SYNLAB

Press release

SYNLAB AG
Moosacher Str. 88
80809 Munich
Germany

Munich, 10 November 2022

SYNLAB reports strong underlying performance in 9M 2022, confirms 2022 guidance and releases 2023 guidance

- Robust 9M 2022 performance with revenue of €2.5 billion
- Strong underlying organic growth (excluding COVID-19 related revenues): +6.3% in 9M 2022 and +4.1% in Q3 2022, well above our mid-term organic growth target
- COVID-19 testing revenue €720 million in 9M 2022 (€105 million in Q3 2022), as expected
- 9M 2022 adjusted EBITDA of €663 million, margin at 26.0% (€135 million and 19.3% in Q3 2022)
- Four acquisitions completed in Q3 2022 and highly value accretive disposal of the UK Veterinary business
- Net debt reduced by €217 million to €1,454 million with strong unlevered free cash flow
- FY 2022 guidance confirmed: revenue around €3.2 billion and adjusted EBITDA margin at 24-25%
- FY 2023 guidance: revenue at around €3.0 billion and adjusted EBITDA margin expected at 18-20%

SYNLAB, the leader in medical diagnostic services and specialty testing in Europe, today announced its Q3/9M 2022 results. The Group reports a very robust 9M 2022 performance driven by strong underlying organic growth (excluding COVID-19 related revenues) of 6.3% and COVID-19 testing in line with expectations. Revenue reaches €2.5 billion (9M 2021: €2.8 billion) with an adjusted EBITDA margin of 26.0% (9M 2021: 32.7%). SYNLAB also confirms its FY 2022 guidance with a revenue target at around €3.2 billion and an adjusted EBITDA margin within a 24-25% range. For FY 2023, SYNLAB expects revenue to be around €3.0 billion with an adjusted EBITDA margin at 18-20%.

“We are very pleased with our nine-month results performance especially considering the high comparison base from 2021. We continue to see strong underlying growth, which further stabilised in the third quarter and is consistent with our very good base business performance over the past months. We continued to make investments – both in our growth initiatives such as retail as well as through further acquisitions across different regions. To navigate through the current inflation-driven environment, SYNLAB uses price adaptations in selective areas and will further increase the focus on cost savings. Based on our strong performance, we are able to confirm our outlook for FY 2022 today and are well-positioned for 2023” said Mathieu Floreani, CEO of SYNLAB Group.

Key figures

<u>Note:</u> The expected decrease in COVID-19 PCR price and volume affects the year-on-year comparison.

SYNLAB Key figures (€m)	**Q3 2022**	**9M 2022**	***9M YoY var.***
Revenue	697.9	2,549.3	*(8)%*
Operating profit	59.0	265.3	*(62)%*
Net profit (Group share)	69.1	190.9	*(59)%*
Adjusted EBITDA (AEBITDA)	135.0	663.0	*(27)%*
AEBITDA margin	*19.3%*	*26.0%*	*(6.7)pp*
Adjusted operating profit (AOP)	75.8	486.7	*(36)%*
AOP margin	*10.9%*	*19.1%*	*(8.3)pp*
Adjusted net profit (Group share)	12.4	332.4	*(35)%*
Adjusted EPS[1] (€)		1.50	
Unlevered FCF	95.4	339.1	*(291)*

COVID-19 testing	**Q3 2022**	**9M 2022**	***9M YoY var.***
Revenue (€m)	105	720	*(460)*
Average PCR price (€, rounded)	42	42	*(18)%*
Average PCR volume (m, rounded)	2.3	16.1	*(23)%*

Financial performance

<u>Continued strong underlying growth at 6.3% and expectedly lower COVID-19 testing</u>

Compared to the high prior-year base, 9M 2022 reported revenue was down 8% to €2,549 million (9M 2021: €2,772 million). This included a 18% year-on-year decline in Q3 2022, driven by a reduction in the COVID-19 testing activity.

9M 2022 underlying organic growth (excluding COVID-19 related revenues) remains strong at 6.3%, which was mostly volume-driven (6.0% volume growth), while prices were broadly stable at 0.3%. Adjusted for the scope effect from the Southeast London hospital outsourcing contract (The SEL contract) in Q1 2022, 9M 2022 underlying organic growth was a robust 3.5%, in line with our longer-term guidance.

