




Innovators & Investors Forum

February 2016

Phil Reason, CEO



 @instemsoftware

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Innovators & Investors Agenda

- Introduction to Instem
- Investment Case
- Market Environment and Industry Landscape
- Products, Solutions & Services
- Financial Overview
- Summary - Strategic focus

A leading provider of IT solutions & services to life sciences R&D

Helping our clients bring life enhancing products to market faster

Pharmaceuticals



Agrochemicals



Medical Devices



Investment Case

- Drug discovery activity displaying consistent and accelerating growth
- Growing demand for Instem solutions - strong regulatory drivers
- Market leading products which improve our clients' pipeline efficiency
- Client retention 98%, with high levels of recurring revenue
- SEND a major opportunity with compliance now mandated
- Further complementary consolidation opportunities identified
- Highly experienced management team
- Profitable and cash generative

 Attractive organic growth supplemented by a proven acquisition strategy

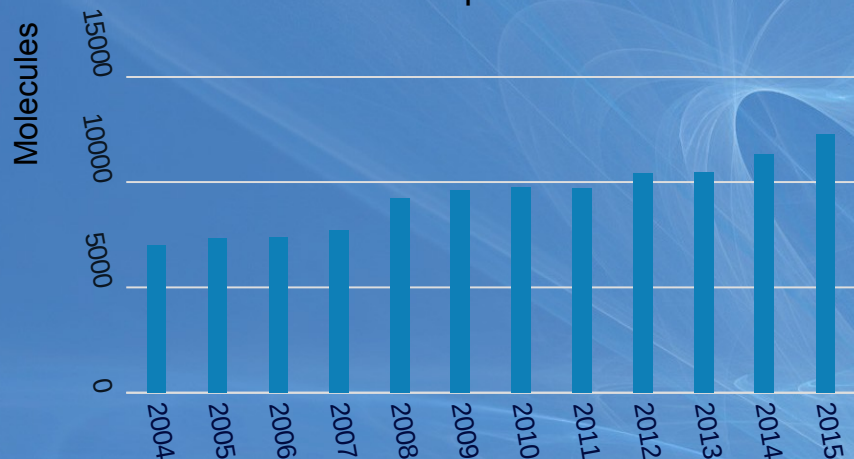
Market Environment and Industry Landscape

- Global population growth demands successful innovation in the life sciences
- New drug approvals are at record levels
- Capital inflows to the biotech industry leave it well funded for several years
- Focus has returned to the earlier stages of R&D where Instem specialises

