

Morgan Stanley & Co. LLC

David Risinger

David.Risinger@morganstanley.com
+1 212 761 6494

Christopher Caponetti

Christopher.Caponetti@morganstanley.com
+1 212 761 6235

Vincent Andrews

+1 212 761 3293

Thomas Chiu

Mark Nasca

Stock Rating
Equal-weight

Industry View
In-Line

August 6, 2013

Zoetis Inc.

2Q in Line; 2013 Guidance Maintained

2Q in line with ests. 2Q revs. of \$1.1B were in line with our and cons' \$1.1B. Reported growth was up 2% YOY (constant currency +4% YOY, FX -2%). US rev growth decelerated from +7% in 1Q to +4% in 2Q. EU from +5% in 1Q to -2% in 2Q (incl -3% FX impact). 2Q EPS of \$0.36 were 1% above our \$0.35 and in line with cons' \$0.36. Relative to our model, all items were roughly in line with our ests.

U.S., CLAR, and APAC were in line with our ests and EuAfME was slightly below our est. U.S. revenues of \$437M were in line with our \$437M. U.S. livestock were up 6% YOY and companion animal was up 2% YOY. EuAfME revenues of \$278M were 1% below our \$280M. Constant currency YOY growth was +1% (vs. +4% in 1Q) and FX was a 3% headwind. CLAR revenues of \$213M were in line with our \$213M. Constant currency YOY growth was +4% (vs. +4% in 1Q) and FX was a 3% headwind. APAC revenues of \$186M were in line with our \$186M. Constant currency YOY growth was +7% (vs. +2% in 1Q) and FX was a 3% headwind.

2013E guidance reaffirmed. Total revs. of \$4.43-\$4.53B; midpoint of \$4.48B is slightly above our \$4.47B and 1% below cons' \$4.50B. EPS range is \$1.36-\$1.42; midpoint of \$1.39 is 1% below our \$1.41 and 1% below cons' \$1.40. Relative to our model, slightly lower than expected revs. are offset by lower SG&A and other expenses. Mgmt. guidance of a non-GAAP tax rate of 29.5% is essentially in line with our 29%.

Key Ratios and Statistics

Reuters: ZTS.N Bloomberg: ZTS US

Specialty Pharmaceuticals / United States of America

Shr price, close (Aug 5, 2013)	\$31.25
Mkt cap, curr (mm)	\$15,632
52-Week Range	\$35.40-28.97

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

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

August 6, 2013

Zoetis Inc.

Exhibit 1

Zoetis 2Q:13 Income Statement Variation (YOY)

(\$M)	Actual		MS Estimate		Variation vs. MS Est.			CONS. est. Variation vs. CONS.			Actual
	2Q:13A	YOY % Chg.	2Q:13E	YOY % Chg.	Absolute	Pct	EPS Impact	2Q:13E	Absolute	Pct	2Q:12A
Net revenues	1,114	2%	1,117	2%	(3)	0%	-0.00	1,129	(15)	-1%	1,094
COGS	400	5%	402	5%	(2)	0%	+0.00	405	(5)	-1%	382
Gross profit	714	0%	715	0%	(1)	0%	-0.00	724	(10)	-1%	712
SG&A	339	-3%	340	-3%	(1)	0%	+0.00	347	(8)	-2%	351
R&D	91	0%	96	6%	(5)	-6%	+0.01	95	(4)	-4%	91
Amortization of intangibles	3	0%	4	33%	(1)	-25%	+0.00				3
Operating income	281	5%	274	2%	7	3%	+0.01	279	2	1%	267
Other expenses/(income)	29	N.M.	24	N.M.	5	22%	-0.01				1
Interest expense	32	300%	32	298%	0	1%					8
Other expense (income)	(3)	-57%	(8)	14%	5	-63%					(7)
Pretax income	252	-5%	250	-6%	2	1%	+0.00	252	0	0%	266
Taxes	74	-18%	72	-19%	2	2%	-0.00				90
Tax Rate	29.4%	-13%	29.0%	-14%	0.4%	1%					33.8%
Income attributable to non-controlling interest	-	*	-	*	-	*	+0.00				-
Net income (Non-GAAP)	178	1%	177	1%	1	0%	+0.00	178	0	0%	176
DILUTED EPS, proforma	\$0.36	1%	\$ 0.35	0%	\$0.00	1%		\$0.36	(\$0.00)	0%	\$ 0.35
Diluted shares outstanding	500	0%	502	0%	(1)	0%					500

