Eurofins reports very strong performance with organic growth exceeding 22% in Q3 2020 and sets new objectives for 2022

22 October 2020

- Q3 2020 revenues increased 21.0% year-on-year to EUR 1,413m vs. EUR 1,167m in Q3 2019. Over the first nine months of 2020 (NM 2020), revenues grew 12.0% to EUR 3,736m vs. EUR 3,335m during the same period last year.
- Organic growth[1] was very strong at +22.7% (+21.9% after correcting for the impact of the cyber-attack in 2019 and fires at two laboratories in 2020) in Q3 2020 and +11.1% (+9.0% corrected for cyber-attack and fires) over NM 2020.
- In spite of the continued COVID-19 pandemic related business disruptions, Eurofins core business (excluding any COVID-19 clinical testing and reagents revenues) returned to small positive organic growth in Q3 2020, once again demonstrating the strong resilience of Eurofins' end markets. Many of Eurofins' core businesses across Food, Environment and BioPharma testing achieved more than 5% organic growth in Q3 2020.
- Eurofins continues to demonstrate its strong commitment towards supporting healthcare providers and national and state authorities in their ongoing efforts to mitigate the spread and impact of the virus. A couple of recent highlights include:
    - Last week, a Eurofins company received an Emergency Use Authorization (EUA) from the U.S. Food and Drug Administration (FDA) for their At Home COVID-19 Nasal PCR Test. Results are provided via email within 24 hours of sample receipt. This is a major milestone in facilitating access to a very sensitive test as sampling by healthcare professionals is often a bottleneck to access gold standard PCR testing.
    - Eurofins is expanding its offering for COVID-19 testing to include flu and respiratory viruses and a number of new modalities to facilitate patients access to tests and speed of testing. It could be that broader respiratory pathogens testing become much more frequently requested also beyond 2021.
    - More information can be found in the "COVID-19 related business developments" section of this release and at: https://www.eurofins.com/covid-19-response/.
- Given the impossibility to predict the evolution of the COVID-19 pandemic in 2020 and 2021, the Group has decided to leave its objectives for those two years unchanged (2020-2021 objectives were set before the onset of the COVID-19 pandemic). Actual results may exceed these significantly, particularly in 2020, but this cannot be quantified at this time. The Group is introducing 2022 objectives, as 2022 should hopefully be the first year where the pandemic is brought under control and without any COVID-19 related impact (neither positive nor negative). Eurofins management is confident that the Group should be able to achieve or exceed these 2020-2022 objectives set as follows:

- For 2020, achieve EUR 5bn of revenues, including 5% from organic growth, EUR 1.1bn adjusted[2] EBITDA[4] and EUR 600m[A] Free Cash Flow to the Firm[5]. Only the acquisition component that those objectives included (EUR 200m revenues acquired at mid-year) has been revised down to EUR 150m in annual sales (of which ca. EUR 50m sales to be consolidated in 2020) for a total spend of only ca. EUR 200m. Given the significant COVID-19 clinical testing and reagents revenue contribution in Q3 2020, which is unfortunately likely to continue in the next few months, and despite the continued negative impact of the pandemic on some other parts of the business, Eurofins will very likely significantly exceed its objectives for 2020.
- For 2021, achieve EUR 5.45bn revenues, including 5% from organic growth, EUR 1.25bn adjusted EBITDA and EUR 700m[A] Free Cash Flow to the Firm as first set on 04 March 2020 at constant average 2019 FX rates. Only the acquisition component that those objectives included (EUR 200m revenues acquired at mid-year) has been revised down to EUR 150m in annual sales acquired at mid-year due to the likely disruptions and limitations to travel that may continue to be caused by the pandemic. As can be judged today, it is unfortunately likely that COVID-19 testing may continue well into 2021, which could cause Eurofins to exceed its objectives.
- For 2022, achieve EUR 5.7bn revenues, including a 5% organic CAGR on the core non COVID-19 testing and reagents business from 2019 and EUR 100m from acquisitions (EUR 200m annual revenues consolidated at mid-year), EUR 1.35bn adjusted EBITDA and EUR 800m Free Cash Flow to the Firm. This assumes that the pandemic has been brought under control by then, underlying markets, including food service, hospitality and travel recover to historical levels and sampling and clinical research activities can resume as normal, by early 2022 and no COVID-19 clinical reagents and testing revenues in 2022 (objectives set at constant FX rates as of 30/09/2020).
- Beyond 2022, continued organic growth of at least 5% per annum and increasing margins and cash flows.

