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PRESENTATION

William Quirk *Piper Jaffray - Tools and Diagnostics Analyst*

Good afternoon, everyone. Welcome to the 1: 30 session. I'm Bill Quirk. I'm the Tools and Diagnostics Analyst here at Piper Jaffray and I've got a couple of the key leadership team members from Fluidigm on the stage with me.

To my left, your right, is the President and CEO, Chris Linthwaite, and to Chris' left is the Chief Financial Officer, Vikram Jog. I'm going to hand the mic here over to Chris just to say a few introductory comments and then we'll roll into Q&A and please feel free to join the conversation. So with that, Chris, thanks for joining us.

Chris Linthwaite *Fluidigm Corporation - President and Chief Executive Officer*

Thank you very much. Bill, first thanks for the invitation here to present and as always, we appreciate these opportunities to get the word out. I think after what was a difficult third quarter when you actually deconstruct it, we're really only talking about a handful of systems. It doesn't change the outcome, the fact that we missed on the guidance, but there's nothing fundamentally wrong with this business model and in fact, we are having very strong success.

Mass cytometry business is up 28 percent year-to-date. I gave updates on that most recently in the - in the commentary on the call. We're placing more instruments, we're driving more consumables and recurring revenue streams. Our shortcomings have been in the RNA - or in the microfluidics portion of our portfolio and we've talked about that. We've had a highly concentrated customer base and we needed to do new things to catalyze and broaden the demand for our technology platform.

And the two things we've been doing, one is on a proteomics application in partnership with a company named Olink and that's been going extremely well and then we introduced in the last quarter a new product for RNA-seq for bulk RNA-seq library prep and that product also is off to a very good start.

And so those are two new catalysts that we're introducing that we think can help chart a new path for our microfluidics business and we feel very comfortable with the strength of our mass cytometry portfolio.

William Quirk *Piper Jaffray - Tools and Diagnostics Analyst*

Excellent.

Chris Linthwaite *Fluidigm Corporation - President and Chief Executive Officer*

Increasing our clinical trials exposure, fixing the balance sheet and these are things that I think are going to fundamentally put the company in a better position for long-term sustained growth.

QUESTIONS AND ANSWERS

William Quirk *Piper Jaffray - Tools and Diagnostics Analyst*

Excellent. Thanks, Chris. So you mentioned 3Q 2019 and I'd like to go back to that for a moment and specifically talked about kind of timing around a couple of deals and it was certainly discussed at length on the call about how as the mass cytometry business broadens into new customer segments, those are a little bit more difficult to predict from a - from a timing standpoint.

And so with several additional months' reflection, can you help us think a little bit about kind of what you've - what you've learned from that experience, maybe how that's factored into how you're scoring deals and thinking about deal timing and such?



Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Yes. So what we tried to share on the earnings call, which was just last month, but it does feel like months and months ago, was the segmentation or insights into segments and segment dynamics has been - it's been informative for us internally.

So what we were trying to convey is that we have seen crossing the chasm in our nomenclature of speak. Academic medical centers are a critical part of our value proposition or our customer segments and desirable customer segments for mass cytometry and I'm going to talk about suspension versus imaging here in a minute.

In the suspension side, we've done a very good job of seeding our platforms in those academic medical centers and in that academic - in those academic medical centers, they're publishing and they're producing insightful results that are now driving pharmaceutical extramural funding and support from third parties.

The clinical trials are starting to come online in parallel with that. So we're now crossing 60 clinical trials in which we had almost a negligible penetration at the beginning of the year.

As we're getting to that stage or inflection point, we know we're becoming more attractive to move more broadly into the pharma and biotech segment. Part of the way that the pharma and biotech companies consume that is through contract research relationships and that's an area that's a segment we need to increase our share of wallet with and our penetration of that share of wallet.

So there are - we tried to share in the call more segments of the market that we're seeing. We believe we have - they're addressable segments to us. It's no longer purely a technology [sell].

