Eurofins reports solid growth of revenues, profits and cash flows in H1 2020 and continued positive organic growth in Q2 in spite of the COVID-19 pandemic

06 August 2020

- At the onset of the COVID-19 pandemic, Eurofins' priorities were (i) to protect its staff, (ii) to ensure continued service to its clients, (iii) to protect cash and reduce leverage, and (iv) to mobilise to develop solutions to support healthcare authorities fighting the pandemic.
- The large majority of Eurofins companies are considered essential businesses necessary for the safe supply of the population and could continue to operate. The COVID-19 lockdown measures nonetheless had a negative impact on revenues of some of Eurofins businesses in H1 2020, especially in April and May. However, cost containment measures were swiftly implemented and most of them enjoyed a strong recovery in June. In addition, since early March Eurofins companies were successful in developing a comprehensive suite of COVID-19 testing solutions (https://www.eurofins.com/covid-19-response) at exceptional speed. As a result, organic growth picked up promptly in the later part of Q2 and the negative impact of the pandemic on Eurofins results has been very largely mitigated.
- Revenues increased 7.2% year-on-year to EUR 2,323m in H1 2020 vs. EUR 2,168m in H1 2019.
- Organic growth[10] stood at 5.1% in H1 2020 and 6.1% in Q2 2020.
- Free cash flow to the firm[9] increased 184.5% to EUR 315m.
- In spite of missing revenues at some laboratories due to lockdowns, adjusted[1] EBITDA[3] increased 18.9% year-on-year in H1 2020 to EUR 493m resulting in an industry-leading 21.2% margin. This represents a 210bps increase despite some remaining dilution by 2017 to 2019 acquisitions. The adjusted EBITDA margin of the companies which were already part of the Group before 01 January 2017 increased by 350bps from 18.5% to 22.0%.
- Reported EBITDA increased 23.6% year-on-year in H1 2020, the traditionally less profitable part of the year, to EUR 459m resulting in a 19.7% reported EBITDA margin, a 260bps increase year-on-year.
- Separately disclosed items[2] decreased by more than 20% year-on-year on EBITDA level, from EUR 44m in H1 2019 to EUR 35m in H1 2020 and from 10.6% of Adjusted EBITDA in H1 2019 to 7.1% of Adjusted EBITDA in H1 2020.
- Start-ups and businesses in significant restructuring now only represent 5.3% of revenues (6.8% in H1 2019).
- Net profit[6] increased 60.9% year-on-year to EUR 95m. Adjusted net profit increased 19.2% year-on-year to EUR 187m.
- Reported basic earnings per share (EPS)[7] increased 57.4% to EUR 5.21 and Adjusted basic EPS by 16.6% in H1 2020 to EUR 10.30.

- As planned, M&A spend has decreased (EUR 76m in H1 2020 vs. EUR 115m in H1 2019) as Eurofins acquired only seven companies in H1 2020, most of them in Q1 as part of discussions initiated prior to the pandemic spreading to Europe and North America.

- Net debt[14] at the end of June 2020 decreased significantly to EUR 2,584m from EUR 3,245m at the end of December 2019 as a result of the strong cash flow generation in H1 2020 and the successful equity issuance completed in May 2020 which generated gross proceeds of EUR 535m.

- Leverage decreased significantly (net debt to adjusted last twelve months EBITDA[16]) to 2.53x at the end of June 2020 vs. 3.24x at the end of December 2019, a reduction of 0.7x, in spite of the missing revenues and profits at several laboratories due to the lockdowns.

- On 24 July 2020, Moody's assigned an investment grade credit rating of **Baa3** with a stable outlook to Eurofins. This investment grade credit rating acknowledges Eurofins' successful growth strategy, its leadership positions in most of its activities, its planned reduced leverage below 2.5x and its underlying resilient end-markets.

- In H1 2020, the Group continued to make significant improvements in terms of corporate governance with the appointment of Mr. Pascal Rakovsky as a fourth independent director with strong audit and financial experience to the Board increasing its size to seven members.

- Based on the latest information disclosed in Eurofins 2019 annual report, ISS (Institutional Shareholder Services) proxy advisor and ESG rating agency upgraded the Governance "QualityScore" of Eurofins from 5 to 3 in line with best industry peers.

- Eurofins continued to invest to reduce and compensate its carbon footprint with the objective to be carbon neutral by 2025.

- While there remains significant economic and pandemic development uncertainty, as can be judged today, Eurofins management is confident that the Group should be able to achieve its objectives for the full year 2020, reaching 5% organic growth, EUR 5bn in revenues, EUR 1.1bn in Adjusted EBITDA and EUR 500m of Free Cash Flow to the Firm. Only the acquisition component that those objectives included (EUR 200m revenues acquired at mid-year) will probably not fully occur as M&A activities have been slowed down due to the uncertainty caused by the pandemic.

- Following the equity raise completed in May 2020, and strong cash flow generation in H1 2020, Eurofins is also moving forward its objective to bring its leverage (net debt / adjusted EBITDA) to ca. 2.5x by one year from 2021 to 2020 as this is almost already achieved at June 30th. Beyond this, Eurofins plans to continue to focus on further deleveraging towards the mid-point of its historical 1.5-2.5x net debt to adjusted EBITDA range.

