



ANIMAL
HEALTH PARTNER
SINCE 1933

INVESTOR DAY 2017

Investors and Analysts

September 27, 2017

—
www.vetoquinol.com

Disclaimer

This document was prepared by the Vetoquinol Group for the sole purpose of presenting its Investor Day on September 27, 2017.

This document may not be reproduced or distributed, in whole or in part, without the prior agreement of Vetoquinol. The Vetoquinol Group shall not be held liable for the use of this document by any person outside the Company.

This document does not contain any quantified results forecasts.

Vetoquinol makes no commitment or guarantee that it will meet its targets, or any aim that it may state in its business plans.

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.

Vetoquinol Investor Day - September 27, 2017



Vetoquinol's new strategic plan: In Motion



CONTENTS



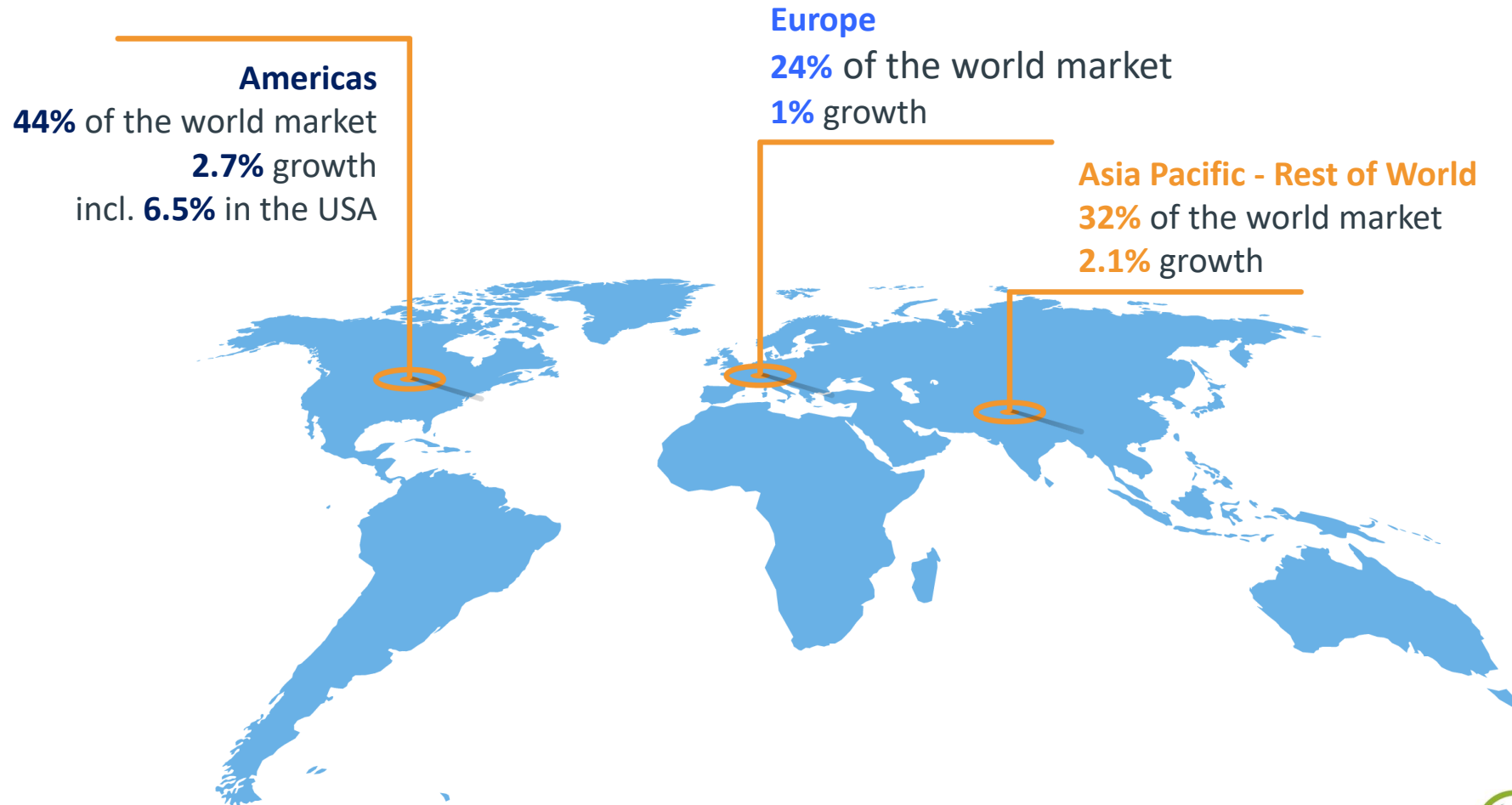
1. Animal health world market
2. Vetoquinol's product portfolio strategy
3. 2 growth drivers: United States and Business Excellence
4. Vetoquinol's industrial transformation
5. Conclusion

1.

Animal health
world market



Animal health: a \$30bn world market...



Source: Vetoquinol 2016 estimates

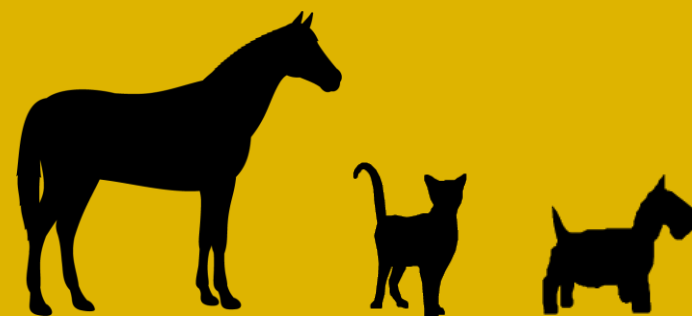
... founded on 2 distinct and growing segments

STRONG FUNDAMENTALS AND CONSISTENT GROWTH OVER THE LONG TERM



Livestock

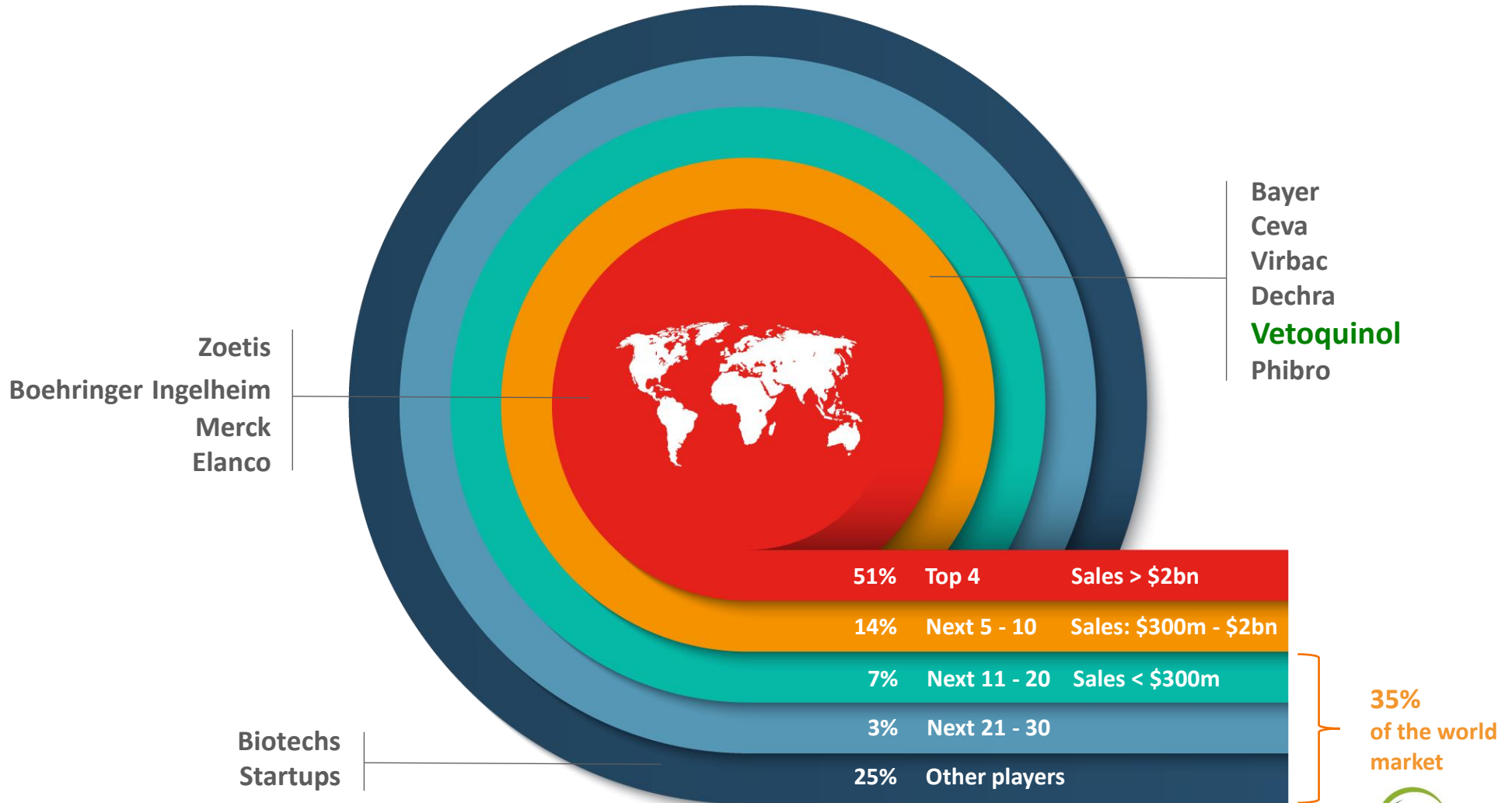
- Increase in numbers worldwide
- Production of animal proteins



