

The Economic Club of New York

ESTABLISHED 1907

The Economic Club of New York

117th Year
782nd Meeting

Kristin Peck
Chief Executive Officer
Zoetis, Inc.

December 4, 2024

In-Person/Hybrid Event

Moderator: Alan Murray
President, Dow Jones Leadership Institute

Introduction

President Barbara Van Allen

Hello and welcome. This is the 782nd meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. I'm happy that all of you are able to join us today. We all seem to get in place even though there's a lot going on. We've got the Christmas tree lighting, etc. But thank you for being here and thank you to those joining us virtually.

I want to welcome students joining us, speaking of virtually, from Baruch College, the University of Pittsburgh, and Columbia University, as well as members of the 2024 Class of ECNY Fellows. As a reminder, we're accepting applications to join the 2025 Class of Fellows right now. So if you know some rising, thoughtful business leaders that you think would make good candidates to be fellows for the next 12 months, please let us know, and we will bring them into the fold.

The Economic Club of New York is proud to stand as the nation's leading nonpartisan platform for discussions on economic, social, and political matters. For more than a century, the Club has hosted over 1,000 prominent guests, and this is a tradition that continues up to and includes today.

It is a pleasure to introduce my friend and our guest, Kristin Peck, Club member and CEO of the animal health giant, Zoetis. Her company develops, manufactures, and sells vaccines, medications, and other technologies for pets and livestock. Last year, her company generated \$8.5 billion in revenue, and we're eager to hear what makes this such a durable industry and how AI, among other innovations, is impacting the way they work.

But before I turn over the mike, just a few words about Kristin. She was Pfizer's EVP of Worldwide Business Development and Innovation when the company decided to spin out its animal health and nutrition business. That division became Zoetis and Kristin ushered the company through its IPO in 2013. She took the reins as CEO several years later.

Earlier in her career, she held roles at the Boston Consulting Group as well as in private equity and real estate finance. Today, she serves on the boards of BlackRock, the Mayo Clinic, and Columbia Business School. She's a member of the Business Roundtable and a board member at Catalyst. Kristin holds a bachelor's degree from Georgetown University and an MBA from Columbia Business School.

She will be joined on stage today by Club member, Alan Murray, who is President of the Dow Jones Leadership Institute. And now let's welcome to the stage Kristin and Alan.

Conversation with Kristin Peck

ALAN MURRAY: Kristin, it's such an honor to be able to do this with you today.

KRISTIN PECK: Especially, I have to say I'm very happy to do this with you.

ALAN MURRAY: Oh, why?

KRISTIN PECK: Yes, because you ask some very good questions. Don't be too hard though...

ALAN MURRAY: Don't try and soften me up before we get started.

KRISTIN PECK: Was it that transparent?

ALAN MURRAY: So Zoetis is a massive company. It's like an \$80 billion market cap, but it's not that well known. So give us the short story on what Zoetis is and where it came from.

KRISTIN PECK: Sure. So, as we mentioned, we were a spin-out from Pfizer back in 2013. And we make products for dogs, cats, chickens, pigs, horses, cows, fish, your

salmon. We make everything from medicines, vaccines, diagnostics, genetics, devices. It's a broad set of technologies. And as Barbara mentioned, we're much larger than a lot of people realize. Our guidance for this year, for example, is \$9.2 to \$9.3 billion, so we're large in revenue. And that's split about 54% in the U.S. and then outside the U.S., about 46%. And the majority of it is in cats and dogs, and we'll talk about that I'm sure. That's about 65% of it with about 35% in livestock.

So we're very diverse across both markets, across species, across products, and I feel like I was destined to be here. I've tried getting credit for this, but my first job ever was with American Equine Products, which is actually a legacy Zoetis company. In high school, I worked there but they have not given me the credit for those years.

ALAN MURRAY: But did you ride horses in high school?

KRISTIN PECK: I did. My family was really into animals so we had, obviously dogs and cats and birds, and my family raced horses, and we definitely rode horses.

ALAN MURRAY: Which of those animals were you closest to?

KRISTIN PECK: I would say horses and dogs would be my favorites. Not the birds, the birds were not...

ALAN MURRAY: But I want to talk about that because you took this job right before the pandemic hit. And in the pandemic everybody went a little gaga over their pets. Good for you, but it was unusual.

KRISTIN PECK: Well, I think the human-animal bond, which is what I think we're talking about, has always been very strong. And I think, I was just visiting, for example, Poland, and our Ukraine colleagues came in. And one of the things that's so interesting is our Ukraine business is actually doing incredibly well, and many people find that surprising. And I was talking to our colleagues as to why and they said you want some sense of normalcy and stability and coming home every day to a pet. And, believe it or not, our pet business in Ukraine is just thriving and they want more technologies, they want more diagnostics, and they want more supply.

And so I think when you're struggling, that bond with something that's unconditional love, that's going to be so happy to see you, has been incredible. And I think, as you look at what happened in Covid, I mean, by the way, they still have those pets, and we'll talk more about, I think it's a growing space. But this human-animal bond is global. It's not just a U.S. or developing market phenomenon.

