

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.

Fourth Quarter and Full Year 2023 Financial Results

February 13, 2024

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; 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.

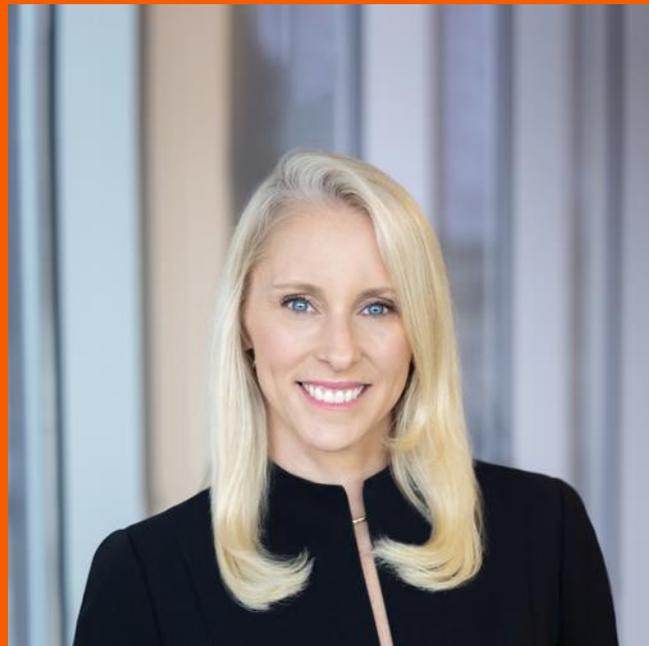
Non-GAAP Financial Information

We use non-GAAP financial measures, such as adjusted net income, adjusted diluted earnings per share and operational results (which exclude the impact of foreign exchange), 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 press release 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 this press 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 Global Growth Continued in 2023

- Generated 7% operational¹ revenue growth and 7% operational¹ increase in adjusted net income², with revenue in the U.S. increasing 6% and International up 9% operationally¹.
- Full year revenue of \$8.5 billion and full year adjusted net income² of \$2.5 billion.
- Companion animal revenue grew 8% operationally¹ for 2023, led by our monoclonal antibodies for OA pain, Librela™ and Solensia®, growth in our key dermatology portfolio and Simparica Trio®.
- Revenue for our livestock portfolio grew 6% operationally¹ for 2023, with growth driven equally by price and volume.

Guidance for 2024

- Outlook for 2024 projects operational¹ revenue growth of 7% to 9% and operational¹ growth of 9% to 11% in adjusted net income².
- We expect to see robust growth from our pain mAbs, both in the U.S. and internationally, as we work to build our next billion-dollar franchise.
- Well-positioned for growth in our other key companion animal franchises, including dermatology, parasiticides and diagnostics.
- For livestock, we expect our growth rate to normalize and be in line with livestock industry growth.

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

	Fourth Quarter		
	2023*	2022*	Change
Revenue	\$2,213	\$2,040	8%
Reported Net Income	525	461	14%
Reported Diluted Earnings Per Share	\$1.14	\$0.99	15%
Adjusted Net Income ¹	569	539	6%
Adjusted Diluted Earnings Per Share ^{1,2}	\$1.24	\$1.15	8%

* 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 8% includes a 1% favorable foreign exchange impact, and operational growth of 7%.

Income Statement Highlights

	Full Year		
	2023*	2022*	Change
Revenue	\$8,544	\$8,080	6%
Reported Net Income	2,344	2,114	11%
Reported Diluted Earnings Per Share	\$5.07	\$4.49	13%
Adjusted Net Income ¹	2,457	2,297	7%
Adjusted Diluted Earnings Per Share ^{1,2}	\$5.32	\$4.88	9%

* 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 9% includes a 1% favorable foreign exchange impact, and operational growth of 8%.

Adjusted Income Statement Highlights

	Fourth Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,213	\$2,040	8%	—%	8%
Adjusted Cost of Sales ²	727	650	12%	3%	9%
<i>as a percent of revenue³</i>	32.9%	31.9%	NA	NA	NA
Adjusted SG&A Expenses ²	562	507	11%	1%	10%
Adjusted R&D Expenses ²	174	147	18%	1%	17%
Adjusted Operating Expenses ⁴	741	660	12%	1%	11%
Effective Tax Rate on Adjusted Income ²	18.8%	20.8%	NA	NA	NA
Adjusted Net Income ²	\$569	\$539	6%	—%	6%

* 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 and adjusted research and development (R&D) expenses 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).

³ Adjusted gross margin (a non-GAAP financial measure) was 67.1% in the fourth quarter of 2023 and 68.1% in the fourth quarter of 2022.

⁴ Adjusted operating expenses (a non-GAAP financial measure) of \$741 million in the fourth quarter of 2023 and \$660 million in the fourth quarter of 2022 includes adjusted amortization of intangible assets of \$5 million and \$6 million in the fourth quarter of 2023 and 2022, respectively.