Companion animals

- At the heart of the family
- Animal wellbeing

A market with room for external growth

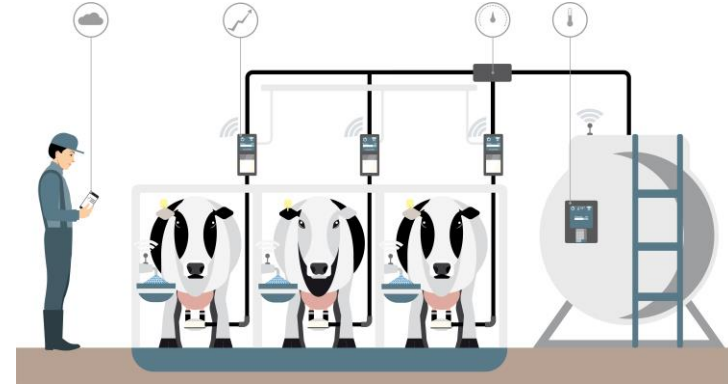


Source: Vetoquinol 2016 estimates

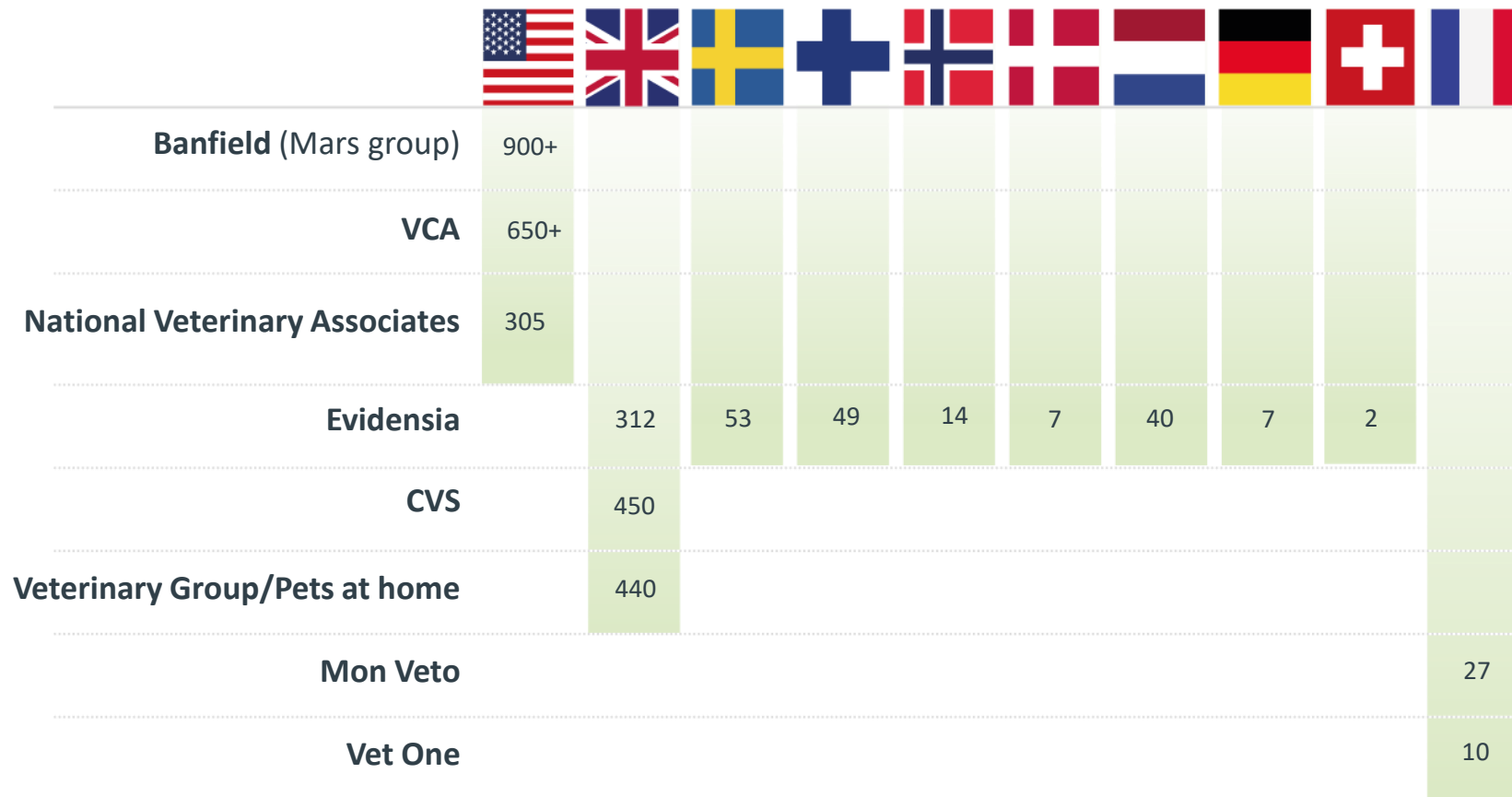


Clearly identified clients: BtoBtoC

Animal health customers



Consolidation of veterinary clinics



Source: Vetoquinol 2016 estimates – non-exhaustive data

Changing regulations



- › Increasingly stringent registration procedures on target markets
 - Europe / Americas / Asia

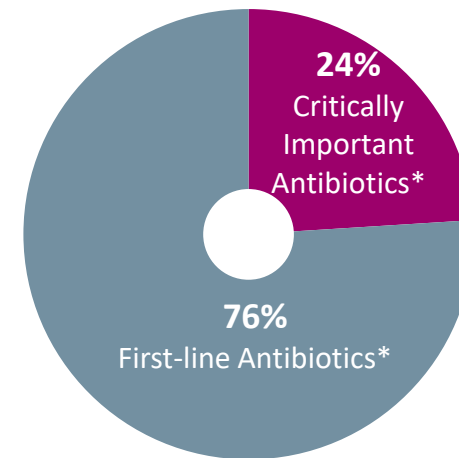
- › Under consumer pressure



Antibiotics: Indispensable for the treatment of bacterial infections

- › Critically Important Antibiotics
- › First-line Antibiotics

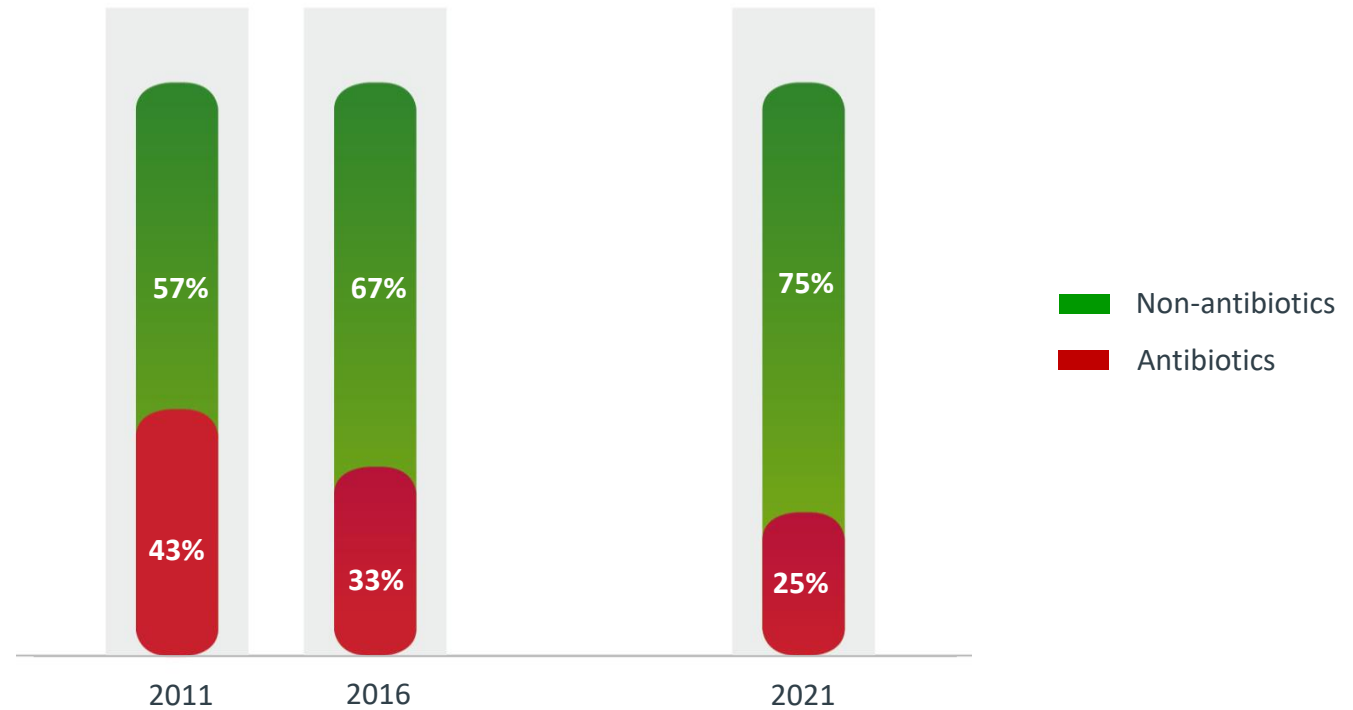
Antibiotics market: **\$4.8bn***



* Source: Vetoquinol 2016 estimates



Gradual phase-down of antibiotics at Vetoquinol



* Source: Vetoquinol 2016 estimates



Redefining the infectious disease segment strategy

- › The Group's historical area of expertise

- › 3 main priorities
 - First-line antibiotics prioritized over Critically Important Antibiotics
 - Prevention of infections
 - Alternative treatments to antibiotics



Vetoquinol, a major animal health market player



**The animal health
world market is
growing and presents
a wealth of opportunities**

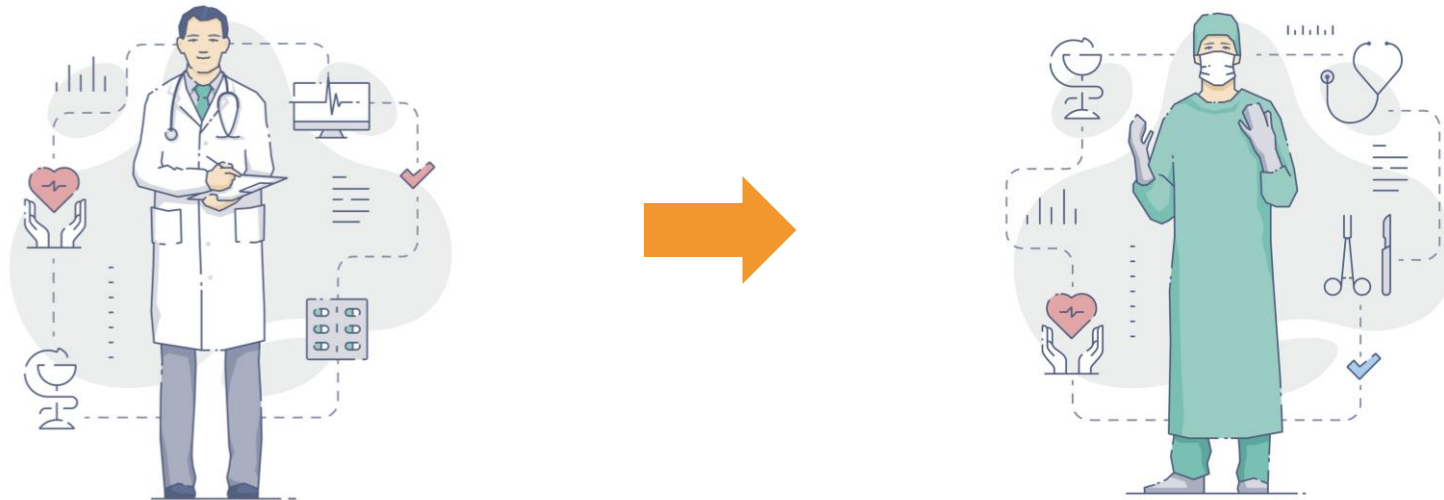
**Vetoquinol is expanding
its product offering and range of
solutions while actively
seeking consolidation
and partnership opportunities**

2.

