THIRD QUARTER 2019 FINANCIAL RESULTS

November 7, 2019



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FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements, which reflect the current views of Zoetis with respect to business plans or prospects, future operating or financial performance, future guidance, future operating models, expectations regarding products, expectations regarding the performance of acquired companies and our ability to integrate new businesses, expectations regarding the financial impact of acquisitions, future use of cash and dividend payments, tax rate and tax regimes, changes in the tax regimes and laws in other jurisdictions, and other future events. These statements are not guarantees of future performance or actions. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. Zoetis expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A further list and description of risks, uncertainties and other matters can be found in our most recent Annual Report on Form 10-K, including in the sections thereof captioned "Forward-Looking Statements and Factors That May Affect Future Results" and "Item 1A. Risk Factors," in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K. These filings and subsequent filings are available online at www.sec.gov, www.zoetis.com, or on request from Zoetis.

NON-GAAP FINANCIAL INFORMATION

We use non-GAAP financial measures, such as adjusted net income, adjusted diluted earnings per share, adjusted operating expenses, adjusted gross margin, organic operational growth, adjusted EBIT, adjusted EBIT margin and operational results (which excludes the impact of foreign exchange) to assess and analyze our results and trends and to make financial and operational decisions. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. The non-GAAP financial measures included in this presentation should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and earnings per share, and should not be considered measures of liquidity. These non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. Reconciliation of non-GAAP financial measures and GAAP financial measures are included in the tables accompanying our earnings release and are posted on our website at www.zoetis.com.

JUAN RAMÓN ALAIX
CHIEF EXECUTIVE OFFICER

KRISTIN PECK
CEO-ELECT

KEY TAKEAWAYS

STRONG Q3 PERFORMANCE

- Generated 9% operational[1] revenue growth in the third quarter, including the impact of the Abaxis acquisition, with 10% operational[1] increase in adjusted net income[2]
- Companion animal operational growth of 23%, driven by growth of our parasiticide products, key dermatology portfolio, and diagnostic sales from the Abaxis acquisition
- Livestock operational declines of 4% related to market weakness in U.S. cattle and the ongoing impact of African Swine Fever
- Diversity, innovation and investments in future growth remain key to our success

IMPROVING FULL YEAR GUIDANCE

- Latest innovations and core business driving updated 2019 outlook:
  - Revenue range narrowed to $6.200B and $6.250B, with operational[1] growth of 9.0% to 10.0%
  - Adjusted net income[2] increased to $1.720B and $1.745B, with operational[1] growth of 11% to 14%

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Adjusted net income (a non-GAAP financial measure) is defined as reported U.S. generally accepted accounting principles (GAAP) net income, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

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GLENN DAVID
CHIEF FINANCIAL OFFICER

INCOME STATEMENT HIGHLIGHTS

	Third Quarter		
	2019*	2018*	Change
Revenue	$1,584	$1,480	7%
Reported Net Income	433	347	25%
Reported Diluted Earnings Per Share	$0.90	$0.71	27%
Adjusted Net Income[1]	455	403	13%
Adjusted Diluted Earnings Per Share[1,2]	$0.94	$0.83	13%

* Millions of dollars, except per share data

[1]Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.
[2]Adjusted diluted earnings per share growth of 13% includes 2% favorable foreign exchange impact, and operational growth of 11%.

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ADJUSTED INCOME STATEMENT HIGHLIGHTS

	Third Quarter				
	2019*	2018*	Change	Foreign Exchange	Operational[1]
Revenue	$1,584	$1,480	7%	(2)%	9%
Adjusted Cost of Sales[2]	473	463	2%	(6)%	8%
as a percent of revenue[3]	*29.9%*	*31.3%*	*NA*	*NA*	*NA*
Adjusted SG&A Expenses[2]	373	356	5%	(2)%	7%
Adjusted R&D Expenses[2]	112	108	4%	-	4%
Adjusted Operating Expenses[4]	489	467	5%	(1)%	6%
Effective Tax Rate on Adjusted Income[2]	20.5%	19.2%	*NA*	*NA*	*NA*
Adjusted Net Income[2]	455	403	13%	3%	10%

* Millions of dollars

NA – Not applicable

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

[2]Adjusted net income and its components (non-GAAP financial measures) are defined as reported U.S. generally accepted accounting principles (GAAP) net income and its components, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted tax expenses are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure.

[3]Adjusted gross margin (a non-GAAP financial measure) was 70.1% in the third quarter of 2019, and 68.7% in the third quarter of 2018.

[4]Adjusted operating expenses (a non-GAAP financial measure) of $489 million in the third quarter of 2019, and $467 million in the third quarter of 2018 include adjusted amortization of intangible assets of $4 million in 2019 and $3 million in 2018.