- Demand for Eurofins SAFER@WORK™ programmes and especially COVID-19 RT-PCR testing has picked up strongly in the last two weeks and it seems that this growth momentum could continue well into H2.

- Eurofins Research & Development teams are working on several additional testing and other products & solutions to fight COVID-19 that they expect to launch in the next few weeks and months.

Comments from the CEO, Dr. Gilles Martin:

"Had the COVID-19 pandemic not occurred, Eurofins H1 results would of course have been better. However, the talent, energy, speed of action and commitment of Eurofins teams enabled a significant mitigation of the financial impact of this crisis. As a result, in spite of the massive disruptions caused by the COVID-19 pandemic, I am very pleased to report another strong set of results for Eurofins in H1 2020.

Once again, Eurofins' end-markets, which are part of essential supply chains, proved to be more resilient than many other segments. In addition, I am proud to lead one of the few organisations worldwide whose teams were able to develop in record time such a comprehensive suite of testing services and scientific solutions to support the efforts of governments, healthcare authorities and companies around the globe in their fight against COVID-19. Indeed, Eurofins employees and scientists have now developed testing services, solutions and products that can contribute to supporting over 20 million patients per month.

Our mission at Eurofins is Testing for Life. As a world-leading provider of clinical diagnostics, forensic, pharmaceutical, food and environmental laboratory testing services, in record time Eurofins has been able to draw on its scientific experience to develop a comprehensive suite of SARS-CoV-2 tests in response to the coronavirus pandemic. As an example, Eurofins has developed its SAFER@WORK™ programme to help clients detect and contain COVID-19 occurrences at their sites including:

- Tests for the presence of the virus
- Tests for the presence of antibodies to the virus
- Environmental surface testing and wastewater testing as part of the Eurofins Sentinel™ offering for early detection of epidemic clusters reoccurrences
- PPE (personal protective equipment) testing, certification and inspection

Eurofins SAFER@WORK™ programmes can also make use of big data and AI technologies as well as specific algorithms applied in real time to public data and Eurofins anonymised testing result databases to assist in targeting and informing testing locations and setting frequency of human testing and associated risk management measures. Since launch in June 2020, Eurofins teams have already signed over 500 SAFER@WORK™ contracts and are currently negotiating 700 additional agreements including some very large global contracts.

As research programmes progress towards clinical trials, Eurofins Biopharmaceutical services companies are also increasingly active in supporting vaccines and pharmaceuticals products developers in their race to develop novel tools to fight the virus.

Overall most of the Group's companies had a solid first half of the year despite the significant disruptions caused by the COVID-19 pandemic, demonstrating the very resilient and non-cyclical nature of most of the markets we are exposed to. Nonetheless, the Group rapidly responded to the economic uncertainty by taking significant actions to conserve cash and mitigate the potential impact of a prolonged economic downturn on our profitability and cash generation.

Given the fast recovery in the month of June 2020 of those of our core business activities that were affected by the lockdowns, and the growing contribution of COVID-19 testing and solutions to our revenues and results, we remain confident that Eurofins should achieve its 2020 objectives. While there remains considerable economic and pandemic uncertainties, which make predictions about the future harder than ever, for most of Eurofins' companies the outlook for the remainder of 2020 appears positive. Most of those affected by lockdowns in H1 2020 appear to have recovered to close to or above pre-pandemic levels, at least on the profitability side where cost had to be adjusted to lower revenues. As a result, while no certainty can exist in such volatile environment, as can be judged today, the outlook for H2 for Eurofins as a whole seems to be very positive.

Following the recent equity raise, bonds refinancing, and investment grade rating, Eurofins has also a very solid and healthy financial structure and strengthened access to broader and lower cost funding, which can only be an asset for the Group to continue its innovation-fuelled organic growth in uncertain times.

Longer term we are very optimistic for the prospects of Eurofins markets. It seems probable that the pandemic will further highlight the benefits of testing for protecting the health of all, which may lead to further legislation and public investments in these fields, including food and environment testing. The need to develop diagnostics, vaccines and biopharmaceutical products to combat a growing range of pathogens should also continue to fuel investment in those areas and growth at Eurofins Biopharmaceutical services and diagnostic businesses.

Eurofins teams have shown tremendous commitment, resourcefulness, and courage over the last few months to continue providing essential services while implementing social distancing and other safety measures at our sites. I am very grateful for the dedication of the employees and leaders of Eurofins companies in the face of often large new difficulties at work and at home. The strong performance of Eurofins in H1 2020 is testimony to the exceptional work ethics of our teams and to their enthusiasm for their mission of Testing for Life. I strongly believe that this flexibility, commitment and speed of action is also a result of the decentral nature of Eurofins which is made up of over 900 independent and agile entrepreneurial companies."

