

SOPHiA GENETICS 4Q21 Earnings Script

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Head of Investor Relations

Good morning and thank you for joining us on SOPHiA GENETICS' Q4 fiscal 2021 earnings call. My name is Jennifer Pottage, and I am the Head of Investor Relations at SOPHiA. Joining me today are Dr. Jurgi Camblong, our Co-Founder & Chief Executive Officer; Peter Casasanto, our Chief BioPharma Officer; and Ross Muken, our Chief Financial Officer.

Before we get started, I would like to remind you that management will make statements during this call that are forward-looking within the scope of U.S. federal securities laws. These statements are based on management's current views and assumptions, which are subject to material risks and uncertainties that could cause actual results or events to materially differ from those projected. Additional information regarding these risks and uncertainties are included in the section entitled "Cautionary Statement Regarding Forward-Looking Statements" in Exhibit 99.2 of the Report on Form 6-K on file with the SEC.

Except as required by law, SOPHiA GENETICS disclaims any intention or obligation to update or revise any financial or product pipeline projections or other forward-looking statements whether because of new information, future events, or otherwise. This conference call contains time-sensitive information and is accurate only as of its broadcast, March 15, 2022.

Please note both the replay of this call as well as the earnings release and presentation will be available on our website in the investor section.

And with that, I will now turn the call over to Jurgi.

Dr. Jurgi Camblong

Co-Founder & Chief Executive Officer

Thank you, Jen, and good morning, everyone.

2021 was a transformative year for SOPHiA, and I am pleased to share with you today our strong finish and momentum we experienced closing out our first fiscal year as a publicly traded company.

I want to take this opportunity to express my sincere appreciation to the 500 SOPHiA employees for their extraordinary efforts and dedication. Our talented team drives our success, and I am thrilled to announce that we were recently recognized as one of "Boston's

Best Places to Work” for 2022: a fantastic achievement to start the year. I am immensely proud of the success we have achieved so far, and I am eagerly looking forward to what lies ahead in our ambitious journey to democratize data-driven medicine.

On today’s call, I will touch on the impressive progress we have made in the fourth quarter and 2021 fiscal year, as it relates to the six strategic pillars guiding our long-term growth trajectory. Our new Chief BioPharma Officer, Peter Casasanto, will then offer a more detailed look into our BioPharma pillar and the massive but underpenetrated opportunity that exists in this market. And finally, Ross will review SOPHiA’s financial results for the period and outlook

We remain fixated on six key pillars to drive long-term growth and value creation:

- First, accelerating the expansion of our network through new customer adoption
- Second, increasing utilization within our existing customer base
- Third, driving further innovation on our platform to broaden the applications we support
- Fourth, developing key partnerships and collaborations
- Fifth, leveraging our platform to drive further growth with biopharmaceutical companies
- And lastly, the sixth strategic pillar is exceling operationally within SOPHiA

Before diving further in, I would like to remind those less familiar with SOPHiA’s story, what a powerful business model we offer as a technology player in the healthcare space.

Over the last decade, there has been a dramatic increase in the amount of digital data being generated within the healthcare industry. The ability to create insights from this data has led to an acceleration in our understanding of biology. However, much of this data is siloed, preventing it from being fully leveraged for the benefit of patients.

SOPHiA, which also means “wisdom” in Greek, has built a unique business model to address this untapped opportunity. We developed the SOPHiA DDM platform to take the data of patients today to inform on how to diagnose and treat the patients of tomorrow. SOPHiA DDM is a platform that lives in the cloud and uses AI and machine learning to analyze complex, multimodal digital health data to generate insights.

SOPHiA represents a new category of software company unlocking data silos and helping healthcare professionals work together as a community and deploy their collective expertise. Through SOPHiA DDM, we can enable the practice of data-driven medicine in any hospital, laboratory, or pharmaceutical company around the world.

We sit at the center of a virtuous cycle and benefit from powerful network effects. This means as the number of SOPHiA DDM users increases, the volume of raw data input increases, which

then leads to a further increase in actionable insights continuously being generated. The platform improves and scales as more data is analyzed, which ultimately snowballs into more and more patients benefitting from data-driven medicine. Our software model was optimally designed to support rapid growth, which further strengthens our position for the future.

And now onto our six key pillars:

Starting off with our first pillar of customer adoption and network expansion. Healthcare institutions continue to choose SOPHiA as their trusted cloud-based analytics platform.

We had a strong finish on the fourth quarter with a total of 791 customers across more than 70 countries. The company's priority has remained on the growth of the platform in the U.S. market, which we view as SOPHiA's largest addressable market at an estimated \$8 billion for clinical oncology and rare diseases. We are continuing to invest in our U.S. opportunity, and firmly believe there is significant runway ahead of us. We are pleased with our progress of onboarding new clinical customers in this region and are expecting several signed agreements with tier-1 institutions in the coming months.

