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Thomas Chiu

October 4, 2013

Stock Rating
Overweight

Industry View
In-Line

Zoetis Inc.

Upgrading to OW; rev growth should accelerate in 2014

What's Changed

Rating	Equal-weight to Overweight
Price Target	NA to \$36.00

Upgrading ZTS shares from EW to OW. Our \$36 PT is 19x '15E EPS of \$1.91 (shares currently trade at 19x our 2014E of \$1.67). We believe livestock revs (~2/3 of total) are poised to accelerate in 2014.

OW ahead of accel. rev growth. Following an industry-wide revenue slowdown in 1H:13, incl top-line shortfalls from Lilly and Merck, we anticipate improving prospects. We now have greater conviction in our projection for ZTS rev growth to accelerate from +3% in '13E to +8% in '14E on easier YOY comps and livestock recovery (lower commodity costs and normalized weather).

Competitor Lilly bullish on cyclical recovery. At Lilly's Investor Day on Thurs Oct 3, EVP of Lilly Animal Health Jeff Simmons was upbeat: "The fundamentals of the animal health industry are strong...and we expect to see continued strong growth going forward. While the LT opportunity for our industry is clear, we undoubtedly see periods of volatility and cycles...Feed costs over the past few years have reached all-time highs squeezing producer margins, but a favorable growing season has corn prices trending lower. We're optimistic that this will have a positive impact on market cycles going to 2014." **See full quote on p. 5.**

Greater investor confidence in Zoetis' growth prospects should sustain the current multiple on 2014E EPS through '15E. Our \$36 PT is 19x our 2015E EPS of \$1.91. This is in-line with the current multiple on our 2014E EPS of \$1.67. We are leaving our estimates unchanged, but we now have greater confidence in mid-single digit rev and low-to-mid teens EPS growth.

Lack of binary events limits downside risk, in our view. We believe the risk-reward is attractive, and we project less than 10% downside risk in our bear case.

Key Ratios and Statistics

Reuters: ZTS.N Bloomberg: ZTS US

Specialty Pharmaceuticals / United States of America

Price target	\$36.00
Shr price, close (Oct 3, 2013)	\$31.48
Mkt cap, curr (mm)	\$15,754
52-Week Range	\$35.40-28.81

Fiscal Year ending	12/12	12/13e	12/14e	12/15e
ModelWare EPS (\$)	1.08	1.41	1.67	1.91
Prior ModelWare EPS (\$)	-	-	-	-
P/E	-	22.3	18.8	16.5
Consensus EPS (\$)	1.22	1.40	1.61	1.81
Div yld (%)	-	0.8	1.0	1.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

Quarter	2012	2013e		2014e		2014e	
		Prior	Current	Prior	Current	Prior	Current
Q1	0.30	-	0.36a	-	-	-	-
Q2	0.35	-	0.36a	-	-	-	-
Q3	0.31	-	0.35	-	-	-	-
Q4	0.11	-	0.35	-	-	-	-

e = Morgan Stanley Research estimates, a = Actual company reported data

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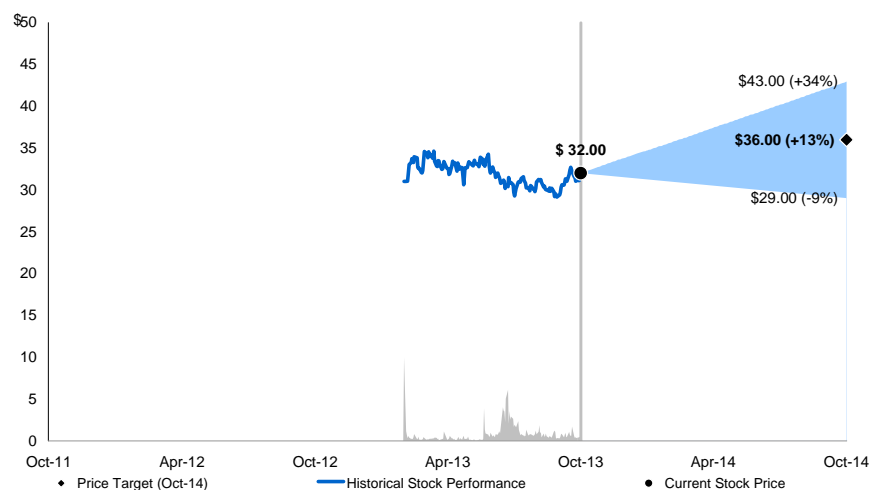
For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Risk- Reward Snapshot: Zoetis Inc. (ZTS), Overweight

Risk-Reward: Accelerating revenue growth in 2014E should drive stock outperformance



Source: Thomson Reuters, Morgan Stanley Research estimates

Price Target \$36		Valuation based upon 2015E P/E and EV/EBITDA
Bull Case	21x Bull Case 15e EPS of \$2.04	Rev and earnings upside drive both E and P/E higher than forecast. Our bull case assumes revenue and operating margin upside. We project 7% YOY rev growth in our bull case in 2015 (vs. +6% in our base case) and operating margins of 30% (vs. 28.6% in our base case).
Base Case	19x Base Case 15e EPS of \$1.91	Accelerating revenue growth should sustain current multiple through 2015E. We expect Zoetis revenue growth to accelerate from +3% in 2013E to +8% in 2014E on easier comps, livestock recovery, and normalized weather conditions. Prospects for improved market conditions give us greater confidence in our revenue and earnings projections as well as the sustainability of the current multiple on 2014E earnings into 2015E.
Bear Case	17x Bear Case 15e EPS of \$1.75	Bear case assumes margin expansion fails to materialize. Our bear case assumes 2015E operating margins in-line with our 2014E est. of 26.6% (vs. 28.6% in our base case).

Exhibit 1

ZTS currently trades essentially in-line relative to peers on 2015E

	MON	SYT	AGN	MJN	NOVO	Mean	ZTS
'14E P/E	19.5x	15.7x	16.7x	20.8x	17.4x	18.0x	18.8x
'14E EV/EBITDA	11.6x	11.2x	10.7x	14.0x	12.5x	12.0x	13.4x
'15E P/E	17.2x	15.9x	15.5x	18.6x	15.3x	16.5x	16.5x
'15E EV/EBITDA	10.5x	11.0x	10.1x	12.8x	11.3x	11.1x	11.9x

Ticker legend: MON Monsanto, SYT Syngenta, AGN Allergan, MJN Mead Johnson, NOVO Novo Nordisk

Source: Thomson Reuters, Morgan Stanley Research

Investment Thesis

- Zoetis is a global leader in animal health, and we expect mgmt. to deliver mid-teens EPS growth over the next several years.
- We view ZTS as a compelling alternative to traditional pharma
- We believe accelerating revenue growth in 2014E should drive stock outperformance
- We see an attractive risk-reward, and we believe lack of exposure to binary events limits downside risk

Key Value Drivers

- Operating margin expansion and global business expansion
- **Livestock** (65% of revs.): Demand for meat and milk is projected to at least double over the next 40 years due in large part to population growth and an increase in affluence in emerging markets (key driver of NT growth)
- **Companion Animals** (35% of revs): Global spending on pets is growing

Potential Catalysts/ Launches

- Livestock recovery in 2014E and beyond as farmers rebuild cattle herds
- Implementation of new antibiotic restrictions and potential for new govt. legislation
- Vet Rx legislation

