



# 2012 Financials and Strategic Update

March 2013



# Agenda

- **2012 results**
- *Virbac strategic perspectives*
- *Appendix*



# Key points on 2012 financial performance (1/2)

- **High growth : +11.6% globally**  
**+8.2% organically**
  - Companion animals : +10.4%
    - Canileish in Europe
    - Iverhart and other ranges in the US
  - Food producing animals : +5.1%
    - Emerging markets
  - Positive impact of exchange rates
- Continued improvement of profitability allowing increase of R&D investments
  - EBIT before R&D : +16.8% = + 0.9 point
  - R&D expense : +22.3% = + 0.6 point
  - EBIT : +14.4% = + 0.3 point
- High level of cash generation from operations
  - Operating cash-flow and net cash-flow : +15.2%
  - Free cash-flow x 3.7



# Key points on 2012 financial performance (2/2)

- Divestment of business in specialized channels : France in April, Benelux in December
- Significant strategic acquisitions :
  - New-Zealand (dairy cattle)
  - Chile (aquaculture)
- Very strong financial structure :
  - Equity 346 M€
  - Net debt 134 M€



# Consolidated sales

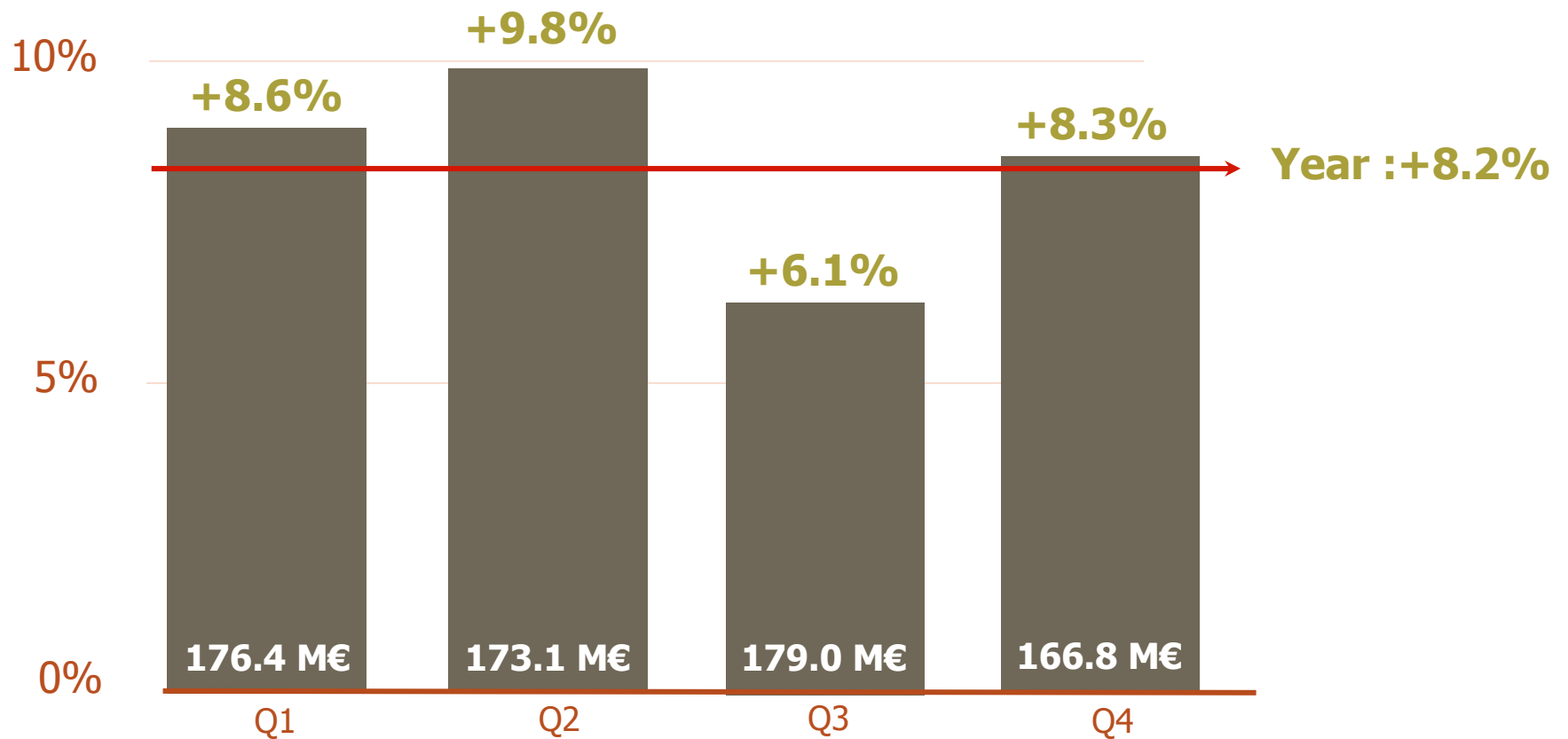
31.12.2012

Million euros	2012	2011	Var. %
Consolidated sales	695.2	623.1	+11.6%
- exchange rate impact vs. 2011	(16.9)	-	
Consolidated sales at constant rates	678.3	623.1	+8.9%
- change of perimeter	(11.7)	(6.8)	
Consolidated sales, pro-forma at constant exchange rates	666.6	616.2	+8.2%



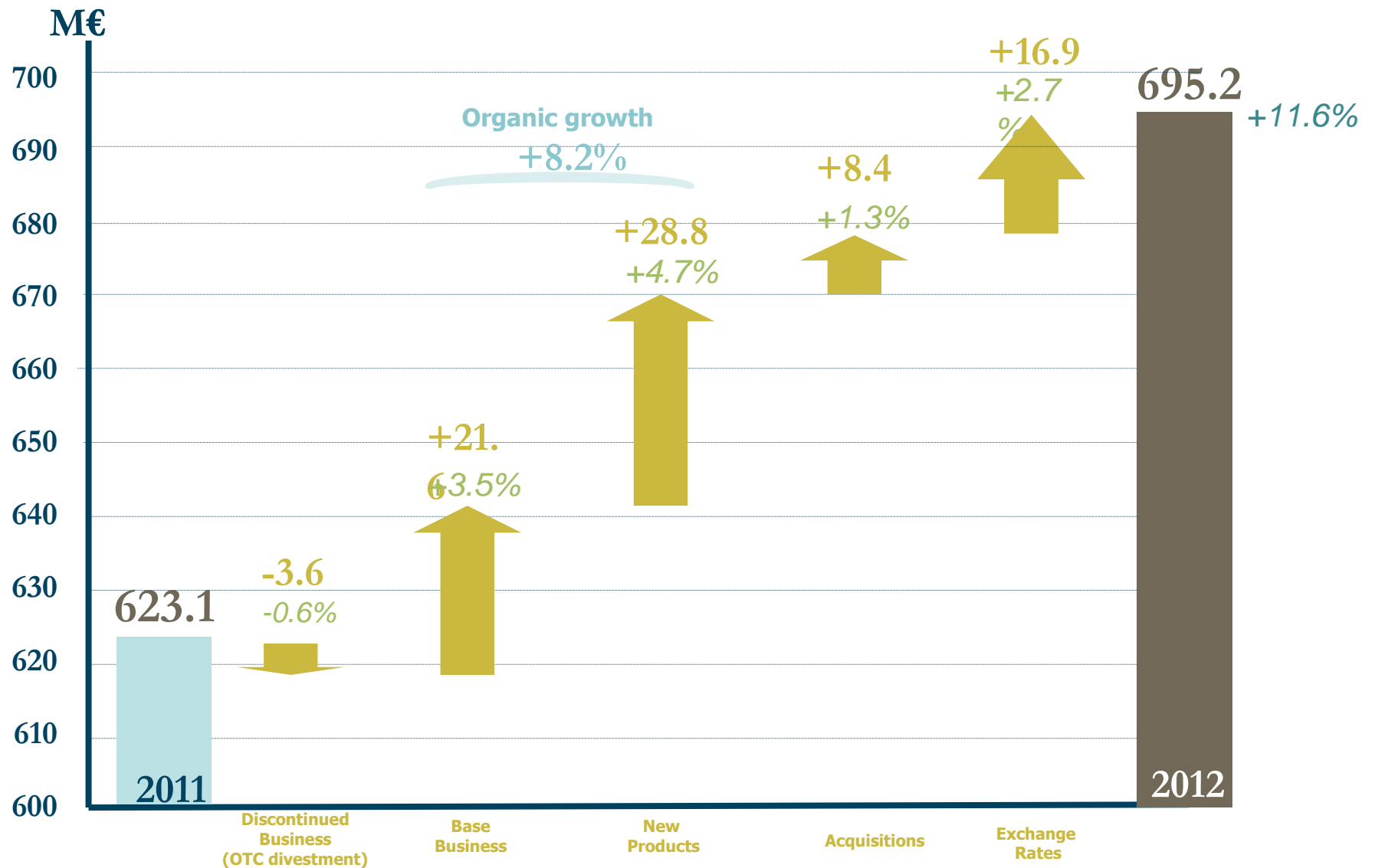
# 2012 quarterly growth of sales\*

\* Pro forma sales,  
excluding impact of  
exchange rates





# Breakdown of sales growth in 2012





# Sales growth by region

2012







# Growth by segment 2012 Companion Animals

At constant exchange rates

Businesses / Ranges	Net Revenue 2012 (M€)	Growth at constant rates					Organic growth				
		- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
<b>Companion Animals</b>	<b>423,6</b>			<b>9,3%</b>						<b>10,4%</b>	
Parasiticides	122,4					20,2%					22,2%
Biologicals	74,5				11,5%					11,5%	
Antibiotics/Dermatology	68,1			8,3%					9,0%		
Specialities	54,7			8,9%					9,0%		
Petfood	25,3	-1,1%						1,5%			
Horses	27,7	-3,2%					-3,2%				
Others	50,9	-1,2%						0,8%			



# Growth by segment 2012 Food Producing Animals

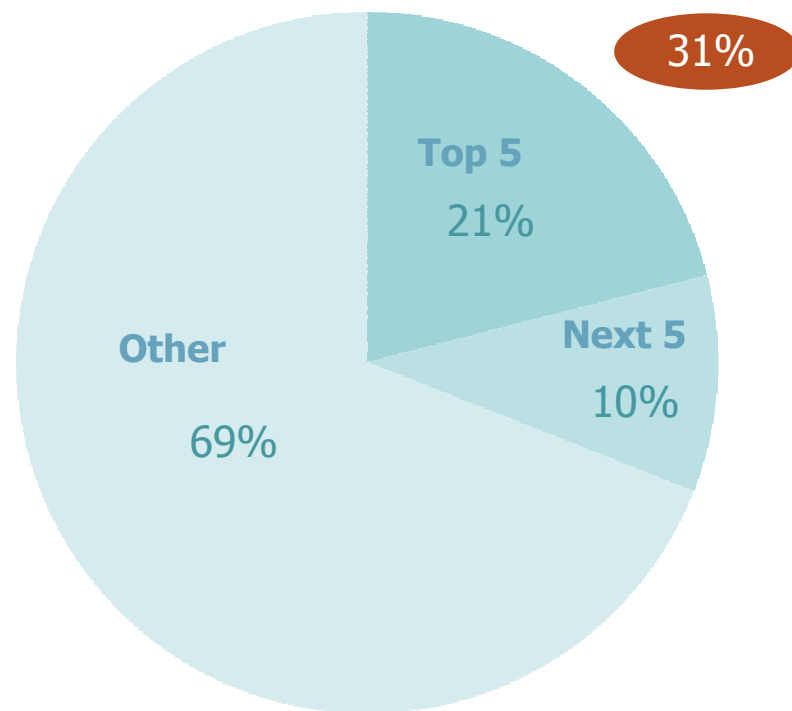
At constant exchange rates

Businesses / Ranges	Net Revenue 2012 (M€)	Growth at constant rates					Organic growth				
		- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%	- 5% to 0%	0% to +5%	+5% to +10%	+10% to +15%	> 15%
<b>Food Producing Animal</b>	<b>259,5</b>			<b>8,6%</b>					<b>5,1%</b>		
Bovine parasiticides	42,6		4,1%					4,0%			
Bovine antibiotics	63,3				11,5%				6,1%		
Other bovine products	92,4			5,5%				4,4%			
Antibiotics swine/poultry	38,7		3,7%					3,7%			
Others	22,5					36,7%				11,0%	



