RNS Number : 1888P
Diaceutics PLC
21 May 2024

Diaceutics grows revenues by 22% in FY 2023 and delivers order book growth of 57%

52% of revenues are now recurring

Six customer engagements now at enterprise-wide level

AI upgrades to the DXRX platform driving improved data insights

Diaceutics becoming the primary commercialisation partner for pharma and biotech launching precision medicines - 17 of the top 20 global pharma companies are Diaceutics' customers

Strong balance sheet with cash of £16.7 million

Strong momentum enjoyed in 2023 has continued into 2024

Belfast and London, 21 May 2024 - Diaceutics PLC (AIM: DXRX), a leading technology and solutions provider to pharma and biotech companies, today announces the continued strong performance and growth across its business for the full year ended 31 December 2023.

Ryan Keeling, Diaceutics' Chief Executive Officer, commented: *"2023 was another year of strong performance and growth for Diaceutics despite it being a challenging year for the wider pharma industry. This growth demonstrates the significant value our customers place on our differentiated offering, as reflected by the increasing number of precision medicines we are working with. The good momentum we enjoyed in 2023 has continued into 2024 to date and we see many opportunities for growth both with existing and potential new customers."*

Financial Highlights:

	FY 2023	FY 2022	Change
Revenue	£23.7m	£19.5m	+22%
Recurring revenue percentage of overall revenue	52%	35%	+17 ppts
Annual Recurring Revenue (ARR)	£13.7m	Not reported	-
Order book	£26.5m	£16.9m	+57%
Gross Profit	£19.7m	£16.7m	+18%
Gross Profit Margin	83%	86%	-3 ppts
Adjusted EBITDA*	£2.4m	£3.6m	-33%
Profit /(loss) before tax	(£2.4m)	£0.6m	-£3.0m
Net cash	£16.7m	£19.8m	-£3.1m

**Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and exceptional items.*

- 22% revenue growth in FY 2023 - 19% on a constant currency basis
- 52% of revenues in the period were recurring (FY 2022: 35%)
- Good visibility on future revenues - order book value at 31 December of £26.5 million (2022: £16.9 million), of which £12.3 million will be realised in FY 2024
- Adjusted EBITDA of £2.4 million (2022: £3.6 million)
- Diaceutics remains debt free with cash of £16.7 million at 31 December (2022: £19.8 million)
- Continuing to scale and invest in line with accelerated growth strategy

Strategic & Commercial Highlights: *Continued progress across our key value drivers and expansion of our team, further enhancing our competitive advantage as we scale the business for future growth*

Enhancing our lab network, data capabilities and DXRX platform

- Further expansion of lab network, data assets and capabilities in Europe
- Accelerated roll out of DXRX Signal across US markets, which identified over 500,000 patients in 2023
- Enhanced platform scale and capabilities improving customer experience and service
- Significant technical upgrade to DXRX platform involving best in class AI

Investing in our team

- Leadership team further developed and strengthened - Ryan Keeling appointed Chief Executive Officer, Graham Paterson appointed as a Non-Executive Director and Jillian Beggs appointed Chief Commercial Officer. Co-founder and former CEO Peter Keeling now focussed on business development & partnership opportunities.
- Q1 2024 - appointment of Ken Ruppel as VP Scientific & Medical Services and Amie McNiece as VP Marketing

Strong commercial progress

- Four customers at enterprise level during 2023 (2022: Nil)
- Two new enterprise-wide engagements in 2024 - bringing total enterprise ARR to £9.0 million
- Worked with 69 individual therapeutic brands, an increase of 23% YoY
- Q1 2024 - Signed KPMG strategic alliance facilitating joint marketing
- May 2024 - hosted *Practice Gaps & Economic Forum* in Belfast

Current Trading & Outlook:

- Continued strong growth in Q1 2024 - Total Contract Value up 82% and revenues up 25% vs Q1 2023
- Q1 2024 Adjusted EBITDA and cash in line with expectations and accelerated investment strategy to scale for growth continuing to plan
- Deployment of enhanced technologies across the DXRX platform delivering operational leverage
- Market opportunity significant and growing, including expansion beyond pharma
- Continuing to win new business and expand enterprise-wide engagements with existing large pharma customers
- Strong demand for DXRX insight and engagement solution products driven by customer success

Analyst Presentation:
A webinar presentation for investors and analysts will be held at 1330 BST (0830 ET) on Tuesday, 21 May 2024. Those wishing to attend can register using the following link:

https://stifel.zoom.us/webinar/register/WN_avvLvNSEQ-GNugz8dbboZg

Investor Meet Presentation:
A webinar presentation for investors will be held via the Investor Meet platform at 1630 BST (1130 ET) on Tuesday, 21 May 2024. The presentation is open to all existing and potential shareholders and registration can be completed via the following link:

https://www.investormeetcompany.com/diaceutics-plc/register-investor

Questions can be submitted pre-event via your Investor Meet Company dashboard up until 0900 (BST) the day before the meeting or at any time during the live presentation. Investors who already follow Diaceutics on the Investor Meet Company platform will automatically be invited.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person responsible for making this announcement on behalf of the Company is Nick Roberts, Chief Financial Officer.

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About Diaceutics
At Diaceutics we believe that every patient should get the opportunity to receive the right test and the right therapy to positively impact their disease outcome.

We provide the world's leading pharma and biotech companies with an end-to-end commercialisation solution for precision medicines through data analytics, scientific and advisory services enabled by our platform DXRX - The Diagnostics Network ®.

Statement from the Chair

I am pleased to report on another year of significant progress for Diaceutics, as we continue to meet our strategic objectives and advance towards our goal of becoming the primary commercialisation partner for pharma and biotech in precision medicine.

In the past year, we announced our accelerated investment strategy which has resulted in enhancements to our data and platform technology. We have also expanded our lab network and successfully rolled out our customer experience teams and enhanced service offerings. These efforts have solidified our position as a trusted pharma partner and reinforced our competitive advantage.

Additionally, we have seen increasing traction with our customers at an enterprise-wide level, successfully growing our top line through the number of brands we work with, whilst also maintaining the average revenue per brand we generate. An enterprise-wide engagement is characterised by a customer deploying the DXRX solutions across three or more of the precision medicines in their portfolio, or a customer engaging Diaceutics as the primary commercialisation partner for their precision medicine.

Our financial performance remained robust despite challenges in the wider pharma industry during 2023, with a 22% increase in revenue to £23.7 million in 2023, growth in future revenue visibility through our order book, and an increasing proportion of our revenue being recurring. This success substantiates our decision to accelerate the investment in the business, demonstrates the value our customers place in our offerings, and gives the Board great confidence in the Group's continued momentum.

A continued commitment to strong governance, social and environmental responsibility

Driving Diaceutics' growth is our commitment to our purpose: that every patient should get the opportunity to receive the right test and the right therapy to positively impact their disease outcome. Eligible patients are not getting access to the medicines they need due to various 'gaps' in the diagnostic and treatment pathways. This was startling to see in our groundbreaking practice gaps study (Journal of Clinical Oncology, November 2022). Accessing data and analytics through our DXRX platform helps to overcome these gaps, so physicians can deliver the right medicine to individual patients - realising the promise and opportunity that precision medicine can deliver upon.

Our purpose shapes our culture; we believe in the importance of developing our people and supporting each individual's wellbeing and career. We also recognise the hard work of our teams in helping Diaceutics achieve its strategic goals and purpose. This was demonstrated in the results of our employee pulse survey, with 82% feeling a sense of personal accomplishment, 93% feeling empowered to excel in their roles, and 85% citing motivation to exceed expectations in their work, further underscoring our dedication to nurturing a supportive and fulfilling environment at Diaceutics.

With employees operating across 16 countries and fluent in 17 different languages, the exceptional diversity within our team at Diaceutics not only reflects our global reach but also fuels our ability to approach challenges from multiple perspectives and embodies our commitment to inclusivity and innovation.

At the Board level, we welcomed Graham Paterson as Non-Executive Director in October 2023, replacing Charles Hindson who stepped down after four years and the Board thank him for his service to Diaceutics. At the end of the year, the successful transition of CEOs took place, with Ryan Keeling taking over as CEO and Peter Keeling, co-founder, transitioning to a corporate development role on the Board.

