NeoGenomics and Inivata Conference Call Prepared Remarks

Doug VanOort

Good morning. I'd like to welcome everyone to NeoGenomics' 2021 First Quarter conference call. We have a lot of exciting news to share today, but first let me introduce my fellow team members on the call.

Joining me for this call from our Fort Myers headquarters are Mark Mallon, our new Chief Executive Officer, Kathryn McKenzie, our Chief Financial Officer, George Cardoza, President of our Pharma Services Division, Bill Bonello, President of our Informatics Division, Doug Brown, our Chief Strategy and Corporate Development Officer and Charlie Eidson, our Manager of Investor Relations.

Also joining us this morning via phone from the United Kingdom is Inivata CEO Clive Morris.

Before we begin our prepared remarks, Charlie will read the standard language about Forward-Looking Statements.

Charlie Eidson

This conference call may contain forward looking statements, which represent our current expectations and beliefs about our operations, performance, financial condition, and growth opportunities. Any statements made on this call that are not statements of historical fact are forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control.

Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements. Any forward-looking statement speaks only as of today, and we undertake no obligation to update any such statements to reflect events or circumstances after today.

As a reminder, this call is being webcast live and recorded, and we will be referencing a slide presentation in conjunction with our remarks. Because there is a short delay between the live telephone audio and the presentation being shown on the webcast, for the best experience, please use either the webcast for both the audio and video content or, if you dialed in by telephone, download the slides from our website and advance them yourselves. To access the webcast, please visit the Events section in the investor relations section of our website and a replay of the event will be available following the call.

Before turning the call back to Doug, I want to let everyone know that we will be making a copy of our prepared remarks for this morning's call available on the investor relations section of our website shortly after the call is completed. We also want to let everyone know that we are going to limit the number of questions to two per person in order to give

more people a chance to ask questions within the one hour that has been allotted for this call.

Doug's Comments

Thank you Charlie.

Today's call represents two very important milestones in our Company's history, the acquisition of Inivata and Mark Mallon's first conference call as the new CEO of NeoGenomics. Mark started a few weeks ago, and the company has transitioned to Mark's capable leadership.

We'll begin our call by discussing our acquisition of Inivata. I will review our strategic rationale for acquiring Inivata, and Dr. Clive Morris, Inivata's CEO, will follow with a more in-depth commentary. Doug Brown will then share details on both the acquisition and the strategic financing we announced this morning as well.

Kathryn will then provide an overview of our Quarter 1 financial results and share some expectations about the impact of the Inivata acquisition.

We will then transition to Mark Mallon to wrap up our formal remarks. Mark is excited to share some observations from his first few weeks leading NeoGenomics, and his vision for the future of our company.

We will then have time for Questions and Answers.

Combining NeoGenomics and Inivata

We are very excited about today's announcement. The acquisition of Inivata represents an important strategic move as we continue to position the company to achieve our Vision to become the world's leading oncology testing and information Company.

Channel leadership combined with technology aggregation can be a powerful dynamic. The combination of Inivata's best-in-class technology and NeoGenomics' unrivaled scale and access into the community oncology channel fortifies our already strong competitive position in oncology diagnostics, and allows us to accelerate our growth trajectory.

Bolstering our comprehensive test menu with the addition of Inivata's leading liquid biopsy technology for detecting circulating tumor DNA will allow NeoGenomics to provide testing solutions to our physicians and their patients for diagnosis, prognosis, therapy selection, and now also for post-intervention detection of residual disease and for recurrence monitoring.

We also have greater opportunity to partner with our Pharma clients as they develop therapies targeted to patients with residual disease, and upon earlier detection of disease recurrence.

We have spent the greater part of a year with the team at Inivata as their commercial and strategic partner, and as an investor serving on their board. Now, we are accelerating the exercise of our call option to combine our two organizations and bring more resource to Inivata's product development.

