



ANIMAL  
HEALTH PARTNER  
SINCE 1933

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# 2019 RESULTS

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Investors and Analysts

March 26, 2020

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

# Disclaimer

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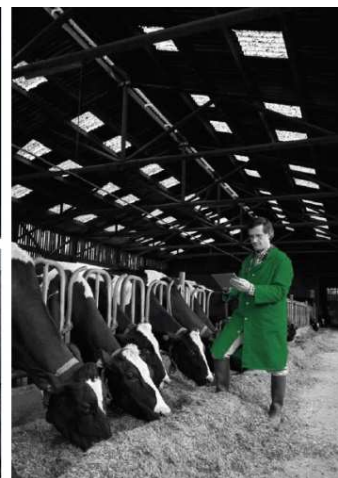
This document does not contain any quantified results forecasts.

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.

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## 2019 financial indicators

Group sales  
**€396.0m**  
up 6.1%  
(constant FX rates)

Essentials  
products  
**€190.6m**  
up 5.1%  
(constant FX rates)

EBIT  
before depr. of acq.  
assets  
**€48.9m**  
12.3% of sales

Net income  
Group share  
**€28.6m**  
down €7.7m\* vs 2018

Net cash  
**€72.4m**

\* incl. €5m non-recurring costs

# 1.

## 2019 highlights



# Growth fueled by Essentials products and acquisitions

Sales (€m)



## Stepping up a gear on the 3<sup>rd</sup> largest world market

- › Boosting Vetoquinol's market share in Brazil
  - Ranked 15<sup>th</sup> on the domestic market and **aiming for the Top 10**
  
- › Strong market share in Vetoquinol strategic domains
  - Cattle is target market with moves to pet market in progress
  - **Strong presence in parasiticides**
  
- › Highly innovative R&D in formulation
  - Product development pipeline with registration pending
  
- › Integrated model, like Vetoquinol
  - Development
  - Production
  - Marketing



# Staff geared up for successful integration

## > Clarion Biociências

- Sales **booming** over last 3 years
- Headcount < **200 staff**
- Over 20 years' experience

## > Details of the transaction

- **90% equity stake** purchase funded by own cash
- Integration began **April 15, 2019**

## > Successful integration

- 2019 sales (8 months): **€10m**
- Acquisition goodwill accounting allocation in progress



Brinco Diazinon



Contratack Injetável



# Development of Essentials offering

## › Essentials product launches

- Flexadin Advanced B
- Sonotix
- Boar Better
- Ovugel



## › Exclusive world licensing deal with Klox Technologies

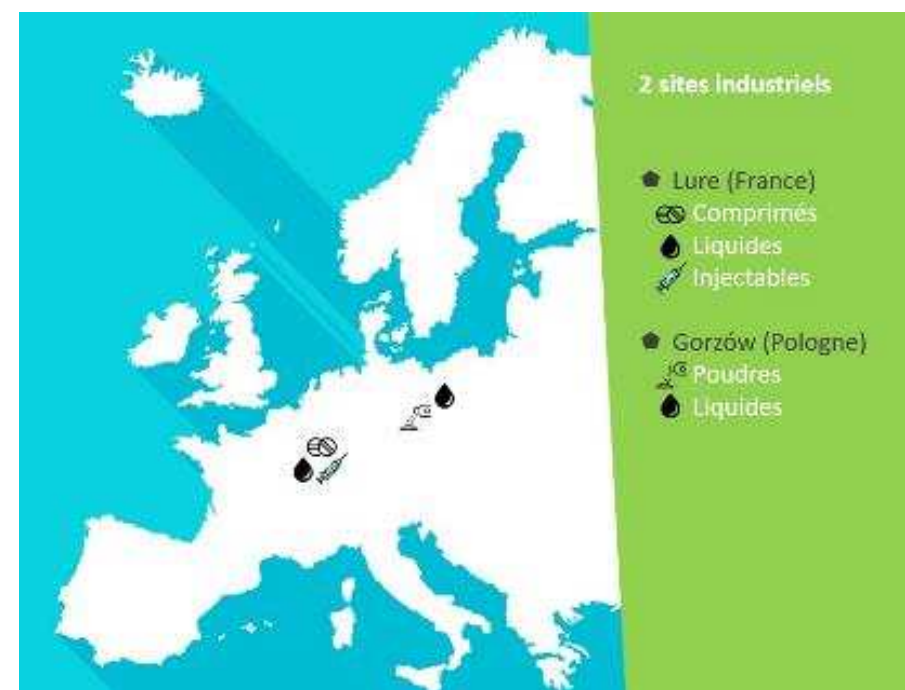
- Growing pet dermatology market share

## › Research project abandoned



# Ongoing reorganization of Vetoquinol production facilities

- › Industrial component of the In Motion strategic plan
  - Saturate Group production facilities
  - Anticipate tightening EU regulations
  
