ERGOMED

# PRESS RELEASE

## Audited Full Year Results for the year ended 31 December 2021

***Excellent financial results delivered through strategic execution***

***Strategic positioning across global markets creates strengthened platform for growth***

- ***Revenue £118.6 million up 37.3%***
- ***Adjusted EBITDA £25.4 million up 31.2%***
- ***Forward visibility underpinned by strong order book of £239.7 million up 24.2%***
- ***Further strengthening of US strategic presence with US revenues up 59.5%***
- ***Year-end net cash balance of £31.2 million up 64.5%***

**Guildford, UK – 29 March 2022**: Ergomed plc (LSE: ERGO) ('Ergomed' or the 'Company' or the 'Group'), a company focused on providing specialised services to the pharmaceutical industry, today announces its audited Full Year Results for the year ended 31 December 2021.

### Selected Financial Highlights

| *Figures in £ millions, unless otherwise stated* | **Full Year 2021** | **Full Year 2020** | ***% change*** |
|---|---|---|---|
| **Total Revenue** | **118.6** | **86.4** | *37.3* |
| *Service Fee Revenue* | *100.0* | *78.4* | *27.6* |
| *Like-for-like Service Fee Revenue (Note 1)* | *87.3* | *77.8* | *12.2* |
| **Gross Profit** | **48.4** | **39.7** | *22.0* |
| *Gross Margin (%)* | *40.8%* | *45.9%* | *-5.1 ppts* |
| **Adjusted EBITDA** (*Note 2*) | **25.4** | **19.4** | *31.2* |
| **Net cash at 31 December** | **31.2** | **19.0** | *64.5* |
| **Order book at 31 December** | **239.7** | **193.0** | *24.2* |
| **Basic adjusted earnings per share** *(pence) (Note 3)* | **41.1p** | **25.8p** | *59.3* |

***Notes:***

*(1) Like-for-like Service Fee revenue excludes 2021 revenues of £12.7 million and 2020 revenues of £0.6 million in MS Clinical Services, LLC and its subsidiaries ('MedSource') acquired on 11 December 2020.*

*(2) Adjusted EBITDA is defined as operating profit for the period plus depreciation and amortisation, share-based payment charge, acquisition related consideration and costs, less in 2020 only one-off receipts comprising a prior year R&D tax credit and Serbian employment growth grants (Note 9 to the financial statements).*

*(3) Basic adjusted earnings per share is defined as earnings per share after adjustment for items referred to in Note 8 to the financial statements.*

**Dr Miroslav Reljanović, Executive Chairman of Ergomed, said:** *"We have delivered another outstanding year operationally and financially, with results ahead of market expectations. The strength of our position in key markets was demonstrated by further significant organic growth and augmented by our latest successfully integrated acquisitions, particularly in the US. Our robust order book, track record of delivery, and the clear demand for our offering in a growing market create a strong platform for organic growth and for geographic and service expansion through M&A. We remain extremely confident in Ergomed's future as a leading global provider of specialised pharmaceutical services."*

### Key Financial Highlights

- Revenue of £118.6 million (2020: £86.4 million) increased by 37.3% (up 44.3% in constant currency)
  - Revenue growth in pharmacovigilance (PV) up 9.9% (up 14.2% in constant currency) to £60.5 million (2020: £55.1 million)
  - Revenue growth in Clinical Research Services (CRO) up 85.5% (up 97.3% in constant currency) to £58.1million (2020: £31.3 million) and up 26.2% (up 33.2% in constant currency) to £38.1 million on a like-for-like basis excluding the acquisition of MedSource
- Gross profit up 22.0% to £48.4 million (2020: £39.7 million)

- Adjusted EBITDA up 31.2% to £25.4 million (2020: £19.4 million)
- Basic adjusted EPS up 59.3% to 41.1p (2020: 25.8p)
- Cash and cash equivalents up 64.5% to £31.2 million at 31 December 2021 (31 December 2020: £19.0 million) with operating cash flow of £22.3 million, equivalent to 87.8% of adjusted EBITDA
- Order book of £239.7 million future contracted revenue up 24.2% at 31 December 2021 (31 December 2020: £193.0 million)

**Key Operational & Strategic Highlights**

- New subsidiaries opened in a number of European countries and Japan
- US revenue growth of 59.5% over prior year (71.0% in constant currency) and significant new senior hires, strengthening platform for further growth in a key strategic market
- Continued expansion in emerging markets, with Asia revenue growth up 79.5% over prior year
- Successfully integrated, ahead of schedule, MS Clinical Services, LLC and its subsidiaries ('MedSource'), acquired in December 2020
- Continued to demonstrate resilience during COVID-19, now emerging strongly from the pandemic

**Post-Period End Highlights**

- In February 2022, acquired ADAMAS, a leading global regulatory compliance provider, immediately accretive to earnings and adding a complementary offering to the Group
- In March 2022, appointed John Dawson CBE to the Board as independent Non-Executive Director and Chair of the Audit Committee

**Conference call for analysts:**
A conference call for analysts will be held at 9:30am BST on 29 March 2022.

**Conference call details:**

**Conference call registration:** https://cossprereg.btci.com/prereg/key.process?key=PQWCQV766

**Webcast link:** https://www.lsegissuerservices.com/spark/Ergomed/events/2439d37e-026f-48ef-ae6f-94d9ac2cc89f

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**About Ergomed plc**
Ergomed provides specialist services to the pharmaceutical industry spanning all phases of clinical development, post-approval pharmacovigilance and medical information. Ergomed's fast-growing services business includes an industry-leading suite of specialist pharmacovigilance (PV) solutions, integrated under the

PrimeVigilance brand, a full range of high-quality clinical research and trial management services under the Ergomed brand (CRO) and mission-critical regulatory compliance and consulting services under the ADAMAS brand. For further information, visit: http://ergomedplc.com.

### Forward-Looking Statements

*Certain statements contained within the announcement are forward-looking statements and are based on current expectations, estimates and projections about the potential returns of Ergomed plc (Ergomed) and the industry and markets in which Ergomed operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.*

*These forward-looking statements speak only as of the date of this announcement. Ergomed expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Ergomed's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.*

### Executive Chairman's Statement

### ROBUST EXECUTION OF STRATEGY, DELIVERING EXCELLENT RESULTS

Ergomed delivered an outstanding year both operationally and financially, with results ahead of market expectations. Notwithstanding the pandemic, the Group delivered significant organic growth demonstrating the strength of our positioning in our key markets and this was augmented by the contribution of our latest successfully integrated acquisitions, particularly in the US.

In 2021, we delivered a year of robust operational execution, achieving significant organic revenue growth whilst maintaining tight cost controls. We also substantially increased our order book with a strong sales performance in all parts of the business and benefited significantly from our expanded geographic presence, with new subsidiaries opened during the year in a number of European countries and in Japan. The integration of the US businesses, Ashfield Pharmacovigilance and MedSource, acquired in 2020, was successfully completed ahead of schedule, enhancing our US platform and related sales opportunities. We strengthened our Board and leadership team with the appointments of acknowledged pharmaceutical industry experts to key roles, augmenting the scale and value of our service offering to our clients. Our employee base increased all around the world, and the commitment and professionalism of all our colleagues shone through as one of the core strengths of our business.

