# NeoGenomics

## Company Overview Presentation

**January 2018**

# Forward-looking Statements

This presentation contains statements which constitute forward-looking statements within the meaning of Section 27A of the Securities Act, as amended; Section 21E of the Securities Exchange Act of 1934; and the Private Securities Litigation Reform Act of 1995. The words “may”, “would”, “could”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “intend”, “plan”, “goal”, and similar expressions and variations thereof are intended to specifically identify forward-looking statements. All statements that are not statements of historical fact are forward-looking statements.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. The risks that might cause such differences are identified in our filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise the forward looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events.

NEO GENOMICS

# Investment Highlights

- ☑ Leading pure-play oncology testing company
- ☑ Unique client partnership business model
- ☑ History of strong growth & rapid innovation
- ☑ Favorable demographics driving expanding market
- ☑ Increasing momentum in Pharma Services
- ☑ Realization of Clarient cost synergies accelerating
- ☑ Significant opportunities for market share gains and Adjusted EBITDA and earnings expansion

NEO GENOMICS

# Financial Facts

| Stock Information | |
|---|---|
| NASDAQ Ticker: | NEO |
| Stock Price (1/3/18): | $8.57 |
| Basic Shares Outstanding: | 79.2 MM |
| Avg. Daily Volume (3 Mos.): | 378K |
| 52 Week Low/High: | $7.12/11.63 |
| % of Common Held by Insiders: | 27.1%(1) |

| Market Capitalization & Enterprise Value | |
|---|---|
| Market Cap (1/3/18) | $689.1 MM |
| Debt (MRQ) | 105.1 |
| Preferred Stock (Redemption Value) | 47.5 |
| Less Cash (MRQ) | (12.2) |
| Enterprise Value | $829.5 MM |
| EV/ 2018 Consensus Rev | 2.9x |

## 5 Year Stock Price Performance


## 2016 Financial Highlights

| ($,MMs) Recent Financial Performance | FY 2016 | YoY % Chg. * |
|---|---|---|
| Clinical Testing Rev | $222.0 | 124% |
| Pharma Service Rev | 22.1 | 1,728% |
| Total Revenue | 244.1 | 145% |
| Adjusted EBITDA | $34.7 | 259% |
| % EBITDA Margin | 14.2% | +450bps |

* % Change includes the effects of Clarient Acquisition.

1) Includes 15 MM Common shares held by General Electric Corp.

NEO GENOMICS

# Proven Management Team

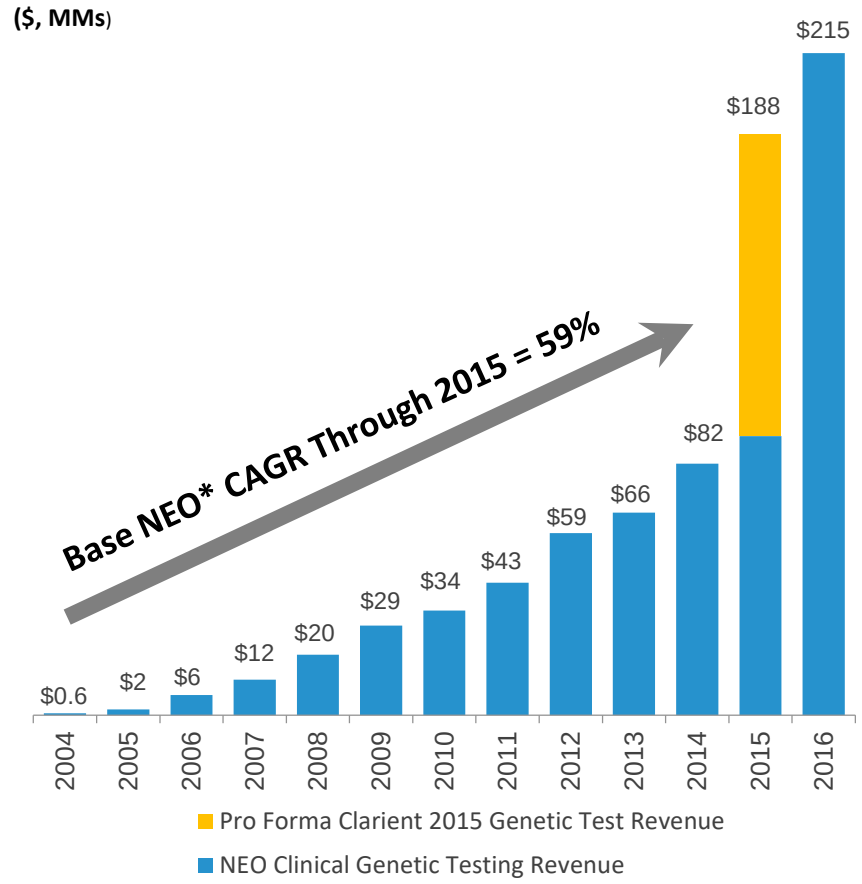
- Combination of industry-experienced medical, financial and technical professionals
- Integral role in the Company's industry leading operating model and unrivaled growth trajectory
- Instrumental to the successful integration of the Clarient Acquisition

| | Position | NEO Experience | Industry Experience |
|---|---|---|---|
| **Douglas VanOort** | Chief Executive Officer | 9 years | 36 years |
| **Maher Albitar, M.D.** | SVP & Chief Medical Officer | 6 years | 27 years |
| **Robert Shovlin** | President of Clinical Services Division | 3 years | 20 years |
| **Steven Jones** | Executive Vice President | 15 years | 15 years |
| **George Cardoza** | SVP & Chief Financial Officer | 8 years | 23 years |
| **Jennifer Balliet** | Chief Culture Officer | 9 years | 9 years |
| **Steven Ross** | Chief Information Officer | 3 years | 3 years |
| **Denise Pedulla** | General Counsel | 2 years | 21 years |
| **Bill Bonello** | Vice President, Treasurer & Dir. of Corp. Dev. | <1 year | 10 years |
| **Steven Brodie, Ph.D., FACMG** | Vice President of Operations | 8 years | 14 years |

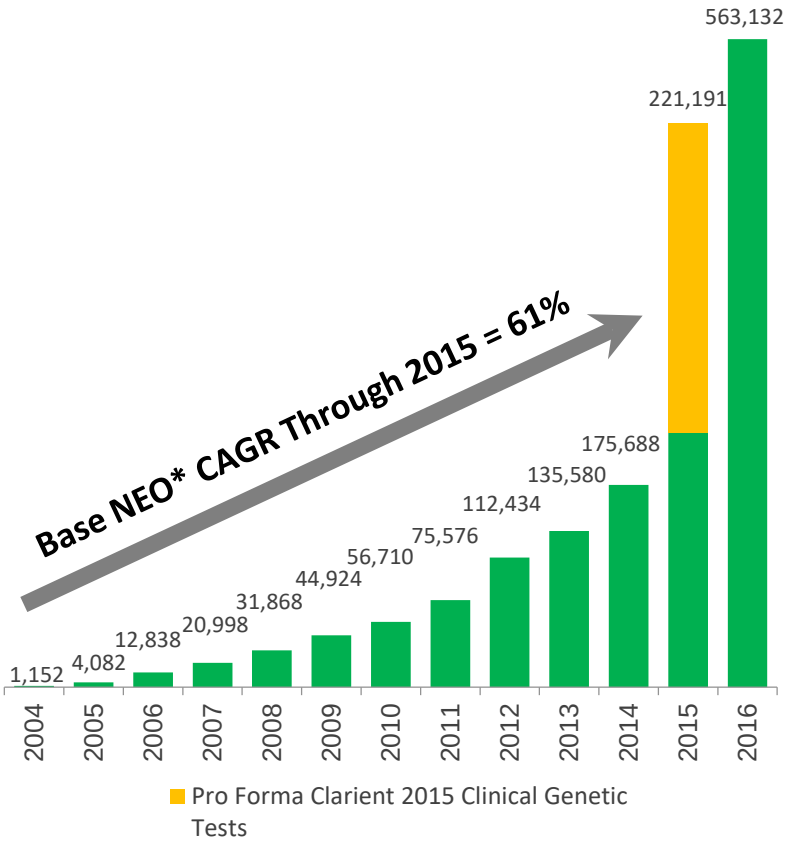
NEO GENOMICS

# NEO's Proven Track Record of Consistent Growth

## Clinical Genetic Testing Annual Revenue




## Clinical Genetic Tests Performed




* Base NEO represents organic clinical genetic revenue and test volume growth from legacy business and excludes the impacts from Pharma Services and the PathLogic and Clarient acquisitions.

