

Eurofins' Core Business organic growth momentum improves in Q3 2023 to 7.6%

24 October 2023

Eurofins' organic growth momentum remains robust:

- Reported revenues in 9M 2023 reached €4,821m, -4.2% vs 9M 2022 due to the sharp year-on-year decrease in revenues from COVID-19 testing and reagents (around €20m in 9M 2023 vs close to €540m in 9M 2022), a negative FX impact (-1.6%) and one public working day fewer in 9M 2023.
- Adjusted for one public working day fewer in 9M 2023 (vs 9M 2022) and Q3 2023 (vs Q3 2022), organic revenue growth⁶ in the Core Business (excluding COVID-19 related clinical testing and reagent revenues) was 7.3% in 9M 2023 and 7.6% in Q3 2023:
 - Q3 2023 marks the first quarter since the onset of the COVID-19 pandemic where, adjusted for the negative FX impact (€1,592m without 2023 acquisitions in Q3 2023 vs €1,561m in Q3 2022), the year-on-year increase in Core Business revenues more than compensated for the year-on-year revenue decline from COVID-19 testing and reagents.
 - Improving organic growth in Europe (9M 2023: 5.8%, Q3 2023: 6.9%) was led by Environment Testing and a gradual improvement in Food Testing.
 - Organic growth in North America (9M 2023: 9.5%, Q3 2023: 9.4%) stayed resilient, supported by the continued strong development of Environment Testing, Food Testing and Biopharma Product Testing.
 - Organic growth in Rest of the World (9M 2023: 5.2%, Q3 2023: 5.2%) remained at a solid level, led by diverse activities such as BioPharma Services in India and new laboratories in Australia and New Zealand.
 - Start-ups contributed 0.7% to organic growth in 9M 2023, with 34 new start-up laboratories and 30 blood collection points opened during the period.
- In view of the uncertain economic and geopolitical outlook, Eurofins is approaching acquisitions even more carefully than before and focusses on bolt-on deals that will provide appropriate accretion to return on capital employed.
- Eurofins companies made numerous valuable, innovative contributions to Testing for Life in Q3 2023:
 - According to a recent study published in the Society of Toxicology, Eurofins Discovery's new SAFETYscan@47 platform has proven its effectiveness as an alternative *in vitro* solution to traditional animal *in vivo* risk assessments that fail to fully replicate human *in vivo* mechanistic-related adverse events. The platform addresses these issues by delivering human-relevant, functional data with higher throughput and at lower costs.

- Eurofins Discovery's recently launched DiscoveryAI™ tool accelerates drug discovery through artificial intelligence. Leveraging Eurofins Discovery's high-quality proprietary dataset of >2,500 compounds and >1m records collected over 10+ years, the DiscoveryAI™ tool provides valuable data analytics to Eurofins Discovery's clients with the potential to reduce drug-to-market time by at least 20%.
- Based on the outcomes of a multicentre clinical trial, DNA Diagnostics Center's Peekaboo™ Early Gender DNA Test was shown to accurately determine foetal sex as early as six weeks gestation, empowering parents with the earliest gender insight available and revolutionising the prenatal experience.

Objectives

- Eurofins is confirming its objectives for FY 2023 to FY 2027 as announced at the H1 2023 results presentation on 26 July 2023, assuming all hypotheses below materialise:

€m	FY 2023	FY 2027
Revenues	€6.45bn – €6.55bn	Approaching €10bn
Adjusted ¹ EBITDA ³	€1.32bn – €1.37bn	Margin: 24%
FCFF before investment in owned sites ⁷	€670m - €720m	Approaching €1.5bn

- The 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 revenues from acquisitions of ca. €90m on a consolidated basis and ca. €200m on a full year proforma basis.
- 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 many new start-up laboratories (50 in FY 2022, 34 in 9M 2023) and several new BCPs (18 in FY 2022, 30 in 9M 2023) in FY 2023, Eurofins expects Separately Disclosed Items² (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 capex⁴ 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:

“Despite the intensifying dynamics of the current difficult geopolitical and economic environment, Eurofins companies continue to deliver robust results, as demonstrated by the further improvement in organic growth momentum in our Core Business activities in Q3 2023. This performance was achieved not only due to the resilience of our end markets and our diverse regional portfolio, but also by the continued solid execution of our strategy of innovating for our customers, investing in growing our laboratory network and leveraging digitalisation and automation to improve our service quality and our cost competitiveness. As a result, Q3 2023 marks the first quarter since the onset of the COVID-19 pandemic where, adjusted for the negative FX impact, the year-on-year revenue growth of the Core Business more than compensated for the year-on-year revenue decline from COVID-19 testing and reagents.

“Though we expect the economic climate to remain highly uncertain for the remainder of this year and beyond, due to the resilience of the essential markets we serve (food, pharmaceuticals, water, etc.) and our leading market and technological positions, we remain confident in our ability to navigate these challenges and improve our relative position compared to competitors.”

