Eurofins – a 20-year retrospective since IPO

Abstract

Eurofins Scientific is a leading global food, environmental and pharmaceutical product testing company that was founded in 1987 as a single laboratory in Nantes, France. It has since grown rapidly, both organically and via multiple acquisitions, such that it now operates over 400 laboratories in 41 countries worldwide. Eurofins currently employs over 30,000 staff and expects revenues of €2.9bn this year. It had a market capitalisation of €9.25bn as at 10 October 2017.

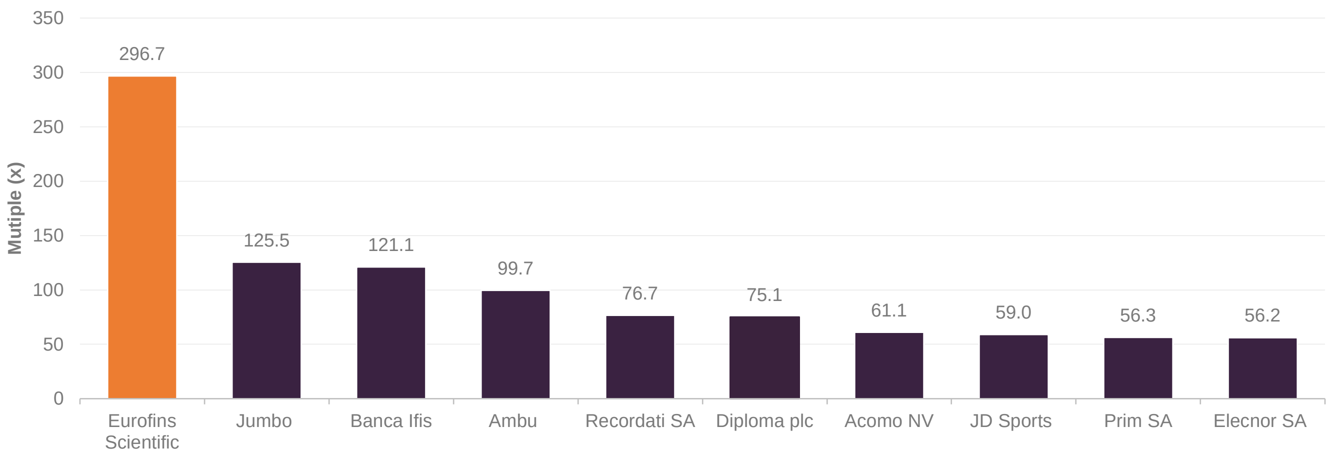
Eurofins completed its IPO on the Paris Stock Exchange on 24 October 1997 and thus celebrates its 20th anniversary as a publicly listed company this year. Its share price growth since the IPO has been remarkable and has out-performed all peer companies and all stock market indices. Eurofins' shares have provided the best return of any company listed in Europe and a very high ranking one globally over 20 years. Eurofins' stock price performance also compares well with many of the most successful US tech and biotech companies over the same period.

Marten & Co was commissioned to undertake an in-depth quantitative evaluation of Eurofins' stock performance over 20 years and compare it on a consistent basis with appropriate indices, peers and other companies with significant positive outlier stock market performance. This report summarises the findings and comments qualitatively on the results.

Key findings over a 20-year perspective

The key finding of this report is that Eurofins has shown the greatest total shareholder return of any company listed on a European exchange over 20 years. European companies ranked by total shareholder return, expressed as a multiple of their 24 October 1997 share price, are shown in Figures 1 and 2.

Figure 1: Europe's top 10 shares by total return over 20 years*



Source: Bloomberg, Marten & Co Notes: * TSR as a multiple of share price on 24 October 1997, calculated to 10 October 2017.

Figure 2: Top 15 Western European share price performances over 20 years (euro terms)

Company	Share price multiple*	2016 Revenue (€m)	Market cap (€bn)	Sector	Country
Eurofins Scientific	296.7	2,536.6	9.25	TIC	France
Jumbo	125.5	782.5	1.93	Retail	Greece
Banca Ifis	121.1	1,066.3	2.59	Financial services	Italy
Ambu	99.7	279.9	3.03	Healthcare	Denmark
Recordati SA	76.7	1,153.9	8.39	Pharmaceuticals	Italy
Diploma plc	75.1	382.6	1.37	Industrial	UK
Acomo NV	61.1	682.3	0.61	Commodity trading	Netherlands
JD Sports	59.0	2,666.7	4.00	Speciality retailing	UK
Prim SA	56.3	110.1	0.18	Healthcare	Spain
Elecnor SA	56.2	2,198.9	1.05	Renewable energy	Spain
LEM Holding	53.3	229.3	1.35	Electrical	Switzerland
Lotus Bakery	50.3	507.0	1.85	Food	Belgium
Clarkson plc	45.6	343.2	0.98	Shipping services	UK
Albioma SA	45.5	367.8	0.60	Renewable energy	France
Kuhne & Nagel	45.4	14,328.0	18.52	Logistics	Switzerland

Source: Bloomberg. Notes: * based on a reference date of 24 October 1997. Market capitalisation as of 10 October 2017.

Marten & Co has established that Eurofins also achieved the greatest absolute shareholder return of any company in Europe, also by a considerable margin, in the 20-year period from the date of its IPO on 24 October 1997.

Moreover, on a global comparison, Eurofins' total shareholder return ranks in third place behind just two companies, Monster Beverage, a US energy drinks manufacturer, and Celgene, a US biotech firm, over the same 20-year period.

On an annualised basis, Eurofins' total return beats both Apple and Amazon over 20 years. In fact, it outperforms all but two of the well-known "FAANG" group of tech companies, consisting of Facebook, Apple, Amazon, Netflix and Google. This approach, which adjusts for the fact that some of these companies have been listed for less than 20 years, would place Eurofins in fifth position globally behind Monster, Netflix, Celgene and Facebook.

Marten & Co screened stock price performance for companies listed on 24 European countries, in addition to the US and Japan. Marten & Co is not aware of any companies listed on other markets globally that have or are likely to have provided a greater shareholder return, acknowledging the difficulty of verifying this comprehensively.

Thus Marten & Co considers Eurofins' total shareholder return over 20 years to rank first in Europe and third on a global basis, in euro terms, considering only companies that have been listed for the full 20-year period.

Methods

Marten & Co examined Eurofins' share price over the period since its IPO in 1997 and compared this with benchmark stock market indices, the stock prices of peers in the testing, inspection and certification (TIC) segment and high-profile companies known to have had significant share price returns.

Share price returns were calculated on an absolute and total return basis using daily closing price. The absolute return is defined as the current share price divided by that on an earlier reference date, adjusted to reflect share splits/consolidations or stock distributions, whereas the total return additionally adjusts to assume all cash dividends were reinvested in the stock on the day of payment. All the returns were calculated in Euros.

All share prices were obtained from Bloomberg and, where necessary, converted into Euros at the prevailing spot FX rate. Share prices for non-Euronext listed companies were taken from the stock exchange on which they have their primary listing. Absent data, primarily the Euro-denominated share prices prior to the introduction of this currency on 1 January 1999, were back-calculated from US dollar-denominated prices and the prevailing US dollar-euro spot rate, both of which were available on Bloomberg.

Where peer or comparator companies were first listed after 24 October 1997, returns were calculated from the date of their IPO and compared with those of Eurofins over the same period. Compound average growth rates for the share price were calculated for Eurofins from the date of the IPO and compared on a consistent basis with those of well-known high performing stocks.

Financial, share price and total return data from Bloomberg were sampled and quality controlled by Marten & Co to reduce and ideally eliminate any inaccuracies. Some missing data points were interpolated and inaccurate data corrected where found. Changes were made to only a very small proportion of the overall dataset examined (<0.5%).

Rankings of listed companies by total return were obtained using the Bloomberg equity screening tool. For the purposes of comparison, total return was considered by Marten & Co to be the more appropriate measure, although this can produce anomalies for companies with very high dividend pay-out ratios. The data required extensive validation and quality checking, as any errors would be greatly magnified by the compounding effect of time in total returns.

Marten & Co double checked total returns for all high ranked companies, by reference to the absolute return and dividends, and eliminated any that were found to be incorrect. Marten & Co screened almost 24,000 securities that have been listed for more than 20 years on all the major EU markets, Switzerland, US, Canada, Japan, Australia and New Zealand.

Marten & Co is, as a result, satisfied that its resulting rankings are correct and there is very little likelihood that a lower ranked company could have been placed higher than Eurofins as a result of an error(s) in the data.

Analyses performed

Marten & Co undertook seven analyses based on the data obtained.

1) Eurofins' share price was evaluated to identify periods of under- and out-performance over the past 20 years. An attempt has been made to identify factors that may have driven these changes both internally and externally. Market capitalisation and enterprise value were calculated and compared (based on net cash/debt on balance sheet dates) to

determine the extent to which capital structure changes may have affected the valuation.

2) Eurofins' absolute and total share price returns have been compared side by side with those of indices, peers and comparable companies calculated in a consistent way.

3) One-year share price returns for Eurofins in calendar years from 1998 to 2016 were evaluated to identify the periods in which Eurofins under- or out-performed major stock market indices. Median and mean returns for these indices were calculated and compared with those of Eurofins. A compound average growth rate was calculated for Eurofins.

4) The total return for all listed companies in France over five, 10 and 20 years were evaluated and ranked to determine the periods in which Eurofins held the best or a leading position.

5) Eurofins' financial results for the years 1997 to 2016 were analysed to establish the extent to which share price growth correlated with growth in reported sales, profit or earnings per share. This included an analysis of the relative contribution of organic and acquisition-derived growth in the business.

6) Common stock market valuation ratios, including price/earnings, enterprise value to sales, EV/EBITDA were evaluated over time to determine the extent to which changes in market rating were a factor in Eurofins' stock price.

Marten & Co concludes this report with qualitative observations on Eurofins' stock performance, its strategy and other factors (such as entrepreneurial culture, highly-decentralised structure and ability to undertake acquisitions at attractive prices etc) that may have contributed to its highly successful 20-year period as a public company.

