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FLDM - Q1 2017 Fluidigm Corp Earnings Call

EVENT DATE/TIME: MAY 04, 2017 / 9:00PM GMT

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Fluidigm First Quarter 2017 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to turn the call over to your host, Ana Petrovic, Director of Corporate Development, Investor Relations. You may begin.

Ana Petrovic - *Fluidigm Corporation - Director of Corporate Development and IR*

Thank you. Good afternoon, everyone. Welcome to the Fluidigm First Quarter 2017 Earnings Conference Call. At the close of the market today, Fluidigm released financial results for the first quarter ended March 31, 2017.

During this call, we will view our results and provide commentary on recent commercial activity, market trends and our strategic business initiative.

Presenting for Fluidigm today will be Chris Linthwaite, our President and Chief Executive Officer; and Vikram Jog, our Chief Financial Officer. This call is being recorded, and the audio portion will be archived in the Investors section of our website.

During the call and subsequent Q&A session, we will make -- we will be making forward-looking statements about events and circumstances that have not yet occurred, including plans and projections for our business, future financial results and market trends and opportunities. Examples of these forward-looking statements include -- include statements regarding our business prospects and growth, the implementation and anticipated benefit of strategic initiatives and partnerships, opportunities, demand, the sales pipeline and support for our product lines, benefit of new product introduction, cash management and other financial plans and projected financial results for the second quarter of 2017.

These statements are subject to substantial risks and uncertainties that may cause actual events or results to differ materially from current expectations. Information of these risks, uncertainties and other information affecting our business and operating results are contained in our annual report on Form 10-K for the year ended December 31, 2016, and our other filings with the SEC. The forward-looking statements in this call are based on information currently available to us, and Fluidigm disclaims any obligations 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 a table accompanying our earnings release, which can be found in the Events and Presentation section of our website.

I will now turn the call over to Chris.

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

Thank you, Ana. Good afternoon, everyone, and thank you for joining our first quarter 2017 call today. In the first quarter, we met our expectations and similar to my sentiment last quarter, I'm pleased with our progress, although not satisfied.

We definitely see stabilization within our business and the establishment of a foundation critical to reigniting growth. I'm energized about the road ahead and our improving prospects. Since joining in August, and after only 1 quarter as CEO guiding this business turnaround, we've made some meaningful progress as a team. Our recent accomplishments include: the resource reallocation of our research and development portfolio towards more impactful products; the shipment of several new products, including the innovative first-in-class imaging mass cytometry system, as well as immunology panels for both the Helios and BioMark systems; the realignment of our workforce to our strategy; the transformation of our commercial organization; the expansion of our board with 2 new members; the recruitment of new management talent; the implementation of meaningful financial initiatives to preserve cash. With all the changes surrounding Fluidigm over the past 2 quarters, I'd like to thank the entire Fluidigm team for remaining focused and delivering on our commitments. This is an exciting, albeit pivotal, time for us. We are truly changing our competitive mindset and our associated business model with the single-minded mission to reignite revenue growth.

Now turning to the first quarter. I'll begin with an overview of our performance, followed by highlights on the quarter, a few market perspectives, an update on our strategic pillars, and then conclude with second quarter financial guidance.

Starting with our first quarter financial results. Total revenue for the quarter decreased 12% to $25.5 million from $29 million in the first quarter of 2016. Instrument revenue decreased 22% to $10.7 million from $13.8 million in the year-ago period, mainly due to decreased revenue from single-cell genomics instruments, partially offset by increased revenue from mass cytometry systems.

Consumables revenue decreased 9% to $10.6 million from $11.6 million in the year-ago period due to lower revenue from genomics products, partially offset by increased revenue from mass cytometry reagents.

Service revenue increased 18% to $4.2 million from $3.5 million in the year-ago period, primarily driven by increased revenue from post-warranty service contracts. While the results are not impressive when compared to the prior-year period, they are noteworthy in light of the expectations we've set in our February call and represent 2 sequential quarters of improved business performance.

