

# Zoetis Inc. | (NYSE:ZTS)

November 23, 2024

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Zoetis Inc. (NYSE:ZTS)

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## Section I: Company Overview

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A large, dark blue, semi-transparent image of a tennis ball with the word "zoetis" written on it in a light blue, lowercase, sans-serif font. To the right of the ball, a portion of a dog's paw is visible, also in a dark blue, semi-transparent style. The background is a solid dark blue.

zoetis



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**INVESTA**  
INSIGHTS

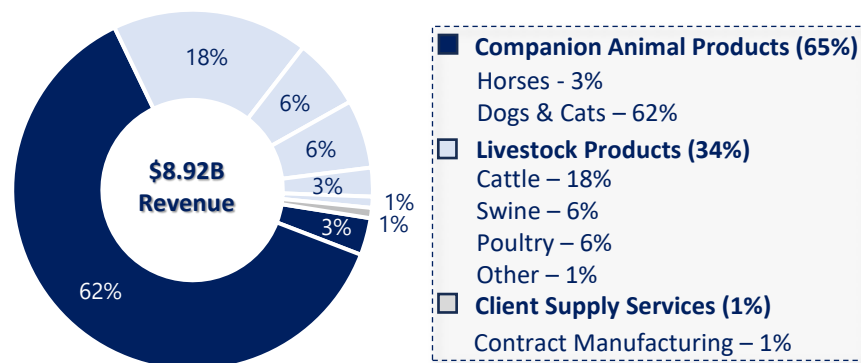
# Company Overview

## Animal Health Growth Creates High-Value Investment Potential

### Business Description

- Zoetis Inc. (ZTS) is a global leader in animal health, primarily providing medicines, vaccines, and diagnostic products.
- The company serves veterinarians, pet owners, and livestock farmers, meeting health needs for companion animals and livestock.
- Operating across 8 core species and 7 major product categories, the company provides tailored solutions for diverse animal requirements.
- Zoetis has demonstrated consistent revenue growth, driven by its diversified product portfolio and global market presence.
- Leading medicinal products - Librela, Solensia, Simparica Trio, and Apoquel meet key pet health demands, solidifying its market leadership.
- Since its inception in 2013, Zoetis has grown to operate in over 100 countries, establishing itself as a global leader in animal health innovation.

### Revenue Segmentation



**Companion Animal Products:** Vaccines and pharmaceuticals for pet health.

**Livestock Products:** Focuses on vaccines and productivity.

**Client Supply Services:** Support for veterinary practices.

### Management Team



**Name** Kristin C. Peck Weteney Joseph Nick Ashton Robert J Polzer

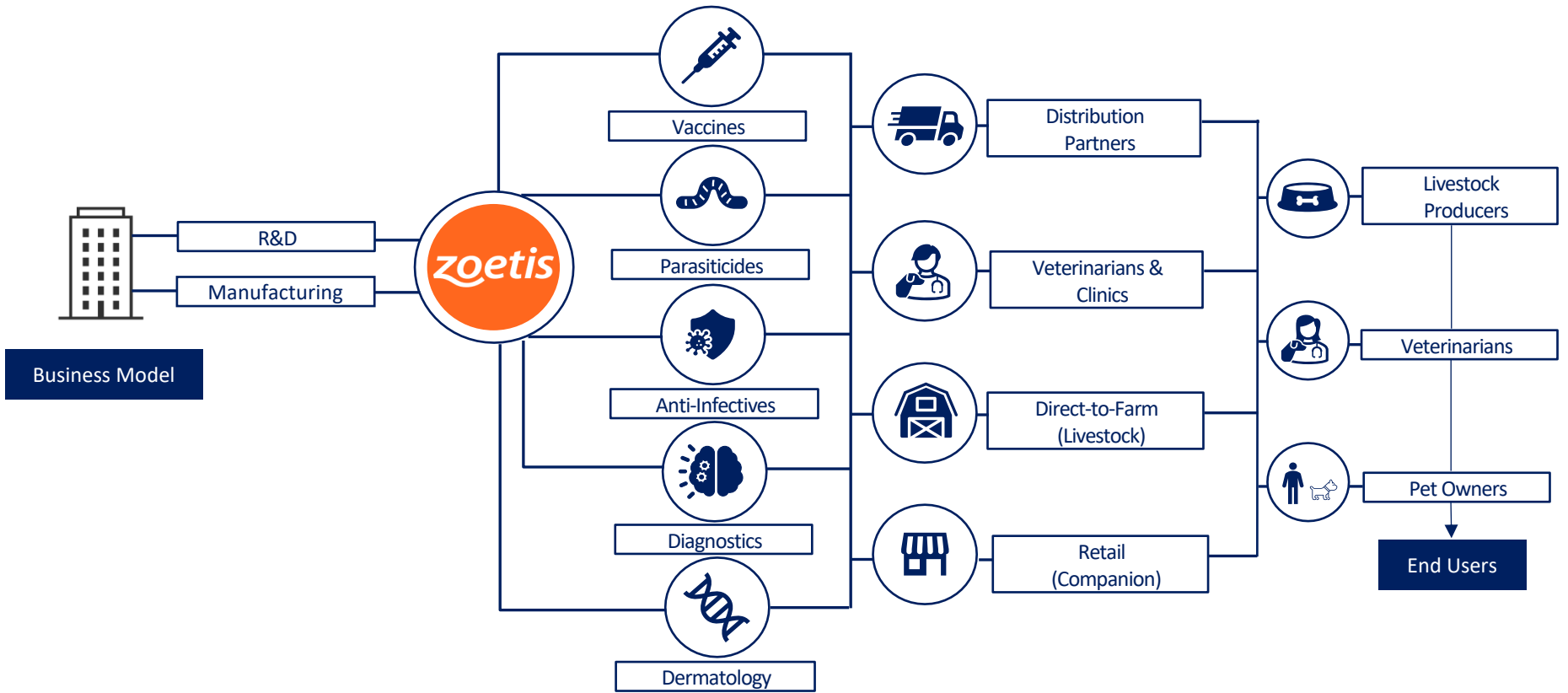
Position	CEO	CFO & EVP	President & EVP (Supply)	President & EVP (R&D)
<b>Experience Yrs.</b>	20+	25+	25+	20+
<b>Bio</b>	President & EVP	CFO & SVP	Head of Strategy & Director	Head of Global Therapeutics

### Capitalization Table

Ticker (In Millions USD)	NYSE: ZTS
<b>Share Price (November 20, 2024)</b>	<b>\$175.67</b>
Shares Outstanding	453
<b>Market Capitalization</b>	<b>\$79,256</b>
Plus: Total Debt	\$6,755
Less: Cash	\$1,714
Plus: Minority Interest	\$0
<b>Enterprise Value</b>	<b>\$84,580</b>

# Company Overview

A Global Leader in Animal Health Delivering Innovative Solutions



Business Model

**Vertically Integrated** Zoetis owns a global network of 29 manufacturing sites and manages over 100 contract manufacturing organizations (CMOs). This vertical integration allows for better control over quality, cost optimization, and production efficiency, which further strengthens its competitive position.

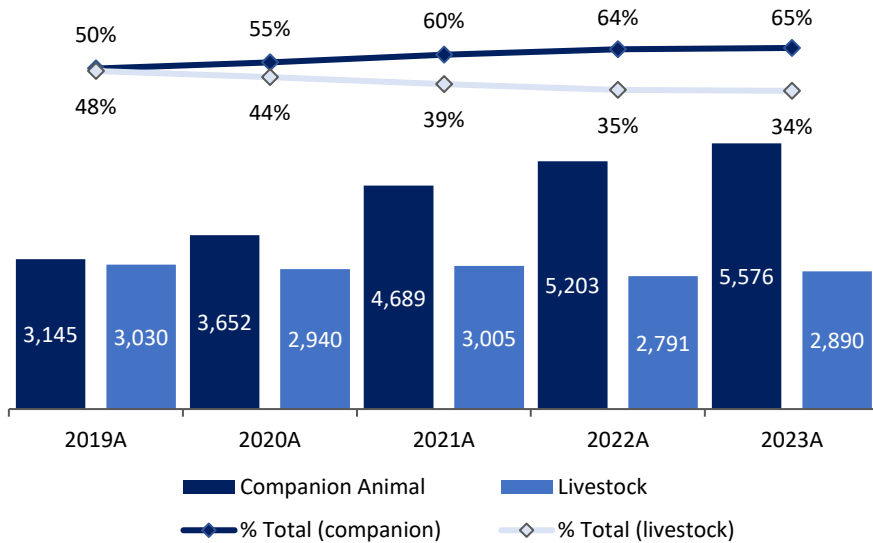
**Diverse Portfolio** Due to a comprehensive portfolio of medicines, vaccines, diagnostics, and services for companion animals and livestock, Zoetis addresses various therapeutic needs. This diverse range enables them to meet the demands of veterinarians, pet owners, and livestock producers globally.

**Patents** Zoetis operates in key markets, including the U.S., Europe, Asia-Pacific, Latin America, and Africa & the Middle East, leveraging its 6,320 global patents and over 9,500 trademarks to maintain market leadership, drive consistent growth, and reinforce its position as an innovation leader in animal health.

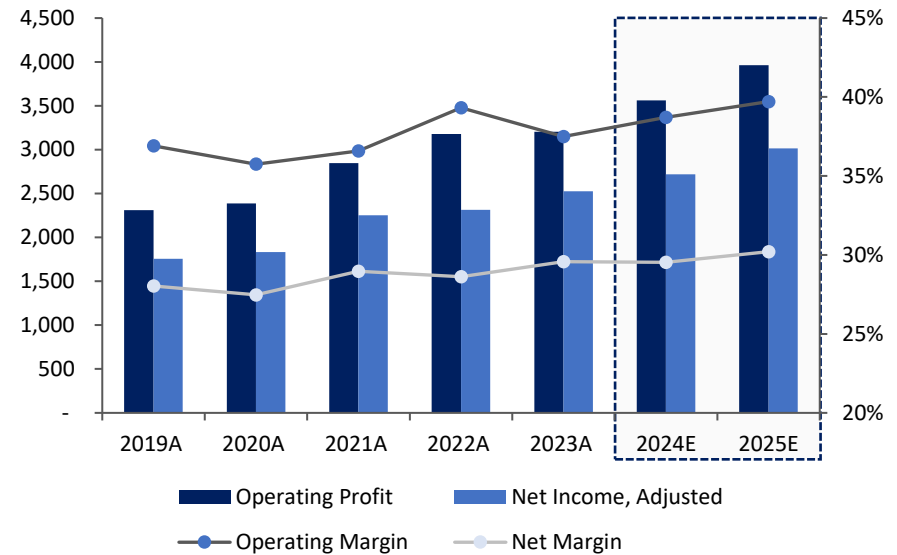
# Company Overview

Value Drivers Propel Strong Track Record of Financial Performance (In Millions of USD)

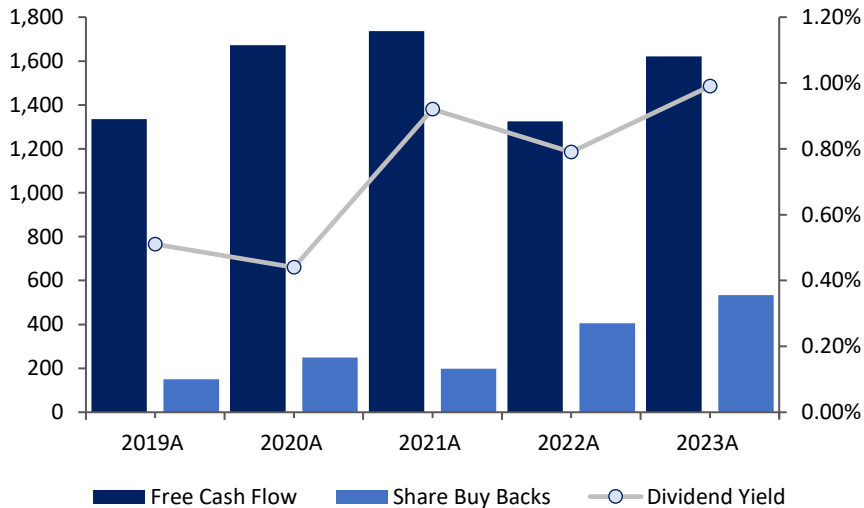
## Revenue Segmentation



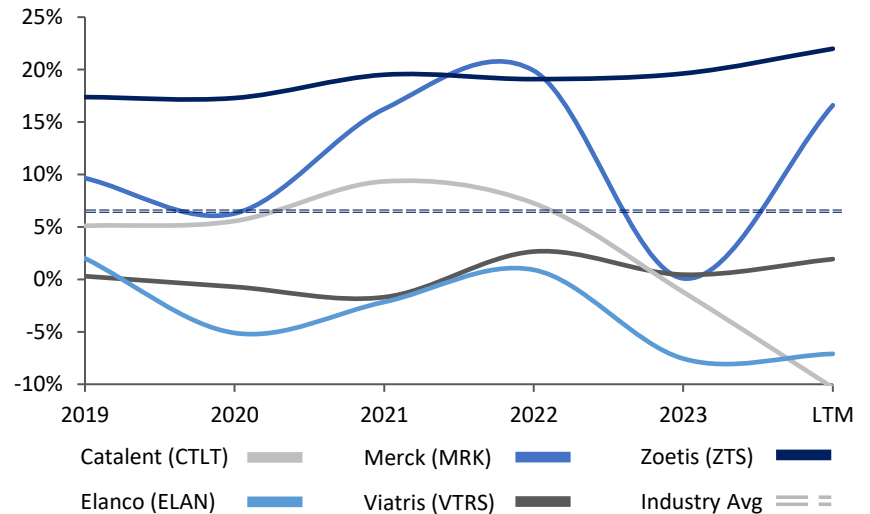
## Operating Profit and Net Income



## Return to Shareholders



## ROIC vs Competitors





## Section II: Industry Analysis

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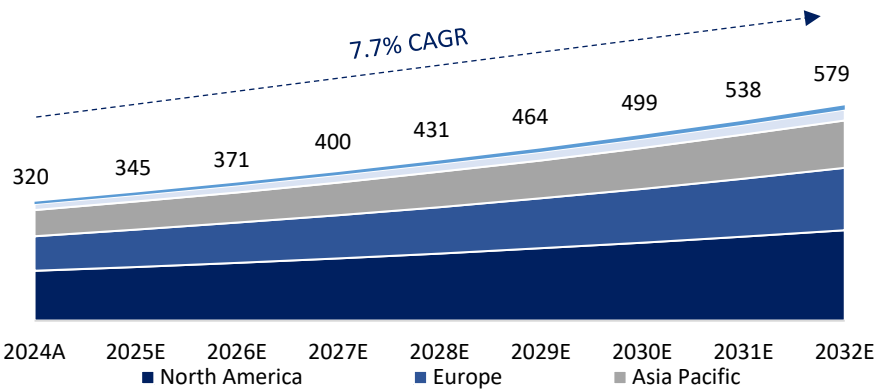
# Industry Overview

A surge in pet spending boosts Zoetis' leadership in animal health *(In Billions of USD)*

## Global Pet Industry Expenditures by Continent



North America leads the pet industry with high spending on premium products, Europe focuses on pet health and wellness, and Asia-Pacific sees growth from rising pet ownership driven by urbanization and elevated income levels.



