

POWER

PEOPLE | INNOVATION | PARTNERSHIP

Quarterly Statement 9M|2023

January 1 to September 30, 2023

STRATEC REPORTS RESULTS FOR FIRST NINE MONTHS OF 2023

- Significant intra-year improvement in profitability in third quarter of 2023 (adjusted EBIT margin of 14.8% in Q3/2023); adjusted EBIT margin of 8.6% in 9M/2023 (9M/2022: 18.3%)
- Sales performance still adversely affected by excess molecular diagnostics capacities built up during pandemic; constant-currency sales -9.1 % in 9M/2023
- Well-stocked development pipeline and promising negotiations for additional development cooperations
- Financial guidance for 2023: sales guidance slightly adjusted and margin target confirmed

Key figures¹

€ 000s	9M 2023	9M 2022	Change	Q3 2023	Q3 2022	Change
Sales	187,680	207,654	-9.6 %	62,674	70,461	-11.1 %
Adjusted EBITDA	27,267	48,095	-43.3 %	13,370	20,254	-34.0 %
Adjusted EBITDA margin (%)	14.5	23.2	-870 bps	21.3	28.7	-740 bps
Adjusted EBIT	16,222	38,067	-57.4 %	9,257	16,889	-45.2 %
Adjusted EBIT margin (%)	8.6	18.3	-970 bps	14.8	24.0	-920 bps
Adjusted consolidated net income	9,742	29,549	-67.0 %	5,682	12,870	-55.9 %
Adjusted earnings per share (€)	0.80	2.44	-67.2 %	0.47	1.06	-55.7 %
Earnings per share (€)	0.62	2.04	-69.6 %	0.42	1.00	-58.0 %

bps = basis points

¹ For comparison purposes, adjusted figures have been adjusted to exclude amortization resulting from purchase price allocations in the context of acquisitions and other non-recurring items (advisory expenses and restructuring costs relating to M&A activities and one-off personnel expenses). In the previous year, the figures were additionally adjusted to exclude a provision for expected back payments of tax (including interest payments).

BUSINESS PERFORMANCE

The STRATEC Group generated consolidated sales of € 187.7 million in the first nine months of 2023 (9M/2022: € 207.7 million). On a constant-currency basis, this corresponds to a reduction of 9.1 % (nominal: -9.6%). Natech Plastics, which was consolidated for the first time as of July 1, 2023, contributed 130 basis points to consolidated sales. The subdued performance of group sales is due in particular to the sudden and sharp drop in test volumes throughout the molecular diagnostics market and the resultant lower utilization of molecular diagnostics laboratory capacities, which had grown significantly during the pandemic (in 2022, molecular diagnostics systems accounted for slightly more than 30% of STRATEC's total system sales). This factor is currently holding back growth with high-margin service parts. Furthermore, market demand for molecular diagnostics systems, already reduced, is currently being satisfied in part by temporarily higher stocks at customers. Based on updated order forecasts and inventory data from customers, STRATEC expects stockholdings at its customers to return to normal levels at the beginning/in the middle of 2024. Order behavior is subsequently expected to regain a level which then reflects actual market requirements.

Notwithstanding the absence of benefits of scale and despite further adverse product mix-related effects, in the third quarter of 2023 STRATEC made its first substantial progress in raising its profitability once again. This improvement was driven in particular by price adjustments agreed and already implemented for a number of major products as well as targeted measures in the areas of human resources and development. These factors enabled STRATEC to significantly increase its adjusted EBIT margin again in the third quarter of 2023 compared with the first half of 2023 (adjusted EBIT margin of 14.8% in Q3/2023). Adjusted EBIT for the first nine months of 2023 therefore amounts to € 16.2 million (9M/2022: € 38.1 million). The adjusted EBIT margin thereby implied for the nine-month period stands at 8.6% (9M/2022: 18.3%).

Given the lower level of operating earnings, adjusted consolidated net income for the first nine months of 2023 reduced from € 29.5 million to € 9.7 million. Adjusted earnings per share (basic) came to € 0.80 (9M/2022: € 2.44).

For comparison purposes, the earnings figures for the first nine months of 2023 have been adjusted to exclude amortization resulting from purchase price allocations in the context of acquisitions and other non-recurring items (advisory expenses and restructuring costs relating to M&A activities and one-off personnel expenses). In the previous year, the figures were additionally adjusted to exclude a provision for expected back payments of tax (including interest payments). A reconciliation of the adjusted figures with the figures reported in the consolidated statement of comprehensive income is provided below.

