

Q4 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**

Michael Ryskin - Analyst

Erin Wilson Wright - Analyst

Chris Schott - Analyst

Brandon Vazquez - Analyst

David Westenberg - Analyst

Jonathan D. Block - Analyst

Glen Santangelo - Analyst

Andrea Alfonso - Analyst

Steven Dechert - Analyst

Daniel Clark - Analyst

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Chris LoBianco - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Welcome to the Fourth Quarter and Full Year 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.

It is now my pleasure to turn the floor over to Steve Frank. Steve, you may begin.

Steven Frank

Thank you, operator. Good morning, everyone, and welcome to the Zoetis 2025 full year and fourth quarter earnings call. I am joined today by Kristin Peck, our Chief Executive Officer; and Wettey Joseph, our Chief Financial Officer.

Before we begin, I'll remind you that the slide presented – 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, Thursday, February 12, 2026. 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 good morning, everyone. Welcome to our fourth quarter and full year 2025 earnings call. For the full year, on an organic operational basis, we delivered 6% revenue growth and 7% growth in adjusted net income, in line with expectations.

International markets were again a key contributor, delivering 8% organic operational revenue growth, while the US delivered 4% organic operational growth, reinforcing the value of our global footprint. By species, livestock delivered 8% organic operational revenue growth, benefiting from a more focused portfolio following the MFA divestiture.

Companion animal grew 5% operationally, reflecting the strength of our diverse and durable portfolio. In 2025, we executed with discipline and delivered growth across the portfolio against the backdrop of a dynamic operating environment, shaped by macroeconomic and competitive pressures.

Importantly, our execution further strengthened the foundation for what's next, from advancing long-acting approvals and a robust pipeline that extends our growth runway to strategic actions that sustain growth through competition, to sharpening focus in livestock post-MFA and strengthening our commercial and medical capabilities globally.

Before highlighting our performance drivers for the year, I want to share what we've seen in the US since our third quarter call as these dynamics show up across the portfolio.

In the veterinary channel, we continue to see some economic pressure on Gen Z and millennial pet owners, which has contributed to a decline in therapeutic visits and doses. At the same time, emergency and urgent care continue to show strength, which reinforces our view that this is not a decline in underlying demand for care, but rather greater price sensitivity and tighter household budgets when it comes to the cost of routine care.

We are beginning to see clinics react to this environment by taking a more measured approach to the overall cost of care for pet owners. We are also operating in a more competitive landscape, including elevated promotional launch activity, which historically has not been sustainable. In response, we are taking targeted actions to offset these pressures by optimizing our channel mix, increasing reach and frequency with veterinarians, while reinforcing our scientific leadership through expanded medical education.

But stepping back, these near-term dynamics are unfolding within a broader US macro environment that we believe will gradually improve as we move through 2026. And some of our veterinary partners are even beginning to reengage in acquisitions and de novo clinic development. The continued expansion of retail-based clinics, standalone hospitals and urgent and specialty care centers reflects evolving pet ownership dynamics and the emergence of new operating models across the industry.

These trends underscore a market that is adjusting and evolving even as pressures persist. And despite these near-term headwinds in the US, Zoetis continues to lead across key brands. Our portfolio continues to be differentiated by the pace and scale of our innovation. With more than 185 geographic expansions and lifecycle innovations in 2025, we expanded access to proven therapies, addressed additional unmet medical needs, and strengthened our foundation for future growth as the operating environment evolves.

Turning to our performance drivers, our Simparica franchise grew 12% operationally for the year with double-digit performance in both the US and International markets. Trio continued to be a key driver, growing 13% operationally. In the US, sales surpassed \$1 billion with continued gains at initiation and the highest puppy share in the clinic. Globally, Trio maintained its position as the number one selling canine brand, reinforcing its position as the standard of care for broad spectrum coverage in the fastest growing parasiticide segment.

That performance also reflects the strength of our omnichannel strategy, helping us navigate headwinds in the clinic. By ensuring our products are available wherever customers want them, we continue to grow with double-digit contributions from retail and home delivery, supporting improved compliance, and positioning us well as customers weigh convenience, access and value across channels.

Pet parasiticides remain the largest category in companion animal health, and despite an increasingly competitive market, the Simparica franchise gained share globally in 2025.

Our key dermatology franchise grew 6% operationally for the year, with strong International contributions, reflecting the durability of the category we built. The breadth and differentiation of our portfolio continue to support veterinarian choice, pet owner compliance and consistent patient outcomes. While the category is competitive and expected to remain so, we are executing with focus through direct-to-consumer investment, Apoquel Chewable conversion and targeted outreach to OTC users. That dynamic is especially evident internationally, where continued category expansion and rising awareness are driving adoption and reinforcing long-term franchise confidence.

With a large untreated population globally and a clear preference for a proven, trusted therapies, we are competing from a position of strength, built on portfolio diversity and scale. Innovation is central to our strategy. And as we discussed during our Innovation Webcast, our near-term pipeline is positioned to provide significant growth catalysts and opportunities to drive value.

Turning to OA pain. The franchise declined 3% operationally for the year, and we remain committed to returning it to growth. We continue to see strength in the feline opportunity with Solensia growing 7% operationally. Last year's market approvals of Portela will expand our portfolio in 2026, enhancing our long-term ability to address OA pain in cats across different patient needs.

While Librela declined 6% operationally, we continue to advance our multi-pronged strategy, anchored in education, ensuring veterinarians and pet owners clearly understand the benefit-risk profile. We are seeing signs that our strategy is working, supported by stabilizing monthly sales trends and veterinarian and pet owner satisfaction. Overall, we remain confident in the long-term strength of Librela, grounded in a significant unmet need, the meaningful impact it is having for dogs and the veterinarians who treat them and the introduction of Lenivia, which will further expand our ability to support OA pain management across the stages of disease and patient profiles.

