

Interim Results for the six months ended 30 June 2022

September 2022



Management Team



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
- Commercial Director, Bioquell plc., 2016 to 2019
- CEO of Celsis International plc from 2000 and part of the take private team in 2009. Exited in 2015 with a 6.8 x cash return to shareholders.
- 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, MBA

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Executive summary

Leading provider of clinical, precision medicine and drug development laboratory services to blue chip pharma, NHS & private healthcare providers.

H1 2022 focus on accelerating growth in core business units, all are delivering

Significant opportunity in Cellular Pathology and emerging Digital Pathology

First M&A deal, LDPATH - closed in March, integration going well, out-performing plan

COVID-19 PCR market winding down, non-core, lab space repurposed to Cellular Pathology

Cost base significantly reduced, full impact to benefit H2 and beyond

Strong balance sheet enables organic investment and strategic M&A

Blue chip clients



Wyeth|Nutrition

Imperial College
London



WELLCOME
GENOME
CAMPUS

H1 2022 Financial Highlights

Growth from core business units, particularly SourceLDPATH

- **Revenue from core business units increased 74% to £13.7m**, from £7.9m in H1 2021
 - Healthcare Diagnostic business increased 312% to £6.8m, from £1.7m in H1 2021
 - Strong delivery from LDPATH, £2.2m of revenue (since 8 March), trading 14% above plan
 - Genomics business increased 11% to £3.7m, from £3.3m in H1 2021
 - Stability Storage business (ex manufacturing) increased 9% to £3.2m, from £2.9m in H1 2021
 - Adjusted EBITDA £2.1m, expected reduction from £11.2m in H1 2021, as PCR declines
- **Significant reductions in variable and SG&A costs** as expense base right-sized post PCR
 - Inventory position managed down, from £5.0m opening to £1.6m at close of H1
- **Closing H1 cash of £15.2m**, strong balance sheet with no borrowings

Revenues by business unit

£'000	H1 2022	H1 2021	% change	FY 2021
Healthcare Diagnostics	6,823	1,658	311%	4,866
Genomics	3,656	3,290	11%	6,505
Stability Storage	3,190	2,927	9%	6,059
Revenues from core business units	13,669	7,875	74%	17,430
Infectious Disease Testing, non core	6,639	28,376		73,567
Manufacturing, ceased	166	638		978
Other non core, ceased	-	371		422
Total Revenues	20,474	37,260		92,397

Solid revenue growth in core business units:

- Focus is the growth in three core business units, 74% overall increase
- Highlight is exponential growth in Cellular and Digital Pathology business, driven by strong market opportunity. Key management objective is expanding capacity and throughput to meet market demand

Note: Comparatives adjusted to show Reference Laboratory in Genomics, and Manufacturing as non-core

