



ANIMAL  
HEALTH PARTNER  
SINCE 1933

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# H1 2019 RESULTS

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Conference Call

July 25, 2019

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[www.vetoquinol.com](http://www.vetoquinol.com)

# Disclaimer

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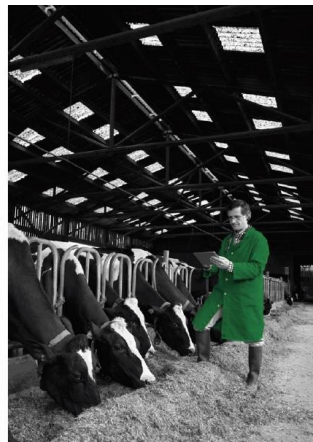
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While Vetoquinol believes that its targets are reasonable, readers are reminded that these objectives are subject to risks and uncertainties, including those described in the "Risk factors" section of the annual Registration Document.

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# H1 2019 key financial indicators

## taking into account IFRS 16



# 1.

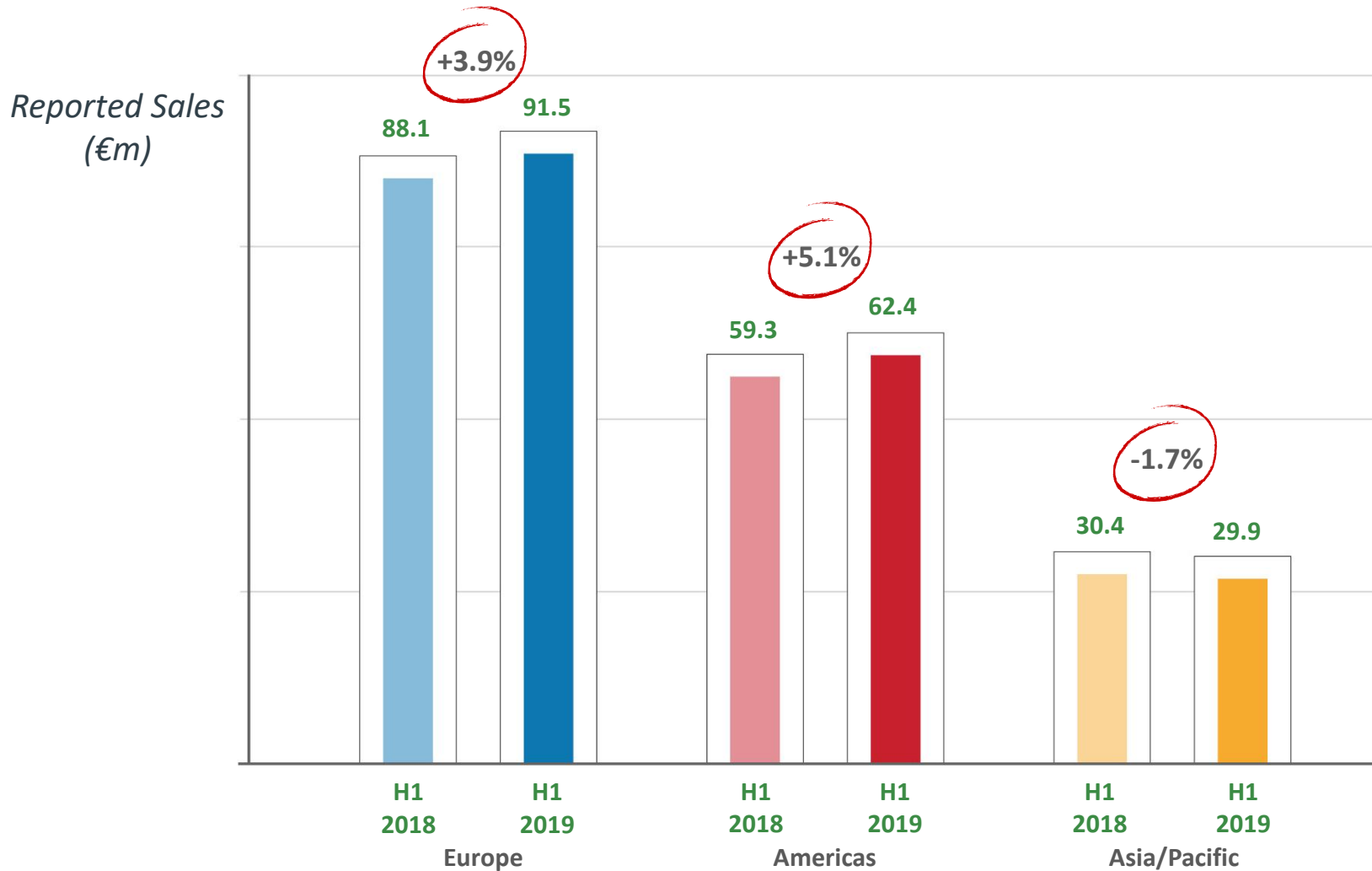
## H1 2019 highlights



## Combination of one-off factors

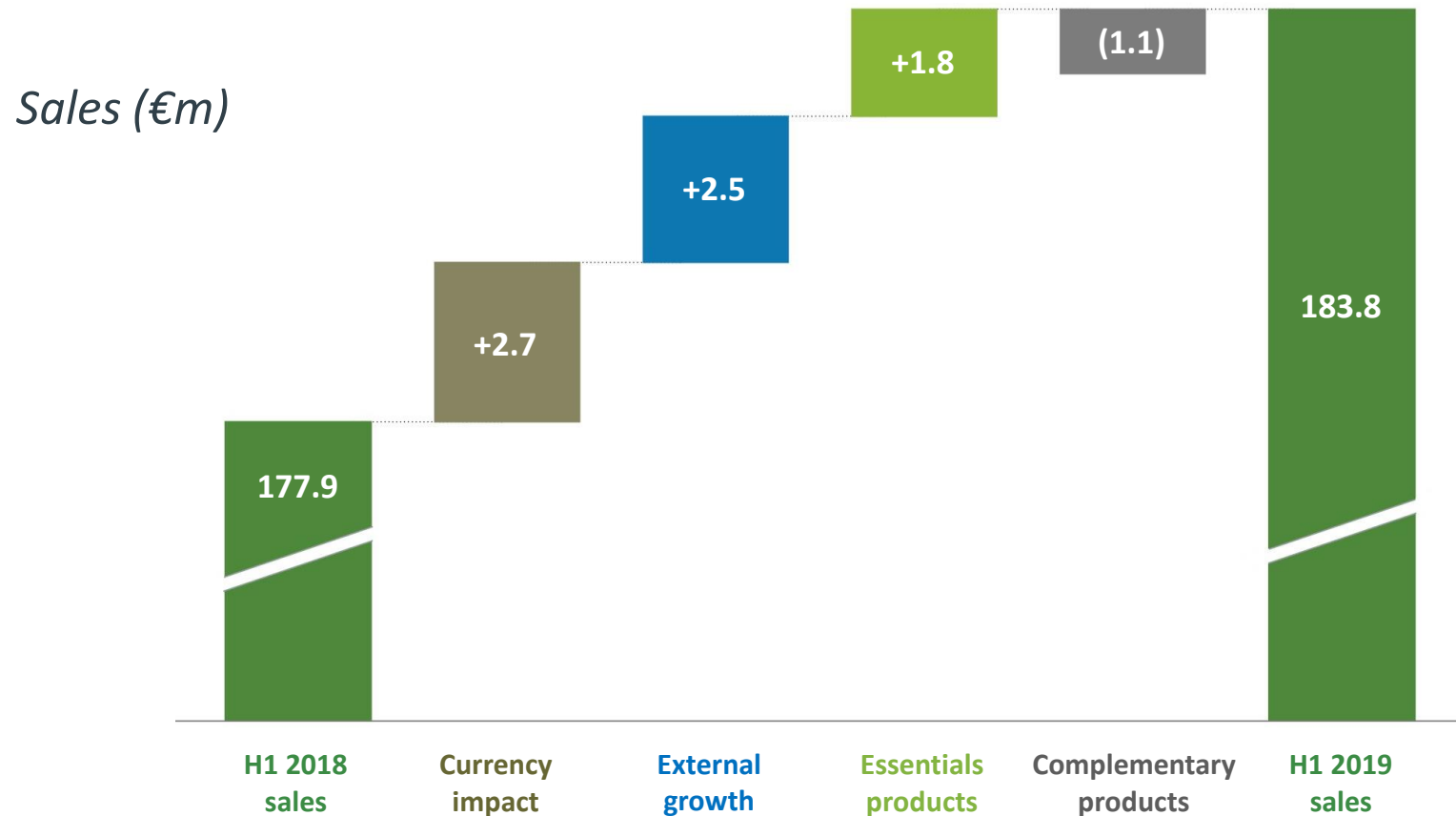
- › Numerous projects launched by the Vetoquinol Group...
  - Streamlining of product ranges in North America and Australia
  - Acquisition of Clarion in Brazil
  - Marketing and commercial investments in FarmVet Systems
  - Promotion of Essentials and launch of new products
  - Relaunch of the injectables production line at the Lure site (France)
  
