eurofins

After a very strong 2021, Eurofins fully compensates for the decline in COVID-19 testing in 2022 and accelerates the build-out of its world-class network

01 March 2023

Financial highlights

Eurofins delivered a solid performance in FY 2022 despite negative consequences of the war in Ukraine, which started two days after objectives were set on 22 February 2022:

- Revenues of €6,712m were stable on a reported basis vs FY 2021 despite the year-on-year decrease in revenues from COVID-19 testing and reagents of more than €800m.
- Revenues in the Core Business (excluding COVID-19 testing and reagent revenues) increased by +5.8% organically[13] in FY 2022 and +6.7% in H2 2022 (both adjusted for the impact of public working days and +5.3% in FY 2022 and H2 2022 without the adjustment) vs FY 2021.
- As expected, COVID-19 related testing significantly decreased year-on-year:
    - Due to lower COVID-19 testing volumes and reimbursement rates, revenues from COVID-19 testing and reagents declined year-on-year by more than €800m (to just under €600m in FY 2022 from over €1,400m in FY 2021).
- Adjusted[1] EBITDA[3] of €1,513m (22.5% of revenues) declined vs €1,902m (28.3% of revenues) in FY 2021, impacted by:
    - The decrease in COVID-19 testing volumes and reimbursement rates
    - Inflationary headwinds for personnel expenses, energy, logistics and consumables and lagging corresponding price increases by Eurofins companies
    - Labour-related effects such as strikes in the French clinical diagnostics sector and COVID-19 related lockdowns and absenteeism
    - Volume challenges faced by some of our clients (food and consumer products industries, especially in Europe) following the start of the war in Ukraine
- Cash provided by operating activities and proceeds from disposals more than fully self-financed capex, acquisitions, lease repayments and interest and hybrid coupons:
    - Net operating cash flow of €1,136m benefitted from a year-on-year improvement in net working capital[12] (4.2% of the Group's revenues in FY 2022 vs 4.5% in FY 2021) but was restrained by a high level of taxes paid following the higher profits made in FY 2021.
    - Net capital expenditures[9] of €645m supported growth initiatives including capacity expansion, start-ups and development of bespoke proprietary IT solutions.
    - Divestment of non-core Eurofins' Digital Testing business for €220m created significant value (over 23% IRR and 6.5x cash multiple).
    - Free cash flow before investment in owned sites[16] of €677m
    - Investment in owned sites of €186m reflect the Company's long-term strategy of expanding its hub and spoke network including large high-throughput campuses.
- Net Profit[7] amounted to €606m.
- Eurofins' balance sheet remains very strong:
    - Financial leverage (net debt[11] to adjusted pro-forma EBITDA) was 1.9x at the end of December 2022. Including the issuance of €600m of hybrid bonds in January 2023 and the planned repayment of the outstanding €183m of hybrid bonds callable on 29 April 2023, Eurofins' pro forma financial leverage is 1.6x, at the lower end of our targeted range of 1.5-2.5x.

- Outside of the planned repayment of the hybrid bonds callable on 29 April 2023, Eurofins has no major financing requirements until the outstanding €448m senior Eurobonds become due on 25 July 2024.
- The 1st tranche of a share buy-back programme that repurchased 121,493 shares was completed on 3 December 2022. It is currently intended that all purchased shares may be used as previously communicated, including to cover the Company's Long-Term Incentive plans as approved by the Board of Directors at its meeting on 19 December 2022.
- A 2nd tranche was launched 22 December 2022 and will run until 3 May 2023 (extended from 3 March 2023). It will cover a maximum volume of up to one million shares or 0.52% of the Company's current share capital.

- The Board of Directors intends to propose, at the upcoming Annual General Meeting (AGM) on 27 April 2023, an annual dividend of €1.00 per share, corresponding to 33% of FY 2022 reported Basic EPS[8].

Strategic highlights

After a very strong 2021, Eurofins accelerated investments for sustainable long-term growth:

- 2022 was a record year for Eurofins in terms of acquisitions:
  - 59 acquisitions were closed (2021: 38), contributing €150m to consolidated revenues (€269m had the effective dates of these acquisitions been 1 January 2022). The cost of these acquisitions was €430m, equivalent to only 1.6x of their FY 2022 revenues. Indeed, Eurofins focussed on reasonably valued smaller bolt-on acquisitions.
- Accelerated strategic investment initiatives for future value creation:
  - Eurofins added 104,000 m^2 of surface area to its owned sites in 2022 to expand its hub and spoke laboratory network. Eurofins companies owned 30% of the total net floor area of their sites at the end of 2022. This is a significant increase vs 19% owned at the end of 2018. Additions have been focussed on high growth markets and regions, for example the acquisition of a laboratory in Genome Valley, Hyderabad, India in January 2023 to support pharmaceutical clients and biotech companies. Aside from attractive financial fundamentals, site ownership is key to reducing risks and dependencies on landlords and unlocking economies of scale through high-throughput built-for-purpose campuses. For example, since 2018 Eurofins has increased the ratio of revenue per m^2 of surface area by 34%.
  - Start-ups have been launched in all key areas of activities and regions of the Group, including 50 new start-up laboratories and 18 new blood collection points (BCPs). The start-up figure also includes the refocussing of existing activities in Eurofins Technologies on molecular testing and in Genomics on BioPharma. This involves significant investment to expand Eurofins Technologies' product offering and distribution channels as well as to refocus Genomics toward GMP, IVD and BioPharma-related genomic services. The mature start-ups created between 2010 and 2021 generated return on capital employed of more than 45% on revenues of €239m.
  - Sector-leading proprietary IT solutions were further developed and deployed to become fully digital, including proprietary Laboratory Information Management Systems (LIMS), comprehensive suites of bespoke IT solutions specific to each business line as well as the ramp-up of initiatives including artificial intelligence (AI), automation and cyber-security.
- Further cemented Eurofins' leadership position as an ESG Enabler:
  - 98% of Eurofins' revenues in FY 2022 contribute to UN Sustainable Development Goals (UN SDGs) that support the environmental, social and economic aspects of sustainable development.
  - The Group continued to make positive progress toward our objective of carbon neutrality by 2025, including a reduction in carbon intensity (measured in tCO_2e/FTE) by 9% vs FY 2021 and 14% vs FY 2019.
  - Eurofins Agro Testing introduced Soil Carbon Check, a suite of testing solutions to measure the levels of carbon storage in fields, supporting the reduction of CO_2 in the atmosphere (including for carbon credit claims) and improvements to soil health.
  - Eurofins Sustainability Solutions was launched to bring together a wide range of Eurofins companies' sustainability offerings in one place, enabling global customers to benefit from the Eurofins network's market leading solutions to contribute to product and enterprise sustainability.
- Continued making numerous innovative contributions in the field of Testing for Life, including:

