



Burning Rock Reports Third Quarter 2024 Financial Results

December 4, 2024

GUANGZHOU, China, Dec. 03, 2024 (GLOBE NEWSWIRE) -- Burning Rock Biotech Limited (NASDAQ: BNR, the "Company" or "Burning Rock"), a company focused on the application of next generation sequencing (NGS) technology in the field of precision oncology, today reported financial results for the three months ended September 30, 2024.

Recent Business Updates

• Therapy Selection

- Presented study results at the 2024 World Conference on Lung Cancer in September 2024. "Neoadjuvant sintilimab plus chemotherapy could be an optional treatment modality in selected EGFR-mutant NSCLC" and "Distinct Genomic and Immune Microenvironment Features of Solid or Micropapillary Predominant Subtype in Stage I Lung Adenocarcinomas".
- Signed a strategic cooperation agreement with MGI Tech Co., Ltd in October 2024, aiming to fully complement each other's platform and technological advantages to further promote the clinical application progress and global business of precision oncology.

• Pharma Services

- The companion diagnostic (CDx) for EGFR exon 20 insertion mutation (exon20ins) for sunvozertinib, developed through the collaboration of Burning Rock and Dizal, has been approved by the National Medical Products Administration (NMPA) of China, which marks the first co-developed NGS-based CDx for lung cancer approved by NMPA since the release of the CDx guideline in China.

Third Quarter 2024 Financial Results

Total revenues were RMB128.6 million (US\$18.3 million) for the three months ended September 30, 2024, representing a 0.8% increase from RMB127.6 million for the same period in 2023, the increased revenue of in-hospital business was offset by the decrease of central-lab business, as we transition from central-lab to more in-hospital based testing.

- Revenue generated from in-hospital business was RMB63.8 million (US\$9.1 million) for the three months ended September 30, 2024, representing a 17.0% increase from RMB54.5 million for the same period in 2023, driven by an increase in sales volume.
- Revenue generated from central laboratory business was RMB40.0 million (US\$5.7 million) for the three months ended September 30, 2024, representing a 25.2% decrease from RMB53.5 million for the same period in 2023, primarily attributable to a decrease in the number of tests, as we continued our transition towards in-hospital testing.
- Revenue generated from pharma research and development services was RMB24.9 million (US\$3.5 million) for the three months ended September 30, 2024, representing a 27.1% increase from RMB19.6 million for the same period in 2023, primarily attributable to an increased development and testing services performed for our pharma customers.

Cost of revenues was RMB36.8 million (US\$5.2 million) for the three months ended September 30, 2024, representing an 11.6% decrease from RMB41.6 million for the same period in 2023, primarily due to (i) a decrease in cost of central laboratory business, which was in line with the decrease in revenue generated from this business; (ii) a decrease in amortization expense for all kinds of business; and (iii) the receipt of a government grant for Guangzhou headquarters building.

Gross profit was RMB91.8 million (US\$13.1 million) for the three months ended September 30, 2024, representing a 6.9% increase from RMB85.9 million for the same period in 2023. Gross margin was 71.4% for the three months ended September 30, 2024, compared to 67.4% for the same period in 2023. By channel, gross margin of central laboratory business was 83.2% for the three months ended September 30, 2024, compared to 77.6% during the same period in 2023, primarily due to the decreased depreciation and rental cost in relation to our laboratory of Guangzhou headquarters; gross margin of in-hospital business was 73.0% for the three months ended September 30, 2024, compared to 65.1% during the same period in 2023, primarily due to the same reason; gross margin of pharma research and development services was 48.2% for the three months ended September 30, 2024, compared to 45.8% during the same period of 2023.

Non-GAAP gross profit, which excludes depreciation and amortization expenses, was RMB97.8 million (US\$13.9million) for the three months ended September 30, 2024, representing a 2.8% increase from RMB95.1 million for the same period in 2023. Non-GAAP gross margin was 76.0% for the three months ended September 30, 2024, compared to 74.5% for the same period in 2023.

Operating expenses were RMB130.4 million (US\$18.6 million) for the three months ended September 30, 2024, representing a 50.7% decrease from RMB264.7 million for the same period in 2023. The decrease was primarily driven by decreases in amortized expense on share-based compensation, budget control measures and headcount reduction to improve the Company's operating efficiency.

