

H1 2020: Strong demand for Tecan products to help in the global fight against the coronavirus pandemic

Financial results for the first half of 2020

- **Surge in orders; order entry increased to CHF 374.0 million (H1 2019: CHF 310.6 million)**
 - Increase of 24.3% in local currencies or 20.4% in Swiss francs
- **Sales of CHF 310.0 million (H1 2019: CHF 296.1 million)**
 - Growth of 8.0% in local currencies or 4.7% in Swiss francs
 - Both business segments contributing to growth; pronounced headwinds and tailwinds from the coronavirus pandemic
- **Reported operating profit before depreciation and amortization (EBITDA) of CHF 60.2 million (H1 2019: CHF 49.3 million)**
 - Reported EBITDA margin of 19.4% (H1 2019: 16.6%; including non-recurring costs of around 90 basis points)
- **Reported net profit of CHF 36.0 million (H1 2019: CHF 25.3 million)**
 - Earnings per share increased by 41.1% to CHF 3.02 (H1 2019: CHF 2.14)
- **Outlook for full-year sales and reported EBITDA margin raised**

Operating highlights in the first half of 2020

- **Health and safety of Tecan employees ensured during the coronavirus pandemic**
- **Global manufacturing and business operations secured for undisrupted support of customers, particularly for scaled up global COVID-19 testing**
- **Responded to unprecedented shifts and surge in demand for specific product lines by securing supplies of materials and expanding production capacities**
- **Launch of DreamPrep™ NAP to simplify nucleic acid extraction**

Männedorf, Switzerland, August 12, 2020 – The Tecan Group (SIX Swiss Exchange: TECN) saw strong demand for a number of its product lines to help in the global fight against the coronavirus pandemic, resulting in a substantial increase in sales and a surge in orders in the first half of 2020.

Tecan CEO Dr. Achim von Leoprechting commented: “Tecan has an important role to play in this unprecedented time, and we recognize the responsibility we have as part of the international effort to turn the tide on COVID-19. Our laboratory automation solutions and our disposable pipette tip business saw a substantial increase in demand, and we took a number of steps to expand the production capacity and supply of those product lines. At the same time, parts of our business faced significant headwinds, largely in non COVID-19 research and diagnostic testing.

This year we are celebrating Tecan's 40th anniversary. The company's purpose has always been to positively impact healthcare and the lives of all individuals, but Tecan's contribution has probably never been more apparent than during these times. I couldn't be more proud of our employees as they stepped up to the challenge presented by the COVID-19 pandemic, passionately supporting our customers in research, therapeutic and vaccine development and to an even larger degree with the scale-up of diagnostic testing."

Financial results for the first half of 2020

Order entry increased by 24.3% in local currencies or 20.4% in Swiss francs. At CHF 374.0 million in the first six months of the year (H1 2019: CHF 310.6 million), order entry significantly exceeded the sales realized during the reporting period. Product lines supporting the global fight against the coronavirus pandemic saw a substantial increase in demand and, as a result, the order backlog again grew significantly to reach a record high as of June 30, 2020.

Sales climbed by 8.0% in local currencies or 4.7% in Swiss francs to CHF 310.0 million in the first half of the year (H1 2019: CHF 296.1 million). Demand for product lines used in the context of the coronavirus pandemic more than offset weaker sales trends in other areas of the portfolio, which were adversely affected by lockdowns as customers closed or restricted access to their facilities. Both business segments were impacted by this overall demand pattern and experienced pronounced headwinds and tailwinds.

Demand for pipette tips increased drastically due to the testing needs associated with COVID-19. As a result, overall recurring sales of services, consumables and reagents also increased in the first half of 2020 by 13.9% in local currencies and 9.9% in Swiss francs, thus amounting to 46.6% of total sales (H1 2019: 44.4%).

The reported operating profit before depreciation and amortization (earnings before interest, taxes, depreciation and amortization; EBITDA) rose to CHF 60.2 million in the reporting period (H1 2019: CHF 49.3 million). With an increase of 22.0%, reported EBITDA grew faster than sales due to several positive factors: 1.) as development projects progressed and neared product launch, more development costs were capitalized and were not recognized in research and development expenses, 2.) several operating cost items were lower, delayed or will be shifted to the second half of the year due to lockdown measures associated with the COVID-19 pandemic, 3.) an adjustment of the Swiss pension plan resulted in a one-time positive effect from past service costs. In addition, the reported EBITDA margin of the prior-year period included non-recurring costs of around 90 basis points. Acquisition-related costs for completed acquisitions were comparable in both periods. The reported EBITDA margin grew correspondingly to 19.4% of sales in the first half of 2020 (H1 2019: 16.6%).

