

February 23, 2022



NeoGenomics Reports Full Year Revenue of \$484 Million and \$126 Million for the Fourth Quarter of 2021

Recent Highlights:

- *Full year 2021 consolidated revenue increased 9% year-over-year; excluding COVID-19 PCR testing revenue, consolidated revenue increased 16%*
- *Fourth quarter consolidated revenue was flat year-over-year; excluding COVID-19 PCR testing revenue, consolidated revenue increased 7%*
- *Inivata Limited, a wholly owned subsidiary of NeoGenomics ("Inivata"), received the CE mark for its RaDaR™ assay in January 2022 for the detection of molecular residual disease and recurrence and submitted to the MolDX program in the United States for the reimbursement of RaDaR™ for clinical testing*

FT. MYERS, FL / ACCESSWIRE / February 23, 2022 / NeoGenomics, Inc.

(NASDAQ:NEO) (the "Company"), a leading provider of cancer-focused genetic testing services and global oncology contract research services, today announced fourth quarter and full year 2021 results for the period ended December 31, 2021.

"2021 was an eventful year for NeoGenomics as our team successfully navigated a constantly changing environment and took important steps in executing our growth strategy. In 2021, our labs processed almost 1.1 million clinical tests, generated revenue from over 1,000 pharma projects and ended the year with \$484 million in consolidated revenue representing 16% year over year growth excluding COVID-19 PCR testing revenue. These are strong results given the extraordinary environment," said Mark Mallon, CEO of NeoGenomics.

"I am proud of the resolve our laboratory, operations, and client service employees showed in 2021 providing excellent care for cancer patients often under very difficult circumstances. During the year we also executed on two highly strategic acquisitions in Inivata and Trapelo Health that we believe will boost our growth in the years ahead.

We are incredibly excited about our market position and the progress we are making across our businesses toward becoming the world's leading cancer testing and information company. The attributes that have made NeoGenomics successful in the past remain and we've added new differentiating capabilities that we expect will strengthen our competitive position."

Fourth Quarter Results

Consolidated revenue for the fourth quarter of 2021 of \$126 million was flat compared to the

fourth quarter of 2020. Excluding COVID-19 PCR testing, consolidated revenue increased year-over-year by 7%. Clinical Services revenue was \$104 million, a decrease of approximately 3% compared to the fourth quarter of 2020. Excluding COVID-19 PCR testing, Clinical Services revenue increased year-over-year by 6%. Clinical testing⁽¹⁾ volumes increased by 2% year-over-year. Average revenue per clinical test ("revenue per test") increased by 4% to \$383 year-over-year. Pharma Services revenue increased by 13% to \$22 million compared to the fourth quarter of 2020.

Consolidated gross profit for the fourth quarter of 2021 was \$45.3 million, a decrease of 21.2%, compared to the fourth quarter of 2020. This decrease was the result of the termination of COVID-19 PCR testing, amortization of acquired Inivata developed technology intangibles and higher payroll and payroll-related costs. Consolidated gross profit margin, including amortization of acquired Inivata developed technology intangible assets of \$4.9 million, was 36.0%. Adjusted Gross Profit Margin⁽²⁾, excluding amortization of acquired Inivata developed technology intangible assets, was 39.9%.

Operating expenses increased by \$35 million, or 67%, compared to the fourth quarter of 2020, and included significant operating expenses for the Inivata and Trapelo Health subsidiaries acquired in 2021. Operating expenses in the fourth quarter of 2021 also included legal expenses for the previously disclosed regulatory matter, higher commissions, higher non-cash stock-based compensation expenses, and payroll and payroll-related costs to support the Company's strategic growth initiatives, including Informatics and Pharma.

Net loss for the fourth quarter of 2021 was \$42 million compared to net income of \$15 million in the fourth quarter of 2020.

Adjusted EBITDA⁽²⁾ was negative \$10 million compared to \$18 million in the fourth quarter of 2020. Adjusted net loss⁽²⁾ was \$17 million compared to adjusted net income of \$17 million in the fourth quarter of 2020.

Cash and cash equivalents and marketable securities totaled \$515 million at quarter end. Days sales outstanding ("DSO") was 82 days at the end of the fourth quarter of 2021.

Full Year Results

Consolidated revenue for 2021 was \$484 million, an increase of 9% over 2020. Excluding COVID-19 PCR testing, consolidated revenue increased by 16%. This increase was primarily driven by an increase in clinical testing volumes and growth in our Pharma Services segment, primarily due to an increase in revenue related to research studies and informatics. Net loss for 2021 was \$8 million compared to net income of \$4 million in 2020. Adjusted EBITDA⁽²⁾ for 2021 was negative \$4 million compared to \$35 million in 2020. Adjusted net loss⁽²⁾ for 2021 was \$33 million compared to adjusted net income of \$17 million in 2020.