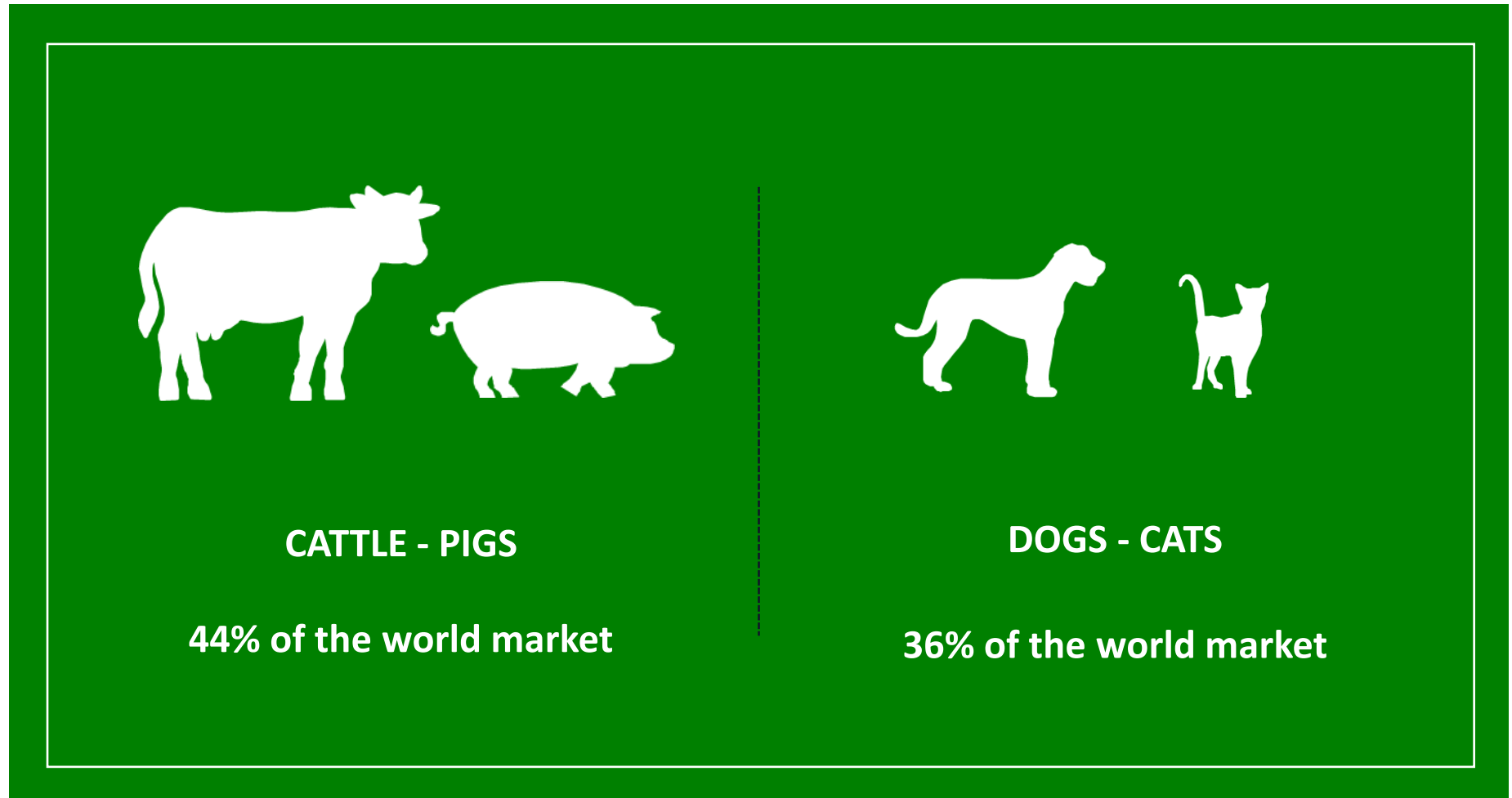
Vetoquinol product portfolio strategy



Strengthening our multi-specialist position

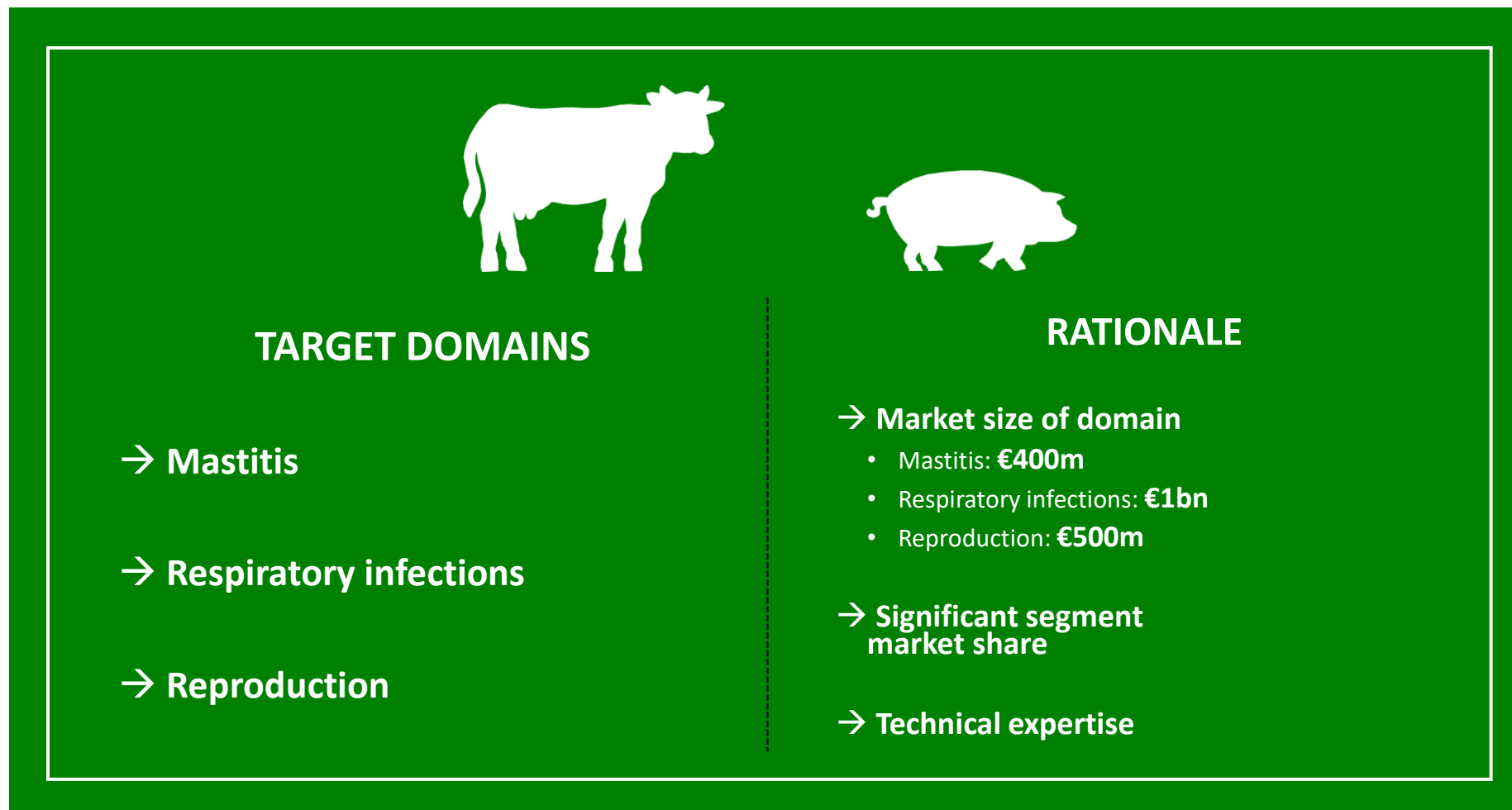


Our 4 target species represent 80% of the world market



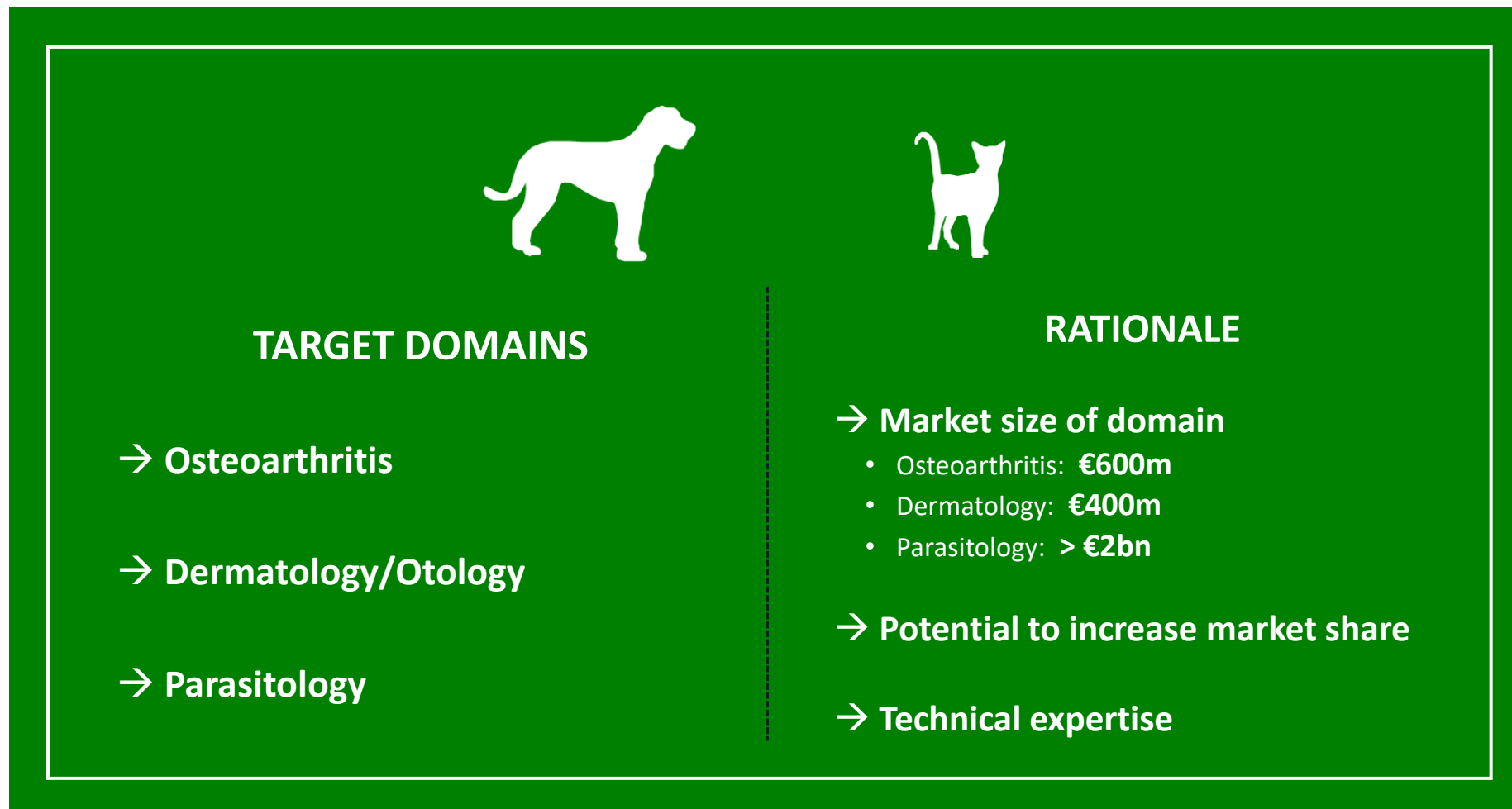
Source: Vetoquinol 2016 estimates

Vetoquinol, a multi-specialist player with a targeted offering...



