Eurofins Core Business organic growth accelerates above its objectives in H1 2023

26 July 2023

Financial highlights

Eurofins continued to demonstrate robust Core Business organic growth in H1 2023:

- Total revenues of €3,209m declined year-on-year by -5.9%, restrained by the sharp year-on-year decrease in revenues from COVID-19 testing and reagents (less than €20m in H1 2023 vs over €470m in H1 2022) and FX headwinds (-0.5%).
- Revenues in the Core Business (excluding COVID-19 testing and reagent revenues) increased organically[13] by +7.0% in H1 2023 vs H1 2022, driven by a strong development in North America. By quarter and adjusted for public working days, organic growth accelerated to 7.5% in Q2 2023 vs 6.6% in Q1 2023.
- Adjusted[1] EBITDA[3] of €640m (19.9% of revenues) declined vs €829m (24.3% of revenues) in H1 2022, mostly impacted by the sharp decrease in revenues from COVID-19 testing and reagents and inflationary headwinds.
- Eurofins generated Free Cash Flow before investment in owned sites[16] of €125m vs €306m in H1 2022, primarily due to lower EBITDA and continued net capital expenditures geared towards capacity expansion, start-ups and the development of bespoke IT solutions.
- Net Profit[7] amounted to €151m.
- Eurofins' balance sheet remains very solid at the end of June 2023:
  - Financial leverage (net debt[11] to last 12 months adjusted pro-forma EBITDA) was 1.9x, flat vs the end of 2022 and well within its targeted range of 1.5-2.5x.
  - Eurofins has no major financing requirements until the outstanding €448m senior Eurobonds become due on 25 July 2024 and, in addition to a cash position of €682m, has access to over €1bn of committed mid-term (3-5 years) bilateral bank credit lines.

Strategic highlights

Eurofins companies continue to advance on a large number of long-term growth and innovation initiatives:

- The focus has been on reasonably valued smaller bolt-on acquisitions:
  - In H1 2023, Eurofins closed 18 business combinations that generated revenues of about €64m in 2022 at a cost of €83m, reflecting a sales multiple of 1.3x.
- Eurofins added 31,000 m^2 of net surface area to expand its network in the first six months of 2023. Through a combination of building projects and building purchases, a decrease in leased surfaces and bolt-on acquisitions, Eurofins was able to increase its ownership proportion of the total net floor area of its sites to 31% at the end of June 2023 vs 30% at the end of 2022.
- Eurofins continues its strong pace of start-up activity, launching 20 new start-up laboratories and 29 new blood collection points (BCPs) in the first six months of 2023. The 271 start-ups and 47 BCPs launched since 2000 have made material contributions to the overall organic growth of the Group, accounting for 0.9% out of the 7.0% organic growth achieved in H1 2023.
- The roll-out of automation technologies is accelerating as Eurofins companies begin implementing bespoke modular automation platforms. Based on standardised and proprietary building blocks, each flexible platform can fit numerous applications. Though these automation systems require significant operational expenditures to develop and capital expenditures to deploy, they should be an important contributor to quality, productivity and financial returns in the coming years. In its initial automation wave,

for example, the Company targets to automate a sizable proportion of analytical preparation for contaminants testing in its Food and Environment Testing businesses in Europe by the end of 2024.

- Eurofins continues to make meaningful contributions to Testing for Life:
    - Leveraging artificial intelligence and its rich databases of reference samples, Eurofins Alimentaire France SAS recently launched a rapid test to guarantee the authenticity of organic food products.
    - Further expansion of its PFAS testing activities in Environment Testing and Food Testing as well as Clinical Diagnostics, where Eurofins is conducting blood testing on up to 75,000 residents living near a chemical production site in Belgium for the presence of PFAS.
    - Eurofins Discovery, an industry-leading provider of products and services for drug discovery research, contributed human in vitro data from its innovative BioMAP® Platform to advance clinical progression of IOA-289, a novel oral therapy for cancer and fibrotic disease.

Revenue by activity

Following requests by investors for information supplementing already published disclosures on its three reportable segments (Europe, North America and Rest of the World), Eurofins is providing its revenues by activity.

€m	**H1 2023**	**As % of total**
Life	€1,257m	39.2%
BioPharma	€976m	30.4%
Diagnostic Services & Products	€652m	20.3%
Consumer & Technology Products Testing	€325m	10.1%

Activities are defined as follows:

- Life, consisting of Food and Feed Testing, Agro Testing and Environment Testing
- BioPharma, consisting of BioPharma Services, Agrosciences, Genomics and Forensic Services
- Diagnostic Services & Products, consisting of Clinical Diagnostics Testing and In Vitro Diagnostics (IVD) Solutions
- Consumer & Technology Products Testing, consisting of Consumer Product Testing and Advanced Material Sciences

2023 to 2027 Objectives

- Eurofins has updated its objectives for FY 2023 which had been announced at the FY 2022 results presentation on 1 March 2023 to reflect the latest FX rates evolution and the current M&A activity. The objectives for FY 2027 have not been updated.

