

SOPHiA GENETICS Reports Financial Results for the Third Quarter of Fiscal 2023

Record results on growth acceleration, significant improvement in operating loss and cash burn

BOSTON and ROLLE, Switzerland, Nov. 07, 2023 (GLOBE NEWSWIRE) -- SOPHiA GENETICS SA (Nasdaq: SOPH), a cloud-native software company and a leader in data-driven medicine, today reported financial results for the third quarter ended September 30, 2023.

Recent Highlights

- Revenue for the third quarter of 2023 was \$16.3 million, representing year-over-year growth of 40% on a reported basis over the corresponding period of 2022; Constant currency year-over-year revenue growth excluding COVID-19-related revenues was 37%.
- Gross margins were 69% on a reported basis and 73% on an adjusted basis for the third quarter of 2023.
- Operating loss in the third quarter of 2023 was \$16.5 million on a reported basis and \$11.8 million on an adjusted basis, representing an improvement from the third quarter of 2022 of 30% year-over-year on a reported basis and 39% year-over-year on an adjusted basis. Cash burn for the third quarter of 2023 was \$15.8 million, compared to \$27.4 million in the third quarter of 2022.
- Continued adoption of SOPHiA DDM™ in clinical markets globally has enabled our analysis volume in the third quarter of 2023 to grow to a record 79,784 analyses representing year-over-year growth of 28%, while volume excluding COVID-19-related analyses grew 36% year-over-year.
- Reiterated full-year guidance including reported revenue growth expected to be at or above 30%, constant currency revenue growth excluding COVID-19-related revenue to be between 30% and 35%, and 2023 operating losses to be below 2022 levels.

CEO Commentary

“We delivered an outstanding third quarter, highlighted by 37% year-over-year constant currency ex. COVID-19 revenue growth. Our growth came across the breadth of our portfolio areas and geographies, despite the currently challenging macro environment. Our strong performance was complemented by continued improvements to gross margins and operating expenses, including a marked 39% improvement in year-over-year adjusted operating loss and a significant reduction in our cash burn.” said Jurgi Camblong, PhD., Chief Executive Officer and Co-founder of SOPHiA GENETICS. “The team at SOPHiA GENETICS continues to drive innovation and growth in the area of technology-agnostic artificial intelligence (AI) software for genomic and multimodal analysis, and the recurring nature of our revenues positions us well to weather economic uncertainty, as we finish this year and look ahead to 2024.”

Ecosystem Update

In October, SOPHiA GENETICS announced that Memorial Sloan Kettering (MSK) and AstraZeneca would be collaborating jointly with SOPHiA GENETICS to bring high quality, comprehensive cancer testing to a global scale. With this collaboration, the three leading organizations will further their shared goal to advance health equity on a global scale by providing inclusive access to comprehensive cancer testing worldwide.

The partnership will provide MSK’s proprietary liquid biopsy and solid tumor cancer tests – MSK-ACCESS® and MSK-IMPACT® – to organizations worldwide via our decentralized, technology agnostic SOPHiA DDM™ Platform. This offering will be rapidly deployed by SOPHiA GENETICS with support from AstraZeneca’s global footprint. Through SOPHiA GENETICS’ cloud-based platform, which provides highly accurate and reliable data and insights, institutions around the world – and in traditionally under-resourced and under-served areas – will have the power to make data-driven decisions.

We are also pleased to announce that BioReference®, a reference laboratory based outside of New York City which processes over 12 million tests annually, primarily through community oncologists, will be among the first to add circulating tumor (ct)DNA testing via liquid biopsy to its offerings with MSK-ACCESS® powered with SOPHiA DDM™.

Beyond MSK-ACCESS®, SOPHiA GENETICS has also seen increased demand for decentralized liquid biopsy testing and is pleased to announce today that Centre Léon-Bérard (CLB), part of the CLCC network, consisting of 19 regional-cancer centers in France, will use a liquid biopsy application on SOPHiA DDM™ by leveraging SOPHiA GENETICS’ proprietary CUMIN technology.

Third Quarter Financial Results

Total revenue for the third quarter of 2023 was \$16.3 million compared to \$11.6 million for the third quarter of 2022, representing year-over-year growth of 40%. Constant currency revenue growth was 33%, and constant currency revenue growth excluding COVID-19-related revenue was 37%.

Platform analysis volume, including volume from Integrated access, increased to 79,784 analyses for the third quarter of 2023 compared to 62,276 analyses for the third quarter of 2022. The year-over-year growth of 28% was attributable to growth in Core Platform analysis volume, partially offset by the continued decline of COVID-19-related analysis volume. Excluding COVID-related volume, Platform analysis volume was 78,709 for the third quarter of 2023 compared to 57,707 in the third quarter of 2022, representing 36% year-over-year growth.

