



IDEXX Laboratories, Inc.
Q1 Fiscal Year 2026 Earnings Call – Prepared Remarks

Introduction

Good morning and welcome to the IDEXX Laboratories first quarter 2026 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, Mike Erickson, Executive Vice President and Incoming 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 first quarter 2026 results and 2026 financial outlook, 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 first quarter results and provide an updated outlook for our full year 2026 financial expectations.

During the first quarter, IDEXX delivered exceptional financial results through continued execution in our companion animal business with benefits from IDEXX innovations.

- Revenue increased 14% as reported — and 11% organically — supported by over 11% organic growth in CAG Diagnostics recurring revenues, reflecting nearly 11% gains in the US and ~12% growth in International regions.
- CAG Diagnostics recurring revenue growth in Q1 was negatively impacted by declines in U.S. same-store clinical visits of ~1.0%, with slightly positive growth in non-well visits more than offset by pressure on wellness visits.
- Strong premium instrument placements in the quarter resulted in 28% organic growth of CAG Instrument revenues, and included 1,100 IDEXX inVue Dx™ analyzers.
- IDEXX's operating performance was also excellent, with comparable Operating Margin gains of 100 basis points, supported by Gross Margin expansion which benefited from strong recurring revenue growth.
- Strong operating profit gains enabled earnings per share of \$3.47 in the quarter, resulting in EPS growth of 15% on a comparable basis.

Performance during the first quarter builds confidence to increase our full year revenue range, to between \$4,675MM - \$4,760MM, an increase of \$42MM at mid-point, or an outlook for overall reported revenue growth of 8.6% - 10.6%. Our updated full year overall organic revenue growth outlook is for 7.7% - 9.7%, with an organic CAG Diagnostics recurring revenue growth of 8.7% - 10.7%. These organic growth ranges represent ~70 basis point increase at mid-point to our previous guidance supported by strong global execution and modest improvement in our sector outlook for the CAG business.

We are also updating our full year EPS outlook to \$14.45 - \$14.90 per share — an increase of \$0.13 per share at midpoint, net of a \$0.05 negative impact from a loss on an equity investment in Q1 - reflecting 11% - 15% comparable EPS growth.

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

First quarter organic revenue growth of 11% was driven by 12% CAG revenue gains, and 7% growth in both our Water and LPD businesses.

Strong CAG results were supported by CAG Diagnostics recurring revenue growth of 11% organically including ~50 basis points benefit related to equivalent days, and average global net price improvement of ~4%. CAG Diagnostics instrument revenues increased 28% organically, with another strong quarter of inVue Dx analyzer placements, aligned with our expectations.

US organic CAG Diagnostics recurring revenues grew nearly 11% in Q1, including strong volume gains and net price realization aligned with full year expectations. US same-store clinical visits declined -1.0% in the quarter reflecting an IDEXX US CAG Diagnostics recurring revenue growth premium to US clinical visits of ~1,100 basis points — highlighting outstanding performance by IDEXX commercial teams. During the quarter, the industry continued to see green shoots from aging pets, with growth in clinical visits for pets 5+ years old. Non-well visits also continued to show signs of improvement, increasing 20 basis points year-over-year, while wellness visits declined -3%. IDEXX benefited from overall quality of clinical visits with increased diagnostic frequency and utilization per visit, demonstrating expansion of diagnostics in care protocols.

International CAG Diagnostics recurring revenues grew 12% organically in Q1 with revenue performance driven by volume gains, including benefits of net new customers and same-store utilization. International regions performed incredibly well, with steady growth of CAG Diagnostics recurring revenues through ongoing engagement with customers and expansion of IDEXX innovations, while we see similar macro pressures affecting visits in most geographies.

IDEXX also delivered strong organic revenue gains in major global testing modalities in the first quarter.