Now moving on to some highlights in the quarter. Mass cytometry revenue from instruments, consumables and service all grew at a double-digit rate. And collectively, total revenue was up approximately 40% in the first quarter from the year-ago period in these categories. Notably, instrument revenue growth was driven by Imaging Mass Cytometry Systems. We experienced strength in the biopharma customer base, with growth up over 30% in the first quarter compared to the year-ago period. We enabled multiple customers with imaging mass cytometry capabilities, unlocking novel high-parameter analysis for the first time in tissue. Second, we began shipment of our new Advanta Immuno-Oncology Gene Expression Assay. Third, we completed our first ISO surveillance audit at our Singapore and South San Francisco facilities for ISO 13485 and 9001, respectively, with great results. Finally, we decreased our cash burn in the first quarter down to $9.2 million from $11.8 million last quarter.

Now let me put some perspective around our first quarter results. Because it was a key driver in both our revenue and margin performance in the first quarter, I first want to spend a moment discussing our single-cell genomics business which addresses a $120 million market. In aggregate, this business, overwhelmingly our C1 product line, was down in the quarter by over 70% year-on-year. As you recall, during the first quarter of last year, 2 things happened that significantly altered the contribution of our C1 product line progressively over the course of the year: the doublet issue we observed with our C1 IFCs and the announcement of new competition. These issues did not heavily affect the first quarter of 2016, but they hit us hard in the second half of the year as the competitive dynamics eroded our ability to place new units. To be clear, the C1 has significant value in select applications, and we continue to install newer systems. Furthermore, our C1 customers and the approximately 365 active systems that serve them are very important to us, and we are committed to supporting their work, including the delivery of improvements in the core technology. However, after our strategic review, we believe there is more opportunity in other markets, and therefore, we'll continue to shift primary business focus to these areas.

We believe one of the more attractive opportunities is to more deeply penetrate our addressable segment of the genomics market valued at approximately $750 million. The next-generation sequencing library prep and QPCR markets are large and growing, and we know the benefits of our microfluidic technology are relevant and in some ways untapped. For example, the Advanta Immuno-Oncology Gene Expression Assay referenced in our press release this afternoon is an important signal for how we intend to target growth by combining compelling content and workflow, with a powerful detection platform. In March, we began shipment of this panel set that enables profiling of genes important in tumor immunobiology, for translational research, including development of new biomarker signatures from FFPE samples. Designed for use with the BioMark HD System, this focused panel set was optimized with input from leading research institutions and biopharma, and provides a highly efficient workflow with a wide dynamic range.

Notably, we are enthused by early customer demand for Advanta. And while it's pretty early in the launch, initial customers include leading translational cancer research centers and a prominent global biopharma company. While we will not comment on future products, this is an important model for how we can stabilize and ultimately extract more value from our genomics business, displacing established competition, while participating in growing markets.

Similar to the genomics market assessment, we see great opportunity in our mass cytometry business with an addressable market segment of $500 million. This business provides a revolutionary new solution for both the large flow cytometry as well as imaging markets, and we are in the early chapters of this storyline. We believe we have a strong and innovative platform whose value can be unlocked with more consistent attention to content development, workflow improvement and software analysis tools.

Like the Advanta panel, on the mass cytometry side, we launched our high-parameter Maxpar mass cytometry panels that allow immuno-oncology researchers to simultaneously profile T-cell subpopulations from limited or precious samples up to 34 markers. These versatile panels can be combined for complete coverage or flexible -- flexibly customized with access to hundreds of commercially available preconjugated antibodies and custom conjugation options. You should expect more announcements in terms of systems, content and software in this area, including details on the Imaging Mass Cytometry System as we approach broad commercial launch.

In general, we are pleased that we are seeing broadening interest in mass cytometry. For instance, we see continued growth in scientific publications, up 7% compared with last quarter on a base of 337. And in addition, we are excited to host the largest single event in our history in Boston. We have more than 250 registered attendees for our full day event, the Mass Cytometry Summit, on June 9, adjacent to the CYTO 2017 conference.

