

**UIG**  
Healthcare

**Zoetis**

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# Animal Health Leader with Global Scale and Resilient Operations

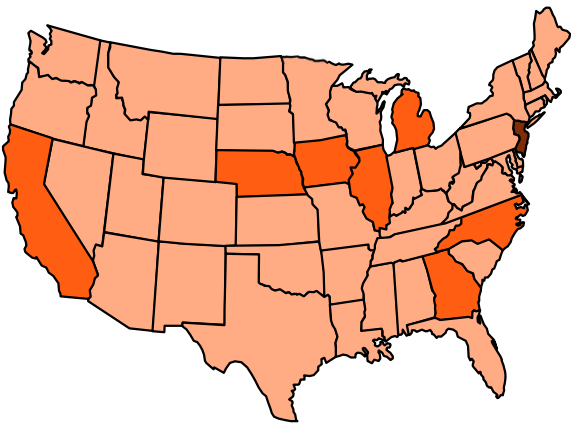


- Zoetis Inc. is a global leader in the animal health industry, focused on the discovery, development, and commercialization of medicines, vaccines, diagnostic products and services
- They have commercialized products across eight core species: dogs, cats and horses (collectively, companion animals) and cattle, swine, poultry, fish and sheep (collectively, livestock)
- They break those seven major product categories: parasiticides, vaccines, dermatology, anti-infectives, pain and sedation, other pharmaceutical and animal health diagnostics.

**Headquarters**  
*Where Zoetis main facility is located*

**Manufacturing Plants**  
*Operating plants in the United States*

**None**  
*No operating manufacturing plants*



## Operating Segments



### Companion Animal

Help extend and improve the quality of life for pets; increase convenience and compliance for pet owners; and help veterinarians improve the quality of their care and the efficiency of their businesses



### Livestock

Focus on predicting, preventing, detecting and treating diseases, with the understanding that veterinarians and livestock producers must have the tools at their disposal to treat disease expeditiously

## KPIs and Other Specifics

\$9B+ in Sales

14,000+ Zoetis Colleagues

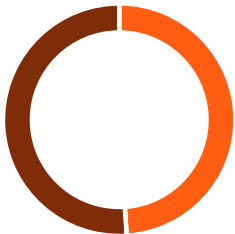
70+ years of experience

1,600 R&D Employees

5,500 Patents

Products Sold in 100+ Countries

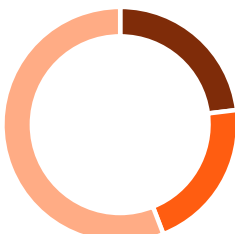
Revenue by Product



■ Top Ten Products

■ All Other

Revenue by Category



■ Parasiticides

■ Vaccines

■ All Other

# Unparalleled Value Creation Driving Long Term Growth



Since inception, Zoetis has established itself as a leader in the pharmaceutical space

## Value Creation Levers

### Grow revenue faster than the market

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

### Invest in innovation and growth capabilities

- Prioritize R&D investment in the highest ROIC opportunities
- Transform the standard of care through innovative products
- Increase supply chain capabilities and capacity

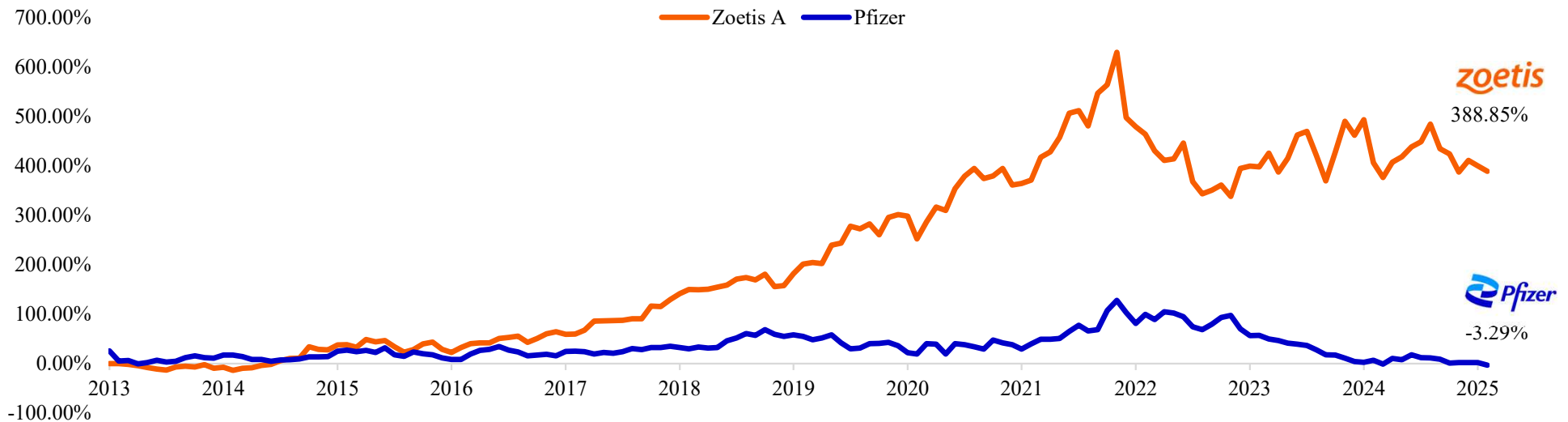
### Increase net income faster than revenue

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

### Return excess capital to shareholders

- Reinvest in the business to drive growth
- Grow dividend above adjusted net income
- Continue systematic share buybacks

## Zoetis performance vs. Pfizer since 2013



zoetis

388.85%

Pfizer

-3.29%

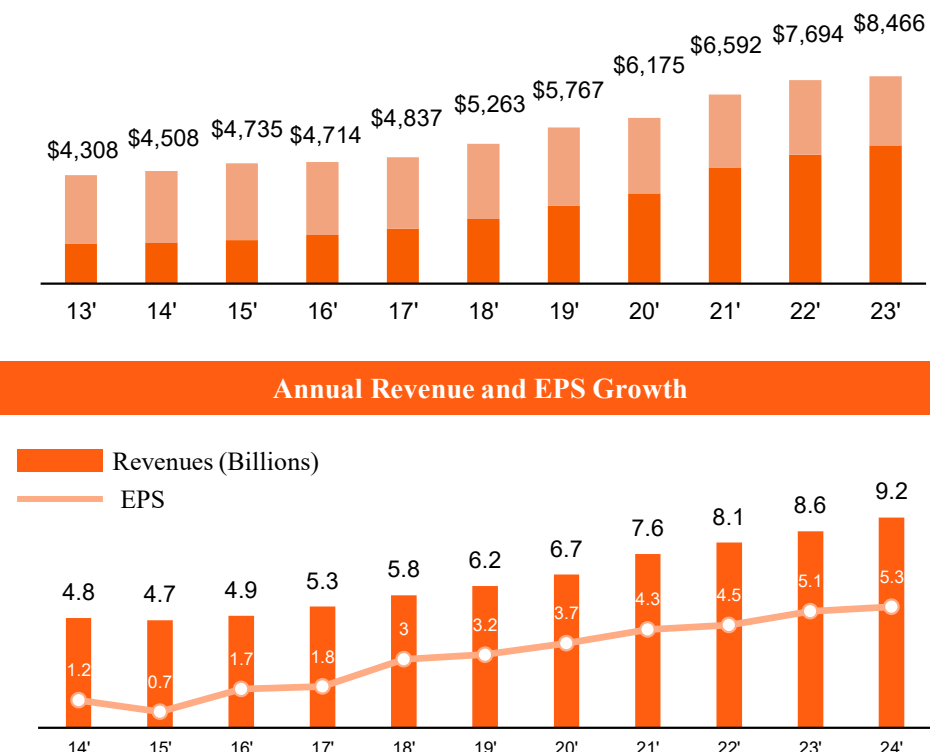
# Financial Overview



By Market (\$mm)	Revenue	Companion vs Livestock	FY 2024 Financial Results		
United States	\$5,074	80% vs 20%	<b>Revenue</b> <b>\$9.3B</b> <b>11%</b>	<b>Adj. Net Income</b> <b>\$2.7B</b> <b>15%</b>	<b>Adj. Diluted EPS</b> <b>\$5.92</b> <b>17%</b>
Other Sources					
Total International	\$4,102	54% vs 46%			
Other Emerging Markets	\$865	42% vs 58%			
Other Developed	\$564	49% vs 51%			

By Species	Revenue	Percentage	Revenue Split Between Companion and Livestock		
Companion Animal					
Dogs and Cats	\$6,171	76%			
Livestock					
Cattle	\$974	14%			
Horses, Poultry, Swine	\$930	10%			

Product Mix	Percentage	Annual Revenue and EPS Growth		
Top Ten Product Lines	49%		<b>Revenues (Billions)</b> <b>EPS</b>	
All Other	51%			
Parasiticides	23%			
Vaccines	21%			
Dermatology	17%			



# Investment Thesis



## Why Animal Health?

Growth Driven by Humanization of Pets

- The animal health industry is poised for structural growth, driven by two powerful megatrends: the humanization of pets and the rising global demand for protein
- Pet ownership has surged, with pets increasingly being treated as family members. This trend has led to higher spending on pet healthcare, including preventive care, diagnostics, and advanced treatments.

Resilient Industry

- The animal health industry exhibits defensive characteristics that make it resilient during economic downturns. Pet healthcare spending tends to be less cyclical than other discretionary expenses
- Additionally, the livestock segment benefits from the essential nature of food production, which remains a critical need regardless of economic cycles.

## Why Zoetis?

Industry Domination and Competitive Moat

- By far the largest player in its space, Zoetis benefits from a growing and highly loyal customer base, dominating its competitors in with its pricing power and economies of scale
- While competitors experience revenue stagnation or decline, Zoetis is gaining market share, reinforcing its dominant position in the animal health industry

Unparalleled R&D Driving Revenue Growth

- Zoetis's commitment to innovation is evident in its industry-leading R&D investments, which have consistently delivered high returns on invested capital
- The company's R&D strategy focuses on unmet needs in both companion animal and livestock markets, resulting in a steady stream of new products and Zoetis's ability to both expand its market share and the market as a whole

Market Reaction to Librela

- The market has recently overreacted to concerns surrounding Librela, Zoetis's monoclonal antibody treatment for osteoarthritis pain in dogs, despite Librela's demonstrated strong efficacy, safety in clinical trials, and its adoption by veterinarians continues to grow
- The decline in Zoetis' stock price presents the opportunity to buy Zoetis at an extremely low valuation of 27x earnings, given its rapid growth and very limited downside

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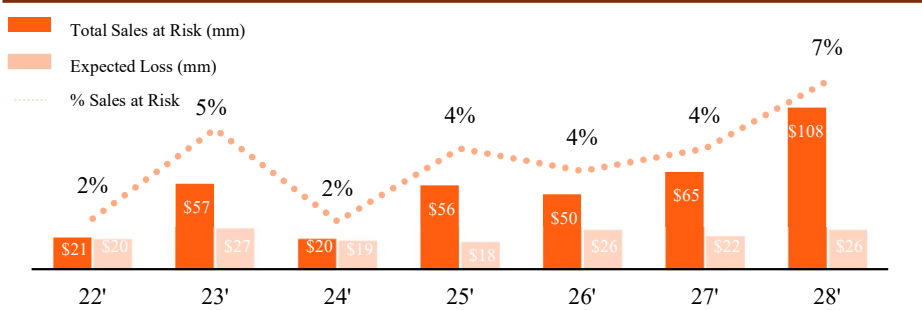
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Resistance to Routine Industry Disruptors

