



ANIMAL  
HEALTH PARTNER  
SINCE 1933

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# 2017 RESULTS

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Investors and Analysts

March 15, 2018

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

## Disclaimer

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## Improvement in all indicators in 2017



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



**34.4%** of 2017 sales  
**up 3.8%** like-for-like  
**Essentials up 15.8%**



**48.7%** of 2017 sales  
**down 2.8%** like-for-like  
**Essentials up 1.9%**



**16.9%** of 2017 sales  
**up 6.9%** like-for-like  
**Essentials up 18.6%**

Direct presence in **24** countries

**140** distributors worldwide

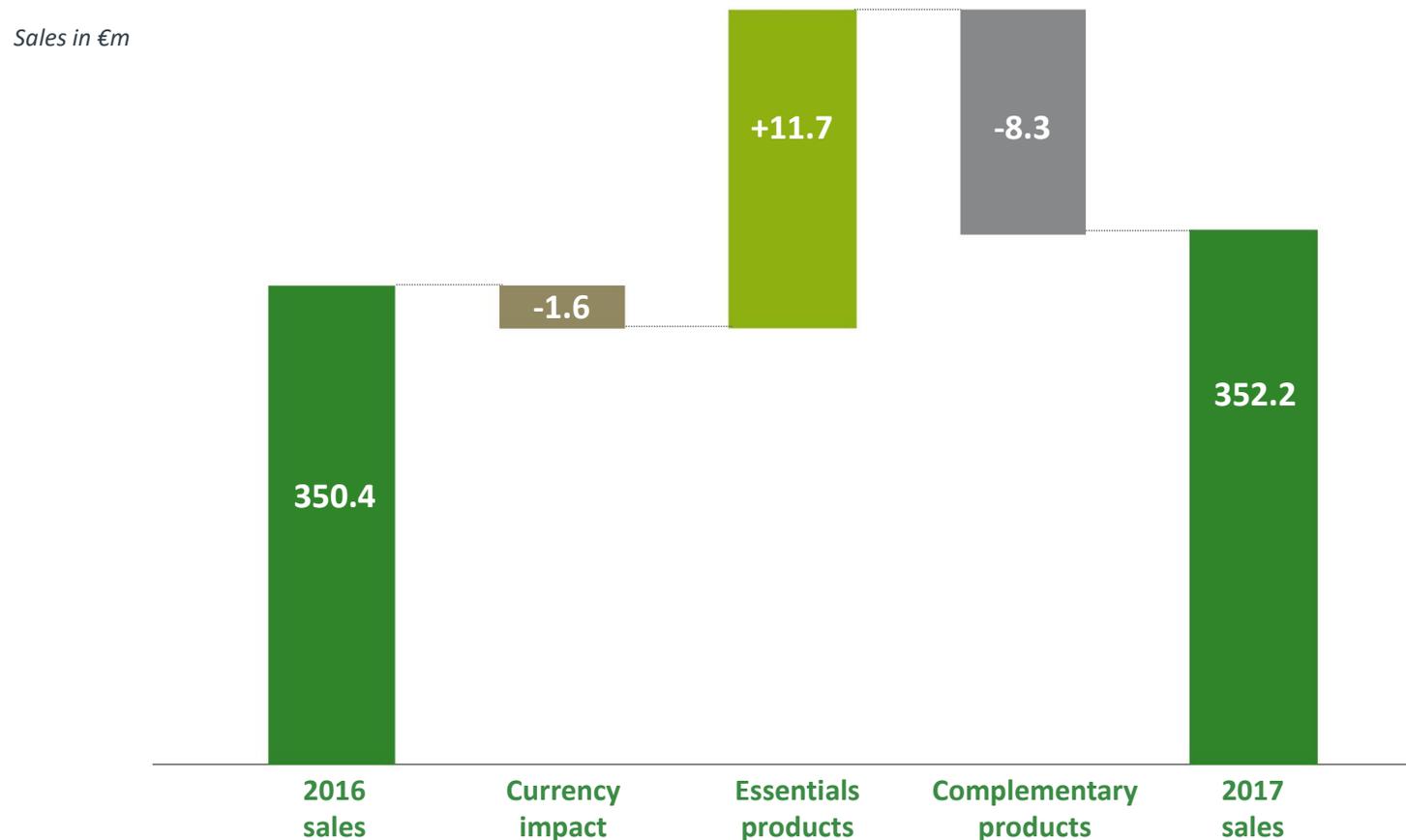
# 1.