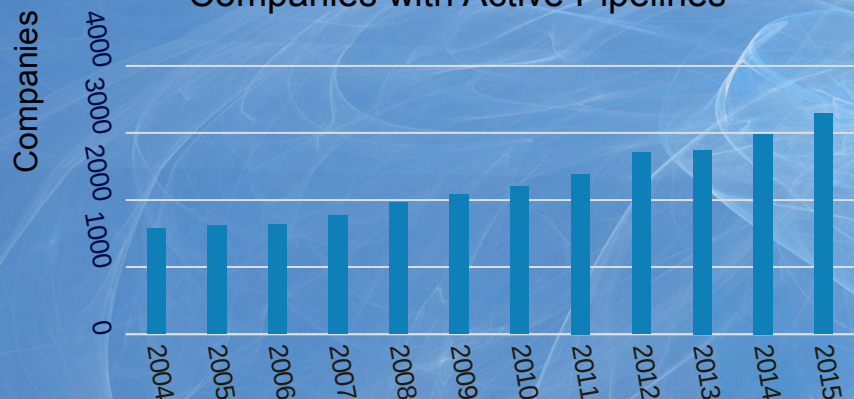
Drug Development Pipeline

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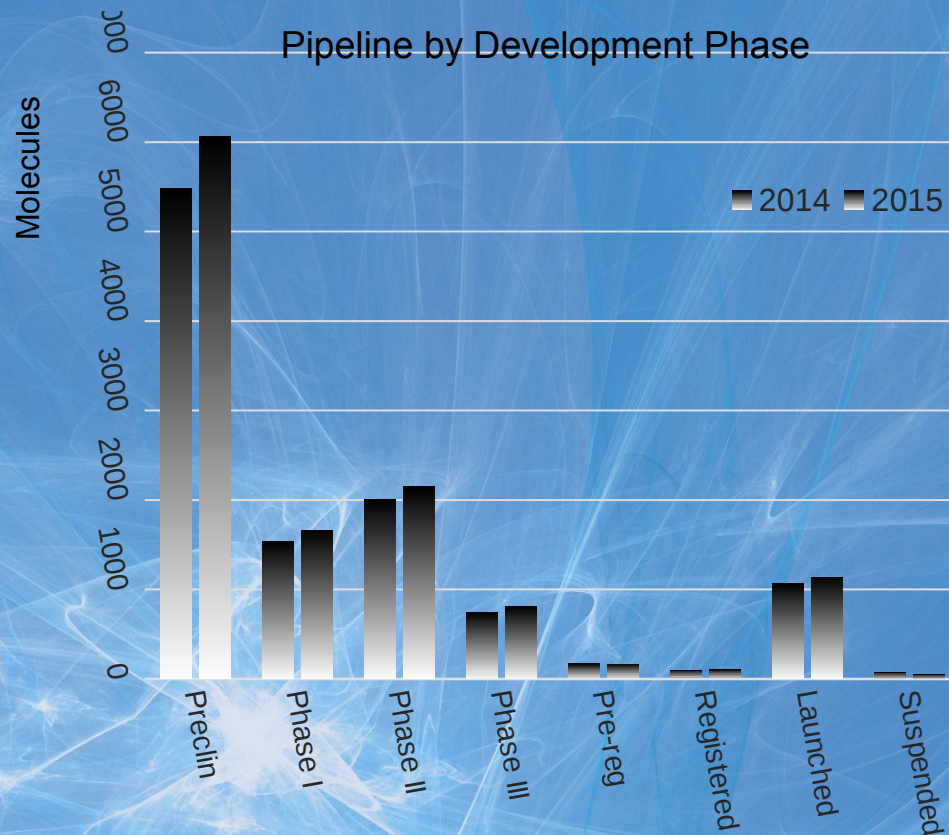
R&D Pipeline Size



