Business Development of Lab Products & Services

Development reflects temporarily weaker market environment

Profitability at a robust level despite decline in sales revenue

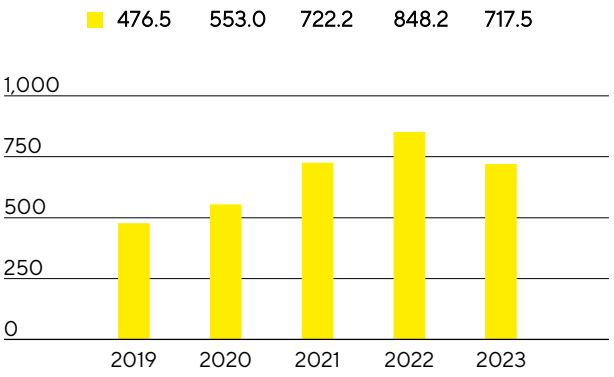
Order intake picks up again slightly over the course of the fourth quarter

Division sales	Order intake	Underlying EBITDA margin
€717.5m	€662.8m	25.1%
In constant FX: -12.7%	In constant FX: -22.7%	-1.1 percentage points

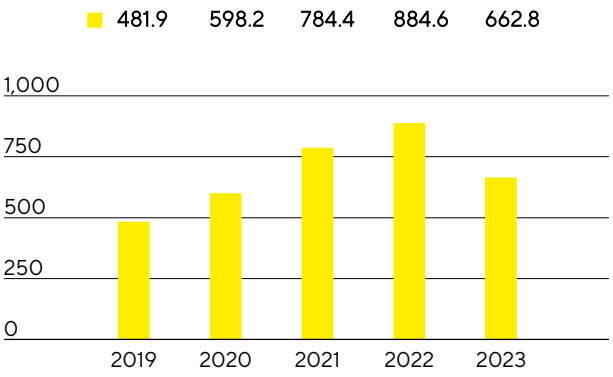
Sales Revenue and Order Intake

The Lab Products & Services division recorded sales revenue of €717.5 million, a decline of 12.7% in constant currencies (reported: -15.4%) compared to the high level of the prior year. Excluding the pandemic-related business, which in the laboratory division primarily comprised membranes for Covid-19 test kits and pipette consumables, sales revenue would have declined by slightly below 11% in constant currencies. After business with bioanalytical instruments for pharmaceutical applications in particular had expanded significantly in previous years, a marked reluctance to invest on the part of this customer group led to a drop in sales in the reporting year. This affected both larger customers and smaller biotech companies, for whom the funding environment had deteriorated significantly compared to the pandemic years.

Sales Revenue 2019 to 2023
€ in millions



Order Intake 2019 to 2023
€ in millions



Sales Revenue and Order Intake

€ in millions	2023	2022	in % reported	in % cc[1]
Sales revenue	717.5	848.2	–15.4	–12.7
Order intake	662.8	884.6	–25.1	–22.7

1 In constant currencies.

Following the strong development in the previous year, sales in the Americas region fell by 21.1% to €232.6 million, so that this region accounted for 32% of the division's sales. In particular, demand for bioanalytical instruments was weaker following the high growth rates of previous years. Sales in the EMEA region, which accounted for around 38% of the division's sales, declined moderately by 4.1% to €273.7 million. The Asia | Pacific region, which contributed 30% to the Lab Products & Services division's business, decreased by 12.4% to €211.2 million, primarily due to a significant drop in sales in China. (All growth rates for the regional development are in constant currencies unless otherwise stated.)

The dampening impact of these factors was even more pronounced on order intake, which stood at €662.8 million (in constant currencies: -22.7%; reported: -25.1%), while business picked up slightly over the course of the fourth quarter, resulting in order intake being moderately higher than sales revenue.

Sales by Region

€ in millions	2023	2022	in % reported	in % cc[2]
EMEA	273.7	290.1	–5.7	–4.1
Americas	232.6	303.0	–23.2	–21.1
Asia | Pacific	211.2	255.1	–17.2	–12.4

Earnings

The underlying EBITDA of the Lab Products & Services Division declined by 18.8% to €180.3 million. At 25.1%, the corresponding margin stood only slightly below the level of the prior-year period (26.2%). Price effects on the procurement and customer sides largely offset each other.

Underlying EBITDA and EBITDA Margin

	2023	2022
Underlying EBITDA in millions of €	180.3	222.0
Underlying EBITDA margin in %	25.1	26.2

