

## Zoetis, Inc. (ZTS, \$33.82)

Initiating Coverage with Buy Rating and \$40 Price Target: This Horse Still Has Room to Run

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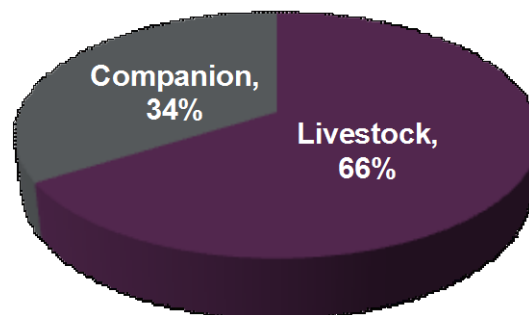
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## Who Is Zoetis? A Company Overview

### **ZTS is the largest global Animal Health company in the world, with sales of \$4.2B in 2011**

- Pfizer is a global biopharmaceutical company with 2011 sales of \$67.4B.
- Pfizer established ZTS (formerly known as its Agricultural Division) in 1952.
- In June 2011, Pfizer began exploring strategic options for its Animal Health and Nutrition businesses.
- In January 2012, Pfizer initiated the design process for Animal Health to be a stand-alone public company.
- On 8/13/12, Pfizer announced that ZTS had filed an initial S-1 for an IPO targeting 1H13.
- IPO Details:
  - Date: 1/31/13
  - Price Range: \$22.00 to \$25.00
  - Priced at: \$26.00
  - Closing price on first day of trading: \$31.50 (21% from where deal was priced)
- Following the IPO, PFE retained ~80% ownership of ZTS. PFE may make a tax-free distribution to its shareholders of all or a portion of its remaining interest in ZTS by the end of the year, but there is no obligation to do so.
- ZTS's Transitional Service Agreements (TSAs) with Pfizer last through 2016. Under these agreements, Pfizer will continue to grant Zoetis the right to use certain services and resources related to corporate functions, such as business technology, facilities, finance, human resources, public affairs, and procurement.
- ZTS sells products for Companion Animals and Livestock; it was the leader in the following areas, by 2011 sales:
  - #1 Market position in North America, Latin America, Eastern Europe, and Asia
  - #1 Market position in Anti-Infectives and Other Pharma (pain, sedation, internal medicine etc.)
  - #1 Market position in Cattle and Swine

### **2012E Revenue Breakdown by Companion Versus Livestock**



Source: Guggenheim Securities, LLC and Company Reports

# Investment Thesis

## Zoetis (ZTS): Initiating with BUY Rating and \$40 Price Target

### Our investment thesis:

- 1) Global trends (population growth, emerging markets, climate change) over the next several decades support the need for ZTS's products.
- 2) ZTS has several sustainable competitive advantages, including global reach, high quality manufacturing, and sales diversity.
- 3) Animal Health has favorable dynamics versus Human Health (limited generic competition, less pricing pressure, and better R&D leverage).

### Performance Drivers and Potential Stock Catalysts:

- 1) Operating margin expansion; we expect 400 bps driven by sales leverage between 2012 and 2014
- 2) New product launches, 2/3 of ZTS's pipeline as of 1/1/12, could reach market by 2015
- 3) Business development, bolt-on acquisitions in 2013 and 2014
- 4) Expansion into adjacent categories, diagnostics, genetics, devices, and services
- 5) U.S. drought subsides, feed costs decline in 2H13
- 6) Strong flea and tick season, April through September (or 2Q13 and 3Q13) in the U.S.
- 7) Zoetis expects to file its 10-K by the end of March

### Where are we different?

- 1) Conference Call 4/11/13 with Mark McMinimy, WRG Agribusiness Policy Analyst, to discuss his 2013 Outlook for the Animal Health industry.
- 2) Animal Health Corporate Access Day on 5/23/13 in New York City.

*Please contact your Guggenheim salesperson for more details on our upcoming events*

## Zoetis (ZTS): Valuation and Risks to Our Price Target

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**We use a blend of P/E, DCF, and Sum-of-the-Parts analysis to get to our 12-month price target of \$40.**

**Risks to our valuation include:** 1) separation from Pfizer is more expensive or takes longer than anticipated; 2) operating margin expansion is below the Street expectation of 400bps between 2012 and 2014; and 3) increasing generic competition for key drugs that do not have patent protection.

➤ **Our P/E analysis arrives at a 12-month share price of \$36.**

- We believe stocks with leading market share and sustainable, organic double-digit earnings growth deserve to trade at a 20.0x to 25.0x forward P/E multiple.
- We estimate ZTS will have organic, mid-single-digit sales growth and double-digit net income growth over the next five years.
- We arrive at our share price by applying a 22.0x P/E multiple to 2014E EPS of \$1.61.
- Perrigo and Allergan are good comps for ZTS, in our view. They have historically traded at over 20.0x forward P/E.

➤ **Our DCF analysis arrives at a 12-month share price of \$41.**

- We use a WACC of 9.6% and an exit multiple of 12.0x forward EBIT.
- This compares favorably to its peers, which trade, on average, at a forward EV/EBIT of 14.4x.

➤ **Our Sum-of-the-Parts analysis arrives at a 12-month share price of \$45.**

- This is our most aggressive valuation methodology. We have excluded any redundant overhead to determine what each division would be worth if the company were broken up and/or acquired by another company.
- We use an exit multiple of 9.0x EBIT for its Livestock business, 6.0x EBIT for its Companion business, and 1.0x EBIT for new product opportunities.
- This compares favorably to other companies that have been acquired in the Animal Health industry. These companies have been acquired for, on average, 11.8x historical EV/EBITDA.

## Zoetis (ZTS): Bull, Bear, and Base Case Analyses

Scenario	Valuation	Investment Thesis
<b>BULL CASE</b>	<b>F2014E EPS:</b> \$1.73 <b>12-Month Bull-Case Scenario:</b> \$45 <b>Upside/Downside Potential:</b> +33%	<ul style="list-style-type: none"> <li>•5-year sales and EPS CAGRs of 10% and 20%, respectively</li> <li>•Over 400 bps of margin expansion from 2012 to 2014</li> <li>•Business development in 2013</li> <li>•Greater potential for dividend increase</li> </ul>
<b>BASE CASE</b>	<b>F2014E EPS:</b> \$1.61 <b>12-Month Base-Case Scenario:</b> \$40 <b>Upside/Downside Potential:</b> +18%	<ul style="list-style-type: none"> <li>•5-year sales and EPS CAGRs of 7% and 15%, respectively</li> <li>•330 bps of margin expansion from 2012 to 2014</li> <li>•No additional business development in 2013</li> <li>•1% dividend yield in 2013 and 2014</li> </ul>
<b>BEAR CASE</b>	<b>F2014E EPS:</b> \$1.53 <b>12-Month Bear-Case Scenario:</b> \$32 <b>Upside/Downside Potential:</b> -5%	<ul style="list-style-type: none"> <li>•5-year sales and EPS CAGRs of 5% and 10%, respectively</li> <li>•Below 300 bps of margin expansion from 2012 to 2014</li> <li>•No additional business development in 2013</li> <li>•Greater potential for dividend decrease</li> </ul>

Source: Guggenheim Securities, LLC and Company Reports

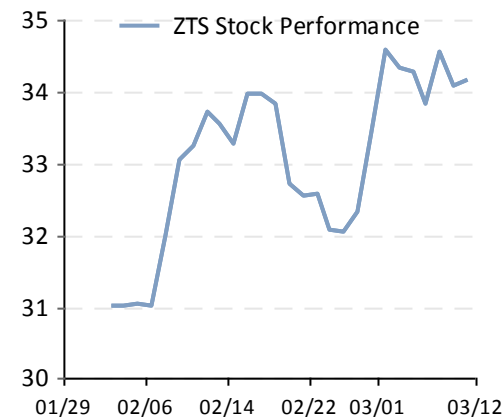
# Zoetis (ZTS): BUY, \$40 Price Target

## Guggenheim Financial Metrics vs. Consensus

### Zoetis

	Guggenheim		Consensus	
	2013E	2014E	2013E	2014E
<b>Revenue (\$M)</b>	<b>4,527</b>	<b>4,820</b>	<b>4,548</b>	<b>4,813</b>
<b>EBITDA (\$M)</b>	<b>1,213</b>	<b>1,363</b>	<b>1,252</b>	<b>1,406</b>
<i>EBITDA Margin</i>	<i>26.8%</i>	<i>28.3%</i>	<i>27.5%</i>	<i>29.2%</i>
<b>Adj. EPS (\$)</b>	<b>\$1.40</b>	<b>\$1.61</b>	<b>\$1.34</b>	<b>\$1.56</b>

## Stock Price Performance Since IPO on 1/31/13



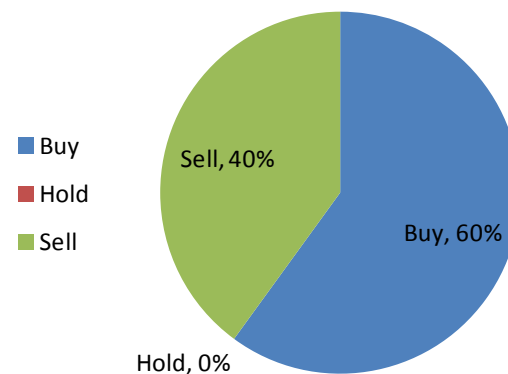
## Selected Financial Data

### Zoetis

Ticker	ZTS
Rating	Buy
Price as of 03/12/13	\$33.82
Target Price	\$40.00
Upside/Downside	18.3%
Dividend Yield	1.0%
1 Yr Price Change	NM
Shares Outstanding (M)	500
Avg. Daily Volume (M)	4,659,332
Market Capitalization (\$M)	16,910
Net Debt (\$M)	3,350
Enterprise Value (\$M)	20,260
EV/EBITDA	14.9 x
P/E	21.0 x

Source: Guggenheim Securities, LLC, Company Reports, and Factset

## Consensus Recommendations



### Sell-Side Target Prices:

Low	Mean	High
\$28.00	\$33.00	\$41.00

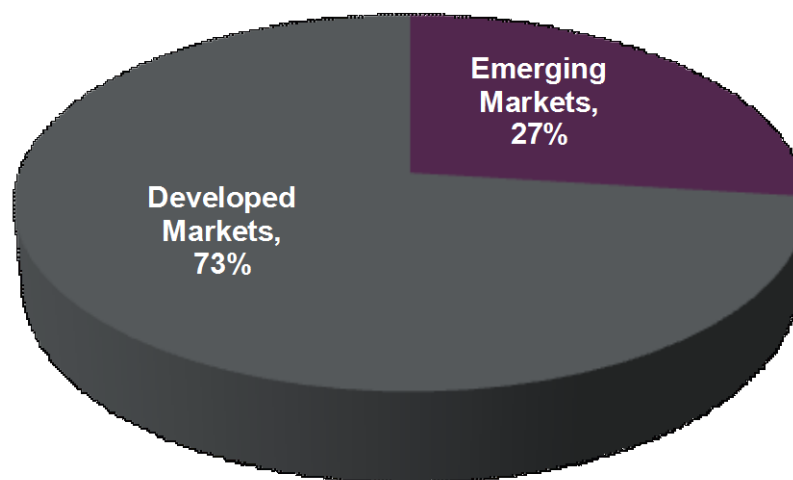


## Zoetis (ZTS): Investment Thesis

### #1: Global trends over the next several decades support the need for Zoetis' products

- Global population growth will drive the need for animal proteins. According to the United Nations World Population Prospects, the world will add over 2B people by 2050.
- Livestock producers need to create more with less, given resource constraints (arable land, water shortages, climate change).
- Increasing global trade, human migration, and climate change could increase the spread of infectious diseases.
- Pets are increasingly well treated. As the population ages, companion animals are critical to the health and well-being of their owners.
- Economic development in Emerging Markets drives the demand for animal protein (meat, eggs, and dairy). This demand will likely more than double over the next 40 years. On average, the five-year sales CAGR (2011 to 2016E) for Animal Health products in the Emerging Markets is estimated by Vetnosis to be 7.5% to 7.9% and 4.4% to 4.5% for Developed Countries.

**2012E Revenue Breakdown by Developed and Emerging Markets**

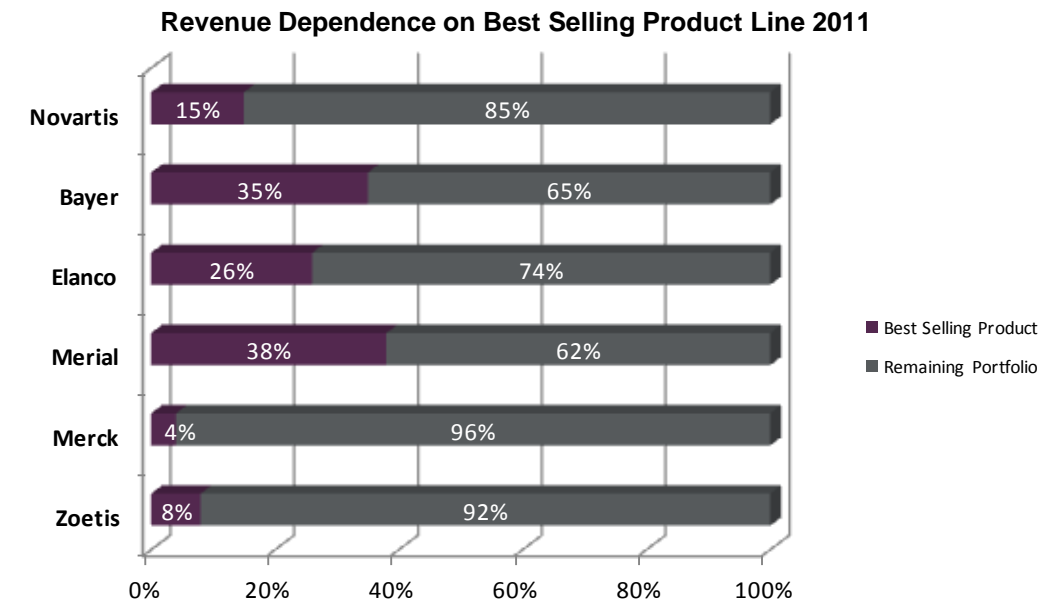


Source: Guggenheim Securities LLC and Company Reports

## Zoetis (ZTS): Investment Thesis (cont.)

### #2: Zoetis has several sustainable competitive advantages

- **Global reach** – This reduces seasonality and offsets economic and weather conditions that may affect one area of the world. Zoetis operates across four regions: U.S., Europe/Africa/Middle East, Canada/Latin America, and Asia-Pacific. Its products are sold in more than 120 countries. It has roughly 9,500 employees with more than half working outside of the U.S. This provides a natural hedge against currency effects.
- **High quality established manufacturing network** – Manufacturing is not a commodity in Animal Health. It is complex and often needs to be located close to the customer. Zoetis has 29 manufacturing sites worldwide supported by Anchor Sites (13) and Satellite Centers (16). In 2011, Zoetis had 170 inspections with no critical findings.
- **Sales diversity** – Zoetis is one of the least concentrated players in the Animal Health industry. Its top 10 selling products accounted for ~38% of 2011 sales (\$4.2B), and its #1 selling product accounted for ~8% of 2011 sales.



