

# 2015 First Half Financials and Strategic Update

September 2015

**First half of 2015 performance**

*Virbac strategic perspectives*

*Appendix : 2015 agenda*

## FIRST HALF OF 2015 – SUMMARY (1/2)

- Heavy impact of the St. Louis interruption in the USA:
  - drop of revenue : -32.4 M\$ vs. 2014;
  - drop of operating profit : -47.7 M\$ vs. 2014.
- Only partially off-set by the strong contribution from Sentinel:
  - 49.7 M\$ in revenue;
  - 19.9 M\$ in operating profit (adjusted – see below).
- Solid organic growth outside of the US : +5.3% (despite low start in France)
  - slight decrease of EBIT contribution globally, linked to R&D spending and one-offs.
- Important impact of IFRS principles related to acquisitions:
  - amortization of intangibles ↗ due to Sentinel;
  - evaluation of inventories acquired with Sentinel.

## FIRST HALF OF 2015 – SUMMARY (2/2)

- Evolution in the presentation of the P&L:  
current operating profit – adjusted = excludes amortization  
- amortization of intangibles from acquisitions  

---

= Current Operating Profit  
- exceptionals (essentially specific IFRS entries)  

---

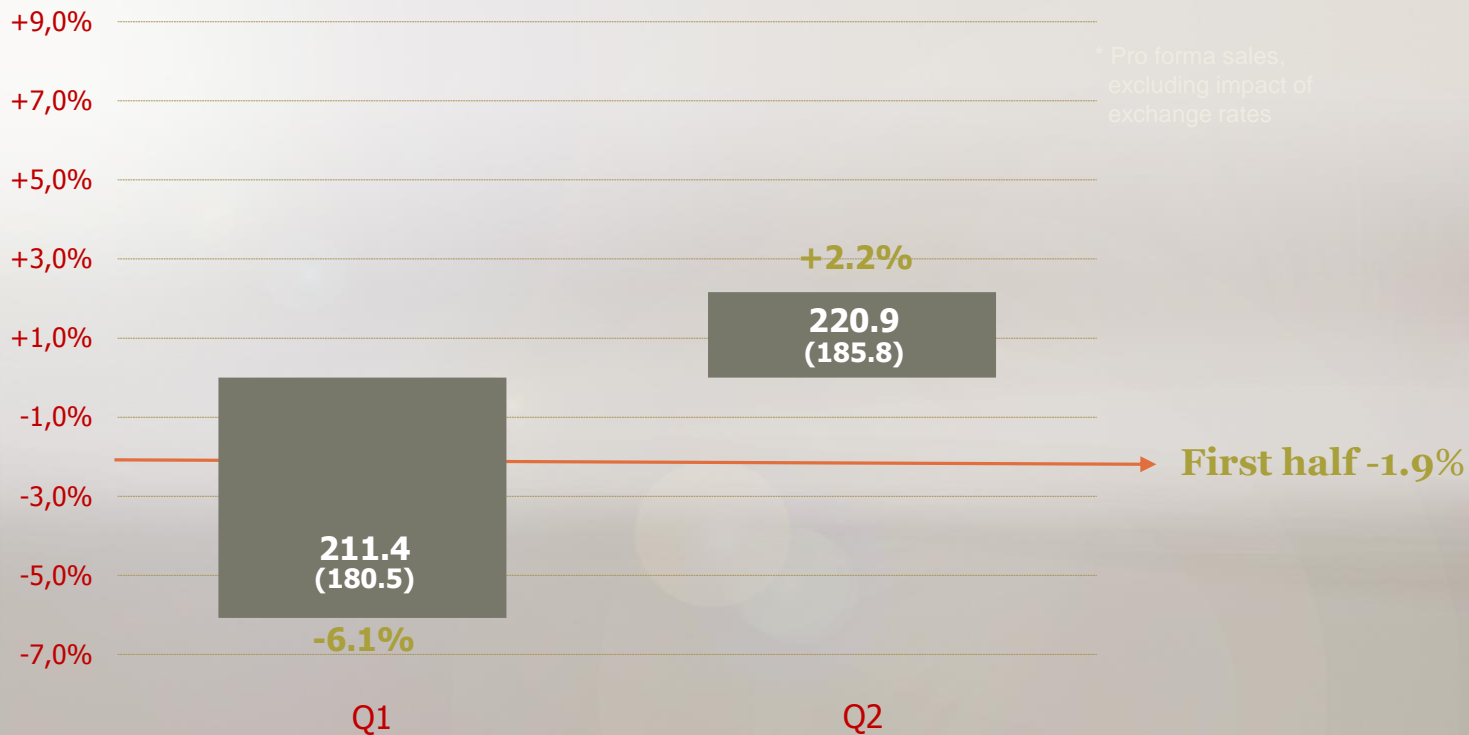
= Operating Profit.
- Net result : -3.8 M€ impacted by the above factors.

Million euros	2015	2014	Var.%
<b>Consolidated sales</b>	<b>432.3</b>	<b>366.3</b>	<b>+18.0%</b>
- Exchange rate impact vs. 2014	(36.6)		
<b>Consolidated sales at constant rates</b>	<b>395.7</b>	<b>366.3</b>	<b>+8.0%</b>
- change of perimeter*	(36.3)		
<b>Consolidated sales, pro-forma at constant exchange rates</b>	<b>359.4</b>	<b>366.3</b>	<b>-1.9%</b>

