

2 August 2022

SourceBio International plc
(‘SourceBio’, the ‘Company’ or the ‘Group’)

First Half Trading Update

Solid first half results, with significant revenue growth in core business units

311% growth in Cellular Pathology revenues, accelerated by transformational LDPATH acquisition

Strong balance sheet with no borrowings

SourceBio International plc (AIM: SBI), a leading international provider of integrated state-of-the-art laboratory services, provides a trading update for the six months ended 30 June 2022, confirming strong trading in core business units, particularly Cellular Pathology which has also been significantly enhanced by the LDPATH acquisition that was completed in March 2022.

Key half year highlights, unaudited

- Revenues from the core Healthcare Diagnostics, Genomics and Stability Storage business units up 63% to £13.8 million (H1 2021: £8.5 million)
- This included Cellular Pathology and Digital Pathology revenues up more than fourfold to £6.8 million (H1 2021: £1.7 million) including the contribution from LDPATH since acquisition in March
- Successful integration and strong delivery from LDPATH. Revenues above comprising organic Cellular Pathology revenues of £4.6 million, up 179% like-for-like plus acquired LDPATH revenues of £2.2 million, up 82% on a like-for-like basis, and 14% above plan
- Total revenues of £20.5 million (H1 2021: £37.3 million), including COVID-19 PCR revenues of £6.6 million (H1 2021: £28.4 million) which is no longer considered a core business line
- Adjusted EBITDA¹ of approximately £2.1 million (H1 2021: £11.2 million), largely reflecting the reduction in COVID-19 PCR volumes, as expected
- Cash at 30 June 2022 totalled £15.2 million (30 June 2021: £17.2 million) and the Group has no borrowings

As noted in the Company’s AGM trading update in June, the Board is focussed on utilising the Group’s strong balance sheet and cash to accelerate growth in its three core business units - Healthcare Diagnostics, Genomics and Stability Storage.

The highlight of the period has been the exceptionally strong market demand for our Cellular Pathology and Digital Pathology services within the Healthcare Diagnostics business unit, which was driven by the continued shortage of pathologists coupled with the increasing momentum of elective surgeries. This business is operating at record volumes and the principal challenge remains to rapidly increase capacity and throughput to meet this unprecedented market demand.

The Genomics business unit, including the recently launched Precision Medicine business line, continues to expand its testing services offering and reported revenue growth of approximately 11% compared to H1 2021.

The Stability Storage business unit’s focus is to further grow its highly profitable Stability Storage Services and Service & Validation business lines with recurring revenues, which together grew approximately 9% compared to H1 2021.

The first half results include earnings from COVID-19 PCR testing which have reduced significantly and are not expected to continue at a material level. Significant efforts have been undertaken to re-size the Group’s cost base and a reorganisation charge of approximately £0.7 million has been included within exceptional costs in the period. Added to the LDPATH acquisition related fees of approximately £0.7 million, inventory provisions in relation to the rapid reduction of demand for COVID-19 offerings of £0.9 million and the discontinuation of manufacturing operations of £0.2 million, total exceptional costs incurred in the first half amount to approximately £2.5 million.

The Group remains well positioned to support its customers and their requirements. The Board believes the Group is currently trading in line with expectations. We remain optimistic for the remainder of the year and beyond.

Update on dispute with HMRC

As previously reported, in December 2021, HMRC issued a letter to the Group that challenged the Group's VAT treatment of COVID-19 PCR testing services provided. On professional advice, the Group treated the accounting for COVID-19 PCR services as VAT exempt. HMRC suggested that some of those services should have been treated as standard rated for VAT purposes. The Group took advice, which supported the accounting treatment adopted. HMRC have since reverted to its policy team and its solicitors office and on 25 July, HMRC verbally informed the Group's tax advisors that it did not intend to pursue its claim for VAT to be chargeable on COVID-19 PCR services. The Group has been told that this decision is expected to be put in writing in September. The Board continues to conclude that no provision should be made in its financial statements.

Full details of the Group's financial performance for the first half of 2022 together with a fuller outlook for 2022 will be provided in the Company's unaudited interim results. The date of these will be advised in due course.

Jay LeCoque, Executive Chairman, commented: *"We are encouraged with the progress in the first half and are looking forward to capitalising on further opportunities that we expect in the second half across all core business units. Our operational focus is the continued rapid scale-up of Cellular Pathology and Digital Pathology volumes through the rest of the year and beyond. We expect a very busy second half and look forward to updating further in due course."*

¹ Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, excluding exceptional items and share based payments

Contacts:

SourceBio International plc

Jay LeCoque, Executive Chairman
Tony Ratcliffe, Chief Financial Officer

www.sourcebiointernational.com

Via Walbrook PR

Liberum (Nominated Advisor and Broker)

Richard Lindley / William Hall / Miquela Bezuidenhoudt

Tel: 020 3100 2000

Walbrook PR Limited

Paul McManus / Sam Allen

Tel: 020 7933 8780 or sourcebio@walbrookpr.com

Mob: 07980 541 893 / 07502 558 258

About SourceBio International plc www.sourcebiointernational.com

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

●	Healthcare Diagnostics - Histopathology cancer screening, including Digital Pathology and clinical diagnostic services for the NHS and private healthcare providers across the UK
●	Genomics - DNA sequencing services and Precision Medicine offering for pharmaceutical and biotechnology industries, academia, contract research organisations (CROs) and other research groups in the UK, Europe and North America
●	Stability Storage Controlled environmental storage services and laboratory equipment validation services for pharmaceutical industry in the UK, Ireland and North America
●	Infectious Disease Testing - A range of COVID-19 testing services for commercial enterprises, private healthcare groups and the NHS, including PCR testing under ISO 15189 accreditation

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.