**Strong financial results from operational execution**
Our exceptional operational execution throughout 2021 delivered excellent financial results. Revenues for 2021 of £118.6 million were up 37% over prior year (44% in constant currency), exceeding market expectations despite continuing FX headwinds. The 31% increase in adjusted EBITDA to £25.4m was also ahead of market expectations, reflecting tight control of costs and the benefits of successfully integrating the acquisitions made in 2020 ahead of schedule. The Group remained debt free at the year end, with cash and equivalent balances up 64% to £31.2 million (2020: £19.0 million) and unutilised bank facilities of £30.0 million. Following a strong sales performance throughout 2021, we finished the year with our order book of future contracted revenue at £239.7 million, up 24.2% from the beginning of the year. This robust trading performance, coupled with operational execution, positions us strongly to achieve our strategic objectives in 2022 and beyond, and further strengthens our financial platform, enabling us to leverage the accelerating recovery in our target markets.

**Strategic delivery**
Ergomed continues to deliver on its core strategic objectives of growing its sales and revenues in specialised pharmaceutical services and geographic expansion. These goals are being achieved organically through increasing sales to new and existing clients, through excellent operational execution and through the opening of new offices in several countries. Our strategic objectives are also being achieved through the successful execution of our acquisition strategy. With the rapid integration of

acquisitions and focussed commercial initiatives in our CRO and PV businesses, as well as investment in business development and operational infrastructure, we are delivering a growing order book of contracted long-term future revenues as well as preparing for further organic and M&A growth.

Revenues grew 37% in the year (44% in constant currency), continuing the trend of a compound annual revenue growth rate (CAGR) of over 25% since the Group's IPO in 2014. Revenues in the key strategic market of the US grew 59% over the prior year on a reported basis (71% on a constant currency basis).

We are also continuing our investments in infrastructure, technology and digital transformation, with enhanced technology solutions to achieve significant automation over the coming years in our PV business and virtual trial capabilities in our CRO business. These solutions are expected to build on Ergomed's leadership position with specialised service offerings to our international client base, as well as providing further potential for profitability improvement.

**Acquisition strategy**

During the year, we continued to execute on our disciplined M&A strategy. This is focussed on value-enhancing and strategic acquisitions which strengthen our position as a premium pharmaceutical services business, whilst further building our scale in the strategically important US, Europe and APAC regions.

In 2021, we completed the integration of the two strategic acquisitions closed in the prior year in the key US market: Ashfield Pharmacovigilance, a long-established and highly respected provider of pharmacovigilance services, and MedSource, a specialist provider of oncology and rare disease CRO services. These two acquisitions in the US have strengthened our strategic market presence, significantly increased our headcount and expanded our revenues in the region, which grew by 59% on a reported basis (71% in constant currency).

In July 2021, following a successful first phase of the integration focussed on business development and branding, we agreed with the former MedSource owners to accelerate the earn-out terms, enabling the full integration of all CRO activities in North America under Ergomed management, and realising fully and ahead of schedule the benefit of a wider CRO operational base in North America. These acquisitions are expected to provide further growth and development potential within the key CRO and PV sectors in the US and globally.

In February 2022, we acquired ADAMAS Consulting Group Limited. ADAMAS is a well-established, leading provider of mission-critical regulatory compliance and consulting services to the global pharmaceutical industry offering a full range of independent quality assurance services and specialising in the auditing of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. ADAMAS has over 100 currently active clients and has worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

This acquisition adds a new complementary offering, strengthens Ergomed's premium consulting services and bolsters our position as a specialised pharmaceutical services provider. It will further enhance Ergomed's global reach in the US, Europe and APAC, and is expected to be immediately accretive to Ergomed's future earnings, with further growth synergies and strategic benefits expected in future years.

These recent acquisitions align with Ergomed's strategy to secure M&A transactions that further enhance the Group's global presence and broaden our service offering to clients. The Board continues to actively consider further acquisition opportunities that will complement and strengthen the existing CRO and PV service offerings and provide access to new customers and geographies.

**Board changes**

During the year, we made significant new additions to Ergomed's Board of Directors, further strengthening our platform to develop the business internationally in the broader pharmaceutical services market.

Dr Llew Keltner joined the Board in April 2021 as an independent Non-Executive Director. Dr Keltner has an outstanding track record in the global life sciences industry and brings over 30 years of experience, having held senior positions both in industry and academia with a particular focus on oncology and rare diseases.

Mark Enyedy joined the Board in June 2021 as an independent Non-Executive Director. Mr Enyedy is currently President and Chief Executive Officer and a Director of ImmunoGen, Inc., a NASDAQ-listed biotechnology company. Mr Enyedy has extensive corporate development experience in the US, UK and globally and is a member of the Board of Directors of the Biotechnology Innovation Organization (BIO), the world's largest advocacy organisation representing the biotechnology industry in the US and globally.

The appointments of Dr Keltner and Mr Enyedy are fully aligned with our strategy to develop our commercial and corporate presence in the USA as we continue to build our global specialist leadership position.

Post-period end, we announced that John Dawson, CBE has joined the Ergomed Board as an independent Non-Executive Director and Chair of the Audit Committee. Mr Dawson is a highly experienced and globally respected figure in the healthcare sector and was most recently Chief Executive Officer of Oxford Biomedica plc, widely recognised for the successful delivery at unprecedented speed of the Oxford/AstraZeneca COVID-19 vaccine. Mr Dawson's wealth of international experience in the healthcare industry and expert knowledge of the life sciences sector will be invaluable as the Group continues to grow.

Ian Johnson left the Board in April 2021, followed by Rolf Soderstrom in September 2021, to pursue other business interests. We thank them both for their service to Ergomed and we wish them well in all their future endeavours.

**Leadership and staff**
In 2021, we continued to execute our strategy to further strengthen the leadership team across all sections of the business as Ergomed continued to establish its status as an employer of choice for leaders in the pharmaceutical services sector. We were pleased to welcome to Ergomed and PrimeVigilance a number of senior executives with significant prior experience in the CRO, PV and pharma services sectors across a range of disciplines and specialisms, including our therapeutic focus areas of oncology and rare disease; global project management; strategy and drug development; medical affairs; and quality assurance. We have continued to make key new senior appointments in the current year, further augmenting our leadership and expertise. Alongside our existing strong team, these new hires will enhance the quality, speed and professionalism of our service delivery to our clients, as the scale and complexity of our global services continue to expand.

There has been continued strong growth in the number of colleagues working for Ergomed businesses around the world. During the year, the number of employees grew by 225 from 1,146 to 1,371, an increase of 20%. Following the year end, this growth in employment has continued, both on an organic basis and because of the acquisition of ADAMAS Consulting Group Limited.

We are delighted to welcome all our new colleagues to the Ergomed Group. These additions to our global team reflect the growing strength and ambition of our business, adding to our high-quality professional experience and bolstering Ergomed's growth potential.

**Summary**
Our successful operational execution in 2021 and the resulting strong financial performance reflect the dedication and commitment of all our colleagues as well as the robustness of our business model, as we continued to deliver growth through a period impacted by the pandemic. I would like to express my sincere gratitude to all Ergomed colleagues around the globe for their outstanding contribution during 2021, and I would like to thank our investors for their continued support.

Our robust order book, track record of delivery and the clear demand for our offering in a growing market creates an exceptionally strong platform for organic growth and continued geographic and service expansion through M&A during 2022. We remain extremely confident in Ergomed's future as a leading global provider of pharmaceutical services.

**Miroslav Reljanović**
Executive Chairman
29 March 2022

**Operational Review**

Despite the ongoing challenges of the COVID-19 pandemic, Ergomed demonstrated resilience and maintained its momentum in 2021. The Group has begun 2022 from a position of strength, with a robust financial platform and a proven growth strategy, ensuring that we are well-positioned to achieve the longer-term strategic priorities of the business.

