



Half Year Results
2022

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



Presentation Team



Phil Reason
Chief Executive Officer



Nigel Goldsmith
Chief Financial Officer

Introduction & Overview



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



SaaS-driven business model with 58% contractually recurring revenue



Strong client retention with >700 clients worldwide, including all 25 top pharmaceutical companies



Revenue CAGR since 2017, reporting £54m LTM revenue at 30 June 2022



Financial snapshot (HY22)

Revenue
+39%



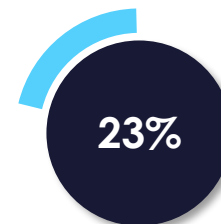
Adj. EBITDA
+8%



Adj. EBITDA Margin
-4.7bps



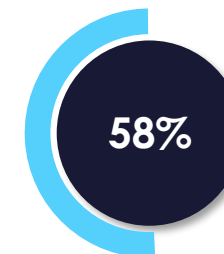
SaaS Revenue
+29%



ARR

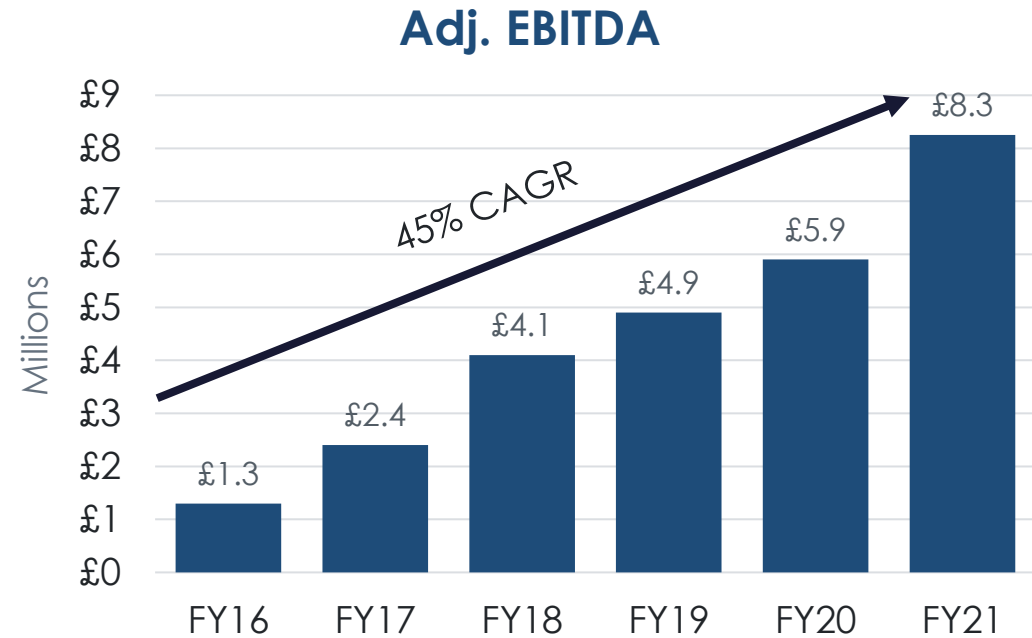
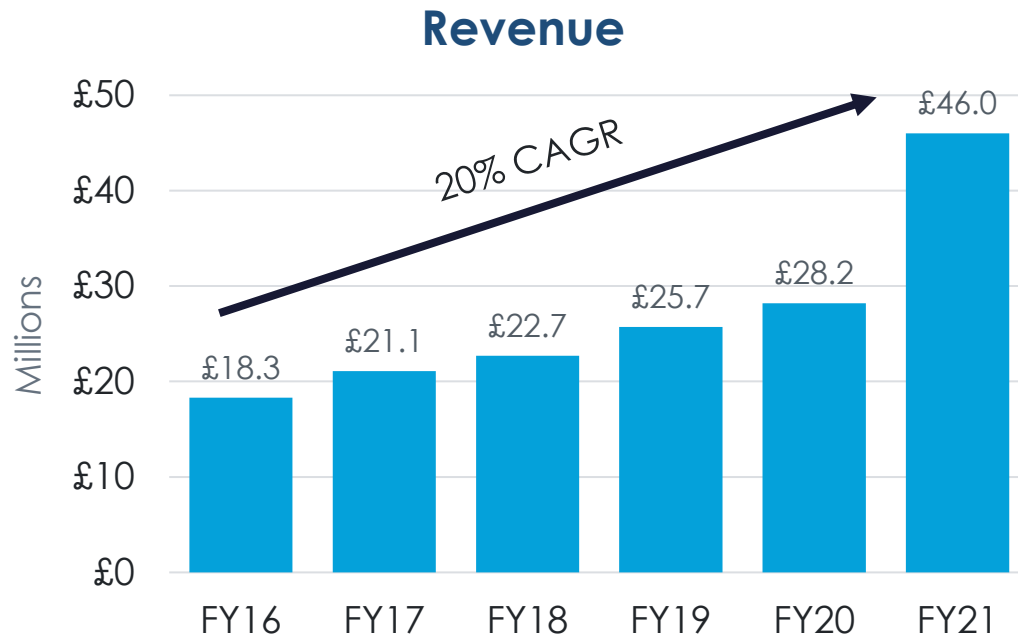


Recurring Revenue
+62%



Strong track record of revenue and EBITDA growth

Track record of growth, organically and inorganically



Clear growth strategy targeting 10% annual organic growth, plus acquisitions to achieve revenue of £120m+ over 3-5 years

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.