Investment Risks

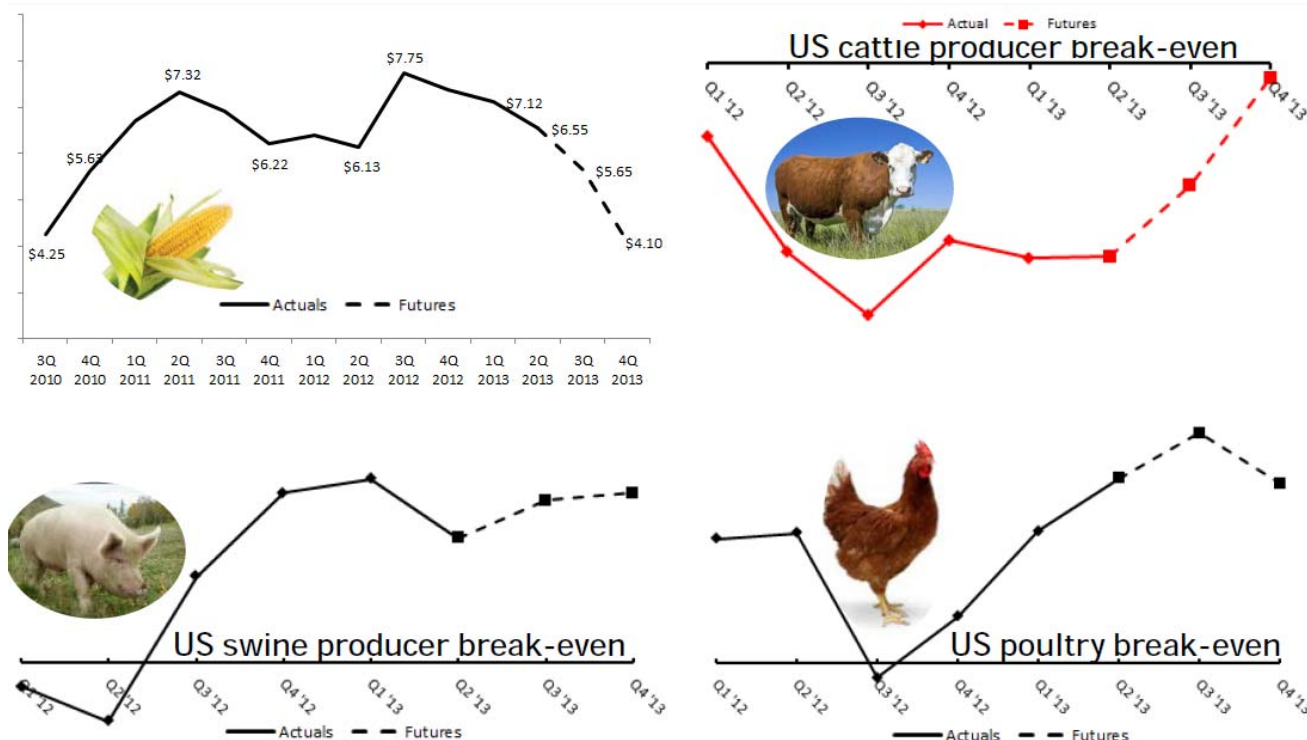
- Margin expansion fails to materialize
- Drought persists longer than expected
- Increased govt. antibiotic regulations
- New pharmacy entrants pressure ZTS margins
- Dollar strength relative to foreign currencies causes FX-driven financial shortfalls.
- SAP implementation

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Exhibit 2

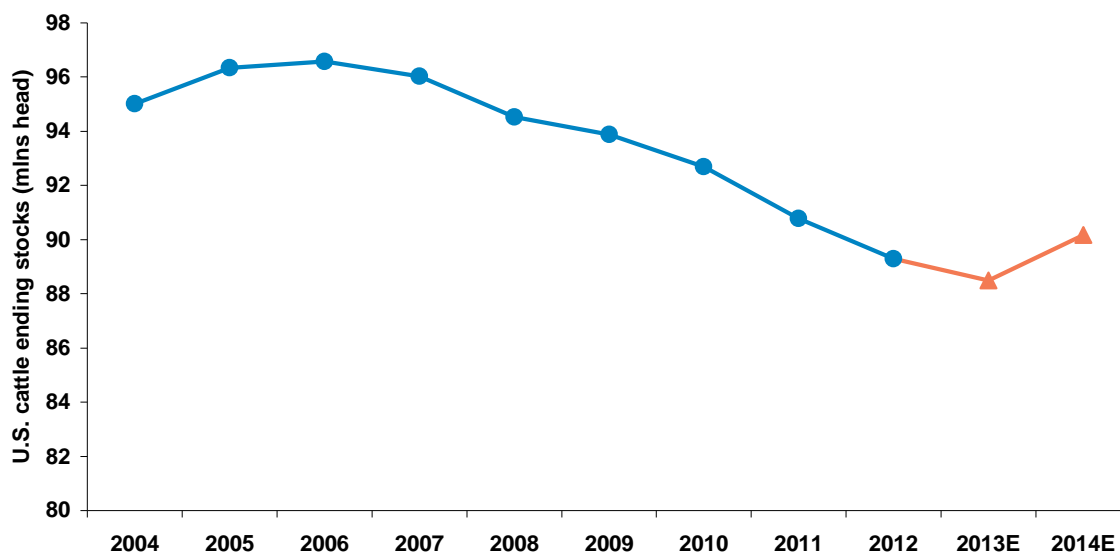
Declining commodity costs (e.g., corn) should drive greater profitability for livestock producers and support increased production



Source: Lilly Oct. 2013 Investment Community Meeting, InformaEcon

Exhibit 3

After several years of declines, MS Commodities Research team projects an upturn in the U.S. cattle herd by late 2014E



