

✓ **Event Details**

Date: 2026-02-26  
Company: Zoetis, Inc.  
Ticker: ZTS-US

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✓ **Company Participants**

Wetteny Joseph - Zoetis, Inc., Executive Vice President & Chief Financial Officer  
Unverified Participant

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✓ **Other Participants**

Michael Ryskin - Analyst

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## **MANAGEMENT DISCUSSION SECTION**

### **Operator**

Ladies and gentlemen, the program is about to begin. At this time, it is my pleasure to turn the program over to your host, Michael Ryskin. You may begin.

### **Michael Ryskin**

Yeah. Great. Thanks, everyone, for joining us for our – for our next session. My name is Mike Ryskin. I'm on the Bank of America Life Science Tools and Diagnostics team, also have the pleasure of covering the animal health space.

For our next session, we're joined by Zoetis and we have Wetteny Joseph, Chief Financial Officer, with us. Wetteny, thanks so much for taking the time to be here with us today.

### **Wetteny Joseph**

Mike, thanks for having us. I appreciate it.

## **QUESTION AND ANSWER SECTION**

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**Analyst:**Michael Ryskin

**Question – Michael Ryskin:** It's always a pleasure. Maybe just to kick things off, you know, our standard question. You guys reported 4Q results and gave us your initial 2026 guide just a couple of weeks ago. Can you talk through some of the moving pieces in the quarter, key the highlights from the guides and what the takeaway messages in terms of how the year played out and how you're thinking about the year going forward?

**Answer – Wetteny Joseph:** Yeah, look – I first of all, I step back and I think about the year and we delivered solid results with 6% growth on revenue and 7% adjusted net income. Both of those are on a 00:01:16 basis. So organic operational growth excluding the impacts of the MFA divestiture and FX in those. And if you look at our EPS, it was double-digit growth on the year.

And this is certainly in a macro environment that includes both some headwinds from the consumer coming off of some significant price increases over the last few years as well as competitive launches that we anticipated would have some impact on us. And despite that, given the resiliency and the diversity of our portfolio, we continue to deliver, again, solid results here.

And animal health itself is very resilient, Mike. And if you look at the – even in the quarter and we've seen consistently even with these headlines and we've consistently even with these headlines, you still have spend on animal health being really robust. So in the quarter we saw about 6% growth for revenue for clinics.

It is coming in by way of more price, which is having some impact on volume in visits. But I don't think it's – it can be denied the fact that the consumers still prioritizing animal health and so spending those dollars, right? And so I think that certainly is something that we continue to see and believe will continue to sustain for the industry.

And we have leadership positions in every area category that we are participating if you look at our franchises and these are even with, I'm sure there'll be a number of questions of competition here. But even with that, we feel very confident in our portfolio and how we differentiate it against what we've seen so far. And these are areas that have substantial more room to expand. At the same time, we have the deepest and most promising pipeline in the industry that gives us a lot of excitement in terms of the next wave of growth that is to come.

And so, that gives us, you know, a solid foundation, Mike, to operate from. And certainly, as we anticipated, we did see some deceleration in the back half of the year. But the full year is, again, delivering on 6% and we've guided to 3% to 5% on 2026 in revenue and 3% to 6% on adjusted net income. Again, we'll unpack that here on this call as well.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. That's a good starting off point here. We're going to touch on a lot of those topics. Maybe just to kick things off sort of a technical issue, but something we've done a lot of follow ups on, I'm sure you have as well. The whole calendarization bid led us in confusion on the call. Could you just walk us through that really simple? You know, the OUS calendar for Zoetis historically was one month earlier from a legacy – from legacy Pfizer. You're adjusting that now. But is it – am I right in that 4Q 2025 was the same way that's always been where it was, you know, the US calendar – was the US calendar? International was September, October, November. So that same three months staggered always was. And what's happening in 2026 is you're synchronizing both. They'll both be January to December. So in both cases, you're having 3-month quarters, 12-month years. So there's no such thing as a 4-month quarter, which I think there was some thought of earlier. And the comps will always be even. It's just you're sort of what's shifting that calendar. Is that – did I summarize it right or did I screwed up more?