IDEXX VetLab™ consumable revenues increased 15% on an organic basis -- reflecting double-digit growth in both US and International regions. Consumable revenue growth included double-digit volume expansion, driven by net new customer gains in our premium instrument installed base and expanded testing utilization, including benefits from innovations. inVue Dx utilization continues to track well to our recurring revenue estimates previously provided and progression of our controlled rollout of FNA, is in-line with our expectations.

CAG premium instrument placements reached 4,650 units during the first quarter, an increase of 12% year-over-year and the quality of placements remains superb — reflected in over 1,000 global new and competitive Catalyst placements, including nearly 320 in North America. Globally, we placed 1,100 IDEXX inVue Dx instruments, as we track to our full year expectations for 5,500 placements. Our success in placing instruments while maintaining high customer retention levels supported a 12% year-over-year growth in our premium instrument installed base in the quarter.

IDEXX global reference lab revenues increased 10% organically in Q1, driven by solid volume growth across regions, with benefits from both net customer gains and same-store utilization — each doubling from prior year levels. IDEXX Cancer Dx™ has continued to support these categories, attracting new customers and broadening the use of diagnostics in both sick and wellness panels. As an example, ~20% of Cancer Dx customers are non-primary IDEXX reference lab accounts.

Global rapid assay revenues were flat organically — rapid assay results continued to be impacted by customers shifting pancreatic lipase testing to our Catalyst instrument platform, which we estimate to be an approximately 2% headwind to Q1 revenue growth.

Veterinary software and diagnostic imaging organic revenues increased 11%, driven by recurring revenue growth of 11% during the quarter and strong non-recurring growth from placements of diagnostic imaging systems, setting a record with ~330 installations, benefitting from the launch of the DR50 Plus platform. Veterinary software expanded double-digits supported by cloud-based PIMs installations and adoption of related recurring services.

Water revenues increased 7% organically in Q1 with strong growth in the US and low single-digit growth in international regions. International growth in the business was impacted by supply chain dynamics in the Middle East.

Livestock, Poultry and Dairy revenues increased 7% organically in the quarter, with solid gains across regions.

Turning to the P&L -- strong recurring revenue growth enabled 15% comparable operating profit gains in the quarter.

Gross profit increased 16% in the quarter as reported and 13% on a comparable basis. Gross margins were 63.4% — up ~90 basis points on a comparable basis. These gains reflect benefits from strong recurring revenue growth in IDEXX VetLab consumables and Reference Lab volumes, along with operational productivity. Pricing benefits offset inflationary cost pressures and foreign exchange, net of our hedge positions, had a negligible impact on reported gross

margins in the period.

On a reported basis — operating expenses increased 17% year-over-year, including both lapping a discrete Q1 2025 expense for a concluded litigation matter, as well as a \$5MM loss on an equity investment in the current period. Comparable operating expenses increased 11% year-over-year, as we advance investments in our global commercial and innovation capabilities.

Q1 EPS was \$3.47 per share, reflecting a comparable EPS increase of 15%. EPS in the quarter included \$7MM, or \$0.09 per share benefit related to share-based compensation activity, and a \$0.05 negative impact related to a loss on an equity investment. Foreign exchange added \$14MM to operating profit and \$0.14 to EPS in Q1, net of hedge effects.

Free cash flow was \$234MM in Q1 reflecting normal seasonality. On a trailing-twelve-month basis, the net income to FCF conversion rate achieved 99%. For the full year, we're maintaining our outlook for FCF conversion of 85% - 95% of net income, including full year capital spending of ~\$180 million.

We finished the period with leverage ratios of 0.6x gross and 0.5x net of cash, and continue to deploy capital towards share repurchases, allocating \$361MM during the first quarter — supporting a 2.1% year-over-year reduction in diluted shares outstanding through Q1.

Turning to our full year 2026 — as noted, we're increasing our outlook for overall revenue to \$4,675MM - \$4,760MM. At midpoint, this reflects ~\$32MM constant currency improvement from our initial guidance, building on strong first quarter performance including CAG Diagnostics recurring revenue expansion and a modestly improved industry outlook. Our updated reported revenue outlook includes \$10MM — or ~20bps growth benefit related to foreign currency changes compared to our prior estimates.

