After strong improvement of results in Q4 2010 and completion of its investment and reorganization programmes, Eurofins reaffirms its mid-term objectives

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Eurofins Scientific is holding its biennial Leadership Seminar today to discuss with its most senior global leaders key progress made in 2010, and objectives for the medium-term. Chief Executive Dr. Gilles Martin will confirm the successful completion of the Group's five-year investment programme and the reorganization programme that was launched in response to the economic downturn two years ago. At the seminar, the leaders will discuss the preliminary results for 2010, which show the first benefits of the programmes, and agree on the priorities and strategic action plans required for the achievement of the Group's medium-term objective of generating EUR 1bn by 2013 with 21% EBITDA margin. Eurofins thus issues this press release containing the preliminary unaudited results for 2010.

Renewed revenue growth

Eurofins' revenues increased more than 6% to EUR 680m for the full year 2010 despite a challenging [weather-related] start to the year. In the last quarter alone, revenues increased 8% compared to Q4 2009 to EUR 186m, a 6% uplift from the Q3 2010, which was in itself a strong quarter. Organic growth for the full year exceeded expectations at close to 5%. The solid performance especially in the second half of 2010 is partly a reflection of the gradual recovery in the broader economy, and in part the result of the heavy investments in the last five years to secure leading positions and unparalleled infrastructure in most of the markets where the Group operates.

Strong profit improvement

In line with the improved profitability that the Group had started to achieve in Q2 and Q3 2010 as a result of the reorganization programme, EBITDA for the full year 2010 increased 58% to EUR 93m despite high one-off costs relating to the finalization of the reorganization. Adjusting for one-off costs, clean EBITDA increased 21% to EUR 111m. In the fourth quarter, EBITDA before one-off items increased 11% to EUR 37m, whilst reported EBITDA of EUR 28m is nearly 3 times the level in the same quarter in 2009. Clean EBITDA margins of 19.7% and 16.4% for Q4 and the full year respectively are back to pre-recession levels despite residual start-up losses, implying that there is room for significant expansion of reported EBITDA and EBIT margins now that costs are set to normalize following the completion of the investment and reorganization programmes. Full year clean EBITAS margin of 10.3% is the highest since 2006, whilst EUR 52m is the highest EBITAS ever achieved by Eurofins.

Table 1. Preliminary Unaudited FY 2010 Results

(EURm)	**Q4 2010**	Q4 2009	% +/-	**FY 2010**	FY 2009	% +/-
Revenues	186	172	*8%*	680	640	*6%*
Clean*EBITDA**	37	33	*11%*	111	92	*21%*
Clean EBITDA Margin (%)	19.7%	19.2%	*51 bps*	16.4%	14.4%	*195 bps*
EBITDA	28	9.5	*194%*	93	59	*58%*
EBITDA Margin (%)	15.0%	5.5%	*948 bps*	13.7%	9.2%	*449 bps*
Clean EBITAS***	26	23	*16%*	70	54	*31%*
Clean EBITAS Margin (%)	14.1%	13.2%	*97 bps*	10.3%	8.4%	*196 bps*
EBITAS	18	-0.8	*NM*	52	20	*158%*
EBITAS Margin (%)	9.5%	-0.5%	*NM*	7.7%	3.2%	*450 bps*

As planned, losses in the small remaining Under Development perimeter (mainly network expansion costs including start-ups, discontinued activities and the remaining laboratories undergoing major reorganization) have been reduced in 2010. Management foresees that losses related to these start-ups and network expansion should be further reduced in 2011 (below EUR 5m).

More notably, the laboratories that are fully Up to Standards generated EUR 119m in clean EBITDA, implying 18.6% margin over the full year 2010 on revenues of EUR 640m. This is in line with the highest EBITDA margin of 18.7% achieved in 2005 on revenues of only EUR 233m, at the end of Eurofins' previous growth cycle. Such profitability was reached after consolidating a vast number of laboratories acquired during the previous investment programme that saw Eurofins' revenues increase four-fold between 2000 and 2004. Today, Eurofins emerges from another investment and growth cycle, during which it trebled its revenues, even better-positioned than in 2005.