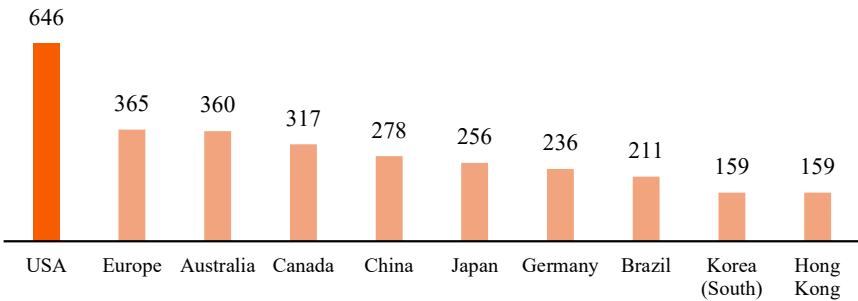
zoetis

Global Patent Expires and Erosions of Revenue

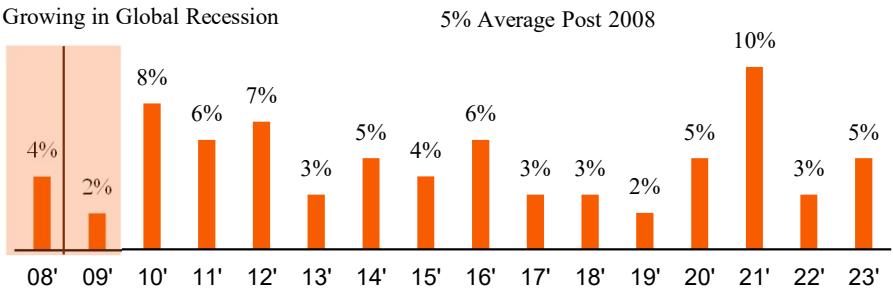


Source: EY Report

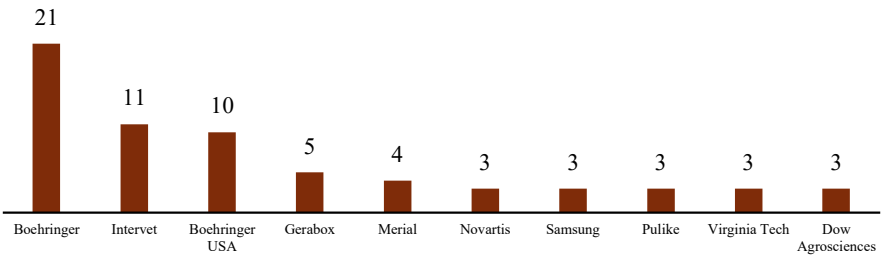
Worldwide Patent Filings in Top 10 Countries



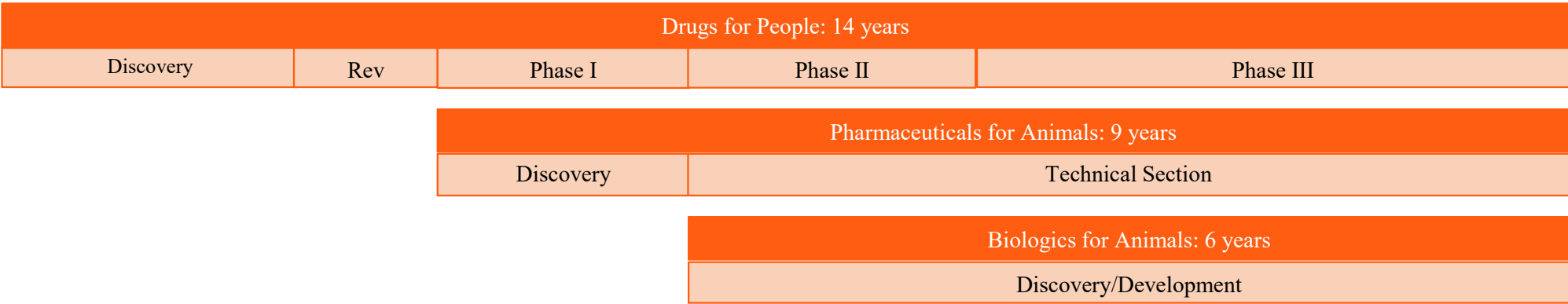
Animal Health Steady and Resilient Across Market Cycles



Companies Using Zoetis Patents for Research



Human vs Animal Drug Approval Process



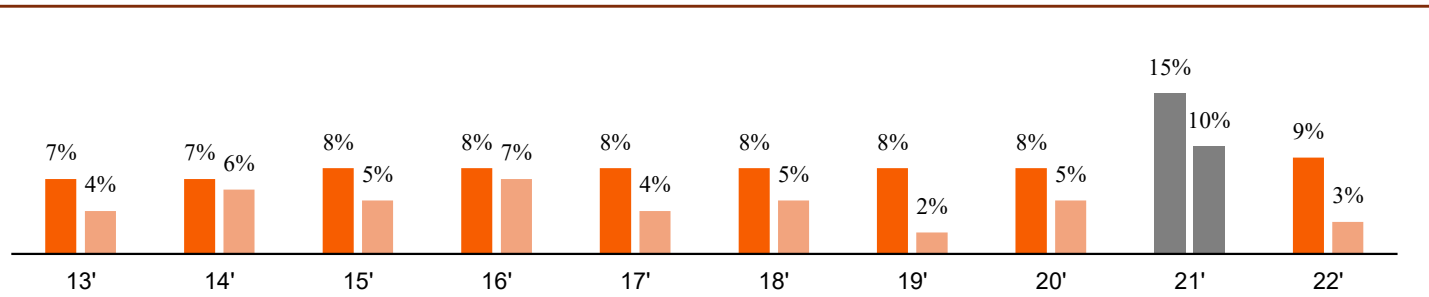


# Zoetis Place in Veterinary Health



The Veterinary Health market has seen a surge in demand.

Zoetis Organic Revenue Growth vs Industry Revenue Growth

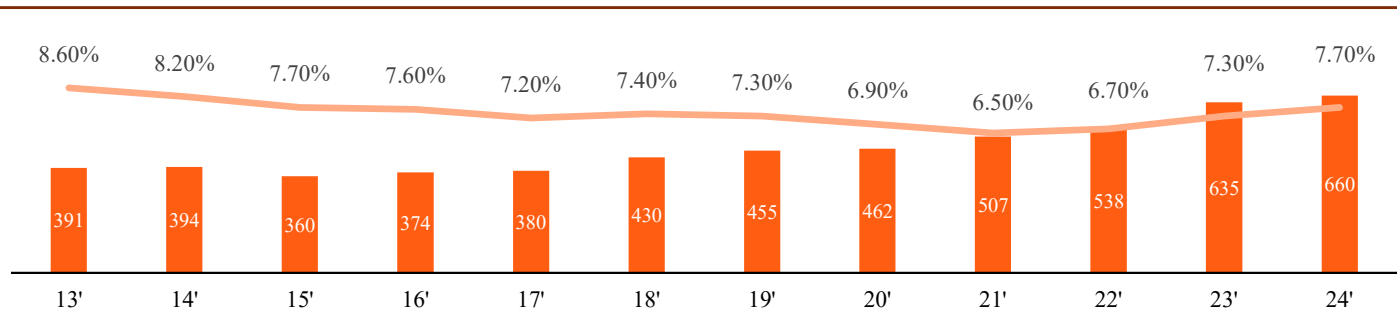


How Zoetis Dominates

**Exclusive Focus on Animal Health  
Driving Market Leadership**

Unlike many competitors, Zoetis is entirely dedicated to animal health, allowing for specialized expertise, efficient resource allocation, and a customer-centric approach. This singular focus enables Zoetis to adapt quickly to industry trends—such as the rising demand for companion animal care and increased protein consumption—consistently driving above-industry-average revenue growth.

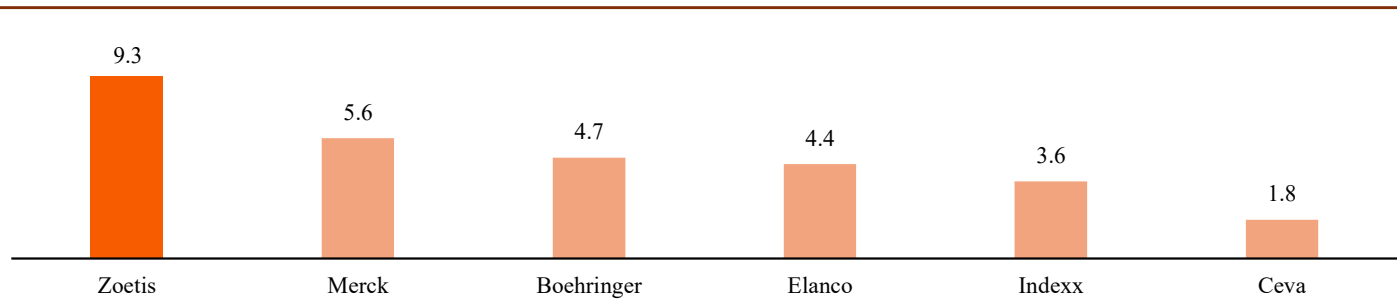
\$4B+ Adjusted R&D investment over 10 years (\$ million and as % of sales)



**R&D Investment Accelerating Innovation  
and Regulatory Approvals**

With one of the highest R&D spends in the industry, Zoetis develops specialized therapeutics, vaccines, and diagnostics without the distraction of human pharmaceuticals. This expertise streamlines regulatory approvals through agencies like the FDA's CVM and EMA, enabling faster market entry for new products and maintaining its competitive edge.

Zoetis 2023 Revenues Compared to Top 5 Competitors



**Revenue Superiority Through Portfolio  
Strength and Market Penetration**

Zoetis' broad portfolio spans pharmaceuticals, vaccines, diagnostics, and genetic testing, ensuring a diverse and resilient revenue stream. Its dominance across both companion animal and livestock markets allows it to capitalize on sector growth drivers, securing consistently higher revenues than competitors year over year/

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Zoetis has a large advantage over the market because of their R&D spend

World Leader in Animal Health

Patent Cliff Resistance

- Zoetis's exclusive focus on animal health provides it with a substantial competitive advantage, particularly in the context of patent cliffs that plague many pharmaceutical companies. As the dominant player with approximately 20% of the \$45 billion global animal health market, Zoetis enjoys a level of market share that far surpasses its competitors.
- Unlike human pharmaceuticals, animal health products rarely face patent cliffs, with Zoetis's top products boasting an average lifespan exceeding 30 years. This longevity, coupled with shorter and less costly approval processes for animal health products (3-7 years compared to 10-15 for human drugs), allows Zoetis to innovate more rapidly and maintain its market leadership.
- The company's direct sales model to veterinarians and farmers, along with the emotional bonds people have with their pets, enables stronger pricing power than typically seen in human pharma.