\* Acquisition of Sentinel in January 2015

# QUARTERLY ORGANIC GROWTH

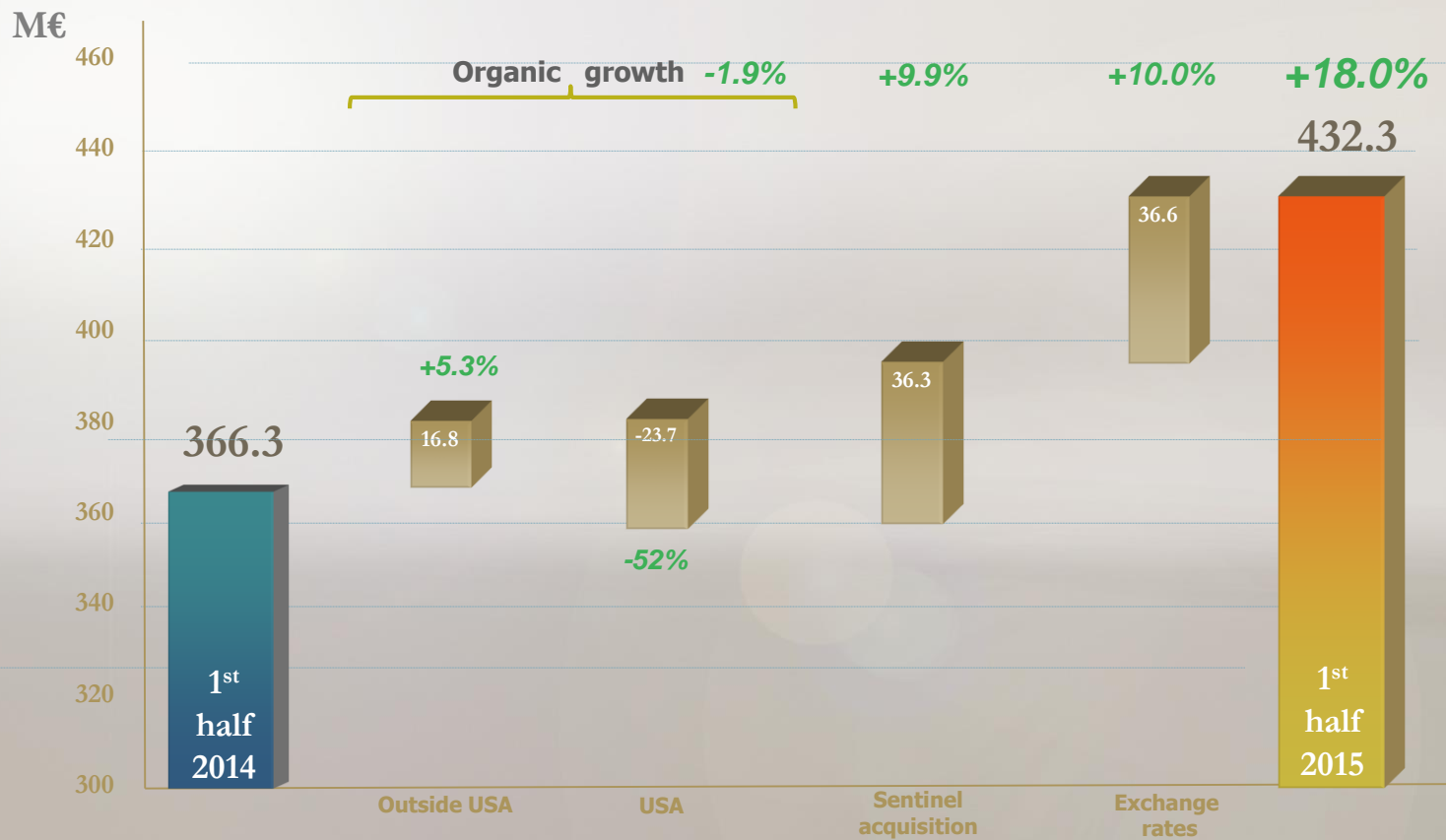
H1 2015



\* ( ) : 2014 numbers

# SALES EVOLUTION

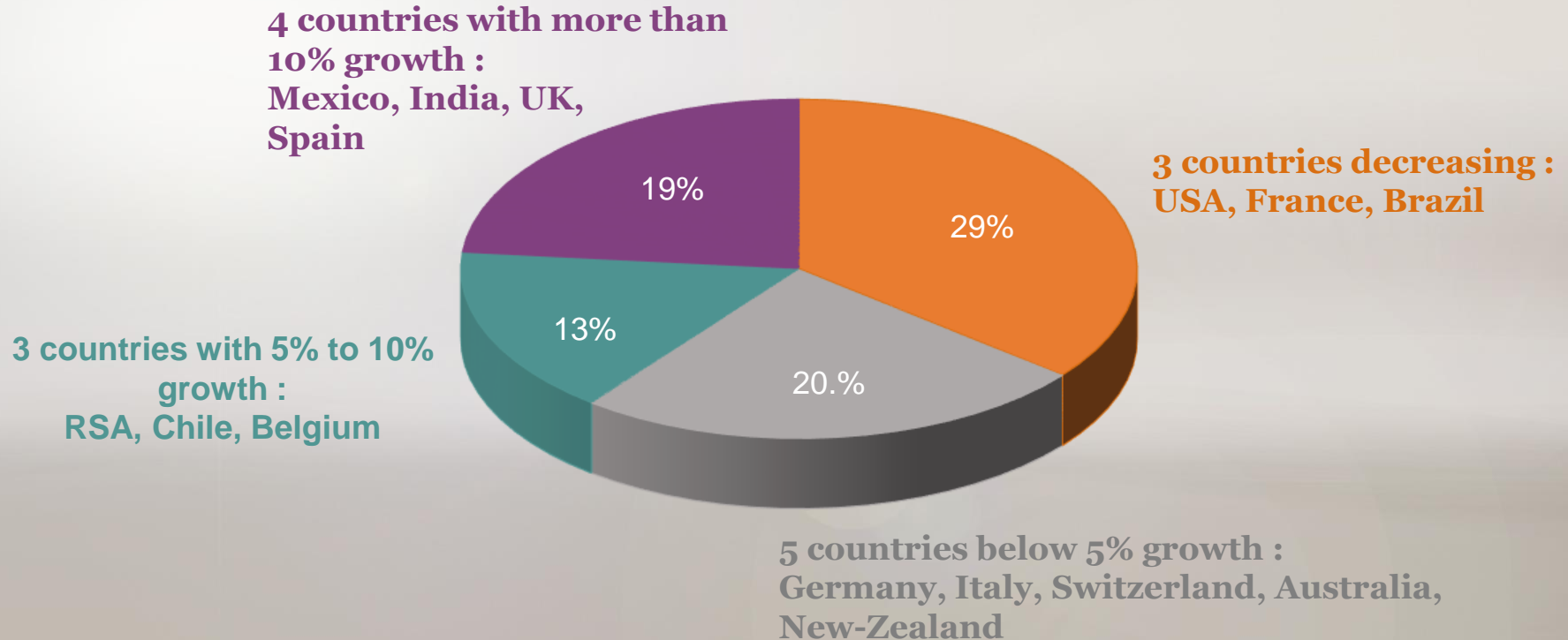
H1 2015



# BREAKDOWN OF TOP 15 COUNTRIES (81% OF SALES) BY ORGANIC GROWTH

H1 2015

2015





# SALES GROWTH BY REGION

H1 2015  
at constant exchange rates



# GROWTH BY SEGMENT COMPANION ANIMALS

H1 2015

Businesses / Ranges	Net Revenue 2015 (M€)	Organic growth (=excl. Sentinel)			Organic growth outside the U.S.				
		< - 5%	- 5% to 0%	0% to +5%	< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	> 10%
<b>Companion Animals</b>	<b>242,4</b>	<b>-5,3%</b>						<b>7,5%</b>	
Parasiticides	53,3			1,0%					35,6%
Biologicals	38,4			1,6%			1,7%		
Antibiotics/Dermatology	28,4	-18,2%					3,6%		
Endectocides (Sentinel)	45,6								
Specialties	24,7	-11,3%					1,0%		
Petfood	13,3		-3,4%			-3,4%			
Horses	11,3	-19,2%			-11,7%				
Other	27,4		-1,6%				4,9%		

# GROWTH BY SEGMENT

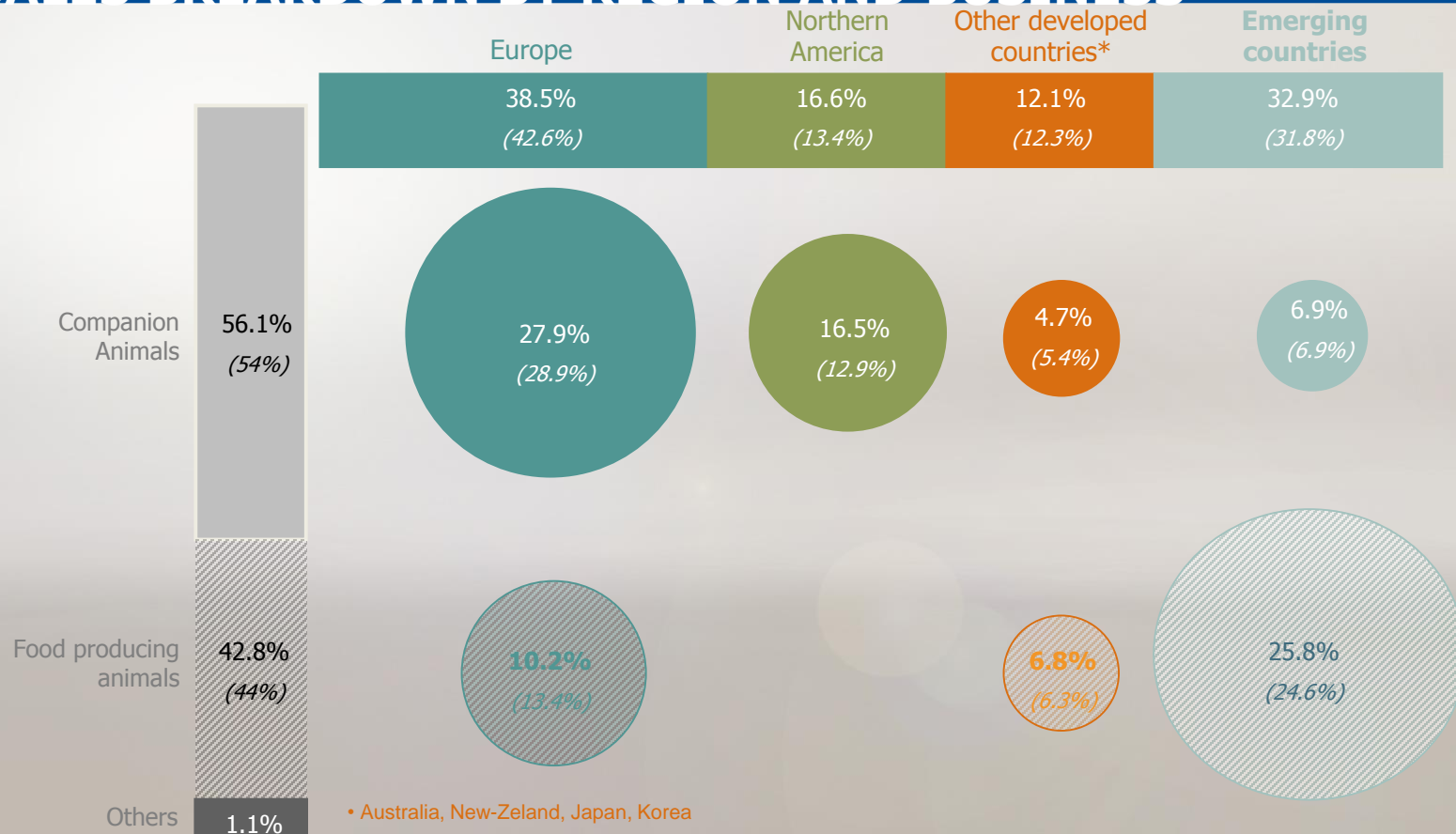
## FOOD PRODUCING ANIMALS

H1 2015

Businesses / Ranges	Net Revenue 2015 (M€)	Organic growth					
		< - 5%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
<b>Food Producing Animals</b>	<b>185,2</b>			<b>3,1%</b>			
Bovine parasiticides	26,0			3,2%			
Bovine antibiotics	28,2	-10,0%					
Other bovine products	61,5					10,8%	
Antibiotics swine/poultry	23,2	-6,0%					
Other swine/poultry	11,1						15,1%
Aquaculture	35,1				7,6%		

