

Q3 2025 Earnings Call *(Corrected version)*

✓ **Event Details**

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Company: Zoetis, Inc.

Ticker: ZTS-US

✓ **Company Participants**

Steven Frank - Zoetis, Inc., Vice President-Investor Relations

Kristin C. Peck - Zoetis, Inc., Chief Executive Officer & Director

Wetteny Joseph - Zoetis, Inc., Executive Vice President & Chief Financial Officer

✓ **Other Participants**

Erin Wilson Wright - Analyst

Michael Ryskin - Analyst

Jonathan D. Block - Analyst

Brandon Vazquez - Analyst

Chris Schott - Analyst

Chris LoBianco - Analyst

Navann Ty - Analyst

Daniel Clark - Analyst

Andrea Alfonso - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, everyone, and welcome to the Third Quarter 2025 Financial Results Conference Call and Webcast for Zoetis. Hosting the call today is Steve Frank, Vice President of Investor Relations for Zoetis. The presentation materials and additional financial tables are currently posted on the Investor Relations section of Zoetis.com.

The presentation slides can be managed by you, the viewer, and will not be forwarded automatically. In addition, a replay of this call will be available approximately two hours after the conclusion of this call via dial-in or on the Investor Relations section of Zoetis.com. At this time, all participants have been placed in a listen-only mode and the floor will be open for your questions following the presentation.

I'll now turn the call over to Mr. Steve Frank. Please go ahead, sir.

Steven Frank

Thank you, operator. Good morning, everyone, and welcome to the Zoetis Third Quarter 2025 Earnings Call. I am joined today by Kristin Peck, our Chief Executive Officer, and Whitney Joseph, our Chief Financial Officer.

Before we begin, I'll remind you that the slides presented on this call are available on the Investor Relations section of our website, and that our remarks today will include forward-looking statements and that actual

results could differ materially from those projections.

For a list and description of certain factors that could cause results to differ, I refer you to the forward-looking statements in today's press release and our SEC filings, including, but not limited to, our annual report on Form 10-K and our reports on form 10-Q.

Our remarks today will also include references to certain financial measures, which were not prepared in accordance with generally accepted accounting principles or US GAAP. A reconciliation of these non-GAAP financial measures to the most directly comparable US GAAP measures is included in the financial tables that accompany our earnings press release and the company's 8-K filing dated today, Tuesday, November 4, 2025. We also cite operational results, which exclude the impact of foreign exchange.

With that, I will turn the call over to Kristin.

Kristin C. Peck

Thank you, Steve, and welcome everyone to our Third Quarter Earnings Call. Today, we reported 4% revenue growth and 9% growth in adjusted net income on an organic operational basis thanks to the relentless focus and consistent execution of our colleagues across the world.

Our International segment delivered 6% organic operational revenue growth, with the US contributing 3% growth excluding the impact of the MFA divestiture. By species, companion animal revenue grew 2% operationally and livestock organic operational revenue grew 10%.

As we anticipated, growth moderated this quarter, driven by a strong year-over-year comp and macro factors, including vet clinic visits and promotional activity. Our resilient growth engine remains strong, fueled by our market-leading innovation and pipeline, our diversified portfolio across species and geographies, global reach and trusted brands that continue to lead their categories and remain essential to veterinarians despite some near-term headwinds. Now let's turn to our key franchises where we're continuing to drive growth and the market opportunities remain significant.

In parasiticides, our Simparica franchise grew 7% operationally, with 6% operational growth from Simparica Trio. Internationally, we delivered strong, broad based double-digit growth, driven largely by the continued strength of Trio across all regions, underscoring the strong and growing global demand and Trio's most recent approval in Brazil further extends that momentum, another example of how our innovation and geographical expansion continue to fuel the franchise's long-term growth. In the US, while broader end market dynamics affected overall franchise performance, we continue to see solid growth in retail and home delivery channels, which drive compliance and convenience for pet owners.

Trio growth moderated against a strong prior year comp, with continued strength in the alternative channels helping to partially offset subdued clinic traffic. We continue to navigate a more competitive US market and hold share with disciplined and focused execution. Trio continued to set the benchmark in the category, supported by the broader strength of the Simparica franchise. Our first mover advantage, strong retail presence and customer loyalty position us well to sustained momentum across the portfolio.

Parasiticides remain the largest category in animal health, and as the clear leader, we are competing from a position of strength with best-in-class innovation and high adoption driving long-term growth. Our key dermatology franchise grew 3% operationally in the quarter, reflecting the resilience of our differentiated and innovative portfolio.

In the US, growth was driven by Apoquel Chewable adoption and strong retail performance, offset by clinic softness and competitive dynamics in the category. Internationally, dermatology grew despite heightened competitive dynamics, including aggressive promotional activity tied to new product launches. At the same time, we continue to expand our differentiated portfolio with Apoquel Chewable approved in Chile and Cytopoint receiving an expanded label in Brazil for allergic itch, again, reflecting our approach to geographic expansion and life cycle innovation that supports sustained category growth. As expected, we saw some minor share shifts during these launch periods. However, we're confident our portfolio will maintain its position as the preferred choice among customers.

