# QIAGEN
# Q4 and FY 2021 RESULTS CALL SCRIPT

February 9, 2021

Sample to Insight

QIAGEN

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OPER: Hello and thank you for standing by. Welcome to our call to discuss results for the fourth quarter and full-year 2021. At this time, all participants are in a listen-only mode. Please note that this call is being recorded and will be made available on QIAGEN's website. 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, our Chief Executive Officer, and Roland Sackers, our Chief Financial Officer. Also joining us is Phoebe Loh from the Investor Relations team.

Please note that this call is being webcast live and will be archived on the investors section of our website at www.qiagen.com.

Today we will first have some remarks from Thierry and Roland, and then move into the Q&A session.

A presentation with details on our performance is available on the IR section of our website, along with the Q4 release. We will not be showing the slides during this call.

Before we begin, let me cover our safe harbor statement. This conference call discussion and responses to your questions reflect the views of management as of today, February 9, 2022.

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 or GAAP. All references to EPS refer to diluted EPS.

A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure is available in our fourth quarter press release as well as the presentation. Both of these documents are available on our website.

I would like to now turn over the call to Thierry.

THIERRY BERNARD: Thank you, John.

Welcome to our conference call today and thank you to everyone for joining.

Our very solid results in the fourth quarter of 2021 capped a tremendous year for QIAGEN. The highlight was clearly the 22% growth at constant exchange rates, or CER, in our non-COVID product portfolio, and this underpins our confidence in double-digit growth for 2022 in these areas of our portfolio.

We also achieved an important milestone with over 2 billion dollars of sales for the year.

I want to thank our teams for their tireless execution to continue showing, as I have been saying, that QIAGEN is COVID relevant - but not COVID dependent.

Now onto our key messages for today.

**First, we exceeded the outlook set for net sales growth and adjusted EPS – both for the fourth quarter and for the full year.**

Net sales for the fourth quarter of 2021 grew 4% CER to 582 million dollars over the same period in 2020. This was well above the outlook for a decline of 9% CER.

Our non-COVID product sales advanced 10% CER, which was ahead of our expectations. COVID-19 product sales were also better than expected due to the surge in testing related to the Omicron variant. These COVID-19 sales, however, were down 7% CER from the fourth quarter of 2020.

For the full year, we also exceeded our outlook with net sales rising 19% CER to 2.25 billion dollars against the outlook for at least 15% CER growth.

Our non-COVID business again delivered outstanding results ahead of our goal for 20% CER growth, and these products represented about 70% of total sales.

The strong business expansion led to earnings growing at a faster pace. Adjusted earnings per share for the fourth quarter rose 10% to 75 cents CER, and this was above the outlook for at least 60 cents CER. For the full year 2021, adjusted EPS grew 22% over 2020 to 2 dollars and 63 cents CER, and this was well above the outlook for at least 2 dollars 48 cents per share at CER.

**Another key highlight was that the strong business performance led to a record year of cash flow.**

Operating cash flow for 2021 rose 40% to 639 million dollars, while free cash flow increased 38% to 449 million dollars over 2020.

These results highlight our ability to generate strong cash flow from the business while investing to support our growth ambitions as part of a disciplined capital allocation strategy.

**This leads to our third message: QIAGEN is entering 2022 as a stronger, more focused and balanced company.**

The last two years have been a period of implementing our strategy as a new management team. That strategy is focused on helping customers around the world gain access to valuable molecular insights – from molecular research to clinical healthcare. We are targeting segments with promising growth opportunities while making sure we execute quarter after quarter.

At the core of this strategy is a focus on our five pillars of growth. These are opportunities to create and maintain top 3 leadership positions in highly attractive markets. The 5 pillars build on our absolute leadership in sample technologies – the first step in any lab process.

Against this backdrop, our focus translates into two key words: recurrence and balance.

