IDEXX Laboratories, Inc.
Q3 Fiscal Year 2026 Earnings Call – Prepared Remarks

**Introduction**

Good morning and welcome to the IDEXX Laboratories third 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 third 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 third quarter results and provide an updated outlook for our full year 2026 financial expectations.

During the third quarter, IDEXX delivered outstanding financial results, driven by strong global execution, the expanding impact of IDEXX innovations, and continued progress in increasing the medically relevant use of diagnostics across our companion animal business. We also advanced our software, data and AI capabilities through the acquisition of CoVet.

- Revenue increased 10% organically, supported by 11% organic growth in CAG Diagnostics recurring revenues, reflecting nearly 14% gains in International regions and nearly 10% growth in the US.

- We see strong demand for diagnostic solutions, including IDEXX innovations, as demonstrated with premium instrument placements of nearly 5,800 units, with over 1,900 IDEXX inVue Dx™ analyzers.

- Operating performance was excellent, with comparable operating margin gains of ~60 basis points year-over-year led by improvement in gross margin, while making ongoing investments in the business including costs related to the CoVet acquisition.

- Strong operating profit gains enabled earnings per share of $4.01 in the quarter, an increase of 18% as reported and 22% on a comparable basis.

Strong third quarter performance supports an increase to our full-year revenue outlook. We are raising our full-year revenue range to $4,741 million - $4,767 million, an increase of $32 million at midpoint, reflecting strong third quarter performance and ~$5 million of revenue from CoVet. Our updated full-year overall organic revenue growth outlook is 9.3% - 10.0%, with organic CAG Diagnostics recurring revenue growth of 10.3% - 11.0%. These ranges represent an increase of ~60 basis points at midpoint, along with tightening the low end of the range as we enter the final quarter of the year.

We also increased our full-year EPS outlook to $14.96 - $15.16 per share, an increase of $0.25 per share at midpoint, reflecting 15% - 16% comparable EPS growth, while absorbing near-term dilution related to the CoVet acquisition.

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

Third quarter organic revenue growth of 10% was driven by 10% CAG revenue gains, 8% growth in our Water business, and 3% growth in LPD.

Strong CAG results were driven by CAG Diagnostics recurring revenue growth of 11% organically, which was volume led, reflecting strong execution and contributions from innovations and included ~4% global net price improvement. Demand for IDEXX diagnostic solutions remains high and we've realized benefits from net new customer gains, expansion of our premium instrument installed base, and increased utilization of IDEXX innovations.

US organic CAG Diagnostics recurring revenues grew 9.6% in Q3, with solid volume gains and net price realization aligned with our full-year expectations. US growth continues to be supported by greater testing frequency and intensity per visit as customers adopt our expanded menu. US same-store clinical visits declined an estimated 1.8% in the quarter, reflecting a US CAG Diagnostics recurring revenue growth premium of ~1,100 basis points, our fourth consecutive quarter above 1,000 basis points.

Underlying patient dynamics continue to support long-term demand for diagnostics. In the quarter, pets aged 5+ years where diagnostic frequency rises, contributed to clinic visit growth. With a substantial majority of wellness visits still not including bloodwork, increased diagnostic inclusion remains a long-duration growth lever that does not depend on visit growth.

International CAG Diagnostics recurring revenues grew 14% organically in Q3, with double-digit gains across major international regions. International performance reflects the success of our strategic focus on developing the sector and strong IDEXX execution. We are also encouraged by the quality of growth as reflected by the strong momentum in net new customer gains and same-store sales gains. We've successfully completed expansions highlighted on the second quarter call, well ahead of schedule.

IDEXX innovation and commercial execution drove strong organic revenue gains across our major testing modalities globally in the quarter.

IDEXX VetLab™ consumable revenues increased 15% on an organic basis, reflecting double-digit growth in both the US and International regions. Consumables growth was supported by the expansion of our premium instrument installed base and broader menu utilization. We benefited from ongoing growth of Catalyst™ Pancreatic Lipase, Catalyst™ Cortisol, and SDMA inclusion in chemistry runs following the integration of SDMA into our chemistry clips. inVue

Dx recurring revenue continues to ramp aided by the expanding installed base and broadening of FNA on the platform. We remain in our estimated range of $3,500 - $5,500 of recurring revenue per analyzer, while making fine needle aspirate testing with canine mast cell tumor detection available across all North America customers at the beginning of Q4.

Premium instrument placements reached 5,780 units in the quarter, and placement quality remained high - globally we placed 1,904 inVue Dx instruments with strong International demand, and nearly 1,200 competitive and greenfield Catalyst placements globally with over 300 in the US.