We believe that much of the success of NeoGenomics is due to our culture and our focus on patients. Inivata shares this focus and we have been impressed with the quality and cultural fit of the Inivata team. Our common purpose is to save cancer patients lives. We are convinced that we can accelerate the adoption of important diagnostic technologies for patients as part of the same organization.

Together, we provide physicians and Pharma partners with an unparalleled spectrum of diagnostic tools to answer the broadest set of questions to diagnose and treat cancer patients, and to develop new therapies.

Our Clinical Division's broad offering of approximately 750 tests has resonated most with community physicians where greater than 80% of cancer patients are treated. Our Pharma Division's unique and extensive test and technology offering has clearly resonated in the market as we have now worked with numerous clients, including each of the top 25 largest BioPharma companies around the world. Clearly, our ability to serve our customers is strengthened with the addition of Inivata liquid biopsy technology, and positions us for continued broad testing leadership in Oncology diagnostics.

Liquid biopsy is an emerging diagnostic technology that over time has the potential to change how patients around the world are diagnosed and treated for their cancer. Acquiring Inivata positions us for leadership in this exciting new area of oncology diagnostics as it continues to develop. Community oncologists and pathologists are just beginning to use liquid biopsies in their practices, and we expect utilization to grow significantly with emerging standards in the practice of medicine.

Perhaps the most exciting application of Inivata's ctDNA technology is for the detection of minimal residual disease and monitoring for recurrence. We are particularly excited about the opportunity to develop and commercialize Inivata's highly-sensitive product, branded as RaDaR, to address this important patient need in a market which some estimate to be in excess of $15 billion in the U.S. alone.

As shown on slide 4 and as many of you know, we have built our company through both organic and inorganic growth and have a history of successful execution and integration of our acquisitions. To achieve a leadership position in the market over the last several years, we acquired two important competitors in Clarient and Genoptix, adding very important scale to our business. Leveraging our scale in the clinical oncology market, we then successfully built out synergistic and complimentary Pharma Services and Informatics businesses.

These three business units each have a double-digit growth profile, and the combination has created a flywheel for our company's future organic growth. We believe Inivata, soon to be our fourth business unit, represents the continued acceleration of our strategy as we execute on our formula for oncology leadership and as the market for MRD develops, we believe our long term growth will accelerate above historical levels.

As I was leaving my office in Aliso Viejo, California for the last time a few days ago, I found an old Investor presentation from around the time we acquired Clarient in early 2016. At that time, we described our plan to build on a solid core through innovation and business development, including a focus on Pharma Clinical Trials, companion diagnostics, Next Generation Sequencing, and liquid biopsy. It's exactly five years since we presented that to Investors, and we did what we said we would do – and more. And now our company's growth profile is better than ever, with greater opportunities ahead. Most importantly, we increasingly have the potential to revolutionize oncology care to benefit millions of patients as they manage through their cancer journey.

With that, I would like to introduce Inivata CEO Clive Morris who can walk through the Inivata story. Clive has an impressive background with expertise in oncology as a practicing physician, in R&D and medical affairs within the global pharma industry, and in his years spent at Inivata leading the developmental success of the company.

Clive Morris

Thank you Doug.

It's a pleasure to represent Inivata on the call today and I would echo your commentary on the cultural fit between Inivata and NeoGenomics. We are very excited about the combination. Our proprietary liquid biopsy platform was spun out of the University of Cambridge in the United Kingdom and we have so far developed two leading assays. The company has been well supported by leading life science investors in the UK and US and today we have a talented team of approximately 90 people across an R&D facility in Cambridge, UK and a CAP/CLIA laboratory in Research Triangle Park, North Carolina. We believe that combining our leading technology with a well-capitalized and established oncology commercial engine like NeoGenomics will accelerate our mission to deliver our highly sensitive liquid biopsy products to millions of cancer patients in the both the U.S. and around the world.

