



# IDEXX Opportunity and Strategy Overview

Jay Mazelsky, President & CEO

IDEXX Investor Day | August 13, 2020



# IDEXX Investor Day Agenda



Time	Event
10:00 - 10:05 am	<b>Welcome and Introductions</b> Jay Mazelsky, President and Chief Executive Officer
10:05 – 11:05 am	<b>IDEXX Strategy</b> <ul style="list-style-type: none"><li>▪ Jay Mazelsky, President and Chief Executive Officer</li><li>▪ Jim Polewaczyk, Executive Vice President and Chief Commercial Officer</li><li>▪ Tina Hunt, PhD, Executive Vice President and General Manager, Point-of-Care Diagnostics and Worldwide Operations</li><li>▪ Mike Lane, Executive Vice President and General Manager, Reference Laboratories and Information Technology</li></ul>
11:05 – 11:30 am	<b>Financial Review</b> Brian McKeon, Executive Vice President and Chief Financial Officer
11:30 – 11:40 am	<b>Break</b>
11:40 – 12:00 pm	<b>Question and Answer Session</b>



## Safe Harbor Disclaimer

The following information contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events. These statements are subject to risks, uncertainties, assumptions and other important factors. You are cautioned not to put undue reliance on such forward-looking statements because actual results may vary materially from those expressed or implied. The reports filed by the Company pursuant to United States securities laws contain discussions of some of these risks and uncertainties. The Company assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to review the Company's filings with the United States Securities and Exchange Commission (which are available from the SEC's EDGAR database at [www.sec.gov](http://www.sec.gov) and via the Company's website at [www.idexx.com](http://www.idexx.com)).

We refer in this presentation to multi-year goals, long-term financial model, and revenue growth potential. None of these references constitute, and shall not be deemed to be, 2020 outlook, guidance or projections. On July 31, 2020, the Company communicated that it is maintaining suspension of its full-year 2020 guidance due to the unpredictability of potential future impacts from the COVID-19 pandemic, and references to long-term opportunities shall not be deemed to be an indication that the Company's expectations have or have not changed since that time.

### **Non-GAAP Financial Measures**

In this presentation, we refer to some non-GAAP financial measures. For a reconciliation to the most comparable GAAP financial measures, we refer you to our footnotes and the Appendix to this presentation, which also refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2019, both available at [www.idexx.com/investors](http://www.idexx.com/investors).

**Please refer to additional footnotes in the Appendix.**

# IDEXX Focus: Expanding Markets Through Innovation and Commercial Presence

- Strong global foundation with innovation leadership
- Direct commercial capability driving industry expansion of relevant testing
- Underdeveloped global companion animal diagnostic opportunity of \$30B+ TAM
- Sustained long-term double-digit organic growth potential



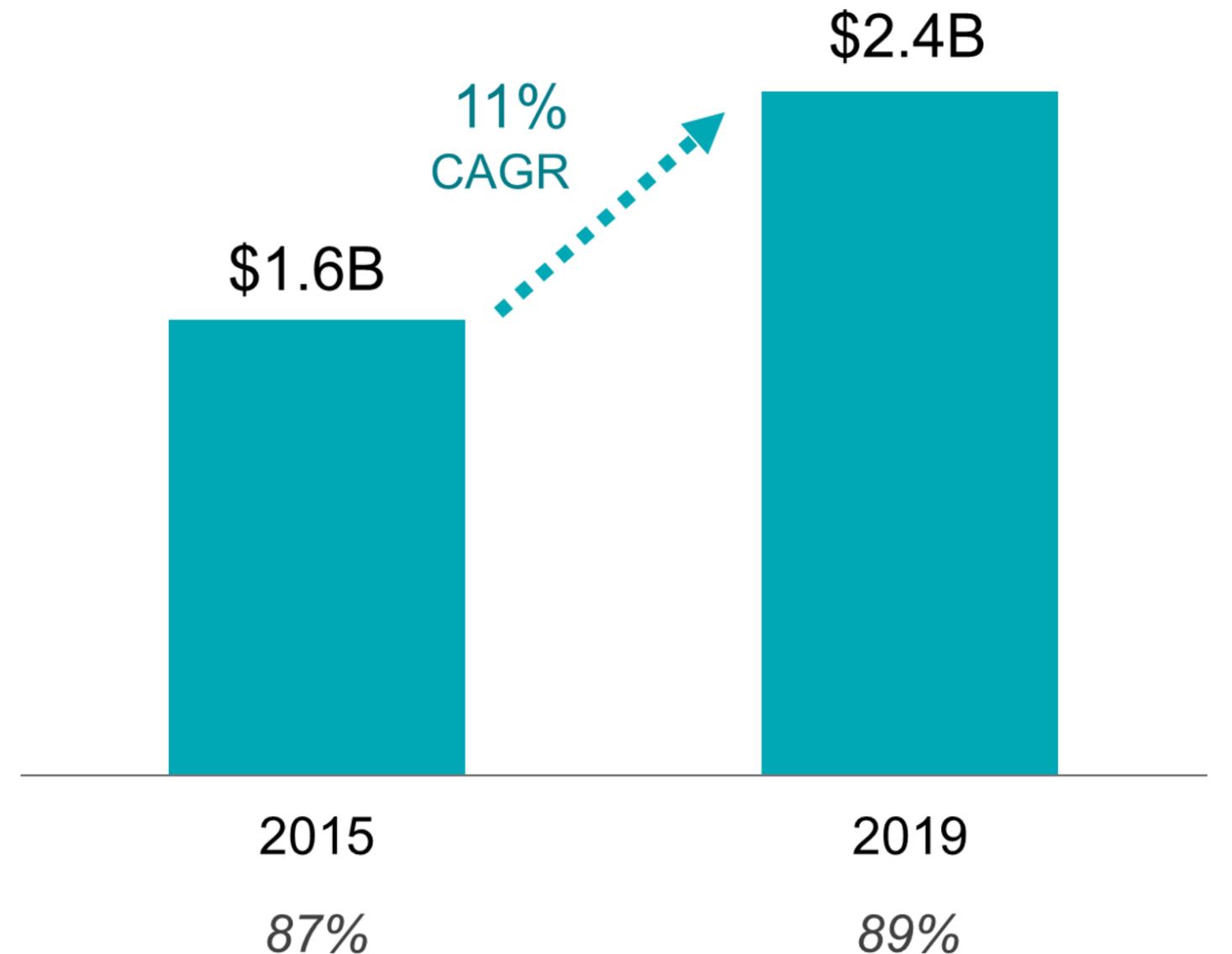
# Consistent Strategy has Driven Strong Long-Term Revenue Growth

## *Consistent Long-term Approach*

- Develop attractive core markets globally
- Lead with innovation
- Deliver fully-integrated diagnostics, data and software solutions
- Inspire adoption through direct commercial partnerships
- Expand durable recurring annuity – driving high ROIC

Recurring as a % of Total IDEXX Revenues

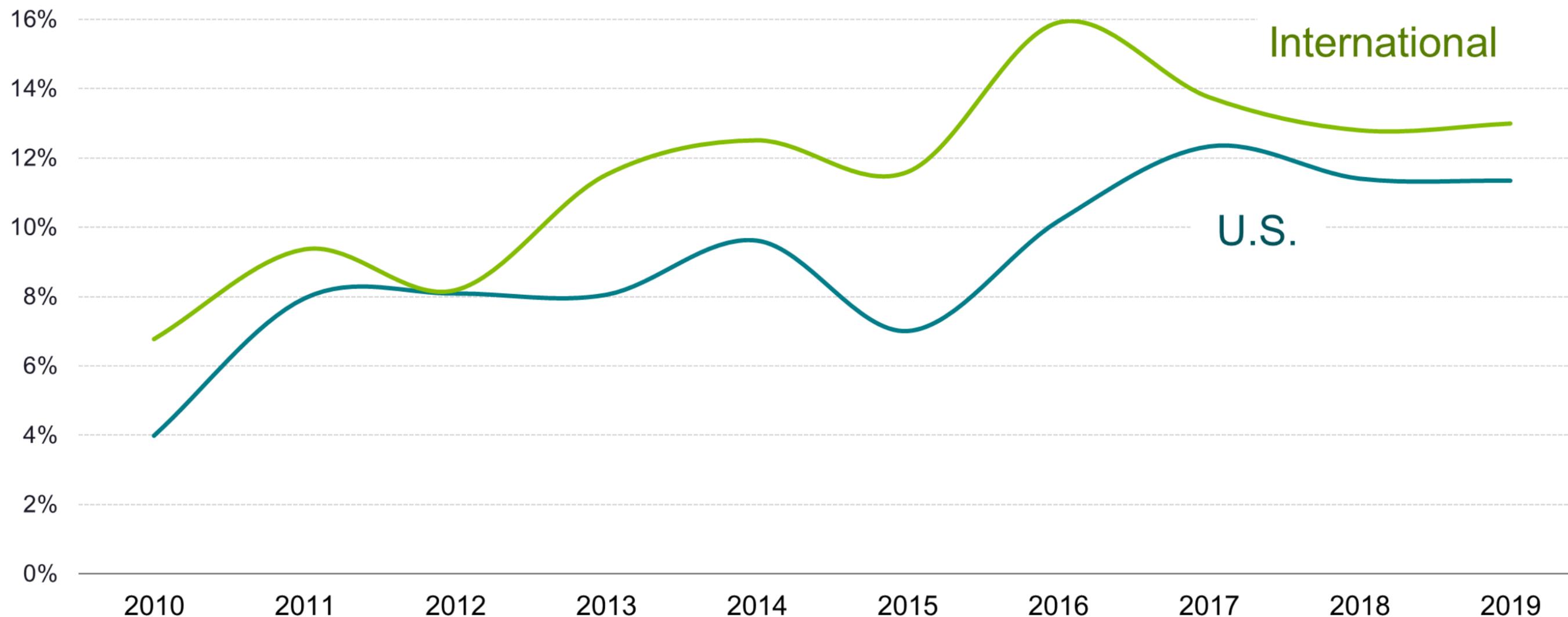
Total IDEXX Revenue (\$ Billion)<sup>1</sup>



<sup>1</sup> Please refer to the Appendix for descriptive footnotes.

# Strong Business Momentum Supported By Expanding Recurring Revenues

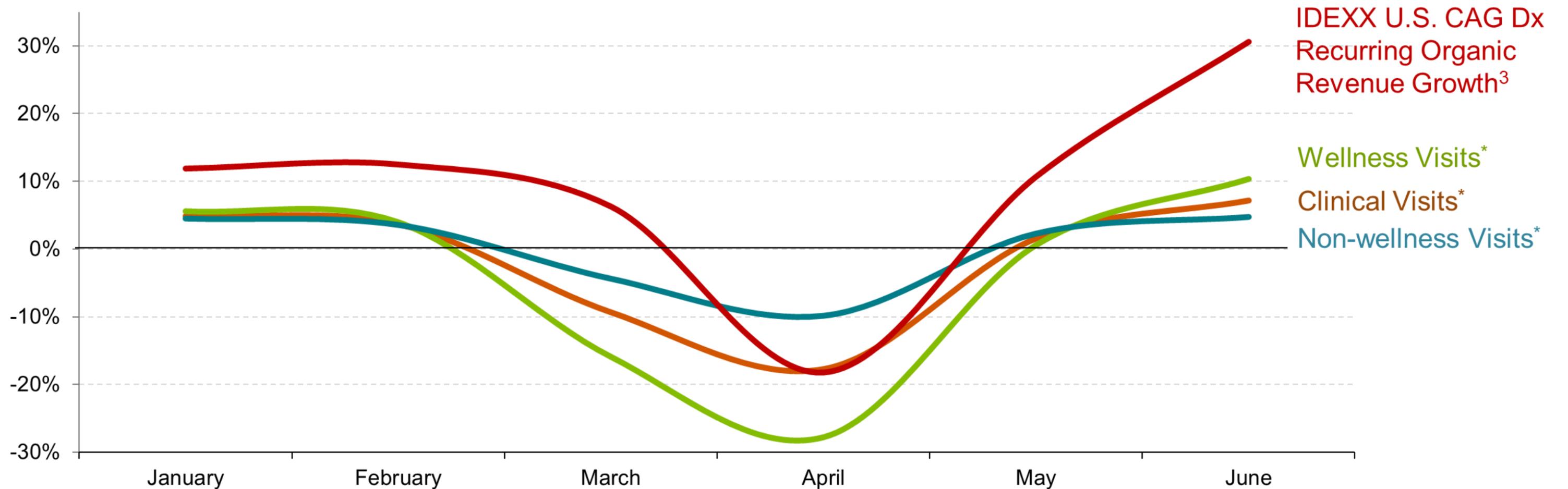
IDEXX WW CAG Diagnostics Recurring Normalized Organic Revenue Year-Over-Year Growth<sup>1,2,3,4</sup>



<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes. <sup>3,4</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# IDEXX has Demonstrated High Resilience Through COVID-19 Pandemic

U.S. Average Visits per Practice and IDEXX CAG Diagnostics Recurring Revenue  
Monthly Average Year-Over-Year Change (%)

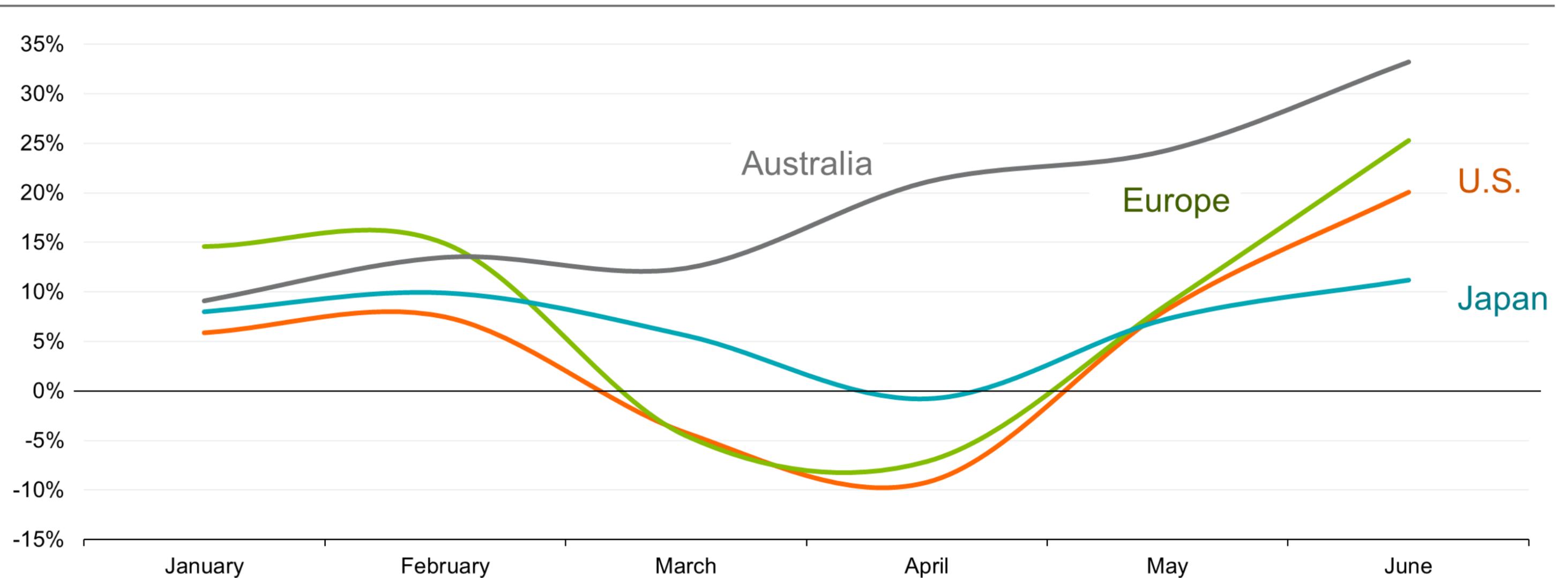


<sup>3</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

\* IDEXX Practice Intelligence data; sample of ~7,750 practices representing six different practice information management systems, weighted based on practice size and region to reflect market composition. Analysis reflects representative real-time trends on same practice year-over-year growth and does not include adjustments related to equivalent business days or atypical practice behaviors related to timing of posting transactions. Growth rates margin of error of +/- 0.4% at a 95% confidence level.

# Companion Animal Diagnostics Resilience Seen Globally

Regional Veterinary Practice Activity 2020 Monthly Year-Over-Year Change (%)\*



\* Based on IDEXX in-house chemistry volume data.

# We are Engaging and Aiding the Market's Strong Recovery

## Customer Experience



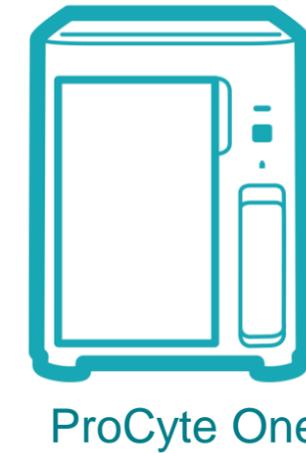
- Ensuring ongoing product supply and reference lab service continuity
- Engaging with customers, virtually and in person

## Partnership and Enablement



- Providing flexibility in payment terms and contract requirements
- Supporting with educational programs and marketing tools
- Innovating creative software solutions to support new workflows

## Relevant Solutions



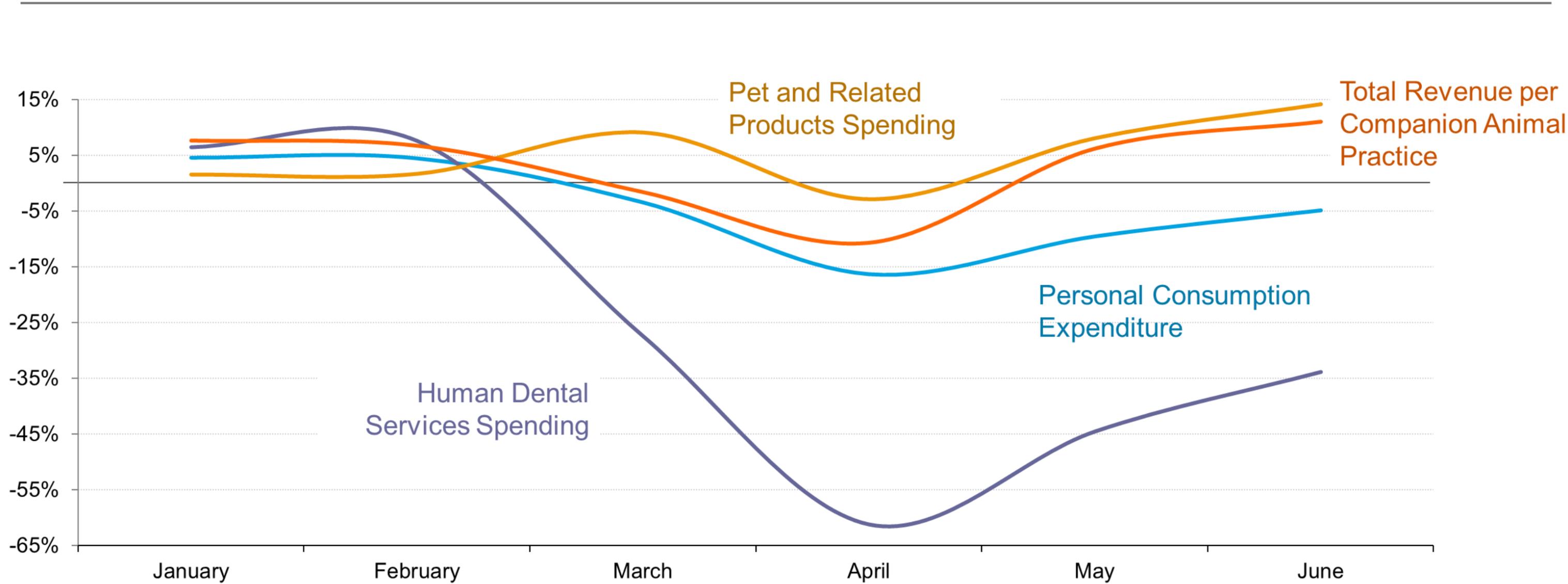
ProCytte One



- Supporting higher standard of care, helping practices grow
- Launching ProCytte One™ - world-class hematology analyzer
- Offering preventive care programs

# Pet Health Market Continues to Grow

U.S. 2020 Monthly Year-Over-Year Change (%)\*

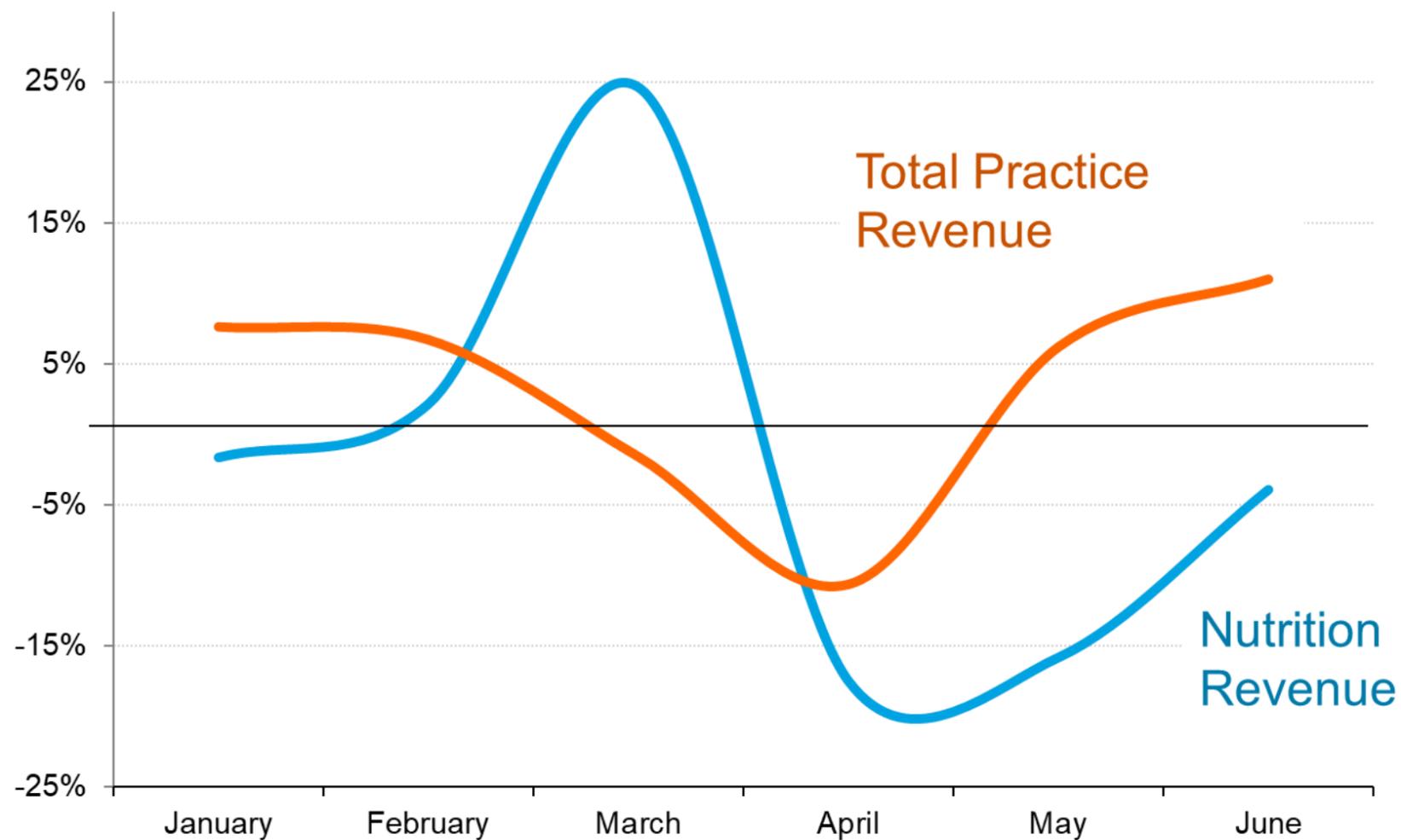


\* Total Revenue per Companion Animal Practice growth analysis based on IDEXX Practice Intelligence Data, sample of 7,750 practices. Pet and Related Products Spending, Personal Consumption Expenditure and Human Dental Services Spending growth analyses based on Personal Consumption Expenditures by Type of Product, Last Revised on: July 31, 2020, Bureau of Economic Analysis.



