TECAN

Press release

H1 2017: Tecan with significant increase in order entry and strong sales growth in the Life Sciences Business

Financial results for the first half of 2017

- **Order entry of CHF 291.2 million (H1 2016: CHF 250.6 million)**
  - **Growth of 16.7% in local currencies or 16.2% in Swiss francs**
  - **Double-digit increase in both business segments**
- **Sales of CHF 253.3 million (H1 2016: CHF 235.3 million)**
  - **Growth of 8.0% in local currencies or 7.7% in Swiss francs**
  - **Organic growth of 3.4% in local currencies despite higher basis for comparison due to positive one-time effect in the prior-year period**
  - **Strong growth in the Life Sciences Business**
- **Operating profit before depreciation and amortization (EBITDA) of CHF 41.3 million (H1 2016: CHF 37.9 million)**
  - **EBITDA margin of 16.3% (H1 2016: 16.1%), including acquisition-related costs and reduced margins associated with acquisitions**
- **Net profit of CHF 25.7 million (H1 2016: CHF 23.5 million)**
  - **Net profit margin including integration costs of 10.1% (H1 2016: 10.0%)**
  - **Increase in earnings per share by 8.8% to CHF 2.22 (H1 2016: CHF 2.04)**
- **Cash flow from operating activities of CHF 31.7 million (H1 2016: CHF 64.9 million; including a reimbursement of development costs)**
- **Outlook for full-year 2017 confirmed**

Operating performance in the first half of 2017

- **Considerable progress with the integration of SPEware Corporation (now Tecan SP, Inc.), which was acquired in September 2016**
- **Acquisition of Pulssar Technologies S.A.S. in February 2017 to expand the technology portfolio in the Partnering Business**
- **Launch of a new platform development project with DiaSorin in the Partnering Business**

Männedorf, Switzerland, August 16, 2017 – The Tecan Group (SIX Swiss Exchange: TECN) posted a significant increase in order entry and strong sales growth in the Life Sciences Business in the first half of 2017.

Tecan CEO David Martyr commented: “Tecan’s sales have developed well, once again, in the current financial year. The strong growth in our end-customer business, the Life Sciences Business, and in the components business, as part of the Partnering Business, was particularly pleasing. In China we continued to achieve high growth rates in both business segments. We were also able to considerably improve our net profit despite the inclusion of acquisition-related integration costs. Overall, the performance is fully in line with our expectations."

Financial results for the first half of 2017

Order entry increased by 16.7% in local currencies to CHF 291.2 million in the first six months of the year (H1 2016: CHF 250.6 million), corresponding to a growth of 16.2% in Swiss francs. Both business segments contributed with double-digit growth rates. On an organic basis, excluding the new companies SPEware (now Tecan SP, Inc.) and Pulssar Technologies S.A.S., orders in the first half rose by 12.5% in local currencies and by 12.0% in Swiss francs. SPEware has been consolidated in the financial statements of the Tecan Group since October 2016; Pulssar since March 2017 part of the Group, also making a small contribution in the period under review. Due to strong order entry, which exceeded sales considerably, the order backlog grew as of June 30, 2017.

Sales climbed by 8.0% in local currencies or 7.7% in Swiss francs to CHF 253.3 million in the first half of the year (H1 2016: CHF 235.3 million). This corresponds to organic growth of 3.4% in local currencies and 3.1% in Swiss francs year-on-year. In the first half of 2016, the Partnering Business benefited from a positive one-time effect as a corporate customer placed the last major order for a phasing-out platform. The Life Sciences Business again posted strong growth and was more than able to offset this effect.

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 8.8% to CHF 41.3 million in the reporting period (H1 2016: CHF 37.9 million). The EBITDA margin improved to 16.3% of sales (H1 2016: 16.1%) including integration costs associated with acquisitions. The slight improvement in margin, which was already achieved in the first six months of the year, was driven by positive volume and price effects as well as efficiency improvements in operations and in research and development.

