Virbac: quarterly financial information as of September 30, 2018

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, 2018.

3. General overview of Virbac financial situation

3.1 Activity

Quarterly consolidated revenue
Group revenue reached €204.3 million in the third quarter, an increase of +6.1% at real rates when compared to the same period in 2017. At comparable exchange rates, third-quarter revenue saw faster growth than in the first half, showing sustained growth of +9.3%. The quarter's growth is mainly driven by activity in the United States, which is enjoying a favorable base effect compared to the same period in 2017. It should be noted that ex-distributor sales in the United States of Virbac products to veterinary clinics are growing overall by +14%, with Sentinel and Iverhart posting growth of +7% and +45% respectively, compared to 2017. Latin America exclusive of Chile, driven by double-digit growth in Brazil and Mexico, and with Asia Pacific buoyed by China, New Zealand and Australia, contribute positively to growth, offsetting a stable Europe and declining Chile. In terms of species, growth originates primarily from the companion animal segment, with products such as parasiticides, petfood, vaccines and dermatology ranges. Furthermore, products for cattle, such as vaccines and food supplements, play a role in the quarter's performance.

CONSOLIDATED FIGURES in € million	3rd quarter
2017 net sales	192.7
2018 provisional net sales	**204.3**
Change	*+6.1%*
Change at constant exchange rates	*+9.3%*
Change at constant exchange rates and scope [1]	*+9.3%*

[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.

Cumulative revenue at the end of September
Revenue reached €634.3 million versus €630.2 million over the same period in 2017, recording total growth of +0.7%. Excluding the negative effect of exchange rates, notably the Indian rupee, the American and Australian dollar, and the Brazilian real, revenue is growing at +5.5%.

In the United States, activity grew by +6.4% at real rates, including +13.8% at comparable exchange rates, steadily improving since the beginning of the year. This performance is due to large sales of Sentinel in the third quarter, as well as by sustained performance in dental ranges and specialty products. It should be noted that ex-distributor sales in the United States of Virbac products to veterinary clinics are growing well at +6% at the end of September. Although Sentinel is now at just -1%, Iverhart ranges continue growing at +30%, and all other ranges post average growth of +19% at the end of September 2018.

Outside of the United States, the Group is stable at real rates at the end of September, however, organic growth remains strong at +4.5%. Europe shows growth of +2.5% at real rates, including+3.0% at constant rates, due to a good contribution by France, the United Kingdom, and Germany in particular, offsetting difficulties encountered in Southern Europe (competition facing the vaccine against canine leishmaniosis and declining antibiotic sales in Spain). In the rest of the world, the Asia-Pacific area shows a change of -1.9%, including +6% at constant exchange rates (+7.8% excluding an unfavorable base effect related to licensing revenue recognized in 2017), mainly due to momentum in India, New Zealand and Australia. Growth in Latin America, exclusive of Chile, amounted to +1.6% at real rates and +13.5% at constant rates, driven by activity in Brazil and Mexico. Lastly, Chile shows a decline of -11.5% at real rates, including -6.4% at constant rates, due in particular to weaker antibiotic and oral vaccine sales compared to the same period in 2017.

CONSOLIDATED FIGURES in € million	Nine months
2017 net sales	630.2
2018 provisional net sales	**634.3**
Change	*+0.7%*
Change at constant exchange rates	*+5.5%*
Change at constant exchange rates and scope [1]	*+5.5%*

[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 is rising overall by +4.6%, including +8.4% at constant exchange rates. The ranges showing the most significant growth are the specialty ranges (especially Zoletil and Suprelorin), petfood, and the dental range, which offset the decline in parasiticide ranges.

Food producing animals
In the food producing animal segment, total change amounted to -3.6%, including +2.6% at constant exchange rates. Performance varies at constant rates, with the bovine sector growing at +8.1%, buoyed by nutritional products and ruminant vaccines, while industrial (swine and poultry) and aquaculture show respective declines of -3.8% and -14.8%, related to weaker sales of antibiotics and oral vaccines for salmon.

3.2 Net debt

Group net debt at the end of September 2018 amounted to €471.3 million, increasing by €11.3 million compared to December 2017. This change is linked to the seasonality of the working capital requirement and to an unfavorable exchange rate on USD financing.

4. Outlook

The Group anticipates growth in revenue at constant rates that should show a “low single-digit” increase in 2018 compared to 2017, and a current operating profit, before depreciation of assets arising from acquisitions ratio on revenue at constant exchange rates with growth at around 1 point at constant exchange rates compared to 2017.
Debt relief should be around €30 million for the year at constant exchange rates. Furthermore, the Group obtained a relaxation of its financial agreement (net debt/Ebitda) with its bankers for 2018. Thus, it is at 5.0 at the end of June, 2018, and at 4.25 at the end of December, 2018. The Group’s financing is ensured primarily through an RCF (Revolving credit facility) line of €420 million, maturing in 2022, as well as bilateral bank loans, financing by the European Investment Bank (EIB) and *Schuldschein* disintermediated contracts, whose terms are between four and ten years.

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.