

3rd August 2016

Business Services

Eurofins Scientific

Price EUR374.80

Conference call feedback: Definitely a strong H1 but extrapolation would be excessive

Fair Value EUR340 (-9%)

SELL

Bloomberg	ERF.FP
Reuters	EUFI.PA
12-month High / Low (EUR)	374.8 / 268.8
Market Cap (EUR)	5,995
Avg. 6m daily volume (000)	15.50

	1 M	3 M	6 M	31/12/15
Absolute perf.	9.7%	16.0%	23.1%	16.5%
Inds Gds & Svs	3.1%	0.5%	8.0%	-0.8%
DJ Stoxx 600	1.0%	-1.7%	0.3%	-8.3%

	2015	2016e	2017e	2018e
P/E	42.7x	41.7x	35.5x	30.5x
Div yield (%)	0.4%	0.4%	0.5%	0.5%

ANALYSIS

- **Solid operating performance:** Following the very strong H1 results released yesterday before market (in terms of growth and margin generation), Eurofins held a conference call with analysts. As a reminder, the group unveiled 11% lfl growth for H1 2016 (the highest growth generated organically since 2008) with revenues reaching EUR1,208m (vs. EUR842m in H1 2015) while improving adjusted EBITDA margins by 103 bp to 17.9% with adjusted EBITDA at EUR217m (vs. EUR142m in H1 2015) mainly thanks to more profitable acquisitions with companies generating profitability levels closer to Eurofins and start-ups, which breakeven sooner than expected.
- **What to expect for H2 2016:** During the conference call management warned several times that H1 growth should not be extrapolated to the second part of the year or coming years, and confirmed its FY guidance (5% lfl growth vs. BG ests 8% and consensus at 6.8%). Admittedly, this strong H1 Eurofins target in terms of adjusted EBITDA margin (20% in 2020) has gained credibility, but we are sticking to our "Base case" scenario: 8% lfl growth in 2016 and 5% until 2020 with 19.1% EBITDA margin in 2020 and long-term assumptions based on 19.5% EBITDA margin taking into account the fact that acquisitions, as part of the group's strategy, will continue to weigh on margins. Our FV remains at EUR340. Please bear in mind that H2 2016 should be more difficult, especially in France, and should suffer from an unfavourable comparison base (+9% lfl growth in H2 2015).

VALUATION

- At the current share price, the stock is valued at 15.3x EV/EBITDA 2016e and 13.9x 2017e compared with CAGR EBIT 2015-2018 of 19.4%.

NEXT CATALYSTS

- Date to be scheduled around the end of September – European Investor Day (London)
- 2nd November 2016 – Q3 earnings
- 8 November 2016 – US Investor Day (Lancaster)

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