



Zoetis Inc. (ZTS)

Updated February 12th, 2026, by Derek English

Key Metrics

Current Price:	\$127	5 Year Annual Expected Total Return:	13.4%	Market Cap:	\$56.7 B
Fair Value Price:	\$151	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	04/20/26
% Fair Value:	84%	5 Year Valuation Multiple Estimate:	3.5%	Dividend Payment Date:	06/02/26
Dividend Yield:	1.7%	5 Year Price Target	\$222	Years Of Dividend Growth:	12
Dividend Risk Score:	A	Sector:	Healthcare	Rating:	Buy

Overview & Current Events

Zoetis was founded in 1952 as a subsidiary of Pfizer Pharmaceuticals. It became an independent company in 2013 when Pfizer spun off its interest in the firm. The U.S.-based drug company focuses on animal health, including discovering, developing, manufacturing, and commercializing medicines, vaccines, and diagnostic products. Biodevices, genetic tests, and precision livestock farming complement the company's offerings. The Vaccine segment is the largest revenue-generating segment, with 22% of the total revenue, while the United States generates 54% of the revenue.

Zoetis reported its fourth-quarter and full-year 2025 results on February 12th, 2026, delivering solid full-year performance. For the fourth quarter, revenue grew 3% year-over-year to \$2.39 billion, with 4% organic operational growth. Adjusted net income increased 3% to \$648 million, while adjusted diluted EPS rose 6% to \$1.48. Reported diluted EPS was \$1.37, up 6% from the prior year. For the full year, revenue increased 2% to \$9.47 billion, representing 6% organic operational growth. Adjusted net income rose 6% to \$2.85 billion, and adjusted diluted EPS climbed 8% to \$6.41, up from \$5.92 in 2024. Reported diluted EPS was \$6.02, a 10% increase year-over-year. Performance was supported by continued strength in the companion animal portfolio.

The Simparica franchise grew 12% operationally in 2025, with Simparica Trio surpassing \$1 billion in U.S. sales. The key dermatology franchise advanced 6% operationally, driven by strong demand for Apoquel and Cytopoint. While the osteoarthritis pain monoclonal antibody franchise declined 3% operationally for the year. Global livestock revenue increased 8% on an organic operational basis, marking the third consecutive year of mid- to high-single-digit operational growth.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$1.96	\$2.40	\$3.13	\$3.64	\$3.85	\$4.27	\$4.51	\$5.08	\$5.47	\$6.02	\$6.30	\$9.26
DPS	\$0.38	\$0.42	\$0.50	\$0.66	\$0.80	\$1.00	\$1.32	\$1.50	\$1.73	\$2.00	\$2.12	\$3.11
Shares¹	492	486	479	475	475	476	470	462	462	461	460.0	455.0

Zoetis has recorded solid and consistent growth over the last ten years, with earnings per share growing yearly since 2016. The average annual earnings per share growth rate was 13.3% in the previous 10 years. Tailwinds in companion products boosted earnings, representing 55% of revenue, and were further enhanced by the launch of Simparica Trio. In addition, the company gave guidance on operational growth between 3% and 5%, including an adverse impact of foreign exchange rates. However, we expect the exchange rates to balance over time and estimate for earnings to grow 8% annually through 2031. In addition to double-digit dividend growth, the company intends to add more investor value and continue repurchasing shares under a \$3.5 billion share repurchase program announced in December 2021.

While the company's payout ratio is typically ~30%, Zoetis has an impressive dividend compound annual growth rate of 20.1% over the last five years. In addition, the company has increased its dividend each year since being spun off. The current quarterly dividend of \$0.50 per share is ~16% higher than last year.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	26.0	24.3	25.4	27.3	30.4	37.5	40.5	37.6	31.7	35.6	20.2	24.0
Avg. Yld.	0.7%	0.8%	0.7%	0.6%	0.6%	0.6%	0.7%	0.7%	0.9%	1.0%	1.7%	1.4%

With Zoetis showing impressive growth over the last 10 years, the stock is not cheap. Shares fell to \$90 from a high of \$246 during the market wide decline in March of 2020. More recently, the share price dropped from \$127 due to concerns about the side effects of arthritis drugs for cats and dogs, giving the stock a current P/E ratio of 21.6. The average P/E ratio is about 32 times earnings over the last decade. We expect the company to trade closer to 24 times earnings by 2031 and our five-year price target is \$222. Shares trade at 84% of our fair value estimate of \$151.