## Key Industry Drivers



**Pet Humanization** - An ongoing trend leading pet owners to view their pets as family members resulting in a higher spending on premium products and services. The pet industry is set to reach \$500 billion by 2030 due to pet humanization.

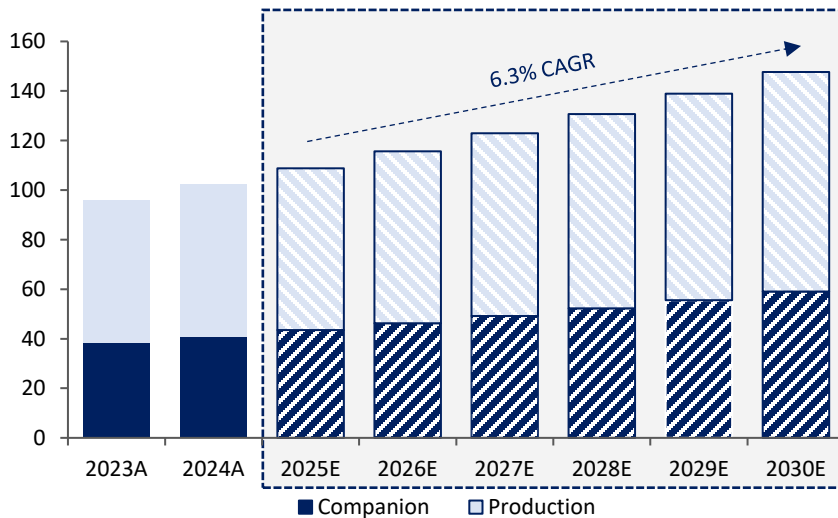


**Rising Demand for Veterinary Care** - As pet domestication grows in popularity and livestock health remains a priority, demand for veterinary care increases. Pet owners are focusing more on proactive health management.

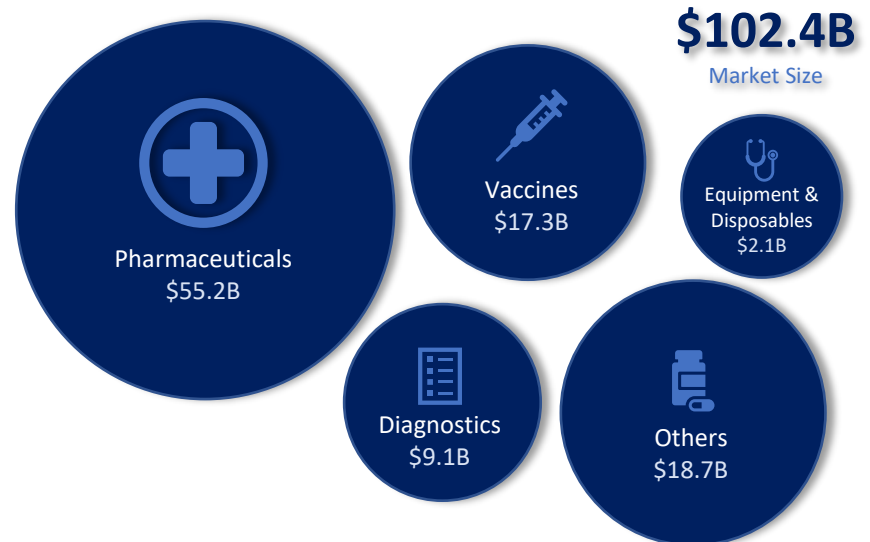


**Technological Innovations** - Recent developments in monoclonal antibodies and improved diagnostic tools are changing the industry for the better. The rise for preventative diagnostics is set to create a market worth \$30 billion.

## Global Animal Health Market Size



## Global Animal Healthcare by Product

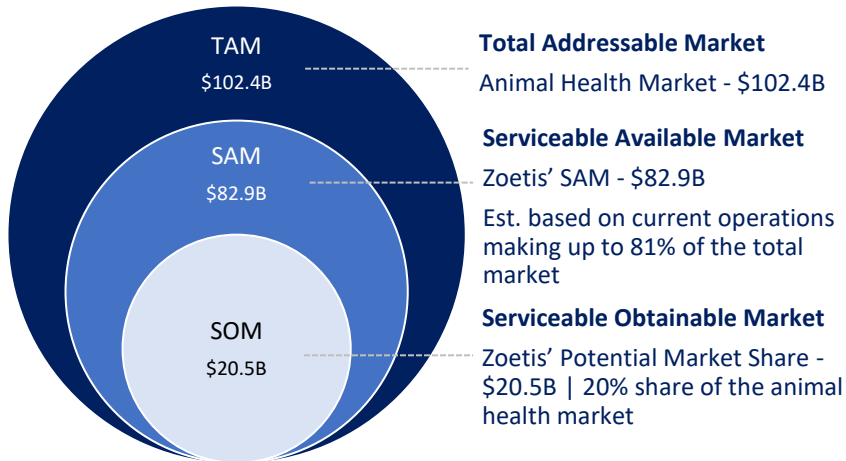




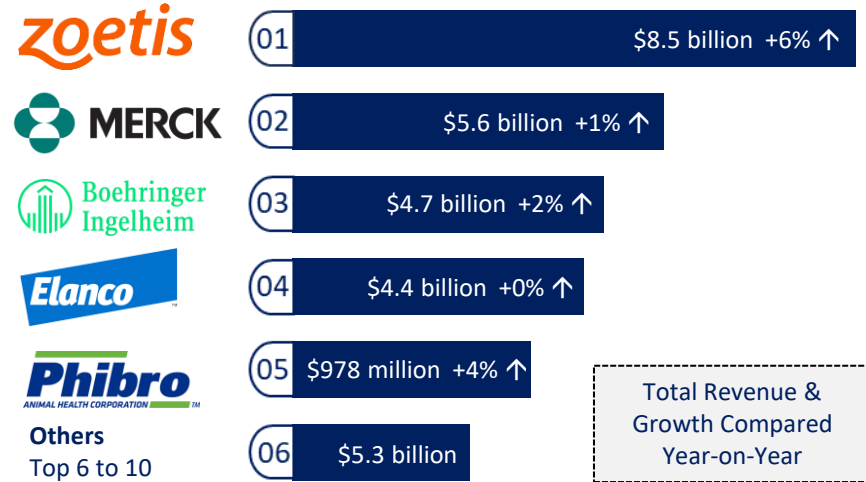
# Industry Outlook

The Evolving Animal Health Industry and Competitive Landscape (In Billions of USD)

## Zoetis' Global Market Potential and Competitive Positioning



## Top Competitive Animal Health Companies (2023)



## Forecasted Landscape – Animal Health Care

### Short-term (Less than 3 years)

- The premium pet care market is experiencing robust growth with the global premium pet food market valued at approximately \$42 billion and is expected to reach around \$60 billion by 2027.
- The US will remain the largest pet market, with sales approaching \$200 billion by the decade's end. Markets like Asia and Latin America are expected to see significant expansion.
- With rising pet care expenditures and a favorable cash-pay, private equity investments are expected to continue accelerating, with a bolt-on acquisitions expected over the next 12-36 months.
- The American Pet Products Association (APPA) found that 95% of owners consider their pets to be family members. This trend is boosting sales in healthcare and premium pet products.

### Long-term (Up to 10 years)

- The pet industry is poised to swell from \$320 billion today to almost \$500 billion by 2030.
- The market is expected to grow at a 4-6% CAGR from 2024 to 2030, fueled by regulatory support for animal welfare and rising demand for innovative products in emerging markets.
- A continuum of strong private equity demands due to its non-cyclical nature and consumer demand with 55% of veterinarians remaining independent, an opportunity for investors.
- The growing demand for animal protein and increasing focus on food safety will boost the livestock healthcare segment. Rising income levels will lead to a 40% increase on pet spending.



## Section III: Investment Theses

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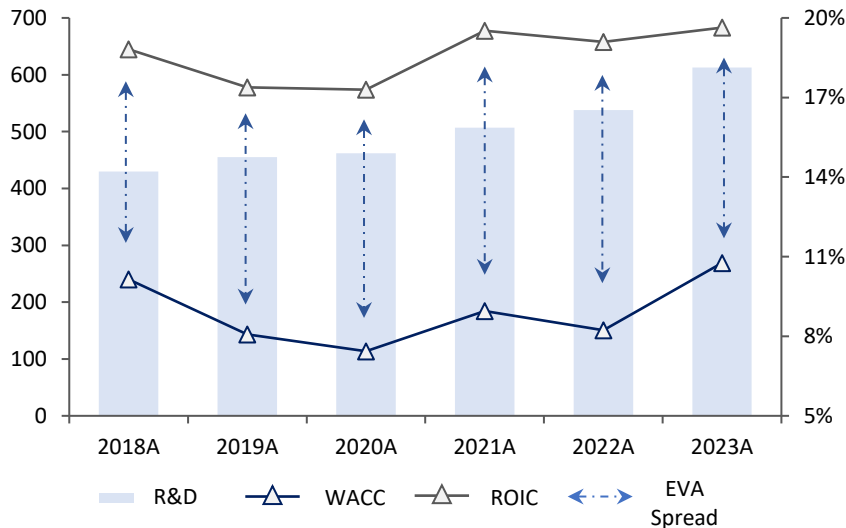
# Investment Thesis I

Market Maker Identity fueled by Robust R&D Pipeline *(In Millions of USD)*

## The Power behind the Market Maker – Zoetis Incubator Model

- Zoetis' fortified position as a leading innovator within the animal healthcare sector has been backed by the firm's **\$4 Billion Adjusted R&D investment over the last 10 years.**
- **The firm's R&D investment decisions are based on 4 key criterion:** Customer Importance, commercial value, technical feasibility, & ROI - with continual portfolio optimization assessments.
- **Over 70% of annualized R&D spend is allocated towards strategic differentiation from competitors and Disruptive Innovation.**
- From an operational level, the firm's strong **R&D structure is based on the incubator model**, which has allowed for increased product line efficiencies and propelled speed in its R&D pipeline.

## Historical R&D Spend – Steady ROIC & Economic Value Added



## Incubator Model in Action – Evidence of Exemplary Innovation



**Only FDA Approved product** that prevents heartworm disease in dogs for 1 full year with a singular shot.



**First injectable mAB therapy** for monthly alleviation of osteoarthritis pain in cats.



**First & Only AI powered technology** that provides specialist –level veterinary diagnostic results within minutes.



**Fruits of R&D Success:** 2000+ Regulatory Approvals, 15 product Blockbusters, & 300 product lines across 8 animal species.

## Exposure to World-Renown Innovation Hubs for Pet Technology



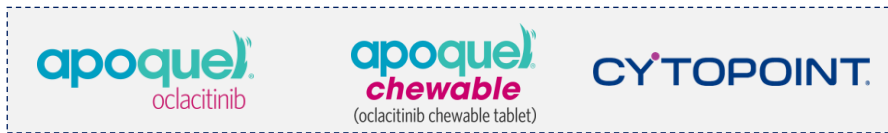
Zoetis has strategically invested in marquee innovation hubs across countries globally that are leaders in pet technology.

