SARTORIUS

Media Release

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Sartorius expects profitable growth in 2024; double-digit annual sales revenue growth projected through to 2028

- Preliminary 2023 results in line with forecast: sales revenue in constant currencies down 16.6 percent; underlying EBITDA margin of 28.3 percent
- Demand recovery in both divisions in the fourth quarter: order intake slightly higher than sales revenue
- 2024 guidance: group aims to increase sales revenue in mid to high single-digit percentage range with an underlying profit margin of slightly more than 30 percent
- Rapid reduction of leverage through strong operating cash flow planned; acceleration through additional capital measures remains an option
- Investment program focused on innovation, customer proximity, resilience, and sustainability in execution
- Medium-term ambition through to 2028: average annual increase in sales revenue of more than 10 percent expected; profit margin to increase to around 34 percent by 2028
- Uncertainties remain high due to the global political and economic situation

The life science group Sartorius expects a return to profitable growth in 2024 and a dynamic business development for the five-year period through to 2028. In 2023, soft demand, which lasted longer than expected post-pandemic, led to a temporary decline in sales revenue and earnings across the entire life science sector.

"2023 was a very unusual and challenging year for our industry. Customer destocking and other factors such as very weak demand in China had a longer and more pronounced impact on the business than initially anticipated. We therefore ended the year with a decline in sales revenue, while profitability remained at a healthy level and above the pre-pandemic mark due to an adjusted cost base. Many customers are further advanced in optimizing their inventories. Business has thus picked up since the third quarter, and we expect this trend to gradually intensify in the course of 2024," said Sartorius CEO Joachim Kreuzburg.
"The acquisition of transfection reagent specialist Polyplus and subsequent expansion of our technology platform for applications in the cell and gene therapeutics market was an important strategic milestone in 2023," commented Kreuzburg further. "With our products, we will make a substantial contribution to bringing such highly innovative therapies to the market and thus to patients faster. In addition to preparing our production and research infrastructure for organic growth, we have also invested in resilience in the face of geopolitical uncertainties, with the goal of continuing to meet the highest standards for delivery reliability and product quality in all regions."

Business development of the Group in 2023[1]

In 2023, the ongoing normalization of demand following the pandemic and a longer-than-expected reduction in inventories among customers led to subdued results and numerous forecast adjustments across the life science industry. According to preliminary figures, sales revenue at the Sartorius Group decreased by 16.6 percent in constant currencies (guidance[2]: around -17 percent; reported: -18.7 percent) to 3,396 million euros from a high prior-year baseline shaped by Covid-19-related positive extraordinary effects. This includes a growth contribution from acquisitions[3] of around 1.5 percentage points. Excluding the pandemic-related business, the decline in constant currencies stood at around 12 percent. Order intake was down 21.5 percent in constant currencies (reported: -23.5 percent) to 3,067 million euros.

As expected, the general market weakness affected all business regions. Also due to the discontinuation of business with Russian customers, the EMEA[4] region, which accounts for around 39 percent of the Group's business, saw sales revenue decline by 14.4 percent. Sales revenue in the Americas region was down 14.9 percent and accounted for around 38 percent of the Group total. In the Asia | Pacific region, in particular, the pronounced weakness of the market in China had a significant impact, with sales revenue down 22.1 percent. The region accounted for around 23 percent of the total.

The Group's earnings measured by underlying EBITDA decreased by 31.7 percent to 963 million euros between January and December, mainly due to volume and product mix effects. The resulting earnings margin was 28.3 percent (guidance: slightly above 28 percent), compared with 33.8 percent in the prior year. Price effects on the procurement and customer side largely offset each other.

Relevant net profit totaled 339 million euros, compared with 655 million euros in the prior year. Underlying earnings stood at 4.94 euros (prior year: 9.57 euros) per ordinary share and 4.95 euros (prior year: 9.58 euros) per preference share.

Sartorius employed around 14,600 people group wide as of December 31, 2023, compared with just under 16,000 at the end of the prior year. The reduction resulted primarily from the expiry of fixed-term employment contracts and regular attrition.

Key financial indicators

Following the acquisition of Polyplus, the equity ratio decreased as expected to 28.3 percent as of December 31, 2023 (December 31, 2022: 38.1 percent). The ratio of net debt to underlying EBITDA stood at 5.0 (December 31, 2022: 1.7). Net operating cash flow reached 836 million euros, compared with 734 million euros in the prior year. Despite the decline in earnings, the increase was achieved primarily through the optimization of working capital, as planned. While Sartorius had systematically increased inventories in 2022 and previous years to secure supply ability in view of the temporarily constrained supply chains, inventory reductions started as planned in 2023. At 560 million euros, capital expenditures were approximately on a level with the previous year (523 million euros), while the ratio of capital expenditures to sales revenue was 16.5 percent, versus 12.5 percent in 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 stood at 2,678 million euros in 2023, down 17.6 percent in constant currencies (guidance: around -18 percent; reported: -19.5 percent) and in line with expectations below the high prior-year level. This includes a growth contribution from acquisitions of around 2 percentage points. Excluding the pandemic-related business, the decline in constant currencies was slightly above 12 percent. Main drivers of the soft development were customer destocking which began after the end of the pandemic and is lasting longer than initially expected, in some cases due to relatively low production levels, the largely discontinued business with Russian customers, and an overall muted investment activity on the part of customers, primarily in China and the USA.