€m	**FY 2023 (updated)**	**FY 2027**
Revenues	€6.45bn – €6.55bn	Approaching €10bn
Adjusted EBITDA	€1.32bn – €1.37bn	Margin: 24%
FCFF before investment in owned sites[16]	€670m - €720m	Approaching €1.5bn

- The updated FY 2023 objective assumes exchange rates prevailing for H1 2023 are constant for the remainder of the year, implying a year-on-year headwind from foreign currency translation of ca. €115m. It also assumes reduced M&A activity in FY 2023 that would contribute revenues of ca. €90m on a consolidated basis and ca. €200m on a full year proforma basis (instead of €125m and €250m, respectively).

- The aforementioned factors reducing the FY 2023 objective by €150m in consolidated revenues translates to a €30m decrease of the FY 2023 adjusted EBITDA and FCFF before investment in owned sites objective.
- The FY 2027 objective assumes exchange rates are stable vs 2022 average and zero contribution from COVID-19 testing and reagents. To 2027, Eurofins targets average organic growth of 6.5% p.a. and potential average revenues from acquisitions of €250m p.a. over the period.
- Continued growth investments in the ownership of large strategic sites, transfer of activities therein, start-ups and bespoke proprietary IT solutions are expected to drive increased profitability and cash generation over the mid-term horizon.
- With the aim of launching 30 new start-up laboratories (50 in FY 2022, 20 in H1 2023) and several new BCPs (18 in FY 2022, 29 in H1 2023) in FY 2023, Eurofins expects Separately Disclosed Items[2] (SDI) at the EBITDA level to be about €100m in FY 2023 and decline thereafter towards less than 0.5% of revenues.
- Capital allocation priorities in FY 2023 and in 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 towards the 2027 adjusted EBITDA margin objective will depend on the timing of the bottoming out of the 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 improvement measures, digitalisation and automation initiatives.

Comments from the CEO, Dr Gilles Martin:

"Though the global economic outlook remains uncertain due to lingering inflationary pressures, higher interest rates and the ongoing war in Ukraine, Eurofins continued to demonstrate robust organic growth above its objective in its Core Business activities in the first half of 2023. Growth was particularly strong in North America, where demand trends in our Food Testing, Environment Testing and BioPharma Product Testing activities more than compensated for the substantial year-on-year decline in revenues from COVID-19 testing and reagents in the region. Europe and Rest of the World also demonstrated healthy growth despite challenges in the current economic climate. Pricing initiatives in all regions are starting to be a driver of these results. Overall, we continue to execute well on our long-term value creation strategy while maintaining a sound capital structure.

"In the second quarter of 2023, Eurofins has almost fully compensated the temporary revenues from COVID-19 testing and reagents it achieved between 2020 and 2022 and expects to fully do so on a full year basis as soon as 2024.

"Supported by higher volumes, contributions from start-ups and market share gains, and further pricing adaptations, we anticipate sustaining our strong organic growth momentum through the second half of 2023. We will also keep accelerating our efforts in technological innovation, in particular the roll-out of automation systems and further digitalisation of processes in the coming quarters, so we can further improve on our industry-leading service quality to clients. Increasing automation also complements other cost efficiency efforts that are underway to improve our competitiveness.

"Despite the current challenges, I remain very confident in the entrepreneurial and innovative spirit of Eurofins teams to continue delivering outstanding, high-quality service to clients, above-market growth and value creation as we progress towards our FY 2023 and FY 2027 objectives."

Conference Call

Eurofins will hold a conference call with analysts and investors today at 14:00 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 >>

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:

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Business Review

The following figures are extracts from the Condensed Interim Consolidated Financial Statements and should be read in conjunction with the Condensed Interim Consolidated Financial Statements and Notes for the period ended 30 June 2023. The Half Year Report 2023 can be found on Eurofins' website at the following link: https://www.eurofins.com/investors/reports-and-presentations/

