

# Final Results for the year ended 31 December 2020

April 2021





**Jay LeCoque**  
Executive Chairman

- Experienced CEO in the Life Sciences sector for over 20 years with main concentration on UK listed companies
- Joined SourceBio in 2016 as Non-Exec Chairman, becoming Executive Chairman and CEO in 2017
- Executive Commercial Director, Bioquell plc
- CEO of Celsis International plc from 2000 and part of the take private team in 2009 to form Celsis International Ltd.
- MBA, Kellogg School of Management



**Tony Ratcliffe**  
Chief Financial Officer

- Over 20 years technology experience including healthcare and biotechnology at Celsis International plc, Gemini Genomics plc and as founding CFO of Lab 21
- Strong strategic, operational and transaction experience in both private and public markets (AIM and Nasdaq)
- Change management and successful international buy-and-build execution on AIM at Brady plc
- Chartered Accountant trained with KPMG plus MBA



**Russell Wheatcroft**  
Chief Operating Officer

- Over 20 years senior experience in Life Sciences
- Joined Source in 2014 as Marketing Director, subsequently promoted to Commercial Director and further promotion to COO in March 2020
- Strong sales and marketing experience gained in a number of global sales and marketing roles in the Life Sciences and Biotech sectors, including KBiosystems and TTP Labtech (now SPT Labtech)

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# Executive summary

- **Leading provider of laboratory services** to Blue Chip Pharma, NHS & Private hospitals, with four business units highlighting **breakout of £50.7m 2020 revenue**:
  - **Infectious Disease Testing - £34.5m**
  - **Healthcare Diagnostics - £4.4m**
  - **Genomics - £4.2m**
  - **Stability Storage - £6.9m**
- 2020 was a year of dramatic growth. **Revenues of £50.7m** (£21.3m in 2019), **adjusted EBITDA of £14.2m** (£3.0m in 2019), with **3 year EBITDA CAGR 68%**
- AIM IPO (**at 162p**) in October 2020 allowed **faster ramp-up of COVID-19 testing**, plus building of **wider offering and routes to market**
- **Significant investment** in laboratories and equipment makes us well positioned for further growth
- **Blue chip** client base



## **AIM IPO completed in October 2020**

- Delivered £120m market cap with £35m raise
- Potential upside re protracted COVID-19 pandemic and potential need for extended testing through 2023 and 2024

## **Infectious Disease Testing business unit established in May to date**

- £35m revenue delivered in 2020 from a standing start
- Initially only RT-PCR testing from Nottingham, now a portfolio of offerings / routes to market
- Modular expansion to 10,500 tests/day capacity, flexibility for more
- Strategic partner with Oxford Nanopore for LamPORE rapid tests
- Agreement with a high street pharmacy chain to support UK wide testing roll-out in stores
- Agreement to manage DHSC mobile trailer units for community based testing
- Laboratory expansion in San Diego
- RFU agreement for screening services for elite rugby

## **Accepted into Increasing Capacity Framework Agreement for cancer test services for NHS England**

- Potential to underwrite significant growth in Cellular Pathology testing business in 2021 once elective surgeries return in scale

## Strong operating performance

- **Revenue increased 139% to £50.7m**, from £21.2m in 2019
- **Gross profit increased 135% to £20.5m**, from £8.7m in 2019
- **Adjusted EBITDA increased 369% to £14.2m**, from £3.0m in 2019
- **Adjusted EPS increased nearly twelve fold to 19.8p/share**, from 1.7p/share in 2019
- **Cash generated from operations increased 120% to £6.4m**, from £2.9m in 2019

## Transformed balance sheet

- **Closing cash balances £8.4m**, from £1.2m at closing 2019
- **Debt free balance sheet**, borrowings of £95.9m at closing 2019 eliminated



