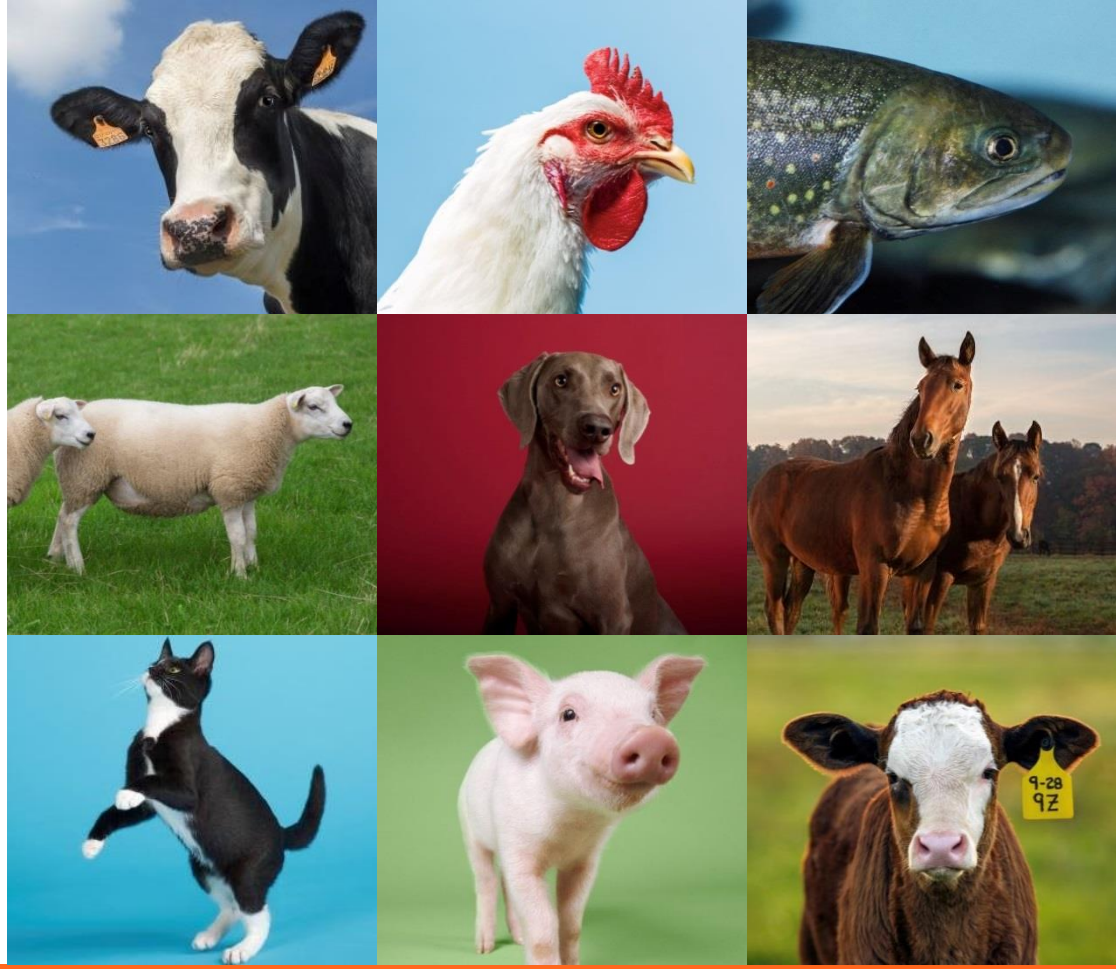
# FIRST QUARTER 2020 FINANCIAL RESULTS

**May 6, 2020**



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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, product approvals or products under development, expected timing of product launches, the impact of the coronavirus (COVID-19) pandemic on our business, suppliers, customers and employees, 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. Such risks and uncertainties may be amplified by the coronavirus (COVID-19) pandemic and its impact on the global economy and our business. 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 U.S. generally accepted accounting principles (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.*

# KRISTIN PECK
# CHIEF EXECUTIVE OFFICER

# KEY TAKEAWAYS

## STRONG PERFORMANCE FOR Q1 2020

- Generated 7% operational[1] revenue growth and 10% operational[1] increase in adjusted net income[2] with minimal impact from COVID-19 outbreak

- Diverse portfolio, global scope and strategic growth investments continue to drive business performance
  - -- Revenue increase led by companion animal operational growth of 10% and livestock operational growth of 3%
  - -- U.S. grew 9% operationally and International grew 4% operationally

