

Third Quarter 2024 Financial Results

November 4, 2024

A photograph of a veterinary clinic. A male veterinarian in a black long-sleeved shirt is using a stethoscope to examine a small, white and tan dog. The dog is being held by a woman with red hair wearing a maroon scrub top. They are standing in front of a counter with various medical supplies. In the background, there are shelves with bottles and a sign that says "pharmacy".

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Forward-Looking Statements

This presentation contains forward-looking statements, which reflect the current views of Zoetis with respect to: business plans or prospects, future operating or financial performance; future guidance, future operating models, R&D costs; timing and likelihood of success; expectations regarding products, product approvals or products under development and expected timing of product launches; expectations regarding competing products; expectations regarding the timing and financial impact of divestitures; disruptions in our global supply chain; customers and employees; expectations regarding the performance of acquired companies and our ability to integrate new businesses; expectations regarding the financial impact of acquisitions; future use of cash, dividend payments and share repurchases; foreign exchange rates, tax rate and tax regimes and any changes thereto; and other future events. These statements are not guarantees of future performance or actions. Forward-looking statements are subject to risks and uncertainties. If one or more of these risks or uncertainties materialize, or if management's underlying assumptions prove to be incorrect, actual results may differ materially from those contemplated by a forward-looking statement. Forward-looking statements speak only as of the date on which they are made. Zoetis expressly disclaims any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A further list and description of risks, uncertainties and other matters can be found in our most recent Annual Report on Form 10-K, including in the sections thereof captioned "Forward-Looking Statements and Factors That May Affect Future Results" and "Item 1A. Risk Factors," in our Quarterly Reports on Form 10-Q and in our Current Reports on Form 8-K. These filings and subsequent filings are available online at www.sec.gov, www.zoetis.com, or on request from Zoetis.

Non-GAAP Financial Information

We use non-GAAP financial measures, such as adjusted net income, adjusted net income margin, adjusted EBITDA margin, adjusted diluted EPS and operational results (which excludes the impact of foreign exchange) to assess and analyze our results and trends and to make financial and operational decisions. We believe these non-GAAP financial measures are also useful to investors because they provide greater transparency regarding our operating performance. The non-GAAP financial measures included in this presentation should not be considered alternatives to measurements required by GAAP, such as net income, operating income, and revenue growth, and should not be considered measures of liquidity. These non-GAAP financial measures are unlikely to be comparable with non-GAAP information provided by other companies. Reconciliations of non-GAAP financial measures and the most directly comparable GAAP financial measures are available in the appendix to this presentation.

Presenters



Strategy and Business Update

Kristin Peck
Chief Executive Officer



Financial Performance

Wetteny Joseph
Executive Vice President and
Chief Financial Officer

Excellent Third Quarter Results

Revenue

\$2.4B



14%

operationally YoY¹

6% Price | 8% Volume

Adj. Net Income²

\$716M



15%

operationally YoY¹

Adj. Diluted EPS²

\$1.58



17%

operationally YoY¹

Key Highlights

Growth fueled by diverse, science-driven portfolio and customer obsession

Librela[®] and Solensia[®] continue to gain patient share, poised for sustainable growth

Simparica[®] franchise growing through competition

Key Dermatology momentum fueled by Apoquel[®] and DTC

Successful completion of divestiture of Medicate Feed Additive product portfolio

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

² Adjusted net income and its components and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items.

Investments for Growth

Advancements in Science-Driven Innovation This Quarter



Apoquel® Chewable

Apoquel Chewable, the first and only chewable for the control of allergic itch and inflammation in dogs, approved in China. Previously approved in the U.S., EU, Mexico, Australia, Canada, Japan and other international markets.



Revolution® Plus

Revolution Plus approved in EU for an additional claim related to efficacy against notoedres mange. In Australia, it was also approved for an additional claim related to flea tapeworm prevention through effective flea control.



Valcor™

Valcor approved in Australia for an additional claim for use in sheep.



