

INVESTOR'S EDGE

Animal health stock is no dog

Zoetis has increased its earnings 70 percent during the past five years

"The thing that differentiates man from animals is money." — Gertrude Stein

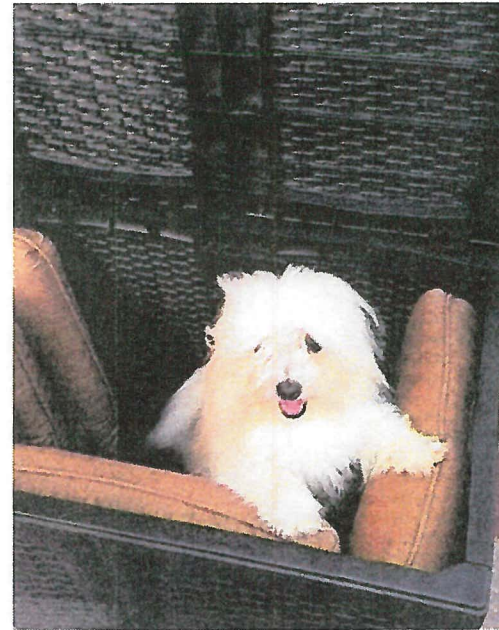


Jim Burns

For pet lovers, August celebrates both National Dog and International Cat Day, holidays that raise both awareness and affection for our furred friends.

Zoetis (Symbol: ZTS) is the world's largest producer of animal medicine and can not only help keep your pet happy and healthy, but also is a fabulous growth stock.

Reaching more than 100 countries around the world, Zoetis develops, manufactures and markets a wide variety of health care products for both livestock and



Sheena, a Coton de Tulear, is owned by Post-Standard financial columnist Jim Burns, who writes today about animal health company Zoetis. Provided photo

pets.

According to the last agricultural census, Onondaga County is home to nearly 700 farms, with more than 150,000 acres and \$152 million in market value of products sold. As the worldwide leader in animal medicine, Zoetis likely plays a vital role in the health and well-being of both the area's livestock and household pets.

Zoetis' global success comes in large part through its robust pipeline of animal medicines and vaccinations. The company's portfolio of products reaches eight core species (horses, swine, poultry, sheep, fish, cats, dogs, and cattle) across five major product categories: anti-infectives, vaccines, parasiticides, medicated feed additives, and other pharmaceutical products.

Zoetis went public in 2013 after being spun off of Pfizer, and since then, this stock has been no dog. The equity has trounced both its industry competitors and the S&P 500 Index by double-digit margins. The company has consistently galloped past analyst's earnings expectations, increasing its earnings per share 70 percent over the last five years. Currently, the company

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commands roughly 20 percent market share in the animal health market and has a \$40 billion market cap.

Zoetis' diverse portfolio and deep geographical footholds helps cement it as a long-term global leader in animal health while insulating it from weakness in a particular segment or area. The animal-health industry has a fragmented customer base, and relatively minimal generic competition, which allows Zoetis to enjoy above-average profit margins for the majority of its offerings.

Zoetis is pursuing an aggressive growth strategy through acquisitions and product innovation. This past May, the company announced a \$1.9 billion acquisition of Abaxis, a worldwide leader in the veterinary diagnostics market. Zoetis has also rolled out a variety of new medicines, including a chewable flea and tick drug for dogs, a topical parasiticide for cats and a drug to treat eczema in dogs.

In its most recent report, Zoetis reported strong results across the board, including an 18 percent increase in international sales. Global growth momentum should continue in the future, as companion pets become more popular worldwide and as developing countries see rising standards of living, which will push them to adopt a more meat-heavy diet.

In 2017, American pet owners spent more than \$17 billion on veterinary care for their pets. This number is expected to grow an additional six percent in 2018 as Americans increasingly view their pets as members of the family and are willing to spend more on food, medicine, and veterinary care. In fact, the animal-health market is currently worth a total of \$42 billion and is projected to be worth more than \$60 billion by 2025!

When investing in stocks, the attributes I seek out are quality, consistency and growth. Zoetis checks the box on all three. A leading company in a fast-growing industry, with a track record of superb, consistent results, Zoetis is a blue-rib-

bon winner.

I would wager that many readers of this column are animal lovers themselves and, like me, are forking over more and more money on our pets. To offset this, buy Zoetis' stock now. It might make those rising veterinary bills a little less painful. And that suits Sheena (my 12-pound Coton de Tulear) and me just fine.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment.

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