- Eurofins also expects to bring its leverage (net debt / adjusted EBITDA) below 2x by the end of 2022. Beyond this, Eurofins plans to keep a conservative balance sheet, its long-term oriented funding strategy and to retain its Investment Grade credit rating as well as above industry average ESG ratings.
- These objectives reflect the continuation of a strong focus on margins and cash flow generation, which has not been derailed by the COVID-19 related activities as these are at or above Group margin and as Eurofins' 5 years programme to build a world-class fully digitalised hub and spoke laboratory network will be completed soon.
- Following the recent successful refinancing of the Schuldschein loans maturing in July 2022, Eurofins has extended the average life of its senior debt instruments from 3.3 years to 4.1 years.
- Eurofins has received an additional ca. EUR 20 million from its insurers in October 2020 to compensate for the lost gross margin resulting from the 02 June 2019 cyber-attack, bringing the total proceeds received to date to ca. EUR 40 million. It continues to expect to receive additional refunds over the coming months.
- On 16 October 2020, Eurofins announced that its board of directors is proposing a ten-for-one stock split at the extraordinary general meeting to be held on 16 November 2020. The stock split should improve trading liquidity and make stock ownership more accessible to a broader base of investors, including employees.

[A] 2020-2021 FCFF objectives have been restated to take into account the cash flow statement reclassification performed in H1 2020.

Comments from the CEO, Dr. Gilles Martin:

"Q3 2020 was a positive quarter for Eurofins as the Group companies' agility and speed of innovation enabled it to deliver very strong organic growth in spite of the pandemic. Our financial performance is concrete evidence of our positioning in attractive end markets as well as the results of years of investments to build a global network of state-of-the art laboratories and leading R&D teams which has enabled us to mobilise quickly and develop solutions to support healthcare authorities and our clients fighting the pandemic.

The core business (excluding COVID-19 clinical reagents and testing revenues) recovered to small positive organic growth in Q3 2020 whilst we saw strong demand for COVID-19 testing. Although Eurofins exposure to clinical testing and IVD products is recent (it only started in 2014) and small (under 20% of Group revenues in 2019), cooperation with other Group companies enabled an outsized impact on overall Group results in Q3.

Many of Eurofins' core businesses (excluding COVID-19 clinical reagents and testing) already grew organically well over 5% in Q3 2020 in all business lines (Environment, Food and BioPharma Product testing in particular). The gap to 5% organic growth in Q3 2020 of Eurofins core business is mostly due to some businesses where revenues are still down compared to Q3 2019 due to disturbances caused by the pandemic. Food service, restaurants, hospitality, travel and activities requiring on-site sampling or patient's enrolment for clinical trials still see many restrictions in several countries and thus continued to require less testing services than usual in Q3 2020. Clients relationships remain strong though and a resumption of these activities to normal is expected when the pandemic is brought under control.

Today the Group also announces its new objectives for 2022, in which hopefully the pandemic will have been brought under control and there may be no COVID-19 related impact (neither positive nor negative). These new objectives assume that, by then, the lost growth of the non COVID-19 testing core business compared to the 5% objective in 2020 due to the lockdowns and travel restrictions will be caught back in full as was the case for the revenues lost due to the 2019 cyber-attack.

Beyond 2022, Eurofins sees a strong outlook for its core Biopharma, Food, Genetic, Cosmetic, Environment and advanced esoteric Clinical testing activities. Indeed the pandemic may well have a positive impact on the growth of Eurofins markets over the medium-term.

I am humbled by the talent, energy and commitment of Eurofins employees and leaders around the world and the positive impact they are increasingly making to society. Their outstanding response to the COVID crisis bodes well for the potential of Eurofins' Testing for Life services for many years to come."