As an overview of the Inivata platform, please turn to slide 5 in the presentation. As Doug mentioned, we have developed a liquid biopsy technology platform that is optimized to achieve best in class sensitivity levels across multiple applications. We have developed two commercial stage assays in InVision First Lung and RaDaR and we will bring new and complementary R&D, Regulatory, and Reimbursement capabilities to NeoGenomics.

InVision First Lung is a 37-gene liquid biopsy next generation sequencing panel developed for advanced non-small cell lung cancer patients. This test has been commercialized in the U.S. with NeoGenomics since mid-last-year and the uptake is growing steadily as community oncologists grow more comfortable with liquid biopsy testing. Importantly, the feedback from oncologists on the quality of the test, the service levels, and our turnaround time within 7 calendar days from blood draw have all been positive. The test is reimbursed by Medicare at $3,500 per test and with commercial insurance coverage the assay has reimbursement coverage for approximately 200 million lives.

Our second commercial assay is RaDaR – a tumor-informed assay for residual disease and recurrence testing that has pan-cancer applicability. This test was CAP and CLIA validated in our North Carolina facility in December 2020 and the test received breakthrough device designation from the FDA in February of this year.

RaDaR has been optimized to maximize sensitivity and on slide 6 you can see why this is so important. The levels of ctDNA in early-stage cancer are very low, and in the post-surgical MRD setting they are even lower. Sensitivity is crucial to success in this setting and RaDaR has been designed to provide this. We track 48 variants to achieve this, but an equally important driver of our exquisite sensitivity compared to competitor platforms is our core InVision technology and proprietary bioinformatics pipeline. We believe the combination of these factors drives great performance and that these advantages shine through in clinical study performance.

Slide 7 shows data from published studies for RaDaR versus two assays from well known leaders in the minimal residual disease testing landscape. RaDaR's market leading sensitivity down to 0.001% variant allele frequency allows the assay to pick up evidence of cancer recurrence very early. The data on the slide is in lung and breast cancer, but we expect to be able to apply this equally in other solid tumor cancers as well.

While the published clinical data and high levels of sensitivity of RaDaR are compelling, perhaps the most exciting aspect about RaDaR and MRD testing in general is the paradigm shifting impact it can have for patients along their cancer journey. Slide 8 shows a typical clinical journey for a solid tumor cancer patient and the potential use cases for MRD testing.

In the adjuvant setting RaDaR can potentially be used to help select patients for adjuvant therapy based on the presence of residual ctDNA in the blood indicating that the patient has not been cured by their surgery. In the future the test may also be able to help optimize the dosing or duration of therapy.

RaDaR testing can also be used to monitor for disease recurrence for a cancer patient that is in remission. As shown on the earlier slide, molecular level MRD testing with a test as sensitive as RaDaR has the ability to identify disease recurrence well before it would be identified by the current standard of care, imaging. By catching the recurrence of cancer earlier, we believe that action may be taken earlier potentially improving the clinical outcomes for the patient.

We believe that we are in the early stages of a massive market being developed for MRD testing. On slide 9 we show that in the United States there are more than a million new cancer patients being diagnosed every year that may benefit from MRD testing in the top 10 solid tumor cancer types alone.

Even using conservative assumptions around MRD test utilization and pricing, we believe this translates into an estimated market opportunity of $15 billion or more. Given that over 80% of cancer is treated in the community setting, we expect that the majority of this market will develop where NeoGenomics has leading market share.

While the clinical market is in its early stages of development, BioPharma is highly interested in the application for MRD today. MRD testing post operatively has the potential to revolutionize the way early-stage oncology adjuvant setting trials are conducted and the ability to quickly determine response to therapies in clinical trials is appealing to patients and BioPharma alike.

Clearly the potential for MRD is immense and we have a detailed plan to become a major player in these markets. On slide 10 we outline some key milestones for RaDaR. We are already collaborating with Pharma following our CAP/CLIA lab validation completed in December. We recently unveiled strong data in breast cancer and head and neck cancer at April's AACR conference and we anticipate releasing additional data at ASCO in early June.

