



SYNLAB AG

QUARTERLY REPORT
30 September 2022

Q3 FINANCIAL REPORT 2022

Contents	Page
Business performance of SYNLAB Group	2
Condensed consolidated statement of income	6
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of changes in equity	10
Condensed consolidated statement of cash flows	11

Business performance of SYNLAB Group

Key figures

Note: 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)%
<i>AEBITDA margin</i>	19.3%	26.0%	(6.7)pp
Adjusted operating profit (AOP)	75.8	486.7	(36)%
<i>AOP margin</i>	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)%

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

Business performance of SYNLAB Group

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, Q2 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%

Financial performance

Continued strong underlying growth at 6.3% and expectedly lower COVID-19 testing

Based on the high prior-year comparison 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 (SEL) hospital outsourcing 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 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.

Business performance of SYNLAB Group

9M 2022 COVID-19 testing revenue was in line with expectations and declined by 39% to €725 million² (9M 2021: €1,180 million³). 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 million⁴, 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% and 19.3% respectively.

Margins developments are largely explained by the expected reduction in the COVID-19 testing activity in Q2 and Q3 2022, 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 €1.50⁵ (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

Business performance of SYNLAB Group

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 ratio⁶ remains at a low level: 1.5x at the end of September 2022. Meanwhile, SYNLAB continued to invest in M&A with €92 million cash out in 9M 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

Condensed Consolidated Statement of Income

€ 000	For the nine months ended 30 September	
	2022	2021
Revenue	2,549,290	2,772,338
Material and related expenses	(600,730)	(689,427)
Payroll and related expenses	(881,351)	(826,068)
Other operating income	24,452	24,104
Other operating expenses	(435,755)	(406,977)
Depreciation and amortisation	(217,624)	(184,858)
Impairment of non-current assets	(173,026)	-
Operating profit	265,256	689,112
Share of loss of associates and other non-controlling interest	(2,014)	(1,817)
Profit on disposal of investment	70,653	(50)
Finance income	79,746	24,524
Finance costs	(91,393)	(111,146)
Profit / (loss) before taxes	322,248	600,623
Income tax expenses	(129,751)	(145,105)
Profit / (loss) from continuing operations	192,497	455,518
Discontinued operations		
Profit / (loss) after tax for the period from discontinued operations	-	17,868
Profit / (loss) for the period	192,497	473,386
thereof: Profit / (loss) attributable to non-controlling interests	1,576	2,092
thereof: Profit / (loss) attributable to equity holders of the parent company	190,921	471,294
Basic earnings per share from continuing operations (in €)	0.86	2.22
Diluted earnings per share from continuing operations (in €)	0.86	2.22

Condensed consolidated Statement of Comprehensive Income

	For the nine months ended 30 September	
	2022	2021
Net profit / (loss) for the period	192,497	473,386
Actuarial gains or losses on pension obligations	10,187	5,631
Taxes on actuarial gains or losses on pensions obligations	(2,324)	(1,135)
Items that will not be reclassified to profit or loss (a)	7,863	4,496
Foreign exchange gains/losses	43,326	6,234
Items that may be reclassified subsequently to profit or loss (b)	43,326	6,234
Other comprehensive income for the year (a) + (b)	51,189	10,730
Total consolidated comprehensive profit / (loss) attributable to:	243,686	484,116
Equity holders of the parent company	242,016	481,928
Non-controlling interests	1,670	2,188

Condensed Consolidated Statement of Financial Position

€ 000	As at 30 September 2022	As at 31 December 2021
ASSETS		
Goodwill	2,343,766	2,439,780
Intangible assets	715,053	725,926
Property, plant and equipment	283,286	273,022
Right-of-use assets	592,899	580,494
Investments in associates	810	4,831
Financial non-current assets	73,662	42,690
Other non-current assets	4,045	5,092
Deferred tax assets	42,448	41,747
Total non-current assets	4,055,969	4,113,582
Inventories	92,264	110,020
Trade accounts receivables	480,588	632,553
Financial current assets	61,050	62,272
Other current assets	114,276	63,771
Cash and cash equivalents	660,006	443,747
Total current assets	1,408,184	1,312,363
Total assets	5,464,153	5,425,945

Condensed Consolidated Statement of Financial Position

€ 000	As at 30 September	As at 31 December
	2022	2021
EQUITY AND LIABILITIES		
EQUITY		
Contributed capital	222,222	222,222
Additional paid-in capital	3,718,061	3,788,983
Treasury shares	-14,570	-
Cumulative translation adjustment	58,442	15,210
Accumulated deficit	-1,570,482	-1,769,537
Total parent company interests	2,413,673	2,256,878
Non-controlling interests	871	-1,179
Total equity	2,414,544	2,255,699
LIABILITIES		
Loans and borrowings (non-current)	1,411,638	1,417,635
Non-current lease liabilities	496,434	501,688
Employee benefits liabilities	38,551	45,283
Non-current provisions	2,443	2,365
Contract liabilities	9,552	10,038
Other non-current liabilities	54,375	52,283
Deferred tax liabilities	173,969	185,424
Total non-current liabilities	2,186,962	2,214,716
Current loans and borrowings	11,015	12,573
Current lease liabilities	129,347	113,988
Trade accounts payable	292,806	387,123
Contract liabilities	12,011	7,540
Current provisions	11,891	11,245
Income tax liabilities	145,103	116,066
Other current liabilities	260,474	306,995
Total current liabilities	862,647	955,530
Total liabilities	3,049,609	3,170,246
Total equity and liabilities	5,464,153	5,425,945

