

✓ **Event Details**

Date: 2026-05-28  
Company: Zoetis, Inc.  
Ticker: ZTS-US

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✓ **Company Participants**

Kristin C. Peck - Zoetis, Inc., Chief Executive Officer & Director  
Wetteny Joseph - Zoetis, Inc., Executive Vice President & Chief Financial Officer

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✓ **Other Participants**

Jonathan D. Block - Analyst

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## MANAGEMENT DISCUSSION SECTION

### Jonathan D. Block

00:00:02 All right, guys. Good afternoon. Next up, we have Zoetis. I'm pleased to have on stage with us their CEO, Kristin Peck; and Wetteny Joseph, their CFO. I got a lot to discuss. A lot to get into. Guys, if you have questions, throw up your hand. I'm going to try to go in some sort of order or structure and see if I can abide by that.

## QUESTION AND ANSWER SECTION

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**Analyst:**Jonathan D. Block

00:00:20 **Question – Jonathan D. Block:** So, let's start with the updated 2026 guidance. Top line organic operational growth was zero in the quarter – in the first quarter. It did have a benefit. And the updated full year guidance calls for 2% to 5%. So, some of the incoming that I've been getting is like, look, other than comps, why do things get better for the balance of the year? Maybe if you could just call out maybe some of the drivers there.

00:00:44 **Answer – Kristin C. Peck:** Sure.

00:00:44 **Answer – Wetteny Joseph:** Sure. I'll start, Jon, on this. And as we shared on the call, as we look at the balance of the year, there are a number of areas that we anticipate sequential improvement. And you would have seen in the quarter, for the first time in five quarters, you saw OA pain as you saw sequential growth we've been talking about. Although modest, but we've been talking about stabilizing OA pain for some time now. And our multi-prong execution is taking hold, and we're seeing some of that impact as we saw in the quarter. If you look at Simparica franchise (01:21) heartworm, we are anticipating to see sequential benefit as we go through the balance of the year as well.

00:01:28 Now, in derm, we are expecting to see incremental competition there. So, as we said, we believe that the – both the competitive and macro conditions that we saw in the quarter will continue to persist. We're not anticipating that there's any significant improvement on those to drive the year. And as we step back and look at actual revenue dollars, we now anticipate a significant uplift, an uptick between first half and second half. But the comps actually drive a greater and more pronounced view in terms of what the growth rates look like across those now.

- 00:01:59 You saw strength across livestock. We came into the year after three straight years of mid-single digit in livestock, and you saw double-digit growth in the quarter. And so we continue to see real strong performance across livestock in emerging markets, across international, and in the US.
- 00:02:14 Diagnostics, posting double-digit growth as well, which we continue to drive sustainably. And then, of course, we have the commercial areas that we're executing against that we expect to have contribution as we exit the year as well that will help.
- 00:02:27 But one last point I'll make is...
- 00:02:28 **Question – Jonathan D. Block:** Yes.
- 00:02:28 **Answer – Wettey Joseph:** ...when we gave our guidance initially back in February, we anticipated a first half, second half dynamic. So, this is not new. Of course, the performance in the quarter means that the inflection point is a bit greater from first half, second half. But it's not a new dynamic in terms of how we think about our guidance. And because we anticipate that the conditions will continue to persist, we widened the range to accommodate for both incremental entry in terms of competition in derm, as well as what we're seeing in the macro.
- 00:02:52 **Question – Jonathan D. Block:** Okay. I know one of the things that some investors struggle with is, it does seem like a decent ramp. Part of that, as you discussed on the call, the distributors working down inventory. I know you don't want to be precise, but it would help us. Is there a way to frame that headwind around where it landed for the quarter, right? Because some of those numbers, the declines were exaggerated as the distributors had less inventory at the end of the quarter than when they began the quarter. So, is there a framework that you can provide when we think about the headwind?
- 00:03:20 **Answer – Kristin C. Peck:** One thing I'll say is, like, we always start inventories, and most people in the industry do before price increases at the high and the end at the inventory you have for most the rest of the year. I want to be clear, those were more normal dynamics. What happened was, as demand in – it's more of a demand issue, which was as the – market was soft, especially early in the year with weather and things like that, and then the markets of paras and derm weren't growing. They weren't reordering. So, the inventory levels is much more about a demand issue is what we're saying.
- 00:03:47 So, the dynamic that we were paying attention to was, sales out of distribution and sales in from us into distribution was where the anomaly was. And that will not persist, and that's the other dynamic that won't persist as you look at the rest of the year. I mean, that was a normal dynamic in the sense of where we started, where we ended. What we were expecting to see and what we normally see is them reordering. But I think based on the fact that, especially in our portfolio, we in derm and in paras and those areas were really hit by both the macro and overall competition. There wasn't a reorder in the quarter.
- 00:04:17 **Question – Jonathan D. Block:** Because if we were to try to match the two, I know it's not that easy, right? It's like, hey, if we were to match the two, what went out the door and what were to go back to the distributors? I've been hearing some numbers thrown around and it just might be from clients in sell-side. But it's like \$60 million to \$80 million, which was the impact that hit you in the quarter because those two variables did not match up.
- 00:04:37 **Answer – Kristin C. Peck:** I mean, you have to look at – we wouldn't say it was that simple to look at, and we haven't quantified it overall because there's – again, you have to believe, what were the order, what was the demand, what do they expect of the promo. So, that's a lot of why it's a little complicated.
- 00:04:47 **Question – Jonathan D. Block:** Okay. Okay. A lot of variables there.
- 00:04:49 **Answer – Kristin C. Peck:** Yes.

