



IDEXX Laboratories, Inc.

Q4 Fiscal Year 2024 Earnings Call – Prepared Remarks

**Introduction**

Good morning and welcome to the IDEXX Laboratories fourth quarter 2024 earnings conference call. As a reminder, today's conference is being recorded. Participating in the call this morning are Jay Mazelsky, President and Chief Executive Officer, Brian McKeon, Chief Financial Officer, Andrew Emerson, Senior Vice President, Corporate and Companion Animal Group Finance, and John Ravis, Vice President, Investor Relations.

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](http://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 2024 results and initial 2025 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.

To allow broad participation in the Q&A, we ask that each participant limit their questions to one, with one follow-up, as necessary. We appreciate you may have additional questions, so please feel free to get back into the queue, and if time permits, we'll take your additional questions.

Today's prepared remarks will be posted to the investor relations section of our website after the earnings conference call concludes.

I would now like to turn the call over to Brian McKeon.

**Brian P. McKeon**

**Executive Vice President, Chief Financial Officer**

Good morning everyone — and welcome to our fourth quarter earnings call. Today, I'm pleased to review our Q4 and full year 2024 financial results. Andrew Emerson — who will be assuming responsibilities as IDEXX's CFO on March 1st — will take you through the details of the company's outlook for 2025.

IDEXX had a solid finish to 2024 — reflected in fourth quarter performance ahead of our expectations.

- Revenue increased 6% organically — supported by 7% organic gains in CAG Diagnostics recurring revenues
- Operating profits increased 7% as reported and 8% on a comparable basis — benefiting from solid gross margin gains, which supported operating margin performance at the high end of our guidance range.
- We also saw positive impacts from increased stock-based compensation activity, which benefited our effective tax rate
- These factors supported delivery of \$2.62 in EPS in Q4, up 10% on a comparable basis

IDEXX execution drove solid expansion of our business for the full year 2024. This is reflected in 7% full year organic growth in CAG Diagnostics recurring revenues, 9% growth in our global premium instrument installed base, 11% organic gains in recurring software and digital imaging revenues — and 11% organic growth in our Water business.

We delivered excellent full year financial performance in 2024 — supported by comparable operating margin gains at the high end of our long-term annual improvement goals. Full year EPS of \$10.67 per share — which includes \$0.56 per share of negative impact related to a discrete litigation expense accrual — increased 12% on a comparable basis, including 2% of negative growth impact from the lapping of a 2023 customer contract resolution payment.

These results were achieved as we successfully advanced our innovation-driven growth strategy — and worked through greater than expected sector and macro headwinds.

As Andrew will discuss — this performance sets a solid foundation for our business to build upon as we enter 2025. Let's begin with a review of our 2024 results.

Fourth quarter organic revenue growth of 6% reflected solid gains across IDEXX's major business segments — including 6% organic growth in CAG, 7% organic gains in LPD, and 9% organic growth in Water.

Worldwide CAG Diagnostic recurring revenue increased 7% organically in Q4, including benefits from improved volume growth trends. Results were supported by average global net price improvement of 4% to 4.5%, with U.S. net price realization of ~3.5%. As noted in our last earnings call — U.S. net price realization includes impacts from the successful extension and expansion of three major customer agreements in 2024, which will provide long-term incremental volume growth benefits for IDEXX.

U.S. CAG Diagnostics recurring revenue increased 4% organically in Q4 — net of a 1% negative growth impact from fewer equivalent selling days. IDEXX execution drove ~2% U.S. volume growth in the quarter, normalized for equivalent days. These results were supported by sustained solid new business gains, high customer retention levels and relatively higher gains in diagnostic frequency and volume utilization per clinical visit.

IDEXX achieved a solid 800 basis point normalized growth premium compared to U.S. clinical visit growth levels in the fourth quarter. We continue to work through pressure on U.S. same store clinical visit levels — which declined nearly 3% in Q4 and 2% for the full year in 2024. This has been the primary constraint on IDEXX's recent growth — reflecting transitional sector and macro impacts following the accelerated expansion of pet healthcare during the pandemic.