The net profit for the first half of 2017 increased by 9.6% to CHF 25.7 million (H1 2016: CHF 23.5 million) compared to the prior-year period, despite the booking of slightly higher integration costs associated with the acquisitions of Sias, SPEware and Pulssar. The net profit margin in the first half of 2017 reached 10.1% of sales (H1 2016: 10.0%), while earnings per share were CHF 2.22 (H1 2016: CHF 2.04)

The cash flow from operating activities was CHF 31.7 million and below the same period of 2016, during which a further partial reimbursement of development costs by an OEM partner was booked (H1 2016: CHF 64.9 million), thus, cash flow from operating activities corresponded to 12.5 % of sales in the first six months of 2017.

Information by business segment

Life Sciences Business (end-customer business)

Sales in the Life Sciences Business increased by 18.2% in local currencies to CHF 138.2 million (H1 2016: CHF 117.7 million) in the first half of the year and were 17.4% above the prior-year period in Swiss francs. On an organic basis, excluding first-time consolidation of sales by SPEware (now Tecan SP), the revenue in the first half of 2017 rose by 9.5% in local currencies. Growth was broad based, with contributions from a broad range of instrument platforms, the service business and further strong growth in consumables. Amongst the regions, China again stood out with a high growth rate. Order entry in the Life Sciences Business grew in line with sales, both in organic terms and including Tecan SP.

Operating profit in this segment rose by 46.5% to CHF 17.8 million (H1 2016: CHF 12.2 million). This positive performance is primarily a result of sales growth as well as further efficiency gains. The operating profit margin improved by 250 basis points to 12.4% of sales (H1 2016: 9.9%).

Partnering Business (OEM business)

The Partnering Business generated sales of CHF 115.1 million during the period under review (H1 2016: CHF 117.6 million), which corresponds to a decline of 2.1% in local currencies and in Swiss francs against the high base level in the prior-year period, when sales development benefited from the last major order for an expiring instrument platform. The absence of sales of the phased-out instrument platform was almost offset by new instrument platforms as well as strong growth in the components business, services and consumables. By contrast, order entry in the Partnering Business increased at a double-digit percentage rate in the first half of 2017. The acquisition of Pulssar technologies, which has been consolidated in the financial statements since March 1, 2017, had only a limited impact on sales. On an organic basis, excluding sales by Pulssar, revenue in the first half of 2017 fell by 2.6% year-on-year in local currencies.

The segment’s operating profit in the period under review was CHF 19.0 million (H1 2016: CHF 20.9 million). The operating profit margin was down on the prior-year period at 16.4% of sales (H1 2016: 17.7%) mainly due to the lower sales volume and the product mix.

Additional information

Regional development

In Europe, sales in the first six months of 2017 fell by 13.1% in local currencies and by 14.0% in Swiss francs compared to the same period last year. This development was mainly due to the positive one-time effect in the Partnering Business in the prior-year period and the associated high comparative base. By contrast, the Life Sciences Business recorded strong growth in this region.

In North America, sales in the first half grew by 31.7% in local currencies and by 33.0% in Swiss francs. The Life Sciences Business posted strong growth in this region as a result of both a solid organic increase in sales and the first-time contribution of SPEware products. The Partnering Business also generated significant double-digit growth here, including a strong contribution from the components business.

In Asia, Tecan achieved an overall considerable increase in sales of 16.1% in local currencies and 15.0% in Swiss francs. Both segments contributed with a double-digit rise in sales, driven once again by a particularly strong growth in China.

Recurring sales of services and consumables

Recurring sales of services and consumables increased in the first half of 2017 by 26.0% in local currencies and 25.5% in Swiss francs, supported both by strong organic growth and the first-time contribution of SPEware consumables. Recurring sales therefore amounted to 44.7% of total sales (H1 2016: 38.3%), their highest level to date. Services (including spare parts) accounted for 23.1% of total sales, while consumables (plastics and reagents) accounted for 21.6%.

Operating performance in the first half of 2017

Tecan made considerable progress with the integration of US-based SPEware Corporation (now Tecan SP, Inc.) in the first half of 2017. The company, which was acquired in September 2016, is a leading provider for mass spectrometry sample preparation solutions. Preparations were made during the period under review for joint marketing of solutions in which established Tecan automation platforms and Tecan SP technologies complement one another perfectly. Tecan SP products were previously mainly successful in North America and in the future will benefit from the Tecan Group’s strong global distribution structure. The European marketing launch is scheduled for the second half of 2017.

