

# QUARTERLY STATEMENT 9M|2019

January 1 to September 30, 2019



# STRATEC SHOWS DYNAMIC GROWTH IN FIRST NINE MONTHS OF 2019

- Sales up by 17.3% at constant currency to € 161.1 million in 9M/2019; nominal growth of 19.6% (9M/2018: € 134.6 million)
- Adjusted EBIT increases by 17.8% to € 20.1 million in 9M/2019 (9M/2018: € 17.0 million)
- Adjusted EBIT margin of 12.5% in 9M/2019 (9M/2018: 12.7%)
- Further growth in employee totals on the back of strong development pipeline
- Financial guidance for fiscal year 2019 confirmed

## Dear Shareholders, Dear Partners and Friends of STRATEC,

Following a pleasing first half of 2019, we can now also report substantial sales growth for the third quarter. Overall, our sales and earnings for the first nine months of 2019 benefited from clearly double-digit percentage growth rates. Alongside healthy developments in our customers' end markets, one key growth driver here is the high volume of development work performed at our company for years now and the large numbers of product launches arising as a result. Not only that, the measures taken in the initiative launched in 2018 to improve our earnings are already impacting positively on our earnings performance.

Even though customers already launched two major systems designed and manufactured by STRATEC onto the market in 2019, our pipeline still includes numerous development projects in various stages of completion. We are therefore confident that we will be able to report large numbers of further product launches in the months and years ahead as well.

The long-term growth prospects for our company remain just as positive as before. This expectation is backed up not least by the ongoing high level of interest shown by major players in the in-vitro diagnostics industry in outsourcing the design and production of automation solutions to specialist partners such as STRATEC. We are currently holding numerous

promising and well-advanced negotiations concerning additional development cooperations with both existing and new partners.

To manage the growth we expect at our company, we remain on the lookout for additional highly qualified staff. In the first nine months of 2019, we were able to expand our workforce year-on-year by 8.5% organically. The work begun in the previous financial year already to substantially extend the buildings at our Birkenfeld location is progressing on schedule. The first building sections were already occupied by the middle of the year, while the construction work should be fully complete by mid-2020.

Thank you for the trust you have placed in us.

On behalf of the Board of Management of  
STRATEC SE



**Marcus Wolfinger**  
Chief Executive Officer

## Key figures<sup>1</sup>

€ 000s	9M 2019	9M 2018 <sup>2</sup>	Change	Q3 2019	Q3 2018 <sup>2</sup>	Change
Sales	161,058	134,627	+19.6%	50,689	45,696	+10.9%
Adjusted EBITDA	27,021	21,960	+23.0%	9,678	9,733	-0.1%
Adjusted EBITDA margin (%)	16.8	16.3	+50 bps	19.1	21.3	-220 bps
Adjusted EBIT	20,080	17,044	+17.8%	7,357	7,984	-7.9%
Adjusted EBIT margin (%)	12.5	12.7	-20 bps	14.5	17.5	-300 bps
Adjusted consolidated net income <sup>3</sup>	15,872	13,598	+16.7%	5,588	6,143	-9.0%
Adjusted earnings per share (€) <sup>3</sup>	1.32	1.14	+15.8%	0.46	0.51	-9.8%
Earnings per share (€) <sup>3</sup>	0.71	0.51	+39.2%	0.25	0.27	-7.4%

bps = Basis points

<sup>1</sup> For comparison purposes, adjusted figures exclude amortization resulting from purchase price allocations in the context of acquisitions and the associated reorganization expenses, as well as other non-recurring effects.

<sup>2</sup> Not retrospectively restated for IFRS 16.

<sup>3</sup> Result from continuing operations.

# BUSINESS PERFORMANCE

Sales for the first nine months of 2019 grew year-on-year by 19.6% to € 161.1 million (9M/2018: € 134.6 million). On a constant currency basis, this corresponds to growth of 17.3%. This positive sales performance was driven by strong call-up figures both for established systems and for systems recently launched onto the market. Sales with service parts and consumables as well as with development and services also showed double-digit percentage growth in the first nine months of 2019.

