Eurofins confirms profitability and cash flow objectives for 2024 leading to higher profit margins in spite of the impact of the post-COVID reset of BioPharma pipelines

22 October 2024

Eurofins' organic growth momentum remained robust in Q3 in most business lines:

- Reported revenues in 9M 2024 reached €5,142m, +6.7% vs 9M 2023, supported by organic growth in the Core Business[6] but restrained by FX headwinds (-0.5%).
- Organic revenue growth[6] in the Core Business (excluding COVID-19-related clinical testing and reagent revenues) was 5.2% in 9M 2024 and 4.4% in Q3 2024:
    - In Europe, organic growth (9M 2024: 5.4%, Q3 2024: 5.1%) was led by Environment Testing and Food and Feed Testing but restrained by negative market trends in ancillary BioPharma activities such as Agrosciences, Discovery and CDMO.
    - Organic growth in North America (9M 2024: 3.9%, Q3 2024: 2.0%) was driven by the continued strong development of Environment and Food and Feed Testing but restrained by soft demand in BioPharma activities, in particular early-stage clinical activities and Agrosciences.
    - Organic growth in Rest of the World (9M 2024: 8.6%, Q3 2024: 10.0%) remained at a robust level, led by diverse activities including Food and Feed Testing and Consumer and Technology Products Testing.
    - Start-ups contributed 0.9% to organic growth in 9M 2024, with 18 new start-up laboratories and 23 blood collection points opened during the period.
- The pace of acquisitions has remained strong throughout 9M 2024, as Eurofins closed 24 business combinations with FY 2023 pro-forma revenues of more than €200m. Transactions closed in Q3 2024 include:
    - Infinity Laboratories, operator of eight state-of-the-art laboratories across the U.S. offering microbiology, chemistry, sterilisation and package testing to pharmaceutical, biotechnology and medical device clients.
    - Orchid Cellmark, a leading provider of forensic services in the U.K.
- Regarding Eurofins' planned acquisition of SGS' crop science operations, Eurofins remains committed to following through with the transaction and therefore filed an arbitration against SGS in Switzerland in early August 2024.
- Eurofins companies made numerous valuable and innovative contributions to Testing for Life in Q3 2024, including:
    - Eurofins CDMO Alphora Inc. announced the construction of a new GMP Biologics manufacturing facility in Mississauga, Ontario, to manufacture monoclonal antibodies and protein therapies for clinical and commercial applications.
    - Gold Standard Diagnostics Frankfurt GmbH launched Mplex Mpox, Orthopox, Clade 1b, an advanced multiplex PCR assay specifically designed to detect the mpox virus variant Clade-1b. This variant shows higher mortality rate and is cited as responsible for the recent outbreak causing WHO to announce a Public Health Emergency of International Concern. The innovative test delivers rapid results within one hour, supporting global pandemic response.

- Eurofins Sustainability Services has grown its extensive service offering to include a deforestation impact assessment that provides expert guidance and critical supply chain insights that businesses need to meet the requirements of the European Union's Deforestation Regulation (EUDR).
- Eurofins MTS Consumer Product Testing U.S. has completed a significant expansion of its Norwood, Boston (U.S.) laboratory to support the changing needs of its customers, retailers and brands in the United States, as they prioritise quality and sustainability and adapt to developing market trends such as a call for greater environmental responsibility and the growth of consumer spending on furniture.

2024 to 2027 Objectives

- 2024 is the second year of the 2023-2027 programme. Objectives for FY 2027 were shared on 1 March 2023. In addition, once a year when publishing its annual results, Eurofins management also shares objectives for the current year. Eurofins' policy is not to update these annual objectives unless very significant and unforeseen changes occur. Due to the strong profitability improvement, currency valuation changes, and the stronger than expected temporary effect from the reset of BioPharma pipelines, objectives for FY 2024, which were announced at the FY 2023 results presentation on 27 February 2024, have been partly updated. Objectives for FY 2027, announced on 1 March 2023, remain unchanged.

€m	**FY 2024[A]**	**FY 2027[A]**
Revenues	Close to €7bn (Previously €7.075bn – €7.175bn)	Approaching €10bn
Adjusted[1] EBITDA[3]	€1.525bn – €1.575bn (Margin increase vs previous objectives)	Margin: 24%
FCFF before investment in owned sites[16]	€800m - €840m (unchanged)	Approaching €1.5bn

