Good morning. I’d like to welcome everyone to NeoGenomics’ First Quarter 2018 conference call.

Joining me from our Fort Myers headquarters is Sharon Virag, who recently joined NeoGenomics as our Chief Financial Officer, Rob Shovlin, President of our Clinical Services Division, Steve Jones, Executive Vice President, Kathryn McKenzie, Vice President of Finance and Principal Accounting Officer, Jessica King, Director of External Reporting and Bill Bonello, Vice President of Strategy, Corporate Development and Investor Relations.

Before we begin our prepared remarks, Bill Bonello will read the standard language about Forward-Looking Statements.

Bill Bonello

This conference call may contain forward looking statements, which represent our current expectations and beliefs about our operations, performance, financial condition, and growth opportunities. Any statements made on this call that are not statements of historical fact are forward-looking statements. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond our control.

Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual outcomes and results could differ materially from those indicated in the forward-looking statements. Any forward-looking statement speaks only as of today, and we undertake no obligation to update any such statements to reflect events or circumstances after today.

Before turning it back to Doug, I want to let everyone know that we will be making a copy of our transcript for this morning’s call available on the investor relations section of our website shortly after the call is completed. We also want to let everyone know that we are going to limit the number of questions to two per person in order to give more people a chance to ask questions within the one hour that has been allotted for this call.

Doug VanOort

Thank you Bill.

For today’s call, I will briefly review a few of the Quarter 1 financial highlights and then turn the call over to Sharon for a more detailed review of the financial results.
After that financial review, I will provide additional commentary on our 2018 growth initiatives and some of the investments that we are making to drive both near-term and long-term growth.

Let’s begin with the Quarter 1 financial highlights.

NeoGenomics first quarter performance was excellent.

Total revenue grew 10%. Excluding the contribution from Pathlogic, which we divested last summer, revenue increased nearly 14% year over year.

Clinical Services Division test volume grew 15% and revenue grew approximately 8%. Excluding Pathlogic, clinical revenue grew 11%.

Pharma Services Division growth remained exceptionally strong, with revenue up more than 40% and backlog up nearly 90%.

We believe that both Divisions are gaining market share in a growing market.

Importantly, we were once again able to grow profitably. Adjusted EBITDA increased 40% year-over-year, and Adjusted EBITDA margin increased by more than 300 basis points to 14.6%. The Adjusted EBITDA margin on revenue growth was 44%, which is well-above the high-end of our long-term guidance of 25% to 35%.

We were particularly pleased with our record level of cash collections in spite of challenges caused by regulatory changes. Cash Flow from Operations increased to a record $14 million, Days Sales Outstanding was lower than at any time since 2015, and our financial position is strong.

All in all, first quarter financial performance was excellent, and we are pleased to see continued momentum in both the Clinical and Pharma Services businesses.

At this point, I will turn the call over to our Chief Financial Officer, Sharon Virag, for a more detailed review of Quarter 1 Financial results.

Sharon Virag

Thank you Doug.

Before I begin, I would like to remind everyone that we adopted ASC 606 effective January 1, 2018. As part of the adoption of ASC 606, we have also restated 2017 results to reflect the adoption of ASC 606 for all of 2017. Hence, the year-over-year comparisons that we discuss will include the adoption of ASC 606 for both periods.

The primary effect of adopting 606 is that bad debt, which had previously been accounted for in SG&A expense, is now recorded as an implicit price concession and shown as a reduction to revenue. There are also some changes to the timing of revenue recognition in the Pharma Services business, although these changes are not material. The adoption of ASC 606 had the effect of
lowering Revenue, Gross Profit and G&A expense, relative to the prior accounting methodology, for both years, however the impact on Adjusted EBITDA is not material.

Our first quarter revenues were $63.4 million, a 10% increase from last year. After adjusting for the sale of Path Logic, total revenue grew by nearly 14% year over year. Clinical genetic testing revenue increased 11% to $57.0 million and Pharma Services revenue increased 43% to $6.5 million.

As Doug mentioned, clinical genetic testing volume increased 15% year-over-year. Importantly, this growth was balanced across modalities with double-digit growth in both Flow Cytometry and FISH, and more than 30% growth in molecular testing.

Average Revenue per Clinical Genetic Test was $319, a 3% reduction from the prior year. This decline results primarily from changes to Medicare reimbursement and regulation.