Outsourced pathology: Market opportunity

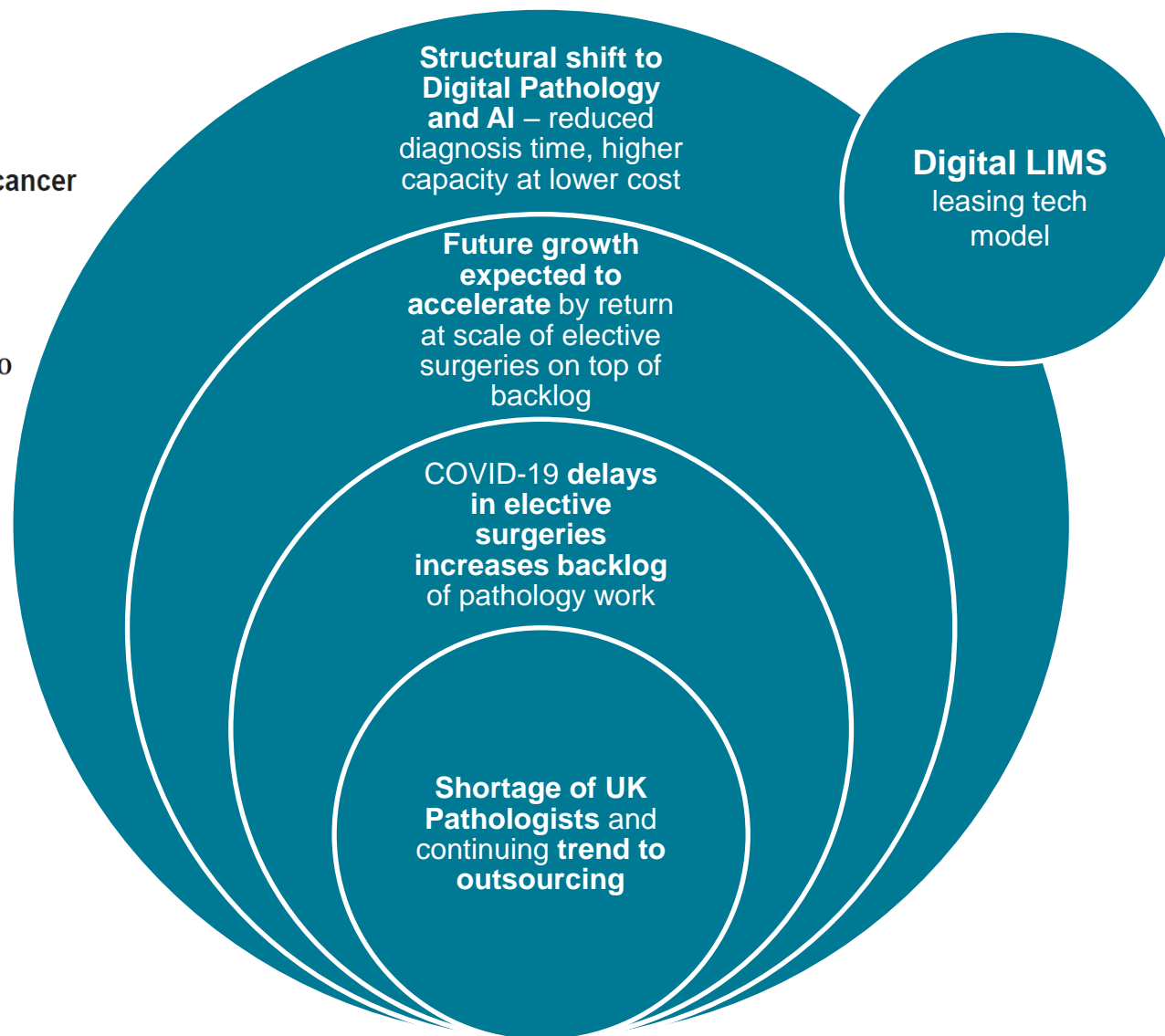
BBC Sign in

NEWS

Pathologists shortage 'delaying cancer diagnosis'

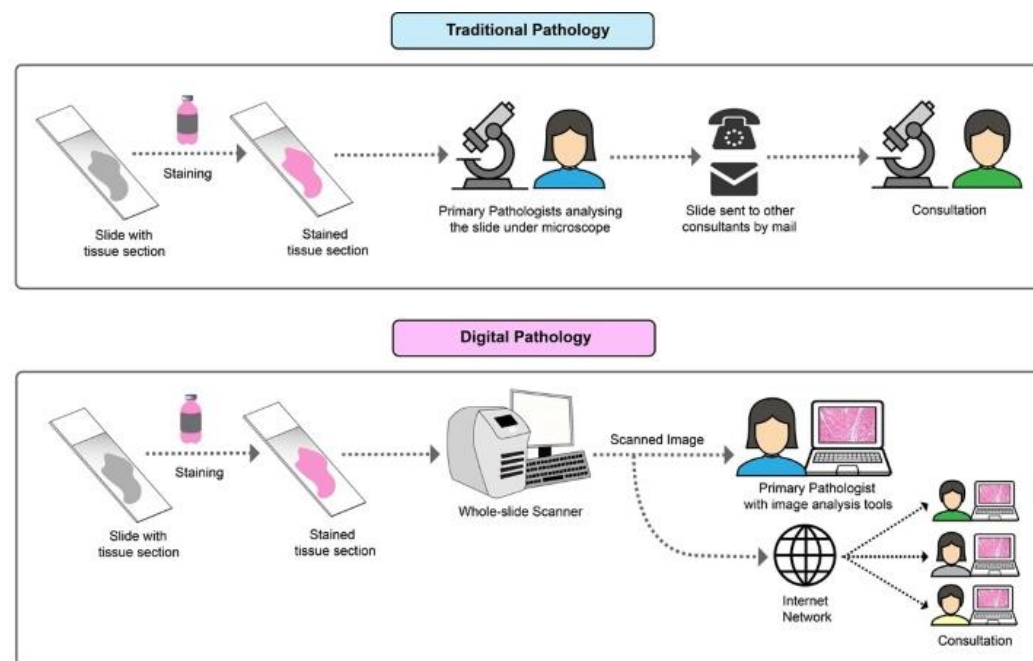
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Guardian

