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SourceBio International plc
("SourceBio", the "Company" or the "Group")

**Acquisition of LDPATH Limited
and trading update - COVID-19 PCR testing**

Utilisation of cash resources to accelerate digital pathology offering and enhance AI capability

Acquisition of LDPATH Limited

Key highlights

- Earnings accretive acquisition to accelerate growth in core business
- Transforms the Group's Digital Pathology offering
- Creates a dominant position in the Cellular Pathology market
- Acquisition funded from existing cash resources

SourceBio International plc (AIM: SBI), a leading international provider of integrated state-of-the-art laboratory services and products, announces that it has purchased the entire issued share capital of LDPATH Limited ("LDPATH"), a London based leader in Digital Pathology testing services (the "Acquisition"). The initial consideration comprises £18.5 million in cash, with further performance-based consideration payable dependent on revenue growth achieved up to 31 December 2024, as further detailed below.

The Cellular Pathology market is undergoing a structural shift away from physically transporting patient tissue samples for analysis and reporting, to instead transmitting digital images of patient samples. Digital Pathology enables shorter turnaround and reporting times and greater throughput, at lower cost. The use of Artificial Intelligence ("AI") further increases the efficiency of Digital Pathology.

Acquisition highlights

- The Acquisition strengthens SourceBio's position to become the leading outsourced partner providing cellular pathology testing to NHS Trusts and private healthcare providers in the UK
- LDPATH's proprietary Digital Pathology solution transmits complex images of human tissue samples between the healthcare provider, the pathology testing partner and its individual pathology consultants
- The enlarged Group will target the conversion of both NHS and private clients to the Digital Pathology offering, including the use of AI to further streamline the reporting of more routine pathology cases and to ensure the highest quality of reporting
- The successful rollout of LDPATH's Digital Pathology platform is expected to reduce turnaround times for results from five to seven days, to approximately 24 hours
- The Acquisition is expected to be immediately earnings enhancing (excluding transaction costs)

Background to the Acquisition and overview of LDPATH

The Acquisition is in line with the Group's stated acquisition strategy to accelerate growth of its core business units, utilising the substantial cash resources generated over the past 18 months.

The Acquisition is expected to be immediately earnings enhancing (excluding one-off transaction related costs of approximately £0.6 million) and complements SourceBio's existing Cellular Pathology business within its Healthcare Diagnostics business unit.

The Acquisition of LDPath follows a year of strong growth in 2021 for SourceBio's Cellular Pathology revenues, which grew by 78% compared to 2020 levels. Before the impact of COVID-19, this business was delivering annual revenue growth of approximately 40% due to the increasing shortage of pathologists in the UK. The growth in 2021 was fuelled by increased volumes from the strong early inroads into the long-term national backlog of pathology testing work, caused by both the pathologist shortage and the significant delays to elective surgeries seen during the COVID-19 pandemic. The sheer enormity of this backlog has been well publicised in the media and the proposed initiatives to reduce it are a key government priority, as recently stated by Sajid Javid, Secretary of State for Health and Social Care. While the national backlog of pathology testing work provides a substantial short to medium term growth opportunity, the continuing shortage of pathologists also offers a significant opportunity for future long-term growth in outsourced pathology testing work.

Additionally, market demand is moving with increasing pace towards a Digital Pathology solution. With Digital Pathology, complex images of human tissue samples are transmitted between the hospital or healthcare provider, the pathology testing partner and its individual pathology consultants. This reduces turnaround time to report results, increases throughput of sample volumes and decreases carriage costs compared to the traditional method of manually sending tissue samples in a glass slide format. In particular, when employed in combination with AI, it enables pathologists to be even more efficient as the AI can screen out many more common or obvious cancer cases, allowing for more time to be spent focused on more complex cases.

These strong growth drivers provide a highly attractive market backdrop for SourceBio's enlarged Cellular Pathology business. LDPath has developed a proprietary Digital Pathology platform which is already being successfully rolled out and adopted in the marketplace. Its technology-enabled offering has been adopted within both private healthcare providers and within NHS trusts and is highly complementary to SourceBio's strategic direction and provides the Group with enhanced digital capability.

The Group is targeting the conversion of both NHS and private clients to the technologically enabled Digital Pathology offering and to introduce opportunities for the use of AI in the digital platform to further streamline the reporting of more routine pathology cases and to ensure the highest quality of reporting. The Board believes that, following the Acquisition, the Group will be very well placed to seek and secure nationwide scale contracts with private healthcare providers and to expand with internationally located consultant pathologists.

