



IDEXX Laboratories, Inc.

Q4 Fiscal Year 2023 Earnings Call – Prepared Remarks

Introduction

IDEXX would like to preface the discussion today with a caution regarding forward-looking statements. Listeners are reminded that our discussion during the call will include forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed today. Additional information regarding these risks and uncertainties is available under the forward-looking statements notice in our press release issued this morning, as well as in our periodic filings with the Securities and Exchange Commission, which can be obtained from the SEC or by visiting the Investor Relations section of our website, IDEXX.com.

During this call, we will be discussing certain financial measures, not prepared in accordance with Generally Accepted Accounting Principles or GAAP. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures is provided in our earnings release, which may also be found by visiting the Investor Relations section of our website. In reviewing our fourth quarter 2023 results and initial 2024 guidance, please note all references to growth, organic growth, and comparable growth refer to growth compared to the equivalent prior year period unless otherwise noted.

Brian P. McKeon

Executive Vice President, Chief Financial Officer

Good morning, everyone. I am pleased to take you through our fourth quarter and full year 2023 results – and to provide an overview of our financial outlook for 2024.

IDEXX had a strong finish to 2023 — reflected in our fourth quarter performance.

- Revenues increased 8% organically — supported by 10% organic gains in CAG Diagnostics recurring revenues, net of a 1% growth headwind from fewer equivalent selling days.
- Operating profits increased 8% as reported and 10% on a comparable basis — benefiting from solid gross margin gains and Operating expense leverage.
- These factors — and a lower-than-expected effective tax rate — supported delivery of \$2.32 per share in EPS in Q4, up 17% on a comparable basis.

IDEXX execution enabled delivery of strong full year financial results, reflected in 9% overall organic revenue growth and high comparable operating margin gains. This supported a 29% increase in EPS for the full year on a comparable basis, including 12% of combined EPS growth benefit from a customer contract resolution payment and the lapping of discrete 2022 R&D investments. These results were driven by 10.5% full-year organic growth in CAG Diagnostics recurring revenues — reflecting 11% organic gains in the U.S. and 10% organic growth in International regions, aligned with our original full year growth targets. We also achieved 19% full year organic growth in recurring software and digital imaging revenues, sustained high customer retention levels and placed a record number of CAG premium instruments — which drove an 11% expansion of our global premium installed base.

These strong execution trends position U.S. well as we enter 2024 and advance our growth strategy. This year, we're targeting 10% organic revenue growth at the high end of our initial guidance range of 7% - 10% overall organic revenue growth — supported by 7.5% - 10.5% gains in CAG Diagnostics recurring revenues. We're also planning for solid comparable operating margin gains — building on our long-term track record — supporting continued high comparable EPS growth.

We'll walk through the details of our financial guidance later in my comments.

Let's begin with a review of our fourth quarter results.

Fourth quarter organic revenue growth of 8% was driven by 9% organic gains in our CAG business.

CAG Diagnostics recurring revenue increased 10% organically in Q4 — reflecting 9% gains in the U.S. and 12% growth in International regions, net of a 1% global growth headwind from equivalent days effects. CAG Diagnostics organic recurring revenue growth in Q4 was supported average global net price improvement of 6% - 7%, with U.S. net price gains at the low end of this range. IDEXX execution drivers supported volume gains of 4% — in both U.S. and International regions — normalized for days effects — reflecting an improvement from Q3 volume growth levels and the strongest normalized volume growth quarter in 2023.

IDEXX CAG Diagnostics recurring revenue growth remained solidly above sector growth levels.

In the U.S., CAG Diagnostics recurring revenue increased 9% organically — net of 1% negative growth rate impact from fewer equivalent selling days in Q4. This reflects a 1,050 basis point normalized growth premium compared to U.S. clinical visit growth levels, which declined an estimated 0.5% in the quarter on a same-store basis. IDEXX execution drivers drove solid U.S. volume growth in the quarter — reflecting benefits from new business gains, high customer retention levels and sustained diagnostic frequency levels per visit.

