



IDEXX Laboratories, Inc.
Q3 Fiscal Year 2025 Earnings Call – Prepared Remarks

Introduction

Good morning and welcome to the IDEXX Laboratories third 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.

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 third 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. I am pleased to take you through our third quarter results and provide an updated outlook for our full year 2025 financial expectations.

In terms of highlights in the quarter — IDEXX delivered strong financial results supported by outstanding commercial execution in our companion animal business, with benefits from recently launched IDEXX innovations.

- Revenue increased 13% as reported — and 12% organically — supported by over 10% organic growth in CAG Diagnostics recurring revenues, reflecting over 8% gains in the U.S. and double-digit growth in International regions.
- We achieved another quarter of strong premium instrument placements including over 1,750 IDEXX inVue Dx™ analyzers, resulting in 71% organic growth of CAG Instrument revenues.
- CAG Diagnostics recurring revenue growth in Q3 was negatively impacted by declines in U.S. same-store clinical visits of 1.2%, driven by ongoing macro and sector pressures.
- IDEXX's operating performance was excellent in the quarter, with comparable operating margins gains of 120 basis points, supported by gross margin expansion which benefited from strong recurring revenue growth.
- High operating profit gains enabled earnings per share of \$3.40 in the quarter, resulting in EPS growth of 15% on a comparable basis.

We're increasing our full year revenue outlook by \$43MM at midpoint with an updated range of \$4,270MM - \$4,300MM, an outlook for overall reported revenue growth of 9.6% - 10.3%. Our updated full year overall organic revenue growth outlook is for 8.8% - 9.5% with organic CAG Diagnostics recurring revenue growth of 7.5% - 8.2%. These organic growth ranges represent ~1% increase at mid-point to our previous guidance supported by strong global execution in our CAG business.

We're increasing our full year EPS outlook to \$12.81 - \$13.01 per share — up \$0.33 per share at midpoint — reflecting 12% - 14% comparable EPS growth.

We'll discuss our updated 2025 financial expectations later in my comments. Let's begin with a review of the third quarter results.

Third quarter organic revenue growth of 12% was driven by 12% CAG revenue gains, 7% growth in our Water business, and 14% gains in LPD.

Strong CAG results were supported by CAG Diagnostics recurring revenue growth of 10% organically including average global net price improvement of 4 - 4.5%, and benefits from CAG Diagnostics instrument revenues increasing 71% organically, aided by global placements of inVue Dx.

U.S. organic CAG Diagnostics recurring revenues grew 8% in Q3 supported by solid volume gains and 4% benefit from net price realization. U.S. same-store clinical visits declined 1.2% in the quarter reflecting an IDEXX U.S. CAG Diagnostics recurring revenue growth premium to U.S. clinical visits of ~950 basis points — highlighting outstanding performance by the IDEXX teams. Q3 benefited from aging pets with non-wellness visits declining only 30 basis points year-over-year, while wellness visits declined 2.5%. Health services continued to expand in the quarter including increased diagnostic frequency and utilization per clinical visit for both well and non-well visits as customers expanded the use of diagnostics in their care protocols.

International CAG Diagnostics recurring revenue grew 14% organically in Q3 including ~1% benefit related to equivalent days. Revenue performance was driven by volume gains including benefits of net new customers and same-store-sales utilization. International regions have sustained strong growth on a days adjusted basis for the past 10 quarters, highlighting the significant global opportunity as we invest in global commercial capabilities and expansions.

IDEXX innovation and commercial execution also delivered strong organic revenue gains across testing modalities globally in the third quarter.

IDEXX VetLab™ consumable revenues increased 16% on an organic basis in the third quarter — reflecting double-digit growth in both the U.S. and International regions. Consumable revenue growth was supported by expansion of our premium instrument installed base and expanded testing utilization, including benefits from recent product launches. inVue Dx utilization is tracking well to our recurring revenue estimates previously provided of \$3,500 - \$5,500 per analyzer and we are excited for the upcoming launch of FNA, starting with Mast Cell tumor detection.

