



# **SYNLAB AG**

QUARTERLY REPORT  
31 March 2022

## QUARTERLY REPORT 31 March 2022

Contents	Page
Business performance of SYNLAB Group	3
Condensed consolidated statement of income	8
Condensed consolidated statement of comprehensive income	10
Condensed consolidated statement of financial position	11
Condensed consolidated statement of changes in equity	14
Condensed consolidated statement of cash flows	15

## Business performance of SYNLAB Group

### Key financials

<b>Simplified P&amp;L</b>			
In EUR million	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>Growth</b>
Revenue	1,061.0	938.2	+13.1%
<b>Gross profit</b>	<b>805.5</b>	<b>695.2</b>	<b>+15.9%</b>
<b>AEBITDA</b>	<b>356.9</b>	<b>324.1</b>	<b>+10.1%</b>
<i>As % of revenue</i>	33.6%	34.5%	(0.9) ppts
<b>Adjusted operating profit (AOP)</b>	<b>300.1</b>	<b>280.3</b>	<b>+7.1%</b>
<i>As % of revenue</i>	28.3%	29.9%	(1.6) ppts
<b>Operating profit</b>	<b>286.0</b>	<b>258.1</b>	<b>+10.8%</b>
Financial result	+4.6	-28.8	+33.4
Income tax expenses	-72.8	-57.5	-15.3
<b>Adjusted net profit</b>	<b>227.0</b>	<b>189.1</b>	<b>+37.9</b>
<b>Net profit (Group share)</b>	<b>215.9</b>	<b>188.1</b>	<b>+27.8</b>
<b>Simplified Cash flow</b>			
In EUR million	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>Growth</b>
Operating cash flow	222	232	(10)
Unlevered Free Cash Flow	155	182	(27)
<b>Net debt and leverage</b>			
In EUR million	<b>Q1 2022</b>	<b>Dec. 2021</b>	<b>Improvement</b>
Net debt	1,489	1,602	(113)
Adjusted net debt	1,559	1,671	(112)
<b>Leverage ratio</b>	<b>x1.23</b>	<b>x1.35</b>	<b>(0.12)</b>

## Business performance of SYNLAB Group

### Financial performance

#### **Strong growth delivered: +13%**

Q1 2022 revenue was up 13.1% to €1.06 billion (Q1 2021: €0.94 billion).

The first weeks of 2022 were marked by the Omicron wave, with COVID-19 testing volumes reaching levels never seen before. The revenue contribution from COVID-19 testing was approximately €450 million (Q1 2021: €434 million). In Q1 2022, SYNLAB performed 10.2 million PCR and 1.5 million non-PCR tests. The average price per PCR test was around €41 in Q1 2022, compared with around €58 in Q1 2021.

SYNLAB recorded strong non-COVID-19 testing<sup>1</sup> organic revenue growth (+10.8%), including the contribution of the South-East London hospital outsourcing contract (the “SEL” contract) which started in Q2 2021.

Overall volume growth largely offset a price decrease of 1.1%. Excluding the contribution of the SEL contract, underlying organic growth was 2.1%. Following a soft start to the year correlated with the Omicron wave, levels in the Group’s non-COVID-19 testing activities rebounded strongly in March with the receding of the wave, with underlying organic revenue growth exceeding 4%.

#### **Segment view**

<b>Revenue (EUR million)</b>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>Organic Growth</b>	<b>Underlying organic Growth</b>
France	211.5	228.6	-8.8%	-1.1%
Germany	235.2	178.8	31.0%	3.9%
South	299.6	264.2	-2.2%	-1.0%
North & East	314.7	266.6	16.9%	51.3%
<b>SYNLAB Group</b>	<b>1,061.0</b>	<b>938.2</b>	<b>7.6%</b>	<b>10.8%</b>

*Despite robust volume growth, the underlying organic growth of France was impacted by lower prices driven by the regulated price decrease<sup>2</sup> implemented in January 2022 and an unfavorable comparison base as the prior price decrease was only implemented in early April 2021. The South segment had a soft start of the year which can be attributed to the high comparison base in Italy and a phasing effect from a change in the reimbursement schedule in the Campania region. Germany saw robust volume expansion against a soft comparison base, with limited price pressure. North & East growth remained very strong driven by volume and the positive effect of price indexation.*