Results and discussion

Eurofins' share price has clearly grown remarkably in absolute terms over the past five, 10 and particularly 20 years, as illustrated in Figures 3-5 (see pages 5 and 6). The share price has risen four and a half times over the last five years, more than seven-fold over 10 years and 297-fold in absolute terms in the 20-year period since its IPO.

As at 10 October 2017, Eurofins' share price was €543, which is some 296.7 times the original 1997 IPO price of €1.83. If the same price exists on 24 October this year, the 20th anniversary, the stock will have increased in value by a compound average of 33.3% per year - an incredible figure.

Over the period it has been listed time, Eurofins has raised a relatively small amount of capital, some €553m, in relation to its current market valuation. The company raised the equivalent of €5.1m in the IPO at €1.83/share. Two 1:10 rights offerings were conducted in 1998 and 1999, raising €6m and €7m respectively, and a €38.5m secondary public offering was conducted in 2000. In addition, 2016 saw Eurofins raise €200m via a private placement and €296m from a public offering to institutional investors.

It is worth considering an investor who had acquired €1,000 worth of shares at the IPO in 1997 would, at 10 October 2017, held an investment worth €296,721, or €311,004 if dividends were reinvested, i.e. considered as a total return. By comparison, an investment in the CAC40 Index made on the same day, would now be worth €3,260 on a total return basis.

However, if the same investor had taken up the shares offered in the two rights issues in 1998-99 and participated proportionally in the 2000 secondary offering, the value of that investment would have increased to €410,735, on a total return basis, for a total outlay of €4,394.

This equates to a lower CAGR return of 28.5%, if the time-averaged investment is considered over this average period, in comparison with the 33% from the original IPO investment and neatly illustrates how Eurofins' strong performance shortly after its IPO has, in part, driven the incredible total share price return.

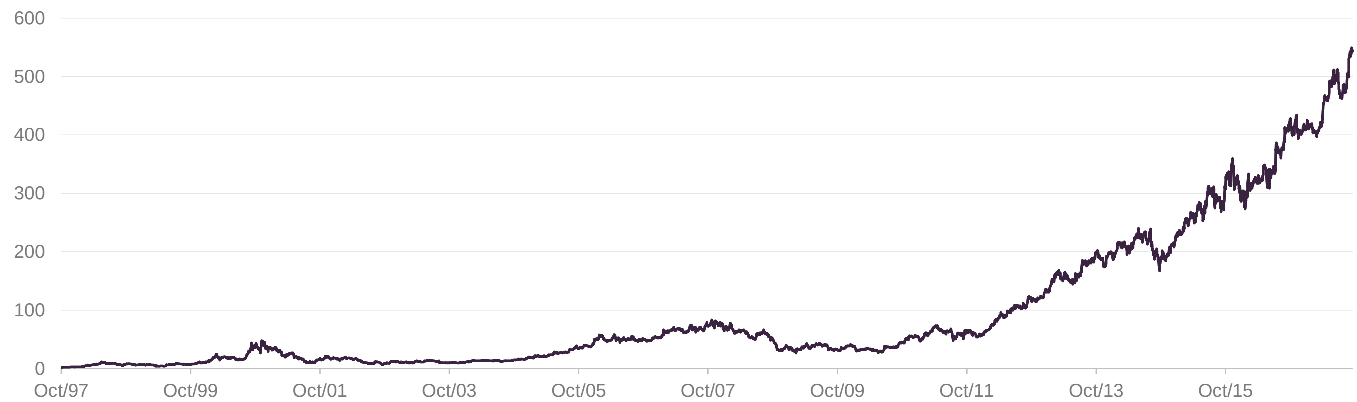
Furthermore, two subsequent warrant issues of 1:150 and 1:48 were conducted in 2006 and 2010 and if these were taken by the same original investor, the investment now be worth €422,087 for a total outlay of €5,087. This also equates to a CAGR return of 26% if the time averaged investment is compounded over 20 years.

An investor who purchased €2,369 worth of shares in Eurofins' IPO and took up their rights or subscribed in all the subsequent equity issues would, for a total cumulative investment of €12,051, hold an investment worth €1m today.

Eurofins has of course, as would be expected, had periods where its share price has not performed as well, either falling in absolute terms or lagging benchmark indices. This was most notably during the five-year period from 2007-2012. However, the growth in share price over its first 10 years on the market (to 2007) as well as over past five years (2012-2017) have both been remarkable.

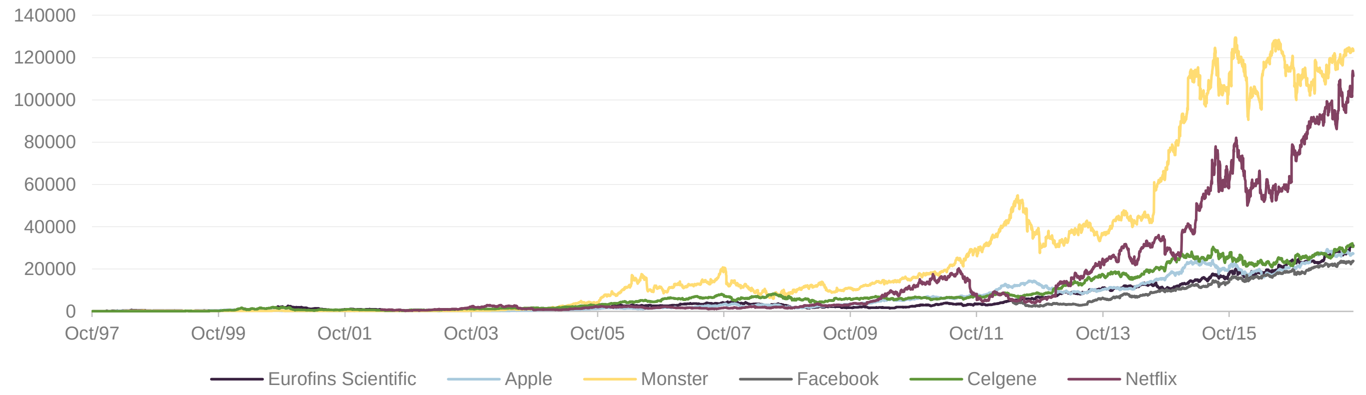
A key finding of this report is that Eurofins' total return is the largest of any company, by a considerable margin, listed on Euronext Paris and indeed any European stock market over the past 20 years.

Figure 3: Eurofins Scientific share price over 20 years* (€)



Source: Bloomberg, Marten & Co. *Note: cut-off is 10 October 2017

Figure 4: 'The Monster Bunch' total return performance, rebased to 100, over 20 years*



Source: Bloomberg, Eurofins Scientific *Note: to include comparisons of Eurofins' performance against Netflix and Facebook, which were not listed twenty years ago, the Netflix series has been rebased to Eurofins' price at its listing on 22 May 2002 and the Facebook series has been rebased to Eurofins' price at its listing on 17 May 2012. Cut off is 10 October 2017.

Of course, over different periods, Eurofins' stock return may not always measure up to the FAANG group. The only period when Eurofins seems to have been outperformed by the tech companies was the period after 2008, when it was in a consolidation phase after a wave of acquisitions, which also coincided with the global financial crisis. In stock market terms, the impact on the company's profitability was magnified by a reduction in its P/E rating, although this has since recovered.

But over the past five years, it has kept pace with the internet retailer Amazon and surprisingly beaten Apple by a significant margin. Facebook has been the best performer over five years and Amazon and Apple come out best over ten years in terms of total return.

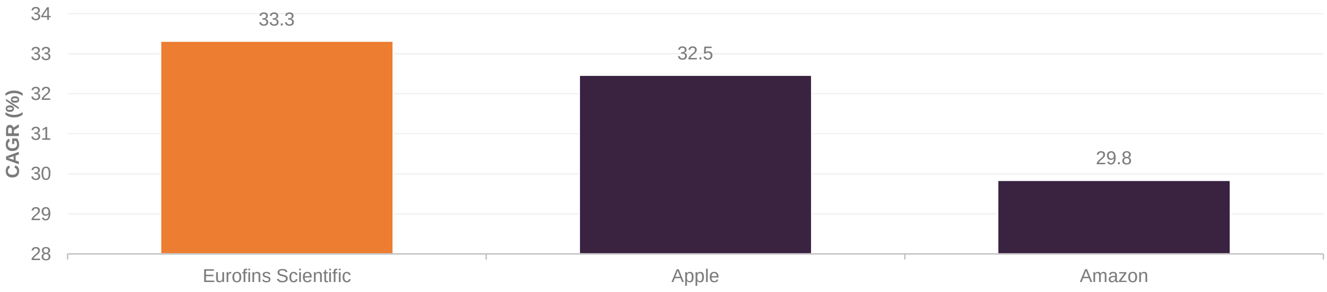
In terms of the FAANG, Eurofins' return over 20 years comfortably beats Amazon, which has seen a 'mere' 246-fold increase in its share price over the period. Another high-profile name that has been comfortably beaten by Eurofins is Google, now a subsidiary of Alphabet, whose investors have enjoyed only a 24.2x return since the company's original IPO in August 2004.

Graphs showing total return over 20 years compared to the FAANG group is shown below, and graphs of total return over five, 10 and 20 years are shown on pages 7 and 8.

