



2019 results & perspectives

March 2020

Shaping the future
of animal health

Virbac

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corporate.virbac.com

AGENDA

2019 financial highlights

Main 2019 achievements

Company priorities & 2020 situation

Appendix : 2020 agenda



2019 FINANCIALS – SUMMARY (1/5)

- **Solid organic growth of 6.6%**
 - Driven by all areas
 - Favorable 2018 base effect linked to stock decrease at distributor level in H1 2018 in the USA
 - Double-digit margin growth
- **Sales increase in the USA (+13.6% @ constant rate / ~ +7.0% excl. 2018 base effect linked to stocks decrease)**
 - Sentinel sales ex-Virbac slightly increasing however decreasing excluding base effect of 2018 (destocking)
 - Iverhart range sales showed solid double-digit growth thanks to Iverhart Max Soft Chew
 - Other ranges : double-digit performance of the dentals, antibiotics and specialties ranges
- **Strong increase of Ebit adjusted (Ebita¹) +33.3 M€ @ constant exchange rate (+37.8%) leading to 13.1% of EBITA ratio**
 - Strong contribution of all areas
 - Significant improvement in the US profitability incl. favorable base effect vs. 2018
 - EBITA ratio also positively impacted by one-off positive contributions (~0.5 pts) : changes in the pension scheme¹ (+3.4 M€) & sales of our US Headquarter (+1.1 M€)
- **Forex impact**
 - Favorable on sales (+12.2 M€) and on Ebita (+1.1 M€)

¹ Pension scheme of the member of the Executive Board

² Ebita: Current operating profit before depreciations of assets arising from acquisitions

2019 FINANCIALS – SUMMARY (2/5)

Average rates	USD	GBP	JPY	MXN	AUD	ZAR	BRL	INR	CHF	CLP
A 2018	1.17	0.88	130	22.7	1.58	15.6	4.31	80.8	1.15	757
A 2019	1.12	0.88	122	21.6	1.61	16.2	4.42	78.8	1.11	786
Variance A19/A18	4.6%	0.6%	6.7%	5.2%	-1.9%	-3.5%	-2.5%	2.6%	3.9%	-3.6%

Average rates	NZD	COP	CRC	PHP	THB	VND	TWD	CNY	KRW	DKK
A 2018	1.71	3,485	682	62.1	38.1	27,088	35.5	7.81	1,299	7.45
A 2019	1.70	3,669	656	57.8	34.7	26,028	34.6	7.74	1,306	7.47
Variance A19/A18	0.4%	-5.0%	3.9%	7.4%	10.0%	4.1%	2.7%	1.0%	-0.5%	-0.2%

2019 FINANCIALS – SUMMARY (3/5)

- **Net profit: 54.4 M€ (vs. 21.0 M€ in 2018) @ real rate driven by :**
 - Operational improvement
 - Decrease of the cost of our debt
 - Unfavorable exchange rate impact on CLP vs. US\$ and € (-2.8 M€)
 - Impairment on CaniLeish assets (-7.2 M€)
- **Decrease of total net debt by 57.7 M€ (87.7 M€ @ constant exchange rate & scope)**
 - Net debt @ 368 M€ and 338 M€ at constant rate and scope vs. 426 M€ at year end 2018
 - Capex outflows below normative level
 - Working capital improvement driven by better payment terms on receivables and increase on payables
 - Impact of IFRS 16 increasing debt by 34.7M€
- **On-going deleverage of the company**
 - From 7.3 in June 2015 to 2.29¹ in December 2019 below bank covenant commitment of 3.75

2019 FINANCIALS – SUMMARY (4/5)

2019 Actuals aligned with last guidance

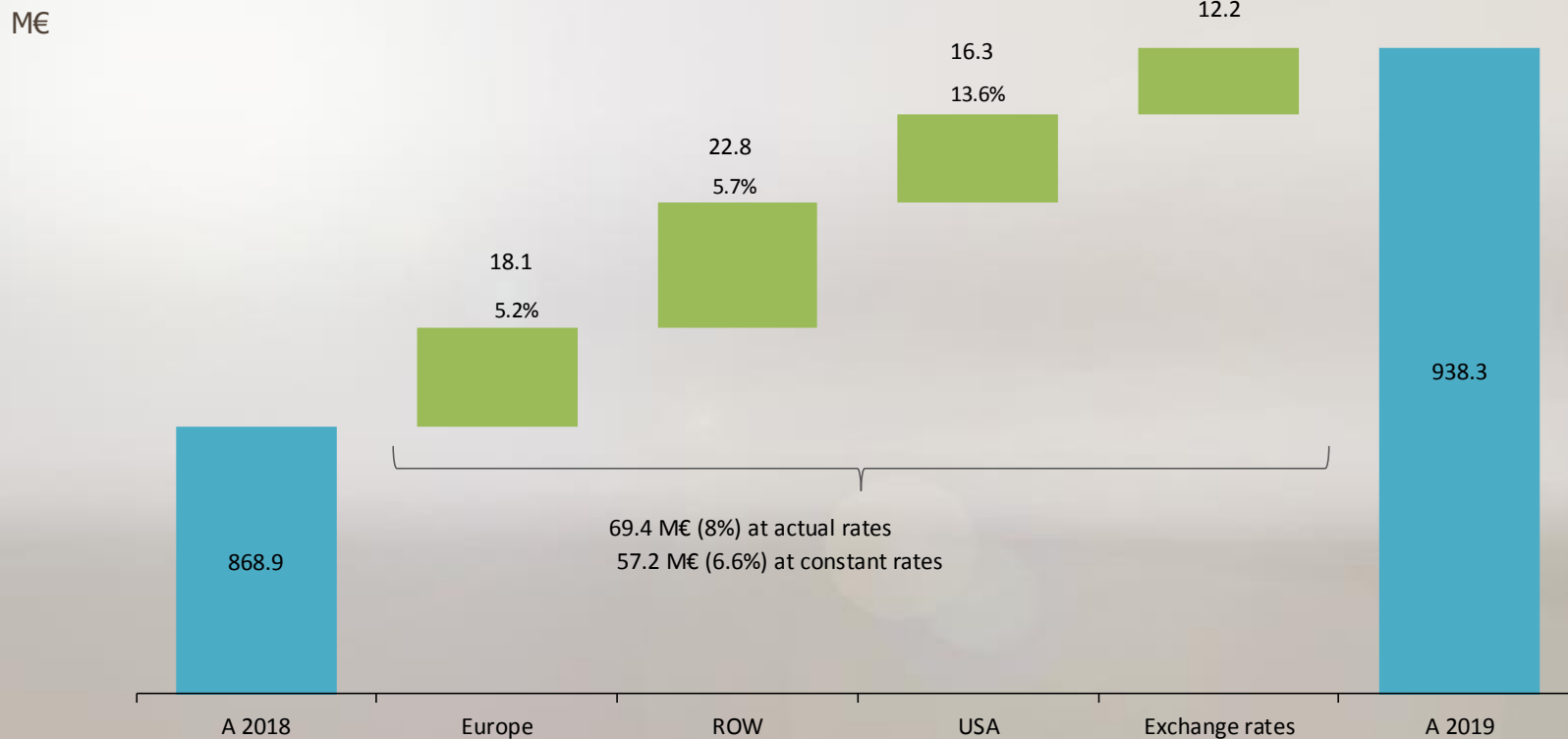
	<u>Perspectives 2019</u>	<u>Actuals 2019</u>	
• Organic growth	6% - 7%	+6.6%	✓
• EBIT Adj. ¹ ratio @ constant rate	~+3.0 pts	+3.0 pts	✓
• Net Debt reduction @ cst rate & scope	~80 M€	88 M€	✓

¹ Ebit Adj.: Current operating profit before depreciations of assets arising from acquisitions

Million euros	2019	2018	Var.%
Consolidated sales	938.3	868.9	+8.0%
- Exchange rate impact vs. 2018	-12.2		
Consolidated sales at constant rates	926.1	868.9	+6.6%
- change in perimeter	0.0		
Consolidated sales, pro-forma at constant exchange rates	926.1	868.9	+6.6%