Companies with Active Pipelines



Pipeline by Development Phase

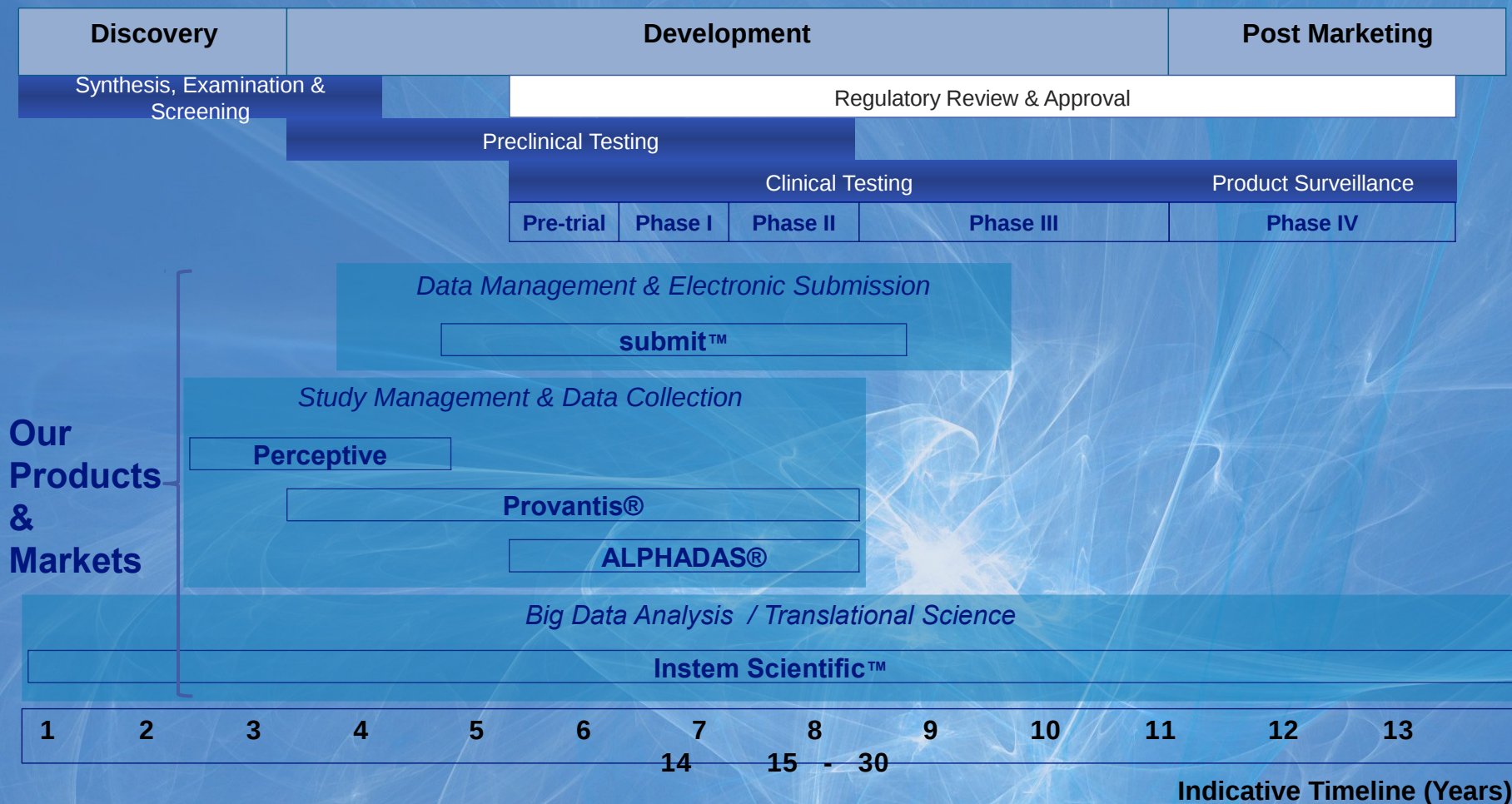


Source: Citeline Pharma R&D Annual Review 2015



Early drug development activity displaying consistent/accelerating growth

Products, Solutions & Services in the Drug R&D Lifecycle



- On average it takes 12 years and costs \$2.56Bn to bring a new drug from patent registration to marketing approval
- Revenue loss the year after drug patent expiry is frequently >50%
- Each day earlier to market yields >\$2m additional patent protected revenue for a >\$750m / year revenue drug

Overview

> Provider of IT systems and services that

- Collect, analyse & report complex scientific data
- Comply with FDA, EPA & similar regulatory demands
- Improve quality, consistency, integrity and efficiency
- Generate insights from large volumes of information

> Leading global market position

- Prestigious blue chip customer base
- Over 400 clients, includes 19 of top 20 pharma
- Operations in the US, UK, France, China, India and Japan increase growth opportunities

> Good revenue visibility and customer renewals

- Over 98% retention rate
- c. 67% of revenues were recurring in H1 2015
- Increasing recurring revenues from SaaS offering

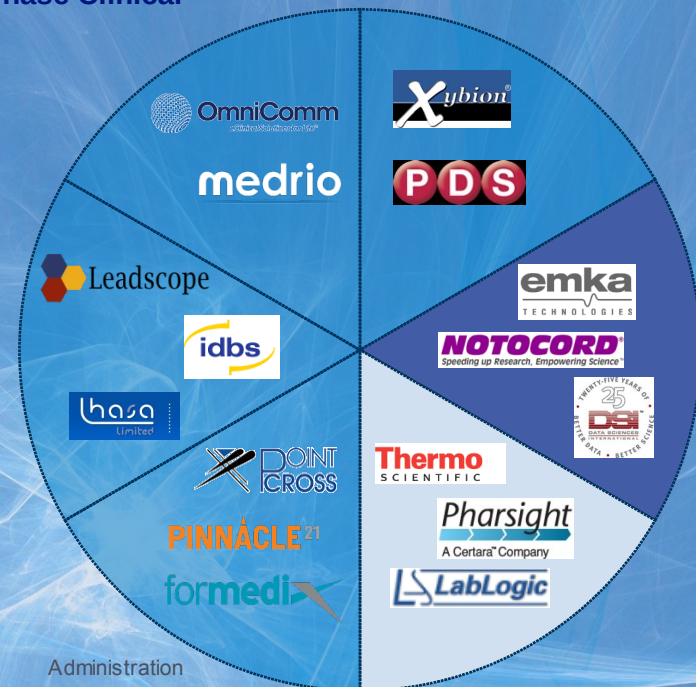
A selection of clients:



Acquisitions in the Early Development Software/Service Market

- Consolidate the highly fragmented supplier market, emphasising:
 - Niche regulatory Study Management solutions
 - Electronic regulatory data submissions
 - Knowledge / Predictive / Modelling solutions (Translational Informatics)
- Supplier consolidation encouraged by customer base
 - Reduce cost of supplier management
 - Increase efficiency and effectiveness of their business processes

Early
Phase Clinical



Companies in **Overlapping**/Adjacent Market Segments
(Examples not explicit targets at this time)

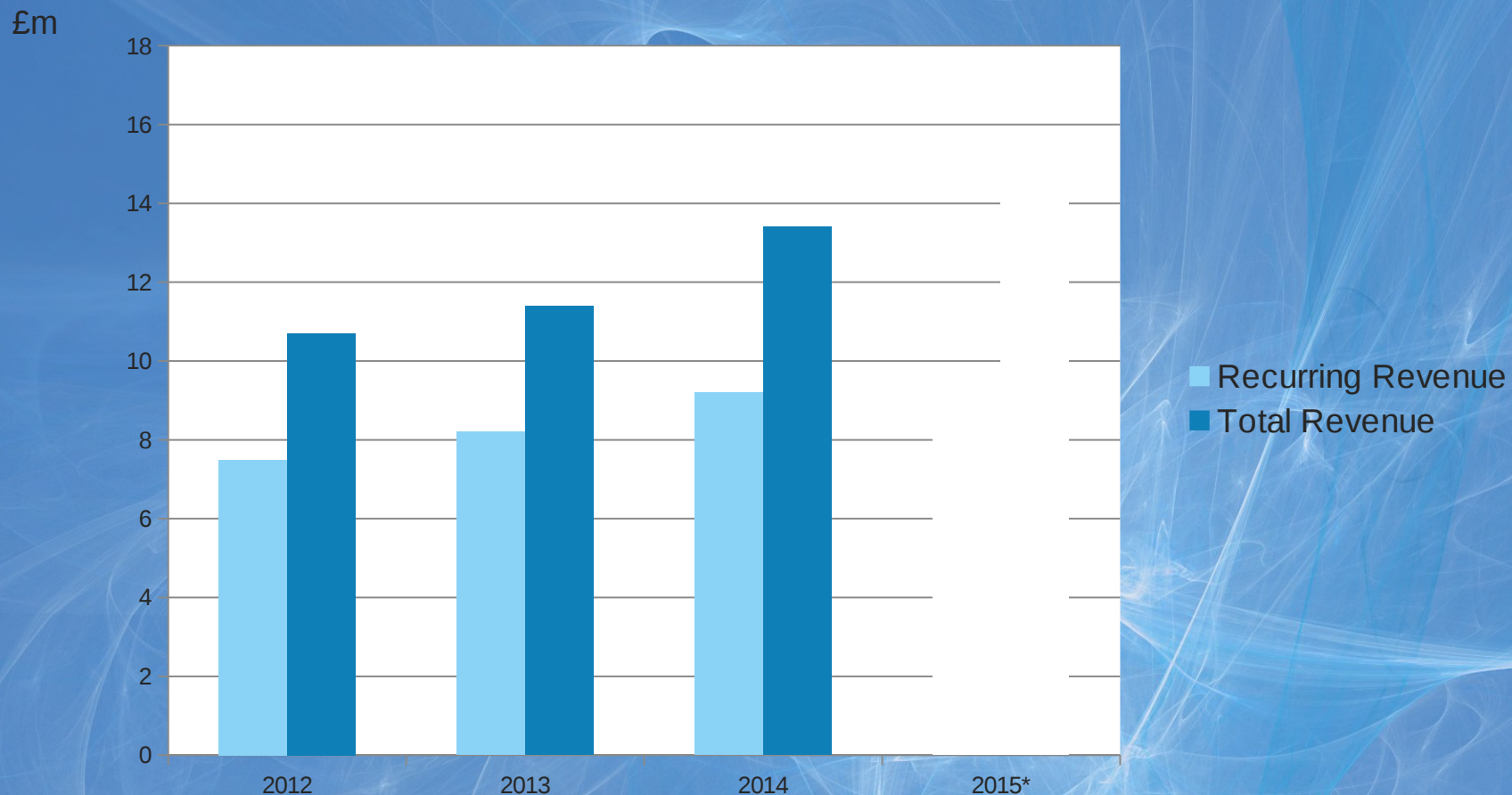
Financial Summary

£000's	FY2013	FY2014		**FY2015	
Revenue	11,361	13,429	+18%	15,800	+18%
EBITDA	1,721	1,808			
Profit/(Loss) before Tax	212	698			
Adjusted EPS*	8.6p	8.4p			
Net Operating Cashflow	1,953	482			
Investing Activities	(517)	(484)			
Acquisition – Cash consideration	(1,576)	(302)			
Net Cash	2,053	1,676		2,100	

**After adjusting for the effect of foreign currency exchange on the revaluation of inter-company balances included in finance income/(costs), non-recurring items and amortisation of intangibles on acquisitions.*

*** 2015 expected performance, as per 13 Jan 2016 trading statement "Overall earnings for the year are expected to be in line with current market expectations."*

Annual Revenue Progression



** Note: 2015 expected performance, as per 13 Jan 2016 trading statement*

Strategic Focus

Organic growth through:

Further market penetration for existing product suites and services

Cross-selling of products across extended client base

Introduction of new solutions through product development

Expanded service offering leveraging our leading technology solutions