Reported net profit in the first half of 2020 rose by 42.2% to CHF 36.0 million (H1 2019: CHF 25.3 million). Thanks to a lower tax rate in connection with the tax reform in Switzerland, net profit increased by more than operating profit (earnings before interest and taxes; EBIT). The net profit margin amounted to 11.6% of sales (H1 2019: 8.6%). Earnings per share rose strongly to CHF 3.02 (H1 2019: CHF 2.14).

Cash flow from operating activities more than doubled due to a focus on cash collection and management and reached CHF 82.8 million in the first half of 2020 (H1 2019: CHF 36.0 million), corresponding to 26.7% of sales (H1 2019: 12.1%).

Information by business segment

Life Sciences Business (end-customer business)

Sales in the Life Sciences Business increased by 4.3% to CHF 169.4 million (H1 2019: CHF 162.4 million) in the first half of the year and were 9.0% above those of the prior-year period in local currencies. The Life Sciences Business experienced strong demand for products supporting the COVID-19 response, mainly liquid handling and automation workstations as well as the associated disposable pipette tips.

However, parts of the Life Sciences Business also experienced significant disruption as customer facilities were closed or access was restricted to slow the spread of COVID-19. Product groups adversely impacted included detection instruments, research reagents for next-generation sequencing (NGS) and consumables for mass spectrometry sample preparation.

Order entry in the Life Sciences Business outpaced recognized revenues significantly in the first half of the year, with order backlog increasing at a substantial double-digit rate.

Despite continued acquisition-related costs, operating profit in this segment (earnings before interest and taxes; EBIT) rose to CHF 22.5 million (H1 2019: CHF 19.0 million). The operating profit margin was 12.6% of sales (H1 2019: 11.2%).

Partnering Business (OEM business)

The Partnering Business generated sales of CHF 140.6 million in the period under review (H1 2019: CHF 133.7 million), which corresponds to an increase of 6.8% in local currencies and 5.2% in Swiss francs. Similar patterns to those in the Life Sciences Business were observed in the Partnering Business, with automation platforms, OEM components and disposable pipette tips to support COVID-19 testing being in high demand. By contrast, sales to customers exposed to other areas of routine diagnostics were adversely impacted.

Order entry growth also outpaced sales development in the Partnering Business, with the order backlog increasing at a double-digit rate.

Operating profit in this segment (earnings before interest and taxes; EBIT) increased to CHF 26.3 million (H1 2019: CHF 25.0 million), while the operating profit margin was unchanged at 18.6% of sales (H1 2019: 18.6%).

Additional information

Regional development

The regional performance was significantly impacted by the COVID-19 pandemic overall and the timing of the onset in different parts of the world.

In Europe, Tecan's sales in the first six months of 2020 increased by 6.0% in local currencies and by 3.3% in Swiss francs. The increase in sales was driven by the Life Sciences Business, with various larger instrument installations supporting PCR-based testing as part of the European COVID-19 response. Sales of the Partnering Business declined in Europe as several customers suffered from the decrease in doctor visits and related lower volumes in routine diagnostic testing as well as restricted access to labs.

In North America, sales in the first six months of 2020 rose by 2.9% in local currencies and by 0.1% in Swiss francs. The Partnering Business delivered double-digit revenue growth, mainly supplying platforms, components and disposable pipette tips for molecular coronavirus testing. By contrast, sales in the Life Sciences Business declined in the first half of the year as the local business suffered from closed facilities and restricted access to labs to perform instrument installations. However, demand for higher throughput automation systems accelerated substantially in the course of the second quarter in North America, and the Life Sciences Business recorded a double-digit increase in order entry for the first half of the year.

In Asia, Tecan recorded a significant increase in sales of 25.3% in local currencies and 18.4% in Swiss francs. This increase was driven by double-digit growth rates in both business segments. From as early as the beginning of the year, Tecan started to support local in-vitro diagnostic companies in China and South Korea, existing customers of the Partnering Business, with automation platforms for PCR-based COVID-19 testing. The Life Sciences Business performed particularly well in Australia and, when quarantines and lockdown measures started to be eased, also saw accelerating demand for its product portfolio in other markets in the Asia-Pacific region. Of particular note was the sales growth of Tecan in China, which outpaced that of the Asia region as a whole.