Table 2: Results by Perimeter

EUR m	**Up to Standards**		**Under Development**		**Group**	
	2010	2009	2010	2009	2010	2009
Revenues	640	610	40	30	680	640
Clean EBITDA	119	102	-7.5	-10	111	92
Clean EBITDA Margin (%)	**18.6%**	**16.7%**	NM	NM	**16.4%**	**14.4%**

Start of substantial Free Cash Flow generation phase

As a result of significantly improved profitability and Free Cash Flow generation in Q4 2010, net debt for the full year has been reduced by 8% to EUR 169m from EUR 184m at the end of 2009. Higher profits have also translated to a higher equity base for the Group. These factors have significantly improved Eurofins' debt profile, with net debt/clean EBITDA reduced to 1.5x and net debt/equity reduced to 0.7x at the end of 2010, versus 2.0x and 0.9x respectively at the end of 2009. This keeps the Group well below its debt covenant limits of 3.5x net debt/clean EBITDA and 1.5x net debt/equity.

Outlook

The trend in the last three quarters supports management's view that Eurofins is better-positioned than ever to benefit from economic recovery and the return to normal structural dynamics, whilst the steady improvement in profitability reflects management's focus on optimizing resources. The completion of the investment programme has also strengthened Eurofins' position in markets where it already leads, and in those that should provide additional growth engine in the future. Moreover, its sound financial position allows the Group to respond swiftly to compelling opportunities to consolidate the market.

With these critical factors in place, Eurofins management has strong conviction in achieving its medium-term objective of generating EUR 1bn in revenues by 2013, through a combination of organic growth and selective acquisitions.

The Group expects the secular trends supporting demand for quality and safety in food, environmental and pharmaceutical markets to continue to normalize, which in turn supports the strengthening of demand for testing in these areas. In line with this, management is confident of achieving EUR 1bn in revenues by 2013, implying 13.7% CAGR over the period, of which at least 5% should be generated organically, and the remainder through selective acquisitions. The latter would represent c.EUR 65m additional revenues per year, but may not be spread evenly during the period. Management believes it has incorporated a high degree of prudence in formulating its medium-term objectives, based on achievements in the past, and on current market trends and conditions.

Having achieved a clean EBITDA before network expansion costs (start-ups, recently acquired laboratories under substantial restructuring, discontinued activities) of 18.6% in 2010 from the vast majority of its laboratories, it is the objective of the management to maintain that level for 2011 at a minimum, and gradually expand to 21% by 2013. Management does not foresee the need for further significant reorganization costs, and as mentioned above, expect network expansion and start-up losses to continue to decrease significantly in 2011.

Moreover, consistent with its commitment to maintaining the right balance between growth and long-term value-creation, the Group's strategy with regards to potential acquisitions remains highly selective, and is increasingly focused on opportunities that should have limited or no impact on existing profitability margins. Furthermore, management believes that unless multiple compelling opportunities materialize in quick succession or in very large-sized transactions, it has sufficient capacity to finance any potential acquisition through existing credit lines or additional debt (within the confines of its existing debt covenants) and from own cash generation. The removal of costs related to the reorganization of the last two years, the expected contraction in start-up losses and the gradual reduction in capital expenditures to more normalized levels should have a substantial positive impact on its cash flows, as already evidenced in the second half of 2010, which in turn provides additional resources for expansion.

Table 3: Eurofins Scientific Medium-term Objectives

	2011-2013
Revenues	c.14% CAGR to reach EUR 1bn by 2013
	-of which at least 5% organic
EBITDA Margin	Continued progression to 21%
EBITAS Margin	Continued progression to 15%
Capital Expenditures	Continued reduction to below 6% of revenues

2010 Highlights: Completion of Key Programmes

At the Leadership Seminar, management will review in detail the developments during 2010, the highlight of which is the successful completion of both the five-year investment and two-year reorganization programmes on schedule. In 2010, the last c.20,000m^2 of laboratory space was constructed, bringing total Group laboratory surface that had been constructed or fully modernized during the programme to c.150,000m^2, with the last sites constructed or expanded during the period, namely in Cologne (Germany), Des Moines (USA), Barneveld (Netherlands), Tokyo (Japan), Shenzhen and Shanghai (China). Major sites that have yet to be completed or expanded in 2011, including sites in Wolverhampton (UK), Nantes and Saverne (France), have already been commissioned, and wherever possible the moving costs largely provisioned.

