



# First Quarter 2023

Earnings Results

May 8, 2023





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## Mission

We save lives by improving patient care.

## Vision

We are becoming the world's leading cancer testing, information, and decision support company by providing uncompromising quality, exceptional service, and innovative solutions.





# 1st Quarter 2023 Highlights

- Total Revenue Increased **17%**
  - Clinical Revenue Increased **16%**
  - Pharma Revenue Increased **22%**
- Launched four new assays
  - **RaDaR®** for Clinical
  - Neo Comprehensive™ – Solid Tumor and Myeloid Disorders
  - NeoTYPE® DNA & RNA – Lung
- Improved testing turnaround time by 17% YoY

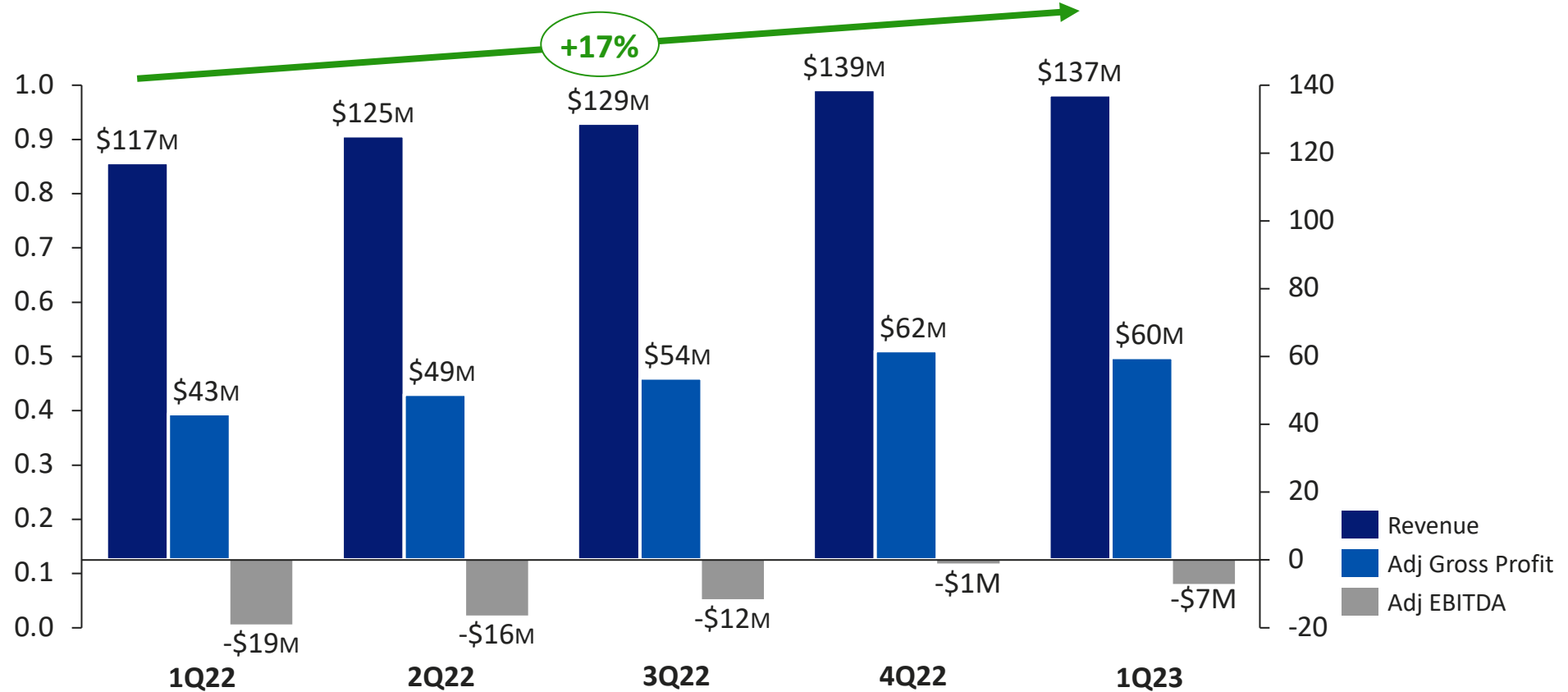
Revenue  
**Up 17%**  
To \$137M

Adj. Gross Profit  
**\$60M**  
Margin: 43.5%

8th Consecutive  
Increase vs Prior  
Year in Revenue  
per Test

Adj. EBITDA  
**Up 63%**  
To -\$7M

# Performance Continues to Improve



Description	1Q22	2Q22	3Q22	4Q22	1Q23
Revenue Growth Rate	1.4%	2.8%	6.1%	10.3%	17.1%
Adj Gross Profit Margin	36.8%	39.0%	41.7%	44.5%	43.5%

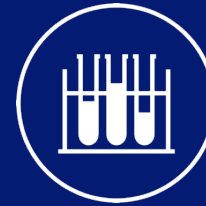
# Our 2023 Strategic Priorities

## Profitably Grow Our Core Business



- Grow Volume & Drive NGS Mix
- Expand & Optimize Commercial Organization
- Improve Turnaround Times