ALAN MURRAY: But the human-animal bond has been there forever, but humans treating their animals like humans is like a more recent trend, right?

KRISTIN PECK: Yes, I jokingly say that if we had had this conversation 15 or 20 years ago the dogs were outside, maybe they came in at night. And then they were in and they went out a little bit if they had to go to the bathroom, and now they're on your bed. And the closer they get to you, the more you want to treat them with everything you can. You know, human healthcare type products is what people are looking for. So I do think it is a growing trend.

ALAN MURRAY: Which is also good for your business.

KRISTIN PECK: It has been good for our business.

ALAN MURRAY: Is the dogs and cats piece growing faster than the other pieces?

KRISTIN PECK: Yes, so the animal health industry as a whole generally grows 4 to 6%, and it's projected to grow 4 to 6% for the next five to ten years. And then there's two parts of it. There's the companion animal part of it, which tends to grow faster at 6 to 8% as the market, and the livestock, which is more 2 to 4%. So I think, as you look at companion animals, year to date for us, we've been growing 16% in our companion animal business.

ALAN MURRAY: Wow! So you're way outgrowing the market.

KRISTIN PECK: Yes, we're outgrowing the market. And I think that's because of our science-based innovation. We're bringing really disruptive innovations to the market. And that's why we've been leading the market. So if we look back, since we IPOed, our compound annual growth rate as a company is 8%, so that's 2 to 3 % above the market every year.

ALAN MURRAY: I want to come back to that, to the R&D and the innovation, because it's a really interesting story. But I just want to, this trend from the dog being in the yard to the dog being in the house to the dog being on the bed, this is, that was not a Covid aberration. This is going to continue.

KRISTIN PECK: Yes, I mean I think as you look at how people view their pets, I don't see that changing anytime soon. In fact, I'm sure many of you who read the journal saw an article about a month ago. The South Korean government is very concerned because they sold more strollers for dogs than they did for babies. And as I said, I think sometimes we think it's a developed market thing. It's actually quite global. I think what you're starting to see is people are having fewer children. Their pets are becoming their children. And as you look at millennials and Gen-Z, they're the majority of pet owners today, and they just see their pets differently. They're delaying having kids if they're having kids. And their pets are traveling. I mean how many times do you get on a plane and there's a lot of therapy dogs on planes these days.

ALAN MURRAY: And what do the airports...it's fascinating. It was dogs and horses when you were younger, but how about now?

KRISTIN PECK: Dogs, cats, and a bird who just passed away.

ALAN MURRAY: Oh, I'm very sorry about that. I see your husband nodding.

KRISTIN PECK: Well, we,...husband's puppy, Luna, yes. Our dog passed away a year ago, and we got this new puppy. So we have Sky, who has probably a better social media following certainly than I do, which is the dog that comes to work with me most days. And then there's Luna, who I don't think is coming to work anytime soon. She's an English Cream Retriever who has a lot of energy.

ALAN MURRAY: So dogs, cats, pets, that's 54% of the business.

KRISTIN PECK: No, 65% of the business.

ALAN MURRAY: Oh, all pets...

KRISTIN PECK: Yes, all pets.

ALAN MURRAY: But I don't think people realize, like how important the work you do is to global health, how important it is to global climate. I wonder if you could talk a little bit about the role that Zoetis plays in those two areas.

KRISTIN PECK: Sure. I mean what I'd like to start with is sort of what are those large macro drivers in both of those industries. And so if you look at pet care, obviously there's the humanization of pets. And what that means is there's a willingness to spend on pets and to use technologies that if we just, even 10 years ago, we might not have imagined.

And so we have three monoclonal antibodies for example as a company. And we sell those in a self-pay market. So you have to be able to afford that without insurance. So we have products such as Librela for osteoarthritis pain in dogs. We have Solensia for osteoarthritis pain in cats. Forty percent of all cats and dogs will suffer from osteoarthritis so these are really important technologies. We also have Cytopoint, which is a monoclonal antibody for atopic dermatitis, sort of itchy dogs. And these are not small markets. I think people are sort of surprised at how big these are.

So if you look at dermatology, for example, in the pet care space, when we launched our product back in 2014, our first product was Apoquel. It was about a \$70 million market. And people were like, you know, you can just give the dogs steroids, they'll be

fine. But steroids had a lot of, you know, side effects. Once they got Apoquel in their hands, the dermatology market today is \$1.5 billion, and we are selling \$1.2 billion in products. We have three products. We have Apoquel, which is small molecule. We have Apoquel chewable, a very nice beef-flavored chew. And we have Cytoint, which is a monthly monoclonal antibody.

So I think as you think about the scientific innovation that we bring to bear, whether it's in pain, as I mentioned, or dermatology, or parasiticides, or even as I'm sure we'll talk about, diagnostics and AI, I think what sets Zoetis apart is its science-based innovation. It's bringing new technologies. And it's not just, you know, entering markets that already exist. It's actually believing we can create a market. It's spending time with veterinarians, hearing what they're really struggling with, where is the unmet medical need? And then finding solutions and helping build those markets up, which is now what we're doing with our pain portfolio.