Table 1: Half Year 2020 Organic Growth Calculation and Revenue Reconciliation

	EURm (unless otherwise stated)
H1 2019 reported revenues	**2,168**
+ H1 2019 acquisitions - revenue part not consolidated in H1 2019 at H1 2019 FX rates	36
- H1 2019 revenues of discontinued activities / disposals[12]	-13
= H1 2019 pro-forma revenues (at H1 2019 FX rates)	2,191
+ H1 2020 FX impact on H1 2019 pro-forma revenues	12
= H1 2019 pro-forma revenues (at H1 2020 FX rates) (a)	**2,203**
H1 2020 organic scope* revenues (at H1 2020 FX rates) (b)	**2,315**
H1 2020 organic growth rate (b/a-1)	**5.1%**
H1 2020 acquisitions - revenue part consolidated in H1 2020 at H1 2020 FX rates	4
H1 2020 revenues of discontinued activities / disposals[12]	4
H1 2020 reported revenues	**2,323**

** Organic scope consists of all companies that were part of the Group as at 01/01/2020. This corresponds to the 2019 pro-forma scope.*

COVID-19 Update

As a world leader in the provision of clinical diagnostics, forensic, pharmaceutical, food and environmental laboratory testing services, Eurofins has been able to draw on the scientific experience of its large number of subject matter experts to develop a comprehensive suite of SARS-CoV-2 tests in response to the coronavirus pandemic including:

- Real-time PCR and serology-based antibody tests
- Genomics & BioPharma services to help find and register new drugs and vaccines
- Test kits, probes, primers and DNA controls
- Tests for environmental surfaces, PPE (personal protective equipment) and medical devices
- Risk based testing programmes to help employees returning safely to work

Eurofins was able to build up large capacity both in terms of in vitro diagnostic (IVD) products development capabilities and testing laboratories, as follows:

- PCR tests: up to 2 million tests per month
- Serologic tests: up to 2 million tests per month
- Serology testing kits: up to 10 million per month
- Cost effective RT-PCR test for mass screening of populations with low virus prevalence
- Production of probes, primers & positive controls for millions of RT-PCR kits
- Reagents for reliable RNA extraction prior to high sensitivity PCR testing
- Overall, solutions and components enabling over 20 million patient tests per month

In late May, Eurofins launched Eurofins SAFER@WORK™, a suite of integrated risk-based solutions for businesses to keep staff and customers safer during the COVID-19 pandemic designed to detect SARS-CoV-2 in the workplace as early as possible often before anyone is aware of being COVID-19 positive, and reduce contamination risk of staff and customers in a practicable and cost effective manner.

Eurofins SAFER@WORK™ includes testing for the presence of the virus with RT-PCR tests, testing for the presence of antibodies to the virus with serologic tests, Eurofins COVID-19 Sentinel™ environmental surface testing and waste water testing, medical devices and personal protective equipment (masks, gloves, gowns, drapes, respiratory protective devices and equipment) testing, inspection and certification as well as additional consultative and staff training services.

On 01 July 2020, Eurofins launched Eurofins COVID-19 Sentinel™ as part of its SAFER@WORK™ programme. Through a comprehensive range of testing solutions, including waste water testing, work environment surface and worn mask testing, Eurofins COVID-19 Sentinel™ provides an early warning of the presence of SARS-CoV-2 at a given site (e.g. a city, factories, education, government and public service sites, nursing homes) before anyone may be aware of COVID-19 presence on site and the virus spreads too broadly.

By combining environmental testing such as workplace surfaces and wastewater testing, which form part of the Eurofins COVID-19 Sentinel™ portfolio of tests, together with risk-based clinical testing, as well as relevant consultative, audit, training and assurance services, Eurofins SAFER@WORK™ programmes allow for a focus of human clinical testing where virus presence is likelier. This approach reduces costs and supports health authorities to allocate capacity constrained human COVID-19 testing where it is most needed.

You may also visit https://www.eurofins.com/covid-19-response/ and https://www.eurofins.com/covid-19-response/safer-work/ for more information.

Eurofins expects to generate very significant SAFER@WORK™ revenues in H2 2020 while helping clients and governments prevent or control new infection clusters.

Business Review

Table 2: Half Year 2020 Results Summary

***Not corrected for missing revenues and margin or insurance payments related to the cyber-attack and fires at two sites**

	H1 2020			**H1 2019**				
In EUR m except otherwise stated	**Adjusted[1] Results ***	Separately disclosed items[2]	Reported Results	Adjusted Results *	Separately disclosed items	Reported Results	**+/- % Adjusted Results**	**+/- % Reported Results**
Revenues	2,323	-	2,323	2,168	-	2,168	*7.2%*	*7.2%*
EBITDA[3]	493	-35	459	415	-44	371	*18.9%*	*23.6%*
EBITDA Margin (%)	21.2%		19.7%	19.1%		17.1%	*+210bps*	*+260bps*
EBITAS[4]	311	-52	259	251	-62	189	*23.9%*	*37.2%*
Net Profit[6]	187	-92	95	157	-98	59	*19.2%*	*60.9%*
Basic EPS[7] (EUR)	10.30	-5.08	5.21	8.83	-5.52	3.31	*16.6%*	*57.4%*
Net Operating Cash Flow[8]			445			232		*91.8%*
Free Cash Flow to the Firm[9]			315			111		*184.5%*
Net capex[13]			130			121		*7.1%*
Net Debt[14]			2,584			3,241		*-20.3%*

Note: Definitions of the terms used can be found at the end of this press release

Revenues

Revenues increased 7.2% year-on-year to EUR 2,323m in H1 2020 vs. EUR 2,168m in H1 2019. H1 2020 organic growth[10] stood at 5.1%.