Study Management Solutions

Software that empowers organizations to more efficiently collect, review, manage and report Discovery, Non-clinical and Early Clinical data

Revenue HY22: 43%

CAGR expectation: c.8%



Regulatory Solutions

Software, outsourced services and consultancy for managing, submitting and maintaining information compliant with FDA, EMA and other agency regulations

Revenue HY22: 20%

CAGR expectation: c.10%



In Silico Solutions

Enabling researchers to generate new scientific insights through the identification, extraction and analysis of actionable information

Revenue HY22: 6%

CAGR expectation: >15%



Clinical Trial Acceleration Solutions

Technology solutions and consulting services to facilitate data integration, statistics, analytics and insights for companies of any size or stage of clinical trial analysis

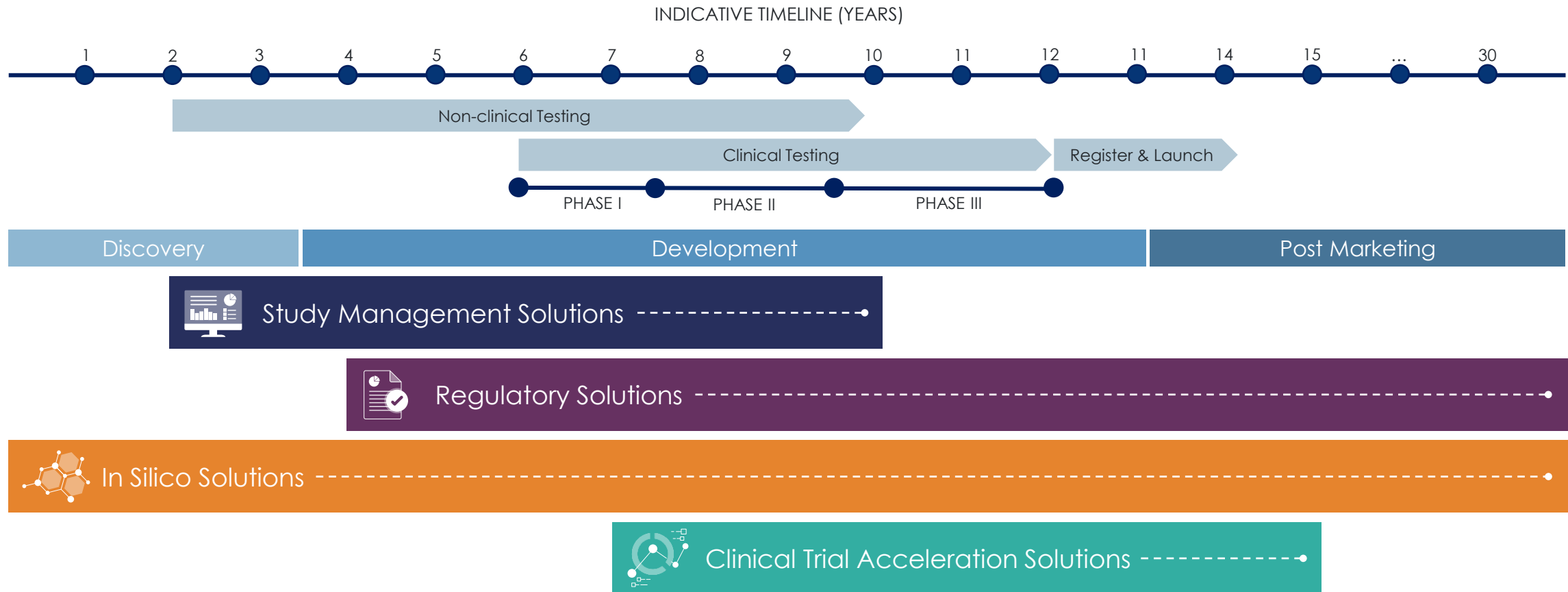
Revenue HY22: 31%

CAGR expectation: >10%



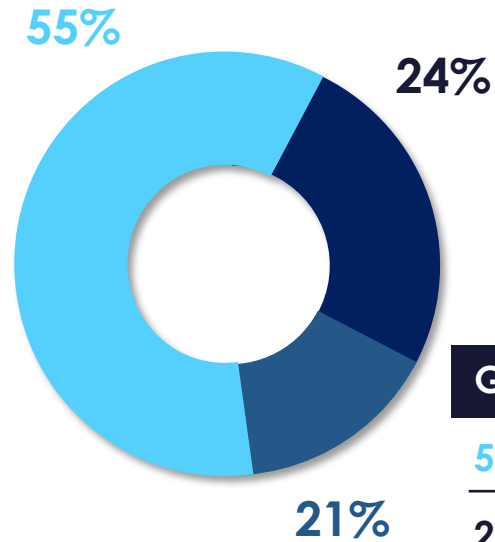
Solutions address the entire drug development value chain

