

SOPHiA GENETICS Reports Financial Results for the Third Quarter of Fiscal 2022

Sustainable growth momentum evident despite foreign exchange headwinds

BOSTON and LAUSANNE, Switzerland, Nov. 08, 2022 (GLOBE NEWSWIRE) -- SOPHiA GENETICS SA (Nasdaq: SOPH), a cloud-native software company in the healthcare space, today reported financial results for the third quarter ended September 30, 2022.

Recent Highlights

- Revenue for the third quarter of 2022 was \$11.6 million, representing year-over-year growth of 12%; constant currency revenue growth excluding COVID-19-related revenues was 40%
- Expanded strategic partnership with Microsoft to improve healthcare workflows globally and enable the increased adoption of data-driven medicine
- Somatic Oncology portfolio strength underscored by triple-digit growth in HRD analysis volume and continued momentum in solid tumors; Pharma revenue acceleration supported by existing customer expansion and recent Boundless Bio partnership
- Operating loss improved sequentially for the second quarter in a row, despite core growth acceleration, highlighting early momentum in sustainable growth strategy

CEO Commentary

“Yet again, SOPHiA GENETICS delivered another steadfast quarter and we are continuing to grow and steadily expand our current base of business across the world despite ongoing macroeconomic challenges.” said Jurgi Camblong, PhD., Chief Executive Officer and co-founder, SOPHiA GENETICS. “The combination of our differentiated technology, robust commercial traction, focused operational discipline, and world-class global team continues to drive steady growth and demonstrates that we are well-positioned to thrive under the economic scenarios that may lie ahead.”

Third Quarter Financial Results

Total revenue for the third quarter of 2022 was \$11.6 million compared to \$10.4 million for the third quarter of 2021, representing year-over-year growth of 12%. Constant currency revenue growth was 33%, and constant currency revenue growth excluding COVID-19-related revenue was 40%.

Platform analysis volumes remained relatively flat at 61,935 analyses for the third quarter of 2022 compared to 61,920 analyses for the third quarter of 2021. The flat year-over-year growth was attributable to growth in our core platform analysis volume offset by the continued decline of our COVID-19-related analysis volume. Excluding COVID-related volumes, platform analyses grew 11% year-over-year.

Gross profit for the third quarter of 2022 was \$7.3 million compared to gross profit of \$6.5 million in the third quarter of 2021, representing year-over-year growth of 11%. Gross margin was 63% for the third quarter of 2022 compared with 63% for the third quarter of 2021. Adjusted gross margin was 65% for the third quarter of 2022 compared to 65% for the third quarter of 2021.

Total operating expenses for the third quarter of 2022 were \$30.9 million compared to \$27.0 million for the third quarter of 2021.

R&D expenses for the third quarter of 2022 were \$10.1 million compared to \$7.7 million for the third quarter of 2021.

Sales and marketing expenses for the third quarter of 2022 were \$7.9 million compared to \$7.7 million for the third quarter of 2021.

General and administrative expenses for the third quarter of 2022 were \$12.8 million compared to \$11.7 million for the third quarter of 2021.

Operating loss for the third quarter of 2022 was \$23.6 million, compared to \$20.5 million in the third quarter of 2021. Adjusted operating loss for the third quarter of 2022 was \$19.3 million, compared to \$17.0 million for the third quarter of 2021.

Net loss for the third quarter of 2022 was \$23.3 million or \$0.36 per share compared to \$21.2 million or \$0.35 per share in the third quarter of 2021. Adjusted net loss for the third quarter of 2022 was \$19.0 million or \$0.30 per share, compared to \$18.0 million or \$0.30 per share for the third quarter of 2021.

2022 Outlook

We are reaffirming our previously provided guidance of constant currency revenue growth range of 30% to 35% for full-year 2022. Based on our latest view of the impact of movements in the foreign exchange rates between our key transactional currencies, including the euro, the Swiss franc, the British pound, and the Turkish lira, and the U.S. dollar, we now expect full-year 2022 reported revenue to be at the low-end of our previously provided range of \$47.0 million to \$49.5 million.

