2020 current operating income showed strong growth (+37.6% at constant rates and scope), reflecting the excellent evolution of revenue (+5.7% at constant rates and scope) and a sharp decrease in expenses in the context of the Covid-19 crisis

The divestment of Sentinel that took place on July 1, 2020 impacted the financial statements for the 2nd half of the year and allowed the group to reduce its debt

Public release on March 17, 2021 after market close

CONSOLIDATED FIGURES AS OF DECEMBER 31 in € million	2020	2019	2020/2019 Change
Revenue	**934.2**	**938.3**	**-0.4%**
Change at constant exchange rates			*+3.2%*
Change in Revenue at constant exchange rates and scope [1]			**+5.7%**
Current operating income before depreciation of assets arising from acquisitions [2]	**128.9**	**122.4**	**+5.2%**
as a % of revenue	*13.8%*	*13.0%*	
as a % of revenue at constant rates	*14.4%*		
Depreciation of intangible assets arising from acquisitions	8.4	15.0	
Current operating income	**120.5**	**107.4**	**+12.2%**
Change in Current operating income at constant exchange rates			*+21.6%*
Change in Current operating income at constant exchange rates and scope [1]			**+37.6%**
Non-recurring expenses and income	-65.2	9.4	
Operating income	**185.7**	**98.0**	**+89.5%**
Current net income [3]	**78.3**	**63.4**	**+23.5%**
Consolidated net income	141.8	54.4	+160.5%
Including net income - Group share	**137.5**	**51.5**	**+166.7%**
Shareholders' equity - Group Share	622.9	517.8	+20.3%
Net debt [4]	**-63.4**	**368.4**	**-117.2%**
Operating cash flow before interest and taxes [5]	**171.4**	**156.5**	**+9.5%**

[1] The change at constant exchange rates and scope is the organic growth, excluding the impact of exchange rate changes, by calculating the indicator for the financial year in question and the indicator for the previous financial year on the basis of identical exchange rates (the exchange rate used is the exchange rate in effect for the previous financial year), and excluding the impact of changes in scope (i.e. excluding Sentinel over both periods).
[2] Current operating income before depreciation of assets arising from acquisitions reflects current income adjusted for the impact of allowances for depreciation of intangible assets resulting from acquisition transactions.
[3] Current net income corresponds to consolidated net income adjusted for non-recurring expenses and income (- €65.2 million), and for non-current tax (€1.7 million).
[4] Net debt corresponds to current (€32.0 million) and non-current (€51.7 million) financial liabilities as well as a lease obligation related to the application of IFRS 16 (€34.8 million), less cash and cash equivalents (€181.9 million) as published in the statement of financial position.
[5] Operating cash flow corresponds to operating income (€185.7 million) adjusted for items having no impact on cash position and impacts related to transfers. The following items are adjusted: fixed asset depreciation and impairments (€57.3 million), provisions for risks and charges (€1.7 million), provisions related to employee benefits (-€1.1 million), the other expenses and income without any impact on cash position (€1.0 million), and the impacts related to disposal of assets (- €73.0 million).

The accounts were audited by the statutory auditors and examined by the board of directors on March 16, 2021. The statutory auditor's report is in the process of being issued. The statements and detailed presentation of annual results are available on the corporate site at corporate.virbac.com.

Thanks to the constant mobilization of the Virbac teams for animal health and the resilience of the sector, we observed annual revenue of €934.2 million compared to €938.3 million over the same period in 2019, corresponding to an overall change of +1.8% excluding Sentinel (-0.4% at real exchange rates and scope). Excluding the negative effect of exchange rates and Sentinel, revenue increased by +5.7% (+3.2% at constant rates and at real scope). Contributions at constant exchange rates are positive for activities as a whole, except for the United States which has been greatly impacted by the Covid-19 crisis and has fallen slightly, excluding Sentinel, and the impact of shortages of dog and cat vaccines, which resulted in a significant loss over the year. It should be noted that the pet business is generally growing by +0.4% at constant rates and +5.5% excluding Sentinel (-1.6% at real exchange rates and scope), mainly driven by the double-digit growth of pet food, specialties, dermatology and hygiene ranges that compensate for the decrease in vaccine ranges (due to shortages), antibiotics and dental ranges. The food producing animals segment also shows strong growth of +6.6% at constant rates (+0.4% at real exchange rates and scope), mainly driven by the ruminant sector; while aquaculture, which has suffered greatly from the consequences of Covid-19, is down compared to the same period in 2019.

