



# 2<sup>nd</sup> Quarter 2024 Financial Results

August 6, 2024

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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, 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; 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; expectations regarding the timing and financial impact of divestitures; foreign exchange rates, tax rate 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, organic operational growth, adjusted net income margin, adjusted EBITDA margin, adjusted diluted EPS and operational results (which excludes 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 presentation should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and revenue growth, 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 available in the appendix to this presentation.

# Presenters



## Strategy and Business Update

**Kristin Peck**  
Chief Executive Officer



## Business / Financial Results and Guidance

**Weteney Joseph**  
Executive Vice President and  
Chief Financial Officer

# Outstanding Second Quarter Results

Revenue

**\$2.4B**

 **11%**

operationally over Q2 2023<sup>1</sup>

**8% PRICE | 3% VOLUME**

Adj. Net Income<sup>2</sup>

**\$711M**

 **18%**

operationally over Q2 2023<sup>1</sup>

Adj. Diluted EPS<sup>2</sup>

**\$1.56**

 **20%**

operationally over Q2 2023<sup>1</sup>

## KEY HIGHLIGHTS

Differentiated execution drove performance

Continued success of Librela<sup>®</sup> U.S. launch

Key Dermatology franchise poised for growth

Simparica<sup>®</sup> franchise growing in the face of competition

Approved \$6B multi-year share repurchase plan

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<sup>2</sup> Adjusted net income and its components 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 and divestiture-related costs and certain significant items.

# Investments for Growth

## Advancements in Science-Driven Innovation This Quarter



PHARMAQ  
part of zoetis



### Draxxin® KP:

An injectable for the treatment of bacterial pneumoniae with fever was approved in Japan

### Alpha Ject Micro® 7 ISA:

A combination vaccine now enhanced with protection against Infectious Salmon Anaemia Virus (ISA) was approved in Canada

### Simparica & Simparica Trio® :

New claim approved in Canada related to treatment and control of Asian longhorned tick infestations

### Fostera® Gold PCV MH:

A one-shot vaccine for pigs providing the longest lasting combined protection against porcine circovirus type 2 (PCV2) and Mycoplasma hyopneumoniae (MH) obtained a new claim in Mexico related to breeding herd safety

### Vetscan® Opticell:

Announced planned launch of a new hematology analyzer powered by AI to offer more advanced options for a Complete Blood Count (CBC)

# Raising 2024 Guidance

**Revenue** **\$9.10B - \$9.25B**  
Prior guidance: \$9.05B to \$9.20B

**Adj. Diluted EPS<sup>1</sup>** **\$5.78 - \$5.88**  
Prior guidance: \$5.71 to \$5.81

**Operational Growth<sup>2</sup>** **9.0% - 11.0%** Revenue  
Prior guidance: 8.5% to 10.5%  
**13.5% - 15.5%** Adj. Net Income<sup>1</sup>  
Prior guidance: 13% to 15%

## KEY UPDATES

- Driven by first half performance in Simparica and Key Dermatology franchises
- Positioned to grow and defend global share in key franchises
- OA Pain mAb franchise remains on track
- Reflects late July FX rates

Note: Does not include any adjustment related to the announced agreement to sell the Zoetis medicated feed additive portfolio and certain water soluble products, expected to close in the second half of 2024.

<sup>1</sup> Adjusted net income and its components 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 and divestiture-related costs and certain significant items.

<sup>2</sup> Operational results (a non-GAAP financial measure) is defined as results excluding the impact of foreign exchange.

The Zoetis logo, consisting of the word "zoetis" in a lowercase, sans-serif font, is positioned in the bottom right corner of the slide. The text is white and set against a solid orange rectangular background.

