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MyHealthChecked PLC

("MyHealthChecked" or the "Company")

Preliminary Results

Year Ended 31 December 2022

MyHealthChecked PLC (AIM: MHC), the consumer home-testing healthcare company, announces its preliminary results for the year ended 31 December 2022, a successful year with strong revenue growth and profitability achieved for the second consecutive year, driven by significant demand from the top high street pharmacy retailers for COVID Lateral Flow Tests ("LFTs").

MyHealthChecked remains focused on delivering high-quality wellness testing solutions and guidance to meet the evolving needs of our customers and help them navigate this new and exciting space.

Financial highlights

- Revenue up 36% to £22.3m (2021: £16.4m)
- Gross Profit of £4.6m (2021: £5.1m)
- Adjusted EBITDA of £2.3m (2021: £2.7m) - *reflecting the change in product mix away from higher margin PCR testing to the distribution of LFTs*
- Net cash generated from operating activities of £1.6m (2021: £3.0m)
- Cash balance at year end of £7.6m (2021: £6.4m) - *whilst continuing to invest across the business for future growth*
- Strong cash position to ensure next growth phases remain self-funded

Commercial and operational highlights

- Actively developing B2B2C customer relationships in preparation to launch an expanded portfolio of at-home wellness tests nationwide in 2023
- Soft launch of initial DNA at-home wellness portfolio in July 2022
- Reinvestment of earnings into developing new products for pipeline of at-home wellness tests and building scalable, digital healthcare-centric technology
- Capabilities strengthened by establishing key relationships with high-quality laboratory and kit-build partners
- Working towards ISO 27001 and migration of digital Quality Management System ('QMS') to support key compliance activity including transition to the requirements of the In Vitro Diagnostics Regulation ("IVDR").

The full Group Annual Report and Financial Statements will be posted to shareholders today, together with the notice of the AGM, and will also be available shortly at www.investors.myhealthcheckedplc.com.

Penny McCormick, Chief Executive Officer of MyHealthChecked PLC, said: *"MHC has not only established itself as a player in the wellness industry but has also achieved excellent financial results in the last two years. Our commitment to innovation, customer satisfaction, and financial stability and management has set us on a path to delivering our goal of sustained liquidity. As we enter an investment phase, we are confident in our ability to execute our plans and scale our operations to meet the demand of our growing customer base. With a robust balance sheet and a team of highly skilled professionals, we are well-positioned to deliver a solid business in 2023 and beyond. The upcoming launch of new tests and further development of our digital platform presents a strong opportunity to create value for our shareholders and solidify our position as a leading wellness company."*

Investor Presentation

Penny McCormick, Chief Executive Officer and Nicholas Edwards, Chief Financial Officer, will provide a live presentation relating to the preliminary results via the Investor Meet Company platform today (Monday 3 April 2023) at 4:30pm BST. The presentation is open to all existing and potential shareholders.

Investors can sign up to Investor Meet Company for free and register for the presentation via the link below:

<https://www.investormeetcompany.com/myhealthchecked-plc/register-investor>

MyHealthChecked PLC

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About MyHealthChecked PLC (www.myhealthcheckedplc.com)

MyHealthChecked PLC, based in Cardiff, is an AIM-quoted pioneering UK healthcare company focused on a range of at-home healthcare and wellness tests.

MyHealthChecked is the umbrella brand of a range of at-home rapid tests, as well as DNA, RNA and blood sample collection kits which have been created to support customers on their journeys to wellness. The tests are lateral-flow self-tests, and the sample collection kits enable the collection of blood, urine, nasal or mouth swab samples that are analysed in partner laboratories for a range of biomarkers. The tests will also be made available online and will be viable for over-the-counter purchase.

The MyHealthChecked portfolio has been identified as part of a change in mindset as customers become more familiar with the concept of accessible healthcare in the growing at home testing kit market with a focus on accessibility at the right price, led by UK-based experts.

JOINT CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

MyHealthChecked has had a successful year in 2022, with strong revenue growth and profitability achieved for the second consecutive year. We surpassed management expectations with our financial performance, maintaining a reliable track record of delivery for our valued retail customers and partners.

