

Press Release

SYNLAB AG
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SYNLAB delivers robust underlying growth in FY 2022

- Revenue at €3.25 billion exceeds the initial 2022 guidance
- Robust underlying organic growth of 6.2% outperforms the guidance of 3%+
- COVID-19 testing revenue at €790 million with gradual reductions in price and volume
- Adjusted EBITDA of €753 million and margin at 23.2%
- 23 acquisitions at €143 million EV in FY 2022 with market entry in Chile
- Strong unlevered free cash flow of €312 million and net debt slightly reduced to €1,645 million
- Dividend proposal of €0.33 per share outstanding, representing a pay-out ratio slightly above 20% of the adjusted EPS

SYNLAB AG (SYNLAB, FSE: SYAB), the leader in medical diagnostic services and specialty testing in Europe, announced its audited FY 2022 results today. The Group reports a robust FY 2022 performance driven by continued robust underlying organic growth (excluding COVID-19 testing revenue) of 6.2% (at 4.1% excluding the South East London hospital outsourcing contract (SEL contract)). Revenue reached €3.25 billion (FY 2021: €3.76 billion) with adjusted EBITDA of €753 million (FY 2021: €1,210 million) and an adjusted EBITDA margin of 23.2% (FY 2021: 32.1%), mainly due to reduction of volumes and prices from COVID-19 testing and inflationary pressure. SYNLAB confirms its recently updated FY 2023 guidance with a revenue target at around €2.7 billion and an adjusted EBITDA margin within a 16-18% range.

The SYNLAB Annual Report 2022 as well as the ESG Report 2022 are available for download on the investor relations website: <https://ag.synlab.com>

“SYNLAB closes the 2022 financial year with solid results in a challenging macroeconomic environment and against a very high comparison base from the previous year. We continue to record strong growth in our core business of routine and specialty testing. This leaves us very well positioned for the future.

Now that COVID-19 activities have reduced, we are re-focussing our efforts on our core business, delivering strong organic growth and ramping up our productivity to its pre-pandemic level. We are confident that 2023 will be the base for gradual and continuous improvement in our future performance,” said **Mathieu Floreani, CEO of the SYNLAB Group**.

Prof David Ebsworth, Chairman of the Supervisory Board at SYNLAB AG, added: “On behalf of the Supervisory Board, I am pleased to announce that Mathieu Floreani and Sami Badarani have both agreed to extend their Management Board contracts. Mathieu is appointed CEO until 30 April 2028 and Sami is appointed CFO until 30 April 2026. We are confident, that the Management team has the right balance of skills to lead SYNLAB through the current turbulent times into a successful future. We look forward to a continued positive and constructive working relationship.”

Financial performance – a strong year despite COVID-19 revenue reduction

Note: The decrease in COVID-19 PCR price and volume affects the year-on-year comparison.

SYNLAB Key figures (€m)	FY 2022	FY 2021	Change
Revenue	3,251	3,765	(14)%
Operating profit	232	915	(75)%
Net profit (Group share)	151	625	(76)%
Adjusted EBITDA (AEBITDA)	753	1,210	(38)%
<i>AEBITDA margin</i>	<i>23.2%</i>	<i>32.1%</i>	<i>(9)ppt</i>
Adjusted operating profit (AOP)	508	996	(49)%
<i>AOP margin</i>	<i>15.6%</i>	<i>26.5%</i>	<i>(11)ppt</i>
Adjusted net profit (Group share)	342	676	(49)%
Adjusted EPS (€)*	1.54	3.14	(1.60)
Unlevered free cash flow (unlevered FCF)	312	743	(58)%

* Based on a weighted average of 221,558,169 shares outstanding in 2022 and 215,159,817 in 2021, respectively

COVID-19 testing	FY 2022	FY 2021	Change
Revenue (€m)	790	1,599	(50)%
Average PCR price (€, rounded)	41	49	(16)%
Average PCR volume (m, rounded)	18	30	(40)%

Robust underlying revenue growth delivered and lower level of COVID-19 testing

In 2022, revenue was €3,251 million (FY 2021: €3,765 million), which is slightly above the recent guidance of €3.2 billion. In the year-on-year comparison, this reflects the expected decrease in revenue arising from COVID-19 testing to €790 million in FY 2022 (FY 2021: €1,599 million) that has been partly offset by the overall performance of the underlying base business.

FY 2022 underlying organic growth (excluding COVID-19 testing revenue) remained strong at 6.2%, with robust volume growth and a minor price increase of 0.6% at Group level. Even excluding the contribution of the SEL contract for Q1 2022 (as it was implemented on 1 April 2021), the Group still delivered underlying organic growth of 4.1% in 2022 (FY 2021: 3.3%). This is well above the guidance of 3%+ year-on-year organic growth and demonstrates the ability of SYNLAB to consistently execute its underlying growth strategy.