Fostera® Gold PCV

Fostera Gold PCV approved in Mexico for a claim related to breeding herd safety.



Poulvac Maternavac® 4

Poulvac Maternavac 4, a poultry vaccine that protects against standard and variant infectious bursal disease virus (IBDV), Newcastle disease, infectious bronchitis (Mass type), and malabsorption caused by Reovirus, approved in Mexico.

Raises 2024 Guidance for Revenue and Adjusted EPS

Revenue

\$9.20B - \$9.30B

Prior guidance: \$9.10B to \$9.25B

Adj. Diluted EPS¹

\$5.86 - \$5.92

Prior guidance: \$ 5.78 to \$5.88

Key Updates

- Continued strong performance from Simparica and Key Dermatology franchises
- Continued patient share gains in Librela
- 2024 updated for impact of divestiture of Medicated Feed Additive product portfolio (2-month impact in US and 1 month International)
- Reflects mid-October FX rates

Operational Growth²

10.0% - 11.0%

Revenue

Prior guidance: 9.0% to 11.0%

13.5% - 14.5%

Adj. Net Income¹

Prior guidance: 13.5% to 15.5%

¹ Adjusted net income and its components and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items.

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

Third Quarter Segment Highlights

United States

U.S. Segment Revenue

\$1.3B

15% growth Year over Year (YOY)

U.S. Companion Animal Revenue

\$1.1B

18% growth YOY

U.S. Livestock Revenue

\$0.3B

5% growth YOY

International

Int'l. Segment Revenue

\$1.0B

13% operational growth¹ YOY

Int'l. Companion Animal Revenue

\$0.5B

11% operational growth¹ YOY

Int'l. Livestock Revenue

\$0.5B

15% operational growth¹ YOY



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

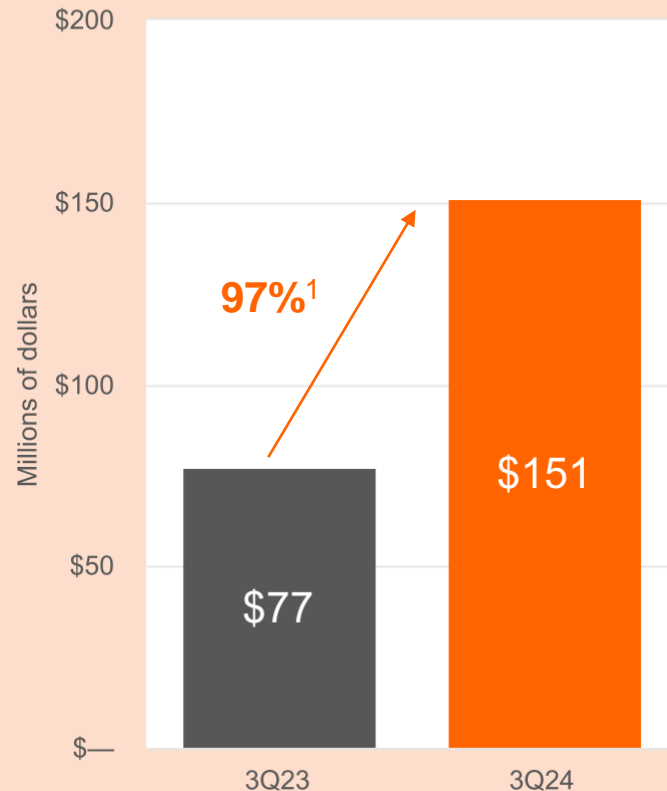
Key Franchise Performance



Osteoarthritis (OA) Pain mAb Franchise

- Librela and Solensia delivered **97%** operational revenue growth globally
- Globally, **40%** of dogs suffer from OA pain, representing long-term growth potential
- Librela penetration **~90%** globally
- Solensia has driven **70%** feline OA patient increase since 2022 U.S. launch

OA Pain mAb Franchise Revenue



8 ¹ Operational results (a non-GAAP financial measure) is defined as results excluding the impact of foreign exchange.

