PRESS
RELEASE

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2020 ANNUAL RESULTS

2020 sales: €427.5m (up 8.0% as reported)
EBIT before depreciation of assets arising from acquisitions: €65.3m (up 33.5%)
Net income - Group share: €19.2m *(4.5*% of sales)
Cash flow: €92.2m

Vetoquinol CEO Matthieu Frechin said: *"These excellent results for 2020 are a direct outcome of the strategic repositioning decided in 2011 and implemented by our teams through the last two strategic plans. The strategy refocused our veterinary business on higher value-added products and within the decade transformed us from a European leader in anti-infectives to a global Group offering a diversified portfolio of Essentials products to focused international markets. This growth trend is set to continue and intensify over the coming years."*

In a resilient animal health world market that grew by around 4% in 2020, Vetoquinol posted 2020 revenue of €427.5 million, up 8.0% as reported and 10.9% at constant exchange rates.

In 2020, sales of Essentials products totaled €220.6 million, up 17.3% at constant exchange rates. The continued strong momentum of Essentials product sales was driven by the existing portfolio (+8.1%) as well as the contribution of the Drontal® and Profender® products acquired on August 1st, 2020. This confirms the strength and performance of Vetoquinol's business model in a complex environment. Essentials products accounted for 51.6% of Vetoquinol sales in 2020, up from 48.1% in 2019.

Sales of companion animal products totaled €256.7 million, accounting for 60% of Vetoquinol sales. Sales of livestock products came to €170.8 million.

All strategic territories posted growth in 2020 at constant exchange rates: +13.2% in Europe, +5.0% in the Americas and +17.4% in Asia Pacific.

Changes in exchange rates had a negative impact of €11.6 million (-2.9%) in 2020, reflecting the 33% slump in the Brazilian real and less dramatic falls in the Indian rupee and US and Canadian dollars.

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Gross margin on purchases was 70.0%, up 1.4 percentage points year-on-year. This reflected a €6.8 million negative exchange effect, sustained levels of production, and the contribution of the acquisition of Drontal® and Profender® products on August 1st 2020.

EBIT before depreciation of intangible assets arising from acquisitions, **a leading performance indicator for the Vetoquinol Group, was €65.3 million,** up 33.5% from €48.9 million in 2019. While this strong growth was helped by reductions in some expenses due to the health crisis, it was mainly directly driven by the increased share of Essentials in the sales mix, now contributing over 50% of sales. This means Vetoquinol has now reached the turning point mapped out in its 2011 strategy of refocusing on value-added products, which set the target of equaling or exceeding market growth rates and pushing structural margins above their historical average.

Depreciation of intangible assets arising from acquisitions amounted to €9.1 million (2019: €3.0 million), in connection with the Clarion and Drontal® and Profender® acquisitions.

EBIT rose 22.4% to €56.2 million versus €45.9 million in 2019.

Non-recurring expenses in 2020 amounted to €19.1 million, including a €15 million impairment charge against part of the Brazilian goodwill. Vetoquinol is growing its sales in Brazil, the world's third-biggest market for animal health products, but slower than expected. The lag basically reflects timeframes for bringing new products onto the Brazilian market. As a result, costs are excessive in proportion to sales. Steps have been taken to remedy the situation since 2020, notably on the production front (one industrial site closed) and by speeding up the launch of new ranges. Vetoquinol has set a five-year milestone to hit critical mass and bring Brazil's performance in line with the rest of the Group.

The apparent tax rate was 30.4% (restated for the goodwill impairment charge).

EBITDA was €83.9 million, up €18.5 million.

Vetoquinol posted net income of €19.2 million, down from €28.2 million in 2019 including €19.1 million of non-recurring expenses.

Cash flow rose sharply in 2020 to €92.2 million from €52 million in 2019. Vetoquinol generated more cash in H2 2020 than over the entire 2019 financial year. Gearing was -1.2% of equity and the Group posted net cash of €4.6 million at 2020 year-end.

