



2020 first quarter revenue rose by +14.3% at comparable exchange rates, significantly impacted by anticipatory buying

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KEY FIGURES			
Revenue 1 st quarter 2020	Total growth	Growth at constant exchange rates	Growth at constant exchange rates and scope ¹
€247.7 M	+13.9%	+14.3%	+14.3% including companion animals +18.4% food producing animals +9.8%

¹ Growth at constant exchange rates and scope is the organic growth of sales, excluding the impact of exchange rate changes, by calculating the indicator for the financial year in question and that for the previous financial year on the basis of identical exchange rates (the exchange rate used is that in effect for the previous financial year), and excluding the impact of changes in scope, by calculating the indicator for the financial year in question on the basis of the scope of consolidation for the previous financial year.

Quarterly consolidated revenue

Virbac revenue in the first quarter was €247.7 million, with a sharp increase of +13.9% compared to the same period in 2019. At constant exchange rates, growth was at +14.3%, buoyed by Europe and the United States, with however a very positive effect related, on the one hand to anticipatory buying linked to Covid-19, and on the other hand to price increases in the United States. As described in the second part of the press release, we anticipate a slowdown in activity in the coming months.

All areas show growth compared to the same period last year. In the United States, first quarter activity showed a marked increase of +47.4% (+42.5% at constant exchange rates). It benefited from very large purchases by distributors of the Sentinel and Iverhart ranges, in anticipation of price increases applied in the first quarter of 2020. Ex-Virbac sales in the parasiticide and dermatology ranges are growing, driven by the launch of Easotic, whereas the other ranges were down compared to the same period in 2019, which had seen strong growth.

Outside the United States, the Group grew +9.1% at real rates, or +10.3% at constant rates favorably impacted by Covid-19, which generated advance purchases. In Europe, revenue grew +13.6% at real rates (+13.2% at constant rates). The major contributors to this performance were France, Germany, Belgium and Poland, boosted by a high level of activity in the companion animal ranges (including petfood related to advance purchases in anticipation of lockdown, and parasiticides), as well as ruminant products, which offset the decline in sales in Italy (impacted by Covid-19). In Latin America, excluding Chile, the Group had a good start to the year. Activity grew by +10.9% at real rates (+15.5% at constant exchange rates), due in particular to contributions by Brazil and Mexico. In Asia Pacific, growth at real rates was +3.4% (+4.8% at constant exchange rates), New Zealand drove the area's growth with substantial purchases of intramammary products in anticipation of Covid-19, thereby mitigating the more moderate growth in Asia, impacted by the drop in Vietnam, Taiwan and India. Lastly, in Chile, first quarter activity grew +3.4% at real rates (+5.2% at constant rates), driven by sales of antibiotics and parasiticides for aquaculture.

In terms of species, the companion animal activity grew globally by +19.2% at real rates (+18.4% at constant rates), primarily buoyed by growth in internal and external parasiticide ranges (significant anticipatory buying related to price increases), the petfood range (pre-lockdown purchasing prior to Covid-19), dermatology and specialties, which offset the decline in the dental, antibiotic and vaccine ranges. The food producing animal segment showed strong growth of +7.8% (+9.8% at constant rates), also with advance purchases related to Covid-19. It was driven by sales in the ruminant sector (+13.9% at constant rates) and aquaculture (+5.1% at constant rates), which offset the slight decline in the industrial farming sector (swine and poultry) of -1.3% at constant rates compared to the same period in 2019.

Covid-19 - Virbac status report

Our thoughts go out to people around the world who are directly or indirectly affected by this coronavirus pandemic (Covid-19).

Our top priority is the health and safety of our employees and we are following the evolution of this pandemic very closely. All of our efforts are focused on finding the best ways to protect our teams and taking every action possible to help slow the spread of the virus and avoid overwhelming healthcare systems. Because animal health is at the heart of public health, we are also striving to ensure continuity as much as is possible with regard to our commitments to veterinarians, farmers and animal owners. We warmly thank them all, especially veterinarians and farmers, who are on the front lines every day, continuing their essential work to feed the planet and protect animals.

