

9 November 2022

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

**Trading Update,
Preparation for the proposed cancellation of admission of ordinary shares to trading on AIM
and a proposed tender offer by the Company**

SourceBio International plc (AIM: SBI), a leading international provider of integrated state-of-the-art laboratory services, provides a trading update in relation to the period ending 31 December 2022.

In addition, the Board is considering the cancellation of the admission of the Company’s ordinary shares (“**Ordinary Shares**”) to trading on the AIM market of the London Stock Exchange (the “**Cancellation**”) and a proposed tender offer by the Company (the “**Tender Offer**”) for a proportion of the Ordinary Shares, subject to, amongst other things, shareholder approval and securing the necessary financing, as set out in further detail below.

Trading update - core business units

Revenues from the three core business units of Healthcare Diagnostics, Genomics and Stability Storage continue to perform well, as they did in the first half of the year, with all business units showing growth on prior year. In particular, Cellular Pathology and Digital Pathology services have continued the trend of incremental growth as demonstrated in the first half. Healthcare revenues in the ten months to 31 October 2022 were approximately 260% higher than the comparable prior year period. The Group continues to focus on aggressively growing these three business units.

Trading update - non-core COVID-19 PCR testing

As expected, the market for COVID-19 PCR testing services is now very modest and this business is non-core to the Group. As noted in the Company’s interim results announcement on 8 September 2022, included within contract liabilities was certain revenue in relation to PCR test kits sold to a high street pharmacy chain in late 2021 which was treated as deferred revenue as the tests had not yet been returned to the Group’s laboratory for processing. Due to errors in the high street pharmacy chain’s tracking of its website testing volumes, the customer advised that although the Group acted in accordance with the agreed commercial contract, they believed that they had been incorrectly invoiced by a total of approximately £2.67 million by the Group.

Whilst discussions with the customer continue, the Group believes that it is prudent to recognise that £2.67 million of deferred revenue in relation to this is now unlikely to be recognised in the income statement. The Group has reached no agreement in relation to any cash repayment to the customer.

Market expectations for 2022 incorporated the assumption that all such COVID-19 deferred revenue would be recognised during the year. Whilst it is very encouraging that the core business units are performing well and that this over-performance is forecasted to make up a part of the expected revenue and earnings shortfall caused by this non-core PCR related issue, management believes that 2022 revenue and adjusted EBITDA¹ will be approximately £2.0 million less than previously expected.

¹ Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (“EBITDA”) adjusted for exceptional items and share based payments

Potential Cancellation and Tender Offer

The Board has conducted a review of the benefits and drawbacks to the Company retaining its listing on AIM and maintaining its existing corporate structure. Subject to shareholder approval, as noted below, the Board believes that the Cancellation would be in the best interests of the Company and its shareholders as a whole, for the following reasons:

- although one of the main benefits of a company being on AIM is the potential to issue new shares to raise additional funds for investment or to issue new shares as consideration for acquisitions, the Company is unable to raise money at what the Directors believe to be a fair valuation and, due to the low liquidity, the shares do not represent an attractive currency;
- the Board believes that the Company's current share price does not accurately reflect the future potential of the business, especially given the significant growth opportunities in Cellular and Digital Pathology;
- the Group is focused on aggressively growing the three core business units: Healthcare Diagnostics (Cellular and Digital Pathology), Genomics and Stability Storage. There may be corporate development and restructuring that is needed to drive and develop such growth which may potentially be executed faster and more nimbly if the Company were a private business;
- the Board believes that, as a private company, the ability of the Company to command a much higher valuation for the business on eventual exit would serve in the best interest of Shareholders;
- there is limited trading of the Ordinary Shares; and
- the Company estimates that it could save annualised costs of circa £600,000 per annum, being incremental costs resulting from the Company being a public limited company with a listing on AIM.

In conjunction with the Cancellation, the Company is planning the Tender Offer at a price of 115 pence per Ordinary Share. Whilst yet to be finalised, it is intended that the Tender Offer would be for a proportion of the Ordinary Shares and would be open to certain shareholders, to the extent that shareholders do not wish to retain their Ordinary Shares post Cancellation. It is expected that holders of a substantial proportion (at least 48%) of the Ordinary Shares will not tender shares under the Tender Offer and therefore the Company expects to be able to purchase a large proportion of the remaining shares.

The Group is in advanced discussions in relation to securing the necessary financing for the Tender Offer.

In compliance with applicable law, regulations and the AIM Rules, the Cancellation, the Tender Offer, the proposed re-registration of the Company as a private limited company and the adoption of new articles of association will, amongst other things, require the final approval of the Board and the approval of Shareholders at a general meeting of the Company. The Tender Offer and Cancellation will be inter-conditional. The Tender Offer will require the consent of the Panel on Takeovers and Mergers and will need to comply with the Takeover Code (the "**Code**"), including seeking waivers under Rule 9 and Rule 37 of the Code, and will require shareholder approval.

The Company expects to provide fuller details of these arrangements in due course.

Jay LeCoque, Executive Chairman, commented: *"We continue to be encouraged with progress and growth delivered across our three core business units. Our operational focus remains the continued expansion and scale-up of Cellular Pathology and Digital Pathology volumes through the rest of the year and beyond. The PCR-related deferred revenue situation is highly disappointing nonetheless immaterial to the success and accelerating growth of our core business units. Ultimately, we expect to secure a satisfactory resolution to the issue raised by the COVID-19 PCR customer and will update further as the situation develops. We are confident that we can potentially grow the business faster as a private company and look forward to providing fuller details in due course."*

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 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 primarily from three core 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

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.