Significant increase in operating profit from ordinary activities for the first half of 2021 due to the sound market performance and dynamism of our business

Press release issued on September 15, 2021 after market close

CONSOLIDATED FIGURES AS AT JUNE 30th in millions of €	2021	2020	Change 2021/2020
Revenue	**529.4**	**478.3**	**+10.7%**
Change at constant exchange rates			*+14.0%*
Change at constant exchange rates and scope [1]			*+21.3%*
Current operating profit before depreciation of assets arising from acquisitions [2]	**105.3**	**85.5**	**+23.2%**
as a % of revenue	*19.9%*	*17.9%*	
as a % of revenue at constant rates	*19.7%*		
Depreciation of intangible assets from acquisitions	2.2	6.3	
Operating profit from ordinary activities	**103.1**	**79.1**	**+30.3%**
Non-recurring expenses and income	0.0	5.4	
Operating profit	**103.1**	**73.8**	**+39.8%**
Current net profit [3]	**74.4**	**53.6**	**+38.9%**
Consolidated net profit	**74.4**	**49.7**	**+49.7%**
Including net profit - Group share	72.7	47.2	
Shareholders' equity - Group Share	**699.7**	**548.0**	**+27.7%**
Net debt [4]	**-54.5**	**348.2**	**-115.6%**
Operating cash flow before interest and taxes [5]	**123.7**	**104.2**	**+18.7%**

[1] Change at constant exchange rates and scope corresponds to organic growth of sales, excluding exchange rate variations, calculated by using the indicator for the financial year in question and the indicator for the previous financial year on the basis of identical exchange rates (the exchange rate used is the previous financial year's), and excluding the change in scope, calculated by using the indicator for the financial year in question on the basis of the scope of consolidation for the previous year, and excluding sales of Sentinel, a product that was sold on July 1, 2020, over the two financial years in question.
[2] Current operating profit, before depreciation of assets arising from acquisitions, reflects current profit adjusted for the impact of allowances for depreciation of intangible assets resulting from acquisition transactions.
[3] Net profit from ordinary activities corresponds to consolidated net profit adjusted for non-recurring expenses and income (€0 million), and for non-current tax (€0 million).
[4] Net debt corresponds to current (€75.1 million) and non-current (€16.2 million) financial liabilities as well as a lease obligation related to the application of IFRS 16 (€38.5 million), less the cash position and cash equivalents (€184.3 million) as published in the statement of financial position.
[5] Operating cash flow corresponds to operating profit (€103.1 million) adjusted for items having no impact on the cash position and impacts related to disposals. The following items are adjusted: fixed asset depreciation and impairments (€22.3 million), provisions for risks and charges (€-1.4 million), provisions related to employee benefits (- €0.5 million), and the other expenses and income without any impact on the cash position (€0.4 million), and the impacts related to disposals (- €0.2 million).

The accounts were audited by the statutory auditors and examined by the board of directors on September 14, 2021. The statutory auditor's report is in the process of being issued. The statements and detailed presentation of half-year results are available on the corporate site at corporate.virbac.com.

Thanks to the Virbac teams' constant dedication to animal health and the resilience of the sector, we posted a revenue in the first half year of €529.4 million, an increase of +17.9% compared to 2020 excluding Sentinel (10.7% at actual scope). Excluding the unfavorable impact of exchange rates, revenues rose by 21.3% excluding Sentinel (+14.0% at actual scope). All areas had double-digit organic growth at the end of June, reflecting both the sector's momentum and the successful execution of our strategic plan. In Europe, revenue grew by 18.4% at real rates (+18.7% at constant exchange rates). In the Asia Pacific region, growth at real rates was +23.5% (+26% at constant exchange rates). In the United States, business in the first half of the year excluding Sentinel grew by 24.3% (+36.4% at constant exchange rates). In Latin America, apart from Chile, business grew by 19.8% at real rates (+31.5% at constant exchange rates). Finally, in Chile, business in the first half of the year is down by -19.1% at real rates (-15.1% at constant rates). In terms of species, companion animal business grew by 24.4% overall at constant exchange rates excluding Sentinel (+8.7% at constant exchange rates and actual scope, and +5.8% at actual exchange rates and scope), mainly driven by the remarkable double-digit growth of the specialty, internal parasiticides, petfood, dermatology and dental ranges, and by the rebound of the dog and cat vaccines range compared to the first half of 2020, which was impacted by our production disruption issues. It should be noted that sales of Itrafungol and Clomicalm, products acquired in March 2021, represented approximately €4 million in sales over the period from March to June. The food producing animals segment also showed strong growth, at +17.7% at constant exchange rates (+14.2% at real exchange rates), mainly driven by the ruminants sector and the swine-poultry products sector, while the aquaculture sector was, as expected, significantly down compared to the same period in 2020.

