



IDEXX Laboratories, Inc.  
Q1 Fiscal Year 2025 Earnings Call – Prepared Remarks

**Introduction**

Good morning and welcome to the IDEXX Laboratories first quarter 2025 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, Andrew Emerson, Chief Financial Officer, 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 first quarter 2025 results and updated 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 Andrew Emerson.

**Andrew Emerson**

**Executive Vice President, Chief Financial Officer**

Good morning and welcome to our first quarter earnings call. Today — I'd like to update you on Q1 results and review our 2025 financial outlook.

IDEXX achieved a solid start to 2025. In terms of key highlights for the quarter:

- Overall revenues increased 5% organically — supported by 4.5% organic growth in CAG Diagnostics recurring revenues, net of an ~1.5% equivalent days headwind.
- Solid revenue gains were also net of global same store growth headwinds, including a 2.6% decline in U.S. clinical visits.
- IDEXX execution trends remain strong — reflected in a continued IDEXX CAG Diagnostics recurring revenue growth premium, a 9% expansion of the premium instrument installed base, and 9% organic recurring revenues gains in veterinary software and diagnostic imaging.
- Profit delivery was aligned with our outlook — supported by gross margin gains while we invested in innovation priorities.
- Operating margin performance enabled EPS delivery of \$2.96 per share delivering 5% growth as reported and 7% growth on a comparable basis.

We're pleased with the progress in expanding our business, as we work through sector and macro factors that have pressured recent visit growth at the veterinary clinic level. We're confident in the long-term growth potential of our business, supported by ongoing focus on innovation, including our recent IDEXX Cancer Dx™ launch, starting with canine Lymphoma.

We've updated our 2025 financial outlook to incorporate positive changes from foreign exchange, and a now-concluded litigation expense accrual adjustment, while reinforcing consistent 2025 goals for organic revenue growth and comparable operating margin improvement.

Let's begin with a review of our first quarter results before transitioning to our full year outlook.

First quarter organic revenue growth of 5% was driven by 4.5% organic revenue gains in our CAG business, 7% organic growth in Water, and 4% organic growth in LPD.

CAG organic revenue growth was supported by 7% organic gains in veterinary software and diagnostic imaging revenues — driven by 9% organic recurring revenue growth.

CAG instrument revenues decreased 5% organically, against high prior year placement levels, while benefiting from initial placements of IDEXX inVue Dx™, which will ramp throughout the year.

CAG Diagnostics recurring revenue increased 4.5% organically in Q1 – net of 1.5% headwind from equivalent days. Global CAG Diagnostics recurring revenue growth reflected solid gains across all major regions. On average global net price improvement was 4%, and on a days adjusted basis, volume gains were ~2%.

International CAG Diagnostics recurring revenue organic growth was 8.5%, and on a days adjusted basis sustained double-digit organic revenue growth — reflecting benefits from net price realization and strong volume gains, building on 2024 momentum. International results continue to be driven by IDEXX execution -- reflected in strong new business gains which supported double-digit YoY expansion of our premium instrument installed base.

U.S. CAG Diagnostics recurring revenue organic growth was 3% in Q1, net of the days headwind. This reflects a continued, solid growth premium compared to same-store U.S. clinical visit growth levels -- which declined an estimated 2.6% overall in the quarter. IDEXX's solid growth reflects increased levels of diagnostic frequency and increased diagnostic utilization per clinical visit at the practice level, along with strong execution— including solid new business gains, sustained high levels of customer retention and net price realization of 3.5%.

Modality gains in the quarter were supported by strong growth in consumable revenues.

IDEXX VetLab® consumable revenues increased 10% organically — reflecting high-single digit gains in the U.S. and double-digit growth in International regions. Consumable gains were supported by 9% YoY growth in our global premium instrument installed base. During Q1, we placed 4,163 CAG premium instruments, a decline of 13% against high prior year levels. Our focus on quality of instrument placements continues to be strong, reflected in sustained levels of competitive and greenfield Catalysts, including 7% growth in the U.S. and 5% gains in Europe, along with double-digit growth in our global EVI metric. In the U.S. we placed 1,544 instruments, an increase of 12% YoY supported by strong competitive and greenfield Catalyst

placements. In North America, we placed 302 IDEXX inVue Dx analyzers as we move from a controlled, to full launch of our exciting new platform.

Global Rapid Assay revenues declined 2% organically in Q1. Rapid Assay results were constrained by customers shifting pancreatic lipase testing to our Catalyst instrument platform, which we estimated to be a 5% headwind to Q1 revenue growth.