Recurrence means building up the revenues coming from our highly recurring business involving consumables and associated revenues. These reached 88% of sales in 2021!

It also means building revenue streams from the significant increase in our installed base of instruments. We saw a dramatic acceleration in the installed base through COVID-19 over the last two years.

As we move into 2022, we want to focus on transforming this installed base into new sources of growth.

And we are doing so by developing new tests and applications across our portfolio.

We made significant progress in 2021 on this front – especially with QIAstat-Dx for syndromic testing and the QIAcuity digital PCR system. This focus is reflected in the fact that 65% of our R&D investments are in our five pillars of growth.

We also stepped up our manufacturing capacity for consumables that are essential for future growth of our systems, which also include QIAsymphony for automated sample preparation and NeuMoDx for integrated PCR clinical healthcare testing.

The second keyword is balance. It means balance in serving customers in both the Life Sciences and Molecular Diagnostics. A reminder, and a point often overlooked: About half of our sales involve Life Sciences customers. These are attractive end markets given the robust funding environment and our differentiated offering.

And a second reminder: Balance also across our geographic regions. About half our sales in the Americas, about a third in Europe and the remaining 20% in the Asia-Pacific region.

Balance is also ensuring we operate sustainably and responsibly with commitments towards important ESG goals. For example, reducing our carbon footprint to reach net-zero carbon emissions by 2050. We have strengthened our dedication by setting targets in areas such as improving access to healthcare, increasing diversity and inclusion, and maintaining responsible governance, just to name a few.

This is how we are going to become a stronger QIAGEN in 2022 and the coming years with a clear focus on execution.

**As a last message, our outlook for 2022 calls for strong growth in sales of our non-COVID portfolio.**

For the full year, we expect sales of at least 2.07 billion dollars, and led by double-digit CER growth in our non-COVID portfolio. We also expect at least 2 dollars and 5 cents CER for adjusted EPS.

As we did in 2021, we have taken a conservative view on COVID-19 testing demand trends. Given the volatile trends expected for 2022, we anticipate a significant decline in these sales compared to 2021.

Our focus in 2022 is clearly on developing our non-COVID portfolio to deliver solid mid-term growth trends, while again remaining ready as ever to support the global response to the pandemic – however it may develop.

We will provide more details on the outlook later in this call, and I would like to now hand over to Roland for a financial update.

ROLAND SACKERS: Thank you, Thierry.

Hello and thank you as well from my side for joining the call.

Let me begin by walking you through our sales in more detail.

For the fourth quarter, net sales rose 4% at constant exchange rates. This was against a very tough comparison to the fourth quarter of 2020, which was the quarter with highest level of sales for that year. Also in the fourth quarter of 2021, non-COVID sales grew nicely over Q3 2021 reflecting the positive trends in our core business going into 2022.

Consumables and related revenues for the fourth quarter rose 7% CER over the same period in 2020, and represented 89% of sales.

While instrument sales in the fourth quarter 2021 declined 14% CER, this was against the highest level of quarterly instrument sales for 2020 and also a sequential increase over Q3 2021.

For the full year, consumables sales were up 21% CER based on solid growth trends throughout the year, while instrument sales rose 2% CER.

In terms of sales among the four product groups, let's start with Sample technologies. These sales were up 4% CER for the full year and reflected the volatility in COVID-19 demand trends. Sample technologies represent about 40% of total QIAGEN sales, and the vast majority of these sales are in the Life Sciences. We were very pleased with the double-digit CER growth in the non-COVID product groups for 2021, especially in DNA sample prep, which is benefitting from the strong research funding environment.

Sales in Diagnostic solutions were up 37% CER for the full year over 2020. The key driver was QuantiFERON, with sales rising 47% CER to 281 million dollars for the year, and this is even without testing levels returning to pre-COVID demand trends. The two PCR clinical testing systems – QIAstat-Dx and NeuMoDx – provided important incremental growth contributions, while revenues in our Precision Medicine business benefitted from the resumption of many pharma R&D projects.