There's other things we have to do in order to help increase our penetration level inside those accounts. We have started that work already. So this is not something that we just woke up and started working on a week or two ago, but the successes - what we have seen as an extension in the sales cycle that was closer to what we've experienced historically and so we had been modeling an acceleration in the close cycle in the last period. We didn't see that come to fruition.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And so given that you've taken some steps to try to either better understand customer types, funding types, et cetera, how are you - help us think a little bit about what you're doing differently to either try to close those deals faster or maybe the reality is hey, different customer segment, these are just going to potentially take a little bit longer than, say, some of our earlier experiences.

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Well, actually it's kind of a reversion back to what our earlier experiences had been ...

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Fair point. Yes.

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

... as a more traditional closing cycle where we had significant acceleration of close cycles. It's been the incremental expansion of capacity. So when customers are already well established, they have samples queued up, dropping in the [N plus one] box has - we've seen significant amount of acceleration when we get to those sorts of opportunities.

For these other segments, I think we're already on the right path for them. So they require - it's not just the technology-based sales that we're talking about. We've done things in launching more content for them so that they can get up to speed and run faster.

We've also been adding informatic solutions to make it easier for data interpretation. So addressing some of these unmet needs to help standardize and speed up and assure that they're going to get a very good outcome from investing in the technology all ties back into a fundamental concept of return on investment.

The return on investment for academics is traditionally around publications and the first to publish, differentiation by the technology that they have access to, the ability to attract extramural funding or to increase their likelihoods of good scores and gaining funding from national funding [or other] funding sources.

We have been feeding into that quite well. We need to adapt and adjust around where does the return on investment profile look like for you as a business? So where does it make sense from a contract research organization? How do they get their return on investment? Part of that's through clinical trials exposure and their ability to attract more service lines and create new service offerings to attract pharma and biotech companies.

That's kind of the journey we're on. So we're going to continue to serve those academic segments. They're extremely important to us. There are other things we can do in the margins to help increase our competitiveness in that segment, but we are adapting our value proposition to be more attractive to these other segments.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And Chris, maybe we can stay in the CRO segment for a moment. You've mentioned historically that there's a fair amount of interest from that important customer base. Can you just expand on that comment? And then is this - is this across both suspension and imaging? Is there a bias towards one versus the other at this point?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

CROs are an important segment for us. We've given proof points over the last 18 months or so about some CROs that have been signing up. We've done some press releases related to that and it's been for both imaging as well as suspension.

So we have examples of both of those that we've shared in the public domain. What I would characterize is that the commitments for large CROs is they generally are more triggered by or catalyzed by significant Phase 2, Phase 3 type very large programs to add these on as [correlates].

It's a different story between imaging and suspension. So on the suspension side, what we saw was that as we seeded boutique CROs and academic medical centers where a lot of the Phase 1 and preclinical work occurs, that's when most of our early focus has been.

Those smaller CROs - [I'll] give you one example, Primity Bio that's based on the West Coast was acquired then by Caprion and then Caprion integrated [that] because they needed to - they wanted - they didn't wanted to set it up greenfield. They wanted to acquire an established CRO. They took that in and now they've been expanding that offering to their footprint.

That's a nice way for us to grow and to help nurture the transition from preclinical Phase 1 and into Phase 2 and at scale. In the - in the suspension space, you can see us accelerating. We have more clinical trials exposure in that area. The vast majority of our clinical trials right now are in that particular area.

What's been very exciting is imaging is later. So imaging is just coming online now. It's a technology that we were the first to come to market with. It's a new market segment, highly multiplex imaging is a - is a newer capability that we're introducing to the market and in that period, we're very pleased that we have - now we've announced more than four clinical trials, including one Phase 2 that is supported by imaging.

CROs are beginning to see that signal. So the same thing that was happening a couple years ago on our suspension side is starting to happen in our imaging side where people want to offer an imaging services model too, but I think there's more that we can do in both of those areas.

We've got flags planted in all geographies and I think there's an opportunity for us to kind of expand across the ecosystem of small specialty boutique CROs as well as add to larger names and that will happen both in suspension and imaging and suspension should happen first over imaging.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Okay. Any questions from the audience on the mass cytometry portfolio? Okay. Shifting to microfluidics, obviously it's a - it's a businesses that struggled or we've made some incremental progress. Chris, you talked about RNA-seq preparation, you talked about the deal with Olink. Kind of how dependent are you on the new products kind of getting you to flat and then obviously ideally kind of get that business regrowing again relative to the historic strategy of focusing on a relatively modest number of customers, albeit higher volume users of your technology?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Well as I interpret the question, the core kind of legacy concentrated customers, there's things we can do to help increase our share of wallet in there and help stabilize that, though we are highly levered to the ebbs and flows of their own businesses.

