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Q3 2018 Fluidigm Corp Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Fluidigm's Third Quarter 2018 Financial Results Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Agnes Lee, Vice President, Investor Relations. You may begin.

Agnes Lee *Fluidigm Corporation - VP of IR*

Thank you. Good afternoon, everyone. Welcome to the Fluidigm's Third Quarter 2018 Earnings Conference Call. At the close of the market today, Fluidigm released its financial results for the quarter ended September 30, 2018.

I'd also like to let everyone know that our outdated investor presentation with updated financial information has also been posted to the Investors section of our company website.

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

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, market trends and opportunities. Examples of these forward-looking statements include statements regarding market expansion and funding trends, expected growth in sales and product applications, anticipated benefits of strategic initiatives and collaborations, increasing market adoption of our products, revenues, operating expenses and cash flow for the fourth quarter of 2018, other anticipated trends and financial performance. 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, 2017, as well as in our 10-Qs and other filings with the SEC. The forward-looking statements in 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 in 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 Investors section of our website.

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



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

Thank you, Agnes. Good afternoon, everyone, and thank you for joining our third quarter 2018 earnings call.

As detailed in our press release this afternoon, in Q3, we had strong 17% revenue growth, powered by mass cytometry. Over the last few quarters, revenue has accelerated as customers adopt our premier tools to provide deeper insights into immune function. This quarter, we saw robust instrument placements around the world with exceptional strength in our Hyperion Imaging System. We are seeing evidence of market expansion with a couple of seminal publications, including our first mass cytometry publication in a prestigious clinical journal. We will update you on our progress today.

As has been our norm, I'd like to begin with an overview of our financial results for the quarter and then discuss markets and strategy. Then I'll turn the call over to Vikram Jog, our CFO, for a more detailed financial review before offering closing remarks and taking questions.

Total revenue for the third quarter was \$29 million, an increase of 17% from the year ago period. Our third quarter results included considerable strength in mass cytometry in both instruments and consumables, but with a decline in our microfluidic genomics business. This quarter, there were robust instrument placements across translational research and cancer centers, with acceleration in Hyperion Imaging Systems and Helios systems. We are seeing a significant pipeline of prospects over the coming quarters, contributing to a larger funnel compared to last year at this time.

Mass cytometry consumables growth is ramping with notable adoption of our Maxpar Human Immune Monitoring Panel as well as other consumable products, including repeat purchases from early adopters, who were scaling their usage. We are seeing an uptick in global research efforts and commensurate technology adoption around the world, with well over 500 publications profiling insights from our premier mass cytometry instrument technologies. In 2018, mass cytometry publications have grown 28% since the beginning of the year.

For microfluidic genomics, we have more work to do. As we expand the customer base for our high-throughput genomics business, our team is implementing a series of strategies to drive adoption of our newer content and workflows. While these initiatives will take time, we remain confident in the potential of the microfluidics business as a part of our long-term multi-omic strategy focused on immuno-oncology and immunology. More details on our strategy and general market expansion later.

Closing up the financial overview. Our results this quarter also reflected operating leverage and disciplined cash management. We are ramping up our Fluidigm operating excellence program, we call it FOX, to drive continuous improvement. With Brad on board since April, we have taken the first steps in implementing a multiyear program. I will be providing updates on the program and our progress in the future. There is plenty of opportunity ahead, and we'll be patient and methodical in the execution phase to manage risks and costs to achieve change.

Let's turn now to a discussion of our revenue performance in our geographic regions. All our regions did well this quarter, exceeding our expectations. Asia Pacific was the top performer again. Year-over-year revenues in the third quarter were up 34% in Asia Pacific powered by strong performance in China and Japan, reflecting a performance trend in the region.

We hit an important milestone this quarter with mass cytometry adoption in India. Adding more color to China and Japan, we had multiple system placements in these countries with traction in both industrial as well as medical institutions. In addition, we are seeing increasing pharma demand, driving growth in CRO services in the region. We see a strong funding environment in our focus areas, and we have a great sales team -- great sales leaders and team in place to capitalize on the opportunity.

