

Structure and Management of the Group

Group Legal Structure

Sartorius Stedim Biotech is a globally operating company with subsidiaries in more than 25 countries and more than 10,400 employees worldwide. The parent company of the Sartorius Stedim Biotech Group is Sartorius Stedim Biotech S.A., headquartered in Aubagne, France.

Sartorius Stedim Biotech S.A. is listed on the Euronext stock exchange in Paris. Approximately 74% of the share capital and around 85% of the voting rights of Sartorius Stedim Biotech S.A. are held by Sartorius AG.

Sartorius AG is an international leading partner for life science research and the biopharmaceutical industry and is headquartered in Göttingen, Germany. It is listed on the German Stock Exchange and operates two divisions: the bioprocess business as a subgroup under its parent corporation Sartorius Stedim Biotech S.A., and the laboratory business as a further subgroup.

The consolidated financial statements of the Sartorius Stedim Biotech Group include Sartorius Stedim Biotech S.A. and all affiliates in which Sartorius Stedim Biotech S.A. has a controlling interest pursuant to IFRS 10.

Organization and Management of the Group

The Sartorius Stedim Biotech Group is largely organized by function on a worldwide basis. Accordingly, the respective management responsibilities are performed along the company's core functions across all sites and regions.

This global functional organization forms an effective platform for central strategic control and for fast, efficient collaboration and execution within the Group. It enables the company to realize its total solutions provider strategy and position itself effectively in respect of global customers.

The Board of Directors of Sartorius Stedim Biotech S.A. is composed of eight members, one executive director and seven non-executive directors.

Implementing the Group's various strategies and initiatives at the local level is the responsibility of the national affiliates.

The management bodies of the local companies run their organizations in accordance with applicable statutory provisions, articles of association, and rules of procedure, and in keeping with the principles of corporate governance that apply throughout the Sartorius Stedim Biotech Group worldwide. Please see details of the Board of Directors in the section "Corporate Governance."

Changes in the Group Portfolio

In the reporting year, Sartorius Stedim Biotech strengthened its product portfolio for cell culture media and extended its production network in this segment by making two acquisitions. First, the company acquired a majority stake in CellGenix. This enterprise based in Freiburg, Germany, and with a sales subsidiary near the biotechnology hub in Boston, Massachusetts, USA, produces and markets critically essential cell culture components, such as growth factors, cytokines, and media in GMP quality, for manufacturing cell and gene therapy products. The Freiburg site is a center of excellence for developing and manufacturing cell culture components and will be further expanded. With a workforce of around 70 people, CellGenix generated sales of about €20 million in 2020.

Second, Sartorius Stedim Biotech acquired cell culture specialist Xell headquartered in Bielefeld, Germany. Xell develops, produces, and markets media and feed supplements for cell cultures, especially for manufacturing viral vectors that are used in gene therapeutics and vaccines. Beyond these media, the company offers various analytical services for characterizing, screening, and quantifying media components, as well as for optimizing media composition. In 2021, Xell generated sales of approximately €5 million and employed around 35 people.

Moreover, in February 2022, Sartorius Stedim Biotech completed the acquisition of the chromatography process equipment division of Novasep with sites in Pompey, northern France, as well as in the USA, China, and India. The division with approximately 100 employees specializes in resin-based chromatography systems, and its product portfolio is complementary to our existing chromatography offering.

Financial Controlling and Key Performance Indicators

The Sartorius Stedim Biotech Group is managed using a number of key performance indicators, which are also decisive for determination of the variable remuneration component for the Executive Board and managers.

The key management parameter that Sartorius Stedim Biotech uses to measure the development of its size is currency-adjusted growth of sales revenue.

The key performance measure for profitability is EBITDA adjusted for extraordinary items, i.e., underlying EBITDA, and the corresponding margin. For a definition of this term and more information on its presentation, see the Glossary on page 270.

Regarding the debt financing capacity of the Sartorius Stedim Biotech Group, a further key indicator is the ratio of net debt to underlying EBITDA for the last twelve months.

Moreover, the CAPEX ratio, i.e., investment payments relative to sales revenue, represents a key control parameter.

The following financial and non-financial indicators are also reported on a regular basis:

- Order intake
- Underlying net profit | Earnings per share
- Net profit | Earnings per share
- Equity ratio
- Net working capital
- Net cash flow from operating activities
- Number of employees

The annual financial forecast published at the beginning of a fiscal year for the Group generally refers to the development of sales revenue and of the underlying EBITDA margin. The expected CAPEX ratio, as well as a directional forecast for the ratio of net debt to underlying EBITDA, is also indicated for the Group.

Business Model, Strategy and Goals

Market and Strategic Positioning

As a leading partner of the biopharmaceutical industry, Sartorius Stedim Biotech helps its customers to develop their production processes and manufacture biotech medications and vaccines more efficiently.