Even with this competitive backdrop, the overall opportunity in dermatology remains significant. More than half of pruritic cases globally remain untreated and we see substantial runway for continued growth and market expansion. In the quarter, our osteoarthritis or OA pain franchise declined 11% operationally. In addition to impacts in the US, our performance in primarily English-speaking international markets has also been affected by misperceptions amplified on social media, contributing to a 15% operational decline in global Librela sales. We are executing a focused, multipronged strategy to return Librela to growth.

First, we're increasing awareness that OA is a serious, progressive disease, requiring early and proactive care to control associated pain and improve a pet's quality of life. Second, we're deepening education and engagement with specialists and veterinarians to reinforce Librela's positive risk/benefit profile and real-world impact.

Third, we're continuing to share clear, science-based information and amplify the overwhelmingly positive experiences people and pets are having. Finally, beginning in Q4, our Phase 4 research, conducted through independent third-party studies, aimed to provide vets and specialists with even greater confidence in Librela.

We are encouraged by recent trends showing signs of stabilization, supported by strong satisfaction among the majority of pet owners, giving us confidence in the actions we're taking to support recovery and then how we're applying those learnings to future launches.

To that end, we are excited about the first market approval of Lenivia, a distinct, long-acting molecule for dogs that offers greater choice and flexibility for veterinarians and pet owners in Canada, with the launch expected there in the first half of 2026.

We also received a positive CVMP opinion, recommending marketing authorization in Europe, In addition to that, we received European approval for Portela, our long-acting monoclonal antibody for feline OA pain, with the launch also expected in the first half of 2026, further extending our leadership in chronic pain management across species. These milestones highlight the durable strength of our innovation engine and our ability to advance a deep pipeline from approvals through launch, and we anticipate a major new market approval each year for the next several years.

Together, Librela, Lenivia, Solensia and Portela form a next-generation OA pain portfolio, unmatched in its depth and scientific innovation, offering flexibility, reaching a broader patient population, and reinforcing the long-term growth trajectory of this important and underpenetrated market.

To enable growth in this expanding portfolio, we're continuing to invest in manufacturing excellence, including our new Atlanta Advanced Biologics facility and expanded monoclonal antibody production capabilities, ensuring that every innovation we bring to market reaches veterinarians and pet owners with the quality, viability and scale they expect from Zoetis.

Beyond our product portfolio, we're evolving our US commercial structure to better serve customers and enhance our agility and efficiency, building on the strength of our key companion animal franchises and the critical role in veterinary practices. As the US pet market expands, expectations for more personalized, convenient and enhanced care continue to rise. To better meet those needs, we're implementing a go-to market model that sharpens our focus and simplifies our structure. The result will be a leaner, more agile field organization with single point of contact coverage, expanding our reach and frequency, and deepening engagement with our customers.

We expect this model will support growth and bolster our competitive positioning and we will continue evaluating opportunities for similar enhancements across the business into 2026, ensuring we continue delivering the best experience for customers and the strongest value for shareholders.

We look forward to sharing updates on our progress. In livestock, organic operational revenue grew 10% in the quarter, reflecting broad-based growth across geographies and species and we're on track for a third consecutive year of above-market growth in 2025, supported by strong execution and resilient market demand.

As an example, poultry continued to benefit from focus in vaccine-led growth following the MFA divestiture, with deeper penetration among key accounts, market expansion and growing adoption of Procerta across multiple regions.

This progress reflects the strength of our strategy, advancing innovation, strengthening partnerships and ensuring our portfolio meets the evolving needs of producers worldwide. Rising protein consumption and the growing role of fish in the global food supply continue to reinforce the long-term fundamentals of this business. And beyond strong performance, we continue to live our purpose through innovation, demonstrated by the speed and effectiveness of our response to emerging zoonotic diseases, including recent approvals related to HPAI and New World screwworm.

Turning to guidance. We're updating our full-year outlook based on our year-to-date performance and expectations for the remainder of the year. For organic operational revenue, we're revising and narrowing our range to 5.5% to 6.5%, given a more measured view of the macro and operational environment in the back half of the year.

We're also narrowing our organic operational adjusted net income growth range to 5.5% to 7%, supported by continued cost discipline, with a balanced approach to investment that enables us to sustain strong profitability and deliver shareholder value, even amid near-term variability. Overall, we have the right portfolio, the right strategy and deep connections with customers and pet owners, positioning us not only to navigate the current environment, but to capture the significant opportunities ahead.

And we're delivering on the commitments we've made. Since outlining our innovation timeline in January, we've executed on or ahead of schedule. We are continuing to differentiate our portfolio with more than 130 geographic expansions and life cycle innovations this year, several of which you can see in today's slides.

Our ability to deliver on our commitment continues to define Zoetis and position us to create significant value for shareholders. It's how we build trust year after year with customers, colleagues and investors alike. We are confident that Zoetis has the most robust, comprehensive pipeline in animal health, advancing care across every category and stage. Powered by innovation and purpose, we're shaping the future of animal health and creating entirely new categories of care. And with that in mind, as we announced yesterday, Rob Polzer, our Head of R&D, will retire, following a 10-year distinguished career at Zoetis, advancing our innovative pipeline.

We are grateful for Rob's incredible contributions. Rob will remain in his role until the end of the year and following his retirement at the end of February, will be available to Zoetis as a Scientific Advisor until the end of 2026, ensuring a smooth transition and continued momentum for Zoetis' pipeline.