## 2017 Highlights



## Strong growth in Essentials products, up 7.6%

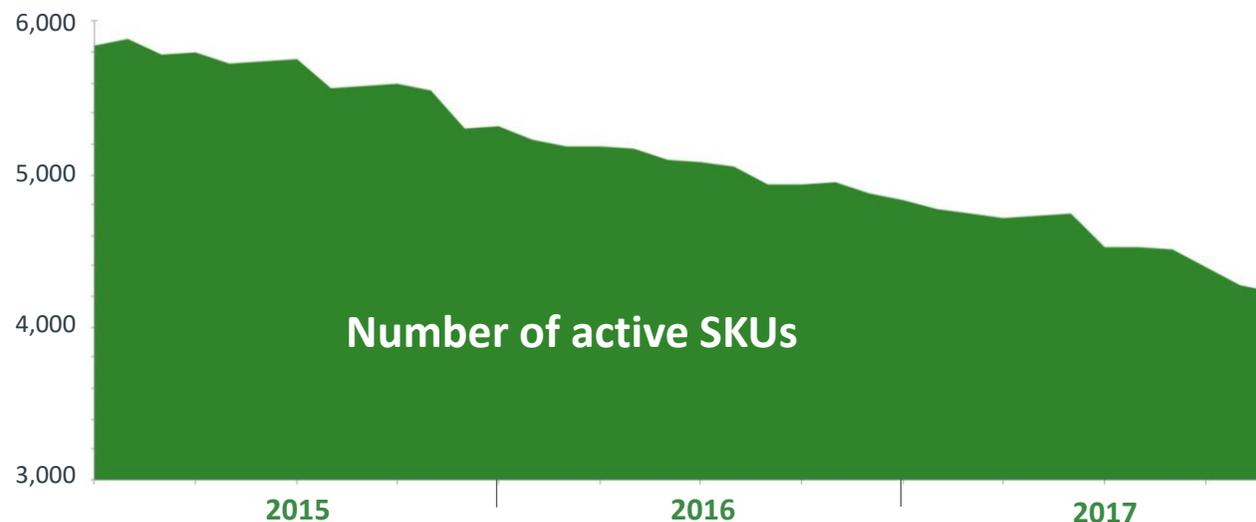
- › Amid global market growth estimated at around 2%\*



\*Vetoquinol estimates

## Streamlining continues

- › Portfolio streamlining - impact > 1% on 2017 sales

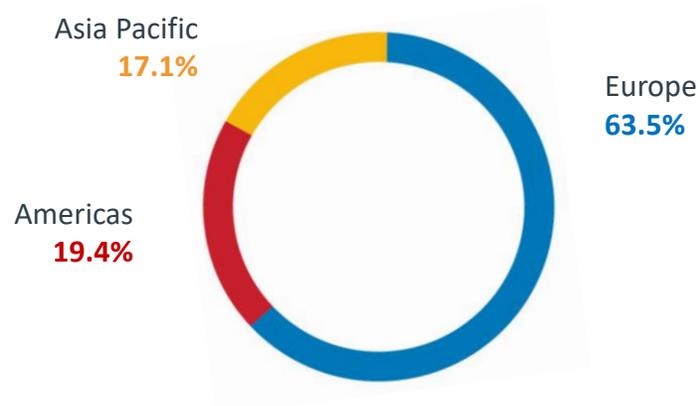


- › Consolidation of North American production facilities completed
  - Transfer of two production plants to the main plant in Princeville
- › Modernization of production facilities in Lure (France)
  - 2<sup>nd</sup> phase of a 5-year program
  - Extension of the injectables production unit

## Gradual phase-down of antibiotics

- › Gradual phase-down of antibiotics at Vetoquinol
  - 2011: **43%** of sales → 2017: **32%** of sales → 2021 forecast: **25%** of sales
- › Impact of phase-down on 2017 sales
  - Europe: **-6.1%**
  - Out of Europe: **+7.3%**

Breakdown of 2017 antibiotics sales by region



- › The Group's historical area of expertise, **3 main priorities:**
  - First-line antibiotics prioritized over critical antibiotics
  - Prevention of infections
  - Alternative treatments to antibiotics

## Positive impact of growth drivers on profit margins

- › More profitable product mix
  - Growth of Essentials products
  - Profit margins far exceeding those of Complementary products
  
- › Improved margin mix thanks to streamlining of product portfolio
  - Streamlining of low-profit products
  
- › Sharp increase in EBIT
  - OPEX under control
  - EBIT margin up 100 basis points

# Strengthened innovation with the In Motion strategic plan

## Acceleration of the innovation strategy

- › Strengthen the R&D budget
  - 2016: 6.9% of sales → 2017: 7.2% of sales
  
- › Coordinate business development and research
  
- › Ramp up innovative R&D partnerships and share risks
  
- › Strengthen innovation
  - Balance innovation and life cycle
  - Invest in biotechnology: monoclonal antibodies, recombinant proteins, cell therapy
  - Seek alternatives to antibiotics: vaccines, phage therapy, immunostimulants

## Acquisition of VetCom

- › Extend the reproduction product range for cows and pigs
  - Austrian company founded in 1998
  - 2 products: Reprocine<sup>®</sup>/Longacton<sup>®</sup> and Oextracton<sup>®</sup>
  - Strengthen Essentials products in Europe then worldwide
  - No staff or industrial facilities taken over



## Biotech partnership PAT

- › Acquisition of 2% equity stake in Plant Advanced Technologies PAT
  - French company specializing in plant biotechnology
  - Potential to provide an alternative source of active ingredients for future veterinary medicines
  - Development of procedures for producing active ingredients through hydroponics



