



IDEXX Laboratories, Inc.  
Q2 Fiscal Year 2025 Earnings Call – Prepared Remarks

**Introduction**

Good morning and welcome to the IDEXX Laboratories second quarter 2025 earnings conference call. As a reminder, today's conference is being recorded. Participating in the call this morning are Jay Mazelsky, President and Chief Executive Officer, Andrew Emerson, Chief Financial Officer, and John Ravis, Vice President, Investor Relations.

IDEXX would like to preface the discussion today with a caution regarding forward-looking statements. Listeners are reminded that our discussion during the call will include forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those discussed today. Additional information regarding these risks and uncertainties is available under the forward-looking statements notice in our press release issued this morning, as well as in our periodic filings with the Securities and Exchange Commission, which can be obtained from the SEC or by visiting the Investor Relations section of our website, [idexx.com](https://www.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 2025 results and updated 2025 guidance, please note all references to growth, organic growth, and comparable growth refer to growth compared to the equivalent prior year period unless otherwise noted.

To allow broad participation in the Q&A, we ask that each participant limit their questions to one, with one follow-up, as necessary. We appreciate you may have additional questions, so please feel free to get back into the queue, and if time permits, we'll take your additional questions.

Today's prepared remarks will be posted in 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 update on our full year 2025 financial outlook.

In terms of highlights — IDEXX delivered another quarter of strong financial results supported by continued strong global execution in our companion animal business, with momentum building in the adoption of IDEXX innovations.

- Revenue increased 11% as reported — and 9% organically — supported by nearly 7.5% organic growth in CAG Diagnostics recurring revenues, reflecting continued gains in the U.S. and double-digit expansion in International regions.
- Overall organic revenue benefited by ~200bps from CAG Instrument revenues, delivering a record quarter of premium instrument placements including nearly 2,400 IDEXX inVue Dx™ instruments.
- Partially offsetting these benefits — CAG Diagnostics recurring revenue growth in Q2 was constrained by impacts from macro and sector headwinds, leading to a 2.5% decline in U.S. same-store clinical visit growth levels in the quarter.
- IDEXX's operating performance continued to be strong in Q2, reflected in operating profit growth of 14% on a comparable basis, net of ~27% benefit from lapping a discrete litigation expense in Q2 2024. Operating profit benefited from solid revenue growth and operating margin gains which were led by Gross Margin expansion.
- High operating profit gains enabled earnings per share of \$3.63 in the quarter, resulting in EPS growth of 17% on a comparable basis, net of \$0.56 EPS growth benefit related to the comparison of the prior year period discrete litigation expense, and a \$0.10 benefit from share-based compensation.

IDEXX execution remains strong, as we advance our innovation agenda in the CAG businesses, while continuing to work through pressure on clinical visit levels.

We're increasing our full year revenue outlook by \$90MM at midpoint with an updated range of \$4,205MM - \$4,280MM. This reflects an outlook for overall reported revenue growth of 7.7% -

9.7%, including strong Q2 performance and increased inVue Dx instrument revenue along with favorable impacts from foreign exchange updates. Our updated full year overall organic revenue growth outlook is for 7.0% - 9.0% with organic CAG Diagnostics recurring revenue growth of 5.8% - 8.0%. These organic growth ranges represent 0.5% increase at mid-point to our previous outlook supported by strong global execution in our CAG business.

We're increasing our EPS outlook to \$12.40 - \$12.76 per share — up \$0.40 per share at midpoint -- reflecting 9% - 13% full year comparable EPS growth.

We'll discuss our updated 2025 financial outlook later in my comments. Let's begin with a review of our second quarter results and recent sector trends.

Second quarter organic revenue growth of 9% was driven by 10% CAG revenue gains, 8% growth in our Water business, and 3% gains in LPD.

Strong CAG results were supported by CAG Diagnostics recurring revenues which increased nearly 7.5% organically including global average net price improvement of ~4%, and benefits from CAG Diagnostics instrument revenues increasing 62% organically, aided by inVue Dx placements.

CAG Diagnostics recurring revenue growth in Q2 was supported by 11% organic gains in International regions, another quarter of double-digit expansion. Strong International performance continues to be driven by IDEXX execution reflected in solid volume gains, benefiting from new business and double-digit year-over-year expansion of our premium instrument installed base, as well as benefits from net price realization.

