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CORPORATE PARTICIPANTS

Peter Denardo

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

Vikram Jog *Fluidigm Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Daniel Gregory Brennan *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

Sung Ji Nam *BTIG, LLC, Research Division - Director and Life Science & Diagnostic Tools Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Fluidigm First Quarter 2021 Financial Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today. Peter DeNardo with Investor Relations. Thank you. Please go ahead.

Peter Denardo

Thank you, Mike. Good afternoon, everyone. Welcome to Fluidigm's First Quarter 2021 Earnings Conference Call. At the close of market today, Fluidigm released its financial results for the first quarter ended March 31, 2021. During this call, we will review our results and provide commentary on our financial and operational performance, market trends, strategic initiatives and our response to the COVID-19 pandemic.

Presenting for Fluidigm today will be Chris Linthwaite, our President and CEO; and Vikram Jog, our CFO.

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 include statements about expected financial performance, including guidance related to revenues, product line performance, EBITDA, margins, operating expenses and investment plans as well as statements about COVID-19 testing opportunities, planned product releases, collaborations and partnerships, funding sources, market and revenue growth expectations, trends in diagnostics and other clinical markets and Fluidigm's strategic plan to access and grow those markets. 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, 2020, as well as our other filings with the SEC. The forward-looking statements on 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 an 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 Investor Relations section of our website.

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

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

Thank you, Peter, and good afternoon. In the first quarter, we delivered on our financial projections and made incremental progress on our Vision 2025 objectives. Amazingly, this last quarter marked the 1-year anniversary of the global pandemic. While we are mindful of the terrible impact that the pandemic has had on all of us, we are proud of our modest role in helping advance SARS-CoV-2 research, treatment and diagnostic testing.

Over the last year, we have redeployed the near-term financial benefits of more than $40 million of government investment, plus the proceeds from selling more than 4 million diagnostic tests worldwide to build a foundation for longer-term growth in our core markets and our emerging diagnostics portfolio.

Over the last 90 days, we, along with most industry participants, have seen a rapid deceleration in COVID testing demand and some improvement in our core business. As a result, we are revising our guide for FY 2021, including a shift in our projected revenue mix to reflect the latest market conditions.

Vikram will share more details during his portion of the business update.

Today, I will provide a brief overview of new developments in key areas of the business, review some key strategic highlights from the quarter and touch on our product innovation pipeline. On this last point, we are excited to do a much deeper dive into the mass cytometry franchise during our upcoming virtual investor event on May 24, which will include a discussion of Vision 2025, including our strategy, innovation pipeline and markets and include presentations from select external experts, who will discuss the role mass cytometry plays today, and how it may shape the future of health care decision-making tomorrow.

We also plan to host a later event focused on our microfluidics business.

Before I turn the call over to Vikram to discuss our first quarter results, let me first take a moment to review our Vision 2025 and the relevant guidepost that reflect our progress. For Vision 2025, our 3 key focus areas are innovation, beachheads and new partnerships. Our execution in these areas will underpin our growth across all product categories and drive growth in our recurring revenue streams.

Over the last 2 decades, we have built a large portfolio of intellectual property, specialized know-how, infrastructure and talent. In the last few years, we have added regulatory and quality system capabilities to prepare for a transition of our technology into health care decision-making as we continue to bridge our leadership in research towards more applications that support human health. Unlike many other emerging technology companies that are just now entering the research markets, we are established pioneers. Where our competitors have aspirations for entering more regulated markets, we already have a clear understanding of unmet health care needs and a strong foundation for sustained success.

Our Vision 2025 objectives reflect this steady pivot and the COVID outbreak further accelerated this transformation.

Let me start with mass cytometry, the business that has been powering our growth for years. In Q1, while we saw a decline in new system sales versus the prior quarter and year-over-year, our overall revenue performance met our expectations with notable growth in European markets.

Operator

This is the operator. I apologize that there will be a slight delay in today's conference. Please hold, and this conference will resume shortly. Thank you for your patience.