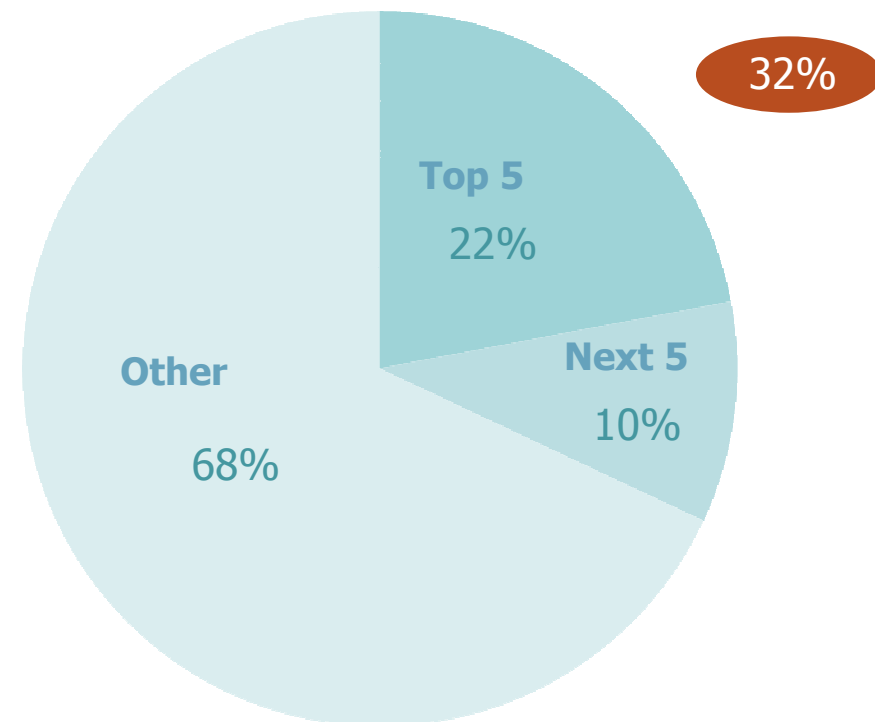
# Top 10 brands represent 1/3 of sales

Top 10 product/ranges\*



**2011**

Top 10 product/ranges\*



**2012**

\* Iverhart, Canigen, Cydectin, Effipro, Vet Complex, Equimax, Leucogen, Canileish, Ostovet, Epi-Otic

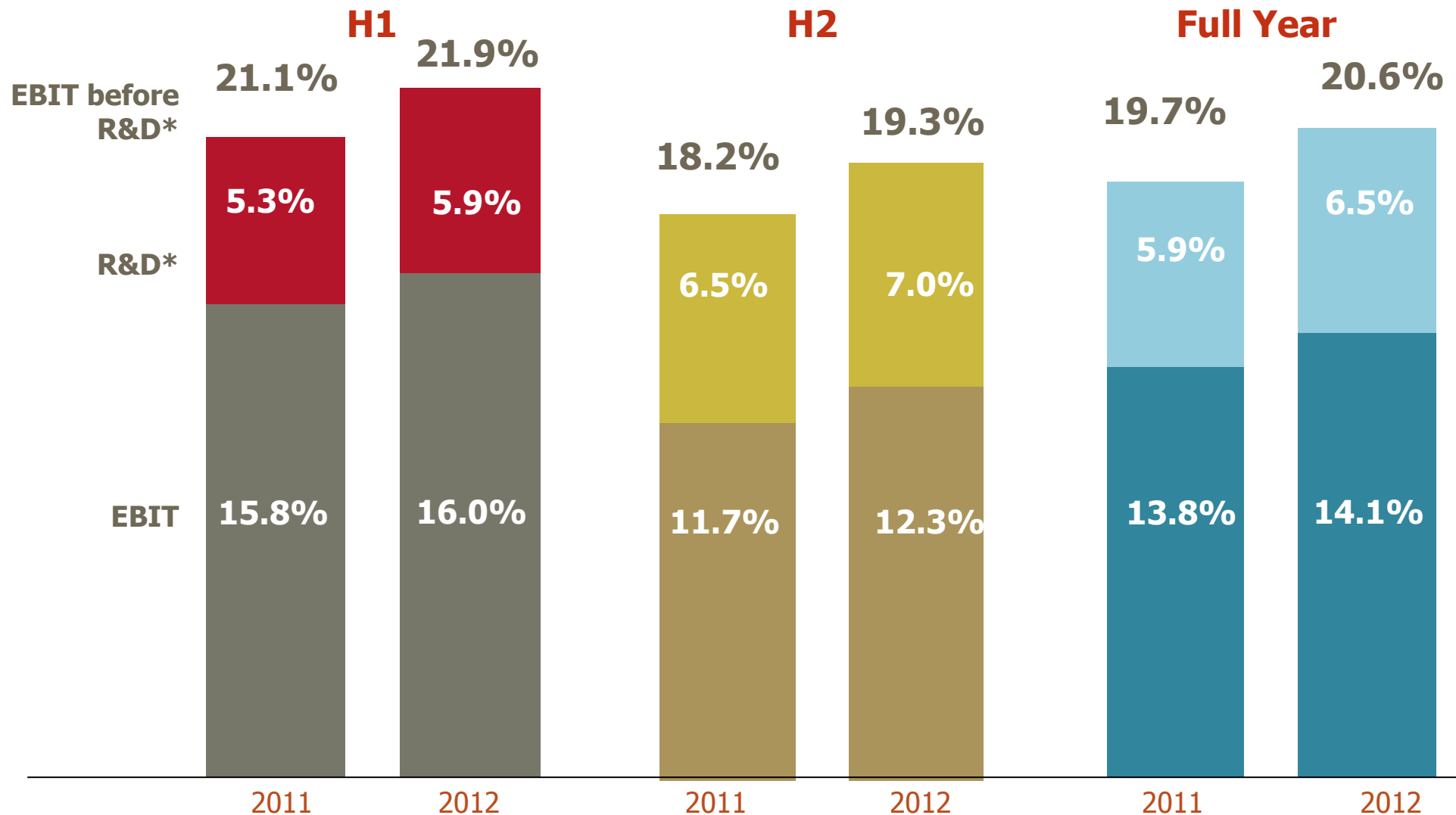


# 2012 Profit & Loss statement

Million euros	2012	%	2011	%	Variation
<b>Net sales</b>	<b>695.2</b>	<b>100</b>	<b>623.1</b>	<b>100</b>	<b>11.6%</b>
Margin on material costs	478.3		428.0		11.7%
Increase (decrease) of inventory reserves	-1.4		0.3		
<b>Gross margin on material cost</b>	<b>479.7</b>	<b>69.0</b>	<b>427.7</b>	<b>68.6</b>	<b>12.2%</b>
External expenses	158.7	22.8	145.4	23.3	9.2%
Personnel expenses	185.6	26.7	164.0	26.3	13.2%
Other expenses	13.5	1.9	12.8	2.1	5.3%
Depreciation and amortisation	24.0	3.4	19.5	3.1	22.8%
Net provisions (excluding inventories)	-0.2	-0.0	0.2	0.0	
<b>Operating profit from ordinary activities</b>	<b>98.1</b>	<b>14.1</b>	<b>85.7</b>	<b>13.8</b>	<b>14.4%</b>
Non recurring expenses	-0.1		-0.5		
<b>Operating profit after non-recurring expenses</b>	<b>98.2</b>	<b>14.1</b>	<b>86.2</b>	<b>13.8</b>	<b>13.9%</b>
Net financial expenses	2.7	0.4	2.7	0.4	0.3%
<b>Income before tax</b>	<b>95.5</b>	<b>13.7</b>	<b>83.5</b>	<b>13.4</b>	<b>14.3%</b>
Income tax expense	28.1		25.0		12.6%
Group's profit (or loss) in joint ventures	0.2		-0.0		
<b>Net profit of consolidated entities</b>	<b>67.2</b>	<b>9.7</b>	<b>58.6</b>	<b>9.4</b>	<b>14.8%</b>
Minority interests	0.6		1.0		
<b>Net profit - Group's Share</b>	<b>66.6</b>	<b>9.6</b>	<b>57.5</b>	<b>9.2</b>	<b>15.8%</b>



# Comparison of half year results

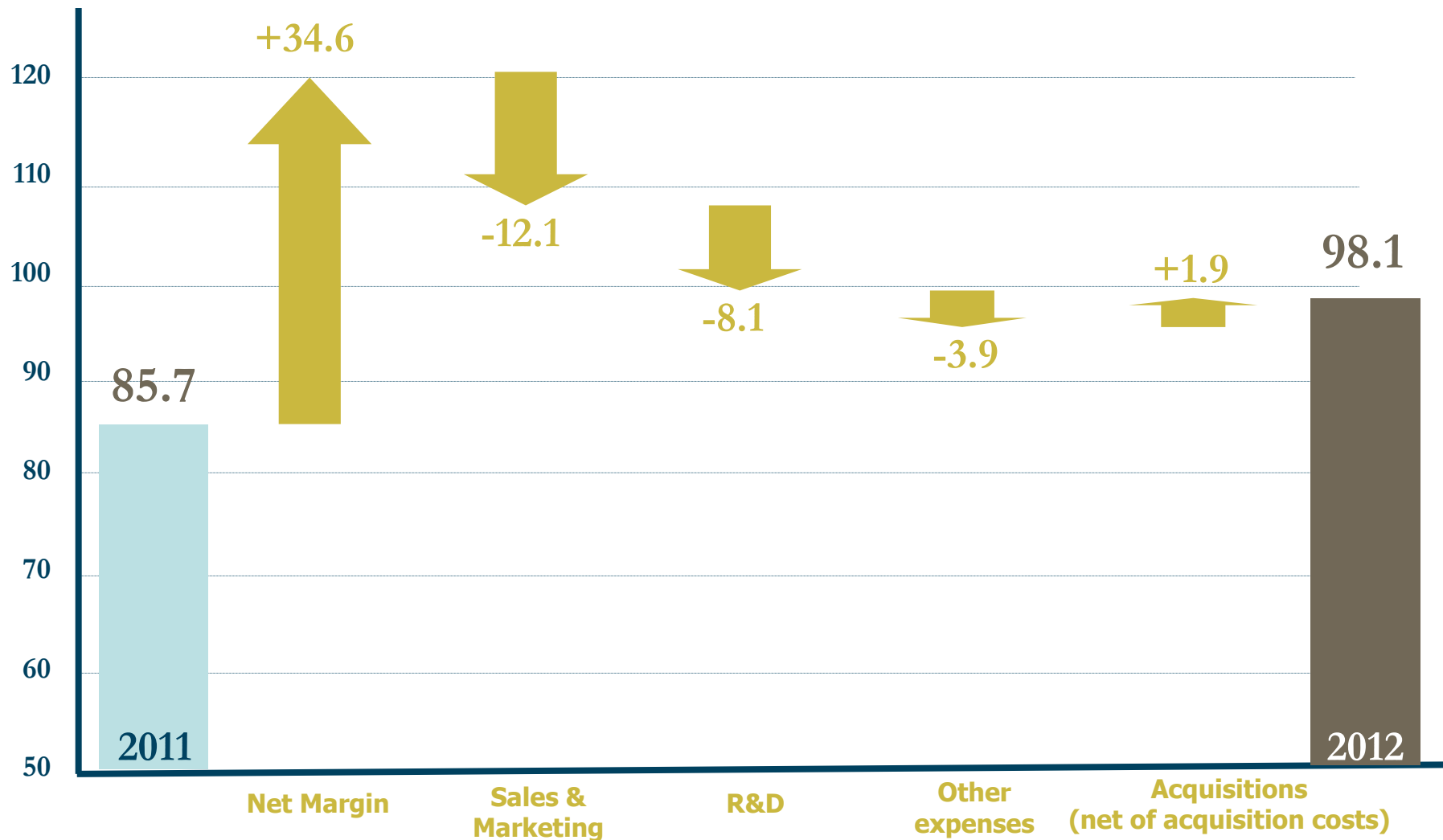


\* net of Research Tax Credit



# Breakdown of EBIT growth in 2012

M€





# Acquisition of Stockguard (New Zealand)

## Reminder :

- Major player on the New-Zealand market in intramamaries and sterile injectables used in dairy cattle and sheep
- 9.3 M NZD (5.8 M€ at current rate) sales in fiscal year 2011-2012
- Acquisition of 100% on July 1<sup>st</sup>, 2012
  - Brings significant commercial synergies to Virbac NZ in the food producing animals segment
- Acquisition price (final – in M. NZD)
  - Upfront in 2012 35.6
  - Earn out based on growth margin threshold 5.9
  - TOTAL 41.5 M NZD (26.4 M€)

- Contribution to 2012 results (in M€) for 6 months

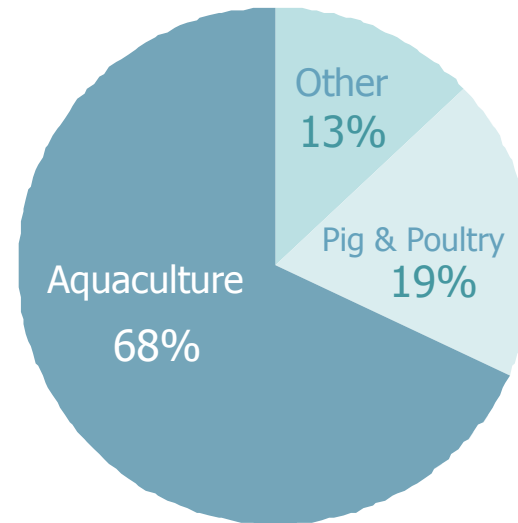
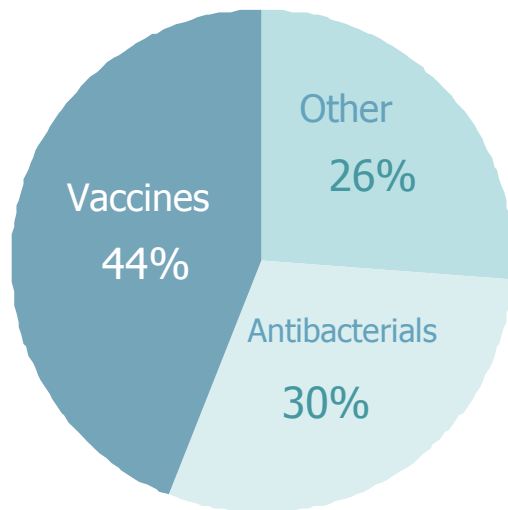
Net sales	4.3 M€
Current operating profit (net of acquisition costs)	1.5 M€
Impact of purchase accounting rules	(1.2) M€
Interest from acquisition debt ; tax	(0.4) M€
Net Profit – Group share	(0.1) M€



# Acquisition of Centrovet (Chile)

1/2

- N°1 on the Chilean Market
- 82 M USD sales in 2012



- Acquisition of 51% in November 2012
  - Option to buy 49% by end of 2017.





