

Göttingen, October 19, 2023

Sartorius nine-month figures: Normalization of demand continues after end of pandemic

- Sales revenue in constant currencies down 16.4 percent, excluding Covid-19-related business down slightly above 10 percent; underlying EBITDA margin at 28.8 percent
- Post-pandemic inventory reductions by customers taking longer than expected
- Financial guidance adapted on October 12
- Uncertainties remain high due to the global political and economic situation

Despite initial signs of recovery at the end of the third quarter, soft customer demand that lasted longer than expected shaped the business development of the life science group Sartorius in the first nine months of 2023. After pandemic-related extraordinary business and inventory buildup by customers had triggered strong additional growth momentum in previous years, the company recorded declines in sales revenue and profitability. For the full year, Sartorius expects a decline in sales revenue by approximately 17 percent, with an underlying EBITDA margin of slightly above 28 percent.

“2023 will be a year of normalization for Sartorius as well as for the market as a whole. The reduction of inventories by our customers after the end of the pandemic is taking longer than expected and is thus delaying the recovery. In our Bioprocess Solutions division, we have seen a slight upturn in the order situation since the end of the third quarter, but this has been more hesitant than expected. In addition, development of the lab business has recently fallen short of our expectations, partly due to increased reluctance on the part of customers, particularly from China and the USA, to purchase laboratory instruments. We expect orders to continue to increase slightly in the fourth quarter, especially in the Bioprocess Solutions division, and anticipate profitable growth in 2024 and beyond,” said Sartorius CEO Joachim Kreuzburg.

Business development of the Group¹

Between January and September, the Sartorius Group's sales revenue fell 16.4 percent in constant currencies (reported: - 18.2 percent) to 2,546 million euros due to the ongoing normalization of demand in all regions and compared with a higher prior-year baseline characterized by Covid-19-related positive extraordinary effects. This includes a growth contribution from acquisitions² of slightly more than 1 percentage point. Excluding the pandemic-related business, the decline in constant currencies stood at slightly above 10 percent. Order intake decreased by 27.9 percent in constant currencies (reported: - 29.5 percent) to 2,201 million euros.

Underlying EBITDA decreased by 30.3 percent to 733 million euros in the first nine months, mainly due to volume and product mix effects. The resulting margin was 28.8 percent, compared with 33.8 percent in the prior-year period. Price effects on the procurement and customer sides largely offset each other.

Relevant net profit totaled 274 million euros, compared with 501 million euros in the prior-year period. Underlying earnings per ordinary share stood at 4.00 euros (prior-year period: 7.32 euros) and at 4.01 euros (prior-year period: 7.33 euros) per preferred share. Sartorius had 14,827 employees worldwide as of September 30, 2023 (December 31, 2022: 15,942).

Key financial indicators

After closing the acquisition of Polyplus, the equity ratio decreased as expected to 27.6 percent as of September 30, 2023 (December 31, 2022: 38.1 percent), and the ratio of net debt to underlying EBITDA was 4.5 (December 31, 2022: 1.7). Cash flow from investing activities, excluding acquisitions, stood at - 451 million euros, compared with - 362 million euros in the prior-year period. The ratio of capital expenditures (capex) to sales revenue reached 17.0 percent, compared with 11.3 percent in the first nine months of 2022.

Business development of the Bioprocess Solutions division

In the Bioprocess Solutions division, which offers a wide array of innovative technologies for the manufacture of biopharmaceuticals and vaccines as well as cell and gene therapeutics, sales revenue after nine months stood at 1,993 million euros, down 17.7 percent in constant currencies (reported: - 19.3 percent) from the high level of the prior-year period. This includes a growth contribution from acquisitions of around 2 percentage points. Excluding the Covid-19-related business, the decline stood slightly above 10 percent in constant currencies. Main drivers of the decline were the longer than expected ongoing inventory reductions after the end of the pandemic, relatively low production levels at some customers, the largely discontinued business in Russia, and an overall muted investment activity on the part of customers, primarily in China and the USA.

The temporarily weaker market environment was also reflected in order intake, which decreased by 28.9 percent in constant currencies (reported: -30.4 percent) to 1,708 million euros in the first nine months. In line with progress made by customers in reducing their inventories, there were signs of a slight recovery in order intake at the end of the third quarter.