Eurofins' end-markets which are part of essential supply chains proved to be more resilient than many other business activities that were much more negatively impacted by lockdown measures implemented in many countries. As a result, demand for Eurofins testing services remained strong across its main geographies, with Europe and North America posting revenue growth above 7% and the Rest of the World above 4% in H1 2020. Even though COVID-19 lockdown measures had a short-term negative impact on revenues, especially in April, demand recovered fast in most markets and combined with the comprehensive suite of COVID-19 testing activities and products developed by the Group, organic growth picked up promptly especially in June.

Table 3: Geographical Revenue Breakdown

(EUR m)	**H1 2020**	***As % of total***	**H1 2019**	***As % of total***	***Growth %***
Europe	1,276	54.9%	1,189	54.9%	7.3%
North America	859	37.0%	798	36.8%	7.7%
Rest of the World	188	8.1%	181	8.3%	4.1%
Total	**2,323**	**100.0%**	**2,168**	**100.0%**	**7.2%**

It is unfortunately not possible to break-up the estimated EUR 62m impact on revenues from the 2019 cyber-attack between geographies and their respective exchange and tax rates as this estimate was the average of several methods, computed mostly at total Group level. The figures in the above table and the below comments have therefore not been corrected for any cyber-attack impact, nor for any COVID-19 impact.

Europe

Europe generated total revenues of EUR 1,276m in H1 2020, representing 54.9% of total Group revenues, and an increase of 7.3% vs. H1 2019.

Eurofins had a number of innovations during the first half of 2020, including successes in the increasingly important area of perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFAS) testing, the development of near-infrared spectroscopy (NIR) technology for soil testing and the development of a polycyclic aromatic hydrocarbons (PAH) testing method for meat and oil.

Also, in the global response against the COVID-19 pandemic, Eurofins continues to be at the forefront of innovation. Eurofins Biopharma Product Testing is working in close cooperation with four different COVID-19 vaccine developers and has invested heavily to add capacity to its Nitrosamines testing platform to support the new European Medicinal Agency requirements. As a result, Eurofins won several large projects in this area.

Through the SAFER@WORK™ programme, Eurofins provided holistic customised advice to many of its clients to help them minimise COVID-19 contamination risks and/or to help them restart their activities.

By country, France generated revenues of EUR 403m in H1 2020, a 5.5% decrease vs. H1 2019. Food, Environment and Consumer Product testing activities were severely impacted by lockdown early in Q1 and continuing in Q2 while BioPharma remained above Group average with a strong start of the year in Q1. After being significantly down as patients avoided doctors' visits during the lockdown, Clinical Diagnostics benefitted from a strong recovery in June and COVID-19 revenues in Q2.

DACH countries (Germany, Austria and Switzerland) generated revenues of EUR 259m in H1 2020, a 6.2% increase vs. H1 2019, in line with Group average in H1 2020 thanks to a sharp recovery in Q2 and a double-digit revenue growth in Environment testing services, Genomics, Clinical Diagnostics and Eurofins Technologies activities driven by demand in COVID-19 testing services and IVD products. As an example, Formula 1 took part in the SAFER@WORK™ programme, entrusting Eurofins to carry out the necessary COVID-19 testing to prevent the potential spread of the virus at their events and to allow a restart of their racing season.

Other European countries generated revenues of EUR 613m in H1 2020, a 18.5% increase vs. H1 2019. With UK and Ireland posting a strong double-digit revenue growth in H1 2020 despite a negative performance in Food, Environment and Consumer Product testing activities which was more than offset by an outstanding performance of its BioPharma and Clinical Diagnostics activities in H1 2020 fuelled by a sharp surge of COVID-19 testing demand in Q2. Southern Europe (Spain, Italy, Portugal) also posted a strong double-digit revenue growth in H1 2020, mainly driven by a robust growth in its BioPharma activities and a sharp surge of COVID-19 testing demand in Q2, particularly in Spain.

North America

Eurofins' business in North America generated total revenues of EUR 859m in H1 2020, representing 37.0% of total Group revenues, and an increase of 7.7% vs. H1 2019. Revenue growth was particularly supported by BioPharma testing activities in both Q1 and Q2 where demand for services continues to be strong, and a significant surge of COVID-19 testing demand accelerating in Q2. Performance in other segments was more contrasted with Food testing activities posting revenue growth in line with regional average and Environment testing posting a negative growth in Q2 after a good start in Q1.