- 00:04:51 **Question – Jonathan D. Block:** How about just what you guys have dialed into expectations you're going to have? Numelvi just recently launched in the US. Befrena is supposedly going to go out the door shortly. So, when you went ahead and you came up with the construct for the guidance, like, what are you assuming the success or lack thereof is for these products?
- 00:05:07 **Answer – Wetteny Joseph:** Sure. Look, there are a number of factors we take into consideration when we put guidance together. And certainly, the launch of these competitive products is what we anticipate. This is where them being aggressive, particularly initially as they try to position those new products in the market, and that those are things that also contributed to the widening of the guidance range that we gave going from 2% to 5%. The 3-point range is not that typically what we come out with. We didn't come out with the 3-point initially, but we widened it to reflect those. So, those are certainly incorporated in addition to what I answered on the prior question in terms of what are some of the things that offset that in terms of what we're looking out for the balance of the year.
- 00:05:42 **Question – Jonathan D. Block:** Okay. Maybe one more just sort of nuance question. You obviously printed 1Q. You gave the year. You guys never give specific quarterly guidance. But when you – earlier in the conversation, you mentioned, hey, the comps ease into the back part of the year and that is part of the dynamic. We have 2Q highly reflective of 1Q from a growth rate perspective, right? So, you guys were essentially flattish in 1Q. I think we're zero to negative 1%. Are we thinking through that correctly where 2Q would be representative of 1Q from a growth rate perspective, and then that puts sort of I don't want to say the inflection point, but the growth right into 2H that's needed.
- 00:06:20 **Answer – Wetteny Joseph:** Yeah. Look, I think as I've mentioned, we had the first half, second half dynamic in our initial guidance. So, we saw some of the stronger comps that we were up against coming into 2026. Certainly, if you look at OA pain, for example, we started to see some of the headwinds in OA pain last year about the tail end of the second quarter, and therefore it still is a very strong comp that we have. Though, again, we're very pleased with the sequential performance that we saw starting in the first quarter in OA pain and the impact of what we're doing, in addition to the additional products that we're launching in markets like Canada and Europe with Lenivia and Portela as well, contributing to what we expect as we go through the rest of the year.
- 00:06:57 We won't give guidance on a specific quarter, as we typically wouldn't, nor give an update mid-quarter. However, those were the factors that we put in that cause us to know that there was going to be a first half, second half dynamic from the beginning.
- 00:07:07 **Question – Jonathan D. Block:** Okay. So, at least just hypothetically speaking, if we are flattish in 2Q, we're sort of abiding by where you're going with it directionally?
- 00:07:15 **Answer – Wetteny Joseph:** It's a consistent view we had on the year from the very beginning...
- 00:07:18 **Question – Jonathan D. Block:** Okay. Okay. Fair enough.
- Answer – Wetteny Joseph:** ... (07:18).
- 00:07:20 **Question – Jonathan D. Block:** Kristin, for you. Zoetis' competitive response, and you and I caught up a little bit after the call. I'm just curious how you would frame it with targeted promotions, but maybe not pursue a big pricing reset. Is that an accurate characterization of how Zoetis is going to respond in the field?
- 00:07:40 **Answer – Kristin C. Peck:** Yeah. I mean, look, I think Zoetis is always really focused on having a differentiated portfolio, both on safety and efficacy. We've always focused on leading with innovation, and then making sure that we deliver a great customer experience with our reps and with the service that we provide.