Source: Vetoquinol 2016 estimates

... geared towards growing therapeutic domains



Source: Vetoquinol 2016 estimates

Continued strengthening of the Essential product range



Worldwide distribution

Owned by Vetoquinol

Essentials

Strategic segments

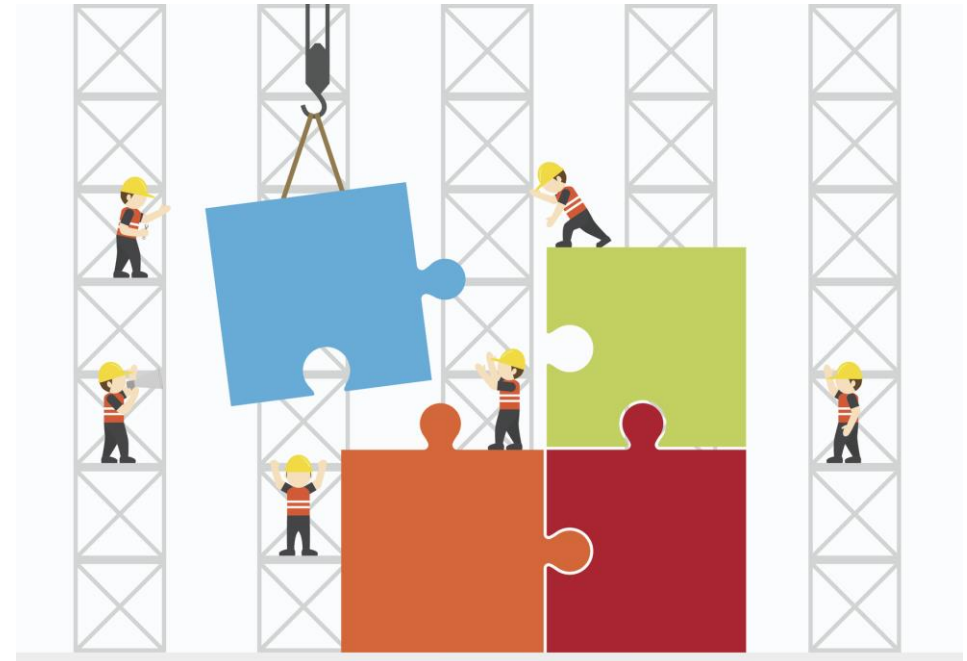
Targeted medical offering



Stepping up innovative R&D partnerships

- › **Coordinating business development and research**
 - Identify and seize opportunities
 - Sort good projects quickly and choose the best

- › **Sharing the risk**
 - Licensing and option agreements
 - Joint financing (milestones)



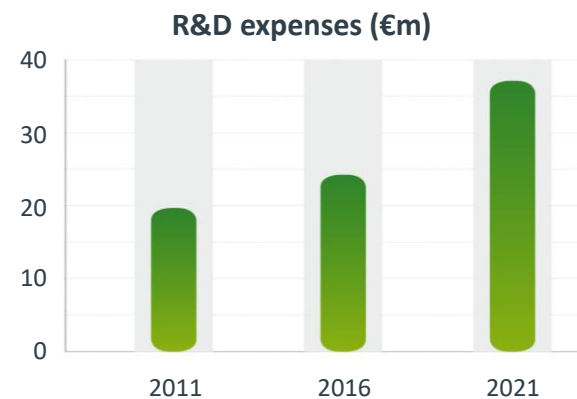
R&D, a future growth driver

R&D in figures

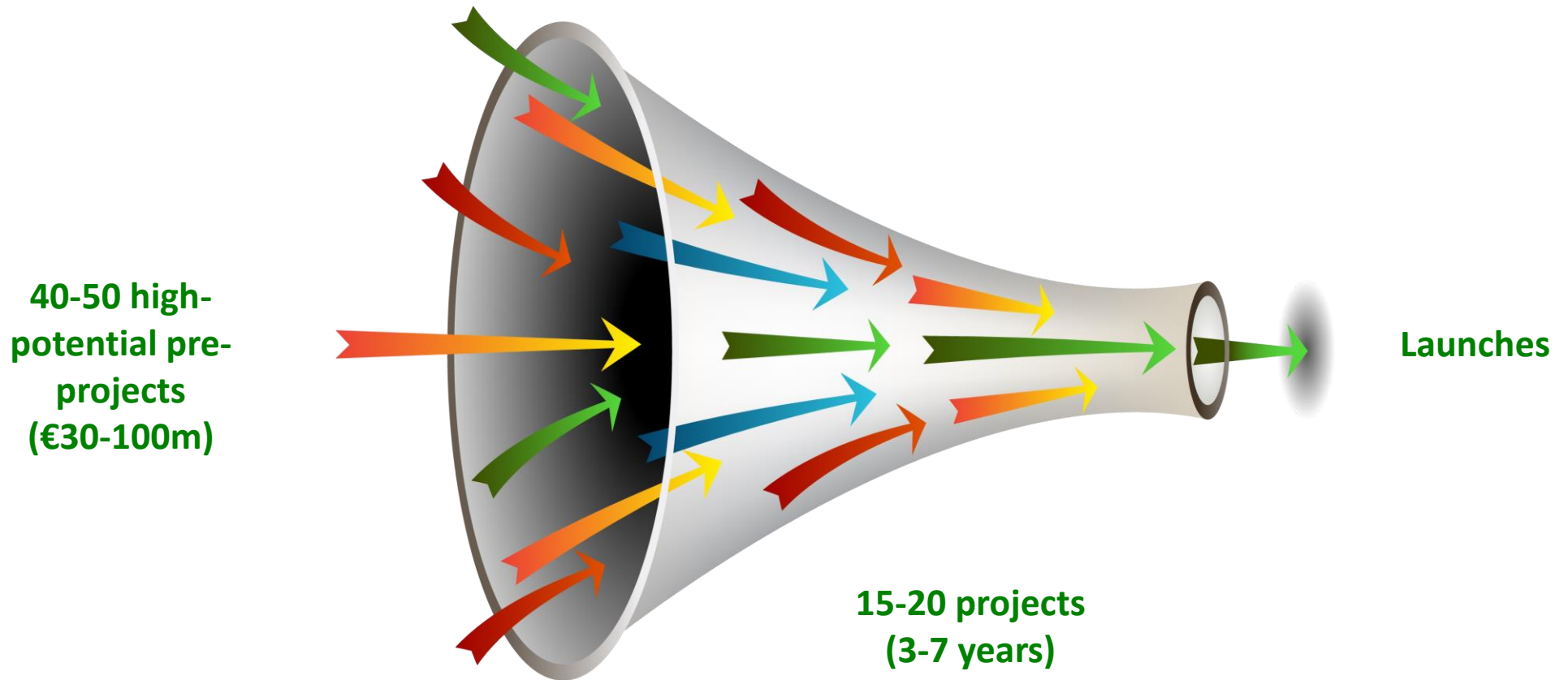
- **4** locations
- **over 160** employees
- **over 7% of sales** each year

Partnerships

- **Up to 50%** of the total budget
- **Milestones**



Vetoquinol's R&D portfolio



Innovation at Vetoquinol

Balance

- Innovation and life cycle
- Between species
- Short and long term
- Risk profile

Invest in biotechnology

- Monoclonal antibodies
- Recombinant proteins
- Cell therapy

Alternatives to ABs

- Vaccines
- Phage therapy
- Immunostimulants

Vetoquinol R&D pipeline



- Key**
- Infectious diseases
 - Pain-inflammation
 - Parasitology
 - Reproduction
 - Other

Capitalize on Group expertise

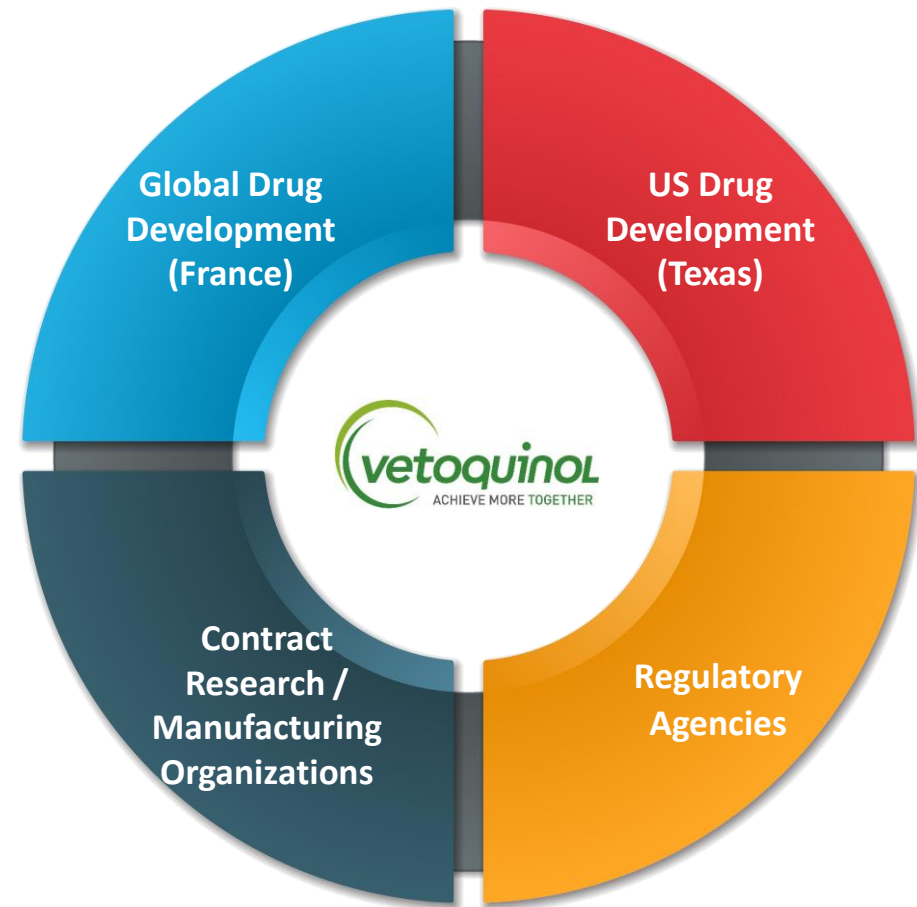
- Deploy dedicated teams in strategic countries
- Early involvement of project teams
- Pharmaceutical, biological and non-pharmaceutical
- Develop pre-clinical models
- Extend the global grassroots network



- Develop the network and in-house expertise in order to identify the “Best in class”
- Biotechs, human pharmaceuticals, agrochemicals
- Academic research
- Develop injectables, tablets, spot-ons, soft chews, solutions and ointments
- Taste of oral formulations
- Drown-out planned in order to space out treatments

Step up product registration in the USA

- › Develop Vetoquinol products in the USA
- › Roll out global developments
- › Manage the local portfolio
- › Make use of local R&D in all areas of expertise