Table 1: Half Year 2023 Results Summary

	H1 2023			H1 2022				
In €m except otherwise stated	**Adjusted[1] results**	Separately disclosed items[2]	Reported results	**Adjusted[1] results**	Separately disclosed items[2]	Reported results	**+/- % Adjusted results**	**+/- % Reported results**
Revenues	3,209	-	3,209	3,412	-	3,412	-5.9%	-5.9%
EBITDA[3]	640	-51	589	829	-29	800	-23%	-26%
EBITDA margin (%)	*19.9%*	-	*18.3%*	*24.3%*	-	*23.4%*	*-440 bp*	*-510 bp*
EBITAS[4]	397	-69	327	602	-42	560	-34%	-42%
Net profit[7]	261	-110	151	396	-88	308	-34%	-51%
Basic EPS[8] (€)	1.36	-0.57	0.79	2.07	-0.46	1.61	-34%	-51%
Net cash provided by operating activities			333			498		-33%
Net capex[9]			259			278		-7%
Net operating capex			208			192		+8%
Net capex for purchase and development of owned sites			51			86		-41%
Free Cash Flow to the Firm before investment in owned sites[16]			125			306		-59%
M&A spend			83			197		-58%
Net debt[11]			2,588			2,627		-1%
Leverage ratio (net debt/pro-forma adjusted EBITDA)			1.9x			1.5x		+0.4x

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

Revenues of €3,209m declined year-on-year by 5.9%, restrained by the sharp year-on-year decrease in revenues from COVID-19 testing and reagents (less than €20m in H1 2023 vs over €470m in H1 2022) and FX headwinds (-0.5%). The decline was partially compensated by strong organic growth in the Core Business (excluding COVID-19 related clinical testing and reagents revenues) of 7.0%.

Table 2: Organic Growth Calculation and Revenue Reconciliation

	In €m except otherwise stated
H1 2022 reported revenues	**3,412**
+ H1 2022 acquisitions - revenue part not consolidated in H1 2022 at H1 2022 FX rates	93
- H1 2022 revenues of discontinued activities / disposals[15]	-45
= H1 2022 pro-forma revenues (at H1 2022 FX rates)	3,460
+ H1 2023 FX impact on H1 2022 pro-forma revenues	-16
= H1 2022 pro-forma revenues (at H1 2023 FX rates) (a)	**3,444**
H1 2023 organic scope* revenues (at H1 2023 FX rates) (b)	**3,192**
H1 2023 organic growth rate (b/a-1)	**-7.3%**
H1 2023 acquisitions - revenue part consolidated in H1 2023 at H1 2023 FX rates	16
H1 2023 revenues of discontinued activities / disposals[15]	2
H1 2023 reported revenues	**3,209**

** Organic scope consists of all companies that were part of the Group as at 01/01/2023. This corresponds to 2022 pro-forma scope.*

Table 3: Breakdown of Revenue by Operating Segment

€m	**H1 2023**	**As % of total**	**H1 2022**	**As % of total**	***Y-o-Y variation %***	***Organic growth in the Core Business*****
Europe	1,622	51%	1,855	54%	-12.5%*	+5.4%
North America	1,243	39%	1,206	35%	+3.1%	+9.6%
Rest of the World	344	11%	351	10%	-1.9%*	+5.8%
Total	**3,209**	**100%**	**3,412**	**100%**	**-5.9%**	**+7.0%**

** Segments most impacted by the sharp decline in revenues from COVID-19 testing and reagents*
*** Excluding COVID-19 related clinical testing and reagent revenues*

Europe

- Reported revenues decreased vs H1 2022 by €233m, primarily due to the year-on-year decline in COVID-19 testing and reagents revenues. Excluding this impact, Core Business revenues were up year-on-year by 5.4%, with almost all areas of activities demonstrating positive growth.
- Despite the elevated comparable base of H1 2022 from projects supporting COVID-19 vaccines, Eurofins' BioPharma Services business in Europe recorded sound growth in H1 2023. Large clients from the pharmaceutical industry continue to sustain a high level of development activity for future biologics products as well as cell and gene therapies. Pricing attainment to compensate for the inflationary environment also supported growth. On the other hand, a limited number of Eurofins activities have experienced volume development challenges. For example, a decline in the market for early-stage research and development activities, most notably from smaller biotech clients, has resulted in softer demand for services from Eurofins Discovery.
- The business environment for Eurofins' Food and Feed Testing business in Europe remained challenging in H1 2023. Persisting high inflation in consumer food prices and efforts by food producers and retailers to control costs continue to restrain testing volume growth. Eurofins has responded to the situation with solid gains in pricing as well as cost adaptations. In addition, the Company continues to make investments to improve productivity in its laboratories and in customer service, most notably in digitalisation, automation and artificial intelligence.

