IDEXX Laboratories, Inc.
Q2 Fiscal Year 2026 Earnings Call – Prepared Remarks

Introduction

Good morning and welcome to the IDEXX Laboratories second quarter 2026 earnings conference call. As a reminder, today's conference is being recorded. Participating in the call this morning are Mike Erickson, 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 second quarter 2026 results and updated 2026 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 second quarter results and provide an updated outlook for our full year 2026 financial expectations.

During the second quarter, IDEXX delivered excellent financial results, building on strong execution, and expansion of IDEXX innovations in our companion animal business.

Revenue increased ~10% as reported — and 9% organically, supported by over 10% organic growth in CAG Diagnostics recurring revenues, with double-digit gains in both the US and International regions, and strong global growth in our Water and LPD businesses.

CAG Diagnostics recurring revenue growth was led by expanded volumes while US same-store clinical visits declined an estimated 1.3% in the quarter.

Premium instrument placements reached over 5,200 units in the quarter, including ~1,600 IDEXX inVue Dx™ analyzers — on pace for our full year inVue Dx placement goal of 5,500 units.

IDEXX's operating performance was excellent, with comparable operating margin gains of 110 basis points, supported by gross margin expansion with benefits from strong recurring revenue growth and favorable product costs in the quarter.

Operating profit gains enabled earnings per share of $4.27 in the quarter, resulting in EPS growth of 15% on a comparable basis.

Strong second quarter performance supports an increase to our full year outlook while advancing incremental growth investments. We are updating our full year revenue range to $4,700MM - $4,745MM, an increase of $5MM at midpoint, net of a $20MM increase in operational performance offset by a $15MM headwind from updated foreign currency effects. Our updated full year overall organic revenue growth outlook is 8.5% - 9.7%, with organic CAG Diagnostics recurring revenue growth of 9.5% - 10.7%. These organic growth ranges represent an increase of ~40 basis points at midpoint to our previous guidance, aided by global momentum in our CAG Diagnostics recurring revenues.

We are also increasing our full year EPS outlook to $14.69 - $14.94 per share — an increase of

$0.14 per share at midpoint — reflecting a 13% - 15% comparable EPS growth range.

We'll provide further details on our updated 2026 financial expectations later in my comments. Let's begin with a review of the second quarter results.

Second quarter organic revenue growth of 9% was driven by nearly 9% CAG revenue gains, 13% growth in our Water business, and 9% growth in LPD.

Strong CAG results were supported by CAG Diagnostics recurring revenue growth of 10.3% organically, net of a 50 basis point negative impact related to equivalent days, and average global net price improvement of ~4%. As expected, CAG Diagnostics instrument revenues declined 20% organically as we lapped the broad commercial availability of inVue Dx in the prior year period.

US organic CAG Diagnostics recurring revenues grew nearly 10% in Q2 including strong volume gains and net price realization aligned with our full year expectations. US same-store clinical visits declined 1.3% in the quarter, reflecting an IDEXX US CAG Diagnostics recurring revenue growth premium to US clinical visits of ~1,100 basis points. Pressure on wellness visits remains the primary constraint to clinical visits, with non-wellness visits showing modest growth. We continue to see growth in pets 5 years and older across both categories. IDEXX benefits from quality of clinical visits, with an increasing number including diagnostics, and broader use of diagnostic testing menu. With a substantial majority of wellness visits today not including bloodwork, we see inclusion as a long-duration volume lever that does not depend on a visit recovery.

International CAG Diagnostics recurring revenues grew nearly 12% organically in Q2, sustaining double-digit gains led by volume growth. International performance continues to be driven by IDEXX execution with volume gains from net new customers supported by expansion of our premium instrument installed base and same-store utilization including benefits from IDEXX innovations.

IDEXX continued to deliver strong organic revenue gains across our major global testing modalities in the second quarter.

IDEXX VetLab™ consumable revenues increased 14% on an organic basis — reflecting double-digit growth in both the US and International regions. Consumable revenue growth included benefits from net new customer gains in our premium instrument installed base and expanded testing utilization. IDEXX innovations, including our expanded Catalyst menu and growing benefits from inVue Dx recurring revenue continued to support utilization gains across our customer base.

CAG premium instrument placements reached 5,265 units during the second quarter, resulting in an expected YoY decline as we lapped the broad commercial availability of inVue Dx in the prior year. Instrument placements remained high quality — globally we placed 1,602 IDEXX inVue Dx instruments in Q2, and over 1,000 new and competitive Catalyst instruments globally, with nearly 300 in the US.