# 2.

## 2017 Consolidated figures

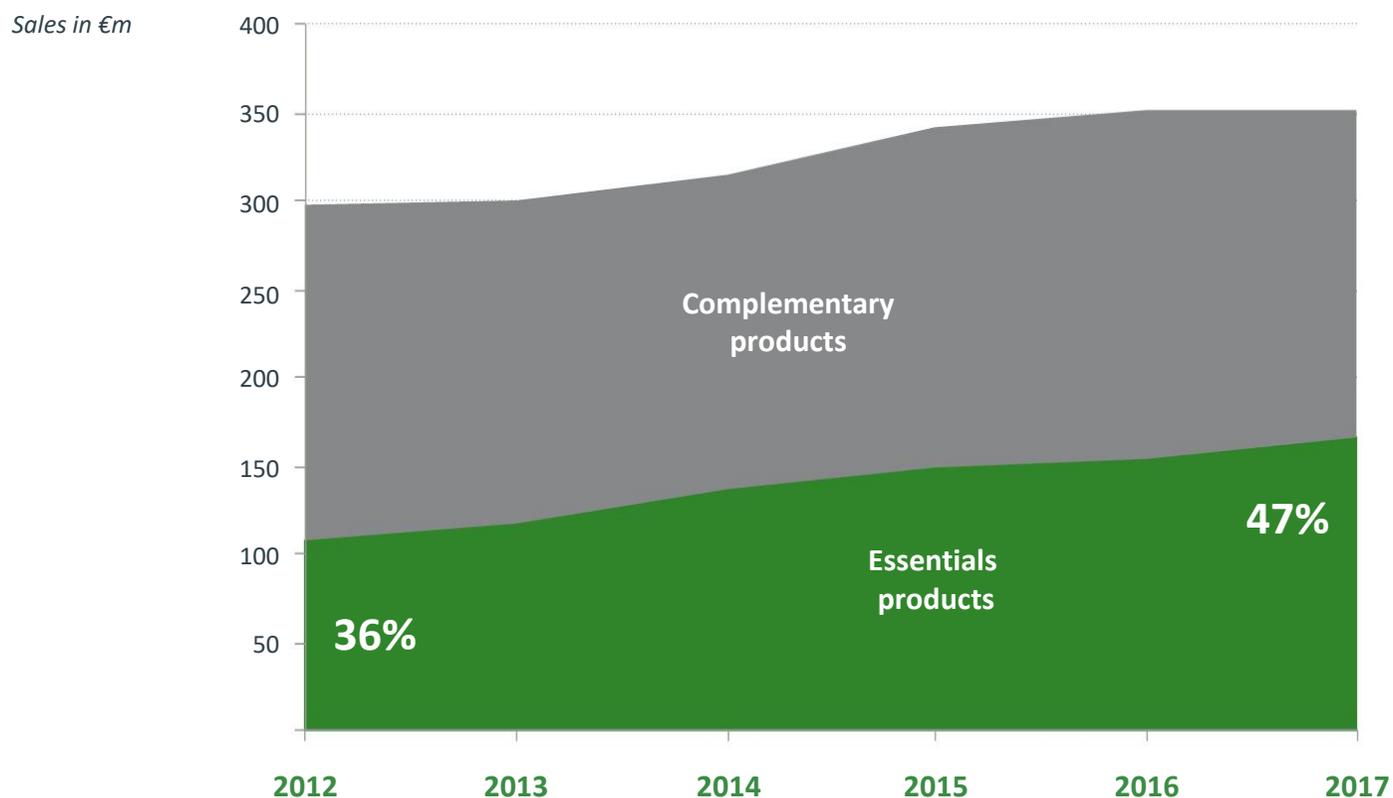


## 2017 Sales at constant exchange rates: €353.7m



## Buoyant + profitable Essentials products

- › Essentials products profit margin **15 percentage points higher** than Complementary products



## 2017 Sales key takeaways

- › Sharp growth in Essentials products, **up 7.6%**
  
- › Good performance in the Americas and Asia Pacific
  
- › Decline in antibiotics: **-6.1%** decrease in European sales
  
- › Significant currency impacts in Q4 2017
  - **Americas: -6.2%**
  - **Asia Pacific: -3.2%**

