Eurofins achieved its aggressive objectives with strong earnings growth in 2011

05 March 2012

Eurofins' net profit more than doubled to EUR 57m in 2011, from EUR 25m in 2010. The surge in earnings comes on the back of strong growth in revenues and profitability. Revenues increased by 31% to EUR 243m in the fourth quarter alone, driving revenues for the full year to EUR 829m, representing growth of 22%, nearly 8% of which was organic. Adjusted[1] EBITDA[2] of EUR 152m for the full year shows a 28% improvement from the previous year, and meets the EUR 145m adjusted EBITDA objective communicated by the Company. The Group generated Clean[3] EBITDA of EUR 147m in 2011, an increase of 32% compared to 2010. This implies a margin expansion of 139 bp to 17.7%. Despite cash outflow for residual exceptional/one-off costs (most of which were booked in prior years) and higher interest payments, the robust revenue growth and higher profitability have resulted in stronger cash generation, with Group Free Cash Flow[4] of EUR 37m, a 40% increase from 2010.

Highlights from the 2011 Results

- Revenues of EUR 829m represent a 22% year-on-year growth, almost 8% of which was organic. In Q4 alone, the Group achieved revenues of EUR 243m, a growth of 31%, out of which almost 10% was organic.
- Strong growth across all markets, with the biggest markets generating strong organic growth, validating Eurofins' strategy of taking leadership in the markets where it operates. Solid performance from Lancaster, in addition to traction gained from cross-selling opportunities, confirms acquisition rationale. IPL acquisition in November 2011 completes French water testing footprint.
- Adjusted EBITDA of EUR 152m meets the EUR 145m objective communicated in October 2011. Clean EBITDA grew 32% in 2011 to EUR 147m, on margin expansion of 139 bp to 17.7%. Highest ever reported EBITDA of EUR 139m and EBITAS[5] of EUR 93m.
- Beginning of significant EPS generation with record earnings per share of EUR 3.87 in 2011, up 135% from EUR 1.65 in 2010 as Group Net Profit more than doubled in 2011 to EUR 57m from EUR 25m in 2010.
- In line with objectives, Net Working Capital (NWC) as a percentage of sales was successfully reduced to close to 5% at the end of 2011, from almost 8% in the first nine months of the year. 30% rise in Net Operating Cash Flows[6] to EUR 110m translates to a 40% increase in Group Free Cash Flows after interests and dividend to hybrid holders in 2011 to EUR 37m from EUR 26m in 2010.
- Improvement in FCF/Sales to 4.5% in 2011 from 3.9% in the previous year reflects strengthening rate of cash conversion across the Group. This translates to FCF/share of EUR 2.59, a yield of 4.3% at the average Eurofins share price of EUR 60.9 in 2011.
- 16.2% ROCE[7] (Return on Capital Employed) achieved in 2011, in-line with Group objectives, indicates solid progress towards 20% ROCE.
- Despite the completion of the 2 largest acquisitions in the Group's history, debt covenants remain well below thresholds at 1.7x Net Debt/Clean EBITDA and 0.8x net debt/equity, versus limits of 3.5x and 1.5x respectively due to strong profit and cash generation.

Comments from the CEO, Dr. Gilles Martin:

"The very good results achieved in 2011 validate the heavy investments we have made during the last investment cycle, and the Group strategy of taking leadership in the markets where we operate. It also supports our optimism and reinforces our commitment to achieve our objective of generating at least EUR 1bn in revenues and EUR 210m Adjusted EBITDA by 2013. We intend to continue winning new customers and increasing our share of our existing customers' testing spend, whilst increased efficiencies from our world-class laboratory infrastructure and streamlined organization should allow us to generate stronger cash flows going forward. Our hard work and investments in world class laboratories in recent years also allow us to be confident that we are well-positioned to achieve our goals despite the uncertain global economic conditions."