## Accelerate Advanced Diagnostics



- Launch New Innovative Products
  - RaDaR (MRD)
  - Neo Comprehensive (NGS)
- Continue to Improve Pharma Growth & Profitability
- Focus on Enterprise Data Strategy

## Drive Value Creation



- Increase Productivity & Efficiency
- Manage G&A Spend; Re-Invest in Strategic initiatives
- Enhance Automation & Digital Implementation
- Drive Revenue Cycle Management

# Strong Q1 Execution Against 2023 Priorities



## Profitably Grow the Core Business

- Strong Clinical volumes across all modalities, including NGS
- Strong growth in revenue per test
- Clinical salesforce expansion and optimization is ongoing
- Q1 set record for highest volume of testing per quarter in Company history



## Accelerate Advanced Diagnostics

- Launched RaDaR (MRD) in four indications
- Expanded NGS portfolio offering with three new tests
- Completed MolDx submission for RaDaR in Breast cancer; two additional indications by year-end
- Completed Pharma & Informatics salesforce buildout



## Drive Value Creation

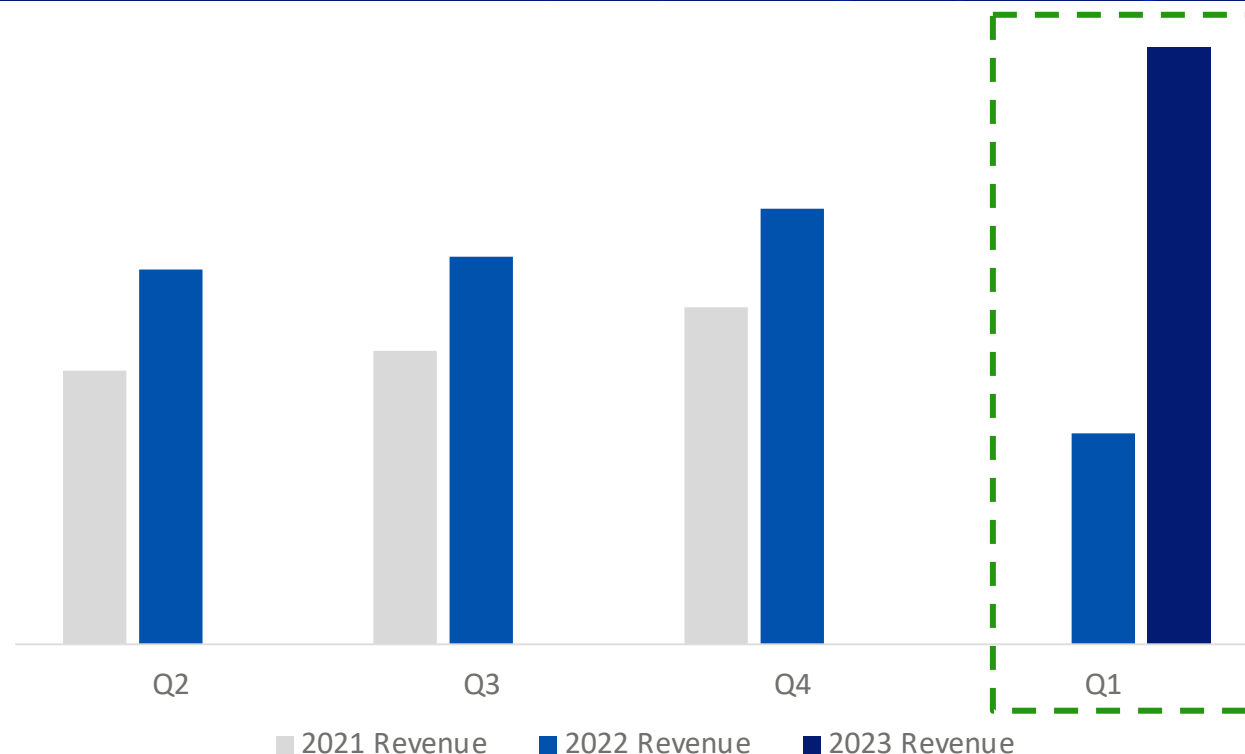
- 17% improvement in turnaround time while processing significant increase in test volume
- Digital transformation is underway
- Generated significant operating leverage converting 59% of revenue growth to AEBITDA