SALES EVOLUTION

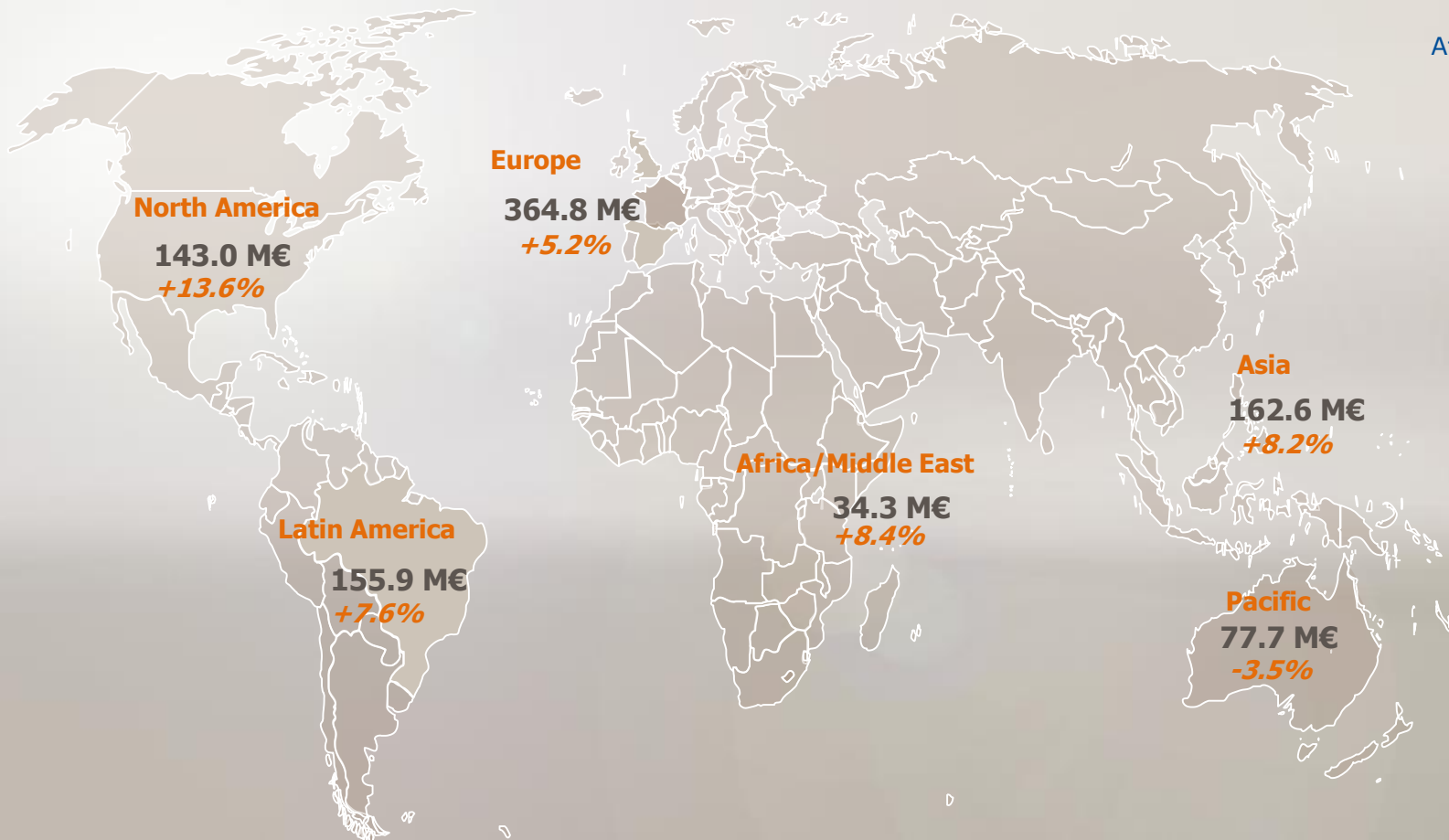
2019



SALES GROWTH BY REGION

2019

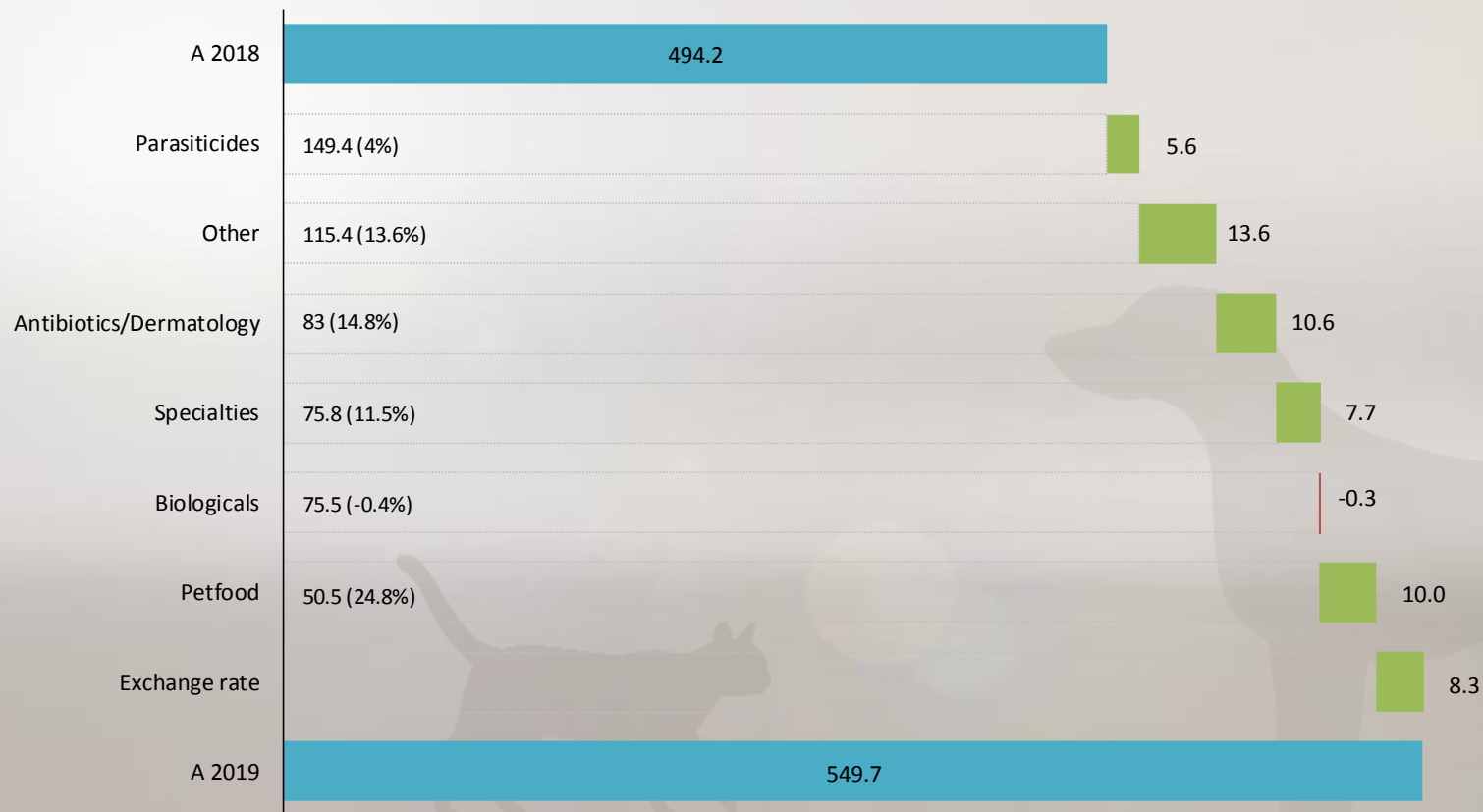
At constant rates



SALES GROWTH BY SEGMENT - COMPANION ANIMALS

2019

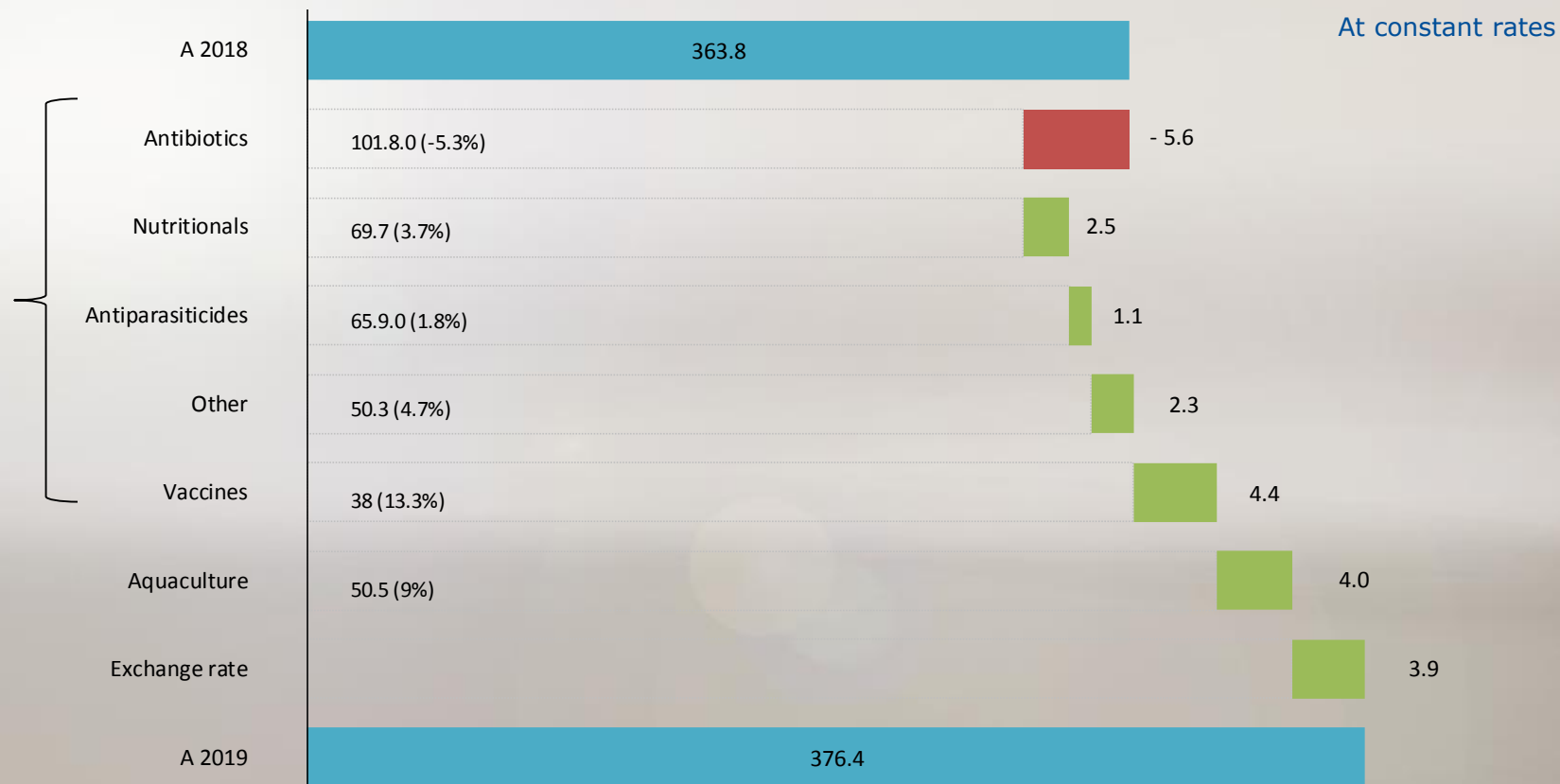
At constant rates



SALES GROWTH BY SEGMENT - FOOD PRODUCING ANIMALS

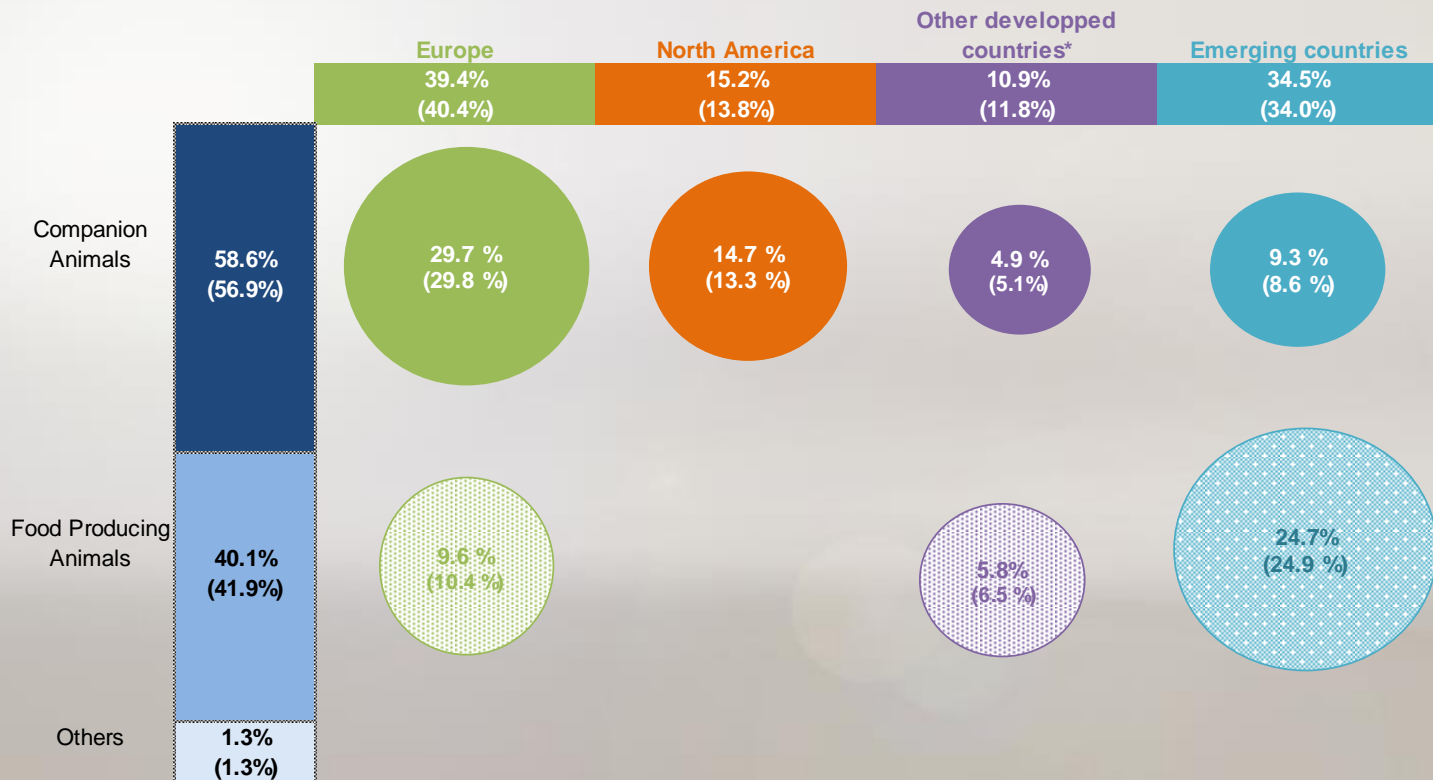
2019

Bovine,
Swine &
Poultry



SALES BREAKDOWN BY REGION AND BUSINESS

2019



() : 2018

* Australia, New Zealand, Japan, Korea

NEW IFRS ACCOUNTING STANDARDS

- **Standards applicable to financial years beginning on or after January 1, 2019**

- **IFRS 16 - Lease**

Recording of future lease payments as a liability and the right of use as an asset on the balance sheet

For the implementation of this standard, the Group opted for the simplified retrospective method
The impacts¹ in the consolidated financial statements as of December 31, 2019 are as follows:

- **Statement of financial position**

• Net right of use	34.0 M€
• Lease obligation	34.7 M€

- **Income statement**

• Leasing charge neutralization	11.3 M€
• Right of use amortization	10.5 M€
• Interests on leasing obligation	1.4 M€

¹ Some leases currently accounted under IFRS 16 were accounted under IAS 17 last year with a similar accounting treatment as IFRS 16
The impact of IFRS 16 net of IAS 17 are the following: Net Right of use 31.1 M€, Net lease obligation: 31.6 M€, Lease charge neutralization: 9.7 M€, Right of use amortization: 9.1, Interests on leasing obligation: 1.1 M€

PROFIT & LOSS STATEMENT AT REAL RATES

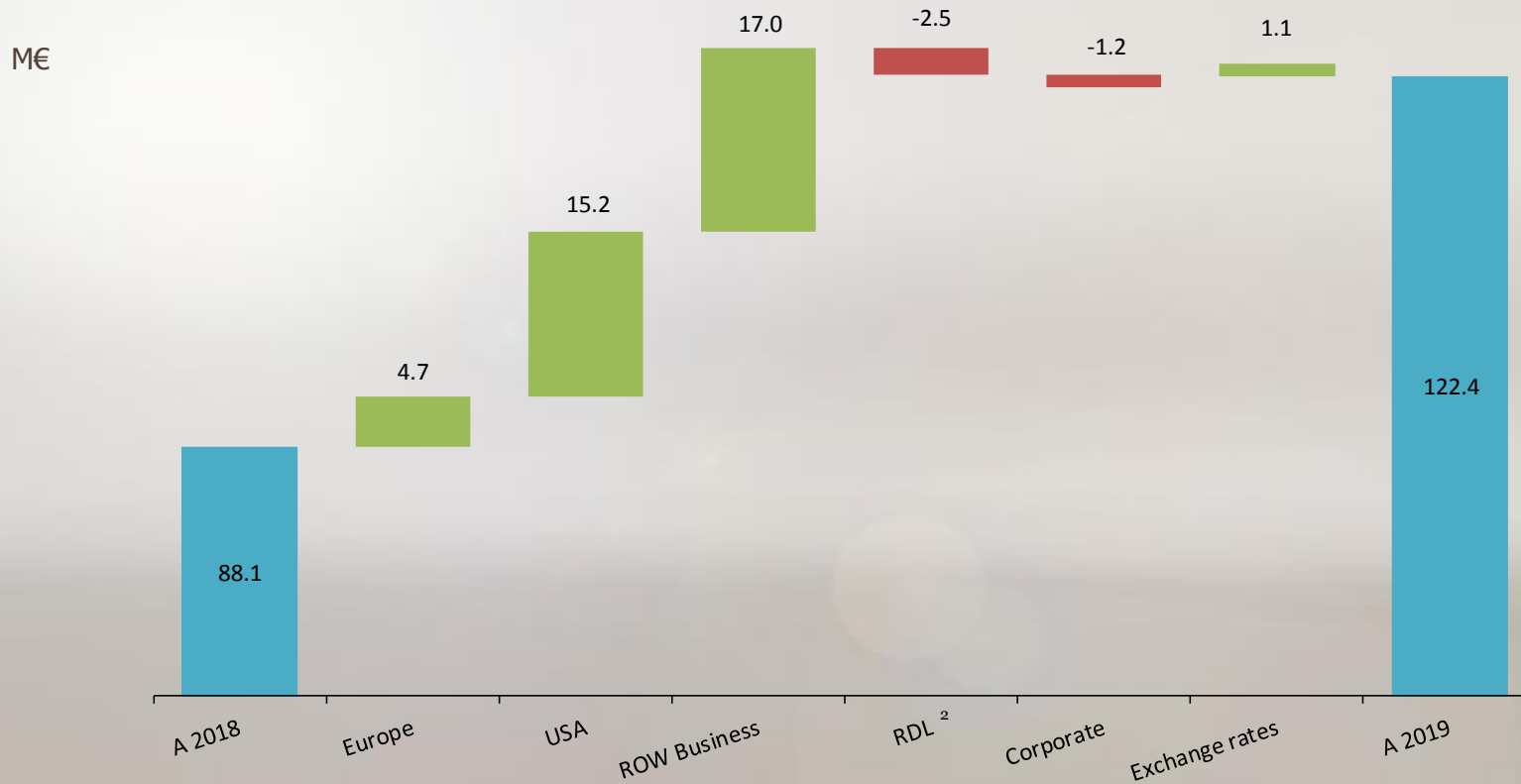
2019

<i>in M€</i>	2019	%	2018	%
Net sales	938.3	100.0	868.9	100.0
Gross margin on material cost	623.5	66.5	574.6	66.1
Net expenses	463.0	49.3	457.8	52.7
Amortizations, depreciations and provisions	38.1	4.1	28.7	3.3
Current operating profit before depreciation of assets arising from acquisitions	122.4	13.0	88.1	10.1
Amortization of intangible assets arising from acquisitions	15.0	1.6	15.0	1.7
Operating profit from ordinary activities	107.4	11.4	73.0	8.4
Other non-current income & expenses	9.4		8.0	
Operating profit	98.0	10.4	65.0	7.5
Net financial expenses	20.3	2.2	24.1	2.8
Profit before tax	77.7	8.3	40.9	4.7
Income tax expense	23.4		20.4	
<i>Including non-current tax expense (income)</i>	-0.5		2.4	
Share in earnings - Equity method	-0.2		-0.5	
Net result from ordinary activities of consolidated entities	63.4	6.8	31.5	3.6
Net result of consolidated entities¹	54.4	5.8	21.0	2.4
Non-controlling interests	2.9		0.9	
Net result - Group's share	51.5	5.5	20.1	2.3

¹ The net result for 2019 includes the IFRS 16 impacts (as disclosed on the previous slide)

BREAKDOWN OF EBIT ADJUSTED¹ EVOLUTION

2019



¹ Ebit adjusted: current operating profit before depreciations of assets arising from acquisitions

² RDL: Research, Development & Licensing

CONTRIBUTION OF THE US OPERATIONS TO THE EBIT ADJUSTED¹ 2019

M\$

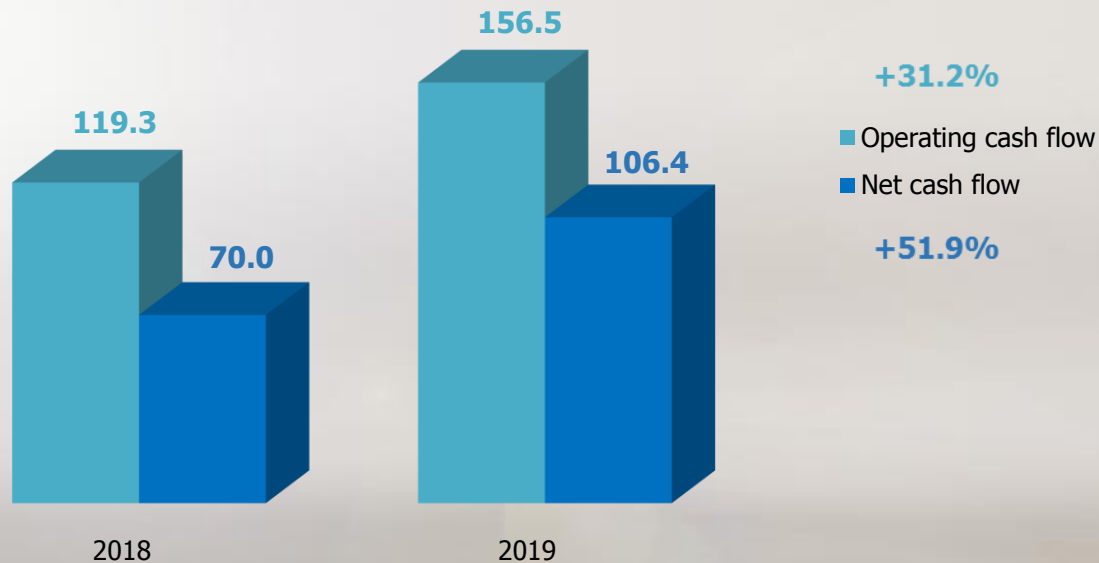


¹ Ebit adjusted: current operating profit before depreciations of assets arising from acquisitions

