Fourth Quarter and Full Year 2022 Financial Results

February 14, 2023

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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 supply chain; the impact of the coronavirus (COVID-19) global pandemic and any recovery therefrom on our business, supply chain, customers and employees; R&D costs, timing and likelihood of success; expectations regarding products, product approvals or products under development and expected timing of product launches; 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 rates 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 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, 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.*

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Kristin Peck

Chief Executive Officer

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Key Takeaways

Strong Global Growth Continued in 2022

- Generated 8% operational[1] revenue growth and 11% operational[1] increase in adjusted net income[2], with revenue in the U.S increasing 7% and International up 9% operationally[1].
- Full year revenue of $8.1 billion and full year adjusted net income[2] of $2.3 billion.
- Companion animal revenue grew 14% operationally[1] for 2022, as we continued to see strong demand globally for small animal parasiticides, our key dermatology products and monoclonal antibodies for pain.
- Revenue for our livestock portfolio declined 2% operationally[1] for 2022, primarily due to generic competition in cattle and poultry, unfavorable market conditions and the impact of supply challenges for certain products.

Guidance for 2023

- Outlook for 2023 projects operational[1] revenue growth of 6% to 8% and operational[1] growth of 7% to 9% in adjusted net income[2].
- We are focused on 5 key growth catalysts for this year:
    - Osteoarthritis pain
    - Companion animal parasiticides
    - Dermatology
    - Diagnostics
    - Emerging markets

[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

Income Statement Highlights

	Fourth Quarter		
	2022*	2021*	Change
Revenue	$2,040	$1,967	4%
Reported Net Income	461	414	11%
Reported Diluted Earnings Per Share	$0.99	$0.87	14%
Adjusted Net Income[1]	539	474	14%
Adjusted Diluted Earnings Per Share[1,2]	$1.15	$1.00	15%

* 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 15% includes a 15% unfavorable foreign exchange impact, and operational growth of 30%.

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Income Statement Highlights

	Full Year		
	2022*	2021*	Change
Revenue	$8,080	$7,776	4%
Reported Net Income	2,114	2,037	4%
Reported Diluted Earnings Per Share	$4.49	$4.27	5%
Adjusted Net Income[1]	2,297	2,240	3%
Adjusted Diluted Earnings Per Share[1,2]	$4.88	$4.70	4%

* 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 4% includes a 8% unfavorable foreign exchange impact, and operational growth of 12%.

Adjusted Income Statement Highlights

	Fourth Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$2,040	$1,967	4%	(5)%	9%
Adjusted Cost of Sales[2]	650	598	9%	(2)%	11%
as a percent of revenue[3]	*31.9%*	*30.4%*	*NA*	*NA*	*NA*
Adjusted SG&A Expenses[2]	507	586	(13)%	(4)%	(9)%
Adjusted R&D Expenses[2]	147	138	7%	(3)%	10%
Adjusted Operating Expenses[4]	660	730	(10)%	(4)%	(6)%
Effective Tax Rate on Adjusted Income[2]	20.8%	18.6%	*NA*	*NA*	*NA*
Adjusted Net Income[2]	$539	$474	14%	(13)%	27%

* 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 68.1% in the fourth quarter of 2022 and 69.6% in the fourth quarter of 2021.

[4] Adjusted operating expenses (a non-GAAP financial measure) of $660 million in the fourth quarter of 2022 and $730 million in the fourth quarter of 2021 includes adjusted amortization of intangible assets of $6 million in the fourth quarter of 2022 and 2021.

Adjusted Income Statement Highlights

	Full Year				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$8,080	$7,776	4%	(4)%	8%
Adjusted Cost of Sales[2]	2,440	2,289	7%	(1)%	8%
as a percent of revenue[3]	*30.2%*	*29.4%*	*NA*	*NA*	*N/A*
Adjusted SG&A Expenses[2]	1,980	1,971	—%	(3)%	3%
Adjusted R&D Expenses[2]	538	507	6%	(2)%	8%
Adjusted Operating Expenses[4]	2,544	2,501	2%	(2)%	4%
Effective Tax Rate on Adjusted Income[2]	20.3%	18.6%	*NA*	*NA*	*NA*
Adjusted Net Income[2]	$2,297	$2,240	3%	(8)%	11%

* 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 69.8% in 2022 and 70.6% in 2021.