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

Okay. Hi, everyone. Sorry, I'm back. The gremlins disconnected me. So I think I got cut off with the last statement was really around notable growth in the European markets. So I'm going to kind of reset and say, in Q1, while we saw a decline in new system sales versus the prior quarter and year-over-year, our overall revenue performance met our expectations with notable growth in the European markets. In some markets, we faced

headwinds from expiration of tax incentives and other COVID-related challenges. We anticipate these challenges are temporary and will be resolved over time. On a positive note, we saw good progress in new instrument lead generation, and we anticipate further growth in our pipeline on the heels of our upcoming user group meeting on May 25. Also, we're pleased with the growth in our recurring revenue, driven by several key consumables and services wins, including the completion of 14 fee-for-service projects, highlighted by a large program for a leading pharmaceutical company. Beyond financial performance, over the last 90 days, we made considerable progress in our near-term objectives for Vision 2025.

Let's start with innovation. Our mass cytometry franchise has long been a major source of innovation for Fluidigm and the cytometry market. And for the past few years, we have been working behind the scenes to build a next-generation system that will support multiple new product launches. For competitive reasons, we prefer not to share specifics on the product road map at this time, however, I will note that over these last few years, we have built a robust ecosystem of mass cytometry consumables, services and analytical tools to serve our growing installed base, including our award-winning Maxpar Immune Profiling Assay, which has been used significantly in COVID research. In a few weeks, we will reveal details of our next-generation system road map that will address many customer-requested improvements and competitive dynamics. Progress on this product road map, including feedback from early access users, has contributed to our improved revenue outlook for our core business in the second half of the year.

Transitioning from innovation to beachheads, we have focused on system placements at leading cancer centers, contract research organizations and biopharma accounts, which represent our beachheads for long-term growth. Two key metrics we track, mass cytometry usage and peer-reviewed publications and clinical trials penetration, demonstrate our progress in this area. We added 17 new clinical trials in Q1, and we are part of 144 total clinical trials, more than any of our competitors. Our technology has been featured in over 1,500 publications with over 100 of them related to Hyperion, our imaging platform. We are adding more than 1 new publication a day as usage grows. Many of these publications highlight the potential for our unique technology platform to change health care decision-making. This morning, we issued a press release highlighting 1 such publication in the field of breast cancer research. A team of global researchers demonstrated the importance of both suspension and imaging based mass cytometry in tumor analysis. Their work suggests the criticality of integrating these data sets into the national tissue bio repositories that industrial partners use for accelerating translational and preclinical testing of therapeutic agents and improving precision medicine goals. We see a future where mass cytometry data could be integrated into standard bioanalysis similar to IHC, next-generation sequencing and other analytical platforms, referenced by physicians. Our unique approach to panel development can help accelerate this journey, and we are working with numerous consortia and other disease areas.

Closing out with partnerships. We added to our portfolio of content, software and clinical service partners with an exciting announcement in China. As we announced, we signed an agreement with PLT Tech. And under that agreement, we sold 1 system in Q1, we anticipate 2 additional placements to support their initial regulatory filing activities for clinical oncology applications on the Helios platform. This is yet another important milestone in our journey towards playing a key role in health care decision-making.

Finally, we wish to congratulate another partner, ImmunoScape, a private Singapore-based company that announced a $14 million round of funding to expand their Immunomics platform, powered by our mass cytometry technology. They are expanding operations from Asia into the United States and are conducting a number of clinical trials funded by global biopharma clients. Value-adding service providers are a critical part of the ecosystem to accelerate the growth and adoption of our technology going forward.

Switching now to our microfluidics business. Similar to mass cytometry, innovation, beachheads and partnerships are the key elements of our Vision 2025 strategy for this growth franchise. We will share more granularity in the investor event focused on this topic later this year. In Q1, we saw a modest decline in the number of COVID tests sold as compared to Q4 2020. However, we saw a sharp drop-off in customer demand in the back half of the quarter as the pace of vaccinations increased in the United States, which is our largest market for COVID testing. Based on near-term weak demand signals from our lab partners and general uncertainty in the complex testing landscape, we are reducing our FY 2021 COVID testing sales forecast by $18 million to $20 million. During the quarter, despite the slowing COVID testing demand, we did experience growth in our core microfluidics business and applications outside of infectious disease.