Q3 2022 underlying organic growth was 4.1% as volume growth picked up post the Omicron wave, notably in most countries of South and North & East segments. In Germany, hospital activity remained impacted by the stronger impact of COVID-19 in Q3 2022 compared to last year. Q3 2022 prices were also up 1.0% resulting in a positive effect of around €10 million based on price increases in several countries from the North & East and South segments. The price increases were only partially offset by an expected negative price impact in Switzerland and France. SYNLAB also continued with the implementation of its organic growth initiatives: The Group opened 21 new blood collection points in Q3 2022 as part of its retail initiative. In specialty testing, SYNLAB reached an expansion of its strategic agreement with Microba on an advanced gut microbiome test.

[1] Based on 221,919,992 shares in 9M 2022

9M 2022 COVID-19 testing revenue was in line with expectations and declined by 39% to €725 million[2] (9M 2021: €1,180 million [3]). SYNLAB performed 16.1 million PCR tests during the nine-month period. The average price per PCR test was around €42 in 9M 2022, down from around €51 in 9M 2021.

Q3 2022 COVID-19 testing revenue was €105 million, with SYNLAB performing around 2.3 million PCR tests at an average price of around €42.

The total contribution of the fourteen acquisitions finalised in 9M 2022 was €33 million[4], including around €5 million of COVID-19 testing revenue. This represented a 1.1% revenue increase compared with 9M 2021. The four additional acquisitions in Q3 2022 were bolt-on deals in Italy, Germany, Spain and Ecuador. In Q3 2022 and as part of its continuous portfolio review, SYNLAB sold its UK Veterinary testing business for total net proceeds of €84 million. The UK Veterinary testing business has an insignificant impact on yearly Group revenue and adjusted EBITDA.

9M 2022 FX impact remains stable at 0.8% with the strength of the Swiss Franc and the Mexican peso more than offsetting the weakening of a few emerging currencies.

Margins remain high with expected impact from lower COVID-19 volume and higher inflation

As expected, 9M 2022 adjusted EBITDA (AEBITDA) decreased by 27% to €663 million, while the adjusted operating profit (AOP) decreased by 36% to €487 million with margins of 26.0% and 19.3% respectively.

Margins developments are largely explained by the expected reduction in the COVID-19 testing activity in Q3 2022 and associated ramp down costs, with margins declining sequentially from the very high levels of 2021 and Q1 2022. In addition, and in line with the first half-year of 2022, SYNLAB was able to offset some of the PCR price and volume decrease based on procurement efficiencies for reagents and capacity adjustments.

As forecasted, SYNLAB continues to experience increased inflationary pressure, mostly from higher fuel and energy prices and higher wage cost in some countries. This is partly offset by efficiencies from the ongoing SALIX program (€18 million in savings overall in 9M 2022) and price increases. The SEL contract also has a dilutive impact on Group margins, of around one percentage point.

Net profit reflecting improved financial structure as well as the sale of the UK Veterinary business

9M 2022 net profit (Group share) was €191 million. The improved financial results and lower tax expense partly offset the decrease in operating profit, a €71 million profit from the disposal of the UK Veterinary testing business and the €173 million goodwill impairment recorded in Germany in Q2 2022. 9M 2021 net profit (Group share) included €18 million of a residual sale of the Analytics & Services business.

9M 2022 adjusted net profit was €332 million, a €182 million reduction compared with 9M 2021. Adjusted net profit excludes the €173 million of goodwill impairment and the €71 million profit from the disposal of the UK Veterinary testing business.

9M 2022 adjusted EPS was €1.50[5] (H1 2022: €1.44).

[2] Including ~€5 million COVID-19 revenue from acquired companies in 2022
[3] Including ~€43 million COVID-19 pre-acquisition revenue from 2021 acquisitions
[4] Including post-acquisition revenue contribution of €23.1 million and pre-acquisition revenue of €9.5 million
[5] Based on 221,919,992 shares in 9M 2022

SYNLAB

Return on capital employed at 15.6% with further reduction in net debt

Capital employed was €4.04 billion, broadly stable compared with the year-end of 2021, including the impact of the 14 acquisitions completed in 9M 2022 as well as the goodwill impairment in Germany recognised in Q2 2022. The return on capital employed was 15.6%.