And as we advance our OA pain franchise, we continue to engage in ongoing dialogue with regulators around the world to closely monitor and evaluate adverse events, support the safe and effective use of the product and ensure prescribing information remains up to date.

Companion animal diagnostics delivered broad-based 13% operational revenue growth for the year, even with ongoing pressure on clinic visits. This is another example of why portfolio balance matters, particularly in a dynamic operating environment. It also reinforces the success of our innovation strategy, including AI-enabled capabilities.

In 2025, we expanded our diagnostics portfolio with the launch of Vetscan OptiCell, bringing faster, simpler in-clinic hematology to veterinary practices and AI Masses, broadening the Vetscan images menu, each contributing to a strong platform performance for the year.

Similarly, we broadened our laboratory footprint across the UK and Ireland with the acquisition of Veterinary Pathology Group in November. We expect this momentum to continue alongside the anticipated launch of our next-generation chemistry innovation in 2026. Our diagnostics business strengthens the portfolio today and expands the opportunity over time as we pioneer new diagnosis-driven therapeutic areas.

Turning to livestock. We delivered 8% organic operational revenue growth for the year with especially strong double-digit contributions internationally. Growth was broad-based across species and geographies with momentum in key cattle and swine markets, driven by consistent demand and solid execution throughout the year. Poultry contributed double-digit growth, driven by focused post-MFA execution, strength in biologics, key account penetration and geographic expansion of Procerta.

Aquaculture also delivered especially strong growth, driven by continued Moritella demand, underscoring the importance of disease prevention and the benefits of scale in a high stakes production environment, as fish remain one of the fastest-growing sources of protein globally.

In 2025, our R&D leadership delivered important conditional approval for HPAI and New World screwworm, reinforcing our ability to address critical challenges facing producers. We continue to believe the long-term fundamentals in livestock are strong. Globally, protein consumption continues to grow alongside GDP and rising incomes, while in the US, surging GLP-1 use and updated nutritional guidance are expected to drive demand for meat and dairy. That shift reinforces the connection between the accessibility, affordability and safety of the food on our plates and animal health, underscoring the importance of the industry's ongoing shift from treating disease to preventing it altogether. These dynamics play to the strength of our portfolio, and we expect continued momentum.

Looking ahead to 2026, we are guiding to a range of 3% to 5% organic operational revenue growth and expect 3% to 6% organic operational growth in adjusted net income. This outlook reflects our confidence in our ability to execute across the portfolio, while navigating macroeconomic and competitive pressures, which we expect to moderate as the year progresses.

The essential and resilient nature of animal health, together with secular trends such as an aging pet population and meaningful unmet need provide a durable foundation for growth.

In closing, 2025 was a year of meaningful progress across our portfolio and pipeline with important innovations delivered to customers and continued advancement of a focused strategy. We have been deliberate about where to invest, how to compete, and how to scale innovation in ways that are designed to endure across cycles.

Today, Zoetis has the industry's most diverse portfolio and a robust pipeline with 12 potential blockbusters in development, which for us are products with at least \$100 million in annual revenue, including innovations that are pioneering entirely new categories of care. Guided by our purpose and our commitment to addressing unmet medical needs, we are not only advancing science, but helping shape the future of animal health.

As the operating environment continues to evolve, Zoetis is competing from a position of strength, grounded in a differentiated science-to-scale model, trusted brands, global scale and deep, long-standing customer relationships. In 2026 and beyond, our focus remains on a disciplined execution and building on the capabilities we have put in place to drive durable, long-term growth and value creation.

And before turning it over, I want to extend my deepest thanks to our purpose-driven colleagues around the world for their unwavering commitment to customers.

With that, I'll pass it over to Wetteny before taking your questions.

Wetteny Joseph

Thank you, Kristin. Our disciplined execution and ongoing investments in innovation have strengthened our foundation for sustained growth. Despite the dynamic operating environment and the ongoing macroeconomic and competitive pressures Kristin discussed, we delivered solid performance across our diverse portfolio.

Now, I'll walk you through our financial results for the quarter and full year. Our full year results reflect our ability to grow, even in an increasingly competitive environment, through the diversity of our portfolio, strength of our commercial relationships, and the value our products provide to our customers.

For the year, we reported global revenue of \$9.5 billion, growing 2% on a reported basis and 6% on an organic operational basis, with 4% coming from price and 2% from volume. Despite facing a challenging economic environment, we ultimately finished at the high end of our November guidance range. Adjusted net income grew 6% on a reported basis and 7% on an organic operational basis to \$2.8 billion.

Turning to our franchises. Global revenue growth was driven by our companion animal portfolio, which grew 5% operationally in 2025. Leading the way, our Simparica franchise reported \$1.5 billion in revenue on the year, growing 12% operationally. Simparica Trio remains the number one selling canine parasiticide globally. The triple combination space continues to expand, converting share from older therapies with ample room for market expansion.

Our key dermatology portfolio grew 6% on an operational basis to \$1.7 billion in revenue. We continue to drive growth and expand the market in the face of competition through execution, adjusting our distribution strategy, and driving the benefit of our differentiated offerings to win new patients.

Partially offsetting the growth in companion animal, our OA pain monoclonal antibodies declined 3% operationally for the year to \$568 million in revenue. Our OA pain products alone have eclipsed the revenue of the entire OA space prior to their launch, reflecting broader adoption and expansion of the category.

We are also very pleased with the strong performance from our companion animal diagnostics business, which grew 13% on an operational basis globally. For the year, we delivered growth ahead of the broader diagnostics market and saw strong adoption and growth across our portfolio, driven by Imagyst and our newly launched OptiCell analyzer. In addition to this innovation-led growth, as Kristin mentioned, we continue to expand our reference laboratory footprint and expect these to be strong building blocks from which we can continue to grow.

Our livestock portfolio had another strong year with \$2.8 billion in revenue, or 8% organic operational growth, driven by broad-based growth across geographies and species, as well as price and volume.