Now key accomplishments in the period. Just 1 quarter into our business turnaround plan, we've made solid progress against 3 strategic pillars, which are: first, to foster innovation and partnership; second, to increase operational efficiency; and third, to improve financial discipline, especially, cash management.

Starting with our pillar of innovation and partnership. In March, as noted earlier, we began shipment of our Advanta Immuno-Oncology Gene Expression Assay. I shared details in the panel already, but I must say the intensity of quoting activity and customer excitement has been remarkable, and continues to build momentum in April. We also expanded our partnership with GenomOncology, with -- that we announced in the fourth quarter, and are building a healthy pipeline of partnership opportunities across multiple fronts of our business. Expect updates on partnerships throughout the year.

Second, we enabled 11 early adopting customers with first-in-class imaging mass cytometry modules. The preliminary feedback from the first wave of customers is quite positive. We are focusing on nurturing these early adopting customers, while we expand our global funnel, laying the foundation for a broad commercial launch in the second half of 2017.

Third, in March, we held a user meeting in London, with the recently announced MRC Consortium for mass cytometry, following the successful installation of 7 Helios systems. This meeting brought together scientists from 19 major U.K. research centers and is fueling scientific enthusiasm for the platform. We will be releasing further information about this event in a separate press release that will describe the clinical research insights discussed in more detail.

Fourth, as part of our strategic review, we completed a bottom-up evaluation of our R&D portfolio. We realigned our investment according to revenue growth, margin, improvement -- or margin improvement potential and technology risk. This rebalancing also translated to a modified spend or mix of spend on new systems versus consumables and software.

In essence, based on our portfolio review, we are increasing our investments in mass cytometry and high-throughput genomics and reducing our investment in single-cell genomics. We are increasing our investments to deliver on our content strategy as evidenced in the recent Advanta I-O panel launch.

Finally, a metric we plan to share periodically to help you gauge the impact of our research and development efforts is a new product vitality index, or PV2, which measures the percentage of sales attributed to new products launched in the last 24 months.

In the first quarter, our product vitality index, PV2, was 40%. As we better understand industry benchmarks, we will discuss this topic in greater depth.

Moving onto our second pillar, to increase operational efficiency. First, during my first 90 days, I identified multiple gaps in our information management capabilities. Given its importance to the health of our company, I prioritized recruitment of an industry leader to guide our efforts. With that, I'm delighted to welcome Sudhakar Chilukuri as our Senior Vice President and CIO to lead our global information technology organization. His priorities this year include improving operational efficiencies through technology enablement, while enhancing information technology security, and integrating or automating business platforms. He has held senior level positions at Cisco, Polycom and Hewlett-Packard, and I can tell you he's having an immediate impact.

Second, our operations council has developed an operational excellence plan with a large project funnel that includes continuous improvement activities as well as the creation of new capabilities. These projects will pay dividends in the second half of 2017 and beyond.

Third, I'm excited to announce again in February that we completed our ISO surveillance audit at our South San Francisco and Singapore facilities, concluding with the recertification of our ISO 13485 and ISO 9001 compliance. We believe these certifications provide an important foundation to expand our business into health care-related market segments.

Ending with our third pillar, to improve financial discipline and cash management. I'm pleased to announce that while continuing to invest in our growth initiatives, we are instilling financial discipline and reducing operating cost. Total cash outflow of $9.2 million in the first quarter of 2017 decreased sequentially from $11.8 million in the fourth quarter of 2016. Second, we are making solid progress in strengthening and realigning our commercial team to our strategy. We reintegrated our commercial organization late last year, continued to fill high-priority commercial positions in Asia and appointed new commercial leadership across all geographies. We recently hired a new commercial lead for Europe, Marco Piccinini. He brings more than 30 years of experience and a proven track record of commercial leadership and execution in the life sciences and diagnostics market. In addition, he's held senior commercial leadership positions at PerkinElmer, Applied Biosystems, Life Technologies and Thermo Fisher Scientific. We also hired a new General Manager in Japan, Asaho Takei. He has more than 30 years of sales and marketing experience and a successful track record of delivering commercial excellence across direct and indirect channels in Japan. Prior to joining Fluidigm, Takeison worked at Illumina for more than 15 years.

