of the game on a go-forward basis here is to go deeper into these under-penetrated market opportunities, what can Zoetis do to get that incremental pet treated?

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

There are two things. I think about what we're doing, and I think about what's happening also by virtue of the increased competition. Now, do I want competition to be delayed indefinitely? Absolutely. But when it comes, it actually helps drive the education as well in this space. So one thing you would see is, our Apoquel product was launched almost 12 years ago. We're still looking at double-digit growth in dermatology today. So clearly, we are expanding in those spaces.

Last year, we grew our – the volume growth in that was double digits. Yes, we had price as well, but volume growth of double digits. Clearly, we are tapping into the expansion that I'm speaking about. It's not just theoretical. And we see more room to continue to do that by educating pet owners, educating veterinarians. And this is where the second part of my answer is, if you look at what's happening from competition standpoint, as they come into these spaces, they're up against a Zoetis that has had a product for a decade and satisfaction levels are very high. So they're going to be putting dollars into DTC and advertising promotions and so forth.

Outside the U.S., we've done that on largely, certainly across Europe, it's unbranded, which because we're effectively the only product other than against steroids and OTC, we're competing against either no action or a steroid. And so we can do DTC and campaigns that are on branded basis and still get the full benefits. In the U.S., we do it on a branded basis and we'll continue to do that. And I think those things with others putting more dollars into that will keep bringing more and more of those pet owners into the clinic.

The last piece, I would say is, there is a bit of a generational shift that you see in animal health. And I think that's not I think it's a little bit underappreciated in terms of what happens in these markets and some of the tailwinds that happen as pet owners increasingly view their pets differently than they did a decade, two decades, three

decades ago. And that is something that will continue to happen not only in the U.S., but also outside of the U.S., which whatever the size of the market is today, as more and more pet owners see this as something they need to treat, because they see the animals are members of their family, that expands the market on its own. So I do think those elements certainly are contributory to what I'm talking about in terms of accessing the expansion opportunities.

<<Brandon Vazquez, Analyst, William Blair>>

Okay. Maybe going back for a second to kind of the competitive aspect, let's take it back, like take us back in time. Because one thing that you guys did really well was launch or keep Trio's momentum, if not accelerated it, even as competitors came in a couple of years ago with BI's NexGard PLUS. As an interesting case study, again, for maybe people newer to the story, can you take us through when that drug launched, I think back in 2023, what did you see out in the field? How did you guys handle that? And then ultimately, what led to that segment actually accelerating rather than kind of collapsing, which was kind of the fear back when that product launched?

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

Yes, I think this ties to – one of the points I just made around when competitors come into spaces, what happens, and how does that drive continued expansion into what is a relatively new standard of care? So, in parasiticides, triple combinations with our launch in the U.S. in 2020, less than, call it five years, just about five years. There's a long way to go. If you look before that, you had about eight years or so of all prescription parasiticides. So, now you have five years here, which is only about a third of those that are on prescription. So, clearly that's going to continue to expand as others come in that will.

But to your point, Brandon, If you look at what we do when competitive launches come, it starts with this notion, which we are confident in that these markets have significant room to expand. That drives a certain amount of discipline in terms of how we take into account what competitors will do. Our products, when we launch them, as I said, we go after a profile that is very attractive and it's going to be meeting the needs from an efficacy and safety standpoint and that drives high levels of satisfaction. If you have that, and by the way, switching is – doesn't happen in our space unless you have significant differentiation against you. And so if you aim high in terms of the initial product that you develop and someone else comes out with something that's equal to or slightly inferior to yours, you're not fearing that they're going to switch.

The question is who's going to get the most of the expansion opportunities that exist? Which is why we started talking a lot about how we're getting a higher share of puppies getting on our products than our overall share of dogs, adult dogs, if you will. And I think those are metrics that you can see how those are happening. But I think that discipline is important in terms of how we respond to pricing or short-term promotional activities, or not respond to them and continue to watch the market and leverage what we're doing

in terms of the relationships and the satisfaction levels, continue to put DTC, et cetera. And that has resulted in actually better price realization that we're seeing through this time period that you referred to. We grew 25% in the first year of head-to-head competition against our triple combination with, we believe, a superior label for our product, which goes back to the other point that I was making.

<<Brandon Vazquez, Analyst, William Blair>>

Out of curiosity, was that better or worse than you expected for that performance of that business last year?

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

I always have high expectations, so maybe we'll leave it at that.

<<Brandon Vazquez, Analyst, William Blair>>

All right. So maybe you had alluded to this in the slides, but spend a couple of minutes talking to us about in the next three to five years, what are the most notable kind of pipeline products here that we should all be keeping an eye out that you think will really – move the needle for the company?