IDEXX global reference lab revenues increased over 10% organically in Q2, led by volume gains. Reference lab carries a higher index to wellness visits, which declined 3.4% in the US during the period. Performance was driven by net customer gains and increased same-store utilization, as existing customers adopted broader testing menu, including IDEXX Cancer Dx™.

Global rapid assay revenues increased ~1% organically in Q2, returning to growth as the impact from customers shifting of pancreatic lipase testing to our Catalyst instrument platform eases.

Veterinary software and diagnostic imaging organic revenues increased ~12%, driven by recurring revenue growth of ~10% during the quarter and continued strong placements of the (ImageVue™) DR50 Plus platform. Our cloud-native PIMS installed base grew double-digits, creating an expanded customer footprint to improve workflow and enhanced diagnostic protocols in the clinic.

Water revenues increased 13% organically in Q2, with strong double-digit growth in both the US and International regions, including benefits from order recovery in the Middle East.

Livestock, Poultry and Dairy revenues increased 9% organically in the quarter, with solid gains across our regions.

Turning to the P&L — strong recurring revenue growth and favorable product costs enabled 12% comparable operating profit gains in the quarter, with reported operating margins achieving 35.0%.

Gross profit increased 12% in the quarter as reported and 11% on a comparable basis. Gross margins were 64.0% — up ~120 basis points on a comparable basis. These gains reflect benefits from strong recurring revenue growth in IDEXX VetLab consumables and Reference Lab volumes, operational productivity, and favorable business mix including strong margin gains in our Water and LPD businesses. Pricing benefits offset inflationary cost pressures which eased in the quarter compared to our expectations.

On a reported basis, operating expenses increased 10% year-over-year, and 9% on a comparable basis. We expect to maintain growth in operating expenses through the remainder of the year as we advance investments in our innovation agenda and global commercial capabilities given strong revenue performance.

Q2 EPS was $4.27 per share — an increase of 18% as reported and 15% on a comparable basis. EPS in the quarter included a $0.14 per share benefit related to share-based compensation activity, compared to a $0.10 benefit in the prior year period, and foreign exchange added $6MM to operating profit and $0.06 to EPS in Q2, net of hedge effects.

Free cash flow was $323MM in Q2 and $557MM for the first half of 2026. On a trailing twelve-month basis, our net income to free cash flow conversion rate was 110%. For the full year, we're increasing our outlook for free cash flow conversion to 90% - 100% of net income, including full year capital spending consistent at ~$180MM.

Our balance sheet remains strong, finishing the period with leverage ratios of 0.6x gross and 0.5x net of cash. We maintained deployment of excess capital toward share repurchases, allocating $332MM during the second quarter and $693MM year to date. Capital allocated to share repurchases supported a ~2% year-over-year reduction in diluted shares outstanding in Q2.

Turning to our full year 2026 outlook — as noted, we're increasing our outlook for overall revenue to $4,700MM - $4,745MM. At midpoint, this reflects $20MM operational improvement from our prior guidance, building on strong second quarter performance including CAG Diagnostics recurring revenue expansion. Our updated reported revenue outlook includes a $15MM headwind related to foreign currency changes compared to our prior estimates.

This reflects a reported revenue growth of 9.1% to 10.3%, including ~60 basis point benefit to full year growth from foreign exchange at the rates outlined in our press release. As a sensitivity, a 1% strengthening of the US dollar would reduce revenue by ~$8MM and EPS by $0.03 per share for the remainder of the year.

Our updated overall organic revenue growth outlook of 8.5% - 9.7% includes an organic growth range of 9.5% - 10.7% for CAG Diagnostics recurring revenue, including ~4% benefit of global net price realization. At midpoint, we are anticipating second half US clinical visit declines of approximately 1.5%, reflecting similar Q2 trends. Business momentum combined with recent and upcoming product launches support our outlook in the second half, and the full year.

In terms of key financial metrics — we are updating our reported operating margin outlook to 32.3% - 32.5% for 2026, reflecting an increased expectation of 70 - 90 basis points of full year comparable operating margin improvement, supported by gross margin gains from strong recurring revenue growth. We are advancing incremental investments in commercial and R&D during the second half, supporting our long-term growth agenda.