Figure 5: Eurofins Scientific versus FAGA total return performance, rebased to 100, over 20 years*

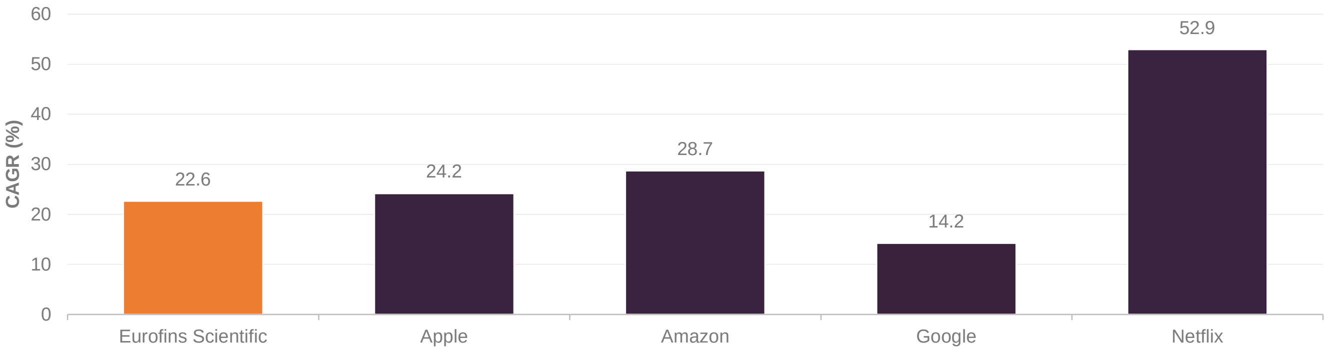
Source: Bloomberg, Marten & Co. *Note: to include comparisons of Eurofins' performance against Google and Facebook, which was not listed twenty years ago, the Google series has been rebased to Eurofins' price at its listing on 27 March 2014, and the Facebook series has been rebased to Eurofins' price at its listing on 17 May 2012. Cut-off is 10 October 2017.

Figure 6: Eurofins and the FAANG CAGR (%) of total return over 20 years*



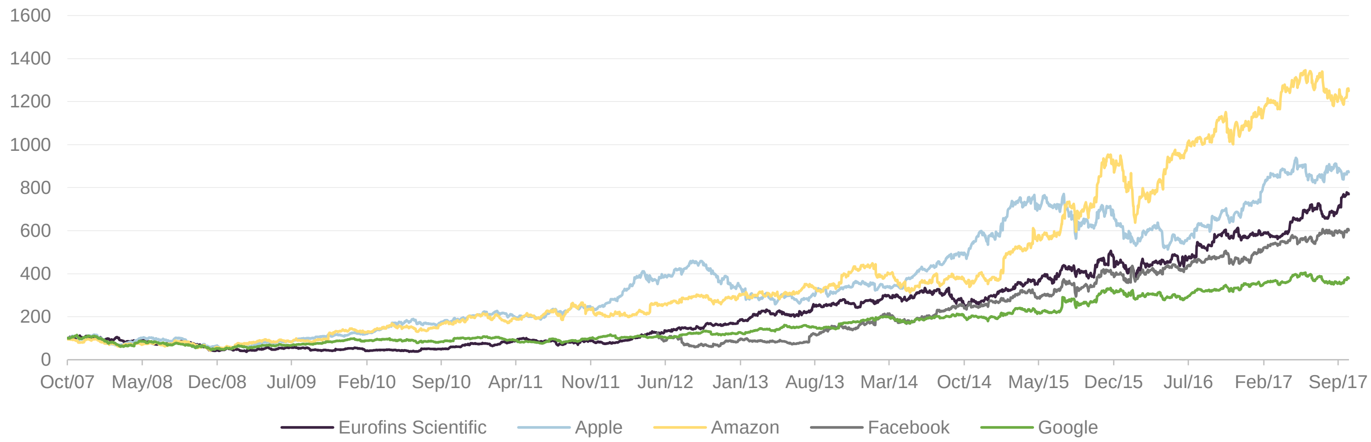
Source: Bloomberg, Marten & Co. *Note: cut off is 10 October 2017.

Figure 7: Eurofins Scientific and FAANG CAGR (%) of total return, over the 10 years*



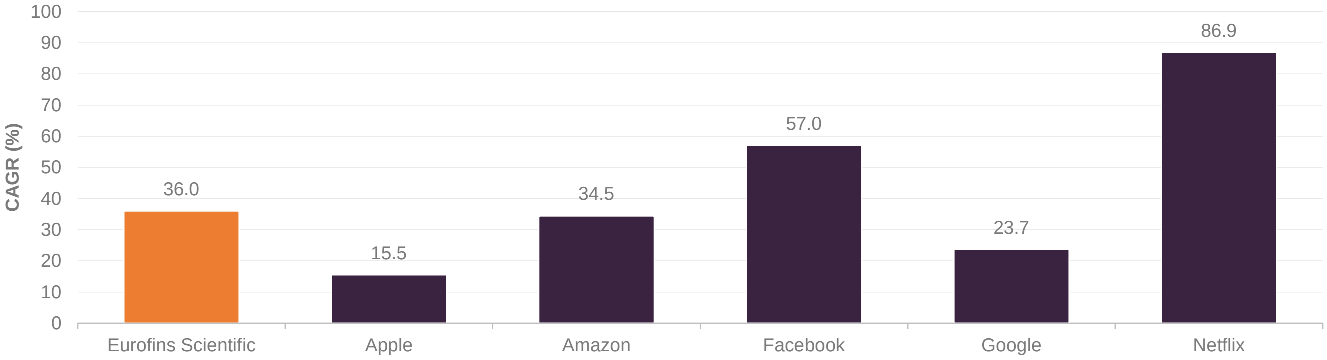
Source: Bloomberg, Marten & Co *Note: cut-off is 10 October 2017.

Figure 8: Eurofins Scientific versus FAGA share price performance, rebased to 100, over 10 years*



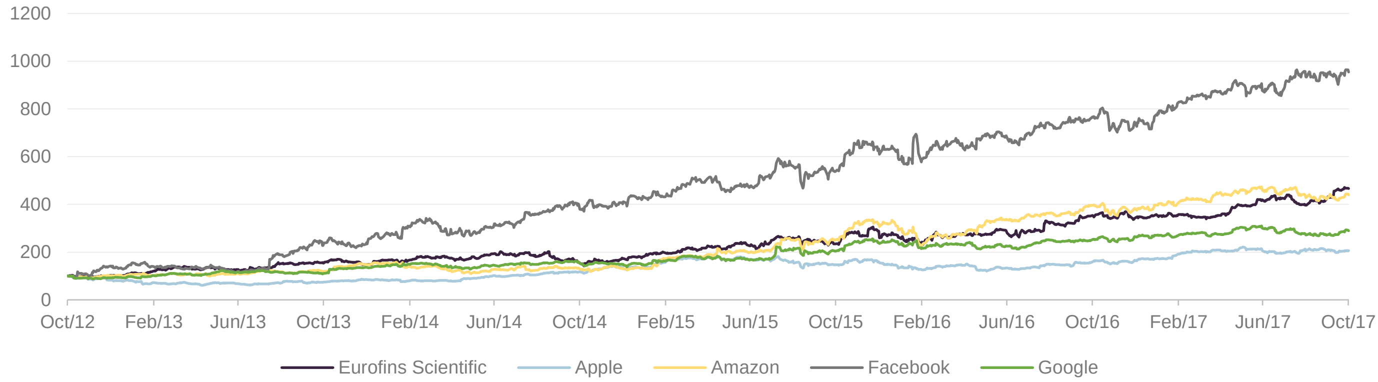
Source: Bloomberg, Marten & Co. *Note: to include a comparison of Eurofins' performance against Google, which was not listed ten years ago, the Google series has been rebased to Eurofins' price at its listing on 27 March 2014; cut-off is 10 October 2017.

Figure 9: Eurofins Scientific and FAANG CAGR (%) of total return, over five years*



Source: Bloomberg, Marten & Co. *Note: cut-off is 10 October 2017

Figure 10: Eurofins Scientific versus FAGA share price performance, rebased to 100, over five years*



Source: Bloomberg, Marten & Co. *Note: to include a comparison of Eurofins' performance against Google, which was not listed five years ago, the Google series has been rebased to Eurofins' price at its listing on 27 March 2014; cut-off is 10 October 2017.

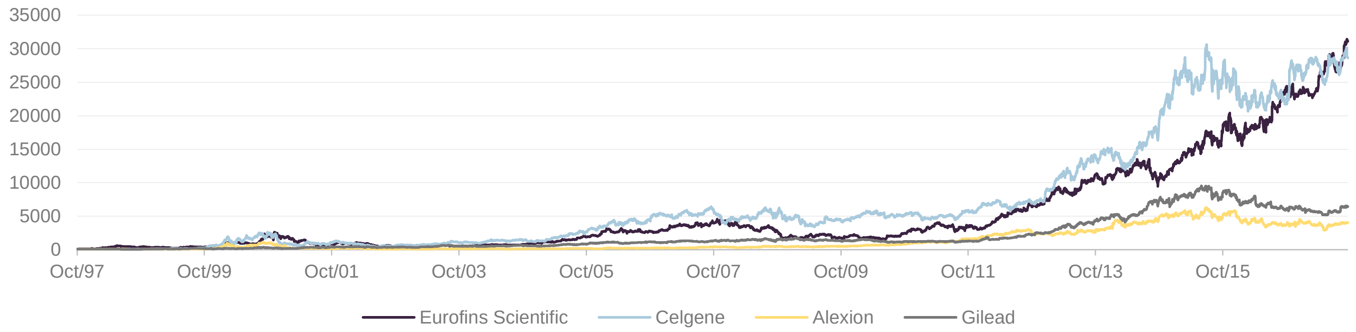
Comparison with biotech

Eurofins' shareholder returns are commensurate with the most successful US biotech stocks, which is surprising given these operate in a sector that is famous for its high risk, high reward bets on the outcome of clinical trials that can deliver spectacular returns if positive.

Eurofins' total return very closely matches that of Celgene, acknowledged as the most successful US biotech company of recent years, which has seen its share price rise 306-fold over the past 20 years.

