

First Quarter 2022 Financial Results

May 5, 2022

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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; disruptions in our global supply chain; R&D costs; timing and likelihood of success; expectations regarding products, product approvals or products under development, expected timing of product launches; the impact of the coronavirus (COVID-19) global pandemic and any recovery therefrom on our business, supply chain, 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, dividend payments and share repurchases; tax rate and tax regimes and any changes thereto; 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2021, 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 COVID-19 global pandemic and its potential 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, operational results (which excludes the impact of foreign exchange), adjusted EBIT margin, organic operational growth and normalized organic operational growth 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. Reconciliations of non-GAAP financial measures and most directly comparable GAAP financial measures are included in the tables accompanying our earnings release and are posted on our website at www.zoetis.com.*

**GAAP refers to U.S. generally accepted accounting principles.*

Kristin Peck

Chief Executive Officer

Key Takeaways

1Q Growth in line with expectations

- Generated 9% operational[1] revenue growth and 8% operational[1] increase in adjusted net income[2], with revenue in the U.S increasing 9% and International up 8% operationally.
- Companion animal revenue grew 20% operationally. Our strength across parasiticides, dermatology products, monoclonal antibodies, and diagnostics, are all capitalizing on the marriage of our innovation platforms and positive trends in petcare.
- As expected, our livestock portfolio declined 6% operationally in the quarter, largely due to decreased swine product sales in China and generic competition from Draxxin®.

Updated Guidance for 2022

- Updating our guidance due to the negative impact of foreign exchange rates and reaffirming our operational growth rates for revenue and adjusted net income.
  - Revenue range of $8.225B and $8.375B, with operational[1] growth of 9% to 11%.
  - Adjusted net income range of $2.365B and $2.420B, with operational[1] growth of 10% to 13%.

[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.

Wetteny Joseph

Executive Vice President
and Chief Financial Officer

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Income Statement Highlights

	First Quarter		
	2022*	2021*	Change
Revenue	$1,986	$1,871	6%
Reported Net Income	595	559	6%
Reported Diluted Earnings Per Share	$1.26	$1.17	8%
Adjusted Net Income[1]	625	603	4%
Adjusted Diluted Earnings Per Share[1,2]	$1.32	$1.26	5%

* 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 increase of 5% includes 4% unfavorable foreign exchange impact, and operational growth of 9%.

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Adjusted Income Statement Highlights

	First Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$1,986	$1,871	6%	(3)%	9%
Adjusted Cost of Sales[2]	565	543	4%	(4)%	8%
as a percent of revenue[3]	*28.4%*	*29.0%*	*NA*	*NA*	*NA*
Adjusted SG&A Expenses[2]	458	401	14%	(2)%	16%
Adjusted R&D Expenses[2]	122	118	3%	(1)%	4%
Adjusted Operating Expenses[4]	589	525	12%	(2)%	14%
Effective Tax Rate on Adjusted Income[2]	18.9%	19.1%	*NA*	*NA*	*NA*
Adjusted Net Income[2]	$625	$603	4%	(4)%	8%

* 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. For adjusted R&D expenses, there were no adjustments to GAAP R&D expenses in the periods presented.

[3] Adjusted gross margin (a non-GAAP financial measure) was 71.6% in the first quarter of 2022 and 71.0% in the first quarter of 2021.

[4] Adjusted operating expenses (a non-GAAP financial measure) of $589 million in the first quarter of 2022, and $525 million in the first quarter of 2021 includes adjusted amortization of intangible assets of $9 million in 1Q22 and $6 million in 1Q21.

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U.S. Segment Performance

	First Quarter		
	2022*	2021*	Change
Revenue	$1,020	$933	9%
Companion Animal	774	658	18%
Livestock	246	275	(11)%
Cost of Sales	185	184	1%
Gross Profit	835	749	11%
Gross Margin	*81.9%*	*80.3%*	*NA*
Operating Expenses	165	131	26%
Other (Income)/Deductions	—	1	**
Earnings[1]	$670	$617	9%

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

[1] Defined as income before provision for taxes on income.

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International Segment Performance

	First Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$948	$922	3%	(5)%	8%
Companion Animal	489	418	17%	(6)%	23%
Livestock	459	504	(9)%	(6)%	(3)%
Cost of Sales	265	282	(6)%	(6)%	—%
Gross Profit	683	640	7%	(5)%	12%
Gross Margin	*72.0%*	*69.4%*	*NA*	*NA*	*NA*
Operating Expenses	145	130	12%	(6)%	18%
Other (Income)/Deductions	—	—	**	**	**
Earnings[2]	$538	$510	5%	(6)%	11%

* 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 Segment Performance

	First Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Total International	$947.5	$922.3	3%	(5)%	8%
Australia	64.9	57.1	14%	(7)%	21%
Brazil	76.8	73.6	4%	(4)%	8%
Canada	49.0	46.1	6%	—%	6%
Chile	41.2	34.0	21%	(7)%	28%
China	102.7	123.2	(17)%	1%	(18)%
France	31.9	34.9	(9)%	(7)%	(2)%
Germany	43.1	38.4	12%	(8)%	20%
Italy	30.4	25.1	21%	(9)%	30%
Japan	59.1	46.7	27%	(12)%	39%
Mexico	34.8	33.2	5%	(3)%	8%
Spain	33.4	31.2	7%	(8)%	15%
United Kingdom	63.5	69.1	(8)%	(1)%	(7)%
Other Developed Markets	115.2	111.2	4%	(5)%	9%
Other Emerging Markets	201.5	198.5	2%	(10)%	12%

* 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)	**Full Year 2022**
Revenue	$8,225 to $8,375
Operational growth[1]	*9% to 11%*
Adjusted cost of sales as a percentage of revenue[2]	Approximately 29%
Adjusted SG&A expenses[2]	$2,050 to $2,100
Adjusted R&D expenses[2]	$535 to $555
Adjusted interest expense and other (income)/deductions-net[2]	Approximately $250
Effective tax rate on adjusted income[2]	Approximately 20%
Adjusted diluted EPS[2]	$4.99 to $5.09
Adjusted net income[2]	$2,365 to $2,420
Operational growth[1,3]	*10% to 13%*
Certain significant items and acquisition-related costs[4]	$20 to $30
Reported diluted EPS	$4.65 to $4.77

The guidance reflects foreign exchange rates as of late April 2022 and includes the assumed impacts as a result of fluctuations in foreign exchange rates relative to the U.S. dollar compared to weighted average foreign exchange rates from 2021, as noted above.

[1] Operational 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-net 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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Q&A



Appendix



Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Three months ended March 31,				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue by Product Category					
Parasiticides *(small animal)*	$379	$309	23%	(2)%	25%
Key Dermatology	307	245	25%	(3)%	28%
Diagnostics	98	89	10%	(2)%	12%
Revenue by Product					
Simparica Trio	164	90	82%	(1)%	83%

* Millions of dollars

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

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