Expected approvals in the U.S. or a top 10 international market

0 – 12 Months	12 – 36 Months	36 – 60 Months
Long-acting canine	Long-acting canine	Long-acting canine
Long-acting feline	Renal canine therapy	Aqua DNA vaccines
HPAI poultry vaccine	Oncology canine therapy	Antimicrobials
	Canine parasiticides	Poultry vaccines
	Next-gen chemistry	Cardiology canine
	HPAI cattle vaccine	Long-acting parasiticides

By Species	
Companion Animal	1
Cattle	1
Fish	1
Market Leader in Species Representing ~90% of Our Portfolio by Revenue	
Swine	2

By Product Category	
Other Pharma	1
Anti-Infectives	1
Vaccines	3
Diagnostics	3
Parasiticides	2

By Geography	
North America	1
Latin America	1
Asia	1
Eastern Europe	2
Western Europe	2

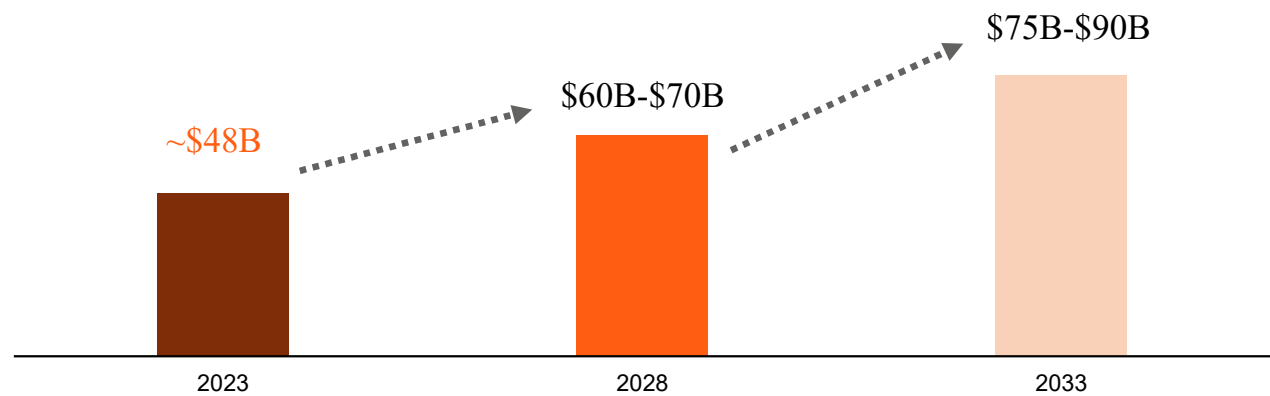
High Growth Franchise Areas	
Dermatology	1
Pet Pain	1
Pet Parasiticides	2

# Market Leadership and Growth Opportunities



Innovation and market expansions are increasing opportunities

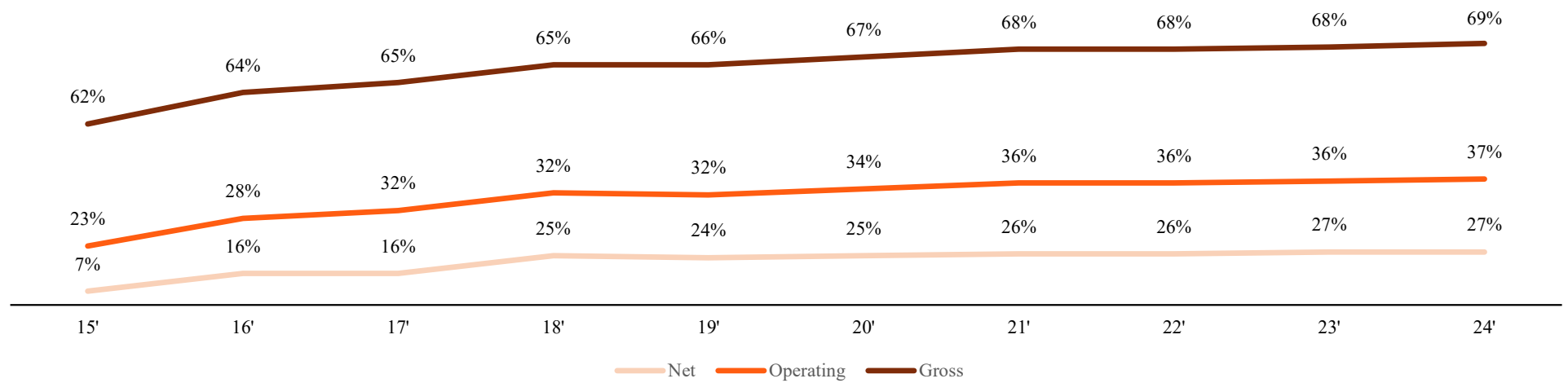
## Expected Market Growth



## Key Market Drivers (5-10 Years)

- Increasing medicalization
- Growing human-animal bond
- Innovating to treat chronic diseases and improve wellness
- Expanding global population and animal protein demand
- Advancing sustainable animal agriculture

## Zoetis Margins YoY



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# Recent R&D Investments Driving Growth



Zoetis’ Key Differentiator Lies in it’s R&D, which focuses on fulfilling unmet needs within the animal health space

## Recent Product Advancements

### Simparica Trio



Simparica Trio was approved in the U.S. for the treatment and control of Haemaphysalis longicornis (Asian longhorned tick) in dogs eight weeks of age and older weighing 2.8 pounds and greater. It now has the broadest tick coverage of any preventative in its class.

### Revolution Plus



Revolution Plus received approval in the U.S. and Canada for an additional claim on preventing flea tapeworm infection by controlling fleas. It was also approved in Brazil.

### Librela



Librela expanded geographically in Q4, receiving approval for use in El Salvador and South Korea.

### Synovex



Synovex Choice and Synovex Primer were approved in the U.S. for an additional claim to increase rate of weight gain in growing beef steers and heifers on pasture.

### Poulvac



Poulvac IB Primer and Poulvac IB QX received EU approval for an association claim that includes cross protection against 793B and variant 2 strains of infectious Bronchitis virus (IBV)

## R&D by the Numbers



\$686M

2024 R&D  
Expenditure



17

Products generating  
\$100M+ in Revenue



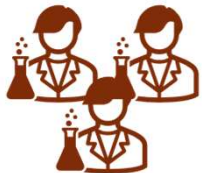
300+

Product Lines



22

R&D  
Facilities



1,600+

Product  
Developers

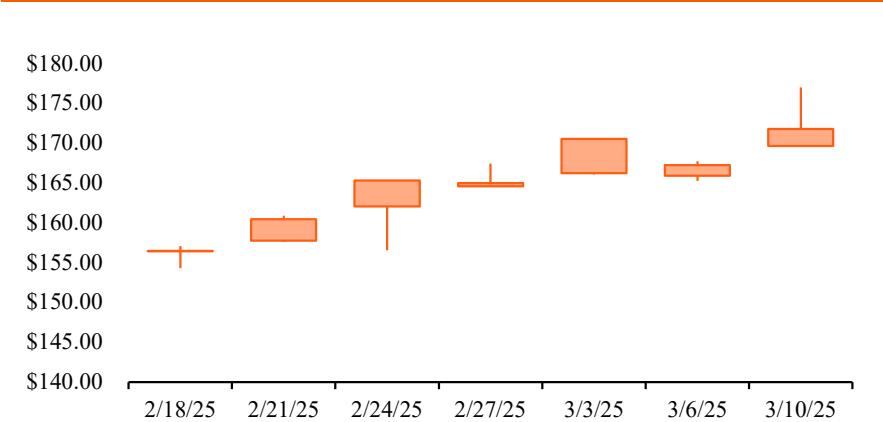
# Avian Flu Conditional Approval



Zoetis has recently received conditional approval from USDA for its bird flu vaccine

- Zoetis received conditional approval from the USDA for its H5N2 avian influenza vaccine, designed for use in chickens.
- The approval comes amid a significant bird flu outbreak in the U.S. that has affected millions of poultry and led to higher prices.
- The vaccine has shown safety in trials, though it is not yet commercially available, and further evaluations are needed.
- This approval marks a crucial step in combating avian influenza, with collaboration between governments and the poultry industry.

Zoetis Stock Price Post Announcement



Operating Sites Where Zoetis Can Manufacture and Sell Their Products

Site	Location	Site	Location
Buellton	California	Olot	Spain
Campinas	Brazil	Overhalla	Norway
Catania	Italy	Rathdrum	Ireland
Charles City	Iowa	Rutherford	Australia
Durham	North Carolina	San Diego	California
Farum	Denmark	Suzhou	China
Kalamazoo	Michigan	Tallaght	Ireland
Klofta	Norway	Tullamore	Ireland
Lincoln	Nebraska	Union City	California
Louvain-la-Nueve	Belgium	Wellington	New Zealand
Melbourne	Australia	White Hall	Illinois

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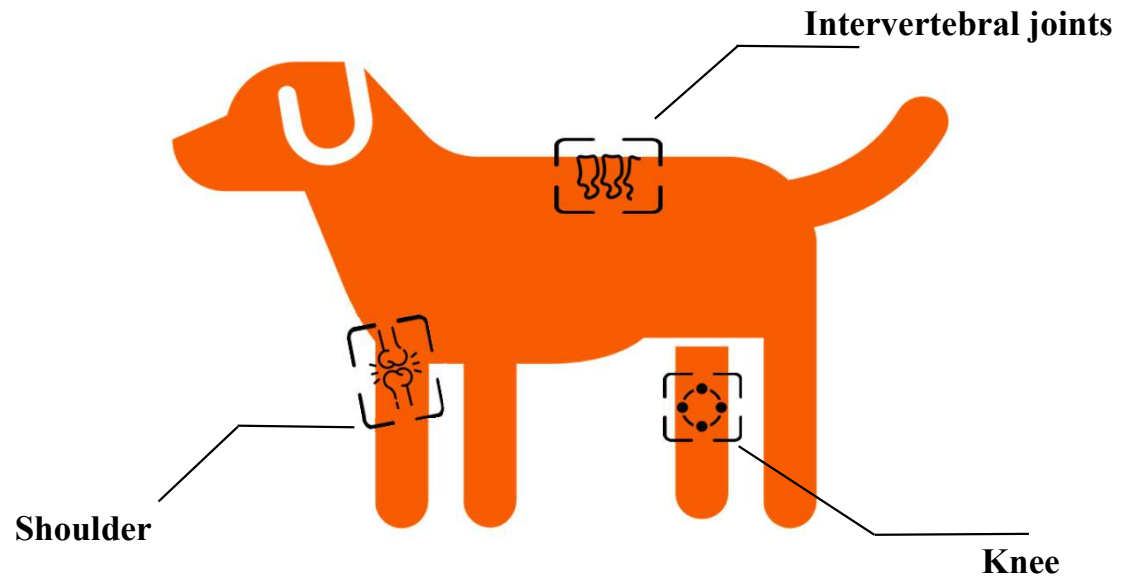
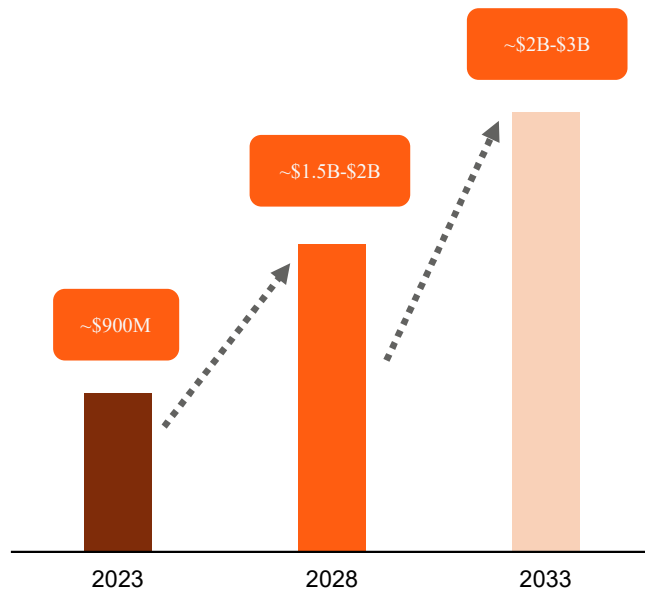


# Osteoarthritis (OA)



What is Osteoarthritis (OA)? OA is degenerative joint disease that causes the breakdown of cartilage, leading to pain, stiffness, and reduced mobility in affected joints. It commonly affects older animals and humans.