**Answer – Unidentified speaker:** Yeah. No, Mike. No, you 00:04:31 correctly. One piece I will highlight, though, is you're right. Historically, it's been this way for our entire existence. It's a legacy phenomenon where outside the US has been on a lag. So close is one month earlier to allow time to close the books and all that. And everything we've reported so far, fourth quarter, 2025, all of that and the guidance for 2026 all in

the same exact basis we've always reported. 12 months with 1 month lag for international is on the same basis. Nothing has changed there.

As we contemplate the change, we wanted to be able to share that with investors and share what this will mean as we do that going forward. But we have not done it yet. And when we do, it will be on a 12-month basis. It will not be a 13-month year or a 4-month quarter. It will be on a calendar basis for both. And we will provide investors recasted financials for all of 2025 by quarter and all of 2024. So you will always have a way to compare what we are now reporting on a calendar basis for international. Obviously, the US has always been this way on the same basis like-for-like as we go forward.

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Unidentified speaker

**Question – Unidentified speaker:** So, that's helpful. But just to make sure I got that right. So then, for 1Q 2026 International, what months are you reporting in that...

**Answer – Unidentified speaker:** When we report 1Q 2026 and have adopted this change at that same time, we will report on a calendar basis. So it will be January, February, March will be the quarter.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay.

**Answer – Unidentified speaker:** But the guidance, I just want to make sure this is really clear, crystal clear. The guidance that we issued for 2026 for International is from December to November.

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Unidentified speaker

**Question – Unidentified speaker:** Okay.

**Answer – Unidentified speaker:** It is on the same exact basis as always.

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Unidentified speaker

**Question – Unidentified speaker:** Okay.

**Answer – Unidentified speaker:** When we report Q1, will be the time that we will make that change.

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Unidentified speaker

**Question – Unidentified speaker:** Okay.

**Answer – Unidentified speaker:** And that change will then mean we will give you, obviously, how the quarter ends. The latest information we have in terms of how we're executing, etcetera, all those will be

factored into what our guidance is at that time. And the new – we're reporting on a fiscal year basis or a calendar year basis will also be reflected at that time.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. So, then – so – and this is what you talked about on the 4Q call where you'll provide an update to the guide to account for the change, but you had talked about that change should be relatively de minimis, because it's still going to be 12 months, 12 months. Is that fair?

**Answer – Unidentified speaker:** So, 12 months, 12 months. There's no 13 months. What that change is, again, our guidance at that time will not only reflect the fiscal year that's changed, it will reflect the latest in the business in our outlook.

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Unidentified speaker

**Question – Unidentified speaker:** 1Q results. Yeah.

**Answer – Unidentified speaker:** Yeah. Right.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. Fair enough. Fair enough. And on the 4Q call sort of related to this, you also said, something along the lines, where you think maybe 4Q benefited, like a modest benefit from some timing, it didn't seem like it was to be – it was huge. Was that related to the shift happening or anticipation of the shift or anything related to that?

**Answer – Unidentified speaker:** Right. So, in anticipation of making this change, we have made some operational changes. One, the notable one I would say is the fact that we have now shifted the timing of when we do price increases in some of our markets internationally, so that it will fall – as you know, customers, largely distributors, will order product ahead of price increases. And that anticipation, we want to make sure that it falls into the same year as the price increase itself. When our price increases have been, for those markets in January, for example, if they would have ordered in December and got products in December, that was in the same fiscal year...

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Unidentified speaker

**Question – Unidentified speaker:** Yeah.

**Answer – Unidentified speaker:** ...because the year started in December. Once the year starts in January, if we keep – if we kept all of them the same way, you would have impacts of price increases falling in a different year.

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Unidentified speaker

**Question – Unidentified speaker:** Yeah.

**Answer – Unidentified speaker:** By shifting some of those, we now have them in the same year, effectively. So that change, as you can imagine, will have some implication as we anticipate, when we do shift the fiscal year, but we'll provide, again, the guidance and any implications of those as well as the ongoing business. But our...

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Unidentified speaker

**Question – Unidentified speaker:** Okay. We look forward to 1Q and post-1Q when this is all, hopefully, be a little bit simpler and we can sort of move on.

