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FLDM - Q2 2018 Fluidigm Corp Earnings Call

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## CORPORATE PARTICIPANTS

**Agnes Lee** *Fluidigm Corporation - VP of IR*

**Stephen Christopher Linthwaite** *Fluidigm Corporation - President, CEO & Director*

**Vikram Jog** *Fluidigm Corporation - CFO & Principal Accounting Officer*

## CONFERENCE CALL PARTICIPANTS

**Adam Joseph Wieschhaus** *Cowen and Company, LLC, Research Division - Associate*

**Paul Richard Knight** *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

**William Robert Quirk** *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Fluidigm Second Quarter 2018 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Vice President of Investor Relations, Agnes Lee. You may begin.

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### Agnes Lee - Fluidigm Corporation - VP of IR

Thank you. Good afternoon, everyone. Welcome to the Fluidigm's Second Quarter 2018 Earnings Conference Call. At the close of the market today, Fluidigm released its financial results for the quarter ended June 30, 2018.

During this call, we will review our results and provide commentary on recent commercial activity, market trends and our strategic business initiatives. Presenting for Fluidigm today will be Chris Linthwaite, our President and Chief Executive Officer; and Vikram Jog, our Chief Financial Officer.

During the call and subsequent Q&A session, we will make forward-looking statements about events and circumstances that have not yet occurred, including plans and projections for our business, future financial results and market trends and opportunities. Examples of these forward-looking statements include statements regarding sales and growth in our target markets, increasing customer adoption of our products, our sales pipeline, revenues for the third quarter of 2018, operating expense, cash flow and revenue trends for the year, and other projected financial results. These statements are subject to substantial risks and uncertainties that may cause actual events or results to differ materially from current expectations.

Information on these risks and uncertainties and other information affecting our business and operating results is contained in our annual report on Form 10-K for the year ended December 31, 2017, as well as in our 10-Qs and other filings with the SEC. The forward-looking statements in this call are based on information currently available to us, and Fluidigm disclaims any obligation to update these forward-looking statements except as may be required by law.

During the call, we will also present some financial information on a non-GAAP basis. Non-GAAP information is not prepared under a comprehensive set of accounting rules and should only be used to supplement and understanding of the company's operating results as reported under U.S. GAAP. We encourage you to carefully consider our results under GAAP as well as our supplemental non-GAAP information and the reconciliation between these presentations. Reconciliations between GAAP and non-GAAP operating results are presented in the table accompanying our earnings release, which can be found in the Investors section of our website.

I will now turn the call over to Chris, our President and CEO.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

**Stephen Christopher Linthwaite** - Fluidigm Corporation - President, CEO & Director

Thank you for joining for our second quarter 2018 earnings call. As detailed in our press release this morning, this quarter, we had strong double-digit top line results powered by exceptional mass cytometry and total consumables growth. The promise of our technologies to empower health care insights of the future is becoming increasingly evident. And this quarter, we are seeing momentum in our instrument placements to pharma, targeted cancer and translational research centers. Our strategic initiatives are firing on all cylinders, with market expanding, customer adoption, new innovative product introductions, partnerships and disciplined financial management. We will update you on our progress today.

I'd like to begin with an overview of our financial results for the quarter and then discuss markets and strategy, then I'll turn the call over to Vikram Jog, our CFO, for a more detailed financial review before offering closing remarks and taking questions.

Total revenue for the second quarter was \$26.4 million, an increase of 11% from the year-ago period. Our second quarter results included considerable strength in mass cytometry in both instruments and consumables. Robust instrument placements across pharma, translational research and cancer centers were highlighted by our conversion of mass cytometry opportunities into orders at leading institutions around the world. Furthermore, mass cytometry consumables growth was strong, partially driven by remarkable adoption of our Maxpar Human Immune Monitoring Panel that was launched early in the second quarter.

Our high throughput genomics consumables delivered double-digit growth on a year-over-year basis. More details on the results later.

Closing out the financial overview, our results this quarter also reflected operating leverage and disciplined cash management. We are ramping up our operating excellence program and I look forward to future updates on our progress.