- Growth in the Environment Testing business in Europe was driven by healthy demand for asbestos and pesticide testing related to new regulations concerning these substances. New regulations are also a driver of increasing momentum in the PFAS testing business, an area in which Eurofins companies are market leaders in terms of both methods and capacity. Further growth has been achieved through the launch of new direct-to-consumer businesses in Germany offering sampling kits for the identification of PFAS in matrices such as water, construction materials, soil and asbestos.
- With the impacts of COVID-19 related disruptions having subsided throughout the course of 2022, the Clinical Diagnostics business in Europe experienced a strong year-on-year recovery in volumes in H1 2023. Sales growth was also supported by network expansions, including the opening of 29 blood collection points, the awarding of a new outsourcing contract in the Netherlands, and new clinical genetics services, most notably in the prenatal and In Vitro Fertilisation (IVF) segments. Growth was also supported by Eurofins Belgium NV's biomonitoring project for PFAS in blood in Antwerp, the biggest such project in Europe. Recently Eurofins also started offering testing for PFAS in blood in Spain. On the other hand, reductions in reimbursements for routine diagnostics in France that became effective in H1 2023 restrained the sales development.

North America

- Reported revenues increased year-on-year by €37m, supported by strong organic growth across almost all areas of activities. Core Business revenues were up +9.6% year-on-year.
- Growth in Eurofins BioPharma Services in North America was resilient in the first half of 2023. By area, BioPharma Product Testing (BPT) recorded a strong development, sustained by robust demand for mid-to-late phase biologics development by the larger-sized and medium-sized sponsors that make up the predominant share of this business activity. The deployment of Eurofins' proprietary eLIMS-BPT and LabAccess IT solutions also further progressed, with a high percentage of customers now utilising the platform's industry leading portal to manage the full life cycle of their testing needs from online ordering to complete data deliverables. Demand growth has also been solid for mid-to-late phase clinical trials served by Eurofins Central and Bioanalytical Laboratories. Additionally, Professional Scientific Services® (PSS) continued expanding to meet increased client demand for flexible outsourcing solutions for their laboratory and scientific support operations. On the other hand, Eurofins Discovery has been experiencing more challenging market conditions. In response, it has made adaptations to its organisation and has also increased investments in innovation, such as the deployment of artificial intelligence utilising Eurofins' own curated data set for bioinformatics-driven applications for drug discovery.
- The Food and Feed Testing business in North America set new monthly sales records in H1 2023. In addition to volume growth and pricing attainment in its existing business areas, Eurofins also started numerous new initiatives to enhance its market presence. Examples include new start-up laboratories in California, Arizona and Idaho to address the stringent turnaround time requirements of produce customers as well as capacities to tap into the growing interest in testing for PFAS in food and food packaging. Furthermore, Eurofins Food and Feed Testing also introduced significant operational innovations in the period. For example, in Iowa, a new automation line for weighing samples has been able to reduce labour intensity by nearly 50%. Eurofins has also deployed new modular laboratories, fully-equipped and operational facilities to perform all microbiology testing on site that also can be quickly and easily relocated depending on market and customer requirements. With these modular laboratories, Eurofins can provide fast turnaround times to clients that are producing perishable products and/or are in remote areas away from major cities and logistics routes.
- The Environment Testing business in North America continued outstripping market growth, underpinned by geographical footprint expansion, the broadening of its technical capabilities, sector-leading service performance and pricing initiatives. Upgrades/expansions in Environment Testing facilities in California, Ohio, Colorado, Florida and Texas have supported processed volume increases. PFAS testing remains a significant growth driver, expanding at approximately twice the growth rate of the overall Environment Testing business. Eurofins operates both a hub and spoke and distributed model for PFAS testing with comprehensive services offered from 8 locations, supported by East and West Coast hubs, with additional expansions in the planning and commissioning phases. Operationally, carbon footprint reduction, productivity and health and safety are being supported by sample miniaturisation and reduction

programmes made possible through investment in advanced detection techniques. Digital technologies have also been rolled out, including eCOC (electronic chain of custody) for field samplers and AI tools to assist data integrity checks and chromatographic integrations.

- In Clinical Diagnostics, Eurofins CellTx, a startup laboratory in Arizona, began operations supporting critical testing for living donor derived human tissue, including stem cells, bone marrow, cord blood, birth tissues, oocytes, and sperm donations. At Eurofins Viracor, two new notable tests were launched. ExPeCT™ CAR T a multiplexed, real-time qPCR assay that provides a powerful diagnostic tool to monitor and optimise CAR-T therapy involving patients with pre-B cell acute lymphoblastic leukemia and B cell lymphomas. Eurofins Viracor also introduced a new real-time PCR panel for the rapid identification/detection of Candida species including Candida auris, an emerging species of pathogenic fungus/yeast that has caused outbreaks in healthcare settings in the United States and which are often resistant to most common antifungal drugs. Conversely at Eurofins Transplant Genomics, volumes for kidney transplant biomarker testing have been significantly impacted by a billing article concerning Medicare reimbursement for such tests which became effective on 31 March 2023. Consequently, Eurofins has adapted the cost structure of this business to compensate for the decrease in demand.