*\$0.01 per share equates to approximately \$7.1M pretax

Margin Analysis	Actual		MS Estimate		Variation (b.p.)		CONS.			Actual
	2Q:13A		2Q:13E		vs. MS est.	vs. 2Q:12A	2Q:13E	Variation (b.p.)		2Q:12A
COGS	35.9%		36.0%		(9)	99	35.8%	6	0%	34.9%
Gross margin	64.1%		64.0%		9	(99)	64.2%	(6)	0%	65.1%
SG&A	30.4%		30.5%		(6)	(165)	30.7%	(30)	-1%	32.1%
R&D	8.2%		8.6%		(47)	(15)	8.4%	(26)	-3%	8.3%
Operating margin	25.2%		24.5%		72	82	24.7%	54	2%	24.4%
Pretax margin	22.6%		22.4%		24	(169)	22.3%	33	1%	24.3%
Net margin	16.0%		15.9%		9	(11)	15.8%	22	1%	16.1%

Source: Company Data, Thomson Reuters, Morgan Stanley Research

Exhibit 2

Zoetis 2Q:13 Revenue Variation (annual)

(\$M)	Actual		MS Estimate		Variation vs. MS Est.		CONS. est.	Variation vs. Cons.		Actual
	2Q:13A	YOY % Chg.	2Q:13E	YOY % Chg.	Absolute	Pct	2Q:13E	Absolute	Pct	2Q:12A
United States (U.S.)	437	4%	437	4%	0	0%	440	(3)	-1%	420
Base revenue	437	4%	437	4%	0	0%				420
Europe/Africa/Middle East (EuAfME)	278	-2%	280	-1%	(2)	-1%	286	(8)	-3%	283
Base revenue	286	1%	286	1%	-	0%				305
Fx impact	(8)	-3%	(6)	-2%	(2)	N.M.				(22)
Canada/Latin America (CLAR)	213	1%	213	1%	(0)	0%	207	6	3%	211
Base revenue	220	4%	218	3%	2	1%				230
Fx impact	(7)	-3%	(4)	-2%	(3)	N.M.				(19)
Asia Pacific (APAC)	186	4%	186	4%	0	0%	193	(7)	-4%	179
Base revenue	192	7%	194	8%	(2)	-1%				182
Fx impact	(6)	-3%	(8)	-4%	2	N.M.				(2)
Total Revenue	1,114	2%	1,117	2%	(3)	0%				1,094

Source: Company Data, Morgan Stanley Research

Exhibit 3

Zoetis 2Q:13 Income Statement Variation (sequential)

(\$M)	Reported	Sequential Growth		Actual
	2Q:13A	Dollar	% Chg.	1Q:13A
Net revenues	1,114	24	2%	1,090
COGS	400	2	1%	398
Gross profit	714	22	3%	692
SG&A	339	17	5%	322
R&D	91	1	1%	90
Amortization of intangibles	3	(1)	-25%	4
Operating income	281	5	2%	276
Other expenses/(income)	29	5	21%	24
Interest expense	32	10	45%	22
Other expense (income)	(3)	(5)	-250%	2
Pretax income	252	-	0%	252
Taxes	74	1	1%	73
Tax Rate	29.4%	0	1%	29.0%
Income attributable to non-controlling interest	-	-	*	-
Net income (Non-GAAP)	178	(1)	-1%	179

DILUTED EPS, proforma	\$	0.36	(\$0.00)	-1%	\$	0.36
Diluted shares outstanding		500	0	0%		500