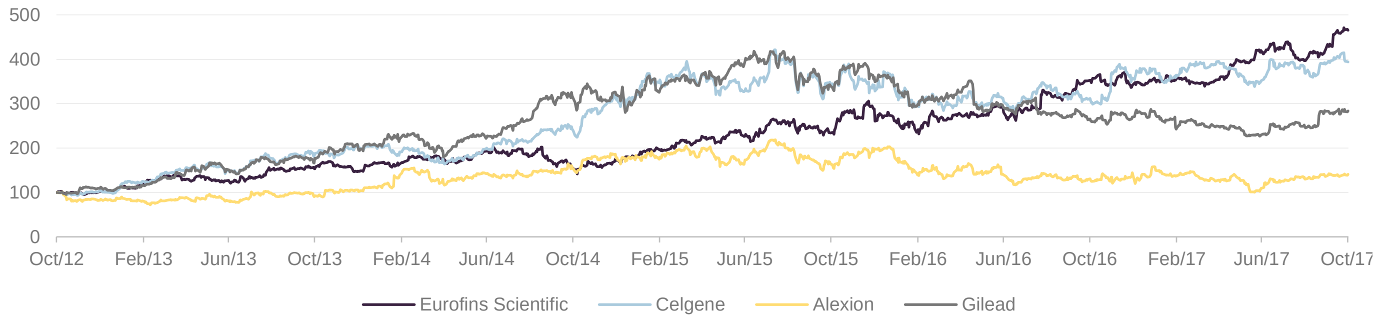
Alexion, another highly successful US biotech company, offered its investors 49-fold over the same period that Eurofins has been listed. A third company, Gilead, has shown very high returns, but does not match Eurofins over the three periods. It is notable that Eurofins' stock price performance would be in the higher end of this range bounded by these companies, all highly successful and in a highly rated sector.

Figure 11: Eurofins Scientific versus leading US biotech share price performance, rebased to 100, over 20 years*



Source: Bloomberg, Marten & Co. *Note: cut-off is 10 October 2017.

Figure 12: Eurofins Scientific versus leading US biotech share performance, rebased to 100, over five years*



Source: Bloomberg, Marten & Co. *Note: cut off is 10 October 2017.

Comparison versus indices

As would be expected, Eurofins' stock price performance compares extremely well against all the major benchmark stock market indices. Indeed, such is the growth, that it is difficult to illustrate this graphically, since at the scale of the y-axis required, these lines would barely appear to separate from the x-axis.

In the just over 19 years from 24 October 1997 to 31 December 2016, the share price rose from the equivalent of €1.83 to €405 or 221-fold, representing a compound annual growth rate of 33% per year. This compares with a total rise of 76% for the CAC40, the well-known benchmark French stock market index (a capitalisation-weighted index of the 40 largest companies quoted on Euronext Paris) over the whole period, which is the equivalent of 3% compound growth (CAGR).

Eurofins' performance over the same period also compares highly favourably with the SBF120, another widely-followed index of the 120 most actively traded stocks listed in Paris, which returned 103% – equivalent to a 4% CAGR. It also beats the Next150, an index of 150 stocks by capitalisation on four exchanges run by Euronext (France, Belgium, Netherlands and Portugal).

Eurofins is a constituent of both the SBF120 and Next150 indices and it would be interesting to speculate what would be the return of these measures, if it were to be excluded since it must contribute a reasonable component of their growth.

Eurofins has similarly outpaced US indices, such as the S&P500, which increased by 155% or 5% CAGR over the same 19-year period.

However, unfortunately, the typical investor rarely holds an investment for a 20-year period, irrespective of its merits. Marten & Co has examined the share price return in each of the calendar years since 1998 for Eurofins as well as for several relevant stock market indices. This information is tabulated on an absolute and total return basis in Figures 14 and 15 (see pages 11 and 12).

It is apparent that Eurofins has delivered a positive return for its investors in all but four calendar years - 2001-03 and 2008, thus was positive in 15 separate periods. In addition, Eurofins beat all of the indices in 11 of the 19 years considered, in most cases by a very significant margin. For simplicity, it is easier to identify the periods where Eurofins' under-performed against indices (i.e. when an index return beat that of Eurofins), rather than the reverse, and this is highlighted in the tables.

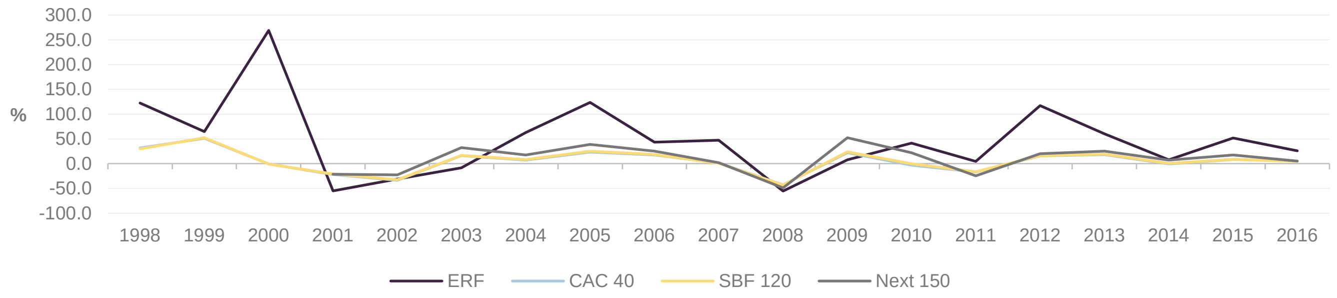
The tables also show the mean and median returns and compound growth rate, which suggests as of 31 December 2016, Eurofins' shares had shown a 30.5% compound average growth, again comfortably beating all of the indices. It is notable that this beats the Nasdaq Biotech index, which is capitalisation weighted and covers a large number of US biotech firms, which has generated a best return of all the indices considered, at 12% compound, since 1998.

Furthermore, over the most recent five-year period, Eurofins has offered its investors a positive return in each year, as well as beating the SBF120, Next150, Euronext100 and CAC40 index at all points, and the Eurostoxx50 Index in four of five years.

In 2016 alone, Eurofins saw a 25.8% increase in its share price, compared 4.9% for the CAC 40, 4.7% for the SBF 120, 3.0% for the Euronext 100 and 0.7% for the EuroStoxx 50. In terms of US benchmarks, the Nasdaq Composite delivered 7.5% and the Dow Jones Industrial Average 13.4% last year, well below Eurofins' near 26% return.

The annual return for Eurofins compared to three widely followed French stock market indices, the CAC40, SBF120 and Next 150 is illustrated in the tables over the page (Figures 14 and 15, on an absolute and total return basis). The consistently strong share price performance over longer periods of time means that investors who subscribed to all of the company's stock offerings after its IPO - two rights issues in 1998 and 1999 as well as a secondary offering in 2000 – have also seen very attractive returns.

Figure 13: Eurofins Scientific versus major indices, calendar year share price returns (all in euro terms)



Source: Bloomberg, Marten & Co

Figure 14: Eurofins Scientific – price returns by calendar year versus major indices, (all in euro terms)

Year ended 31 December	Eurofins Scientific	CAC 40	EuroStoxx 50	NASDAQ Biotechnology	NASDAQ Composite	SBF 120	S&P 500	DAX	FTSE 100	Next 150	Median (indices)	Mean (indices)
1998	122.2	31.5	32.0	34.1	29.8	29.5	17.7	17.7	7.4	N/A	29.6	25.0
1999	64.7	51.1	46.7	135.2	116.5	52.6	39.4	39.1	33.8	N/A	48.9	64.3
2000	269.1	(0.5)	(2.7)	31.3	(35.2)	(0.7)	(4.1)	(7.5)	(11.3)	N/A	(3.4)	(3.8
2001	(55.2)	(22.0)	(20.2)	(11.2)	(16.3)	(21.0)	(7.8)	(19.8)	(13.6)	(21.3)	(19.8)	(17.0)
2002	(30.9)	(33.7)	(37.3)	(53.7)	(41.9)	(32.4)	(35.0)	(43.9)	(29.2)	(23.0)	(35.0)	(36.7)
2003	(8.4)	16.1	15.7	21.4	25.0	16.8	5.3	37.1	4.9	32.6	16.8	19.4
2004	62.6	7.4	6.9	(1.4)	0.9	8.2	1.3	7.3	7.4	17.8	7.3	6.2
2005	124.0	23.4	21.3	17.6	16.0	25.2	17.8	27.1	19.9	38.6	21.3	23.0
2006	43.5	17.5	15.1	(9.3)	(1.7)	19.1	2.0	22.0	13.0	25.0	15.1	11.4
2007	47.0	1.3	6.8	(5.4)	(0.7)	0.3	(6.3)	22.3	(4.9)	1.8	0.3	1.7
2008	(55.4)	(42.7)	(44.4)	(8.8)	(37.9)	(43.1)	(35.8)	(40.4)	(47.1)	(48.9)	(42.7)	(38.8)
2009	7.7	22.3	21.1	12.8	40.4	23.7	20.4	23.8	31.4	52.3	23.7	27.6
2010	41.1	(3.3)	(5.8)	23.1	25.1	0.1	20.7	16.1	12.8	22.1	16.1	12.3
2011	4.5	(17.0)	(17.1)	15.5	1.4	(16.2)	3.3	(14.7)	(2.8)	(24.7)	(14.7)	(8.0)
2012	117.5	15.2	13.8	29.6	13.9	16.5	11.4	29.1	8.6	19.8	15.2	17.5
2013	60.4	18.0	17.9	59.0	32.8	19.5	24.4	25.5	11.9	25.1	24.4	26.0
2014	7.9	(0.5)	1.2	52.3	28.8	0.7	26.5	2.7	4.0	6.9	4.0	13.6
2015	51.8	8.5	3.8	24.1	17.8	9.0	10.6	9.6	0.2	17.7	9.6	11.2
2016	25.8	4.9	0.7	(19.1)	11.0	4.7	13.1	6.9	(1.2)	5.4	4.9	2.9
Median	43.5	7.4	6.8	17.6	13.9	8.2	10.6	16.1	4.9	17.7		
Mean	47.4	5.1	4.0	18.3	11.9	5.9	6.6	8.4	2.4	9.2		
CAGR	30.2	2.6	1.4	12.6	6.9	3.3	4.7	5.4	0.4	5.5		

Source: Bloomberg, Marten & Co. Note: periods in which Eurofins' share price underperformed an index are highlighted.