Despite the unpredictable demand for our services throughout the challenging COVID period, we were able to deliver and meet the high demands of our customers in terms of volume. Our revenue increased by £5.9m (36%) to £22.3m, and this growth has enabled us to achieve our ultimate goal of a second year of positive cash flow. We ended the year with a cash balance of £7.6m (2021: £6.4m), providing us with substantial working capital to drive the business forward in 2023 and beyond.

It's a very exciting time for consumer healthcare and specifically testing, and in our many years in the consumer healthcare and testing space, we have never felt so energised around the potential for consumer self-testing. We are excited about how this can positively impact the lives of millions as we embrace preventative methods of care, can make a major difference to individuals' lives, and ultimately release the pressure on much strained healthcare services. Never before has there been so much information and guidance available for us to make informed decisions on how we reduce our future risks.

As we navigate this dynamic period of behavioural change, MHC remains focused on delivering high-quality wellness testing solutions and guidance to meet the evolving needs of our customers and help them navigate this new and exciting space.

COVID-19 testing

COVID has been a major catalyst for this change in customer behaviour, and in the past two years we have seen the market dominated by COVID testing. This familiarisation of both self-testing and laboratory testing has given customers confidence and normalised testing outside of a medical setting.

Throughout 2021 and 2022, COVID testing has been a major part of our business, with over 17 million tests delivered to the market this past year.

However, as a result in the shift in product mix from higher margin Polymerase Chain Reaction ("PCR") testing to lateral flow tests ("LFTs") during the current year, we have seen gross margins in our COVID portfolio reducing. However, post period we are launching a new testing portfolio to counter this trend, whilst we continue to deliver value to our customers.

Retail launches

We are actively developing B2B2C customer relationships and are preparing to launch an expanded portfolio of at-home wellness tests nationwide. Since the soft-launch of our initial DNA portfolio in July of last year we have remained focused on developing our wellness portfolio and supporting our retail customers in expanding their own commercial strategies to meet their customers' needs for at-home testing.

Market reports indicate significant growth potential for the home testing market, with projections indicating the market

market reports indicate significant growth potential for the home testing market, with projections indicating the market will reach \$45.58 billion by 2031 (source : Allied Market Research Nov 2022, *At-Home Testing Market Research 2031*, Author(s) : Vikita T, Shubham S, Onkar S).

In order to play a major role in this market, we have prioritised building strong relationships with our retail partners, with the goal of reaching as many end users as possible. Beyond our retail partner launches we plan to expand our core target base, while keeping a close eye on market trends to ensure an optimal user journey, and positioning ourselves as cost-effective and understanding of the current economic climate.

Product portfolio

Amid the challenges of the COVID era, we positioned ourselves as a leading provider of products and services to meet the demand for testing - and we succeeded. Our unique multi-platform portfolio of tests offers users access to a variety of test types, sample collection options, and levels of analysis, enabling us to meet diverse customer needs. Whether a customer requires an initial screener, a lab analysis, or a DNA assessment, our tests provide reliable results and guidance that empower our customers to make positive changes to their nutrition and lifestyle.

But we don't stop there in our mission to improve our customers' health in the longer term. Our tests are not just end-products, but tools that open up a dialogue with the customer and facilitate the building of a long-term relationship based on guidance, support, and monitoring. We don't simply provide test results; through our evolving digital platform we are providing a supportive relationship and guidance to ensure our customers achieve their wellness goals.

As a result of our careful cash control, we have entered another new financial year in a position of strength. We are reinvesting our earnings into developing new products for our pipeline of at-home wellness tests and building scalable, digital healthcare-centric technology. We remain committed to delivering innovative solutions that meet the evolving needs of our customers and the broader healthcare industry.

Developing talent within our team

Our new and dynamic management team has been the driving force in our past and future success. The team's determined "can-do" mindset, coupled with a customer-first approach and an agile streamlined delivery methodology is our greatest asset.

In 2022, we restructured our product development process and grew our team to ensure efficient delivery of milestone sprints. We also implemented a constant feedback loop, where our customers and trialists provided input into each iteration of our products before launch.

As we move forward, we are further strengthening the MHC team with new resources in product and digital development operations, and commercial. We have recently appointed a talented individual in the newly created role of Operations Director and our primary focus in 2023 is to grow our commercial team to further expand our B2B2C customer base and drive greater success.

