

Eurofins Doubles Net Profit in the First Nine Months of 2011

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Eurofins' net profit doubled in the first nine months of 2011 to EUR 33m as organic growth remains strong and profitability continues to expand. Revenues grew 19% to EUR 586m, whilst adjusted¹ EBITDA² stands at EUR 103m year to date. In Q3 2011, the Group generated revenues of EUR 214m, a growth of 22%, and adjusted EBITDA of EUR 45m.

Q3/NM 2011 Statutory Results Summary (EUR m)	Q3 2011	Q3 2010	+/- %	NM 2011	NM 2010	+/- %
Revenues	213.7	175.4	21.9%	585.8	494.0	18.6%
EBITDA	40.6	30.3	34.1%	92.8	65.2	42.4%
EBITDA Margin	19.0%	17.3%	174 bp	15.8%	13.2%	265 bp
EBITAS ³	28.7	19.7	45.4%	58.7	34.4	70.8%
Net Profit	18.7	11.4	65.0%	33.4	15.8	111.0%
Net Operating Cash Flow ⁴	29.4	19.0	54.6%	57.3	38.3	49.8%
Free Cash Flow ⁵	14.9	6.6	126.1%	8.3	-5.5	NM
Net Debt				258.2	197.0	31.1%
Net debt/clean EBITDA				1.9x	1.8x	NA
Reconciliation with previous reporting format						
Clean ⁶ EBITDA	43.5	34.5	26.0%	98.5	74.6	32.1%
Clean EBITDA Margin	20.4%	19.7%	67 bp	16.8%	15.1%	172 bp
Clean EBITAS	31.6	24.0	31.7%	64.5	43.8	47.0%
Adjusted EBITDA	45.1	36.3	24.4%	102.6	81.7	25.5%
Adjusted EBITDA Margin	21.1%	20.7%	44 bp	17.5%	16.5%	96 bp

Q3/NM 2011 Results Highlights

- Q3 2011 revenues grew 21.9% relative to Q3 2010 to EUR 213.7m. Organic growth during the quarter remained strong at 7%, even compared to the strong performance in Q3 2010. Year to date, revenues are up 18.6% over the same period last year, at EUR 585.8m.
- EBITDA grew 34.1% to EUR 40.6m as margin expanded by 174 bp from Q3 2010, whilst adjusted EBITDA of EUR 45.1m implies 21.1% margin. NM 2011 adjusted EBITDA of EUR 102.6m implies a margin of 17.5%.
- The strong top line momentum has resulted in a 70.8% increase in EBITAS year to date to EUR 58.7m, and a more than doubling in NM 2011 net profit to EUR 33.4m.
- Higher profitability has increased net operating cash by 54.6% in Q3 2011 to EUR 29.4m, boosting Free Cash Flow by 126.1% to EUR 14.9m, and reversing the Free Cash Outflow in the first half of the year. Year to date, Free Cash Flow stands at EUR 8.3m, versus an outflow of EUR 5.5m in NM 2010.
- As a result of the strong cash flow growth, net debt was reduced by EUR 12.9m in Q3 to EUR 258.2m at the end of September 2011. This implies net debt to clean EBITDA of 1.9x and net debt to Equity of 0.9x, representing more than 10% improvement from 2.2x and 1.0x respectively at the end of June. These ratios remain well below covenant limits of net debt to clean EBITDA of 3.5x and net debt to equity of 1.5x.
- Increasingly optimized tax structure due to a more even spread of profitability across the Group is reflected in the reduction in effective tax rate to 23.9% in NM 2011, compared to 28.9% in H1 2011, and 31.0% in NM 2010.

Comments from the CEO, Dr. Gilles Martin:

“The results year to date confirm that the Group is on track to deliver on its recently-increased targets for 2011, and achieve its mid-term objectives. The 7% organic growth in the third quarter is especially encouraging given the strong performance in the comparable period last year. The doubling in net profit year to date reflects not only the benefits for our clients of our investments in a state-of-the-art laboratory network, but also an increasingly optimized Group structure.”

Revenues

In Q3 2011, Eurofins maintained operating momentum, growing its revenues to EUR 213.7m, representing growth of 21.9% from the prior year. Whilst the consolidation of Lancaster continues to positively impact Eurofins' results, the 7% organic growth during the quarter is nonetheless impressive particularly given the strong performance in Q3 2010. The sustained performance brought revenues for NM 2011 to EUR 585.8m, an increase of 18.6% compared to NM 2010.

Businesses remained strong, with growth generated across all our markets. Growth magnitude was even higher in the markets where Eurofins has larger market share. Our biggest markets continue to outperform, with Germany, France and Scandinavia all posting high single-digit growth, whilst our activities in emerging markets continue to deliver exponential growth. Overall, the run-rate, in addition to the traditional seasonality in the business, allow the management to remain confident of delivering on its recently-increased guidance of generating revenues in excess of EUR 800m in 2011.