As we continue to grow, we have also looked to strengthen our senior leadership team through the appointment of Jillian Beggs as Chief Commercial Officer and a series of Vice President appointments during and after the year end, ensuring we have the right structure to capitalise on the growth in our market, bringing additional expertise and leadership.

Diaceutics recognises the importance of maintaining high standards of corporate governance. We adhere to the principles of the QCA Corporate Governance Code (the "QCA Code") and will be reporting against the new 2023 QCA Code next year, in respect of the Group's financial year ending 31 December 2024. To ensure that the Group is operating to its highest level, we have rigorous processes in place to assess the effectiveness of the Board and its committees and assess how our standards can be improved.

I am especially pleased to see us publish our first Streamlined Energy and Carbon Reporting (SECR) report in our annual report. As a Board, we take environmental issues seriously and have voluntarily adopted the SECR framework to allow us to better measure and improve on our carbon footprint as we realise our growth ambitions. This echoes many of our pharma customers' own environmental ambitions and demands on their partners.

Global transition towards precision medicine presents a growing opportunity

As the global shift towards precision medicine accelerates, Diaceutics is well positioned to seize the opportunities presented. I am grateful to our dedicated team whose hard work has fuelled our growth, and as a result of our accelerated investment strategy, we have the infrastructure in place to deliver our solutions at scale. I am confident in our ability to drive continued progress in the year ahead.

Deborah Davis
Chair

CEO transition

On 26 September 2023, Diaceutics announced that Peter Keeling, co-founder and CEO of the Company for 18 years, would transition from his role as CEO on 1 January 2024. Peter continues to serve on the Board as an Executive Director, focusing on accelerating Diaceutics' corporate development and further strengthening Diaceutics' leadership position as the primary partner for pharma companies as they seek to commercialise the new generation of precision medicines across a range of disease areas over the coming months and years.

Since co-founding Diaceutics in 2005, Peter has guided the Company's evolution from a niche consulting service provider to a high margin, high growth diagnostic commercialisation platform, now serving 17 of the top 20 global pharma companies, with operations spanning Europe, North America and a network of around 1,000 labs worldwide.

On the same day, Ryan Keeling, then Chief Innovation Officer, was appointed CEO Designate and officially assumed the role of CEO on 1 January 2024. Ryan, who joined Diaceutics in 2006 and became a member of the Board upon its IPO in 2019, brings over 17 years of expertise in diagnostic commercialisation. He is the architect of the Company's data capabilities and DXRX platform, driving its technology advancements and product innovation.

Chief Executive review

Business and strategic overview

Transformational year

I am delighted to present my first set of results as CEO of Diaceutics. These results are validation of the market opportunity that Diaceutics is pursuing, and I am excited to continue to build upon this success, further establishing Diaceutics as the primary commercialisation partner for all life science companies launching precision medicines.

The past year has marked significant progress and strong financial performance for Diaceutics. Our accelerated investment strategy is yielding results, evidenced by our revenue growth and increasing proportion of recurring revenues, which enhance revenue quality and visibility.

Simplified model

At the start of the year, we outlined our accelerated investment strategy bringing focus to the business across our four value drivers:

- Data
- Lab Network
- DXRX Platform
- Our Team

We remain resolutely driven by our purpose; ensuring every patient should get the right test and the right therapy to positively impact their disease outcome. This shapes the strategic decisions we make.

Data

Our competitive advantage continues to be reinforced through our unrivalled depth of data. The expansion of our data supply network has significantly augmented our data coverage, particularly in the US market, and the launch of daily alerts via DXRX signal in August 2023 is a ground-breaking innovation which provides Diaceutics' customers with close to real time data that can be used to identify patients eligible for therapy prescription or clinical trial.

Lab network

Expanding our lab partner network has empowered labs to improve the patient diagnostic and treatment journeys. We have augmented our lab networks and data sets, with 941 labs now across 55 countries. Over the last year, Diaceutics has produced and promoted a range of exciting content to engage these labs and encourage a beneficial two-way relationship.

DXRX platform

To solidify our market leading position, we continually enhance our capabilities. Development of new functionality for the DXRX platform, including patient level linkable data, generative AI (Diaceutics Large Language Model, DLLM), and comprehensive US data sets that include data on social determinants of health, underscores our commitment to innovation.

The deployment of generative AI in the form of Diaceutics' Large "Lab" Model has enabled the platform to ingest large unstructured data sources from multiple sources on a daily basis, where it is sorted, labelled and communicated on to customers as insights within 24 hours.

This technology advancement enabled the launch of daily signal in 2023 and empowers Diaceutics' customers with even timelier insights, allowing healthcare professionals to be engaged precisely during the treatment decision window and ensuring the most effective drugs or therapies are offered promptly to patients.

The successful launch of new subscription offerings and the securing of six enterprise-wide engagements to date align with our objective to transition larger customers onto the DXRX platform, driving platform-based subscription contracts. 52% of our revenue is now subscription based, with ultimately, 70% of our business expected to be subscription only and platform enabled by the end of 2025, with peak adoption expected to reach 80% two years later. Crucially, we are seeing increasing traction for our enterprise-wide engagements, which offers Diaceutics a significant opportunity to scale.

Our team

At Diaceutics, our purpose - to ensure each patient receives the right treatment - guides every endeavour. Our team's dedication has been instrumental in driving significant progress, and it has been a privilege to work alongside them in various capacities within the organisation.

Investing in our people remains a priority. We have strengthened the team significantly through recruitment and investment in training and development. At a senior leadership level, we have recruited a number of Vice Presidents across the business, enhancing our industry expertise and supporting our strategic growth.

Financial performance

Strategy validated by strong financial performance

Business momentum has continued throughout the year, driven by further DXRX platform adoption by large pharma customers. Increasing both the number of therapeutic brands we work with and the average revenue per brand has allowed us to capture a greater share of customer budget. We worked with 44 customers during the year, adding 13 new therapeutic brands in 2023, and we have increased our average revenue per brand to £0.38 million up from £0.35 million in 2022.

Revenue grew 22% to £23.7 million in 2023 (2022: £19.5 million), 19% on a constant currency basis, with 52% of revenues in the year being recurring (2022: 35%). 72% of revenues were DXRX platform enabled, and our continued progress towards becoming a recurring revenue business is supported by our newly introduced metric of Annual Recurring Revenue (ARR) of £13.7 million as at 31 December 2023.

Our robust order book, totalling £26.5 million at December 31, 2023, represents 57% growth in the year (FY 2022: £16.9 million). £12.3 million of the order book will be realised as revenue in FY 2024.

The six enterprise-wide engagements secured across 2023 and Q1 2024 have an Annual Recurring Revenue (ARR) of £9.0 million. An enterprise-wide engagement is characterised by a customer deploying the DXRX solutions across three or more of the precision medicines in their portfolio, or a customer engaging Diaceutics as the primary commercialisation partner for their precision medicine. All six current enterprise-wide engagements are with top 20 global pharma companies, and are on autorenewal contract terms with contact lengths between 12 and 36 months.

We are committed to continuing to invest in the expansion of our key value drivers, and our strong balance sheet means we are fully funded to deliver significant growth in line with our strategic roadmap. Our cash at 31 December 2023 was £16.7 million (FY 2022: £19.8 million) and we continue to have no debt.

Market opportunity

Growing market opportunity and reach

The rapid expansion of the precision medicine market offers significant opportunities for Diaceutics. As global pharma intensifies their focus and dedicates more resources to this field, aiming to improve patient access, capture lost revenue and increase profitability, Diaceutics is well-positioned to capitalise on these trends. Despite their best efforts, we estimate that pharma is still losing up to US$3 billion[1] of lifetime precision medicine revenues due to inadequate testing. This underlying market strength, combined with pharma's potential diagnostic commercialisation budget of US$10-15 million per brand, reinforces Diaceutics' growth ambitions. We are committed to scaling by expanding the number of brands we work with and increasing the average revenue per brand.

Capturing the opportunity

The Board is confident that Diaceutics has the right offering and competitive advantage to capitalise upon the growing market opportunity. Peter Keeling's increasing involvement in a corporate development role underscores our commitment to accelerating growth through wider industry partnerships.

