

Tecan reports strong second half and a very successful fiscal year 2018

Financial results for the full-year 2018

- **Strong increase in order entry to CHF 627.0 million (2017: CHF 564.3 million)**
 - Full-year growth of 10.3% in local currencies or 11.1% in Swiss francs
- **Sales of CHF 593.8 million (2017: CHF 548.6 million)**
 - Full-year growth of 7.4% in local currencies and 8.2% in Swiss francs
 - Full-year organic growth of 6.8% in local currencies and 7.7% in Swiss francs
- **Full-year operating profit before depreciation and amortization (EBITDA) of CHF 110.3 million (2017: CHF 104.6 million)**
 - Reported EBITDA margin of 18.6% (2017: 19.1%), after costs related to the acquisition of NuGEN Technologies
 - EBITDA margin of 19.4%, excluding all effects related to the NuGEN acquisition
- **Full-year net profit of CHF 70.7 million (2017: CHF 65.9 million); increase of 7.2%**
 - Net profit margin of 11.9%, including all acquisition-related costs (2017: 12.0%)
 - Increase in earnings per share to CHF 6.02 (2017: CHF 5.67)
- **Cash flow from operating activities of CHF 92.7 million (2017: CHF 99.4 million)**

Operating highlights 2018 and other important information

- **Market launch of Fluent® Gx platform variant for regulated markets; successful registration as a Class I medical device in the US**
- **Considerable progress made with several development projects in the Partnering Business**
- **Acceleration of broad genomics strategy with the acquisition of NuGEN Technologies**
- **Increase in the dividend proposed from CHF 2.00 to CHF 2.10 per share**

Outlook 2019

- **Full-year sales are forecast to increase in the mid- to high single-digit percentage range in local currencies**
- **Despite accounting for all costs related to the acquisition of NuGen Technologies, reported EBITDA margin expected to expand to around 19% of sales**

Männedorf, Switzerland, March 11, 2019 – The Tecan Group (SIX Swiss Exchange: TECN) today announced that the Company recorded strong financial results in the second half and another very successful business year in 2018.

Tecan CEO Dr David Martyr commented: “I am very pleased with Tecan’s financial performance in 2018. We recorded another year of strong sales growth, a further increase in underlying profitability

and a higher net profit. Of particular note is our high order entry in the second half of the year, leading to a substantial increase in order backlog – a solid basis to head into 2019.”

Dr Achim von Leoprechting, Executive Vice President and designated CEO of Tecan said: “Tecan is in a strong position to benefit from the tremendous opportunities that the ‘Century of Biology’ has to offer. With an end-user as well as an OEM business, Tecan has a unique position to bridge from research to diagnostics settings and thereby help our customers with the discovery of novel medications all the way to better diagnosis of diseases. I very much look ahead to another promising business year in 2019 and beyond.”

Financial results full-year and second half of 2018

In the year under review, Tecan grew its order entry by 11.1% to CHF 627.0 million (2017: CHF 564.1 million), which corresponds to an increase of 10.3% in local currencies. With an increase of 20.0% in local currencies and by 19.9% in Swiss francs, orders grew particularly strongly in the second half of 2018. Both business segments contributed with double-digit growth rates in the second half. Thanks to the strong order entry, the order backlog was sharply higher as of December 31, 2018. The order backlog also includes a large order in the Life Sciences Business for customized solutions which is likely to be recognized as revenues in 2020.

Sales for fiscal year 2018 climbed by 7.4% in local currencies or 8.2% in Swiss francs to CHF 593.8 million (2017: CHF 548.6 million). On an organic basis, sales grew by 6.8% in local currencies and 7.7% in Swiss francs.

Sales continued their positive trajectory in the second half of the year as well, growing by 7.8% in local currencies and 8.1% in Swiss francs. On an organic basis, excluding sales from NuGEN (now Tecan Genomics) in the last four months of the year, sales grew by 6.8% in local currencies and 7.0% in Swiss francs.