- Research and development expenses were RMB49.2 million (US\$7.0 million) for the three months ended September 30, 2024, representing a 41.3% decrease from RMB83.7 million for the same period in 2023, primarily due to (i) a decrease in staff cost resulted from the reorganization of our research and development department to improve operating efficiency; (ii) a decrease in the expenditure for research projects; (iii) a decrease in amortized expense on share-based compensation; and (iv) a decrease in amortized expenses for office building decoration.
- Selling and marketing expenses were RMB48.4 million (US\$6.9 million) for the three months ended September 30, 2024, representing a 22.3% decrease from RMB62.3 million for the same period in 2023, primarily due to (i) a decrease in staff cost resulted from the reorganization of the sales department and improvement in operating efficiency; (ii) a decrease in conference fee; and (iii) a decrease in entertainment expense.
- General and administrative expenses were RMB32.9 million (US\$4.7 million) for the three months ended September 30, 2024, representing a 72.3% decrease from RMB118.7 million for the same period in 2023, primarily due to (i) a decrease in amortized expense on share-based compensation; (ii) a decrease in amortized expenses for office building decoration; (iii) a decrease in operating lease; and (iv) a decrease in general and administrative personnel's staff cost.

Net loss was RMB35.7 million (US\$5.10 million) for the three months ended September 30, 2024, compared to RMB175.0 million for the same period in 2023.

Cash, cash equivalents, restricted cash and short-term investments were RMB498.2 million (US\$71.0 million) as of September 30, 2024.

About Burning Rock

Burning Rock Biotech Limited (NASDAQ: BNR), whose mission is to guard life via science, focuses on the application of next generation sequencing (NGS) technology in the field of precision oncology. Its business consists of i) NGS-based therapy selection testing for late-stage cancer patients, and ii) cancer early detection, which has moved beyond proof-of-concept R&D into the clinical validation stage.

For more information about Burning Rock, please visit: ir.brbiotech.com.

Safe Harbor Statement

This press release contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "confident" and similar statements. Burning Rock may also make written or oral forward-looking statements in its periodic reports to the SEC, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Burning Rock's beliefs and expectations, are forward-looking statements. Such statements are based upon management's current expectations and current market and operating conditions, and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond Burning Rock's control. Forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those contained in any such statements. All information provided in this press release is as of the date of this press release, and Burning Rock does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

Non-GAAP Measures

In evaluating the business, the Company considers and uses non-GAAP measures, such as non-GAAP gross profit and non-GAAP gross margin, as supplemental measures to review and assess operating performance. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The company defines non-GAAP gross profit as gross profit excluding depreciation and amortization. The company defines non-GAAP gross margin as gross margin excluding depreciation and amortization.

The company presents these non-GAAP financial measures because they are used by management to evaluate operating performance and formulate business plans. The company believe non-GAAP gross profit and non-GAAP gross margin excluding non-cash impact of depreciation and amortization reflect the company's ongoing business operations in a manner that allows more meaningful period-to-period comparisons.

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Selected Operating Data

| | As of | | | | |
|---|-----------------------|----------------------|-------------------|------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| In-hospital Channel: | | | | | |
| Pipeline partner hospitals ⁽¹⁾ | 29 | 28 | 28 | 29 | 30 |
| Contracted partner hospitals ⁽²⁾ | 55 | 59 | 59 | 59 | 61 |
| Total number of partner hospitals | 84 | 87 | 87 | 88 | 91 |

(1) Refers to hospitals that are in the process of establishing in-hospital laboratories, laboratory equipment procurement or installation, staff training or pilot testing using the Company's products.

(2) Refers to hospitals that have entered into contracts to purchase the Company's products for use on a recurring basis in their respective in-hospital laboratories the Company helped them establish. Kit revenue is generated from contracted hospitals.

Selected Financial Data

| Revenues | For the three months ended | | | | |
|---|----------------------------|----------------------|-------------------|------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| | (RMB in thousands) | | | | |
| Central laboratory channel | 53,481 | 51,288 | 47,614 | 48,773 | 39,984 |
| In-hospital channel | 54,496 | 28,809 | 57,387 | 59,872 | 63,769 |
| Pharma research and development channel | 19,589 | 40,988 | 20,622 | 26,888 | 24,891 |
| Total revenues | 127,566 | 121,085 | 125,623 | 135,533 | 128,644 |

| Gross profit | For the three months ended | | | | |
|---|----------------------------|----------------------|-------------------|------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| | (RMB in thousands) | | | | |
| Central laboratory channel | 41,487 | 41,886 | 37,002 | 38,424 | 33,262 |
| In-hospital channel | 35,459 | 12,910 | 39,192 | 44,058 | 46,580 |
| Pharma research and development channel | 8,974 | 23,317 | 9,500 | 12,956 | 12,004 |
| Total gross profit | 85,920 | 78,113 | 85,694 | 95,438 | 91,846 |