Operations

Despite making the decision to close down our own laboratory operations due to the downturn in COVID PCR testing in H1 of 2022, our lean distribution channel has continued to underpin our success this past year. Our rapid responses to changing customer and market needs has seen us bring our distribution centre in-house near to our Cardiff headquarters, and we continue to strengthen our highly effective operational set-up.

In 2022, we further strengthened our position as a gold-standard partner by establishing key relationships with high-quality laboratory and kit-build partners, as well as digital partners. These proactive and compliant suppliers have further strengthened our capabilities and added to our credentials.

Compliance

Our regulatory team is fully committed to meet the new requirements of the In Vitro Diagnostic Regulation ("IVDR") which affects our products in the UK. We have a robust network of experienced regulatory partners to support us through the transitional provisions of the IVDR and we have commenced a transition to a digital Quality Management System to support us during this transition.

We have also submitted an application to the Healthcare Inspectorate Wales ("HIW") which will enable us to offer doctor-verified testing, and to provide remote phlebotomy services in the future, whilst safeguarding our customers in line with our commitments to best practice under HIW.

Investment in future technology

The cash generated from COVID testing has not only allowed us to define an investment plan around future growth opportunities, it has also put us in a position of strength where we can achieve our current plans for the business without the need for additional working capital. This is a crucial advantage that will allow us to move forward with confidence. As we worked to expand our testing portfolio in 2023, we also committed to investing in our digital platform, the plan for which is to unlock further growth potential.

Current Trading

While we anticipate a reduction in the demand for COVID tests as the general public learns how to respond to living with the virus, we expect that testing will remain an essential part of our business into 2023 and beyond. We have seen steady sales in 2023, and as the year progresses, we will establish a new trendline and will be ready to respond to spikes in demand.

Regarding our new multi-platform range of tests, 2023 will see us moving beyond our initial soft launch to deliver a national rollout. We are confident that the investments that we make in our portfolio and service will deliver growing revenues in the future and a digital infrastructure upon which we can build and grow, and we are energised by the many opportunities ahead.

Summary

MHC has not only established itself as a player in the wellness industry but has also achieved excellent financial results in the last two years. Our commitment to innovation, customer satisfaction, and financial stability and management has set us on a path to delivering our goal of sustained liquidity. As we enter an investment phase, we are confident in our ability to execute our plans and scale our operations to meet the demand of our growing customer base. With a robust balance sheet and a team of highly skilled professionals, we are well-positioned to deliver a solid business in 2023 and beyond. The upcoming launch of new tests and further development of our digital platform presents a strong opportunity to create value for our shareholders and solidify our position as a leading wellness company.

FINANCIAL REVIEW

Income statement

Revenue for the year increased by 36% to £22.3m (2021: 16.4m) due to the significant demand from the top high street pharmacy retailers for COVID Lateral Flow Tests ("LFTs"). Gross margins reduced from 31% to 21% reflecting the change in product mix from the processing of higher margin COVID PCR testing ("PCR") to the distribution of LFTs in a highly competitive market. In addition, capitalised costs amounting to £328,000 associated with the development of COVID user interface on the digital platform, were fully impaired during the current year through cost of sales.

Sales and marketing costs have increased from £699,000 to £798,000 due to the increased investment in marketing activities associated with the new and planned product launches.

Total administrative expenses were broadly comparable to the prior year at £2,343,000 (2021: £2,386,000). Excluding the impairment of intangible assets, share based payments and the laboratory closure costs other administrative expenses increased to £2,087,000 (2021: £1,860,000) largely due to the significant investment in the development of the digital platform in readiness for the launch of the new product offerings in 2023. Research and development costs expensed to administrative expenses in 2022 amounted to £546,000 (2021: £175,000). As part of our focus on tight cost control the decision was also taken to close the Manchester laboratory at a total cost of approximately £226,000 as the facility was no longer operating cost effectively following the drop in demand for PCR "Fit to Fly" tests. The impairment charge of £50,000 in administration expenses relates to patents and other costs associated with the MYLO/myLotus products previously capitalised.

