Revenue grew by +5.0% at constant exchange rates in the first half of 2020 (+4.5% excluding Sentinel), impacted by a decline in the second quarter of the year

Public release - July 20, 2020

KEY FIGURES			
Revenue 1st half-year 2020 - Provisional	**Total growth**	**Growth at constant exchange rates**	**Growth at constant exchange rates and scope** [1]
€478.3 M	**+3.1%**	**+5.0%** (+4.5% excl. Sentinel)	**+5.0%** including companion animals **+5.3%** food-producing animals **+5.3%**

[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

Revenue for the second quarter reached €230.6 million, down -6.4% compared to the same period in 2019. At constant exchange rates, the decline was limited to -3.3%, as the depreciation of certain currencies, particularly the Brazilian real, Mexican peso, South African rand and rupee, weighed heavily on the quarter's performance.

Overall, growth outside the United States was slightly positive with contrasting activity in the different regions. Europe and the United States contracted after benefiting from the very positive effect, noted in the first quarter, of price increases in the United States and anticipated purchases related to Covid-19 in certain countries. Overall, the Asia-Pacific region was stable compared to the same period in 2019, thanks to good momentum in China and Thailand, which offset the difficulties of India, entering the confinement period later. Finally, Latin America posted growth in the quarter, mainly driven by Brazil and Chile, both of which benefited from sustained activity over the period due to the lag in the spread of the epidemic. In terms of species, the food-producing animals segment has been resilient so far, thanks to the inertia in particular of long-cycle production animals such as ruminants and salmon (for which we expect a more significant negative impact in the third quarter), while the companion animal segment is significantly down in the quarter due to anticipated purchases in the first quarter as well as the decline in veterinary activity related to Covid-19. It should be noted that the quarter's performance was marked by lower vaccine sales due to supply disruptions (related to the shutdown of our worldwide manufacturing site for dog and cat vaccines located in Carros, France) and the impact of Covid-19.

Cumulative consolidated revenue at the end of June

Over the first half of the year as a whole, revenue amounted to €478.3 million compared to €463.7 million for the same period in 2019, representing an overall increase of +3.1% (+2.3% excluding Sentinel). Excluding the unfavorable impact of exchange rates, revenue increased by +5.0% (+4.5% excluding Sentinel).

All regions were experiencing growth at the end of June, reflecting the resilience of the sector and also the different stages of the epidemic depending on the geographical location. Europe and Latin America led the growth for the first half-year at +5.7% (+5.5% at constant exchange rates) and +1.3% (+9.3% at constant exchange rates) respectively, although some countries were more affected by the health crisis (United Kingdom and Italy). The Asia-Pacific region grew by +0.1% (+2.4% at constant exchange rates), impacted by a significant decline in India over the period. Finally, the United States achieved growth of +5.8% (+3.1% at constant exchange rates and -2.8% excluding Sentinel) thanks in particular to sales of Sentinel and the dermatology, hygiene and nutraceuticals ranges.

In terms of species, the companion animals business grew overall by +5.0% at actual rates (+5.3% at constant rates and +4.6% excluding Sentinel), essentially driven by growth in the internal and external parasiticide lines and pet food (anticipation of purchases preceding price increases and containment related to Covid-19), which compensated for the withdrawal of the antibiotics and vaccines lines. The food producing animal segment also recorded growth of +1.4% (+5.3% at constant rates), driven by the ruminant sector (+7.1% at constant rates) and aquaculture (+3.8% at constant rates), while the industrial sector (swine and poultry) remained stable compared to the same period in 2019.

Outlook

The animal health sector has shown relative resilience in recent months, which helped to limit the impact on our business at the end of June, despite the anticipated downturn in the second quarter of 2020. However, there are still many unknowns regarding the outlook for demand in the countries in which we operate (particularly in major countries such as the United States, India, and Chile), and also regarding the inventory position at all stages of the distribution chain in the different channels. In addition, we are also facing uncertainties related to the current health situation in certain countries that entered into confinement later (Brazil, Mexico, Chile, India, etc.), and possible resurgences or second waves of Covid-19 in the coming months, which could lead to a sustained and prolonged reduction in demand.

On the supply side, we managed to limit the impact on the first half of the year. However, we cannot rule out possible pressures across the world on the supply of certain components and even certain products in the second half of the year. Our Indian subsidiary (the Group's third-largest subsidiary), which obtains its supplies locally, experienced supply disruptions during the quarter due to the country's complex health and economic situation, and even if the situation is improving, we do not anticipate a return to normal for a few months.

On the production side, we continue to operate our two main production sites (Carros, France and Bridgeton, US) with additional constraints (sanitary measures), although we have just returned to normal activity levels for these sites. With the exception of Chile (currently at around 80%), our other industrial sites continue to operate at near-normal levels, with a rapidly evolving situation, particularly in Latin America. With regard to our inventories, production activity levels during the quarter did not allow us to maintain safety inventories for all of our products, particularly vaccines, which will lead to shortages in the second half of the year. Following a worldwide stoppage of more than two months in the production of our dog and cat vaccines, we expect to experience prolonged disruptions in the third quarter despite a gradual return of releases expected sometime in August.

Taking these factors into account, we currently anticipate a decline in revenue of between -3% and 0% for the year 2020 at actual scope (after the disposal of Sentinel) and at constant exchange rates. Finally, on the basis of current exchange rates, we anticipate an unfavorable exchange rate impact on revenue of approximately €25 to €30 million related to the sharp depreciation of currencies in the Latin America and Asia-Pacific region.

Finally, the disposal of the Sentinel brands at the beginning of July, for which we will continue to manufacture the Sentinel Spectrum formulation at our US site in Bridgeton, is expected to result in a decrease in revenue of approximately US$55 million and a decrease in the ratio Ebita[2] to revenue of approximately 3 points on a pro forma full-year basis. Note that the impact on the Ebita to revenue ratio should be limited to around 1 point in 2020, given the good level of sales from Sentinel, which represented sales of US$39 million in the first half.

CONSOLIDATED DATA Unaudited figures - in millions of euros	2020	2019	Growth	Growth at constant exchange rates [1]	Growth at constant exchange rates and scope [1]
Revenue for 1st quarter	247.7	217.5	+13.9%	+14.3%	+14.3%
Revenue for 2nd quarter	230.6	246.2	-6.4%	-3.3%	-3.3%
Revenue for 1st half of year	**478.3**	**463.7**	**+3.1%**	**+5.0%**	**+5.0%**

[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.