Our updated full year EPS outlook is $14.69 to $14.94 per share, an increase of $0.14 per share at midpoint, driven by operational performance, compared to our prior guide. EPS also includes an increase of $0.05 per share related to share-based compensation benefits, offset by a $0.05 headwind from updated foreign exchange rates.

For the third quarter — we're planning for organic revenue growth in line with the implied second half growth range, and foreign currency impacts creating a 70 basis point headwind to reported revenue at rates outlined in the press release.

In the quarter, we're planning for modest comparable operating margin expansion of 20 -50 basis points, with reported operating margins expected to be 32.5% - 32.8%.

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

Mike Erickson

President & Chief Executive Officer

Thank you, Andrew, and good morning.

IDEXX delivered an exceptional second quarter with execution across all key growth drivers — expansion of diagnostic utilization, growth in our instrument and customer base, and continued advancement of our broad-based innovation pipeline.

The structural importance of diagnostics in the veterinary practice supported increased diagnostic frequency and utilization, even as overall clinical visit growth remained a modest headwind. We continue to see tailwinds from the aging pet population, with pets aged 5 and older contributing positive growth across both well and non-well visits. Pets are living longer, and we know that pets, like humans, require more care — including diagnostics — as they age.

Turning to commercial execution: instrument placements in both competitive conversions and greenfield accounts remained strong, and our installed base grew 11% year-over-year. Each new placement is a long-term platform investment — and with every menu expansion, the recurring value of that installed base grows.

Customer retention globally remains in the high nineties for our CAG diagnostics business. This is a metric that we work hard to earn every day, as it is a key part of our growth algorithm reflecting the trust veterinarians place in IDEXX and the durable value of our integrated diagnostics and software solutions. We know from experience that diagnostics is a performance category. Practices on our platform — point-of-care, reference labs, software and imaging — see materially higher growth in both their diagnostics and overall practice revenue.

We are also advancing investments in our global commercial capabilities. During the remainder of the year, we will expand our field presence across four international countries, as well as targeted additions in the US. This builds upon last year's international and domestic expansions and is a statement of our confidence in these geographies, our innovative diagnostic portfolio, and the opportunity to grow testing utilization. We have a well-proven operating playbook for these expansions: when we work closely with customers in the practice, helping them integrate innovations into their everyday protocols, we see higher adoption, higher utilization, and stronger long-term relationships.

Turning to innovation: inVue Dx momentum continues to be strong. We placed 2,700 instruments through the first half and are on pace to achieve our full-year placement goal. We're seeing a steady ramp internationally, as our commercial teams support integration of inVue Dx into practice workflows and awareness builds across regions. Customer feedback is positive and consistent across geographies, with veterinarians highlighting the integrated, slide-free workflow, the diagnostic confidence of objective AI-powered results, and the productivity gains of having cytology answers while the patient is in the clinic.

We've also continued expanding the clinical value of inVue Dx through menu additions. In the second quarter, we added new pathologic Red Blood Cell morphologies associated with underlying diseases of the liver, spleen, and kidneys. These updates push automatically to every connected inVue Dx instrument worldwide, with no action required by the practice. As blood and ear cytology capabilities expand, customers find more reasons to run samples on inVue Dx, and utilization grows.

In parallel, Fine Needle Aspirate — or FNA — is progressing as expected through the controlled launch process and we've meaningfully expanded the base of customers entering Q3. With inVue Dx FNA, veterinarians can evaluate lumps and bumps for Mast Cell Tumors during the patient visit, with optional expert pathologist review available in a single click. Today, fewer than 10% of lumps and bumps ever get evaluated, largely due to the cost and workflow complexity of glass slides. We're seeing early indications that the slide-free workflow, real-time results, and affordable pricing of inVue Dx FNA are associated with an increased number of masses evaluated. Given the platform-within-a-platform nature of FNA, we're providing clinical practice team training as part of the rollout process with planned broad availability by the end of the year.

IDEXX Cancer Dx reached another milestone, surpassing 10,000 global clinics ordering since launch — a reflection of how this test is addressing the critical need for early cancer detection and becoming part of routine veterinary care. Cancer Dx is now available in North America, Europe, and Australia.

Momentum in both screening and monitoring applications continues to build. Approximately 70% of Cancer Dx tests are run as part of a broader bloodwork panel, reflecting integration of cancer testing into everyday clinical protocols.

Globally, over 20% of Cancer Dx orders come from practices using a competitive lab — an indication that clinicians are putting their patients first and breaking from their typical workflow to access this innovative test from IDEXX. As customers adopt Cancer Dx, they experience the broader value of our IDEXX Reference Lab ecosystem, contributing to strong new customer growth in the quarter.