International CAG Diagnostic recurring revenue growth was 12% in Q4 — including a 1% benefit from equivalent days effects. Strong Q4 international results benefited from net price gains and improved volume growth — supported by new business expansion, reflected in double-digit YOY growth in our international premium instrument installed base.

IDEXX fourth quarter performance was supported by strong global growth in consumable revenues.

IDEXX VetLab® consumable revenues increased 12% organically -- reflecting double-digit gains in U.S. and International regions, normalized for equivalent days effects. Consumable gains were supported by a 9% increase in our global premium instrument installed base in 2024 — reflecting solid gains across our Catalyst, premium Hematology and SediVue platforms. For the full year 2024, we achieved ~18,500 premium instrument placements with excellent quality — reflected in sustained high new and competitive Catalyst placements.

In the fourth quarter, we placed 4,625 premium instruments — down (12)% from high prior

year levels. Overall CAG instrument revenues also declined (12)% organically in Q4. Quarterly placement results were supported by strong gains in SediVue and continued expansion of ProCyte One. We also initiated shipments of IDEXX inVue Dx™ in the quarter — supporting strong comparable EVI gains, including the projected value of inVue pre-orders.

Rapid Assay revenue was flat on an organic basis in Q4. Rapid assay results were constrained by pressure on U.S. wellness visits, as well as by the addition of the pancreatic lipase slide to our Catalyst menu, which we estimated to be a 4% headwind to Q4 revenue growth.

Global lab revenues expanded 4% organically in Q4. Reference lab results in the quarter were supported by solid, normalized volume growth in U.S. and International regions and net price gains. Reference lab net price gains were moderated in Q4 by near-term impacts from major new customer agreements, which will benefit long-term reference lab growth.

CAG veterinary software, services and diagnostic imaging revenues increased 7% organically in Q4, compared to strong prior year levels. Results continue to be supported by solid growth in recurring revenues and ongoing momentum in cloud-based software placements.

In our other business segments, Water revenues increased 9% organically in Q4 compared to strong prior year levels — driven by continued solid gains in the U.S. and Europe.

Livestock, Poultry, and Dairy revenues increased 7% organically in Q4 — supported by solid gains in our U.S., Europe, and Latin America regions.

Turning to the P&L - Q4 operating profits increased 7% as reported and 8% on a comparable basis — supported by gross margin gains.

Gross profit increased 8% as reported and 9% on a comparable basis. Gross margins were

59.8% — up 130 basis points on a comparable basis, adjusting for ~10 basis points of positive FX impact. Gross margin gains reflected favorable business mix — supported by strong consumable growth — benefits from net price improvement, and higher Water gross margins.

Operating expenses were up 10% as reported and 9% on a comparable basis in the quarter — reflecting increases in R&D spending aligned with advancing our innovation initiatives, including our new instrument platforms.

For the full year 2024 — operating margins were 29.0%, an increase of 60 basis points on a comparable basis, including an ~40 basis point negative impact from lapping a customer contract resolution payment in 2023. Full year operating margins included 160 basis points of negative impact related to a discrete litigation expense accrual recorded in the second quarter.

Q4 EPS was \$2.62 per share, up 10% on a comparable basis. In Q4, EPS benefited from a lower effective tax rate, including \$0.13 per share in tax benefits from share-based compensation activity and \$0.06 per share benefit from a non-recurring tax reserve release related to lapsing of an applicable statute of limitations. Foreign exchange drove a \$0.03 per share EPS headwind in the quarter, net of ~\$3MM in hedge gains.

Full year EPS was \$10.67 per share - an increase of 6% on a reported basis and 12% on a comparable basis, including a 2% negative EPS growth impact related to lapping a customer contract resolution payment. 2024 full year EPS results include \$0.56 of negative impact from a discrete expense accrual related to an ongoing litigation matter, a \$0.05 negative impact from currency changes and \$0.24 in tax benefits from share-based compensation activity.

Foreign exchange had limited impact on Q4 and full year revenue growth. For the full year — foreign exchange reduced operating profits by \$5MM and EPS by \$0.05 per share, net of \$6MM in hedge gains.

