



# NOVACYT GROUP

## Full year 2020 results & strategy update

29 June 2021

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# Novacyt: a high growth diagnostics business

Novacyt is committed to developing the next generation of diagnostics to meet a new era of global healthcare challenges with best-in-class, first-to-market tests, driven by patient and clinician needs

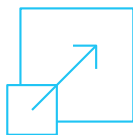
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**Proven ability to rapidly develop and commercialise market leading and proprietary technologies** for diagnostic testing in infectious disease, supported by a **growing IP portfolio**



**Balance sheet strength and high growth potential** due to large, rapidly growing, high margin, fragmented market



**Scalable** business model / low capex / high cash conversion



**270 highly qualified staff** with **global reach** currently into 130 countries



**Successful M&A track record and management capabilities** to acquire and integrate complementary acquisitions to accelerate growth and profitability

# COVID-19: A transformative period

Through the rapid design, development and commercialisation of COVID-19 tests, Novacyt has transformed its financial position



## COVID-19 tailwind

- Introduced one of the world's first CE IVD COVID-19 test kits in 2020
- Since its initial release in Jan-2020, the Group's tests have generated significant revenue
- COVID-19 testing demand continues as the virus mutates and private testing demand increases

## Major contract wins

- Major contract wins with national governments and non-government organisations
- COVID-19 test kits attracted significant interest, in particular, the UK, Middle-East, Europe and the US
- Sold in over 130 countries

## New products released

- On-going development and release of new products, e.g. PROMate® and SNPsig®
- Existing PCR-based COVID-19 tests remain able to detect all published SARS-CoV-2 variants

## Margin improvement

- FY20 group gross margins 80% vs. 64% FY19
- FY20 EBITDA margin 64% vs. 2% FY19
- Primarily driven by high margin COVID-19 test portfolio

## On-going Investment

- Acquired IT-IS International Ltd (strengthens our position in the decentralised testing market)
- On-going R&D activity e.g. expansion of PathFlow® lateral flow test portfolio
- Investment in infrastructure, including UK market and new senior management



# FY 2020 P&L

*Covid sales driving step-change in revenue and profit*

£'000	2020 Consol	2019 Consol	2018 Consol
Revenue	277,204	11,468	12,140
Gross profit	211,500	7,340	7,613
Gross margin %	76%	64%	63%
EBITDA	176,145	174	512
Recurring operating profit / (loss) *	174,843	(1,088)	(376)
Operating profit / (loss)	167,441	(1,556)	(1,225)
Profit / (loss) after tax	132,423	(3,419)	(1,869)
Loss from discontinued operations	-	(2,330)	(2,323)
Profit / (loss) after tax attributable to the owners	132,423	(5,749)	(4,192)

- **Group EBITDA** increased to £176.1m in 2020 compared with £0.2m in 2019 with EBITDA margin increasing to 64% in 2020 compared with 2% in 2019.
- **Operating profit** of £167.4m in 2020 compared to a loss of £1.6m in 2019
- **Profit after tax** of £132.4m in 2020 compared to a loss of £5.7m in 2019

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- Group consolidated revenue increased by over 20 times to £277.2m in 2020 compared with £11.5m in 2019
- Group gross margin continued to improve increasing to 76.3% in 2020 from 64.0% in 2019