With our infrastructure investments (our platform, people and lab network) largely complete, we are poised for the next phase of growth, extending our market reach through partnerships and sales and marketing initiatives. Our recent strategic alliance with KPMG, exemplifies our commitment to expanding our commercialisation solutions to life science customers launching precision medicine. The strategic alliance will combine Diaceutics' and KPMG's extensive knowledge, expertise and industry reputation, and enable Diaceutics and KPMG to engage their life science customers, through a new sales channel, and with a broader and more comprehensive range of precision medicine services.

1 The US$3 billion of lifetime precision medicine revenues lost and US$10-15 million commercialisation budget for pharma are estimates based on Diaceutics market data.

Quarter 1 2024 trading

We are pleased to have seen positive progress in Q1. Notwithstanding the cautious spending of the pharma industry due to macroeconomic concerns observed during 2023, recurring revenues are growing, fuelled by strong demand for our insight and engagement solutions. The Total Contract Value ('TCV') of contracts signed grew 82% to £7.3 million and revenues grew 25% to £5.0 million (vs. Q1 2023). The Adjusted EBITDA and cash in Q1 2024 are both performing in line with Diaceutics' accelerated investment strategy and management expectations. The net headcount increase was 9 between 31 December 2023 and 31 March 2024.

The growing demand shows the underlying strength of the market and validates our accelerated investment strategy, and we are confident in sustaining this momentum as we turn our focus to extending our reach through increased sales and marketing activities.

We have further strengthened our senior leadership team. In February, Ken Ruppel was appointed Vice President of Scientific and Medical Services, to lead the expansion of our current offering and the development of innovative solution in precision medicine. Most recently, Amie Mc Neice has been appointed Vice President of Marketing, to oversee our three-year marketing vision, brand position, messaging and integration of marketing automation, as part of Diaceutics' drive to scale its marketing capabilities in the US and Europe.

We have also further solidified our central position within the precision medicine industry, announcing in April the formation of our landmark Economic Forum, composed of leading experts in the industry, aiming to urgently address the specific economic gaps limiting the advancement of precision medicine, which is synonymous with our purpose.

Outlook

Diaceutics continues to grow the number of precision medicines it is working on and is seeing continued strong demand for its insight and engagement solution products from customers, which is in turn, driving order book growth and increased recurring revenues. The importance and positioning of precision medicines in global pharma and biotech drug asset portfolios is maturing as they seek to improve patient access to therapies, capture lost revenue opportunities and increase profitability. As a result, the market opportunity available to Diaceutics is significant and continues to grow. Furthermore, recent collaboration with strategic partners has deepened our understanding of the competitive landscape and has served to validate our unique value proposition and superior market offering. Our success in 2023 and the sustained positive momentum in 2024 to date gives the Board confidence in current market estimates.

Ryan Keeling
Chief Executive Officer

Chief Financial Officer review

Diaceutics has delivered another year of strong revenue growth and financial performance in line with market expectations, against the backdrop of a challenging year for the pharma industry and supporting technology and service companies.

Despite these headwinds, Diaceutics posted top line growth of 22% in 2023, has a three-year Compound Annual Growth Rate (CAGR) of 23% and recurring revenues of over 50%. The progress Diaceutics continues to make against its strategy, teamed with the growing pharma market demand for data led insights, ensures that the opportunity available to Diaceutics is larger than ever and growing.

Accelerated investment strategy

With cash flow breakeven achieved in 2022 and a strong balance sheet at the start of 2023 with £19.8 million of cash and no debt, the Company announced its accelerated investment strategy in January 2023. This strategy is designed to support the Company's future revenue and profitability growth, positioning the Company as the primary precision medicine commercialisation partner for the global pharma and biotech industry.

To fully capitalise on this opportunity, expedite the introduction of additional data offerings to the market, and maintain its first-mover advantage, the Board decided to accelerate and enhance the Company's investments in data, and products, platform capability, and operating model over a two-year period spanning 2023 and 2024. The total net cash investment was expected to be approximately £7.0 million over the two year period, whilst preserving a robust minimum cash balance of approximately £12.0 million throughout - we are in line with both these metrics.

These investments primarily target data acquisition, greater platform functionality, AI capabilities, product innovation, lab network and sales and marketing teams. They are poised to bolster mid-term revenue growth, accelerate the transition towards recurring revenues, and enhance the Group's scalability. The Group anticipates that this investment will result in a reduction in EBITDA margin, but remaining EBITDA profitable throughout the two-year investment period.

As expected and outlined, the accelerated investment strategy has progressed in line with plans during 2023, and to date during 2024. Notable highlights are:

- Continued growth in the number of enterprise-wide engagements - six announced to date
- Improved data coverage and AI automation of data feeds in the US, EU and UK
- Enhanced Real World Data (RWD) products - daily, linkable, patient level insights
- The KPMG strategic alliance

Alongside these achievements, Diaceutics maintains its position as a pioneering thought leader within the precision medicine sector. Our recent hosting of the groundbreaking Precision Medicine Practice Gaps Economic, Policy, and Operational Solutions Forum on May 1, 2024, underscores our commitment to driving meaningful change within the industry. We look forward to sharing the insights and outcomes from this forum in the near future.

KPIs and Alternative Performance Measures ('APMs')

The Group's Key Financial Performance indicators are summarised below:

	2023 £000's	2022 £000's	Change
Revenue	23,699	19,504	22%
Revenue growth constant currency basis*	19%	26%	-
Proportion of revenue which is recurring*	52%	35%	+17 ppts
Annual Recurring Revenue*	13,662	*not reported*	-
Order book	26,517	16,928	57%
Order book visibility for next 12 months	12,334	10,898	13%
Gross profit	19,706	16,741	18%
Gross profit margin (%)	83%	86%	-3 ppts
Adjusted EBITDA*	2,357	3,583	(1,226)
EBITDA*	1,754	3,583	(1,829)
EBITDA margin*	7%	18%	-11 ppts
(Loss)/Profit before tax	(2,438)	564	3,002
Cash and cash equivalents	16,667	19,841	(3,174)

* Alternative Performance Measures

Alternative Performance Measures ('APMs')

In measuring and reporting financial information, management reviews APMs such as EBITDA, adjusted EBITDA, revenue growth on a constant currency basis and recurring revenue, all of 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. EBITDA is defined as earnings before interest, tax, depreciation, amortisation and certain exceptional items, but after share-based payment costs. The Directors may make certain adjustments to EBITDA, for nonrecurring or noncash items, to derive adjusted EBITDA, both measures of which they consider more readily reflect the Group's underlying trading performance, enabling better comparisons to be made with prior periods and industry peers. A reconciliation of operating profit to EBITDA and Adjusted EBITDA is included later in this report.

Recurring revenue is calculated as the value of revenue generated from auto-renew subscription contracts as a percent of total revenue. The Directors consider this metric to be a key measure of the strength and visibility of the Group's revenue in the year, and of the Group's progress towards realising its near-term strategy of transitioning to a platform-based recurring revenue model.

Annual Recurring Revenue (ARR) is the annualised value of revenue generated from subscription contracts with auto-renewal clauses as at a point in time. The annualisation calculation assumes that all subscription contracts expiring during the next 12 months will renew.

The Directors consider and report revenue and revenue growth in the current reporting period on a constant currency basis. This is because a majority of the Group's customer contracts are written in US Dollars and this can result in significant changes in the Group's performance, relative to the comparative period, based on the prevailing exchange rate in the year. Reporting the current period revenue on a constant currency basis allows stakeholders to better understand the underlying growth of the Group's activities, before the influence of foreign currency exchange rates.

'Order book' is defined under financial reporting standards as the aggregate amount of the revenue transaction price allocated to customer contracts that are partially or fully unsatisfied as at the year end and are not considered an APM. Order book is disclosed in note 4 of the Group financial statements.

We continue to evolve our KPIs and APMs to highlight and evidence the financial and operational performance of the Group and its progress against strategy.

Revenue growth and future visibility

Revenue for the year grew 22% to £23.7 million (2022: £19.5 million), a 19% increase on a constant currency basis. The underlying organic growth has been driven through the expanded sales and marketing team, account team structures and investment in insight solution delivery systems.

Revenue growth has been especially strong within the insight and engagement solutions ('IES', formerly 'Data' and 'TES'), growing 36% to £17.2 million (2022: £12.7 million). The IES platform-based solutions now represent 72% of all revenues - a transition which has been achieved in just three years since the platform launch and a standing start in 2021.