Gross profit for the third quarter of 2023 was \$11.3 million compared to gross profit of \$7.3 million in the third quarter of 2022, representing year-over-year growth of 55%. Gross margin was 69% for the third quarter of 2023 compared with 63% for the third quarter of 2022. Adjusted gross profit was \$11.8 million, an increase of 56% compared to adjusted gross profit of \$7.6 million in the third quarter of 2022. Adjusted gross margin was 73% for the third quarter of 2023 compared to 67% for the third quarter of 2022.

Total operating expenses for the third quarter of 2023 were \$27.8 million compared to \$30.9 million for the third quarter of 2022.

R&D expenses for the third quarter of 2023 were \$9.0 million compared to \$10.1 million for the third quarter of 2022.

Sales and marketing expenses for the third quarter of 2023 were \$6.8 million compared to \$7.9 million for the third quarter of 2022.

General and administrative expenses for the third quarter of 2023 were \$12.7 million compared to \$12.8 million for the third quarter of 2022.

Operating loss for the third quarter of 2023 was \$16.5 million compared to \$23.6 million in the third quarter of 2022. Adjusted operating loss for the third quarter of 2023 was \$11.8 million compared to \$19.3 million for the third quarter of 2022. Cash burn for the third quarter of 2023 was \$15.8 million, compared to \$27.4 million in the third quarter of 2022.

Net loss for the third quarter of 2023 was \$13.8 million or \$0.21 per share compared to \$23.3 million or \$0.36 per share in the third quarter of 2022.

Cash and cash equivalents were \$132.8 million as of September 30, 2023.

2023 Outlook

The company is reaffirming its previously provided guidance of:

- full-year reported revenue growth expected to be at or above 30%;
- full-year constant currency revenue growth excluding COVID-19-related revenue expected to be between 30% and 35%; and
- 2023 operating losses expected to be below 2022 levels.

Constant currency revenue growth excluding COVID-19-related revenue is a non-IFRS measure. See “Presentation of Constant Currency Revenue and Excluding COVID-19-Related Revenue” below for a description of its calculation. The company is unable to provide a reconciliation of forward-looking constant currency revenue growth excluding COVID-19-related revenue to revenue, the most comparable IFRS financial measure, due to the inherent difficulty in forecasting and quantifying the impact of foreign currency translation.

Webcast and Conference Call Information

SOPHiA GENETICS will host a conference call and live webcast to discuss the third quarter of 2023 financial results as well as business outlook on Tuesday, November 7, 2023, at 8:00 a.m. (08:00) Eastern Time / 2:00 p.m. (14:00) Central European Time. The call will be webcast live on the SOPHiA GENETICS Investor Relations website. The conference call can also be accessed live over the phone by dialing 1-800-715-9871 (United States) or 1-646-307-1963 (outside of the United States). Additionally, an audio replay of the conference call will be available on the SOPHiA GENETICS website after its completion.

About SOPHiA GENETICS

SOPHiA GENETICS SA (Nasdaq: SOPH) is a software company 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 cloud-native 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](https://www.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 the company’s financial results, SOPHiA GENETICS has disclosed here and elsewhere in this earnings release the following non-IFRS measures:

- Adjusted gross profit, which the company calculates as revenue minus cost of revenue adjusted to exclude amortization of capitalized research and development expenses;
- Adjusted gross profit margin, which the company calculates as adjusted gross profit as a percentage of revenue;
- Adjusted operating loss, which the company calculates as operating loss adjusted to exclude amortization of capitalized research and development expenses, amortization of intangible assets, share-based compensation expense, and non-cash portion of pensions expense paid in excess of actual contributions to match the actuarial expense.

These non-IFRS measures are key measures used by SOPHiA GENETICS management and board of directors to evaluate its 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, the company believes that these non-IFRS measures provide useful information to investors and others in understanding and evaluating its operating results in the same manner as its 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 SOPHiA GENETICS’ 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 the company’s business and an important part of its 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 the business; and
- Other companies, including companies in the company’s 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 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

SOPHiA GENETICS operates internationally, and its 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 the company’s 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 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 the company uses the term “constant currency”, it means that it has 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. The company then calculates the difference between the IFRS revenue and the constant currency revenue to yield the “constant currency impact” for the current period.