Now turning to revenue guidance for the second quarter. Total revenue for Q2 2017 is projected to be in the range of $22 million to $24 million. Vikram will provide additional information on our second quarter financial guidance.

Finally, a couple of items about our board I'll share on behalf of our chair, Sam Colella. As we previously announced, John Young is retiring from the board just before the next Annual Meeting of Stockholders. On behalf of the board and the entire company, we thank John for his immeasurable contributions to Fluidigm.

Second, we are delighted to welcome 2 new members, Nicolas Barthelemy and Carlos Paya to our Board of Directors. Their deep industry knowledge and expertise will be instrumental in helping us accelerate key elements of our strategy. Nicolas has a strong track record in driving sustainable growth and business turnarounds. His expertise in commercial and operational excellence or success in the life sciences industry is particularly

relevant to our organizational goals. Carlos is a seasoned CEO, executive and world-class researcher with expertise in immunology and oncology. His academic and industrial experiences in these disease research areas are invaluable as we continue to innovate with these high-impact markets. Both members joined in March and have already hit the ground running, providing insight and impactful guidance over the first -- over the past 1.5 months. Their industry knowledge and expertise will be instrumental in helping us accelerate several key elements of our strategy and position the Fluidigm business for long-term success.

In summary, as we entered 2017 and begin the first year of our journey to transform Fluidigm, I am excited about our future. I believe we have the right people and the right strategy in place. Now it's up to us, the leaders and team members alike, to make the right decisions, to take the right actions, to execute on this strategy. So while it will take some time to fully implement our plan and realize the benefits, I am confident we're laying the appropriate foundation to return Fluidigm to a path of sustainable growth.

I'll now turn the call over to Vikram.

Vikram Jog - *Fluidigm Corporation - CFO*

Thanks, Chris, and good afternoon, everyone. Total revenue of $25.5 million in the first quarter was down 12% from $29 million in the year-ago period, and up 2% from $25.1 million in the fourth quarter of 2016. Instrument revenue of $10.7 million decreased 22% from $13.8 million in the year-ago period, due to decreased genomics revenue, primarily single-cell instruments, partially offset by increased mass cytometry revenue. Instrument revenue was flat compared to the fourth quarter of 2016.

Consumables revenue of $10.6 million decreased 9% from $11.6 million in the year-ago period, due to lower revenue from genomics products, partially offset by increased revenue from mass cytometry reagents. Consumables revenue increased 3% from $10.3 million in the fourth quarter of 2016. Consumables pull-through per active system in the first quarter was slightly above our projected ranges, except for the C1 system, which was slightly below its projected range.

Service revenue of $4.2 million increased 18% from $3.5 million in the year-ago period, driven primarily by post warranty service contracts. Service revenue was flat compared with the fourth quarter of 2016.

From a market perspective, genomics product revenue of $11.4 million decreased 38% from $18.3 million in the prior year period, and decreased 8% sequentially, driven primarily by lower revenue from single-cell genomics products.

Mass cytometry product revenue of $9.9 million increased 39% from $7.1 million in the prior year period and increased 16% sequentially, driven primarily by sales of the imaging mass cytometry system and higher antibodies revenue. Notably, in the first quarter, instrument revenue benefited from the fulfillment of a substantial portion of the initial orders for Imaging Mass Cytometry Systems by early adopting customers.

By customer type, research customers accounted for 61% of our product revenue of $21.3 million, and applied customers accounted for the remainder. Geographic revenues as a percentage of total revenue in the first quarter were as follows: United States, 46%; Europe, 30%; Asia-Pacific, 20%; and other, 4%. Year-over-year total revenues declined in most areas of the world, led by Europe which declined 18%, followed by Asia-Pacific which was down 17%, and the United States which declined by 10%. The primary reason for the revenue declines in both the United States and in Europe was competitive headwinds in our single-cell business, partially offset by increased revenue from mass cytometry systems which benefited from the imaging mass cytometry system release. The decline in Asia-Pacific revenue was driven by decreased revenue in Japan, mainly due to single-cell competition and lower revenue from China, which benefited in the year-ago period from multiple genomics instruments sold into applied customers adopting our technology for genetic testing. The decline in Asia-Pacific revenue was partially offset by increased revenue from other territories driven by mass cytometry products.