Margin Analysis	Reported	Variation	Actual
	2Q:13A	b.p. difference	1Q:13A
COGS	35.9%	-61	36.5%
Gross margin	64.1%	61	63.5%
SG&A	30.4%	89	29.5%
R&D	8.2%	-9	8.3%
Operating margin	25.2%	-10	25.3%
Pretax margin	22.6%	-50	23.1%
Net margin	16.0%	-44	16.4%

Source: Company Data, Morgan Stanley Research

Exhibit 4

Zoetis 2Q:13 Revenue Variation (sequential)

(\$M)	Reported	Sequential Growth		Actual
	2Q:13A	Dollar	% Chg.	1Q:13A
United States (U.S.)	437	(17)	-4%	454
Base revenue	437	(17)	-4%	454
Europe/Africa/Middle East (EuAfME)	278	(12)	-4%	290
Base revenue	286	(0)	-1%	286
Fx impact	(8)	(12)	-317%	4
Canada/Latin America (CLAR)	213	42	25%	171
Base revenue	220	40	29%	179
Fx impact	(7)	2	N.M.	(8)
Asia Pacific (APAC)	186	11	6%	175
Base revenue	192	15	10%	177
Fx impact	(6)	(4)	N.M.	(2)
Total Revenue	1,114	24	2%	1,090

Source: Company Data, Morgan Stanley Research

Exhibit 5

2013 Mgmt. Guidance

(\$M)	ZTS	ZTS	MS	Variation (ZTS- MS)	Var % (ZTS/ MS)	Cons'	Variation (ZTS- Cons')	Var % (ZTS/ Cons')
<i>Date Provided</i>	<i>4/30/2013</i>	<i>8/6/2013</i>						
Total revenue	\$4,425-\$4,525	\$4,425-\$4,525						
Revenue Midpoint	4,475	4,475	4,473	2	0%	4,507	(32)	-1%
COGS (% of sales)	35-36%	35-36%						
Midpoint	35.5%	35.5%	35.5%	2 bps	0%	35.5%	4 bps	0%
SG&A	\$1,385-\$1,435	\$1,385-\$1,435						
Midpoint	1,410	1,410	1,384	26	2%			
R&D	\$385-\$415	\$385-\$415						
Midpoint	400	400	394	6	2%			
Interest expense	~115M	~115M						
Midpoint	115	115	117	(2)	-2%			
Other (income)/expenses	~(20M)	~(20M)						
Midpoint	(20)	(20)	(22)	2	-9%			
Non-GAAP tax rate	~29.5%	~29.5%						
Midpoint	29.5%	29.5%	29.2%	26 bps	1%			
Adjusted Net Income	~\$680M-\$710M	~\$680M-\$710M						
Midpoint	695	695	705	(10)	-1%	\$698	(3)	0%
Adjusted Diluted EPS	\$1.36-\$1.42	\$1.36-\$1.42						
Midpoint	\$1.39	\$1.39	\$1.41	-\$0.02	-1%	\$1.40	-\$0.01	-1%

Source: Company Data, Thomson Reuters, Morgan Stanley Research

August 6, 2013

Zoetis Inc.



Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations. For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. and their affiliates as necessary. For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA. For valuation methodology and risks associated with any price targets referenced in this research report, please email morganstanley.research@morganstanley.com with a request for valuation methodology and risks on a particular stock or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Analyst Certification

The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: David Risinger.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflictpolicies.

Important US Regulatory Disclosures on Subject Companies

As of July 31, 2013, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Actavis Inc, Sagent Pharmaceuticals Inc, Valeant Pharmaceuticals International, Warner Chilcott Plc.

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Allergan Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, **Zoetis Inc.**

Within the last 12 months, Morgan Stanley has received compensation for investment banking services from Alkermes Plc., Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Warner Chilcott Plc, **Zoetis Inc.**

In the next 3 months, Morgan Stanley expects to receive or intends to seek compensation for investment banking services from Actavis Inc, Alkermes Plc., Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., Sagent Pharmaceuticals Inc, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, **Zoetis Inc.**

Within the last 12 months, Morgan Stanley has received compensation for products and services other than investment banking services from Actavis Inc, Alkermes Plc., Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Warner Chilcott Plc, **Zoetis Inc.**