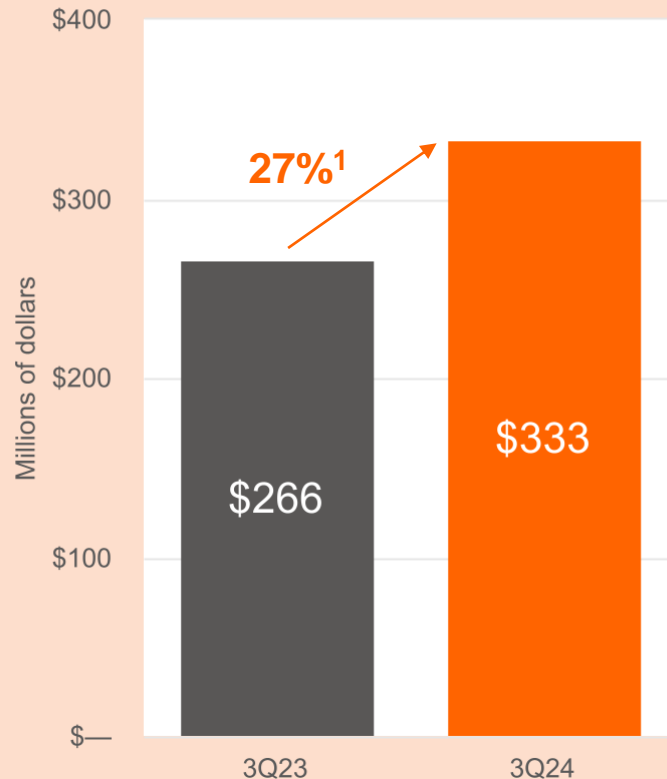
Key Franchise Performance



Simparica Franchise

- Simparica franchise continues to deliver impressive results, growing **27%** operationally this quarter
- Simparica Trio reported revenue of **\$268M** this quarter, growing **30%** operationally
- Simparica Trio is the **#1** vet-prescribed parasiticide in the U.S., with over **13M** dogs treated in just four years, and **86%** of pet owners reporting high satisfaction
- Growth continues to be driven in part by channel shifts with focus on retail and home delivery options

Simparica Franchise Revenue



9 ¹ Operational results (a non-GAAP financial measure) is defined as results excluding the impact of foreign exchange.