- Eurofins Transplant Genomics has grown its annual sales from TRAC® and TruGraf® for kidney transplant recipients by over 400% year-on-year, with further revenue expansion expected in 2023.
- Eurofins Environment Testing launched its BQ.1 and BQ.1.1 Droplet Digital PCR Assay (ddPCR) for SARS-CoV-2 Wastewater Testing, a highly sensitive ddPCR analytical tool to help identify SARS-CoV-2 Variants of Concern BQ.1 and BQ.1.1 in wastewater samples.
- Eurofins Viracor launched a ground-breaking test that can assess the expansion and persistence of Chimeric Antigen Receptor T-Cell (CAR-T) therapy in patients with pre-B cell acute lymphoblastic leukemia and B cell lymphomas. It is expected to be a valuable tool in helping clinicians to make more informed decisions about the best course of treatment for their patients.

2023 to 2027 Objectives

- Eurofins is updating its objectives for FY 2023 to FY 2027:

€m	**FY 2023**	**FY 2027**
Revenues	€6.6bn – €6.7bn Full compensation of ca. €600m of COVID revenues in FY 2022	Approaching €10bn
Adjusted EBITDA	€1.35bn – €1.4bn	Margin: 24%
FCFF before investment in owned sites[16]	€700m - €750m	Approaching €1.5bn

- In FY 2023 and to FY 2027, Eurofins targets organic growth of 6.5% p.a. and potential revenues from acquisitions of €250m p.a.
- Continued growth investments in the ownership of strategic sites, start-ups and bespoke proprietary IT solutions are expected to drive increased profitability and cash generation over the mid-term horizon.
- These objectives assume exchange rates are stable vs 2022 average and zero contribution from COVID-19 testing and reagents.
- With the aim of launching 30 new start-up laboratories (50 in FY 2022) and several new BCPs (18 in FY 2022) in FY 2023, Eurofins expects Separately Disclosed Items[2] (SDI) at the EBITDA level to be about €100m in FY 2023 and decline thereafter toward less than 0.5% of revenues.
- Capital allocation priorities in FY 2023 and the mid-term will continue to include site ownership of high-throughput campuses to complete Eurofins' global hub and spoke network, start-ups in high growth areas, development and deployment of sector-leading proprietary IT solutions and acquisitions. Investments in these areas are key to our long-term value creation strategy. From FY 2023, investment in owned sites is assumed to be around €200m p.a., while net operating capex is expected to be ca. €400m p.a. (total net capex[9] of €600m p.a.).
- Eurofins targets to maintain a financial leverage of 1.5-2.5x throughout the period and less than 1.5x by FY 2027.
- The speed of improvement toward the 2027 adjusted EBITDA margin objective will depend on the timing of the bottoming out of food and consumer product end markets and how fast pricing can be aligned to cost inflation as well as the speed of execution of innovation, productivity, digitalisation and automation initiatives.

Comments from the CEO, Dr Gilles Martin:

"2022 was a year of many unexpected challenges, but also one in which Eurofins clearly demonstrated its resilience. Despite inflationary pressures, consequences of the ongoing war in Ukraine, supply chain disruptions for clients, general economic uncertainty and the over €800 million decrease in our COVID-19 testing activities, we were able to meet our objective of €6.7bn in revenues. This was made possible by an acceleration of Eurofins' organic growth in H2 2022 to 6.7%, above our mid-term objective of 6.5%. We generated strong cash flow that allowed us to further invest in our laboratory network, establish a record number of new start-ups, continue developing world-class IT solutions and make an exceptional number of acquisitions at a reasonable cost. Our ESG performance has also improved, as demonstrated by the decline in our carbon intensity by 9% year-on-year. I would like to thank our leaders and employees for their determination, agility and customer orientation, which made these achievements possible.

Eurofins' companies remain focussed on continual productivity improvements as well as other operational excellence programmes. We will continue to drive growth with innovative new tests to improve health and sustainability as well as further automate and digitalise our processes. Eurofins companies are entering 2023 with updated terms with most clients to better align prices with cost inflation and intend to recover the 2022 gap between costs and price growth over 2023.

Despite the current economic circumstances, Eurofins remains dedicated to its value creation strategy focussed on sustainable long-term growth and innovation. As the Global Leader in Testing for Life and increasingly as an ESG enabler, with nearly all of our revenues contributing to UN Sustainable Development Goals, Eurofins is in a strong position to address the continuously growing demand for our services. Doing so requires that we remain committed to investing in key elements of our physical and technological infrastructure, including building and owning high-throughput campuses, expanding our hub and spoke network with start-ups and acquisitions and deploying sector-leading proprietary IT solutions. We expect these investments to further increase Eurofins' leadership in providing the most innovative, high-quality, cost-competitive and secure services our clients expect from us today and into the future, as well as deliver the value creation expected by our shareholders.

Looking forward, I remain very confident in the capabilities and resilience of Eurofins teams and our ability to navigate challenges and achieve our FY 2023 to FY 2027 financial objectives."

Conference Call

Eurofins will hold a conference call with analysts and investors today at 15:00 CET to discuss the results and the performance of Eurofins, as well as its outlook, and will be followed by a questions and answers (Q&A) session.