Tecan also made good progress with the integration of the French company Pulssar Technologies S.A.S., which was acquired in March 2017. Pulssar precision pumps expand the technology portfolio of Tecan’s component business in the Partnering Business and meet application-specific customer needs in various market segments. Preparations are currently underway to relocate Pulssar production from Paris to San Jose, California, where Tecan traditionally develops and manufactures components.

As announced at the end of June, Tecan is launching a joint project in its Partnering Business with Italian partner DiaSorin to develop a new platform. The new platform will provide a complete sample to result system for molecular diagnostics. Under the project, DiaSorin will make use of Tecan’s Fluent® Laboratory Automation Solution as its nucleic acid extraction platform. DiaSorin is among the global leaders in diagnostics.

Strong balance sheet – high equity ratio

Tecan's equity ratio reached 67.9% as of June 30, 2017 (December 31, 2016: 66.2%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 243.9 million (December 31, 2016: CHF 242.3 million). The company's share capital was CHF 1,164,778 as at the reporting date of June 30, 2017 (December 31, 2016: CHF 1,154,137), consisting of 11,647,777 registered shares with a nominal value of CHF 0.10.
At the Tecan Group Annual General Meeting on April 11, 2017, shareholders approved an unchanged dividend of CHF 1.75 per share. The payout of dividends of CHF 20.3 million in total took place on April 19, 2017.

Outlook for full-year 2017 confirmed

For fiscal year 2017, Tecan continues to anticipate Group sales growth of more than 6% in local currencies. The reported EBITDA margin is still expected to expand to over 18% of sales, including acquisition-related costs in a mid-single-digit million Swiss franc amount.

These expectations regarding profitability are based on an average exchange rate forecast for full-year 2017 of one euro equaling CHF 1.07 and one US dollar equaling CHF 0.99 and exclude contributions from future acquisitions.

Financial Report and Webcast

The full 2017 Interim Report can be accessed on the company's website www.tecan.com under Investor Relations. An iPad app for the Tecan Financial Reports is also available from the App Store.

Tecan will hold a conference call to discuss the results for the first half of 2017 today at 10:00 a.m. (CEST). The presentation will also be relayed by live audio webcast, which interested parties can access at www.tecan.com. A link to the webcast will be provided immediately prior to the event.

The dial-in numbers for the conference call are as follows:
For participants from Europe: +41 (0)58 310 50 00 or +44 (0)203 059 5862 (UK)
For participants from the US: +1 (1) 631 570 5613
Participants should if possible dial in 15 minutes before the start of the event.

Key upcoming dates

- The 2017 Annual Report will be published on March 14, 2018.
- The Annual General Meeting of Tecan's shareholders will take place on April 17, 2018.

About Tecan

Tecan (www.tecan.com) is a leading global provider of laboratory instruments and solutions in biopharmaceuticals, forensics and clinical diagnostics. The company specializes in the development, production and distribution of automated workflow solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, and forensic and diagnostic laboratories. As an original equipment manufacturer (OEM), Tecan is also a leader in developing and manufacturing OEM instruments and components that are then distributed by partner companies. Founded in Switzerland in 1980, the company has manufacturing, research and development sites in both Europe and North America and maintains a sales and service network in 52 countries. In 2016, Tecan generated sales of CHF 506 million (USD 511 million; EUR 464 million). Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191).

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Tecan Group – Financial reporting
Interim consolidated financial statements as of June 30, 2017
(Key figures, unaudited)

Consolidated statement of profit or loss

January to June, CHF 1'000	2017	2016	△ in %
Sales	**253'283**	**235'258**	**7.7%**
Cost of sales	(133'423)	(122'959)	8.5%
Gross profit	**119'860**	**112'299**	**6.7%**
In % of sales	*47.3%*	*47.7%*	
Sales and marketing	(40'362)	(38'223)	5.6%
Research and development	(23'524)	(22'876)	2.8%
General and administration	(25'951)	(23'806)	9.0%
Other operating income	24	343	
Other operating expenses	(490)	-	n.a.
Operating profit	**29'557**	**27'737**	**6.6%**
In % of sales	*11.7%*	*11.8%*	
Financial result	1'521	796	91.1%
Profit before taxes	**31'078**	**28'533**	**8.9%**
Income taxes	(5'376)	(5'082)	5.8%
Profit for the period	**25'702**	**23'451**	**9.6%**
In % of sales	*10.1%*	*10.0%*	