- › **2019** → Transfer of Vetoquinol Italia production operations
  - Emilia Romagna (Italy) plant production transferred to Polish and French plants
  - Italy remains a strategic country for Vetoquinol
  - Continued sales of transferred products in other countries

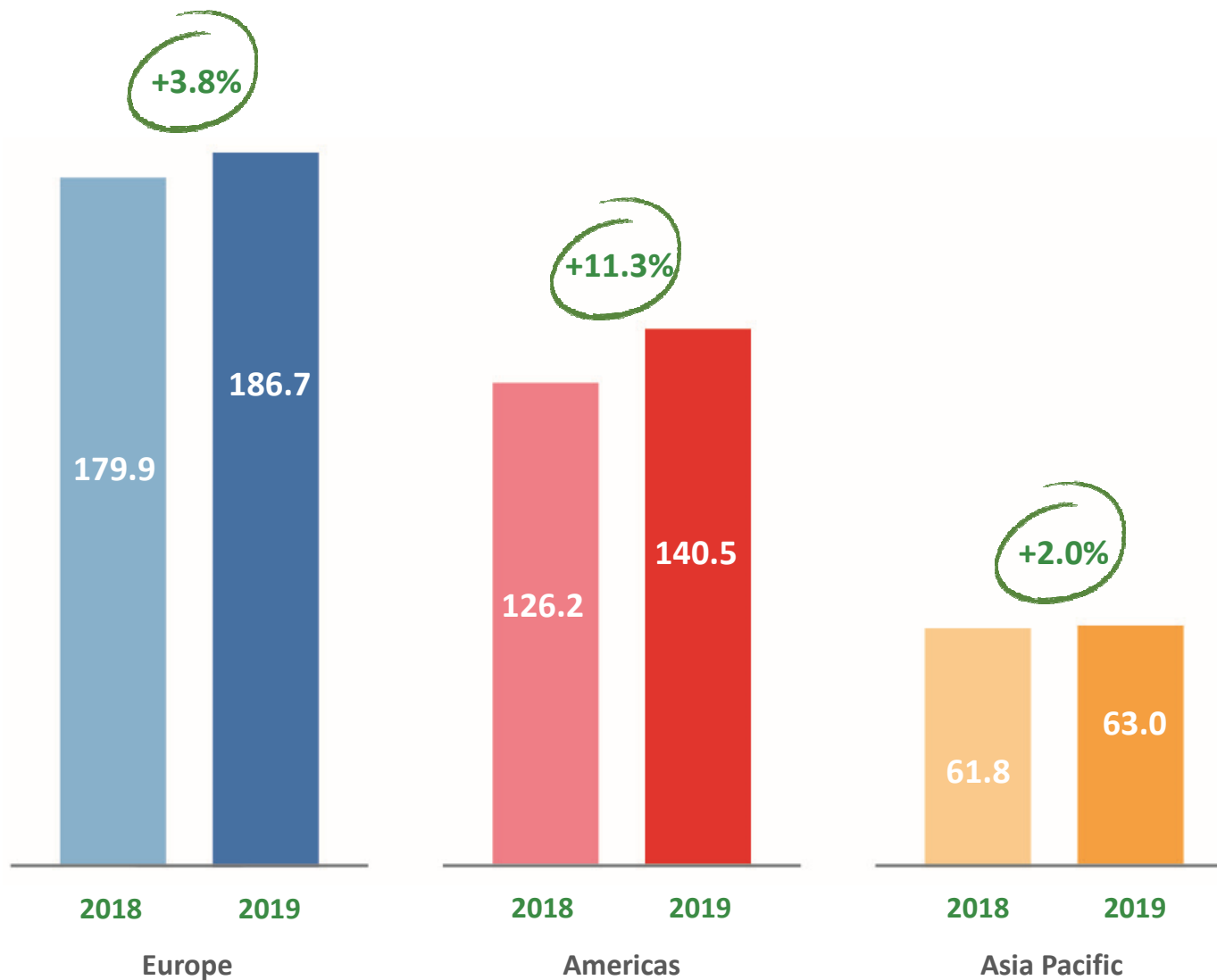


# 2.

## 2019 consolidated figures

## 2019 sales show growth across all territories

Sales (€m)  
At constant exchange  
rates



# Income statement

€m	2019	% of sales	2018*	% of sales	Change
<b>Sales</b>	<b>396.0</b>		<b>367.9</b>		<b>+7.6%</b>
<b>Gross margin on purchases</b>	<b>271.5</b>	<b>68.6</b>	<b>255.1</b>	<b>69.3</b>	<b>+6.4%</b>
External expenses*	(81.4)	(20.6)	(73.9)	(20.1)	+10.3%
Personnel expenses	(122.8)	(31.0)	(115.3)	(31.3)	+6.5%
Taxes and duties	(5.7)	(1.4)	(5.0)	(1.3)	+14.7%
Other income and expenses	4.6	1.2	5.2	1.4	-12.9%
Depreciation and amortization*	(17.2)	(4.3)	(14.8)	(4.0)	+16.5%
<b>EBIT before depreciation of assets arising from acquisitions</b>	<b>48.9</b>	<b>12.3</b>	<b>51.4</b>	<b>14.0</b>	<b>-4.9%</b>
Amortization of intangible assets arising from acquisitions	(3.0)		(2.7)		
<b>EBIT</b>	<b>45.9</b>	<b>11.6</b>	<b>48.7</b>	<b>13.2</b>	<b>-5.7%</b>

\* Adjusted for IFRS 16

# Income statement

€m	2019	% of sales	2018*	% of sales	Change
<b>EBIT</b>	<b>45.9</b>	<b>11.6</b>	<b>48.7</b>	<b>13.2</b>	<b>-5.7%</b>
Non-recurring operating income and expenses	(5.0)		(0.2)		