# First Quarter 2023 Financial Results



# 1st Quarter Clinical Services Results

- Revenue Grew 16.3% to \$114.9M
- Revenue per Test Improved 8.4% Due to Mix and Pricing
- Volume Increased 7.3%
- Beginning to See the Benefits of Investments Made in Field Resources in 2022

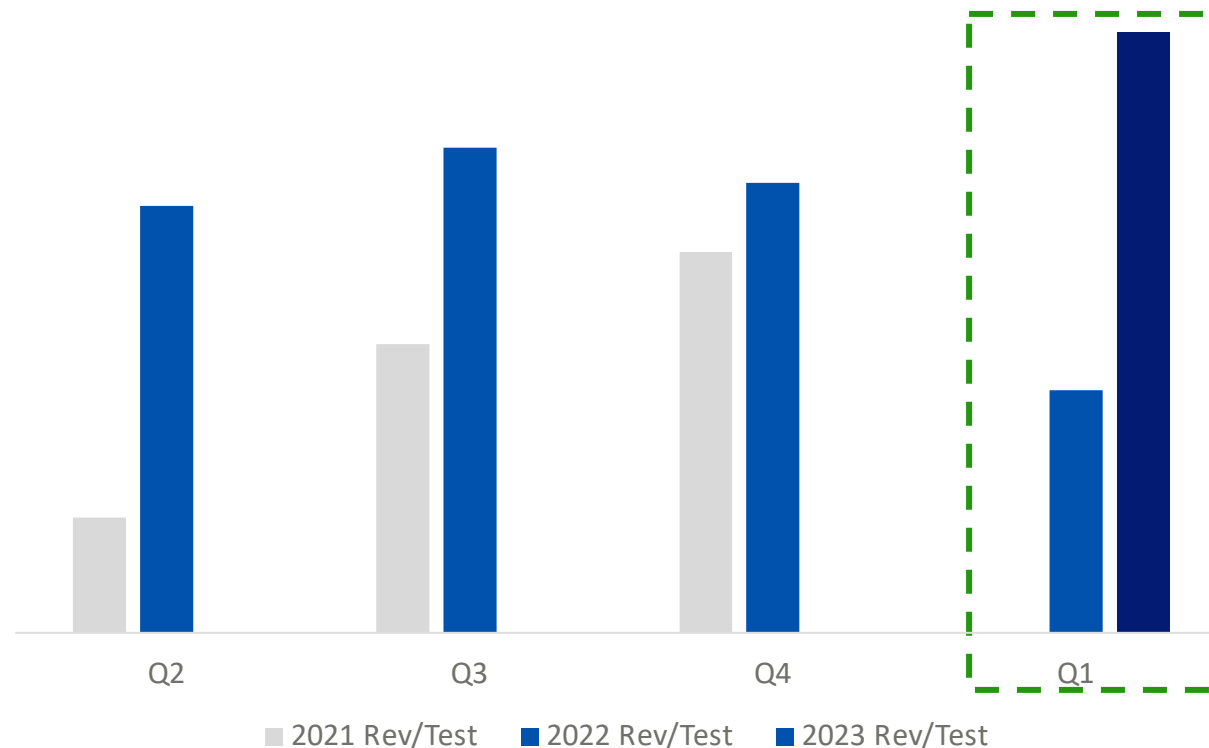


\$Millions	Revenue			
	Q2	Q3	Q4	Q1
2021 Revenue*	\$101.4	\$102.2	\$104.1	-
2022 Revenue	\$105.6	\$106.2	\$108.2	\$98.8
2023 Revenue	-	-	-	\$114.9
Growth %	4%	4%	4%	16%

\*2021 revenue excludes COVID-19