This reflects a revenue growth outlook for 8.6% to 10.6% as reported, including ~90bps for full year growth benefit 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 ~\$12MM and EPS by \$0.04 for the remainder of the year.

Our updated overall organic revenue growth outlook of 7.7% - 9.7% includes an organic growth range of 8.7% - 10.7% for CAG Diagnostics recurring revenue, including ~4% benefit of global net price realization. At mid-point we are updating our estimate for US clinical visit to a decline of -1.5%, after a third sequential quarter of clinical visits trending between -1% to -2% and aligned with a trailing twelve-month average.

In terms of key financial metrics — we are updating our reported operating margin outlook to 32.1% - 32.5% for 2026 — reflecting increased expectations of 50 - 90 basis points of full year comparable operating margin improvement. Operating margin was impacted by a 30 basis point headwind related to the discrete litigation expense from 2025 and the current year loss on an equity investment. These were offset by 30 basis points in benefit from foreign exchange effects.

Our updated full year EPS outlook is \$14.45 to \$14.90 per share, an increase of \$0.13 per share at midpoint. Our EPS outlook incorporates increased projections for operational performance of \$0.13 per share at mid-point compared to our prior guide, as well as \$0.05 negative impact from a loss on an equity investment and a \$0.05 benefit from updated foreign exchange rates, outlined in our press release.

For the second quarter, we are planning for reported revenue growth of 7.3% - 9.3%, including ~60 basis point growth benefit from foreign exchange impacts. This operational outlook aligns with an overall organic revenue growth range of 6.7% - 8.7% and CAG Diagnostic recurring revenue growth of 8.5% - 10.5%. Organic revenue includes a negative 50 basis points impact from equivalent days in the second quarter, and at midpoint, we are planning for US clinical visit growth in-line with the full year estimate. Overall organic revenue growth is impacted by expectations for declines in CAG instrument revenues as we begin lapping significant placements of inVue Dx during 2025 and modest revenue pressure from regional and placement mix.

Second quarter reported operating margins are expected to be 33.9% - 34.3%, reflecting expansion of 10 - 50 basis points on a comparable basis as we expect increased spending during Q2 related to timing of projects.

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

Jay Mazelsky

President & Chief Executive Officer

Thank you, Andrew, and good morning.

IDEXX delivered an exceptional start to 2026, with first quarter results reflecting disciplined commercial execution, continued benefits from innovation, and expanded diagnostic utilization across our global customer base. These results were achieved despite headwinds from clinical wellness visits, underscoring the durability of our growth model and the importance of diagnostics to excellent veterinary care.

The quarter also highlights the strong foundation we have built with strong customer relationships where commercial partnership is central to advancing our mission and supporting practice success. The economic value of instruments placed in the quarter, for example, grew double-digits year-over-year, reinforcing the long-term value we are creating through our installed base growth. More broadly, companion animals are seen as members of the family, and a large majority of pet owners prioritize their pet's health and happiness, creating pull for higher quality healthcare. This commitment is reflected in the continued expansion of diagnostic frequency during both well, and non-well, visits.

Customer retention remains in the high-nineties, reflecting the trust veterinarians place in IDEXX as both a diagnostics provider and long-term partner. This loyalty underscores the strength of our integrated model—combining diagnostics, software, and medical support. We work alongside veterinarians and practice teams to better integrate diagnostics into everyday care protocols—supporting workflow optimization, increasing clinical confidence, and demonstrating the economic value of diagnostics. When practices engage at this level, diagnostics utilization increases. Testing becomes more seamlessly embedded in care protocols, technicians gain confidence running diagnostics during the visit, and clinicians make faster, more informed decisions—driving greater productivity across the practice.

All four country expansions announced last year were in place at the start of Q1, and as result of a well-established approach to training and new hire support, we saw initial contributions in line with expected productivity.