Adjusted EBIT increased year-on-year by 17.8% to € 20.1 million in the first nine months of 2019 (9M/2018: € 17.0 million). The adjusted EBIT margin therefore stands at 12.5%, falling slightly short of the previous year's figure (9M/2018: 12.7%). The subdued development in the margin compared with the previous year was due among other factors to the product mix. Furthermore, valuation effects in connection with stock appreciation rights had a negative impact of 90 basis points on the margin. In contrast, the margin was positively influenced by measures introduced within the earnings improvement initiative launched in 2018. Furthermore, in the fourth quarter of 2019 the margin is set to benefit from the forthcoming realization of development sales with above-average margins, as well as from improvements in the product mix.

As a result of the increase in operating earnings, adjusted consolidated net income from continuing operations also improved by 16.7% to € 15.9 million (9M/2018: € 13.6 million). Adjusted earnings per share from continuing operations (basic) for the first nine months of 2019 amount to € 1.32, as against € 1.14 in the previous year.

In the interests of comparability, key earnings figures have been adjusted to exclude amortization resulting from purchase price allocations in the context of acquisitions, associated reorganization expenses, and other non-recurring items. A reconciliation of the adjusted figures with the figures reported in the consolidated income statement is provided below.

€ 000s	01.01. – 09.30.2019
<b>Adjusted EBIT</b>	<b>20,080</b>
<b>Adjustments</b>	
• Expenses relating to transactions and associated restructuring expenses	-2,230
• PPA amortization	-6,773
<b>EBIT</b>	<b>11,077</b>

€ 000s	01.01. – 09.30.2019
<b>Adjusted consolidated net income from continuing operations</b>	<b>15,872</b>
<b>Adjusted earnings per share from continuing operations in € (basic)</b>	<b>1.32</b>
<b>Adjustments</b>	
• Expenses relating to transactions and associated restructuring expenses	-2,230
• PPA amortization	-6,773
• Current tax expenses	600
• Deferred tax income	1,074
<b>Consolidated net income from continuing operations</b>	<b>8,544</b>
<b>Earnings per share from continuing operations in € (basic)</b>	<b>0.71</b>

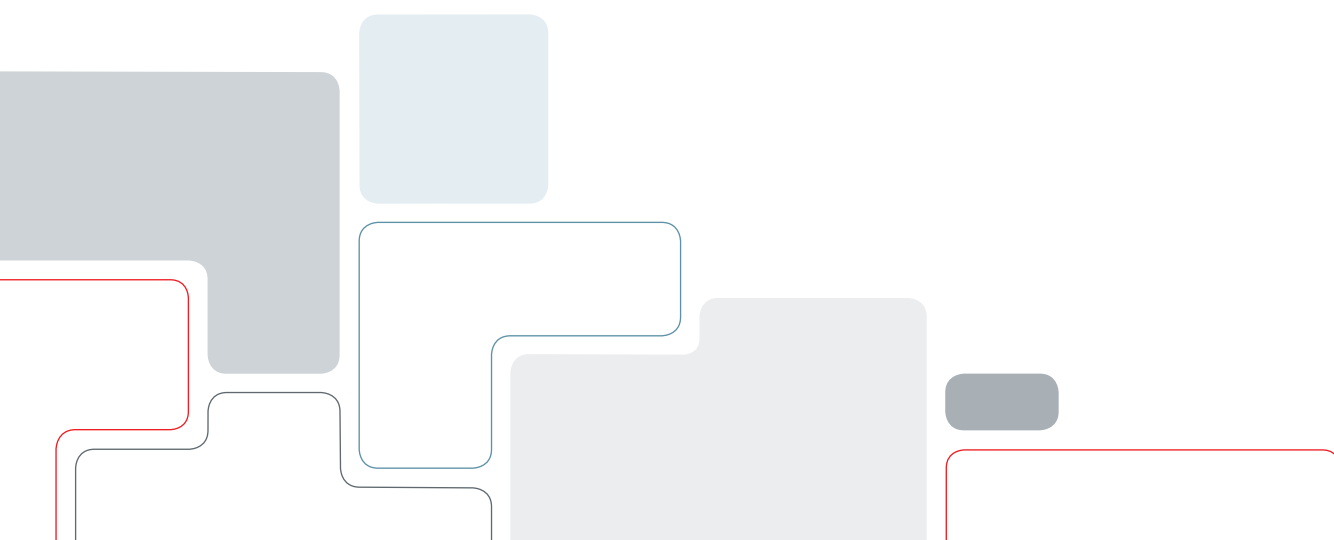
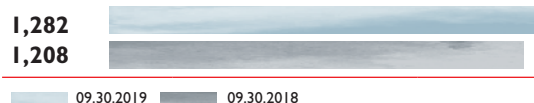
# PROJECTS AND OTHER DEVELOPMENTS

