

**Zoetis**

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9:30 a.m. EDT**

Glen Santangelo: All right. Perfect. Great. Well, thank you, and good morning, everybody. For those who don't know me, I'm Glen Santangelo. I'm the analyst at Barclays, and we're very excited as our next presentation to host Wettey Joseph, who's the EVP and CFO of Zoetis. So we're very excited that he's here to join us. So welcome.

Wettey Joseph: Thank you, Glen. Good to be here.

Glen Santangelo: All right. Maybe to sort of level set the conversation, since we're reasonably fresh off of your fiscal fourth quarter results. Maybe that's a good place to start for you to just give everybody a little bit of an update in terms of sort of how things ended the year in fiscal '25 and the outlook you provided for fiscal '26, and then we can sort of dive right into our questions.

Wettey Joseph: Sure. I'd be happy to do that. Look, 2025 was a strong year for us. We delivered 6% growth at the top line on an organic operational basis. The bottom line grew by 7% on the year. You see really strong discipline as always through the P&L all the way through adjusted net income. It was a tale of two halves of sorts, if you will. The first half of last year, we had 9% growth and ended the year at 6% due to a confluence of a few items.

One, we've seen some weakness in the U.S. around the consumer, in particular, showing up on the pet care side, though the consumer is still spending the same, if not more, on their animal health and pet health, though some of that's going through higher prices, or less volume and more emergency care. So we'll unpack that a little bit, I'm sure, in this conversation.

But we saw really strong growth continuing in our livestock portfolio stemming from the last few years. We've grown 6%, 5% and 7% over the last 3 years. And as we gave our guidance for 2026, we're expecting the top line to grow between 3% and 5%, bottom line between 3% and 6% -- and we continue to expect livestock to grow in the mid-single digits, so effectively outpacing the growth of companion animal in 2026 as well.

Glen Santangelo: Pretty incredible, right? When you -- you touched on the decelerating growth in the second half, and you talked about the consumer and the impact in pet care. I think the market is also focused on maybe some of the competitive dynamics in that space. And so could you just talk about some of that as being the primary driver for maybe some of the deceleration in the trend in the second half within the pet business?

Wettey Joseph: I would say the second half had a few factors involved. When it comes to the competitive launches and the impacts we're seeing, we've been telecasting those for some time. We knew those were coming and we knew the types of activities to expect in the initial launch period when they're trying to get the product into clinics in order to position them to turn around and do more direct-to-consumer type advertising to drive demand at that end of the spectrum.

So what we're seeing play out is what we would have expected. It happens to be happening at the same time that we're seeing some pressure on the consumer, particularly Gen Z and millennials, who have absorbed quite significant price increases over the last few years, and that's starting to play out in some of those. So that's having, quite frankly, a bigger effect, we believe, as we exited 2025 than the competitive dynamics, though they do have some impact, but we anticipated those, I would say, by and large.

Now we're in a global business. So our diversification does play out for us. Even in places where you've seen some of those competitive dynamics play out, you continue to see strong volume growth in those markets, which again -- and then again, our livestock business, given the

diversification with our aqua business, poultry, et cetera, you've seen really strong performance across those to offset some of that.

Glen Santangelo: Okay. Maybe just one more question on last year 2025. Could you break down the year for us? You gave us the growth numbers, but could we talk about that in terms of volume and pricing? Because I think that's maybe a little bit of an interesting story that we're going to touch on.

Wetteny Joseph: Sure. If you look at 2025, the mix is in price and volume. Price was just a touch below 4% on the year, rounded to 4% with the balance being volume, obviously. So we landed the year at 6%, just a touch over 6%. And so you had about 2.5% or so on volume and just under 4% price in that mix. Now of course, it varies again across different species and categories of products, but that's the aggregate.