Webcast and Conference Call Information

SOPHiA GENETICS will host a conference call and live webcast to discuss the third quarter of fiscal 2022 financial results as well as business outlook on Tuesday, November 08, 2022 at 8:30 a.m. EST / 2:30 p.m. CET. The call will be webcast live on the SOPHiA GENETICS Investor Relations website. Additionally, an audio replay of the conference call will be available on the website after its completion.

About SOPHiA GENETICS

SOPHiA GENETICS (Nasdaq: SOPH) is a cloud-native software company in the healthcare space dedicated to establishing the practice of data-driven medicine as the standard of care and for life sciences research. It is the creator of the SOPHiA DDM™ Platform, a software platform capable of analyzing data and generating insights from complex multimodal data sets and different diagnostic modalities. The SOPHiA DDM™ Platform and related solutions, products, and services are currently used by a broad network of hospital, laboratory, and biopharma institutions globally. For more information, visit SOPHiAGENETICS.COM, or connect on Twitter, Facebook, LinkedIn and Instagram. **Where others see data, we see answers.**

Non-IFRS Financial Measures

To provide investors with additional information regarding our financial results, we have disclosed here and elsewhere in this earnings release the following non-IFRS

measures:

- Adjusted cost of revenue, which we calculate as cost of revenue adjusted to exclude amortization of capitalized research and development expenses;
- Adjusted gross profit, which we calculate as revenue minus adjusted cost of revenue;
- Adjusted gross profit margin, which we calculate as adjusted gross profit as a percentage of revenue;
- Adjusted operating loss, which we calculate as operating loss adjusted to exclude those adjustments made to calculate adjusted cost of revenue, amortization of intangible assets, share-based compensation expense, non-cash portion of pensions expense paid in excess of actual contributions to match the actuarial expense, and IPO-related expenses;
- Adjusted finance expense, which we calculate as finance expense adjusted to exclude the impact from changes in the fair valuation of the derivative related to the success fee owed to TriplePoint Capital LLC upon the completion of our initial public offering;
- Adjusted net loss for the period, which we calculate as loss for the period adjusted to exclude those adjustments made to calculate adjusted cost of revenue, adjusted operating loss, and adjusted finance expense; and
- Adjusted net loss per share, which we calculate as adjusted net loss divided by the weighted-average number of shares.

These non-IFRS measures are key measures used by our management and board of directors to evaluate our operating performance and generate future operating plans. The exclusion of certain expenses facilitates operating performance comparability across reporting periods by removing the effect of non-cash expenses and certain variable charges. Accordingly, we believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

These non-IFRS measures have limitations as financial measures, and you should not consider them in isolation or as a substitute for analysis of our results as reported under IFRS. Some of these limitations are:

- These non-IFRS measures exclude the impact of amortization of capitalized research and development expenses and intangible assets. Although amortization is a non-cash charge, the assets being amortized may need to be replaced in the future and these non-IFRS measures do not reflect capital expenditure requirements for such replacements or for new capital expenditures;
- These non-IFRS measures exclude the impact of share-based compensation expenses. Share-based compensation has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy;
- These non-IFRS measures exclude the impact of the non-cash portion of pensions paid in excess of actual contributions to match actuarial expenses. Pension expenses have been, and will continue to be for the foreseeable future, a recurring expense in our business;
- These non-IFRS measures exclude the impact of expenses related to our IPO, which are cash expenditures, and we expect to incur financing expenses from time to time;
- These non-IFRS measures exclude the impact of changes in fair value of the derivative associated with the fee paid to TriplePoint Capital LLC in connection with the completion of our IPO; and
- Other companies, including companies in our industry, may calculate these non-IFRS measures differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider these non-IFRS measures alongside other financial performance measures, including various cash flow metrics, net income and our other IFRS results.