NEO GENOMICS

# Growth Goals

- Mid-teens organic clinical volume growth
- 20%+ organic Pharma revenue growth
- 25-35% incremental Adj. EBITDA on revenue growth

Driven by:

- Comprehensive test menu – “One-Stop Shop”
- Innovation in test development
- Demographics and medical advances
- Increased efficiencies

NEO GENOMICS

# Strong Track Record of Innovation

*Leader in FISH, Flow Cytometry, IHC, Molecular, Immuno-Oncology (PD-L1) and Emerging Leader in Liquid Biopsy Testing!*

## 2012

- 10-color Flow Cytometry
- Implemented Adv MolDx platform in lieu of Kits
- 28 new Molecular Assays
- Proprietary method for increasing sensitivity of Sanger sequencing
- 7 NeoTYPE MolDx Panels
- SVM for FISH (Patent App)
- Barrett's Esoph. FISH (Patent App)
- NeoARRAY/SNP Cytogenetics
- Internalized send-outs

## 2013

**40 new/revised tests, including:**

- Add'l NeoTYPE Panels
- Next Generation Sequencing (48 genes)
- ROS1 FISH
- NeoSITE Melanoma FISH
- Plasma/Urine-based Prostate Test (Patent App)
- SVM-based Cytogenetics Analysis System
- SVM-based Automated FISH Analysis System v2
- Began development of NeoLAB (Liquid Alternative to Biopsy) Prostate Cx test

## 2014

**60 new/revised tests, including:**

- 24 new NeoTYPE Next Generation Sequencing Profiles
- 26 new IHC/ISH tests
- Additional NeoLAB Prostate clinical studies
- AML Extended FISH Panel
- AML Favorable-Risk FISH Panel
- MDS Extended FISH Panel
- Plasma Cell Myeloma Risk Stratification FISH Panel
- RET FISH
- MET FISH
- ALL Adult & Pediatric FISH Panels
- HER2 Breast Equivocal FISH Panel
- BRAF Translocation FISH
- Chromosome 1 POC Ploidy
- Launched robotic FISH-Cyto processing platform

## 2015

**70 new/revised tests, including:**

**NeoLAB™ Liquid Biopsies**

- MDS/CMML Profile
- AML Profile
- FLT3 Mutation Analysis
- NPM1 Mutation Analysis
- PML-RARA Translocation
- RUNX1-RNX1T1Transloc
- INV16 Translocation
- c-kit Mutation Analysis
- IDH1 Mutation Analysis
- IDH2 Mutation Analysis
- NRAS Mutation Analysis
- KRAS Mutation Analysis
- BTK Inhibitor Resistance
- Solid Tumor Monitoring

**Germline MolDx Testing**

- BRCA1 & BRCA2
- Lynch Syndrome (colon)
- 73 Gene Comprehensive Predisposition Panel

**Other**

- ALK, ROS1, RET Fusion
- Sarcoma gene Fusion
- NeoSITE Cervical FISH
- Expanded IHC Menu
- Smart Flow Cytometry

## 2016

**50 new/revised tests, including:**

- Comprehensive PD-L1 Testing (three FDA-cleared and one LDT)
- 1,385 genes RNA-Based Pan Cancer NGS Fusion, Mutation and Expression Profiling.
- Smart Flow Cytometry data analysis platform
- Pediatric Hereditary Susceptibility
- Hereditary DNA Panel (prostate)
- Inherited Bone Marrow Failure
- MET Exon 14 Deletion Analysis
- NRAS Exon 4 Mutation Analysis
- NGS ALK, NTRK, RET, ROS1 Fusion

**NeoLAB™ Liquid Biopsies**

- NeoLAB Myeloid Disorders Profile
- EGFR T790M

**NeoTYPE™ Multi Modality Profiles**

- AITL/Peripheral T-Cell Lymphoma
- Thyroid Profile
- Brain Tumor Profile
- Melanoma Profile
- Liposarcoma Fusion Profile
- Head & Neck Tumor Profile

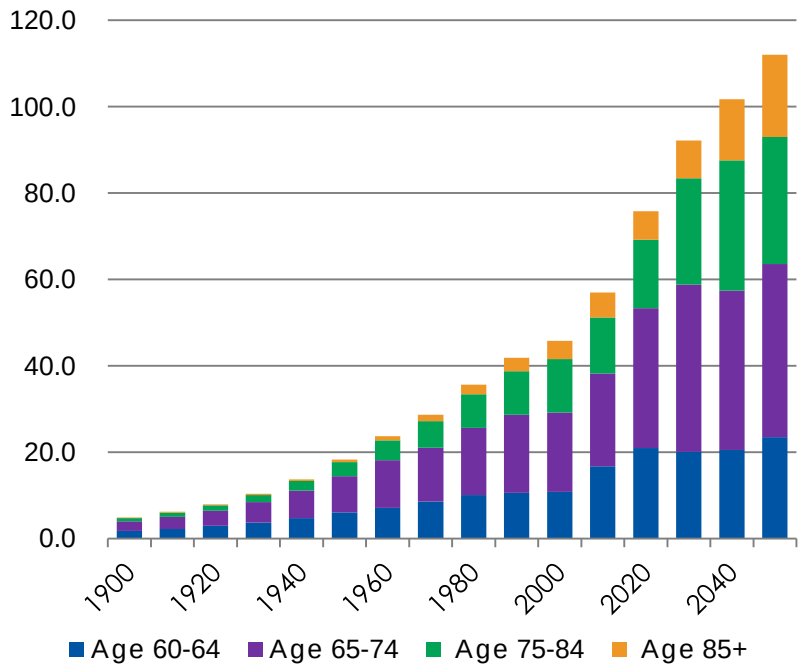
**FISH & IHC**

- FISH Testing for EWSR1, SS18, DDIT3, STAT 6, BCL2, & TCL1
- IHC Testing for CXCL13, BAP1, INI1, MUC4
- PD-LI

NEO GENOMICS

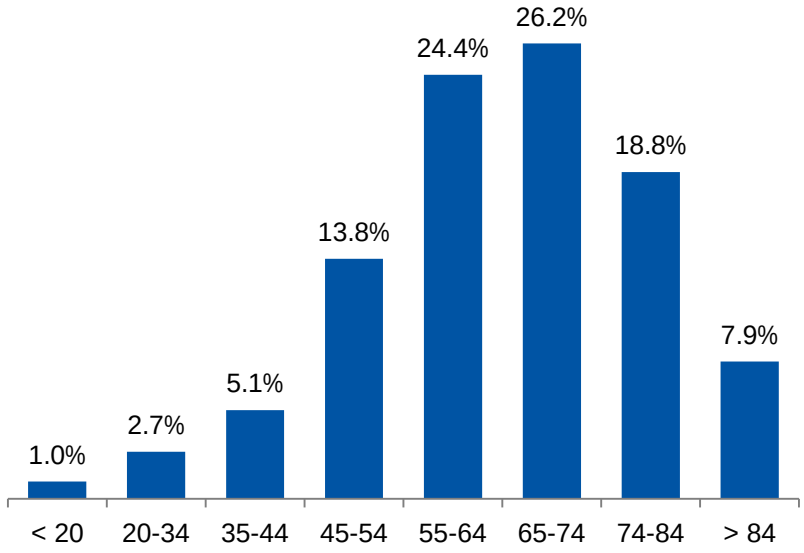
# Positive Demographic Tailwinds and ….

