

Chairman's Statement



2020 highlights

- Profitable after tax for the first time in the Company's history with all senior debt repaid by H2
- Net consideration for acquisition of IT-IS after earnouts was £8.7m, 100% out of cash-flow
- Providing testing capability for COVID-19 in over 130 countries around the world

➔ Read more on **corporate governance** on pages 36 to 56

➔ Read more in the **financial review** on pages 26 to 29



Last year I started by saying that “I am writing this report in unprecedented times”. This statement remains true today and despite the human difficulties associated with the incredibly challenging conditions that we have all faced over the last year, the business has undergone transformational change during 2020 and has been at the heart of providing testing capability both in the UK and in over 130 countries worldwide.

James Wakefield
Chairman

Due to the nature of our business and our highly experienced staff, we were able to benefit from first mover advantage by developing a reliable test for COVID-19 quickly. This received worldwide recognition and approval in 57 countries and enabled us to continue to develop further products in our test portfolio as more and more strains of the virus materialised.

We rose to the challenge of significantly increasing production capacity through a massive scale up internally as well as outsourced production whilst retaining overall control of the process. In the UK, we worked in close partnership with the UK Department of Health and Social Care (“DHSC”) as well as with a number of other customers worldwide. At times, weekly demand levels were greater than we had historically seen in a year.

I want to publicly thank every member of our team for their superb contribution and for going “above and beyond” what is normally expected. I also want to thank,

once again, their families for making this possible. Every situation is different and I know that at one time or another, significant sacrifices have been made by everyone.

We remain focussed on the Group's profitable reagent development and manufacturing business units, which we consider to be the key long-term value drivers of the business.

At the start of 2020, the business repositioned its focus to be at the heart of supporting the global pandemic with its COVID-19 test. Our rapid

response to this latest COVID-19 virus outbreak is a testament to the Group's core competency of in-vitro diagnostic design, development, manufacturing and commercialisation, and being able to act quickly. I am extremely proud of the Novacyt team who were able to deliver this new COVID-19 test in such a short period of time for our customers who continue to need fast and reliable diagnostic solutions.

During the 2020 period under review, we generated revenues of £277m and a net profit for the first time in the company's history. By the half year point, all senior debt had been repaid and the Group continued to increase its cash reserves to have over £91m by the year end after financing the £8.7million acquisition of IT-IS. We look forward to continuing to expand into new international markets and can do this from a materially stronger financial position as a result of the exceptional performance during 2020. Regrettably, we now find ourselves in a dispute with the DHSC, our largest customer in 2020, which is explained in the financial section of this report. Overall, however, this has been a transformational year for the business and as I write this report, the valuation is over 20 times higher than it was at the start of 2020 and the business is debt free.

We are delighted to be working with Allegra Finance as our French listing sponsor, SP Angel Corporate Finance LLP as our Nominated Adviser/ Broker, and added Numis as well during 2020.

The Board has reviewed and reconfirmed its strategy to continue to focus on its core strengths of in-vitro diagnostic product development, commercialisation and contract manufacturing by driving value from our profitable Primerdesign and Lab21 businesses. It is the intention to continue to grow both organically and through selective acquisition.

We are not proposing to pay a dividend for the financial year ended 2020 so we



can invest in R&D, manufacturing and commercial aspects of the business. In the future, our dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business for future business growth to maximise shareholder value as well as the prevailing financial conditions in the markets in which the business operates.

The Company is listed on two stock exchanges: Euronext Growth Paris and AIM London. As such, the Board remains committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that we deliver value to all our stakeholders.

Finally, I would like to take this opportunity of thanking you, the shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business and, in particular, to the role that Novacyt has and continues to have in testing during this global pandemic.

Revenues of
£277m
in 2020

Over
£91m
cash at end of 2020

James Wakefield

Chairman