# NeoGenomics 3Q22 Earnings Call

## Client Presentation

(DESCRIPTION)
Text, Neogenomics Third Quarter 2022 Earnings Call. Logo, NEOGenomics. Saving lives by improving patient care. Title, 3rd Quarter 2022 Earning Results. November 8, 2022. Photo, a woman looks through a microscope.

(SPEECH)
[Moderator] Good morning, ladies and gentlemen. And welcome to the NeoGenomics Third Quarter 2022 Earnings Call. At this time, all participants have been placed on a list only mode, and the floor will be open for questions and comments after the presentation. It is now my pleasure to turn the floor over to your host, Mr Chris Smith, CEO of NeoGenomics. Chris, the floor is yours.

[Chris Smith] Thanks, Jenny. And good morning, everyone. I'd like to welcome you to the NeoGenomics Third Quarter 2022 Conference Call. Joining me for this call from our Fort Myers headquarters are Bill Bonello, our chief financial officer, Vishal Sikri, President of pharma service division and Inivata, and Dr. Shashi Kulkarni, President of lab operations and our chief scientific officer. Before we begin our prepared remarks, Bill will discuss the forward looking statements and the Non-GAAP measures used on this call. Bill.

(DESCRIPTION)
Forward looking statement: This presentation has been prepared by Neogenomics, Inc. ("we," "us," "our," "Neogenomics" or the "Company") and is made for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy securities, nor shall there be any sale of any securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. The information set forth herein does not purport to be complete or to contain all of the information you may desire. Statements contained herein are made as of the date of this presentation unless stated otherwise, and neither this presentation, nor any sale of securities, shall under any circumstances create an implication that the information contained herein is correct as of any time after such date or that information will be updated or revised to reflect information that subsequently becomes available or changes occurring after the date hereof. This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 relating to business, operations, and financial conditions of the Company. Words such as, but not limited to, "look forward to," "believe," "expect," "anticipate," "estimate," "intend," "plan," "would," "should" and "could," and similar expressions or words, identify forward-looking statements. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its expectations will be realized. Actual results could differ materially from those projected in the Company's forward-looking statements due to numerous known and unknown risks and uncertainties. All forward-looking statements speak only as of the date of this presentation and are qualified in their entirety by this cautionary statement. The Company

undertakes no obligation to revise or update this presentation to reflect events or circumstances after the date hereof. Non-G A A P Adjusted EBITDA "Adjusted EBITDA" is defined by Neogenomics as net income from continuing operations before: (1) interest expense, (2) tax expense, (3) depreciation and amortization expense, (4) non-cash stock-based compensation expense, and, if applicable in a reporting period, (5) acquisition and integration related expenses, (6) non-cash impairments of intangible assets, (7) and other significant non-recurring or non-operating (income) or expenses, including any debt financing costs. Logo, Neogenomics.

(SPEECH)
[Bill Bonello] This conference call includes forward looking statements about our 2022 initiatives, 2022 financial outlook, growth opportunities, and anticipated operating results and performance. Each forward looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those projected in such statements.

Additional information regarding these risk factors appears under the heading, "Forward Looking Statements" in the press release we issued this morning, and in the risk factors section in our annual report on Form 10-k for the year ended December 31, 2021 that is filed with the Securities and Exchange Commission.

The forward looking statements made during this call speak only as of the original date of the call, and we undertake no obligation to update or revise any of these statements. In addition, during this conference call, in order to provide greater transparency regarding our operating performance, we refer to certain Non-GAAP financial measures that involve adjustments to GAAP results.

The Non-GAAP financial measures presented should not be considered to be an alternative to financial measures required by GAAP, should not be considered measures of liquidity, and are unlikely to be comparable to Non-GAAP financial measures provided by other companies. Any Non-GAAP financial measures referenced on this call are reconciled to the most directly comparable GAAP financial measure in a table available in the press release, we issued this morning.

Before turning the call back to Chris, I want to let everyone know that a copy of our earnings presentation is available on the Investor Relations section of our website. We also want to let everyone know that we are going to limit the number of questions to one per person in order to give more people a chance to ask questions within the one hour that has been allotted for this call.

(DESCRIPTION)
Slide photo, An older woman hugs a younger woman who wears a beanie. They both smile. Text, 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.

(SPEECH)

[Chris Smith] Thank you, Bill. As you look at the first slide, one thing you'll begin to see in all of our presentations is that we'll talk directly about the mission and the number of patients that we're able to impact on a daily basis. And I'm really excited about joining you for my first earnings call with this great team at NeoGenomics.

Today's call, I will begin by discussing our recent performance. Bill will then review our third quarter financials in detail before turning it back to me to provide some initial observations for my first three months with the company on the current state of the business and highlight some of the actions we're already taking to drive improvements. We will then have time at the end for questions and answers.

(DESCRIPTION)
Text, Weathering hurricane Ian. There for each other, there for our teams, there for our patients. A montage of four photos show debris covering the ground in a neighborhood, a table stacked with supplies, a man putting gas in a car, and a line of people getting food from a buffet.

(SPEECH)
However, before we jump into our third quarter performance, I want to talk a little bit about our team. As most of you know, at the end of the quarter on September 28, Fort Myers, Florida, where our corporate headquarters and one of our testing labs is located, was severely impacted by Hurricane Ian, a strong category 4 storm.

And while I was only a few weeks into my role here at NEO, I was able to be part of a team from a response perspective and I couldn't be more proud of how we reacted. Our team was prepared and responded as well as I could have hoped, coming together to ensure that patient care disruption was very minimal, but there were also there for each other. Some of our employees were significantly affected by the storm.

And one of the reasons I was so excited to join NEO was the dedication to the mission of serving the patients and the culture of NeoGenomics that I've heard so much about. The team's response just-- team's response just reinforced my enthusiasm about the passion towards the patient care and the great opportunity that we have ahead of us. I want to thank everyone for their dedication during such a trying time.

(DESCRIPTION)
Text, Neogenomics 3rd Quarter 2022 Highlights. Revenue up 6% to $129 M. Adjusted gross profit $54 M, plus 3%. Revenue per test up 5% to $392, Adjusted EBITDA minus $12M, minus 271%. Small print: Financial information for 2022 are unaudited. Growth corresponds to prior period 2021. Reference non-GAAP reconciliation slides in Appendix for details.

(SPEECH)
Now let's move on to the third quarter performance. Third quarter results are encouraging. Revenue growth increased 6%, pricing was strong and increased 5%, adjusted gross margin improved

sequentially, and adjusted EBITDA loss declined for the second quarter in a row. We also saw meaningful improvements in turnaround time, a key indicator in our markets, where we have a lot of room for improvement. We are definitely moving in the right direction.