Let's turn now to a discussion of our revenue performance in our geographic regions. All our regions did well this quarter, meeting or exceeding our expectations. Asia Pacific continued to be a top performer. Year-over-year revenues in the second quarter were up 24% in Asia Pacific, powered by exceptionally strong performance in Japan and Korea. We hit some important milestones this quarter, with new mass cytometry adoption in both countries, including a first-time placement in Korea. This strong performance is a direct result of the changes we've made to strengthen our direct sales organization as well as reinvest in our channel partners in the region.

Shifting to Europe. Year-over-year revenues in the second quarter were up 18%. European consumables and service revenue were both up again this quarter. Similar to our APAC region, we are seeing strong performance that is due in part to previous changes in our sales organization and channel partners in Europe.

From a customer perspective, we are seeing a focus on immunotherapy as pharma works together with academic researchers to answer disease-specific immune function questions. Specifically this past quarter, a pan-European consortium that is using our monitoring panel was funded to explore dendritic cells, which initiate immune response. The possibilities to modulate and activate these cells inside the body may be relevant for many diseases, including cancer.

Continuing this theme, the U.S. is also delivering organic growth. We saw improvement with year-over-year growth of 3% and strong sequential growth from mass cytometry. This quarter, through to targeted efforts of the commercial team, we have surpassed a key milestone, a 50% penetration at U.S. comprehensive cancer centers. We're seeing good momentum for the back half of the year as we continue to execute on a robust pipeline of targeted opportunities in the U.S. across translational research, CROs and cancer centers.

Now to a discussion of progress in market development. There is explosive investment in the clinical, pharma and research communities to answer questions about immune function. Most of these questions require an intersection of genomic and proteomic analysis, leading to an environment that is increasingly multi-omic. Fluidigm is a leading provider of tools to meet this need as researchers require a broad array of solutions and workflows across tissues, cells and circulating biomarkers. For us, this trend is starting to translate from discovery to clinical relevance, and I'd like to highlight 2 examples that occurred this quarter.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

First, the Japanese government is investing in precision medicine projects driven by biomarker discovery. A Japanese medical hospital adopted our mass cytometry technology for a cancer biomarker project. This project has been funded by the Agency for Medical Research and Development, also known as AMED. It is one example out of many that we are seeing worldwide. As for Japan, we continue to see broad interest across academic, medical research and pharma.

Reinforcing the value of our potential in commercial settings, we had a very exciting mass cytometry placement, with a leader in the CAR T cell therapy space. As biotech and pharma companies investigate methods to utilize a patient's own T cells to fight cancer, mass cytometry is an important tool to uncover new insights in cellular, phenotypes, function and signaling status that can further the development of cancer treatments. Certainly, this quarter, we showed growth and market expansion through new instrument placements, but instruments are only a part of our long-term strategy.

We have talked about expanding our markets through innovative content and partnerships across our product portfolio. The team has made good progress in this area. The most exciting product story for Q2 is our human immune monitoring panel. We have seen remarkably strong uptake in the panel, which was launched early in April. The monitoring panel is part of a comprehensive workflow that is the first of its kind. It allows researchers to put 29 antibodies in one tube with 5 minutes to an answer, bringing powerful solutions for our customers, including a simplified panel design, push-button analysis, pre-titrated antibodies and easier workflow for better data and reproducibility. This raises the bar for other technologies.

For microfluidic genomics, we had new innovations for the BioMark and in single cell. This quarter, we launched the Advanta Sample ID Genotyping Panel for use with the BioMark system. This panel enables labs to accurately detect a sample at each stage of the journey from collection through analysis. It is an important addition to our Advanta portfolio of products to meet customer needs and provide significant cost savings, particularly for biobanks with large volumes of samples to track.

We also launched 2 C1 applications, expanded the capability of the C1 system to advance new single-cell discoveries. One was our first multimodal application that was created by our customers using the C1 Open App application for T-ATAC-sequencing. And the second was a lower cost full-length mRNA sequencing application that was developed with New England Biolabs.

Finally, on the partnership side. We entered into an agreement with Genomenon to offer joint panel design service for translational and clinical disease research. With this offering, researchers will be able to accelerate the design of disease-specific next-generation sequencing, genotyping and real-time PCR panels for use with the BioMark.

Moving to an update around scientific publications. For mass cytometry, we have now seen over 480 publications, a 17% increase in 2018 over 2017. On the microfluidic genomics side, Fluidigm's instruments continue to be well represented with thousands of publications. You can find a list of the publications on our website.