# SALES BREAKDOWN BY REGION AND BUSINESS

H1 2015



( ) : 2014

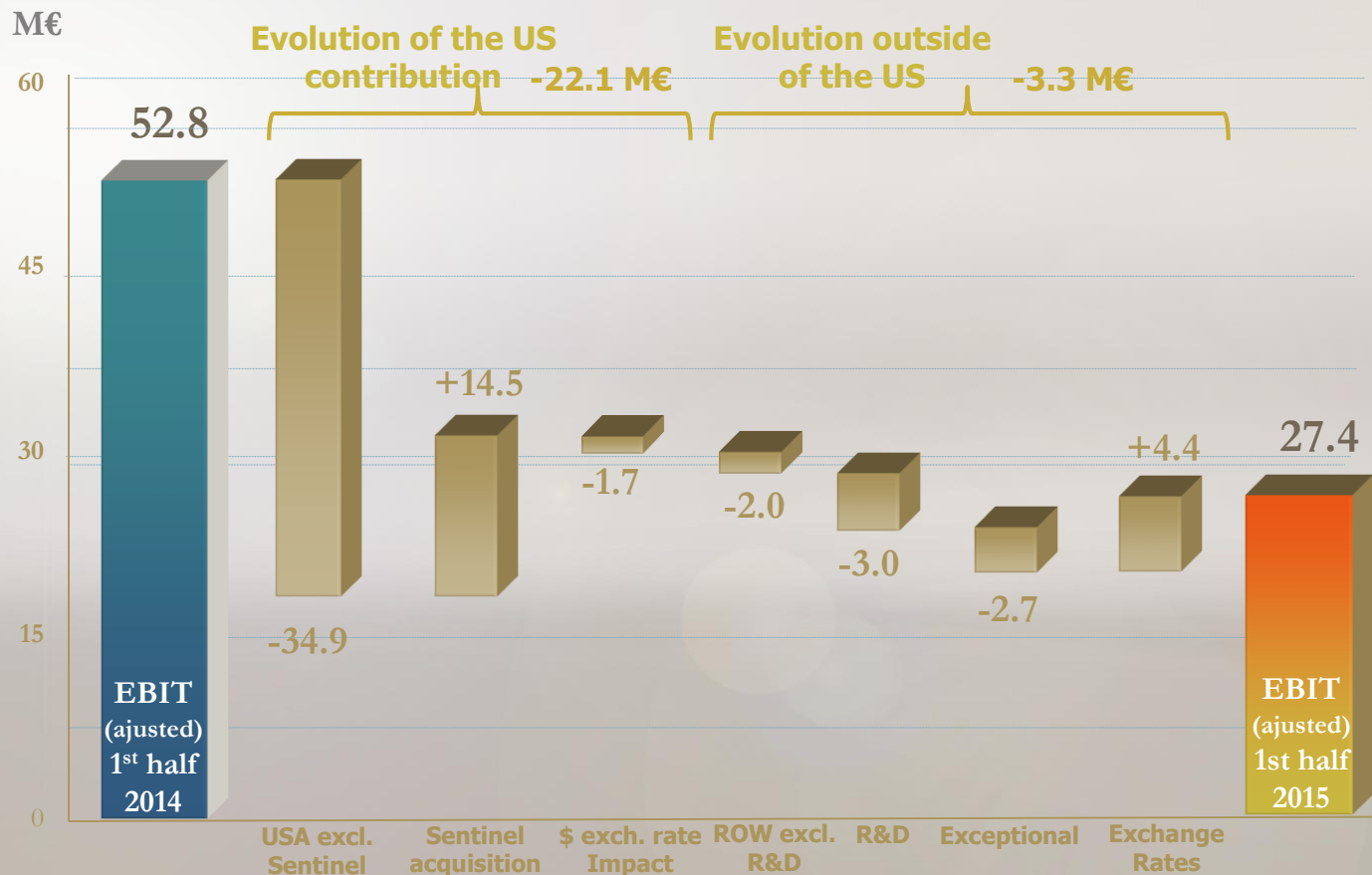
# CONSOLIDATED PROFIT & LOSS STATEMENT

## FIRST HALF OF 2015

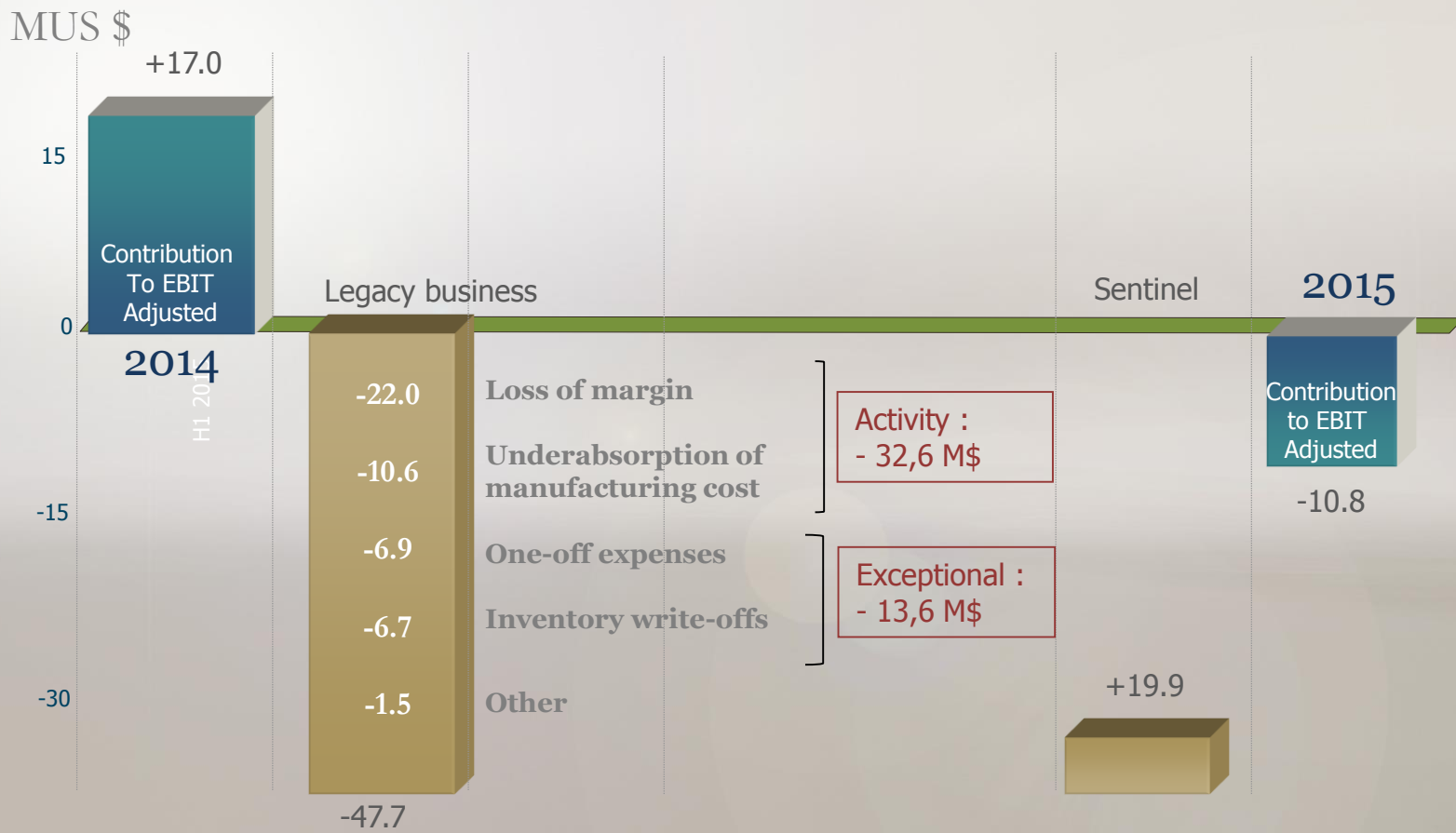
en M€	30/06/2015		%	30/06/2014		%	Variation
<b>Net sales</b>	<b>432.3</b>	<b>100,0</b>		<b>366.3</b>	<b>100,0</b>		<b>18.0%</b>
Margin on material cost	273.2			252.8			8.1%
Reserves on inventories	-5.5			1.3			
<b>Gross margin</b>	<b>278.7</b>	<b>64.5</b>		<b>251.5</b>	<b>68.7</b>		<b>10.8%</b>
External expenses	98.2	22.7		75.4	20.6		30.3%
Personnel charges	127.4	29.5		105.9	28.9		20.2%
Other expenses	11.1	2.6		5.7	1.6		92.9%
Depreciation and amortisation	13.4	3.1		11.6	3.2		15.6%
Net provisions (excluding inventories)	1.2	0.3		0.1	0.0		1105.1%
<b>Current operating profit - adjusted</b>	<b>27.4</b>	<b>6.3</b>		<b>52.8</b>	<b>14.4</b>		<b>-48.0%</b>
Amortization of intangibles from acquisitions	9.6	2.2		2.9	0.8		
<b>Operating profit from ordinary activities</b>	<b>17.8</b>	<b>4.1</b>		<b>49.9</b>	<b>13.6</b>		<b>-64.3%</b>
Non recurring expenses	7.9			0.0			
<b>Operating profit</b>	<b>10.0</b>	<b>2.3</b>		<b>49.9</b>	<b>13.6</b>		<b>-80.0%</b>
Net financial expenses	9.9	2.3		3.2	0.9		211.5%
<b>Profit before tax</b>	<b>0.1</b>	<b>0.0</b>		<b>46.7</b>	<b>12.8</b>		<b>-99.7%</b>
Income tax expense	0.0			14.4			-99.8%
Share in earnings - equity method	0.6			0.6			
<b>Net result of consolidated entities</b>	<b>-0.5</b>	<b>-0.1</b>		<b>31.7</b>	<b>8.7</b>		<b>-101.5%</b>
Non-controlling interests	3.4			3.9			
<b>Net result - Group's share</b>	<b>-3.8</b>	<b>-0.9</b>		<b>28.7</b>	<b>7.6</b>		<b>-113.7%</b>

# BREAKDOWN OF EBIT (ADJUSTED) EVOLUTION

H1 2015



# CONTRIBUTION OF THE US OPERATIONS TO THE EBIT - ADJUSTED



## CONTRIBUTION OF SENTINEL

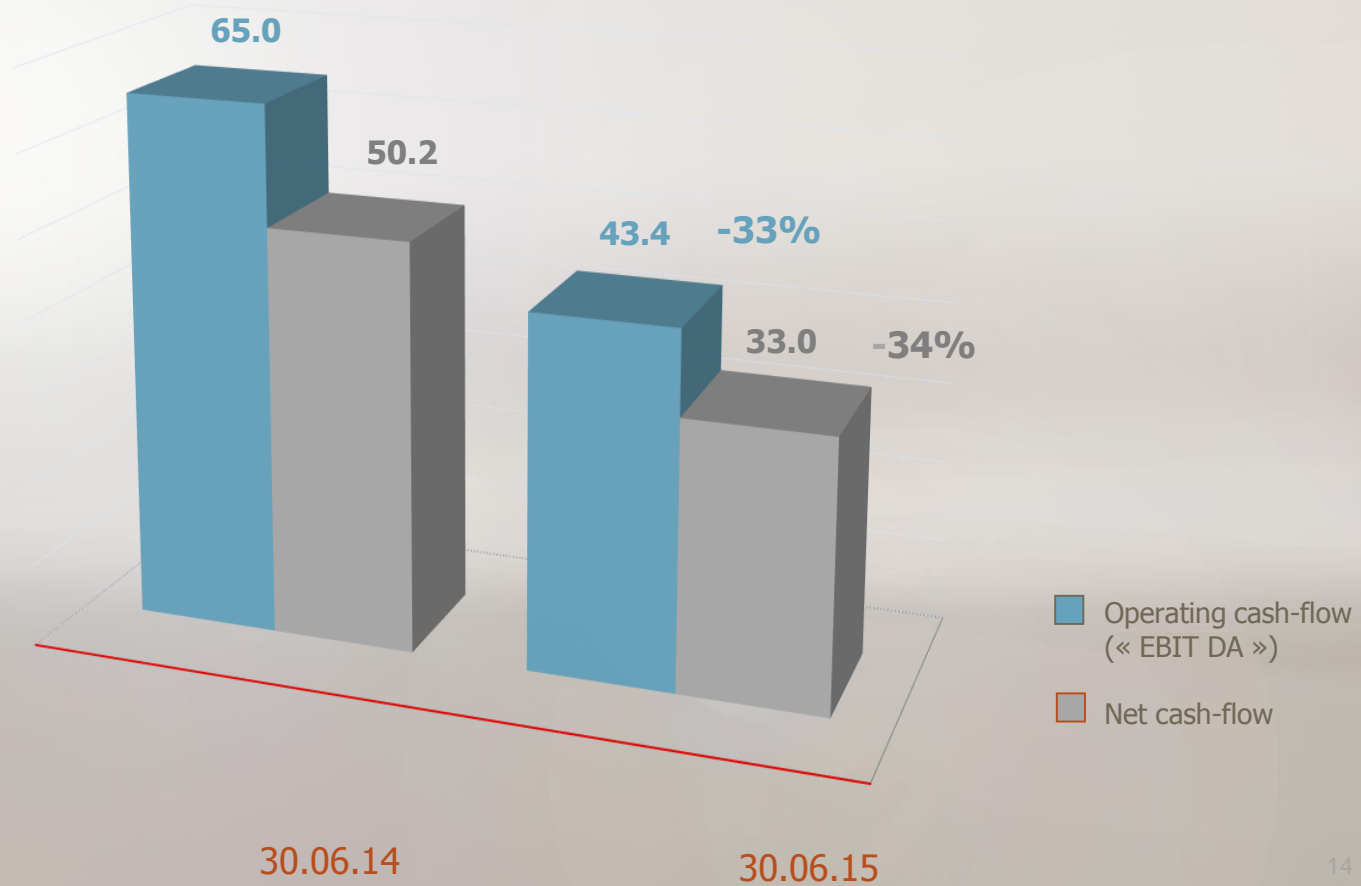
	M€	
Net revenue	44.6	
Current operating profit adjusted (Ebit adjusted)	17.9	
Amortization of intangibles acquired	(6.6)	= related to the Purchase Price Allocation (PPA) under IFRS
Current operating profit	11.3	
One-off / non recurring expense	(7.9)	= counterpart of inventory revaluation in the PPA
Operating profit	3.4	
Interest expense	(3.7)	
Tax	0.1	
Contribution to net profit	(0.2)	
of which cash earnings	13.0	