**PHARMACOVIGILANCE**

**Regulatory context**
The increasing global requirement for pharmacovigilance ("PV") services coupled with a perpetual drive to improve drug safety through regulation continue to drive the transition towards specialist outsourced PV providers and general market growth.

In Europe, the implementation of Good Pharmacovigilance Practice (GVP) in 2012 and subsequent mandatory compliance has led to an increased demand for outsourced PV services and has been a consistent driver for Ergomed's growth. In the US, the existing stringent PV regulatory regime continues to be regularly strengthened on an ongoing basis. Similarly, PV regulation continues to be rolled out in China and South East Asia, providing further growth opportunities for PrimeVigilance, Ergomed's PV business.

**Financial performance**
Organic growth in PrimeVigilance saw revenues increase by £5.4 million from £55.1 million in 2020 to £60.5 million in 2021 (9.9% increase, 14.2% on a constant currency basis). Gross margins continued to be strong for the PV business at 50.9% in 2021.

**Management and staff**
The business continued to invest in its employees to support its geographical expansion, with over 350 employees being promoted during the year. PrimeVigilance employs around 60 physicians, 650 pharmacists and other life sciences professionals and 30 in-house EU/ UK Qualified Persons for Pharmacovigilance ('QPPVs') covering more than 60 countries. This constitutes one of the largest qualified teams of PV specialist professionals in any independent pharmaceutical services business globally and it continues to grow.

The breadth and depth of staff and professionals supporting PrimeVigilance is reflected in the quality of services provided. Testament to this is PrimeVigilance's high customer renewal and retention figures and the fact that PrimeVigilance participated in over 180 regulatory inspections and audits, representing a more than 53% increase compared to the previous year.

**Technology investment**
During the year, PrimeVigilance strengthened its partnerships with its key technology vendors, upgrading its case management and signal detection systems and deploying more regulatory gateways.

**New legal entity and regional office established in Japan**
PrimeVigilance Japan KK is based in Tokyo and offers a comprehensive range of pharmacovigilance services, including a dedicated Japanese safety database. Full Japanese language Medical Information services are also provided.

The office was established in response to increasing client demand and provides existing and prospective international PrimeVigilance clients the opportunity to extend their product coverage into the strategically important Japanese pharmaceutical market, the fourth largest globally after the US, the EU and China. It also provides PrimeVigilance the opportunity to provide high quality specialist services to domestic Japanese companies.

Constantly evolving regulations, geographic expansion, investment in technology and people, combined with the strength of the PrimeVigilance brand, mean that our pharmacovigilance business is well placed to continue delivering its growth strategy into 2022 and beyond.

**CLINICAL RESEARCH SERVICES (CRO)**

The CRO market has experienced significant expansion with strong annual growth in oncology and rare disease research expected to continue over the coming years. This specific growth in Ergomed's core focus areas is underpinned by broader market trends, including increased investment in drug development by pharma-biotech companies, a shift towards clinical trial outsourcing and strong growth in the number of trials in markets such as Asia.

**Financial performance**
CRO total revenues, including MedSource, increased by £26.8 million from £31.3 million in 2020 to £58.1 million in 2021 (85.5% increase, 97.3% on a constant currency basis). Excluding MedSource, the CRO divisional revenue increased by £7.9 million from £30.2 million in 2020 to £38.1 million in 2021 (26.2% increase, 33.2% on a constant currency basis).

**Rare disease and oncology focus**
Ergomed's CRO business works across all therapeutic areas, as a specialist provider of clinical trial services with a particular strength in patient recruitment in oncology and rare disease trials.

Oncology trials are generally complex, although this varies with the type of cancer, and studies are often confronted by challenges including low patient enrolment, changing regulatory requirements, increased research costs and trial protocols with increased study-related procedures. This helps to explain why oncology trials receive the highest levels of funding and makes the case for outsourcing to CROs which are better positioned to address these challenges. Ergomed's expertise and focus on oncology supports its CRO growth strategy and is evidenced by the fact that over 90% of new business wins in 2021 related to oncology and rare disease, where similarly specialist expertise is also required.

Rare disease development is one of the fastest growing areas of drug development, accounting for approximately 30% of compounds in development. Ergomed has continued to strengthen relationships with biopharmaceutical sponsor companies, patient advocacy groups, technology innovators and service providers to accelerate rare disease drug development.

**Patient and clinician focus**
Ergomed's focus on rare and orphan drug development is one of its core strengths. Drug development for rare and orphan diseases is challenging for many reasons, including complex biology, limited knowledge of the history and progression of the disease and the inherently small patient population available for clinical trials, who are usually geographically dispersed. Ergomed's focus on physician support teams helps ensure efficient patient recruitment, patient retention and clinical trial management of complex studies.

In addition, rare diseases are frequently misdiagnosed or undiagnosed. Many rare diseases also impact infants and young children and more than 50% of rare disease patients are children. Ergomed adopts a patient-centric approach, working closely with patient advocacy groups throughout development to fully understand patient and caregiver needs. Greater patient engagement optimises clinical study design, outcome measures and endpoint development and Ergomed maintains a Patient Organisation Advisory Board, comprising representatives of patient groups in the field of rare diseases with a dedicated Patient Engagement Officer.

**COVID-19**
Although the pandemic continued to disrupt the CRO market during 2021, Ergomed's CRO business demonstrated continued robustness and resilience. Clinical trials in rare disease and oncology, sectors in which Ergomed specialises, are focused on critical unmet clinical needs and were therefore among the therapeutic areas least disrupted by COVID-19.

Restrictions on movement and patient access accelerated the trend towards remote monitoring, an area which Ergomed was already leading. During the pandemic, Ergomed successfully implemented remote and risk-based monitoring techniques, allowing clinical trial activities to continue even when physical access to sites was not possible.

For early phase studies, where frequent and timely monitoring of safety and tolerability is required, Ergomed implemented patient profile software that provides a holistic view of each patient in an interactive and real-time environment. In addition, study physicians supported trial investigators in patient identification and procedures resulting in consistent patient recruitment and milestone achievement.

**Business development and commercial integration**
A strong business development performance in 2021 resulted in net awards increasing by 40.3% to £165.3 million (2020: £117.8 million). Key to new contract wins in both CRO and PV services was Ergomed's broader geographic footprint arising from expansion into the USA and Asia. As a result, the order book increased to £239.7 million at the year end, up 24.2% over the course of 2021.

**Outlook**
Ergomed made excellent progress in delivering its strategy in 2021, despite the challenges of the COVID-19 pandemic. The resilience and robustness of our global services business was demonstrated by our continued strong organic growth in both our pharmacovigilance and CRO businesses.

We have started 2022 in a strong position and post-year end completed the acquisition of ADAMAS, an international specialist consultancy offering a full range of independent quality assurance services and specialising in the auditing of pharmacovigilance systems. The acquisition broadens our service offering and supports our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

For and on behalf of the Board of Directors

**Miroslav Reljanović**
Executive Chairman
**29 March 2022**

## Financial Review

**Firmly positioned to trade strongly into improving markets**
Ergomed delivered another strong financial performance in 2021, exceeding market expectations. The Group's complementary CRO and PV divisions have demonstrated considerable resilience throughout the pandemic and are emerging in an even stronger position.