Click here to Join Call >>
No need to dial in. From any device, click the link above to join the conference call. Alternatively, you may dial-in to the conference call via telephone using one of the numbers below:

UK: + 44 330 165 4027
US: + 1 323 794 2423
FR: + 33 176 772 274
BE: + 32 240 406 59
DE: + 49 692 222 134 20

Confirmation Code: 1722525

Business Review

The following figures are extracts from the Consolidated Financial Statements and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended 31 December 2022. The Full Year Report 2022 can be found on Eurofins' website at the following link: https://www.eurofins.com/investors/reports-and-presentations/

Table 1: Full Year 2022 Results Summary

	FY 2022			FY 2021			+/- % Adjusted results	+/- % Reported results
In €m except otherwise stated	**Adjusted[1] results**	Separately disclosed items[2]	Reported results	**Adjusted[1] results**	Separately disclosed items[2]	Reported results		
Revenues	6,712	-	6,712	6,718	-	6,718	*0%*	*0%*
EBITDA[3]	1,513	-98	1,415	1,902	-62	1,840	*-20%*	*-23%*
EBITDA margin (%)	22.5%	-	21.1%	28.3%	-	27.4%	*-580bps*	*-630bps*
EBITAS[4]	1,037	-126	911	1,473	-84	1,389	*-30%*	*-34%*
Net profit[7]	683	-77	606	1,043	-260	783	*-35%*	*-23%*
Basic EPS[8] (€)	3.43	-0.41	3.02	5.29	-1.38	3.91	*-35%*	*-23%*
Net cash provided by operating activities			1,136			1,511		*-25%*
Net capex[9]			645			482		*+34%*
Net operating capex			459			370		*+24%*
Net capex for purchase and development of owned sites			186			112		*+66%*
Free Cash Flow to the Firm before investment in owned sites[16]			677			1,142		*-41%*
M&A spend			430			531		*-19%*
Net debt[11]			2,839			2,239		*+27%*
Leverage ratio (net debt/pro-forma adjusted EBITDA)			1.9x			1.2x		*+0.7x*

Note: Definitions of the alternative performance measures used can be found at the end of this press release

Revenues were stable year-on-year at €6,712m in FY 2022 vs €6,718m in FY 2021 despite the decrease in revenues from COVID-19 testing and reagents of more than €800m. The decline was primarily compensated by strong organic growth in the Core Business (excluding COVID-19 related clinical testing and reagents revenues) of 5.8% (adjusted for public working days and +5.3% without the adjustment) vs FY 2021 despite labour-related challenges including strikes, COVID-19 related absenteeism and lockdowns in China as well as supply chain disruptions for clients. Additionally, acquisitions and favourable exchange rates also supported the growth in reported revenues.

Table 2: Organic Growth Calculation and Revenue Reconciliation

	In €m except otherwise stated
2021 reported revenues	**6,718**
+ 2021 acquisitions - revenue part not consolidated in 2021 at 2021 FX	158
- 2021 revenues of discontinued activities / disposals[15]	-94
= 2021 pro-forma revenues (at 2021 FX rates)	6,782
+ 2022 FX impact on 2021 pro-forma revenues	283
= 2021 pro-forma revenues (at 2022 FX rates) (a)	**7,065**
2022 organic scope* revenues (at 2022 FX rates) (b)	**6,487**
2022 organic growth rate (b/a-1)	**-8.2%**
2022 acquisitions - revenue part consolidated in 2022 at 2022 FX	150
2022 revenues of discontinued activities / disposals[15]	75
2022 reported revenues	**6,712**

** Organic scope consists of all companies that were part of the Group as at 01/01/2022. This corresponds to 2021 pro-forma scope.*

Table 3: Breakdown of Revenue by Operating Segment

€m	**FY 2022**	**As % of total**	**FY 2021**	**As % of total**	***Y-o-Y variation %***
Europe	3,507	52%	3,999	60%	-12%
North America	2,494	37%	2,147	32%	+16%
Rest of the World	711	11%	572	9%	+24%
Total	**6,712**	**100%**	**6,718**	**100%**	

<u>Europe</u>

- Reported revenues decreased vs FY 2021 by €492m, primarily due to record comparables in FY 2021 related to COVID-19 testing and reagents revenues. Excluding this impact, Core Business revenues were up year-on-year in almost all areas of activities.
- The BioPharma services business in Europe enjoyed further robust growth in FY 2022 across all activities despite the high comparable base of H1 2021 from projects supporting COVID-19 vaccines. Eurofins Discovery has grown rapidly through start-up activities in biophysics and high throughput screening to help customers quickly characterise and select their most promising candidates. Start-up activities are also progressing in CDMO, with teams in Italy and the UK building up their capabilities and capacities for cell and gene therapies. Investments to add and expand facilities continue to progress with a focus on Italy, Germany and Spain. In parallel, we have several on-going renovation projects focussed on making our laboratories more eco-efficient, digitalised and scalable. Growth was also supported by acquisitions, including Lunaria in the Czech Republic, a laboratory for testing small molecule finished products, and Inpac Medizintechnik in Germany, a company serving the medical device, biotech and pharma industries. In addition, the acquisition of WESSLING Hungary was also completed, extending Eurofins' position in BioPharma Product Testing.
- Eurofins' Food and Feed Testing business in Europe faced a challenging macroeconomic environment in FY 2022. With consumer behaviour impacted by inflationary pressures and our clients facing supply chain constraints effecting procurement of raw materials as well as effects linked to the war in Ukraine, food producers have reduced the breadth of their offerings and investments in product development. In response to the situation, Eurofins has started adapting its cost and pricing policies as well as opportunistically consolidating its regional footprint, most notably in Hungary and Spain. In terms of

innovation, Eurofins has brought online several automation projects in Germany, France and the Nordics to lower costs and improve quality.

- The Environment Testing business in Europe grew strongly with significant market share gains on the back of strong operational performance and customer-centric efforts. Demand for specialty testing, including for PFAS, asbestos and pesticides, continued to remain robust. We won several PFAS tenders during the year as clients recognise our network of laboratories as a leader in innovation and quality of service. This includes a contract to facilitate the largest European biomonitoring project for PFAS in blood in Antwerp, commissioned by the Agency for Care and Health of the Flemish Government. We received accreditation for our innovative asbestos testing model in France (called CAUMET) which utilises artificial intelligence to automatically clear a large portion of samples, significantly increasing our scientists' productivity and work satisfaction. This new model is being rolled out everywhere in France as well as to some of our asbestos testing laboratories in Europe.
- The Clinical Diagnostics business in Europe gained momentum through the course of the year as the impacts from COVID-19 related disruptions on hospitals and patient behaviour gradually subsided. Eurofins also expanded its geographic scope through the course of the year by completing acquisitions in France, Italy and Hungary. New offerings have also contributed to growth, including Eurofins Genoma's launch of niPGT-A, a non-invasive preimplantation genetic aneuploidy screening test that determines chromosomal abnormalities which may lead to complications during pregnancy. Such novel tests are increasingly being adopted by the medical field, with Germany beginning to reimburse non-invasive prenatal testing (NIPT) since 1 July 2022. Consumers are also increasingly embracing testing by themselves, with direct-to-consumer sales increasing in France, the UK and Spain.
- Eurofins continues to expand its presence in innovative fields for life science testing. For example, Eurofins Genomics will be involved in Our Future Health, the UK's largest ever health research programme, by conducting genotyping for up to 5 million participants. In addition, Eurofins Forensics continues to expand its presence and offerings to law enforcement authorities in the UK, Germany and the Netherlands.