R&D: value creation for Vetoquinol



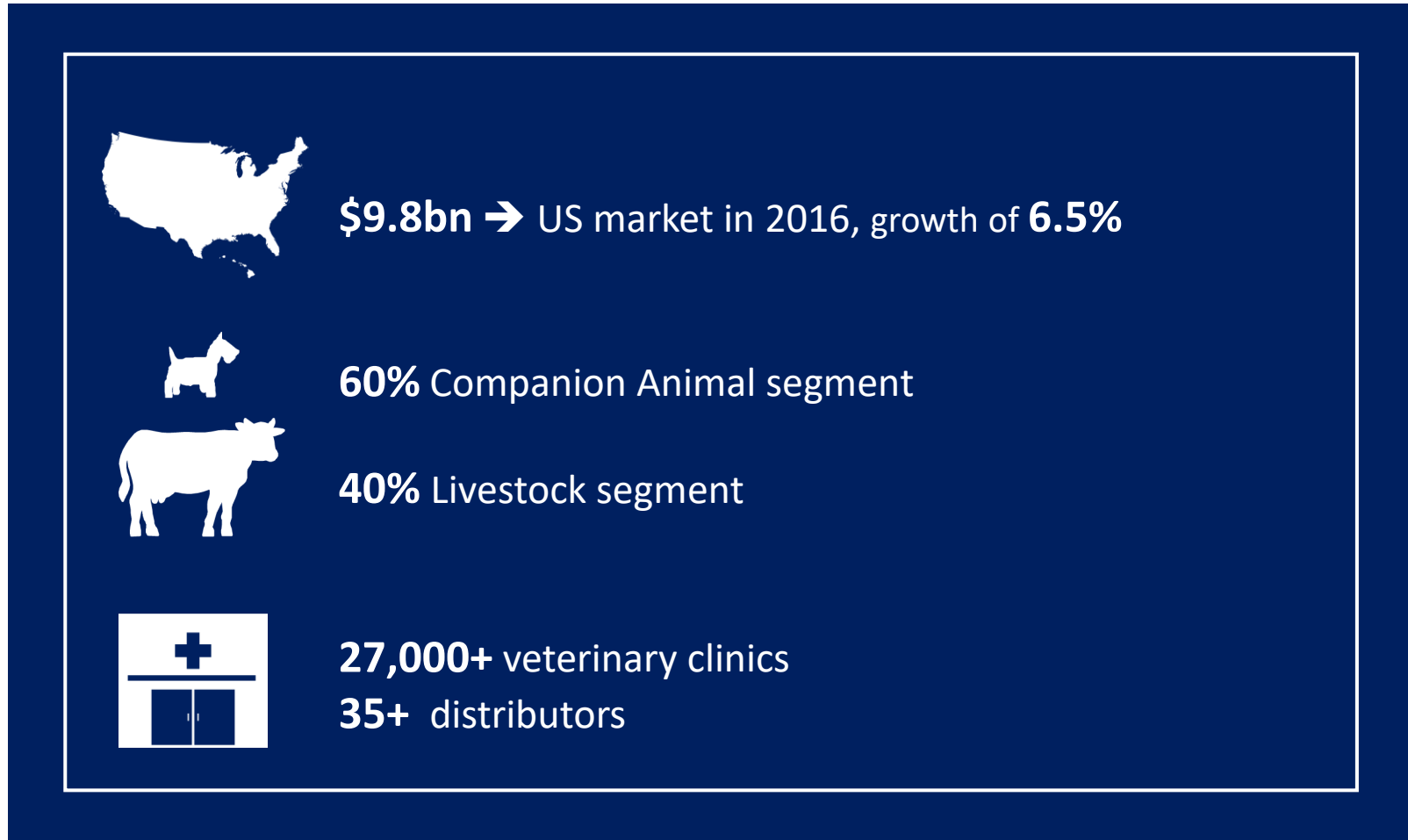
**Focus on our
6 target domains
for our 4 strategic species**

**Enhance innovation
by investing
in chemistry and biology
partnerships**

3.

- 2 growth drivers
- USA
- Business Excellence

The USA, world No. 1 animal health market



Source: Vetoquinol 2016 estimates

The rapidly changing US market

1

**Consolidation
of distribution
in the USA**

2

**Consolidation
of clinic
chains in the
USA**

Example of clinic consolidation in the USA

MARS

Brands: Cesar, Pedigree, Royal Canin, Sheba, Whiskas, etc.

=



January 2017: acquisition of **800 veterinary clinics** in 43 states for \$900m

+



2016: acquisition of **975 veterinary clinics** for \$774m
2017: opening of their **1,000th clinic**