# Investment Thesis II

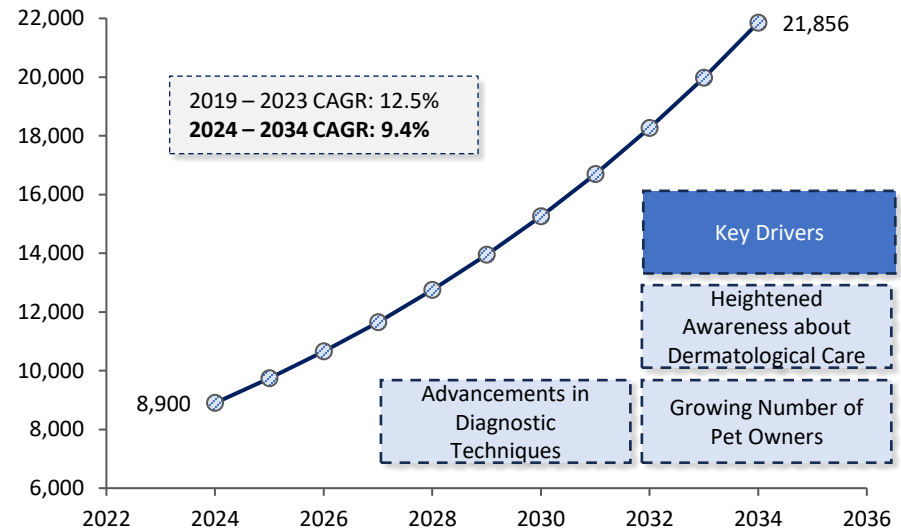
Skin in the Game (In Millions of USD)

## Key Dermatology Franchise

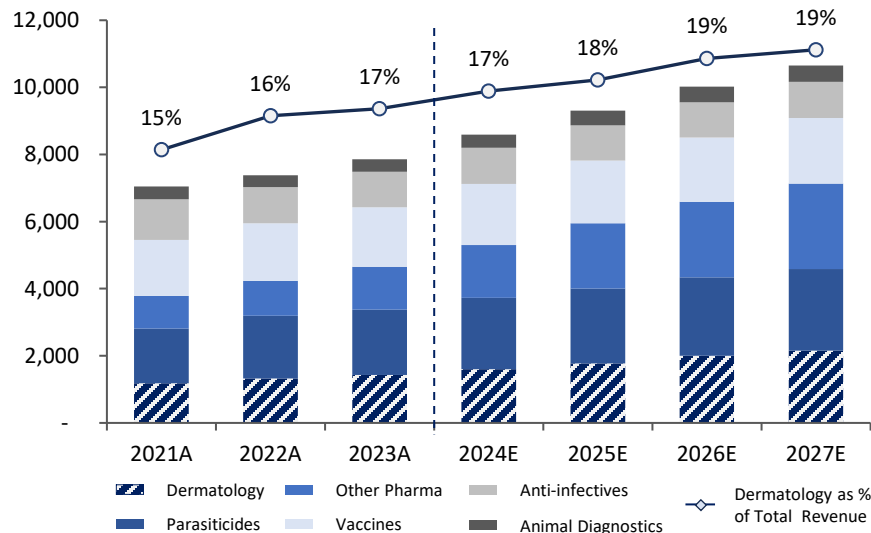
- Dermatology Franchise delivered strong operational growth, driven by Apoquel and Apoquel Chewable along with Cytopoint.
- Apoquel is the world's number one prescribed oral medication for allergic itch, with over 23M dogs treated globally.
- Approximately 20M dogs globally with undertreated or untreated pruritic itch, presenting vast untapped market.
- It's estimated that out of 10M dogs receiving treatment for itch, 70% receive Apoquel or Cytopoint, with 3M dogs prescribed other options like steroids.
- An estimated 8M dogs are treated with OTC product or not treated at all. Potential addressable market of 11M in the US alone.



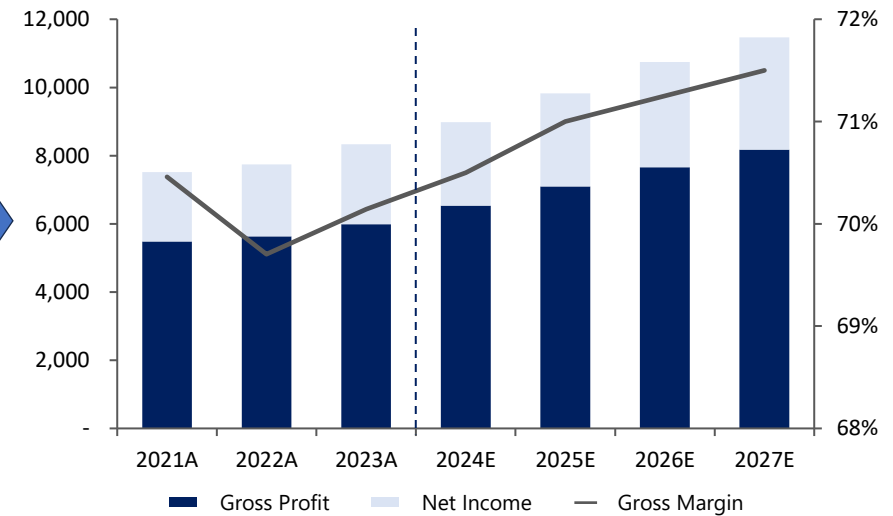
## Veterinary Dermatology Market Outlook



## Major Product Category Breakdown



## Effect on Gross Margin



# Investment Thesis III

## Osteoarthritis (OA) – The Money-Making Bone *(In Millions of USD)*

### Veterinarian Pain Market – Zoetis Billion Dollar Opportunity

The global veterinary pain management market size was estimated at USD 2.09B in 2023 and is anticipated to grow at a CAGR of 6.46% from 2024 to 2030.

With 40% of both cats & dogs that are diagnosed with OA aren't being treated, this creates a viable opportunity for Zoetis to action its "first to market" strategy.

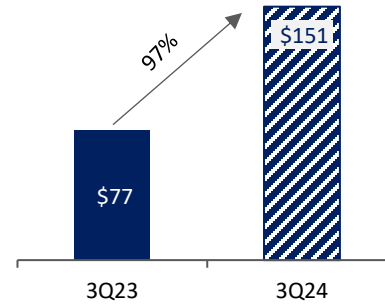


### The Prime Solution: Librela

Librela is a first of its kind medication targeting the **treatment of Osteoarthritis(OA) in dogs, a chronic condition with no known cure** affecting their joints

**As the only approved drug targeting OA**, It is a recurring medication purposed to reduce pain associated with the disease by monthly injections from a veterinarian.

### OA Pain mAb Franchise Revenue



Dogs in the US: 90,000,000  
 Go to Veterinary: 72,000,000  
 Librela Retail Price: \$80  
 Zoetis Margin: 50%  
 Sales per Treated Dog: \$480  
 Dogs with OA: 20-30%  
 Dogs being treated: 5-25%

### Librela Sales Sensitized (\$MM)

% of Dogs Treated	% of Dogs with Osteoarthritis					
	20%	22%	24%	26%	28%	30%
5%	346	380	415	449	484	518
10%	691	760	829	899	968	1,037
15%	1,037	1,140	1,244	1,348	1,452	1,555
20%	1,382	1,521	1,659	1,797	1,935	2,074
25%	1,728	1,901	2,074	2,246	2,419	2,592

According to a Zoetis (ZTS) Study Report & Academic Research, 1 in every 5 dogs have clinical signs of Osteoarthritis (OA).



## Section IV: Valuation

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# Valuation

Discounted Cash Flow Model (In Millions of USD)

Cash Flow Summary	FY 2023A	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E	FY 2032E	FY 2033E	FY 2034E
<b>Revenue</b>	\$ 8,544	\$ 9,260	\$ 9,991	\$ 10,747	\$ 11,438	\$ 12,235	\$ 13,270	\$ 14,481	\$ 15,463	\$ 16,370	\$ 17,315	\$ 18,257
<i>Growth YoY</i>	6%	8%	8%	8%	6%	7%	8%	9%	7%	6%	6%	5%
<b>EBITDA</b>	\$ 3,695	\$ 4,117	\$ 4,543	\$ 5,009	\$ 5,331	\$ 5,763	\$ 6,250	\$ 6,980	\$ 7,414	\$ 7,964	\$ 8,640	\$ 9,110
<i>EBITDA Margin</i>	43%	44%	45%	47%	47%	47%	47%	48%	48%	49%	50%	50%
<b>EBIT</b>	\$ 3,204	\$ 3,585	\$ 3,968	\$ 4,390	\$ 4,673	\$ 5,028	\$ 5,454	\$ 6,111	\$ 6,525	\$ 7,064	\$ 7,688	\$ 8,106
<i>EBIT Margin</i>	38%	39%	40%	41%	41%	41%	41%	42%	42%	43%	44%	44%
<i>Taxes</i>	(650)	(727)	(806)	(888)	(950)	(1,026)	(1,113)	(1,247)	(1,331)	(1,441)	(1,568)	(1,654)
<b>NOPAT</b>	\$ 2,554	\$ 2,858	\$ 3,161	\$ 3,502	\$ 3,723	\$ 4,003	\$ 4,341	\$ 4,864	\$ 5,194	\$ 5,623	\$ 6,120	\$ 6,453
<i>D&amp;A</i>	\$ 491	\$ 533	\$ 575	\$ 618	\$ 658	\$ 734	\$ 796	\$ 869	\$ 889	\$ 900	\$ 952	\$ 1,004
<i>Change in NWC</i>	\$ (484)	\$ (308)	\$ (82)	\$ (144)	\$ (40)	\$ (195)	\$ (166)	\$ (363)	\$ (82)	\$ (130)	\$ (114)	\$ (109)
<i>Capex</i>	\$ (732)	\$ (646)	\$ (774)	\$ (833)	\$ (886)	\$ (948)	\$ (1,028)	\$ (1,050)	\$ (966)	\$ (1,023)	\$ (1,082)	\$ (1,095)
<b>UCFC</b>	\$ 1,829	\$ 2,436	\$ 2,880	\$ 3,144	\$ 3,454	\$ 3,594	\$ 3,943	\$ 4,320	\$ 5,035	\$ 5,370	\$ 5,876	\$ 6,252

Exit Multiple - Bear Case	
Exit Multiple	17.50x
<b>Terminal Value</b>	\$ 122,831
PV of Terminal Value	\$ 50,315
Sum of PV of UCFC	\$ 24,097
<b>Implied TEV</b>	\$ 74,412
<i>Cash &amp; ST Investments</i>	\$ 1,714
<i>Minority Interest</i>	-
<i>Debt</i>	\$ (6,775)
<b>Implied Equity Value</b>	\$ 69,351
Diluted Shares	452
<b>Implied Share Price</b>	\$ 153.31
Upside/Downside	(12.73)%

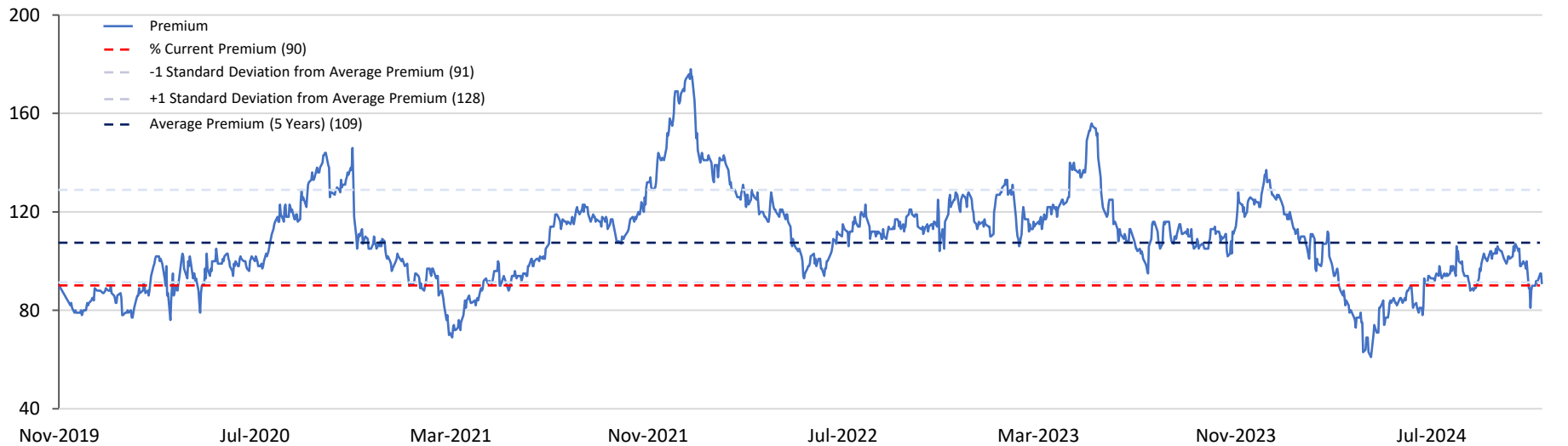
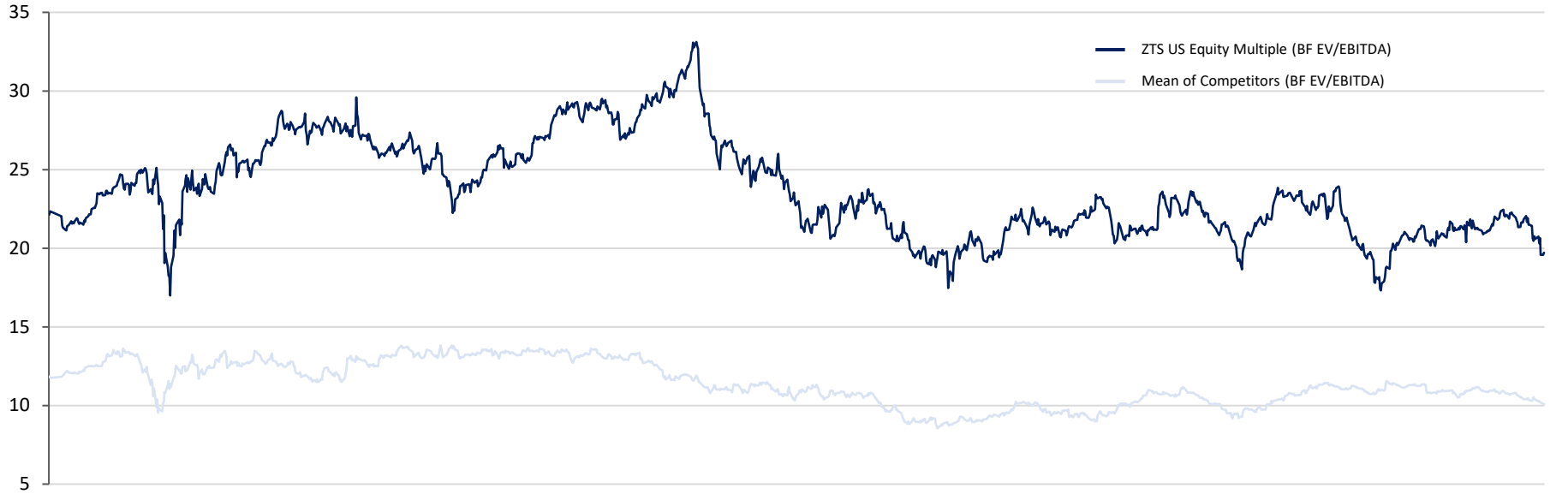
Exit Multiple - Base Case	
Exit Multiple	18.0x
<b>Terminal Value</b>	\$ 163,987
PV of Terminal Value	\$ 67,174
Sum of PV of UCFC	\$ 28,289
<b>Implied TEV</b>	\$ 95,463
<i>Cash &amp; ST Investments</i>	\$ 1,714
<i>Minority Interest</i>	-
<i>Debt</i>	\$ (6,775)
<b>Implied Equity Value</b>	\$ 90,402
Diluted Shares	452
<b>Implied Share Price</b>	\$ 199.85
Upside/Downside	13.77%