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





Global platform servicing broad blue-chip client base

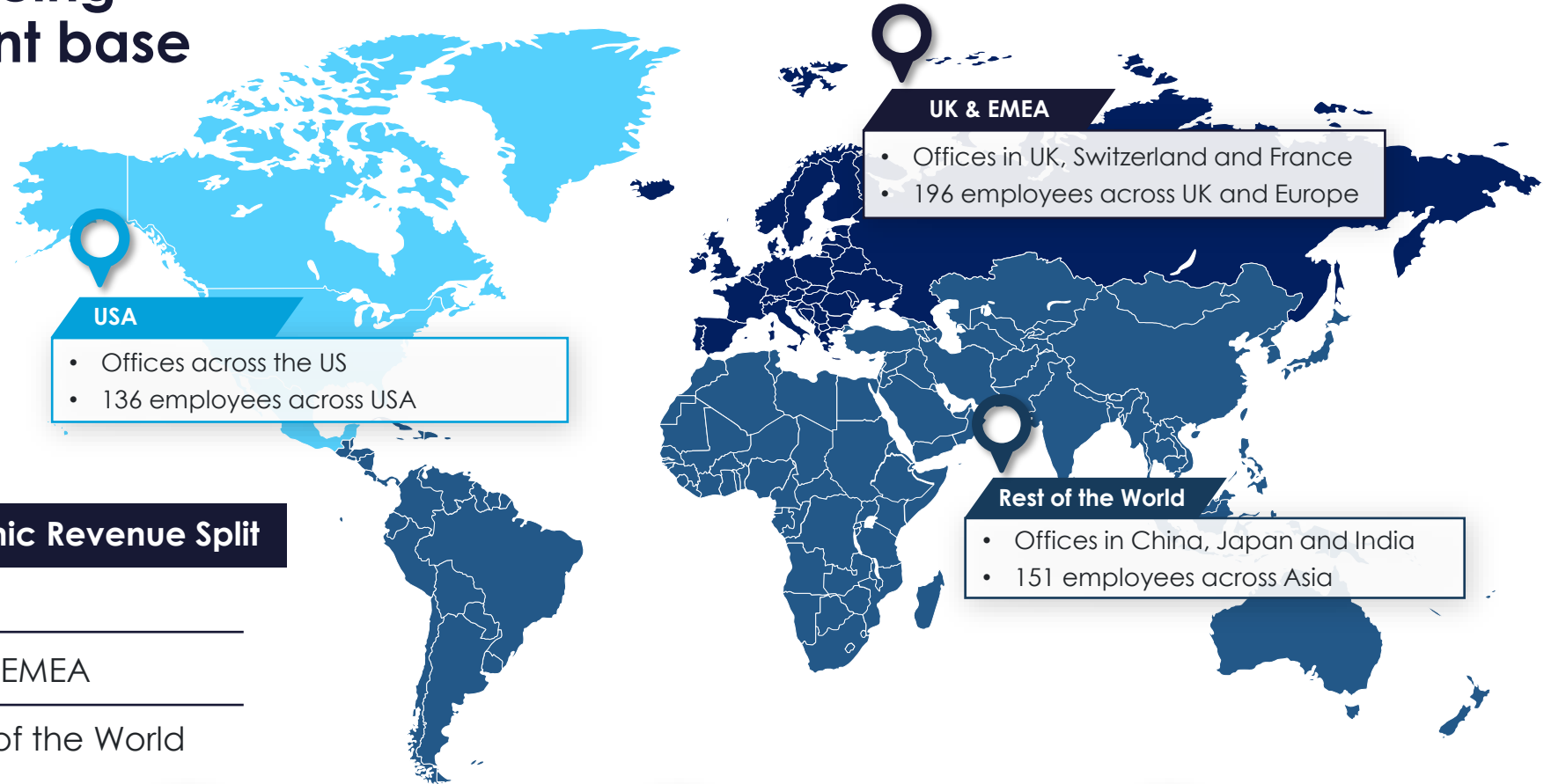


Geographic Revenue Split

55% USA

24% UK & EMEA

21% Rest of the World



13
offices globally



483
employees globally



>700
global clients



Top 25
pharma and biotech
companies are clients

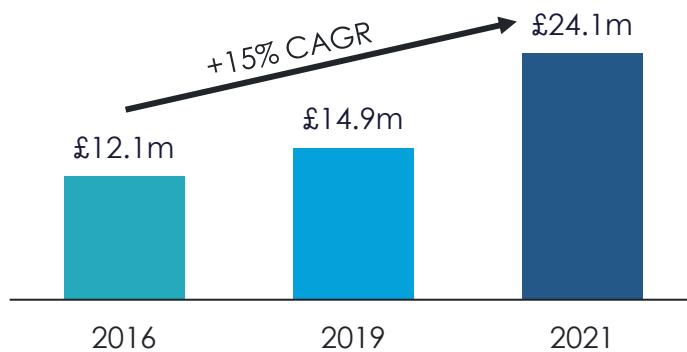
Strong track record of growth

Continued growth trend, organically and inorganically

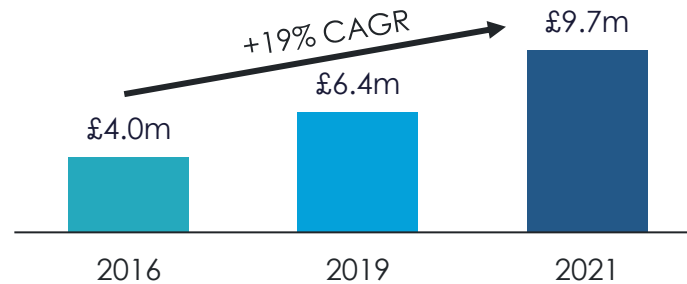
+20% FY16 – FY21 Revenue CAGR



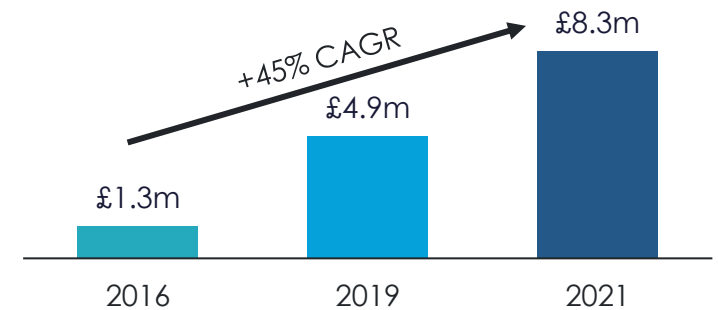
Recurring Revenue



SaaS Revenue



Adj. EBITDA





Market Overview & Growth Strategy

Market overview

Leading market share (#1-3) in all of our core markets



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



Study Management Solutions

£750 million TAM*

£12m HY22 revenue



Regulatory Solutions

£300 million TAM*

£6m HY22 revenue



In Silico Solutions

£150 million TAM*

£2m HY22 revenue



Clinical Trial Acceleration Solutions

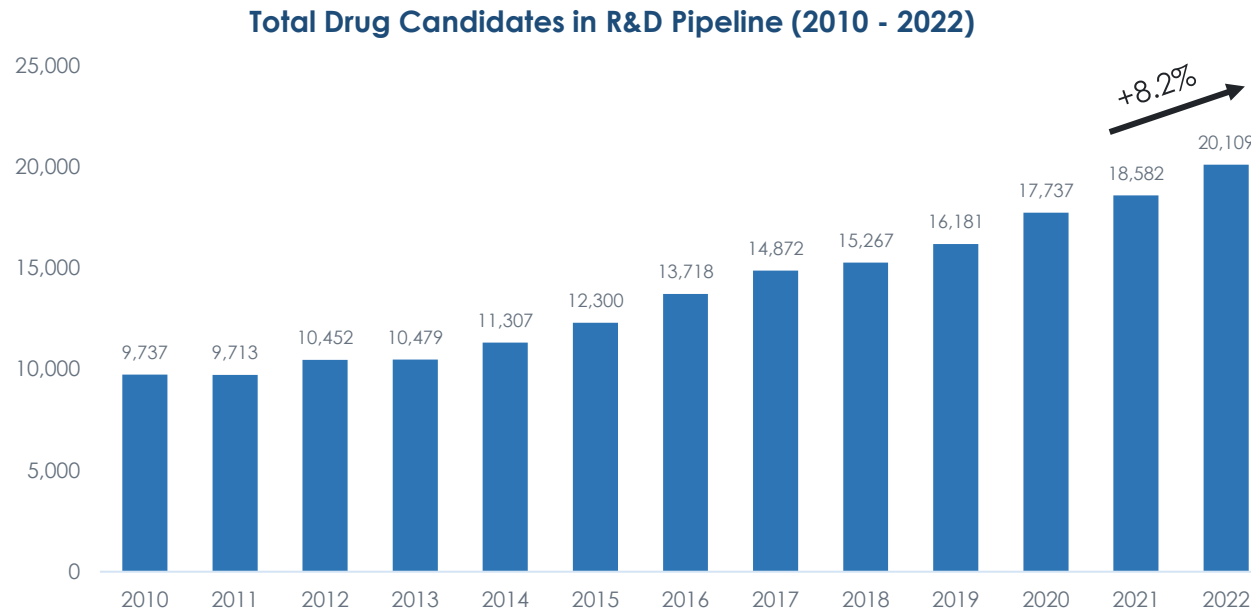
£1,000 million TAM*

£8m HY22 revenue

Market opportunity