The common thread in recent publications is the use of our leading technologies to answer complex questions about areas like immune function, gaining deeper insights through multi-omics across a broad variety of diseases. Cancer is well represented with recent studies that range from leukemia, breast cancer and a deeper analysis of how CAR T cells can be used to fight tumors.

However, we also saw studies in areas such as reproductive health for predicting preterm labor and gestational age. This is only the beginning. We believe that researchers will be looking to answer multi-omic questions that link genomic and proteomic analysis.

We believe that we are very well positioned at the intersection of multi-omics, and I look forward to future updates as we continue to drive expansion of this market.

I now turn the call over to Vikram, our CFO, for a further review of our financial results.

**Vikram Jog** - Fluidigm Corporation - CFO & Principal Accounting Officer

Thanks, Chris, and good afternoon, everyone.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

Total revenue of \$26.4 million in Q2 2018 increased 11% year-over-year. Favorable foreign exchange rates contributed about 2 percentage points to the year-over-year growth. Mass cytometry revenue, comprising instruments, consumables and service, increased 32% year-over-year and 53% sequentially, driven by higher instrument revenue.

As you may recall, last quarter, a few mass cytometry orders were delayed and we saw those orders come through this quarter. We continue to have a robust pipeline of orders. Consumables and service revenue delivered solid year-over-year growth in the second quarter, reflecting strong utilization of our installed base. Consumables pull-through continues to track above the high end of our 2018 guidance of \$60,000 to \$65,000.

Microfluidic genomics revenue, comprising instruments, consumables and service, decreased 5% year-over-year and 22% sequentially in the second quarter. The year-over-year decrease was driven by lower instrument sales, partially offset by double-digit consumables growth. On a sequential basis, microfluidic genomics product revenue was down due to both instruments and consumables sales. As a reminder, genomics sales are subject to quarterly variations in line with purchasing patterns of our high-throughput customers. BioMark and EP1 consumables pull-through remained above the high end of our guidance range for the third consecutive quarter.

Rounding out our pull-through performance in the quarter, Access Array and Juno pull-through tracked slightly below our projected range and C1 pull-through tracked significantly below our projected range.

From a regional perspective, in the second quarter, we recorded revenue growth of 18% in Europe and 24% in Asia Pacific year-over-year, driven primarily by increased revenue from genomics. China revenue decreased 21%, primarily due to timing of customer orders. On a year-to-date basis, China was up 10%. Notably, in Q2, we returned to growth in the United States, driven by higher mass cytometry instruments and consumables sales, partially offset by microfluidic genomics.

Turning now to expenses. We continue to execute on our strategic initiatives to improve financial discipline and operational efficiency while investing in our growth initiatives. In the second quarter, while product margins expanded year-over-year, they were down sequentially. Operating expenses also declined year-over-year, coming in below our operating expenses guidance range.

GAAP product margin of 48.8% was up 410 basis points year-over-year and down 130 basis points sequentially in the second quarter. The year-over-year increase in product margins was primarily due to favorable product mix and higher average selling prices, partially offset by higher costs from lower instrument production volumes. On a sequential basis, the decrease in product margins was primarily due to product mix, with a greater mix of instruments versus consumables sales in Q2 compared to Q1.

Both the year-over-year and sequential variances in GAAP margins were impacted by fixed amortization over higher revenue in the second quarter of 2018. Non-GAAP product margin of 65% in the second quarter was up 200 basis points year-over-year and down 230 basis points sequentially. Non-GAAP product margin excludes the effects of amortization of developed technology, depreciation and amortization and stock-based compensation expense.

Operating expenses in the second quarter decreased \$2.1 million or 7% to \$26.4 million on a GAAP basis and decreased \$1.1 million or 5% to \$23.7 million on a non-GAAP basis. The year-over-year decline in operating expenses was due to lower SG&A expenses, reflecting the ongoing benefit of cost control initiatives implemented in early 2017. We believe that our operating expenses are in line with our current expectations for the business. Going forward, we would expect operating expenses to grow at a slower pace compared to the growth in revenue.

GAAP net loss for the second quarter was \$16.2 million compared to \$16.9 million for the same period last year, and \$13.2 million in the first quarter. The non-GAAP net loss for the second quarter was \$6.8 million compared to \$9 million for the year ago period and \$6.3 million in the first quarter. Please note reconciliation tables between our GAAP and non-GAAP measures are provided at the end of our earnings press release that we issued earlier today.