Exit Multiple - Bull Case	
Exit Multiple	18.50x
<b>Terminal Value</b>	\$ 182,314
PV of Terminal Value	\$ 74,681
Sum of PV of UCFC	\$ 30,369
<b>Implied TEV</b>	\$ 105,050
<i>Cash &amp; ST Investments</i>	\$ 1,714
<i>Minority Interest</i>	-
<i>Debt</i>	\$ (6,775)
<b>Implied Equity Value</b>	\$ 99,989
Diluted Shares	452
<b>Implied Share Price</b>	\$ 221.04
Upside/Downside	25.83%

# Valuation

## Comparable Company Analysis

### Premium Analysis Relative to Competitors BF EV/EBITDA (5 years)





# Valuation

## Comparable Company Analysis (In Millions of USD)

Summary of Current Multiples	Share	Enterprise	NTM	NTM	Enterprise Value	P
Company Name	Price	Value	EBITDA	EPS	NTM EBITDA	NTM EPS
Merck & Co., Inc. (NYSE:MRK)	\$ 97.44	\$ 270,084	\$ 30,489	\$ 9.11	8.9x	10.7x
Viartis Inc. (NasdaqGS:VTRS)	\$ 13.13	\$ 29,639	\$ 4,609	\$ 2.47	6.4x	5.3x
Phibro Animal Health Corporation (NasdaqGM:PAHC)	\$ 23.39	\$ 1,364	\$ 197	\$ 1.71	6.9x	13.7x
Catalent, Inc. (NYSE:CTLT)	\$ 59.00	\$ 15,321	\$ 880	\$ 1.13	17.4x	52.2x
Elanco Animal Health Incorporated (NYSE:ELAN)	\$ 13.44	\$ 10,511	\$ 877	\$ 0.88	12.x	15.3x
Max	\$ 97	\$ 270,084	\$ 30,489	\$ 9.11	17.4x	52.2x
75th Percentile	\$ 78	\$ 149,861	\$ 17,549	\$ 5.79	14.7x	33.7x
<b>Mean</b>	<b>\$ 41</b>	<b>\$ 65,384</b>	<b>\$ 7,410</b>	<b>\$ 3.06</b>	<b>10.3x</b>	<b>19.4x</b>
25th Percentile	\$ 13	\$ 5,937	\$ 537	\$ 1.01	6.7x	8.x
Min	\$ 13	\$ 1,364	\$ 197	\$ 0.88	6.4x	5.3x
<b>Zoetis Inc. (NYSE:ZTS)</b>	<b>\$ 175.67</b>	<b>\$ 84,317</b>	<b>\$ 4,289</b>	<b>\$ 6.16</b>	<b>19.66x</b>	<b>28.52x</b>
Current Premium to Comps Mean					90%	47%

Current vs 5Y Average Historical Premium	Difference		SD		Implied at Hist Avg	
Metric	Current	Hist Avg	From Hist Avg	From Hist Avg	Multiple	Price
BF EV/EBITDA	90%	109%	-19%	-1.0	21.6x	\$193.6
BF P/EPS	47%	104%	-57%	-1.6	39.6x	\$244.2

Bear Case	
EBITDA	\$ 4,289
BF EV/EBITDA	6.7x
Hist Avg Premium	109%
<b>Enterprise Value</b>	<b>\$ 59,898</b>
Cash & ST Investments	\$ 1,774
Minority Interest	-
Debt	\$ (6,775)
<b>Equity Value</b>	<b>\$ 54,897</b>
Diluted Shares	452
<b>Implied Share Price</b>	<b>\$ 121.36</b>
Current Price	\$ 175.67
Implied Upside	(30.92)%

Base Case	
EBITDA	\$ 4,289
BF EV/EBITDA	10.3x
Hist Avg Premium	109%
<b>Enterprise Value</b>	<b>\$ 92,561</b>
Cash & ST Investments	\$ 1,774
Minority Interest	-
Debt	\$ (6,775)
<b>Equity Value</b>	<b>\$ 87,560</b>
Diluted Shares	452
<b>Implied Share Price</b>	<b>\$ 193.57</b>
Current Price	\$ 175.67
Implied Upside	10.19%

Bull Case	
EBITDA	\$ 4,289
BF EV/EBITDA	14.7x
Hist Avg Premium	109%
<b>Enterprise Value</b>	<b>\$ 131,795</b>
Cash & ST Investments	\$ 1,774
Minority Interest	-
Debt	\$ (6,775)
<b>Equity Value</b>	<b>\$ 126,794</b>
Diluted Shares	452
<b>Implied Share Price</b>	<b>\$ 280.30</b>
Current Price	\$ 175.67
Implied Upside	59.56%

## Section V: Risks & Catalysts

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# Risks, Mitigants & Catalysts

## Lowered Risks and Strong Catalysts Highlight Substantial Growth Potential

### Risks

#### Dependence on Continued Innovation and Product Development



Zoetis' competitive edge depends on a strong R&D pipeline. Disruptions from scientific or unforeseen issues could hinder product development and commercialization, impacting revenue growth.

#### Regulatory Restrictions and Compliance Challenges



Given Zoetis' highly regulated industry, R&D initiatives are subject to stringent government requirements globally. Regulatory changes or increased scrutiny could delay approvals or limit market access.

#### Market Penetration Challenges for Librela



While Librela is a unique OA treatment for dogs, Zoetis may face market penetration challenges due to awareness, cost, and competition. A similar cure from competitors could further shift preferences away from its recurring treatment model.

### Catalysts

#### Surge in Companion Animal Healthcare Spending



The global rise in pet ownership and trend of treating pets as family are driving increased spending on animal healthcare. Zoetis is well-positioned to benefit with high-margin products in preventive and chronic care, meeting this growing demand and strengthening its market position.

#### Innovation in Diagnostics and Point-of-Care Solutions



Zoetis's innovations in diagnostics and point-of-care testing enable faster, accurate diagnoses, creating recurring revenue and reinforcing its leadership in animal healthcare, supporting long-term growth in pet and livestock markets.

#### High-Impact M&A Strategy in Emerging Veterinary Markets



Zoetis has demonstrated strategic skill in acquiring companies that strengthen its offerings. Key acquisitions in high-growth segments, especially diagnostics or emerging markets, could be transformative, expanding market share and capabilities.

### Mitigations

#### Strategic R&D Allocation and Portfolio Optimization



Zoetis' incubator model and strategic allocation of over 70% of annual R&D spending to differentiation and innovation ensures resources are directed to high-value projects.

#### Proactive Regulatory Strategy and Expertise



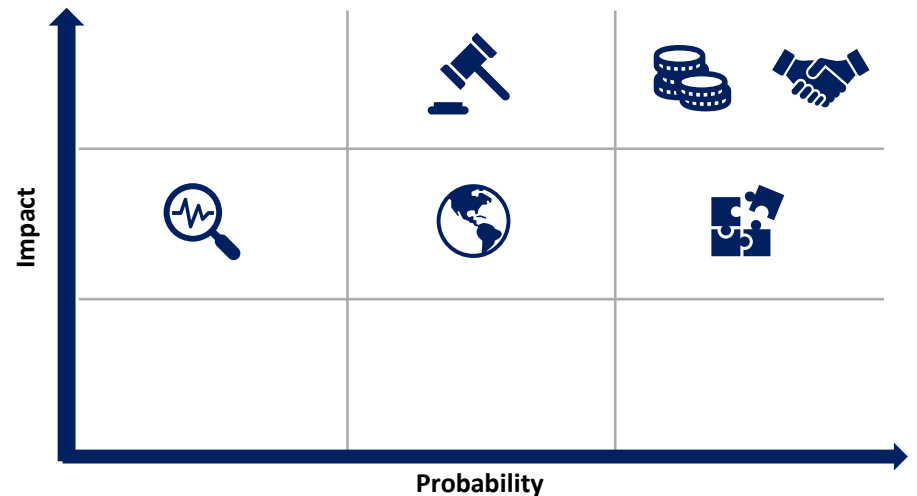
A proactive regulatory strategy, including investment in regulatory expertise and relationships, helps anticipate changes and align product development, ensuring smoother launches.

#### Comprehensive Market Engagement Strategy



Implementing a comprehensive market engagement strategy for increased credibility, robust feedback loops, and value-based pricing models alongside patient assistance programs can encourage market penetration and long-term customer loyalty.

### Risks & Catalysts Matrix

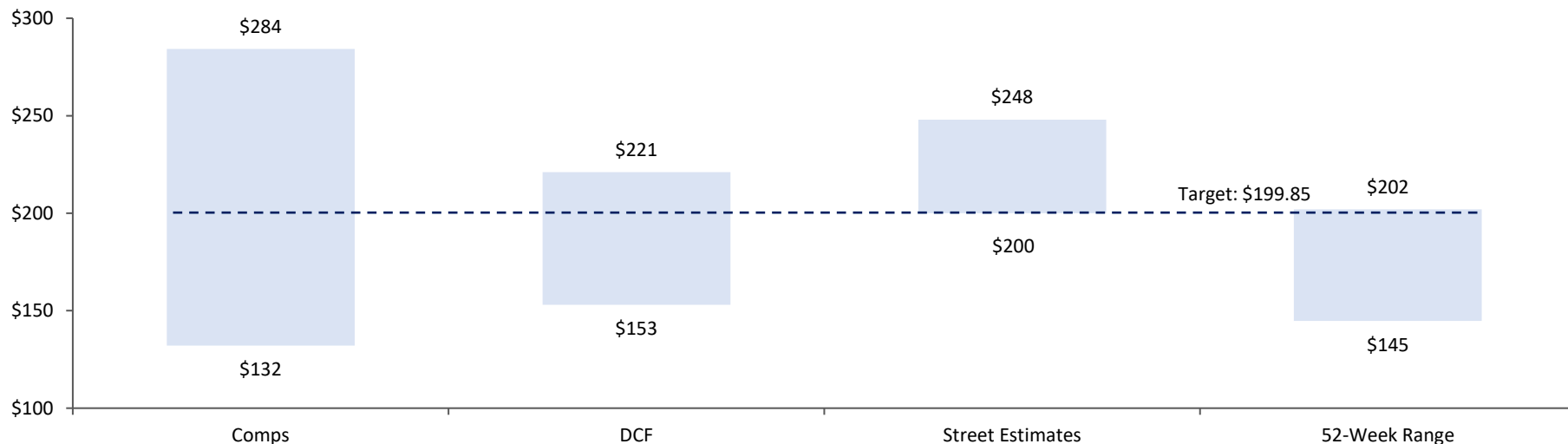


**Strong Fundamentals & consistent Operational Efficiency** as a risk mitigation tool for Zoetis.

# Recommendation

Blended Share Price Yields a Price Target of \$200, Representing a 13.77% Upside

## Football Field Valuation



## Blended Share Price Target

Valuation Methodology	Weight	Target Price
DCF – Exit Multiple	100%	\$199.85
Comps - Base	0%	N/A
<b>Blended Share Price</b>		<b>\$199.85</b>
Current Share Price (11/20/2024)		\$175.67
<b>Implied Upside</b>		<b>13.77%</b>

## Street Estimates



# Appendix

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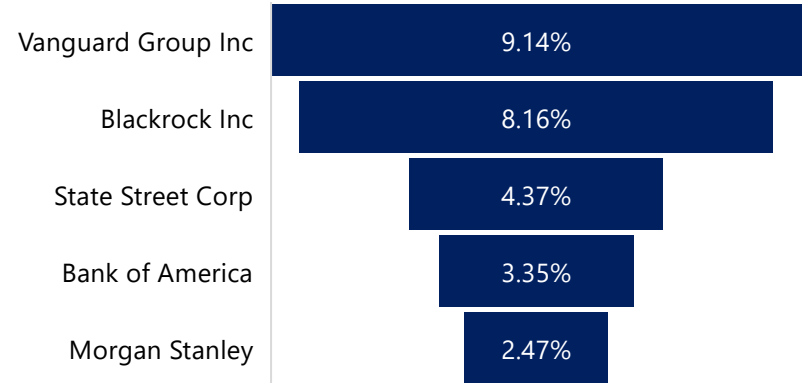
# Appendix

## Annotated Stock Price Chart – Relevant Financial Data

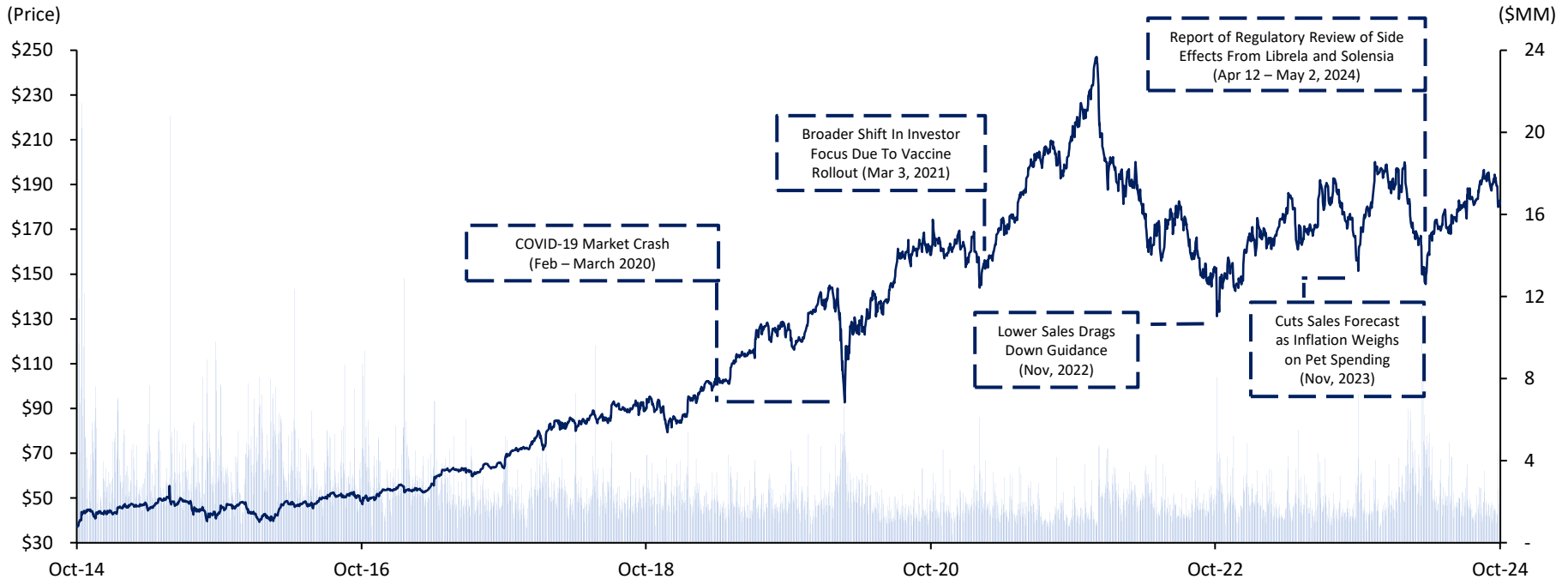
### Key Financial Metrics

Ticker (In Millions USD)	NYSE: ZTS
Return on Equity	49.86
Price to Earnings	30.03
Dividend Payout Ratio	30.55
Return on Assets	16.05
Current Ratio	3.36
Quick Ratio	1.77

