



QUARTERLY REPORT Q1 2023

AS OF 31 MARCH 2023
SYNLAB AG



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Key Figures

SIMPLIFIED P&L

In EUR million, unless stated otherwise

	Q1 2023	Q1 2022	Change
Revenue	702.4	1,061.0	(33.8)%
Gross profit	533.3	805.5	(33.8)%
AEBITDA	118.5	356.9	(66.8)%
<i>As % of revenue</i>	16.9%	33.6%	(16.7)ppt
Adjusted operating profit (AOP)	60.5	300.1	(79.8)%
<i>As % of revenue</i>	8.6%	28.3%	(19.7)ppt
Operating profit	45.3	286.0	(84.2)%
Financial result	(20.5)	4.6	N/A
Income tax expenses	(11.5)	(72.8)	(84.3)%
Adjusted net profit	24.9	227.0	(89.0)%
Net profit (Group share)	27.9	215.9	(87.1)%

SIMPLIFIED CASH FLOW

In EUR million, unless stated otherwise

	Q1 2023	Q1 2022	Change
Operating cash flow	53	222	(76)%
Unlevered free cash flow	(7)	155	N/A

NET DEBT AND LEVERAGE

In EUR million, unless stated otherwise

	31 Mar 2023	31 Dec 2022	Change
Net debt	1,614	1,575	39
Adjusted net debt	1,582	1,645	(63)
Leverage ratio	2.85x	2.07x	0.78x

Business performance of SYNLAB Group

PREAMBLE

For some time now, companies listed in the Prime Standard segment of the Frankfurt Stock Exchange have no longer been required to prepare full-length quarterly financial reports. SYNLAB takes advantage of this flexibility to focus attention on the key figures and operational developments. This quarterly statement should be read in conjunction with the Annual Report 2022.

ABOUT SYNLAB

SYNLAB Group („the Group“, or „SYNLAB“), with headquarters in Munich, Germany, is the leader in medical diagnostic services and specialty testing in Europe. SYNLAB offers a full range of innovative and reliable medical diagnostics for patients, practicing doctors, hospitals and clinics, governments and corporations. Providing a high level of service within the industry, SYNLAB is a partner of choice for 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.

FINANCIAL PERFORMANCE

Robust underlying organic growth of non-COVID-19-Tests: +10%

Q1 2023 revenue was 702 M€ (Q1 2022: 1,061 M€) with a revenue contribution from COVID-19 tests of around 26 M€. Q1 2022 was marked by the Omicron wave, with peak COVID-19 testing volumes and a contribution to revenue of around 450 M€. Q1 2023 had in total more working days than Q1 2022, and yet SYNLAB achieved daily revenues of 10 M€.

In non-COVID-19 testing¹, SYNLAB reported very robust organic growth of 10.0%, of which 8.5% was due to volume growth and 1.5% to price increases. However, Q1 2022 provided a favourable comparison base as it was impacted by the Omicron wave and the working-day effect is equivalent to around 1.5ppt of growth.

Revenue

SEGMENT VIEW

In EUR million, unless stated otherwise

	Q1 2023	Q1 2022	Organic growth	Underlying organic growth
France	143.3	211.5	(32.7)%	4.0%
Germany	139.8	235.2	(42.0)%	8.1%
South	225.4	299.6	(28.6)%	9.2%
North & East	193.9	314.7	(35.8)%	16.8%
SYNLAB Group	702.4	1,061.0	(34.5)%	10.0%

In **France**, underlying organic growth was 4.0% with robust volume growth of 6.0% offsetting the price decrease starting in February 2023 resulting in lower prices (minus 2.0%) and the effects of two strike days in Q1 2023.

Germany saw a rebound from the Omicron wave in the previous year and recorded a robust volume increase of 7.7% and a slightly positive price effect of 0.5% resulting in an underlying organic growth of 8.2%.