#### **Volume leverage and continued strong cash generation**

Q1 2022 adjusted EBITDA (AEBITDA) increased by 10.1% to €356.9 million, the highest level achieved in a quarter. Despite a major decrease in PCR test price (€17 per unit price reduction), the AEBITDA margin stood at 33.6% demonstrating again the volume leverage of

<sup>1</sup> Also called “Underlying organic growth”: excludes COVID-19 testing revenue contribution

<sup>2</sup>As per the 3-year agreement with the French health authorities

## Business performance of SYNLAB Group

the business. Excluding the PCR price reduction impact, the AEBITDA margin would have been around 9 percentage points higher.

Q1 2022 adjusted operating profit (AOP) was €300.1 million (Q1 2021: €280.3 million) with an AOP margin of 28.3% (Q1 2021: 29.9%). Price driven year-on-year variations in the COVID-19 contributions were the main margin driver.

### Segment view

AOP (EUR million)	Q1 2022	Q1 2021	Margin Q1 2022	Margin Q1 2021
France	54.0	70.0	25.5%	30.6%
Germany	81.3	46.4	34.6%	25.9%
South	61.6	63.7	20.6%	24.1%
North & East	103.2	100.2	32.8%	37.6%
<b>SYNLAB Group</b>	<b>300.1</b>	<b>280.3</b>	<b>28.3%</b>	<b>29.9%</b>

Price driven year-on-year variation in the COVID-19 contribution was the main margin driver. The AOP margin expanded materially in Germany driven by the record high COVID-19 testing revenue. Margins were down in the other regions, mostly driven by the drop in PCR testing prices. 2021. Acquisitions had no dilutive impact on margins and all regions recorded margin expansion compared with Q4 2021.

Q1 2022 adjusted net profit (Group share) grew by 20%, driven by improved financial results and partly offset by a higher tax expense.

At €155 million, unlevered free cash flow was strong, but below last year due to the temporary impact of increased COVID-19 testing activity on DSOs and increased CAPEX. The cash conversion ratio (unlevered free cash flow / AEBITDA) was 44%.

### Return on capital employed at 19%, leverage ratio further decreased

The return on capital employed was 19%, driven by the strong profit expansion.

At the end of March 2022, adjusted net debt was €1.56 billion compared with €1.67 billion at the end of December 2021. The leverage ratio<sup>3</sup> continues to remain at a low level and declined to 1.23x compared with 1.35x at the end of 2021.

<sup>3</sup> Net debt to LTM pro-forma adjusted EBITDA

## Business performance of SYNLAB Group

### Key Q1 2022 achievements

#### Organic growth

As part of its retail initiative, SYNLAB opened more than 40 new blood collection points in Q1 2022, mostly in the South region (Italy, Spain, Latin America). Moreover, the Group further reinforced its specialty testing portfolio in Germany with the addition of the [OncoDNA](#) tissue-based biomarker test, a comprehensive solution used to predict patient response to a wide range of approved and experimental therapies. The South-East London contract (“SEL” contract) is delivering according to plan. Its contribution will annualise starting April 2022.

#### Operational excellence

With SALIX, a multi-year efficiency program, SYNLAB aims to reduce its cost base by €20 million each year. The program was on track in Q1 2022, with €5 million of savings delivered. In addition, the SYNLAB core lab program of equipment renewal and automation also continued to progress well and is now more than 90% completed.

#### ESG

Building on its clearly defined ESG strategy, SYNLAB has published the company’s second [ESG](#) report on 30 April 2022. The ESG strategy entails three areas that help drive the Group’s ambitious ESG agenda through concrete actions: the fight against climate change, access to high quality healthcare, and business ethics. Furthermore, SYNLAB joined the United Nations Global Compact initiative – a voluntary platform for the development, implementation, and disclosure of responsible business practices. Together with more than 9,500 companies and 3,000 non-business signatories, SYNLAB will act in support of UN goals and issues embodied in the Sustainable Development Goals (SDGs).