Free cash flow was \$808MM for 2024 — or 91% of net income — aligned with our guidance and long-term goals. Capital spending was \$121MM for the full year, or ~3% of revenue. We allocated \$249MM to repurchase 564K shares in the fourth quarter. For the full year — we allocated \$859MM to repurchase 1,760K shares. Our balance sheet is in a strong position. We ended 2024 with leverage ratios of 0.7x gross and 0.4x net of cash.

That concludes our financial review. Andrew will now walk you through our initial 2025 financial outlook.

**Andrew Emerson**  
**Senior Vice President, Finance**  
Thank you, Brian.

Turning to our 2025 full year outlook, IDEXX is planning to deliver solid organic revenue growth and profit gains, led by strong execution and benefits from new innovation.

We're providing initial guidance for revenue of \$4,055MM to \$4,170MM, an increase of 4% - 7% on a reported basis. On an organic basis, this reflects a growth range of 6% - 9% overall, supported by 5% - 8% organic growth in CAG Diagnostic recurring revenues. At current exchange rates, we expect foreign exchange to have a 2% negative impact on full year revenue growth.

In terms of the key drivers of our 2025 organic growth outlook — the midpoint of our CAG Diagnostic recurring revenue growth range incorporates expectations for global net price realization of 4% – 4.5% and volume gains of ~2%. The outlook includes assumptions for declines in U.S. same store clinical visit growth levels, with the mid-point reflecting a similar rate of decline seen in 2024. These targets incorporate continued solid global growth benefits from IDEXX execution drivers including new customer gains and increases in testing utilization

supported by IDEXX innovations. The higher end of our CAG Diagnostic recurring revenue growth outlook captures the potential for improved sector visit and same store growth trends while the lower end of the range calibrates for further potential effects of macro-economic conditions.

Our revenue growth outlook includes ~\$50MM of projected IDEXX inVue Dx instrument revenue aligned with 4,500 placements. Jay will discuss progress against our inVue Dx launch in his comments.

Our reported operating margin outlook for the full year 2025 is 31.0% - 31.5%. On a comparable basis, this reflects an outlook of 30-80 basis points of improvement year-over-year, net of a 160 basis point operating margin benefit related to the lapping of the discrete litigation expense recorded in the second quarter of 2024. We're planning for solid gross margin gains on a comparable basis in 2025 — supported by growth in CAG Diagnostics recurring revenues, benefits from lab productivity initiatives, and expansion of our high-margin cloud-based software business. This is partially offset by unfavorable business mix planned from higher levels of CAG Diagnostics instrument revenue gains, and preliminary estimates for tariff risks on internationally sourced materials.

Our 2025 EPS outlook is \$11.74 to \$12.24 per share. This reflects an increase of 8% to 12% on a comparable basis — net of a 6% EPS growth benefit from the lapping of the Q2 2024 discrete litigation expense and includes a \$0.06 per share headwind from higher taxes related to a non-recurring tax reserve release during the fourth quarter of 2024. Our EPS outlook also includes \$42M of net interest expense at prevailing rates. Foreign exchange is expected to have a negative impact of \$0.21 YoY at the rates disclosed in our press release, net of established hedge positions.

In terms of sensitivities to changes in foreign exchange rates, we project a 1% change in the



value of the U.S. dollar would impact the full year reported revenue by \$15MM and operating income by \$5MM, net of hedge positions.

Our 2025 Free Cash Flow outlook is for net income to Free Cash Flow conversion ratio of 85%-90%, aligned with our long-term goals. This reflects estimated capital spending of ~\$160 million — or ~4% of revenues.

The outlook incorporates increased capital deployment aligned with \$1.5B towards share repurchases, or ~4% of our current equity market capitalization. This reflects our high confidence in IDEXX growth potential including continued strong execution and advancement of our innovation agenda.

Regarding our Q1 outlook — we're planning for overall organic revenue growth of 4% - 6%, with similar gains in CAG Diagnostics recurring revenue, net of 1% - 1.5% days headwind. This factors in U.S. clinical visit trends more aligned with Q4 2024 and pricing benefits at the low-end of our full year price realization range as we work through the major customer agreements noted by Brian. Reported revenue growth of 2% - 4% includes ~2% negative impact from foreign exchange at current rates.