Strong market fundamentals underpin Instem's growth in all core markets

- It currently takes 13 years and costs ~\$2.6 billion to bring a drug to market
- Shortening the time to market by just one day can equate to an additional \$2 million of revenue for a \$750m/year drug
- The total number of drug candidates in the R&D pipeline grew 8.2% during 2021



Data from Pharmaprojects "Pharma R&D Annual Review 2022"

Our Workflow and Data solutions help automate and accelerate R&D processes reducing time to market by weeks or even months, creating significant value for clients

Growth strategy and execution



Revenue of £120m+
over next 3-5 years



EBITDA margins
increasing to >25%



Continue to
consolidate highly
fragmented software
supplier market



Complete transition
to SaaS model by
FY24

Organic Revenue Growth



- c.10% CAGR
- Further market penetration
- Cross-selling of existing products
- New products / services
- AI-enabled *Data* solutions

Margin improvement



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

Accretive M&A

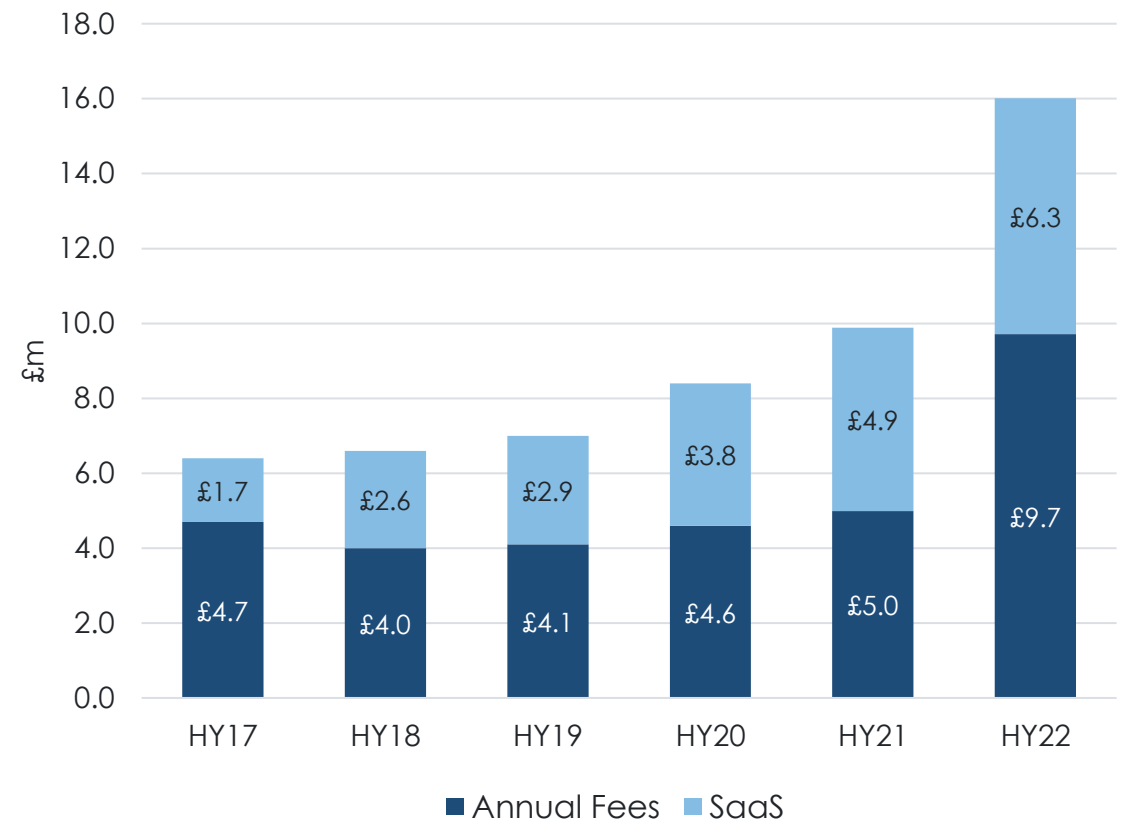
- Penetration in existing markets
- Entry into adjacent markets
- Strategic partnerships a potential stepping-stone

