

# PRESS RELEASE

## STRATEC reports figures for the first nine months of 2018

- Organic sales decline of 4.8% to € 134.6 million in 9M 2018; nominal -9.9% (9M 2017: € 149.4 million)
- Adjusted EBIT of € 17.0 million in 9M 2018 (-30.5%; 9M 2017: € 24.5 million)
- Adjusted EBIT margin of 12.7% in 9M 2018 (9M 2017: 16.4%)
- Assumption of significant upturn in growth momentum in Q4 2018 and 2019 as a whole confirmed by latest developments
- Annual savings potential of € 2.0 million to € 3.0 million expected from 2021 onwards
- Development pipeline remains extremely well-filled

Birkenfeld, November 8, 2018

STRATEC Biomedical AG, Birkenfeld, Germany (Frankfurt: SBS; Prime Standard) today announced its financial results and major events for the period from January 1, 2018 to September 30, 2018 with the publication of its Quarterly Statement 9M|2018.

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

| € 000s  | 9M 2018 <sup>2</sup> | 9M 2017 <sup>3</sup> | Change yoy | 9M 2018 before adoption of IFRS 9 and IFRS 15 | Change yoy |
|---|----------------------|----------------------|------------|---|------------|
| Sales   | 134,627              | 149,418              | -9.9%      | 138,914                                       | -7.0%      |
| Adjusted EBITDA                               | 21,960               | 29,586               | -25.8%     | 23,456  | -20.7%     |
| Adjusted EBITDA margin (%)                    | 16.3                 | 19.8                 | -350 bps   | 16.9  | -290 bps   |
| Adjusted EBIT                                 | 17,044               | 24,513               | -30.5%     | 17,941  | -26.8%     |
| Adjusted EBIT margin (%)                      | 12.7                 | 16.4                 | -370 bps   | 12.9  | -350 bps   |
| Adjusted consolidated net income <sup>4</sup> | 13,598               | 19,167               | -29.1%     | 14,264  | -25.6%     |
| Adjusted earnings per share (€) <sup>4</sup>  | 1.14                 | 1.61                 | -29.2%     | 1.20  | -25.5%     |
| Earnings per share (€) <sup>4</sup>           | 0.51                 | 1.37                 | -62.8%     | 0.57  | -58.4%     |

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> In accordance with IFRS 9 and IFRS 15.

<sup>3</sup> Not retrospectively restated to reflect IFRS 9 and IFRS 15 (modified retrospective approach). Retrospectively restated to reflect the classification of the nucleic acid preparation business as a discontinued operation in accordance with IFRS 5 and correction in accordance with IAS 8.41.

<sup>4</sup> Results from continuing operations.

## Business performance

STRATEC generated sales of € 134.6 million in the first nine months of fiscal year 2018 (previous year: € 149.4 million), representing an organic sales decline of 4.8%. Sales decreased by 9.9% in nominal terms, with exchange rate effects and the first-time adoption of IFRS 15 negatively impacting sales development by 2.2 percentage points and 2.9 percentage points respectively.

The muted organic sales performance in the first nine months of 2018 is attributable in particular to lower system sales, weaker development in the Diatron segment, and a temporary slowdown in demand for service parts and consumables in the third quarter of 2018. In STRATEC's view, the restrained sales momentum that was observed in the third quarter as anticipated reflects the fluctuations that are typical of the business model during the course of the year. Based on the current order book and customer order forecasts, the fourth quarter of 2018 is already expected to see a significant upturn in sales volumes for systems, service parts and consumables.

Adjusted EBIT amounted to € 17.0 million in the first nine months of 2018 versus € 24.5 million in the previous year. This corresponds to an adjusted EBIT margin of 12.7% compared to 16.4% in the same period last year. This decline in profitability is due in particular to diseconomies of scale as well as higher costs in connection with the realization of a number of current development partnerships. The first-time adoption of IFRS 15 also had a slight negative effect on the adjusted EBIT margin.

Reflecting the reduction in operational profitability, adjusted consolidated net income from continued operations also declined by 29.1% to € 13.6 million in the first nine months of 2018 (previous year: € 19.2 million). Adjusted earnings per share from continued operations (basic) amounted to € 1.14 (previous year: € 1.61).

For comparison purposes, the 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. The figures for the first nine months of 2018 and 2017 were restated in accordance with IFRS 5 to reflect the decision in the third quarter of 2018 to initiate a sales process for the nucleic acid preparation business, among other things. The nucleic acid preparation business is now reported as a discontinued operation.