The **South** segment also achieved robust volume growth across all countries (plus 8.7%) with a slight price increase (plus 0.6%) mainly impacted by the price reduction in Switzerland resulting in an underlying organic growth of 9.3%.

The strong underlying organic growth in the **North & East** segment of 16.8% was based on higher volumes (plus 10.9%) and higher prices due to price maintenance (plus 5.9%).

¹ Excluding revenue contributions from COVID-19 testing; also referred to as "underlying organic growth"

Expected decline in AEBITDA and AOP

As expected, adjusted EBITDA (AEBITDA) decreased by 66.8% to 118.5 M€ in Q1 2023 due to the sharp decline in COVID-19 revenue and inflation.

Adjusted operating profit (AOP) also declined as expected in Q1 2023 to 60.5 M€ (Q1 2022: 300.1 M€), while the AOP margin was 8.6% (Q1 2022: 28.3%).

Adjusted operating profit

SEGMENT VIEW

In EUR million, unless stated otherwise

	Q1 2023	Q1 2022	Margin Q1 2023	Margin Q1 2022
France	18.6	54.0	13.0%	25.5%
Germany	(2.6)	81.3	(1.9)%	34.6%
South	23.2	61.6	10.3%	20.6%
North & East	21.3	103.2	11.0%	32.8%
SYNLAB Group	60.5	300.1	8.6%	28.3%

Net profit (Group share) decreased by 87% in Q1 2023. In particular, the tax payments of 49 M€ made in Q1 2023 led to a negative free cash flow before financing costs of -7 M€.

Leverage ratio increased as expected

At the end of March 2023, adjusted net debt was 1,632 M€ compared with 1,645 M€ at the end of December 2022. The leverage ratio² was 2.85x compared to 2.07x at the end of 2022.

KEY ACHIEVEMENTS IN Q1 2023

Organic growth

The strong underlying organic growth achieved in Q1 2023 not only reflects the volume and price increases throughout most of the portfolio countries, but also an over-delivery of the Group's For You Growth Initiative.

As part of the retail initiative, SYNLAB rolled-out the NPS rating scheme throughout its Business-to-Consumer activities and already initiated the initiative in five countries regarding Business-to-Business activities in Q1 2023. The overall NPS score remained stable at 87 (Q4 2022: 87). In addition, SYNLAB renewed several hospital contracts in Q1 2023, including the Hospital da Luz in Portugal.

Operational excellence

With SALIX, a multi-year efficiency programme, SYNLAB originally aimed to reduce its cost base by €20 million each year. For 2023 this goal was raised to €45 million of savings. In Q1 2023, SYNLAB already achieved €10 million savings through SALIX. To further raise synergies across the different regions, SYNLAB is transforming its procurement processes and centralising its technical services. The transformation of SYNNOVIS (the South-East London contract) is well on track and COVID-19 capacities are further being reduced.

ESG

SYNLAB has published the Group's third ESG report in March 2023 together with its Annual Report. The report gives a comprehensive update on the SYNLAB ESG strategy. Furthermore, in Q1 2023 SYNLAB the Foundation started a collaboration with Global Healthcare Projects, a UK-based non-profit conducting a campaign in Portugal to raise awareness and offer screening for colorectal cancer.

² Adjusted net debt to LTM pro-forma adjusted EBITDA

OPPORTUNITIES AND RISKS

For a detailed description of the opportunities and risks associated with the Group's business activities as well as the risk management and internal control system, please refer to the Opportunity and Risk Report as part of the Group Management Report in the Annual Report 2022, as these have remained largely unchanged since the approval of the 2022 Consolidated Financial Statements on 13 March 2023. The occurrence of any one of the risks described in the Group Management's Discussion and Analysis – alone or in conjunction with each other – could have a negative impact on the results of operations, financial position and net assets of SYNLAB.

2023 OUTLOOK

SYNLAB maintains its FY 2023 guidance and continues to expect revenues of around 2.7 B€ with around 50 M€ of COVID-19 testing revenue as well as 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 implemented a temporary reduction of M&A spent in 2023 to around 100 M€ 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.