## Sharp growth in EBIT and net profit

€m	2017	% of sales	2016	% of sales	Change
<b>Sales</b>	<b>352.2</b>		<b>350.4</b>		<b>+0.5%</b>
<b>Gross margin on purchases</b>	<b>240.5</b>	<b>68.3</b>	<b>234.1</b>	<b>66.8</b>	<b>+2.7%</b>
External expenses	(73.0)	(20.7)	(72.8)	(20.8)	+0.3%
Personnel expenses	(111.0)	(31.5)	(105.4)	(30.1)	+5.3%
Taxes and duties	(4.6)	(1.3)	(4.8)	(1.4)	-4.2%
Other income and expenses	6.3	1.8	5.4	1.5	+16.7%
Depreciation, amortization and provisions	(12.2)	(3.3)	(14.5)	(4.1)	-16.5%
<b>EBIT</b>	<b>46.0</b>	<b>13.1</b>	<b>42.1</b>	<b>12.0</b>	<b>+9.4%</b>
Operating income	45.6	13.0	40.0	11.4	+14.0%
Net financial expense	(2.3)	(0.7)	(0.2)	(0.1)	n/a
Pre-tax income	43.3	12.3	39.8	11.4	+8.8%
Income tax	(8.4)	(2.4)	(11.8)	(3.4)	-28.9%
Earnings/(loss) of associates	(0.1)	n/a	(0.1)	n/a	n/a
<b>Net income - Group share</b>	<b>34.8</b>	<b>9.9</b>	<b>27.8</b>	<b>7.9</b>	<b>+25.2%</b>
<b>EBITDA</b>	<b>57.4</b>	<b>16.3</b>	<b>56.1</b>	<b>16.0</b>	<b>+2.3%</b>

## EBITDA, ongoing value creation

€m	2017	2016
Net income excl. earnings of associates	34.9	27.9
Income tax expense	8.4	11.8
Net financial expense	2.3	0.2
Provisions recorded under non-recurring operating income and expenses	(0.4)	1.7
Provisions and write-backs	(0.1)	1.0
Depreciation and amortization	12.2	13.5
<b>EBITDA</b>	<b>57.4</b>	<b>56.1</b>

# Cash flow

€m	2017	2016
Net income - Group share	34.8	27.8
Free cash flow before net cost of debt and tax	55.3	54.9
Cash flow from operating activities	41.2	43.2
Cash flow used by investing activities	(15.7)	(13.4)
Cash flow used by financing activities	(14.6)	(13.7)
<b>Change in cash and cash equivalents</b>	<b>9.7</b>	<b>16.2</b>

## › 2017 Capex

- **€11.1m** property, plant & equipment
- **€2.6m** intangible assets

## Working capital

€m	12/31/2017	12/31/2016
Inventories	69.4	69.4
Trade and other receivables	66.8	74.0
Trade and other payables	(70.5)	(72.8)
Other net working capital*	4.9	1.1
<b>Working capital</b>	<b>70.6</b>	<b>71.7</b>

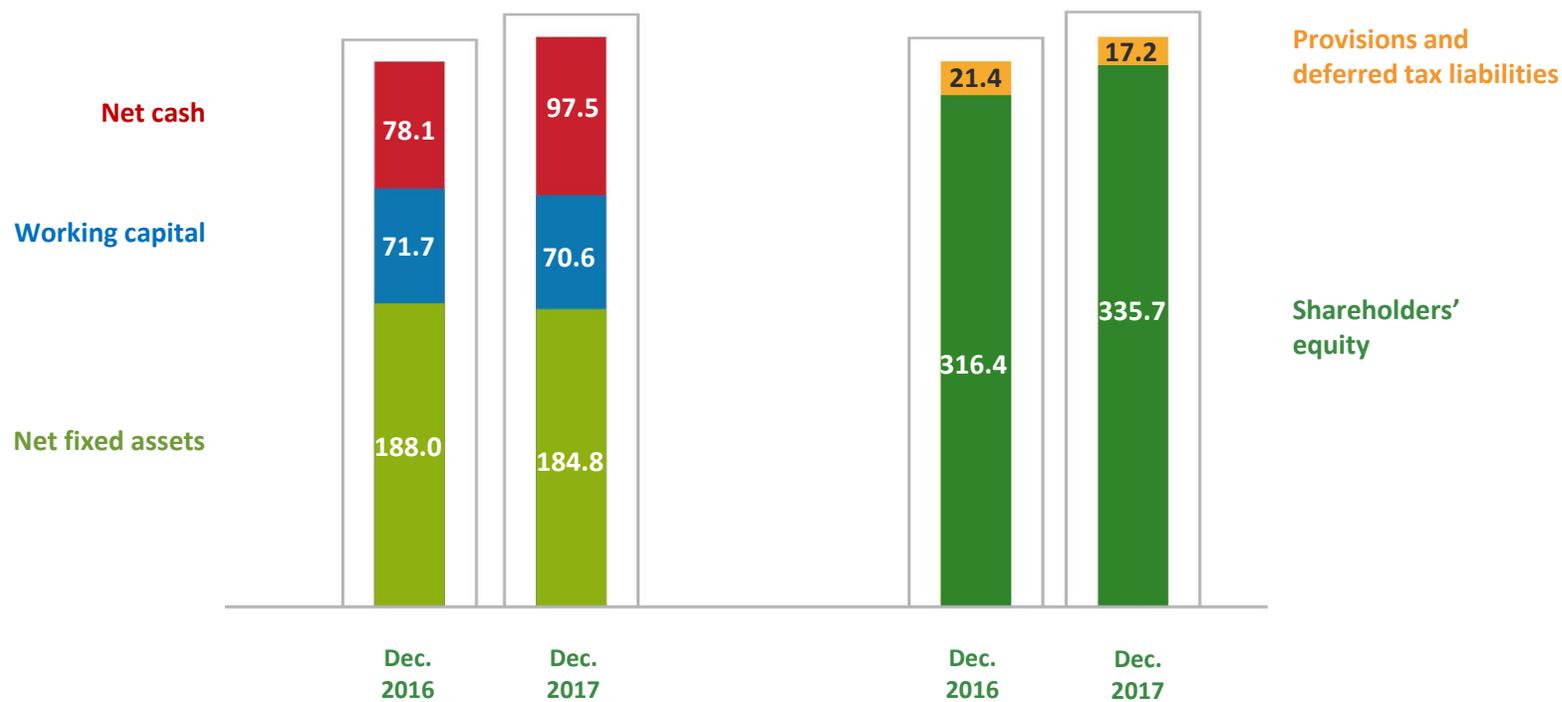
	12/31/2017	12/31/2016
<b>In number of days (by due date)</b>	<b>73.6</b>	<b>68.6</b>

