

QIAGEN

PRELIMINARY Q2/2021 IR CONFERENCE CALL TRANSCRIPT

July 13, 2021



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OPER: Ladies and gentlemen, thank you for standing by.

Welcome to our call to discuss preliminary results for the second quarter and first half of 2021. At this time, all participants are in a listen-only mode. Please be advised this call is being recorded and will be made available on QIAGEN's web site.

I'd like to introduce your host, John Gilardi, Vice President of Corporate Communications and Investor Relations at QIAGEN. Please go ahead.

JOHN GILARDI: Thank you, and welcome to our call.

The speakers today are Thierry Bernard, the CEO of QIAGEN, and Roland Sackers, the Chief Financial Officer. Also joining us is Phoebe Loh, Senior Director of Investor Relations.

Please note that this call is being webcast live and will be archived on the investors section of our website at www.qiagen.com. A copy of the press release is also available in the same section.

(SLIDE 2: FORWARD LOOKING STATEMENTS - JOHN)

JOHN GILARDI: Before we begin, let me cover our safe harbor statement. This presentation, as well as the discussion and responses to your questions, on this call reflect management's view as of today, July 13, 2021.

We will be making statements and providing responses to your questions that state our intentions, beliefs, expectations or predictions of the future.

These constitute forward-looking statements for the purpose of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995.

These statements involve risks and uncertainties that could cause actual results to differ materially from those projected. QIAGEN disclaims any intention or obligation to revise any forward-looking statements.

For more information, please refer to our filings with the U.S. Securities and Exchange Commission, which are also available on our website.

We will also be referring to certain financial measures not prepared in accordance with generally accepted accounting principles.

Before we move on, I would like to remind you that the full results for the second quarter and first half of 2021 are still planned to be published on Thursday, July 29.

This will occur at the usual time of about 22:05 Frankfurt time / 4:05 p.m. New York time.

In light of the call today, we are not planning to hold another conference call with that announcement.

I will now turn the call over to Thierry.

(SLIDE 4: OVERVIEW – THIERRY)

THIERRY BERNARD: Thank you, John.

Welcome to our conference call today, and for joining us to discuss the announcement of preliminary results for the second quarter and first half of 2021 as well as our perspectives on the second half of the year.

Let me get right away to our key messages for this call:

First, our teams delivered excellent results in the second quarter of 2021. The preliminary results show we exceeded the outlook for sales growth and adjusted EPS.

Net sales grew 24% at constant exchange rates over the same quarter of 2020, and at a faster 28% pace at actual rates, to 567 million dollars. This beat our outlook for about 20% CER growth.

The preliminary results for adjusted earnings per share are for about 65 to 66 cents CER, and above our outlook for about 62 to 64 cents CER.

As for the second key message, we are seeing the benefits of our tremendous focus on the non-COVID product groups. These efforts are positioning QIAGEN to emerge from the pandemic as a stronger and more differentiated competitor.

The performance of these non-COVID product groups was outstanding in the second quarter, rising 52% CER to 408 million dollars and providing 72% of total sales.

As you have heard us say before – the results show we are COVID-relevant, but not COVID-dependent. We are seeing a broad business expansion and using this period to invest in our five pillars of growth. This is our highest priority for execution and positioning QIAGEN for growth and differentiation.

At the same time, we saw a decline in COVID-19 product group sales in the second quarter, as they fell 17% CER to 160 million dollars.

This marks a break in the growth trend seen in recent quarters.

Quite frankly, this was expected to come at some point. We said on our results call for the first quarter of 2021 that we expected a slowdown in the second quarter and the second half of 2021. But it came faster than we along with many experts had expected.

The roll-out of vaccination campaigns around the world have been much more successful than anticipated, and this has led to reduced demand for testing, which you are seeing in the data reports from various organizations. While we saw a very strong overall performance for Q2, we noticed a change in sales patterns coming from our COVID testing customers as the quarter progressed, and especially at the end.

This leads to the next key message, and that is the update to our full-year 2021 outlook.

For the full year, we now expect sales growth of at least 12% CER over 1.87 billion dollars in 2020. This compares to the prior range for about 18 to 20% CER growth

The updated outlook includes ongoing strong sales trends for non-COVID product groups, but also takes an increasingly more cautious view on demand trends for COVID-19 testing in the second half of the year, in light of market trends.

