NeoGenomics Conference Call Prepared Remarks

Mark Mallon

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

Joining me for this call from our Fort Myers headquarters are Kathryn McKenzie, our Chief Financial Officer, George Cardoza, President and Chief Operating Officer of our Lab Operations, Bill Bonello, President of our Informatics Division, and Doug Brown, our Chief Strategy and Corporate Development Officer.

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

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

Doug Brown

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.

Quarter 2 Review and Updated 2021 Outlook

Quarter 2 Review

We are pleased to announce strong Quarter 2 results highlighted by 40% annual revenue growth to $122 million for the quarter. All three of our divisions grew significantly over a depressed Q2 from a year ago, and importantly, we grew our core revenues 7%

sequentially over Q1 of this year. I am especially pleased to note that our strategic growth areas of Pharma Services, Informatics, and NGS testing in Clinical Services were strong contributors in the quarter and these growth areas now account for greater than 1/3 of our total company revenue.

Clinical revenues of $101 million represented 37% year over year growth. Our clinical business experienced a noticeable recovery versus Quarter 1 and this number included no contribution from Covid-19 PCR testing revenue.

On a sequential basis, our core clinical cancer volume increased 8% with a record 281 thousand clinical tests performed in the quarter.

While the Quarter 2 recovery in volume is encouraging and strong volumes have continued into Q3, we are monitoring a few market related factors that may impact continued volume uptake in the back half of the year. We had anticipated that our sales team would have full access to their customers by Quarter Three but that remains to be seen in certain territories. We believe that much of this can be attributed to the recent spike in COVID-19 cases driven by the Delta variant. Additionally, market data shows that many patients are still not going in for critical screening appointments and key cancers continue to be underdiagnosed. We believe our strong sequential volume growth in Quarter 2 is evidence that our clinical business will benefit as reopening of offices continues, even if at a slower rate in some parts of the country.

Our Pharma Services business continued to shine during the quarter putting up record revenues of over $20 million with year-over-year growth of 55%. Demand was also robust during the quarter as more than $40 million in new bookings drove signed contract backlog to a record $238 million exiting the quarter. This backlog gives us confidence that as we exit 2021, our Pharma segment will be approaching a $100 million revenue runrate– up from just $20mm a few years ago. It is also worth noting that our pharma services business continues to migrate up the value chain of our BioPharma customers as we are winning a larger percentage of phase 2 and phase 3 opportunities. These larger contract awards demonstrate the strong confidence our customers have in Neo, awarding some of their most important drug development projects to our Pharma Services team.

Our Informatics capabilities which improve the ability of BioPharma companies to identify patients for clinical trials and provides these clients with commercial analytics to support product launches, continue to be in high demand. Informatics is the fastest growing of our three operating divisions and the team continues to make strong progress. While still relatively small, this business posted record revenues again in Quarter 2. You will hear more from Informatics Division President Bill Bonello later in our prepared remarks.

During the quarter, our team also successfully closed on two important acquisitions. We are excited about the addition of Trapelo Health and Inivata into NeoGenomics and while still very early days, we can already see multiple opportunities to drive growth and support our overall strategy of bringing innovation to the community oncology market.

Trapelo Health closed in April and the acquisition is now fully integrated as a subsidiary of our Informatics Division. You will hear more about Trapelo in the Informatics update later in the call.

Inivata closed in June and our integration activities are well underway. We plan to leverage the advantages of NeoGenomics' strategic position in commercializing our "Residual Disease and Recurrence" assay, or RaDaR, with a multipronged strategy for success.

As we have discussed, our first priority is ensuring a rapid submission of RaDaR to MolDx. I have reviewed the plans and progress of the team and we remain on track for a submission around the turn of the new year and, assuming a typical review period, a launch into the clinical market in the middle of next year. Since we have acquired Inivata, we have accelerated the acquisition and retrospective testing of multiple cohorts of samples, in multiple tumor types, to support the initial MolDx submission and launch in future areas.

Another priority is to gain Biopharma support for RaDaR. Our Pharma services sales team, is now fully engaged in supporting the Inivata team in pulling through a large and growing portfolio of pharma opportunities. There has been clear recognition by BioPharma teams of the leading sensitivity and specificity of the RaDaR assay. We expect to leverage our strong relationships with nearly 200 BioPharma companies to generate revenue and aid in building an evidence base for treating minimal residual disease (MRD) and RaDaR.