In the PCR / Nucleic acid amplification product group, full-year sales rose 18% CER in 2021 and were supported by the QIAcuity digital PCR system as well as consumables used by other companies. This performance was even more encouraging given the fact that the growth was driven by double-digit CER gains in the non-COVID portfolio that more than absorbed a significant decline in COVID product group sales.

Genomics / NGS sales were up 47% CER in 2021 over 2020 and represented about 10% of total QIAGEN sales. This performance came against weaker sales trends in 2020 due to the adverse impact of the pandemic on customer activities. These trends clearly reversed during 2021 as many laboratories resumed a higher level of operations after shutdowns were lifted. Sales for universal consumables used in next-generation sequencing as well as bioinformatics revenues from QIAGEN Digital Insights both advanced at double-digit CER growth rates.

The sales performance across the regions in 2021 also highlighted the balance of our geographic presence and reach into key markets.

Just to highlight some of the key full year figures here: The Americas delivered 22% CER growth in 2021. These results benefited from 25% growth in the U.S. including growth in QuantiFERON-TB and Life Sciences sales.

In the Europe, Middle East and Africa region, sales for the year grew 17% CER, led by Austria, the United Kingdom, Italy, Turkey and Switzerland.

The Asia-Pacific / Japan region also enjoyed double-digit CER growth in 2021, with sales up 17% CER over 2020 and supported by more than 20% CER growth in non-COVID product groups. China rose above 20% CER, while Japan, Australia and South Korea also had solid results.

Moving down the income statement, the decline in the adjusted gross margin in 2021 involved several factors.

These included a change in product mix, as well as the investments that are being made to build up consumables production capacity, meaning we can improve economies of scale in the future as volumes grow.

As a result, the adjusted gross margin for the full year declined to 67.9% of sales from 69.6% in 2020.

We continue to make significant R&D investments into menu expansion and new applications, especially for the 5 pillars of growth. These investments rose in 2021 to 8.4% of sales from 8.0% in 2020.

At the same time, we were able to gain leverage in other operating expenses. Sales and marketing expenses declined to 20.3% of sales in 2021 from 22.1% in 2020 – especially as COVID-19 drove a significant shift to digital channels for customer engagement and marketing activities.

And as a last point, general and administrative expenses fell to 5.7% of sales in 2021 from 6.0% in 2020.

The outcome was a 20% increase in adjusted operating income for 2021 to 755 million dollars from 627 million in 2020, and the adjusting operating income margin remained steady at 33.5% of sales in both years.

Adjusted EPS for 2021 was again well above our outlook and came in at 2 dollars and 63 cents CER. Results on an actual basis were 2 dollars and 65 cents, and reflected two cents of currency benefits. The tax rate, and also the adjusted tax rate, for both years was steady at 18%.

Additionally, the share count was in line with our expectations for about 232 million shares.

Adjusted EPS results for both full-year periods, and also for the fourth quarter of 2020, ***exclude*** the gains from the sale of our minority investment in ArcherDX and shares received from Invitae in connection with the acquisition of this company.

Turning to cash flow trends for 2021: We saw dynamic results in both operating cash flow and free cash flow thanks to the strong business expansion.

For 2021, operating cash flow rose 40% to 639 million dollars, and this included the payment of 53 million dollars to resolve a patent infringement. We also had significantly higher tax payments than in 2020, rising more than 50% to 102 million dollars. The results for 2020 also included the payments for the discontinued tender offer.

Free cash flow also rose at a robust 38% rate to 449 million dollars in 2021 and absorbed a 43% increase in purchases of property, plant and equipment in 2021. These were primarily to expand consumables production capacity for key growth products at sites in Europe and the United States.

In terms of our balance sheet, our net debt position decreased to 876 million dollars at the end of 2021 compared to net debt of 1.2 billion dollars at the end of 2020.