The current operating income before depreciation of assets arising from acquisitions amounts to €128.9 million, up compared to 2019 (€122.4 million). It should be noted that, excluding the negative effect of exchange rates, which had an impact of €10.5 million, growth stood at +13.8% compared to 2019. This improvement in performance of 0.8 points (1.4 points at constant exchange rates) as a ratio of revenue, is explained on the one hand, by the excellent performance of our sales, which led to a significant improvement in our gross margin with a favorable mix of our products, and on the other hand, by a strong reduction and good control of expenses related to the Covid-19 situation, for which we estimate the impact around €15 million (virtualization of seminars, conferences, events, halting travel in many countries, reduction of marketing expenses, and limitation in our R&D expenses, particularly due to delays and shifts in certain programs). It should be noted that in 2020, the impact on the ratio of current operating income, before depreciation of assets arising from acquisitions over revenue from the divestment of Sentinel is limited to approximately 1 point, given the good level of sales of Sentinel over the first half of the year.

Current net income (net consolidated income adjusted for non-recurring expenses and income and for non-current taxes) totalled €78.3 million, up 23.5% over 2019. This improvement in current net income is explained by the reasons given above, in particular the growth of the business and gross margins, a very strong control of costs, and the net decrease in financial expenses which amount to €10.4 million, compared to €20.3 million in the previous financial year, due to the repayment of loans and lines of credit following the collection of the proceeds of the divestment of the rights of the Sentinel range.

Net income - Group share amounted to €137.5 million in 2020, compared to €51.5 million in the previous year (+166.7%), i.e. an improvement of €86 million at real rates mainly explained by the divestment of Sentinel (representing net proceeds of €66.5 million), as well as good operational performance in 2020.

From a financial standpoint, our net debt is at - €63.4 million, down by €431.8 million compared to December 31, 2019 at real rates, and €71.9 million at constant rates and scope. This positive net cash position benefited from the impact of the divestment of Sentinel (€363.3 million), as well as the absence of dividend payment by Virbac SA in respect to the 2019 results and a strict control of the working capital requirement and investments that contributed to the debt reduction. Thus, the Group is in compliance with the financial ratio (Net debt/EBITDA), which is -0.29 versus 3.75, which was the maximum limit set at the end of December 2020 as part of the financial covenant.

Outlook

The animal health sector demonstrated very good resilience in 2020, which contributed to limiting the impact on our business. Although the fundamentals of our industry remain robust, the health crisis could have an impact on our activities in 2021, depending on its duration, geographical expansion and the resulting economic and social consequences. However, and as explained previously, we have implemented a set of measures and daily management in order to prevent and limit potential impacts (crisis management system, supply chain and stock management policies, readjustment of the targets of our safety stocks, business continuity plans of industrial sites, sourcing diversification policies and strengthening relationships with our strategic suppliers, etc.). In addition, our global presence in terms of geographic areas and species, our highly diversified product portfolio, our different distribution channels, the very strong responsiveness and adaptability of our teams through our organizational model, as well as the robustness of our financial situation are assets that will enable us to face the financial consequences of this pandemic. However, we remain vigilant to developments in the situation in the coming months, and are mobilized to address them.

It should be noted that the early July 2020 divestment of the Sentinel brands (for which we will continue to manufacture the Sentinel Spectrum formulation at our US site in Bridgeton), is expected to result in a revenue decrease of approximately US$55 million and a decrease in the Ebi*ta*[2] to revenue ratio of approximately 3 points on a pro forma full-year basis at the time of the divestment.

As a continuation of the execution of our strategic plan, in 2021, we anticipate a growth in revenue at constant rates and scope of between 3% and 5% (i.e. between 0% and 2% at constant rates and real scope), as well as a ratio of "current operating income, before depreciation of assets arising from acquisitions" over "revenue" which should be between 10% and 12% at constant exchange rates. Lastly, as indicated in September, 2020, we are starting a transition phase over the 2021-2022 period. Our investment level could be around €60 million per year over these two financial years. In addition, at the next general meeting of shareholders, a net dividend of €0.75 per share will be proposed for the 2020 financial year.

Lastly, as a result of the commitments made by Elanco to the European Commission in connection with the acquisition of Bayer's animal health division, we obtained in February 2021 the rights to Elanco's *early stage* development programs for parasiticide products. In addition, we have also obtained a contribution to development costs, as well as the worldwide rights to two products for pets (Itrafungol and Clomicalm) whose revenue is around €11 million in a full year. These asset acquisitions should have a limited impact on the Ebita[2] and do not call into question our outlook for 2021.

[2]Ebita: Current operating income before depreciation of assets arising from acquisitions

ANALYSTS' PRESENTATION - VIRBAC

We will hold an analysts meeting on Thursday, March 18, 2021 at 2:30 p.m. (Paris time – *CET*) by videoconferencing.

Access the webcast (video + slides) via the link below.

Information for participants:

Webcast access link: https://bit.ly/3uynLCS

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 will be able to ask questions via *chat* (text) directly during the webcast or after watching the *replay* at the following email address: finances@virbac.com.

Focusing on animal health, from the beginning
At Virbac, we provide innovative solutions to veterinarians, farmers and animal owners in more than 100 countries around the world. Covering more than 50 species, our range of products and services enables to diagnose, prevent and treat the majority of pathologies. Every day, we are committed to improving animals' quality of life and to shaping together the future of animal health.