Gross profit increased by $4.4 million to $27.3 million, up 19%, from the prior year. This increase represents a 73% contribution on the $6 million of revenue growth. Gross margin improved by more than 300 basis points year over year to 43.0%. This improvement was driven by a 7% decrease in clinical Cost per Test as well as a 490 basis point increase in our Pharma Services gross margin from the prior year.

Operating expenses increased by $1.3 million, or 5%, primarily due to investments in sales and marketing.

First Quarter GAAP net loss attributable to common shareholders was $2.2 million compared to a net loss of $3.7 million in the first quarter of 2017, and Diluted Income per share was a loss of $0.03 versus a loss of $0.05 in the prior year.

We believe that in order to compare the net income related to the true operations of the Company on a more consistent basis across periods, it is appropriate to adjust GAAP net income or (loss) available to common shareholders to exclude certain non-cash items and, if applicable, one-time costs. We refer to this measure as “Adjusted Net Income” and on a per share basis, “Adjusted Diluted Earnings per Share”, and we have included a table with how these are calculated in our earnings release.

Adjusted EBITDA was $9.2 million, an increase of $2.6 million, or 40%, compared to 2017’s first quarter.

In the first quarter, Adjusted Net Income was $3.7 million compared to $2.0 million in the prior year. Adjusted Diluted EPS was $0.04 per share versus $0.02 per share in Quarter 1, 2017.

As Doug mentioned, cash collections were quite strong in the quarter. DSO decreased sequentially to 83 days in Quarter 1 from 89 days in Quarter 4. The improvement in cash collections drove a $16 million increase in Cash Flow from Operations from negative $1.7 million to positive $14.3 million. This performance is especially notable as Quarter 1 tends to be a challenging quarter due to high levels of patient deductibles.
We ended the quarter with $15.2 million of cash on the books. Total debt at the end of Q1 was $101 as we repaid $2.9 million on the revolver during the quarter, in addition to our normal quarterly principal payment on the Term Loan. At the end of the quarter, our total liquidity, including borrowing capacity on our revolver, was $45 million.

We finished the first quarter with 1,023 full-time equivalent employees, contract doctors, and temps, versus 1,009 at December 31, 2017, and 1,012 as of March 31, 2017. Nearly all of the increases were laboratory personnel to deal with increased testing volumes, and billing personnel to adjust to complexities caused by new regulations.

We are maintaining our full year guidance for revenue and Adjusted EBITDA. We continue to expect Revenue to be in the range of $260 to $272. We continue to expect Adjusted EBITDA to be in the range of $39 to $43 million.

On the Quarter 4 call, we discussed a number of reimbursement headwinds including cuts to Medicare rates for flow cytometry, IHC, cytogenetics and molecular, as well as changes to the Medicare 14-Day Rule, the Draft National Coverage Determination, or NCD, for Next Generation Sequencing for Advanced Cancer Patients, and prior authorization. Based on the trends we have seen to date, we remain comfortable that our guidance adequately captures any potential impact from these changes.

Our press release this morning includes a more comprehensive summary of our 2018 guidance, including EPS and Adjusted EPS ranges and a reconciliation of non-GAAP measures to GAAP.

I will now turn the call back over to Doug to provide some additional commentary on our 2018 growth initiatives.

**Doug VanOort**

Thank you Sharon.

Before we begin the Question and Answer segment of this call, I would like to provide an update on our 2018 growth initiatives and some of the investments that we are making to drive both near-term and long-term growth.

Our outlook for near-term growth remains positive.

During the quarter we continued to strengthen our competitive position by adding several important managed care and Group Purchasing Organization contracts. These type of arrangements with payers and Hospital Groups helped us to add a number of new Hospital accounts, and the pipeline of new accounts is very healthy. Importantly, our service levels continue to be very strong and we are maintaining exceptionally high levels of client retention.

To meet the increasing demand for our Clinical Division services, we are adding capacity. As previously disclosed, we are opening a small Lab in Atlanta Georgia within the next month to provide rapid turnaround flow cytometry services to clients in that area. We already have an
outstanding flow cytometry program delivering extremely consistent and rapid turnaround time for clients. This new Lab will allow us to deliver even faster service to clients in the large Atlanta marketplace.

We continue to invest in our comprehensive oncology test menu. We introduced 9 new or enhanced tests since the beginning of this year. We believe our Oncology test menu is the most comprehensive in America, and provides an important “one-stop-shop” for clients throughout the country.

In Pharma Services, we signed net new contracts of approximately $14 million during the quarter and we ended Quarter 1 with $73 million of booked contracts for future work. The number of new contracts being pursued by our Pharma services team remains very robust.