## LAUNCHED SIMPARICA TRIO™ IN THE EU, U.S. AND CANADA

- Incremental revenue for the full year expected to be ~$100M to $125M

## REVISED GUIDANCE FOR 2020

- Lowered range of full year 2020 estimates for revenue and adjusted net income due to COVID-19 impact, recessionary conditions and foreign currency headwinds

- Diversity of our portfolio and essential nature of our industry will enable us to continue executing on our strategy

- Strong cash flow and balance sheet provide financial strength and liquidity

- We remain committed to medium and long-term growth by continuing to responsibly invest

[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 GAAP net income, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.



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# COVID-19 RESPONSE

## SUPPORTING COLLEAGUES, CUSTOMERS AND COMMUNITIES

- Zoetis plays an essential role in sustaining and protecting animal and human life during the outbreak, helping support petcare and the global food supply.
- Continue to manufacture products and serve customers even in places that have imposed stringent limits on businesses in the wake of COVID-19 outbreak.
- 30% of our colleagues are working at our sites today supporting essential operations; our 30 manufacturing sites remain open around the globe maintaining supply of critical product inventories.
- Increased safety measures, hygiene protocols, social distancing, and other adjustments at our essential operations are in place to protect our colleagues.
- Supporting local communities by contributing surplus Personal Protective Equipment, increasing production of human health diagnostics, and answering requests from local hospitals for a variety of assistance.

[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 GAAP net income, excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

# GLENN DAVID
# CHIEF FINANCIAL OFFICER

# INCOME STATEMENT HIGHLIGHTS

| | First Quarter | | |
|---|---|---|---|
| | 2020* | 2019* | Change |
| Revenue | $1,534 | $1,455 | 5% |
| Reported Net Income | 423 | 312 | 36% |
| Reported Diluted Earnings Per Share | $0.88 | $0.65 | 35% |
| Adjusted Net Income[1] | 455 | 424 | 7% |
| Adjusted Diluted Earnings Per Share[1,2] | $0.95 | $0.88 | 8% |

* 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 8% includes 2% unfavorable foreign exchange impact, and operational growth of 10%.



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# ADJUSTED INCOME STATEMENT HIGHLIGHTS

| | First Quarter | | | | |
|---|---|---|---|---|---|
| | 2020* | 2019* | Change | Foreign Exchange | Operational[1] |
| Revenue | $1,534 | $1,455 | 5% | (2)% | 7% |
| Adjusted Cost of Sales[2] | 455 | 434 | 5% | (1)% | 6% |
| *as a percent of revenue[3]* | *29.7%* | *29.8%* | *NA* | *NA* | *NA* |
| Adjusted SG&A Expenses[2] | 369 | 351 | 5% | (1)% | 6% |
| Adjusted R&D Expenses[2] | 107 | 102 | 5% | - | 5% |
| Adjusted Operating Expenses[4] | 482 | 457 | 5% | (2)% | 7% |
| Effective Tax Rate on Adjusted Income[2] | 16.8% | 18.8% | *NA* | *NA* | *NA* |
| Adjusted Net Income[2] | 455 | 424 | 7% | (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 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 70.3% in the first quarter of 2020, and 70.2% in the first quarter of 2019.
[4]Adjusted operating expenses (a non-GAAP financial measure) of $482 million in the first quarter of 2020, and $457 million in the first quarter of 2019 include adjusted amortization of intangible assets of $6 million in 2020 and $4 million in 2019.

# US SEGMENT PERFORMANCE

| | First Quarter | | | | |
|---|---|---|---|---|---|
| | 2020* | 2019* | Change | Foreign Exchange | Operational[1] |
| Revenue | $786 | $718 | 9% | - | 9% |
| Companion Animal | 499 | 445 | 12% | - | 12% |
| Livestock | 287 | 273 | 5% | - | 5% |
| Cost of Sales | 167 | 147 | 14% | - | 14% |
| Gross Profit | 619 | 571 | 8% | - | 8% |
| *Gross Margin* | *78.8%* | *79.5%* | *NA* | *NA* | *NA* |
| Operating Expenses | 125 | 110 | 14% | - | 14% |
| Other (Income)/Deductions | 1 | - | ** | ** | ** |
| Earnings[2] | 493 | 461 | 7% | - | 7% |

* 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.