Within the last 12 months, Morgan Stanley has provided or is providing investment banking services to, or has an investment banking client relationship with, the following company: Actavis Inc, Alkermes Plc., Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., Sagent Pharmaceuticals Inc, Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, **Zoetis Inc.**

Within the last 12 months, Morgan Stanley has either provided or is providing non-investment banking, securities-related services to and/or in the past has entered into an agreement to provide services or has a client relationship with the following company: Actavis Inc, Alkermes Plc., Allergan Inc., Forest Laboratories Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Warner Chilcott Plc, **Zoetis Inc.**

The following companies may be deemed to be controlled by or under common control with Morgan Stanley & Co. LLC, due to ownership, board and/or other relationship: Sagent Pharmaceuticals Inc.

Morgan Stanley & Co. LLC makes a market in the securities of Actavis Inc, Alkermes Plc., Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, Warner Chilcott Plc, **Zoetis Inc.**

The equity research analysts or strategists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and overall investment banking revenues.

Morgan Stanley and its affiliates do business that relates to companies/instruments covered in Morgan Stanley Research, including market making, providing liquidity and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Morgan Stanley sells to and buys from customers the securities/instruments of companies covered in Morgan Stanley Research on a principal basis. Morgan Stanley may have a position in the debt of the Company or instruments discussed in this report. Certain disclosures listed above are also for compliance with applicable regulations in non-US jurisdictions.

STOCK RATINGS

Morgan Stanley uses a relative rating system using terms such as Overweight, Equal-weight, Not-Rated or Underweight (see definitions below). Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold and sell. Investors should carefully read the definitions of all ratings used in Morgan Stanley Research. In addition, since Morgan Stanley Research contains more complete information concerning the analyst's views, investors should carefully read Morgan Stanley Research, in its entirety, and not infer the contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Global Stock Ratings Distribution

(as of July 31, 2013)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative

August 6, 2013

Zoetis Inc.

weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1009	35%	410	39%	41%
Equal-weight/Hold	1302	45%	496	47%	38%
Not-Rated/Hold	112	4%	27	3%	24%
Underweight/Sell	467	16%	123	12%	26%
Total	2,890		1056		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

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.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

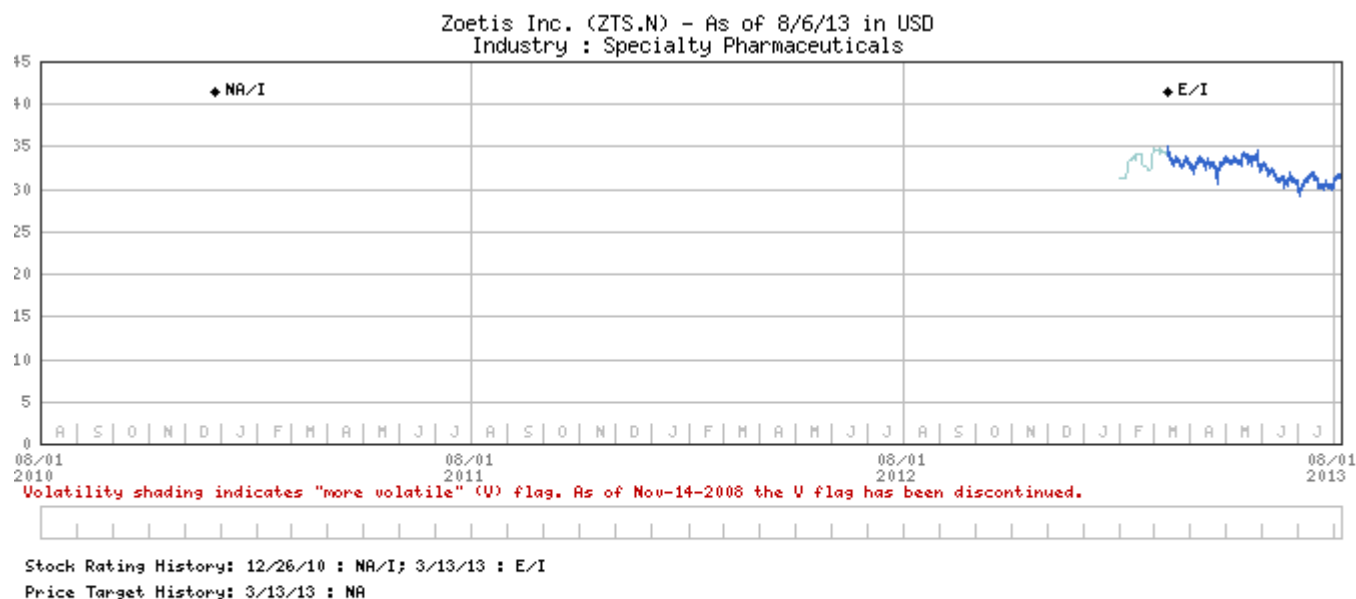
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.