| Share-based compensation expenses | For the three months ended | | | | |
|--|----------------------------|----------------------|-------------------|------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| | (RMB in thousands) | | | | |
| Cost of revenues | 680 | 654 | 596 | 464 | 289 |
| Research and development expenses | 12,161 | 12,401 | 12,287 | 12,008 | 3,180 |
| Selling and marketing expenses | 2,848 | 1,816 | 508 | 1,232 | 1,917 |
| General and administrative expenses | 57,704 | 56,472 | 55,990 | 54,407 | 4,732 |
| Total share-based compensation expenses | 73,393 | 71,343 | 69,381 | 68,111 | 10,118 |

Burning Rock Biotech Limited Unaudited Condensed Statements of Comprehensive Loss *(in thousands, except for number of shares and per share data)*

| | For the three months ended | | | | | |
|-------------------------------------|----------------------------|----------------------|-------------------|------------------|-----------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| Revenues | 127,566 | 121,085 | 125,623 | 135,533 | 128,644 | 18,331 |
| Cost of revenues | (41,646) | (42,972) | (39,929) | (40,095) | (36,798) | (5,243) |
| Gross profit | 85,920 | 78,113 | 85,694 | 95,438 | 91,846 | 13,088 |
| Operating expenses: | | | | | | |
| Research and development expenses | (83,701) | (73,119) | (65,985) | (64,952) | (49,150) | (7,004) |
| Selling and marketing expenses | (62,310) | (49,785) | (46,856) | (48,907) | (48,411) | (6,899) |
| General and administrative expenses | (118,724) | (121,533) | (98,681) | (92,794) | (32,874) | (4,685) |
| Total operating expenses | (264,735) | (244,437) | (211,522) | (206,653) | (130,435) | (18,588) |
| Loss from operations | (178,815) | (166,324) | (125,828) | (111,215) | (38,589) | (5,500) |
| Interest income | 4,018 | 5,539 | 4,038 | 3,187 | 3,173 | 452 |
| Other income (expense), net | (157) | 160 | 434 | (82) | 1 | - |
| Foreign exchange (loss) gain, net | 423 | (517) | (13) | 262 | (129) | (18) |

| | | | | | | |
|---|------------------|------------------|------------------|------------------|-----------------|----------------|
| Loss before income tax | (174,531) | (161,142) | (121,369) | (107,848) | (35,544) | (5,066) |
| Income tax expenses | (450) | (1,071) | (180) | (190) | (201) | (29) |
| Net loss | (174,981) | (162,213) | (121,549) | (108,038) | (35,745) | (5,095) |
| Net loss attributable to Burning Rock Biotech Limited's shareholders | (174,981) | (162,213) | (121,549) | (108,038) | (35,745) | (5,095) |
| Net loss attributable to ordinary shareholders | (174,981) | (162,213) | (121,549) | (108,038) | (35,745) | (5,095) |
| Loss per share for class A and class B ordinary shares: | | | | | | |
| Class A ordinary shares - basic and diluted | (1.71) | (1.58) | (1.19) | (1.05) | (0.35) | (0.05) |
| Class B ordinary shares - basic and diluted | (1.71) | (1.58) | (1.19) | (1.05) | (0.35) | (0.05) |
| Weighted average shares outstanding used in loss per share computation: | | | | | | |
| Class A ordinary shares - basic and diluted | 85,000,869 | 85,071,360 | 85,219,188 | 85,271,858 | 85,902,670 | 85,902,670 |
| Class B ordinary shares - basic and diluted | 17,324,848 | 17,324,848 | 17,324,848 | 17,324,848 | 17,324,848 | 17,324,848 |
| Other comprehensive income (loss), net of tax of nil: | | | | | | |
| Foreign currency translation adjustments | (1,955) | (3,026) | 590 | 940 | (4,054) | (578) |
| Total comprehensive loss | (176,936) | (165,239) | (120,959) | (107,098) | (39,799) | (5,673) |
| Total comprehensive loss attributable to Burning Rock Biotech Limited's shareholders | (176,936) | (165,239) | (120,959) | (107,098) | (39,799) | (5,673) |