[4] Adjusted operating expenses (a non-GAAP financial measure) of $2,544 million in 2022 and $2,501 million in 2021 includes adjusted amortization of intangible assets of $26 million in 2022 and $23 million in 2021.

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U.S. Segment Performance

	Fourth Quarter		
	2022*	2021*	Change
Revenue	$1,112	$1,040	7%
Companion Animal	853	763	12%
Livestock	259	277	(6)%
Cost of Sales	216	213	1%
Gross Profit	896	827	8%
Gross Margin	*80.6%*	*79.5%*	*NA*
Operating Expenses	187	197	(5)%
Other (Income)/Deductions-net	(12)	2	**
Earnings[1]	721	628	15%

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

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

U.S. Segment Performance

	Full Year		
	2022*	2021*	Change
Revenue	$4,313	$4,042	7%
Companion Animal	3,341	2,990	12%
Livestock	972	1,052	(8)%
Cost of Sales	803	788	2%
Gross Profit	3,510	3,254	8%
Gross Margin	*81.4%*	*80.5%*	*NA*
Operating Expenses	765	681	12%
Other (Income)/Deductions-net	(18)	4	**
Earnings[1]	2,763	2,569	8%

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

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

International Segment Performance

	Fourth Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$901	$902	—%	(12)%	12%
Companion Animal	450	419	7%	(14)%	21%
Livestock	451	483	(7)%	(11)%	4%
Cost of Sales	274	273	—%	(8)%	8%
Gross Profit	627	629	—%	(13)%	13%
Gross Margin	*69.6%*	*69.7%*	*NA*	*NA*	*NA*
Operating Expenses	155	173	(10)%	(10)%	—%
Other (Income)/Deductions-net	2	—	**	**	**
Earnings[2]	470	456	3%	(14)%	17%

* 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

	Full Year				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue	$3,681	$3,652	1%	(8)%	9%
Companion Animal	1,862	1,699	10%	(9)%	19%
Livestock	1,819	1,953	(7)%	(7)%	—%
Cost of Sales	1,083	1,106	(2)%	(5)%	3%
Gross Profit	2,598	2,546	2%	(10)%	12%
Gross Margin	*70.6%*	*69.7%*	*NA*	*NA*	*NA*
Operating Expenses	611	602	1%	(8)%	9%
Other (Income)/Deductions-net	(3)	(4)	(25)%	28%	(53)%
Earnings[2]	1,990	1,948	2%	(10)%	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

	Fourth Quarter				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Total International	$901.3	$902.3	—%	(12)%	12%
Australia	64.2	62.8	2%	(13)%	15%
Brazil	96.2	84.1	14%	4%	10%
Canada	65.2	63.0	3%	(8)%	11%
Chile	34.8	36.1	(4)%	(5)%	1%
China	91.4	68.4	34%	(14)%	48%
France	35.1	34.7	1%	(16)%	17%
Germany	44.0	48.0	(8)%	(14)%	6%
Italy	25.6	27.9	(8)%	(14)%	6%
Japan	36.1	46.3	(22)%	(21)%	(1)%
Mexico	35.6	34.8	2%	3%	(1)%
Spain	21.3	31.1	(32)%	(12)%	(20)%
United Kingdom	60.3	61.2	(1)%	(18)%	17%
Other Developed Markets	114.6	117.1	(2)%	(16)%	14%
Other Emerging Markets	176.9	186.8	(5)%	(14)%	9%