(DESCRIPTION)
Performance Improving. Estimated patients served year to date 450,000 plus. Tests ordered year to date 800,000 plus. Pharma partners 125 plus. Bar chart. First quarter 22, Revenue $117M, Adjusted GP $43M, AEBITDA minus $19M. Second quarter 22, Revenue $125M, Adjusted GP $49M, AEBITDA minus $16M. Third quarter 22, Revenue $129M, Adjusted GP $54M, AEBITDA minus $12M. Revenue growth rate 1st quarter 22, 1.4%, 2nd quarter, 2.8%, 3rd quarter, 6.1%. Adjusted gross profit margin 1st quarter 22, 36.8%, 2nd quarter, 39%, 3rd quarter, 41.7%.

(SPEECH)
We have seen consistent sequential improvement in all key categories throughout the year. As I mentioned, revenue increased 6% year on year to $129 million, driven by improvements in revenue per tests in our clinical business and high teams growth in our pharma service business. I'm especially pleased to report that we've already performed over 800,000 tests and have helped approximately 450,000 patients year to date.

(DESCRIPTION)
3rd Quarter clinical services results. Bar chart, Revenue, Thousands. 2021 revenue, excluding COVID-19, Quarter 1, 94,930, quarter 2, 101,405, quarter 3, 102,227. 2022 revenue, Quarter 1, 98,791, quarter 2, 105,635, quarter 3, 106,163. Growth percent, quarter 1, 4%, quarter 2, 4%, quarter 3, 4%,

(SPEECH)
As we move to the individual divisions, clinical service revenue increased 4%. Revenue per test increased 5% and volume declined 1%.

(DESCRIPTION)
Growth improved in September and October despite hurricane.

(SPEECH)
We did see an uptick in volume at the end of the quarter, which continued into October despite the impact from Hurricane Ian. And importantly, we saw better growth in our high margin modalities including NGS.

And as a reminder, as more and more customers move from multiple single gene tests to NGS panels, we will see a decline in volume, but a positive impact on our revenue.

(DESCRIPTION)
Growth in A U P Remains a Priority. Focus on higher-value tests. Positive contributions from strategic reimbursement initiatives. Offset by Medicare cuts. Bar chart, 2021 A U P vs 2022 A U P. , Quarter 1, plus

2% year over year growth, Quarter 2, plus 8% year over year growth, Quarter 3, plus 5% year over year growth,

(SPEECH)
Revenue per test increased year over year for the sixth consecutive quarter. This improvement has been driven by our strategic focus on higher value tests and improvements in reimbursement and collections.

While we are encouraged about the opportunities for revenue per test, I would remind everyone that it's not unusual to sometimes see volatility in this metric from quarter to quarter.

(DESCRIPTION)
3rd Quarter Pharma Services Results. Record revenue of $23 million, up 18%. Continuing to see strong demand. Building momentum with Radar pipeline. Beginning to shift focus to more profitable customers and projects. Bar chart, Revenue, Thousands. 2021 revenue, Quarter 1, 19,046, quarter 2, 20,318, quarter 3, 19,113. 2022 revenue, Quarter 1, 18,378, quarter 2, 19,437, quarter 3, 22,620. Growth percent, quarter 1, minus 4%, quarter 2, minus 4%, quarter 3, 18%.

(SPEECH)
Pharma services, which is our business that focuses on pharmaceutical company and our partners. That revenue grew 18% driven by strong NGS volume from our large pharma partners.

While we are encouraged by this improvement, pharmacy services is still not performing at the profit level we expect and we are pursuing initiatives to improve profitability and drive innovation in this business. I will discuss these initiatives in greater detail later in the presentation. I will now turn the call over to Bill who will review quarter three financials in greater detail.

(DESCRIPTION)
3rd Quarter Income Statement. Chart, Income Statement in Millions. Chart highlights, Total Revenue Actual, 128.8, Percent v p y, 6.1%, Total Operating Expenses Actual, 88.4, percent v p y, 1.7%, Operating Profit (39.5), -0.5%, Net Income (36.9), -81.1% Adjusted EBITDA (11.6), -271.3%, As a % of Revenue: Adjusted Gross Profit, 41.7%, -117 bps, Adjusted EBITDA -9.0%, -641 bps. Asterisk type for Interest, taxes and adjustments. Q3 of 2021 includes a $17.8M gain on investment in and loan receivable from non-consolidated affiliate, offset by a $10.3M loss contingency for a regulatory matter. There were no such items for Q3 of 2022. Text, Sequential improvement in revenue growth, gross margin and adjusted EBITDA. Revenue, Improving growth despite impact of Hurricane Ian. Drivers are increases in revenue per test and Pharma Services revenue offset by modest declines in Clinical test volume. Adjusted Gross Profit, Sequential improvement driven by both improvements in revenue per test and reductions in cost per test. Year-over-year decline driven by wage and supply cost inflation. Operating Expenses, Year-over-increase driven by expansion of precision medicine sales force. Sequential increase in G&A due to one-time CEO transition expense and asset disposal. Adjusted EBITDA, Improved $5 million sequentially due to improvement in gross margin. Small print: Financial information for 2022 are

unaudited. Growth corresponds to prior period 2021. Reference non-GAAP reconciliation slides in Appendix for details.

(SPEECH)
[Bill Bonello] Thank you, Chris. Chris focused on the revenue results I will highlight on the rest of the income statement. GAAP gross margin was 38%. Adjusted gross margin, which excludes Inivata related non-cash amortization expense, was 41.7%. Adjusted gross margin declined 120 basis points from the third quarter of last year primarily due to wage inflation, higher supply costs, and increasing logistics costs.

Adjusted gross margin improved 270 basis points sequentially, driven by the combination of increases in clinical revenue per test and decreases in clinical cost per test along with leverage on increased pharma services revenue. We're encouraged by the steady sequential improvement in gross margin and see opportunity for continued improvement over time.

In addition to the revenue and cost saving opportunities that we've identified through project catalysts, we also expect to benefit from improvements in revenue cycle management and continued mix shift to more profitable offerings, a strategic reimbursement-- excuse me, and a strategic repositioning of our pharma services business, and the opportunity for RaDaR revenue.

Sales and marketing expense increased $1 million, or 7% year over year, to $17 million, primarily due to the expansion of our precision medicine sales team. G&A expense increased $400,000, or 1% year over year, to $64 million, primarily due to inflation. The sequential increase in G&A expense is primarily related to non-recurring costs associated with Project Catalyst.

Reducing G&A expense is a major area of focus for the company. We've already initiated a number of cost saving programs and expect to take additional actions in the months to come. Chris will talk about some of these initiatives later in the call. Adjusted EBITDA loss was $12 million for the quarter, which is a $5 million improvement from Q2, but an $8 million greater loss than Q3 of last year. Turning to the balance sheet.

