



Full Year Results 2022

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Presentation Team



Nigel Goldsmith

Chief Financial Officer



Phil Reason

Chief Executive Officer



Jon Horton

Head of Investor Relations

Who are we?

A world leading workflow software and data solutions business that improves life sciences R&D efficiency, enabling clients to bring their life enhancing products to market faster



VISION & VALUES

The future transformed for
the benefit of everyone.

Intelligent solutions
empowering collaboration
and life-enhancing science.



We are a Community that Thrives Together



We are Bold, Creative and Curious



We are Optimistic and Love What We Do



We are Inspired to Deliver Value





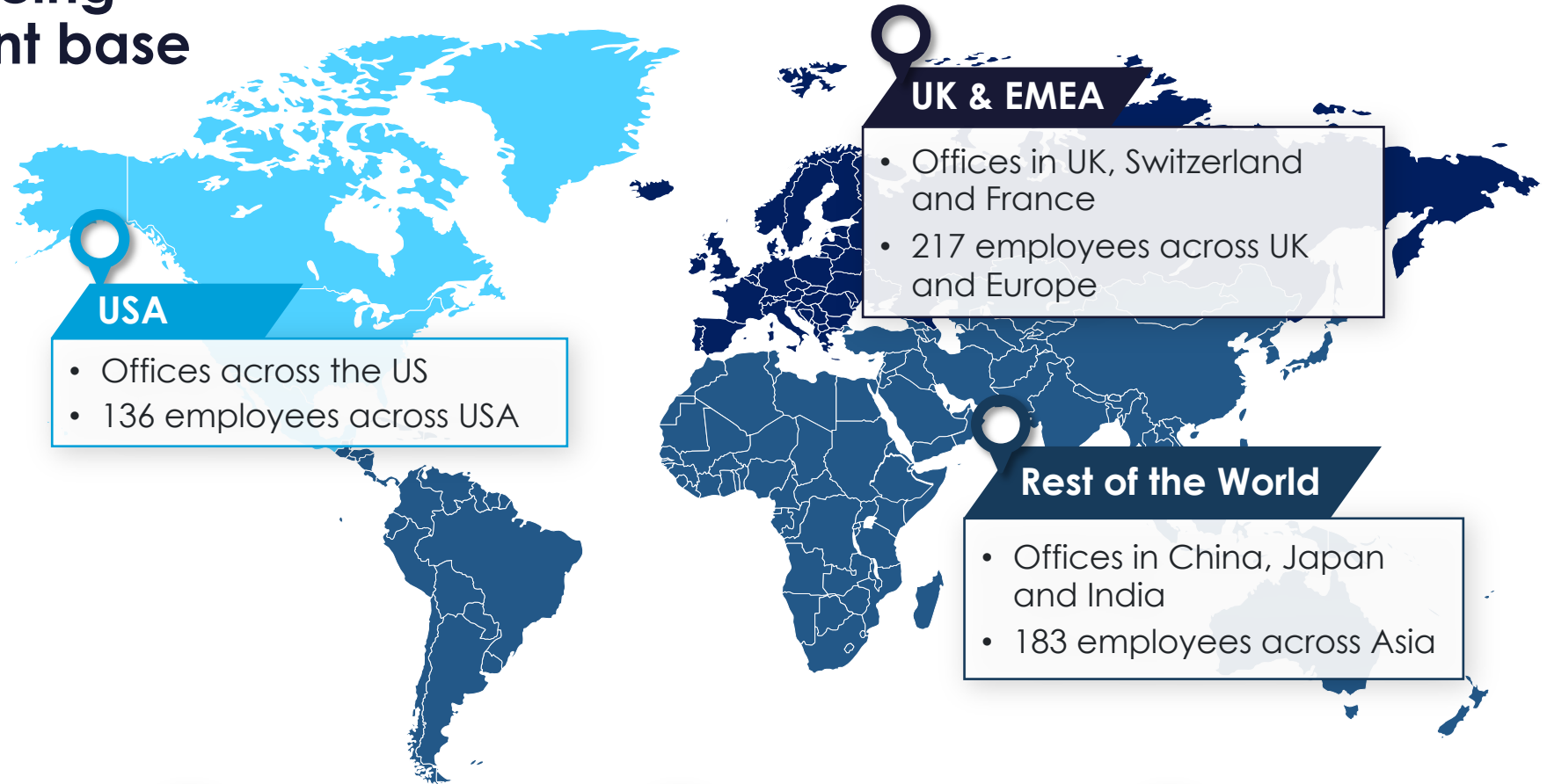
Global platform servicing broad blue-chip client base

Geographic Revenue Split

60% USA

20% UK & EMEA

20% Rest of the World



13
offices globally



536
employees globally



>700
global clients



Top 25
pharma and biotech
companies are clients

FY 2022 Financial Highlights

Full Year 2022 Results



Group Revenue £58.9m
(2021: £46.0m)

+28%



Adjusted EBITDA £10.9m
(2021: £8.3m)

+32%



Adjusted profit before tax £8.2m
(2021: 5.9m)

+39%

KEY OPERATIONAL HIGHLIGHTS

- Price increases fed through to clients
- New HSBC banking facility up to £20m
- Won \$12m contract with global clinical Contract Research Organization ("CRO") for new Aspire SaaS solution
- 2021 acquisitions integrated and delivering
- Contract extension with leading non-clinical CRO worth c.\$1.4m for 900+ new users of Provantis

Instem at a glance

Market leading workflow and data solutions provider across the drug development lifecycle



Number one provider with >50% of global preclinical drug safety data collected over past 20 years using Instem software



Of new business pipeline won, only 13% lost (excluding discontinued RIM business)



Strong recurring revenue retention rate. >700 clients worldwide, including all 25 top pharmaceutical companies



Revenue CAGR since 2017, reporting £58.9m LTM revenue at 31 December 2022



Financial snapshot (FY22)

Revenue
+28%



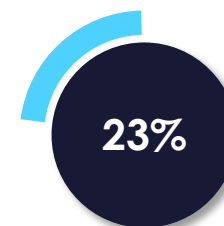
Adj. EBITDA
+32%



Adj. EBITDA Margin
52bps



SaaS Revenue
+41%



ARR



Recurring Revenue
700bps



Post-Period End Highlights



New contracts won adding long-term SaaS income plus one off licence fees and project services (e.g. NIEHS order)



Diversified the Board and strengthened the Executive team through recent appointments



Toxhub assets acquired from the eTRANSAFE consortium and launched as part of new solution suite Centrus®, enhancing *In Silico* revenue streams and reach.