Business in Germany (22% of Group revenue) grew by 1.1% in 2022 even though hospital activity was more affected by the consequences of the COVID-19 pandemic than in 2021. France (21% of Group revenue) decreased by 1.0% despite volume growth offsetting price decreases in 2022. In the South Region (29% of Group revenue), growth was 1.7% on the back of increases in price and volume. The underlying growth in the North & East Region (28% of Group revenue) was very robust at 21.8% owing to strong volume growth and a favourable pricing environment driven by health authorities partially mitigating the effects of inflation.

Looking at Q4 2022, revenue was €701 million (Q4 2021: €993 million) with a particularly sharp downturn from COVID-19 testing to €71 million (Q4 2021: €419 million). Underlying organic growth was 6.4% at Group level with an accelerating price increase of 1.4% (compared to 1% in Q3 2022). Reduction of business in France by 2.5% (mainly due to strikes on three working days) was offset by very strong growth of 15.9% in the North and East Region with the SEL contract growing organically by 25.9%. Despite a 7.8% reduction in Switzerland, a rebound was seen in Germany and the South Region to 5.1% each.

Growth through active M&A and portfolio management

Full-year revenue of €83 million was generated by the 23 acquisitions (at €143 million EV) closed in FY 2022. In line with its M&A strategy, SYNLAB acquired Sistemas Genómicos, a Spanish laboratory specialised in genetics and bioinformatics, in Q1 2022. This acquisition further strengthened the Group's position in specialty testing. Furthermore, SYNLAB entered the attractive and fragmented Chilean market with the aim of expanding its footprint in fast-growing emerging markets. Additional bolt-on acquisitions were carried out in countries such as France, Germany, Mexico, and Colombia. The Group sold its UK Veterinary testing business for total net proceeds of rounded €80 million in Q3 2022.

Profitability reduction from COVID-19 ramp-down and inflationary pressure

FY 2022 adjusted EBITDA (AEBITDA) came down to €753 million (FY 2021: €1,210 million), while adjusted operating profit (AOP) decreased to €508 million (FY 2021: €996 million) with margins of 23.2% (FY 2021: 32.1%) and 15.6% (FY 2021: 26.5%) respectively. The year-on-year reduction in AEBITDA margin was mainly driven by reduction of volumes and prices derived from COVID-19 testing and the strong inflationary environment (mostly higher fuel and energy prices as well as higher wage costs in some countries). In Q4 2022, one-off costs primarily originating from the COVID-19 business exerted a significant impact on the quarterly margin and on the FY2022 margin decline. Without this impact, the FY 2022 AEBITDA margin would have been within the expected range of 24-25%.

These impacts were partly offset by accelerated price increases and efficiencies generated from the SALIX programme. This delivered savings amounting to €25 million in FY 2022. The SEL contract continued to have a dilutive impact on Group margin of around 80 basis points.

Net profit reflects improved financial structure and sale of the UK Veterinary business

FY 2022 net profit (Group share) amounted to €151 million (FY 2021: €625 million). Improved financial results, lower tax expenses and the disposal of the UK Veterinary testing business (€70 million profit)

partly offset the decrease in operating profit and the €213 million goodwill impairment recorded in Germany (€173 million in Q2 2022, €40 million in Q4 2022). The impairment was primarily triggered by external factors encompassing the currently high inflationary environment and the increase in yield of the 30-year German government bond which impacted the WACC. FY 2021 net profit (Group share) included €18 million from the residual sale of the Analytics & Services business.

FY 2022 adjusted net profit was €342 million (FY 2021: €676 million). Adjusted net profit excludes the €213 million of goodwill impairment and the €70 million profit from the disposal of the UK Veterinary testing business.

FY 2022 adjusted EPS was €1.54 (FY 2021: €3.14) based on a weighted average of 221,558,169 shares outstanding in FY 2022 and 215,159,817 in FY 2021 respectively.

Strong cash flow generation

The FY 2022 unlevered free cash flow was €312 million (FY 2021: €743 million), supported by a robust improvement in working capital as a result of the slowdown in COVID-19 testing and the reduction of Days Sales Outstanding (DSO). At year-end 2022, DSO was 55 days, down from 63 days at year-end 2021. The timing of tax payments following a highly successful prior year led to a high outflow of €233 million in 2022. In addition, CAPEX reinvestments including lease, increased by €49 million (9.8% of revenue).