Scientific and advisory services ('SAS', formerly 'Advisory Services' and 'TES') revenues were £6.5 million in the year, down slightly on the comparative year of £6.9 million. These services were impacted by the pharma industry trading headwinds, and exacerbated by slower spend due to consolidation in the industry. Despite these challenges, SAS remain a fundamental offering of the business and its end-to-end customer precision medicine commercialisation offering.

As well as achieving impressive overall top-line growth in the year, the Company continues to enrich the quality of its earnings with 52% of all revenues now being recurring (2022: 35%), and the visibility of its earnings with the order book at 31 December 2023 growing 57% to £26.5 million, up from £16.9 million at December 2022. Order book represents the value of future contracted revenue yet to be realised, and in terms of visibility for 2024, stood at £12.3 million, giving coverage of approximately 42% of the consensus guidance revenue forecast for 2024.

The Total Contract Value (TCV) secured in the year was £35.9 million, a relatively modest increase on the value of contracts secured in the prior year of £34.3 million. The lower TCV growth in 2023 highlights the importance of the Company's accelerated growth strategy, specifically the need to investment in more sales and marketing capacity and establish additional sales channels with our existing and new customers.

The Group's customer base is heavily weighted towards blue-chip pharma companies, with 88% of revenue generated by customers based in the USA (2022: 74%). The Group worked with a total of 44 customers during the year (2022: 43) across 69 therapies (2022: 56). The group has increased its average revenue per brand to £0.38 million, up from £0.35 million in 2022, and continues to increase the value of addressable lifetime therapy brand spend secured with 37 brands with lifetime brand spend over $1 million (£0.8 million) (2022: 26).

The Group continues to see a higher weighting of revenue, and therefore profitability, in the second half of the financial year. In 2023 the revenue weighting first vs. second half of the year was 42:58 compared to 38:62 in 2022. This weighting has historically been driven by the pharma industry's propensity to spend more of its budget in the second half of the year, particularly the fourth quarter of the year, as it reaches the end of its own budget and financial year. The Company saw the second half revenue weighting reducing slightly in 2023 and expect this to continue in future years as a result of the Group's shift to multi-year recurring revenue contracts. This transition may be impacted in the short term by the strong revenue growth rates experienced by the Company and the 'accumulation' effect of the recurring revenue contracts sold in the first half of the year.

The table below sets out the revenue split between the key solution offerings:

	2023 £000's	2022 £000's	Change
Insight and Engagement solutions	17,150	12,653	36%
Scientific and Advisory services	6,549	6,851	(4%)
Total revenue	**23,699**	**19,504**	22%

Investment in customer service, scale and capacity

During 2023, the business focused on delivering against its investment priorities, all of which are key to enabling our future growth and scale. Specifically our investment focused on, and delivered:

Investment focus	Delivered in 2023 and 2024 to date
Enrich data and platform products	Enhanced Real World Data (RWD) products: Improved data geographical and therapeutic area

	coverage, Daily Signal launched, linkable datasets and European Signal development progressing.
Accelerate growth and engagement of the laboratory network and platform-based community	Broadening the laboratory network and relationships and launched first US virtual lab conference
Invest in platform scale and capability	Strengthened data supply chain. Enhancing platform functionality and AI capabilities. Launched My DXRX platform iteration for network stakeholders.
Transform our customer experience and service through customer account teams	Seven account teams with a project manager, data analyst, precision medicine expert and key account manager in each team. 13 brands added during the year. Six enterprise-wide engagements with top 20 pharma. Work with 17 of the top 20 pharma.

The additional investment undertaken by the business in people saw the headcount increase from 151 at December 2022 to 184 at the end of December 2023, growth of 22% and in line with the top-line growth of the business. The investment in people is critical at this stage to service the recurring revenue model, unlock the business growth opportunity and build scale through technology deployment. The increase in headcount was across people in customer service and delivery teams, platform technology teams and the breadth of senior management (Vice Presidents).

EBITDA and profit before tax performance

The Group generated an EBITDA of £1.8 million at a margin of 7%, behind that of the prior year at £3.6 million and a margin of 18%. The adjusted EBITDA in 2023 was £2.4 million at a margin of 10% vs. £3.6 million and 18% in 2022.

The Company remains EBITDA profitable but has experienced a drop in profitability as a result of the deliberate and measured investment in its customer service, scale and capacity initiatives. The Company continues to invest in its platform development with the overall spend remaining similar year on year, but the value of development costs which are expensed through profit and loss rather than capitalised has increased from £0.2 million in 2022 to £1.0 million in 2023.

The intensity of development costs being capitalised will continue to curtail over the coming years, instead being expensed to profit and loss as the business matures.

The drop in profitability during 2023 and forecast in 2024 is in line with the accelerated investment strategy communicated to investors in early 2023 and will allow the mid-term rate of revenue growth to increase, accelerate the continued shift towards recurring revenues and to improve the future scalability of the Group.

In addition, included within EBITDA in 2023 are one-off US sales tax costs of £0.6 million, which the business has accrued as a liability as at 31 December 2023, but which related to 2023 and prior years. These sales tax costs would usually be charged to customers, recovered and remitted to the relevant US state authorities with no impact to the costs of the Group. However, because the Company had not historically registered for sales taxes in certain states, the related costs could not be charged and recovered from customers. As such, the Company is in the process of disclosing this historic position to the relevant state authorities and will settle this liability during 2024. Future sales taxes arising on sales in these states will be charged to customers, recovered and remitted with no significant further impact to the costs of the Group.

The Adjusted EBITDA of the Group is £2.4 million, an Adjusted EBITDA margin of 10%, after removing the one-off US sales tax costs incurred. There were no adjusting items included in Adjusted EBITDA in the 2022 year.

Profit before tax reduced £3.0 million from a profit of £0.6 million in 2022 to a loss of £2.4 million in 2023. As described above, much of the reduction in profitability was driven by the investment the Company has made in its customer service, scale and capacity initiatives and the one-off US sales tax costs. In addition, the amortisation costs have increased year on year from £2.7 million in 2022 to £4.5 million in 2023, this increase being primarily driven by a change in the estimated Useful Economic Life (UEL) of the data assets from four years to three. Further details regarding this change are included under the 'Financial Strength' section.

The table below sets out the reconciliation of operating profit to EBITDA and Adjusted EBITDA:

	2023 £000's	**2022 £000's**
Operating profit	**(3,018)**	**575**
Depreciation & Amortisation	4,772	3,008
EBITDA	1,754	**3,583**
EBITDA margin	7%	18%
Adjustments for:		
- US sales tax provision	603	-
Adjusted EBITDA	2,357	**3,583**
Adjusted EBITDA margin	10%	18%

Financial strength

At 31 December 2023, the Group reported a strong net asset position of £40.8 million (2022: £42.5 million), with cash and cash equivalents of £16.7 million (2021: £19.8 million) and no debt.

During the year, the Group invested in its customer service capabilities, platform development and its data repository.

Platform development spend, in the form of technology stack capacity and scale, was £2.0 million of which £1.0 million was capitalised in the year (2022: £2.6 million of total platform development spend of which £2.4 million was capitalised). The intensity of platform development has remained relatively consistent with comparative periods. In line with the continued investment in DXRX platform capacity and scale, and as set out in our accelerated investment strategy, the proportion of development costs which are capitalised has decreased from £2.4 million in 2022 to £1.0 million as the platform reaches maturity.

As planned and set out in our accelerated investment strategy, the volume of data acquired in 2023 significantly increased resulting in data expenditure of £3.6 million compared with £2.2 million in 2022. The increased data investment has been in sources identified through our lab network and existing data supply chain and has enabled us to procure richer, more unique and more timely data, over a wider geographical spread. We expect this level of data expenditure to continue and more proportionately increase in line with Insight and Engagement Solution (IES) commercial engagements.

During 2023 the business updated the estimated Useful Economic Life (UEL) of its data assets from four years to three to more accurately reflect the weighted average timeframes of the data commercial and internal use cases. No data assets were impaired and the change of estimated UEL is a prospective change in amortisation rates from 1 January 2023. The business will continue to monitor and adjust accounting policies and estimates as required.