# 1st Quarter Clinical Services Revenue per Test

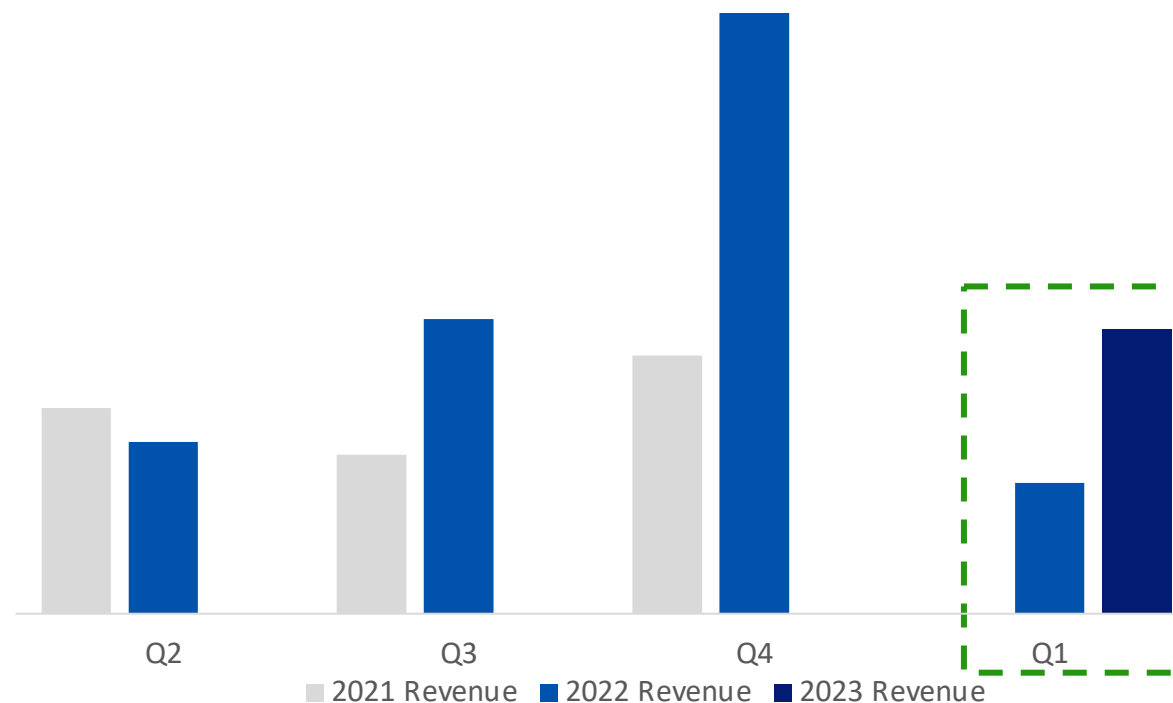
- 8<sup>th</sup> Consecutive Quarter of Revenue per Test Growth
- Revenue per Test Increased 8% over Prior Year to \$402
- Focused on Higher-Value Tests
- Positive Contributions from Strategic Reimbursement Initiatives



Revenue per Test				
\$Dollars	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
2021 Rev/Test	\$360	\$375	\$383	-
2022 Rev/Test	\$387	\$392	\$389	\$371
2023 Rev/Test	-	-	-	\$402
Growth %	7%	5%	2%	8%

