

NOVACYT HALF YEAR 2016 RESULTS

Completed transformational acquisition

Reiterate strong sales growth in-line with expectations

Increasing gross margin

Paris, France and Cambridge, UK – 27th October 2016 – Novacyt (ALTERNEXT: ALNOV), an international specialist in clinical diagnostics, today announces unaudited financial results for the six months ended 30th June 2016.

In the first half of the year, Novacyt continued to make progress with its strategy to become a global integrated clinical diagnostics business providing multiple clinical platforms. The acquisition of Primerdesign marked the company's first entry into molecular diagnostics products and, despite the initiation of integration activities, Novacyt continued to deliver double digit sales growth and improve margins by three percentage points to 53%, underlining management's commitment to increasing sales and improving gross margins to accelerate sustainable profitability.

Financial highlights

- H1 consolidated Group sales were €4.95m, representing +11% sales growth at constant exchange rates (+5% growth on H1 2015 at actual exchange rates), including two months contribution from Primerdesign
- EBITDA loss was €1.6m reflecting the full year effect of the 2015 commercial investment programme
- NovaPrep® sales of €0.85m showed a third successive period of significant growth, increasing by 36% over the previous period, whilst Primerdesign contributed €0.98m
- Pro forma Group sales in H1 were €6.80m, representing +44% sales growth compared with Novacyt, pre-Primerdesign in H1 2015
- Gross margins continued to improve: from 50% to 53% on a consolidated basis compared with last year and on a pro forma basis, improved to 61%
- Pro forma EBITDA loss of €0.98m compared with €1.31m for 2015
- Cash balance of €1.8m at the end of June 2016

€'000	Proforma ³ H1 16	Consolidated H1 16	Consolidated H1 15
Revenue	6,795	4,950	4,718
Gross profit	4,154	2,605	2,357
Gross margin %	61%	53%	50%
EBITDA ¹	(975)	(1,611)	(1,305)
Operating result	(1,256)	(1,815)	(1,451)
Net result ²	(3,059)	(3,525)	(1,741)

¹ The reduction in consolidated EBITDA, despite higher gross margin, is due to €0.6m of additional overheads, including €0.35m Primerdesign costs for two months post-acquisition and, as expected, €0.25m full year effect of increased investment in development and commercial infrastructure.

² Net result includes:

- Non-recurring charges of €0.8m, including €0.5m uncapitalised acquisition costs
- Borrowing costs of €0.4m include €125k of non-cash IAS39 adjustments relating to internal financial rates of Kreos bonds
- Finance costs of €0.5m mainly due to GBP currency fluctuations and include a €0.2m non-cash IFRS adjustment to Primerdesign acquisition transactions. These costs are partly offset by a €0.2m credit to translation reserve in the statement of comprehensive income.

³ Proforma P&L includes Primerdesign results for the six months to June 2016

Operational highlights

- Successful fundraising to complete the acquisition of Primerdesign, adding a second strategically important molecular technology platform and accelerating sales growth and profitability of the Group
- NovaPrep® entered new markets, including Turkey, Qatar, Israel and Malaysia and approval was recently received from the TGA in Australia
- Lab21 sales team continue to be focused on delivering tender opportunities with the tender pipeline valued at up to €1m

Post-period highlights

- Recently entered into a strategic alliance with Cepheid Inc., a leading international molecular diagnostics company, to introduce a complete Human Papillomavirus (HPV) diagnostic system into Latin America with its NovaPrep® vial technology
- Identified six initial molecular diagnostic targets for the clinical testing market, with the first assay expected to be launched in H1 2017
- Restructured French commercial operations, reducing costs by €0.90m per annum accelerating profitability, with a full year effect expected in 2017

Graham Mullis, Group CEO of Novacyt, commented:

"We have made good progress in the first half of the year against our strategic objective of becoming a global, integrated clinical diagnostics company. Integration of Primerdesign is progressing well and despite the acquisition, we have reported double digit sales growth and increased gross margin by three percentage points. Consequently, we are now able to upgrade our full year margin guidance.

"We have expanded our commercial reach, exploiting additional business-to-business opportunities in new geographies with new partners such as Cepheid and others. We are assessing strategies to further penetrate Asia, South America and the US markets in 2017.

"As previously announced, the Board of Novacyt SA is evaluating the options open to the company for a dual market listing to continue to grow and expand our international presence, whilst increasing stock liquidity, gaining more access to capital and driving future shareholder value. The company expects to announce further details before the year end."