U.S. organic CAG Diagnostics recurring revenues grew 6% in Q2 supported by solid volume gains and 3.5% benefit from net price realization. U.S. clinical visits declined 2.5% in the quarter reflecting an IDEXX U.S. CAG Diagnostics recurring revenue growth premium to U.S. clinical visits of ~800 basis points — up modestly from the first quarter. Diagnostics frequency and utilization per clinical visit continue to expand solidly at the clinic level, highlighting the important and expanding role of diagnostics for those seeking veterinary services.

IDEXX innovation and commercial execution delivered organic revenue gains in our major testing modalities globally in the second quarter.

IDEXX VetLab® consumable revenues increased 14% on an organic basis in the second quarter -- reflecting double-digit growth in both the U.S. and internationally. Consumable revenue

expansion is supported by testing utilization across regions, including benefits from recent product launches, and high customer retention levels while our commercial teams further build our global premium instrument installed base.

CAG instrument placements increased significantly in Q2 compared to prior year levels, reaching a quarterly record, aided by broad availability of inVue Dx. Total premium placements reached 6,070 units an increase of 23% year-over-year. The quality of CAG instrument placements remains excellent - reflected in 1,091 global new and competitive Catalyst placements, including 346 new and competitive placements in North America. IDEXX inVue Dx placements of 2,388 were driven by strong demand for our new, highly differentiated platform. These new placements -- and high customer retention levels -- supported a 10% year-over-year growth in our Premium Instrument installed base, and we're looking forward to building on this momentum during the second half of the year.

IDEXX global reference lab revenues increased 5% organically in Q2, an increase of ~2% from the first quarter on a days-adjusted basis. Global reference lab gains continue to be driven by solid volume growth including initial benefits from IDEXX Cancer Dx<sup>™</sup>.

Global rapid assay revenues declined 3% organically in Q2 — Rapid assay results were constrained by customers shifting pancreatic lipase testing to our Catalyst instrument platform, which we estimated to be a 5% headwind in Q2 revenue growth.

Veterinary software and diagnostic imaging organic revenues increased 9%, driven by recurring revenues — reflecting benefits from ongoing momentum in our cloud-based software installations.

Water revenues increased 8% organically in Q2 with growth driven by double-digit revenue expansion in our International regions and solid mid-single digit growth in the U.S.

Livestock, Poultry and Dairy revenues increased 3% organically in the quarter, led by commercial execution in North America and Asia Pacific.

Turning to the P&L -- we had another quarter of strong profit gains in Q2 reflected in 130 basis points of comparable operating margin expansion, net of ~600 basis points benefit from lapping a now-concluded discrete litigation expense in Q2 2024.

Gross profit increased 12% in the quarter as reported and 11% on a comparable basis. Gross margins were 62.6% — up ~110 basis points on a comparable basis. These gains reflected

benefits from IDEXX VetLab consumable growth, lab productivity and operational improvements and pricing which offset inflationary cost effects. Reported gross margin gains were moderated by a 20 basis point negative impact related to foreign exchange changes, net of our hedge positions.

On a reported basis — operating expenses decreased 9% year-over-year, reflecting an 19% favorable growth rate impact from comparisons to prior year levels, which included a \$61.5MM expense in the now concluded litigation matter. Adjusting for this effect, operating expense growth was modestly below revenue growth at 9%, as we continue to invest in innovation and commercial capabilities while supporting operating margin gains.

Q2 EPS was \$3.63 per share, including benefit of \$8MM, or \$0.10 per share, related to share-based compensation activity and \$0.07 from a discrete tax reserve release. Foreign exchange added \$3MM to operating profit and \$0.03 to EPS in Q2, net of hedge effects, reflecting comparable EPS increase of 17%.

Free cash flow was \$152MM in Q2 and \$360MM in the first half of 2025. On a trailing 12-month basis, our net income to FCF conversion rate was 80%, including ~8% unfavorable impact from the ~\$80MM judgment payment related to the now-concluded litigation noted on prior calls. For the full year, we're maintaining our outlook for FCF conversion of 80% - 85%, reflecting consistent outlook for full year capital spending of ~\$160MM.