Figure 15: Eurofins Scientific – total returns by calendar year versus major indices, (all in euro terms)

Year ended 31 December	Eurofins Scientific	CAC 40	EuroStoxx 50	NASDAQ Biotechnology	NASDAQ Composite	SBF 120	S&P 500	DAX	FTSE 100	Next 150	Median	Mean
1998	122.2	33.9	35.2	34.1	30.3	31.9	19.5	17.7	10.4	N/A	31.1	26.6
1999	64.7	54.4	50.1	135.2	117.1	55.9	41.2	39.1	37.4	N/A	52.2	66.3
2000	269.1	0.8	(1.0)	31.3	(35.1)	1.1	(3.0)	(7.5)	(9.1)	N/A	(2.0)	(2.8)
2001	(55.2)	(21.5)	(18.6)	(11.2)	(16.1)	(19.8)	(6.6)	(19.8)	(11.2)	(21.3)	(18.6)	(16.2)
2002	(30.9)	(32.3)	(35.7)	(53.7)	(41.7)	(30.9)	(34.0)	(43.9)	(27.0)	(23.0)	(34.0)	(35.8)
2003	(8.4)	18.9	19.4	21.4	25.6	19.6	7.2	37.1	8.9	32.6	19.6	21.2
2004	62.6	10.1	10.3	(1.4)	2.5	10.8	3.0	7.3	11.5	17.8	10.1	8.0
2005	124.0	27.0	25.4	17.7	16.8	28.8	20.0	27.1	24.6	38.6	25.4	25.1
2006	43.5	21.0	19.2	(9.3)	(0.4)	22.5	4.0	22.0	17.2	25.0	19.2	13.5
2007	47.2	4.2	10.4	(5.2)	0.1	3.1	(4.5)	22.3	(1.2)	1.8	1.8	3.4
2008	(55.3)	(40.3)	(41.8)	(8.4)	(37.3)	(40.8)	(34.2)	(40.4)	(44.6)	(48.9)	(40.4)	(37.4)
2009	8.0	27.6	27.0	13.1	41.8	29.1	23.4	23.8	37.7	52.3	27.6	30.7
2010	41.6	0.6	(1.8)	24.2	26.4	3.8	23.1	16.1	16.9	22.1	16.9	14.6
2011	4.8	(13.4)	(13.1)	15.7	2.4	(12.8)	5.4	(14.7)	1.1	(24.7)	(12.8)	(6.0
2012	119.5	20.4	19.6	30.4	15.7	21.6	14.0	29.1	13.4	19.8	19.8	20.4
2013	61.4	22.2	22.7	59.4	34.6	23.8	27.1	25.5	16.0	28.8	25.5	28.9
2014	8.5	2.5	4.9	52.7	30.4	3.8	29.1	2.7	7.7	9.4	7.7	15.9
2015	52.5	11.9	7.3	24.5	19.3	12.4	12.9	9.6	3.9	20.7	12.4	13.6
2016	26.4	8.8	4.8	(18.8)	12.5	8.4	15.6	6.9	2.9	7.9	7.9	5.5
Median	43.5	10.1	10.3	17.7	15.7	10.8	12.9	16.1	8.9	18.8		
Mean	47.7	8.3	7.6	18.5	12.9	9.1	8.6	8.4	6.1	9.9		
CAGR	30.5	5.6	4.9	12.8	7.9	6.4	6.7	5.4	4.1	6.2		

Source: Bloomberg, Marten & Co. Note: periods in which Eurofins' share price underperformed an index are highlighted.

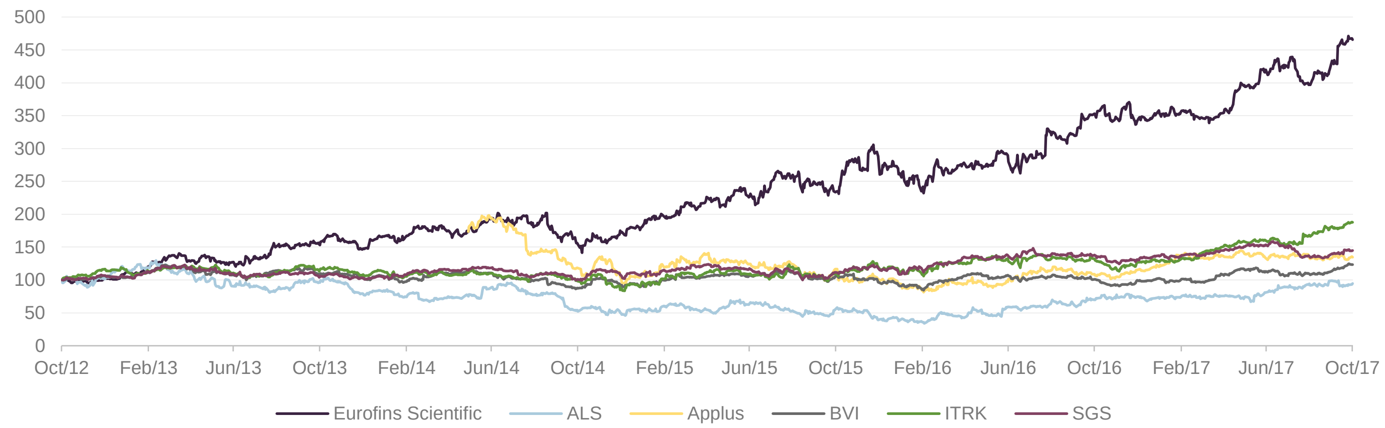
Comparison with TIC segment peers

Eurofins is usually grouped by investors as part of the TIC (testing, inspection and certification) market segment, although it in fact operates exclusively in the testing business whereas most of its direct comparators operate more broadly in industrial inspection and certification as well. Its most direct competitors are probably Bureau Veritas, SGS and Intertek, which are also active in the food and environmental testing space.

Many of the peers and direct competitors have also been highly successful in terms of financial results and share price growth by ordinary standards; nevertheless, Eurofins has significantly out-performed these, especially over the past five years.

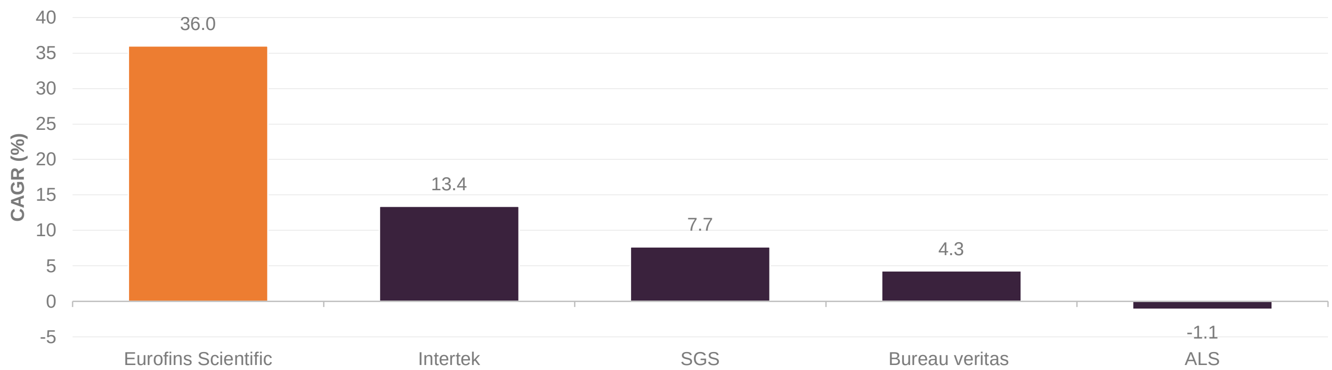
Eurofins' share price total returns, relative to peers, over five, ten and 20 years are shown in Figures 16, 18 and 20. The values are indexed to 100 and, where peers have listed later, their share prices rebased to the Eurofins value at a subsequent time point. As can be seen, Eurofins has outperformed its peers by a significant multiple over each of these periods.

Figure 16: Eurofins Scientific and TIC peer group total return performance, rebased to 100, over five years*



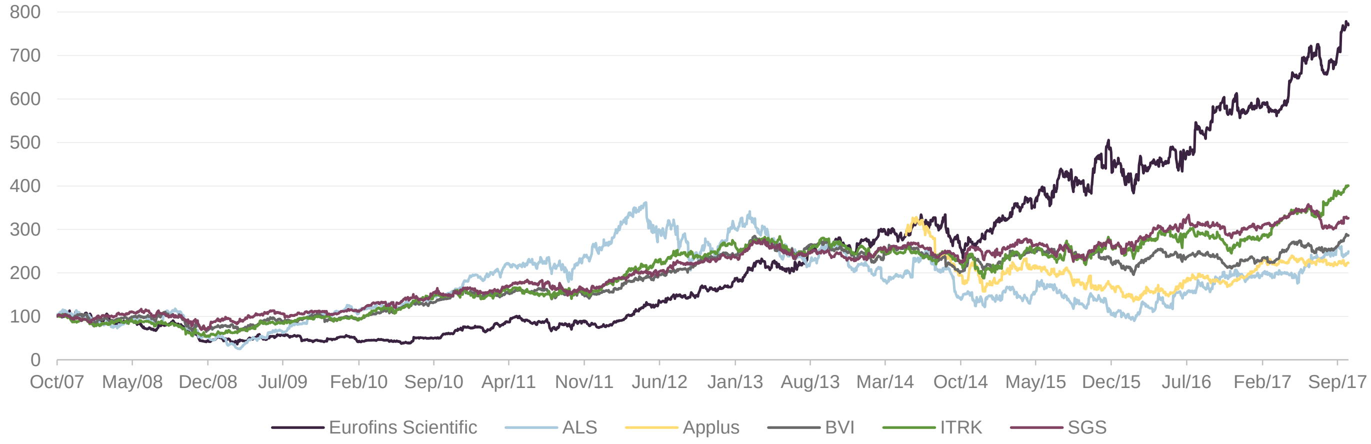
Source: Bloomberg, Eurofins Scientific *Note: to include a comparison of Eurofins' performance against Applus, which was not listed five years ago. The Applus series has been rebased to Eurofins' price at its listing on 8 May 2014; cut-off is 10 October 2017.