Corporate review

The acquisition of Primer Design Limited

The integration of Primerdesign is progressing well and in line with the strategic objectives and management expectations defined at the time of the acquisition. Novacyt has committed to developing and marketing a portfolio of CE market clinical diagnostic products from Primerdesign's extensive non-clinical catalogue. For the first two months of integration, Primerdesign contributed 20% to the consolidated Group first half sales and has exceeded expectations in terms of profitability. The combination of certain economies of scale and further sales growth is expected to improve profitability further during the second half of the year.

Novacyt has now identified its initial molecular diagnostic targets for the clinical testing market; a broad spectrum human papilloma virus (HPV); Zika virus and a multiplex assay that differentiates between the Zika, dengue and chikungunya viruses; aspergillus and pneumocystis, with the first assay expected to be launched in H1 2017. The company intends to commercialise these assays through Novacyt's existing sales channels.

NovaPrep® platform technology

During the first half of 2016, NovaPrep® sales achieved a third consecutive period of significant growth, increasing by 36% over the previous period to €0.85m, demonstrating increasing momentum and commercial success.

Having completed a comprehensive business review Novacyt, appointed Microm Microtech France (MM France), following the period end, as its exclusive distributor to manage the sales of NovaPrep® in France. MM, a market leader in the anatomical pathology sector in France, was chosen for its extensive sales and after-sales organisation and in-market reputation. As a result, Novacyt expects projected cost savings in the region of €0.9m per annum at Novacyt's office in Paris. The savings will be partly reinvested in higher growth regions for the NovaPrep® technology.

Additionally, post-period end, Novacyt entered into a strategic alliance with Cepheid Inc., a leading international molecular diagnostics company, to introduce a complete Human Papillomavirus (HPV) diagnostic system into Latin America.

Lab21 products

Although overall Group sales growth for the first half was 11% at constant exchange rates, growth was negatively impacted by the expected slowdown in Lab21 sales, off 19% at constant currency, resulting from unpredictability in the timing of the award of tenders, challenging emerging market conditions and a particularly strong comparable period H1 in 2015. Novacyt confirm that no business has been lost and remains confident it will receive these outstanding tenders but cannot forecast when.

We have had a good start to the second half of the year with the formation of a new strategic manufacturing partnership with Bioscan in Brazil, which is expected to have a significant impact on sales in FY2017. The partnership covers our infectious disease products and the first order has already shipped and further orders are expected to be shipped later in Q4 2016.

Current trading and outlook

The second half of the year has started predictably slow across the Group particularly in Europe during summer vacation but has seen a significant pick-up since September; we have signed four

new strategic supply deals broadening the reach of Primerdesign reagents on to multiple new platforms in Europe and South America. Lab21 continues to see multiple tender opportunities and recently entered a strategic manufacturing agreement with Bioscan, a Brazilian partner, which is expected to contribute significant new sales in 2017. Lab21 is also expected to launch some new products during Q4 2016, so overall, Novacyt's pipeline of opportunities remains strong and we are optimistic in achieving further sales growth with the acceleration of profitability.

With the restructuring of the French operations complete and the successful appointment of MM France to distribute NovaPrep®, we expect some transitional impact with slower sales expected in the French market during H2 2016. However, this will be offset by strong sales growth we continue to see in Asia Pacific and international markets.

Novacyt expects the sales growth momentum and our objective to accelerate profitability to continue with a strong contribution to the Group performance from the incremental impact of Primerdesign, which can be seen in the pro forma results for the first half of this year. Integration and efficiency actions that we have taken on gross margin lead us to increase the management objective for the year to 57% from over 55%. Management continues to work on achieving the consolidated revenue growth objective of approximately 30% at constant exchange rates. Due to the significant volatility in GBP exchange rates in recent months it is difficult to accurately forecast the exact impact on sales in the second half but this is not expected to materially affect profitability. Management continue to be focused on delivering on its objective of an accelerated EBITDA breakeven position.

In line with many shareholders, management is surprised by the recent abnormal fluctuations in the Company share price and the volume of trading. Novacyt has asked the AMF to investigate this matter.

Upcoming Events

Full year 2016 revenue result 24th January 2017

- End -

About Novacyt Group

The Novacyt Group is a leader in the field of cellular diagnostics with a growing portfolio of cancer and infectious disease products and services. Through its proprietary technology platform NovaPrep® and molecular platform, genesig® Novacyt is able to provide an extensive range of oncology and infectious disease diagnostic products across an extensive international distributor network. The Group has diversified sales from diagnostic reagents used in oncology, microbiology, haematology and serology markets, and its global customers and partners include major corporates.

For more information please refer to the website: www.novacyt.com

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