- 00:07:55 With that, we remained a premium-priced product. We do not play the pricing games. We do do targeted promotions. We continue to believe we have a differentiated portfolio. And as the market leader in most of the spaces that we're now, as you look at derm and paras where we're seeing new competitors, we continue to believe we remain differentiated, and we really don't think it creates value for any party by us taking prices down.
- 00:08:18 We'll be – will we be more disciplined about price increases? Of course. Will we be really more targeted and focused as we think about promotions? We will certainly do that. But we do not intend to reduce prices to compete in this world. I don't think that's a necessary, but more do I think it creates value. I think especially as you enter market that's not growing right now, as you look at the parasiticides. We hope it returns to growth. It has a lot of ways it can continue to grow.
- 00:08:43 **Question – Jonathan D. Block:** All the untreated dogs, it's...
- 00:08:50 **Answer – Kristin C. Peck:** Right. The untreated dogs. And if you look at just parasiticides, dogs moving from singles or topicals or collars, the market has a huge opportunity to grow. We're going to focus on being a market leader and growing the market. We're going to focus on direct-to-consumer advertising, driving loyalty programs with pet owners, things like that that continue to drive demand. And I think that's our role as the industry leader, is shaping that environment and helping to grow those markets.
- 00:09:09 **Question – Jonathan D. Block:** So, I'm just going to sort of beat this up a little bit...
- Answer – Kristin C. Peck:** Please.
- 00:09:09 **Question – Jonathan D. Block:** ...because people don't believe me when I say it, but they'll believe you when you say it. So, I had a lot of incoming afterward. And, again, when you and I caught up, I said, look, I had this clear aligner company, and they had 90% share. And it's not a great place to be in, but you got to figure out your strategy. They didn't pursue a big pricing reset. And I think our conversation went something like, look, Jon, I'm not going to reset prices by 10% or 15% to shrink the market and then compete off that lower or smaller market. Is that fair?
- 00:09:34 **Answer – Kristin C. Peck:** Yeah. I mean, we went from someone who owned basically 100% of the derm market, if you pull out, like, steroids. And we've lost give or take in the US – it's different in different markets – say, 7% share. Unless you believe you can grow the market, taking a price reset when you have 93% of the market destroys value for everybody. And so my view at the end, and more importantly for us and for our shareholders, I don't think that actually creates value. So we want to make sure we're focused on growing the market, making sure that we're building deep relationships with our customers, building customer loyalty. But unless you believe you can more than grow the market 10% taking the pricing down does – you can't bring it that way (10:10).
- 00:10:10 **Question – Jonathan D. Block:** Put yourself in the hole.
- 00:10:11 **Answer – Kristin C. Peck:** Right. I mean, at 93% share, that's a losing proposition.
- 00:10:14 **Question – Jonathan D. Block:** Okay.
- 00:10:14 **Answer – Kristin C. Peck:** So, no, we're not going to do that.
- 00:10:15 **Question – Jonathan D. Block:** You just make sure...
- 00:10:16 **Answer – Kristin C. Peck:** Is that clear enough?

- 00:10:17 **Question – Jonathan D. Block:** That's – for me, it is.
- 00:10:18 **Answer – Kristin C. Peck:** Since you've heard it now three times.
- 00:10:21 **Question – Jonathan D. Block:** So, I heard loyalty programs on the call, and you just threw it out again. Like, what are you going to do differently? Or what are you going to tweak a bit? I think it's like, what can you do to better retain or limit the churn? So, can you give some more specific examples around some of these initiatives that you might run in order to sort of better keep your customer base intact?
- 00:10:40 **Answer – Kristin C. Peck:** Yeah. I mean, I want to be clear. There's two different kinds of loyalty programs. There's the vet loyalty program, and then there's a pet owner loyalty program. As we think about the vet program, we think about incentivizing both across our portfolio breadth. So, the more categories you buy with us, the better the discounts and service you can get, as well as the more the dollars you spend in each category. So, we're going to continue to invest in those loyalty programs with the vets, making sure that it's the right balance across those categories, and those growth targets overall make sense.
- 00:11:10 And then as you think about the pet owner, we've had a my Petcare Rewards program. And in that, you would scan your invoices. And at the end of every quarter, you get points that would get you a card with – a credit card basically. You could spend back at the vet and anything you wanted on any category, but only at the vet channel. I think in this market where it's a lot more important to be able to afford that bill at the checkout, we instead want to pivot a lot more of our loyalty program to being our loyalty program at checkout you can get that discount right away. And so we're looking more at being in the loyalty program. And, really, maybe the longer you get, the more the discount.
- 00:11:43 So, how do we think about loyalty, but giving that discount at point of care when you're checking out versus getting that card that you're then going to get live (11:50). So, we're thinking differently about that, and how do we find more engagement in that loyalty program and encourage them to stay with the product and to buy across more of our products, et cetera.
- 00:11:59 **Question – Jonathan D. Block:** Have you started to implement some of those initiatives? Yeah.
- 00:12:01 **Answer – Kristin C. Peck:** So, we started in certain parts of these. We're piloting them in certain customers with different technologies to be able to do that. Again, you need them to get registered. You need the vets to be signed up a little bit here, too. So, we're looking at different technologies to do that.
- 00:12:13 **Question – Jonathan D. Block:** Okay. Okay. Great. Maybe if we just go to – we have a lot to talk about on life cycle and what you guys have coming through the pipeline. So, maybe let's start with Cytopoint Plus and just walk us through the timing, I think year end 2026 in terms of approval.
- 00:12:28 **Answer – Kristin C. Peck:** Okay.
- 00:12:28 **Question – Jonathan D. Block:** Do we also see a launch this year? Or could that spill into 2027?
- 00:12:32 **Answer – Kristin C. Peck:** Our expectation is, the launch would be next year as you normally – from approval to launch, there's going to be a little bit of time. So, we are expecting the approval of Cytopoint Plus, which is our Cytopoint long-acting. So, this is indeed Cytopoint that would be a three-month Cytopoint. We're really excited about that. We think it provides incremental convenience and affordability for the pet owner, which I think will be really compelling. A lot of pet owners find it difficult to get in every month. And so sometimes it's 45 days or 60 days. So, being able to go in once and get three-month dose we think will be a compelling value proposition and certainly help us compete as we are – we'll start to see this year the first competitor in the IL-31 space for monoclonal antibodies.
- 00:13:11