#### M&A

Since the beginning of 2022 SYNLAB has spent approximately €63 million on acquisitions, completing 8 acquisitions in 6 countries. The acquisitions represent an estimated annualised revenue of around €32 million. The acquisitions of Sistemas Genómicos in Spain and the Institute for Pathology and Molecular Pathology Pforzheim in Germany reflect the focus to further expand in specialty testing services.

## Business performance of SYNLAB Group

### 2022 outlook

Based on the strong start into the year due to the Omicron wave, and continuous strength in the non-COVID-19<sup>4</sup> testing activity following the strong March rebound, SYNLAB now expects FY 2022 revenue to be around €3.1 billion (March 2022 guidance: €3.0 billion) compared with €3.76 billion in FY 2021.

The adjusted EBITDA margin is expected to be within a 24-25% range (March 2022 guidance: 23-25%), compared with 32.1% in FY 2021. The year-on-year expected decrease is attributable to lower COVID-19 testing revenue.

The adjusted EBITDA margin range is narrowed upwards to reflect the increase in expected revenue. It factors in: 1) the strategy to maintain COVID-19 response capacity at the level medically necessary and potential lag time before any ramp down 2) the dilutive impact on margin of additional growth initiatives, notably in the Direct to Consumer (D2C) activity and 3) inflation risks.

The pipeline for future acquisitions remains strong and diversified. In line with the longer-term targets set at the IPO as well as the FY 2021 performance, SYNLAB aims to exceed €200 million of M&A spend again in 2022.

<sup>4</sup> Excludes COVID-19 testing revenue contribution

## Condensed Consolidated Statement of Income From 1 January to 31 March 2022

€ 000	From 1 January to 31 March	
	2022	2021
<b>Revenue</b>	<b>1,061,005</b>	<b>938,214</b>
Material and related expenses	(255,551)	(243,039)
Payroll and related expenses	(307,017)	(268,921)
Other operating income	7,424	7,945
Other operating expenses	(149,494)	(119,791)
Depreciation and amortisation	(70,376)	(56,271)
Impairment of non-current assets	-	-
<b>Operating profit</b>	<b>285,991</b>	<b>258,137</b>
Share of loss of associates and other non-controlling interest	(790)	(907)
Profit on disposal of investment	(471)	-
Finance income	24,838	8,823
Finance costs	(20,220)	(37,595)
<b>Profit before taxes</b>	<b>289,348</b>	<b>228,458</b>
Income tax expenses	(72,826)	(57,534)
<b>Profit from continuing operations</b>	<b>216,522</b>	<b>170,924</b>
<b>Discontinued operations</b>		
Profit after tax for the period from discontinued operations	-	17,868
<b>Profit for the period</b>	<b>216,522</b>	<b>188,792</b>
thereof: Profit attributable to non-controlling interests	648	646
thereof: Profit attributable to equity holders of the parent company	215,874	188,146



## Condensed Consolidated Statement of Income From 1 January to 31 March 2022

<b>Basic earnings per share from continuing operations (in EUR)</b>	0.97	0.85
<b>Diluted earnings per share from continuing operations (in EUR)</b>	0.97	0.85

## Condensed consolidated Statement of Comprehensive Income

### From 1 January to 31 March 2022

	From 1 January to 31 March	
	2022	2021
<b>Net profit for the period</b>	<b>216,522</b>	<b>188,792</b>
Actuarial gains or losses on pension obligations	14,519	3,652
Taxes on actuarial gains or losses on pensions obligations	(2,357)	(600)
<b>Items that will not be reclassified to profit or loss (a)</b>	<b>12,162</b>	<b>3,052</b>
Foreign exchange gains/losses	9,069	6,801
<b>Items that may be reclassified subsequently to profit or loss (b)</b>	<b>9,069</b>	<b>6,801</b>
<b>Other comprehensive income for the year (a) + (b)</b>	<b>21,231</b>	<b>9,853</b>
<b>Total consolidated comprehensive profit attributable to:</b>	<b>237,753</b>	<b>198,645</b>
Equity holders of the parent company	237,109	197,895
Non-controlling interests	644	750