So that's - and it's a small number. So if we hit it with a couple of those that are doing extremely well, then we're going to look like heroes and if not, then there's going to be a lot of questions.

What we can do and it's totally in our control is about expanding our base and so the two areas that we think we can expand our base most strongly is, one, through the proteomic application and we're doing that through just a partnership with Olink in which they're the channel partner for that.

So they own the commercial go-to-market - impressive. They own the commercial go-to-market strategy and primarily today they're doing it through a services-based model and they're aggregating demand that they eventually may decentralize and democratize and we'll be there to help that model help be successful.

RNA-seq is the newest one in our portfolio. That's one that we've shared some initial tidbits in the most recent earnings call around the initial funnel development where we gave some range finding for this quarter and the amount of magnitude, about \$250,000 to \$400,000 of impact in Q4. We believe we will continue to ramp from there.

We're super pleased with that. It's going to provide a halo product, we're seeing in our experiences, that allows us to actually reintroduce more of the microfluidics portfolio. So it's actually a door opener for us and I think we can drive meaningful amount of RNA-seq business and also provide pull-through on our other products. So it's our intent to drive and I think over time, not a very long period of time, we can drive growth and outgrow the kind of dependence upon this core legacy group.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And what's the latest on RNA-seq? You certainly announced it with great fanfare, talked about the \$250,000 to \$400,000 potential or target, rather, contribution in the fourth quarter. What's the latest there? Had a lot of customers kicking the tires on it based on your [comments as well].

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Of course I'd love to share more color on that, but at this time, I have to honestly say that we're very comfortable we gave the forecast or we gave a, in the - in the most recent call, the \$250,000 to \$400,000. We gave a pipeline of \$2 million worth of orders at that time. That was in the first six weeks of launch and we continue to feel like the early customer interest is exactly what you said. It's been very strong.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And at what point, Chris, are you recognizing that there's a lot - there's a lot of people with a lot of interest in taking a look at [their RNA-seq] product? How long does it take them to go from a kind of trialing to pulling that into their current production scheme?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

I think it would be premature to provide a lot of color on that and that's part of why we've given the characterization the way we have is because we only have six, eight weeks now or whatever, six weeks plus four, 10 weeks of experience. So it's very early in our process to see how the adoption curve goes from sampling to repeat orders and scaling up.

I can only tell you subjectively that it varies on the use cases. So certain centers, certain studies may have started with one set of reagents and then they may have - and they're very interested in the product, but they may want to finish the current program they have in place and then bring this product on with the next project that comes forward. So there's things that can influence the decision-making cycle.

The value proposition seems to be very strong. It continues to resonate in every geography that we've been in. The workflow savings and cost savings are extremely material at 70 percent savings.

It's providing workflow improvements from six and a half hours of labor to two to two and hours worth of labor content and putting on an [animated] system that's a relatively low-cost instrument platform that you can easily [picture and] amortize in the cost of that and very quickly.

All of that all in, we can beat the existing technology platforms, though I feel the value proposition on it's own is going to stand very well. The adoption curve will be based upon use cases. How many samples they have, the size of the studies, have they standardized in a certain reagent for a period of time and they want - and what are the switching opportunities? So that's the areas that we have to continue to - we're learning as we go.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And can you talk a little bit about the customer diversification in terms of people that are looking at the RNA-seq product? Based on your comments, it sounds like it's more in the realm of academic research. Do you have any commercial folks looking at this where, obviously should they incorporate that into production, we're talking about potentially very high volume users?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Yes. Maybe perhaps it could be intuitive that I was doing it only on the academic segments. As we characterize the market, \$1.2 billion market for bulk RNA sequencing, that includes - there's about \$300 million of library prep sequencing that's associated with that.

