

Virbac: quarterly financial information as of September 30, 2019

This report is prepared in narrative form under the terms of implementation of article L451-1-2 of the Monetary and financial code issued by the French financial markets authority (AMF).

1. Key events of the quarter

No significant event has occurred in the third quarter.

2. Key events subsequent to the closing date

No significant event has occurred after the closing date of September 30, 2019.

3. General overview of Virbac financial situation

3.1 Activity

Quarterly consolidated revenue

Group revenue reached €233.6 million in the third quarter, an increase of +14.3% at real rates and +12.2%, adjusted for favorable exchange rates. All areas showed solid performances, particularly Europe, the United States and Asia Pacific, which drove the quarter's growth. In the United States, activity grew by +45.4% at real rates (+38.3% at constant rates) thanks to the dental, Iverhart and antibiotic ranges, with a favorable base effect for the quarter. Sales of the Sentinel range remained stable compared to the same period in 2018. Outside the United States, growth reached +10.8% at real rates (+9.3% at constant rates), reflecting Europe's momentum buoyed by excellent performances, particularly in the United Kingdom and Germany and by the area's export activity. In the same way, Asia Pacific and Latin America continued contributing positively to growth driven respectively by India, Australia, Japan and China, as well as Brazil. In terms of ranges, growth originated primarily from companion animal products, such as the dental range, parasiticides, petfood and specialty products. Furthermore, products for bovines, such as vaccines and food supplements, and aquaculture parasiticide products, played a role in the quarter's performance.

CONSOLIDATED FIGURES		3 rd quarter
in € million		
2018 net sales		204.3
2019 provisional net sales		233.6
	<i>Change</i>	+14.3%
	<i>Change at constant exchange rates</i>	+12.2%
	<i>Change at constant exchange rates and scope ¹</i>	+12.2%

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.

Cumulative revenue at the end of September

Revenue reached €697.3 million versus €634.3 million over the same period in 2018, recording a total growth of +9.9%. Adjusted for the favorable impact of exchange rates, particularly the American dollar, the Mexican peso and the yen, revenue showed growth of +8.4%. All areas continued to show sustained growth at the end of September compared to the same period in 2018, thus, the Group has seen eight consecutive quarters of growth at constant rates.

In the United States, activity continued to grow by +32.2% at real rates (+25.2% at constant exchange rates) over the period. However, this growth was bolstered by a significant base effect noted at the end of June, related to inventory reductions in distribution during the first half of 2018, which had impacted ex-Virbac sales. Ex-distributor sales in the United States of Virbac products to veterinary clinics are stable overall compared to the same period in 2018. Heartworm products were down compared to 2018, with strong, double-digit growth in the Iverhart range that partially offset the erosion of Sentinel sales. Other ranges, like sales in additional distribution channels, continued their double-digit growth, driven by the momentum of dental, specialty and antibiotic products.

Outside of the United States, the Group showed significant growth of +6.8% at real rates, or +6.0% at constant rates. In Europe, revenue surged thanks to an excellent third quarter (+4.8% at real rates and +4.7% at constant rates). The main contributors to this performance were Northern European countries (including the United Kingdom and Germany), Spain, which offset the drop in Italy; and France, which is down very slightly in a market itself in decline. In Asia Pacific, growth at real rates was +7.5% (+6.1% at constant exchange rates). Growth was very strong in China and Japan, India benefited from improved growth at the end of September, and New Zealand's delay was offset by Australia. In Latin America, excluding Chile,



the Group confirms the good trend of the start of the year. Activity continued to grow by +11.5% at real rates (+9.9% at constant exchange rates), thanks to strong contributions by Brazil and Mexico. Lastly, in Chile, activity showed strong growth of +10.4% at real rates (+7.2% at constant rates), driven primarily by sales of injectable vaccines and parasiticides for aquaculture.

CONSOLIDATED FIGURES in € million		Nine months
2018 net sales		634.3
2019 provisional net sales		697.3
	Change	+9.9%
	Change at constant exchange rates	+8.4%
	Change at constant exchange rates and scope ¹	+8.4%

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.

Performance by segment

Companion animals

Revenue in the companion animal segment grew overall by +14.8% at real rates (+12.8% at constant rates), buoyed by strong performances in all ranges (parasiticides, petfood, dental and specialties).

Food producing animals

The food producing animal segment showed more moderate growth of +3.4% at real rates (+2.5% at constant rates). Aquaculture grew by +10.3% at constant rates, thanks primarily to momentum in sales of injectable vaccines and parasiticides for salmon. The bovine sector grew by +2.0% at constant rates, thanks to sales of vaccines and nutritionals, offsetting the decline in antibiotics, and lastly, the industrial sector (swine and poultry) showed a slight downturn of -0.7% at constant rates, impacted by new regulations on the prescribing of antibiotics in Italy.

3.2 Net debt

Group net debt at the end of September 2019 amounted to € 421.9 million, a decrease of € 4.1 million compared to the end of 2018. Excluding the impact of IFRS 16, the debt would be € 389.9 million, a decrease of 36.2% million €. This diminution is mainly due to the growth of the sales in the Group, the sale of our offices in Fort Worth (€ 5.2 million), a strict control of expenses and is partially reduced by an unfavorable foreign exchange rate impact.

4. Outlook

Following the very good performance of the third quarter, the Group raises its annual revenue growth outlook at constant rates between 5% and 7% compared to 2018. The ratio of "current operating profit, before depreciation of assets arising from acquisitions" to "revenue" should now grow by around 2.5 points compared to 2018 at constant exchange rates. From a financial standpoint, tight control of invested capital should allow further debt relief of about €60 million at constant rates for the year.

Focusing on animal health, from the beginning

Virbac offers veterinarians, farmers and pet owners in more than 100 countries a comprehensive and practical range of products and services. With these innovative solutions covering the majority of animal species and diseases, Virbac contributes, day after day, to shape the future of animal health.



R&D
CENTERS ON
5 CONTINENTS



SALES
SUBSIDIARIES IN
33 COUNTRIES



PRODUCTION
FACILITIES IN
10 COUNTRIES



4,900
EMPLOYEES

up 1.4% from 2017