Operating highlights in the first half of 2020

During the first half of the year, all priorities were focused on ensuring the health and safety of Tecan employees, limiting any supply chain and freight interruptions and maintaining business continuity to support customers in these challenging times.

At the beginning of the year, efforts to keep Tecan associates safe were first focused on the China team. As COVID-19 spread to other parts of the world in the second quarter, the company quickly adopted a global “work from home” policy and significantly restricted travel. Tecan also activated its Pandemic Plan and implemented various measures and safety protocols at all sites to protect employees and keep business operations running.

To ensure a continued flow of goods and production, a COVID-19 task force was set up to diligently monitor the supplier base from the beginning of the outbreak. Products were categorized based on criticality of material availability, and stocking levels were maintained or increased as appropriate. All manufacturing sites introduced shift operations and production teams were segregated and separated to work in smaller, isolated groups. Through the implementation of these measures, Tecan continued to be fully operational at all production sites and provided undisrupted support to customers.

In anticipation of increased COVID-19 clinical testing and high customer demand associated with the global pandemic, Tecan took a number of steps to secure supplies of materials and expand capacity and supply for specific product lines, including certain instrument platforms and disposable pipette tips.

At the same time, Tecan continued to invest in research and development to position the business for sustained accelerated growth. Earlier in the year, Tecan launched the DreamPrep™ NAP, an integrated, fully automated solution simplifying nucleic acid extraction workflows. It combines the high productivity and precision of the Fluent automation platform with a Tecan Infinite 200 reader for integrated quantitation and normalization as well as dedicated reagents from a partner company. The DreamPrep NAP is also well positioned to help labs quickly and effectively scale up COVID-19 testing to accommodate larger test volumes.

Tecan also made good progress with a number of ongoing development projects in the Partnering Business.

Strong balance sheet – high equity ratio

Tecan’s equity ratio was 69.8% as of June 30, 2020 (December 31, 2019: 70.1%). Net liquidity (cash and cash equivalents plus short-term time deposits minus bank liabilities and loans) reached CHF 354.0 million (June 30, 2019: CHF 264.5 million; December 31, 2019: CHF 312.4 million).

At the Tecan Group Annual General Meeting on April 7, 2020, shareholders approved an increase in the dividend from CHF 2.10 to CHF 2.20 per registered share. Half of the dividend, i.e. CHF 1.10, was paid out from the available capital contribution reserve and was therefore not subject to withholding tax. The payout took place on April 15, 2020.

Outlook for full-year 2020 raised

Based on the positive business performance in the first six months of 2020, as well as on the high order backlog and the anticipated demand in the second half of the year, Tecan raised its outlook for full-year 2020. Due to the ongoing pandemic, this outlook is still subject to greater uncertainty than usual. In particular, these updated projections are based on the assumptions that supply chains remain undisrupted and all production sites stay fully operational.

Tecan now forecasts sales growth for full-year 2020 to be in the high single-digit percentage range in local currencies (previously “mid- to high single-digit percentage range”).

At the same time, Tecan now expects a reported EBITDA margin in fiscal year 2020 closer to 20% of sales (previously “reported EBITDA margin of around 19.6% of sales”), despite a worsening of the currency environment. The revised forecasts for average exchange rates in full-year 2020 now assume one US dollar equaling CHF 0.95 (previously CHF 0.98) and one euro equaling CHF 1.08 (unchanged), leading to a negative foreign exchange rate impact that is already factored into the updated outlook.

The outlook 2020 does not take account of potential acquisitions during the course of the year.

Financial Report and Webcast

The full 2020 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 in the first half of 2020 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)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 2020 Annual Report will be published on March 16, 2021.
- The Annual General Meeting of Tecan's shareholders will take place on April 13, 2021.

**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. In 2019, Tecan generated sales of CHF 637 million (USD 643 million; EUR 574 million).. Registered shares of Tecan Group are traded on the SIX Swiss Exchange (TECN; ISIN CH0012100191).