Growth of Software-as-a-Service model

Recurring software revenue accounted for 58% of HY22 revenue

- ~25% of existing users converted to SaaS with >90% of new enterprise software clients SaaS from day 1
- Complete transition to SaaS model by early FY24 (~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



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
- Long-term unutilised 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
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2016	Samarind
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2013	Perceptive Instruments
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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



H122 Financials And Review

HY22 financial highlights

Continued financial momentum into FY22



Group Revenue



SaaS Revenue



Adj. EBITDA



Recurring Revenue



Gross Cash



Summary HY22 financials

£000's	HY22	HY21	Change	Comments
Revenue	27,604	19,826	39%	Recurring revenue of £16m (HY21: £9.9m), representing 58% of total revenue (HY21: 50%). Revenue growth excluding foreign currency exposure was 34%. Constant currency impact (-£1.0m) (HY21: £1.0m).
Operating Expenses	(23,104)	(15,665)	(47%)	Payroll-related costs represent 64% of total operating expenses. Development costs of £3.7m (HY21: £2.3m), of which £1.4m (HY21: £1.0m) or c. 40% capitalised.
Adjusted EBITDA*	4,500	4,161	8%	16.3% of revenue (HY21: 21%); Constant currency impact < -£0.2m.
Adjusted profit after tax**	3,175	3,169	0%	
Adjusted fully diluted eps**	10.8p	13.6p	(21%)	Reflects impact of acquisitions with a 6% increase in weighted average number of shares and 1.1m of dilutive share options (HY21: 1.0m).
Pension scheme deficit	1,303	2,729	(1,426)	Scheme assets £11.2m and liabilities £12.5m; discount rate 3.9% (HY21: 1.9%)
Cash generated from operations	1,831	4,082	(55%)	Reduction from prior year primarily due to increase in working capital, includes impact of acquisitions as well as normal w/c cycle
Cash & equivalents	10,280	17,850	(42%)	Deferred and contingent consideration payments of £4.5m relating to the 2021 acquisitions

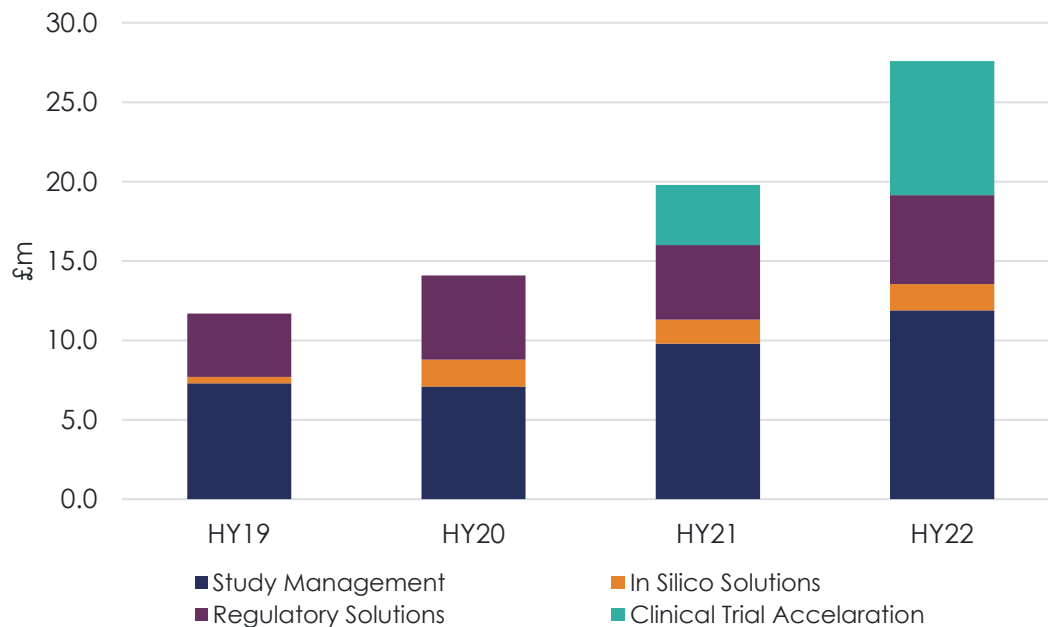
*Earnings before interest, tax, depreciation, amortisation and non-recurring items.