ALAN MURRAY: Yes, so let's move from there to the global health and global climate areas and the importance of your medicine in both of those areas.

KRISTIN PECK: I think what's often misunderstood about livestock is that healthier animals are more sustainable animals. And as you look at livestock overall, that's whether you put milk in your coffee or you had an egg sandwich for breakfast or you've

ordered the salmon or the sea bass, that protein has to be healthy. It's got to be safe. It's got to be sustainable. And I think what's changing in livestock is the expectation of more transparency on what products have been used in the animals and a belief that you want that to be more sustainable.

And what we're trying to help people understand is vaccinated animals get less sick. They need less treatments. And healthier animals are more sustainable. They emit way less methane. As you look at sort of the, the FAO at the U.N. did a study on East Coast fever in Africa. And animals who were vaccinated for it have a 40% reduction in emissions, by just being vaccinated. So what I say is there are technologies that exist today that if we could apply them more broadly could have a significant impact.

And as you think about livestock today, there's \$8 billion people in the world, by 2050, you're going to add two more billion people. Those two billion people are going to need to eat protein so livestock is a growing business. But what's going to change are the products that consumers want to use. We produce, for example, genetic tests that can help you determine which animal is likelier to be healthier, less chance of mastitis, less change of disease, will be more productive, and you can breed those animals. So again those animals are staying healthier longer, using less water, using less land, using less feed, and producing less emissions to product the same output.

ALAN MURRAY: You've mentioned several times already your commitment, as a company, to R&D. Can you talk about some of the things you're doing, why that's so important in the health area? By the way, is that a legacy of Pfizer? It is something that's developed since the spin-out?

KRISTIN PECK: I think what's really changed over the years is just we've been investing more and more into R&D. So since we IPOed, we've invested \$5 billion in R&D. And that's because we believe that science-based innovation is what our customers, and our customers are veterinarians or producers, are looking for. And we invest that across a myriad of technologies, and we have a very robust process by which we prioritize that. We look at every program, and we look at its probability of technical success and regulatory success, and we project what we think the value of that product will be, and we prioritize all that in a robust process.

But as you look at our spend in R&D, we grow it faster than all the other expenses of the company because we believe again, in investing in the new technologies of the future. And what's different about Zoetis is there are very few public animal health companies. And so when you're part of a large human pharma company, which is, you know, if you look at Merck or Boehringer Ingelheim, you know, is animal health going to get that incremental dollar? And for us, we only have one customer. We are focused on veterinarians serving animals. And so we always think about what is the highest invest

use, where are we going to make the biggest difference?

ALAN MURRAY: So one of the benefits of the spin-out is you're able to do that. You're able to devote those dollars to...

KRISTIN PECK: You know, as you look at it from a capital allocation perspective, I think the spin-out was really transformational. Because we look at our capital and say focus on animals, focus on the customer, how are we going to spend it? So we spend a lot of it, as we've talked about, in R&D, but we also spend it on manufacturing. So, for example, in monoclonal antibodies, you cannot make an animal health monoclonal antibody in the same facility as a human health. So are my human health competitors going to build \$100 million facilities for their animal health mAbs? You know, is that a tradeoff? So I think as you look at capital allocation, it's R&D. But it's actually broader in how we invest in business development and acquisitions as well.

ALAN MURRAY: Can you talk about how AI is affecting your R&D? Is it something that's going to have an effect in the future or is it having an effect now?

KRISTIN PECK: I would say if you want gen-AI right now, come to animal health.

ALAN MURRAY: Really?

KRISTIN PECK: Yes. By the way, I'm super passionate about this one, so I'll try to like temper it a little bit for you.

ALAN MURRAY: No, no, go wild.

KRISTIN PECK: I think generative AI has the potential to absolutely transform healthcare and particularly animal health by speeding up everything from early discovery – we've got partnerships there right now – to early research, to even our development pipeline. As you think about AI, it can read every study. As we're trying to solve chronic kidney disease, for example, which 10 million dogs and cats suffer from, how can we target, what do we need to be targeting to address that? And you can read millions of literature to figure out what mechanism might be the right one? And then you can take that into research and then you can take all these molecules and you can run it against that target. What would be most effective? And you can take out, not just months, but years from that process.

As you look at, you know, development, there's a lot of really, you can write the dossier while you're doing the trial. So if you look at an R&D process that can take seven years, we can cut years out of that. But that's not even – wait for it — it's not even the best part of it. You're going to get a better product because it's going to have much more robust research behind it before you launch it.

ALAN MURRAY: You've talked about the potential of AI. Is that a future potential or is that happening now? I keep hearing from people who have, from CEOs who have been very excited about the potential of gen-AI but haven't seen much return on their investment so far.

KRISTIN PECK: We are seeing significant return there, but we also have AI that's on the market. You asked me about R&D. If you look at what's actually on the market, we have an AI diagnostic, our Imagyst line, and it has six indications on it. And I think what's exciting about it is not just that it's there today, it's that it can really transform a veterinarian and a pet owner's experience. I sometimes joke that our pets get better healthcare sometimes than we do.