Group-wide development activities continue at a very high level, and that even though STRATEC's customers already successfully launched two major systems onto the market in 2019. The pipeline also includes numerous projects that are in highly advanced stages of development. STRATEC therefore expects to see further product launches in the months ahead. These relate on the one hand to products designed and developed in cooperation with partners and on the other hand to proprietary developments in the platform and module businesses.

## DEVELOPMENT IN PERSONNEL

Including personnel hired from a temporary employment agency and trainees, the STRATEC Group had a total of 1,282 employees as of September 30, 2019 (previous year: 1,208). Adjusted for the disposal of the nucleic acid purification business, this corresponds to organic growth of 8.5% (nominal 6.1%). The trend within the in-vitro diagnostics industry towards outsourcing the development and production of automation solutions to specialist partners such as STRATEC is continuing apace. STRATEC therefore expects to see consistent growth in its development pipeline and activities in future as well. As a result, the company is also expected to need large numbers of additional highly qualified employees in the years ahead.

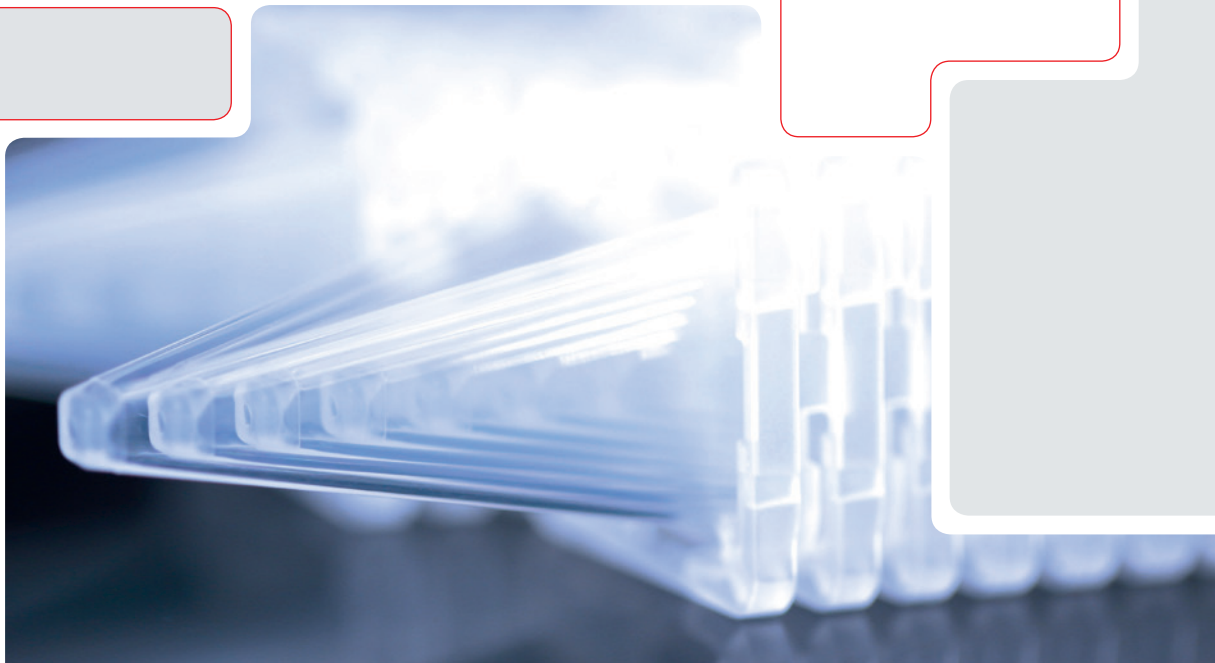
### Number of employees



# FINANCIAL GUIDANCE

Based on its business performance in the first nine months and current order forecasts received from its customers, STRATEC confirms the financial guidance issued for the fiscal year 2019. STRATEC therefore still expects to generate sales growth adjusted for exchange rate effects of at least 12% in 2019 (basis: € 187.8 million) and an adjusted EBIT margin of around 14% to 15% (2018: 13.9%).

Given the construction work currently underway to significantly expand capacities at the company's headquarters in Birkenfeld and the investments also being made in numerous development projects, STRATEC expects its investment ratio to remain at an above-average high level in 2019. Investments in property, plant and equipment and intangible assets are budgeted at around 12% to 14% of sales in 2019 (2018: 10.3%). Following completion of the construction work, the investment ratio is expected to fall significantly once again from 2020 onwards.