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

August 6, 2013

Zoetis Inc.



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)

Important Disclosures for Morgan Stanley Smith Barney LLC Customers

Citi Research publications may be available about the companies or topics that are the subject of Morgan Stanley Research. Ask your Financial Advisor or use Research Center to view any available Citi Research publications in addition to Morgan Stanley research reports.

Important disclosures regarding the relationship between the companies that are the subject of Morgan Stanley Research and Morgan Stanley Smith Barney LLC or Morgan Stanley or any of their affiliates, are available on the Morgan Stanley Wealth Management disclosure website at www.morganstanley.com/online/researchdisclosures.

For Morgan Stanley specific disclosures, you may refer to www.morganstanley.com/researchdisclosures.

Each Morgan Stanley Equity Research report is reviewed and approved on behalf of Morgan Stanley Smith Barney LLC. This review and approval is conducted by the same person who reviews the Equity Research report on behalf of Morgan Stanley. This could create a conflict of interest.

Other Important Disclosures

Morgan Stanley & Co. International PLC and its affiliates have a significant financial interest in the debt securities of Allergan Inc., Endo Health Solutions Inc, Forest Laboratories Inc., Mylan Inc., Perrigo Co., Teva Pharmaceutical Industries Ltd., Valeant Pharmaceuticals International, **Zoetis Inc.**

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley produces an equity research product called a "Tactical Idea." Views contained in a "Tactical Idea" on a particular stock may be contrary to the recommendations or views expressed in research on the same stock. This may be the result of differing time horizons, methodologies, market events, or other factors. For all research available on a particular stock, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Morgan Stanley will make certain research products and announcements available only on the Matrix platform. For access to Matrix, please contact your sales representative or go to Matrix at <http://www.morganstanley.com/matrix>.

Any access and/or use of Morgan Stanley Research are subject to Morgan Stanley's Terms of Use (<http://www.morganstanley.com/terms.html>). By accessing and/or using Morgan Stanley Research, you are indicating that you have read and agree to be bound by our Terms of Use (<http://www.morganstanley.com/terms.html>). In addition you consent to Morgan Stanley processing your personal data and using cookies in accordance with our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html), including for the purposes of setting your preferences and to collect readership data so that we can deliver better and more personalised service and products to you. To find out more information about how Morgan Stanley processes personal data, how we use cookies and how to reject cookies see our Privacy Policy and our Global Cookies Policy (http://www.morganstanley.com/privacy_pledge.html).

If you do not agree to our Terms of Use and/or if you do not wish to provide your consent to Morgan Stanley processing of your personal data or using cookies please do not access our research.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell any security/instrument or to participate in any trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

August 6, 2013

Zoetis Inc.

Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The "Important US Regulatory Disclosures on Subject Companies" section in Morgan Stanley Research lists all companies mentioned where Morgan Stanley owns 1% or more of a class of common equity securities of the companies. For all other companies mentioned in Morgan Stanley Research, Morgan Stanley may have an investment of less than 1% in securities/instruments or derivatives of securities/instruments of companies and may trade them in ways different from those discussed in Morgan Stanley Research. Employees of Morgan Stanley not involved in the preparation of Morgan Stanley Research may have investments in securities/instruments or derivatives of securities/instruments of companies mentioned and may trade them in ways different from those discussed in Morgan Stanley Research. Derivatives may be issued by Morgan Stanley or associated persons.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley Research personnel may participate in company events such as site visits and are generally prohibited from accepting payment by the company of associated expenses unless pre-approved by authorized members of Research management.