Rest of the World

- Core Business revenues were up +5.8% year-on-year due to strong organic growth across most countries in the region.
- Numerous countries contributed to the healthy growth recorded in Asia-Pacific in H1 2023. In China, the low comparable base related to lockdowns in H1 2022 allowed Eurofins to record sizable year-on-year growth in H1 2023, most notably in the Consumer Product Testing business. Additionally, demand for Food Testing and Biopharma Services in China were also robust as Eurofins reaps the benefits of investments to strengthen its local laboratory network through start-ups. In India, an important location for global pharmaceutical R&D value chains, Eurofins' Biopharma Services business has continued expanding its revenues as well as its market presence, including the addition of a fully equipped, state-of-the-art laboratory campus in Genome Valley, Hyderabad. In Japan, growth in the Environment Testing business was driven by tightening regulations for asbestos testing as well as emerging demand for PFAS testing. In Australia and New Zealand, the addition of new laboratories as well as improvements in capabilities, customer service and logistics support helped Eurofins companies grow faster than the underlying local markets. To further augment Eurofins' regional footprint and service portfolio, numerous acquisitions in Environment Testing were closed in these countries.
- Eurofins also further developed its network outside Asia. In Latin America, Eurofins has been expanding its footprint into new geographies, establishing activities in the Dominican Republic for Clinical Diagnostics. In the Middle East, new laboratories have been established in Bahrain to serve the growing local Clinical Diagnostics market. Additionally, Ajal for Laboratories in Saudi Arabia has expanded its service offering beyond Food Testing to include Environment Testing and animal health.

Infrastructure Programme

As part of its strategy to lease less and own more of its sites, Eurofins has added, in the first six months of 2023, a total of 22,000 m² of laboratory, office, and storage space through the delivery of building projects as well as building purchases, while decreasing its leased surfaces by 22,000 m². Through acquisitions in the M&A scope, Eurofins has added an additional surface of 31,000 m². Overall, this has resulted in a net surface increase of 31,000 m² leading to a total net floor area of 1,689,000 m².

In the first half of 2023, Eurofins maintained its focus on expanding its presence in Asia. Significant developments included the completion of a new 3,000 m² facility in Hamamatsu, Japan. With this expansion, Eurofins aims to tap into the rapidly growing asbestos testing market in Japan by materially increasing its capacity. This will enable the Company to improve its market position and contribute to the growth of the industry.

Eurofins also completed the internal fitout of its new facility in Shenzhen, China, which is part of the expansion plan for Cosmetics clinical testing in South China. Additionally, Eurofins is nearing completion of the internal fitout of a new, 2,500 m² facility in Xiamen, China, which will cater to the local food industry's needs for microbiology, chemistry and residue testing. In Phnom Penh, Cambodia, the internal fitout of a new facility for Eurofins MTS Consumer Product Testing is expected to be completed later this year.

In Spain, Eurofins Environment Testing successfully completed the construction of a 5,000 m² laboratory campus in Castellon de la Plana. This facility houses the reference laboratory for drinking water in Spain, a Competence Centre for PFAS and a new laboratory focussed on analysing contaminated soils and associated waters. The laboratory employs state-of-the-art lean design and accommodates the use of robots to transport samples and replenish deliverables. Additionally, the facility is equipped with almost 1,000 m² of solar panels, as well as air recirculation and thermal insulation systems to minimise carbon footprint. The site also includes vacant land for potential future expansion.

In Lentilly, France, Eurofins completed construction of a new 2,000 m² facility. This facility serves as the third differentiated Biopharma Product Testing campus in France, specialising in biopharmaceutical large molecule testing such as biochemistry, biology, microbiology, and virology. The site allows for potential future expansion.

Eurofins Hydrologie Centre Est (EHCE) and Eurofins Laboratoire de Microbiologie Rhône-Alpes (ELMRA) are set to consolidate their operations in Lyon, France. A 1,300 m² building was purchased at the end of June 2022, and the outfitting of the new location is expected to be completed in the current year.