We believe that we will be in position to submit data to MolDx for reimbursement around the turn of the year which should allow us to commercialize in the clinical market around mid-2022 assuming a 6 month review process.

I will now turn it over to Doug Brown who will provide a summary of the deal terms of the acquisition as well as details on the strategic financing that was also announced this morning.

Doug Brown

Thank you Clive.

This morning, we are pleased to formally share with you on slide 11 the terms of the Inivata acquisition – terms we agreed to with Inivata as part of our commercial partnership agreement we negotiated over a year ago during the first few weeks of the pandemic.

As part of that agreement formed with Inivata last year, we announced we would be making a $25 million minority investment in the Company, that we would commercialize Inivata's InvisionFirst-Lung liquid biopsy assay in the U.S., and we announced that we had negotiated a fixed price call option to purchase the remaining equity of Inivata. But until today, we had not shared the acquisition price of $390 million for our remaining interest. Valuations for highly advanced and proprietary liquid biopsy platforms like Inivata's have increased substantially since we struck our deal in May 2020 and we feel very fortunate with our timing and our ability to deliver what now appears to be a value-based technology acquisition for our shareholders.

The date for the expiration of our purchase option was set for December 31st 2021. Over the past twelve months we have continued to gain confidence in the power and sensitivity of the Inivata liquid biopsy technology. We have also developed tremendous confidence in the talented team at Inivata. As a result, we are exercising our option to purchase Inivata eight months ahead of plan.

We are confident that this important strategic move is the right one, and in conjunction with today's acquisition announcement, we are pleased to also announce a private financing of $200 million. We view this financing as a strategic capital raise which is

represented by a syndicate of over a dozen targeted investors including existing Inivata shareholders, existing NeoGenomics shareholders, and importantly, new specialist investors with a focus on oncology. We are pleased to have attracted these leading investors who support the combination of channel and technology leadership. Pro forma for today's transactions, our balance sheet is quite strong – we have greater than $550 million of cash on hand, providing ample flexibility to accelerate funding of technology development at Inivata while we pursue further strategic opportunities.

I will now turn the call over to Kathryn McKenzie, to discuss some of the other details of our Quarter One financial results.

Kathryn McKenzie

Thank you Doug.

First Quarter Review

Despite the impact of the ongoing pandemic, total revenue in Q1 grew 9% year-over-year to $116 million.

Importantly, our Core Oncology revenues increased 7% year-over-year, driven by strong growth in NGS, Pharma Services and Informatics. COVID-19 PCR testing contributed less than $2 million of revenue during the quarter, down from $9 million in Quarter 4 and $17 million in Quarter 3. We noted a significant decrease in demand for our COVID-19 overflow testing capacity and therefore made the decision to wind down our COVID-19 testing capabilities. As a reminder, we brought up COVID testing to help address the shortage of U.S. capacity and expected this service to be short-term in nature and not part of our overall strategy as a leader in oncology testing.

As we discussed on our February earnings call, our core clinical cancer volumes were noticeably impacted by the COVID-19 incidence in January and February. However, our core volumes showed meaningful signs of recovery in March as record daily clinical volumes translated to 19% growth versus March 2020. Despite the challenging start to the quarter, we delivered 4% volume growth over Q1 2020. Importantly, this strength continued into April with record daily volumes and we are very encouraged that we will remain on a steady recovery as vaccine rollouts continue and COVID-19 incidence rates decline. Finally, we were pleased to see that Clinical Division revenue-per-test was $364 compared to $363 for the full year of 2020.

While we are encouraged, it is also worth noting that we are not all the way back to a full recovery. We continue to see a contrast in volume growth for our business from areas of the country that are less restricted versus those with more restrictions and we believe this bodes well for us as restrictions loosen nationwide over the course of 2021.