# Infectious Disease Testing: Overview

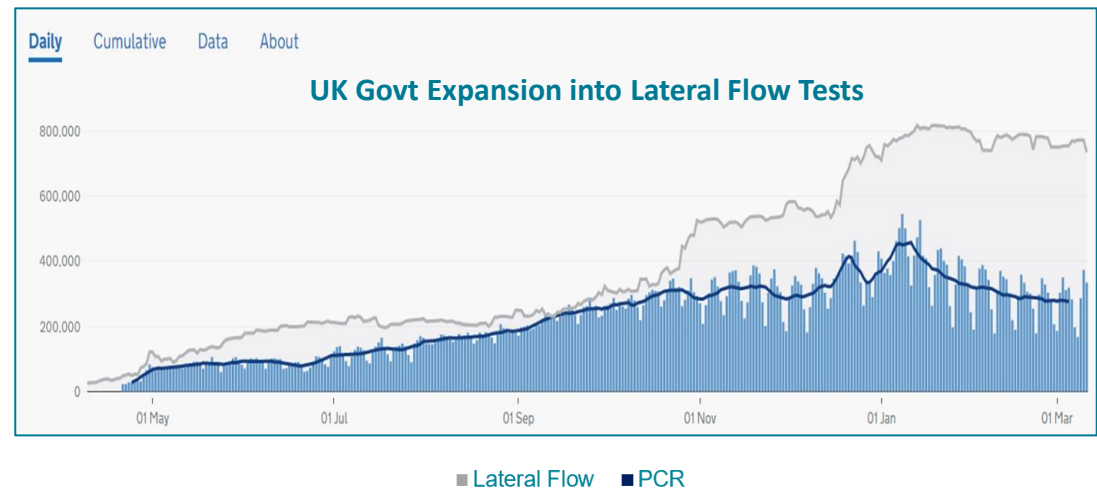
- **Business unit revenues at £34.5m in 2020 from May 2020**
- Unprecedented need for testing with **both short and longer-term potential**
- **Continued support of Healthcare clients with commercial focus now on building robust commercial pipelines in travel, sports and employers who want certainty**
- **Expanded testing offering** beyond RT-PCR to include LamPORE, Rapid antigen, and a pipeline of offerings under evaluation including quantifiable antibody testing solutions
- **Building location-based testing** capabilities utilising **mobile laboratories in vans and trailers** with partners and on our own account
- **Expanded testing solutions into the US** market via San Diego facility upgrade





# COVID-19: Current Market Dynamics

- **SourceBio now managing large portion of DHSC mobile laboratories (vans / trailers)**
- **SourceBio continues to be a leading partner for NHS and private hospitals** for the testing for admitted patients and staff
- **Partnered with a high street pharmacy chain** and gearing up for **lifted travel restrictions, anticipated 1 July**
- **SourceBio has diversified its offering, now focussed on securing contracts in the travel industry and select other areas**, who are building infrastructure for continued testing:
  - Pursuing testing sites at strategic travel hubs, Fit to Fly, Test to Release and two and eight day PCR mandated testing being offered
  - Secured contract with RFU is one example of the market need for on-site sporting event testing
- **RT-PCR tests remains the Gold Standard for:**
  - Patient admission
  - Travel (airlines, airports, cruise, hotels)
- **Board now sees a much larger COVID-19 testing opportunity, but NOT SOLELY in RT-PCR testing**







- **Boston Consulting Group analysis (Jan 2021) suggests the demand for testing will remain high long after widespread vaccine distribution, the need for testing peaking in late 2021 and early 2022 with continued need for testing in 2023 and 2024\***
- **SourceBio is evolving to capture broader market opportunities beyond just RT-PCR.** Broader offering already expanded to include LamPORE, rapid MIC 3-hour PCR and [rapid antigen lateral flow]
  - Oxford Nanopore DHSC Trailers
  - Whole genome sequencing
  - Other technologies and applications under evaluation, including SeroKlir quantitative antibody detection
- **SourceBio's UKAS 15189 accreditation** places us in a strong position
- **Expanded testing solutions planned to be launched in the US** market via San Diego facility upgrade
- **Respiratory disease panels** under evaluation to potentially include COVID-19 with Influenza Type A and B, etc. to develop longer term and sustainable business models