EVOLUTION OF CASH-FLOW

2019

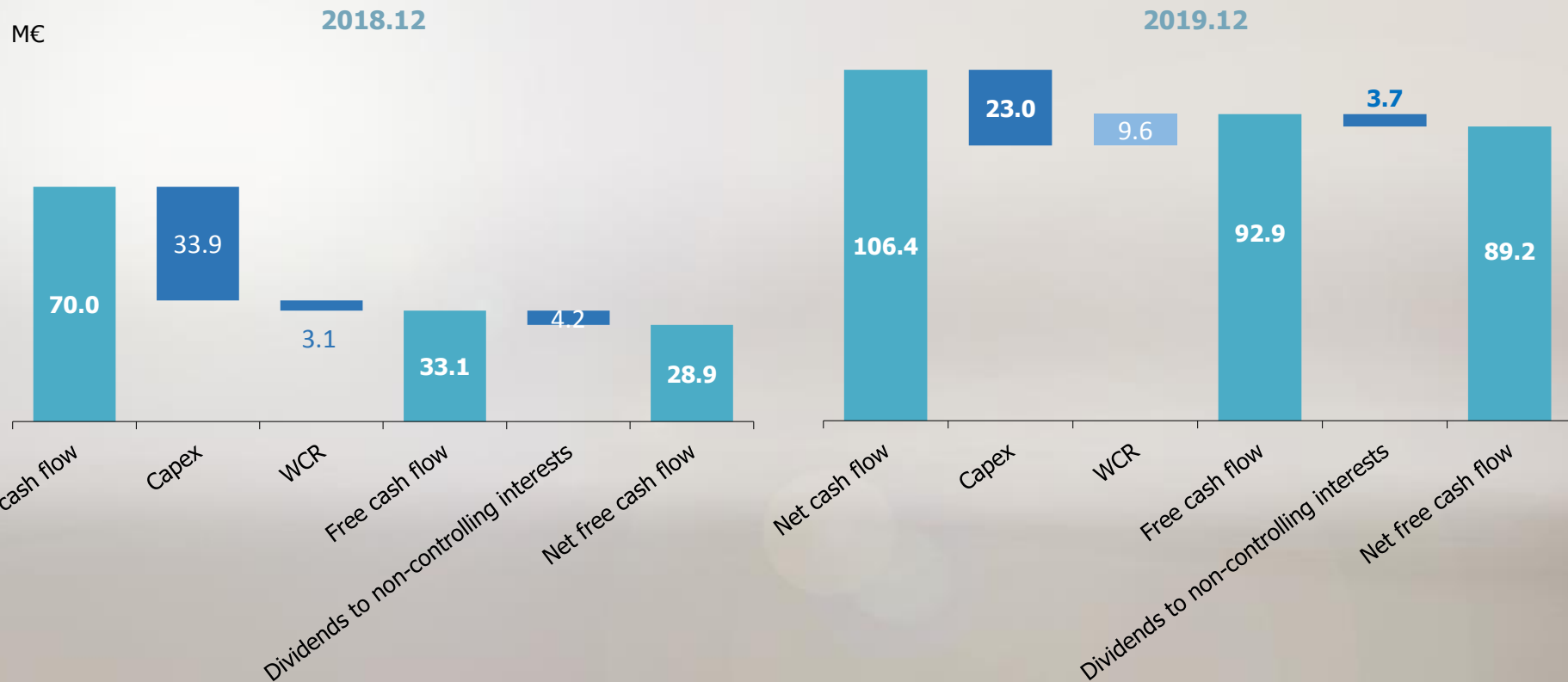
M€



¹The application of IFRS 16 has positively impacted 2019 operating cash flow by 9.7 M€, and net cash flow by 8.5 M€

EVOLUTION OF FREE CASH-FLOW

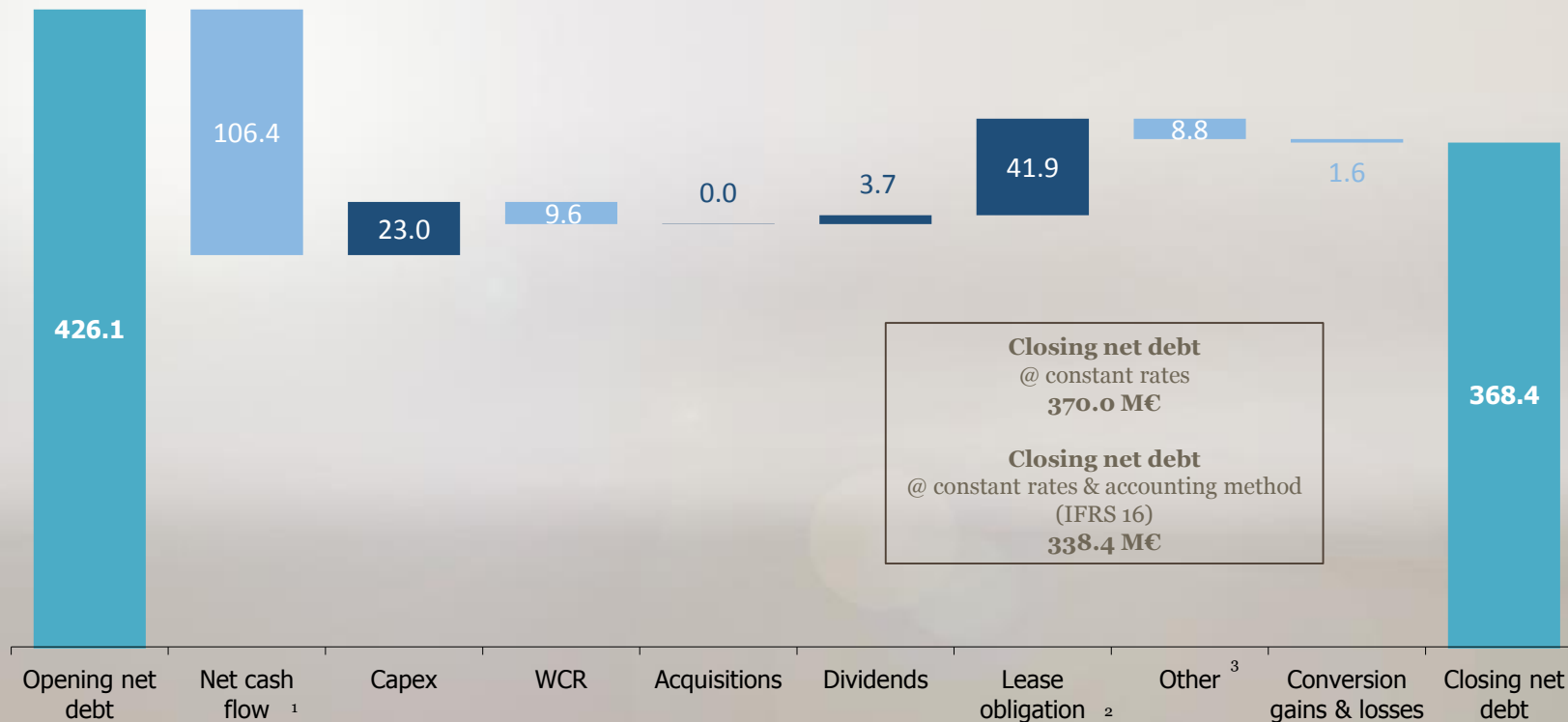
2019



EVOLUTION OF NET DEBT

2019

M€



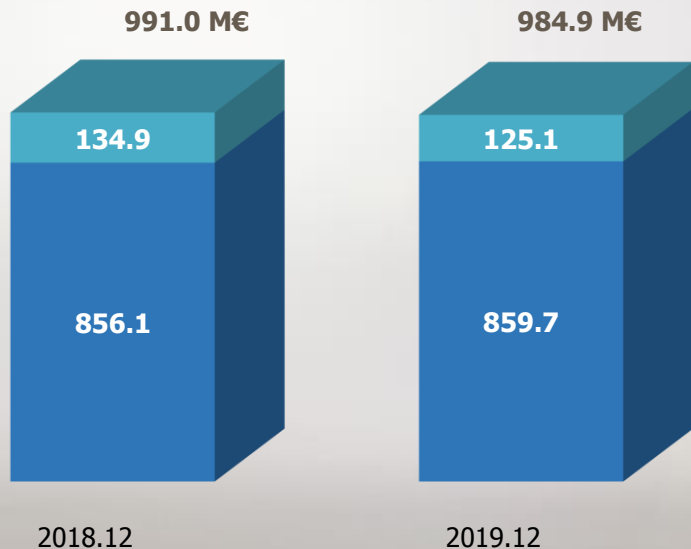
¹ Includes IFRS 16 impact on Net cash flow +8.5 M€