Condensed Consolidated Statement of Changes in Equity

	Contributed capital	Additional paid-in capital	Treasury shares	Cumulative translation adjustment	Accumulated deficit	Total	Non-controlling interests	Equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
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	-	-	-	-	190,921	190,921	1,576	192,497
Other comprehensive income	-	-	-	43,232	7,863	51,095	94	51,189
Total comprehensive income for the period	-	-	-	43,232	198,784	242,016	1,670	243,686
Transactions with owners, recorded directly in equity								
Purchase of treasury shares	-	-	(14,570)	-	-	(14,570)	-	(14,570)
Change of scope	-	-	-	-	-	-	900	900
Acquisition of non-controlling interests	-	-	-	-	271	271	269	540
Credit to equity for equity-settled share-based payments	-	2,405	-	-	-	2,405	-	2,405
Dividends	-	(73,327)	-	-	-	(73,327)	(789)	(74,116)
Balance as at 30 September 2022	222,222	3,718,061	(14,570)	58,442	(1,570,482)	2,413,673	871	2,414,544
	Contributed capital	Additional paid-in capital		Cumulative translation adjustment	Accumulated deficit	Total	Non-controlling interests	Equity
	€ 000	€ 000		€ 000	€ 000	€ 000	€ 000	€ 000
Balance as at 1 January 2021	134,388	1,523,590		(8,365)	(443,973)	1,205,640	(2,088)	1,203,552
Net profit for the period	-	-		-	471,294	471,294	2,092	473,386
Other comprehensive income	-	-		6,137	4,497	10,634	96	10,730
Total comprehensive income for the period	-	-		6,137	475,791	481,928	2,188	484,116
Transactions with owners, recorded directly in equity								
Issue of share capital	222,222	3,776,928		-	-	3,999,150	-	3,999,150
Reorganisation of equity	(134,388)	(1,506,455)		-	(1,958,255)	(3,599,098)	-	(3,599,098)
Expenses for equity contribution	-	(6,000)		-	-	(6,000)	-	(6,000)
Acquisition of non-controlling interests	-	-		-	25	25	(1,365)	(1,340)
Credit to equity for equity-settled share-based payments	-	749		-	-	749	-	749
Dividends	-	-		-	-	-	(4)	(4)
Balance as at 30 September 2021	222,222	3,788,812		(2,228)	(1,926,412)	2,082,394	(1,269)	2,081,125

Condensed Consolidated Statement of Cash Flows

	For the nine months ended 30 September	
	2022	2021
	€ 000	€ 000
Operating profit	265,256	689,112
Depreciation, amortisation, impairment	390,579	184,856
Change in provisions	593	2,326
Loss (income) from the disposal of non-current assets	2,066	(67)
Other non-cash revenues and expenses	22,358	28,082
Operating cash flow before changes in net working capital	680,852	904,309
Change in inventories	20,710	53,811
Change in trade accounts receivable	138,844	(6,676)
Change in trade accounts payable	(96,221)	(93,356)
Change in other net working capital	(44,219)	22,132
Income tax paid	(150,847)	(94,109)
<i>Cash flow from operating activities continuing operations</i>	<i>549,119</i>	<i>786,111</i>
<i>Cash flow from operating activities discontinued operations</i>	<i>-</i>	<i>1,021</i>
Cash flow from operating activities (A)	549,119	787,132
Acquisition of subsidiaries, net of cash acquired and changes in debt related to acquisitions	(91,759)	(118,035)
Purchase of intangibles and property, plant and equipment	(91,056)	(75,364)
Sale of subsidiaries, net of cash disposed and changes in debt	83,790	4,544
Proceeds from sale of intangibles and property, plant and equipment	296	978
Cash paid for other non-current assets	(299)	(49)
Cash received from other non-current assets	-	24
Interest received	1896	568
Net cash from disposal of investments	-	348
Dividends received	167	290
<i>Cash flow used in investing activities continuing operations</i>	<i>(96,965)</i>	<i>(186,696)</i>
<i>Cash flow used in investing activities discontinued operations</i>	<i>-</i>	<i>(1)</i>
Cash flow (used in)/from investing activities (B)	(96,965)	(186,697)

Condensed Consolidated Statement of Cash Flows

	For the nine months ended 30 September	
	2022	2021
	€ 000	€ 000
Proceeds from share capital increase	-	394,050
Acquisition of treasury shares	(14,570)	-
Interest paid	(47,143)	(92,016)
New loans, borrowings and other financial liabilities	690	727,627
Repayment of loans, borrowings and other financial liabilities	(554)	(1,844,717)
Repayment of lease liabilities	(105,321)	(71,078)
Contribution from non-controlling interests	900	-
Dividends paid and other payments to non-controlling interests	(76,918)	(2,257)
Cash flow used in financing activities continuing operations	(242,916)	(888,391)
Cash flow used in financing activities discontinued operations	-	(22)
Cash flow used in financing activities (C)	(242,916)	(888,413)
TOTAL CASH FLOWS (A+B+C)	209,238	(287,978)
Cash and cash equivalent at the beginning of the period	443,525	904,707
Net foreign exchange differences	7,108	2,903
Cash and cash equivalents at the end of the period	659,871	619,632
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	216,346	(285,075)

Munich, 10 November 2022

SYNLAB AG

The Management Board

Mathieu Floreani

Sami Badarani