The financial strength of the Group is underpinned by its strong cash reserves, £16.7 million at 31 December 2023. During 2022 the business moved to a position of overall cash flow generation, a pivotal moment which unlocked the confidence in accelerating the investment strategy through 2023 and 2024.

Through 2023 the cash received from operations were £0.6 million (2022: £3.7 million). The free cash flow (Net cash inflow from operating activities less capital expenditure less the payment of lease liabilities) for the year was an outflow £3.7 million, a reduction on 2022 which saw an inflow of £0.1 million. The free cash outflow is predominately driven by the increased level of data acquired (up from £2.2 million in 2022 to £3.6 million in 2023) and increased operating cash outflows in customer service, scale and capacity initiatives. After 2024, the growth in operating costs will start to curtail, realising greater levels of profitability and free cash flow, but levels of data acquisition are likely to stay around £5.0 million annually, but subject to business data utility demands.

The Group maintained an undrawn multi-currency Revolving Credit Facility for £4.0 million with its primary bank, SVB UK, until it expired in July 2023. Negotiations had progressed with multiple providers to renew the facility in July, however the Board agreed that the advantages of the facility were outweighed by the costs of the facility and the Group's continued access to its own substantial cash reserves.

Outlook

While the pharma industry remains cautious in response to macroeconomic concerns and political pressures in the form of drug-pricing policies, Diaceutics continues to grow the number of precision medicines it is working on and is seeing continued strong demand for its insight and engagement solution products, which is in turn driving order book growth and increased recurring revenues.

The market opportunity available to Diaceutics is larger than ever and continues to grow at pace as global pharma accelerates the shift to precision medicine to improve patient access, capture lost revenue and increase profitability. The successes of 2023 and the sustained positive momentum in 2024 serve to validate the Group's growth strategy.

Nick Roberts

Chief Financial Officer

Group Profit and Loss Account

	Note	2023	2022
		£000's	**£000's**
Revenue	4	23,699	19,504
Cost of sales	5	(3,993)	(2,763)
Gross profit		**19,706**	**16,741**
Administrative expenses	5	(22,784)	(16,280)
Other operating income		60	114
Operating (loss) / profit	5	**(3,018)**	**575**
Finance income		646	111
Finance costs		(66)	(122)
(Loss) / profit before tax		**(2,438)**	**564**
Income tax credit		692	160
(Loss) / profit for the financial year		**(1,746)**	**724**

All results relate to continuing operations.

Group Statement of Comprehensive Income

for the year-ended 31 December 2023

	2023	2022
	£000's	£000's
(Loss) / profit for the financial year	(1,746)	724
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(378)**	440
Total comprehensive (loss)/income for the year, net of tax	**(2,124)**	**1,164**

All results relate to continuing operations.

Group Statement of Financial Position

as at 31 December 2023

	Note	2023	2022
ASSETS		**£000's**	**£000's**
Non-current assets			
Intangible assets	7	15,262	15,222
Right of use assets		1,180	1,333
Property, plant and equipment		719	759
Deferred tax asset		1,143	46
		18,304	**17,360**
Current assets			
Trade and other receivables	8	11,367	9,209
Income tax receivable		6	1,846
Cash and cash equivalents		16,667	19,841
		28,040	**30,896**
TOTAL ASSETS		**46,344**	**48,256**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	169	169
Share premium	10	37,126	37,126
Treasury shares	10	(312)	(263)
Translation reserve	10	(240)	138
Profit and loss account		4,043	5,344
TOTAL EQUITY		**40,786**	**42,514**
Non-current liabilities			
Lease liability		1,059	1,205
Provision for dilapidation		88	79
Deferred tax liability		28	706
		1,175	**1,990**
Current liabilities			
Trade and other payables	9	4,237	3,628
Lease liability		146	124
		4,383	**3,752**
TOTAL LIABILITIES		**5,558**	**5,742**
TOTAL EQUITY AND LIABILITIES		**46,344**	**48,256**

Group Statement of Changes in Equity

for the year-ended 31 December 2023

	Equity share capital	Share premium	Treasury shares	Translation reserve	Profit and loss account	Total equity
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2022	**168**	**36,864**	**(165)**	**(302)**	**4,084**	**40,649**
Profit for the year	-	-	-	-	724	724
Other comprehensive income	-	-	-	440	-	440
Total comprehensive income for the year	**-**	**-**	**-**	**440**	**724**	**1,164**
Transactions with owners, recorded directly in equity						
Conversion of loan notes	1	133	-	-	-	134
Exercise of warrants	-	129	-	-	-	129
Share-based payment	-	-	-	-	536	536
Treasury shares	-	-	(98)	-	-	(98)
Total transactions with owners	**1**	**262**	**(98)**	**-**	**536**	**701**
At 31 December 2022	**169**	**37,126**	**(263)**	**138**	**5,344**	**42,514**

	Equity share capital	Share premium	Treasury shares	Translation reserve	Profit and loss account	Total equity
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 January 2023	**169**	**37,126**	**(263)**	**138**	**5,344**	**42,514**
Profit for the year	-	-	-	-	(1,746)	(1,746)
Other comprehensive loss	-	-	-	(378)	-	(378)
Total comprehensive income for the year	**-**	**-**	**-**	**(378)**	**(1,746)**	**(2,124)**
Transactions with owners, recorded directly in equity						
Share based payment	-	-	-	-	445	445
Treasury shares	-	-	(49)	-	-	(49)
Total transactions with owners	**-**	**-**	**(49)**	**-**	**445**	**396**
At 31 December 2023	**169**	**37,126**	**(312)**	**(240)**	**4,043**	**40,786**

Group Statement of Cash Flows

for the year-ended 31 December 2023

	Note	2023	2022
		£000's	£000's
Operating activities			
(Loss) / profit before tax		(2,438)	564
Adjustments to reconcile (loss) / profit before tax to net cash flows from operating activities			
Net finance costs		(580)	11

Amortisation of intangible assets	5	4,459	2,704
Depreciation of right to use asset	5	153	157
Depreciation of property, plant and equipment	5	161	147
Research and development tax credits		(42)	(86)
Share-based payments	5	445	536
Loss on disposal of fixed asset		3	-
Increase in trade and other receivables		(2,158)	(1,594)
Increase in trade and other payables		618	1,266
Cash received from operations		**621**	**3,705**
Tax received		690	1,391
Net cash inflow from operating activities		**1,311**	**5,096**
Investing activities			
Purchase of intangible assets	7	(4,730)	(4,684)
Purchase of property, plant and equipment		(125)	(186)
Finance income interest received		646	111
Net cash outflow from investing activities		**(4,209)**	**(4,759)**
Financing activities			
Interest paid		(11)	(59)
Leasehold repayments		(179)	(163)
Purchase of treasury shares	10	(49)	(98)
Issue of shares on exercise of a warrant		-	129
Net cash outflow from financing activities		**(239)**	**(191)**
Net increase/(decrease) in cash and cash equivalents		(3,137)	146
Net foreign exchange (loss)/ gain		(37)	20
Cash and cash equivalents at 1 January		19,841	19,675
Cash and cash equivalents at 31 December		**16,667**	**19,841**

Notes to the Group Financial Statements

for the year-ended 31 December 2023

1. General information

Diaceutics PLC (the "Company") is a public company limited by shares, incorporated, domiciled and registered in Northern Ireland. The Company's registration number is NI055207, and the registered office is First Floor, Building Two, Dataworks at King's Hall Health & Wellbeing Park, Belfast, County Antrim, Northern Ireland, BT9 6GW.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company financial statements present information about the Company as a separate entity and not about the Group.

The principal activity of Diaceutics PLC ("the Company") and its subsidiaries (together "the Group") is data, data analytics and implementation services.

The Group has established a core suite of products and outsourced advisory services which help its Pharma customers to optimise and deliver their marketing and implementation strategies for companion diagnostics. Their mission is to design, create and implement innovative solutions that enhance speed to market and increase the effectiveness of all the stakeholders in the personalised medicine industry.

The financial statements are presented in pounds sterling.

Basis of accounting

These consolidated financial statements have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the Companies Act 2006 applicable to companies reporting under UK adopted international accounting standards. These financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies.