Momentum with IDEXX inVue Dx continues with another solid placement quarter, well on our way to our target of 5,500 placements for the year. Internationally, we are seeing a solid ramp in the installed base and adoption as awareness builds and commercial teams support integration into practice workflow. Customer feedback remains highly consistent across regions, with veterinarians highlighting consistent performance, ease of use, and workflow productivity gains as key benefits. Utilization across ear cytology and blood morphology remains aligned with expectations, reinforcing the everyday clinical value of the platform. We continue to engage with customers to drive further adoption of these important testing categories through our professional service veterinarians and clinical staff trainings. At the same time, we are advancing the inVue Dx algorithm with monthly software updates to our installed base, enhancing performance and improved time-to-results, just another part of our technology-for-life promise. For example, the menu advanced in Q1 for blood morphology with the ability to detect and report Acanthocytes. These are Red Blood Cells associated with severe underlying diseases, such as with liver, splenic, or kidney disease.

We are also pleased with the solid progress of our controlled rollout of FNA. Early customer

response to FNA remains very encouraging. Practices are seeing the value of evaluating lumps and bumps during the patient visit with rapid cytology insights supported by AI analysis and optional expert pathologist review available with a single click. This workflow enables clinicians to evaluate more lumps and bumps by reducing clinical effort and cost to the consumer. We continue to gain insights on customer behavior and experience during the controlled launch. Early adopters are very pleased with the high-quality training experience and follow-up support. These learnings and positive experiences support further broadening of the launch in Q2 as we ramp volume, and anticipate continued volume ramp in the second half. Overall, FNA utilization is tracking to our planning assumptions and we remain excited about the potential of FNA as a platform capability that can expand over time beyond Mast Cell Tumor detection.

Turning to IDEXX Cancer Dx.

Momentum continues to build behind this important innovation as veterinarians increasingly incorporate it into both diagnostic and screening workflows. During Q1 in North America, nearly 70% of Cancer Dx tests were run as part of a panel reflecting the growing clinical relevance of this test. Now with over 7,500 practices ordering since launch, Cancer Dx is a major differentiator for our reference lab business, and we believe it is one of the many elements driving competitive lab transitions to IDEXX. A major milestone this quarter was the international launch of Cancer Dx for canine lymphoma in Europe and Australia. This represents an important next step in expanding access to early cancer detection globally and builds on the strong adoption we have seen in North America. Early international interest has been strong and reinforces the global need for accessible oncology diagnostics. Our global field teams are partnering with customers, both independent and corporate, to develop wellness protocols. As an example, a large corporate group in Australia recently announced the inclusion of Cancer Dx within their senior wellness plan at no additional charge for their members. We are also seeing continued use in monitoring applications, particularly in cases where serial testing can support treatment decisions. With the addition of mast cell tumor detection for later this year and a third test by the end of 2026, Cancer Dx will continue to expand its clinical relevance and reinforce IDEXX's leadership in veterinary oncology diagnostics.

We continue to expand our Catalyst customer base, adding over 1,000 new and competitive customers in the quarter, and each one of the now nearly 79,000 Catalysts customers have access to our new and expanded menu, such as Catalyst™ Pancreatic Lipase and Catalyst™ Cortisol. We continue to see strong adoption and utilization of both of these tests, as practices incorporate the test into routine real time workflows to support pancreatitis and endocrine disorder diagnoses.

Our software and diagnostic imaging businesses also delivered solid performance in Q1. Our

cloud-native PIMS platforms installed base grew double-digits in the quarter, as we continued to see strong interest with virtually all placements now cloud-based. Practices are looking to software solutions to realize workflow optimization, staff productivity, and digital client communications. Vello™, IDEXX's pet owner engagement application continues to gain traction, growing double-digits from last quarter, as practices recognize the importance of driving client appointments. Clinics using Vello report improved compliance with recommended diagnostics and treatments, reinforcing the connection between engagement and medical outcomes.

