NeoGenomics Conference Call Prepared Remarks

Good morning. I'd like to welcome everyone to NeoGenomics' 2021 Third Quarter conference call.

Joining me for this call from our new headquarters in Fort Myers are George Cardoza, President and Chief Operating Officer of our Lab Operations, Doug Brown, our Chief Strategy and Corporate Development Officer and Charlie Eidson, our Director of Investor Relations.

Joining on the call via phone from California is Dr. Gina Wallar, President of our Pharma Services Division. Also joining us this morning via phone from the United Kingdom is President of Inivata Dr. Clive Morris.

Also with us on the call today are Kathryn McKenzie, our CFO, and Bill Bonello, our President of Informatics. Per our press release this morning, we are excited to announce future new roles for both of them at NeoGenomics. I want to thank them for important contributions in their current roles and am pleased to have them continue with their new responsibilities as key members of the Neo leadership team.

Since taking over as CEO of NeoGenomics in April, I have been working closely with our board on succession planning and optimizing our leadership team and structure. As a part of this process, we have taken important steps to reorganize internally including promoting George Cardoza to President and Chief Operating Officer of Lab Operations and promoting Gina Waller to President of our Pharma Services Division. We have also been able to attract world class talent to our leadership team in hiring Halley Gilbert as our Chief Legal Officer and John Mooney as our Chief Technology Officer. We have some additional leadership positions to fill, but I'm pleased with the moves we have made and the positive impacts on our business I believe they will have.

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

Charlie Eidson

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

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

Before turning the call back to Mark, I want to let everyone know that we will be making a copy of our prepared remarks for this morning's call available on the investor relations

section of our website shortly after the call is completed. We also want to let everyone know that we are going to limit the number of questions to 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.

Mark's Comments

I would like to spend some time with you sharing some thoughts on our current positioning, the strategic value of NeoGenomics, and how I see us continuing to be a leader in the oncology diagnostics marketplace. But before I dive into my thoughts on our exciting future, I would like to make a few comments regarding our Third Quarter financial results.

For the quarter, we continued to demonstrate growth, as company revenue increased 12% year over year, excluding COVID-19 PCR testing revenue from a year ago. And we strongly believe the business would have grown faster if not for the impact of the Delta variant on the quarter. As we have discussed previously, the resurgence of COVID-19 clearly affected our business - perhaps more so than others – given our significant geographic presence in the southeast and southcentral parts of the country, where the Delta variant has had the most pronounced impact.

We continue to see very positive signs for excellent growth in the future. Our Pharma Services bookings during the quarter grew 41% year over year reaching an all-time high of $49 million reflecting the strong demand for our services. We exited the quarter with backlog at $261 million, another record high. With a reduction in COVID cases nationwide, we expect to see higher rates of growth in our core Clinical business and in Pharma Services going forward. While Quarter 3 results did not achieve our expectations, we view the current challenges as transient and remain very optimistic regarding our growth prospects for 2022 and beyond.

To this end, we recently presented our five-year growth plan to the NeoGenomics board of directors and that plan was received with overwhelming support for the investment necessary for us to strengthen our leadership in oncology diagnostics impacting cancer patients worldwide. We presented a bold plan which will significantly accelerate growth of our overall business, and bolster the launch of RaDaR, our potentially transformative new assay for minimal residual disease and recurrence testing.

In fact, we believe that successful commercialization of our RaDaR assay will increase our long term growth rate into the high teens. Certainly, a key driver of our confidence in RaDaR is its differentiated performance based on analytical validation data demonstrating 95% sensitivity and 100% specificity at circulating tumor DNA concentration levels as low as 0.0011% variant allele frequency or 11 parts per million.

To support growth initiatives in our existing business and for RaDaR, over the next six months we will be doubling the size of our customer facing sales force by substantially expanding our Precision Medicine Manager and Medical Science Liaison teams. We

believe this investment to accelerate growth could lead to a doubling of our revenue by 2025, with potential to exceed $1 billion in annual revenue.

Indeed, I am very confident in our future. Over the past ten years we have established a solid foundation as the leading provider of oncology testing for community hospitals and oncology practices. We focused on this market segment because approximately 85% of oncology testing and treatment occurs in the community setting. It has always been our mission to ensure that patients have access to the best, and most appropriate care, regardless of whether they are treated in a large academic medical center or a small community hospital.

As those of you who have followed us for a while now know, we have endeavored to provide the most comprehensive test menu in the industry. Because of the depth and breadth of testing that we provide, we will serve more than 4,000 healthcare providers and half a million cancer patients this year. We have also established leading testing franchises for highly prevalent cancers such as breast, lung, and various hematologic cancers.

Having established this foundation, we are now in a great position to help usher in the next generation of transformative testing technologies and to again ensure that these tests are available to patients in all types of settings and not just to those who are treated in select academic facilities.

We often hear NeoGenomics referred to as a fast follower. In fact, we have often used that very term to describe our strategy for adopting new technologies. We have been able to execute this fast follower strategy because we have the scientific and medical know-how to quickly develop and launch new, often improved lab-developed tests and because we have a trusted relationship with thousands of physicians who are already ordering most of their cancer testing from us. Combining high quality assays with best in class client service has enabled us to consistently grow faster than the overall cancer testing market.