The preparation of financial statements in conformity with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Judgements in applying accounting policies and key sources of estimates and uncertainty are disclosed in the notes.

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The material accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The financial performance and balance sheet position at 31 December 2023 along with a range of scenario plans to 31 December 2026 has been considered, applying different sensitives to revenue. Across these scenarios, including at the lower end of the range, there remains significant headroom in the minimum cash balance over the period to 31 December 2026 and the Directors have satisfied themselves that the Group has adequate funds in place to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company has power over the subsidiary, is exposed, or has rights, to returns from its involvement with the subsidiary; and has the ability to use its power to affect its returns.

The Company considers all relevant facts and circumstances in assessing whether it has control over a subsidiary, including the ability to direct the relevant activities at the time that decisions need to be made.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Employee Benefit Trusts ('EBTs'), including the UK and Global SIPs, are accounted for under IFRS 10 and are consolidated on the basis that the parent has control, thus the assets and liabilities of the EBT are included on the company balance sheet and shares held by the EBT in the Company are presented as a deduction from equity.

2. Accounting policies

New and amended IFRS standards that are effective for the current year

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2023:

- IFRS 17 Insurance Contracts including Amendments to IFRS 17
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

There has been no material impact on our financial statements as a result of any of these changes.

New accounting standards and interpretations not yet adopted by the Group

The following new accounting standards, amendments and/or interpretations have been published but not yet endorsed by the UK and are not mandatory for 31 December 2023 reporting year. They have not been early adopted by the Group and these standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current, Classification of Liabilities as Current or Non-current - Deferral of Effective Date and Non-current Liabilities with Covenants
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

We are still assessing the implications of the new standards and interpretations however it is not expected to have a material impact on the Group.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

The Group has two separate products and service lines: Insight & Engagement Solutions (Data and related information services); Scientific & Advisory Services (Professional services).

The Group's performance obligations for these revenue streams are deemed to either be the provision of specific deliverables to the customer, at or over a period of time, or subscription-based deliverables.

Revenue billed to the customer is allocated to the various performance obligations, based on the relative fair value of those obligations, and is then recognised when it transfers control of a deliverable to a customer as follows:

Insight & Engagement Solutions (Data & related information services)

Insight & Engagement Solutions (formerly referred to as Data) comprise access to the DXRX platform diagnostic testing data repository to utilise licensed data insight products, typically: Lab Segmentation, Physician Segmentation, Testing Rates Tracker and Physician Signal.

The contract with the customer defines the nature, quantity and price of the data license to be provided. Licenses provided under each contract are split into the identifiable and distinct performance obligations which are satisfied at or over time, depending on whether the data license deliverable has retrospective or prospective components, and if there are any data consultancy service components included. In determining the performance obligations for the data consultancy service component of the customer contract, judgment may be required in interpreting the contract wording and customer expectation of the data consultancy as a separately identifiable and distinct service if the contract is not explicit.

The transaction price associated with the performance obligation components is determined by reference to the contract and change orders. Where the contract does not determine the transaction price for performance obligations, judgement may be required to determine the transaction price. These judgements include allocating transaction prices to data consultancy services based on an adjusted market assessment approach with the residual transaction price allocated to the retrospective and prospective data license performance obligations pro-rated depending on the data license period of coverage.

Where a contract confers the customer with the right to benefit from existing data insight IP as at a specific date, as is the case for a retrospective data license, that is treated as a right to use licence and the revenue recognised at a point in time when delivered or access is enabled to the data. Where a contract confers the customer with the right to benefit from future data insight IP developments as they occur, as is the case for a prospective data license, that is treated as a right to access licence and revenue recognised on a subscription basis over the period of time that the customer has access to the data and the right to future IP developments. Revenue for data consulting services is recognised as the performance obligation milestones are satisfied.

Insight & Engagement Solution services are invoiced based on predetermined activities or milestones. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset (accrued revenue) or liability (deferred revenue) is recognised.

Scientific Advisory Services (Professional & Tech-Enabled Services)

Scientific Advisory Services (formerly referred to as Advisory Services and Tech-Enabled Services) comprise a range of services developed to help improve patient care by accelerating the development, delivery and uptake of precision medicine, as well as a suite of services designed to solve the challenges affecting precision medicine commercialisation success at a regional and global level. Typically this includes ranges of Consulting, Strategy and Planning, Insights, Education and Content Production, Impact Assessments, Market Access studies, Lab Alerts, Lab Training, Lab Engagement and Physician Engagement.

The contract with the customer defines the nature, quantity and price of the various services to be provided. Services provided (including those provided by a third party and reimbursed by the customer) under each contract are split into the identifiable and distinct performance obligations which are satisfied over time. The Group is the contract principal in respect of both direct services and the use of third parties that support the service. The transaction price is determined by reference to the contract and change orders, including any pass-through or reimbursable expenses, adjusted to reflect the amount the Group expects to be entitled to in exchange for transferring promised goods or services to a customer.

Revenue for the identifiable and distinct services is recognised as the contract performance obligations are satisfied. The progress towards completion of Scientific Advisory Services performance obligations is measured at a point in time: where milestones specified within client contract are satisfied or based on an input measure being project costs incurred to date as a proportion of total project costs (including third party costs) at each reporting period, depending on the nature of the service obligation.

The service fees for Scientific Advisory Services are invoiced based on predetermined activities or milestones. Third party costs are invoiced to customers as they are incurred. Where there is a timing difference between the recognition of revenue and invoicing under a contract, a contract asset (accrued revenue) or liability (deferred revenue) is recognised. Significant accrued and deferred revenue can arise for the Scientific Advisory Services as a result of these timing differences.

Contract assets and liabilities

The Group recognises contract assets in the form of accrued revenue when the value of satisfied or part-satisfied performance obligations is in excess of the payment due to the Group, and deferred revenue when the amount of unconditional consideration is in excess of the value of satisfied or part satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a trade receivable.

Changes in contract balances typically arise due to:

- adjustments arising from a change in the estimate of the cost to complete the project, which results in a cumulative catch-up adjustment to revenue that affects the corresponding contract asset or liability;
- the recognition of revenue arising from deferred revenue; and
- the reclassification of amounts to receivables when a right to consideration becomes unconditional.

Cost to obtain and fulfil contracts

Contract fulfilment costs in respect of the service line contracts are expensed as incurred.

The Group expenses pre-contract bidding costs which are incurred regardless of whether a contract is awarded.

Intangible assets

Research and development

Expenditure on research activities and patents is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable, and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of infrastructure and direct labour including employer national insurance. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost until it is brought into use. Capitalised development expenditure that is not available for use is tested for impairment annually.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Patents and trademarks — 3 years (33.3% straight line) from date of registration
- Datasets — 3 years (33% straight line)
- Software — 5 years (20% straight line)
- Platform — 10 years (10% straight line)
- Platform algorithms — 6 years (16.7% straight line)

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. In 2023, the Group changed the estimated useful life of its datasets from 4 years to 3 years. The revised useful life is based on management's assessment of the period that more accurately reflect the weighted average timeframes of the data commercial and internal use cases. The nature and amount of the effect of the change in useful life of buildings and improvements in the current period and the expected effect in future periods are disclosed in note 3.

Impairment

Intangible assets, property, plant and equipment, and right-of-use assets are tested for impairment at the reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

The Group also considered the potential impact of climate change. This is an area of estimation and judgement.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the Group and Company financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements and are summarised below.