So you could write today, go to see a vet clinic who had an Imagyst there, and they could look at your fecal and tell you right away, do you have worms? Not your dog's got diarrhea, you think it does, they're going to take a sample, and they'll call you back in a day or two. You can find out in the same visit. They can show you a picture of it. More importantly, if your dog is really sick and you need to find out, you know, is that a cancer cell? By just uploading the image, we can tell you right away.

And we cannot just have, like an answer, we'll connect you with a pathologist on the phone with that vet so that in that same visit you don't go home anxious to find out

what's going to happen with that dog for a few days, until that sample gets back.

ALAN MURRAY: Why can you do that in animal health and not in human health?

KRISTIN PECK: Well, the advantage of animal health often is new technologies need to get a proof of concept. And so we will often get a lot of new technologies first...and by the way, just to be clear, the company, Tech, the name of the company we're partnered with is called Techcyte. And they were trying to move into human health and they needed to get a proof of concept, and we'll pay you for that, right? Because if not, they have to do it in animal models anyway or they're not going to get paid for it. And the next partner after us, to Techcyte, is the Mayo Clinic, who is also leveraging it. So it is in human health now.

ALAN MURRAY: So you're the first stop.

KRISTIN PECK: But we were the first stop. We're happy for any of those companies...

ALAN MURRAY: Fascinating. So it's really transforming the company.

KRISTIN PECK: It's transforming the company, and more importantly, it's transforming how veterinarians can take care of animals. To me, like that's what matters the most is

help the veterinarian be the hero at the end of the day and provide the best care, and make sure that pet owners don't have to live with anxiety that's unnecessary.

ALAN MURRAY: So let's talk a little bit about you. How did you end up in...I think you're the first female CEO of an animal health, of a big animal health business. It's not a field in which there are a lot of prominent women. How did you end up there? I mean, did you always know you wanted to be a CEO? You explained your connection to animals when you were younger, but what got you to this leadership position?

KRISTIN PECK: I did not always know. I actually thought I wanted to be a quarterback for the New York Jets, which maybe I could do right now. I don't know...

ALAN MURRAY: That's a cool start. That's a very cool start.

KRISTIN PECK: I mean I always thought, I always knew I'd work. My husband is here, I jokingly told him when we were dating that, just so you know, I'll always work, so make sure you're okay with that.

ALAN MURRAY: What did he say?

KRISTIN PECK: Great. He didn't blink an eye I will say. It was our third date I want to

say. But I don't think I really imagined being a CEO until probably the last seven to ten years, before I became one. I think I worked my career up and I needed to do something that I felt passionate about. And I was really excited when I was at Pfizer, on the Executive Team, to be looking at strategic alternatives for the animal health business. And I remember thinking, that's a business I could work for.

And in my individual development plan with the CEO at the time, Ian Read, I said the two businesses I would go with would be either our consumer business or animal health business, where I just felt more connected to it. And I was so blessed to be able, to have gone with the, when we were sort of IPO-ing and splitting it out, and getting an operating role. And it was really getting that operating role that made me really excited. It was interacting with customers and with veterinarians and seeing the difference we made and the purpose of the company. And kind of, as I went on, I thought maybe this is something I can really do. And it's something that I'm passionate about and I'm willing to invest in.

ALAN MURRAY: In my experience, I mean we've known each other for a while. We've had a number of these conversations. In my experience, you're not just passionate about the business. You're also passionate about leadership and how you lead and how you create a culture in your company. You do a podcast, which is, I was joking earlier that Kristin is horning in on my business. But it's a good podcast. Where did that come

from? Where did your ideas about leadership, your thoughts about how you lead, and I want to go into a little more depth about how you do think about that?

KRISTIN PECK: I guess I look back to my own personal purpose, you know, what gets me up every day. And I view my personal purpose as to inspire individuals and teams to achieve more than they think is possible. And I feel like if I can do that every day that would be amazing, but that's how I look at my day.

ALAN MURRAY: This was back when you wanted to be the quarterback for the New York Jets.

KRISTIN PECK: A little after. I mean when I saw that probably wasn't going to happen, then I had to come up with a new one. But yes, I think, I know what it's been like when leaders have inspired me and when people have believed in me and they've coached me. They've given me the hard feedback but in a constructive way, and I want to be that for others. And I think what was maybe a little difficult as a woman was when I was really young in my career, there weren't a lot of role models that you were seeing. And then as I got to my 30s, I started seeing a lot more different types of leaders – women and men that I thought inspired me.

And I always say to people when they're saying like, what's your advice, I say do

something you love and follow people who inspire you. Because if you're with somebody who is inspiring you, you're going to take risks. They're going to take risks on you. And you're going to continue to learn and grow. And I guess when I look at the culture of Zoetis, I think we have an incredibly unique culture that we invest very, very deeply in. We have five core beliefs that are the foundation of that. And I think that really sets us apart.