This robust cash flow, coupled with the experience the internal teams now have in major M&A deals, gives Vetoquinol the resources to actively pursue its hybrid growth strategy, blending organic growth through its existing portfolio with new product launches and external acquisitions.

The Board will propose a dividend of €0.50 per share to the May 27th, 2021 shareholders' meeting.

A resilient business model in unprecedented times

Since the Covid-19 crisis broke, the mobilization of its teams has given Vetoquinol the agility and flexibility required to sustain high levels of business, pursue its projects for development, and continue to serve its customers without interruption throughout 2020 while keeping employees healthy and safe.

Vetoquinol has come out of the crisis stronger and is continuing its development as 2021 gets under way while maintaining protective and social distancing measures at work. The Group will continue to keep stakeholders regularly informed on how the evolving Covid-19 pandemic is impacting its business.

In 2021, assuming a gradual diminution of the Covid crisis, Vetoquinol expects its business to grow, driven by the development of the Essentials range and improved margins versus 2020. Vetoquinol will continue to integrate Drontal® and Profender® in Europe and in its Canadian and Australian businesses.

Next update: Q1 2021 sales, April 15th, 2021 after market opening

ABOUT VETOQUINOL

Vetoquinol is a leading global animal health company that supplies drugs and non-medicinal products for the livestock (cattle and pigs) and pet (dogs and cats) markets.

As an independent pure player, Vetoquinol designs, develops and sells veterinary drugs and non-medicinal products in Europe, the Americas and the Asia Pacific region.

Since its foundation in 1933, Vetoquinol has been pursuing a strategy combining innovation with geographical diversification. The Group's hybrid growth is driven by the reinforcement of its product portfolio coupled with acquisitions in high potential growth markets. At December 31st 2020, Vetoquinol employs 2,409 people.

Vetoquinol has been listed on Euronext Paris since 2006 (symbol: VETO).

SUMMARY INCOME STATEMENT

€m	2020	2019	*Change*
Total sales	**427.5**	**396.0**	*+8.0%*
of which Essentials	*220.6*	*190.6*	*+15.7%*
EBIT before depreciation of acquired assets	**65.3**	**48.9**	*+33.5%*
% of total sales	*15.3*	*12.3*	
Net income Group share	**19.2**	**28.6**	*-32.8%*
% of total sales	*4.5*	*7.2*	
EBITDA	**83.9**	**65.4**	*+28.2%*
% of total sales	*19.6*	*16.5*	

The audit of the 2020 financial statements is currently being finalized at the time this communication is released.

CALCULATION OF EBITDA

€m	2020	2019
Net income before equity method	**18.9**	**28.2**
Income tax expense	**16.6**	**12.5**
Net financial income	**1.5**	**0.2**
Provisions recorded under non-recurring operating income and expenses	**19.5**	**4.4**
Provisions and write-backs	**1.4**	**0.9**
Depreciation	**25.9**	**19.3**
EBITDA	**83.9**	**65.4**

ALTERNATIVE PERFORMANCE INDICATORS

Vetoquinol Group management considers that these indicators, which are not defined by IFRS, provide additional information that is relevant for shareholders seeking to analyze underlying trends and Group performance and financial position. They are used by management for performance analysis.

Essentials products: The products referred to as “Essentials” comprise veterinary drugs and non-medical products sold by the Vetoquinol Group. They are existing or potential market-leading products designed to meet the daily requirements of vets in the companion animal or livestock sector. They are intended for sale worldwide and their scale effect improves their economic performance.

Constant exchange rates: Application of the previous period’s exchange rates to the current financial year, all other things remaining equal.

Like-for-like (LFL) growth: Year-on-year sales growth in terms of volume and/or price at constant consolidation scope and exchange rates.

EBIT before depreciation of intangible assets arising from acquisitions: This KPI isolates the non-cash impact of depreciation charges on intangible assets arising from mergers and acquisitions.

Net cash: Cash and cash equivalents less bank overdrafts and borrowings, pursuant to IFRS 16.

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