<b>Operating income</b>	<b>40.9</b>	<b>10.3</b>	<b>48.4</b>	<b>13.2</b>	<b>-15.6%</b>
Net financial items	(0.2)	(0.1)	0.2	0.1	n/a
Income before tax	40.7	10.3	48.6	13.2	-16.3%
Income tax	(12.5)	(3.1)	(12.2)	(3.3)	+2.4%
Earnings/(loss) of associates	-	n/a	(0.2)	n/a	n/a
<b>Net income - Group share</b>	<b>28.6</b>	<b>7.2</b>	<b>36.3</b>	<b>9.9</b>	<b>-21.2%</b>
<b>EBITDA</b>	<b>65.4</b>	<b>16.5</b>	<b>65.2</b>	<b>17.7</b>	<b>0.4%</b>

\* Adjusted for IFRS 16

## EBITDA, ongoing value creation

€m	2019	2018*
Net income before equity method	28.2	36.5
Income tax expense	12.5	12.2
Net financial items	0.2	(0.2)
Provisions recorded under non-recurring operating income and expenses	4.4	(0.8)
Provisions and write-backs	0.9	0.1
Depreciation and amortization	19.3	17.4
<b>EBITDA</b>	<b>65.4</b>	<b>65.2</b>

\* Adjusted for IFRS 16

› Major impact of non-cash items

# Cash flow

€m	2019	2018*
Consolidated net income	28.2	36.3
Free cash flow before net cost of debt and tax	65.5	66.3
Cash flow from operating activities	52.0	42.7
Cash flow used by investing activities	(64.5)	(17.8)
Cash flow used by financing activities	(20.1)	(20.0)
<b>Change in cash and cash equivalents</b>	<b>(34.0)</b>	<b>4.6</b>

\* Adjusted for IFRS 16



# Working capital

€m	12/31/2019	12/31/2018*
Inventories	77.4	77.2
Trade and other receivables	90.1	73.8
Trade and other payables	(84.5)	(74.5)
Other net working capital	3.1	3.2
<b>Working capital</b>	<b>86.2</b>	<b>79.7</b>