International CAG Diagnostics recurring revenue growth was 12% in Q4 — reflecting benefits from higher price realization and improved volume gains. International results were also supported by strong IDEXX execution — reflected in continued solid growth in premium instrument placements, which supported a 13% year-on-year increase in our international premium instrument installed base.

IDEXX achieved solid organic gains across our major testing modalities in the fourth quarter.

IDEXX VetLab® consumables revenues increased 13% organically – reflecting double-digit gains across U.S. and International regions. Consumable gains were supported by an 11% increase in our global premium installed base in 2023 — reflecting strong gains across our Catalyst, Premium Hematology and SediVue® platforms. For the FY 2023, we achieved a record 19,000 premium instrument placements with excellent quality, reflected in sustained high new and competitive Catalyst placements.

In Q4 we placed 5,241 premium instruments in Q4 — up 3% from high prior-year levels, driven by strong gains in SediVue® placements and continued expansion of ProCyte One®. Overall CAG instrument revenues declined 3% organically in the quarter, reflecting comparisons to high prior year levels, program pricing effects and global mix.

Rapid Assay revenue grew 9% organically in Q4 — supported by benefits from net price increases and solid volume gains in the U.S.

Global lab revenues expanded 7% organically — reflecting high single-digit gains in the U.S. and sustained solid organic revenue growth in International regions.

CAG Veterinary Software Services and Diagnostic Imaging revenues increased 6% organically in Q4, compared to strong prior year levels. Results continue to be supported by double-digit growth in recurring revenues and ongoing momentum in cloud-based software placements. For the full year, Veterinary Software Services and Diagnostic Imaging revenues increased 11% organically, supported by 19% organic gains in recurring revenues.

In our other business segments, Water revenues increased 5% organically in Q4 compared to strong prior year levels — supported by continued solid gains in the U.S. and Europe. Overall growth in the quarter was moderated by lower China revenues and year-end order timing. For the full year, Water revenues grew 8% overall and 7% organically.

Livestock, Poultry, and Dairy revenues decreased 4% organically in Q4 — as solid gains in the U.S., Europe and Latin America were offset by declines in herd health screening revenues and comparisons to higher prior year Swine testing levels in China. For the full year, LPD revenues were down 1% organically — as solid gains across our core Ruminant, Poultry and Swine businesses were offset by declines in areas like herd health screening, reflecting regional macro dynamics. We expect to work through comparison issues in herd health screening post the first quarter of 2024.

Turning to the P&L – Q4 operating profits increased 8% as reported and 10% on a comparable basis — supported by solid comparable operating margin gains.

Gross profit increased 9% as reported and on a comparable basis. Gross margins were 58.4% — up 50 basis points on comparable basis adjusting for ~70 basis points of negative FX impact, primarily related to the lapping of prior year hedge gains. Gross margin gains reflected benefits from net price improvement — which offset inflationary cost impacts — favorable business mix impacts from strong consumable growth and higher software service gross margins.

Operating expenses were up 9% as reported and 7% on a comparable basis in the quarter — reflecting growth in commercial investments and increases in R&D spending aligned with advancing our innovation initiatives, including our new instrument platforms.

For the full year 2023 — operating margins were 30.0%, including ~40 basis points of benefit from the Q1 customer contract resolution payment. On a comparable basis — full year operating margins increased 390 basis points, including ~280 basis points of combined benefit from the customer contract resolution payment and the lapping of discrete 2022 R&D investments. For the full year — foreign exchange reduced operating margin gains by 60 basis points, primarily related to the lapping of prior year hedge gains.

Q4 EPS was \$2.32 per share, up 17% on comparable basis. In Q4, EPS benefited from a lower effective tax rate, this reflected the release of valuation allowances in certain jurisdictions which lowered our full year effective tax rate by ~100 basis points and increased EPS by \$0.10 per share. Fourth quarter EPS included \$0.02 in tax benefits from share-based compensation activity and \$0.04 in headwind from foreign exchange changes, primarily related to the lapping of 2022 hedge gains. Foreign exchange hedge gains were ~\$2MM in the quarter.