The temporarily weaker market environment was even more clearly reflected in order intake, which decreased by 21.1 percent in constant currencies (reported: -23.0 percent) to 2,404 million euros. In line with the progress made by customers in reducing their inventories, business began to recover at the end of the third quarter, so that order intake was slightly above sales revenue in the fourth quarter.

The division's underlying EBITDA decreased to 782 million euros due to the volume development and product mix effects, resulting in a margin of 29.2 percent (guidance: slightly above 29 percent; prior year: 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 718 million euros, a decline of 12.7 percent in constant currencies from the high prior-year level (guidance: around -13 percent; reported: -15.4 percent;). Excluding the Covid-19-related business, sales revenue was down by slightly below 11 percent in constant currencies. In the division, which generates a significant proportion of its sales revenue with high-quality laboratory and bioanalytical instruments, markedly lower investment in high-end bioanalytical systems, particularly among pharmaceutical laboratories in China and the USA, had a decisive impact on the course of business in the second half of the year.

The dampening effect of these factors was even more pronounced on order intake, which stood at 663 million euros in 2023 (in constant currencies: -22.7 percent; reported: -25.1 percent), while business in the laboratory division also picked up slightly over the course of the fourth quarter and order intake slightly exceeded sales revenue in the fourth quarter.

The division's underlying EBITDA declined to 180 million euros. At 25.1 percent (guidance: slightly above 25 percent;), the corresponding margin was moderately below the prior-year figure (previous year: 26.2 percent).

Guidance for fiscal year 2024

Based on the slight recovery in demand since the end of the third quarter of 2023 and the market outlook forecast by industry observers, Sartorius expects to grow profitably in 2024 and beyond. Due to inventory optimization measures at customers that have not yet been fully completed, the company projects business momentum to increase gradually in the course of the year, resulting in a rather moderate first half of 2024. In addition, business performance could also be affected by increasing geopolitical tensions and economic slowdowns in some regions.

Against this backdrop of still somewhat unstable market trends and therefore limited visibility, management forecasts an increase in Group sales revenue in the mid to high single-digit percentage range, with a non-organic contribution accounting for around 1.5 percentage points. In terms of profitability, management anticipates the underlying EBITDA margin to rise to slightly more than 30 percent, compared with the prior-year figure of 28.3 percent. At around 13 percent, the ratio of capital expenditures to sales revenue is expected to be below the 2023 figure of 16.5 percent. Excluding possible capital measures and/or acquisitions, the ratio of net debt to underlying EBITDA is projected to be at around 4.

For the Bioprocess Solutions division, management expects a gradual continuation of the demand recovery and an increase in sales revenue in the mid to high single-digit percentage range, including a contribution of acquired businesses of around 2 percentage points. The underlying EBITDA margin is projected to be over 31 percent, compared with the prior-year figure of 29.2 percent. The above-average profitability of the Polyplus business will have a slightly positive effect on the margin development.

Business in the Lab Products & Services division depends to an extent on economic conditions and a series of indicators currently pointing to a subdued development in key economic regions. Against this backdrop and despite the observed recovery trends, management predicts a subdued sales revenue increase in the low single-digit percentage range and an underlying EBITDA margin at around the previous year's level of 25.1 percent.

"Beyond focusing on customer satisfaction, innovation, and organic growth, we will fully concentrate on further efficiency gains and strong cash generation in order to rapidly run down the debt leverage which is at an elevated level following the Polyplus acquisition. To deleverage even faster while maintaining strategic flexibility we are also continuing to consider potential equity measures, subject to market conditions, for example targeting a leverage reduction by approximately one turn," said Kreuzburg.

Medium-term outlook to 2028

Sartorius intends to continue its profitable growth path in the long term and expects to grow faster than the market. According to the new medium-term targets, the Group plans to achieve average annual growth in the lower double-digit percentage range over the five-year period to 2028 of which acquisitions are anticipated to contribute around a fifth. The underlying EBITDA margin is also expected to increase and reach around 34 percent in 2028. The margin targets include expenses of around 1 percent of Group sales revenue for measures to reduce the company's CO_2 emission intensity.