² Impact of IFRS 16 transition +31.0 M€ & other variations of the period +10.9 M€ (of which lease payments included in Net cash flow)

³ Includes the disposal of FW buildings (\$6.1 M)

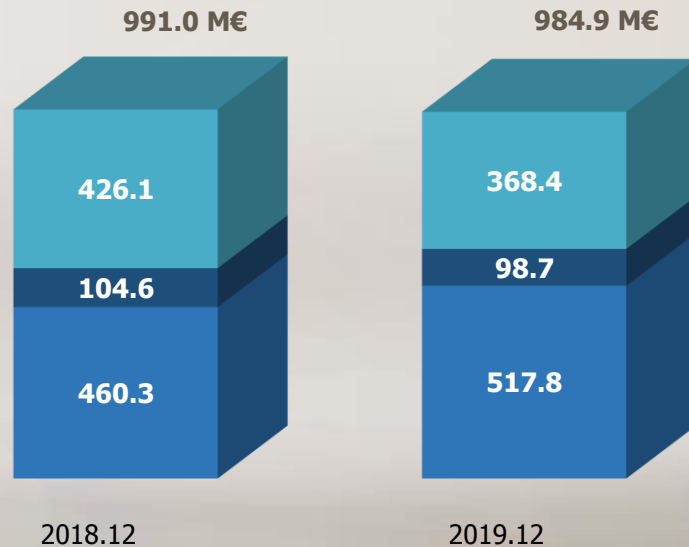
BALANCE SHEET ANALYSIS

2019



- Fixed assets
- Working capital

INVESTED CAPITAL



- Net financial debt
- Non controlling interests + LT reserves
- Shareholder's equity

CAPITAL EMPLOYED

Situation December 2018

Financing available	: ~611 M€
• Banking pool (RCF ¹)	: ~420M€ 2022 maturity
• BEI	: ~90 M\$
• <i>Schuldschein</i>	: ~30 M€
• Bi-lateral	: ~83 M€

Covenant ²:

- 30.06.19: 4.25
- 31.12.19: 3.75
- 2020 onwards : same as 2019

Financial covenant (Net debt/Ebitda) at December, 2019 :

2.29 (2.22 excl.
IFRS 16 impact) <
3.75

Situation December 2019

Financing available	: ~592 M€
• Banking pool (RCF ¹)	: ~420M€ 2022 maturity
• BEI	: ~90 M\$
• <i>Schuldschein</i>	: ~30 M€
• Bi-lateral	: ~63 M€

Covenant ²:

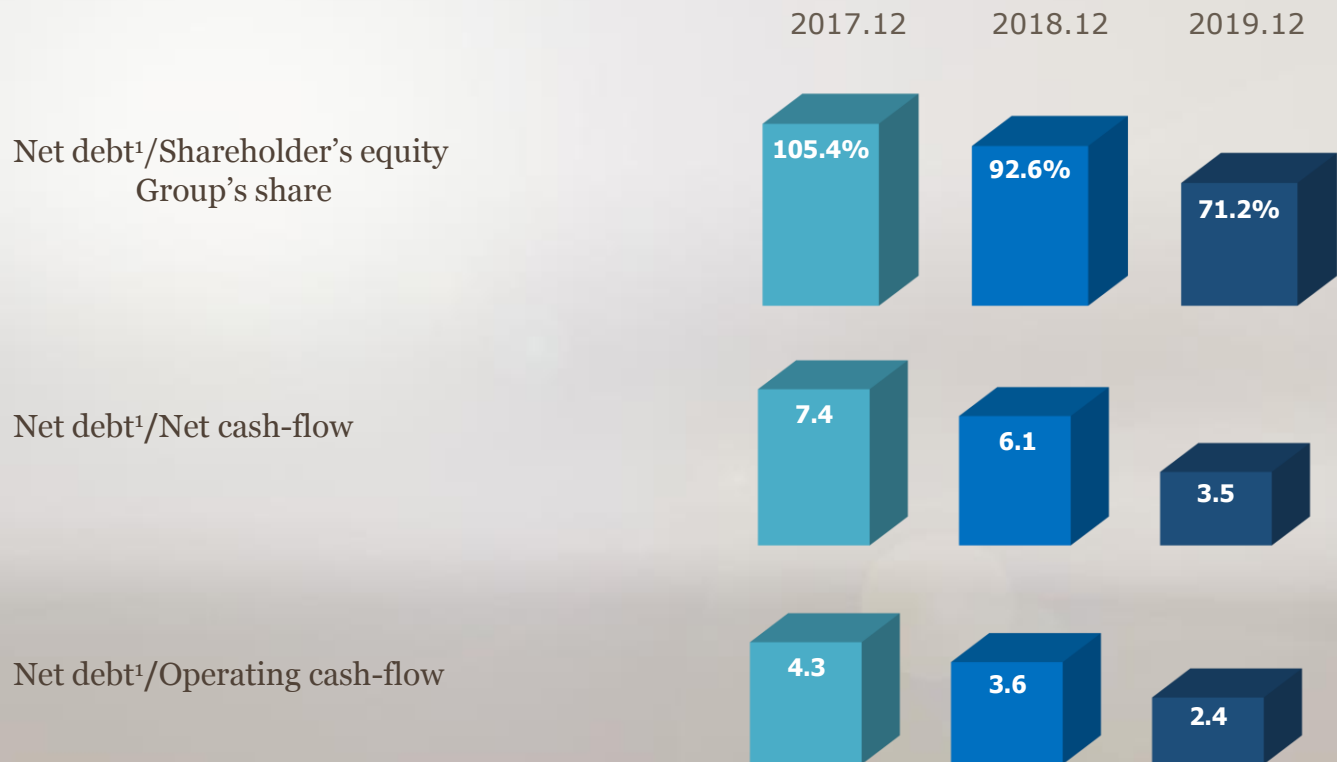
- 30.06.20: 4.25
- 31.12.20: 3.75

¹ Revolving credit facility

² Net debt on Ebitda as per the agreement

BALANCE SHEET – FINANCIAL RATIOS

2019

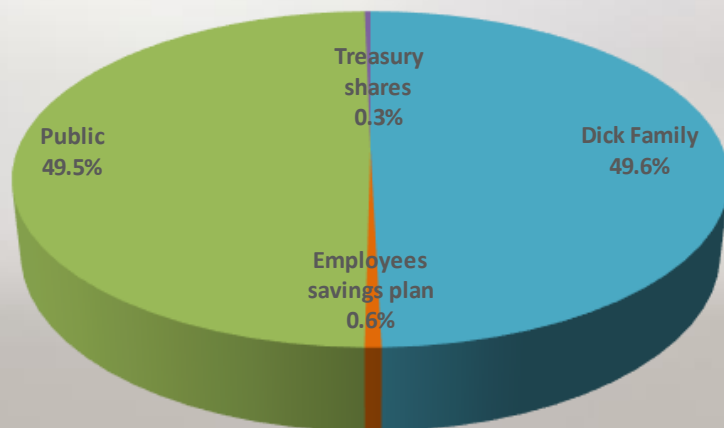


¹ The methodology for calculating the bank covenant differs slightly from the accounting method