North America

- Reported revenues increased year-on-year by €347m, supported by the appreciation of the U.S. Dollar vs the Euro as well as strong organic growth. COVID-19 related activities represented about 5% of revenues in FY 2022 (mainly in H1 2022) compared with about 10% in FY 2021.
- Growth in Eurofins' BioPharma business in North America accelerated in H2 2022 as the comparable base normalised from COVID-19 vaccine work completed in H1 2021. Overall demand remains strong as medium and large pharmaceutical players remain focussed on biologics development, including all modalities advanced therapy medicinal products (ATMPs). In particular, central laboratory and bioanalytical services continue to be very much in demand to support early and late phase clinical trials for these modalities. To support further growth in these activities, Eurofins continues to invest in capacities and capabilities at our Lancaster, Columbia and San Diego sites as well as expand our biotherapeutics services in both Discovery and CDMO.
- The softening macroeconomic environment has caused some Food and Feed testing clients in North America to restrain their testing expenses and slow down their development activities in the latter part of 2022. Nonetheless, demand for Eurofins' specialised offerings remained resilient, with supplements testing continuing to grow strongly and new demand emerging for testing contaminants such as PFAS and enhanced salmonella control in poultry. Increasing demand for more data and testing methods also helped Eurofins further strengthen the market position of its microbiology "spoke" laboratories. Furthermore, Eurofins' laboratories assisted regulatory authorities with their efforts to solve the shortage of baby formula. Eurofins provides testing services to help its clients make sure that the labels on the back of baby formula cans are correct and that there are no harmful bacteria that could cause an infant to fall ill.
- The Environment Testing business in North America was able to generate stout organic growth based on strong market dynamics related to construction activity, investments to improve infrastructure and the increased focus of state and federal regulators on monitoring PFAS in the environment and drinking water. Growth has also been supported by pricing adaptations. As an additional response to this market demand, Eurofins is significantly expanding its investments in PFAS testing capacity in its specialty

testing hubs in Lancaster and Sacramento. It has also launched innovative home tests that allow consumers to test for PFAS exposure using self-collection kits. Acquisitions were completed in Arkansas, Florida, North Carolina and Virginia while new facilities in California and Texas were commissioned.

- In Clinical Diagnostics, business activity for Transplant Genomics continued to grow as kidney rejection testing sales more than quadrupled in FY 2022 vs FY 2021. This performance was enhanced by increases to its commercial team during the period, including the launch of the first transplant biomarker dedicated phlebotomy team, substantially enhancing engagement with patients. Moreover, Eurofins Viracor and Eurofins Viracor BioPharma inaugurated a new state-of-the-art facility, part of which is a purpose-built, specialised PCR cleanroom space for a dedicated, multi-year outsourcing programme for a large BioPharma client.

Rest of the World

- Reported revenues increased year-on-year by €139m, driven by organic growth, recent acquisitions, and the depreciation of the Euro vs most currencies in the region (except the Japanese Yen). COVID-19 activities represented 5% of revenues in FY 2022, less than half the proportion in FY 2021.
- Most parts of the Core Business delivered dynamic organic growth. However, the business lines Consumer Product Testing and Material Sciences were meaningfully impacted by government-imposed lockdowns in China.
- In Asia, continued growth was maintained. Demand for clinical diagnostics testing has progressively increased as Eurofins introduced innovative tests for kidney dialysis and health screening in Singapore and non-invasive prenatal testing to Vietnam. In BioPharma Services, Eurofins has been growing its offerings in the region to cater to increasing outsourcing of analytical testing by customers in the region. One example of this includes the opening of Eurofins DiscoverX's Shanghai office to serve both Chinese and global clients more effectively. Discovery-related activities such as pharmacokinetics and biotherapeutics as well as capacities in BioPharma Product Testing have also been expanded. In Food Testing, new regulations (i.e., packaged food testing in India and China) and new concerns (i.e., microplastics, PFAS) have a material impact. Likewise, environmental regulations are also becoming more stringent, such as tightening asbestos regulations in Japan. Eurofins will soon be ramping up a new facility with additional capacity in Japan to address this demand.
- In Latin America, the business situation has been mixed. Food and Feed Testing in the region has been impacted by the macroeconomic environment as well as COVID-19-related export restrictions on foodstuffs to China.
- Outside of Asia and Latin America, Eurofins further expanded its footprint in the Middle East by acquiring a majority stake in Ajal for Laboratories, a leading food and tobacco testing laboratory based in Riyadh, Kingdom of Saudi Arabia.

Infrastructure Programme

In 2022, Eurofins added more than 78,000 m² of laboratory, office and storage space through the delivery of building projects, building acquisitions, new leases and consolidation of sites, plus 76,000 m² of buildings which were already part of companies added through acquisitions in the M&A scope, comprising a total of over 150,000 m². The net floor area of Eurofins-owned premises has increased by 27% (104,000 m²) vs 2021 to reach 490,000 m², 70% of the building area added by Eurofins in 2022 is owned by Eurofins (vs 58% for the period 2018-2021). Since 2018, the net floor area of buildings owned by Eurofins has more than doubled from 240,000 m² to 490,000 m². Furthermore, 28,000 m² of Eurofins current sites were renovated in 2022 to bring them to the highest standard. Out of the total net floor area increase, 21% can be attributed to the Asia Pacific region, expanding the growth platform for a region that today represents only 9.5% of Eurofins' revenues.