# CONSOLIDATED BALANCE SHEET

## as of September 30, 2019

### Assets

€ 000s	09.30.2019	12.31.2018 <sup>1</sup>
<b>Non-current assets</b>		
Goodwill	40,524	41,245
Other intangible assets	55,877	57,017
Property, plant and equipment	55,861	39,510
Non-current financial assets	464	459
Non-current other receivables and assets	1,109	1,109
Non-current contract assets	15,498	8,557
Deferred taxes	883	201
	<b>170,216</b>	<b>148,098</b>
<b>Current assets</b>		
Inventories		
• Raw materials and supplies	27,740	23,729
• Unfinished products, contract fulfilment costs	21,292	21,946
• Finished products and merchandise	10,597	12,855
	<b>59,629</b>	<b>58,530</b>
Receivables and other assets		
• Trade receivables	38,887	34,750
• Receivables from associates	22	22
• Current financial assets	1,029	810
• Current other receivables and assets	7,467	5,747
• Current contract assets	3,441	1,132
• Income tax receivables	3,235	1,418
	<b>54,081</b>	<b>43,879</b>
Cash and cash equivalents	16,313	23,816
Assets held for sale	0	962
	<b>130,023</b>	<b>127,187</b>
<b>Total assets</b>	<b>300,239</b>	<b>275,285</b>

<sup>1</sup> Not retrospectively adjusted for the first-time application of IFRS 16 in 2019. The figures are therefore only comparable to a limited extent with those for 2019. This particularly applies to the 'Property, plant and equipment' and 'Financial liabilities' line items.

## Shareholders' equity and debt

€ 000s	09.30.2019	12.31.2018 <sup>1</sup>
<b>Shareholders' equity</b>		
Share capital	12,016	11,969
Capital reserve	25,809	24,119
Revenue reserves	113,432	116,347
Treasury stock	-89	-89
Other equity	-193	-142
	<b>150,975</b>	<b>152,204</b>
<b>Non-current debt</b>		
Non-current financial liabilities	89,093	68,933
Other non-current liabilities	234	417
Non-current contract liabilities	4,348	3,342
Provisions for pensions	3,853	3,811
Deferred taxes	7,324	7,530
	<b>104,852</b>	<b>84,033</b>
<b>Current debt</b>		
Current financial liabilities	13,292	7,987
Trade payables	14,218	6,457
Liabilities to associates	25	0
Other current liabilities	6,171	5,835
Current contract liabilities	8,003	12,722
Provisions	1,245	1,348
Income tax liabilities	1,458	3,796
Liabilities directly associated with assets held for sale	0	903
	<b>44,412</b>	<b>39,048</b>
<b>Total shareholders' equity and debt</b>	<b>300,239</b>	<b>275,285</b>