For the remainder of 2023 and for 2024, Eurofins is planning to add 90,000 m² of laboratory and operational space through building projects, acquisitions, new leases and consolidation of sites, as well as completing the renovation of 25,000 m² of its current sites to bring them to the highest standard.

Financial Review

Adjusted EBITDA was €640m in H1 2023, representing an adjusted EBITDA margin of 19.9%, a decrease of €190m vs H1 2022 due primarily to the sizable decrease in revenues from COVID-19 testing and reagents. Inflationary headwinds for personnel expenses, energy, logistics and consumables also impacted profitability, though they began to be partially compensated through pricing adaptations and cost efficiency initiatives.

Table 4: Separately Disclosed Items[2]

In €m except otherwise stated	**H1 2023**	**H1 2022**
One-off costs from integrations, reorganisations and discontinued operations, and other non-recurring income and costs	-12	-6
Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring	-39	-23
EBITDA impact	-51	-29

Separately Disclosed Items (SDI) at the EBITDA level increased year-on-year to €51m and comprised:

- One-off costs from integrations, reorganisations and discontinued operations, and other non-recurring income and costs of €12m linked to ongoing integrations and reorganisations primarily in the U.S.
- Temporary losses and other costs related to network expansion, start-ups and new acquisitions in significant restructuring totalled €39m, following the strong increase in the number of start-ups launches made in the past quarters and the need to expand Eurofins Technologies' product offering and distribution channels in line with Eurofins' growth initiative towards In Vitro Diagnostic (IVD) and Asia.

Reported EBITDA decreased 26% year-on-year to €589m in H1 2023, due to the strong decrease of COVID-19 related revenues in H1 2023 vs H1 2022 as well as inflationary headwinds and higher temporary losses incurred by the strong increase in start-up launches. Reported EBITDA as a proportion of revenues was 18.3%.

Table 5: Breakdown of Reported EBITDA by Operating Segment

€m	H1 2023	Rep. EBITDA margin %	H1 2022	Rep. EBITDA margin %	*Y-o-Y variation %*
Europe	217	13.4%	432	23.3%	-50%
North America	313	25.2%	320	26.5%	-2%
Rest of the World	66	19.3%	79	22.4%	-16%
Other*	-8		-30		
Total	**589**	**18.3%**	**800**	**23.4%**	**-26%**

*Other corresponds to Group Service Centres

In Europe, EBITDA declined by €215m vs H1 2022 mainly due to lower testing volumes for COVID-19. Inflation, in particular related to personnel costs, also weighed on profitability. In contrast, EBITDA in North America stayed resilient at €313m, equivalent to 25.2% of its revenues over the period. The Rest of the World posted an EBITDA of €66m, equivalent to 19.3% of its revenues.

Depreciation and amortisation (D&A), including expenses related to IFRS 16, increased by 9% year-on-year to €262m. As a percentage of revenues, D&A stood at 8.2% of Group revenues in H1 2023 vs 7.0% in H1 2022, an 120bps increase year-on-year. This increase is due to higher levels of strategic investments including the owning and modernising of strategic sites, opening of start-up laboratories and the deployment of bespoke IT solutions.

Net finance costs amounted to €42m in H1 2023, a decline compared to €71m in H1 2022. This improvement is primarily due to a non-cash net foreign exchange gain of €11m in H1 2023, while H1 2022 recorded a net foreign exchange loss of €29m.

The income tax expense decreased to €69m in H1 2023 vs €116m in H1 2022 (-41% year-on-year).

Reported net profit[7] stood at €151m (5% of revenues and -51% compared to €308m in H1 2022), resulting in a total reported basic EPS of €0.79. Adjusted net profit stood at €262m compared to €397m in H1 2022, resulting in total adjusted basic EPS of €1.36 in H1 2023.

Cash Flow & Financing

Table 6: Cash Flows Reconciliation

€m	H1 2023 reported	H1 2022 reported	*Y-o-Y variation*	*Y-o-Y variation %*
Net Cash from Operations	333	498	-165	-33%
Net capex[9] (i)	-259	-278	+19	-7%
Net operating capex (includes LHI)	-208	-192	-16	+8%
Net capex for purchase and development of owned sites	-51	-86	+35	-41%
Free Cash Flow to the Firm before investment in owned sites[16]	125	306	-181	-60%
Free Cash Flow to the Firm[10]	74	220	-146	-66%
Acquisitions spend and other investments (ii)	-83	-197	+114	-58%
Proceeds from disposals of subsidiaries, net (iii)	8	-	+8	
Other (iv)	5	0	+5	
Net Cash from Investing (i) + (ii) + (iii) + (iv)	-329	-475	+146	-31%
Net Cash from Financing	205	168	+37	+22%
Net increase / (decrease) in Cash and cash equivalents and bank overdrafts	198	201	-3	-1%
Cash and cash equivalents at end of period and bank overdrafts	682	716	-34	-5%

Net cash provided by operating activities declined in H1 2023 to €333m vs €498m in H1 2022. Net working capital stood at 6.8% of the Group's revenues at the end of June 2023, an increase of 0.3% vs 6.5% at the end of June 2022 (calculated as a percentage of last quarter revenues times four). The increase in the net working capital percentage is mainly due to advanced customer receipts related to COVID-19 testing activities in H1 2022.