Full year EPS was \$10.06 — an increase of 29% on a comparable basis, including ~12% of combined EPS growth benefit from the Q1 customer contract resolution payment and the lapping of discrete 2022 R&D investments. For the full year, stock-based compensation activity provided \$14MM, or \$0.16 per share, in tax benefit — lowering our effective tax rate by 130 basis points. As noted, full year comparable EPS growth also benefited by \$0.10 per share, or ~1%, from the release of tax valuation allowances in certain jurisdictions.

Foreign exchange increased Q4 and full year revenue growth by ~1% and 0% respectively. For the full year — foreign exchange reduced operating profits by \$25MM and EPS by \$0.24 per share, primarily related to lapping of 2022 hedge gains. In 2023, full year foreign exchange hedge gains were \$4MM.

Free cash flow was \$773MM for 2023 — or ~91% of net income. Free cash flow conversion came above the high end of earlier projections — reflecting timing and control of capital spending was \$134MM or 3.7% for the full year.

Our balance sheet remains in a strong position. We ended 2023 with leverage ratios of 0.7x gross and 0.4x net of cash. Our 2024 interest expense outlook incorporates recent forward interest rates and expectations for similar leverage ratios this year.

We allocated \$38MM to repurchase 90K shares in the fourth quarter. For the full year 2023 — we allocated \$83MM to repurchase 175K shares. Targeted deployment of cash to share repurchases supports our projected 0.5% - 1% reduction in diluted shares outstanding for the full year 2024.

Turning to our 2024 full year outlook — we're providing initial guidance for revenues of \$3,930MM to \$4,040MM, an increase of 7.5% - 10.5% on a reported basis. On an organic basis, this reflects a growth range of 7% - 10% overall, supported by 7.5% - 10.5% organic growth in CAG Diagnostics recurring revenues. At current exchange rates, we expect foreign exchange to have limited impact on FY revenue growth. Our reported revenue growth outlook includes ~\$15MM of revenue from a recently completed software acquisition, which Jay will highlight in his comments.

In terms of the key drivers of our 2024 organic growth outlook — the midpoint of our CAG Diagnostics recurring revenue growth range incorporates expectations for global net price gains of ~5% and volume gains of ~4%, aligned with assumptions for relatively flat U.S. clinical visit same-store growth levels post Q1. As we'll discuss, we have seen some impacts from severe weather trends in January which we expect will impact overall Q1 clinical visit growth levels. Our full year outlook reflects a U.S. volume growth premium to U.S. clinical visits aligned with our trends in the second half of 2023 — supported by expectations for continued solid global growth benefits from IDEXX execution drivers. The higher end of our CAG Diagnostics recurring revenue growth outlook range captures the potential for improved sector visit and same-store growth trends — and overall IDEXX volume growth potential. The lower end of the range calibrates for potential risks to our targeted growth goals, including effects from macro-economic conditions.

The high end of our overall organic revenue growth guidance of 10% is aligned with our long-term goals. We expect overall organic revenue growth to be constrained somewhat by

expectations for modest organic growth in LPD and comparisons to strong prior year instrument placement levels.

Our reported operating margin guidance for the FY 2024 is 30.2% - 30.7%. On a comparable basis, this reflects an outlook for 20 - 70 basis points of improvement in comparable annual operating margin expansion, net of the negative 40 basis point operating margin impact related to the lapping of the Q1 2023 customer contract resolution payment. We're planning for solid gross margin gains on a comparable basis in 2024 — supported by continued strong growth in CAG Diagnostics recurring revenues, expansion of our cloud-based software business and benefits from lab productivity initiatives.

We expect limited impact from foreign exchange on 2024 revenue growth and operating margin at the rates assumed in our press release. We estimate foreign exchange will increase FY EPS by ~\$0.02 per share given current hedge positions. In terms of sensitivities to changes to the foreign exchange rates assumed in our press release — we project that a 1% change in the value of the U.S. dollar would impact full year reported revenue by ~\$13MM and operating income by ~\$4MM, net of hedges.