The Group ended the 2021 financial year in a robust financial position, and this has continued into the beginning of 2022. With continuing strong sales in the second half of 2021 building on the new awards success achieved in the first half, the closing order book was at a record high level at 31 December 2021, underpinning visibility for the achievement of management's revenue growth targets for 2022 and beyond. The rapid integration of MedSource, which was completed ahead of schedule, substantially expanded and accelerated our access to a larger client base with significantly enhanced potential for cross-selling. The Group's strong balance sheet comprises net assets of £67 million, up more than a quarter on the prior year. Our strong cash conversion and working capital base, with substantial unutilised bank facilities available, provide support for organic investment and growth in future years, as well as enabling us to continue our disciplined M&A strategy.

Post-period end, the acquisition of ADAMAS Consulting Group Limited is expected to be immediately accretive to Ergomed's future earnings, with the potential for further growth synergies. Ergomed is well positioned for further organic growth and strategic M&A and expects to continue to trade strongly into growing global pharmaceutical research and development markets.

### KPIs and APMs

**Key Performance Indicators (KPIs)**
The table below summarises the KPIs that management uses to measure the financial performance of the Group.

| £ millions (unless otherwise stated) | **2021** | 2020 |
|---|---|---|
| Total revenue | **118.6** | 86.4 |
| CRO | **58.1** | 31.3 |
| PV | **60.5** | 55.1 |
| Gross profit | **48.4** | 39.7 |
| Gross margin | **40.8%** | 45.9% |
| EBITDA | **19.7** | 18.4 |
| Adjusted EBITDA | **25.4** | 19.4 |
| Basic adjusted earnings per share | **41.1p** | 25.8p |
| Cash generated from operations | **22.3** | 19.0 |
| Cash and cash equivalents | **31.2** | 19.0 |
| Order book | **239.7** | 193.0 |

**Alternative performance measures (APMs)**
In measuring and reporting financial information, management reviews Alternative Performance Measures (APMs), such as EBITDA, adjusted EBITDA and basic adjusted earnings per share, which are not defined measures under financial reporting standards. Management believes that these measures, when considered in conjunction with defined financial reporting measures, provide management and stakeholders with a broader understanding of the performance of the business.

Operating profit is the financial reporting measure under IFRS most comparable to EBITDA and adjusted EBITDA. The Directors make certain adjustments to EBITDA to derive adjusted EBITDA, which they consider more reflective of the Group's underlying trading performance, enabling comparisons to be made with prior periods. Certain items, such as share-based payments and changes in fair value of contingent consideration for acquisitions are non-cash items and reflect adjustments to expected future consideration payments.

In 2021, management also reviewed performance monthly on a constant currency basis. Constant currency is calculated by restating 2021 performance using 2020 exchange rates for the relevant period. Constant currency allows management to review underlying performance without the impact of foreign exchange.

Operating profit is reconciled to EBITDA and adjusted EBITDA as follows:

| | **2021 £000's** | **2020 £000's** |
|---|---|---|
| Operating profit | **14,624** | 13,534 |
| Adjusted for: | | |
| Depreciation and amortisation charges within 'Other selling, general & administration expenses' | **3,447** | 3.511 |
| Amortisation of acquired fair valued intangible assets | **1,599** | 1,332 |
| EBITDA | **19,670** | 18,377 |
| Adjusted for: | | |
| Share-based payment charge | **817** | 742 |
| RDEC income (2017) | **-** | (527) |
| Employment creation grants - Serbia | **-** | (307) |
| Acquisition costs | **1,776** | 853 |
| Earn-out consideration | **2,949** | |
| Pay in lieu and non-compete compensation | **211** | 232 |
| Adjusted EBITDA | **25,423** | 19,370 |

Earn-out consideration relates to the cash component of deferred consideration paid on an accelerated basis to the sellers of MedSource, under the terms of the purchase agreement. These costs, together with acquisition costs, pay in lieu and non-compete compensation are cash costs but are not considered as normal recurring trading items and therefore are not included in adjusted EBITDA. 2017 RDEC income and grants received were not considered as normal recurring income items and therefore were not included in adjusted EBITDA.

Adjusted basic earnings per share is calculated on a similar basis to basic earnings per share but uses a profit measure which, like adjusted EBITDA, is adjusted for non-recurring trading items (see note 9 of the financial statements).

Management has previously used order book, (referred to in prior years as contracted order backlog) as an APM. Order book is the contracted value of customer revenue relating to in-progress performance obligations which are expected to be recognised in the future. The use of order book by management is no longer considered to be an APM as, from 1 January 2018, it is now a defined financial measure under IFRS 15 and is therefore included in KPIs.

**Growth**
The strong trading performance seen in Ergomed's complementary Clinical Research Services (CRO) and Pharmacovigilance (PV) businesses during the first half of 2021 continued through to the year end. This has resulted in a strong order book going into 2022, providing significant visibility for the upcoming period.

Revenues for 2021 were £118.6 million on a reported basis, an increase of 37.3% over prior year (2020: £86.4 million), exceeding market expectations despite continuing FX headwinds. On a constant currency basis revenues were £124.7 million, an increase of 44.3% over 2020.

The CRO division, including MedSource acquired in December 2020, saw total revenue increase by 85.5% from £31.3 million in 2020 to £58.1 million in 2021 (up 97.3% in constant currency). Excluding MedSource, the CRO division revenue increased by 26.2% from £30.2 million in 2020 to £38.1 million in 2021 on a reported basis and by 32.7% to £40.2 million on a constant currency basis.

The PV division saw revenues increase by 9.9% overall to £60.5 million (2020: £55.1 million) on a reported basis and by 14.2% to £62.9 million on a constant currency basis.

The reported 37.3% revenue growth and effective cost management delivered an increase in gross profit from £39.7 million in 2020 to £48.4 million in 2021. The Ergomed CRO business represented a higher proportion of total revenues in 2022 than in 2021, whilst its service fee gross margin at 46.1% on a constant currency basis remained at the same level as in the prior year (2020: 46.3%) despite FX headwinds. However, higher levels of pass-through revenues across the CRO division arising from the rapid growth of our US business caused gross margin on total CRO revenues to decline overall. In PrimeVigilance, service fee gross margin in 2020 at 52.5% was lifted by increased case numbers due to COVID-19 and returned to normal levels in 2021 at 51.2%. As a result of these factors, overall gross margin reduced from 45.9% in 2020 to 40.8% in 2021.

Effective cost management resulted in selling, general and administration expense falling from 28.5% of revenue in 2020 at £24.6 million in 2020 to 23.4% of revenue at £27.7m in 2020.

The strong revenue growth, continued focus on profitability and effective cost control in 2021 resulted in adjusted EBITDA for 2021 of £25.4 million, an increase of 31.2% over the prior year (2020: £19.4 million).

**Financial strength**
The growth in revenue and profitability achieved during 2021 led to strong cash generation at an operating level. Cash generated from operations was £22.3 million, an increase of £3.3 million over the prior year (2020: £19.0 million).

The Group's balance sheet continued to strengthen. Cash and cash equivalents increased by £12.2 million to £31.2 million (2020: £19.0 million) and the Group was debt free at the year end. This was after cash payments of £2.9 million in August 2021 relating to the earn-out consideration payments for MedSource acquired in December 2020, following its accelerated integration ahead of schedule.

As a result of this and the generation of distributable reserves, the consolidated retained earnings account of the Group stood at £59.1million at the end of 2021 an increase of £13.7 million over the retained earnings of £45.4 million reported in 2020.

Ergomed plc has a strong balance sheet with net assets at 31 December 2021 of £67.2 million up 27.2% on prior year (2020: £52.9 million) and total assets of £106.0 million (2020: £92.3 million).