IDEXX global reference lab revenues increased 10% organically in Q3, led by volume gains from net new customers, including competitive lab wins in the US, and increased same-store utilization as customers adopt broader testing menu. The IDEXX Cancer Dx™ customer base continued to expand, with nearly a quarter of customers ordering in Q3 representing non-primary IDEXX reference lab accounts. With the addition of canine mast cell tumor detection to the panel in late September, we've meaningfully increased the medical value to customers without increasing our price on the panel.

Global rapid assay revenues increased 1% organically in Q3, sustaining modest growth seen during Q2.

Veterinary software and diagnostic imaging organic revenues increased 10%, driven by recurring revenue growth and strong placements of our DR50 Plus platform, including another record quarter of installations in the US. Our cloud-native PIMS footprint continues to expand across both independent and corporate-owned clinics, as well.

In September, we acquired CoVet, a leading and rapidly growing provider of AI-native ambient listening and clinical workflow software for veterinary practices. The CoVet revenue run-rate is ~$20 million annualized and growing at strong double-digit rates, creating another revenue growth driver for the software modality and opportunity for further supporting diagnostic utilization.

Water revenues increased 8% organically in Q3, and Livestock, Poultry and Dairy revenues increased 3% organically.

Turning to the P&L, strong recurring revenue growth enabled 13% reported operating profit gains, with reported operating margins of 33.1%, up 100 basis points as reported and ~60 basis points on a comparable basis, inclusive of CoVet-related costs.

Gross profit increased 12% in the quarter as reported and gross margins were 62.9%, up 110

basis points as reported and 90 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 product mix with pricing benefits offsetting inflationary cost pressures.

On a reported basis, operating expenses increased 10% year-over-year, and 11% on a comparable basis, including CoVet-related costs. We continue to advance investments in our innovation agenda, global commercial expansion, and information technology capabilities.

Q3 EPS was $4.01 per share, an increase of 18% as reported and 22% on a comparable basis. EPS in the quarter included a $0.03 per share benefit related to a $3.5 million non-operating gain on an equity investment, bringing the year-to-date benefit to $0.05 per share or $4.7 million. Share-based compensation activity benefited the quarter by $0.01 per share, compared to a $0.17 per share benefit in the prior year period, and foreign exchange added $4 million to operating profit and $0.04 to EPS in Q3, net of hedge effects.

Free cash flow was $421 million in Q3 and $978 million year-to-date. On a trailing twelve-month basis, our net income to free cash flow conversion rate was 110%. For the full year, our updated outlook for free cash flow conversion is 95% - 100% of net income, including updated full-year capital spending of ~$160 million.

Our balance sheet remains strong, total debt was aligned with prior year-end as strong free cash flow supported repaying $75 million of senior notes in the quarter and we deployed approximately $335 million of capital toward the CoVet acquisition and share repurchases in Q3, bringing the year-to-date share repurchases to $805 million and supporting a 2% year-over-year reduction in diluted shares outstanding.

Turning to our full year 2026 outlook, as noted, we're increasing our outlook for overall revenue to $4,741 million - $4,767 million, an increase of $32 million at midpoint. This reflects the flow-through benefits of strong third quarter performance, CoVet revenue, and relatively consistent foreign exchange effects compared to prior estimates.

Our reported revenue growth of 10.1% to 10.8%, includes ~70 basis points benefit from foreign exchange at the rates outlined in our press release and ~$5 million of CoVet revenue in 2026. As a sensitivity, a 1% strengthening of the US dollar would reduce revenue by ~$4 million and EPS by $0.02 per share for the remainder of the year.

Our updated overall organic revenue growth outlook of 9.3% - 10.0% includes organic growth range of 10.3% - 11.0% for CAG Diagnostics recurring revenue, including ~4% benefit from global net price realization. Momentum across our innovation portfolio, including recent

launches of Catalyst™ proBNP, broadening of inVue Dx FNA, and the expanded Cancer Dx panel, together with our larger global commercial footprint, supports our outlook.

In terms of key financial metrics, we are updating our reported operating margin outlook to 32.1% - 32.3% for 2026, reflecting 50 - 70 basis points of full-year comparable operating margin improvement. The updated outlook includes ~30 basis points of negative impact related to CoVet, including integration costs and one quarter of estimated amortization. We expect to expand margins off of these levels over the next 12 months, aligned with our long-term goals.

Our updated full-year EPS outlook is $14.96 to $15.16 per share, an increase of $0.25 per share at midpoint. This reflects ~$0.12 per share improvement in our operational outlook, along with benefits from a lower effective tax rate, now estimated at 20.5%, lower net interest expense of ~$32 million, and $0.05 per share benefit from non-operating gain on an equity investment, partly offset by ~$0.13 per share of dilution related to CoVet. Full-year foreign exchange benefits EPS by ~$0.25 per share, at rates outlined in our press release, and our outlook continues to include $19 million, or $0.24 per share, of share-based compensation benefits, and a 2% reduction in average diluted shares outstanding.