We are adding capacity and upgrading our capabilities significantly in Pharma Services. Our new Lab in Rolle, Switzerland is staffed, instruments are validated, and has just begun to process specimens. We expect to ramp up project volume and be at a break-even level by year end.

We also are nearing completion of a new and significantly expanded Lab in Houston Texas. This 28,000 square foot purpose-built Laboratory will primarily serve our Pharma Services Division with capabilities for next generation sequencing and other molecular testing, flow cytometry, and immunohistochemistry. This facility will also help us to serve regional Clinical Services Division clients and can accelerate our growth in Texas.

We believe our prospects for long-term growth are also good, as the markets for oncology testing are growing both due to demographic changes and to rapid advances in science and medicine.

As a result, we are investing to position NeoGenomics as one of the Leading Oncology testing companies in the world over the long term.

Molecular testing, in particular, is an area of investment focus. In order to put this investment in perspective, I would like to share some details about our existing molecular business.

NeoGenomics is already one of the largest providers of molecular testing for somatic cancers in the U.S. In Quarter 1, our molecular test volume grew more than 30% year-over-year to more than 40,000 tests. During the quarter, we provided more than 4,400 multi-gene panels, an increase of more than 80% from the prior year. Our run rate revenue for molecular testing is approximately $50 million.

We believe that our molecular testing capabilities are among the most advanced in the country, and that we have one of the largest molecular test offerings for cancer mutations in the U.S. We currently offer 157 different molecular tests and panels to our clinical customers and 162 to pharma customers in CAP-accredited, CLIA-approved testing facilities.

We offer single gene tests, over 30 multi-gene tumor profiles called NeoTYPE Cancer Profiles, and larger panels of tests covering as many as 1,385 genes. We offer Tumor Mutational Burden testing to provide information for new immunoncology therapies.
We utilize all the major molecular technologies including next-generation sequencing (NGS), Sanger sequencing, Real Time-PCR, fragment length analysis, and microarray. Our Next Generation Sequencing laboratories use platforms including Illumina’s MiSeq, NextSeq and HiSeq instrumentation, Thermo Fisher’s Ion Torrent system, and a host of other technologies. NanoString’s nCounter system is also available to pharma clients.

From a commercial perspective, clinical customers have the ability to customize their test requirements, and our Pharma Services customers have even more significant opportunity to customize existing tests or to work with us to develop new tests. Our clinical tests cover every aspect of molecular oncology testing including diagnosis, prognosis, prediction of response to therapy, and detection of genetic predisposition.

With that background, I’d like to describe two of the significant ongoing investments in our molecular business.

We are continuing to make investments to develop and support our multi-gene panels. However, as we have discussed in the past, third-party reimbursement for these panels is currently sporadic, at best. Frankly, we lose money on a number of these panels, but we expect that reimbursement coverage will improve sometime in the future. We provide these tests because they are good medicine, our clients want them, they help differentiate us from the competition, and we believe they will eventually be covered.

One of our initiatives in this regard is to seek single-site PMA approval from the FDA for our large multi-gene Next generation sequencing test. We are currently in the process of filing our pre-submission letter. Obviously, this process is quite involved, and we are committed to invest in this important product development. We expect this initiative will lead to improved reimbursement in the future.

Molecular testing is a vitally important tool for Physicians and researchers in their search to prevent, treat and cure cancer. We commit to Lead in each area of our business, and we are making investments in Molecular testing to competitively position NeoGenomics as a Leader in Oncology Testing today, and for many years to come.

I will now hand the call over to Bill Bonello to lead us through Q&A.

**Bill Bonello**

At this point, we would like to open it up for questions. Incidentally, if you are listening to this conference call via webcast only and would like to submit a question, please feel free to email us at bill.bonello@neogenomics.com during the Q&A session and we will address your questions at the end if the subject matter hasn’t already been addressed by our call-in listeners. As mentioned at the beginning of this call, we would like to ask each person to limit their questions to two so that we may hear from everyone and still keep within the hour allotted for this call.

Operator, you may now open up the call for questions.

**Questions and Answers**
Doug VanOort

Before we end the call, I would like to recognize the approximately 1,000 NeoGenomics team members around the US for their dedication and commitment to building a world-class cancer-genetics testing company.

On behalf of our NeoGenomics team, I want to thank you for your time in joining us this morning, and let you know that our second quarter 2018 earnings call will be on or around July 24th, 2018. For those of you listening that are investors or are considering an investment in NeoGenomics, we thank you for your interest in our Company.

Good bye.