- › ... negatively impacting EBIT in the first half of 2019

# H1 2019 sales



# Growth driven by Essentials products and external growth

- › Like-for-like growth of Essentials **+2.1%**





# Integration of FarmVet Systems solutions

- › Acquisition completed in September 2018, based in Northern Ireland
  
- › International development of FarmVet Systems solutions
  - Expansion of business to 8 new countries: Belgium, Netherlands, France, Germany, Austria, Switzerland, Australia and New Zealand
  - Dedicated team of 25 employees, including 8 new recruits
  - Training of veterinary delegates
  - Marketing campaign
  
- › Digital application VetImpress for vets and designed for cattle farms



# New Essentials products

## › Flexadin Advanced

- Palatable chews for easy administration
- Innovation for the treatment of joints in dogs with osteoarthritis

## › Sonotix

- Ear cleaner for dogs with an innovative formula

## › Flexprofen

- April 2019 launch in USA
- Palatable anti-inflammatory
- An anti-inflammatory arthritis pain treatment for dogs



# 2.

## H1 2019 consolidated figures

# Income statement

## taking into account IFRS 16

€m	6/30/2019	% of sales	6/30/2018*	% of sales	Change
<b>Sales</b>	<b>183.8</b>		<b>177.9</b>		<b>+3.3%</b>
<b>Gross margin on purchases</b>	<b>127.5</b>	<b>69.4</b>	<b>125.3</b>	<b>70.4</b>	
External expenses	(39.6)	(21.5)	(36.9)	(20.8)	
Personnel expenses	(61.5)	(33.4)	(57.9)	(32.6)	
Taxes and duties	(3.1)	(1.7)	(2.8)	(1.6)	
Other income and expenses	3.0	1.6	2.8	1.6	
Depreciation, amortization and provisions	(8.5)	(4.6)	(9.9)	(5.6)	
<b>EBIT</b>	<b>17.9</b>	<b>9.7</b>	<b>20.6</b>	<b>11.6</b>	<b>-12.9%</b>
Operating income	17.9	9.7	20.5	11.6	
Net financial income/(expense)	(0.3)	(0.1)	0.2	0.1	
Income before tax	17.6	9.6	20.7	11.6	
Income tax	(4.9)	(2.7)	(4.7)	(2.7)	
Earnings/(loss) of associates	(0.1)	n/a	(0.1)	n/a	
<b>Net income - Group share</b>	<b>13.0</b>	<b>7.1</b>	<b>15.8</b>	<b>8.9</b>	<b>-17.8%</b>
<b>EBITDA</b>	<b>26.2</b>	<b>14.3</b>	<b>29.9</b>	<b>16.8</b>	<b>-12.3%</b>

\* Restated for the impact of the application of the IFRS 16 standard

# Cash flow statement

## taking into account IFRS 16

€m	6/30/2019	12/31/2018*	6/30/2018*
Net income - Group share	12.9	36.3	15.8
Free cash flow before net cost of debt and tax	26.6	66.2	27.3
Cash flow from operating activities	5.2	42.7	5.9
Cash flow used by investing activities	(59.4)	(20.7)	(4.4)
Cash flow used by financing activities	(13.4)	(17.0)	(10.1)
<b>Change in cash and cash equivalents</b>	<b>(68.1)</b>	<b>4.6</b>	<b>(9.1)</b>

