

Eurofins Agroscience Services

MAINTAINING COMPETITIVENESS IN A GLOBAL MARKET



Consolidation

- Around 10 years ago flourish of M & A activity amongst manufacturers
- Increased market reach
- HQ assume global responsibilities
- HQ have overview of budgets and timelines for global development and registration program
- Regional offices focus on local issues
- Role of regions akin to a sub-contractor for global hub
- Responsibility for regional aspects may be cascaded down to local offices or may be controlled/contracted by HQ
- New outsourcing approach partly driven by shortage of internal resources following cost control programs around 5 years ago

Regulatory harmonisation

- **GLP systems are increasingly harmonised**
 - More countries join OECD
 - Mutual Acceptance eg IMMETRO
- **OECD harmonisation of global registrations by 2013**
- **Interim OECD work sharing programs involving MAD already underway with new as's**
- **Mitigated data requirements on a global level**
- **Reduced cost and expedited timelines**

Impact on sponsor's approach

- Agchem manufacturers and seed breeders operate in a global market and think globally
- Globalisation can lead to customers streamlining complexity of managing contractors by selecting a rationalised short-list of 'Preferred CRO's'
- Demand robust partner
- Globalisation can encourage selection of one-stop-shop
- Require consistency of approach across continents
 - Communication
 - Systems
 - Equipment
- Relationship may be underscored with a financial agreement
- Shared risk opportunities

Robust partner

Eurofins Scientific is a global leader in bio-analysis in the pharmaceutical, agrochemical, food and environment sectors for research, development, quality, safety and compliance testing :

- Leader in food testing
- 3rd worldwide in environmental testing
- Listed on Paris and Frankfurt stock exchanges

Eurofins worldwide:

- 150 laboratories
- 8000 employees
- 30 countries

Response mechanisms

Robust partner



Sustainable Market Growth Drivers

- Food safety & contamination issues
- New regulations (e.g. REACH)
- Outsourcing trend
- Risks due to globalisation of trade
- Vulnerability of global brands
- Scientific development (e.g. GMOs) + new testing methods

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Key Success Factors

- Unique technology portfolio of 25,000 assays
- Volume scale advantage & Competence Centres
- Focus on running labs
- Global network of standardised labs
- Experience in integrating value adding acquisitions
- Recurring revenues with high switching costs

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Solid Outlook

Sales target

- 2008 : €620 m
- 2009 : €720 m
- 2011 : €1000 m

Value creation target

- 20% ROCE (mid term)
- 15 % EBITAS margin (mid term)

➔ *Eurofins is well positioned in a young, fast growing and fragmented market*

One stop shop

Geographically

- **Field facilities in NAFTA, EU and LATAM**
- **Present in APAC with expansion plan**
- **RoW – presence in Africa**
- **Toxicology laboratories in US and EU**
- **Multiple GLP residue laboratories**
 - 1 US
 - 1 LATAM
 - 5 EU
 - Residue lab in China with plans to expand into rest of APAC

Eurofins Agrosience Services Global Locations-One Stop Shop



agrosience services



Note – Locations are a combination of field stations and laboratories

– Asia and Oceania locations are Group partners

One stop shop

Technically

- **Registration group**
- **Efate**
- **Ecotox**
- **Field**
- **Chemistry**
- **Processing**
- **OPEX**
- **Toxicology**

Consistency of approach

- **Similar SOP's and equipment used worldwide**
- **Quality/training group responsible for intra and inter continental knowledge transfer**
- **Global Study Management group ensure consistent approach to study design and reporting**
- **Entire group utilize EASSM software for study monitoring and financial management**
- **Data capture and software identicality**
- **KAM initiative for continuity of communication**
- **All study related/sponsor info available to entire group using SharePoint**

Financial agreements

- Partnerships result in long term multi-disciplinary commitments involving all aspects of sponsor's portfolio
- As sponsor systems are adopted, communications are optimised
- Efficiencies aligned with economies of scale translate to cost savings/reduced prices

Shared risk

- Can apply to generics, re-registration or proprietary compounds
- Deferred payments in recognition of investment:revenue stream disparity
- Royalty rewards may replace conventional payments
- Requires strong regulatory and market knowledge
- Requires financial strength

The Full Monty

MERLin

- **Market Evaluation, Registration thru Launch. . .**
- **. . . in NAFTA; EU; LATAM; APAC etc**

■ Flexibility

- Partner with sponsors
- Create a virtual team

■ Adaptability

- Should an offer to buy your business arise – consider it carefully (Agrisearch / Research Options / Grayson Research / Access / Product Safety Labs / GAB / ADME / Dr Specht / Bioservices are now stronger together)

■ Service Quality

- A hygiene factor !

■ Pricing Strategy

- Price your product too high and face limited uptake, depressed revenues and market perceptions of an over-priced product that doesn't deliver value. Price your product too low and fail to maximize the revenue potential of the product

■ Timeliness

- Delivery on time is now a critical yardstick

■ Cutting Costs

- Just a small 3% - 5% cost decrease by BU can return significantly improved EBIT

■ Pro-active marketing

The way forward

- CRO partnerships
- Consolidation in the CRO sector
 - Threat ?
 - Loss of control
 - Loss of integrity
 - Under selling
 - Opportunity !
 - Investment for expansion
 - Staff security
 - Succession planning
 - Realisation of capital in recognition of investment
 - **Maintaining competitiveness in a global market**

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