



QUARTERLY REPORT Q1 2024

AS OF 31 MARCH 2024
SYNLAB AG



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Key Figures

CONDENSED P&L

In €M, unless stated otherwise

	Q1 2024	Q1 2023	Change in %
Revenue	682.4	702.4	(2.8)
AEBITDA	123.1	118.5	3.9
<i>As % of revenue</i>	<i>18.0%</i>	<i>16.9%</i>	<i>1.1ppt</i>
Adjusted operating profit (AOP)	64.8	60.5	7.1
<i>As % of revenue</i>	<i>9.5%</i>	<i>8.6%</i>	<i>0.9ppt</i>
Operating profit	53.9	45.3	19.0
Financial result	(17.2)	(20.5)	(16.1)
Income tax expenses	(11.0)	(11.5)	(4.3)
Adjusted net profit	33.0	24.9	32.5
Net profit (Group share)	25.0	27.9	(10.4)

CONDENSED CASH FLOW

In M€, unless stated otherwise

	Q1 2024	Q1 2023	Change
Operating cash flow	109	53	56
Unlevered free cash flow	45	(7)	52

NET DEBT AND LEVERAGE

In M€, unless stated otherwise

	31 Mar 2024	31 Dec 2023	Change
Net debt	1,285	1,341	(56)
Adjusted net debt	1,249	1,303	(54)
Leverage ratio	2.75x	2.90x	0.15x

Business performance of SYNLAB Group

PREAMBLE

This quarterly statement should be read in conjunction with the Annual Report 2023.

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 medicine. The Group continuously innovates medical diagnostic services for the benefit of patients and customers.

SYNLAB operates in 33 countries across four continents and holds leading positions in most markets. More than 27,000 employees contribute to the Group's worldwide success. SYNLAB carried out around 600 M€ laboratory tests and achieved revenues of €2.64 billion in 2023.

KEY ACHIEVEMENTS IN Q1 2024

Underlying organic growth (excluding COVID-19)

Underlying organic growth (excluding COVID-19 testing revenue) amounted to 3.9% in Q1 2024 driven by a price increase of 0.7% and a strong volume growth of 3.2% across the Group's portfolio.

Adjusted for working days (Easter holiday being in March this year vs. in April in 2023), the volume is very strong at 4.5% and the underlying organic growth is at 5.2%.

Operational excellence

Within SALIX, a multi-year efficiency programme, SYNLAB achieved €8 million savings in Q1 2024.

ESG

SYNLAB is actively preparing for the implementation of the new EU Corporate Sustainability Reporting Directive (CSRD). Double Materiality Assessment aligning with the new reporting framework has been kicked off and is underway.

FINANCIAL PERFORMANCE

Revenue and underlying organic growth

Q1 2024 revenue was reported at €682 million (Q1 2023: €702 million), reflecting a particularly sharp reduction in COVID-19 testing revenue to €3 million (Q1 2023: €25 million).

SEGMENT VIEW

In M€, unless stated otherwise

	Q1 2024	Q1 2023	Underlying organic growth	Organic growth
France	135.2	143.3	(1.7)%	(5.7)%
Germany	141.7	139.8	6.9%	(1.1)%
South	198.5	225.4	(1.2)%	(1.5)%
North & East	207.0	193.9	11.3%	9.9%
SYNLAB Group	682.4	702.4	3.9%	0.6%

France (20% of Group revenue) decreased by (1.7)% due to price decreases of (5.6)% more than offsetting strong volume growth of 3.9%.

Business in Germany (21% of Group revenue) grew organically (excluding COVID-19 testing revenue) by 6.9% in Q1 2024 driven by a volume growth of 6.4 % and a price increase by 0.5 %.

In the South segment (29% of Group revenue), underlying organic growth was (1.2)% due to a weak volume in Spain and despite higher prices. Adjusted for a one-off effect from the previous year relating to revenue in Italy, the underlying organic growth in the South segment reached 1.0%.

The underlying organic growth in the North & East segment (30% of Group revenue) was very strong at 11.3% owing to strong volume growth and a favorable pricing environment driven by health authorities partially mitigating the effects of inflation.

AEBITDA and AOP

Q1 2024 adjusted EBITDA (AEBITDA) was €123 million (Q1 2023: €119 million) while adjusted operating profit (AOP) was €65 million (Q1 2023: €61 million) with margins of 18.0% (Q1 2023: 16.9%) and 9.5% (Q1 2023: 8.6%), respectively. The AEBITDA margin was at the upper end of the guided range for FY 2024 of 17-18%.

The year-on-year increase in AEBITDA margin was mainly driven by the 2023 disposals, a strong rebound of the profitability in Germany and cost savings from SALIX initiatives (€8 million) across the portfolio. The inflation in Q1 2024 was at 1.7% (Q1 2023: 3.8%) benefitting from a 1% deflation in OPEX (mainly lower energy prices compared to Q1 2023).