- › Working capital excluding income tax (other items): 68.4 days (2017) vs. 72.9 days (2016)

\*Includes income tax receivable up €3.5m (€5.7m vs. €2.2m)

# Sound financial structure

€m



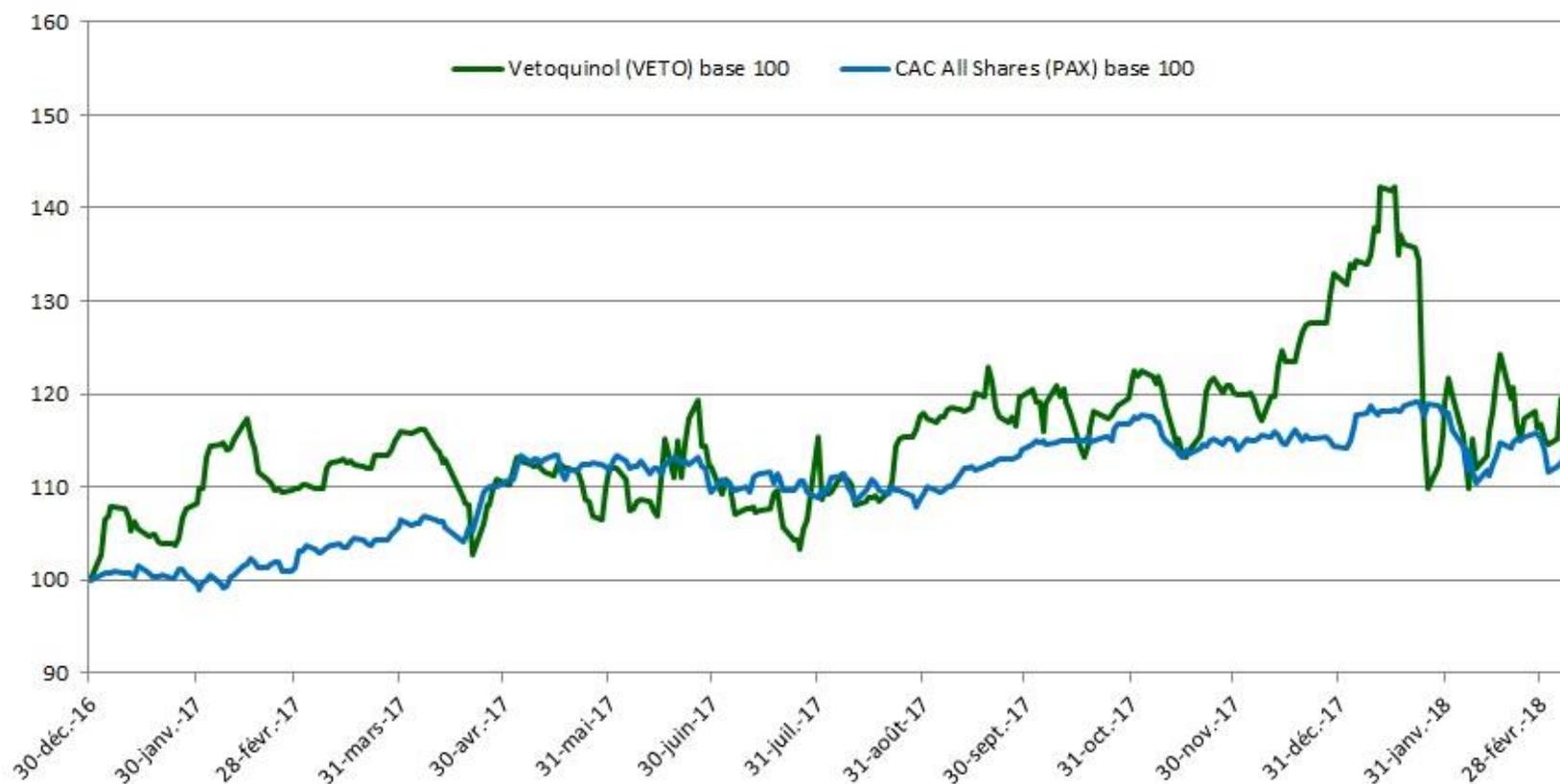
# Strengthening Vetoquinol's fundamentals

