The background of the slide is a photograph of two brown horses standing in a grassy field. The scene is captured during sunset or sunrise, with a warm, golden light illuminating the horses and the sky. The sky is a mix of soft orange and pale blue. In the background, there is a dark line of trees and a white building partially visible behind a fence. The overall mood is peaceful and natural.

# Third Quarter 2023 Financial Results

November 2, 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; R&D costs, timing and likelihood of success; expectations regarding products, product approvals or products under development and expected timing of product launches; disruptions in our global supply chain; 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](http://www.sec.gov), [www.zoetis.com](http://www.zoetis.com), or on request from Zoetis.*

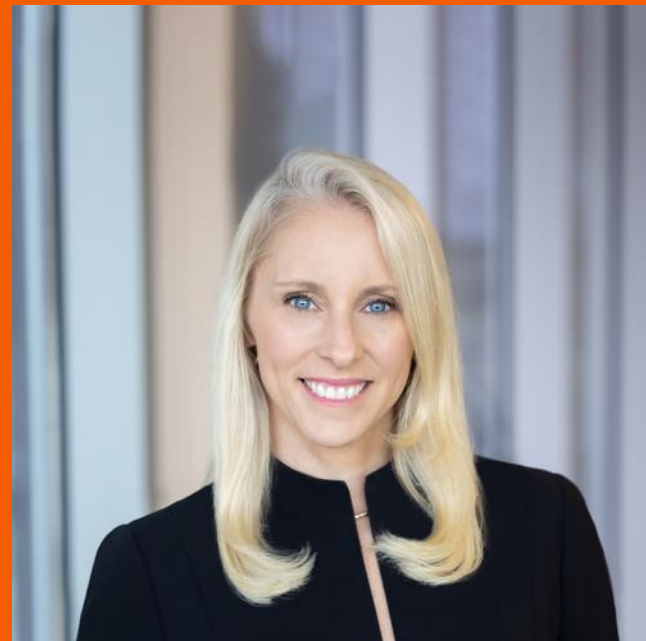
# Non-GAAP Financial Information

*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](http://www.zoetis.com).*

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

# Kristin Peck

Chief Executive Officer



# Key Takeaways

## Strong 3Q Global Growth

- Generated 8% operational<sup>1</sup> revenue growth and a 13% operational increase in adjusted net income<sup>2</sup>, with U.S. revenue increasing 8% and International revenue up 8% operationally.
- Companion animal revenue grew 11% operationally, driven by our innovative products, with double-digit operational growth in our key dermatology portfolio, our monoclonal antibodies for OA pain, Librela<sup>®</sup> and Solensia<sup>®</sup>, and Simparica Trio<sup>®</sup>.
- Our livestock portfolio grew 3% operationally, with international growth partially offset by a slight decline in the U.S. Growth in livestock was driven by sales of poultry and cattle products.

## Updates and Narrows Guidance for 2023

- Due to unfavorable foreign exchange rates, we are revising our reported revenue range, while narrowing our guidance on operational revenue growth. We expect revenue between \$8.475B and \$8.550B, with operational growth of 6.5% to 7.5%.
- We are expecting adjusted net income to be in the range of \$2.490B and \$2.515B driven by unfavorable foreign exchange. Operationally, we are narrowing our growth expectations to a range of 7.5% to 8.5%.
- Expected reported diluted EPS narrows to a range of \$5.14 to \$5.21, and adjusted diluted EPS narrows to \$5.38 to \$5.43.

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

<sup>2</sup> 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

	Third Quarter		
	2023*	2022*	Change
Revenue	\$2,151	\$2,002	7%
Reported Net Income	596	529	13%
Reported Diluted Earnings Per Share	\$1.29	\$1.13	14%
Adjusted Net Income <sup>1</sup>	629	566	11%
Adjusted Diluted Earnings Per Share <sup>1</sup>	\$1.36	\$1.21	12%

\* Millions of dollars, except per share data

<sup>1</sup> 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.

# Adjusted Income Statement Highlights

	Third Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational <sup>1</sup>
Revenue	\$2,151	\$2,002	7%	(1)%	8%
Adjusted Cost of Sales <sup>2</sup>	635	605	5%	—%	5%
<i>as a percent of revenue<sup>3</sup></i>	29.5%	30.2%	NA	NA	NA
Adjusted SG&A Expenses <sup>2</sup>	521	493	6%	1%	5%
Adjusted R&D Expenses <sup>2</sup>	151	134	13%	—%	13%
Adjusted Operating Expenses <sup>4</sup>	677	633	7%	—%	7%
Effective Tax Rate on Adjusted Income <sup>2</sup>	19.6%	20.9%	NA	NA	NA
Adjusted Net Income <sup>2</sup>	629	566	11%	(2)%	13%
Adjusted Diluted Earnings Per Share <sup>2</sup>	\$1.36	\$1.21	12%	(3)%	15%

\* Millions of dollars, except per share data NA – Not applicable

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

<sup>2</sup> 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.