Moving to our segment performance for the year. Our US segment posted \$5.1 billion in revenue, flat on a reported basis, while growing 4% on an organic operational basis. Growth was balanced across both US companion animal and livestock on an organic operational basis.

Our US companion animal portfolio grew 4%, driven by performance of our Simparica franchise and our key dermatology franchise. Our Simparica franchise contributed (00:18:30) \$1.1 billion in sales, growing 10%. As Kristin mentioned, Simparica Trio became our first brand to exceed \$1 billion in annual sales in the US.

Key dermatology posted 4% growth on the year on \$1.1 billion of revenue. While the highly promotional environment and slower periodic visits in the back half of the year were a headwind to new patient starts, we are pleased with the strong growth from our omnichannel strategy, particularly home delivery. Each channel drives existing patient compliance and revenue growth, and we expect they will continue to drive growth as we maintain a leading position in canine dermatology.

Our OA pain products saw a decline of 12% in the US on \$238 million in annual sales. Librela posted \$169 million in revenue, a decline of 16% versus 2024. As Kristin noted, vet and pet owner satisfaction with Librela remains high, and we saw sales trends stabilize as we move through the fourth quarter. Solensia declined 2% to \$69 million in revenue. Our US companion animal diagnostics business grew 14% on the year. We are pleased with our diagnostics growth in the US and expect additional innovation to drive share expansion in the future.

Our US livestock business closed out a solid year with 4% organic operational growth. Growth was driven primarily by our vaccine portfolio and the field force is focused on prevention following the MFA divestiture. We continue to see low cattle herd sizes, which while limiting the number of animals to treat, does promote favorable producer economics and a higher standard of care due to the value of each animal.

Now on to our International segment, which grew 4% on a reported basis and 8% on an organic operational basis for the year. International companion animal grew 7% operationally during the year, driven by our Simparica and key dermatology franchises, as well as our OA pain mAbs.

The Simparica franchise grew 17% operationally, posting \$409 million in sales with double-digit growth across both Simparica Trio and Simparica. Simparica Trio grew 28% operationally to \$183 million in revenue, driven by an increasing standard of care in many international markets. Simparica grew 10% operationally to \$225 million in sales with high levels of adoption in markets with lower standard of care or where heartworm prevalence is low. We have seen minimal impact from recent competitive launches internationally.

Key dermatology posted revenue of \$608 million for the year, growing 10% operationally. We saw solid contributions from both Apoquel and Cytoint. Internationally, we are now facing two oral JAK competitors. We are driving market expansion with our differentiated offerings by increasing compliance and maximizing the lifetime value of the patient for both Zoetis and veterinary practices.

Ultimately, we see new entrants competing for shelf space alongside our established portfolio. Strategically, we remain focused on driving conversion to Apoquel Chewable as well as Cytoint as we win through differentiation. Internationally, our OA Pain mAbs grew 5% operationally on \$330 million in combined revenue. Librela sales were \$254 million, growing 2% operationally. Solensia sales were \$76 million, growing 17% operationally.

We are excited for the launch of our long-acting OA pain products, Lenivia and Portela in certain international markets later this year, which will continue to expand the \$1 billion-plus OA pain market through increased convenience and compliance. Our international companion animal diagnostics business grew 11% operationally on the year. Our international livestock portfolio grew 10% on an organic operational basis to \$1.9 billion in sales for the year. This growth was enough to completely offset the revenue impact of the MFA divestiture, and we saw growth across both price and volume in all major species.

Cattle was the primary driver of our international livestock performance, driven by good market momentum across our major cattle markets. Poultry performance was driven by growth in vaccines, especially in emerging markets, aided by field force focus and execution following our MFA divestiture. Our fish portfolio continues to drive growth from high demand for Moritella vaccine.

Moving on to our Q4 results. We posted \$2.4 billion in revenue in the quarter, growing 3% on a reported basis and 4% on an organic operational basis, with 3% driven by price and 1% from volume. Adjusted net income of \$648 million grew 3% on a reported basis and 4% on an organic operational basis.

Our companion animal portfolio grew 1% operationally, posting \$1.6 billion in revenue. Growth in companion animal primarily from our Simparica franchise, which contributed \$333 million, growing 3% operationally; our ProHeart franchise, which grew 16% operationally; and our key dermatology franchise, which posted \$426 million in revenue, growing 1% operationally. This growth was partially offset by declines in our OA pain franchise, which declined 11% operationally to \$137 million in the quarter.

Our global companion animal diagnostics business grew 10% operationally in Q4. Our livestock portfolio contributed \$756 million in global revenue, growing 9% on an organic operational basis, with growth across both US and International and in all species, as well as price and volume.

Now let's move on to our segment results for the quarter. US revenue was flat in the quarter with companion animal declining 1% and livestock growing 3% on an organic operational basis. Our US companion animal decline was driven primarily by headwinds from our OA pain franchises, which declined 25% in the quarter on \$53 million in combined revenue. While we do expect these headwinds to continue into 2026, the impact on our growth should moderate as we move through the year.

Librela posted \$36 million in revenue for the quarter, declining 32%. We are continuing to execute on our multi-pronged strategy and remain confident that our OA pain portfolio will return to growth.

Solensia declined 7% on \$17 million in revenue. Solensia, like many injectable products, has had headwinds from soft clinic visits, but market share remains stable. The OA pain franchise decline was partially offset by growth in our parasiticide portfolio, specifically ProHeart and our Simparica franchise, as well as our key dermatology portfolio.

Sales of our ProHeart franchise have seen solid growth due to increased usage in clinics that prioritize the maximum heartworm compliance offered by our long-acting injectable product. We continue to see growth in Simparica Trio, which grew 1% in the quarter on \$225 million in sales, as well as growth in the triple combination segment.

Our US key dermatology franchise grew 1% in the quarter to \$272 million in revenue for the reasons we discussed earlier. We posted organic operational growth in US livestock of 3% in the quarter on \$234 million in revenue. Growth in our poultry vaccines was the primary driver of growth. We also saw contributions from cattle, which benefited from favorable supply of ceftiofur, as well as growth in vaccines.