(DESCRIPTION)
3rd Quarter Balance Sheet Text, Cash and Marketable Securities, $444 million of cash and marketable securities. DSO, 80 days, consistent with normalized range. PPE, declined $4.3 million from Q2 due in part to write off of obsolete lab equipment. Chart highlights, Balance Sheet in Millions, September 2022 and June 2022. Total current assets, 603.4, 622.3, Total non-current assets, 1,152.2, 1,169.9. Total Assets, 1,755.6, 1,792.1. Total current liabilities, 85, 82.7. Total long-term liabilities, 657.6, 655.9. Total liabilities, 742.6, 748.6. Total stockholders' equity, 1,013, 1,045.3. Total liabilities and stockholders' equity, 1,755.6, 1,792.2.

(SPEECH)

We exited quarter three with $444 million in cash and marketable securities. DSOs were flat sequentially at 80 days, consistent with our normalized range.

(DESCRIPTION)
2022 Financial Outlook.

(SPEECH)
I would like to spend a little time discussing our outlook for the fourth quarter. As a reminder, we withdrew our 2022 revenue and EBITDA guidance in March in conjunction with the departure of our previous CEO. But we did provide some guardrails on our Q1 and Q2 calls and we'll do so again today.

We expect revenue to be flat to up modestly on a sequential basis in Q4, and up modestly year over year for both the quarter and the full year. We expect adjusted EBITDA to improve modestly from Q3 levels. We continue to view 2022 as a rebuilding year, where our primary focus is to improve our current product offering, drive operational efficiency, generate clinical evidence in support of RaDaR, and lay a foundation for long term sustainable, profitable, growth.

We expect to incur certain one time charges as we make investments to drive improvements in both growth and profitability longer term. We intend to reinstate annual guidance and provide a more detailed review of our strategy and growth outlook when we report Q4 earnings in February. I will now turn the call back to Chris.

(DESCRIPTION)
Clinical Services, oncology, diagnostics, Trapelo clinical, decisions support. Leading oncology diagnostic lab market share for oncologists, pathologists and hospitals. Comprehensive oncology test menu including all major testing modalities. A longstanding reputation for service and quality. Precision oncology, MRD, liquid biopsy, comprehensive genomic profiling. World-leading liquid biopsy expertise with highly innovative R&D and commitment to validation and real-world utility. MRD innovation engine. Next generation sequencing. Whole-exome and transcriptome sequencing. Pharma Services Global Division. Leading provider of oncology-focused research & clinical trials services. Comprehensive support from discovery. And translational research through FDA Filing, approval and launch. Global footprint (US, Europe, APAC). Informatics Division. Formed in 2020 to utilize clinical testing data to address real-world problems. One of the largest cancer-testing databases, covering the complete spectrum of oncology.

(SPEECH)
[Chris Smith] Thanks, Bill. We'll turn to slide 13. Since joining the company in mid-august, I've spent the past 2 and 1/2 months meeting with customers, patients, and teammates, both in the field and in our labs to gain deeper understanding of our business. After 2 and 1/2 months, I truly do believe that NeoGenomics can be the leading provider of cancer testing, information, and decision support. In a sense, owning the category in oncology testing.

I especially see this in community settings where the vast majority of care occurs and where we already are the market leader. We have a strong foundation in the market having established deep and long standing relationships with thousands of community, pathologists, and oncologists, many of whom send us the vast majority of their testing.

The breadth of our test menu is still a competitive advantage, even with the proliferation of large NGS panels. But the connection with our customers runs much deeper than our test offering. These physicians see NEO as a true partner in delivering care to their patients. Our teammates are deeply committed to our mission of improving patient care and that commitment matters to our customers.

We've also built a solid foundation to service biopharma companies, with offerings that cover the continuum of pharma activity from discovery and translation medicine all the way through commercialization. With the expansion of our precision oncology, decision support, and informatics capabilities, we are very well positioned for the next phase in our journey.

(DESCRIPTION)
Strategic Priorities. Focus on Execution. Enhance Customer Experience. Improve Profitability,

(SPEECH)
That said, there is no doubt that we need to significantly improve execution. I believe that we've had some of the elements of an effective strategy in place for years, but we simply have not executed on those initiatives. From a customer facing standpoint, we need to enhance the customer experience and win on service.

This includes reducing turnaround time, making it easier to do business with us, expanding and optimizing our field and sales organization, while improving our product offering. I'm confident that when we do these things, we'll start to accelerate growth, move more market share, increase our volume growth, and ultimately improve profitability.

From a financial perspective, we need to increase the productivity and efficiency of our labs. We need to begin to tightly manage our SG&A spend and focus investment on the chosen few and not try to be all things to all people. And finally, we need to get paid for the work that we're doing, which means that we need to significantly increase our focus on revenue cycle management.

I spent the first 60 to 90 days learning the business, including our strengths and areas where we need improvement. And over the next 60 to 90 days with the team, we will finalize our strategic direction for the business going forward. In the short time that I've been with the company, several people, including teammates and investors, have asked, will we focus on revenue growth in lieu of profits or sacrifice growth to drive profitability? Candidly, I believe we need to and that we can do both.

From the get go, we will target building sustainable long term profitable growth. As we do this, we will balance our focus between efforts to drive operational efficiency and investments to drive innovation and

growth. We will state clear priorities of which opportunities to pursue, and importantly, not to pursue, and then ultimately, we'll focus the entire organization on execution.

(DESCRIPTION)
Project Catalyst. Lab Optimization, Implement best practices throughout our modalities and locations through standardized processes and policies. People & Capabilities, Align organization structure to best support long-term goals. Competitive Growth, Drive profitable growth across all divisions. Establish NGS Center of Excellence and launch competitive offering. Insights & Analytics, Establish targets and tracking values of work stream. Build foundation for continuous margin improvement. One company, one culture, one vision. Patient focus in all we do.

(SPEECH)
Moving to slide 5. While we need to execute better, we are pointing in the right direction with Project Catalyst, which is really all about execution and driving efficiency. This program has been a framework for identifying, prioritizing, and executing operational improvements and will become the foundation for our annual value capture movement going forward.

Let me tell you about some of the actions that we're taking part in project catalysts to improve customer experience, accelerate growth, and drive profit. One of the key areas of focus has been on lab optimization. We've deployed deep neural network or DNN technology to automate cytogenetics analysis with over 40% efficiency gains.

We've also deployed automation platforms, for FISH and molecular, that will deliver major improvements in the lab throughput. We're developing a digital pathology solution for NGS that will improve specimen flow and improve turnaround time. And we also are working to rationalize our lab footprint to enhance workflow, achieve economies of scale, and create testing centers of excellence.