# Second Quarter Segment Highlights

## U.S. Segment Revenue

**\$1.3B**

*12% growth Year over Year  
(YOY)*

## U.S. Companion Animal Revenue

**\$1.1B**

*13% growth YOY*

## U.S. Livestock Revenue

**\$0.2B**

*11% growth YOY*

## International Segment Revenue

**\$1.0B**

*10% operational growth<sup>1</sup> YOY*

## International Companion Animal Revenue

**\$0.6B**

*12% operational growth<sup>1</sup> YOY*

## International Livestock Revenue

**\$0.5B**

*8% operational  
growth<sup>1</sup> YOY*



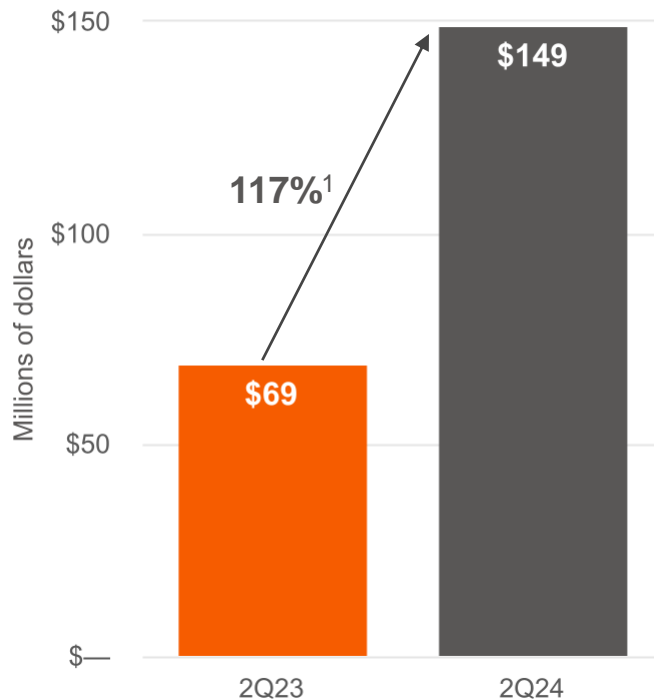
# Key Franchise Performance



## Osteoarthritis (OA) Pain mAb Franchise

- Continued success in Librela performance with 142% operational growth<sup>1</sup> this quarter
- U.S. Librela launch remains on track with 2Q24 U.S. revenue of \$53 million, up 33% from 1Q24
- Ongoing engagement with U.S. veterinarians on Librela; feedback remains positive
- Treatment is expanding in Europe with 65% of cases now moderate and mild OA
- Solensia<sup>®</sup> reported 60% operational growth<sup>1</sup> this quarter

### OA Pain mAb franchise revenue





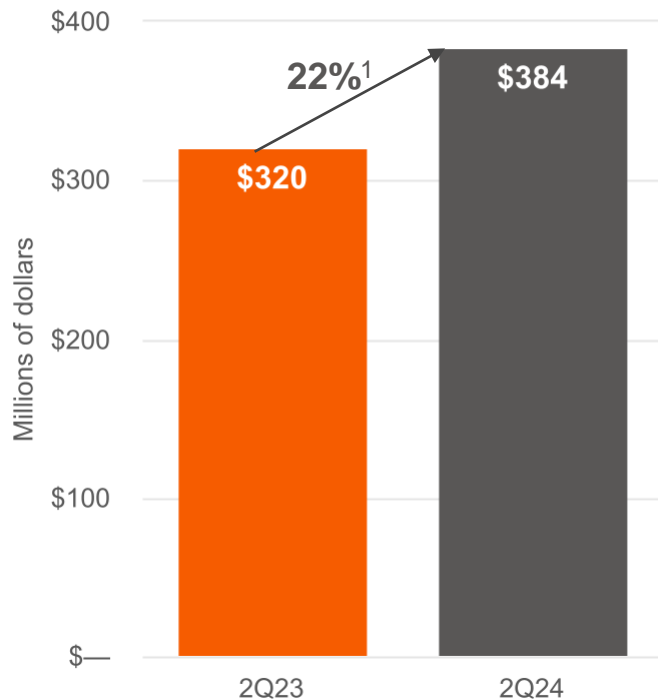
# Key Franchise Performance



## Simparica Franchise

- Simparica Trio revenue of \$299 million in the quarter, with U.S. growth of 19% to \$254 million
- U.S. Simparica Trio 26% moving annual total (MAT) growth over the last 12 months, the majority with direct competition
- Simparica Trio is winning with puppies, a leading indicator of future performance
- Franchise benefits from channel shift to retail and home delivery

### Simparica franchise revenue



# Key Franchise Performance



## Key Dermatology Franchise

- U.S. dermatology clinic visits are increasing, which drives volume growth
- Significant global market opportunity still exists
- Apoquel® and Apoquel® Chewable benefit from channel shift to retail and home delivery
- Cytopoint® growth driven by pet owner and vet preference for injectables

## Key Derm franchise revenue



10 <sup>1</sup> Operational results (a non-GAAP financial measure) is defined as results excluding the impact of foreign exchange.