**Answer – Unidentified speaker:** Yes.

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Unidentified speaker

**Question – Unidentified speaker:** I think that was a helpful explanation. I appreciate that. Why you did that, I think, that cleared it up, hopefully, for everybody as well. Okay. So that was one thing we wanted to get through. And then the other – the other topic that, as you said, we're going to spend a lot of time on is sort of competition, innovation across both Zoetis, but also from a number of competitors and just sort of how the dynamic is evolving. That's been very top of mind for a lot of people. Maybe kick things off, just the most recent news hit yesterday.

Merck's NUMELVI got approved in the US, not unexpected. Sort of been talked about for a long time. It's already been on the market in Europe with some other select markets. We were looking at the label overnight, had some interesting questions on that. Just anything that strikes you from that approval? I think, it's already factored into the guide, but just sort of any change from that? And also, if you can make some color on your experience with NUMELVI or going against NUMELVI in Europe and in those other markets?

**Answer – Unidentified speaker:** Sure. Happy to do that, Mike. And I'll start with one point you made in a question, which is, we've anticipated this for some time and our latest expectations were that, we would see this approval around this time. And of course, when we put our guidance together, we have a range of scenarios that we put in around when competition would launch, what that label might look like, how aggressive might they be initially to get the product going, all those things are inside of the ranges that we talk about. So this is, I would say, in line with expectations along those lines.

With respect to the label, it is early, right? The approval just came in yesterday. And rather than focusing on their label, I would much rather emphasize where we see our products and where we see the market opportunity. And you can put that up, those comments against what, you know – and how it positions us with strength against not only NUMELVI, but other products in the space.

And the way I look at it, key derm is an important franchise for us. We're north of \$1.7 billion in revenue in 2025 here. This is a market that we have established and it still has substantial more room to grow. I always like to go back to my – we talk about 2025, the comp in 2025 particularly for key derm was an interesting and important one to think about, because in 2024, we enjoyed, you know, high double-digit growth, right, 17% growth in key derm in 2024. And partly what we saw in 2025 is that tough comp, that we're up against, right?

But the point there, though, is within that, it was double-digit growth in volume. And I do think it's a point of emphasis, because it just demonstrated for us just how much more after a decade room there is to expand these markets. We didn't go from a market that could expand double-digit volumes in 2024 to, oh, there's no more room to expansion. It's all about a fight for the same pie.

I do believe there's still room to continue to expand this market both in the US and outside the US, and I believe our three products we have there today, Apoquel, which is a film-coated products, going up against one competitor that is not film-coated. I do think it's the important differentiation. And we have Apoquel Chewable, which we don't have a competitor yet, that has launched a chewable product. And we have Cytopoint. And by the way, as we've said, during our Innovation webcast, we said, we're working on Cytopoint long-acting, which we anticipate to have approval late-2026.

So, when I take the body of this franchise here against any other competitor that I'm seeing, my bet is on ours, and more than just the fact that I'm a CFO at Zoetis and I'm clearly biased. So, I do think this market remains very attractive in terms of room to expand, both in terms of number of animals as well as compliance. And I believe our products are well-positioned against everything we've seen so far. And again, we'll spend more time in terms of the specific label, etcetera, but I do like the fact that we have more than a decade. And if you look at Cytopoint and Apoquel, by the way, the satisfaction levels on safety and efficacy, which I will definitely stress here, are well into the 90s percent satisfaction levels.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. Just the two points you brought up, remind us the importance of the film-coating. Is that – what's the benefit of that? Why do you feel like that's an important differentiator?

**Answer – Unidentified speaker:** Well, when it's up against a product that is not, there are some implications. And one, for sure, is that you don't have – if the compound, right, the active ingredient is bitter, it could present a challenge in terms of compliance, right? And so, the fact that it's film-coated is important for that aspect certainly, and we have been emphasizing that for some time. And that's our, you know, sort of Apoquel product before we get into the chewable, which is not just from film-coated simply, now you have a flavored product which is even more, I would say, beneficial from a compliance perspective.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. And then on the chewable front, that was – the other product I was going to ask on, yeah, I mean, we've certainly followed Apoquel and the performance of that – the tablet for many, many, many years. You've had the chewable for a couple of years now, and that is an important differentiator versus others in the market. It took Zoetis many years to launch a chewable. Is that because you weren't in a rush to launch it? Could you have launched it earlier if you wanted to? So if we think about your two competitors now, like, is it going to take them 10 years to launch a chewable? Could it take them a year? Is there is anything that we should read into there in terms of like time to develop a chewable, or..