The Group continued to focus on growth in Asia Pacific in 2022, through the acquisition of 4,800 m² of office space in South Bengaluru, India, for Eurofins IT Delivery Center India. Furthermore, a new asbestos laboratory building construction for Eurofins Earth Consul in Toyama, Japan was completed. This new building allows Eurofins to solve capacity issues at the current building arising from the rapidly increasing asbestos testing market in Japan. To support the Food Testing business in Asia, Eurofins initiated a few new leases and completed the internal fit-out of numerous premises. Eurofins Technology Service (Qingdao) Co., Ltd. moved in a 3,800 m² facility in Qingdao, China. Eurofins Food Testing Japan completed the fit-out of a new Food Testing laboratory (1,173 m²) in Yokohama, Japan. Also, a 2,497 m² food testing laboratory was set-up in Chengdu, China, to enlarge the service network and scope, and meet the needs of local food and traditional Chinese medicine customers.

In Girraween, Sydney, Australia, a Eurofins campus was created on an 8,100 m² plot that was purchased in early 2020 to establish a central location to house existing and future business units in Environment Testing, BioPharma Product Testing, Agroscience and Food Testing. The build and fit-out of the 3,100 m² campus was completed in February 2022.

In the U.S., following the purchase of a plot of land in 2020 in Lenexa, a 10,200 m² building has been constructed to consolidate all of Eurofins Viracor's activities in one location. This consolidation has resulted in a saving of almost €1m of annual rent costs, while simultaneously improving efficiency levels and optimising workflows.

Eurofins Food & Feed Testing Benelux completed the construction of a brand-new building in Heerenveen, The Netherlands, with a grand opening in November 2022. This state-of-the-art Food Chemistry Testing building of 2,600 m² is located next to the existing microbiology laboratory.

The construction of a new building (1,386 m²) for Eurofins Environment Testing near Dresden (Bobritzsch-Hilbersdorf), Germany was also completed in 2022. A photovoltaic system was installed on the roof of the new building.

From 2023, Eurofins plans to invest around €200m p.a. to build and purchase (both new and currently rented) laboratories. Investments in 2023 and 2024 are expected to contribute a total net floor area of ca. 140,000 m² (40% to be delivered in 2023 and 60% in 2024). Eurofins is committed to continue to invest significantly in its infrastructure to build the largest, most modern and most efficient laboratory network in its industry.

Financial Review

Adjusted EBITDA was €1,513m in FY 2022, representing an adjusted EBITDA margin of 22.5%, a decrease of €389m vs FY 2021 due to the significant decline in COVID-19 related activities and corresponding lower utilisation and ramp down costs. Inflationary effects related to personnel expenses, energy, logistics and consumables also had a negative impact on profitability.

Table 4: Separately Disclosed Items[2]

In €m except otherwise stated	**FY 2022**	**FY 2021**
One-off costs from integrations, reorganisations and discontinued operations, and other non-recurring income and costs	-39	-32
Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring	-59	-29
EBITDA impact	-98	-62

Separately Disclosed Items (SDI) at the EBITDA level increased year-on-year to €98m and comprised:

- One-off costs from integrations, reorganisations and discontinued operations, and other non-recurring income and costs of €39m. The costs included disposals of machines related to discontinued operations in the UK, relocations/reorganisations including the moves in the U.S. of Eurofins Viracor and Eurofins Eaton Analytical to their new consolidated facilities, litigation-related expenses in Clinical Diagnostics in the U.S. as well as restructurings in Spain and Germany.

- Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring totalled €59m, significantly higher than in FY 2021 (€29m). This increase was driven by:
  - The greater number of start-up launches undertaken in FY 2022 and recent years, most notably in areas related to Clinical Diagnostics (including Transplant Genomics Inc. in the U.S.), BioPharma Services (including Eurofins Panlabs and new laboratory in China) and Food Testing (including in China, the Philippines, Poland and Romania).
  - Restructuring expenses for recently acquired companies in Clinical Diagnostics in the U.S., U.K. and Germany and Environment Testing in the U.S.

Reported EBITDA decreased 23% year-on-year to €1,415m in FY 2022, due to the strong decrease of accretive COVID-19 related revenues in FY 2022 vs FY 2021 as well as inflationary headwinds. Nevertheless, the reported EBITDA stood at 21.1% of revenues.

Table 5: Breakdown of Reported EBITDA by Operating Segment

€m	**FY 2022**	**Rep. EBITDA margin %**	**FY 2021**	**Rep. EBITDA margin %**	***Y-o-Y variation %***
Europe	680	19.4%	1,172	29.3%	-42%
North America	643	25.8%	608	28.3%	+6%
Rest of the World	143	20.2%	165	28.9%	-13%
Other*	-51		-106		-51%
Total	**1,415**	**21.1%**	**1,840**	**27.4%**	**-23%**

*Other corresponds to Group Service Centres

In Europe, EBITDA declined by €492m vs FY 2021 mainly due to lower testing volumes for COVID-19, reimbursement price cuts on PCR tests and costs associated with the ramp down of COVID-19 testing. Increasing inflation on costs related to personnel, energy, logistics and consumables also weighed on profitability. In contrast, EBITDA in North America stayed resilient at €643m, equivalent to 25.8% of its revenues over the period. The Rest of the World posted an EBITDA of €143m, equivalent to 20.2% of its revenues, confirming that its margin is converging with the Group's margin despite continued growth investments in the region.

The Group's mature scope[14] represented 96% of the Group's revenues in FY 2022, the same level as in FY 2021.

Depreciation and amortisation (D&A), including expenses related to Right of Use, increased by 12% year-on-year to €504m. As a percentage of revenues, D&A stood at 7.5% of Group revenues in FY 2022 vs 6.7% in FY 2021, an 80bps increase year-on-year. This increase is partially due to the indexation of rents in an inflationary environment, which are accounted for as depreciation under Right of Use as well as accelerated investments to expand the Group's network, particularly toward Asia, BioPharma, IVD, Life Sciences and technology-driven activities including digitalisation, automation and cyber-security.

Net finance costs amounted to €137m, a sizable decline compared to €204m in FY 2021. The finance costs in FY 2021 included a one-off cost of €92m from the early repayment of our 2022, 2023, 2024 and 2026 bonds.