Glen Santangelo: Okay. Awesome. All right. When you think about your business and you sort of break down the companion and livestock in the U.S. and the outside the U.S., that's four separate quadrants, right? I mean we're going to talk a lot about your U.S. pet business, right, because that's where we get most of the investor questions. But I think there's a diversification story here that maybe is a little bit underappreciated. So maybe could you talk a little bit about your sort of livestock and your -- and even more so your international business and some of the trends that you've seen there, because maybe that's not as well followed or discussed or talked about.

Wetteny Joseph: I really appreciate that, Glen. If you look at our international companion animal business and you track the last, call it, eight years, -- our international companion animal business has grown at a very similar rate to the U.S. companion animal business. Yet most of the questions are on U.S. companion animal. Now it's understandable, right? U.S. is 55% of our revenues, and now particularly after the divestiture of the MFA portfolio, companion animal is about 80% of our U.S. business, and I can understand why, but there is significant opportunity when we think about international and we think about companion animal internationally, which has already been showing, as I said, the historical results that we've been talking about, but remains a significant opportunity as we look ahead.

If you look at the percentage of our revenues that companion animal outside the U.S., it's about 55%, give or take. And in the U.S., it's about 80%. But as I said, the growth rate is there, the continuing increase in terms of medicalization rates, the innovation that we keep bringing to different markets. For example, we just got Trio approved recently in Brazil, while Trio has been in the U.S. since 2020. That's just one example of the types of innovation that's going to different markets where applicable that will continue to fuel that growth, and we believe tremendous opportunity to come.

You asked about livestock - particularly in international, you've seen continued growth in livestock outpacing the growth we've seen in the U.S. But overall, livestock with demand for animal protein, quality animal protein has continued to be on the rise. And with us divesting our portfolio of MFAs, which is dragging down our growth in livestock and with our field force more focused on driving vaccines and all the other preventatives that we have in our portfolio, those have combined to four straight years, effectively three in the bag and then what we've included in our guidance here will be mid-single-digit growth in livestock.

And we are the biggest in terms of aqua. So fish and poultry are the fastest-growing animal protein consumption around the world and certainly, our leading position in aqua and continued opportunity in poultry will help to fuel that in addition to the other species.

Glen Santangelo: And I'm sorry to make it potentially repeat yourself, but just give people the split between U.S. and international in terms of your total revenues?

Wetteny Joseph: Yes. So the U.S. is about 55% of our total revenues, right, with the balance obviously spread across international. And again, to reinforce the point you made earlier on the question around diversification, outside the U.S., our next largest market would be about 5%, and you can really

see how that plays out in terms of the consistent delivery of growth regardless of what's happening in any given market, you can absorb some headwinds in 2 or 3 of your markets and still drive the type of performance that we have given that level of diversification.

Glen Santangelo: Okay. All right. Maybe if we could segue into parasiticides. It's obviously an important topic, gets a lot of focus. You had in the U.S., clearly a little bit of a slower 3Q number. But then again, in 4Q, we've seen that number sort of recover kind of significantly. And so I guess I was kind of curious one, about the dynamics of the deceleration in 3Q and then the rapid acceleration into 4Q and how we should think about that sort of going forward. And I think you sort of touched on it a little bit in your previous response about Trio outside of the U.S., right, is starting to get some renewed acceleration. If you could just sort of talk about those trends as well.

Wetteny Joseph: Sure. If you look at parasiticides globally, it's almost \$7 billion. It is the biggest segment in animal health and arguably most competitive, though I would say there are a lot more competitive spaces in animal health than I get the impression from- when I come out to talk about the business. Now parasiticides is one where we have really gained a lot of share over the years, particularly with Trio, but not only because of Trio. We have a broad portfolio, the broadest in the industry with parasiticides across cats, dogs, livestock and so forth.