- Similar to the achievement of an improved adjusted[1] EBITDA[3] margin in H1 2024 vs H1 2023, anticipated further improvements in adjusted[1] EBITDA[3] margin in FY 2024 and towards the FY 2027 objective are underpinned by programmes that continue to align pricing to cost inflation, as well as innovation, productivity, digitalisation and automation initiatives, and better utilisation of Eurofins' state-of-the-art laboratory network.
- In the coming year, Eurofins expects to continue its high intensity of start-up activities. Due to temporary losses related to these start-ups, Separately Disclosed Items[2] (SDI) at the EBITDA[3] level should remain at an elevated level of about €125m in FY 2024. Thereafter, as newly initiated start-ups ramp up and become profitable, the objective is that SDI[2] at the EBITDA[3] level should decline gradually towards about 0.5% of revenues in FY 2027.
- Capital allocation for strategically important investments remain key to Eurofins' long-term value creation strategy. Priorities for net operating capex in FY 2024 and in the mid-term will continue to include start-ups in high-growth/high-return areas, and the development and deployment of

[A] The FY 2024 and FY 2027 objectives assume the same average exchange rates as in FY 2023 and zero contribution from COVID-19 clinical testing and reagents. From FY 2024 to FY 2027, Eurofins targets average organic growth[13] of 6.5% p.a. and potential average revenues from acquisitions of €250m p.a. over the period consolidated at mid-year. In addition, Eurofins will remain prudent with its acquisition strategy and only acquire businesses that meet its objectives for return on capital employed.

sector-leading proprietary IT solutions. Capital allocation for net operating capex is expected to be ca. €400m p.a.

- In addition, Eurofins will prioritise, if required, the stepwise acquisition of sites owned by related parties, if decided by a majority of its non-related shareholders, over the acquisition of new sites from third parties. Investment in site ownership is assumed to be around €200m p.a.
- Eurofins is fully committed to protecting the sustainability of its balance sheet within its stated financial leverage objectives with adequate headroom. It targets to maintain a financial leverage of 1.5-2.5x in the mid-term period and less than 1.5x by FY 2027.

Outlook: In 2025 and beyond

Management expects continued strength in Life and Consumer and Technology Products Testing, low-to-mid single digit growth in Clinical Diagnostics, post absorption of reimbursement cuts of 10 September 2024 in routine clinical testing in France as faster growth specialty testing compensates for lower routine testing growth, and a strong rebound in BioPharma in the second half of 2025 when large studies that ended in early 2024 should be replaced by larger programmes partly already contracted. The outlook for Agrosciences, which was down over 10% in Q3 2024, is more uncertain as expected growth in seeds and biostimulants may not compensate for reductions in client spending on research and development for agrochemicals.

Comments from the CEO, Dr Gilles Martin:

"In spite of the volatile and more challenging environment in BioPharma and Agrosciences, Eurofins companies continue to deliver strong results. In terms of area of activity, performance in Life and Consumer and Technology Products Testing has been particularly strong due to continued solid execution by Eurofins teams, innovating for our customers, investing in growing our laboratory network and leveraging digitalisation and automation to improve our service quality and cost competitiveness. In contrast, certain business lines within Biopharma, in particular early-stage clinical activities and Agrosciences, have been affected by the broad slowdown in research and development activities currently underway among many of the larger players in the industries they serve. Though the timing and shape of demand recovery is uncertain, we remain firmly convinced that Eurofins companies are competitively positioned to capture long-term opportunities in their respective markets. In the meantime, we remain focussed on executing on our operational and strategic plans and are highly confident in our ability to deliver on our profitability and cash flow objectives for FY 2024 in absolute value, increasing both profit margin and cash conversion ratio vs the initially announced objectives for this year."

Conference Call

Eurofins will hold a conference call with analysts and investors today at 15:00 CEST 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 >>
From any device, click the link above to join the conference call.

Table 1: Organic Growth Calculation and Revenue Reconciliation

	In €m except otherwise stated
9M 2023 reported revenues	**4,821**
+ 2023 acquisitions - revenue part not consolidated in 9M 2023 at 9M 2023 FX	59
- 9M 2023 revenues of discontinued activities / disposals[8]	-21**
= 9M 2023 pro-forma revenues (at 9M 2023 FX rates)	4,858
+ 9M 2024 FX impact on 9M 2023 pro-forma revenues	-23
= 9M 2023 pro-forma revenues (at 9M 2024 FX rates) (a)	**4,836**
9M 2024 organic scope* revenues (at 9M 2024 FX rates) (b)	**5,064**
9M 2024 organic growth rate (b/a-1)	**4.7%*** **
2024 acquisitions - revenue part consolidated in 9M 2024 at 9M 2024 FX	77
9M 2024 revenues of discontinued activities / disposals[8]	1
9M 2024 reported revenues	**5,142**