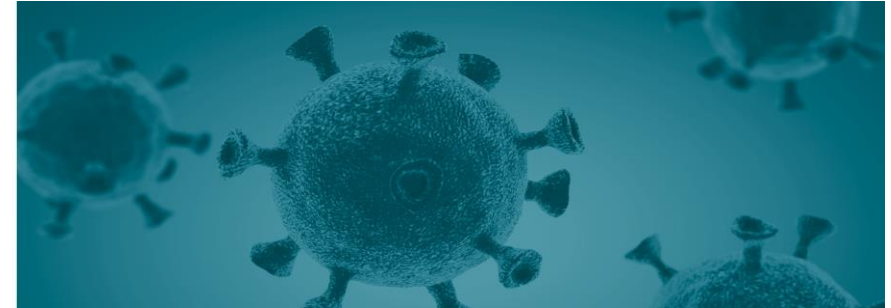
\* [https://www.bcg.com/publications/2021/why-covid-19-testing-remains-a-crucial-part-of-the-response-to-the-pandemic;](https://www.bcg.com/publications/2021/why-covid-19-testing-remains-a-crucial-part-of-the-response-to-the-pandemic)  
<https://www.bcg.com/en-us/publications/2021/understanding-coronavirus-testing-and-the-four-big-misconceptions>



# Infectious Disease Testing: Financials

## Accelerated ramp-up from standing start May 2020

In £'000	2020 Total
Revenue Total	34,463
Gross profit	13,663
Gross margin %	39.6%



### 2020 focussed on large scale RT- PCR testing

- 758,000 tests delivered in 2020
- Solely Nottingham laboratory
- DHSC pause mid-Nov

### 2021 already a portfolio of testing solutions

- Nottingham laboratory plus offering to be launched from San Diego laboratory
- Nottingham RT-PCR tests alone now exceed one million
- Mobile units with DHSC and Mitie
- Other applications and sites in the pipeline
- One Million PCR tests exceeded in Q1 2021



# Healthcare Diagnostics: Overview

- **Business unit revenues at £4.4m in 2020 (£7.3m in 2019)**
- **Pre-COVID-19, Cellular Pathology revenues grew 40% p.a.** driven by shortage of UK pathologists and continuing trend to outsource pathology services
- **Future growth expected to accelerate** driven by return at scale of elective surgeries and huge pressure to clear COVID-19 back-logs
- **Leading partner for Cellular Pathology**, providing services to over 130 NHS departments and private healthcare providers
- SourceBio has built one of the **largest Consultant Pathologist network** in the UK
- Additional services for **specialist diagnostic testing** and **personalised medicine** development (Reference Laboratory)
- **Philips Digital Pathology** system **now validated** and being rolled out to SourceBio's network of pathologists
- **ISO:15189 accredited services** delivered from state-of-the-art facilities in Nottingham



NHS hospital waiting lists could hit 10 million in England this year



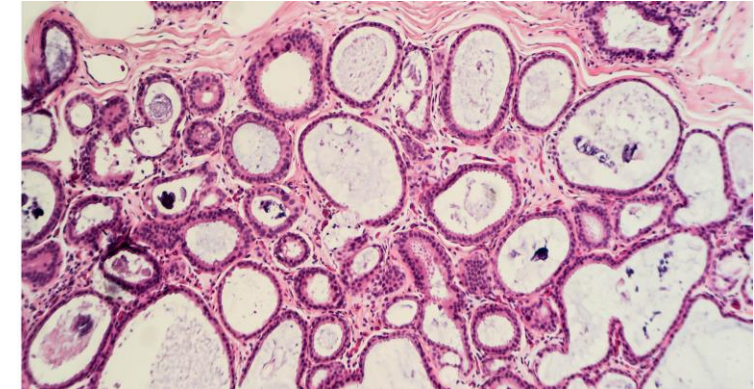
Pathologists shortage 'delaying cancer diagnosis'