Now if you look at what we've done there and the performance that you've seen, this remains a very attractive space as we think about the future. The transition that has been happening since we launched Trio in the U.S. in 2020, is that triple combinations are becoming and have become now the standard in parasiticide prevention. And we have quickly gone from 2 or so years ago where triple combinations were about 25% to 30% of the U.S. clinic patient share, it's now 50% because it grew north of 20%, 30% a year over the last couple of years. It's sitting at 50%. But if you look at puppies, they're about 2/3. So 2/3 of puppies are getting triple combinations. So if triples are 50% of the market, but puppies are getting -- 2/3 of them are getting triples, that tells you the market is making its way to 2/3 of the market, right? So that would spell significant more expansion opportunity with triple combinations where we are by far the leader. Not only were we in first, we just delivered \$1 billion in revenues in Trio in the U.S. alone last year.

And so clearly, there's a lot more room to grow, and with being the leading product with really high satisfaction levels from our customers, that positions us well to really not only participate but lead in the expansion of that space.

Glen Santangelo: What it's worth my dog is on Trio, so I'm doing my part.

Wetteny Joseph: Thank you for being a customer.

Glen Santangelo: All right. Since you touched on this on the combo, the broad spectrum market, I think you said maybe it would grow 30% last year. And you said that you said 2/3 of the puppies are on a combination therapy, and it's only 50% of the market today. So it tells you the market is going to 2/3. Help us think about the expansion in this category and the time frame with which we should expect to sort of see that expansion play itself out. I mean that feels like a 2026, 2027 business as we continue to ramp at an elevated rate, is that the right way to think about it?

Wetteny Joseph: Right. And look, while we've seen this level of growth, it will continue to outpace overall animal health and overall parasiticide as a category, triples will grow faster than that for sure. Is it going to sustain 30% growth? Not by definition, it won't. However, we do see substantial more room for it to expand and having more players in this space help do that because there's a significant amount of direct-to-consumer advertising that happens in this space to drive awareness that, first of all, heartworm is deadly and it is prevalent across the U.S. This is why the U.S. is such a big part of this.

Trio, I give the example of a market like Brazil, where in Australia and other markets. Heartworm is not prevalent in every market around the world. And so in places where heartworm is, Trio is

very popular, obviously. If heartworm is not prevalent in a certain geography, then Simparica has gained a lot of traction. And we've seen really strong growth in Simparica outside the U.S. as well.

So this conversation is not just about Trio. It's about the parasiticides category broadly, and we have the most robust and most- biggest portfolio to offer to our customers across that spectrum. But we are very excited about the continued outpacing of growth in terms of triple combinations in the U.S. as a market, and we believe that will continue to fuel our growth as we- certainly in 2026 and beyond.

Glen Santangelo: Okay. All right. Maybe let's shift over to dermatology because that's obviously another big area of focus. And just following up on that themes of the tale of two halves in 2025. I mean, I think you saw significant elevated growth in the first half, sort of flattening growth in the second half. And maybe if you could just sort of comment on that trend in both the U.S. and outside the U.S. in terms of what you saw in the second half of 2025 and maybe help us think about how that sort of layers into the 2026 guidance that you provided.

Wetteny Joseph: Sure. Look, we delivered \$1.7 billion of derm revenues in 2025. This is a segment that continues to grow, and it's a market that continues to have significant room to expand. Now we've been expanding that market over the years. I joined Zoetis in 2021. And by recollection, I would say the revenue we had back then was about \$1.3 billion, \$1.2 billion, \$1.3 billion, and we've just crossed \$1.7 billion last year. So we've been expanding that market and believe as other participants come into the space and drive more DTC and awareness, it will help to continue to expand the market.

Now 2025, certainly, we saw some headwinds on the back half of the year, not only from the competitive launches, which we anticipated and we talked about for some time, it's also a bit of a slowdown we saw in the U.S. You saw visits for therapeutic visits for derm decrease when they increased in 2024 by about 4%. They decreased starting in the second quarter of last year, and it progressively got better through the quarter. So it got to basically flat in terms of visits in the clinic last year in the end. And then, of course, we have a substantial portion of our Apoquel sales that are in the alternative channels in the U.S. where we've continued to see strong growth in that area, including better compliance, which drives more volumes in those as well.