Shifting now to innovation in our microfluidics franchise. Regardless of the dynamics of the near-term COVID testing market, ultimately, the pandemic has accelerated our innovation pipeline and enabled us to build numerous assets and capabilities that we were missing before the crisis. The pandemic accelerated our innovation activities and yielded non-dilutive funding grants from government to help build foundations for a

durable diagnostics franchise. These investments will also benefit our non-diagnostics business. After more than a decade of incremental innovation in the PCR market, we are poised to release some transformative new products in the coming quarters. Funded in part through our August 2020 RADx award, we are developing a sample cartridge that integrates many of our workflow steps into a novel proprietary microfluidics chip. This cartridge will deliver multiplexing and large sample throughput, all in a cost-effective manner. We envision this new product as the cornerstone of our menu expansion and partnership strategy for numerous testing categories. Initially, we will -- we anticipate that the cartridge will be commercialized on our Biomark HD platform. In parallel, with support from DARPA, we are developing the next-generation biomark platform that I briefly introduced in our last earnings call. As a reminder, this sleek updated platform will integrate our Juno and Biomark HD instruments into a single platform, 1/6 the size of the 2 current instruments. This new platform is being developed with input from the diagnostics market and will leverage our newest sample-to-answer cartridge as well as other existing IFCs. We anticipate announcing an early access program for development partners in advance of broader commercial launch in late Q4.

These products transcend COVID and our progress increases our optimism for innovation-driven growth from this franchise in the years ahead. Beyond innovation, beachheads in the clinical market are crucial for providing an installed base for further innovation in our testing menu. During the quarter, we secured a notable new account with an associated $1 million order. This lab will service the public education market and has been awarded a large testing contract, the details of which we anticipate sharing in due course.

Finally, perhaps stating the obvious, partnerships are a critical element of our sustained success. We are a relatively small company, and therefore, are focusing on core technology innovation and planning to work with partners to drive menu customization, advanced go-to-market commercialization and augment our distribution capabilities.

During Q1, we made progress with a new partner, focused on transplant diagnostics. For reasons of confidentiality, we cannot share any details yet, but we are excited about the prospects of participating in this rapidly growing market with significant unmet needs. One partnership where we can speak more openly is our long-standing collaboration with Olink, a Swedish proteomics company. We congratulate them on a very successful IPO that will fund growth plans, including their journey into diagnostics. Our complementary technologies are uniquely suited for the unmet needs of the fast-growing proteomics market. During 2020, we collaborated on a major program that will further cement into our business relationship in the years to come. We delivered on key milestones in Q1 of 2021, including a custom IFC and early access units on a new purpose-built system. Fluidigm will manufacture both the new platform and IFC consumable, while providing instrument service and support to Olink's customers. In turn, Olink will be responsible for menu expansion, customer application support and sales and marketing. We'll be shifting our Biomark HD sales relationship to the new platform, and we have a purchase order for delivery of production units in the second half of the year linked to this platform's commercial launch. We are excited that there are many opportunities to support Olink's strategic plans in the years ahead.

In summary, our Vision 2025 strategy transcends the COVID pandemic, and our combination of innovation, beachheads and partnerships are providing the foundation for sustained growth and shareholder value creation across our business. We look forward to sharing deeper insights to the strategy and key milestones in our planned franchise specific and focused events.

I'll now turn the call over to Vikram for a detailed discussion of our first quarter financial results. Vikram?

Vikram Jog - *Fluidigm Corporation - CFO*

Thanks, Chris, and good afternoon, everyone. Before turning to our first quarter 2021 financial results, I would like to note that we have posted updated supplemental financial information in addition to our investor presentation on our website. I'll begin by focusing on financial and geographic highlights for the quarter and end with updates to 2021 guidance.