# FY 2020 balance sheet and cash

Group ended the year debt free with over £91m in cash

£'000	2020	2019	2018	£'000	2020	2019	2018
Goodwill	17,877	13,592	14,548	Share capital and premium	54,675	50,169	49,180
Right of use assets	2,259	2,125	-	Retained earnings	96,035	(37,707)	(31,021)
Deferred Tax assets	3,023	-	-	<b>Total equity</b>	<b>150,710</b>	<b>12,462</b>	<b>18,159</b>
Other non-current assets	6,132	4,907	5,735				
<b>Total non-current assets</b>	<b>29,291</b>	<b>20,624</b>	<b>20,283</b>	Borrowings (> 1 yr)	-	5,240	2,037
				LTIP liabilities long-term	5,606	-	-
				Lease liabilities long-term	1,964	2,012	-
				Other provisions and long-term liabilities	1,854	247	199
				<b>Total non-current liabilities</b>	<b>9,424</b>	<b>7,499</b>	<b>2,236</b>
Inventories	29,888	2,083	2,116	Borrowings (< 1 yr)	-	1,869	2,809
Trade and other receivables	79,592	1,851	3,517	Trade and other liabilities	36,784	3,920	4,190
Other current assets	3,740	367	312	Tax Liability	15,116	-	-
Cash and cash equivalents	91,765	1,542	1,021	Other provisions and short-term liabilities	22,242	777	1,846
<b>Total current assets</b>	<b>204,985</b>	<b>5,843</b>	<b>6,966</b>	<b>Total current liabilities</b>	<b>74,142</b>	<b>6,566</b>	<b>8,845</b>
Assets classified as held for sale	-	60	2,068	Liabilities of discontinued operations	-	-	77
<b>TOTAL ASSETS</b>	<b>234,276</b>	<b>26,527</b>	<b>29,317</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>234,276</b>	<b>26,527</b>	<b>29,317</b>

- Cash at year-end of £91.8m compared with £1.5m in 2019
- The Group exits 2020 debt free after all debt of £7.1m was repaid during H1 of 2020
- IT-IS, a profitable diagnostic instrument development and manufacturing company, was acquired on 15 October 2020. The net consideration for the acquisition after earnouts is £8.7m

# Post balance sheet event

## *Dispute with DHSC*

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- Entered into a second supply contract with DHSC on 29 September 2020
- Announced in active discussions with DHSC to extend this contract on 29 January 2021
- Announced dispute with DHSC in relation to the second supply contract on 9 April 2021
- Dispute relates primarily to Q4 2020 revenue totalling £129.1m in respect of a specific product supplied to the NHS
- A provision of up to £19.8m has been made in the financial statements with the Board's best estimate of the cost to replace the product
- Of the Q4 2020 revenue, invoices of £24.0m (including VAT) of product delivered to DHSC remain outstanding and recovery of this amount is dependent on the outcome of the dispute. In addition, £49.0m (including VAT) of product delivered and invoiced to the DHSC in 2021 remains unpaid and is now also part of the dispute
- The Company has taken legal advice in relation to the dispute and believes it has strong grounds to assert its contractual rights
- Unable to provide further clarification on the dispute or the timing of resolution due to the confidential nature of discussions underway





# Primerdesign: 2020 highlights

- **Sales increased to £272.8m, compared to £5.5m in 2019, driven by success of COVID-19 product portfolio**
  - UK and Ireland NHS accounts represented £191.2m (70%) of total sales, reflecting the Company's response and contribution to the UK government testing strategy
  - Core distributor and reseller business across UK and international markets represented £49.5m (18%) of total sales, with sales to over 130 countries
  - Private sector testing market represented £32.1m (12%) of total sales and is rapidly growing in 2021
- **Launched over 28 new COVID-19 related products since the beginning of 2020. Of note:**
  - genesig® COVID-19 – one of the world's first PCR tests for COVID-19 – approval received from the US FDA and WHO for procurement under the EUL
  - Continued PCR innovation – exsig®, PROMate®, genesig® COVID-19 HT 2.0 and Winterplex® – to improve workflow efficiency and address testing needs in central and near-patient settings
  - Post period – launch of SNPsig® to diagnose variants and vaccine escape
  - Launch of VersaLab™ for near-patient PCR testing in the emerging private sector testing market
- **Leading bioinformatics and surveillance expertise, as well as clinical trial expertise**
- **IVD market estimated at \$70bn in 2020 and projected to grow to over \$114bn by 2030**