To address this situation, we quickly assembled a dedicated committee that coordinates all positions and maintains contact with all subsidiaries to monitor the situation as it evolves, and to quickly and effectively make the best decisions. Measures



have been introduced at various Group sites: communications on how the virus is spread and the barrier gestures to be followed, monitoring of evocative symptoms, social distancing and contact prohibition, flow control, moving work stations to different locations (production, R&D, administrative), guided management of outside providers, personal protective equipment such as masks and gloves for those in the most exposed positions, etc. These measures were designed based on recommendations by the World Health Organization and country-specific health authorities.

Our business continuity plans have been triggered. Projects have been prioritized and a new work organization has been established by dividing the teams and spreading the time slots to avoid any overlap, as well as imposing teleworking for all eligible positions. Our remote communication channels have also been strengthened to better communicate with veterinarians and farmers as well as with employees, all to ensure continuity in our activity and our commitments to our customers in the animal care and feeding chain.

To date we count 30 cases of Covid-19 in our global workforce including 28 cases in France. We are continuously monitoring their health progress and that of their relatives. The majority of these cases are in our industrial teams at our major production sites in France (50% of our global productions) and in the U.S. After a temporary shutdown of our Carros site during the last week of March, we partially re-started production (current activity rate ~50%), with additional constraints, reduced staff and slower work rates. Our St. Louis site (current activity rate ~70%), as well as several of our other industrial sites are working at a slower rate, and we are unable at this point to determine when we can resume normal operations.

In terms of supply, we were able to mitigate impacts in the first quarter. However, we anticipate possible worldwide strain on the delivery of certain components or even certain products in the second quarter. For our Chinese suppliers, we are seeing a very gradual return of our supplies after a period of sharp slowdown. Our Indian subsidiary (the Group's number 3 subsidiary), which sources locally, will very likely be affected by the country's complex situation in terms of health and economics and recently mandated containment measures. With respect to our inventory, except for the companion animal vaccines for which we have temporarily stopped production, we have safety stocks on our main products that should cover us until the end of June 2020.

Meanwhile, we expect our business to slow during containment periods, even if disparities may exist between segments. In many countries, our sales representatives are confined to their homes, with less frequent contact with veterinary clinics for companion animals. Those clinics have reduced activity or may even only be seeing patients by appointment and for essential and urgent interventions. Overall, the food producing animal segment could be less impacted.

Suspension of the 2020 outlook

Given these elements, at this point, we anticipate a decline in our activity and profitability in the second quarter of 2020, and most likely throughout all of 2020. As a result, due to uncertainties related to the number of countries affected by containment measures, the magnitude of the impact of these measures on our activity, the length of time that the outbreak continues to grow, and thus the duration of containment periods, we are not able to accurately assess the extent of the decline in our activity over the entire year. Consequently, it is also difficult to confirm at this stage the objective of an EBITA² ratio around 15% around 2022 at constant rates and scope.

In addition to the measures we initiated to freeze spending and investment, government support measures for businesses, and the non-payment of dividends in 2020, we have the assets to deal with this crisis, including a solid financial structure, no significant repayment of debt in 2020, a drawing capability on our lines of credit that remains significant (~€250 million) and a positive cash position at the end March of ~€50 million. Lastly, thanks to our very diverse activity, our worldwide footprint (33 subsidiaries and a presence in over 100 countries via distributors), our highly engaged and supportive teams, and the stability of our shareholding, we remain very confident in the future.

² Ebita: Current operating profit before depreciations of assets arising from acquisitions.

A lifelong commitment to animal health

Virbac offers veterinarians, farmers and pet owners in more than 100 countries a practical range of products and services for diagnosing, preventing and treating the majority of diseases while improving quality of life for animals. With these innovative solutions covering more than 50 species, Virbac contributes day after day to shaping the future of animal health.



R&D
CENTERS ON
5 CONTINENTS



SALES
SUBSIDIARIES
IN 33 COUNTRIES

59%
COMPANION
ANIMALS



SALES
2019

41%
FOOD
PRODUCING
ANIMALS

+6.6% at constant exchange rates and scope compared to 2018



PRODUCTION
SITES
IN 10 COUNTRIES



4,900
EMPLOYEES