Consolidated statement of income

from 1 January to 31 March 2023

€ 000, unless stated otherwise	From 1 January to 31 March	
	2023	2022
Revenue	702,371	1,061,005
Material and related expenses	-169,075	(255,551)
Payroll and related expenses	-288,974	(307,017)
Other operating income	9,855	7,424
Other operating expenses	-136,769	(149,494)
Depreciation and amortisation	-72,138	(70,376)
Operating profit	45,270	285,991
Share of loss of associates and other non-controlling interest	-225	(790)
Profit on disposal of investment	15,151	(471)
Finance income	14,967	24,838
Finance costs	-35,493	(20,220)
Profit / (loss) before taxes	39,670	289,348
Income tax expenses	-11,515	(72,826)
Profit / (loss) for the period	28,155	216,522
thereof: Profit / (loss) attributable to non-controlling interests	253	648
thereof: Profit / (loss) attributable to equity holders of the parent company	27,902	215,874
Earnings per share (basic and diluted, in EUR)	0.13	0.97

Consolidated statement of comprehensive income

from 1 January to 31 March 2023

€ 000	From 1 January to 31 March	
	2023	2022
Net profit / (loss) for the period	28,155	216,522
Actuarial gains or losses on pension obligations	(47)	14,519
Taxes on actuarial gains or losses on pensions obligations	(2)	(2,357)
Items that will not be reclassified to profit or loss (A)	(49)	12,162
Foreign exchange gains/losses	(6,644)	9,069
Items that may be reclassified subsequently to profit or loss (B)	(6,644)	9,069
Other comprehensive income for the year (A) + (B)	(6,693)	21,231
Total consolidated comprehensive profit / (loss) attributable to:	21,462	237,753
Equity holders of the parent company	21,179	237,109
Non-controlling interests	283	644

Consolidated statement of financial position

as at 31 March 2023

ASSETS

€ 000

	31 Mar 2023	31 Dec 2022
Goodwill	2,352,887	2,323,423
Intangible assets	723,224	733,238
Property, plant and equipment	315,123	311,506
Right of use assets	635,762	655,968
Investments in associates	1,326	1,281
Financial non-current assets	78,158	80,518
Other non-current assets	4,556	4,700
Deferred tax assets	48,645	47,916
Total non-current assets	4,159,681	4,158,550
Inventories	77,331	84,094
Trade accounts receivables	453,350	443,089
Financial current assets	62,011	47,299
Other current assets	96,137	106,398
Cash and cash equivalents	396,303	541,684
Total current assets	1,085,132	1,222,564
Total assets	5,244,813	5,381,114

EQUITY AND LIABILITIES

€ 000

	31 Mar 2023	31 Dec 2022
EQUITY		
Contributed capital	222,222	222,222
Additional paid-in capital	2,933,784	2,932,618
Treasury shares	(35,730)	(35,730)
Cumulative translation adjustment	25,094	31,771
Accumulated deficit	(789,695)	(817,710)
Total parent company interests	2,355,675	2,333,171
Non-controlling interests	69	70
Total equity	2,355,744	2,333,241
NON-CURRENT LIABILITIES		
Loans and borrowings (non-current)	1,314,726	1,411,000
Non-current lease liabilities	545,741	557,773
Employee benefits liabilities	31,300	31,042
Non-current provisions	3,993	3,562
Contract liabilities	9,594	9,510
Other non-current liabilities	42,295	62,862
Deferred tax liabilities	184,749	189,375
Total non-current liabilities	2,132,398	2,265,124
CURRENT LIABILITIES		
Current loans and borrowings	19,904	15,873
Current lease liabilities	130,972	132,187
Trade accounts payable	293,810	313,693
Contract liabilities	12,782	10,515
Current provisions	29,918	31,517
Income tax liabilities	15,780	56,836
Other current liabilities	253,505	222,128
Total current liabilities	756,671	782,749
Total liabilities	2,889,069	3,047,873
Total equity and liabilities	5,244,813	5,381,114