## Condensed Consolidated Statement of Financial Position As at 31 March 2022

€ 000	As at 31 March 2022	As at 31 December 2021
<b>ASSETS</b>		
Goodwill	2,470,575	2,440,037 *
Intangible assets	729,669	725,926
Property, plant and equipment	279,694	273,022
Right of use assets	572,179	580,494
Investments in associates	5,070	4,831
Financial non-current assets	52,822	42,690
Other non-current assets	4,997	5,092
Deferred tax assets	61,719	41,747
<b>Total non-current assets</b>	<b>4,176,725</b>	<b>4,113,839</b>
Inventories	108,825	110,020
Trade accounts receivables	721,102	632,553
Financial current assets	72,683	62,272
Other current assets	133,408	63,771
Cash and cash equivalents	540,640	443,747
<b>Total current assets</b>	<b>1,576,658</b>	<b>1,312,363</b>
<b>Total assets</b>	<b>5,753,383</b>	<b>5,426,202</b>

\* Restated to reflect fair value adjustment in accordance with IFRS 3

## Condensed Consolidated Statement of Financial Position As at 31 March 2022

€ 000	As at 31 March 2022	As at 31 December 2021
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Contributed capital	222,222	222,222
Additional paid-in capital	3,789,447	3,788,983
Cumulative translation adjustment	24,283	15,210
Accumulated deficit	-1,540,918	-1,769,537
<b>Total parent company interests</b>	<b>2,495,034</b>	<b>2,256,878</b>
<b>Non-controlling interests</b>	258	-1,179
<b>Total equity</b>	<b>2,495,292</b>	<b>2,255,699</b>
<b>LIABILITIES</b>		
Loans and borrowings (non-current)	1,413,654	1,417,635
Non-current lease liabilities	488,771	501,688
Employee benefits liabilities	31,930	45,283
Non-current provisions	2,041	2,365
Contract liabilities	9,971	10,038
Other non-current liabilities	52,820	52,283
Deferred tax liabilities	208,375	185,424
<b>Total non-current liabilities</b>	<b>2,207,562</b>	<b>2,214,716</b>
Current loans and borrowings	10,020	12,573
Current lease liabilities	116,952	113,988
Trade accounts payable	345,980	387,123
Contract liabilities	13,605	7,540
Current provisions	16,093	11,612 *
Income tax liabilities	185,545	115,956 *
Other current liabilities	362,334	306,995

## Condensed Consolidated Statement of Financial Position As at 31 March 2022

Total current liabilities	1,050,529	955,787
Total liabilities	3,258,091	3,170,503
Total equity and liabilities	5,753,383	5,426,202

\* Restated to reflect fair value adjustment in accordance with IFRS 3

## Condensed Consolidated Statement of Changes in Equity From 1 January to 31 March 2022

€ 000	Contributed capital	Additional paid-in capital	Accumulated deficit	Cumulative translation adjustment	Total	Non-controlling interests	Equity
<b>Balance as at 1 January 2022</b>	<b>222,222</b>	<b>3,788,983</b>	<b>(1,769,537)</b>	<b>15,210</b>	<b>2,256,878</b>	<b>(1,179)</b>	<b>2,255,699</b>
Net profit for the period	-	-	215,874	-	215,874	648	216,522
Other comprehensive income	-	-	12,162	9,073	21,235	(4)	21,231
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>228,036</b>	<b>9,073</b>	<b>237,109</b>	<b>644</b>	<b>237,753</b>
<b>Transactions with owners, recorded directly in equity</b>							
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
<b>Balance as at 31 March 2022</b>	<b>222,222</b>	<b>3,789,447</b>	<b>(1,540,918)</b>	<b>24,283</b>	<b>2,495,034</b>	<b>258</b>	<b>2,495,292</b>
€ 000	Contributed capital	Additional paid-in capital	Accumulated deficit	Cumulative translation adjustment	Total	Non-controlling interests	Equity
<b>Balance as at 1 January 2021</b>	<b>134,388</b>	<b>1,523,590</b>	<b>(443,973)</b>	<b>(8,365)</b>	<b>1,205,640</b>	<b>(2,088)</b>	<b>1,203,552</b>
Net profit for the period	-	-	188,146	-	188,146	646	188,792
Other comprehensive income	-	-	3,052	6,697	9,749	104	9,853
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>191,198</b>	<b>6,697</b>	<b>197,895</b>	<b>750</b>	<b>198,645</b>
<b>Transactions with owners, recorded directly in equity</b>							
Acquisition of non-controlling interests	-	-	755	-	755	(976)	(221)
Credit to equity for equity settled share based payments	-	749	-	-	749	-	749
Dividends	-	-	-	-	-	3	3
<b>Balance as at 31 March 2021</b>	<b>134,388</b>	<b>1,524,339</b>	<b>(252,020)</b>	<b>(1,668)</b>	<b>1,405,039</b>	<b>(2,311)</b>	<b>1,402,728</b>