US SEGMENT PERFORMANCE

	Third Quarter				
	2019*	2018*	Change	Foreign Exchange	Operational[1]
Revenue	$844	$757	11%	-	11%
Livestock	294	322	(9)%	-	(9)%
Companion Animal	550	435	26%	-	26%
Cost of Sales	163	151	8%	-	8%
Gross Profit	681	606	12%	-	12%
Gross Margin	*80.7%*	*80.1%*	*NA*	*NA*	*NA*
Operating Expenses	130	116	12%	-	12%
Other (Income)/Deductions	-	-	-	-	-
Earnings[2]	551	490	12%	-	12%

* Millions of dollars, NA – Not applicable

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Defined as income before provision for taxes on income.

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INTERNATIONAL SEGMENT PERFORMANCE

	Third Quarter				
	2019*	2018*	Change	Foreign Exchange	Operational[1]
Revenue	$721	$709	2%	(3)%	5%
Livestock	437	456	(4)%	(3)%	(1)%
Companion Animal	284	253	12%	(4)%	16%
Cost of Sales	234	226	4%	(7)%	11%
Gross Profit	487	483	1%	(1)%	2%
Gross Margin	*67.5%*	*68.1%*	*NA*	*NA*	*NA*
Operating Expenses	134	131	2%	(4)%	6%
Other (Income)/Deductions	-	(1)	**	**	**
Earnings[2]	353	353	-	(1)%	1%

* Millions of dollars, NA – Not applicable, **Calculation not meaningful

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.
[2]Defined as income before provision for taxes on income.

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INTERNATIONAL MARKET REVENUE

	Third Quarter				
	2019*	2018*	Change	Foreign Exchange	Operational[1]
Total International	$720.7	$708.8	2%	(3)%	5%
Australia	52.7	53.3	(1)%	(7)%	6%
Brazil	71.8	72.2	(1)%	(2)%	1%
Canada	46.7	42.4	10%	(1)%	11%
China	40.2	46.1	(13)%	(4)%	(9)%
France	23.6	28.8	(18)%	(3)%	(15)%
Germany	35.1	36.0	(3)%	(4)%	1%
Italy	26.2	26.5	(1)%	(4)%	3%
Japan	39.2	34.1	15%	3%	12%
Mexico	29.2	23.9	22%	-	22%
Spain	29.1	27.8	5%	(4)%	9%
United Kingdom	46.4	46.9	(1)%	(6)%	5%
Other Developed	97.5	97.7	-	(4)%	4%
Other Emerging	183.0	173.1	6%	(4)%	10%

* Millions of dollars

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

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2019 FINANCIAL GUIDANCE

Selected Line Items (millions of dollars, except per share amounts)	**August Guidance**	**November Guidance**
Revenue *Operational growth*[1] *Organic Operational growth*[2]	$6,175 to $6,275 *8.5% to 10.0%* *5.5% to 7.0%*	$6,200 to $6,250 *9.0% to 10.0%* *6.0% to 7.0%*
Adjusted cost of sales as a percentage of revenue[3]	30% to 31%	Approximately 30%
Adjusted SG&A expenses[3]	$1,505 to $1,545	$1,525 to $1,550
Adjusted R&D expenses[3]	$450 to $465	$445 to $455
Adjusted interest expense and other (income) / deductions[3]	Approximately $190	Approximately $190
Effective tax rate on adjusted income[3]	Approximately 20%	Approximately 20%
Adjusted diluted EPS[3]	$3.53 to $3.60	$3.57 to $3.62
Adjusted net income[3] *Operational growth*[1,4]	$1,700 to $1,735 *9% to 12%*	$1,720 to $1,745 *11% to 14%*
Certain significant items and acquisition-related costs[5]	$110 to $130	$110 to $130
Reported diluted EPS	$2.93 to $3.04	$2.99 to $3.08

Exchange rates as of late October

[1]Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

[2]Organic operational growth (a non-GAAP financial measure) excludes the impact of the acquisition of Abaxis as well as foreign exchange.

[3]Adjusted net income and its components and adjusted diluted EPS are defined as reported U.S. generally accepted accounting principles (GAAP) net income and its components and reported diluted EPS excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted interest expense and other (income)/deductions are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure. Effective tax rate on adjusted income (a non-GAAP financial measure) equals the adjusted provision for taxes on income (a non-GAAP financial measure) divided by adjusted income before provision for taxes on income (a non-GAAP financial measure). Adjusted net income and its components, adjusted diluted EPS, and the effective tax rate on adjusted net income, are presented solely to permit investors to more fully understand how management assesses performance. Adjusted net income and its components and adjusted diluted EPS are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components and diluted EPS.

[4]We do not provide a reconciliation of forward-looking non-GAAP adjusted net income operational growth to the most directly comparable GAAP reported financial measure because we are unable to calculate with reasonable certainty the foreign exchange impact of unusual gains and losses, acquisition-related expenses, potential future asset impairments and other certain significant items, without unreasonable effort. The foreign exchange impacts of these items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

[5]Primarily includes certain nonrecurring costs related to the acquisition of Abaxis and other charges.

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Q&A

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