# EVOLUTION OF CASH-FLOWS

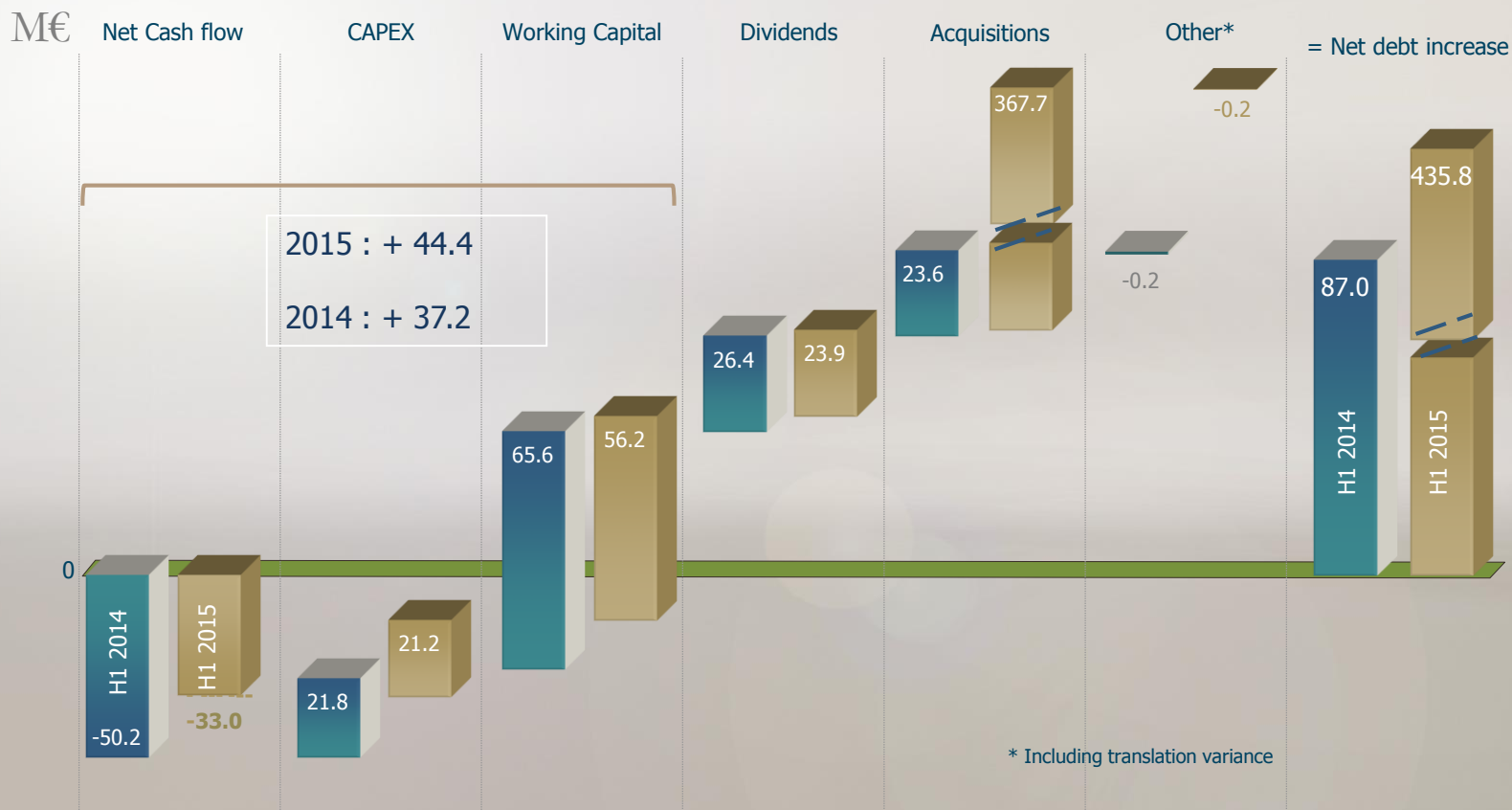
H1 2015

M€



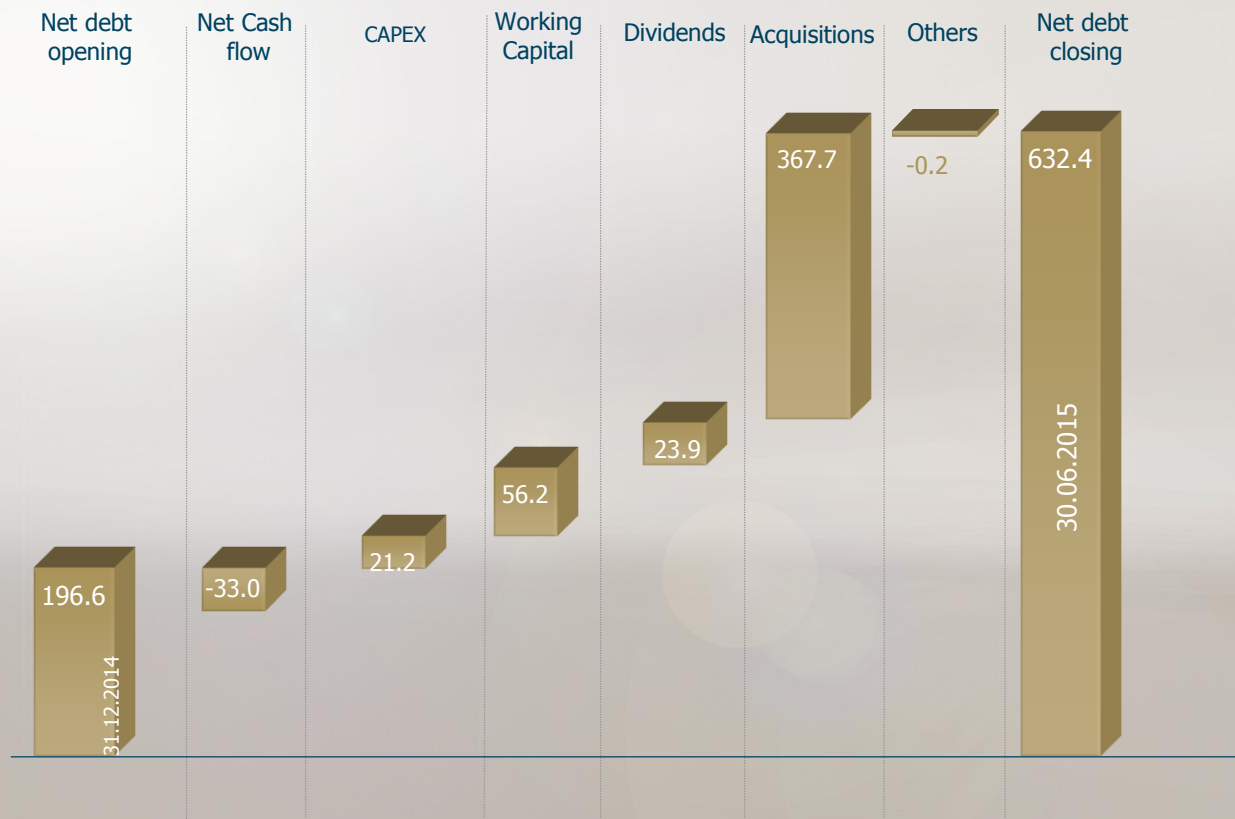
# USE OF FUNDS

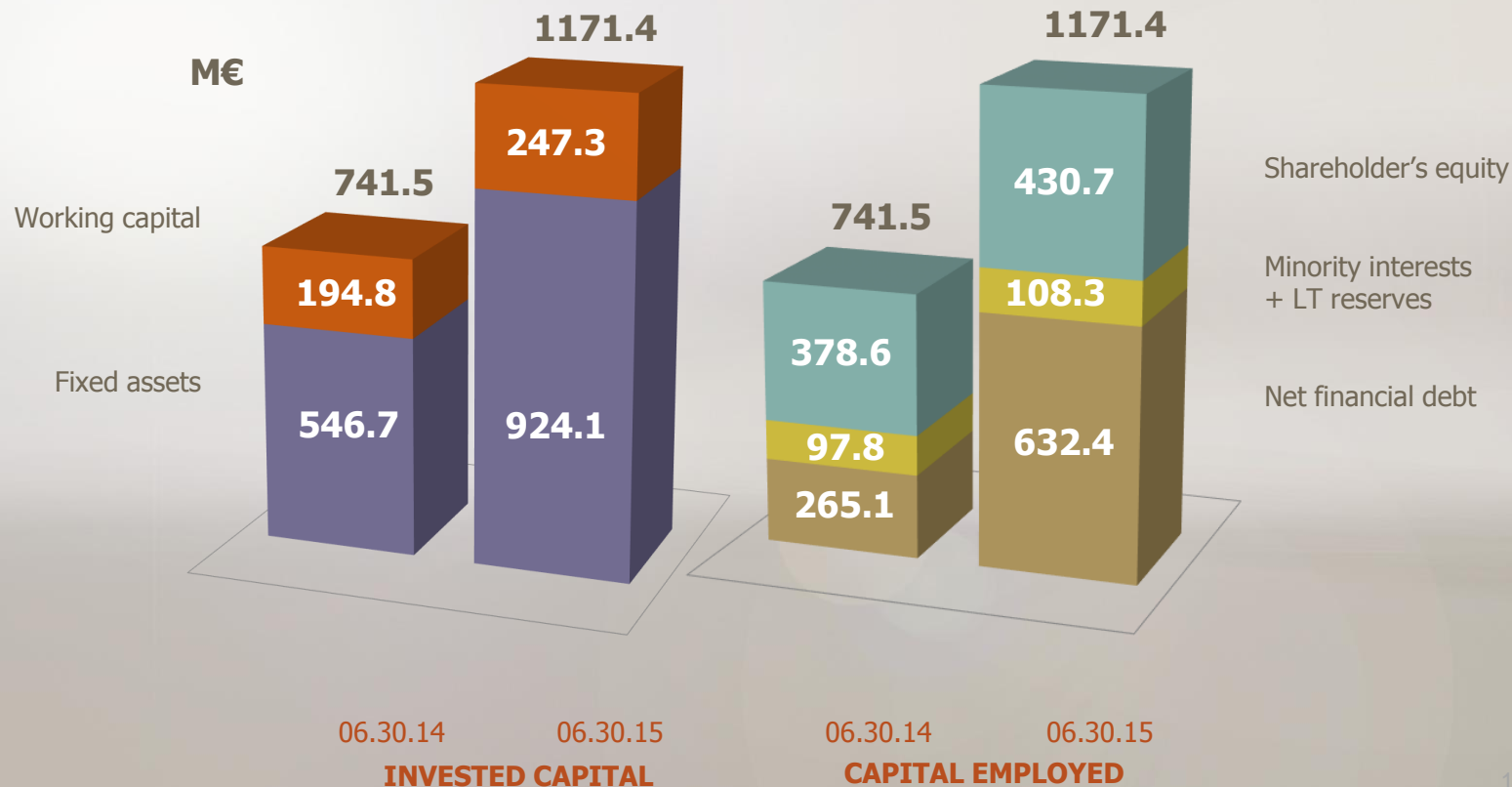
H1 2015



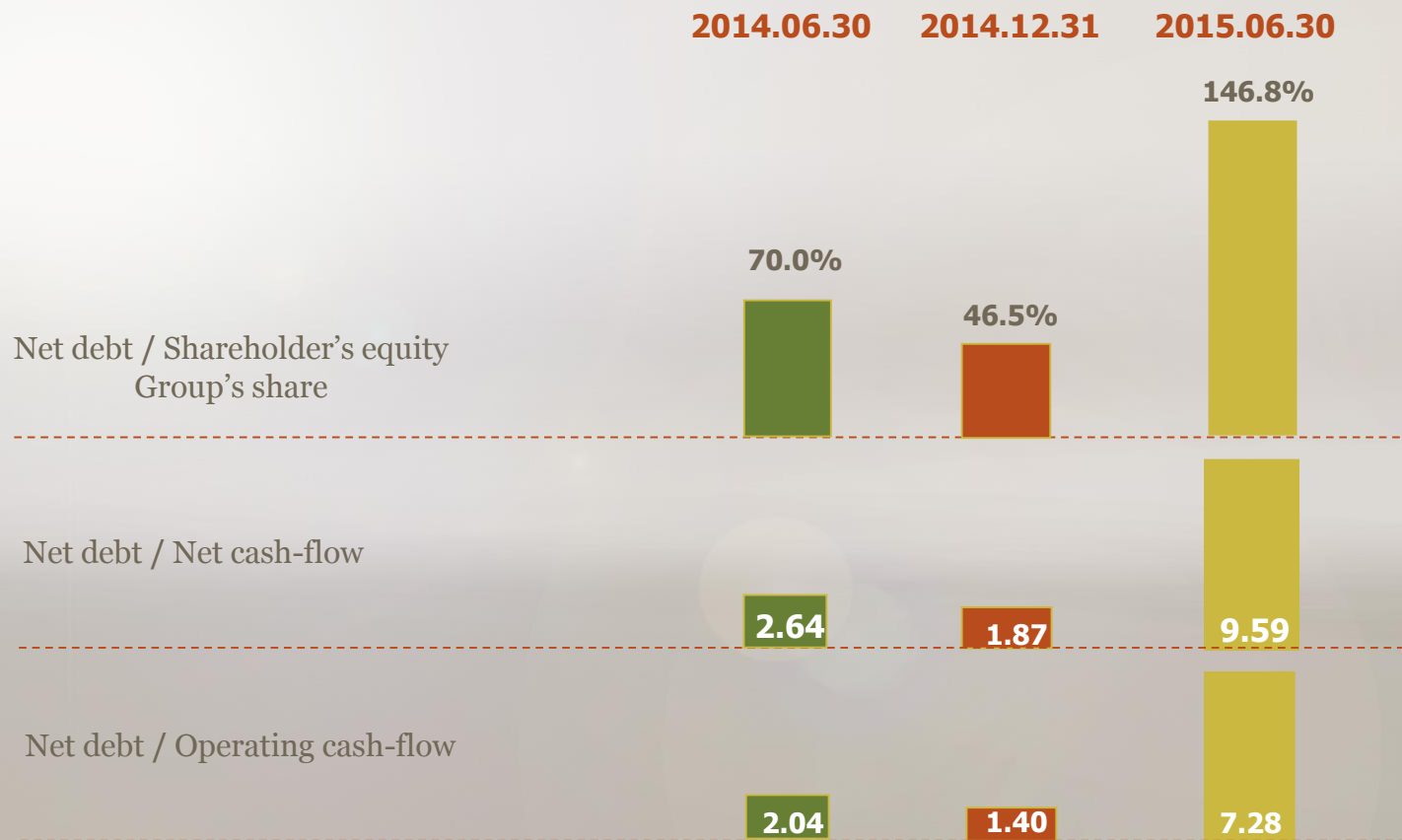
# EVOLUTION OF NET DEBT

H1 2015



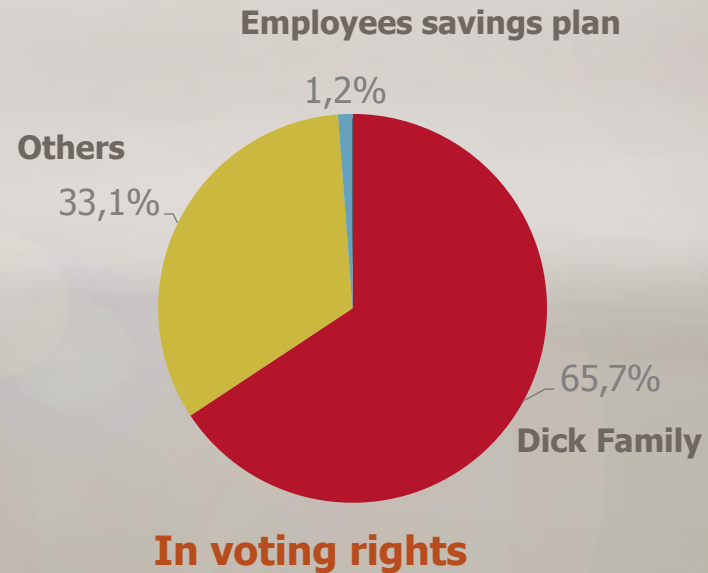
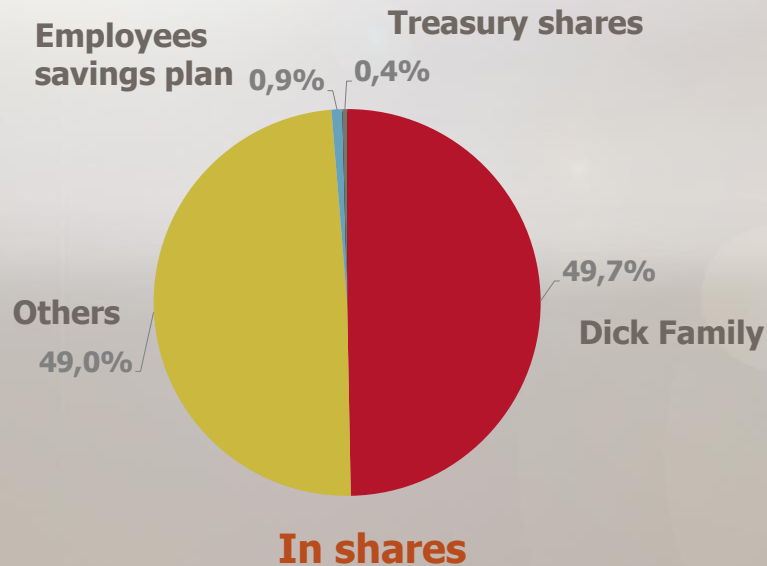


## BALANCE SHEET – FINANCIAL RATIOS



# SHAREHOLDING

Number of shares : 8 458 000



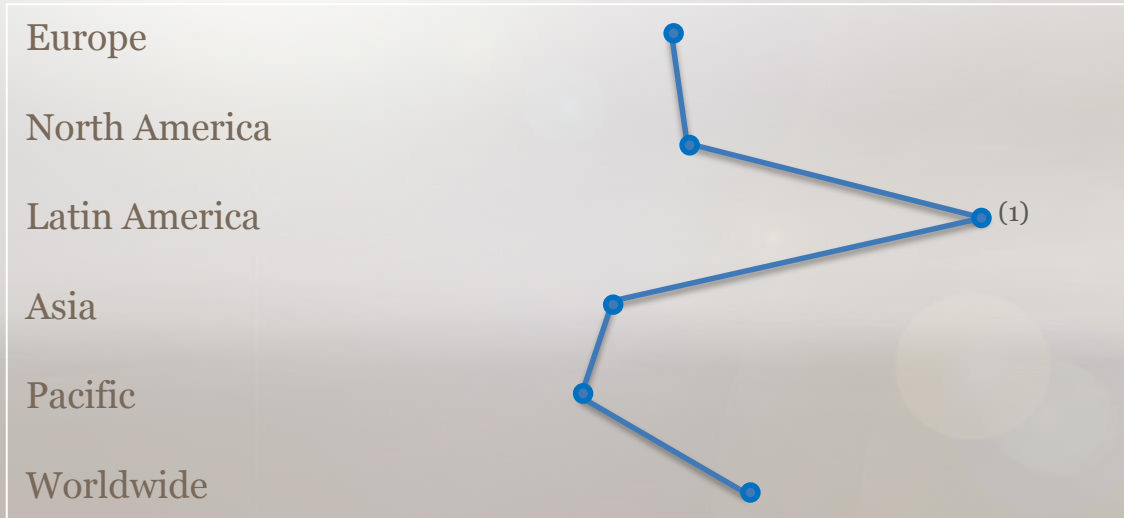
*First half of 2015 performance*

