The Group registered revenue for the first half-year of €430.0 million, a slight decline of -1.7% compared to last year at actual exchange rates. Excluding the negative effect of exchange rates, notably the American and Australian dollar, the Indian rupee and the Brazilian real, revenue is growing at +3.9%. From a regional perspective, growth has been strong outside of the United States (+5.3%). Europe shows solid growth, boosted by a high level of activity, particularly in the United Kingdom, France and Germany, despite an overall decrease in activity in Southern Europe related to the competitive situation of the leishmaniosis vaccine, as well as the antibiotics downswing in Spain. In the rest of the world, the Asia-Pacific and Latin American zones are strongly contributing to first half-year performance, mainly due to high levels of activity in India, Australia, New Zealand, Brazil and Mexico. However, Chile is in retreat mainly due to lower antibiotic sales as compared to the same period in 2017. Lastly, in the United States, the second quarter rebound absorbed a large portion of the drop observed in the first quarter of the year, despite the destocking of the parasiticide lines observed at the distributor level.

Current operating profit before depreciation of assets arising from acquisitions amounted to €45.2 million, up from the first half of 2017 (€40.7 million). Please note that the basis of comparison at the end of June was elevated, due to recognition of license revenue of €2.9 million in the first half of 2017. Every region is contributing to growth, particularly the United States, due to the marked improvement in operating margins compared to the same period in 2017 (lowering of discounts, increase in productivity of the site and to a lesser extent, recognition of an income related to the signing of a contract manufacturing). Overall, growth of the operating profit from ordinary activities is driven by sustained commercial activity over the first half-year, and by careful spending, which offsets continuous investment in R&D (+€2.4 million at constant rates compared to the same period in 2017). However, exchange rates had a negative impact on operating profit from ordinary activities, which rose to €4.4 million for the period.
Net profit from ordinary activities (net consolidated profit adjusted for non-recurring expenses and income and for non-current taxes) totaled €16.8 million, up 4.6% over 2017. Net profit from ordinary activities is mainly impacted by the rise in the current tax burden (+€3.7 million), and to a lesser extent by the deterioration of the foreign exchange result, which was only partially offset by the improvement in financing costs related to debt relief. Please note that the increase in the current tax burden is mainly due to an unfavorable base effect in comparison with the same period in 2017 (Virbac USA deferred tax assets recognized at the end of June 2017 for an amount higher than that of 2018, with a tax rate of 38%, prior to the American tax reform).

Net profit - Group share reached €12.3 million, down in comparison to the prior year, due in particular to the impairment of deferred tax assets on American tax losses from the first half of 2018 (€3.4 million), similar to the position held in the consolidated accounts on December 31, 2017 and under the IAS12 standard. Net profit is also impacted by the recognition of expenses incurred for the restructuring of a logistics activity in France (€1.2 million).

From a financial standpoint, the Group’s net debt is at €487.1 million, down by €55.8 million compared to June 30, 2017. The lack of a dividend payment by Virbac SA on 2017 profits, and a strict control of working capital requirements, contributed to the Group’s debt relief. Thus, the Group is in compliance with the financial ratio (Net debt/Ebitda), that comes out to 4.39 versus 5.0, which was the maximum limit set at the end of June, 2018 as part of the financial covenant.

Outlook

The Group anticipates growth in revenue at constant rates that should show a low single-digit increase in 2018 compared to 2017, and a "current operating profit, before depreciation of assets arising from acquisitions ratio" on "revenue" with growth at around 1 point at constant exchange rates compared to 2017.

Debt relief should be around €30 million for the year at constant exchange rates. Furthermore, the Group obtained a relaxation of its financial agreement (Net debt/Ebitda) with its bankers for 2018. Thus, it is at 5.0 at the end of June, 2018, and at 4.25 at the end of December, 2018. The Group’s financing is ensured primarily through an RCF (Revolving credit facility) of 420 million euros, maturing in 2022, as well as bilateral bank loans, the European investment bank (EIB) and Schuldschein disintermediated contracts, whose terms are between four and ten years.

ANALYSTS’ PRESENTATION - VIRBAC

Virbac will hold an analysts’ meeting on Tuesday, September 18, 2018 at 2:30 pm CET (Paris time) in the Auditorium Vivaldi at Club Confair, 54 rue Laffitte - 75009 Paris (France).

Participants may arrive 15 minutes before the start of the meeting.

You may also attend the meeting using the webcast available via the link below.

Information for participants

Webcast access link: https://bit.ly/2wIyduk

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

There will be no real-time interaction during the webcast. You may send us your questions, if necessary, via our email address: finances@virbac.com.

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