Figure 17: Eurofins Scientific and peer group CAGR (%) of total return, over five years*



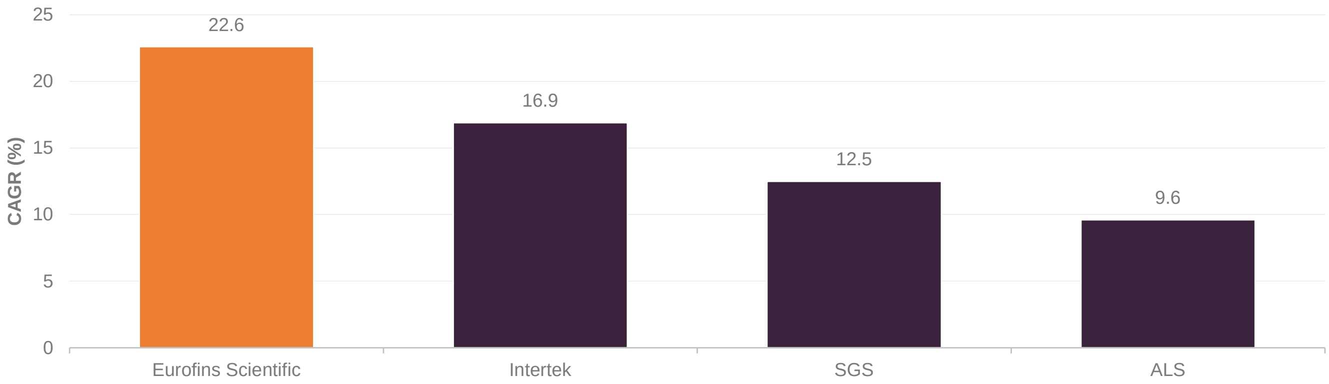
Source: Bloomberg, Marten & Co. *Note: calculated to 10 October 2017.

Figure 18: Eurofins Scientific and peer group total return performance, rebased to 100, over ten years*



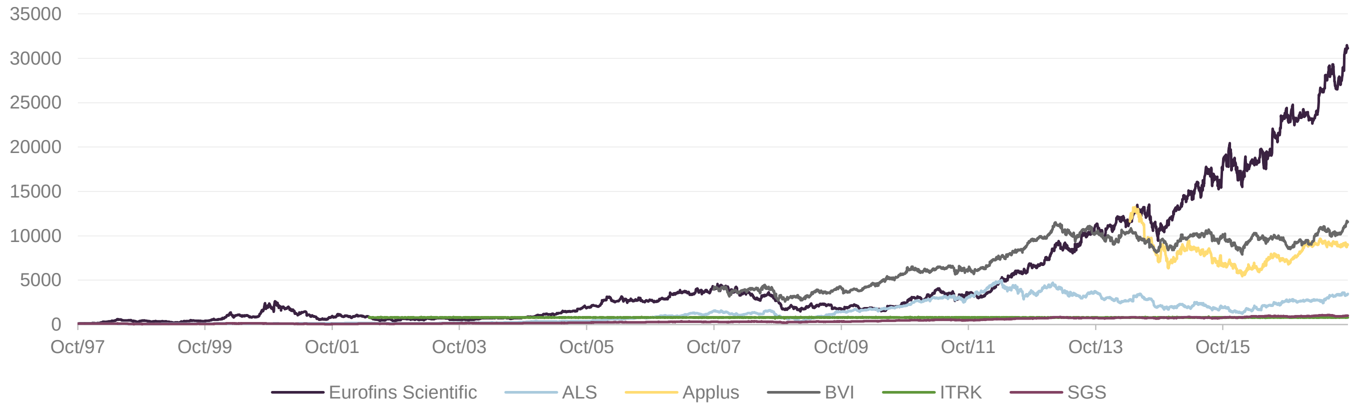
Source: Bloomberg, Eurofins Scientific *Note: to include a comparison of Eurofins' performance against its peers that were not listed ten years ago (Applus and BVI), the Applus series has been rebased to Eurofins' price at its listing on 8 May 2014 and the BVI series has been rebased to Eurofins' price at its listing on 23 October 2007; to 10 October 2017.

Figure 19: Eurofins Scientific and peer group CAGR (%) of total return, over ten years*



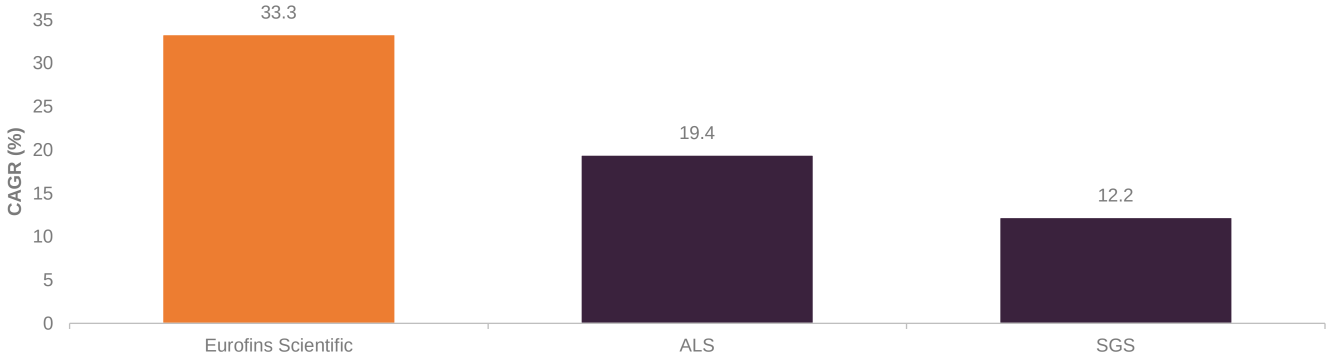
Source: Bloomberg, Eurofins Scientific *Note: calculated to 10 October 2017.

Figure 20: Eurofins Scientific and peer group total return performance, rebased to 100, over 20 years*



Source: Bloomberg, Eurofins Scientific *Note: to include a comparison of Eurofins' performance against its peers that were not listed twenty years ago (Applus, BVI and ITRK), the Applus series has been rebased to Eurofins' price at its listing on 8 May 2014, the BVI series has been rebased to Eurofins' price at its listing on 23 October 2007 and the ITRK series has been rebased to Eurofins' price at its listing on 23 May 2002, to 10 October 2017

Figure 21: Eurofins Scientific and peer group CAGR (%) of total return, over 20 years*



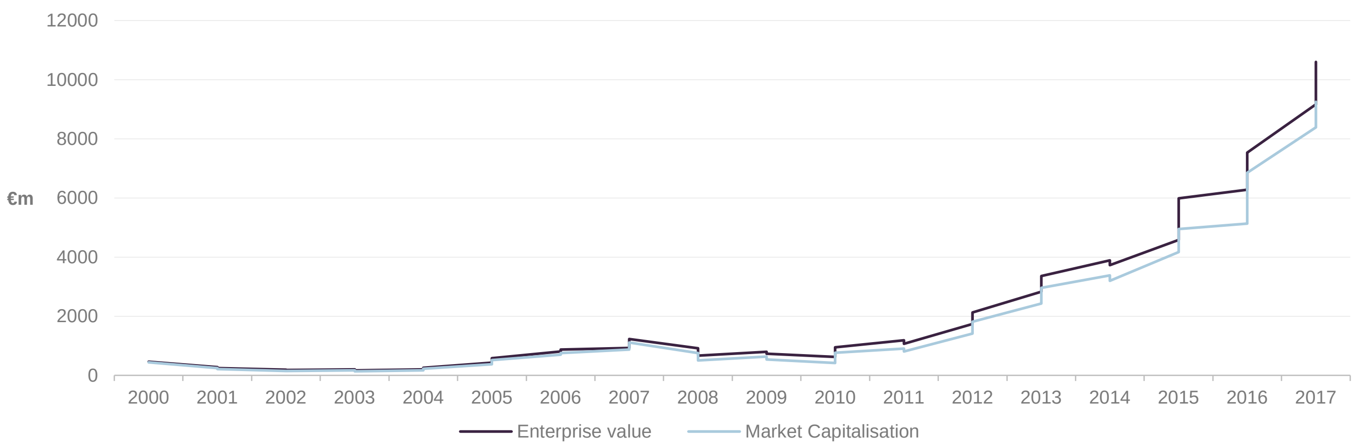
Source: Bloomberg, Marten & Co. *Note: calculated from 24 October 1997 to 10 October 2017.

Over five years, the best performance from peer/competitor group was achieved by Intertek, which achieved a 1.5-fold return compared to 4.7x for Eurofins. Similarly, over 10 years, the relative outperformance is more marked, with Eurofins' seven-fold increase compared with 3.7x for Intertek, the best of the group. This is perhaps more surprising considering it includes the 2007-12 timeframe when Eurofins saw an absolute decline and lagged wider market. The 20-year graph shows the greatest separation of Eurofins from its peers. A top-level comparison of the peer companies is shown in Figure 23 (over).

Another way to illustrate the growth in Eurofins size is simply to look at its workforce, which has been reported on weighted average full time equivalent basis for the past 13 years and is shown in the table below. It is clear that in the past 10 years, the company's workforce has increased nearly six-fold from 4,000 to 23,400. The company's actual workforce currently stands at over 30,000 and is set to rise by a further 1,000 on completion of the currently pending acquisition of EAG Laboratories and a few more companies.

Marten & Co examined Eurofins' market capitalisation and enterprise value (market cap adjusted for net debt) to determine whether balance sheet gearing is likely to be a major factor in its performance, but our conclusion is that the effect, if any, would be minor.