# 1<sup>st</sup> Quarter Pharma Services Results

- Continued Strong Revenue Growth of 22% to \$22M
- Gross Margin Improved 620 bps, representing the Third Consecutive Quarter of 500 bps+ of Improvement
- Continuing to Build Momentum with RaDaR (MRD) Pipeline



Revenue				
\$Millions	Q2	Q3	Q4	Q1
2021 Revenue	\$20.3	\$19.1	\$21.7	-
2022 Revenue	\$19.4	\$22.6	\$30.5	\$18.4
2023 Revenue	-	-	-	\$22.4
Growth %	-4%	18%	41%	22%

# 1<sup>st</sup> Quarter Income Statement

Income Statement In \$Millions	1Q23	%vPY
Clinical Services	114.9	16.3%
Pharma Services	22.4	21.6%
<b>Total Net Revenue</b>	<b>137.2</b>	<b>17.1%</b>
Cost of Revenue	82.4	4.4%
<b>Adjusted Gross Profit</b>	<b>59.7</b>	<b>38.5%</b>
Gross Margin (excl. Amort.)	43.5%	671bps
Sales & Marketing	16.3	-0.2%
as % of Revenue	11.8%	-206 bps
General & Administrative	61.5	-7.1%
as % of Revenue	44.9%	-1169 bps
Research & Development	7.4	-4.1%
as % of Revenue	5.4%	-119 bps
Restructuring Charges	4.7	100.0%
<b>Total Operating Expenses</b>	<b>89.9</b>	<b>-0.4%</b>
Loss From Operations	-35.1	32.6%
<b>Net Income/Loss</b>	<b>-30.8</b>	<b>37.7%</b>
Deprec. and Amort.	17.8	5.6%
Interest/Taxes and Adjustments	5.8	-56.7%
<b>Adjusted EBITDA</b>	<b>-7.1</b>	<b>62.6%</b>
as % of Revenue	-5.2%	1104 bps

## YoY Improvement in Revenue Growth, Gross Margin and Adjusted EBITDA

- **Revenue:** Highest Revenue Growth by Quarter Since Q2 of 2021. Drivers are increases in revenue per test, volume and Pharma Services revenue.
- **Adjusted Gross Profit:** Increased by 38.5% over prior year due to higher revenue driven by volume and pricing per test reductions in cost per test
- **Operating Expenses.** Declined 0.4% primarily driven by lower compensation costs.
- **Adjusted EBITDA.** Improved \$12 million versus prior year due to improvement in gross profit and lower operating expenses.

# 1<sup>st</sup> Quarter Balance Sheet

Balance Sheet In \$Millions	Mar-23	Dec-22
Cash and cash equivalents	275.6	263.2
Marketable securities, at fair value	142.3	174.8
Accounts receivable, net	118.8	119.7
Inventories	24.4	24.3
Prepaid assets	16.2	15.2
Other current assets	7.6	8.1
<b>Total current assets</b>	<b>585.0</b>	<b>605.3</b>
Property and equipment, net	102.8	102.5
Operating lease right-of-use assets	93.8	96.1
Intangible assets, net	399.5	408.3
Goodwill	522.8	522.8
Other assets	5.3	5.1
<b>Total non-current assets</b>	<b>1,124.2</b>	<b>1,134.7</b>
<b>Total Assets</b>	<b>1,709.2</b>	<b>1,740.0</b>
Accounts payable and other current liabilities	79.6	83.3
Current portion of equipment financing obligations	0.0	0.1
Current portion of operating lease liabilities	6.9	6.6
<b>Total current liabilities</b>	<b>86.6</b>	<b>89.9</b>
Convertible senior notes, net	536.0	535.3
Operating lease liabilities	67.3	69.0
Deferred income tax liabilities, net	31.7	34.8
Other long-term liabilities	13.0	13.1
<b>Total long-term liabilities</b>	<b>648.1</b>	<b>652.1</b>
<b>Total Liabilities</b>	<b>734.7</b>	<b>742.0</b>
<b>Total stockholders' equity</b>	<b>974.5</b>	<b>998.0</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>1,709.2</b>	<b>1,740.0</b>

- **Cash and Marketable Securities: \$418 million**
- **Cash Burn: \$20 million**
- **Financial Flexibility to Make Needed Investments to Drive Long-Term Sustainable Growth**