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

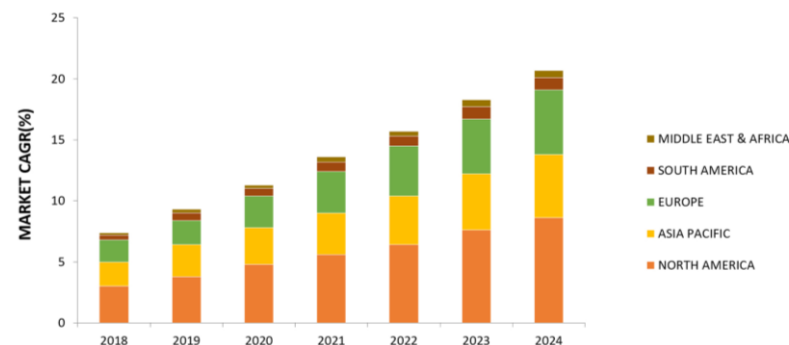


Source LDPATH: Digital Pathology market overview

- Traditional Pathology relies upon a courier system with reports returned within **5-7 days**
- Digital Pathology **dramatically reduces turnaround times by digitising the reporting process**
- Utilises a **whole-slide scanner and cloud network of pathologists**
- Source LDPATH Pathologists receive the digital slide image and **report results in <24 hours** via the cloud reporting platform
- Saves 4-6 days in turnaround times**, with Source LDPATH pathologists **reporting in 24 hours or less**
- Global Digital Pathology is a rapidly growing market, with a **circa 15% CAGR forecast from 2020-2024**



DIGITAL PATHOLOGY MARKET SIZE BY GEOGRAPHY (2018-2025)



Source: Envision Intelligence Analysis & Experts Insights

Earnings accretive acquisition transforming SourceBio's Digital Pathology offering



SourceBio

- Leading provider of laboratory services
- Core business units: Healthcare Diagnostics, Genomics, Stability Storage
- Strategy: focus on organic growth of core business units, plus M&A



LDPath acquisition

- Leader in Digital Pathology testing services
- Proprietary Digital Pathology Platform
- Strong market growth drivers
- Accelerates growth in core Healthcare Diagnostics business

Headline terms

Initial
consideration
£18.5m cash*

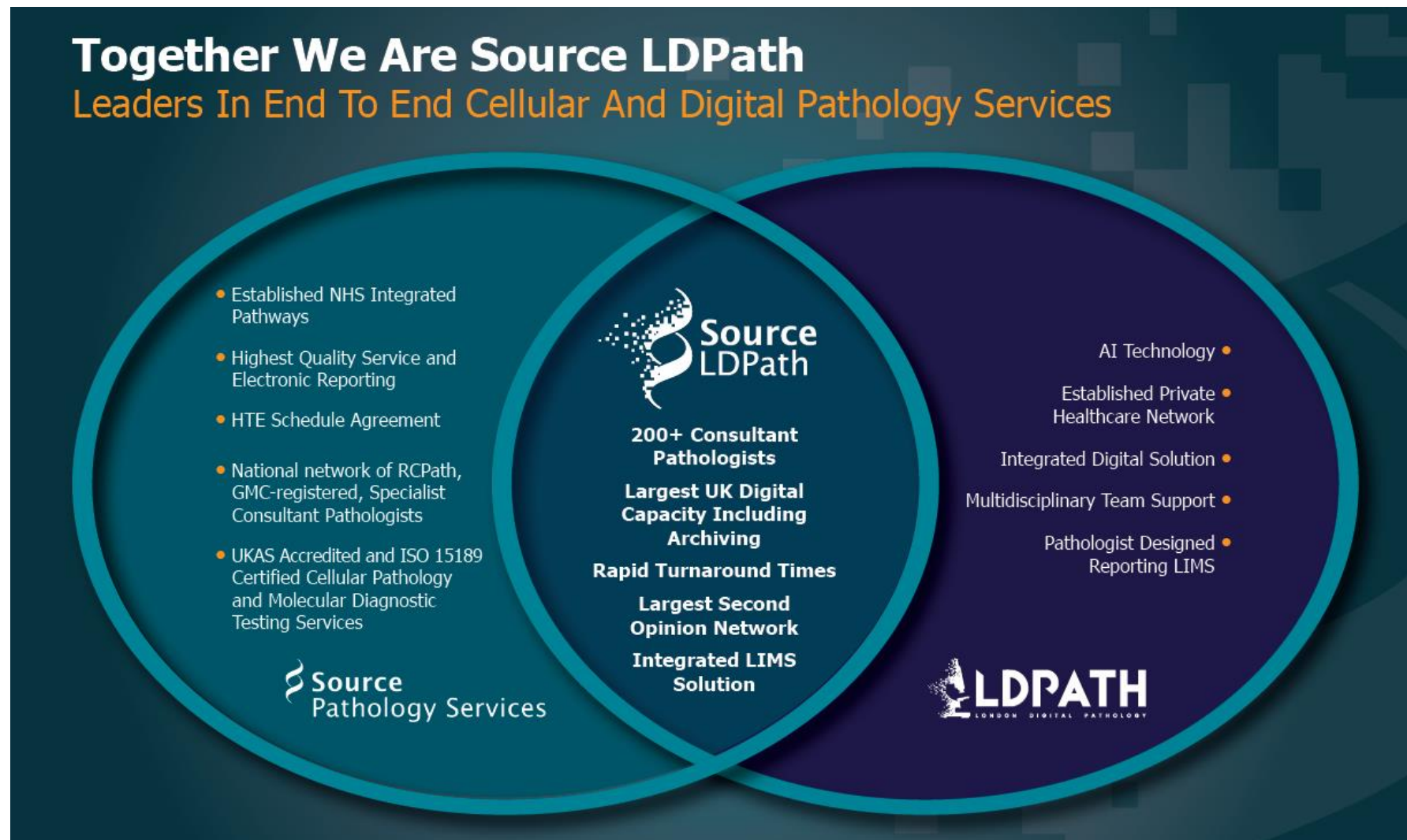
*Less retentions totalling £2.3m to cover customary reps and warranties and the collection of certain receivables