Eurofins Clinical Diagnostics applied for and received three separate Emergency Use Authorisations (EUA) from the U.S. Food and Drug Administration (FDA) for the SARS-CoV-2 PCR tests offered by Eurofins Viracor, Diatherix and Boston Heart Diagnostics. In order to make SARS-CoV-2 testing more broadly available, Eurofins Clinical Diagnostics in the U.S. deployed several innovations including deployment of multiplexed PCR SARS-CoV-2 testing with other viral pathogens, including influenza A, B and H1N1, validation of multiple specimen types (including nasopharyngeal swabs, oropharyngeal swabs, nasal swabs, bronchoalveolar lavages, nasal washes and nasopharyngeal washes), and the launch of SARS-CoV-2 IgG antibody testing for provider-collected capillary blood as dried blood spot, eliminating the need for traditional phlebotomy.

Eurofins Environment Testing business line supported the Group's COVID-19 offering via Eurofins COVID-19 Sentinel™ testing of environmental surfaces, food surfaces, wastewater and Indoor Air Quality (IAQ).

Eurofins Technologies in the U.S. (Gold Standard Diagnostics and Abraxis) contributed to the COVID-19 offering via in-house production of RNA extraction kits (for environmental swabs, wastewater and clinical COVID testing applications), and launch of multiple antibody and immunoassays for direct pathogen detection.

Eurofins Lancaster Laboratories continues to be at the forefront of all major efforts in drugs and vaccines for COVID-19, working closely with pharmaceutical clients to help deliver effective anti-virals and vaccines as fast as possible.

In April, Transplant Genomics Inc. (TGI) announced TruGraf Long-term clinical Outcomes (TRULO), which is a prospective, multicentre observational registry study, designed to evaluate post-transplant clinical outcomes in recipients of kidney transplants who are undergoing serial TruGraf testing. TRULO will be the first study to provide long-term data, beyond two years post-transplant, regarding the benefits of non-invasive surveillance of stable kidney transplant recipients to rule out silent subclinical rejection.

Rest of the World

Eurofins' business in the Rest of the World generated revenues of EUR 188m in H1 2020, a 4.1% increase vs. H1 2019, representing 8.1% of total Group revenues. Revenue growth in H1 2020 was driven in India by a surge of demand in both its CDMO and Genomics services business lines with the production of probes and primers for research laboratories developing vaccines and therapeutics against COVID-19.

Eurofins was the supplier of probes, primers and genes for the first Indian COVID-19 RT-PCR test kit that was approved. The Consumer Product Testing business developed capabilities in-house to initiate testing of sanitisers, masks and coveralls, with India emerging as a large source of supplies for PPE kits globally. In Japan, demand is surging for primers and probes to detect SARS-CoV-2 to be widely used for the qPCR tests nationwide. The United Arab Emirates (UAE) government appointed Eurofins to provide COVID-19 passenger pre-screening testing prior to travelling to the UAE to ensure residents and travellers are kept as safe as possible during this pandemic.

Profitability

In spite of the negative impact of lockdowns on revenues and profits of several laboratories in H1 2020, EBITDA increased 23.6% year-on-year to EUR 459m resulting in a 19.7% EBITDA margin, a 260bps increase year-on-year, showing a continued margin improvement driven by (i) resilient demand for testing services addressing essential supply chains, (ii) the benefit of investments made in the 2015-2020 infrastructure programme to build an efficient hub and spoke laboratories network, (iii) the growing demand for COVID-19 testing capacity built up by Eurofins and (iv) prudent financial measures put in place to control costs and protect cash at the onset of the pandemic.

Separately disclosed items (SDI) decreased from EUR 44m in H1 2019 to EUR 35m in H1 2020 and as a proportion of Adjusted EBITDA from 10.6% in H1 2019 to 7.1% in H1 2020, in line with our 2020 objectives:

- Operating losses in start-up laboratories and companies decreased 15% from EUR 28m in H1 2019 to EUR 24m in H1 2020 in spite of significant R&D and sales cost ramp up at TGI to launch TRAC and TruGraf transplant rejection detection tests;
- One-off costs from integration and reorganisation of recently acquired companies decreased 30% from EUR 16m in H1 2019 to EUR 11m in H1 2020, reflecting as planned both a more limited M&A activity and the good progress made on the integration and reorganisation of large acquisitions completed in the last two or three years.

Adjusted EBITDA increased 18.9% year-on-year to EUR 493m resulting in a 21.2% Adjusted EBITDA margin, a 210bps increase year-on-year.

The mature scope[11] of Eurofins laboratories generated revenues of EUR 2,200m representing 94.7% of Group revenues in H1 2020 (vs 93.2% in H1 2019) with an Adjusted EBITDA margin of 22.4% vs. 20.5% in H1 2019, a 190bps increase year-on-year. Non-mature laboratories therefore represent an increasingly negligible portion of Group revenues.