Biopharmaceuticals are integral components of advanced medicine and are used to treat many illnesses, mostly of a serious nature. However, long development times and complex production make these medications very expensive. This leads to high healthcare costs in industrialized countries and to the situation that patients in less developed countries are often excluded from treatment with such drugs. The development of a biopharmaceutical medication is a long haul: It takes more than ten years on average to bring a new drug out on the market, costing more than two billion dollars. On top of this, biotechnological manufacturing processes for such high-tech medications are demanding and must be developed individually for each biologic compound. As a pioneer and technology leader in the biopharma sector, Sartorius Stedim Biotech with its products and services is enabling its customers to make their production processes easier and more efficient so that advanced therapeutics can reach the market faster and become accessible for more people worldwide. Therefore, the United Nations' sustainability goal "Good Health and Well Being" is an integral component of Sartorius' business model.

The maturity and intensity of competition in this still comparably young industry are successively increasing. To support customers in meeting this challenge, we are constantly further developing our portfolio. A key competitive advantage is our broad understanding of applications based on our clear focus on the sector. We are thoroughly familiar with the value-added chains of our customers and understand the interaction of the employed systems particularly well. A further important success factor of the company is to offer highly differentiating technologies. Our innovative power rests on three pillars: our own specialized product development, alliances with partners, and the integration of innovations through acquisitions.

With the biopharma industry, Sartorius Stedim Biotech is focusing on an attractive market, which is characterized by strong growth momentum and long-term trends. Medical progress provides positive impetus, leading to the discovery and approval of new biopharmaceuticals. The biopharmaceutical industry is thus increasingly relying on advanced therapies, such as cell and gene therapeutics and biotech tissue products. Further primary growth drivers are a growing world population and an increase in age-related diseases in industrialized countries. In addition, rising incomes in emerging countries are leading to improved access to healthcare and rising demand for medications. Biosimilars, the generic versions of reference biologics that have lost their patent protection, account for a share of the biopharma market that is currently still small, but especially fast-growing. As a result of these factors, the volumes of biotech medications and the demand for the appropriate production technologies are steadily increasing, with market growth largely independent of business cycles.

Products & Services

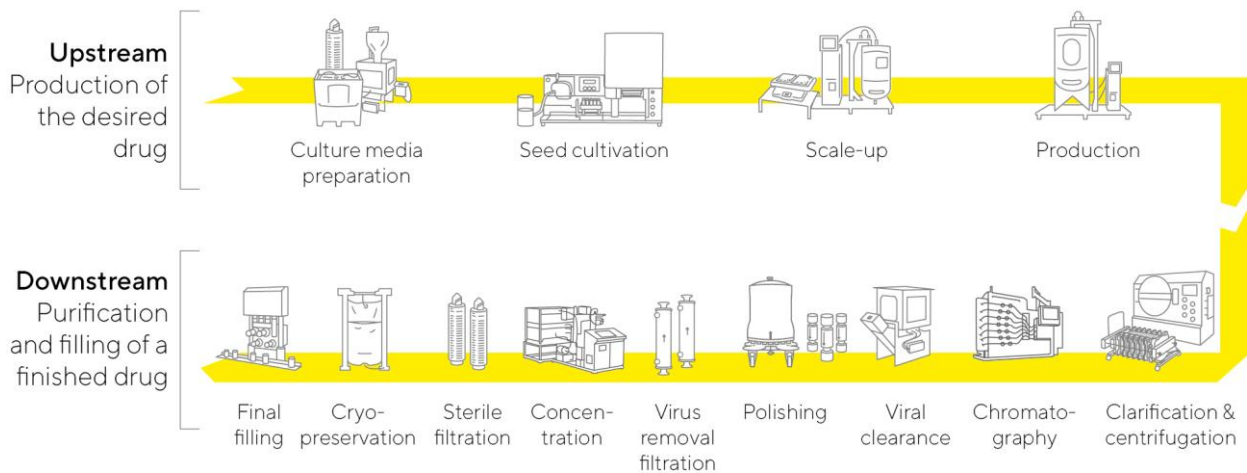
Sartorius Stedim Biotech offers a broad portfolio of products that focuses on all major steps in the manufacture of a biopharmaceutical, as well as in process development as prerequisite procedures. Our technologies cover, inter alia, cell line technologies, cell culture media, bioreactors, and a wide range of products for separation, purification, and concentration of biological intermediates and finished products, as well as solutions for their storage and transportation. Sartorius Stedim Biotech also offers data analytics software for modeling and optimizing processes of biopharmaceutical development and production. In its core technologies, the company has leading market positions with high double-digit market shares.