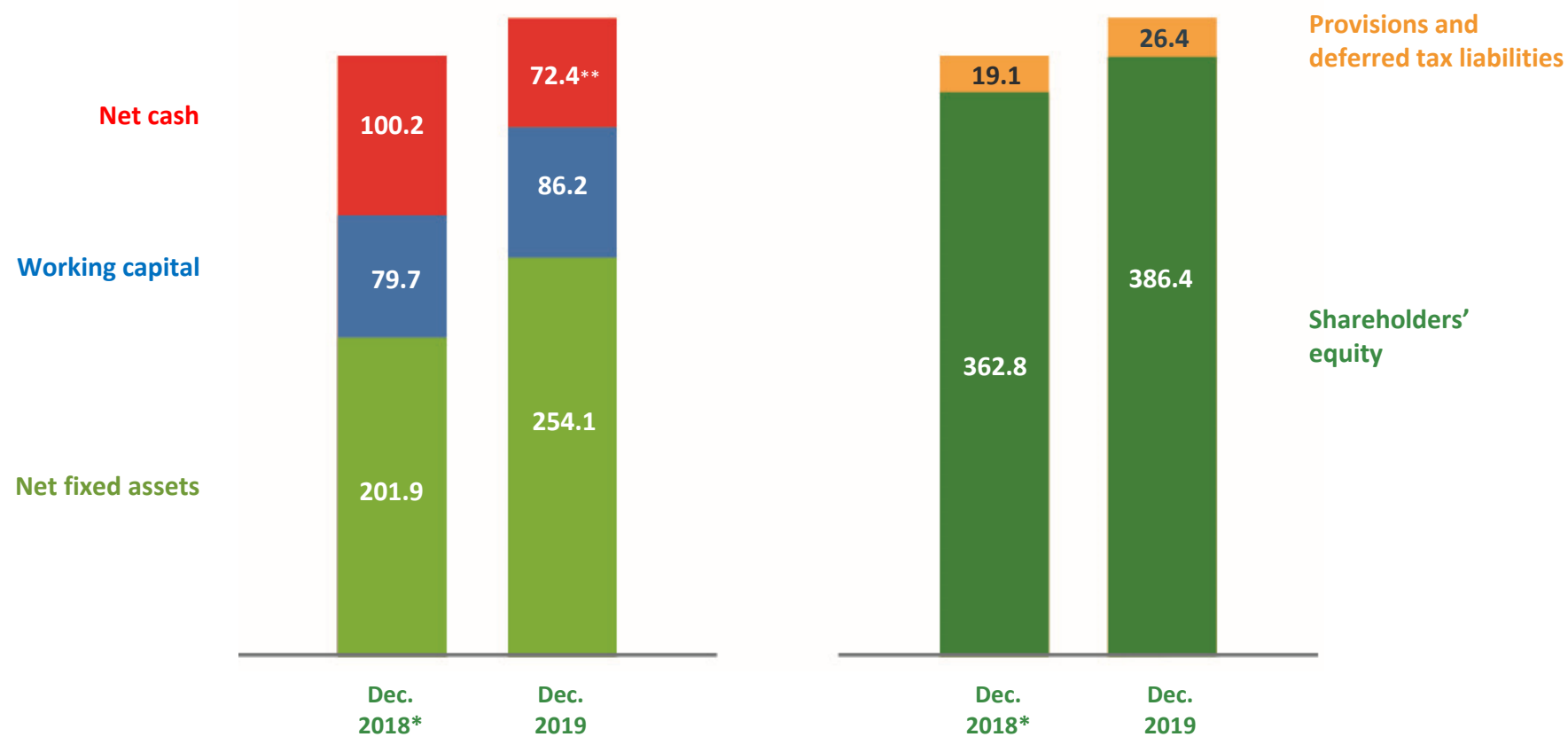
	12/31/2019	12/31/2018*
<b>In number of days (by due date)</b>	<b>70.3</b>	<b>74.3</b>