Operational Updates

In January 2022, Inivata received the CE mark for its RaDaR™ assay for the detection of molecular residual disease and recurrence, having met the requirements of the European In-Vitro Diagnostics Directive (98/79/EC). In addition, Inivata submitted to the MoIDX program in the United States for the reimbursement of RaDaR™ for clinical testing. These

achievements support the commercialization of RaDaR™ in a clinical setting, both in collaboration with biopharma partners and other collaborators, as well as Inivata's own clinical development program.

In February 2022, Inivata announced clinical validation data for its RaDaR™ liquid biopsy test in head and neck squamous cell carcinoma. The data from the Liquid BIOPsy for MiNimal RESidual DiSease Detection in Head and Neck Squamous Cell Carcinoma ("LIONESS") study have been published in the British Journal of Cancer. The study was in collaboration with the Department of Otorhinolaryngology, Head and Neck Surgery ("ORL-HNS"), LMU Klinikum, and Institute of Pathology, Faculty of Medicine, LMU Munich.

In January 2022, the COVID-19 Omicron variant had a noticeable impact on our Clinical volumes; however, we have seen encouraging signs of recovery in February.

2022 Financial Guidance

The Company also issued 2022 guidance⁽³⁾ today (in millions).

| | Guidance |
|----------------------|-------------------|
| Consolidated revenue | \$530 - \$550 |
| Net loss | \$(133) - \$(118) |
| Adjusted EBITDA | \$(40) - \$(25) |

(1) Clinical testing exclude requisitions, tests, revenue and costs of revenue for Pharma Services and COVID-19 PCR tests.

(2) The Company has provided adjusted financial information that has not been prepared in accordance with GAAP, including Adjusted EBITDA, Adjusted Gross Profit Margin, Adjusted Net (Loss) Income, and Adjusted Diluted EPS. Each of these measures is defined in the section of this report entitled "Use of Non-GAAP Financial Measures." See also the tables reconciling such measures to their closest GAAP equivalent.

(3) The Company reserves the right to adjust this guidance at any time based on the ongoing execution of its business plan. Current and prospective investors are encouraged to perform their own due diligence before buying or selling any of the Company's securities, and are reminded that the foregoing estimates should not be construed as a guarantee of future performance.

Conference Call

The Company has scheduled a webcast and conference call to discuss its fourth quarter and full year 2021 results on Wednesday, February 23, 2022 at 8:30 AM EDT. Interested investors should dial (888) 506-0062 (domestic) and (973) 528-0011 (international) at least five minutes prior to the call. The participant access code provided for this call is 501963. A replay of the conference call will be available until 8:30 AM EDT on March 9, 2022, and can be accessed by dialing (877) 481-4010 (domestic) and (919) 882-2331 (international). The

playback conference ID number is 44519. The webcast may be accessed under the Investor Relations section of our website at www.neogenomics.com. An archive of the webcast will be available until 8:30 AM EDT on February 23, 2023.

About NeoGenomics, Inc.

NeoGenomics, Inc. specializes in cancer genetics testing and information services, providing one of the most comprehensive oncology-focused testing menus in the world for physicians to help them diagnose and treat cancer. The Company's Pharma Services Division serves pharmaceutical clients in clinical trials and drug development.

NeoGenomics is committed to connecting patients with life altering therapies and trials. We believe that, together, with our partners, we can help patients with cancer today and the next person diagnosed tomorrow. In carrying out these commitments, NeoGenomics seeks to adhere to all relevant data protection laws, provides transparency and choice to patients regarding the handling and use of their data through our Notice of Privacy Practices, and has invested in leading technologies to help ensure the data we maintain is secured at all times.

Headquartered in Fort Myers, FL, NeoGenomics operates CAP accredited and CLIA certified laboratories in Fort Myers and Tampa, Florida; Aliso Viejo, Carlsbad and San Diego, California; Research Triangle Park, North Carolina; Houston, Texas; Atlanta, Georgia; Nashville, Tennessee; and Phoenix, Arizona; and CAP accredited laboratories in Cambridge, United Kingdom; Rolle, Switzerland; and Singapore. NeoGenomics serves the needs of pathologists, oncologists, academic centers, hospital systems, pharmaceutical firms, integrated service delivery networks, and managed care organizations throughout the United States, and pharmaceutical firms in Europe and Asia. We routinely post information that may be important to our investors on our website at www.neogenomics.com.