The breadth of our product portfolio, among other things, sets us apart from our competitors. We provide customers with complete process solutions from a single source, as well as assist with preceding project planning, process integration and subsequent validation. Our technologies are used in manufacturing all classes of medical drugs, from vaccines and monoclonal antibodies to advanced viral vector-based gene therapeutics.

Repeat business with sterile single-use products accounts for about three-quarters of the company’s sales revenue. These products and technologies offer our customers in research and production cost advantages, flexibility, and less resource usage, and thus a better ecological footprint compared with conventional processes employing reusable stainless steel components. The high share of recurring revenues is also bolstered by the strict regulatory requirements on the part of our customers. Because health authorities validate production processes as an integral part of an application for approval of a new medical drug, the components initially validated can be replaced only at considerable expense once they have been approved. Beyond this, our broad and stable customer base that we address through our specialized sales force directly for the most part also contributes to this favorable risk profile.

The strong strategic positioning and the above-average expansion of the sector are a good foundation for profitable growth in the future as well.

Technologies for the Entire Added-Value Chain in Biopharmaceutical Production



Schematic illustration

Sartorius Stedim Biotech 2025 Strategies

In 2018, management presented its strategy and long-term targets up to 2025. The consolidated sales revenue target was again significantly raised at the beginning of 2021 and so was the profitability target at the start of 2022. Accordingly, Sartorius Stedim Biotech plans to increase consolidated sales revenue to about €4 billion by 2025 and to reach an underlying EBITDA margin of more than 35% (previously around 33%). The company intends to achieve this increase primarily through organic growth and additionally by acquisitions.

The mid-term targets for 2025 still do not include any pandemic-related business as management currently considers such estimates to be too uncertain.

The margin targets already include expenses for measures to reduce the company's CO₂ emission intensity. Sartorius Stedim Biotech aims to reduce its CO₂ emission intensity by around 10% annually on average until 2030, spending over time around 1% of its sales revenue annually for corresponding measures. Moreover, these projections assume that, on average, the margins of future acquisitions will initially be somewhat below the levels of the Group's existing businesses and, after integration, at levels comparable to these, and that there will be no relevant changes in the key currency exchange rates.

Management points out that the dynamics and volatilities in the life science and biopharma sectors have increased over the past years and the coronavirus pandemic has further amplified these trends so that forecasts show even higher uncertainties than usual.

Expansion of the Product Portfolio

Sartorius Stedim Biotech has a broad product portfolio that is continuously expanded in line with the value-added chain of the biopharmaceutical industry. At the focus are products that offer solutions covering the needs of our customers and that make our offering even more attractive from the customers' perspective. Aside from our own research and development activities and strategic partnerships, acquisitions that are complementary to or extend our strengths appropriately will remain part of the portfolio strategy. Due to high innovation dynamics, we consider further additions to be possible on an ongoing basis across the entire breadth of our product portfolio. When identifying suitable companies, Sartorius Stedim Biotech considers the following criteria in particular: Complementarity of technologies to its existing portfolio; strong market positioning, for example, through innovative products with unique selling propositions; integration capability; appropriate valuation; and growth and profitability profile.

Regional Growth Initiatives

Due to exceptionally strong organic growth, Sartorius Stedim Biotech invested considerably in building up production capacities in the reporting year, and therefore moved already planned expansion projects ahead of schedule as well as accelerated and extended these. In 2021, capital expenditures were used for planning or expanding sites in Germany, Puerto Rico, China and South Korea, among others.

North America and Asia are the key focal areas of our regional growth strategy. The USA is the world's largest market for bioprocess equipment. Yet because it is home to our main competitors, Sartorius Stedim Biotech formerly had lower market share in this region than in Europe and Asia. Over the past years, we have gained market share in the USA by strengthening our sales and service capacities and see further development potential.

A further strategic focus is on China. This market has sizable growth potential owing to rising private and public healthcare expenditures and the rapid development of regional biopharmaceutical plants. To benefit from the dynamic development of this market, Sartorius Stedim Biotech has already been investing heavily in expanding its production capacities. This especially applies to South Korea that offers strong growth prospects in this region, given its dynamically growing biopharma market. For that reason, Sartorius Stedim Biotech planned a new production facility on which construction is scheduled to begin in the current fiscal year.

Optimization of Work Processes

Sufficient production capacity and a powerful supply chain are an essential foundation of future growth. In recent years, Sartorius Stedim Biotech has substantially expanded its capacities for membranes, filters and aseptic bags at various Group sites in order to shorten delivery times and reliably maintain delivery capability even in the event of local transport restrictions.

Sartorius Stedim Biotech is driving forward digitalization and automation in many areas to further accelerate and enhance processes and, wherever meaningful, to standardize such processes throughout the Group. This also includes extending the company's activities in the areas of e-commerce, digital marketing, and analytics, as well as on the topics of IT security.