We've already begun to see improvements in both turnaround time and cost per test throughout the quarter as these initiatives are taking hold. But there's definitely still opportunity for improvement. As perfectly competitive growth pillar, we have established an enhanced revenue cycle management program to further improve revenue per test, improve billing practices, and enhance strategic reimbursement.

Revenue cycle management will be a focus area in Q4 and a top priority in 2023. We're also continuing with efforts to improve both our product mix and our client experience. We're currently validating an improved NGF panel that will cover approximately 500 genes, include both DNA and RNA, and report MSI, TNB, and CNBs. We expect this new assay to have significantly better turnaround time than our current panels.

We have additional initiatives underway in all the pillars and we will update you on these activities as they continue to occur, and then more around our strategic direction on our Q4 earnings call next year.

(DESCRIPTION)
Neogenomics Radar Update. Initiating Additional Studies in CRC to Meet MoI DX Requirements. Commercial Launch for Breast Cancer and CRC Targeted for Q1. Accelerating Breast Launch Given Strength of Published Clinical Data. "CHIRP" study in late adjuvant HR+ H E R 2 breast cancer. Published in Journal of Clinical Oncology. Oral presentation at ASCO 2022. "ChemoNEAR" study in early-stage breast cancer. Additional datasets to be presented at S A B C S 2022. Commercial Team Trained and Ready to Launch. Initial Focus on Commercial and Private Pay. Photo, groups of people gather around the Neogenomics booth at Radar. Caption, Positive feedback from oncologists and pharma partners. Logo, Radar, Residual Disease and Occurrence.

(SPEECH)
Moving to slide 16, I want to spend a minute on RaDaR. I'm also personally very excited about the prospects of RaDaR, a proprietary assay for detection of MRD and reoccurrence. And I want to talk just a bit about our plans to commercialize this test.

As we noted in our press release on October 28, we were informed by MolDX that additional clinical evidence is needed in order to secure Medicare coverage RaDar for colorectal cancer. As a result of our discussions with MolDX, we decided to initiate a multi-pronged approach in launching RaDaR. First, we will work with MolDX and begin additional data collections for colorectal cancer.

But second, because of the strength of our published clinical data in breast cancer, we have decided to accelerate our commercial launch of RaDaR for breast cancer into Q1 of next year, along with the launch of colorectal cancer. We already have a body of published clinical data, including peer reviewed study published in the Journal of Clinical Oncology and presented during the plenary session at ASCO this summer.

Our initial focus will be to continue to gather clinical data, but to gain early adopter experience, and generating evidence to support both reimbursement and adoption. Our managed care and our field organization team will work to secure payment from commercial payers and private pay patients while we continue to work closely with Medicare and other payers to gain coverage.

While we were disappointed in the decision from MolDX, we remain confident in the assays performance. We will expand our clinical research studies for colorectal as well as other cancers and remain incredibly confident in our ability to secure reimbursement from Medicare and other payers. But as a reminder, as we previously disclosed in these calls, we did not anticipate generating any meaningful clinical revenue from RaDaR until at least 2024.

(DESCRIPTION)
A row of icons with captions. Scientific leadership, precision oncology focus, innovative technologies, CDx capabilities, portfolio optimization, commercial excellence, footprint rationalization. Re-Imagining Pharma Services. Drive innovation, improve profitability, accelerate growth.

(SPEECH)
As we move to slide 20, I want to talk about reimagining our pharma service business. We are repositioning our pharma service business first, to improve profitability and drive innovation, and then to accelerate growth. Over the past couple of years, we have focused too heavily on bookings at the expense of being selective about the types of projects that we perform and the profitability of the business.

This transition is more about discipline than it is about capabilities, as we have most of the capabilities that we need to deliver high value projects. That said we need to sacrifice some near-term revenue growth as we work to improve our mix of business and enhance innovation partnerships with our pharma partners. We expect our pharma service business to be an important engine for ongoing innovation for the entire company.

And under Vishal and Shashi's leadership, we are building a product roadmap that will increase our presence in precision oncology and Fortis the opportunity to work closely with our clinical partners to enhance patient care in the community setting. Importantly, we will be strategic in our approach of innovation, focusing our investments only on the chosen few projects that have high potential to drive significant improvement in patient care.

We will also be mindful of the return on these investments consistent with our strategy of pursuing profitable growth. We expect that these initiatives will have meaningful impact on both revenue growth and profitability over time. While we do expect to drive improvements and margin, we may choose to reinvest some of these gains for future growth of the company.

(DESCRIPTION)
One Neo. Revenue growth improved to 6%. Sequential improvement in Gross Margin. Sequential improvement in AEBITDA. Building foundation for sustainable, profitable growth. Excited about 2023 and the future of the Company. Logo, Neogenomics, Serving Patients. Saving Lives. Photo, and older couple smiles.

(SPEECH)
In summary, we are pleased with the progress that we made this quarter and are confident that we are starting to move the company in the right direction. We still have a lot of heavy lifting in front of us, and we acknowledge that some of the improvements will take time. But we are laying a solid foundation. We look forward to providing more detailed plans when we report our fourth quarter earnings next year.

(DESCRIPTION)
A light blue ring on a dark blue background contains the text, One Lab. Vital Answers. Transforming care for cancer patients.

(SPEECH)

[Bill Bonello] At this point, we'd 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 Bill.bonello@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 and listeners.

As mentioned at the beginning of this call, we would like to ask each person to limit their questions to one 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.

## Audience Q&A

[Moderator] Thank you, Bill. Ladies and gentlemen, the floor is now open for questions. If you do have any questions or comments on the phone lines, please press star 1 on your phone handset. We ask that while posing your question, you please pick up your handset if you're listening on a speakerphone to provide optimum sound quality. Please hold whilst we poll for questions. Thank you. Your first question is coming from Alex Novak of Craig-Hallum Capital Group. Alex, your line is live.

[Audience] OK, great. Good morning, everyone. Chris, great to hear from you for the first time or night here. Look forward to working with you. A lot of questions to ask, but maybe this one for me is maybe expand on some of the internal changes you're making at NEO to the sales force.

Lately, there's been one team calling on pathologists, another team was ramping late last year to call on oncologist for the precision medicine function, though that plan has been halted. Now just there really hasn't been a hunter and gather structure at NEO either. So how are you thinking about the sales force now and also going after the four operating units that you outlined on page 13?

[Chris Smith] Yeah. Hey, thanks, Alex, for the question. And look, I think ultimately in our business, our field organization is one of our greatest assets. And as you probably know-- I mean, we have these deep relationships with pathologists that coupling lives on. But as we introduced RaDaR and I think as the industry pivoted to more precision medicine, a lot of that business, as you know, has moved to oncologists.