This was due to the strong cash flow trends and higher levels of cash, cash equivalents and short-term investments held at the end of 2021.

The combination of reduced net debt and higher EBITDA results led to the leverage ratio falling to 0.9 times net debt to EBITDA at the end of 2021, compared to 1.5 times at the end of 2020.

We are reaffirming our disciplined capital allocation strategy that involves investing organically in the business, completing value-creating M&A transactions and increasing returns through share repurchase programs, such as the 100 million dollar program completed in 2021.

As we have said before, we are reviewing various M&A targets that would strengthen and complement our portfolio across the Life Sciences and Molecular Diagnostics, but continue to take a disciplined view on valuations.

At the same time, we also face debt maturities in 2022, and are considering various debt refinancing opportunities.

I would like to now hand back to Thierry.

THIERRY BERNARD: Thank you, Roland.

I would like to now give you an update on our key portfolios, and in particular the five pillars of growth.

In 2021, we ticked the boxes for all the commitments we gave you on further menu development in our five pillars of growth and delivered solid progress on building sales in these portfolios.

In Sample technologies, sales for the full-year 2021 reached 851 million dollars, beating our expectations for 750 million dollars at CER. This was driven by strong demand for DNA extraction kits as labs returned to work. We also saw very good sales of the QIAprep&Amp liquid sample prep solution for COVID-19 testing.

In terms of portfolio development, we have just launched the EZ2 Connect systems as part of our program to upgrade our automated sample preparation instruments.

These instruments build on the success of over 4,800 EZ1 systems in the market and are specifically designed for molecular diagnostics and human identification.

For 2022 we are expecting the non-COVID products to deliver low-single-digit growth in the Sample technologies portfolio and for total sales of more than 750 million dollars at CER compared to 851 million dollars in 2020, as we again anticipate headwinds in COVID-19 product group sales.

The QuantiFERON franchise sales rose to 281 million dollars in 2021, exceeding the target for at least 255 million dollars at CER.

As back-to-school testing and healthcare screening programs resumed, demand for TB testing returned strongly across all regions.

The QuantiFERON portfolio has seen multiple expansions in 2021. This included the CE marking of the QuantiFERON SARS-CoV-2 T-cell test, a useful tool in COVID immunity surveillance.

Additionally, QIAreach-QFT TB gained CE marking as a new battery-operated device developed specifically for use in high-burden low-resource countries. It was recently approved by the Global Fund's Expert Review Panel Diagnostics. This allows procurement by public health programs and institutions in more than 100 countries qualifying for Global Fund and/or UNITAID resources.

Moving into 2022, we are expecting over 310 million dollars of sales from our QuantiFERON franchise, so another year of double-digit CER growth.

Now onto our integrated PCR platforms.

The QIAstat-Dx syndromic testing platform performed well last year with a total of 75 million dollars in sales - also exceeding the 2021 target for at least 60 million dollars at CER. Cumulative instrument placements rose to about 2,900 placements as of January 2022.

Important progress was made this year in bringing new panels onto the platform. These included a 4plex respiratory panel to support the diagnosis of four diseases – Flu A and Flu B as well as Respiratory Syncytial Virus, or RSV, and lastly COVID-19. This is increasingly in demand to distinguish the diagnosis among these common respiratory diseases.

As promised, our teams successfully completed the CE-IVD mark on the Meningitis / Encephalitis panel and submitted the Gastrointestinal panel for FDA approval in the U.S.

Our teams are also preparing the 2022 launch of QIAstat-Dx Rise – the new high-throughput model for large volume laboratories. We just passed an important development milestone this week for the CE-IVD launch in mid-2022. This system will significantly enhance our scalable offering to labs. QIAstat-Dx Rise has random access capacity to hold up to 18 different tests for processing, and leading to up to 56 tests in an eight-hour shift and 160 tests per day with eight analytical modules.