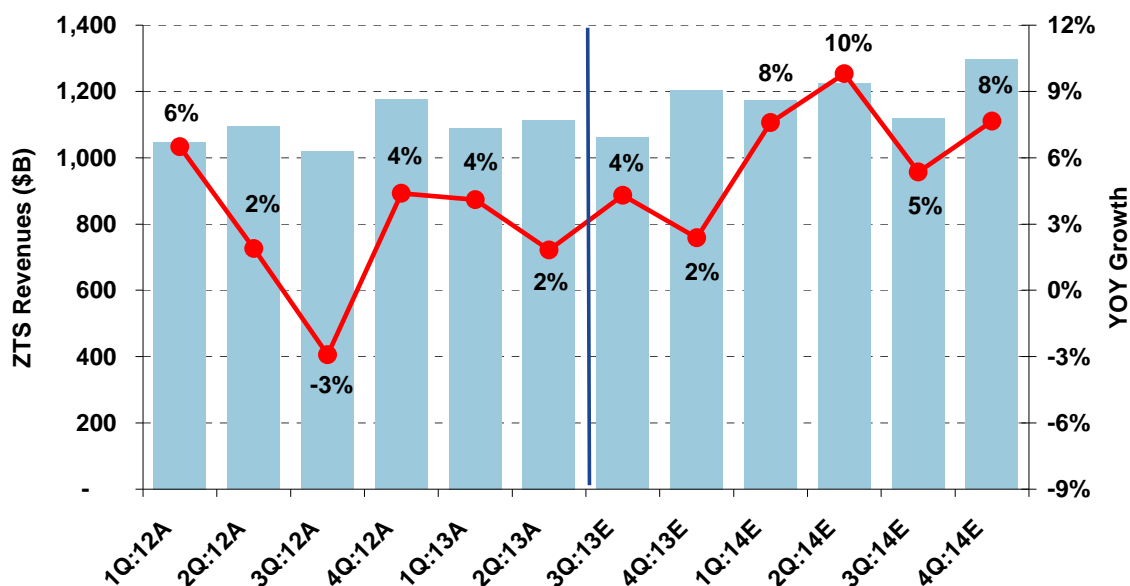
Source: USDA, Morgan Stanley Research

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Exhibit 4

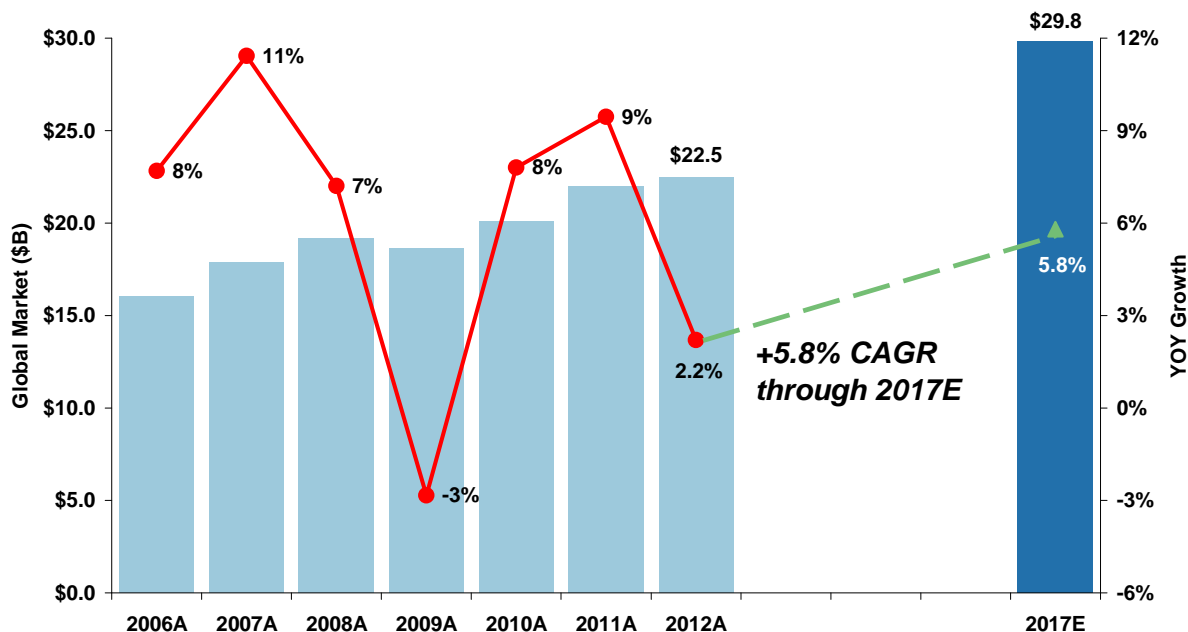
We project Zoetis YOY revenue growth to accelerate from +3% in 2013E to +8% in 2014E primarily on livestock recovery



Source: Company Data, Morgan Stanley Research estimates

Exhibit 5

Animal health industry growth is cyclical, and Vetnosis projects growth to accelerate from +2.2% in 2012A to +5.8% through 2017E



Source: Vetnosis, Morgan Stanley Research

Exhibit 6

Oct. 3 quotes from Jeffery Simmons, President of Lilly Animal Health, on industry trends and outlook. Toward the end of the quote we would highlight his statement on the industry that “signs are that we’re exiting the current down cycle”

“While the long-term opportunity for our industry is clear, we undoubtedly see periods of volatility and cycles, just as we have here in the recent past. Let’s look at some of the factors that drive these cycles and where we currently are in the current cycle. The food animal side of the industry, which accounts for about 60% of our sales, definitely tends to be more cyclical. There are four primary factors that drive these cycles; commodity prices, producer margins, animal numbers, and trade. Two key things drive commodity prices, weather and energy. First is weather. Weather this year and weather last year affect grain inventories and prices. So better growing weather leads to higher inventories and lower prices. The second is energy, which is needed to produce food and of course the fuel to world. A lot you know in this room and nearly one out of three bushels of corn now goes to ethanol production. So the war in Syria driving up oil prices very quickly, quicker than ever before, drives the cost of corn up as feedstock for cattle and increases the cost to produce a pound of meat. And in the past few years, we’ve seen commodity prices reach all time high, as food and energy become a lot more connected.

Another factor is producer margins, which are affected by retail prices, and animal numbers which are influenced by several factors: supply and demand, which is definitely driven by consumer consumption, but also disease incident. So let’s just take for example avian influenza in China, bird flu, you’ve heard a lot about. The last spring many of you probably did not hear that that same disease wiped out 22 million birds in Mexico, one out of six birds. In addition, severe weather can affect the animal numbers. For example here recently, the recent drought in the Great Plains of the U.S. has had a negative impact on cattle numbers. Finally, it’s trade in excess. This one is harder to define, but it’s simply the movement of food across borders as well as across the meat counters. Policies, politics, and social dynamics affect trade as well as what the retailers put on their shelves. So bottom-line, there is no easy formula. It is a multi-factorial market dynamic, but we believe these are the four major drivers and the ones that the industry observers should monitor.

Let’s double click and what we’re seeing for a couple of these factors, commodity prices and producer margin; first commodity prices. Feed cost over the past few years as I mentioned have reached all-time high squeezing producer margin, but a favorable growing season has corn prices trending lower. We’re optimistic that this will have a positive impact on market cycles going into 2014.

Next, our producer margin. In general, we are seeing improving producer margins here in recent quarters. The increased margins for swine and poultry are likely to lead to increased animal numbers which may contain additional margin expansion, but the outlook is stable going into 2014. On the cattle side, cattle margins have been negative, driven by numerous factors, but are projected to improve over the rest of the year. So overall, we expect to see some margin improvements into 2014. So, what does all this mean? We expect mid single-digit industry growth over the long term. Further, the market needs innovation to meet this demand and we’re seeing innovation being rewarded in the marketplace.

Signs are that we’re exiting the current down cycle, but we have to continue to manage the volatility. Customers must globalize to adjust to reach to these regional changes in animal numbers and to better mitigate the risk and trade has to become – trade has become more politically driven than ever. So ultimately, it is a more complex and globally connected market than it ever has been before.”

Source: Lilly Oct. 2013 Investment Community Meeting, Morgan Stanley Research

Valuation base, bull, and bear and Comparables

Our base case valuation of \$36/share is 19x our 2015E EPS of \$1.91 and 13x our 2015E EBITDA of \$1.6B.

Zoetis shares currently trade at 19x our 2014E EPS of \$1.67. We think prospects for revenue growth acceleration next year should sustain the current earnings multiple on 2014E earnings into 2015E.

Upside risks: Bull case assumes significant earnings upside

Our bull case assumes revenue and operating margin upside. We project 7% YOY revenue growth in our bull case in 2015 (vs. +6% in our base case) and operating margins of 30% (vs. 28.6% in our base case). Bull case valuation of \$43 is 21x our bull case 2015E EPS of \$2.04.

Downside risks: Bear case assumes margin expansion fails to materialize

Our bear case assumes 2015E operating margins in-line with our 2014E est. of 26.6% (vs. 28.6% in our base case). Bear

case valuation of \$29 is 17x our bear case 2015E EPS of \$1.75.

ZTS has no direct comps; our comps table incl. SMID-Cap Animal Health and Large-Cap Growth Market Leaders

Valuation is a challenge because Zoetis has no publicly traded large cap animal health peer. SMID-cap animal companies are either ex-U.S. (Virbac, Genus, Vetoquinol), closely held (Virbac and Vetoquinol), or more focused on distribution/ vet services (Idexx, VCA, MWI, Genus). Each has a lower EBITDA margin than Zoetis. As a result, we have expanded our comps universe to include Large-Cap Growth companies in other verticals with similar margins and growth outlook as Zoetis. Companies like Monsanto and Syngenta are market leaders in agriculture; Allergan, Perrigo, and Novo Nordisk are leaders in healthcare (Botox, store brands, and diabetes respectively); Mead Johnson (split off from Bristol Myers in 2009) is a leader in pediatric nutrition.