Burning Rock Biotech Limited
Unaudited Condensed Statements of Comprehensive Loss
(in thousands, except for number of shares and per share data)

| | For the nine months ended | | |
|---|---------------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | US\$ |
| Revenues | 416,350 | 389,800 | 55,546 |
| Cost of revenues | (131,236) | (116,822) | (16,648) |
| Gross profit | 285,114 | 272,978 | 38,898 |
| Operating expenses: | | | |
| Research and development expenses | (273,897) | (180,087) | (25,662) |
| Selling and marketing expenses | (197,926) | (144,174) | (20,545) |
| General and administrative expenses | (316,288) | (224,349) | (31,969) |
| Total operating expenses | (788,111) | (548,610) | (78,176) |
| Loss from operations | (502,997) | (275,632) | (39,278) |
| Interest income | 12,417 | 10,398 | 1,482 |
| Other income, net | 324 | 353 | 50 |
| Foreign exchange gain, net | 97 | 120 | 17 |
| Loss before income tax | (490,159) | (264,761) | (37,729) |
| Income tax expenses | (1,317) | (571) | (81) |
| Net loss | (491,476) | (265,332) | (37,810) |
| Net loss attributable to Burning Rock Biotech Limited's shareholders | (491,476) | (265,332) | (37,810) |
| Net loss attributable to ordinary shareholders | (491,476) | (265,332) | (37,810) |
| Loss per share for class A and class B ordinary shares: | | | |
| Class A ordinary shares - basic and diluted | (4.80) | (2.58) | (0.37) |
| Class B ordinary shares - basic and diluted | (4.80) | (2.58) | (0.37) |
| Weighted average shares outstanding used in loss per share computation: | | | |
| Class A ordinary shares - basic and diluted | 85,070,921 | 85,467,131 | 85,467,131 |
| Class B ordinary shares - basic and diluted | 17,324,848 | 17,324,848 | 17,324,848 |
| Other comprehensive income (loss), net of tax of nil: | | | |
| Foreign currency translation adjustments | 7,215 | (2,524) | (360) |
| Total comprehensive loss | (484,261) | (267,856) | (38,170) |
| Total comprehensive loss attributable to Burning Rock Biotech Limited's shareholders | (484,261) | (267,856) | (38,170) |

Burning Rock Biotech Limited
Unaudited Condensed Consolidated Balance Sheets
(In thousands)

| | As of | | |
|---|----------------------|-----------------------|-----------------------|
| | December 31, 2023 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | US\$ |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 615,096 | 497,969 | 70,960 |
| Restricted cash | 120 | 278 | 40 |
| Accounts receivable, net | 126,858 | 166,491 | 23,725 |
| Contract assets, net | 22,748 | 17,750 | 2,529 |
| Inventories, net | 69,020 | 66,444 | 9,468 |
| Prepayments and other current assets, net | 50,254 | 30,623 | 4,364 |
| Convertible note receivable | - | 5,320 | 758 |
| Total current assets | 884,096 | 784,875 | 111,844 |
| Non-current assets: | | | |
| Equity method investment | 337 | 243 | 35 |
| Convertible note receivable | 5,320 | - | - |
| Property and equipment, net | 131,912 | 90,139 | 12,845 |
| Operating right-of-use assets | 12,284 | 99,301 | 14,150 |
| Intangible assets, net | 964 | 525 | 75 |
| Other non-current assets | 5,088 | 9,722 | 1,385 |
| Total non-current assets | 155,905 | 199,930 | 28,490 |
| TOTAL ASSETS | 1,040,001 | 984,805 | 140,334 |

Burning Rock Biotech Limited
Unaudited Condensed Consolidated Balance Sheets (Continued)
(in thousands)

| | As of | | |
|--|----------------------|-----------------------|-----------------------|
| | December 31, 2023 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | US\$ |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | 18,061 | 25,213 | 3,593 |
| Deferred revenue | 130,537 | 110,748 | 15,781 |
| Accrued liabilities and other current liabilities | 104,935 | 94,110 | 13,411 |
| Customer deposits | 1,197 | 567 | 81 |
| Current portion of operating lease liabilities | 8,634 | 27,842 | 3,967 |
| Total current liabilities | 263,364 | 258,480 | 36,833 |
| Non-current liabilities: | | | |
| Non-current portion of operating lease liabilities | 3,690 | 73,055 | 10,410 |
| Other non-current liabilities | 4,537 | 5,104 | 728 |
| Total non-current liabilities | 8,227 | 78,159 | 11,138 |
| TOTAL LIABILITIES | 271,591 | 336,639 | 47,971 |
| Shareholders' equity: | | | |
| Class A ordinary shares | 116 | 118 | 17 |
| Class B ordinary shares | 21 | 21 | 3 |
| Additional paid-in capital | 4,849,337 | 4,996,947 | 712,059 |
| Treasury stock | (65,896) | (65,896) | (9,390) |
| Accumulated deficits | (3,853,635) | (4,118,967) | (586,948) |

| | | | |
|---|------------------|----------------|----------------|
| Accumulated other comprehensive loss | (161,533) | (164,057) | (23,378) |
| Total shareholders' equity | 768,410 | 648,166 | 92,363 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,040,001 | 984,805 | 140,334 |