**Answer – Unidentified speaker:** I won't venture in terms of how someone may take, and clearly these products have been out now, as you said, two years in the US, but three years in European markets for us. And we've seen really strong traction in terms of – on that conversion, which is around 60% in Europe and north of 40%, around 45% in the US.

Now, having said that, the level of satisfaction that Apoquel has, actually has been one of the hurdles, if you want to call it that, for chewable even further converting here. So, I think, the reason I bring that up, Mike, is that – I think, it's important in the context of even if someone were to come with a chewable product, however long that may take, you're still up against a product that has proven to be very, very high satisfaction and therefore very sticky as a result because of the value that the customer, both the vet and the pet owner are getting from this product.

And again, we have a broad portfolio that we will continue to leverage and drive there.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. All right. Maybe taking a step back from that then and just thinking about how you laid out the guide for 2026 and the moving pieces for that. I think when you talk about the big three and the growth expectations you see from them, I know, you're not going to break it down product-by-product, even though, you know, we'd love to. Can you just talk about the confidence in that as a basket in the light of competition, in the light of growing base, and some of the challenges there? Just sort of like, you know, what's the confidence of that, you know, mid- to high-single?

**Answer – Unidentified speaker:** Look, we – let's first start with our overall guidance, right? We guided to 3% to 5% on an organic operational basis for the company. And we believe we took a prudent approach to that guidance, considering all these factors that you mentioned and then some. And we anticipate that our livestock business, which has really shown significant momentum, as you've seen through 2023, 2024 and 2025, moved that to grow mid-single digits for us in 2026. Companion animal will grow as well. And the big three, as you call them, franchises will contribute to that. And we believe that it'll be in the mid- to high-single-digit range as you think about our broad range of growth overall for the company. Those are where that contribution falls. We have 2% to 3% points of price in our guidance as well, and obviously, diagnostics, which is roughly 4% of the company. We're seeing really strong growth there and we expect those to continue as we get into next year.

Within the key franchises, they're not all created equal in terms of where they are, in terms of the marketplace that we're in. And some of the, I would say, near-term or short-term issues that we might anticipate around, our guess is competitors might be and what levers we pull along those lines. So in the pecking order, we think about in terms of contributions, we think the Simparica franchise will be the leading contributor to that, as we think about it. So, that orders is that, and then we think about key derm and followed by OA pain franchises, sort of rough order of magnitude, but I won't get into more detail on that in terms of breaking down each of those franchises in terms of how much contribution by the order, I would put this way, given what we're seeing right now and how we – how we are executing.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. No. I mean, I think, that's reasonable. That's probably how we had it stacked up as well, just given the individual dynamics with all those products and competition question. You know, you touched on price for 2026. I know you don't break down price to significant detail. You think about on a company-wide basis. But still how much are you fine-tuning price on a product-by-product basis you know in the light of competition? I'd have to imagine you have to be a little bit more careful with price in Apoquel and Cytosol in 2026 than you might have needed to be two, three, four years ago when you really did have a monopoly, and there were no alternatives. Are you having to be a little bit more careful in some of these areas? And just sort of like what's the strategy, what's the leg room you have in these markets where you see competitors come in to continue to take price?

**Answer – Unidentified speaker:** Yeah. Look, the first basis for our price is the value we bring and the clinical value that these products provide to, certainly, veterinarians and for pet owners. And, you know, I would never say – never had a monopoly. There's always a strong market position based on that value. We always had – I mean, there are other alternatives, right? Customers will use, you know, anti-histamines or steroids, and things of that nature, which we continue to penetrate and drive, which is where you've seen the expansion of the market, both in terms of compliance as well as the conversion from those. So, there's always been those. And so we'll continue to endeavor to drive that value, which then leads into what price we take in terms of these markets. And of course, that's the primary gauge. And then, of course, we take into consideration what the competitive landscape might look like at any point in time to fine-tune. But it's fine-tuning on a market-by-market basis, on a product-by-product basis is how we've always done it, rather than a top down sort of push. It's a bottom-up way we go about how we do that pricing across those markets based on these products and what the value is.