The cash generation more than adequately financed net capex for the period of €259m vs €278m in H1 2022. Net capex includes investments as part of Eurofins' programmes to own its laboratory sites, which totalled €51m in H1 2023 vs €86m in H1 2022. Taking this into account, the Free Cash Flow to the Firm before investment in owned sites was €125m vs €306m in H1 2022.

During the first six months of 2023, the Group completed 18 business combinations including 9 acquisitions of entities and 9 acquisitions of assets. Net cash outflow on acquisitions completed during the first six months of 2023 and in previous years (in case of payment of deferred considerations) amounted to €83m.

During the period, Eurofins returned to its targeted capital structure that includes an adequate level of hybrid capital of €1bn. The first step towards this objective was made in January 2023, when Eurofins successfully raised €600m of hybrid capital. This new series of hybrid capital has no specified maturity and is accounted for as 100% equity according to international financial reporting standards (IFRS) and 50% equity with the rating agencies Moody's and Fitch. It bears a fixed annual coupon of 6.75% for the first 5.5 years (until 24 July 2028), upon which date Eurofins can elect to repay. Later in the period, Eurofins repaid the outstanding €183m of hybrid capital callable on 29 April 2023.

The combination of free cash flow to the firm as well as the aforementioned acquisitions and refinancing resulted in a net debt figure of €2,588m at the end of June 2023. The corresponding leverage (net debt/last 12 months proforma adjusted EBITDA) was 1.9x, stable vs the end of December 2022, and within our 1.5x-2.5x target range.

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 laboratory network in an increasing number of countries.

In the first half of 2023, the Group opened 20 new start-up laboratories and 29 new start-up Blood Collection Points (BCPs). In total, the 271 start-ups and 47 BCPs launched since 2000 have made material contributions to the overall organic growth of the Group, accounting for 0.9% of organic growth in the Core Business. Their EBITDA margin continued to progress while remaining dilutive to the Group.

Of the 271 start-ups and 47 BCPs the Group has launched since 2000, 53% are located in Europe, 17% in North America and 30% in the Rest of the World with a significant number in high growth regions in Asia. By area of activity, 29% are in Food and Feed Testing, 18% are in BioPharma/Biotech/Agroscience services, 14% in Environment Testing, and 25% in Clinical Diagnostics (including BCPs).

Acquisitions

During the first six months of 2023, the Group completed 18 business combinations, made up of 9 acquisitions of legal entities and 9 acquisitions of assets. These companies/activities have been fully consolidated from the date the Group took control over these entities. For the year ended 31 December 2022, these entities generated revenues of about €64m.

Post-Closing Events

Since 1 July 2023, Eurofins has completed two small business combinations via the acquisitions of assets, one is in North America and one in Europe. The total annual revenues of these acquisitions amounted to over €1.5m in 2022 for an aggregate acquisition price of over €1m. These acquisitions employ more than 20 employees.

On 5 July 2023, a new stock option plan (764,576 options) and a new Restricted Stock Unit (RSU) plan (60,117 RSUs) were granted, representing ca. 0.4% of the number of shares issued as of 30 June 2023.

Summary financial statements:

Table 7: Summarised Income Statement

	H1 2023	H1 2022
In €m except otherwise stated	Reported Results	Reported Results
Revenues	3,209	3,412
Operating costs, net	-2,621	-2,612
EBITDA	589	800
EBITDA Margin	18.3%	23.4%
Depreciation and amortisation	-262	-240
EBITAS	327	560
Share-based payment charge and acquisition-related expenses, net[5]	-66	-65
Gain/(loss) on disposal	-	-1
EBIT[6]	262	495
Finance income	17	1
Finance costs	-59	-72
Share of profit of associates	0	1
Profit before income taxes	220	424
Income tax expense	-69	-116
Net profit for the year	151	308
Attributable to:		
Owners of the Company and hybrid capital investors	152	310
Non-controlling interests	-1	-2
Earnings per share (basic) in EUR		
- Total	0.79	1.61
- Attributable to owners of the Company	0.65	1.52
- Attributable to hybrid capital investors	0.14	0.09
Earnings per share (diluted) in EUR		
- Total	0.76	1.55
- Attributable to owners of the Company	0.63	1.46
- Attributable to hybrid capital investors	0.14	0.09
Basic weighted average shares outstanding - in millions	192.9	192.3
Diluted weighted average shares outstanding - in millions	198.2	200.0