Moving to our International segment for the quarter, revenue grew 8% on a reported basis and 7% on an organic operational basis, posting \$1.1 billion in revenue. Our International revenue in the fourth quarter was positively impacted by certain operational changes made in connection with our expected fiscal year alignment for subsidiaries outside the United States. These operational changes resulted in the acceleration of the timing of sales into the reported fourth quarter of 2025, leading to an approximate 2.5% to 3.5% increase in sales in the International segment in the quarter, a trend that we do not expect to recur at the end of fiscal 2026.

Our international companion animal business grew 4% operationally, while livestock grew 12% on an organic operational basis. International companion animal growth was driven by our Simparica, key dermatology and OA pain franchises. Our sales of our Simparica franchise were \$90 million internationally, growing 6% operationally.

Simparica Trio grew 34% operationally to \$41 million in sales, driven by increased adoption in Australia and geographic expansion. Simparica declined 9% operationally on \$49 million in sales, largely due to softer

macroeconomic conditions in Brazil, our largest international market for Simparica. Our key dermatology franchise grew 2% operationally, posting \$155 million in revenue. Growth was driven by Apoquel Chewable and Cytoint, which remain differentiated.

While we are seeing some impact on Apoquel share due to competition, switch from Cytoint and Alcohol Chewable has been limited. We continue to drive expansion in the overall market through higher compliance and new patient adoption, driven by our direct to consumer investments, and expect additional entrants to further increase awareness of dermatological treatment options.

Our OA pain mAbs grew 2% operationally in international markets on \$84 million in revenue. International Librela sales were \$64 million, down 2% operationally in the quarter. Performance continues to be mixed with weaker performance in English speaking markets being partially offset by the rest of the international market.

Solensia grew 15% operationally on \$21 million in sales. International livestock grew 12% on an organic operational basis in the quarter, with broad-based growth across all of our core species. Growth was driven by the Brazilian cattle market, where exports remained high, as well as favorable supply on certain products.

Fish continues to post strong growth, driven by the performance of vaccines in both Chile and Norway. And our poultry business continues to post strong growth on key account penetration, driven by field force focus on vaccines post-MFA divestiture.

Before we move down the P&L, I wanted to highlight an important initiative that underscores our ongoing commitment to evolving our business for long-term success. To support our strategy and drive greater speed, productivity and insight, we are advancing our multi-year, multi-phased initiative to transition our ERP system. This initiative leverages our existing strengths, further modernizing the way we operate day-to-day and enhancing our ability to capture and report insights on our global business.

As part of this effort, we are expecting to eliminate the one-month reporting lag of our subsidiaries operating outside the United States, aligning our fiscal year with calendar year 2026 on a global basis. When we adopt the expected fiscal year alignment, we will retroactively apply the new accounting principle to prior financial statement periods, enabling a clear comparison of our financial results to historical operations.

In anticipation of this potential change, we've made certain related operational changes as highlighted in our International segment results. These changes resulted in the acceleration of the timing of sales into our reported fourth quarter 2025.

Starting in early 2026, we also shifted the timing of annual price increases in certain international subsidiaries so both the price increase and the related customer buying activity will occur within the same calendar year. Additionally, the processing of certain customer orders from December 2025 was delayed to calendar year 2026.

With that in mind, let's move on to the P&L. Full year adjusted gross margin of 71.9% grew 120 basis points on a reported basis. Foreign exchange had a favorable impact of 80 basis points. Excluding FX, we saw higher margins due to the favorable impact of our MFA divestiture as well as benefits from price. These benefits were partially offset by higher manufacturing costs in the first half of the year related to inventory valued at prior year standards.

Adjusted operating expenses increased by 2% operationally, reflecting cost discipline as we navigate the challenging macroeconomic environment. Adjusted net income grew 4% operationally and 7% on an organic operational basis. Adjusted diluted EPS grew 6% operationally for the year and 10% on an organic operational basis.

Lastly, I'd like to touch on capital allocation. During the year, we continued to deploy capital in a disciplined manner, balancing ongoing investments in the business with returning capital to shareholders. In December, we completed a convertible bond offering, which supported a \$1.75 billion common stock buyback while maintaining a strong balance sheet and capacity for future investments. In total, we returned more than \$3.2 billion to shareholders through share buybacks in 2025 and an additional \$800 million in dividends, consistent with our long-term approach to capital deployment.

Turning to guidance. For 2026, we are guiding to organic operational revenue growth of 3% to 5% and organic operational growth in adjusted net income of 3% to 6%. Our 2026 guidance reflects foreign exchange rates as of late January. On a reported basis, this translates to expected revenue of \$9.825 billion to \$10.025 billion with contributions from both price and volume.

I will now provide some of the operating assumptions in our guidance range. We expect companion animal business to remain a key growth driver in 2026, supported by a differentiated portfolio even as competition in parasiticides and canine dermatology intensifies, dynamics that are reflected in the guidance range. While our outlook includes contributions from long-acting OA products in markets where we have approvals, it does not assume revenues from products or geographies where approvals have not yet been granted.

We also expect robust contributions to growth from our livestock portfolio, aided by global increases in protein demand and favorable producer economics. We exited 2025 with strong momentum across all of our livestock species. We expect continued field force focus and disciplined execution to fuel mid-single digit organic operational growth in 2026.

Now moving on to the rest of the P&L. Adjusted cost of sales as a percentage of revenue is expected to be approximately 28%. Adjusted SG&A expenses for the year are expected to be between \$2.43 billion and \$2.49 billion. Adjusted R&D expenses for 2026 is expected to be between \$715 million and \$725 million. Adjusted interest expense and other income deductions is expected to be approximately \$200 million. Our adjusted effective tax rate for 2026 is expected to be approximately 20.5%.