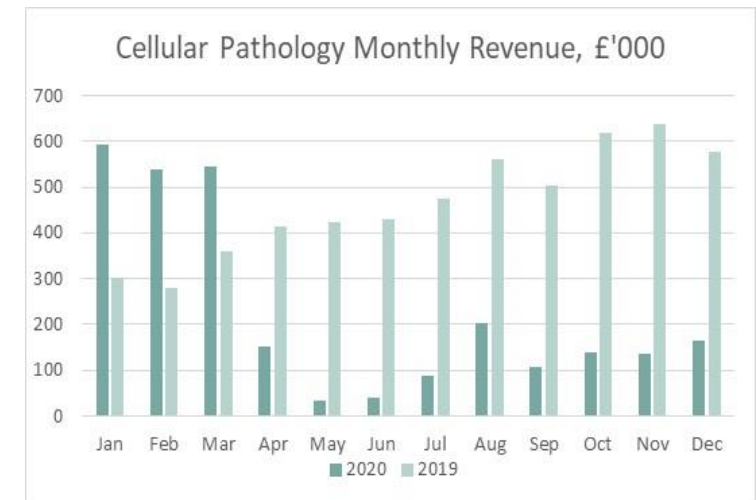
## Business Unit Financial Summary

In £'000	2020 Total	2019 Total	% Change
Cellular Pathology	2,740	5,581	(51%)
Reference Lab	1,684	1,712	(2%)
<b>Revenue Total</b>	<b>4,424</b>	<b>7,293</b>	<b>(39%)</b>
Overall gross profit	1,046	2,919	(64%)
Overall gross margin %	23.6%	40.0%	(16.4%)

- Reference Lab business impacted by COVID in Q2 but returned to pre-COVID levels for Q3 and Q4
- Cell Pathology **up 80%** in Q1 2020 v prior year then hit by COVID - delayed elective surgeries and increasing waiting lists are well publicised
- Board anticipates significant new business when elective surgeries return at scale
- Redeployment of staff to COVID and variable cost nature of outsourced consultants helped manage gross margin



## Focus is on Cellular Pathology





# Genomics: Overview

- **Business unit revenues at £4.2m in 2020 (£4.5m in 2019)**
  - **Revenue impacted in Q2 but followed by solid growth in Q3 and Q4**
- **Genomics** is the study of genes to help **progress clinical research and drug discovery**. **Outsourced model is preferred solution** for many Pharma and Biotech companies
- Two types of DNA sequencing:
  - **Sanger Sequencing**
  - **Next Generation Sequencing (“NGS”)**
- High level scientific capabilities with **Centre of Excellence in Cambridge** ideally located for the “The Golden Triangle”
- **Investment** in NovaSeq NGS system from Illumina has increased wins of **larger and repeat projects**
- **Upgraded commercial sales team** led by experienced individual with significant customer and industry knowledge
- The **demand for personalised medicine is accelerating** with continuing advancements in sequencing technology