Global lab revenues increased 1% organically. When adjusting for equivalent days effects, International regions drove solid growth in the quarter, with the U.S. at low single-digit growth. Global growth was supported by modest volume gains, aided by new business. In Q1 net price gains in our reference lab line of business were moderated by impacts from previously highlighted major new customer agreements, which we will begin lapping during Q2.

Veterinary software and diagnostic imaging revenues increased 9% as reported, including benefits from a software acquisition last year. 7% overall organic gains were driven by recurring revenues, reflecting benefits from ongoing momentum in cloud-based software placements.

Water revenues increased 7% organically in Q1 against high prior year levels. Growth was driven by double-digit revenue expansion in our European region.

Livestock, Poultry and Dairy revenues increased 4% organically. Solid gains in the U.S., built off momentum in the second half of 2024.

Turning to our P&L – Q1 profit results were supported by solid gross margin gains.

Gross profit increased 5% in the quarter as reported and 6% on a comparable basis. Gross margins were 62.4% — up 80 basis points on a comparable basis. Gross margin gains reflected benefits from business mix, including VetLab consumable growth, and instrument mix. Reported gross margin gains benefited by ~10 basis points related to FX impacts, net of hedge positions.

Operating expenses increased 4% YoY as reported in the quarter and 8% on a comparable basis. This was net of a \$9MM — or 3% operating expense growth offset — related to a favorable adjustment to the discrete litigation expense accrual, and 1% from FX impacts. Q1 OPEX growth was driven by increases in R&D and commercial spending aligned with advancing our innovation roadmap.

EPS was \$2.96 per share in Q1, an increase of 5% as reported and 7% on a comparable basis, net of a 3% EPS growth benefit related to the adjustment of a discrete litigation expense accrual. Foreign exchange reduced operating profits by \$4MM and EPS by ~\$0.04 per share in the quarter — net of a \$4MM hedge gain.

Free cash flow was \$208 million in Q1— reflecting normal seasonality. On a trailing 12-month basis, our net income to FCF conversion ratio was 95%. For the full year, we're updating our outlook for net income to FCF conversion of 80% - 85%, reflecting the impact of the now-concluded litigation matter and estimated impacts as a result of tariff planning.

Our balance sheet remains healthy -- we ended the quarter with leverage ratios of 0.7x gross and 0.6x net of cash. We look to maintain full-year gross leverage ratio at similar levels. Share repurchases over the last year supported a 2.4% reduction in diluted shares outstanding and we allocated \$415MM in capital to share repurchases during the first quarter.

Turning to our 2025 guidance – our outlook reinforces consistent full year goals for solid organic revenue growth, comparable operating margin improvement and EPS gains. We've revised estimates for FX impacts, reflecting the recent weakening of the U.S. dollar and Q1 discrete litigation expense accrual adjustment.

In terms of our revenue outlook — we've updated our full year guidance for reported revenues to \$4,095MM - \$4,210MM — an increase of \$40MM or ~1% growth rate improvement related to foreign exchange at the rates published in our press release.

We've maintained a full-year organic growth outlook of 6.0% to 9.0%, supported by 5.0% to 8.0% gains in CAG Diagnostics recurring revenues including global net price realization of 4 - 4.5% at mid-point, and expectations for 4,500 IDEXX inVue Dx placements.

We're increasing our outlook for reported operating margins to 31.1% - 31.6% for the full year. This outlook maintains consistent 30 - 80 basis points of comparable operating margin expansion for the full year, net of a 180 basis point operating margin benefit related to the discrete litigation expense accrual adjustment and updated for foreign exchange effects.

With respect to the dynamic trade environment, we're well positioned to navigate the changing tariff landscape. As previously highlighted, we captured high-level tariff estimates for internationally sourced materials in our initial outlook — we have revised these estimates based on the current U.S. pronouncements and have incorporated estimates for China's retaliatory tariffs. Our primary objectives are focused on maintaining continuous supply to

customers and minimizing tariff impacts through effective operational planning and balance sheet leverage.

Our updated full-year EPS outlook is \$11.93 to \$12.43 per share, an increase of \$0.19 per share at midpoint — driven by \$0.11 per share from FX and \$0.08 per share from a favorable adjustment to the discrete litigation expense accrual. We now estimate FX will have a negative \$0.10 per share full year EPS impact. Operationally — we are maintaining a consistent outlook 8.0% - 12.0% comparable EPS growth.