EBITDA	**41'270**	**37'938**	**8.8%**
In % of sales	*16.3%*	*16.1%*	

Basic earnings per share (CHF/share)	**2.22**	**2.04**	**8.8%**
Diluted earnings per share (CHF/share)	**2.19**	**2.00**	**9.5%**

Order entry

January to June, CHF 1'000	2017	2016	△ in % (CHF)	△ in % (LC)
Order entry	**291'169**	**250'610**	**16.2%**	**16.7%**

Segment information by business segments

Sales to third parties

January to June, CHF 1'000	2017	2016	△ in % (CHF)	△ in % (LC)
Life Sciences Business	138'185	117'699	17.4%	18.2%
Partnering Business	115'098	117'559	-2.1%	-2.1%
Total sales	**253'283**	**235'258**	**7.7%**	**8.0%**

Segment information 2017

January to June, CHF 1'000	Life Sciences Business	Partnering Business	Corporate / Consolidation	**Group**
Sales to third parties	138'185	115'098	-	**253'283**
Intersegment sales	5'174	762	(5'936)	**-**
Total sales	**143'359**	**115'860**	**(5'936)**	**253'283**
Operating profit	**17'837**	**18'972**	**(7'252)**	**29'557**
In % of sales	*12.4%*	*16.4%*		*11.7%*

Segment information 2016

January to June, CHF 1'000	Life Sciences Business	Partnering Business	Corporate / Consolidation	**Group**
Sales to third parties	117'699	117'559	-	**235'258**
Intersegment sales	5'465	753	(6'218)	**-**
Total sales	**123'164**	**118'312**	**(6'218)**	**235'258**
Operating profit	**12'174**	**20'894**	**(5'331)**	**27'737**
In % of sales	*9.9%*	*17.7%*		*11.8%*

Sales by regions (by location of customers)

January to June, CHF 1'000	2017	2016	△ in % (CHF)	△ in % (LC)
Switzerland	4'695	3'677	27.7%	28.4%
Other Europe	91'330	107'974	-15.4%	-14.5%
North America	110'819	83'340	33.0%	31.7%
Asia	39'412	34'266	15.0%	16.1%
Others	7'027	6'001	17.1%	18.7%
Total sales	**253'283**	**235'258**	**7.7%**	**8.0%**

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Consolidated balance sheet

CHF 1'000	30.06.2017	31.12.2016	△ in %
Assets			
Current assets	540'458	534'290	1.2%
Non-current assets	201'380	201'871	-0.2%
Assets	**741'838**	**736'161**	**0.8%**
Liabilities and equity			
Current liabilities	141'220	141'956	-0.5%
Non-current liabilities	97'161	107'120	-9.3%
Total liabilities	*238'381*	*249'076*	*-4.3%*
Shareholders’ equity	503'457	487'085	3.4%
Liabilities and equity	**741'838**	**736'161**	**0.8%**

Consolidated statement of cash flows

January to June, CHF 1'000	2017	2016	△ in %
Cash inflows from operating activities	31'712	64'929	-51.2%
Cash outflows from investing activities	(12'354)	(5'083)	143.0%
Cash outflows from financing activities	(17'867)	(21'151)	-15.5%
Translation differences	(363)	(248)	46.4%
Increase in cash and cash equivalents	**1'128**	**38'447**	**-97.1%**
Cash and cash equivalents as per cash flow statement:			
At January 1	246'744	208'434	18.4%
At June 30	247'872	246'881	0.4%

Consolidated statement of changes in equity

January to June, CHF 1'000	2017	2016	△ in %
Shareholders’ equity at January 1	**487'085**	**440'673**	**10.5%**
Profit for the period	25'702	23'451	9.6%
Other comprehensive income/loss for the period	1	(12'770)	n.a.
Dividends paid	(20'315)	(20'122)	1.0%
New shares issued based on employee participation plans	1'992	815	144.4%
Share-based payments	8'992	7'775	15.7%
Shareholders’ equity at June 30	**503'457**	**439'822**	**14.5%**