€ 000s	9M/2023	9M/2022
Adjusted EBIT	16,222	38,067
Adjustments		
• PPA amortization	-1,713	-2,627
• Other ¹	-1,217	0
EBIT	13,292	35,440

¹ Advisory expenses and restructuring costs relating to M&A activities and one-off personnel expenses

€ 000s	9M/2023	9M/2022
Adjusted consolidated net income	9,742	29,549
Adjusted earnings per share in € (basic)	0.80	2.44
Adjustments		
• PPA amortization	-1,713	-2,627
• Other ¹	-1,217	0
• Taxes on income	714	-2,020
• Interest expenses	0	-183
Consolidated net income	7,526	24,719
Earnings per share in € (basic)	0.62	2.04

¹ Advisory expenses and restructuring costs relating to M&A activities and one-off personnel expenses

FINANCIAL GUIDANCE

STRATEC can confirm its earnings guidance for the 2023 financial year, namely of achieving an adjusted EBIT margin of around 10.0% to 12.0%. Given the currently ongoing period of subdued developments in the molecular diagnostics instrumentation solutions market, the company now expects its consolidated sales on a constant-currency basis to fall slightly short of the previous year's figure. The company previously expected its constant-currency consolidated sales to match or increase slightly compared with the previous year's figure.

Irrespective of the amended sales basis, STRATEC can confirm that its forecast investment volumes for property, plant and equipment and intangible assets will correspond to 6.0% to 8.0% of sales.

This temporary phase, in which available molecular diagnostics test volumes still have to fill the capacities created during the pandemic, is countered by clearly positive developments in other product areas. Examples here include complex sample management, immunochemistry, specialist immunoassay solutions, and cross-technology oncology applications. Based on the assessment by the Board of Management, the weakness in demand in the molecular diagnostics market referred to above will improve significantly by the beginning/middle of the coming year. Medium to long-term market dynamics are therefore assessed just as positively as before. Moreover, STRATEC's strong development pipeline offers additional, highly varied growth potential.

DEVELOPMENT IN PERSONNEL

Including personnel hired from temporary employment agencies and trainees, the STRATEC Group had a total of 1,532 employees as of September 30, 2023. Adjusted to exclude the Natech Plastics acquisition completed as of July 1, 2023, the workforce stood at 1,461 employees and thus fell slightly compared with December 31, 2022 (1,481 employees). This is due to the earnings enhancement program initiated in March 2023 and the measures set out therein to temporarily reduce recruiting activities in order to adjust capacities to the temporary change in demand.

PROJECTS AND OTHER DEVELOPMENTS

STRATEC made major advances with numerous proprietary development projects and in its development cooperations with partners in the first nine months of 2023 and also launched new products onto the market. One example worth mentioning here is a system solution extended to include additional functions in the field of flow cytometry, which was launched for the first time in June 2023. In the Smart Consumables business, new products for partners have also been moved to serial production since the beginning of the year. Furthermore, STRATEC's customers are currently showing great interest in its connectivity and cybersecurity solutions.

Based on its well-stocked development pipeline, STRATEC expects to see further product launches in the coming months as well. Moreover, two major development cooperations are currently being significantly extended.

In addition, STRATEC is holding a wide range of negotiations concerning new development cooperations and witnessing a high level of activity in the associated feasibility studies. In the third quarter of 2023, for example, a development cooperation for multiplex-capable and sensitive diagnostics test applications was initiated with an established partner.

CONSOLIDATED BALANCE SHEET

as of September 30, 2023

Assets

€ 000s	09.30.2023	12.31.2022
Non-current assets		
Goodwill	66,302	36,655
Other intangible assets	53,132	51,616
Right-of-use assets	16,036	12,444
Property, plant and equipment	65,322	61,559
Non-current financial assets	3,546	3,539
Non-current contract assets	12,390	16,638
Deferred taxes	3,969	3,666
	220,697	186,117
Current assets		
Inventories	139,802	117,630
Trade receivables	45,491	51,730
Current financial assets	5,743	1,404
Current other receivables and assets	8,156	10,502
Current contract assets	7,251	6,115
Income tax receivables	1,644	1,338
Cash	14,315	22,668
	222,402	211,387
Total assets	443,099	397,504

Shareholders' equity and debt

€ 000s	09.30.2023	12.31.2022
Shareholders' equity		
Share capital	12,158	12,158
Capital reserve	35,996	35,145
Revenue reserves	178,558	182,823
Treasury stock	-35	-35
Other equity	-837	-4,907
	225,840	225,184
Non-current debt		
Non-current financial liabilities	95,136	84,033
Non-current contract liabilities	11,288	15,477
Provisions for pensions	3,142	3,152
Deferred taxes	10,008	9,412
	119,574	112,074
Current debt		
Current financial liabilities	50,982	15,254
Trade payables	14,317	10,865
Current other liabilities	7,239	7,532
Current contract liabilities	16,656	15,352
Provisions	1,189	1,291
Income tax liabilities	7,302	9,952
	97,685	60,246
Total shareholders' equity and debt	443,099	397,504

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to September 30, 2023

€ 000s	01.01.–09.30.2023	01.01.–09.30.2022
Sales	187,680	207,654
Cost of sales	-143,683	-144,290
Gross profit	43,997	63,364
Research and development expenses	-6,573	-4,817
Sales-related expenses	-9,105	-8,424
General administrative expenses	-13,765	-13,340
Other operating income and expenses	-1,262	-1,343
Earnings before interest and taxes (EBIT)	13,292	35,440
Net financial expenses	-2,811	-1,566
Earnings before taxes (EBT)	10,481	33,874
Taxes on income	-2,955	-9,155
Consolidated net income	7,526	24,719
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences from translation of foreign operations	4,070	-5,551
Other comprehensive income (OCI)	4,070	-5,551
Comprehensive income	11,596	19,168
Basic earnings per share in €	0.62	2.04
No. of shares used as basis (basic)	12,155,942	12,127,694
Diluted earnings per share in €	0.62	2.03
No. of shares used as basis (diluted)	12,160,830	12,174,458