For our second quarter — we're planning for reported revenue growth of 5.0% - 7.5%, net of ~1% growth headwind from foreign exchange. This operational outlook aligns with overall organic revenue growth of 6.0% - 8.5% and organic CAG Diagnostics recurring revenue growth of 5.0% - 7.5%. At midpoint, the second quarter organic revenue growth outlook includes U.S. clinical visit growth in line with full year estimates. We're planning for reported operating margins of 32.9% - 33.4% in Q2 — reflecting expansion of 40 - 90 basis points on a comparable basis.

That concludes our financial review. I will now turn the call over to Jay for his comments.

**Jay Mazelsky**

**President & Chief Executive Officer**

Thank you, Andrew, and good morning.

2025 is off to a solid start as IDEXX's innovations gained commercial traction across the portfolio. At the end of March we launched IDEXX Cancer Dx through our reference labs in North America. This first-of-its-kind diagnostic panel for early detection of canine lymphoma brings exceptional levels of performance and is priced to our veterinarian partners in a way that is intended to support broad inclusion and access to pet owners. Adding to this excitement in the quarter, we continued our rollout of IDEXX inVue Dx, our new-to-the-industry cellular analyzer. With strong preorder momentum from last year, we placed over 300 instruments in Q1 and, moved from a controlled rollout in Q1, to broad availability in April.

Together, these two platforms—IDEXX Cancer Dx and IDEXX inVue Dx—represent an important leap forward. They embody our vision for innovation that elevates patient care, supports our customers, and fuels long-term, sustainable growth for IDEXX.

Let's now take a closer look at our commercial performance.

Our commercial organization executed strongly in the quarter. We delivered solid growth in organic recurring revenue including days adjusted double-digit CAG Diagnostics recurring revenue growth internationally, sustained high levels of customer retention, and expanded our customer base, while further expanding our commercial footprint in high-potential regions.

We delivered strong premium instrument placements in the quarter, including over 1,100 new and competitive Catalysts resulting in high single-digit growth in our world-wide premium instrument installed base and double-digit growth in future economic value. In the U.S., our commercial team delivered record Q1 placements and EVI supported by early interest in IDEXX inVue Dx. In Europe we lapped a record upgrade cycle in hematology from LaserCyte® to ProCyte One® while delivering solid growth in competitive and greenfield Catalyst placements.

We sustained high levels of customer retention in the high nineties across our diagnostic modalities, demonstrating the ongoing value and trust our customers place in IDEXX. This loyalty is foundational to our growth model, as it enables predictable, recurring revenue while providing a large customer base to introduce innovations like IDEXX Cancer Dx and IDEXX inVue Dx.

Internationally, in addition to another strong quarter with double-digit instrument installed base growth, recent innovations like Catalyst® Pancreatic Lipase has been especially well received benefiting the strong IDEXX VetLab consumables performance. These regions are responding favorably to our tailored commercial strategies, which combine local support with global innovation. We completed on-boarding and training for a commercial expansion in South Korea, where our customers are primed to adopt IDEXX's innovative point-of-care solutions while benefiting from our in-country reference laboratory capabilities. This additional investment in Korea represents another example of investing towards growth aligned with regional readiness and commercial momentum.

As practices continue to seek productivity improvements, our diagnostic solutions are positioned not just as medical tools but also as operational enablers. By providing fast, accurate results, our platforms help practices see more patients, reduce callbacks, and make better use of limited clinical time. Our field teams partner with customers to optimize workflows—freeing up technicians and doctors to focus on care rather than coordination.

Altogether, the commercial performance in Q1 lays a solid foundation for the year ahead. While macroeconomic conditions remain dynamic, we're seeing strong demand signals and continued willingness by clinics to invest in diagnostics as a core part of animal health. Our commercial model, grounded in partnership, flexibility, and execution excellence, remains a key

differentiator—and a critical enabler of our innovation-led growth strategy.

This was a landmark quarter for IDEXX’s diagnostic innovation strategy, as we brought some of our most ambitious, clinically impactful technologies to market.

IDEXX Cancer Dx marks a major evolution in our approach to diagnostics—making complex, molecular-level testing accessible to general practitioners through a simple, cost-effective blood test.

Veterinarians now have a tool that allows them to incorporate cancer detection into a wellness visit, seamlessly alongside other blood chemistry and hematology workups. With turnaround times of just 2–3 days in the U.S. and a price point as low as \$15, this solution provides an affordable solution that delivers powerful clinical insight. Since launch, we now have over 1,000 practices that have already ordered the test representing broad awareness and strong initial interest.

Cancer is personal to many pet-owners. The earlier we can detect cancer and determine the type of cancer — the better the chance for targeted treatments and improved outcomes, such as additional quality months, or years, of life.

This is only the beginning. Within three years, we intend to broaden the scope of our oncology menu to address the majority of canine cancer cases. With an established diagnostic footprint and strong relationships with general and specialty practitioners, IDEXX is uniquely positioned to lead in this high-impact area of veterinary medicine.