CAG instrument placements increased significantly in Q3 compared to prior year levels. Total premium placements reached 5,665 units an increase of 37% year-over-year. The quality of placements remains excellent — reflected in 1,203 global new and competitive Catalyst

placements, including 347 in North America. Globally, we placed 1,753 IDEXX inVue Dx instruments as we continue to meet customer demand for this highly innovative analyzer. Ongoing progress of placing instruments combined with high customer retention levels supported a 10% year-over-year growth in our premium Instrument installed base in the quarter.

IDEXX global reference lab revenues increased 9% organically in Q3, up ~4% growth from the second quarter driven by solid volume growth across regions, including expanded same-store volume benefits and net new customer gains. IDEXX Cancer Dx™ continues to gain further traction in North America reaching nearly 5,000 customers through October.

Global rapid assay revenues declined 5% organically in Q3. Rapid assay results continued to be impacted by customers shifting pancreatic lipase testing to our Catalyst instrument platform, which we estimate to be a 6% headwind in Q3 revenue growth.

Veterinary software and diagnostic imaging organic revenues increased 11%, driven by recurring revenues which grew 10% during the quarter — solid growth in veterinary software was supported by strong double-digit growth in cloud-based PIMs installations and adoption of related recurring services. We also saw continued strong double-digit year-over-year growth of diagnostic imaging system placements in the quarter.

Water revenues increased 7% organically in Q3 with strong growth in International regions and solid mid-single digit growth in the U.S.

Livestock, Poultry and Dairy revenues increased 14% organically in the quarter, with double-digit gains across most regions.

Turning to the P&L — strong revenue growth enabled 16% comparable operating profit gains.

Gross profit increased 15% in the quarter as reported and 13% on a comparable basis. Gross margins were 61.8% — up ~80 basis points on a comparable basis. These gains reflect benefits from strong recurring revenue growth in IDEXX VetLab consumables and Reference Lab volumes, along with operational productivity and pricing benefits which offset inflationary cost pressures. Reported gross margin gains were moderated by 10 basis points of foreign exchange impacts, net of hedge positions.

On a reported basis — operating expenses increased 12% year-over-year, as we advance investments in our global commercial and innovation capabilities.

Q3 earnings per share was \$3.40 per share, including benefit of \$14MM, or \$0.17 per share related to share-based compensation activity. Income tax includes a \$0.09 negative impact related to accelerating tax deductions for previously incurred research expenses allowed under the new U.S. tax legislation which benefits cash taxes while increasing our effective tax rate in the period. Foreign exchange added \$1.9MM to operating profit and \$0.02 to EPS in Q3, net of hedge effects, reflecting a comparable EPS increase of 15%.

Free-cash-flow was \$371MM in Q3 and \$964MM on a trailing 12-month basis, with net income to free-cash-flow conversion rate of 94%. For the full year, we're updating our outlook for free-cash-flow conversion to 95% - 100% of net income. This increase includes a 10% cash-tax benefit, primarily related to a \$105MM of acceleration of tax deductions for previously incurred research expenses allowed under recent U.S. tax legislation, and a refined outlook for our full year capital spending of ~\$140MM.

Our balance sheet remains in a strong position, and we finished the period with leverage ratios of 0.7x gross and 0.5x net of cash. We continued to deploy capital towards share repurchases, allocating \$242MM during the third quarter, and contributing to \$985MM on a year-to-date basis — supporting a 2.7% year-over-year reduction in diluted shares outstanding through Q3.

Turning to our full year 2025 — as noted, we're increasing our outlook for overall revenue to \$4,270MM - \$4,300MM. At midpoint, this reflects ~\$43MM of operational improvement, building on strong third quarter performance including CAG Diagnostics recurring revenue expansion and increased inVue Dx revenue expectations. Our updated revenue growth outlook is for 9.6% to 10.3% growth as reported, including ~0.8% full year growth benefit and 2% growth benefit in Q4, from foreign exchange at the rates outlined in our press release. As a sensitivity, a 1% strengthening of the U.S. dollar would reduce revenue by ~\$4MM and EPS by \$0.01 for the remainder of the year.