The tables below provide the reconciliation of the most comparable IFRS measures to the non-IFRS measures for the periods presented.

Presentation of Constant Currency Revenue and Excluding COVID-19-Related Revenue

We operate internationally, and our revenues are generated primarily in the U.S. dollar, the euro and Swiss franc and, to a lesser extent, British pound, Australian dollar, Brazilian real, Turkish lira and Canadian dollar depending on our customers' geographic locations. Changes in revenue include the impact of changes in foreign currency exchange rates. We present the non-IFRS financial measure "constant currency revenue" (or similar terms such as constant currency revenue growth) to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under IFRS, revenues received in local (non-U.S. dollar) currencies are translated into U.S. dollars at the average monthly exchange rate for the month in which the transaction occurred. When we use the term "constant currency", it means that we have translated local currency revenues for the current reporting period into U.S. dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. dollars that we used to translate local currency revenues for the comparable reporting period of the prior year. We then calculate the difference between the IFRS revenue and the constant currency revenue to yield the "constant currency impact" for the current period.

Our management and board of directors use constant currency revenue growth to evaluate our growth and generate future operating plans. The exclusion of the impact of exchange rate fluctuations provides comparability across reporting periods and reflects the effects of our customer acquisition efforts and land-and-expand strategy. Accordingly, we believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our revenue growth in the same manner as our management and board of directors. However, this non-IFRS measure has limitations, particularly as the exchange rate effects that are eliminated could constitute a significant element of our revenue and could significantly impact our performance and prospects. Because of these limitations, you should consider this non-IFRS measure alongside other financial performance measures, including revenue and revenue growth presented in accordance with IFRS and our other IFRS results.

In addition to constant currency revenue, we present constant currency revenue excluding COVID-19-related revenue to further remove the effects of revenues that we derived from sales of COVID-19-related offerings, including a NGS assay for COVID-19 that leverages our SOPHiA DDMTM Platform and related products and solutions analytical capabilities and COVID-19 bundled access products. We do not believe that these revenues reflect our core business of commercializing our platform because our COVID-19 solution was offered to address specific market demand by our customers for analytical capabilities to assist with their testing operations. We do not anticipate additional development of our COVID-19-related solution as the pandemic transitions into a more endemic phase and as customer demand continues to decline. Further, COVID-19-related revenues did not constitute, and we do not expect COVID-19-related revenues to constitute in the future, a significant part of our revenue. Accordingly, we believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our revenue growth. However, this non-IFRS measure has limitations, including that COVID-19-related revenues contributed to our cash position, and other companies may define COVID-19-related revenues differently. Because of these limitations, you should consider this non-IFRS measure alongside other financial performance measures, including revenue and revenue growth presented in accordance with IFRS and our other IFRS results.

The table below provides the reconciliation of the most comparable IFRS growth measures to the non-IFRS growth measures for the current period.

Forward-Looking Statements

This press release contains statements that constitute forward-looking statements. All statements other than statements of historical facts contained in this press release, including statements regarding our future results of operations and financial position, business strategy, products and technology, partnerships and collaborations, as well as plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including those described in our filings with the U.S. Securities and Exchange Commission. No assurance can be given that such future results will be achieved. Such forward-looking statements contained in this document speak only as of the date of this press release. We expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this press release to reflect any change in our expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law. No representations or warranties (expressed or implied) are made about the accuracy of any such forward-looking statements.

