Virbac: 2018 operating profit from ordinary activities grew by 13.4%

Public release dated March 18, 2019

CONSOLIDATED DATA AS OF DECEMBER 31st in € million	2018	2017	% change 2018/2017
Revenue from ordinary activities	**868.9**	**861.9**	**+0.8%**
Evolution at constant exchange rates			*+4.5%*
Evolution at constant exchange rates and scope [1]			*+4.5%*
Current operating profit before depreciation of assets arising from acquisitions [2]	**88.1**	**80.3**	**+9.6%**
As a % of sales	*10.1%*	*9.3%*	
As a % of sales at constant exchange rates	*10.6%*		
Depreciations of intangibles assets arising from acquisitions	15.0	15.9	
Operating profit from ordinary activities	**73.0**	**64.4**	**+13.4%**
Non-recurring expenses and revenues	8.0	6.3	
Operating profit	65.0	58.0	+12.0%
Net profit from ordinary activities [3]	**31.5**	**29.5**	**+6.7%**
Net consolidated profit	21.0	1.8	+1093.1%
Of which net profit - Group share	20.1	-2.6	
Shareholder's equity	460.3	436.4	+5.5%
Net debt [4]	426.1	460.0	-7.4%
Operating cash flow before interest and taxes [5]	119.3	107.0	+11.5%

[1] Evolution 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.
[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 (€8 million), and for non-current tax (€2.4 million).
[4] Net debt corresponds to current (€113.0 million) and non-current (€375.9 million) financial liabilities less cash and cash equivalents (€62.8 million) as published in the statement of financial position.
[5] Operating cash flow corresponds to operating profit (€65.0 million) adjusted for items without any impact on cash position and the impacts of the disposals. The following items are adjusted: asset depreciation and impairments (€49.0 million), provisions for risks and charges (€6.2 million), provisions related to employee benefits (€0.9 million), the other expenses and income without any impact on cash position (€0.1 million), and the impacts of the disposals (€-1.9 million).

The accounts were audited; the statutory auditor's report is in the process of being issued. They are available on the corporate site at corporate.virbac.com.

The Group registered annual revenue of €868.9 million, up by 0.8% at real exchange rates and 4.5% at constant rates compared with 2017. From a geographic perspective, all areas show sustained growth, driven by double-digit growth at constant rates in nearly half of the Group's subsidiaries. The United States is up 5.7% at constant rates, thanks to good performance across all ranges excluding Sentinel, impacted by a destocking of about $ 12 million in distribution. Europe is growing by 2.7% at constant rates due to a good contribution from France, the United Kingdom and Germany, in particular, offsetting difficulties encountered in southern Europe. In the rest of the world, the Asia-Pacific region shows a change of 5.8% at constant exchange rates (7.2% excluding an unfavorable base effect related to licensing revenue recognized in 2017), mainly due to momentum in India, China, New Zealand and Australia. Growth in Latin America, measuring 15.5% excluding Chile, amounts to 4.8% at constant rates, buoyed by strong sales in all countries, particularly Brazil and Mexico. These were offset by a decline in antibiotic and oral vaccine sales in Chile compared to the same period in 2017.

Current operating profit before depreciation of assets arising from acquisitions amounted to €88.1 million, showing substantial growth compared to 2017 (€80.3 million), despite a strong negative currency impact of €7.1 million. At constant exchange rates, operating profit from ordinary activities before depreciation of assets arising from acquisitions shows substantial growth of 18.5%, or +1.3 point as a ratio of revenue compared to 2017. It benefits from strong performance in all countries except Chile, particularly in the United States, which drives the growth in adjusted profit from ordinary activities in 2018. Sound cost control and a better absorption of fixed costs have also contributed to improving the operating margin for the period.

Net profit from ordinary activities (net consolidated profit adjusted for non-recurring expenses and income and for non-current tax) is €31.5 million, increasing by 6.7% compared with 2017. Net profit from ordinary activities is positively impacted by increased activity and a decline in financing costs associated with the Group's debt relief and a favorable impact of interest rates compared to 2017 (decrease in the proportion of debt denominated in $ vs. €). In return, net profit from ordinary activities suffers from the unfavorable currency impact, primarily on the Chilean peso, which depreciated substantially against the euro and the dollar.

Net profit – Group share is €20.1 million, a significant increase compared with the previous year (€-2.6 million), which was particularly marked by the impairment of the deferred tax asset on American tax losses carried forward from the 2015-2017 financial years, amounting to €21.4 million. Similarly to 2017, and due to the competition, net profit for the period is impacted by an additional impairment of assets associated with the leishmaniosis vaccine, for a net amount of €5 million. Net profit was equally impacted by the recognition of a provision for the outsourcing of a production activity in France, partially offset by the income from the sale of a logistics site in the Paris region.

From a financial standpoint, the Group's net debt is at €426.1 million, down by €34 million at real rates and by €48 million at constant exchange rates compared to December 31, 2017. The lack of a dividend payment by Virbac SA on 2017 profits and the strict control on the commitment of capital expenditure contributed to the Group's debt relief. Thus, the Group is in compliance with the financial ratio (net debt/Ebitda), which amounts to 3.46 versus 4.25, the maximum limit set at the end of December 2018 as part of the financial covenant.

Outlook

Thanks to performance that the Group predicts will be strong in all the regions, revenue at constant rates is expected to rise from 4% to 6% in 2019 compared with 2018.

For the entire year, the Group anticipates the ratio of "operating profit from ordinary activities before depreciation of assets arising from acquisitions" to "revenue" to increase by around 1 point at constant exchange rates compared to 2018.

From a financial standpoint, tight control of invested capital should allow further debt relief, which is expected to hover around €30 million, at constant rates, for the year.

Furthermore, the Group had obtained a relaxation of its financial covenant (net debt/Ebitda) with its bankers for 2018. Thus, it was to be around 5.0 at the end of June 2018, and 4.25 at the end of December 2018. Starting in 2019, the financial ratio of the initial contract will be reapplied and should thus amount to 4.25 at the end of June 2019, and 3.75 at the end of December 2019. The Group's financing is ensured primarily through an RCF (Revolving credit facility) line of 420 million euros, maturing in April 2022, as well as through bilateral bank loans, financing by the European investment bank (EIB) and *Schuldschein* disintermediated contracts, whose terms are between four and ten years.

ANALYSTS' PRESENTATION - VIRBAC

Virbac will hold an analysts' meeting on Tuesday, March 19, 2019 at 2:15 pm CET (Paris time) in the Vivaldi auditorium of Club Laffitte, 54 rue Laffitte- 75009 Paris (France).

Participants may arrive 15 minutes before the start of the meeting.

You may also attend the meeting using the webcast available via the link below.

Information for participants

Webcast access link: https://goo.gl/gynDy4

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

There will be no real-time interaction. You may send us your questions, if necessary, via our e-mail address: finances@virbac.com.

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Virbac offers veterinarians, farmers and pet owners in more than 100 countries a practical range of products and services to diagnose, prevent and treat the majority of pathologies, while improving the animals' quality of life. With these innovative solutions covering more than 50 species, Virbac contributes, day after day, to shape the future of animal health.