Adjusted Income Statement Highlights

	Full Year				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$8,544	\$8,080	6%	(1)%	7%
Adjusted Cost of Sales ²	2,548	2,440	4%	(4)%	8%
<i>as a percent of revenue³</i>	29.8%	30.2%	NA	NA	N/A
Adjusted SG&A Expenses ²	2,130	1,980	8%	(1)%	9%
Adjusted R&D Expenses ²	613	538	14%	—%	14%
Adjusted Operating Expenses ⁴	2,765	2,544	9%	(1)%	10%
Effective Tax Rate on Adjusted Income ²	20.1%	20.3%	NA	NA	NA
Adjusted Net Income ²	\$2,457	\$2,297	7%	—%	7%

* 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 and adjusted research and development (R&D) expenses 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).

³ Adjusted gross margin (a non-GAAP financial measure) was 70.2% in 2023 and 69.8% in 2022.

⁴ Adjusted operating expenses (a non-GAAP financial measure) of \$2,765 million in 2023 and \$2,544 million in 2022 includes adjusted amortization of intangible assets of \$22 million in 2023 and \$26 million in 2022.

U.S. Segment Performance

	Fourth Quarter		
	2023*	2022*	Change
Revenue	\$1,211	\$1,112	9%
Companion Animal	941	853	10%
Livestock	270	259	4%
Cost of Sales	255	216	18%
Gross Profit	956	896	7%
<i>Gross Margin</i>	78.9%	80.6%	NA
Operating Expenses	184	187	(2)%
Other (Income)/Deductions-net	6	(12)	**
Earnings ¹	766	721	6%

* 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		
	2023*	2022*	Change
Revenue	\$4,555	\$4,313	6%
Companion Animal	3,529	3,341	6%
Livestock	1,026	972	6%
Cost of Sales	900	803	12%
Gross Profit	3,655	3,510	4%
<i>Gross Margin</i>	80.2%	81.4%	NA
Operating Expenses	786	765	3%
Other (Income)/Deductions-net	6	(18)	**
Earnings ¹	2,863	2,763	4%

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

¹ Defined as income before provision for taxes on income.

International Segment Performance

	Fourth Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$982	\$901	9%	1%	8%
Companion Animal	507	450	13%	3%	10%
Livestock	475	451	5%	(2)%	7%
Cost of Sales	322	274	18%	1%	17%
Gross Profit	660	627	5%	—%	5%
<i>Gross Margin</i>	67.2%	69.6%	NA	NA	NA
Operating Expenses	165	155	6%	1%	5%
Other (Income)/Deductions-net	1	2	**	**	**
Earnings ²	494	470	5%	—%	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

	Full Year				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Revenue	\$3,911	\$3,681	6%	(3)%	9%
Companion Animal	2,047	1,862	10%	(2)%	12%
Livestock	1,864	1,819	2%	(5)%	7%
Cost of Sales	1,234	1,083	14%	(5)%	19%
Gross Profit	2,677	2,598	3%	(2)%	5%
<i>Gross Margin</i>	68.4%	70.6%	NA	NA	NA
Operating Expenses	638	611	4%	(4)%	8%
Other (Income)/Deductions-net	2	(3)	**	**	**
Earnings ²	2,037	1,990	2%	(2)%	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

	Fourth Quarter				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Total International	\$982.1	\$901.3	9%	1%	8%
Australia	75.0	64.2	17%	(2)%	19%
Brazil	117.2	96.2	22%	7%	15%
Canada	71.1	65.2	9%	(2)%	11%
Chile	31.4	34.8	(10)%	1%	(11)%
China	64.7	91.4	(29)%	(1)%	(28)%
France	40.5	35.1	15%	8%	7%
Germany	54.1	44.0	23%	8%	15%
Italy	33.9	25.6	32%	9%	23%
Japan	38.0	36.1	5%	(4)%	9%
Mexico	43.3	35.6	22%	14%	8%
Spain	27.3	21.3	28%	9%	19%
United Kingdom	67.9	60.3	13%	9%	4%
Other Developed Markets	138.3	114.6	21%	4%	17%
Other Emerging Markets	179.4	176.9	1%	(13)%	14%

* Millions of dollars

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

International Segment Performance

	Full Year				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
Total International	\$3,911.2	\$3,680.8	6%	(3)%	9%
Australia	322.7	288.7	12%	(5)%	17%
Brazil	392.7	329.5	19%	4%	15%
Canada	254.6	237.5	7%	(5)%	12%
Chile	140.2	141.1	(1)%	1%	(2)%
China	320.0	382.4	(16)%	(5)%	(11)%
France	142.4	126.1	13%	2%	11%
Germany	202.4	176.3	15%	3%	12%
Italy	120.8	111.2	9%	3%	6%
Japan	157.9	173.1	(9)%	(8)%	(1)%
Mexico	162.4	136.2	19%	13%	6%
Spain	121.6	117.8	3%	1%	2%
United Kingdom	277.0	234.5	18%	(1)%	19%
Other Developed Markets	512.2	468.4	9%	(2)%	11%
Other Emerging Markets	784.3	758.0	3%	(13)%	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 2024