The company’s management and board of directors use constant currency revenue growth to evaluate 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 customer acquisition efforts and land-and-expand strategy. Accordingly, it believes that this non-IFRS measure provides useful information to investors and others in understanding and evaluating revenue growth in the same manner as the 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 its revenue and could significantly impact 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 other IFRS results.

In addition to constant currency revenue, the company presents constant currency revenue excluding COVID-19-related revenue to further remove the effects of revenues that are derived from sales of COVID-19-related offerings, including a NGS assay for COVID-19 that leverages the SOPHiA DDMTM Platform and related products and solutions analytical capabilities and COVID-19 bundled access products. SOPHiA GENETICS do not believe that these revenues reflect its core business of commercializing its platform because the company's COVID-19 solution was offered to address specific market demand by its customers for analytical capabilities to assist with their testing operations. The company does not anticipate additional development of its 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 the company does not expect COVID-19-related revenues to constitute in the future, a significant part of its revenue. Accordingly, the company believes that this non-IFRS measure provides useful information to investors and others in understanding and evaluating its revenue growth. However, this non-IFRS measure has limitations, including that COVID-19-related revenues contributed to the company's 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 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 SOPHiA GENETICS 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 SOPHiA GENETICS' management's beliefs and assumptions and on information currently available to the company's 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 the company's 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 press release speak only as of its date. We expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this press release to reflect any change in the company's 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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Interim Condensed Consolidated Statements of Loss

(Amounts in USD thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 16,303	\$ 11,648	\$ 45,323	\$ 34,176
Cost of revenue	(5,030)	(4,355)	(14,309)	(12,552)
Gross profit	11,273	7,293	31,014	21,624
Research and development costs	(8,984)	(10,116)	(27,209)	(28,581)
Selling and marketing costs	(6,830)	(7,921)	(20,457)	(24,020)
General and administrative costs	(12,749)	(12,809)	(40,032)	(41,887)
Other operating income (expense), net	746	(86)	805	125
Operating loss	(16,544)	(23,639)	(55,879)	(72,739)
Finance income (expense), net	3,019	224	1,437	(617)
Loss before income taxes	(13,525)	(23,415)	(54,442)	(73,356)
Income tax (expense) benefit	(299)	105	(478)	(122)
Loss for the period	(13,824)	(23,310)	(54,920)	(73,478)
Attributable to the owners of the parent	(13,824)	(23,310)	(54,920)	(73,478)
Basic and diluted loss per share	\$ (0.21)	\$ (0.36)	\$ (0.85)	\$ (1.15)

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Interim Condensed Consolidated Statements of Comprehensive Loss

(Amounts in USD thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Loss for the period	\$ (13,824)	\$ (23,310)	\$ (54,920)	\$ (73,478)
Other comprehensive income (loss):				
<i>Items that may be reclassified to statement of loss (net of tax)</i>				
Currency translation differences	(3,382)	(3,260)	2,269	(10,249)
Total items that may be reclassified to statement of loss	(3,382)	(3,260)	2,269	(10,249)
<i>Items that will not be reclassified to statement of loss (net of tax)</i>				
Remeasurement of defined benefit plans	13	689	(283)	2,453
Total items that will not be reclassified to statement of loss	13	689	(283)	2,453
Other comprehensive income (loss) for the period	\$ (3,369)	\$ (2,571)	\$ 1,986	\$ (7,796)
Total comprehensive loss for the period	\$ (17,193)	\$ (25,881)	\$ (52,934)	\$ (81,274)
Attributable to owners of the parent	\$ (17,193)	\$ (25,881)	\$ (52,934)	\$ (81,274)

Interim Condensed Consolidated Balance Sheets
(Amounts in USD thousands)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 132,767	\$ 161,305
Term deposits	—	17,307
Accounts receivable	9,781	6,649
Inventory	5,194	5,156
Prepays and other current assets	5,314	5,838
Total current assets	153,056	196,255
Non-current assets		
Property and equipment	7,092	7,129
Intangible assets	23,521	19,963
Right-of-use assets	15,047	14,268
Deferred tax assets	1,945	1,940
Other non-current assets	5,191	4,283
Total non-current assets	52,796	47,583
Total assets	\$ 205,852	\$ 243,838
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 6,037	\$ 6,181
Accrued expenses	12,857	14,505
Deferred contract revenue	7,066	3,434
Lease liabilities, current portion	2,908	2,690
Total current liabilities	28,868	26,810
Non-current liabilities		
Lease liabilities, net of current portion	14,960	14,053
Defined benefit pension liabilities	3,415	2,675
Other non-current liabilities	170	170
Total non-current liabilities	18,545	16,898
Total liabilities	47,413	43,708
Equity		
Share capital	4,048	3,464
Share premium	471,827	471,623
Treasury shares	(652)	(117)
Other reserves	36,939	23,963
Accumulated deficit	(353,723)	(298,803)
Total equity	158,439	200,130
Total liabilities and equity	\$ 205,852	\$ 243,838

