

## — PARTICIPANTS

### Corporate Participants

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**Brian Patrick McKeon** – Executive Vice President, Chief Financial Officer & Treasurer, IDEXX Laboratories, Inc.

**Andrew Emerson** – Senior Vice President-Corporate & Companion Animal Group Finance, IDEXX Laboratories, Inc.

**Jonathan J. Mazelsky** – President, Chief Executive Officer & Director, IDEXX Laboratories, Inc.

### Other Participants

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**Erin Wilson Wright** – Analyst, Morgan Stanley & Co. LLC

**Chris Schott** – Analyst, JPMorgan Securities LLC

**Michael Ryskin** – Analyst, BofA Securities, Inc.

**Jonathan D. Block** – Analyst, Stifel, Nicolaus & Co., Inc.

**Daniel Clark** – Analyst, Leerink Partners LLC

**Navann Ty** – Analyst, BNP Paribas Exane

## — MANAGEMENT DISCUSSION SECTION

Operator: 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 noticed 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 in 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 Patrick McKeon, Executive Vice President, Chief Financial Officer & Treasurer, IDEXX Laboratories, Inc.**

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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 responsibility as IDEXX's CFO on March 1, 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 Diagnostic recurring revenues. Operating profits increased 7% as reported and 8% on a comparable basis, benefiting from a 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 Diagnostic 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 US net price realization of approximately 3.5%.

As noted in our last earnings call, US 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. US CAG Diagnostic recurring revenue increased 4% organically in Q4, net of a 1% negative growth impact from fewer equivalent selling days.

IDEXX execution drove approximately 2% US 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 US clinical visit growth levels in the fourth quarter. We continue to work through pressure on US 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 year-on-year growth in our international premium instrument installed base.

IDEXX fourth quarter performance was supported by strong global growth and consumable revenues. IDEXX VetLab consumable revenues increased 12% organically, reflecting double-digit gains in US 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 approximately 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 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 US 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 US 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 continued to be supported by solid growth in recurring revenues and ongoing momentum in cloud-based software placements.

In other business segments, Water revenues increased 9% organically in Q4 compared to strong prior-year levels, driven by continued solid gains in the US and Europe. Livestock, Poultry and Dairy revenues increased 7% organically in Q4, supported by solid gains in our US, 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 approximately 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%, an increase of 60 basis points on a comparable basis, including an approximately 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 lapping of an applicable statute of limitations. Foreign exchange drove a \$0.03 per share EPS headwind in the quarter, net of approximately \$3 million 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, \$0.05 of 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 \$5 million and EPS by \$0.05 per share, net of \$6 million in hedge gains.

Free cash flow was \$808 million for 2024, or 91% of net income, aligned with our guidance and long-term goals. Capital spending was \$121 million for the full year, or approximately 3% of revenue. We allocated \$249 million to repurchase 564,000 shares in the fourth quarter. For the full year, we allocated \$859 million to repurchase 1.760 million shares.

Our balance sheet is in a strong position. We ended 2024 with leverage ratios of 0.7 times gross and 0.4 times net of cash.

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

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**Andrew Emerson, Senior Vice President-Corporate & Companion Animal Group Finance, IDEXX Laboratories, Inc.**

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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 \$4.055 billion to \$4.170 billion, an increase of 4% to 7% on a reported basis. On an organic basis, this reflects a growth range of 6% to 9% overall, supported by 5% to 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 key drivers for our 2025 organic growth outlook, the midpoint of our CAG Diagnostic recurring revenue growth range incorporates expectations for global net price realization of 4% to 4.5% and volume gains of approximately 2%.

The outlook includes assumptions for declines in US same-store clinical visit growth levels, with the midpoint reflecting a similar rate of a 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 macroeconomic conditions.

Our revenue growth outlook includes approximately \$50 million 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% to 31.5%. On a comparable basis, this reflects an outlook of 30 to 80 basis points of improvement year over year, net of 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 Diagnostic 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 Diagnostic 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 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 \$42 million of net interest expense at prevailing rates.

Foreign exchange is expected to have a negative impact of \$0.21 year over year, 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 US dollar would impact the full year reported revenue by \$15 million and operating income by \$5 million net of hedge positions.