AOP: SEGMENT VIEW

In M€, unless stated otherwise

	Q1 2024	Q1 2023	Margin Q1 2024	Margin Q1 2023
France	14.2	18.6	10.5%	13.0%
Germany	4.2	(2.6)	3.0%	(1.9)%
South	21.3	23.2	10.8%	10.3%
North & East	25.0	21.3	12.1%	11.0%
SYNLAB Group	64.8	60.5	9.5%	8.6%

Adjusted net profit (Group share)

In Q1 2024, adjusted net profit (Group share) was €33 million (Q1 2023: €25 million), mainly from increased adjusted Operating profit, lower Net finance cost and lower income tax expenses.

Debt and leverage ratio

Q1 2024 unlevered free cash flow (uFCF) was €45 million (Q1 2023: €(7) million) with a cash conversion rate (uFCF / AEBITDA) of 37%.

Net debt of the Group decreased by €56 million to €1,285 million at the end of March 2024 (year-end 2023: €1,341 million).

Adjusted (as per covenant definition) net debt at the end of March 2024 was at €1,249 million (year-end 2023: €1,303 million).

The leverage ratio decreased from 2.90x at the end of December 2023 to 2.75x at the end of March 2024.

SYNLAB hold €260 million in cash at the end of March 2024 (year-end 2023: €221 million).

Events after the quarterly reporting date

In April 2024, SYNLAB AG entered into a new loan of €535 million with the related party company Ephios Subco 3 S.à r.l. and has cancelled and repaid in full its Term Loan A Facility.

FY 2024 OUTLOOK

For 2024 SYNLAB continues to expect revenues of around €2.7 billion (at current perimeter) with an underlying organic growth around 4%.

SYNLAB also continues to expect the AEBITDA margin to improve from its low point in 2023 with a minimum increase of 50bp. The AEBITDA margin is expected to be within the range of 17-18% considering the ongoing effort on the portfolio management, the continuous delivery of SALIX initiatives and the price net of inflation trajectory.

SYNLAB will continue in 2024 its bolt-on M&A strategy with an expected EV spend to be within the range of €50 million to €100 million.

OPPORTUNITIES AND RISKS

The opportunities and risk situation of SYNLAB has not changed materially since the publication of the Company's 2023 Financial Report in March 2024, available on its website.

SYNLAB is not significantly affected by the situation in Ukraine. The Israeli-Palestinian conflict has no impact on the business of SYNLAB.

However, SYNLAB remains impacted by the inflationary pressure. The Group is notably experiencing the direct impact on energy prices and the indirect impact on salaries and other operating expenses (material expenses).

This was considered when elaborating the current forecast for 2024.

A detailed discussion of SYNLAB's opportunity and risk factors can be found in the Forecast Report and Opportunity and Risk Report of the Company's 2023 Annual Report, also available on its website.

SYNLAB Italy is affected by the consequences of a cyber-attack. As a precaution and in accordance with the SYNLAB IT security procedures, all IT systems in Italy were immediately deactivated as soon as the attack was identified in the early morning of 18 April 2024. As a result of the incident, the operations of SYNLAB in Italy were suspended. SYNLAB Italy has now restored operations and is gradually resuming all services for patients and customers. SYNLAB operations outside of Italy were not affected by the incident. The financial impact of the incident on SYNLAB cannot be evaluated at this point in time.

Condensed consolidated statement of income

from 1 January to 31 March 2024

€ 000, unless stated otherwise	From 1 January to 31 March	
	2024	2023
Revenue	682,421	702,371
Material and related expenses	(158,262)	(169,075)
Payroll and related expenses	(284,937)	(288,974)
Other operating income	8,193	9,855
Other operating expenses	(124,549)	(136,769)
Depreciation and amortisation	(68,949)	(72,138)
Operating profit	53,917	45,270
Share of loss of associates and other non-controlling interest	(475)	(225)
Profit on disposal of investment	0	15,151
Finance income	22,575	14,967
Finance costs	(39,810)	(35,493)
Profit before taxes	36,207	39,670
Income tax expenses	(11,015)	(11,515)
Net profit for the period	25,192	28,155
thereof attributable to non-controlling interests	215	253
thereof attributable to equity holders of the parent company	24,977	27,902
Earnings per share (basic and diluted, in €)	0.11	0.13

Condensed consolidated statement of comprehensive income

from 1 January to 31 March 2024

€ 000	From 1 January to 31 March	
	2024	2023
Net profit for the period	25,192	28,155
Actuarial gains/(losses) on pension obligations	31	(47)
Taxes on actuarial gains/(losses) on pensions obligations	2	(2)
Items that will not be reclassified to profit or loss (A)	33	(49)
Foreign exchange gains/(losses)	4,832	(6,644)
Items that may be reclassified subsequently to profit or loss (B)	4,832	(6,644)
Other comprehensive income for the year (A) + (B)	4,865	(6,693)
Total consolidated comprehensive income attributable to:	30,057	21,462
Equity holders of the parent company	29,757	21,179
Non-controlling interests	300	283