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

HY22 revenue progression

- 58% recurring revenue, with continued growth in SaaS
- Three successful acquisitions in FY21, including new segment, Clinical Trial Acceleration Solutions as a result of the d-Wise acquisition

Segmental revenue



Split by revenue type

	£m	HY17	HY18	HY19	HY20	HY21	HY22	CAGR
Revenue Type	Revenue Type	10.3	10.5	11.7	14.0	19.8	27.6	21.8%
Recurring Revenue	Annual Support Fees	4.7	4.0	4.1	4.6	5.0	9.7	15.6%
	SaaS Subscription & Support Fees	1.7	2.6	2.9	3.8	4.9	6.3	29.9%
Perpetual licenses	Licence Fees	2.8	1.8	1.4	1.5	3.1	2.8	0.02%
Services	Professional Services	0.8	1.0	1.0	0.7	1.5	1.5	13.2%
	Tech-enabled Outsourced Services	0.3	1.1	2.3	3.4	2.6	3.7	65.6%
	Consultancy Services	0.0	0.0	0.0	0.0	2.7	3.6	0.00%
ARR							32.1	
SAAS ARR							12.6	

Operating cash flow



40%
Operating Cash Conversion



£10.3m
Gross Cash



£20m
Debt Facility (unutilised)

Operational & strategic highlights

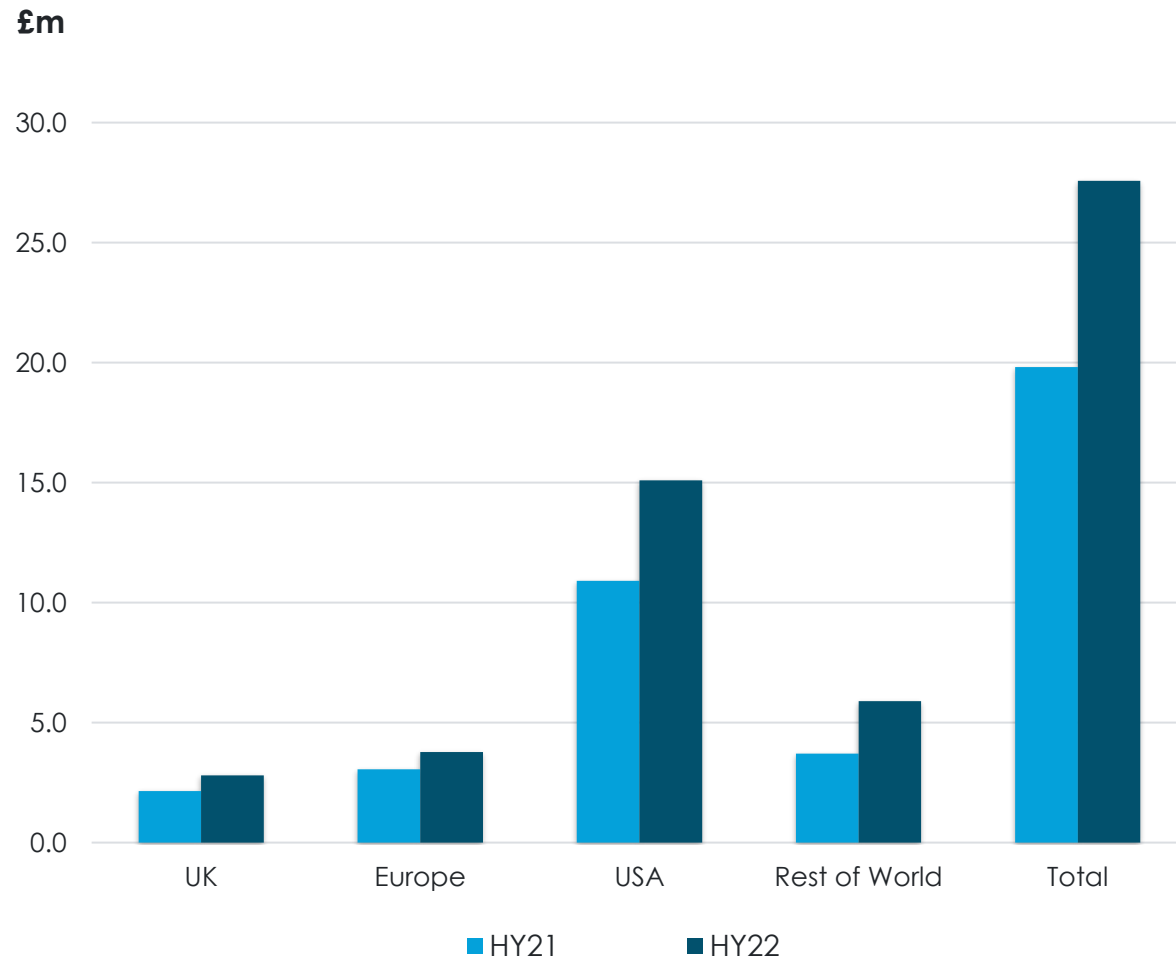
Operational

- ✔ Strong organic and acquisitive growth
- ✔ Continuing transition to SaaS subscriptions & deployment
- ✔ Very active engagement with the FDA and industry to expand the utilization of our *In Silico* solutions
- ✔ Client development collaborations on new/enhanced solutions in all business areas