Recurring sales of services and consumables increased for the full year 2018 by 5.9% in local currencies and 6.7% in Swiss francs, and therefore amounted to 41.8% of total sales (2017: 42.4%).

The operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose by 5.4% to CHF 110.3 million in the fiscal year (2017: CHF 104.6 million), after acquisition-related costs in a mid-single-digit million Swiss franc amount. The reported EBITDA margin thus reached 18.6% of sales (2017: 19.1%; 18.4% excluding non-recurring positive effects). The EBITDA margin excluding all effects related to the NuGEN acquisition increased to 19.4%, delivering on the margin commitment for the year of “more than 19%”.

Reported net profit for the year 2018 rose by 7.2% to CHF 70.7 million (2017: CHF 65.9 million). Net profit increased less than operating profit as a lower financial result was recorded due to currency hedging losses. The net profit margin was almost unchanged at 11.9% of sales (2017: 12.0%), while basic earnings per share increased to CHF 6.02 (2017: CHF 5.67).

Cash flow from operating activities reached CHF 92.7 million (2017: CHF 99.4 million), thereby corresponding to 15.6% of sales.

Information by business segment

Life Sciences Business (end-customer business)

Sales in the Life Sciences Business increased by 7.0% to CHF 328.2 million in 2018 (2017: CHF 306.9 million) and were 5.6% above the prior-year period in local currencies. On an organic basis (excluding sales from NuGEN for the last four months), sales in 2018 rose by 4.6% in local currencies. After a moderate start into the year, based on a high comparative basis from the prior-year period, sales in the Life Sciences Business accelerated significantly in the second half and were 11.3% above the prior-year period, corresponding to an increase of 10.8% in local currencies. On an organic basis, sales in the second half grew by 8.9% in local currencies. The newly launched Fluent Gx platform variant enjoyed strong demand on the market, which contributed significantly to this growth.

Full-year order entry in the Life Sciences Business segment grew with a double-digit rate, significantly exceeding sales, which resulted in a sharp rise in order backlog.

Reported operating profit in this segment (earnings before interest and taxes; EBIT) rose to CHF 51.3 million (2017: CHF 50.5 million), despite the cost impact from the NuGEN acquisition. The corresponding operating profit margin reached 14.8% of sales (2017: 15.9%).

Partnering Business (OEM business)

The Partnering Business generated sales of CHF 265.6 million during the year under review (2017: CHF 241.7 million), which corresponds to an increase of 9.7% in local currencies and 9.9% in Swiss francs. The segment posted continued strong growth from existing instrument platforms, first contributions from newly launched analyzers and the consumables business.

After posting significant growth in the first half of the year, sales in the second half grew by 3.9% in Swiss francs and in local currencies.

Also in the Partnering Business order entry increased at a high rate in fiscal year 2018.

Operating profit in this segment (earnings before interest and taxes; EBIT) rose by 15.9% to CHF 48.6 million (2017: CHF 42.0 million). This positive performance is primarily a result of sales growth and lower acquisition-related integration costs compared to the prior-year period. The operating profit margin improved by 100 basis points to 18.2% of sales (2017: 17.2%).

Additional information

Regional development

In Europe, Tecan's full-year sales increased by 12.1% in local currencies and by 14.0% in Swiss francs, with both business segments performing strongly. The Life Sciences Business grew particularly strongly in the second half of the year with sales increasing by 17.1% in local currencies.

In North America, sales grew by 4.7% in local currencies and 4.2% in Swiss francs in 2018. The Life Sciences Business recorded solid growth in this region. The Partnering Business posted moderate growth, mainly due to the high comparative basis of the prior-year period. With a growth rate of 10.9% in local currencies, sales accelerated markedly in the second half of the year.

In Asia, Tecan posted an increase in sales of 2.5% in local currencies and 4.2% in Swiss francs. Sales in the Life Sciences Business were 2.6% below the prior year, while sales in the Partnering Business grew by 18.3%, particularly boosted by strong growth in China.