\* Adjusted for IFRS 16

› Working capital under control

# Strong balance sheet

€m



\* Adjusted for IFRS 16

\*\* After Clarion Brazil acquisition

› No bank debt as of December 31, 2019

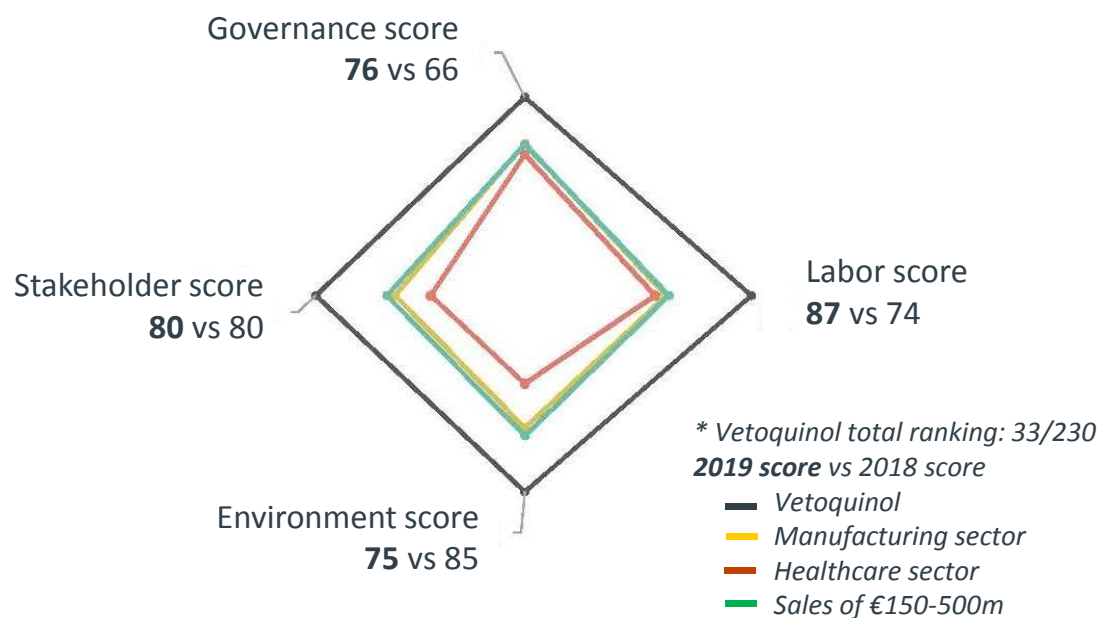
# Corporate Social Responsibility

## > Strong commitment

- Total score of 80%, ranking **Vetoquinol among the Top 10 France SMEs**
- 2019 improvement on 2018 score
- Score above peers
- Consistent scores in the different sections



## > 2019 Gaia Rating: 6\*/70



### Strengths

- Committed family firm
- World-class operations
- Group-wide 'In Motion' strategic plan benefits