# Veterinary Practices are Adapting During the COVID-19 Pandemic

U.S. 2020 Monthly Year-Over-Year Change per Practice (%)\*



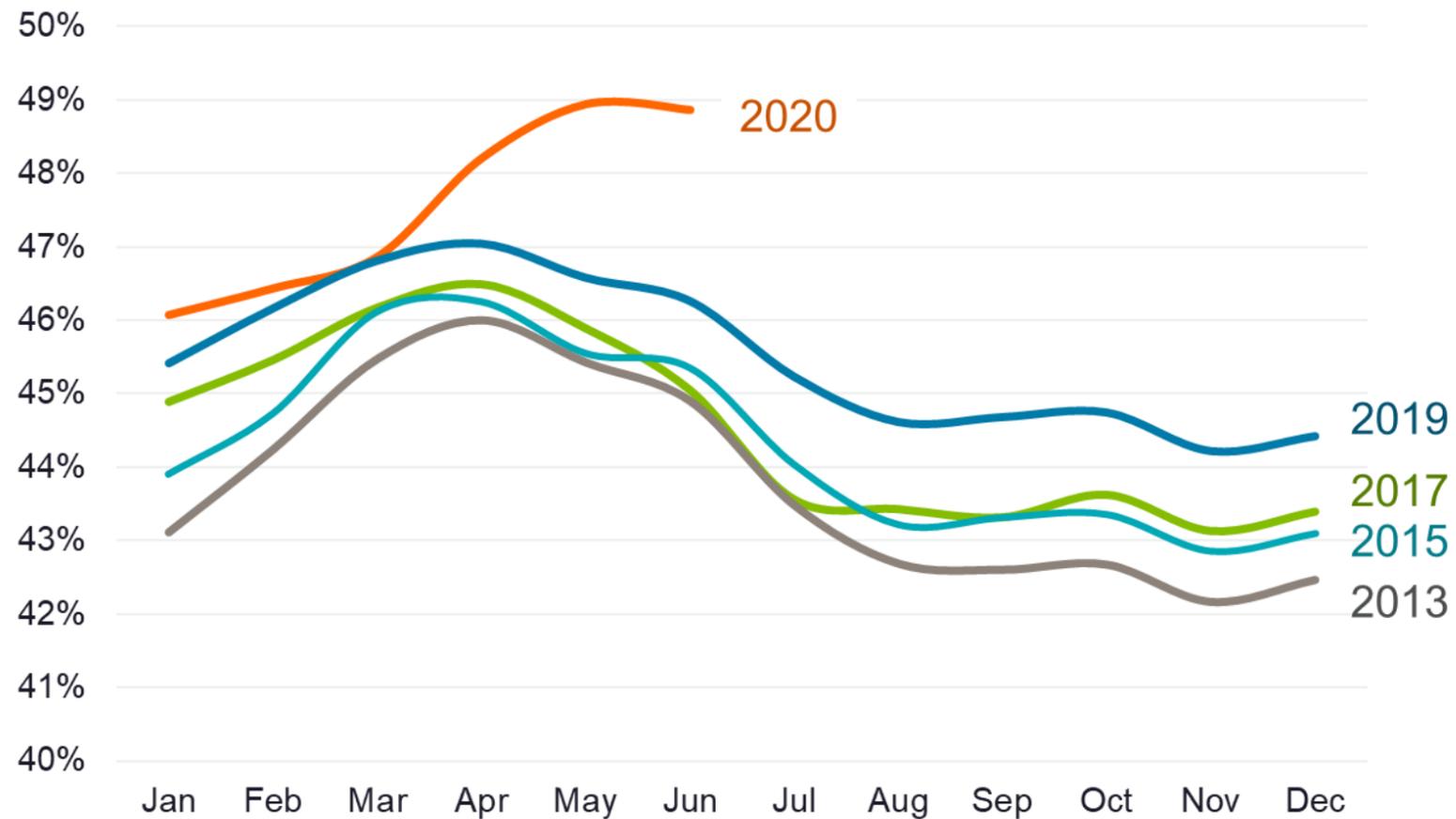
***Veterinarians increasing focus on core medical services – including diagnostics***

- To treat, you have to first diagnose
- Significant clinical unmet need – diagnostics greatly underutilized
- Diagnostics provide high practice contribution margin

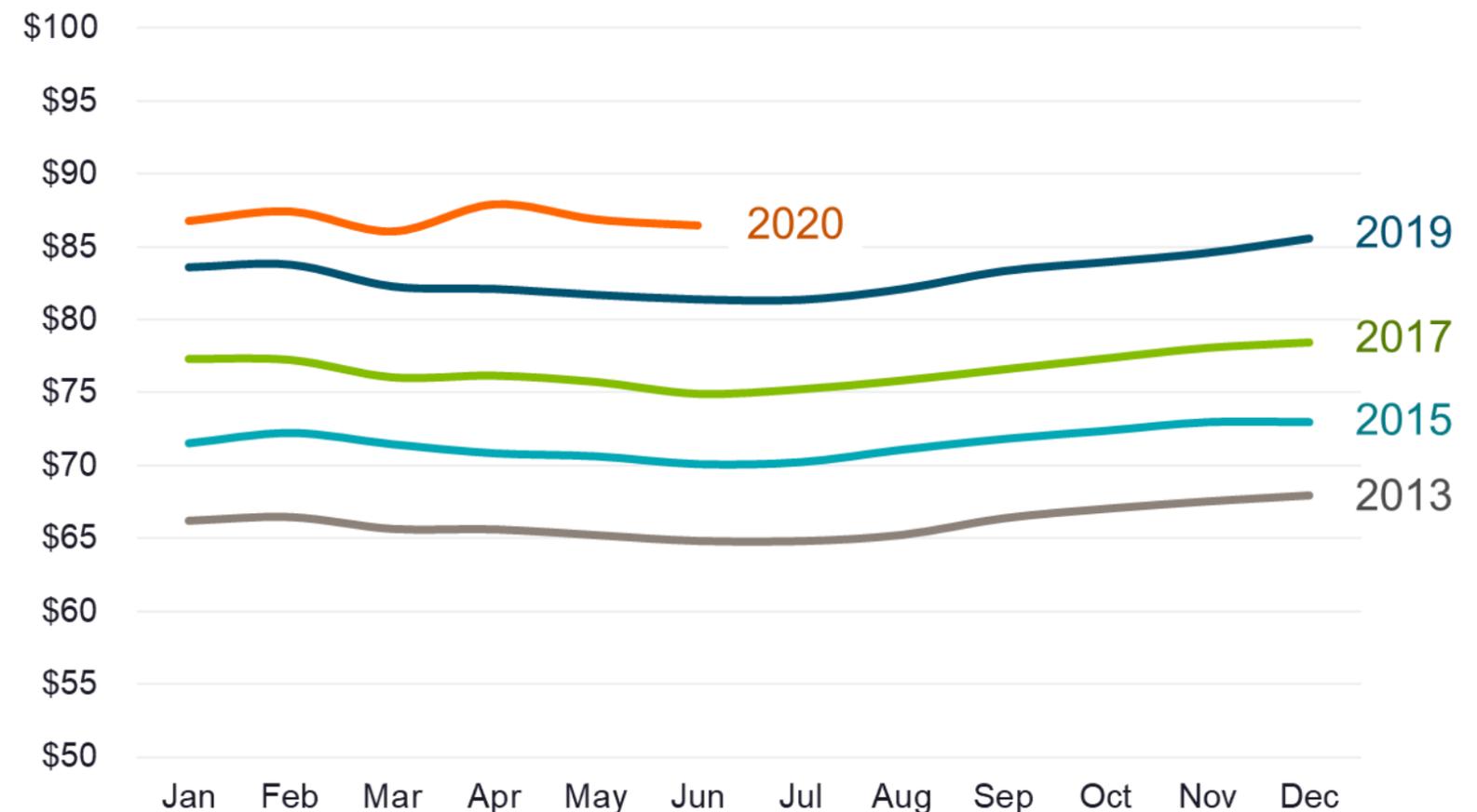
\* Total Revenue and Nutrition Revenue growth analysis based on IDEXX Practice Intelligence Data.

# Practices are Increasing the Standard of Care

Average Percentage of Clinical Visits with Diagnostics (%)\*



Average Diagnostic Revenue per Clinical Visit with Diagnostics (\$)\*

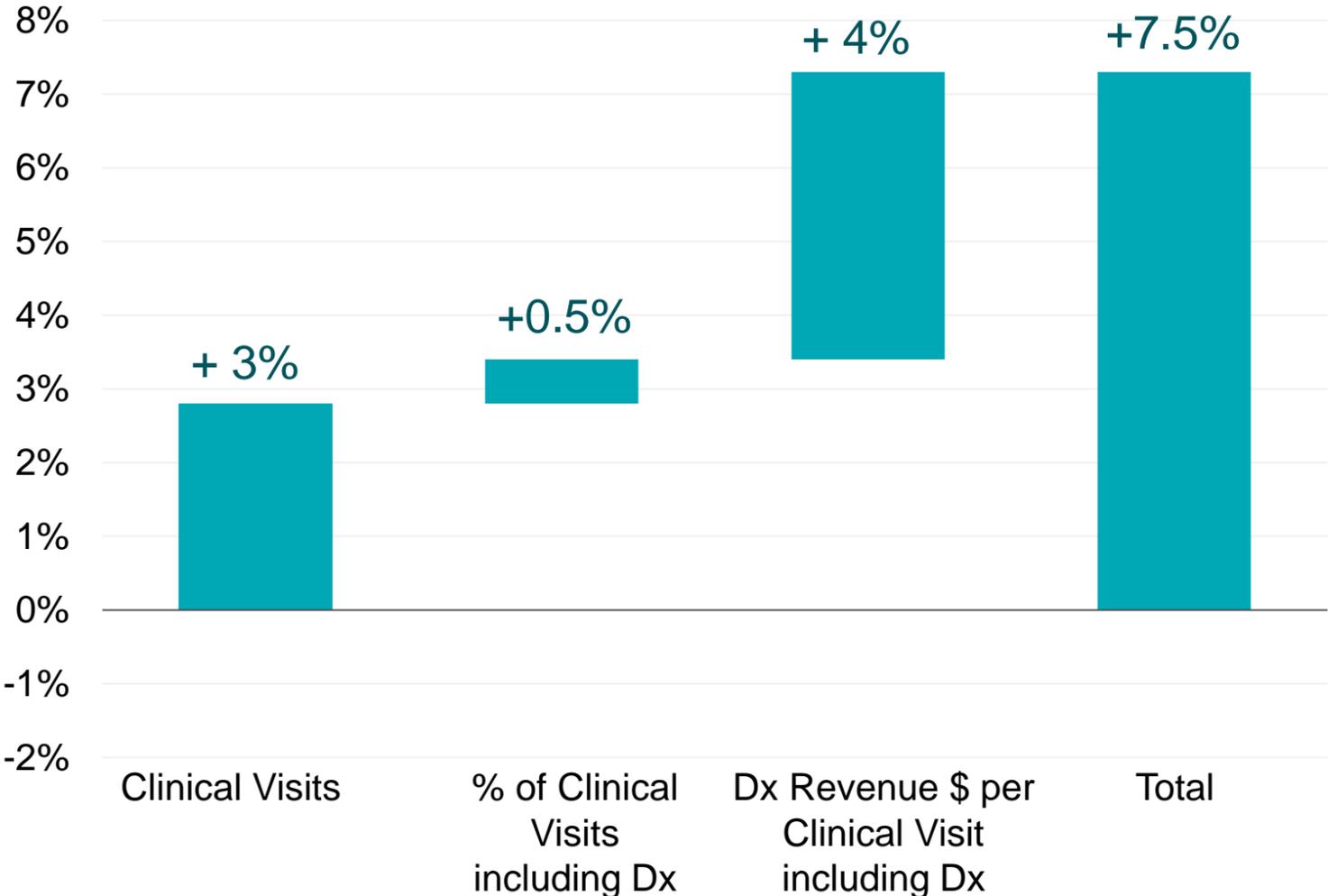


\* Includes all in-house and reference lab diagnostics, excluding radiography. For example, includes bloodwork, urinalysis, fecal testing, microscopy.  
 Source: IDEXX Practice Intelligence based on 7,750 practices weighted to represent the market based on practice size and region.

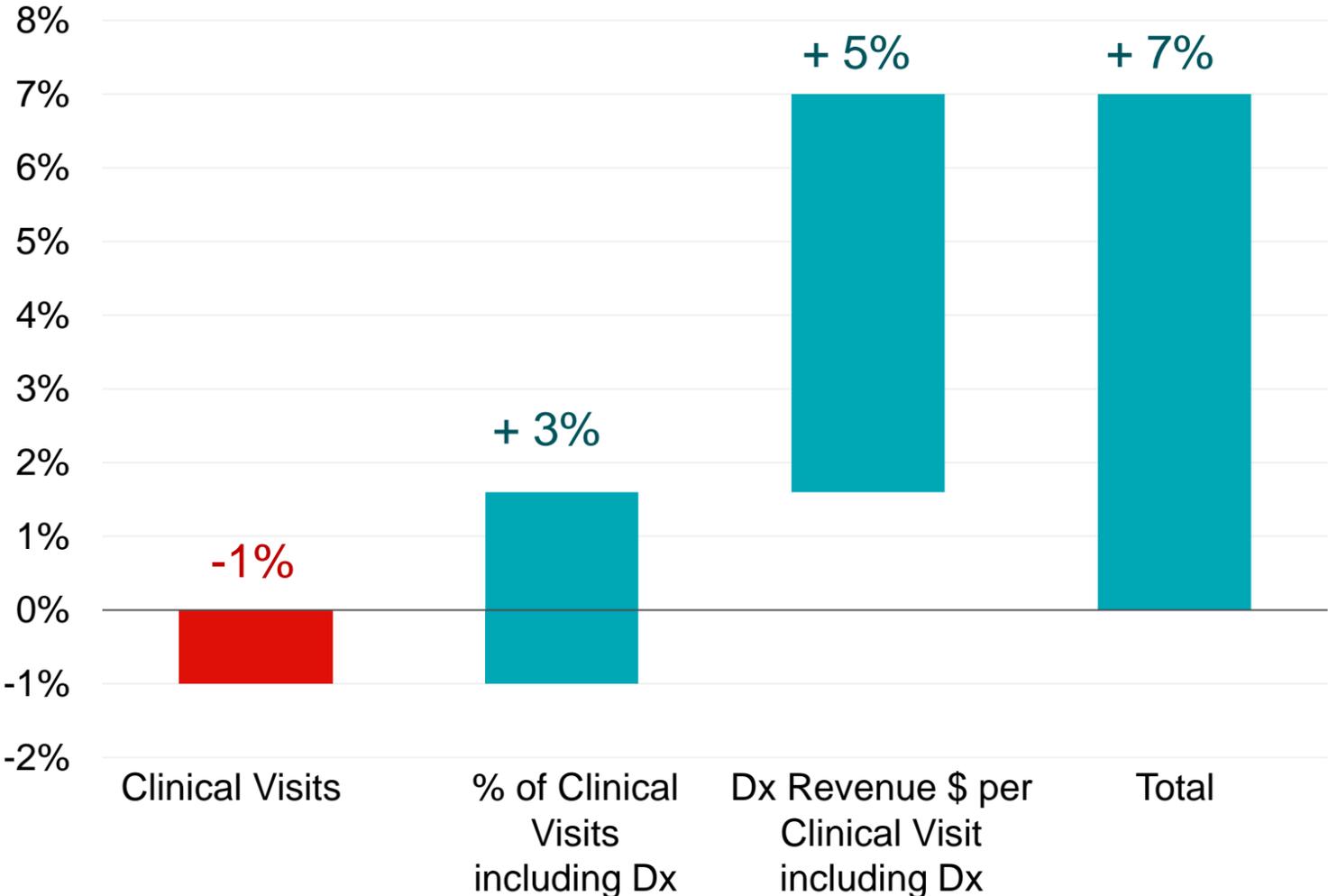
# Diagnosics Revenue Growth per Practice Continues to Expand

## Contributors to U.S. Companion Animal Diagnostic Revenue Growth per Practice

Average of 2014 – 2019 Year-Over-Year Growth (%)



H1 2020 Year-Over-Year Growth (%)

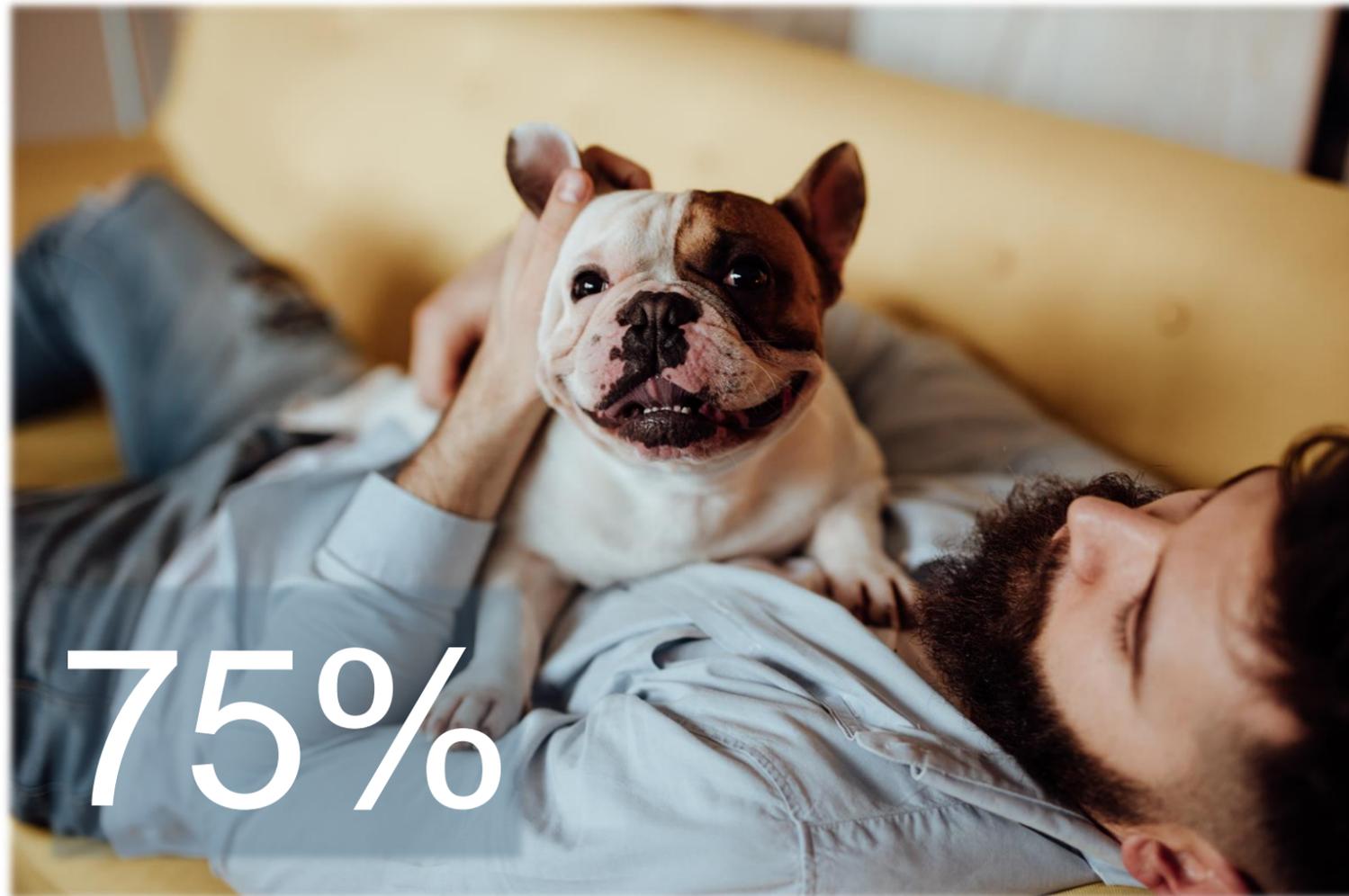


\* Analyzed based on IDEXX Practice Intelligence data n = 7,750 practices



# Pet Owners Feel Even Closer to Their Pets and Prioritize Their Health

Agreed that their pet has given them great comfort during the COVID-19 pandemic



Agreed that taking care of their pet's health is as important to them as taking care of their own health



Source: Based on responses of 8 -10 on 10-point scale of agreement; IDEXX U.S. Pet Owner Research Study fielded July, 2020, n = 600 pet owners.

# Millennial and Gen Z Pet Owners Plan to Seek More Preventive Care for Their Pets and Expect to Spend More in 2021



## Gen Z

(Up to 23 years)



## Millennials

(24 years to 39 years)



## Baby Boomers

(56 years to 74 years)

Percentage of Pet Owners Agreeing:

*“I plan to take my pet to the veterinarian more often for regular preventive care check-ups from now on than I did before 2020.”*

49%

36%

15%

*“I expect to spend more on my pet(s) in 2021 than I did in 2019.”*

52%

44%

27%

Source: Based on responses of 8 -10 on 10-point scale of agreement; IDEXX U.S. Pet Owner Research Study fielded July, 2020, n = 600 pet owners.

# Pet Owners are Willing to Make Financial Tradeoffs to Care for Their Pets

If Household Income Declined, Pet Owners Would Cover Pet Expenses by Reducing Spending on:



90%

eating out



77%

video streaming services



85%

personal grooming services

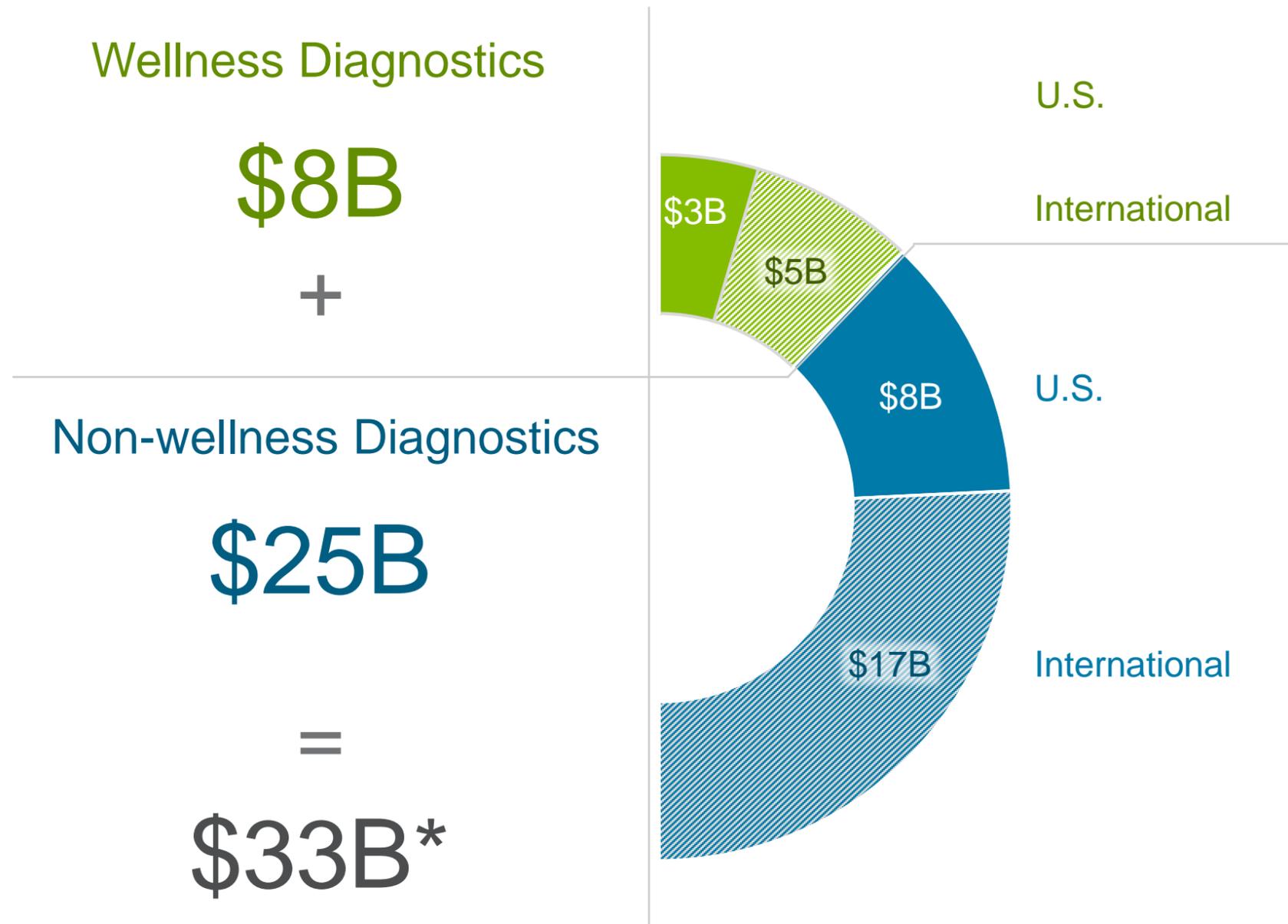


89%

live entertainment

Source: Based on responses of 8 -10 on 10-point scale of agreement; IDEXX U.S. Pet Owner Research Study fielded July, 2020, n = 600 pet owners.