On a GAAP basis, product margin was 49.1% in the first quarter of 2017 versus 52.1% in Q4 of 2016 and 57.5% for the year-ago period. The sequential decrease in GAAP product margin for the first quarter was mainly driven by increased unit product costs from lower production volumes and lower instrument average selling prices. The primary reason for the year-over-year decline in GAAP product margin was due to increased unit product

cost from lower production volumes and fixed amortization of developed technologies, depreciation and amortization over lower revenues. Other contributory factors were lower instrument average selling prices and an unfavorable instrument sales mix.

On a non-GAAP basis, product margin was 66.4% in the first quarter of 2017 compared to 69.6% in Q4 of 2016 and 72.1% for the year-ago period. The sequential decrease in non-GAAP product margin was driven primarily by increased unit product cost from lower production volumes, and to a lesser extent, by decrease in instrument average selling prices. Similarly, the primary reason for the year-over-year decline in non-GAAP product margin was increased unit product cost from lower production volumes.

In addition, lower instrument ASPs and an unfavorable instrument sales mix also negatively affected the year-over-year margin performance.

Turning now to operating expenses. GAAP research and development expenses were $8.5 million in the first quarter compared to $8.8 million in Q4 of 2016 and $10.4 million for the year-ago quarter. The year-over-year decrease in research and development expenses is primarily due to higher cost projects in the prior year period. GAAP SG&A expenses were $22.6 million in the first quarter of 2017 compared to $22.8 million in Q4 of 2016 and $25.5 million for the year-ago period. The year-over-year decrease was mainly due to lower legal and outside service expense, cost reduction measures and lower personnel expense, partly offset by higher severance costs.

GAAP net loss for the first quarter was $17.2 million compared to $17.7 million in Q4 of 2016 and $19.9 million for the same period last year. Non-GAAP net loss for the first quarter was $9.6 million compared to $9.3 million in Q4 of 2016 and $11.5 million for the year-ago period.

Moving on to the balance sheet. Total cash, cash equivalents and investments were $50.3 million at the end of the first quarter compared to $59.4 million at the end of Q4 2016. Net cash used in operating activities was $8.5 million for the first quarter compared to $10.7 million in Q4 of 2016. This sequential decrease was mainly due to higher collections in the quarter, partially offset by the semiannual interest payment on our convertible debt paid in the first quarter.

Accounts receivable decreased slightly to $14.4 million at the end of the first quarter from $14.6 million at the end of Q4 2016. DSO for the first quarter was 51 days compared to 53 days in Q4 2016.

And now moving on to our second quarter financial guidance. Total revenue of Q2 2017 is projected to be in the range of $22 million to $24 million. The sequential decline in projected revenue is primarily attributable to the fulfillment of the early adopter orders by the Imaging Mass Cytometry System in Q1 2017.

GAAP operating expenses are projected to be in the range of $28 million to $29 million. Non-GAAP operating expenses are projected to be in the range of $24.5 million to $25.5 million, excluding stock-based compensation, depreciation and amortization expense of approximately $2.5 million and $1.1 million, respectively. Total cash outflow is projected to be in the range of $7.5 million to $8.5 million.

And with that, I will now turn the call over to the operator to open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Doug Schenkel from Cowen and Company.

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

This is Adam Wieschhaus on for Doug. I just had a few on the imaging mass cytometer launch. You noted in the call you enabled 11 customers with IMCs. Were all those placements revenue recognized in the quarter? And how do your expectations for Q2 compare to what you did in Q1?

Vikram Jog - *Fluidigm Corporation - CFO*

Adam, I can go first in response -- this is Vikram. In response to your first question, yes, all of those were recognized in revenue in the first quarter.