Our Q1 reported operating margins are planned for 30.2% - 30.6%. This reflects moderate compression in comparable margins in the quarter compared to high prior year levels — and reflects investments to support recent and upcoming product launches.

Overall — we're well positioned to build on our solid 2024 financial performance, with continued strong execution and robust set of new product launches during 2025.

This concludes our guidance update, and I will now turn the call over to Jay for his comments.

**Jay Mazelsky**  
**President & Chief Executive Officer**  
Good morning, and thank you, Andrew.

IDEXX delivered another strong quarter to close out 2024, capped with the initial placements of IDEXX inVue Dx™. Our results this quarter exemplify the resilience of our business model, built on the foundation of customer-centric innovation, high-touch commercial execution, and a steadfast commitment to growth by advancing the standard of care in veterinary medicine.

This year, we celebrated significant milestones, including the highly anticipated launch of IDEXX inVue Dx, a groundbreaking cellular analyzer redefining slide-free Point-of-Care testing. We recently announced the launch of IDEXX Cancer Dx™ with canine Lymphoma, a transformative oncology screening and aid-in-diagnosis panel that will expand over time to address the most common canine cancers. We're also concurrently commercializing three new products and services as part of our Catalyst technology-for-life platform in test menu and enabling software. Introductions include Pancreatic Lipase testing, a single-slide solution already embraced by thousands of clinics, SmartQC which enables very easy monthly calibration on our chemistry platform, and an updated IDEXX VetLab Station with a more modern, intuitive interface supporting workflow efficiencies.

IDEXX commercial teams continued to operate at a high level this year, supporting new business gains, solid net price realization, high 90s% customer retention levels across our major testing modalities, and sustained adoption levels of diagnostic testing utilization near post-pandemic highs. High placement levels across our core premium instrument platforms drove a 9% growth in our premium instrument installed base. The team also delivered very strong YoY EVI gains, when incorporating benefits from nearly 1,600 global pre-orders for IDEXX inVue Dx which will benefit our business over the coming year. 2024 also saw the extension and expansion of three major customer agreements, which will provide solid volume gains for our reference lab business. These important contractual renewals highlight the value IDEXX

solutions bring to our customers, supporting their practice revenue growth through highly important diagnostic testing categories.

2024 was also a pivotal year for our software business. With double-digit growth in our cloud-native PIMS placements, and the launch of our pet owner engagement solution Vello™, we are helping clinics bridge the gap between patient care and operational efficiency. Vello, now adopted by nearly 600 practices, has enhanced pet-owner engagement by streamlining communication and driving increased clinical visits and diagnostic frequency. These advancements highlight the expanding role of software in unlocking the full potential of diagnostics while delivering a seamless experience for veterinarians and pet owners alike.

This strong execution was delivered in a dynamic macro-economic and sector environment, which saw continued pressure on clinical visits. For pets visiting US clinics, pet owners continue to demonstrate interest in a higher standard of care, reflecting the strength of the pet-owner bond and the prioritization of pet health. Diagnostics play a key central role in enabling better medical outcomes, as nearly half of clinical visits include some form of diagnostic testing. The growth in the use of blood work in preventive screening, highlights the value pet parents place on proactive care, driven by advancements in technology and awareness of health benefits. Our commercial strategy is to support this positive trend through the use of preventive care marketing programs like Simple Start, and testing innovations such as IDEXX Cancer Dx which will be included at attractive prices to inspire pull through.

IDEXX's commercial execution continues to be a cornerstone of our success, reflecting the deep expertise, commitment, and customer focus of our teams around the globe. Our partnership approach has yielded exceptional customer retention rates of over 97%, ensuring that practices continue to see IDEXX as an indispensable partner in their growth and efficiency goals. Customers trust IDEXX to help them navigate challenges of staffing and visit trends.