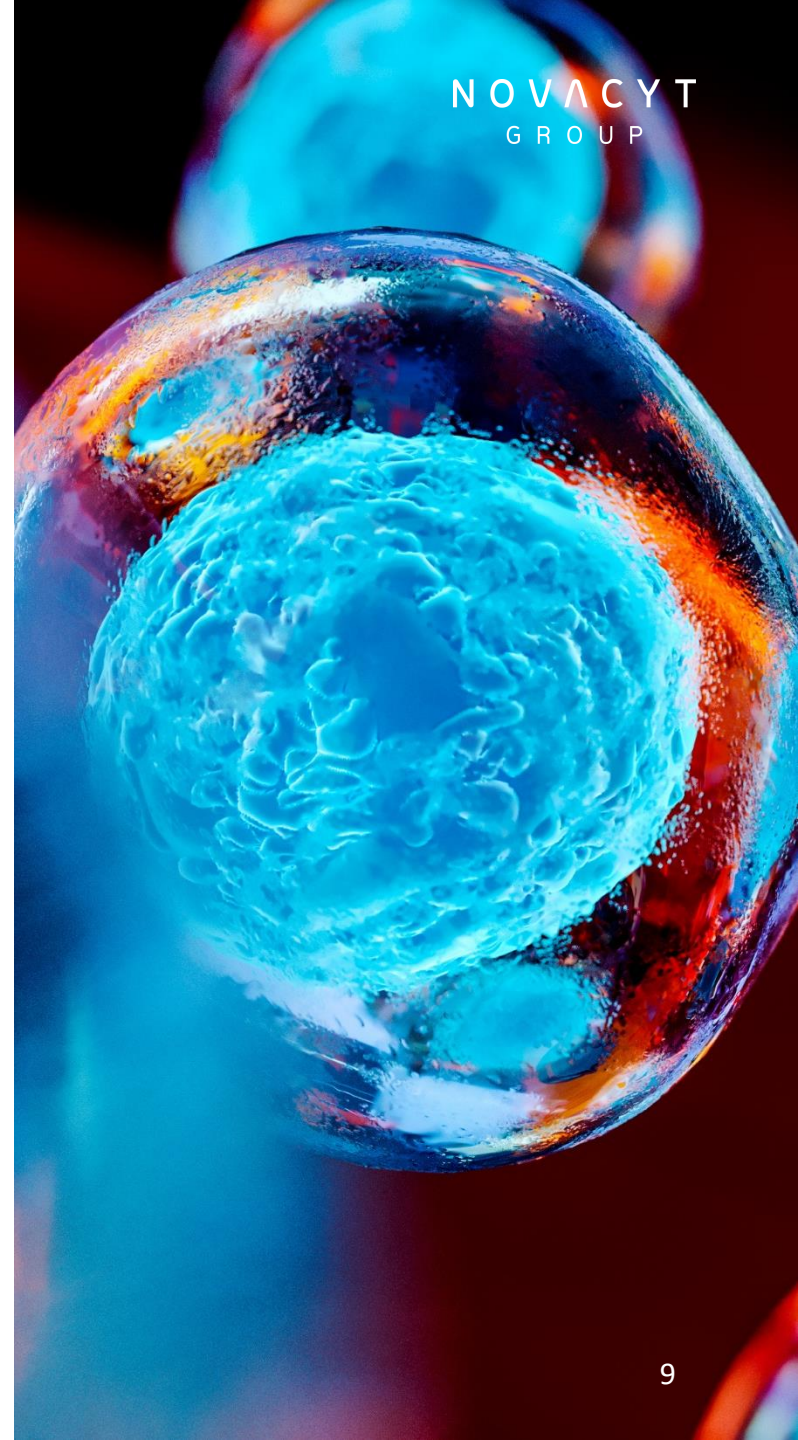
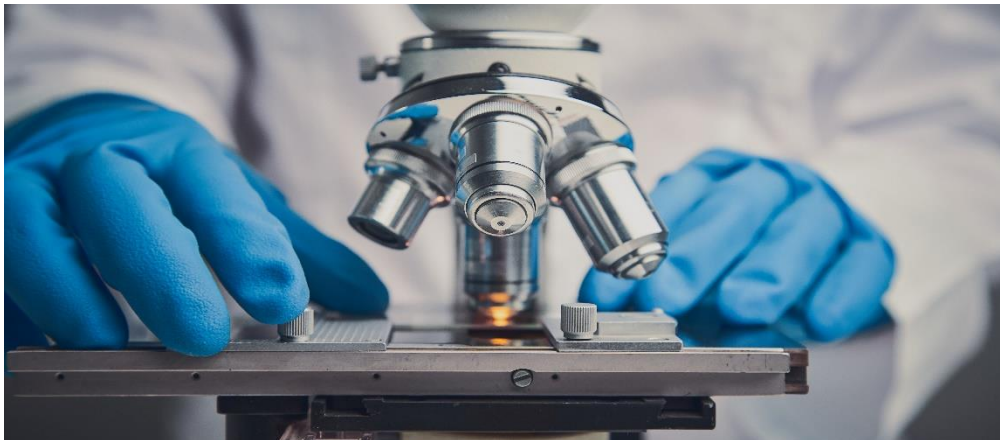