So we are certainly confident about the ability to continue to grow this space over the long term. Derm that is and more expansion of the category, both with compliance and more patients that use it. Just one last point I will make, Glen, is if you look at derm in the U.S. in particular, treatments in the vet clinic between our products and steroids, which are the two areas of prescriptions, account for about 50% of the itchy dogs in the U.S., which means- and about 2/3 of those are on our products with the rest on steroids. So we still have substantial more room to expand this space is what I'm saying. And again, we'll lead in that over the years.

Glen Santangelo: And I guess that's kind of part of the question, right? I mean we think about this as being an underpenetrated space, right? But we shouldn't -- and correct me if I'm wrong, we shouldn't think about the growth here like we think about the broad spectrum parasiticide growth. It's a little bit slower, a little bit more measured. I don't know how we think about that growth relative to the sort of the 2026 guidance that you provided, given that this is maybe not quite 20% of your revenues, but pretty close?

Wetteny Joseph: Right. We tend to guide broadly across the company, and then we give indications around our key franchises combined. And so if you take our key derm franchise, we've been just talking about, our Simparica franchise and OA pain, combined, we expect those to grow in the mid- to high single digits. Having said that, to your point, if you look at key derm versus the triple combination space, triple combination is still penetrating, if you will, and expanding at a rate that would surpass the expansion rate of derm, right? The parasiticides category at large isn't necessarily growing faster than derm, but triple combinations, in particular, given what I just described already, certainly, you would put in a category that's growing faster.

Glen Santangelo: Okay. All right. Can we move on to the pipeline a little bit? It seems like renal and oncology seem to get a lot of the attention and the company sort of talked about that. They're also very much talked about on the diagnostic side. I understand that Zoetis has its own diagnostics business, but the major diagnostics player talks a lot about renal as well.

Help us think about the pipeline and potentially a cadence of launches over the next several years and how we can think about that as entering the sort of -- we're contributing to the growth algorithm over the next couple of few years?

Wetteny Joseph: Sure. We're very excited about our pipeline, which is why we took the time to have an innovation webcast in early December. Indeed, there are some big categories and opportunities that we're pursuing. If you look at the key ones that we highlighted, you mentioned chronic kidney disease with renal, oncology, cardiology, you look at obesity, et cetera. If you look at these five, they account for about \$7 billion of total addressable market opportunity now.

It will take time, of course, and to continue to expand those markets from the time we get products approved and then launch, et cetera. But we're very excited about the work that we're doing and the profile of assets that we're pursuing in these spaces. Now as always, our pipeline, while we talk about these focus areas, is a lot broader than that, right? The number of approvals that we have in a given year is in the triple digits. If you think about some of the geo expansions and additional claims on labels, et cetera. We don't tend to talk about those a lot, but about half of our spend in R&D is to drive those, which help us actually build and grow markets over periods of decades.

And so those are very important in terms of the consistent delivery of growth for the company, have always been. But certainly, when we get an opportunity to solve for the most significant unmet needs that exist in animal health to make an impact on animals' lives and those who care for them and so forth, you have to get really excited about what those are. And if you look at chronic kidney disease, it certainly is the #1 killer for cats globally and cancer is the #1 killer for dogs. And when you can make an impact in those areas, certainly, that gets you excited.

Glen Santangelo: Okay. All right. Maybe a couple of financial questions in the interest of time. I wanted to shift to the 2026 guidance. And you sort of touched on it a little bit, the 3% to 5% this year. But when you think about sort of those high-level drivers within that sort of top line growth in that mid-single-digit sort of range to EPS in high single-digit, low double-digit range, could you flesh out for people maybe what some of the high-level drivers are and maybe what some of the puts and takes on that guidance may be?