In terms of its two segments, Sartorius expects the Bioprocess Solutions division to grow on average in the low to mid-teens percentage range per year between now and 2028 with an underlying profit margin of around 36 percent. The Lab Products & Services division is projected to expand at an average annual rate by a mid to high single-digit percentage with a margin of 28 percent in 2028.

"Our goals remain ambitious because we have put ourselves in a very competitive position and are addressing a market with unchanged strong and sustainable, fundamental growth drivers," said Kreuzburg. "The rapidly growing new modalities, such as cell and gene therapies, which can often be used to treat previously untreatable diseases, are playing an increasingly important role. In this context, the need for innovation is more pressing than ever, as are our customers' efforts to make their processes faster, more efficient and more resource effective. With our broad and differentiated product portfolio, we are in an excellent position to support our customers in this."

"In addition to our financial growth targets, we are continuing to pursue an ambitious sustainability agenda: Between now and 2030, we intend to cut our CO_2 emissions intensity by an average of around 10 percent per year, to reduce all avoidable direct as well as indirect emissions from purchased energy to zero, and to use 100 percent renewable electricity. By 2045 we aim to achieve net zero emissions. Moreover, we are working on several initiatives to use materials efficiently and promote circular material cycles," continued Kreuzburg.

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 Current forecast for 2023 from October 2023
3 Acquisition of the Novasep chromatography division, Albumedix, and Polyplus
4 EMEA = Europe, Middle East, Africa

Conference call

The Executive Board Chairman and CEO of Sartorius AG, Joachim Kreuzburg, will discuss the company's business results with analysts and investors in a conference call on January 26, 2024, at 1.00 p.m. CET.
Register here: https://media.choruscall.eu/mediaframe/webcast.html?webcastid=4Ajj7aeD

Further information and media content

www.sartorius.com/newsroom

Financial calendar

March 28, 2024	Annual General Meeting
April 18, 2024	Publication of the first-quarter figures (January to March 2024)
July 19, 2024	Publication of the first-half figures (January to June 2024)
October 17, 2024	Publication of the nine-month figures (January to September 2024)

Preliminary key performance indicators for fiscal year 2023

In millions of €, unless otherwise specified	Sartorius Group 2023	Sartorius Group 2022	Sartorius Group Δ in % Reported	Sartorius Group Δ in % cc[1]	Bioprocess Solutions 2023	Bioprocess Solutions 2022	Bioprocess Solutions Δ in % Reported	Bioprocess Solutions Δ in % cc[1]	Lab Products & Services 2023	Lab Products & Services 2022	Lab Products & Services Δ in % Reported	Lab Products & Services Δ in % cc[1]
Sales Revenue and Order Intake												
Order intake[2]	**3,066.9**	4,007.3	-23.5	-21.5	**2,404.1**	3,122.7	-23.0	-21.1	**662.8**	884.6	-25.1	-22.7
Sales revenue	**3,395.7**	4,174.7	-18.7	-16.6	**2,678.2**	3,326.5	-19.5	-17.6	**717.5**	848.2	-15.4	-12.7
▪ EMEA[3]	**1,315.9**	1,550.6	-15.1	-14.4	**1,042.2**	1,260.5	-17.3	-16.8	**273.7**	290.1	-5.7	-4.1
▪ Americas[3]	**1,280.4**	1,543.8	-17.1	-14.9	**1,047.8**	1,240.8	-15.6	-13.3	**232.6**	303.0	-23.2	-21.1
▪ Asia | Pacific[3]	**799.4**	1,080.3	-26.0	-22.1	**588.2**	825.2	-28.7	-25.1	**211.2**	255.1	-17.2	-12.4
Earnings												
EBITDA[4]	**962.7**	1,410.4	-31.7		**782.3**	1,188.4	-34.2		**180.3**	222.0	-18.8	
EBITDA margin[4] in %	**28.3**	33.8	-5.5pp		**29.2**	35.7	-6.5pp		**25.1**	26.2	-1.1pp	
Relevant net profit[5]	**338.5**	655.4	-48.3									
Financial Data per Share												
Earnings per ord. share[5] in €	**4.94**	9.57	-48.4									
Earnings per pref. share[5] in €	**4.95**	9.58	-48.3									

1 cc = Constant currencies: Figures given in constant currencies eliminate the impact of changes in exchange rates by applying the same exchange rate for the current and the previous period
2 All customer orders contractually concluded and booked during the respective reporting period.
3 Acc. to the customer's location
4 Earnings before interest, taxes, depreciation, and amortization and adjusted for extraordinary items.
5 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.

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, vaccines, and cell and gene therapies safely, rapidly, and economically. The company, based in Göttingen, Germany, has a strong global reach with around 60 production and sales sites worldwide. Sartorius regularly expands its portfolio through the acquisition of complementary technologies. In 2023, the company generated sales revenue of around 3.4 billion euros, according to preliminary figures. Currently, around 14,600 employees are working for customers around the globe.

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