Table 4: Breakdown of Reported EBITDA by Operating Segment

(EURm)	H1 2020	% of segment revenues	H1 2019	% of segment revenues	*Growth %*
Europe	244	19.1%	192	16.1%	27.2%
North America	227	26.4%	176	22.0%	29.3%
Rest of the World	35	18.8%	30	16.8%	16.1%
Other[1]	-48	-	-27	-	
Total	**459**	**19.7%**	**371**	**17.1%**	**23.6%**

(1) Other corresponds to Group Service Centres

Reported EBITDA for H1 2020 by operating segment is hard to compare year-on-year due to the impacts of the cyber-attack in 2019 and fires at two laboratories in 2020. Nevertheless, even if correcting for these impacts at Group level, Eurofins margin would have increased. As reported, all regions recorded a significant improvement in both value and margin year-on-year with Europe EBITDA increasing 27.2% and 300bps year-on-year, North America EBITDA increasing 29.3% and 440bps year-on-year and ROW EBITDA increasing by 16.1% and 200bps, while the increase in cost of Group Service Centres was mostly due to IT spend.

Depreciation and amortisation increased to 8.6% of revenues in H1 2020 vs. 8.4% in H1 2019 mainly due to significant investments in its laboratory and IT infrastructure completed in the 2017-2019 period.

Finance costs amounted to EUR 51m, representing 2.2% of revenues flat vs. H1 2019.

The income tax expense increased to EUR 56m in H1 2020 vs EUR 30m in H1 2019, due to the much higher taxable income recorded in H1 2020 and a slightly higher average tax rate for the period. However, income tax paid was significantly lower in H1 2020 at EUR 18m thanks to temporary support measures put in place by some governments. Most of the short-term positive effect of these cash deferral measures in H1 should unwind in H2 2020.

Reported net profit[6] increased 60.9% to EUR 95m in H1 2020 vs. EUR 59m in H1 2019. Reported basic earnings per share (EPS)[7] increased 57.4% to EUR 5.21 vs. EUR 3.31 in H1 2019 and Adjusted basic EPS by 16.6% in H1 2020 to EUR 10.30 vs. EUR 8.83 in H1 2019.

Cash Flow & Financing

Table 5: Cash Flows Reconciliation

(EURm)	H1 2020 reported	H1 2019 reported	*Y-o-Y variation*
Net Cash from Operations	445	232	+91.8%
Net Cash from Investing	-205	-187	+9.8%
Free Cash Flow to the Firm	*315*	*111*	*+184.5%*
Net Cash from Financing	85	-262	n/a
Net increase (decrease) in Cash and cash equivalents	319	-212	n/a

Net working capital[15] stood at 5.3% of revenues at the end of June 2020. Net operating cash flow[8] increased by 91.8% in H1 2020, thanks to the strong growth of profits and a very favourable variation of net working capital (NWC) which is positively impacted by government deferrals of social contributions and taxes, negatively impacted by stocks of reagents to secure COVID testing supply as well as a very negative NWC variation in H1 2019 due to the cyber-attack.

Free cash flow to the firm[9] increased +184.5% to EUR 315m including a fairly stable spend in capital expenditures (EUR 130m in H1 2020 vs. EUR 121m in H1 2019) as COVID solutions investments compensated for CAPEX reductions implemented in businesses affected by the lockdowns and working capital improved from 6.4% of sales as at end of June 2019 to 5.3% of sales as at end of June 2020 although stock creation to secure COVID-19 testing supplies used up a significant part of the cash generated by tax and social charges deferrals by governments.

Early May, Eurofins successfully issued a EUR 600m senior unsecured Euro bond (the “New Bond”). The New Bond has a 6.2 years maturity (due on 17 July 2026) and bears an annual fixed rate of 3.75%. The transaction was well received and more than two times over-subscribed.

The purpose of this refinancing exercise was to increase the average maturity of Eurofins’ debt instruments and to proactively manage the refinancing of its EUR 500m Bonds (ISIN: XS1174211471) due 27 January 2022 and its EUR 500M Bonds (ISIN: XS1268496640) due 30 January 2023, the “Existing Bonds”. As at the expiration deadline of the tender offer on the Existing Bonds, Eurofins had received valid tenders of EUR 332m in aggregate principal amount of the Existing Bonds. As a result of this transaction, the nominal amount of Existing Bonds currently outstanding is respectively EUR 314m for the 2022 Bonds and EUR 354m for the 2023 Bonds.

Net debt at the end of June 2020 decreased significantly to EUR 2,584m from EUR 3,245m at the end of December 2019 as a result of a strong cash flow generation in H1 2020 and the equity issuance successfully completed in May 2020 (gross proceeds of EUR 535m) which enabled short term borrowings (including IFRS16) to decrease to EUR 267m including EUR 135m of commercial paper at the end of June 2020, vs. EUR 455m and EUR 317m respectively at the end of December 2019.

As a result, leverage (net debt to adjusted L12M EBITDA) decreased significantly to 2.53x at the end of June 2020 vs. 3.24x at the end of December 2019, a reduction of 0.7x. Cash and equivalents amounted to EUR 615m at the end of June 2020 vs. EUR 297m at the end of December 2019.

As of 30 June 2020, Eurofins had access to over EUR 1bn committed mid-term (ca. 3.2 years average life) bilateral bank credit lines in addition to those used to back commercial paper drawings. None of the bilateral credit lines is maturing in 2020 nor in 2021.