Operating performance 2018

The Fluent Gx platform variant was developed for the automation of laboratory workflows in regulated markets and was launched in various regions in the first half of 2018. After successful registration as a Class I medical device, the platform also became available in the US. Its specific functionalities, which facilitate greater process security, traceability of samples and stricter user management, have met with a lot of interest and several major lab chains ordered multiple instruments at once.

In August, Tecan announced the acquisition of US-based NuGEN Technologies, Inc. (now called Tecan Genomics). The company, since September 2018 part of the Tecan Group, is a leading provider for innovative next-generation sequencing (NGS) sample preparation solutions, the fastest growing field within the genomics area. Through this acquisition, Tecan expands its dedicated solutions offering into the new market segment of NGS reagents, accelerating its broad genomics strategy and further increasing recurring revenues.

Overall R&D activities and gross expenses were higher compared to the prior-year period, however due to customer funding of projects and higher capitalized development costs, net R&D expenses were at a similar level. Tecan made considerable progress with a number of development projects in the Partnering Business in 2018. More than five projects are currently in the development phase, the sales potential of which ranges from single-digit to clear double-digit million amounts in Swiss francs per year. Several market launches are expected for 2019.

Strong balance sheet – high equity ratio

Tecan's equity ratio reached 71.4% as of December 31, 2018 (December 31, 2017: 68.4%). Net liquidity (cash and cash equivalents minus bank liabilities and loans) reached CHF 289.6 million, despite having paid the purchase consideration for the NuGEN acquisition fully in cash in the second half of the year (June 30, 2018: CHF 284.1 million; December 31, 2017: CHF 290.7 million). The company's share capital was CHF 1,176,637 as at the reporting date of December 31, 2018 (December 31, 2017: CHF 1,166,487), consisting of 11,766,372 registered shares with a nominal value of CHF 0.10.

On the basis of the increase of net profit in 2018 and an ongoing positive business perspective, the Board of Directors will propose at the Company's Annual General Meeting an increase in the dividend from CHF 2.00 to CHF 2.10 per share.

Outlook 2019

Tecan expects sales growth for full-year 2019 to be in the mid- to high single-digit percentage range in local currencies. This forecast does not take account of potential additional acquisitions during the course of the year.

As previously communicated, integration costs together with short term lower margins associated with the NuGEN acquisition will have an impact on Tecan's reported EBITDA margin. These acquisition-related costs are expected to add up to a high single-digit million Swiss franc amount in 2019.

However, Tecan anticipates that costs related to the NuGEN acquisition as well as the CEO transition will be largely offset by gains in profitability due to the adoption of the IFRS 16 accounting standard regarding leases that becomes effective in 2019. The IFRS 16 gains will be recurring. Tecan therefore anticipates that the overall reported EBITDA margin will expand to around 19% of sales in 2019.

The expectations for profitability are based on an average exchange rate forecast for full-year 2019 of one euro equaling CHF 1.14 (2018: 1.15) and one US dollar equaling CHF 0.99 (2018: 0.96). Again, no contributions or costs linked to further acquisitions are taken into account.

Financial Report and Webcast

The full 2018 Financial 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 an analyst and media conference to discuss the 2018 annual results today at 09:00 am (CET). 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 +44 207 107 0613 (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 Annual General Meeting of Tecan's shareholders will take place in Pfäffikon (SZ) on April 16, 2019.
- The 2019 Interim Report will be published on August 15, 2019.

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 automation solutions for laboratories in the life sciences sector. Its clients include pharmaceutical and biotechnology companies, university research departments, 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. Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191).

