H1 2023 Results Presentation

Eurofins organic growth momentum accelerates above its objectives in H1 2023

26 July 2023

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Eurofins provides in the Income Statement certain alternative performance measures (non-IFRS information as "Adjusted Results and Separately Disclosed Items") 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. (Please refer to description of these terms in the company's Annual Report). The management believes that providing this information 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 objectives 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 Consolidated Financial Statements 2022 in Notes 1.20 and 1.21.

Agenda

I. Highlights
II. Financial review
III. Operational & strategic update
IV. Outlook & summary

I. Highlights

Key business highlights of H1 2023

Financial highlights

Solid growth in H1 2023 driven by a strong development in North America

- **Strong +7.0% organic growth[1] in the Core Business[2]:**
  - +5.4% in Europe
  - +9.6% in North America
  - +5.8% in Rest of the World
  - Adjusted for public working days, organic growth accelerated to +7.5% in Q2 2023 vs 6.6% in Q1 2023
- Total revenues down y-o-y by 5.9% due to a sharp decrease in COVID-19 revenues (less than €20m in H1 2023 vs over €470m in H1 2022)
- Adjusted[1] EBITDA[1] 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

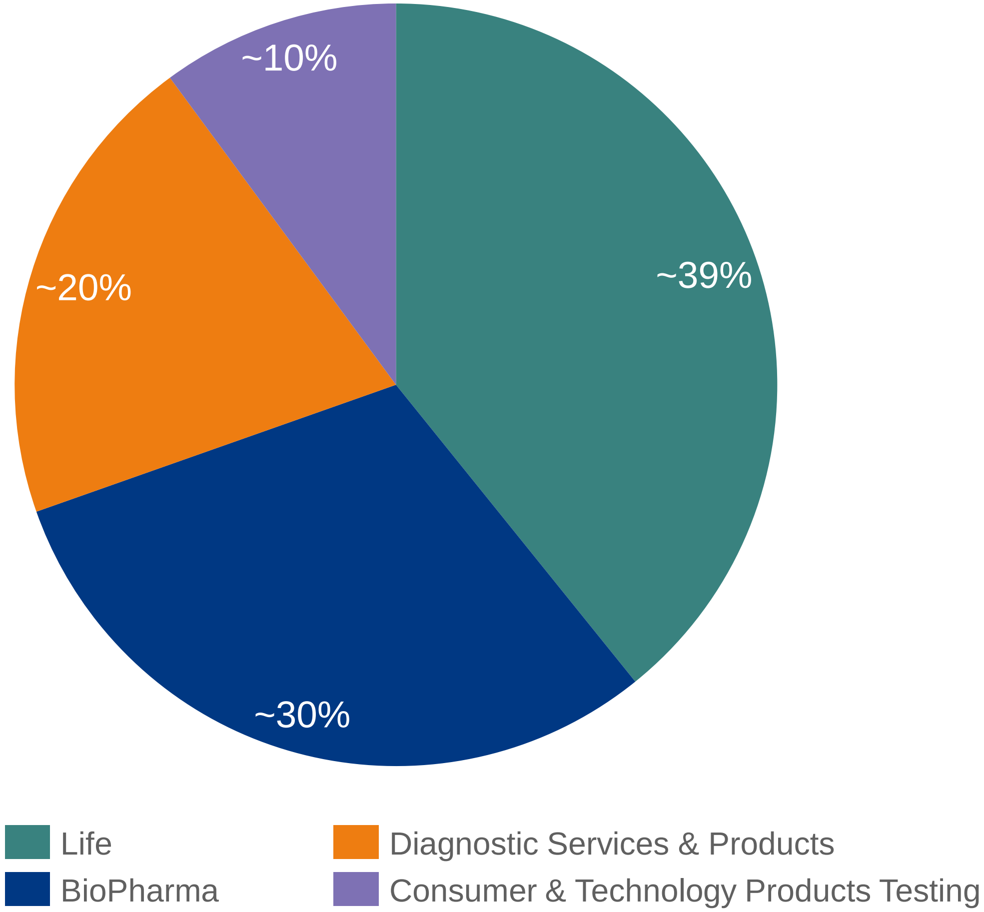
Strategic highlights

Continuing to invest for long-term value creation

- **Focussed on reasonably valued smaller bolt-on acquisitions**
  - 18 business combinations closed
  - Sales multiple of 1.3x FY 2022 revenues
- **Strategic investments**
  - Added 31,000 m^2 of net surface area, primarily laboratories
  - €51m capex on owned sites, further increasing our proportion of owned sites to 31%
  - 20 start-ups and 29 BCPs[3] launched
  - Developing and starting to deploy proprietary automation technologies across our global network

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation
[2]Excluding COVID-19 clinical reagents and testing revenues
[3]Blood collection point / phlebotomy site

Revenue by activity in H1 2023



Activities are defined as follows:

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

II. Financial review

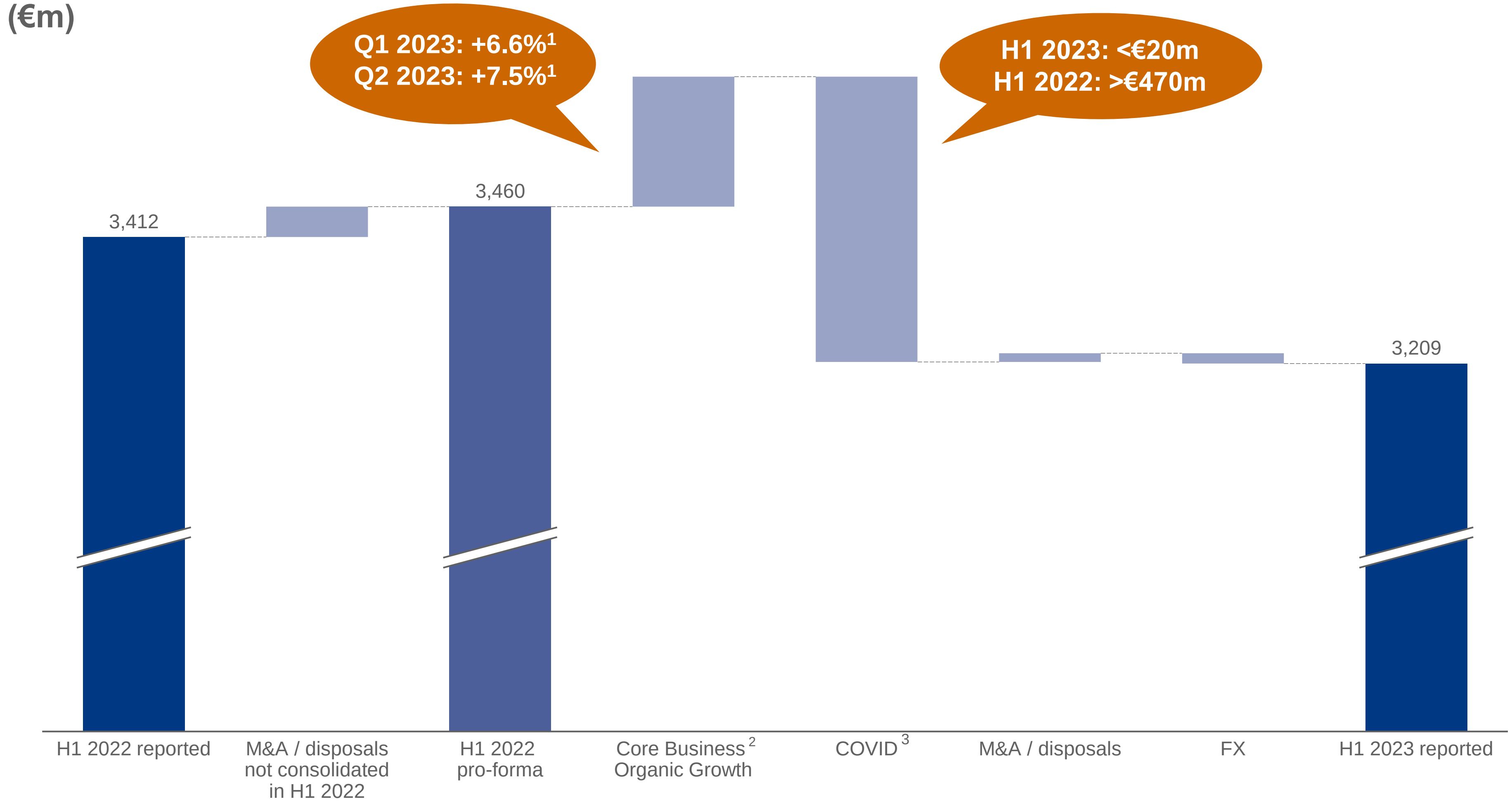
H1 2023 results

(€m)	Half Year 2023 Adjusted[1] Results	Half Year 2023 SDIs[1]	Half Year 2023 Reported Results	Half Year 2022 Adjusted Results	Half Year 2022 SDIs	Half Year 2022 Reported Results	+/- Δ Adjusted Results	+/- Δ Reported Results
Revenues	3,209	-	3,209	3,412	-	3,412	-5.9%	-5.9%
EBITDA[1]	640	-51	589	829	-29	800	-23%	-26%
EBITDA Margin	*19.9%*	-	*18.3%*	*24.3%*	-	*23.4%*	*-440 bp*	*-510 bp*
EBITAS[1]	397	-69	327	602	-42	560	-34%	-42%
Net Profit[1]	261	-110	151	396	-88	308	-34%	-51%
Basic EPS[1] (€)	1.36	-0.57	0.79	2.07	-0.46	1.61	-34%	-51%

- **Revenues declined** as a result of significant reduction in COVID-19 revenues y-o-y
- **Strong +7.0% organic growth in Core Business[2]**
- **Adj. EBITDA impacted** by reduced COVID-19 contribution as well as inflationary headwinds

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation
[2]Core Business – excluding COVID-19 clinical reagents and testing revenues

