Eurofins delivers strong H1 2015 results and brings forward one year to 2016 its objective to exceed EUR 2bn of revenues

31 August 2015

- Revenues in H1 2015 increased 31% to EUR 842m on organic growth of about 6%.
- Reported EBITDA rose 45% to EUR 132m, with reported EBITDA margin expanding 160bp to 15.7%.
- The EBITDA margin of the Group's mature businesses expanded to 19.3% during the first half, despite the inclusion of businesses that have only recently completed significant restructuring, or start-ups that have only recently become profitable.
- Net profit increased 34% to EUR 30.3m despite higher gross debt in anticipation of future growth, and higher effective tax rate.
- 93% increase in operating cash flow to EUR 92m driven by strong growth in top line and profitability, in addition to NWC improvement to 5.9% of sales, versus 7.4% in H1 2014.
- In spite of a ramping-up of our start-up programs, costs and temporary losses from start-ups and businesses in significant restructuring (separately disclosed items) have been reduced in H1 2015 to 7.1% of adjusted EBITDA, compared to 16.5% in H1 2014, as most reorganization programmes have been completed, and several restructured businesses upgraded to mature perimeter.
- 14 acquisitions with total annualized revenues of EUR 340m[i] completed year-to-date.
- Leverage ratio stood at 1.34x at the end of June 2015, as the Group proactively manages its funding position and balance sheet structure. This ratio should increase, however, following acquisition payments in H2 2015.
- Objectives upgraded: The Group is raising its FY 2015 objectives by over 10% to at least EUR 1.8bn in revenues and EUR 330m in adjusted EBITDA, and bringing forward its mid-term objective of reaching EUR 2bn of revenues by one year from 2017 to 2016, thereby doubling the Group's size in 4 years to 2016, after having doubled in 5 years between 2007 and 2012, and in 2 years between 2005 to 2007.

Comments from the CEO, Dr. Gilles Martin:

"I am pleased to report another strong set of results for the first half of 2015. During the period, the Group delivered close to 6% organic growth, once again above its 5% objective. Even more notable is the significant expansion in reported EBITDA margin, despite the dilutive impact of multiple start-up laboratories (mostly in the US) and the remaining businesses that are undergoing reorganization (for example Discovery Services, Benelux).

Eurofins' recent expansion into new geographies such as Canada and Vietnam, and new markets such as specialized innovative clinical diagnostics, is in-line with its long-standing strategy of leveraging its existing strength and expertise to expand its footprint in its areas of competencies, thereby securing future growth engines. Whilst Eurofins is committed to developing both its new and existing businesses, the Group is also committed to maintaining a robust financial discipline and strong balance sheet, with sufficient headroom and flexibility at all times. The recent successful hybrid and Eurobond issuance by the Group was carried out proactively with these objectives in mind.

[i] As of 31 July 2015. Excludes Biomnis and EGL, which have not closed yet.

Overall, as can be judged today I am positive that Eurofins should be able to continue to perform well in most of its markets, as well as consistently deliver profit improvements as we reap the benefits of our investments. On the back of the Group's continued strong performance and continued positive outlook, we are upgrading our objectives for the full year 2015 by over 10% to achieve at least EUR 1.8bn of revenues and EUR 330m in adjusted EBITDA, compared to our original objectives of EUR 1.6bn of revenues and EUR 300m in adjusted EBITDA. Furthermore, we are bringing ahead by one year, from 2017 to 2016, our mid-term objective of reaching EUR 2bn of revenues. With this, after doubling in size in 5 years, from 2007 to 2012 (EUR 497m to EUR 1.044bn) and in 2 years from 2005 to 2007 (EUR 233m to EUR 497m), the Group would have again doubled in size in only 4 years while significantly improving its profitability and cash flows."

Business Review
The following figures are extracts from the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and the Notes.

Table 1: Half Year 2015 Results Summary

	H1 2015			**H1 2014**			
EUR m (unless stated otherwise)	**Adjusted[1] Results**	Separately disclosed items[2]	*Statutory Results*	Adjusted Results	Separately disclosed items	*Statutory Results*	**+/- % Adjusted Results**
Revenues	841.9		841.9	643.5		643.5	*30.8%*
EBITDA[3]	142.2	-10.1	132.1	109.0	-18.0	91.0	*30.5%*
EBITDA Margin (%)	16.9%		15.7%	16.9%		14.1%	-
EBITAS[4]	98.3	-16.5	81.8	76.3	-23.0	53.2	*28.9%*
Net Profit[5]	57.5	-27.2	30.3	48.9	-26.4	22.6	*17.5%*
Basic EPS[6] (EUR)	3.77	-1.79	1.99	3.24	-1.75	1.50	*16.4%*
Capex			66.0			56.9	*15.9%*
Operating Cash Flow[7]			91.7			47.4	*93.4%*
Net Debt[8]			394.0			485.7	*-18.9%*
Free Cash (Out)Flow[9]			19.2			-16.1	*219.2%*