Morgan Stanley may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

To our readers in Taiwan: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments. To our readers in Hong Kong: Information is distributed in Hong Kong by and on behalf of, and is attributable to, Morgan Stanley Asia Limited as part of its regulated activities in Hong Kong. If you have any queries concerning Morgan Stanley Research, please contact our Hong Kong sales representatives.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A.; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents); in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited; in Indonesia by PT Morgan Stanley Asia Indonesia; in Canada by Morgan Stanley Canada Limited, which has approved of and takes responsibility for its contents in Canada; in Germany by Morgan Stanley Bank AG, Frankfurt am Main and Morgan Stanley Private Wealth Management Limited, Niederlassung Deutschland, regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin); in Spain by Morgan Stanley, S.V., S.A., a Morgan Stanley group company, which is supervised by the Spanish Securities Markets Commission (CNMV) and states that Morgan Stanley Research has been written and distributed in accordance with the rules of conduct applicable to financial research as established under Spanish regulations; in the US by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority, disseminates in the UK research that it has prepared, and approves solely for the purposes of section 21 of the Financial Services and Markets Act 2000, research which has been prepared by any of its affiliates. Morgan Stanley Private Wealth Management Limited, authorized and regulated by the Financial Conduct Authority, also disseminates Morgan Stanley Research in the UK. Private UK investors should obtain the advice of their Morgan Stanley & Co. International plc or Morgan Stanley Private Wealth Management representative about the investments concerned. RMB Morgan Stanley (Proprietary) Limited is a member of the JSE Limited and regulated by the Financial Services Board in South Africa. RMB Morgan Stanley (Proprietary) Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA), and is directed at Professional Clients only, as defined by the DFSA. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria to be a Professional Client.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. Morgan Stanley bases projections, opinions, forecasts and trading strategies regarding the MSCI Country Index Series solely on public information. MSCI has not reviewed, approved or endorsed these projections, opinions, forecasts and trading strategies. Morgan Stanley has no influence on or control over MSCI's index compilation decisions. Morgan Stanley Research or portions of it may not be reprinted, sold or redistributed without the written consent of Morgan Stanley. Morgan Stanley research is disseminated and available primarily electronically, and, in some cases, in printed form. Additional information on recommended securities/instruments is available on request.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Morgan Stanley Research is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

The Americas

1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe

20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan

4-20-3 Ebisu, Shibuya-ku
Tokyo 150-6008
Japan
Tel: +81 (0) 3 5424 5000

Asia/Pacific

1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

Industry Coverage: Specialty Pharmaceuticals

Company (Ticker)	Rating (as of)	Price* (08/05/2013)
Christopher Caponetti		
Endo Health Solutions Inc (ENDP.O)	E (07/24/2013)	\$38.71
David Friedman, M.D.		
Sagent Pharmaceuticals Inc (SGNT.O)	E (08/13/2012)	\$21.52
David Risinger		
Actavis Inc (ACT.N)	O (01/25/2012)	\$136.85
Alkermes Plc. (ALKS.O)	O (01/10/2013)	\$34.66
Allergan Inc. (AGN.N)	E (05/01/2013)	\$92
Forest Laboratories Inc. (FRX.N)	E (04/26/2011)	\$44.54
Mylan Inc. (MYL.O)	O (08/02/2013)	\$36.88
Perrigo Co. (PRGO.N)	++	\$127.21
Teva Pharmaceutical Industries Ltd. (TEVA.N)	U (08/05/2013)	\$38.51
Valeant Pharmaceuticals International (VRX.N)	E (09/14/2012)	\$95.57
Warner Chilcott Plc (WCRX.O)	E (05/13/2013)	\$21.71
Zoetis Inc. (ZTS.N)	E (03/13/2013)	\$31.25

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.