# Acquisition of Centrovét (Chile)

2/2

## ■ Acquisition price for the first 51% (in M USD)

• Upfront in 2012	61.4
• Adjustment based on 2012-2013 performance (estimate)	31.3
• Future royalties on new product (estimate)	3.9
TOTAL booked in 2012	<u>96.6 M USD</u>

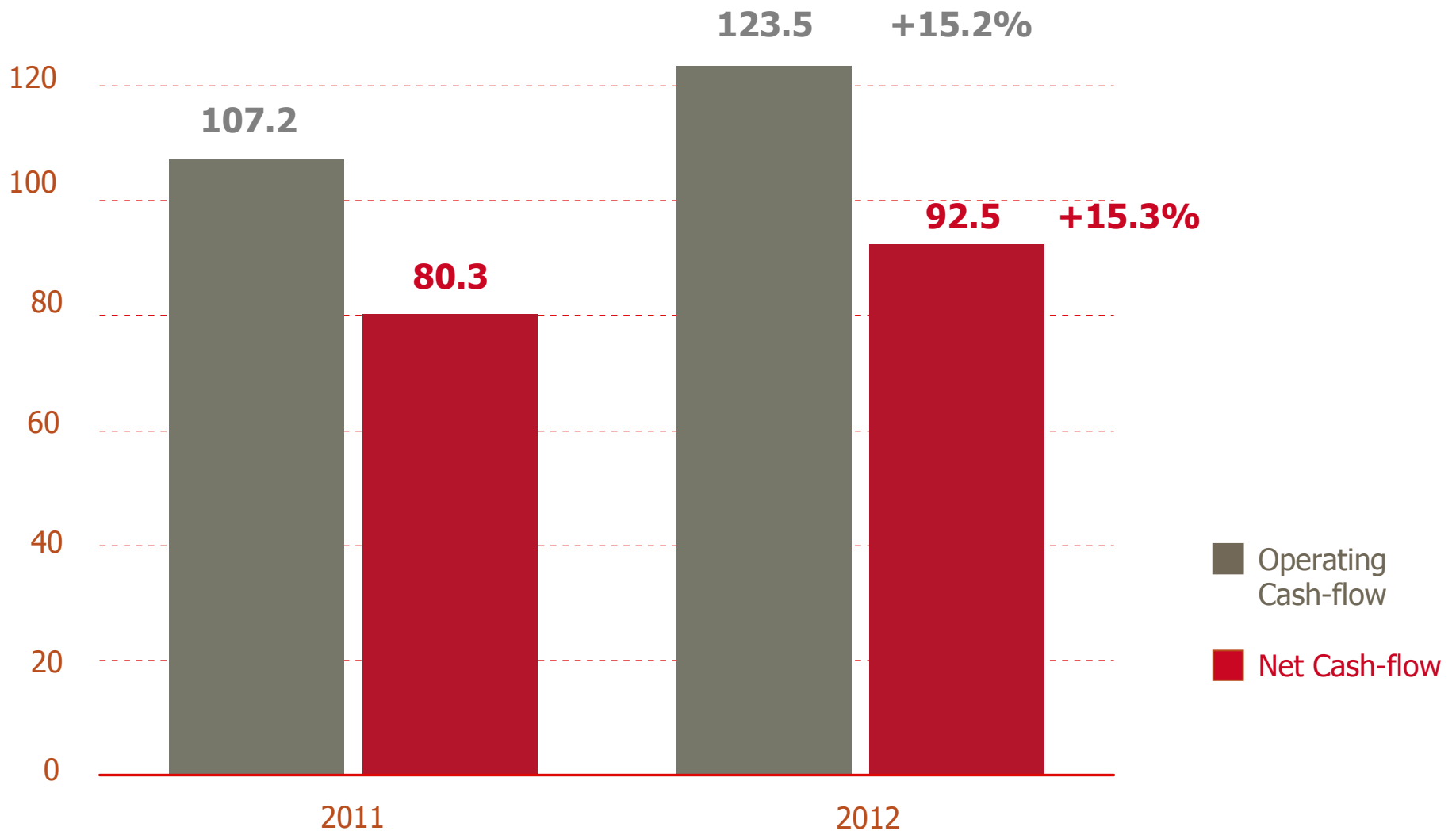
## ■ Contribution to 2012 results (in M€) for 1 month

Net sales	4.3 M€
Current operating profit (net of acquisition costs)	0.4 M€
Impact of purchase accounting rules	(1.4) M€
Interest from acquisition debt ; tax ; minority interests	0.1 M€
Net Profit – Group share	(0.9) M€



# Evolution of cash-flows

M€





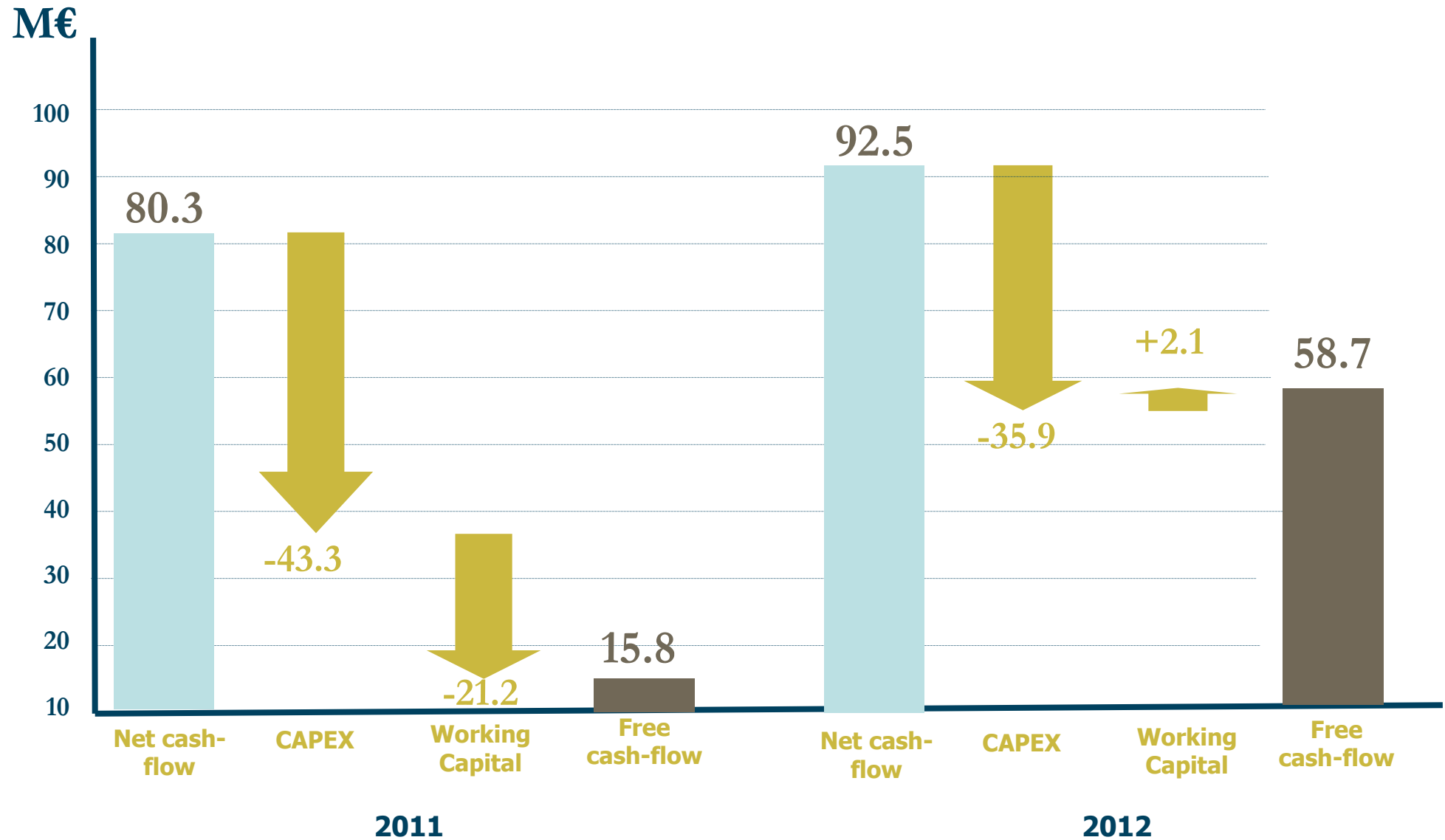
# 2012 Cash-flow statement

(million euros)

Sources of funds		Uses of funds	
Cash-flow	92.5	Tangible assets	29.0
Sale of assets	8.3	Intangible assets	6.9
		Dividends	15.8
		Purchase of treasury shares	1.5
		Decrease in working capital	(2.1)
		Acquisitions	91.8
		Other	2.3
<b>Total Sources of funds</b>	<b>100.8</b>	<b>Total Uses of funds</b>	<b>145.2</b>
<b>Increase of net debt (average exchange rates)</b>	<b>+44.4</b>		
<b>+ Net debt from acquired entities</b>	<b>+20.0</b>		
<b>+ Exchange rates variation</b>	<b>(0.2)</b>		
<b>Total net debt increase on balance sheet</b>	<b>+64.2</b>		