Note: Definition of the terms used can be found at the end of this section

Revenues
Revenues in the second quarter grew 32.1% to EUR 447.9m (23.5% increase at constant currencies), with organic growth of close to 6%. For the first half of 2015, revenues stood at EUR 841.9m, representing an increase of 30.8% over the same period in 2015, of which about 6% was organic. Currency translation had a positive impact of 6.2%.

On the whole, underlying growth trends remain positive across businesses. Market share gains, in addition to increased market volumes, underpin continued strength in the Group's food testing business. The performance of Eurofins' pharmaceutical testing business is supported by robust underlying trends in the pharma industry[ii]. This is particularly evident in the strong results from the Group's pharma products testing business, which also benefits from Eurofins' increasing global scale and footprint. Growth in Eurofins' Central Lab business has resumed following the completion of the move to Lancaster, whilst the ongoing reorganization of the Discovery Services business continues to distort business performance. In environment testing, the completion of the IPL restructuring has lifted the performance overhang in France, and the Group is optimistic that the business is now poised for growth. Growth variations across geographies were largely driven by the stage of Eurofins' development in its various markets, as well as progress of the Group's different optimization programmes in certain regions.

[ii] http://www.fiercepharma.com/story/drug-sales-expected-top-13-trillion-2018/2015-08-04?utm_medium=nl&utm_source=internal

Table 2: Geographical Revenue Breakdown

(EUR m)	H1 2015	*As % of total*	H1 2014	*As % of total*
Benelux	70.0	8.3%	70.2	10.9%
UK & Ireland	46.5	5.5%	35.0	5.4%
France	118.8	14.1%	109.6	17.0%
Germany	116.6	13.8%	112.4	17.5%
North America	287.4	34.1%	146.1	22.7%
Nordic Countries	77.2	9.2%	76.5	11.9%
Other (including Emerging Markets)	125.5	14.9%	93.7	14.6%
Total	**841.9**	**100%**	**643.5**	**100%**

Organic growth in the US, which comprised 34% of total revenues in the first half of 2015, was above Group objective. Trends in US food testing market remain strong, with the FDA set to increase the Food Safety Modernization Act (FSMA) related budget by 9% to EUR 1.3bn in 2016, in preparation for nationwide implementation in late 2016-early 2017[iii]. These trends are reflected in the strong performance of the Group's food testing business in the US, which generated high single-digit organic growth. The Group continues to ramp-up its local footprint, having more than doubled capacity in the last 12 months, with further additional capacity to come on stream in 2016. Environment testing in the US remains largely driven by consolidation, and Eurofins' footprint was further boosted by the acquisition of QC Labs. In pharmaceutical testing, the Group's pharma products testing business continues to perform strongly, generating double-digit organic growth, underpinned by robust underlying industry fundamentals with record new drug approvals[iv], in addition to continued growth in drug sales[v]. The Group's Central Lab business has also normalized with order backlog firming-up, following the finalization of the site relocation to Lancaster at the end of 2014. In addition to the solid growth contribution from the Group's new business, specialty diagnostics[vi], Eurofins' pharmaceutical testing business in the US delivered solid performance in H1 2015, with the exception of the Group's discovery services business, where performance is temporarily impacted by the sites reorganization programme, expected to be completed in 2016.

In France, where Eurofins derived 14% of total revenues, faster market share gains in a growing market was reflected in the high single-digit organic growth generated by the Group. As food testing volumes continue to grow, Eurofins is able to leverage its scale to accelerate market share gains in both new and existing customers. In environment testing, strong growth from non-water testing activities, in addition to the removal of the performance overhang in the water testing business following completion of the IPL restructuring, resulted in a high-single-digit growth in the French environment testing business.

Organic growth in Germany during the first half of the year was slightly below Group objective, largely reflecting the impact of the absence of legionella testing revenues, which is a 3-year cycle business, on its environment testing business. In addition, growth in the German food testing business shows a slower start to the year compared to the strong comparable results in the previous year, which included the first full year growth contribution from the Danone outsourcing. However, the Group is reasonably confident that growth should pick-up for the remainder of the year.