- › Strong momentum of Essentials products
- › Improvement in operating performances
- › Strong cash generation
  - Cash flow from operating activities of **€40m**
- › Sound financial structure
  - Shareholders' equity of **€335.7m**
  - Net cash of **€97.5m**
  - Large borrowing capacity

**Strong fundamentals in line with the In Motion strategic plan**

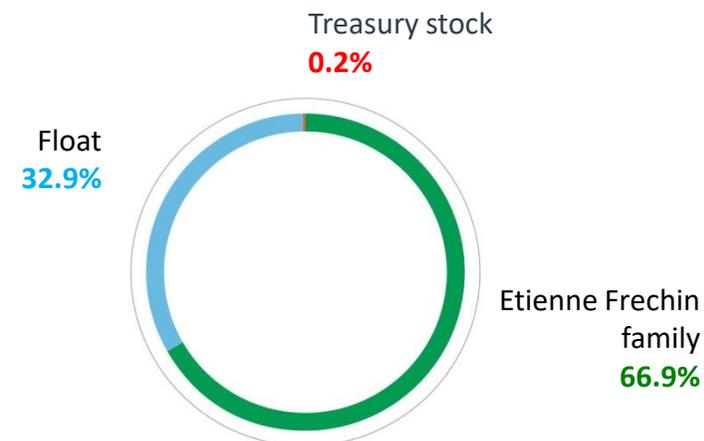
## 2017, excellent market performance

- › Share price from January 1 to December 31, 2017: **up 32.9%**



## Vetoquinol, an independent family-owned Group

- › Shareholders at December 31, 2017
- › Share included in new NYSE Euronext “Family Business” index
- › Draft resolutions at the General Meeting scheduled for May 29, 2018
  - Dividend of **€0.46** per share (**up 7%**), i.e. a payout ratio of **15.7%**
  - Appointment of a new independent director



## Vetoquinol, a reputed and responsible Group

- › **6th consecutive year** ranked in the **Gaia Index Top 3 for CSR commitment**
  - **2017: ranked 2<sup>nd</sup> among companies** with sales between €150 and €500 million
- › **Ranked 3<sup>rd</sup> in the "Mid-Cap Corporate Governance" category** at the 14<sup>th</sup> Agefi Grands Prix Awards
- › Confirmed eligibility for the **PEA-PME** personal equity plan