The division's underlying EBITDA decreased by 32.9 percent to 592 million euros as a result of the volume development and product mix effects, resulting in a margin of 29.7 percent (prior-year period: 35.7 percent).

Business development of the Lab Products & Services division

The Lab Products & Services division, which specializes in life science research and pharmaceutical laboratories, recorded sales revenue of 553 million euros, a decline of 11.4 percent in constant currencies compared to the high level of the prior-year period (reported: -13.9 percent). Excluding the Covid-19-related business, sales revenue would have declined by around 9 percent in constant currencies. The division, which generates a significant portion of its sales revenue with high-quality laboratory and bioanalytical instruments, was significantly impacted by the cautious spending behavior on the part of customers in the pharma industry, particularly in China and the USA, which has been increasing since the third quarter.

The dampening impact of these factors was even more pronounced on order intake, which stood at 493 million euros after nine months (in constant currencies: -24.2 percent; reported: -26.3 percent).

The division's underlying EBITDA declined by 16.8 percent to 141 million euros. At 25.6 percent, the corresponding margin stood slightly below the level of the prior-year period (26.5 percent).

Outlook for fiscal year 2023 adapted on October 12

Based on its preliminary results after nine months, company management lowered its guidance for the current fiscal year on October 12, and expects full-year sales revenue to decline by around 17 percent; excluding the Covid-19-related business, sales revenue would decline by around 12 percent. Acquisitions are expected to contribute around 2 percentage points to the sales revenue development.

Due to the lower volume expectation and product mix effects, Sartorius expects an underlying EBITDA margin of slightly above 28 percent.

The capex ratio is expected to stand at slightly above 17 percent in 2023, with a ratio of net debt to underlying EBITDA of slightly above 5.

Against the backdrop of a demand recovery, that has been visible since the middle of the year, but which is proceeding only slowly, Sartorius now expects for its Bioprocess Solutions division a sales revenue decline of around 18 percent; excluding Covid-19-related business a decline of around 13 percent. Acquisitions are expected to contribute around 2 percentage points to sales revenue development. The underlying EBITDA margin is expected to be slightly above 29 percent.

For its Lab Products & Services division Sartorius expects a sales revenue decline of around 13 percent, excluding Covid-19-related business a decline of around 10 percent. The underlying EBITDA margin should be slightly above 25 percent.

The company confirms its fundamentally positive medium- and long-term market outlook and continues to see itself in a strong competitive position. For 2024, management expects profitable growth and will issue quantitative guidance with the release of the 2023 full-year figures next January. Its mid-term ambition is currently under review and an update will also be provided in January 2024.

All forecasts are based on constant currencies, as in the past years. Management points out that the industry has become increasingly dynamic and volatile in recent years. In addition, uncertainties due to the shifting geopolitical situation, such as various countries' nascent decoupling tendencies, are playing an increasing role. This results in increased uncertainty when forecasting business figures.

1 Sartorius publishes alternative performance measures that are not defined by international accounting standards. These are determined with the aim of improving the comparability of business performance over time and within the industry.

- Order intake: all customer orders contractually concluded and booked during the respective reporting period
- Underlying EBITDA: earnings before interest, taxes, depreciation and amortization and adjusted for extraordinary items
- Relevant net profit: profit for the period after non-controlling interest, adjusted for extraordinary items and amortization, as well as based on the normalized financial result and the normalized tax rate
- Ratio of net debt to underlying EBITDA: Quotient of net debt and underlying EBITDA over the past 12 months, including the pro forma amount contributed by acquisitions for this period

2 Acquisition of the Novasep chromatography division, Albumedix, and Polyplus

This press release contains forward-looking statements about the future development of the Sartorius Group. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such statements. Sartorius assumes no liability for updating such statements in light of new information or future events. This is a translation of the original German-language press release. Sartorius shall not assume any liability for the correctness of this translation. The original German press release is the legally binding version.