Burning Rock Biotech Limited
Unaudited Condensed Statements of Cash Flows
(in thousands)

| | For the three months ended | | |
|--|----------------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | US\$ |
| Net cash used in operating activities | (47,417) | (30,278) | (4,315) |
| Net cash used in investing activities | (1,985) | (987) | (141) |
| Net cash (used in)/generated from financing activities | (45,888) | 2 | - |
| Effect of exchange rate on cash, cash equivalents and restricted cash | (1,239) | (3,537) | (503) |
| Net decrease in cash, cash equivalents and restricted cash | (96,529) | (34,800) | (4,959) |
| Cash, cash equivalents and restricted cash at the beginning of period | 733,278 | 533,047 | 75,959 |
| Cash, cash equivalents and restricted cash at the end of period | 636,749 | 498,247 | 71,000 |

| | For the nine months ended | | |
|--|---------------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2024 | September 30, 2024 |
| | RMB | RMB | US\$ |
| Net cash used in operating activities | (239,764) | (111,323) | (15,863) |
| Net cash used in investing activities | (8,972) | (3,600) | (513) |
| Net cash (used in)/generated from financing activities | (46,923) | 2 | - |
| Effect of exchange rate on cash, cash equivalents and restricted cash | 7,140 | (2,048) | (292) |
| Net decrease in cash, cash equivalents and restricted cash | (288,519) | (116,969) | (16,668) |
| Cash, cash equivalents and restricted cash at the beginning of period | 925,268 | 615,216 | 87,668 |
| Cash, cash equivalents and restricted cash at the end of period | 636,749 | 498,247 | 71,000 |

Burning Rock Biotech Limited
Reconciliations of GAAP and Non-GAAP Results

| | For the three months ended | | | | |
|---|----------------------------|----------------------|-------------------|------------------|-----------------------|
| | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| | (RMB in thousands) | | | | |
| Gross profit: | | | | | |
| Central laboratory channel | 41,487 | 41,886 | 37,002 | 38,424 | 33,262 |
| In-hospital channel | 35,459 | 12,910 | 39,192 | 44,058 | 46,580 |
| Pharma research and development channel | 8,974 | 23,317 | 9,500 | 12,956 | 12,004 |
| Total gross profit | 85,920 | 78,113 | 85,694 | 95,438 | 91,846 |
| Add: depreciation and amortization: | | | | | |
| Central laboratory channel | 2,550 | 2,414 | 1,919 | 1,226 | 1,277 |
| In-hospital channel | 2,751 | 2,728 | 1,524 | 824 | 798 |
| Pharma research and development channel | 3,863 | 3,808 | 3,856 | 4,417 | 3,846 |
| Total depreciation and amortization included in cost of revenues | 9,164 | 8,950 | 7,299 | 6,467 | 5,921 |
| Non-GAAP gross profit: | | | | | |
| Central laboratory channel | 44,037 | 44,300 | 38,921 | 39,650 | 34,539 |
| In-hospital channel | 38,210 | 15,638 | 40,716 | 44,882 | 47,378 |
| Pharma research and development channel | 12,837 | 27,125 | 13,356 | 17,373 | 15,850 |

| | | | | | |
|---|---------------|---------------|---------------|----------------|---------------|
| Total non-GAAP gross profit | 95,084 | 87,063 | 92,993 | 101,905 | 97,767 |
| Non-GAAP gross margin: | | | | | |
| Central laboratory channel | 82.3% | 86.4% | 81.7% | 81.3% | 86.4% |
| In-hospital channel | 70.1% | 54.3% | 70.9% | 75.0% | 74.3% |
| Pharma research and development channel | 65.5% | 66.2% | 64.8% | 64.6% | 63.7% |
| Total non-GAAP gross margin | 74.5% | 71.9% | 74.0% | 75.2% | 76.0% |