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from July 1 to September 30, 2023

€ 000s	07.01.–09.30.2023	07.01.–09.30.2022
Sales	62,674	70,461
Cost of sales	-44,577	-44,934
Gross profit	18,097	25,527
Research and development expenses	-2,061	-850
Sales-related expenses	-2,958	-3,383
General administrative expenses	-3,970	-4,413
Other operating income and expenses	-588	-775
Earnings before interest and taxes (EBIT)	8,520	16,106
Net financial expenses	-1,308	-325
Earnings before taxes (EBT)	7,212	15,781
Taxes on income	-2,100	-3,664
Consolidated net income	5,112	12,117
Items that may be subsequently reclassified to profit or loss:		
Currency translation differences from translation of foreign operations	-2,034	-2,265
Other comprehensive income (OCI)	-2,034	-2,265
Comprehensive income	3,078	9,852
Basic earnings per share in €	0.42	1.00
No. of shares used as basis (basic)	12,155,942	12,129,596
Diluted earnings per share in €	0.42	1.00
No. of shares used as basis (diluted)	12,155,944	12,163,971

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to September 30, 2023

€ 000s	01.01. – 09.30.2023	01.01. – 09.30.2022
I. Operations		
Consolidated net income (after taxes)	7,526	24,719
Depreciation and amortization	12,758	12,655
Current income tax expenses	2,664	8,581
Income taxes paid less income taxes received	-5,637	-5,560
Financial income	-79	-218
Financial expenses	2,567	1,441
Interest paid	-2,522	-1,105
Interest received	57	17
Other non-cash expenses	1,991	6,749
Other non-cash income	-795	-3,239
Change in net pension provisions through profit or loss	-72	209
Change in deferred taxes through profit or loss	291	574
Profit (-) / loss (+) on disposals of non-current assets	70	1
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-6,163	-33,691
Increase (+) / decrease (-) in trade payables and other liabilities	-1,947	11,152
Cash flow from operating activities	10,709	22,285
II. Investments		
Incoming payments from disposals of non-current assets		
• Property, plant and equipment	17	17
• Financial assets	4	25
Outgoing payments for investments in non-current assets		
• Intangible assets	-6,685	-6,436
• Property, plant and equipment	-7,301	-5,709
• Financial assets	-4,000	-4,818
Outgoing payments for acquisition of consolidated companies less cash acquired	-27,701	0
Cash flow from investing activities	-45,666	-16,921
III. Financing		
Incoming funds from taking up of financial liabilities	48,374	44,845
Outgoing payments for repayment of financial liabilities	-9,949	-50,513
Incoming payments from issue of shares for employee stock option programs	0	249
Dividend payments	-11,791	-11,519
Cash flow from financing activities	26,634	-16,938
IV. Cash-effective change in cash (net balance I – III)	-8,323	-11,574
Cash at start of period	22,668	47,184
Impact of exchange rate movements	-30	-1,210
Cash at end of period	14,315	34,400

FINANCIAL CALENDAR

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10.27.2023
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11.28.2023
German Equity Forum
(Analyst Conference)

Subject to amendment.

Quarterly statements and half-year financial reports are neither audited nor subject to an audit review by the group auditor Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart.

ABOUT STRATEC

STRATEC SE (www.stratec.com) designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and life sciences. Furthermore, the company offers complex consumables for diagnostic and medical applications. For its analyzer systems and consumables, STRATEC covers the entire value chain – from development to design and production through to quality assurance.

The partners market the systems, software and consumables, in general together with their own reagents, as system solutions to laboratories, blood banks and research institutes around the world. STRATEC develops its products on the basis of patented technologies.

Shares in the company (ISIN: DE000STRA555) are traded in the Prime Standard segment of the Frankfurt Stock Exchange and are listed in the SDAX select index of the German Stock Exchange.

IMPRINT AND CONTACT

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Notice

Forward-looking statements involve risks: This quarterly statement contains various statements concerning the future performance of STRATEC. These statements are based on both assumptions and estimates. Although we are convinced that these forward-looking statements are realistic, we can provide no guarantee of this. This is because our assumptions involve risks and uncertainties which could result in a substantial divergence between actual results and those expected. It is not planned to update these forward-looking statements.

This quarterly statement contains various disclosures that from an economic point of view are not required by the relevant accounting standards. These disclosures should be regarded as a supplement, rather than a substitute for the IFRS disclosures.

Apparent discrepancies may arise throughout this quarterly statement on account of mathematical rounding up or down in the course of addition.

This quarterly statement is available in both German and English. Both versions can be downloaded from the company's website at www.stratec.com. In the event of any discrepancies between the two, the German report is the definitive version.