Virbac: quarterly financial information as of March 31, 2019

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 first quarter.

2. Key events subsequent to the closing date

No significant event has occurred after the closing date of March 31, 2019.

3. General overview of Virbac financial situation

3.1 Activity

Performance by geographic area
Virbac's revenue reached €217.5 million in the first quarter, an increase of +12.4% when compared to the same period in 2018, positively impacted by exchange rates, particularly the stronger US dollar. At constant rates, growth of +10.9% is driven by sustained activity from the beginning of the year in all regions, with a particularly strong contribution from the United States.

All areas show growth compared to the same period last year. In the United States, first quarter activity shows a marked increase of +81.5% (+67.2% at constant exchange rates). It benefited from a positive base effect related to 2018 first quarter distribution inventory reductions of Sentinel, which had strongly impacted Virbac sales over the period. Like the Sentinel range, the Iverhart range shows strong growth, due in particular to the Iverhart Max Soft Chew, launched in May of 2018. Ex-Virbac sales of specialty, dermatology and dental ranges also continue to grow significantly. It should be noted that ex-distributor sales in the United States of Virbac products to veterinary clinics showed overall growth of +9% compared to the same period in 2018 (+38% excluding heartworm products, which show a slight decline in market trend due to unfavorable climatic conditions at the beginning of the year).

Outside of the United States, the Group is growing at +6.6% at real rates, or +6.2% at constant rates. In Europe, revenue is growing at +5.2% at real rates (+5.0% at constant rates). The key contributors to this performance are the United Kingdom (major restocking of products in anticipation of Brexit), Spain, Germany and Scandinavia, buoyed by the high level of activity in companion animal ranges (parasiticides, petfood, vaccines and dermatology), offsetting weaker sales in France, essentially due to a calendar effect following a price increase. In Latin America excluding Chile, the Group had a good start to the year. Activity grew by +7.4% at real rates (+6.7% at constant exchange rates), thanks to contributions from Brazil, Mexico and Colombia, which offset the temporary decline in export sales for the area. Asia-Pacific is progressing at real rates of +5.2% (+4.7% at constant exchange rates), sustained in particular by Australia, Taiwan and Vietnam. Lastly, Chile's first quarter shows strong growth of +18.5% at real rates (+12.7% at constant exchange rates), driven by sales of injectable vaccines in aquaculture, companion animal ranges and products for swine and poultry.

CONSOLIDATED FIGURES in € million	1st quarter
2018 net sales	193.5
2019 provisional net sales	**217.5**
Change	*+12.4%*
Change at constant exchange rates	*+10.9%*
Change at constant exchange rates and scope [1]	*+10.9%*

[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

CONSOLIDATED FIGURES	Change at actual rates and scope	Change at constant rates and scope
Companion animals	+20.1%	+17.6%
Food producing animals	+2%	+1.8%
Other businesses	+107.8%	+100.8%
Total	**+12.4%**	**+10.9%**

Companion animals
Revenue in the companion animal sector is rising overall by +20.1% at real rates (+17.6% at constant exchange rates and +9.3% outside the USA), mainly driven by the solid performance of internal and external parasiticide ranges, dermatology and specialties (particularly nutraceutical and reproduction products) and the petfood range.

Food producing animals
The food producing animals segment shows growth of +2.0% (+1.8% at constant rates). However, performance is mixed. Aquaculture drives the segment's growth at +9.5% at constant rates, thanks to the momentum created in sales of injectable vaccines for salmon, which offsets slower sales of products for crustaceans in India. The Industrial sector (swine and poultry) shows slight growth of +2.6% at constant rates, and lastly, the ruminants sector is stable when compared to the same period in 2018.

Other businesses
These activities, which represent 1% of revenues for the three months, correspond to non-strategic activities which cannot be treated as companion animal or food producing animal segments. They mainly include contract manufacturing performed for third parties in the United States and Australia.

3.2 Net debt

As of March 31, 2019, the Group's net debt amounted to €467.1 million, increasing by €41 million compared to December 2018. This evolution is mainly due to the seasonal increase of working capital needs and an unfavorable exchange rate impact on financing in USD.

4. Outlook

Thanks to performance that the Group predicts will be strong in all other 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 compared to 2018 at constant exchange rates.

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 ratio (net debt/Ebitda) for 2019 should be below 4.25 at the end of June 2019 and 3.75 at the end of December 2019. This will mark a return to the financial ratio in the initial contract with the original financing conditions. 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 EIB (European Investment Bank) 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.