MRD testing will play a role in the development of therapies in the neoadjuvant setting as well as in recurrence monitoring. Studies in the adjuvant setting are one example of how MRD, RaDaR specifically, can be used now to transform drug development and could be an opportunity for quick successes. Today, approximately 70% of patients with early stage cancer are cured by their initial treatment, however it's difficult to know which patients and as a consequence, patient enrollment into adjuvant clinical studies includes large numbers who do not have residual cancer. By utilizing a test like RaDaR to facilitate more effective trial enrollment, pharma sponsors can help healthy patients avoid unnecessary treatment, reduce trial enrollment sizes, improve the quality of the readouts from the trial, and reduce costs along the way. We believe BioPharma adoption will be an important part of success in the clinical market.

We will utilize the relationships and oncology expertise of our base clinical sales team who have been calling on our key clients for an average of 6 years. We have also recently built out a 10 person team of precision medicine managers who will be focused on driving next generation sequencing and liquid biopsy adoption. This team will be in place well ahead of our planned RaDaR launch and will be tasked with helping drive uptake.

Also, earlier this year we struck an important commercial arrangement with leading breast cancer oncology testing company Agendia to co-commercialize RaDaR with breast cancer focused physicians upon launch. We view the partnership with Agendia and their growing U.S. salesforce of over 40 breast cancer specialists as a focused way to gain more feet on the street selling RaDaR at a reasonable cost. We have already received multiple inquiries from other companies who have sales teams of similar size and reach that are focused on various other cancer types and we are actively evaluating these opportunities. We believe that RaDaR's Best-In-Class published analytical sensitivity of 97% at 20 parts per million of circulating tumor DNA or 0.002% variant allele frequency

is a true differentiator. This elite level of sensitivity at such low concentrations allows RaDaR to make calls other assays fundamentally may not be sensitive enough to make. We believe these other potential partners are recognizing the assay's differentiation as well.

Finally, we believe that Trapelo's clinical decision support software can be a technological multiplier for our sales efforts as the platform is adopted and additional clinical evidence is published for minimal residual disease testing and treatment.

Fast reimbursement, comprehensive evidence generation, success with BioPharma customers, targeting disease opportunities where quick wins are possible and a multichannel approach to selling will be the success factors to make RaDaR a leader in the MRD market and we are rapidly working on each.

Overall, I'm proud of our team's Quarter 2 performance in my first quarter as CEO of NeoGenomics and excited about the early progress from our two recent acquisitions.

CEO Observations

From a big picture perspective, I have been very impressed by several strengths of Neo in my first 100 days on the job. First is just how comprehensive our oncology platform at NeoGenomics truly is. As I have dug in, I see how our broad portfolio of services provides a value proposition for all of the constituents in the oncology ecosystem – providers, pharma, payors, and of course, patients. Our portfolio of multi-modality solutions is comprised of hundreds of assays that provide time sensitive biomarker specific answers for Oncologists, Pathologists, research scientists, and pharma trials teams. Our customized targeted panels allow us to provide the right information at the right time for providers and patients and at the right price for our direct bill and third party payors. And that broad based menu that differentiates us in clinical is also of great value to biopharma customers and is the real driver of growth for us. As we test nearly 500,000 patients per year, the value of the data and related informatics capabilities we are gathering only continues to snowball every day.

Critically, these strengths have translated into leadership in three key franchises. We are the clear leader in diagnosis of hematologic cancers with an especially strong position, and have strong franchises in both the breast and lung segments, where we run more than 100,000 tests annually in each. These are real platforms for growth today and in the future.

I must say that I have been equally impressed by our culture as I have now had the pleasure of meeting hundreds of my fellow teammates at NeoGenomics and there is truly a feeling of a 'patient first' mentality at all levels in the organization. As I have visited many of our facilities, it is obvious that our lab employees are dedicated to patient service. This consistent dedication has translated into industry leading turnaround times in many of our test modalities and is also reflected in both our strong Net Promotor Scores and extremely high customer retention rates.

And I know we can do much more. We believe that commercialization of the RaDaR assay can help transform the cancer care paradigm for millions of patients in need of cancer recurrence monitoring. We see opportunity to drive broad adoption of a leading clinical decision software for our oncology customers to help them navigate appropriate testing for their patients from both a technology and cost/benefit perspective. And while we are a leader in the U.S. oncology market, I see so much opportunity outside the U.S. as we look to further globalize our offerings.