\* Restated for the impact of the application of the IFRS 16 standard

## Working capital

€m	6/30/2019	12/31/2018	6/30/2018
Inventories	92.7	77.2	78.8
Trade and other receivables	79.9	73.8	71.1
Trade and other payables	(72.2)	(74.5)	(68.5)
Other net working capital	1.5	3.2	3.6
<b>Working capital</b>	<b>102.0</b>	<b>79.7</b>	<b>85.1</b>

	6/30/2019	12/31/2018	6/30/2018
<b>In number of days (by due date)</b>	<b>91.0</b>	<b>74.3</b>	<b>85.3</b>

# Sound financial structure taking into account IFRS 16

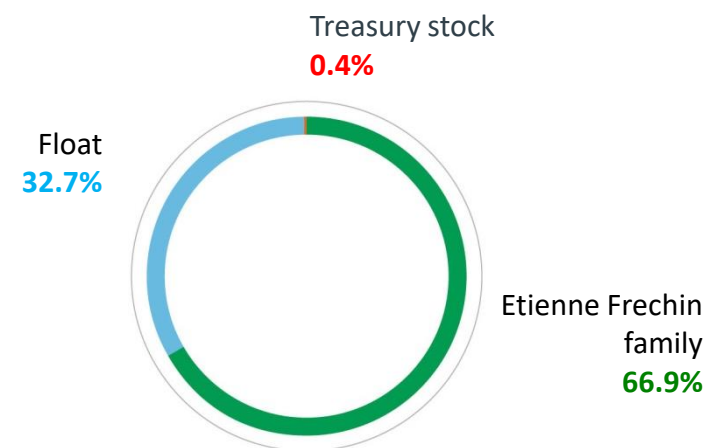


# Vetoquinol, an independent family-owned group

## › Share price in 2019



## › Shareholders at June 30, 2019





# 03

## Strategy and outlook



External growth

## Acquisition of CLARION® in Brazil

SAÚDE ANIMAL

### › Clarion Biociências

- Sales > BRL 50m (€12m) growing sharply over the last 3 years
- Staff of < 200
- Over 20 years' experience
- Brazilian market top 20

### › Details of the transaction

- Acquisition of 90% of the shares in cash
- Integration as from April 15



External growth

## Key elements of CLARION<sup>®</sup> SAÚDE ANIMAL

- › Strengthening Vetoquinol's position in Brazil
  - World's 3<sup>rd</sup> animal health market
  
- › Strong positions in Vetoquinol's strategic domains
  - Company location in Goiás state, at the heart of Brazilian cattle farmland
  - Cattle is target market with extension to pet market in progress
  - Strong parasiticides position
  
- › Highly innovative R&D in formulation
  - Product development pipeline with registrations pending
  
- › Integrated model, like Vetoquinol
  - Development
  - Production
  - Marketing



# External growth Parasiticides portfolio



Brinco Diazinon



Neomax



Contratack Injetável



Novatack Gold



Eprino\* Pour-On



Flytion® Pour-on



Tanitop® IGR



Flytion EC 50



Altis Injetável



Contratack® Pour-on Max



External growth

## Vetoquinol roadmap in Brazil

- › Integration underway
  - Expanding the sales teams
  - Developing local business
  
- › Targets of this strategic acquisition
  - Strengthening Vetoquinol's operations in Brazil
  - Acquire critical mass on the world's third biggest animal health market
  - Optimize distribution channels for two local structures
  - Register livestock and pet products
  - Double revenue in Brazil in 5 years