As for the Delta variant and its implications, we are monitoring the evolution of the delta variant, and supporting healthcare providers around the world in the fight against COVID-19.

For adjusted EPS, we now expect results for full-year 2021 of at least 2 dollars and 42 cents at CER. This is the bottom end of the prior range for about 2 dollars and 42 cents to 2 dollars and 46 cents CER.

And as a last point, we have announced plans for a new 100 million dollar share repurchase program. This is a reaffirmation of our convictions about QIAGEN's growth prospects and a signal of our disciplined capital allocation strategy.

I would now like to hand over to Roland.

(SLIDE 5: SALES BY PRODUCT GROUPS – ROLAND)

ROLAND SACKERS: Thank you, Thierry.

And thank you as well from me for joining this call today.

I would like to provide some perspectives on the sales results for the second quarter and first half of 2021.

You saw the preliminary topline results with 24% CER growth to 567 million dollars.

As you know, we have implemented an enhanced view on sales by product groups, so let me walk through each one.

The first group involves sample technologies – the first of our five pillars of growth. These sales declined 3% CER in the second quarter to 203 million dollars.

These results overshadow the fact that sales of non-COVID consumables kits rose about 30% CER over the second quarter of 2020 and represented about two-thirds of sample technologies sales in this quarter.

Sales of sample technologies from COVID-19 product groups fell at a double-digit CER rate over the second quarter of 2020, which was the quarter in 2020 in which we first saw significant incremental growth as the pandemic gained momentum.

As a reminder our sample technologies sales are led by kits sold for use with DNA, and are more weighted to our Life Sciences customers. So we are pleased with the underlying growth.

In diagnostic solutions, which involves our product groups sold for use in clinical testing, sales advanced 71% CER to 154 million dollars.

The key driver was the QuantiFERON latent TB test. These sales surged 109% CER to 72 million dollars. All regions delivered excellent growth, led by the Americas and Europe.

Here we are clearly seeing a resumption of testing, and look forward to strong trends in the second half of 2021, especially from back to school campaigns.

Sales of the QIAstat-Dx and NeuMoDx solutions were higher than in the second quarter of 2020, in spite of reduced demand for COVID-19 testing.

But these were lower than in Q1 2021, and therefore less than we had expected. While COVID has been the major contributor to sales for these two platforms, we see that the sales composition will change as COVID testing demand declines and growth emerges from other applications.

We are focusing on developing these platforms for applications beyond COVID testing. The top priority is to expand our test menus as we build up manufacturing capacity to support a growing installed base in the coming years. In terms of that installed base, we are quickly approaching 2,400 cumulative placements of QIAstat-Dx systems, and recently reached the milestone of 200 cumulative NeuMoDx placements.

Other portfolios in this product group include our Precision Medicine assays, companion diagnostic co-development revenues and women's health portfolio, including HPV.

These sales grew at a 33% CER pace in the second quarter, and included a 31% CER increase in revenues from companion diagnostic co-development projects to 10 million dollars, as well as double-digit CER growth in Precision Medicine consumables that are often used to guide cancer treatment decisions.

The PCR / Nucleic acid amplification product group involves our portfolios of PCR solutions and components for use in research and applied testing. These sales were up 8% CER in the second quarter to 109 million dollars.

On one hand we saw very strong sales of the non-COVID products in this portfolio.

The global rollout of the QIAcuity digital PCR instruments is building momentum, and we saw good sequential sales growth from the first quarter of 2021. Demand is increasing for a broad range of applications.

On the other hand, we saw weaker sales trends for products used in the COVID-19 response, including OEM products used by other diagnostic companies for their own COVID-19 tests.

The last product group is Genomics / NGS, and includes our universal NGS products and bioinformatics solutions. These sales were up 110% CER to 80 million dollars in the second quarter of 2021 after facing challenges in 2020 due to sharply reduced customer demand.

Sales of universal solutions for next-generation sequencing were up more than 150%, as labs ramp up activities. These results were enhanced by variant sequencing for COVID-19 cases, and also by sales of technology licenses.