Table 1: NM 2020 Organic Growth Calculation and Revenue Reconciliation

	EURm (unless otherwise stated)
NM 2019 reported revenues	**3,335**
+ NM 2019 acquisitions - revenue part not consolidated in NM 2019 at NM 2019 FX rates	41
- NM 2019 revenues of discontinued activities / disposals[5]	(19)
= NM 2019 pro-forma revenues (at NM 2019 FX rates)	3,357
+ NM 2020 FX impact on NM 2019 pro-forma revenues	(14)
= NM 2019 pro-forma revenues (at NM 2020 FX rates) (a)	**3,343**
NM 2020 organic scope* revenues (at NM 2020 FX rates) (b)	**3,714**
NM 2020 organic growth rate (b/a-1)	**11.1%**
NM 2020 acquisitions - revenue part consolidated in NM 2020 at NM 2020 FX rates	16
NM 2020 revenues of discontinued activities / disposals[5]	6
NM 2020 reported revenues	**3,736**

** 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.*

Table 2: Geographical Revenue Breakdown

(EUR m)	NM 2020	As % of total	NM 2019	As % of total	Growth %
Europe	2,091	56.0%	1,815	54.4%	15.2%
North America	1,354	36.2%	1,239	37.2%	9.3%
Rest of the World	291	7.8%	280	8.4%	3.8%
Total	3,736	100%	3,335	100%	12.0%

By geography, Eurofins' revenue growth for NM 2020 was 15.2% in Europe, 9.3% in North America and 3.8% in the Rest of the World, reflecting the different business exposures between regions and how those have been affected by the pandemic (Eurofins has limited Clinical Diagnostics and BioPharma testing activities in the Rest of the World).

Revenues in Europe expanded by 15.2% in NM 2020 driven by strong performance in a number of business lines, including BioPharma and Agroscience testing services, which both grew high single digit across Europe. In routine Clinical Diagnostics, which is mostly based in France and to a lesser extent Spain, Germany and Benelux, the business saw very strong demand for COVID-19 tests, most notably PCR tests as well as IVD solutions. On the other hand, non COVID-19 clinical testing volumes greatly suffered from the pandemic before rebounding in the summer. Environment testing was more contrasted as some areas saw high single digit revenue performance in NM 2020 whilst others were still down. Most core businesses saw a rebound in the course of Q3 2020 even though demand remained weaker in some areas (e.g. catering and hospitality), particularly in France.

In North America, revenues expanded 9.3% in NM 2020 as the BioPharma services business line grew high single digit and the Food testing activities showed resilience with organic growth close to 5% in NM 2020 whilst Environment testing remains in negative territory, in line with the market.

In the Rest of the World, Food, Environment and BioPharma testing services experienced a strong rebound across the Asia Pacific region with high single digit organic growth in Q3 2020 and above 5% in NM 2020. On the other hand, in South America, Food and Environment testing services remained in negative territory in NM 2020, even if slowly recovering in Q3 2020.

COVID-19 related business developments

Since March 2020, Eurofins has demonstrated its strong commitment towards supporting healthcare providers and national and state authorities in their ongoing efforts to mitigate the spread and impact of the virus. Some developments that have taken place since the Group reported its H1 2020 results are highlighted below.

In August 2020, Eurofins Technologies launched its GSD NovaPrime® RNA Extraction kits, which are reagents for automated extraction of genomic SARS-CoV-2 RNA (ribonucleic acid) from clinical swab samples. The extraction kits work with a large range of existing automation equipment for subsequent real-time RT-PCR (reverse transcription polymerase chain reaction) analysis using approved IVD kits, thereby enabling laboratories to meet unprecedented demand for COVID testing capacity.

In August 2020, Eurofins Clinical Diagnostics U.S. launched its pooled PCR test, a lower cost highly accurate COVID-19 PCR test. Pooling can be used to continuously and cost-effectively monitor low-risk groups that show a low prevalence of COVID-19 infection. It can also be used as part of surveillance testing.

In September 2020, Eurofins Diatherix continued to leverage its extensive respiratory and infectious disease expertise with the launch of *Flu Plus*, a new test to identify SARS-CoV-2 and five additional and most prevalent viruses associated with respiratory illnesses.