Revenue bridge

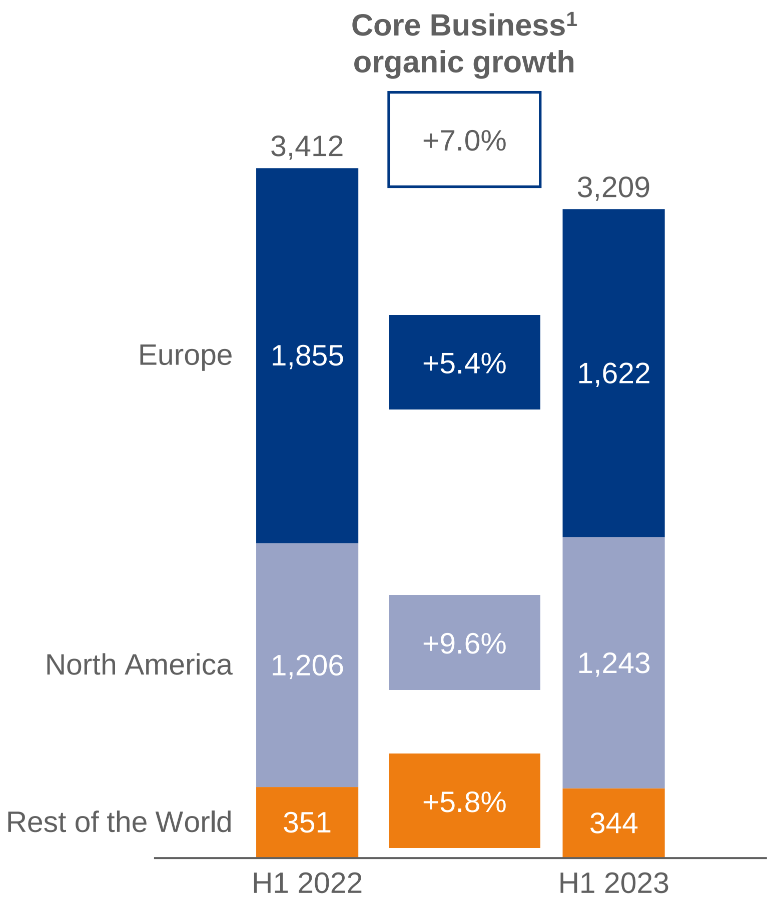


- Strong Core Business organic growth (+7.0% in H1 2023)
- Significant y-o-y drop in COVID-19 revenues
- Slight FX headwind due to appreciation of the Euro
- Smaller M&A contribution due to focus on reasonably valued bolt-on acquisitions

[1]Core Business (excluding COVID-19 clinical testing and reagents revenue) organic growth adjusted for public working days impact (PWD)
[2]Excluding COVID-19 clinical testing and reagents revenue
[3]COVID-19 testing and reagents revenue growth

Organic growth by Operating Segment

Revenues (€m)



Operating Segment Commentary

Europe

- BioPharma Services: solid growth despite softer demand for Discovery services
- Food Testing: solid gains in pricing while volumes remained challenged
- Environment Testing: strong growth driven by asbestos, pesticide and PFAS testing
- Clinical Diagnostics: strong recovery in volumes despite reductions in reimbursements in France

North America

- BioPharma Services: resilient growth with robust demand for mid-to-late phase biologics development
- Food Testing: new monthly sales records in H1 2023
- Environment Testing: outgrew its underlying markets supported by strong growth in PFAS testing

Rest of the World

- China: recovery in Consumer Product Testing and robust growth in Food Testing and BioPharma Services
- India: expanded market presence in BioPharma Services
- Japan: growth in Environment Testing was driven by tightening asbestos and PFAS regulations

[1]Core Business – excluding COVID-19 clinical reagents and testing revenues

H1 2023 cash flow overview

	H1 2023 €m	H1 2022 €m	Δ%
Change in net working capital[1]	-154	-102	51%
Net cash provided by operating activities	333	498	-33%
Net capex[1]	-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[1]	74	220	-66%
Free cash flow to the firm before investment in owned sites[1]	125	306	-60%
Net increase in cash and cash equivalents and bank overdrafts	198	201	-1%
Cash and cash equivalents and bank overdrafts at end of period	682	716	-5%

Key Highlights

- Continued investments geared towards capacity expansion, start-ups and the development of bespoke IT solutions
- Lower change in net working capital in H1 2022 due to advanced customer receipts related to COVID-19 testing activities
- Financial leverage[2] of 1.9x, stable vs end of 2022 and within our targeted range of 1.5-2.5x

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation
[2]Financial leverage – net debt[1] to adjusted[1] pro-forma EBITDA[1]

H1 2023 capital allocation overview

	H1 2023 €m
EBITDA	**589**
Repayments of lease liabilities	-85
Income taxes paid	-89
Interest and hybrid coupons	-23
Change in net working capital	-154
Payments on risk accruals	-11
Cash before net capex	**227**
Maintenance capex (2% of external sales)	-64
Cash before expansion capex and growth investment	163
Expansion capex	-84
IFRS 16 on LHI	-60
Investments to own sites	-51
M&A	-78
Total growth investments	**-273**
Cash change of the period	**-110**
Treasury shares, net	-29
Hybrid issuance & repayment	411
Other non cash	-21
Change in net debt	**251**

Key Highlights

- Cash generation before expansion capex and growth investments of €163m
- Discretionary capital allocation of €273m for growth and long-term value creation

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation
[2]Financial leverage – net debt[1] to adjusted[1] pro-forma EBITDA[1]

Continued investment to expand and enhance our physical and technological presence