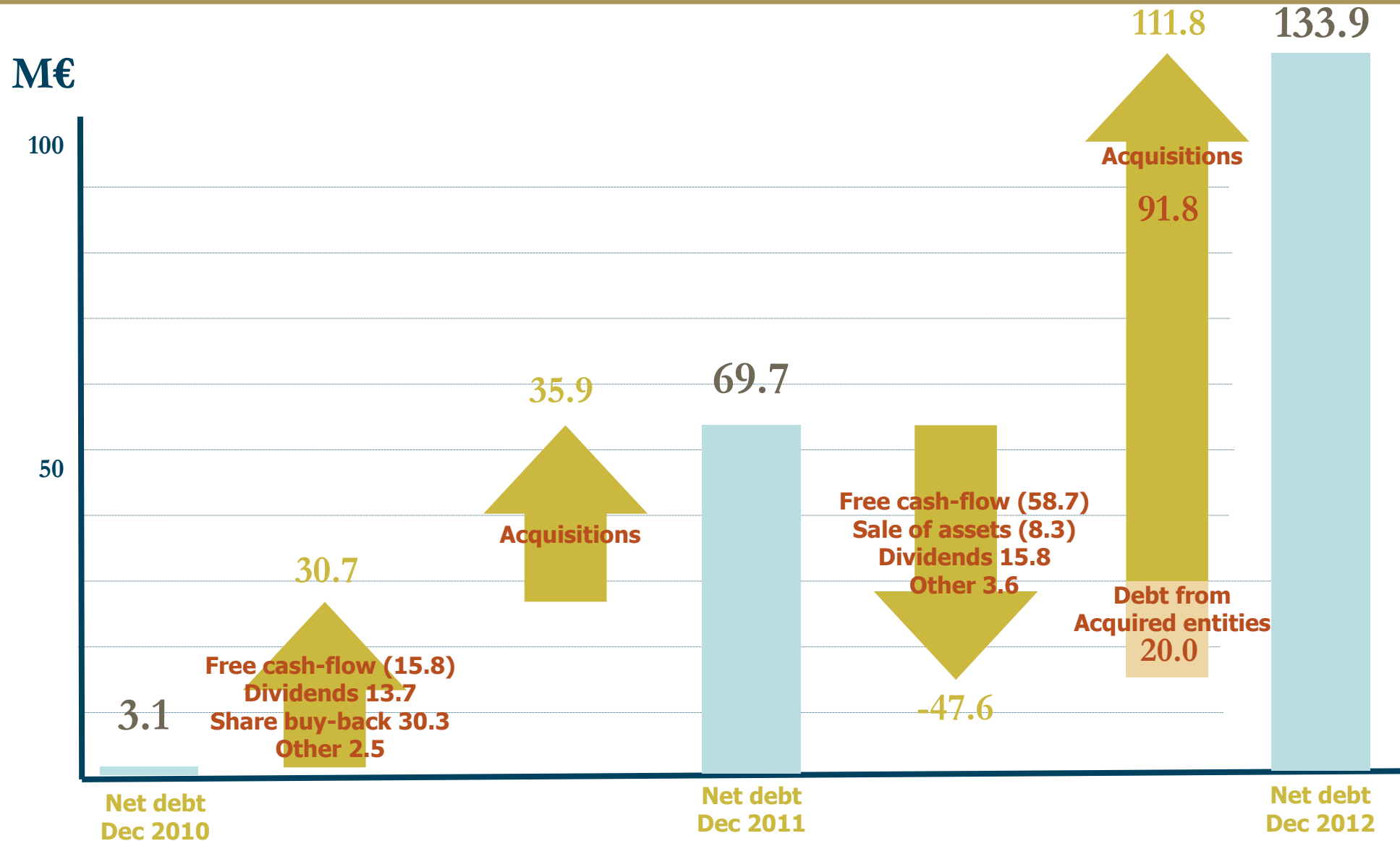


# Evolution of cash-flows





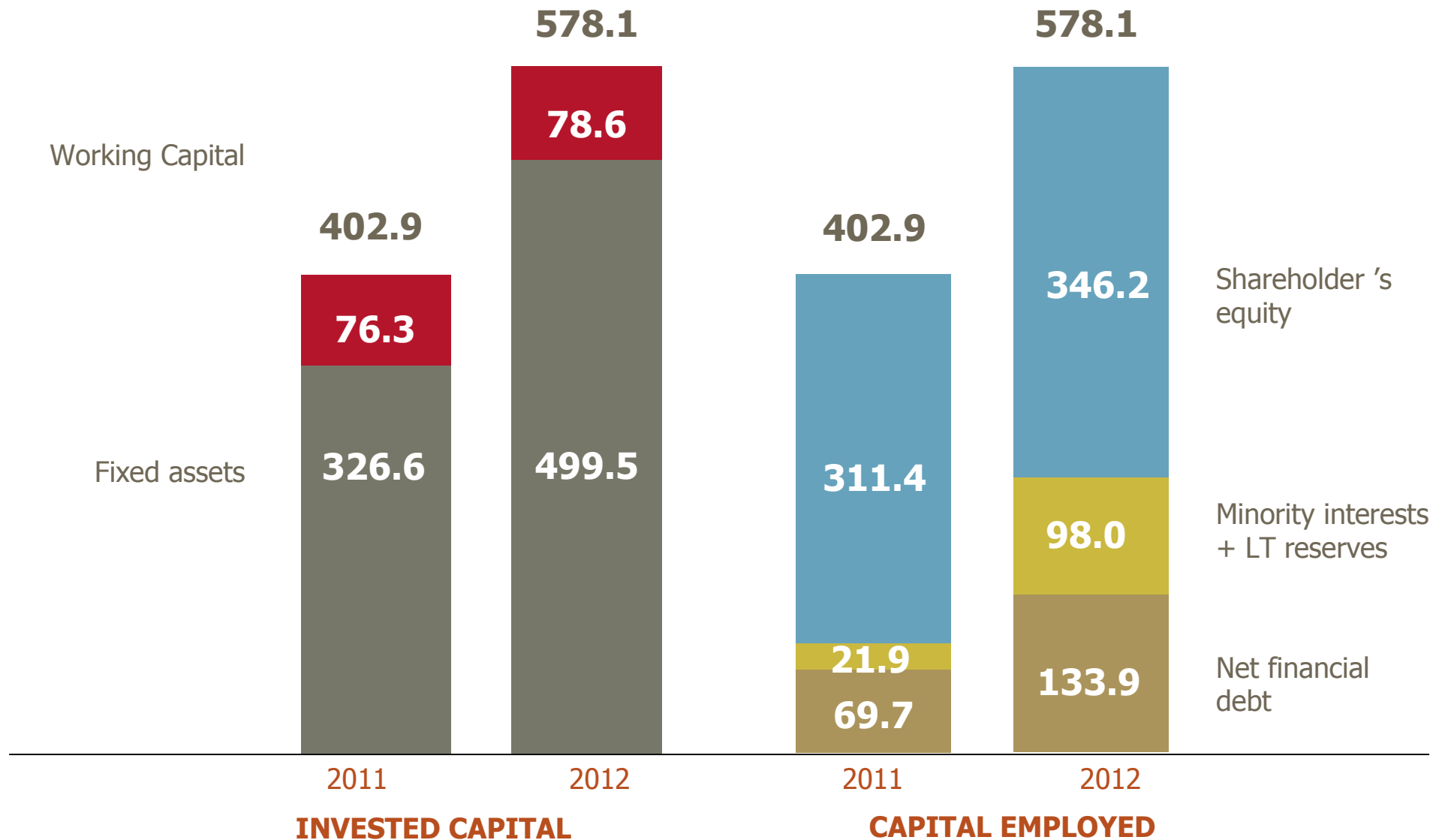
# Evolution of net debt





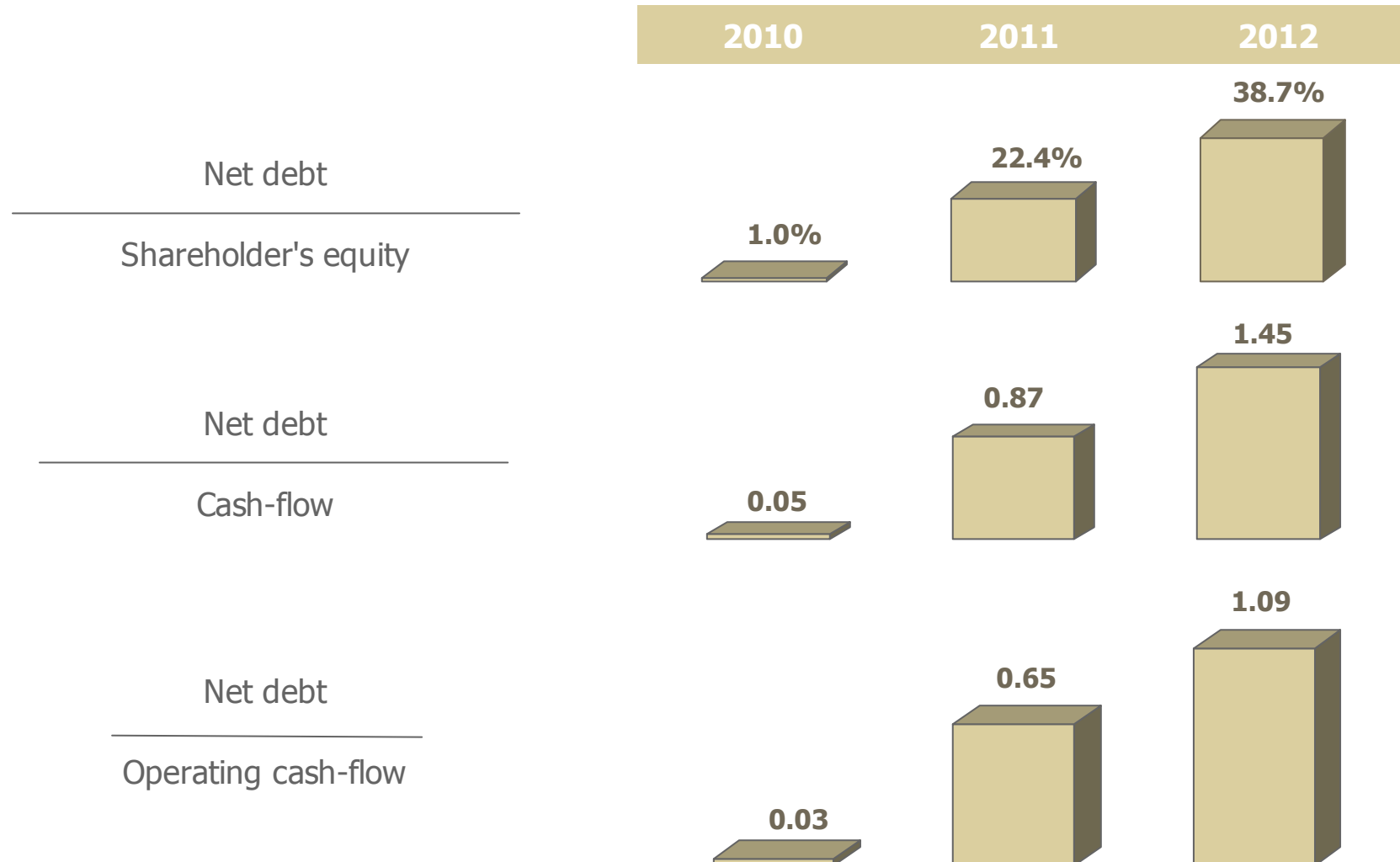
# Balance Sheet analysis

(million euros)