Table 8: Summarised Balance Sheet

	30 June 2023	31 December 2022
In €m except otherwise stated	Reported Results	Reported Results
Property, plant and equipment	2,207	2,168
Goodwill	4,520	4,524
Other intangible assets	853	919
Investments in associates	5	5
Non-current financial assets	75	78
Deferred tax assets	73	76
Total non-current assets	**7,733**	**7,770**
Inventories	150	146
Trade receivables	1,029	1,053
Contract assets	327	288
Prepaid expenses and other current assets	238	198
Current income tax assets	148	136
Derivative financial instruments assets	6	6
Cash and cash equivalents	686	487
Total current assets	**2,585**	**2,313**
Total assets	**10,318**	**10,084**
Share capital	2	2
Treasury shares	-48	-14
Hybrid capital	1,000	583
Other reserves	1,601	1,593
Retained earnings	2,260	2,333
Currency translation reserve	185	286
Total attributable to owners of the Company	5,000	4,782
Non-controlling interests	68	69
Total shareholders' equity	**5,068**	**4,851**
Borrowings	3,129	3,112
Deferred tax liabilities	129	134
Amounts due for business acquisitions	114	136
Employee benefit obligations	61	60
Provisions	15	19
Total non-current liabilities	**3,448**	**3,460**
Borrowings	146	214
Interest due on borrowings and earnings due on hybrid capital	78	38
Trade accounts payable	565	648
Contract liabilities	193	184
Current income tax liabilities	23	35
Amounts due for business acquisitions	37	48
Provisions	27	35
Other current liabilities	734	572
Total current liabilities	**1,802**	**1,772**
Total liabilities and shareholders' equity	**10,318**	**10,084**

Table 9: Summarised Cash Flow Statement

	H1 2023	H1 2022
In €m except otherwise stated	Reported	Reported
Cash flows from operating activities		
Profit before income taxes	220	424
Depreciation and amortisation	262	240
Share-based payment charge and acquisition-related expenses, net	66	65
Gain/(loss) on disposal of subsidiaries, net	-	1
Finance income and costs, net	43	72
Share of profit from associates	-	-1
Transactions costs and income related to acquisitions	-3	-10
Changes in provisions and employee benefit obligations	-11	-6
Other non-cash effects	1	-5
Change in net working capital	-154	-102
Cash generated from operations	**422**	**678**
Income taxes paid	-89	-179
Net cash provided by operating activities	**333**	**498**
Cash flows from investing activities		
Purchase of property, plant and equipment	-228	-250
Purchase, capitalisation of intangible assets	-35	-41
Proceeds from sale of property, plant and equipment	4	13
Net capex	-259	-278
Free cash Flow to the Firm[10]	74	221
Acquisitions of subsidiaries, net	-83	-197
Proceeds from disposals of subsidiaries	8	-
Acquisitions of investments, financial assets and derivative financial instruments, net	0	-1
Interest received	5	1
Net cash used in investing activities	**-329**	**-475**
Cash flows from financing activities		
Proceeds from issuance of share capital	8	8
Purchase of treasury shares, net of gains	-37	-8
Proceeds from issuance of hybrid capital	594	-
Repayment of hybrid capital	-183	-308
Proceeds from borrowings	17	605
Repayment of borrowings	-81	-16
Repayment of lease liabilities	-85	-78
Dividends paid to shareholders and non-controlling interests	-1	-
Earnings paid to hybrid capital investors	-9	-20
Interests and premium paid	-19	-15
Net cash provided by financing activities	**205**	**168**
Net effect of currency translation on cash and cash equivalents and bank overdrafts	-11	10
Net increase in cash and cash equivalents and bank overdrafts	**198**	**201**
Cash and cash equivalents and bank overdrafts at beginning of period	483	515
Cash and cash equivalents and bank overdrafts at end of period	**682**	**716**

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, acquisition-related expenses, net[5], 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 Acquisition-related expenses, net – Impairment of goodwill, amortisation/impairment 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 and hybrid capital investors.

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 / 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 2022 and to Note 2.6 of the Interim Condensed Consolidated Financial Statements for the period ended 30 June 2023.

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:

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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 62,000 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:

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