So the strategy, I think, to hire a separate sales force to call on the oncologist, which is in a different setting usually than the pathologists, I think was a great idea. I will say the one place that we have changed is we now have one leader of all of sales into our clinical customers. So we will not have two sales leaders, we'll run it through one leadership team, but we will have separate folks calling on them.

That being said, I think we probably have underestimated the breadth of our menu and the impact it can have on the oncologist as well. So that, historically, wasn't a call point. So whether it's things like NGS that we've had for a while or for a full menu, we think we're going to get more pull through from that group, rather than just the RaDaR product or NGS.

And so what you'll see now more is a partnership out in the marketplace with our two reps working hand in hand trying to provide the best possible coverage and the best possible care. I hope that answers your question.

[Audience] It does, yep. Thanks for the update.

[Chris Smith] Thank you.

[Moderator] Thank you very much. Your next question is coming from Andrew Brocklin of William Blair. Andrew, your line of live.

[Audience] Yeah. Hi, guys, good morning. Thanks for taking the questions. Obviously, you've seen continued sequential improvement throughout the year and just recognizing where we are in the calendar, can you maybe just give us some major building blocks you're thinking about as it relates to 2023 as we're working to fine tune our models setting into next year? Thanks.

[Chris Smith] Yeah. Look, I think we shared some of those in the call, but I think the way you think about it-- I mean, I go back to that one slide, it's about driving customer engagement or customer experience and then driving operating profit. And I think one of the things the company did a great job the middle of this year is rolling out this Project Catalyst, which is really a-- think about it as a souped up or a value capture program to focus on driving efficiencies, and I think you're seeing that come through.

I will say one of the new ones that we've already gotten traction on even in the short time that I've been here is this revenue cycle management. So you're going to see a lot of lift there because I think, candidly in our business, we're not getting paid for all the work that we're doing.

And I think creating a focus to do a much better job there, I think you'll see a lot more cohesive and a lot broader sales reach next year. I think that's one of the places that, from a company perspective, that we can do I think a much better job, is optimizing the field organization.

And candidly, as you probably saw in the 8-k that was filed, we've made a change there. And I think that's going to be positive for the company going forward. I'd say the next one for me is really around lab operations. And candidly, we're starting to call it enterprise operations because it really is the end to end where we think we can get significant improvement on the margin in the labs.

And some of this includes the footprint, which you heard me just touch on briefly, but it's also about doing what we do better every single day. And then finally, I think it's new product innovation. I think one of the challenges for the company, without question, I think RaDaR will be a significant product for us. That was a large acquisition that changed the dynamics of this company from a financial perspective, but there's a lot of innovation internally.

And I think with Shashi and Vishal's partnership, I actually believe you'll see some things coming over the next 12 to 24 months that are pretty significant as we get in the front side of that care. So I know it's kind of a little bit of a smorgasbord. We'll give you a lot more insight. We plan to roll out this strategic plan to all our investors and analysts when we do Q4.

So we'll hit on the four in the year end results, but then we're really going to dive deep into giving you a detailed roadmap of where we're going. But I joke with the team here, you trip over opportunity here. And I think part of us is reprioritization. I think we try to be too many things to too many people. And I our ability to focus on the chosen few and execute is going to have a remarkable impact on the business.

[Moderator] Thank you very much. Your next question is coming from Matt Sykes of Goldman Sachs. Matt--

[Chris Smith] Hey, Matt.

[Moderator] --your line is live.

[Audience] Hey guys, this is Dave on for Matt. Chris, congrats on a strong start to your time in NEO. Can you tell us more about RaDaR? How many indications do you expect to be applicable in the next two to five years? And of the more than 125 pharma partners you currently have, what percent of them do you expect to use RaDaR eventually?

[Chris Smith] Yeah, Thanks for that, Dave. Look, I think RaDaR is one of our most exciting things as you look out at this company's horizon for the next three to five years and where cancer care's going. I think it's going to be one of the major innovators. We've got Vishal with us this morning around the table who's just living and breathing that every day, including the pharma side. Vishal, do you want to give a little more color?

[Vishal Sikri] Yeah, I can, thanks. So if you look at the indications that we already have publications on, those are in breast cancer, and head and neck cancer, a little bit in I-O, and also in bladder. So I think we're going to expand on those indications and get those out as fast as we can.

But also, we're getting a lot of interest from pharma across other indications like pancreatic as an example, like ovarian as an example, so we're building that evidence. So I think over the next three to five years, not just on the public side what we have published, but also expanding those indications is going to be key for us.

But if you look at it on the pharma side, we went from very little, I would, say pharma using RaDaR of our existing customer base to now getting a lot of interest on RaDaR after our ASCO Plenary presentation that we had. And I think that's where we're starting to see the start.

We have actually integrated the Inavata pharma team and the NEO pharma teams together because the call points were the same, and that's also helped us reach a lot more people within the pharma companies and give them visibility to RaDaR. So we're going to see a lot of that going into 2023.

[Audience] Great, thanks.

[Moderator] Thank you very much. Your next question is coming from Punit sood of SVB securities. Punit, your line is live.

[Audience] Hey, Chris. And Bill, thanks for taking the question. So NGOs is obviously an important growth driver for you and the conversion from molecular to-- I mean, towards molecular is happening across the company, obviously across oncology. Could you maybe remind us what was the growth you saw there in the quarter? And what is the NGS growth that's baked into the guide rails of the-- guardrails of the guide?

And then on MRB spend, could you, Chris, maybe characterize for us, what's the level of moderation here versus before? And how should we ought to think about the spend and OpEx here? Obviously, this was a big focus before, but it seems like there's moderation here. But at the same time, you want to continue to invest because this is an important category for you. Thank you.

[Chris Smith] Yeah. A lot in that question. So let me try to break it up into parts and start with the NGS side. And then you talked about, I think, the pace of spend. I think you mentioned it with RaDaR, but it really, I think, the whole business. But look, on molecular, we're really excited about where the company is in molecular.

I mean, we had incredibly strong growth-- strong double digit growth in molecular and really in NGS significantly even stronger in the quarter. And the reason being that we have now released the NGS offering into both sales forces. So if you remember in the past, we would have only gone through our pathology sales force.

And really in the quarter, we had our oncology group start to sell that product, and we've just gotten up to the 21 people. I think the last two or three were hired in the quarter. So that's had a huge impact. And the interesting thing about it is as you're coming in, you're new in this business and so you come in and you look at what's being reported or models.

And I think where we probably haven't done as good a job as we talk about units-- but you have to remember, if I'm selling three single gene tests and now I move you to an NGS panel, actually, growth has gone down negative 2 units. Because you're doing one test versus three, but our revenue has increased significantly as is our margin.