The current operating profit before depreciation of assets arising from acquisitions amounts to €105.3 million, significant growth compared to the first half of 2020 (€85.5 million). This improvement in performance is mainly due to the exceptional growth in our revenue, driven by a very strong performance in all areas and good market dynamics. It is partially offset by a rebound in our commercial and R&D expenses because the first half of 2020 was marked by a significant reduction in expenses related to the Covid-19 situation (delay and postponement of R&D projects, postponement of seminars, conferences, events, halt of travel in many countries, reduction in marketing expenses, etc.). It should also be noted that this half-yearly result benefits from the recognition of exceptional items in the amount of €6.6 million (€4 million in compensation for the continuation of R&D projects acquired in the 1st quarter of 2021 from Elanco, €1 million in additional margin on the Clomicalm and Itrafungol products having benefited from a zero cost of sales in connection with the acquisition, and €1.6 million in the form of the reversal of a provision for disputes, which has now become unnecessary). All of these elements represent a positive impact of 1.2 percentage points on the ratio of "current operating profit, before depreciation of assets arising from acquisitions" over "revenue" for the period.

Net profit from ordinary activities (net consolidated profit adjusted for non-recurring expenses and income and for non-current taxes) was €74.4 million, up 38.9% compared to the first half of 2020. This very strong improvement in our net profit is explained by the reasons given above, in particular the very strong growth of our business and the effective control of our costs, despite the rebound observed in the first half of 2021. It should be noted that our financial result corresponds to a charge of €1.6 million, which is significantly down from the first half of 2020 (charge of €8.7 million). This is explained by the decrease in the cost of net debt of €3.0 million resulting from the repayment of our bank financing as a result of the disposal of the Sentinel range, and by the improvement of the foreign exchange profit due to the relative stability of the Chilean peso against the euro and the US dollar over the 1st half of 2021 compared to the same period in 2020.

Net Profit - Group Share reached €72.7 million, a strong increase compared to the first half of the previous year (€47.2 million), buoyed by operational performance and the factors mentioned above.

On the financial side, our net debt amounts to - €54.5 million at the end of June 2021, compared to - €63.4 million at the end of December 2020. This relative stability of the net debt over the first six months of the year is mainly due to the cyclical nature of our cash generation model; with cash generation occurring more in the second half of the year. This situation was exacerbated over the period by higher capital expenditure, higher working capital requirements in the first half of 2021 due to the strong growth in our revenue, and finally the payment of dividends in respect of the results for 2020.

Outlook

The excellent performance of the animal health market and our performance over the past period lead us to revise our annual outlook upwards.

We currently anticipate like-for-like revenue growth (excluding the impact of the sale of Sentinel) of 14% to 17% (or 11% to 14% at constant exchange rates and actual scope), and a ratio of "current operating profit before depreciation of assets arising from acquisitions'' over "revenue" of around 16% at constant exchange rates. For the record, we estimate that the impact of products acquired from Elanco (Clomicalm and Itrafungol), and from iVet (petfood US) could represent approximately 1.5 percentage points of growth in revenue. We also anticipate an unfavorable impact of exchange rates on revenue of approximately €13 million associated with currency impairment. Debt relief should be around €60 million for the year at constant exchange rates.

So far, the health crisis has not had an overly negative impact on the animal health sector, but, as explained above, we have implemented a set of measures and day-to-day monitoring to prevent and limit its potential impact. In addition, our overall presence in terms of geographical areas and species, our highly diversified product portfolio, our varied distribution channels, the high responsiveness and adaptability of our teams, and the robustness of our financial situation are key assets to face the consequences of this pandemic. However, we are remaining vigilant to new developments in the coming months and are well placed to address them.

ANALYSTS' PRESENTATION - VIRBAC

We will hold an analyst meeting on Thursday, September 16, 2021 at 2:30 p.m. (Paris time - *CEST*) in the Auditorium l'Edouard VII Business Center, 23 square Edouard VII - 75 009 Paris (France).

Participants may arrive 15 minutes before the start of the meeting. Access to the meeting will be subject to presentation of the health pass.

You may also attend the meeting using the webcast (audio+slides) available via the link below.

Information for participants:

Webcast access link: https://bit.ly/3x3Z7Ki

This access link is available on the corporate.virbac.com site, under the heading ''financial press releases''. This link allows participants to access the live and/or archived version of the webcast.

You can ask questions via *chat* (text) directly during the webcast or after watching the replay at the following email address: finances@virbac.com.

Focusing on animal health, from the beginning

At Virbac, we provide innovative solutions to veterinarians, farmers and animal owners in more than 100 countries around the world. Covering more than 50 species, our range of products and services enables to diagnose, prevent and treat the majority of pathologies. Every day, we are committed to improving animals' quality of life and to shaping together the future of animal health.

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