Growth from businesses in the Nordic region was below Group objective as activities are still normalizing following the completion of the large-scale site consolidation in Denmark. However, the modest growth was still notable given the 2% negative currency impact. The Group is optimistic that growth will steadily ramp-up going forward as underlying environment and food industry fundamentals remain solid. In the Benelux, revenues were stable in H1 2015 despite the absence of revenues from soil derogation activities in the Netherlands, which will recur only in 2018, and the impact of the site consolidation in Belgium and the Netherlands.

[iii] http://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm432576.htm

[iv] http://www.fda.gov/downloads/Drugs/DevelopmentApprovalProcess/DrugInnovation/UCM430299.pdf

[v] http://www.fiercepharma.com/story/drug-sales-expected-top-13-trillion-2018/2015-08-04?utm_medium=nl&utm_source=internal

[vi] ViraCor and Boston Heart Diagnostics (BHD) as of 30 June 2015.

In the UK & Ireland, Eurofins continues to gain traction, generating high single-digit organic revenue growth on the back of solid market growth in food testing, and the Group's ability to drive faster market share gains. In addition, the pharma testing business in the UK leverages Eurofins' strengthening global scale, particularly in pharma products testing, and benefits from the Group's successful global client penetration in the US.

Eurofins' businesses in emerging markets, Southern Europe and the Asia-Pacific region, which collectively make-up 15% of total revenues, continue to expand rapidly, generating double-digit organic growth, as the Group continues to develop its footprint in these geographies both organically and through acquisitions.

Acquisitions & Infrastructure
As of 30 June 2015, Eurofins completed 9 acquisitions with combined annualized revenues in excess of EUR 150m. In July 2015, 5 more acquisitions were completed, bringing total acquisitions completed year-to-date to 14, with combined annualized revenues in excess of EUR 340m[vii]. The laboratories, or groups of laboratories acquired either strengthen Eurofins' leadership in existing markets, or provide entry into new geographies or market segments.

In February, Eurofins announced that it successfully closed the transaction to acquire Boston Heart Diagnostics (BHD), expanding the Group's footprint in specialty clinical diagnostics to cardiovascular diseases. Shortly after, the Group acquired BioDiagnostics Inc. (BDI), a renowned laboratory for genetic seed and plant testing, securing the Group's leadership in agricultural testing. In March, Eurofins acquired NUA GmbH in Austria, and CEBAT (France) was acquired in April, strengthening the Group's leadership in the environment testing market in Europe. Eurofins also acquired a product testing laboratory in Belgium to leverage its existing competencies and technical know-how. In May, the Group acquired QC Labs to reinforce its food and environment testing footprint in the US. In the same month, Eurofins entered 2 new geographies with the acquisition of Experchem in Canada, and Sắc Ký Hải Đăng (EDC-HD) in Vietnam. In June, the Group reinforced its leading footprint in agrosciences with the acquisition of Trialcamp in Spain. Total acquisition spend was EUR 184m.

Eurofins is currently engaged in several site rationalization projects that involve constructing new laboratories in growth markets, or consolidating several small sites into fewer but larger industrialized sites, or simply moving some businesses into our large campuses to maximize synergies and optimize efficiencies across our businesses. By the end of 2015, the Group expects to complete 40,000m^2 of additional modern laboratory surface, following the 60,000m^2 delivered in 2014. In Europe, Eurofins is shifting several multi-building or multi-location laboratories in Germany into our large, single-site campus in Hamburg. The Group is also undertaking a site consolidation project to bring several small laboratories into 2 large sites in The Netherlands and Belgium. In Sweden, Eurofins is combining 2 laboratories into 1 larger site in Uppsala. In the US, the programme to integrate Eurofins discovery services business (Cerep, Panlabs and DDS Millipore), which includes site rationalization, is still underway. The Group is also currently opening 4 new laboratories in different cities to support the growth in food testing activities, in addition to the recently-completed US food testing hub in New Orleans.

Profitability
Group adjusted EBITDA rose 30.5% to EUR 142.2m in H1 2015, with the margin stable at 16.9%, despite the inclusion of newly-profitable start-ups and some recent acquisitions that are not yet at Group profitability level. The mature businesses of the Group, i.e. excluding start-ups and acquisitions in significant restructuring, generated EUR 737.7m of revenues during the period, implying that the margin for these businesses expanded to 19.3%. The remaining EUR 104.2m of revenues, or 12.4% of total Group revenues, were generated by start-ups and acquisitions in significant restructuring, or non-mature laboratories, including Boston Heart Diagnostics (BHD). Excluding BHD, this perimeter would have comprised less than 8% of total Group revenues. Despite the fact that BHD is already profitable, its management is investing

[vii] Excludes Biomnis and EGL, which have both been signed in June 2015, but not yet closed.

aggressively in expanding its new territories and clinical practices which have a typical 12 months break-even cycle.