**Outlook**
With a robust business model and strong execution, Ergomed is emerging strongly from the challenging environment of the COVID-19 pandemic. Trading in the current year is in line with the Board's expectations. The Group is well positioned in the resilient and fast-growing rare disease, oncology and pharmacovigilance sectors and has a strong financial foundation through which it can grow in these global markets.

**Richard Barfield**
Chief Financial Officer
**29 March 2022**

# Consolidated income statement

For the year ended 31 December 2021

| | Notes | 2021 £000s | 2020 £000s |
|---|---|---|---|
| **Revenue** | 2, 3 | **118,581** | 86,391 |
| Cost of sales | | **(52,191)** | (38,686) |
| Reimbursable expenses | | **(18,028)** | (8,055) |
| Gross profit | 3 | **48,362** | 39,650 |
| Selling, general and administration expenses | | **(34,877)** | (27,518) |
| **Selling, general and administration expenses comprises:** | | | |
| Other selling, general and administration expenses | | **(27,736)** | (24,591) |
| Amortisation of acquired fair valued intangible assets | | **(1,599)** | (1,332) |
| Share-based payment charge | | **(817)** | (742) |
| Contingent consideration for acquisitions | 4 | **(2,949)** | – |
| Acquisition costs | 5 | **(1,776)** | (853) |
| **Research and development expenses** | | **(130)** | (152) |
| Net impairment losses on trade receivables and contract assets | | **(324)** | (285) |
| Other operating income | 6 | **1,593** | 1,839 |
| **Operating profit** | | **14,624** | 13,534 |
| Finance income | | **1** | 8 |
| Change in fair value of equity investments | | **-** | (511) |
| Finance costs | 7 | **(361)** | (403) |
| **Profit before taxation** | | **14,264** | 12,628 |
| Income tax expense | | **(1,590)** | (2,946) |
| **Profit for the year** | | **12,674** | 9,682 |

All activities in the current and prior period relate to continuing operations.

The notes on pages 16 to 22 form an integral part of these financial statements.

# Consolidated statement of comprehensive income

For the year ended 31 December 2021

| | Notes | **2021 £000s** | 2020 £000s |
|---|---|---|---|
| Profit for the year | | **12,674** | 9,682 |
| **Items that may be classified subsequently to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | **(682)** | (59) |
| Other comprehensive (expense) for the year net of tax | | **(682)** | (59) |
| **Total comprehensive income for the year** | | **11,992** | 9,623 |

| | | **2021 pence** | 2020 pence |
|---|---|---|---|
| **Earnings Per Share (EPS)** | 8 | | |
| Basic | | **26.1** | 20.0 |
| Diluted | | **25.1** | 19.2 |

| **Unaudited** | | **2021 £000's** | 2020 £000's |
|---|---|---|---|
| **ADJUSTED EBITDA** (Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation) | 9 | **25,423** | 19,370 |
| | | **2021 pence** | 2020 pence |
| **Adjusted Earnings Per Share (Adjusted EPS)** | 8 | | |
| Basic | | **41.1** | 25.8 |
| Diluted | | **39.4** | 24.7 |

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company.

The notes on pages 16 to 22 form an integral part of these financial statements.

# Consolidated balance sheet

As at 31 December 2021

| | Notes | **2021 £000s** | 2020 £000s |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 10 | **23,903** | 24,605 |
| Other intangible assets | 11 | **7,653** | 9,618 |
| Property, plant and equipment | | **1,966** | 1,742 |
| Right-of-use assets | | **2,691** | 4,715 |
| Equity investments | | **-** | – |
| Deferred tax asset | | **9,433** | 4,898 |
| | | **45,646** | 45,578 |
| **Current assets** | | | |
| Trade and other receivables | 12 | **25,143** | 22,224 |
| Accrued revenue | | **3,958** | 5,553 |
| Cash and cash equivalents | 13 | **31,243** | 18,994 |
| | | **60,344** | 46,771 |
| **Total assets** | | **105,990** | 92,349 |
| **Current liabilities** | | | |
| Lease liabilities | | **(1,249)** | (1,978) |
| Trade and other payables | 14 | **(15,207)** | (15,702) |
| Deferred consideration | 4 | **-** | (328) |
| Deferred revenue | | **(17,752)** | (13,829) |
| Current tax liability | | **(1,172)** | (1,775) |
| | | **(35,380)** | (33,612) |
| **Net current assets** | | **24,964** | 13,159 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **(1,432)** | (3,128) |
| Provisions | | **(19)** | (317) |
| Deferred tax liability | | **(1,920)** | (2,426) |
| | | **(3,371)** | (5,871) |
| **Total liabilities** | | **(38,751)** | (39,483) |
| **Net assets** | | **67,239** | 52,866 |
| **Equity** | | | |
| Share capital | 15 | **493** | 489 |
| Share premium account | | **545** | 3 |
| Merger reserve | | **1,349** | 1,349 |
| Share-based payment reserve | | **5,859** | 5,042 |
| Translation reserve | | **(67)** | 615 |
| Retained earnings | | **59,060** | 45,368 |
| **Total equity** | | **67,239** | 52,866 |

The notes on pages 16 to 22 form an integral part of these financial statements.

Approved by the Board of Directors and authorised for issue on 29 March 2022.

**Richard Barfield**
**Chief Financial Officer**

Company Registration No. 04081094

# Consolidated statement of changes in equity

For the year ended 31 December 2021

| | Notes | Share capital £000s | Share premium account £000s | Merger reserve £000s | Share– based payment reserve £000s | Translation reserve £000s | Retained earnings £000s | Total equity £000s |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | | **473** | **25,790** | **11,088** | **4,300** | **674** | **(5,505)** | **36,820** |
| Profit for the year | | – | – | – | – | – | 9,682 | 9,682 |
| Other comprehensive income for the year | | – | | – | – | (59) | – | (59) |
| **Total comprehensive income** | | – | – | – | – | **(59)** | **9,682** | **9,623** |
| **Transactions with shareholders** | | | | | | | | |
| Shares issued during the year for cash | 15 | 14 | 1,855 | – | – | – | – | 1,869 |
| Share-based payment charge for the year | | – | – | – | 742 | – | – | 742 |
| Deferred tax credit taken directly to equity | | – | – | – | – | – | 2,461 | 2,461 |
| Shares issued for non-cash consideration | | 2 | – | 1,349 | – | – | – | 1,351 |
| **Transactions with shareholders – capital reduction** | | | | | | | | |
| Capitalisation of Merger reserve to B Ordinary Shares | | 11,088 | – | (11,088) | – | – | – | – |
| Cancellation of B Ordinary Shares | | (11,088) | – | – | – | – | 11,088 | – |
| Cancellation of Share Premium | | – | (27,642) | – | – | – | 27,642 | – |
| **Total transactions with shareholders** | | **16** | **(25,787)** | **(9,739)** | **742** | **–** | **41,191** | **6,423** |
| **Balance at 31 December 2020** | | **489** | **3** | **1,349** | **5,042** | **615** | **45,368** | **52,866** |
| Profit for the year | | - | - | - | - | - | 12,674 | 12,674 |
| Other comprehensive income for the year | | - | - | - | - | (682) | - | (682) |
| **Total comprehensive income** | | | | | | **(682)** | **12,674** | **11,992** |
| **Transactions with shareholders** | | | | | | | | |
| Shares issued during the year for cash | 15 | 4 | 542 | - | - | - | - | 546 |
| Share-based payment charge for the year | | - | - | - | 817 | - | - | 817 |
| Deferred tax credit taken directly to equity | | | | | | - | 1,018 | 1,018 |
| **Total transactions with shareholders** | | **4** | **542** | **-** | **817** | **-** | **1,018** | **2,381** |
| **Balance at 31 December 2021** | | **493** | **545** | **1,349** | **5,859** | **(67)** | **59,060** | **67,239** |

The notes on pages 16 to 22 form an integral part of these financial statements.