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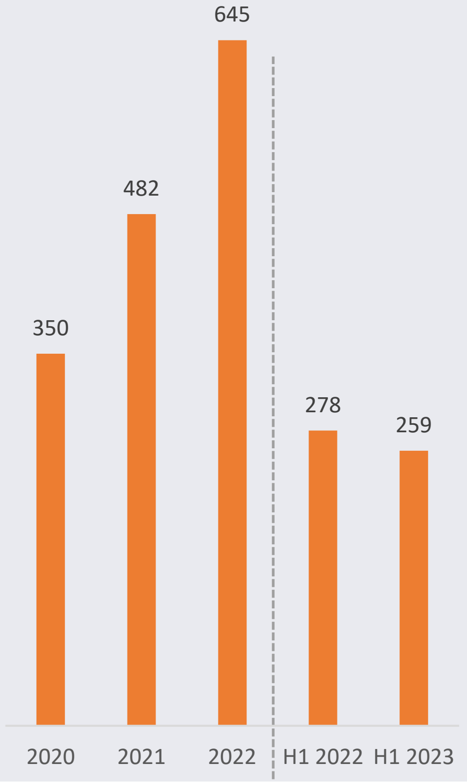
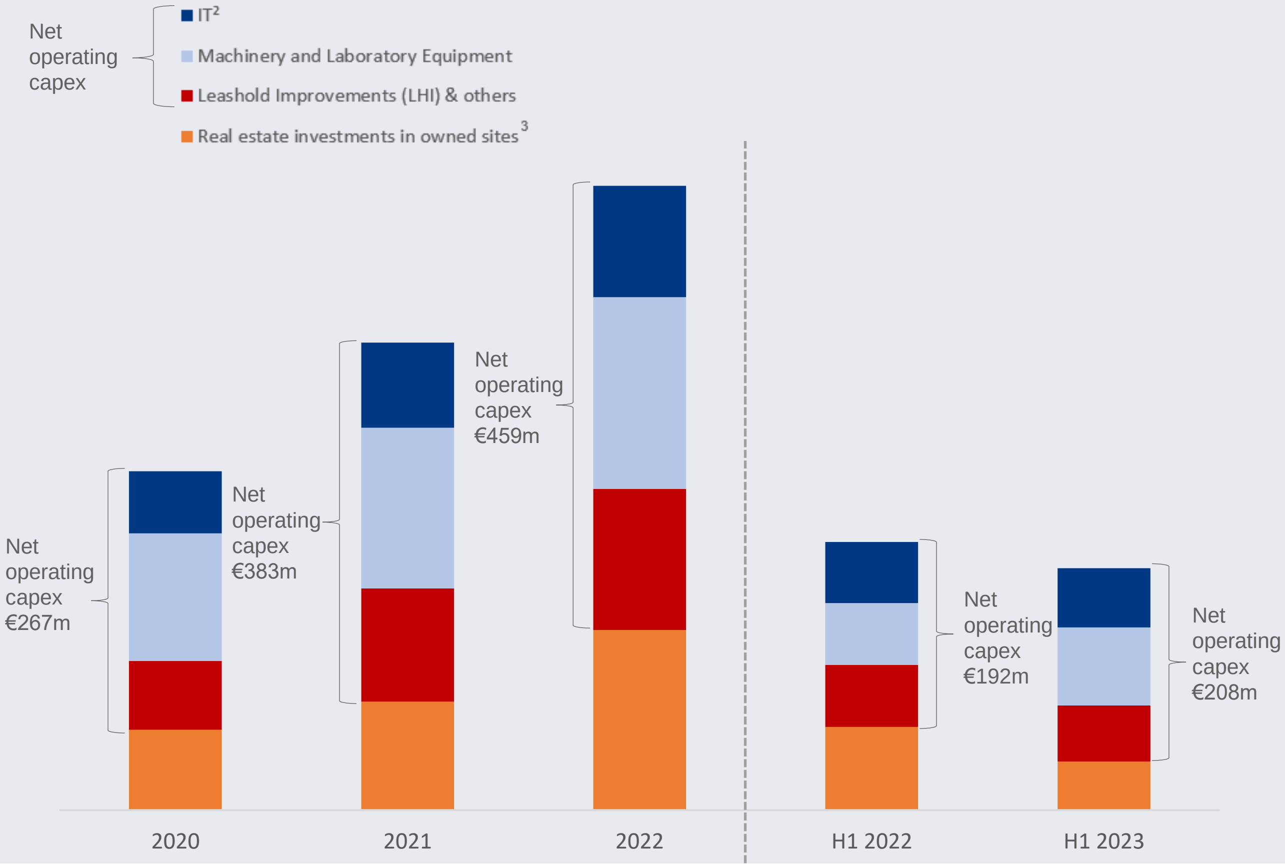
Net capex (€m)



Infrastructure[1] & IT[2] capex (€m)