# Revised 2023 Guidance

# FY 2023 Expectations as of May 8, 2023

- Focusing on Long-term, Sustainable Revenue Growth
- Adjusted EBITDA Growth Exceeds Revenue Growth Due to Improving Gross Profit and Operating Leverage
- Continue to Invest in the Business and Our People
- Expect to Achieve Positive Adjusted EBITDA in 4<sup>th</sup> Quarter of 2023

**9% – 11% Revenue Growth**

**FY: \$555 – \$565 Million**

Up from \$545 - \$555 Million

**54% – 63% Adjusted EBITDA Growth**

**FY: (\$22) to (\$18) Million**

Up from (\$27) – (\$22) Million

# Summary

- Q1 strong revenue growth at 17% and improved AEBITDA growth of 63% vs PY
- Four new product launches expand portfolio offering
- Key strategic initiatives gaining traction leading to positive financial performance
- Raising FY23 revenue guidance to 9-11% revenue growth and AEBITDA guidance to 54-63% growth
  - \$555--\$565 million and (\$22)--(\$18) million, respectively



Serving Patients.  
Saving Lives.





# Appendix



# Balance Sheet

## March 31, 2023

(unaudited, in thousands)

	(unaudited) March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 275,609	\$ 263,180
Marketable securities, at fair value	142,306	174,809
Accounts receivable, net	118,842	119,711
Inventories	24,432	24,277
Prepaid assets	16,185	15,237
Other current assets	7,622	8,077
Total current assets	584,996	605,291
Property and equipment, net	102,845	102,499
Operating lease right-of-use assets	93,784	96,109
Intangible assets, net	399,477	408,260
Goodwill	522,766	522,766
Other assets	5,306	5,109
Total non-current assets	1,124,178	1,134,743
Total assets	\$ 1,709,174	\$ 1,740,034
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and other current liabilities	\$ 79,634	\$ 83,278
Current portion of equipment financing obligations	38	70
Current portion of operating lease liabilities	6,934	6,584
Total current liabilities	86,606	89,932
<b>Long-term liabilities</b>		
Convertible senior notes, net	536,037	535,322
Operating lease liabilities	67,319	68,952
Deferred income tax liabilities, net	31,715	34,750
Other long-term liabilities	13,035	13,055
Total long-term liabilities	648,106	652,079
Total liabilities	\$ 734,712	\$ 742,011
<b>Stockholders' equity</b>		
Total stockholders' equity	\$ 974,462	\$ 998,023
Total liabilities and stockholders' equity	\$ 1,709,174	\$ 1,740,034

# Income Statement, March 31, 2023

(unaudited, in thousands)

	Three Months Ended March 31,	
	2023	2022
<b>NET REVENUE</b>		
Clinical Services	\$ 114,869	\$ 98,791
Pharma Services	22,351	18,378
Total net revenue	137,220	117,169
<b>COST OF REVENUE</b>	82,406	78,937
<b>GROSS PROFIT</b>	54,814	38,232
Operating expenses:		
General and administrative	61,549	66,248
Research and development	7,395	7,713
Sales and marketing	16,259	16,299
Restructuring charges	4,684	—
Total operating expenses	89,887	90,260
<b>LOSS FROM OPERATIONS</b>	(35,073)	(52,028)
Interest (income) expense, net	(1,467)	1,301
Other expense (income), net	114	(168)
Loss before taxes	(33,720)	(53,161)
Income tax benefit	(2,925)	(3,753)
<b>NET LOSS</b>	<u>\$ (30,795)</u>	<u>\$ (49,408)</u>
<b>NET LOSS PER SHARE</b>		
Basic	\$ (0.25)	\$ (0.40)
Diluted	\$ (0.25)	\$ (0.40)
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	125,026	123,630
Diluted	125,026	123,630

# Statements of Cash Flows, March 31, 2023

(unaudited, in thousands)