A reconciliation of the adjusted figures to those shown in the consolidated statement of comprehensive income can be found in the Quarterly Statement 9M|2018, which is also published today.

## Projects and other developments

STRATEC is currently preparing for a number of forthcoming product launches, including new analyzer systems for European and US customers and internally developed platform solutions in the Diatron segment.

In addition, a major development agreement for an analyzer system was concluded with a globally operating diagnostics company in the first nine months of 2018. A number of extremely advanced negotiations with existing and potential partners also suggest that further development and supply agreements can be expected to be concluded over the coming months.

Reflecting this planned growth and increased development activity, various measures are currently being implemented within the STRATEC Group in order to increase capacity. In particular, this includes the extensive expansion of building capacity at the company's headquarters in Birkenfeld, Germany, which began in the second quarter of 2018. The construction work is proceeding to plan and the first section is still scheduled for completion in mid-2019.

At an operational level, intensive preparation is currently underway for the second implementation phase for a uniform Group-wide ERP system that will make cross-site cooperation significantly easier and improve workflow efficiency. The first phase of the roll-out was completed in January 2018 with the implementation of the system at our locations in Austria and Hungary. In January 2019, the system is scheduled to go live at the company's headquarters in Birkenfeld, Germany, and its site in Beringen, Switzerland.

#### **Development in personnel**

The STRATEC Group had a total of 1,208 employees as of September 30, 2018, including temporary employees and trainees. This corresponds to a 12.4% increase compared with the prior-year reporting date.

In order to allow it to realize the large number of current development projects, STRATEC has already established additional capacities and is continuing its search for qualified staff. It therefore expects its workforce to increase further over the next quarters.

#### **Initiative to improve earnings**

In reaction to weaker than initially expected business performance in 2018, the Board of Management began in August of this year to develop an initiative to sustainably improve earnings. The measures defined encompass the areas of operational efficiency (e.g. the insourcing of assemblies that are currently produced externally), portfolio optimizations (particularly the sale of the nucleic acid preparation business) and reassigning the priorities for the allocation of development resources in order to optimize opportunity costs. In view of the continuing growth in number of development projects with high revenue potential, the initiative deliberately does not include any reductions in personnel. STRATEC expects the implementation of the individual measures to generate annual savings potential of € 2.0 million to € 3.0 million before taxes from 2021 onwards (compared with the 2018 cost base).

#### **Financial guidance**

STRATEC is confirming the adjusted financial guidance it issued on October 4, 2018, meaning that it still expects sales to decline organically in the low- to mid-single-digit percentage range in fiscal year 2018. In light of diseconomies of scale and rising costs in connection with the development pipeline, which continued to grow significantly in 2018, STRATEC expects the adjusted EBIT margin to be lower compared to the previous year and to amount to around 11% to 13% in fiscal year 2018.

Based on the large number of forthcoming product launches, the partial postponement of sales originally expected in 2018 to subsequent periods and current customer order forecasts, STRATEC expects to return to significantly positive organic sales growth in 2019. The associated economies of scale and initial positive effects from the defined earnings improvement measures are expected to result in a significantly higher adjusted EBIT margin in 2019 than in the previous year.

Due to the planned conversion and expansion activities at the Birkenfeld location, investments in 2018 are expected to be slightly higher than in the previous year.

#### **Quarterly Statement**

The Quarterly Statement 9M|2018, including the consolidated statement of financial position, the consolidated statement of comprehensive income and the consolidated statement of cash flows, is available to download from the company's website at [www.stratec.com/financial\\_reports](http://www.stratec.com/financial_reports).

#### **Conference call and audio webcast**

To comment on the publication of the quarterly results, an English-language conference call will be held today, Thursday, November 8, 2018, at 2.00 p.m. (CET).

Access data (telephone number, password + individual PIN) will be provided after brief registration at the following link: [www.stratec.com/registration](http://www.stratec.com/registration).

The conference call can also be followed as an audio webcast at [www.stratec.com/audiowebrtc20181108](http://www.stratec.com/audiowebrtc20181108) (brief registration necessary). Please note that it is not possible to submit any questions via the audio webcast.

#### **About STRATEC**

STRATEC Biomedical AG ([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 sample preparation solutions, 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.

#### **Further information can be obtained from:**

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