Divestments, including the sale of the Group's Digital Testing business in December 2022, resulted in a gain on disposals of €141m.

The income tax rate decreased to 22.3% of reported profit before tax in FY 2022 from 25.9% in FY 2021, representing a tax expense of €174m (-36% year-on-year). The decline in the tax rate is due to lower profits before tax and the tax-free capital gain due to the sale of the Digital Testing business.

Reported net profit[7] stood at €606m (9% of revenues, -23% compared to €783m FY 2021), resulting in a total reported basic EPS of €3.02.

Adjusted net profit[7] stood at €683m compared to €1,043m in FY 2021, resulting in total adjusted basic EPS of €3.43 in FY 2022.

Cash Flow & Financing

Table 6: Cash Flows Reconciliation

€m	**FY 2022 reported**	**FY 2021 reported**	***Y-o-Y variation***	***Y-o-Y variation %***
Net Cash from Operations	1,136	1,511	-375	-25%
Net capex (i)	-645	-482	-163	+34%
Net operating capex (includes LHI)	-459	-370	-89	+24%
Net capex for purchase and development of owned sites	-186	-112	-74	+66%
Free Cash Flow to the Firm before investment in owned sites[16]	677	1,142	-465	-41%
Free Cash Flow to the Firm[10]	491	1,030	-539	-52%
Acquisitions spend and other investments (ii)	-426	-537	+111	-21%
Proceeds from disposals of subsidiaries, net (iii)	215	-2	+217	-
Net Cash from Investing (i) + (ii) + (iii)	-856	-1,021	+165	-16%
Net Cash from Financing	-311	-910	+599	-66%
Net increase / (decrease) in Cash and cash equivalents and bank overdrafts	-32	-396	+364	-92%
Cash and cash equivalents at end of period and bank overdrafts	483	515	-32	-6%

Net cash provided by operating activities declined in FY 2022 to €1,136m vs €1,511m in FY 2021. The decrease is due to the decline in EBITDA that was partially compensated by an improvement in net working capital[12], which stood at 4.2% of the Group's revenues in FY 2022 vs 4.5% in FY 2021. Taxes paid of €296m was at the same level as in FY 2021 (€297m) despite lower profitability due to the final payment of 2021 income taxes as well as advances on 2022 income taxes based on 2021 results.

Net capex for the period was €645m vs €482m in FY 2021. The increase was primarily related to Eurofins' strategic investments to own its laboratory sites, which was €186m in FY 2022 vs €112m in FY 2021. Free Cash Flow to the Firm before investment in owned sites was €677m vs €1,142m in FY 2021.

In June 2022, Eurofins successfully raised €600m in a senior unsecured Euro-denominated public bond issuance. The bonds have a 7-year maturity (due on 6 July 2029) and bear an annual fixed rate coupon of 4%. The proceeds were used to proactively manage the repurchase of its €300m hybrid capital (ISIN: XS2051471105) issued in September 2019 with a first call date in August 2022 as well as the partial repurchase of €117m from its €300m hybrid capital (ISIN: XS1224953882) issued in April 2015 with a first call date in April 2023.

Eurofins' corporate senior gross debt at the end of FY 2022 was €3,326m, an increase of €571m vs the end of FY 2021. Due to the aforementioned repurchase, Eurofins' outstanding hybrid capital declined from €1bn at the end of FY 2021 to €583m at the end of FY 2022. Including the issuance of €600m of hybrid bonds in January 2023 and the planned repayment of the outstanding €183m of hybrid bonds callable on 29 April 2023, Eurofins plans to return by April 2023 to its targeted capital structure that includes an adequate level of hybrid capital of €1bn to support a financial leverage (net debt to adjusted pro-forma EBITDA) of 1.6x, at the lower end of its targeted range for financial leverage of 1.5-2.5x.

Over the course of 2022, Eurofins completed 59 acquisitions. Net cash outflow on acquisitions completed in FY 2022 and in previous years (in case of payment of deferred considerations) amounted to €430m. On the other hand, divestments, including the disposal of its Digital Testing business, provided Eurofins with net proceeds of €215m.

The combination of free cash flow to the firm as well as the aforementioned refinancing, acquisitions and divestiture resulted in a net debt[11] figure of €2,839m at the end of December 2022, an increase of €600m vs the level at the end of December 2021. The corresponding financial leverage was 1.9x. If the issuance of €600m of hybrid bonds in January 2023 and the planned repayment of the outstanding €183m of hybrid bonds callable on 29 April 2023 were included, Eurofins' financial leverage is 1.6x.

In May 2022, Moody's changed the outlook of Eurofins to positive from stable and concurrently affirmed Eurofins' Baa3 long-term issuer rating. Also in May 2022, Fitch Ratings affirmed its investment grade credit rating of BBB- with a stable outlook to Eurofins.

Start-up Programme

Start-ups or green-field laboratory projects are generally undertaken in new markets and, in particular, in emerging markets, where there are often limited viable acquisition opportunities or in developed markets where Eurofins transfers technology developed by its R&D and Competence Centres abroad or expands geographically to complete its national hub and spoke laboratories network in an increasing number of countries.

In 2022, the Group opened 50 new start-up laboratories and 18 new start-up Blood Collection Points (BCPs). The start-up figure also includes the refocussing of existing activities in Eurofins Technologies on molecular testing and in Genomics on BioPharma. The 251 start-ups and 18 BCPs launched since 2000 have made material contributions to the overall organic growth of the Group, accounting for 1.0% out of the 5.3% organic growth achieved in FY 2022. Their EBITDA margin continued to progress while remaining dilutive to the Group.

Of the 251 start-ups and 18 BCPs the Group has launched since 2000, 48% are located in Europe, 19% in North America and 33% in the Rest of the World with a significant number in high growth regions in Asia. By area of activity, 33% are in Food and Feed testing, 19% are in Pharma/Biotech/Agroscience services, 16% in Environment testing, and 16% in Clinical Diagnostics (including BCPs).

Acquisitions

During 2022, the Group completed 59 acquisitions of which 9 were asset deals, representing full-year equivalent pro-forma revenues of €269m in FY 2022 and a total investment of €430m. These acquisitions employ approximately 1,400 employees.