### Institutional Ownership



### Annotated Stock Price



# Appendix

## Income Statement (In Millions of USD)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31
<b>Income Statement</b>																
Companion Animal	3,145	3,652	4,689	5,203	5,576	6,204	6,794	7,416	8,121	8,809	9,687	10,716	11,442	12,278	12,986	13,693
Livestock	3,030	2,940	3,005	2,791	2,890	2,976	3,119	3,253	3,238	3,346	3,502	3,684	3,938	4,010	4,246	4,481
Contract manufacturing	85	83	82	86	78	80	78	79	79	80	81	82	82	82	83	83
<b>Total Revenue</b>	<b>6,260</b>	<b>6,675</b>	<b>7,776</b>	<b>8,080</b>	<b>8,544</b>	<b>9,260</b>	<b>9,991</b>	<b>10,747</b>	<b>11,438</b>	<b>12,235</b>	<b>13,270</b>	<b>14,481</b>	<b>15,463</b>	<b>16,370</b>	<b>17,315</b>	<b>18,257</b>
<i>% growth</i>	7%	7%	16%	4%	6%	8%	8%	8%	6%	7%	8%	9%	7%	6%	6%	5%
COGS	(1,992)	(2,057)	(2,303)	(2,454)	(2,561)	(2,732)	(2,898)	(3,090)	(3,260)	(3,426)	(3,716)	(3,982)	(4,252)	(4,502)	(4,675)	(4,929)
<b>Gross Profit</b>	<b>4,268</b>	<b>4,618</b>	<b>5,473</b>	<b>5,626</b>	<b>5,983</b>	<b>6,528</b>	<b>7,094</b>	<b>7,657</b>	<b>8,179</b>	<b>8,809</b>	<b>9,555</b>	<b>10,499</b>	<b>11,211</b>	<b>11,869</b>	<b>12,640</b>	<b>13,328</b>
<i>% margin</i>	68%	69%	70%	70%	70%	71%	71%	71%	72%	72%	72%	73%	73%	73%	73%	73%
SG&A	(1,638)	(1,726)	(2,001)	(2,009)	(2,151)	(2,269)	(2,398)	(2,499)	(2,688)	(2,875)	(3,119)	(3,331)	(3,556)	(3,642)	(3,723)	(3,925)
R&D	(457)	(463)	(508)	(539)	(614)	(664)	(716)	(756)	(804)	(891)	(966)	(1,040)	(1,110)	(1,143)	(1,209)	(1,274)
Other Operating Expense	(206)	(185)	(204)	(161)	(202)	(324)	(350)	(376)	(400)	(428)	(464)	(507)	(541)	(573)	(606)	(639)
<b>Operating Income</b>	<b>1,967</b>	<b>2,244</b>	<b>2,760</b>	<b>2,917</b>	<b>3,016</b>	<b>3,272</b>	<b>3,630</b>	<b>4,027</b>	<b>4,286</b>	<b>4,615</b>	<b>5,006</b>	<b>5,622</b>	<b>6,003</b>	<b>6,511</b>	<b>7,103</b>	<b>7,489</b>
<i>% margin</i>	31%	34%	35%	36%	35%	35%	36%	37%	37%	38%	38%	39%	39%	40%	41%	41%
Interest Expense	(223)	(231)	(224)	(221)	(239)	(272)	(272)	(206)	(206)	(183)	(164)	(164)	(149)	(149)	(107)	(107)
Interest Income	37	12	6	50	103	73	65	50	45	50	63	40	55	72	90	114
Foreign Exchange	(16)	(21)	(27)	(62)	(47)											
Other Non-operating Income	36	(26)	(27)	(28)	103											
<b>Pre-Tax Income</b>	<b>1,801</b>	<b>1,978</b>	<b>2,488</b>	<b>2,656</b>	<b>2,936</b>	<b>3,072</b>	<b>3,423</b>	<b>3,871</b>	<b>4,125</b>	<b>4,481</b>	<b>4,904</b>	<b>5,498</b>	<b>5,909</b>	<b>6,433</b>	<b>7,086</b>	<b>7,497</b>
Income Tax Expense	(301)	(360)	(454)	(545)	(596)	(623)	(696)	(783)	(839)	(914)	(1,001)	(1,122)	(1,205)	(1,312)	(1,445)	(1,529)
<b>Income from Cont Ops</b>	<b>1,500</b>	<b>1,618</b>	<b>2,034</b>	<b>2,111</b>	<b>2,340</b>	<b>2,449</b>	<b>2,727</b>	<b>3,088</b>	<b>3,286</b>	<b>3,567</b>	<b>3,904</b>	<b>4,376</b>	<b>4,703</b>	<b>5,121</b>	<b>5,640</b>	<b>5,967</b>
Minority Interest	-	2	3	3	4	4	4	4	4	4	4	4	4	4	4	4
<b>Net Income, GAAP</b>	<b>1,500</b>	<b>1,620</b>	<b>2,037</b>	<b>2,114</b>	<b>2,344</b>	<b>2,453</b>	<b>2,731</b>	<b>3,092</b>	<b>3,290</b>	<b>3,571</b>	<b>3,908</b>	<b>4,380</b>	<b>4,707</b>	<b>5,125</b>	<b>5,644</b>	<b>5,971</b>
<i>% margin</i>	24%	24%	26%	26%	27%	26%	27%	29%	29%	29%	29%	30%	30%	31%	33%	33%
Weighted Avg. Basic Shares Outs	478	476	474	469	461	453	451	444	439	434	429	427	424	422	420	418
<b>Basic EPS, GAAP</b>	<b>\$3.14</b>	<b>\$3.41</b>	<b>\$4.29</b>	<b>\$4.51</b>	<b>\$5.08</b>	<b>\$5.41</b>	<b>\$6.06</b>	<b>\$6.96</b>	<b>\$7.49</b>	<b>\$8.22</b>	<b>\$9.10</b>	<b>\$10.27</b>	<b>\$11.10</b>	<b>\$12.15</b>	<b>\$13.44</b>	<b>\$14.29</b>
Weighted Avg. Diluted Shares Outs	482	479	477	470	462	454	452	445	440	436	430	428	425	423	421	419
<b>Diluted EPS, GAAP</b>	<b>\$3.11</b>	<b>\$3.39</b>	<b>\$4.27</b>	<b>\$4.49</b>	<b>\$5.07</b>	<b>\$5.40</b>	<b>\$6.04</b>	<b>\$6.94</b>	<b>\$7.47</b>	<b>\$8.20</b>	<b>\$9.08</b>	<b>\$10.24</b>	<b>\$11.07</b>	<b>\$12.12</b>	<b>\$13.41</b>	<b>\$14.25</b>

# Appendix

## Income Statement – Adjusted (In Millions of USD)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31
<b>Income Statement</b>																
Companion Animal	3,145	3,652	4,689	5,203	5,576	6,204	6,794	7,416	8,121	8,809	9,687	10,716	11,442	12,278	12,986	13,693
Livestock	3,030	2,940	3,005	2,791	2,890	2,976	3,119	3,253	3,238	3,346	3,502	3,684	3,938	4,010	4,246	4,481
Contract manufacturing	85	83	82	86	78	80	78	79	79	80	81	82	82	82	83	83
<b>Total Revenue</b>	<b>6,260</b>	<b>6,675</b>	<b>7,776</b>	<b>8,080</b>	<b>8,544</b>	<b>9,260</b>	<b>9,991</b>	<b>10,747</b>	<b>11,438</b>	<b>12,235</b>	<b>13,270</b>	<b>14,481</b>	<b>15,463</b>	<b>16,370</b>	<b>17,315</b>	<b>18,257</b>
<i>% growth</i>	7%	7%	16%	4%	6%	8%	8%	8%	6%	7%	8%	9%	7%	6%	6%	5%
COGS	(1,891)	(2,030)	(2,297)	(2,448)	(2,551)	(2,732)	(2,898)	(3,090)	(3,260)	(3,426)	(3,716)	(3,982)	(4,252)	(4,502)	(4,675)	(4,929)
<b>Gross Profit</b>	<b>4,369</b>	<b>4,645</b>	<b>5,479</b>	<b>5,632</b>	<b>5,993</b>	<b>6,528</b>	<b>7,094</b>	<b>7,657</b>	<b>8,179</b>	<b>8,809</b>	<b>9,555</b>	<b>10,499</b>	<b>11,211</b>	<b>11,869</b>	<b>12,640</b>	<b>13,328</b>
<i>% margin</i>	70%	70%	70%	70%	70%	71%	71%	71%	72%	72%	72%	73%	73%	73%	73%	73%
SG&A	(1,564)	(1,659)	(1,971)	(1,980)	(2,130)	(2,269)	(2,398)	(2,499)	(2,688)	(2,875)	(3,119)	(3,331)	(3,556)	(3,642)	(3,723)	(3,925)
R&D	(455)	(462)	(507)	(538)	(613)	(664)	(716)	(756)	(804)	(891)	(966)	(1,040)	(1,110)	(1,143)	(1,209)	(1,274)
Other Operating Expense	(39)	(138)	(156)	63	(46)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(19)	(20)	(21)	(22)
<b>Operating Income, Adjusted</b>	<b>2,311</b>	<b>2,386</b>	<b>2,845</b>	<b>3,177</b>	<b>3,204</b>	<b>3,585</b>	<b>3,968</b>	<b>4,390</b>	<b>4,673</b>	<b>5,028</b>	<b>5,454</b>	<b>6,111</b>	<b>6,525</b>	<b>7,064</b>	<b>7,688</b>	<b>8,106</b>
<i>% margin</i>	37%	36%	37%	39%	38%	39%	40%	41%	41%	41%	41%	42%	42%	43%	44%	44%
Interest Expense	(223)	(231)	(224)	(221)	(239)	(272)	(272)	(206)	(206)	(183)	(164)	(164)	(149)	(149)	(107)	(107)
Interest Income	37	12	6	50	103	73	65	50	45	50	63	40	55	72	90	114
Foreign Exchange	(16)	(21)	(27)	(62)	(47)											
Other Non-operating Income	36	(26)	(27)	(28)	103											
<b>Pre-Tax Income</b>	<b>2,145</b>	<b>2,120</b>	<b>2,573</b>	<b>2,916</b>	<b>3,124</b>	<b>3,385</b>	<b>3,761</b>	<b>4,234</b>	<b>4,511</b>	<b>4,895</b>	<b>5,353</b>	<b>5,987</b>	<b>6,431</b>	<b>6,987</b>	<b>7,671</b>	<b>8,114</b>
Income Tax Expense	(390)	(288)	(324)	(606)	(601)	(687)	(764)	(857)	(917)	(999)	(1,092)	(1,221)	(1,312)	(1,425)	(1,565)	(1,655)
<b>Income from Cont Ops</b>	<b>1,755</b>	<b>1,832</b>	<b>2,249</b>	<b>2,310</b>	<b>2,523</b>	<b>2,699</b>	<b>2,996</b>	<b>3,377</b>	<b>3,594</b>	<b>3,896</b>	<b>4,261</b>	<b>4,766</b>	<b>5,119</b>	<b>5,561</b>	<b>6,106</b>	<b>6,459</b>
Minority Interest	-	2	3	3	4	4	4	4	4	4	4	4	4	4	4	4
<b>Net Income, Adjusted</b>	<b>1,755</b>	<b>1,834</b>	<b>2,252</b>	<b>2,313</b>	<b>2,527</b>	<b>2,703</b>	<b>3,000</b>	<b>3,381</b>	<b>3,598</b>	<b>3,900</b>	<b>4,265</b>	<b>4,770</b>	<b>5,123</b>	<b>5,565</b>	<b>6,110</b>	<b>6,463</b>
<i>% margin</i>	28%	27%	29%	29%	30%	29%	30%	31%	31%	32%	32%	33%	33%	34%	35%	35%
Weighted Avg. Basic Shares Outs	478	476	474	469	461	453	451	444	439	434	429	427	424	422	420	418
<b>Basic EPS, Adjusted</b>	<b>\$3.67</b>	<b>\$3.86</b>	<b>\$4.75</b>	<b>\$4.93</b>	<b>\$5.48</b>	<b>\$5.96</b>	<b>\$6.65</b>	<b>\$7.61</b>	<b>\$8.19</b>	<b>\$8.98</b>	<b>\$9.93</b>	<b>\$11.18</b>	<b>\$12.08</b>	<b>\$13.19</b>	<b>\$14.55</b>	<b>\$15.46</b>
Weighted Avg. Diluted Shares Outs	482	479	477	470	462	454	452	445	440	436	430	428	425	423	421	419
<b>Diluted EPS, Adjusted</b>	<b>\$3.64</b>	<b>\$3.83</b>	<b>\$4.72</b>	<b>\$4.92</b>	<b>\$5.47</b>	<b>\$5.95</b>	<b>\$6.64</b>	<b>\$7.59</b>	<b>\$8.17</b>	<b>\$8.96</b>	<b>\$9.91</b>	<b>\$11.15</b>	<b>\$12.05</b>	<b>\$13.16</b>	<b>\$14.52</b>	<b>\$15.42</b>