### Areas for improvement

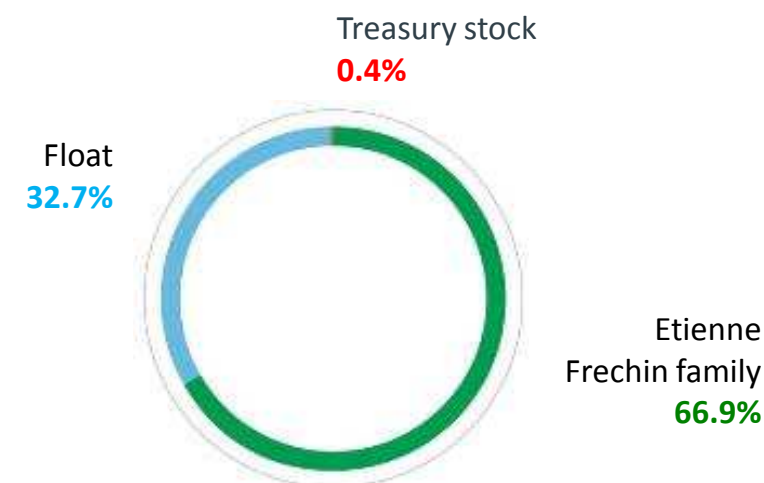
- Health and safety
- Environment

# Vetoquinol, an independent family-controlled group

## › Share price



## › Shareholders at December 31, 2019

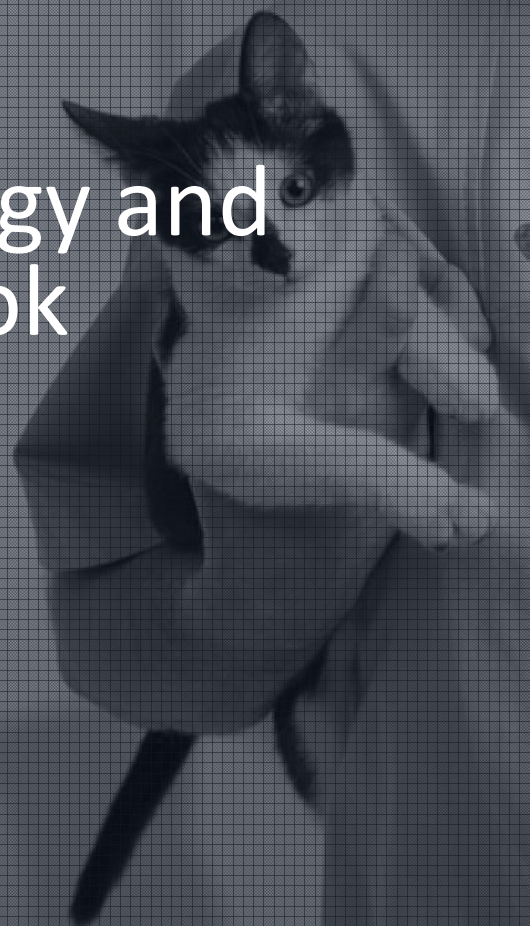


## › Draft resolutions for the forthcoming shareholders' meeting, May 26, 2020

- Dividend of **€0.48** per share, i.e. a **16.3% payout ratio**
- The Board of Directors reserves the right to adjust the dividend in view of Covid-19

# 03

## Strategy and outlook



# Animal health pure player business model

## Worldwide trends in the veterinary industry

Global market > \$30bn, growing by 3-5% – Top 20 global players > 75% of the market  
Ever tightening regulations – Small series production (liquids, powders, pills, etc.)

### OUR RESOURCES

#### Human

- 2,372 employees in 24 countries
- Staff geared up for action

#### Financial

- Shareholders' equity: €386m
- Cash: €72m

#### Intellectual property

- > 1,000 MAs in the portfolio
- > 50 projects under development
- 60 R&D engineers
- 7.6% of sales invested in R&D

#### Environmental

- Waste
- Energy
- Water

#### Industrial

- 25 million boxes/pills manufactured per year
- 7 facilities worldwide
- €14,3m investments

#### Social and relational

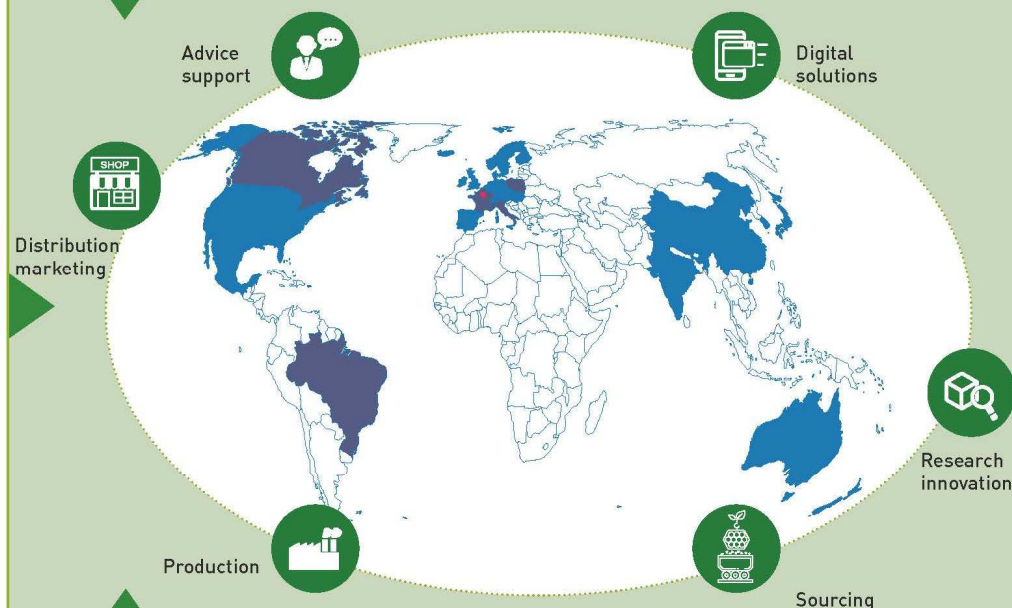
- Stakeholder relations
- Family-based shareholding

### OUR VISION

The most agile animal health biotech where our stakeholders create custom solutions for a better planet

### OUR STRATEGY

Focus on 4 species (dogs/cats and cattle/pigs),  
3 territories and 6 therapeutic domains



### Our main assets

Partnerships  
Acquisitions

Essentials products  
Operational excellence

### Our main brands



### OUR SHARED VALUE CREATION

#### Customers

- Vets/breeders/pet owners
- Operational excellence
- "Customer-centricity" initiative

