

Virbac: quarterly sales affected by distributor destocking in the United States

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Consolidated quarterly sales

Virbac sales for the third quarter reached €192.7 million, a decrease of -10.9% (-9.4% at constant exchange rates) from the same period in 2016. This drop is essentially due to the situation in the United States, where ex-Virbac sales for the period dropped significantly due to major distributor destocking, notably of the Sentinel range (Distributors reduced the stocks by approximately €20 million). However, ex-distributor sales continued to grow in the US, achieving a +4% increase. Sales outside the United States increased +2.5% at constant exchange rates, led by dynamic markets in India, Chile and Brazil; despite the decline in the Pacific region which was affected by the discontinuation of parasiticide products in Australia and an unfavorable comparison basis on intramammary ranges in New Zealand.

Total sales at the end of September

€630.2 million compared to €646.2 million last year, a -2.5% decrease or -3.5% decrease at constant scope.

In terms of geographies, the United States posted a -31% net decline at the end of September, including -32% at constant exchange rates. Sales in this period were heavily affected by distributor destocking, particularly of the Sentinel range, which posted a net decrease in ex-Virbac sales, while ex-distributor sales declined only slightly (-2%) over the same period. Ex-Virbac sales of the Iverhart range show a major decline, although they continue to show strong growth in terms of ex-distributor sales (+63%). Nevertheless this growth is well below forecasts. Ex-Virbac sales for the other ranges are declining, but sales continue to increase at clinics (+12%). The Group anticipates that distributors will restock before the end of the year, which would put them at stock levels similar to those at the end of 2016.

Outside the United States, the Group achieved +2% organic growth (+3% at real exchange rates). Generally, Europe is stable at constant exchange rates, notably due to a decline in vaccines and the OTC business.

In the rest of the world, organic growth is sustained in numerous emerging countries, particularly Brazil, Mexico and India (which returned to two-figure growth in the third quarter following the impact of the implementation of new tax regulations). In line with third-quarter trends, the Pacific region posted a decline at the end of September.

Otherwise, sales in Chile increased very slightly from 2016 with varied results (growth in the vaccine range and a decline in antibiotics).

In terms of species, sales in the companion animals segment declined overall by -9.5% at constant scope and exchange rates, reflecting the impact of US destocking. Outside the United States, business in this segment was stable at -0.7%, of which -0.4% was organic growth. The most heavily impacted ranges in comparison to the same period in 2016 were internal and external parasiticides and dog vaccines, which suffered due to the temporary reduction in production capacity. Conversely, growth was sustained in the specialties, dermatology and hygiene ranges.

The food producing animals segment increased overall +6.6%, of which +4.2% was achieved at constant exchange rates. At constant scope, all of these sectors posted strong growth of respectively +4.6% bovine, +3.1% industrial (swine and poultry) and +4.3% in aquaculture.

Outlook

Like most pharmaceutical sites in Puerto Rico, our Sentinel Spectrum manufacturing partner was affected by recent climate events. Remember that the transfer of Sentinel Spectrum production to the St. Louis site is now entering its final phase. Note that Sentinel Tabs are not manufactured in Puerto Rico. To date, and considering the information available, the Group does not foresee any interruptions to the supply chain either at the clinics level or at the distributors level, which in the latter case is conditional on routing within weeks to come to the United States of the products manufactured and present in Puerto Rico, which have not suffered any damage.

The Group confirms the outlook for 2017:

- net revenue and EBITA (current operating profit before depreciation of assets arising from acquisitions) expressed as a percentage of sales to be stable compared to 2016 at constant exchange rates,
- €30-50 million debt reduction.

Key figures

NET REVENUE
Year-to-date September 2017
€630.2 million

TOTAL GROWTH
-2.5%

GROWTH AT CONSTANT EXCHANGE RATES¹
-3.5%

GROWTH AT CONSTANT SCOPE¹
-3.5% (+2.1% excl. US)

of which:
COMPANION ANIMALS
-9.5% (-0.4% excl. US)
FOOD PRODUCING ANIMALS
+4.2%

CONSOLIDATED DATA Unaudited - in million Euros	2017	2016	Change	Evolution at constant exchange rates	Evolution at constant scope ¹
Net revenue - 1 st quarter	199.7	211.4	-5.5%	-8.3%	-8.3%
Net revenue - 2 nd quarter	237.8	218.6	+8.8%	+7.0%	+7.0%
Net revenue - 3 rd quarter	192.7	216.2	-10.9%	-9.4%	-9.4%
Net revenue - Year-to-date September	630.2	646.2	-2.5%	-3.5%	-3.5%

¹ The change at constant exchange rates and scope corresponds to organic growth in sales excluding fluctuations in exchange rates by calculating the indicator for the year in question and that of the previous financial year based on identical exchange rates (the exchange rate used is that of the previous financial year), and excluding change in scope by calculating the indicator for the financial year in question based on the consolidation scope of the previous financial year.