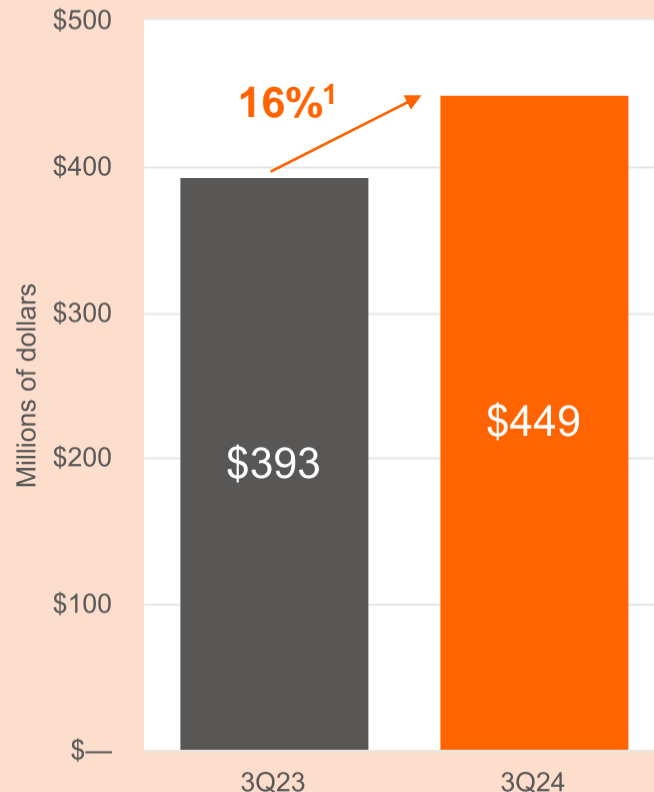
Key Franchise Performance



Key Dermatology Franchise

- Key Dermatology franchise reported revenue of **\$449M** this quarter, growing **16%** operationally
- Apoquel was the largest driver in the U.S., fueled by growth in Apoquel Chewable and from retail channel
- Momentum in retail channels continued in the U.S., and now account for **~1/3** of Apoquel sales
- Cytopoint growth continues to be driven by customer preference for injectables
- **~20M** dogs globally are currently untreated or undertreated for pruritic itch, representing growth opportunity

Key Derm Franchise Revenue



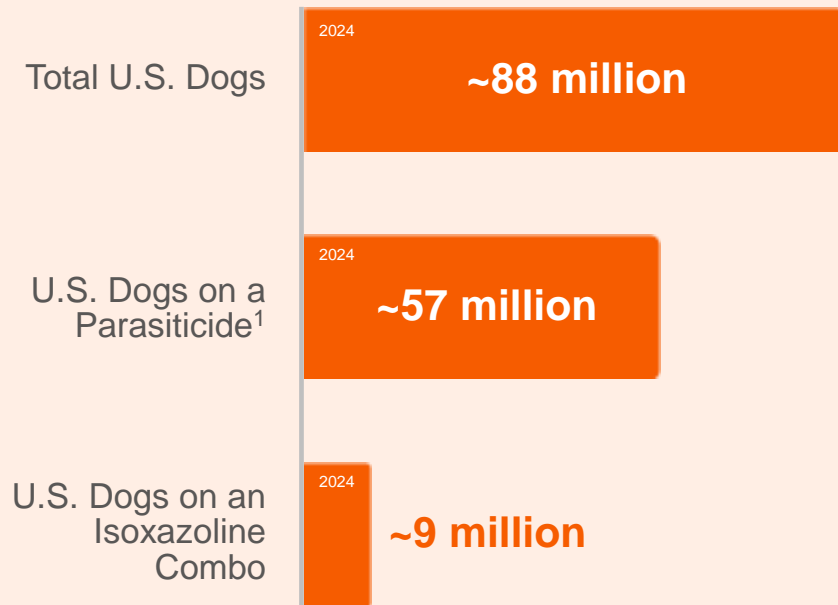
¹⁰ ¹ Operational results (a non-GAAP financial measure) is defined as results excluding the impact of foreign exchange.

Future growth opportunity for Simparica Trio

- Isoxazoline combos category is among the fastest growing in animal health, with plenty of runway for continued growth
- Since the launch of Trio, we have gone from #5 in parasiticides to #2 globally, with clear triple-combination market leadership
- In the first year of triple-combinations competition in U.S., we grew revenue more than **25%** and increased our market share



U.S. Canine Parasiticides Potential Addressable Market



¹ Includes prescription and OTC

Source: Internal model derived from Kynetec PetTrak, KS&R Tracking, and Produkt+Markt Global Pet Owner Study

Our Continued Commitment to Value Creation

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



Grow revenue faster than the market

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

Broaden existing billion-dollar franchises



Invest in innovation and growth capabilities

- Prioritize R&D investment in the highest ROIC¹ opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities, capacity and agility
- Deliver greater value to vets, producers and pet owners

Drive ROIC¹ accretion²



Increase adjusted net income faster than revenue

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

Enable margin improvement²



Return excess capital to shareholders

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

Maintain balance between investments and return of capital

Financial Results and Guidance

Income Statement Highlights

	Third Quarter		
	2024*	2023*	Change
Revenue	\$2,388	\$2,151	11%
Reported Net Income	\$682	\$596	14%
Reported Diluted Earnings Per Share	\$1.50	\$1.29	16%
Adjusted Net Income ¹	716	629	14%
Adjusted Diluted Earnings Per Share ¹	\$1.58	\$1.36	16%

* Millions of dollars, except per share data

¹ Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items.