Forward Looking Statements

This press release includes forward-looking statements. These forward-looking statements generally can be identified by the use of words such as "anticipate," "expect," "plan," "could," "would," "may," "will," "believe," "estimate," "forecast," "goal," "project," "guidance," "plan," "potential" and other words of similar meaning, although not all forward-looking statements include these words. These forward-looking statements address various matters, including the Company's 2022 financial outlook. Each forward-looking statement contained in this press release is subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others, the result of the Company's ability to continue gaining new customers, respond to the effects of the COVID-19 outbreak, offer new types of tests, integrate its acquisitions and otherwise implement its business plan, and the risks identified under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 25, 2021 and the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 2021, filed with the SEC on November 4, 2021, as well as the other information we filed with the SEC.

We caution investors not to place undue reliance on the forward-looking statements contained in this press release. You are encouraged to read our filings with the SEC,

available at www.sec.gov, for a discussion of these and other risks and uncertainties. The forward-looking statements in this press release speak only as of the date of this document (unless another date is indicated), and we undertake no obligation to update or revise any of these statements. Our business is subject to substantial risks and uncertainties, including those referenced above. Investors, potential investors, and others should give careful consideration to these risks and uncertainties.

NeoGenomics, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands)

| | As of December 31, | |
|--|---------------------------|-------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 316,827 | \$ 228,713 |
| Marketable securities, at fair value | 198,563 | 67,546 |
| Accounts receivable, net | 112,130 | 106,843 |
| Inventories | 23,395 | 29,526 |
| Prepaid assets | 12,354 | 11,547 |
| Assets held for sale | 10,050 | - |
| Other current assets | 8,189 | 4,555 |
| Total current assets | 681,508 | 448,730 |
| Property and equipment (net of accumulated depreciation of \$109,952 and \$92,895, respectively) | 109,465 | 85,873 |
| Operating lease right-of-use assets | 102,197 | 45,786 |
| Intangible assets, net | 442,325 | 120,653 |
| Goodwill | 527,115 | 211,083 |
| Restricted cash | - | 21,919 |
| Investment in non-consolidated affiliate | - | 29,555 |
| Prepaid lease asset | - | 20,229 |
| Other assets | 7,168 | 4,503 |
| Total non-current assets | 1,188,270 | 539,601 |
| Total assets | <u>\$ 1,869,778</u> | <u>\$ 988,331</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and other current liabilities | \$ 79,213 | \$ 65,375 |
| Current portion of equipment financing obligations | 1,135 | 2,841 |
| Current portion of operating lease liabilities | 6,884 | 4,967 |
| Total current liabilities | 87,232 | 73,183 |
| Long-term liabilities | | |
| Convertible senior notes, net | 532,483 | 168,120 |
| Operating lease liabilities | 72,289 | 42,296 |
| Deferred income tax liabilities, net | 55,475 | 5,415 |

| | | |
|--|---------------------|-------------------|
| Other long-term liabilities | 14,022 | 5,023 |
| Total long-term liabilities | 674,269 | 220,854 |
| Total liabilities | 761,501 | 294,037 |
| Stockholders' equity | | |
| Total stockholders' equity | 1,108,277 | 694,294 |
| Total liabilities and stockholders' equity | <u>\$ 1,869,778</u> | <u>\$ 988,331</u> |