On 24 July 2020, Moody’s assigned an investment grade credit rating of **Baa3** with a stable outlook to Eurofins. Eurofins has been active in the debt capital markets for many years as one of the major unrated issuers in Europe with a solid track record. With this initial public credit rating, Eurofins should have access to a broader investor base and better conditions from debt capital markets. The rating has already had a significant positive effect on the credit spreads of most Eurofins senior unsecured Euro bonds and hybrid instruments traded on the secondary market.

Acquisitions and disposals

During the first six months of 2020, the Group completed seven acquisitions which generated total revenues of EUR 20m in 2019 with approximately 200 employees.

As announced in its Q1 trading update on last 28 April, the M&A activity was considerably slowed down as a matter of caution and as the Group’s management team has been focusing its time and resources on its existing laboratory network and its contribution to the global response to the COVID-19 pandemic.

In February 2020, TestAmerica Air Emission Corporation divested its Stack Emission testing Metco business (annual sales of EUR 5m in 2019).

Governance

The Group continued to make progress in the area of Environmental, Social and Governance (ESG) practices in H1 2020.

With the objective to further strengthen Eurofins' Board of directors, Mr. Pascal Rakovsky was appointed by the AGM held on 26 June 2020 as a fourth independent director to the Board increasing its size to seven members. Considering his background as a former lead audit partner of PricewaterhouseCoopers Audit for more than 20 years, Mr. Rakovsky will be chairing the audit committee.

ESG rating

ISS' (Institutional Shareholder Services) is a proxy advisor and ESG rating agency whose "QualityScore" is used by institutional investors to identify and measure corporate governance and Environmental & Social risk in their current and potential portfolio of investments. The scores indicate decile rank relative to index or region. A decile score of 1 indicates low governance/environment/social risk, while a decile score of 10 indicates high governance/environment/social risk (hence the lower the number, the better the score).

Based on the latest information disclosed in Eurofins 2019 annual report, ISS (Institutional Shareholder Services) proxy advisor and ESG rating agency upgraded the Governance "QualityScore" of Eurofins from 5 to 3, while the Environment and Social "QualityScore" remained unchanged at 2.

Carbon footprint reduction programmes

As part of its initiatives to further reduce its net carbon footprint, beyond multiple emission reductions initiatives at its laboratories, Eurofins has started funding its investment in the Livelihoods Carbon Fund II in H1 2020 aimed at generating 671ktons of carbon credits for Eurofins by 2041.

Infrastructure Programme

In the first six months of 2020, Eurofins has added more than 10,000m^2 of laboratory, office and storage space through delivery of building projects, new acquisitions, but also through consolidation of sites into new state-of-the-art laboratories.

The construction of the new flagship food and dietary supplements testing laboratory in Madison, Wisconsin, U.S.A. with a size of over 10,000m^2 is progressing well with a confirmed schedule to conclude in December of 2020, and with occupancy slated for January 2021, six weeks ahead of schedule. The U.S. Environment business commissioned and opened a specialist fast turnaround time laboratory in Rhode Island to enhance penetration of the New England market.

The Group has also continued to secure its existing sites for the long-term, purchasing the 11,500m^2 building in Vimodrome, Italy used by Biopharma Product Testing, and the 840m^2 building used by Environment Testing US in Pasadena by the Eurofins J3 Resources, Inc acquired in 2019.

Eurofins is well on track to deliver its 2020 and 2021 plans for expansion and modernisation of 100,000m^2 laboratories surfaces.

COVID-19 testing & reagents, and 02 June 2019 Cyber-attack impacts on revenues

- Even when correcting 2019 revenues for the estimated impact of the criminal cyber-attack that hit the Group on 02 June 2019 and after an organic revenue growth of 4.1% in Q1 2020 in spite of the effects of lockdowns, Eurofins still generated significant positive organic growth in H1 and Q2 2020.
- Indeed, when correcting 2019 and 2020 revenues for EUR 62 million estimated lost revenues in June 2019 and EUR 69m in total in 2019 following the 02 June 2019 cyber-attack and the impact of fires in two laboratories in the UK and the Netherlands, corrected organic growth for the full year 2019 would be 5.5% (6.3% excluding Boston Heart Diagnostics) and corrected organic growth would still stand at 2.5% in H1 2020.
- COVID-19 testing services and products revenues have been growing significantly since March 2020. As initially mostly government laboratories were carrying out these tests in several European countries and the first pandemic peaks and associated testing demand subsided in June in most countries, the large COVID-19 testing and reagent capacity created by Eurofins by June was only moderately utilised in Q2. As a result, these additional revenues did not fully compensate the lost organic growth due to the lockdowns in Q2. However, since then, as the pandemic continues to expand in many countries and more Eurofins laboratories become approved by local governments to carry out such tests, demand is starting to increase strongly. As a result, COVID-19 and reagents revenues exceeded EUR 55m in the month of July 2020 only and the number of samples tested is currently increasing significantly week on week.
- As unfortunately the COVID pandemic appears to further expand, it continues to seem likely that during H2 2020, the associated testing revenues will more than compensate for the missing cyber-attack corrected organic growth in H1 (about EUR 50m to reach 5%). As a result, over the whole year 2020, even when correcting for the cyber-attack and fire impacts, it continues to appear probable (as mentioned at the time of Q1 results publication) that Eurofins may reach or exceed its 5% organic growth objective.
- Eurofins core business appears to be very resilient and agile due to its choice of end markets and decentral entrepreneurial model. In spite of the negative impact of lockdowns on a number of Eurofins companies even when (i) excluding COVID-19 testing and reagent revenues and (ii) correcting for these cyber-attack and fire impacts, it also seems likely that over the whole year 2020, Eurofins will generate significant positive organic growth as it did at the height of the great recession in 2009.
- Eurofins has received ca. EUR 10 million proceeds from its insurances in May 2020 to compensate for lost gross margin resulting from the 02 June 2019 cyber-attack and continues to expect to receive significant additional refunds in H2 2020.