So, we'll continue to – our primary focus is, what value do we bring and how do we continue to enhance that, both in terms of the product and the services that go with it in terms of how we approach our customers.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. I want to – I want to touch a little bit on the rest of the portfolio. I mean, we can – when you got to do some of the – some of the parts, if you think about the big three contribution being mid-single to high-single and then you look at the total guide of 3% to 5%, and sort of what that implies for the legacy portfolio. Have you seen any changes there? Are you anticipating any changes there in the market? You know, it's all things that we don't talk about as much, because it is an amalgamation of hundreds, you know, thousands of products. But part of what I think makes Zoetis so well positioned in this market is the ability to leverage the breadth of portfolio to win share in some other products, and maybe some of the more commoditized areas like companion animal vaccines. Is that dynamic changing based on, you know, stronger pressure from Elanco or others?

**Answer – Unidentified speaker:** I don't see significant shifts in that dynamic here, Mike. Again, I'll go back to the point of the value of our portfolio is the value it brings to our customers on a combined basis and the level of investment we make in those relationships on education, etcetera, etcetera. So there's a lot that comes with our products and the relationships we establish with customers and the trust and value they get from that. And that is the starting point, if you will, to how much are we able to leverage that in terms of driving more growth and driving our share, etcetera. So in markets where we can specifically tie those together, we do like in the US. There are other markets where you cannot and so we don't, right? However, even in those markets, we're still bringing substantial value to customers, whereby using our products across the spectrum is helpful to them and valuable to them. And we tend to garner more of their share of wallet in that way.

And so, I think those spend, again, to continue to benefit us. And as we look ahead and we look at the number of key or top challenges that we are solving for, and we're doing it with products that are promising to be very impactful, we continue to have confidence in our ability to continue to be that provider for our customers that will allow us to be able to move our entire portfolio forward that way.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. And it's a topic we've asked on before, and I know others have as well, in terms of distribution and go-to-market channel, you know, big news in that space in terms of Covetrus and MWI, sort of that's been anticipated for a while. But sort of, you know, now it's official. Could you remind us sort of how you view the distribution channel, how you view the go-to-market, and sort of, you know, how would you characterize your relationship with those major players?

**Answer – Unidentified speaker:** Look, we do have an omni-channel approach to how we go to market. And I think you've seen the benefits from that in terms of how we're both servicing our customers through the vet clinics, direct in some cases, through distribution in other cases, and then alternative channels which are meeting the demands and the needs of the end pet owner wherever they are. And that flexibility you've seen from us, perhaps before you even hear or see of it from others, and it's positioned us well in terms of the growth that we've seen, we've had very strong penetration with corporate customers, owned clinics, and tenants, certainly through direct servicing those customers as well as going through the alternative channels. And we continue to look at best ways to optimize those in terms of the work that we do there.

Now, as you know, Mike, we do a lot of our own demand generation, right, in markets like the US. In fact, we have sales force in 45 countries of the, call it, 100 that our products are in. And that means we are establishing those direct relationships with customers to drive the demand, particularly as you think about the breadth of our portfolio, but also the impact of these products. And as we look ahead, these products become even more, I would say, complex in terms of treating disease, you know, sort of sick patients and pets. When you start to get into chronic kidney disease and how you modify the disease progression, all those things, I do think it starts to drive more of the importance that we have our on-demand generation in those cases than not. And so, I think, this is the way that the – if I look at – if heading to the future, that emphasizes that even more.

So, do we leverage distribution? Absolutely we do. But it continues to be where we do on-demand generation by and large, and go with an omni-channel approach.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. I want to touch on a couple other points. I want to talk a little bit about margins and how you're leveraging some of those levers in 2026. I know you touched on earlier, you know, your guide calls for faster adjusted net income than revenue growth, that's consistently been part of the Zoetis framework. But you're still seeing less margin expansion than you have in prior years in 2026. How much of that would you attribute to sort of the relatively lower top line growth, some of the volume leverage there, the price dynamic, or maybe just incremental investments you're making?