As Chris has outlined, in Q1, we delivered on our financial projections and continued our focus on executing on Vision 2025 to deliver sustainable revenue growth. During the quarter, COVID-19 revenue declined sequentially and was below our expectations as testing volumes declined, both overall and for our commercial lab customers. Our sales remained concentrated in university labs and consequently, ASP remained at the low end of our historical range. Revenues from our base business, which excludes COVID-19-related revenue was higher than expected, primarily in our microfluidics franchise, but also for mass cytometry.

Total revenue in the quarter was $32.8 million, an increase of 19% compared to Q1 2020. Product and service revenue of $31 million was at the top end of our guided range of $29 million to $31 million and reflected 28% growth year-over-year. Microfluidics product and service revenue of $17 million increased $7.8 million or 85% year-over-year, primarily driven by COVID-19 revenues, primarily consumables, which contributed $6.5 million of revenue during the quarter. We sold 1.1 million COVID-19 test kits in the quarter, down from the 1.25 million kits that we reported in Q4 2020. At quarter end, 23 biomarker instruments were generating COVID testing results, down from 30 at the end of Q4 2020 as a few of our commercial lab customers discontinued COVID testing. This was partially offset by new customers that commenced testing in Q1.

Our base microfluidics business, excluding COVID-19-related revenue grew $1.6 million or 19% versus Q1 2020, driven by both instruments and consumables. Mass cytometry product and service revenue of $14 million was higher than our expectations, but 6% lower than the prior year quarter. This was mainly due to expected COVID-related delays in instrument orders, partially offset by higher recurring revenues, while future customer ordering activity continues to remain dependent on any impact from COVID-related restrictions, and the pace at which we rebuild our sales funnel, we expect new product to strengthen our funnel and catalyze revenue growth beginning in the second half of this year.

Looking at the first quarter revenue compared to the prior year period from a regional perspective, Americas revenue grew 25% to $18.5 million, including $1.8 million of other revenue. Product and service revenue increased 47%, driven by higher COVID-19 revenue. As in previous quarters, the majority of our COVID-19 sales this quarter were in the U.S. EMEA revenue grew 13% to $9.1 million driven by mass cytometry revenue. And Asia Pacific revenue grew 10% to $5.1 million driven by higher recurring revenues, partially offset by lower mass cytometry instruments revenue. As noted earlier, we reported other revenue of $1.8 million during the quarter, including $1.5 million of development revenue associated with an OEM supply and development agreement. The development phase of this agreement is nearing completion and has resulted in cumulative revenue of $10.3 million through the end of Q1 2021.

Now moving on to our operating performance. GAAP net loss for the first quarter of 2021 was $18.8 million, an increase from $16 million in the first quarter of 2020. And non-GAAP net loss of $11.1 million increased from $9.4 million in the first quarter of 2020. The higher net loss in Q1 2021 versus the prior year period was driven by higher R&D and commercial operating expenses, partially offset by higher product and service revenue. With the introduction of new products with high differentiated value to our customers and continued attention to cost containment and margin improvement, our goal is to improve this figure over the next few quarters. At the same time, we continue to look for alternative, cost-effective revenue sources to help fund investments for new product development, while mitigating cash usage and the impact on our bottom line.

The remainder of my comments on operations will focus on non-GAAP measures. Please note that the reconciliation tables between our GAAP and non-GAAP measures are provided at the end of our earnings press release that was issued earlier today. Non-GAAP product and service margin was 66.4% for the first quarter and was down by about 90 basis points compared to the prior year period, driven by lower instrument ASPs, partially offset by a favorable product mix. Sequentially, product and service margin increased 370 basis points from 62.7% in the fourth quarter of 2020, primarily due to the absence of charges for excess and obsolete inventory taken in the prior quarter, coupled with favorable product mix.

Non-GAAP operating expenses were $34.1 million in the first quarter of 2021 compared with $28.2 million in the year-ago period. The increase in operating expenses was driven primarily by higher R&D and commercial headcount and higher variable compensation expenses. Also contributing to the increase in operating expenses year-over-year, our higher R&D project-related expenses and facilities costs.