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SOPHiA GENETICS SA
Interim Condensed Consolidated Statement of Loss
(Amounts in USD thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 11,648	\$ 10,359	\$ 34,176	\$ 29,513
Cost of revenue	(4,355)	(3,815)	(12,552)	(11,122)
Gross profit	7,293	6,544	21,624	18,391
Research and development costs	(10,116)	(7,655)	(28,581)	(20,220)
Selling and marketing costs	(7,921)	(7,706)	(24,020)	(20,161)
General and administrative costs	(12,809)	(11,689)	(41,887)	(28,546)
Other operating (expense) income, net	(86)	4	125	56
Operating loss	(23,639)	(20,502)	(72,739)	(50,480)
Finance income (expense), net	224	(263)	(617)	(1,128)
Loss before income taxes	(23,415)	(20,765)	(73,356)	(51,608)
Income tax benefit (expense)	105	(478)	(122)	(693)
Loss for the period	(23,310)	(21,243)	(73,478)	(52,301)
Attributable to the owners of the parent	\$ (23,310)	\$ (21,243)	\$ (73,478)	\$ (52,301)
Basic and diluted loss per share	\$ (0.36)	\$ (0.35)	\$ (1.15)	\$ (1.00)

SOPHiA GENETICS SA
Interim Condensed Consolidated Statement of Comprehensive Loss
(Amounts in USD thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Loss for the period	\$ (23,310)	\$ (21,243)	\$ (73,478)	\$ (52,301)
Other comprehensive (loss) income:				
<i>Items that may be reclassified to statement of loss (net of tax)</i>				
Currency translation differences	(3,260)	(2,993)	(10,249)	(7,714)
Total items that may be reclassified to profit or loss	(3,260)	(2,993)	(10,249)	(7,714)
<i>Items that will not be reclassified to profit or loss (net of tax)</i>				
Remeasurement of defined benefit plans	689	—	2,453	—
Total items that will not be reclassified to profit or loss	689	—	2,453	—
Other comprehensive (loss) income for the period	\$ (2,571)	\$ (2,993)	\$ (7,796)	\$ (7,714)
Total comprehensive loss for the period	\$ (25,881)	\$ (24,236)	\$ (81,274)	\$ (60,015)
Attributable to owners of the parent	\$ (25,881)	\$ (24,236)	\$ (81,274)	\$ (60,015)

SOPHiA GENETICS SA
Interim Condensed Consolidated Balance Sheet
(Amounts in USD thousands)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 157,827	\$ 192,962
Term deposits	31,421	72,357
Accounts receivable	6,382	6,278
Inventory	5,827	5,729
Prepays and other current assets	6,507	5,529
Total current assets	207,964	282,855
Non-current assets		

Property and equipment	5,047	4,663
Intangible assets	17,982	15,673
Right-of-use assets	14,101	11,292
Deferred tax assets	1,571	1,990
Other non-current assets	3,921	3,700
Total non-current assets	42,622	37,318
Total assets	\$ 250,586	\$ 320,173
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 5,612	\$ 6,737
Accrued expenses	15,190	15,972
Deferred contract revenue	4,907	4,069
Lease liabilities, current portion	2,333	1,813
Other current liabilities	—	12
Total current liabilities	28,042	28,603
Non-current liabilities		
Lease liabilities, net of current portion	13,917	11,246
Defined benefit pension liabilities	2,264	4,453
Other non-current liabilities	472	471
Total non-current liabilities	16,653	16,170
Total liabilities	44,695	44,773
Equity		
Share capital	3,464	3,328
Share premium	471,623	470,887
Treasury shares	(118)	—
Other reserves	15,754	12,539
Accumulated deficit	(284,832)	(211,354)
Total equity	205,891	275,400
Total liabilities and equity	\$ 250,586	\$ 320,173

SOPHiA GENETICS SA
Interim Condensed Consolidated Statement of Cash Flows
(Amounts in USD thousands)
(Unaudited)