We are excited to appoint Kevin Esch as Rob's successor effective January 1. Kevin has held a series of influential roles in our R&D organization over the last decade and is ready to step in and lead Zoetis' R&D into the future. Kevin has demonstrated a lifelong commitment to advancing animal health. Before joining Zoetis, Kevin was a practicing veterinarian and practice owner for more than 10 years and has a strong scientific background with formal training in public health, immunobiology and pathology.

I hope you'll join us on Tuesday, December 2 at 8:30 a.m. Eastern Time for an Innovation Webcast, where we will provide investors with the latest pipeline updates and the progress we're making to move the industry forward. With a resilient business and unmatched pipeline and significant market potential, we remain confident in Zoetis's long-term growth trajectory.

And with that, I will turn it over to Wetteny.

Wetteny Joseph

Thank you, Kristin, and hello, everyone. Let me now provide some additional insights into our third quarter results. We posted \$2.4 billion in revenue in the third quarter, growing 1% on a reported basis and 4% on an organic operational basis. This was primarily driven by price, as volume was flat in the quarter.

As Kristin noted, we anticipated that growth would moderate as we entered the second half of the year. Adjusted net income of \$754 million grew 5% on a reported basis and 9% on an organic operational basis.

Our global companion animal portfolio posted revenue of \$1.7 billion, growing 2% operationally in the quarter. On an operational basis, our Simparica franchisee contributed \$356 million, growing 7% and key dermatology posted \$469 million, growing 3%. This growth was partially offset by our OA pain franchise, which declined 11% operationally to \$138 million.

Our global livestock portfolio grew 10% on an organic basis in the quarter, contributing \$725 million in revenue, with strong, balanced performance across segments and species. Again, these results reflect the continued resilience of our business following last year's strong comparison and they reaffirm the solid fundamentals driving our growth. Even amid near-term challenges, our core strengths, market-leading innovation, a diversified global portfolio and trusted brands continue to position us well for future growth and market expansion.

Now moving on to our Q3 segment results. As expected, growth moderated in the US as we entered the second half of the year, with revenue down 2% on a reported basis and up 3% on an organic operational basis. Companion animal was flat and livestock grew 14% on an organic operational basis. This moderation primarily reflects the strong comparable period in companion animal, particularly in dermatology and parasiticides. In the vet channel, we continue to believe clinic revenue is more impactful to our growth than overall visits.

That said, we saw declining visits across all major therapeutic areas during the third quarter, which impacted new patient starts. Meanwhile, the distributor inventory dynamics we discussed earlier in the quarter normalized by quarter end and remained near the low end of the historical range.

The US companion animal business was flat in the quarter, with growth in our Simparica and key dermatology franchises offset by declines in our OA pain mAbs. Our Simparica franchise grew 2% in the quarter to \$263 million in revenue. Our performance builds off of strong comparable period in the prior year, where we saw 27% operational growth, driven by a more disciplined approach to our promotional strategy. Growth in alternative channels continues, fueled by pet owner preference and higher compliance.

This strength has helped sustain Simparica Trio's momentum despite continued softness in the US vet channel. As the leader in triple combination parasiticides, the fastest growing segment in animal health, Simparica Trio is well positioned for continued growth, driven by our first mover advantage, broad label and strong market presence.

Key dermatology sales grew 1% to \$306 million, with growth in Apoquel being partially offset by declines in Cytoint due to lower dermatology clinic visits. Our growth in the quarter primarily reflects the impact of initial distributor stocking of the Apoquel film coated tablet, which was made available to distribution in September. In addition to a strong comparable period in the prior year, we saw modest share loss in the US dermatology space, primarily driven by competitive discounting and sampling related to new product launches. Based on our experience, these impacts are typically short-lived and we remain confident in the value our dermatology portfolio provides to vets and pet owners and that our pricing aligns with the quality and outcomes we deliver.

We are well positioned to grow and expand the dermatology market moving forward, anchored by our three differentiated brands with a proven track record of safety and efficacy and an estimated 11 million medicalized dogs that remain untreated or undertreated for itch in the US alone. Our OA pain products saw a decline of 21% in the US on \$58 million in sales. Librela posted \$41 million in revenue for the quarter, a decline of 26% versus Q3 of last year.

Kristin highlighted our multipronged strategy to return Librela to growth and we are confident that the actions we are taking will help re-accelerate adoption. Additionally, I will echo that we are seeing early signs that Librela is beginning to stabilize. While this is an early read, we continue to see high satisfaction scores among vets and pet owners who use Librela, reflecting the meaningful and positive impact this product has on dogs living with OA. Solensia revenue of \$17 million declined 4% in the quarter. Despite a decline this

quarter, driven by fewer new patient starts, we remain optimistic about the untapped market potential of the feline OA space, where currently only 15% of affected cats are receiving treatment.

Our US lifestyle business posted broad based organic operational growth of 14%, with almost all major brands showing improvement in the quarter. Our performance was primarily driven by improved supply of ceftiofur. Additionally, as Kristin mentioned, we have seen an acceleration in our livestock vaccines post MFA divestiture due to increased field force focus. Moving on to our International segment, revenue grew 3% on a reported basis and 6% on an organic operational basis.