In Silico Platform Transformation

In Silico Value Proposition

PROBLEM



> 10 Years to go through the entire drug R&D process



Only 200 of 7,000 rare diseases have treatment

12%

Percent of drug candidates result in an approved medicine



>\$2B to develop new drugs in 2022

EXAMPLE SOLUTIONS

Modelling, simulation and data driven insights that can reliably, rapidly and cost effectively inform:



Target Identification:

Narrow search for potential drug targets to those that are most likely to be successful



Lead Discovery:

Screen potential drug candidates to identify promising lead compounds



Safety Assessment:

Predict safety profile of target modulation and potential drug candidates, to ensure benefits outweigh liabilities



ADMET Prediction:

Predict the (A)bsorption, (D)istribution, (M)etabolism, (E)xcretion, and (T)oxicity of potential drug candidates

Delivery of *In Silico* Benefits

DATA
+
UTILITY
+
PRIVACY
+
DOMAIN
EXPERTISE



In Silico Solutions

Target Safety
Assessment

Computational
Toxicology

Transparency

Clinical Trial Acceleration
Solutions

Statistical
Computing
Environments

Transparency

Background



PROJECT (2017-2023)

- Innovative Medicines Initiative 2 Joint Undertaking (IMI 2)
- Speed up drug development
- Reduce use of animals in research

CHARTER

- Integrated data infrastructure
- Innovative computational methods/tools
- Improved reliability of translational safety assessment

KEY OBJECTIVES

- Seamless access to data sources
- Ecosystem of predictive and analytical toolsets
- Precedent for data sharing
- Pooled data and models in drug safety assessment

eTRANSAFE Partners



Novartis Pharma AG

Bayer AG

Sanofi Aventis GmbH

F. Hoffmann - La Roche AG

Merck KGaA

Janssen Pharmaceutica NV

Institut de Recherches Internationales Servier

AbbVie INC

AstraZeneca AB

Boehringer Ingelheim International GmbH

Ipsen Innovation SAS

Eisai Co., Ltd.

BASF SE



ALIGNMENT WITH OUR *IN SILICO* BUSINESS

- Unified data platform for data exploitation
- Expands footprint in translational science
- Unlock actionable intelligence to provide more value



WHAT THIS MEANS FOR THE INDUSTRY

- Unique integration of disparate data sources
- Weight-of-evidence approaches to support study design
- Reductions in:
 - Drug development timeline
 - Drug Development costs
 - Number of animals used in testing



Investing in the Future of Drug Development

Modelling and simulation solutions are the fastest growing area of software investment in life sciences R&D.

The subset TAM / SAM of the modelling and simulation market for Instem is
>£500m / c.£150m

2023 Investment

£2.5m

Development, Support,
Commercialization Costs

SaaS Revenue



Consortium Member
Onboarding

2024



Monthly Revenue
Breakeven by EoY

2025 Onward



Significant Contribution
to EBITDA

Portfolio Rationalization & Organizational Alignment

New *In Silico* and Translation Science (ISTS) Business Unit

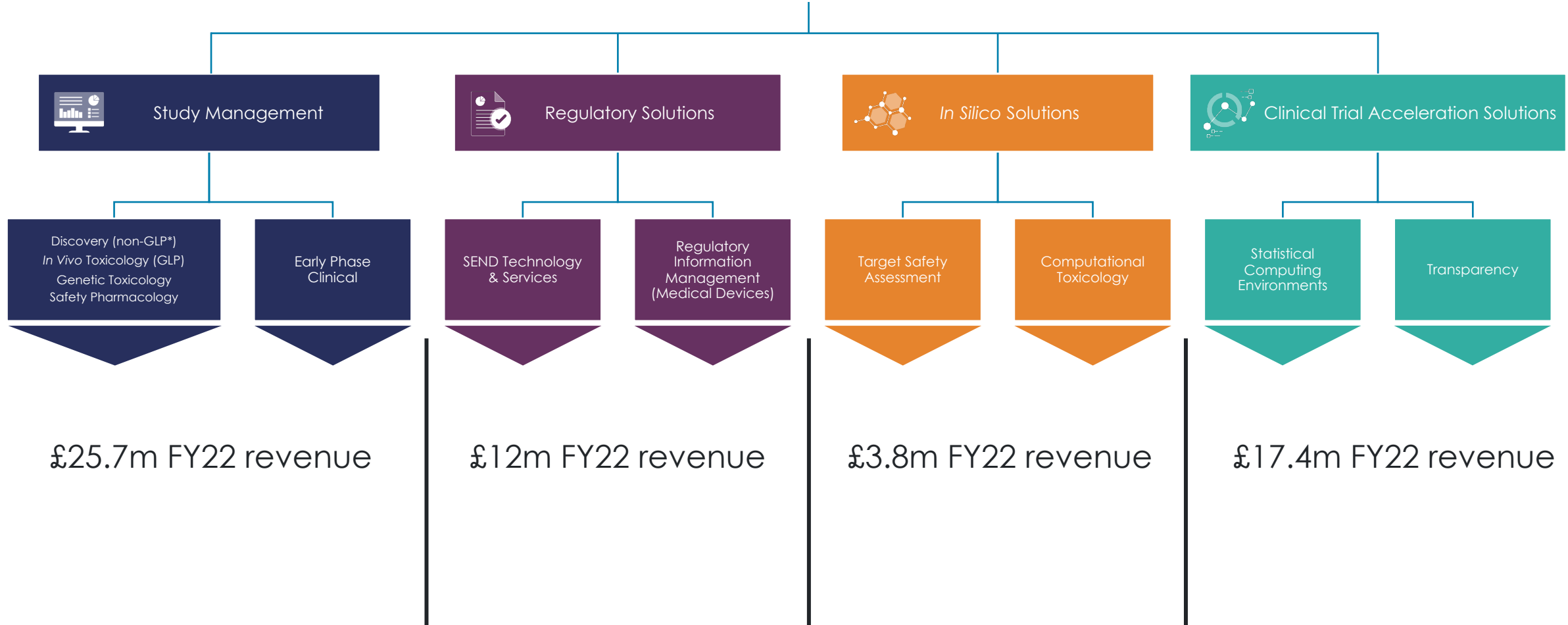
- ✓ Enhanced predictive analytics
- ✓ Full spectrum simulation and modelling
- ✓ Enhanced Machine Learning (ML) and Artificial Intelligence (AI)
- ✓ Addition of eTRANSAFE ToxHub into Platform
- ✓ Clinical Trial Transparency moves to ISTS
- ✓ SEND Exploitation