<sup>1</sup> Not retrospectively adjusted for the first-time application of IFRS 16 in 2019. The figures are therefore only comparable to a limited extent with those for 2019. This particularly applies to the 'Property, plant and equipment' and 'Financial liabilities' line items.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to September 30, 2019

€ 000s	01.01. – 09.30.2019	01.01. – 09.30.2018 <sup>1</sup>
Sales	161,058	134,627
Cost of sales	-123,014	-100,107
<b>Gross profit</b>	<b>38,044</b>	<b>34,520</b>
Research and development expenses	-5,177	-5,609
Sales-related expenses	-6,641	-7,952
General administrative expenses	-14,747	-11,568
Other operating income/expenses	-403	-1,575
<b>Earnings before interest and taxes (EBIT)</b>	<b>11,076</b>	<b>7,816</b>
<b>Net financial expenses</b>	<b>-821</b>	<b>-373</b>
<b>Earnings before taxes (EBT)</b>	<b>10,255</b>	<b>7,443</b>
Current tax expenses	-2,678	-2,939
Deferred tax income	967	1,625
<b>Earnings from continuing operations</b>	<b>8,544</b>	<b>6,129</b>
Earnings from discontinued operation	-1,648	-481
<b>Consolidated net income</b>	<b>6,896</b>	<b>5,648</b>
<b>Items that may not be reclassified to profit or loss</b>		
Remeasurements of defined benefit pension plans	0	36
Changes in value of financial investments	0	-2,544
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences from translation of foreign operations	-52	-1,388
<b>Other comprehensive income (OCI)</b>	<b>-52</b>	<b>-1,388</b>
<b>Comprehensive income</b>	<b>6,844</b>	<b>1,752</b>
<b>Basic earnings per share in €</b>	<b>0.58</b>	<b>0.47</b>
From continuing operations	0.71	0.51
From discontinued operation	-0.14	-0.04
No. of shares used as basis (basic)	11,982,550	11,932,697
<b>Diluted earnings per share in €</b>	<b>0.57</b>	<b>0.47</b>
From continuing operations	0.71	0.51
From discontinued operation	-0.14	-0.04
No. of shares used as basis (diluted)	12,051,624	12,039,362

<sup>1</sup> Retrospectively adjusted to account for the reclassification of sales-related and general administration expenses to cost of sales. Not retrospectively adjusted for the first-time application of IFRS 16 in 2019.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from July 1 to September 30, 2019

€ 000s	07.01. – 09.30.2019	07.01. – 09.30.2018 <sup>1</sup>
Sales	50,689	45,696
Cost of sales	-37,453	-32,288
<b>Gross profit</b>	<b>13,236</b>	<b>13,408</b>
Research and development expenses	-1,320	-1,130
Sales-related expenses	-2,492	-3,676
General administrative expenses	-5,318	-3,520
Other operating income/expenses	67	-730
<b>Earnings before interest and taxes (EBIT)</b>	<b>4,173</b>	<b>4,352</b>
<b>Net financial expenses</b>	<b>-545</b>	<b>-260</b>
<b>Earnings before taxes (EBT)</b>	<b>3,628</b>	<b>4,092</b>
Current tax expenses	-931	-737
Deferred tax income/expenses	310	-82
<b>Earnings from continuing operations</b>	<b>3,007</b>	<b>3,273</b>
Earnings from discontinued operation	0	-248
<b>Consolidated net income</b>	<b>3,007</b>	<b>3,025</b>
<b>Items that may not be reclassified to profit or loss</b>		
Remeasurements of defined benefit pension plans	0	0
Changes in value of financial investments	0	0
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences from translation of foreign operations	-878	1,688
<b>Other comprehensive income (OCI)</b>	<b>-878</b>	<b>1,688</b>
<b>Comprehensive income</b>	<b>2,129</b>	<b>4,713</b>
<b>Basic earnings per share in €</b>	<b>0.25</b>	<b>0.25</b>
From continuing operations	0.25	0.27
From discontinued operation	0.00	-0.02
No. of shares used as basis (basic)	12,009,172	11,956,533
<b>Diluted earnings per share in €</b>	<b>0.25</b>	<b>0.25</b>
From continuing operations	0.25	0.27
From discontinued operation	0.00	-0.02
No. of shares used as basis (diluted)	12,055,781	12,037,004

<sup>1</sup> Retrospectively adjusted to account for the reclassification of sales-related and general administration expenses to cost of sales. Not retrospectively adjusted for the first-time application of IFRS 16 in 2019.