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

Sure. I think if you look at the existing franchises, certainly there's a lot more juice in those in terms of what we see. I spoke enough about that earlier. I won't repeat it, but that's the first start in terms of sustainable growth to the levels that we have demonstrated historically. But yes, we're very excited about what's in the pipeline and we talk about certain features, not all of them. I mean, we have the biggest on the engine in our space, we're spending about \$700 million a year, roughly 8% of our revenues. And typically, about half of our spend is going through life cycle innovations, which I talked about earlier, which enable us to, again, sustain those long-term market development opportunities.

But in terms of net new areas, chronic kidney disease is big. We believe you're talking roughly a potential \$3 billion market if you go out 2033, we think oncology is big as well, somewhere north of a \$1 billion to close to \$2 billion in terms of the size of that space, we believe. Then, if you look at cardiology, it's another area. These are all, if you were to look at what a top 10 unmet needs in our spaces, or these are places, spaces that will show up near the top of the register in all of them.

So we're very, very pleased with the work that we've been doing. This is just a few areas. Of course, there's more to our pipeline, their long-acting components that we're very excited about, particularly across OA pain as well as dermatology. And effectively what we've said is, and we said this in January, you can expect a major approval in a major market for us each of the next several years between these long-acting

components and the net new areas that we talked about. We believe these are the next \$1 billion type areas to go after, and we're very pleased with the progress we're making.

<<Brandon Vazquez, Analyst, William Blair>>

Okay. I'll do one, just I'll save a lot of the specifics for a breakout, but I'll do one product specific this morning and just because it'll be top of mind for everybody, but Librela, there's been a lot of back and forth on that, but you guys have a, what I thought was probably a pretty good that letter update. You guys have finalized what last you shared, enough label update with the FDA. What's the latest? When do you guys expect that to be done? And part of the question, if there's no timing, that's okay, but part of the question is once that's finalized, is that important for you guys to go out and start to re-educate? Does that change anything for you on a commercial perspective with Librela?

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

So first of all, the label process update in the U.S. is complete with the FDA. We announced the label changes and then shortly after, maybe a quarter or so after the FDA approved those, so that is done. Now, I would say, in our space and certainly in human health, you never consider label final because it can always be reflective of any real-world activities, et cetera. But what we've been talking about in terms of label, that's done and so it's in place. Look, this has been a very successful launch for us both outside the U.S. and in the U.S. We are talking about the highest levels of penetration in clinics that we've ever seen by the fastest timeframe, which I think demonstrate something really important here, which is you have a need in an area that has been supported largely historically by NSAIDs.

In NSAIDs again are addressing about one-third of the market in the U.S. The other two-thirds are on the sidelines because of some of the implications of NSAIDs from a safety perspective. And so that gives us a vast opportunity, which we're still just barely scratching the surface on-on in here. And we continue to re-emphasize, the uptake after the initial launch that we talked about being the most successful we've ever had, the uptake hasn't been to the level that we wanted, largely because of some of the points and communications around in the media from a safety perspective. Though if you look at the profile of the product, 25 million doses through, if you look at the EMA, the European Medicines Agency metrics, we're still in the rare to very rare category in terms of incidents and no clinical sign is more than rare.

So that gives us a lot of confidence in terms of the safety profile of the product. But clearly we continue to address education from a veterinary perspective as well as pet owner perspective. Things like, for example, if you look at pet owners and their understanding of what happens with the OA over time, it doesn't get better, it progresses, right? And if OA is going to progress, the earlier you intervene to give relief from a pain perspective, the more years of pain relief the animal is going to have. So we think that's a compelling proposition in terms of educating pet owners and we're doing targeted DTC, et cetera, on those things. We've brought in from Europe, from the UK,

veterinarians who've been using the products since we initially launched back in 2021, who have years of experience with the product to come in and go on a tour, if you will, with general practitioners around the U.S. in terms of sharing with them what they've learned, what they've seen, and their confidence in the product.

We are running Phase 4 studies, which we think is a relatively new feature for those who are used to human health. That's more of a commonplace, not as much in animal health. We think there's opportunity to do more of those, and we're doing those across our OA pain sector here with Librela, et cetera. We think those will show years of use with animals and look at and showcase the safety and efficacy profile. So lots we're doing in that space.

I'll end this with this. Just some numbers here to share just how big of an opportunity we're talking about here. If you look at dogs in the U.S. that have OA that are medicalized again, not just the entire population, those that see a vet regularly, that number is about 27 million. Today, NSAIDs are treating about 8 million and Librela's about 1.2 million. So, 9 out of 27 that are being treated. We believe there's a vast opportunity just in terms of displacing NSAIDs, but then going after the other two-thirds that are not even treated at all. And we're still in the early phases, if you think about what that means in terms of – and the 1.2 million, which treating in the U.S., yielded \$200 million of revenue in 2024.