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Exhibit 7

Comparables

(\$USD, millions)							2014E*			2015E*			2013E-2015E CAGR*		EBITDA Margin*	
Ticker	Company Name	Description	Mkt Cap†	Net Debt‡	EV	Div. Yield	EV/ Rev	EV/ EBITDA	P/E	EV/ Rev	EV/ EBITDA	P/E	Revenue	EBITDA	2014E	2015E
Large-Cap Growth																
MON	Monsanto	Agriculture	56,033	-859	55,174	1.7%	3.4x	11.6x	19.5x	3.2x	10.5x	17.2x	7.5%	11.9%	30%	31%
SYT	Syngenta	Agriculture	37,145	2,991	40,136	2.5%	2.6x	11.2x	15.7x	2.5x	11.0x	15.9x	3.5%	6.0%	23%	23%
AGN	Allergan	Botox	27,216	-513	26,704	0.2%	4.0x	10.7x	16.7x	3.8x	10.1x	15.5x	6.7%	9.3%	37%	38%
MJN	Mead Johnson	Infant Formula	15,088	570	15,658	1.8%	3.5x	14.0x	20.8x	3.3x	12.8x	18.6x	7.2%	7.7%	25%	26%
PRGO	Perrigo	Store brands	11,846	1,194	13,040	0.3%	3.2x	11.8x	19.1x	2.8x	8.9x	15.5x	13.4%	23.3%	27%	31%
NOVO B	Novo Nordisk	Diabetes	90,028	-2,051	87,977	2.0%	5.2x	12.5x	17.4x	4.8x	11.3x	15.3x	8.7%	10.4%	42%	43%
Mean						1.4%	3.7x	12.0x	18.2x	3.4x	10.8x	16.3x	8%	11%	31%	32%
SMID-Cap Animal Health																
IDXX	Idexx Laboratories	Diagnostics	5,537	119	5,656	0.0%	3.8x	16.0x	26.4x	N/A	N/A	N/A	N/A	N/A	24%	N/A
WOOF	VCA Antech	Vet clinics	2,488	523	3,010	0.0%	1.6x	8.7x	15.6x	1.4x	N/A	13.2x	9.0%	N/A	18%	N/A
VIRP	Virbac (France)	Pharma	1,726	285	2,011	1.3%	1.8x	9.9x	17.9x	1.8x	9.2x	16.9x	6.9%	10.5%	19%	19%
MWIV	MWI Veterinary	Distribution	1,951	11	1,963	0.0%	0.7x	15.7x	27.7x	0.7x	13.8x	24.6x	12.2%	14.3%	5%	5%
GNS	Genus (UK)	Genetics	1,373	86	1,459	1.2%	2.3x	15.4x	22.9x	2.1x	13.4x	19.3x	8.8%	8.6%	15%	16%
VETO	Vetoquinol (France)	Pharma	445	-35	409	1.3%	0.9x	6.7x	13.0x	0.9x	6.2x	12.1x	3.3%	5.4%	14%	15%
Mean						0.6%	1.9x	12.0x	20.6x	1.4x	10.7x	17.2x			16%	14%
Consolidated Mean						1.0%	2.8x	12.0x	19.4x	2.5x	10.7x	16.7x			23%	25%
S&P 500									14.4x			13.3x				
ZTS	Zoetis	Animal pharma	15,786	3,333	19,119	0.8%	4.0x	13.4x	18.8x	3.8x	11.9x	16.5x	5%	14%	30%	32%

Source: ThomsonReuters (comparables), Morgan Stanley Research (Zoetis estimates) as of 10/3/13

† Market cap based upon fully diluted share count ‡ Net debt calculated using cash and short-term investments *Based upon consensus estimates

Notes: (1) VIRP and VETO report in Euros, Genus reports in British Pounds, and Novo reports in Danish Kroner; EV calculated using current USD spot rates.

(2) GNS and PRGO fiscal year ends in June, MON FY ends in August, and MWI FY ends in September.

Source: Thomson Reuters, Morgan Stanley Research estimates

Morgan Stanley Research Model

Exhibit 8

Annual Income Statement (1 of 2)

(\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Net revenues	3,582	4,233	4,336	4,471	4,810	5,079
COGS	1,318	1,581	1,549	1,585	1,684	1,752
Gross profit	2,264	2,652	2,787	2,885	3,127	3,327
SG&A	1,365	1,447	1,453	1,382	1,424	1,438
R&D	411	407	399	388	408	420
Amortization of intangibles	17	20	15	15	15	15
Operating income	471	778	920	1,100	1,280	1,454
Other expense (income)	25	28	21	17	25	30
Adjusted EBIT*	496	806	941	1,117	1,305	1,484
Depreciation	86	95	133	115	110	105
EBITDA	599	921	1,089	1,247	1,430	1,604
Other expenses/(income)	12	8	10	100	94	94
Interest expense	37	36	31	117	119	124
Other expense (income)	(25)	(28)	(21)	(17)	(25)	(30)
Pretax income	459	770	910	999	1,186	1,360
Taxes	183	264	372	293	344	394
Tax Rate	39.9%	34.3%	40.9%	29.3%	29.0%	29.0%
Income attributable to non-controlling interest	1	3	-	-	-	-
Net income (Non-GAAP)	275	503	538	706	842	965

DILUTED EPS, proforma	\$0.55	\$1.01	\$1.08	\$1.41	\$1.67	\$1.91
Diluted shares outstanding	500	500	500	501	503	506
Average basic shares outstanding	500	500	500	500	503	505
Period-end basic shares outstanding	500	500	500	500	503	505

*We add back other income in the calc. of EBIT, but exclude from op. income b/c it is not an operating line item

Margin Analysis	2010A	2011A	2012A	2013E	2014E	2015E
COGS	36.8%	37.3%	35.7%	35.5%	35.0%	34.5%
Gross margin	63.2%	62.7%	64.3%	64.5%	65.0%	65.5%
SG&A	38.1%	34.2%	33.5%	30.9%	29.6%	28.3%
R&D	11.5%	9.6%	9.2%	8.7%	8.5%	8.3%
Operating margin	13.1%	18.4%	21.2%	24.6%	26.6%	28.6%
EBIT margin	13.8%	19.0%	21.7%	25.0%	27.1%	29.2%
D&A	2.9%	2.7%	3.4%	2.9%	2.6%	2.4%
EBITDA margin	16.7%	21.8%	25.1%	27.9%	29.7%	31.6%
Pretax margin	12.8%	18.2%	21.0%	22.4%	24.7%	26.8%
Net margin	7.7%	11.9%	12.4%	15.8%	17.5%	19.0%

Source: Company Data, Morgan Stanley Research

Exhibit 9

Income Statement (2 of 2)

YOY % Change	2010A	2011A	2012A	2013E	2014E	2015E
Net revenues	30%	18%	2%	3%	8%	6%
COGS	32%	20%	-2%	2%	6%	4%
Gross profit	29%	17%	5%	4%	8%	6%
SG&A	29%	6%	0%	-5%	3%	1%
R&D	13%	-1%	-2%	-3%	5%	3%
Operating income	47%	65%	18%	20%	16%	14%
<i>EBIT</i>	54%	62%	17%	19%	17%	14%
<i>EBITDA</i>	65%	54%	18%	14%	15%	12%
Pretax income	55%	68%	18%	10%	19%	15%
Net income (Non-GAAP)	46%	83%	7%	31%	19%	15%
DILUTED EPS, proforma	46%	83%	7%	31%	19%	14%
Diluted shares outstanding	0%	0%	0%	0%	1%	1%

