

Investment Profile

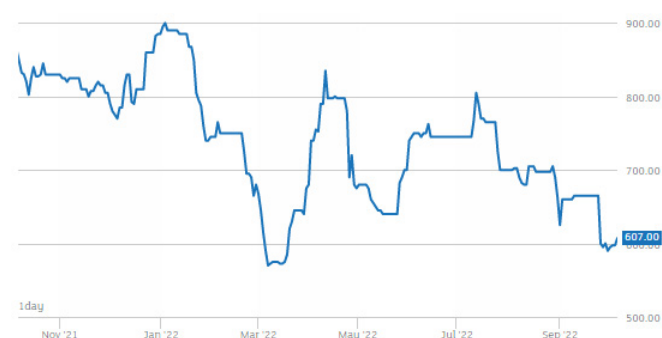
1. Transformational, earnings enhancing acquisitions with strong growth prospects
2. At-pace transition to SaaS model
3. Buoyant market outlook
4. Momentum across all group divisions
5. Solid revenue growth and cash flow

Share Information

Ticker	AIM: INS
Share Price (GB pence)	607
Shares in issue (m)	22.6
Market Cap (£m)	138
12m Hi/Low (GB pence)	900/570

(Source: The London Stock Exchange, October 2022)

12-Month Share Price



(Source: The London Stock Exchange, October 2022)

Major Shareholders (as of September 2022)

Name	%
Liontrust Investment Partners	12.0
Canaccord Genuity	7.5
Gresham House	5.7
Eiffel Investment	5.3
Aberdeen Standard Life Investments	4.9
Wasatch	4.0
Tellworth Investments	3.9
River & Mercantile AM	3.1
BGF	3.1

(Source: [company website](#))

Company Overview

Instem plc (AIM: INS) is a leading provider of compelling IT solutions & services to the life sciences market.

Its solutions are used by over 700 customers worldwide, including all the largest 25 pharmaceutical companies, enabling clients to bring their life enhancing products to market faster. Instem increases client productivity by automating study-related processes while offering the unique ability to generate new knowledge through the extraction and harmonisation of actionable scientific information.

Importantly, its products and services address aspects of the entire drug development value chain, from discovery through to market launch. Management estimates that over 50% of all drugs on the market have been through some part of the Company's portfolio during their development.

Instem has four market facing business units:

Study Management Solutions empower organisations to more efficiently plan and execute studies in laboratories and early phase clinics, covering data collection, review, analysis, reporting and management.

Regulatory Solutions provide software and outsources services for converting, managing, storing, sharing and submitting data / information to world-wide regulatory agencies such as the FDA, EMA and MHRA.

In Silico Solutions (previously "Informatics") enable researchers to generate new scientific insights through the identification, extraction and analysis of actionable information.

Clinical Trial Acceleration Solutions provide technology and consulting services that facilitate data integration, statistics, analytics and insights while fulfilling regulatory submission requirements.

What's New?

Half Year Company performance showed strong organic and inorganic growth of 39%, with a 62% increase in recurring software revenue to £16m, and Annual Recurring Revenue reaching £32m. Profit before tax reached £1.9m and the gross cash balance as £10.3m. A new banking facility of up to £20m has also been agreed with HSBC, positioning the Company well for further growth.

This marked the first reporting period with full contributions from new acquisitions: The Edge, d-Wise and PDS, which have already increased recurring revenues and visibility, increased routes to market and cross selling opportunities, and strengthening relationships with clients. Additionally, earn-outs met in full for d-Wise and The Edge (no provision for PDS).

In September Instem announced that it had won its largest contract ever; a five-year agreement with global CRO, lead client for the new Aspire software solution, worth \$12m.

The Board believes that the Company's ability to increase revenue per client, add new clients and service larger contracts underpins growth expectations in the current period and beyond. Underlining this, the market backdrop remains favourable, and the Company continues to see high demand.

The Market Opportunity

The market backdrop continues to be favourable for the Group given global population growth and life expectancy underpinning increased demand for successful innovation in life sciences. Increasing amounts of money are being invested in the biotech industry with the pharmaceuticals sector investing heavily in drug development, underpinning a strong pipeline for Instem.

In the pharmaceutical industry, which represents the largest proportion of Instem's revenue, we refer again to the Pharma R&D Annual Review, the 2022 version of which was released by Pharma Intelligence in March this year. This report shows that the industry grew strongly in 2021 with an 8.2% increase (2020: 4.8%) in the total number of drugs in the regulatory stages of global R&D, continuing a multi-year growth trend that shows no sign of abating. Most relevant to Instem are the increase in the number of drugs at the preclinical (or non-clinical) phase of drug development of 11.0% (2020: 6.0%) and clinical phases 1-3 where there was an 8.3% increase (2020: 3.6%), as these areas account for much of the business.

The Company works with most of the world's leading public and private CROs and tracks their business performance as this provides additional insight into the health of the underlying market and almost all of those companies have recently reported strong underlying growth and very limited impact of wider macro-economic headwinds.



Meet Instem plc

The September 2022 Progressive Equity Research report on Instem is available here: <https://progressive-research.com/research/another-positive-period-for-instem/>

You can view the latest Company presentation and register to receive future presentations by signing up with **Investor Meet Company** here: <https://www.investormeetcompany.com/instem-plc/register-investor>



Key Newsflow

Sep: Half-Year Report

Sep: Settlement of Historical Licence Dispute

Sep: \$12m Five-Year Agreement with Leading CRO

Aug: Half-Year Trading Update

Jun: Result of AGM

May: European Medicines Agency Research Grant

Apr: Earn Outs and Deferred Payments

Apr: Final Results

Jan: Trading Update

Management Team



Phil Reason, Chief Executive Officer

Phil has been leading Instem as CEO since 1995, growing the business from a single product line with fifteen clients to serving hundreds of customers as the global market leader across a wide area of life sciences R&D. An experienced chief executive who has developed a number of IT businesses in the life sciences and nuclear industries, both organically and through acquisition, Phil has led the strategic acquisition of 10 companies, has opened new offices in the US, UK, China, and India and completed a UK-based IPO in 2010. Phil previously ran Instem's parent Company, Instem Limited's Nuclear and Laboratory Information Management Systems integration businesses.



Nigel Goldsmith, Chief Financial Officer

Nigel, who joined Instem in November 2011, has a wealth of experience in senior financial roles, at both public and private companies within the pharmaceutical industry. After qualifying as a Chartered Accountant, Nigel spent over nine years at KPMG prior to moving into industry. Nigel was Finance Director for three years at AIM listed, pharmaceutical and medical devices company, IS Pharma plc.

Forecasts (Source: Consensus forecasts compiled by Factset)

	DEC'21 (Actual)	DEC'22 (Est.)	DEC'23 (Est.)	DEC'24 (Est.)
Sales (£m)	24.1	60.2	68.3	75.0
EBITDA (£m)	8.3	11.0	14.5	16.3
Pretax Income (£m)	5.0	7.9	10.7	12.5
EPS (p)	16.3	25.7	34.1	39.4