Redistribution of Regulatory Solutions Business Unit

- ✓ SEND Creation to Study Management
- ✓ SEND Exploitation to ISTS
- ✓ Samarind divestiture
- ✓ Creation of Chief Product Officer Role

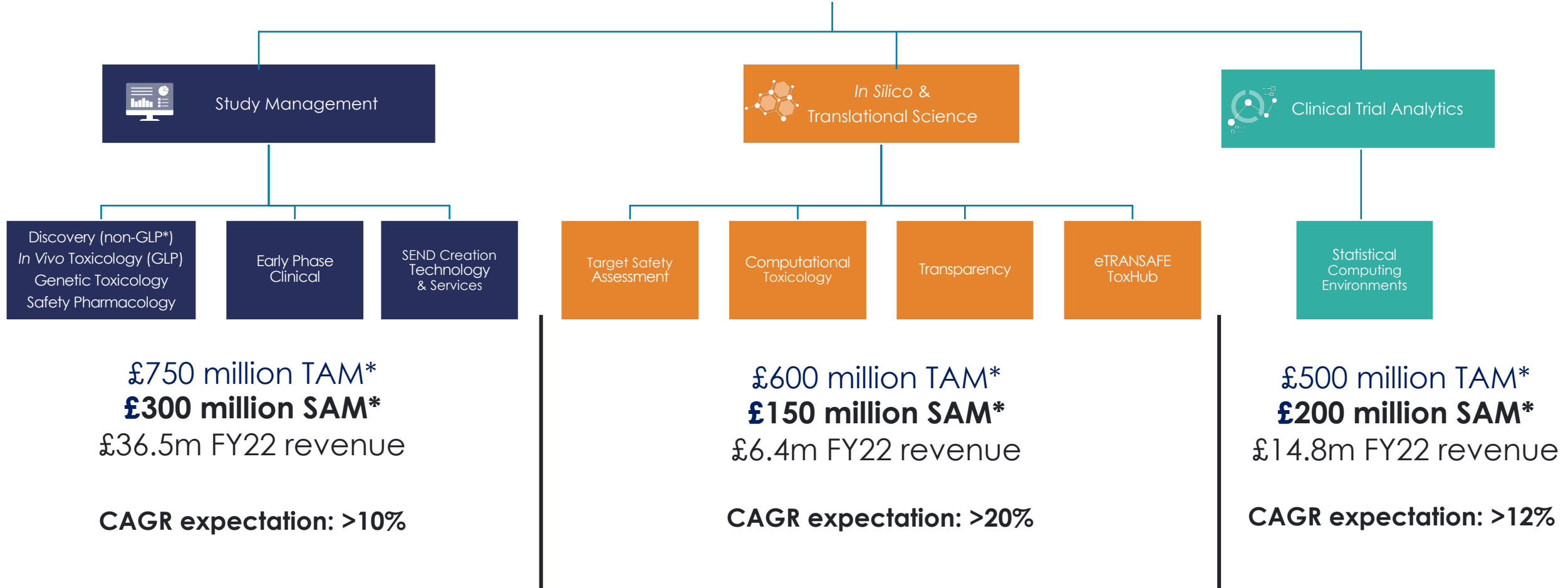
Specialised Workflow Software and Data solutions

We help clients **collect, analyse, report** and **submit** data to regulatory agencies with confidence and to reveal new insights from public and proprietary data.



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FY22 Financials And Review

FY22 financial highlights

Continued financial momentum



Group Revenue

+28%

FY2022 £58.9m

Recurring Revenue

+43%

FY2022 £34.5m

SaaS Revenue

+41%

FY2022 £13.7m

Adj. EBITDA

+32%

FY2022 £10.9m

Gross Cash

£14.0m

Summary FY22 financials

£000's	FY22	FY21	Change	Comments
Revenue	58,880	46,017	28%	Recurring revenue of £34.5m (FY21: £24.1m), representing 59% of total revenue (FY21: 52%). Revenue growth in constant currency was 20%. Constant currency impact (-£3.4m) (FY21: £1.4m).
Operating Expenses	(48,017)	(37,767)	27%	Payroll-related costs represent 72% (FY21: 71%) of total operating expenses Employee headcount increased by 13%, overall salaries by 7% Development costs £7.5m (FY21: £4.9m); £3.0m (FY21: £2.2m) or 40% (FY21 45%) capitalised.
Adjusted EBITDA*	10,863	8,250	32%	18.4% of revenue (FY21: 17.9%); Constant currency impact < -£0.7m. H1 2022 16.3% of revenue Vs H2 2022 20.3% of revenue
Adjusted profit after tax**	7,403	4,633	60%	Effective tax rate of 14.2% (2021: 43.8%)
Adjusted fully diluted eps**	31.3p	20.4p	53%	Reflects impact of acquisitions with a 5% increase in weighted average number of shares and 1.1m of dilutive share options (FY21: 1.1m).
Pension scheme deficit	2,013	2,014	(1)	Scheme assets £8.4m and liabilities £10.4m; discount rate 4.8% (FY21: 1.9%)
Cash generated from operations	9,857	10,343	(5%)	Reduction from prior year primarily due to decrease in working capital, includes impact of acquisitions as well as normal w/c cycle
Cash & equivalents	13,964	15,021	(7%)	Deferred and contingent consideration payments made of £5.4m relating to the 2021 acquisitions

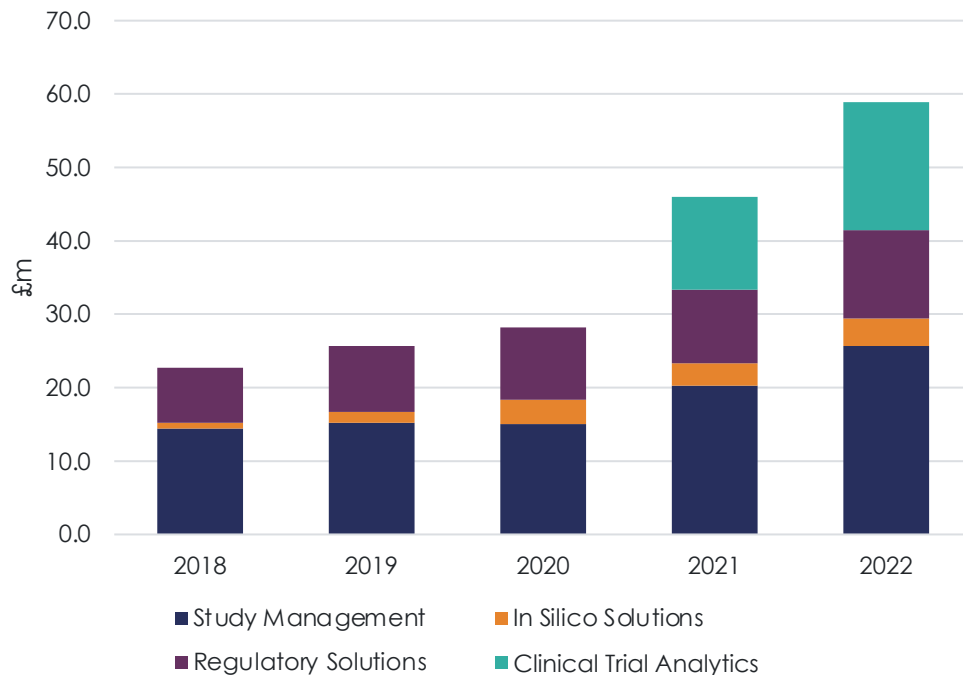
*Earnings before interest, tax, depreciation, amortisation, impairment of goodwill and non-recurring items.

