IDEXX Laboratories

NASDAQ: IDXX · VETERINARY DIAGNOSTICS

EXCEPTIONAL 5/5 CLASS OF 2026

SECTOR	INDUSTRY	HQ	EMPLOYEES	MARKET CAP
Healthcare	Diagnostics & Research	Westbrook, ME	11,000	$43.9bn

THE ONE-MINUTE VERSION

IDEXX places diagnostic instruments in veterinary clinics at close to cost — the machine is the least profitable thing it sells. Every blood panel, urinalysis and rapid test the machine runs afterwards consumes IDEXX consumables, so **79% of revenue is recurring** and scales with how often vets test, not with how many machines ship. The lock-in is the workflow: a clinic that retrains its staff around one system rarely switches. Earnings have compounded at 18.8% for twelve years, rising in 90% of comparisons — nine years in ten — on a worst drawdown of just 10%. That is what we mean by a **structural compounder**.

WHAT IS IT?

The maker of the **VetLab** point-of-care analyzers and **SNAP** rapid-test kits veterinary clinics use for in-house bloodwork, plus its own reference laboratory network for tests a clinic's own machine can't run.

HOW IT CREATES VALUE

Razor and blades: the analyzer is placed near cost, the consumables it runs for years afterwards carry the margin — **79% of revenue is now recurring**, up 8.9% year on year.

THE MOAT

Workflow inertia, renewed by every new hire. A clinic that switches analyzers re-trains every technician and re-plumbs its software — friction a rival can't buy past.

THE TREND SHAPING ITS MARKET

Veterinary care is shifting toward more diagnostics per visit, not fewer. **Demand grows with the standard of care, not the economy alone.**

THE STRUCTURAL BOTTLENECK

Not the hardware — **a retrained clinical workflow**. Staff learn one system, results integrate into one software platform, appointment flow is built around one turnaround time.

THE COMPETITION — THE HONEST BIT

Mars Inc. owns **~2,500 vet clinics** plus a rival network, Antech — in Mars-owned clinics, Mars sits on both sides of the buying decision. Watch CAG recurring revenue growth (+8.9% now). Next reading: **3 Nov 2026**.

THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

COMPOUNDING	EARNINGS QLTY	BALANCE SHEET	CAPITAL ALLOC.	PER-SHARE VAL.
PASS	PASS	PASS	PASS	PASS

TRAJECTORY · MIXED ↔ 3 of 5 dimensions improved over the last 4 quarterly reports, 1 held, 1 weakened. Worth watching, not yet a concern.

THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

EPS CAGR, 12 YRS	YEARLY COMPARISONS UP	WORST EARNINGS DRAWDOWN	NET MARGIN	NET DEBT / EQUITY
18.8%	90%	10%	25.0%	0.48×

The Exceptional Company Series is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

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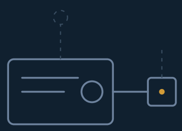
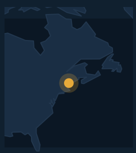
The seven forces & twenty-two themes	Every company profile to date	convictionplay.substack.com

Business quality and price are two different judgements — this asset makes only the first, and takes no view on the share price. Fact pack overleaf.



HEAD OFFICE

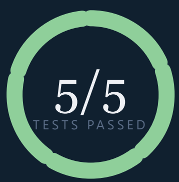


Westbrook, Maine, United States

Healthcare · Diagnostics & Research

ROIC	56.1%
REVENUE GROWTH	+9.7%
EPS GROWTH	+17.6%
INTEREST COVER	41.8×
FINANCIAL STRENGTH	5 / 5
WEBSITE	idexx.com
INVESTOR RELATIONS	IR site

THE CONVICTION WHEEL



COMPOUNDING
Revenue +9.7%, EPS +18.4%

EARNINGS QLTY
25.0% net margin

BALANCE SHEET
Interest covered 41.8x

CAPITAL ALLOC.
Self-funded growth

PER-SHARE VAL.
18.8%/yr per share, 12y

PEER GROUP — ANIMAL HEALTH & VETERINARY DIAGNOSTICS

IDXX · profiled | ZTS Zoetis

WHY THE ECONOMICS ARE EXCEPTIONAL

The analyzer is the loss leader. IDEXX prices instrument placements to win the counter space in a veterinary practice, then earns its margin on everything that machine consumes for as long as it sits there. By the company's own FY2025 accounting, recurring revenue was 79% of the total.

The switching cost is a retrained workflow. A practice that adopts VetLab has retrained its technicians, built appointment flow around in-house turnaround times, and often wired results into IDEXX's cloud record system. Moving to a rival analyzer means re-training staff and re-plumbing software — friction most small practices have no appetite for.

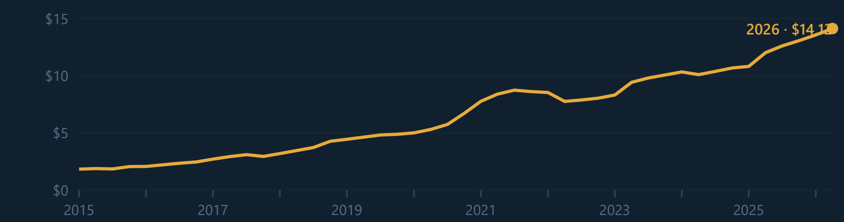
A second, quieter moat. For tests a clinic cannot run itself, turnaround speed is the product, and speed is a function of laboratory density and courier logistics — infrastructure that takes years to build and is not undercut by a better analyzer alone.

The honest risk. Mars owns roughly 2,500 veterinary clinics and Antech, a rival diagnostics network. In every clinic Mars owns, the company choosing the equipment also owns a competitor — a structural conflict, not a hypothetical one.

Share price, twelve years of monthly closes — **the same window as the earnings chart below, so the two can be read against each other.**

Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **Nine years in ten, this line went up.**



One down year in eleven, and 2022 was made back inside twelve months. The shape is the grade.

WHERE THE REVENUE COMES FROM (FY2025 10-K)

United States ≈ 64% | International ≈ 36%

Source: IDEXX Laboratories FY2025 Form 10-K, geographic revenue table.

WHAT THIS IS, AND WHAT IT IS NOT

An assessment of business quality — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

Not a valuation, price target, forecast or recommendation. We publish no view on the share price. A company can be exceptional and still be expensive.

Company facts and financial data: Legend, from company filings and market data, as at 21 August 2026. Structural assessment computed by Legend from reported earnings history. **A point-in-time snapshot** — recalculated as companies report, and it can change on any earnings release. Nothing here updates

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