Source: Company Data, Morgan Stanley Research

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Exhibit 10

Quarterly Income Statement

(\$M)	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A	3Q:13E	4Q:13E	2013E
Net revenues	1,047	1,094	1,018	1,176	4,336	1,090	1,114	1,062	1,204	4,471
COGS	388	382	352	427	1,549	398	400	372	416	1,585
Gross profit	659	712	666	749	2,787	692	714	690	789	2,885
SG&A	331	351	330	441	1,453	322	339	320	401	1,382
R&D	93	91	94	121	399	90	91	96	111	388
Amortization of intangibles	4	3	4	4	15	4	3	4	4	15
Operating income	231	267	238	183	920	276	281	270	272	1,100
Other expense (income)	6	7	10	(2)	21	(2)	3	8	8	17
Adjusted EBIT*	237	274	248	181	941	274	284	278	280	1,117
Depreciation	19	33	41	40	133	35	27	27	27	115
EBITDA	260	310	293	225	1,089	313	314	309	311	1,247
Other expenses/(income)	2	1	(3)	10	10	24	29	24	24	100
Interest expense	8	8	7	8	31	22	32	32	32	117
Other expense (income)	(6)	(7)	(10)	2	(21)	2	(3)	(8)	(8)	(17)
Pretax income	229	266	241	173	910	252	252	247	249	999
Taxes	76	90	89	117	372	73	74	72	75	293
Tax Rate	33.2%	33.8%	36.9%	67.5%	40.9%	29.0%	29.4%	29.0%	30.0%	29.3%
Income attributable to non-controlling int	1	-	(1)	-	-	-	-	-	-	-
Net income (Non-GAAP)	152	176	153	56	538	179	178	175	174	706
DILUTED EPS, proforma	\$0.30	\$0.35	\$0.31	\$0.11	\$1.08	\$0.36	\$0.36	\$0.35	\$0.35	\$1.41
Diluted shares outstanding	500	500	500	500	500	500	500	501	501	501
Margin Analysis	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A	3Q:13E	4Q:13E	2013E
COGS	37.1%	34.9%	34.6%	36.3%	35.7%	36.5%	35.9%	35.0%	34.5%	35.5%
Gross margin	62.9%	65.1%	65.4%	63.7%	64.3%	63.5%	64.1%	65.0%	65.5%	64.5%
SG&A	31.6%	32.1%	32.4%	37.5%	33.5%	29.5%	30.4%	30.1%	33.3%	30.9%
R&D	8.9%	8.3%	9.2%	10.3%	9.2%	8.3%	8.2%	9.0%	9.2%	8.7%
Operating margin	22.1%	24.4%	23.4%	15.6%	21.2%	25.3%	25.2%	25.5%	22.6%	24.6%
EBIT margin	22.6%	25.0%	24.4%	15.4%	21.7%	25.1%	25.5%	26.2%	23.3%	25.0%
D&A	2.2%	3.3%	4.4%	3.7%	3.4%	3.6%	2.7%	2.9%	2.5%	2.9%
EBITDA margin	24.8%	28.3%	28.8%	19.2%	25.1%	28.7%	28.2%	29.1%	25.8%	27.9%
Pretax margin	21.9%	24.3%	23.7%	14.7%	21.0%	23.1%	22.6%	23.2%	20.6%	22.4%
Net margin	14.5%	16.1%	15.1%	4.8%	12.4%	16.4%	16.0%	16.5%	14.4%	15.8%
YOY % Change	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A	3Q:13E	4Q:13E	2013E
Net revenues	6%	2%	-3%	4%	2%	4%	2%	4%	2%	3%
COGS	5%	-11%	-10%	8%	-2%	3%	5%	6%	-3%	2%
Gross profit	7%	10%	1%	3%	5%	5%	0%	4%	5%	4%
SG&A	-1%	-2%	0%	4%	0%	-3%	-3%	-3%	-9%	-5%
R&D	-6%	-9%	-4%	10%	-2%	-3%	0%	2%	-8%	-3%
Operating income	31%	46%	5%	-4%	18%	19%	5%	13%	48%	20%
EBIT	29%	47%	6%	-10%	17%	16%	4%	12%	54%	19%
EBITDA	20%	44%	8%	4%	18%	20%	1%	5%	38%	14%
Pretax income	31%	50%	7%	-10%	18%	10%	-5%	2%	43%	10%
Net income (Non-GAAP)	25%	55%	5%	-54%	7%	18%	1%	14%	208%	31%
DILUTED EPS, proforma	26%	55%	5%	-54%	7%	18%	1%	14%	208%	31%
Diluted shares outstanding	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Company Data, Morgan Stanley Research

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Zoetis Inc.

Exhibit 11

Management Reported Segment Profitability (1 of 2)

(\$M)	2010A	2011A	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A
Revenues	3,582	4,233	1,047	1,094	1,019	1,176	4,336	1,090	1,114
U.S.	1,384	1,659	425	421	448	482	1,776	454	437
EuAfME	1,020	1,144	275	283	241	297	1,096	290	278
CLAR	664	788	173	211	165	220	769	171	213
APAC	514	642	174	179	165	177	695	175	186
Segment Pretax Earnings (pre-corp)*	1,333	1,656	446	455	435	449	1,785	478	494
U.S.	656	820	217	227	232	245	921	234	254
EuAfME	328	365	104	88	91	92	375	117	91
CLAR	203	275	54	77	53	69	253	52	78
APAC	146	196	71	63	59	43	236	75	71
Other business activities**	(264)	(279)	(65)	(61)	(65)	(84)	(275)	(74)	(74)
Corporate†	(533)	(504)	(129)	(104)	(113)	(160)	(506)	(116)	(137)
Other unallocated‡	(77)	(103)	(23)	(24)	(15)	(31)	(93)	(36)	(96)
Consolidated Pre-tax income	459	770	229	266	242	174	911	252	187
Margin Analysis	2010A	2011A	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A
Segment Pretax Earnings (pre-corp)*	37%	39%	43%	42%	43%	38%	41%	44%	44%
U.S.	47%	49%	51%	54%	52%	51%	52%	52%	58%
EuAfME	32%	32%	38%	31%	38%	31%	34%	40%	33%
CLAR	31%	35%	31%	36%	32%	31%	33%	30%	37%
APAC	28%	31%	41%	35%	36%	24%	34%	43%	38%
Other business activities**	-7%	-7%	-6%	-6%	-6%	-7%	-6%	-7%	-7%
Corporate†	-15%	-12%	-12%	-10%	-11%	-14%	-12%	-11%	-12%
Other unallocated‡	-2%	-2%	-2%	-2%	-1%	-3%	-2%	-3%	-9%
Consolidated Pre-tax income	13%	18%	22%	24%	24%	15%	21%	23%	17%

Source: Company Data, Morgan Stanley Research\

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Zoetis Inc.

Exhibit 12

Management Reported Segment Profitability (2 of 2)

YOY % Change	2010A	2011A	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A
Revenues	30%	18%	7%	2%	-3%	4%	2%	4%	2%
U.S.	25%	20%	12%	8%	2%	7%	7%	7%	4%
EuAfME	16%	12%	-2%	-4%	-12%	1%	-4%	5%	-2%
CLAR	47%	19%	2%	-2%	-8%	-1%	-2%	-1%	1%
APAC	59%	25%	15%	5%	4%	9%	8%	1%	4%
Segment Pretax Earnings (pre-corp)*	23%	24%	11%	14%	0%	6%	8%	7%	9%
U.S.	24%	25%	23%	18%	1%	11%	12%	8%	12%
EuAfME	4%	11%	-6%	11%	-3%	14%	3%	13%	3%
CLAR	33%	35%	-7%	13%	-18%	-18%	-8%	-4%	1%
APAC	64%	34%	27%	7%	34%	16%	20%	6%	13%
Other business activities**	18%	6%	-8%	-9%	-12%	25%	-1%	14%	21%
Corporate†	7%	-5%	-4%	-18%	5%	19%	0%	-10%	32%
Other unallocated‡	10%	34%	5%	-11%	-42%	11%	-10%	57%	300%
Consolidated Pre-tax income	55%	68%	31%	49%	8%	-9%	18%	10%	-30%
Segment Contributor Analysis	2010A	2011A	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A
Revenues									
U.S.	39%	39%	41%	38%	44%	41%	41%	42%	39%
EuAfME	28%	27%	26%	26%	24%	25%	25%	27%	25%
CLAR	19%	19%	17%	19%	16%	19%	18%	16%	19%
APAC	14%	15%	17%	16%	16%	15%	16%	16%	17%
Segment Pretax Earnings (pre-corp)*									
U.S.	49%	50%	49%	50%	53%	55%	52%	49%	51%
EuAfME	25%	22%	23%	19%	21%	20%	21%	24%	18%
CLAR	15%	17%	12%	17%	12%	15%	14%	11%	16%
APAC	11%	12%	16%	14%	14%	10%	13%	16%	14%

Footnotes

* Defined as income/ (loss) before provision/ (benefit)for taxes on income

** Other business activities reflect the R&D costs managed by ZTS' Research and Development organization (not equal to 100% of consolidated R&D on the I/S)

† Corporate includes, among other things, administration expenses, allocated interest expense, certain compensation, and other costs not charged to operating segments.

‡ Includes overhead expenses associated with ZTS's manufacturing operations

Source: Company Data, Morgan Stanley Research

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Zoetis Inc.