Moving on now to cash flow and the balance sheet. Cash and cash equivalents, short-term investments and restricted cash at the end of the first quarter totaled $50.8 million compared with $69.5 million at December 31, 2020. Operating cash burn was $12.9 million during the quarter, an increase of $8.6 million compared to the first quarter of 2020. Employee bonus payments in Q1 2021 was $6.2 million higher compared to the prior year period. Investing cash flow was a negative $4.9 million for the quarter, including $5.9 million for equipment purchases for the expansion of the IFC manufacturing facility, which is being funded under the RADx program. Proceeds during the quarter under this program were $2 million. Cumulative proceeds from and expenditures related to our RADx grant through the end of the first quarter of 2021 were $27.4 million of proceeds and $18.1 million of expenditures, including $16.1 million of capital expenditures. At the end of the quarter, the borrowing base under our asset-based revolving credit facility was $13.2 million, none of which was utilized.

And in closing, let me provide some color on guidance. COVID-19 revenues in Q1 did not meet our expectations. And while we believe we have innovative solutions to address critical evolving testing needs, the outlook for our testing revenue in 2021 remains highly variable. Our base business,

which excludes COVID-19 revenues, performed better than our expectations in Q1, and we are more positive on the full year outlook for the base business, driven by new product introductions, and improving business conditions as increasing numbers of our customers return to their labs. With this background, we are revising our revenue and net loss guidance to reflect lower revenue from COVID-19 testing, partially offset by higher anticipated revenue from the base business, excluding COVID-19. We now project product and service revenue of approximately $130 million to $135 million, or approximately 6% to 10% year-over-year growth. This includes base product and service revenue, excluding COVID-19, of approximately $116 million to $117 million or 16% to 17% year-over-year growth, revised upward from the previously expected 8% to 12% growth. COVID-19 revenue of $14 million to $18 million revised downward from $32 million to $38 million. Other revenue of $4 million to 5 million and total revenue of approximately $134 million to $140 million. GAAP net loss of $57 million to $60 million, and non-GAAP net loss of $24 million to $27 million.

At the franchise level, mass cytometry revenue is expected to be above our base product and service revenue growth range, driven by growth across the product line, including instruments, consumables and service. Microfluidic base revenue, excluding COVID-19 revenue, is expected to be below the low end of our base product and service revenue growth range. For Q2 2021, product and service revenue is projected to be approximately $29 million to $31 million or 29% to 38% year-over-year growth. We anticipate base product and service revenue, excluding COVID-19 revenue to be approximately $26 million to $27 million or 28% to 33% year-over-year growth driven by mass cytometry. Other revenue is expected to be approximately $1 million. As a result, we anticipate total revenue for Q2 to be between $30 million and $32 million.

And with that, we'll open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Dan Brennan from UBS.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

Maybe to start off, could you just walk us through in terms of your full year guide on the base mass cytometry business and the base microfluidics business, so you're basically saying you expect mass cytometry to be ahead of the underlying 16% to 17% of microfluidics to be below it. Just give some color around visibility on that, and how much you're assuming for new products? Because I think, Chris, during your prepared remarks, you talked about some demand already that you're seeing from some of the early access stuff. So maybe you can tease it out a little bit for us.

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

Sure. Dan, good to hear from you. Maybe, Vikram, you want to go ahead and take that?

Vikram Jog - *Fluidigm Corporation - CFO*

Yes, sure. I can take the percentages. As we've mentioned, we are not specifying it to a degree of specificity beyond saying that we expect the overall growth rate in mass cytometry to be higher than the 17% that's implied 16% to 17%, that's implied. I would say that it would be in the low- to mid-single digit percentage point higher than the overall growth rate.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

Got it. And then we can just solve for microfluidics. Maybe just talk a little bit on the quarter itself. So I think you talked about the mass cytometry business was down year-over-year, but it -- beat your internal expectations. Chris, I think in the prepared remarks, you talked about some lingering

impact from labs maybe not being open. Just give us some color around what transpired in the quarter? Any color on the order book or demand trend because you are coming off, like, obviously, a very easy comp in 2020. So just give us a sense of that funnel?