Wetteny Joseph: Yes, happy to. We talked earlier about livestock and the trend we have been enjoying there and how we continue to execute to mid-single-digit growth, and we expect that to continue in 2026, so that's certainly a significant contributor to our growth. We've talked about our key franchises in companion animal also growing mid- to high single digit in 2026. Leading the way is the Simparica franchise. And then, of course, contributions from derm and OA pain, particularly as we lap some of the tougher comps in the latter category when we get in the back half of 2026 and so forth. So that's a contributing factor there. And then price is an element that historically, we've taken two to three points of price, which is what we have in the guidance for 2026. Down, of course, as we've been saying, we would come back to our normal levels, historical levels, which is where we are now coming from where we were last year and the year before. Certainly, diagnostics, we only mentioned briefly, but that's been growing faster than the company. We expect that to contribute, of course. Now it's roughly 4% of our revenues, but growing faster. So that is contributing and additive to our growth profile here as well.

Glen Santangelo: And you sort of touched on this. I think in 2025, you said 2% to 2.5% in terms of price. And when we put that within the context of your guidance for '26, if we have sort of a normalized pricing year, your mix should be roughly 50-50 on the pricing and the volume side. Is that a fair characterization?

- Wetteny Joseph: Sure. I think that's a fair characterization. If you look at the midpoint of the guidance, right, you go from 2% to 3% on price, your guidance is 3% to 5%. So depending on where you are on the range, the price versus volume contribution shifts. But in the middle, it's closer to balance.
- Glen Santangelo: Can we touch on capital allocation a little bit? I think when you look at what happened in 2025, a fair amount of share repo. I think you have \$2.4 billion remaining on the repurchase authorization, if I'm correct in that. How should we think about the capital allocation strategy in 2026, particularly in light of where the stock is sort of trading today? How do we think about those uses of capital?
- Wetteny Joseph: Over the long haul, the allocation priorities have not changed. Investing in the business is our #1 place we look to deploy capital. We've done so very effectively and efficiently. You've seen the output in terms of what we're doing in R&D. You see it play out in manufacturing and the way we're scaling technologies like mAbs. We already have \$1 billion of revenues coming from mAbs today, right? And we've scaled to that level and continue to scale given what we have in our pipeline and opportunity in our existing products. And then we look at M&A. You saw the announcement this last week with the genetics acquisition on the livestock side. We believe that's very complementary to our existing offerings there. We're excited about what that will look like in the future. So when it comes to returning capital to shareholders, which follows investing in the business and M&A, last year was certainly a year- a record year given the level of buybacks we did, \$3.2 billion. That included \$1.75 billion from the leveraged buybacks. But our normal course, I would call it, buybacks have been trending about \$1.5 billion to \$1.8 billion a year, and we generate sufficient cash after we invest in the business to be able to continue to do that level of buybacks.
- Glen Santangelo: Okay. All right. Well, we're just- we're essentially out of time, but I want to sort of conclude and see if we can sort of wrap this up for people. You talked about 2025 as being the tale of two halves. And I think there's some green shoots here that may be underappreciated in the OUS business and maybe we'll have easier comps in the back half of this year versus last year. Sort of -- I want to give you the last word to sort of tie it all together and help people think about 2026. And if there's anything that we didn't touch on or you feel like may be underappreciated, any sort of message that you want to leave with the investors here today?
- Wetteny Joseph: Sure. Thanks for the opportunity to do that. When I think about Zoetis and I think about animal health, it's a very resilient space. We're clearly the leader. If you look at the -- our pipeline, it says we're positioned to continue to be the leader. Now the consumer has been extremely resilient. They're still spending significantly and prioritizing their pet health on the consumer side. And then, of course, on the livestock side, we've talked about that as well.
- So the opportunity we have here, of course, there's a combination of things, including some headwinds in the U.S. at the same time as competitive launches and so forth. But when you look beyond that, there's a lot to be excited about in terms of how much more room we have to grow in the existing markets that we participate in today. Simparica and triple combination certainly is one of the highlights. And then, of course, we're very excited about the products that we're working on that will solve some of the biggest problems in animal health and continue to drive our growth in the future.
- Glen Santangelo: Okay. All right. Well, we'll leave it there. Wetteny Joseph, CFO of Zoetis. Thank you very much. Much appreciate it.
- Wetteny Joseph: Thank you, Glen. Thank you.
- Glen Santangelo: Thank you.