**Virbac strategic perspectives**

*Appendix : 2015 agenda*

# GROWTH OF THE WORLDWIDE VETERINARY MARKET

MAT Q1 2015



## Virbac market share evolution

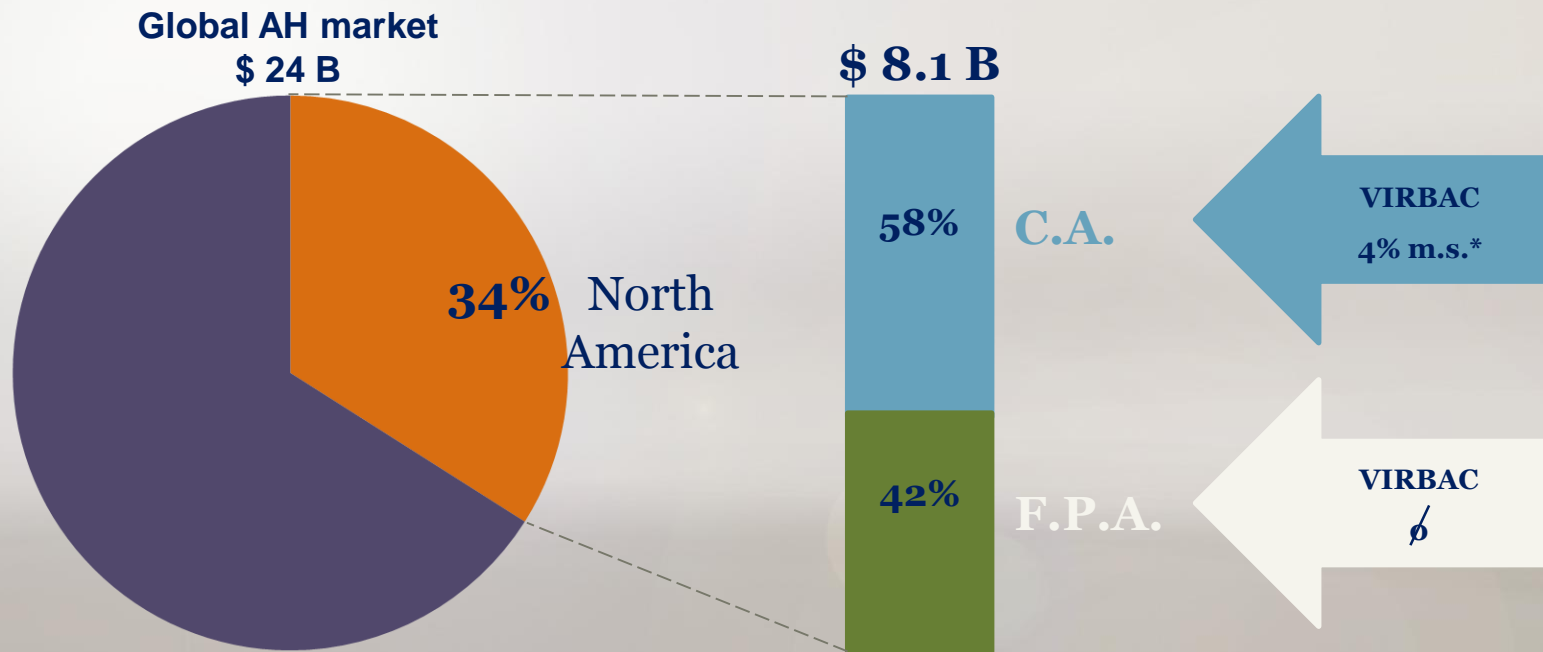
-  
 ++, but NS  
 --  
 ++  
 ++  
 +, but NS

Legend :

-,+ : less than 2 pts vs market  
 --, ++ : more than 2 pts vs market

(1) Probably overstated  
 Source CEESA, Virbac



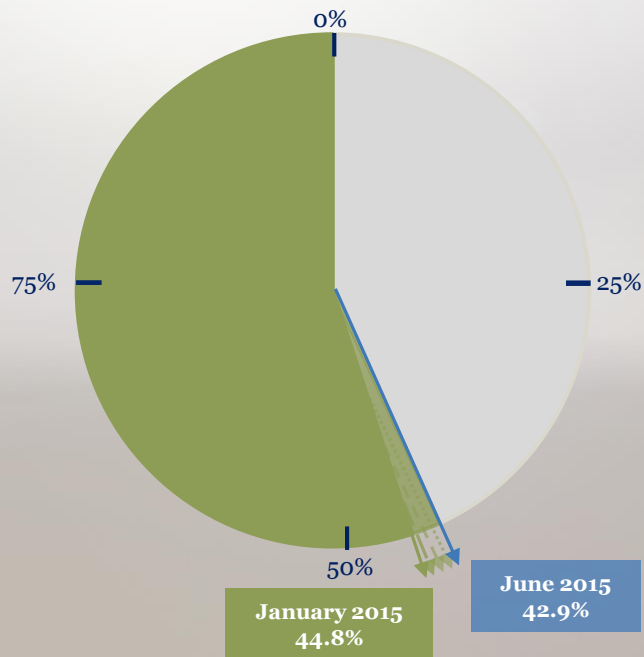


\* MAT Q1 2015

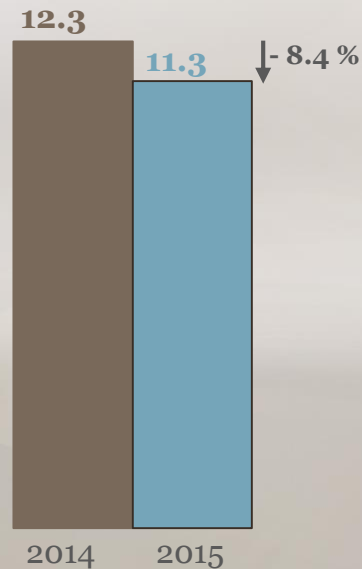
Source : Vetnosis, CEESA, Virbac analysis