Our balance sheet remains strong. We finished the period with leverage ratios of 0.8x gross and 0.6x net of cash. During the quarter we repaid ~\$103MM of long-term notes, and continued to deploy capital towards share repurchases, allocating \$329MM during the second quarter. For the first half of the year, we've allocated \$744MM of capital to share repurchases, supporting a 2.7% year-over-year reduction in diluted shares outstanding for this period, aligned with our previously stated expectations.

Turning to our full year 2025 outlook — as noted, we're increasing our projected range for overall revenue to \$4,205MM - \$4,280MM. At midpoint, this reflects ~\$20MM operational improvement, building on strong second quarter performance and increased inVue Dx revenue expectations, along with ~\$70MM benefit from updated FX impacts, at the rates outlined in our press release. Our updated revenue growth outlook is 7.7% to 9.7% as reported, including ~0.7% of full year growth benefit from foreign exchange. As a sensitivity, a 1% strengthening of the U.S. dollar would reduce revenue by ~\$8MM and EPS by \$0.03 for the year.

Our updated overall organic revenue growth outlook of 7.0% - 9.0% reflects an estimated

organic growth range of 5.8% - 8.0% for CAG Diagnostics recurring revenues, including consistent 4 – 4.5% benefit of global net price realization and U.S. clinical visit declines aligned with more recent trends at mid-point.

We are increasing our expectations for inVue Dx to 5,500 placements during the year, with instrument revenue expected to be over \$60MM, building off strong demand signals for the platform.

In terms of key financial metrics — we're increasing our reported operating margin outlook for 2025 to 31.3% - 31.6%, reflecting increased expectations for 50 - 80 basis points for full year comparable operating margin improvement, net of 180 basis points operating margin benefit related to the discrete litigation expense impacts and updated foreign exchange effects. This outlook also incorporates commercial expansions in four countries during the second half of the year, including a modest expansion in the U.S. to support our growing portfolio of diagnostic solutions.

With respect to the dynamic trade environment, we remain well positioned to navigate the changing tariff landscape with our best estimates included in our outlook. Our primary objectives and ongoing efforts remained focused on continuous supply to customers and minimizing impacts through operational planning.

Our updated full-year EPS outlook is \$12.40 to \$12.76 per share, an increase of \$0.40 per share at midpoint. Our EPS outlook incorporates increased projections for operational performance of \$0.11, and foreign exchange benefit of \$0.22, at mid-point compared to our prior guide. We've also updated our tax benefit related to share based compensation activity, now \$15MM for the full year, an increase of \$0.09 per share compared to our prior estimate. This is partially offset by \$0.02 per share unfavorable tax impacts compared to our prior projections, including benefits from the discrete tax reserve release and updated outlook for our base rate.

For the third quarter — we're planning for reported revenue growth in line with the implied second half growth range including ~1% growth benefit from foreign exchange. At midpoint, the organic revenue growth outlook includes U.S. clinical visit growth in line with recent trends and expanding benefits from innovation including the Cortisol slide which began shipping last week. We're planning for modest comparable operating margin expansion aligned with advancing additional commercial investments and timing of project spend.

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

**Jay Mazelsky**

**President & Chief Executive Officer**

Thank you, Andrew, and good morning.

IDEXX delivered a very strong quarter of performance as reflected in solid execution across all key drivers of our strategy. Our focus on supporting our customers and their mission resulted in the rapid uptake of new innovations and the broader adoption of software tools that support practice workflow and staff.

The demand for diagnostics reflects its foundational role in assessing the health of the patient. While macroeconomic pressures persist in many of our key regions, veterinary practices continue to prioritize investments in diagnostics and software that enhance efficiency, deliver clinical insight, and support better outcomes. At the same time, pet owners are demonstrating a strong desire for a high standard of care—particularly for an aging pet population. In Q2, diagnostic frequency—the percentage of clinical visits that include a diagnostic test —sustained at 50 basis points year-on-year in growth, an important metric we track. The continued growth in diagnostics use underscores pet owners’ focus on early detection and comprehensive treatment to support longevity and well-being. It also highlights their willingness to pay for advanced veterinary services where complex health issues may be of concern.

IDEXX is extremely well positioned to support these broad care objectives with our expanding menu of innovative diagnostics, testing platforms, and our cloud-native software solutions that provides advantages in detecting disease and supporting patient workflow. Helping practices support more patient visits productively comes at a time when many still face staffing and client service challenges.