Companion animal grew 4% operationally and livestock grew 8% on an organic operational basis. International companion animal growth was driven by our Simparica and key dermatology franchises. Our International Simparica franchise grew 22% operationally on \$93 million in revenue, with double-digit growth across both brands.

Simparica Trio grew 32% operationally to \$41 million in sales, bolstered by an increasing standard of care in many international markets. Simparica grew 15% operationally to \$52 million in sales. Growth remained strong, especially in markets that have not yet adopted triple combinations or that have low heartworm prevalence.

Our key dermatology franchise grew 7% on an operational basis, posting \$162 million in revenue, driven by both Apoquel and Cytoint. Growth was driven primarily by Europe, where we continue to see expansion in new patients and increased compliance in chronic cases. While we saw share loss to competitors in certain international markets, these declines like those in the US are largely driven by launch promotions. We continue to see significant room for expansion in our international markets and remain confident in our differentiated franchise and products, continuing to be first line treatment.

Our OA pain mAbs declined 3% operationally in international markets on \$80 million in revenue. International Librela sales were \$62 million, down 6% operationally in the quarter. As Kirstin highlighted, we continue to see perception challenges, primarily in English-speaking countries and are implementing many of the same US tactics to return to growth.

Solensia sales grew 9% operationally to \$18 million. Solensia adoption continues to expand as the product redefines the standard of care for feline osteoarthritis, supported by strong and sustained vet satisfaction. We are excited about the recent European approval of our long-acting feline OA pain mAb. Portela, Patella's extended dosing interval delivers meaningful quality of life benefits for cats and pet owners alike, aiming to drive stronger treatment compliance.

International livestock grew 8% on an organic operational basis in the quarter, with broad based growth across all four species. In cattle, growth was driven by both price and volume across the portfolio. Poultry continues to benefit from focus and execution on vaccine growth. Additionally, we saw increased key account penetration across most geographies.

Finally, Fish was driven by price increases as producers recognize the value our products provide in driving healthier fish and lower mortality rates, contributing to higher yields.

Now moving on to the rest of the P&L for the quarter. Adjusted gross margins of 71.6% grew 90 basis points on a reported basis. Foreign exchange had a favorable impact of 20 basis points. Excluding the impact of foreign exchange, we saw higher margins due to favorable impact of our MFA divestiture as well as benefits

from price. Adjusted operating expenses increased by a modest 1% operationally, reflecting our ongoing commitment to cost discipline in a dynamic and inflationary environment.

Adjusted net income grew 5% operationally and 9% on an organic operational basis. Adjusted diluted EPS grew 7% operationally in the quarter and 12% on an organic operational basis.

Now moving to guidance for the full year 2025. Please note that guidance reflects foreign exchange rates as of late October and does not assume any impact of future tariffs or policy changes. We are revising our full-year revenue guidance to a range of \$9.4 billion and \$9.475 billion and organic operational growth of 5.5% to 6.5% based on a more measured view of macro and operational trends in the back half of the year. We now expect adjusted net income to be in the range of \$2.8 billion to \$2.84 billion, reflecting a narrowed organic operational growth range of 5.5% to 7%.

Finally, we are maintaining our reported diluted and adjusted diluted EPS guidance range of \$5.90 to \$6 and \$6.30 to \$6.40 respectively. We are operating from a position of strength, supported by the broadest portfolio in the industry, even while we are navigating some temporary headwinds. We remain confident in the long-term growth potential of both our business and the broader animal health market.

Now, I'll hand things over to the operator to open the line for your questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Thank you, Mr. Joseph. We'll go first this morning to Erin Wright of Morgan Stanley.

Analyst:Erin Wilson Wright

Question – Erin Wilson Wright: Great. Thanks. So first, I just wanted to know kind of what meaningfully changed for you kind of on an intra-quarter basis after you raised guidance last quarter. And what were some of the key surprises that you saw, whether it's competition or de-stock or otherwise. But also on competition, just you mentioned some of the competitive dynamics in dermatology. And just curious how you're seeing practices at this point, how they're looking at the category? Are they carrying both JAK inhibitors in some of those certain international markets that you were talking about?

And what do you have embedded now in terms of competition? Like do you think that guidance is conservative enough at this point? And should we anticipate a continuing impact as we head into 2026? How does that fit into your typical 6% to 8% top line growth guidance that you would typically give as we head into next year just given where it's tracking below that year-to-date? Thanks.

Answer – Wetteny Joseph: Yes. Thanks, Erin. Look, clearly, as we entered the year, we expected some deceleration in the back half of the year compared to how we would start 2025. Certainly, in the quarter, what we saw besides the really strong comp that we anticipated and have factored in, besides anticipating competitive launch dynamics in terms of aggressive promotions, we factored into our thinking coming into the year. We certainly saw a bit of a macro impact, particularly in US clinics.

Over the last three quarters, we've seen therapeutic visits. As you know, overall visits are not a great gauge for our growth, but therapeutic visits certainly are and you need those to at least start patients before we can have multiple channels to fulfill those. And so we saw three quarters in a row of therapeutic visit pressure that has certainly impacted where the quarter landed and we factored those into our thinking in terms of the remainder of the year and the guidance that we have provided today.