** After adjusting for the effect of foreign currency exchange and the unwinding of the finance liability included in finance income/(costs), non-recurring items, impairment of goodwill plus amortization of intangibles on acquisitions

FY22 revenue progression

- 59% recurring revenue, with continued growth in SaaS
- Three successful acquisitions in FY21, with new segment, Clinical Trial Analytics

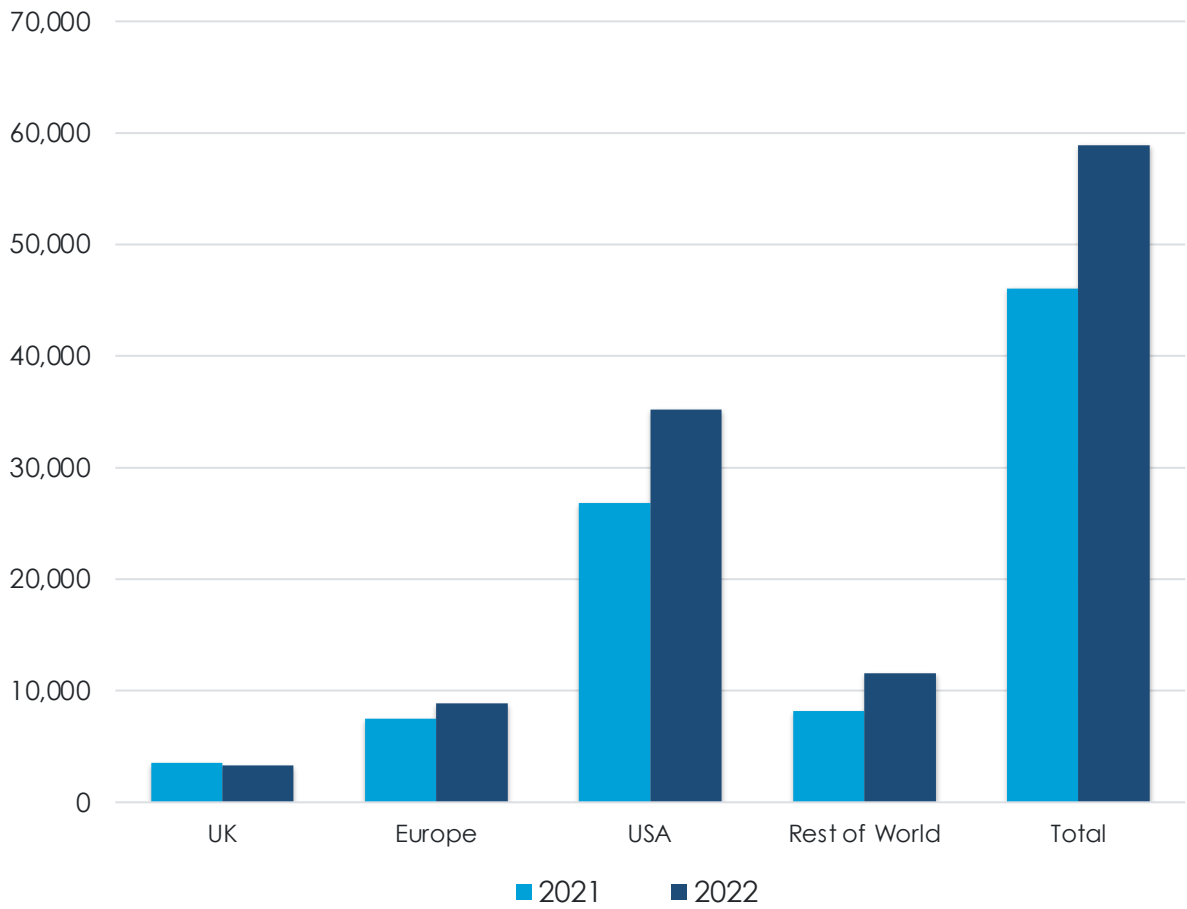
Segmental revenue



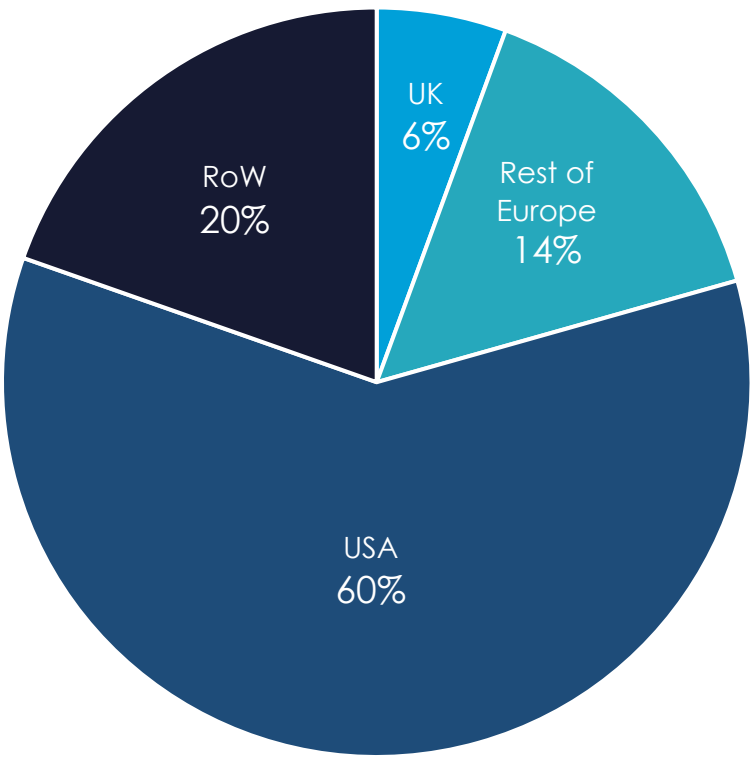
Split by revenue type

	£m	2018	2019	2020	2021	2022
Revenue Type	Revenue Type	22.7	25.7	28.2	46.0	58.9
Recurring Revenue	Annual Support Fees	8.2	8.4	8.9	14.4	20.8
	SaaS Subscription & Support Fees	5.5	6.5	8.0	9.7	13.7
Perpetual licenses	Licence Fees	3.5	3.5	3.5	4.6	6.0
Services	Professional Services	2.2	1.7	1.6	3.7	3.2
	Tech-enabled Outsourced Services	3.3	5.6	6.2	6.4	8.5
	Consultancy Services	0.0	0.0	0.0	7.3	6.6
ARR					28.7	35.0
SAAS ARR					11.5	14.0

