

1st July 2016

Business Services

Eurofins Scientific

Price EUR333.60

Feedback from conference call on private equity issuance

Fair Value EUR340 (+2%)

SELL

Bloomberg	ERF.FP
Reuters	EUFI.PA
12-month High / Low (EUR)	359.8 / 268.8
Market Cap (EUR)	5,134
Avg. 6m daily volume (000)	16.30

	1 M	3 M	6 M	31/12/15
Absolute perf.	-4.3%	3.5%	3.7%	3.7%
Inds Gds & Svs	-5.9%	-3.0%	-4.5%	-4.5%
DJ Stoxx 600	-5.1%	-2.3%	-9.8%	-9.8%

	2015	2016e	2017e	2018e
P/E	38.0x	35.9x	29.5x	25.4x
Div yield (%)	0.4%	0.5%	0.6%	0.7%

ANALYSIS

- The group hosted a conference call with analysts yesterday, following the announcement on Tuesday evening of a private equity issue (EUR200m) reserved for **La Caisse de Dépôts et Placement du Québec (CDPQ)**.
- **M&A support:** Management clearly suggested the goal of this capital increase was to strengthen the group's balance sheet in view of potential larger acquisitions (common targets generate <EUR50m revenue). A few large targets seem to be in the pipe but this requires presenting a healthy balance sheet before starting negotiations.
- **Not the last:** Even if management highlighted that its 2020 guidance (5% organic growth + EUR200m of revenue acquired by year) would have been fully achievable without this additional equity, it also admitted further similar capital increase are not being ruled out depending on the environment and especially on transaction opportunities. However, debt and hybrid should also remain a significant instrument in Eurofins' financing strategy.
- **Guidance still on track:** Regarding the trading environment, Q2 2016 should be well oriented and benefit from management's confidence. However, Q2 is unlikely to be at the same level as Q1 (>10% LfL growth). As of end June, Eurofins already acquired seven companies for annualised revenue of EUR66.5m

VALUATION

- At the current share price, the stock is trading at 20.1x EV/EBIT 2016e and 18.4x 2017e compared with the historical median of 19.6x.

NEXT CATALYSTS

- H1 results on 2nd August 2016

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