In the NORAM region, we added 7 new logos in 2021. Additionally, we are seeing solid growth with our clinical customer base in the EMEA, LATAM and APAC regions. On a global level, we are matching our momentum in NORAM.

In the APAC region, we recently announced onboarding a leading Taiwanese genetic testing company, called Sofiva Genomics. This is important to highlight as it is the first clinical institution in this region to offer SOPHiA's newly launched HRD solution, which is one of our most exciting product offerings. The validation of our solution by this important customer is already underway. Sofiva Genomics found great success while implementing our solution in a clinical setting for advanced HRD detection powered by the deep learning algorithms embedded in our platform. Beyond HRD, we are seeing substantial demand in APAC for oncology applications, and we recently signed new customers in Japan, South Korea, Singapore, and Hong Kong.

Our continued success in landing customers across a broad geographic landscape is a testament to our talented team and execution. We recently appointed Ken Freedman as our Chief Revenue Officer to lead our global clinical sales efforts. Ken has more than 25 years of experience serving some of the most innovative providers of technology. His expertise in go-to-market strategy and execution will be a fantastic addition as we continue our U.S. and global footprint expansion plans.

Moving on to our second pillar of increasing utilization within our existing clinical customer base. As communicated on our last quarterly call, we employ a "land and expand" strategy that concentrates on winning new customers, and then driving greater utilization of our

solution by those customers. We are encouraged with the momentum we see with users continuing to increase their consumption after experiencing the value of SOPHiA's platform.

Total recurring platform customers grew to 382 in the fourth quarter of this year, up from 375 customers in the third quarter. Total number of analyses increased to 66,000 in the fourth quarter, up from 62,000 analyses in the third quarter, representing a growth rate of 6% quarter-over-quarter.

For us, one way of growing is continuously delivering new content, which leads to our next pillar of expanding menu offerings. This is an instrumental part of SOPHiA's story, and we are laser focused on driving innovation across our offerings. We continue to provide platform users with frequent updates incorporating new features, new applications, new data modalities, and new services.

In addition to our newly launched HRD capabilities, we expect to unveil several exciting new products later this year; one being CarePath, which was recently introduced at the J.P. Morgan Healthcare Conference in January. CarePath is a new module on the platform within our oncology applications. CarePath will help guide clinicians along the care continuum by better predicting an individual patient's disease progression and treatment options. It provides user- and indication-specific comprehensive views of patient molecular, clinical, and imaging data powered by robust machine learning algorithms. We are extremely excited about this product and believe it will further differentiate SOPHiA as a tech company.

SOPHiA's observational, clinical study called DEEP-Lung-IV, which was announced at RSNA in November, validates a predictive model fueling CarePath. The study leverages machine learning-enabled analysis of the aggregation of real-world multimodal data to identify and validate predictive signatures associated with response to immunotherapy and prognosis of patients with metastatic stage IV non-small cell lung cancer. Such signatures could help identify patients that are likely to benefit from immunotherapy versus those that are not, as well as stratify patients according to risk. Ultimately this will empower clinicians to make more informed therapeutic decisions for their patients and accelerate the recruitment of the right patients for clinical trials run by the BioPharma companies.

Since launching the study in November, 16 sites across 6 countries have signed up to participate. This should contribute to over half of the 4,000 total patients targeted for enrollment over the course of the study. The demand and appetite we have seen from institutions – including prominent academic centers and hospitals – to join this study has been tremendous and 13 centers including UMass have already been activated. We are pleased with the strong traction of the study, and we view the positive reception from the participating sites as a testament to the high-level of interest in unlocking the predictive potential of multimodal health data sets through large-scale real-world studies. From an

operational perspective, we have already enrolled hundreds of patients into the study and we will provide an update on preliminary findings at ASCO this year.

And now on to our fourth pillar of developing key partnerships and collaborations. Our robust partner ecosystem is united by a common and noble goal: to better the lives of patients. We are achieving great momentum with our partners in enabling our shared customer base to generate actionable insights.

We announced last July that we entered an alliance with GE Healthcare to integrate data between GE's Edison platform and the SOPHiA DDM platform, as well as a commercial collaboration focused on co-marketing and pilot site recruitment in the digital oncology and radiogenomic analysis space. We are currently working together on a new statement of work to begin developing the software infrastructure and architecture that will enable the bi-directional exchange of data between GE's Edison platform and the SOPHiA DDM platform. Our partnership has been going well and we have already seen significant commercial traction in lead sharing. This collaboration integrates well with the developments mentioned earlier including CarePath and the DEEP-Lung-IV study.

In additional collaboration news, we announced this month that we signed a letter of intent with Ambry Genetics which is a genetic testing and clinical diagnostic company. Our collaboration will be centered around our shared long-term focus of leveraging multimodal data to accelerate research and the understanding of human diseases. Of the many opportunities in this collaboration, our focus will start on HRD.

