

A photograph of two brown horses standing in a grassy field at sunset. The horses are the central focus, with one slightly in front of the other. The background shows a line of trees and a white building under a sky with soft, golden light. An orange vertical bar is on the left side of the slide.

First Quarter 2023 Financial Results

May 4, 2023

zoetis

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; R&D costs, timing and likelihood of success; expectations regarding products, product approvals or products under development and 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 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.*

Kristin Peck

Chief Executive Officer



Key Takeaways

1Q Revenue Growth and Earnings Results

- Generated 4% operational¹ revenue growth and a 3% operational decline in adjusted net income², with International revenue up 10% operationally, partially offset by a decline of 1% in the U.S.
- Our livestock portfolio growth of 12% operationally was broad-based, with double-digit operational growth across cattle, poultry, sheep and fish.
- Companion animal revenue was flat operationally, with growth in our monoclonal antibodies for pain, Librela and Solensia, offsetting declines in Apoquel, parasiticides and anti-infectives.

Maintains Guidance for 2023

- We are reaffirming our 2023 guidance provided during February's earnings call.
 - Revenue range of \$8.575B and \$8.725B, with operational growth of 6% to 8%.
 - Adjusted net income range of \$2.490B and \$2.540B, with operational growth of 7% to 9%.
- We anticipate double-digit operational growth for companion animal products and relatively flat operational growth in our livestock portfolio in 2023.

¹ Operational results (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

	First Quarter		
	2023*	2022*	Change
Revenue	\$2,000	\$1,986	1%
Reported Net Income	552	595	(7)%
Reported Diluted Earnings Per Share	\$1.19	\$1.26	(6)%
Adjusted Net Income ¹	607	625	(3)%
Adjusted Diluted Earnings Per Share ^{1,2}	\$1.31	\$1.32	(1)%

* 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 decrease of 1% includes 0% foreign exchange impact, an operational decrease of 1%.

Adjusted Income Statement Highlights

	First Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,000	\$1,986	1%	(3)%	4%
Adjusted Cost of Sales ²	584	565	3%	(9)%	12%
<i>as a percent of revenue³</i>	29.2%	28.4%	NA	NA	NA
Adjusted SG&A Expenses ²	498	458	9%	(2)%	11%
Adjusted R&D Expenses ²	142	122	16%	(3)%	19%
Adjusted Operating Expenses ⁴	646	589	10%	(2)%	12%
Effective Tax Rate on Adjusted Income ²	20.5%	18.9%	NA	NA	NA
Adjusted Net Income ²	\$607	\$625	(3)%	—%	(3)%

* Millions of dollars, NA – Not applicable

¹ Operational results (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 70.8% and 71.6% in the first quarter of 2023 and 2022, respectively.

⁴ Adjusted operating expenses (a non-GAAP financial measure) of \$646 million in the first quarter of 2023 and \$589 million in the first quarter of 2022 includes adjusted amortization of intangible assets of \$6 million and \$9 million in the first quarter of 2023 and 2022, respectively.

U.S. Segment Performance

	First Quarter		
	2023*	2022*	Change
Revenue	\$1,005	\$1,020	(1)%
Companion Animal	721	774	(7)%
Livestock	284	246	15%
Cost of Sales	203	185	10%
Gross Profit	802	835	(4)%
<i>Gross Margin</i>	79.8%	81.9%	NA
Operating Expenses	188	165	14%
Other (Income)/Deductions - net	—	—	**
Earnings ¹	\$614	\$670	(8)%

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

¹ Defined as income before provision for taxes on income.

International Segment Performance

	First Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$978	\$948	3%	(7)%	10%
Companion Animal	504	489	3%	(7)%	10%
Livestock	474	459	3%	(7)%	10%
Cost of Sales	291	265	10%	(10)%	20%
Gross Profit	687	683	1%	(5)%	6%
<i>Gross Margin</i>	70.2%	72.0%	NA	NA	NA
Operating Expenses	151	145	4%	(7)%	11%
Other (Income)/Deductions - net	1	—	**	**	**
Earnings ²	\$535	\$538	(1)%	(5)%	4%

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

¹ Operational results (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				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Total International	\$977.5	\$947.5	3%	(7)%	10%
Australia	81.8	64.9	26%	(6)%	32%
Brazil	84.0	76.8	9%	5%	4%
Canada	50.1	49.0	2%	(6)%	8%
Chile	39.2	41.2	(5)%	—%	(5)%
China	102.2	102.7	—%	(8)%	8%
France	33.7	31.9	6%	(6)%	12%
Germany	45.3	43.1	5%	(6)%	11%
Italy	25.5	30.4	(16)%	(5)%	(11)%
Japan	39.1	59.1	(34)%	(11)%	(23)%
Mexico	38.6	34.8	11%	8%	3%
Spain	32.9	33.4	(1)%	(5)%	4%
United Kingdom	68.2	63.5	7%	(12)%	19%
Other Developed Markets	121.9	115.2	6%	(7)%	13%
Other Emerging Markets	215.0	201.5	7%	(13)%	20%

* Millions of dollars

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

Financial Guidance

Selected Line Items (millions of dollars, except per share amounts)	Full Year 2023
Revenue <i>Operational growth</i> ¹	\$8,575 to \$8,725 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 <i>Operational growth</i> ^{1,3}	\$2,490 to \$2,540 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 April 2023 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 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.

Q&A



Appendix



Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Three months ended March 31,				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
<u>Revenue by Product Category</u>					
Key Dermatology	\$290	\$307	(6)%	(3)%	(3)%
Diagnostics (<i>companion animal</i>)	88	92	(4)%	(1)%	(3)%
Key Dermatology (<i>international</i>)	106	114	(7)%	(7)%	—%
<u>Revenue by Product</u>					
Simparica Trio	151	164	(8)%	(1)%	(7)%
Librela (<i>international</i>)	34	21	62%	(12)%	74%
Simparica Trio (<i>international</i>)	24	17	41%	(6)%	47%

* Millions of dollars

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

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