## Shifting Demographics




Source: United States Census Bureau

## Incidence of Cancer by Age

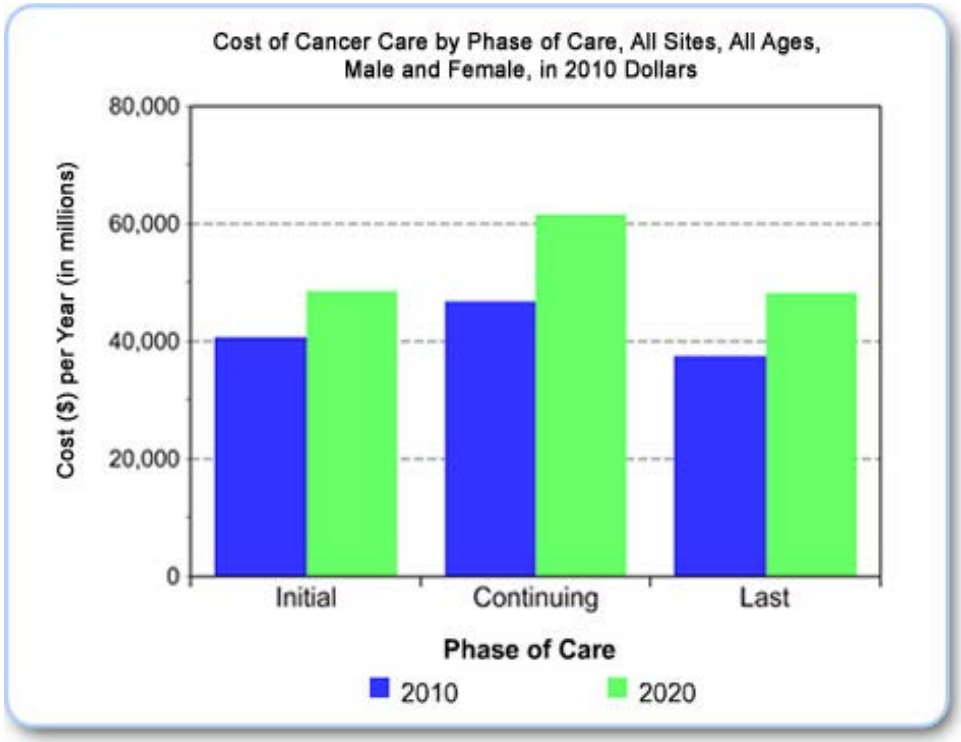



Source: National Cancer Institute

NEO GENOMICS

# Rapidly Growing Market Opportunity

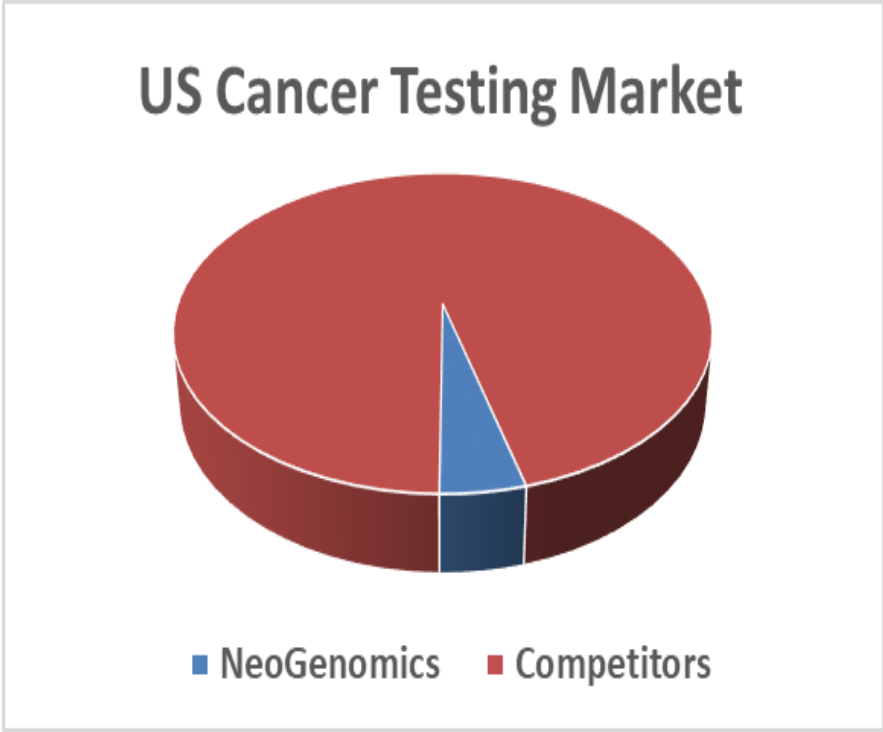
- Aging Population – incidence increases with age
- Increased Prevalence – better treatments lead to more survivors and monitoring
- Scientific advances – driving targeted therapeutics
- Increased cost of drugs – more careful triage and monitoring




Source: National Institutes of Health (NIH)

# Positions NEO for Additional Market Share Gains

- Based on CMS Data, the Cancer Market was $5.1B in 2014
- Assuming modest growth, the Cancer Market is about $6B in 2017
- NeoGenomics 2017 Revenue estimate of $260M --- about 5% of the market
- Industry is highly fragmented – and is expected to consolidate further over time




NEO GENOMICS

# Opportunities by Customer Type

**Pathologists & Hospitals** *(about 80% of Revenue)*

- Large Market with 5,600 Hospitals in U.S., and 18,000 active Pathologists
- Enable Pathologists to practice using sophisticated tools/tests and “tech-only” services
- Unique ability to be “One-stop shop” with comprehensive oncology test menu
- Competitive pricing under contract, and agreements with hospitals & hospital GPOs

**Oncologists, Hematologists & Clinicians** *(about 10% of Revenue)*

- Disease Panels, liquid biopsies, and comprehensive molecular menus
- Increasing opportunity to service larger practices with Partnership-based tech-only model
- Contracts with key Managed Care organizations

**Pharma Services & Other** *(about 10% of Revenue)*

- Contract research/clinical trial support work for Pharma clients
- Opening in Geneva, Switzerland to handle European and Global studies
- MultiOmyx platform is a unique offering gaining acceptance by Pharma firms

NEO GENOMICS

# Our Clients Demonstrate Significant Loyalty

*Historical Comparison: On the heels of a challenging integration, our customers feel better about NeoGenomics than ever before - Our highest Net Promoter Score ever!*