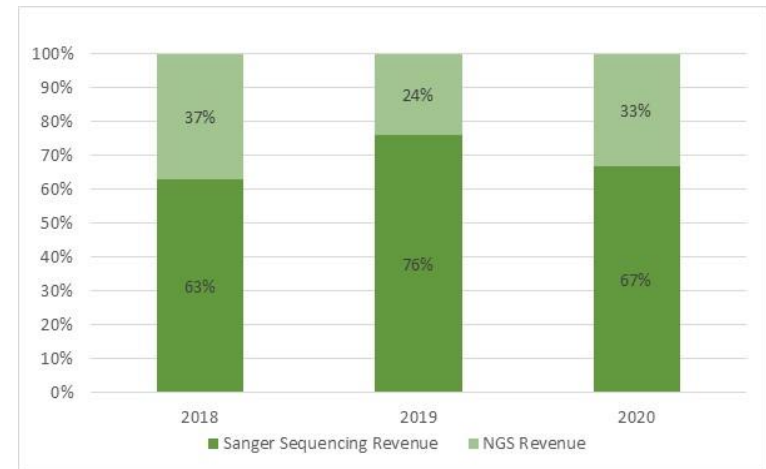
# Genomics: Financials

## Business Unit Financial Summary

In £'000	2020 Total	2019 Total	% Change
Sanger Sequencing	2,811	3,435	(18%)
NGS	1,408	1,088	29%
<b>Revenue Total</b>	<b>4,219</b>	<b>4,523</b>	<b>(7%)</b>
Overall gross profit	1,734	1,779	(3%)
Overall gross margin %	41.1%	39.3%	1.8%



## Revenue Mix



- Both Sanger Sequencing and NGS impacted by COVID in Q2 but good growth, returned to pre-COVID levels for Q3 and Q4
- Successful strategic shift to higher revenue and margin NGS projects v Sanger Sequencing
- Overall gross margin improved by 1.8%, driven by mix moving further towards NGS



# Stability Storage: Overview

- **Business unit revenues at £6.9m in 2020 (£8.0m in 2019)**
  - **Revenue impacted by lockdowns** restricting service visits and new equipment installations
- Environmentally controlled **Stability Storage data** is a **regulatory requirement** for drugs and consumer products to be released to the market
- **High margin (circa 80%) recurring revenue business**
- **Three main revenue streams** servicing **Pharmaceutical and Consumer Health** client base
  1. **Stability Storage services**
  2. **Manufacture and sale of storage equipment** (cabinets, reach-in rooms and walk-in rooms)
  3. **Service and validation** of equipment sold to customers
- **Storage growth is driven by capacity** - recent investments made in Ireland and new larger site in US - significant new capacity to sell
- **Storage customers provide long-term commitments**, with typical trial study periods of circa three years with multiple studies typically from each client
- **Equipment sales drive repeat revenue through need for service & validation**





# Stability Storage: Financials

## Business Unit Financial Summary

In £'000	2020 Total	2019 Total	% Change
Storage Services	3,530	3,863	(18%)
Service & Validation	2,220	2,348	(5%)
Manufacturing	1,115	1,723	(35%)
Testing	15	Nil	New line
<b>Revenue Total</b>	<b>6,880</b>	<b>7,934</b>	<b>(13%)</b>
Overall gross profit	3,857	4,349	(11%)
Overall gross margin %	56.1%	54.8%	1.3%

- Storage Services relatively robust through COVID, but some natural client contract ends
- Service and Validation underlying growth but COVID impacted through travel restrictions
- Manufacture necessarily lumpy as a capex sale
- Overall gross margin up by 1.3%, driven by tight cost control



## Stability Storage is High Margin

- Storage Services highly profitable, GM of 80%
- Storage Services typically 3 year contracts, strong visibility - recurring revenues
- Service and Validation recurring or repeat revenues



# Revenue Summary

In £'000, audited	2020	2019	% Change
Infectious Disease Testing	34,463	Nil	<i>New line</i>
Healthcare Diagnostics	4,424	7,293	(39%)
Genomics	4,219	4,523	(7%)
Stability Storage	6,880	7,934	(13%)
<b>Core Revenues</b>	<b>49,986</b>	<b>19,750</b>	<b>153%</b>
Other	751	1,484	(49%)
<b>Total Revenues</b>	<b>50,737</b>	<b>21,234</b>	<b>139%</b>

## Strong revenue growth

- 153% increase in core revenues
- 139% increase in overall revenues
- Infectious Disease Testing dominates revenue mix, from May 2020, underpinned by COVID-19 RT-PCR in 2020
- COVID-19 testing more than compensated for temporary negative impact of COVID-19 on established business units