	In €m except otherwise stated
Q3 2023 reported revenues	**1,611**
+ 2023 acquisitions - revenue part not consolidated in Q3 2023 at Q3 2023 FX	13
- Q3 2023 revenues of discontinued activities / disposals[8]	-3
= Q3 2023 pro-forma revenues (at Q3 2023 FX rates)	1,621
+ Q3 2024 FX impact on Q3 2023 pro-forma revenues	-8
= Q3 2023 pro-forma revenues (at Q3 2024 FX rates) (a)	**1,614**
Q3 2024 organic scope* revenues (at Q3 2024 FX rates) (b)	**1,681**
Q3 2024 organic growth rate (b/a-1)	**4.2%*** **
2024 acquisitions - revenue part consolidated in Q3 2024 at Q3 2024 FX	41
Q3 2024 revenues of discontinued activities / disposals[8]	1
Q3 2024 reported revenues	**1,723**

** Organic scope consists of all companies that were part of the Group as at 01/01/2024. This corresponds to 2023 pro-forma scope.*
*** Q1 2024 impacted by discontinuation[15] of the OmniGraf dual-biomarker rejection panel following revised billing guidance by MolDX in the U.S. effective 1 April 2023.*
**** Not corrected for the decline in COVID-19 related clinical testing and reagent revenues.*

Table 2: Breakdown of Revenue by Operating Segment

€m	**9M 2024**	**As % of total**	**9M 2023**	**As % of total**	***Y-o-Y variation %***	***Organic growth[6] in the Core Business****
Europe	2,620	51%	2,435	51%	*7.6%*	*5.4%*
North America	1,974	38%	1,870	39%	*5.6%*	*3.9%*
Rest of the World	547	11%	515	11%	*6.2%*	*8.6%*
Total	**5,142**	**100%**	**4,821**	**100%**	***6.7%***	***5.2%***

€m	Q3 2024	As % of total	Q3 2023	As % of total	*Y-o-Y variation %*	*Organic growth[6] in the Core Business**
Europe	873	51%	813	50%	*7.4%*	*5.1%*
North America	663	38%	628	39%	*5.6%*	*2.0%*
Rest of the World	188	11%	171	11%	*9.7%*	*10.0%*
Total	**1,723**	**100%**	**1,611**	**100%**	***7.0%***	***4.4%***

** Excluding COVID-19 related clinical testing and reagent revenues*

Table 3: Breakdown of Revenue by Area of Activity

€m	9M 2024	As % of total	9M 2023	As % of total	*Y-o-Y variation %*	*Organic growth[13] in the Core Business**
Life	2,093	41%	1,904	39%	*9.9%*	*7.6%*
BioPharma	1,501	29%	1,473	31%	*1.9%*	*1.6%*
Diagnostic Services & Products	1,025	20%	958	20%	*6.9%*	*4.3%*
Consumer & Technology Products Testing	523	10%	485	10%	*7.8%*	*7.9%*
Total	**5,142**	**100%**	**4,821**	**100%**	***6.7%***	***5.2%***

€m	Q3 2024	As % of total	Q3 2023	As % of total	*Y-o-Y variation %*	*Organic growth[13] in the Core Business**
Life	714	41%	647	40%	*10.3%*	*7.2%*
BioPharma	501	29%	498	31%	*0.7%*	*-0.3%*
Diagnostic Services & Products	334	19%	306	19%	*9.1%*	*3.9%*
Consumer & Technology Products Testing	174	10%	160	10%	*8.9%*	*8.8%*
Total	**1,723**	**100%**	**1,611**	**100%**	***7.0%***	***4.4%***

** Excluding COVID-19 related clinical testing and reagent revenues*

1 Adjusted results – reflect the ongoing performance of the mature[14] and recurring activities excluding "separately disclosed items"[2].

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 and acquisition-related expenses, net[5] 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[5] 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, capitalisation of intangible assets, property, plant and equipment less capex trade payables change of the period and proceeds from disposals of such assets.

10 Free Cash Flow to the Firm – Net cash provided by operating activities, less Net capex[9].

[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 / divestments: 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 2023 and to Note 2.3 and Note 2.6 of the Interim Condensed Consolidated Financial Statements for the period ended 30 June 2024.

[16] FCFF before investment in owned sites: FCFF[10] less Net capex[9] spent on purchase of land, buildings and investments to purchase, build or modernise owned sites/buildings (excludes laboratory equipment and IT).

Notes to Editors:

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About Eurofins – the global leader in bio-analysis

Eurofins is Testing for Life. The Eurofins Scientific S.E. network of independent companies believes that it is a 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 ca. 62,000 staff across a decentralised and entrepreneurial network of more than 900 laboratories in over 1,000 companies in 62 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.

The Eurofins network 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, its companies draw on the latest developments in the field of biotechnology and analytical chemistry to offer their clients unique analytical solutions.

Shares in Eurofins Scientific S.E. 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.