For further information:

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Tecan Group – Financial reporting
Consolidated financial statements for 2018¹
 (Key figures, unaudited)

Consolidated statement of profit or loss

	2017 (Restated)	2018	Δ in %
January to December, CHF 1'000			
Sales	548'559	593'795	8.2%
Cost of sales	(283'677)	(315'472)	11.2%
Gross profit	264'882	278'323	5.1%
<i>In % of sales</i>	48.3%	46.9%	
Sales and marketing	(84'220)	(89'072)	5.8%
Research and development	(51'069)	(51'086)	0.0%
General and administration	(51'489)	(52'376)	1.7%
Other operating income	3'324	3'436	3.4%
Other operating expenses	(1'632)	(672)	-58.8%
Operating profit	79'796	88'553	11.0%
<i>In % of sales</i>	14.5%	14.9%	
Financial result	(804)	(5'155)	541.2%
Profit before taxes	78'992	83'398	5.6%
Income taxes	(13'062)	(12'702)	-2.8%
Profit for the period	65'930	70'696	7.2%
<i>In % of sales</i>	12.0%	11.9%	

EBITDA	104'625	110'322	5.4%
<i>In % of sales</i>	19.1%	18.6%	

Basic earnings per share (CHF/share)	5.67	6.02	6.2%
Diluted earnings per share (CHF/share)	5.59	5.96	6.6%

Order entry

	2017	2018	Δ in % (CHF)	Δ in % (LC)
January to December, CHF 1'000				
Order entry	564'294	626'978	11.1%	10.3%

¹2017 restated due to adoption of new IFRS standards.

Segment information by business segments

Segment information

January to December CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Corporate / Consolidation		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
Sales to third parties	306'851	328'234	241'708	265'561	-	-	548'559	593'795
Intersegment sales	11'738	19'030	1'772	2'029	(13'510)	(21'059)	-	-
Total sales	318'589	347'264	243'480	267'590	(13'510)	(21'059)	548'559	593'795
Operating profit	50'528	51'262	41'953	48'617	(12'685)	(11'326)	79'796	88'553
<i>In % of sales</i>	<i>15.9%</i>	<i>14.8%</i>	<i>17.2%</i>	<i>18.2%</i>			<i>14.5%</i>	<i>14.9%</i>

Sales to third parties

January to December CHF 1'000 / 2017 restated	2017	2018	Δ in % (CHF)	Δ in % (LC)
Life Sciences Business	306'851	328'234	7.0%	5.6%
Partnering Business	241'708	265'561	9.9%	9.7%
Total sales	548'559	593'795	8.2%	7.4%

Sales by regions (by location of customers)

January to December CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Total		Δ in % (CHF)	Δ in % (LC)
	2017	2018	2017	2018	2017	2018		
Europe	101'806	114'301	107'142	123'837	208'948	238'138	14.0%	12.1%
North America	133'100	141'926	102'743	103'882	235'843	245'808	4.2%	4.7%
Asia	59'847	58'283	28'958	34'263	88'805	92'546	4.2%	2.5%
Others	12'098	13'724	2'865	3'579	14'963	17'303	15.6%	12.4%
Total sales	306'851	328'234	241'708	265'561	548'559	593'795	8.2%	7.4%

Consolidated balance sheet

CHF 1'000	31.12.2017 (Restated)	31.12.2018	Δ in %
Assets			
Current assets	602'194	596'048	-1.0%
Non-current assets	201'767	261'623	29.7%
Assets	803'961	857'671	6.7%
Liabilities and equity			
Current liabilities	153'142	163'470	6.7%
Non-current liabilities	100'698	81'792	-18.8%
<i>Total liabilities</i>	<i>253'840</i>	<i>245'262</i>	<i>-3.4%</i>
Shareholders' equity	550'121	612'409	11.3%
Liabilities and equity	803'961	857'671	6.7%

Consolidated statement of cash flows

January to December, CHF 1'000	2017	2018	Δ in %
Cash inflows from operating activities	99'428	92'702	-6.8%
Cash outflows from investing activities	(22'409)	(78'436)	250.0%
Cash outflows from financing activities	(15'158)	(26'151)	72.5%
Translation differences	807	(691)	n.a.
Increase/(decrease) in cash and cash equivalents	62'668	(12'576)	n.a.
Cash and cash equivalents as per cash flow statement:			
At January 1	246'744	309'412	25.4%
At December 31	309'412	296'836	-4.1%