	Nine months ended September 30,	
	2022	2021
Operating activities		
Loss before tax	\$ (73,356)	\$ (51,608)
<i>Adjustments for non-monetary items</i>		
Depreciation	2,728	1,595
Amortization	1,292	785
Interest expense	530	2,297
Interest income	(565)	(13)
Gain on TriplePoint success fee	—	(430)
Expected credit loss allowance	47	(657)
Share-based compensation	11,017	4,874
Intangible assets write-off	74	—
Movements in provisions, pensions, and government grants	555	1,221
Research tax credit	(1,158)	(413)
<i>Working capital changes</i>		
Increase in accounts receivable	(693)	(1,168)
Increase in prepaids and other assets	(1,001)	(5,519)
Increase in inventory	(554)	(1,326)
Increase in accounts payables, accrued expenses, deferred contract revenue, and other liabilities	963	8,111
<i>Cash used in operating activities</i>		
Income tax received	—	90
Interest paid	(195)	(368)
Interest received	552	9
Net cash flows used in operating activities	(59,764)	(42,520)
Investing activities		
Purchase of property and equipment	(2,176)	(2,532)
Acquisition of intangible assets	(1,497)	(132)
Capitalized development costs	(3,535)	(2,530)
Proceeds upon maturity of term deposits and short-term investments	63,505	10,968
Purchase of term deposits and short-term investments	(26,462)	(61,421)

<i>Net cash flow provided from (used in) investing activities</i>			29,835		(55,647)	
Financing activities						
Proceeds from exercise of share options			748		4,527	
Proceeds from initial public offering, net of transaction costs			—		211,907	
Proceeds from greenshoe, net of transaction costs			—		8,488	
Proceeds from private placement, net of transaction costs			—		19,648	
Payment of TriplePoint success fee			—		(2,468))
Repayments of borrowings			—		(3,167))
Payments of principal portion of lease liabilities			(1,736))	(715))
<i>Net cash flow (used in) provided from financing activities</i>			(988))	238,220	
Decrease in cash and cash equivalents			(30,917))	140,053	
Effect of exchange differences on cash balances			(4,218))	(4,688))
Cash and cash equivalents at beginning of the year			192,962		74,625	
Cash and cash equivalents at end of the period			\$ 157,827		\$ 209,990	

SOPHiA GENETICS SA
Reconciliation of IFRS Revenue Growth to Constant Currency Revenue Growth
and Constant Currency Revenue Growth Excluding COVID-19-Related Revenue
(Amounts in USD thousands, except for %)
(Unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	2022	2021	Growth	%	2022	2021	Growth	%
IFRS revenue	\$ 11,648	\$ 10,359	12	%	\$ 34,176	\$ 29,513	16	%
Current period constant currency impact	2,152	—			4,434	—		
Constant currency revenue	\$ 13,800	\$ 10,359	33	%	\$ 38,610	\$ 29,513	31	%
COVID-19 revenue	(290)	(653)			(913)	(1,285)		
Constant currency impact on COVID-19-related revenue	53	—			108			
Constant currency revenue excluding COVID-19-related revenue	\$ 13,563	\$ 9,706	40	%	\$ 37,805	\$ 28,228	34	%

SOPHiA GENETICS SA
Reconciliation of IFRS to Adjusted Cost of Revenue
(Amounts in USD thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ (4,355)	\$ (3,815)	\$ (12,552)	\$ (11,122)
Amortization of capitalized research and development expenses (1)	304	152	755	329
Adjusted cost of revenue	\$ (4,051)	\$ (3,663)	\$ (11,797)	\$ (10,793)

SOPHiA GENETICS SA
Reconciliation of IFRS to Adjusted Gross Profit and Gross Profit Margin
(Amounts in USD thousands, except percentages)
(Unaudited)

	Three months ended September 30,				Nine months ended September 30,			
	2022	2021			2022	2021		
Revenue	\$ 11,648	\$ 10,359			\$ 34,176	\$ 29,513		
Cost of revenue	(4,355)	(3,815)			(12,552)	(11,122)		
Gross profit	\$ 7,293	\$ 6,544			\$ 21,624	\$ 18,391		
Amortization of capitalized research and development expenses (1)	304	152			755	329		
Adjusted gross profit	\$ 7,597	\$ 6,696			\$ 22,379	\$ 18,720		
Gross profit margin	63	63	%	%	63	62	%	%
Amortization of capitalized research and development expenses (1)	2	2	%	%	2	1	%	%
Adjusted gross profit margin	65	65	%	%	65	63	%	%