The Group's operating profit amounted to £1,506,000 (2021: £2,046,000) and, after the release of the provision for contingent consideration of £1m, the impairment of the associated goodwill of £987,000 and net interest payable of £2,000 (2021: £2,000) the Group's profit before and after taxation was £1,517,000 (2021: £2,004,000) giving a basic earnings per share of 0.20p (2021: 0.28p) and fully diluted earnings per share of 0.19p (2021: 0.27p).

Adjusted EBITDA is calculated as follows:

	2022	2021
	£'000	£'000
Operating profit	1,506	2,046
Depreciation and amortisation	222	157
Impairment of intangible assets	378	414
Share based payments	(20)	112
Laboratory closure costs (excluding the loss on disposal of equipment)	171	-
Adjusted EBITDA	2,257	2,729

Financial position

The Group's net assets at 31 December 2022 amounted to £8,850,000 (2021: £7,113,000). This comprised total assets of £11,428,000 (2021: £11,668,000) and total liabilities of £2,578,000 (2021: £4,555,000). The total assets included property, plant and equipment (including right-of-use assets) of £150,000 (2021: £163,000) and intangible assets, being development costs in respect of the digital platform and website, know-how, goodwill and patent costs, of £1,098,000 (2021: £2,289,000). As noted above an impairment provision was made against the goodwill arising on the acquisition of Nell Health Limited which was acquired last year.

Cashflow

The Group's cash balance at the year-end was £7,608,000 (2021: £6,387,000). The net inflow from operating activities amounted to £1,606,000 (2021: £3,014,000), whilst the cash outflows from investing activities amounted to £338,000 (2021: £299,000) and £47,000 (2021: £3,206,000 inflow) was spent on financing activities.

Capital management

The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Key Performance Indicators ("KPIs")

The Board recognises the importance of both financial and non-financial KPIs in driving appropriate behaviours and enabling the monitoring of Group performance.

The key financial KPIs monitored by the Board are revenue, gross margin and EBITDA which are discussed under the review of the Income Statement above. In addition, the Board also reviews cash and working capital balances on a monthly basis.

With regard to non-financial KPIs, the Board monitors its relationship with key customers and suppliers, the motivation and retention of employees and progress against the planned development of the digital platform and new product offerings.

Events after the reporting year

On 17 January 2023 the Court approved the reduction of the share capital of the Company which involved the cancellation of all the Deferred Shares, the Share Premium Account and the Capital Redemption Reserve. The purpose of the Capital Reduction was to create distributable reserves.

Nicholas Edwards

Chief Financial Officer

FINANCIAL STATEMENTS

The notes to the Financial Statement are an integral part of these financial statements and will be available in full in the Group Annual Report and Financial Statements which will be available on the Company website later today.

www.investors.myhealthcheckedplc.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For The Year Ended 31 December 2022

	2022	2021
	£'000	£'000
Revenue	22,314	16,376
Cost of sales	(17,667)	(11,245)
Gross profit	4,647	5,131
Sales and marketing costs	(798)	(699)
Other administrative expenses	(2,087)	(1,860)
Closure of laboratory	(226)	-
Impairment of intangible assets	(50)	(414)
Share based payments	20	(112)
Administration expenses	(2,343)	(2,386)
Operating profit	1,506	2,046
Finance costs	(5)	(2)
Finance income	3	-
Contingent consideration no longer payable on the acquisition of Nell Health Limited	1,000	-
Impairment of goodwill arising on acquisition of Nell Health Limited	(987)	-
Additional consideration payable on the acquisition of The Genome Store Limited	-	(40)
Profit before income tax	1,517	2,004
Tax charge	-	-
Profit for the year	1,517	2,004
Other comprehensive income	-	-
Total comprehensive profit for the year	1,517	2,004
Attributable to owners of the parent:	1,517	2,004
Earnings per ordinary share - basic	0.20p	0.28p
Fully diluted earnings per ordinary share	0.19p	0.27p

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As At 31 December 2022

	2022	2021
	£'000	£'000
Non-current assets		
Property, plant and equipment	75	163
Right of use assets	75	-
Intangible assets	1,098	2,289
Total non-current assets	1,248	2,452
Current assets		
Inventories	1,284	497
Trade and other receivables	1,288	2,332
Cash and cash equivalents	7,608	6,387
Total current assets	10,180	9,216
Total assets	11,428	11,668
Current liabilities		
Trade and other payables	2,525	3,315
Lease liabilities	29	-
Deferred consideration	-	1,240
Total current liabilities	2,554	4,555
Non-current liabilities		
Lease liabilities	24	-
Total non-current liabilities	24	-
Total liabilities	2,578	4,555
Net assets	8,850	7,113
Share capital	780	756
Deferred shares	6,359	6,359
Share premium account	16,887	16,671
Capital redemption reserve	1,815	1,815
Reverse acquisition reserve	(6,044)	(6,044)
Retained earnings	(10,947)	(12,444)
Total equity	8,850	7,113