# Consolidated cash flow statement

For the year ended 31 December 2021

| | Notes | **2021 £000s** | 2020 £000s |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **14,264** | 12,628 |
| **Adjustment for:** | | | |
| Amortisation and depreciation | | **5,046** | 4,843 |
| (Profit) / Loss on disposal of non-current assets | | **(413)** | 16 |
| Share-based payment charge | | **817** | 742 |
| Change in the fair value of equity investments | | **-** | 511 |
| RDEC income | 6 | **(956)** | (1,188) |
| Finance costs | 7 | **361** | 403 |
| Other non-cash movements | | **(25)** | (8) |
| Exceptional Items (Earn-out on acquisitions) | 4 | **2,949** | - |
| **Operating cash inflow before changes in working capital and provisions** | | **22,043** | 17,947 |
| Increase in trade, other receivables and accrued revenue | | **367** | (6,137) |
| Increase in trade, other payables and deferred revenue | | **217** | 7,182 |
| Decrease in provisions | | **(298)** | (18) |
| **Cash generated from operating activities** | | **22,329** | 18,974 |
| Taxation (paid) | | **(3,646)** | (926) |
| **Net cash inflow from operating activities** | | **18,683** | 18,048 |
| **Investing activities** | | | |
| Finance income received | | **1** | 8 |
| Acquisition of intangible assets | 11 | **(30)** | (542) |
| Acquisition of property, plant and equipment | | **(953)** | (432) |
| Proceeds from the sale of property, plant and equipment | | **103** | 46 |
| Proceeds on the disposal of equity investments | | **-** | 175 |
| Acquisition of subsidiaries, net of cash acquired | | **-** | (12,031) |
| Acquisition related earn-out paid | | **(3,267)** | – |
| **Net cash outflow from investing activities** | | **(4,146)** | (12,776) |
| **Financing activities** | | | |
| Proceeds from the issue of new ordinary shares | 15 | **546** | 1,869 |
| Finance costs paid | | **(169)** | (157) |
| Proceeds from borrowings | | **-** | 15,000 |
| Repayment of borrowings | | **-** | (15,000) |
| Payment of lease liabilities | | **(2,490)** | (2,189) |
| **Net cash outflow from financing activities** | | **(2,113)** | (477) |
| Net change in cash and cash equivalents | | **12,424** | 4,795 |
| Effect of foreign currency on cash balances | | **(175)** | (60) |
| Cash and cash equivalents at start of year | | **18,994** | 14,259 |
| **Cash and cash equivalents at end of year** | 13 | **31,243** | 18,994 |

The notes on pages 16 to 22 form an integral part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2021

## 1. Basis of preparation

The consolidated financial statements of the Group have been prepared on the going concern basis in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, the IFRS Interpretations Committee ('IFRS-IC') interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value, and liabilities for cash-settled share-based payments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2021.

The financial statements for 2020 have been delivered to the Registrar of Companies and the 2021 financial statements will be delivered after the Annual General Meeting.

The Auditor has reported on both sets of accounts without qualification, did not draw attention to any matters by way of emphasis without qualifying their report, and did not issue a statement under Section 498(2) or 498(3) of the Companies Act 2006.

### Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group and Company will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast for the period to 31 December 2024, which is derived from the 2022 Board approved budget and a medium-term cash flow forecast through to 31 December 2024, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2022 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2022 budget and medium-term forecast demonstrate that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

Because of the above factors and, having made appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

## 2. Revenue

The Group's revenue is disaggregated by geographical market and major service lines:

### Geographical market and major service lines

2021

| | Major service lines | | |
|---|---|---|---|
| | **CRO £000s** | **PV £000s** | **Total £000s** |
| **Geographical market by client location** | | | |
| UK | **5,415** | **8,785** | **14,200** |
| Rest of Europe, Middle East and Africa | **9,585** | **12,981** | **22,566** |
| North America | **38,388** | **36,028** | **74,416** |
| Asia | **4,687** | **2,532** | **7,219** |
| Australia | **2** | **178** | **180** |
| | **58,077** | **60,504** | **118,581** |

**2020**

| | Major service lines | | |
|---|---|---|---|
| | CRO £000s | PV £000s | Total £000s |
| **Geographical market by client location** | | | |
| UK | 3,589 | 8,590 | 12,179 |
| Rest of Europe, Middle East and Africa | 10,146 | 13,183 | 23,329 |

| | | | |
|---|---|---|---|
| North America | 15,828 | 30,836 | 46,664 |
| Asia | 1,753 | 2,269 | 4,022 |
| Australia | – | 197 | 197 |
| | 31,316 | 55,075 | 86,391 |

## 3. Operating segments

### Products and services from which reportable segments derive their revenues

Information reported to the Company's Board, which is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance, is focused on the Group operating as two business segments, being Clinical Research Services ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment. Other amounts, including selling, general and administration expenses were not allocated to a segment. This was the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

**2021**

| | **CRO £000s** | **PV £000s** | **Consolidated total £000s** |
|---|---|---|---|
| **Segment revenues** | **58,077** | **60,504** | **118,581** |
| Cost of sales | **(22,906)** | **(29,285)** | **(52,191)** |
| Reimbursable expenses | **(17,621)** | **(407)** | **(18,028)** |
| **Segment gross profit** | **17,550** | **30,812** | **48,362** |
| Selling, general and administration expenses | | | **(34,877)** |
| **Selling, general and administration expenses comprises:** | | | |
| Other selling, general and administration expenses | | | **(27,736)** |
| Amortisation of acquired fair valued intangible assets | | | **(1,599)** |
| Share-based payment charge | | | **(817)** |
| Contingent consideration for acquisitions | | | **(2,949)** |
| Acquisition costs | | | **(1,776)** |
| Exceptional items | | | |
| Research and development expenses | | | **(130)** |
| Net impairment of trade receivables and contract assets | | | **(324)** |
| Other operating income | | | **1,593** |
| **Operating profit** | | | **14,624** |
| Finance income | | | **1** |
| Change in fair value of equity investments | | | **-** |
| Finance costs | | | **(361)** |
| **Profit before tax** | | | **14,264** |

**2020**

| | CRO £000s | PV £000s | Consolidated total £000s |
|---|---|---|---|
| **Segment revenues** | 31,316 | 55,075 | 86,391 |
| Cost of sales | (12,737) | (25,949) | (38,686) |
| Reimbursable expenses | (7,584) | (471) | (8,055) |
| **Segment gross profit** | 10,995 | 28,655 | 39,650 |
| Selling, general and administration expenses | | | (27,518) |

| | |
|---|---|
| **Selling, general and administration expenses comprises:** | |
| Other selling, general and administration expenses | (24,591) |
| Amortisation of acquired fair valued intangible assets | (1,332) |
| Share-based payment charge | (742) |
| Acquisition costs | (853) |
| Exceptional items | – |
| Research and development expenses | (152) |
| Net impairment of trade receivables and contract assets | (285) |
| Other operating income | 1,839 |
| **Operating profit** | 13,534 |
| Finance income | 8 |
| Change in fair value of equity investments | (511) |
| Finance costs | (403) |
| **Profit before tax** | 12,628 |

## 4. Contingent consideration for acquisitions

Where contingent consideration is deemed to be employment related the cost is recognised in the income statement as an employment related cost over the period which it is earned. Contingent consideration not classified on the remuneration basis is reported as acquisition consideration.

