2019 operating profit from ordinary activities on the rise

Press release dated March 16, 2020

CONSOLIDATED FIGURES AS OF DECEMBER 31 in € million	2019	2018	% change 2019/2018
Revenue from ordinary activities	**938.3**	**868.9**	**+8.0%**
Evolution at constant exchange rates			*+6.6%*
Evolution at constant exchange rates and scope [1]			*+6.6%*
Current operating profit before depreciation of assets arising from acquisitions [2]	**122.4**	**88.1**	**+39.0%**
As a % of sales	*13.0%*	*10.1%*	
As a % of sales at constant exchange rates	*13.1%*		
Depreciations of intangible assets arising from acquisitions	15.0	15.0	
Operating profit from ordinary activities	**107.4**	**73.0**	**+47.1%**
Non-recurring expenses and revenues	9.4	8.0	
Operating profit	98.0	65.0	+50.7%
Net profit from ordinary activities [3]	**63.4**	**31.5**	**+101.5%**
Net consolidated profit	54.4	21.0	+159.3%
Of which net profit - Group share	51.6	20.1	
Shareholder's equity	517.8	460.3	+12.5%
Net debt [4]	368.4	426.1	-13.5%
Operating cash flow before interest and taxes [5]	156.5	119.3	+31.2%

[1] Growth at constant exchange rates and scope is the organic growth of sales, excluding the impact of exchange rate variations, 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.
[2] Current operating profit before depreciation of assets arising from acquisitions reflects profit from ordinary activities adjusted for the impact of allowances for depreciation of intangible assets resulting from acquisition transactions.
[3] Net profit from ordinary activities corresponds to net consolidated profit adjusted for non-recurring expenses and income (€9.4 million), and for non-current tax (- €0.5 million).
[4] Net debt corresponds to current (€120.6 million) and non-current (€306.9 million) financial liabilities as well as a lease obligation related to application of IFRS 16 (€34.7 million), less cash and cash equivalents (€93.7 million) as published in the statement of financial position.
[5] Operating cash flow corresponds to operating profit (€98.0 million) adjusted for items having no impact on cash position and impacts related to transfers. The following items are adjusted: asset depreciation and impairments (€64.3 million), provisions for risks and charges (- €2.7 million), provisions related to employee benefits (- €2.0 million), and the other expenses and income without any impact on cash position (€1.4 million) and the impacts related to transfers (- €2.5 million).

The Group has applied the IFRS 16 standard, "Leases", since January 1, 2019, opting for the simplified-retrospective basis for transition. Certain income statement items were impacted by the application of IFRS 16, in particular "External Expenses", through cancellation of a rental expense (€11.3 million), "Impairments and Provisions", through depreciation for the usage period (€10.5 million) and "Financial Income and Expenses", through recognition of an interest expense on lease obligations (€1.4 million).

The accounts were audited; the statutory auditor's report is in the process of being issued. They are available on the corporate site: virbac.com along with the detailed presentation of the annual results.

Thanks to the Virbac teams' constant dedication to animal health, we posted annual revenue of €938.3 million, an increase of +8.0% over 2018 at actual exchange rates and +6.6% at constant rates. Geographically, all of our regions, with the exception of the Pacific region, contributed to sustained growth compared to the same period in 2018. The United States grew by +18.8% at actual rates (+13.6% at constant exchange rates, or approximately +7% excluding the favorable impact related to destocking in distribution carried out in the first half of 2018). Outside the United States, we saw solid growth of +6.2%, or +5.5% at constant rates. In Europe, we grew by +5.2% at constant rates, buoyed in particular by performances in Northern Europe, France and Spain. In the Asia Pacific region, growth at actual rates was +5.7% (+4.0% at constant exchange rates). Growth was very strong in China and Japan, with India achieving more moderate growth, whereas, following a period of extreme drought and unprecedented fires, Australia ended the year down compared to 2018. In Latin America, our business grew by +9.3% at actual rates (+7.6% at constant exchange rates), reflecting strong contributions by Brazil, Mexico and Chile.

The current operating profit before depreciation of assets arising from acquisitions amounts to €122.4 million, growing significantly compared to 2018 (€88.1 million). It benefited from good performances in all regions, particularly in the United States and Europe. Furthermore, sound cost control and a better absorption of fixed costs have also contributed to improving our operating margin for the period. Lastly, our result is favorably impacted by the recognition of exceptional items such as the profit from the sale of the American subsidiary's office space amounting to €1.1 million, and the positive impact of the application of an amendment to executive board members' defined benefit retirement plan, amounting to €3.4 million, recognized at the end of June, 2019. Excluding these exceptional items, our profitability to revenue ratio grew by +2.5 points compared to the end of December, 2018, as result of the year excellent activity, the operational execution of the competitiveness strategy, and to a lesser extent, the favorable base effect in the United States.

Net profit from ordinary activities (net consolidated profit adjusted for non-recurring expenses and income and for non-current taxes) totaled €63.4 million, up 101.5% over 2018. This improvement in the net profit from ordinary activities can be attributed to the growth in business, good cost management, the recognition of a few exceptional items, as well as the impact of a favorable exchange rate between 2018 and 2019, primarily on the Chilean peso. The impact of the exchange rate on this currency was actually negative over 2019, but not as negative as it had been in 2018.

Net Profit - Group Share reached €51.6 million, a strong increase compared to the previous year (€20.1 million), buoyed by operational performance and the shared elements above. It should be noted that net profit for the period is impacted by an impairment of assets associated with the leishmaniosis vaccine, for a net amount of €7.2 million in the first half of 2019. On the other hand, profit benefited from the positive impact related to an impairment of deferred tax relative to fiscal losses by the American subsidiary, which saw a sharp decrease in 2019 (€2.0 million) compared to the 2018 impairment amount for the same period (€4.6 million).

From a financial standpoint, our net debt is at €368.4 million, down by €57.7 million compared to December 31, 2018 at actual rates, and €87.7 million at constant rates and scope (i.e. excluding the impact of IFRS 16). The lack of a dividend payment by Virbac SA on 2018 profits, and a strict control of working capital requirements and investments contributed to debt relief. Thus, we are in compliance with the financial ratio (Net Debt/Ebitda), which amounts to 2.29 (excluding the impact of IFRS 16, this ratio would be 2.22) versus 3.75, the maximum limit set at the end of December 2019 as part of the financial covenant.

Outlook (without possible impact of Covid-19)

Between December 20, 2019, the date on which we issued our 2020 outlook reported below, and this communication, the coronavirus health crisis occurred. The situation is extremely evolving worldwide, and at this stage it is very difficult to anticipate what the impacts may be by the end of the year. We are working on contingency plans and have implemented appropriate measures for our employees, and also to meet the needs of our customers.

For 2020, we anticipate revenue growth at constant rates and scope of between 4% and 6% and an increase in the ratio of “current operating profit before depreciation of assets arising from acquisitions” to “revenue”, of around 0.5 percentage points compared to 2019 (1 percentage point excluding exceptional items recognized in 2019).

From a financial standpoint, tight control of invested capital should allow further debt relief, which is expected to hover around €60 million, at constant rates, for the year.

ANALYSTS' PRESENTATION - VIRBAC

We will hold an analysts’ meeting (webcast audio+slides) on Tuesday, March 17, 2020 at 2:15 pm CET (Paris time).

Information for participants

Webcast access link: https://bit.ly/387F3Kv

This access link is available on the corporate.virbac.com site, under the heading ''financial press releases''. This link allows participants to access the live and/or archived version of the webcast.

You may send us your questions via the chat during the meeting or, if necessary, via our email address: finances@virbac.com.

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.