Adjusted net income is expected to be in the range of \$2.975 billion to \$3.025 billion, representing growth of 3% to 6% on an organic operational basis.

Lastly, we expect adjusted diluted EPS to be in the range of \$7 to \$7.10 and reported diluted EPS to be in the range of \$6.65 to \$6.75. We estimate that the share repurchases funded by our recent convertible bond offering will have an impact of roughly \$0.22 on EPS for 2026, which is reflected in our guidance.

In closing, 2025 was a year that showcased the resiliency and durability of our diversified portfolio, as we delivered solid performance despite varying market conditions and competitive pressures. Our continued investments in innovation, coupled with the breadth of our portfolio and disciplined execution have laid a strong foundation for the future.

Looking ahead to 2026, we remain confident in our ability to build on this momentum, leveraging our differentiated brands, expanding global reach and our unwavering commitment to both operational excellence and long-term value creation.

As we advance our multi-phase ERP system transition, we are setting the stage for greater speed, productivity, and insight across the business. We are excited for the opportunities that lie ahead, and believe we are well positioned for continued success.

Now, I'll hand it back over to the operator for your questions. Operator?

QUESTION AND ANSWER SECTION

Operator

Thank you. Our first question is coming from Michael Ryskin with Bank of America. Your line is open. Please go ahead.

Analyst:Michael Ryskin

Question – Michael Ryskin: Great. Thanks for the question. Appreciate it. I want to ask sort of explicitly on competition for 2026 and what you're factoring in. Just maybe you could at a high level frame the level of conservatism you've put in on some of the key brands as more competitors enter the market. I mean, for example, in key derm, you flagged 6% growth for the year, but it was, I think, only 1% in the fourth quarter. So it seems like things are moderating a little bit. Just sort of how that affected your thinking on the framing of next year's numbers?

And then maybe related to that, just I'll squeeze in my follow-up now, would love to hear your comments on price versus volume next year, your ability to take price. And I don't know if it'd be on an apples-to-apples basis. I don't know, if you can talk about maybe some changes to the timing of price, but any way you could frame, that'd be helpful. Thank you.

Answer – Wetty Joseph: Sure, Mike. I'll be happy to take it. Look, your first part of the question is how do we see competition going into 2026. And remind you, in 2025, we expected certain launches to take place, and there are certain launch-related promotions that we have seen in this space, and we expected those to occur. And so we knew the back half was going to decelerate based on that point. And we've seen that perhaps a bit more from the macro in the US is what I would say contributed to that.

To your point, derm landed with 6% growth on the year with deceleration, again, at the back end, closer to 1% in the fourth quarter, again, which we anticipate. We always take into consideration various factors in terms of within the range of guidance that we give, which we believe is certainly prudent in terms of how we've positioned it. We do take various scenarios into consideration, including when we expect competition to launch and the level of aggressive promotions that they will do within that window. And those are factored here, certainly, when we think about in the derm space, another JAK competitor launching potentially in the US, as well as in terms of IL-31 in that sense as well. So all those are factored into our thinking here that we put into the guidance.

On price, we've said we would return to our normal rate range, which is 2% to 3%, which is what you can assume in this guidance, with the balance, of course, being volume. So at the low end of the range, you would have potentially 2 points to 3 points on price there, so less volume. And then on the higher end of the range, you'd start to see more balance.

Operator

Thank you. Our next question comes from Erin Wright with Morgan Stanley. Please go ahead.

Analyst:Erin Wilson Wright

Question – Erin Wilson Wright: Hi. Thanks for taking my question. So the 3% to 5% operational guidance, what does that incorporate with US companion animal operational growth? And what are you seeing playing out? And you talked a little bit about this on the derm category, outside of the aggressive promotions from Merck, how is Apoquel matching up to NUMELVI and others in terms of efficacy?

And then one more housekeeping one here is, there was a significant benefit in the pull forward or the one-month lag in terms of that fixing in the quarter on the International side. What does that mean for 2026 revenue on a reported and operational basis? And can you remind us how you're defining organic operational growth here, and how many months of International does 2026 include versus 2025? Thanks.

Answer – Wettey Joseph: Sure, Erin. I'll try and get each of the subcomponents here on the question. And if I miss anything, certainly, we'll get that clarified here. On the guidance, in terms of 3% to 5%, again, we do take into consideration what we see in the market currently and how we expect those to transpire over the coming year. And keep in mind, we do have the broadest and deepest portfolio, most innovative portfolio in the space and the leadership position across all of the key areas.

And so as we look to navigate and execute through the year, these are positions that are very strong that we have that we take into consideration. But of course, we do take a look at what the macro conditions look like.

I would say this. Really what's important here, when you think about animal health, it remains extremely resilient. So as we look at the macro in the US and we see some pressure on the consumer, at the same time, they are spending on animal health. As Kristin mentioned in the prepared commentary, in the fourth quarter we saw that 6% growth in clinic revenue.

Now of course, that is a bit slanted towards more of the emergency care as well as price that's having some impact on volume and visits. But certainly, the consumer is continuing to prioritize and spend in animal health. So I think that gives us a strong foundation as we look ahead.

On the one-month lag in terms of what that means to 2026, we have taken those into consideration. Of course, there are a number of shifts that are involved as we make this change that we're contemplating for the first quarter of 2026, those individual shifts across customers, across countries and so forth. So we've factored those into what we've given you here. And the basis for our guidance is exactly as it's always been, which is the International segments are on a lag because we have not implemented the fiscal year alignment yet. That will be taking place in Q1 2026.

OOG definition is something we thought we would have a basis or a metric that is very consistent for analysts and investors to be able to gauge us on. And so what we are doing here is sustaining that metric versus

bringing it in and out intermittently. And so that metric is effectively excluding FX and then any significant acquisitions that would be on an annualized basis 1%, or divestitures, for that matter, 1% or more of the prior year revenue. And so if it's 1% or more of the prior year revenue on an annualized basis, we'll adjust it out; otherwise, it stays in. And that's a very consistent way we plan to continue to report out.