Shifting to Europe. Year-over-year revenues in the third quarter were up 14%. European consumables and service revenue were both up again this quarter. Customers have been investing in technologies to further their research. As an example, Queen's University in Belfast has invested in a new building and added Helios CyTOF technology to use in their state-of-the-art flow cytometry core facility.

This institution told me that mass cytometry will be "a game changer" to their world-leading research programs. They are pushing the

boundaries in both clinical and fundamental research to tackle major global health problems, including diabetic complications for eye, cardiovascular disease and lung inflammatory diseases, such as asthma, COPD and sepsis.

It is anticipated that deploying CyTOF improves their competitiveness for funding and powers new insights. Broadly speaking, across Europe, pharma and academic researchers are forming new consortia to focus on immunotherapy. We've kicked off initiatives to ensure our participation in those large programs. We look forward to talking in more detail about this work in the future.

Turning to our largest market. The U.S. delivered 19% year-over-year growth. This region has been a soft spot for us over the past 2 years. However, I'm pleased that we are building on the momentum we established last quarter, delivering sequential growth for the first time since I arrived 2 years ago. Our U.S. team has massively improved our financial performance in this region. We've hit key milestones for instrument placements with strong uptake of the Hyperion Imaging System.

Similar to Europe, we are seeing customers invest in mass cytometry. Particularly, Hyperion Imaging Systems has a critical technology for comprehensive cancer centers. As an example, we sold Hyperion to the University of Miami, a sale motivated in part by their NCI accreditation application. There are additional opportunities like this one in our sales funnel.

As we approach the end of 2018, we are seeing momentum all around the world. We are executing on a robust pipeline of targeted opportunities across academic, translational research, CROs and cancer centers.

Looking towards the future, we see large opportunities to expand our customer base and add capacity at existing customers as their research needs grow.

As a continuation of last quarter's trend, we saw approximately 1/3 of our mass cytometry instrument placements related to capacity expansion. We have ample headroom for growth.

Now a brief overview of our long-term strategy. Fluidigm is well positioned as a leading provider of tools to answer questions that are increasingly multi-omic. Increasingly, researchers require a 360-degree view of tissues, cells and circulating biomarkers, and thus demand tools and workflows that address single-cell-level analysis.

Our premier tools, powered by mass cytometry and microfluidic technologies provide deep insights across a range of many diseases. In particular, this is a large market for immuno-oncology applications. We believe this will move to other diseases like autoimmune, chronic inflammatory conditions, infectious disease, pregnancy and preterm labor, to name just a few.

Clearly, a huge opportunity for us as more funding flows to these areas or those areas of translational research at the intersection of patient needs an cutting-edge scientific capability. We are delivering excited or executing new innovation and strategic partnerships to add recurring revenue streams via comprehensive end-to-end workflows and enhanced services. Combining essential multi-omic technologies with large market opportunities, our strategy is to grow our instrument placements at influential accounts, build recurring revenue streams, resulting in long-term double-digit growth.

Moving to our business execution this quarter. In September, we hosted our second Annual Global Imaging Mass Cytometry User Group Meeting. In a year, we have moved from discussions on the capabilities of our technologies at the first user group meeting to now early adopters showcasing data-driven studies, powered by insights and delivering greater context that was once unimaginable. We had 120 attendees with more than 10 presentations focused on health and disease insights, who used imaging mass cytometry to characterize the tumor microenvironment for lymphoma, Crohn's disease, encephalitis and lung cancer as well as pharma customers exploring their role of tissue and tumor heterogeneity in drug delivery, response and resistance. These Annual Global User Group Meetings, coupled with regionally oriented programs throughout the year are critical to accelerating market adoption.

Two important advances were made through our imaging mass cytometry user group meetings. First, we announced an exciting partnership with Visiopharm at the recent user group meeting, and customers were able to experience the new automated software solution Phenomap from Visiopharm. While the software is the headline, I have an interesting story to tell about how this partnership



came to fruition that shows the power of these meetings on new technologies.