**Question – Jonathan D. Block:** So, just to put some numbers to it, remember, we did work a while back where it was like, hey, the average Cytoint user was getting 7 months out of 12 treatment. But now, look, if they come in three out of four, it's nine months. So, you're getting sort of that lift on utilization. Is it also a market expander? Some people that sort of stepped away and, look, I can't lifestyle-wise get in here every month. Now maybe they come to the equation?

00:13:34 **Answer – Kristin C. Peck:** Yeah. I mean, we think it will be both. We think it will be obviously increased compliance for those that are currently Cytoint users. But more importantly, for some people who are just, it's a lot, I mean, I work, I can't, there's no way I can come in every month, it'll help expand that market as well.

00:13:46 **Question – Jonathan D. Block:** Okay. And how about the timing for OUS markets for Cytoint Plus? Because you do have a pretty good book of business on Cyto OUS.

00:13:54 **Answer – Kristin C. Peck:** We do. We have not announced the timing on those, but it will not be in 2026.

00:13:57 **Question – Jonathan D. Block:** Okay. Maybe to go to Lenivia for a second. Can you share your feedback? I know it's early, but where you are in the international markets?

00:14:07 **Answer – Kristin C. Peck:** So, we just started our early experience for Lenivia and Portela. Those are approved in certain EU markets, as well as in Canada. So, we're beginning that. We're just doing our first-to-know. So, as we get into our Q2 earnings, we're happy to sort of share sort of where those are starting to read out, and we're looking forward to the full launch as we look into the second part of the year.

00:14:29 Again, very similar to what you were talking about in Cytoint, we do think a three-month here will be much more convenient for pet owners and more affordable. And what's different here with Lenivia and Portela is they are not long-acting. Librela and Solensia, they're indeed unique molecules. So, we're going to very much take the lessons that we learned as we launched Librela and Solensia. We're starting with specialists and sort of some very large GPs, building an early experience. And then we're going to have those specialists help us educate the broader veterinary community as we use the products. So, really, just being a little more slow and thoughtful and really starting with that specialty group and early experience before we launch fully.

00:15:07 **Question – Jonathan D. Block:** I think if I go back in time, it's off the top of my head, but, like, Librela was a rocket ship out of the gate. I think it was like \$40 million in that first quarter. So, sort of all guns blazing. To your point here, you're going to move a little bit slower, get the support, maybe get some podium, and then go from there.

00:15:22 **Answer – Kristin C. Peck:** We're really focused on making sure that we have a deep understanding in the specialist community that they're helping educate the GP community, really invest in the early experience in as many studies as we can to really support these products. We'll continue to do that. And it's – more and more, we'll start talking about dog OA pain and cat OA pain as categories because, obviously, as we think about the growth of the category, we're going to be fine if they switch from Librela to a long-acting Lenivia. So, we're really going to be thinking overall about monoclonal antibody OA pain. At a customer – a client here say, are you going to put Rimadyl in there? No, I'm not putting Rimadyl. It'll just be looking at injectable OA pain treatment, et cetera.