The adjusted net debt at year-end 2022 was slightly reduced to €1,645 million as compared to €1,671 million at year-end 2021. SYNLAB paid only €44 million net interest as compared to €100 million in 2021. The leverage ratio rose to 2.07x as compared to 1.35x at year-end 2021.

Capital employed was €4,062 million at year-end 2022, broadly stable compared with the previous year (year-end 2021: €4,047 million), including the impact of the 23 acquisitions closed in FY 2022 and the goodwill impairment in Germany.

In 2022, the return on capital employed was 11.2% (year-end 2021: 19.7%).

Outlook

As announced in February 2023, SYNLAB expects revenues of around €2.7 billion in 2023. COVID-19 testing revenue, as part of total revenue, is expected to decline but to remain around €50 million in 2023. The volume of these tests will be primarily driven by medical needs. SYNLAB will continue to monitor potential new SARS-CoV-2 variant developments in the course of 2023 and maintain its capability to be able to quickly respond to respective needs in COVID-19 testing.

Furthermore, SYNLAB anticipates underlying organic growth (excluding COVID-19 testing) at approximately 4% in 2023, driven by strong development of volumes and accelerated price increases within the core business.

The Group will implement a temporary reduction of M&A spent in 2023 to around €100 million to fully focus the business on achieving the same productivity level as before the pandemic outbreak.

SYNLAB expects the adjusted EBITDA margin to be in a range of 16-18% in 2023. The adjusted EBITDA margin incorporates the following factors: 1) the reduction of the COVID-19 testing volume and price, 2) the dilutive impact on the margin of setting up Direct to Consumer (D2C) activities, 3) general inflation risks, 4) a doubling of benefits from the SALIX programme in 2023 compared to prior years from productivity initiatives, and 5) lower M&A contribution.

SYNLAB considers its adjusted EBITDA margin for 2023 as the basis for gradual and continuous improvement going forward and is comfortable with its accretive volume leverage model. The Group expects to increase the adjusted EBITDA margin by at least 0.5 percentage points each year in 2024 and 2025, still noting the current uncertainty about the inflation net-of-price trajectory.

Over the long-term (>5 years), SYNLAB maintains its ambition to reach an adjusted EBITDA margin of 23%. The continuous improvement of the adjusted EBITDA margin is embedded in the Group's business model (year-on-year organic growth of 3%+ and accretive bolt-on acquisitions). The acceleration of the margin improvement is projected to be based on productivity of more than 2% each year and active management of the business portfolio.

Based on the performance in FY 2022, the Management and Supervisory Board of SYNLAB AG will propose a dividend of €0.33 per share to the Annual General Meeting to be held on 17 May 2023. This represents a pay-out ratio that is slightly above 20% of the adjusted EPS.

Conference call

SYNLAB Management will hold a conference call for analysts and investors at 3:00 p.m. CET (10:00 a.m. EDT). Please register at least 10 minutes before the start of the event by clicking on the registration link on SYNLAB's website (<https://ag.synlab.com/conference-call>).

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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.

More than 28,000 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 €3.25 billion in 2022.
- Ticker symbol: SYAB; ISIN: DE000A2TSL71
- More information can be found on www.synlab.com

APPENDIX

I. Q4/FY 2022 SEGMENT REPORTING

In €million	Revenue				AOP			
	Q4 2022	Q4 2021	Organic Growth	Underlying Growth	Q4 2022	Q4 2021	Margin Q4 2022	Margin, Q4 2021
France	146.4	199.8	(27.4)%	(2.5)%	7.5	48.2	5.1%	24.1%
Germany	146.6	210.6	(31.7)%	5.1%	0.7	53.6	0.5%	25.4%
South	215.0	267.4	(28.2)%	5.1%	(1.7)	48.7	(0.8)%	18.2%
North & East	193.2	314.7	(36.5)%	15.9%	14.4	85.0	7.4%	27.0%
SYNLAB Group	701.2	992.6	(31.3)%	6.4%	20.9	235.4	3.0%	23.7%
	FY 2022	FY 2021	Organic Growth	Underlying Growth	FY 2022	FY 2021	Margin FY 2021	Margin, FY 2021
France	674.3	828.4	(19.3)%	(1.0)%	116.3	214.8	17.2%	25.9%
Germany	703.2	722.7	(3.6)%	1.1%	134.7	163.6	19.2%	22.6%
South	960.3	1,052.7	(21.3)%	1.7%	96.8	238.2	10.1%	22.6%
North & East	912.6	1,161.1	(20.7)%	21.8%	159.7	379.5	17.5%	32.7%
SYNLAB Group	3,250.5	3,764.9	(17.4)%	6.2%	507.5	996.1	15.6%	26.5%