We have multiple facilities around the world that have ample capacity to scale and we have ongoing discussions with various biopharma companies regarding our ability to further support them globally. Along with these organic growth opportunities right in front of us, we also have corporate development and inorganic growth opportunities that we have no intention of slowing down on. We are strategically well positioned and are well-capitalized for further deal making as we will look to keep pace with the constantly changing and highly competitive marketplace in oncology.

When I put it all together, I see a very well positioned, very well diversified player in one of the most attractive end markets in the world. And I believe all the opportunity in front us puts us in a position to accelerate our historical mid-teens topline growth rate over time, which will enhance our margins as well as we fill up our laboratories and continue to implement efficiencies. As you can tell, I'm very excited to be a part of NeoGenomics and could not be more optimistic about our company's future.

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

Kathryn McKenzie

Thank you, Mark.

Second quarter clinical division revenue grew 37% year over year, driven by a strong bounce back in clinical volume compared to the depressed volumes during the initial wave of the pandemic during the second quarter from one year ago. As a reminder we made the decision to wind down our COVID-19 PCR testing capabilities in Quarter 1 and we had no contribution from COVID-19 testing in Quarter 2 compared to $2 million in the same period last year. Clinical Division revenue-per-test was $360 in Quarter 2 compared to $362 for the full year of 2020 and $351 in Quarter 2 of 2019.

Pharma Services revenue grew 55% year over year, continuing its rapid growth trajectory. Demand continues to be very strong and we signed over $40 million in new bookings during the quarter, exiting the quarter with a record $238 million in backlog.

Gross Margin

Our total gross margins of 43.5% in Quarter 2 included amortization of intangible assets related to developed technology acquired through the Inivata transaction. Excluding the amortization of these acquired intangible assets, our gross margins improved to 44.1% in Quarter 2 driven by efficiencies on increased volume in clinical and higher revenue in our pharma services division. More consistent sample volumes allowed for more predictable staffing levels and we were able to see more normalized leverage on our largely fixed

cost COGS infrastructure. Gross profit increased $11 million sequentially on only $6 million of revenue growth. Compared with a year ago, gross profit increased $25 million on a $35 million revenue increase. These levels of incremental gross profit provide confidence that gross margins can improve as we continue to grow and we believe that over a series of quarters, we should be back to previously achieved Gross Margins approaching 50%.

However, we continue to see the same temporary labor and supply chain constraints that the rest of the country is experiencing and these capacity constraint challenges, combined with high demand are continuing to affect service levels and cost per test.

Operating Expenses
Operating expenses increased $28 million year-over-year to $75 million primarily driven by one-time acquisition related costs, expense contributions from the recent acquisitions of Inivata and Trapelo, increased commercial costs on higher revenues, and additional investments to support growth.

Other Income
Concurrent with the completion of the Inivata acquisition, we recorded a gain of $97 million within other income related to our prior minority investment in Inivata. The gain represents the amount by which the fair value of the Company's minority investment in Inivata immediately prior to the acquisition exceeded the carrying value of its previous-held equity interest and purchase option.

Adjusted EBITDA
Adjusted EBITDA of $4.6 million in Q2 reflects improvement in our core cancer business offset by expense contributions from the recent acquisitions of Inivata and Trapelo, and higher payroll, increased commercial costs and certain other personnel-related expenses.

Balance Sheet
Turning to the balance sheet, we exited Quarter Two with $572 million in cash and marketable securities, which excludes an additional $4 million in restricted cash designated for construction of our new state-of-the art laboratory and global headquarters in Fort Myers, Florida. During the quarter we utilized $390 million in cash to exercise our purchase option to acquire the remaining unowned equity in Inivata and raised gross proceeds of $200 million in a related strategic private equity transaction. We also utilized $36 million in cash for the acquisition of Trapelo Health, which was announced in March and closed in April.

Guidance
We are maintaining our previously provided annual revenue and Adjusted EBITDA guidance based on strong second quarter.

I will now turn the call back over to Mark.

Mark Mallon

Thank you, Kathryn.

As we have done in previous quarters, we would like to dedicate some time on this call to providing our investors with a progress update on one of the most exciting areas of our business. For this quarter's call, I have asked the President of our Informatics Division, Bill Bonello to discuss the exciting projects he and his team have been working on.