The decrease in the COVID-19 testing activity has positively impacted working capital since Q2 2022, with Days Sales Outstanding at 54 over the period, down from 57 days in Q3 2021 and 62 days in Q4 2021 respectively.

The 9M 2022 unlevered free cash flow generation was strong recording €339 million. Together with the reduced net interest and the proceeds from the sale of the UK Veterinary testing business, it enabled SYNLAB to reduce adjusted net debt by another €217 million during the reporting period. Meanwhile, SYNLAB continued to invest in M&A (€92 million cash out in 9M 2022). At the end of September 2022, adjusted net debt was €1.45 billion compared with €1.67 billion at the end of December 2021. The leverage ratio[6] remains at a low level: 1.5x at the end of September 2022.

Outlook for FY 2022 and 2023

Despite the currently challenging market environment and political uncertainties, SYNLAB sees itself well-positioned to deliver on its FY 2022 targets. Today, the Group confirmed its guidance, expecting FY 2022 revenue to be around €3.2 billion compared with €3.76 billion in FY 2021. Adjusted EBITDA margin is expected to be within a 24 to 25% range compared with 32.1% in FY 2021. The year-on-year expected decrease is mostly attributable to lower COVID-19 testing revenue. The adjusted AOP is expected to evolve accordingly.

The adjusted EBITDA margin range factors in 1) the strategy to maintain the COVID-19 response capacity at the level medically necessary and potential lag time before any further ramp down 2) the dilutive impact on the margin of additional organic growth initiatives, notably set up of Direct to Consumer (D2C) activities and 3) inflation risks.

For the final quarter of 2022, SYNLAB will continue implementing its proven strategy by further investing in its organic growth initiatives as well as driving growth through M&A. SYNLAB aims to exceed €200 million M&A spend in 2022. While the pipeline remains strong and diversified, the Group will continue to keep a very disciplined acquisition approach.

With regard to the FY 2023, SYNLAB expects revenue to be around €3.0 billion. This estimate is based on the assumption of the continued robustness of the underlying activity, reflecting the resilient nature of our business based on our critical role in the healthcare decision-making chain. Growth is expected to be mostly volume driven but also to benefit from an increasingly favourable pricing environment in most of our countries, driving a rounded 4% underlying growth.

Furthermore, COVID-19 testing revenue is anticipated to be around €250 million, around 15% of the 2021 peak activity, as previously expected. The adjusted EBITDA margin is expected to be at 18-20%, similar to the implied margin range for the second semester of 2022 and based on our FY 2022 guidance. The margin range factors in some uncertainty on the inflationary environment, the timing required to bring back the business at the pre-COVID-19 productivity levels, some potential variability on COVID-19 activity and timing on M&A closing.

[6] Net debt to LTM pro-forma adjusted EBITDA

***

Conference call

The conference call with the SYNLAB Management Board for analysts and investors at 3:00 p.m. CET can be accessed here.

For more information:

Media contact: David Eeckhout, FTI Consulting	+49 (0) 151 467 123 16 media-contact@synlab.com
Investor contact: Etienne Ziller, SYNLAB	ir@synlab.com

About SYNLAB

- SYNLAB Group is the leader in medical diagnostic services and specialty testing in Europe. The Group offers a full range of innovative and reliable medical diagnostics to patients, practising doctors, hospitals and clinics, governments and corporates.
- Providing the leading level of service within the industry, SYNLAB is the partner of choice for routine and specialty diagnostics in human and veterinary medicine. The Group continuously innovates medical diagnostic services for the benefit of patients and customers.
- SYNLAB operates in 36 countries across four continents and holds leading positions in most markets, regularly reinforcing the strength of its network through a proven acquisition strategy. Around 30,000 employees, including over 2,000 medical experts, contribute every day to the Group's worldwide success.
- SYNLAB performed around 600 million laboratory tests and achieved revenues of €3.76 billion in 2021.
- More information can be found on www.synlab.com

Financial Calendar

Kepler Cheuvreux Diagnostics Day	22 November 2022 (plenary session)
Exane Diagnostics Imaging & Life Sciences	29 November 2022
SYNLAB Q4/FY 2022 results	16 March 2023 (pre-market)