The USA, Vetoquinol Group's No. 1 market



Over 15% of 2016 Group sales
Growth of over **10%**



80% Companion Animal segment

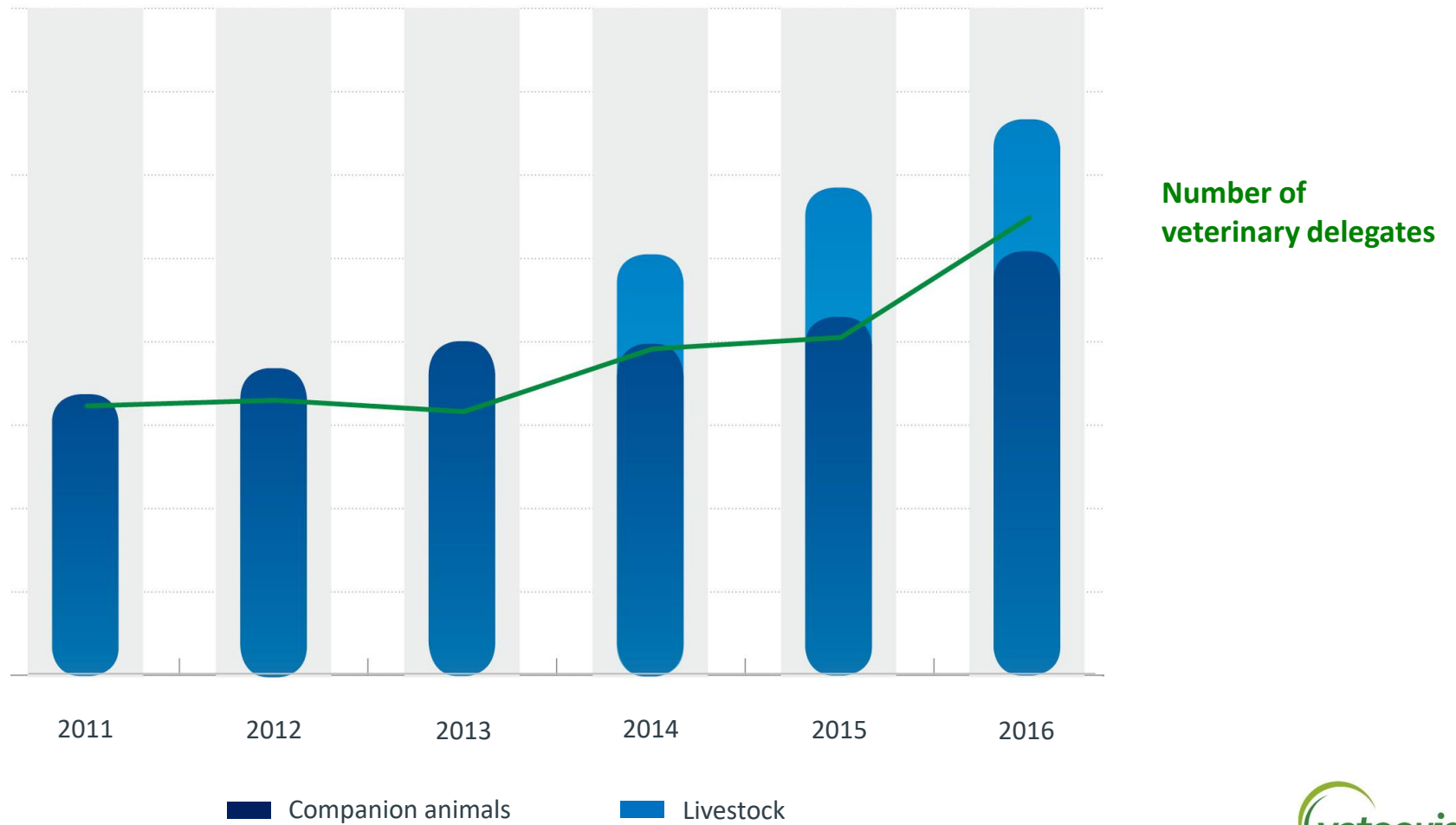


20% Livestock segment

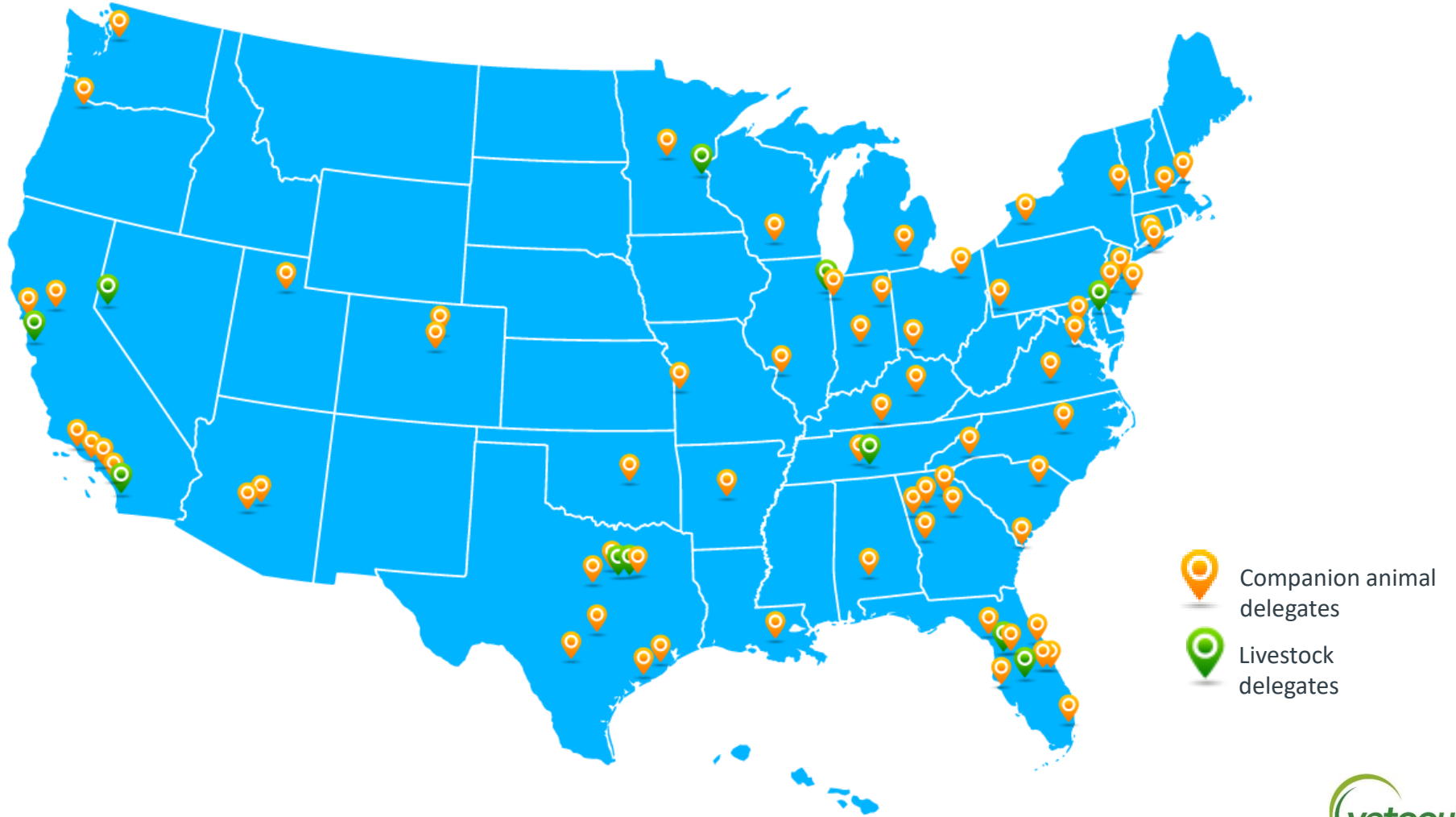


150 employees
over **2/3** sales and marketing

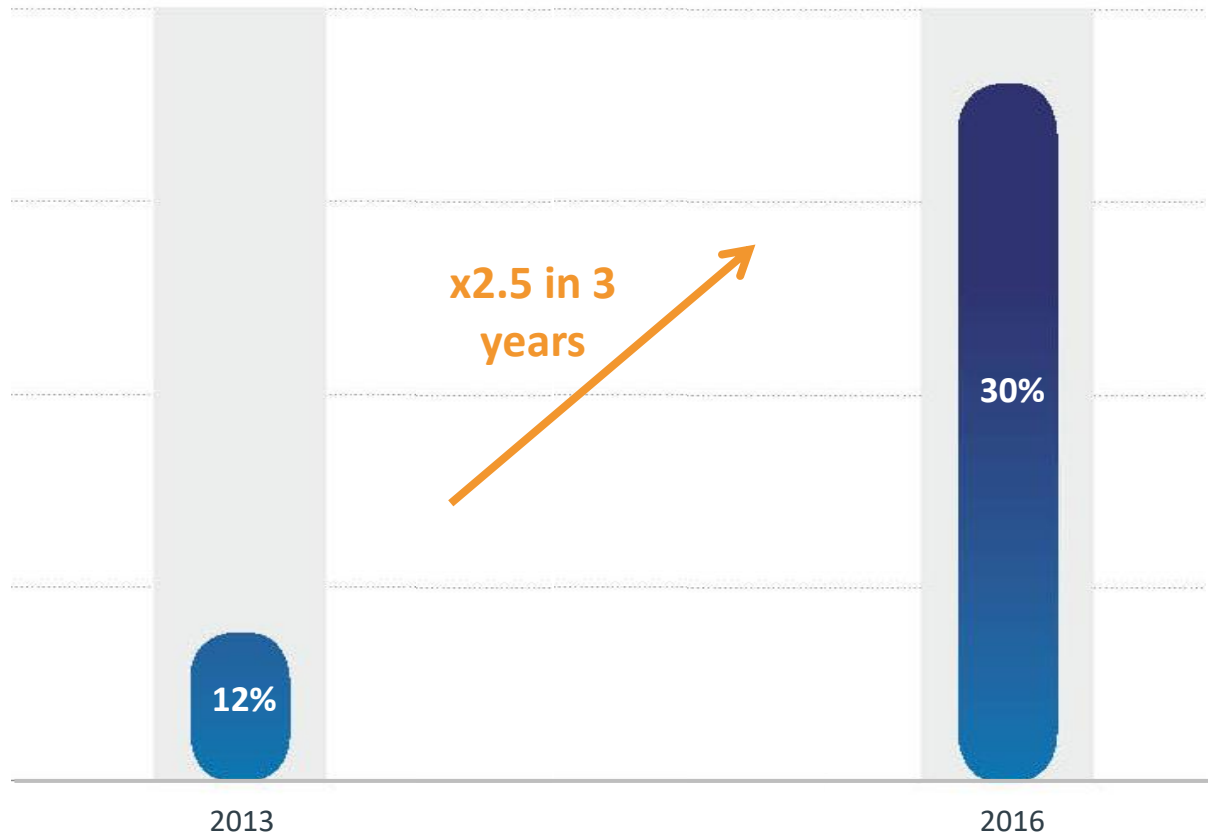
US business doubled in 5 years



The US network



Strong foothold of Essentials in the USA



Eric Alsup, General Manager at Vetoquinol USA



Business Excellence In Motion, 2nd growth driver



Business Excellence at Vetoquinol

- Improve service for the most demanding clients
- Deliver solutions tailored to their needs



Principles of Business Excellence In Motion



Vetoquinol's 2 growth drivers



**Vetoquinol boasts
a profitable business
in the USA with a
continuously expanding offer**

**Business Excellence entails a
profound transformation
of our organization and
know-how in response
to market changes**

4.