(SLIDE 6: NON-COVID / COVID-19 SALES – ROLAND)

Moving to the next slide, I would like to discuss our results in the non-COVID and COVID-19 product groups.

We have seen significant year-over-year improvement trends in non-COVID product groups for three consecutive quarters.

We have set a goal for sales from non-COVID product groups to grow at least 20% CER over 2020, and represent the majority of our sales.

We saw strong non-COVID sales growth trends in the first half of 2021, and believe that we will maintain momentum for a double-digit CER growth rate for the second half of the year. And we see this solid growth trend for non-COVID sales continuing into 2022.

We expect non-COVID sales contributions in the third quarter, on an absolute dollar basis at CER rates, to be at a level between those seen in the first and second quarters of this year. For the fourth quarter, we expect a non-COVID sales level higher than the CER sales level seen in the second quarter of 2021.

As for the COVID-19 product portfolio, these sales rose 38% CER to 363 million dollars in the first half of 2021 and represented about one-third of total sales.

Keep in mind that we had total COVID-19 product group sales of 618 million dollars in 2020, and this represented 475 million dollars of incremental sales over the 2019 level of about 147 million dollars.

(SLIDE 7: GEOGRAPHIC REGIONS – ROLAND)

On the next slide I would like to review our sales by geographic region. All regions showed growth in the second quarter of 2021 over the same period of 2020, and absorbed lower sales for COVID-19 product groups.

The Americas region delivered the strongest geographic performance in the second quarter of 2021. These sales were up 44% CER, at a pace roughly in line with the 40% CER growth in the first quarter of this year, and provide about 45% of global sales. The key driver was QuantiFERON-TB, which grew over 50% CER over the year-ago period. The gains in the U.S. more than offset lower sales in Brazil and Mexico.

The Europe, Middle East and Africa region continued the strong trends from 2020 and the first quarter of 2021, growing 15% CER and providing about 36% of global sales in the second quarter of 2021. The United Kingdom, Italy, Switzerland and Turkey all grew at double-digit CER rates, while Germany delivered low-single-digit CER sales growth, and this came against a double-digit CER decline in France.

Sales in Asia-Pacific and Japan region rose 4% CER over the second quarter of 2020, and represented 19% of global sales. China generated the most growth in this region, with sales up 17% CER on broad product portfolio gains. Sales in the region excluding China, however, were down 2% CER, and included a single-digit CER decline in Japan and a double-digit CER drop in India.

I would like to now hand back to Thierry.

(SLIDE 8: STRATEGY UPDATE – THIERRY)

THIERRY BERNARD: Thank you Roland.

As we have updated our full-year outlook, we would also like to provide an update on our expectations for our five pillars of growth. At our Deep Dive in December we first gave you full-year sales expectations for each of our growth pillars, now we would like to give you an update on how we see them developing given our views for the second half of the year.

The sales trends for Sample technologies and QIAcuity are on track with previous expectations. We are seeing solid non-COVID sales trends in these pillars. In terms of instruments, we are on track for over 200 new placements of QIASymphony systems, building on the more than 2,900 cumulative placements at the end of 2020.

QIAstat-Dx has seen solid placement trends and driven by use for respiratory and COVID-19 testing, and we are optimistic about converting these instruments for use beyond the pandemic.

At the same time, keep in mind that for the next few quarters we anticipate a period before consumables sales fully represent the transition to non-COVID testing applications. The updated sales expectation for QIAstat-Dx is for over 60 million dollars for 2021.

As I have said before, we do not judge our growth drivers on the basis of one quarter or even one year. This is especially the case early in the life of a product. We still expect QIAstat-Dx to deliver sustainable double-digit CER growth after working through the pandemic effects.

We are already seeing growth picking up for sales the gastrointestinal panel in Europe and are on track in our plans to submit this panel to the FDA this year. We are also on track with the CE-IVD submission for the meningitis panel. Our production capacity expansion plans are also on track to enable us to provide consumables to support future growth.

NeuMoDx will also enter a phase of transition to post-pandemic testing. Here we are building on the extensive menu in Europe, now with 15 CE-IVD marked tests and one of the broadest available to customers. We are working on the menu expansion plans for the U.S. and greater utilization of the laboratory-developed test capabilities for these systems. For 2021, we now expect 100 million dollars in sales for the full year in light of the new COVID-19 testing trends.