To your point around guidance for 2026, as you know, we will look forward to providing that in February. However, I don't see how we're exiting the year and the fourth quarter to be a readthrough to what 2026 will be. I think there are few pieces here that I think are worth considering.

For one, we would typically see price contribution. And as you know, we have consistently done that over the years, where typically we're in the 2% to 4% range. We've been above that. If you look at the last couple of years, certainly, and this year, we're running closer to 4%. And I think we can see us in the range that we typically would operate in from a price perspective.

Despite what we see historically as launch period aggressive promotions, we have high confidence in continuing to grow our key franchise areas, particularly derm and parasiticides given the significant unmet market opportunity in both of those areas. So we see those driving growth for us as you look ahead. And as you said in the prepared commentary, we've seen signs of stabilization from a Librela perspective, which certainly has been a headwind for us throughout this year, but particularly in the back half of this year and the comps have been very strong in Q3 and Librela comp in Q4 remains relatively strong. So, as we see signs of stabilization here, we would expect a return to growth in 2026.

And a couple of other things I would say here, Erin, is that livestock has continued to demonstrate strength for us. You've seen now in our third year of consecutive growth above market and we'd anticipate continuing to see growth in livestock in 2026 as well. So, those are the reasons why we would say the exit of this year is not indicative. In terms of where 2026 is, though, we're not prepared to give guidance here at this time.

Operator

Thank you. We'll go next now to Michael Ryskin at Bank of America.

Analyst:Michael Ryskin

Question – Michael Ryskin: Hi. Thanks for taking the question. I want to stick on that topic of what's changed. I mean, I hear your answer, Wetteny, on some of the macro and some of the vet dynamics. I think the pushback I have is that we've seen that be a challenge in the end market for several years now. I think, I mean, it's 2022 and 2023 where that really started being the case. And Zoetis has really consistently been able to put up better numbers than that in companion in the US really through the second quarter, surprisingly strong. And we've heard you guys speak a thousand times about how you're insulated from some of those vet challenges about the importance of medication, about some of the alternate channels that you're able to go to and all of that's been able to sustain that growth. So, it really is a pretty striking change in the companion outlook in the US and globally, sort of what we've seen over the last couple of years versus 3Q.

So I was just wondering the timing with competition coming on, you mentioned some of that, but that could be playing a bigger role because that would indicate it would last longer. Just wondering if you could maybe dive into some of those changes a little bit more.

And then as a follow-up, you alluded to some of the intra-quarter dynamics being short-lived and by the end of the quarter seeing better trends. Just anything you could say on distributor levels, inventory levels among some of your customers. Just sort of thoughts on that as you look into fourth quarter and again into next year. Thanks.

Answer - Wetteny Joseph: Yeah, sure. I'd love to start and see if Kristin wants to add anything in terms of the macro, in terms of what we're seeing. Certainly, as you highlighted, Mike, over the last several years, you've seen overall visits being down and in fact, down more than they were in the quarter. We think overall visits were down somewhere just shy of 2% in the quarter. You've seen worse than that historically. What is different, though, is we have seen, over the last three quarters, therapeutic visits being down.

If you recall last year, despite overall visits being down, dermatology visits were up about 3% or 4% on the year. And OA pain visits have been up, particularly since we launched our OA pain products in the US. That has turned this year. Certainly, you've seen that impact therapeutic visits. I think flea, tick, heartworm, which are wellness visits have consistently been down, but they've been more than offset by what's happening in the alternative channels if you look at the last few years. So, the difference here is therapeutic visits, particularly when you look at dermatology, as well as OA pain that have translated into fewer patient starts and certainly we're starting to see that have an impact here.

Now, what is encouraging is we continue to see really strong growth across alternative channels. Those grew about 21% on the quarter. And within that is actually home delivery coming from vet channels as they continue to see opportunity to really drive and meeting the patients where they are. We are seeing momentum in that area as well. It grew about the same rate as retail within the quarter.

Again, something we'll continue to encourage and watch, as well as work with our vet clients to continue to drive. So, I think those elements certainly continue to be there and are supportive of the business. However, I think what we're seeing in terms of therapeutic visits is where the impact has been, and I think it's a bit of a combination of really significant price increase that our vet customers have taken over the last few years, both across their products, as well as services that is different from our price that we give to them. And we're seeing that impact, particularly those larger corporate accounts, as well as we look at the numbers.

So sitting here, if you look at our portfolio, we have the broadest portfolio in the industry. Certainly, our innovation engine continues to clock away the most productive in the industry as well. So, we're confident in our ability to drive growth as we look at the long term, again, why we don't see the fourth quarter as an indication for 2026 in particular, and that those give us a lot of confidence as we look ahead.

In terms of distributor inventory levels, we did highlight those in the middle of the quarter. We have some distributors shift their inventory levels down intra-quarter. It did recover within the quarter. And just to put into context, Mike, since the beginning of 2023, we have been operating at levels that are below the low end of the range in terms of level of inventory and distribution. We have remained there even as we exit the quarter. So, while they dipped even further below where they have been operating in the last few years, they did recover back, but the level is still below where they have been historically.

Operator

Thank you. We'll go next now to Jon Block with Stifel.