Divestments

In December 2022, the Group divested its Digital Testing business to Stirling Square Capital Partners ("Stirling Square"), present in Europe, North America and Rest of the World. In addition, the Group divested or discontinued some small unprofitable businesses mainly in the United States, France and New Zealand. These businesses represented full-year equivalent pro-forma revenues of €75m in FY 2022. The net proceeds from the divestments amounted to €215m.

Post-Closing Events

Business combinations

Since the beginning of 2023, Eurofins completed 4 acquisitions of which 2 were asset deals. The total annual revenues of these acquisitions amounted to approximately €11m in 2022 for an aggregate acquisition price of €16m. These acquisitions employ over 100 employees.

Financing

In January 2023, Eurofins raised €600m hybrid capital. The instrument has a perpetual maturity but is callable at par by Eurofins at the soonest in April 2028. This hybrid capital bears a fixed annual coupon of 6.75% for the first 5.5 years (until 24 July 2028), a coupon of Euribor3m + 424.1 bps 24 January 2033 and Euribor3m + 524.1 bps thereafter. The instrument is listed on the regulated market of the Luxembourg stock exchange (ISIN XS2579480307). This issuance enables the Group to return to its targeted capital structure that includes an adequate level of hybrid capital of €1bn to support its targeted range for financial leverage of 1.5-2.5x. The bonds' proceeds are available for general corporate purposes. Outside of the planned repayment of the outstanding €183m in hybrid bonds callable on 29 April 2023, Eurofins has no major refinancing requirements until the outstanding €448m senior Eurobonds become due on 25 July 2024.

Guarantee

The Company gave a guarantee for a period of 12 months from 1 January 2023 and expiring on 1 January 2024 to the benefit of Chubb (i.e. Chubb European Group SE, ACE Ina Overseas Insurance Company Ltd. and Chubb INA Overseas Insurance Company Ltd.) in the context of the implementation of an internal reinsurance captive (Eurofins Re SA) in Luxembourg indirectly owned by the Company to indemnify for all losses, liabilities, costs, expenses and damages for a total amount of €25m per annual aggregate.

Summary financial statements:

Table 7: Summarised Income Statement

	FY 2022	FY 2021
In €m except otherwise stated	Reported Results	Reported Results
Revenues	6,712	6,718
Operating costs, net	-5,297	-4,878
EBITDA	1,415	1,840
EBITDA Margin	21.1%	27.4%
Depreciation and amortisation	-504	-451
EBITAS	911	1,389
Share-based payment charge and acquisition-related expenses, net[5]	-136	-131
Gain/(loss) on disposal	141	-
EBIT[6]	916	1,258
Finance income	2	2
Finance costs	-139	-206
Share of profit of associates	1	2
Profit before income taxes	780	1,057
Income tax expense	-174	-274
Net profit for the year	606	783
Attributable to:		
Owners of the Company and hybrid capital investors	610	783
Non-controlling interests	-4	-
Earnings per share (basic) in EUR		
- Total	3.17	4.09
- Attributable to owners of the Company	3.02	3.91
- Attributable to hybrid capital investors	0.15	0.18
Earnings per share (diluted) in EUR		
- Total	3.07	3.90
- Attributable to owners of the Company	2.92	3.73
- Attributable to hybrid capital investors	0.15	0.17
Basic weighted average shares outstanding - in millions	193	192
Diluted weighted average shares outstanding - in millions	199	201

Table 8: Summarised Balance Sheet

	31 December 2022	31 December 2021
In €m except otherwise stated	Reported Results	Reported Results
Property, plant and equipment	2,168	1,830
Goodwill	4,524	4,115
Other intangible assets	919	896
Investments in associates	5	6
Non-current financial assets	78	76
Deferred tax assets	76	91
Total non-current assets	**7,770**	**7,013**
Inventories	146	154
Trade receivables	1,053	1,052
Contract assets	288	337
Prepaid expenses and other current assets	198	183
Current income tax assets	136	77
Derivative financial instruments assets	6	1
Cash and cash equivalents	487	515
Total current assets	**2,313**	**2,319**
Total assets	**10,084**	**9,332**
Share capital	2	2
Treasury shares	-14	-4
Hybrid capital	583	1,000
Other reserves	1,593	1,578
Retained earnings	2,333	1,964
Currency translation reserve	286	107
Total attributable to owners of the Company	4,782	4,648
Non-controlling interests	69	30
Total shareholders' equity	**4,851**	**4,677**
Borrowings	3,112	2,500
Deferred tax liabilities	134	124
Amounts due for business acquisitions	136	84
Employee benefit obligations	60	76
Provisions	19	16
Total non-current liabilities	**3,460**	**2,799**
Borrowings	214	254
Interest due on borrowings and earnings due on hybrid capital	38	31
Trade accounts payable	648	628
Contract liabilities	184	163
Current income tax liabilities	35	86
Amounts due for business acquisitions	48	57
Provisions	35	29
Other current liabilities	572	608
Total current liabilities	**1,772**	**1,856**
Total liabilities and shareholders' equity	**10,084**	**9,332**

Table 9: Summarised Cash Flow Statement

	FY 2022	FY 2021
In €m except otherwise stated	Reported	Reported
Cash flows from operating activities		
Profit before income taxes	780	1,057
Depreciation and amortisation	504	451
Share-based payment charge and acquisition-related expenses, net	136	131
Gain/(loss) on disposal	-141	-
Finance income and costs, net	138	201
Share of profit from associates	-1	-2
Transactions costs and income related to acquisitions	-16	-14
Changes in provisions employee benefit obligations	2	-1
Other non-cash effects	-	5
Change in net working capital	31	-19
Cash generated from operations	**1,432**	**1,808**
Income taxes paid	-296	-297
Net cash provided by operating activities	**1,136**	**1,511**
Cash flows from investing activities		
Purchase of property, plant and equipment	-576	-444
Purchase, capitalisation of intangible assets	-84	-62
Proceeds from sale of property, plant and equipment	15	25
Net capex	-645	-482
Free cash Flow to the Firm	491	1,030
Acquisitions of subsidiaries net of cash acquired and proceeds from disposals	-430	-531
Proceeds from disposals of subsidiaries	215	-2
Disposal/(acquisitions) of investments, financial assets and derivative financial instruments, net	2	-8
Interest received	3	2
Net cash used in investing activities	**-856**	**-1,021**
Cash flows from financing activities		
Proceeds from issuance of share capital	15	36
Proceeds from issuance of hybrid capital	-	-
Proceeds from borrowings	634	826
Repayment of borrowings	-83	-1,280
Repayment of lease liabilities	-166	-153
Repayment of hybrid capital	-417	-
Purchase of treasury shares, net of gains	-16	-4
Dividends paid to shareholders and non-controlling interests	-193	-130
Earnings paid to hybrid capital investors	-36	-36
Interests and premium paid	-49	-169
Net cash (used in)/provided by financing activities	**-311**	**-910**
Net effect of currency translation on cash and cash equivalents and bank overdrafts	-1	24
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**-32**	**-396**
Cash and cash equivalents and bank overdrafts at beginning of period	515	911
Cash and cash equivalents and bank overdrafts at end of period	**483**	**515**