* Millions of dollars

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

International Segment Performance

	Full Year				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Total International	$3,680.8	$3,651.9	1%	(8)%	9%
Australia	288.7	258.8	12%	(9)%	21%
Brazil	329.5	311.5	6%	3%	3%
Canada	237.5	231.5	3%	(3)%	6%
Chile	141.1	136.3	4%	(4)%	8%
China	382.4	357.3	7%	(4)%	11%
France	126.1	132.4	(5)%	(12)%	7%
Germany	176.3	183.0	(4)%	(12)%	8%
Italy	111.2	115.2	(3)%	(11)%	8%
Japan	173.1	186.2	(7)%	(16)%	9%
Mexico	136.2	132.6	3%	—%	3%
Spain	117.8	127.7	(8)%	(11)%	3%
United Kingdom	234.5	234.4	—%	(11)%	11%
Other Developed Markets	468.4	467.0	—%	(11)%	11%
Other Emerging Markets	758.0	778.0	(3)%	(12)%	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)	**Full Year 2023**
Revenue	$8,575 to $8,725
Operational growth[1]	*6% to 8%*
Adjusted cost of sales as a percentage of revenue[2]	29.5% to 30.0%
Adjusted SG&A expenses[2]	$2,060 to $2,100
Adjusted R&D expenses[2]	$635 to $660
Adjusted interest expense and other (income)/deductions-net[2]	Approximately $170
Effective tax rate on adjusted income[2]	20.0% to 21.0%
Adjusted diluted EPS[2]	$5.34 to $5.44
Adjusted net income[2]	$2,490 to $2,540
Operational growth[1,3]	*7% to 9%*
Certain significant items and acquisition-related costs[4]	$20 - $25
Reported diluted EPS	$5.03 to $5.14

The guidance reflects foreign exchange rates as of late January 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 2022, 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 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.

Q&A

Appendix

Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Fourth quarter ended December 31,				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue by Product Category					
Key Dermatology	$347	$316	10%	(4)%	14%
Key Dermatology *(international)*	108	101	7%	(15)%	22%
Revenue by Product					
Simparica Trio	171	124	38%	(1)%	39%

	Full year ended December 31,				
	2022*	2021*	Change	Foreign Exchange	Operational[1]
Revenue by Product Category					
Parasiticides *(small animal)*	$1,561	$1,326	18%	(2)%	20%
Key Dermatology	1,313	1,162	13%	(4)%	17%
Key Dermatology *(international)*	431	375	15%	(12)%	27%
Diagnostics *(companion animal)*	333	351	(5)%	(3)%	(2)%
Revenue by Product					
Simparica Trio	744	475	57%	(1)%	58%

* Millions of dollars

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

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Reconciliation Of Adjusted Net Income To Adjusted EBIT

Dollars in millions	2020	2021	2022
Adjusted net income attributable to Zoetis[1]	$1,844	$2,240	$2,297
Interest expense[2]	231	224	221
Interest income[2]	(12)	(6)	(50)
Income taxes[2]	413	511	583
Adjusted EBIT[3]	$2,476	$2,969	$3,051
% of revenue[4]	*37.1%*	*38.2%*	*37.8%*

[1] Adjusted net income attributable to Zoetis (a non-GAAP financial measure) is defined as reported U.S. GAAP net income attributable to Zoetis excluding purchase accounting adjustments, acquisition-related costs and certain significant items.

[2] As included in adjusted net income.

[3] Adjusted Earnings Before Interest and Taxes (EBIT) (a non-GAAP financial measure) is defined as adjusted net income attributable to Zoetis excluding (i) interest expense and interest income and (ii) income taxes (all as included in adjusted net income).

[4] Adjusted EBIT margin (a non-GAAP financial measure) is defined as EBIT expressed as a percentage of revenue.

Reconciliation Of GAAP Reported To Non-GAAP Adjusted Information

2022

in USD millions, except per share data	GAAP[1] Reported	Purchase Accounting	Acquisition-Related Costs	Certain Significant Items	Non-GAAP Adjusted[2]
Cost of sales	$2,454	$(6)	$—	$(8)	$2,440
Gross profit	5,626	6	—	8	5,640
Selling, general and administrative expenses	2,009	(29)	—	—	1,980
Research and development expenses	539	(1)	—	—	538
Amortization of intangible assets	150	(124)	—	—	26
Total operating expenses	2,698	(154)	—	—	2,544
Restructuring charges and certain acquisition-related costs	11	—	(5)	(6)	—
Other (income)/deductions—net	40	—	—	(42)	(2)
Income before provision for taxes on income	2,656	160	5	56	2,877
Provision for taxes on income	545	40	1	(3)	583
Net income before allocation to noncontrolling interests	2,111	120	4	59	2,294
Net income attributable to Zoetis	2,114	120	4	59	2,297
Earnings per common share attributable to Zoetis - diluted	$4.49	$0.26	$0.01	$0.12	$4.88

[1] U.S. generally accepted accounting principles

[2] Non-GAAP adjusted net income is defined as reported U.S. GAAP net income excluding purchase accounting adjustments, acquisition-related costs and certain significant items. The adjusted net income measure and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

Reconciliation Of GAAP Reported To Non-GAAP Adjusted Information

2021

in USD millions, except per share data	GAAP[1] Reported	Purchase Accounting	Acquisition-Related Costs	Certain Significant Items	Non-GAAP Adjusted[2]
Cost of sales	$2,303	$(6)	$—	$(8)	$2,289
Gross profit	5,473	6	—	8	5,487
Selling, general and administrative expenses	2,001	(30)	—	—	1,971
Research and development expenses	508	(1)	—	—	507
Amortization of intangible assets	161	(138)	—	—	23
Total operating expenses	2,670	(169)	—	—	2,501
Restructuring charges and certain acquisition-related costs	43	—	(12)	(31)	—
Other (income)/deductions—net	48	—	—	(34)	14
Income before provision for taxes on income	2,488	175	12	73	2,748
Provision for taxes on income	454	39	2	16	511
Net income before allocation to noncontrolling interests	2,034	136	10	57	2,237
Net income attributable to Zoetis	2,037	136	10	57	2,240
Earnings per common share attributable to Zoetis - diluted	$4.27	$0.29	$0.02	$0.12	$4.70

[1] U.S. generally accepted accounting principles

[2] Non-GAAP adjusted net income is defined as reported U.S. GAAP net income excluding purchase accounting adjustments, acquisition-related costs and certain significant items. The adjusted net income measure and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

Reconciliation Of GAAP Reported To Non-GAAP Adjusted Information

2020

in USD millions, except per share data	GAAP[1] Reported	Purchase Accounting	Acquisition-Related Costs	Certain Significant Items	Non-GAAP Adjusted[2]
Cost of sales	$2,057	$(8)	$—	$(19)	$2,030
Gross profit	4,618	8	—	19	4,645
Selling, general and administrative expenses	1,726	(54)	—	(13)	1,659
Research and development expenses	463	(1)	—	—	462
Amortization of intangible assets	160	(135)	—	—	25
Total operating expenses	2,349	(190)	—	(13)	2,146
Restructuring charges and certain acquisition-related costs	25	—	(18)	(7)	—
Other (income)/deductions—net	17	—	—	(4)	13
Income before provision for taxes on income	1,996	198	18	43	2,255
Provision for taxes on income	360	56	(1)	(2)	413
Net income before allocation to noncontrolling interests	1,636	142	19	45	1,842
Net income attributable to Zoetis	1,638	142	19	45	1,844
Earnings per common share attributable to Zoetis - diluted	$3.42	$0.30	$0.04	$0.09	$3.85

[1] U.S. generally accepted accounting principles

[2] Non-GAAP adjusted net income is defined as reported U.S. GAAP net income excluding purchase accounting adjustments, acquisition-related costs and certain significant items. The adjusted net income measure and its components are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components. Non-GAAP adjusted net income and its components are presented solely to permit investors to more fully understand how management assesses performance.

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Reconciliation Of Adjusted Net Income Growth To Non-GAAP Financial Measures

in USD millions	Adjusted Net Income[1]	Change From Prior Year	Foreign Exchange	Operational Growth[2]
2020	$1,844	5%	(5)%	10%
2021	$2,240	21%	2%	19%
2022	$2,297	3%	(8)%	11%

[1] 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.

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

Reconciliation Of Reported Revenue To Non-GAAP Financial Measures

in USD millions	Revenue	Change From Prior Year	Foreign Exchange	Operational Growth[1]	Acquisitions	Organic Operational Growth[2]
2020	$6,675	7%	(2)%	9%	1%	8%
2021	$7,776	16%	1%	15%		
2022	$8,080	4%	(4)%	8%		

[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 acquisitions, as well as foreign exchange

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