Pharma Services grew 46% year over year, continuing its rapid growth trajectory. As a reminder, last year's acquisition of the oncology assets of HLI closed on January 10th, 2020 so this growth is essentially all organic. Not only did revenue conversion improve for this business in Q1, but demand continues to be very strong. We signed $31 million in new bookings during the quarter, exiting the quarter with a record $218 million in

backlog. We continue grow our robust portfolio of BioPharma customers and believe that Pharma Services is better positioned than ever before and poised for additional rapid growth ahead.

We have also rapidly integrated the Trapelo Health organization into our Informatics Division. We are already leveraging our commercial capabilities to reach more customers while we leverage our IT capabilities to further strengthen an already leading decision support tool for oncologists. More to come on Trapelo in the second half of the year.

Gross Margin
Our gross margins were challenged in Q1 particularly in January and February, due to less efficiency on lower volumes. We have been challenged by the volatility in volume over the last year, including during the first quarter. However, we continue to believe that our decisions to invest in our infrastructure are positioning us well to take share as volume returns. Q1 gross margins were also impacted significantly by our decision to wind down our COVID-19 overflow laboratory, which resulted in a $5.3 million charge related to unused COVID-19 testing inventory. Clinical gross margin in Q1 was 36.2% when including COVID-19 exit charges and 41.7% excluding these charges. As we return to more consistent growth rates and a normalized economic environment we expect to yield gross margins in line with historical rates, with continued long-term margin expansion opportunity over time.

In Q1, we grew Pharma Services revenues by 46% year over year, or $6 million, with COGS only increasing by 15%, or $1.7M, over that same period. Pharma Services gross margins improved from 17.7% in Q1 2020 to 34.9% in Q1 2021.

Operating Expenses
Operating expenses increased $5 million year-over-year to $57 million and includes investments in and support for Informatics, payroll and payroll related costs, acquisition costs, and a write-off for COVID-19 PCR testing laboratory equipment.

Adjusted EBITDA
Adjusted EBITDA of $4 million in Q1 reflects lower gross margin on clinical volume volatility as previously discussed as well as continued investment in key initiatives, including our people, infrastructure and strategic growth areas such as Informatics. Excluding our recently announced acquisitions, we expect our organic EBITDA contribution to increase in each of the succeeding three quarters of 2021.

Balance Sheet
Turning to the balance sheet, we exited Quarter One with $803 million in cash and marketable securities, which excludes an additional $11 million in restricted cash designated for construction of our new state-of-the art laboratory and global headquarters in Fort Myers, Florida. Subsequent to the end of the quarter we utilized $35 million in cash for the acquisition of Trapelo Health, which closed in April.

Following the acquisition of Inivata and incorporating the funds raised in the strategic financing announced today, we expect our cash balance to be in excess of $550 million. We believe this puts us in a strong position to continue to invest in these recently

announced acquisitions and internal strategic priorities as well as pursue inorganic growth opportunities.

Guidance
Given the positive trends in our business and the vaccine progress being made across the country we are prepared to introduce full year 2021 guidance. We expect consolidated revenue to be in the range of $490 million to $510 million. Presuming no further market dislocations from the COVID-19 pandemic, our topline growth for full year 2021 will be driven by Pharma Services annual growth in excess of 35% and by what we anticipate to be a very strong back half of the year for the entire business. We project that our back half revenue run rate could be in excess of $525 million.

Pro forma for the Inivata and Trapelo acquisitions, full year 2021 Adjusted EBITDA is expected to be in the range of $10 million to $15 million. We anticipate approximately $30 million in 2021 operating losses to fund the development of RaDaR, accelerate submission of RaDaR for reimbursement, and to further support the development and rollout of the Trapelo clinical decision support tool and related offerings. We are very excited about both of our recently announced acquisitions and the innovation they will provide to clinicians, pharma partners and, most importantly patients. However, for 2021 we do not expect a material amount of revenue from these transactions. Particularly for MRD, while the markets are evolving rapidly, we are still in the early stages and RaDaR is not expected to become a material portion of NeoGenomics revenue until 2023 and 2024. These acquisitions are changing the near-term profitability profile at NeoGenomics; however, we believe that investing in the future of oncology is the right strategic move.