# 3.

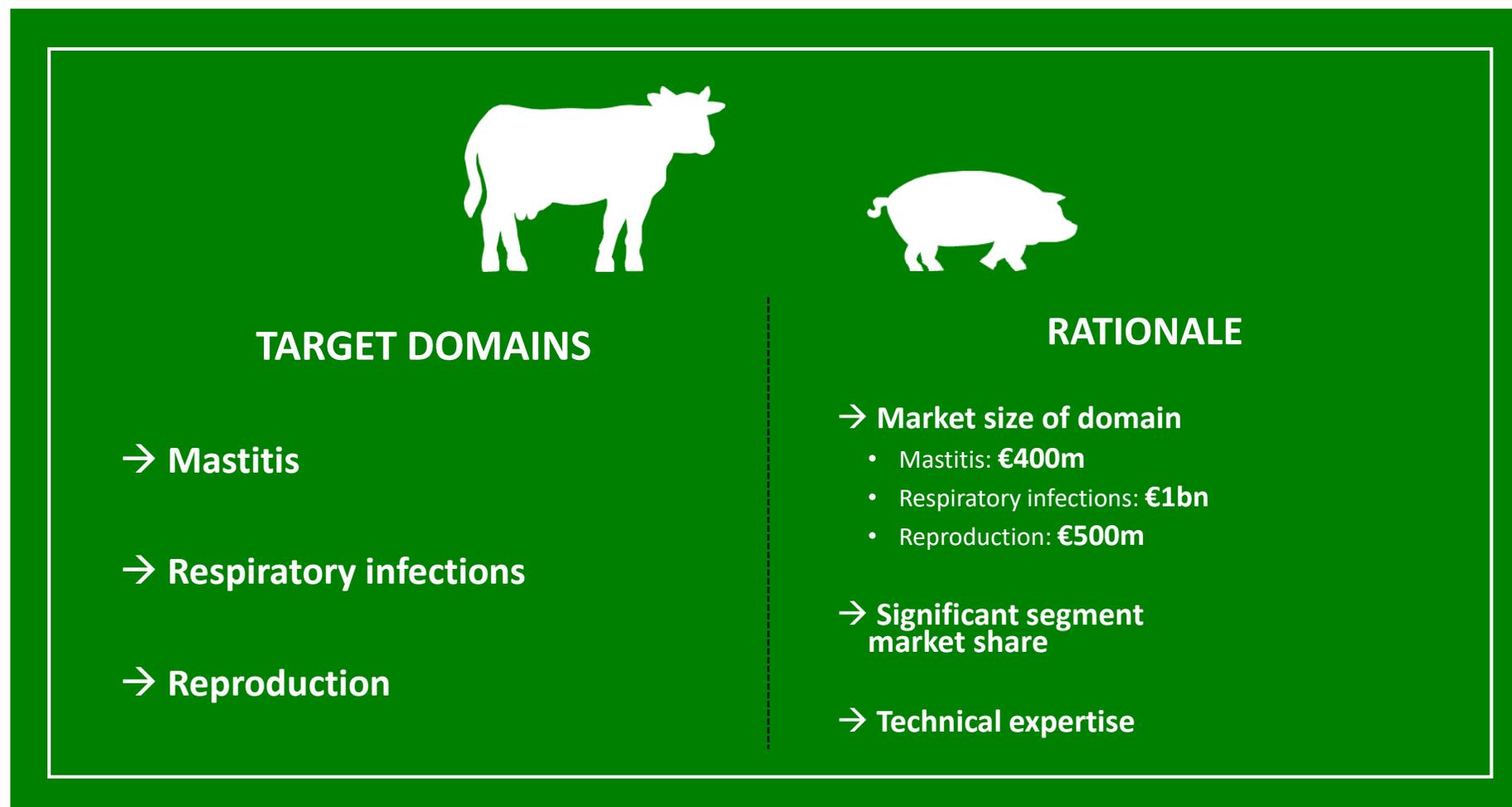
## Strategy and outlook



## 2018-2021 priorities: roll-out of the In Motion strategic plan

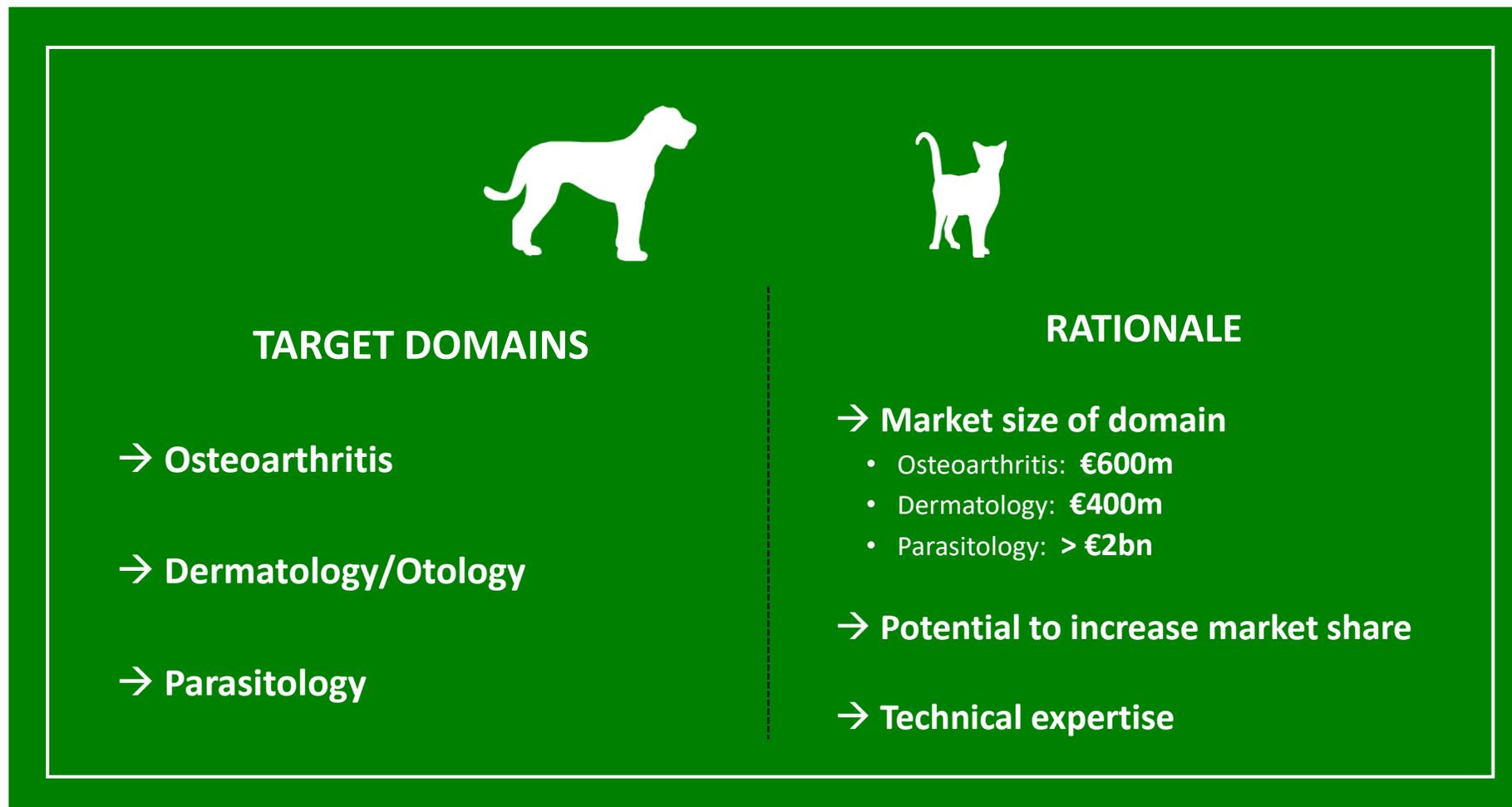
- › Ongoing work on the product portfolio
  - Development of Essentials products
  - Continued streamlining of the product portfolio
  - R&D pipeline and new product launches
  