Operator

Thank you. Our next question comes from Chris Schott with JPMorgan. Please go ahead. Chris Schott, your line is open. Please go ahead.

Analyst:Chris Schott

Question – Chris Schott: Sorry. Don't know what's going on there. Just two questions for me. I guess, first on Trio, we've seen a bit lower growth these past two quarters. Can you just elaborate a little bit more on the dynamics you're seeing there and how are you thinking about that growth profile as we enter into 2026?

And I just want to come back to the accounting dynamics that we're dealing with here. Just so I'm clear, I think you mentioned some delayed revenue recognition from 4Q into 1Q of 2026. Just how big is that deferral? And I just want to make sure I caught the comment. Is that deferred revenue part of the 3% to 5% organic, or is that kind of being normalized in the way you're calculating that? Thank you.

Answer – Wetty Joseph: Yeah, sure. I'll start with Trio. Look, again, Trio is the leading product in the US, has now eclipsed \$1 billion in revenue in the US alone and continue to be significant room to expand that space, as we've talked about many times. If you look at vet patient share, triple combinations are now about 50%. It has grown from about 30% two years ago and certainly significant more room to expand there. And again, we have very strong first mover advantage in that regard. So as we think about 2026 and we think about our drivers of growth, certainly our – within our key franchises, we expect the Simparica franchise to lead the way into this 3% to 5% growth that we have provided here.

In terms of the commentary on the various shifts that we've talked about and the operational changes that have caused some either acceleration or delayed processing, here we would be – those, of course, are factored into our guidance here, again on the same basis as we've always reported, with a one month lag, and we will be factoring the lag as we look ahead once we have implemented it in the first quarter.

Operator

Thank you. Our next question comes from Brandon Vazquez with William Blair. Please go ahead.

Analyst:Brandon Vazquez

Question – Brandon Vazquez: Hi, everyone. Thanks for taking the question. I'll ask two upfront here. Wetty, maybe for you, I just want to spend a second to making sure we have all of this clarified because the sequentials of the year feel like they're going to be a little bit tricky, given the financial accounting and then – or not seasonality, but competition in year-over-year comps.

And if I look at the Street right now, sales growth expectations through the year are kind of within a 1 point band. But that maybe doesn't feel right. So like, I don't know if you can give commentary around full year 3%

and 5% operational. Should first half be towards the low end of that, if not below it, the second half go above it as some of this stuff normalizes?

And then maybe just a macro kind of question as well, like is the commentary I'm hearing from you guys that the pet owners' financial situation is getting worse, or is it that the vet clinics raised price too much and we need to pull back on pricing increases? Thanks for the questions.

Answer – Wetteny Joseph: Yeah, sure, Brandon. I'll cover the first part, and I think Kristin will chime in from there. In terms of what the rhythm of the year may look like, I would point you to a few considerations here. And so clearly, if you look at how 2025 executed, you would have seen very strong execution performance, I would say, just based on where the macro conditions started to shift halfway through the year. So I would say take that into consideration. We'll be lapping some of those as we get through the first half of 2026. In other words, a little bit tougher comps there.

Similarly, if you look at the OA pain, particularly if you look at Librela in the US, you're starting to see some of those impact tail end of the second quarter, going into the second half of the year. Again, not only are the various items that we are executing on there starting to take shape, and we see that in stabilization. But it still means on a year-over-year basis, the comps remain strong for us in the first half on that.

The last point I would make is we have seen, as we anticipated, competitors launch products. And when they are in this launch window, they tend to be a bit more aggressive around promotions to drive shelf space. And some of those will be lapping through the year and others will start in the year. And so given the delay we've seen in terms of a JAKi competitor launching in the US, that would shift into further into the year, and therefore the window that they would potentially be more aggressive might extend a little bit more.

So, hopefully, that's helpful in terms of how you might think about sequentially thinking through 2026. And with that, I'll pass on to Kristin.

Answer – Kristin C. Peck: Yeah. And Brandon, to follow up on your other question just more broadly about the pet owner dynamics, as we mentioned in Q3 and as I mentioned in my remarks about Q4, we did continue to see some deceleration from the pet owner perspective in traffic in both therapeutic and wellness. But I think as you look at the overall demand, and I think this is important, the demand has stayed high. I think there was really just pricing at the vet clinic was taken a lot over the last three years. And I think the view from the pet owners is it was a little much.

I think really the veterinarians have seen this. They are very focused on providing better value to pet owners. And pet owners still have demand. If you look at when their dogs get sick, they are bringing them in. So I continue to think the demand is there. And we're excited to see a lot of new innovative operating models to meet different consumers where they are, and we think this will continue to drive growth.

I also think, as you look especially at the large corporates, they are focused on providing special programs for pet owners to encourage them to bring them in, is going to help recover some of that. So as we look at the year, as we move forward through the year, we do see an improvement overall in the pet owner macro situation, and that's certainly what we're expecting.

Operator

Thank you. Our next question comes from David Westenbergh with Piper Sandler. Please go ahead.

Analyst:David Westenberg

Question – David Westenberg: Hi. Thanks for taking the question. So I'm going to just get some clarification on the price increases. I think you're calling two to three price increases. Last year, I think the bulk of the revenue did come from, in fact, price increases that – not as much volume. So can you talk about some of the changes you can make in terms of pricing and strategy to maybe like bundle with clinics, or anything to kind of drive volume versus what you've seen in the private – what you've seen in prior years?

And then secondly, just around how you are implementing prices, I mean in the years past, it's really been raising prices on innovation and keeping that inline portfolio the same. Is there kind of changes this year relative to previous years in terms of that dynamic? And I get there is competitive reasons, so you're not going to get into each individual product, but at a high level. Thank you.