Potential bolt-on acquisitions/partnerships to:

Provide access to adjacent markets

Extend product suite through investment and M&A

Arrange exclusive third party product licensing arrangements

Focus will be on:

Client retention

Increasing recurring revenues

Profitable and cash generative revenue growth

Market share for SEND and ALPHADAS solutions

Margin enhancement through:

- Increased SaaS deployment
- Blended on-shore / off-shore resourcing

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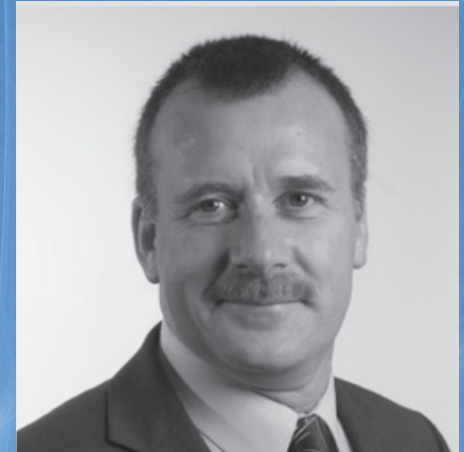
Appendices

The background of the slide is a solid blue color. Overlaid on this background are intricate, white, fractal-like patterns. These patterns consist of numerous thin, curved lines that swirl and intersect, creating a sense of movement and complexity. A prominent feature is a bright, star-like cluster of lines in the center-right area, from which other lines radiate outwards. The overall effect is a modern, high-tech aesthetic.

Presentation Team

Phil Reason, *Chief Executive Officer*

Phil is an experienced chief executive who has developed a number of IT businesses in the life sciences and nuclear industries, both organically and through acquisition. Phil joined the former parent Company, Instem Limited in 1982 and was appointed Managing Director of the Life Sciences division in 1995 and Chief Executive Officer of Instem LSS Limited on the demerger from Instem Limited. Given the importance of the North American market to Instem's organic and acquisitive growth, Phil relocated from the UK to the US in 2003 and established a new headquarters in the Philadelphia area. Phil previously ran Instem Limited's Nuclear and Laboratory Information Management Systems integration businesses.