Figure 22: Eurofins Scientific enterprise value and market capitalisation (€m)



Source: Bloomberg, Eurofins Scientific

Figure 23: TIC Peers*

Region	2016 Revenue	Revenue mix / key markets	Number of employees	Market capitalisation
Eurofins Scientific	€2.5bn	Pharmaceutical (45%), F&F (37%), Environment (18%)	23,401	€9.25bn
ALS	A$1.365bn	Minerals (25%), industrial (14%), energy (15%).	11,500	A$4.14bn
Applus	€1.587bn		18,700	US$1.55bn
Bureau Veritas	€4.59bn	Industry (20%), commodities (18%), consumer prods (14%), ISI &V (13%), construction (13%), marine/offshore (9%), certification (8%), government (5%)	66,000	€9.87bn
Intertek	£2.567bn		42,000	£8.32bn
SGS	CHF 6bn		92,300	CHF 17.73bn

Source: Company reports *Note: number of employees taken from 2016 annual reports; market capitalisation as at 10 October 2017.

Figure 24: Eurofins workforce, weighted average FTE

Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
North America	243	261	379	460	638	629	622	1,566	2,212	2,600	3,168	4,602	5,763
France	398	566	900	1,219	1,418	1,405	1,437	1,697	2,247	2,341	2,450	3,455	5,189
Germany	434	573	1089	1,380	1,669	1,725	1,863	1,936	2,093	2,263	2,574	2,718	2,988
Benelux	446	537	614	679	772	761	713	750	898	1,163	1,445	1,514	1,983
Nordic Countries	317	386	561	821	1,245	1,245	1,128	1,101	1,096	1,146	1,174	1,207	1,259
UK & Ireland	210	302	443	546	545	482	423	526	586	692	884	1,041	1,253
Other	35	34	83	306	624	945	1,036	1,166	1,760	2,638	3,159	3,845	4,966
Total	2,083	2,659	4,069	5,320	6,910	7,192	7,222	8,742	10,890	12,932	14,885	18,382	23,401

Source: Eurofins Scientific

Stock price versus financial performance

Eurofins' stock price performance is obviously a reflection of its underlying financial performance as a business, as well as its market rating over time, which is in turn reflects the investors' perception of the quality of the business in terms of its potential for future growth of sales and profits and the consistency/sustainability. Without yet commenting on the latter, it is clear the growth in Eurofins' revenues and profits have been largely responsible for driving the share price rise.

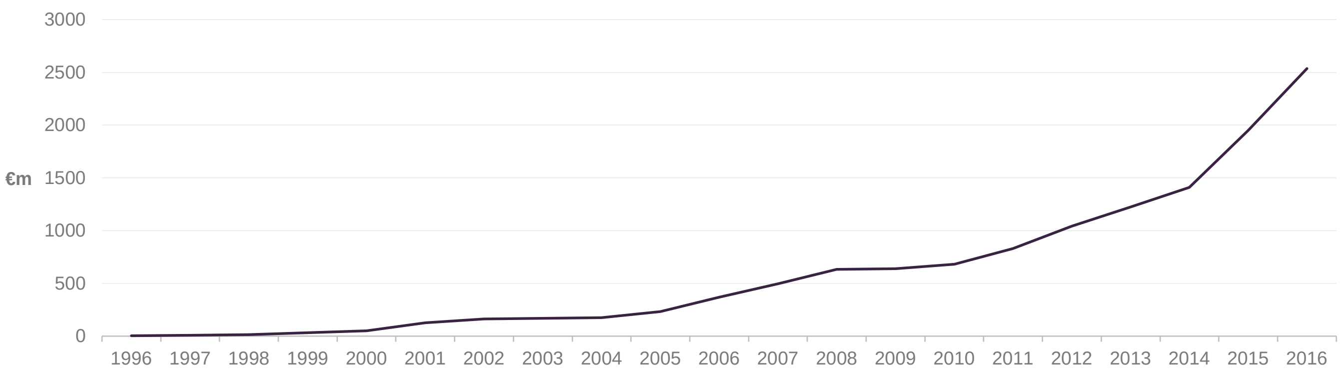
Revenues have grown from 378-fold from €6.6m in 1997 to €2.5bn in 2016. Revenues this year are forecast at €2.9bn, which if achieved, would represent a 14% rise year on year. The five-year revenue CAGR has been in the order of 25%, with organic growth having ranged from between 6-9% over the past four years and overall revenue growth (including that contributed by acquisitions) ranging from 15-38%.

Revenue growth is shown in Figure 25 and the year on year percentage change, on a reported basis, shown in Figure 26. Revenue growth has been slower for two periods; from 2003-2004 and 2009-2010. Organic or like-for-like growth has been typically in the mid to high single digit percentage terms, while the larger overall changes in revenue reflect acquisitions and their proportional consolidation in various years.

Eurofins characterises its long-term growth in terms of having doubled its revenues more than three times, every three years on average, from 2005 to 2016.

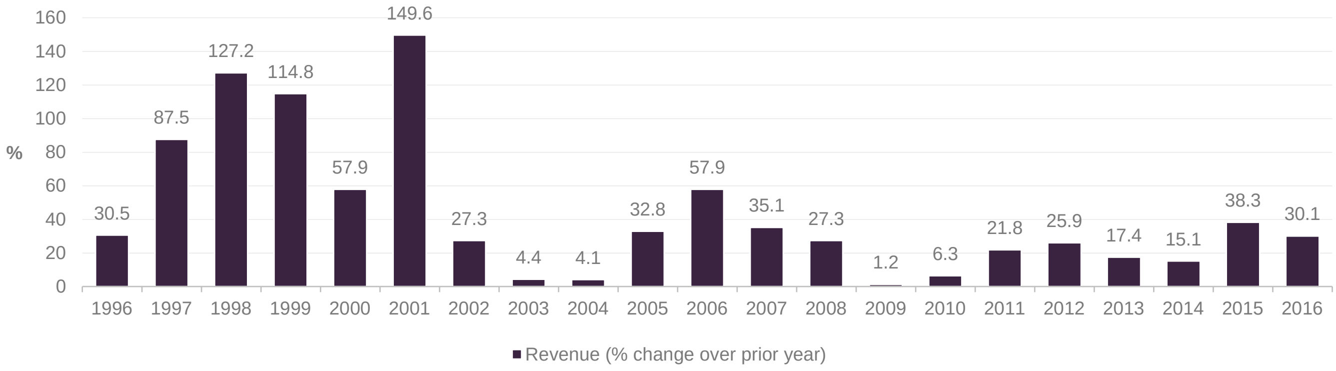
Acquisitions have thus played a substantial contribution, ranging between 10-30% in recent financial periods. Acquisitions certainly over the past decade have always formed a part of the growth, with the company having concluded sometimes up to 30 such transactions per year. The company has historically undertaken around 12-20 M&A transactions per year, and the successful integration of these is again something that is extraordinary.

Figure 25: Eurofins Scientific Revenue (€m)



Source: Bloomberg, Eurofins Scientific

Figure 26: Eurofins Scientific revenue percentage change over prior year



Source: Bloomberg, Eurofins Scientific

In 2016, Eurofins completed 27 acquisitions which had aggregate annualised revenues of more than €220m. The total of these acquisitions was €189 (€201m, including €12.1m earn-outs on past acquisitions, excluding any deferred consideration) and the purchase price averaged 1x EV/sales.

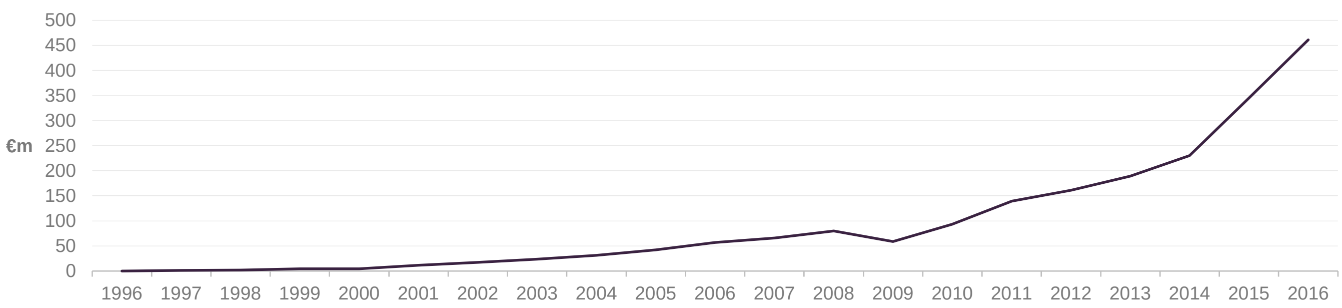
The other growth pillar comes through start-ups, effectively entering new markets with a new build lab. It completed 16 such start-ups 2007-2009 and 18 in 2010-2013. There was a significant acceleration of the start-up programme from 2014, with 76 new laboratories opened over 2014-2016. The company now undertakes around 20 start-ups per year.

These start-ups are not, nor are they expected to be, profitable until around the third year of operation. The wave of 18 start-ups launched in 2010 became profitable as a whole in 2014. Typically, each start-up lab shows losses of €1-2m/year in the first two years and requires capital expenditure of €1-3m.

In 2015, Eurofins achieved a mid-term objective set in 2012 of generating €2bn annual revenues by 2017, two years early, with €2.24bn pro forma revenues in 2015 (€1.95bn on a reported basis). The current mid-term target is to achieve 2020 revenues of €4bn, equivalent to 12.1% CAGR, with 5% assumed to come from organic growth and c€200m of acquisitions per year.