Similarly, IDEXX inVue Dx is poised to transform point-of-care diagnostics across several high-volume testing categories. As noted, we moved from a controlled rollout in Q1, to broad availability entering Q2. With gating controls removed, we've seen an acceleration of placements — with over 900 placements through the end of April which supports the increase in consumables usage expected to grow throughout the year. This momentum highlights the high level of customer interest in this breakthrough AI-powered, slide-free cytology system.

By combining advanced optics with an AI model trained on millions of cellular images, IDEXX inVue Dx analyzes ear cytology and blood morphology in minutes while the patient is still in the practice. Seamless integration with IDEXX VetLab® Station and VetConnect® PLUS allows teams to store, view, and share results with ease.

Customer feedback has been especially enthusiastic around ease of use, confidence in results,



and the way it enhances technician workflows by simplifying and automating what was once a time-consuming manual task. We are seeing exciting utilization trends across early adopters, with utilization for both ear cytology and blood morphology well aligned with our expectations. We look forward to sharing additional insights on utilization trends in the future.

Looking ahead, we are in an excellent position from manufacturing, inventory, and commercial capacity to deliver our 4,500+ placement goal in 2025. And our R&D and Operations teams continue to make great progress as we plan to introduce Fine Needle Aspirate capabilities for Lumps and Bumps on IDEXX inVue later in 2025. This high-interest menu expansion as part of our technology for life approach will unlock substantial value in oncology diagnostics, as FNA is a key method for evaluating the ubiquitous 'lumps and bumps' common to many dogs.

Our software ecosystem continues to be an important growth driver and a source of strategic advantage. With deep integrations across diagnostics, imaging, communication, and practice operations; IDEXX software helps clinics unlock the full potential of their diagnostics, improve client engagement, and enhance operational efficiency. This quarter, we saw strong performance across our Practice Information Management Systems, as well as pet owner engagement tools like Vello®.

Our ezyVet® and Neo® platforms continued to grow as we delivered double-digit placement growth in our leading cloud-native PIMS during the quarter, with accelerated momentum particularly in multi-location practices and a Corporate Account customer. Customers are choosing our cloud-native platforms for their modern user interfaces, seamless integration with diagnostics, and ability to scale across locations with centralized data and workflows.

Vello, our cloud-native client engagement platform, continued its strong growth trajectory in Q1, increasing users over 20% from Q4. Vello users have experienced enhanced communication with pet owners, increased visit frequency, and improved compliance with diagnostics and treatment plans compared both to customers who are using other client engagement platforms or relying on the simple capability resident in their PIMS.

As we manage through ongoing uncertainty in the global trade environment, our top priority is to support our customers with uninterrupted access to the high-quality products and services they rely on IDEXX for.

IDEXX is relatively well positioned with 65% of consolidated revenues and a majority of our CAG industrial base located in the U.S., while less than 1% of company revenues comes from China. While situated well, we are not immune to impacts from a highly dynamic tariff environment.

As Andrew noted, we captured high-level tariff estimates for internationally sourced materials in our initial outlook and have now incorporated estimates for China retaliatory tariff impacts. Our supply chain and operations teams are intensely focused on navigating the shifting tariff landscape and broader economic challenges. We have taken, and are taking additional, proactive steps to ensure staging where appropriate and implementing plans to support high product availability while also seeking to mitigate financial impacts as we look to deliver our profit goals.

As noted, we're operating in a challenging environment, where both the broader macro and global trade environment, as well as continuing sector factors, have moderated our growth. Though veterinary capacity constraints have largely stabilized, economic uncertainty continues to be a factor in pressuring clinical visits. We are pleased to share, as a point supporting the resiliency of the pet healthcare market, that the estimated pet population sustained in 2024 at similar levels to the prior year. Notably, this represents a ~3% CAGR versus 2019 baseline — well ahead of historical ~1% annual growth rate. This higher baseline of the absolute number of pets supports strong tailwinds to our business that give us confidence in the opportunity to deliver solid organic revenue growth. Pet ownership remains high, pets are living longer, and the expanded pet population is aging, which are all positive factors for diagnostics use. Diagnostics sit at the center of the system-of-care, and pet owner expectations for quality care continue to rise. IDEXX is uniquely positioned to lead, and our focus is on exceptional execution to deliver solid growth and profit gains.

I'll now conclude our prepared remarks by thanking the 11,000 IDEXX employees for your ongoing commitment and incredible passion for our purpose-driven work.

Now, let's please open the line for Q&A.