Analyst: Jonathan D. Block

Question – Jonathan D. Block: Hey, guys. Sorry to sort of harbor the same theme. But can I push you on the 4Q 2025 exit not being sort of indicative for 2026? We're calc'ing sort of an implied 3% organic operational in 4Q. Hopefully, we've got that right. It's off of a comp that eases materially. But just to take a step back, I would think that sort of implies zero-ish volume in the back half of 2025. You said volume was zero this quarter, price was up 4%. So if you think about like zero vols in 2H 2025, competition increasing further in some key franchises, notably derm, we never know exactly what's going to happen, but that seems to be the case, why wouldn't that be indicative? In other words, what changes between the price/volume algo, does price go higher or does vols bounce? And if vols bounce, why would that's sort of a backdrop? Thanks for taking the time.

Answer – Wettey Joseph: Yeah, Jon, I'll start. Look, I think what we've said in terms of the fourth quarter exit and you're roughly right in terms of your calculation. However, I'll remind you of a few things. And again, at the risk of being repetitive on this to some extent, we are exiting with – though we have year-over-year comps with respect to Librela that continue to be challenging, we are exiting with that showing signs of stabilizing. And so again, we expect that to turn to growth as we get into 2026.

Look, we came into this year expecting to see some competitive pressure as they launch their products and are looking to gain some traction given the high satisfaction level we have in our products and the number of years that we have – particularly when you think about Derm. We've been in the market for 11 years. We're roughly 120 million doses in when you look at a combination of Apoquel and Cytoint.

The level of satisfaction with customers, both pet owners as well as vet is very, very high. So competitors, as they launch their products, are up against that strong position and are, as we anticipated, being very aggressive to look to get positioned. And if you look at where they are from a patient share perspective, it's still very limited.

Now I think this is where the macro comes in. And I think if you look at the macro in a market where you're seeing fewer therapeutic visits, then the impact of those competitive pressures will be felt a little bit more than when you have expansion. Now if you look at derm and International, that grew 7% on the quarter. And that's despite in certain markets where you've seen very aggressive competitive pressure, but you are seeing expansion of those markets. And while I want to sit here and predict how long the macro will be there, our position, though, in terms of our products in our portfolio couldn't be stronger.

And so again, I don't see this as a permanent feature. And as you've seen historically, these initial launch promotions tend to be short-lived. And so we'll make adjustments where we see necessary, but we'll be disciplined as we execute in this market. We've been there before. And so we'll continue to do that and we're very strong in terms of our portfolio as well as what's coming in terms of what we're starting to see approvals on already.

Operator

Thank you. We'll go next now to Brandon Vazquez at William Blair.

Analyst: Brandon Vazquez

Question – Brandon Vazquez: Hey, thanks for taking the question. I wanted to switch a little bit and talk about the new long-acting OA drugs that have been approved or are upcoming, the question being – but

clearly, Librela's launch didn't go as planned. I think the safety and efficacy stands behind it, but social media kind of got a little bit ahead of the drug and impacted its adoption as we're seeing. What have you guys learned, what's going to change as you launch these new long-acting OA drugs because a successful launch of these into 2026 feels like it could be one of the key levers to remain within that 6% to 8% organic growth that you guys have talked about for a long time? Just curious on thoughts on what that launch might look like relative to what Librela was and what gives you the confidence it can kind of have a more successful ramp from there. Thank you.

Answer – Kristin C. Peck: Thanks, Brandon. I'll take that one. We're very pleased with the approval in Canada and the positive opinion in the EU on Lenivia. I think another example of us delivering on our commitments across our innovation pipeline, we are really excited about that as well as Portela, which received its first approval in the EU. I think we are going to make sure that we apply all the learnings we had from Librela to these new launches.

We are expecting launch as we mentioned in the first half of 2026 for Lenivia. And we're going to apply the learnings from Librela. We're going to start, as we talked about with early experience with specialists, make sure they understand the product well and then they can help us as we launch more into the general veterinary population. We're going to make sure we continue to raise awareness of OA as a serious disease that requires a proactive approach to manage the pain. It's a progressive disease. We're going to make sure we continue to deepen education with specialists first and also with vets.

And we're going to – the same way we're doing with Librela, we're investing in long-term Phase IV research to make sure specialists and veterinarians continue to understand how best to use the products. We're really excited with these new products. As you think about Lenivia, it will add convenience. A three-month administration will help us expand the market some and put a lower barrier to entry, I think will also help us increase compliance. As we've talked about before, Lenivia will target a different location on NGF. It's a different molecule than Librela. It provides long-lasting relief at 10 times lower the dose.

So we do expect it to expand the market and provide incremental revenues, although obviously we'll cannibalize some of Librela. But I think it's an exciting new opportunity for us. I would say the same with Portela which is, again, a different area of NGF that it's targeting and again, is a different molecule. But I think especially as you think about cat, you can help us expand that market in cats where bringing your cat in every month is a big barrier as we know, for cat, and we're seeing strong growth in cat.

Solensia grew in the quarter, as you saw. And we see cat visits being the bright spot and visits overall with cat visits increasing. And we really believe that Solensia is one of the reasons that's helping drive that cat visit growth. So, we are excited about both of those launches and their ability to expand the market for OA pain for us in 2026.

Operator

Thank you. We'll go next now to Chris Schott at JPMorgan.