Our commercial teams again demonstrated outstanding execution, delivering record premium instrument placements globally and driving solid growth in recurring revenues. In Q2, we delivered double-digit growth in our premium instrument installed base compared to the prior year, led by the ramping of IDEXX inVue Dx placements and high sustained momentum in our chemistry and hematology solutions.

North America delivered a historic record Q2 quarter of placements and Economic Value, supported by the unrestrained launch of inVue Dx and well over 300 competitive and greenfield Catalysts. We continue to see significant engagement across new greenfield and competitive accounts, reflecting practices’ desire to invest in best-in-breed innovative solutions that improve patient care and clinic productivity. Supporting this, there was a strong trend in new

practice formation in Q2, with IDEXX selected in a high number of instances as the partner of choice in outfitting these practices with a full portfolio of IDEXX solutions.

Internationally, our teams achieved double-digit growth in CAG Diagnostics recurring revenue, supported by the 10<sup>th</sup> consecutive quarter of double-digit installed base growth. This success is the result of commercial strategies tailored for local country circumstances with excellent product/market fit, a network of reference labs supporting high service levels, and an expanding commercial footprint.

As Andrew mentioned in his full-year guidance, we are making commercial investments to expand three more international country organizations as well as modestly enhancing the U.S. commercial team. These high-return investments are a reflection of the confidence we have in growing these geographies and supporting a broader portfolio of diagnostic products that are resonating strongly with customers. These expansions are key enablers to support an expanding set of innovations —ranging from the launch of IDEXX Cancer Dx and inVue Dx, to new additions like Catalyst® Cortisol and Pancreatic Lipase. Each of these products represents a meaningful advancement in our veterinary diagnostics offering and their successful adoption supports long-term growth. There are also significant benefits to decreasing the number of customers that each account manager is responsible for, as our experience is that customers use more diagnostics as part of their care protocols when we visit them more often. We expect to have these expanded organizations in place by the start of 2026.

A key focus of our commercial organization is ensuring that placements are high quality and positioned to drive strong recurring revenues over time. We continue to prioritize placements in practices where IDEXX solutions can deliver the most value to both clinicians and their clients. With inVue Dx as an addition to our premium instrument offering, we are seeing very strong sustained double-digit growth in EV amongst our field teams as they have an opportunity to place both larger dollar value suites, or a single inVue Dx addition to an existing IDEXX customer.

As a testament to the value we deliver, customer retention remained in the high nineties across diagnostic modalities. This enduring loyalty reflects the confidence veterinarians place in IDEXX to be their partner in providing excellent patient care and the ongoing investments we make to keep their solutions at the leading edge.

IDEXX inVue Dx continues to be a transformational platform that is reshaping point-of-care cytology testing. Since broad commercial availability commenced in April, demand has exceeded expectations. We have now placed nearly 2,700 instruments globally this year



through June, giving us confidence to increase our 2025 placement estimate by 1,000 units from 4,500 to 5,500.

Feedback from early adopters remains highly positive. Practices consistently highlight the slide-free, intuitive workflow, rapid turnaround time, and diagnostic confidence provided by inVue Dx and its advanced AI-powered insights. Early consumables usage driven by testing in both ear cytology and blood morphology is highly encouraging and with our expected launch of FNA for lumps & bumps later this year, inVue Dx will play an important role in supporting our long-term recurring revenue goals. inVue Dx is also playing an important role in our re-contracting activity as we saw a very high number of customers in Q2 extend their relationship with us, often in advance of the date required to do so.

A cornerstone of our strategy remains delivering differentiated diagnostic insights that elevate care and strengthen our leadership in the sector.

The IDEXX Cancer Dx panel, launched in late March through our North American reference laboratories, has continued to gain traction among general practice veterinarians as well as oncology specialists. Since launch, over 2,500 practices have ordered the test. Moreover, of these customers adopting the test, almost 15% of sample submissions are coming from 'competitive' lab customers. The broad adoption of IDEXX Cancer Dx is indicative of the value clinicians see in this test and the underserved need of early cancer screening.

Cancer remains one of the leading causes of mortality among dogs, and IDEXX Cancer Dx provides veterinarians with a cost-effective, highly sensitive tool to detect canine lymphoma earlier. This enables earlier intervention and the possibility of significantly improved outcomes. Initial utilization patterns are consistent with our expectations, with customers using the test as both an aid-in-diagnosis and a small, but growing number of practices more broadly incorporating Cancer Dx into most wellness screening panels. As awareness grows and we broaden the testing menu over time to incorporate new cancer types, we expect a multiplier to our reference lab testing volumes.