Separately disclosed items in H1 2015 were EUR -10.1m at EBITDA level, compared to EUR -18.0m for the same period in the previous year. This means that the exceptional costs and temporary losses from non-mature businesses have been significantly reduced from 16.5% to 7.1% of the EBITDA generated by the mature businesses. As previously communicated, the Group expects this ratio to further narrow going forward. Within these separately disclosed items, the temporary losses from start-ups and acquisitions in significant restructuring was reduced to EUR 4.2m in H1 2015 from EUR 9.2m in H1 2014, following the completion of the central lab and IPL reorganization and restructuring. The remaining temporary losses are related, in a large part, to the start-up food testing labs being opened in the US. The reduction in one-off costs from integration and reorganization to EUR 5.9m during the first six months of this year, compared to EUR 8.8m in the same period last year is on the back of the completion of the site consolidation in Denmark, as well as the completion of central lab and IPL reorganization. The remaining one-off costs relate mainly to the ongoing site consolidation in the Benelux, as well as the reorganization of the discovery services business in the US.

The significant reduction in separately disclosed items led to a 160 bp expansion in reported EBITDA margin to 15.7% in H1 2015, reflecting a 45.2% increase in reported EBITDA to EUR 132.1m, compared to EUR 91.0m in H1 2014.

Net finance costs in H1 2015 were EUR 19.7m, an increase of 35.5% compared to H1 2014, due mainly to the higher average gross debt following the issuance of the Eurobonds in January 2015 in anticipation of acquisitions in H2 2015 and beyond. Income tax expense shows a sharp increase of 70.4% to EUR 15.9m on higher effective tax rate of 34.3%, compared to 29.4% effective tax rate in the same period last year, due to higher profits generated in the US, which carry a higher tax rate of 40%.

Adjusted net profit for the Group stood at EUR 57.5m in H1 2015, representing growth of 17.5%, despite the significant increase in financial costs compared to H1 2014. Reported net profit for the first 6 months of 2015 was EUR 30.3m, a 34.0% increase over the same period in 2014. Earnings per share (EPS) attributable to equity shareholders is broadly flat reflecting the impact of the tap on an existing hybrid issue in H2 2014, as well as the new hybrid issued in April, taking the total hybrid capital of the Group from EUR 150m in H1 2014 to EUR 600m in H1 2015, as the Group proactively strengthened its balance sheet in anticipation of growth beyond what was planned in its original 5-year plan.

Cash Flow & Financing

Operating cash flow[7] increased 93.4% to EUR 91.7m during the first half of the year, driven largely by the strong growth in pre-tax profit during the period (+46.3% to EUR 46.5m) despite ongoing investments significantly above maintenance levels. The Group's focus on cash flow discipline was also reflected in the 25.5% reduction in working capital outflow as net working capital (NWC) stood at 5.9% of sales at the end of June 2015, compared to 7.4% at the same time last year.

Capital expenditures as of the end of June stood at EUR 66m, a 15.9% increase from the previous year, due mainly to faster progress on lab modernization and expansion programs, in addition to an acceleration in the upgrade and deployment of Group IT systems. Despite the uptick in capital expenditures and higher interest payments, Free Cash Flow still shows significant expansion to EUR 19.2m at the end of June 2015, compared to a Free Cash Outflow of EUR -16.1m in June 2014.

Net debt at the end of June 2015 stood at EUR 394m, a EUR 100m reduction from the net debt at the end of December 2014, despite multiple investments and first repayment of the OBSAAR bonds, due mainly to higher cash balance following the issuance of the EUR 500m Eurobond in January, and EUR 300m new hybrid bond in April. Consequently, Eurofins' leverage ratio at the end of the period stood at 1.34x net debt/adjusted EBITDA, versus its limit of 3.5x. On the other hand, given multiple acquisitions that have been completed (e.g. BioAccess, EGL), and are expected to be completed (e.g. Biomnis) after the close of the first half reporting period, this ratio is expected to increase in the second half of the year, compared to where it stood in June 2015, or December 2014.