Our expectations for full-year 2022 are for over 85 million dollars in sales from QIAstat-Dx as these new panels and instruments support the transition into non-COVID applications.

NeuMoDx sales rose to 105 million dollars in 2021, ahead of our target of 100 million dollars at CER. Cumulative placements grew to about 220 platforms as of January 2022.

With the addition of the human adenovirus assay, we now have 15 CE-IVD marked tests running on NeuMoDx and making one of the largest menus of its kind.

In the U.S., COVID is currently the driver for consumables pull-through with 4 FDA approved tests, and these systems are also leveraging the capability to batch-in laboratory developed tests.

In 2022 we anticipate over 80 million dollars in sales as we focus on expanding the menu of FDA approved tests.

In our 5th pillar of growth, we achieved the placement goal for QIAcuity digital PCR systems, as we now stand at over 730 placements. We also saw quarter over quarter sales growth in 2021. At the same time, we did not reach our full-year sales goal for more than 45 million dollars at CER.

We have set a new goal for more than 55 million dollars at CER in 2022 based on plans for more placements and to ramp-up consumables utilization on the installed base.

To help drive utilization, we are expanding the applications into new areas of research and testing. As an example, we recently announced that about 70% of all states in the U.S. are now using QIAcuity for wastewater surveillance. In addition, we recently entered into collaborations with Actome and Atila BioSystems to offer new solutions for protein quantification and non-invasive prenatal testing.

We are determined to make QIAcuity the No. 1 digital PCR system in terms of placements and drive the conversion of the quantitative PCR market to this new technology standard.

Now let me hand it back over to Roland.

ROLAND SACKERS: Thank you, Thierry.

Let me now provide some additional perspectives on the outlook for 2022, and also for the first quarter.

Our expectation is for sales of at least 2.07 billion dollars at CER for full-year 2022, and this is driven by double-digit CER growth in non-COVID product groups. As we confirm once again, we do not want to make aggressive assumptions on the course of COVID-19 sales. Our view remains for a significant decline in these sales in 2022 from 2021 while again remaining prepared to support the pandemic response.

We expect adjusted EPS of at least 2 dollars and 5 cents at CER. This takes into consideration continued plans for investments into our portfolio, and in particular the five pillars of growth for new tests and applications.

Based on exchange rates as of January 31, 2022 currency movements against the U.S. dollar are expected to create an adverse impact of about two percentage points on net sales growth and about four cents per share on adjusted EPS for full year 2022.

For the first quarter, net sales are expected to grow at least 7% CER, and adjusted diluted EPS is expected to be at least 72 cents at CER.

We also expect currency headwinds in the first quarter against the U.S. dollar, our reporting currency, and for an adverse impact of about 3 percentage points on sales and about one cent on adjusted EPS.

I would like to now hand back to Thierry.

THIERRY BERNARD: Thank you, Roland.

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

- First, our teams delivered an outstanding year, with sales growth and adjusted EPS exceeding outlook. This was driven by sequential growth quarter over quarter in 2021 for our Non-COVID sales and supported by a volatile demand for COVID-19 testing. Our teams continue to execute and deliver on our commitments.

- Second, we have entered 2022 as a company with a solid business case that combines recurring streams of revenues with balanced market opportunities. We have made great progress in growing our installed base and have entered the next phase of our growth ambitions after delivering on our 2021 goals. Our five pillars of growth finished the year with a strong performance.

  We are building a foundation to deliver sustainable growth from our core portfolio this year and in the future.

- Third, we maintained a strong level of profitability as a healthy cash flow enabled us to invest in our growth drivers while delivering value to shareholders.

- And, as a last point, we are increasingly confident in this stronger QIAGEN which is reflected in our outlook for 2022, a year to be driven by double-digit CER sales

growth in our non-COVID product groups. We have a motivated team of empowered QIAGENers with a focus on execution ready to deliver on our commitments.

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