# Q2 Spotlight – Significant Opportunity for Growth in Dermatology Market



CYTOPOINT.

- Global derm market poised for continued growth with lifecycle innovations
- Investments in direct-to-consumer has helped fuel growth in the market and raise awareness
- Enhancing medical education to improve compliance
- Expanding retail partnerships

Apoquel is overwhelmingly endorsed by veterinarians globally with **~90% Global Vet Satisfaction** in both **Safety and Efficacy**<sup>1</sup>

**23 M dogs treated globally with Apoquel and Cytopoint**, bolstered by over a decade of Apoquel's proven safety and efficacy

**~20 M dogs globally are currently untreated or undertreated** for pruritic itch, representing growth opportunity

**U.S. remaining addressable market ~11 M dogs:**  
8M use over the counter products or untreated,  
3M prescribed alternatives like steroids

**International remaining addressable market ~9 M dogs**

# Our continued commitment to value creation

Key drivers of our three to five-year outlook from May 2023 investor day

## Grow revenue faster than the market

- Broaden existing billion-dollar franchises
- Innovate and build new franchise opportunities
- Expand across attractive emerging markets
- Accelerate commercial excellence to take share

## Invest in innovation and growth capabilities

- Prioritize R&D investment in the highest ROIC<sup>1</sup> opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners

## Increase adjusted net income faster than revenue

- Expand revenue in higher margin product categories
- Leverage scale to drive bottom line performance
- Optimize and simplify to increase productivity and efficiency

## Return excess capital to shareholders

- Reinvest in the business to drive growth
- Target strategic business development to enhance innovation
- Grow dividend above adjusted net income
- Continue systematic share buybacks



Grow annual revenue mid-to-high single digits<sup>2</sup>



Drive ROIC<sup>1</sup> accretion<sup>2</sup>



Enable margin improvement<sup>2</sup>



Maintain balance between investments and return of capital

<sup>1</sup> ROIC stands for Return On Invested Capital

<sup>2</sup> Targeted average over the forecast period

# Financial Results and Guidance

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# Income Statement Highlights

	Second Quarter		
	2024*	2023*	Change
Revenue	\$2,361	\$2,180	8%
Reported Net Income	\$624	\$671	(7)%
Reported Diluted Earnings Per Share	\$1.37	\$1.45	(6)%
Adjusted Net Income <sup>1</sup>	711	652	9%
Adjusted Diluted Earnings Per Share <sup>1</sup>	\$1.56	\$1.41	11%

\* 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 and divestiture-related costs and certain significant items.

# Adjusted Income Statement Highlights

	Second Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational <sup>1</sup>
Revenue	\$2,361	\$2,180	8%	(3)%	11%
Adjusted Cost of Sales <sup>2</sup>	667	602	11%	3%	8%
<i>as a percent of revenue<sup>3</sup></i>	28.3%	27.6%	NA	NA	NA
Adjusted SG&A Expenses <sup>2</sup>	578	549	5%	(2)%	7%
Adjusted R&D Expenses <sup>2</sup>	171	146	17%	—%	17%
Adjusted Operating Expenses <sup>4</sup>	753	701	7%	(2)%	9%
Effective Tax Rate on Adjusted Income <sup>2</sup>	20.1%	21.5%	NA	NA	NA
Adjusted Net Income <sup>2</sup>	711	652	9%	(9)%	18%
Adjusted Diluted Earnings Per Share <sup>2</sup>	\$1.56	\$1.41	11%	(9)%	20%

\* 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 and divestiture-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).

<sup>3</sup> Adjusted gross margin (a non-GAAP financial measure) was 71.7% and 72.4% in the second quarter of 2024 and 2023, respectively.

<sup>4</sup> Adjusted operating expenses (a non-GAAP financial measure) of \$753 million in the second quarter of 2024 and \$701 million in the second quarter of 2023 includes adjusted amortization of 15 intangible assets of \$4 million and \$6 million in the second quarter of 2024 and 2023, respectively.