Summary of Q4 and FY 2011 results

Q4/FY 2011 Results (EUR m)	**Q4 2011**	Q4 2010	*+/- %*	**FY 2011**	FY 2010	*+/- %*
Revenues	243.1	186.4	*30.5%*	828.9	680.3	*21.8%*
Adjusted EBITDA	49.0	37.0	*32.4%*	151.6	118.7	*27.7%*
Adjusted EBITDA Margin	20.2%	19.9%	*30 bp*	18.3%	17.4%	*84 bp*
Adjusted EBITAS	38.4	28.7	*33.8%*	109.4	82.5	*32.6%*
Adjusted EBITAS Margin	15.8%	15.4%	*40 bp*	13.2%	12.1%	*107 bp*
Q4/FY 2011 Statutory Results (EUR m)						
Revenues	243.1	186.4	*30.5%*	828.9	680.3	*21.8%*
EBITDA	46.4	28.0	*65.8%*	139.2	93.2	*49.4%*
EBITDA Margin	19.1%	15.0%	*407 bp*	16.8%	13.7%	*310 bp*
EBITAS	34.6	17.7	*95.7%*	93.3	52.1	*79.2%*
Net Profit	23.3	9.5	*145.0%*	56.6	25.3	*123.5%*
Net Operating Cash Flow	53.3	46.7	*14.3%*	110.3	84.9	*29.9%*
Free Cash Flow	28.8	31.9	*-9.8%*	37.1	26.4	*40.5%*
Net Debt[8]				255.2	169.2	*50.8%*
Net Debt/Clean EBITDA				1.7x	1.5x	
Historic Presentation of Results for Reference						
Clean EBITDA	48.6	36.7	*32.4%*	147.1	111.3	*32.2%*
Clean EBITDA Margin	20.0%	19.7%	*30 bp*	17.7%	16.4%	*139 bp*
Clean EBITAS	36.8	26.4	*39.4%*	101.2	70.2	*44.2%*
Clean EBITAS Margin	15.1%	14.2%	*97 bp*	12.2%	10.3%	*189 bp*

Revenues

Revenues increased by 30.5% in Q4 2011 to EUR 243.1m, driving full year 2011 revenues up 21.8% to EUR 828.9m. Organic growth for Q4 and full year 2011 were close to 10% and 8% respectively. Volume growth strengthened across the Group as laboratories gained market share and expanded the scope of contracts with existing customers. The acceleration in revenue growth is supported by the higher capabilities within the Eurofins network resulting from the heavy investments in recent years.

Eurofins reinforced its position across most of its markets, through leveraging the Group's scale and infrastructure, or through strategic acquisitions. Germany, Eurofins' largest market, posted double-digit organic revenue growth during the year, indicating large growth potential even in the Group's mature markets. In France, the revenue growth acceleration, especially in the second half of 2011, is partly a direct result of the market share wins after substantial expansion of the Group's capabilities following the completion of the Nantes laboratory extension, which turned it into the largest single-site independent food testing laboratory in the world. The acquisition of IPL SED towards the end of 2011 reinforces Eurofins' leading position in water testing in France, which should sustain growth from the local operations. North America was evidently boosted by the acquisition of Lancaster; nonetheless, the business delivered strong organic growth. Elsewhere, the rate of market share gains has accelerated as the Group leverages its expanded network. Eurofins' newer markets continue to provide tailwinds for the Group's growth momentum, and trends suggest that these markets will continue to be a key growth engine for the Group.

In the food testing business, Eurofins continues to strengthen its leading position across its markets with further market share gains and steady expansion of its share of existing customers' testing spend. The food contamination scandals in Europe alone during the year have further heightened consumer awareness, and have provided additional support to regulatory developments. Eurofins therefore benefits from its solid reputation for quality of analysis, breadth of expertise, and wide network, as evidenced by higher volumes and increased market shares. Meanwhile, steady market share gains support the continued strengthening of Eurofins' environmental testing business. In particular, the multiple contract wins away from competitors in Scandinavia highlights the Group's growing scale and leadership in its markets. The acquisition of IPL in France reinforces Eurofins' position as a leading service provider in the French water testing market. The pharmaceutical testing business is supported by the steady growth in pharmaceutical products testing, both in Europe and in the US with Lancaster. The strengthening of the order book suggest continued stabilization in the pre-clinical and clinical testing, whilst MWG Operon, the Group's genomics business, continues to see strong growth with new opportunities opening as application of the service widens.

Overall, the outlook for Eurofins' businesses remain positive and supports management's view that the Group is on track to deliver on its objective of generating at least EUR 1bn in revenues and EUR 210m in Adjusted EBITDA by 2013.