NeoGenomics, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

| | Three Months Ended December 31, | | Years Ended December 31, | |
|--|------------------------------------|------------------|-----------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| NET REVENUE | | | | |
| Clinical Services | \$ 104,053 | \$ 106,738 | \$ 404,172 | \$ 382,337 |
| Pharma Services | 21,679 | 19,259 | 80,157 | 62,111 |
| Total net revenue | 125,732 | 125,997 | 484,329 | 444,448 |
| COST OF REVENUE | 80,475 | 68,544 | 297,269 | 258,555 |
| GROSS PROFIT | 45,257 | 57,453 | 187,060 | 185,893 |
| Operating expenses: | | | | |
| General and administrative | 62,394 | 36,709 | 221,347 | 143,794 |
| Research and development | 8,513 | 2,100 | 21,873 | 8,229 |
| Sales and marketing | 15,917 | 13,105 | 62,594 | 47,862 |
| Total operating expenses | 86,824 | 51,914 | 305,814 | 199,885 |
| (LOSS) INCOME FROM OPERATIONS | (41,567) | 5,539 | (118,754) | (13,992) |
| Interest expense, net | 1,707 | 2,194 | 5,082 | 7,019 |
| Other expense (income), net | 930 | (267) | 499 | (7,906) |
| Gain on investment in and loan receivable from non-consolidated affiliate, net | - | (3,955) | (109,260) | (3,955) |
| Loss on extinguishment of debt | - | - | - | 1,400 |
| Loss on termination of cash flow hedge | - | - | - | 3,506 |
| (Loss) income before taxes | (44,204) | 7,567 | (15,075) | (14,056) |
| Income tax benefit | (2,445) | (7,850) | (6,728) | (18,228) |
| NET (LOSS) INCOME | <u>\$ (41,759)</u> | <u>\$ 15,417</u> | <u>\$ (8,347)</u> | <u>\$ 4,172</u> |
| NET (LOSS) INCOME PER SHARE | | | | |
| Basic | \$ (0.34) | \$ 0.14 | \$ (0.07) | \$ 0.04 |
| Diluted | \$ (0.34) | \$ 0.13 | \$ (0.07) | \$ 0.04 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic | 123,082 | 111,200 | 119,962 | 108,579 |

Diluted

123,082

114,236

119,962

111,794

NeoGenomics, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

| | Years Ended December 31, | |
|--|---------------------------------|--------------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) income | \$ (8,347) | \$ 4,172 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation | 30,192 | 25,904 |
| Amortization of intangibles | 23,160 | 9,817 |
| Non-cash stock-based compensation | 22,458 | 10,212 |
| Non-cash operating lease expense | 8,716 | 6,168 |
| Gain on investment in and loan receivable from non-consolidated affiliate, net | (109,260) | (3,955) |
| Amortization of convertible debt discount and debt issue costs | 2,741 | 4,523 |
| Loss on debt extinguishment | - | 1,400 |
| Loss on termination of cash flow hedge | - | 3,506 |
| Write off of COVID-19 PCR testing inventory and equipment | 6,061 | - |
| Other non-cash items | 2,156 | 1,460 |
| Changes in assets and liabilities, net: | (4,600) | (61,747) |
| Net cash (used in) provided by operating activities | <u>\$ (26,723)</u> | <u>\$ 1,460</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of marketable securities | (196,791) | (73,101) |
| Proceeds from sales and maturities of marketable securities | 62,970 | 5,356 |
| Purchases of property and equipment | (64,142) | (29,096) |
| Business acquisitions, net of cash acquired | (419,404) | (37,000) |
| Loan receivable from non-consolidated affiliate | (15,000) | - |
| Investment in non-consolidated affiliate | - | (25,600) |
| Net cash used in investing activities | <u>\$ (632,367)</u> | <u>\$ (159,441)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of equipment financing obligations | (3,047) | (5,615) |
| Repayment of term loan | - | (97,540) |
| Cash flow hedge termination | - | (3,317) |
| Issuance of common stock, net | 15,080 | 20,310 |
| Proceeds from issuance of convertible debt, net of issuance costs | 334,410 | 194,466 |
| Premiums paid for capped call transactions | (29,291) | - |
| Proceeds from equity offering, net of issuance costs | 408,133 | 127,293 |
| Net cash provided by financing activities | <u>\$ 725,285</u> | <u>\$ 235,597</u> |
| Net change in cash and cash equivalents | <u>\$ 66,195</u> | <u>\$ 77,616</u> |
| Cash and cash equivalents, beginning of year | 250,632 | 173,016 |
| Cash, cash equivalents and restricted cash, end of year | <u><u>\$ 316,827</u></u> | <u><u>\$ 250,632</u></u> |

Reconciliation of cash, cash equivalents and restricted cash to the Condensed Consolidated Balance Sheets:

| | | |
|---|-------------------|-------------------|
| Cash and cash equivalents | \$ 316,827 | \$ 228,713 |
| Restricted cash | - | 21,919 |
| Total cash, cash equivalents and restricted cash | \$ 316,827 | \$ 250,632 |

Use of Non-GAAP Financial Measures

In order to provide greater transparency regarding our operating performance, the financial results and financial guidance in this press release refer to certain non-GAAP financial measures that involve adjustments to GAAP results. Non-GAAP financial measures exclude certain income and/or expense items that management believes are not directly attributable to the Company's core operating results and/or certain items that are inconsistent in amounts and frequency, making it difficult to perform a meaningful evaluation of our current or past operating performance. Management believes that the presentation of operating results using non-GAAP financial measures provides useful supplemental information to investors by facilitating the analysis of the Company's core, test-level operating results across reporting periods and when comparing those same results to those published by our peers. These non-GAAP financial measures may also assist investors in evaluating future prospects. Management also uses non-GAAP financial measures for financial and operational decision making, planning and forecasting purposes and to manage the business. These non-GAAP financial measures do not replace the presentation of financial information in accordance with U.S. GAAP financial results, should not be considered measures of liquidity, and are unlikely to be comparable to non-GAAP financial measures provided by other companies.