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Deferred shares	Share Premium	Share-based payment reserve	Capital redemption reserve	Reverse acquisition reserve	Retained earnings	Total
	£ '000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Equity as at 1 January 2021	518	6,359	12,442	916	1,815	(6,044)	(15,476)	530
Profit for the year	-	-	-	-	-	-	2,004	2,004
Total comprehensive profit	-	-	-	-	-	-	2,004	2,004
Transfer from share based payment reserve	-	-	-	(916)	-	-	916	-
Issue of shares net of expenses	194	-	2,979	-	-	-	-	3,173
Conversion of loan note and interest	13	-	92	-	-	-	-	105
Exercise of options	2	-	18	-	-	-	-	20
Other share issue	1	-	16	-	-	-	-	17
Share-based payments	-	-	-	-	-	-	112	112
Acquisition of Nell Health Limited	28	-	1,124	-	-	-	-	1,152
Equity as at 31 December 2021	756	6,359	16,671	-	1,815	(6,044)	(12,444)	7,113
Profit for the year	-	-	-	-	-	-	1,517	1,517
Total comprehensive profit	-	-	-	-	-	-	1,517	1,517

Share-based payments	-	-	-	-	-	-	(20)	(20)
The Genome Store Limited deferred consideration	24	-	216	-	-	-	-	240
Equity as at 31 December 2022	780	6,359	16,887	-	1,815	(6,044)	(10,947)	8,850

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	1,517	2,004
Adjustments for:		
Deferred consideration	(1,000)	40
Decrease in provisions	-	(26)
Depreciation and amortization	222	157
Impairment of intangible assets	1,365	414
Loss on sale of laboratory assets	55	-
Finance expenses	5	2
Finance income	(3)	-
Share-based payments	(20)	112
Adjusted operating profit before changes in working capital	2,141	2,703
Changes in working capital		
Increase in inventory	(787)	(494)
Decrease/(Increase) in trade and other receivables	1,044	(2,124)
(Decrease)/Increase in trade and other payables	(790)	2,931
Cash generated in operations	1,608	3,016
Net interest payable	(2)	(2)
Net cash inflow from operating activities	1,606	3,014
Investing activities		
Acquisition of Nell Health Limited	-	(50)
Purchase of property, plant and equipment	(22)	(147)
Purchase of intangible assets	(316)	(102)
Net cash flows used in investing activities	(338)	(299)
Financing activities		
Issue of ordinary shares (net of issue expenses)	-	3,211
Repayment of lease liability	(47)	(5)
Net cash flows from financing activities	(47)	3,206
Net change in cash and cash equivalents	1,221	5,921
Cash and cash equivalents at the beginning of the year	6,387	466
Cash and cash equivalents at the end of the year	7,608	6,387

NOTES TO THE FINANCIAL STATEMENTS

The notes to the Financial Statement are available in full in the Group Annual Report and Financial Statements which will be available shortly on the Company website: www.myhealthcheckedplc.com

Basis of preparation

The financial statements have been prepared in accordance with UK adopted international accounting standards (IFRS), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

Earnings per share

2022

2021

	<u>2022</u>	<u>2021</u>
Basic and diluted		
Profit for the year and earnings used in basic & diluted EPS	£1,517,000	£2,004,000
Weighted average number of shares - basic	774,303,000	710,852,000
Weighted average number of shares - fully diluted	778,223,000	744,056,000
Earnings per share	0.20p	0.28p
Fully diluted earnings per share	0.19p	0.27p

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Events after the reporting date

On 17 January 2023 the Court approved the reduction of the share capital of the Company, involving the cancellation of all the Deferred Shares, the Share Premium Account and the Capital Redemption Reserve. The purpose of the Capital Reduction was to create distributable reserves.

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