# U.S. Segment Performance

	Second Quarter		
	2024*	2023*	Change
Revenue	\$1,308	\$1,165	12%
Companion Animal	1,080	959	13%
Livestock	228	206	11%
Cost of Sales	232	214	8%
Gross Profit	1,076	951	13%
<i>Gross Margin</i>	82.3%	81.6%	NA
Operating Expenses	204	212	(4)%
Other (Income)/Deductions - net	—	—	**
Earnings <sup>1</sup>	\$872	\$739	18%

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

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



# International Segment Performance

	Second Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational <sup>1</sup>
Revenue	\$1,035	\$995	4%	(6)%	10%
Companion Animal	569	530	7%	(5)%	12%
Livestock	466	465	—%	(8)%	8%
Cost of Sales	342	315	9%	—%	9%
Gross Profit	693	680	2%	(9)%	11%
<i>Gross Margin</i>	67.0%	68.3%	NA	NA	NA
Operating Expenses	175	166	5%	(4)%	9%
Other (Income)/Deductions - net	—	(1)	**	**	**
Earnings <sup>2</sup>	\$518	\$515	1%	(10)%	11%

\* 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

	Second Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational <sup>1</sup>
<b>Total International</b>	<b>\$1,035</b>	<b>\$995</b>	<b>4%</b>	<b>(6)%</b>	<b>10%</b>
Australia	83	82	1%	(1)%	2%
Brazil	99	91	9%	(1)%	10%
Canada	75	70	7%	(1)%	8%
Chile	31	39	(21)%	(4)%	(17)%
China	68	84	(19)%	(3)%	(16)%
France	34	34	—%	(2)%	2%
Germany	58	53	9%	(1)%	10%
Italy	36	35	3%	1%	2%
Japan	39	47	(17)%	(13)%	(4)%
Mexico	46	38	21%	11%	10%
Spain	33	31	6%	(2)%	8%
United Kingdom	73	63	16%	3%	13%
Other Developed Markets	138	125	10%	(2)%	12%
Other Emerging Markets	222	203	9%	(25)%	34%

\* Millions of dollars

18 <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 2024
Revenue	\$9,100 to \$9,250
<i>Operational growth</i> <sup>1</sup>	9% to 11%
Adjusted cost of sales as a percentage of revenue <sup>2</sup>	Approximately 29.3%
Adjusted SG&A expenses <sup>2</sup>	\$2,225 to \$2,290
Adjusted R&D expenses <sup>2</sup>	\$660 to \$670
Adjusted interest expense and other (income)/deductions-net <sup>2</sup>	Approximately \$200
Effective tax rate on adjusted income <sup>2</sup>	20.0% to 20.5%
Adjusted diluted EPS <sup>2</sup>	\$5.78 to \$5.88
Adjusted net income <sup>2</sup>	\$2,640 to \$2,690
<i>Operational growth</i> <sup>1,3</sup>	13.5% to 15.5%
Certain significant items and acquisition and divestiture-related costs <sup>4</sup>	\$80 - \$90
Reported diluted EPS	\$5.35 to \$5.45

The guidance reflects foreign exchange rates as of late July 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.

<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 and divestiture-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 and divestiture-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 acquisitions, divestitures and other charges.

# Q&A



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# Appendix



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# Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Three months ended June 30,				
	2024*	2023*	Change	Foreign Exchange	Operational <sup>1</sup>
<u>Revenue by Product Category</u>					
Key Dermatology	\$414	\$355	17%	(1)%	18%
Key Dermatology ( <i>international</i> )	131	114	15%	(4)%	19%
OA pain mAbs ( <i>international</i> )	79	58	36%	1%	35%
Diagnostics ( <i>companion animal - international</i> )	30	27	11%	(4)%	15%
<u>Revenue by Product</u>					
Simparica franchise	384	320	20%	(2)%	22%
Simparica franchise ( <i>international</i> )	104	82	27%	(8)%	35%
Simparica ( <i>international</i> )	59	47	26%	(12)%	38%
Simparica Trio ( <i>international</i> )	45	35	29%	(2)%	31%
Librela	116	48	142%	—%	142%
Librela ( <i>international</i> )	63	48	31%	(1)%	32%
Solensia	34	21	62%	2%	60%
Solensia ( <i>international</i> )	16	11	45%	(4)%	49%

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

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