Adjusted Income Statement Highlights

	Third Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational ¹
Revenue	\$2,388	\$2,151	11%	(3)%	14%
Adjusted Cost of Sales ²	699	635	10%	(4)%	14%
<i>as a percent of revenue³</i>	29.3%	29.5%	NA	NA	NA
Adjusted SG&A Expenses ²	560	521	7%	(2)%	9%
Adjusted R&D Expenses ²	166	151	10%	—%	10%
Adjusted Operating Expenses ⁴	731	677	8%	(1)%	9%
Effective Tax Rate on Adjusted Income ²	20.8%	19.6%	NA	NA	NA
Adjusted Net Income ²	716	629	14%	(1)%	15%
Adjusted Diluted Earnings Per Share ²	\$1.58	\$1.36	16%	(1)%	17%

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

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

² Adjusted net income and its components (non-GAAP financial measures) are defined as reported GAAP net income and its components, excluding purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses and adjusted research and development (R&D) expenses are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure. Effective tax rate on adjusted income (a non-GAAP financial measure) equals the adjusted provision for taxes on income (a non-GAAP financial measure) divided by adjusted income before provision for taxes on income (a non-GAAP financial measure).

³ Adjusted gross margin (a non-GAAP financial measure) was 70.7% and 70.5% in the third quarter of 2024 and 2023, respectively.

⁴ Adjusted operating expenses (a non-GAAP financial measure) of \$731 million in the third quarter of 2024 and \$677 million in the third quarter of 2023 includes adjusted amortization of intangible assets of \$5 million in the third quarter of 2024 and 2023.

U.S. Segment Performance

	Third Quarter		
	2024*	2023*	Change
Revenue	\$1,346	\$1,174	15%
Companion Animal	1,068	908	18%
Livestock	278	266	5%
Cost of Sales	258	228	13%
Gross Profit	1,088	946	15%
<i>Gross Margin</i>	80.8%	80.6%	NA
Operating Expenses	199	202	(1)%
Other (Income)/Deductions - net	—	—	**
Earnings ¹	\$889	\$744	19%

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

¹ Defined as income before provision for taxes on income.

International Segment Performance

	Third Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational ¹
Revenue	\$1,021	\$956	7%	(6)%	13%
Companion Animal	541	506	7%	(4)%	11%
Livestock	480	450	7%	(8)%	15%
Cost of Sales	321	306	5%	(8)%	13%
Gross Profit	700	650	8%	(5)%	13%
<i>Gross Margin</i>	68.6%	68.0%	NA	NA	NA
Operating Expenses	157	156	1%	(6)%	7%
Other (Income)/Deductions - net	1	1	**	**	**
Earnings ²	\$542	\$493	10%	(5)%	15%

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

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

² Defined as income before provision for taxes on income.

International Segment Performance

	Third Quarter				
	2024*	2023*	Change	Foreign Exchange	Operational ¹
Total International	\$1,021	\$956	7%	(6)%	13%
Australia	83	84	(1)%	—%	(1)%
Brazil	101	101	—%	(14)%	14%
Canada	66	63	5%	(3)%	8%
Chile	31	31	—%	(6)%	6%
China	61	69	(12)%	—%	(12)%
France	36	34	6%	2%	4%
Germany	57	50	14%	1%	13%
Italy	31	26	19%	(3)%	22%
Japan	33	34	(3)%	(6)%	3%
Mexico	39	42	(7)%	(8)%	1%
Spain	35	30	17%	3%	14%
United Kingdom	80	78	3%	1%	2%
Other Developed Markets	148	127	17%	(1)%	18%
Other Emerging Markets	220	187	18%	(19)%	37%