Profitability

Adjusted EBITDA in Q4 2011 improved 32.4% to EUR 49.0m. The strong profitability during the last quarter pushed full year 2011 adjusted EBITDA up 27.7% to EUR 151.6m, achieving the Group's objective of EUR 145m. Including the Group's start-up losses of EUR 4.4m, which is well within the target of less than EUR 5m for the full year, Clean EBITDA increased 32.2% to EUR 147.1m, implying 17.7% margin. In Q4 2011 alone, the Group generated Clean EBITDA of EUR 48.6m, a margin of 20.0%, in spite of the temporary dilutive effect of IPL SED, which will have to be modernized and reorganized, as the strong profitability achieved in the previous quarter by the rest of the Group was sustained. Even adjusting for non-recurring items, mostly costs from specific legal issues mainly linked to past acquisitions, the expenses associated with the largest acquisitions in the Group's history (Lancaster and IPL SED), and some residual costs from the company reorganization, reported EBITDA for the full year came to EUR 139.2m, on a 16.8% margin, the highest reported EBITDA margin since 2005, when Eurofins embarked on its latest investment cycle.

The solid improvements in Eurofins' core profitability reflect the beginning of operational leverage from recent investments coming through as efficiency increase across the Group. Although the main cost components grew in absolute terms, as a proportion of revenues, they remain on a declining trend, with cost of purchased materials declining from 37.3% in 2010 to 35.5% of sales in 2011.

The wide margin expansion boosted Clean EBITAS by 44.2% to EUR 101.2m (EUR 70.2m in 2010), while reported EBITAS is 79.2% higher compared to 2010 (EUR 52.1m) at EUR 93.3m, despite higher depreciation charges. Furthermore, although net financial charges in 2011 were higher compared to 2010 due to the higher gross debt, effective tax rate declined from 29.9% in 2010 to 19.6%, reflecting a more evenly spread of profit across the Group. The Company points out, however, that this magnitude of decrease in the Group tax rate, to substantially below the Group's mid-term objective, is probably unsustainable. Nonetheless, this reduction, in addition to the strong growth in revenues and profitability, has boosted Eurofins' net profit by 123.5% from EUR 25.3m in 2010 to EUR 56.6m in 2011, translating to record earnings per share of EUR 3.87.

Cash Flows

Solid top line evolution and increasing focus on profitability have resulted in a near-doubling of profit before taxes in 2011 to EUR 70.5m, from EUR 36.2m in 2010. Additionally, the vast improvement in Net Working capital (NWC) from 7.6% at the end of September to 5.4% of sales at the end of December 2011 has further increased net cash from operating activities to EUR 110.3m for the full year 2011, a 29.9% increase from EUR 84.9m in 2010.

Therefore, despite higher interest paid due to the higher gross debt and the increase in hybrid dividend payments, plus still significant capital expenditures, the Group generated Free Cash Flow of EUR 37.1m in 2011, representing a 40.5% increase from 2010.

The increase in capital expenditures in Q4 2011 was driven by the faster progress made on the building/extension of new sites in Wolverhampton (UK), Saverne (France), Moss (Norway) and Des Moines (USA), as well as the ramp-up in IT investments as part of the Group's "One IT" programme. This brought capital expenditures for 2011 slightly above the mid-term objective of 6% of revenues and had a one-off negative impact on Q4 2011 Free Cash Flow. The management expects, however, that capital expenditures should normalize again in 2012, which should further enhance the Group's strengthening cash flows.

Balance Sheet

Total assets stood at EUR 1,075m at the end of December 2011, compared to EUR 736.2m in December 2010, with the wide difference made up by the significant increase in cash and in tangible and intangible assets from the large acquisitions during the year. The 67.0% increase in cash and cash equivalents to EUR 179.5m is due to higher profits and the remainder from proceeds from the Schuldschein loan in July 2011 after paying down the Group's shorter-term debt.

Strong profitability, disciplined capital management and sound funding mix have resulted in the strengthening of the balance sheet. Whilst net debt of EUR 255.2m at the end of December 2011 represents a 50.8% increase compared to December 2010, it has already declined from a high of EUR 271.1m at the end of June 2011 despite the acquisition of a majority of IPL SED in November 2011. Therefore, despite the large acquisitions during the year, the Group's debt ratios at the end of 2011 remain well below its debt covenant limits at net debt to equity of 0.8x and Net Debt/clean EBITDA of 1.7x, versus 0.7x and 1.5x respectively at the end of 2010.

2012 Outlook: Positive revenue and profitability outlook despite uncertain macroeconomic conditions

The management of Eurofins reiterates its objective of generating at least EUR 900m in revenues in 2012. The achievements in 2011 indicate that even with very little additional acquisitions, the Group is also well on track to deliver on its objective of generating at least EUR 1bn in revenues and EUR 210m Adjusted EBITDA by 2013. More importantly, the management believes that the Group has invested well in the last investment cycle (2006-2010), and has vastly improved its business mix to enable it to perform well regardless of the uncertain global economic conditions.