# IT-IS International

## IT-IS International: acquisition in line with strategy

- Reinforces strategy and strengthens position in long-term growth opportunity for rapid near-patient testing
  - Secures key IP for q16 and q32 rapid-PCR instruments
  - Expands core capabilities in instrument manufacturing
  - Expands current and future product offering in mobile PCR devices
- Immediately earnings accretive – IT-IS delivered revenues of £3.9 million and a net profit of £0.8 million for FY19, with revenues expected to increase to £5.0 million for FY20
- Post acquisition (15 October 2020) to 31 December 2020 revenue totalled £6.9m



# Lab21\*: 2020 highlights

- Sales decreased to £5.2m, compared to £6.0m in 2019
  - Core business impacted by customers diverting their testing laboratories and procedures from routine clinical, veterinary and food testing to COVID-19 testing, to support the global pandemic efforts
  - Asia Pacific region within Microgen Bioproducts grew 6% year-on-year
- Manufacturing capacity of Camberley site diverted to support key reagent scale-up supporting PCR COVID-19 tests, avoiding dilution of the gross margin
- Expansion of PathFlow® LFT portfolio for COVID-19

\* Lab21 includes Lab21 Healthcare and Microgen Bioproducts





# Strategy update

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**Build on success in COVID-19 testing to expand test menus in areas adjacent to COVID-19, and into additional prioritised market segments, delivery systems and geographies**

Test Menu Expansion →

Instrument Expansion →

Geographic Expansion ●

## Underpinned by compelling IVD market dynamics

- Estimated global market size of \$69.5 billion in 2020<sup>(1)</sup>
- Industry set to experience steady growth and continued consolidation
- Growing at a 5-year CAGR of 5%
- Analysts expect market to top \$114 billion by 2030
- Aging world population
- Increased technological innovation
- Rising living standards in developing countries
- Industry consolidation
- Increase in incidence of chronic and infectious diseases