# Appendix

## Cash Flow Statement (In Millions of USD)

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31
<b>Cash Flow Statement</b>											
<b>Cash From Operating Activities</b>											
Net Income	2,453	2,731	3,092	3,290	3,571	3,908	4,380	4,707	5,125	5,644	5,971
Depreciation & Amortization	533	575	618	658	734	796	869	889	900	952	1,004
Stock-based compensation	64	68	62	54	58	55	58	53	55	47	49
Deferred Income Taxes	-	-	-	-	-	-	-	-	-	-	-
Other Non-Cash Adjustments	-	-	-	-	-	-	-	-	-	-	-
Change In Non-Cash Work Capital	(308)	(82)	(144)	(40)	(195)	(166)	(363)	(82)	(130)	(114)	(109)
<b>Cash From Operating Activities</b>	<b>2,742</b>	<b>3,292</b>	<b>3,629</b>	<b>3,962</b>	<b>4,168</b>	<b>4,593</b>	<b>4,944</b>	<b>5,568</b>	<b>5,950</b>	<b>6,529</b>	<b>6,916</b>
<b>Cash From Investing Activities</b>											
Capital Expenditures	(646)	(774)	(833)	(886)	(948)	(1,028)	(1,050)	(966)	(1,023)	(1,082)	(1,095)
<b>Cash From Investing Activities</b>	<b>(646)</b>	<b>(774)</b>	<b>(833)</b>	<b>(886)</b>	<b>(948)</b>	<b>(1,028)</b>	<b>(1,050)</b>	<b>(966)</b>	<b>(1,023)</b>	<b>(1,082)</b>	<b>(1,095)</b>
<b>Cash From Financing Activities</b>											
Dividends Paid	(719)	(801)	(906)	(964)	(1,071)	(1,172)	(1,445)	(1,648)	(2,050)	(2,258)	(2,389)
Principal Repayments on short-term debt	(3)	-	-	-	-	-	-	-	-	-	-
Principal Repayments on long-term debt	-	(1,350)	-	(750)	(500)	-	(750)	-	(750)	-	-
Proceeds from Issuance of long-term debt	-	-	-	-	-	-	-	-	-	-	-
Purchases of Treasury Stock	(1,495)	(500)	(1,500)	(1,250)	(1,250)	(1,500)	(850)	(850)	(850)	(850)	(850)
<b>Cash From Financing Activities</b>	<b>(2,217)</b>	<b>(2,651)</b>	<b>(2,406)</b>	<b>(2,964)</b>	<b>(2,821)</b>	<b>(2,672)</b>	<b>(3,045)</b>	<b>(2,498)</b>	<b>(3,650)</b>	<b>(3,108)</b>	<b>(3,239)</b>
<b>Net Change in Cash</b>	<b>(121)</b>	<b>(133)</b>	<b>390</b>	<b>111</b>	<b>399</b>	<b>892</b>	<b>849</b>	<b>2,104</b>	<b>1,277</b>	<b>2,339</b>	<b>2,582</b>
Beginning Cash Balance	2,041	1,920	1,787	2,176	2,287	2,686	3,577	4,427	6,531	7,808	10,147
<b>Ending Cash Balance</b>	<b>1,920</b>	<b>1,787</b>	<b>2,176</b>	<b>2,287</b>	<b>2,686</b>	<b>3,577</b>	<b>4,427</b>	<b>6,531</b>	<b>7,808</b>	<b>10,147</b>	<b>12,729</b>

# Appendix

## Balance Sheet (In Millions of USD)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
	2019-12-31	2020-12-31	2021-12-31	2022-12-31	2023-12-31	2024-12-31	2025-12-31	2026-12-31	2027-12-31	2028-12-31	2029-12-31	2030-12-31	2031-12-31	2032-12-31	2033-12-31	2034-12-31
<b>Balance Sheet</b>																
<b>Assets</b>																
Cash & Cash Equivalents	1,934	3,604	3,485	3,581	2,041	1,920	1,787	2,176	2,287	2,686	3,577	4,427	6,531	7,808	10,147	12,729
Accounts Receivables	1,086	1,013	1,133	1,215	1,304	1,505	1,624	1,746	1,716	1,835	1,924	2,172	2,319	2,374	2,424	2,556
Inventories	1,410	1,628	1,923	2,345	2,564	2,735	2,782	2,904	3,064	3,220	3,493	3,743	3,827	4,052	4,208	4,338
Other Current Assets	318	366	389	365	434	451	486	523	557	595	646	705	752	797	843	888
<b>Total Current Assets</b>	<b>4,748</b>	<b>6,611</b>	<b>6,930</b>	<b>7,506</b>	<b>6,343</b>	<b>6,610</b>	<b>6,678</b>	<b>7,350</b>	<b>7,624</b>	<b>8,336</b>	<b>9,640</b>	<b>11,047</b>	<b>13,430</b>	<b>15,030</b>	<b>17,622</b>	<b>20,511</b>
Property, Plant & Equipment, Net	2,129	2,394	2,603	2,973	3,434	3,547	3,747	3,961	4,190	4,404	4,636	4,817	4,894	5,017	5,147	5,238
Goodwill	2,592	2,694	2,682	2,746	2,759	2,759	2,759	2,759	2,759	2,759	2,759	2,759	2,759	2,759	2,759	2,759
Other Intangible Assets	1,890	1,710	1,474	1,380	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338	1,338
Deferred Tax Assets	88	94	100	173	206	206	206	206	206	206	206	206	206	206	206	206
Other noncurrent assets	98	106	111	147	206	206	206	206	206	206	206	206	206	206	206	206
<b>Total noncurrent assets</b>	<b>6,797</b>	<b>6,998</b>	<b>6,970</b>	<b>7,419</b>	<b>7,943</b>	<b>8,056</b>	<b>8,256</b>	<b>8,470</b>	<b>8,699</b>	<b>8,913</b>	<b>9,145</b>	<b>9,326</b>	<b>9,403</b>	<b>9,526</b>	<b>9,656</b>	<b>9,747</b>
<b>Total Assets</b>	<b>11,545</b>	<b>13,609</b>	<b>13,900</b>	<b>14,925</b>	<b>14,286</b>	<b>14,666</b>	<b>14,934</b>	<b>15,821</b>	<b>16,323</b>	<b>17,249</b>	<b>18,785</b>	<b>20,373</b>	<b>22,833</b>	<b>24,556</b>	<b>27,278</b>	<b>30,259</b>
<b>Liabilities and Shareholders Equity</b>																
Accounts Payable	301	457	436	405	411	492	522	556	587	617	706	757	808	867	912	974
Other Payables & Accruals	950	1,016	1,294	1,313	1,373	1,366	1,449	1,545	1,630	1,713	1,858	1,991	2,126	2,251	2,338	2,465
Short Term Debt	535	644	41	1,395	3	-	-	-	-	-	-	-	-	-	-	-
Other Current Liabilities	20	53	26	54	102	109	115	123	130	136	148	159	169	179	186	196
<b>Total Current Liabilities</b>	<b>1,806</b>	<b>2,170</b>	<b>1,797</b>	<b>3,167</b>	<b>1,889</b>	<b>1,966</b>	<b>2,086</b>	<b>2,224</b>	<b>2,347</b>	<b>2,466</b>	<b>2,712</b>	<b>2,906</b>	<b>3,103</b>	<b>3,297</b>	<b>3,435</b>	<b>3,635</b>
Long Term Debt	5,947	6,595	6,592	6,552	6,564	6,564	5,214	5,214	4,464	3,964	3,964	3,214	3,214	2,464	2,464	2,464
Long Term Lease Liabilities	164	163	151	186	188	188	188	188	188	188	188	188	188	188	188	188
Other Long Term Liabilities	920	908	816	617	654	654	654	654	654	654	654	654	654	654	654	654
<b>Total Noncurrent Liabilities</b>	<b>7,031</b>	<b>7,666</b>	<b>7,559</b>	<b>7,355</b>	<b>7,406</b>	<b>7,406</b>	<b>6,056</b>	<b>6,056</b>	<b>5,306</b>	<b>4,806</b>	<b>4,806</b>	<b>4,056</b>	<b>4,056</b>	<b>3,306</b>	<b>3,306</b>	<b>3,306</b>
<b>Total Liabilities</b>	<b>8,837</b>	<b>9,836</b>	<b>9,356</b>	<b>10,522</b>	<b>9,295</b>	<b>9,372</b>	<b>8,142</b>	<b>8,280</b>	<b>7,653</b>	<b>7,272</b>	<b>7,518</b>	<b>6,962</b>	<b>7,159</b>	<b>6,603</b>	<b>6,741</b>	<b>6,941</b>
Common Stock	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Additional Paid-In Capital	1,044	1,065	1,068	1,088	1,133	1,197	1,264	1,327	1,381	1,438	1,493	1,551	1,604	1,659	1,706	1,755
Treasury Stock	(2,042)	(2,230)	(2,952)	(4,539)	(5,597)	(7,092)	(7,592)	(9,092)	(10,342)	(11,592)	(13,092)	(13,942)	(14,792)	(15,642)	(16,492)	(17,342)
Retained Earnings	4,427	5,659	7,186	8,668	10,295	12,029	13,960	16,145	18,471	20,971	23,707	26,641	29,701	32,776	36,163	39,745
Accumulated other comprehensive loss	(726)	(730)	(764)	(817)	(839)	(839)	(839)	(839)	(839)	(839)	(839)	(839)	(839)	(839)	(839)	(839)
<b>Total Zoetis Inc. Equity</b>	<b>2,708</b>	<b>3,769</b>	<b>4,543</b>	<b>4,405</b>	<b>4,997</b>	<b>5,300</b>	<b>6,798</b>	<b>7,546</b>	<b>8,676</b>	<b>9,983</b>	<b>11,273</b>	<b>13,416</b>	<b>15,680</b>	<b>17,959</b>	<b>20,542</b>	<b>23,324</b>
Equity attributable to noncontrolling interests	-	4	1	(2)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)	(6)
<b>Total Equity</b>	<b>2,708</b>	<b>3,773</b>	<b>4,544</b>	<b>4,403</b>	<b>4,991</b>	<b>5,294</b>	<b>6,792</b>	<b>7,540</b>	<b>8,670</b>	<b>9,977</b>	<b>11,267</b>	<b>13,410</b>	<b>15,674</b>	<b>17,953</b>	<b>20,536</b>	<b>23,318</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>11,545</b>	<b>13,609</b>	<b>13,900</b>	<b>14,925</b>	<b>14,286</b>	<b>14,666</b>	<b>14,934</b>	<b>15,821</b>	<b>16,323</b>	<b>17,249</b>	<b>18,785</b>	<b>20,373</b>	<b>22,833</b>	<b>24,556</b>	<b>27,278</b>	<b>30,259</b>

# Appendix

## Revenue Product Breakdown Projections (In Millions of USD)

Revenue Projections	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
<b>Vaccines</b>	1,673	1,718	1,771	1,833	1,870	1,916	1,960	2,004	2,114	2,209	2,275	2,338	2,396	2,456
<i>YoY Growth</i>		3%	3%	4%	2%	3%	2%	2%	6%	5%	3%	3%	3%	3%
<b>Other Pharmaceuticals</b>	966	1,043	1,280	1,574	1,944	2,249	2,552	2,878	3,295	3,756	4,169	4,565	4,885	5,227
<i>YoY Growth</i>		8%	23%	23%	24%	16%	14%	13%	15%	14%	11%	10%	7%	7%
<b>Anti-Infectives</b>	1,215	1,081	1,057	1,081	1,048	1,059	1,096	1,145	1,197	1,251	1,269	1,282	1,295	1,308
<i>YoY Growth</i>		-11%	-2%	2%	-3%	1%	4%	5%	5%	5%	2%	1%	1%	1%
<b>Parasiticides</b>	1,635	1,860	1,947	2,122	2,218	2,329	2,422	2,537	2,714	2,959	3,136	3,301	3,474	3,596
<i>YoY Growth</i>		14%	5%	9%	5%	5%	4%	5%	7%	9%	6%	5%	5%	4%
<b>Medicated Feed Additives</b>	420	360	354	312	346	367	383	400	428	467	495	521	548	570
<i>YoY Growth</i>		-14%	-2%	-12%	11%	6%	5%	5%	7%	9%	6%	5%	5%	4%
<b>Animal Health Diagnostics</b>	374	353	376	393	440	471	498	525	567	624	668	715	756	799
<i>YoY Growth</i>		-6%	7%	5%	12%	7%	6%	6%	8%	10%	7%	7%	6%	6%
<b>Other Non-Pharmaceuticals</b>	231	250	254	262	271	282	293	308	329	350	360	371	382	393
<i>YoY Growth</i>		8%	2%	3%	4%	4%	4%	5%	7%	6%	3%	3%	3%	3%
<b>Contract Manufacturing</b>	82	86	78	80	78	79	79	80	81	82	82	82	83	83
<i>YoY Growth</i>		5%	-9%	2%	-2%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b>Dermatology</b>	1,180	1,329	1,427	1,604	1,777	1,997	2,156	2,358	2,545	2,785	3,008	3,196	3,496	3,825
<i>YoY Growth</i>		13%	7%	12%	11%	12%	8%	9%	8%	9%	8%	6%	9%	9%
<i>% of Dermatology Market</i>				18%	18%	19%	19%	19%	18%	18%	18%	18%	18%	18%
<b>Total Revenue</b>	7,776	8,080	8,544	9,260	9,991	10,747	11,438	12,235	13,270	14,481	15,463	16,370	17,315	18,257
<i>YoY Growth</i>		4%	6%	8%	8%	8%	6%	7%	8%	9%	7%	6%	6%	5%
<b>% of Total Revenue</b>														
<b>Vaccines</b>	21.51%	21.26%	20.73%	19.79%	18.71%	17.83%	17.13%	16.38%	15.93%	15.25%	14.71%	14.28%	13.84%	13.45%
<b>Other Pharmaceuticals</b>	12.42%	12.91%	14.98%	17.00%	19.46%	20.92%	22.31%	23.52%	24.83%	25.94%	26.96%	27.89%	28.21%	28.63%
<b>Anti-Infectives</b>	15.63%	13.38%	12.37%	11.67%	10.49%	9.85%	9.58%	9.36%	9.02%	8.64%	8.21%	7.83%	7.48%	7.16%
<b>Parasiticides</b>	21.03%	23.02%	22.79%	22.92%	22.20%	21.67%	21.17%	20.73%	20.45%	20.43%	20.28%	20.16%	20.06%	19.69%
<b>Medicated Feed Additives</b>	5.40%	4.46%	4.14%	3.36%	3.46%	3.41%	3.35%	3.27%	3.23%	3.22%	3.20%	3.18%	3.17%	3.12%
<b>Animal Health Diagnostics</b>	4.81%	4.37%	4.40%	4.24%	4.40%	4.38%	4.35%	4.29%	4.28%	4.31%	4.32%	4.36%	4.36%	4.38%
<b>Other Non-Pharmaceuticals</b>	2.97%	3.09%	2.97%	2.83%	2.71%	2.62%	2.56%	2.51%	2.48%	2.41%	2.33%	2.27%	2.21%	2.16%
<b>Contract Manufacturing</b>	1.05%	1.06%	0.91%	0.86%	0.78%	0.73%	0.69%	0.65%	0.61%	0.56%	0.53%	0.50%	0.48%	0.46%
<b>Dermatology</b>	15.17%	16.45%	16.70%	17.32%	17.78%	18.58%	18.85%	19.28%	19.18%	19.23%	19.45%	19.52%	20.19%	20.95%