Consolidated statement of changes in equity

January to December, CHF 1'000	2017 (Restated)	2018	Δ in %
Shareholders' equity at January 1	487'085	550'121	12.9%
Restatement IFRS 15	397	-	n.a.
Profit for the period	65'930	70'696	7.2%
Other comprehensive income for the period	28	1'428	n.a.
Dividends paid	(20'315)	(23'462)	15.5%
New shares issued based on employee participation plans	3'369	2'454	-27.2%
Share-based payments	13'627	11'172	-18.0%
Shareholders' equity at December 31	550'121	612'409	11.3%

Tecan Group – Financial reporting
Consolidated financial statements for the six months ending December 31, 2018¹

(Key figures, unaudited)

Consolidated statement of profit or loss for the six months ending December 31

	H2 2017 (Restated)	H2 2018	Δ in %
July to December, CHF 1'000			
Sales	296'321	320'314	8.1%
Cost of sales	(151'671)	(170'514)	12.4%
Gross profit	144'650	149'800	3.6%
<i>In % of sales</i>	48.8%	46.8%	
Sales and marketing	(43'858)	(46'757)	6.6%
Research and development	(27'545)	(29'049)	5.5%
General and administration	(25'538)	(26'273)	2.9%
Other operating income	3'300	3'394	2.8%
Other operating expenses	(1'142)	(367)	-67.9%
Operating profit (EBIT)	49'867	50'748	1.8%
<i>In % of sales</i>	16.8%	15.8%	
Financial result	(2'325)	(2'120)	-8.8%
Profit before taxes	47'542	48'628	2.3%
Income taxes	(7'650)	(7'108)	-7.1%
Profit for the period	39'892	41'520	4.1%
<i>In % of sales</i>	13.5%	13.0%	
EBITDA	62'983	62'216	-1.2%
<i>In % of sales</i>	21.3%	19.4%	
Basic earnings per share (CHF/share)	3.42	3.53	3.2%

Order entry for the six months ending December 31

	H2 2017	H2 2018	Δ in % (CHF)	Δ in % (LC)
July to December, CHF 1'000				
Order entry	274'171	328'835	19.9%	20.0%

¹2017 restated due to adoption of new IFRS standards.

Segment information by business segments for the six months ending December 31
Segment information

July to December CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Corporate / Consolidation		Total	
	H2 2017	H2 2018	H2 2017	H2 2018	H2 2017	H2 2018	H2 2017	H2 2018
Sales to third parties	168'666	187'712	127'655	132'602	-	-	296'321	320'314
Intersegment sales	6'564	10'886	1'010	1'308	(7'574)	(12'194)	-	-
Total sales	175'230	198'598	128'665	133'910	(7'574)	(12'194)	296'321	320'314
Operating profit	32'691	33'118	22'609	23'044	(5'433)	(5'414)	49'867	50'748
<i>In % of sales</i>	18.7%	16.7%	17.6%	17.2%			16.8%	15.8%

Sales to third parties

July to December CHF 1'000 / 2017 restated	H2 2017	H2 2018	Δ in % (CHF)	Δ in % (LC)
Life Sciences Business	168'666	187'712	11.3%	10.8%
Partnering Business	127'655	132'602	3.9%	3.9%
Total sales	296'321	320'314	8.1%	7.8%

Sales by regions (by location of customers) for the six months ending December 31

July to December CHF 1'000 2017 restated	Life Sciences Business		Partnering Business		Total		Δ in % (CHF)	Δ in % (LC)
	H2 2017	H2 2018	H2 2017	H2 2018	H2 2017	H2 2018		
Europe	56'184	65'762	56'739	52'905	112'923	118'667	5.1%	5.2%
North America	70'084	80'592	55'017	59'405	125'101	139'997	11.9%	10.9%
Asia	35'654	31'982	14'708	18'051	50'362	50'033	-0.7%	0.1%
Others	6'744	9'376	1'191	2'241	7'935	11'617	46.4%	45.5%
Total sales	168'666	187'712	127'655	132'602	296'321	320'314	8.1%	7.8%