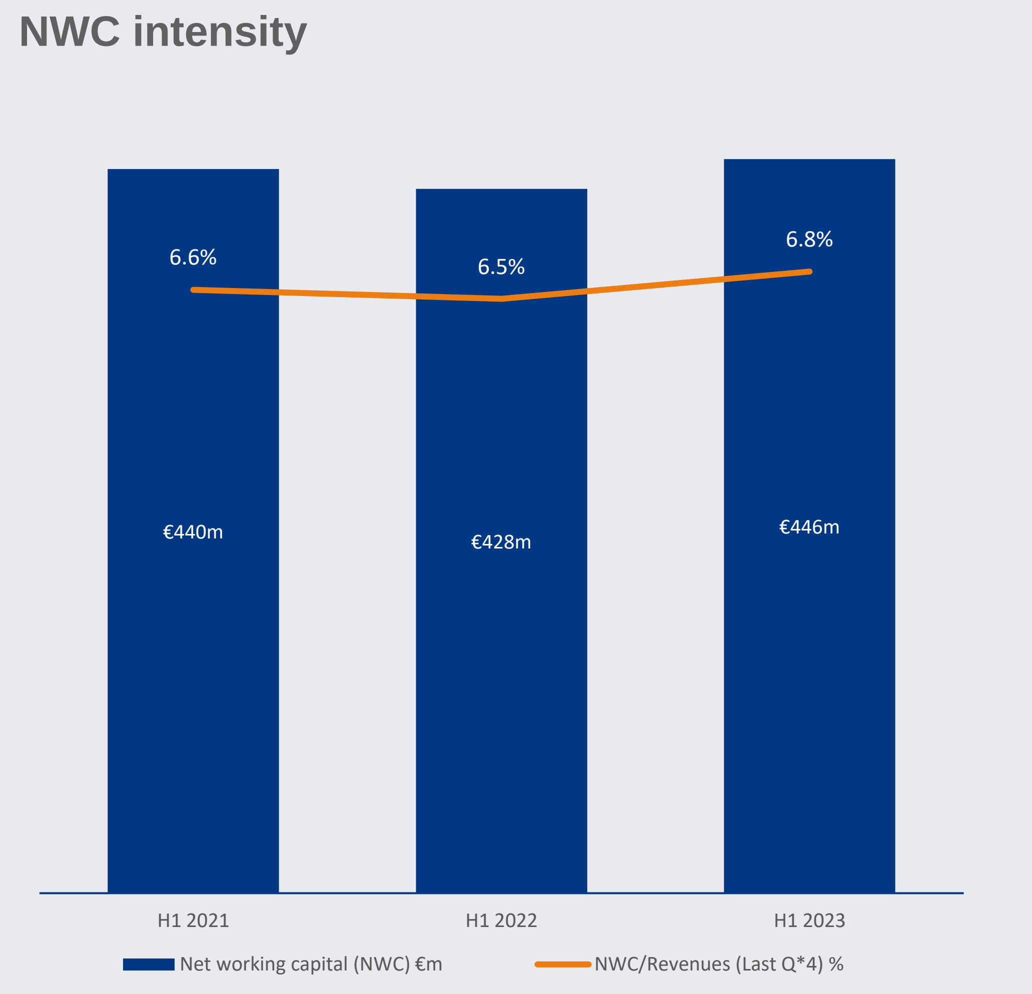


H1 2023 capex split:

- **80%** Net operating capex:
  - 19% IT
  - 41% Machinery & Laboratory Equipment
  - 20% Leasehold Improvements (LHI) & others
- **20%** investment to purchase or build out owned sites

[1]Infrastructure spend includes Land, Building and Leasehold Improvements, Assets in Progress and Machinery and Laboratory Equipment (net of proceeds from sales)
[2]IT intangible assets (e.g. software) and hardware capex
[3]Net capex to purchase, build or develop owned sites

Net working capital



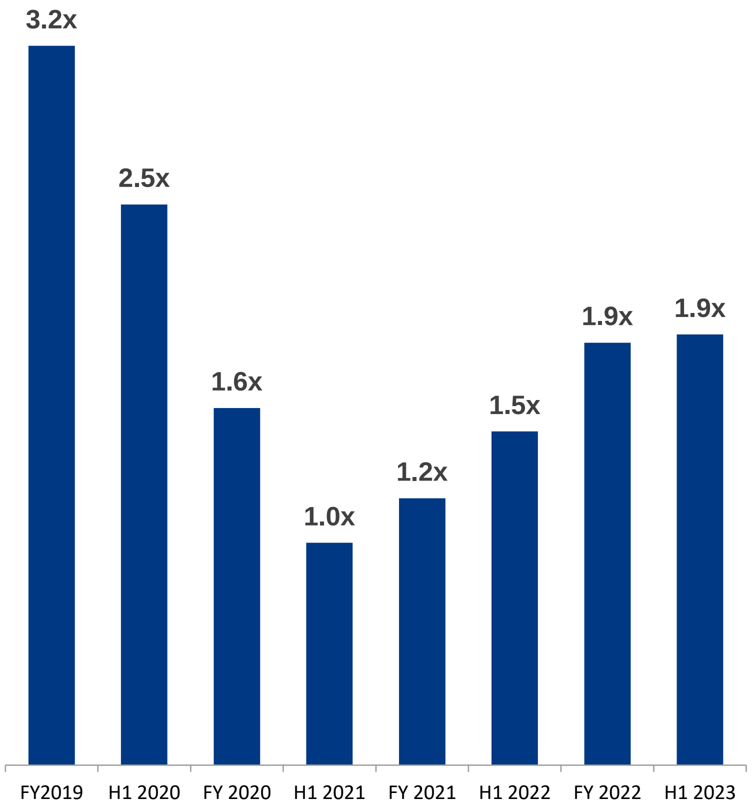
[1]Accounts receivable including contract assets

- Net working capital at 6.8% of revenues
- Lower change in net working capital in H1 2022 due to advanced customer receipts related to COVID-19 testing activities
- Slightly lower DSOs[2] at 60 days vs 61 days in H1 2022
- Slightly lower DPOs[3] at 56 days vs 57 days in H1 2022
- Stable inventory at 2.3% of revenues vs 2.4% in H1 2022

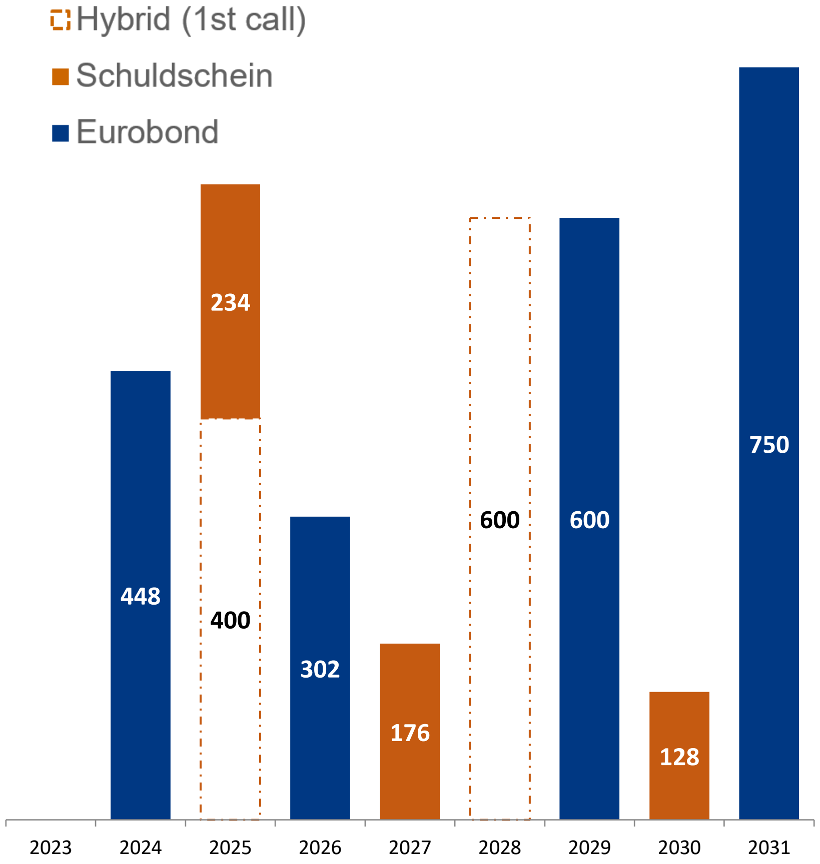
[2]DSOs: Days of Sales Outstanding: Trade account receivables excluding VAT, accrued sales, WIP, less Advanced payments and Deferred revenues by external sales of last three months multiplied by 90 days
[3]DPOs: Days of Payables Outstanding: Trade account payables excluding VAT less prepaid expenses and deferred charges by purchases and Capex of last three months multiplied by 90 days