II. FY VIEW

Simplified P&L			
In €million	FY 2022	FY 2021	Change
Revenue	3,251	3,765	(14)%
Gross profit	2,474	2,823	(12)%
AEBITDA	753	1,210	(38)%
As % of revenue	23.2%	32.1%	(8.3)ppt
Adjusted operating profit (AOP)	508	996	(49)%
As % of revenue	15.6%	26.5%	(10.9)ppt
Operating profit	232	915	(75)%
Financial result	(17)	(103)	86
Income tax expenses	(131)	(204)	74
Adjusted net profit (Group share)	342	676	(334)
Net profit (Group share)	151	625	(474)

Adjusted EPS (€)	1.54	3.14	(1.60)
Simplified cash flow			
In €million	FY 2022	FY 2021	Change
Operating cash flow	630	1,011	(381)
Unlevered free cash flow	312	743	(431)
Net debt and leverage			
In €million	Dec. 2022	Dec. 2021	Change
Net debt	1,575	1,602	(27)
Adjusted net debt	1,645	1,671	(26)
Leverage ratio	2.07	1.35	0.72

III. QUARTER VIEW

Simplified P&L			
In €million	Q4 2022	Q4 2021	Change
Revenue	701	993	(29)%
Gross profit	525	740	(29)%
AEBITDA	90	303	(70)%
<i>As % of revenue</i>	<i>12.9%</i>	<i>30.5%</i>	<i>(17.6)ppt</i>
Adjusted operating profit (AOP)	21	235	(91)%
<i>As % of revenue</i>	<i>3.0%</i>	<i>23.7%</i>	<i>(20.7)ppt</i>
Operating profit	(34)	225	(115)%
Financial result	(5.5)	(16.6)	11.1
Income tax expenses	(0.7)	(59.0)	58.3
Adjusted net profit (Group share)	10	162	(152)
Net profit (Group share)	(40)	154	(194)
Simplified cash flow			
In €million	Q4 2022	Q4 2021	Change
Operating cash flow	81	225	(144)
Unlevered free cash flow	(27)	113	(140)

Forward looking statements

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Statements made in this document may include forward-looking statements. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believes", "expects", "expected", "may", "will", "would", "should", "seeks", "pro forma", "anticipates", "intends", "plans", "estimates", "estimated", or the negative of any thereof or other variations thereof or comparable terminology, or by discussions of strategy or intentions. These statements are not guarantees of future actions or performance and involve risks, uncertainties and assumptions as to future events that may not prove to be accurate. Actual actions or results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and SYNLAB undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. It should be noted that past performance is not a guide to future performance. Interim results are not necessarily indicative of full-year results.

Declaration of non-IFRS measures

Certain data included in this document are "non-IFRS" measures. These non-IFRS measures may not be comparable to similarly titled financial measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance

with International Financial Reporting Standards or any other generally accepted accounting principles. Although SYNLAB believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included in this document. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Organic growth represents a non-IFRS measure calculating the growth in revenue for a given period compared to the equivalent year-earlier period for the same scope of businesses, excluding discontinued operations, and presented in a uniform currency, i.e. using the exchange rates of the prior-year reporting period.

When calculating organic growth, SYNLAB uses the scope of businesses that have been consolidated in the Group's year-earlier financial statement. Revenue contribution from businesses acquired in the prior year but not consolidated for the full year are adjusted as if they had been consolidated as from January of the prior year. All revenues from businesses acquired since 1 January of the current year are excluded from the calculation.

Adjusted EBITDA (AEBITDA) is operating profit adjusted for (by adding back) the following:

- depreciation and amortisation;
- impairment of goodwill;
- expenses for strategic projects (2021: IPO costs only, 2022: none);
- expenses related to acquisition and post-merger integration.

Adjusted operating profit (AOP) is operating profit adjusted for the following:

- customer list amortisation;
- impairment of goodwill;
- expenses for strategic projects (2021: IPO costs only, 2022: none);
- expenses related to acquisition and post-merger integration.

Adjusted net profit is defined as profit from continuing operations (Group share) adjusted for adjustment items (those in the adjusted operating profit definition and exceptional profit from the disposal of the UK Veterinarian business) and for the tax effect on the adjustments.

Adjusted net debt is defined as the sum of financial debt including loans and borrowings adding back capitalised transactions costs, lease liabilities, deferred price considerations for acquisitions, net of cash & cash equivalents.

Unlevered free cash flow (uFCF) is defined as the sum of cash flow from operating activities of continuing operations, net CAPEX (defined as the cash outflow from the purchase of intangibles and property, plant and equipment, net of proceeds from the sale of intangibles and property, plant and equipment) and leases (defined as the sum of lease repayments and lease interest).