Answer – Wetteny Joseph: Sure. Look, I would start maybe with where you ended on the question, which is, by and large, we don't see significant shifts in our approach to pricing. Our pricing has always been and remains an element that we take into consideration product-by-product, market-by-market and the value – the clinical value we bring both to vets and pet owners through those products. And so we don't make a blanket statement around here's the pricing we intend to get. We run that through, again, that approach, and that remains very much consistent.

In terms of – look, we certainly are leveraging our strengths, right? We have a very broad portfolio, products that are incredibly important to veterinarians as they care for animals across the world, not just in the US. And we leverage those certainly within the confines of what's allowed in certain markets. So in the US, for example, we are able to leverage across portfolio to drive volumes and so forth with customers, and we do so. In other markets, those parameters may be different, and therefore we navigate based on what is legally allowed in those markets. But certainly, that is a strength of ours and will continue to be as we innovate, and you've seen the strength of our pipeline. And so that's something we will continue to leverage.

Operator

Thank you. Our next question comes from Jon Block with Stifel. Please go ahead.

Analyst:Jonathan D. Block

Question – Jonathan D. Block: Great. Thanks guys and good morning. I'll ask two. I'll try to break them up. And Wetteny, I know others have tried, but honestly, just from my e-mails, it's still a bit unclear. So do 2026 revenues benefit from this accounting change or, call it, the adjustment change as it reads in the PR? We get the benefit from 4Q. You called it out. It seems like it lands at \$30 million. But again, specific to 2026, due to the adjustment, is there an extra, call it, month of international sales that go into 2026 as you normalize it, call it, for the calendar? Let me pause there because I think that's really important, and then I'll ask just a tighter follow-up.

Answer – Wetteny Joseph: Sure, Jon, and good morning to you as well. Look, here's what I would help with framing here. First, there is not an extra month that we would contemplate. Again, we have not implemented fiscal year alignment. I want to make sure that is very clear. The work to do so and the recast of our financials, which we will – we plan to produce on a recast basis so that you and our investors can have comparable periods to compare as we start to report with our first quarter. And that work is ongoing and we have not completed the process yet. And so it is not in effect.

When it is, we would anticipate that there would not be an extra month. It will be a 12-month year, both for US and International segments. That year would then start January to December versus starting December to November. And so that's the first point I want to make very clear.

Now we did talk about certain shifts that have occurred that have either benefited 2025 or potentially delayed processing into 2026 that could have an increase in 2026. However, we will not be measuring, because, again, once we implement the change, we'll factor that as well as the results of the first quarter and other dynamics around the business to share with you and our investors.

Answer – Kristin C. Peck: Yeah. And just to give you a sense, when you get our – when we provide recast financials, we will look at prior periods in the new calendar year, fiscal year aligned perspective, so you can continue to compare. But there's definitely never going to be a year that's 13 months. It will be 12 months. They – that one month of International will shift, but you'll be able to see it in the recast financials.

Operator

Thank you. Our next question comes from Glen Santangelo with Barclays. Please go ahead.

Analyst:Glen Santangelo

Question – Glen Santangelo: Yeah. Thanks for taking my question. So Kristin, not to belabor the point, but just to sort of follow up on that point you just made, when we look at the cadence of the four quarters for 2026, is it fair to say that the first quarter will have the strongest growth? Or you're saying no because it will be comparable versus restated numbers in 1Q 2025?

Answer – Wetteny Joseph: Yeah. Look, I'll take this. As you know, we don't guide by quarter. Our guidance for the year is between 3% and 5% on the top line, 3% to 6% on the bottom line. Certainly we are executing across markets, we are delivering for customers, et cetera. That is our focus. When we report our first quarter 2026, we will be recasting. Obviously, you'll know what the results are for that quarter. But again, our guidance is on a full year basis, not a quarter. We've tried to be helpful in terms of some of the puts and takes around timing of when we saw some of the macro shifts in the US, and some of the competitive launches and when they occurred and how they – those might affect our growth rates as we work through 2026, but won't give guidance on a particular quarter.

Operator

Thank you. Our next question comes from Andrea Alfonso with UBS. Please go ahead.

Analyst:Andrea Alfonso

Question – Andrea Alfonso: Thanks. Good morning, guys. I guess, sorry to just belabor this point again regarding the 3% to 5% operational growth that you expect for 2026. So it sounded a little bit like you discussed certain shifts that – or delayed processing that could increase in 2026. So I guess, is there some sort of clarity on what that figure might be and does that sort of delay, negate kind of the \$30 million-plus that you saw in 4Q of 2025, such that it's sort of a neutral impact?

And then in addition to that, within that 3% to 5% growth, the US was flat on an organic operational basis in 4Q. Should we expect that to be the case as well within that 3% to 5%?

Answer – Wettény Joseph: Sure. Look, in terms of the 3% to 5% operational growth, that is our expectations for 2026 on the same basis that we have always reported, and certainly that factors the baseline, which is 2025, and the performance throughout the year, inclusive of the fourth quarter.

Now put into context here, the amount we're talking about for 2025 is effectively 30 basis points to 40 basis points of the total company for 2025. This is not a significant amount that would swing the range of growth that we're expecting for 2026 in any material way, is what I would say. And again, we'll provide on a like-for-like basis recasted financials when we implement the fiscal year alignment, and hopefully that will be very clear for everyone.

In terms of what the US performance may be, again, we don't guide by segment, but certainly, we've seen the macro, and Kristin and I have already discussed some of the elements that we see there. Going into next year, we do have some comps that in some respects are easier in the back half of the year versus the first half and so forth, so we take those into consideration. However, given our portfolio and the strength of that and our leadership position, we certainly will continue to execute commercially in ways to maximize those and drive our growth, not only in the US, but across the very diverse business we have geographically.

Operator

Thank you. Our next question comes from Steven Dechert with KeyBanc. Please go ahead.

Analyst:Steven Dechert

Question – Steven Dechert: Hey, guys. Thanks for taking my question. Could you just give us an update on where you are in the approval process for Lenivia? Thanks. With the FDA, sorry. Thank you.