The food testing business remains robust, with healthy volumes, which should continue to pick up in the seasonally strong Q4. Within the Group's pharmaceutical testing business, the pre-clinical and clinical businesses remain soft, although the strengthening of the order book indicates improving trends. In contrast, the solid growth in pharmaceutical products testing business validates the acquisition of Lancaster, as it reinforces the Group's leading position in this stable and recurring business. Additionally, the cross-selling opportunities and the strengthening of Eurofins' position in North America following the acquisition reinforces the positive outlook for the Group's pharmaceutical testing business. Finally, the continued recovery in our environmental testing business is consistent with the stabilization in the wider sector, and our increasingly strong market position. The recently-announced acquisition of majority stakes in the two IPL SED companies (IPL Invest and IPL Santé Environnement Durable Nord) from the Fondation Institut Pasteur de Lille in France further strengthens Eurofins' position in the French environmental testing market and reinforces our leading position in Europe.

Profitability

Adjusted EBITDA increased by 24.4% in Q3 2011 to EUR 45.1m, implying 21.1 % margin. The uptick during the quarter brings NM 2011 adjusted EBITDA to EUR 102.6m, which is 25.5% higher than the comparable figure last year and implies a 96 bp margin expansion to 17.5%. The strong growth in adjusted EBITDA relative to revenue growth reflects the widening profitability in the Group's core business. Notably, 43.9% of the Group's year-to-date adjusted EBITDA was generated in Q3 alone, lending further credibility to the Group's recently-increased full year target of achieving EUR 145m adjusted EBITDA. Including all non-recurring costs, reported EBITDA grew by 34.1% to EUR 40.6m, taking the NM 2011 reported EBITDA to EUR 92.8m.

The operating leverage from the last investment programme is increasingly evident as the cost inflation decelerates relative to the rate of revenue appreciation. Although costs in NM 2011 included some non-recurring legal and administrative expenses, total costs grew only 15.7% to EUR 496m, still slower than the 18.6% revenue growth. Personnel expenses and cost of raw materials and services as a proportion of revenues have been reduced to 46.9% and 34.4% respectively in Q3 2011, versus 48.7% and 35.1% in the previous quarter, and 52.5% and 37.8% in the first quarter of the year. Despite higher depreciation costs, the top line growth has boosted reported EBITAS by 45.4% during the quarter to EUR 28.7m, and by 70.8% in the first nine months to EUR 58.7m.

As a reflection of increasing profitability across the Group, Eurofins' tax structure is also beginning to be optimized, with the effective tax rate reduced to 23.9% in NM 2011, compared to 28.9% in H1 2011, and 31.0% in NM 2010. This is due to a more even spread of profitability across the Group, allowing Eurofins to start utilizing tax losses carried forward. As a result of strong revenue generation, improved profitability, and optimized Group structure, net profit rose 65.0% to EUR 18.7m during the third quarter, more than doubling net profit for the first nine months of 2011 to EUR 33.4m.

Balance Sheet

Eurofins had total assets of EUR 961.3m at the end of September 2011, compared to EUR 861.7m at the end of the previous quarter, with the wide difference made up by the increased cash position following the Schuldschein issuance in July. Cash and cash equivalents stood at EUR 161.3m, versus EUR 81.0m in June, despite having disbursed a large proportion of the Schuldschein proceeds to repay short-term debt.

The increased profitability has already reduced Group net debt during the quarter from EUR 271.1m in June to EUR 258.2m at the end of September. Therefore, the debt ratios of the Group remain well below its covenant threshold at 1.9x net debt to clean EBITDA and 0.9x net debt to equity, versus its maximum limits of 3.5x and 1.5x respectively. Additionally, despite the large investment for Lancaster in H1 2011, Eurofins' debt ratios are now back at the same level as in September 2010 due to the EUR 50m Hybrid financing and strong cashflow generation and EBITDA growth.

Cash Flow

The strong top line and profitability growth have almost doubled the Group's profit before taxes to EUR 43.8m in NM 2011, or a EUR 20.8m improvement from NM 2010. Hence, despite the negative effect of the slight increase in Net Working Capital (NWC), net cash from operations increased 49.8% to EUR 57.3m.

Capital expenditures in Q3 2011 were EUR 11.9m (EUR 10.2m in Q3 2010), taking NM 2011 capital expenditures to EUR 32.5m, a reduction to 5.6% from 6.0% of revenues in NM 2010, and is well within the management mid-term guidance of 6.0% of revenues.

Strong profitability and disciplined capital expenditures offset the effects of higher interest payments from the higher gross debt position, increased NWC and doubled shareholder dividend payment. Due to the strong operating performance, the Group more than doubled Free Cash Flow in Q3 2011 to EUR 14.9m, reversing the Free Cash Outflow in the first half of the year, and leaving the Group with Free Cash Flow of EUR 8.3m for NM 2011, an improvement of EUR 13.7m from the Free Cash Outflow of EUR 5.5m in NM 2010.