Our nearly double-digit premium instrument installed base growth, is driven by robust new placements across chemistry, hematology, and SediVue platforms as well as the first placements of IDEXX inVue Dx. We also continue to make strong progress in placing our IDEXX VetLab suites in competitive and greenfield accounts, a focus area since we get the full growth benefit of consumables usage. Customers are hungry for Point-of-Care technology that supports their medical mission with fast, real-time results, while minimizing workflow bottlenecks with innovations such as load-and-go capability, a common easy-to-use interface, and instrument uptime measured in years. An additional benefit is that our large, rapidly growing installed base of over 74K thousand chemistry analyzers, for example, allow for rapid global adoption of new testing innovations such as Pancreatic Lipase, the tenth such menu extension in a bit over 12 years. Menu extensions such as Pancreatic Lipase help support a healthy volume premium to the clinic visit baseline.

Our international regions showcased strong performance in 2024, contributing significantly to our growth story. Double-digit expansion of our premium instrument installed base outside the U.S. underscored the benefits of our targeted global commercial investments over the past three years. Our maturing international sales organization has not only secured high-quality placements but also driven consistent diagnostic utilization gains, particularly in the Europe and Asia-Pacific regions, where we continue to see untapped potential. Spotlighting our European region's very strong performance, we saw the seventh consecutive quarter of double-digit CAG Diagnostics recurring revenue growth, with IDEXX VetLab consumables growth in the high teens.

Customer satisfaction remains at the heart of our commercial strategy, supported by sustained sector-leading levels of engagement and trust. IDEXX's investment in areas such as VetConnect® PLUS feature expansion that now gives the customer the ability to access reference lab sample turnaround time and order status information. This is part of our strategy to not only provide subject matter expertise and complimentary testing support through our

medical consulting organization but workflow optimization that help clinics navigate the complexities of modern veterinary care. This focus on customer success not only drives loyalty but also ensures that IDEXX remains the go-to partner for diagnostic solutions.

The launch of IDEXX inVue Dx has been one of the most exciting developments in 2024, marking a new era in Point-of-Care diagnostics. Designed as a “technology for life” platform, inVue Dx combines advanced optics, artificial intelligence, and a slide-free workflow to deliver transformative diagnostic insights with unparalleled ease of use. The initial menu focuses on ear cytology and blood morphology taps into two clinically well understood, high volume use cases that benefit from automation and a step up in testing consistency and performance.

Customer interest for IDEXX inVue Dx continues to be exceptionally strong, with nearly 1,600 pre-orders globally by the end of Q4, reflecting the high demand for this next-generation platform. International interest has been similarly robust as we began taking orders in select geographies in Q4 — though like the U.S. — we have placed some limits on the number of pre-orders our account managers take. This level of enthusiasm underscores the transformative potential of inVue Dx in clinics worldwide.

As I mentioned previously, we initiated a controlled launch of IDEXX inVue Dx in Q4 and, to ensure a best-in-class customer experience, we will gradually ramp up placements through 2025. Early feedback from customers — both in the customer experience trials and for the initial placements, has been exceptionally positive. Customers are simply amazed with how easy the analyzer is to use, eliminating the need for complex slide preparation or interpretation, with results in minutes.

Underpinning the financial guidance Andrew shared is a placement target for 4,500+ inVue placements over the course of the year, as we march towards our 20k placement goal over five years. IDEXX operations and supply chain teams have made outstanding progress ramping

manufacturing to support this level of placements while our field service representative team has been expanded and trained to provide critical installation capacity to support both the inVue ramp and continued growth of our core instrument platforms. The moment is upon us to bring this transformative analyzer to our global customer base.

Looking ahead, we remain on track to expand IDEXX inVue Dx's capabilities further with the addition of Fine Needle Aspirate, or FNA, testing for “lumps and bumps” later in 2025, unlocking significant opportunity in oncology diagnostics.

We are excited to have announced at VMX, the March launch of IDEXX Cancer Dx panel with Lymphoma, a pioneering advancement in veterinary oncology. This innovative screening solution represents a significant step forward in companion animal healthcare, addressing a critical need for early cancer detection and as an aid-in-diagnosis in canine patients.