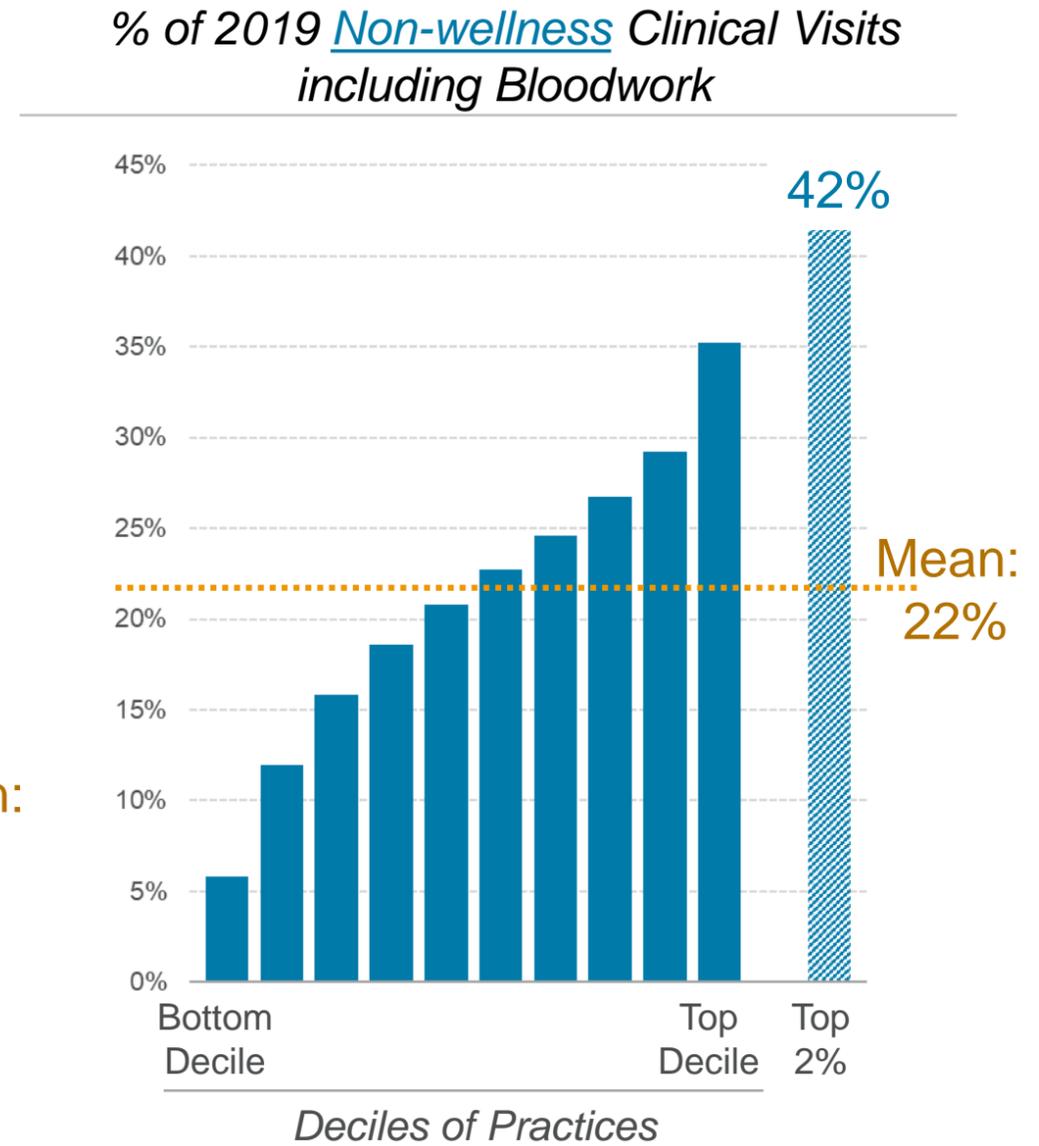
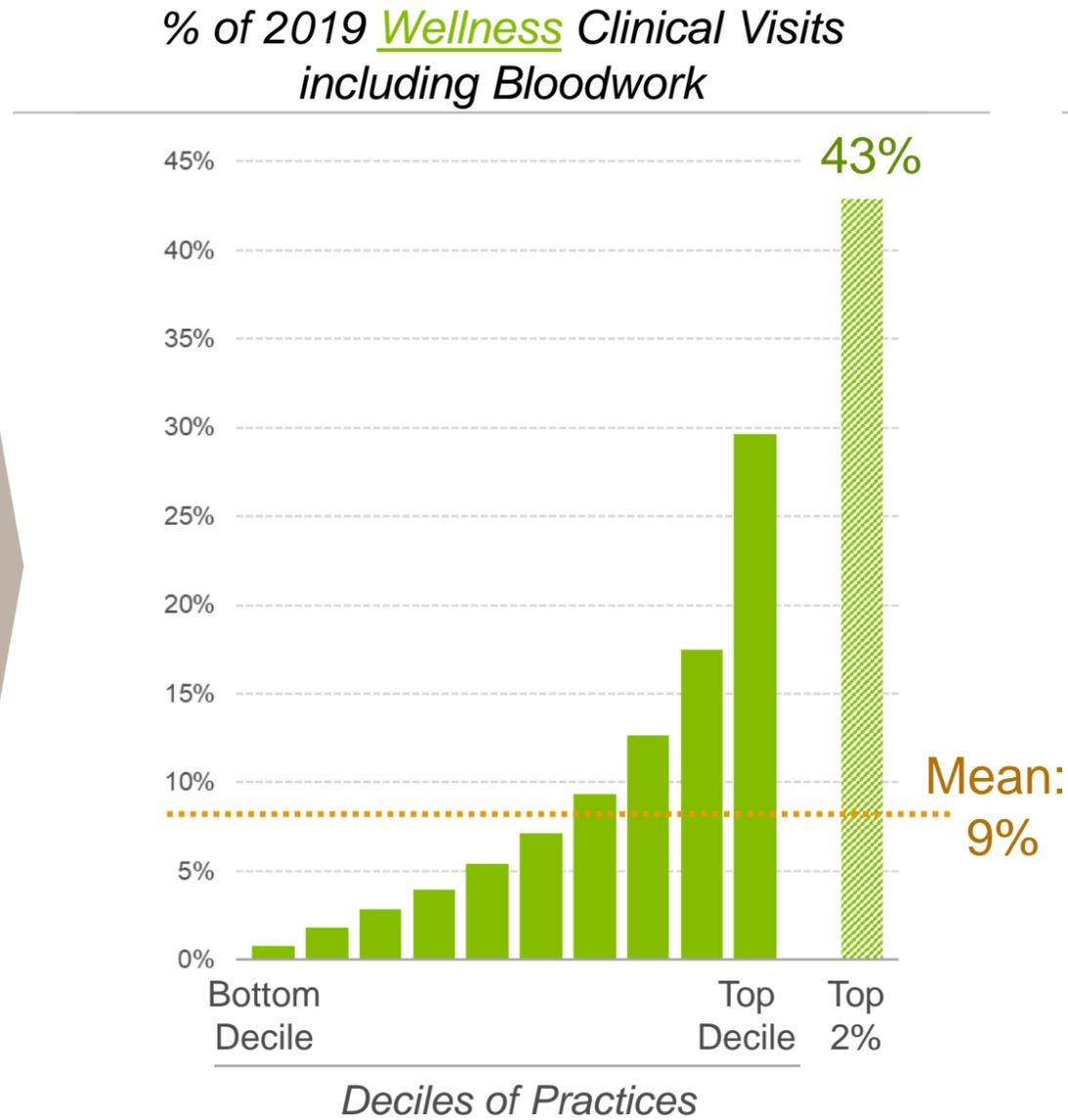
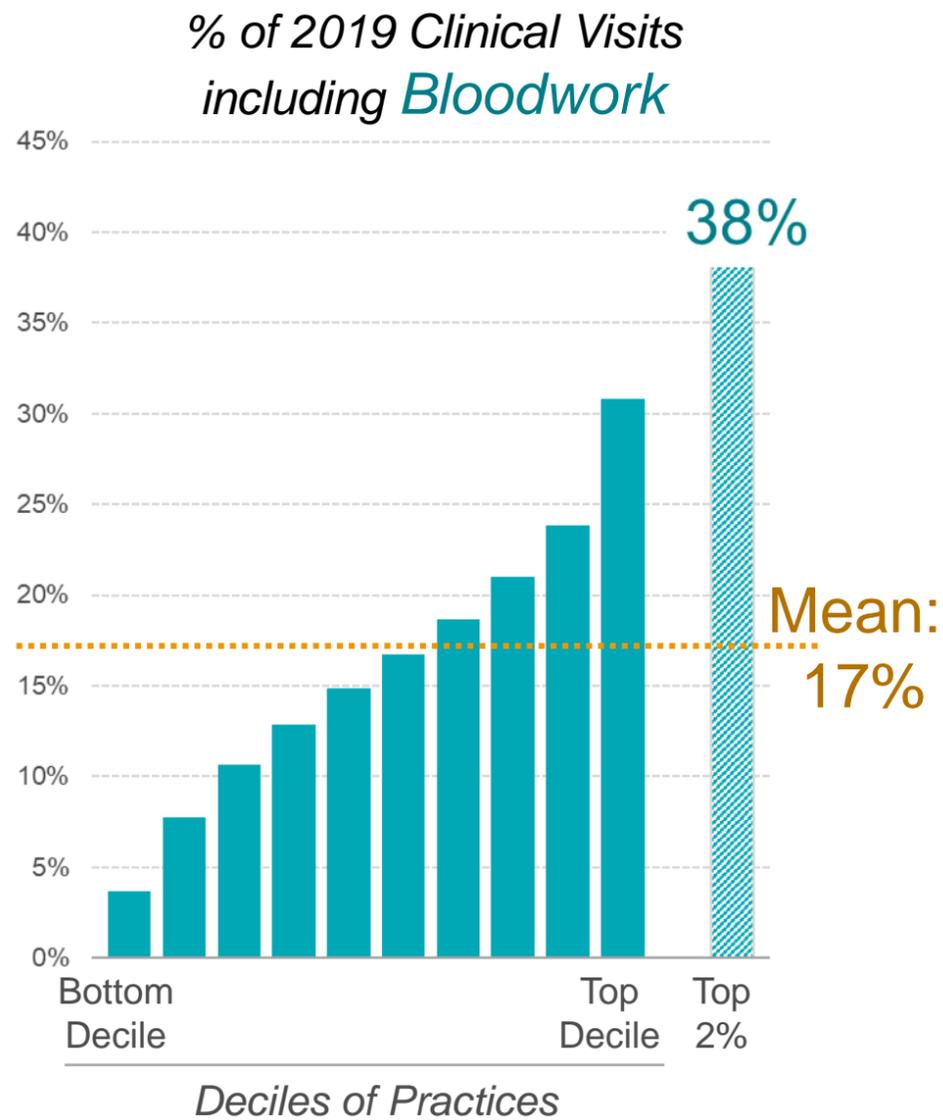
# Continued Long-Term Growth Opportunity



- Served market represents ~12% of Global TAM
- IDEXX served ~5% of Global TAM

\* Total addressable companion animal diagnostics market revenue estimated based on bottom-up modeling at manufacturer or service provider level. Assumes **current proportion** of household-owned pets visiting the veterinary practice for wellness and non-wellness visits; 'medically optimal' percentage of these visits that should include at least 1 diagnostic and estimated average manufacturer revenue for appropriate diagnostics used in each type of visit. Note that this global TAM is estimated as of 2018, and will grow over time based on the known underlying drivers, e.g., clinical visit growth per practice, net new practice formation and net price realization.

# Diagnostics are Underutilized Today – with Broad Variability of Diagnostic Use

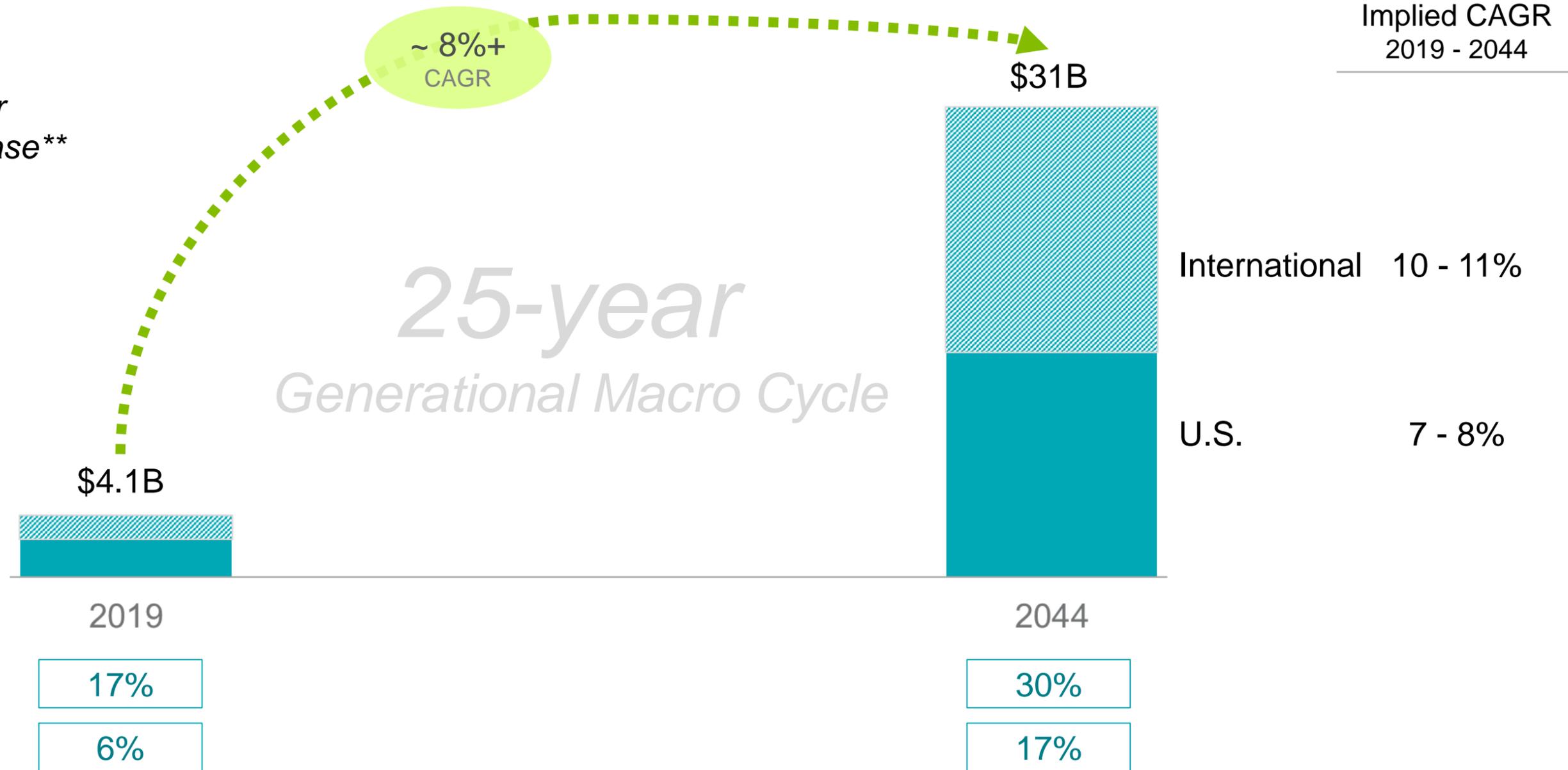


Source: Based on analysis of IDEXX Practice Intelligence data (n = 7,468 practices). 'Clinical visits' are those where the reason for visit involves an interaction between a veterinary clinician and a pet, including wellness and non-wellness visit types. 'Bloodwork' represents chemistry and/ or hematology.

# Increasing Standard of Care Continues to Point to \$30B+ Market Opportunity and Sustained High Diagnostics Growth

Estimated Total Worldwide Companion Animal Diagnostics Spending (\$M)\*

*Base Case Scenario:  
Continuation of past 5-year  
diagnostic utilization increase\*\**



\* Revenue estimated at the manufacturer level. Includes reference lab, telemedicine, in-house instruments and consumables, rapid assay, manual microscopy and 'similar' types of diagnostics through 2044. Excludes veterinary software, digital and ultrasound. Figures stated in USD, based on 2019 average exchange rates. \*\* Modeled based on projecting continuation of the estimated 2014 – 2019 average annual increase in percentage of clinical visits including bloodwork, market clinical visit growth and net price realization.



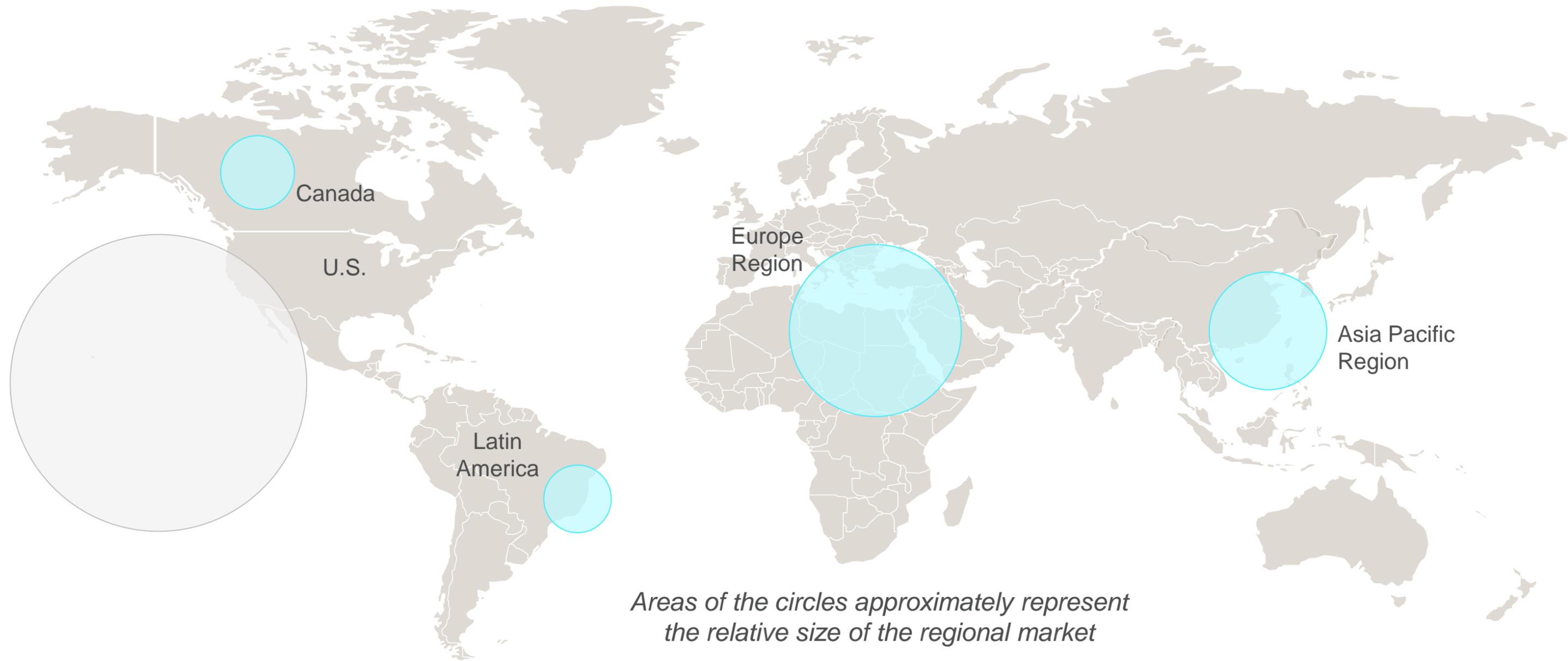
# Jim Polewaczyk

Executive Vice President and  
Chief Commercial Officer

# Significant Room for Development of Global CAG Market

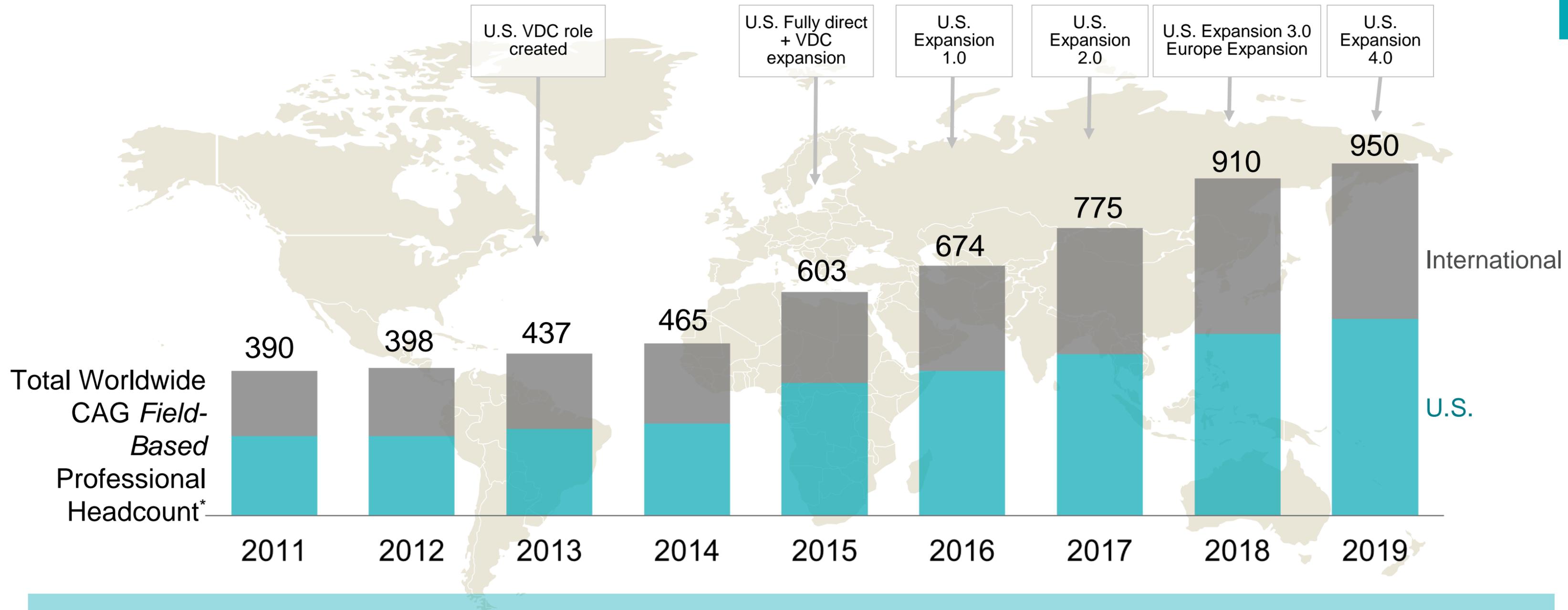
*U.S. represents ~\$3.0B, or ~62% and International represents ~\$1.9B or ~38%*

Estimated 2019 Total Companion Animal Diagnostics and Software Spending (\$M)\*



\* Revenue estimated at the manufacturer level. Includes reference lab, in-house instruments and consumables, rapid assay, manual microscopy, digital, ultrasound and veterinary software. Figures stated in USD, based on 2019 average exchange rates.

# Applying Proven Commercial Model to Capture Global Opportunity



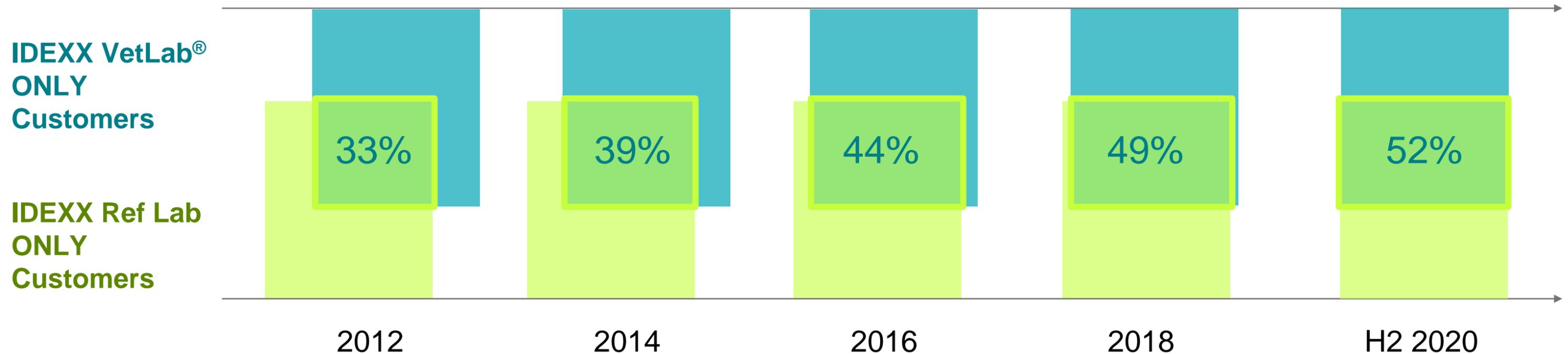
Expanding Global Commercial Footprint Enables Reach Needed to Communicate IDEXX Differentiators

\* Includes all field-based sales and technical services headcount, excluding management. Figures as of December 31 of each calendar year.