# SENTINEL IN VET CLINICS

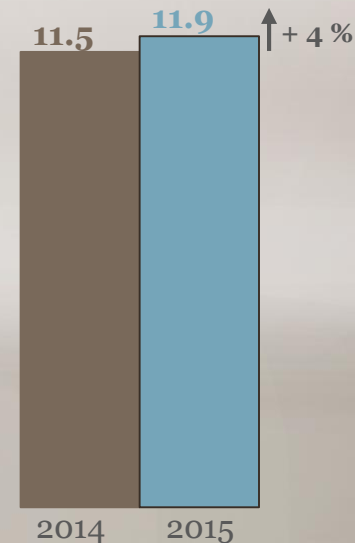
Penetration rate of vet clinics  
(% of vet clinics carrying the Sentinel brand)



Delivered doses (million)  
to vet clinics



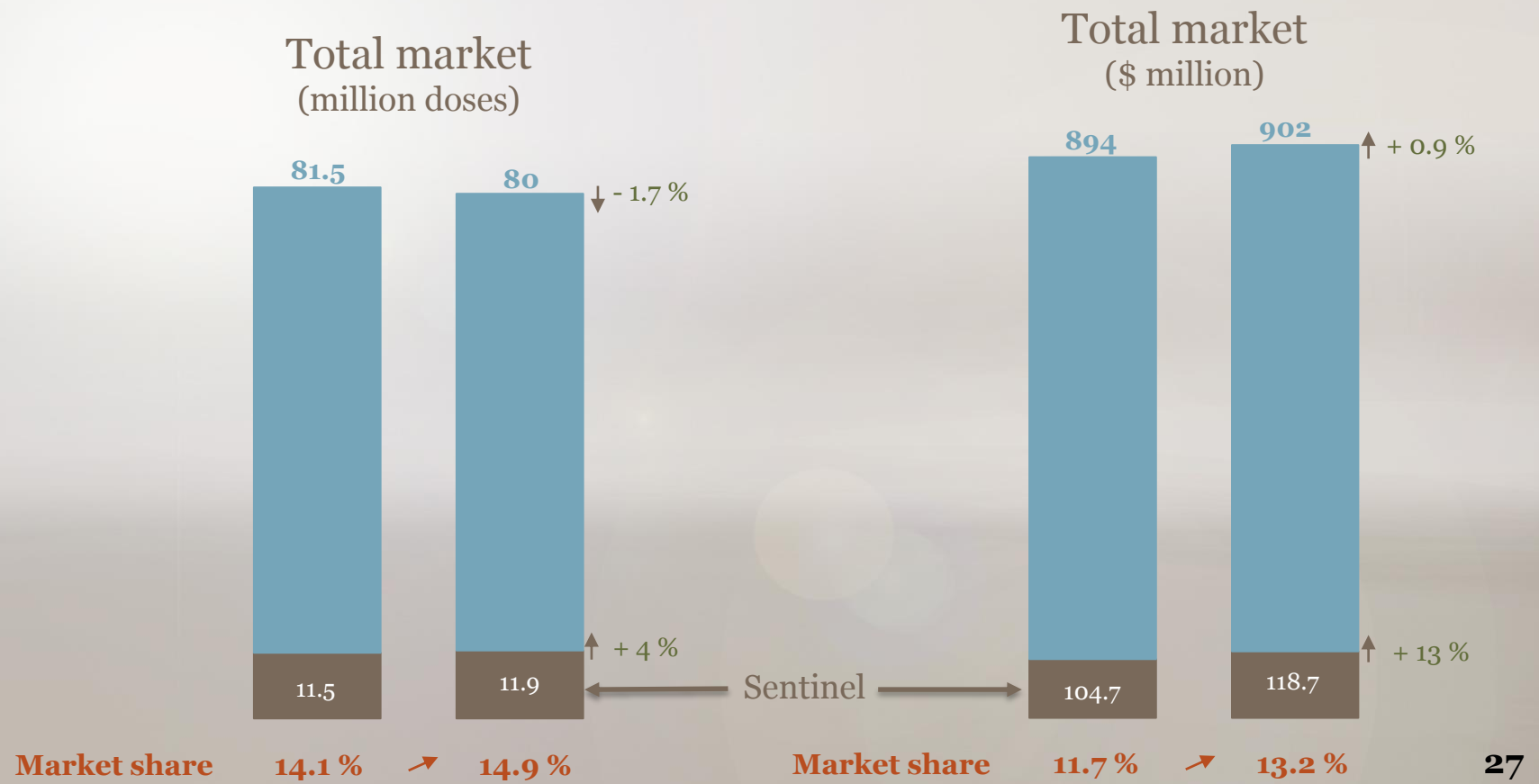
Dispensed doses (million)  
to petowners



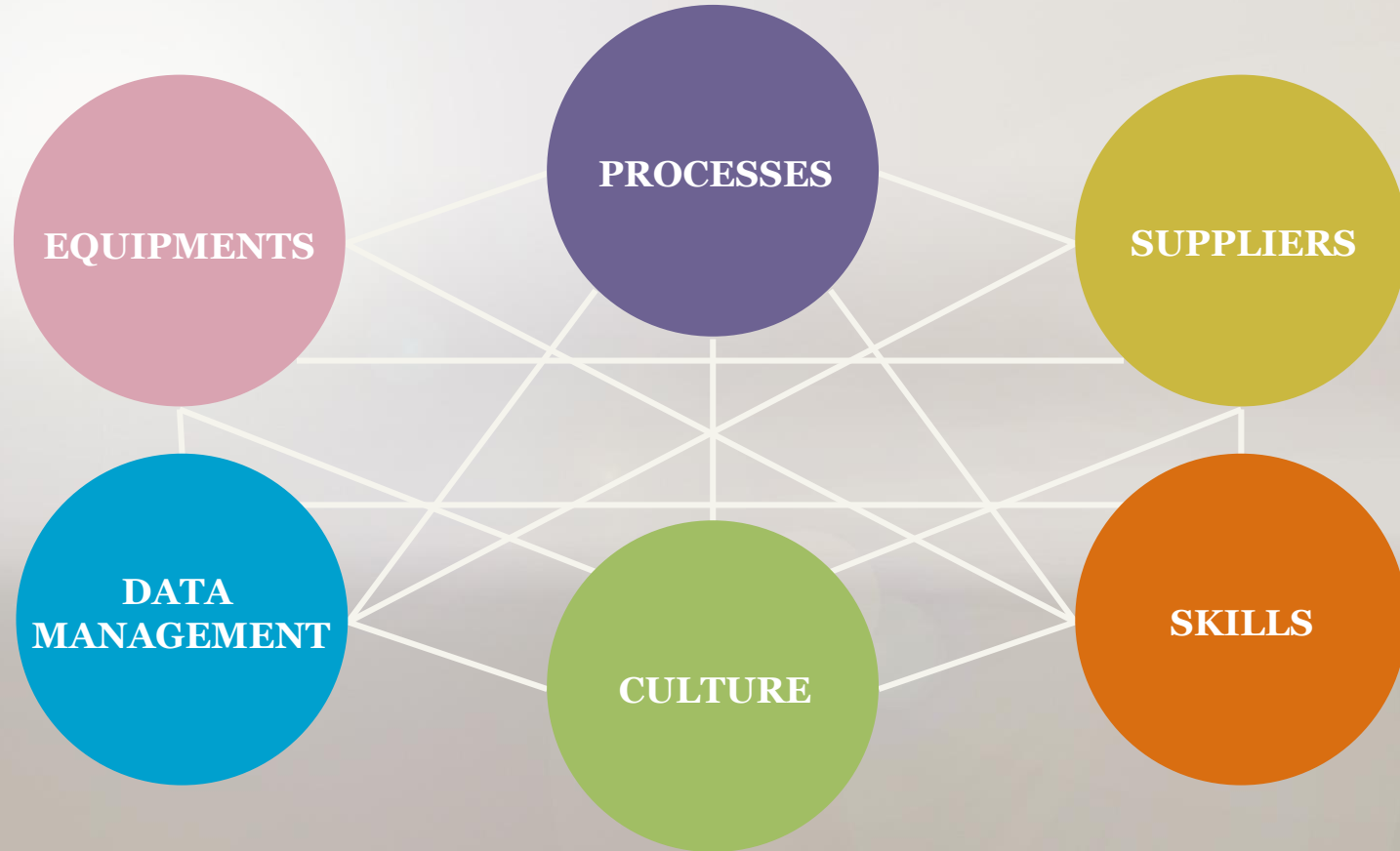
# SALES FROM VETCLINICS TO PET OWNERS

Heartworm and « Combos » products (heartworm + fleas & ticks)

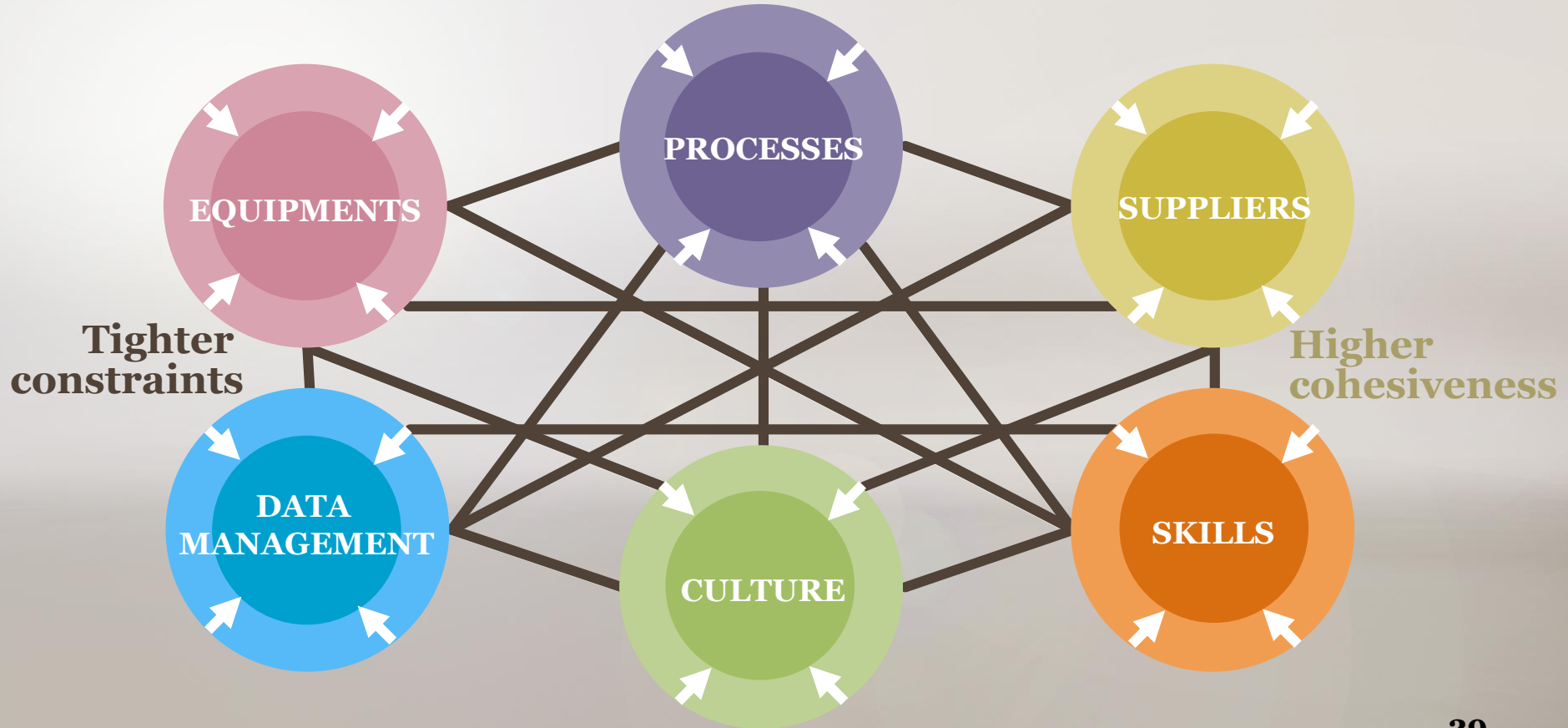
YTD June



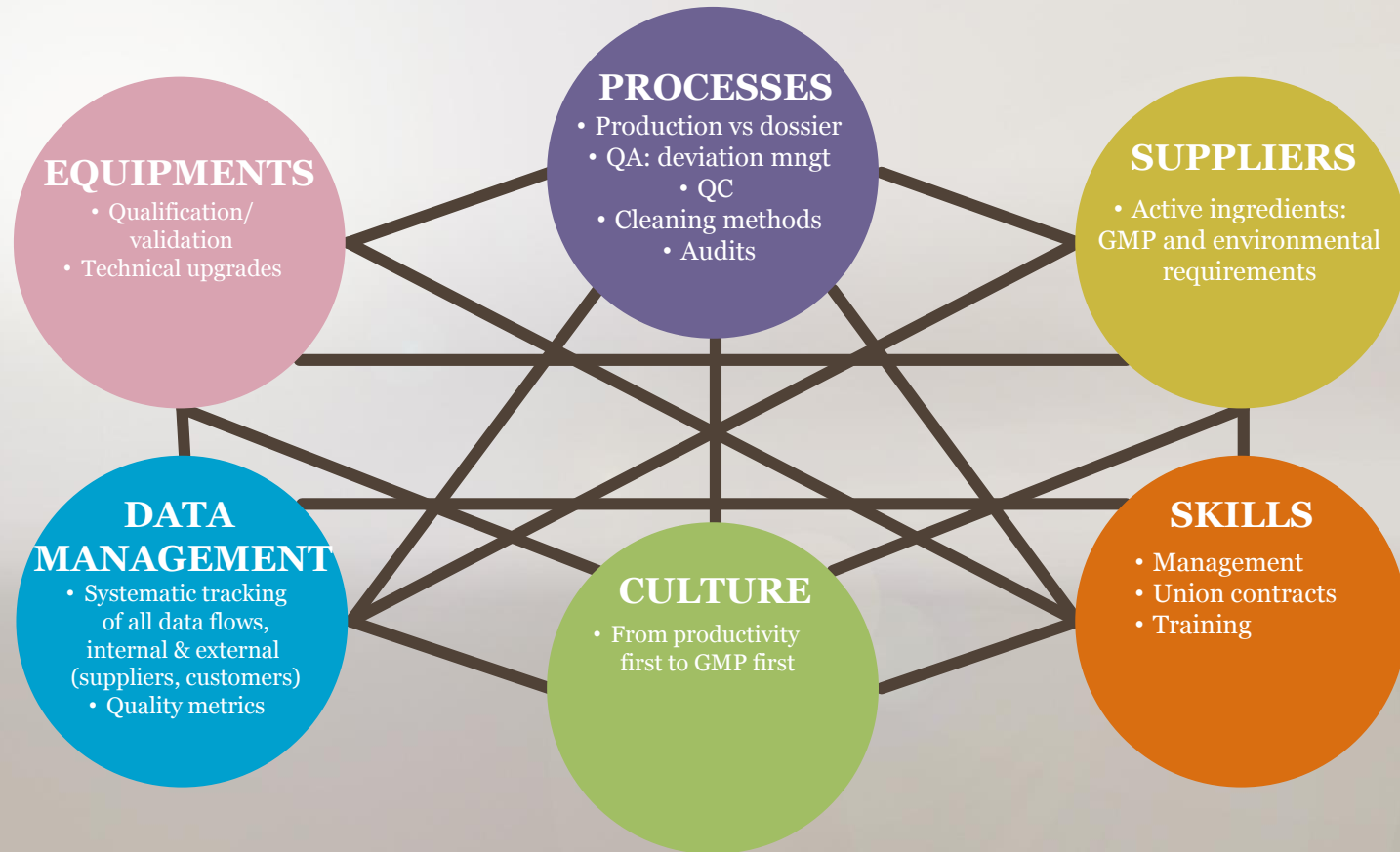
# THE QUALITY CHALLENGE IN St. LOUIS



# THE QUALITY CHALLENGE IN St. LOUIS

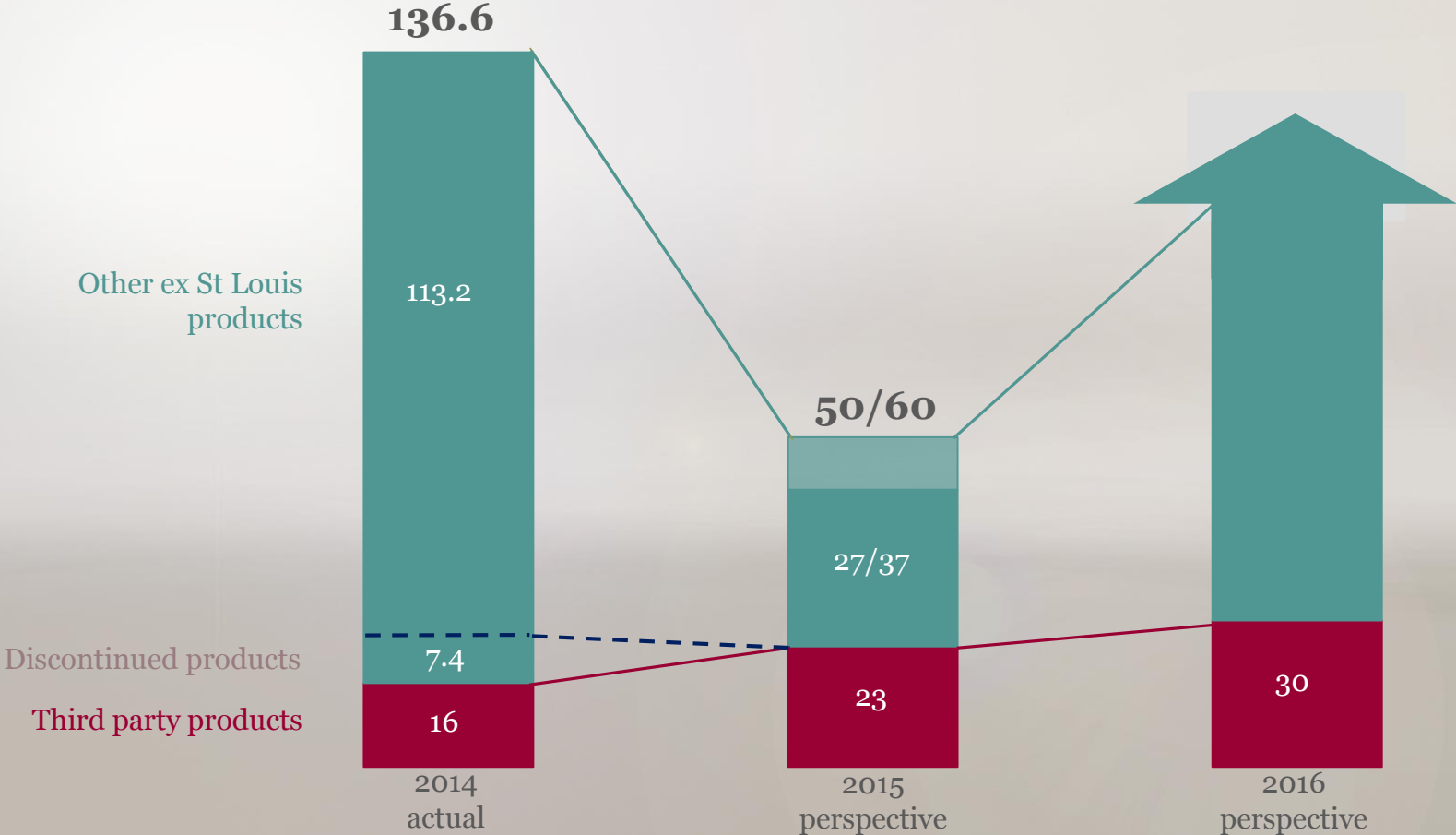


# THE QUALITY CHALLENGE IN St. LOUIS

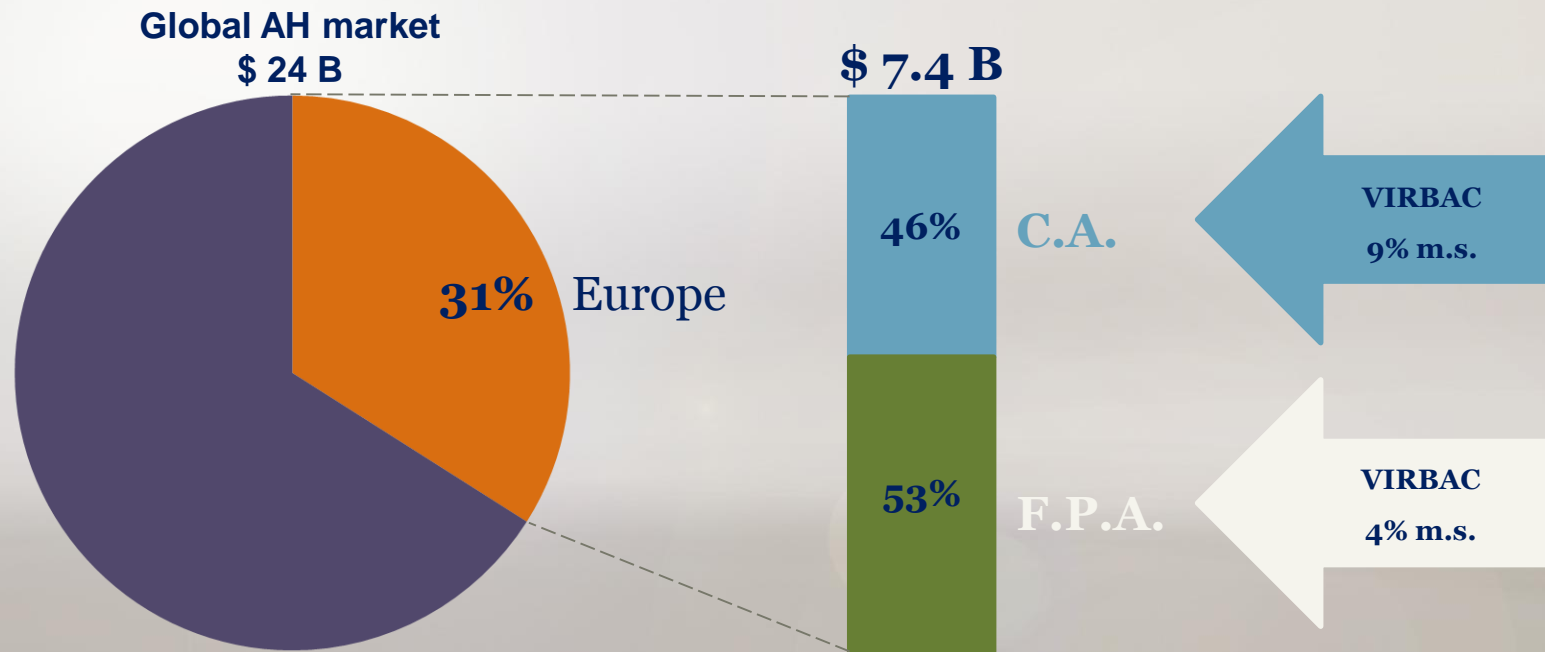


# PERSPECTIVES FOR THE US LEGACY PORTFOLIO

(\$ million, excluding Sentinel)