LDPath's revenues are currently concentrated in the UK market, with both NHS and private healthcare provider clients. LDPath currently employs 40 staff and additionally has a network of approximately 80 active consultant pathologists providing reporting and diagnostic services. It is based in London and has a newly fitted-out laboratory facility in Chichester, UK.

LDPath was incorporated in 2017 by a management team with many years of experience in the pathology field who will stay with the Group post Acquisition. LDPath provides rapid histopathology reporting by specialist pathologists, delivering a surgical pathology service to NHS hospitals and private healthcare providers. As one of the pioneers of Digital Pathology scanning technology in histopathology, approximately 75% of LDPath's team report digitally and, with its unique integrated second opinion feature, international expertise can be sought and delivered very quickly. Unaudited accounts for the year to 31 January 2022 showed revenue of £4.6 million (a growth of 97% over the prior year), earnings before interest, taxes, depreciation and amortisation ("EBITDA") of £0.4 million and profit before tax of

£0.3 million. LDPATH has grown significantly since inception and, like SourceBio, has seen a recent sharp rise in activity levels as demand has increased.

In recent months, LDPATH has outsourced work to SourceBio, allowing the two management teams to develop a strong working relationship. The combined management team believes the enlarged business will benefit from a dominant market presence, a balance of NHS and private healthcare clients, a market leading Digital Pathology offering, as well as increased laboratory capacity and the scope to address national contracts. All these factors are expected to accelerate the market conversion towards technology enabled Digital Pathology solutions and to strengthen the Group's leadership position in the Cellular Pathology market.

Principal terms of the Acquisition

The principal terms of the Acquisition are summarised below:

Initial consideration

The initial consideration comprises £18.5 million in cash, with the cash payment to the vendors on completion reduced by a retention of £1.9 million which will be held for a period of two years to cover any claims under customary representations and warranties. There is a further retention relating to the collection of certain receivables of £0.4 million. Following the reduction of these retentions, £16.2 million was paid in cash to the vendors on completion.

The cash consideration was funded from the Group's existing cash resources and SourceBio still retains a strong balance sheet with cash balances totalling £15.6 million following the payment.

Working capital

The terms of the Acquisition are based on a 'locked box' completion mechanism. SourceBio has agreed to adopt the balance sheet on the completion date, which is estimated to show net working capital of £0.3 million and total net assets of £0.6 million, and to include net debt of £0.9 million.

Earn-out payments

Subject to exceeding revenue thresholds for the remainder of 2022 as well as for calendar years 2023 and 2024, additional consideration will be payable to the vendors of LDPATH. The aggregate earn-out payments are capped at a technical ceiling of £15.0 million. Any earn-out payments will be paid in cash following completion of the audit of the accounts for the relevant year.

Jay LeCoque, Executive Chairman, commented: *"LDPATH is a key strategic acquisition and is a natural fit with our existing Cellular Pathology business, which was already growing at 40% per year pre COVID-19. This transformational acquisition elevates us to a dominant position in the marketplace and provides the Group with a proprietary Digital Pathology platform. The market opportunity is huge, with the long-term backlog of pathology testing work caused by the lack of pathologists in the UK being further exacerbated by the delays in elective surgeries caused by the COVID-19 pandemic. The UK Government has prioritised addressing this and the Acquisition will provide significant further momentum to the Group's roll-out strategy initially in the UK, but then ultimately to the rest of the world.*

"With the client base increasingly looking for a 'gold standard' Digital Pathology solution and the Group having a strong presence in both NHS and private healthcare markets, SourceBio is very well placed to capitalise on growth opportunities and lead the migration to Digital Pathology. I am delighted to welcome the LDPATH team to SourceBio as we work together to lead and transform the Cellular Pathology marketplace.

"The revenues from COVID-19 PCR testing have funded the Acquisition and we are focused on utilising the additional cash generated to deliver strong growth from the three core business units – Healthcare Diagnostics, Genomics and Stability Storage, both organically and through acquisition."