Safety, Quality, Competitive Advantage, & Recession Resiliency

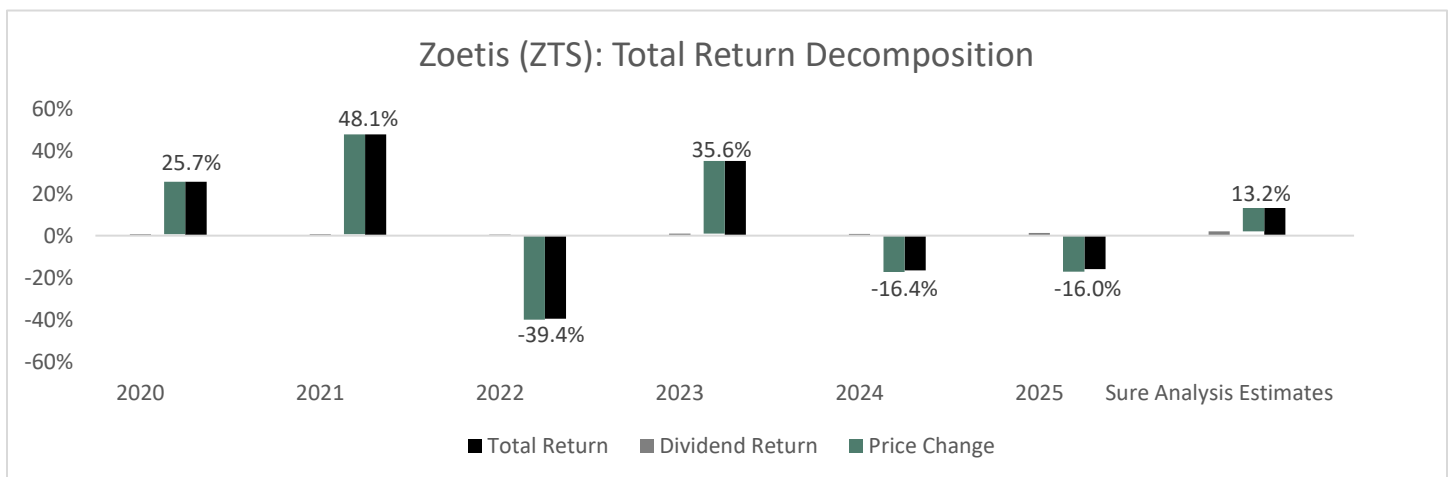
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	19%	18%	16%	18%	21%	23%	29%	30%	32%	33%	34%	34%

According to Global Market Insights, the Animal healthcare market is predicted to grow at just under 5% CAGR through 2027. Vaccines, drugs, and the growing penetration of e-commerce are all anticipated to fuel growth. Zoetis focuses on acquisitions to grow its business and has made eight acquisitions to remain competitive over the last several years. Since 2018, the company has been advancing more into the veterinary diagnostics market with Abaxis's \$2 billion purchase. Outside of diagnostics, the company has been diversifying beyond its legacy pharmaceutical products, including the acquisition of Performance Livestock Analytics, which adds a software platform to help farmers make more efficient farms. This has helped Zoetis become one of the most innovative companies in the industry. As a result, we have seen impressive growth in earnings and dividend growth, which look set to continue in the medium term. Still, the safety and future expansion of the company will largely depend on how it continues to integrate new acquisitions into its existing business model.

Final Thoughts & Recommendation

Since the spin-off from Pfizer in 2013, Zoetis' return has been in the healthy double-digit range for shareholders as the share price increased from \$30 to its current level. Strong tailwinds in the animal health market and shrewd acquisitions have helped the company grow earnings and dividends in the high teens. There is no question that Zoetis has the attributes of a quality company. The stock trades below our fair value, but has a low dividend yield. We expect annual returns of 13.2% through 2030. We rate Zoetis as a buy due to its valuation and dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,765	4,888	5,307	5,825	6,260	6,675	7,776	8,080	8,544	9,256
Gross Profit	3,027	3,222	3,532	3,914	4,268	4,618	5,473	5,626	5,983	6,537
Gross Margin	63.5%	65.9%	66.6%	67.2%	68.2%	69.2%	70.4%	69.6%	70.0%	70.6%
SG&A Exp.	1,532	1,364	1,334	1,484	1,638	1,726	2,001	2,009	2,151	2,318
D&A Exp.	199	240	242	308	412	441	448	465	491	497
Operating Profit	1,070	1,397	1,725	1,881	2,018	2,269	2,803	2,928	3,069	3,392
Operating Margin	22.5%	28.6%	32.5%	32.3%	32.2%	34.0%	36.0%	36.2%	35.9%	36.6%
Net Profit	339	821	864	1,428	1,500	1,638	2,037	2,114	2,344	2,486
Net Margin	7.1%	16.8%	16.3%	24.5%	24.0%	24.5%	26.2%	26.2%	27.4%	26.9%
Free Cash Flow	440	497	1,122	1,452	1,335	1,673	1,736	1,326	1,621	2,298
Income Tax	206	409	663	266	301	360	454	545	596	637

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,913	7,649	8,586	10,777	11,545	13,609	13,900	14,920	14,290	14,240
Cash & Equivalents	1,154	727	1,564	1,597	1,932	3,602	3,482	3,577	2,039	1,985
Accounts Receivable	937	913	998	1,036	1,086	1,013	1,133	1,215	1,304	1,316
Inventories	1,467	1,502	1,427	1,391	1,410	1,628	1,923	2,345	2,564	2,306
Goodwill & Int. Ass.	2,645	2,709	2,779	4,565	4,482	4,404	4,156	4,126	4,079	3,851
Total Liabilities	6,822	6,150	6,800	8,592	8,837	9,836	9,356	10,520	9,295	9,467
Accounts Payable	293	265	261	313	301	457	436	405	411	433
Long-Term Debt	4,868	4,468	4,953	6,452	6,447	7,199	6,592	7,904	6,567	6,570
Shareholder's Equity	1,068	1,487	1,770	2,185	2,708	3,769	4,543	4,405	4,997	4,770
D/E Ratio	4.56	3.00	2.80	2.95	2.38	1.91	1.45	1.79	1.32	1.38

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.7%	10.6%	10.6%	14.7%	13.4%	13.0%	14.8%	14.7%	16.1%	17.4%
Return on Equity	28.5%	64.3%	53.1%	72.2%	61.3%	50.6%	49.0%	47.3%	49.9%	50.9%
ROIC	6.2%	13.8%	13.6%	18.6%	16.9%	16.3%	18.4%	18.0%	19.6%	21.7%
Shares Out.	497	492	486	479	475	475	477	470	462	484.9
Revenue/Share	9.49	9.81	10.76	11.96	12.99	13.95	16.31	17.18	18.48	20.35
FCF/Share	0.88	1.00	2.28	2.98	2.77	3.50	3.64	2.82	3.51	5.05

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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