A leader from Visiopharm attended our first user group meeting, and he was inspired by the capabilities of imaging mass cytometry and the challenges of depicting high content images. As a result, he developed software on his own to further automate the workflow. These software partnerships strengthened our offerings, increased the pull-through of reagents and drive faster market adoption. To some extent, this explains our accelerating Hyperion Imaging System sales.

A second result from our user group meeting was the announcement today we shared in concert with SironaDx. At this year's meeting, SironaDx witnessed the incredible presentations by pharma and academic medical center customers. As a result, they made the decision to market imaging mass cytometry services using the Hyperion, and they launched with a number of new pharma contracts already in hand.

Shifting to microfluidics. We are adding new applications and partnerships to expand our customer base. Although we don't often talk a lot about our single-cell genomics franchise, the new applications that we have launched this year have sustained that business.

This quarter, for C1, we launched 2 single-cell total RNA sequencing applications, providing our customers with new tools to deeply characterize unique cellular subtypes and functional states unavailable on competing systems. In our high-throughput genomics business, we announced an agreement with GenomOncology to market and expanded immuno-oncology gene expression workflow, providing a best-in-class solution for IO research from RNA extraction to comprehensive data analysis to advance therapeutic development.

Finally, we saw some notable publications recently that point at deepening market potential. Let me share just 2 examples. First, mass cytometry was included in a publication as part of the foundational 10,000 Immunomes Project, conducted by UCSF and Northrop Grumman Information Systems Health IT. Similar to the thousand genome project for genomics space, the 10,000 Immunomes project provides an open reference standard to measure the human immune system, an important step forward for research. It provides a baseline of diverse healthy human subject that will be used to further understand immune system responses across a range of diseases and populations. I encourage you to visit the UCSF website to learn more.

The next example that I would like to highlight is an exciting clinical research project that was published a couple weeks ago in The New England Journal of Medicine. In this study, researchers used a 40 parameter mass cytometry panel to functionally characterize allogeneic T cell expansion and differentiation in a phase II clinical trial for PML, a fatal brain infection that is often associated with diseases that compromise the immune system, including cancer, AIDS and autoimmune diseases.

Specifically, the researchers use mass cytometry to deeply profile immune cell phenotypes and functions using Fluidigm CyTOF technology. They were able to characterize the donor and recipient T cell populations across a wide range of cell surface and intracellular markers in a manner that other technologies simply could not match.

We are pleased to see mass cytometry taking a prominent role in informing the development of new immunotherapies. It is still early days, however, these results offer additional steps forward toward utilizing the power of T cell therapies to save lives. These are just 2 examples out of many, demonstrating how our technologies are leading the way to new insights within tissue, the cell repertoire and free floating analytes.

I now turn the call over to Vikram, our CFO, for a further review of our financial results. Vikram?

Vikram Jog *Fluidigm Corporation - CFO & Principal Accounting Officer*

Thanks, Chris, and good afternoon, everyone. Total revenue of \$29 million in Q3 2018, increased 17% year-over-year. Foreign exchange rates had minimal impact this quarter, consistent with our guidance last quarter. Mass cytometry revenue comprising instruments, consumables and service, increased 50% year-over-year and 31% sequentially. We had strong sales of Helios instruments and especially notable sales of Hyperion imaging systems this quarter.



Mass cytometry consumables and service revenue also delivered robust year-over-year growth in the third quarter, reflecting increasing utilization of our installed base. Consumables pull-through track above the high end of our 2018 guidance of \$60,000 to \$65,000.

Microfluidic genomics revenue comprising instruments, consumables and service, decreased 13%, both year-over-year and sequentially in the third quarter. The year-over-year decrease was driven by both products and service, and the sequential decrease was driven by lower consumables. A significant portion of our consumables revenue is tied to a small number of customers.