Contingent and deferred consideration recognised at the point of acquisition are included as a financial liability. Financial assets and liabilities are subsequently measured at fair value through the profit and loss.

Contingent consideration in relation to MS Clinical Services LLC was valued at £nil at the date of acquisition and as at 31 December 2020.

To facilitate the full integration of MS Clinical Services, LLC the management of the Company and MedSource agreed a revised earn-out and settlement agreement on 23 July 2021. The revised earn-out and settlement agreement gave rise to a charge to the profit and loss of £2,949,000 ($3,800,000).

### *Contingent consideration charged to profit and loss*

| | **2021 £000s** | 2020 £000s |
|---|---|---|
| Contingent Consideration for acquisitions - MedSource | **2,949** | **–** |

### *Deferred consideration payable*

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2021 £000s** | 2020 £000s | **2021 £000s** | 2020 £000s |
| Due within one year: | | | | |
| MedSource | **–** | 328 | **–** | – |
| | **–** | 328 | **–** | – |

The deferred consideration payable for MS Clinical Services, LLC and its subsidiaries ('MedSource') of £328,000 was due upon the verification of the net assets acquired by the Group at the acquisition date and was settled in cash during 2021.

## 5. Acquisition costs

| | **2021 £000s** | 2020 £000s |
|---|---|---|

| | | |
|---|---|---|
| Acquisition of Ashfield Pharmacovigilance | **-** | 14 |
| Acquisition of MedSource (note 16) | **406** | 825 |
| Acquisition of ADAMAS (note 17) | **240** | - |
| Aborted and other acquisition costs | **1,130** | 14 |
| | **1,776** | 853 |

In line with company strategy, Ergomed has considered a number of potential acquisitions in 2021. Costs of £406,000 were incurred in relation to the acquisition of MedSource in 2021 (2020: £825,000) and £240,000 were incurred in 2021 in relation to the acquisition of ADAMAS which completed on 9 February 2022. Ergomed incurred costs of £1,130,000 in relation to aborted acquisitions.

## 6. Other operating income

### Research and Development Expenditure Credit ('RDEC')

The Group is eligible, within the UK, to claim tax credits against certain R&D expenditure under the Research and Development Expenditure Credit ('RDEC') scheme. During the year, the Group submitted claims in respect of the 2019 and 2020 financial years and recognised the related profit and loss charge within other operating income in the current financial year.

| | **2021 £000s** | 2020 £000s |
|---|---|---|
| Foreign grant income | **629** | 574 |
| RDEC income | **956** | 1,188 |
| Other income | **8** | 77 |
| | **1,593** | 1,839 |

## 7. Finance costs

| | **2021 £000s** | 2020 £000s |
|---|---|---|
| Loan and other interest payable | **170** | 158 |
| Interest on lease liabilities | **191** | 245 |
| | **361** | 403 |

## 8. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

### Earnings

| | **2021 £000s** | 2020 £000s |
|---|---|---|
| **Profit for the purposes of earnings per share – net profit attributable to owners of the Company** | **12,674** | 9,682 |
| **Adjust for:** | | |
| Amortisation of acquired fair valued intangible assets (note 11) | **1,605** | 1,332 |
| Share-based payment charge | **817** | 742 |
| Acquisition-related contingent consideration (note 4) | **2,949** | – |
| Acquisition costs (note 5) | **1,776** | 853 |
| Pay in lieu and non-compete compensation | **211** | 232 |
| Change in fair value of equity investments | **-** | 511 |
| RDEC income (2017) | **-** | (527) |
| Employment creation grants - Serbia | **-** | (307) |
| Tax effect of adjusting items | **(102)** | (41) |
| **Adjusted earnings for the purposes of adjusted earnings per share (unaudited)** | **19,930** | 12,477 |

### Number of shares

| | **2021 Number** | 2020 Number |
|---|---|---|
| Weighted average number of Ordinary Shares for the purposes of basic earnings per share | **48,466,740** | 48,323,814 |

| | | |
|---|---|---|
| Incremental shares in respect of employee share schemes | **2,102,588** | 2,176,170 |
| **Weighted average number of Ordinary Shares for the purposes of diluted earnings per share** | **50,569,328** | 50,499,984 |

### Earnings per share (EPS)

| | **2021 pence** | 2020 pence |
|---|---|---|
| Basic | **26.1** | 20.0 |
| Diluted | **25.1** | 19.2 |

### Adjusted earnings per share (Adjusted EPS)

| Unaudited | **2021 pence** | 2020 pence |
|---|---|---|
| Basic | **41.1** | 25.8 |
| Diluted | **39.4** | 24.7 |

## 9. EBITDA and Adjusted EBITDA

| Unaudited | **2021 £000's** | 2020 £000's |
|---|---|---|
| **Operating profit** | **14,624** | 13,534 |
| Adjusted for: | | |
| Depreciation and amortisation charges within selling, general & administration expenses | **3,447** | 3,511 |
| Amortisation of acquired fair valued intangible assets | **1,599** | 1,332 |
| **EBITDA** | **19,670** | 18,377 |
| Adjusted for: | | |
| Share-based payment charge | **817** | 742 |
| Acquisition related contingent compensation (note 4) | **2,949** | – |
| RDEC income | **-** | (527) |
| Employment creation grants - Serbia | **-** | (307) |
| Acquisition costs (note 5) | **`1,776** | 853 |
| Pay in lieu and non-compete compensation | **211** | 232 |
| **Adjusted EBITDA** | **25,423** | 19,370 |

## 10. Goodwill

| **Goodwill** | **£000s** |
|---|---|
| **Cost** | |
| At 1 January 2020 | 15,523 |
| Arising on business combinations | 11,261 |
| Translation movement | (36) |
| At 31 December 2020 | **26,748** |
| Fair value adjustment arising on business combinations | **(477)** |
| Translation movement | **(225)** |
| **At 31 December 2021** | **26,046** |
| **Impairment losses** | |
| At 1 January 2020 and 2021 | 2,143 |
| **At 31 December 2020 and 2021** | **2,143** |
| Net book value | |
| **At 31 December 2021** | **23,903** |
| At 31 December 2020 | 24,605 |

The fair value adjustment arising on business combinations during the year ended 31 December 2021 relates to the acquisitions of MS Clinical Services, LLC ('MedSource') (note 17).