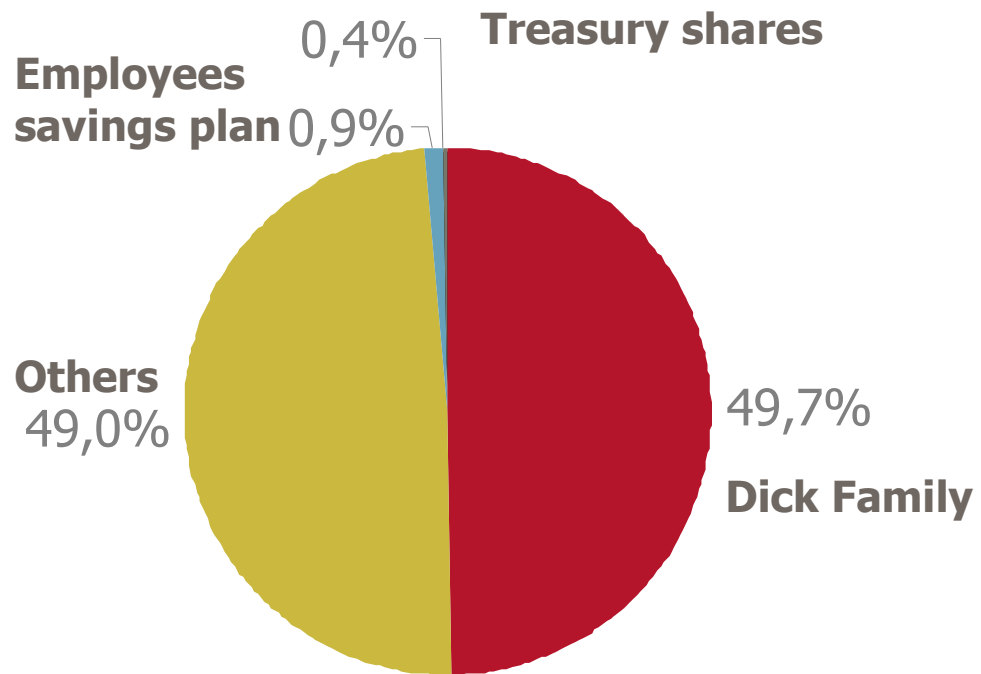
# Balance Sheet – financial ratios



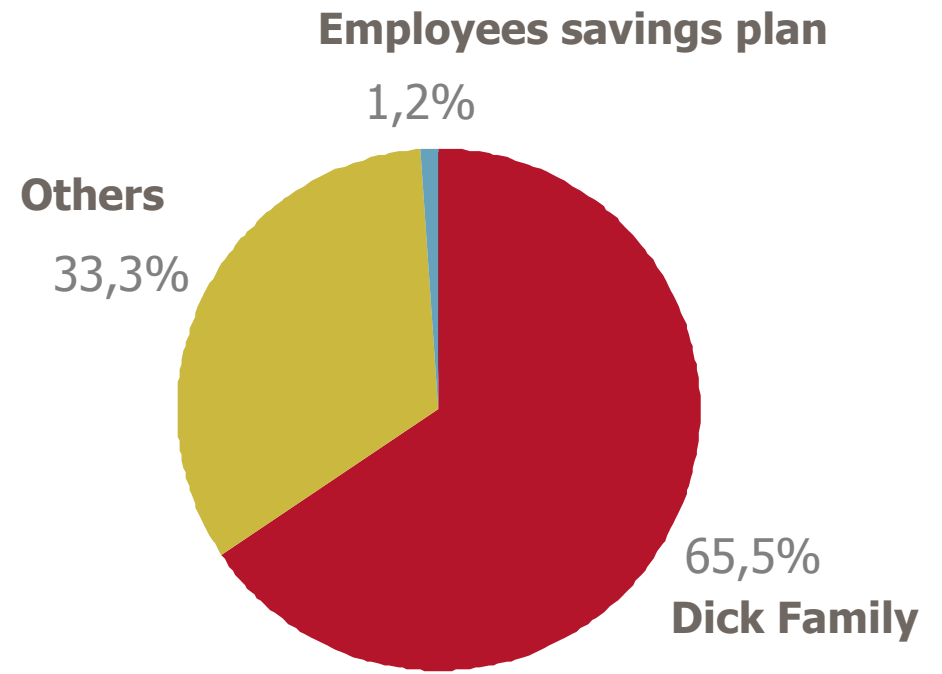


# Shareholding

**Number of shares : 8 458 000**



**In shares**



**In voting rights**





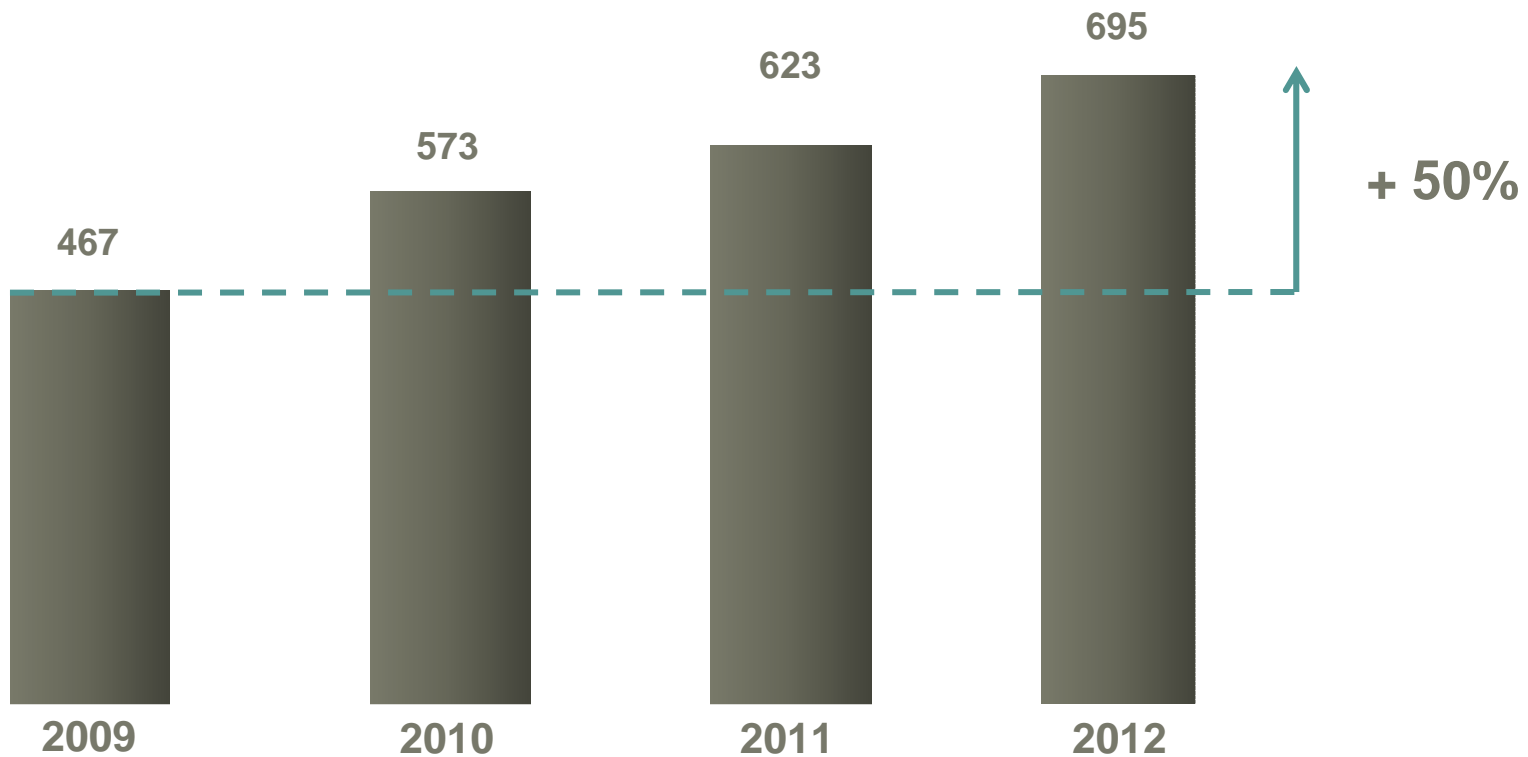
# Agenda

- *2012 results*
- **Virbac strategic perspectives**
- *Appendix*



# Turnover growth, Virbac Group

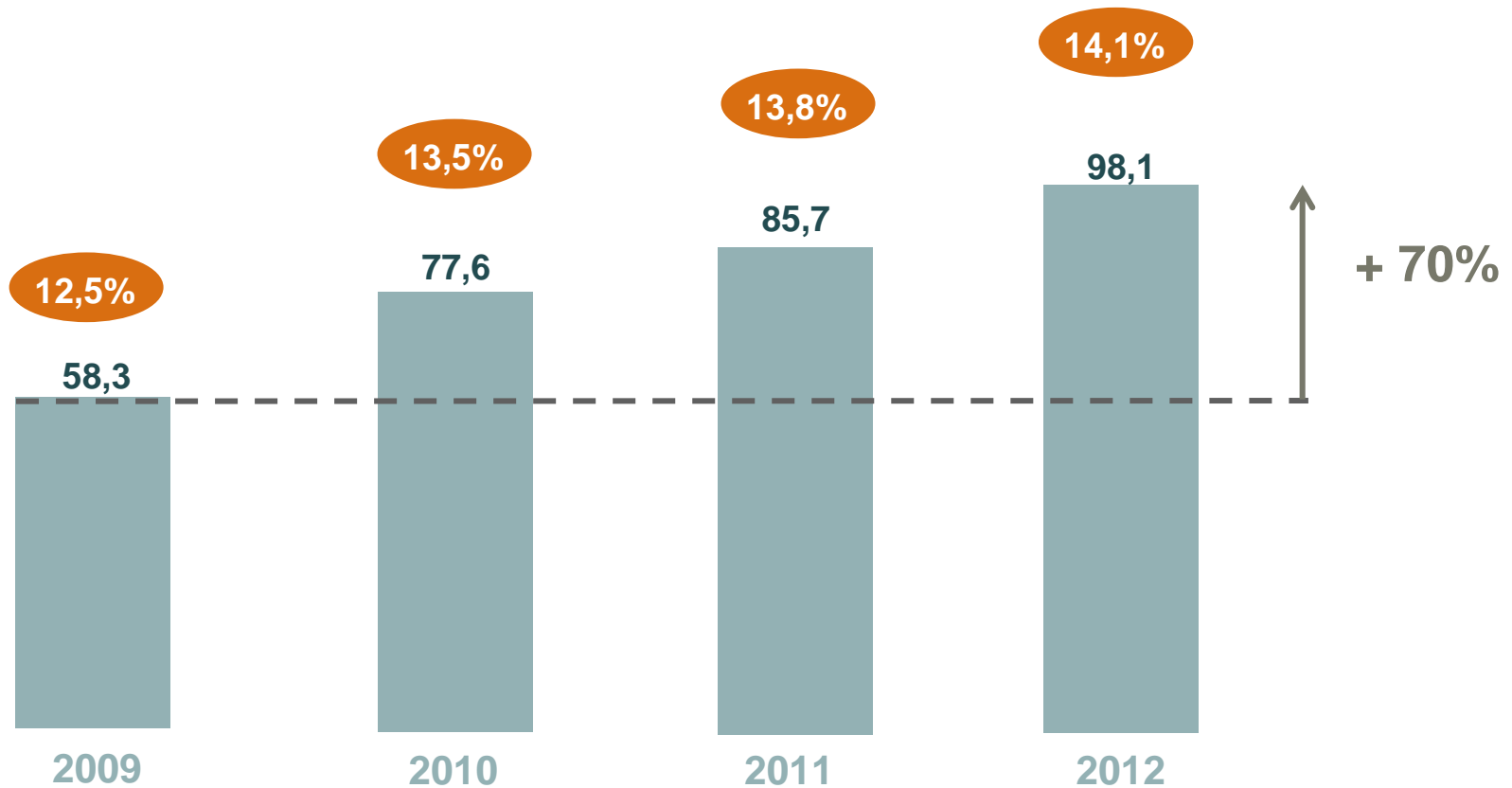
(million €)





# Operating profit growth, Virbac Group

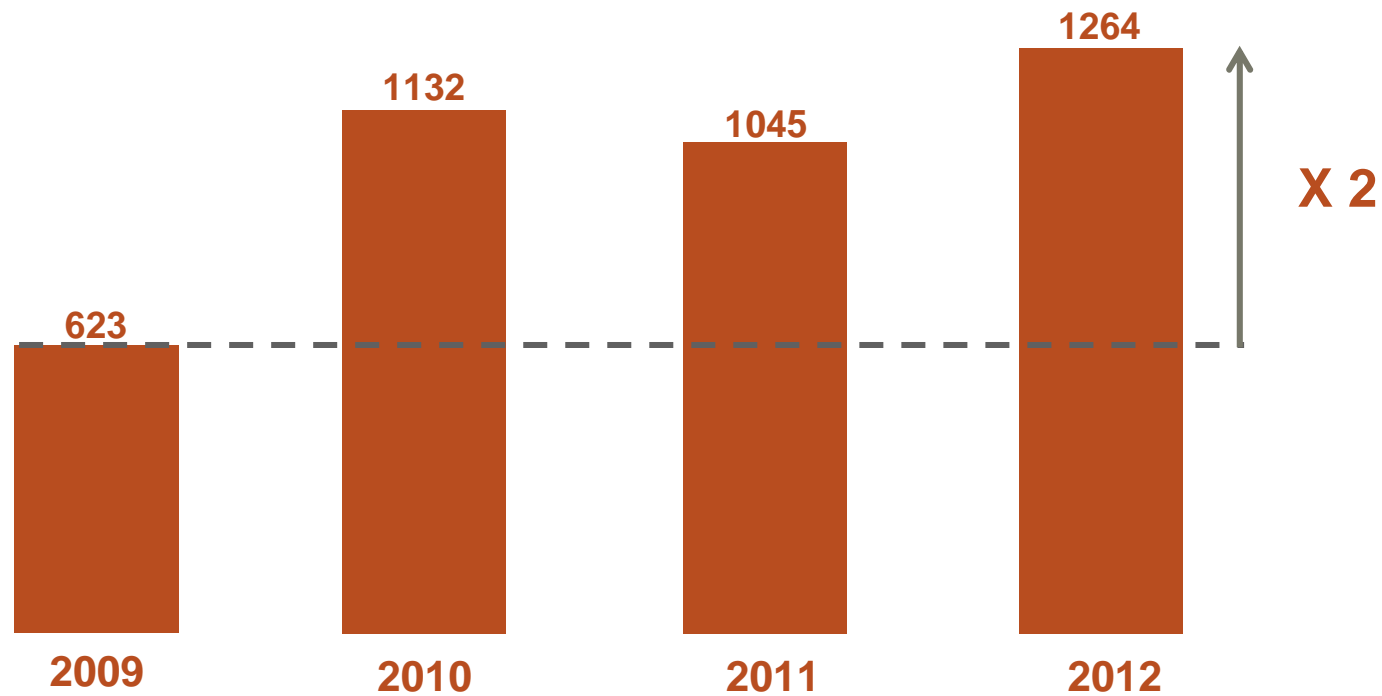
(EBIT, million € and % of sales)





# Growth of market capitalization

(million €, end of december)





# Strategic initiatives

## Innovation

- Increase of R&D spending (7.5%\* of turnover in 2012, +50% in € between 2009 and 2012)
- Global alignment by specie
- Significant new products launched : Effipro/Effitix, Canileish, Suprelorin, Easotic

## Investment in three key markets

- US : +50% from 2009 to 2012 : # 1 Virbac subsidiary
- Brazil : x 2 from 2009 to 2012
- India : + 75% from 2009 to 2012 : # 4 Virbac subsidiary

## Acquisitions in developed markets

- Wyeth business in Australie (Virbac now # 2 in the market, # 3 Virbac subsidiary)
- Stockguard in New Zealand

\* Before research tax credit



# Strategic initiatives

## Acquisitions and joint-ventures in emerging markets

- Synthesis in Colombia
- Centrovét in Chile
- Santa Elena in Uruguay
- SBC in Taiwan

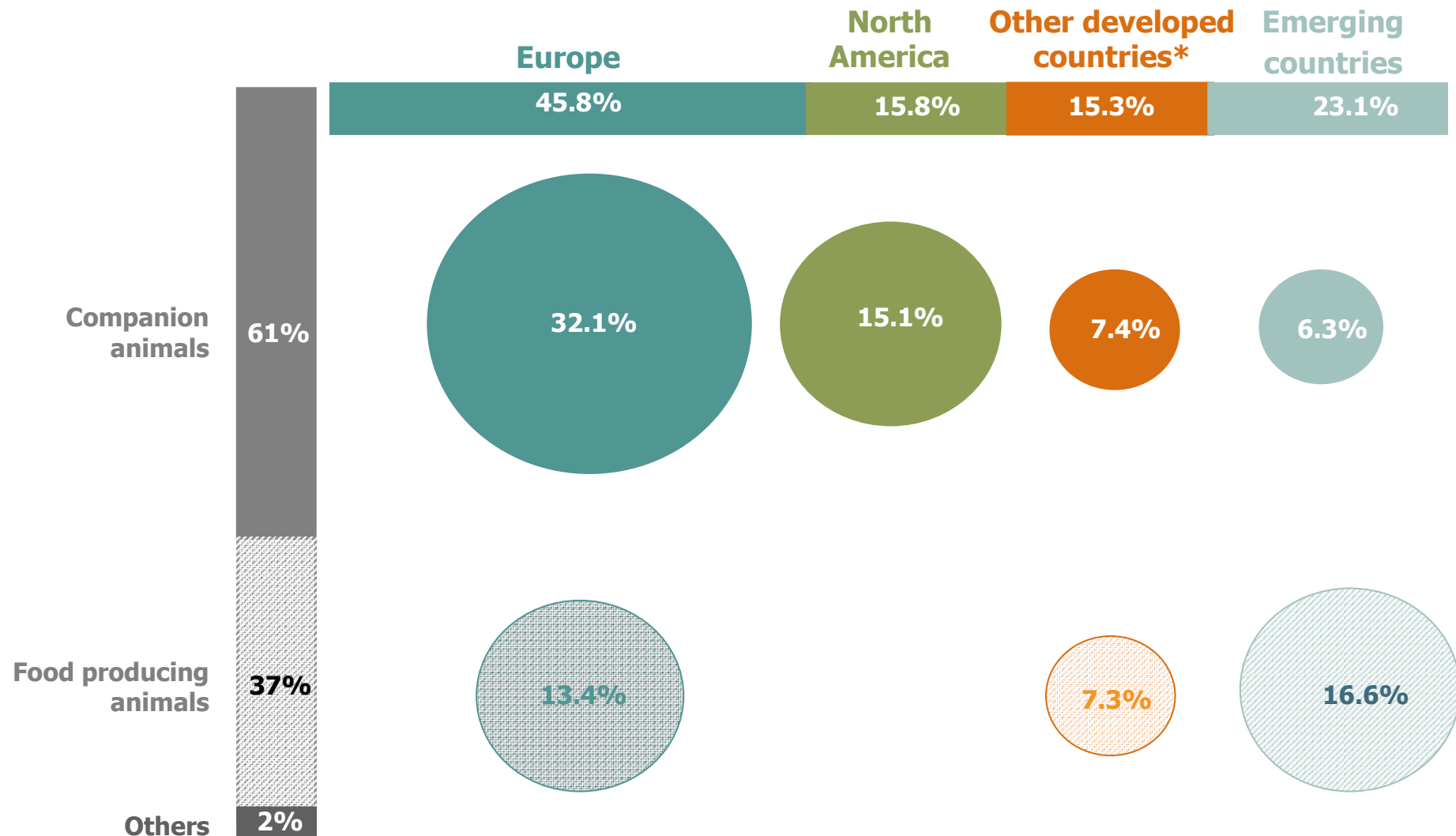
## Strategic decisions to strengthen the long term competitiveness

