

4 April 2023

**Physiomics plc
("Physiomics" or "the Company")**

Trading and company update

Physiomics plc (AIM: PYC), the oncology consultancy using mathematical models to support the development of cancer treatment regimens and personalised medicine solutions, would like to update the market on current trading and ongoing board restructuring and strategic initiatives.

Trading

The Company continually monitors the lifescience environment in which it operates and, over the course of the year to date, the Company's revenues have come under pressure at least partly as a result of the ongoing squeeze in biotech funding which is causing companies of all sizes to conserve cash. We comment further on some of the positive and negative drivers of Company revenue growth as follows:

- Merck KGaA ("Merck") remains a key client with which the Company has a long-established and mutually beneficial relationship, however, Merck publicly confirmed in late January this year that it was streamlining its US operations near Boston. Although Physiomics continues to have active projects with Merck, this internal reorganisation has led to a number of anticipated projects not being commissioned within the current financial year which will lead to a shortfall in revenue compared to that budgeted for this client
- Whilst continuing to nurture the Merck relationship, we have been pursuing an active diversification programme to move away from dependence on any single customer such that the proportion of revenue derived from our largest customer has fallen from a high of over 80% in FY19 to less than 40% in H1 FY23
- The diversification programme was projected to substantially offset the reduction in Merck revenues in the current financial year, however, in the last few weeks, two large projects (one with an existing and one with a new client) with a value totalling over £200k have been unexpectedly delayed, meaning that the mitigation of reduction of Merck revenues in the current financial year will not be as substantial as anticipated. It is anticipated that at least one of these projects with a value of around £100k will commence in the next financial year while the second of these two large projects is more uncertain
- The Company's pipeline remains strong, with over 25 potential largely new client projects in discussion at various stages from first contact through to proposal development

As a result of the factors described above, the Company believes its total income for the current financial year will be around £750k.

Ongoing restructuring of the board and cost controls

- The Company is actively recruiting for a COO role to optimally support its growth in current and potential new consulting areas. It is anticipated that this individual, should the Company be successful in its recruitment process, will take on significant responsibilities from the Executive Chairman / CEO
- The total cost of the current Company Directors (not including this new role) will increase by just 2.3% this calendar year on an annualised basis and, in particular, the Executive Chairman / CEO's pay will remain flat (having increased just 2% in his seven years of service to date)
- The Company anticipates that its operating expenses will not exceed those budgeted for the FY23 and is actively looking at any savings that could be realised both in the short and medium term without impacting the ability of the Company to generate new business

Strategic Initiatives

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in parallel with the development of its current consulting offering, the Company is actively pursuing growth through a number of strategic initiatives. Further detail on some of these is provided below:

- Expansion into consulting areas adjacent to those currently serviced
 - The Company has identified a number of services to biopharma companies that are closely aligned to its current consulting business and is actively investigating an expansion into these areas
 - The objective of any such expansion would be to generate additional revenues in FY24
- Continued exploration of opportunities in personalised medicine
 - Collaboration with Beyond Blood - as announced earlier this week and following on from the successful completion of the PARTNER trial, our collaboration with Beyond Blood could be key to unlocking the potential of our personalised dosing tool and the Company will be working actively to understand how our personalised dosing tool and Beyond Blood's cell counting technology can be used synergistically
 - Further development of our dosing tool for use in guiding the use of granulocyte/ macrophage colony stimulating factor (GCSF) - as outlined in our update on 9 January 2023. We see significant potential in the adaptation of our current personalised dosing tool to support clinical decision making on the use of this expensive biological drug and indeed the concept has received early positive feedback when tested with a small number of US clinicians. The Company is actively exploring non-dilutional grant funding opportunities for all its personalised dosing initiatives and if successful these could provide additional sources of funding in FY24
 - Collaboration with DoseMe - the Company is in an ongoing dialogue with the new management of DoseMe and further announcements on this will be made in due course

Executive Chairman & CEO, Dr Jim Millen, commented: *"Despite the current challenges faced by biotech companies, there continues to be a strong demand for modelling and simulation services and our progress in diversifying our client base is mitigating the effects of a reduction in revenue from a single large client. In parallel with the organic growth of our current consulting business, we are actively exploring a number of strategic initiatives that we believe could add significant value from FY24 onwards."*

Dr Millen will make a live presentation on this update via Investor Meet Company on 6 April 2023 at 3:00pm BST which will be open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00am BST the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Physiomics plc via <https://www.investormeetcompany.com/physiomics-plc/register-investor>. Investors who already follow on the Investor Meet Company platform will automatically be invited.

This announcement is released by Physiomics plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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Notes to Editor

About Physiomics

Physiomics plc (AIM: PYC) is an oncology consultancy using mathematical models to support the development of cancer treatment regimens and personalised medicine solutions. The Company's Virtual Tumour™ technology uses computer modelling to predict the effects of cancer drugs and treatments to improve the success rate of drug discovery and development projects while reducing time and cost. The predictive capability of Physiomics' technologies have been confirmed by over 100 projects, involving over 50 targets and 75 drugs, and has worked with clients such as Merck KGaA, Astellas, Merck & Co and Bicycle Therapeutics.

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