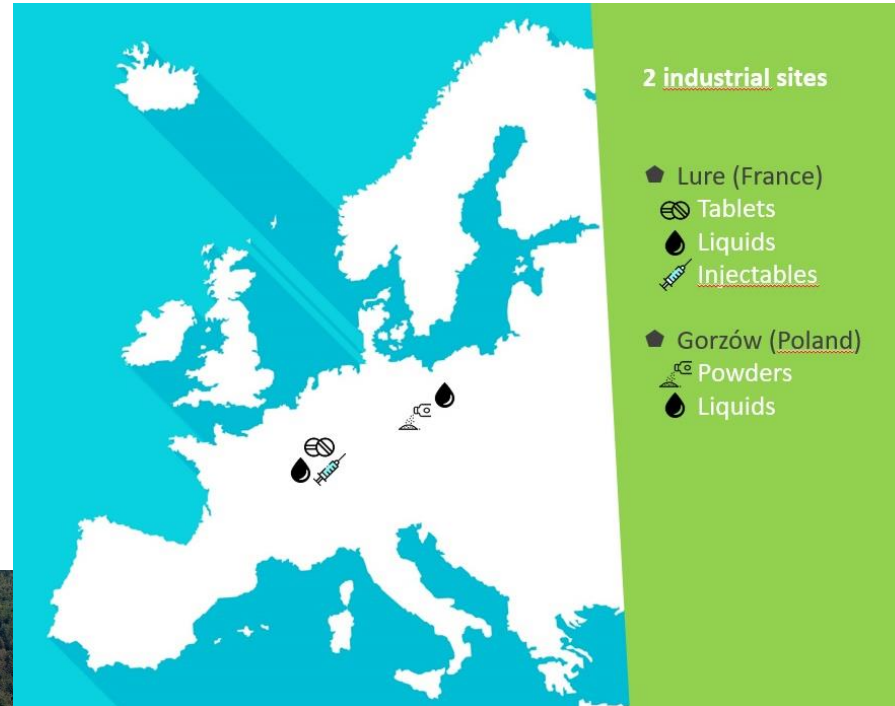
Industrial organization

## Continued industrial optimization

- › Industrial component of the In Motion strategic plan
  - Saturate the Group's industrial sites
  - Anticipate increasingly strict regulations in Europe
  
- › 2015-2017 → Industrial consolidation in Canada
  
- › 2019 → Transfer of Vetoquinol Italy production activities
  - Transfer of the Emilie-Romagne site's (Italy) industrial activities to the French and Polish sites
  - Italy remains a strategic country for Vetoquinol
  - Continued sales of the Ascor range in Italy and other countries

Industrial organization

# An major step in the industrial strategy in Europe



Lure (France)

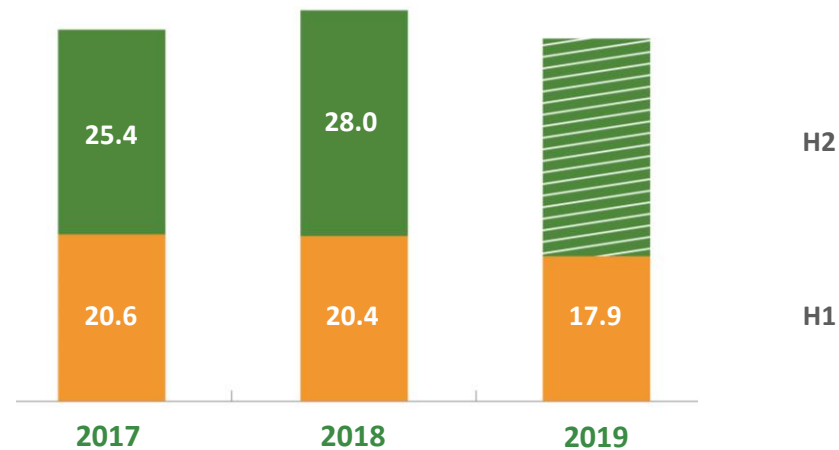


Gorzow (Poland)



## Group outlook

- › Confidence in the development of Essentials products
- › Strong seasonality of EBIT figures