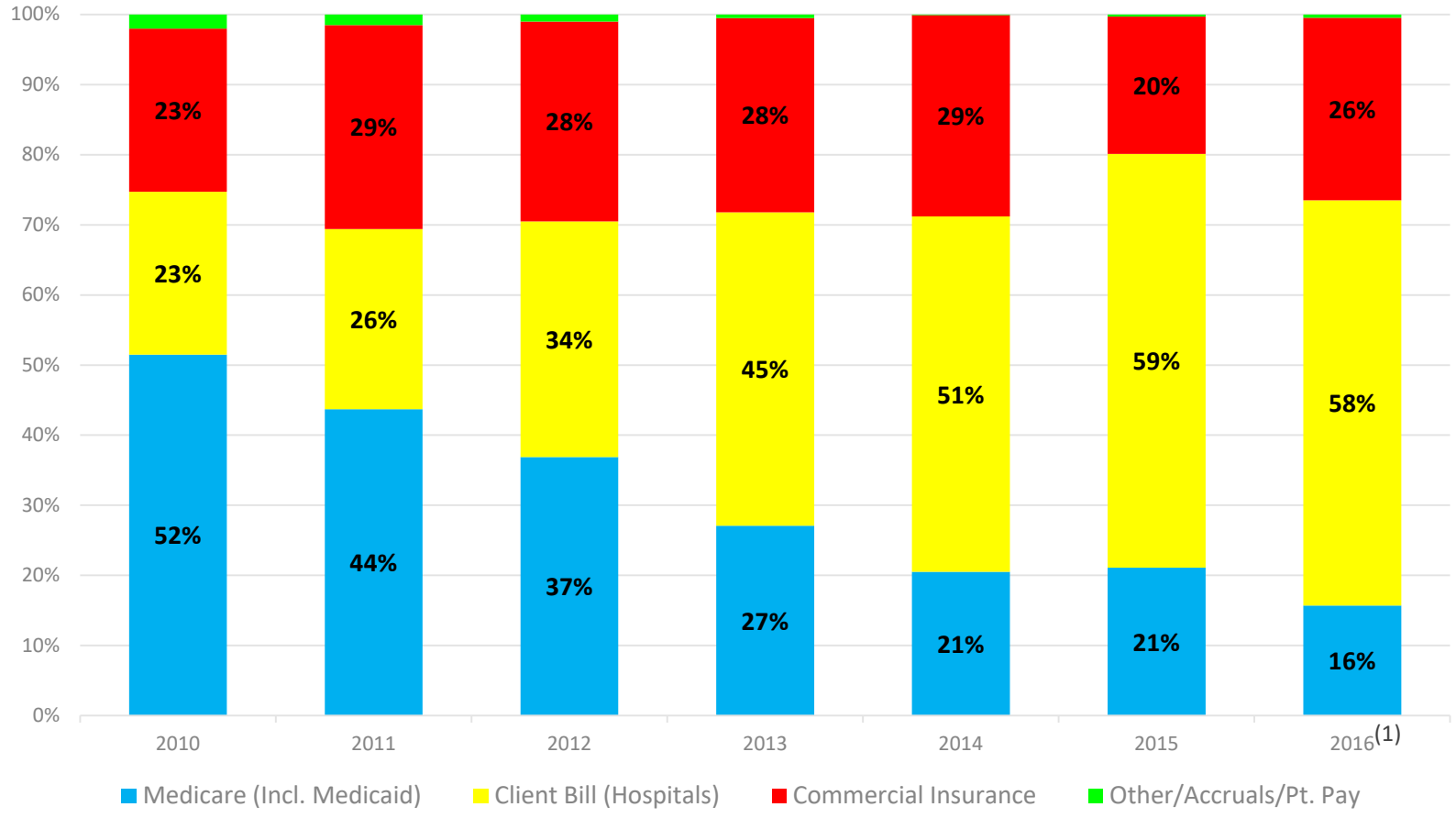
| Net Promoter Score (NPS) = % Promoters (9/10) - % Detractors (0-6) | | | | | |
|---|---|---|---|---|---|
| **Survey** | **N** | **NPS** | **% Detractors** | **% Passive** | **% Promoters** |
| Q2 2017 | 932 | 53.6% | 9.4% | 27.5% | 63.1% |
| Q4 2016 | 901 | 39.6%* | 16.3% | 27.8% | 55.9% |
| Q2 2016 | 1043 | 42.2%* | 15.2% | 27.3% | 57.4% |
| Q4 2015 | 708 | 43.4% | 14.7% | 27.3% | 58.1% |

Net Promoter Score(NPS)[(1)] is a tool for gauging the loyalty of a firm's customer relationships. It is based on a one question survey that asks customers: "How likely are you to recommend our company to a friend or colleague?" The NPS is the percentage of customers who are promoters (scores of 9 or 10) minus the percentage who are detractors (scores of 0 to 6). Passive scores of 7 or 8 are ignored. The final NPS can range from -100 to 100 and an NPS score over 50 is considered excellent. In most industries, NPS explains roughly 20% to 60% of the variation in organic growth rates among competitors. Studies have shown that on average, an industry's Net Promoter leader outgrow their competitors by a factor greater than two times.

*(1) Net Promoter, Net Promoter System, Net Promoter Score, and NPS are registered trademarks of Bain & Company, Inc.*

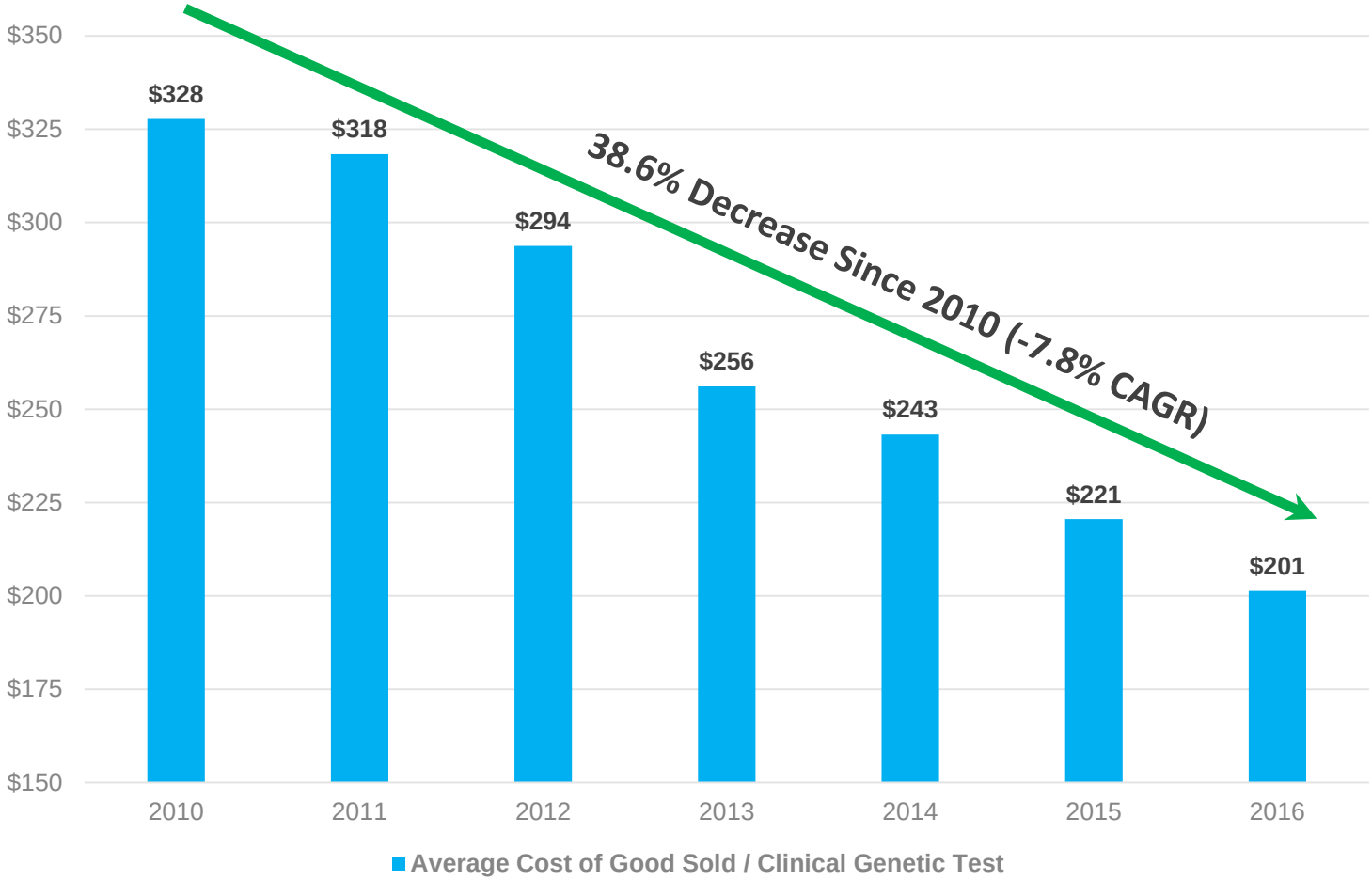
# Evolution of Payer Mix For Clinical Testing