## Expected OA Pain Market Growth (\$B)



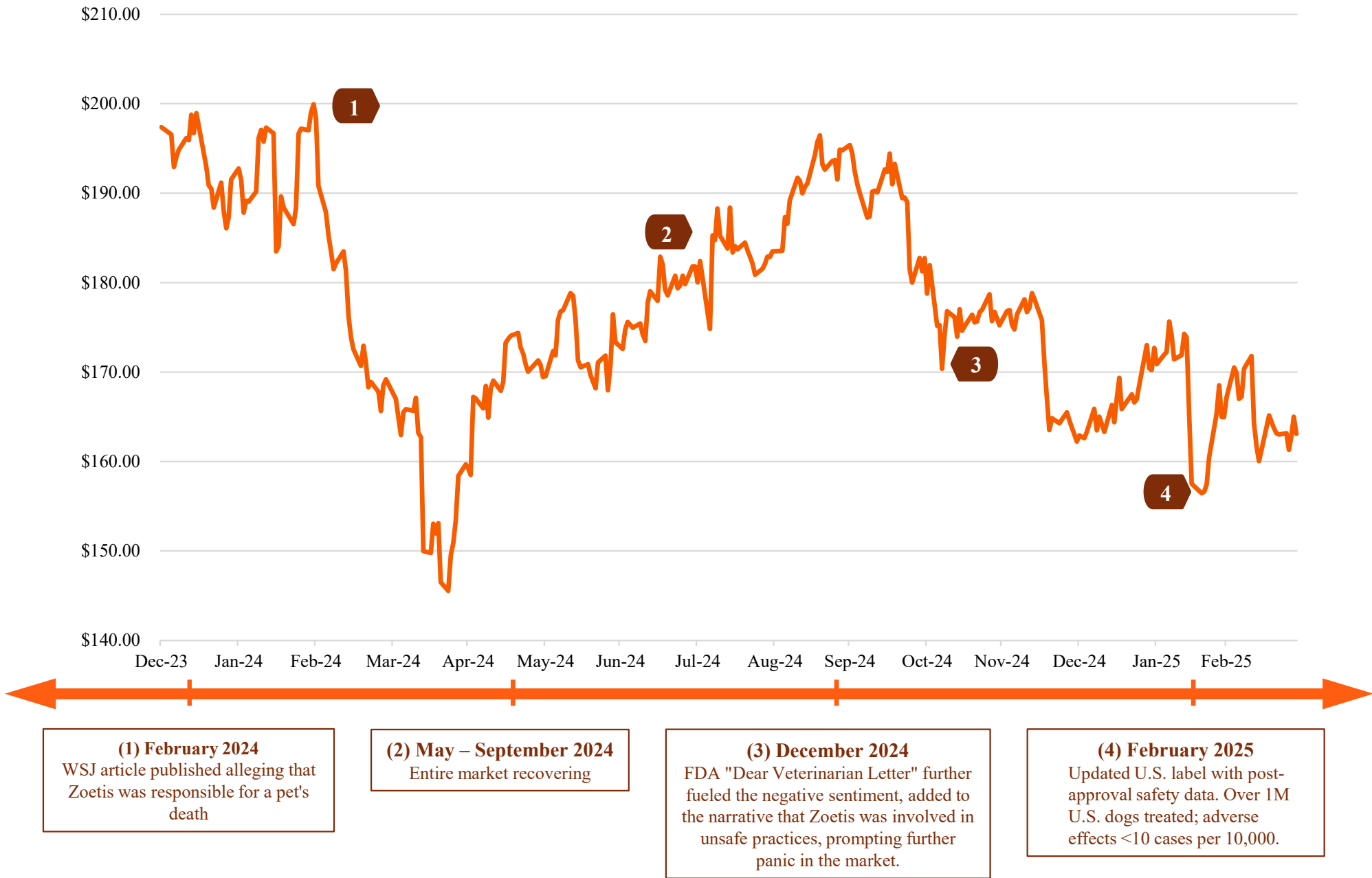
## Why use Librela/Solensia?

- Targeted Therapy
- Longer Lasting Effects
- Improved Quality of Life
- Injections (No need for long term medication)
- Pain Relief in Aging Pets
- Subcutaneous injection (under the skin)
- Monthly injection by Veterinarian (Proper handling required)

## Product Performance

- OA pain franchise grew 80% operationally in 2024
- Librela's U.S. launch is the most successful in company history, achieving blockbuster status in under four quarters and becoming the 4th largest product in Zoetis' U.S. Petcare portfolio
- ~25 million doses of Librela administered by the end of 2024, servicing approx. 10% of dogs being treated for OA
- ~40% of dogs suffer from OA at some point in their lifetime, indicating significant market potential for continued growth
- Feline OA patients have increased by 70% since Solensia's U.S. launch two years ago

# Market Reaction to OA Drug Controversy Overblown



# What Caused the Market Overreaction?



“It's a few instances that, unfortunately, are really **blown out of proportion**. It doesn't represent this therapeutic, its value, its efficacy, its contribution to veterinary medicine, and certainly is **not representative** of the **risks** associated with it”

- Duncan Lascelles, professor and director of the Comparative Pain Research and Education Centre, NC State College of Veterinary Medicine

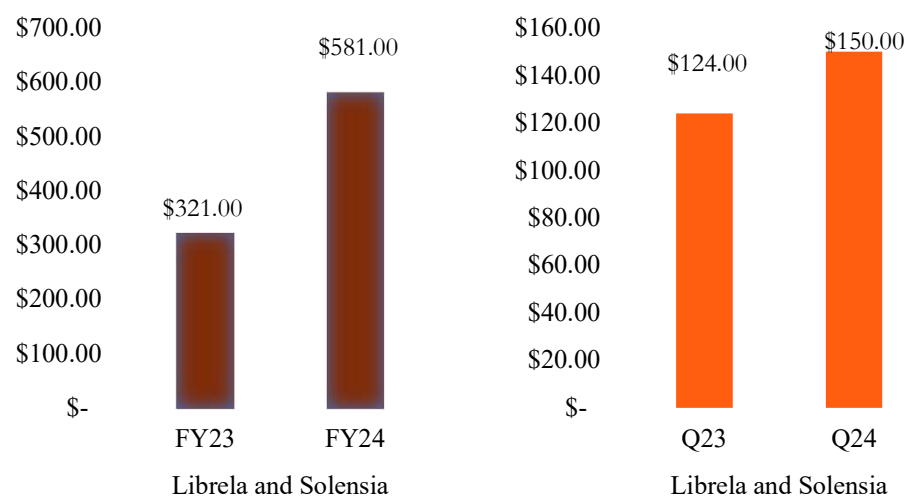
## Undervalued Compared to Competitors

Company Name	Ticker	Market Data			Financial Data				Valuation Ratio		
		Share Price	Market Cap	TEV	Revenue	EBITDA	EBIT	Net Income	EV/Revenue	EV/EBITDA	EV/EBIT
Zoetis	ZTS-US	163.50	73,214	76,760	9,256	3,889	3,392	2,486	8.29	19.74	22.63
Phibro	PAHC-US	21.90	887	1,519	1,018	99	62	2	1.49	15.40	24.33
Indexx Laboratories	IDXX-US	426.25	34,543	35,233	3,898	1,257	1,127	888	9.04	28.03	31.26
Danaher	DHR-US	205.16	146,782	158,051	23,875	7,536	5,184	3,899	6.62	20.97	30.49
Elanco	ELAN-US	231.86	5,327	9,049	4,439	913	251	338	2.04	9.91	36.05













## Misrepresentation of Safety Concerns

- WSJ Article published which sparked widespread concern and a sharp negative reaction in the market. Given the emotional nature of the situation, it led to a significant sell-off in Zoetis' stock. There was no evidence to back these claims.
- The FDA's "Dear Veterinarian" letter notified veterinarians about adverse events reported in dogs treated with Librela. While the FDA clarified that these reports do not establish a relationship with Librela, it urged veterinarians to monitor patients closely and report any adverse events.
- Investors overreacted to sensationalized stories, driving stock volatility based on emotional responses rather than a rational analysis of Zoetis' strong financial health and long-term prospects.

## Resilient Sales in Librela/Solensia



# Competitive Landscape

Companies	Relevant Metrics			Place in Industry
	Top Grossing Segment	Top Grossing Country	Market Share	
 <b>MERCK</b>	Livestock	United States	13%	A global leader in both livestock and companion animal health, known for its strong portfolio of vaccines and parasiticides.
 <b>Elanco</b>	Companion Animal	United States	10%	A major player in pet health and livestock pharmaceuticals, bolstered by its acquisition of Bayer Animal Health.
 <b>Boehringer Ingelheim</b>	Companion Animal	United States	13%	One of the largest animal health companies, with a strong presence in pet parasiticides and vaccines.
 <b>BAYER</b>	Companion Animal	United States	5%	Formerly a key player in the industry, now integrated into Elanco, strengthening its parasiticide portfolio.
 <b>Phibro</b> <small>ANIMAL HEALTH CORPORATION</small>	Livestock	United States	2%	A smaller but significant competitor, focusing primarily on livestock health solutions, including nutritional additives.
 <b>Virbac</b>	Companion Animal	France	3%	A France-based company specializing in veterinary pharmaceuticals, particularly in companion animal dermatology and parasiticides.
 <b>Dechra</b>	Companion Animal	United Kingdom	2%	A UK-based firm recognized for its niche in companion animal endocrinology and pain management treatments.
 <b>IDEXX</b> <small>LABORATORIES</small>	Vet Diagnostics	United States	5%	The dominant player in veterinary diagnostics, offering laboratory services and in-clinic testing solutions.
 <b>covetrus</b>	Vet Pharma	United States	3%	A key veterinary supply chain and software provider, helping clinics manage pharmaceuticals and operations.
 <b>HESKA</b> <small>AN ANTECH COMPANY</small>	Vet Diagnostics	United States	1%	A smaller competitor to IDEXX, specializing in diagnostic tools and imaging for veterinary clinics.
 <b>vetoquinol</b> <small>AN ANTECH COMPANY</small>	Companion Animal	France	1%	A mid-sized European animal health company with a strong presence in anti-infectives and companion animal products.
<b>Biggest Competitor</b>				
 <b>MERCK</b>	Merck Animal Health is Zoetis' biggest competitor because it has a similarly broad portfolio covering both companion and livestock animals, with strong market share in vaccines, parasiticides, and specialty pharmaceuticals. Additionally, Merck's aggressive R&D investments and global reach make it a direct rival in nearly every key segment where Zoetis operates.			