Shifting over to the next pillar, which is further strengthening our BioPharma strategy. This represents a massive opportunity for us. While we have made excellent strides in enhancing our business in the pharmaceutical industry, we believe there is still significant market share to be captured.

It bears reiterating that in this important market, we currently serve pharmaceutical and biotechnology companies, as well as Clinical Research Organizations. We continue to promote our current products and services, which we believe will strengthen collaborations with biopharmaceutical companies.

To head our dedicated efforts in BioPharma, we recently brought on Peter Casasanto as Chief BioPharma Officer. The executive team is thrilled to have Peter, who has a high degree of expertise and deep relationships in this area with more than 15 years of industry experience. He joined us in January from CellCarta, a global leader in precision medicine. Prior to CellCarta, Peter was in a senior corporate development role at Tempus and previously held leadership roles at NeoGenomics and LabCorp, where he scaled pharmaceutical strategies. I am delighted to welcome Peter to the team and look forward to his contributions.

Later on the call, Peter will walk through our plans and positioning to further strengthen SOPHiA's presence in this space.

And now shifting to our sixth and final pillar: exceling operationally within the organization.

We remain well-positioned from a capital perspective to execute our near-term operating and strategic plans, while retaining a level of flexibility to pursue select strategic initiatives. As Ross will discuss later, we are monitoring market conditions and remain focused with our capital to continue excelling operationally as a company.

With that, I will now turn the call over to Peter.

Peter Casasanto

Chief BioPharma Officer

Thank you, Jurgi, and hello, everyone.

I am excited to be joining the SOPHiA team at this point in the company's journey and look forward to helping strengthen its BioPharma strategic positioning. SOPHiA is a company that I have long admired for its mission-driven business model and successful performance track record.

BioPharma represents a large opportunity for us, given our cloud-based architecture and decentralized/global model that allows us to ingest, harmonize and analyze multimodal data. This is valuable and unique data spanning hospitals, laboratories and institutions that is frankly difficult to get elsewhere. These data bring a much-needed heterogenetic dataset to represent the environment seen in the real-world, particularly for areas like oncology.

The ramp up of the SOPHiA DDM Platform on the clinical side is in turn feeding our unique ability to support BioPharma in finding patients and associated biomarkers of interest. This applies to trials and for marketed drugs, as well as helping our customers understand the global testing landscape. Together with our own solutions, these real-world data insights can scale and ramp up rapidly, supporting a future revenue opportunity.

Among the many exciting opportunities, we see in the BioPharma arena, SOPHiA's HRD solution stands near the top. Taking a step back, "HRD," stands for "Homologous Recombination Deficiency." HRD is a complex biomarker, notably important for PARP inhibitors, that helps identify whether cancer patients may respond better to specific treatments, and its use could ultimately lead to personalized therapies that benefit the individual patient. We currently have one European patent application and one U.S. patent application relating to a method to detect HRD, which will be used in our solution. The

solution's decentralized nature allows users to preserve ownership of data and save time, while also offering comprehensive genomic insights without compromising the data's quality.

In-line with the strong traction we are already seeing with this solution, we recently announced a partnership with AstraZeneca to expand access to in-house HRD testing across European laboratories and institutions. Having AZ as a partner further validates our model to democratize data-driven medicine, leveraging a decentralized model and innovative platform for clinical decision support. This is just the tip of the iceberg, and we are excited to talk with other BioPharma partners around our capability to develop and deploy similar solutions globally, with a focus on patients and technology-forward approaches. We expect this to be one of many BioPharma partnerships that we will form on our journey.

The market right now is robust; data has become front and center for most of the large pharma companies and are now instrumental sources to fuel both early adopters and newly formed informatics and analytics teams – intersecting across multiple stakeholders, from discovery to R&D to clinical development, (Health Economics and Outcomes Research) “HEOR,” digital health and commercial, among others. Each of these represent potential SOPHiA customers, with the end goal of supporting the BioPharma industry with an enterprise-wide data solution.

A lot of effort is going into evangelizing the SOPHiA value proposition, especially as we continue to grow our genomics database and add-in other key multimodalities. These include imaging-radiomics via the GE Partnership, and clinical and biologic features to develop, test and validate our predictive analytics algorithms. The addition of the radiomics feature extraction, coupled with genomics and outcomes data, represents a unique and significant value proposition to the biopharma market.

It is an exciting time, and I am looking forward to the opportunity to support SOPHiA's plans for growth within the BioPharma space.

And now, I will turn it over to Ross to review the financial results in more detail.

Ross Muken

Chief Financial Officer

Thank you, Peter.

We saw continued strength across the board in Q4 with excellent execution and operational efficiencies setting us up for a strong end to the year.