*Medicare reimbursements have fallen from 52% of payer mix in 2010 to 16% in 2016!*

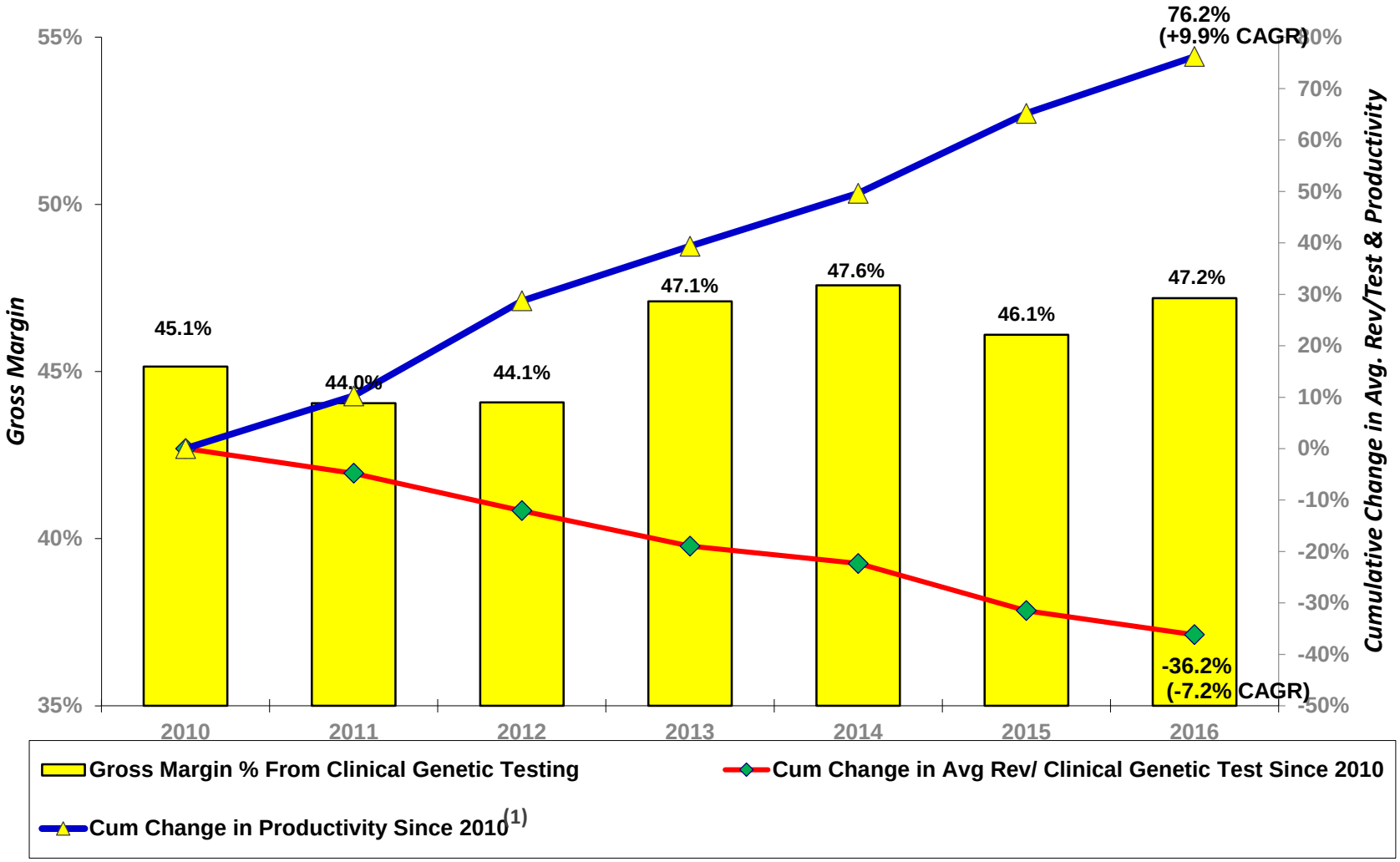



(1) 2016 is a blended average estimate of the Base NEO and Clarient payer mixes.

# Accelerating Improvements in Cost per Test



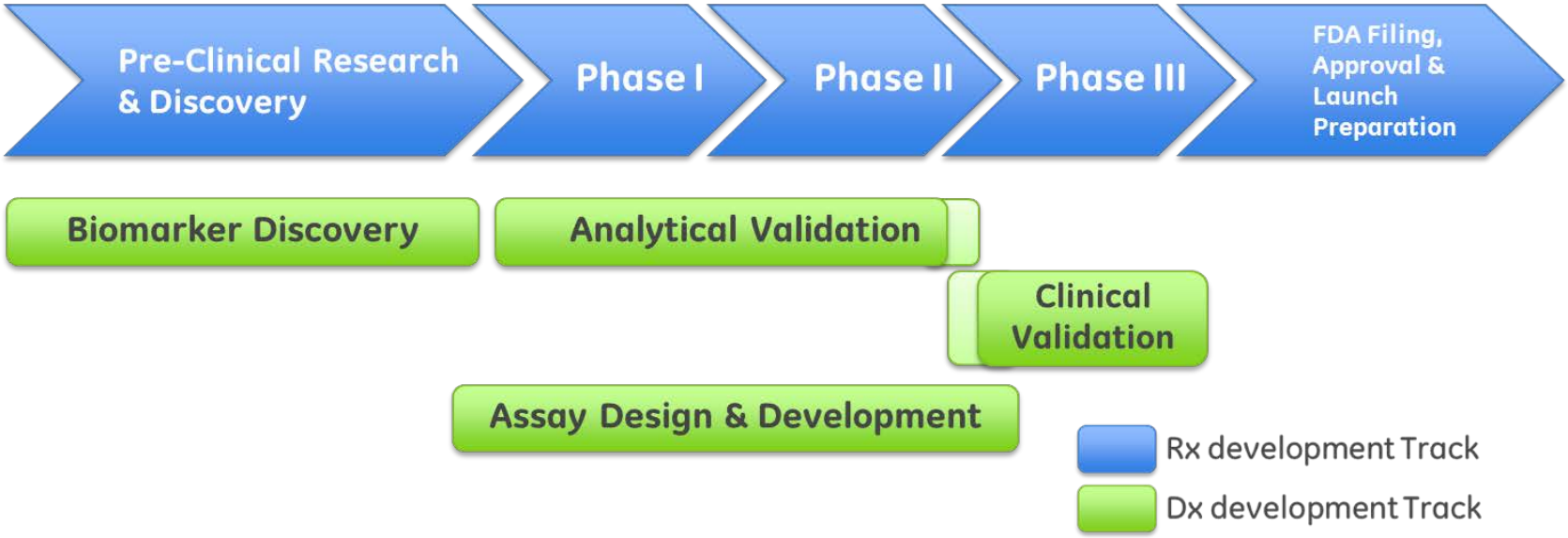
# Historically Steady Margins Despite Lower Avg. Unit Prices*




* To facilitate comparison, all data is for Clinical Genetic Testing and excludes the impact from the PathLogic acquisition and Pharma Services.

(1) Productivity calculated as the average number of lab tests completed per month per laboratory FTE.