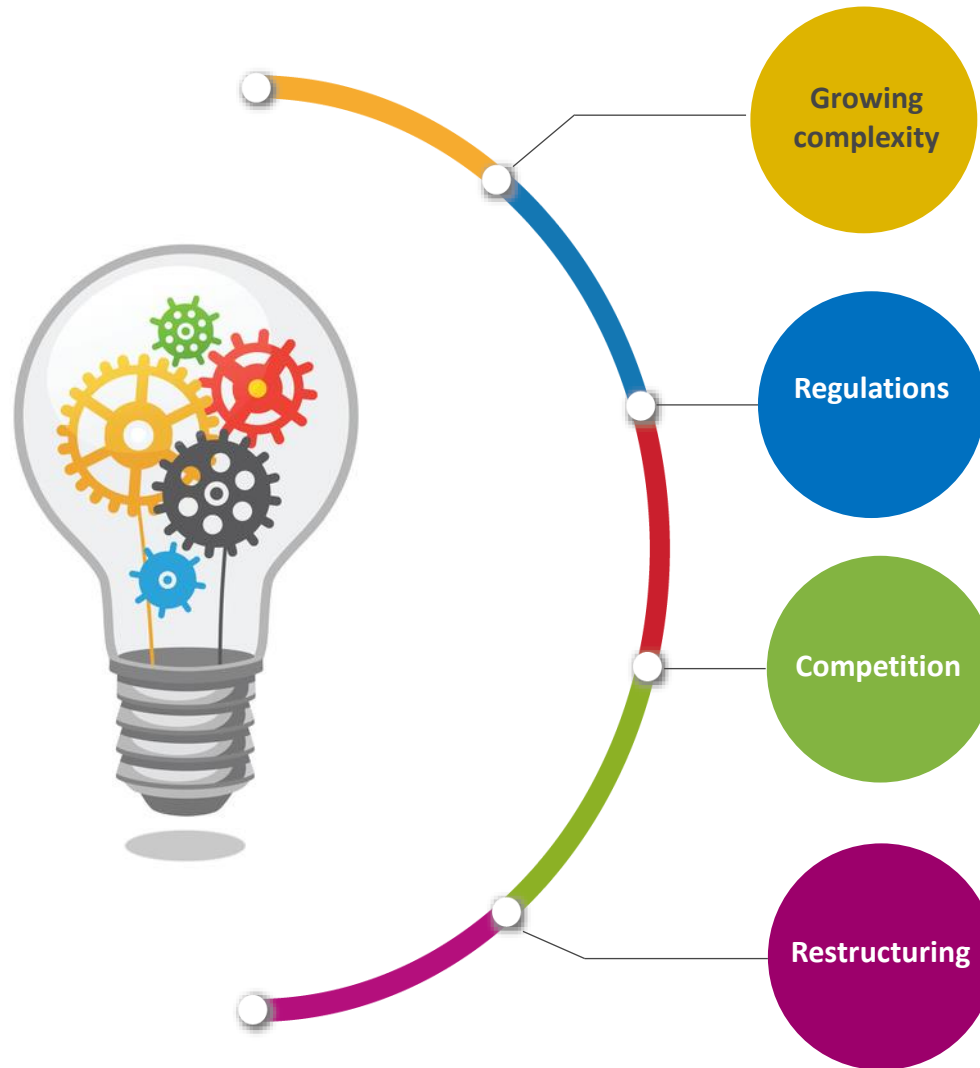
Vetoquinol's industrial transformation

Production In Motion: value creation

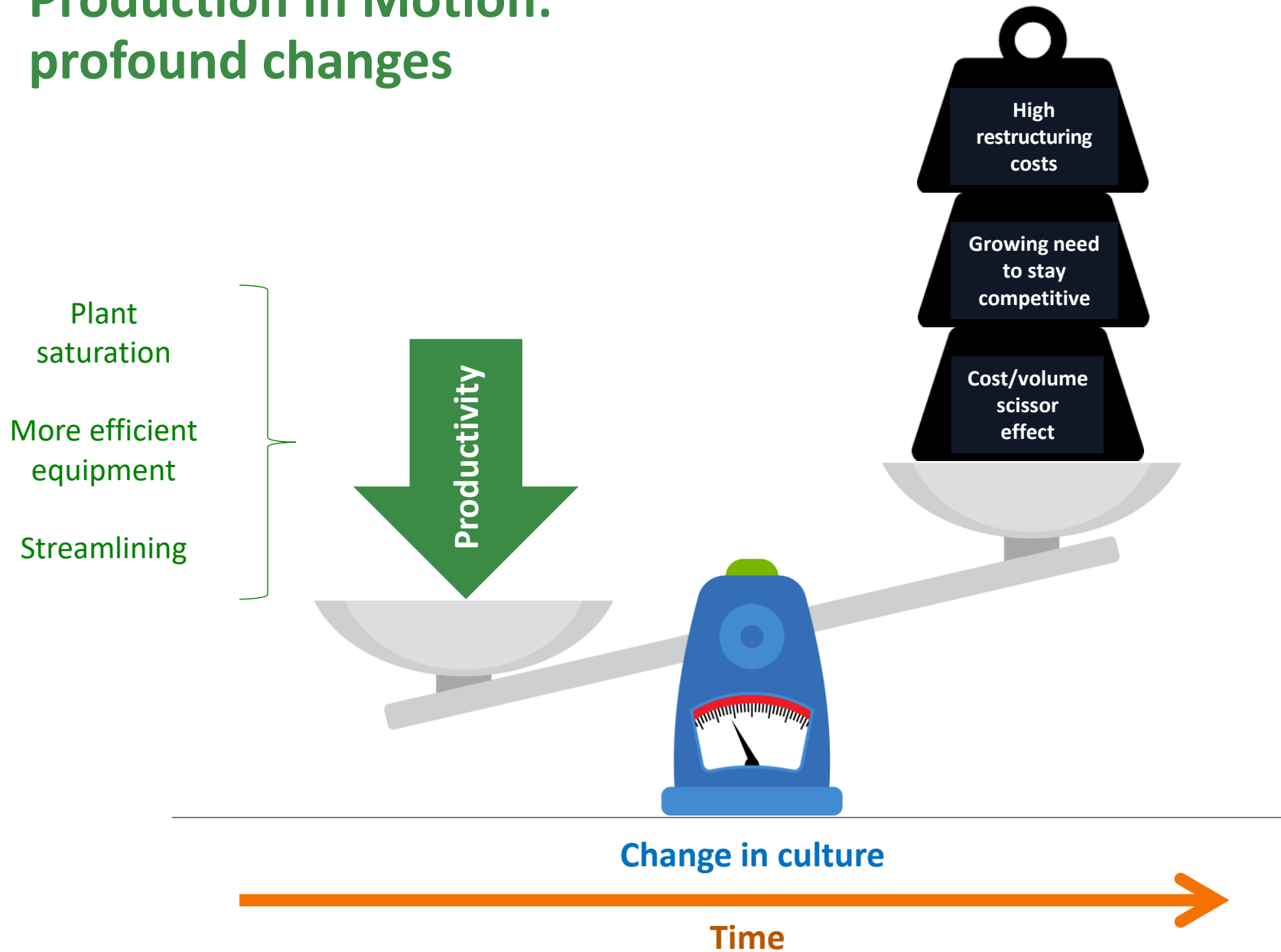


Production In Motion: controlling the value chain

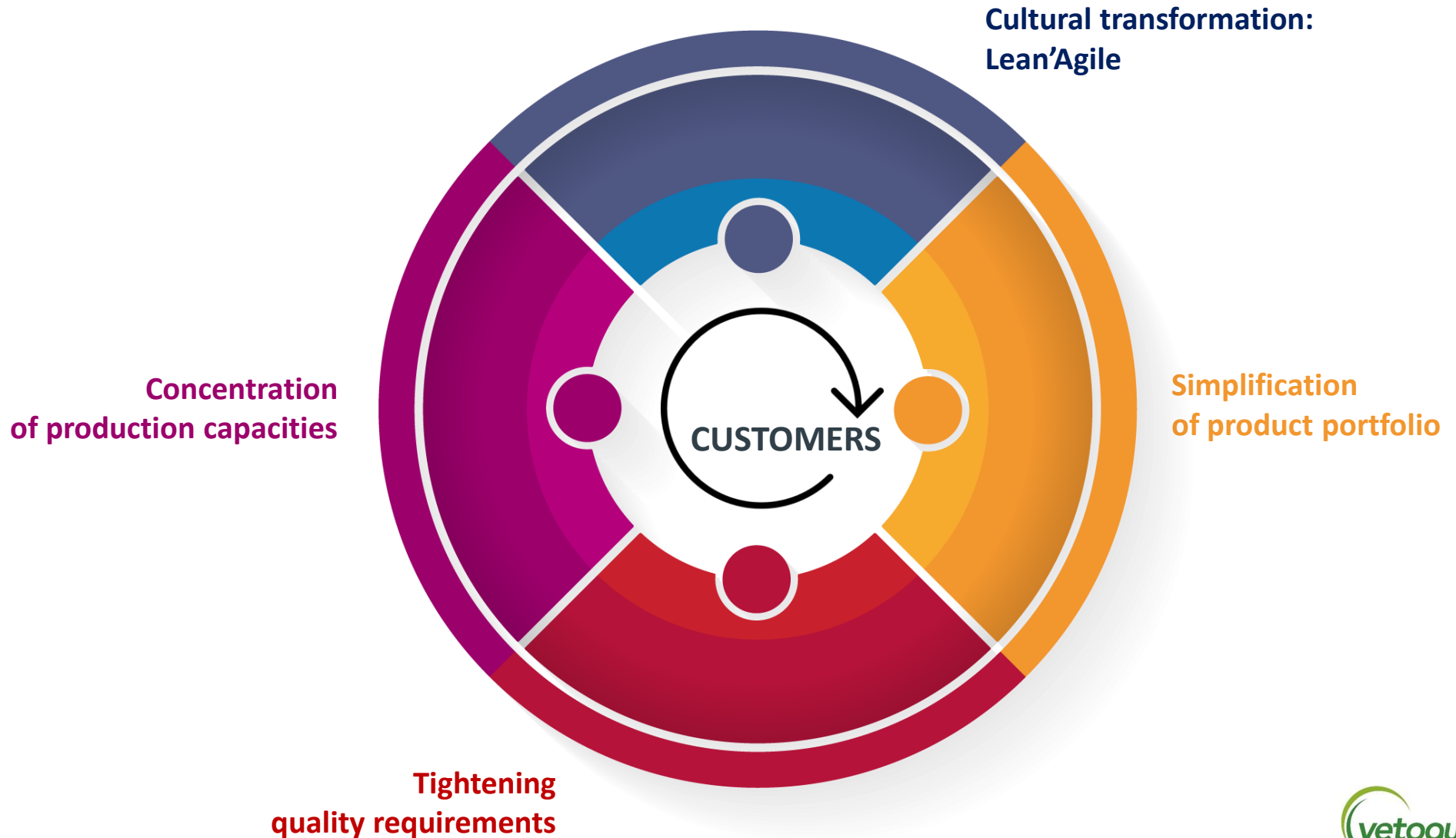
Delivering customers
under optimum
safety,
quality,
turnaround
and cost
conditions



Production In Motion: profound changes



Production In Motion: roll-out



Production In Motion: summary



5.

Conclusion



Vetoquinol, a successful strategic turning point

- › Animal health pure player
- › Multi-specialist strategy
 - Essentials range focused on key segments
 - Reduced dependence on antibiotics
- › Geographical repositioning
- › Recognized CSR strategy
- › A sound financial structure

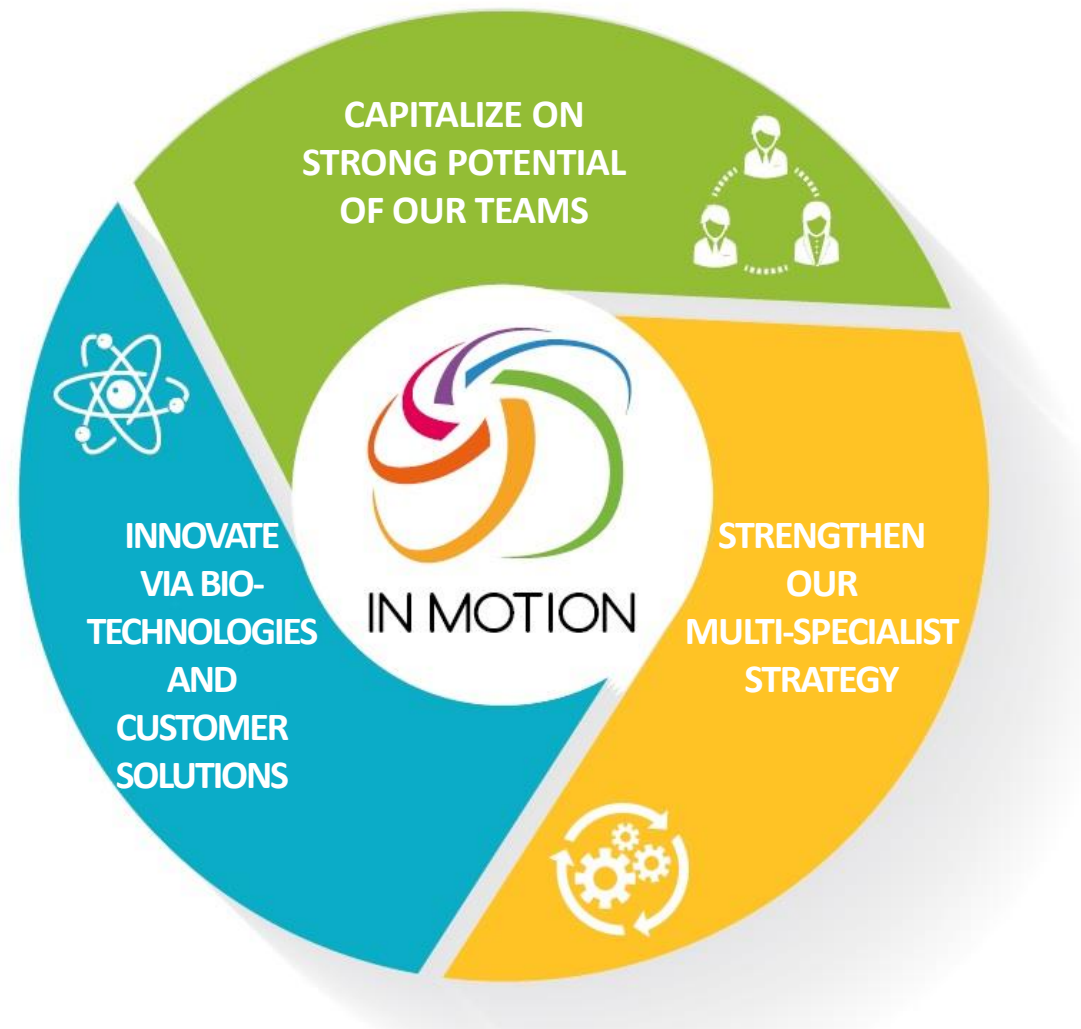


Vetoquinol In Motion!

- › A strengthened culture of product and solution innovation
- › Focus on high-potential regions
- › Optimization of industrial processes
- › New external growth ambition
- › Teams galvanized to meet the Group's challenges and aim for excellence



Vetoquinol enriches the lives of people through dedication to animal health and welfare



T H A N K

Y O U

Appendices



Vetoquinol operates in the main countries of the animal health world market



35% of H1 2017 sales
up 8%



48% of H1 2017 sales
down 5%



17% of H1 2017 sales
up 12%

Direct presence in **24** countries
550 veterinary delegates
140 distributors worldwide

