



## **Eurofins announces results of cash audit confirming its FY 2023 cash balance and the high integrity of its systems and controls and refutes Muddy Waters' allegations regarding transactions that occurred between 10 and 25 years ago**

**22 October 2024**

Eurofins Scientific (EUFI.PA), a global scientific leader in bioanalytical testing, announces that the additional independent forensic audit of Eurofins' cash pooling arrangements and cash situation in its consolidated financial statements as at 31 December 2023 has been completed. The results of the thorough forensic examination found no evidence indicating material misstatements in Eurofins' cash statements, concerns with its cash management and accounting practices or issues with the authenticity of its documentation.

The forensic tests performed by Ernst & Young Paris (EY) provide direct refutations to the baseless allegations in short seller reports published by Muddy Waters, LLC (MW) in June and July 2024:

- No indication of irregularly altered documents was identified when performing dedicated forensic tests to detect potential data authenticity anomalies for all the bank statements, bank confirmations and statutory audit reports used in tests.
- The cash pooled at national level is up-streamed through a second layer of cash-pooling to centralise the available cash at the Group's headquarters. The Group invests the cash surplus on short-term fixed deposit accounts which correspond to the Cash Equivalents reported.
- All the tests were applied to all bank accounts selected through the sampling methodology. They identified two individual exceptions above €100k each totalling an overstatement of €1.2m. These exceptions, already identified during the 2023 year-end audit, were considered immaterial at that time (0.1% of the Cash and Cash Equivalents balance as at 31 December 2023).

The audit report is available on the Investors section of the Eurofins website under the tab "Eurofins response to MW" accessible [here](#).

Previous press releases published on 25 June 2024, 03 July 2024, 05 July 2024 and 11 July 2024 by Eurofins already refuted all the most blatantly false, misleading and baseless allegations by MW. On the topic of real estate leased by subsidiaries of the related party ABSCA to Eurofins companies, which had already been copiously disclosed in Eurofins' annual reports for years, including comparison of lease terms with related parties with lease terms with third parties over the last 5 years, Eurofins has already disproved in those aforementioned recent press releases that the claim by MW that these leases would not be at arm's length is wrong, providing specific details for transactions that occurred over the last 10 years.

Over the last three months, Eurofins teams have located and analysed archived data regarding transactions that occurred between 10 and 25 years ago. MW falsely alleged (in particular in the bold underlined text thereafter) that "**Dr. Martin's CRE portfolio consists of ~36 CRE properties as of 2023. He**

appears to have no meaningful tenants other than Eurofins. He acquired many of these properties from the sellers of businesses to Eurofins – **finding businesses with real estate for Dr. Martin to acquire reportedly was a focus of Eurofins' M&A. Eurofins supposedly overpaid for operating businesses in order to subsidize Dr. Martin's real estate purchases. Dr. Martin reportedly rented these properties back to Eurofins at generally above market rates**".

Eurofins went back 25 years in its archives to identify any situation where an ABSCA-related entity acquired a property in conjunction with an acquisition of a laboratory by Eurofins, in order to reduce the investment by Eurofins associated to this business acquisition while protecting long-term use of the building by Eurofins.

Eurofins identified 19 such transactions in its archives. Such transactions occurred only between 10 and 25 years ago, up to the end of 2013. Before that time, Eurofins had much less access to capital and higher indebtedness relative to its profitability. It has been already widely disclosed that Eurofins would not have been able to acquire all the laboratory buildings bought by the holding ABSCA of its main shareholder at that time without exceeding acceptable financial leverage ratios. By examining acquisition proposal files and pre-acquisition accounts and, when available, post-acquisition accounts when the companies had not been immediately merged into existing Eurofins companies, Eurofins teams calculated ratios for each acquired operating business based on Enterprise Value (EV) paid divided by the revenues or EBITDA of the company in the year prior to its acquisition.

The arithmetic and EV-weighted means and median of EV-on-EBITDA ratios were found to be in a range between 5x and 7x and EV-to-revenues ratios arithmetic and EV-weighted means and median in a range between 0.7x and 1.1x. At such low absolute valuation multiples, MW's claim that Eurofins "**overpaid for operating businesses in order to subsidize Dr. Martin's real estate purchases**" are clearly confirmed to be completely unfounded.

MW's claims can be further disproven by examining all 94 acquisitions of businesses completed by Eurofins during the same years as the 19 abovementioned operating businesses acquisitions (spanning between 1999 and 2013) when Eurofins acquired a company using a building that an ABSCA-related affiliate acquired. For all 94 acquisitions performed during those years, the arithmetic mean of the EV-to-EBITDA multiple paid by Eurofins was around 8x, as were the EV-weighted mean and median as well. For the EV-to-revenues ratio of the same 94 acquisitions, the arithmetic and EV-weighted means and median were all around 1x.

These results clearly validate that acquisition multiples paid by Eurofins for businesses that involved related party real estate transactions were in line with (if not lower than) the average acquisition multiples paid by Eurofins for all acquisitions (with or without real estate transactions) completed during the same years. It also only concerned 19 of the 94 companies acquired in the same years.

Of course, "finding businesses with real estate for Dr. Martin to acquire" was obviously never a focus for Eurofins. Eurofins always only focused on acquiring businesses that fit with its strategy to complement its geographic and technology portfolio, contribute to reaching scale in each of its chosen markets and achieve a return on the cost of those acquisitions in excess of its hurdle rate for return on capital. Eurofins has already confirmed that its policy is, and always has been, to assess all related party transactions (including leases) to ensure that they are performed at arm's length terms and therefore refuted MW's claim that "Dr. Martin reportedly rented these properties back to Eurofins **at generally above market rates**".

Comment from Dr Gilles Martin, Eurofins CEO: “I am pleased that Ernst & Young Paris was able to confirm, through their thorough cash audit, the accuracy of our financial reporting as well as the high degree of integrity of our systems and controls. I am also satisfied that the results of our analysis of archived data clearly, and once again, disprove MW’s unfounded claim that Eurofins overpaid for acquisitions to subsidise related party real estate transactions.

These results speak for themselves, refute the slanderous allegations by Muddy Waters, and reaffirm our dedication to transparency and the reliability of information published by Eurofins. These are standards our shareholders, bondholders, employees and other stakeholders should, and do, expect from Eurofins. This stands in stark contrast to MW’s self-serving ‘opinion journalism’ based on groundless allegations and misleading information that seems optimised for malfeasance to serve the interests of MW and parties potentially acting together with MW.

As always, Eurofins remains committed to forcefully defending itself against these and any future slanderous allegations, from both MW and any other source, aiming to confuse and deceive the investing public.”

#### **Notes to Editors:**

**For more information, please visit [www.eurofins.com](http://www.eurofins.com) or contact:**

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#### **About Eurofins – the global leader in bio-analysis**

Eurofins is Testing for Life. The Eurofins Scientific SE 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 agrosience 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 Scientific S.E. 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.E.'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 S.E. 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.