# Growing Pharma Services



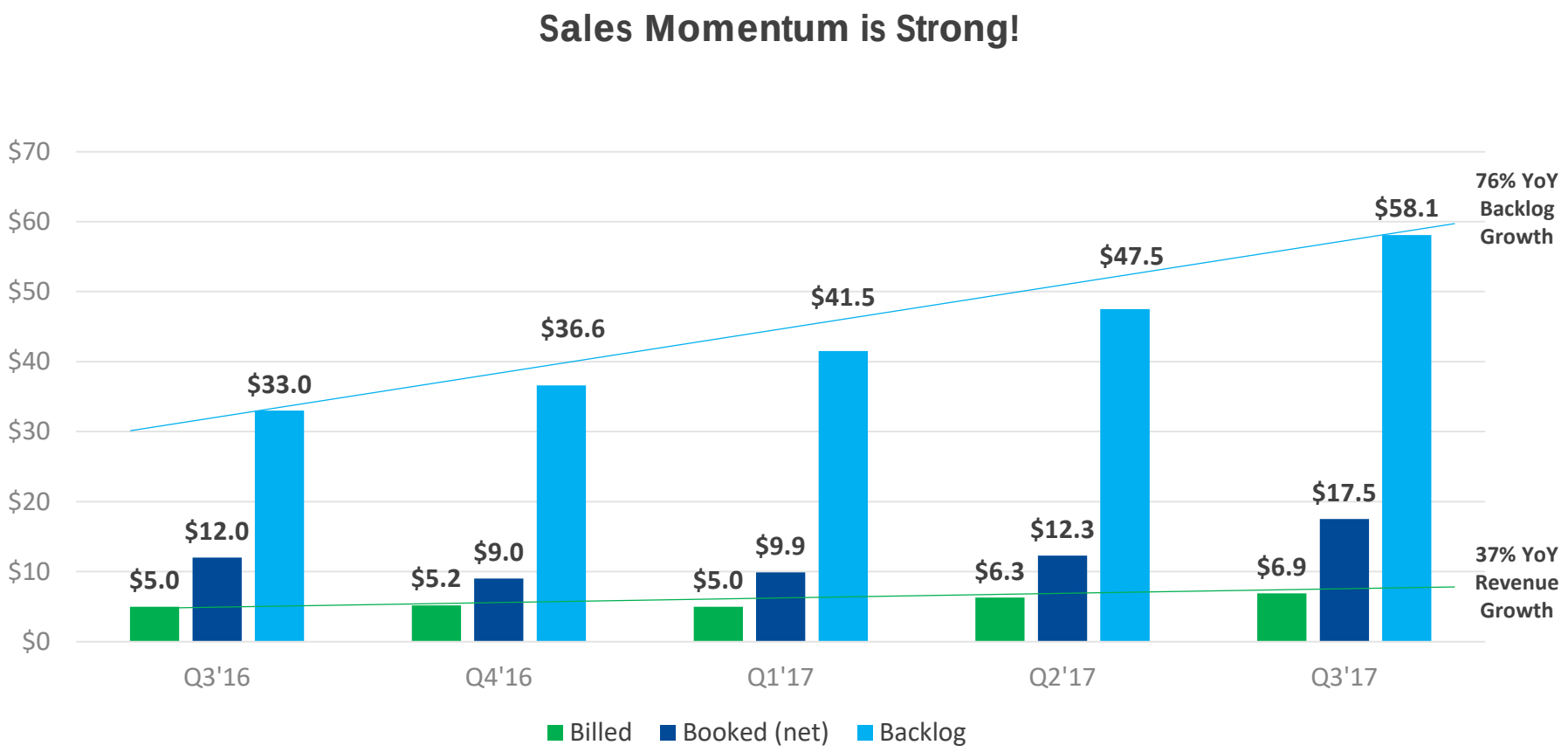

***$58.1mm Backlog as of 9/30/17 - Approx. 400 active projects from 100+ Clients***

- 50% of projects in pre-clinical space – often leading to more lucrative Phase I, II, and III work
- Major PD-L1 testing site for Keytruda (Merck) and Opdivo (BMS) – Leader in Immuno-Oncology
- Medical and Scientific expertise, comprehensive test menu, & extensive clinical network
- Opened first international lab in November 2017 in Rolle, Switzerland

NEO GENOMICS

# Pharma Services Revenue and Backlog

($, MMs)



# Recent Financial Information (P&L)

| *($, 000's)* | 2014[1] | 2015[2][3] | 2016[3] | | Q3 2016 | Q3 2017[3] [4] |
|---|---|---|---|---|---|---|
| Total Revenue | $ 87,069 | $ 99,802 | $ 244,083 | | $ 60,761 | $ 63,052[6] |
| % Growth (YoY) | 31.0% | 14.6% | 144.6% | | 141.8% | 3.8% |
| | | | | | | |
| Total Gross Profit | 40,714 | 43,756 | 110,379 | | 27,345 | 28,809[6] |
| *Gross Margin %* | 46.8% | 43.8% | 45.2% | | 45.0% | 45.7% |
| | | | | | | |
| Total SG&A (Incl R&D) Exp[3] | 38,496 | 49,391 | 107,804 | | 25,950 | 31,114 |
| *SG&A as a % of Rev* | 44.2% | 49.5% | 44.2% | | 42.7% | 49.4% |
| | | | | | | |
| Adjusted Net Income/(Loss)* | 2,689 | 4,042 | 14,399 | | $ 3,437 | $ 474 |
| Adjusted Diluted EPS* | $0.05 | $0.06 | $0.15 | | $0.04 | $0.01 |
| | | | | | | |
| *Adjusted EBITDA** | *$ 9,176* | *$ 9,672* | *$ 34,685* | | *$ 9,121* | *$ 6,045[6]* |
| % Growth | 7.8% | 9.7% | 258.4% | | 223.9% | -33.9% |
| | | | | | | |
| Operating Data[5] | | | | | | |
| % Growth in Clinical Genetic Tests (YoY) | 29.1% | 25.6% | 154.6% | | 149.7% | 16.6% |
| | | | | | | |
| Avg. Revenue/Clinical Genetic Test | $ 464 | $ 409 | $ 381 | | $ 385 | $ 342 |
| % Change (YoY) | -4.2% | -11.9% | -6.8% | | -5.4% | -11.2% |
| | | | | | | |
| Avg. COGS/Clinical Genetic Test | $ 243 | $ 221 | $ 201 | | $ 204 | $ 181 |
| % Change (YoY) | -4.7% | -9.1% | -9.0% | | -6.2% | -11.0% |

* See Appendix for definitions of Adj. EBITDA, Adj. Net Income and Adj. Diluted EPS as well as a reconciliation of GAAP Net Income to Adjusted financial information.

(1) 2014 figures include the results of PathLogic from the date of the acquisition on July 8, 2014.

(2) 2015 figures include the results of Clarient for two days from the date of the acquisition on December 30, 2015 and $4.7 MM of Clarient transaction expenses in SG&A.

(3) 2016 SG&A includes 7.4 MM of one-time bank debt retirement fees and impairment charges. Q3 2017 SG&A includes elevated levels of bad debt as a result of cleaning up certain Clarient related billing, and increased denials from Medicare and certain Managed Care payers for changes in the way molecular tests are being reimbursed in 2017.

(4) PathLogic was divested on 8/1/17, which resulted in $1.4 million less revenue in Q3 2017 than in Q3 2016.

(5) All Operating data refers to Clinical Genetic Testing and excludes the results from PathLogic and the Pharma Services Division.

(6) Quarter 3, 2017 revenue, gross margin and Adj. EBITDA reduced by $2.4 million accounting correction related to accrued, but unbilled revenue in previous quarters. See 10-Q.