* Millions of dollars

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

Financial Guidance

Selected Line Items (millions of dollars, except per share amounts)	Full Year 2024 as of November 4, 2024	Full Year 2024 as of August 6, 2024 (Prior Guidance)
Revenue	\$9,200 to \$9,300	\$9,100 to \$9,250
<i>Operational growth</i> ¹	10% to 11%	9% to 11%
Adjusted cost of sales as a percentage of revenue ²	Approximately 29.3%	Approximately 29.3%
Adjusted SG&A expenses ²	\$2,275 to \$2,325	\$2,225 to \$2,290
Adjusted R&D expenses ²	\$665 to \$675	\$660 to \$670
Adjusted interest expense and other (income)/deductions-net ²	Approximately \$190	Approximately \$200
Effective tax rate on adjusted income ²	20.0% to 20.5%	20.0% to 20.5%
Adjusted diluted EPS ²	\$5.86 to \$5.92	\$5.78 to \$5.88
Adjusted net income ² <i>Operational growth</i> ^{1,3}	\$2,670 to \$2,695 13.5% to 14.5%	\$2,640 to \$2,690 13.5% to 15.5%
Certain significant items and acquisition and divestiture-related costs ⁴	\$126 - \$136	\$80 - \$90
Reported diluted EPS	\$5.33 to \$5.39	\$5.35 to \$5.45

The guidance as of November 4, 2024 reflects foreign exchange rates as of mid-October 2024 and includes the assumed impacts as a result of fluctuations in foreign exchange rates relative to the U.S. dollar compared to weighted average foreign exchange rates from 2023, as noted above. The prior guidance as of August 6, 2024 reflects foreign exchange rates as of late July 2024.

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

² Adjusted net income and its components and adjusted diluted EPS are defined as reported GAAP net income and its components and reported diluted EPS excluding purchase accounting adjustments, acquisition and divestiture-related costs and certain significant items. Adjusted cost of sales, adjusted selling, general and administrative (SG&A) expenses, adjusted research and development (R&D) expenses, and adjusted interest expense and other (income)/deductions-net are income statement line items prepared on the same basis, and, therefore, components of the overall adjusted income measure. Effective tax rate on adjusted income (a non-GAAP financial measure) equals the adjusted provision for taxes on income (a non-GAAP financial measure) divided by adjusted income before provision for taxes on income (a non-GAAP financial measure). Adjusted net income and its components, adjusted diluted EPS, and the effective tax rate on adjusted net income, are presented solely to permit investors to more fully understand how management assesses performance. Adjusted net income and its components and adjusted diluted EPS are not, and should not be viewed as, substitutes for U.S. GAAP net income and its components and diluted EPS.

³ We do not provide a reconciliation of forward-looking non-GAAP adjusted net income operational growth to the most directly comparable GAAP reported financial measure because we are unable to calculate with reasonable certainty the foreign exchange impact of unusual gains and losses, acquisition and divestiture-related expenses, potential future asset impairments and other certain significant items, without unreasonable effort. The foreign exchange impacts of these items are uncertain, depend on various factors, and could have a material impact on GAAP reported results for the guidance period.

⁴ Primarily includes certain nonrecurring (income)/costs, net related to acquisitions, divestitures and other charges.

Q&A



Appendix



Reconciliation Of Reported Growth To Non-GAAP Financial Measures

	Three months ended September 30,				
	2024*	2023*	Change	Foreign Exchange	Operational ¹
<u>Revenue by Product Category</u>					
Key Dermatology	\$449	\$393	14%	(2)%	16%
Key Dermatology (<i>international</i>)	146	133	10%	(3)%	13%
OA pain mAbs	151	77	96%	(1)%	97%
OA pain mAbs (<i>international</i>)	78	62	26%	(1)%	27%
<u>Revenue by Product</u>					
Simparica franchise	333	266	25%	(2)%	27%
Simparica franchise (<i>international</i>)	75	63	19%	(9)%	28%
Simparica Trio (<i>international</i>)	31	23	35%	(4)%	39%
Simparica (<i>international</i>)	44	40	10%	(12)%	22%
Librela (<i>international</i>)	62	50	24%	(2)%	26%
Librela (<i>Europe</i>)	47	40	18%	—%	18%
Solensia (<i>international</i>)	16	12	33%	1%	32%

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

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