Global revenue growth



FY2022 Geographic Split



Liquidity Analysis



91%
Operating Cash
Conversion FY22

H1 2022 **41%**
H2 2022 **126%**



£14.0m
Gross Cash

Final settlement of
deferred and contingent
consideration £5.8m in
Q1 2023



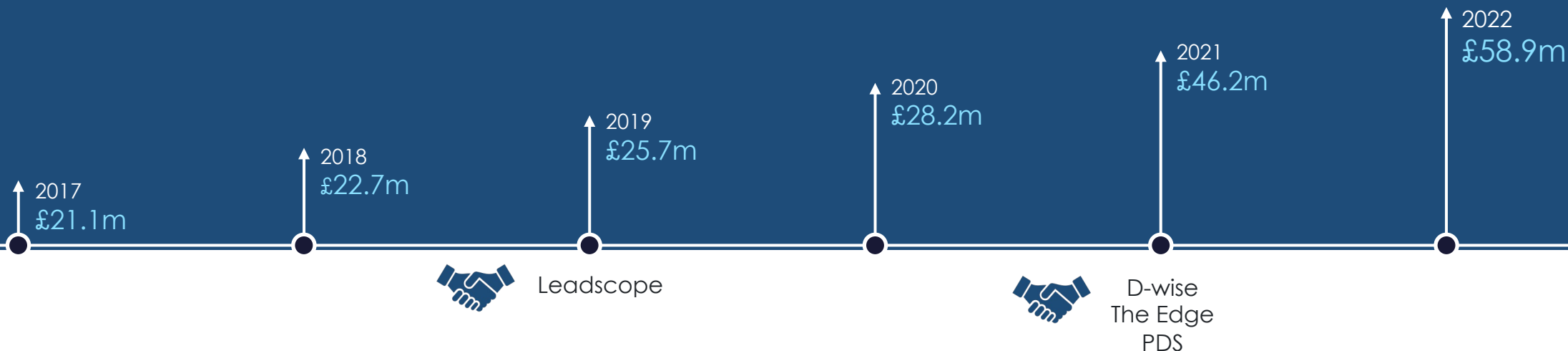
£20m
Debt Facility

Available for general
corporate purposes

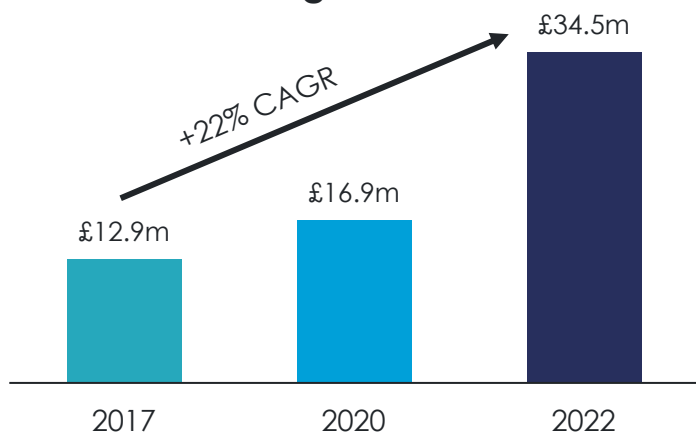
Strong track record of growth

Continued growth trend, organically and inorganically

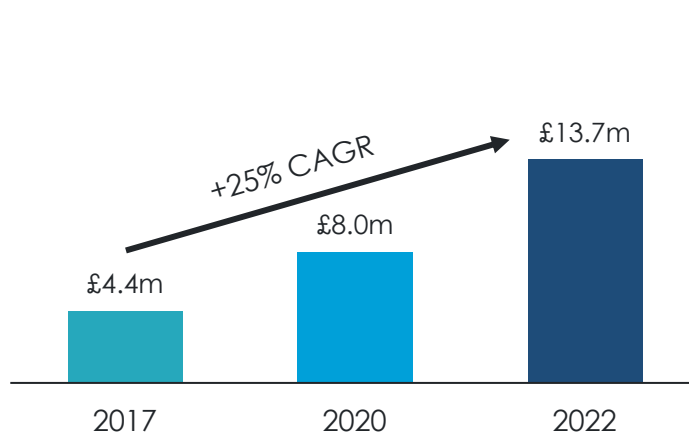
22.8% FY17 – FY22 Revenue CAGR



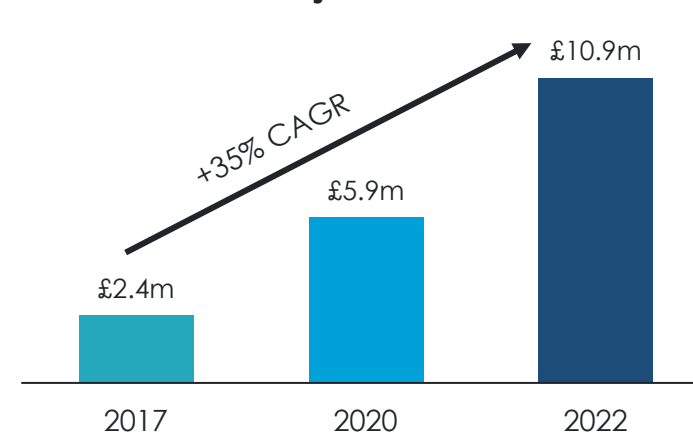
Recurring Revenue



SaaS Revenue



Adj. EBITDA

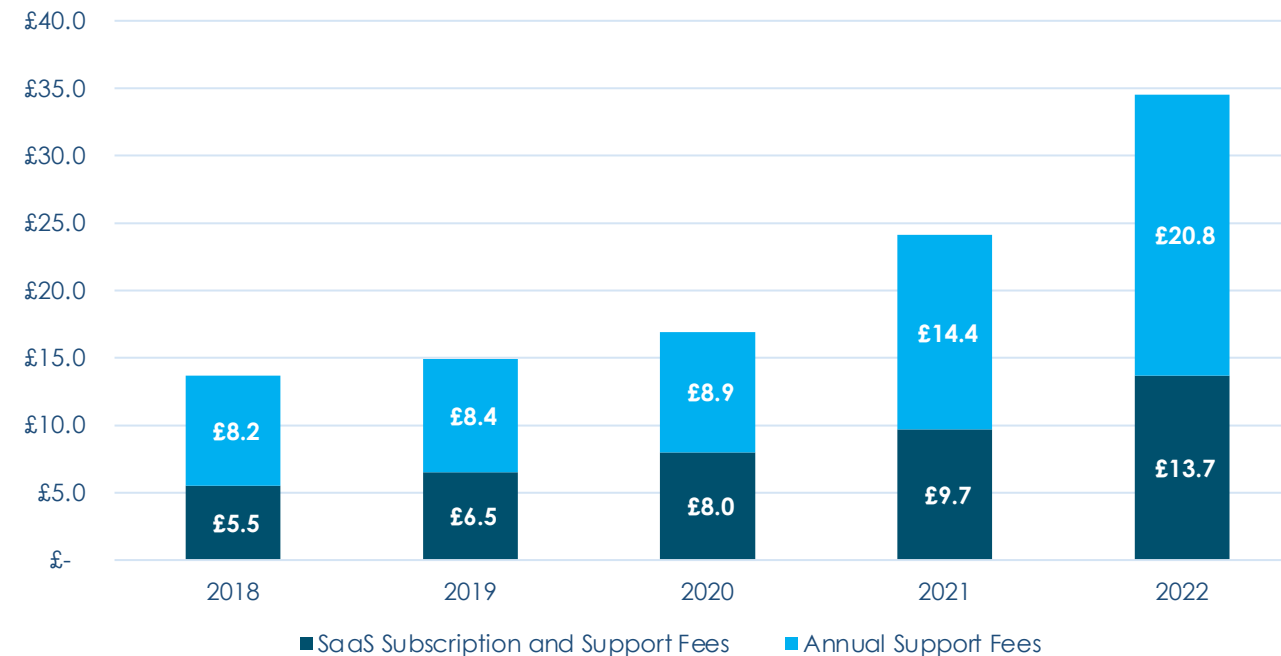


Growth of Software-as-a-Service model

Recurring software revenue accounted for 59% of FY22 revenue

- ~30% of existing users converted to SaaS with >90% of new enterprise software clients SaaS from day 1