SOPHiA GENETICS SA
Reconciliation of IFRS to Adjusted Operating Loss
(Amounts in USD thousands)
(Unaudited)

Three months ended September 30, Nine months ended September 30,

	2022	2021	2022	2021
Operating loss	\$ (23,639)	\$ (20,502)	\$ (72,739)	\$ (50,480)
Amortization of capitalized research & development expenses (1)	304	152	755	329
Amortization of intangible assets (2)	191	143	537	456
Share-based compensation expense (3)	3,657	3,038	11,017	4,874
Non-cash pension expense (4)	173	187	545	522
Non-recurring IPO-related expenses (5)	—	—	—	323
Adjusted operating loss	\$ (19,314)	\$ (16,982)	\$ (59,885)	\$ (43,976)

SOPHiA GENETICS SA
Reconciliation of IFRS to Finance Expense, Net
(Amounts in USD thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Finance expense	\$ 224	\$ (263)	\$ (617)	\$ (1,128)
Change in fair value of derivative (6)	—	(254)	—	1,444
Adjusted finance expense	\$ 224	\$ (517)	\$ (617)	\$ 316

SOPHiA GENETICS SA
Reconciliation of IFRS to Adjusted Loss for the Period and Loss per Share
(Amounts in USD thousands, except per share and share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Loss for the period	\$ (23,310)	\$ (21,243)	\$ (73,478)	\$ (52,301)
Amortization of capitalized research & development expenses (1)	304	152	755	329
Amortization of intangible assets (2)	191	143	537	456
Share-based compensation expense (3)	3,657	3,038	11,017	4,874
Non-cash pension expense (4)	173	187	545	522
Non-recurring IPO-related expenses (5)	—	—	—	323
Change in fair value of derivative (6)	—	(254)	—	1,444
Adjusted loss for the period	\$ (18,985)	\$ (17,977)	\$ (60,624)	\$ (44,353)
Basic and diluted loss per share	\$ (0.36)	\$ (0.35)	\$ (1.15)	\$ (1.00)
Adjusted basic and diluted loss per share	\$ (0.30)	\$ (0.30)	\$ (0.95)	\$ (0.85)
Number of shares used in computing basic and diluted loss per share	64,192,080	60,172,641	64,058,859	52,415,936

Notes to the Reconciliation of IFRS to Adjusted Financial Measures Tables

(1) Amortization of capitalized research and development expenses consists of software development costs amortized using the straight-line method over an estimated life of five years. These expenses do not have a cash impact but remain a recurring expense generated over the course of our research and development initiatives.

(2) Amortization of intangible assets consists of costs related to intangible assets amortized over the course of their useful lives. These expenses do not have a cash impact, but we could continue to generate such expenses through future capital investments.

(3) Share-based compensation expense represents the cost of equity awards issued to our directors, officers, and employees. The fair value of awards is computed at the time the award is granted and is recognized over the vesting period of the award by a charge to the income statement and a corresponding increase in other reserves within equity. These expenses do not have a cash impact but remain a recurring expense for our business and represent an important part of our overall compensation strategy.

(4) Non-cash pension expense consists of the amount recognized in excess of actual contributions made to our defined pension plans to match actuarial expenses calculated for IFRS purposes. The difference represents a non-cash expense, but pensions remain a recurring expense for our business as we continue to make contributions to our plans for the foreseeable future.

(5) Non-recurring IPO-related expenses represent expenses incurred for our initial public offering that were not capitalized and are not expected to be recurring during the ordinary course of our business.

(6) Change in fair value of derivative consists of changes in the fair valuation of the derivative related to the success fee owed to TriplePoint Capital LLC upon the completion of our initial public offering. We paid the fee in September 2021 and, as a result, we ceased to incur expenses resulting from the change in fair value of such derivative.