And that's what I think you're really going to start to see in the business going forward. Is this accelerated growth in NGS which is going to improve AEPs, is going to improve operating profit, but it will have an

impact on units. So I think every quarter, look, I would tell you that we've talked about what we're going to disclose on NGS. I don't think we've settled in on that.

But I would tell you, every single quarter, that is like one of the two or three metrics that I keep an eye on. Because most of these customers that we maybe not gotten the NGS business from, we own all their other testing. So it is a great cross-selling opportunity. Look, if I move real quick to spend, I think it's about balance.

And I think that-- look, if you think about antibody as a business, I think it was back in the heyday, of a lot of these cancer companies that were running really hard in innovation and ultimately trying to get to revenue and spending I don't think was under control. To be fair, we never integrated that company. So we're going through the process just right now to integrate that company into NEO where we think we will get big cost savings.

But that being said, we've probably underinvested in R&D in other parts of the business. So it is going to be about this blend and how do we pace it. But I think what you'll find is that we are focused on long term, again, not a quarter, long term, sustainable, profitable growth. And that's what you'll see as we start to move forward as a company.

{Audience] Got it. That's helpful, thanks. I'm back in the queue.

[Moderator] Thank you very much. Your next question is coming from Andrew Cooper of Raymond James. Andrew, your line of live.

[Audience] Hey, everybody. Congrats on a nice print and thanks for the question. Maybe just a little more detail in terms of validating the broader NGS panels would be great in terms of what that offering is made up of, whether you've gone a little bit more off the shelf or doing something a little bit more LBT internally driven? And when we can expect that validation to be completed and the product to launch?

And then secondly, just on pharma, if you could maybe give us a little bit more sense of when you say, potentially give up a little bit of near-term revenue. Can you size that a little bit and help us think about what we should be expecting from a near-term growth perspective in that business given the backlog that you do already have today? And I'll stop there.

[Chris Smith] I love you guys because all you guys are taking two very different questions and building it into one. But we'll address both of them. I'm going to start with NGS. And I'm going to give a highlight and I'm going to throw it over to Shashi, who probably is one of the most renowned leaders in the world in this space. And I think we're really fortunate to have him as a guy now steering that ship.

But if you look at NGS, we will release-- I would say we're going to end up doing both. I think one's pretty innovative to the market that's in the pipeline, and one, I think, is to accelerate our building on turnaround time. And both of those will come to the market in the next 18 months. Our goal would probably be one in

the first half of next year and one probably in the first half of the following year. But Shashi, do you want to just give a quick glimpse of what you're thinking about for the investors?

[Shashi Kulkarni] Yeah. So very quickly and briefly, we have been working on validating an assay, which is market leading about 500 plus genes which will have DNA and RNA together. So we can build for comprehensive genomic profiling, which will have all the six horsemen apocalypse, if you think about it, including all the features we need to capture to help our patients.

But we're not going to stop there, that's just our quick way to get into the competitive landscape. We have already been investigating and looking into a lot of options where we will have a much more comprehensive whole exome whole genome and whole transcriptome type assays, and also looking at other options for liquid biopsy, which we're all working on together. So I hope that answers your question.

[Chris Smith] And maybe, Vishal, you if you can just follow up on Sashi, just what you're finding because of the way we're doing RaDaR? How quickly it allows us to move into Alexa? Do you want to just share--

[INTERPOSING VOICES]

[Vishal Sikri] So I mean, I think with RaDaR, the input going into RaDaR is whole exome. So what's nice about it is that we already have that component built out. Now, how do you get that into the clinical setting is the next part of the story here, but what's nice is that we already have it.

[Chris Smith] Right. We already have the technology in place.

[Vishal Sikri] Now that you already have it validated and so on, so we just need to get it into the clinical setting. So that's something we'll work on which Shashi is talking about.

[Chris Smith] Yeah. And that's, I think, one of the things when I talk about, we really hadn't integrated the business. I don't think we looked at the time of the acquisition, is how can we transfer that over? I think the second part of your question is how we're going to manage this pharma revenue piece going forward? And, Vishal, you want to take that one?

[Vishal Sikri] Yeah. I mean, look, in the pharma side, as Chris mentioned in his call earlier, I think what's happened is that we've taken all types of work in the past without worrying about profitability. And I think that's something that we're paying a lot more attention to. And we've seen-- actually, we've put in a lot of steps going into the first half of this year and we're seeing improvements there already.

And I think that's something we just have to accelerate going forward and basically focused on projects where we see that are going to add more value not just from a pharma perspective, but also from the clinical perspective. Which really means focusing on modalities like molecular, like-- We can't give up stuff like IAC because we know that's part of oncology anyway.

But where the growth will occur is more on the molecular side and the whole exome side and so on and transcriptome. And that's where we see a lot of requests coming from pharma and that's where we're going to focus our energies on.

[Chris Smith] Great, thanks, Vishal.

[Audience] Great, appreciate the time.

[Moderator] Thank you very much. Your next question is coming from Derik De Bruyne of Bank of America. Derik, your line is live.

[Audience] Hi, good morning. This is John on for Derik. If I could dig into it just a bit more. Obviously, the stronger adoption of NGS would be a headwind to the volume, but a tailwind for the pricing. Should we expect volume to taper down over the next few quarters? And on the asp side, what kind of stable growth can we expect? And I think the question was asked earlier. And also in terms of your reprioritizing your pipeline and prioritizing profitability, what sort of OpEx should we expect going ahead? Thank you.

[Chris Smith] Yeah. So maybe let me start with the tail end of that question and we'll come back to the front end. So we won't give guidance till next year, so we really haven't talked about where we'll be. I think you're modeling with the guardrails that Bill gave, I think you're probably in good shape there.

And look, I think when you move over to NGS, it really is an interesting play. You're right. Your volume goes down, your revenue goes up. But remember that I think that from a sales perspective, we have not been out there optimizing the sales organization. So our focus in next year is to accelerate market growth and-- I mean, our market share growth.

And as we do that, I would expect our volume to increase as well. So look, if you have to run the blend of the two, a company that's starting to run again and move share but also a company that's moving our testing to higher value testing so you're giving up the lower value test. So again, I think when we come out in February, I think is when we're doing our call, we'll give guidance and we'll be very specific. But we haven't disclosed any of that at this point.

[Audience] Got you, appreciate it. I'll hop back in the queue.

[Moderator] Thank you very much. Your next question is coming from Mark Massaro of BTIG. Mark, your line is live.

[Audience] Hey, guys. Thanks for the question, and congrats, Chris, on a nice start at NeoGenomics. I wanted to drill down a little bit on your radar MRD strategy. So understanding that you will launch CRC in breast in Q1 of 2023, I know in your press release you mentioned that Moldex asked for a direct comparison with other MRD tests in use for a full clinical study.

