Eurofins raises its 2016 profit objectives and sets preliminary EUR 2.9bn revenue objective for 2017

21 September 2016

- On the back of the strong performance of most of the Group's businesses in H1 2016, and organic growth remaining above the Group's 5% objective in July and August, Eurofins is raising its adjusted EBITDA objective for the full year 2016 from EUR 460m to EUR 480m.
- Year to date the Group has completed 23 small acquisitions which generate about EUR 140m in annual revenues and average EBITDA margins close to mid-teen level. Since June 30, 2016, Eurofins has spent EUR 58m on acquisitions, bringing the total spend year to date to about EUR 150m, close to 1x the revenues of the companies acquired.
- Until the end of the year, based on the current pipeline, the Group management is confident to reach or exceed its full year objective to add EUR 200m of annual revenues from small acquisitions (about EUR 60m in addition to the total revenues already acquired year to date) at similar multiples as those completed year to date. These acquisitions will only be consolidated for a few months in 2016. Hence the reported revenue impact of small acquisitions completed in 2016 should be less than EUR 100m but Eurofins confirms its objective to reach reported revenues of EUR 2.5bn in 2016.
- If the level of small acquisitions expected from the current pipeline is achieved, even if organic growth for the remainder of the year was to revert to the 5% annual objective, and assuming no large acquisitions beyond those mentioned above, management believes that the Group should be able to achieve pro-forma revenues of EUR 2.65bn and pro-forma adjusted EBITDA of close to EUR 500m in 2016.
- From there on, assuming only 5% organic growth, no acquisitions, and very modest margin improvement in 2017, Eurofins would reach close to EUR 2.8bn annual revenues and EUR 530m of adjusted EBITDA (at constant currency); i.e. slightly more than the June 30, 2016 net debt corrected for the EUR 294m of net proceeds from the equity issuance on September 8, 2016 (EUR 523m = EUR 817m net debt at 30 June 2016 – EUR 294m net proceeds from equity raise). Based on achieving its annual objective of 5% organic growth and acquiring small companies generating total annual revenues of EUR 200m in 2017, Eurofins should be able to reach revenues of at least EUR 2.9bn (EUR 3bn pro-forma) and continue to deliver margin improvements in 2017.
- Final objectives for 2017 will be set when the Company reports its FY 2016 results in Q1 2017, but it is likely that an objective of EUR 550m of adjusted EBITDA may be set for 2017 subject to no currency change, continued good business performance, and acquisitions to be carried out until the end of 2017 having profitability levels close to that of the Group.
- Should Eurofins achieve revenues of EUR 2.9bn in 2017, the annual growth required to reach its EUR 4bn revenue objective by 2020 would be only 11.3% per year for 2018, 2019 and 2020.
- Continued strength across most of our businesses allow management to remain positive that the Group is well on track to achieve these 2020 objectives of reaching EUR 4bn of revenues and EUR 800m in adjusted EBITDA. Furthermore, Eurofins leadership is committed to maintaining a disciplined approach to acquisitions to achieve its target return on capital employed, and now often favors organic start-ups when this does not appear possible in certain markets.
- The management is equally committed to creating further flexibility in the Group's capital structure as part of its mid-term plans as reflected in the reduction in its leverage ratio from 2.54x net debt/adjusted EBITDA on 31 December 2015 to 1.88x on 30 June 2016 (1.16x if corrected for the EUR 294m raised in the successful equity offering on 08 September 2016). Should the Group develop as described in the paragraphs above (with 5% organic growth and modest margin improvements) and carry out only small acquisitions adding EUR 200m of revenues per year at current multiples, net debt to adjusted EBITDA could well remain below 1.5x in 2016 and 2017.

Comment from **Dr. Gilles Martin**, Eurofins CEO: "In 2016, we have been making good progress towards our financial, acquisitions and operational mid-term objectives. The Group should complete the vast majority of its planned laboratory infrastructure investments by the end of 2017, so that it will be equipped with very effective platforms to compete in its markets and provide clients with an unequalled level of service. This, combined with the completion of 35 startup laboratories by the end of 2017, and a number of new exclusive tests out of its R&D, bode well for strong, sustainable growth.

As previously communicated and as part of our objectives for 2016, Eurofins is also making strides in optimizing its balance sheet and increasing funding flexibility. The equity offerings in June and September 2016 not only reduced the Group's leverage ratio but also created significant financial flexibility, with the ability to pursue larger value-accretive acquisitions in addition to its objective of adding EUR 200m per year from small acquisitions whilst staying within its 3.5x net debt/adjusted EBITDA covenant limit. Furthermore, should the Group carry out a very significant acquisition which could bring our net debt temporarily beyond this level, the management intends to actively and quickly manage the Group's leverage down to regain flexibility for further acquisitions.

Thus, Eurofins is getting stronger than ever– both in terms of laboratory infrastructure and financial scale - to benefit from positive developments and opportunities in its markets, and respond swiftly to value-creative opportunities while not incurring inordinate debt levels".

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Notes for the editor:

Eurofins – a global leader in bio-analysis
Eurofins believes it is the world leader in food, environment and pharmaceutical products testing and that it is also one of the global independent market leaders in certain testing and laboratory services for agroscience, genomics and discovery pharmacology and for supporting clinical studies. In addition, Eurofins is one of the significant emerging players in specialty clinical diagnostic testing in Europe and the USA.

With 25,000 staff in more than 250 laboratories across 39 countries, Eurofins offers a portfolio of over 130,000 validated analytical methods for evaluating the safety, identity, composition, authenticity, origin, traceability 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 and healthcare practitioners around the world.

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

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