Our 2024 EPS outlook is \$10.84 - \$11.33 per share, this reflects an increase of 8% to 13% as reported and on a comparable basis — net of ~ 2% of EPS growth headwind from the lapping of the customer contract resolution payment and 1% of headwind related to the lapping of benefits from tax valuation reserve releases in 2023. Our EPS outlook factors in a 1.5% increase in our overall effective tax rate to ~22% in 2024 — reflecting these lapping impacts and lower projected benefits from share-based compensation activity. Our EPS outlook captures expected benefits in 2024 from lower interest expense compared to 2023 — as well as expectations for reductions in average share count.

Our 2024 Free Cash Flow outlook is for a net income to Free Cash Flow conversion ratio of 90%

- 95% — aligned with our long-term goals. This reflects estimated capital spending of \$180 million — or ~4.5% of revenues.

Overall — we're well positioned to deliver continued strong financial performance in 2024.

In terms of our operational outlook for Q1 — we're planning for overall organic revenue growth of 6% - 8%, factoring ~1% of negative growth impact from severe weather in the U.S. in January and constraints on Q1 growth in areas like LPD related to tougher year-on-year comparisons. Reported revenue growth should be largely in line with organic revenue growth estimates. In terms of our profit outlook — we're planning for reported operating margins of 29.4% - 29.8% in Q1, this reflects a moderate expansion of operating margins adjusting for comparisons to the prior year \$16MM customer contract resolution payment recorded in Q1 as an offset to operating expense.

Jay Mazelsky

President & Chief Executive Officer

Thank you, Brian, and good morning.

IDEXX delivered strong performance in the fourth quarter — capping a year where we advanced our strategic priorities while driving strong business growth and excellent financial results. Our high-touch commercial model, deep focus on the customer, and accelerated innovation drivers supported ongoing sector development. The use and growth in relevant diagnostic testing generates important clinical insights that inform veterinarians mission to deliver better medical care while growing their businesses in the highly profitable diagnostics category.

High levels of execution against our strategy drove double-digit CAG Diagnostics recurring revenue growth in the fourth quarter and for the full year 2023. This was aligned with our original full year growth targets and reflected strong gains across our major regions. High

growth in our durable, high return annuity revenues included strong growth in our recurring software and digital imaging annuity streams. These gains reflected the cumulative impact of double-digit growth in our global premium instrument installed base supported by high-quality instrument placements, solid new business gains, expansion of integrated cloud-base software solutions and net price realization aligned with the value we deliver. IDEXX commercial teams delivered improved volume gains this quarter as we continue to work through factors constraining clinical visit levels. The solid growth momentum we carried through 2023 demonstrates that customers of all types appreciate IDEXX's purpose-built solutions and seek these tools and services to achieve sought after efficiency gains. We are excited to build on this momentum in 2024.

Today, I'll highlight the key capabilities and initiatives that have advanced our strategy to address the long-term growth opportunity for our business through direct commercial partnership and innovation to enhance care delivery. I'll start with a review of our global commercial execution and its foundational role in creating awareness, education and ultimately the increased use of IDEXX diagnostics.

IDEXX commercial teams bring deep subject matter expertise and a partnership mindset that has resulted in gains above sector growth levels. Solid premium instrument placement growth in Q4 capped off a year of record premium instrument placements. Outstanding full year performance was reflected in sustained high levels of Catalyst placements at new and competitive accounts — including record new and competitive placement levels in the U.S. We also realized double-digit expansion of our Premium Hematology and SediVue® installed bases. High quality, high EVI placements — coupled with sustained customer retention rates in the 97% - 99% range for the U.S. and similarly high levels globally — set a solid foundation for future CAG Diagnostics recurring revenue growth. It also demonstrates our customers' appreciation for IDEXX's easy-to-use in-clinic platforms that provide them with the deep diagnostic insights necessary to delivering high levels of pet healthcare, while managing

workflow effectively in a busy and dynamic clinic backdrop.