I will now turn the call over to Bill.

Bill Bonello

Thanks Mark. I'm pleased to have the chance to discuss our Informatics initiatives.
The Informatics Division is building data and technology solutions to improve patient care and drive growth. In two short years we have grown from a standing start to a team of nearly 60 people and are progressing nicely towards our longer-term goal of establishing a $100 million business.

In our core Informatics business, we provide products and services to Life Sciences companies to support clinical and commercial analytics, clinical trials, and digital pathology. Over the past two years we have engaged in over 59 contracted projects with 26 different biopharma companies and we have nearly 100 unique projects in our pipeline. We are engaged with many of the largest global pharmaceutical companies, often for multiple projects, and several leading contract research organizations.

I would like to highlight just a few of our current projects, to give you a better sense of the type of work that we are doing. In one case, we helped support the commercial launch of a non-small cell lung cancer therapy by analyzing biomarker testing patterns among both oncologists and pathologists. We used this information to identify potential sites for a phase 2 clinical trial as well as to identify gaps in testing. We also constructed patient cohorts to identify individuals that might benefit from the therapy or need follow-up biomarker testing and shared this information with treating physicians within 48 hours of FDA approval. Finally, we implemented a sponsored testing program to alleviate patient financial burden.

We have several other projects where we are identifying patients that might be candidates for a specific clinical trial, proactively following up with treating physicians, and facilitating enrollment. We also have several other projects where we have identified gaps in biomarker testing to support commercial initiatives. We are also engaged with several companies to provide annotated digital images, in some instances supported by our own proprietary machine learning algorithms.

We are also very excited about Trapelo Health, which we acquired in March of this year. Trapelo Health is a precision oncology company focused on clinical decision support for both test and therapy selection as well as streamlined prior-authorization for both testing and treatment. This comprehensive order-to-result perspective differentiates Trapelo from any other clinical decision support tool on the market. As we all know, for precision medicine to work, patients must be tested for the appropriate biomarkers in order to even know that they are a candidate for a therapy or clinical trial.

On the front end, Trapelo identifies which biomarkers should be ordered for a specific patient, and which specific lab tests include those biomarkers. The product is designed

to be lab agnostic, enabling providers and payors to designate their own preferred laboratory networks.

Real world data underscores just how important this biomarker guidance is. We know that up to 35% of patients with non-small cell lung cancer have actionable genetic mutations and up to 55% of patients with metastatic non-small cell lung cancer have clinically relevant mutations. Nevertheless, less than 25% of non-small cell lung cancer patients receive testing for all four of the most common biomarkers, and just 7% of patients receive testing for all seven genes that are included in clinical guidelines. And that's just one example.

On the back-end, Trapelo identifies which therapies and clinical trials may be appropriate for an individual patient based on the test results and other clinical information. This guidance is also critical to ensuring the highest quality patient care. About 80% of treatment occurs in the community and most of these oncologists are seeing a very broad range of cancers, making it next to impossible to keep up with the most current science and even the guidelines. Also, the guidelines alone change at a pretty rapid clip. Sometimes a guideline for a specific cancer can change as much as six times over the course of a year.

All of the recommendations, for both testing and treatment, are supported by scientific evidence which has been collected and curated into a proprietary knowledge base, which is supported by our own team of PhD curation specialists.

While it is still early days, client response has been overwhelmingly positive and we are in active discussions with a large number of provider organizations, payors, and Electronic Medical Record companies. We will also be integrating the testing portion of clinical decision support into our NeoGenomics online order process and hope to have that product available to select clients in the fourth quarter of this year.

Mark Mallon

Couple of summary remarks before we turn it over to Doug.
In summary, I believe our Q2 results have confirmed that our strategy is working and will ensure value creation for shareholders and patients. We achieved 40% growth driven by record test volumes in our Clinical Services Division and grew gross profit ahead of revenue. Fully 1/3rd of our business now comes from our growth drivers of Pharma Services, Informatics, and NGS testing. We are positioned to drive more growth through the launch of two potentially transformative innovations to cancer testing with the acquisitions of Trapelo and Inivata. We remain laser focused on transforming the lives of cancer patients by being the leading cancer testing and information company,

Transition to Doug Brown 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 doug.brown@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 1,900 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.