Exhibit 13

Annual Revenue (1 of 2)

(\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Total Revenue	3,582	4,233	4,336	4,471	4,810	5,079
Base revenue	2,968	3,821	4,445	4,526	4,786	5,079
Fx impact	69	104	(146)	(55)	24	-
Acquisitions	640	329	37	-	-	-
Divestitures	(95)	(21)	-	-	-	-
United States (U.S.)	1,384	1,659	1,776	1,867	2,017	2,118
Base revenue	1,250	1,473	1,762	1,867	2,017	2,118
Acquisitions	147	186	14	-	-	-
Divestitures	(13)	-	-	-	-	-
Europe/Africa/Middle East (EuAfME)	1,020	1,144	1,096	1,108	1,163	1,210
Total Base revenue	871	1,051	1,165	1,115	1,163	1,210
Fx impact	(6)	34	(77)	(7)	-	-
Acquisitions	229	59	8	-	-	-
Divestitures	(74)	-	-	-	-	-
Canada/Latin America (CLAR)	664	788	769	788	844	894
Base revenue	474	720	823	806	835	894
Fx impact	44	28	(61)	(18)	8	-
Acquisitions	146	49	7	-	-	-
Divestitures	-	(9)	-	-	-	-
Asia Pacific (APAC)	514	642	695	707	786	857
Base revenue	373	577	695	738	771	857
Fx impact	31	42	(8)	(30)	15	-
Acquisitions	118	35	8	-	-	-
Divestitures	(8)	(12)	-	-	-	-

Source: Company Data, Morgan Stanley Research

Exhibit 14

Annual Revenue (2 of 2)

YOY % CHANGE	2010A	2011A	2012A	2013E	2014E	2015E
Total Revenue	30%	18%	2%	3%	8%	6%
Base revenue	8%	7%	5%	4%	7%	6%
Fx impact	2%	3%	-3%	-1%	0%	0%
Acquisitions	23%	9%	1%	NM	NM	NM
Divestitures	-3%	-1%	0%	NM	NM	NM
United States (U.S.)	25%	20%	7%	5%	8%	5%
Base revenue	13%	6%	6%	5%	8%	5%
Acquisitions	13%	13%	1%	NM	NM	NM
Divestitures	-1%	0%	0%	NM	NM	NM
Europe/Africa/Middle East (EuAfME)	16%	12%	-4%	1%	5%	4%
Base revenue	-1%	3%	2%	2%	5%	4%
Fx impact	-1%	3%	-7%	-1%	0%	0%
Acquisitions	26%	6%	1%	NM	NM	NM
Divestitures	-8%	0%	0%	NM	NM	NM
Canada/Latin America (CLAR)	47%	19%	-2%	2%	7%	6%
Base revenue	5%	8%	4%	5%	6%	6%
Fx impact	10%	4%	-7%	-2%	1%	0%
Acquisitions	32%	7%	1%	NM	NM	NM
Divestitures	0%	-1%	0%	NM	NM	NM
Asia Pacific (APAC)	59%	25%	8%	2%	11%	9%
Base revenue	15%	12%	8%	6%	9%	9%
Fx impact	10%	8%	-1%	-4%	2%	0%
Acquisitions	36%	7%	1%	NM	NM	NM
Divestitures	-2%	-2%	0%	NM	NM	NM

Source: Company Data, Morgan Stanley Research

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Zoetis Inc.

Exhibit 15

Historical and Projected Revenues by Species

Revenue by Species (\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Livestock	2,233	2,778	2,806	2,866	3,103	3,276
Cattle	1,464	1,617	1,608			
Swine	433	562	590			
Poultry	265	501	501			
Other (Fish and Sheep)	71	98	107			
U.S.						
EuAfME						
CLAR						
APAC						
Companion Animal	1,349	1,455	1,530	1,604	1,708	1,803
Horses	159	168	187			
Dogs and Cats	1,190	1,287	1,343			
U.S.						
EuAfME						
CLAR						
APAC						
YOY % CHANGE	2010A	2011A	2012A	2013E	2014E	2015E
Livestock	32%	24%	1%	2%	8%	6%
Cattle	30%	10%	-1%			
Swine	12%	30%	5%			
Poultry	112%	89%	0%			
Other (Fish and Sheep)	51%	38%	9%			
U.S.						
EuAfME						
CLAR						
APAC						
Companion Animal	26%	8%	5%	5%	6%	6%
Horses	99%	6%	11%			
Dogs and Cats	20%	8%	4%			

Source: Company Data, Morgan Stanley Research

Exhibit 16

Segment Revenue Breakdown

% of total revenue	2010A	2011A	2012A	2013E	2014E	2015E
United States (U.S.)	39%	39%	41%	42%	42%	42%
Europe/Africa/Middle East (EuAfME)	28%	27%	25%	25%	24%	24%
Canada/Latin America (CLAR)	19%	19%	18%	18%	18%	18%
Asia Pacific (APAC)	14%	15%	16%	16%	16%	17%
Livestock	62.3%	65.6%	64.7%	64.1%	64.5%	64.5%
U.S.						
EuAfME						
CLAR						
APAC						
Companion Animal	37.7%	34.4%	35.3%	35.9%	35.5%	35.5%

Source: Company Data, Morgan Stanley Research

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Zoetis Inc.

Exhibit 17

Quarterly Revenue

(\$M)	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A	3Q:13E	4Q:13E	2013E
Total Revenue	1,047	1,094	1,018	1,176	4,336	1,090	1,114	1,062	1,204	4,471
Base revenue	1,024	1,137	1,081	1,203	4,445	1,097	1,135	1,073	1,221	4,526
Fx impact	(14)	(43)	(63)	(27)	(146)	(7)	(21)	(11)	(17)	(55)
United States (U.S.)	425	420	448	483	1,776	454	437	479	497	1,867
Base revenue	412	420	448	483	1,762	454	437	479	497	1,867
Europe/Africa/Middle East (EuAfME)	275	283	241	297	1,096	290	278	243	297	1,108
Total Base revenue	277	305	272	311	1,165	286	286	243	300	1,115
Fx impact	(10)	(22)	(31)	(14)	(77)	4	(8)	-	(3)	(7)
Canada/Latin America (CLAR)	173	211	165	220	769	171	213	174	231	788
Base revenue	172	230	188	233	823	179	220	174	233	806
Fx impact	(6)	(19)	(23)	(13)	(61)	(8)	(7)	-	(2)	(18)
Asia Pacific (APAC)	174	179	165	177	695	175	186	166	180	707
Base revenue	164	182	173	177	695	177	192	177	191	738
Fx impact	2	(2)	(8)	1	(8)	(2)	(6)	(11)	(11)	(30)
YOY % CHANGE	1Q:12A	2Q:12A	3Q:12A	4Q:12A	2012A	1Q:13A	2Q:13A	3Q:13E	4Q:13E	2013E
Total Revenue	6%	2%	-3%	4%	2%	4%	2%	4%	2%	3%
Base revenue	4%	6%	3%	7%	5%	5%	4%	5%	4%	4%
Fx impact	-1%	-4%	-6%	-2%	-3%	-1%	-2%	-1%	-1%	-1%
Acquisitions	4%	0%	0%	0%	1%	0%	0%	0%	0%	NM
Divestitures	0%	0%	0%	0%	0%	0%	0%	0%	0%	NM
United States (U.S.)	12%	7%	2%	7%	7%	7%	4%	7%	3%	5%
Base revenue	8%	7%	2%	7%	6%	7%	4%	7%	3%	5%
Europe/Africa/Middle East (EuAfME)	-2%	-4%	-12%	1%	-4%	5%	-2%	1%	0%	1%
Base revenue	-2%	3%	0%	6%	2%	4%	1%	1%	1%	2%
Fx impact	-3%	-7%	-12%	-5%	-7%	1%	-3%	0%	-1%	-1%
Acquisitions	3%	0%	0%	0	1%	NM	NM	NM	NM	NM
Divestitures	0%	0%	0%	0	0%	NM	NM	NM	NM	NM
Canada/Latin America (CLAR)	2%	-2%	-8%	-1%	-2%	-1%	1%	5%	5%	2%
Base revenue	2%	6%	4%	4%	4%	4%	4%	5%	6%	5%
Fx impact	-4%	-8%	-12%	-6%	-7%	-5%	-3%	0%	-1%	-2%
Asia Pacific (APAC)	15%	5%	4%	9%	8%	1%	4%	1%	2%	2%
Base revenue	8%	6%	9%	9%	8%	2%	7%	8%	8%	6%
Fx impact	1%	-1%	-5%	0%	-1%	-1%	-3%	-6%	-6%	-4%