**Answer – Unidentified speaker:** Yeah. So, look, I think, we've demonstrated this discipline with the P&L time and time again. You saw it in 2025, even with some of the macro dynamics we talked about and competitive dynamics we talked about, we still deliver at the bottom line, there was a point ahead of the top line. And so, you know, we certainly endeavor to continue to do that.

Now, if you look at the P&L in terms of how the rhythm of the P&L works, when you have growth rates that are closer to the 3% to 5% range, it's certainly a lot harder to get there than if you're looking at growth rates that are in the, 7% to 10% range. That is just natural in terms of how you think about how the P&L works. But again, we're very, very pleased with our plans to be able to do that, even as we're on that lower end of the spectrum via that discipline. And I think, you'll see it both across our gross margins, as well as how we – how we run below that in terms of SG&A and OpEx, etcetera. And we're doing it while we are still continuing to invest in areas, as you know, this is a long cycle business, particularly if you look at the innovation cycle. And we as an executive team and company recognize and appreciate that and we tend to stay focused on that

long term, and drive that even as we deliver higher bottom line and top line in any given year. We certainly prioritize that long term and we'll continue to do so and we'll do that.

I don't think this is a year that's particularly marked with substantial new investments per se. We have had times and I have always said, we have – the business inherently has the capacity to continue to drive margin expansion. There are times where there's some noise related to FX, etcetera. But overall, we have that. And if we do see opportunities to invest in the business where it's incremental amount of investment that's going to drive long-term sustainable growth and therefore value creation, we're not shy to do that at any time. I wouldn't say this is a particular year that's marked by that, though.

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Unidentified speaker

**Question – Unidentified speaker:** So, when we think about future years going forward, you know, assuming, hoping that the revenues on the top line reaccelerates back to what you had discussed as your LRP, in 2026 as a temporary downturn, you know, would you expect the operating leverage and the margin expansion to go with that?

**Answer – Unidentified speaker:** Yeah, all else being equal. Again, I'll put...

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Unidentified speaker

**Question – Unidentified speaker:** Against the primary – against the primary factor..

**Answer – Unidentified speaker:** Yeah. I'll put the caveat that I just gave, Mike, which is if there is an opportunity that we see to invest, we will do so. But buying something like that, yes, I certainly see the potential for the business to do that at those growth rates. And then, when you think about with the source of that growth would be, it would most likely be coming from companion animal, which long term, as you look at the trends, continue to support that growing faster even as we are growing – we grew livestock faster in 2025 and are anticipating livestock growing faster in 2026. Long term, I would expect companion animal to lead the way and that would contribute to it. That's one element.

The other one is, if you look at a lot of what's in our pipeline, particularly when you think about the mAbs and so forth. As those start to contribute towards that growth, we have capacity that we've built to deliver on those that I believe are very much leverageable through the P&L. I think that will do that as well.

So, there are combination of reasons that as I look at the P&Ls, I look at the business, that gives us confidence on our ability to continue to expand margins as we look ahead, and fills the kind of growth rates that you're talking about.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. And then, I mean, you touched on your own innovation. I definitely want to hit on that as well. We spent a lot of time talking about competition, but we haven't touched on that.

So, you've got some innovation coming in 2026 as well. You had a – first of all, you had an R&D Day I think December 2; Pipeline Update Days, that was very interesting. And some of that pipeline is very near term.

Could you just talk about, you know, any update on timing for that throughout 2026 specifically? How much of that is factored into guide or not? Just sort of what the upside from some of these near-term launches could be?

**Answer – Unidentified speaker:** Yeah, Mike, consistent with our past practices, we intend to update the pipeline once a year, broadly speaking, roughly. And then, as you know, we did that at JPMorgan essentially a year ago and then in this last year we did it with respect to December 2. I think that at Zoetis established a rhythm that we will do that within a year, we would only really update anything that we have within that year that's coming, as we have any milestones or anything noteworthy on that front. So I'm not updating, if you will, the timelines right now.

Clearly, we're very excited about what's to come and the nearest term items have already started, right? When you think about the approvals we started to see with Lenivia and Portela in Europe and Canada, for example, that is the starting of these long-acting OA elements. We've said our Cytopoint long-acting, late 2026 approval expected, so that's another one that's coming. And so, you can start to see a wave, and again, those are already started.