Sources of estimation uncertainty

Source of estimation uncertainty	**Description**
Useful economic life (UEL) of intangible assets	The assessment of UEL of data purchases and platform require estimation over the period in which these assets will be utilised, it based on information on the estimated technical obsolescence of such assets and latest information on commercial and technical use. The platform has been assessed to have a UEL of 10 years, platform algorithms six years and data three years. In 2023, the Group changed the estimated useful life of its datasets from 4 years to 3 years. The revised useful life is based on management's assessment of the period that more accurately reflect the weighted average timeframes of the data commercial and internal use cases. The change in useful lives were accounted for prospectively. The change in the useful lives of datasets increased amortisation expense by Group of £750,000 and Company (£433,000) in 2023. There were no changes in useful lives of other intangible assets.
Impairment of assets	The assessment of the recoverable amount of property, plant and equipment, intangible assets, and right-of-use assets is made in accordance with IAS 36 Impairment of Assets. The Group performs an annual review in respect of indicators of impairment, and if any such indication exists, the Group and Company are required to estimate the recoverable amount of the asset. Following this assessment, no impairment indicators were present at 31 December 2023. The Group's policy is to test non-financial assets for impairment annually, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group and Company have considered whether there have been any indicators of impairment during the year to 31 December 2023 which would require an impairment review to be performed. Based upon this review, the Group and Company have concluded that there are no such indicators of impairment at 31 December 2023. With respect to the impairment considerations of an intangible asset, significant

	estimates are considered within the value in use calculation. The most significant estimate would be the revenue growth rate.
Discount rate	Application of IFRS 16 requires the Group and Company to make significant estimates in assessing the rate used to discount the lease payments in order to calculate the lease liability. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the Group commercial borrowing rate of 4.3% (2022: 4.3%)
Attrition rate	In the calculation of share-based payments and related costs charge, an assessment of expected employee attrition is used based on expected employee attrition and, where possible, actual employee turnover from the inception of the share option plan. The attrition rate varies depending on the nature of the award, rising to a maximum 3-year rate of 39.9% (2022: 37.6%)

Critical accounting judgements

Accounting policy	**Description of critical judgement**
Revenue	In determining the performance obligations for the data consultancy service component of Insight & Engagement Solutions, judgment may be required in interpreting the contract wording and customer expectation of the data consultancy as a separately identifiable and distinct service, if the contract is not explicit. The transaction price associated with the performance obligation components of Insight & Engagement Solution services is determined by reference to the contract and change orders. Where the contract does not determine the transaction price for performance obligations, judgement may be required to determine the transaction price. These judgements include allocating transaction prices to data consultancy services based on an adjusted market assessment approach with the residual transaction price allocated to the retrospective and prospective data license performance obligations pro-rated depending on the data license period of coverage. In revenue recognition for certain Scientific & Advisory Services where the input method is used to determine the revenue over a period of time, a key source of estimation will be the total budgeted hours to completion for comparison with the actual hours spent. Further details are disclosed in note 4 revenue and segmental analysis.
Deferred tax	In assessing the requirement to recognise a deferred tax asset, management carried out a forecasting exercise to assess whether the Group and Company will have sufficient future taxable profits on which the deferred tax asset can be utilised. This forecast required management's judgment as to the future performance of the Group and Company.
Intangible assets	The Group capitalises costs associated with the development of the DXRX platform and data lake. These costs are assessed against IAS 38 Intangible Assets to ensure they meet the criteria for capitalisation.

4. Revenue and segmental analysis

Operating Segments

The Group currently operates under one reporting segment, there are no individual groups of assets generating distinct and separately identifiable cashflows. Revenue is analysed under two separate revenue streams. Revenue represents the amounts derived from the provision of services which fall within the Group's ordinary activities, stated net of value added tax. Revenue is principally generated from the DXRX platform Insight & Engagement Solutions lines, as well as the Scientific Advisory Services lines. Revenue is disaggregated by primary geographic market, timing of recognition and by product/service line. Timing of revenue recognition and product/service line are the primary basis on which management reviews the business.

Revenue

For all periods reported the Group operated under one reporting segment but revenue is analysed under two separate product / service lines.

The following tables present the disaggregated Group revenue for the current and prior financial years:

a. Major product/service line

	2023	2022
	£000's	£000's
Insight & Engagement Solutions	17,150	12,653
Scientific & Advisory Services	6,549	6,851
	23,699	**19,504**

b. Timing of recognition

	2023	2022
	£000's	£000's
Point in time revenue recognition	9,359	9,370
Over time and input method revenue recognition	14,340	10,134
	23,699	**19,504**

c. Geographical market by customer location

	2023	2022
	£000's	£000's
North America	20,832	14,454
UK	352	561
Europe	2,470	2,696
Asia and Rest of World	45	1,793
	23,699	**19,504**

In 2023 there was one customer who had sales which exceeded 10% of total revenue, accounting for £3,659,000 (15.4%) of Group revenues. In 2022 no customers each had sales which exceeded 10% of total.

The receivables, contract assets and liabilities in relation to contracts with customers are as follows:

	2023	**2022**
	£000's	£000's
Contract assets		
Trade receivables	7,430	5,792
Accrued revenue	2,402	2,582
Contract liabilities		
Deferred revenue	306	284

Accrued revenue primarily relates to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional.

Deferred revenue primarily relates to the advance consideration received from customers. There are no significant financing components associated with deferred revenue.

There were no significant amounts of revenue recognised in the current or prior year arising from performance obligations satisfied in previous periods.

The carrying value of trade receivables and accrued revenue approximates to their fair value at the reporting date. Information about the Group's exposure to credit risks and expected credit losses for trade receivables and accrued revenue is included in note 8.

Order Book

The aggregate amount of the transaction price allocated to product and service contracts that are partially or fully unsatisfied as at the 2023 year end ('Order Book') are as follows:

	2024	**2025**	**2026+**	**Total**
	£000's	£000's	£000's	£000's
Platform-based products and services	12,238	9,509	4,674	26,421
Advisory services	96	-	-	96
	12,334	**9,509**	**4,674**	**26,517**

Order book as at the 2022 year end:

	2023	**2024**	**2025+**	**Total**
	£000's	£000's	£000's	£000's
Platform-based products and services	10,621	4,108	1,922	16,651
Advisory services	277	-	-	277
	10,898	**4,108**	**1,922**	**16,928**

The order book as at 31 December 2023 includes future contracted revenue beyond 2024 which, although subject to annual customer break clauses, the Group expects will not be exercised by customers, and the revenue and performance obligations deliverable under these contracts will be realised.

5. Operating (loss)/profit

	2023	**2022**

	£000's	£000's
Employee benefit costs		
Wages and salaries	11,487	11,045
Social security costs	1,416	1,446
Pension costs	376	317
Benefits	325	130
Share-based payments and related costs	445	536
Capitalised development costs	(1,026)	(1,895)
Total employee benefit costs	**13,023**	**11,579**
Other cost of sales and administrative expenses		
Amortisation of intangible fixed assets	4,459	2,704
Depreciation of tangible fixed assets	161	147
Right-of-use depreciation	153	157
Subcontractor costs	1,060	779
Platform transaction value	1,892	907
Travel costs	516	352
Legal and professional	1,687	1,202
(Loss)/gain on foreign exchanges	360	(130)
Other expenses	3,466	1,346
Total other cost of sales and administrative expenses	**13,754**	**7,464**
Total cost of sales and administrative expenses	**26,777**	**19,043**

Included within other expenses in 2023 is the accrual of £0.6 million related to US sales tax costs pertaining to 2023 and prior years. These sales tax costs would usually be charged to customers, recovered and remitted to the relevant US state authorities with no impact to the costs of the Group. However, because the Group had not historically registered for sales taxes in certain states, the related costs could not be charged and recovered from customers. As such, the Company is in the process of disclosing this historic position to the relevant state authorities and will settle this liability during 2024. Future sales taxes arising on sales in these states will be charged to customers, recovered and remitted with no significant further impact to the costs of the Group.

6. Earnings per share

Basic earnings per share are calculated based on the profit & loss for the financial year attributable to equity holders divided by the weighted average number of shares in issue during the year.

Basic earnings per share are calculated based on the profit & loss for the financial year. Diluted earnings per share is calculated on the basic earnings per share adjusted to allow for the issue of ordinary shares on the conversion of the convertible loan notes and employee share options. In the current year there are no exceptional items and therefore there is no adjustment required to basic earnings per share or to diluted earnings per share.

Profit attributable to shareholders

	2023	**2022**
	£000's	£000's
(Loss)/Profit for the financial year	**(1,746)**	**724**

Weighted average number of shares to shareholders

	2023	**2022**
	Number	Number
Shares in issue at the end of the year	**84,501,390**	**84,472,431**
Weighted average number of shares in issue	84,478,882	84,357,387
Less treasury shares	(252,063)	(207,791)
Weighted average number of shares for basic and adjusted earnings per share	84,226,819	84,149,596
Effect of dilution of share options	-	1,939,925
Weighted average number of shares for diluted earnings per share	**84,226,819**	**86,089,521**

Earnings per share	**2023**	**2022**
	Pence	Pence
Basic	(2.07)	0.86
Diluted	(2.07)	0.84

The group has outstanding share warrants and share options that could potentially dilute basic earnings per share in the future. These were not included in the calculation of diluted earnings per share during the year because these are antidilutive for the period.