For the fourth quarter, our implied reported revenue growth range includes an ~70 basis point headwind from foreign currency, partially offset by benefits from the CoVet acquisition. We expect reported operating margins of 28.4% - 29.3% in the quarter, which benefits from gross margin improvement being offset by CoVet expenses and ongoing investments in the business.

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 third quarter driven by execution across all growth drivers: expansion of diagnostic utilization, growth in our global instrument and customer base, and continued delivery against our broad-based innovation pipeline. Our innovations work together as a solution - across point-of-care, reference labs, and software - to expand care and diagnostics utilization in the hands of our customers. IDEXX diagnostics and software innovations are enabling more pets around the world to get the high-quality care they deserve.

This morning I'll focus my comments on three areas: global commercial execution, diagnostics

and software innovation delivery, and our acquisition of CoVet.

Our commercial execution was strong again this quarter, reflected in exceptional instrument placements, new customer acquisition, and volume-driven growth ahead of sector averages.

At the point-of-care, each instrument placement is a long-term platform investment by the practice, and every menu addition grows the recurring value of that installed base. Our reference labs delivered another quarter of double-digit growth, led by volume expansion, including strong pull-through from Cancer Dx. In Diagnostic Imaging, we delivered a third consecutive quarter of more than 300 digital radiography placements, driven by demand for the DR50 Plus.

Customer retention in CAG Diagnostics remains in the high-nineties globally, reflecting the trust veterinarians place in IDEXX and the durable value of our integrated solutions. We know from experience that diagnostics is a performance category. Practices that embrace our innovative platforms; point-of-care, reference labs, software and imaging, see higher growth in both their diagnostics and overall practice revenue.

Internationally, demand for IDEXX innovations remains robust. The commercial expansions we announced on the Q2 call for France, Spain, South Korea, and Canada were all completed ahead of schedule. These investments follow our well-proven playbook for accelerated sector development through smaller territories for increased customer proximity. When we work side-by-side with our customers to build our innovations into their everyday protocols, we see higher diagnostics adoption and utilization, supporting practice growth.

Turning to innovation, inVue Dx momentum is strong, and we're well on track to exceed our placement goal of 5,500 for the year. Nearly half of our Q3 placements were International, showing that the value of this paradigm-changing platform resonates with clinicians around the world. We added both nucleated red blood cells and eccentrocytes to blood morphology in Q3. These updates push automatically to our global installed base of nearly 11,000 inVue Dx instruments, with no action required by the practice.

At the start of the fourth quarter, we opened Fine Needle Aspirate, or FNA, availability to all North American inVue Dx customers, and every new North American placement now includes FNA. Every day, veterinarians face dogs with suspicious lumps and bumps – and a pet parent worried about cancer. Today only around 10% of these masses get assessed, because of the cost and complexity of glass slides and sending samples out. Early customers using FNA on inVue Dx are evaluating twice as many masses. This is IDEXX innovation bending the cost curve to expand care access and care volume.

We've also broadened what FNA can identify, adding lipomas and keratinized growths alongside mast cell tumor detection. A mast cell tumor can feel very similar to a lipoma, which is why examining the cells matters. With inVue Dx, veterinarians can give owners answers and reassurance during the visit and focus on the masses that need attention. And if a mass needs further evaluation, a board-certified IDEXX pathologist review is one click away, which also brings more volume to our reference labs. For customers not currently using our lab, inVue Dx placements also include onboarding to the IDEXX Reference Lab for a seamless experience.

IDEXX Cancer Dx continues to be one of our most important innovations, filling a critical gap in care for early and specific cancer detection. Cancer is the top cause of mortality in dogs, with more than 25 million at-risk dogs globally. Tragically, cancer is often found too late to take action. Early detection expands treatment options and has the potential to extend a pet's life.

In the third quarter, we delivered another milestone: adding canine mast cell tumor detection alongside canine lymphoma in North America, taking Cancer Dx from a test to a multi-cancer panel. Mast cell tumors are among the most common cancers in dogs and are frequently missed. We tuned detection toward the more aggressive forms, where early detection makes the greatest difference and a positive result is highly actionable. Mast cell tumor detection also connects directly to inVue Dx. A positive result for mast cell tumor on Cancer Dx prompts a next step to examine any external masses for cancer using inVue Dx FNA. This is the kind of connected solution IDEXX can deliver across point-of-care and reference labs.