#### Shareholders

- Sustainable performance
- EBITDA > 16% of sales
- EBIT > 11% of sales
- Continued dividend policy

#### Employees

- Skills development (> 68,000h training)
- Great Place to Work

#### Environmental

- Decarbonized mobility

#### Suppliers and partners

- > 1,000 suppliers
- > 50 partners

#### Society

- Commitments and ethics
- Gaia Rating
- Sustainable business

Drontal® and Profender® February 12, 2020 acquisition\*

## Major ramp-up in parasiticides

- › Purchase of 2 leading product families from Elanco

Drontal®



Profender®



- › De-wormers for cats and dogs available as oral liquids, pills and spot-on treatment
- › Registered patents and other IP rights covering continental Europe and UK.

\* Subject to approval by competent authorities and release of usual pre-conditional clauses

Drontal® and Profender® February 12, 2020 acquisition\*

## Critical mass deal for Vetoquinol

- › European wormer market worth some **\$200m**
  - Mature market
  - De-worming is recommended for animal wellbeing and to protect owners
  - E.g. a dog needs de-worming 3 to 4 times a year
  
- › **230 MAs** acquired in 31 European countries generating **€40m+** full-year sales
  
- › Transaction details
  - Funded from Group cash reserves and a bank loan
  - Deal to be closed in H2 2020



\* Subject to approval by competent authorities and release of usual pre-conditional clauses



Drontal® and Profender® February 12, 2020 acquisition\*

## M&A underpinning Vetoquinol's strategy

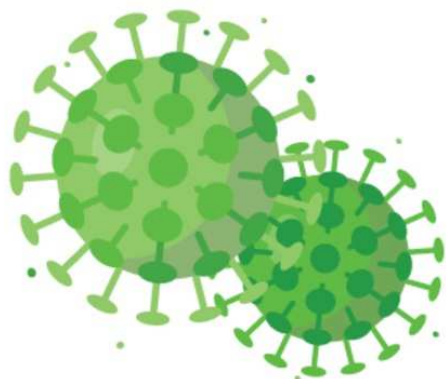
- › Product diversification by expanding Essentials products range
- › Increase in parasiticide market share
- › Core to the In Motion strategic plan
- › Boosted presence in European region and in the pet market
- › Earnings-raising transaction



\* Subject to approval by competent authorities and release of usual pre-conditional clauses

Covid-19 news

## March 25, 2020 status



- › We Vetoquinol do our utmost to keep our staff safe
  - Home working for all operations, where possible
  - Social distancing applied everywhere
  
- › Business continuity
  - Production work continues with strict adherence to social-distancing and health prevention rules
  - Evaluation of Government's business support measured (reduced working hours, etc.)
  - Frequent communication with stakeholders

Covid-19 news

## Animal health, a priority sector

- › Animal health, traditionally a resilient industry
  
- › The pandemic does not affect Vetoquinol's target animal species
  - Bovine and swine (43% of sales)
  - Dogs and cats (57% of sales)
  
- › An industry still operational despite lockdown
  - Volumes holding up overall in the livestock market
  - Clinic visits for pets restricted to emergencies
  
- › Vetoquinol production currently maintained
  - All Group production plants manufacture for the three strategic territories
  - The health and food chain takes priority

Covid-19 news

## Key risk chart at March 25, 2020

› Assumption: lockdown period of under 3 months

### Sales

- Minimal Q1 2020 impact owing to Group's low exposure in Asia
- Q2 2020 sales and profit margins will dip

### Supply chain

- Over 3 months inventory for main products as of Feb. 29
- Gradual return to normal supply from China
- Challenge with local supply

### Production / distribution

- All production plants are working
- Adjustment of production volumes
- Finished goods inventory reserve in all subsidiaries

### Drontal® and Profender® closing

- Mid-2020 target date for closing
- Vetoquinol staff geared up for integration

# Group outlook



- › Manage the impacts of Covid-19
- › Complete the integration of Clarion in Brazil
- › Integrate Drontal® and Profender® business in Europe
- › Prepare upcoming Essentials product launches
- › Beef up R&D pipeline via innovative projects
- › Pursue profitable hybrid sales growth

## Upcoming financial releases

- › April 16, 2020 **Q1 2020 sales** (after market close)
- › May 26, 2020 **Shareholders' meeting**
- › July 30, 2020 **H1 2020 sales and earnings** (after market close)
- › October 15, 2020 **Q3 2020 sales** (after market close)





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