2016 key figures

Group sales

€350.4m

up 2.3%

up 4.3% LFL

Reference
products

€170.9m

up 3.6%

up 5.5% LFL

EBIT

€42.1m

up 7.6%

EBITDA

€56.1m

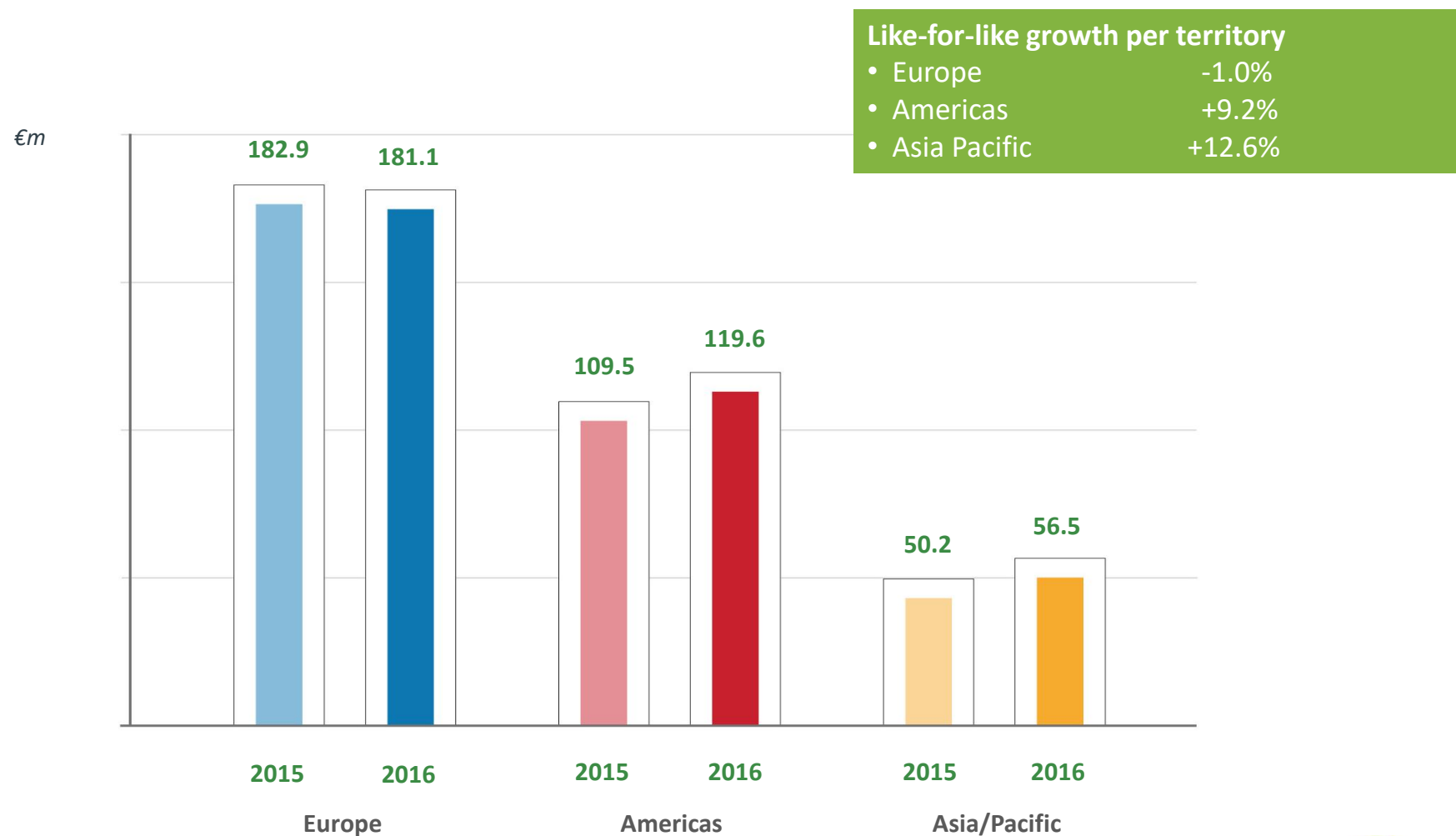
up 10.2%

Net cash

€78.1m

up €25.3m

2016 sales at constant exchange rates: €357.2m



Income statement

€m	2016	% of sales	2015	% of sales	Change
Sales	350.4		342.6		+2.3%
Gross margin	234.1	66.8	222.3	64.9	+5.3%
External expenses	(72.8)	(20.8)	(67.4)	(19.7)	+8.0%
Personnel expenses	(105.4)	(30.1)	(103.1)	(30.1)	+2.2%
Taxes and duties	(4.8)	(1.4)	(4.9)	(1.4)	-1.0%
Other income and expenses	5.4	1.5	4.2	1.2	+28.6%
Depreciation, amortization and provisions	(14.5)	(4.1)	(11.9)	(3.5)	+21.8%
EBIT	42.1	12.0	39.1	11.4	+7.6%
Operating income	40.0	11.4	34.3	10.0	+16.7%
Net financial income/(expense)	(0.2)	(0.1)	2.2	0.6	n/a
Pre-tax income	39.8	11.4	36.5	10.6	+9.0%
Income tax	(11.8)	(3.4)	(12.3)	(3.6)	-4.0%
Earnings/(loss) of associates	(0.1)	n/a	-	-	n/a
Net income - Group share	27.8	7.9	24.2	7.1	+15.2%
EBITDA	56.1	16.0	50.9	14.9	+10.2%

Calculation of EBITDA

€m	2016	2015
Net income excl. earnings of associates	27.9	24.2
Income tax expense	11.8	12.3
Net financial income/(expense)	0.2	(2.2)
Provisions recorded under non-recurring operating income and expenses	1.7	4.7
Provisions and write-backs	1.0	(1.6)
Depreciation and amortization	13.5	13.6
EBITDA	56.1	50.9

Cash flow

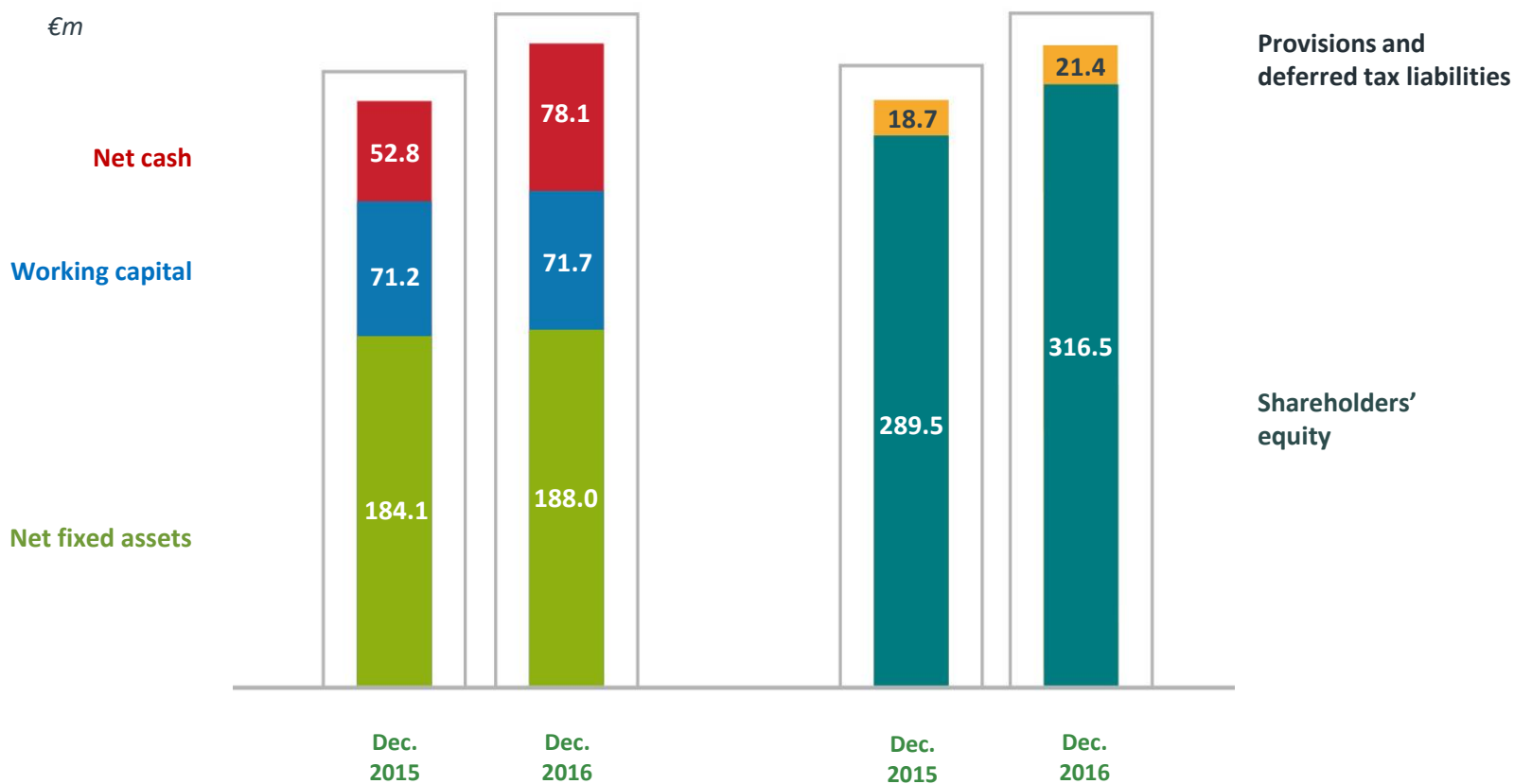
€m	2016	2015
Net income - Group share	27.8	24.2
Free cash flow before net cost of debt and tax	54.9	53.2
Cash flow from operating activities	43.2	38.9
Cash flow used by investing activities	(13.4)	(15.3)
Cash flow used by financing activities	(13.7)	(23.0)
Change in cash and cash equivalents	16.2	0.9

Working capital

€m	12/31/2016	12/31/2015
Inventories	69.4	68.4
Trade and other receivables	74.0	66.5
Trade and other payables	(72.8)	(68.6)
Other working capital	1.1	4.9
Working capital	71.7	71.2

	12/31/2016	12/31/2015
In number of days (by due date)	68.6	69.8

Financial structure



Strong fundamentals

- › Strong cash flow generation
 - EBITDA of **€56.1m**, up €5.2m

- › A sound financial structure
 - Shareholders' equity of **€316.5m**, up €27.0m
 - Net cash of **€78.1m**, up €25.3m

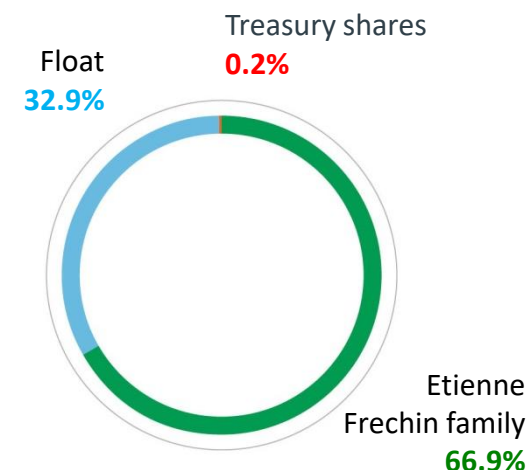
- › Large borrowing capacity
 - Targeted acquisition program
 - Ambitions confirmed
 - Financial partners engaged

Vetoquinol, an independent family-owned Group

- › **10-year** listing on NYSE Euronext Paris
- › Share price growth in 2016: **up 15.6%**



Shareholders at December 31, 2016



- › Share included in new NYSE Euronext “Family Business” index
- › Dividend of **€0.43** per share (up 4.9%) to be proposed to the May 30, 2017 shareholders’ general meeting, i.e. a payout ratio of **18.3%**

Vetoquinol, a responsible Group

- › Vetoquinol ranked **No. 1 listed SME** for CSR commitment in the 2016 Gaia Index
- › Confirmed eligibility for the **PEA-PME** personal equity plan





www.vetoquinol.com

FRANCE | GERMANY | UNITED KINGDOM | ITALY | SPAIN | PORTUGAL | BELGIUM | SWITZERLAND | NETHERLANDS |
POLAND | IRELAND | AUSTRIA | CZECH REPUBLIC | SWEDEN | USA | CANADA | MEXICO | BRAZIL |
INDIA | SOUTH KOREA | CHINA | AUSTRALIA | RUSSIA | JAPAN |