# Appendix

WACC Build (In Millions of USD)

Comparable Company - Unlevered Beta									
Company Name	Beta	Share Price	Shares Outstanding	Equity Value	Total Debt	D/E	Tax Rate	Unlevered Beta	
Merck & Co., Inc. (NYSE:MRK)	0.49	\$ 97.44	2,530	246,484	38,131	15.47%	21%	0.44	
Viatrix Inc. (NasdaqGS:VTRS)	0.77	\$ 13.13	1,194	15,672	16,014	102.18%	21%	0.43	
Phibro Animal Health Corporation (NasdaqGM:PAHC)	1.00	\$ 23.39	41	947	515	54.38%	21%	0.70	
Catalent, Inc. (NYSE:CTLT)	0.89	\$ 59.00	182	10,709	4,947	46.20%	21%	0.65	
Elanco Animal Health Incorporated (NYSE:ELAN)	1.36	\$ 13.44	494	6,645	4,357	65.57%	21%	0.90	
High	1.36	\$ 97.44	2,530	246,484	38,131	102.18%	21%	0.90	
75th Percentile	1.00	\$ 59.00	1,194	15,672	16,014	65.57%	21%	0.70	
<b>Median:</b>	<b>0.89</b>	<b>\$ 23.39</b>	<b>494</b>	<b>10,709</b>	<b>4,947</b>	<b>54.38%</b>	<b>21%</b>	<b>0.65</b>	
25th Percentile	0.77	\$ 13.44	182	6,645	4,357	46.20%	21%	0.44	
Low	0.49	\$ 13.13	41	947	515	15.47%	21%	0.43	

Company Name	Beta	Share Price	Shares Outstanding	Equity Value	Total Debt	D/E	Tax Rate	Levered Beta
Zoetis Inc. (NYSE:ZTS)	0.90	\$ 175.67	451	79,262	6,775	8.55%	21%	0.93

WACC	
Share price	\$ 175.67
Shares Outstanding	451
Risk Free Rate(US 10y Yield)	4.40%
Beta	0.93
Market Return	10.00%
<b>Cost of Equity</b>	<b>9.62%</b>
Default Spread: BBB	1.47%
Pre-tax Cost of Debt	5.87%
<b>After-Tax Cost of Debt</b>	<b>4.63%</b>
<b>WACC</b>	<b>9.23%</b>

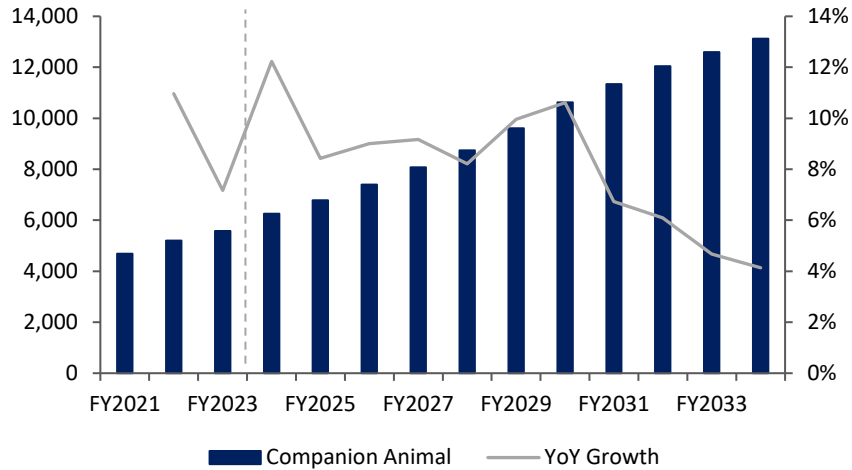
		Terminal UFCF Growth Rate				
		17.80x	17.90x	18.0x	18.10x	18.20x
<b>WACC</b>	9.53%	\$ 193.31	\$ 194.11	<b>\$ 194.91</b>	\$ 195.72	\$ 196.52
	9.38%	\$ 195.74	\$ 196.55	<b>\$ 197.36</b>	\$ 198.18	\$ 198.99
	9.23%	<b>\$ 198.20</b>	<b>\$ 199.03</b>	<b>\$ 199.85</b>	<b>\$ 200.68</b>	<b>\$ 201.50</b>
	9.08%	\$ 200.70	\$ 201.54	<b>\$ 202.37</b>	\$ 203.21	\$ 204.05
	8.93%	\$ 203.24	\$ 204.09	<b>\$ 204.93</b>	\$ 205.78	\$ 206.63

Capital Structure		
Value of Debt	6,775	8%
Market Value of Equity	79,262	92%
<b>Total Capital</b>	<b>86,037</b>	<b>100%</b>

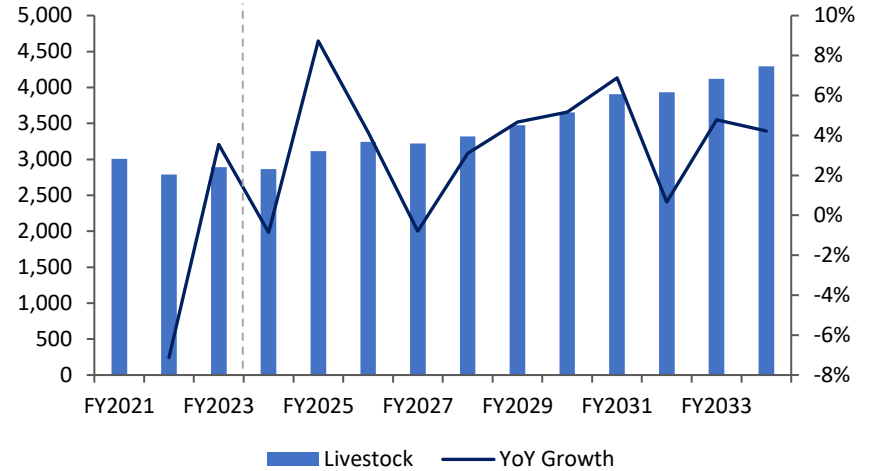
# Appendix

## Revenue Projections and Operating Expenses (In Million of USD)

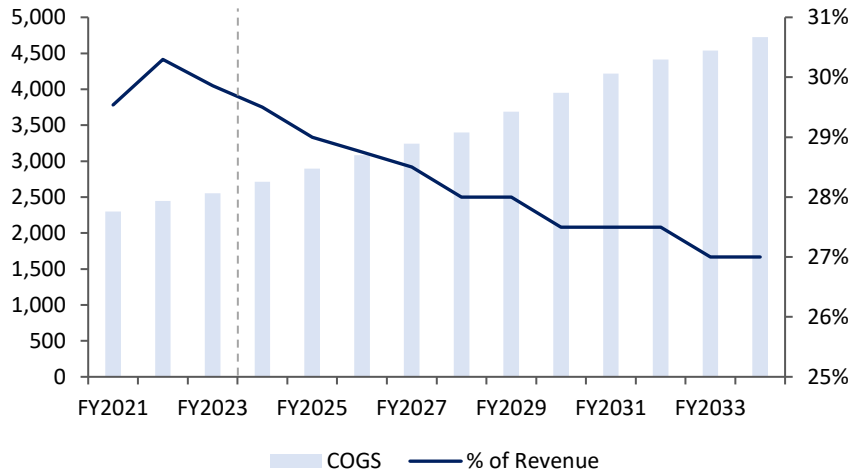
### Companion Animals



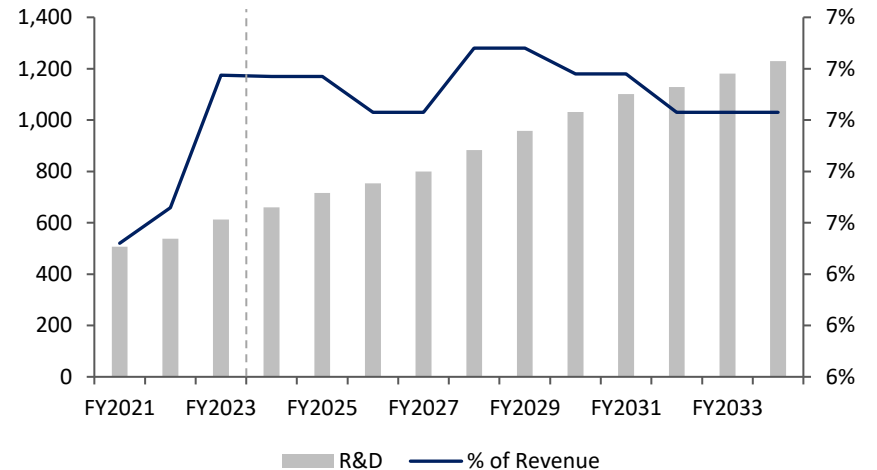
### Livestock



### Cost of Goods Sold



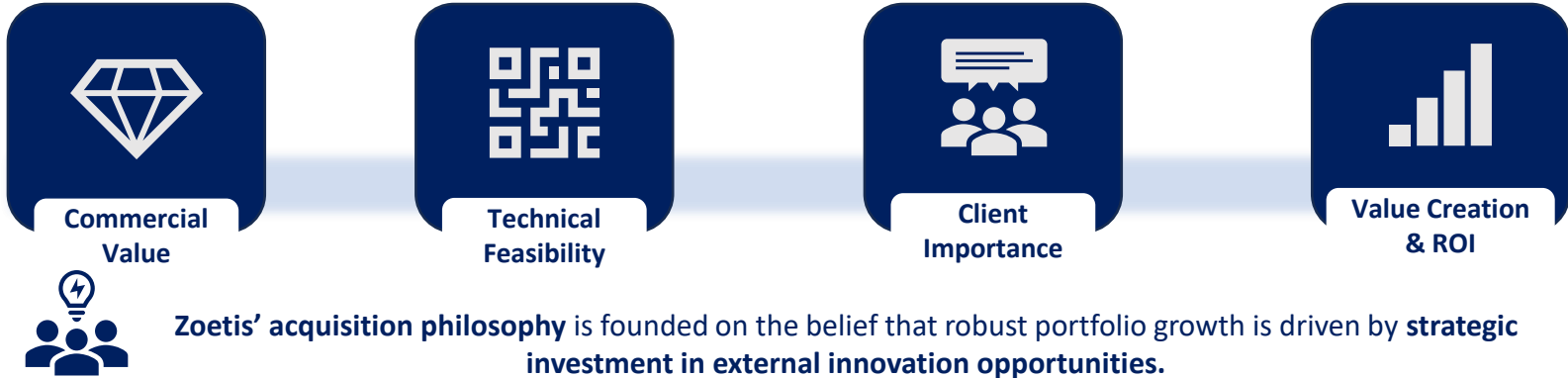
### Research & Development



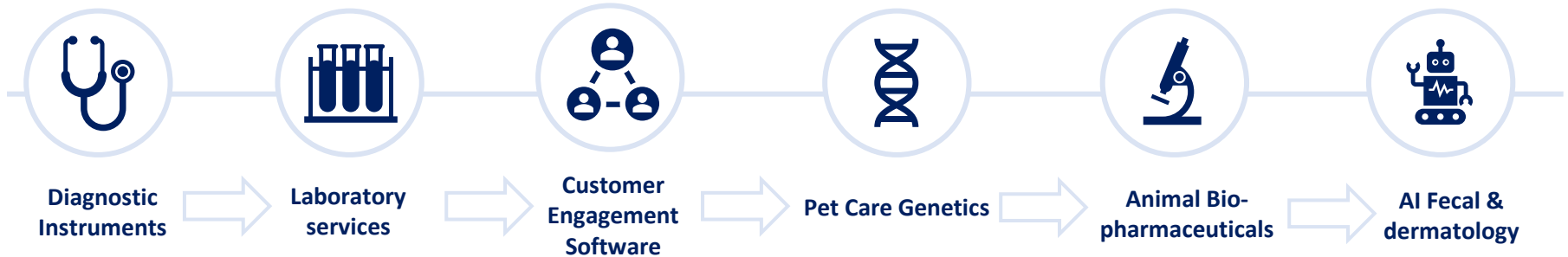
# Appendix

## Legacy of Strong Synergizing Success for Future Impact

### Robust Criterion Propelling Continued M&A Success



### The Power of Acquisition – Enhanced Product Capabilities & Well Diversified Portfolio



### Notable Acquisitions – Realized Synergies



**Acquisition of Jurox** has provided Zoetis a new pipeline for global exposure for its new anesthetic product for companion animals called Alfaxan.