Source: Company Data, Morgan Stanley Research

Exhibit 18

Cash flow statement

(\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Net income (Non-GAAP)	275	503	538	706	842	965
GAAP adjustments	(164)	(255)	(102)	(175)	(100)	(75)
Net income before minority interest (GAAP)	111	248	436	531	742	890
Depreciation & amortization	185	205	200	185	180	175
Depreciation	86	95	133	115	110	105
Amortization	99	110	67	70	70	70
Change in operating assets and liabilities	100	(117)	(149)	(113)	(24)	(80)
Other operating activities	(142)	161	(33)	(89)	90	-
Net cash from operating activities	254	497	454	514	988	986
Purchase of PP&E	(124)	(135)	(126)	(150)	(150)	(150)
Other investing activities	115	(314)	(9)	-	-	-
Net cash from investing activities	(9)	(449)	(135)	(150)	(150)	(150)
Cash dividends paid	(207)	(416)	(63)	(3,780)	(150)	(174)
Net change in short-term debt	-	-	-	-	-	-
Net change in long-term debt	-	(143)	-	3,650	-	-
Acquisitions, share repurchases, other	(70)	529	(15)	-	-	-
Net cash from financing activities	(277)	(30)	(78)	(130)	(150)	(174)
Effect of exchange rates	(4)	(2)	(3)	-	-	-
Net increase in cash	(36)	16	238	234	688	662
Cash at beginning of period	99	63	79	317	551	1,239
Cash at end of period	63	79	317	551	1,239	1,902

Source: Company Data, Morgan Stanley Research

Exhibit 19

Balance Sheet

(\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Cash and short-term investments	63	79	317	551	1,239	1,902
Receivables	773	871	900	982	1,022	1,094
Inventories	995	1,063	1,345	1,191	1,359	1,256
Other current assets	285	298	302	300	300	300
Current assets	2,116	2,311	2,864	3,025	3,921	4,552
Net property, plant and equipment	1,148	1,243	1,241	1,276	1,316	1,361
Other assets	2,020	2,157	2,157	2,087	2,017	1,947
Total Assets	5,284	5,711	6,262	6,388	7,254	7,860
Short-term debt	38	-	73	-	-	-
Accounts Payable	206	214	319	214	347	237
Other current liabilities	564	629	731	650	700	700
Current liabilities	808	843	1,123	864	1,047	937
Long-term debt	673	575	509	3,650	3,650	3,650
Other liabilities	459	557	589	500	590	590
Total Liabilities	1,940	1,975	2,221	5,014	5,287	5,177
Preferred stock	-	-	-	-	-	-
Common Equity	3,344	3,720	4,026	1,359	1,951	2,668
Minority Interest	-	16	15	15	15	15
Shareholders' Equity	3,344	3,736	4,041	1,374	1,966	2,683
Total Liabilities and SE	5,284	5,711	6,262	6,388	7,254	7,860

Source: Company Data, Morgan Stanley Research

Exhibit 20

Capital Structure

	2010A	2011A	2012A	2013E	2014E	2015E
Capital structure						
Net debt	648	496	265	3,099	2,411	1,748
Net debt-to-equity	0.2	0.1	0.1	2.3	1.2	0.7
Net Debt to Capital	16.0%	11.5%	5.7%	61.7%	42.9%	27.6%
Total Debt	711	575	582	3,650	3,650	3,650
Total Debt to Capital	17.5%	13.3%	12.6%	72.6%	65.0%	57.6%
Total Debt to EBITDA (current year)	1.2x	0.6x	0.5x	2.9x	2.6x	2.3x
Net Debt to EBITDA (current year)	1.1x	0.5x	0.2x	2.5x	1.7x	1.1x
Interest coverage ratio	(13)	(22)	(30)	(10)	(11)	(12)
Interest expense	(37)	(36)	(31)	(117)	(119)	(124)
Dividend payout ratio	75%	83%	12%	535%	18%	18%
Dividend per share	\$0.41	\$0.83	\$0.13	\$0.26	\$0.30	\$0.34
Dividend growth	105%	101%	-85%	NM	15%	15%

Source: Company Data, Morgan Stanley Research

October 4, 2013

Zoetis Inc.

Exhibit 21

Financial Metrics

(\$M)	2010A	2011A	2012A	2013E	2014E	2015E
Operating efficiency						
Accounts receivable turnover	4.6x	5.1x	4.9x	4.8x	4.8x	4.8x
Inventory turnover	1.3x	1.5x	1.3x	1.3x	1.3x	1.3x
Accounts payable turnover	6.4x	7.5x	5.8x	6.0x	6.0x	6.0x
Fixed asset turnover	3.1x	3.5x	3.5x	3.6x	3.7x	3.8x
Capex as % sales	3.5%	3.2%	2.9%	3.4%	3.1%	3.0%
Depreciation to fixed assets ratio		0.08x	0.11x	0.09x	0.09x	0.08x
Days sales outstanding	79	71	75	77	76	76
Days payables outstanding	57	48	63	61	61	61
Days inventory held	276	238	284	292	277	272
Cash conversion cycle (days)	297	260	295	307	292	288
Liquidity						
Working capital	1,308	1,468	1,741	2,161	2,873	3,615
Current ratio	2.6	2.7	2.6	3.5	3.7	4.9
Quick ratio	1.4	1.5	1.4	2.1	2.4	3.5
Cash ratio	0.1	0.1	0.3	0.6	1.2	2.0
Profitability						
Adjusted EPS	\$0.55	\$1.01	\$1.08	\$1.41	\$1.67	\$1.91
GAAP EPS	\$0.22	\$0.50	\$0.87	\$1.06	\$1.48	\$1.76
GAAP vs adjusted	(\$0.33)	(\$0.51)	(\$0.20)	(\$0.35)	(\$0.20)	(\$0.15)
Adjusted EBIT*	\$496	\$806	\$941	\$1,117	\$1,305	\$1,484
Adjusted EBITDA	\$599	\$921	\$1,089	\$1,247	\$1,430	\$1,604
Operating cash flow per share	\$0.94	\$1.43	\$1.49	\$1.92	\$2.16	\$2.39
FCF per share	\$0.11	\$0.56	\$0.56	\$0.93	\$1.52	\$1.69
OCF	468	716	744	962	1,089	1,207
FCF	54	279	279	466	763	854
FCF less dividends	(153)	(137)	216	(3,314)	612	680
FCF less dividends/share buybacks	(156)	(137)	216	(3,314)	612	680
Book value per share	\$6.69	\$7.47	\$8.08	\$2.75	\$3.91	\$5.31
Return on asset/equity						
EBT margin	12.8%	18.2%	21.0%	22.4%	24.7%	26.8%
ROA	24.0%	42.1%	43.3%	56.1%	65.0%	72.1%
Leverage (assets/equity)	1.6	1.6	1.5	2.3	4.1	3.3
Tax effect	60.1%	65.7%	59.1%	70.7%	71.0%	71.0%
ROE	8.2%	13.5%	13.3%	51.4%	42.8%	36.0%
ROIC				15.6%	18.3%	20.6%
NOPAT				777	909	1,032
Invested Capital (Assets- Cash- Current Liabilities)				4,973	4,967	5,021

Source: Company data, Morgan Stanley Research estimates

Exhibit 22

Footnotes

2Q:13A

- **Constant currency revenue growth:** Total +4%, U.S. +4%, EUAfME +1%, CLAR +4%, APAC +7%
- **U.S.:** Companion animal growth of +2% YOY was positively impacted by a competitor's supply disruption. Livestock was up 6% YOY; poultry and swine offset declines in cattle due to drought.
- **EUafME:** Unseasonably cold spring negatively impacted growth in livestock and companion animal segments.
- **CLAR:** Companion animal growth was 6% YOY, despite somewhat tougher comps in Canada (competitor faced a supply disruption last year).
- **APAC:** Growth driven by launch of new products, slightly offset by drought in Australia and New Zealand

1Q:13A

- **Constant currency revenue growth:** Total +5%, U.S. +7%, EUafME +4%, CLAR +4%, APAC +2%
- **U.S.:** Companion animal growth of +13% YOY was positively impacted by a competitor's supply disruption. Livestock was up 7% YOY; poultry and swine offset declines in cattle due to drought.
- **EUafME:** Timing of price increases positively impacted growth (last year ZTS raised prices in 2Q instead of 1Q)
- **CLAR:** Companion animal was down 5% YOY on tougher companion animal comps in Canada (competitor faced a supply disruption last year).
- **APAC:** Headwinds included drought in Australia, macroeconomic weakness in Japan and Korea, and regulatory delays in India.