Our 2025 free cash flow outlook is for net income to free cash flow conversion ratio of 85% to 90%, aligned with our long-term goals. This reflects estimated capital spending of approximately \$160 million, or about 4% of revenues. The outlook incorporates increased capital deployment aligned with \$1.5 billion towards share repurchases, or approximately 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% to 6%, with similar gains in CAG Diagnostic recurring revenue, net of a 1% to 1.5% days headwind. This factors in US clinic 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% to 4% includes approximately 2% negative impact from foreign exchange at current rates. Our Q1 reported operating margins are planned for 30.2% to 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.

**Jonathan J. Mazelsky, President, Chief Executive Officer & Director, IDEXX Laboratories, Inc.**

Good morning, and thank you, Andrew. IDEXX delivered another strong quarter to close out 2024, capped with the additional placements of IDEXX inVue Dx. Our results this quarter exemplified 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 and 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 in 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 percent customer retention levels across major testing modalities, and sustained adoption levels of diagnostic testing utilization via 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 year-on-year 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 macroeconomic 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 74,000 chemistry analyzers, for example, allow for rapid global adoption of new testing innovations such as pancreatic lipase, the 10th 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 region showcased strong performance in 2024, contributing significantly to our growth story. Double-digit expansion of our premium installed base outside the US 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 complementary 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 begin taking orders in select geographies in Q4, though like the US, 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 have 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-plus inVue placements over the course of the year as we march towards our 20,000 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're 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 turnaround 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 turnaround time attributes of the Cancer Dx panel, the opportunity is to inspire a much broader inclusion of cancer screening as an essential part of the 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 through 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 opportunities 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 clinic seeking modern, scalable solutions. We finished the year with 60% of our PIMS installed base in the cloud, ahead estimates shared at Investor Day in August.

IDEXX Web PACS, our cloud-native imaging workflow engine also experienced double-digit subscriber growth, demonstrating its relevance at 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 1. 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 1. Andrew brings more than 20 years of finance experience to the healthcare industry in roles of increasing responsibility, including over 9 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 one. Brian will remain with IDEXX in a senior advisory capacity until his retirement date of June 1 in order to help ensure a smooth and seamless transition for Andrew.

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

**QUESTION AND ANSWER SECTION**

Operator: Thank you. [Operator Instructions] The first question is from Erin Wright with Morgan Stanley.

**<Q – Erin Wright – Morgan Stanley & Co. LLC>:** Great, thanks. And Brian, it's been great working with you over the years, and congrats on your retirement. And looking forward to working with you too, Andrew, as we kind of move forward. But in terms of my questions, I'll start with innovation. So, I guess, can you speak to what guidance assumes now in terms of the innovation contribution in 2025? Is that adding about 1 point to CAG recurring growth assumptions for you?

And I just wanted to get an update on inVue on that front. I guess, why are you limiting pre-orders in the US, and there are placements, I guess, of 10, but pre-orders of 1,600. So, I guess, why is there such a backlog there? Is there more AI training needed? Is there necessary adjustments to the offering or timing of the rollout or anything like that, or practitioners just waiting for FNA? I guess, when do you expect FNA to launch as well and what does guidance assume on that front? Thanks.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>:** Good morning, Erin, this is Andrew. Happy to kick us off with what's included in the guidance, and then I'll hand it over to Jay to talk a bit about inVue. Just in terms of what we've provided, we initially get benefits from the instrument revenues as we launch a platform like inVue. What we noted in the prepared remarks is approximately \$50 million and 4,500 placements on the innovation launch of the inVue Dx platform. So, we feel good about that, but that's captured in our overall guidance.

We haven't necessarily broken out the other innovation areas, but we do expect benefits from PL and cancer, as Jay highlighted in his remarks. They're going to allow us to continue to build momentum both domestically and internationally. But we haven't broken those out. We just have included that, and we feel good about the guidance that we've provided at this point.

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>:** Yeah. So, I'll take it from there. Good morning, Erin. So, as disclosed, we began shipping in Q4. I'd say that customer interest has been very high, and that's reflected in close to the 1,600 pre-orders that I indicated. From a customer lens, what customers are responding to is some of the things that we've been talking about, the key attributes of the system, starting with the menu, ear cytology and blood morphology and then FNA later in 2025. What – the way customers see these clinical use cases, very high volume, well understood, and well integrated into the workflow of how they practice. They also like the slide-free operation. They see preparing slides as really an intensive bottleneck, sometimes 15, 20 minutes. And of course, at the end of the day, what they want is consistent, highly accurate results. And they see inVue as being able to deliver that.