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

On the second part, I think that's one of the things and we kind of pack that if necessary or as appropriate is on the Q2 impact is that we did have a bolus of these. As we talked about, we had been building into Q4 and then some in Q1, and so our plan has been to titrate these out in the market at a level and a rate in which we can support them adequately. And there's a number of details including antibody availability and software that makes us want to be very disciplined in our -- kind of a pre-big broad commercial rollout. So for Q2, what you're seeing is a kind of tempered expectations for the rate in which we'll deploy new IMC installations and recognize revenue.

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

Okay, that's helpful. In Europe, grew sequentially this quarter. I think last quarter had some headwinds associated with the tender process and competitive pressures and the sales force reorganization. So I was just wondering if you could provide any color as to what you attributed the growth to in this quarter compared to last quarter?

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

The question -- I just want to make sure we're clear Adam, so the growth is -- the focus of the question is really on Europe in particular and kind of...

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

Yes. The Europe growth...

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

Yes. I mean I think I'll put in a few things and then maybe Vikram will want to add. I think with regards to Europe for Q1, we did have a number of bids and tenders that have been in place for a year. And the granting cycle came forth and we got those orders in the period, so that was quite helpful. We did have a change in leadership that occurred at the very end of the period, and that team was less impacted by some of the reduction in force than the Americas did, so that may also have contributed to the performance in the period in Q1. Vikram, I'm not sure if there's anything you wanted to add?

Vikram Jog - *Fluidigm Corporation - CFO*

No. I think nothing in particular. I think Europe benefited like the other territories from the imaging mass cytometry launch in Q1.

Operator

(Operator Instructions) Your next question comes from the line of Bryan Brokmeier from Cantor Fitzgerald.

Bryan Paul Brokmeier - *Cantor Fitzgerald & Co., Research Division - Senior Equity Research Analyst*

So I understand the sequential decline in the revenue into the second quarter, and your guidance, and how you indicated that you expect that to be coming from lower imaging sales, I just want to make sure that -- is that's the only negative impact that you're anticipating sequentially, or are there any -- are you seeing anything on other instruments or in the consumable side, so to give you cause for that lower sequential growth?

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

I'll open up, and then we can have maybe Vikram add a little bit. I think what we're seeing with regards to single-cell is when you look at it on a year-over-year basis, they will still be -- there was a very significant step-down year-over-year when we talked about -- within the single-cell business dropping 70% year-over-year. We will see, on a year-over-year comp, a continued decline with regards to single-cell. What I can tell you is I think it's flattening out. We still have instruments in our pipeline, anticipate closing them, but the actual rate we close, and there may be plus or minus a few instruments from variability. But I think we're essentially getting to a pretty good level right now and we should grow or at least just roughly stabilize with regards to single-cell around this level. I think the amplitude of mass cytometry and just because it's new for us and then we have a higher instrument -- relatively high instrument mix in the forecast for Q2, and the fact the ASPs for the mass cytometry systems both the Hyperion systems as well as the imaging modules are relatively high, and so they can skew our numbers quite considerably. So I think in the interest of conservatism plus the fact that we had a significant disruption in the selling organization in just the prior period in Q1 that it makes sense for us to temper our expectations for Q2. And then really start to pick up again in the second half of the year. I don't think there's anything else remarkable with regards to the rest of the instrument mix or consumables. I would like to see consumables grow in the period, but I think we're -- right now, we've got tempered expectations.

Bryan Paul Brokmeier - *Cantor Fitzgerald & Co., Research Division - Senior Equity Research Analyst*

Okay. And you discussed the Advanta panel. When was the last BioMark panel that you introduced? And prior to the increased focus on the C1, what was sort of the pace of panel introductions that you had?