Cancer Dx will expand from a test to a panel in late Q3 with the addition of Mast Cell Tumor detection. That means veterinarians will soon be able to screen at-risk dogs for one-third of all canine cancer types during a single routine wellness visit. Mast Cell Tumors are among the most common cancers in dogs, but also among the most frequently missed, as they can resemble benign lesions and go undetected, particularly in dogs with long coats. Importantly, this expansion comes at no increase in price to our customers — the full Cancer Dx panel, including Mast Cell Tumor detection, will remain approximately $15 when run as part of a profile at our lab. We're committed to doing our part to support broadly available, affordable cancer screening that also inspires wellness bloodwork.

Our Technology-for-Life strategy continues to create broad-based value for customers and for IDEXX, and Q2 delivered two meaningful expansions to our platform capabilities.

In June, we enhanced our most common Catalyst chemistry profiles — known as CLIPs — to include IDEXX SDMA™ for all customers in North America. This built-in integration expands access to SDMA at the point of care, helping veterinarians identify kidney function loss earlier and detect up to a third more renal dysfunction in sick pets, all within a more streamlined workflow. Since introducing IDEXX SDMA in 2015, customers have run nearly 120 million patient tests globally — a reflection of its widely recognized clinical importance. Early response to the new Catalyst™ CLIPs is positive, with strong adoption and favorable feedback on workflow and inventory management. Catalyst menu additions —such as these SDMA CLIPs, Pancreatic Lipase, and Cortisol — expand the value of our nearly 80 thousand Catalysts around the world.

We also expanded our Reference Laboratory Fecal Dx™ antigen testing platform, adding taeniid tapeworm detection in late June for US and Canadian customers at no additional cost. This is our third Fecal Dx menu expansion in four years, and the platform now covers seven of the most clinically relevant intestinal parasite groups. Each expansion reinforces the clinical value of running this panel as part of every routine wellness visit, enabling detection of two times more infections than fecal flotations.

Our Software and Imaging business delivered strong results in Q2. Independent practices and corporate groups choose IDEXX software to drive productivity through workflow efficiency, deep diagnostic integrations, and the ability to centrally manage operations across a large-scale network.

Vello™, our pet owner engagement platform, continues to expand, with double-digit sequential growth in active users. Vello brings personalized outreach, diagnostic-driven campaigns, and forward booking capabilities that improve practice efficiency. Practices on ezyVet™ with Vello show higher wellness bloodwork inclusion rates than practices on competitive on-premise PIMS — a direct, measurable impact from the convergence of software and diagnostics in support of expanded care.

In Diagnostic Imaging, we saw our sixth straight record quarter of digital radiography system placements. These results reflect strong commercial execution and customer demand for the DR50 Plus, launched in January, which combines AI-powered imaging quality with up to 60% lower radiation dose than premium competitors. Radiation safety leadership is an important area of focus for us, given that 75% of veterinary technicians working in practices are women of child-bearing age.

As I reflect on IDEXX and the veterinary care industry we have the privilege to serve, I'm energized by the opportunity ahead. The long-term drivers of animal health remain sound. The bond between people and their pets continues to deepen. Pet owners remain committed to high-quality care and to being lifelong pet parents. The aging pet population supports durable, increasing demand for diagnostics across dogs and cats. And expectations for quality care continue to rise, with high-performing diagnostics at the center of clinical decision-making.

We're in the early stages of an innovation cycle that is broad-based and building: inVue Dx. Cancer Dx. Catalyst menu, Fecal Dx expansions. DR50 Plus. Software and AI. Our innovations support higher standards of care, increased diagnostics intensity, and expanded access to diagnostic insights for more pets globally. We look forward to sharing more on all of this at our Investor Day on August 13th, at our headquarters in Maine and livestreamed for those unable to attend in person.

Lastly, in my first few months as CEO, I've had the privilege of connecting with many IDEXXers around the world. Those conversations reinforce what I've long understood about the strength of our talent — and our growth mindset culture. I want to thank our employees for their steadfast commitment to our customers and to advancing innovations that empower clinical teams to see more and do more in their practices. That singular focus — turning diagnostic, software, and AI innovations into everyday clinical value — is what will keep compounding into long-term, durable growth for our customers and IDEXX.

With that, I'll open the line for Q&A. Thank you.