# Steady Progress in Cross-Selling Success ... Large Opportunity Remains

## IDEXX U.S. Companion Animal Customer Overlap

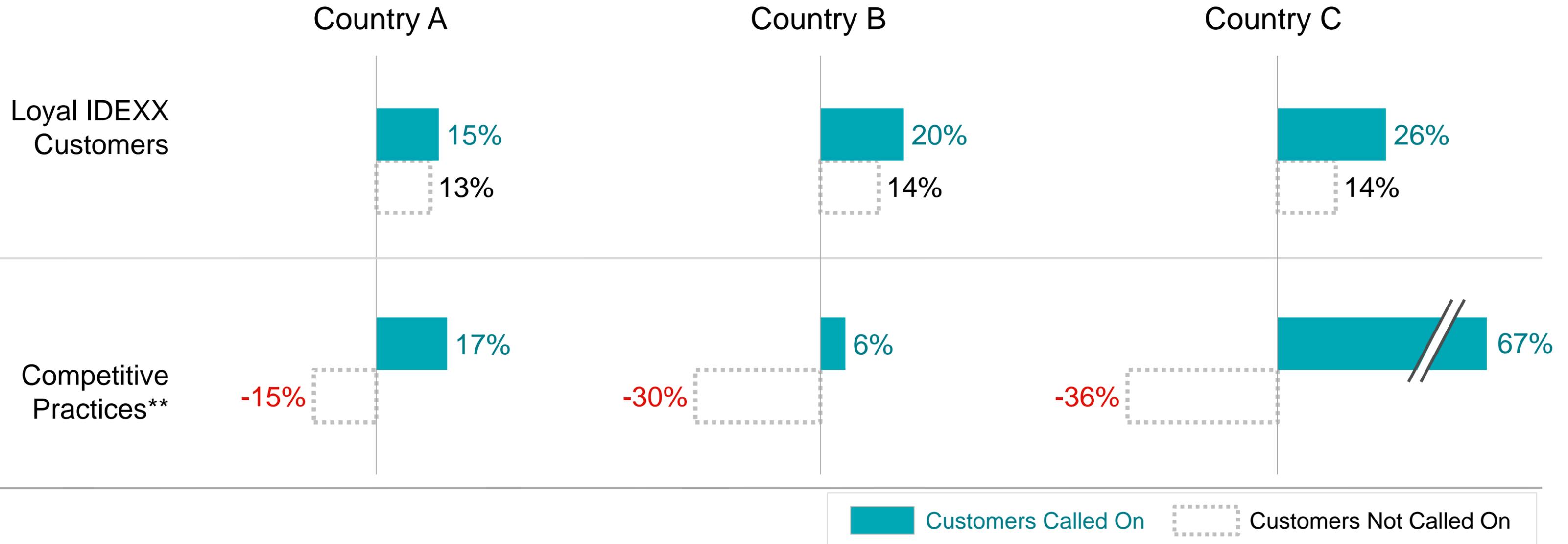
Percentage of IDEXX Reference Lab or IDEXX In-house Chemistry Platform Customers who are IDEXX Customers for Both\*



\* Analysis as of the end of each calendar year for 2012, 2014, 2016, 2018 and as of mid-year 2020.

# Our Commercial Strategy is Grounded in the Fact that When We Call on Customers, They Grow Faster

Q4 2019 Year-Over-Year Average Quarterly Growth in CAG Revenue (%)\*

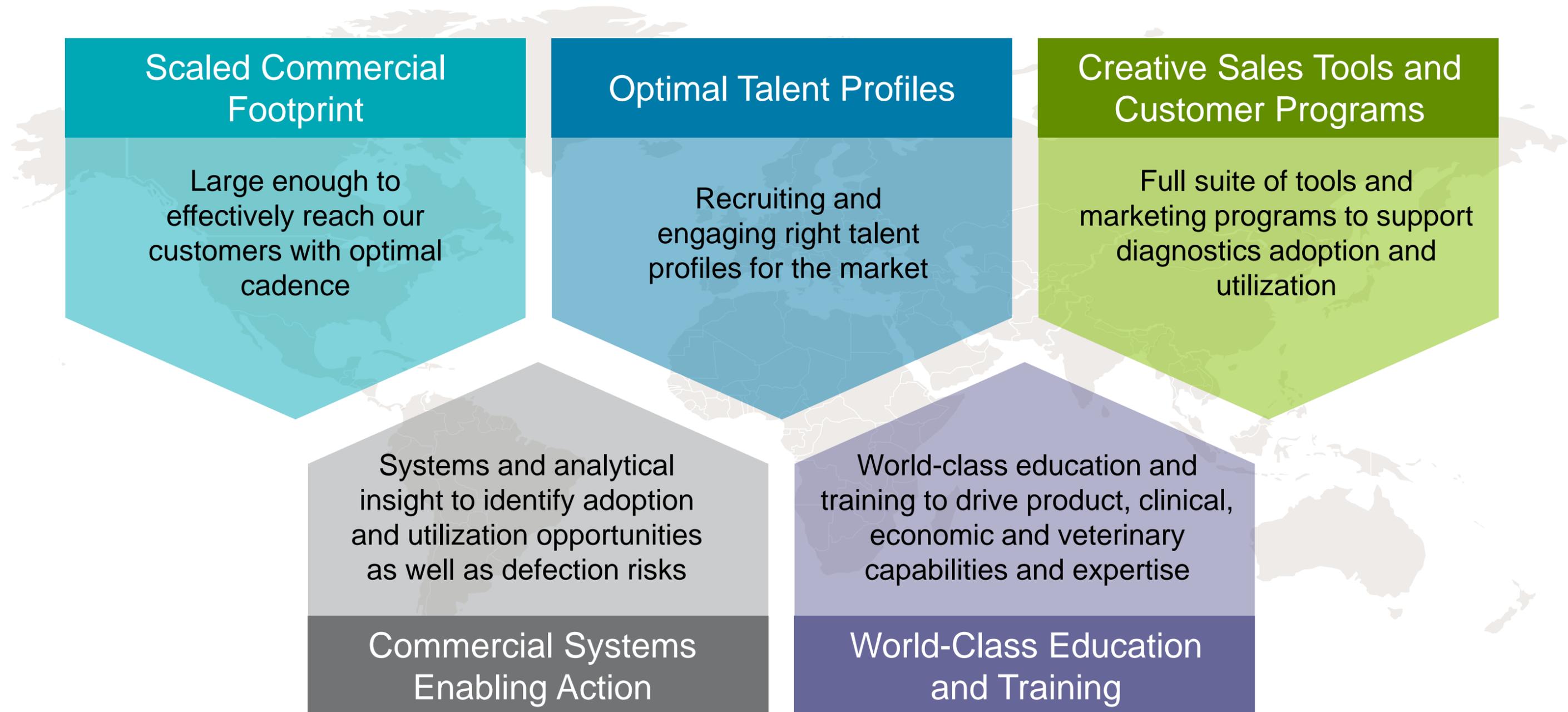


\* Revenue Growth Methodology: customer classification as 'Loyal IDEXX' or 'Competitive Practices' is based on customer status as of the beginning of the measurement period for each quarter. Growth rate calculation is measured as the current period over the same period of the prior year. Revenue measured in determining growth includes IDEXX Reference Lab, IDEXX VetLab and IDEXX Rapid Assay recurring revenue.

\*\* Practices with most of their diagnostic products and services from IDEXX competitors, defined as generating less than a threshold level of average IDEXX reference lab revenue per month over past 6 months and without IDEXX in-house chemistry.

# Capturing the \$30B+ Total Addressable Market Opportunity

*Critical Elements of Our Commercial Model that Apply Globally*



# The Power of a Global Marketing Approach was Demonstrated with the Successful Launch of Our COVID-19 Companion Animal Test...



**23**

Countries launched the PCR test in 10 weeks

**1,000+**

IDEXX customer-facing professionals trained to support local markets

**300+**

KOLs and Associations engaged

**28**

Country websites updated with translated material

**9,200+**

Webinar learners reached across the globe

Global Strategy and Positioning

Consistent Sales Training and Messaging

Coordinated KOL Engagement

Global Material Deployment and Translation

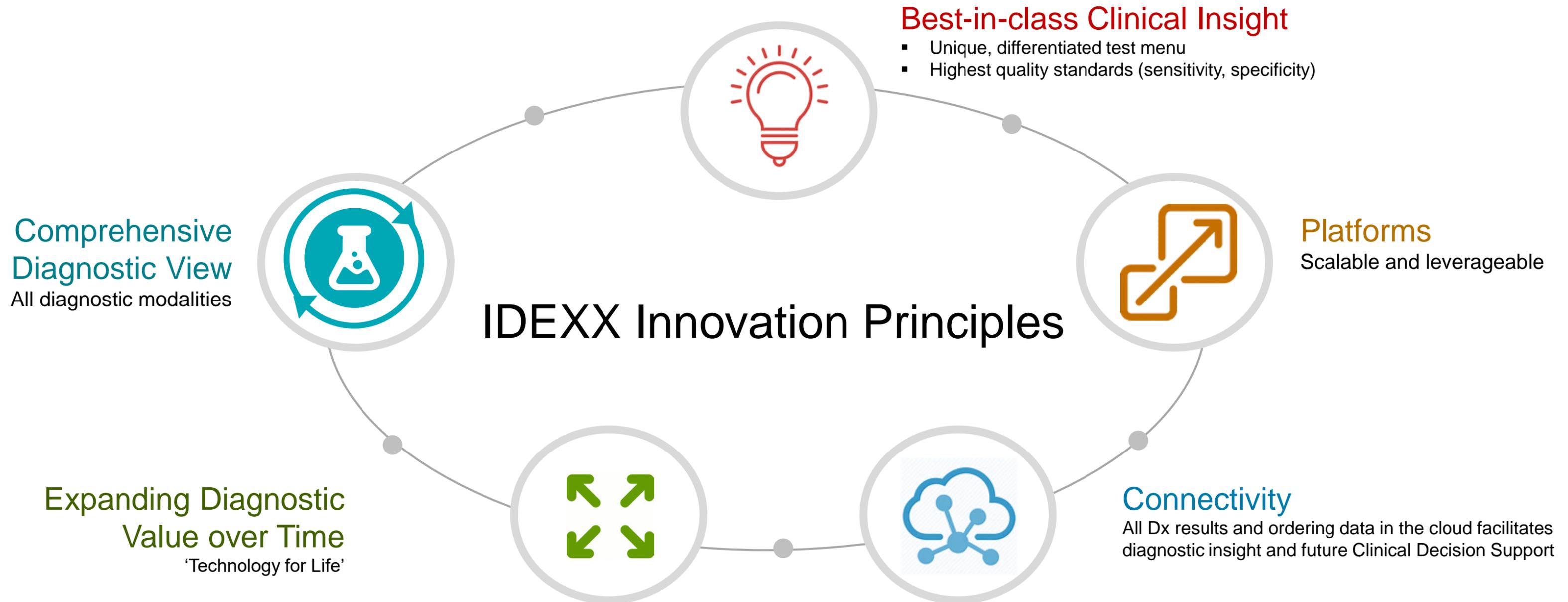
Leveraged Virtual Education

Global Financial Relief

# Innovation is at the Center of Our Strategy for Market Development

Innovation  
Strategy  
Objective

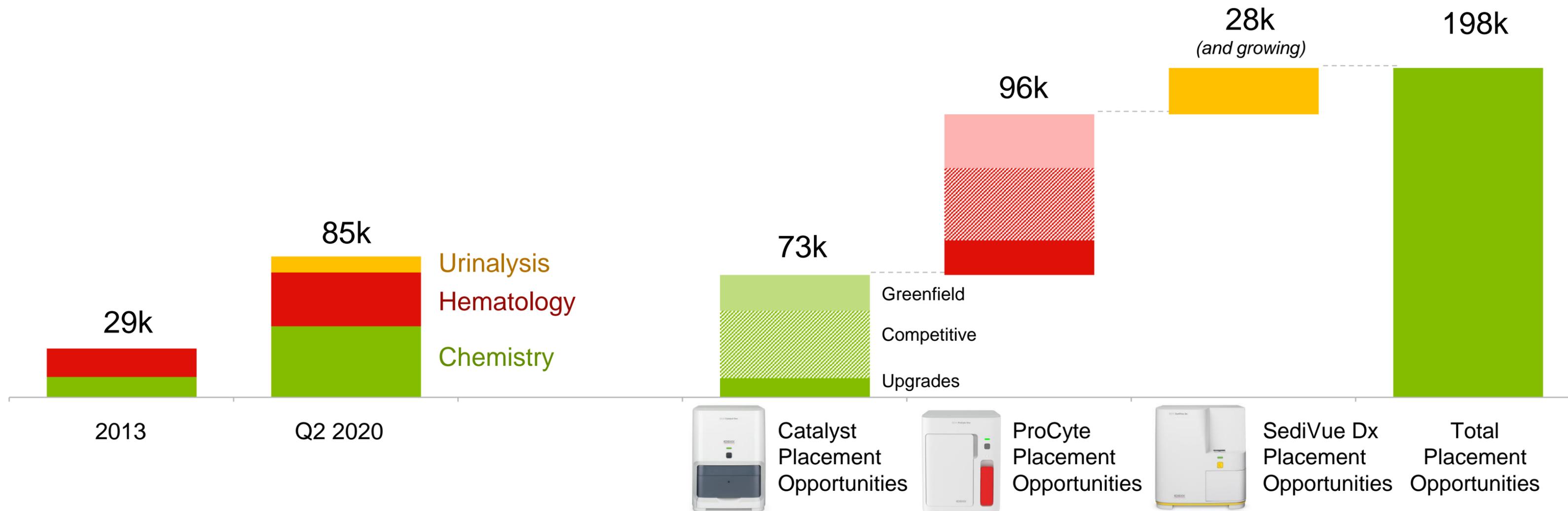
Advance **differentiated diagnostic insight** that improves **standard of care**, backed by **evidence of clinical and economic value**, delivered with an unparalleled positive **customer experience**.



# Opportunity to Build on Strong Foundation with Innovation

Global IDEXX Premium Instrument Installed Base\*

Global Incremental IDEXX Premium Instrument Placement Opportunity\*\*



\* All figures are rounded. Premium chemistry includes Catalyst Dx® Chemistry Analyzer and Catalyst One® Chemistry Analyzer installs, premium hematology includes ProCyte Dx® Hematology Analyzer and LaserCyte® Hematology Analyzer installs and urinalysis includes SediVue Dx® Urine Sediment Analyzer installs. Second placements are excluded.

\*\* All figures are rounded. Calculated as of end of Q2 2020. Excludes practices too small to be likely candidates for chemistry analyzer placement at this time.



## Tina Hunt, PhD

Executive Vice President and General Manager, Point-of-Care Diagnostics and Worldwide Operations

# ProCyte One: A Transformational Hematology Analyzer

*Highly Differentiated Customer Experience with Unprecedented Ease of Use*



## **Fast, Easy, Intuitive** workflow

- Load sample and go
- <30 second reagent change
- Onboard, automated Smart QC

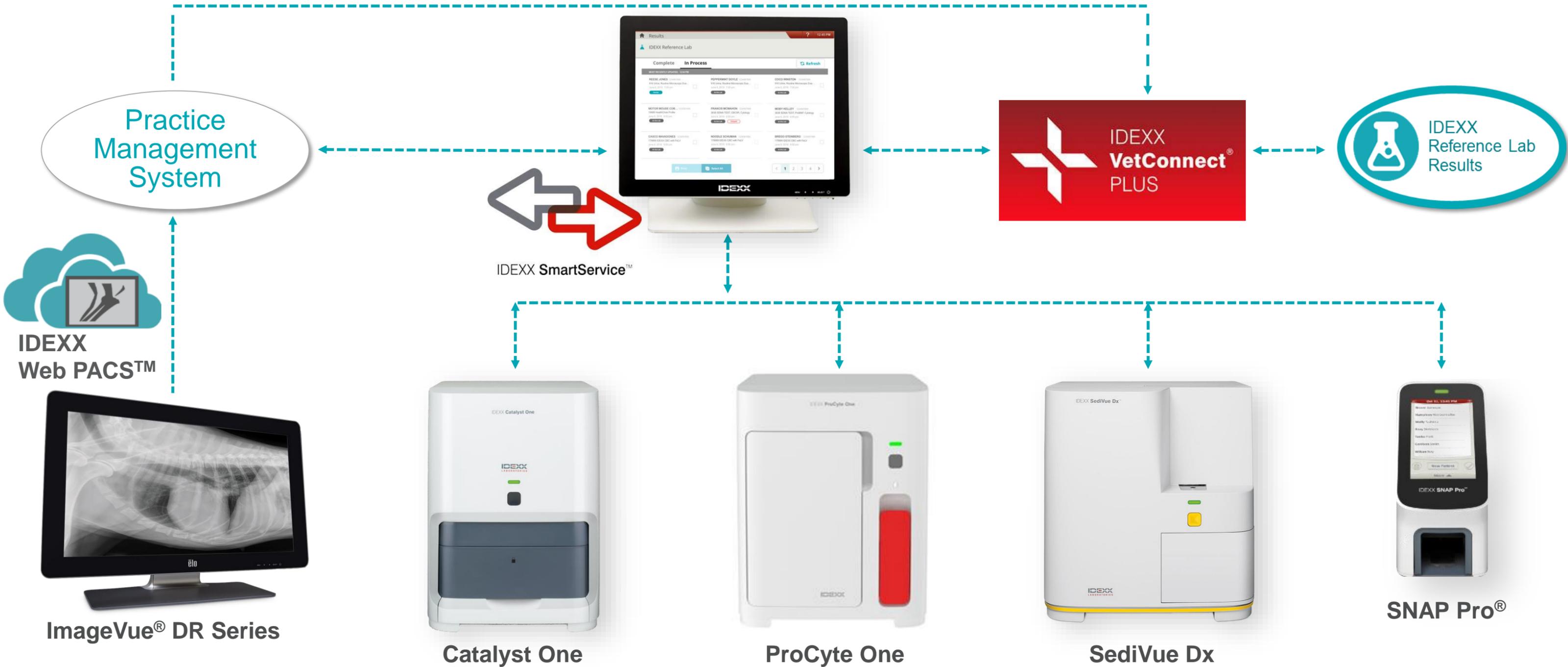
## **Real-Time Actionable Results,** leveraging AI for Clinical Decision Support

## **Small, Compact Footprint** with everything onboard

## **Powerful Economics** with low capital cost, pay-per-run and auto-replenishment

# The IDEXX In-Clinic Diagnostic Suite

Profound Innovations Delivering *Technology for Life* and End-to-End Connectivity to Customers





Play Video

# Continued Innovation Complements Our Commercial Strategy

*ProCyte One is a Game Changer*

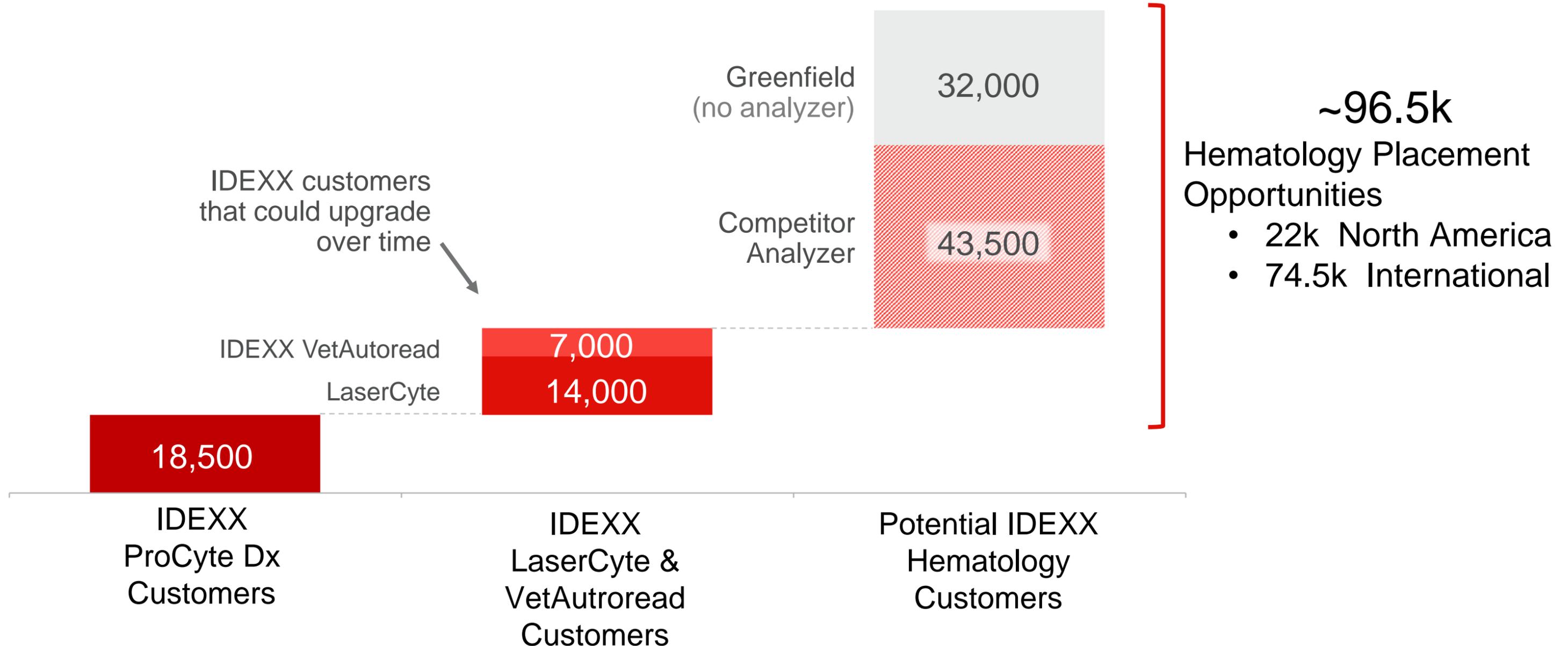


- Highly-differentiated in-house hematology
- Strengthens our diagnostic suite
- ‘Leverage effect’
- Inspires a high-value discussion with customers

# Significant Hematology Runway

*Tremendous Global Hematology Placement Opportunities: ~97k Clinics*

Worldwide Hematology Placement Opportunities by Type  
(as of Q2 2020)\*

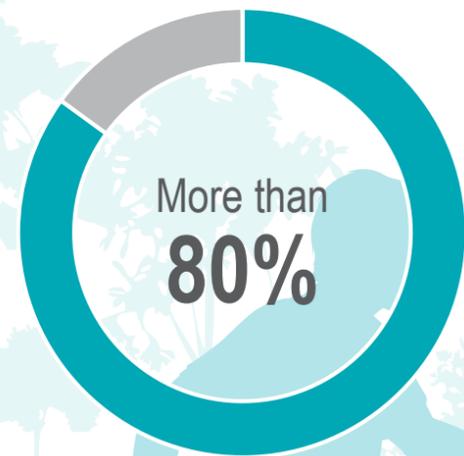


• All figures are rounded. Excludes practices too small to be likely candidates for hematology analyzer placement at this time  
• Install base updated as of Q2 2020. VetAutoread is a trademark of QBC Diagnostics, Inc.

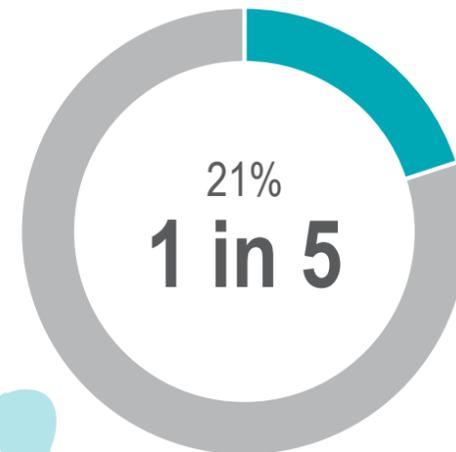
# Significant Opportunity to Advance Preventive Care

## 2019 National Dog Park Fecal Study

More than 80% of dog parks surveyed had at least one sample test positive for an intestinal parasite



1 in 5 of all samples collected tested positive for at least one parasite

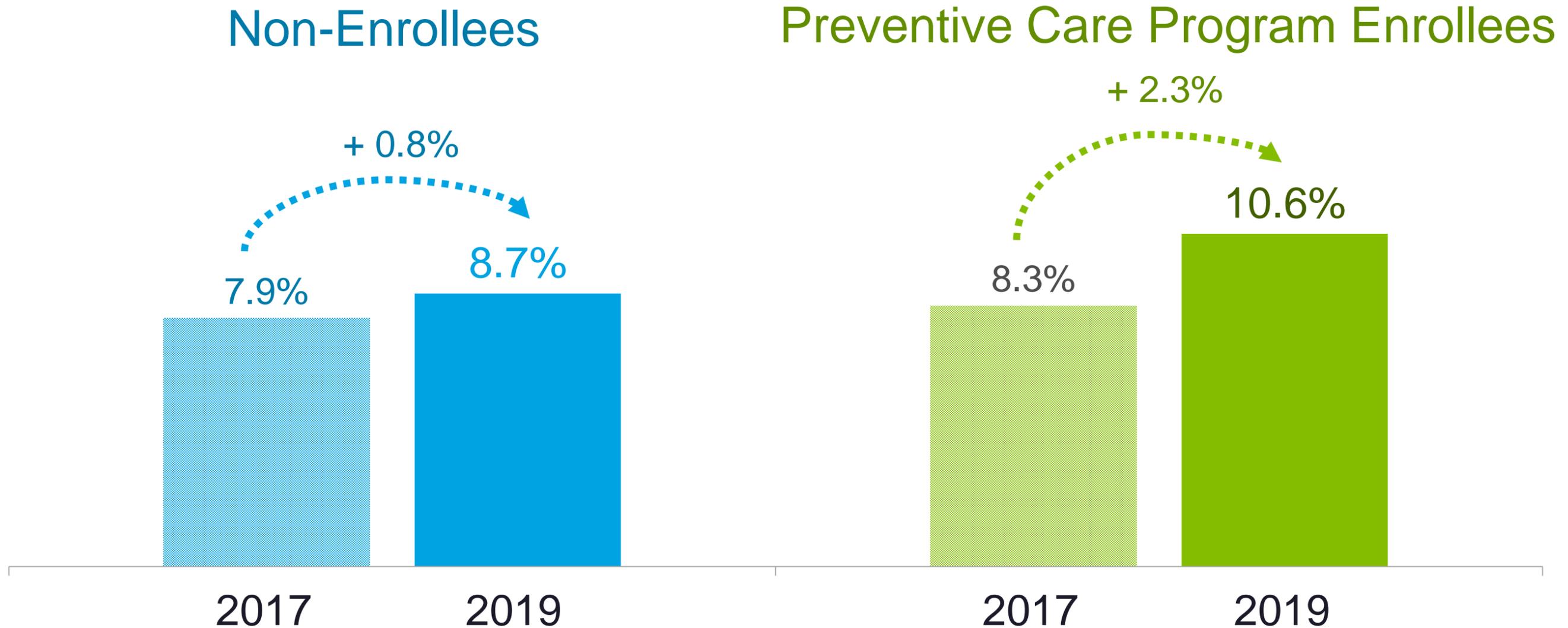


Screening dogs with IDEXX Fecal Dx<sup>®</sup> antigen technology catches infections missed by the microscope

- Nearly 80% more hook/round/whip infections than flotation alone

# Preventive Care Program Enrollees Significantly Increased Their Wellness Diagnostic Testing Relative to Non-Enrollees

Percentage of Wellness Visits Including Bloodwork for Preventive Care Program Enrollees vs. Non-Enrollees\*  
Example: 2018 PCC Enrollees



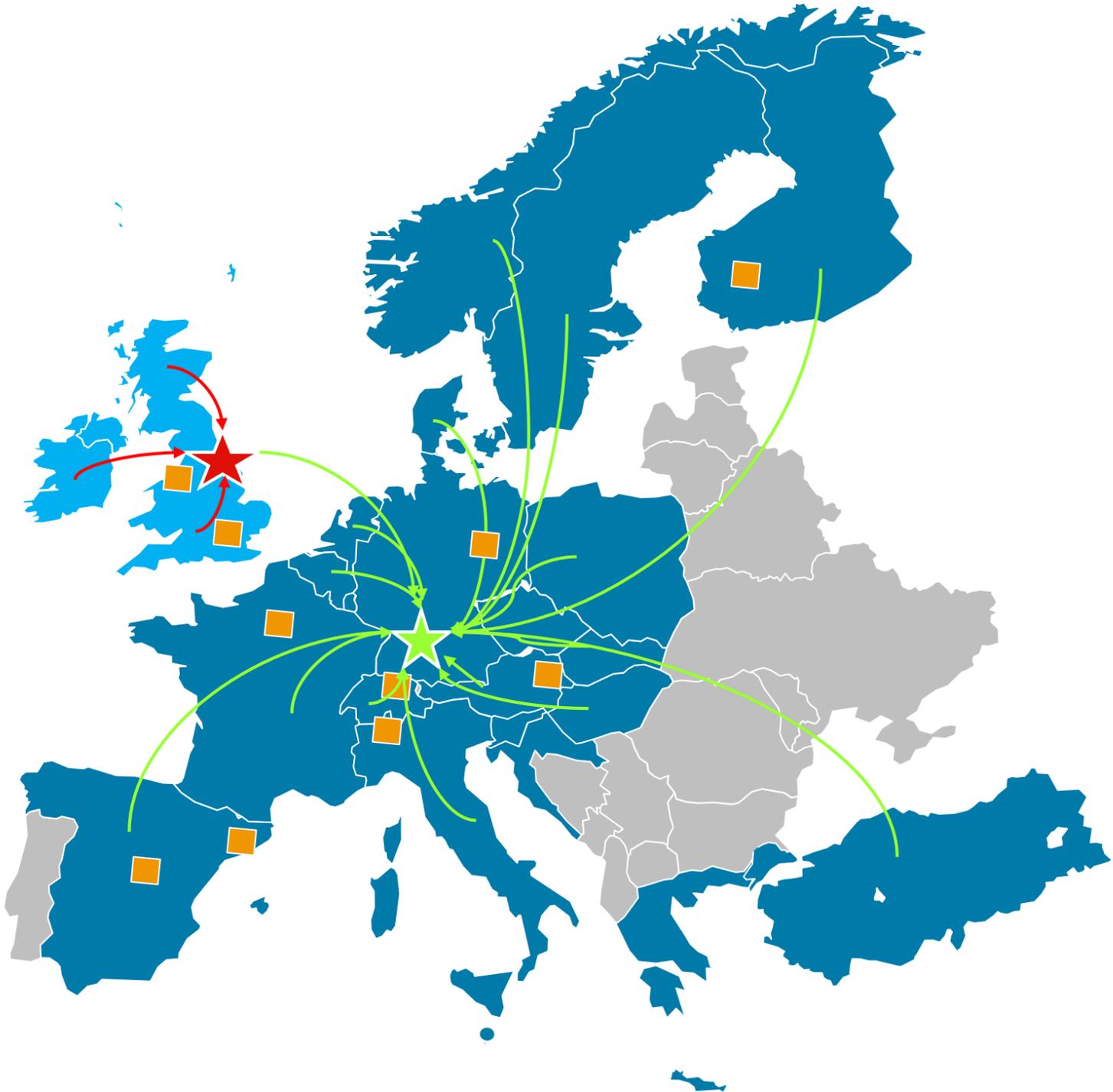
\* Preventive Care Program Enrollees includes 335 practices for which Practice Intelligence data is available. Non-enrollees includes 3,748 practices not enrolled in PCC.  
Source: Analysis of IDEXX Practice Intelligence data.



## Mike Lane

Executive Vice President and General Manager, Reference Laboratories and Information Technology

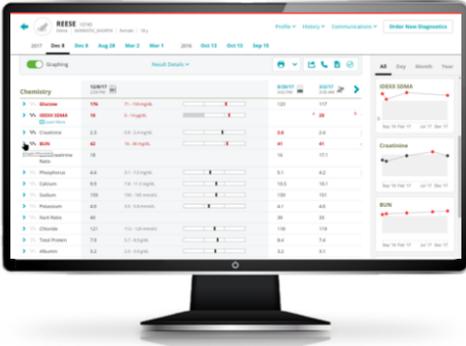
# Scale Leadership Enables High Profit Drop-Through and Sustained Investment in Innovation, Network and Commercial Capability



- ★ Core Laboratory
- Regional or Day Laboratory
- ↷ Sample Flows



Most Advanced Menu

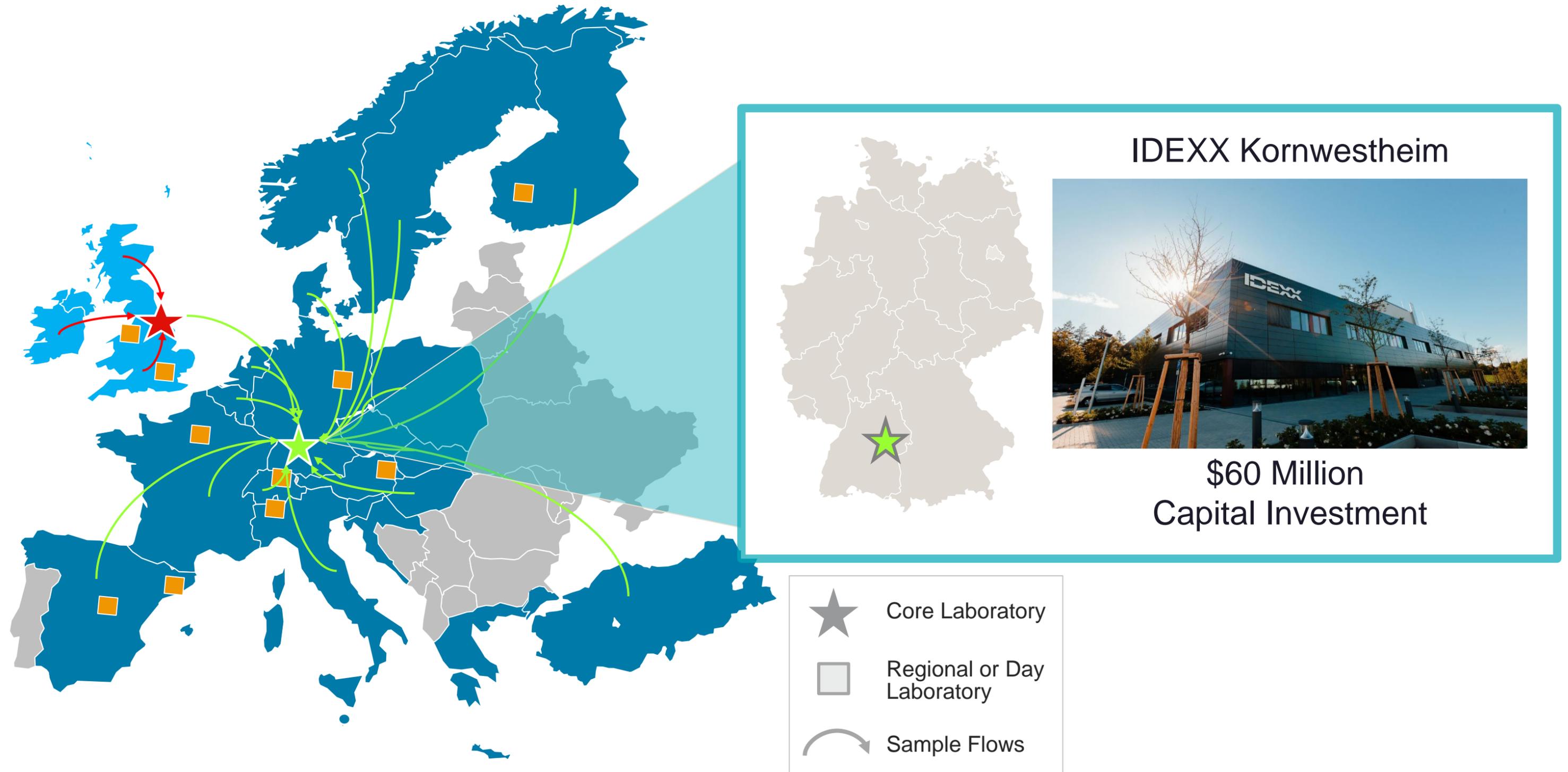


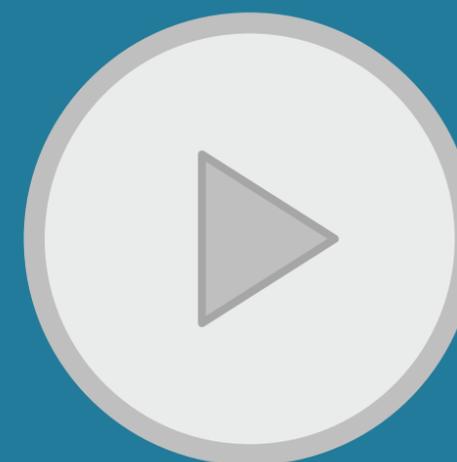
Unparalleled Integration



Exceptional Service

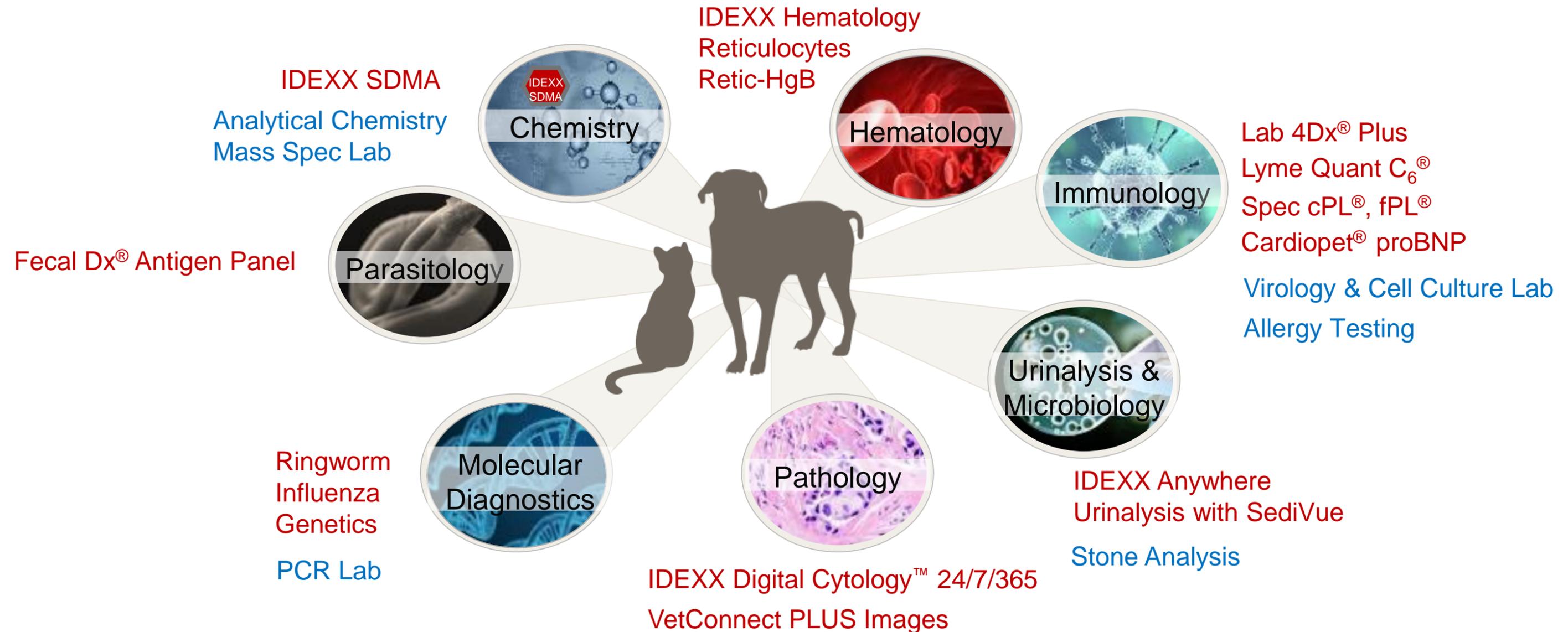
# IDEXX Reference Labs' Unmatched Hub-and-Spoke Network Capability





Play Video

# Most Complete and Advanced Menu of Differentiated Tests and Services



# This All Results in Exceptional Service and Very Strong Customer Loyalty



*Would You Recommend Your Reference Laboratory to a Colleague?*

U.S. Net Promoter Score (NPS)\*

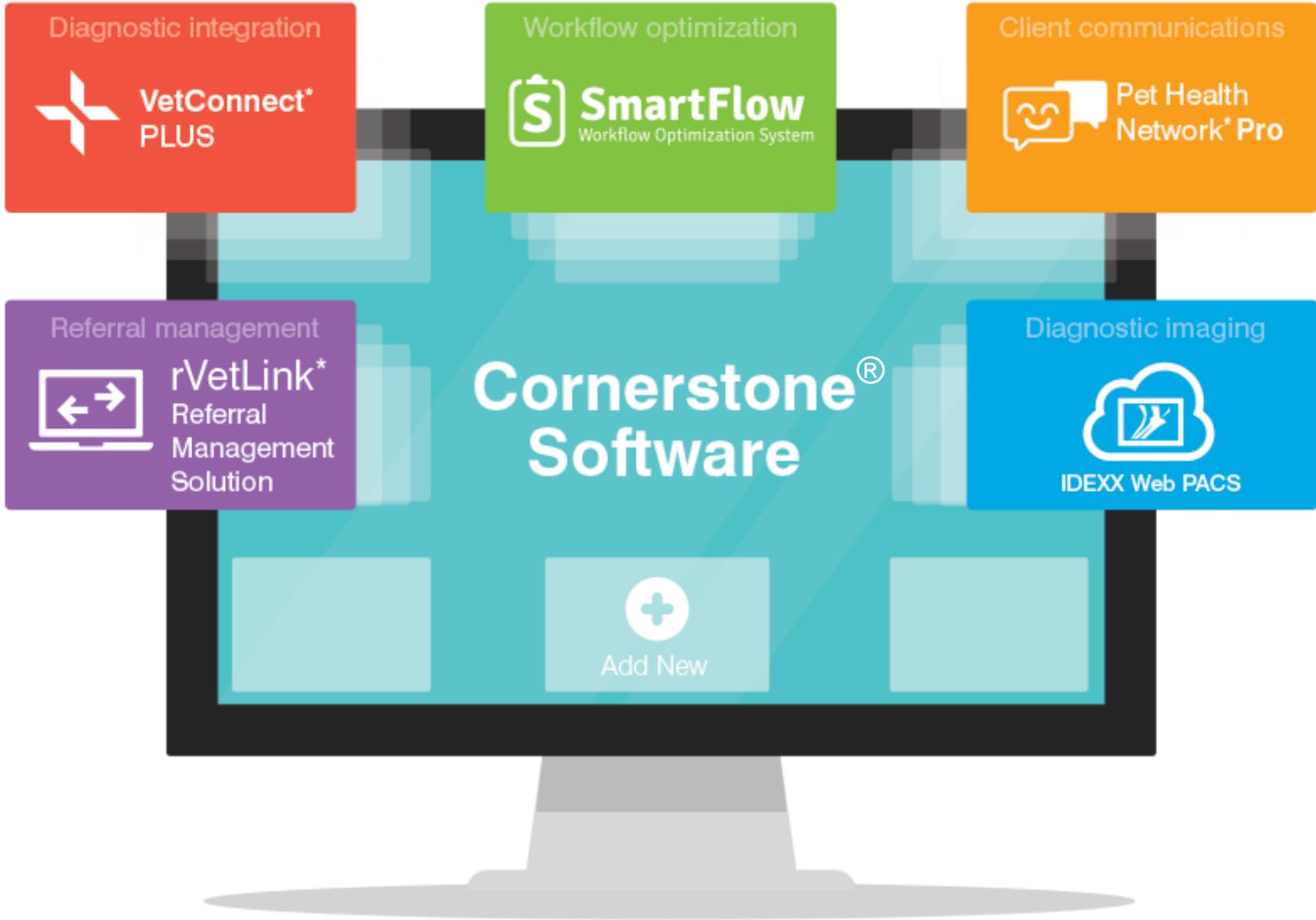
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IDEXX Reference Laboratories

Competitor

\* Double-blind primary research study conducted in July, 2020 (n = 620). Question: How likely are you to recommend IDEXX reference lab to a colleague? Score calculated as the % of respondents who are 'promoters' (scoring 9 or 10 on a 0 to 10 point scale) minus % of respondents who are 'detractors' (scoring 0 through 6 on a 0 to 10 point scale).

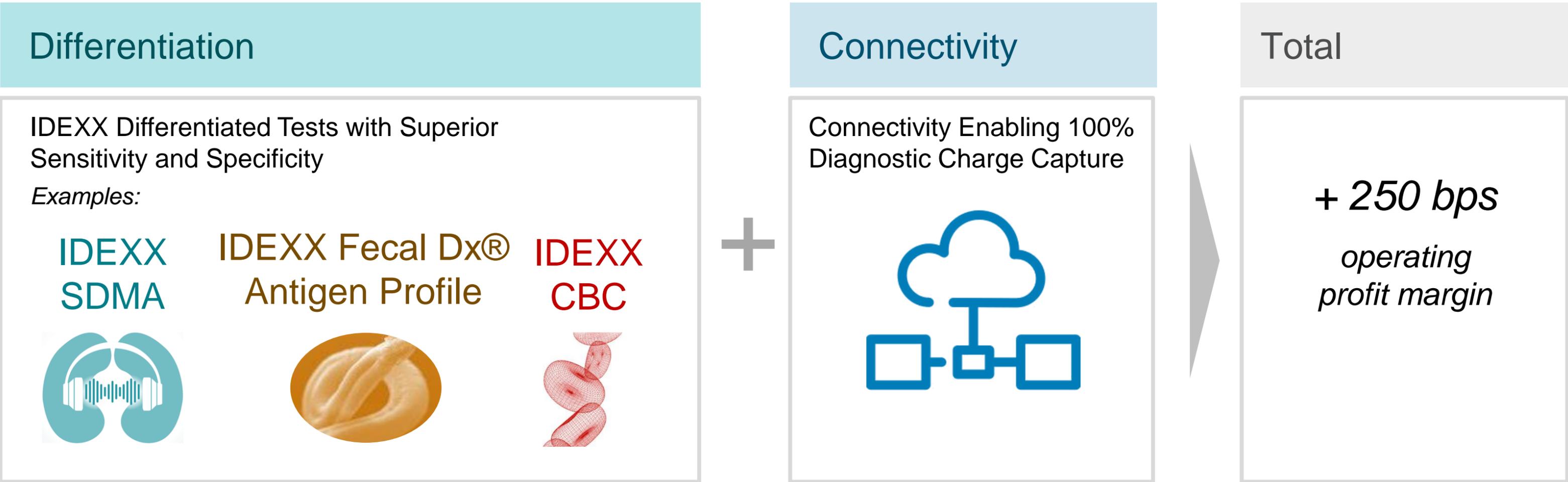
# IDEXX Software Capability Supports Fully-Integrated Solution



*Superior integration with leading apps, services, and products*

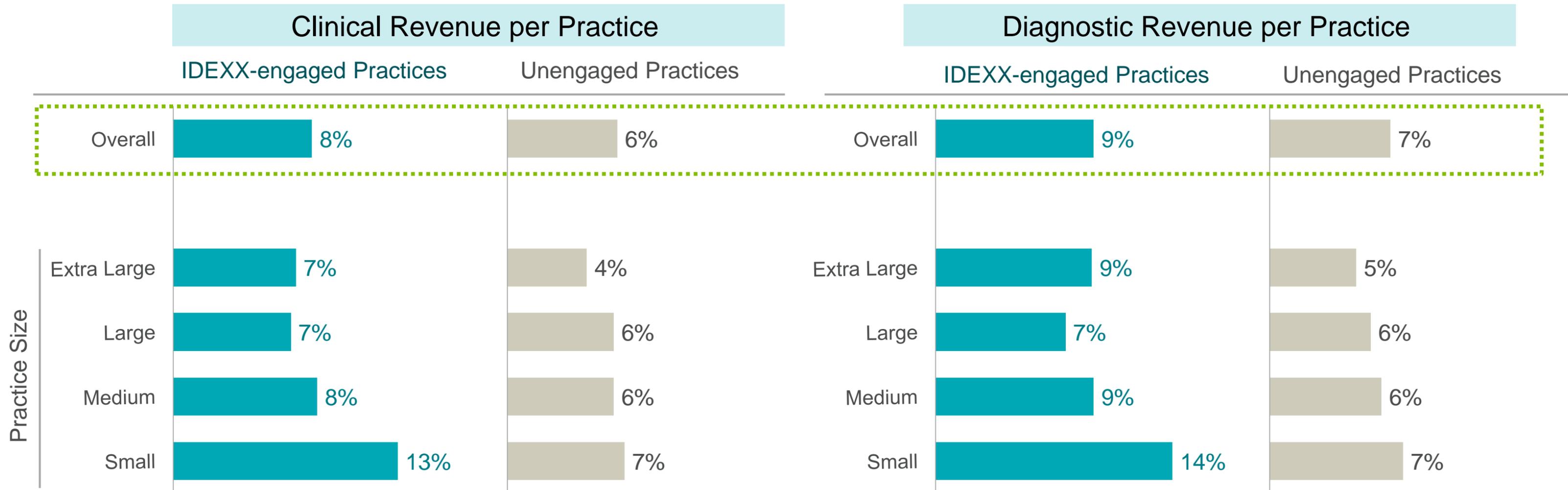
# IDEXX Creates Economic Value for Practices Through Higher-Quality Diagnostics and Connectivity

## Incremental Annual Operating Profit per Practice



# Practices Engaged with IDEXX Grow Faster by ~200 bps per Year on Average

Key U.S. Growth Metrics per Practice: 2013 – 2019 CAGR per Practice (%)\*

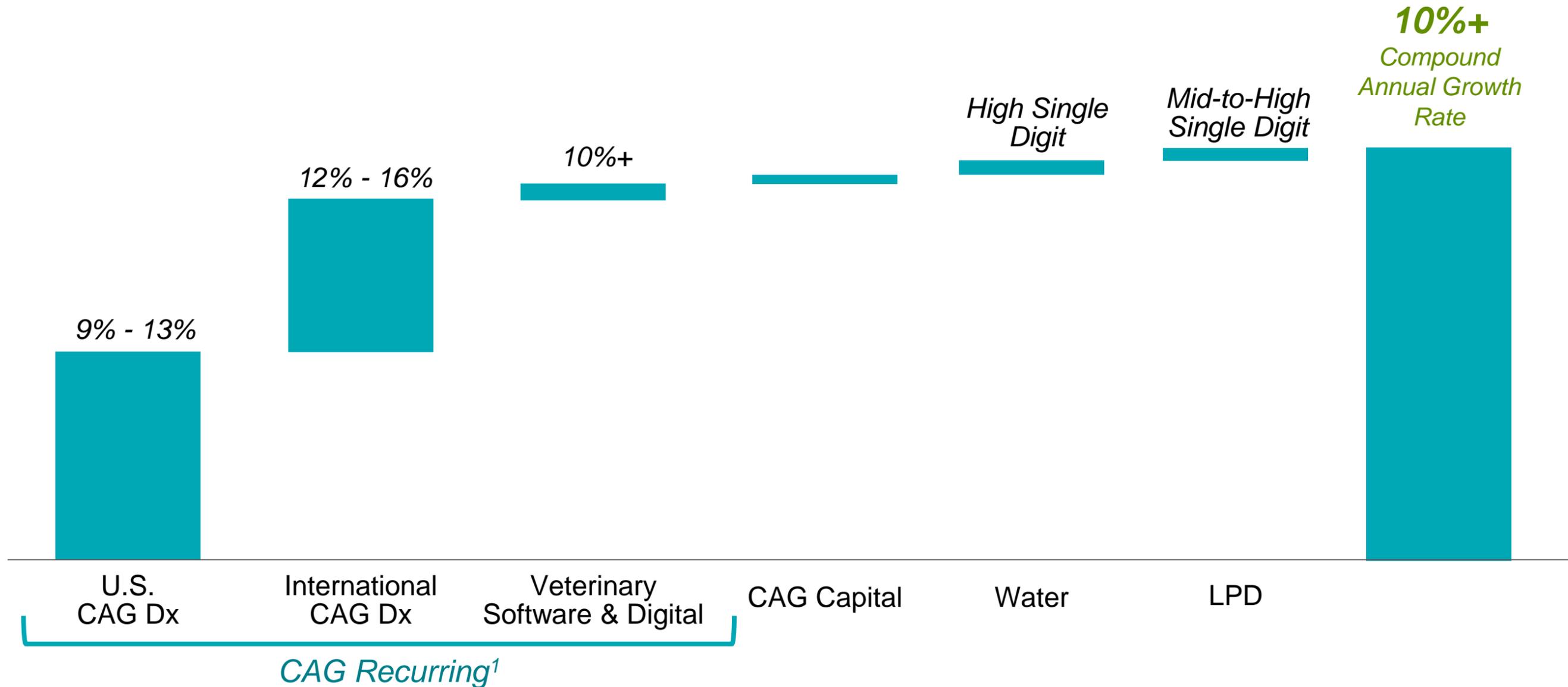


\* IDEXX Practice Intelligence data analysis. Total sample of 1,647 practices, of which 999 are IDEXX-engaged practices and 648 are Unengaged practices. 'IDEXX-engaged' Practices are those that meet minimum criteria of purchasing IDEXX VetLab, Rapid Assay and Reference Lab diagnostics for the full period 2016 through 2019; 'Unengaged Practices' are those with no IDEXX in-house chemistry, very limited purchasing of IDEXX Rapid Assay and with no purchasing of IDEXX Reference Labs chemistry, histology, or micro for the full period 2016 through 2019.

# Consistent, Long-Term IDEXX Growth Opportunity

## *Driven by Expansion of CAG Diagnostics Recurring Revenue*

IDEXX Total Company Annual Organic Revenue Growth Potential<sup>3</sup>



<sup>1,3</sup> Please refer to the Appendix for descriptive footnotes.

# IDEXX – A Purpose-Driven Innovator with Multi-Decade Growth Potential



- Advancing standard of care and the long-term potential of the market
- Leading diagnostic innovation
- Enabling adoption through global commercial capability
- Generating exceptional financial returns



# Brian McKeon

Executive Vice President and  
Chief Financial Officer



# IDEXX Financial Review

Brian McKeon, Executive Vice President & CFO

IDEXX Investor Day | August 13, 2020

# Financial Review – Key Messages

- Consistent, focused strategy yields outstanding financial results
- Attractive business portfolio with long-term runway for development
- IDEXX strength and durability shown through resilience to COVID-19 impacts
- Long-term potential reflected in consistent financial goals



# Consistent Strategy with High Level of Execution

	2016	2017	2018	2019
Organic Revenue Growth <sup>3</sup>	11.4%	10.4%	11.6%	10.3%
Operating Margin Gain (Comparable Constant Currency) <sup>5,6</sup>	170 bps	140 bps	130 bps	120 bps
EPS Growth (Comparable Constant Currency) <sup>5,7</sup>	25%	21%	36%	21%

**Multi-Year Goals**

**10%+**

**50 - 100 bps**

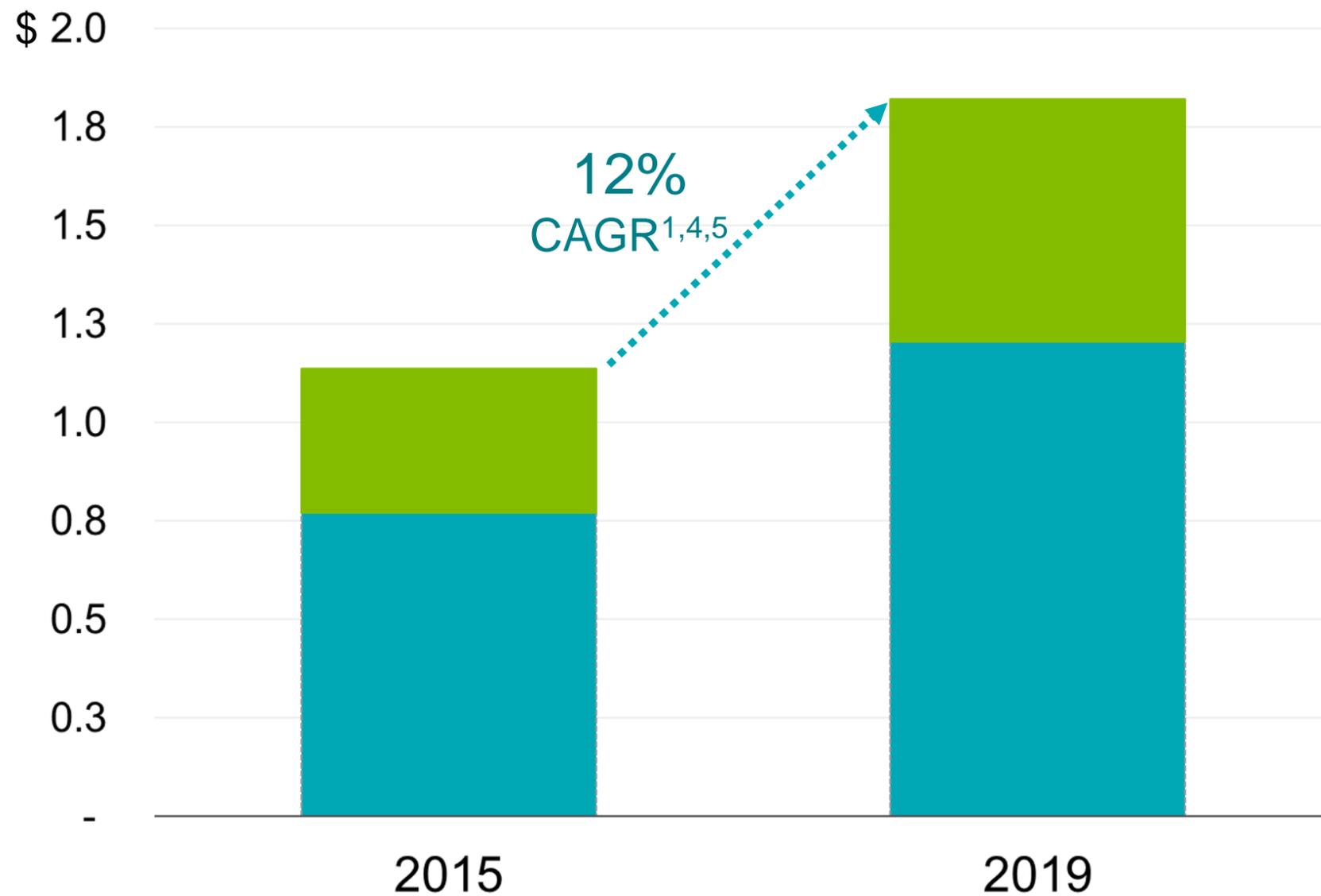
**15% - 20%**

*ROIC<sup>8</sup> of 46% in 2019*

<sup>3, 5, 6, 7, 8</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# Accelerated CAG Diagnostics Recurring Revenue Growth

CAG Diagnostics Recurring Revenue<sup>1</sup>  
(\$ Billion)



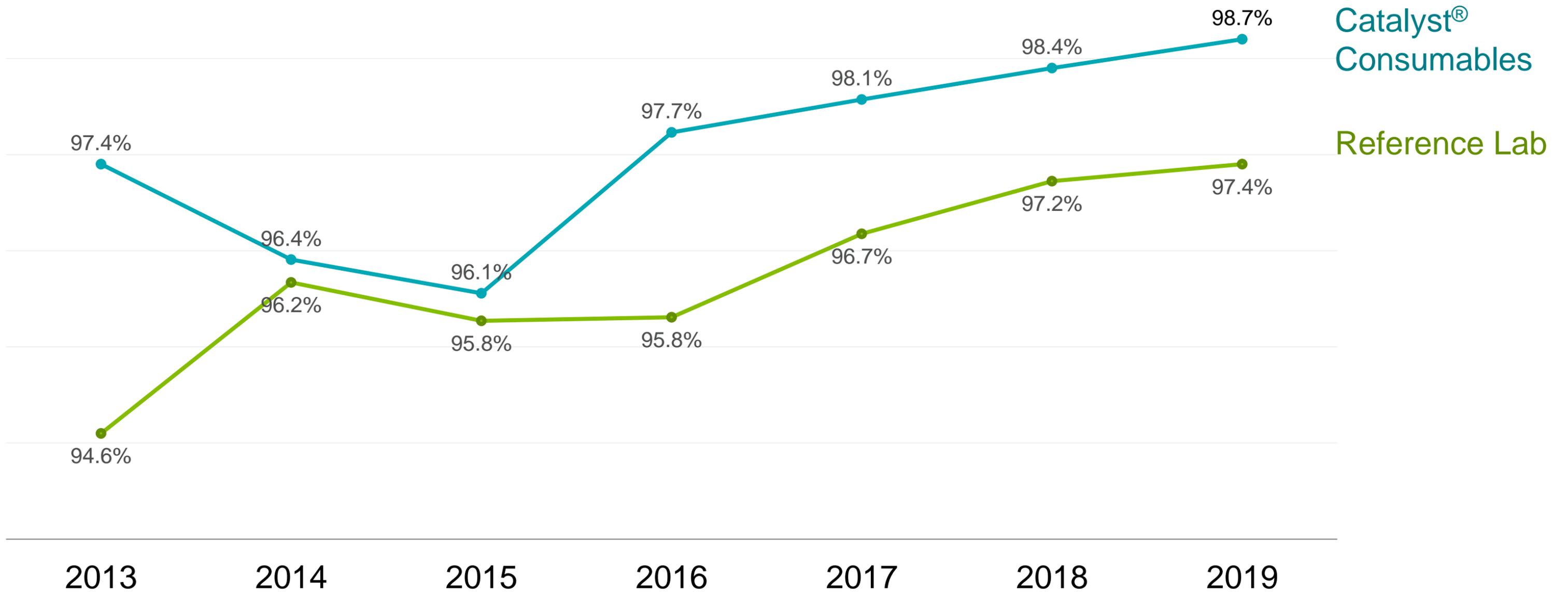
Revenue CAGR<sup>1,4,5</sup>  
*Normalized Organic Revenue CAGR*

	2015 – 2019	Target Growth %
<b>International</b>	<b>14%</b>	<b>12% - 16%</b>
<b>U.S.</b>	<b>11%</b>	<b>9% - 13%</b>

<sup>1</sup> Please refer to the Appendix for descriptive footnotes. <sup>4,5</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes

# Durability of CAG Recurring Annuity

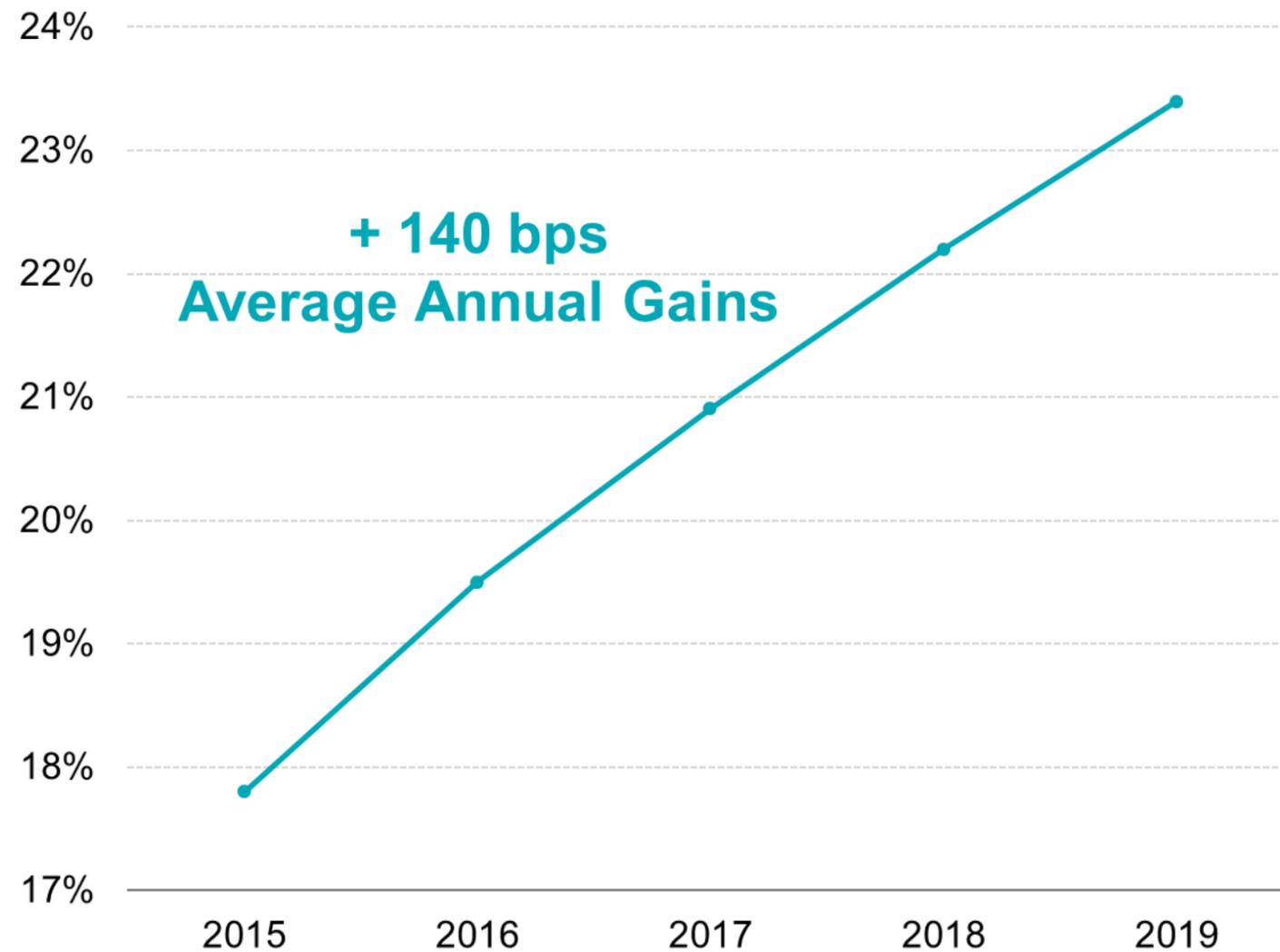
Annual U.S. Customer Revenue Retention Rates



# Operating Margin Gains Support High EPS Growth

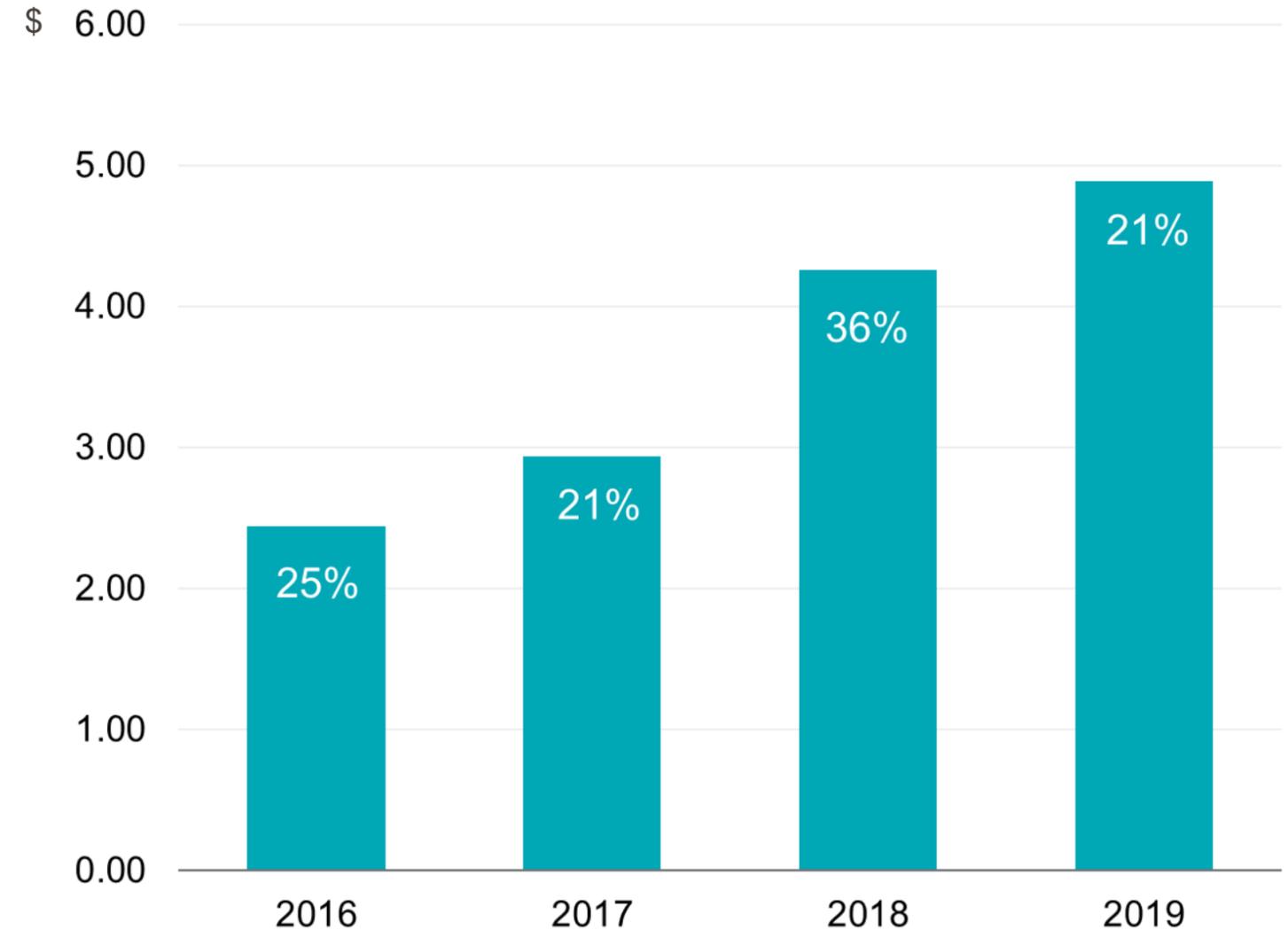
## Operating Margin

Comparable Constant Currency<sup>5,6</sup>



## EPS and Comparable Constant Currency EPS Growth

Comparable Constant Currency<sup>5,7</sup>



<sup>5,6,7</sup> Non-GAAP financial measures, please refer to Appendix for footnotes.

# Strong Financial Performance Sustained in 2020

## IDEXX H1 2020 Highlights



Organic Revenue Growth<sup>3</sup>

6% ↑



CAG Diagnostics Recurring Organic Revenue Growth<sup>3</sup>

9% ↑



EPS Growth  
Comparable Constant Currency<sup>5,7</sup>

18% ↑

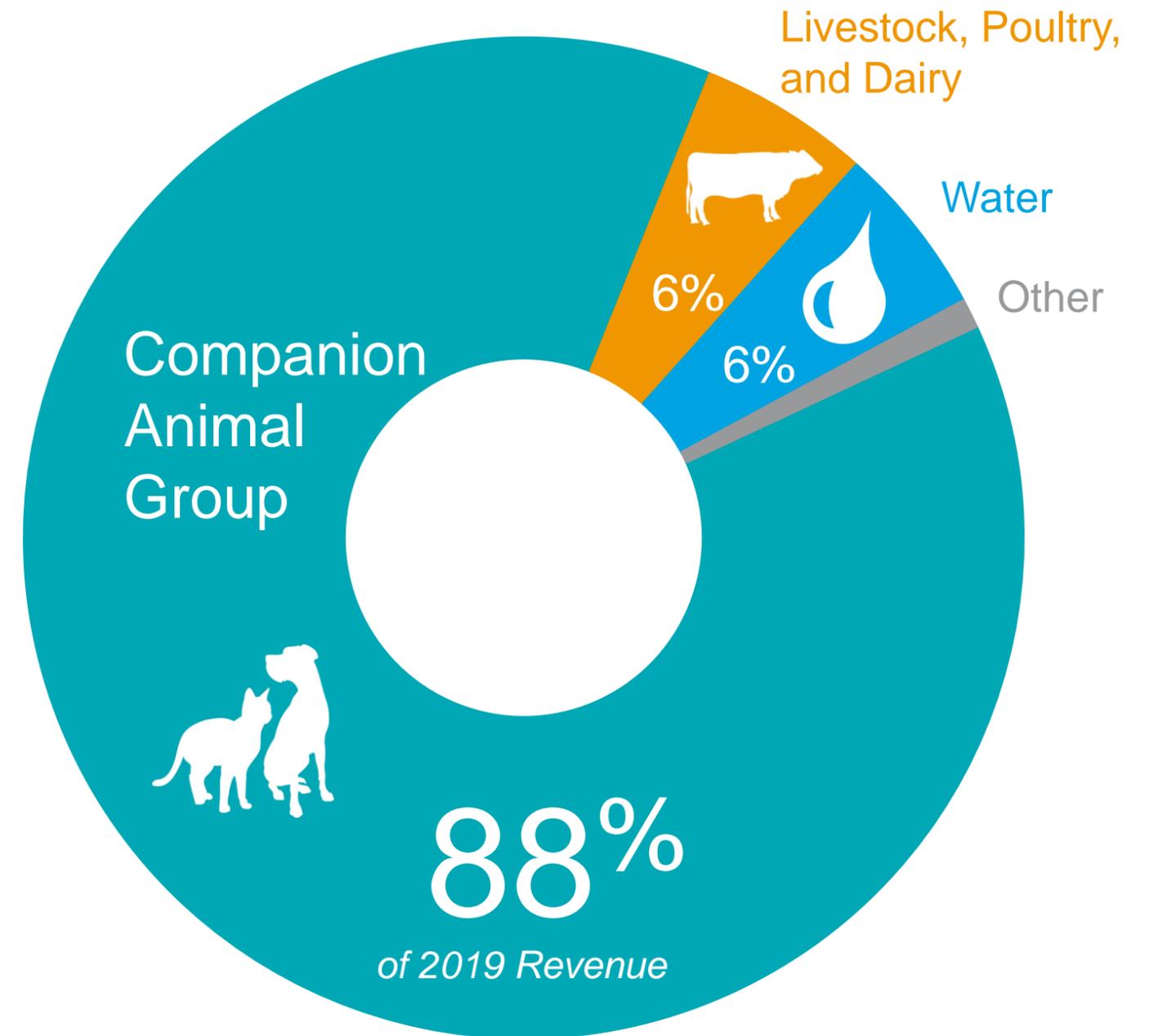
- Healthy CAG Market Points to Continued Solid Revenue Growth
- Positioned to Deliver Operating Profit Growth At/Above Revenue Growth
- Strong Cash Flow and Conservative Balance Sheet

<sup>3,5,7</sup> Non-GAAP financial measures, please refer to Appendix for footnotes.