7. Intangible assets

	Patents and trademarks	***Datasets***	***Development expenditure****	***Platform***	***Software***	***Total***
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Cost						
At 1 January 2022	1,144	4,849	216	9,727	562	16,498
Transfer from development expenditure to Platform	-	-	(2,401)	2,401	-	-
Foreign exchange translation	59	228	4	301	1	593
Additions	1	2,169	2,359	-	155	4,684
At 31 December 2022	1,204	7,246	178	12,429	718	21,775
Foreign exchange translation	(25)	(164)	-	(159)	(1)	(349)
Transfer from development expenditure to platform	-	-	(178)	178	-	-
Additions	-	3,554	-	918	258	4,730
At 31 December 2023	**1,179**	**10,636**	**-**	**13,366**	**975**	**26,156**

	Patents and trademarks	***Datasets***	***Development expenditure****	***Platform***	***Software***	***Total***
Amortisation	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
At 1 January 2022	1,085	1,692	-	721	179	3,677
Foreign exchange translation	59	77	-	35	1	172
Charge for the year	41	1,313	-	1,112	238	2,704
At 31 December 2022	1,185	3,082	-	1,868	418	6,553
Foreign exchange	(26)	(64)	-	(27)	(1)	(118)
Charge for the year	15	2,944	-	1,316	184	4,459

At 31 December 2023	**1,174**	**5,962**	**-**	**3,157**	**601**	**10,894**
Net book value at 31 December 2023	**5**	**4,674**	**-**	**10,209**	**374**	**15,262**
Net book value at 31 December 2022	19	4,164	178	10,561	300	15,222

*Development expenditure relates to an asset under construction and as such no amortisation has been charged. This expenditure is subject to the same annual impairment review as the other intangible assets.

Intangible assets relate to patents, trademarks, software, DXRX platform and datasets which are recorded at cost and amortised over their useful economic life which has been assessed as three to ten years.

During the year ended 31 December 2023, £178,000 was transferred out of development expenditure and into the Group's DXRX platform (2022: £2,401,000). In 2023, the Group changed the estimated useful life of its datasets from 4 years to 3 years. The Group assesses the useful life of all assets on an annual basis.

The Group has determined that the useful life of data and platform is a significant area of estimation.

The platform has been assessed to have a useful life of 10 years based on information on the estimated technical obsolescence of such assets. However, the actual asset useful life may be shorter or longer than 10 years depending on technical innovations and other external factors. If the useful life were reduced by 2 years, the carrying amount of the asset at 31 December 2023 would reduce by £267,000 (2022: £283,000) to £9,943,000 (2022: £10,278,000). If the useful life of the asset were increased by 2 years, the carrying amount of the asset at 31 December 2023 would increase by £267,000 (2022: £170,000) to £10,476,000 (2022: £10,731,000).

On reviewing the useful life of the data sets it was determined that based on latest information on commercial and technical use, that three years represented the best estimate of the useful life of such assets, as this reflects the period over which this data can provide meaningful insights to support client projects. However, the actual asset useful life may be shorter or longer than three years depending on technical innovations and other external factors. If the useful life were two years, the carrying amount of the asset at 31 December 2023 would reduce by £454,000 (2022: £482,000) to £4,220,000 (2022: £3,682,000). If the useful life of the asset were four years, the carrying amount of the asset at 31 December 2023 would increase by £993,000 (2022: £259,000) to £5,667,000 (2022: £4,423,000).

These are all definite life intangible assets. There were no impairment indicators identified at 31 December 2023 and therefore no impairment.

8. Trade and other receivables

	2023	2022
	£000's	£000's
Trade receivables	7,430	5,792
Contract assets	2,402	2,582
Other receivables	294	207
Prepayments	1,241	628
	11,367	**9,209**

Other receivables primarily consist of recoverable taxes and as such are considered to have low credit risk. Derivative financial instruments consist primarily of foreign currency forward contracts and are considered to have low credit risk. The maturity period of these assets were less than 12 months, and given their nature, the expected credit loss allowance recognised in the period against these assets were £Nil (2022: £Nil).

Trade receivables are non-interest bearing, are generally on 90-day terms and are shown net of a provision for impairment. Management's assessment was that the trade receivables are fully recoverable except for the specific provision netted against the trade receivables balance of £175,000 (2022: Nil).

Most of our customers are large pharma; we do not foresee any credit difficulties within our customer base. The age profile of the trade receivables and contract assets are as follows:

	Total	*0-30 days*	*31-60 days*	*61-90 days*	*>90 days*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*
2023	**9,832**	**5,864**	**1,472**	**1,635**	**861**
2022	8,374	6,568	1,354	319	133

The Group's contract assets as at the statement of financial position date are expected to be invoiced and received in the following year. The maturity period of these assets were less than 12 months, and given their nature, the expected credit loss allowance recognised in the period against these assets were £Nil.

The following table shows the movement in contract assets:

	2023	2022
	£000's	£000's
Contract assets recognised at start of the year	2,582	1,003
Revenue recognised in prior year that was invoiced in the current year	(2,582)	(1,003)
Amounts recognised in revenue in the current year that will be invoiced in future years	2,402	2,582
Balance at the end of the year	**2,402**	**2,582**

The carrying amount of trade and other receivables are denominated in the following currencies:

	2023	2022
	£000's	£000's
UK sterling	1,105	881
Euro	382	504
US dollar	9,762	7,737
Canadian dollars	73	31
Singapore dollars	45	56
	11,367	**9,209**

The maximum exposure to credit risk is the carrying value of each class of receivables and cash and cash equivalents. The Group does not hold any collateral as security.

9. Trade and other payables

	2023	2022
	£000's	£000's
***Creditors**: falling due within one year*		
Trade payables	1,065	759
Accruals	2,255	1,996
Other payables	38	39
Other tax and social security	471	423
Contract liabilities	305	284
Deferred grant income	103	127
	4,237	**3,628**

Contract liabilities of £305,000 (2022: £284,000) which arise in respect of amounts invoiced during the year for which revenue recognition criteria have not been met by the year-end. The Group's contracts with customers are typically less than one year in duration and any contract liabilities would be expected to be recognised as revenue in the following year. In 2022, the amount of deferred grant income was previously included within contract liabilities.

The following table shows the movement in contract liabilities:

	2023	2022
	£000's	£000's
Contract liabilities recognised at start of the year	284	208
Amounts invoiced in prior year recognised as revenue in the current year	(284)	(208)
Amounts invoiced in the current year which will be recognised as revenue in the later years	305	411
Balance at the end of the year	**305**	**411**

The carrying amount of trade and other payables are denominated in the following currencies:

	2023	2022
	£000's	£000's
UK sterling	2,062	3,079
Euro	415	203
US dollar	1,587	326
Singapore dollar	130	16
Other	43	4
	4,237	**3,628**

10. Equity share capital

	2023	2022
	£000s	£000s
Authorised, allotted, called up and fully paid		
84,501,390 (2022: 84,472,431) Ordinary shares of £0.002 each		
Authorised 84,501,390. (2022: 84,472,431)	169	169
	169	**169**

Treasury shares

Treasury shares are shares in Diaceutics PLC that are held by the Diaceutics Employee Share Trust for the purpose of issuing shares under the Diaceutics PLC SIP scheme. Shares issued to employees are recognised on a first in, first out basis.

Details	**Number of shares**		***£000's***	
	2023	**2022**	**2023**	**2022**
Acquisition of shares by the Trust	44,272	74,791	49	98
Closing balance	**252,063**	**207,791**	**312**	**263**

All ordinary shares rank *pari passu* in all respects including voting rights and the right to receive all dividends and other distributions, if any, declared, made or paid in respect of ordinary shares.

Reserves

Share premium account: This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Translation reserve: This reserve records foreign exchange differences on translation of foreign operations.

11. Post balance sheet events

On 25 January 2024, the rights over 177,915 warrant shares were exercised at a price of £0.76 per share. Following this exercise, no further warrant shares remain outstanding.

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