In October 2020, Eurofins launched Europe's first validated test method to evaluate filtration capacity of masks for SARS-CoV-2. The test can be used to evaluate the efficacy and safety of surgical masks and hygienic masks against COVID-19. Eurofins Textile Testing Spain is currently the only laboratory in Europe and one of only three laboratories in the world to offer such a test, which is mandatory for all masks sold in the North American market.

In October 2020, following the recommendations from French health authorities to help combat the second wave of the COVID-19 pandemic, and in order to respond to increased testing demand, Eurofins Biomnis announced it was creating additional capacity of 15,000 tests per day carried out within 24 hours.

In October 2020, Eurofins U.S. Clinical Diagnostics announced the launch of its Eurofins At-Home COVID-19 Nasal PCR Test. The FDA EUA-authorised, self-collection kit gives consumers a painless, convenient and quick option to detect the virus from the comfort of their home. Results are reviewed by a licensed physician and provided via email within 24 hours of sample receipt. This innovation should go a long way towards making sensitive PCR testing available more broadly by alleviating sampling personnel bottlenecks.

Other business developments

Whilst many of Eurofins employees and other resources have been focused on and allocated to developing COVID-19 testing solutions and capacity in record time since March 2020, the Group has at the same time continued to make progress towards building a unique global network of fully digitalised state-of-the-art laboratories, market leadership positions, scale and scientific excellence to offer even better, faster, more cost effective and innovative services to its clients in other parts of the business. The Group is close to completing its five years laboratories infrastructure development programme. Some of the many developments that have taken place since the Group reported its H1 2020 results are highlighted below.

In August 2020, Eurofins became the market leader in non-invasive prenatal testing (NIPT) in Japan with the acquisition of GeneTech Inc., a leading player in genetic analysis in Japan with over EUR 10 million revenues in 2019.

In August 2020, Eurofins Discovery expanded its chemistry capacity to serve customer demand in the growing market of outsourced drug discovery with a new building nearing completion at Eurofins Discovery's flagship chemistry site at Eurofins Villapharma in Murcia, Spain.

In September 2020, Eurofins became the market leader in environment testing in Taiwan with the acquisition of the SunDream Group, the second largest player in the market employing over 350 staff.

In September 2020, Eurofins Technologies announced that its ELISA assay (enzyme-linked immunosorbent assay) for the detection of aflatoxin M1, I'screen AFLA M1 milk, has been granted AOAC Research Institute Performance Tested Methods℠ status (AOAC Cert. No. 072002) for use with raw bovine whole milk, skim milk and powdered milk. Receiving the AOAC Performance Tested Methods℠ status demonstrates Eurofins Technologies' commitment to providing high quality test methods for its food safety customers. The I'screen AFLA M1 milk testing kit is the first screening method to receive AOAC approval for aflatoxin M1 analysis in milk commodities.

In October 2020, Eurofins' Expertise Centre for Complex Carbohydrates & Chemistry (CCC) announced the development and availability of a new method for the identification of fructans in infant formula and adult nutritionals matrices. CCC co-developed, in close co-operation with Nestlé Research (Lausanne, Switzerland), this novel method and managed the necessary collaborative study to fulfil the specific official standard method performance requirements. Fructans, including inulin and fructo-oligosaccharides (FOS), are added as ingredients to all kinds of food, feed and pet food products. Fructans are mandatory components in infant formula and adult nutritionals and they are strictly regulated by various authorities worldwide. By having significantly contributed to develop and validate internationally a method that now has received the official standard status by AOAC, ISO and IDF, the Eurofins CCC demonstrates Eurofins' commitment to providing high quality test methods for its food industry customers.

1 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[7].
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.

2 Adjusted - reflects the ongoing performance of the mature[6] and recurring activities excluding "separately disclosed items[3]".

3 Separately disclosed items - includes one-off costs from integration, reorganisation, discontinued operations[7] 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[8], 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.

4 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.

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

6 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.

7 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.

8 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.

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.

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 (**no pin code is required**):

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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 **50,000 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 its 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: "Organic growth[1]" and "EBITDA[4]" 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.