- Aquaculture with Centrovét (and SBC in Taiwan)
- Vaccines for food producing animals (Centrovét, Santa Elena for bovines, SBC in Taiwan for swine and aquaculture)
- Major investments (plants, personnel) with compliance benefits



# Sales breakdown by region and business

YTD December 2012



\* Australia, New Zealand, Japan, Korea



# Growth levers

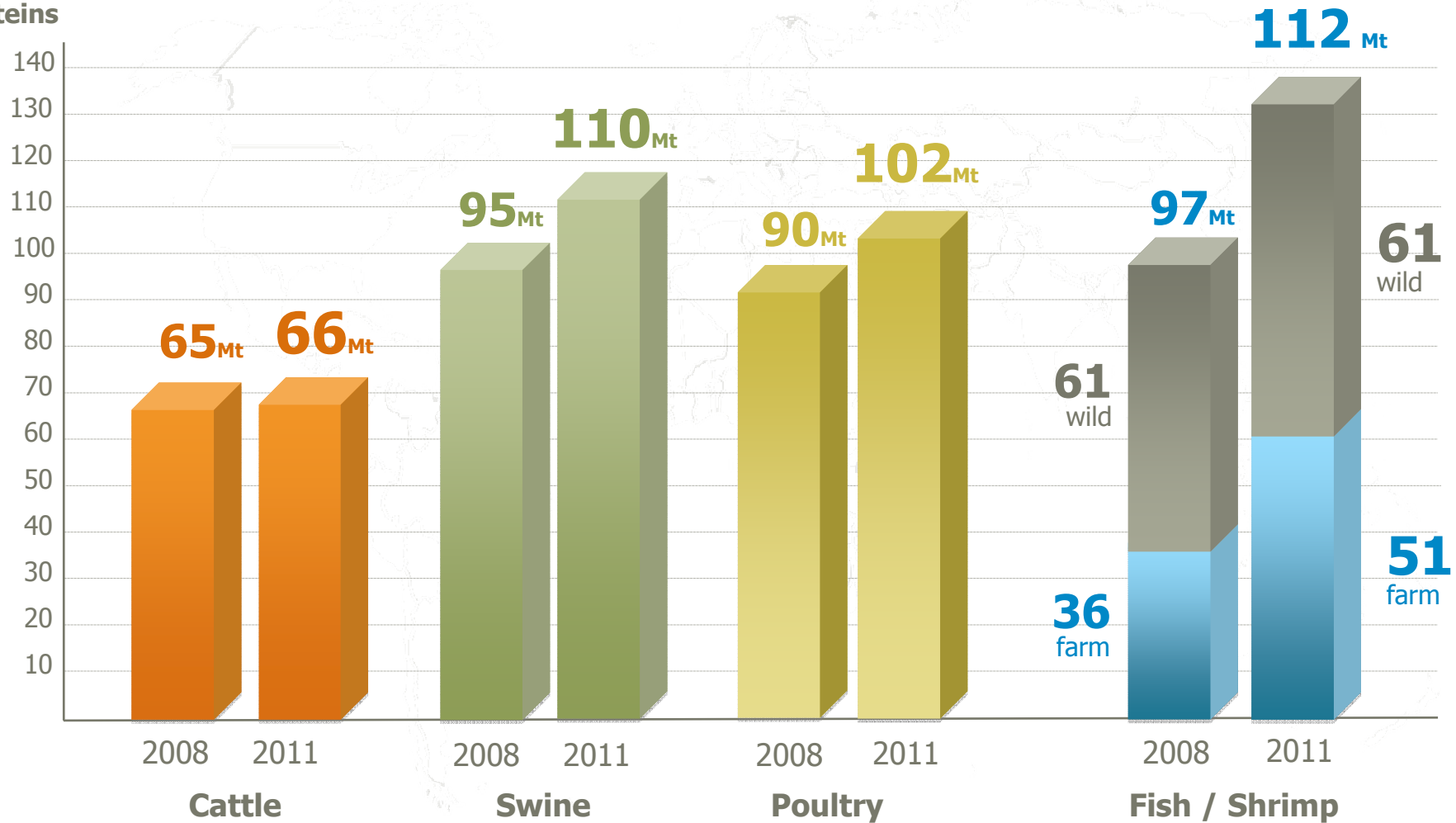
- Centrovvet / Aquaculture
- US / Companion animals
- Europe
- Rest of world





# The aquaculture market

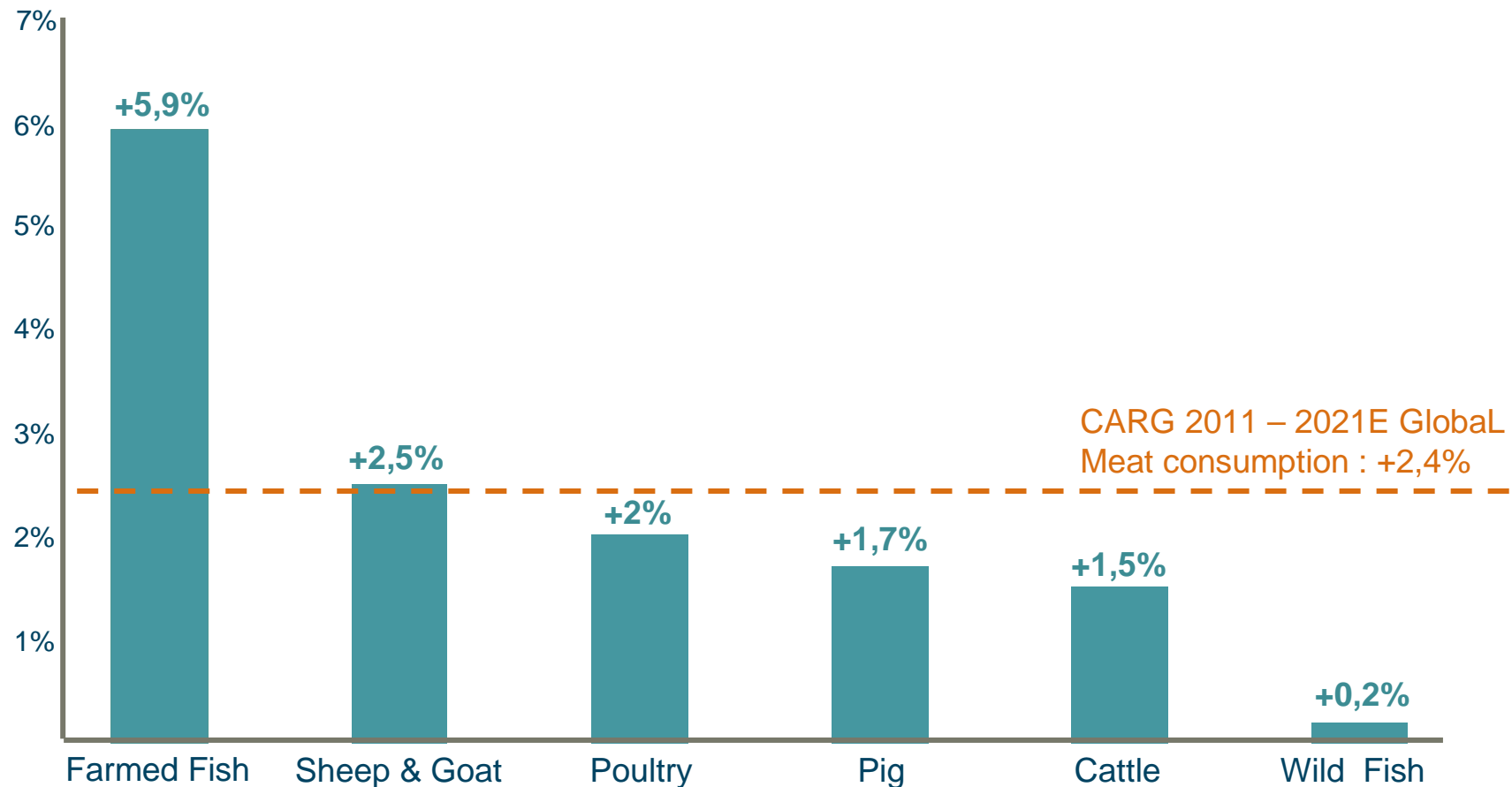
M ton  
of proteins









# Forecast of global meat consumption by species (mT)

(CARG : 2011-2021E)