1 Adjusted results – reflect the ongoing performance of the mature[14] and recurring activities excluding "separately disclosed items".
2 Separately disclosed items – include one-off costs from integration and reorganisation, discontinued operations, other non-recurring income and costs, temporary losses and other costs related to network expansion, start-ups and new acquisitions undergoing significant restructuring, share-based payment charge[5], impairment of goodwill, amortisation of acquired intangible assets and negative goodwill, gains/losses on disposal of businesses and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions, net finance costs related to borrowing and investing excess cash and one-off financial effects (net of finance income), net finance costs related to hybrid capital and the related tax effects.
3 EBITDA – Earnings before interest, taxes, depreciation and amortisation, share-based payment charge, acquisition-related expenses, net and gain and loss on disposal of subsidiaries, net.
4 EBITAS – EBITDA less depreciation and amortisation.
5 Share-based payment charge and acquisition-related expenses, net – Share-based payment charge, 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.
6 EBIT – EBITAS less Share-based payment charge, acquisition-related expenses, net and gain and loss on disposal of subsidiaries, net.
7 Net Profit – Net profit for owners of the Company and hybrid capital investors before non-controlling interests.
8 Basic EPS – basic earnings per share attributable to owners of the Company.
9 Net capex – Purchase of intangible assets, property, plant and equipment, less proceeds from the disposal of such assets and less capex trade payables change of the period.
10 Free Cash Flow to the Firm – Net cash provided by operating activities, less Net capex.
11 Net debt – Current and non-current borrowings, less cash and cash equivalents.
12 Net working capital – Inventories, trade receivables and contract assets, prepaid expenses and other current assets less trade accounts payable, contract liabilities and other current liabilities excluding accrued interest receivable and payable.
13 Organic growth for a given period (Q1, Q2, Q3, Half Year, Nine Months or Full Year) – non-IFRS measure calculating the growth in revenues during that period between 2 successive years for the same scope of businesses using the same exchange rates (of year Y) but excluding discontinued operations.
For the purpose of organic growth calculation for year Y, the relevant scope used is the scope of businesses that have been consolidated in the Group's income statement of the previous financial year (Y-1). Revenue contribution from companies acquired in the course of Y-1 but not consolidated for the full year are adjusted as if they had been consolidated as of 1st January Y-1. All revenues from businesses acquired since 1st January Y are excluded from the calculation.
14 Mature scope: excludes start-ups and acquisitions in significant restructuring. A business will generally be considered mature when: i) The Group's systems, structure and processes have been deployed; ii) It has been audited, accredited and qualified and used by the relevant regulatory bodies and the targeted client base; iii) It no longer requires above-average annual capital expenditures, exceptional restructuring or abnormally large costs with respect to current revenues for deploying new Group IT systems. The list of entities classified as mature is reviewed at the beginning of each year and is relevant for the whole year.
15 Discontinued activities / disposals: discontinued operations are a component of the Group's Core Business or product lines that have been disposed of, or liquidated; or a specific business unit or a branch of a business unit that has been shut down or terminated, and is reported separately from continued operations. For more information, please refer to Note 2.26 of the Consolidated Financial Statements for the year ended 31 December 2022.
16 FCFF before investment in owned sites: FCFF less Net capex spent on purchase of land, buildings and investments to purchase, build or modernise owned sites/buildings (excludes laboratory equipment and IT).

Notes to Editors:

For more information, please visit www.eurofins.com or contact:

Investor Relations
Eurofins Scientific SE
Phone: +32 2 766 1620
E-mail: ir@eurofins.com

About Eurofins – the global leader in bio-analysis

Eurofins is Testing for Life. The Eurofins network of companies believes that it is the global leader in food, environment, pharmaceutical and cosmetic product testing and in discovery pharmacology, forensics, advanced material sciences and agroscience contract research services. It is also one of the market leaders in certain testing and laboratory services for genomics, and in the support of clinical studies, as well as in biopharma contract development and manufacturing. It also has a rapidly developing presence in highly specialised and molecular clinical diagnostic testing and in-vitro diagnostic products.

With over 61,000 staff across a decentralised and entrepreneurial network of ca. 900 laboratories in 61 countries, Eurofins offers a portfolio of over 200,000 analytical methods to evaluate the safety, identity, composition, authenticity, origin, traceability and purity of a wide range of products, as well as providing innovative clinical diagnostic testing services and in-vitro diagnostic products.

Eurofins companies' broad range of services are important for the health and safety of people and our planet. The ongoing investment to become fully digital and maintain the best network of state-of-the-art laboratories and equipment supports our objective to provide our customers with high-quality services, innovative solutions and accurate results in the best possible turnaround time (TAT). Eurofins companies are well positioned to support clients' increasingly stringent quality and safety standards and the increasing demands of regulatory authorities as well as the evolving requirements of healthcare practitioners around the world.

Eurofins has grown very strongly since its inception and its strategy is to continue expanding 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.

Shares in Eurofins Scientific are listed on the Euronext Paris Stock Exchange (ISIN FR0014000MR3, Reuters EUFI.PA, Bloomberg ERF FP).

Until it has been lawfully made public widely by Eurofins through approved distribution channels, this document contains inside information for the purpose of Regulation (EU) 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, as amended.

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 judgment of Eurofins Scientific's 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 information available to the Company's management as of the date of publication, but no guarantees can be made as to their completeness or validity.