The IDEXX Cancer Dx panel has breakthrough cost, performance, and turn-around-time attributes for early-stage cancer diagnostic screening and as an aid-in-diagnosis test, priced for as little as \$15 per test when included as part of select diagnostic panels. This will change how and when canine cancer is detected – and its early diagnosis will likely change how cancer care is managed – with positive patient implications for the support of longer, healthier lives. Given the performance, cost, and turn-around-time attributes of the Cancer Dx panel, the opportunity is to inspire a much broader inclusion of cancer screening as an essential part of preventive care blood work.

The Cancer Dx panel will initially launch with lymphoma detection, one of the most common and treatable cancers in dogs. Over the next three years, the panel will expand to include the six most prevalent canine cancers, which collectively account for over 50% of cancer cases in dogs. This expanded menu will tap into an estimated \$1.1 billion addressable opportunity, underscoring the potential of this diagnostic innovation.

Our software ecosystem plays a pivotal role in supporting veterinarians by enhancing clinic efficiency, optimizing workflows, and fostering deeper connections with practices and pet owners. With double-digit growth in cloud-native placements, software remains a critical enabler of diagnostic adoption and practice success, reinforcing our position as a leader in vertical SaaS offerings tailored to veterinary needs.

One of the year's standout achievements was the expansion of Vello, our pet-owner engagement application. Designed to address the growing demand for seamless communication and improved visit outcomes, Vello has been embraced by nearly 600 practices at year-end, doubling its user base since Q3. Early results from the app's deployment have been highly encouraging, with participating clinics reporting increased clinical visits, higher diagnostic usage, and improved revenue. This underscores Vello's ability to address critical workflow pain points while fostering stronger relationships between veterinarians and pet owners.

We have meaningfully increased development resources and investment in Vello throughout 2024 and now in 2025. Looking ahead, Vello's development roadmap promises even greater value with upcoming enhancements focused on streamlining communications, expanding engagement tools including the ability to personalize messaging, and integrating advanced analytics. Customers appreciate our commitment to an integrated diagnostics and software suite and the way it unlocks new opportunity for growth.

Beyond Vello, we continued to expand our broader software portfolio. We placed a record number of cloud-native PIMS, expanding that installed base by 20% year-over-year, as our offerings remain a top choice for clinics seeking modern, scalable solutions. We finished the year with 60% of our PIMS installed base in the cloud, ahead of our estimate shared at Investor Day in August. IDEXX Web PACS™, our cloud-native imaging workflow engine, also experienced double-digit subscriber growth, demonstrating its relevance in addressing key pain points such

as dental imaging workflows. These advancements not only simplify complex processes but also allow clinicians to spend more time focusing on patient care.

The integration of diagnostics and software remains a cornerstone of IDEXX's value proposition. By providing intuitive, efficient, and comprehensive tools, we empower clinics to unlock new levels of performance while delivering superior care to their patients. As we move into 2025, our focus on software innovation will continue to drive recurring revenue growth and deepen our partnerships with veterinary practices worldwide.

As we turn the page on 2024, IDEXX remains steadfast in its purpose: to create exceptional long-term value for our customers, employees, and shareholders by enhancing the health and well-being of pets, people, and livestock. I extend my deepest gratitude to our nearly 11,000 employees whose dedication and hard work have made these accomplishments possible. Together, we have delivered robust financial results while setting the stage for a promising 2025 and beyond supported by a new wave of IDEXX innovations.

I'd like to thank Brian McKeon for the exceptional contributions he has made over a 20-year IDEXX career, spanning both as a member of our Board, and over the last 11 years, as IDEXX's CFO. As previously announced, Brian will be stepping down from the role as CFO as of March 1st. One of Brian's many contributions has been to build a world class finance team and develop future leadership talent. It's my great pleasure to welcome Andrew Emerson, who will become our new CFO as of March 1st. Andrew brings more than twenty years of finance experience in the healthcare industry in roles of increasing responsibility, including over nine years at IDEXX working side-by-side with Brian throughout this time. He is well versed in our business, our sector, and our strategy — and he is set to contribute on Day 1. Brian will remain with IDEXX in a senior advisory capacity until his retirement date of June 1st in order to help ensure a smooth and seamless transition for Andrew.



With that, I will turn it back over for Q&A. Thank you.