Definitions of Non-GAAP Measures

Non-GAAP Adjusted EBITDA

"Adjusted EBITDA" is defined by NeoGenomics as net (loss) income from continuing operations before: (i) interest expense, (ii) tax (benefit) or expense, (iii) depreciation and amortization expense, (iv) non-cash stock-based compensation expense, and, if applicable in a reporting period, (v) acquisition and integration related expenses, (vi) write-off of COVID-19 PCR testing inventory and equipment, (vii) new headquarters moving expenses, (viii) gain on investment in and loan receivable from non-consolidated affiliate, net, (x) loss contingency for regulatory matter, (xi) loss on extinguishment of debt, and (xii) other significant or non-operating (income) or expenses, net.

Non-GAAP Adjusted Cost of Revenue, Adjusted Gross Profit and Adjusted Gross Profit Margin

"Adjusted cost of revenue" is defined by NeoGenomics as cost of revenue before: (i) amortization expense of acquired Inivata developed technology intangible assets, and (ii) the write-off of COVID-19 PCR testing inventory equipment.

"Adjusted gross profit" is defined by NeoGenomics as total revenue less adjusted cost of revenue.

"Adjusted gross profit margin" is defined by NeoGenomics as adjusted cost of revenue

divided by total revenue.

Non-GAAP Adjusted Net (Loss) Income

"Adjusted net (loss) income" is defined by NeoGenomics as net (loss) income from continuing operations plus: (i) non-cash amortization of intangible assets, (ii) non-cash stock-based compensation expense, and, if applicable in a reporting period, (iii) acquisition and integration related expenses, (iv) write-off of COVID-19 PCR testing inventory equipment, (v) new headquarters moving expenses, (vi) gain on investment in and loan receivable from non-consolidated affiliate, net, (vii) loss contingency for regulatory matter, (viii) loss on extinguishment of debt, and (ix) other significant or non-operating (income) or expenses. If GAAP net (loss) income is negative and adjusted net (loss) income is positive, adjusted net (loss) income will also be adjusted to reverse any recognized interest expense (including any amortization of discounts) on the convertible notes using the if-converted method unless the effect of this adjustment on both the adjusted net (loss) income and weighted average diluted common shares outstanding would be anti-dilutive. If GAAP net (loss) income is positive and adjusted net (loss) income is negative, adjusted net (loss) income will also be adjusted to reverse any recognized interest expense (including any amortization of discounts) on the convertible notes using the if-converted method.

Non-GAAP Adjusted Diluted EPS

"Adjusted diluted EPS" is defined by NeoGenomics as adjusted net (loss) income divided by adjusted diluted shares outstanding. If GAAP net (loss) income is negative and adjusted net (loss) income is positive, adjusted diluted shares outstanding will also include any options or restricted stock that would be outstanding as dilutive instruments using the treasury stock method and the weighted average number of common 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 common shares would have been outstanding in the reporting period, until the effect of these adjustments are anti-dilutive. If GAAP net (loss) income is positive and adjusted net (loss) income is negative, adjusted diluted shares outstanding will exclude any options or restricted stock that would be outstanding as dilutive instruments using the treasury stock method and the weighted average number of common 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 common shares would have been outstanding in the reporting period.

Reconciliation of GAAP Net (Loss) Income to Non-GAAP EBITDA and Adjusted EBITDA (Unaudited, in thousands)

| | Three Months Ended December 31, | | Years Ended December 31, | |
|--|------------------------------------|-----------|-----------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) income (GAAP) | \$ (41,759) | \$ 15,417 | \$ (8,347) | \$ 4,172 |
| <i>Adjustments to net (loss) income:</i> | | | | |
| Interest expense, net | 1,707 | 2,194 | 5,082 | 7,019 |
| Income tax benefit | (2,445) | (7,850) | (6,728) | (18,228) |
| Amortization of intangibles | 8,477 | 2,430 | 23,160 | 9,817 |