Moving on now to cash flow and the balance sheet. Accounts receivable increased to \$16.9 million at the end of the second quarter from \$16.3 million at the end of the first quarter, driven by timing of collections and higher revenue in the second quarter. DSO was 57 days in the second quarter compared with 58 days in Q1.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

Cash, cash equivalents and short-term investments was \$40.4 million at the end of the second quarter compared to \$47.3 million at the end of the first quarter. Total cash outflow in the second quarter was \$6.9 million, including a \$2.6 million onetime fee associated with the exchange of our convertible notes.

Earlier today, we announced that we have obtained an asset-based revolving credit facility of up to \$15 million for working capital needs and general corporate purposes. This facility provides us with additional balance sheet flexibility. For details on the terms of the facility, please refer to our Form 8-K that was filed today.

And finally, moving on to guidance for the third quarter of 2018. Total revenue is projected to be between \$26 million and \$29 million at current exchange rates. We are expecting minimal foreign exchange impact to revenue. GAAP operating expenses are projected to be \$27.5 million to \$28.5 million. Non-GAAP operating expenses are projected to be \$24.5 million to \$25.5 million, excluding stock-based compensation of approximately \$2 million and depreciation and amortization expense of approximately \$1 million. Total cash outflow is projected to be \$7.5 million to \$8.5 million, including a half yearly interest payment of \$2.8 million. We expect total cash outflow in the fourth quarter of 2018 to be lower than our projected outflow for the third quarter.

And with that, I will turn the call back to Chris for closing remarks.

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### **Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Thanks, Vikram. Before we close the call, I have some color to provide on the announcements, an additional announcement that we released earlier today.

Steve McPhail, our Chief Commercial Officer since August 2016, will be retiring early in 2019. Steve will turn 65 in February, and I fully support his decision to shift his primary focus to family priorities and his special involvement in an award-winning nonprofit with a terrific mission, called Improve Care Now, that focuses on improving the quality of care for children afflicted with Crohn's disease and IBD. He serves on the Board of Directors there as well as the Board of Visitors at the North Carolina Children's Hospital. By giving us a long notice period, Steve provides us ample opportunity to plan for his eventual transition. We have made incredible strides in the past 2 years to strengthen our commercial organization, notably, adding talented leaders throughout Asia, Europe and North America. We are well positioned to navigate our way forward without compromising customer service or the sales momentum we have generated.

The news is fresh, so we've just begun planning the search process for his replacement. We will be evaluating internal and external candidates who share our passion for unlocking the power of the immune system. I am confident we will have an exceptional pool of candidates to consider.

Steve is a terrific customer advocate, leader and a great human being. His passion motivates us all and when the time comes to say goodbye, we will share updates with you.

Meanwhile, I can't overemphasize our organizational confidence that 2018 is going to be a year of growth for Fluidigm. We've reduced employee turnover, attracted new talent, strengthened our organizational capabilities. We have launched innovative products that researchers desire and we have big plans for the future. The initial success of the Maxpar Human Immune Monitoring Panel points the way forward.

Furthermore, we are rapidly emerging as an essential part of the multi-omic revolution in pharma, biotech and translational research. Across microfluidic genomics and mass cytometry, we are attracting new partners and collaboration networks. Our tools are being applied across hundreds of diseases. We are no longer a one-product company.

In closing, our business funnel is strong, both in terms of depth and breath. I've traveled around the world in the past quarter, and I've witnessed firsthand the enthusiasm for the Fluidigm value proposition.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

From a shareholder perspective, I am confident that our focus on revenue growth, innovation, partnership and operating excellence will unlock new value. We are increasing our recurring revenue streams and winning the strategic instrument placement opportunities that will create a critical networking effect at translational cancer centers.

We've come a long way in the past 6 quarters and we are just getting started. I'm proud of the work of our 500 employees and I'm humbled by the impact of the advancements being made by our customers.

I look forward to sharing more about our strategic focus and progress in the months ahead. With that, I'd like to open the line for questions.

### QUESTIONS AND ANSWERS

#### Operator

(Operator Instructions) And our first question comes from Doug Schenkel from Cowen & Company.