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

Yes, sure...

Vikram Jog - *Fluidigm Corporation - CFO*

I can...Yes, Chris, go ahead.

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

You go first, if you like, go ahead.

Vikram Jog - *Fluidigm Corporation - CFO*

Yes. No, I was just going to say that the business overall performed better. I think some of the drag on the business we had already talked about when we gave the guidance. It was more related to, I would say, second degree effects of COVID. So for example, we had a tax permit issue in China that's still ongoing. We mentioned that in our prepared remarks today. And there were some funding issues in other geographies, et cetera. But overall, we performed better than we expected across the business in instruments, consumables and service in the first quarter.

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

Yes. And I'll just kind of maybe address the second part of that, Dan. So as Vikram did highlight, I think the -- we'd highlighted where -- and most of the things that Vikram just described were all mass cytometry specific. So the tax permitting issues, the Canadian, both lab access and the funding releases in the province and national level, and some contribution from restricted lab access that continues to occur in certain sections and lockdowns in Canada. So I'll kind of shift to really kind of the leads overall. So what we saw, and we talked a little bit about this through the course of last year is our business in the capital equipment business generally speaking, has been a 9- to 12-month leads to close cycle. And we certainly saw a degradation of the leads during the time period of the Q2 immediate shutdown last year, I'd say probably started in Asia in the back half of the first quarter, squarely impacted us in Q2. And then Q3 and continuing through the year, we shifted to digital mediums, all the digital conferences on Zooms that we're all tired of going to all the time, but that really, we had to stand up a whole new competency and going through the conferences and more traditional lead generation activities. And so that's -- we've seen a steady improvement as all of those new channels have come online and continue to see strength through the first quarter of this year. I think what really just been careful about is this was a new normal. So these are leads that are coming through different channels that we'd experienced in the past. What will be the quality of those leads, and what will be the -- will the close rates that we've heard -- we've traditionally had from identification a leader inquiry and qualification through to close be consistent with our historic experience or not? So we're running that experiment in real time. So far through the first quarter, we took a pretty conservative view on that. It appears to be that it's improving, and they're showing strong quality leads, and we're seeing close rates. So we just want to -- that's informing part of our incremental confidence in the mass cytometry capital equipment piece, in particular, plus the information that we shared about the new products.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

In terms of the new products, obviously, we're going to hear about them more coming up. But again, in terms of maybe some of the -- you talked about some of the early, I guess, customers and the interest and the features that you're building. But again, implicit in the guidance right now, Chris or Vikram, have you baked in a benefit from expected order or trends or demand from these yet-to-be unveiled products?

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

Yes, that has been booked in.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

To a small degree or to a big degree? Can you speak to any, I don't know, granular quantification, but just any relative degree?

Vikram Jog - *Fluidigm Corporation - CFO*

Well, we haven't quantified that as with any new products. We have been careful to temper our expectations with the launch. We believe that, that's been appropriately factored in. But we haven't quantified the exact amount.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

Got it. And then you talked about -- I know in some of the partnerships, particularly in the microfluidic side, you talked about Olink and a few others. Just -- can you speak to what's assumed from some of these partnership opportunities implicit in your '21 guidance? And could -- is there a potential that some of these partnerships could be material this year? Or is it more going to be a multiyear opportunity for them to grow into something more meaningful?