While this strategy has served us well in the past, it will not be sufficient to take us where we want to be in the future. As we consider the current testing landscape, the pipeline of new testing technologies, and our own proprietary assets, we realize that we have an opportunity, indeed a responsibility, to be the leader in establishing certain new testing technologies. And our RaDaR assay is a prime example of this in the minimal residual disease and recurrence market.

We are investing to be the clear leader in this massive, emerging market which is estimated to be in excess of $15 billion.

When we acquired Inivata earlier this year, we knew that the RaDaR assay was special. But as the assay continues to be analyzed and assessed by oncology researchers at global pharmaceutical companies and KOLs in clinical oncology, I have become even more convinced that this assay and our opportunity to deliver for patients and investors is, in fact, unique.

Detecting the recurrence of cancer for a patient has traditionally been accomplished by radiographic imaging. Research conducted on both RaDaR and other liquid biopsy MRD assays demonstrates that these new technologies provide an oncologist with time sensitive information to act much sooner on a patient showing recurrence of cancer. Evidence strongly suggests that our RaDaR assay may be the most sensitive assay for detection of recurrence as measured by analytical sensitivity. Evidence further suggests that RaDaR's potential sensitivity advantage could translate into the detection of cancer recurrence months ahead of competitor assays. This sensitivity, and NeoGenomics strong Pharma Services capabilities, are generating significant interest from BioPharma clients. We now have multiple active BioPharma collaborations for RaDaR and we are starting to see initial collaborations translate into larger late stage development program opportunities. We are pleased to share we recently were awarded one such opportunity, with encouraging signs on several others. The strong interest of multi-national pharma companies has only increased my confidence in the opportunity we have in front of us.

Many of you know my background in the pharmaceutical industry - in my 30 years in the industry I was responsible for the successful launch of many new pharmaceutical products. And from my commercial product experience – I know that when you are holding a strong hand, you launch into the market aggressively. Based on this personal experience and all I have learned from MRD industry experts about our RaDaR assay, I indeed sense that we at NeoGenomics have a strong hand and an obligation to both patients and our shareholders to move more aggressively toward a successful launch for RaDaR.

Given this context, as I mentioned earlier, we will be immediately pursuing the doubling or our customer facing team. We will hire an additional 50 Precision Medicine Managers and 10 Medical Scientific Liaisons serving the medical oncologist who will focus on the launch of RaDaR as well as the continued uptake of InvisionFirstLung, our Liquid Biopsy test for Lung cancer. These additional hires will complement our existing salesforce and the salesforce at Agendia who we are partnering with in the breast cancer MRD market.

Based on the initial MRD market development in colorectal cancer and NEO's strong franchises in breast cancer and lung cancer testing, we anticipate we can leverage these foundations to be a market leader in MRD testing. The combination of these with our expanded Precision Medicine Manager team will most certainly accelerate the market penetration of our RaDaR assay, benefitting thousands of cancer patients sooner. We also expect to be able to accelerate what we believe could become a multi-hundred-million-dollar per year revenue opportunity for NeoGenomics. And as we pursue these massive opportunities, I want to remind everyone that we remain on our previously stated timeline of attaining MolDx submission for our first indication around the turn of the year, with anticipated reimbursement approval and initial commercial launch near the middle of 2022.

I am clearly excited about the bright future at NeoGenomics. Our base business is diversified and profitable with sustainable growth, and this foundation allows us to make smart and bold investments. And in the core business, we will continue process improvements and grow our base business even as we pursue outsized growth opportunities. We anticipate that post-pandemic clinical volume acceleration will allow our base business to fund our growth initiatives. I firmly believe that these investment

decisions will ultimately be significantly beneficial to all of our stakeholders – patients, providers, employees and shareholders.

I will now ask Kathryn McKenzie to update you on the quarter and then I will provide some closing remarks.

We will then have time for Questions and Answers.

Kathryn McKenzie

Thank you Mark.

Revenue excluding COVID PCR testing grew 12% year over year to $121 million in Quarter 3.

Clinical revenues of $102 million represented 11% year over year growth excluding COVID-19 PCR testing. This 11% year over year increase was comprised of a 7% increase in clinical volume and a 4% year over year increase in revenue per test.

Incoming volume company-wide was impacted during the quarter by the delta variant incidence surge. Similar to the dynamics experienced during prior pandemic waves, higher COVID-19 incidence led to reduced patient visits to oncologists, cancelled screening appointments, and reduced sales team access. We were particularly hard-hit by the Delta variant given our substantial presence in both Florida and Texas, which together represent more than 20% of our total revenue. In Florida specifically, we saw some of the most stringent COVID related restrictions put in place we have seen during the whole pandemic. These factors culminated in a Q3 Florida daily volume trend across the state that was roughly 5% below our previous 2021 lows we experienced in January and February. This compares to daily volume trends of up 9% when comparing the same periods across all other sales regions nationwide.