In our Diagnostic Imaging business, we launched our newest Digital Radiography system in January, the ImageVue™ DR50 Plus, combining high definition, AI-powered imaging with up to 60% lower dose than premium competitors. Strong customer reception to the DR50 Plus, coupled with excellent commercial execution, led to an all-time record imaging system placements for the quarter, the fifth consecutive quarterly placement record.

IDEXX Telemedicine also delivered very strong volume growth, supported by modernized integration with IDEXX Web PACS™ that reduces submission clicks by almost 50%, saving time for clinical teams and delivering board-certified expert interpretation directly inside Web PACS.

Software is a powerful enabler of diagnostics growth, helping practices translate clinical insight into action, and customers who use all of our diagnostics, software, and imaging solutions, experience faster clinical revenue growth and diagnostics usage.

This will be my final earnings call as CEO before I transition to the Executive Chair role following our Annual Meeting next week. As I reflect on my experience as CEO and the state of the company today, I remain incredibly optimistic about the future of IDEXX and the multi-decade opportunity ahead for the company.

The fundamental drivers of this industry have never been stronger. The human-animal bond continues to deepen, that bond drives a sustained commitment from pet owners to seek high-quality care, earlier diagnosis, and better outcomes for the pets they love. Diagnostics is the foundation of this evolution. As medicine continues to advance, the need for clinical insights to guide care decisions will only grow, reinforcing the long runway ahead for diagnostics innovation and utilization.

IDEXX is in a position of strength, with a clear strategy, a powerful innovation pipeline, and exceptional people. I believe the company's best days lay ahead, and I am excited for the next chapter of IDEXX's growth to unfold.

I would be remiss if I didn't highlight the role that our people play in the company's success. Our approximately 11,000 IDEXX employees around the world are purpose driven and our

talent fuels the company's growth. IDEXXers are deeply committed to innovation, our customers and their success, and operating the company as if it were their own. It has been an honor to lead IDEXX and I want to thank all employees, past and present, for their commitment to improving the lives of pets across the world.

Now, before I turn it over for Q&A, I'd like to give Mike Erickson a chance to say a few words. I've worked with Mike for a long time, and I have tremendous confidence in him as he steps into the CEO role. He brings deep experience, strong leadership, and a clear commitment to our purpose and strategy.

With that, I'll turn it over to Mike.

Mike Erickson

Executive Vice President & Incoming Chief Executive Officer

Thank you Jay, and good morning everyone.

I'm humbled by the opportunity to lead IDEXX at such an exciting time in our company's history. As Jay mentioned, the sector remains highly attractive and I see a meaningful opportunity ahead to further accelerate our innovation-driven, platform growth strategy.

We will continue to focus on diagnostics and software, where our platforms empower customers to see more and do more in their practices, uncovering deeper patient insights and driving next-level productivity.

We will also continue to advance commercial reach through investments to expand our field-based presence in key geographies around the world. This enables our talented commercial team to work even more closely with customers, side-by-side, supporting accelerated adoption of innovations that expand care while driving a reliable return on investment.

Another priority for us is AI. We have a well-established AI capability at IDEXX, with AI embedded in platforms such as inVue Dx and ezyVet software. Looking forward, I see advancements in AI as incredibly promising to further accelerate our innovation; expand testing access and utilization; and drive deeper patient-level insights. I plan to share more on this at our upcoming August Investor Day.

Across these priorities, we're fortunate to have a talented team of IDEXXers globally that wake up every day focused on our customers, and shaping the future of diagnostics, software, and AI in animal health.

I want to close by thanking Jay, for his leadership and service to IDEXX over the past 14 years. Under Jay's leadership, the organization has accelerated the innovation agenda, launching valuable new platforms like Cancer Dx and inVue Dx; grown our cloud-native software platform offerings; significantly expanded customer reach internationally; and delivered strong results and shareholder value — all while positioning IDEXX for sustainable long-term growth supported by a robust future innovation pipeline. I am grateful to have worked with Jay and I look forward to his continued support as he transitions to Executive Chair of IDEXX's Board.

I'll now turn it over to the operator for Q&A.