Analyst:Chris Schott

Question – Chris Schott: Hi. Great. Thanks so much for the questions. I'm just still trying to get my hands around what happened with US derm this quarter. I know you've talked a lot about the comps and macro. But can you just elaborate a little bit more in terms of what we're seeing either with Zenrelia or positioning ahead

of a potential Merck launch? It just seems like we saw quite a trend break this quarter relative to the past year. I suppose trying to get a little bit more color there.

And just as a follow-up, on the therapeutic visit side, it sounds like from your commentary that we need to see some of these visit trends improve to get new starts in the right place, et cetera. Can you just elaborate a little bit more in terms of what your outlook of when we could see that recovery or more just qualitatively, what it's going to take to get these to recover again? Thanks so much.

Answer – Wetteny Joseph: Sure. Look, I think as we've discussed, the competitive positioning here isn't significantly different than what we anticipated coming into the year or even as we saw a quarter ago. Again, if you look at the patient share gains in here, they're relatively limited. Now as we look at Q4, we are factoring in a full launch of competitive product in Europe coming in with NUMELVI, which started in the third quarter. So we are anticipating that and that's factored into our guidance, certainly. No word yet in terms of exactly when the Merck approval will be in the US. As they have said, they expected approval late this year, early next year. So, that's not really a potential topic here as we exit the year.

However, the (00:44:07) piece isn't significantly different. I think the difference here, Chris, is truly what is the impact of therapeutic visits, which were up the last few years, even as overall visits were down. That turned this year, where we're seeing therapeutic visits for derm declining on the year and the cumulative effect of those as we got into this quarter, we're seeing that impact in terms of patient starts. Exactly when we will see those turn around, I won't venture to give you here, but we are assuming the macro continues into the fourth quarter, certainly, what you see impacting here and we will update those in terms of what that means in terms of guidance in February.

One last point I will give is, as we factor these trends, again, very encouraging to see Librela showing signs of stabilization and so on, those are areas that we are looking forward to as we enter into 2026. But just one last point in terms of the guidance. Very pleased if you look at the disciplined execution from a expense management perspective, not only in terms of the performance on the quarter with 12% growth in adjusted diluted EPS, but we are maintaining our guidance from an EPS perspective in terms of bottom line for the year versus the guidance that we gave back in August. Again, these are elements that I want to remind you of. I don't know if Kristin wants to add anything.

Answer – Kristin C. Peck: No, the only thing I'll build on with regards to Librela is, Librela remains widely used with over 30 million doses distributed globally and we do remain confident in Librela's growth potential. I think executing on a multipronged strategy, as we're starting to see the signs of stabilization right now, it gives us confidence that the actions we're taking are going to return Librela to growth. And as we mentioned, we believe it will return to growth in 2026.

So, what gives us that confidence is watching the trends over the last few months, we look over trends of four to six weeks at a time rolling and that's what gives us confidence that it will be stabilizing and we'll return to growth in 2026. I think it's really strong execution across our multipronged strategy.

Operator

Thank you. We'll go next now to Steve Scala at TD Securities.

Analyst:Chris LoBianco

Question – Chris LoBianco: Thank you. This is Chris on for Steve. Just one question on livestock, had another very strong quarter. How doable are these growth drivers as you look ahead to 2026?

Answer – Wetteny Joseph: Yeah, we're very, very pleased with double-digit growth in livestock on the quarter. Livestock has now demonstrated growth above market the last two years. This is the third year in a row. And we are anticipating that continuing in terms of growth in next year. I think the underlying demand picture in livestock and if you look at the secular trends that are driving that are sustainable. You see increased demand for protein. You see population growth, as well as growth in emerging middle class, as well as urbanization driving these trends globally. And again, we're very pleased to see the performance (00:47:08) in the quarter.

I think this really demonstrates one of our core strengths, which is diversification across the portfolio. You have a double-digit growth in livestock in the quarter where you see some headwinds in terms of macro, particularly in US companion animal. And again, this is what makes Zoetis great in terms of, if you look at our portfolio and the breadth of it across species and across therapeutic areas, et cetera.

Operator

We'll go next now to Navann Ty at BNP Paribas.

Analyst:Navann Ty

Question – Navann Ty: Hi. Thanks for taking my question. One on the derm portfolio, if you could quantify maybe how much is due to distributor inventory dynamics versus the competitive pressure from Zenrelia and NUMELVI in Europe. And also on Librela, when do you see signs of stabilization and what are the drivers of that in your view? Thank you.

Answer – Wetteny Joseph: Yeah, sure. Really, distributor inventory levels were not a point to really raise here other than, as we've said in the prepared commentary, we did move Apoquel into distribution on the quarter. That was about a \$10 million contribution if you look at the derm figures in the US. But there's not a point here in terms of distribution impact to speak of in terms of overall performance.

And again, with respect to Zenrelia, both in the US and across international markets, the level of patient share that they are gaining here is certainly in line with our expectations, if not, below it. So, we don't see that really being a key factor that's different from what we came into the year with, and it's been limited in terms of the impact. I'll turn over to Kristin on the Librela question.

Answer – Kristin C. Peck: Yeah. I mean, I'll just reiterate. We're encouraged that we've seen the recent signs of sequential stabilization and that really gives us confidence that the actions we're taking are working and that's what gives us confidence that we'll return to growth in 2026.