00:15:58 **Question – Jonathan D. Block:** Okay. We had a couple dog panels throughout the past couple days, and they're excited about the longer duration. And then I mentioned, like, the three month versus the one. Like, well, I mean, are they going to price at 3x? I think so. I mean, so maybe your thoughts on that. Will you guys just take sort of the duration – price times duration, and that's the new in your portfolio (16:16)?

- 00:16:16 **Answer – Kristin C. Peck:** It has launched, again, in certain European countries. And in that launch, it is at a slight discount to the three month because we believe that everyone isn't getting a full three months. And so, we're trying to make sure that it's a good value proposition.
- 00:16:28 **Question – Jonathan D. Block:** Okay. And then on the earnings call, you did mention additional label updates for Librela. And there was a lot going on in the earnings call, and that was maybe a little bit miss. So, are those label updates US? Are they OUS? And maybe if you can help us out, what might be coming out on that front?
- 00:16:45 **Answer – Kristin C. Peck:** Well, there were announcements in the EU. So, as we've said, we're going to continue to work with regulators across the globe as we do more and more of these studies to continue to update the labels. So, we were just being very clear that we'll – as we said previously, I think, for the last three quarters, we'll continue to work with regulators. We'll continue to expect that we did get an update obviously in the EU in the quarter. I mean, I don't think they're going to be as – there's not as probably – this is more usual course is what I would say. And, yes, we are (17:10).
- 00:17:06 **Question – Jonathan D. Block:** Not more restrictive in any way?
- 00:17:12 **Answer – Kristin C. Peck:** We're trying to make sure that whatever we're learning about the safety risk profile of the product, that we are capturing all that on our label in each of the markets as we get those. Every market has their own process, as you're well aware. So, we'll be – as soon as we get that information into the markets, we're working with the regulators to update those labels.
- 00:17:26 **Question – Jonathan D. Block:** Okay. And then just help me tie it back to the model a little bit. Like, what – you mentioned earlier, hey, Librela sort of stabilized off these lower levels sequentially. When we think forward into 2027 and beyond, does this help sort of resuscitate growth specific to canine OA pain?
- 00:17:42 **Answer – Wetty Joseph:** Yeah. Certainly. If you look at the opportunity, it remains large. We've quoted the size of the market opportunity in the US alone, for example. We have somewhere between 25 million and 27 million dogs with OA with only about 9 million getting treated today. So, we believe these solutions, the longer-acting solutions will help us to the point that Kristin already made, expand the market and drive growth across the OA pain franchise for us. And these approvals across Europe and Canada, and we're seeing more and more coming, and we're expecting more will help us drive that expansion of the market.
- 00:18:15 **Question – Jonathan D. Block:** I know it's a small part of the business, but on diagnostics, I mean, I go back to the old Abaxis. And so there hasn't been new chemistry for a while. You're talking about a next-gen system. Anything that you can give us on features and functionality, the advantages, and when you plan to roll that out.
- 00:18:27 **Answer – Kristin C. Peck:** Sure. We are very excited. It hasn't yet been launched, so I can't tell you much about a unlaunched product, as I know you would be excited to. We do think a new, innovative, disruptive chemistry is what is needed to really accelerate that, and to accelerate our growth, especially in the US. We do think we're quite differentiated as we think about hematology with our OptiCell. We think we're quite differentiated with Imagyst, but we don't believe yet in chemistry.
- 00:18:50 We're as differentiated as we need to be to get more of that competitive capture wins in the United States. We're quite competitive outside the United States, but we're super excited for this launch, and I think it will help us to gain share overall and, more importantly, provide a faster and easier-to-use chemistry instrument to the industry. So, we're excited. We are expecting to be sort of launching that and discussing more about the function and features as we get to the second half of this year.
- 00:19:16 **Question – Jonathan D. Block:** Wetty, to bring it back to you from a modeling perspective. When we think about some of these life cycle innovations, a lot of them are in and around 2027, right? Maybe they have a stub period in 2026, but most of them are incremental dollars in 2027. So, I think about like an up

arrow and a down arrow, right? I mean, so you have competition that I think is going to become a little bit more acute in 2027 versus 2026.

00:19:37 You'll have full year Befrena, full year Numelvi, some other maybe headwinds as well. But then you have these incremental dollars. They won't be as big as some of the new opportunities, but there will be some incremental dollars from life cycle innovation. How do we balance the two? Like, is this enough to sustain the lower rate of growth that we're seeing in 2026? Or is it like, no, those competitive pressures are pretty persistent and we might take a step back in 2027 versus 2026.

00:20:05 **Answer – Wettey Joseph:** Yeah. So, it's still early to give precision on 2027, certainly, Jon, and...

00:20:11 **Question – Jonathan D. Block:** I got to model.