For further information:**Tecan Group**

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Tecan Group – Financial reporting
Consolidated financial statements for 2020
 (Key figures, unaudited)

Consolidated statement of profit or loss

	2019	2020	Δ in %
January to June, CHF 1'000			
Sales	296'120	310'004	4.7%
Cost of sales	(155'145)	(163'900)	5.6%
Gross profit	140'975	146'104	3.6%
<i>In % of sales</i>	47.6%	47.1%	
Sales and marketing	(46'891)	(48'593)	3.6%
Research and development	(29'550)	(25'322)	-14.3%
General and administration	(31'544)	(29'560)	-6.3%
Other operating income	270	247	-8.5%
Other operating expenses	(275)	(252)	-8.4%
Operating profit	32'985	42'624	29.2%
<i>In % of sales</i>	11.1%	13.7%	
Financial result	(2'882)	(1'290)	-55.2%
Profit before taxes	30'103	41'334	37.3%
Income taxes	(4'765)	(5'296)	11.1%
Profit for the period	25'338	36'038	42.2%
<i>In % of sales</i>	8.6%	11.6%	

EBITDA	49'299	60'166	22.0%
<i>In % of sales</i>	16.6%	19.4%	

Basic earnings per share (CHF/share)	2.14	3.02	41.1%
Diluted earnings per share (CHF/share)	2.13	3.01	41.3%

Order entry

	2019	2020	Δ in % (CHF)	Δ in % (LC)
January to June, CHF 1'000				
Order entry	310'641	374'048	20.4%	24.3%

Segment information by business segments

Sales to third parties

	2019	2020	Δ in % (CHF)	Δ in % (LC)
January to June, CHF 1'000				
Life Sciences Business	162'371	169'361	4.3%	9.0%
Partnering Business	133'749	140'643	5.2%	6.8%
Total sales	296'120	310'004	4.7%	8.0%

Segment information

January to June, CHF 1'000	Life Sciences Business		Partnering Business		Corporate / Consolidation		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Sales to third parties	162'371	169'361	133'749	140'643	-	-	296'120	310'004
Intersegment sales	6'971	9'379	718	745	(7'689)	(10'124)	-	-
Total sales	169'342	178'740	134'467	141'388	(7'689)	(10'124)	296'120	310'004
Operating profit	18'960	22'466	25'036	26'316	(11'011)	(6'158)	32'985	42'624
<i>In % of sales</i>	11.2%	12.6%	18.6%	18.6%			11.1%	13.7%

Sales by regions (by location of customers)

January to June, CHF 1'000	Life Sciences Business		Partnering Business		Total		Δ in % (CHF)	Δ in % (LC)
	2019	2020	2019	2020	2019	2020		
Europe	51'394	61'739	70'174	63'843	121'568	125'582	3.3%	6.0%
North America	78'319	72'425	45'380	51'437	123'699	123'862	0.1%	2.9%
Asia	29'334	31'014	17'097	23'981	46'431	54'995	18.4%	25.3%
Others	3'324	4'183	1'098	1'382	4'422	5'565	25.8%	31.4%
Total sales	162'371	169'361	133'749	140'643	296'120	310'004	4.7%	8.0%

Consolidated balance sheet

	31.12.2019	30.06.2020	Δ in %
CHF 1'000			
Assets			
Current assets	615'499	647'750	5.2%
Non-current assets	324'274	320'833	-1.1%
Assets	939'773	968'583	3.1%
Liabilities and equity			
Current liabilities	157'286	173'582	10.4%
Non-current liabilities	123'420	119'024	-3.6%
<i>Total liabilities</i>	<i>280'706</i>	<i>292'606</i>	<i>4.2%</i>
Shareholders' equity	659'067	675'977	2.6%
Liabilities and equity	939'773	968'583	3.1%

Consolidated statement of cash flows

	2019	2020	Δ in %
January to June, CHF 1'000			
Cash inflows from operating activities	35'969	82'842	130.3%
Cash outflows from investing activities	(36'721)	(130'607)	255.7%
Cash outflows from financing activities	(26'088)	(27'962)	7.2%
Translation differences	(303)	(870)	187.1%
Decrease in cash and cash equivalents	(27'143)	(76'597)	182.2%
Cash and cash equivalents as per cash flow statement:			
At January 1	296'836	266'274	-10.3%
At June 30	269'693	189'677	-29.7%

Consolidated statement of changes in equity

	2019	2020	Δ in %
January to June, CHF 1'000			
Shareholders' equity at January 1	612'409	659'067	7.6%
Profit for the period	25'338	36'038	42.2%
Other comprehensive loss for the period	(12'862)	(3'593)	n.a.
Dividends paid	(24'835)	(26'242)	5.7%
New shares issued based on employee participation plans	1'170	2'108	80.2%
Share-based payments	11'428	8'599	-24.8%
Shareholders' equity at June 30	612'648	675'977	10.3%