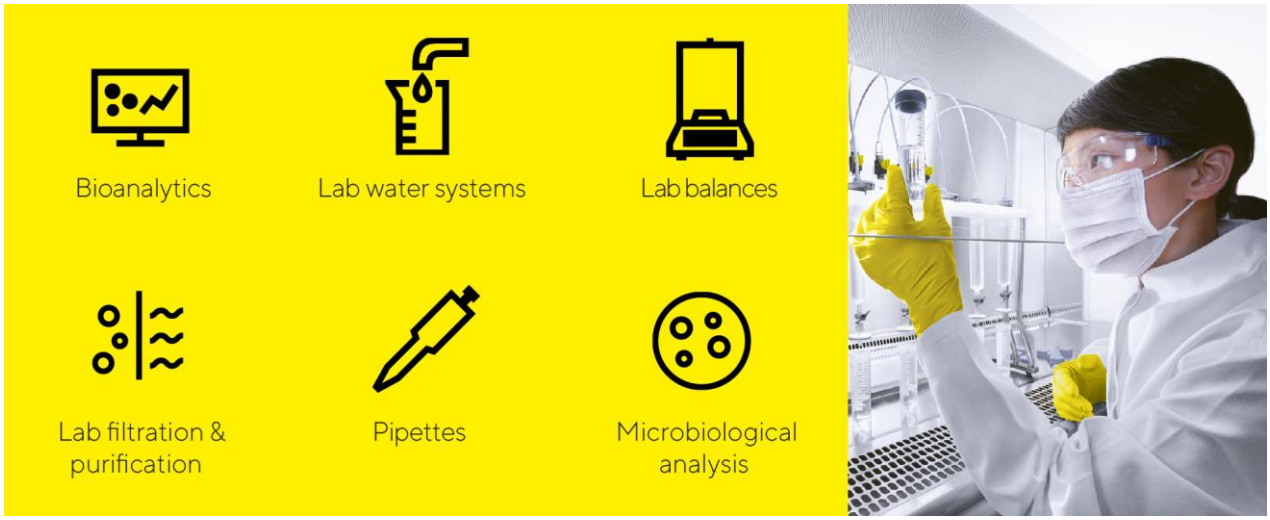
The Lab Products & Services Division recorded extraordinary items of –€13.0 million in the reporting year relative to –€13.9 million a year ago. These items resulted primarily from expenses for various corporate projects and structuring measures.

Products and Sales

The Lab Products & Services Division focuses with its products on research laboratories in the pharmaceutical and biopharmaceutical industries as well as on academic research institutes.

In the area of bioanalytics, the division offers life science customers innovative systems for cell analysis. These greatly accelerate the otherwise time-intensive discovery of medical drug candidates by automating and digitalizing core steps in analysis. Automated analysis, selection, and isolation of cells enable customers, moreover, to significantly reduce time to result as well as cost in cell line development and antibody discovery.

In addition, the product range of the Lab Products & Services Division includes a broad array of premium laboratory instruments for sample preparation, such as laboratory balances and lab water systems, as well as lab consumables, such as filters and microbiological test kits. This Sartorius portfolio is tailored to the biopharmaceutical industry and additionally focuses on research and quality control labs in areas such as the chemical and food industries.



In the area of bioanalytics, the division launched a new software module for a live cell imaging system in the reporting year, which allows customers to process data in accordance with the FDA's rules for electronic records and signatures. By cooperating with an industry partner in the area of proteins, the division in July expanded its fast-growing portfolio for stem cell and organoid research by adding animal-free growth factors and cytokines, with the aim of enabling rapid progress in the discovery of new cell models.

Another product brought to market was a new version of an electronic pipette, which allows data to be recorded in real time and enables integration with other equipment, thereby improving productivity and data quality. A new premium laboratory balance was also introduced, which offers customers improved adaptability to ambient factors, such as temperature, humidity, and atmospheric pressure; intuitive cleaning processes; and flexible hardware upgrades.

The services offered by the Lab Products & Services Division cover the entire life cycle of laboratory instruments, from device installation and commissioning to validation, calibration, verification, and regular maintenance to repair. These services are not limited to Sartorius instruments alone; they are offered to a partial extent for devices from other manufacturers as well. This extensive range enables customers to minimize the number of service providers they use and to reduce complexity and costs.

Beyond this, Sartorius application laboratories in all regions offer customers the opportunity to test Sartorius products, even using their own samples, and to take training courses.

Sales Activities

The division mostly distributes its bioanalytics offering directly, while standard instruments and consumables are also offered through laboratory distributors. The focus is on further expanding the direct channels, including online business with customers in the life science industry. In aligning its activities, the division is increasingly using digital channels.

Aside from extending sales structures, the company also concentrates on the ongoing enhancement of sales efficiency, in part through the creation of synergies between the two divisions. This gives the Lab Products & Services Division access to customers of the Bioprocess Solutions Division, which in turn can also open up new sales opportunities.

Product Development

The division has extensive technological expertise in the areas of bioanalytics, laboratory instruments, and laboratory consumables. Software and hardware advancements in the company's cell analysis products create many new evaluation opportunities for our customers. They are the foundation for the development of new tools capable of processing and visualizing vast quantities of data appropriately based on specific applications. Compliance with regulatory requirements is critical for the company's customers. Product development priorities for Sartorius therefore include data management, connectivity, and process automation.

Most of the research and development for the Lab Products & Services Division is conducted at Group headquarters in Göttingen, Germany, where a new product development building opened in the reporting year. Sartorius also carries out R&D activities at its sites in the USA, Finland, the UK, India, and China.

Production and Supply Chain Management

The Lab Products & Services Division operates plants in Germany, China, Finland, the UK, and the USA. These plants serve as centers of competence and tend to focus on one product group or a small set of product groups. In 2023, for example, laboratory balances were manufactured in Germany and China, pipettes in Finland, and bioanalytical systems in the USA and China. Microbiological test kits are produced in the UK, and most membrane-based products in Germany.

Capacity expansions at the site in Ann Arbor, Michigan, USA, progressed as scheduled in 2023. Measuring 12,000 square meters, this ultra-modern facility is intended to meet growing demand for the division's products and services and combine different functions, such as the operational area for bioanalytical devices, customer and repair service, and product development. Completion is scheduled for 2024.

The supply chain situation continued to ease in 2023 compared with previous years. The availability of electronic components continued to pose a challenge, but improved over the course of the year.