I guess I hadn't realized that you hadn't submitted a full clinical study previously. So do you have a sense for which of those two paths you'll do, whether direct head-to-head with Natera and Guardant or pursuing a full clinical study. And then, sort of related to that, you're going to be driving some volumes without recognizing Medicare revenue in 2023. How do you think that may impact your overall ASPs?

[Chris Smith] Yeah, thanks for that. I'm going to take, kind of, the first part of it then I'll throw it to Vishal. But, look, I think our view on this-- look, this was a unique thing that we had significantly more data on breast than we did on colorectal. And the reality of life, if we could have gone back in time-- Vishal and I weren't here-- we would have gone after breast first. We went after colorectal. We didn't have the data. So they came and told us.

But you've got to remember, throughout this year, we've hired a rock star sales force, and we've trained them. And for us-- to think that you can only launch a product when you have Medicare approval is crazy. Look, it's not going to be easy. Don't get me wrong. But we have physicians clamoring to get their hands on this product. And so our thought is, look, we're going to launch to commercial and private pay. And we really want to get early adoption.

And what it will do, it'll create momentum in the marketplace as we continue to work behind the scenes on things around reimbursement. But our breast is really where you see a differentiation significantly against Natera with this assay. And so that's why we want to get it out. As far as what we're going to do to get MolDX coverage, you want to cover some of that?

[Vishal Sikri] Yeah, I mean, look, we have both paths available to us. Whether we do a head-to-head, or whether we do a bigger clinical study, we did submit some data. It wasn't a clinical utility data in colorectal because that was our understanding with our previous discussions with MolDX that it wasn't needed. All right?

So we're talking to them. We're on continuous discussions with them as to what makes the most sense. I don't want to give guidance one way or another yet as to which path we're taking, but we are in discussions. We're also looking at which samples are available to us to get it as fast as possible back to them. So because of that, I think we'll provide more guidance on that. And, Albie, thank you for earnings. But right now, I don't think we're going to provide that guidance.

But coming back to the breast side, right? The only thing I will add here is that if you look at our breast data that we have-- we got the CHiRP, we got the OXEL the chemoNEAR, and the survive studies that we've already published on. And if you look at, in particular, the OXEL study that was published, what you will see is that 25% of the breast cancer patients in that population were below 0.01%. And we could detect them with radar.

That is very unique to our technology that's out there. And I think that's something we have to highlight because the radar technology is known for that. And that's the value proposition we bring to the market. And oncologists know that, right?

[Chris Smith] And that's why we want to get it out there now.

[Vishal Sikri] Right.

[Chris Smith] Yeah.

[Moderator] OK. Thank you very much. Your next question is coming from Mason Carrico of Stephens Inc. Mason, your line is live.

[Audience] Hey, guys. Congratulations on the quarter. Maybe just looking at the volume growth improvements you saw in September and October, is there any additional color you can give there, either quantitatively or qualitatively, in terms of, maybe, comparing the end of the quarter compared to the beginning, and maybe any differences between or improvements in the NGS business versus legacy modalities?

[Chris Smith] Yeah, look we don't give month to month. I think we gave you that a little bit of highlight. And I think one of the reasons we did that is, I mean, our lab had to be shut down about five or six days with a hurricane. And to see relatively good volume in light of losing so many days in this business. So I think, but we didn't give month to month ability. You want to give any more color around just kind of the unit and--

[Bill Bonello] Yeah, I mean, again, I don't think we want to provide quantification, but one of the things that Chris mentioned is that we've seen continuous improvements in our turnaround time over the course of the last several months. And as you start to see improvements in customer service, then you start to see improvements in growth as well. And so I think that probably is playing a role.

[Audience] Got it. Thanks, guys.

[Moderator] Thank you very much. Your next question is coming from David Westenberg of Piper Sandler. David, your line is live.

[Audience] Hey, guys. This is Jon on for Dave. Thanks for taking the question. And congrats on the good quarter. So, traditionally, NeoGenomics is not a relatively low R&D spend sort of company. How should we think about spending on R&D over the coming maybe five or so years? Is there more of an opportunism that you see with Inivata, for instance, or is it more part of a new model. Thank you.

[Chris Smith] Yeah, look, I would say-- when we come out with the guidance in our Q4 earnings next year, I think you'll get much more clarity. But maybe just a caveat a little bit. Most of our R&D was really deep. I would say, a high percentage of that spend was not on the future innovation. So one of the big pieces is reallocating the resources that we're already spending.

Sometimes, I find in R&D, it's not the percentage of revenue. You have enough money, it's just what are you spending the money on. And I would say that that's really our first step as Sashi kind of really starts to dig into that-- leading that R&D team. You know, so I would say that's one. Obviously, in Nevada, a little bit different. It wasn't armed. It was very much in our engine.

And so, as we go through the integrating of the two businesses, I think we'll get more clarity on that. But I would not-- we will pace all of our spending. So I wouldn't think we're going to move that. But I wouldn't say that that's going to be significant. But I would wait till we come out from a percentage of revenue, I mean. But I would not-- until we come out and share guidance, give you much more detail on that.

[Audience] Got it. OK.

[Moderator] Thank you very much. Your next question is coming from Tejas Savant of Morgan Stanley. Tejas, your line is live.

[Chris Smith]Hey, Tejas.

[Audience] Hey, guys. Hey, guys. Good morning. Chris, it's good to speak with you again. A couple of questions for you. First, just a quick point of clarification on what I think I heard you guys say on radar here. Did I hear Vishal say that MolDX wants clinical utility evidence? And, you know, my question is really-- the incumbents in MRD who have reimbursement haven't been asked to provide that. They have some multi-year studies underway.

So is this mainly a function of not being first to market, or is it just a shift in standards we are seeing from MolDX? And my second question, perhaps, Bill, you can take a crack at that. You had noted that your backlog had skewed a lot towards larger clinical stage work, and you wanted to shift it towards quicker board and pre-clin stuff. Is that now, essentially, deprioritized? And you'll go after, sort of, profitable work, irrespective of whether it's short or long cycle? Thank you.

[Vishal Sikri] You want to take all that?

[Chris Smith]Yeah. So I'll give it to Vishal. I'll make a comment on backlog at the end, but, Vishal, I want you to--

[Vishal Sikri] Yeah, so first thing on the radar side, right? I think we're seeing more clarification from MolDX-- as the way, probably have a look at this. I think if-- I think you're right. It is the function of not being first to market in the indications that we had originally gone for. So I think that's where you have to keep that in mind then.

There is a predicate device that's already out there. And they've asked us to basically show a comparison to that predicate device in some of the indications that are already out there. So you're seeing a little bit of that. When we talk about clinical utility, we talk about clinical utility here as to the value of an MRD test in

detecting things earlier compared to standard of care. So that can be through a publication, just not like what we're used to when a full-blown clinical utility perspective. It's more from a publication perspective.