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (30,795)	\$ (49,408)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	9,048	8,395
Amortization of intangibles	8,783	8,490
Non-cash stock-based compensation	4,758	12,103
Non-cash operating lease expense	2,330	2,653
Amortization of convertible debt discount and debt issue costs	715	706
Gain on sale of assets held for sale	—	(2,048)
Impairment of assets	923	—
Other adjustments	(31)	1,126
Changes in assets and liabilities, net	(8,423)	(11,057)
Net cash used in operating activities	(12,692)	(29,040)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of marketable securities	(6,756)	(16,167)
Proceeds from sales and maturities of marketable securities	40,425	36,438
Purchases of property and equipment	(9,927)	(8,219)
Net cash provided by investing activities	23,742	12,052
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of equipment financing obligations	(32)	(346)
Issuance of common stock, net	1,411	6,403
Net cash provided by financing activities	1,379	6,057
Net change in cash and cash equivalents	12,429	(10,931)
Cash and cash equivalents, beginning of period	263,180	316,827
Cash and cash equivalents, end of period	\$ 275,609	\$ 305,896

# Adjusted Gross Margin, March 31, 2023

(unaudited, in thousands)

	Three Months Ended March 31,		
	2023	2022	% Change
<b>Clinical Services:</b>			
Total revenue (GAAP)	\$ 114,869	\$ 98,791	16.3 %
<b>Cost of revenue (GAAP)</b>	\$ 67,292	\$ 65,267	3.1 %
Adjustments to cost of revenue <sup>(5)</sup>	(4,264)	(4,264)	
<b>Adjusted cost of revenue (non-GAAP)</b>	<u>\$ 63,028</u>	<u>\$ 61,003</u>	3.3 %
<b>Gross profit (GAAP)</b>	\$ 47,577	\$ 33,524	41.9 %
<b>Adjusted gross profit (non-GAAP)</b>	\$ 51,841	\$ 37,788	37.2 %
<b>Gross profit margin (GAAP)</b>	41.4 %	33.9 %	
<b>Adjusted gross profit margin (non-GAAP)</b>	45.1 %	38.3 %	
<b>Pharma Services:</b>			
Total revenue (GAAP)	\$ 22,351	\$ 18,378	21.6 %
<b>Cost of revenue (GAAP)</b>	\$ 15,114	\$ 13,670	10.6 %
Adjustments to cost of revenue <sup>(6)</sup>	(589)	(589)	
<b>Adjusted cost of revenue (non-GAAP)</b>	<u>\$ 14,525</u>	<u>\$ 13,081</u>	11.0 %
<b>Gross profit (GAAP)</b>	\$ 7,237	\$ 4,708	53.7 %
<b>Adjusted gross profit (non-GAAP)</b>	\$ 7,826	\$ 5,297	47.7 %
<b>Gross profit margin (GAAP)</b>	32.4 %	25.6 %	
<b>Adjusted gross profit margin (non-GAAP)</b>	35.0 %	28.8 %	
<b>Consolidated:</b>			
Total revenue (GAAP)	\$ 137,220	\$ 117,169	17.1 %
<b>Cost of revenue (GAAP)</b>	\$ 82,406	\$ 78,937	4.4 %
Adjustments to cost of revenue <sup>(5)(6)</sup>	(4,853)	(4,853)	
<b>Adjusted cost of revenue (non-GAAP)</b>	<u>\$ 77,553</u>	<u>\$ 74,084</u>	4.7 %
<b>Gross profit (GAAP)</b>	\$ 54,814	\$ 38,232	43.4 %
<b>Adjusted gross profit (non-GAAP)</b>	\$ 59,667	\$ 43,085	38.5 %
<b>Gross profit margin (GAAP)</b>	39.9 %	32.6 %	
<b>Adjusted gross profit margin (non-GAAP)</b>	43.5 %	36.8 %	

<sup>(5)</sup> Clinical Services cost of revenue adjustments for both the three months ended March 31, 2023 and 2022 includes \$4.3 million of amortization of acquired Inivata developed technology intangible assets.

<sup>(6)</sup> Pharma Services cost of revenue adjustments for both the three months ended March 31, 2023 and 2022 include \$0.6 million of amortization of acquired Inivata developed technology intangible assets.