In terms of the actual launch and approach, we follow a very tried and true controlled launch process for all our analyzers. In fact, this is my fourth premium instrument launch since being at IDEXX. And it starts with the aim of delivering an exceptional customer experience. It's what they expect of us. They know we have a world-class product development organization. There's always tweaks that come up as part of any launch. What I would say is we're making excellent progress. We plan to deliver the 4,500-plus in 2025, as I indicated, and that'll ramp over the year.

Manufacturing and installation capacity are ahead of plan, and that puts us in a strong position to achieve the plan. And customers aren't waiting, to answer your specific question around are they waiting for FNA to take delivery, they're not.

**<Q – Erin Wright – Morgan Stanley & Co. LLC>:** Okay. Okay. Great. That's helpful. And then, does your guidance assume any sort of notable changes from a customer account standpoint, at point of care or ref lab? Just – presumably, you're still lapping through some of that repricing action

taken, I guess, in 2024. I guess can you remind us when you fully lap that? And can you help us quantify how that headwind lingers into 2025? Is it an incremental headwind net-net or less of a headwind in 2025? Thanks.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Thanks, Erin. So, just on pricing, what we noted was 4% to 4.5% for the full year. In Q1 specifically, we did remark that we would expect to be on the lower end of that range, just given the three large customer lapping that Brian had captured in his commentary on our Q4 results. So, we will continue to lap that throughout the year. But I think we've captured that in our guidance. And again, we feel good that we have strong momentum in terms of our ability to continue to work with our customers and expand our installed base, both internationally where we saw double-digit growth, as well as globally where we had a 9% installed base expansion for 2024.

**<Q – Erin Wright – Morgan Stanley & Co. LLC>**: Okay. Great. Thank you.

Operator: The next question is from Chris Schott with JPMorgan.

**<Q – Chris Schott – JPMorgan Securities LLC>**: Great. Thanks so much for the questions. Just two on the 2025 guidance. First, can you just elaborate on the vet visit trajectory you expect from here? It sounds like, I think, from the prepared remarks, down 3% or so in 1Q. But can you just talk about the recovery and confidence in recovery from there? And the second question was just on US versus ex US growth this year. Any notable kind of differences or trends that you're expecting as we think about the regions? Thank you.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Good morning, Chris. So, just to talk about the vet visits, in terms of what we've included in the guide for the US, we signaled it was similar to the decline that we intended for 2024. So that would represent approximately 2%, as Brian highlighted. When we think about Q1, we are anticipating that we saw similar trends as we exited the year.

Q4 was about a 3% decline on clinical visits overall. And just as we saw in Q4, we saw some modest differences by quarter. But ultimately, again, we're anticipating about a 2% decline in clinical visits for 2025. So, not really an improvement as we head into the year, and that could bounce around a little bit by quarter, and we'll provide more information as the year goes on.

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>**: Good morning, Chris. Maybe just to spotlight our international performance. We've, as you know, invested fairly heavily in expanding our international commercial footprint over the last three-plus years. And we've seen really nice growth in terms of overall installed base of our premium instruments and associated consumables stream.

In Europe, in fact, we've seen last seven quarters of double-digit growth from a consumables standpoint in the high teens. And I think that's just a reflection of really strong execution, longer tenure of the team and customer response to the innovations, like ProCyte One and other solutions that help them practice good medicine.

**<Q – Chris Schott – JPMorgan Securities LLC>**: Great. Thanks so much.

Operator: The next question is from Michael Ryskin with Bank of America.

**<Q – Mike Ryskin – BofA Securities, Inc.>**: Great. Thanks for taking the question. I have a couple of quick ones, hopefully, guys. The first on the – just going back to the visit dynamics, you talked through your assumptions for 2025. I just want to dig into 4Q a little bit. I know we probably shouldn't look into quarter-to-quarter trends, and these things are volatile. I understand all that. But just the dispersion here between wellness and non-wellness is what really struck me. It seems like it sort of accelerated through the course of 2024 and sort of reached its broadest dispersion in the

fourth quarter. You really saw wellness drop off pretty sharply relative to total clinical visits or non-wellness visits.