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# Discounted Cash Flow Analysis



For Fiscal Year Ending	Historical						Projected				
	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
<b>Operating Profit (EBIT)</b>	<b>2,075.0</b>	<b>2,288.0</b>	<b>2,805.0</b>	<b>2,992.0</b>	<b>3,289.0</b>	<b>3,437.0</b>	<b>3,755.9</b>	<b>4,108.5</b>	<b>4,471.5</b>	<b>4,852.9</b>	<b>5,251.2</b>
(-) Tax Adj.	301.00	360.00	454.00	545.00	596.00	637.00	697.12	782.13	860.40	937.82	1,022.63
<b>Net Operating Profit After Tax (NOPAT)</b>	<b>1,774.0</b>	<b>1,928.0</b>	<b>2,351.0</b>	<b>2,447.0</b>	<b>2,693.0</b>	<b>2,800.0</b>	<b>3,058.7</b>	<b>3,326.3</b>	<b>3,611.1</b>	<b>3,915.1</b>	<b>4,228.6</b>
(+) Depreciation & Amortization	412.00	441.00	448.00	465.00	491.00	497.00	572.86	626.64	682.01	740.18	800.93
(-) Capital Expenditures	(460.00)	(453.00)	(477.00)	(586.00)	(732.00)	(655.00)	(784.74)	(858.41)	(934.27)	(1,013.95)	(1,097.17)
(-) Change in Net Working Capital	(151.00)	(85.00)	(343.00)	(699.00)	(512.00)	79.00	(83.83)	(83.83)	(83.83)	(83.83)	(83.83)
<b>Unlevered Free Cash Flow</b>	<b>1,575.0</b>	<b>1,831.0</b>	<b>1,979.0</b>	<b>1,627.0</b>	<b>1,940.0</b>	<b>2,721.0</b>	<b>2,763.0</b>	<b>3,010.7</b>	<b>3,275.0</b>	<b>3,557.5</b>	<b>3,848.5</b>
<b>Present Value of Unlevered Free Cash Flow</b>							<b>2,556.4</b>	<b>2,577.4</b>	<b>2,594.0</b>	<b>2,607.0</b>	<b>2,609.4</b>

## Gordon Growth Method

Cash Flows		Value Distribution
<b>Present Value of Free Cash Flows</b>	12,944.27	15.48%
<b>Terminal Value</b>	70,682.96	84.52%
Growth	2.50%	
<b>Enterprise Value</b>	<b>83,627.23</b>	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
<b>Equity Value (Assumed)</b>	<b>80,230.23</b>	
<b>Outstanding</b>	<b>447.79</b>	
<b>Price per Share</b>	<b>179.17</b>	

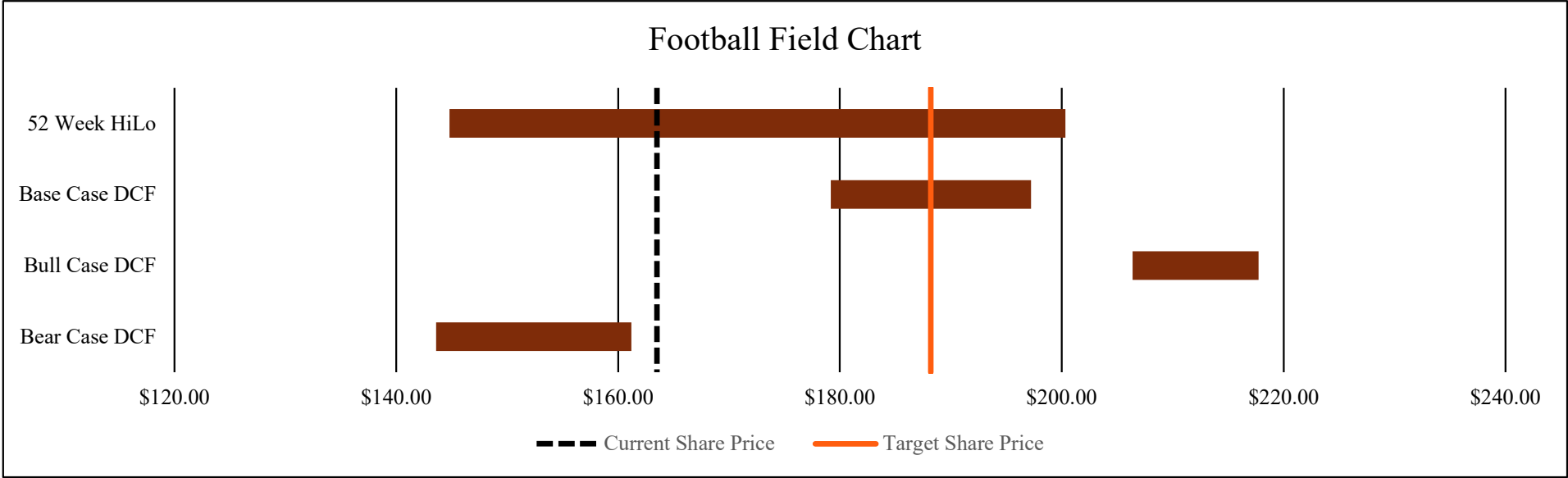
## Multiples Method

Cash Flows		Value Distribution
<b>Present Value of Free Cash Flows (Stage 1)</b>	12,944.27	14.11%
<b>Terminal Value</b>	78,771.07	85.89%
EBITDA Multiple	19.20	
<b>Enterprise Value</b>	<b>91,715.34</b>	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
<b>Equity Value (Assumed)</b>	<b>88,318.34</b>	
<b>Outstanding</b>	<b>447.79</b>	
<b>Price per Share</b>	<b>197.23</b>	

## Multiples Method - Assumptions

EV/EBITDA - Industry	19.27
EV/EBITDA - Zoetis Factset	19.74
EV/EBITDA - Comps	18.58

# Sensitized DCF Outputs



## Share Price Sensitivity Analysis:

Exit Multiple  
Method:

Exit Multiple

		Discount Rate				
		7.08%	7.58%	8.08%	8.58%	9.08%
16.0x		\$175.75	\$171.80	\$167.95	\$164.21	\$160.56
17.0x		\$185.35	\$181.18	\$177.11	\$173.16	\$169.32
19.0x		\$204.55	\$199.93	\$195.44	\$191.07	\$186.82
21.0x		\$223.75	\$218.69	\$213.77	\$208.98	\$204.32
23.0x		\$242.95	\$237.45	\$232.10	\$226.89	\$221.83

Perpetuity Growth  
Method:

PGR

		Discount Rate				
		7.08%	7.58%	8.08%	8.58%	9.08%
1.50%		\$178.47	\$165.20	\$153.89	\$144.13	\$135.61
2.00%		\$194.70	\$178.82	\$165.50	\$154.14	\$144.35
2.50%		\$214.48	\$195.13	\$179.19	\$165.81	\$154.41
3.00%		\$239.10	\$215.00	\$195.57	\$179.56	\$166.12
3.50%		\$270.60	\$239.73	\$215.53	\$196.02	\$179.94

Case	Implied % Upside/(Downside)	Implied Share Price (Blended)
Base	15.11%	\$188.20
Bull	29.71%	\$212.07
Bear	-6.79%	\$152.41
Price Target	15.11%	\$188.20

SECTION I

EXECUTIVE SUMMARY

SECTION II

WHY ANIMAL HEALTH

SECTION III

INDUSTRY DOMINATION AND COMPETITIVE MOAT

SECTION IV

UNPARALLELED R&D DRIVING REVENUE GROWTH

SECTION V

MARKET REACTION LIBRELA

SECTION VI

VALUATION

SECTION VII

APPENDIX



## Mitigant I

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Zoetis mitigates regulatory risks through **proactive engagement with global regulatory agencies**, such as the FDA and EMA, and participation in industry discussions to shape policies, including collaborations with organizations like the World Organisation for Animal Health (OIE) to address antimicrobial resistance (AMR) concerns. The company also reduces reliance on antibiotics by investing in non-antibiotic alternatives, such as vaccines (e.g., **Foster** for swine) and monoclonal antibodies (e.g., **Cytopoint**), aligning with global AMR reduction initiatives. Additionally, Zoetis maintains **robust quality control systems** across its manufacturing facilities, ensuring compliance with Good Manufacturing Practices (GMP) and minimizing the risk of regulatory violations or recalls.

## Mitigant II

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To address its reliance on key products and markets, Zoetis employs **lifecycle management strategies** to extend the relevance of blockbuster products like **Apoquel** and **Simparica** through new formulations, indications, or delivery methods, such as the development of **Simparica Trio**. The company also invests heavily in its **R&D pipeline**, allocating approximately 8% of revenue to develop new products, including biologics, diagnostics, and digital health tools. Furthermore, Zoetis is expanding into **emerging markets** like China, Brazil, and India, where demand for animal health products is growing rapidly, reducing its dependence on mature markets like the U.S. and Europe.

## Mitigant III

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To stay ahead of competitors, Zoetis leverages its **first-mover advantage in biologics**, with innovative monoclonal antibody therapies like **Cytopoint** and **Librela** that are difficult for competitors to replicate due to high R&D costs and regulatory hurdles. The company also pursues **strategic acquisitions and partnerships**, such as the acquisition of **Jurox** and collaborations with diagnostic firms, to bolster its innovation pipeline and expand its product portfolio. Zoetis further differentiates itself through **digital and data-driven tools**, including platforms like **PetcareQ** and AI-driven diagnostics (e.g., **VetScan Imagyst**), which enhance customer loyalty. Finally, the company aggressively protects its intellectual property through patents and litigation, delaying the entry of generic competitors and safeguarding high-margin products like **Apoquel** and **Simparica**.

## Risk I

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Zoetis operates in a highly regulated industry, with its products subject to stringent approval processes by agencies like the FDA, EMA, and other global regulatory bodies. Changes in regulations, delays in product approvals, or increased scrutiny on antibiotics and antimicrobials—particularly in livestock—could disrupt operations or limit market access. For example, the global push to reduce antibiotic use in livestock due to antimicrobial resistance (AMR) concerns could impact Zoetis's portfolio, which includes antibiotics like **Draxxin**. Regulatory setbacks, such as product recalls, fines, or bans, could negatively affect revenue and damage the company's reputation.

## Risk I

---

Zoetis relies heavily on a few high-margin products, such as **Simparica**, **Librela**, and **Apoquel**, as well as key markets like the U.S. and Europe, for a significant portion of its revenue. The loss of patent protection, generic competition, or market saturation in these areas could hurt profitability. For instance, the expiration of patents for blockbuster drugs like **Apoquel** could expose Zoetis to generic competition, eroding market share and margins. This over-reliance on specific products and regions makes the company vulnerable to market shifts, competitive pressures, and economic downturns in those areas.

## Risk I

---

Zoetis operates in a highly competitive animal health market, with rivals like Merck Animal Health, Elanco, and Boehringer Ingelheim constantly innovating and launching new products. If Zoetis fails to keep pace with technological advancements or loses market share to competitors offering more effective or cost-efficient solutions, its growth could stagnate. For example, competitors are increasingly investing in biologics and digital health tools, areas where Zoetis has a strong presence but faces rising competition. Additionally, the entry of generic alternatives to Zoetis's key products, such as **Apoquel** or **Simparica**, could erode its market dominance and profitability. This competitive pressure underscores the need for continuous innovation and effective lifecycle management of its product portfolio.