Source: Guggenheim Securities LLC and Company Reports

## Zoetis (ZTS): Investment Thesis (cont.)

### #3: Animal Health has favorable dynamics versus Human Health

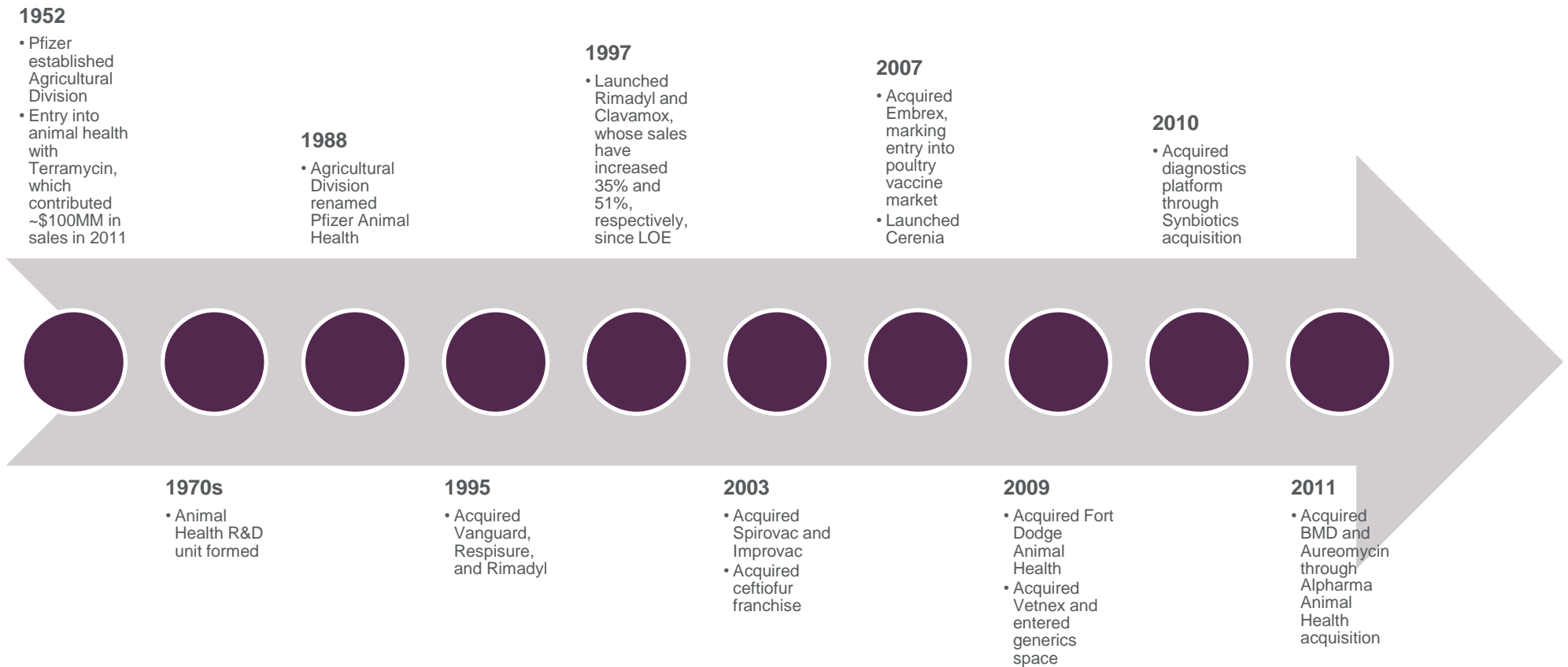
- **Less pricing pressure than human health** – Purchasers make decisions without the influence of the insurance companies or government payors that are often involved in product and pricing decisions in human healthcare. Zoetis sells its products to Veterinarians (who in turn sell to Pet Owners) and to Large Producers. Livestock Producers and Pet Owners generally pay for animal healthcare out of pocket.
- **Limited generic competition for the foreseeable future** – Animal Health products can continue to grow post loss of patent exclusivity (LOE); two key examples for Zoetis include Rimadyl (sales have increased 35% since LOE) and Clavamox (sales have increased 51% since LOE). Human drugs usually lose 90%+ of sales within months of patent expiration or loss of brand exclusivity.
- **Better R&D leverage than human drugs** – Animal R&D is faster to market. It has less risk and fewer costs. The cycle times for poultry are 45 days, swine 180 days, and cattle two to three years. Cycle time is defined as the period it takes for a drug's effect to be manifested. The chart below demonstrates the fact that it could take more than 2x as long for a human drug to make it through clinical trials versus an animal drug.



Source: Guggenheim Securities, LLC and Company Reports

## Company Overview

# Zoetis (ZTS): Timeline of the Company's History



Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Key Drugs

Drug Name	Therapeutic Class	Companion/Livestock	Primary Species	Description	Additional Comments
<b>Aureomycin</b>	Anti-infective	Livestock	Cattle, poultry, sheep, swine	Provides livestock producers treatment and convenience against a wide range of respiratory, enteric and reproductive diseases	
<b>BMD</b>	Anti-infective	Livestock	Cattle, poultry, swine	Aid in preventing and controlling enteritis, thereby increasing rate of weight gain and improving feed efficiency	
<b>Bovishield line</b>	Vaccine	Livestock	Cattle	Aid in preventing diseases, including infectious bovine rhinotracheitis (IBR), bovine viral diarrhea (BVD, Types 1 and 2), parainfluenza3 (PI3) virus and bovine respiratory syncytial virus (BRSV)	
<b>Ceftiofur line</b>	Anti-infective	Livestock	Cattle, horses, sheep, swine	Broad spectrum cephalosporin antibiotic active against Gram-positive and Gram-negative bacteria, including beta lactamase producing strains, with some formulations producing a single course of therapy in one injection	Several patents cover this product line, including formulation and use patents that begin expiring in the U.S. in 2015, others extend until 2024
<b>Clavamox/Synulox</b>	Anti-infective	Companion	Cats and dogs	A broad-spectrum antibiotic and the first and only potentiated penicillin approved for use in dogs and cats	Launched in 1997, lost patent exclusivity in the U.S. in 2002 and revenues have increased 51% since 2002, despite generic competition
<b>Convenia</b>	Anti-infective	Companion	Cats and dogs	First antibiotic for skin infections in dogs and cats that provides a course of treatment in one injection	Launched in 2006, patents expire in 2023 in U.S.
<b>Cydectin</b>	Parasiticide	Livestock	Cattle, sheep	Injectable or pour-on endectocide to treat and control internal and external cattle parasites, including gastrointestinal roundworms, lungworms, cattle grubs, mites and lice	
<b>Dectomax</b>	Parasiticide	Livestock	Cattle, swine	Injectable pour-on endectocide, characterized by extended duration of activity, for the treatment and control of internal and external parasite infections	Compound patent expired in all regions, process patents and injectable formulation patent do not expire in the U.S. until 2020 and 2016, respectively
<b>Draxxin</b>	Anti-infective	Livestock	Cattle, swine	Single-dose, low volume antibiotic for the treatment and prevention of bovine and swine respiratory disease, infectious bovine kerato conjunctivitis and bovine foot rot	Launched in 2004, patents expire in 2021 in U.S.
<b>Eazi-Breed CIDR</b>	Other	Livestock	Cattle, sheep	Progesterone-releasing device for the control of estrus cycle	
<b>Embrex devices</b>	Other	Livestock	Poultry	Devices for enhancing hatchery operations efficiency through <i>in ovo</i> detection and vaccination	
<b>Improvect/Improvac</b>	Vaccine	Livestock	Swine	Reduces boar taint without the need for surgical castration	Launched in 2011
<b>Innovator/Duvaxyn West Nile Virus Vaccine</b>	Vaccine	Companion	Horses	Vaccine for the West Nile Virus for horses	From Wyeth acquisition in 2009
<b>Lincomycin line</b>	Anti-infective	Livestock	Swine, poultry	Aid in preventing and treating Chronic Respiratory Disease associated with Mycoplasma and coliform infections in growing chickens and for the treatment of swine dysentery	
<b>Lutalyse</b>	Other	Livestock	Cattle, swine	For estrus control or in the induction of parturition or abortion	
<b>ProHeart</b>	Other	Companion	Dogs	For dogs	From Wyeth acquisition in 2009, ProHeart 6 provides 6 months of heartworm prevention in one injection
<b>RespiSure line</b>	Vaccine	Livestock	Swine	Aid in preventing chronic pneumonia	
<b>Revolution</b>	Parasiticide	Companion	Cats, dogs	Protects against adult fleas, flea larvae, heartworm, ear mites and other parasites such as sarcoptic mites and American ticks for dogs, and roundworms and hookworms for cats	Compound patent expires in U.S., Canada and Europe in 2014
<b>Rimadyl</b>	Other	Companion	Dogs	First approved non-steroidal anti-inflammatory associated with osteoarthritis and for the control of postoperative pain associated with soft tissue and orthopedic surgeries	Launched in 1997, lost patent exclusivity in the U.S. in 2001, but has grown 35% since 2001 despite generic competition, 2011 sales of ~\$336MM or 8% of overall sales
<b>Rispoval line</b>	Vaccine	Livestock	Cattle	Aid in preventing three key viruses involved in cattle pneumonia, BRSV, PI3 and BVD, as well as other respiratory diseases, depending on the formulation	
<b>Spectramast</b>	Anti-infective	Livestock	Cattle	Aid in preventing and treating mastitis, delivered via intramammary administration. Same active ingredient as Ceftiofur line	
<b>Synovex</b>	Other	Livestock	Cattle	For cattle	From Wyeth acquisition in 2009
<b>Terramycin</b>	Anti-infective	Livestock and Companion	Cattle, poultry, sheep, swine, cats, dogs and horses	Antibiotic for the treatment of susceptible infections, and for susceptible ophthalmic infections in cats, dogs and horses	Pfizer established agriculture division in 1952 to promote this drug
<b>Vanguard 4-way Lepto</b>	Vaccine	Companion	Dogs	Compatible with Vanguard High Titer, and protects against leptospirosis	
<b>Vanguard High Titer</b>	Vaccine	Companion	Dogs	Aid in preventing canine distemper, hepatitis, respiratory disease, parainfluenza and parvoviral enteritis	

Source: Guggenheim Securities, LLC and Company Reports

## Competitive Landscape

## Animal Health: Competitive Overview

### **Animal Health is a \$92B to \$102B industry; ZTS competes in a \$22B segment of this market**

- The \$22B segment of the market is forecasted by Vetnosis to grow 6% a year from 2011 through 2016.
- Animal Health competition varies by region of the world, species, and product category.
- Quality, price, and service are ways for companies to differentiate themselves.
- Primary competitors to ZTS include Animal Health medicines and vaccines companies:
  - Merck Animal Health (formerly known as Intervet/Schering-Plough)
  - Merial, the animal health division of Sanofi S.A.
  - Elanco, the animal health division of Eli Lilly
  - Bayer Animal Health
  - Novartis Animal Health
  - Boehringer Ingelheim Animal Health
  - Perrigo may develop generic companion animal drugs, but this is at least several years away
  - In addition to the top players, there are hundreds of other Animal Health companies worldwide
- There is no large, well-capitalized company focused on generic Animal Health products. Reasons for this include:
  - The smaller average market size of each product opportunity
  - The importance of direct distribution and education to veterinarians and livestock producers
  - Companion animal health products are often directly prescribed and dispensed by veterinarians
  - The primarily self-pay nature of the business
- Generic competition is higher in Europe and in certain Emerging Markets than in the U.S.
- Only 7% of FDA CVM approved medicines for dogs and cats have a veterinary generic equivalent.
- Livestock products tend to experience lower generic competition than companion animal products.
- Medicines and vaccines are a small portion of a livestock producer's total production costs (~3%); therefore, they do not like to take a risk on the rest of their investment

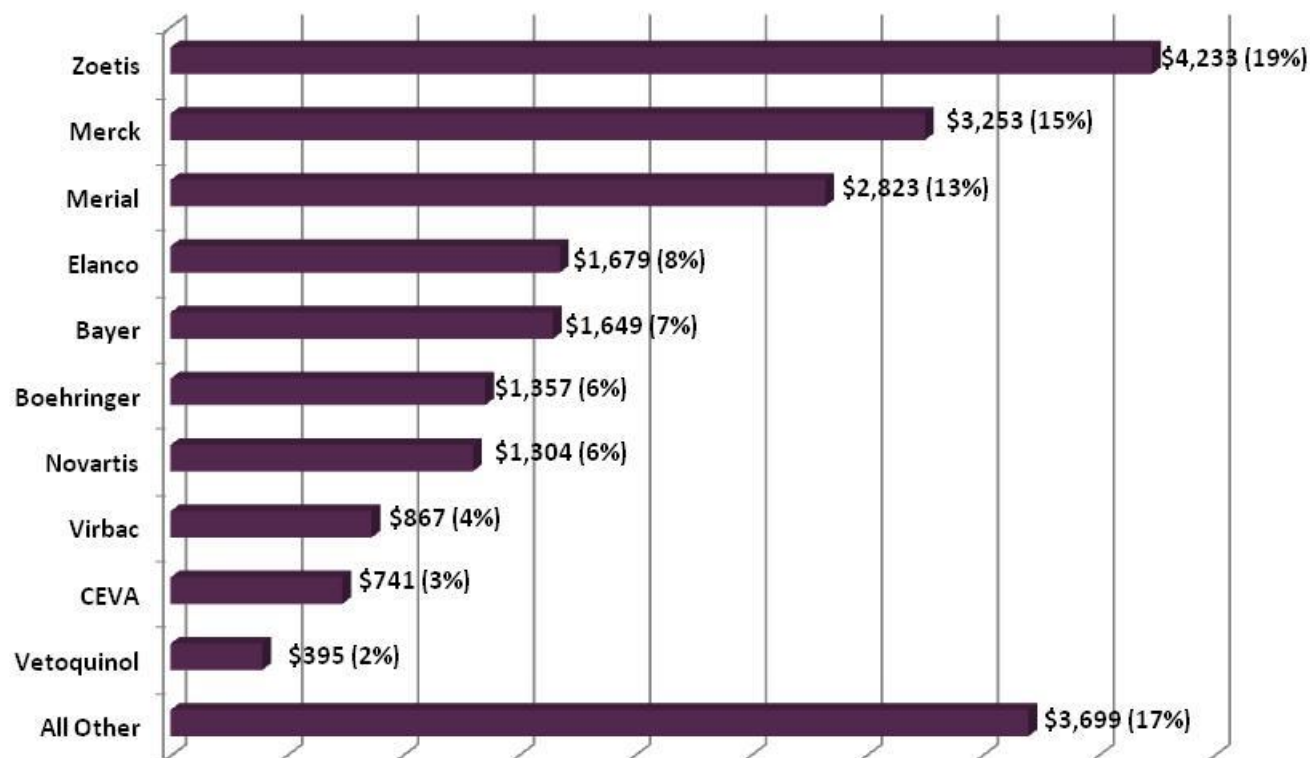
Source: Guggenheim Securities, LLC , Company Reports and Company Websites