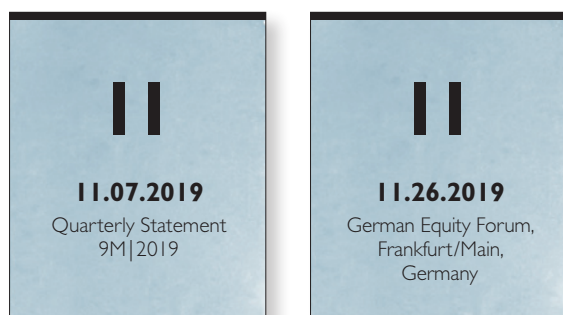
# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the period from January 1 to September 30, 2019

€ 000s	01.01. – 09.30.2019	01.01. – 09.30.2018 <sup>1</sup>
<b>Operations</b>		
Consolidated net income (after taxes)	6,896	5,648
Depreciation and amortization	13,760	13,451
Current income tax expenses	2,645	2,939
Income taxes paid less income taxes received	-6,749	-1,591
Financial income	-70	-25
Financial expenses	882	477
Interest paid	-848	-434
Interest received	74	25
Other non-cash expenses	3,636	1,307
Other non-cash income	-1,597	-1,094
Change in net pension provisions through profit or loss	-23	34
Change in deferred taxes through profit or loss	-919	-1,625
- Profit/+ loss on disposals of non-current assets	-19	2,055
- Increase/+ reduction in inventories, trade receivables and other assets	-14,174	-15,759
+ Increase/- reduction in trade payables and other liabilities	7,592	9,946
<b>Cash flow from operating activities</b>	<b>11,086</b>	<b>15,354</b>
<b>Investments</b>		
Incoming payments from disposals of non-current assets		
• Property, plant and equipment	22	16
• Financial assets	31	8,597
Outgoing payments for investments in non-current assets		
• Intangible assets	-8,543	-5,592
• Property, plant and equipment	-11,752	-6,944
Incoming payments from sale of previously consolidated companies less cash and cash equivalents transferred	-871	0
<b>Cash flow from investing activities</b>	<b>-21,113</b>	<b>-3,924</b>
<b>Financing</b>		
Incoming funds from taking up of financial liabilities	14,900	0
Outgoing payments for repayment of financial liabilities	-3,753	-1,687
Incoming payments from issue of shares for employee stock option programs	1,463	1,326
Dividend payments	-9,811	-9,533
<b>Cash flow from financing activities</b>	<b>2,799</b>	<b>-9,893</b>
<b>Cash-effective change in cash and cash equivalents</b>	<b>-7,228</b>	<b>1,537</b>
Cash and cash equivalents at start of period	24,095	24,137
Impact of exchange rate movements	-554	-282
<b>Cash and cash equivalents at end of period</b>	<b>16,313</b>	<b>25,392</b>

<sup>1</sup> Not retrospectively adjusted for the first-time application of IFRS 16 in 2019.

# FINANCIAL CALENDAR



Subject to amendment.

Quarterly statements and half-yearly 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](http://www.stratec.com)) designs and manufactures fully automated analyzer systems for its partners in the fields of clinical diagnostics and biotechnology. Furthermore, the company offers integrated laboratory software and complex consumables for diagnostic and medical applications. 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 its own patented technologies.

Shares in the company (ISIN: DE000STRA555) are traded in the Prime Standard segment of the Frankfurt Stock Exchange.

## IMPRINT AND CONTACT

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