There were solid consumption trends across our customer base in the fourth quarter with total revenue growing 40% year-over-year to \$10.9 million on a reported basis despite FX headwinds, which negatively impacted our growth by approximately 250 bps. For the full year, total revenue for 2021 was \$40.5 million compared to \$28.4 million for 2020, representing 42% growth. The growth in revenue was primarily driven by new customers added to our platform coupled with increased usage rates across our existing customers. Our net dollar retention rate for full year 2021 was 142%, which is considered “best-in-class” among elite, cloud-based software companies. Our quarterly revenue churn remains below 1%, and our annualized revenue churn rate has remained at a historical low of approximately 3% of total revenue for 2021. Additionally, our LTV / CAC ratio remains noticeably above the industry coveted 3x benchmark.

Platform analysis volumes increased to approximately 66,000 analyses in the fourth quarter of 2021, compared to approximately 44,000 analyses in fourth quarter of 2020. Average revenue per platform customer for the full year increased to \$92,000 compared to \$70,000 for the prior year period.

Gross profit in the fourth quarter of 2021 was \$6.8 million, an increase of 40% compared to a gross profit of \$4.9 million in the fourth quarter of 2020. Gross margin was 62% in the fourth quarter of 2021 in line with the prior year period. Adjusted gross margin was 65% for the fourth quarter and 64% for full year 2021.

Total operating expenses for the fourth quarter of 2021 were \$27.8 million compared to \$16.2 million in the fourth quarter of 2020 on an IFRS basis.

R&D expenses for the fourth quarter of 2021 were \$6.4 million, compared to \$5.2 million in the fourth quarter of 2020.

Sales and marketing expenses for the fourth quarter of 2021 were \$8.6 million, compared to \$4.2 million in the fourth quarter of 2020.

General and administrative expenses for the fourth quarter of 2021 were \$13.0 million dollars, compared to \$6.8 million in the fourth quarter of 2020.

Operating loss in the fourth quarter of 2021 was \$21.0 million, compared to \$11.3 million in the fourth quarter of 2020. Full year operating loss was \$71.5 million, compared to \$37.4 million for 2020. Adjusted operating loss in the fourth quarter of 2021 was \$17.6 million, compared to \$10.9 million in the fourth quarter of 2020. Adjusted operating loss for 2021 was \$61.5 million, compared to \$34.2 million in 2020.

Net loss in the fourth quarter of 2021 was \$21.4 million or \$0.33 per share, compared to \$10.5 million or \$0.22 per share in the fourth quarter of 2020. Adjusted net loss in the fourth quarter

of 2021 was \$17.9 million or \$0.28 per share, compared to \$9.9 million or \$0.21 per share in the fourth quarter of 2020. Net loss for full year 2021 was \$73.7 million or \$1.33 per share, compared to \$39.3 million or \$0.93 per share for full year 2020. Adjusted net loss for full year 2021 was \$62.3 million or \$1.13 per share, compared to \$35.7 million or \$0.84 per share for full year 2020.

Cash and cash equivalents were approximately \$265 million as of December 31, 2021.

With respect to our capital position, we believe we are well-positioned to execute our near-to-medium-term strategic and operational plan. We will continue to selectively invest in our business to drive growth, while maintaining a strong capital position and the optionality to pursue strategic initiatives including both organic and inorganic investments.

Now let us turn to our guidance and outlook. Consistent with the forecast we provided earlier in January, SOPHiA expects full year revenue for fiscal 2022 to be in the range of \$51.5 million to \$54 million, implying growth of 27% to 33%. With respect to our quarterly revenue cadence, we anticipate our results to be slightly more 2H weighted vs. 2021 given the timing of several key product launches, as well as the anticipated ramp of key new business wins. Overall, we remain confident in the momentum of the business as we build an even stronger SOPHiA in 2022 and beyond.

With that, I would like to turn the call back to Jurgi for closing remarks before taking your questions.

Dr. Jurgi Camblong

Co-Founder & Chief Executive Officer

Thank you, Ross.

After a successful and unforgettable year in 2021, our focus shifts to SOPHiA's future. We are extremely proud of our performance, which we believe reflects our continued ability to execute our vision and the opportunity ahead. Our six pillars remain our foundation to drive growth and value creation for this year, as well as the years to come. I am encouraged and as confident as ever about the long-term path that we have embarked on. We have a fantastic opportunity to drive compelling returns and shareholder value.

As I reach the end of my closing remarks, I am pleased to announce that SOPHiA will be hosting an investor day in the second half of this year. Stay tuned for more details to come.

Thank you to our partners, customers, investors, and employees for joining us on this journey. Without you, none of this would be possible. I look forward to continuing to update you on our future success of democratizing data-driven medicine.

Operator, you may now open the line for questions.