And so were, again, if you just think about what that means, I'm not saying, we're going to this place all NSAIDs the remaining \$8 million, but I think you can see where that is. And across Europe, we saw about 40% of the animals that were being treated with Librela were not being treated before at all. So they were not part of the NSAID population, if you will. So that starts to give you some parameters around just how much there is ahead of us in terms of opportunities here.

<<Brandon Vazquez, Analyst, William Blair>>

Okay. I'm sure we'll go more into that in the breakout session, but I do want to, in our broader session here, I want to switch a little bit so that we can talk a little bit about macro and the resilience of companion animal and maybe even touch on the livestock side as well. I don't give it as much love as it should get, but start from a high level and I think starters from Q1 because in Q1, I think for the first time in a while, I've heard you guys kind of hint that maybe some of the high-end companion animal products saw a little bit of macro noise. So where are we today? And then just talk about generally in bad downturn times, how resilient are you to these businesses?

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

We are very resilient and the industry has proven to be very resilient across different market cycles. You go back to 2008, 2009 timeframe, the industry grew about 3%. As we said, we've grown above the industry consistently across the last decade. So the

resiliency of the industry, the resiliency of our business, and our competitive advantage continue to drive us to leave this industry. And we have high confidence in terms of that.

If you look across the market, by the way, even with what we said in the first quarter, we still delivered 9% on an organic constant currency basis when we adjusted out FX, neutralized FX and the sale of our MFA portfolio. So a 9% growth. But we did provide some additional color in terms of what we saw in the U.S. We've seen consumer confidence took a hit in the U.S. and some other markets around the world. And we saw some things particularly in February that were a little bit more pronounced to your point Brandon. And then although we saw those bounce back in March and April that we were compelled to share what we were seeing that we continue to watch.

And by the way, even with all that, taking that into consideration, going back to the scale of the business, diversification, et cetera, we maintained our guidance that we gave in February. So clearly what we are seeing is not enough to move us off of what we anticipate and expect for the year, nor did it keep us from posting 9% organic operational growth. So I want to put it into that context, but we continue to monitor those. And again, the diversification of the business also led us to having 11% organic operational growth outside the U.S. Again, it's another component.

I will make this last point. Companion animal has been very much in focus in the U.S. for quite some time and rightfully so it continues to be. I think one thing that isn't talked about much is if you go back across several years, the growth rate of our companion animal business outside the U.S. is almost the same as the growth rate of a companion animal in the U.S. And by the way, there's substantial more opportunity if you think about where militarization [ph] rates are outside the U.S. And so we're very excited about what that means for the long-term through the portfolio and pipeline that I talked about earlier.

<<Brandon Vazquez, Analyst, William Blair>>

Okay. Maybe the last couple minutes, I'll throw you one finance question since we do have the CFO here. You guys have impressive, almost 40% operating margins already. How do you guys deliver durably going forward? EPS growth that maybe is a little bit above sales growth, if you think that's possible?

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

We continue to focus on innovation and investments both internally as well as through partnerships, et cetera, M&A to drive growth, that is quality growth across the business. And if you look at what I just said around companion animal and the growth rate that's been above that of livestock, the livestock has returned to growth over the last couple of years. We said it would post some of the JAKs [ph] impacts, and you've seen that. But outside of livestock, companion animal continues to grow faster, and that has a higher gross margin. And even with the incremental DTC and advertising promotion that you

do in companion animal, which we don't do as much of in livestock, you're still contributing faster at the bottom.

So that plus price, which we continue to be in position to take. We've done so to the tune of about 2% to 3% historically over the last couple of years. If you adjust out hyperinflationary markets, we're about a point or two above that over the last couple of years, not dramatically higher. And so price will continue to be part of the equation for us. So those in the scale of the business, particularly when you think about mAbs, which are approaching \$1 billion of our revenues now, as we continue to grow those markets and have more products in those and we scale, the utilization of the investments we've made there. I think those are all pointing in the same direction in terms of the margin profile for the company.

One piece that I think has created some, I would say, noise that I would ask folks to take a close look at is FX has had an impact, if you look across the portfolio, which is why each year and each quarter we reflect what is our growth on a constant currency basis, both top and adjusted net income. And our focus is to drive the bottom faster than the top, which we've demonstrated across years to do. Last year, our growth rate on operational basis, even before we adjust for the MFA sale, which happened late in the year, was 11% on top, 15% adjusted net income. So by definition, we were expanding margins, even though FX might have created some noise there. We remain committed to doing that, which is growing the bottom line faster than the top.

<<Brandon Vazquez, Analyst, William Blair>>

Okay, perfect. 15 seconds here, fast break to the breakout room. We're going to the Mayor room. We'll get into a lot more details. Thanks everyone for coming.

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

Thanks, Brandon.