## Condensed Consolidated Statement of Cash Flows From 1 January to 31 March 2022

€ 000	From 1 January to 31 March	
	2022	2021
<b>Operating profit</b>	<b>285,991</b>	<b>258,137</b>
Depreciation, amortisation, impairment	70,379	56,271
Change in provisions	536	1,010
Loss (income ) from the disposal of non-current assets	439	174
Other non-cash revenues and expenses	8,778	11,952
<b>Operating cash flow before changes in net working capital</b>	<b>366,123</b>	<b>327,544</b>
Change in inventories	3,285	12,327
Change in trade accounts receivable	(90,100)	(62,944)
Change in trade accounts payable	(43,711)	(46,686)
Change in other net working capital	1,279	13,197
Income tax paid	(15,263)	(12,082)
<i>Cash flow from operating activities continuing operations</i>	<i>221,613</i>	<i>231,356</i>
<i>Cash flow from operating activities discontinued operations</i>	<i>-</i>	<i>1,233</i>
<b>Cash flow from operating activities (A)</b>	<b>221,613</b>	<b>232,589</b>
Acquisition of subsidiaries, net of cash acquired and changes in debt related to acquisitions	(49,023)	(31,710)
Purchase of intangibles and property, plant and equipment	(28,602)	(20,652)
Sale of subsidiaries, net of cash disposed and changes in debt	-	9,530
Proceeds from sale of intangibles and property, plant and equipment	425	421
Cash paid for other non-current assets	(250)	-
Cash received from other non-current assets	-	15
Interest received	132	117
Dividends received	3	-
<i>Cash flow used in investing activities continuing operations</i>	<i>(77,315)</i>	<i>(42,279)</i>
<i>Cash flow used in investing activities discontinued operations</i>	<i>-</i>	<i>-</i>
<b>Cash flow (used in)/from investing activities (B)</b>	<b>(77,315)</b>	<b>(42,279)</b>

## Condensed Consolidated Statement of Cash Flows From 1 January to 31 March 2022

€ 000	From 1 January to 31 March	
	2022	2021
Proceeds from non-controlling interests	900	-
Interest paid and other financing activities	(18,225)	(39,944)
New loans, borrowings and other financial liabilities	693	-
Repayment of loans, borrowings and other financial liabilities	(92)	(544,064)
Repayment of lease liabilities	(33,706)	(26,397)
Dividends paid and other payments to non-controlling interests	(1,215)	(838)
<i>Cash flow used in financing activities continuing operations</i>	<i>(51,645)</i>	<i>(611,243)</i>
<i>Cash flow used in financing activities discontinued operations</i>	<i>-</i>	<i>(22)</i>
<b>Cash flow used in financing activities (C)</b>	<b>(51,645)</b>	<b>(611,265)</b>
<b>TOTAL CASH FLOWS (A+B+C)</b>	<b>92,653</b>	<b>(420,956)</b>
<b>Cash and cash equivalent at the beginning of the period</b>	<b>96,952</b>	<b>904,707</b>
Net foreign exchange differences	4,299	3,158
<b>Cash and cash equivalents at the end of the period</b>	<b>540,477</b>	<b>486,909</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>96,952</b>	<b>(417,798)</b>

Munich, 11 May 2022

**SYNLAB AG**

**The Management Board**

Mathieu Floreani

Sami Badarani