I will now turn the call back over to Doug VanOort.

Doug VanOort

Thank you, Kathryn.

We certainly have a lot to be excited about at our company with Inivata, the recent acquistion of Trapelo Health and the addition of Mark Mallon as CEO.

Mark Mallon is a very talented executive with a wealth of experience and a broad skillset. We interviewed an exhaustive list of capable leaders and we feel fortunate that we were able to recruit someone of Mark's caliber.

I would like to formally introduce Mark to many of you for the first time.

Mark Mallon

Thank you, Doug and thank you to the entire Neo team for the warm and enthusiastic welcome. I joined Neo because I was inspired by its mission to make a major difference in the lives of cancer patients and because I was impressed by the incredible talent and passion of its values-driven people, and I was also captivated by the opportunity Neo has to become the leading cancer testing and information company in the world. Two weeks into the role, I can say my expectations have already been exceeded.

I have had a chance to visit our major labs in Florida and California and can see why Neo is known for excellence in quality and customer service. We have fantastic teams, urgently working on behalf of patients. I have been able to review the plans of all 3 divisions and I see opportunities to accelerate growth in each of these businesses. I've spent a day with our R&D team and was excited by the science I saw both in terms of future assays and opportunities to improve our quality and efficiency through automation. Finally, I am already engaging with key stakeholders, especially our customers and our investors to make sure I am clear on their expectations of Neo going forward.

The focus of my first 90 days will be to continue to learn about this great company and the opportunities ahead and to ensure the organization is focused on the key drivers of growth.

In the Clinical Division, I will especially focus on our incredible portfolio of NGS assays, including our liquid biopsy tests. This portion of the business is already growing more than 30% annually and I think there are opportunities to accelerate growth further. I also believe there are multiple opportunities to simplify and automate our processes while we ensure a successful launch of our new laboratory in Fort Myers.

In the fast growing Pharma Services Division, we have only just started opening up the business beyond the U.S. We have an excellent, newly staffed global sales team and outstanding labs in Europe and Asia ready to meet the high demand of our customers for testing in these growth markets.

In informatics, we will be laser focused on making Trapelo the decision support platform for Oncologists, ensuring we have the right capabilities and a rapid rollout to our existing customers.

Finally, I am very excited about our announcement today to acquire Inivata. Inivata will remain a separate business unit with Clive Morris as the President reporting directly to me. I will be working directly with Clive and the entire Inivata team to ensure that we meet or exceed our timelines for gaining MolDx approval and launching RaDaR into our first opportunity areas. I believe RaDaR represents an opportunity to build a leading franchise for Neo in the MRD market.

There is no time to lose, cancer patients and the physicians who care for them, continue to desperately need faster, better diagnostic results and insights. I am confident, that Neo, in meeting these needs, will become the leading global, cancer testing and information company.

Transition to Charlie Eidson for Q&A

At this point, we would like to open the call for questions. Incidentally, if you are listening to this conference call via webcast only and would like to submit a question, please feel free to email us at charlie.eidson@neogenomics.com during the Q&A session and we will address your questions at the end if the subject matter hasn't already been addressed by our call-in listeners. As mentioned at the beginning of this call, we would like to ask each person to limit their questions to two so that we may hear from everyone and still keep within the hour allotted for this call.

Operator, you may now open up the call for questions.

Closing Remarks (Doug)

As we end the call, I'd like to recognize the approximately 1,738 NeoGenomics team members around the world for their dedication and commitment to building a world-class oncology diagnostics and information company.

On behalf of our NeoGenomics team, I want to thank you for your time in joining us this morning. For those of you listening that are investors or are considering an investment in NeoGenomics, we thank you for your interest in our Company.