| | | | | |
|--|-------------------|------------------|-------------------|------------------|
| Depreciation | 8,385 | 7,199 | 30,192 | 25,904 |
| EBITDA (non-GAAP) | (25,635) | 19,390 | 43,359 | 28,684 |
| <i>Further adjustments to EBITDA:</i> | | | | |
| Acquisition and integration related expenses | 2,338 | 220 | 15,683 | 2,073 |
| Write-off of COVID-19 PCR testing inventory and equipment | - | - | 6,061 | - |
| New headquarters moving expenses | 378 | - | 1,521 | - |
| Non-cash stock-based compensation expense | 10,062 | 2,675 | 22,458 | 10,212 |
| Gain on investment in and loan receivable from non-consolidated affiliate, net | - | (3,955) | (109,260) | (3,955) |
| Loss contingency for regulatory matter | 700 | - | 11,200 | - |
| Loss on extinguishment of debt | - | - | - | 1,400 |
| Other significant expenses (income), net ⁽⁴⁾ | 2,372 | (71) | 4,817 | (3,572) |
| Adjusted EBITDA (non-GAAP) | \$ (9,785) | \$ 18,259 | \$ (4,161) | \$ 34,842 |

(4) Other significant expenses (income), net, includes strategic deal costs, Chief Executive Officer ("CEO") transition costs, amounts received related to the CARES Act, cash flow hedge termination fees, debt retirement fees, and certain non-recurring items.

Reconciliation of GAAP Cost of Revenue, Gross Profit and Gross Profit Margin to Non-GAAP Adjusted Cost of Revenue, Adjusted Gross Profit and Adjusted Gross Profit Margin

(Unaudited, dollars in thousands)

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|--|------------------------------------|------------------|----------------|-----------------------------|-------------------|-------------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Total revenue (GAAP) | \$ 125,732 | \$ 125,997 | (0.2)% | \$ 484,329 | \$ 444,448 | 9.0% |
| Cost of revenue (GAAP) | \$ 80,475 | \$ 68,544 | 17.4% | \$ 297,269 | \$ 258,555 | 15.0% |
| Adjustments to cost of revenue ⁽⁵⁾ | (4,853) | - | | (15,706) | - | |
| Adjusted cost of revenue (non-GAAP) | \$ 75,622 | \$ 68,544 | 10.3% | \$ 281,563 | \$ 258,555 | 8.9% |
| Gross profit (GAAP) | \$ 45,257 | \$ 57,453 | (21.2)% | \$ 187,060 | \$ 185,893 | 0.6% |
| Adjusted gross profit (non-GAAP) | \$ 50,110 | \$ 57,453 | (12.8)% | \$ 202,766 | \$ 185,893 | 9.1% |
| Gross profit margin (GAAP) | 36.0% | 45.6% | | 38.6% | 41.8% | |
| Adjusted gross profit margin (non-GAAP) | 39.9% | 45.6% | | 41.9% | 41.8% | |

(5) Cost of revenue adjustments for the three months ended December 31, 2021 include \$4.9 million of amortization of acquired Inivata developed technology intangible assets. Cost of revenue adjustments for the year ended December 31, 2021 include \$10.4 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.

**Reconciliation of GAAP Net (Loss) Income to Non- GAAP Adjusted Net (Loss) Income
and GAAP EPS to Non-GAAP Adjusted EPS
(Unaudited, in thousands, except per share amounts)**