Post-Closing Events

Change of scope:

Since 01 July 2020, Eurofins has completed the acquisition of six companies, of which two environmental laboratories in the United States and Australia, one clinical diagnostic laboratory in France and three other laboratories in the United Kingdom, China and Finland.

The total annual revenues of these acquisitions were close to EUR 23m in 2019 for an acquisition price paid of ca. EUR 25m.

1 Adjusted - reflects the ongoing performance of the mature[11] and recurring activities excluding "separately disclosed items[2]".

2 Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations[12] and 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, negative goodwill, loss/gain on disposal 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) and the related tax effects.

3 EBITDA – Earnings before interest, taxes, depreciation and amortisation, share-based payment charge, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, loss/gain on disposal and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions.

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, loss/gain on disposal, 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 Net Profit - Net profit for equity holders after non-controlling interests but before payment to Hybrid capital holders.

7 Basic EPS – earnings per share (basic) total (to equity holders before payment of dividends to Hybrid capital holders).

8 Net Operating Cash Flow – Net cash provided by operating activities.

9 Free Cash Flow to the Firm - Net cash provided by operating activities, less Net capex.

10 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 from 01 January Y-1. All revenues from businesses acquired since 01 January Y are excluded from the calculation.

11 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.

12 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. Disposals correspond to the sale by Eurofins of business assets to a third party. For more information, please refer to Note 3.18 of the Consolidated Financial Statements for the year ended 31 December 2019.

13 Net capex – Purchase of intangible assets (incl. capitalisation) property, plant and equipment, less proceeds on sale of same assets.

14 Net debt – Borrowings, less cash and cash equivalents.

15 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.

16 Adjusted last twelve months EBITDA – corrected for the estimated impact of the 2019 cyber-attack for both periods

Conference Call

Eurofins will hold a conference call with analysts and investors today at 15:00 pm 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.

No need to dial in. Join the conference call from any device: https://eurofins.eventcdn.net/202008h1/register/
Alternatively, you may dial-in to the conference call via telephone using one of the numbers below (**no pin code is required**):

UK +44 3333 00 90 32
U.S. +1 833 526 8380
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Notes to Editors:

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About Eurofins – the global leader in bio-analysis

Eurofins Scientific, through its subsidiaries (hereinafter "Eurofins" or "the Group"), believes it is the global leader in food, environmental, pharmaceutical and cosmetics products testing and in agroscience CRO services. It is also one of the global independent market leaders in certain testing and laboratory services for genomics, discovery pharmacology, forensics, CDMO, advanced material sciences and in the support of clinical studies. In addition, Eurofins is one of the leading global emerging players in esoteric and molecular clinical diagnostic testing. With over **48,000 staff** across a network of more than 900 independent companies in over **50 countries** generally specialised by end client markets and operating more than **800 laboratories**, 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. The Group's objective is to provide customers with high-quality and innovative services, accurate results on time and, when requested, 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 a very large range of testing methods.

As one of the most innovative and quality-oriented international groups in its industry, Eurofins is ideally positioned to support its clients' increasingly stringent quality and safety standards and the increasing demands of regulatory authorities and healthcare practitioners around the world.

Shares in Eurofins Scientific are listed on the Euronext Paris Stock Exchange (ISIN FR0000038259, 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.
Eurofins provides in the Income Statement certain alternative performance measures (non-IFRS information such as "Adjusted Results[2] and Separately Disclosed Items[3]") that exclude certain items because of the nature of these items and the impact they have on the analysis of underlying business performance and trends.

In addition, Eurofins shows the following measures: "EBITDA[3], EBITAS[4] in the Income Statement and Organic growth[10]" with the objective to be close and consistent with the information used in internal Group reporting to measure the performance of Group companies and information published by other companies in the sector.

Management believes that providing these APMs (Alternative Performance Measures) enhances investors' understanding of the company's core operating results and future prospects, consistent with how management measures and forecasts the company's performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. This information should be considered in addition to, but not in lieu of, information prepared in accordance with IFRS. These APMs are described in more detail in the Condensed Interim Consolidated Financial Statements for the period ended 30 June 2020 in Note 1 and in the Consolidated Financial Statements 2019 in Notes 1.27 and 1.28.