Very healthy leverage and debt maturity profile

Leverage[1]



Debt maturity profile (€m)



Key Highlights

- Strong credit profile at end of June 2023:
  - Net debt of €2,588m decreased by €251m vs 31 December 2022 as a result of the issuance of €600m of hybrid in January 2023 (which are recognised as equity) and repayment of €183m of hybrid in April 2023
  - 90% of borrowings at fixed rates
  - Stable financial leverage of 1.9x, well within our 1.5-2.5x target range
  - No major refinancing requirements until the outstanding €448m senior Eurobonds become due on 25 July 2024
  - Cash of position of €682m and access to over €1bn of committed mid-term (3-5 years) bilateral bank credit lines

[1]Leverage: net debt / PF12M adjusted EBITDA (corrected for the estimated impact of the cyber-attack in 2019)

III. Operational & strategic update

Innovations

peekaboo™
Early Gender DNA Test

- DNA Diagnostics Center (DDC) launched Peekaboo™ Click, an exceptionally accurate (99.5%) test utilising virtually pain-free blood collection at-home that enables expecting parents to discover their baby's gender very early in pregnancy

- Eurofins Viracor launched ExPeCT™ CAR-T to monitor and optimise CAR-T therapy for patients with pre-B cell acute lymphoblastic leukemia and B cell lymphomas

Eurofins is developing proprietary automation technologies and starting to deploy them across its global network

Bespoke modular automation platform


Example Contaminants Testing Automation System


Example Dioxins Testing Automation System

Key benefits

- Reduction in operating costs
- Reduction of human errors
- Complete traceability
- Overnight sample processing
- Sample feeding by untrained staff

Defendable competitive advantage

- Integrated to Eurofins LIMS
- Utilises Eurofins workflow and solutions library
- May be deployed globally

Scalable across the Eurofins network

- Based on standardised and proprietary hardware and software building blocks
- Flexible to fit numerous applications
  - Pesticides, mycotoxins, vet drugs, dioxins, PAH/PCB, etc.

Upcoming plans:

- **Sizable proportion of analytical preparation for contaminants testing in Food and Environment Testing in Europe automated by end of 2024**
- **Developing similar platforms for other applications**

Attractive financial profile

Multi-year investments underway

- Significant OpEx for development
- Part of CapEx for growth and efficiency

Solid long-term returns*

Typical payback**:** 3 years

Depreciation: 5 years

Operating lifetime: 15-20 years

*Typical example

Alternative Service Models for Food Microbiology Testing achieved with Modular Laboratories