Conference Call

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

[Click here to Join Call >>](#)

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 (full list of dial-in numbers available [here](#)):

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Table 1: Organic Growth Calculation and Revenue Reconciliation

	<i>In €m except otherwise stated</i>
9M 2022 reported revenues	5,033
+ 2022 acquisitions - revenue part not consolidated in 9M 2022 at 9M 2022 FX	115
- 9M 2022 revenues of discontinued activities / disposals ⁸	-64
= 9M 2022 pro-forma revenues (at 9M 2022 FX rates)	5,084
+ 9M 2023 FX impact on 9M 2022 pro-forma revenues	-80
= 9M 2022 pro-forma revenues (at 9M 2023 FX rates) (a)	5,005
9M 2023 organic scope* revenues (at 9M 2023 FX rates) (b)	4,784
9M 2023 organic growth rate (b/a-1)	-4.4%
2023 acquisitions - revenue part consolidated in 9M 2023 at 9M 2023 FX	34
9M 2023 revenues of discontinued activities / disposals ⁸	3
9M 2023 reported revenues	4,821

	<i>In €m except otherwise stated</i>
Q3 2022 reported revenues	1,622
+ 2022 acquisitions - revenue part not consolidated in Q3 2022 at Q3 2022 FX	22
- Q3 2022 revenues of discontinued activities / disposals ⁸	-19
= Q3 2022 pro-forma revenues (at Q3 2022 FX rates)	1,624
+ Q3 2023 FX impact on Q3 2022 pro-forma revenues	-63
= Q3 2022 pro-forma revenues (at Q3 2023 FX rates) (a)	1,561
Q3 2023 organic scope* revenues (at Q3 2023 FX rates) (b)	1,592
Q3 2023 organic growth rate (b/a-1)	2.0%
2023 acquisitions - revenue part consolidated in Q3 2023 at Q3 2023 FX	18
Q3 2023 revenues of discontinued activities / disposals ⁸	1
Q3 2023 reported revenues	1,611

* 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 2: Breakdown of Revenue by Operating Segment

€m	9M 2023	As % of total	9M 2022	As % of total	Y-o-Y variation %	Organic growth ⁶ in the Core Business**
Europe	2,435	50.5%	2,651	52.7%	-8.2%*	5.8%
North America	1,870	38.8%	1,851	36.8%	1.1%***	9.5%
Rest of the World	515	10.7%	531	10.6%	-3.0%	5.2%
Total	4,821	100%	5,033	100%	-4.2%	7.3%

€m	Q3 2023	As % of total	Q3 2022	As % of total	Y-o-Y variation %	Organic growth ⁶ in the Core Business ^{**}
Europe	813	50.4%	796	49.1%	2.1%*	6.9%
North America	628	39.0%	645	39.8%	-2.7%***	9.4%
Rest of the World	171	10.6%	180	11.1%	-5.3%	5.2%
Total	1,611	100%	1,622	100%	-0.6%	7.6%

* Segment most impacted by the sharp decline in revenues from COVID-19 testing and reagents

** Excluding COVID-19 related clinical testing and reagent revenues and adjusted for public working days

*** Most impacted by negative FX effect

- 1 Adjusted results – reflect the ongoing performance of the mature⁹ 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 charge⁵, impairment of goodwill, amortisation of acquired intangible assets and negative goodwill, gains/losses on disposal of businesses and transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions, net finance costs related to borrowing and investing excess cash and one-off financial effects (net of finance income), net finance costs related to hybrid capital and the related tax effects.
- 3 EBITDA – Earnings before interest, taxes, depreciation and amortisation, share-based payment charge, acquisition-related expenses, net and gain and loss on disposal of subsidiaries, net.
- 4 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.
- 5 Free Cash Flow to the Firm (FCFF) – Net cash provided by operating activities, less Net capex.
- 6 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.
- 7 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).
- 8 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.
- 9 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.

Notes to Editors:

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

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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 agrosience contract research services. It is also one of the market leaders in certain testing and laboratory services for genomics, and in the support of clinical studies, as well as in biopharma contract development and manufacturing. It also has a rapidly developing presence in highly specialised and molecular clinical diagnostic testing and in-vitro diagnostic products.

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

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

Eurofins has grown very strongly since its inception and its strategy is to continue expanding its technology portfolio and its geographic reach. Through R&D and acquisitions, the Group draws on the latest developments in the field of biotechnology and analytical chemistry to offer its clients unique analytical solutions.

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

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

Important disclaimer:

This press release contains forward-looking statements and estimates that involve risks and uncertainties. The forward-looking statements and estimates contained herein represent the judgment of Eurofins Scientific's management as of the date of this release. These forward-looking statements are not guarantees for future performance, and the forward-looking events discussed in this release may not occur. Eurofins Scientific disclaims any intent or obligation to update any of these forward-looking statements and estimates. All statements and estimates are made based on the information available to the Company's management as of the date of publication, but no guarantees can be made as to their completeness or validity.