SYNLAB

APPENDIX

I. Q3/9M 2022 SEGMENT REPORTING

In €million	Revenue				AOP			
	Q3 2022	Q3 2021	Organic Growth	Underlying Growth	Q3 2022	Q3 2021	Margin Q3 2022	Margin, Q3 2021
France	145.5	187.0	(23.1)%	(0.2)%	25.8	50.1	17.7%	26.8%
Germany	150.6	144.9	2.9%	(5.0)%	26.2	14.3	17.4%	9.9%
South	207.3	239.8	(26.4)%	5.6%	11.3	50.5	5.5%	21.1%
North & East	194.5	277.6	(29.7)%	12.6%	12.5	77.2	6.4%	27.8%
SYNLAB Group	**697.9**	**849**	**(21.9)%**	**4.1%**	**75.8**	**192.1**	**10.9%**	**22.6%**
	9M 2022	9M 2021	Organic Growth	Underlying Growth	9M 2022	9M 2021	Margin 9M 2022	Margin, 9M 2021
France	527.9	628.6	(16.8)%	(0.6)%	108.8	166.6	20.6%	26.5%
Germany	556.6	512.1	7.9%	(0.4)%	134.0	110.1	24.1%	21.5%
South	745.4	785.3	(18.8)%	1.2%	98.6	189.5	13.2%	24.1%
North & East	719.4	846.4	(14.9)%	24.1%	145.4	294.5	20.2%	34.8%
SYNLAB Group	**2,549.3**	**2,772.3**	**(12.4)%**	**6.3%**	**486.7**	**760.7**	**19.1%**	**27.4%**

II. 9M VIEW

Simplified P&L			
In €million	**9M 2022**	**9M 2021**[7]	**Growth**
Revenue	2,549.3	2,772.3	*(8)%*
Gross profit	**1,948.6**	2,082.9	***(6)%***
AEBITDA	**663.0**	907.3	***(27)%***
As % of revenue	26.0%	32.7%	*(6.7)pp*
Adjusted operating profit (AOP)	**486.7**	**760.7**	**(36)%**
As % of revenue	19.1%	27.4%	*(8.3)pp*
Operating profit	**265.3**	689.1	***(62)%***
Financial result	(11.6)	(86.6)	*(87)%*
Income tax expenses	(129.8)	(145.1)	*(15)*
Adjusted net profit (Group share)	**332.4**	**514.1**	***(35)%***
Net profit (Group share)	**190.9**	**471.3**	***(280)***
Adjusted EPS (€)	**1.50**	2.42	**(0.92)**
Simplified cash flow			
In €million	**9M 2022**	**9M 2021**	**Growth**
Operating cash flow	549	786	*(237)*
Unlevered free cash flow	339	630	*(291)*
Net debt and leverage			
In €million	**Sep. 2022**	**Dec. 2021**	**Growth**
Net debt	1,388	1,602	(214)
Adjusted net debt	1,454	1,671	(217)
Leverage ratio	**x1.50**	**x1.35**	**+0.15**

[7] 9M 2021 AEBITDA, AOP and Adjusted net profit restated by €0.7 million: share-based payment programmes no longer reported as an adjustment component

III. QUARTER VIEW

Simplified P&L			
In €million	**Q3 2022**	**Q3 2021**	**Growth**
Revenue	697.9	849.3	*(18)%*
Gross profit	**537.7**	636.1	***(15)%***
AEBITDA	**135**	245.3	***(45)%***
As % of revenue	19.3%	28.9%	*(9.6)pp*
Adjusted operating profit (AOP)	**75.8**	192.1	**(61)%**
As % of revenue	10.9%	22.6%	*(11.7)pp*
Operating profit	**59.0**	173.8	***(66)%***
Financial result	(11.8)	(11.2)	*(1)*
Income tax expenses	(46.3)	(33.3)	*(13)*
Adjusted net profit (Group share)	**13.4**	143.3	***(130)***
Net profit (Group share)	**69.1**	128.0	***(59)***
Simplified cash flow			
In €million	**Q3 2022**	**Q3 2021**	**Growth**
Operating cash flow	165	263	*(98)*
Unlevered free cash flow	95	202	*(107)*

The Q3/9M 2022 report has been published on the SYNLAB Investor Relations website.