The volumes are growing in double digits related to this and they're growing across multiple segments. So we have segmented the market between large genome centers and large production environments versus mid-tier academics and smaller academics as well as the biopharmaceutical companies.

Each of those do have different dynamics on their adoption curve. We have chosen and we have been focusing on a couple segments in particular to kind of prove our case out. We've got good examples of penetration in the segments that we're targeting and our value proposition is resonating with them, though I think, back to my earlier comments, we'll see how the adoption curves work beyond sampling and as we see repeat orders, I'll update hopefully more in the next quarter.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And then if you can expand on the comment you made where, in some customer classes, this provides an introduction and opportunity for Fluidigm to come in and sell additional instrumentation.

And so based on that comment, Chris, it certainly sounds like these are not all existing users of Fluidigm technology, but in fact you've had several people kind of raise their hand and say, look, I want to - I want to take a look at this and to your earlier point, maybe open up the door for additional selling opportunities.

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Yes. Absolutely. So as you said, there's one example where we already have penetration and we have a good, established install base of Junos. We gave an update on that Juno platform.

That's obviously a first place that we can call to drive this new value proposition, but I think there's a huge amount of market that we don't have penetration to. If you look at the number of NovaSeqs and HiSeqs that exist in the world today, the amount of sequencing capacity, we have not matched up in all of those labs with the library prep solution that could feed into what they do meaningful levels or volumes.

But I think it is - it's giving ourselves an opportunity to reintroduce the company to those segments that had maybe only thought about us as the single cell company and we can actually go back and talk about our entire microfluidics value proposition. So it is providing a halo for us and I think it will represent new instrument placements as well as consumable pull-through.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Questions from the group at all? All right. Vikram, I don't want to not give you any questions.

Vikram Jog Fluidigm Corporation - Chief Financial Officer

Thank you.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

So I'm going to throw a few out at you.

Vikram Jog Fluidigm Corporation - Chief Financial Officer

Appreciate the opportunity.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Of course. Of course. One I've asked you. It's come up periodically, but how are you thinking about breakeven recognizing that we have obviously multiple different businesses here in different kind of lifecycle stages, but how should investors think about that? You've done a really nice job over the past couple of years reducing the cash burn, but we're still in a - in a - in a burn situation at Fluidigm.

Vikram Jog Fluidigm Corporation - Chief Financial Officer

Right. So the way we think about our spend is relative to the way we think about growth prospects. So we are focused on growth. We think about ourselves as a growth company and growth takes investment, but you have pointed out and I would only reiterate that it's not growth at any cost and that we are very much focused on growth at a reasonable cost.

Beyond that, we have shirked or shied away from giving specific targets or specific revenue targets. I mean, one could always do the math on a particular revenue and divide it into the gross margin, but that assumes that everything else stays static and things never really do. But we, I think, would still continue with that kind of guidance to say that we are focused on growth and therefore we will make the right investments, but we're also focused on financial discipline.

So in that vein, we have pointed to several steps we've taken. We appointed a head of operations that just came into the company a couple years ago. So he's been tasked to find ways to reduce costs throughout the systems, not just in the operating environment, but just across the board. If we can do the same thing more efficiently for a cheaper cost, that's one way we would go about it.

The other way that we have talked about is also to look for sources of non-dilutive funding, partnerships, collaborations, et cetera. A very small example is the - is the announcement we had on the DARPA funding for the epigenetics project in C1.

Again, it's a very small example, but nevertheless that's an example of things that we could proliferate in the future due to subsidized finance [of our] development efforts and that could expand into other functions as well.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

And you mentioned that obviously the organization never stays static, right? And given some of the new product offerings that you've introduced, some of them certainly seem more intuitive that you would see some considerable sales leverage panels from mass cytometry, for example, that drops right into the bag, whereas RNA-seq, again, obviously fits in with the existing toolkit, but does that suggest that you need additional investment in the team because obviously they have a product portfolio they're already selling?

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Yes. It would actually suggest that and we will use this as an opportunity to hire RNA-seq specialists in areas of the world where we've actually not had a diversified sales force. We've had combined sales forces and with RNA-seq, we believe the time has come to separate

that out because it's a sufficiently large opportunity enough by itself and not have it compete with somebody selling a higher-priced Hyperion system or a Helios.