Just wondering what you're seeing on the ground, what the feedback is you're getting in that. Obviously, there's a lot of concern that that's driven by demand elasticity, price, weak consumer environment, people just sort of backing away from some of those more discretionary visits. I know you've talked in prior quarters about potentially the impact on visit trends from some therapeutic options timing – including injectable drugs. Just any color you can provide on wellness specifically and why you've seen that deteriorate over the course of 2024.

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>**: Sure. Let me provide some insight on that, Mike. The – we do think at the margin, there was probably the impacts from the consumer and the overall macro environment. But the interesting thing about wellness is the inclusion of diagnostics actually went up. So, we saw a really nice premium growth.

Our belief is that the quality of these visits went up. The pet owner and veterinarian really use that higher intensity of diagnostics. So, though there is probably some marginal pet owners dropping off, potentially deferring or delaying some of those visits, the ones that came in, very high quality, and we benefited from that. And we think with our IDEXX cancer diagnostics panel included in wellness visits, we'll continue to inspire, potentially pull through on that end too.

**<Q – Mike Ryskin – BofA Securities, Inc.>**: Okay. All right. And then for my follow-up question, I don't think you really called this out in the prepared remarks, but I noticed that for the guide for 2025, Brian or Andrew, you guys are assuming a little bit more share buyback. I think you said 2% to 3% reduction in shares. I think you've – most years you've sort of been in that 1% reduction. Just any additional color there in terms of the rationale for that? Thanks.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Yeah, Mike. So, just in terms of kind of a rationale, we have high confidence in the company's potential growth model here. We've executed exceptionally well, and I think we're really on the cusp of that new wave of innovation, which Jay has highlighted several times. This really reflects strong free cash flow generation. We have a really healthy balance sheet with high liquidity. Brian mentioned on the call, in terms of Q4, our gross leverage was about 0.7 times, and this largely sustains those levels at a higher deployment rate. So, it does achieve that 2% to 3% reduction in average shares. And again, we look at this as a positive momentum for the long term.

**<Q – Mike Ryskin – BofA Securities, Inc.>**: All right. Thanks.

Operator: [Operator Instructions] The next question is from Jon Block with Stifel.

**<Q – Jon Block – Stifel, Nicolaus & Co., Inc.>**: Thanks, guys. Good morning. It looks like the IDEXX premium for the quarter, so in other words, 4Q 2024, was the strongest for the year. And that was before the rollout of Cancer Dx, I mean, essentially before inVue for the most part. So, can you just talk about what led to the uptick for the premium in the quarter allowed you to arguably offset the down, whatever it was, 2.9% in clinical, and still put up some pretty good CAG Dx recurring? That's specific to the fourth quarter 2024 question. And then I'll ask a follow-up.

**<A – Brian McKeon – IDEXX Laboratories, Inc.>**: Hey, Jon, it's Brian. As you pointed out, it was a very good quarter. Our best volume growth quarter of the year when you normalize for days. We saw a very strong consumable growth. I think that that's reflective of the progress that we've made on instrument placements growing the installed base during the year, some benefit from innovation. The pancreatic lipase slide is helpful on that front and globally, just really good international momentum.

So, I think it's reflective of the strong execution that we've seen throughout the year that's enabled us to grow at a faster rate than the sector. And as the team has pointed out, I think the company is really well positioned to build on that heading into 2025 with the new innovations that will be coming.

**<Q – Jon Block – Stifel, Nicolaus & Co., Inc.>**: Got it. Helpful. And then maybe a second question on price. So, I think it's – I think you called out 3.5% in the US, it sort of implies, I don't know, 5%-and-change in the international markets. Jay, can you just talk about your comfort in these pricing levels that the consumer can absorb the likely increases? I think you're going to say we don't dictate price to the consumer, but you sort of do because that's not going to take it all on the margin – on their margin.

And to Mike's previous question, do you think this higher pricing environment, while providing a temporary fix, is acting as a headwind as we continue to see this wellness slide and, hence, the pet owner avoid wanting to come in for that wellness sticker shock? And then part B of a very disparate question is, the \$42 million in interest expense, can you just reconcile that? It just looks pretty high considering where we were in 2024. Thanks, guys.