So that's what we're working on. And you can see that we have some of that already in the breast cancer side with certain indications in breast cancer. Then, to the pharma side, right, it's not that we will not take on, or we will only take on profitable, because I think that's very much short-term thinking, because we know that there are indications, or there are situations, where you start with something that is smaller scale, non-profitable, that turns into much larger projects.

But it has to be much more strategic in a longer term view in discussions with pharma to be able to do that. And I think that's where we are at as to, how do we take a look at all of our, for example, our top 25, top 50 pharma customers out there and look at where they're going with their drug programs. And do we have the capabilities internally to be able to meet those requirements as we see them. Not just for the next quarter, but also for the next two to three years out, because, guess what, pharma's always looking 10 years and 15 years out. And that's something we also have to take a look at.

[Chris Smith] Yeah. I think it's also, as I said in the call, putting a lot more discipline into the way that we manage that business. The field, for example, was paid on bookings, not on revenue. And, you know, bookings change over time. If you think about profitability of projects, like, there was not a big focus on that. And so, I will say, the big shift has been that we will continue to, obviously, manage bookings. And by the way, we had a great quarter from a booking perspective. But we will start talking more about the pharma as to what's going on from a revenue perspective.

[Audience] Helpful. Thank you, guys.

[Moderator] Thank you very much. Your next question is coming from Dan Brennan of Cowen. Dan, your line is live.

[Audience] Great. Thanks for that. Thanks for taking the questions. Maybe just wondering about the bigger picture view in the core clinical business-- getting that business back up to, say, mid single, high single digit growth. Chris, just wondering, how much of that is, kind of, in your own control? Meaning-- fixing service levels, turnaround times, things of that sort, versus having to deal with the increasing competitive landscape, or if you would clarify it like that from some of the larger oncology clay labs, and the risk that poses to some of your base business?

[Chris Smith] Yeah, look, I think it's all within our control. I think there's two pieces. One is-- how do we get better at what we do to make sure the customers that have been loyal and been with us for a long time-- we stay sticky. But the other one is, look, I think we have to have competitive vigilance out there. The market is definitely much more competitive than it was five years ago when Neo was really going through some high growth and was really kind of a niche oncology testing company.

But I think it's both, right? I mean, I use a sports analogy. We need to run our play, but we need to also stop the other team from running their play. And I will say, there is a shift of-- a will to win going on through this organization right now, that we have this incredible competitive diligence that we will go out, and we will compete. And so, I feel really good about both, but they're both in our control.

[Audience] And, maybe, just one more on that aspect, another question early on MGS, but from what the company is doing internally and the development of your own kind of larger kind of tests, do you feel there needs to be a greater investment in that in terms of to compete, or do you feel like you guys are on the right track in terms of creating these larger, more esoteric kind of MGS panels?

[Chris Smith] Well, look, I think the first one, that one that we'll look to try to bring out in the first half of next year-- look, I think, from a cost-perspective, we're fine on that. I would say, the second one that, really, where Sashi is spending time, we will have to do some investment. But, again, I come back to what I said earlier, a lot of that is reallocation of where we're spending the money.

And, again, rather than trying to do twenty projects that only one will pay off, we need to narrow that list down to 5 to 10 projects where one or two will pay off. And I think part of that is putting more diligence and governance into our product pipeline process, which we're just beginning to do.

[Audience] Great, OK. Thank you.

[Moderator] Thank you very much. Your next question is coming from Mike Matson of Needham & Company. Mike, your line is live.

[Audience] Yeah, thanks. So just in terms of Project Catalyst, I think when you announced that it was supposed to have about $15 million in savings, I think that equates to about 300 basis points of margin improvement. Just taking a longer-term view of things, I mean, the EBITDA margin has gone from kind of mid-teens in 2018 to negative double digits this year.

And I understand we've seen some good trends in the last few quarters. It seems to be headed in the right direction. But is 15 million really going to be enough, or are you going to have to come back and do some additional restructuring, or some type of other programs like Project Catalyst part two, or part three or something like that to get you back to, kind of, double digit EBITDA margins. And, look, I know that's going to probably take some time. I'm not expecting it in one year, but the 15 million just doesn't seem like enough to get you even close to being EBITDA positive.

[Chris Smith] Yeah, look, there's a lot of moving parts, kind of, in that question. Look, I would say the catalyst, the way that we did catalyst is think of it more as a structure of the way we're going to run value capture going forward. And so one of the things we'll disclose when we come out in Q4 earnings is we'll disclose our commitment of how much value capture or catalyst money we're going to generate every year through these initiatives in saving money.

Some of that is going to take some one time cost to rightsize the business and to make sure from a financial perspective going forward. So you're exactly right. We have to do better in lots of areas. I think what we did-- initially we went-- I would say, think of it, today, as more of a project, and tomorrow more of ingrained in the culture of the company in the way we run the company.

So I think-- our view is we got to get better every single quarter. And we can't go back and compete against 2018 sitting here in Q3 of '22. What I want to make sure we're doing is every single quarter we're getting better, and that we're not sacrificing long-term growth by just making a drastic decision in one quarter, right?

So that's where I go back to this-- it's about pacing. And, candidly, I think we can grow this business at a level that investors will be incredibly happy with, but also make money. And it's about how do you do that through the pacing? So it is going to take time. It's a brick on brick process, but I think you will start to see this consistent delivery of operating savings to our investors.

[Audience] OK, got it. Thank you.

[Moderator] Thank you very much. Your next question is coming from Derik De Bruin of Bank of America. Derek, your line is live.

[Chris Smith] I think he had asked his question. So I think we're there. I think we're at the end of the call. And I just want to take a moment and thank everyone for the time that you've taken today to catch up with us. As we end the call, I really do want to recognize the over 2000 Neo teammates around the world for their dedication, their commitment to building this world-class oncology diagnostic information and decision support company.

And it really-- look, I would say, any time a company goes through change, it's a challenging environment. And one of the things that we've talked about to the team is really lean into that. And I will say the one thing I'm really proud of is that the team was yearning for this, right? They were yearning for this will to win and be back on the front foot. And I'm really excited about where the organization is, and how quickly we're adapting and being agile.

You know, but for that, I just look at what-- we're excited about where the business is headed. We will look forward to giving a lot of detail to you in the Q4, especially around the strategy and the direction. And, hopefully, we'll see a lot of you guys out in the marketplace in the coming days. But thanks again for your time today, and your support, and be well. Take care.

[Moderator] Thank you, ladies and gentlemen. That does conclude today's conference call. You may disconnect your phone lines at this time, and have a wonderful day. Thank you for your participation.