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

| Cash-generating unit | 2021 £000s | 2020 £000s |
|---|---|---|
| **CRO** | **10,190** | 10,859 |
| **PV** | **13,713** | 13,746 |
| | **23,903** | 24,605 |

## 11. Other intangible assets

| | Software £000s | Customer contracts £000s | Customer relationships £000s | Brands £000s | In-process R&D £000s | Technology £000s | Total £000s |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2020 | 3,478 | 1,258 | 3,395 | 817 | 15,200 | 419 | 24,567 |
| Acquisitions through business combinations | – | 1,739 | 6,075 | 916 | – | – | 8,730 |
| Additions | 542 | – | – | – | – | – | 542 |
| Translation movement | 120 | (23) | (149) | (11) | – | – | (63) |
| At 31 December 2020 | **4,140** | **2,974** | **9,321** | **1,722** | **15,200** | **419** | **33,776** |
| IFRS3 Revaluation | **-** | **90** | **240** | **38** | **-** | **-** | **368** |
| Additions | **30** | **-** | **-** | **-** | **-** | **-** | **30** |
| Disposals | **(211)** | **-** | **-** | **-** | **-** | **-** | **(211)** |
| Translation movement | **(7)** | **6** | **2** | **(21)** | **-** | **-** | **(20)** |
| **At 31 December 2021** | **3,952** | **3,070** | **9,563** | **1,739** | **15,200** | **419** | **33,943** |
| **Amortisation** | | | | | | | |
| At 1 January 2020 | 1,675 | 1,258 | 2,826 | 434 | 15,200 | 419 | 21,812 |
| Charge for the year | 934 | 553 | 675 | 104 | – | – | 2,266 |
| Translation movement | 42 | – | 33 | 5 | – | – | 80 |
| At 31 December 2020 | **2,651** | **1,811** | **3,534** | **543** | **15,200** | **419** | **24,158** |
| Charge for the year | **577** | **425** | **906** | **267** | **-** | **-** | **2,175** |
| Translation movement | **(6)** | **(5)** | **(20)** | **(12)** | **-** | **-** | **(43)** |
| **At 31 December 2021** | **3,222** | **2,231** | **4,420** | **798** | **15,200** | **419** | **26,290** |
| **Net book value** | | | | | | | |
| **At 31 December 2021** | **730** | **839** | **5,143** | **941** | **-** | **-** | **7,653** |
| At 31 December 2020 | 1,489 | 1,163 | 5,787 | 1,179 | – | – | 9,618 |

## 12. Trade and other receivables

| | 2021 £000s | 2020 £000s |
|---|---|---|
| Trade receivables | **20,234** | 19,079 |
| Other receivables | **869** | 1,241 |
| Prepayments | **1,818** | 1,482 |
| Corporation tax receivable | **2,222** | 422 |
| | **25,143** | 22,224 |

## 13. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

| | 2021 £000s | 2020 £000s |
|---|---|---|
| Cash at bank | **31,243** | 18,994 |
| Cash net of borrowings | **31,243** | 18,994 |

The carrying amount of cash and cash equivalents approximates to their fair value at the reporting date and are denominated in the following currencies:

| | 2021 £000s | 2020 £000s |
|---|---|---|
| GBP | **15,083** | 1,598 |
| Euro | **3,118** | 5,732 |
| USD | **11,757** | 10,213 |
| Other | **1,285** | 1,451 |
| | **31,243** | 18,994 |

## 14. Trade and other payables

| | 2021 £000s | 2020 £000s |
|---|---|---|
| Trade payables | **3,102** | 4,197 |
| Amounts payable to related parties | **3** | 55 |
| Social security and other taxes | **1,302** | 1,112 |
| Other payables | **1,802** | 1,295 |
| Customer advances | **47** | 408 |
| Accruals | **8,951** | 8,635 |
| | **15,207** | 15,702 |

Customer advances relate to deposits made by customers as security over future services and third-party costs incurred in relation to those services.

## 15. Ordinary share capital

### Group and Company

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number | £000s | Number | £000s |
| **Ordinary shares of £0.01 each** | | | | |
| At 1 January | **48,719,526** | **487** | 47,286,289 | 473 |
| Exercise of share options | **418,545** | **4** | 1,433,237 | 14 |
| Shares to be issued for non-cash consideration | **155,558** | **2** | 155,558 | 2 |
| **At 31 December** | **49,263,629** | **493** | 48,875,084 | 489 |

## 16. Acquisition of subsidiary – MedSource

On 11 December 2020, the Group acquired all of the issued share capital in MS Clinical Services, LLC, MedSource UK Ltd and MS Clinical Services (Canada) Inc. (‘MedSource’”) for $16,200,000 in cash, adjusted for net debt, and paid at the closing of the transaction, with further consideration of $1,800,000 payable in Ergomed plc equity issued at a price based on the average daily closing price for 30 days preceding the acquisition (155,558 shares at a price of £8.76) upon the satisfaction of certain representations and warranties.

In order to facilitate the full integration of all CRO activities under the Ergomed CRO brand and management, and fully realise the benefit of a wider CRO operational base in North America before the originally planned and anticipated earn-out and handover period at the end of 2021, the management of the Company and MedSource agreed a revised earn-out and settlement agreement on 23 July 2021. The revised earn-out and settlement agreement gave rise to final payments totaling £2,949,000 ($3,800,000) in 2021 (note 4).

MedSource is a full-service CRO with a focus on complex diseases and study designs. The acquisition greatly expands the geographical presence of Ergomed’s CRO service offering in the US whilst complementing the current business specialism in oncology and rare disease.

| | Book value £000s | Fair value adjustments £000s | Final valuation £000s |
|---|---|---|---|
| Intangible assets | 475 | 6,072 | 6,547 |
| Property, plant and equipment | 89 | – | 89 |
| Right-of-use assets | – | 131 | 131 |
| Deferred tax asset | - | 3,393 | 3,393 |
| Total non-current assets | 564 | 9,596 | 10,160 |
| Trade and other receivables | 3,062 | – | 3,062 |
| Cash and cash equivalents | 4,346 | – | 4,346 |
| Current assets | 7,408 | – | 7,408 |
| Trade and other payables | (2,348) | – | (2,348) |
| Lease liability | – | (131) | (131) |
| Deferred Revenue | (6,528) | (3,208) | (9,736) |
| Deferred tax liability | – | (1,683) | (1,683) |
| Financial liabilities | (8,876) | (5,022) | (13,898) |
| Total identifiable net assets | (904) | 4,574 | 3,670 |
| Goodwill | | | 6,773 |
| Total consideration | | | 10,443 |
| **Satisfied by:** | | | |
| Cash | | | 9,092 |
| Equity | | | 1,351 |
| Total consideration | | | 10,443 |
| **Net cash outflow arising on acquisition** | | | |
| Cash consideration | | | 8,764 |
| Less: cash and cash equivalent balances acquired | | | (4,346) |
| Add: deferred consideration | | | 328 |
| Add: Earn-Out and settlement agreement | | | 2,949 |
| Transaction expenses | | | 1,231 |
| | | | 8,926 |

The fair value of intangible assets relates to customer relationships of £4,317,000, brand of £954,000 and contracted order book of £1,276,000. The Group incurred acquisition related costs of £825,000 related to due diligence and legal activities in the year ended 31 December 2020 and £406,000 in the period to 31 December 2021. These costs have been included in acquisition costs within selling and administrative expenses in the Group's consolidated income statement.

The Company has a 12-month measurement period from the date of acquisition and the measurement period ended on 11 December 2021.

## 17. Post-year end acquisition of subsidiary - ADAMAS

On 9 February 2022, the Group acquired all the issued share capital in ADAMAS Consulting Group Limited. The acquisition has been completed for a cash consideration of £25.6 million, representing an enterprise value of £24.2 million and cash acquired of £1.4 million. Ergomed Plc drew down on its £15 million multi-currency rolling credit facility ('RCF) on 1 February 2022 and utilised the funds and existing Group cash reserves to fund the acquisition.

ADAMAS is an international specialist consultancy offering a full range of independent quality assurance services and specialising in the audit of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. The subsidiary acquisition was post-year end and has not contributed to the consolidated profit of the Group for the year ended 31 December 2021.

Ergomed plc has a 12-month measurement period from the date of acquisition ending on 9th February 2023.