# Income Statement extract

In £'000, audited	2020	2019	Increase
Revenue	50,737	21,234	139%
Gross profit	20,453	8,686	135%
<b>Gross margin %</b>	<b>40.3%</b>	<b>40.9%</b>	
Operating Expenses	(6,298)	(5,670)	7%
<b>EBITDA</b>	<b>14,155</b>	<b>3,016</b>	<b>376%</b>
<b>EBITDA %</b>	<b>27.9%</b>	<b>14.2%</b>	
Depreciation and amortisation	(1,992)	(1,811)	10%
Exceptional costs	(1,464)	(177)	
<b>Operating Profit</b>	<b>10,699</b>	<b>1,028</b>	<b>961%</b>
EPS	5.3p	(16.4p)	
<b>Adjusted EPS</b>	<b>19.8p</b>	<b>1.7p</b>	<b>1165%</b>

## Strong revenue and earnings growth driven by COVID-19 testing

- Revenue growth 139%
- Gross margin percentage maintained at 40%
- Growth achieved with modest 11% of expenses growth
- Exceptional costs related to IPO
- Adjusted EPS 10x growth

## 2020 was a transformational year

- Infectious Disease Testing business unit established
- IPO completed
- Strong growth in revenues, earnings and cash generation

**Unprecedented short and longer term business opportunity** to expand COVID-19 testing, through multiple technologies and routes to market

**Rapidly growing market opportunities in established business** for outsourced Cellular Pathology / Healthcare Diagnostics, Genomics and Stability Storage

**Building on international reach**, with revenues generated from UK, Ireland and US

**Robust EBITDA margins** driven by barriers to entry

**Strong debt free balance sheet capable** of supporting significant future growth - organic and inorganic

**Trading in the early months of 2021 has been solid.** It is expected that the COVID-19 testing focus will transition from exclusively RT-PCR testing to a wide portfolio of offerings



# Appendix

# Statement of Financial Position extract

In £'000, audited	At Dec 2020	At Dec 2019
Intangible assets and goodwill	10,342	10,304
Right of use assets	9,478	4,257
Property, plant & equipment	6,959	6,480
Inventory	3,598	816
Receivables and other debtors	11,342	5,702
<b>Cash</b>	<b>8,435</b>	<b>1,235</b>
Trade and other payables	(6,171)	(5,997)
Lease liabilities	(12,149)	(4,105)
Bank and shareholder borrowings	Nil	(95,940)
<b>Net assets/(liabilities)</b>	<b>31,834</b>	<b>(77,248)</b>

## Balance sheet significantly strengthened by IPO and strong trading in 2020:

- Borrowings eliminated, now debt free
- Cash balances increased through solid conversion of earnings

## Strong focus on working capital

- Tight control of inventory
- Debtor days averaged 37 days v 53 days in 2019

## Strong balance sheet to support future growth

# Statement of Cash Flows extract

In £'000, audited	2020	2019
<b>Cash inflows from operating activities</b>	<b>6,388</b>	<b>2,910</b>
Income tax paid	(48)	(57)
Disposal of tangible assets	5,000	406
Purchase of tangible and intangible assets	(3,870)	(907)
Purchase of intangible assets	(140)	(80)
Net proceeds from share issuance (gross £35m)	31,760	Nil
Net repayment of borrowings and other finance activities	(31,897)	(2,066)
<b>Net increase in cash and cash equivalents</b>	<b>7,193</b>	<b>206</b>
Opening cash	1,235	1,038
Foreign exchange difference	7	(9)
<b>Closing cash</b>	<b>8,435</b>	<b>1,235</b>
<b>Closing borrowings</b>	<b>Nil</b>	<b>(95,940)</b>

- Strong cash generation in spite of working capital demand of COVID growth
- Capex to support COVID testing capacity growth and expanded Storage facilities
- Shareholder loan notes and loans as well as bank borrowings all cleared pre- or post IPO
- 6x growth in closing cash balances
- Now debt free balance sheet