

The background of the slide features two brown horses standing in a grassy field. The scene is set during sunset or sunrise, with a warm, golden light illuminating the horses and the sky. The sky is filled with soft, wispy clouds. In the background, there is a line of trees and a white building, possibly a barn, partially visible. The overall mood is peaceful and natural.

Second Quarter 2023 Financial Results

August 8, 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 global 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.

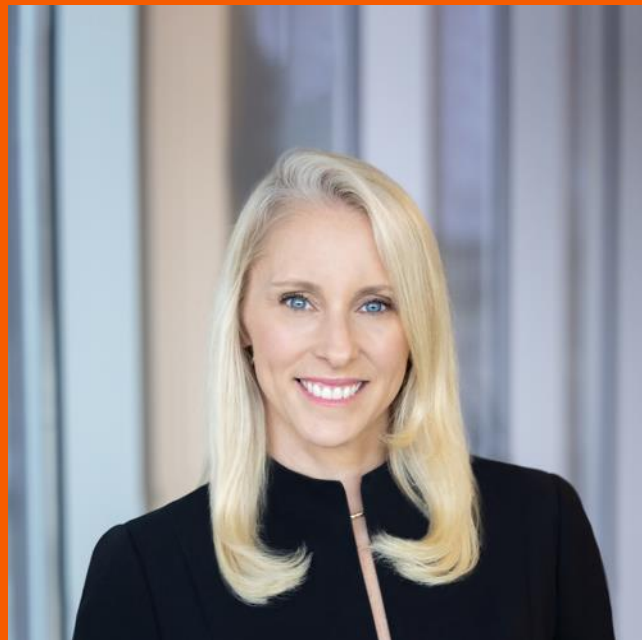
Non-GAAP Financial Information

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 the 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

Strong 2Q Global Growth

- Generated 9% operational¹ revenue growth and a 12% operational increase in adjusted net income², with U.S. revenue increasing 7% and International revenue up 11% operationally.
- Companion animal revenue grew 11% operationally, driven by our major franchises in dermatology, osteoarthritis pain and pet parasiticides.
- Our livestock portfolio grew 4% operationally, driven by increased sales of poultry, cattle and fish products.

Updated Guidance for 2023

- Due to the higher unfavorable impact from foreign exchange, we are slightly lowering our revenue range, while maintaining our guidance on operational revenue growth.
 - Revenue range of \$8.500B and \$8.650B, with operational growth of 6% to 8%.
- We expect adjusted net income to be slightly above our previous guidance, while maintaining our previous guidance of operational growth, driven by foreign exchange favorability in cost of sales and expenses which were partially offset by unfavorability in revenue.
 - Adjusted net income range of \$2.500B and \$2.550B, with operational growth of 7% to 9%.
- We anticipate companion animal growth to continue driving our performance for the remainder of the year, while we expect full year operational growth for our livestock portfolio to be in the low single-digits.

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

	Second Quarter		
	2023*	2022*	Change
Revenue	\$2,180	\$2,052	6%
Reported Net Income	671	529	27%
Reported Diluted Earnings Per Share	\$1.45	\$1.12	29%
Adjusted Net Income ¹	652	567	15%
Adjusted Diluted Earnings Per Share ^{1,2}	\$1.41	\$1.20	18%

* 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 18% includes 4% foreign exchange impact, an operational growth of 14%.

Adjusted Income Statement Highlights

	Second Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,180	\$2,052	6%	(3)%	9%
Adjusted Cost of Sales ²	602	620	(3)%	(9)%	6%
<i>as a percent of revenue³</i>	27.6%	30.2%	NA	NA	NA
Adjusted SG&A Expenses ²	549	522	5%	(3)%	8%
Adjusted R&D Expenses ²	146	135	8%	—%	8%
Adjusted Operating Expenses ⁴	701	662	6%	(2)%	8%
Effective Tax Rate on Adjusted Income ²	21.5%	20.7%	NA	NA	NA
Adjusted Net Income ²	\$652	\$567	15%	3%	12%

* 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 72.4% and 69.8% in the second quarter of 2023 and 2022, respectively.

⁴ Adjusted operating expenses (a non-GAAP financial measure) of \$701 million in the second quarter of 2023 and \$662 million in the second quarter of 2022 includes adjusted amortization of intangible assets of \$6 million and \$5 million in the second quarter of 2023 and 2022, respectively.

U.S. Segment Performance

	Second Quarter		
	2023*	2022*	Change
Revenue	\$1,165	\$1,091	7%
Companion Animal	959	895	7%
Livestock	206	196	5%
Cost of Sales	214	198	8%
Gross Profit	951	893	6%
<i>Gross Margin</i>	81.6%	81.9%	NA
Operating Expenses	212	207	2%
Other (Income)/Deductions - net	—	(7)	**
Earnings ¹	\$739	\$693	7%

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

¹ Defined as income before provision for taxes on income.

International Segment Performance

	Second Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$995	\$943	6%	(5)%	11%
Companion Animal	530	471	13%	(4)%	17%
Livestock	465	472	(1)%	(5)%	4%
Cost of Sales	315	288	9%	(11)%	20%
Gross Profit	680	655	4%	(2)%	6%
<i>Gross Margin</i>	68.3%	69.5%	NA	NA	NA
Operating Expenses	166	161	3%	(8)%	11%
Other (Income)/Deductions - net	(1)	(2)	(50)%	49%	(99)%
Earnings ²	\$515	\$496	4%	(1)%	5%

* 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

	Second Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Total International	\$995.4	\$943.2	6%	(5)%	11%
Australia	81.7	80.1	2%	(9)%	11%
Brazil	91.5	85.9	7%	(3)%	10%
Canada	69.5	66.8	4%	(7)%	11%
Chile	39.1	34.2	14%	1%	13%
China	84.1	96.2	(13)%	(6)%	(7)%
France	33.9	31.3	8%	—%	8%
Germany	52.5	45.9	14%	—%	14%
Italy	35.6	31.6	13%	1%	12%
Japan	46.7	40.9	14%	(9)%	23%
Mexico	38.3	33.2	15%	12%	3%
Spain	30.9	34.5	(10)%	1%	(11)%
United Kingdom	63.3	51.0	24%	(5)%	29%
Other Developed Markets	124.9	118.1	6%	(4)%	10%
Other Emerging Markets	203.4	193.5	5%	(11)%	16%

* 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	\$8,500 to \$8,650 6% to 8%
Adjusted cost of sales as a percentage of revenue ²	Approximately 29%
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 \$160
Effective tax rate on adjusted income ²	20.0% to 21.0%
Adjusted diluted EPS ²	\$5.37 to \$5.47
Adjusted net income ² <i>Operational growth</i> ^{1,3}	\$2,500 to \$2,550 7% to 9%
Certain significant items and acquisition-related costs ⁴	\$(20) - \$(30)
Reported diluted EPS	\$5.15 to \$5.27

The guidance reflects foreign exchange rates as of late July 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 (income)/costs, net related to divestitures, acquisitions and other charges.

Q&A



Appendix



Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Three months ended June 30,				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
<u>Revenue by Product Category</u>					
Key Dermatology	\$355	\$315	13%	(1)%	14%
Diagnostics (<i>companion animal</i>)	92	83	11%	(1)%	12%
Key Dermatology (<i>international</i>)	114	97	18%	(4)%	22%
<u>Revenue by Product</u>					
Revolution	103	87	18%	(4)%	22%
Simparica Trio	248	237	5%	—%	5%
Revolution (<i>international</i>)	57	40	43%	(9)%	52%
Librela (<i>international</i>)	48	26	85%	(4)%	89%

* Millions of dollars

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

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