Dr Alistair Robson, founder and principal shareholder of LDPath added: *“LDPath is very excited to join SourceBio, bringing together two complementary healthcare business models in what is a highly synergistic combination. The market strengths of LDPath and SourceBio are very well matched and the resultant combined organisation is superbly placed to provide a full solution to the shortage of pathology services, from digital diagnosis by experts benefiting from AI algorithms, to advanced molecular analyses. Digital pathology has been central to our business, leading to our winning the only UK NHS digital pathology implementation and reporting tender to date. Continued technical and software investments will bring NHS and private pathology into the 21st century, revolutionise the way pathology services are delivered, and significantly contribute to greater efficiency in managing workload across the UK, at a period of unparalleled NHS strain.”*

Trading update - COVID-19 PCR testing

Since May 2020, SourceBio has provided COVID-19 PCR testing services as part of its newly formed Infectious Disease Testing business unit. Since inception, these services have generated revenues exceeding £100 million from delivering more than two million test results, with substantial earnings and cash generation.

Whilst future demand for COVID-19 PCR testing remains uncertain, with the lifting of all COVID-19 restrictions in the UK, testing volumes continue to reduce, with average daily testing volumes for the Group of approximately 1,000 tests in March compared to approximately 2,700 in January. The Board’s approach is to maintain an appropriate level of capacity and to continue to offer COVID-19 PCR services where opportunities exist at attractive economics. The Group has already materially downsized its cost base in this area and will continue to monitor this in relation to revenues generated. A fuller update will be provided at the announcement of the Group’s 2021 results, scheduled for 5 April.

Reflecting the cash generated by the Company and the continued strength of its balance sheet, the Board is considering the implementation of a share buyback programme, which would require approval at its 2022 AGM, which is scheduled for 15 June 2022. Details of such a programme, if approved, will be announced alongside the Group’s 2021 results.

The Group remains committed to maintaining a prudent balance sheet after taking into account capital required for any buyback and potential strategic opportunities and, taking into account the purchase of LDPath, including potential earn-out payments.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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About SourceBio International plc www.sourcebiointernational.com

SourceBio is a leading international provider of integrated state-of-the-art laboratory services and products with clients in the healthcare, clinical, life science research and biopharma industries, with a focus on improving patient diagnosis, management and care. Group revenues are derived from four business units:

- **Healthcare Diagnostics** - histopathology cancer screening and clinical diagnostic services for the NHS and private healthcare across the UK and Ireland.
- **Genomics** - DNA sequencing services and Precision Medicine offering for pharmaceutical and biotechnology companies, academia, contract research organisations (CROs) and other research groups in the UK, Europe and North America.
- **Stability Storage** - shelf-life testing services and equipment for pharmaceutical and biotechnology companies, contract manufacturers and analytical testing companies from around the world but primarily in the UK, Ireland and the USA
- **Infectious Disease Testing** - a range of COVID-19 testing services for commercial enterprises, private healthcare groups and the NHS. Utilising multiple technologies, SourceBio offers screening, gold standard RT-PCR and whole genome sequencing COVID-19 testing solutions and operates under ISO 15189 accreditation. SourceBio also provides employee testing solutions to industry, direct to consumer home test kits and venue testing.

More details on Group operations can be found here: www.sourcebioscience.com

SourceBio International plc (SBI) is listed on the AIM market of the London Stock Exchange.

About LDPATH Limited

Established in 2017, LDPATH is one of the top private histopathology providers in the United Kingdom.

- LDPATH provides rapid histopathology reporting by specialist pathologists, delivering a surgical pathology service to NHS hospitals and private healthcare providers
- Intelligent Laboratory Information System (“LIMS”): LDPATH’s bespoke LIMS application sends real time case status notifications, encrypted to the highest level, for secure access. LDPATH designed its LIMS Application to be intuitive and fast with a degree of automation to facilitate workflow. Functionality is available for pathologists, clinicians, laboratories and hospitals. Once authorised, reports are made available immediately online and are notified by automated email. Case status can be traced as soon as specimens or slides are received
- LDPATH designed LIMS with the needs of its users in mind, encrypted to the highest level and can be accessed via secure connection
- As one of the pioneers of digital scanning technology in histopathology, approximately 75% of LDPATH’s team report digitally and, with its unique integrated second opinion feature, international expertise can be sought and delivered very quickly
- LDPATH currently reports every major discipline of surgical pathology including: Dermatology, Gastrointestinal, Gynaecology, Breast, Urology, Ear Nose & Throat as well as Head & Neck
- LDPATH is engaged with approximately 80 specialist consultant pathologists