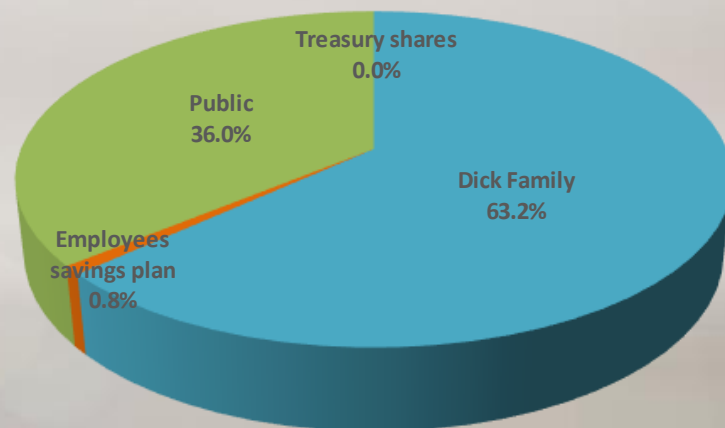
SHAREHOLDING

Number of shares: 8 458 000

In shares



In Voting Rights



2019 financial highlights

Main 2019 achievements

Company ambition & 2020 priorities

Appendix : 2020 agenda



MAIN 2019 ACHIEVEMENTS (1/2)

Gaining market share, delivering growth above market rate (estimated below 4% in 2019)

6.6% at constant rates (8.0% at real rates) with strong double digit growth in 3 main markets (USA, China and Brazil)

EBITA at 13.1% @ cst rates, with profit improving double-digit

Driven by volume, margin increase and costs control

Debt reduction of 88 M€ versus end of December 2018 excluding IFRS 16 & exchange rates impact

Financial covenants respected

Net debt/ EBITDA ratio significantly improved at **2.29** (return to historical covenant ratio & financial conditions)

Long term competitiveness

- **Corporate Social Responsibility:** launch of many new initiatives
- **Great Place To Work:** employees engagement to design action plans and guarantee implementation
- **> 10 new product launches** (Prevendog collar, Evicto, etc.), **continuation of geo-extension programs** (PCV2d vaccine, petfood, etc.) **and many new registrations** (Suprelorin in China & RSA, Stelfonta in Europe, etc.)
- **Investments** in wetlab in Vietnam, and in R&D labs in Taiwan and Uruguay
- **Acceleration of our digital transformation:** launch of our digital workplace G-suite, launch of flagship store on TMall platform in China, more webshops in Japan, Germany, Italy, Poland,...)
- « **Think very big (TVB)** » **China** plans underway (acceleration of new registrations, petcare & digital program, etc.)
- « **Competitiveness review** » of main manufacturing sites leading to execution of action plans in France and USA
- **Sale of our US Fort Worth offices real estate**
- **FDA positive inspection of our St. Louis manufacturing site**
- **Compliance programs** (anti-corruption, GDPR General Data Protection Regulation,...)

MAIN 2019 ACHIEVEMENTS (2/2)

Geographies

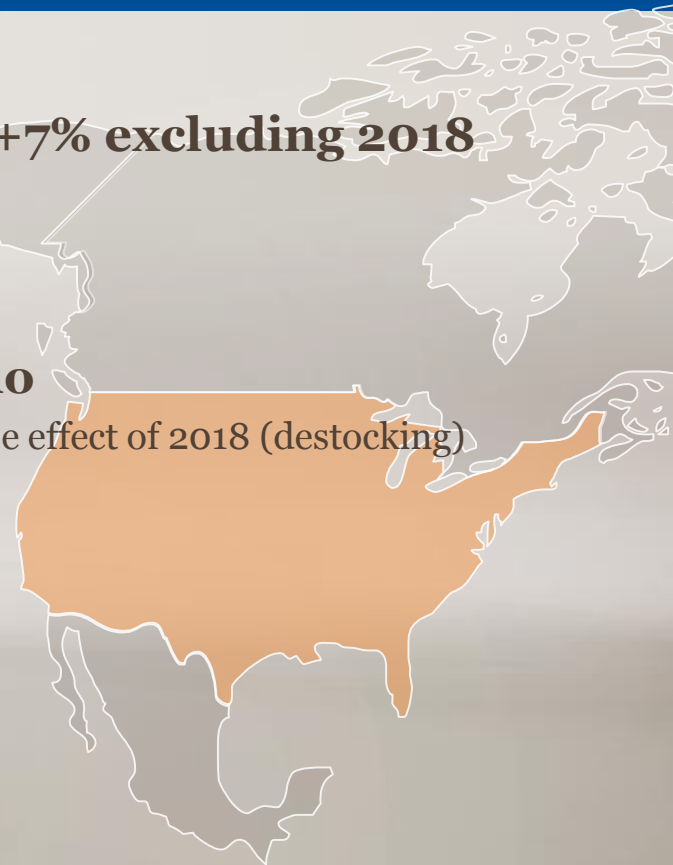
- **28 out of 32 geographies are growing**
- **11 countries growing double-digit of which China, Brazil and the USA (top 3 WW markets)**
- **Chile (Centrovet) back to growth**

Products ranges

- **Busters programs showing double-digit growth including:**
 - **Petfood (+25%) over passing 50 M€**, without USA, China & Brazil
 - **Dentals (+28%)**, launching innovative chew (Flex & Zen)
 - **Suprelorin (+14%)**, despite supply issues
- **Many new products launched or geo-extended**
- **New registrations with 2020 impact: Evicto (in many countries), Stelfonta in Europe, Suprelorin in China...**

GEOGRAPHIES: FOCUS USA (1/4)

- **Ex-Virbac performance: +14% and around +7% excluding 2018 base effect (2018 destocking impact)**
 - **160 MU\$** in 2019 **vs. 140 MU\$** in 2018
- **2 different dynamics within our US portfolio**
 - Sentinel slightly up ex-Virbac but decreasing excluding base effect of 2018 (destocking) with no price increase in 2019
 - Other ranges growing double-digits
 - Sentinel 42% of total US sales, other ranges 58% now
- **Strong growth of on-line sales**

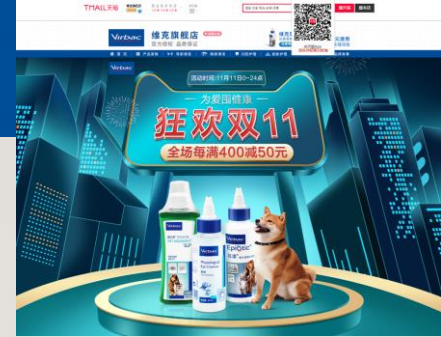


GEOGRAPHIES: FOCUS CHINA (2/4)

- **China growing double-digit for the last 8 years**
- **Execution of our “Think very big” plan: +33% in 2019**
 - Launch of our T-mall shop and growth of our on-line sales (e-retailers)
 - Pet care program

... despite loss of opportunities due to African Swine fever
preventing us to launch the petfood in 2019 as initially planned

... and despite **no materialization of local partnership** yet (for other species)



GEOGRAPHIES: FOCUS BRAZIL (3/4)

- **Brazil, growing double-digit for the last 4 years** (top market performer) with significantly improved profitability
- **2019: +18% @ constant rate, mainly driven by cattle products growth**
 - Parasiticides : +51%
 - Vaccines : +21%
 - Nutritionals : +34%

Growth at constant rates perfectly in line with expectations mainly driven by aqua parasiticides and injectable vaccines

- **Aquaculture : +9%**
 - Injectable vaccines: +15%
 - Oral vaccines: -19%
 - Antibiotics: -0.4%
 - Others: +19%
- **Other species : stable**
 - Companion animals: +5%
 - Pigs & Poultry: -8%
 - Ruminants: +2%
- **Continuous R&D investments** to prepare the registration of existing vaccines by 2022 to comply with new regulations & bring new innovations to the market