The updated overall organic revenue growth outlook of 8.8% - 9.5% reflects an estimated organic growth range of 7.5% - 8.2% for CAG Diagnostics recurring revenue, including a consistent 4 – 4.5% benefit from global net price realization. At mid-point during Q4, we are assuming U.S. clinical visits continue to decline at levels moderately better than the year-to-date average.

We are again increasing our expectations for inVue Dx placements, which we now expect to be ~6,000 during 2025, with instrument revenues of over \$65MM as we continue to see strong demand for this exciting new platform.

In terms of key financial metrics — we're increasing our reported operating margin outlook to 31.6% - 31.8% in 2025 — reflecting an increased expectation for 80 - 100 basis points of full year comparable operating margin improvement, net of 180 basis points of operating margin benefit related to the discrete litigation expense impacts and updated foreign exchange effects.

As noted previously, IDEXX remains well positioned to navigate the ongoing changes in the trade landscape with a largely U.S.-based manufacturing footprint. We remain focused on continuous supply to customers, while actively managing cost impacts which will continue to play out into 2026.

Our updated full-year earnings-per-share outlook is \$12.81 to \$13.01 per share, an increase of \$0.33 per share at midpoint. Our EPS outlook incorporates increased projections for operational improvement of \$0.22 at midpoint compared to our prior guide. We've also incorporated lower effective tax rate benefits including \$0.09 of share-based compensation activity compared to the prior outlook, partially offset by other tax impacts including the noted acceleration of research expense deductions under the new U.S. tax legislation. Updated estimates for interest expense, average share count reduction and foreign exchange impacts have also been incorporated with additional details available in the tables in our press release and earnings snapshot.

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

Jay Mazelsky

President & Chief Executive Officer

Thank you, Andrew, and good morning.

IDEXX delivered very strong financial performance in the third quarter, while advancing our strategic priorities globally. Our proven model of high-touch commercial engagement, combined with differentiated testing and workflow innovations, continues to drive adoption of IDEXX's world-class diagnostic and software solutions. These capabilities directly support our customers' mission to deliver the highest standards of care, enabled through greater diagnostics frequency and utilization in everyday practice. Diagnostics remains the fastest-growing revenue stream within veterinary clinics — a durable trend reflecting the central role testing plays in determining patient health status and guiding treatment decisions.

Our financial results in the quarter were underpinned by accelerating gains in CAG Diagnostics recurring revenues across major regions. Growth in recurring revenues reflects multiple

execution drivers, including double-digit growth of our premium instrument installed-base, sustained strong new customer gains, solid net price realization, and continued momentum in cloud-based software adoption. Importantly, these results were supported by continued momentum in our innovation playbook, highlighted by strong placements of inVue Dx, growing adoption of Cancer Dx, and benefits from the expanding Catalyst menu, including early uptake of Catalyst™ Cortisol. IDEXX solutions — anchored by our integrated, software-enabled multi-modality approach — are well positioned to help clinics enhance efficiency, expand diagnostics reach, and deliver exceptional patient care.

Building on the groundbreaking innovations we launched in 2025, and as highlighted at our August Investor Day, we will further expand our Cancer Dx franchise in 2026 with the addition of Mast Cell Tumor — and another high-impact cancer biomarker — to the panel. We also plan to bring Cancer Dx panel to international markets, starting in Q1 2026, extending its reach and accelerating our global leadership in veterinary cancer diagnostics.

Our commercial organization again delivered outstanding performance in Q3. Across geographies, our teams drove very strong instrument placements, with the high quality of placements supporting outstanding year-on-year growth of the economic value of placements — a key measure of future recurring revenue gains.

Retention of our CAG Diagnostics recurring revenue remained in the high-nineties, reflecting the enduring loyalty and trust that veterinarians place in IDEXX. This loyalty is not simply the result of world-class products — it reflects the strength of our customer engagement and support model, where IDEXX representatives serve as true partners in helping practices improve medical outcomes and business performance.