- SaaS model only option for new software versions after Q1 2024 (~40% recurring revenue uplift)
- Higher quality of earnings, reduced volatility, future revenue visibility
- Enhanced client experience – software updates, enhanced support, lower total cost and scalability
- Able to more rapidly deploy additional modules
- Opportunity for new products and services
- Simplifies logistics to help client aspirations of data integration, sharing and exploitation

Recurring Revenue by Type £m



Market Overview & Strategic Growth

Market overview



Global medicine
market

\$1.6 trillion

Forecasted market size through
2025, growing at a 3-6% CAGR



Pharmaceutical
R&D spend

\$254 billion

Forecasted spend through 2026,
growing at 4.2% y-o-y



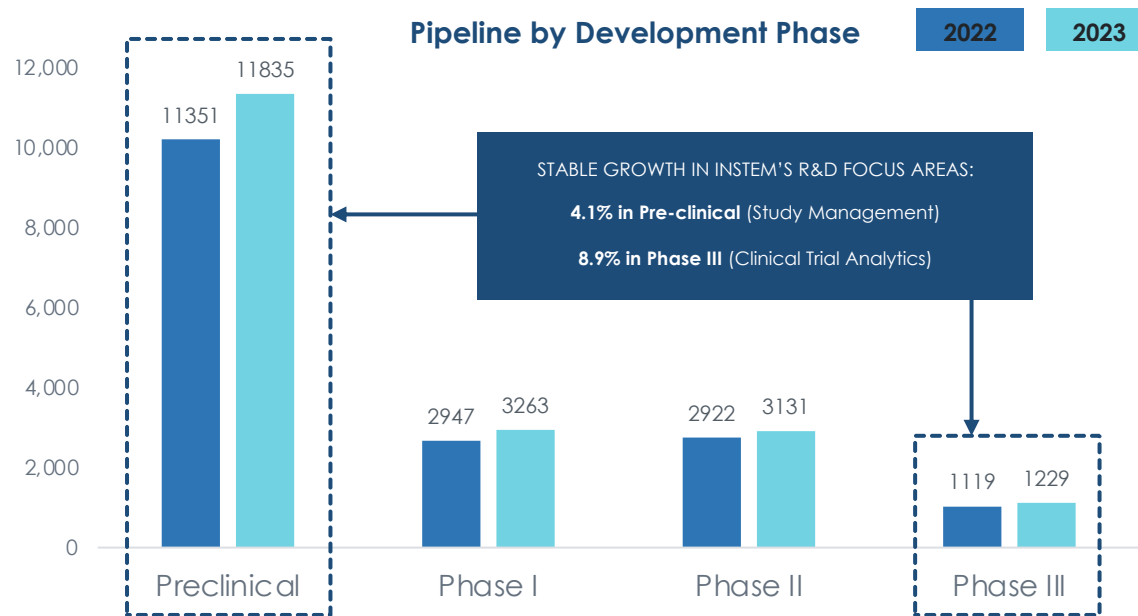
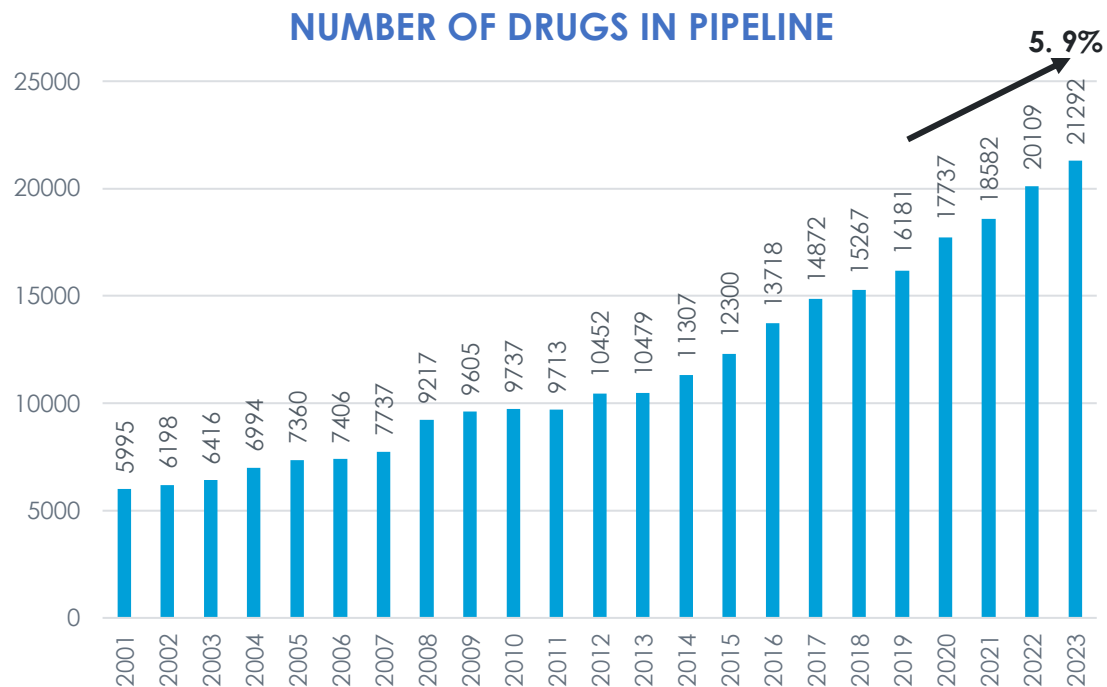
Global life science
analytics market