| | Three Months Ended December 31, | | Years Ended December 31, | |
|--|------------------------------------|------------------|-----------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net (loss) income (GAAP) | \$ (41,759) | \$ 15,417 | \$ (8,347) | \$ 4,172 |
| <i>Adjustments to net (loss) income:</i> | | | | |
| Amortization of intangibles | 8,477 | 2,430 | 23,160 | 9,817 |
| Acquisition and integration related expenses | 2,338 | 220 | 15,683 | 2,073 |
| Write-off of COVID-19 PCR testing inventory and equipment | - | - | 6,061 | - |
| New headquarters moving expenses | 378 | - | 1,521 | - |
| Non-cash stock-based compensation expense | 10,062 | 2,675 | 22,458 | 10,212 |
| Gain on investment in and loan receivable from non-consolidated affiliate, net | - | (3,955) | (109,260) | (3,955) |
| Loss contingency for regulatory matter | 700 | - | 11,200 | - |
| Loss on extinguishment of debt | - | - | - | 1,400 |
| Other significant expenses (income), net ⁽⁶⁾ | 2,372 | (71) | 4,817 | (3,572) |
| Income tax provision impacts | - | (171) | - | (2,974) |
| Adjusted net (loss) income (non-GAAP) | <u>\$ (17,432)</u> | <u>\$ 16,545</u> | <u>\$ (32,707)</u> | <u>\$ 17,173</u> |
| Net (loss) income per common share (GAAP) | | | | |
| Diluted EPS | \$ (0.34) | \$ 0.13 | \$ (0.07) | \$ 0.04 |
| <i>Adjustments to diluted (loss) income per share:</i> | | | | |
| Amortization of intangibles | 0.07 | 0.02 | 0.19 | 0.09 |
| Acquisition and integration related expenses | 0.02 | - | 0.13 | 0.02 |
| Write-off of COVID-19 PCR testing inventory and equipment | - | - | 0.05 | - |
| New headquarters moving expenses | - | - | 0.01 | - |
| Non-cash stock-based compensation expense | 0.08 | 0.02 | 0.19 | 0.09 |
| Gain on investment in and loan receivable from non-consolidated affiliate, net | - | (0.03) | (0.91) | (0.04) |
| Loss contingency for regulatory matter | 0.01 | - | 0.09 | - |
| Loss on extinguishment of debt | - | - | - | 0.01 |
| Other significant expenses (income), net ⁽⁶⁾ | 0.02 | - | 0.04 | (0.03) |
| Income tax provision impacts | - | - | - | (0.03) |
| Rounding and impact of diluted shares in adjusted diluted share ⁽⁷⁾ | - | - | 0.01 | - |
| Adjusted diluted EPS (non-GAAP) | <u>\$ (0.14)</u> | <u>\$ 0.14</u> | <u>\$ (0.27)</u> | <u>\$ 0.15</u> |
| Weighted average shares used in computation of adjusted diluted EPS: | | | | |
| Diluted common shares (GAAP) | 123,082 | 114,236 | 119,962 | 111,794 |
| Dilutive effect of options, restricted stock, and converted shares ⁽⁸⁾⁽⁹⁾ | - | - | - | - |
| Adjusted diluted shares outstanding (non-GAAP) | <u>123,082</u> | <u>114,236</u> | <u>119,962</u> | <u>111,794</u> |

⁽⁶⁾ Other significant expenses (income), net, includes strategic deal costs, CEO transition costs, amounts received related to the CARES Act, cash flow hedge termination fees, debt retirement fees, and certain other non-recurring items.

⁽⁷⁾ This adjustment is for rounding and, in those periods in which GAAP net (loss) income is

negative and adjusted net (loss) income is positive or GAAP net (loss) income is positive and adjusted net (loss) income is negative, also compensates for the effects of additional diluted shares included or excluded 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.

(8) In 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 common 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 common shares would have been outstanding in the reporting period, until the effect of these adjustments are anti-dilutive.

(9) In those periods in which GAAP net (loss) income is positive and adjusted net (loss) income is negative, this adjustment excludes any options or restricted stock that would be outstanding as dilutive instruments using the treasury stock method and the weighted average number of common 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 common shares would have been outstanding in the reporting period.

Reconciliation of Non-GAAP Financial Guidance to Corresponding GAAP Measures (Unaudited, in thousands, except per share amounts)

GAAP net loss in 2022 will be impacted by certain charges, including: (i) expense related to the amortization of intangible assets, and (ii) non-cash stock based compensation. 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 2022 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, 2022 | |
|---|---------------------------------|--------------------|
| | Low Range | High Range |
| Net loss (GAAP) | \$ (133,300) | \$ (118,300) |
| Amortization of intangibles | 34,200 | 34,200 |
| Non-cash stock-based compensation | 17,600 | 17,600 |
| Adjusted net loss (non-GAAP) | (81,500) | (66,500) |
| Interest and taxes | 3,500 | 3,500 |
| Depreciation | 38,000 | 38,000 |
| Adjusted EBITDA (non-GAAP) | <u>\$ (40,000)</u> | <u>\$ (25,000)</u> |
| Net loss per diluted share (GAAP) | \$ (1.07) | \$ (0.95) |
| <i>Adjustments to diluted loss per share:</i> | | |
| Amortization of intangibles | 0.27 | 0.27 |

| | | |
|--|------------------|------------------|
| Non-cash stock-based compensation expenses | 0.14 | 0.14 |
| Rounding and impact of diluted shares in adjusted diluted shares ⁽¹⁰⁾ | 0.01 | 0.01 |
| Adjusted diluted EPS⁽¹¹⁾ (non-GAAP) | \$ (0.65) | \$ (0.53) |

Weighted average assumed shares outstanding in 2022:

| | | |
|--|----------------|----------------|
| Diluted shares (GAAP) | 125,000 | 125,000 |
| Options, restricted stock, and converted shares not included in diluted shares ⁽¹¹⁾ | - | - |
| Adjusted diluted shares outstanding (non-GAAP) | 125,000 | 125,000 |

⁽¹⁰⁾ 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.