Outlook

The Group expects the strong performance to be maintained for the remainder of the year. The management expects at a minimum to deliver on its recently-increased guidance of (i) achieving revenues in excess of EUR 800m; (ii) generating about EUR 145m in adjusted EBITDA for the full year 2011; and (iii) and growing revenues to above EUR 900m without new acquisitions in 2012, as issued on the Annual Investor Day on the 6th of October.

Free Cash Flow should also further expand as measures have been implemented to accelerate efforts to curb NWC. Management expects the Group to be able to deliver a healthy growth in Free Cash Flows for the full year 2011, in excess of the previous year. Further, management believes that this should continue into 2012 as profits continue to strengthen, investments stabilize, and Group tax rate decline due to a more even spread of profitability.

New Reporting Format

As communicated in the Q2 2011 results press release, Eurofins will be adopting a new reporting structure starting Q1 2012. The following tables contain the Q3 and NM 2011 results in the new format, which will replace the current reporting table on the front of this document in 2012.

Q3 2011 EURm	Q3 2011			Q3 2010			+/- % Adjusted Results
	Adjusted Results	Separately disclosed items	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	
Revenues	213.7		213.7	175.4		175.4	21.8%
EBITDA	45.1	-4.5	40.6	36.3	-6.0	30.3	34.2%
EBITDA Margin	21.1%		19.0%	20.7%		17.3%	44 bp
EBITAS	33.9	-5.2	28.7	26.7	-7.0	19.7	31.7%
Net Profit	25.2	-6.5	18.7	19.2	-7.8	11.4	31.3%
CAPEX			11.9			10.2	16.8%
<i>Net Operating Cash Flow</i>			29.4			19.0	54.6%
Net Debt			258.2			197.0	31.1%

NM 2011 EURm	NM 2011			NM 2010			+/- % Adjusted Results
	Adjusted Results	Separately disclosed items	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	
Revenues	585.8		585.8	494.0		494.0	18.6%
EBITDA	102.6	-9.8	92.8	81.7	-16.5	65.2	25.5%
EBITDA Margin	17.5%		15.8%	16.5%		13.2%	96 bp
EBITAS	71.0	-12.3	58.7	53.7	-19.3	34.4	47.0%
Net Profit	49.0	-16.5	33.4	37.6	-21.8	15.8	32.7%
CAPEX			32.5			29.7	9.7%
<i>Net Operating Cash Flow</i>			57.3			38.3	49.8%
Net Debt			258.2			197.0	31.1%

Adjusted Results –Reflects the fundamental, recurring nature of the Group's core businesses, and corrects for costs included in separately disclosed items.

Separately disclosed items - includes one-off costs from integration, reorganization and discontinued operations, temporary losses related to network expansion/start-ups, amortisation of acquisition intangibles, non-cash accounting charges for stock options, and other non-recurring costs.

- ¹ Adjusted - a proforma presentation excluding one-off costs from integration, reorganization and discontinued operations, temporary losses related to network expansion/start-ups, amortisation of acquisition intangibles, non-cash accounting charges for stock options, and other non-recurring costs.
- ² EBITDA – Earnings before Interest, Tax, Depreciation and Amortization
- ³ EBITAS – Earnings Before Interest, Tax, Amortization of intangible assets related to acquisitions and impairment of goodwill and non-cash accounting charge for stock options
- ⁴ Net Operating Cash Flow – net cash provided by operating activities after tax.
- ⁵ Free Cash (out)Flow – Net Operating Cash Flow, less interest and hybrid dividend paid and cash used in investing activities (but excluding payments for acquisitions)
- ⁶ Clean - a proforma presentation excluding one-off costs from reorganization and discontinued operations, but including losses related to network expansion/start-ups

Full disclosure can be found in the Nine Month Report 2011, including further management commentary, consolidated financial statements and accompanying summary notes. The Nine Month Report 2011 can be found on the Eurofins website at the following location: <http://www.eurofins.com/en/investor-relations/reports--presentations.aspx>

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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 10,000 staff in more than 150 laboratories across 30 countries, Eurofins offers a portfolio of over 100,000 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, environment and pharmaceutical product testing and ranks among the top three global providers of central laboratory and genomic services. 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:

This press release contains forward-looking statements and estimates that involve risks and uncertainties. The forward-looking statements and estimates contained herein represent the judgement of Eurofins Scientific' management as of the date of this release. These forward-looking statements are not guarantees for future performance, and the forward-looking events discussed in this release may not occur. Eurofins Scientific disclaims any intent or obligation to update any of these forward-looking statements and estimates. All statements and estimates are made based on the data available to the Company as of the date of publication, but no guarantee can be made as to their validity.