Conference call

The Executive Board Chairman and CEO of Sartorius AG, Joachim Kreuzburg, and Executive Board member and CFO, Rainer Lehmann, will discuss the company's business results with analysts and investors in a conference call on October 19, 2023, at 12.30 p.m. CEST. Please click on the link to register: <https://media.choruscall.eu/mediaframe/webcast.html?webcastid=zhpcEBhZ>

Further Information and media content

<https://www.sartorius.com/newsroom>

A profile of Sartorius

Sartorius is a leading international partner of life sciences research and the biopharmaceutical industry. With innovative laboratory instruments and consumables, the Group's Lab Products & Services division focuses on laboratories performing research and quality control at pharmaceutical and biopharmaceutical companies as well as academic research institutes. The Bioprocess Solutions division, with its broad product portfolio focusing on single-use solutions, helps customers manufacture biotech medications and vaccines safely, rapidly and economically. The company, based in Göttingen, Germany, has a strong global reach with around 60 production and sales sites worldwide. Sartorius delivers significant organic growth and regularly expands its portfolio through the acquisition of complementary technologies. In 2022, the company generated sales revenue of around 4.2 billion euros. Currently, around 15,000 employees are working for customers around the globe.

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Key Performance Indicators for Nine Months 2023

in millions of € unless otherwise specified	Sartorius Group				Bioprocess Solutions				Lab Products & Services			
	9-mo. 2023	9-mo. 2022 ¹	Δ in %	Δ in % cc ²	9-mo. 2023	9-mo. 2022 ¹	Δ in %	Δ in % cc ²	9-mo. 2023	9-mo. 2022 ¹	Δ in %	Δ in % cc ²
Order Intake and Sales Revenue												
Order intake	2,200.9	3,121.1	-29.5	-27.9	1,707.5	2,451.8	-30.4	-28.9	493.4	669.4	-26.3	-24.2
Sales revenue	2,545.9	3,112.9	-18.2	-16.4	1,992.9	2,470.9	-19.3	-17.7	553.0	642.1	-13.9	-11.4
▪ EMEA ³	972.7	1,157.9	-16.0	-15.4	766.4	943.3	-18.8	-18.3	206.3	214.7	-3.9	-2.6
▪ Americas ³	973.4	1,130.1	-13.9	-12.3	792.6	896.8	-11.6	-10.0	180.9	233.3	-22.5	-21.0
▪ Asia Pacific ³	599.8	824.9	-27.3	-23.4	433.9	630.8	-31.2	-27.6	165.8	194.1	-14.5	-9.6
Earnings												
EBITDA ⁴	733.4	1,051.5	-30.3		591.9	881.5	-32.9		141.5	170.0	-16.8	
EBITDA-Margin ⁴ in %	28.8	33.8			29.7	35.7			25.6	26.5		
Relevant net profit ⁵	273.9	501.2	-45.3									
Net result ⁶	196.8	522.9	-62.4									
Financial Data per Share												
Earnings per ord. share ⁵ in €	4.00	7.32	-45.4									
Earnings per pref. share ⁵ in €	4.01	7.33	-45.3									

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Albiomedix Ltd

2 cc = constant currency

3 According to customer's location

4 Relevant / underlying EBITDA: earnings before interest, taxes, depreciation, and amortization and adjusted for extraordinary items

5 After non-controlling interest, adjusted for extraordinary items and amortization, as well as based on the normalized financial result and the normalized tax rate

6 After non-controlling interest

Key Performance Indicators for the Third Quarter of 2023

	Sartorius Group				Bioprocess Solutions				Lab Products & Services			
in millions of € unless otherwise specified	Q3 2023	Q3. 2022 ¹	Δ in %	Δ in % cc ²	Q3 2023	Q3 2022 ¹	Δ in %	Δ in % cc ²	Q3 2023	Q3 2022 ¹	Δ in %	Δ in % cc ²
Order Intake and Sales Revenue												
Order intake	751.3	952.4	-21.1	-16.4	605.8	735.9	-17.7	-12.8	145.5	216.5	-32.8	-28.2
Sales revenue	810.7	1,052.6	-23.0	-18.5	646.4	833.8	-22.5	-18.1	164.3	218.8	-24.9	-19.7
▪ EMEA ³	303.8	364.5	-16.7		240.1	292.2	-17.8		63.7	72.3	-12.0	
▪ Americas ³	327.7	404.0	-18.9		272.1	324.8	-16.2		55.6	79.2	-29.8	
▪ Asia Pacific ³	179.2	284.0	-36.9		134.2	216.7	-38.1		45.0	67.3	-33.1	
Earnings												
EBITDA ⁴	216.7	354.0	-38.8		177.4	295.9	-40.0		39.3	58.1	-32.4	
EBITDA-Margin ⁴ in %	26.7	33.6			27.4	35.5			23.9	26.5		
Relevant net profit ⁵	71.5	167.3	-57.3									
Net result ⁶	8.6	151.4	-94.3									
Financial Data per Share												
Earnings per ord. share ⁵ in €	1.04	2.45	-57.3									
Earnings per pref. share ⁵ in €	1.04	2.45	-57.3									