⁽¹¹⁾ 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.

Supplemental Information
Segment Revenue, Cost of Revenue, and Gross Profit
(Unaudited, dollars in thousands)

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|---------------------------------|---------------------------------|------------------|----------|--------------------------|-------------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Clinical Services: | | | | | | |
| Clinical Revenue | \$ 104,053 | \$ 106,738 | (2.5)% | \$ 404,172 | \$ 382,337 | 5.7% |
| Cost of revenue ⁽¹²⁾ | 66,002 | 57,242 | 15.3% | 244,360 | 215,529 | 13.4% |
| Gross profit | <u>\$ 38,051</u> | <u>\$ 49,496</u> | (23.1)% | <u>\$ 159,812</u> | <u>\$ 166,808</u> | (4.2)% |
| Gross margin | 36.6% | 46.4% | | 39.5% | 43.6% | |
| Pharma Services: | | | | | | |
| Pharma Revenue | \$ 21,679 | \$ 19,259 | 12.6% | \$ 80,157 | \$ 62,111 | 29.1% |
| Cost of revenue ⁽¹³⁾ | 14,473 | 11,302 | 28.1% | 52,909 | 43,026 | 23.0% |
| Gross profit | <u>\$ 7,206</u> | <u>\$ 7,957</u> | (9.4)% | <u>\$ 27,248</u> | <u>\$ 19,085</u> | 42.8% |
| Gross margin | 33.2% | 41.3% | | 34.0% | 30.7% | |

⁽¹²⁾ Clinical Services cost of revenue for the three months ended December 31, 2021 includes \$4.3 million of amortization of acquired Inivata developed technology intangible assets. Clinical Services cost of revenue for the year ended December 31, 2021 includes \$9.2 million of amortization of acquired Inivata developed technology intangible assets and write-offs of \$5.3 million for COVID-19 PCR testing inventory.

(13) Pharma Services cost of revenue for the three months ended December 31, 2021 includes \$0.6 million of amortization of acquired Inivata developed technology intangible assets. Pharma Services cost of revenue for the year ended December 31, 2021 includes \$1.2 million of amortization of acquired Inivata developed technology intangible assets.

Supplemental Information
Clinical⁽¹⁴⁾ Requisitions Received, Tests Performed, Revenue, and Cost of Revenue
(Unaudited)

| | Three Months Ended December 31, | | | Years Ended December 31, | | |
|-------------------------------------|---------------------------------|-----------|----------|--------------------------|------------|----------|
| | 2021 | 2020 | % Change | 2021 | 2020 | % Change |
| Clinical⁽¹⁴⁾: | | | | | | |
| Requisitions (cases) received | 159,553 | 153,170 | 4.2% | 633,451 | 559,420 | 13.2% |
| Number of tests performed | 271,760 | 265,391 | 2.4% | 1,086,768 | 976,069 | 11.3% |
| Average number of tests/requisition | 1.70 | 1.73 | (1.7)% | 1.72 | 1.74 | (1.1)% |
| Testing revenue ⁽¹⁴⁾ | \$ 104,053 | \$ 97,828 | 6.4% | \$ 402,615 | \$ 354,508 | 13.6% |
| Average revenue/requisition | \$ 652 | \$ 639 | 2.0% | \$ 636 | \$ 634 | 0.3% |
| Average revenue/test | \$ 383 | \$ 369 | 3.8% | \$ 370 | \$ 363 | 1.9% |
| Cost of revenue ⁽¹⁴⁾ | \$ 61,739 | \$ 52,358 | 17.9% | \$ 227,196 | \$ 199,003 | 14.2% |
| Average cost/requisition | \$ 387 | \$ 342 | 13.2% | \$ 359 | \$ 356 | 0.8% |
| Average cost/test | \$ 227 | \$ 197 | 15.2% | \$ 209 | \$ 204 | 2.5% |

(14) Excludes requisitions, tests, revenue, and costs of revenue for Pharma Services and COVID-19 PCR tests. In addition, cost of revenue for the year ended December 31, 2021 excludes amortization for acquired Inivata developed technology intangible assets.

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