In the U.S., growth was fueled by strong volume gains, including benefits from adoption of new innovations, alongside sustained strong new and competitive Catalyst placements. Our teams are effectively engaging practices — whether start-ups outfitting their practice for the first time or established clinics seeking to upgrade and expand capabilities. Accelerated growth in the important diagnostics frequency metric, as well as utilization per clinical visit, is a critical driver of success, enhancing patient care while creating durable growth for both clinics and IDEXX.

We are also benefitting from corporate account relationship extensions and expansions. These relationships represent significant multi-year growth opportunities as practices transition volume into IDEXX's ecosystem of diagnostics, software, and services. Importantly, these partnerships are increasingly structured to elevate care at the practice level—through greater diagnostics frequency, utilization, workflow optimization, and expanded menu adoption.

Internationally, we delivered double-digit installed base growth for the 11th consecutive quarter, with a step up in the growth of CAG Diagnostics recurring revenue growth across major regions. Our commercial strategies are globally tailored to regional dynamics, supported by strong reference laboratory networks, and backed by an innovation approach that ensures high product/market fit such as with ProCyte One™ and SNAP™ Leishmania. Expanding diagnostics frequency in international regions continues to be a key growth lever, elevating the standard of care and expanding the sector opportunity.

We remain committed to investing in our commercial footprint where the customer readiness and growth potential are strongest. We are on track with plans to expand in three international countries by the start of 2026, while also enhancing our U.S. commercial footprint. These are high return investments, reducing the number of customers per account manager, supporting more frequent engagement, strengthening loyalty, and driving adoption of IDEXX solutions.

The commercial organization's ability to consistently deliver growth across varied geographies and macroeconomic conditions demonstrates the durability of our model. Practices continue to prioritize diagnostics and software because they are foundational to their mission, and IDEXX is their partner of choice.

Turning to our innovation update, let me begin with Catalyst Cortisol, the newest addition to our Catalyst platform.

Launched in North America in late July, and at the end of the third quarter internationally, Catalyst Cortisol is already seeing strong momentum, with over a quarter of Catalyst customers in North America adopting the test within the first three months of launch. This is among the fastest adoptions for a Catalyst menu expansion, underscoring both the clinical need and the level of customer anticipation.

Catalyst Cortisol enables veterinarians to rapidly measure cortisol levels at the point of care, supporting diagnosis and monitoring of adrenal conditions such as Cushing's syndrome and Addison's disease. These conditions are often complex and require real-time insights to guide treatment decisions. With Catalyst Cortisol, veterinarians can deliver highly accurate results during the patient visit, avoiding delays, reducing callbacks, and increasing confidence in treatment planning.

The addition of Cortisol was the most frequently requested Catalyst menu expansion from customers — a clear signal of its importance to clinical practice. The rapid uptake we've seen

validates the power of listening closely to our customers and then delivering innovation that directly addresses their highest priority needs from both a testing accuracy standpoint and workflow friendly way.

This is also a great example of our Technology-for-Life strategy. By continually expanding the Catalyst menu, we increase both the medical and economic value of the installed base. With nearly 77,000 Catalyst instruments in practices globally, each new menu expansion represents a lever for increased utilization, improved care, and long-term recurring revenue.

Alongside Catalyst™ Pancreatic Lipase, which has already achieved adoption across over 50% of the available installed base, and Catalyst™ SmartQC™, which is simplifying quality control workflows, Catalyst Cortisol is strengthening Catalyst's position as the most versatile, value-creating chemistry, immunoassay, and electrolyte platform in veterinary medicine.

Moving to inVue Dx, by the end of Q3, we had placed over 4,400 inVue Dx analyzers globally year-to-date, exceeding our expectations and reinforcing the momentum that began with preorders last year. This represents one of the most successful product rollouts in IDEXX's history. This strong start gives us confidence to, once again, raise our full-year outlook to ~6,000 placements.