00:20:12 **Answer – Wettey Joseph:** Appreciate the way that the question is framed. I do think, as we said, we expect some of the macro and competitive pressures that we're seeing to persist through this year and going into 2027, that we're already well into the competitive launches. If you think about outside of the US, in particular, where Numelvi has now been out for, I think, three quarters now. We have competition in derm that's been around for over a year in markets including the US and outside.

00:20:39 So, it's not to say that we're not anticipating more competition and then to see that continue. It was not net new in terms of what we're seeing and going into 2027 now. Lots of other factors we'll take into consideration as we think about guidance for 2027, but that's a ways from here.

00:20:52 **Question – Jonathan D. Block:** Okay. And, Kristin, I think a lot of investors in sell-side, we're all trying to figure out, like, where can Apoquel land in three to five years? Where can Cytosol share land in three to five years? Are there any analogs to think about for Apoquel to be a three-player market? For Cytosol, it would be, we think, a two-player market. And you go out and you sort of say, hey, if I look back at flea and tick, it went from X to Y after a monopoly. What percent of share do you expect to have of 80 JAK and 80 monoclonal three years to five years out for Zoetis?

00:21:26 **Answer – Kristin C. Peck:** We've been asked this question a lot. Is there another good example of this? I mean, to be frank, there is no other category in animal health where someone was selling \$1.7 billion and at 100%, other than steroids, share of our market for as long as we did. So, there is no other market.

00:21:42 In paras, we've talked about, it's not a great example because paras has always been incredibly competitive. There have been multiple players since the beginning of time. There's multiple modalities. You can do topicals. You can do collars. You can do single agents. You can do triple agents. You can do injectables. And they've all existed for a very long period of time. So, to me, we – there's new innovation, so – as you get with isoxazolines and then you had triple combos. So, it's been evolving, but it's a highly competitive market. It always has been. So, I'm not sure there really is a great proxy for what that ultimately looks like. We're really just going to remain focused on what we have, which is we have differentiation. We're going to continue to drive that. So, we're still the only one with a beef-flavored chew. So, we've got Apoquel, we've got Apoquel Chew, we have Cytosol, and we're expecting Cytosol Plus.

00:22:26 So, our focus is continuing to invest in that, and then to look at other species, other new innovations that we can put on top of that. So, I think what Zoetis' modality approach has always been is continue to innovate, continue to life cycle innovate, and to try to stay ahead of the competition by providing innovative solutions with innovations that matter for our customers.

00:22:45 **Question – Jonathan D. Block:** Okay. Fair enough. I got to get some new offerings, right, you guys a lot in the pipeline. On the earnings call, you mentioned, hey, maybe we'll start to see some dollars. You phrased it differently in the late 2027, 2028. Is that US canine renal that you were sort of alluding to, which we could start to see that come to fruition in late 2027, early 2028?

- 00:23:02 **Answer – Kristin C. Peck:** So, I think that's the first. We'll be looking, as we look into the 2027, 2028 into sort of renal and oncology as being the two big new categories. We'll be approaching renal oncology and cardio, very similar to how we're approaching right now long-acting OA pain. We're going to start with early experience.
- 00:23:18 What makes these products different is, we're going to be entering into sick animals, which is quite different, and that's sort of a little bit of our learning as we thought about OA pain. So, we're going to be starting with early experience, and then expanding beyond that. So, I think as we're looking at these, renal is the single largest category, as you probably know, of unmet medical need. Overall in animal health, it's a \$3 billion to \$4 billion market. It's 40% prevalence in cats, up to 20% prevalence in dogs.
- 00:23:42 There's really nothing today. There's a lot of products needed in this category. First, to prevent the progression of the disease and the damage to the kidneys; and secondly, to manage symptoms. So, we have a broad portfolio of multiple products, as we've talked about, as well as diagnostics and biomarkers to be able to watch the progression of the disease, to be able to get people to prevent the kidney damage, et cetera. So, we're excited to take a more holistic approach to what I think are some pretty big new blue ocean categories.
- 00:24:08 **Question – Jonathan D. Block:** And they seem huge, and you mentioned \$3 billion to \$4 billion. And maybe you'll be first there for renal, oncology, and others. What we've written a little bit too, and it came up recently with investors, is like are these markets as big or even bigger than some of the ones that you've – you're currently operating in? But does it take longer to cultivate? And sort of the ramp and the altitude, how you get there is different.
- 00:24:31 And what I mean by that is, I walk in my house, and I can tell if my dog is itching or limping. And I can sort of self-diagnose, and then you blast with DTC (24:38), and we've seen really quick ramps in adoption curves where something like renal and oncology, I know they might be a sick dog where you sort of got to go to the vet. Are you going to the vet? Are they going to run the diagnostics? And does it take longer to do that sort of assessment? So, how you get there? I mean, ultimately X years out, maybe it's a \$3 billion opportunity, but does it take longer to get there for those reasons?
- 00:25:02 **Answer – Kristin C. Peck:** I would answer in a few different ways. One, I don't recommend people self-diagnose their dog with osteoarthritis pain. There could be many things that why your dog is limping. So, I say that I think if your dog is limping, you know you want to take your dog to the vet. I think if your dog is peeing everywhere and has to pee every five seconds and it's having accidents, you probably want to bring your dog.
- 00:25:20 So, what we want to actually do is diagnose that before that happens, before you can get the kidney damage. But we're also going to have a product for the disease is already there and you see it. So, as chronic kidney disease develops, if your dog or cat has it – I guarantee you know your dog or cat has it – you still need to get it formally diagnosed. So, I don't think the diagnosis part – you still have to go to the vet and understand. We want to make sure that you can diagnose these diseases earlier, and we'll really focus on that.
- 00:25:44 But as I think about all of these sort of chronic diseases, and as you look at all those COVID puppies that are now going to be aging into all of these diseases that we're talking about, I think there's a significant opportunity. But I think you want to make sure you're getting the right diagnosis, which is what we really focus on.
- 00:25:59 **Question – Jonathan D. Block:** Okay.
- 00:25:59 **Answer – Kristin C. Peck:** Understanding what's really going on with your dog or with your cat, diagnosing that carefully, and making sure you pick the right therapy. So, that will take will the (26:06) ramp. In other words, is this going to be as fast as the ramp on – in our product in a healthy dog or cat? Like dermatology...