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Alumedix Ltd

2 cc = constant currency

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Statement of Profit or Loss

€ in millions	Q3 2023	Q3 2022 ¹	9 months 2023	9 months 2022 ¹
Sales revenue	810.7	1,052.6	2,545.9	3,112.9
Cost of sales	-450.8	-496.5	-1,309.9	-1,484.9
Gross profit on sales	359.8	556.2	1,236.0	1,628.1
Selling and distribution costs	-156.1	-165.0	-467.1	-467.7
Research and development expenses	-39.0	-38.4	-122.8	-122.3
General administrative expenses	-51.4	-49.8	-145.9	-148.2
Other operating income	16.5	29.5	43.2	76.1
Other operating expenses	-49.9	-60.0	-159.5	-138.8
Earnings before interest and taxes (EBIT)	80.0	272.4	383.9	827.2
Financial income	-21.5	48.6	80.1	188.0
Financial expenses	-36.5	-44.4	-118.9	-90.7
Financial result	-58.0	4.2	-38.8	97.3
Profit before tax	22.0	276.6	345.1	924.5
Income taxes	-5.9	-71.9	-75.5	-220.2
Net profit for the period	16.1	204.7	269.6	704.3
Attributable to:				
Shareholders of Sartorius AG	8.6	151.4	196.8	522.9
Non-controlling interest	7.4	53.3	72.8	181.4
Earnings per ordinary share (€) (basic)	0.13	2.21	2.87	7.64
Earnings per preference share (€) (basic)	0.13	2.21	2.88	7.65
Earnings per ordinary share (€) (diluted)	0.13	2.21	2.87	7.64
Earnings per preference share (€) (diluted)	0.13	2.21	2.88	7.65

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Albiomedix Ltd

Other operating income and expenses are reported separately since fiscal 2022. The previous year's figures have been restated accordingly.

Statement of Comprehensive Income

€ in millions	Q3 2023	Q3 2022 ¹	9 months 2023	9 months 2022 ¹
Net profit for the period	16.1	204.7	269.6	704.3
Cash flow hedges	-4.6	-30.6	0.4	-50.6
- of which effective portion of the change in fair value	-1.0	-49.3	-3.6	-84.6
- of which reclassified to profit or loss	-3.6	18.6	4.0	33.9
Income tax on cash flow hedges	0.9	-9.1	-0.2	-2.9
Net investment in a foreign operation	10.2	29.3	2.4	68.3
Income tax on net investment in a foreign operation	0.0	10.4	0.0	0.0
Currency translation differences	18.2	58.0	-6.5	128.2
Items that may be reclassified in the profit or loss statement, net of tax	24.7	58.1	-3.8	142.9
Remeasurements of the net defined benefit liability	0.0	0.0	2.1	16.4
Income tax on remeasurements of the net defined benefits liabilities	0.0	0.0	-0.6	-4.9
Equity Instruments at FVOCI	-4.9	0.0	-49.3	0.0
Items that will not be reclassified in the profit or loss statement, net of tax	-4.9	0.0	-47.8	11.5
Other comprehensive income after tax	19.8	58.1	-51.6	154.4
Total comprehensive income	35.9	262.8	218.0	858.7
Attributable to:				
Shareholders of Sartorius AG	28.6	205.8	147.2	666.0
Non-controlling interest	7.3	57.0	70.7	192.7