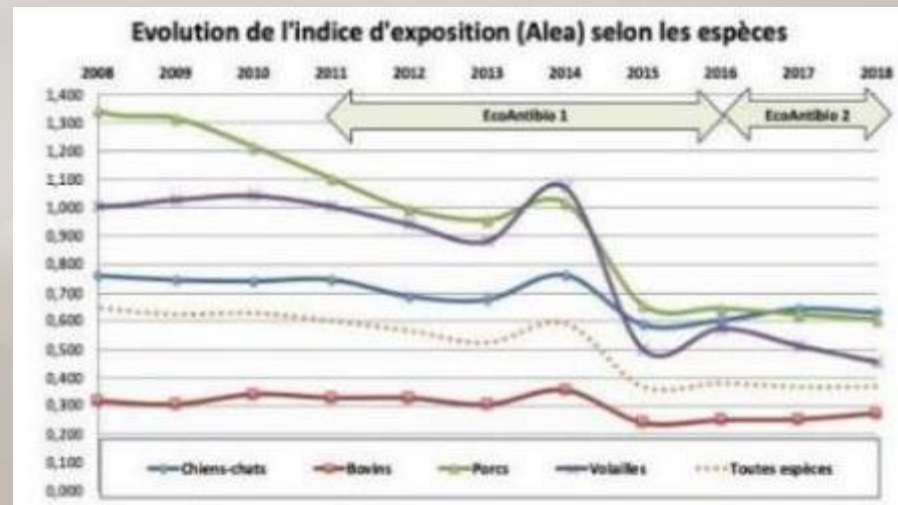


PRODUCTS RANGES: FOCUS ANTIBIOTICS – FRANCE (1/2)

➤ Decrease of antibiotics in market is slowing down in France

Stable exposure in 2018 vs. 2017 (+0.7% in exposure index or Alea) as published by the ANSES (French agency)

- Sharp drop in drug premixes (-12%) offset by a fairly sharp increase in individual treatments, in injectable form (+7%) or tablets (+6%)
- Decline in pigs (-2.7%) and poultry (-11.3%), unlike cattle, which rose quite sharply: +8.4% in one year and +9.6% in two years



PRODUCTS RANGES: FOCUS ANTIBIOTICS (2/2)

- Virbac global antibiotics sales **stable over the last two years** (~17% of total sales)
- Evolution of the regulatory context: **publication by the EMA (European medicine agency) of the categorization of antibiotics in the European union**
 - From 3 to 4 antimicrobial classes in Europe...
- **Very low exposure of Virbac global antibiotics portfolio based on this classification (if these criteria were to be applied worldwide):**

Class of antibiotics	% of Virbac antibiotics sales	Risk exposure
First-line drug	~35%	None (could be an upside)
Second-line drug	~55%	Low (not affected by new EU classification)
Use after susceptibility testing	~10%	Medium to High
To be avoided	0%	Maximum (Very High)

PRODUCTS RANGES: FOCUS FPA VACCINES & MICRO-NUTRITIONALS

➤ Growth on two preventative segments:

- Food producing animal vaccines: +12.6%, with Europe and Latin America pulling this growth

Vaccines	2019 growth @cst rate vs. 2018 (%)
Aqua	+11%
Ruminants	+12%
Pig & Poultry	+29%

- Injectable Micro-Nutritionals: +24.9%, growth coming from all regions including Europe



PRODUCTS RANGES: FOCUS ON PETFOOD / PETCARE

- **Petfood > 50 M€ sales in 2019** without USA, China, Brazil, Canada, etc...
 - New geographies to come
 - New products to come (line extension)
- **Plan to extend to a Pet care program** including hygiene products such as dentals, shampoos, nutraceuticals, etc.
 - Plan to boost our market access
- **Plan to increase our coverage** (number of clinics) **and penetration** (sales per clinic): in 2019, in our 12 current markets where our petfood is sold, our petfood has been referenced in **only 20%** of the vet clinics **vs. 47%** for our vaccines >> **potential to grow**

Petfood

20%

Vaccines

47%

% of veterinary clinics selling our
Petfood vs. selling our vaccines

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COMPANY PURPOSES & FINANCIAL PRIORITIES

➤ To have a **positive impact on the world** through 3 main purposes:

- To help (better) feed the planet
- To protect the living (“One Health”)
- To promote animal welfare

➤ To **accelerate the debt reduction**

- Choose sustainability by deleveraging the company
- Create room for manoeuvre for further development with a long term vision

➤ To **continue the value creation (ROCE)** through

- **Sustainable growth** : leveraging our current species and product segments
diversification and **globalizing our assets**
- **Profitable growth** : **Target EBIT/A ratio on net sales of ~15% by ~2022 at constant scope & rate** (M&A such as acquisitions or divestments could impact this target)
- **Cautious investments** (minimum ROI/Payback)

MAIN 2020 PRIORITIES

Market share gains

Commercial excellence

- Commercial Busters
- Key Products
- Digital business

Business development

- Licensing
- M&A

GROWTH

TARGET 15%¹

Improve profitability

- Competitiveness (productivity) of manufacturing sites
- Profitable growth in all regions
- Strict control of opex in HQ

To create a “great place to work”

- Follow up on GPTW projects

**HUMAN
RESOURCES**

**INFORMATION
SYSTEMS**

Simplify and digitalize

- Manufacturing systems
 - HR systems
 - G-suite
- Digital business

1. Objective of reaching ~15% of EBIT/A and ~2022 at constant scope and rate

UPDATE COVID-19: CURRENT SITUATION MARCH 7, 2020

- **Virbac teams are safe** and the Group is constantly **monitoring the local situations and adjusting actions & communication** (masks supplies, travel guidance, home office...)
- **Supply monitoring, network set-up with affiliates and third party suppliers to ensure and manage availability of sourcing from China**
 - Overall no critical supply issue at this stage (only one important supplier in the epidemic area of Wuhan but with validated back-ups in our registration dossiers)
 - Virbac has no manufacturing site in China
 - Safety stocks in place for key products & actions taken regarding supply back-up and alternative sources...
 - Deliveries from China starting again slowly
- **Business impact:**
 - **Difficult to evaluate** at this stage **with some positive impacts** (stocks anticipation, pet owners more attentive at pet hygiene, etc.) **and some negative impacts** (less consultations at vet clinics (reduced open hours), stop of travelling/meetings/trainings/seminars, postponing of launches (ex. Suprelorin), etc.). China sales < 3% of Group sales
 - Negative impacts seen in Italy (logistics slowed down), school closing, veterinarians refusing visits, etc.
 - **Situation constantly evolutive (impossible to predict the full year impact at this stage)**

ESTIMATED PEAK SALES POTENTIAL OF MAIN R&D PROJECTS

(March, 2020)

Launch Year	Companion Animals	M €	Food Producing Animals	M €
2020	<ul style="list-style-type: none"> • Parasiticides (<i>Evicto*</i>) • Vaccines • Non pharma products • Dermatology 	21*	<ul style="list-style-type: none"> • Parasiticides (<i>Kryptazen*</i>) • Minerals • Vaccines 	14*
2021	<ul style="list-style-type: none"> • Vaccines • Parasiticides • Specialities 	14	<ul style="list-style-type: none"> • Parasiticides • Anti-infectives 	18
2022	<ul style="list-style-type: none"> • Specialities • Parasiticides • Non pharma products 	31	<ul style="list-style-type: none"> • Parasiticides • Anti-infectives • Miscellaneous 	36
2023	<ul style="list-style-type: none"> • Specialities • Petfood • Non pharma products 	30	<ul style="list-style-type: none"> • Vaccines 	n.c.

* With 1 launch in each segment planned in 2020 anticipated to late 2019

2020 PERSPECTIVES – SUMMARY

*All perspectives at constant exchange rates and scope
(without possible impact of Covid-19 situation)*

2020 revenue growth : between 4% and 6%

Ebit adjusted¹ ratio : +~0.5 pt (+~1 pt excluding 2019 one-offs)

Debt reduction: around 60 M€
(no dividend paid by Virbac SA)

1. Ebit adjusted : current operating profit before depreciations of assets arising from acquisitions,

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2020 AGENDA

April 15*	Q1 sales
June 22	Annual shareholders' meeting
July 20*	Q2 - H1 sales
September 16*	Half-year financial results
September 17	SFAF meeting - 1st half 2020 financial & strategic information
October 14*	Q3 sales
January 19, 2021*	Q4 - Full year sales

* After market close

Shaping the future of animal health

Virbac