#### **Adam Joseph Wieschhaus** - *Cowen and Company, LLC, Research Division - Associate*

This is Adam Wieschhaus on for Doug. As you know, today was another solid instrument quarter for mass cytometry. I think you mentioned last quarter that your installed base in mass cytometry customers was becoming capacity-constrained. So as we think about the Helios placements that you made in Q2, did those largely go to capacity-constrained customers? Or are they largely being placed on new customer sites? I'm just trying to get a sense for how the backlog is trending in the quarter and the outlook for utilization for that instrument.

#### **Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Thanks, Adam. Thanks for the question. So I would just kind of characterize it a couple of ways. One is that we continue to see the trend of capacity constraints, and so I'd characterize, which this quarter, for instruments as you might have noticed is one of the best quarters for us, at least the last 6 quarters from my perspective in the mass cytometry, since I came to the company, mass cytometry. We're seeing a good mix of new customers. You certainly heard in the highlights that we expanded our penetration in some of the comprehensive cancer centers in the U.S., passing that key target of 50% penetration. And we also have been adding capacity. But I'd say, it largely characterizes still new instrument placements. So we're really pleased with second half of the year. I think it continues to set up just as we described it on the previous call a quarter ago. That there was a good mix of capacity constraints emerging that was feeding our long-term funnel for multisystem placements and institutions and industry placement locations. I think it also sets up well for CROs, who are seeing better utilization of the investments they made in the capital equipment and the potential for expansion as well as attracting new customers. So it's a good blend of that, and that's why I think we're just getting started

#### **Adam Joseph Wieschhaus** - *Cowen and Company, LLC, Research Division - Associate*

Okay. And your new panel launches for the BioMark instrument are being well received by customers, as evidenced by the pull-through for the instrument coming in above the guidance range for the last 3 quarters. However, we believe that the BioMark placements have been roughly flat over that same time. So I just want to make sure that assumption was correct. And if so do you believe that BioMark placements could start to trend upward in the near future now that you have some pretty compelling applications for the instrument?

#### **Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Yes. I'd say that we've tempered expectations on our genomics instruments, though, it certainly had a little bit of lumpiness in this particular prior period in the second quarter. But we're pleased with the continued addition of capacity or new consumables we're putting in place. But primarily,





## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

our focus is making this a really strong consumables business. The pull-through is phenomenal in BioMarks. And so what we've been really realizing is that we've really kind of, we're getting underutilization of those systems in place. It will take a while to fully baseload those up and look for capacity expansion, although, we are placing instruments. But primarily, we're putting the focus on the recurring revenue streams. And that's why I think you've seen, if you look at the mix of our revenue in this period, and it's certainly part of our strategic road map, which is increasing the amount of recurring revenue streams that we generate in the business across all of our platforms.

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**Operator**

And our next question comes from Bill Quirk from Piper Jaffray.

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**William Robert Quirk** - Piper Jaffray Companies, Research Division - MD and Senior Research Analyst

So Chris, I guess, one question, 2 parts to it. And you kind of addressed the first part, I was just hoping you could elaborate. So first off, on mass cytometry, the trend you noted with respect to U.S. comprehensive cancer centers. Can you give us a little more details in terms of how they're using mass cyto in those centers? And then secondly, and this is perhaps a longer-range question, but can you help us think a little bit about interest beyond the academic medical centers in this particular translational space?

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**Stephen Christopher Linthwaite** - Fluidigm Corporation - President, CEO & Director