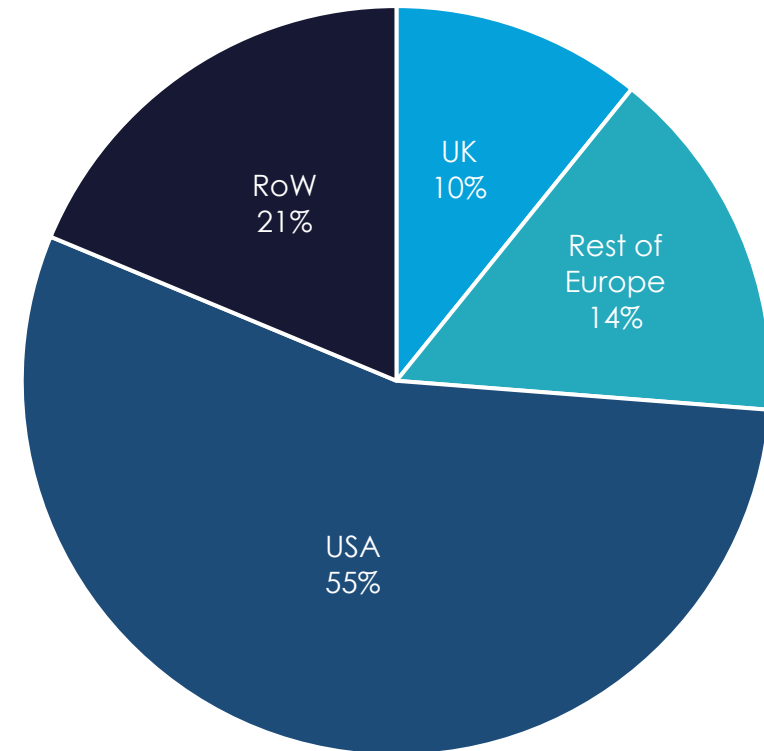
Strategic

- ✔ Acquisitions of The Edge, d-wise and PDS have transformed our market reach and business scale
- ✔ Continued diversification of revenue streams
- ✔ Strengthened relationship with clients
- ✔ Increased cross-selling opportunities
- ✔ Significantly increased target addressable market
- ✔ Lead Aspire client and largest ever contract award

Global revenue growth



HY2022 Geographic Split



Summary



Summary & investment case

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



Resilient Financial Performance

HY22 **Revenue +39%** to LTM £54m. HY22 **Adj. EBITDA growth +8%** to £4.5m. **58% Recurring Revenue**

Track record of organic growth, robust profit generation and high 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



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



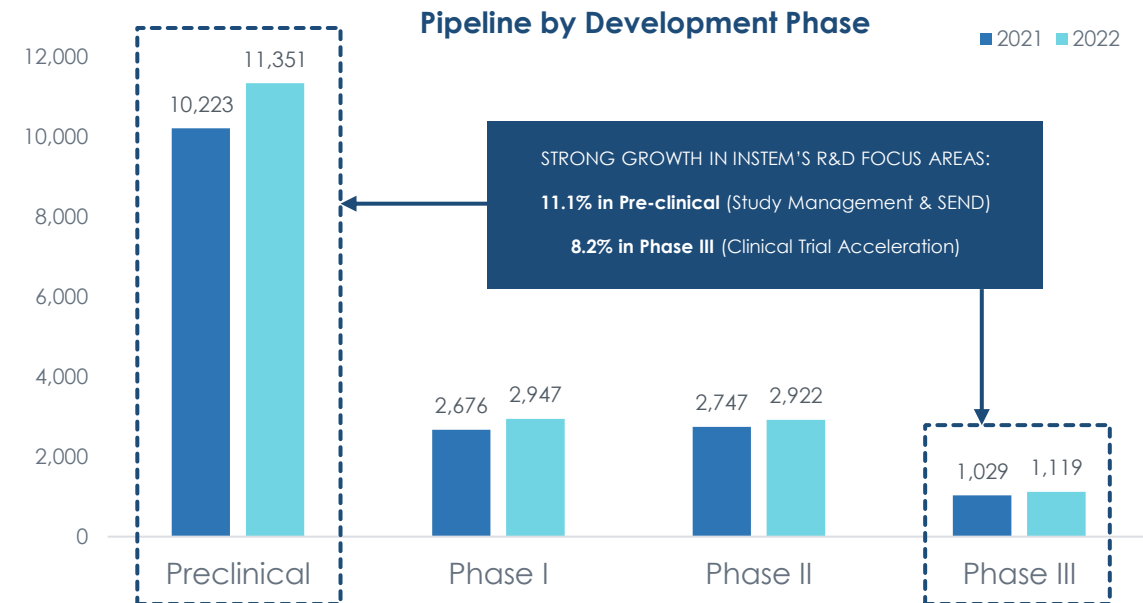
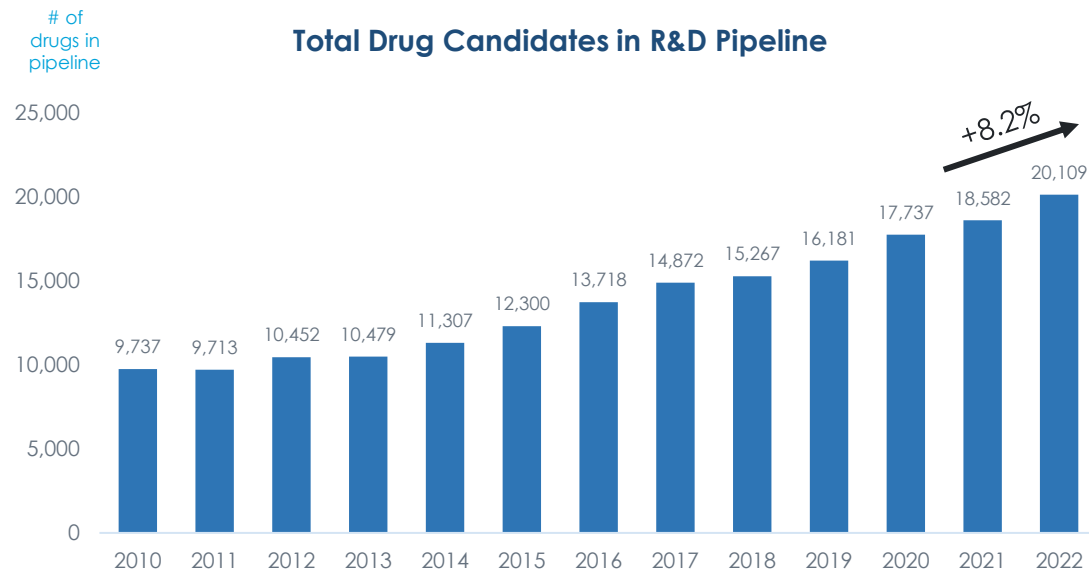
David Sherwin
Non-Executive Director