# Benefit of fish meat

	Feed conversation rate
	8
	3
	2
	1,2

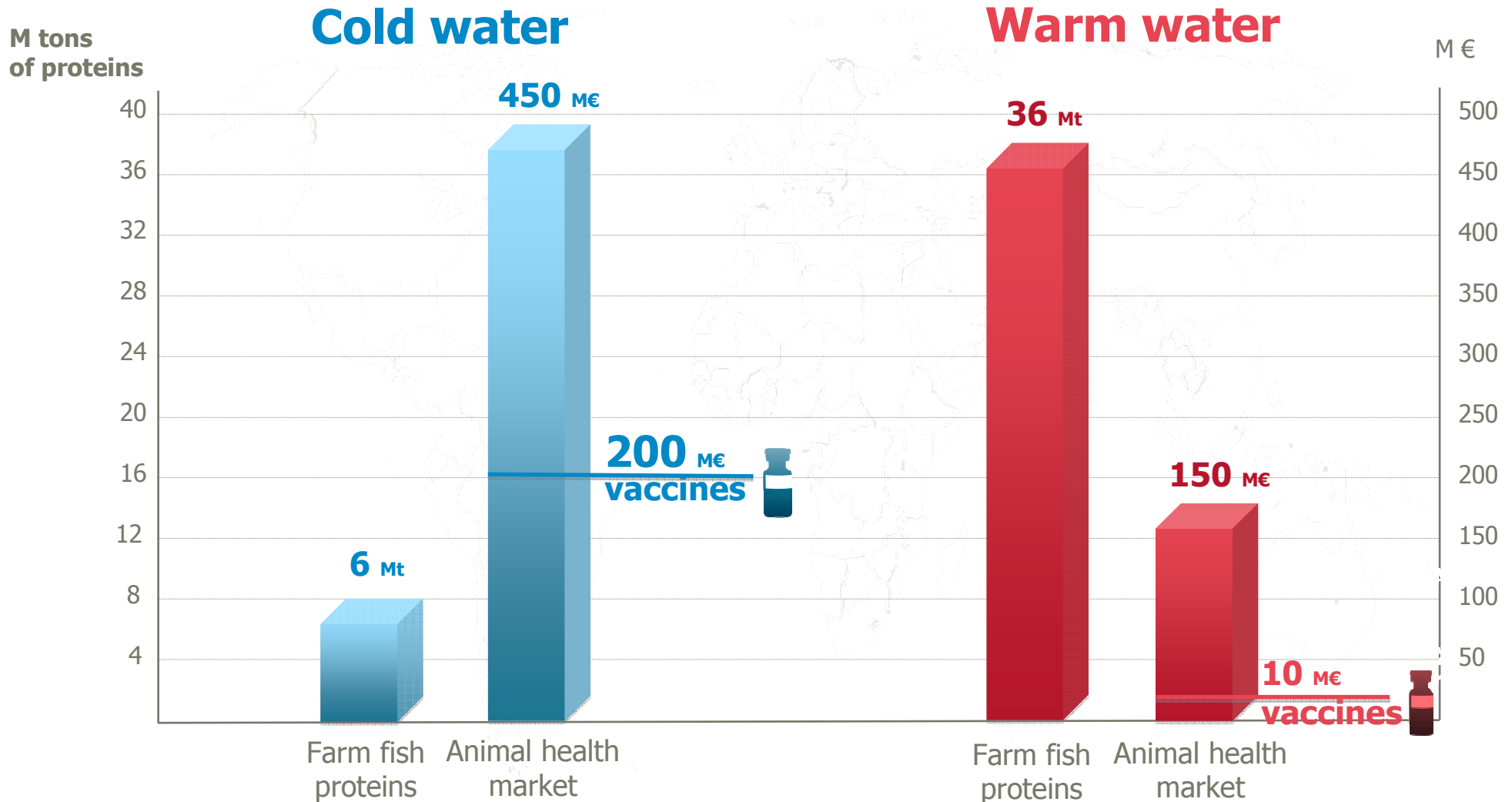


# Benefit of fish meat

	Feed conversation rate	Edible yield
	8	38%
	3	50%
	2	43%
	1,2	68%



# The animal health market in aquaculture



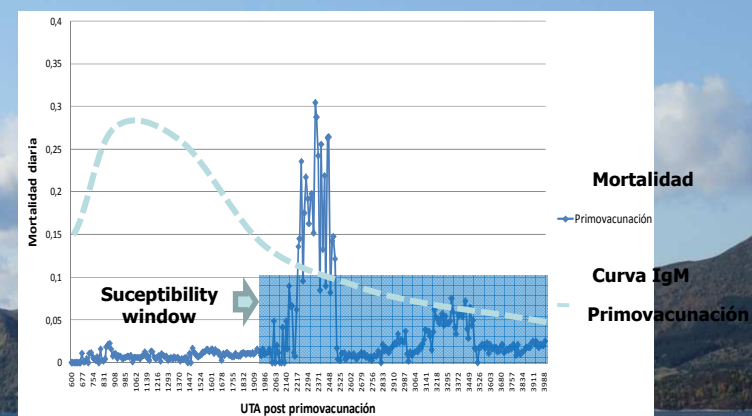
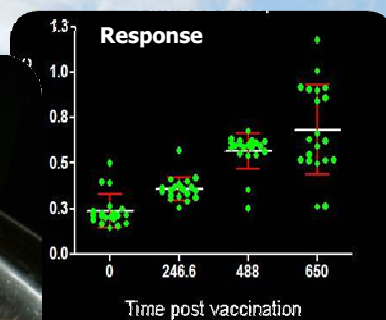
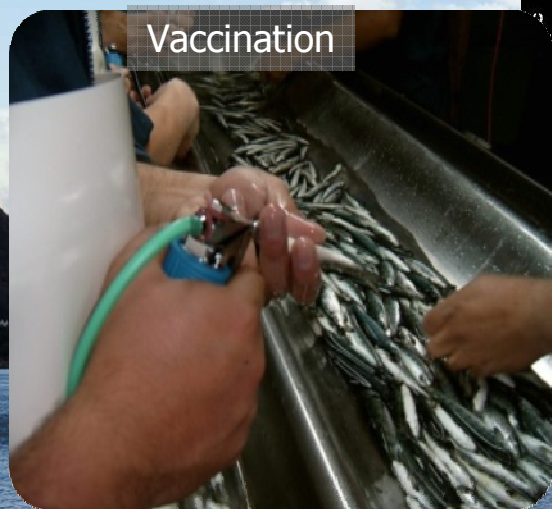