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Interim Condensed Consolidated Statements of Cash Flows
(Amounts in USD thousands)
(Unaudited)

	Nine months ended September 30,	
	2023	2022
Operating activities		
Loss before tax	\$ (54,442)	\$ (73,356)
<i>Adjustments for non-monetary items</i>		
Depreciation	4,339	2,728
Amortization	2,016	1,292
Finance expense (income), net	1,641	(35)
Expected credit loss allowance	54	47
Share-based compensation	11,036	11,017
Intangible assets write-off	—	74
Movements in provisions and pensions	764	555
Research tax credit	(785)	(1,158)
Loss on disposal of property and equipment	28	—
Gain on disposal of lease liability	(730)	—
Working capital changes		
Increase in accounts receivable	(2,880)	(693)
Increase in prepaids and other assets	(2,869)	(1,001)
Increase in inventory	(328)	(554)

Increase in accounts payables, accrued expenses, deferred contract revenue, and other liabilities	2,284		963	
Cash used in operating activities	(39,872))	(60,121))
Income tax paid	(759))	—)
Interest paid	(6))	(195))
Interest received	3,354		552	
Net cash flows used in operating activities	(37,283))	(59,764))
Investing activities				
Purchase of property and equipment	(1,369))	(2,176))
Acquisition of intangible assets	(1,033))	(1,497))
Capitalized development costs	(4,575))	(3,535))
Proceeds upon maturity of term deposits	17,546		63,505	
Purchase of term deposits	—		(26,462))
Net cash flow provided from investing activities	10,569		29,835	
Financing activities				
Proceeds from exercise of share options	207		748	
Payments of principal portion of lease liabilities	(2,518))	(1,736))
Net cash flow used in financing activities	(2,311))	(988))
Decrease in cash and cash equivalents	(29,025))	(30,917))
Effect of exchange differences on cash balances	487		(4,218))
Cash and cash equivalents at beginning of the year	161,305		192,962	
Cash and cash equivalents at end of the period	\$ 132,767		\$ 157,827	

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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,			Growth		Nine months ended September 30,		
	2023	2022				2023	2022	
IFRS revenue	\$ 16,303	\$ 11,648	40	%	\$ 45,323	\$ 34,176	33	%
Current period constant currency impact	(766)	—			(350)	—		
Constant currency revenue	\$ 15,537	\$ 11,648	33	%	\$ 44,973	\$ 34,176	32	%
COVID-19-related revenue	(16)	(290)			(213)	(913)		
Constant currency impact on COVID-19-related revenue	—	—			(3)	—		
Constant currency revenue excluding COVID-19-related revenue	\$ 15,521	\$ 11,358	37	%	\$ 44,757	\$ 33,263	35	%

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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,			
	2023	2022			2023	2022		
Revenue	\$ 16,303	\$ 11,648			\$ 45,323	\$ 34,176		
Cost of revenue	(5,030)	(4,355)			(14,309)	(12,552)		
Gross profit	\$ 11,273	\$ 7,293			\$ 31,014	\$ 21,624		
Amortization of capitalized research and development expenses(1)	552	304			1,480	755		
Adjusted gross profit	\$ 11,825	\$ 7,597			\$ 32,494	\$ 22,379		
Gross profit margin	69	%	63	%	68	%	63	%
Amortization of capitalized research and development expenses(1)	4	%	4	%	4	%	3	%
Adjusted gross profit margin	73	%	67	%	72	%	66	%

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Reconciliation of IFRS to Adjusted Operating Loss for the Period (Amounts in USD thousands) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating loss	\$ (16,544)	\$ (23,639)	\$ (55,879)	\$ (72,739)
Amortization of capitalized research & development expenses (1)	552	304	1,480	755
Amortization of intangible assets(2)	184	191	536	537
Share-based compensation expense(3)	3,930	3,657	11,036	11,017
Non-cash pension expense(4)	69	173	231	545
Adjusted operating loss	\$ (11,809)	\$ (19,314)	\$ (42,596)	\$ (59,885)

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 remains a recurring expense for our business as we continue to make contributions to our plans for the foreseeable future.

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<https://ir.sophiagenetics.com/2023-11-07-SOPHiA-GENETICS-Reports-Financial-Results-for-the-Third-Quarter-of-Fiscal-2023>