Answer – Kristin C. Peck: Sure. Happy to take that. Yes, we're very excited right now to be launching in the first half for Lenivia in EU and Canada. And we do expect approval of Lenivia in the US in 2027. So we're really busy right now getting the early experience ready for EU and Canada. I'm excited to bring those learnings as we launch the product after we get its approval in the US in 2027.

Operator

Thank you. And our next question comes from Daniel Clark with Leerink Partners. Please go ahead.

Analyst:Daniel Clark

Question – Daniel Clark: Great. Thank you. Good morning. Two for me. One, just wanted to ask about your assumptions for the derm market in 2026 and if you're thinking that that's going to grow and maybe just how you're thinking about the high and the low ends of guide based on that.

And then secondarily, more of a clarification than anything. Can you just remind us when your key patents on Simparica and Apoquel, when those are through. Thank you.

Answer – Wetteny Joseph: Sure. In terms of derm assumptions here, we are expecting our key franchisees, obviously, to lead the way for us in 2026. We're expecting mid- to high-single-digit growth contribution here. Within that, of course, we don't guide by product category or specific franchise, but we do expect derm to contribute to growth on the year, though Simparica franchise will be the leading driver for us within those. And we have produced dates around our products in terms of when patents expire. So, for example, with Apoquel, we're out to 2032 timeframe on that in terms of what our patent expiry is on that. But I would refer you to our public filings for more specifics.

Operator

Thank you. Our next question comes from Navann Ty with BNP Paribas. Your line is open. Please go ahead.

Analyst:Navann Ty

Question – Navann Ty: Hi. Thanks for including me. On the 3% to 5% guidance, would you say that 2026 is a air pocket before a higher contribution of innovation in 2027? And maybe just one on parasiticides, if you could discuss the performance of Simparica Trio in the US, as well as ProHeart, whether it's driven by BRAVECTO QUANTUM. Thank you.

Answer – Wetteny Joseph: Sure. Look, your audio cut out a little bit, but I think I got the gist of your question. Certainly, you've seen the company deliver on average 8% top line growth. Over the last five or six years, it's been closer to 9%. We believe the guidance we're giving today, taking into consideration certain elements including competitive launches, which we fully expect to be very aggressive to get positioned in terms of penetration in clinics so that they can then start to drive more DTC to drive their growth longer term.

In the past, we have seen those to be short lived, again, with the objective of getting products on shelf, and that those, including the macro conditions we've talked about, factor into what we're putting in here. Certainly, we are very excited about not only the remaining expansion opportunities we see within the products we have on market today, which are in leadership positions, we're very excited about the pipeline.

And yes, some of the bigger areas that we have in our pipeline will start to contribute as we look out into the 2027-2028 timeframe, but we are very focused on executing in 2026, as we always have. And you'll see that both in terms of how we drive those commercially with our existing products and all the way through the P&L. And you see the guidance we've issued, inclusive of leverage to the P&L, as we continue to drive disciplined execution there as well.

On your point around Trio performance and ProHeart contributions, if any, coming from Merck's product in terms of QUANTUM, the last part of that, I would say, no, we don't see any meaningful contributions here. We've seen really consistent growth and performance from ProHeart throughout the year. And it's from existing clinics that value long-term heartworm prevention, and those are just using more. And what I would say is over the last four quarters, three out of the four, ProHeart has had double-digit growth, and we don't see that tied to the Merck product in any significant way.

Trio itself, a great year. Certainly, you saw growth at 13% on the year in Trio and 5% is what the growth was in the fourth quarter. The US, similar to derm, due to the macro conditions that we've talked about, saw lower growth than that, closer to 1% on the year.

Again, I won't repeat all the comments around what's contributing to that, but certainly, Trio is the clear leader in parasiticides in the US and the clear leader in terms of triple combinations. Our puppy share is higher than our overall share and our adult dog share, which is a very, very good indicator in terms of how we'll be driving this going forward.

Operator

Thank you. And our next question comes from Chris LoBianco with TD Securities. Please go ahead.

Analyst:Chris LoBianco

Question – Chris LoBianco: Hey, thank you for fitting us on. What initial feedback are you hearing from vet KOLs on the product profiles of Lenivia and Portela? And second, what is your level of confidence that 2026 will be the year of maximum competitive pressure for Trio and key derm? Thank you.

Answer – Kristin C. Peck: Okay. I think I heard your question was what are we hearing from KOLs with regards to Portela? So as I mentioned earlier, we are – have not launched Lenivia and Portela yet, so it is not yet in the market. We do have the approvals currently in Canada and the EU, and we are preparing to start early experience, which would be with the specialists and the KOLs as we spoke about. So we'll be excited to share that once that product is out there. But we're just in the preparation of that launch, so there's no feedback there. Wetteny, do you want to take the second part of the question?

Answer – Wetteny Joseph: Yeah, it was, again, a little bit difficult to hear specifically, but I got the gist is really in terms of competitive pressure. And what we've seen so far is we have not seen any significant impact from competitive pressure here. We've seen very limited impact from competitors as we look at Trio and the triple combination space. As I said just a moment ago, significant more room to expand in terms of triple combinations with Trio having a strong first mover advantage and very, very high level of satisfaction. And so we intend to continue to really leverage our strength there to lead the way in terms of the expansion of this very attractive space.

Okay. As always, I want to thank everyone for their questions today and your continued interest in Zoetis. We're really proud of the progress we made in 2025, and we are energized by the opportunity ahead. We remain focused on disciplined execution, growing our existing portfolio and stewarding a deep and differentiated pipeline and translating innovation into meaningful outcomes for our customers and value for our shareholders.

That focus, combined with the essential and resilient nature of animal health, gives us confidence we can continue to demonstrate why Zoetis is an indispensable partner for customers around the world. We look forward to keeping you updated on our progress. Thanks for joining us today.

Operator

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.