And finally for QuantiFERON, which has been delivering robust growth for the last few quarters, we have increased our expectations for sales of this product group to over 255 million dollars for 2021. Building on the outstanding growth in Q2 of 109% CER we will also be launching QIAreach-QFT TB in the second half of the year which will further boost sales in addition to the return of immigration programs and back to school testing.

A key point is that we are reaffirming the mid-term growth ambitions that we announced at our Investor Day in December. Each of our five pillars of growth are well-differentiated and set to deliver sustainable growth in a post-pandemic market.

I would like to now hand over to Roland.

(SLIDE 9: OUTLOOK - ROLAND)

ROLAND SACKERS: Thank you, Thierry.

The next slide provides you with a bridge on what has changed in the sales outlook for 2021.

On the left side, we took the low end of the previous outlook for 2021, which was for 18 to 20% CER sales growth.

As we noted earlier, we are now expecting the COVID-19 product group sales to be down about 200 million dollars, while the non-COVID product groups are doing better than expected, and this by an amount of 90 million dollars.

This leads to the new outlook for at least 12% CER sales growth for 2021, where the non-COVID performance is helping us to offset a significant part of the rebalancing of our portfolio.

(SLIDE 10: OUTLOOK – ROLAND)

As noted earlier, we have updated our full-year outlook for net sales to at least 12% CER growth, and for adjusted EPS of at least 2 dollars and 42 cents at constant exchange rates.

This reflects our plans to invest in our five pillars of growth and strengthen our competitive profile to drive sustainable growth.

At the same time, we continue to take a very disciplined approach to managing the cost base.

We are using this period to change the way we work, in particular stepping up digital engagement with customers, and enhance our profitable growth in the coming years.

As for currencies, based on rates as of June 30, 2021, we now expect a currency tailwind on full-year results at actual rates of about 2-3 percentage points.

For adjusted EPS, a currency tailwind of about 2 to 3 cents per share is expected for the year.

For the third quarter, we anticipate CER sales to be at the same level of 483.8 million dollars in the same period of 2020, and adjusted EPS of about 52 to 53 cents CER, and this compares to results of 58 cents in Q3 2020.

In terms of the adjusted tax rate, we expect a rate at about 16% in the third quarter and about 17 to 18% for the full-year 2021.

The average number of shares outstanding is around 231 million for Q3, while the level for the full year is about 232 million.

With that, I would like to hand back to Thierry.

(SLIDE 11: SUMMARY - THIERRY)

THIERRY BERNARD: Thank you, Roland.

So let me provide a quick summary before we move into the Q&A session:

- First, we had excellent results in the second quarter of 2021, and also for the first half of the year. Our results beat the outlook set for sales and adjusted earnings per share, and were driven by the dynamic growth from our non-COVID product groups.
- This leads to the second message, and that is the laser focus of our teams on driving further growth from these non-COVID product groups. As a reminder, these groups represented nearly 70% of total sales in the first half of 2021 and grew 33% CER, and we have a goal for at least 20% CER growth for the full-year.

These efforts will pay off to position QIAGEN for further strong growth beyond the pandemic, driven by our five pillars of growth.

- Third, we have decided to take a more cautious view on COVID-19 testing trends. This comes after the faster-than-expected uptake and success of vaccination campaigns, which we all certainly welcome.

Our teams remain on the front lines of supporting the global response to the pandemic, and we are ready for any future pandemic testing needs given the increasingly volatile situation with the Delta variant. But we have not factored in any surge into our forecasts.

- Fourth, we have updated our outlook for full-year 2021 based on the COVID-19 testing trends. Net sales are now expected to grow at least 12% CER, and for adjusted EPS of at least 2 dollars and 42 cents CER.
- And, as a last point, we believe in our future growth prospects, and this is confirmed with plans to start a new 100 million dollar share repurchase program.

With that, I'd like to hand back to John and the operator for the Q&A session. Thank you.

JOHN GILARDI: I would like to close this conference call and thank you for your participation. If you have any questions or comments, please do not hesitate to contact us. Thank you.