# Growth of Centrovet turnover





# Vaccines in aquaculture



Injectable vaccines  
18 months

0 month

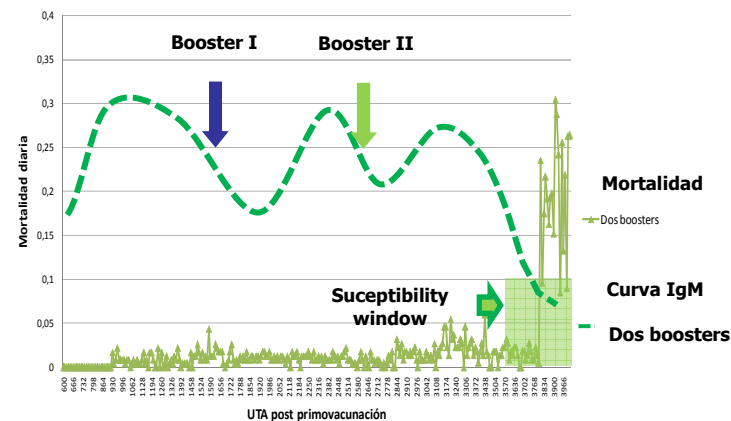
36 months

Fresh water

Sea water



# Vaccines in aquaculture



0 month

18 months

Oral  
vaccine

Oral  
vaccine

36 months

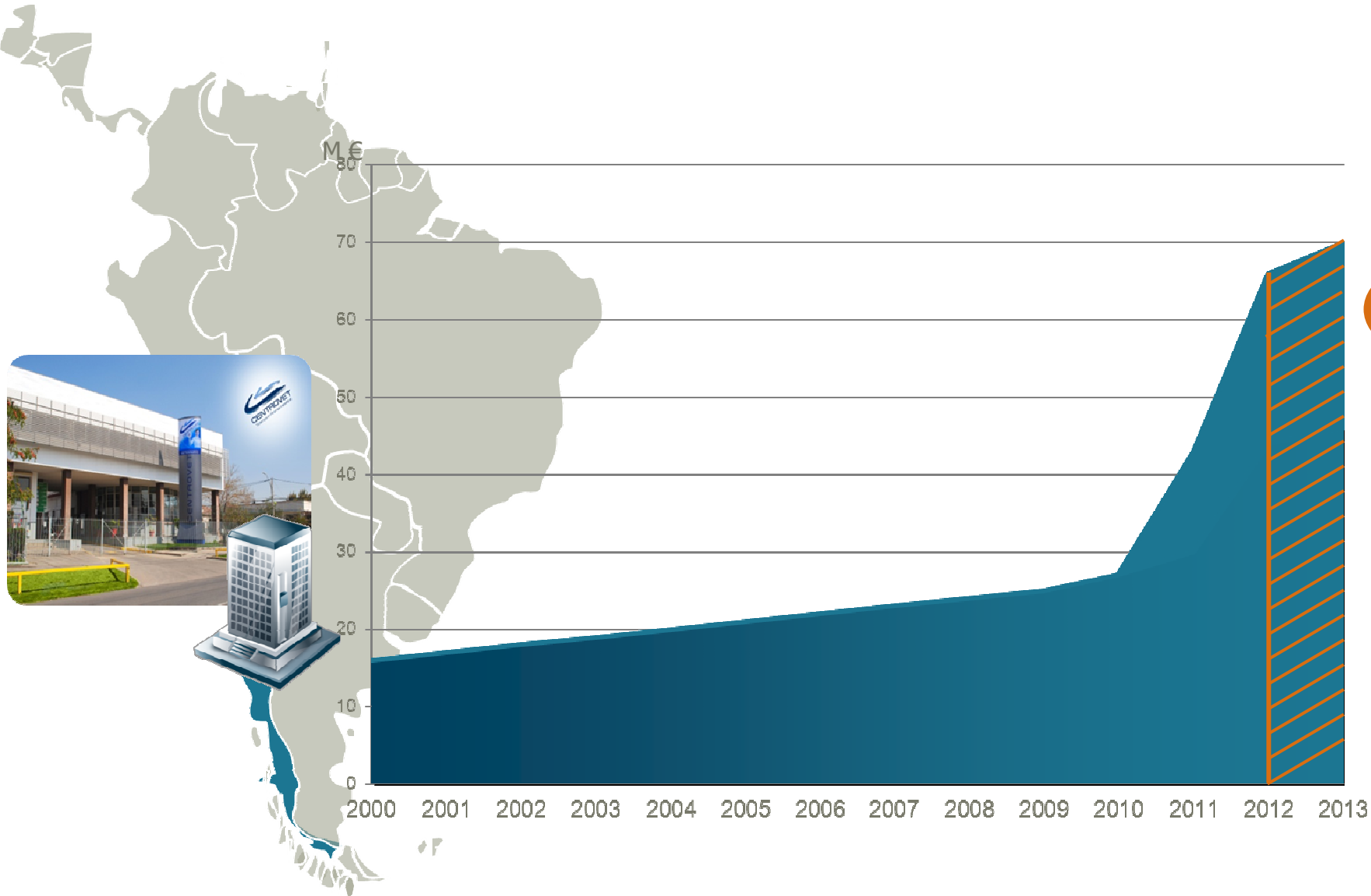
Fresh water

Sea water





# Growth of Centrovet turnover



EBIT range :  
20% of sales



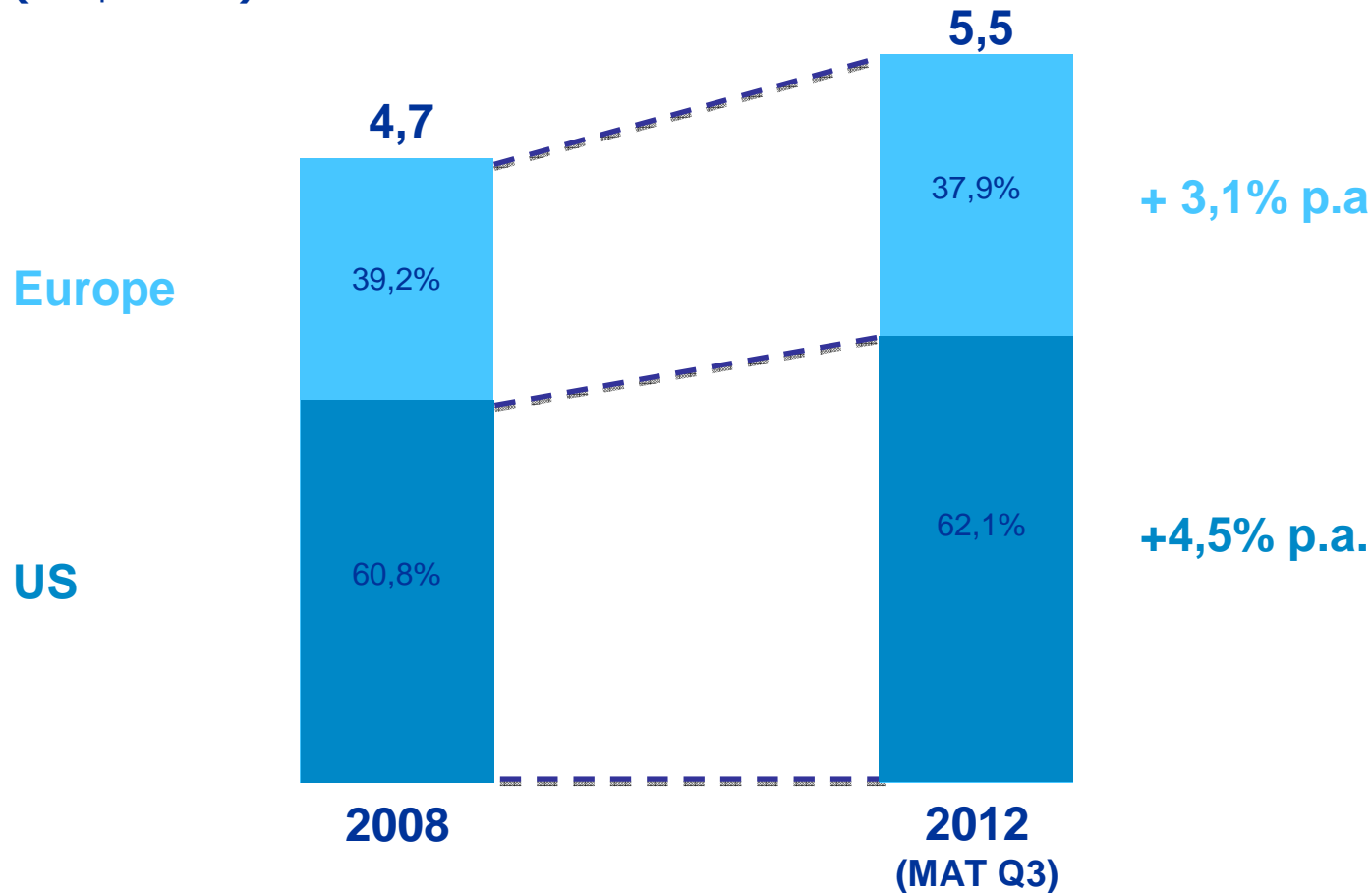
# Growth levers

- Centrovet / Aquaculture
- US / Companion animals
- Europe
- Rest of world



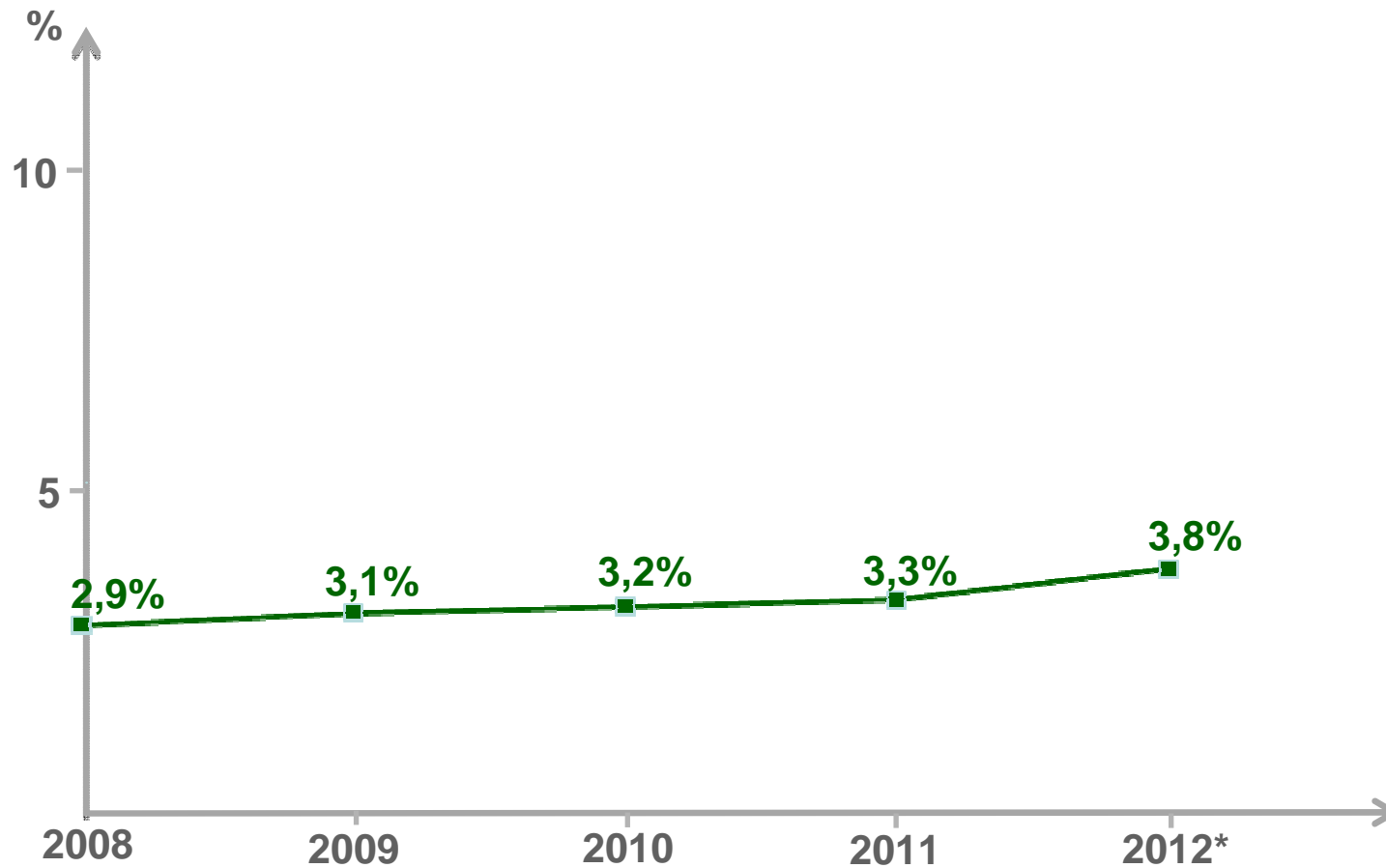
# The US Companion animal : market bigger than Europe, growing 50% faster

(US \$ billion)





# Virbac market shares in companion animals

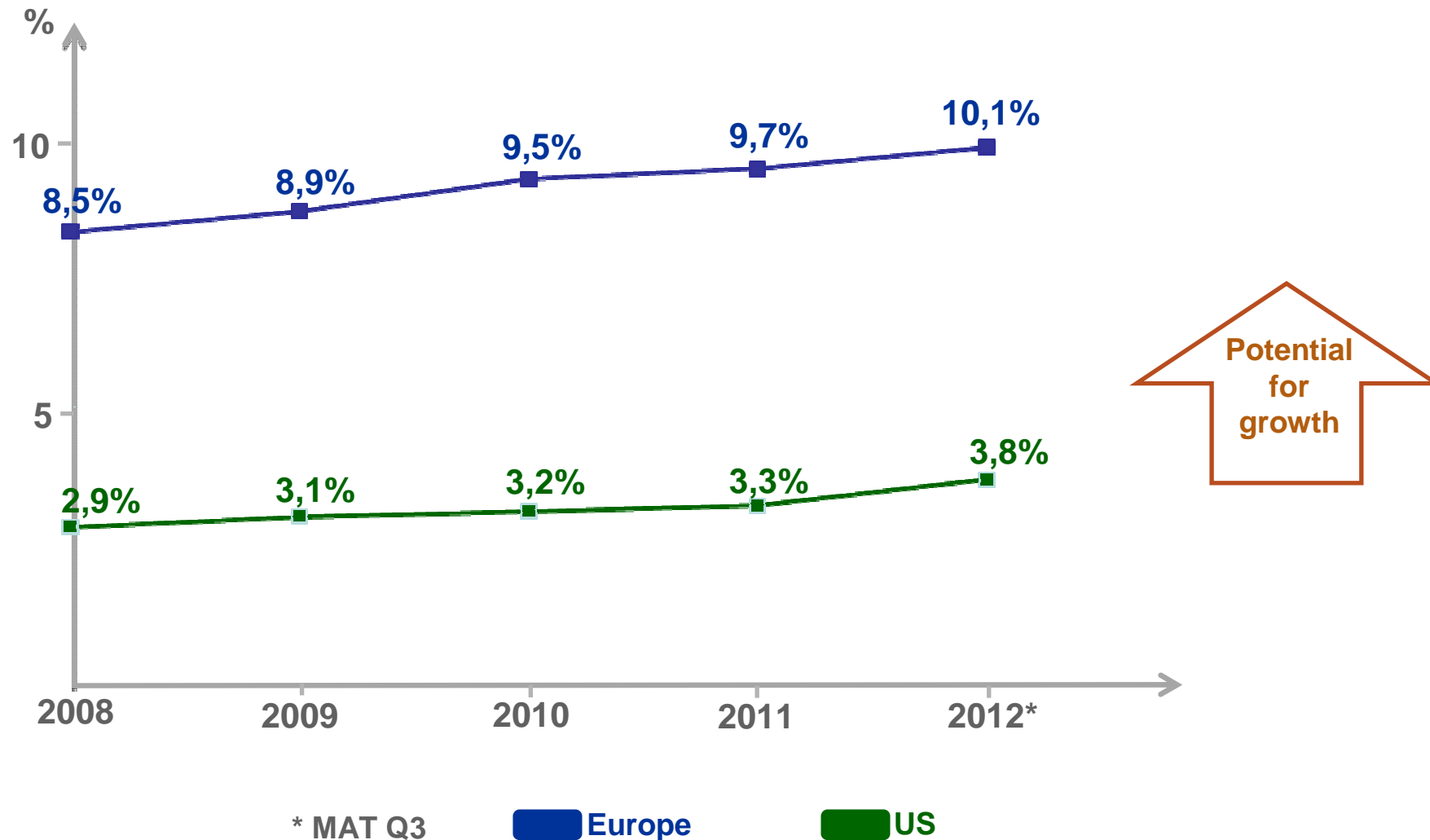


\* MAT Q3

■ US



# Virbac market shares in companion animals





# US category strategy

- Parasiticides / heartworm
  - 40% growth in 2012
  - Enter new channels (pharmacies) through a strategic partnership (specific brand)
- Parasiticides / fleas and tick
  - Failure of Effitix launch because of exclusivity contracts signed by large vet distributors
  - Participation to the mass market through a strategic partnership in 2013
- Dermatology
  - 17% growth in 2012
  - Accelerate the growth of Easotic and Rilexine in 2013
- Dentals
  - 8% in growth in 2012



# Growth levers

- Centrovet / Aquaculture
- US / Companion animals
- Europe
- Rest of world



# Europe

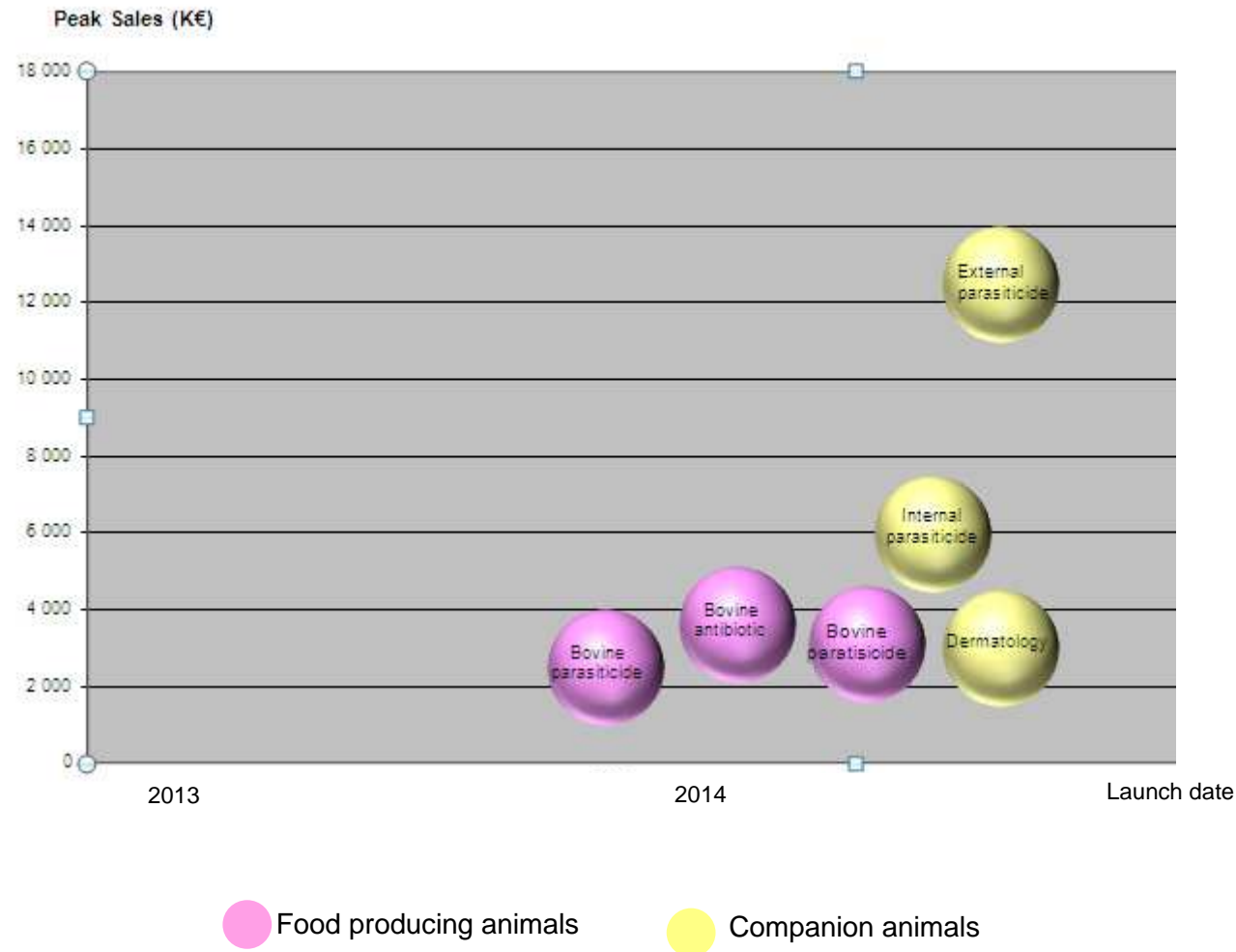
- 2013 : a year of consolidation
  - Slow market growth
  - Expected reduction of CaniLeish sales linked to the injection protocol (year 2 of Spain, Italy, Greece)
  - One new product launch (cattle parasiticide)
  
- 2014 : year of rebound
  - Market growth ?
  - Five new product launches in both companion animals and cattle





# Main projects in development for Europe

March 2013





# Growth levers

- Centrovvet / Aquaculture
- US / Companion animals
- Europe
- Rest of world



## Rest of world

- Double digit growth expected in all Asian and Latin American markets (market growth + sales force expansion essentially) in 2013
- Fastest growth expected in Brazil (> 20%) , lowest in Australia (> 5%)
- Focus on some global/multi local products : Effipro, Easotic, Cortavance, Multimin
- Five subsidiaries (Australia, India, South Africa, Brazil, Mexico) exceed 20m€ turnover, four other (Japan, New Zealand, Great China, Columbia) exceed 10m€ turnover



# 2013 Financial perspective

- Sales
  - Organic growth in the 5% to 7% range
  - Total group turnover should come close so 800m€, at current exchange rates (including Stockguard and Centrovét full year)
- Profit
  - Ambition to grow the group EBIT ratio by 0,5 point
  - Net profit will grow significantly less than EBIT (minority interest, financial expenses)
- Debt
  - Debt/equity ratio back to the 30% range (excluding acquisitions)



# Agenda

- *2012 results*
- *Virbac strategic perspectives*
- **Appendix**



# Appendix

- April 16\* Q1 sales
- June 17 Annual shareholders' Meeting
- June 26 Payment of 2012 dividend
- July 18\* Q2 – H1 sales
- August 30\* Half-year financial results
- October 17\* Q3 sales
- January 16, 2014\* Q4 – Full year sales

\* After market close





**Thank you**  
for your attention



**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.**

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