# 2020 Goals

*By providing uncompromising quality, exceptional service & innovative solutions, we will be the world's leading cancer testing and information company!*

**15%+**
Clinical Volume CAGR

**20%+**
Pharma Services Revenue CAGR

**25-35%**
Incremental Adj. EBITDA Margins on Incr. Revenue

NEO GENOMICS


# Appendix

# CMS Reimbursement is Projected to be Stable in 2018

**Implied CY 2018 PFS Rates Based on CMS Final Rule on the Physicial Fee Schedule (CMS-1676-F issued 11/02/17)**

| CPT Proc Code | Procedure Description | National Unadj Rate 2016 | National Unadj Rate 2017 | Final Rule - Implied National Unadj Rate 2018 (1) | % Change 2018 Final Rule vs 2017 |
|---|---|---|---|---|---|
| 88184 | FLOW 1ST MARKER | $ 76.26 | $ 61.73 | $ 68.04 | 10.2% |
| 88185 | FLOW EACH ADDL MARKER | $ 46.55 | $ 37.68 | $ 30.60 | -18.8% |
| 88189 | FLOW INTERP 16 OR MORE MARKERS | $ 114.22 | $ 92.59 | $ 88.92 | -4.0% |
| 88374 | FISH AUTOMATED PER PROBE (Multiplex Probe Stain) | $ 345.87 | $ 343.45 | $ 351.36 | 2.3% |
| 88374 - TC | FISH AUTOMATED PER PROBE TECH (Multiplex Probe Stain) | $ 299.68 | $ 297.16 | $ 305.28 | 2.7% |
| 88374 - PC | FISH AUTOMATED PER PROBE INTERP (Multiplex Probe Stain) | $ 46.19 | $ 46.30 | $ 46.08 | -0.5% |
| 88121 | FISH AUTOMATED - UROVYSION | $ 558.55 | $ 553.76 | $ 541.79 | -2.2% |
| 88121 - TC | FISH AUTOMATED - UROVYSION | $ 506.63 | $ 501.72 | $ 489.59 | -2.4% |
| 88121 - PC | FISH AUTOMATED - UROVYSION | $ 51.92 | $ 52.04 | $ 52.20 | 0.3% |
| 88342 | IMMUNOHISTOCHEMISTRY (1st Stain) | $ 107.41 | $ 108.38 | $ 111.60 | 3.0% |
| 88342 - TC | IMMUNOHISTOCHEMISTRY TECH (1st Stain) | $ 70.18 | $ 71.06 | $ 74.16 | 4.4% |
| 88342 - PC | IMMUNOHISTOCHEMISTRY INTERP (1st Stain) | $ 37.24 | $ 37.32 | $ 37.44 | 0.3% |
| 88341 | IMMUNOHISTOCHEMISTRY (Add'l Stain) | $ 90.23 | $ 92.23 | $ 94.68 | 2.7% |
| 88341 - TC | IMMUNOHISTOCHEMISTRY TECH (Add'l Stain) | $ 62.30 | $ 62.45 | $ 64.80 | 3.8% |
| 88341 - PC | IMMUNOHISTOCHEMISTRY INTERP (Add'l Stain) | $ 27.93 | $ 29.79 | $ 29.88 | 0.3% |
| 88344 | IMMUNOHISTOCHEMISTRY (each Multiplex Stain) | $ 174.01 | $ 174.78 | $ 178.56 | 2.2% |
| 88344 - TC | IMMUNOHISTOCHEMISTRY TECH (each Multiplex Stain) | $ 133.19 | $ 133.86 | $ 137.52 | 2.7% |
| 88344 - PC | IMMUNOHISTOCHEMISTRY INTERP (each Multiplex Stain) | $ 40.82 | $ 40.91 | $ 41.04 | 0.3% |
| 88360 | MORPHOMETRIC ANALYSIS, TUMOR IHC - MANUAL (Each Antibody) | $ 121.73 | $ 142.12 | $ 136.44 | -4.0% |
| 88360 - TC | MORPHOMETRIC ANAL. TC, TUMOR IHC - MANUAL | $ 65.16 | $ 84.70 | $ 89.64 | 5.8% |
| 88360 - PC | MORPHOMETRIC INTERP - MANUAL (Each Antibody) | $ 56.57 | $ 57.42 | $ 46.80 | -18.5% |
| 88361 | MORPHOMETRIC ANALYSIS, TUMOR IHC - AUTOMATED (Each Antibody) | $ 149.66 | $ 156.83 | $ 148.32 | -5.4% |
| 88361 - TC | MORPHOMETRIC ANAL TC, TUMOR IHC - AUTOMATED (Each Antibody) | $ 88.79 | $ 95.82 | $ 98.64 | 2.9% |
| 88361 - PC | MORPHOMETRIC INTERP - AUTOMATED (Each Antibody) | $ 60.87 | $ 61.01 | $ 49.68 | -18.6% |

(1) Assumes no other Physician Fee Schedule (PFS) rule changes or limited coverage determinations are implemented for 2018.
Uses Estimated Conversion Factor of 35.9996 taken from Section VI(C)(1) of CMS-1676-F (page 1149 of display copy of rule on CMS website).
Final Conversion Factor subject to change.

# Impact of Clarient Acquisition

## The Deal – Closed on 12/30/15

- Approx. $292 million purchase price --- $80mm cash, 15mm shares of NEO valued at $102mm, $110mm Pfd. Stock
- Clarient 2015 revenue $125mm and $9mm Adj EBITDA
- $55 mm of Pfd Stock Redeemed at 9.1% discount in Dec 16
- Bank debt refinanced in Dec 16 at favorable rates (L+350)
- GE currently holds 15mm NEO shares plus $45mm Pfd Stock

## Outstanding Customer Mix

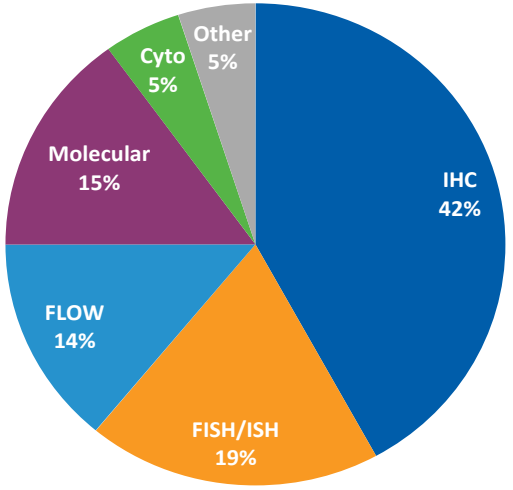
**SIMILAR CLINICAL CUSTOMERS (About 2,400)**

**New BIOPHARMA CUSTOMERS (200 Projects with >30 Customers)**

## Key Benefits

- Synergy potential of $20mm-$30mm within 3 years
- East Coast/West Coast Labs w/similar instrumentation
- Combine Irvine Lab into 78,000 sq. ft. Aliso Viejo Lab
- Strategic leadership in Heme cancers and Solid tumors
- Significant Pharma Services opportunities

## Similar Product Lines (1)




*(1) Clinical operations only. Percentage of tests Performed.*

NEO GENOMICS

# 2017 Guidance*

- Revenue: $256 - 258 MM
- Adjusted EBITDA* 31 - 32 MM
- Adjusted Net Income* 10 - 11 MM
- Adjusted Diluted EPS* $0.12 - 0.13

* See Appendix for definitions of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS as well as a reconciliation of GAAP Net Income to Adj. EBITDA, Adj. Net Income and Adj. Diluted EPS. NeoGenomics believes that Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS provide a more consistent measurement of operating performance and trends across reporting periods by excluding from income those cash and non-cash items of expense (income) not directly related to ongoing operations. Adjusted figures also assists investors in performing analysis that is consistent with financial models developed by research analysts. Investors should consider non-GAAP results together with GAAP results in analyzing NeoGenomics financial performance.