# Income Statement



For Fiscal Year Ending	Historical						Projected				
	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
<b>Income Statement</b>											
<b>Sales</b>	<b>6,260.0</b>	<b>6,675.0</b>	<b>7,776.0</b>	<b>8,080.0</b>	<b>8,544.0</b>	<b>9,256.0</b>	<b>10,125.6</b>	<b>11,076.3</b>	<b>12,055.0</b>	<b>13,083.2</b>	<b>14,157.0</b>
<i>% Growth</i>		6.63%	16.49%	3.91%	5.74%	8.33%	9.40%	9.39%	8.84%	8.53%	8.21%
Cost of Goods Sold	(1,735.0)	(1,776.0)	(2,016.0)	(2,139.0)	(2,219.0)	(2,363.0)	(2,556.7)	(2,796.8)	(3,043.9)	(3,303.5)	(3,574.6)
<b>Gross Profit</b>	<b>4,525.0</b>	<b>4,899.0</b>	<b>5,760.0</b>	<b>5,941.0</b>	<b>6,325.0</b>	<b>6,893.0</b>	<b>7,568.9</b>	<b>8,279.5</b>	<b>9,011.1</b>	<b>9,779.7</b>	<b>10,582.4</b>
<i>% Margin</i>	72.28%	73.39%	74.07%	73.53%	74.03%	74.47%	74.75%	74.75%	74.75%	74.75%	74.75%
D&A	(412.0)	(441.0)	(448.0)	(465.0)	(491.0)	(497.0)	(572.9)	(626.6)	(682.0)	(740.2)	(800.9)
SG&A	(2,095.0)	(2,189.0)	(2,509.0)	(2,548.0)	(2,765.0)	(3,004.0)	(3,240.2)	(3,544.4)	(3,857.6)	(4,186.6)	(4,530.2)
Nonoperating Income - Net	57.0	19.0	2.0	64.0	220.0	45.0	-	-	-	-	-
<b>Operating Profit (EBIT)</b>	<b>2,075.0</b>	<b>2,288.0</b>	<b>2,805.0</b>	<b>2,992.0</b>	<b>3,289.0</b>	<b>3,437.0</b>	<b>3,755.9</b>	<b>4,108.5</b>	<b>4,471.5</b>	<b>4,852.9</b>	<b>5,251.2</b>
<i>% Margin</i>	33.15%	34.28%	36.07%	37.03%	38.49%	37.13%	37.09%	37.09%	37.09%	37.09%	37.09%
Interest Expense	(242.0)	(249.0)	(236.0)	(237.0)	(258.0)	(242.0)	(271.8)	(205.6)	(183.1)	(183.1)	(163.6)
Unusual Expense - Net	(32.0)	(43.0)	(81.0)	(99.0)	(95.0)	(62.0)	(50.0)	(50.0)	(50.0)	(50.0)	(50.0)
<b>Pre-Tax Income</b>	<b>1,801.0</b>	<b>1,996.0</b>	<b>2,488.0</b>	<b>2,656.0</b>	<b>2,936.0</b>	<b>3,133.0</b>	<b>3,434.1</b>	<b>3,852.9</b>	<b>4,238.4</b>	<b>4,619.8</b>	<b>5,037.6</b>
Income Taxes	(301.0)	(360.0)	(454.0)	(545.0)	(596.0)	(637.0)	(697.1)	(782.1)	(860.4)	(937.8)	(1,022.6)
<b>Net Income</b>	<b>1,500.0</b>	<b>1,636.0</b>	<b>2,034.0</b>	<b>2,111.0</b>	<b>2,340.0</b>	<b>2,496.0</b>	<b>2,737.0</b>	<b>3,070.7</b>	<b>3,378.0</b>	<b>3,682.0</b>	<b>4,015.0</b>
Minority Interest	-	2.0	3.0	3.0	4.0	(10.0)	-	-	-	-	-
<b>Net Income Available to Common</b>	<b>1,500.0</b>	<b>1,638.0</b>	<b>2,037.0</b>	<b>2,114.0</b>	<b>2,344.0</b>	<b>2,486.0</b>	<b>2,737.0</b>	<b>3,070.7</b>	<b>3,378.0</b>	<b>3,682.0</b>	<b>4,015.0</b>
<i>% Growth</i>		9.20%	24.36%	3.78%	10.88%	6.06%	10.10%	12.19%	10.01%	9.00%	9.04%

# Balance Sheet



Balance Sheet											
<b>Assets</b>											
Cash	1,934.0	3,604.0	3,485.0	3,581.0	2,041.0	1,987.0	1,930.0	2,109.9	1,954.8	2,295.5	2,607.6
Short-Term Receivables	1,086.0	1,013.0	1,133.0	1,215.0	1,304.0	1,316.0	1,415.1	1,549.6	1,688.1	1,833.7	1,985.6
Accounts Receivables, Net	1,086.0	1,013.0	1,133.0	1,215.0	1,304.0	1,316.0	1,415.1	1,549.6	1,688.1	1,833.7	1,985.6
Accounts Receivables, Gross	1,107.0	1,033.0	1,150.0	1,234.0	1,322.0	1,334.0	1,433.1	1,567.6	1,706.1	1,851.7	2,003.6
Bad Debt/Doubtful Accounts	(21.0)	(20.0)	(17.0)	(19.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)
Inventories	1,410.0	1,628.0	1,923.0	2,345.0	2,564.0	2,306.0	2,490.4	2,724.2	2,964.9	3,217.8	3,481.9
Finished Goods	701.0	805.0	888.0	1,090.0	1,147.0	996.0	1,157.6	1,266.2	1,378.1	1,495.7	1,618.4
Work in Progress	511.0	594.0	696.0	825.0	966.0	933.0	916.3	1,002.3	1,090.9	1,184.0	1,281.1
Raw Materials	198.0	229.0	339.0	430.0	451.0	377.0	416.5	455.6	495.9	538.2	582.4
Other Current Assets	318.0	366.0	389.0	365.0	434.0	377.0	374.8	374.8	374.8	374.8	374.8
<b>Total Current Assets</b>	<b>4,748.0</b>	<b>6,611.0</b>	<b>6,930.0</b>	<b>7,506.0</b>	<b>6,343.0</b>	<b>5,986.0</b>	<b>6,210.3</b>	<b>6,758.6</b>	<b>6,982.7</b>	<b>7,721.8</b>	<b>8,449.9</b>
Net Property, Plant & Equipment	2,129.0	2,394.0	2,603.0	2,973.0	3,434.0	3,610.0	3,821.9	4,053.7	4,305.9	4,579.7	4,875.9
Total Long-Term Investments	25.0	22.0	33.0	31.0	23.0	30.0	30.0	30.0	30.0	30.0	30.0
Intangible Assets	4,482.0	4,404.0	4,156.0	4,126.0	4,097.0	3,851.0	3,733.6	3,623.7	3,520.7	3,424.0	3,333.3
Goodwill	2,592.0	2,694.0	2,682.0	2,746.0	2,759.0	2,724.0	2,696.760	2,669.792	2,643.094	2,616.664	2,590.497
Other Intangible Assets	1,890.0	1,710.0	1,474.0	1,380.0	1,338.0	1,127.0	1,036.840	953.893	877.581	807.375	742.785
Deferred Tax Assets	88.0	94.0	100.0	173.0	206.0	540.0	244.5	267.4	291.1	315.9	341.8
Other Assets	73.0	84.0	78.0	116.0	183.0	220.0	220.0	220.0	220.0	220.0	220.0
<b>Total Assets</b>	<b>11,545.0</b>	<b>13,609.0</b>	<b>13,900.0</b>	<b>14,925.0</b>	<b>14,286.0</b>	<b>14,237.0</b>	<b>14,260.2</b>	<b>14,953.4</b>	<b>15,350.3</b>	<b>16,291.3</b>	<b>17,250.9</b>

# Balance Sheet



Liabilities & Shareholders' Equity											
Current											
ST Debt & Curr. Portion LT Debt	535.0	644.0	41.0	1,395.0	51.0	1,401.0	1,350.0	750.0	500.0	-	750.0
Accounts Payable	301.0	457.0	436.0	405.0	411.0	433.0	456.6	499.5	543.6	590.0	638.4
Income Tax Payable	36.0	46.0	38.0	157.0	110.0	93.0	102.4	114.9	126.4	137.7	150.2
Other Current Liabilities	934.0	1,023.0	1,282.0	1,210.0	1,317.0	1,485.0	1,487.4	1,559.7	1,601.1	1,699.3	1,799.4
Dividends Payable	95.0	119.0	154.0	174.0	198.0	224.0	224.4	235.3	241.5	256.3	271.4
Accrued Payroll	276.0	295.0	392.0	300.0	382.0	441.0	441.7	463.2	475.5	504.6	534.4
Miscellaneous Current Liabilities	563.0	609.0	736.0	736.0	737.0	820.0	821.3	861.3	884.1	938.3	993.6
<b>Total Current Liabilities</b>	<b>1,806.0</b>	<b>2,170.0</b>	<b>1,797.0</b>	<b>3,167.0</b>	<b>1,889.0</b>	<b>3,412.0</b>	<b>3,396.4</b>	<b>2,924.1</b>	<b>2,771.1</b>	<b>2,427.0</b>	<b>3,338.0</b>
Long-Term											
Long-Term Debt	6,111.0	6,758.0	6,743.0	6,738.0	6,752.0	5,394.0	5,220.0	4,470.0	3,970.0	3,970.0	3,220.0
Provision for Risks & Charges	374.0	379.0	360.0	337.0	351.0	339.0	287.1	245.9	218.4	218.4	177.1
Deferred Tax Liabilities	434.0	378.0	320.0	142.0	146.0	167.0	371.0	405.8	441.6	479.3	518.7
Other Liabilities	112.0	151.0	136.0	138.0	157.0	155.0	155.0	155.0	155.0	155.0	155.0
<b>Total Liabilities</b>	<b>8,837.0</b>	<b>9,836.0</b>	<b>9,356.0</b>	<b>10,522.0</b>	<b>9,295.0</b>	<b>9,467.0</b>	<b>9,429.5</b>	<b>8,200.7</b>	<b>7,556.1</b>	<b>7,249.7</b>	<b>7,408.7</b>
Equity											
Common Equity	2,708.0	3,769.0	4,543.0	4,405.0	4,997.0	4,770.0	4,465.7	4,414.7	4,596.0	5,007.4	5,670.6
Common Stock Par/Carry Value	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Additional Paid-In Capital/Capital Surplus	1,044.0	1,065.0	1,068.0	1,088.0	1,133.0	1,182.0	1,229.3	1,278.5	1,329.6	1,382.8	1,438.1
Retained Earnings	4,427.0	5,659.0	7,186.0	8,668.0	10,295.0	11,968.0	12,820.7	13,923.8	15,257.3	16,818.8	18,630.0
Cumulative Translation											
Adjustment/Unrealized For. Exch. Gain	(724.0)	(655.0)	(756.0)	(944.0)	(944.0)	(1,091.0)	(1,094.3)	(1,097.6)	(1,100.8)	(1,104.2)	(1,107.5)
Other Appropriated Reserves	(2.0)	(75.0)	(8.0)	127.0	105.0	151.0	150.0	150.0	150.0	150.0	150.0
Treasury Stock	(2,042.0)	(2,230.0)	(2,952.0)	(4,539.0)	(5,597.0)	(7,445.0)	(8,645.0)	(9,845.0)	(11,045.0)	(12,245.0)	(13,445.0)
<b>Total Shareholders' Equity</b>	<b>2,708.0</b>	<b>3,769.0</b>	<b>4,543.0</b>	<b>4,405.0</b>	<b>4,997.0</b>	<b>4,770.0</b>	<b>4,830.8</b>	<b>6,752.7</b>	<b>7,794.2</b>	<b>9,041.7</b>	<b>9,842.2</b>
Accumulated Minority Interest	-	4.0	1.0	(2.0)	(6.0)	-	-	-	-	-	-
<b>Total Equity</b>	<b>2,708.0</b>	<b>3,773.0</b>	<b>4,544.0</b>	<b>4,403.0</b>	<b>4,991.0</b>	<b>4,770.0</b>	<b>4,830.8</b>	<b>6,752.7</b>	<b>7,794.2</b>	<b>9,041.7</b>	<b>9,842.2</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>											
	<b>11,545.0</b>	<b>13,609.0</b>	<b>13,900.0</b>	<b>14,925.0</b>	<b>14,286.0</b>	<b>14,237.0</b>	<b>14,260.2</b>	<b>14,953.4</b>	<b>15,350.3</b>	<b>16,291.3</b>	<b>17,250.9</b>