An update on the proposed transfer of the registered seat of the Group holding company to Luxembourg

With regards to the proposed transfer of the corporate seat of the Group holding company to Luxembourg, the Board of Directors has determined during its meeting on March 2, 2012 that the impact on the Group's financial structure of the single redemption request received, covering 312 of the Company's ordinary shares, and representing 0.01% of the 18.44% stake of the minority shareholders who voted against the resolution, is neither significant nor unreasonable. The Board has therefore decided to lift the condition precedent to the transfer of the corporate seat and proceed with the transfer process.

For more information on the proposed transfer of the Group holding company in Luxembourg, including notably the full report of the independent experts, please visit the Company website http://www.eurofins.fr/fr-fr/informations-financieres/information-juridique.aspx

New Reporting Format

As communicated at the beginning of 2011, in order to align its reporting practices closer to its peers, Eurofins will be adopting a new reporting structure in 2012. The following tables contain the Q4 and FY 2011 results in the new format, which will replace the current reporting table on the front of this document from January 2012 onwards.

	Q4 2011			Q4 2010			
Q4 2011 EURm	Adjusted Results	Separately disclosed items	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	**+/- % Adjusted Results**
Revenues	243.1		243.1	186.4		186.4	*30.5%*
EBITDA	49.0	2.6	46.4	37.0	9.0	28.0	*32.4%*
EBITDA Margin	20.2%		19.1%	19.9%		15.0%	*31bp*
EBITAS	38.4	3.8	34.6	28.7	11.1	17.7	*33.8%*
Net Profit	27.9	4.7	23.2	21.5	11.0	9.5	*38.4%*

	FY 2011			FY 2010			
FY 2011 EURm	Adjusted Results	Separately disclosed items	Statutory Results	Adjusted Results	Separately disclosed items	Statutory Results	**+/- % Adjusted Results**
Revenues	828.9		828.9	680.3		680.3	*21.8%*
EBITDA	151.6	12.4	139.2	118.7	25.5	93.2	*27.7%*
EBITDA Margin	18.3%		16.8%	17.4%		13.7%	*84bp*
EBITAS	109.4	16.1	93.3	82.5	30.4	52.1	*32.6%*
Net Profit	76.7	20.1	56.6	56.3	30.9	25.3	*34.7%*

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 *(EUR 2.2m and EUR 7.9m for Q4 and FY 2011 respectively)*, temporary losses related to network expansion/start-ups *(EUR 0.4m and EUR 4.4m for Q4 and FY 2011 respectively)*, amortisation of acquisition intangibles, non-cash accounting charges for stock options, and other non-recurring costs and relevant tax effects.

[1] Adjusted - excludes 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] Clean - excludes one-off costs from integration, reorganization and discontinued operations, amortisation of acquisition intangibles, non-cash accounting charges for stock options, and other non-recurring costs, but including losses related to network expansion/start-ups

[4] Free Cash Flow – Net Operating Cash Flow, less interest and hybrid dividend paid and cash used in investing activities (but excluding payments for acquisitions)

[5] EBITAS – Earnings Before Interest, Tax, Amortization of intangible assets related to acquisitions and impairment of goodwill and non-cash accounting charge for Stock options

[6] Net Operating Cash Flow – net cash provided by operating activities after tax

[7] ROCE (Return on Capital Employed) - EBITA/Average Capital Employed over the last 4 quarters. Capital employed is defined as operational non-current assets + goodwill and financial assets + net working capital

[8] Net debt – long and short-term borrowings less cash and cash equivalents

Full disclosure, including consolidated financial statements and related notes, can be found in the Annual Report 2011.

The Annual Report 2011 can be found on the Eurofins website at the following location:
http://www.eurofins.com/en/investor-relations/reports--presentations.aspx

Eurofins' reporting calendar for the year can be found on the Group's website:
http://www.eurofins.com/en/investor-relations/corporate-timetable.aspx

For further information please contact:

Investor Relations
Phone: +32-2-769 1620
E-mail: ir@eurofins.com

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 over 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 Group is the world leader in food and pharmaceutical products testing. It is also number one in the world in the field of environmental laboratory services, and one of the global market leaders in agroscience, genomics and central laboratory 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: