2018 first quarter revenue rose by +3.3% at comparable exchange rates

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KEY FIGURES			
Net revenue 1st quarter 2018	**Total growth**	**Growth at constant exchange rates**	**Growth at constant scope** [1]
193.5 m€	**-3.1%**	**+3.3%**	**+3.3%** of which : **companion animals +4.0% (+9.5% excl. USA)** **food producing animals +3.2%**

[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.

Quarterly consolidated revenue

Virbac's first quarter revenue rose to 193.5 m€, down -3.1% compared to the same period in 2017, deeply impacted by exchange rates. At constant exchange rates, total growth reached +3.3%, primarily linked to sustained activity at the beginning of the year in all regions, except the United States and, to a lesser degree, Chile.

In the United States, activity was down in the first quarter by -30.5% (-19.7% at constant exchange rates); this impact is primarily related to a decline in sales of Sentinel at the beginning of the year due to an increase in destocking at the distribution level compared to that recorded in the first quarter of 2017, to rebate program timing that differed from that observed in the first quarter of 2017, and lastly by challenging climatic conditions in the northeastern part of the country, coupled with persistently intense competition impacting sales. Apart from a base effect on Iverhart Max, which returned to the market in the first quarter of 2017, the Iverhart range is experiencing continued growth. The upcoming launch of the Iverhart Max Soft Chew should boost sales in this range. Meanwhile, the dental and dermatology ranges show strong growth that benefits from a favorable base effect in comparison to the same period in 2017, when sales had been impacted by a restocking of distributors at the end of 2016 in anticipation of the January 1st, 2017 price increases. It should be noted that sales ex-distributors to veterinarian clinics, in the United States, of Virbac products are down overall by -9%; however, other than Sentinel, the other ranges show an average growth of +10% in the first quarter of 2018 compared to the first quarter of 2017.

Outside of the United States, the Group is growing at +0.2% at current rates, or +6.0% at constant rates. In Europe, revenue is growing at +4.9% at current rates (+5.5% at constant rates). The principle contributors to this performance are France, Germany, Benelux, Poland, and the United Kingdom, which are all seeing a resurgence in activity in ranges for companion animals and are once again benefiting from the availability of dog vaccines.
In Latin America, the Group had a good start to the year. Activity grew by +1.0% at current rates (+13.8% at constant exchange rates), thanks in particular to contributions by Mexico and Brazil.
In Asia-Pacific, growth at current rates is at -3.6%; however, steady growth was once again maintained after adjusting for the impact of exchange rates (+6.3%), particularly in India, which was severely punished by demonetization in early 2017, New Zealand, Thailand, and Japan.
In Chile, first quarter activity is down by -15.6% at current rates (-5.3% at constant rates), due to an algae bloom episode affecting the farms, the anticipated reduction in antibiotic sales, as well as weaker vaccine sales compared to the first quarter of 2017, when sales had rebounded.

In terms of species, companion animals segment is growing overall at +4.0% at constant exchange rates (+9.5% outside the USA), primarily driven by strong performance in specialty ranges, particularly anesthetic/tranquilizer ranges, and reproduction with Suprelorin. Dental ranges, dog vaccines and petfood also contributed greatly to the quarter's growth.
The food producing animals segment is seeing growth of +3.2% at constant rates. This performance is primarily due to the bovine sector, which is seeing good growth in the nutritionals, vaccines and antibiotic ranges, thus offsetting the drop in industrial (swine and poultry). Aquaculture is down by -4.3% overall at constant rates. This growth is mixed: on the one hand, it reflects double-digit growth (+29%) in Asia and, on the other hand, a decline in Chile as explained above.

Outlook

The Group anticipates growth in revenue at constant rates that in 2018 should show a low single-digit increase 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 0.5 points compared to 2017. Debt relief should be around €30 million for the year. Furthermore, the Group obtained a relaxation of its financial covenant (net debt/Ebitda) with its bankers for 2018. Thus, it should be at 5.0 at the end of June, 2018, and at 4.25 at the end of December, 2018. Meanwhile, Virbac exercised the option of extending by two years the maturity date of its RCF (Revolving credit facility) of €420 million with its pool of banks, thereby extending this term financing to 2022 (2020 prior to the extension).

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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.

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