Our effectiveness in growing the installed base for premium instruments not only benefits our consumable recurring revenue stream, but also drives growth across our diagnostic modalities as testing begets testing — and our customers are inspired to expand their use of IDEXX solutions. This adoption of our multi-modality offering is supported by strong customer interest in marketing programs like IDEXX 360 which make the adoption of IDEXX technology easy and financially appealing. The adoption of these technologies helped support support sector diagnostics revenue growth in the U.S. in the fourth quarter, which benefited from diagnostic frequency expansion in Wellness visits and diagnostic utilization gains overall. Diagnostics remains one of the fastest growing areas in the veterinary practice — reflected in solid and sustained high single digit same-store revenue growth at the practice level. Our long-term investments in commercial and R&D resources positions IDEXX well to help our customers build on this momentum.

Our growing global direct commercial capability is an important element of this strategy to sustain strong CAG Diagnostics recurring revenue growth. Our most recent commercial expansion was completed in the U.S. during Q4 and is the first in four years as many of our territories have become very large. It complements the seven targeted International expansions we've advanced since 2021 in countries around the world. These are attractive, high-return investments that support future growth by delivering high-touch commercial engagement in our faster growing regions - and our commercial teams have consistently shown the ability to complete these expansions while still delivering strong business results.

Our International business performance is showing the benefits of our expanded global commercial capability. We continue to achieve strong new business gains — reflected in a 13% expansion of our International premium installed base this year — driven by double-digit installed base growth across our Chemistry, Hematology and Urine Sediment in-clinic platforms.

These gains drove improved International CAG Diagnostics recurring growth — specifically, four sequential quarters of volume growth normalized for days — despite macro headwinds that have pressured same-store sales levels. The expanded footprint of our VDC-based commercial model in International regions, customer-friendly marketing programs like IDEXX 360, and an expanded International lab network gives U.S. the right tools to successfully address the ~two-thirds of our total opportunity estimate which exists outside the U.S.

In addition to growth in CAG Diagnostics recurring revenues — IDEXX also delivered very strong performance this year in expanding our veterinary software services and diagnostic imaging segment. Our software and imaging solutions provide busy customers with an intuitive and efficient way to access diagnostics insights and manage important workflow and communications across their clinics. Clinics continue to embrace the opportunity to embed software in many aspects of their business and use technology to generate diagnostic insights, eliminate pain points across back-end areas of the clinic, and open meaningful lines of communication with their increasingly younger customer demographic. By adopting these contemporary software solutions clinicians and their staff are significantly better able to focus on providing high levels of care for their patients and reduce their time spent on unrewarded administrative activities that neither help them practice medicine nor help them drive business growth.

Supported by excellent commercial engagement and performance, fourth quarter PIMS placements continue to be driven by interest in cloud-native products which represented over 90% of placements in the fourth quarter and for the full year 2023 – supporting strong double-digit cloud PIMS installed base growth for the year. This high adoption of IDEXX software solutions drove 19% organic gains in our highly profitable recurring revenues in the Veterinary Software and Diagnostics Imaging segment this year. These gains provide a growing, attractive profit stream to the company and delivers a multiplier benefit as loyal software customers grow their diagnostic revenues faster.

Our Veterinary Software Services and Diagnostic Imaging recurring revenues benefit from growth in our PIMS installed base and from our focus on expanding IDEXX's subscription-based service portfolio. IDEXX Web PACs™, our cloud-native workflow engine for digital imaging is a great example. We're pleased with the continued double-digit Web PACs™ subscriber growth, which thousands of practices have adopted and fully integrated into their IDEXX software technology stack. We recently added advanced dental imaging workflows to Web PACs™, addressing a major pain point for the 75% of practices who regularly take dental x-rays. These integrated dental imaging workflows, including full dental charts and tooth-specific image sorting, streamlines what is otherwise a complicated and time-intensive process for practices.

These results demonstrate the benefits from our innovative, integrated software offering that is globally relevant to a wide variety of clinics. We're building on our momentum with existing platforms such as VetConnect® PLUS and with new solutions to further drive efficiencies within the clinic — one example of which is an updated user experience for the IDEXX VetLab® Station, which is the practice team's one-stop control panel and workflow engine. Announced recently at VMX and coming to our customers in the second half of 2024, this new interface will deliver two-times faster in-clinic diagnostic workflows for all instruments across the IDEXX VetLab® suite.