And as you look at some of the struggles in the world that we face since I became CEO – Covid, social unrest, political unrest, you know, war, natural disasters, which in animal health have much more severe implications often – you have to have people who really believe deeply. It is a tough place to be, and I really find it inspiring.

ALAN MURRAY: Can I ask you, the five?

KRISTIN PECK: Sure. First and foremost, our colleagues make the difference. Second is we're customer-obsessed. Third, we need to always operate as one Zoetis collectively. Run it like you own it. And that's really important from our Pfizer days, which I can explain. And do the right thing. I say run it like you own it because at Pfizer there was a joke that no matter what we did, we finally hit \$4 billion in revenue and we got one line in the press release, kind of nothing really mattered that we did. And the difference at Zoetis is everything we do matters, and every colleague matters. And I

think that's really fundamental. So this, you should run this like it's your business because everything we do really does make a difference.

ALAN MURRAY: You said that you had leaders who you followed who you were inspired by. Is there any that stand out that you would point to? I read the piece on your personal board of directors, which was very interesting.

KRISTIN PECK: Yes, I mean, as you referenced, I believe everyone needs a personal board at all times, which is a set of people, when you call them and you say I'm calling for a board call, they're not here to tell you, yeah, that guy's a you-know-what. It's someone who is going to give you advice that is honest. And I have been very, very fortunate throughout my career to have so many different leaders be willing to tell me the difficult thing I didn't want to hear in moments.

One of those people, as you probably remember, was Yvonne Jackson at Pfizer. But there were so many. David Shedlarz, who took the bet on me at the time to head Strategy and Innovation, and some of my colleagues from back in those days are here today. You know there are so many people who took bets on me and believed in me and I want to make sure I pay that forward.

ALAN MURRAY: I mean I feel strongly, you know, having covered this for a long time,

that the nature of business leadership has changed in recent years, and that there are fundamental factors that are driving it. But I'd love to hear you talk about that a little bit. What is your leadership style and how you see it as potentially different from what you saw as you were coming up in your career?

KRISTIN PECK: Yes, I remember preparing to be CEO at the beginning of 2020 and what I thought my year was going to be like. And my predecessor was an absolutely talented, wonderful Spanish man who was super sophisticated, very formal. His hair was never out of place, and I guarantee mine is right now. And I thought the expectation was a more formal, you know, more serious CEO.

And then Covid happened and I was going to tour the world and give speeches. But then the reality of we had real problems, you know, we were all on the same page. And I decided that maybe I could just be myself, and I'm a much more casual person. And it was such a blessing to be able to be authentic. I'm a very empathetic person and to be able to, as a woman sometimes you have a fear that if you act that way, you'll be perceived as weak.

And it was an incredible blessing because I was struggling with two kids at home and home-schooling them and figuring it out. And I started, as you probably remember, posting on LinkedIn, like I created a blackboard with our schedule because I felt like I

needed structure. And we put a little fun, we played family Uno every...and so people were like, wow, she's actually a real person. I mean what amazes me is how many people meet me and think I don't even have kids.

And so I really felt like leadership and inspiring people is about meeting them where they are. So you have to spend a lot more time listening to why, like how do they feel, and why do they feel that way. And I've realized this job is not really about speaking, it's actually about listening.

ALAN MURRAY: It's fascinating, and different.

KRISTIN PECK: It was definitely different than what I thought it was, but I love what it is, way more is that I would say. It matters a lot to me.

ALAN MURRAY: Yes, well, and you do it very well. Barbara, am I allowed to ask for questions from the audience? I have a lot more questions, but I thought I'd just stop and take a couple.

KRISTIN PECK: Whatever...you're in charge.

ALAN MURRAY: I can go for a long, long time. Kristin and I really enjoy talking with

each other, but if anybody has something that they want to get in right now. Yes, sir..

KRISTIN PECK: I think they're waiting for a microphone for those on the line.

QUESTION: You mentioned that the veterinarians are your only customers and so it's easy to focus on them. We know that clinicians in the veterinary space or animal health space, but also in human health are overworked, burning out. What kind of things are going on to manage or mitigate...

ALAN MURRAY: Great question. Is the same thing happening in...

KRISTIN PECK: Yes, and we actually have a number of our customers here today as well. The workforce challenges in the veterinary space are real. You'll see a lot of it. I would actually say they're also a little more unique in the veterinary space. What you probably also don't know is mental health is a massive issue and has been for a long time in the veterinary space. Veterinarians are more likely to commit suicide than almost any other profession, for a few reasons.

One is they're normally in small clinics and they're isolated. Most people don't come in with insurance and you have to make life or death decisions on an animal and whether or not you're going to recommend. And these are very, very challenging. They graduate

– it's harder to get into vet school than med school – they graduate with tons of debt.

They don't make the same amount of money as a physician, so the financial burden of veterinarians is high.

And so I think we're looking at just, there's also, they're not normally trained at how to work as a team. And so we're really focused on both scholarships through the Zoetis Foundation to lower the financial burden, providing more skills and training for mental health. But the challenges you see in human health exist in animal health. And I would actually say in certain ways, you know, have been even more challenging. So I think we're really focused on how do you strengthen the profession. It's really important.

And, by the way, right now we're focusing a lot on the pet care vets, but getting, convincing some of the graduates to work in rural America and serve livestock is even harder. It's an incredibly lonely job. That is a seven day a week job. Those animals are there every day and you're going to have to serve them every day. So convincing people to enter livestock has actually been really challenging. I think there's a bunch of programs who are sponsoring, with the government as well, to try to encourage more people to enter that.

ALAN MURRAY: Is there sufficient training for the people you need?

KRISTIN PECK: Which is actually one of the new, there's new vet schools opening up. Long Island University is here today, for example, which is one of the new vet schools. And I think what we're trying to do is be able to graduate more vets and more vet techs to address the shortage. Because also what people may not appreciate in the veterinary space is the vast majority of graduating vets, over 80% are women, and the majority of vets are women, over 60% of vets are women. And they're trying to balance, like we all are, a career and work life.

And they're not, you know, the vets, when I was growing up were almost all men and they worked a million gazillion hours. And so you also have to balance the evolution for vets. You have more millennials and Gen-Zs, right? And what is the lifestyle and the balance that they want? And that means fewer hours, which means you're going to need more vets. So there are definitely more vet schools now that are producing more vets, but we also have to make sure that they enter a space that they feel like they can be successful in as well.

ALAN MURRAY: Was there another question?

QUESTION: Just a quick question. You mentioned chronic disease with kidneys. So I have a dog that has melanoma and he's being treated with Oncept. It's very expensive. Does Zoetis have something set aside for those who – I don't have a problem – but

those that don't have the means to deal with that kind of disease?

KRISTIN PECK: Sure. I mean chronic kidney disease unfortunately today does not really have any cures or any effective treatments. It's much more managing the symptoms as best you can, and that is actually what I lost my dog, Poppy, too last year, chronic kidney disease. And it's unfortunately very, very challenging. So we don't actually have a product today. It's one of our biggest focus areas for our R&D pipeline. We're heavily invested in renal and chronic kidney disease. I mean it affects cats dramatically as well. And it is really tough because the care, there are not great treatments.

Veterinarians, one thing they wish they could, we could come out with, it's that. And so we're really focused from an R&D perspective. It's a huge market if you could do it, but honestly there really are no great treatments today for chronic kidney disease. So as we've mentioned, in our pipeline product areas, it's one of our biggest focus areas. We actually think it's the next billion-dollar market within animal health.

ALAN MURRAY: And I think if I heard the question correctly, it was also about the affordability issue. I mean, do you have programs to deal with people who can't afford the care?

KRISTIN PECK: It's a little, obviously different, obviously there is pet insurance for people. I have pet insurance. I highly recommend it. But for those who don't, we have Zoetis Pet Care Rewards where you can take your bills at the vet and any of the products you buy, we'll give you dollars back to spend at the vet. So you can buy anything. You don't have to buy my products. It can be for whatever care. So we try to do that. But it is, it's definitely a challenge.

And I think what's really exciting to me is the different veterinary models that are starting to pop up to address different segments of the market. Everything from the most concierge, expensive, to really simple vaccine clinics and being able to provide better care at a lower cost point as well, because it is a challenge for a lot of pet owners.

ALAN MURRAY: Another question back here...

QUESTION: Hello. This is just fascinating. Thank you. I'm so glad I came. I was just curious how Zoetis, if you do at all interact with not-for-profit, like animal welfare organizations? Do you get involved in that in any way?

KRISTIN PECK: Yes, so we have the Zoetis Foundation. And the Zoetis Foundation basically, you know, our focus, we're pretty focused at our foundation, it is to support the veterinarians and the producers and those animals. Actually Jeannette Ferran

Astorga of our organization, who is with me today, you know, oversees that. And we make investments across the globe to support both the careers of veterinarians as well as support animals. So we're quite active across that. Adopt a Pet, we're quite active with as well with shelters and things like that.

ALAN MURRAY: So, Kristin, I want to get you now to look forward a little bit. I mean you took over right before the pandemic. You had this incredible pandemic experience. We are where we are today. What do you see as the big opportunities in the year ahead? And what do you see as the big risks?

KRISTIN PECK: Well, as I look at some of the opportunities in the years ahead, for starters, continuing to build on just incredibly strong franchises in parasiticides where we've got Simparica, Simparica Trio, Revolution, Rev-Plus. That's again an over billion-dollar market. As you look at like last quarter, it was growing 26%. So, you know, really high growth there. Our dermatology market, which is continuing to grow, it grew at 16% last quarter, building on our pain portfolio, which last quarter grew at 123% on Librelva and 104% total, on our total global pain portfolio. So really excited to continue to grow there, but also really excited about our pipeline and about our future growth.

Chronic kidney disease, as I mentioned before, is one of the areas we're really, really focused on. We're focused on oncology and cardiology. And then in livestock, really

looking at more genetic testing, more vaccines, more immunomodulation. And then lastly, I know I said it before, AI, I think, is a huge opportunity, building on what we have on the market, but continuing to see how we can also accelerate our R&D programs.

ALAN MURRAY: Any big risks you see out there in the year ahead?

KRISTIN PECK: Well, in this day and age, there's lots of them. Certainly external risks, such as geopolitical, etc. But it's one of the things, I think, people under-appreciate about animal health, which is it's incredibly resilient. We say it's recession-resistant. So even if I look at macroeconomics, even in challenging times you're still going to take care of your dog.

ALAN MURRAY: Really? So you don't see much of an effect from economic cycles.

KRISTIN PECK: Eighty-six percent of people who own a pet would pay whatever it takes to take care of that pet. And actually if you told those same people they were going to have a 20% reduction in their income, they wouldn't change what they spend on their pets. And, you know, they may trade down in their protein, so instead of eating so much beef, you may have some chicken, but people are still going to eat. So the macro-dynamics, and we're very global so sometimes one market will have a challenge and another market will be stronger, or one species will be better. So beef is down,

maybe chicken goes up. So that's what's really interesting about the company and 8% compound annual growth over all this time. Even in 2009, in the last recession, animal health still grew.

ALAN MURRAY: Do investors realize that?

KRISTIN PECK: I mean it's one of the big selling points. I think it's what investors like about it. You know, as you look at, even Pfizer, why did it consider separating out the animal health business, is that the inherent nature of animal health's economics are just very different than human health. We don't have a lot of single product LOE risk. We still sell our products long beyond that.

Our R&D time line is faster because we start in our primary species. We don't have third-party insurance risk like they do with a single-party insurer that approves your product or doesn't. By the way, it also changes our economics. We've got to be able to produce a product that you can afford to pay for. And so our monoclonal antibody is \$100 a month versus \$10,000 a month. But we can do that at a cost where we make quite a nice profit.

ALAN MURRAY: Yes, by the way, we should point out, I mean, what was the stock price at the time of the IPO?

KRISTIN PECK: So we IPOed at \$26 in 2013, and if you had spent \$1,000 on that, you would make \$5,000 today.

ALAN MURRAY: I wish you had told me. I was just down the road. I wasn't far away. I would have like to have done that. That's really fascinating. You probably notice that we had an election a few weeks ago.

KRISTIN PECK: Really?

ALAN MURRAY: Yeah, yeah, it was a big thing. And literally, I mean the number of policies that are up in the air because of the changing administration, whether it's trade policy, tax policy, regulatory policy, almost across the board, anything that the DOGE decides to dive into, just a lot of things that could possibly change because of that election. Is there anything there that you're either excited about or worried about?

KRISTIN PECK: You know, like every CEO in every company...

ALAN MURRAY: You can't say I'm not going to talk about it...

KRISTIN PECK: Oh, no, I won't. I'll say, like every CEO, we obviously have been running scenarios on different policies under different administrations. You know, what I

always say is, what we're focused on in every market where we operate, with any political change, is making sure that the environment is pro-growth, is pro-innovation, and is pro-science.

And so as we think about this, how do we make sure we do that? We produce globally, you know, across the world, so we're really focused on working obviously with, our many regulators in the U.S. We're actually regulated by the FDA and the USDA and the EPA. So anyone who would like to get rid of regulation, that sounds like a good idea. But we want a strong FDA. So we want to be clear that we actually think that a strong FDA who believes in science and innovation gives veterinarians, gives pet owners, gives livestock producers, and consumers' confidence in the product.

So we're really looking forward to working with the administration. Obviously, you know, taxes would be good news, if they reduced taxes for us. And tariffs, I'm not sure, you have to pay attention every morning to see what the new tariff policy is.

ALAN MURRAY: Is it potentially a big issue for you?

KRISTIN PECK: I don't think it's a big issue, but we're obviously modeling what would tariffs be. So I mean, you know, all these global issues are something we focus a lot on and we're modeling and trying to make sure that...

ALAN MURRAY: And on that point, do you think differently than maybe you did at the time, or maybe the company did at the time of the spin-out about what it means to be a global company and how you operate as a global company? Do you focus more on local markets? Is it less globalized than it was ten years ago?

KRISTIN PECK: I think local markets have always really mattered in animal health. What's different about animal health is that animals actually get different diseases in different markets. The environments they live in are quite different. So whereas in the U.S. we make Simparica Trio for flea, tick, and heartworm, in most of Europe they don't have heartworm so that product is not going to be huge. We can sell Simparica but heartworm is not...so you really have to be thinking locally in our business. There are so many diseases that are very local.

So we, when we do R&D, we start with the market and we build up. And there's some, you know, broad things. The bad news for all of us is there's fleas and ticks everywhere, but some of the worms will be different in different markets. So we really do think local and make sure that you meet your customer's needs locally. What products, how they're regulated actually varies dramatically for us, market by market. Is the parasiticide a prescription or not a prescription? That really depends. So I think staying local has always been important. We set sort of global guidelines and global approach but we execute everything locally because I think that's what you need to be doing in a

business where it is really different locally.

ALAN MURRAY: And we talked about opportunities and risks over the next year, but can you take more of a ten-year time line? Like what's your grand ambition for Zoetis? Where would you like to see it go over the course of the next decade?

KRISTIN PECK: I'd like to help us create new markets to solve serious unmet medical needs. Certainly chronic kidney disease is the biggest one. As you look at oncology, I think there's some new opportunities in oncology and animal health to radically transform it. I think the willingness of consumers to now address some of these conditions that were honestly just death sentences historically. You know, if you look at cardiology, as you look at diabetes, there are significant areas of unmet medical need.

We're also really excited on the livestock side to figure out more sustainable ways of production. Creating vaccines for more diseases to keep animals healthier. Looking for alternatives to antibiotics. I really think, again, the humanization of pets, I don't see there's going to be any change in that. And so we've got to be able to create new solutions for vets and pet owners.

ALAN MURRAY: The potential market, as pets become more humanized, the potential market for Zoetis is huge.

KRISTIN PECK: But five to ten years ago, oncology was something that not a lot of people were going to put money into because no one really thought that pet owners would actually treat it. But I think two things have happened. The pet owners are willing to treat it, but I also think the technologies out there that can be targeted, you know, we understand them much better. As the world leader in monoclonal antibodies, we have a much better sense of where we can leverage this technology to address so many different diseases.

ALAN MURRAY: And we can learn things that could, as you said earlier, could be eventually applicable to humans.

KRISTIN PECK: Absolutely. But I also think you're also going to find out which pet is going to be able to benefit from which drug better. So I think what's really, you know, if you look at even human health, and there's a lot of parallels, if you've got non-small cell lung cancer, exactly what type is it? Exactly which product? I think you're going to see that in the animal health space. And I think five to ten years ago that would seem like a dream.

ALAN MURRAY: Last question for you. You've had an incredible ride for the last four or five years in this job. What are the lessons that you've learned in that ride that you think are applicable to other leaders who are trying to make significant transitions in their

companies? Because pretty much everybody is.

KRISTIN PECK: Yes, it's funny, this is the end of my fifth year as CEO, and I have been reflecting a lot about what have I learned and what do I want to do over the next few years. And the first thing is that uncertainty is a constant. And so it's part of that, embracing uncertainty and seeing the opportunity in it. To either engage more deeply with your colleagues or your customers through that.

The second is invest in culture and colleagues. And, you know, one of the controversial things that I always said when I was actually running to be CEO is I would put colleagues first ahead of customers. And everyone said why would you do that? And I said, because I've never met a thrilled customer if there wasn't an engaged colleague at the other end of that conversation. What the customer expects is the person they're speaking to to be knowledgeable, to care, to go the extra mile. And I think if you invest in your colleagues, you've got a much better sense.

The third is we need to really continue to invest in science and in innovation. And we've got to be able to execute against that. Not just come up with great ideas, but actually create those markets and make that accessible to as many people as we can.

The fourth thing that I think I've really learned over the last few years is you need to be

agile. So much of the last few years has been pivoting resources. You know, you've got a war in Russia and Ukraine, you've got to be able to pivot quickly where are you moving that to? Covid was a great lesson in that, some of the supply challenges that came after Covid where human health got a lot of the resources. So being agile and getting people comfortable with that.

And the last thing is the importance of purpose. And that is understanding your company purpose, and at Zoetis it's to nurture the world and humankind by advancing care for animals. But it's also important to understand your individual purpose. And as their leader, understanding what the purpose of the people around the table are. How do you help them achieve their goals? Because I think when you help them achieve their goals, they're going to do whatever they can to achieve the collective goal as well.

ALAN MURRAY: Yes, it's really inspiring. I hope you keep doing this for a long time. Do you plan to keep doing it for a long time?

KRISTIN PECK: I plan to keep doing it, yes.

ALAN MURRAY: I don't know if you've seen the new book out called, *The Life Cycle of a CEO*, that looks at...

KRISTIN PECK: Apparently I'm like due in a few years to be kicked out.

ALAN MURRAY: But, but if you make it through that valley, your best performance, did you see this part of it, best performance is year 14. Can you do it?

KRISTIN PECK: Wow! I mean, okay....

ALAN MURRAY: We'll be cheering. Thanks so much.

PRESIDENT BARBARA VAN ALLEN: So thank you both for your time today. I want to just mention that we have more outstanding conversations online, On Demand. This is our podcast, The Forum, that's hosted by Becky Quick. So wherever you get your podcast, this will give you something to do over the holidays.

We're busy putting together an excellent calendar of events for 2025. You can see on the back of your program that it's starting to really take hold. There's lots more in the works, both here in New York and for Florida.

And finally, as always, we want to take a moment to recognize those members of the Centennial Society who are with us this morning as their contributions represent the financial backbone for all that we do. Thank you everybody for joining us. Please have a

wonderful holiday. For those participating virtually, we're going to say goodbye. For those in the room, please enjoy your lunch. Thank you.