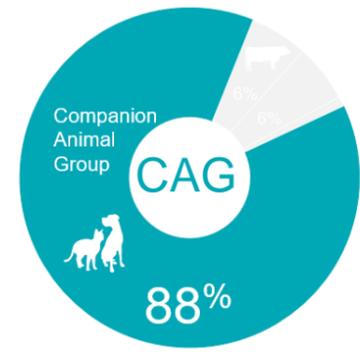
# Focus on Attractive Core Business Development

## ***IDEXX Core Business Characteristics***

- High organic revenue growth potential
- Global leadership
- Innovation driven
  - Centered on diagnostics and information management
- Durable recurring revenue
- High ROIC



# Highly Attractive CAG Business has Long-Term Growth Runway



## Large, Underdeveloped Global Market

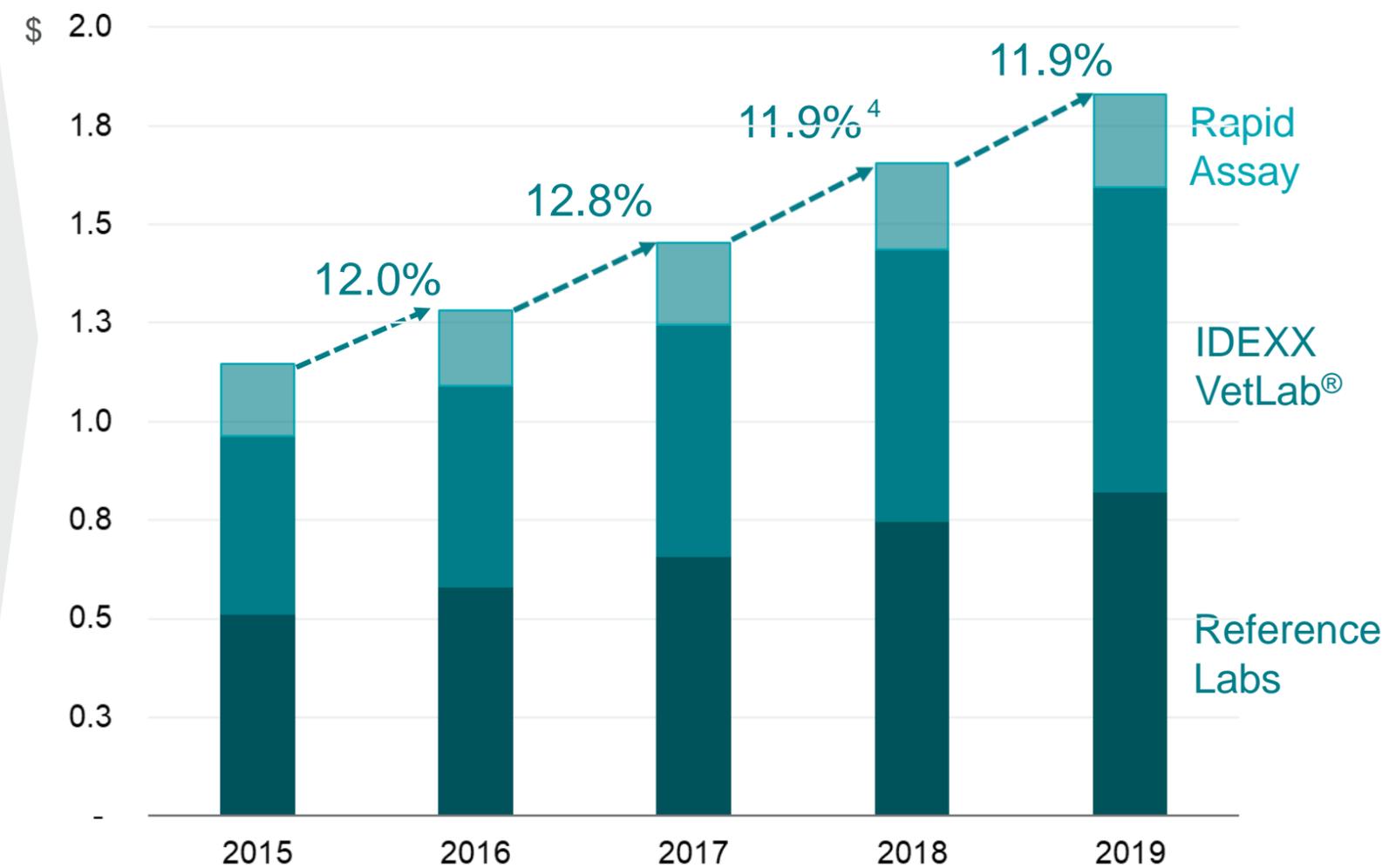
## Consistent, Successful Growth Strategy

- Innovation driven
- Global leadership across modalities, integrated with information management
- Direct commercial approach centered on market development

## Durable, High ROIC Financial Model

- High growth, durable recurring revenues
- High incremental margin & FCF conversion

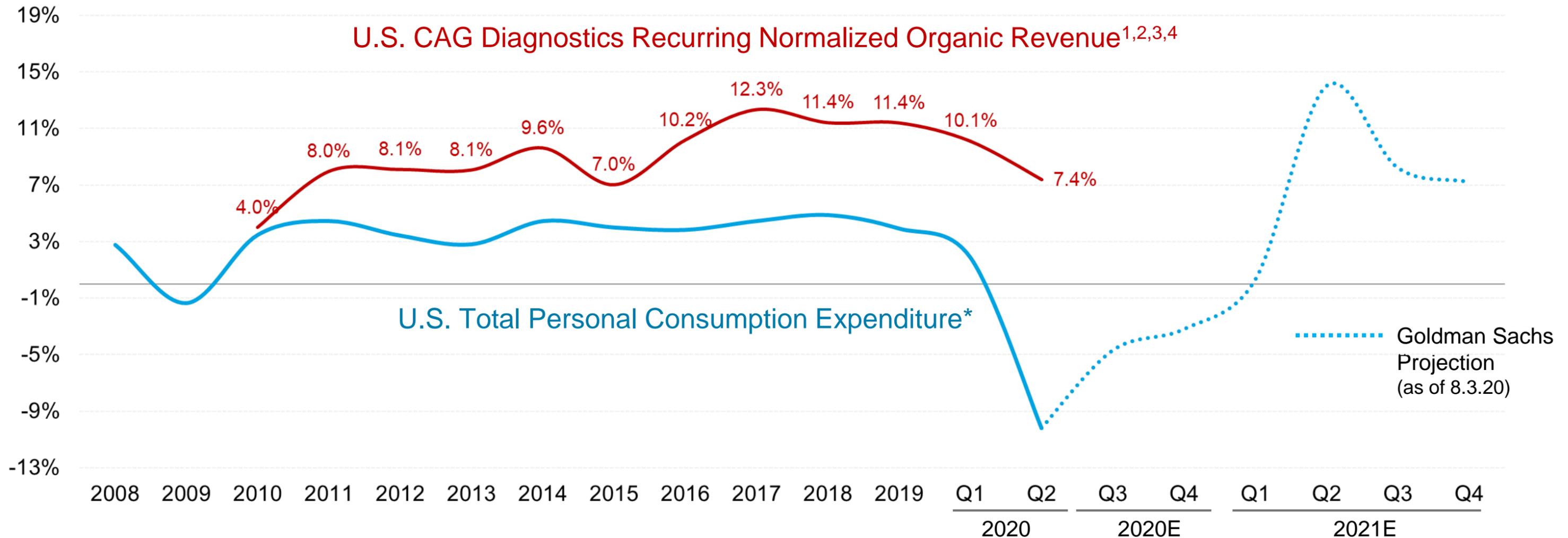
CAG Diagnostics Recurring Revenue and Normalized Organic Revenue Growth<sup>1,3,4</sup>  
(\$ Billion)



<sup>1</sup> Please refer to the Appendix for descriptive footnotes <sup>3,4</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# CAG Strength Demonstrated Through COVID-19 Resilience

## Year-Over-Year Growth (%)

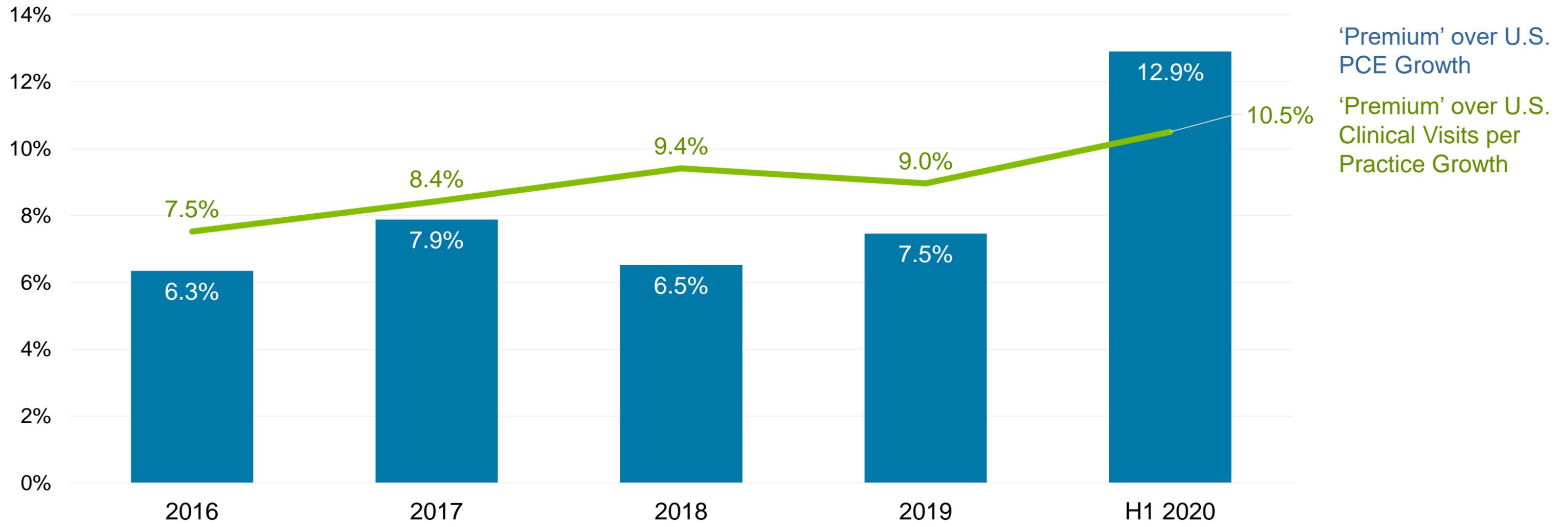


\* 2008 through 2019 based on data from Bureau of Economic Analysis, last revised on July 31, 2020. Projected quarterly year-over-year growth based on Goldman Sachs projection as of August 3, 2020.

<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes. <sup>3,4</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# CAG Diagnostics Recurring Revenue Growth Premium has Expanded

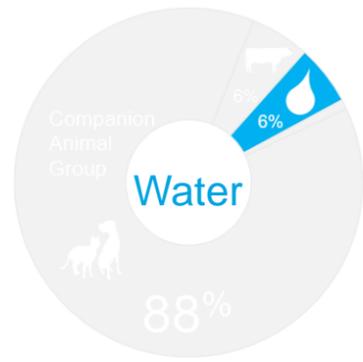
IDEXX U.S. CAG Dx Recurring Revenue Normalized Organic Year-Over-Year Growth<sup>1,3,4</sup> Premium to PCE and Clinical Visit Growth (%)\*



\* Clinical visits growth calculated based on IDEXX Practice Intelligence data n = 7,750 practices; PCE growth based on data from Bureau of Economic Analysis, last revised on July 30, 2020.

<sup>1</sup> Please refer to the Appendix for descriptive footnotes. <sup>3,4</sup> Non-GAAP financial measure, please refer to Appendix for descriptive footnotes.

# Accelerated Growth in High-Return Water Business



## Expanding Microbiology Testing Market

## Differentiated IDEXX Solutions Replacing In-House Methods

## Growth Accelerated Through Direct Commercial Expansion

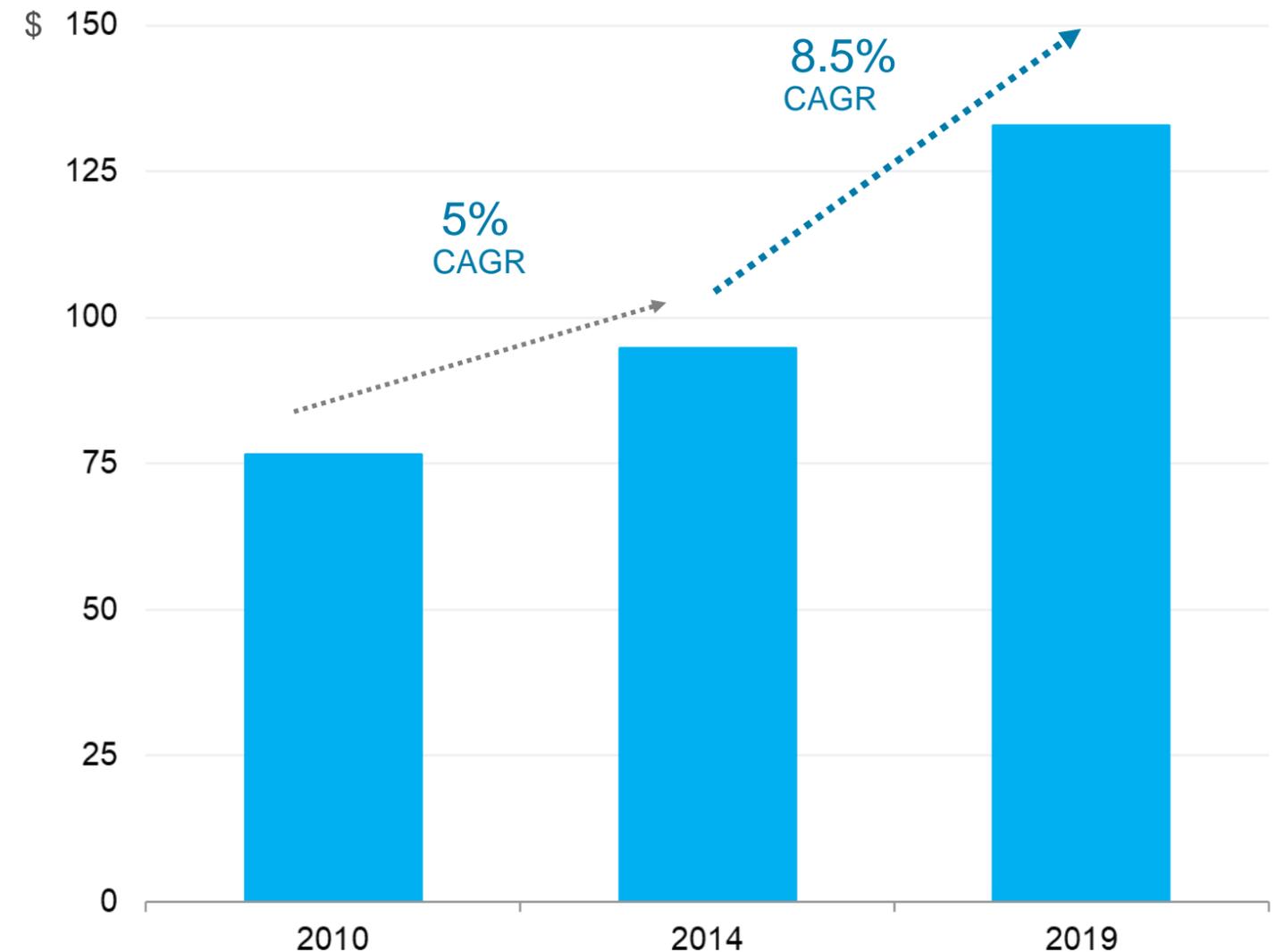
- Near-term COVID-19 growth headwinds related to reduced non-compliance testing

## Highly Attractive Financial Model

- 95%+ recurring revenues, 99% retention
- 47% operating margin, low capital intensity

## IDEXX Water Revenue and Constant Currency CAGR<sup>5</sup>

(\$ Million)



<sup>5</sup> Non-GAAP financial measure, please refer to Appendix for footnotes.

# Synergistic LPD Business Driven by Growing Recurring Revenues



## Global Leader: Ruminant, Swine and Poultry Diagnostics, and Dairy Antibiotic Detection

- Common IDEXX testing platforms
- 90% international revenues

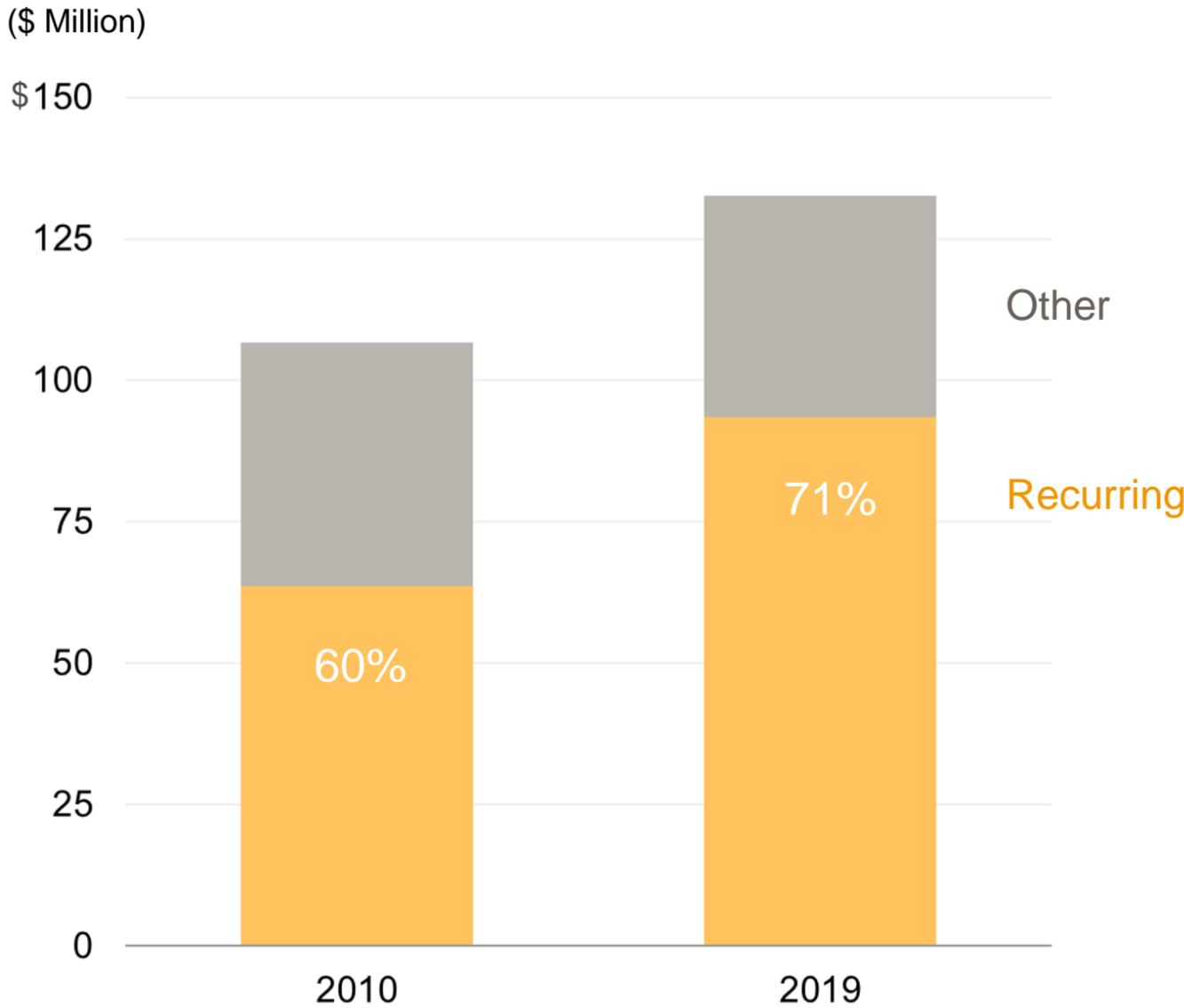
## Innovation Driven

- Launched 30 livestock tests since 2015

## Increasing Leverage of Diagnostics by Livestock Producers

## Expanding Recurring Revenues; Solid Operating Margins; High ROIC

Livestock, Poultry and Dairy Revenue <sup>1,2</sup>



<sup>1,2</sup> Please refer to the Appendix for descriptive footnotes.

# IDEXX Portfolio Capabilities Contributing to Pandemic Response

## Leveraging Capabilities Across Portfolio

### **OPTIMedical**

- Human diagnostics capability
- Global distribution & regulatory expertise

### **LPD**

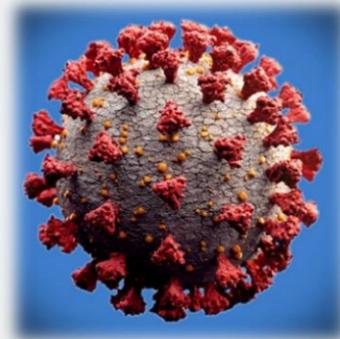
- Infectious disease R&D capability
- Molecular diagnostics (PCR) manufacturing experience

### **Water**

- Long-term relationships with public health agencies
- 20+ years of wastewater testing experience

## To Rapidly Deliver Accurate Solutions

### OPTI<sup>®</sup> PCR Test



Detect COVID-19 in human samples

- EUA FDA Approval
- CE Mark Certification

### Water PCR Test



- Establish baseline of COVID-19 infection in population
- Detect hotspots 3-7 days before outbreak

## And Support Our Communities

### State of Maine Partnership

**+ 350K** tests

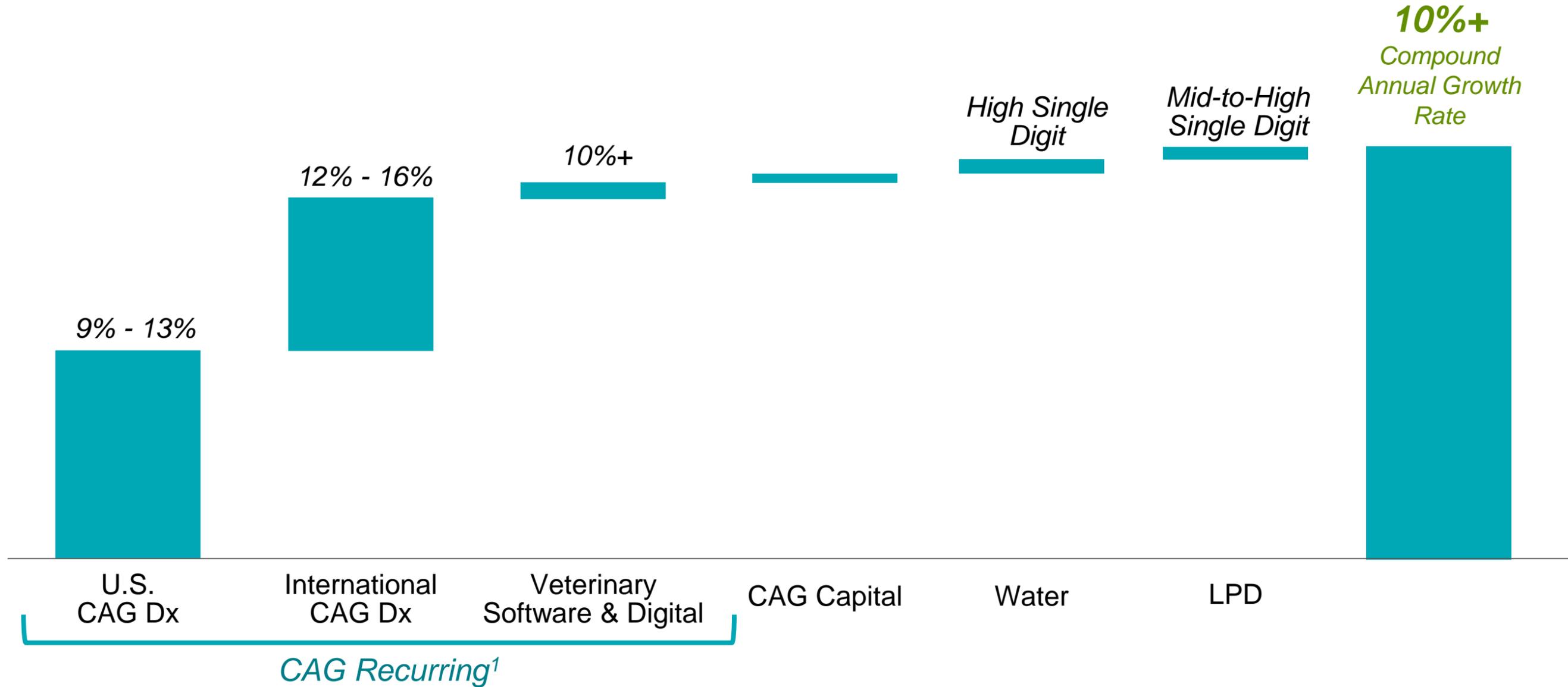


**IDEXX Mobile Laboratory**

# Consistent, Long-Term IDEXX Growth Opportunity

## *Driven by Expansion of CAG Diagnostics Recurring Revenue*

IDEXX Total Company Annual Organic Revenue Growth Potential<sup>3</sup>



<sup>1,3</sup> Please refer to the Appendix for descriptive footnotes.