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

I think you're onto an important point, Bryan, as that historically the company had not focused on panel launches. And in fact, I think that's a key signaling that I wanted to put forward in the call is that we had historically released general purpose analytical instruments that could be adapted by our -- for our -- by our customers for their unique needs. And I think what's different and you're seeing here is that we now have some pretty clear patterns starting to form in our mind around the highest value content. And in fact, there's additional customer segments beyond the core research business that we should be positioning ourselves kind of standardizing panels and content as that's becoming clear in the marketplace, and providing convenience product assemblies and full systems and workflows for customers to start accelerating both inducing or encouraging them to buy new instruments as well as to use the instruments they have in place. I think this is a very, very important piece of signaling that we're going to put in place. And I think you'll see, over the coming periods, a slow and steady, maybe not slow but at least a steady increase with regards to consumables consumption. As it's driven by the strategy, and so you should expect from us to put additional panels out in the marketplace.

Operator

Your next question comes from the line of Bill Quirk from Piper Jaffray.

Alexander David Nowak - *Piper Jaffray Companies, Research Division - Research Analyst*

This is Alex Nowak on for Bill today. How should we think about the IMC launch in the second half of the year? And do you have any indication what the funnel currently looks like? Or is it just too early there. And then just second question, what's the list price for the system?

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

I think I'll take them in reverse order. So at this stage, I don't think we've publicized the final list price for the system. I think that's one of the questions, as that system count -- or that close questions came up, generally speaking, a number of times in the Q4 call, if I remember correctly in the full year. But you can roughly, I guess, that it's a relatively high percentage or close to the reader itself, so that gives you just kind of a rough idea of the magnitude of the commitment for a full system if you buy both pieces together. As you know, it's also an option, you can take advantage of a Hyperion or CyTOF. Hyperion system you've already purchased and add an imaging module to it. Answering your first question with regards to the funnel size. I think we're very encouraged by the size in which it's building up. I think that with many reasons that will trigger, some cases, customers -- prospective customers need to put forward grants for this, so the grant writing process creates some variability in the amount of time to free up this level of funding. In the biopharma accounts, these get in the budget cycles. We've started seeding that budget cycle process. And I think we'll see -- we should see opportunities pop in the second half of the year, but frankly, it could also work itself into 2018 as people put these into their budgets and then those funding cycles come through.

Alexander David Nowak - *Piper Jaffray Companies, Research Division - Research Analyst*

Okay, and then how should we view operating expenses, I guess, for the rest of the year? Should we take the number in Q1 and figure that's a normal figure? And assume it's a good run rate for the rest of the year?

Vikram Jog - *Fluidigm Corporation - CFO*

Yes, so I'll recall what we had said in the last conference call. We had said we would expect to generate a savings of about $8 million. And they would be realized over the last 3 quarters of 2017. So between Q2 and Q4, we expect to realize about $8 million of savings. So as you've seen in the guidance that we put forth for Q2, there's already a reduction in operating expense when compared to Q1, which in turn was slightly lower than the sequential period in Q4.

Alexander David Nowak - *Piper Jaffray Companies, Research Division - Research Analyst*

Okay, and then just last question for me, just looking at the cash flow, you have about 4 to 5 quarters of cash left, I'm just curious, how should we think about cash management here? And any plans or I mean -- and when you look at cash, would you think on taking on more debt? Or would you prefer to tap the equity markets if you need to?

Vikram Jog - *Fluidigm Corporation - CFO*

Yes, so obviously, without giving guidance any more than we have, we've signaled a reduction in cash flow again for the second quarter in a row. We had a reduction in cash flow outflow between Q4 and Q1 to the tune of about $2 million. And we are signaling another reduction between Q1 and Q2 as well, so that is a reflection again of the cost control measures that we have put in place already. So I think we recognize the cash outflow or the cash balance, obviously, is decreasing every quarter, but we have taken steps and we'll continue to take steps to pay attention to cash flow.

Operator

There are no further questions at this time. I'll turn the call back over to the presenters.

Ana Petrovic - *Fluidigm Corporation - Director of Corporate Development and IR*

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, and we look forward to the next update following the close of the second quarter of 2017. Good afternoon, everyone.

Operator

This concludes today's conference call. Thank you for your participation. Have a wonderful day. You may now disconnect.