Customer feedback has been overwhelmingly positive, with veterinarians consistently highlighting workflow transformation, diagnostic confidence, and powerful clinical insight as the most meaningful benefits. The slide-free cytology workflow reduces technician's time, improves consistency, and delivers results while the patient is still in the practice. At the same time, AI models now trained on more than 60 million cellular images provide reliable, high-quality insights that elevate standards of care. Frequent software updates as often as every other week, continuously expand these capabilities — enhancing accuracy and ensuring clinicians always benefit from the latest advancements. A great example of this is a recent update that reduced time-to-result of an ear cytology to approximately 8 minutes.

Utilization for ear cytology and blood morphology has been robust and well aligned with our expectations. Both of these broad use categories have great use cases in everyday practice, serving as high-frequency diagnostics that support patient care across a wide range of conditions. Their adoption underscores the value of inVue Dx in addressing routine, repeatable testing needs that drive workflow efficiency and strengthen clinical confidence. Importantly, success in these initial categories provide a strong foundation for the platform, creating natural momentum as we expand the menu into additional high-value areas such as oncology with the addition of Fine Needle Aspirate — which remains on track for rollout later this year.

Importantly, inVue Dx is not only driving placements and consumables but also strengthening customer loyalty and long-term contractual relationships. Many practices adopting inVue are expanding their broader IDEXX commitments, with some extending agreements ahead of schedule to secure access to this transformative platform.

Turning to Cancer Dx, momentum remains strong, with nearly 5,000 practices to date adopting the test within just a few quarters of launch. Utilization is tracking well with expectations, and we continue to be encouraged by competitive customer adoption, now over 17% of customers. This reflects growing awareness and underscores Cancer Dx's importance as a new standard in veterinary oncology. While the majority of samples are still being used to aid in the diagnosis of canine lymphoma, the number of practices incorporating the test into wellness protocols is nearing parity, enabling early detection and improved patient outcomes.

The clinical need for oncology screening is clear. Cancer remains one of the leading causes of death among dogs, and early detection is critical to improving outcomes. Cancer Dx provides veterinarians with a cost-effective, highly sensitive tool that integrates seamlessly into a standard wellness visit.

Looking ahead, our Cancer Dx roadmap is ambitious as we expand internationally and add Mast Cell Tumor detection and one additional cancer next year. With canine Lymphoma and Mast Cell Tumor detection, the Cancer Dx platform will address over one-third of all canine cancer cases. Mast cell tumors are top of mind with pet parents because they can often feel these lumps and bumps while petting or cuddling with their dog and early detection can significantly improve the clinical outcome for an affected dog. The upcoming availability of FNA for lumps and bumps on inVue Dx will allow for cytology results during the patient visit, helping to provide clarity to a concerned pet parent.

We have a couple of important highlights in our software business, specifically related to the broad-based adoption of our cloud-based products, reflecting the strength of IDEXX's vertical SaaS model purpose-built for animal health. Veterinarians across all stages of their careers recognize the workflow efficiencies and ease of use that our solutions provide, enabling them to spend more time delivering care and less time on administrative tasks.

Our cloud-native PIMS platforms delivered double-digit installed base growth again this quarter, surpassing a milestone now with over 10,000 locations, and strong adoption among both independent practices and enterprise customers with multi-location groups. Customers are choosing IDEXX for our growing vertical SaaS platform, where integrated modules create

seamless workflow for clinicians and connectivity with diagnostics — and increasingly for pet parents through Vello™.

Vello, our client engagement platform, continued to expand in Q3, with active clinics growing over 20% sequentially, and over half of PIMS bookings in the quarter included a Vello subscription. Clinics using Vello report higher appointment adherence, increased diagnostics compliance, and greater client satisfaction — all of which translate into higher visit volumes and revenue growth. The integration of Vello with our diagnostics and PIMS ecosystem further amplifies its value, making it an increasingly important part of IDEXX's long-term growth engine.

As we conclude, I want to extend my deep gratitude to our 11,000 IDEXX employees worldwide. Your commitment to innovation, customer partnership, and operational excellence is what enables us to deliver results like these.

Q3 was another quarter where innovation and commercial execution came together to drive strong financial performance and advance veterinary care. As diagnostics sit at the center of the veterinary system of care, IDEXX will remain at the forefront of advancing standards, unlocking practice productivity, and driving sustainable growth.

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