Riaz Bandali
Non-Executive Director

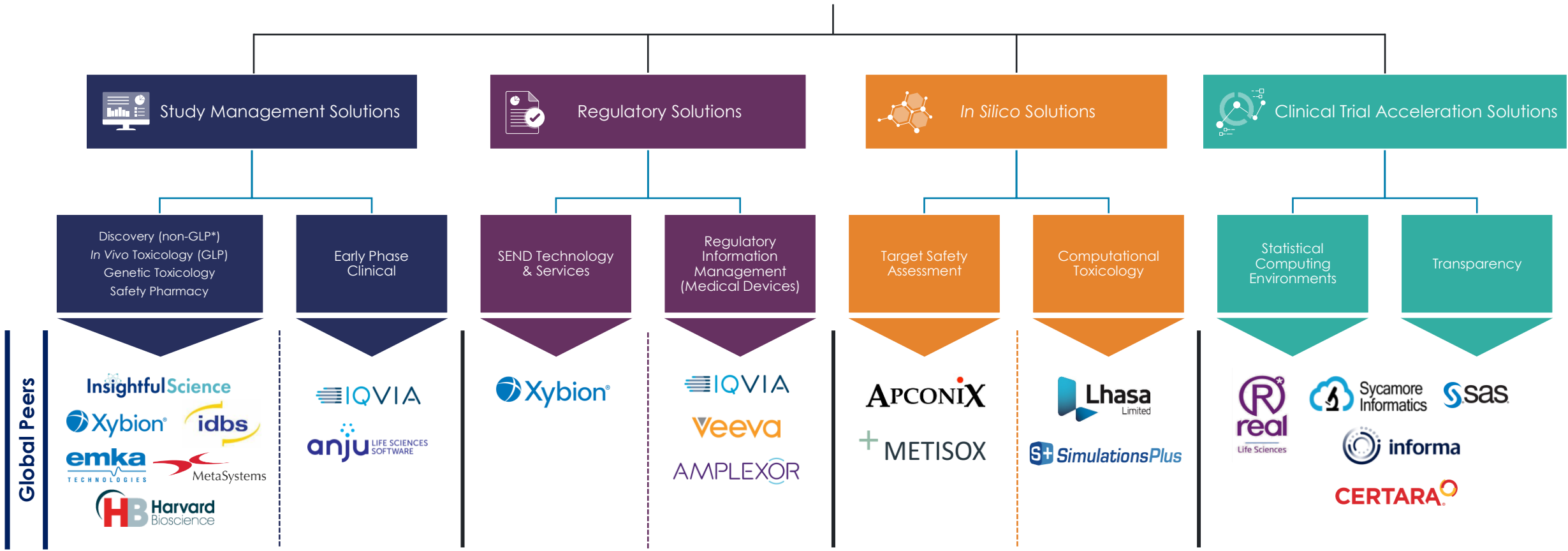
Highly supportive market dynamics

- 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
- The increased demand for innovative healthcare products and services has driven continued growth in the pharmaceutical sector with the total number of candidate drugs in the R&D pipeline growing 8.2% during 2021
- Capital inflows to the biotech industry leave it well funded, allowing pharma / life sciences companies to ingrain technology to make R&D processes more efficient



Peer landscape

Instem's peers differ by each division



*GLP refers to Good Laboratory Practice (a regulatory standard)

HY22 balance sheet and cash flow

Balance Sheet (£000)

Non-current Assets	60,544
Current Assets	
- Trade and other receivables	15,224
- Cash and cash equivalents	10,280
- Other	165
	<u>25,669</u>
Total Assets	<u>86,213</u>
Current Liabilities	
- Trade and other payables	4,905
- Deferred income	17,672
- Financial liabilities	6,235
- Other	1,820
	<u>30,632</u>
Non-current Liabilities	5,181
Total Liabilities	<u>35,813</u>
Equity	
- Share capital	2,268
- Share premium	28,224
- Other, incl retained earnings	19,908
	<u>50,400</u>
Total Equity and Liabilities	<u>86,213</u>

Cashflow (£000)

Profit before taxation	1,918
- Operating activities movement	2,166
Cash Flows from Operating Activities	<u>4,084</u>
- Working capital	<u>(2,253)</u>
Cash generated from operations	1,831
- Finance income/costs/taxes	<u>(966)</u>
Net cash generated from operating activities	<u>865</u>
- Net cash used in investing activities	(1,587)
- Net cash generated from financing activities	<u>(5,009)</u>
Net decrease in cash and cash equivalents	<u>(6,596)</u>
- Cash and cash equivalents at start of period	15,021
- Effect of exchange rate changes on cash in hand	990
Cash and cash equivalents at end of period	<u>10,280</u>

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