Maximum earnout ceiling of £15m, subject to exceeding revenue thresholds for the remainder of 2022, 2023 and 2024. Payable in cash following completion of the audit of the accounts for the relevant year

Key strategic acquisition, creating a dominant position in the Cellular Pathology market

- ✓ **Strengthens SourceBio's position** to be the **leading outsourced provider of Cellular Pathology** testing services to NHS Trusts and Private Healthcare Providers
- ✓ **70% of LDPath business is from its Digital Platform**, which dramatically reduces turnaround time for results
- ✓ **Strong growth opportunities** - upsides to current pipeline could be considerable
 - Increasing **shortage of pathologists** in the UK
 - **NHS backlog** of pathology testing work
 - **Migration to Digital Pathology**
- ✓ **Earnings enhancing** (excluding one-off transaction related costs), **trading above plan**
- ✓ **Plan to accelerate conversion** of both NHS and private clients **to the Digital Pathology offering, including the use of Artificial Intelligence** to further streamline the reporting and ensure highest quality reporting
- ✓ **LIMS technology services offering** for pathology labs
- ✓ **Strategy in place to secure nationwide and regional scale contracts** with private healthcare providers and NHS Trusts, and to **expand with internationally** located consultant pathologists

Source & LDPATH combined = Source LDPATH

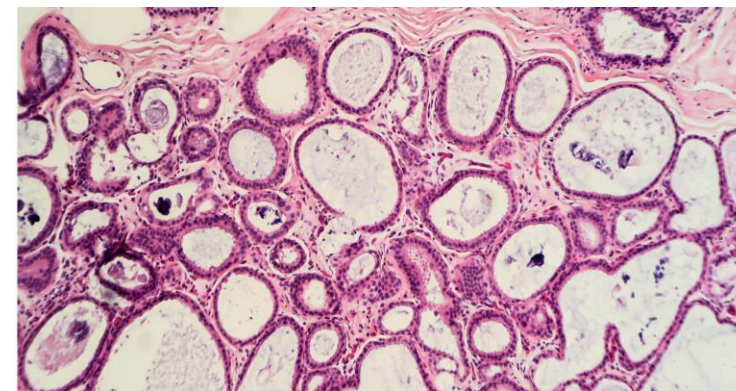


Healthcare Diagnostics: Financials

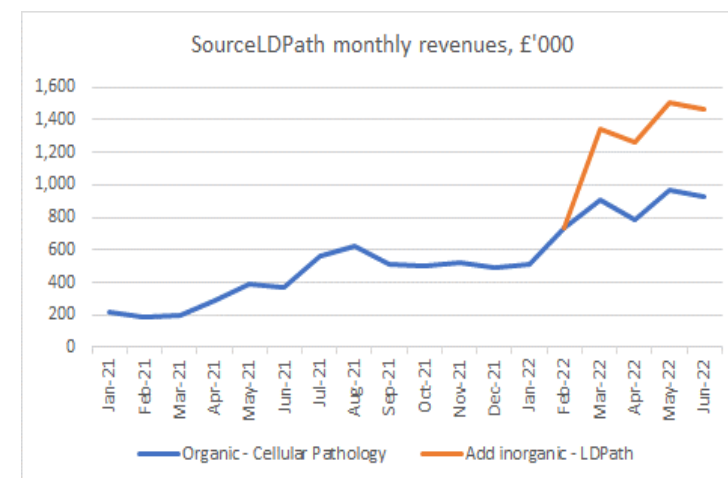
Business Unit Financial Summary

In £'000	H1 2022	H1 2021	% change	FY 2021
Organic - Cellular Pathology	4,623	1,658	179%	4,866
Inorganic – LDPATH acquisition	2,200	-	-	-
Revenue Total	6,823	1,658	311%	4,866
Overall gross profit	2,743	395	594%	1,685
Overall gross margin %	40.2%	23.8%	16.4%	34.6%

- **Market opportunity compounded by COVID-19 – delays in elective surgeries and increasing waiting lists / backlogs** very well publicised
- **Strong bounce back from H2 2021, volumes now accelerating faster**



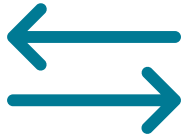
Monthly growth of Cellular Pathology revenue



- **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
- **Source Genomics** offers 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 led the pull to NGS growth, with increased wins of **larger and repeat projects**
- **Commercial team** led by experienced individuals with significant customer and industry knowledge