00:26:13 **Question – Jonathan D. Block:** Right.

00:26:13 **Answer – Kristin C. Peck:** ...your dog is a hot spot. It's playing in the water too long, and you're going to give it some acute – some Apoquel to treat that as you treat the hot spot. It's not like that. Yes. There's going to be a little more thoughtful. You're going to have to understand. But I think as we're going to be launching these products, in my view, as they, COVID puppies and COVID cats, are all going to be aging and really have this. So, I think there's a big opportunity. But I do think we need to be really thoughtful about how we launch these products so that we build the specialist understanding to help the GPs treat diseases that in humans often are actually treated by specialists.

00:26:43 **Question – Jonathan D. Block:** And in retrospect, trying to push on this a little bit with – that was the misstep on Librela looking back. It was just too broad, too fast, too quick?

00:26:51 **Answer – Kristin C. Peck:** Look, I think there was such excitement for a product that could treat OA pain. Vets are really comfortable treating with monoclonal antibodies. They'd already been doing it with Cytoint for a long time. There was quick uptake. I think what we probably look back and say is, we should have spent more time with specialists to make sure that they were really understanding how to diagnose. Everyone is truly – again, your – my dog is limping, so I know it has OA pain. It may or may not be OA pain if your dog is limping. So, making sure that those vets are really doing that diagnosis, that they're explaining the risk/benefit profile of the product, they're understanding the comorbidities. Again, as you get into oncology and some of these diseases, there's often comorbidities. So, how do you decide what the best risk/benefit profile for your pet is, given the comorbidities of an older dog with probably other conditions?

00:27:34 **Question – Jonathan D. Block:** Okay. See what we can get to in three minutes. First, Kristin, on the call, you talked about commercial execution and cost management. So, sometimes they're just, like, thrown out on an earnings call. You don't have time to elaborate much, but maybe if you can elaborate a bit. When I think cost management, are you peeling back on reps or presence in the field? Maybe if you can give us some examples.

00:27:52 **Answer – Kristin C. Peck:** Sure. I'll start with cost management, and then get to commercial execution. As we think about cost management, we're really focused on obviously managing head count. We will be doing, obviously, as we announced, some reductions. But it's really in T&E projects, consulting, professional services, sort of all those overall categories to make sure that we can have a leveraged P&L, as we've talked about. So, cost management has always been part of the Zoetis value proposition. We're going to continue to make sure our cost base makes sense for the revenue growth overall that we're driving.

00:28:22 But the one place that's not going to come out of is anything that generates demand or feeds our future portfolio. We're very focused. We're a long-term growth company. We've got to continue to be investing in our pipeline. That is not coming out of any programs in our pipeline. We're looking at, again, professional services, all the other things that you'd sort of focus on because we really think commercial execution today and developing that pipeline is where we're going to add value.

00:28:45 So, we're going to continue to invest in direct-to-consumer advertising, which, as we go into Q2 and Q3, as we naturally would, we'll continue to ramp that up and be more targeted and focused on that. We're going to focus again on some of those targeted promotions that we spoke about. We're going to focus on initiations. So, how do we make sure we get those puppies on the paras? And how do we make sure we get those – those dogs are coming in for a first dermatology experience. How do we make sure they're choosing Apoquel Chewable on that, or Cytoint, et cetera?