# Adjusted EBITDA, March 31, 2023

(unaudited, in thousands)

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<b>Net loss (GAAP)</b>	\$ (30,795)	\$ (49,408)
<i>Adjustments to net loss:</i>		
Interest (income) expense, net	(1,467)	1,301
Income tax benefit	(2,925)	(3,753)
Depreciation	9,048	8,395
Amortization of intangibles	8,783	8,490
<b>EBITDA (non-GAAP)</b>	\$ (17,356)	\$ (34,975)
<i>Further adjustments to EBITDA:</i>		
Acquisition and integration related expenses	—	1,030
Non-cash stock-based compensation expense	4,758	12,103
Restructuring charges	4,684	—
Other significant (income) expenses, net <sup>(4)</sup>	798	2,831
<b>Adjusted EBITDA (non-GAAP)</b>	<u>\$ (7,116)</u>	<u>\$ (19,011)</u>

<sup>(4)</sup> For the three months ended March 31, 2023, other significant (income) expenses, net, includes CEO transition costs, fees related to a regulatory matter, and other non-recurring items. For the three months ended March 31, 2022, other significant (income) expenses, net, includes a gain on the sale of a building, fees related to the regulatory matter, CEO transition costs, and other non-recurring items.



# Adjusted EBITDA, 2023 Guidance

(unaudited, in thousands)

GAAP net loss in 2023 will be impacted by certain charges, including: (i) expense related to the amortization of intangible assets, (ii) non-cash stock based compensation, (iii) restructuring charges and (iv) other one-time expenses. These charges have been included in GAAP net loss available to stockholders and GAAP net loss per share; however, they have been removed from adjusted net loss and adjusted diluted net loss per share.

The following table reconciles the Company's 2023 outlook for net loss and EPS to the corresponding non-GAAP measures of adjusted net loss, adjusted EBITDA, and adjusted diluted EPS:

	Year Ended December 31, 2023	
	Low Range	High Range
<b>Net loss (GAAP)</b>	\$ (116,000)	\$ (108,000)
Amortization of intangibles	35,000	35,000
Non-cash stock-based compensation	27,000	26,000
Restructuring charges	7,000	7,000
Other one-time expenses	1,000	1,000
<b>Adjusted net loss (non-GAAP)</b>	(46,000)	(39,000)
Interest and taxes	(13,000)	(15,000)
Depreciation	37,000	36,000
<b>Adjusted EBITDA (non-GAAP)</b>	<u>\$ (22,000)</u>	<u>\$ (18,000)</u>
<b>Net loss per diluted share (GAAP)</b>	\$ (0.91)	\$ (0.84)
<i>Adjustments to net loss per diluted share:</i>		
Amortization of intangibles	0.27	0.27
Non-cash stock-based compensation expenses	0.21	0.20
Restructuring charges	0.05	0.05
Other one-time expenses	0.01	0.01
Rounding and impact of diluted shares in adjusted diluted shares <sup>(11)</sup>	0.01	0.01
<b>Adjusted diluted EPS<sup>(12)</sup> (non-GAAP)</b>	<u>\$ (0.36)</u>	<u>\$ (0.30)</u>
<b>Weighted average assumed shares outstanding in 2023:</b>		
Diluted shares (GAAP)	128,000	128,000
Options, restricted stock, and converted shares not included in diluted shares <sup>(12)</sup>	—	—
<b>Adjusted diluted shares outstanding (non-GAAP)</b>	<u>128,000</u>	<u>128,000</u>

<sup>(11)</sup> This adjustment is for rounding and, in those periods in which GAAP net (loss) income is negative and adjusted net (loss) income is positive, also compensates for the effects of additional diluted shares included in adjusted diluted shares outstanding for the treasury stock impact of outstanding stock options and restricted stock and the if-converted impact of convertible notes.

<sup>(12)</sup> For those periods in which GAAP net (loss) income is negative and adjusted net (loss) income is positive, this adjustment includes any options or restricted stock that would be outstanding as dilutive instruments using the treasury stock method and the weighted average number of shares that would be outstanding if the convertible notes were converted into common stock on the original issue date based on the number of days such shares would have been outstanding in the reporting period, until the effect of these adjustments are anti-dilutive.