# Targeting Consistent Annual Operating Margin Gains

## *While Supporting Long-Term, High-Return Annuity Revenue Expansion*

Margin Drivers	Long-Term Goals
<b>Gross Margin Expansion</b>	↑↑
CAG Recurring Annuity Growth (Price & Mix)	↑
Lab Scale/Productivity	↑
Sourcing/Manufacturing (Cost/Mix)	↑
Investments – Customer Service/Experience, Lab Capacity, Customer Acquisition	↔ ↓
<b>Operating Expense Leverage</b>	↑
Sales & Marketing	↔ ↑
R&D	↔
IT	↔
G & A / Other	↑
<b>Average Annual Comparable Constant Currency Operating Margin Gains<sup>6</sup></b>	<b>~50 - 100 bps</b>

Impact on operating margin:

↑ Positive

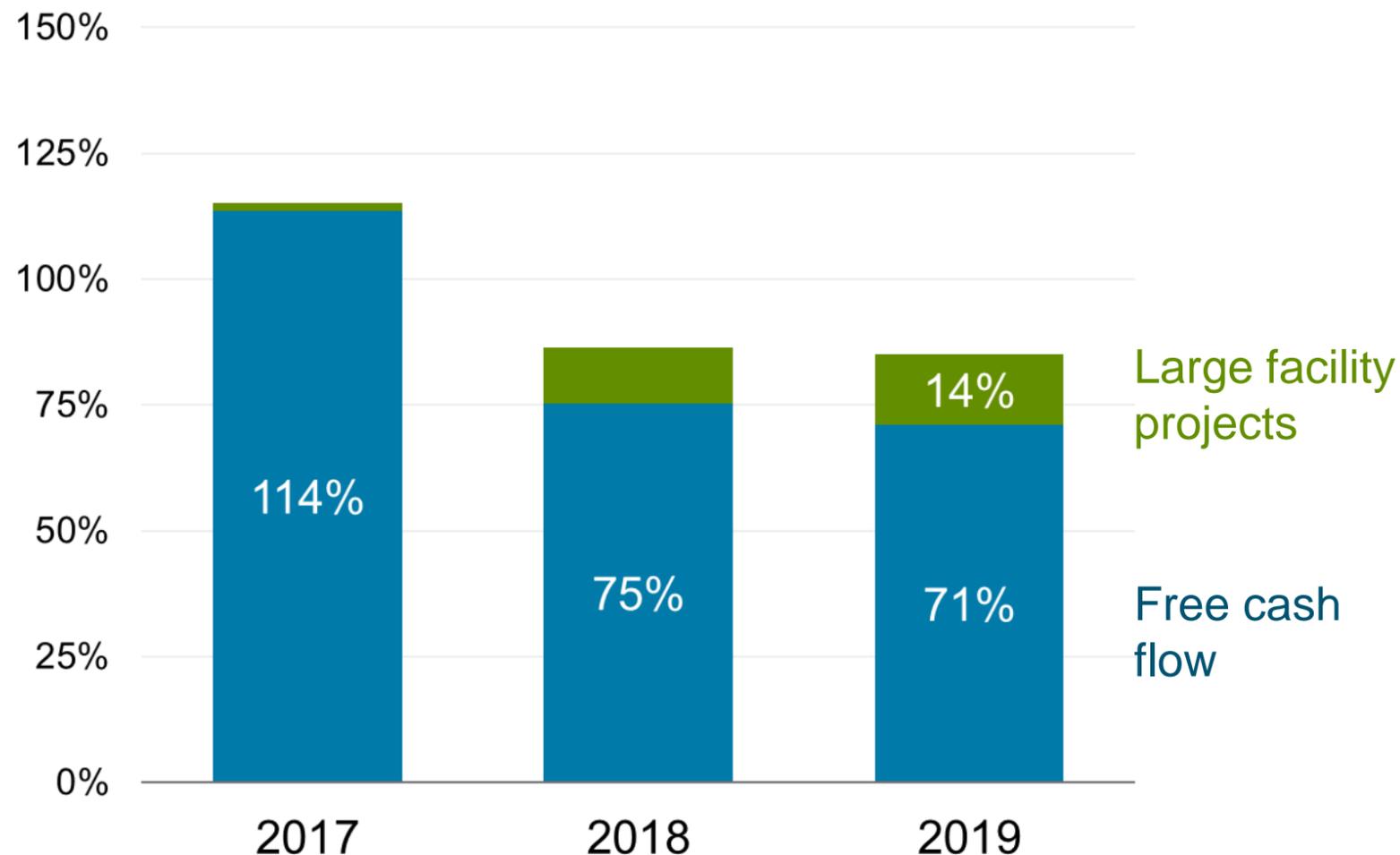
↔ Neutral

↓ Negative

<sup>6</sup> Non-GAAP financial measure, please refer to Appendix for footnotes.

# High Cash Flow Conversion and Disciplined Capital Allocation

Free Cash Flow<sup>9</sup> % of Net Income

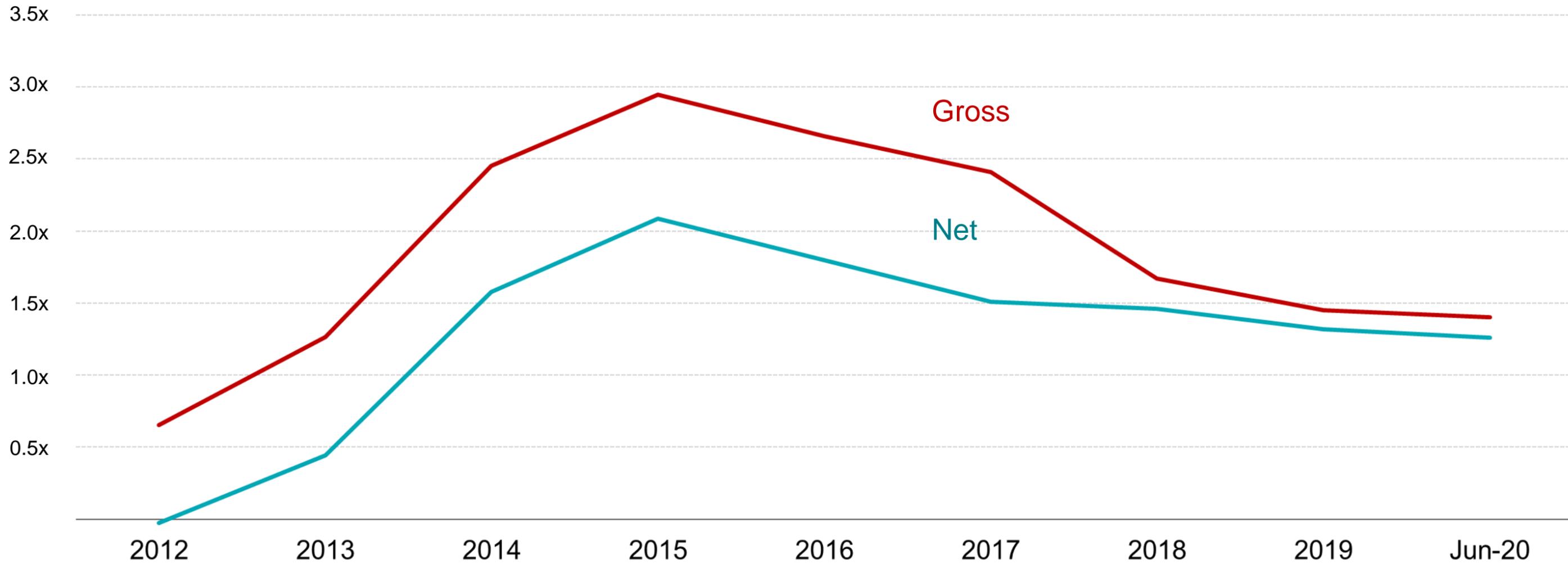


- Consistent outlook for high cash conversion  
80 – 90 % of net income
- Low capital investment intensity  
4 - 5% of revenues
- Near-term capital allocation focused on growth strategy support (vs. capital return)

<sup>9</sup> Non-GAAP financial measure, please refer to Appendix for footnotes.

# Strong Balance Sheet with Significant Liquidity

Debt to Adjusted EBITDA<sup>10</sup> Ratio



<sup>10</sup> Non-GAAP financial measure, please refer to Appendix for footnotes.

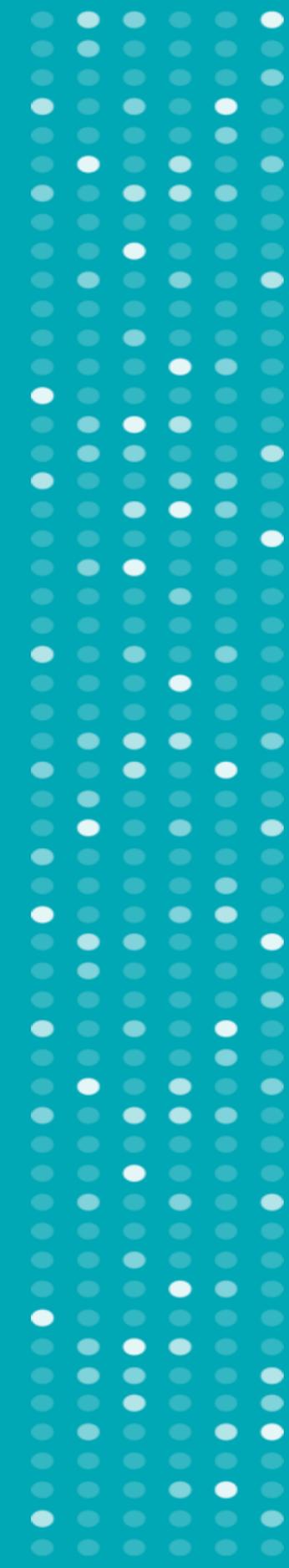


# Well-Positioned to Drive Sustained, Strong Financial Performance

Long-Term Financial Model\*  
(Average Annual Constant Currency Gains)



\* These projections assume that foreign currency exchange rates will remain the same as in 2020. \*\* EPS growth potential outlook excludes year-over-year changes in share-based compensation tax benefits.



# Appendix - Footnotes

# Footnotes

**<sup>1</sup> Recurring Revenue:** Companion Animal Diagnostics recurring revenue for Rapid Assay and IDEXX VetLab includes and excludes the following as applicable: Rapid Assay excludes SNAP Pro instrument revenues, and IDEXX VetLab includes consumables, service and accessories revenues. Other recurring revenue includes recurring revenue for Veterinary Software Services and Diagnostic Imaging Systems, Livestock, Poultry and Dairy (“LPD”), and Water, which include and exclude the following as applicable: Veterinary Software Services and Diagnostic Imaging Systems excludes client server based placements and radiography instrument revenues, LPD excludes government-sponsored eradication programs and herd health screening revenues, and Water excludes sealer and filtration instrument revenues.

**<sup>2</sup> IDEXX Reportable Segment Revisions and Divested Revenues:** Prior to January 1, 2015, our Companion Animal Group (“CAG”) segment included herd testing diagnostic services processed within and managed by our CAG reference laboratories. We have transitioned the responsibility for these diagnostic services to our LPD segment to more effectively align our business with the nature and customers of these livestock services. Revenue and revenue growth calculations have been retrospectively revised to reflect this change in the composition of our reportable segments. The impact on CAG Diagnostics recurring revenue growth was not material.

**<sup>3</sup> Organic Revenue Growth:** Organic revenue growth is a non-GAAP financial measure and represents the percentage change in revenue for a measurement period, as compared to the prior year period(s), excluding the impact of changes in foreign currency exchange rates and revenue from business acquisitions. Management believes that reporting organic revenue growth provides useful information to investors by facilitating easier comparisons of our revenue performance with prior and future periods and to the performance of our peers. Organic revenue growth should be considered in addition to, and not as a replacement of or superior measure to, revenue growth reported in accordance with GAAP. The percentage change in revenue resulting from certain acquisitions represents incremental revenues attributable to business acquisitions that have occurred since the beginning of the prior year period. Effective January 1, 2018, we exclude only acquisitions that are considered to be a business (consistent with ASU 2017-01, “Business Combinations: (Topic 850) Clarifying the Definition of a Business”) from organic revenue growth. For more detail on what acquisitions we consider to be a business in computing organic growth, please see *Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Results of Operations and Trends – Non-GAAP Financial Measures*, contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 available at [www.idexx.com/investors](http://www.idexx.com/investors). Currency changes decreased total company revenue growth by 0.8% in 2016, increased total company revenue growth by 0.3% in 2017, 0.7% in 2018, decreased total company revenue by 1.8% in 2019, 1.2% in the first half of 2020, and decreased CAG Diagnostics recurring revenue growth by 1% for the first half of 2020. Revenue from acquisitions increased total company revenue growth by 0.2% in 2016, 0.2% in 2017, 0.1% in 2018, 0.2% in 2019, 0.6% in the first half of 2020, increased CAG Diagnostics recurring revenue growth in the first half of 2020 by approximately 1%, and increased U.S. CAG Diagnostics recurring revenue growth in the first and second quarter of 2020, first half of 2020, and monthly growth rates from Jan through June 2020 by approximately 1%. See tables included in Footnote 4, *Normalized Organic Revenue Growth* for reconciliation of CAG Diagnostics recurring organic revenue growth and CAGR to reported growth.

**<sup>4</sup> Normalized Organic Revenue Growth:** Normalized organic revenue growth is a non-GAAP financial measure that represents organic revenue growth, normalized for the effects of: (a) our transition to an all-direct sales strategy in the U.S., which was effected fully by January 1, 2015, on revenue growth for the relevant period(s) in 2014 and 2015; and (b) the adoption of ASU 2014-09, Revenue from Contracts with Customers (the “New Revenue Standard”), primarily related to the modified retrospective restatement in 2018. Management believes that normalized organic revenue growth is a more useful way to measure business performance because it enables better period-over-period comparisons of the fundamental financial results by excluding one-time transitional growth rate impacts. Normalized organic revenue growth should be considered in addition to, and not as a replacement of or superior measure to, revenue growth reported in accordance with GAAP. During our transition to an all-direct sales strategy, we incurred one-time transitional impacts related to the drawdown of distributor inventory in the fourth quarter of 2014, and reported revenues for 2014 have been adjusted to exclude this \$25 million impact. Further, during the three months ended December 31, 2014, we began recognizing revenue on rapid assay kits and instrument consumables upon delivery to end users in the U.S., instead of at distribution. We also began to capture additional revenue that was previously earned by our distribution partners, net of other changes related to this all-direct strategy, such as free next-day shipping and a new returns policy for expired product. We refer to this net additional revenue as distributor margin capture, and 2015 revenue has been adjusted ~\$40 million to exclude this impact. Effective January 1, 2018, we adopted the New Revenue Standard using the modified retrospective method for all contracts not completed as of the date of adoption. We recognized the cumulative effect of initially applying the New Revenue Standard as an adjustment to the opening balance of retained earnings.

# Footnotes

**<sup>4</sup>Normalized Organic Revenue Growth Continued:** See tables below for a reconciliation of normalized and organic CAG Diagnostics recurring revenue growth and CAGR to reported growth and CAGR for the relevant periods. Amounts presented may not recalculate to organic revenue growth or normalized organic revenue growth due to rounding.

<b>CAG Diagnostics Recurring</b> <sup>1,2</sup>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2015-2019 CAGR</b>
Reported Growth	11.7%	13.3%	14.0%	10.5%	12%
<i>Currency Impact</i> <sup>5</sup>	-0.7%	0.2%	0.8%	-1.6%	0%
<i>Acquisition Impact</i>	0.3%	0.3%	0.0%	0.2%	0%
<b>Organic Revenue Growth</b>	<b>12.0%</b>	<b>12.8%</b>	<b>13.2%</b>	<b>11.9%</b>	<b>13%</b>
<i>Distributor Inventory Adjustment</i>					
<i>Margin Capture Adjustment</i>					
<i>New Revenue Standard Adjustment</i>			-1.3%		0%
<b>Normalized Organic Revenue Growth</b>	<b>12.0%</b>	<b>12.8%</b>	<b>11.9%</b>	<b>11.9%</b>	<b>12%</b>

<b>U.S. CAG Diagnostics Recurring</b> <sup>1,2</sup>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2015-2019 CAGR</b>
Reported Growth	4.9%	8.5%	10.4%	8.2%	5.9%	17.7%	10.4%	12.5%	13.1%	11.7%	12%
<i>Currency Impact</i> <sup>5</sup>	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0%
<i>Acquisition Impact</i>	0.8%	0.5%	2.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.0%	0.3%	0%
<b>Organic Revenue Growth</b>	<b>4.0%</b>	<b>8.0%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>5.8%</b>	<b>17.5%</b>	<b>10.2%</b>	<b>12.3%</b>	<b>13.1%</b>	<b>11.4%</b>	<b>12%</b>
<i>Distributor Inventory Adjustment</i>					4.1%	-4.3%					
<i>Margin Capture Adjustment</i>					-0.3%	-6.2%					
<i>New Revenue Standard Adjustment</i>									-1.7%		-0.4%
<b>Normalized Organic Growth</b>	<b>4.0%</b>	<b>8.0%</b>	<b>8.1%</b>	<b>8.1%</b>	<b>9.6%</b>	<b>7.0%</b>	<b>10.2%</b>	<b>12.3%</b>	<b>11.4%</b>	<b>11.4%</b>	<b>11%</b>

<b>International CAG Diagnostics Recurring</b> <sup>1,2</sup>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2015-2019 CAGR</b>
Reported Growth	8%	16%	4%	10%	11%	-2%	14%	15%	16%	8%	13%
<i>Currency Impact</i> <sup>5</sup>	1%	7%	-4%	-2%	-2%	-15%	-2%	1%	2%	-5%	-1%
<i>Acquisition Impact</i>	0%	0%	0%	0%	1%	1%	1%	0%	0%	0%	0%
<b>Organic Revenue Growth</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>	<b>16%</b>	<b>14%</b>	<b>13%</b>	<b>13%</b>	<b>14%</b>
<i>Distributor Inventory Adjustment</i>					0%	0%					
<i>Margin Capture Adjustment</i>					0%	0%					
<i>New Revenue Standard Adjustment</i>									-1%		0%
<b>Normalized Organic Growth</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>	<b>16%</b>	<b>14%</b>	<b>13%</b>	<b>13%</b>	<b>14%</b>

# Footnotes

**<sup>5</sup> Constant Currency:** Constant currency references are non-GAAP financial measures and exclude the impact of changes in foreign currency exchange rates. Management believes that constant currency information provides valuable supplemental information regarding our revenue and revenue CAGR, operating margin and EPS results because it is consistent with how management evaluates our performance and facilitates comparisons with prior and future periods. We estimated the net impacts of currency on our revenue, operating margin, and EPS results by restating results to the average exchange rates or exchange rate assumptions for the comparative period, which includes adjusting for the estimated impacts of foreign currency hedging transactions and certain impacts on our effective tax rates. Prior periods were restated to current rates and may vary from previously reported constant currency figures. Currency changes increased IDEXX Water CAGR from 2010-2014 by 0.5%, and decreased IDEXX Water CAGR from 2014-2019 by 1.4%.

See Footnote 3, *Organic Revenue Growth*, and Footnote 4, *Normalized Organic Revenue Growth* for further details of currency impacts on revenue growth. See Footnote 6, *Comparable Constant Currency Operating Margin and Gain*, and Footnote 7, *Comparable Constant Currency EPS Growth*, for further details of currency impacts on operating margin and gain and EPS growth, respectively.

**<sup>6</sup> Comparable Constant Currency Operating Margin and Gain:** Comparable constant currency operating margin and gain (or growth) are non-GAAP financial measures and exclude changes in foreign currency exchange rates, CEO transition charges, and non-recurring items. Management believes comparable constant currency operating margin and gain are more useful ways to measure the Company's business performance than operating margin and gain because they enable better period-over-period comparisons of the fundamental financial results by excluding items that vary independent of performance and provides greater transparency to investors regarding key metrics used by management. Comparable constant currency operating margin and gain should be considered in addition to, and not as replacements of or superior measures to, operating margin and gain reported in accordance with GAAP. The reconciliation of these non-GAAP financial measures is as follows:

	For the Year Ended December 31,				
<i>Dollar amounts in thousands</i>	2015	2016	2017	2018	2019
Income from operations	\$299,912	\$350,239	\$413,028	\$491,335	\$552,846
<i>Operating margin</i>	18.7%	19.7%	21.0%	22.2%	23.0%
<i>Impairment charge</i>	8,212	-	-	-	
<i>CEO transition charges</i>					13,400
Comparable income from operations	308,124	350,239	413,028	491,335	566,246
<i>Comparable operating margin</i>	19.2%	19.7%	21.0%	22.2%	23.5%
Change from currency	21,228	24,180	1,051	(1,331)	5,343
Comparable constant currency income from operations	329,352	\$374,419	\$414,079	\$490,004	\$571,589
<i>Comparable constant currency operating margin</i>					23.4%
<b>Comparable constant currency operating margin gains</b>		<b>170 bps</b>	<b>140 bps</b>	<b>130 bps</b>	<b>120 bps</b>

# Footnotes

**<sup>7</sup> Comparable Constant Currency EPS Growth:** Comparable constant currency EPS growth is a non-GAAP financial measure that excludes the tax effects of share-based compensation activity under ASU 2016-09, changes in foreign currency exchange rates, CEO transition charges, and non-recurring items. Management believes comparable constant currency EPS growth is a more useful way to measure the Company's business performance than EPS growth because it enables better period-over-period comparisons of the fundamental financial results by excluding items that vary independent of performance and provides greater transparency to investors regarding a key metric used by management. Comparable constant currency EPS growth should be considered in addition to, and not as a replacement of or superior measure to, EPS growth reported in accordance with GAAP. The reconciliation of this non-GAAP financial measure is as follows:

	For the Year Ended December 31,					
	2016	2017	2018	2019	H1 2019	H1 2020
<b>Earnings per share (diluted)</b>	\$2.44	\$2.94	\$4.26	\$4.89	\$2.61	\$3.01
Impairment charge	-	-	-	-	-	-
CEO transition charges	-	-	-	0.14	-	-
Impact of adoption of ASU 2016-09	-	(0.30)	(0.24)	(0.22)	(0.12)	(0.13)
Impact of U.S. Tax Reform	-	0.34	-	-	-	-
Impact of foreign tax credit utilization	-	(0.04)	-	-	-	-
Comparable EPS	\$2.44	\$2.94	\$4.02	\$4.81	\$2.49	\$2.88
Change from currency	0.20	0.02	(0.01)	0.05	-	0.07
Comparable constant currency EPS	\$2.64	\$2.96	\$4.01	\$4.86	-	\$2.95
<b>Comparable constant currency EPS Growth</b>	<b>25%</b>	<b>21%</b>	<b>36%</b>	<b>21%</b>		<b>18%</b>

**<sup>8</sup> After-Tax Return on Invested Capital, Excluding Cash and Investments ("ROIC"):** After-tax return on invested capital, excluding cash and investments, is a non-GAAP financial measure, that represents our after-tax income from operations, divided by our average invested capital, excluding cash and investments, using beginning and ending balance sheet values. After-tax return on invested capital, excluding cash and investments, after-tax income from operations and average invested capital, excluding cash and investments, are not measures of financial performance under GAAP and should be considered in addition to, and not as replacements of or superior measures to, return on assets, net income, total assets or other financial measures reported in accordance with GAAP. Management believes that reporting after-tax return on invested capital, excluding cash and investments, provides useful information to investors for evaluating the efficiency and effectiveness of our use of capital.

# Footnotes

**<sup>8</sup> After-Tax Return on Invested Capital, Excluding Cash and Investments (“ROIC”), continued:** The reconciliation of this non-GAAP financial measure is as follows:

	For the Year Ended December 31,	
Numerator (amounts in millions)		2019
Income from operations (as reported)		\$ 553
After-tax income from operations *		\$ 453
	As of December 31,	
Denominator (dollar amounts in millions)	2018	2019
Total shareholders' equity (deficit)	\$ (10)	\$ 177
Noncontrolling interest	0	0
Line of credit	399	289
Long-term debt	601	699
Deferred income tax assets	(8)	(8)
Deferred income tax liabilities	29	33
Total invested capital	\$ 1,011	\$ 1,190
Less cash & marketable securities	124	90
Total invested capital, excluding cash and investments	\$ 887	\$ 1,100
Average invested capital, excluding cash and investments **	\$ 820	\$ 994
<b>After-tax return on invested capital, excluding cash and investments</b>		<b>46%</b>

\* After-tax income from operations represents income from operations reduced by our reported effective tax rate of 18.1%, excluding the impact of non-recurring items. See Note 13 to our consolidated financial statements included in our 2019 Annual Report on Form 10-K for information on the impact of these items on our effective tax rate.

\*\* Average invested capital, excluding cash and investments, represents the average of the amount of total invested capital, excluding cash and investments.

**<sup>9</sup> Free Cash Flow:** Free cash flow is a non-GAAP financial measure and means, with respect to a measurement period, the cash generated from operations during that period, including tax benefits attributable to share-based compensation, reduced by the Company's investments in property and equipment. Management believes free cash flow is a useful measure because it indicates the cash the operations of the business are generating after appropriate reinvestment for recurring investments in property and equipment that are required to operate the business. Free cash flow should be considered in addition to, and not as a replacement of or a superior measure to, net cash provided by operating activities. For further information on how free cash flow and the ratio of free cash flow to net income is calculated, see the *Company's Definitive Proxy Statement* for each respective period, available at [www.idexx.com/investors](http://www.idexx.com/investors).

**<sup>10</sup> Debt to Adjusted EBITDA:** Adjusted EBITDA, gross debt, and net debt are non-GAAP financial measures. Adjusted EBITDA is a non-GAAP financial measure of earnings before interest, taxes, depreciation, amortization, non-recurring transaction expenses incurred in connection with acquisitions, share-based compensation expense, and certain other non-cash losses and charges. Management believes that reporting Adjusted EBITDA, gross debt and net debt in the Debt to Adjusted EBITDA ratios provides supplemental analysis to help investors further evaluate the Company's business performance and available borrowing capacity under the Company's credit facility. For further information on how Adjusted EBITDA, gross debt, net debt and the Debt to Adjusted EBITDA Ratio are calculated, see the *Company's Quarterly Report on Form 10-Q* for the year ended June 30, 2020 available at [www.idexx.com/investors](http://www.idexx.com/investors).