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Albiomedix Ltd

Statement of Financial Position

€ in millions	Sept. 30, 2023	Dec. 31, 2022
Non-current assets		
Goodwill	2,905.0	1,718.9
Other intangible assets	2,834.2	1,283.1
Property, plant and equipment	2,005.2	1,714.8
Financial assets	119.4	150.9
Other assets	3.4	3.3
Deferred tax assets	75.5	83.6
	7,942.8	4,954.6
Current assets		
Inventories	1,154.4	1,179.1
Trade receivables	378.8	484.5
Other financial assets	36.6	47.4
Current tax assets	37.3	30.8
Other assets	116.9	115.6
Cash and cash equivalents	293.9	165.9
	2,017.8	2,023.2
Total assets	9,960.7	6,977.7
€ in millions	Sept. 30, 2023	Dec. 31, 2022
Equity		
Equity attributable to Sartorius AG shareholders	2,067.2	1,989.8
Issued capital	68.4	68.4
Capital reserves	45.0	44.6
Other reserves and retained earnings	1,953.7	1,876.7
Non-controlling interest	677.3	669.1
	2,744.4	2,658.9
Non-current liabilities		
Pension provisions	56.9	57.5
Other provisions	21.0	20.2
Loans and borrowings	4,919.5	1,873.8
Lease liabilities	118.4	112.4
Other financial liabilities	124.9	216.3
Deferred tax liabilities	621.7	235.2
	5,862.4	2,515.5
Current liabilities		
Provisions	56.7	66.4
Trade payables	452.0	551.9
Loans and borrowings	292.3	523.8
Lease liabilities	33.8	31.2
Employee benefits	130.2	114.3
Other financial liabilities	87.8	144.2
Current tax liabilities	150.1	222.0
Other liabilities	151.0	149.5
	1,353.9	1,803.4
Total equity and liabilities	9,960.7	6,977.7

Statement of Cash Flows

€ in millions	9 months 2023	9 months 2022 ¹
Profit before tax	345.1	924.5
Financial result	38.8	-97.3
Depreciation amortization of intangible and tangible assets	253.6	198.3
Change in provisions	-8.0	22.6
Change in receivables and other assets	120.3	-127.2
Change in inventories	18.8	-255.0
Change in liabilities (without loans and borrowings)	-82.5	-15.0
Interest received	12.0	6.0
Income taxes paid	-158.9	-203.1
Other non-cash transactions	3.4	1.9
Cash flow from operating activities	542.6	455.5
Capital expenditures	-434.0	-350.8
Other payments	-17.1	-11.5
Cash flow from investing activities before acquisitions	-451.0	-362.3
Acquisitions of subsidiaries and other business operations	-2,240.9	-536.1
Cash flow from investing activities	-2,691.9	-898.4
Interest paid and other financial charges	-95.9	-33.2
Dividends paid to:		
- Shareholders of Sartorius AG	-98.2	-85.9
- Non-controlling interest	-36.2	-31.8
Changes in non-controlling interest	-87.9	-3.6
Loans and borrowings repaid	-3,459.5	-623.6
Loans and borrowings raised	6,052.6	1,096.0
Cash flow from financing activities	2,274.9	317.9
Net increase decrease in cash and cash equivalents	125.5	-125.0
Cash and cash equivalents at the beginning of the period	165.9	342.8
Net effect of currency translation on cash and cash equivalents	2.4	17.3
Cash and cash equivalents at the end of the period	293.9	235.1

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Albumedix Ltd

Interest received is reported under "Cash flow from operating activities" since fiscal 2022. The previous year's figures have been restated accordingly.

Reconciliation

€ in millions	9 months 2023	9 months 2022 ¹
EBIT	383.9	827.2
Extraordinary items	96.4	26.1
Amortization	104.3	76.3
Normalized financial result ²	-91.5	-23.1
Normalized income tax (27%) ³	-133.1	-244.8
Underlying earnings after taxes	360.0	661.8
Non-controlling interest	-86.0	-160.6
Underlying earnings after taxes and non-controlling interest	273.9	501.2
Underlying earnings per share		
per ordinary share in €	4.00	7.32
per preference share in €	4.01	7.33

1 The previous year's figures have been slightly restated due to finalization of the purchase price allocation for the acquisition of Albumedix Ltd

2 Financial results adjusted for valuation effects from the subsequent measurement of contingent purchase price liabilities as well as for effects of foreign currency translation and hedging.

3 Income tax considering the average group tax rate, based on the underlying profit before tax.