As we shared at Investor Day, we're offering the expanded Cancer Dx panel at the same affordable price as when we launched - as low as $15 in the US - when run with most bloodwork panels in the IDEXX Reference Labs. Doctors and pet parents should never have to choose between early cancer screening and wellness bloodwork – these should be run together for at risk dogs. Independent practices and corporate groups alike are welcoming our leadership stance on affordable screening.

Cancer Dx runs on the same blood sample practices already send us for routine bloodwork, with no change to specimen requirements or workflow. We see strong evidence that our strategy to grow bloodwork utilization is working: 70% of Cancer Dx runs are part of a broader bloodwork panel, and customers who adopt Cancer Dx see higher routine testing volumes.

By the end of the year, Cancer Dx capabilities will expand further to include hemangiosarcoma detection and we are planning for broad customer availability in North America beginning in the first quarter. Hemangiosarcomas grow silently inside an organ like the spleen and are too often discovered only as an emergency, when the mass ruptures and the dog can be lost within hours. This is a heartbreaking experience for owners and veterinarians alike. With hemangiosarcoma, Cancer Dx will address ~40% of all canine cancers. We believe this marks a

tipping point for affordable cancer screening inspiring broader wellness bloodwork.

Earlier this month, we also advanced our Technology-for-Life platform strategy with the North American launch of Catalyst proBNP, the first-and-only dual-species, quantitative cardiac test at the point-of-care. Heart disease affects approximately 1-in-6 cats and 1-in-10 dogs, yet it remains under assessed in general practice, with only about 420 veterinary cardiologists in the US for more than 23 million affected cats and dogs.

Catalyst proBNP supports screening, diagnosis, and monitoring across multiple clinical scenarios. It delivers quantitative results during the patient visit, with laboratory-level accuracy, so decisions can be made while the patient is still in the clinic, and results appear in VetConnect PLUS with built-in interpretive guidance. Catalyst menu additions - such as SDMA-inclusive CLIPs, Pancreatic Lipase, Cortisol, and now proBNP - expand the value of our over 80 thousand Catalysts around the world.

We've seen how software, data, and AI are powerful enablers of diagnostic utilization growth, and in September we strengthened these capabilities with the acquisition of CoVet, a leading AI clinical assistant purpose-built for veterinary practices. CoVet gives time back to clinical teams and helps them deliver more complete care.

When I visit practices, I see the friction firsthand: complex caseloads, rising pet-parent expectations, and burdensome documentation that pulls clinicians away from their patients. CoVet automatically captures exam room and phone conversations, builds treatment plans, and supports more personalized client follow-up after the visit. Every minute saved is capacity to see more patients, and in-context prompts help with next steps. Practices and groups using CoVet are seeing measurable gains in team productivity and satisfaction across the care workflow.

With CoVet we saw a category-leading solution along with a talented, AI-native team with deep sector knowledge. CoVet has rapidly grown adoption across the US and more than a dozen countries internationally. Combined with IDEXX's software, data, diagnostics, and commercial capabilities, CoVet advances our vision for an AI-powered, connected system that unlocks greater value from information generated throughout the clinical workflow to support expanded patient care.

CoVet is already integrated with ezyVet, and we will integrate it more deeply with our other software and data assets, including VetConnect™ PLUS and Vello. We'll also continue to advance CoVet integrations with non-IDEXX practice management systems. CoVet's international footprint extends our software reach to benefit customers in geographies not currently served by IDEXX practice management systems.

Looking ahead, I'm energized by the opportunity in front of us. The long-term drivers of the animal health sector remain sound. The bond between people and their pets continues to deepen. Pets are living longer and aging into the years when diagnostics matter most. Expectations for quality care keep rising, with diagnostics at the center of clinical decision-making. These factors reinforce the durability of sector growth, while practices and corporate groups that embrace innovation and engage their clients realize faster growth. They're leaning into IDEXX diagnostics and software as growth engines. Combined with IDEXX execution, this is driving our growth well above sector averages.

We're in the early innings of a broad-based innovation cycle: inVue Dx and FNA; Cancer Dx as a multi-cancer panel; Catalyst proBNP; CoVet and our software. Next up is IDEXX MultiCue Dx™, our next paradigm-changing point-of-care platform, designed and built here in Maine, USA. We'll share more at an investor event at VMX in Orlando on Monday, January 18, at 1:00 p.m. Eastern. We'll also make this available via livestream on the investor relations section of our website. I hope you can join us.

To IDEXX employees around the world, thank you, and a special warm welcome to our new colleagues from CoVet. Your commitment to innovations that help clinical teams see more and do more is what turns diagnostic and software innovation into long-term, durable growth for our customers and for IDEXX.

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