(1) BIS Research; Global In Vitro Diagnostic Market, July 2020

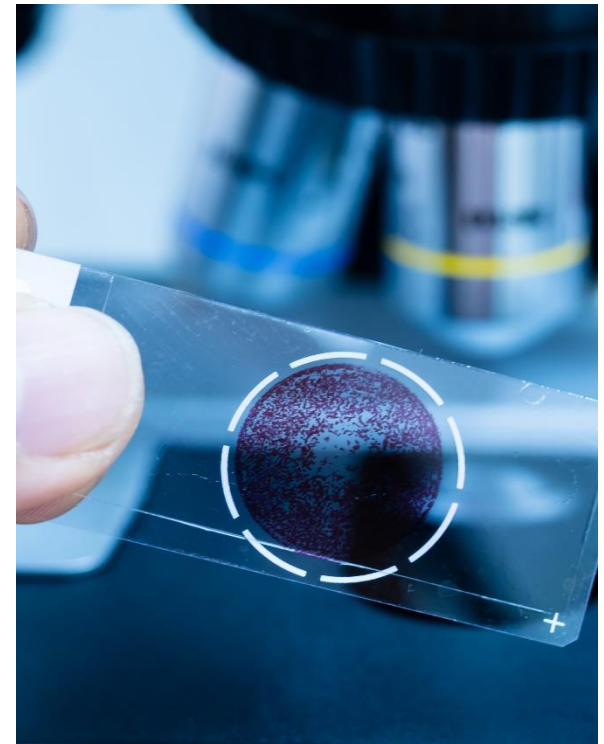
## Test Menu Expansion

- Built a reputation for rapid innovation and high performance of diagnostic technologies
  - One of the most comprehensive RUO PCR test menus in the world
  - Over 60 CE Mark approved PCR tests
- 
- **COVID-19 testing**
    - Expand COVID-19 test menu for detection of new SARS-CoV-2 variants, and
    - Innovations to support testing efficiencies and results delivery
  - **COVID-19 Plus testing**
    - Expansion into closely adjacent areas of COVID-19 (e.g., Flu A, Flu B), and
    - Biomarker monitoring:
      - To predict COVID progression / response to treatments (e.g., IFI27 biomarker for COVID-19 disease severity)
      - To diagnose conditions in infected / recovered patients (e.g., factors related to “long COVID-19”)
  - **Post-COVID testing**
    - Addressing unmet testing needs beyond COVID-19 building on its established central lab customer base with high value test menus
      - Pathogens resistant to antimicrobials (e.g., Carbapenem-resistant Enterobacteriaceae), sepsis, transplantation (CMV, EBV, BKV)
    - Build a test menu for its near-patient testing
    - ***Underpinned by its strong bioinformatics and test design expertise, coupled with extensive regulatory capabilities***
      - *Well positioned to conform to new, more stringent IVD Directive (IVD-R) in UK and Europe from 25 May 2022*



## Instrument Expansion

- Acquisition of IT-IS provides a strong mid-throughput near-patient PCR testing platform
  - q16 and q32 instruments are being deployed in multiple near-patient markets for COVID-19 testing
- 
- **Expand placements of q16s and q32s** and build out the specific test menu beyond COVID-19 based on the use-case requirements of the various placements
  - **Develop multiple tests in one kit (multiplexing)** leveraging core expertise in chemistry development, coupled with its near-patient instrumentation technology
  - **Target continued shift towards decentralised testing** through the development of high throughput tests in areas including infection control (e.g., Norovirus, C. Diff), sepsis differentiation, meningitis and neonatal differentiation (e.g., Echovirus; Listeria)
  - Further expand decentralised testing opportunities by **protein based diagnostic technologies, including lateral flow** which will be developed, licensed or acquired



## Geographic Expansion

- Invested heavily in the UK, with over 50 people employed across sales, marketing and field support specialists
- Well positioned to support expansion of the UK diagnostics market
- Look to replicate this direct sales model in its chosen international markets

- **Geographic expansion** particularly with a focus in direct sales, marketing and distribution beyond the UK
- Focus on **organic and acquisition** investments.
- Beyond UK, **high priority geographies include the US, Germany** and other European markets
- Targeted organic investment has already commenced in the US with the recent appointment of Kevin Crittenton as US General Manager



# Current trading and outlook

## Continued solid underlying sales driven by COVID-19 testing

- Revenue of £88.4m for five months to 31 May 2021
  - Sales run-rate was £10m per month in Q1 2021, excluding DHSC, dropping to approx. £7m per month in April and May
- Strong growth expected in private testing, with potential for Q4 2021 infection wave to further increase sales
- Significant growth potential from H2 2021 product launches
- Potential for approximately £100m FY2021 sales, excluding DHSC
- Gross margin run-rate of over 70% and EBITDA margin of over 40% for five months to 31 May 2021, with confidence to maintain for FY2021 (excludes impact of DHSC)
- Continued investment in innovation (COVID-19 and non-COVID-19), organic expansion (decentralised testing and geographic expansion) and external business development, in line with growth strategy



- Rapid development of an extensive and innovative PCR COVID-19 product portfolio to address customer needs
- Future of Novacyt secured
  - Repaid all long-term debt
  - Significantly strengthened the balance sheet
  - Delivered on a number of strategic objectives, including acquisition of IT-IS International, establishment of UK commercial infrastructure and expansion of IP portfolio
- Continued strong demand for COVID-19 testing in 2021
- Updated strategy to deliver long-term growth through product, instrument, and geographic expansion in key areas, supplemented by M&A



**Thank you to all of our shareholders and employees for supporting the business through this transformative change**

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