Example Modular Laboratory

Addressing sizable and demanding customer base

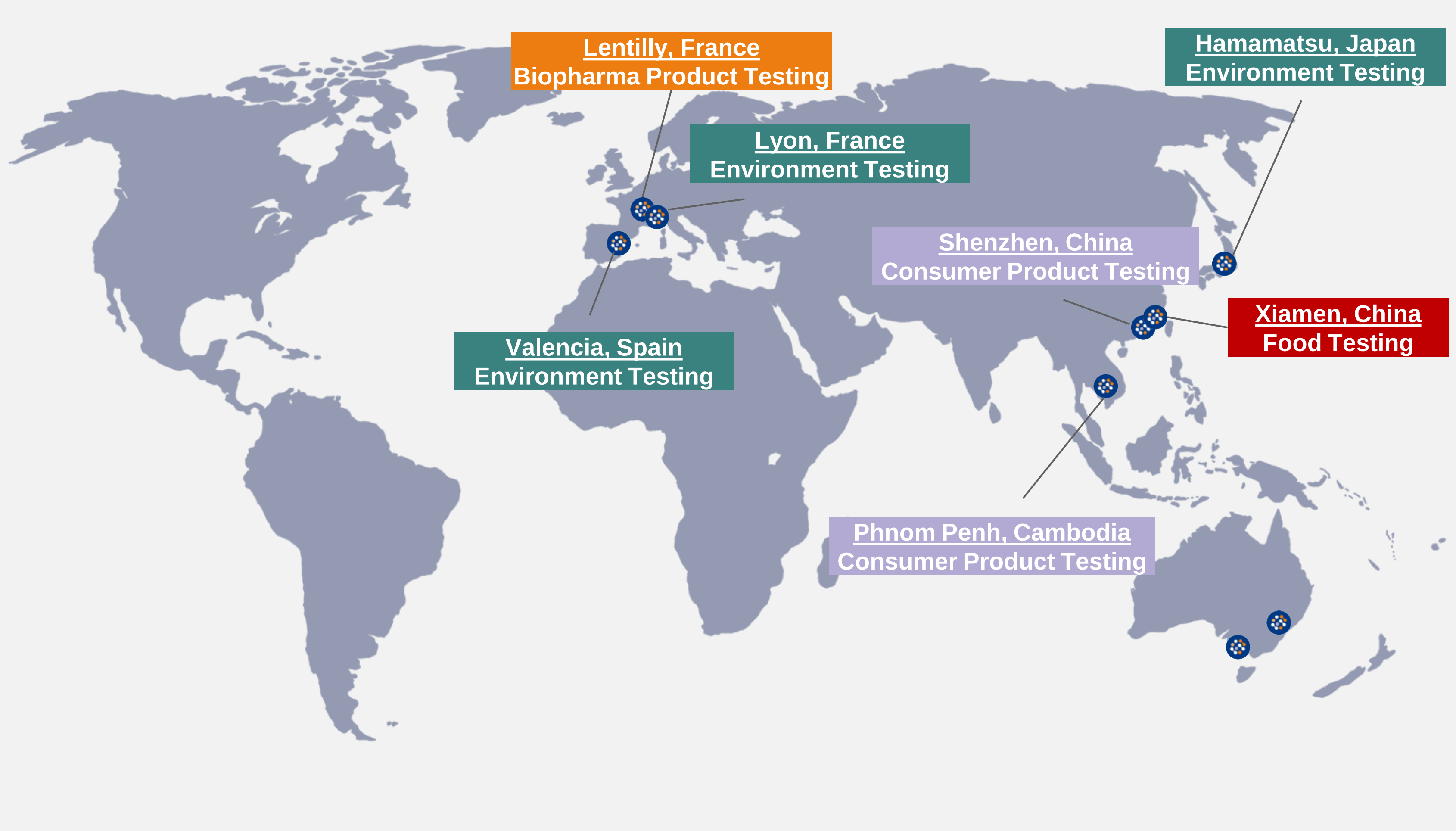
- Clients producing perishable products where time to market is critical, including:
  - Meat
  - Produce
  - Pet food
- Geographically remote areas
- Diverse variety of testing needs in terms of test portfolios and volumes

Innovative Alternative Service Model

- Faster time to market
- Economically competitive to fixed structures
- Multi-year contract structures with guaranteed monthly revenues
- Easily relocated and repurposed
- Hub & spoke integration: can be used as a prep laboratory before sending to hub laboratories

Infrastructure programme

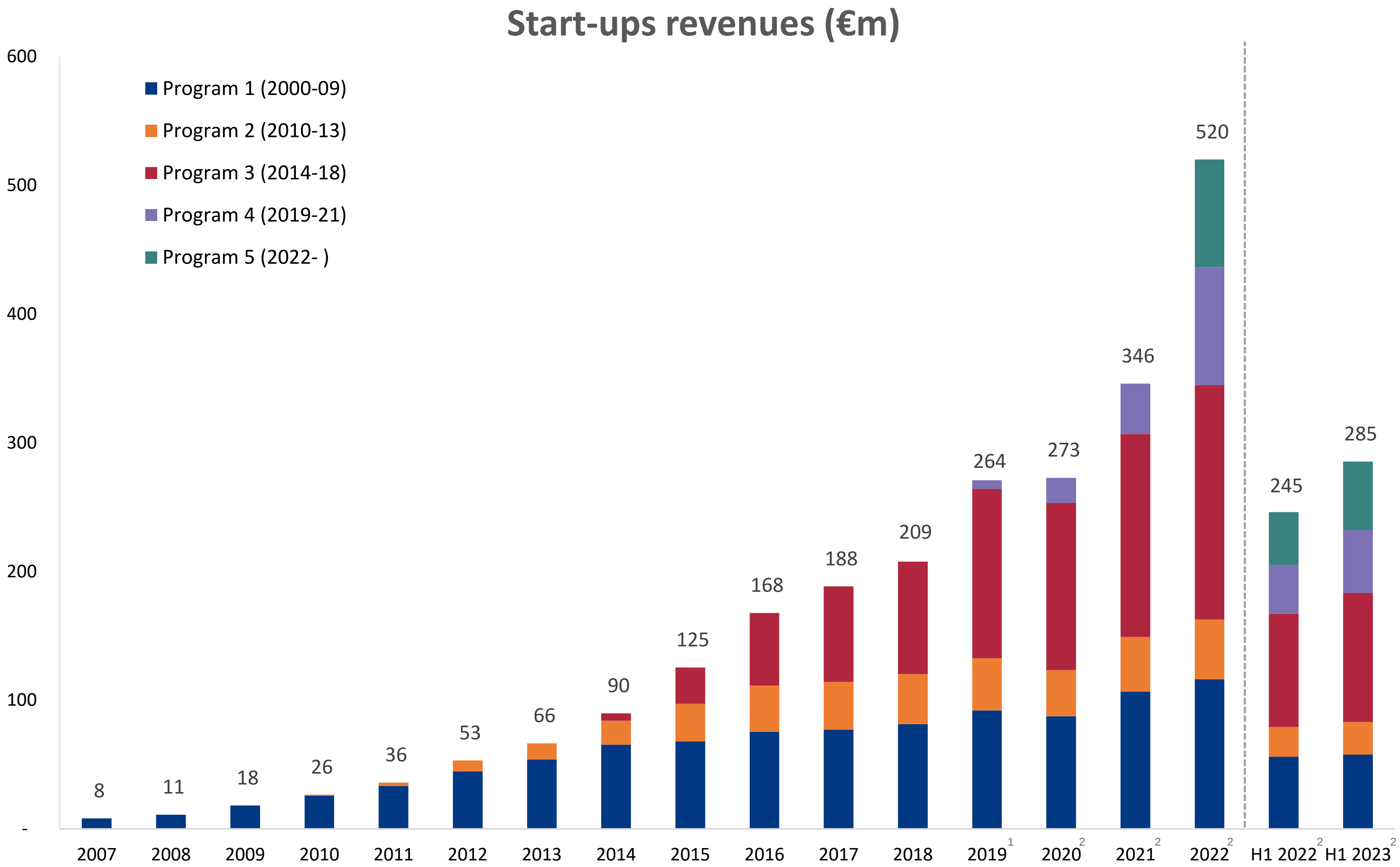
A few of the new locations completed in H1 2023