Pharma Services revenue grew 14% year over year to $19 million. We did experience COVID related delays in planned clinical trial related work as patient enrollment timelines were pushed out by our customers. We would emphasize that the vast majority of the projects in the quarter were delayed rather than canceled and we would expect to perform this work in coming quarters. Despite lower Q3 growth, our pharma services YTD growth rate through 9 months remains healthy at 36% year over year.

What's very exciting to us is that demand trends continue to be strong in our pharma services business. We added a record $49 million in signed contracts and exited the quarter with a record $261 million in backlog which represents year over year backlog growth of 41%. We believe we are well positioned to meet or exceed our long-term target of 25%-plus revenue growth for this business in coming years.

Gross Margin

Our total GAAP gross margins decreased to 38.9% reflecting the first full quarter of Inivata related non-cash amortization. Total adjusted gross margin which excludes non-cash amortization was down slightly year over year to 42.9%. Lower than anticipated clinical

volumes and pharma services revenue led to lower efficiencies on our largely fixed cost COGS infrastructure.

The labor market for skilled lab technologists remains competitive, particularly in Southern California, and we are hiring aggressively to expand our testing capacity nationwide. Capitalizing on our fully integrated clinical LIMS network, we are in the process of bringing up or expanding dry lab analysis pods in multiple cities across the country. We've identified Phoenix and Atlanta as cities with pockets of strong talent.

Operating Expenses
Operating expenses increased $38 million year-over-year to $87 million primary driven by expense contributions from the recent acquisitions of Inivata Limited and Trapelo Health and additional investments to support growth. The increase also includes a loss contingency accrual of $10.5 million related to a regulatory matter we will discuss in a moment.

Adjusted EBITDA
Adjusted EBITDA of -$3 million in Q3 reflects a flow though of lower than anticipated revenues as well as the first full quarter of expenses from Inivata which closed in June.

Balance Sheet
Turning to the balance sheet, we exited Quarter Three with $543 million in cash and marketable securities, which excludes an additional $3 million in restricted cash designated to finalize construction of our new state-of-the art laboratory and global headquarters in Fort Myers, Florida.

Speaking of our new facility in Fort Myers, we are happy to share that we have moved administrative functions into the building and we will be migrating laboratory operations into the new facility in stages over the next few months. The building triples our lab footprint in Fort Myers providing much needed capacity for expected growth in the years ahead.

Our Balance Sheet also includes an accrual for a compliance item that will be disclosed in the 10Q that we expect to be filed later today. We are voluntarily conducting an internal investigation, with the assistance of outside counsel, that focuses on the compliance of certain consulting and service agreements with federal healthcare laws and regulations.

Based on preliminary findings of this internal investigation, we voluntarily notified the Office of Inspector General of the U.S. Department of Health and Human Services of our investigation in November 2021. Though our review of this matter is ongoing, we have accrued a reserve of $10.5 million for potential damages and liabilities associated with the federal healthcare program revenue received spanning multiple years in connection with the agreements at issue that were identified during the course of this internal investigation.

Guidance
Turning to guidance, we are lowering our previously provided annual revenue and Adjusted EBITDA guidance. We now expect consolidated revenue to be in the range of

$482.5 million to $487.5 million and full year 2021 Adjusted EBITDA to be in the range of -$2.5 million to $2.5 million. The impact of the Delta variant on our business in Q3 was much larger and prolonged than we anticipated impacting our Q3 results in our clinical services and pharma services divisions. We expect the Q3 reduction in sales team access in the clinical market and delays in clinical trial work with Pharma services to have a flow through impact on Q4. These factors caused us to reduce the level of sequential improvement we anticipate for the quarter.

I will now turn the call back over to Mark Mallon.

Mark Mallon

Thank you, Kathryn.

With regards to the compliance matter, we continue to take all reasonable steps to ensure that we have identified and are addressing all issues underlying our self-disclosure. NeoGenomics has always strived to maintain a culture of compliance and has a strong track record of operating ethically. Moving forward, further solidifying our compliance culture is a key priority for me and the leadership team. To that end, I'm pleased that Kathryn will be stepping into the newly created role of Chief Sustainability & Risk Officer to help our team stay focused on mitigating evolving organizational and industry risks, while also leading our ESG efforts.

Shifting the discussion back to our business outlook, I am incredibly excited about the opportunity in front of us at NeoGenomics. Strategically we remain very well positioned as a leader in oncology diagnostics and we see significant opportunity for growth in the years ahead across all of our businesses. It's clear to me that RaDaR is a special asset and we are committed to make the investments necessary to realize its sizable Clinical and Pharma market opportunities for minimal residual disease and recurrence testing. We intend to take a leadership role in forming this market which we believe will fundamentally improve the cancer treatment paradigm for patients everywhere.

I will now turn the call over to Charlie for Q&A.

Transition to Charlie Eidson for Q&A

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

Closing Remarks (Mark)

As we end the call, I'd like to recognize the approximately 2,000 NeoGenomics team members around the world for their dedication and commitment to building a world-class oncology diagnostics and information company.

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