## **Trading Update**

RNS Number : 3604L Novacyt S.A. 24 December 2018

Novacyt Trading Update

Paris, France and Camberley, UK - 24 December 2018 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics products, on the 11 December announced its decision to sell the NOVAprep® business unit. As a result, the Company confirms that NOVAprep® will be treated as a discontinued operation under IFRS in the 2018 full year results.

The Company provides shareholders with a trading update and an early view of the anticipated impact of the IFRS accounting treatment, subject to final audit approval.

The Company estimates revenue from continuing operations, which will include the Primerdesign and Lab21 business units, of €13.7m to €14.4m, which compares to the market consensus of €15.85m. The shortfall in sales is primarily due to shipping of confirmed tender orders amounting to more than €1.0m slipping into the next financial period. In addition, due to favourable changes in product mix and an increased focus on cost control, gross and EBITDA margins for both Primerdesign and Lab21 are expected to improve in 2018, versus 2017.

On a forward basis, the discontinued loss-making NOVAprep® business unit, which continues to be cash consumptive for the Group, will be excluded from continuing operations and consequently the reported revenue and operating results. As a result, the EBITDA (excluding NOVAprep®) for the Group is expected to be positive for the full year, which is being driven by the profitable core units of Primerdesign and Lab21.

The impact of the NOVAprep® business unit being classified as held for sale is also expected to result in a restatement of the full year 2017 financial results of the Novacyt Group, excluding the NOVAprep® business unit, which will be presented at the same time as the full year 2018 results.

Cash at the end of the year is expected to be between €0.8m and €1.0m and any cash from the future sale of the NOVAprep® business unit, as well as the Company's clinical laboratory unit (the "Clinical Lab") will be additive.

Update on sales process of Clinical Lab and NOVAprep® business units

The sale of the Clinical Lab business continues to progress well, with firm proposals now received from multiple parties. Due diligence is currently underway and the Board is now optimistic of completing a sale by the end of the first quarter 2019.

The sale of the NOVAprep® business unit is also making good early progress with multiple expressions of interest. The Company expects to update shareholders on this sale process during the first quarter of 2019.

There can be no certainty that these offers and interest will result in a successful sale of either business unit.

## Outlook

The restructure of the Group with the sale of the Clinical Lab and NOVAprep® will allow Novacyt to fully focus on the diagnostic product businesses comprising Primerdesign and Lab21 Products. Consequently, the increased focus should improve sales growth and accelerate the Group's future profitability.

A significant number of new sales tenders have been awarded during the second half of 2018, which will now be fulfilled during the first half of 2019. In addition, the full integration of the acquisition of the profitable Omega Infectious Disease assets are also expected to be realised in 2019, which is anticipated to add approximately €2.5m of revenue to the Group and a strong EBITDA through the achievement of expected cost synergies.

China continues to be a significant growth area as recently reported on 6 December 2018 with a q16 instrument order for 100 units. Discussions are now underway for further sales of material numbers of units in 2019.

On 21 December 2018, Novacyt also announced the launch of its new CE-Marked molecular products, which is expected to generate new sales in 2019 through its own sales channels. In addition, Novacyt is focused on developing more strategic business-to-business partnerships such as the one announced with Genesis Diagnostics on 22 November 2018, which expands Novacyt's reach into the US market.

Graham Mullis, Group CEO of Novacyt, commented:

"We are disappointed that sales are behind our expectations but are pleased with the improvements we expect to realise in the gross and EBITDA margins of our core business units and we remain confident in achieving our EBITDA profitability target for the full year. The strategic review and subsequent restructure of the Group are also key steps in streamlining Novacyt, enabling us to maximise our potential in diagnostic reagent products. We firmly believe the opportunity to grow and scale our molecular and protein reagent businesses is significant and we remain committed to our three strategic pillars of organic, acquisitive and R&D based growth. The anticipated proceeds from the disposal of non-core assets will be invested organically to accelerate and enhance profitability of the core Group."

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## About Novacyt Group

The Novacyt Group is a rapidly growing, international diagnostics group with a growing portfolio of cancer and infectious disease products and services. Through its proprietary technology platform, NOVAPrep®, and molecular platform, genesig®, Novacyt is able to provide an extensive range of oncology and infectious disease diagnostic products across an extensive international distributor network. The Group has diversified sales from diagnostic reagents used in oncology, microbiology, haematology and serology markets, and its global customers and partners include major corporates.

For more information please refer to the website: www.novacyt.com

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