Additionally, while both our diagnostic and software businesses rely primarily on organic growth, we continue to look for attractive and strategic acquisitions to deliver more value to our customers and their clients. We recently closed the acquisition of a private, U.S.-based software and data platform that enhances our software ecosystem and further accelerates our growth in that business. This acquisition extends our PIMS' cloud native workflow and delivers strategic data solutions to our customers and their clients. As we integrate its capabilities deeply inside PIMS platforms, we believe there will be sector growth benefits from deeper engagement between manufacturers, customers, and pet owners to drive adoption of highly

relevant clinical offerings.

Innovation is a bedrock of how IDEXX has been able to provide our customers with critical diagnostic insights that enable and drive the medical care envelope. We've invested over 2 billion dollars over the last 20+ years in instrument platform development, differentiated assay discovery, and customer-facing software, data and connectivity. Our commitment and leadership in innovation has driven sector development — through higher standards of care — in global animal health.

The most recent example of our commitment to transformational innovation is within our point-of-care business. The IDEXX inVue Dx™ cellular analyzer is an advanced optics and AI platform for cellular imaging that removes the need for clinic staff to prepare and interpret slides — delivering clinically insightful diagnostic test results while giving valuable time back to the practice. It works by interrogating and interpreting cells and intracellular structures in their natural state, providing spectacular 3-D images that enables differential diagnosis to slide based methods. The near-term menu for this new platform will address highly relevant, high volume established categories including Ear Cytology and Blood Morphology — both available when we begin shipping the product in Q4 of this year — with Fine Needle Aspirate testing on lumps and bumps to be available next.

With built-in advanced optics, powerful AI leveraging our global pathology expertise, and two-way connectivity, the IDEXX inVue Dx™ analyzer allows for continued menu expansion, building off our proven track record of increasing value over time of IDEXX products and service offerings.

We estimate a 20,000 global placement opportunity over five years from the point of shipment in Q4 of this year, driven by a highly relevant menu and intuitive, time-saving workflow. Customer response to initial trials and to our announcement at VMX were overwhelmingly

positive.

In addition to the IDEXX inVue Dx™ analyzer, we also recently announced the latest addition to our Fecal Dx® Antigen platform at our reference labs. Already the gold standard for fecal diagnostics, the Fecal Dx® Antigen platform now identifies *Cystoisospora* – a common intestinal parasite that typically impacts young dogs and cats – representing the second menu extension in as many years. Available at no additional cost starting next month, the addition of *Cystoisospora* will make the best even better, and help clinicians have even greater confidence when they choose IDEXX's reference labs for one of the most common, time-consuming preventive screening tests.

In addition to this expansion in our Fecal Dx® Antigen panel, as planned, we had a successful launch of IDEXX Cystatin B in North America in December, adding kidney injury detection to what is already the most comprehensive menu for kidney health in the industry. Since launch, about 10,000 IDEXX customers have benefited from over 200,000 IDEXX Cystatin B tests in North America.

Overall — we're very proud of the accomplishments we've been able to advance this year in expanding our business capabilities and value-added partnerships with our customers. Our focus on attractive investment and innovation opportunities while delivering strong financial results helped drive exceptional return on invested capital in 2023.

With that, I'll conclude by thanking our nearly 11,000 IDEXX colleagues for their ongoing commitment to our purpose, and their strong execution against our strategy. These business results require coordinated, intensive work across the organization – and IDEXX teams rose to the challenge. High levels of performance across the company both delivered the day in 2023 and set us up well to build off this growth through 2024. There is a significant, attractive opportunity to continue to inspire the adoption and utilization of diagnostics solutions and

related products. Our IDEXX teams continue to work tirelessly to address this opportunity – while pursuing our mission to provide a better future for animals, people and our planet. It is an honor to report IDEXX’s progress and results on behalf of our colleagues, so, on behalf of the IDEXX management team, thank you all for your efforts this year.

With that, we’ll now conclude our prepared remarks and open the line for Q&A.