**Acquisition of Adivo** has allowed Zoetis to create new species-specific antibody therapies to pet owners.

### Notable Acquisitions – Unrealized Synergies



**Acquisition of BasePaws** has strengthened Zoetis' genetic testing & data analytics division, enabling the company to use the world's first at-home genetic testing platform for cats.

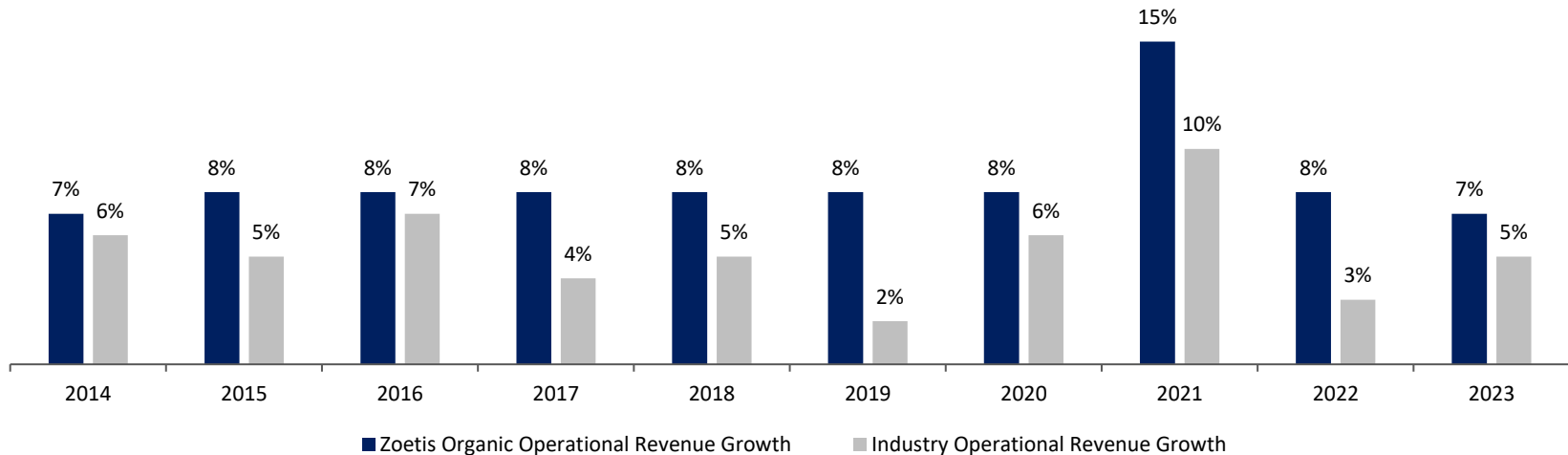


**Acquisition of VETSCAN IMAGYST** has positioned Zoetis favorably in the veterinary medicine race to be a leader in diagnostic testing through its propriety AI technology.

# Appendix

Zoetis has consistently grown faster than the core animal health market

## Proven Track Record of Above-Market Operational Revenue Growth



## World Leader in Animal Health

By Product Category		By Product Category		By Geography		High Growth Franchise Areas	
Companion Animal	#1	Other Pharma	#1	North America	#1	Dermatology	#1
Cattle	#1	Anti-Infectives	#1	Latin America	#1	Pet Pain	#1
Fish	#1	Medicated Feed Additives (MFA)	#2	Asia	#1	Pet Parasiticides	#2
Swine	#1	Vaccines (Biologicals)	#3	Eastern Europe	#2		
Market Leader in Species Representing ~90% of Our Portfolio Revenue		Diagnostics	#3	Western Europe	#2		
Poultry	#5	Parasiticides	#2				

# Appendix

## Intellectual Property

### PATENTS

**CYTOPOINT.**

The first canine monoclonal antibody (mAb) to help reduce the clinical signs of atopic dermatitis in dogs of any age.  
**Patent expiration: 2032**

**apoquel<sup>®</sup>**  
**chewable**  
(oclacitinib chewable tablet)

A selective inhibitor of the Janus Kinase 1 enzyme that controls pruritus associated with allergic dermatitis and control of atopic dermatitis in dogs at least 12 months of age.  
**Patent expiration: 2030**

**Simparica<sup>®</sup>**

Simparica, a monthly chewable tablet for dogs to control fleas and ticks. Simparica Trio, also a monthly chewable tablet, is a triple combination parasiticide that delivers all-in-one protection from fleas and ticks, as well as heartworm disease, roundworms and hookworms  
**Patent expiration: 2033**

**revolution<sup>®</sup> PLUS**   
(selamectin and sarolaner topical solution)

A topical combination product that treats ticks, fleas, ear mites, lice and gastrointestinal worms and prevents heartworm disease in cats.  
**Patent expiration: 2033**

**Solensia**

An injectable monthly antibody therapy to alleviate osteoarthritis pain in cats.  
**Patent expiration: 2033**

**Pr♥Heart<sup>®</sup>**  
(moxidectin)

Prevents heartworm infestation; also used for treatment of existing larval and adult hookworm infections.  
**Patent expiration: 2022**

 **Fostera<sup>®</sup>**  
PRRS

A combination vaccine comprising a porcine circovirus type 2 (PCV2) antigen and a cell free Mycoplasma hyopneumoniae (M. hyo) culture supernatant for protecting a pig against PCV2 and M. hyo infections, wherein the M. hyo culture supernatant is substantially free of PCV2 antibodies.  
**Patent expiration: 2033**

  
**SPECTRAMAST.**

Treatment of subclinical or clinical mastitis in dry or lactating dairy cattle, delivered via intramammary infusion; same active ingredient as the ceftiofur line.  
**Patent expiration: 2026**



# Appendix

## Zoetis Product Line Breakdown - Companion Animals

### Core Vaccine

#### Vanguard L4

Protects against leptospirosis, canine distemper, canine parvovirus, and respiratory infections from Bordetella bronchiseptica, canine adenovirus, and influenza.



**Efficacy:** Effective for vaccinating healthy dogs aged 6+ weeks; duration of immunity varies depending on age and weight.

### Dermatology

#### Clavamox / Synulox

Broad-spectrum antibiotic for skin, soft tissue, and dental infections.



**Efficacy:** Effective against a range of bacterial infections.

#### Convenia

Treats skin infections in cats and dogs.



**Efficacy:** 92.4% success in dogs, 96.6% in cats for skin infections.

### Heartworm Prevention

#### ProHeart 12

Annual prevention of heartworm and hookworm treatment.



**Efficacy:** 100% effective against heartworm in studies.

#### Revolution Plus

Prevents heartworm; treats fleas, ticks, ear mites, and intestinal parasites.



**Efficacy:** 100% effective in heartworm prevention in cats.

#### Simparica Trio

All-in-one monthly tablet for heartworm, fleas, ticks, and intestinal worms.



**Efficacy:** 100% effective in preventing heartworm and controls other parasites.

### Osteoarthritis Management

#### Librela

Monthly injectable for OA pain in dogs.



**Efficacy:** 57.1% success rate at Day 84 in the US; statistically significant in the EU..

#### Rimadyl

Pain relief for OA and post-surgery in dogs.



**Efficacy:** Effective for OA pain; available in oral and injectable forms.

#### Solensia

Monthly injectable for OA pain in cats.



**Efficacy:** Success rate of 76.5% at Day 84 in reducing OA pain.

# Appendix

## Zoetis Product Line Breakdown – Livestock Animals

### Reproductive Health

#### Improvac / Improvest / Vivax

Reduces boar taint and serves as a non-surgical option for estrus suppression.



**Efficacy:** Reduces sex hormones and behaviors (aggression, mounting) for 3-10 weeks; improves pork acceptability.

### Parasite Control

#### Dectomax

Injectable or pour-on for internal and external parasites.



**Efficacy:** 99.9% to 100% fecal egg count reduction, effective against nematodes and ectoparasites.

### Respiratory Disease

#### Risposal / Bovishield

Prevents respiratory diseases like BRSV, PI3, and BVD.



**Efficacy:** Reduces lung lesions by 74.5%; provides 279 days of immunity against IBR and BVD Types 1b and 2.

#### Draxxin / Draxxin KP

Single-dose antibiotic for respiratory diseases; anti-inflammatory in Draxxin KP.



**Efficacy:** 76.2% success rate in reducing BRD symptoms by Day 14.

#### Suvaxyn / Foster

Prevents diseases associated with PCV2 and PRRSv in swine.



**Efficacy:** Increases daily weight gain by 38.52 g/day; reduces mortality by 65%.

### Bacterial Infections

#### Ceftiofur Injectable Line

Broad-spectrum cephalosporin antibiotic for various bacterial infections.



**Efficacy:** 73.53% success by Day 15 and 69.12% by Day 25, no recurrence.

#### Spectramast

Treats subclinical and clinical mastitis in dairy cattle.



**Efficacy:** 78.6% clinical cure rate in lactating cows.

# Appendix

## Animal Health Product Segments

### Pharmaceuticals

#### Anti-inflammatory Drugs

Drugs help in reducing inflammation, pain, and fever in animals.

#### Hormones and Steroids

Regulates physiological processes in animals, including reproduction.

#### Anesthetics

Used to induce anesthesia in animals during surgical procedures.

### Medical Feed Additives

#### Antibiotics

Prevent bacterial infections in animals and improve their overall health.

#### Probiotics

Live microorganisms used to promote gut health and immunity.

#### Enzymes

Enzymes aid in the digestion and absorption of nutrients in animals.

### Equipment & Disposables

#### Surgical Instruments

Tools used for surgical procedures in animals.

#### X-ray Machines

Used for imaging internal conditions.

#### Syringes and Needles

Critical for administering vaccines, medications, and fluids to animals.

### Vaccines

#### Rabies Vaccine

Essential for preventing the rabies virus in companion animals.

#### Livestock Vaccines

Helps in preventing diseases in animal health and food safety.

#### Pet Vaccines

Used to prevent common infectious diseases.

### Diagnostics

#### Disease Testing

Used for diagnosing specific infections or conditions in animals.

#### Blood Diagnostics

Tests used to evaluate blood samples for diseases or health conditions.

#### Imaging Technologies

Technologies like ultrasounds and radiography to visualize conditions.

### Others

#### Animal Health Software Solutions

Veterinary appointment scheduling, medical records, and more.

#### Biosecurity Products and Services

Critical in preventing the spread of diseases in animal populations. Products include disinfectants, pest control measures, and disease monitoring systems.

# Appendix

## Competitive Landscape



**Chief Executive Officer**  
Kristin Peck

**Headquarters**  
New Jersey, USA

**Main Business Lines**

- Pharmaceuticals
- Vaccines
- Diagnostics



**Chief Executive Officer**  
Robert Davis

**Headquarters**  
New Jersey, USA

**Main Business Lines**

- Pharmaceuticals
- Vaccines



**Chief Executive Officer**  
Hubertus V. Baumbach

**Headquarters**  
Ingelheim, Germany

**Main Business Lines**

- Pharmaceuticals
- Biopharmaceutical contract manufacturing



**Chief Executive Officer**  
Jeff Simmons

**Headquarters**  
Indiana, USA

**Main Business Lines**

- Pharmaceuticals
- Vaccines
- Parasiticides



**Chief Executive Officer**  
Jack Bendheim

**Headquarters**  
New Jersey, USA

**Main Business Lines**

- Antimicrobials
- Vaccines
- Nutritional products
- Mineral nutrition.



**Chief Executive Officer**  
Jonathan Ayers

**Headquarters**  
Maine, USA

**Main Business Lines**

- Veterinary diagnostics
- Software
- Water testing



**Chief Executive Officer**  
Ian Page

**Headquarters**  
Cheshire, UK

**Main Business Lines**

- Pharmaceuticals
- Diets for companion and equine animals



**Chief Executive Officer**  
Matthieu Frechin

**Headquarters**  
Lure, France

**Main Business Lines**

- Pharmaceuticals

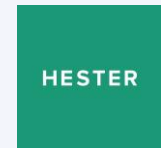


**Chief Executive Officer**  
Sébastien Huron

**Headquarters**  
Carros, France

**Main Business Lines**

- Pharmaceuticals
- Vaccines



**Chief Executive Officer**  
Rajendra H. Joshi

**Headquarters**  
Gujarat, India

**Main Business Lines**

- Pharmaceuticals
- Vaccines

# Appendix

## Product Competition



### Company

Zoetis

### Product Description

A monoclonal antibody targeting nerve growth factors to reduce arthritis pain in dogs.

### Uses

Specifically designed for dogs with osteoarthritis.

### Aspects

- **Injections:** Once-monthly
- Avoids gastrointestinal and renal side effects
- Ideal for long-term use in older dogs



### Company

Elanco

### Product Description

A non-steroidal anti-inflammatory drug (NSAID) that reduces pain from osteoarthritis.

### Uses

Effective for managing osteoarthritis in dogs.

### Aspects

- **Dosing:** Daily
- A higher incidence of gastrointestinal upset
- Long-term effectiveness less than Librela



### Company

Boehringer Ingelheim

### Product Description

A widely used NSAID that reduces inflammation and provides pain relief for arthritis.

### Uses

Dogs and cats with inflammation-related conditions.

### Aspects

- **Dosing:** Daily
- Notable gastrointestinal and renal side effects
- Requires careful monitoring of organ function



### Company

Zoetis

### Product Description

A fast-acting oral inhibitor that alleviates itching and inflammation caused by allergies in dogs.

### Uses

Chronic and acute allergic conditions in dogs.

### Aspects

- **Dosing:** Daily, at-home
- Convenient for rapid relief of symptoms
- Frequent vet visits not needed



### Company

Elanco

### Product Description

A recently FDA-approved daily oral JAK inhibitor for treating allergies in dogs.

### Uses

Inflammation in dogs with allergic conditions.

### Aspects

- **Dosing:** Complex dosing regimen
- Requires careful timing before vaccinations
- Less administration flexibility



### Company

Zoetis

### Product Description

An injectable monoclonal antibody treatment for allergy-related itching in dogs.

### Uses

Dogs that are pill-averse or have effect sensitivities.

### Aspects

- **Dosing:** Daily
- Lasts 4-8 weeks
- Administered by veterinarians

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