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

Maybe I'll take the first part of that. I know you directed it to Vikram. We have not broken out, so we're not going to break out here the contribution of partnerships versus other core business or other business lines for the measurement period for the guide for so far for the 2021 period. But what we tried to do, I think, through the qualitative response or certainly my section, was to highlight a number of these partnerships, 1 in the transplant space, which is already contributing now, and we anticipate contributing more in the back half of the year. We talked about the relationship with Olink. And people who have the benefit now seeing kind of their initial projections. So these are things that should contribute. Ultimately, they control the timing and the channel relationship so what we have in hand is contracts for delivery of the next-generation systems and some forecast from them. So all of these things, we actually will see contributions to these partnerships this year, and we do anticipate that they're going to become increasingly a bigger contributor over the course of those coming years.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

And maybe just a few more. Just back to the mass cytometry. So the tax permitting issue in China and the restricted access in Canada, restricted access that's just typical pandemic opening up, but the tax permitting issue in China, maybe I missed it. How meaningful a drag is that? And is that expected to get better in your Q2 guidance? Or is that baked in later in the year? Just any way to help us think about that?

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

Yes. We shared a little color on that in the first -- in the last -- the prior call, which is easy to overlook, and I'll welcome Vikram to add any additional comments. There was -- so it impacts all the academic and governments, and it particularly hits capital equipment in China. So for that segment, they file through the provincial level and the national level for a tax credit, and there's quite a significant import tax against western goods and high-end capital equipment. That had expired after many years. I think you'll see in the space, other parties have been impacted by this also. It was modeled that it would be restored by the end of the first quarter. That has, so far, entering the second quarter, we still have not seen it fully resolved. So part of it is important to see how things come out of Golden Week. This particular week to see if those provinces start moving forward. We, again, anticipate it's a temporal issue. But since it's one that's completely out of our control, we've taken an appropriate conservative view on it.

Daniel Gregory Brennan - *UBS Investment Bank, Research Division - Senior Equity Research Analyst of Healthcare Life Sciences*

And maybe last one, so I'm not hogging up, just on COVID. Can you speak to the relative conservatism or not implicit in your new guidance? Like how do you feel about what you've assumed now? Do you feel like you've been appropriately conservative from the trends you're seeing and the trends you expect?

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

I think the only thing I can safely say is that none of us can model anything related to COVID, right? And the uncertainty it's been incredible all of last year and it continues this year. We count on the -- we don't conduct the test directly ourselves. We work off of the forecast that come from our testing partners, and there's an overlay of public policy and then the uncertainty on vaccination rates and even vaccine or testing fatigue that at least is something, I think, to talk about in this country. So that's on the negative side of the ledger. On the positive side, it depends on, look, we all want this thing to be done as quickly as possible. It is the belief that the uncertainty of the variance and the role that variant testing will eventually play in this process. So COVID testing as we know it today, we do believe, will evolve into other categories, pan-respiratory into things related to potentially to variant identification. That's something we think we have a lot to say on the variance because of the unique architecture of our chip. But just for conservatism, we felt it was appropriate to continue -- we broke out in our -- after the attempt in the earnings press release to kind of break out COVID. You've got the numbers specifically for the first quarter. We've given some color for the second quarter. So you can see that we are modeling at this point that it's going to continue to decline and approximately relatively rapidly on sequential quarters. And if we're over aired on that, then that will be something that we'll put back in.

Operator

Next question comes from Sung Ji Nam from BTIG.

Sung Ji Nam - *BTIG, LLC, Research Division - Director and Life Science & Diagnostic Tools Analyst*

Just a few questions on the microfluidic side. Chris, you mentioned there are some customers that -- I don't know if I misheard it, but there are some customers that are discontinuing COVID testing. And I was kind of curious, are they redeploying the biomark for other purposes? Or kind of how -- just if you could talk about that in terms of the capacity that's out there?

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

Yes, for sure. That's a very good question. So that's why the penetration of these clinical labs kind of broadly has been a theme that we believe is important because it establishes beachheads for us for additional categories to move into. Some of the lower-hanging fruit is likely in the laboratory developed testing space, supporting other assays they're running already today, or they anticipate wanting to stand-up new offerings. So I do believe that's going to be a trend that we want to capitalize them. We want to take advantage of these beachheads. It really just depends on -- it's a very lab specific. So some cases, they're going back to their core businesses. In some cases, we're part of the technology stack they use in their core business already today. Others are looking at new categories that they perceive to be more durable and are developing offerings for new categories, they perceive it more durable. So it's something we want to keep a close eye on because we think it's -- we don't want to lose these beachheads, and we would need to take advantage of the penetration we've gained over the last 4 quarters -- 3.5 quarters of activities related to COVID. So I don't know if there's a trend there. As we see more trending information that provides, I think, hopefully meaningful insights for the business for the future forecast, then we'll share that with you.