# INTERNATIONAL SEGMENT PERFORMANCE

| | First Quarter | | | | |
|---|---|---|---|---|---|
| | 2020* | 2019* | Change | Foreign Exchange | Operational[1] |
| Revenue | $728 | $718 | 1% | (3)% | 4% |
| Companion Animal | 298 | 284 | 5% | (3)% | 8% |
| Livestock | 430 | 434 | (1)% | (3)% | 2% |
| Cost of Sales | 224 | 210 | 7% | - | 7% |
| Gross Profit | 504 | 508 | (1)% | (4)% | 3% |
| *Gross Margin* | *69.2%* | *70.8%* | *NA* | *NA* | *NA* |
| Operating Expenses | 125 | 132 | (5)% | (3)% | (2)% |
| Other (Income)/Deductions | - | - | ** | ** | ** |
| Earnings[2] | 379 | 376 | 1% | (4)% | 5% |

* 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

| | First Quarter | | | | |
|---|---|---|---|---|---|
| | 2020* | 2019* | Change | Foreign Exchange | Operational[1] |
| Total International | $728.4 | $718.0 | 1% | (3)% | 4% |
| Australia | 43.3 | 48.0 | (10)% | (4)% | (6)% |
| Brazil | 62.8 | 60.1 | 4% | (11)% | 15% |
| Canada | 40.1 | 41.1 | (2)% | - | (2)% |
| China | 65.7 | 59.5 | 10% | (3)% | 13% |
| France | 29.0 | 32.3 | (10)% | (4)% | (6)% |
| Germany | 33.5 | 36.5 | (8)% | (3)% | (5)% |
| Italy | 21.5 | 28.1 | (23)% | (2)% | (21)% |
| Japan | 41.5 | 37.3 | 11% | - | 11% |
| Mexico | 32.2 | 28.1 | 15% | 4% | 11% |
| Spain | 28.1 | 27.1 | 4% | (3)% | 7% |
| United Kingdom | 55.1 | 56.7 | (3)% | 1% | (4)% |
| Other Developed | 86.7 | 83.8 | 3% | (4)% | 7% |
| Other Emerging | 188.9 | 179.4 | 5% | (4)% | 9% |

* Millions of dollars

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



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# FINANCIAL GUIDANCE

| **Selected Line Items** (millions of dollars, except per share amounts) | **February Guidance** | **Fx Impact** | **May Guidance** |
|---|---|---|---|
| Revenue<br>*Operational growth*[1] | $6,650 to $6,800<br>*7.0% to 9.5%* | ~($150) | $5,950 to $6,250<br>*(2%) to 3%* |
| Adjusted cost of sales as a percentage of revenue[2] | 30% to 31% | | 30.5% to 31.5% |
| Adjusted SG&A expenses[2] | $1,590 to $1,640 | ~($25) | $1,455 to $1,545 |
| Adjusted R&D expenses[2] | $455 to $475 | ~($5) | $440 to $465 |
| Adjusted interest expense and other (income) / deductions[2] | Approximately $215 | | Approximately $250 |
| Effective tax rate on adjusted income[2] | 20% to 21% | | 20% to 21% |
| Adjusted diluted EPS[2] | $3.90 to $4.00 | ($0.11) | $3.17 to $3.42 |
| Adjusted net income[2]<br>*Operational growth*[1,3] | $1,865 to $1,915<br>*8% to 11%* | ~($50) | $1,520 to $1,640<br>*(9%) to (2%)* |
| Certain significant items and acquisition-related costs[4] | $20 to $30 | | $20 to $30 |
| Reported diluted EPS | $3.53 to $3.65 | ($0.11) | $2.80 to $3.07 |

*The guidance reflects the current view of the estimated full year impact of the COVID-19 outbreak, recessionary conditions in the global economy and foreign exchange currency as of late April.*
*1Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.*
*[2]Adjusted net income and its components and adjusted diluted EPS are defined as reported 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.*
*[3]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.*
*[4]Primarily includes certain nonrecurring costs related to acquisitions and other charges.*



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# Key Assumptions Related to COVID-19 in FY 2020 Financial Guidance[1]

- Economy begins to open up in the 2nd half of the year with continued recessionary pressure
- Petcare visits begin to return to normalized levels in the 2nd half of the year
- Livestock customers are able to maintain their operations
- Limited interruptions to the livestock supply chain by Q4
- Zoetis manufacturing and supply chain is not materially impacted

[1]Refer to slide 12 for Zoetis' FY 2020 Financial Guidance



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# Q&A

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