## Top 10 Animal Health Companies

**Zoetis is the largest global Animal Health company in the world, with sales of \$4.2B in 2011**

2011 Sales (\$MM) and Market Share of Top 10 Animal Health Companies



Source: Guggenheim Securities, LLC and Company Reports

## Top 10 Animal Health Companies (cont.)

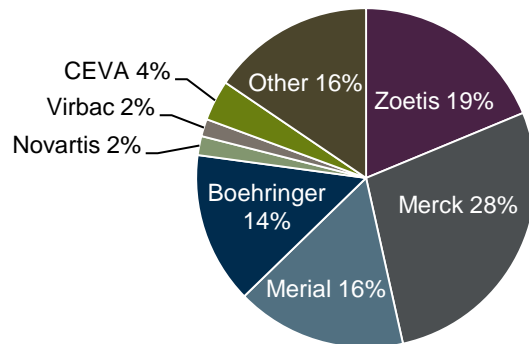
(in MMs of U.S. dollars)

Company (Parent Company)	2011			Primary Species	2011 Sales by Therapeutic Area				
	Sales	Gross Margin	Operating Margin		Vaccines	Anti-infectives	Parasiticides	Other	Feed Additives
<b>Zoetis</b>	\$4,233	63%	19%	Livestock: Cattle, swine, poultry, sheep, fish Companion: dogs, cats, horses	\$1,077	\$1,311	\$645	\$853	\$347
<b>Merck Animal Health (Merck)</b>	\$3,253	NA	NA	Poultry, sheep, and companion	\$1,594	\$553	\$390	\$488	\$228
<b>Merial<sup>1</sup> (Sanofi)</b>	\$2,823	69%	31%	Cattle, swine, poultry, dogs and cats	\$932	\$85	\$1,637	\$169	\$0
<b>Elanco (Eli Lilly)</b>	\$1,679	NA	18%	Cattle, swine, and poultry, dogs	\$34	\$118	\$252	\$285	\$990
<b>Bayer Animal Health</b>	\$1,649	NA	NA	Cattle, pigs, sheep, poultry, aquaculture, bees, dogs, cats, and horses	\$16	\$264	\$1,039	\$313	\$16
<b>Boehringer Ingelheim</b>	\$1,357	NA	NA	Swine, cattle, small companion, and horses.	\$828	\$109	\$41	\$366	\$14
<b>Novartis Animal Health</b>	\$1,304	NA	NA	Livestock: swine, sheep, cattle, salmon; Companion: dogs and cats	\$104	\$26	\$600	\$391	\$183
<b>Virbac</b>	\$867	NA	14%	Cattle, aquaculture, swine, poultry, dogs and cats	\$95	\$173	\$225	\$364	\$9
<b>CEVA (Private)</b>	\$741	62%	15%	Livestock: poultry, cattle, sheep, and goat; Companion: cats and dogs	\$222	\$126	\$141	\$222	\$30
<b>Vetoquinol</b>	\$395	64%	11%	Cattle, swine, dogs and cats	\$8	\$170	\$20	\$194	\$4
<b>Other</b>	\$3,699	NA	NA		\$833	\$322	\$1,245	\$576	\$724
<b>Total</b>	<b>\$22,000</b>				<b>\$5,743</b>	<b>\$3,256</b>	<b>\$6,235</b>	<b>\$4,223</b>	<b>\$2,544</b>

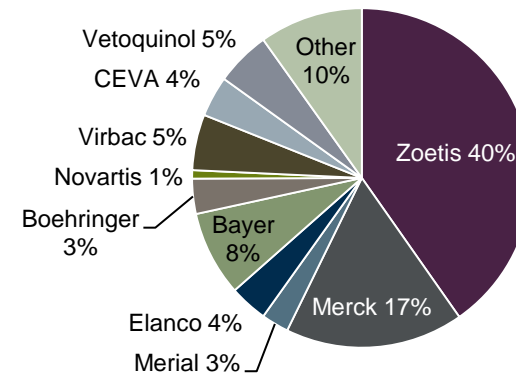
Guggenheim Securities, LLC and Company Reports

# Top 10 Animal Health Companies: 2011 Sales by Therapeutic Area

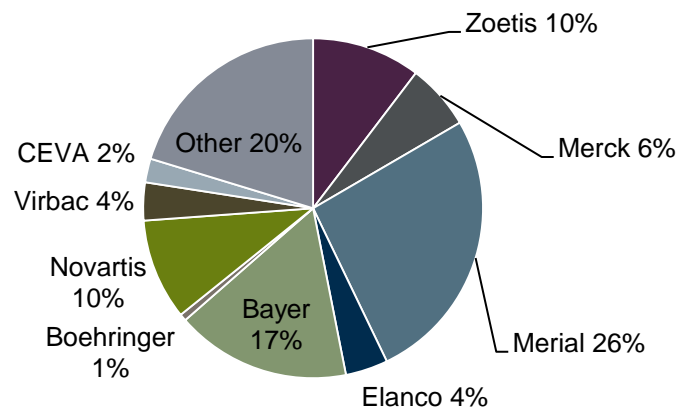
2011 Industry Sales of Vaccines: \$5,743MM



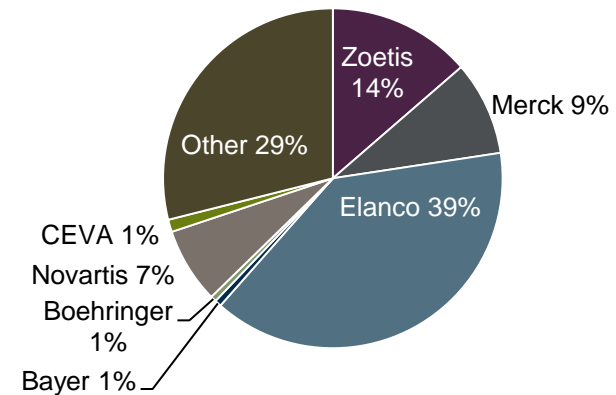
2011 Industry Sales of Anti-Infectives: \$3,256MM



2011 Industry Sales of Parasiticides: \$6,235MM



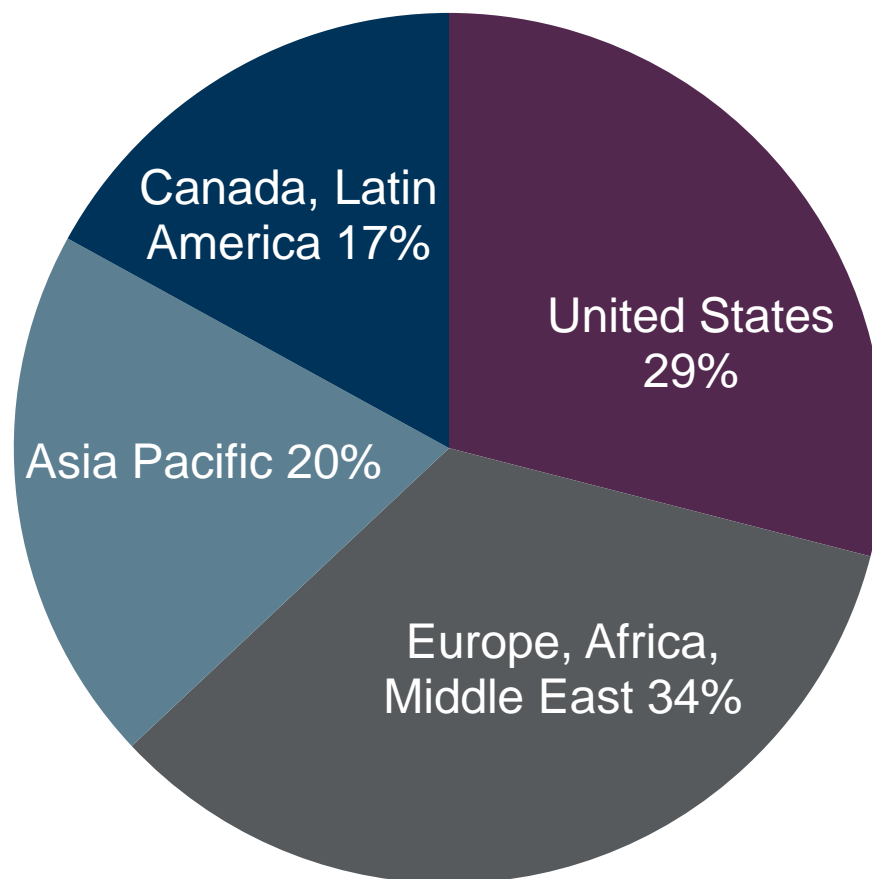
2011 Industry Sales of Medicinal Feed Additives: \$2,544MM



Source: Guggenheim Securities, LLC and Company Reports

## Animal Health Industry: 2011 Revenues by Region of the World

### 2011 Percentage of Industry Revenues by Region



Source: Guggenheim Securities, LLC and Company Reports

# Animal Health Company Business Descriptions

Company Name	Profile
<b>Abaxis</b>	Develops, manufactures, and markets portable blood analysis systems. It operates through two segments: medical market and veterinary market. The Veterinary Market segment (~79% of sales) serves a customer group consisting of companion animal hospitals, animal clinics with mixed practices of small animals, birds and reptiles, equine and bovine practitioners, veterinary emergency clinics, veterinary referral hospitals, universities, government, pharmaceutical companies, biotechnology companies, and private research laboratories. ABAXIS was founded by Vladimir E. Ostoich in April 1989 and is headquartered in Union City, CA.
<b>Abbott Animal Health</b>	Abbott Animal Health is dedicated to providing a better future for animals, pet owners, and veterinary professionals. Abbott's continuing education programs, comprehensive training tools, on-call expertise, and technical service set the standard in the industry. Abbott products are trusted at thousands of veterinary hospitals and clinics every day.
<b>Bayer Animal Health</b>	Bayer AG develops, produces, and markets pharmaceuticals and healthcare products, agricultural products, and specialty materials worldwide. The company's Consumer Health segment offers over-the-counter medications, dermatology products, nutritional supplements for humans and animals, veterinary medicines, and grooming products for animals; blood glucose meters; and injection systems and contrast agents for diagnostic procedures. Bayer AG was founded in 1863 and is headquartered in Leverkusen, Germany.
<b>Boehringer Ingelheim Animal Health</b>	Boehringer Animal Health's core business segments focus on swine and small animals. In 2011, the company had net sales of EUR 976MM and year-on-year growth of +6%. This segment accounted for ~7% of Boehringer's total sales.
<b>Ceva Santé Animale S.A. (private)</b>	Ceva Santé Animale ranks as the ninth largest animal health group globally and was founded in 1999. Its expertise centers on the two fields of pharmacy and biology, where it has dedicated teams that aim to meet the specific demands of the livestock, poultry, swine, and pet sectors. Ceva is involved in the fight against the spread of infectious disease that can be transmitted from wild or domestic animals and birds to human diseases known as zoonoses, which include avian flu, brucellosis, and Q-fever. Its global business operations are divided into three major zones: Europe, North America, and the International Zone, which includes Africa/Middle East, Asia/Pacific, and South America. It has sales offices, research and development centers, factories and collaborators worldwide. Its operational activities focus on research and development, manufacturing, sales/marketing, and administration. Ceva is headquartered in Libourne, France.
<b>China Animal Healthcare</b>	China Animal Healthcare. China Animal Healthcare Ltd. engages in the manufacture, sale, and distribution of animal drugs for poultry and livestock. It operates its business through the following segments: Powdered Form Drugs (including additives), Injection Form Drugs, and Biological Drugs. The company was founded by Yan Gang Wang in 1996 and is headquartered in Beijing, China.
<b>China Animal Husbandry</b>	China Animal Husbandry Industry engages in biological products, veterinary drugs, and animal feeds. Its principal activities are processing, production, and sales of feed ingredients, animal feeds, feed additives, animal health products and related products; sales of means of production of animal husbandry; products production and technical services provided by own company and member firms; import of raw and auxiliary materials, instrumentation, machinery, and equipment, spare parts and technology needed by the company and member firms; business processing with imported materials; research and development of new varieties of fodder and feed technology; and providing technology, consulting, and services in related project. The company was founded by China Animal Husbandry Group Corp. on December 25, 1998 and is headquartered in Beijing, China.
<b>Eco Animal Health</b>	ECO Animal Health develops, registers, and markets pharmaceutical products for the global animal health markets. It offers products such as Aivlosin, which is a macrolide antibiotic treatment for respiratory and enteric diseases in pigs and poultry. It also provides generic drugs such as Ecomectin, Ecoheart, Ecotraz, and Ecomintic for the treatment and prevention of parasites, and Chlortet and Oxytet for the treatment of bacterial infections in cattle, sheep, pigs, horses, and dogs. The company was founded by Peter Anthony Lawrence and Barry Day in 1972 and is headquartered in New Malden, the United Kingdom.
<b>Elanco (subdivision of Eli Lilly)</b>	Elanco is a global company that develops and markets products to improve animal health and protein production in more than 75 countries. Elanco is committed to protein production, companion animal health, and food safety. Elanco's products help the food industry produce an abundant supply of safe, nutritious, and affordable food. Elanco Food Solutions markets food-safety products and services to the food animal industry. Elanco's global headquarters is in Greenfield, Indiana and is also the home of the United States business operations.