Operator

We'll go next now to Daniel Clark of Leerink Partners.

Analyst:Daniel Clark

Question – Daniel Clark: Great. Thanks. Good morning. Just wanted to circle back on some guidance you gave last quarter on double-digit growth across the derm trio and OA pain franchises. How is that tracking at this point? And how should we kind of think about the growth of those three going forward, given all the dynamics you've laid out on the call? Thank you.

Answer – Wetteny Joseph: Yes, Daniel, happy to take that. Look, we came into the year and you've seen our key franchises that includes derm, parasiticides with Simparica as well as Librela and OA pain, driving double-digit growth for the year. And through the first three quarters, even with the headwinds we've seen from OA pain, particularly in the US, they're tracking to about 9% on a year-to-date basis. They're about 2% on the quarter. And so we now expect those key franchises to be high single digits on the year.

I won't – again, I won't venture into what forecast might be as we go into next year, we'll provide more clarity on those in February. Certainly, we look forward to that. However, I would say, again, the stabilization we're seeing in OA pain is certainly helpful to see – if you look at the OA pain in terms of the impact on the quarter. Certainly, you can see how that played out, particularly in these key franchise areas. But it is encouraging to see the stabilization in terms of Librela and to the therapeutic visits that we talked about, those have been down for the last three quarters. But if you take Derm, for example, visits for therapeutics in derm in the US clinics were down – less than 1% down, where they were down more in the last couple quarters. So we are encouraged by some of those, again, not necessarily forecasting what the macro would look like as we look ahead.

Operator

We'll go next now to Andrea Alfonso with UBS.

Analyst:Andrea Alfonso

Question – Andrea Alfonso: Hi, everyone. Thanks so much for taking the question. I wanted to just probe a little bit more on the Simparica Trio franchise in the US in the quarter outside of the tough comp. I guess would be curious if you could provide any color on the actual dosage share in vet clinics, particularly among new puppies, did you retain or seed some share? And also curious if you could speak to maybe some of the pricing spreads versus the competitors? Have they narrowed down some of those new launches?

And then separately, but sort of the same topic is in one of your slides in the investor deck, there was some mention of new canine parasiticides in the innovation roadmap slide. Just curious at all, if you can comment, are those simply long-acting, maybe any new efficacy and breadth that you expect to roll out there? Thanks so much.

Answer – Wetteny Joseph: Yeah. I'll take the overall question and see if Kristin wants to chime in on the pipeline here. Look, as we look at Trio, I know you said despite the tough comp, but I do think that is probably the biggest factor here in addition to the macro that we've already talked about. If you look at where Trio performed a year ago in the third quarter, Trio was up 27% on the quarter. So I think clearly, that is a very strong comparative period and strong performance that we're up against and we knew that and coming in, which is why we factored some of that in. But I do think it's important.

In terms of share, we are largely maintaining our share across the vet clinic. I think the reduction in flea, tick, heartworm visits that we're seeing from a therapeutic category perspective is part of the impact here. But again, the competitive share gains from a patient share perspective that we're seeing here are not significant. Again, they've been limited here. We are continuing to see expansion though of the overall flea, tick,

heartworm, particularly a triple combination space as we look ahead. And so there's still significant room to grow here over the last couple years.

You've seen that share of prescribed oral medications go from 30% to 47% over the last two years with substantial more room to go. And Trio is the market leader here, certainly in the US and we continue to see our opportunity to continue to capitalize on that as a first mover and very, very high satisfaction rates from customers here.

I won't get into the specifics in terms of pricing spreads here. Again, there are some dynamics that we anticipate in terms of what happens during the period of launch. Historically, those have been short-lived and we won't get too deep into those other than to say, we're confident in our position. We're confident in our product, we're confident in the differentiation that we have across our products and that gives us a reason to be very disciplined as we cycle through those periods.

Answer – Kristin C. Peck: Yeah. I'll just go on your second question, which had to do with the pipeline. As I mentioned before, we're really excited to be continuing to deliver on our commitments across our pipeline. I think you're referencing a slide from our JPMorgan presentation. We continue to be on or ahead of schedule with the overall pipeline and we look forward to providing very specific updates on the progress of that pipeline, including our (00:54:31), which remain an important part of that pipeline on our webcast on December 2 on innovation. So we'll give you a fulsome review of the pipeline progress and more information on it on the December 2nd webcast.

Operator

Thank you. And ladies and gentlemen, that is all the time we have for questions this morning. Ms. Peck, I'd like to turn the conference back to you, ma'am, for any closing comments.

Well, thanks, everyone, for joining us today and for your thoughtful questions. We're proud of another solid quarter that reflects the consistency of execution and the strength of our portfolio and the focus of our colleagues around the world. As we look ahead, we'll continue to advance our strategy and investment innovation that is driving our sustainable growth.

And as always, we remain committed to delivering long-term value for our shareholders and look forward to sharing continued progress on our innovation pipeline during the upcoming Innovation Webcast. We look forward to speaking to you there and have a great day, everybody.

Operator

Thank you very much, Ms. Peck, and thank you, Mr. Joseph. Again, ladies and gentlemen, this will bring us to the conclusion of Zoetis' Third Quarter 2025 Financial Results Conference Call. Again, thanks so much for joining us, everyone, and we wish you all a great day. Goodbye.