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>**: Yeah. Let me talk about pricing and I'll turn over to Andrew to talk about the interest expense. Of course, I'm going to caveat it and say our customers determine in sector pricing. Keep in mind, wellness versus non-wellness pricing are different things. Typically, for a wellness visit, the veterinarian doesn't spend more than 5, 7, 10 minutes with the pet owners. So, they price that differently. And we offer a number of programs like compliance-based pricing, which I think is – positions it – positions those panels very advantageously.

I would say that, the – we are very mindful of the need to be in front of the differentiation that we offer through innovations. A lot of what we offer, for example, is complementary to the customer, whether it's VetConnect PLUS, whether we add in tapes and Cystoisospora for fecal antigen. I think Cancer Dx is a great example of really keeping that price very moderate at \$15-plus per select panels.

So, overall, we're comfortable in terms of where we price. We've seen an increase, as I just indicated, in the inclusion of diagnostics and wellness panels. In fact, very strong increase in Q4. So, the quality of the visits and the quality of diagnostics inclusion has been growing fairly strongly. Andrew, do you want to address the...

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Yes, Jon, just in terms of the \$42 million on interest, that does align with the step-up in terms of our planned buybacks of \$1.5 billion. So, again, we've calibrated that based off of current rates. As you – as Brian noted, we did just about \$850 million in 2024. So, there's an increased level there, and we've captured that in our interest expense cost.

Operator: The next question is from Daniel Clark with Leerink Partners.

**<Q – Daniel Clark – Leerink Partners LLC>**: Yes. Thank you. I just had a quick clarification on InVue. Are you still limiting pre-orders, or are you fully allowing those now?

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>**: Yes. So, we – generally, we've opened the funnel in terms of what our field organizations can take in North America. I would say, internationally, it's more limited, and we'll continue to just offer it in select countries. And throughout the year, we'll revisit that.

**<Q – Daniel Clark – Leerink Partners LLC>**: Okay. Got it. Thank you. And then just a separate question. Was there any impact from weather that's worth calling out in terms of visit trends for 4Q or how you're thinking about 1Q? Thanks.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Good morning, Dan. So, just in the fourth quarter, I think we had signaled on the last call that we anticipated about 50 basis points of weather associated with what we saw in early October. Yeah, as we head into Q1, certainly, we've seen some weather types of impacts. But at the end of the day, we've captured those in our outlook, and again, feel good about the guide that we presented today.

Operator: The next question is from Navann Ty with BNP Paribas Exane.

**<Q – Navann Ty – BNP Paribas Exane>**: Hi. Good morning. First on the vet visits. If you can discuss further the underlying factors embedded in the 2% decline, expected midpoint, in terms of macro impact and time to replenish vet and vet tech graduates. And do you expect potential improvement in 2026?

And then in terms of margin, should we still expect 2025 margin expansion is still gross margin led? And can you discuss the SG&A and R&D this year with the InVue and cancer diagnostics launches and expansion? Thank you.

**<A – Jay Mazelsky – IDEXX Laboratories, Inc.>**: Yeah. Just to provide some – I'll cover the clinical visit trends just to provide some additional color on that. We still think capacity constraints are challenged for practices, less around just absolute employment levels and maybe more related to number of hours worked. In talking to a number of the corporate or enterprise accounts, they continue to speak to the desire to hire more veterinarians and staff as they become available. And in that sense, supply can drive demand. Probably the more primary factor is the macroeconomic environment, cumulative impacts of inflation and some moderation as a result of that.

**<A – Andrew Emerson – IDEXX Laboratories, Inc.>**: Yeah, Navann, just on the gross margin and breakout of OpEx, we didn't provide any explicit detail here. But overall what we're planning for is an operating margin improvement of 30 to 80 basis points on a comparable basis year over year, the midpoint being about 50 basis points.

I think you'll expect most of that to be gross margin led as we reinvest back into the business. Certainly, again, we feel good about the innovation cycle we have here and the potential for growth over time. We want to make sure we're making investments in the right areas in order to support that ultimately.

**Jonathan J. Mazelsky, President, Chief Executive Officer & Director, IDEXX Laboratories, Inc.**

Okay. I'd like to thank everybody for their questions this morning. We're now going to conclude our Q&A portion of this morning's call. It's been a pleasure to review another quarter and full year of strong IDEXX results. So, thank you again for your participation this morning, and we'll conclude the call.

Operator: Thank you. This concludes today's call. Thank you for your participation. You may now disconnect.