# Cash Flows Statement



Cash Flow Statement											
<b>Operating Activities</b>											
Net Income / Starting Line	1,500.0	1,636.0	2,034.0	2,111.0	2,340.0	2,496.0	2,737.0	3,070.7	3,378.0	3,682.0	4,015.0
Depreciation, Depletion & Amortization	412.0	441.0	448.0	465.0	491.0	497.0	572.9	626.6	682.0	740.2	800.9
Deferred Taxes	(79.0)	(62.0)	(80.0)	(286.0)	(61.0)	(338.0)	(244.5)	(267.4)	(291.1)	(315.9)	(341.8)
Other Funds	113.0	196.0	154.0	321.0	95.0	219.0	183.0	183.0	183.0	183.0	183.0
Changes in Working Capital	(151.0)	(85.0)	(343.0)	(699.0)	(512.0)	79.0	(259.6)	(253.2)	(293.7)	(253.9)	(267.6)
Receivables	(69.0)	74.0	(155.0)	(137.0)	(102.0)	(61.0)	(99.1)	(134.5)	(138.5)	(145.5)	(152.0)
Inventories	(104.0)	(346.0)	(366.0)	(486.0)	(361.0)	(40.0)	(184.38)	(233.81)	(240.72)	(252.88)	(264.09)
Accounts Payable	(10.0)	147.0	(17.0)	(29.0)	13.0	31.0	23.60	42.87	44.14	46.36	48.42
Other Assets/Liabilities	32.0	40.0	195.0	(47.0)	(62.0)	149.0	0.3	72.3	41.4	98.2	100.1
<b>Net Operating Cash Flow</b>	<b>1,795.0</b>	<b>2,126.0</b>	<b>2,213.0</b>	<b>1,912.0</b>	<b>2,353.0</b>	<b>2,953.0</b>	<b>2,988.8</b>	<b>3,359.8</b>	<b>3,658.3</b>	<b>4,035.4</b>	<b>4,389.5</b>
<b>Investing Activities</b>											
Capital Expenditures	(460.0)	(453.0)	(477.0)	(586.0)	(732.0)	(655.0)	(784.74)	(858.41)	(934.27)	(1,013.95)	(1,097.17)
Net Assets from Acquisitions	(195.0)	(113.0)	(14.0)	(312.0)	(155.0)	286.0	(83.8)	(83.8)	(83.8)	(83.8)	(83.8)
Sale of Fixed Assets & Businesses	21.0	24.0	2.0	1.0	100.0	(3.0)	-	-	-	-	-
Purchase/Sale of Investments	101.0	-	(12.0)	(9.0)	(4.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Purchase of Investments	-	-	12.0	9.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Sale/Maturity of Investments	101.0	-	-	-	-	-	-	-	-	-	-
Other Funds	29.0	(27.0)	43.0	23.0	14.0	59.0	-	-	-	-	-
Other Uses	(8.0)	(27.0)	(1.0)	-	-	(3.0)	-	-	-	-	-
Other Sources	37.0	-	44.0	23.0	14.0	62.0	-	-	-	-	-
<b>Net Investing Cash Flow</b>	<b>(504.0)</b>	<b>(569.0)</b>	<b>(458.0)</b>	<b>(883.0)</b>	<b>(777.0)</b>	<b>(318.0)</b>	<b>(873.6)</b>	<b>(947.2)</b>	<b>(1,023.1)</b>	<b>(1,102.8)</b>	<b>(1,186.0)</b>
<b>Financing Activities</b>											
Cash Dividends Paid (Common Dividends)	(314.0)	(380.0)	(474.0)	(611.0)	(692.0)	(786.0)	(684.25)	(767.68)	(844.50)	(920.50)	(1,003.74)
Change in Capital Stock	(619.0)	(250.0)	(743.0)	(1,594.0)	(1,092.0)	(1,858.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
Sale of Common & Preferred Stk.	7.0	-	-	-	-	-	-	-	-	-	-
Repurchase of Common & Preferred Stk.	(626.0)	(250.0)	(743.0)	(1,594.0)	(1,092.0)	(1,858.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)	(1,200.0)
Issuance/Reduction of Debt, Net	(9.0)	732.0	(604.0)	1,340.0	(1,349.0)	(3.0)	(51.0)	(600.0)	(250.0)	(500.0)	(750.0)
Change in Current Debt	(9.0)	4.0	(4.0)	2.0	1.0	(3.0)	-	-	-	-	-
Change in Long-Term Debt	-	728.0	(600.0)	1,338.0	(1,350.0)	-	(51.0)	(600.0)	(250.0)	(500.0)	(750.0)
Issuance of Long-Term Debt	-	1,228.0	-	1,338.0	-	-	-	-	-	-	-
Reduction in Long-Term Debt	-	(500.0)	(600.0)	-	(1,350.0)	-	-	-	-	-	-
Change in Other Debt	-	20.0	-	-	27.0	-	-	-	-	-	-
Other Funds	(9.0)	18.0	(41.0)	(39.0)	24.0	(13.0)	-	-	-	-	-
Other Uses	(9.0)	(2.0)	(41.0)	(39.0)	(3.0)	(13.0)	-	-	-	-	-
Other Sources	-	20.0	-	-	27.0	-	-	-	-	-	-
<b>Net Financing Cash Flow</b>	<b>(951.0)</b>	<b>120.0</b>	<b>(1,862.0)</b>	<b>(904.0)</b>	<b>(3,109.0)</b>	<b>(2,660.0)</b>	<b>(1,935.2)</b>	<b>(2,567.7)</b>	<b>(2,294.5)</b>	<b>(2,620.5)</b>	<b>(2,953.7)</b>
Exchange Rate Effect	(8.0)	(7.0)	(12.0)	(29.0)	(7.0)	(32.0)	-	-	-	-	-
<b>Net Change in Cash</b>	<b>332.0</b>	<b>1,670.0</b>	<b>(119.0)</b>	<b>96.0</b>	<b>(1,540.0)</b>	<b>(57.0)</b>	<b>179.9</b>	<b>(155.2)</b>	<b>340.7</b>	<b>312.1</b>	<b>249.8</b>

# Cost of Capital Calculation



## WACC

	Weight	Cost	Value Outstanding
Equity	93.27%	8.36%	74,773.35
Preferred	0.00%	0.00%	-
Debt (After tax)	6.73%	4.21%	5,394.00
			80,167.35
<b>WACC</b>		<b>8.08%</b>	

## Cost of Equity

Risk Free Rate	4.28%
Beta	0.96
Premium	4.25%
<b>Cost of Equity</b>	<b>8.36%</b>

## Cost of Debt

	Identifier	Maturity	OAS - BPs	Cost
Bond 1	98978VAV5	11/1/2032	100.36	5.28%
Bond 2	98978VAH6	2/1/2043	147	5.75%

# DCF Bull



For Fiscal Year Ending	Historical						Projected				
	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Operating Profit (EBIT)	2,075.0	2,288.0	2,805.0	2,992.0	3,289.0	3,437.0	4,130.0	4,540.0	4,981.7	5,455.1	5,958.8
(-) Tax Adj.	301.00	360.00	454.00	545.00	596.00	637.00	773.08	869.73	963.97	1,060.07	1,166.28
Net Operating Profit After Tax (NOPAT)	1,774.0	1,928.0	2,351.0	2,447.0	2,693.0	2,800.0	3,356.9	3,670.3	4,017.7	4,395.1	4,792.5
(+) Depreciation & Amortization	412.00	441.00	448.00	465.00	491.00	497.00	464.56	510.68	560.36	613.62	670.28
(-) Capital Expenditures	(460.00)	(453.00)	(477.00)	(586.00)	(732.00)	(655.00)	(663.66)	(729.54)	(800.52)	(876.60)	(957.54)
(-) Change in Net Working Capital	(151.00)	(85.00)	(343.00)	(699.00)	(512.00)	79.00	(83.83)	(83.83)	(83.83)	(83.83)	(83.83)
Unlevered Free Cash Flow	1,575.0	1,831.0	1,979.0	1,627.0	1,940.0	2,721.0	3,074.0	3,367.6	3,693.7	4,048.2	4,421.4
Present Value of Unlevered Free Cash Flow							2,844.2	2,882.8	2,925.6	2,966.7	2,997.9

## Gordon Growth Method

		Value Distribution
Cash Flows		
Present Value of Free Cash Flows	14,617.26	15.25%
Terminal Value	81,206.17	84.75%
Growth	2.50%	
Enterprise Value	95,823.43	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
Equity Value (Assumed)	92,426.43	
Outstanding	447.79	
Price per Share	206.40	

## Multiples Method

		Value Distribution
Cash Flows		
Present Value of Free Cash Flows (Stage 1)	14,617.26	14.49%
Terminal Value	86,280.68	85.51%
EBITDA Multiple	19.20	
Enterprise Value	100,897.95	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
Equity Value (Assumed)	97,500.95	
Outstanding	447.79	
Price per Share	217.74	

## Multiples Method - Assumptions

EV/EBITDA - Industry	19.27
EV/EBITDA - Zoetis Factset	19.74
EV/EBITDA - Comps	18.58



## Share Price Sensitivity Analysis:

## Exit Multiple Method:

Exit Multiple	Discount Rate				
	7.08%	7.58%	8.08%	8.58%	9.08%
16.0x	\$194.24	\$189.89	\$185.67	\$181.55	\$177.54
17.0x	\$204.76	\$200.17	\$195.70	\$191.36	\$187.13
19.0x	\$225.79	\$220.71	\$215.78	\$210.98	\$206.30
21.0x	\$246.82	\$241.26	\$235.86	\$230.59	\$225.47
23.0x	\$267.85	\$261.81	\$255.93	\$250.21	\$244.65

## Perpetuity Growth Method:

PGR	Discount Rate				
	7.08%	7.58%	8.08%	8.58%	9.08%
1.50%	\$205.59	\$190.35	\$177.36	\$166.15	\$156.38
2.00%	\$224.24	\$206.00	\$190.70	\$177.66	\$166.41
2.50%	\$246.96	\$224.74	\$206.43	\$191.06	\$177.97
3.00%	\$275.25	\$247.56	\$225.25	\$206.86	\$191.43
3.50%	\$311.43	\$275.98	\$248.18	\$225.77	\$207.30

For Fiscal Year Ending	Historical						Projected				
	2019A	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Operating Profit (EBIT)	2,075.0	2,288.0	2,805.0	2,992.0	3,289.0	3,437.0	3,356.7	3,546.5	3,751.6	3,973.1	4,211.9
(-) Tax Adj.	301.00	360.00	454.00	545.00	596.00	637.00	616.09	668.04	714.25	759.22	811.65
Net Operating Profit After Tax (NOPAT)	1,774.0	1,928.0	2,351.0	2,447.0	2,693.0	2,800.0	2,740.6	2,878.4	3,037.3	3,213.9	3,400.2
(+) Depreciation & Amortization	412.00	441.00	448.00	465.00	491.00	497.00	602.13	636.17	672.97	712.70	755.53
(-) Capital Expenditures	(460.00)	(453.00)	(477.00)	(586.00)	(732.00)	(655.00)	(781.99)	(826.20)	(873.99)	(925.59)	(981.21)
(-) Change in Net Working Capital	(151.00)	(85.00)	(343.00)	(699.00)	(512.00)	79.00	(83.83)	(83.83)	(83.83)	(83.83)	(83.83)
Unlevered Free Cash Flow	1,575.0	1,831.0	1,979.0	1,627.0	1,940.0	2,721.0	2,476.9	2,604.6	2,752.5	2,917.2	3,090.7
Present Value of Unlevered Free Cash Flow							2,291.7	2,229.6	2,180.1	2,137.8	2,095.6