2017 net income available to common stockholders calculated in accordance with GAAP will be impacted by certain non-cash charges, including: (i) expenses related to variable stock-based compensation, (ii) approximately $7.3 million of expense related to the amortization of customers lists and other intangibles from the Clarient acquisition, (iii) approximately $3.8 million of deemed preferred stock dividends, and (iv) approximately $6.7 million of the amortization of the beneficial conversion feature related to the preferred stock issued in connection with the Clarient acquisition. These non-cash charges have been included in GAAP net income (loss) available to common shareholders and GAAP net income (loss) per share; however, they have been removed from Adjusted Net Income and Adjusted Diluted Net Income per Share. As a result, the Company expects 2017 diluted net loss per share calculated in accordance with GAAP to be $0.26 - $0.28 per share lower than 2017 Adjusted Diluted Net Income per Share.

# Reconciliation of GAAP Net Income to Adjusted EBITDA

**Use of non-GAAP Financial Measures:** NeoGenomics believes that using non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the company's core operating results and the comparison of core operating results more consistently across reporting periods. Management also uses non-GAAP financial measures for financial and operational decision making, planning and forecasting purposes and to manage the company's business. These non-GAAP financial measures enable investors to evaluate our operating results and future prospects in the same manner as management and research analysts. The non-GAAP financial measures do not replace the presentation of GAAP financial results and should only be used as a supplement to and not as a substitute for financial results presented in accordance with GAAP. There are limitations inherent in non-GAAP financial measures because they exclude charges and credits that are required to be included in a GAAP presentation, and do not therefore present the full measure of NeoGenomics recorded costs against its net revenue. In addition, non-GAAP financial measures as defined by NeoGenomics may differ from non-GAAP measures used by other companies.

**Reconciliation of GAAP Net Income to Non-GAAP EBITDA and Adjusted EBITDA**
**(Unaudited, in thousands)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| (in thousands) | 2017 | 2016 | 2017 | 2016 |
| Net income (loss) (GAAP) | $ (5,100) | $ (67) | $ (5,797) | $ 500 |
| Adjustments to net income (loss): | | | | |
| Interest expense, net | 1,398 | 1,468 | 4,173 | 4,509 |
| Income tax expense (benefit) | 340 | (6) | (539) | 500 |
| Amortization of intangibles | 1,751 | 1,818 | 5,201 | 5,454 |
| Depreciation | 3,833 | 4,222 | 11,739 | 11,550 |
| EBITDA | 2,222 | 7,435 | 14,777 | 22,513 |
| Further Adjustments to EBITDA: | | | | |
| Non-cash stock based compensation | 2,760 | 1,686 | 5,812 | 4,024 |
| Loss on sale of business | 1,058 | - | 1,058 | - |
| Facility moving expenses | 5 | - | 620 | - |
| Adjusted EBITDA (non-GAAP), as originally reported | 6,045 | 9,121 | 22,267 | 26,537 |
| Impact of accounting error | 2,430 | - | 551 | - |
| Adjusted EBITDA (non-GAAP), as corrected | $ 8,475 | $ 9,121 | $ 22,818 | $ 26,537 |

Revenue recognized from the fourth quarter of 2016 through the second quarter of 2017 was impacted due to an error relating to revenue accrued for unbilled tests. We assessed the extent of this error and it was corrected in the third quarter of 2017, resulting in a reduction of revenue, and thus a corresponding reduction in Adjusted EBITDA of $2.4 million and $0.6 million for the three and nine months ended September 30, 2017, respectively. See Item 4 - Controls and Procedures in the Company's report on Form 10-Q for the period ending September 30, 2017 for additional details regarding this error.

# Reconciliation of GAAP Net Income to Adjusted Net Income & GAAP Diluted EPS to Adjusted Diluted EPS

**Reconciliation of GAAP Net Income Available to Common Stockholders to Non-GAAP Adjusted Net Income and GAAP Earnings per Share to Non-GAAP Adjusted Earnings per Share**
**(Unaudited, in thousands)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Net (loss) attributable to common stockholders (GAAP)** | $ (7,751) | $ (5,634) | $ (13,653) | $ (16,200) |
| *Adjustments to Net Loss:* | | | | |
| Amortization of intangibles | 1,751 | 1,818 | 5,201 | 5,454 |
| Deemed dividends on preferred stock | 912 | 1,840 | 2,734 | 5,520 |
| Amortization of preferred stock beneficial conversion feature | 1,739 | 3,727 | 5,122 | 11,180 |
| Facility moving expenses and other adjustments | 5 | - | 620 | - |
| Loss on sale of business | 1,058 | - | 1,058 | - |
| Non-cash stock based compensation | 2,760 | 1,686 | 5,812 | 4,024 |
| **Adjusted net income (non-GAAP)** | $ 474 | $ 3,437 | $ 6,894 | $ 9,978 |
| | | | | |
| **Net loss per common share (GAAP)** | | | | |
| Diluted EPS | $ (0.10) | $ (0.07) | $ (0.17) | $ (0.21) |
| *Adjustments to diluted loss per share:* | | | | |
| Amortization of intangibles | 0.02 | 0.02 | 0.06 | 0.06 |
| Non-cash stock based compensation expenses | 0.03 | 0.02 | 0.07 | 0.04 |
| Deemed dividends/PIK dividends on preferred stock | 0.01 | 0.02 | 0.03 | 0.06 |
| Facility moving expenses | - | - | 0.01 | - |
| Loss on sale of business | 0.01 | - | 0.01 | - |
| Amortization of preferred stock beneficial conversion feature | 0.02 | 0.04 | 0.06 | 0.12 |
| Impact of including preferred shares and stock options/warrants in Adj. Diluted Shares [(3)] | 0.02 | 0.01 | 0.01 | 0.04 |
| **Adjusted Diluted EPS (non-GAAP)** | $ 0.01 | $ 0.04 | $ 0.08 | $ 0.11 |

# Reconciliation of GAAP Net Income to Adjusted Figures

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Weighted average shares used in computation of adjusted diluted earnings per share:** | | | | |
| Diluted Common Shares (GAAP) | 79,617 | 78,145 | 79,208 | 77,224 |
| Options, warrants and restricted stock not included in GAAP Diluted Shares (using treasury stock method) | 2,267 | 2,052 | 1,530 | 1,685 |
| Weighted Avg. Preferred Shares (as converted) | 6,600 | 14,667 | 6,600 | 14,667 |
| **Adjusted Diluted Shares outstanding (non-GAAP)** | 88,484 | 94,864 | 87,338 | 93,576 |

"**Adjusted EBITDA**" is defined by NeoGenomics as net income from continuing operations before: (i) interest expense, (ii) tax expense, (iii) depreciation and amortization expense, (iv) non-cash, stock-based compensation expense, and if applicable in a reporting period (v) acquisition related transaction expenses and other significant non-recurring or non-operating (income) or expenses.

"**Adjusted Net Income**" is defined by NeoGenomics as net income available to common shareholders from continuing operations plus: (i) non-cash amortization of customer lists and other intangible assets, (ii) non-cash, stock-based compensation expense, (iii) non-cash deemed dividends on preferred stock, (iv) non-cash amortization of preferred stock beneficial conversion feature, and if applicable in a reporting period (v) acquisition related transaction expenses and other significant non-recurring or non-operating (income) or expenses.

"**Adjusted Diluted EPS**" is defined by NeoGenomics as Adjusted Net Income divided by Adjusted Diluted Shares outstanding. Adjusted Diluted Shares outstanding is the sum of Diluted shares outstanding and the weighted average number of common shares that would be outstanding if the preferred stock were converted into common stock on the original issue date based on the number of days such common shares would have been outstanding in the reporting period. In addition, If GAAP Net Income is negative and Adjusted Net Income is positive, Adjusted Diluted Shares will also include any options or warrants that would be outstanding as dilutive instruments using the treasury stock method.