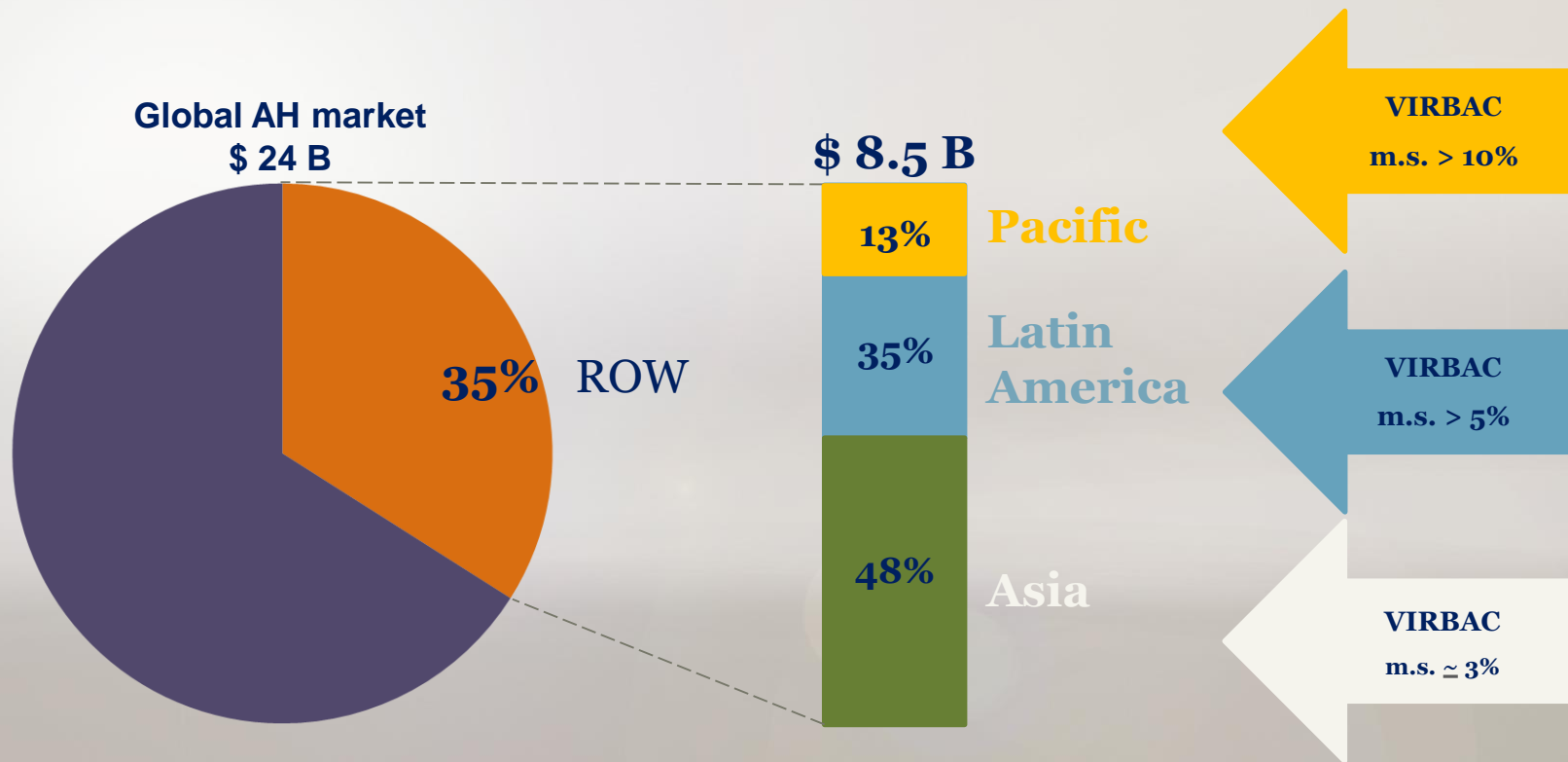
# EUROPE





# EUROPE

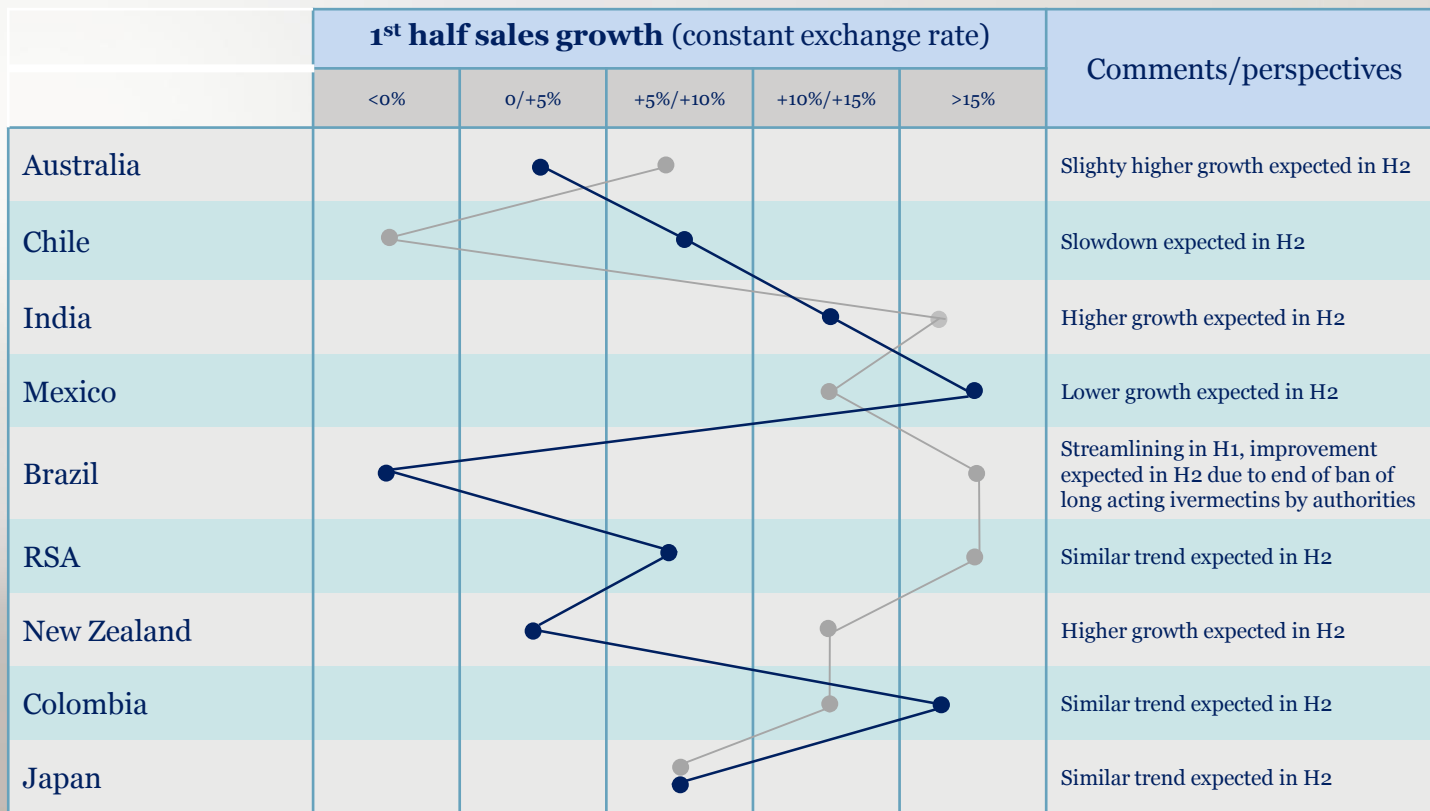
- Very solid growth in H1, except in France, led by the launch of new products:
  - Strong market entry of Milpro and Effitix;
  - Combined sales of 5 main new products (Milpro, Effitix, Cyclavance, Deltanil and Neopril) in excess of 15m€.
- Very negative evolution in France in Q1 (impact of new antibiotic regulations), followed by a slight growth in Q2.
- Good perspectives for H2:
  - Stabilization of the antibiotic situation in France;
  - Growth moment of new products;
  - Successful launch of new petfood range (Q3 in France);
  - Some risks however regarding the supply of ex. St Louis products and some chinese suppliers of active ingredients.



\* MAT an 2015

Source : Vetnosis, CEESA, Virbac analysis

# ROW : PERSPECTIVES IN MAIN\* COUNTRIES



\* Close to 40% of 1st half group turnover

● 2014

● 2015

# PEAK SALES POTENTIAL OF THE MAIN INNOVATION : EXPECTED TO BE LAUNCHED IN THE 2016 – 2017 PERIOD

Three years potential (m €)	3/5	5/10	10/15	> 15
<b>Companion Animals</b>				
Europe		✓ Digestive		✓ External parasiticides
US		✓✓ Dermatology ✓ Internal parasiticide	✓ Internal parasiticide	✓ External parasiticides
<b>Food Producing Animals</b>				
Europe + LATAM	✓ Ruminant parasiticide  ✓ <i>Ruminant vaccine</i>	✓ A/B dairy		
ASIA + LATAM		✓ <i>Swine vaccine</i>	✓ <i>Aqua vaccine</i>	

- 2<sup>nd</sup> half of 2015:
  - gradual return to market of ex St Louis products, but still limited impact;
  - strong improvement of the adjusted EBIT, but likely under the 2014 level;
  - significant decrease of the debt level vs. 1<sup>st</sup> half.
- 2016:
  - strong rebound of the US legacy portfolio, but not yet at the 2014 level;
  - good performance expected from Sentinel;
  - growth driven by good market perspectives in the other regions of the world.

*First half of 2015 performance*

*Virbac strategic perspectives*

**Appendix : 2015 agenda**

**Thank you**  
**for your attention**

## APPENDIX : AGENDA OF NEXT COMMUNICATIONS

**October 15\***                      **Q3 sales**

**January 14, 2016\***    **Q4 – Full year sales**

\* After market close



## Disclaimer

**This presentation contains forward-looking statements with respect to Virbac's profitability and financial condition, business operations, projects and outlook. Although Virbac's management believes that such forward-looking statements are based on reasonable assumptions, as made as of the date of this presentation, such statements do not constitute guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Virbac's control, including but not limited to any risk described in the reports and documents regularly made available to the public and filed to the AMF.**

**Investors and security holders may obtain a free copy of such documents at :**

**[www.virbac.com](http://www.virbac.com)**