Sung Ji Nam - *BTIG, LLC, Research Division - Director and Life Science & Diagnostic Tools Analyst*

Got you. And then on the next-gen Biomark that integrates the Juno system and the HD system, do you anticipate that to drive -- potentially drive your replacement of your installed base, current installed base of Biomark systems?

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

I think it's -- it will be our workhorse platform of the future, that I feel very confident projecting at this stage. The rate of -- and that's part of what we'll discuss probably in more depth when we come to the focused earnings day and get closer -- I mean, the focused investor event, and we get closer to the actual launch, then we can talk about the positioning of HD the long term, the tail for support of that platform or the positioning of that platform versus the new platform. I think it's important to kind of continue to reflect the chips are really the core technology for us. The instrument is going to be really great, we think. And has the chips to open up a whole wide range of sample types, sample substrates, the number of assays that will be run, the amount of testing volume that will queue in a given test or a given batch run. So we imagine flexing continue to flex different combinations of chips to take advantage of that core platform. The replacement cycle is something I can only speculate on at this stage as far as the replacements from HD. As we said, kind of the next-generation chip with this single -- or this integrated sample-to-answer cartridge is really important because we're going to make sure it's retro compatible to the biomark. It is retro compatible to the Biomark HD as well as this next-generation platform. So it may or may not drive a replacement cycle immediately. I think that's something we'll have to wait and see. It's been a lot of years since we've had a new system in the PCR space.

Sung Ji Nam - *BTIG, LLC, Research Division - Director and Life Science & Diagnostic Tools Analyst*

Got you. And just a clarification, do you foresee this kind of really targeting the clinical diagnostic market more so than the research market?

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

Yes. I think that's a really good redirection. I'm glad you asked that too. Because that is really what we're focused on this platform being the platform, the future for us with the design history files, with the clinic in mind. We do envision this, this will be a Dx product. We'll have RUO applications for it. And so it can be used for developers in both modalities. But it's the Dx future that we're primarily focused on, and I'm sure we'll pick up some research business with it also along the way.

Sung Ji Nam - *BTIG, LLC, Research Division - Director and Life Science & Diagnostic Tools Analyst*

Got you. And then just lastly from me. Great to hear about your partnership with Olink. Obviously, it sounds very unique in that you're building a purpose-built system for them. Just kind of curious, are there a lot of opportunities out there in your view of this type of relationship, or do you think this is a pretty unique partnership that you have?

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

In the proteomics space, I think it's probably a unique partnership with regards to our microfluidics platform and proteomics applications, specifically. And Olink, I think, they're a great partner, and we really look forward to helping them be successful in every way we possibly can. There's -- this is a great example, this plus the transplant example, this next-generation platform, which why we really want to talk about it and the sample-to-answer chip that goes with it, is because we can envision a whole spectrum of partnership relationships that can emerge from this platform. So there's a lot of predicates in our industry between white-labeled or OEM versions of the platform versus Fluidigm branded product, the ability to customize elements of the software that are specific for applications. And then 1 that's designed or 1 version that can be used for general purposes and contract testing labs that will offer a broad menu of assays that they may develop themselves. So I think this gives us a lot of flexibility in the types of partnership models that will embrace in the future. And that's why we're just really excited about getting these underlying enabling technologies out as quickly as possible into developers' hands.

Operator

That was our last question at this time. I will turn the call over to Chris Linthwaite for closing remarks.

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

All right. Thank you very much. Apologies for kind of the communications and signal stuff today. We'd like to thank everyone for attending our call. A replay of this call will be available on the Investors Section of our website. This concludes the call. We look forward to the next update following the close of the second quarter 2021. Please out -- reach out to us if there are any further questions. Good afternoon, everyone.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.