- Dedicated **Precision Medicine business line included** to capitalise on market demand (Reference Laboratory in Nottingham)



Source Genomics: Growth opportunities



Genomics in Cambridge has been constrained by limited and poor quality facilities. **Fit-out underway, move to Endeavor House in Q4 critical to deliver forecasted growth**



Strategic shift to **more NGS projects v Sanger Sequencing**



US sequencing successfully re-launched in San Diego



New facility - Endeavor House, Histon

Business Unit Financial Summary

£'000	H1 2022	H1 2021	% Change	FY 2021
Sanger Sequencing	1,518	1,629	-7%	2,909
NGS	1,288	935	38%	2,051
Precision Medicine	850	726	17%	1,545
Revenue Total	3,656	3,290	11%	6,505
Overall gross profit	1,067	1,352	-21%	2,367
Overall gross margin %	29.2%	41.1%	-11.9%	36.4%

- Solid overall growth delivered in H1 2022
- Successful strategic shift to more NGS projects v Sanger Sequencing
- Gross margin remains the challenge, driven by mix, price increases effected late H1
- Fit out of expansionary Cambridge facility underway



Source Stability Storage: Overview

- Environmentally controlled **Stability Storage data** is a **regulatory requirement** for drugs & consumer products to be released to market
- **Storage services** is **high margin (GM 80%) recurring revenue business** with historic 8% to 10% annual growth potential
- **Two revenue streams** servicing **Pharmaceutical and Consumer Health** client base
 1. **Stability Storage services**
 2. **Service and validation** of storage and laboratory equipment
- **Storage growth is driven by capacity** - investments made in Ireland and US add significant new capacity
- **Storage customers provide long-term commitments**, typical trial study periods of three years with multiple studies typically from each client
- **Upside service opportunity** in offering service resource to manufacturers who lack a service capability



Source Stability Storage: Financials

Business Unit Financial Summary

£'000	H1 2022	H1 2021	% change	FY 2021
Storage Services	2,047	1,814	12.8%	3,788
Service & Validation	1,143	1,113	2.7%	2,271
Revenue Total	3,190	2,927	9.0%	6,059
Overall gross profit	2,079	1,974	5.3%	3,979
Overall gross margin %	65.2%	67.4%	-2.2%	65.7%

- Storage Services robust through COVID-19
- Service and Validation underlying growth but COVID-19 impacted through travel restrictions
- In-house manufacture ceased in H1 (shown in non-core)
- Price increases effected mid 2022