Revenue	\$9,075 to \$9,225
<i>Operational growth</i> ¹	7% to 9%
Adjusted cost of sales as a percentage of revenue ²	Approximately 29.5%
Adjusted SG&A expenses ²	\$2,170 to \$2,220
Adjusted R&D expenses ²	\$665 to \$675
Adjusted interest expense and other (income)/deductions-net ²	Approximately \$210
Effective tax rate on adjusted income ²	20.0% to 21.0%
Adjusted diluted EPS ²	\$5.74 to \$5.84
Adjusted net income ²	\$2,650 to \$2,700
<i>Operational growth</i> ^{1,3}	9% to 11%
Certain significant items and acquisition-related costs ⁴	\$70 - \$75
Reported diluted EPS	\$5.34 to \$5.44

The guidance reflects foreign exchange rates as of late January 2024 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 2023, 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

	Fourth quarter ended December 31,				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
<u>Revenue by Product Category</u>					
Key Dermatology	\$375	\$347	8%	1%	7%
Diagnostics (companion animal)	87	80	9%	1%	8%
Key Dermatology (international)	123	108	14%	4%	10%
Parasiticides (small animal - international)	113	108	5%	1%	4%
<u>Revenue by Product</u>					
Simparica Trio	208	171	22%	1%	21%
Librela (international)	53	26	104%	11%	93%
Solensia (international)	13	7	86%	9%	77%
Simparica® (international)	48	37	30%	(2)%	32%
Simparica Trio (international)	23	13	77%	5%	72%
Revolution® (international)	34	50	(32)%	1%	(33)%
	Full year ended December 31,				
	2023*	2022*	Change	Foreign Exchange	Operational ¹
<u>Revenue by Product Category</u>					
Key Dermatology	\$1,412	\$1,313	8%	—%	8%
Diagnostics (companion animal)	356	333	7%	—%	7%
<u>Revenue by Product</u>					
Simparica Trio	813	744	9%	—%	9%

Reconciliation Of Adjusted Net Income To Adjusted EBIT

<i>Dollars in millions</i>	2021	2022	2023
Adjusted net income attributable to Zoetis ¹	\$2,240	\$2,297	\$2,457
Interest expense ²	224	221	239
Interest income ²	(6)	(50)	(103)
Income taxes ²	511	583	618
Adjusted EBIT ³	\$2,969	\$3,051	\$3,211
<i>% of revenue⁴</i>	38.2%	37.8%	37.6%

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

2023

<i>in USD millions, except per share data</i>	GAAP ¹ Reported	Purchase Accounting	Acquisition- Related Costs	Certain Significant Items	Non-GAAP Adjusted ²
Cost of sales	\$2,561	\$(10)	\$—	\$(3)	\$2,548
Gross profit	5,983	10	—	3	5,996
Selling, general and administrative expenses	2,151	(21)	—	—	2,130
Research and development expenses	614	(1)	—	—	613
Amortization of intangible assets	149	(127)	—	—	22
Total operating expenses	2,914	(149)	—	—	2,765
Restructuring charges and certain acquisition-related costs	53	—	(9)	(44)	—
Other (income)/deductions—net	(159)	—	—	80	(79)
Income before provision for taxes on income	2,936	159	9	(33)	3,071
Provision for taxes on income	596	32	2	(12)	618
Net income before allocation to noncontrolling interests	2,340	127	7	(21)	2,453
Net income attributable to Zoetis	2,344	127	7	(21)	2,457
Earnings per common share attributable to Zoetis - diluted	\$5.07	\$0.28	\$0.02	\$(0.05)	\$5.32

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

2022

<i>in USD millions, except per share data</i>	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

<i>in USD millions, except per share data</i>	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 Adjusted Net Income Growth To Non-GAAP Financial Measures

<i>in USD millions</i>	Adjusted Net Income ¹	Change From Prior Year	Foreign Exchange	Operational ²
2021	\$2,240	21%	2%	19%
2022	\$2,297	3%	(8)%	11%
2023	\$2,457	7%	—%	7%

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

Reconciliation Of Reported Revenue To Non-GAAP Financial Measures

<i>in USD millions</i>	Revenue	Change From Prior Year	Foreign Exchange	Operational ¹
2021	\$7,776	16%	1%	15%
2022	\$8,080	4%	(4)%	8%
2023	\$8,544	6%	(1)%	7%

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

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