- › Improvement in EBIT margin
  
- › Ongoing investment
  - Industrial
  - Partnerships
  
- › Targeted M&A strategy

## 2018-2021 priorities: strengthen target domains...



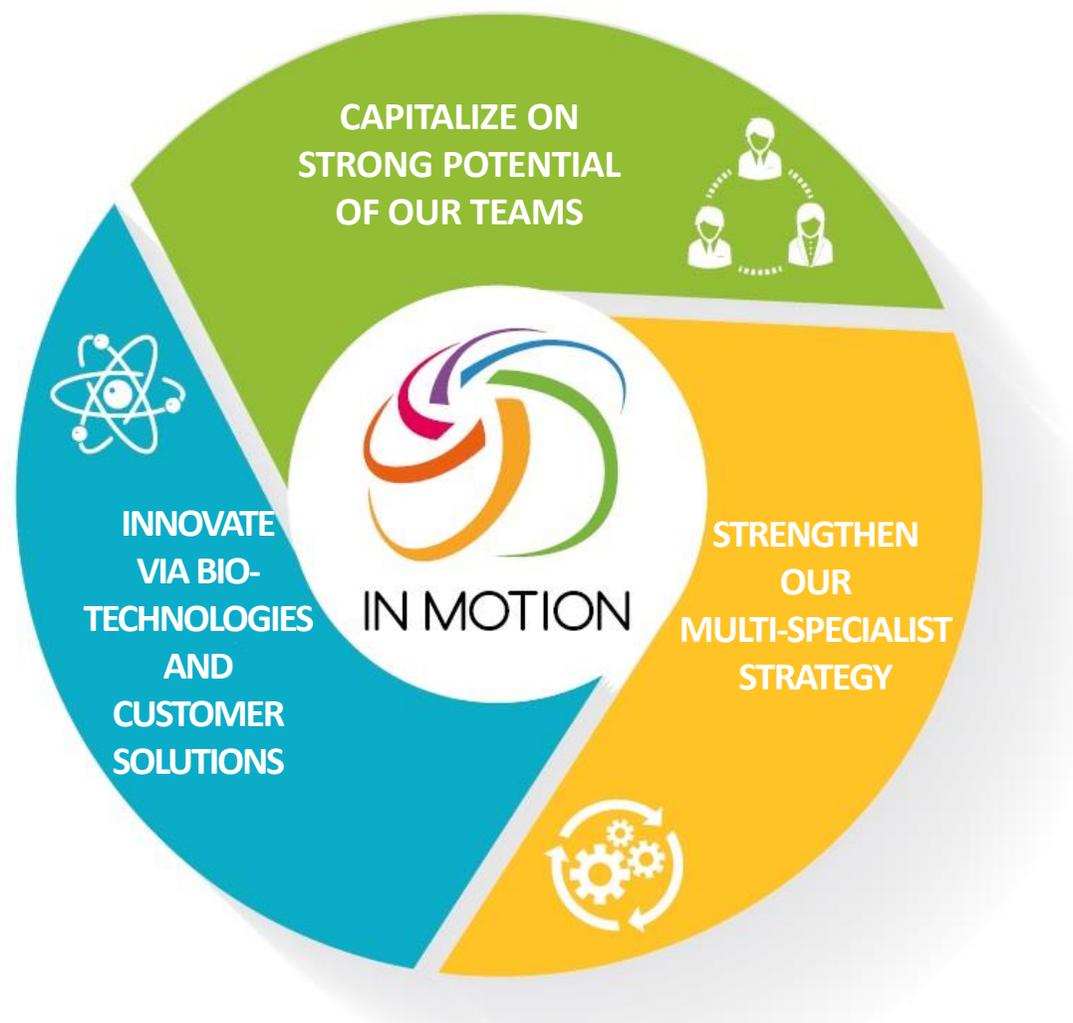
Source: Vetoquinol 2017 estimates

## ... on high-growth markets



Source: Vetoquinol 2017 estimates

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



## Upcoming financial releases

- › April 12, 2018      **Q1 2018 sales** (after market close)
- › May 29, 2018      **Shareholders' general meeting**
- › June 6, 2018      **Dividend payout**
- › July 26, 2018      **H1 2018 sales and results** (after market close)
- › October 18, 2018      **Q3 2018 sales** (after market close)
- › January 24, 2019      **2018 full-year sales** (after market close)



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