- 00:29:14 So, we're really going to be focused on commercial execution at both the vet and the pet owner space and leveraging all the tools. And, no, we will not be taking any dollars out of our field force or out of our pipeline. I don't know if there's anything else you want to add there.
- 00:29:28 **Answer – Wetteny Joseph:** No, you covered it.
- 00:29:33 **Question – Jonathan D. Block:** Okay. Okay. Wetteny, back to you, just on the growth algo for this year. So, the organic operational is 2% to 5%. Just to clear something up, like, on the earnings call, someone asked, hey, could that have the Neogen revenue in there? And you left the door open, but it's organic operational, right? So, don't put that in there?
- 00:29:44 **Answer – Wetteny Joseph:** Now, so the definition we laid out for organic operational are any acquisition that's less than 1% of our prior year revenue would be included. So, anything that's immaterial in terms of size, and if you look at this, something that we would expect to close sometime in the second half, the contribution will be very marginal here...
- 00:30:01 **Question – Jonathan D. Block:** Okay. So, the stub could go into the organic operational?
- 00:30:04 **Answer – Wetteny Joseph:** ...in terms of the guidance. The stub could go into (30:03) when you get to the higher end of the range of the guidance that we gave.
- 00:30:12 **Question – Jonathan D. Block:** Okay. And then, again, within the algo, the expectation is for low to mid-single-digit growth for key franchises for the year.
- 00:30:20 **Answer – Wetteny Joseph:** The year.
- 00:30:15 **Question – Jonathan D. Block:** Right? Since 1Q was down 4%, you got to get to high-single digits in the back part of the year.
- 00:30:22 **Answer – Wetteny Joseph:** And my point earlier stands here as well, which is...
- 00:30:26 **Question – Jonathan D. Block:** Comps.
- 00:30:30 **Answer – Wetteny Joseph:** ...we're not – comps play a big part, as well as the sequential improvement that we're seeing across parts of the business that we've talked about.
- 00:30:31 **Question – Jonathan D. Block:** Okay. So, that's low to mid. Livestock's mid-plus, call it, for the year?
- 00:30:37 **Answer – Wetteny Joseph:** Yeah. I mean, look, it's – we already started the year pretty strong with 12% growth on livestock and...
- 00:30:44 **Question – Jonathan D. Block:** Okay.
- 00:30:45 **Answer – Wetteny Joseph:** ...we've seen mid-single digit the last few years.
- 00:30:46 **Question – Jonathan D. Block:** And if we follow that, at least the way we run our model, we sort of back into legacy companion animal outside of key franchise. That's sort of how you would want about...
- 00:30:53 **Answer – Wetteny Joseph:** Yeah. With about 1 to 2 points on price.

- 00:30:54 **Question – Jonathan D. Block:** Okay. And so the 1 to 2 points on price, the team – I'm biased – I think did some good work in your Qs, and you do give a lot of good disclosures. Like, the pricing realization in your key franchises has come down. Kristin, to your point, it's not – you're doing this massive price reset. It's just like a gross to net...
- 00:31:09 **Answer – Wetty Joseph:** Yes. That's right.
- 00:31:07 **Question – Jonathan D. Block:** ...argument, I would guess.
- 00:31:09 **Answer – Kristin C. Peck:** Correct.
- 00:31:09 **Answer – Wetty Joseph:** That's exactly right.
- 00:31:10 **Answer – Kristin C. Peck:** Right.
- 00:31:10 **Question – Jonathan D. Block:** So, it used to be as high as 8%, and now it seems to be maybe slightly negative. Your overall price for the year only went from plus 2% to 3% to plus 1% to 2%. So, if key franchises is not actually getting priced, you're getting a good amount of pricing in livestock. Is this what's leading the term?
- 00:31:26 **Answer – Wetty Joseph:** If you look at the livestock performance, it was both price and volume on – again, that's the quarter. We're not breaking it down to that level for our guidance. However, this is an aggregate price that we're giving, a guidance for the company total across markets and across products. And, yes, we are looking at, in terms of our key franchises, the sequential growth in the comps are very important.
- 00:31:46 So, in parasiticides, for example, we're coming off of very strong comps, both in total and in price realization for Trio, coming off of the first half of last year and the year before. So, you've seen that decelerate here, but that's factored into our calculations.
- 00:32:00 Okay. We got to a lot of stuff and we're out of time. Guys, thanks very much. I appreciate it.

Thank you so much. Thanks, guys.

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