## Gordon Growth Method

Cash Flows	Value Distribution	
Present Value of Free Cash Flows	10,934.89	16.15%
Terminal Value	56,765.02	83.85%
Growth	2.50%	
Enterprise Value	67,699.91	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
Equity Value (Assumed) Outstanding	64,302.91	447.79
Price per Share	143.60	

## Multiples Method

Cash Flows	Value Distribution	
Present Value of Free Cash Flows (Stage 1)	10,934.89	14.47%
Terminal Value	64,652.77	85.53%
EBITDA Multiple	19.20	
Enterprise Value	75,587.66	
(-) Minority Interest	10.00	
(-) Preferred Stock	-	
(+) Cash	1,987.00	
(-) Debt	(5,394.00)	
Equity Value (Assumed) Outstanding	72,190.66	447.79
Price per Share	161.21	

## Multiples Method - Assumptions

EV/EBITDA - Industry	19.27
EV/EBITDA - Zoetis Factset	19.74
EV/EBITDA - Comps	18.58

## Share Price Sensitivity Analysis:

## Exit Multiple Method:

Exit Multiple	Discount Rate				
	7.08%	7.58%	8.08%	8.58%	9.08%
16.0x	\$143.59	\$140.34	\$137.18	\$134.11	\$131.11
17.0x	\$151.47	\$148.04	\$144.70	\$141.46	\$138.30
19.0x	\$167.23	\$163.44	\$159.75	\$156.16	\$152.66
21.0x	\$182.99	\$178.83	\$174.79	\$170.86	\$167.03
23.0x	\$198.75	\$194.23	\$189.83	\$185.56	\$181.40

## Perpetuity Growth Method:

PGR	Discount Rate				
	7.08%	7.58%	8.08%	8.58%	9.08%
1.50%	\$143.06	\$132.39	\$123.30	\$115.45	\$108.60
2.00%	\$156.10	\$143.33	\$132.62	\$123.49	\$115.61
2.50%	\$171.98	\$156.43	\$143.61	\$132.86	\$123.69
3.00%	\$191.75	\$172.39	\$156.77	\$143.90	\$133.10
3.50%	\$217.05	\$192.25	\$172.80	\$157.12	\$144.20

# Comparable Companies

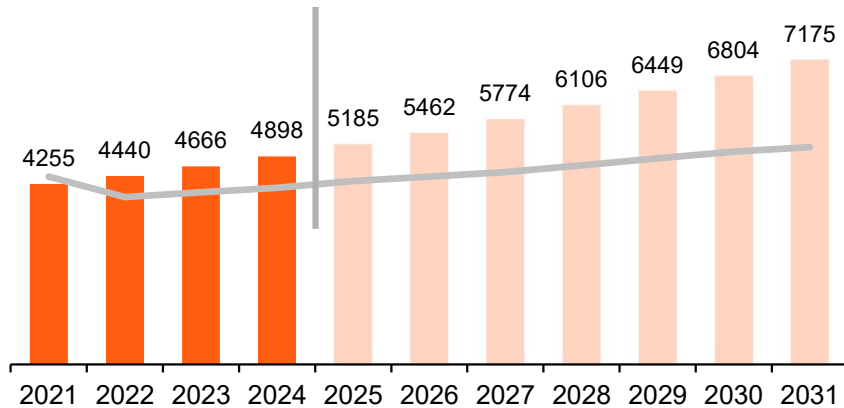


Comparable Companies											
Company Name	Ticker	Market Data			Financial Data				Valuation Ratio		
		Share Price	Market Cap	TEV	Revenue	EBITDA	EBIT	Net Income	EV/Revenue	EV/EBITDA	EV/EBIT
Zoetis	ZTS-US	163.50	73,214	76,760	9,256	3,889	3,392	2,486	8.29	19.74	22.63
Phibro	PAHC-US	21.90	887	1,519	1,018	99	62	2	1.49	15.40	24.33
Indexx Laboratories	IDXX-US	426.25	34,543	35,233	3,898	1,257	1,127	888	9.04	28.03	31.26
Danaher	DHR-US	205.16	146,782	158,051	23,875	7,536	5,184	3,899	6.62	20.97	30.49
Elanco	ELAN-US	231.86	5,327	9,049	4,439	913	251	338	2.04	9.91	36.05
Average									4.80	18.58	30.53
Median									4.33	18.19	30.87

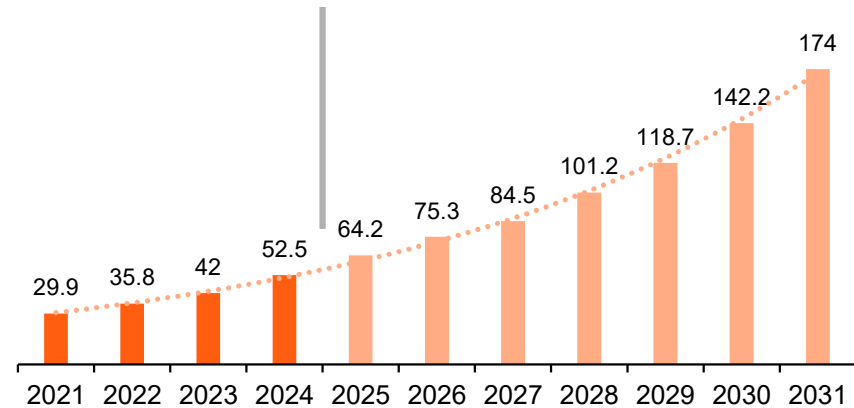
# Move to Value Based Care

The Veterinary Health market has seen a surge in demand.

Health Care Expenditures (\$B) % of US GDP



Value Based Healthcare Market (\$B)



United States	2013	2023	Share of Spend
In/Outpatient	\$5,283	\$7,499	60%
Long/Preventative			13%
Prescription/Medical			14%
Comparables	2021	2022	Share of Spend
In/Outpatient	\$2,258	\$2,968	40%
Long/Preventative			35%
Prescription/Medical			11%

## Healthcare Services Spending Portions are Larger than Ever in the US

Healthcare services spending in the U.S. has reached unprecedented levels, driven by rising costs of hospital care, physician services, and long-term care. An aging population, increasing prevalence of chronic diseases, and advancements in medical technology have all contributed to higher expenditures. Additionally, administrative costs, inefficiencies in the healthcare system, and the growing role of private insurers have inflated spending. Government programs like Medicare and Medicaid now account for a significant portion of national healthcare expenditures, while employer-sponsored and out-of-pocket spending continue to rise. With healthcare costs outpacing GDP growth, the share of national spending dedicated to healthcare services is larger than ever, straining both public and private finances.

# Global Healthcare Opportunity



## GLOBAL – \$130+ TRILLION (2030E)

- Global GDP could double by 2030
- Rising healthcare expenditures could allow for the meeting of new demand
- Global aging population insights the need for organic and inorganic growth from providers worldwide
- Private sector financing continues to deliver equity and debt capital needed to make service projects operational

### AMERICAS

- Aging Population
  - Over 20% will be 65+ by 2030
  - LatAm is seeing a rise in chronic disease
- High Healthcare Spending
  - U.S. spends 18% of its GDP on healthcare with LatAm spends 6%, growing annually
- Value-Based Care Shift
- Patient-Centric Models
- Telehealth Boom
  - U.S. projected a 500% market increase in telemedicine from 2022-2030
- Private Equity Investment
  - \$100B deployed in 2022 alone

### EUROPE

- Public healthcare system
- Regulatory Environment
  - Facilitates cross border deals
- Pharmaceutical Innovation

### ASIA PACIFIC

#### Asia

- Rising Middle Class
- Government Investment
- Medical Tourism

#### Australia

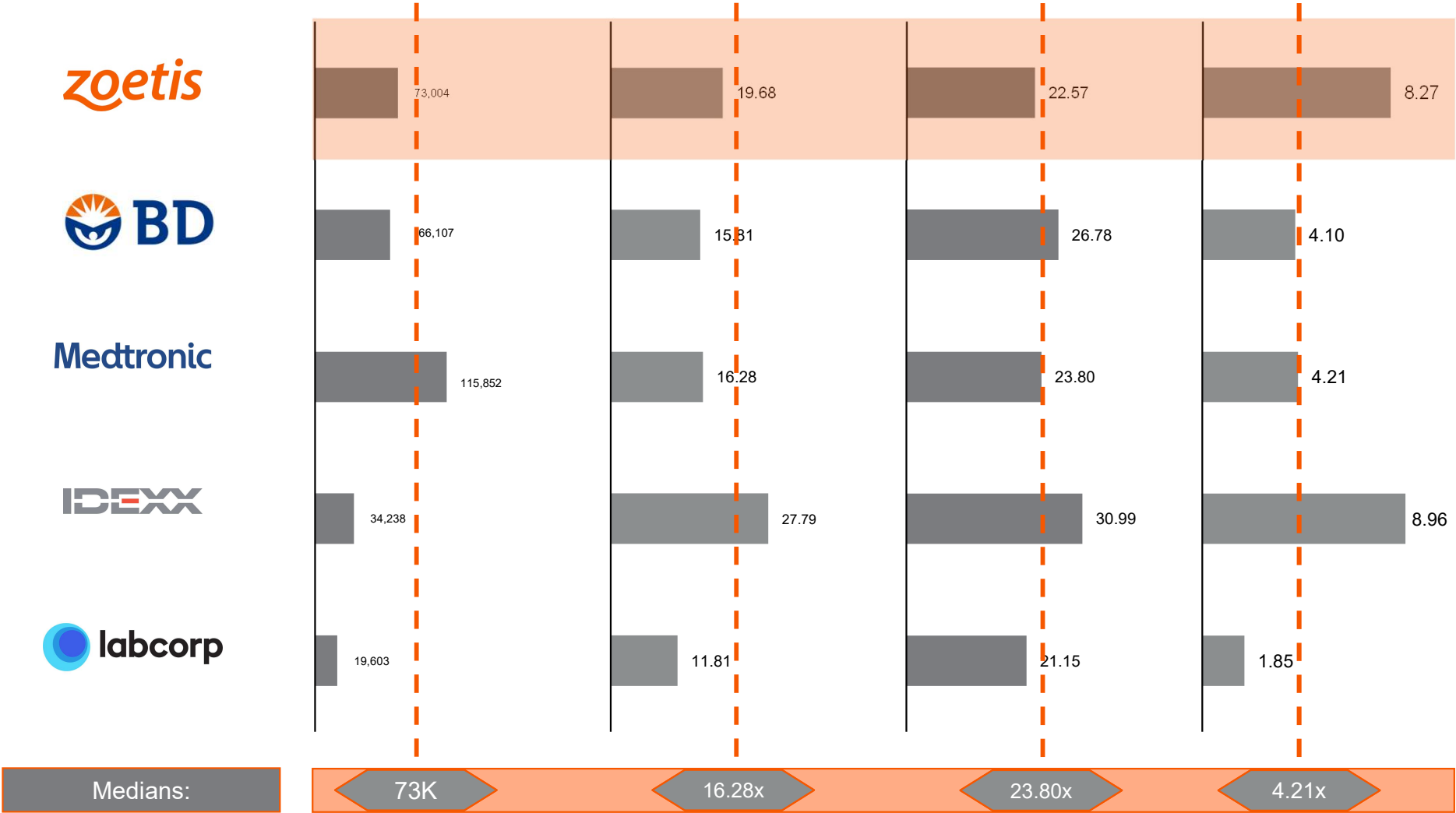
- Digital Health Adoption
- Sustainability Focus

# Select Public Comparable Companies



Zoetis has a large advantage over the market because of their R&D spend

Zoetis is undervalued compared to its comps



# Select Precedent Transactions