Consolidated statement of changes in equity

from 1 January to 31 March 2023

€ 000

	Contributed capital	Additional paid-in capital	Treasury shares	Cumulative translation adjustment	Accumulated deficit	Total	Non-controlling interests	Equity
Balance as at 1 January 2023	222,222	2,932,618	(35,730)	31,771	(817,710)	2,333,171	70	2,333,241
Net profit for the period	-	-	-	-	27,902	27,902	253	28,155
Other comprehensive income	-	-	-	(6,677)	(46)	(6,723)	30	(6,693)
Total comprehensive income for the period	-	-	-	(6,677)	27,856	21,179	283	21,462
Transactions with owners, recorded directly in equity								
Change of scope	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	159	159	(284)	(125)
Credit to equity for equity settled share based payments	-	1,166	-	-	-	1,166	-	1,166
Balance as at 31 March 2023	222,222	2,933,784	(35,730)	25,094	(789,695)	2,355,675	69	2,355,744

€ 000

	Contributed capital	Additional paid-in capital	Cumulative translation adjustment	Accumulated deficit	Total	Non-controlling interests	Equity
Balance as at 1 January 2022	222,222	3,788,983	15,210	(1,769,537)	2,256,878	(1,179)	2,255,699
Net profit for the period	-	-	-	215,874	215,874	648	216,522
Other comprehensive income	-	-	9,073	12,162	21,235	(4)	21,231
Total comprehensive income for the period	-	-	9,073	228,036	237,109	644	237,753
Transactions with owners, recorded directly in equity							
Change of scope	-	-	-	527	527	900	1,427
Acquisition of non-controlling interests	-	-	-	56	56	(107)	(51)
Credit to equity for equity settled share based payments	-	464	-	-	464	-	464
Balance as at 31 March 2022	222,222	3,789,447	24,283	(1,540,918)	2,495,034	258	2,495,292

Consolidated statement of cash flows

from 1 January to 31 March 2023

€ 000	Q1 2023	Q1 2022
Operating profit	45,270	285,991
Depreciation, amortisation, impairment	72,130	70,379
Change in provisions	553	536
Loss (income) from the disposal of non-current assets	(416)	439
Other non-cash revenues and expenses	2,020	8,778
Change in inventories	7,013	3,285
Change in trade accounts receivable	(8,550)	(90,100)
Change in trade accounts payable	(21,054)	(43,711)
Change in other net working capital	4,984	1,279
Income tax paid	(48,800)	(15,263)
Cash flow from operating activities (A)	53,150	221,613
Acquisition of subsidiaries, net of cash acquired and changes in debt related to acquisitions	(31,571)	(49,023)
Purchase of intangibles and property, plant and equipment	(26,144)	(28,602)
Proceeds from sale of intangibles and property, plant and equipment	453	425
Cash paid for other non-current assets	-	(250)
Interest received	2,036	132
Dividends received	3	3
Cash flow (used in)/from investing activities (B)	(55,223)	(77,315)
Proceeds from non-controlling interests	-	900
Interest paid and other financing activities	(15,670)	(18,225)
New loans, borrowings and other financial liabilities	16	693
Repayment of loans, borrowings and other financial liabilities	(100,646)	(92)
Repayment of lease liabilities	(28,536)	(33,706)
Dividends paid and other payments to non-controlling interests	(582)	(1,215)
Cash flow used in financing activities (C)	(145,418)	(51,645)
Total cash flows (A+B+C)	(147,491)	92,653
Cash and cash equivalent at the beginning of the period	541,590	443,525
Net foreign exchange differences	2,076	4,299
Cash and cash equivalents at the end of the period	396,175	540,477
Net increase/(decrease) in cash and cash equivalents	(145,415)	96,952

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