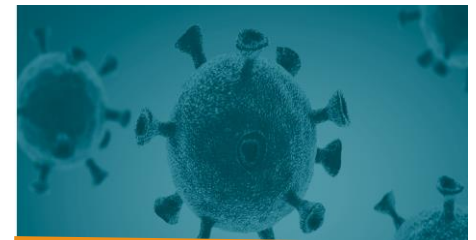
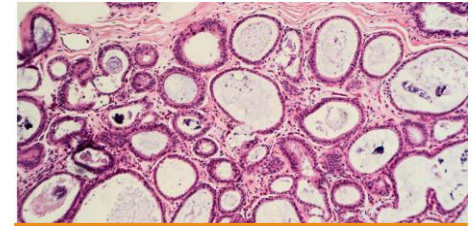


Stability Storage is High Margin

- Storage Services highly profitable, **GM of 81%**
- Storage Services typically sold under 3 year contracts, **strong visibility of forward (recurring) revenues**
- Service and Validation recurring or repeat revenues

Execution of strategy

- **H1 2022 was an encouraging first half**
 - Pivoted from PCR to aggressive growth of core business units, solid growth delivered in each
- **Unprecedented market opportunity for outsourced Cellular Pathology** - driven by shortage of pathologists, huge elective surgery backlog and transition to Digital Pathology
- **Completed LDPath acquisition**, integration on track, over-delivered on plan
- **Cost base right-sized**, full benefit to accrue in H2 and beyond
- **Encouraging further growth opportunities in Genomics and Precision Medicine**
- **Strong balance sheet capable** of supporting significant future growth - organic and inorganic
- **Debt free** other than leases, closing cash of £15.2m
- **Expecting a busy H2**



Appendix

Income Statement extract

£'000	H1 2022	H1 2021	FY 2021
Revenue	20,474	37,260	92,397
Gross profit	6,986	16,024	36,213
Gross margin %	34.1%	43.0%	39.2%
Net operating expenses and other income	(4,889)	(4,806)	(12,098)
Adjusted EBITDA	2,097	11,218	24,115
Adjusted EBITDA %	10.2%	30.1%	26.1%
Depreciation and amortisation	(1,802)	(1,217)	(2,931)
Share based payments	(153)	-	(77)
Acquisition costs of LDPath	(650)	-	-
Reorganisation costs	(682)	-	-
Inventory provision re COVID-19/PCR	(888)	--	--
Inventory provision re ceasing Manufacturing	(246)	-	--
Operating (loss)/profit	(2,324)	10,001	21,107

Solid EBITDA but difficult to compare to 2021 which dominated by PCR:

- See growth in underlying business units
- Material reduction in cost base executed in H1, to benefit H2 and beyond
- One-off costs in H1 as wind down non-core PCR and loss making manufacturing

Statement of Financial Position extract

£'000	At Jun 2022	At Jun 2021	At Dec 2021
Intangible assets and goodwill	34,189	10,196	10,185
Right of use assets	13,337	10,516	10,347
Property, plant & equipment	8,766	7,973	8,226
Inventory	1,601	5,089	4,999
Receivables and other debtors	7,543	11,848	8,098
Cash	15,209	17,186	33,304
Trade and other payables	(16,464)	(9,756)	(13,856)
Lease liabilities	(16,117)	(13,405)	(12,995)
Deferred tax	(2,140)	-	-
Net assets	45,924	39,647	48,308

Strong balance sheet dominated by strong cash balance

- No bank borrowings or facilities
- Available to support aggressive growth
- Increase in intangibles and deferred tax driven by LDPath acquisition
- PCR inventory successfully managed down
- Debtor days averaged 48 days v 43 days in H1 2021
- Payables include £1.8m re LDPath retention, £4.1m re revenue earnouts 2022 to 2024 and deferred revenue totaling £4.7m

Statement of Cash Flows extract

£'000	H1 2022	H1 2021	FY 2021
Cash inflows from operations	1,304	10,187	28,784
Cash outflows from exceptional items	(1,332)	-	-
Total cashflow from operations	(28)	10,187	28,784
Disposal of tangible assets	8	645	647
Purchase of tangible and intangible assets	(1,013)	(1,535)	(3,015)
Purchase of LDPATH, net of cash	(15,636)	-	-
Net repayment of borrowings and other finance activities	(1,488)	(524)	(1,501)
Net increase in cash and cash equivalents	(18,157)	8,773	24,915
Opening cash	33,304	8,435	8,435
Foreign exchange difference	62	(22)	(46)
Closing cash	15,209	17,186	33,304

- Net cash inflows reduced as PCR testing reduced, also impacted by exceptional costs
- LDPATH acquired for cash (with earnout weighting)
- Borrowings repaid includes acquired LDPATH CBI's loans £0.6m
- Nil borrowings at end of H1