Source: Guggenheim Securities, LLC, Company Reports and Company Websites

## Animal Health Company Business Descriptions (cont.)

Company Name	Profile
<b>Genera d.d.</b>	Genera dd develops, researches, manufactures, and markets products for the protection and improvement of animal health. The company offers veterinary drugs and vaccines, animal nutrition products, disinfectants, insecticides, rodenticides, and plant protection products. Genera is also developing pharmaceutical products for human use.
<b>Guangdong Dahuanong Animal Health Products</b>	Guangdong Dahuanong Animal Health Products is engaged in production, management, research and development, and technical services for animal healthcare products. It also manufactures and markets poultry eggs. The company was founded in 1996 and is headquartered in Guangdong, China.
<b>Heska Corp.</b>	Heska engages in the development, manufacture, marketing, sale, distribution, and support of veterinary products. The company focuses on the canine and feline companion animal health markets. It operates its business through two segments: Core Companion Animal Health and Other Vaccines, Pharmaceuticals, and Products. The Core Companion Animal Health segment includes diagnostic instruments and supplies as well as single use diagnostic and other tests, vaccines, and pharmaceuticals, primarily for canine and feline use. The Other Vaccines, Pharmaceuticals, and Products segment includes private label vaccine and pharmaceuticals, primarily for cattle as well as for other animals, including small mammals, horses, and fish. The company was founded by Robert B. Grieve, A. Barr Dolan, and Lynnor B. Stevenson in 1988 and is headquartered in Loveland, CO.
<b>Hester Biosciences</b>	Hester Biosciences is engaged in the manufacturing and trading of poultry vaccines at Merda Adraj village, Mehsana. It provides products including live vaccines, killed vaccines, and diagnostic kits and sero-monitoring services. The company was founded on April 29, 1987 and is headquartered in Ahmedabad, India.
<b>IDEXX Laboratories</b>	IDEXX Laboratories, Inc. develops, manufactures, and distributes products and services for the animal veterinary, livestock and poultry, water testing, and dairy markets industries. It also sells a line of portable electrolytes and blood gas analyzers for the human point-of-care medical diagnostics markets. The company operates through the following segments: Companion Animal Group, Water, Livestock and Poultry Diagnostics, and Other. The Companion Animal Group segment develops, designs, manufactures, and distributes products. It also performs services for veterinarians, primarily related to diagnostics and information management. The Livestock and Poultry Diagnostics segment develops and manufactures diagnostic tests used to detect a wide range of diseases and to monitor health status of livestock and poultry. IDEXX Laboratories was founded by David E. Shaw on December 19, 1983 and is headquartered in Westbrook, ME.
<b>Inner Mongolia Jinyu Group</b>	Inner Mongolia Jinyu Group, together with its subsidiaries, engages in the manufacture and distribution of biopharmaceutical products in China and internationally. It is involved in the research, production, and sale of biological vaccine products, such as foot and mouth disease vaccines, blue ear pig vaccines, and porcine reproductive and respiratory syndrome inactivated vaccines for the treatment of foot and mouth disease of cattle, sheep Miao, and Inae and classical swine fever leaching spleen, and supports inspection and testing laboratories.
<b>Kindred Biosciences</b>	Kindred Biosciences, Inc. is a veterinary biotechnology company that focuses on developing therapies for dogs, cats, and horses. It develops canine, feline, and equine antibodies for the treatment of diseases in companion animals. The company was incorporated in 2012 and is based in San Francisco, California.
<b>Merck Animal Health</b>	Merck Animal Health is a global, research-driven company that develops, manufactures, and markets a broad range of veterinary medicines and services. It offers products for the prevention, treatment, and control of disease in all major farm and companion animal species. Merck Animal Health has offices in more than 50 countries, and it markets its products in over 140 countries and operates a network of manufacturing sites and research and development facilities around the world.
<b>Merial (subdivision of Sanofi-Aventis)</b>	Merial provides a comprehensive range of products to enhance the health, well-being, and performance of a wide range of animals. It also produces pharmaceutical products and vaccines for livestock, pets, and wildlife (including endangered species).
<b>MWI Veterinary Supply</b>	MWI Veterinary Supply is engaged in the distribution of animal health products to veterinarians. It offers pharmaceuticals, vaccines, parasiticides, diagnostics, capital equipment, supplies, specialty products, veterinary pet food, and nutritional products. The company's pharmaceutical products include anesthetics, analgesics, antibiotics, ophthalmics, and hormone vaccine products. Its diagnostics products comprise consumable in-clinic tests for detecting heartworm, lyme, feline leukemia, and parvovirus. Its capital equipment includes anesthesia machines, surgical monitors, diagnostic equipment, dental machines, cages, lights, and x-ray machines. The company's veterinary pet foods products include foods for specialty diets and premium pet foods; and nutritional products comprise dietary supplements, vitamins, dental chews, and specialty treats. MWI Veterinary Supply was founded in 1976 and is headquartered in Boise, ID.

Source: Guggenheim Securities, LLC, Company Reports and Company Websites

## Animal Health Company Business Descriptions (cont.)

Company Name	Profile
<b>Neogen</b>	Neogen engages in the development, manufacture, and sale of various products for food safety testing and animal health applications. The Food Safety segment develops and markets dehydrated culture media and rapid diagnostic test kits to detect foodborne bacteria, spoilage organisms, mycotoxins, food allergens, genetic modifications, drug residues, plant diseases, and sanitation concerns. The Animal Safety segment develops and markets a line of diagnostics, veterinary instruments, veterinary pharmaceuticals, nutritional supplements, disinfectants, and rodenticides.
<b>Novartis Animal Health</b>	Novartis Animal Health focuses on the well-being of companion animals and the health and productivity of farm animals. Its products provide solutions for the prevention and treatment of various widespread animal diseases and parasite infestations. The majority of these products are available by prescription through veterinarians.
<b>Oasmia Pharmaceutical</b>	Oasmia engages in the manufacture and development of drugs in the field of human and veterinary oncology. It operates in two segments: Human Health and Animal Health. The Animal Health segment develops two products: Paccal Vet and Doxophos Vet for the treatment of cancer in dogs. The company was founded by Julian Aleksov and Bo Cederstrand on April 15, 1988 and is headquartered in Uppsala, Sweden.
<b>Putney</b>	Putney is a pharmaceutical company committed to providing high quality, cost-effective generic medicines for pets. Putney's reliable supply of affordable drug options empowers veterinarians, allowing them to provide the best possible medicine at the best possible price, and supports pet owners, helping them afford to comply with veterinary recommendations. Putney's ongoing investment in research and development is focused on creating the next generation of generic veterinary products based on inputs from companion animal veterinarians and its industry partners.
<b>Tianjin Ringpu Bio-Technol-A</b>	Tianjin Ringpu Biotechnology Group is engaged in researching and producing animal health products. It also offers plant refined preparation, chemical drugs, biological drugs, and diagnostic reagents. The company was founded in 1998 and is headquartered in Tianjin, China.
<b>VCA Antech</b>	VCA Antech is a national animal healthcare company. It provides veterinary services and diagnostic testing services to support veterinary care, and sells diagnostic imaging equipment and other medical technology products to the veterinary market. It operates through three business segments: Animal Hospital, Laboratory, and All Other. The Animal Hospital segment offers general medical and surgical services. The Laboratory segment operates a full-service, veterinary diagnostic laboratory network. This segment provides testing and consulting services used by veterinarians in the detection, diagnosis, evaluation, monitoring, treatment, and prevention of diseases and other conditions affecting animals. VCA Antech was founded in 1986 and is headquartered in Los Angeles, CA.
<b>Vétoquinol S.A.</b>	Vétoquinol is a pharmaceutical veterinary laboratory. It is involved in the research, development, production, and marketing of medicinal products and nutraceuticals for veterinary use. The company has expertise in three major therapeutic fields: antibiotics, anti-inflammatories, and cardiology-nephrology treatment. It was founded in 1933 by Joseph Frechin and is headquartered in Lure, France.
<b>Virbac S.A.</b>	Virbac manufactures and distributes pharmaceutical products. The company's products are focused on animal health with a full range of products designed for pets and livestock. It operates two main business divisions: companion animal and food producing animals. Its vaccines and medicines are used in the prevention and treatment of the main pathologies for both companion and food-producing animals. The company's product range includes Dermatology, Vaccines, Antibiotics, and Anti-parasitics. It also makes pet foods. Virbac was founded by Pierre-Richard Dick in 1968 and is headquartered in Carros, France.
<b>Xinjiang Tecon Animal Husbandry Bio-Technology</b>	Xinjiang Tiangkang Animal Science Bio-Technology is engaged in developing, producing, and selling feed and veterinary medicine through biological preparations such as pig feeds, cattle feeds, sheep feeds, and water fowl feeds. It is also involved in developing chemical medicine used by animals, raising pigs, selling cow's milk, selling feed additives, and breeding high quality animals using technology of embryo transfer. The company was founded on December 28, 2000 and is headquartered in Urumqi, China.
<b>Zhejiang Shenghua Biok Biology</b>	Zhejiang Shenghua Biok Biology engages in the manufacture and export of bio-agrochemicals and medicaments for animal nutrition and health in China. It primarily offers feed additives, crop protection products, and amino acids and pharma products. The company was founded in 1993 and is based in Deqing, China.

Source: Guggenheim Securities, LLC, Company Reports and Company Websites

# Management



## Zoetis (ZTS): Management Team

Name, Position	Bio
<b>Juan Ramón Alaix</b> Chief Executive Officer	Juan Ramón Alaix has served as Chief Executive Officer and director since July 2012 and as President of Pfizer's animal health business unit since 2006. Under his leadership, the company grew to become a \$4.2B enterprise in 2011. Mr. Alaix joined Pfizer in 2003 and has held various positions, including Regional President of Central/Southern Europe for Pfizer's pharmaceutical business. Mr. Alaix has 35 years of experience in finance, sales, and management, including 20 years in the pharmaceuticals industry. Mr. Alaix currently serves as President and as a member of the board of directors and the executive committee of the International Federation for Animal Health.
<b>Richard A. Passov</b> Chief Financial Officer	Richard A. Passov has served as Executive Vice President and Chief Financial Officer since July 2012 and as Senior Vice President and Treasurer for Pfizer since 2001. Mr. Passov joined Pfizer in 1997 and served as Assistant Treasurer from 1997 to 2001. During his time at Pfizer, Mr. Passov played a key role in transforming the company through its acquisition of Wyeth and its franchises in biopharmaceuticals, vaccines, and animal health. He began his career in planning and finance at Sun Microsystems.
<b>Kristin C. Peck</b> EVP and Group President	Kristin Peck has served as Executive Vice President and Group President since October 2012. Ms. Peck joined Pfizer in 2004 and held various positions, including Executive Vice President, Worldwide Business Development and Innovation; Senior Vice President of Worldwide Business Development, Strategy and Innovation; Senior Vice President, Worldwide Strategy and Innovation; Vice President, Strategic Planning; Chief of Staff to the Vice Chairman; and Senior Director, Strategic Planning. Ms. Peck also served as a member of Pfizer's Executive Leadership Team.
<b>Catherine A. Knupp</b> EVP and President of Research and Development	Catherine A. Knupp has served as Executive Vice President and President of Research and Development since October 2012 and as Vice President of Pfizer's Veterinary Medicine Research and Development since September 2005. In her role, Dr. Knupp is responsible for managing global R&D activities in support of discovering and registering medicines and vaccines to prevent disease in dogs, cats, and livestock species, and improve health and optimize performance. Dr. Knupp joined Pfizer in July 2001 and held various positions, including Vice President of Pfizer's Michigan laboratories for Pharmacokinetics, Dynamics, and Metabolism. She began her career at Bristol-Myers Squibb, with her last position as Vice President, Chemical Manufacturing Controls, where she was responsible for global CMC regulatory submissions.
<b>Clinton A. Lewis, Jr.</b> EVP and President, U.S. Operations	Clint Louis is EVP and president of U.S. Operations, in which he oversees the management of the livestock and companion animal businesses in the U.S. Mr. Lewis is also responsible for leading the global genetics business. Mr. Lewis joined Pfizer in 1988, holding positions of increasing responsibility in several areas across various commercial operations across human and animal health, including VP and general manager of Pfizer's U.S. Anti-Infectives/HIV business. He joined Zoetis (formerly Pfizer Animal Health) in 2007. In 2011, Mr. Lewis was elected chairman of the Animal Health Institute (AHI) trade organization and has been a member since 2007.

## Zoetis (ZTS): Equity Incentive Plan

Executive	Stock Ownership Requirements	Annual Base Salary 2012 (MMs)	Value of Required Stock Ownership Based on 2012 Salary (MMs)	2013 Equity Grant Value (MMs)
<b>Juan Ramón Alaix</b> Chief Executive Officer	Hold 5x the value of base salary	\$0.61	\$3.07	\$4.90
<b>Richard A. Passov</b> Chief Financial Officer	Hold 3x the value of base salary	\$0.59	\$1.76	\$1.72
<b>Kristin C. Peck</b> EVP and Group President	Hold 3x the value of base salary	\$0.53	\$1.58	\$1.37
<b>Catherine A. Knupp</b> EVP and President of Research and Development	Hold 2x the value of base salary	\$0.36	\$0.73	\$0.74
<b>Clinton A. Lewis, Jr.</b> EVP and President, U.S. Operations	Hold 2x the value of base salary	\$0.37	\$0.75	\$0.74

(1) The 2013 equity grants represent the long-term incentive compensation component of such individuals' total 2013 compensation.

(2) 2013 Awards vest on the third anniversary of the grant date.

(3) The target value of the award to an employee will be split equally among restricted stock units and stock options.

(4) The 2013 equity grants will be comprised of 795,310 restricted stock units and options to purchase an aggregate of 2,935,302 shares of Class A common stock, with an exercise price equal to the initial public offering price per share.

(5) Executives have five years from the establishment of the guidelines to achieve the share ownership requirement.

(6) 2013 salaries have not yet been disclosed.

## Equity and M&A Comparables

# Animal Health Equity Company Comparables 2013E to 2014E

Ticker	Company	Price as of 3/12/2013	Debt/ EBITDA <sup>2</sup>	EV/ EBITDA <sup>3</sup>	EV/ EBIT <sup>4</sup>	Price/ Sales <sup>5</sup>	Div. Yield	FCF Yield	P/E <sup>1</sup>		2010-14E EPS Gr. Rate	PEG Ratio on 2014E	% Change Stock Price	
									13E	14E			2012	2013YTD
DJII	Dow Jones Industrial Avg.	\$14,447.29	1.9x	7.6x	NM	1.3x	2.6%	6.7%	12.9x	11.8x	10.0%	1.19	7.3%	10.2%
SP50	S&P 500	\$1,552.48	1.9x	8.5x	NM	1.4x	2.3%	6.3%	14.0x	12.5x	10.3%	1.22	13.4%	8.9%
ABAX	Abaxis Inc.	\$46.03	0.0x	22.3x	25.8x	4.2x	0.0%	0.3%	42.2x	32.6x	21.8%	1.50	34.1%	24.1%
EP4-SG	China Animal Healthcare Ltd.	SGD 0.27	NM	NM	NM	NM	0.0%	5.1%	NM	NM	NM	NM	6.5%	10.2%
600195-CN	China Animal Husbandry Industry Co. Ltd.	¥14.65	NM	NM	NM	NM	2.6%	3.1%	14.6x	12.1x	1.4%	8.55	-27.2%	16.1%
EAH-GB	ECO Animal Health Group PLC	GBP 2.65	NM	NM	NM	NM	1.4%	NM	NM	NM	NM	NM	16.5%	5.6%
VERNRA-HR	Genera d.d.	NM	NM	NM	NM	NM	0.0%	NM	NM	NM	NM	NM	-15.3%	2.4%
300186-CN	Guangdong Dahuanong Animal Health Products C	¥16.49	NM	NM	NM	NM	2.9%	2.3%	16.8x	14.0x	15.2%	0.92	-6.9%	19.5%
HSKA-US	Heska Corp.	\$8.79	0.0x	5.8x	7.4x	0.5x	0.0%	NM	28.6x	17.3x	6.1%	2.82	11.0%	8.5%
524669-IN	Hester Biosciences Ltd.	INR 115	NM	NM	NM	NM	0.6%	NM	NM	NM	NM	NM	37.3%	15.6%
IDXX-US	IDEXX Laboratories Inc.	\$91.51	0.6x	13.9x	16.7x	3.3x	0.0%	3.2%	25.9x	23.5x	13.3%	1.77	20.6%	-1.4%
600201-CN	Inner Mongolia Jinyu Group Co. Ltd.	¥18.76	NM	NM	NM	NM	0.8%	0.5%	21.6x	21.3x	18.4%	1.16	19.5%	31.6%
MWIV-US	MWI Veterinary Supply Inc.	\$131.89	0.5x	13.9x	15.1x	0.7x	0.0%	0.8%	27.2x	24.2x	19.2%	1.26	65.6%	19.9%
NEOG	Neogen Corp.	\$47.75	0.0x	19.4x	21.7x	4.7x	0.0%	1.8%	35.8x	35.3x	8.9%	3.96	47.9%	5.4%
300119-CN	Tianjin Ringpu Bio Technology Co. Ltd.	¥22.55	NM	NM	11.7x	3.9x	1.1%	NM	22.1x	16.8x	21.6%	0.78	27.2%	19.3%
WOOF-US	VCA Antech Inc.	\$23.08	2.0x	7.8x	10.1x	1.0x	0.0%	7.8%	15.5x	14.1x	3.7%	3.80	6.6%	9.6%
VETO-FR	Vetoquinol	€ 24.99	NM	5.9x	8.0x	0.9x	1.3%	NM	12.3x	11.5x	2.6%	4.47	25.4%	-6.0%
VIRP-FR	Virbac S.A.	€ 166.00	NM	9.5x	11.6x	1.7x	1.2%	NM	18.9x	17.1x	7.3%	2.35	25.0%	10.8%
002100-CN	Xinjiang Tecon Animal Husbandry Bio-Technology	¥10.55	2.3x	11.1x	13.3x	0.7x	0.9%	13.9%	22.4x	15.8x	37.0%	0.43	-10.9%	14.5%
600226-CN	Zhejiang Shenghua Biok Biology Co. Ltd.	¥6.24	NM	NM	NM	NM	0.0%	8.5%	NM	NM	NM	NM	-20.1%	4.0%
ZTS	Zoetis Inc.	\$33.82	0.5x	14.4x	16.5x	3.5x	0.0%	NM	25.2x	21.7x	NM	NM	NM	30.1%
<b>Average<sup>6</sup></b>			<b>0.7x</b>	<b>12.4x</b>	<b>14.4x</b>	<b>2.3x</b>	<b>0.7%</b>	<b>4.3%</b>	<b>23.5x</b>	<b>19.8x</b>	<b>13.6%</b>	<b>2.60</b>	<b>14.6%</b>	<b>12.6%</b>

Source: Factset and Guggenheim Securities, LLC

(1) EPS estimates are adjusted for non-operating items and 2013 and 2014 EPS estimates are consensus.