<sup>3</sup> Adjusted gross margin (a non-GAAP financial measure) was 70.5% and 69.8% in the third quarter of 2023 and 2022, respectively.

<sup>4</sup> Adjusted operating expenses (a non-GAAP financial measure) of \$677 million in the third quarter of 2023 and \$633 million in the third quarter of 2022 includes adjusted amortization of intangible assets of \$5 million and \$6 million in the third quarter of 2023 and 2022, respectively.

# U.S. Segment Performance

	Third Quarter		
	2023*	2022*	Change
Revenue	\$1,174	\$1,090	8%
Companion Animal	908	819	11%
Livestock	266	271	(2)%
Cost of Sales	228	204	12%
Gross Profit	946	886	7%
<i>Gross Margin</i>	80.6%	81.3%	NA
Operating Expenses	202	206	(2)%
Other (Income)/Deductions - net	—	1	**
Earnings <sup>1</sup>	\$744	\$679	10%

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

<sup>1</sup> Defined as income before provision for taxes on income.

# International Segment Performance

	Third Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational <sup>1</sup>
Revenue	\$956	\$889	8%	—%	8%
Companion Animal	506	452	12%	—%	12%
Livestock	450	437	3%	(2)%	5%
Cost of Sales	306	256	20%	1%	19%
Gross Profit	650	633	3%	(1)%	4%
<i>Gross Margin</i>	68.0%	71.2%	NA	NA	NA
Operating Expenses	156	150	4%	—%	4%
Other (Income)/Deductions - net	1	(3)	*	*	*
Earnings <sup>2</sup>	\$493	\$486	1%	(3)%	4%

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

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

<sup>2</sup> Defined as income before provision for taxes on income.

# International Segment Performance

	Third Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational <sup>1</sup>
<b>Total International</b>	<b>\$956.2</b>	<b>\$888.8</b>	<b>8%</b>	<b>—%</b>	<b>8%</b>
Australia	84.2	79.5	6%	(5)%	11%
Brazil	100.0	70.6	42%	8%	34%
Canada	63.9	56.5	13%	(3)%	16%
Chile	30.5	30.9	(1)%	2%	(3)%
China	69.0	92.1	(25)%	(5)%	(20)%
France	34.3	27.8	23%	5%	18%
Germany	50.5	43.3	17%	7%	10%
Italy	25.8	23.6	9%	7%	2%
Japan	34.1	37.0	(8)%	(5)%	(3)%
Mexico	42.2	32.6	29%	20%	9%
Spain	30.5	28.6	7%	7%	—%
United Kingdom	77.6	59.7	30%	6%	24%
Other Developed Markets	127.1	120.5	5%	1%	4%
Other Emerging Markets	186.5	186.1	—%	(12)%	12%

\* Millions of dollars

<sup>1</sup> 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	\$8,475 to \$8,550
<i>Operational growth</i> <sup>1</sup>	6.5% to 7.5%
Adjusted cost of sales as a percentage of revenue <sup>2</sup>	Approximately 29%
Adjusted SG&A expenses <sup>2</sup>	\$2,095 to \$2,115
Adjusted R&D expenses <sup>2</sup>	\$600 to \$610
Adjusted interest expense and other (income)/deductions-net <sup>2</sup>	Approximately \$160
Effective tax rate on adjusted income <sup>2</sup>	20.0% to 20.5%
Adjusted diluted EPS <sup>2</sup>	\$5.38 to \$5.43
Adjusted net income <sup>2</sup>	\$2,490 to \$2,515
<i>Operational growth</i> <sup>1,3</sup>	7.5% to 8.5%
Certain significant items and acquisition-related costs <sup>4</sup>	\$(15) - \$(25)
Reported diluted EPS	\$5.14 to \$5.21

The guidance reflects foreign exchange rates as of late October 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.

<sup>1</sup> Operational growth (a non-GAAP financial measure) excludes the impact of foreign exchange.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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 September 30,				
	2023*	2022*	Change	Foreign Exchange	Operational <sup>1</sup>
<u>Revenue by Product Category</u>					
Key Dermatology	\$393	\$343	15%	1%	14%
Diagnostics ( <i>companion animal</i> )	90	78	15%	1%	14%
Key Dermatology ( <i>international</i> )	133	113	18%	1%	17%
Parasiticides ( <i>small animal - international</i> )	105	97	8%	(1)%	9%
<u>Revenue by Product</u>					
Simparica Trio	206	172	20%	—%	20%
Librela ( <i>international</i> )	50	31	61%	6%	55%
Simparica <sup>®</sup> ( <i>international</i> )	40	31	29%	—%	29%
Simparica Trio ( <i>international</i> )	23	15	53%	6%	47%
Revolution <sup>®</sup> ( <i>international</i> )	35	43	(19)%	(3)%	(16)%
<u>Revenue by Species</u>					
Cattle ( <i>international</i> )	180	170	6%	(2)%	8%
Poultry ( <i>international</i> )	85	80	6%	(3)%	9%

\* Millions of dollars

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

*zoetis*