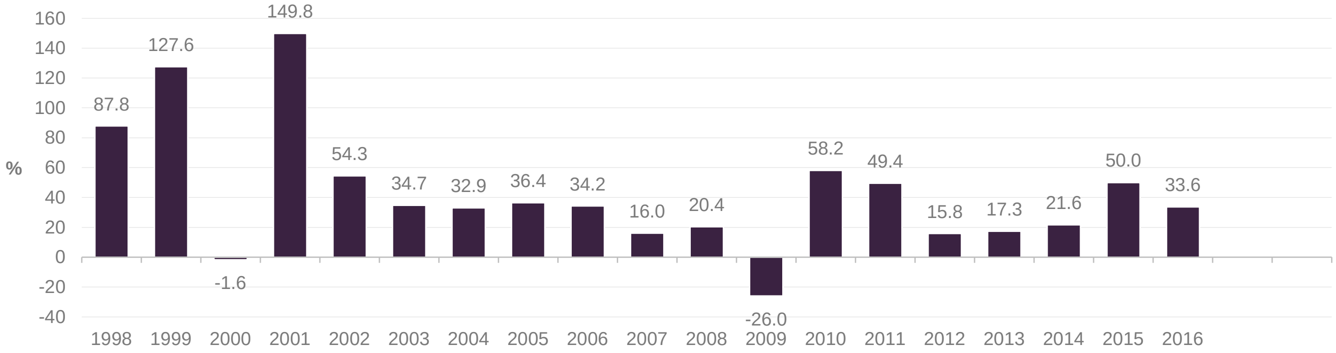
In terms of profit, Eurofins has been EBITDA positive throughout the past 19 years. Generally, growth in EBITDA has been between 40-60% per year, with two exceptions, in 2000 and in 2009, when a year-on-year decline was recorded (see Figure 28). In recent years, EBITDA growth has averaged 30% per year.

Figure 27: EBITDA (€m)



Source: Bloomberg, Eurofins Scientific

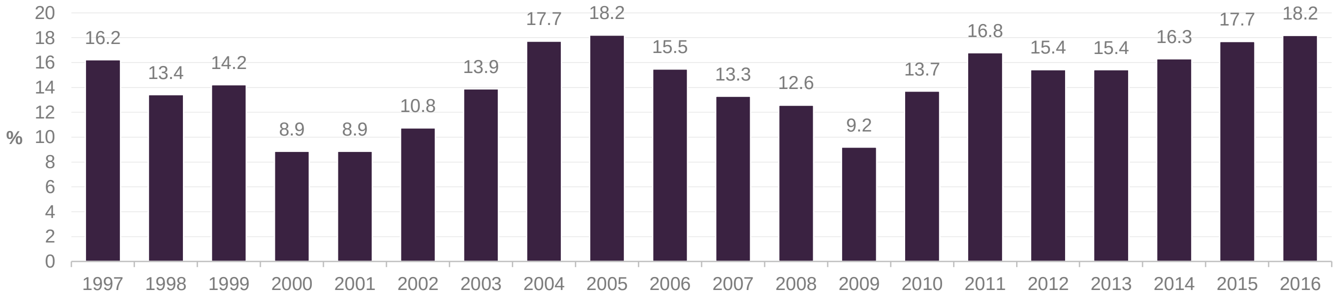
Figure 28: EBITDA (percentage change over prior year)



Source: Bloomberg, Eurofins Scientific

The company is targeting €550m in adjusted EBITDA in 2017, before separately disclosed (one-off) items, which would represent year on year growth of 15%. The EBITDA margin (Figure 29) has ranged between 9 and 18% over the past 20 years, latterly at the high end of this. The figure was depressed in the 2008-09 period as a result of an internal restructuring and reorganisation programme, which was coincident with the financial crisis.

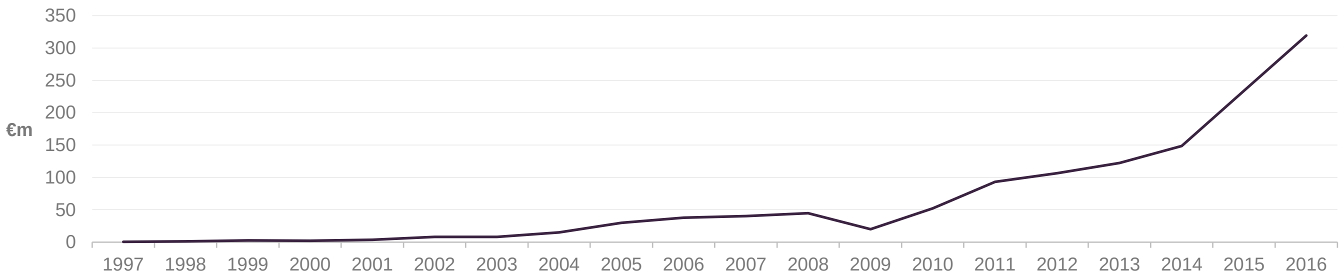
Figure 29: EBITDA margin (as a percentage of external revenues)



Source: Bloomberg, Eurofins Scientific

Eurofins also reports a figure of EBITDAS, or EBITDA before separately disclosed items, which excludes typical non-cash charge/gains and all the costs associated with acquisitions and start-ups. This figure gives an indication of the underlying profitability of the business on a sustainable basis. Adjusted EBITDA is shown in Figure 30.

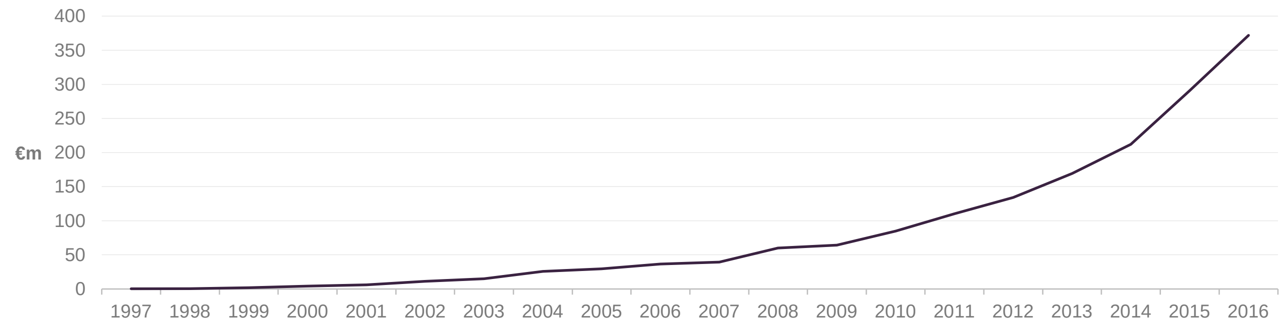
Figure 30: Adjusted EBITDA* (€m)



Source: Bloomberg, Eurofins Scientific * before separately disclosed items (includes one-off costs from integration, reorganisation, discontinued operations and other non-recurring income and costs, temporary losses and other costs related to network expansion, start-ups and new acquisitions undergoing significant restructuring, non-cash accounting charges for stock options and shares, impairment of goodwill, amortisation of acquired intangible assets, negative goodwill, discontinued activities 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 and the related tax effects).

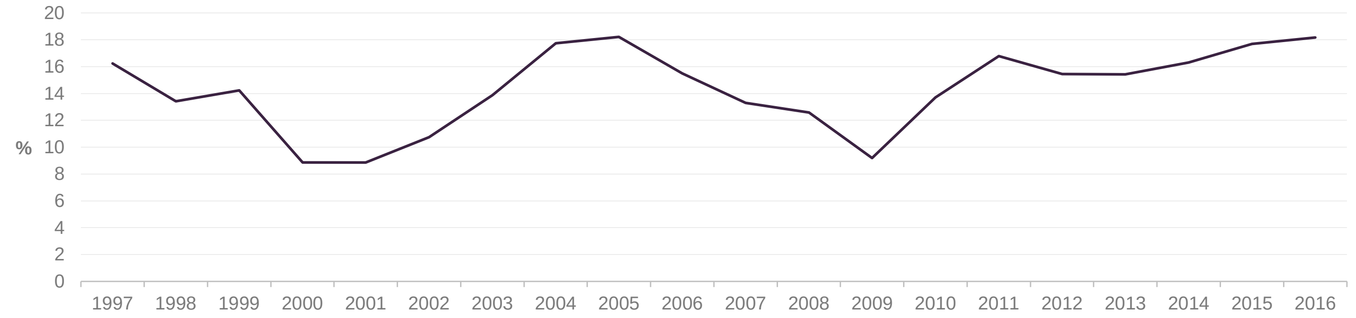
Operating cash flow is shown in Figure 31 and, as would be expected, closely resembles EBITDA.

Figure 31: Operating cash flow (€m)



Source: Bloomberg, Eurofins Scientific

Figure 32: Diluted EPS growth (percentage change over prior year)



Source: Bloomberg, Marten & Co

Valuation ratios over 20 years

Eurofins P/E ratio has fallen in an impressive range of between 40-60 times over most of the past 10 years, as befits a high-growth company. Clearly, there was a major de-rating in 2008-2011, which includes one year in which a net loss was recorded. The improvement in the rating and its subsequent stabilisation in the 40-60 range is evident and is in part, responsible for the strong share price performance in the past five years.

Figure 33: Eurofins Scientific P/E ratio

Source: Bloomberg, Marten & Co. Note: Figures prior to 2003 are not shown as ratio is large and not particularly meaningful. The discontinuity in the line reflects the fact Eurofins reported a loss/share in 2010.

EV/EBITDA (trailing 12 months) over the past 10 years, the period for which reliable data are available, is shown in Figure 34. This shows a range of between high single digit to low 20s, although it has been consistently at the upper end of this range in the past three years.

Figure 34: EV to trailing 12-months EBITDA

Source: Bloomberg, Marten & Co

Conclusion

Eurofins' share price performance over 20 years is extraordinary and moreover seems to reflect the company's own financial performance, which in turn has been driven by the underlying growth of the business.

The company is notable for having been able to achieve high levels of organic growth and generate additional growth through M&A consistently and over an extended period.

Much of the strong performance can be attributed to the fact that Eurofins has not diversified from its core areas of expertise and it must also be assumed to enjoy a sustainable competitive advantage in areas in which it already has market leading positions. It also has had the same management, the founder, who is also effectively a controlling shareholder. This is presumed to allow it to execute a much longer-term strategic vision than might otherwise be the case.

Eurofins is notable for other highly unusual factors, including its ability to undertake acquisitions (some 10-20 per year). The company has a highly-decentralised structure and has been able to retain the management from acquired businesses.

There are of course important questions for investors, such as whether Eurofins can continue to maintain the current levels of growth organically or via acquisition, and if it is to do so, will have to undertake larger acquisitions or diversify to a greater extent in future.