\$42 billion

Forecasted 2025 market size,
growing at a CAGR of 13.7%
from \$22 billion in 2020

Stable & Supportive Market Dynamics

- Increased demand on life sciences companies to optimise processes to fundamentally change the drug development paradigm, driven by growing global population growth and life expectancy
- Increased demand for innovative healthcare products has driven continued growth in the pharmaceutical sector with the total number of candidate drugs in the R&D pipeline growing 5.9% during 2022
- Funding "headwinds" in R&D create heightened focus on solutions that reduce time & cost, both of which Instem is uniquely poised to deliver – no negative impact on Instem experienced or anticipated



Growth strategy and execution



Organic Revenue Growth



- c.10% CAGR
- Further market penetration
- Cross-selling of existing products
- New products / services
- AI-enabled *Data* solutions
- Complete transition to SaaS model by FY24

Margin improvement



- Targeting 25%+ EBITDA margins
- Conversion to SaaS
- Extensively leverage global infrastructure
- Continue to optimise operating platform

Accretive M&A

- Continue to consolidate highly fragmented software supplier market
- Penetration in existing markets
- Entry into adjacent markets
- Strategic partnerships a potential stepping-stone

Inorganic growth strategy

Track record of strategic M&A since 2010 with disciplined approach to valuation, changing the scale, reach and breadth of the business, complementing our continued organic growth



M&A Objectives

- Consolidate the highly fragmented software supplier market
- Create new market leading positions
- Generate cross-selling opportunities synergies
- Margin expansion through economies of scale



Access to Funding

- Operational cash generation and equity issuance
- HSBC debt facility up to £20m (£10m committed)



Acquisition Criteria

- Acquisitions to be earnings accretive in first full year
- Target 10%+ ROCE (pre-synergies) growing to 15%+

Transformational Acquisitions

2021	d-wise
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Strategic Acquisitions

2021	The Edge
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2021	PDS
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2019	Leadscope
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2016	Notocord
------	----------

2016	Samarind
------	----------

2013	Perceptive Instruments
------	------------------------

2013	Logos Technologies
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2011	Biowisdom
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- Study Management Solutions
- Regulatory Solutions
- *In Silico* Solutions
- Clinical Trial Acceleration Solutions

Summary

Summary & investment case

Highly scalable, growing end-to-end capabilities and increasing SaaS and data-led model



Resilient Financial Performance

FY22 **Revenue +28%** to LTM £59m. FY22 **Adj. EBITDA growth +32%** to £10.9m. **59% Recurring Revenue**

Track record of organic growth, good cash conversion



Positive Structural Market Conditions

Attractive global life sciences market fundamentals and drug pipeline growth

Strategically positioned to consolidate life sciences R&D software and services market



Proven History of Strategic Execution

Track record of strategic M&A with disciplined approach to valuation

M&A strategy provides long-term compounding of returns



Financial Position & Outlook

Resilient business model with increasing SaaS delivery, margins and quality of earnings

Clear growth strategy targeting:

- £120m+ Revenue in 3-5 years
- 10%+ organic CAGR
- >25% EBITDA margin

THANK YOU

Appendix

Board of Directors

Global and seasoned management team and board of industry veterans

>200 years

of combined tech, life sciences R&D and pharmaceutical experience



Phil Reason
CEO



David Gare
Non-Executive Chairman



Mike McGoun
Non-Executive Director



Nigel Goldsmith
Chief Financial Officer

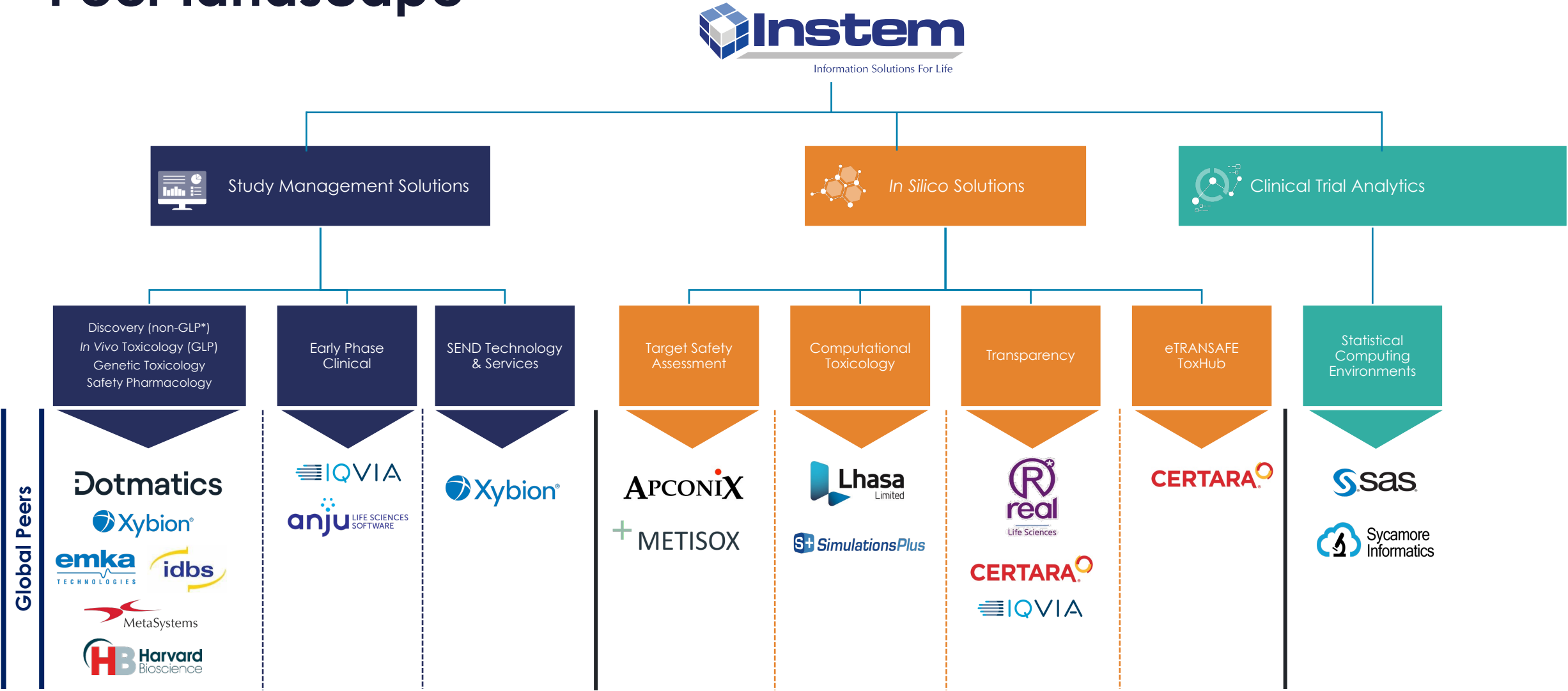


Mary Dolson
Non-Executive Director



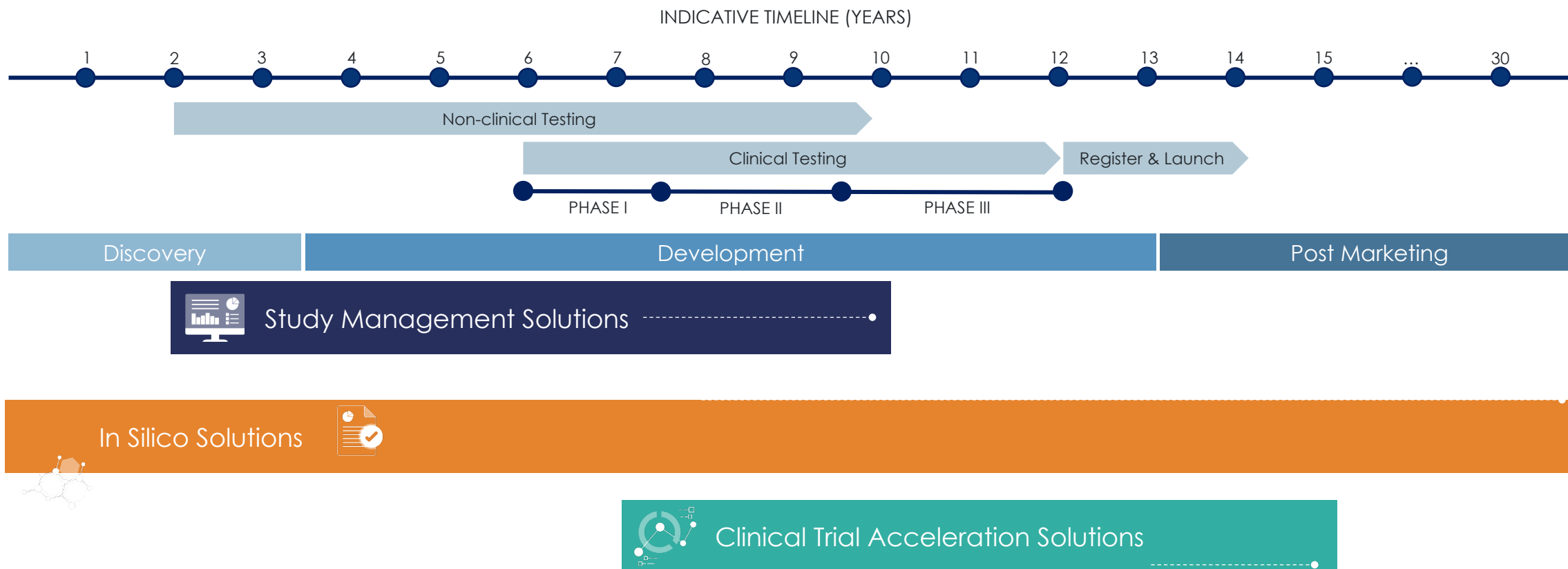
Riaz Bandali
Non-Executive Director

Peer landscape



Solutions address the entire drug development value chain

Highly scalable platform with global reach and breadth across the life sciences market



FY22 balance sheet and cash flow

Balance Sheet (£000)

Non-current Assets	60,271
Current Assets	
- Trade and other receivables	18,345
- Cash and cash equivalents	13,964
- Other	129
	<u>32,438</u>
Total Assets	<u>92,709</u>
Current Liabilities	
- Trade and other payables	5,327
- Deferred income	22,745
- Financial liabilities	5,765
- Other	1,065
	<u>34,902</u>
Non-current Liabilities	4,450
Total Liabilities	<u>39,352</u>
Equity	
- Share capital	2,270
- Share premium	28,224
- Other, incl retained earnings	22,863
	<u>53,357</u>
Total Equity and Liabilities	<u>92,709</u>

Cashflow (£000)

Profit before taxation	5,473
- Operating activities movement	5,358
Cash Flows from Operating Activities	<u>10,831</u>
- Working capital	<u>(974)</u>
Cash generated from operations	9,857
- Finance income/costs/taxes	<u>(1,985)</u>
Net cash generated from operating activities	<u>7,872</u>
- Net cash used in investing activities	(3,514)
- Net cash generated from financing activities	<u>(6,361)</u>
Net decrease in cash and cash equivalents	<u>(2,003)</u>
- Cash and cash equivalents at start of period	15,021
- Effect of exchange rate changes on cash in hand	946
Cash and cash equivalents at end of period	<u>13,964</u>

Operating cash flow