- › Upcoming launches in the reproduction market

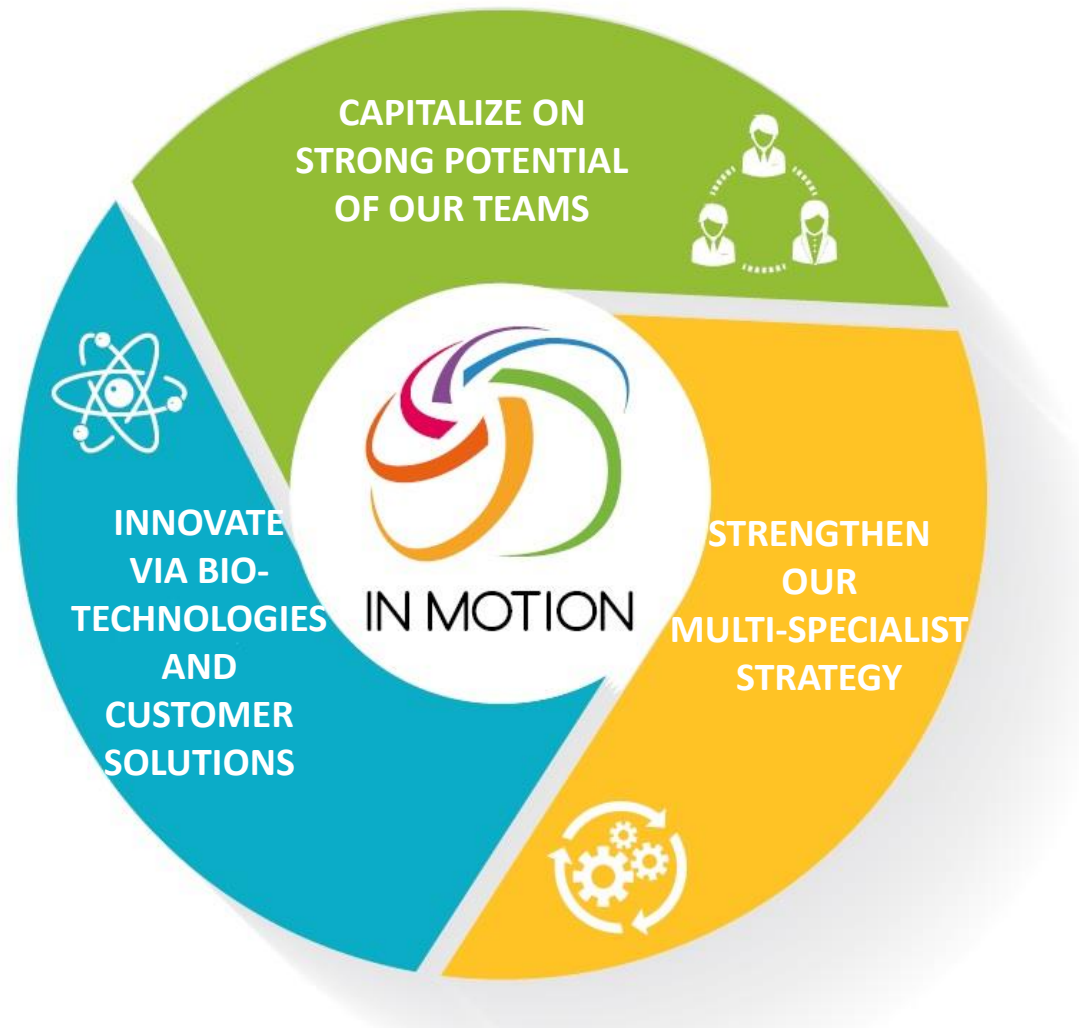


## Group outlook



- › Strengthen the R&D pipeline with innovate biotechnology projects
- › Complete a successful integration of Clarion in Brazil
- › Carry out transfers of industrial sites
- › Accelerate Vetoquinol's transformation in order to better serve customers
- › Continue profitable hybrid growth

# Vetoquinol enriches people's lives by devoting itself to animal health and wellbeing



# Upcoming financial releases

- › October 16, 2019      **Q3 2019 sales** (after market close)
  
- › January 23, 2020      **2019 full-year sales** (after market close)



# EBITDA

## taking into account IFRS 16

€m	6/30/2019	6/30/2018*
Net income excl. earnings of associates	12.8	15.9
Income tax expense	4.9	4.7
Net financial items	0.3	(0.2)
Provisions recorded under non-recurring operating income and expenses	(0.2)	(0.5)
Provisions and write-backs	(0.3)	1.1
Depreciation and amortization	6.7	6.4
Depreciation and amortization - IFRS	2.1	2.4
<b>EBITDA</b>	<b>26.2</b>	<b>29.9</b>

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POLAND | IRELAND | AUSTRIA | CZECH REPUBLIC | SWEDEN | USA | CANADA | MEXICO | BRAZIL |  
INDIA | SOUTH KOREA | CHINA | AUSTRALIA | JAPAN |