(2) Debt/EBITDA is off of estimated 2013 EBITDA

(3), (4), and (5) multiples are off of 2014 estimates

(6) Arithmetic Average

# Pharmaceutical Equity Company Comparables 2013E to 2014E

										2010-14E		PEG		
		Price as of 3/12/2013	Debt/ EBITDA <sup>2</sup>	EV/ EBITDA <sup>3</sup>	EV/ EBIT <sup>4</sup>	Price/ Sales <sup>5</sup>	Div. Yield	FCF Yield	P/E <sup>1</sup>		EPS Gr. Rate	Ratio on 2014E	% Change 2012	Stock Price
									13E	14E			2012	2013YTD
DJII	Dow Jones Industrial Avg.	\$14,447.29	1.9x	7.6x	NM	1.3x	2.6%	6.7%	12.9x	11.8x	10.0%	1.19	7.3%	10.2%
SP50	S&P 500	\$1,552.48	2.0x	8.5x	NM	1.4x	2.3%	6.3%	14.0x	12.5x	10.3%	1.22	13.4%	8.9%
COMP	Nasdaq	\$3,242.32	1.8x	9.0x	NM	1.9x	1.6%	5.4%	17.0x	14.4x	15.8%	0.91	15.9%	7.4%
BTK	Amex Biotech	\$1,798.22	2.6x	14.7x	NM	6.2x	0.5%	3.9%	23.0x	18.0x	9.9%	1.81	41.7%	16.2%
DRG	Amex Pharma	\$403.04	1.4x	8.6x	NM	2.8x	3.5%	7.4%	13.4x	12.6x	5.6%	2.23	11.0%	9.1%
U.S. Large-Cap Pharma														
ABT	Abbott Labs	\$34.98	NM	10.7x	13.9x	2.3x	1.6%	NM	17.3x	15.8x	2.6%	6.15	16.5%	11.6%
BMJ	Bristol Myers Squibb	\$38.22	1.8x	13.6x	16.3x	3.5x	3.7%	6.4%	20.9x	17.4x	0.4%	40.16	-7.5%	17.3%
LLY	Eli Lilly	\$55.08	0.8x	12.3x	16.1x	3.1x	3.6%	3.6%	14.1x	19.7x	-12.4%	-1.59	18.7%	11.7%
JNJ	Johnson & Johnson	\$78.56	0.7x	8.8x	10.7x	3.0x	3.1%	2.6%	14.5x	13.6x	4.9%	2.78	6.9%	12.1%
MRK	Merck	\$45.04	1.0x	7.3x	9.2x	2.9x	3.9%	2.0%	12.4x	11.8x	2.8%	4.24	8.6%	10.0%
PFE	Pfizer	\$27.94	1.3x	7.6x	9.4x	3.6x	3.4%	4.4%	12.2x	11.8x	1.5%	7.89	15.9%	11.4%
Average <sup>6</sup>			1.1x	10.1x	12.6x	3.1x	3.2%	3.8%	15.2x	15.0x	0.0%	9.94	9.8%	12.3%
U.S. Specialty Pharma														
ACRX	AcelRx	\$4.99	(0.7x)	(2.4x)	NM	NM	0.0%	NM	NM	NM	NM	NM	121.9%	17.1%
ACT	Actavis	\$90.10	3.3x	8.2x	9.4x	1.4x	0.0%	4.4%	11.2x	10.0x	27.5%	0.36	42.5%	4.8%
AGN	Allergan	\$110.08	0.7x	12.9x	14.1x	4.9x	0.2%	4.1%	23.1x	20.2x	14.6%	1.39	4.5%	20.0%
AKRX	Akorn	\$14.31	0.9x	10.7x	11.1x	3.2x	0.0%	0.4%	23.3x	17.1x	39.6%	0.43	20.1%	7.1%
ATRS	Antares	\$3.60	NM	NM	NM	8.5x	0.0%	NM	NM	NM	16.7%	NM	73.2%	-5.5%
CADX	Cadence	\$5.37	(1.1x)	NM	NM	2.8x	0.0%	NM	NM	NM	NM	NM	21.3%	12.1%
COO	Cooper	\$105.40	0.9x	11.5x	14.5x	2.9x	0.1%	4.0%	17.4x	15.7x	21.4%	0.73	31.1%	14.0%
ENDP	Endo	\$30.70	3.1x	7.1x	7.8x	1.3x	0.0%	17.8%	6.8x	7.9x	2.9%	2.71	-24.0%	17.0%
FRX	Forest Labs	\$38.04	0.0x	18.8x	28.9x	2.5x	0.0%	4.5%	32.4x	20.3x	-19.2%	-1.05	16.7%	7.7%
HSP	Hospira	\$31.00	2.6x	8.7x	12.6x	1.2x	0.0%	3.7%	15.3x	15.0x	-11.1%	-1.35	2.9%	-0.8%
IPXL	Impax Labs	\$16.74	0.0x	9.8x	11.5x	2.0x	0.0%	3.4%	30.6x	21.9x	-27.9%	-0.79	1.6%	-18.3%
JAZZ	Jazz	\$59.42	1.0x	6.0x	7.1x	3.5x	0.0%	6.7%	10.1x	8.3x	46.6%	0.18	37.8%	11.6%
MYL	Mylan Labs	\$30.95	3.0x	8.7x	9.5x	1.6x	0.0%	4.9%	10.8x	9.7x	18.7%	0.52	27.9%	12.8%
OMPI	Obagi	\$13.77	0.0x	9.3x	8.7x	1.7x	0.0%	4.8%	15.9x	13.8x	10.9%	1.26	33.8%	1.3%
PRGO	Perrigo	\$117.60	1.5x	11.2x	12.8x	2.7x	0.3%	3.5%	20.9x	17.9x	23.5%	0.76	6.9%	13.0%
PTX	Pernix	\$6.47	0.4x	5.3x	4.6x	1.4x	0.0%	4.5%	16.6x	10.6x	11.1%	0.95	-16.3%	-16.5%
SGNT	Sagent	\$17.36	0.0x	NM	NM	1.6x	0.0%	NM	NM	27.0x	NM	NM	-23.4%	7.9%
SHPG	Shire	\$91.56	0.6x	9.0x	10.0x	3.1x	0.6%	6.3%	13.6x	12.0x	24.8%	0.48	-11.3%	-0.7%
SLXP	Salix	\$48.98	2.4x	7.2x	7.4x	2.7x	0.0%	2.6%	14.4x	11.5x	67.5%	0.17	-15.4%	21.0%
TEVA	Teva	\$40.53	2.3x	7.0x	8.3x	1.9x	2.2%	7.4%	8.0x	7.4x	4.8%	1.56	-7.5%	8.5%
VRX	Valeant	\$70.60	4.3x	11.3x	11.8x	4.4x	0.0%	2.5%	12.5x	10.8x	33.6%	0.32	28.0%	18.1%
WCRX	Warner Chilcott	\$13.46	3.3x	6.2x	8.2x	1.6x	3.7%	NM	4.1x	4.4x	-3.1%	-1.42	-20.4%	11.8%
ZTS	Zoetis	\$33.82	0.5x	14.4x	16.5x	NM	0.0%	NM	25.2x	21.7x	NM	NM	NM	30.1%
Average <sup>6</sup>			1.3x	9.0x	11.3x	2.7x	0.3%	5.0%	16.4x	14.2x	15.9%	0.40	16.0%	8.4%
US Large-Cap Biotech														
AMGN	Amgen	\$91.75	3.5x	9.0x	9.9x	3.7x	2.1%	5.6%	12.8x	11.1x	12.1%	0.92	34.2%	6.4%
BIIB	Biogen IDEC	\$176.05	0.4x	11.5x	13.6x	5.5x	0.0%	3.9%	22.7x	18.3x	16.8%	1.09	33.0%	20.3%
CELG	Celgene	\$113.72	1.0x	14.0x	14.4x	6.7x	0.0%	3.8%	20.1x	16.7x	24.9%	0.67	16.1%	44.9%
GILD	Gilead	\$46.18	1.7x	12.0x	12.9x	5.6x	0.0%	3.8%	22.6x	16.4x	11.1%	1.47	79.5%	25.7%
Average <sup>6</sup>			1.6x	11.6x	12.7x	5.4x	0.5%	4.3%	19.5x	15.6x	16.3%	1.04	40.7%	24.3%
Medical Device/Hospital Supply														
BAX	Baxter	\$69.28	1.4x	8.8x	10.9x	2.2x	2.6%	3.0%	14.8x	13.3x	6.9%	1.92	34.7%	3.9%
BDX	Becton Dickinson	\$90.14	1.9x	9.2x	12.1x	2.1x	2.2%	4.3%	15.8x	14.4x	6.2%	2.32	4.6%	15.3%
BCR	CR Bard	\$101.20	1.6x	9.2x	10.5x	2.6x	0.8%	6.1%	16.0x	13.2x	8.1%	1.64	14.3%	3.5%
CFN	CareFusion	\$34.04	1.3x	7.4x	9.1x	2.0x	0.0%	NM	15.8x	14.1x	14.1%	1.00	12.5%	19.1%
COV	Covidien	\$65.60	1.5x	9.7x	11.8x	2.3x	1.6%	3.5%	14.6x	13.3x	9.9%	1.35	28.3%	13.6%
Average <sup>6</sup>			1.5x	8.8x	10.9x	2.2x	1.4%	4.2%	15.4x	13.7x	9.0%	1.65	18.9%	11.1%

Source: Factset and Guggenheim Securities, LLC

(1) EPS estimates are adjusted for non-operating items and 2012, 2013 EPS estimates are consensus (some companies have already reported 4Q12 but we have left 2012 as estimates until all companies have reported actual results)

(2) Debt/EBITDA is off of estimated 2013 EBITDA

(3), (4), and (5) multiples are off of 2014 estimates

(6) Arithmetic Average

# Agricultural Equity Company Comparables 2013E to 2014E

Ticker	Company	Price as of 3/12/2013	Debt/ EBITDA <sup>2</sup>	EV/ EBITDA <sup>3</sup>	EV/ EBIT <sup>4</sup>	Price/ Sales <sup>5</sup>	Div. Yield	FCF Yield	P/E <sup>1</sup>		2010-14E EPS Gr. Rate	PEG Ratio on 2014E	% Change Stock Price	
									13E	14E			2012	2013YTD
DJII	Dow Jones Industrial Avg.	\$14,447.29	1.9x	7.6x	NM	1.3x	2.6%	6.7%	12.9x	11.8x	10.0%	1.19	7.3%	10.2%
SP50	S&P 500	\$1,552.48	1.9x	8.5x	NM	1.4x	2.3%	6.3%	14.0x	12.5x	10.3%	1.22	13.4%	8.9%
A	Agilent Technologies Inc.	\$42.62	1.5x	8.7x	10.5x	2.0x	1.1%	6.5%	14.6x	12.9x	13.4%	0.96	17.2%	4.1%
AGU	Agrium Inc.	\$104.79	1.4x	7.3x	8.9x	0.8x	1.9%	4.4%	10.5x	10.6x	21.5%	0.49	48.8%	4.9%
BASFY	BASF SE ADS	\$95.42	1.0x	5.8x	7.8x	0.8x	2.5%	0.4%	12.2x	11.4x	2.1%	5.45	36.2%	0.4%
BAYRY	Bayer AG ADS	\$100.35	1.1x	7.5x	10.4x	1.5x	1.8%	0.9%	13.1x	12.4x	9.6%	1.28	47.8%	5.9%
BG	Bunge Ltd.	\$75.29	3.9x	6.9x	9.2x	0.2x	1.4%	NM	10.1x	9.3x	18.3%	0.51	27.1%	3.6%
DOW	Dow Chemical Co.	\$33.24	2.5x	6.6x	9.6x	0.6x	3.9%	(1.5%)	14.1x	11.4x	10.4%	1.09	12.4%	2.8%
DD	E.I. DuPont de Nemours & Co.	\$49.71	1.7x	7.4x	9.3x	1.2x	3.5%	3.1%	12.8x	11.3x	7.6%	1.49	-1.8%	10.5%
MON	Monsanto Co.	\$103.38	0.5x	11.5x	13.3x	3.5x	1.4%	3.2%	22.7x	20.1x	20.9%	0.96	35.1%	9.2%
MOS	The Mosaic Co.	\$61.90	0.3x	7.2x	8.7x	2.4x	1.6%	1.2%	12.5x	11.8x	4.9%	2.39	12.3%	9.3%
POT	Potash Corp. of Saskatchewan Inc	\$41.62	1.0x	8.4x	9.9x	4.0x	2.7%	1.7%	13.7x	12.9x	13.0%	0.99	-1.4%	2.3%
SYT	Syngenta AG ADS	\$86.75	NM	10.8x	13.1x	2.5x	1.7%	NM	17.4x	15.9x	13.5%	1.17	37.1%	7.4%
ZTS	Zoetis Inc.	\$33.82	0.5x	14.4x	16.5x	3.5x	0.0%	NM	25.2x	21.7x	NM	NM	NM	30.1%
<b>Average<sup>6</sup></b>			<b>1.4x</b>	<b>8.5x</b>	<b>10.6x</b>	<b>1.9x</b>	<b>2.0%</b>	<b>2.2%</b>	<b>14.9x</b>	<b>13.5x</b>	<b>12.3%</b>	<b>1.53</b>	<b>24.6%</b>	<b>7.5%</b>

Source: Factset and Guggenheim Securities, LLC

(1) EPS estimates are adjusted for non-operating items and 2012, 2013, and 2014 EPS estimates are consensus.