Condensed consolidated statement of financial position

as at 31 March 2024

ASSETS

€ 000

	31 Mar 2024	31 Dec 2023
Goodwill	2,204,182	2,198,943
Intangible assets	589,528	598,977
Property, plant and equipment	359,495	358,513
Right of use assets	575,985	594,583
Investments in associates	625	575
Financial non-current assets	63,011	71,006
Other non-current assets	4,755	4,607
Deferred tax assets	49,393	46,914
Total non-current assets	3,846,974	3,874,118
Inventories	62,887	65,037
Trade accounts receivables	437,672	397,601
Financial current assets	40,228	44,651
Other current assets	59,236	60,921
Cash and cash equivalents	260,240	220,938
Total current assets	860,263	789,148
Total assets	4,707,237	4,663,266

EQUITY AND LIABILITIES

€ 000

	31 Mar 2024	31 Dec 2023
EQUITY		
Contributed capital	222,222	222,222
Additional paid-in capital	2,940,464	2,938,715
Treasury shares	(34,697)	(34,711)
Cumulative translation adjustment	17,847	13,100
Accumulated deficit	(773,918)	(798,928)
Total parent company interests	2,371,918	2,340,398
Non-controlling interests	(1,890)	(2,167)
Total equity	2,370,028	2,338,231
NON-CURRENT LIABILITIES		
Loans and borrowings	904,471	904,212
Lease liabilities	483,324	499,878
Employee benefits liabilities	28,490	27,680
Provisions	3,579	3,590
Contract liabilities	10,282	10,569
Other liabilities	54,103	34,501
Deferred tax liabilities	159,108	161,752
Total non-current liabilities	1,643,357	1,642,182
CURRENT LIABILITIES		
Loans and borrowings	20,359	19,117
Lease liabilities	137,370	138,152
Trade accounts payable	289,130	289,742
Provisions	8,068	8,509
Contract liabilities	23,132	9,786
Income tax liabilities	21,183	13,214
Other liabilities	194,610	204,333
Total current liabilities	693,852	682,853
Total liabilities	2,337,209	2,325,035
Total equity and liabilities	4,707,237	4,663,266

Condensed consolidated statement of changes in equity

from 1 January to 31 March 2024

€ 000

	Contributed capital	Additional paid-in capital	Treasury shares	Cumulative translation adjustment	Accumulated deficit	Total parent company interests	Non-controlling interests	Total equity
Balance as at 1 January 2024	222,222	2,938,715	(34,711)	13,100	(798,928)	2,340,398	(2,167)	2,338,231
Net profit for the period	-	-	-	-	24,977	24,977	215	25,192
Other comprehensive income	-	-	-	4,747	33	4,780	85	4,865
Total comprehensive income for the period	-	-	-	4,747	25,010	29,757	300	30,057
Transactions with owners, recorded directly in equity:								
Issue of treasury shares in connection with share-based payment	-	-	14	-	-	14	-	14
Credit to equity for equity settled share-based payments	-	1,749	-	-	-	1,749	-	1,749
Dividends	-	-	-	-	-	-	(23)	(23)
Balance as at 31 March 2024	222,222	2,940,464	(34,697)	17,847	(773,918)	2,371,918	(1,890)	2,370,028

€ 000

	Contributed capital	Additional paid-in capital	Treasury shares	Cumulative translation adjustment	Accumulated deficit	Total parent company interests	Non-controlling interests	Total 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:								
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

Condensed consolidated statement of cash flows

from 1 January to 31 March 2024

€ 000	Q1 2024	Q1 2023
Operating profit	53,917	45,270
Depreciation, amortisation, impairment	68,961	72,130
Change in provisions	480	553
Gain from the disposal of non-current assets	(151)	(416)
Other non-cash revenues and expenses	2,517	2,020
Change in inventories	2,186	7,013
Change in trade accounts receivable	(39,645)	(8,550)
Change in trade accounts payable	(1,680)	(21,054)
Change in other net working capital	21,044	4,984
Income tax paid	1,256	(48,800)
Cash flow from operating activities (A)	108,885	53,150
Acquisition of subsidiaries, net of cash acquired and changes in debt related to acquisitions	(731)	(31,571)
Purchase of intangibles and property, plant and equipment	(23,247)	(26,144)
Proceeds from sale of intangibles and property, plant and equipment	191	453
Acquisition of other financial non-current assets	(12)	-
Interest received	10,699	2,036
Dividends received	12	3
Cash flow used in investing activities (B)	(13,088)	(55,223)
Proceeds from the exercise of share options	14	-
Interest paid and other financing activities	(19,580)	(15,670)
New loans, borrowings, and other financial liabilities	-	16
Repayment of loans, borrowings, and other financial liabilities	(77)	(100,646)
Repayment of lease liabilities	(35,114)	(28,536)
Dividends paid and other payments to non-controlling interests	(838)	(582)
Cash flow used in financing activities (C)	(55,595)	(145,418)
Total cash flows (A+B+C)	40,202	(147,491)
Cash and cash equivalent at the beginning of the period	220,367	541,590
Net foreign exchange differences	(442)	2,076
Cash and cash equivalents at the end of the period	260,127	396,175
Change in cash and cash equivalents	39,760	(145,415)

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SYNLAB AG
Moosacher Strasse 88
80809 Munich / Germany

Investor contact: IR@SYNLAB.COM
Media contact: MEDIA-CONTACT@SYNLAB.COM