Building off this early success we've seen in North America, we are preparing for the international rollout of Cancer Dx in 2026. Early excitement from veterinarians in these regions underscores the significant global need for affordable and accessible cancer diagnostics.

Last week, we launched Catalyst Cortisol in North America, our third new Catalyst test in less than a year, underscoring our commitment to expanding the platform's menu and our Technology for Life promise. Catalyst Cortisol enables veterinarians to measure cortisol levels

rapidly at the point of care, supporting the diagnosis and monitoring of adrenal conditions such as Cushing's disease and Addison's disease. The addition of Cortisol to Catalyst is the most frequently requested menu expansion from our customers. Early customer response has been highly enthusiastic, highlighting the value of real-time results to guide treatment decisions during the patient visit.

Catalyst® Pancreatic Lipase, launched globally last year, continues to perform well and meet strong customer demand. This innovative test offers a quantitative, single-slide solution that delivers rapid, reliable results for both canine and feline patients suspected of pancreatitis—a common and often challenging condition to diagnose early. Adoption has been robust, with over 40% of our global Catalyst installed base already utilizing the test, where available. This strong uptake reflects the test's clinical utility, the value veterinarians place on speed and accuracy in diagnostic workflows, and the continued expansion of our Catalyst menu to address important unmet needs in veterinary care.

The Catalyst® SmartQC clip, which began shipping late last year, is also seeing strong adoption. Customers value the load-and-go monthly quality control process that ensures accurate results and instrument reliability.

New innovations made meaningful contributions to the growth of IDEXX VetLab consumables in the quarter.

Our software ecosystem continues to be an essential component of IDEXX's differentiated value proposition. By delivering intuitive, cloud-native solutions that integrate diagnostics, imaging, client engagement, and practice operations, IDEXX software helps clinics improve efficiency and patient care while driving incremental recurring revenues for our business.

Our cloud-based PIMS platforms, such as ezyVet® and Neo®, delivered solid double-digit installed base growth, with particularly strong demand from multi-location practices and corporate accounts. Clinics are choosing these solutions for their modern user experience, scalability, and robust integration with the IDEXX diagnostics ecosystem.

Vello®, our pet owner engagement application, saw continued momentum in Q2, with double-digit sequential growth in active users compared to Q1. Vello's integrated communication tools are helping clinics improve appointment adherence and drive compliance with recommended care. Early customer data shows that practices using Vello experience increased visit volume, higher diagnostics utilization and better treatment plan compliance—positive indicators that support our thesis that digital engagement drives better clinical outcomes.

Our Diagnostic Imaging business continues to demonstrate strong momentum too, extending clinical capability and streamlining imaging workflows. Our low-dose, high image quality radiographic imaging systems paired with our IDEXX Web PACS software, provides seamless image viewing, sharing, and storage fully integrated into veterinary practice workflows. In the second quarter we surpassed an installed base of 10,000 imaging systems in North America, with a comparable number of customers subscribing to IDEXX Web PACS—highlighting strong alignment between hardware adoption and recurring software engagement.

While macroeconomic and sector dynamics remain fluid—including lingering inflationary impacts pressuring clinical visits—we are confident in the durability of the veterinary market and the resilience of pet healthcare demand.

Pet ownership remains elevated, and the aging pet population continues to expand, supporting higher levels of diagnostics utilization over time. Our focus remains on executing with discipline, supporting our customers through innovative solutions, and investing in capabilities that position IDEXX to capture our significant long-term opportunity. Diagnostics sit at the center of the system of care, and pet owner expectations for quality care continues to rise. IDEXX is very well positioned to lead, and our focus is on exceptional execution to deliver solid growth and profit gains.

As I conclude our prepared remarks, I want to express my deep appreciation for our 11,000 IDEXX employees worldwide. The commitment to innovation, customer partnership, and operational excellence is what enables us to deliver these results quarter after quarter.

I'd also like to remind you that we will be hosting our annual Investor Day on August 14 at our Global Headquarters in Westbrook, Maine. The session will be streamed live for those unable to attend in person.

With that, we'll conclude the prepared portion of our call and open the line for questions.