Nine of the 17 start-ups (in 15 countries) that Eurofins has invested in during the last five years are in emerging markets, where growth is expected to continue to outpace developed markets. Eurofins is well-positioned to not only service its existing customers that have testing requirements in emerging markets, but also benefit from the strong growth from the local markets, with three laboratories in China, two in India, and sites in Brazil, Singapore and Tokyo, as well as in Central and Eastern Europe.

Investments in its core markets will see Eurofins Nantes become the largest single-site food testing laboratory in the world upon completion of a 3,000m^2 extension in June 2011. In the pharmaceutical testing business, Eurofins has successfully established its Central Laboratory infrastructure in Europe, Singapore, China and the USA, and has commissioned a laboratory in India, which is expected to become operational in 2011. This unique infrastructure allows the Group to serve the pharmaceutical companies' global clinical trials in a high quality, fully standardized manner.

Meanwhile, the Group has successfully completed earlier this month the last two site consolidations in Scandinavia, bringing to a close the two-year reorganization programme, which saw the consolidation of several small, sub-scale laboratories into bigger sites to increase efficiencies. As planned, costs and capital expenditures associated with the reorganization programme have been booked in 2010.

In Summary:

- The Group confirms the completion of the five-year investment programme that started in 2006, which saw Eurofins enter 13 new markets, invest in 17 start-ups, acquire many companies to achieve leading market shares in most countries and build, upgrade or acquire 50 large, state-of-the-art sites (c.150,000m^2 of world-class laboratory surface) to consolidate sub-scale laboratories;
- Eurofins management reaffirms its medium-term objective of generating EUR 1bn revenues by 2013 through a combination of organic growth and acquisitions. 15% mid-term EBITAS margin (21% EBITDA margin) is also affirmed as a key objective. Capital expenditure is expected to trend down to below 6% of revenues.
- M&A strategy is focused on opportunities that should have limited or no impact on existing profitability margins.

Eurofins, through its focused and consistent investments, has built a Group of state-of-the-art, highly specialized laboratories with strong competitive advantages and market share leadership in many countries. Its investments in the last five years, in particular, have reinforced difficult-to-duplicate barriers to entry in its key markets and activities. The Group's leadership is confident that Eurofins is strongly-positioned to be the leading choice for laboratory testing service by an increasing number of clients.

Eurofins will be publishing detailed Full Year 2010 results on 28 February 2011.

* clean - excludes one-off costs from reorganization and discontinued operations, but includes losses related to network expansion (17 start-ups)

** EBITDA – Earnings before interest, tax, depreciation and amortization

*** EBITAS – Earnings Before Interest, Tax, Amortization of Intangible Assets related to acquisitions and impairment of goodwill and non-cash accounting charge for stock options

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Notes for the editor:

Eurofins – a global leader in bio-analysis

Eurofins Scientific is a life sciences company operating internationally to provide a comprehensive range of analytical testing services to clients from a wide range of industries including the pharmaceutical, food and environmental sectors.
With 8,000 staff in more than 150 laboratories across 30 countries, Eurofins offers a portfolio of over 40,000 reliable analytical methods for evaluating the authenticity, origin, safety, identity, composition and purity of biological substances and products. The Group is committed to providing its customers with high quality services, accurate results in time and, if requested, expert advice by its highly qualified staff.
The Eurofins Group is the world leader in food testing and one of the global market leaders in pharmaceuticals and environmental testing. It intends to pursue its dynamic growth strategy and expand both its technology portfolio and its geographic reach. Through R&D and acquisitions, the Group draws on the latest developments in the field of biotechnology to offer its clients unique analytical solutions and the most comprehensive range of testing methods.

As one of the most innovative and quality oriented international players in its industry, Eurofins is ideally positioned to support its clients' increasingly stringent quality and safety standards and the demands of regulatory authorities around the world.
The shares of Eurofins Scientific are listed on the NYSE Euronext Paris Stock Exchange (ISIN FR0000038259, Reuters EUFI.PA, Bloomberg ERF FP).

Important disclaimer:

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