4Q:12A

- **U.S. Organic Growth:** +7% YOY offset light 3Q:12 (+3%). Farmers kept herds on pasture longer in 3Q (farmers may have been holding out for rain/higher beef prices), which resulted in a bolus of demand in feedlots in 4Q)
- **CLAR:** Drought (primarily in Northern Mexico) negatively impacted cattle sales, which also had a negative impact on segment margins (cattle are among the most profitable livestock animals)
- **Abnormally high SG&A**
 - Seasonality
 - Costs associated with buildup of internal capabilities
 - "Dis-"synergies: Higher than expected corporate overhead costs (PFE switched cost allocation from %-of sales to actual costs)
- **EUafME:** Strength in emerging markets (e.g., Africa, Russia, Turkey) offset continued macroeconomic weakness in Western Europe
- **Inventories:** Mgmt. built in safety stock in advance of shifting over internal systems
- **67.5% tax rate:** 10K notes: "tax costs related to uncertain tax positions, substantially all of which will remain with Pfizer and to a lesser extent, tax costs associated with repatriation decisions among other impacts."

Source: Company Data, Morgan Stanley Research

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Exhibit 23

Management Guidance

For period	2013	2013
Date provided	4/30/2012	8/6/2013
Revenue	\$4,425-\$4,525	\$4,425-\$4,525
COGS (% of sales)	35-36%	35-36%
SG&A	\$1,385-\$1,435	\$1,385-\$1,435
R&D	\$385-\$415	\$385-\$415
Interest expense	~115M	~115M
Other (income)/expenses	~(20M)	~(20M)
Tax rate	~29.5%	~29.5%
Net income (Non-GAAP)	~\$680M-\$710M	~\$680M-\$710M
Adjusted Diluted EPS	\$1.36-\$1.42	\$1.36-\$1.42

Source: Company Data

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Overweight/Buy	1002	34%	410	38%	41%
Equal-weight/Hold	1278	44%	493	46%	39%
Not-Rated/Hold	114	4%	28	3%	25%
Underweight/Sell	526	18%	140	13%	27%
Total	2,920		1071		

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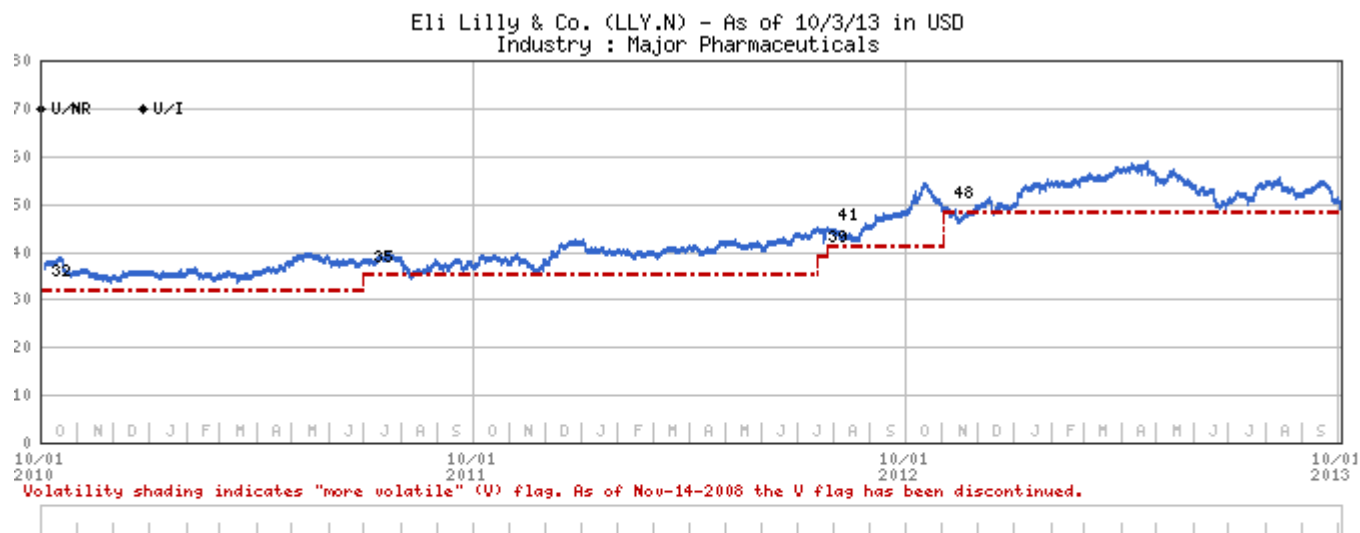
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



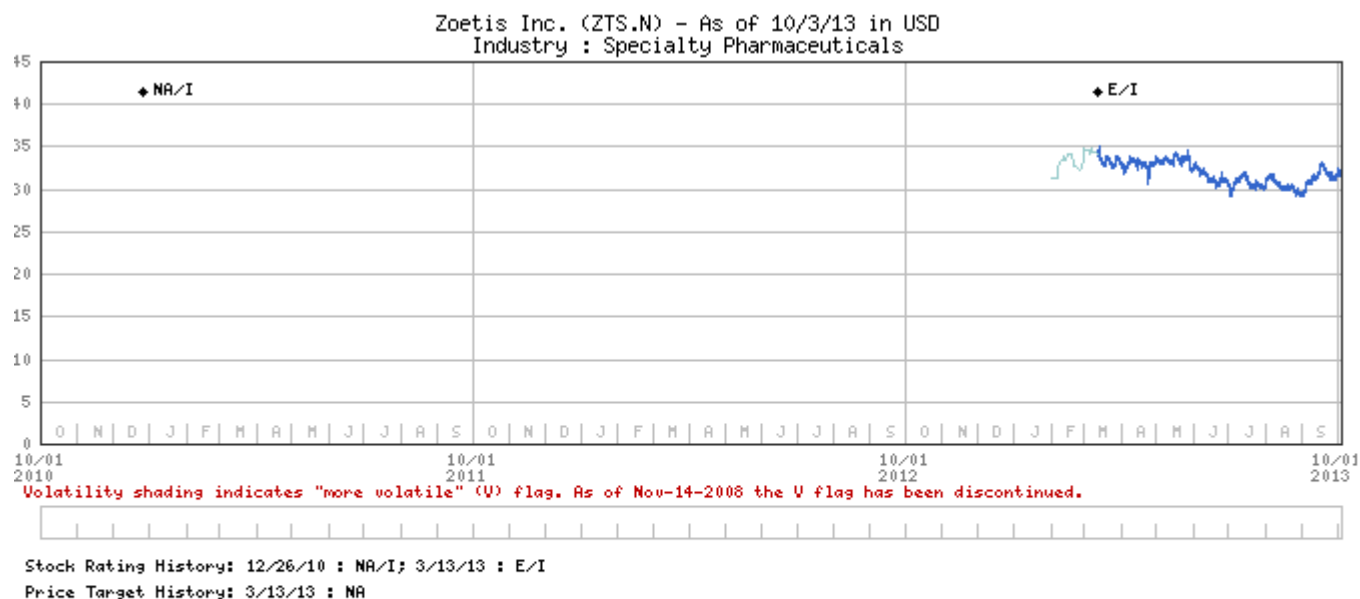
Stock Rating History: 10/1/10 : U/NR; 12/26/10 : U/I

Price Target History: 9/8/10 : 32; 7/1/11 : 35; 7/18/12 : 39; 7/27/12 : 41; 11/2/12 : 48

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: Specialty Pharmaceuticals

Company (Ticker)	Rating (as of)	Price* (10/03/2013)
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David Risinger		
Actavis Inc (ACT.N)	O (01/25/2012)	\$144.49
Alkermes Plc. (ALKS.O)	E (10/01/2013)	\$32.24
Allergan Inc. (AGN.N)	E (05/01/2013)	\$90.26
Forest Laboratories Inc. (FRX.N)	E (04/26/2011)	\$42.9
Mylan Inc. (MYL.O)	O (08/02/2013)	\$39.99
Perrigo Co. (PRGO.N)	++	\$125.21
Teva Pharmaceutical Industries Ltd. (TEVA.N)	U (08/05/2013)	\$37.91
Valeant Pharmaceuticals International (VRX.N)	E (09/14/2012)	\$111.4
Zoetis Inc. (ZTS.N)	O (10/04/2013)	\$31.48

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