Sure. Thanks again, Bill. So I guess, we'll kind of start on this -- the first one and probably we'll -- then we can get into it always in the future, on follow-up meeting. So I think of the comprehensive cancer centers, the utilization is across the board. It's everything from exploration across new disease states, biomarker discovery. We're seeing an increasing number of sponsored clinical trials work, in which mass cytometry is a correlate, or one of the data points that's being collected in support of those clinical trials. I think we're just beginning to scratch the surface on our potential. If you think about more than a thousand immuno-oncology drugs in the pipeline at some stage, and we're in a very small fraction of those right now as a measurement correlate. So that's another one of the drivers that we're seeing in place that are helping load up institutions. In addition, as you know, one of the major trends is creating immune monitoring cores. Now those immune monitoring cores is a big thing. It's a multi-omic story and we're right in the middle of it. And what we're doing is we're feeding both base research as well as applied. We're also seeing some, perhaps, the beginnings of some cannibalization of flow cytometry at lower parameters. So experiments that are being run in 2 or 3 or 4 experiments in a flow cytometry, flow cytometry instrument that we're able to now offer it. A great showcase example is this human immune monitoring panel that allows you to take what might have been a series of experiments and put them all on a single tube, pre-titrated assays or antibodies against one another, with a killer informatics solution against it. And so that's what we're really seeing as an evolution to more industrialize that. And we've seen great takeup or pickup in those institutions. So it's being used, like I said, across a variety, and that's just talking about suspension. On the imaging side, I said the imaging is based more on biomarker discovery and basic research right now, that's an earlier stage story with regards to imaging. That's still playing out from a Helios perspective, a suspension portion of mass cytometry we are definitely seeing a shift from core research projects, although there's still many of those. But we're seeing those now moving more to applied and clinical trial support and so on and so forth. Now the second part, I think, you talked about was kind of industrial applications. I think that's one of the reasons why one of the highlights this great win, I think, at one of the industrial CART company placements. I think this is -- we've been supporting CART in -- from a research perspective in many of those same institutions that we referenced before at the large comprehensive centers, and that's been through -- they've been contracting with the cores for support of these institutions. And now they're seeing the need to commit to the technology and bring it in-house themselves, and that's exactly how we envision it would work, that we would seed the major academic centers, we'd get ourselves exposed to clinical trials, how we'd make them available within cores. And we'd have many people, not just academic researchers, but we'd also see industrial partners who'd want to access those cores? And then as they build the proof points that was needed, they'd start bringing some of those capacity or capabilities in-house where it was strategic. And in the case of the particular company in question, they actually was helped, contributed some of their patent filings and is I think a major part of what they're looking at as a competitive advantage in their particular program.





## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

**William Robert Quirk** - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Got it. And then I guess another follow-up kind of along that same vein. We've seen a lot of interest recently in NGS coming out of the community hospital setting, which is -- obviously, we don't tend to associate that with that rapid adoption and some all these multi-omic technologies. Again, this may be a much longer-term question, but are you starting to see any interest coming out of the community at all in looking at mass cytometry, specifically around the [immune system monitoring] and such?

**Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Yes. I can't point to anything at the community hospital level at this point. But what we have seen is more and more hospitals settings around the world where we're having wins that they're seeing in that kind of -- in that truly translational space, where I know they were helping inform some of their decision-making internally and they're also running trials or doing side evaluations within the constructs of their IRBs, of course, but they're looking at our technology and seeing what additional value could be generated in parallel to other samples they may be processing. I can't say our exposure to NGS is more modest, so I can't connect direct analog for us in the NGS space. They've had a lot of years ahead of us in this particular area. But I think they're showing the road map, which this is exactly where we want to go. By kitting things such as the human immune monitoring panel, I think this is just a proof point about a major trend that we see going forward. About when you know the specific answers -- or the questions you want to ask, companies like ours can take those targets, those biomarkers you're looking for because of the huge design space that we enable in our instruments, which is really a unique capability. We're able to package that all together and then create a gating algorithmic solution that help clean up the data very quickly and help you lead to an answer, to answer, to lead to a quickly interpretable report. And by simplifying it and automating the research that's happening, these academic institutions and being published on, our goal is to industrialize it in a way that we can penetrate those community hospitals in the future. And so, certainly, we'd have ambitions to follow in the path of NGS. But I think right now, our goal is, as we said before, is to target those cancer centers and influencers around the world. We've just been talking about the U.S. one so far, but make sure we get this critical mass, this critical networking effect in placements.

**Operator**

(Operator Instructions) And our next question comes from Paul Knight from Janney Montgomery.

**Paul Richard Knight** - *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

Chris, could you talk about the genomics sequential decline from Q1 to \$12.8 million? Was it single cell? And then, what was the positives within that genomics group?

**Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Thanks, Paul, thanks for the questions. So I'd say, we have not been historically breaking outperformance of the single-cell business in the context of all of genomics performance. So with that kind of caveat, I'd say, it's in primarily just the lumpiness as it relates to instrument placement cycles. So if you think you could look at us from the first half versus -- instead of a quarter on like a pure Q2 basis, then I think we're setting up exactly where we kind of thought we'd be for the first half of the year And so it's really timing for us in the genomics instrument placements -- and kind of similar to -- had spoken to Cowen when he asked the first question earlier, our primary, primary focus is on consumables. And in that context, we're extremely thrilled with the progress that we're making in terms of consumable consumption and driving that demand in genomics, specifically, and that's the double-digit growth for us again in the second quarter.

**Paul Richard Knight** - *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

And on the digital PCR market, are you taking share? What do you think you're doing within that marketplace?

## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

**Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

Digital PCR is a really interesting story. And probably, engenders a much longer conversation. But I'd say, we were first-mover in the digital PCR space Fluidigm was historically. And it was really almost ahead of its time. We created the capability or introduced the capability on our BioMark platform. But we didn't fully exploit kind of where that first -- that market was first in its super nascent phase. Now fast forward a little bit, a couple more companies have come on the scene and the world's moved on. And in fact, digital PCR is becoming a more larger market. And our value proposition remains. And so we are seeing increasing interest on our platform for digital PCR applications. It's not been an area we've historically focused on, but we definitely are quite keen to figure out if there's a way that we can participate in a larger way in the digital PCR market growth, which is one of the faster probably growing segments of the overall PCR market.

**Paul Richard Knight** - *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

Okay. And then on the mass cyto side of the business. Can you talk about, I know there's no backlog you put out, but can you talk to customer order trends, et cetera?

**Stephen Christopher Linthwaite** - *Fluidigm Corporation - President, CEO & Director*

I guess, to the extent that I can share, I'd just kind of echo what I shared at the end of the call in the wrap. We had a great quarter in Q2 in instrument placements, it was the best quarter in the last 6 quarters. I think our best days are still ahead of us. I think we're really pleased with the way that build is forming in terms of -- I mean, it starts with happy customers from the first installs. And from the signals that we're getting, we're doing a really good job of base loading those, keeping those service contracts in place, keeping the uptime on the instruments. We're giving them new panels and consumables and reasons to use the instruments. We're seeing an acceleration in terms of publications that have come out. We added 16 publications in the imaging field alone in the second quarter. And we're up 19% in terms of publications, and that's a (inaudible) we're facing on mass cytometry. So you can see the utilization, we can see that we're coming on the high end, relatively high end of our guidance with regards to the consumables, annualized consumables and pull-through -- sorry, pull-through on those systems as we expand the base. And so I think those are really positive signs about where this organization is heading. I give out the proof point, we give out of the proof point related to penetration, passing that critical 50% target. And you can look at that as that's just the beginning, that's just the beginning of penetration. And some of those cases, we do have multisystem placements but we have a huge better market that we could possibly expand into. We're a fraction of how you might measure the flow cytometry market as we presented in our investor presentations, we see this market as more than a \$0.5 billion market, of which we're a relatively small player. So I think there's a tremendous amount of upside for us in terms of new instrument placements and in terms of consumables growth over the long term. And I think that long term is not years in the future. I think we're going to continue to see acceleration in this business.

**Paul Richard Knight** - *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

Okay. And then on the cash burn side, where you're kind of without that convert fee, you were cash change of \$4 million. What do you think a normalized burn rate is quarterly? Is it in that 4 to 5 range?

**Vikram Jog** - *Fluidigm Corporation - CFO & Principal Accounting Officer*

Yes, Paul, this is Vikram. Yes, so every other quarter, we have about \$2.8 million in cash interest. And yes, I would say you're in the right ballpark. There is some seasonality around that number between Q1 and Q4. Q4 tends to be somewhat lower than that normalized number, and Q1 tends to be higher.



## AUGUST 02, 2018 / 9:00PM, FLDM - Q2 2018 Fluidigm Corp Earnings Call

**Operator**

I'm showing no further questions. I would now like to turn the call back to Agnes Lee for closing remarks.

**Agnes Lee - Fluidigm Corporation - VP of IR**

Thank you, Shelby. We'd like to thank everyone for attending our call today. A replay of this call will be available on the Investors section of our website.

This concludes the call, and we look forward to the next update following the close of the third quarter of 2018. Please reach out to us if there are further questions. Good afternoon, everyone.

Shelby, you may now close the call.

**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. You may all disconnect. Everyone, have a great day.

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