Post-closing events

The Group concluded further transactions shortly after the close of H1 2015. In July, Eurofins completed the acquisition of Diatherix Laboratories in the US, a highly-specialised laboratory providing cutting-edge molecular diagnostic testing services using proprietary technology for precise highly parallel detection of a large range of infectious disease agents, with annual revenues of about US$40m. The addition of Diatherix to the network strengthens Eurofins' growing footprint in the specialty clinical diagnostics market. Shortly after, Eurofins acquired Nihon Soken in Japan, one of the country's leading environmental testing service providers with a strong focus in pollution analysis, and the largest laboratory serving the Fukushima prefecture. Nihon Soken expects to generate revenues of almost EUR 10m in 2015. At the end of July, Eurofins successfully closed the transaction to take control of BioAccess together with its founder and several of its leaders. BioAccess is a leading group of clinical diagnostic laboratories in France, and provides Eurofins entry into the European clinical diagnostic market. BioAccess expects to generate revenues of about EUR 140m in 2015.

In addition, the Group signed an agreement to acquire the Biomnis Group for approximately EUR 220m, as announced on the 22nd of June, 2015. With revenues of EUR 220m generated in 2014, Biomnis is one of the largest independent laboratories in Europe focusing on specialty diagnostic testing. Should the transaction close, the addition of Biomnis to the Eurofins network would strengthen the Group’s pharmaceutical and genomic service offering, and consolidate its growing presence in the specialty diagnostic testing sector. Eurofins also signed an agreement to acquire a majority stake in Emory Genetics Laboratory (EGL) at the end of June for approximately US$ 40m. EGL provides high-complexity molecular, biochemical and cytogenetic testing for rare and common genetic diseases and disorders, and would further advance Eurofins’ footprint in the genetics and genomic segment of the specialty clinical diagnostic testing market.

Eurofins also raised EUR 500m in its latest senior unsecured Euro bond public issuance in July. The bonds have a 7.5-year maturity and bear an annual rate of 3.375%.

Table 3: Separately disclosed items

H1 2015 Separately disclosed items: (in EURm unless stated otherwise)	H1 2015	H1 2014
One-off costs from integrations, reorganizations and discontinued operations, and other non-recurring costs	5.9	8.8
Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring	4.2	9.2
EBITDA impact	10.1	18.0
Depreciation costs specific to start-ups and new acquisitions in significant restructuring	6.3	5.0
EBITAS impact	16.5	23.0
Amortisation of acquired intangible assets related to acquisitions, goodwill impairment, negative goodwill, revaluation of amounts due from business acquisitions, transaction costs related to acquisitions, and non-cash accounting charges for stock options	15.8	7.1
Tax effect from the adjustment of all separately disclosed items	-5.2	-3.7
Non-controlling interests on separately disclosed items	0.1	-0.1
Total impact on Net Profit attributable to equity holders	27.2	26.4
Impact on EPS (EUR)	1.79	1.75

1 Adjusted results - reflect the ongoing performance of the mature and recurring activities excluding “separately disclosed items[2]”.

2 Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations and other non-recurring income and costs, temporary losses and other costs related to network expansion, start-ups and new acquisitions undergoing significant restructuring, non-cash accounting charges for stock options, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions and the related tax effects.

3 EBITDA - Earnings before interest, taxes, depreciation and amortisation, non-cash accounting charges for stock options, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill and transaction costs related to acquisitions as well as income from unused amounts due for business acquisitions.

4 EBITAS - Earnings before interest, taxes, non-cash accounting charges for stock options, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, and transaction costs related to acquisitions as well as income from unused amounts due for business acquisitions.
5 Net Profit - Net profit for equity holders after non-controlling interests but before payment to Hybrid holders.
6 Basic EPS - earnings per share before payment of dividends to hybrid bond holders.
7 Operating Cash Flow - net cash provided by operating activities after tax.
8 Net Debt - long and short-term borrowings less cash and cash equivalents.
9 Free Cash (Out)Flow - Net Operating Cash Flow, less cash used in investing activities (but excluding acquisition & financial derivative instruments payments) and interest.

The First Half Year Report 2015 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 the world leader in food, environment and pharmaceutical products testing. It is also one of the global market leaders in agroscience, genomics, discovery pharmacology and central laboratory services. In addition, Eurofins is one of the key emerging players in specialty clinical diagnostic testing in Europe and the USA.

With 19,000 staff in around 200 laboratories across 38 countries, Eurofins offers a portfolio of over 130,000 reliable analytical methods for evaluating the safety, identity, composition, authenticity, origin and purity of biological substances and products, as well as for innovative clinical diagnostic. The Group provides its customers with high-quality services, accurate results on time and expert advice by its highly qualified staff.

Eurofins is committed to pursuing its dynamic growth strategy by expanding 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 and analytical chemistry 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 expanding demands of regulatory authorities around the world.

The shares of Eurofins Scientific are listed on the Euronext Paris Stock Exchange (ISIN FR0000038259, Reuters EUFI.PA, Bloomberg ERF FP).