(2) Debt/EBITDA is off of estimated 2013 EBITDA

(3), (4), and (5) multiples are off of 2014 estimates

(6) Arithmetic Average

# Animal Health M&A Comps 2006 to 2013

Year	Buyer Name	Seller Name	EV (\$MM)	EV /Sales	EV / EBITDA <sup>1</sup>
2006	Central Garden & Pet	Farnam Cos.	291	1.8x	NA
2007	Pfizer	Embrex	149	2.8x	14.9x
2008	Pfizer	Catapult Pty.	NA	NA	NA
2008	Pfizer	Bovigen	NA	NA	NA
2009	Sanofi	Merck (50% interest in Merial)	4,000	3.0x	10.2x
2009	Pfizer	Qvax	5	NA	NA
2009	Pfizer	Vetnex	65	NA	NA
2009	Pfizer	Fort Dodge Animal Health	2,300	2.4x	9.6x
2010	Henry Schein	Butler Animal Health Supply	410	NA	NA
2010	Bayer AG	Bomac Laboratories	101	2.2x	NA
2010	Pfizer	Microtek International	6.0	NA	NA
2010	Pfizer	Synbiotics	24.0	NA	NA
2010	VCA Antech	Pet DRx	41	0.6x	NA
2011	Henry Schein	Provet Holdings	91	0.3x	NA
2011	Elanco	Janssen Animal Health	308	1.5x	NA
2011	Pfizer	King Animal Health	345	0.9x	NA
2011	Lextron	Animal Health International	247	0.3x	11.2x
2012	Henry Schein	Butler Schein Animal Health	724	0.4x	NA
2012	Royal DSM <sup>2</sup>	Tortuga	578	1.2x	7.8x
2012	Dechra Pharmaceuticals	Eurovet Animal Health	177	1.8x	NA
2012	Bayer Healthcare	Teva Animal Health	145	NA	NA
2012	Bayer Healthcare	KMG Chemicals	10.2	0.9x	NA
2012	Perrigo	Sargeant's Pet Care	235	1.7x	NA
2012	Nestle <sup>3</sup>	Pfizer Nutrition	11,850	5.6x	19.8x
2012	Merial <sup>4</sup>	Dosch Pharmaceuticals (Animal Health)	NA	NA	NA
2013	MWI Veterinary Supply	PCI Animal Health	17	0.5x	NA
2013	Neogen	Scidera Genomics	NA	NA	NA
2013	Perrigo	Velcera	160	2.7x	NA
2013	Heska Corp.	Cuatro Veterinary USA	14	0.7x	9.2x
		<b>Average</b>	<b>\$853</b>	<b>1.8x</b>	<b>11.8x</b>
		<b>Median</b>	<b>\$155</b>	<b>1.7x</b>	<b>10.2x</b>
		<b>High</b>	<b>\$11,850</b>	<b>5.6x</b>	<b>19.8x</b>
		<b>Low</b>	<b>\$5</b>	<b>0.3x</b>	<b>7.8x</b>

Source: Guggenheim Securities, LLC, Factset, Company Reports

(1) EV means Enterprise Value. Multiples are calculated on historical sales and EBITDA; Heska acquisition is showing EV/EBIT

(2) Deal expected to close in 1Q13

(3) EV/EBITDA for Nestle acquisition is based on Nestle's projected 2012 EBITDA for Pfizer's Nutrition business

(4) Deal expected to close in 1H13

(5) Average is arithmetic.

# Zoetis Financial Model





# Zoetis (ZTS): Margin Analysis 2009 to 2019E

## Zoetis - Quarterly Margin Analysis 2009-2019E

	2009	2010	2011	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	36.3%	36.8%	37.3%	36.0%	36.0%	36.0%	35.0%	35.0%	35.5%	34.8%	34.8%	34.8%	34.8%	34.8%	34.4%	34.0%	33.6%	33.2%	32.8%
Gross Margin	63.7%	63.2%	62.7%	64.0%	64.0%	64.0%	65.0%	65.0%	64.5%	65.3%	65.3%	65.3%	65.3%	65.3%	65.7%	66.1%	66.5%	66.9%	67.3%
R&D	13.2%	11.5%	9.6%	9.2%	8.4%	8.4%	8.4%	9.2%	8.6%	9.1%	8.6%	8.9%	7.9%	8.6%	8.5%	8.5%	8.5%	8.5%	8.5%
SG&A	38.3%	38.1%	34.2%	32.5%	30.6%	30.5%	30.6%	33.6%	31.4%	32.2%	30.6%	31.6%	28.0%	30.5%	29.8%	29.2%	28.1%	27.1%	25.8%
Oper. Inc.	11.7%	13.8%	19.0%	22.6%	24.7%	24.8%	25.7%	21.9%	24.2%	23.7%	25.8%	24.5%	29.2%	25.9%	27.1%	28.2%	29.7%	31.2%	32.8%
Operating Expenses	52.1%	49.4%	43.6%	41.5%	39.3%	39.2%	39.3%	43.1%	40.3%	41.6%	39.4%	40.7%	36.1%	39.4%	38.5%	37.9%	36.8%	35.7%	34.4%
Non-Oper. Items	-0.9%	-1.0%	-0.9%	-0.7%	-2.6%	-2.5%	-2.6%	-2.3%	-2.5%	-2.4%	-2.3%	-2.4%	-2.1%	-2.3%	-2.0%	-1.7%	-1.5%	-1.0%	-0.9%
Pretax Income	10.7%	12.8%	18.2%	21.9%	22.1%	22.4%	23.1%	19.7%	21.8%	21.2%	23.5%	22.2%	27.1%	23.6%	25.1%	26.5%	28.2%	30.1%	31.9%
Net Income	6.8%	7.7%	11.9%	14.7%	15.7%	15.9%	16.4%	14.0%	15.5%	15.1%	16.7%	15.7%	19.2%	16.8%	17.9%	19.1%	20.4%	22.0%	23.5%

Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Quarterly Sales Analysis 2009 to 2019E

Zoetis - Quarterly Revenue Model 2009-2019E

(\$ In Millions)																							
(Year Ended December 31)	2009	2010	2011	1Q12A	2Q12A	3Q12A	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	1Q14E	2Q14E	3Q14E	4Q14E	2014E	2015E	2016E	2017E	2018E	2019E
US	1,105.0	1,384.0	1,659.0	425.0	421.0	448.0	416.1	1,710.1	425.9	449.0	425.9	481.1	1,781.9	445.0	469.3	445.0	502.8	1,862.1	1,945.9	2,033.5	2,125.0	2,220.6	2,320.5
EuAFME	880.0	1,020.0	1,144.0	275.0	283.0	241.0	345.0	1,144.0	279.4	294.6	279.4	315.7	1,169.2	292.0	307.9	292.0	329.9	1,221.8	1,276.8	1,334.2	1,394.3	1,457.0	1,522.6
CLAR	451.0	664.0	788.0	173.0	211.0	165.0	254.8	803.8	204.6	215.7	204.6	231.1	856.0	218.9	230.8	218.9	247.3	915.9	980.0	1,048.6	1,122.0	1,200.6	1,284.6
APAC	324.0	514.0	642.0	174.0	179.0	165.0	155.1	673.1	172.1	181.5	172.1	194.5	720.3	184.2	194.2	184.2	208.1	770.7	824.6	882.4	944.1	1,010.2	1,080.9
Pipeline	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.0	26.0	50.0	100.0	150.0	202.5	253.1	303.8
Other New Products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	100.0	150.0	210.0	283.5
Total Revenues	2,760.0	3,582.0	4,233.0	1,047.0	1,094.0	1,019.0	1,171.0	4,331.0	1,082.0	1,140.9	1,082.0	1,222.4	4,527.4	1,140.1	1,202.2	1,164.1	1,314.0	4,820.5	5,177.3	5,548.7	5,937.9	6,351.5	6,795.9
%Change																							
US		25.2%	19.9%	11.5%	7.7%	2.3%	-7.3%	3.1%	0.2%	6.7%	-4.9%	15.6%	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
EuAFME		15.9%	12.2%	-2.5%	-4.4%	-11.7%	17.7%	0.0%	1.6%	4.1%	15.9%	-8.5%	2.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
CLAR		47.2%	18.7%	2.4%	-2.3%	-8.3%	14.2%	2.0%	18.3%	2.2%	24.0%	-9.3%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
APAC		58.6%	24.9%	15.2%	4.7%	4.4%	-4.2%	4.9%	-1.1%	1.4%	4.3%	25.3%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Total Revenues		29.8%	18.2%	6.5%	1.9%	-2.9%	3.9%	2.3%	3.3%	4.3%	6.2%	4.4%	4.5%	5.4%	5.4%	7.6%	7.5%	6.5%	7.4%	7.2%	7.0%	7.0%	7.0%

Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Annual Sales Analysis 2009 to 2019E

Zoetis - Annual Revenue Model 2009-2019E

(\$ in Millions)	Year Ended December 31st,											2010/	2011/	2012E/	2013E/	2014E/	2015E/	2016E/	2017E/	2018E/	2019E/	CAGR
	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	14E-19E
<b>Base Business</b>																						
Livestock	607.8	761.2	912.5	940.6	980.1	1,024.2	1,070.2	1,118.4	1,168.7	1,221.3	1,276.3	25.2%	19.9%	3.1%	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Companion	497.3	622.8	746.6	769.5	801.9	837.9	875.7	915.1	956.2	999.3	1,044.2	25.2%	19.9%	3.1%	4.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>US</b>	<b>1,105.0</b>	<b>1,384.0</b>	<b>1,659.0</b>	<b>1,710.1</b>	<b>1,781.9</b>	<b>1,862.1</b>	<b>1,945.9</b>	<b>2,033.5</b>	<b>2,125.0</b>	<b>2,220.6</b>	<b>2,320.5</b>	<b>25.2%</b>	<b>19.9%</b>	<b>3.1%</b>	<b>4.2%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>
Livestock	624.8	724.2	812.2	812.2	830.1	867.5	906.5	947.3	989.9	1,034.5	1,081.0	15.9%	12.2%	0.0%	2.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Companion	255.2	295.8	331.8	331.8	339.1	354.3	370.3	386.9	404.3	422.5	441.5	15.9%	12.2%	0.0%	2.2%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>EuAfME</b>	<b>880.0</b>	<b>1,020.0</b>	<b>1,144.0</b>	<b>1,144.0</b>	<b>1,169.2</b>	<b>1,221.8</b>	<b>1,276.8</b>	<b>1,334.2</b>	<b>1,394.3</b>	<b>1,457.0</b>	<b>1,522.6</b>	<b>15.9%</b>	<b>12.2%</b>	<b>0.0%</b>	<b>2.2%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.5%</b>
Livestock	360.8	531.2	630.4	643.0	684.8	732.7	784.0	838.9	897.6	960.5	1,027.7	47.2%	18.7%	2.0%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Companion	90.2	132.8	157.6	160.8	171.2	183.2	196.0	209.7	224.4	240.1	256.9	47.2%	18.7%	2.0%	6.5%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
<b>CLAR</b>	<b>451.0</b>	<b>664.0</b>	<b>788.0</b>	<b>803.8</b>	<b>856.0</b>	<b>915.9</b>	<b>980.0</b>	<b>1,048.6</b>	<b>1,122.0</b>	<b>1,200.6</b>	<b>1,284.6</b>	<b>47.2%</b>	<b>18.7%</b>	<b>2.0%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>
Livestock	236.5	375.2	468.7	491.4	525.8	562.6	602.0	644.1	689.2	737.5	789.1	58.6%	24.9%	4.9%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Companion	87.5	138.8	173.3	181.7	194.5	208.1	222.7	238.2	254.9	272.8	291.8	58.6%	24.9%	4.9%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
<b>APAC</b>	<b>324.0</b>	<b>514.0</b>	<b>642.0</b>	<b>673.1</b>	<b>720.3</b>	<b>770.7</b>	<b>824.6</b>	<b>882.4</b>	<b>944.1</b>	<b>1,010.2</b>	<b>1,080.9</b>	<b>58.6%</b>	<b>24.9%</b>	<b>4.9%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>
<b>Pipeline</b>	0.0	0.0	0.0	0.0	0.0	50.0	100.0	150.0	202.5	253.1	303.8	NM	NM	NM	NM	NM	100.0%	50.0%	35.0%	25.0%	20.0%	43.5%
<b>Other New Products</b>	0.0	0.0	0.0	0.0	0.0	0.0	50.0	100.0	150.0	210.0	283.5	NM	NM	NM	NM	NM	NM	100.0%	50.0%	40.0%	35.0%	NM
<b>Total Revenues</b>	<b>2,760.0</b>	<b>3,582.0</b>	<b>4,233.0</b>	<b>4,331.0</b>	<b>4,527.4</b>	<b>4,820.5</b>	<b>5,177.3</b>	<b>5,548.7</b>	<b>5,937.9</b>	<b>6,351.5</b>	<b>6,795.9</b>	<b>29.8%</b>	<b>18.2%</b>	<b>2.3%</b>	<b>4.5%</b>	<b>6.5%</b>	<b>7.4%</b>	<b>7.2%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.1%</b>

Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Balance Sheet 2010 to 2019E

## Zoetis - Balance Sheet Analysis 2010-2019E

(\$ in Millions)										
(Year ended December 31)	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
<b>Assets</b>										
Cash and Cash Equivalent	63.0	79.0	405.3	601.1	978.1	1,606.3	1,963.4	2,874.5	3,215.1	4,497.3
Accounts Receivable, less allowance for doubtful accounts	773.0	871.0	875.0	922.1	981.8	1,013.2	1,045.0	1,077.7	1,112.4	1,150.0
Inventories	995.0	1,063.0	1,165.4	1,239.4	1,292.1	1,371.8	1,453.0	1,536.6	1,624.1	1,716.7
Current deferred tax assets	97.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0
Other current assets	188.0	202.0	206.7	216.0	230.0	247.1	264.8	283.4	303.1	324.3
<b>Total Current Assets</b>	<b>2,116.0</b>	<b>2,311.0</b>	<b>2,748.4</b>	<b>3,074.7</b>	<b>3,578.1</b>	<b>4,334.3</b>	<b>4,822.3</b>	<b>5,868.2</b>	<b>6,350.7</b>	<b>7,784.3</b>
Plant, Property & Equipment	1,148.0	1,243.0	1,298.0	1,353.0	1,408.0	1,453.0	1,488.0	1,513.0	1,528.0	1,533.0
Identifiable intangibles	924.0	928.0	928.0	928.0	928.0	928.0	928.0	928.0	928.0	928.0
Goodwill	934.0	989.0	989.0	989.0	989.0	989.0	989.0	989.0	989.0	989.0
Other assets	162.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0
<b>Total Other Assets</b>	<b>3,168.0</b>	<b>3,400.0</b>	<b>3,455.0</b>	<b>3,510.0</b>	<b>3,565.0</b>	<b>3,610.0</b>	<b>3,645.0</b>	<b>3,670.0</b>	<b>3,685.0</b>	<b>3,690.0</b>
<b>TOTAL ASSETS</b>	<b>5,284.0</b>	<b>5,711.0</b>	<b>6,203.4</b>	<b>6,584.7</b>	<b>7,143.1</b>	<b>7,944.3</b>	<b>8,467.3</b>	<b>9,538.2</b>	<b>10,035.7</b>	<b>11,474.3</b>
<b>Liabilities &amp; Shareholder's Equity</b>										
Accounts Payable and Accrued Expenses	350.0	364.0	351.7	362.8	378.3	401.6	425.4	449.8	475.4	502.6
Other	458.0	479.0	479.0	479.0	479.0	479.0	479.0	479.0	479.0	479.0
<b>Total Current Liabilities</b>	<b>808.0</b>	<b>843.0</b>	<b>830.7</b>	<b>841.8</b>	<b>857.3</b>	<b>880.6</b>	<b>904.4</b>	<b>928.8</b>	<b>954.4</b>	<b>981.6</b>
Long term debt	673.0	575.0	3,650.0	3,650.0	3,650.0	3,650.0	3,250.0	3,250.0	2,500.0	2,500.0
Other liabilities	459.0	557.0	557.0	557.0	557.0	557.0	557.0	557.0	557.0	557.0
<b>Total Liabilities</b>	<b>1,940.0</b>	<b>1,975.0</b>	<b>5,037.7</b>	<b>5,048.8</b>	<b>5,064.3</b>	<b>5,087.6</b>	<b>4,711.4</b>	<b>4,735.8</b>	<b>4,011.4</b>	<b>4,038.6</b>
Shareholders Equity	3,344.0	3,720.0	1,149.7	1,519.9	2,062.8	2,840.7	3,739.9	4,786.4	6,008.3	7,419.8
<b>Total Stockholder's Equity</b>	<b>3,344.0</b>	<b>3,720.0</b>	<b>1,149.7</b>	<b>1,519.9</b>	<b>2,062.8</b>	<b>2,840.7</b>	<b>3,739.9</b>	<b>4,786.4</b>	<b>6,008.3</b>	<b>7,419.8</b>
Noncontrolling Interest	-	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>5,284.0</b>	<b>5,711.0</b>	<b>6,203.4</b>	<b>6,584.7</b>	<b>7,143.1</b>	<b>7,944.3</b>	<b>8,467.3</b>	<b>9,538.2</b>	<b>10,035.7</b>	<b>11,474.3</b>

Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Cash Flow Statement 2009 to 2019E

## Zoetis - Cash Flow Analysis 2009-2019E

(\$ in Millions)											
(Year ended December 31)	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
<b>Cash flows provided by Operating Activities:</b>											
Net Income	(101.0)	111.0	248.0	634.7	699.7	808.3	928.4	1,057.2	1,212.4	1,396.1	1,594.4
Depreciation and Amortization	124.0	185.0	205.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0	115.0
Other (includes cash separation and internal costs in 2013 and 2014)	(282.0)	(142.0)	161.0	-	(193.0)	(122.0)	-	-	-	-	-
Net Changes in Working Capital	357.0	100.0	(117.0)	(123.4)	(119.4)	(111.0)	(104.8)	(107.0)	(110.4)	(116.3)	(124.3)
<b>Net cash provided by Operating Activities</b>	<b>98.0</b>	<b>254.0</b>	<b>497.0</b>	<b>626.3</b>	<b>502.3</b>	<b>690.3</b>	<b>938.7</b>	<b>1,065.2</b>	<b>1,217.0</b>	<b>1,394.8</b>	<b>1,585.1</b>
<b>Cash flows from Investing Activities</b>											
Purchases of PP&E	(135.0)	(124.0)	(135.0)	(170.0)	(170.0)	(170.0)	(160.0)	(150.0)	(140.0)	(130.0)	(120.0)
Net proceeds from sale of assets	572.0	203.0	34.0	-	-	-	-	-	-	-	-
Acquisitions, net of cash acquired	(2,254.0)	(81.0)	(345.0)	-	-	-	-	-	-	-	-
Other	(4.0)	(7.0)	(3.0)	-	-	-	-	-	-	-	-
<b>Net cash used in Investing Activities</b>	<b>(1,821.0)</b>	<b>(9.0)</b>	<b>(449.0)</b>	<b>(170.0)</b>	<b>(170.0)</b>	<b>(170.0)</b>	<b>(160.0)</b>	<b>(150.0)</b>	<b>(140.0)</b>	<b>(130.0)</b>	<b>(120.0)</b>
<b>Cash flows from Financing Activities</b>											
(Repayment) or Issuance of long term debt	719.0	-	(143.0)	3,650.0	-	-	-	(400.0)	-	(750.0)	-
Cash dividends paid	(101.0)	(207.0)	(416.0)	(130.0)	(136.5)	(143.3)	(150.5)	(158.0)	(165.9)	(174.2)	(182.9)
Other	1,205.0	(70.0)	529.0	(3,650.0)	-	-	-	-	-	-	-
<b>Net cash (used in) provided by Financing Activities</b>	<b>1,823.0</b>	<b>(277.0)</b>	<b>(30.0)</b>	<b>(130.0)</b>	<b>(136.5)</b>	<b>(143.3)</b>	<b>(150.5)</b>	<b>(558.0)</b>	<b>(165.9)</b>	<b>(924.2)</b>	<b>(182.9)</b>
<b>Effect of exchange-rate on cash</b>	<b>(7.0)</b>	<b>(4.0)</b>	<b>(2.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (decrease) increase in cash and equivalents</b>	<b>93.0</b>	<b>(36.0)</b>	<b>16.0</b>	<b>326.3</b>	<b>195.8</b>	<b>377.0</b>	<b>628.2</b>	<b>357.2</b>	<b>911.1</b>	<b>340.6</b>	<b>1,282.2</b>
Cash and equivalents at beginning of year	6.0	99.0	63.0	79.0	405.3	601.1	978.1	1,606.3	1,963.4	2,874.5	3,215.1
<b>Cash and equivalents at end of year</b>	<b>99.0</b>	<b>63.0</b>	<b>79.0</b>	<b>405.3</b>	<b>601.1</b>	<b>978.1</b>	<b>1,606.3</b>	<b>1,963.4</b>	<b>2,874.5</b>	<b>3,215.1</b>	<b>4,497.3</b>

Source: Guggenheim Securities, LLC and Company Reports

# Zoetis (ZTS): Discounted Cash Flow Analysis

ASSUMPTIONS	
Be	1.15
Rf	4.0%
Re	10.9%
Rd	5.0%
Debt 2014	\$3,650
Equity	\$16,910
Value (D+E)	\$20,560
Return on Market	10.0%
Growth Rate	1.0%
Exit Multiple	12.2x
WACC	9.6%
Tax Rate 2014	29.0%
Cash 2014	\$978

	Year Ended December 31st,				
	2015E	2016E	2017E	2018E	2019E
EBIT	\$1,404.3	\$1,562.6	\$1,762.7	\$1,978.7	\$2,231.8
Less Cash Taxes	370.1	411.1	459.9	516.4	574.9
EBIAT	\$1,034.3	\$1,151.5	\$1,302.8	\$1,462.4	\$1,657.0
Plus Depreciation & Amortization	115.0	115.0	115.0	115.0	115.0
Less Capital Expenditures	(160.0)	(150.0)	(140.0)	(130.0)	(120.0)
Changes in Working Capital	(104.8)	(107.0)	(110.4)	(116.3)	(124.3)
Free Cash Flow	\$884.5	\$1,009.5	\$1,167.4	\$1,331.1	\$1,527.7
Discounted Free Cash Flow	\$807.0	\$840.5	\$886.9	\$922.7	\$966.2
Terminal Value					\$29,951.1
Discounted Terminal Value					\$18,943.3
Enterprise Value	\$23,366.6				
Less Debt	(\$3,650.0)				
Plus Cash	\$978.1				
Equity Value	\$20,694.6				
Fully Diluted Shares Outstanding	500.3				
Price/Share	\$41.37				

Source: Guggenheim Securities, LLC

# Zoetis (ZTS): Sum-of-the-Parts Analysis

Enterprise Value per Share	
Livestock	\$35.45
Companion	13.29
New Products	0.75
Other	0.61
<b>Zoetis Sum-of-Parts Value</b>	<b>\$50.10</b>
Equity Value per Share	
<b>Enterprise Value</b>	<b>25,064.6</b>
Less Debt 2014	(3,650.0)
Plus Cash 2014	978.1
<b>Equity Value</b>	<b>22,392.7</b>
<b>Price Per Share</b>	<b>\$44.76</b>

Source: Guggenheim Securities, LLC

Livestock					
	2015E	2016E	2017E	2018E	2019E
Sales	\$3,362.8	\$3,548.7	\$3,745.5	\$3,953.7	\$4,174.1
COGS	1,155.1	1,204.8	1,256.6	1,310.7	1,367.0
Gross Profit	\$2,207.7	\$2,343.9	\$2,488.9	\$2,643.1	\$2,807.1
Incremental SG&A	\$336.3	\$354.9	\$374.6	\$395.4	\$417.4
Incremental R&D	168.1	177.4	187.3	197.7	208.7
<b>Op. Income</b>	<b>\$1,703.2</b>	<b>\$1,811.6</b>	<b>\$1,927.1</b>	<b>\$2,050.0</b>	<b>\$2,181.0</b>
Incr. WC needs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Depr. Addback	0.0	0.0	0.0	0.0	0.0
Capex needs	0.0	0.0	0.0	0.0	0.0
Tax rate	28.5%	28.0%	27.5%	27.0%	26.5%
<b>CF contribution</b>	<b>\$1,217.8</b>	<b>\$1,304.4</b>	<b>\$1,397.1</b>	<b>\$1,496.5</b>	<b>\$1,603.0</b>
Terminal Multiple					9.0x
Terminal Value					\$19,628.6
Total CF	1,217.8	1,304.4	1,397.1	1,496.5	21,231.6
Discount Rate	0.91	0.83	0.76	0.69	0.63
Discount CF	1,111.3	1,086.2	1,061.7	1,037.8	13,436.7
<b>NPV</b>	<b>\$17,733.9</b>				
Share Count 2014	500.3				
<b>Enterprise Value per share</b>	<b>\$35.45</b>				
<b>Equity value per share</b>	<b>\$31.67</b>				

Source: Guggenheim Securities, LLC

Companion					
	2015E	2016E	2017E	2018E	2019E
Sales	\$1,664.6	\$1,749.9	\$1,839.9	\$1,934.7	\$2,034.6
COGS	571.8	594.1	617.3	641.3	666.3
Gross Profit	\$1,092.8	\$1,155.8	\$1,222.6	\$1,293.3	\$1,368.2
Incremental SG&A	\$166.5	\$175.0	\$184.0	\$193.5	\$203.5
Incremental R&D	83.2	87.5	92.0	96.7	101.7
<b>Op. Income</b>	<b>\$843.1</b>	<b>\$893.3</b>	<b>\$946.6</b>	<b>\$1,003.1</b>	<b>\$1,063.1</b>
Incr. WC needs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Depr. Addback	0.0	0.0	0.0	0.0	0.0
Capex needs	0.0	0.0	0.0	0.0	0.0
Tax rate	28.5%	28.0%	27.5%	27.0%	26.5%
<b>CF contribution</b>	<b>\$602.8</b>	<b>\$643.2</b>	<b>\$686.3</b>	<b>\$732.3</b>	<b>\$781.3</b>
Terminal Multiple					6.0x
Terminal Value					\$6,378.3
Total CF	602.8	643.2	686.3	732.3	7,159.7
Discount Rate	0.91	0.83	0.76	0.69	0.63
Discount CF	550.1	535.6	521.6	507.8	4,531.1
<b>NPV</b>	<b>\$6,646.2</b>				
Share Count 2014	500.3				
<b>Enterprise Value per share</b>	<b>\$13.29</b>				
<b>Equity value per share</b>	<b>\$11.87</b>				

Source: Guggenheim Securities, LLC



# Zoetis (ZTS): Sum-of-the-Parts Analysis

New Products					
	2015E	2016E	2017E	2018E	2019E
Sales	\$100.0	\$150.0	\$202.5	\$253.1	\$303.8
COGS	34.4	50.9	67.9	83.9	99.5
Gross Profit	\$65.7	\$99.1	\$134.6	\$169.2	\$204.3
Incremental SG&A	\$10.0	\$15.0	\$20.3	\$25.3	\$30.4
Incremental R&D	5.0	7.5	10.1	12.7	15.2
<b>Op. Income</b>	<b>\$50.7</b>	<b>\$76.6</b>	<b>\$104.2</b>	<b>\$131.2</b>	<b>\$158.7</b>
Incr. WC needs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Depr. Addback	0.0	0.0	0.0	0.0	0.0
Capex needs	0.0	0.0	0.0	0.0	0.0
Tax Rate	28.5%	28.0%	27.5%	27.0%	26.5%
<b>CF contribution</b>	<b>\$36.2</b>	<b>\$55.1</b>	<b>\$75.5</b>	<b>\$95.8</b>	<b>\$116.7</b>
Terminal Multiple					1.0x
Terminal Value					\$158.7
Total CF	36.2	55.1	75.5	95.8	275.4
Discount Rate	0.91	0.83	0.76	0.69	0.63
Discount CF	33.0	45.9	57.4	66.4	174.3
<b>NPV</b>	<b>\$377.1</b>				
Share Count 2014	500.3				
<b>Enterprise Value per share</b>	<b>\$0.75</b>				
<b>Equity value per share</b>	<b>\$0.67</b>				

Source: Guggenheim Securities, LLC

Other					
	2015E	2016E	2017E	2018E	2019E
Sales	\$50.0	\$100.0	\$150.0	\$210.0	\$283.5
COGS	17.2	34.0	50.3	69.6	92.8
Gross Profit	\$32.8	\$66.1	\$99.7	\$140.4	\$190.7
Incremental SG&A	\$5.0	\$10.0	\$15.0	\$21.0	\$28.4
Incremental R&D	2.5	5.0	7.5	10.5	14.2
<b>Op. Income</b>	<b>\$25.3</b>	<b>\$51.1</b>	<b>\$77.2</b>	<b>\$108.9</b>	<b>\$148.1</b>
Incr. WC needs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Depr. Addback	0.0	0.0	0.0	0.0	0.0
Capex needs	0.0	0.0	0.0	0.0	0.0
Tax Rate	28.5%	28.0%	27.5%	27.0%	26.5%
<b>CF contribution</b>	<b>\$18.1</b>	<b>\$36.8</b>	<b>\$56.0</b>	<b>\$79.5</b>	<b>\$108.9</b>
Terminal Multiple					1.0x
Terminal Value					\$148.1
Total CF	18.1	36.8	56.0	79.5	257.0
Discount Rate	0.91	0.83	0.76	0.69	0.63
Discount CF	16.5	30.6	42.5	55.1	162.6
<b>NPV</b>	<b>\$307.4</b>				
Share Count 2014	500.3				
<b>Enterprise Value per share</b>	<b>\$0.61</b>				
<b>Equity value per share</b>	<b>\$0.55</b>				

Source: Guggenheim Securities, LLC

## Event Calendar

## Zoetis (ZTS): Catalyst Calendar

Date	Driver	Upcoming Event
<b>2013</b>		
2H13	U.S. Drought	Expected to be over and U.S. business to return to normal
2H13	Global ERP	Deployment initiated with 2+ year anticipated build out period
<b>2014</b>		
2Q14	Infrastructure support	Expires
December 2014	Transactional Finance support	Phases out as Zoetis shared services is established
2014	Revolution	Compound patent on selamectin expires in U.S., Canada, and Europe
2014	Directors Class I	Term expiration
<b>2015</b>		
2H15+	Global ERP	Build out completed
2015	2015 ASEAN Free Trade Zone	Triggers additional growth
2015	Directors Class II	Term expiration
2015	Global Supply	Full transition to Zoetis
2015	Ceftiofur	U.S. patents start to expire in 2015
<b>2016+</b>		
2016	Transitional service agreements with Pfizer	Expires
2016	Dectomax (antiparasitic)	Injectable formulation patent expires in U.S.
2016	Directors Class III	Term expiration
2020	R&D Collaboration and License Agreement w/Pfizer	Expires (7 years from IPO date)
2020	Dectomax (antiparasitic)	Process patent expires in U.S.
2021	Draxxin	U.S. patent set to expire
2023	Convenia	U.S. patent set to expire

Source: Guggenheim Securities, LLC and Company reports

# Animal Health Glossary

## Animal Health Glossary

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1. **Animal and Plant Health Inspection Service (APHIS):** Department of Agriculture (USDA) agency responsible for monitoring the quality of licensed biologicals through the Center for Veterinary Biologics.
2. **Animal Health Products:** The pharmaceuticals, vaccines, feed additives, and pesticides used in modern food production and the medicines that keep pet animals healthy.
3. **Antimicrobial:** An agent that kills bacteria or suppresses their multiplication or growth. Includes antibiotics and synthetic agents.
4. **Center for Veterinary Medicine (CVM):** Branch of the Food and Drug Administration (FDA) that reviews and regulates the approval of all animal drugs to ensure that they are safe and effective in animals and are not harmful to humans.
5. **Diagnostic Test Kit:** Biological or medical device that allows farmers and veterinarians to detect illness in animals.
6. **Efficacy:** Proof of a product's effectiveness. Used in approving animal health products.
7. **Food Safety and Inspection Services (FSIS):** Department of Agriculture (USDA) agency that monitors the use of drugs in livestock by routinely sampling for residues in food animals.
8. **Major Species:** Cattle, horses, swine, chickens, turkeys, dogs, and cats are designated as the major species by the FDA. These are the largest domesticated species populations for which animal medicines are produced.
9. **Minor Species:** All animals other than humans that are not one of the major species. Examples include zoo animals, ornamental fish, parrots, ferrets, and guinea pigs. Some animals of agricultural importance are also minor species, such as sheep, goats, catfish, game birds, and honey bees (because they produce an edible product), among others.
10. **New Animal Drug Application (NADA):** Application by a drug manufacturer to the FDA for approval of a new animal drug. Government and industry refer to any compound that is available for sale as a "approved NADA."

# Appendix

## Zoetis (ZTS): Manufacturing

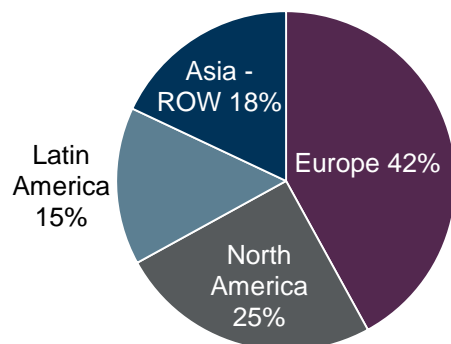
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### **Zoetis has 29 manufacturing sites supported by 13 Anchor Sites and 16 Satellite Centers**

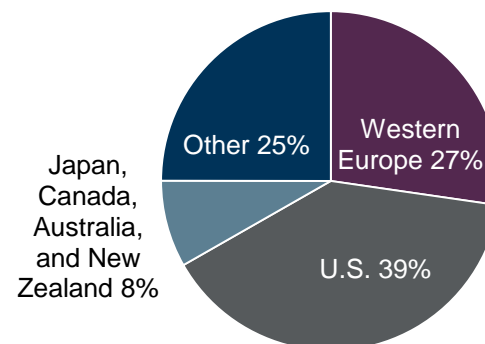
- Ownership of the 29 facilities were conveyed to Zoetis by Pfizer, except for Hannibal, MO and San Diego, CA, both of which are leased sites.
- Following the separation, Pfizer will continue to manufacture products for Zoetis at 14 Pfizer sites located in 13 countries pursuant to a master manufacturing and supply agreement .
- ZTS will re-evaluate its decision to continue the manufacturing of its products at Pfizer sites in the future based on several factors, including manufacturing costs and the business needs.
- Following the separation, ZTS's global manufacturing network will continue to be supplemented by approximately 200 CMOs (contract manufacturing operations).
- ZTS intends to continue its efficiency improvement programs in its manufacturing and supply chain organization, including Six Sigma and Lean capabilities.
- ZTS has globally-managed and coordinated quality control and quality assurance programs in place at its global manufacturing network sites, and it regularly inspects and audits its global manufacturing network and CMO sites.

## Top Animal Health Companies: 2011 Sales by Geographic Region

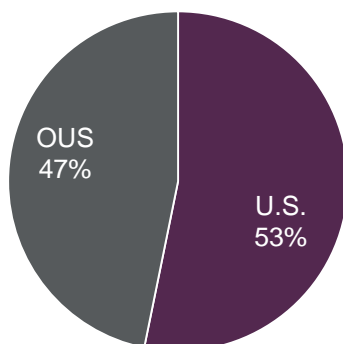
Merck Animal Health



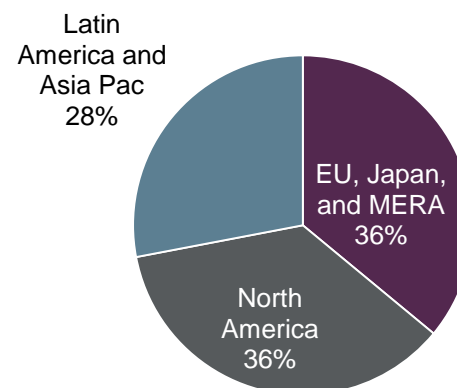
Merial



Elanco



Bayer Animal Health



Source: Guggenheim Securities, LLC and Company Reports



## Additional Companies Mentioned (priced as of 3/12/13)

Company Name	Ticker	Rating	Price	Currency
Abaxis Inc.	ABAX	NC	46.03	\$
Abbott Laboratories	ABT	NC	34.98	\$
Allergan Inc.	AGN	Buy	110.08	\$
Bayer AG ADS	BAYRY	NC	100.35	\$
Central Garden & Pet Co.	CENT	NC	8.79	\$
China Animal Healthcare Ltd.	EP4-SES	NC	0.27	S\$
China Animal Husbandry Industry Co. Ltd.	600195-SHG	NC	14.65	Y
Dechra Pharmaceuticals PLC	DPH-GB	NC	7.40	£
ECO Animal Health Group PLC	EAH-LON	NC	2.65	£
Eli Lilly & Co.	LLY	NC	55.08	\$
Genera d.d.	VERNRA-ZAG	NC	-ZAG: No li	HRK
Guangdong Dahuanong Animal Health Products	300186-SHE	NC	16.49	Y
Henry Schein Inc.	HSIC	NC	90.03	\$
Heska Corp.	HSKA	NC	8.79	\$
Hester Biosciences Ltd.	524669-BOM	NC	114.50	RS
IDEXX Laboratories Inc.	IDXX	NC	91.51	\$
Inner Mongolia Jinyu Group Co. Ltd.	600201-SHG	NC	18.76	Y
Johnson & Johnson	JNJ	NC	78.56	\$
KMG Chemicals Inc.	KMG	NC	19.06	\$
Merck & Co Inc	MRK	NC	45.04	\$
MWI Veterinary Supply Inc.	MWIV	NC	131.89	\$
Mylan Inc.	MYL	Neutral	30.95	\$
Neogen Corp.	NEOG	NC	47.75	\$
Nestle S.A.	NESN-CH	NC	68.10	CHF
Novartis AG ADS	NVS	NC	69.53	\$
Oasmia Pharmaceutical AB	OASM-OME	NC	13.50	KR
Perrigo Co.	PRGO	Buy	117.60	\$
Pfizer Inc.	PFE	NC	27.94	\$
Sanofi SA ADR	SNY	NC	48.99	\$
Teva Pharmaceutical Industries Ltd. ADS	TEVA	Neutral	40.53	\$
Tianjin Ringpu Bio Technology Co. Ltd.	300119-SHE	NC	22.55	Y
VCA Antech Inc.	WOOF	NC	23.08	\$
Vetoquinol	VETO-FR	NC	24.99	€
Virbac S.A.	VIRP-FR	NC	166.00	€
Xinjiang Tecon Animal Husbandry Bio-Technolo	002100-SHE	NC	10.55	Y
Zhejiang Shenghua Biok Biology Co. Ltd.	600226-SHG	NC	6.24	Y

## ANALYST CERTIFICATION

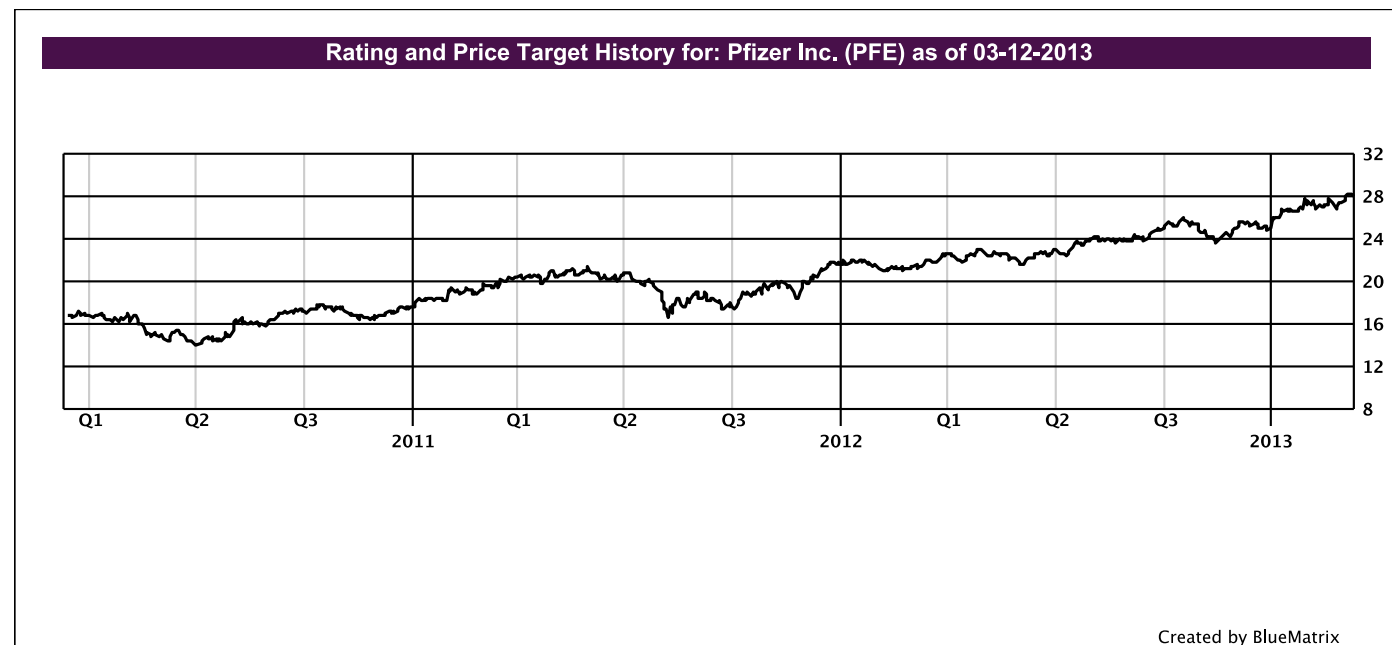
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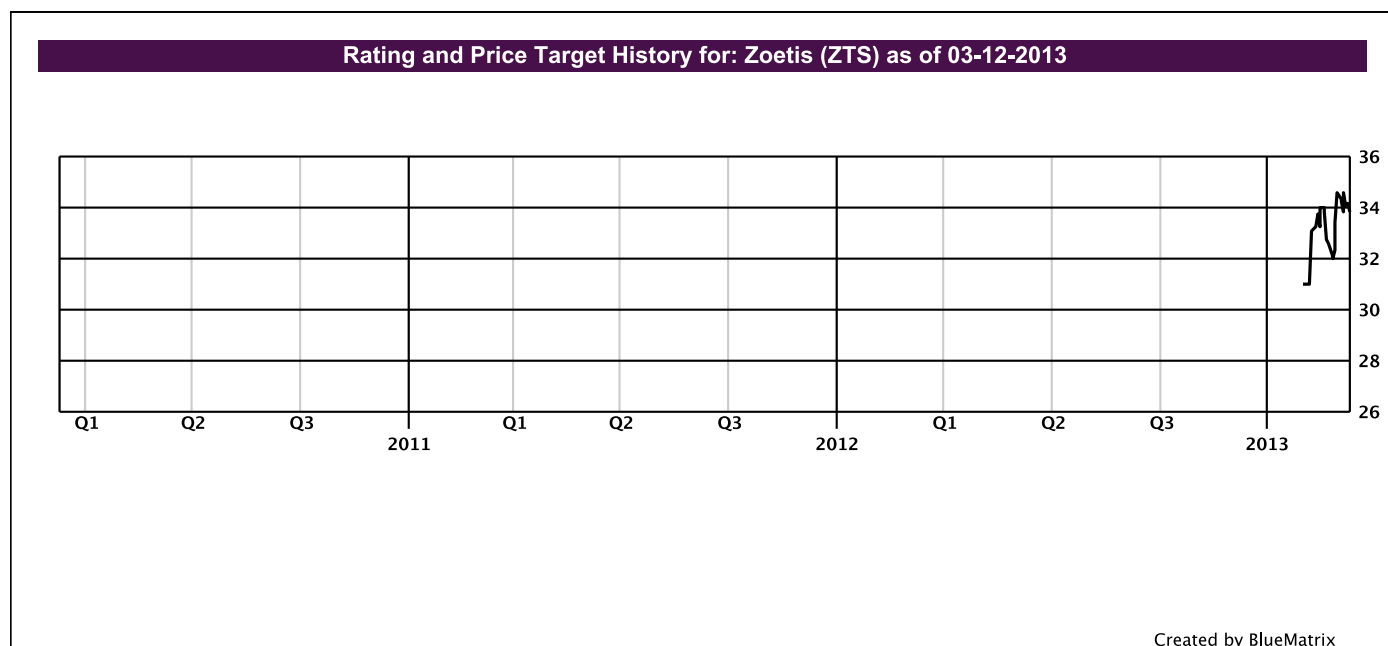
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			Count	Percent
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