But it also would suggest that there might be partnership opportunities in the - in the distribution realm, that we don't necessarily have to go it alone because the market opportunity, again, is sizable. So again, even though that does maybe suggest the need for us to expand our sales force, we would only do it up to a certain limit and then explore distribution opportunities to get further leverage from other resources.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Yes. Okay. Got it. And then maybe talk a little bit about the recent convertible refinancing. What was the rationale ...

Vikram Jog Fluidigm Corporation - Chief Financial Officer

Right.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

... or what drove some of the [points on that]?

Vikram Jog Fluidigm Corporation - Chief Financial Officer

So as you - as you recall, this was the [stub] remaining of the original \$200 million convert that we had obtained in 2014 in conjunction with the acquisition of DVS Sciences and in March of 2018, we exchanged \$150 million piece for a lower price to convert with an extended put date and then March of this year, that actually converted.

And so this was the remaining convert that had the original put date of February 2021 and this was something that we had to deal with on a timely basis. We believed that there was an overhang getting created on the stock as a result of that and our intention was to take care of it before the liability became current in February of 2020.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Got it. And then, Chris, shifting back to you, one thing kind of coming out of the 3Q earning cycle is we were starting to hear a little bit about some pockets of tighter capital, certainly not broad-based, but a little bit here, a little bit there. Thinking about your business, mass cytometry in particular because those do tend to be fairly high ticket items from a capital standpoint, but what's your perspective on that at present?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Yes. I think we only knew in hindsight when we looked across the other patterns of announcements in Q3 and I think you could see analytical instruments - or companies that have [heavier] mix of analytical instruments above certain price points, you saw a difference in their profile on the performance in the Q3 time period.

We don't necessarily compete, per se, against them, but we are competing for similar pools of money. So it's possible there's a correlation between all that. We're pretty small, so we're pretty sensitive to just a handful of placements. The systems can magnify that completely, but there was roughly in line with what other major analytical platforms experienced above the \$0.5 million, \$400,000 price point.

But I can't say that I don't think there's a significant macro problem. I don't see a significant problem in any one of the major geographies. It's unusual right now in this time period. There's obviously speculation about specific geographies, but we haven't seen any material impact to any of our performance vectors in any of those major geographies.

So for us, it's more specific to customers, to individual customers waiting on funding release from organization A or trying to get through their internal approval process for process B for capital allocation. C might be waiting for a philanthropic donor or someone to come forward. I don't think we've been sensitive enough to say that we're a bellwether of what's going on in the broader market.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Okay. Understood. And we have about a minute left. So just any takeaway message here for the audience on Fluidigm and where you're headed?

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

I'll leave you with a couple additional thoughts just to reinforce. I think our fundamental point of view on - there is no single tools company that can transcend genomics, both DNA, RNA and protein, that we believe we have a unique insight into immunology and the impact of immunology and the gap in tools and highly multiplexed tools across multiple detection platforms or modalities to have meaningful impact in healthcare.

We believe that immunology and immune insights writ large is going to have an impact in hundreds of diseases in the progression and clinical trial support for those diseases and the exploration of those diseases going forward.

We think we have a really unique value proposition both on the suspension side as well as on the imaging portion of our mass cytometry platform and our genomics platform can afford - can actually enable that same macro that's been going on on the genomics side and do it cheaper, better and faster.

And unlocking with the proteomics portfolio, new proteomic biomarker detection. I think we're in the right neighborhoods. We've got a good technology mix here. We've got to put it all together and show it all going in the same direction and [we have] clinical trials traction.

We're moving more and more to consumables and recurring base revenue streams. That's going to make it easier for us to model our business performance, to project future performance and I think that'll help give more consistency in delivery.

William Quirk Piper Jaffray - Tools and Diagnostics Analyst

Excellent. All right. With that, I'm afraid we're out of time. Chris, Vikram, thank you very much.

Vikram Jog Fluidigm Corporation - Chief Financial Officer

[Thank you].

Chris Linthwaite Fluidigm Corporation - President and Chief Executive Officer

Thank you very much, Bill.

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