And then timeframes, we've given on when you could expect approvals for chronic kidney disease. Really, the – one of the biggest unmet needs in animal health. You've seen what we've talked about with respect to the potential addressable market there to go after. And quite frankly, when we are looking at assets in our pipeline that can both impact the progression of the disease as well as treat symptoms for those that have – that are quite advanced, there's a lot to be excited about the impact that we can make here clinically on animals.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. That's helpful. I got just couple of minutes left. I want to ask a little bit about the other update from December. You guys did a little bit of a covenant debt – a debt transaction, bought back some stock. Just had a lot of questions in terms of why it was structured the way that it was. You know, appreciate returning capital to shareholders always, but just sort of what led to that approach versus a more traditional buyback given your cash flow, given your balance sheet? So, just sort of what to expect from the balance sheet going forward?

**Answer – Unidentified speaker:** Yeah. Look, we have always prioritized maintaining a strong balance sheet and we continue to have that. I think, clearly, you can see how we executed this and continue to have substantial flexibility to invest in the business through M&A and all those things. So, that holds true and that's really paramount for us. In terms of the how to execute on this, I think, the why, we're very high conviction. I mean, I think, the innovation webcast was sort of a pivotal point in that given the – what we see in our future and the pipeline that we have and the needs of our customers that we intend to meet with that gives us a lot of confidence in the future, and the underlying resiliency of the industry and everything else I've talked to you about already on this call. All those things underpin our confident in the future, and we see a disconnect, if you will, between that and where we're valued today. And we felt that this was a prudent way to return capital to investors.

Now, the how then, really became to what's the most efficient way to do that. And when we looked at that, this was the most efficient way. I think, given some of the volatility in the stock and so forth, it made this an attractive way to go about this. And clearly, all of the options we had in front of us would have been accretive. This one is the most, again, even when we – even if we fully load the cost with the cost of the CapCo 00:33:35 and everything, it still is more efficient than what you would call, say, a traditional way. So, that's why we did it the way we did.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. I appreciate that. We're almost out of time, but I just had two questions come in from investors, and let's shoot them back-to-back. One is about the business dynamics. You guys have talked about over the last couple quarters as far as impact. The last few weeks have turned positive in the Vetsource data we track. You know, are you turning a little bit more optimistic on that? Is it too short term? Is it not a direct read? Sort of just if you have any updated views on what's happening in vet visits month-to-date or week-to-date?

**Answer – Unidentified speaker:** Yeah. As you know, Mike, we tend to look at the long term and we've given guidance for the full year. Well, you know, whatever chance we see, we continue to look at and execute against our plans. I won't – I won't necessarily respond to a few weeks of data. Certainly, we want to see a lot longer sort of data range to look at on that. But we monitor the same things you're monitoring, and we'll continue to do that. I won't necessarily update our thinking on the year based on that data.

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Unidentified speaker

**Question – Unidentified speaker:** Okay. Okay. And then second question was about the gross margin. And the argument was that ex-MFA gross margin was relatively flat, even though your growth was a little bit better. So, how to think about that relative to your margin guidance for 2026 given, you know, you've got livestock being a better part of the growth, your key products are slowing just a little bit? Just sort of bridge that margin ex-MFA from 2025 to 2026, keeping in mind, you know, the last, that mix and the key growth drivers.

**Answer – Unidentified speaker:** Yeah. Look, we – of course, we take all of those into consideration when we gave the guidance that we did, and we were very confident in terms of how – where we position that given all of the puts and takes around margins. Indeed, we talked last year about the first half of the year seeing some headwinds with respect to some of the costing of inventory coming out of 2024 into 2025. And as you saw, some of that started to improve as we exited 2025, as we anticipated that it would. So, that's sort of the carrying point going into 2026 for us. And we factor in the mix of livestock versus MFA versus companion animal and all of that into our 2026 guidance.

Okay. All right. We're over time, so we'll have to leave it there. Thanks so much for joining us. I could keep going for a lot longer, but appreciate your time.

Right.

Always...

I appreciate it, Mike. Thank you. Enjoy the rest of the conference.

Thanks. You too. Thanks to everyone else for being on the line. Really appreciate your time and participation here.

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