Highlights

- Net surface area increase of 31,000 m^2 in H1 2023, primarily laboratories
- Proportion of owned sites further increased to 31% (vs 19% in 2018)
- For remainder of 2023 and for 2024, Eurofins plans to add an additional 90,000 m^2 to the network, as well as complete the renovation of 25,000 m^2 of our current sites to bring them to the highest standard

Start-ups continue to contribute growth and complement our M&A strategy



Key Highlights

- 20 new start-ups and 29 BCPs established in H1 2023
- Contributed 90bps to H1 2023 Core Business organic growth but remained dilutive to Group's EBITDA margin
- Alternative strategy in high-growth markets and emerging markets where acquisition prices are too high and/or where there are limited viable options for acquisitions

[1]2019 revenues are corrected for the estimated cyber-attack impact
[2]2020, 2021, 2022 & 2023 data excluding COVID-19

18 business combinations closed in H1 2023 to augment our global footprint

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Acquired companies generated revenues of €64m in FY 2022 and employ approximately 700 employees

Europe	North America	Rest of the World
10 acquisitions	2 acquisitions	6 acquisitions

• BioPharma Services
  • Steripac GmbH (medical devices)
  • Calixar SAS (membrane protein expression)
• Food Testing in Spain and the UK
• Consumer Product Testing in the UK
	• Extension of Environment Testing footprint	• Expanded Environment Testing footprint in New Zealand & Vietnam
		• Food Testing in Indonesia

IV. Outlook & summary

2023 to 2027 Objectives

(€m)	FY 2023 (updated)
Revenues	€6.45bn – €6.55bn
Adj. EBITDA[1]	€1.32bn – €1.37bn
FCFF before investment in owned sites[1]	€670m – €720m

Mid-term objectives

+6.5% organic growth p.a.
€250m revenues added from M&A p.a.

Continued growth investments in:

Ownership of strategic sites
Start-up programme
Bespoke proprietary IT solutions

FY 2027
Approaching €10bn
Margin: 24%
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 a 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 FY2023 objective by €150m in consolidated revenues translate to a €30m decrease of the FY 2023 adjusted EBITDA and FCFF before investment in owned sites objective.
- 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 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 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 toward 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.

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation

Summary

Financial highlights

Solid growth in H1 2023 driven by a strong development in North America

- +7.0% organic growth[1] in the Core Business[2] in H1 2023
  - +5.4% in Europe
  - +9.6% in North America
  - +5.8% in Rest of the World
- +7.5%[3] organic growth[1] in Q2 2023 vs +6.6%[3] in Q1 2023

Strategic highlights

Continuing to invest for long-term value creation

- 18 business combinations closed at a multiple of 1.3x
- Added 31,000 m^2 of net surface area, primarily laboratories
- Proportion of owned sites further increased to 31%
- 20 start-ups and 29 BCPs[4] launched
- Developing and starting to deploy proprietary automation technologies across our global network

Continuing to build our competitive advantages with the densest and most efficient laboratory network across key Testing for Life business lines

[1]Alternative Performance Measures (APMs) are defined at the end of this presentation
[2]Excluding COVID-19 clinical reagents and testing revenues
[3]Adjusted for public working days impact (PWD)
[4]Blood collection point / phlebotomy site

Q&A

Appendix

Definitions / Alternative Performance Measures (APMs)

APMs used in this presentation

Adjusted results – reflect the ongoing performance of the mature and recurring activities excluding “separately disclosed items”.

Separately disclosed items (SDI) – 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 – impairment of goodwill, amortisation/impairment of acquired intangible assets, negative goodwill, transaction costs related to acquisitions as well as income from reversal of such costs and from unused amounts due for business acquisitions;
- gain and loss on disposal of subsidiaries, net;
- 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.

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.

EBITAS – EBITDA less depreciation and amortisation.

Acquisition-related expenses, net – impairment of goodwill, amortisation/impairment 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.

EBIT – EBITAS less share-based payment charge, acquisition-related expenses, net and gain and loss on disposal of subsidiaries, net.

Net Profit – Net profit for owners of the Company and hybrid capital investors before non-controlling interests.

Basic EPS – Basic EPS attributable to owners of the Company and hybrid capital investors.

Net capex – Purchase, capitalisation of intangible assets, purchase of property, plant and equipment, less proceeds from disposals of such assets less capex trade payables change of the period.

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

Free Cash Flow to the Firm before investment in owned sites – Free Cash Flow to the Firm less Net capex spent on purchase of land, buildings and investments to purchase, build or modernise owned sites/buildings (excludes laboratory equipment and IT).

Net debt – Current and non-current borrowings, less Cash and cash equivalents.

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.

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.