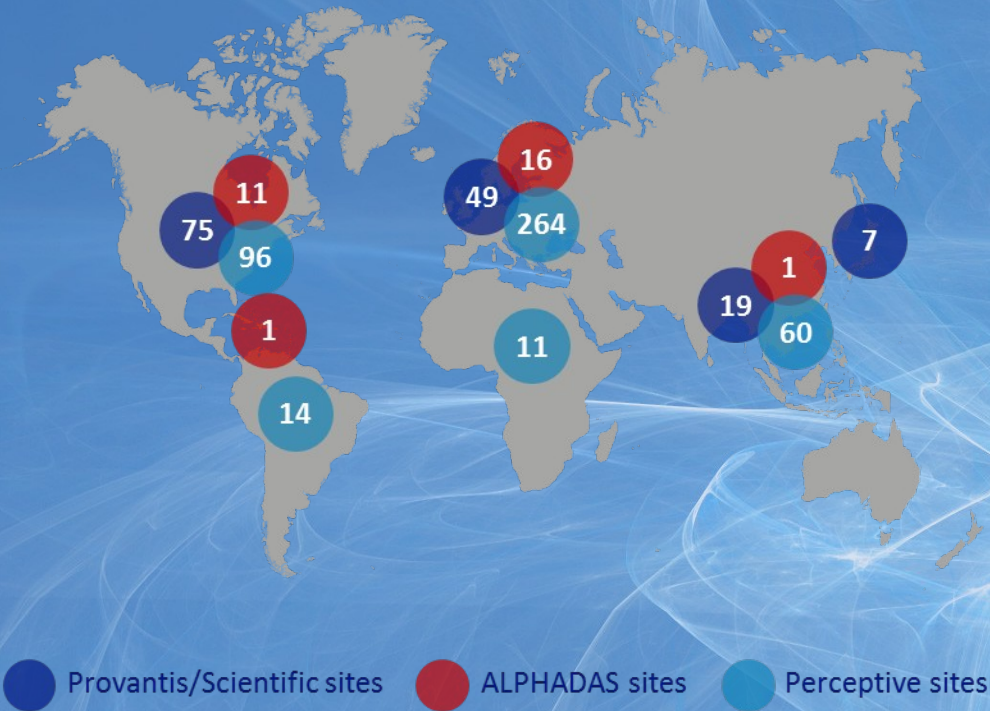
Nigel Goldsmith, *Chief Financial Officer*

Nigel, who joined Instem in November 2011, has a wealth of experience in senior financial roles, at both public and private companies within the pharmaceutical industry. After qualifying as a Chartered Accountant, Nigel spent over nine years at KPMG prior to moving into industry. Nigel was Finance Director for three years at AIM listed, pharmaceutical and medical devices company, IS Pharma plc. He also spent a seven-year tenure as CFO at Almedica International Inc, a privately held supplier of clinical trial materials to the pharmaceutical and biotech industry in Europe and the US and two years as European Controller for the sales and marketing division of laboratory equipment manufacturer, Life Sciences International plc.



Global Client and Revenue Distribution (as at 30th June 2015)

Geographical Footprint



H1 2015 Revenue



Major Shareholders

Shareholder Name (* - Director)	Amount	% Holding
David Gare*	2,118,427	16.2%
David Sherwin*	1,580,066	12.1%
Henderson Volantis Capital	1,440,585	11.0%
Liontrust Asset Management Plc	1,176,462	9.0%
Giles Wilson	946,533	7.3%
Adrian Gare	784,219	6.0%
Deborah Walker	784,219	6.0%
Phil Reason*	665,287	5.1%
Close Brothers Asset Management	635,675	4.9%
Artemis Investment Management LLP	571,429	4.4%
Unicorn Asset Management Ltd	562,957	4.3%
Hargreave Hale	549,000	4.2%