During this quarter, we were impacted by inventory management in some of our key accounts and then a patent reduction in testing volumes at other key accounts. In addition, we have identified some customers that may be lost business.

As a result, pull-through from our microfluidic genomics platforms was lower than our guidance range this quarter. To counteract these headwinds, we have been seeding new accounts and launching new products, however, the pace of market adoption is unpredictable and this may create quarter-over-quarter variability in microfluidic genomics revenue, as we execute on our strategy to expand our customer base through our new applications and workflows.

Rounding out our pull-through performance in the quarter. C1 pull-through remained significantly below our projected range. From a regional perspective, in the third quarter, we recorded strong year-over-year revenue growth across all our main geographies, with 19% growth in the United States and 34% in Asia Pacific, driven by higher mass cytometry instruments and consumable sales, offset by lower microfluidic genomics. China revenue grew 20% as we fulfilled some of the customer orders that were in the pipeline last quarter. Europe grew 14%, driven primarily by mass cytometry.

Turning next to gross margin and operating expenses. We are executing on our strategic initiatives to improve financial discipline and operating efficiency, while investing in our growth initiatives. Product margins expanded year-over-year and sequentially, while operating expenses decreased on a year-over-year basis, coming in at the lower end of our guidance range.

GAAP product margin of 52% was up 750 basis points year-over-year and up 320 basis points sequentially in the third quarter. The year-over-year and sequential increases in product margins were due to favorable manufacturing capacity utilization and product mix, coupled with fixed amortization over higher revenue in the third quarter of 2018.

Non-GAAP product margin of 66% in the third quarter was up 390 basis points year-over-year and up 100 basis points sequentially. Non-GAAP product margin excludes depreciation, amortization and stock-based compensation expense.

Operating expenses in the third quarter decreased approximately 1% year-over-year to \$27.5 million on a GAAP basis and \$24.5 million on a non-GAAP basis. Operating expenses increased sequentially from Q2 to Q3 due to higher R&D and compensation expenses, including commissions. We expect operating expenses to grow at a slower pace compared to the growth in revenue.

GAAP net loss for the quarter was \$14.8 million compared to \$15.9 million for the same period last year and \$16.2 million in the second quarter. The non-GAAP net loss for the third quarter was \$5.2 million compared to \$8.6 million for the year ago period and \$6.8 million in the second quarter. Please note, reconciliation tables between our GAAP and non-GAAP measures are provided at the end of our earnings press release that we issued earlier today.

Moving on now to cash flow and the balance sheet. Accounts receivable increased to \$18.4 million at the end of the third quarter from \$16.9 million at the end of the second quarter, driven by higher revenue. DSO was 57 days in the third quarter, in line with the prior quarter.

Cash, cash equivalents and short-term investments were \$35.8 million at the end of Q3 compared to \$40.4 million at the end of the second quarter. Total cash outflow in the third quarter was \$4.6 million, including the semi-annual interest payment on our convertible debt of \$2.8 million.

Cash outflow was lower than expected, primarily driven by higher revenue and timing of customer receipts and vendor payments. At the



end of Q3, our borrowing base under our asset base revolving credit facility was \$12.8 million. There were no borrowings under the facility at quarter-end.

Moving on now to guidance for the fourth quarter of 2018. Total revenue is projected to be between \$29 million and \$32 million. GAAP operating expenses are projected to be between \$28.5 million and \$29.5 million. Non-GAAP operating expenses are projected to be \$25.5 million to \$26.5 million excluding stock-based compensation expense of approximately \$2 million, and depreciation and amortization expense of approximately \$1 million. Total cash outflow is projected to be \$3 million to \$4 million. We expect total cash outflow in the first quarter of 2019 to be higher than our projected outflow for the fourth quarter, driven by bonus payments and our semi-annual interest payment on convertible debt.

And with that, I'll turn the call back over to Chris.

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

Thank you, Vikram. Before I close, I'm delighted to welcome a new member to our Board of Directors, Laura Clague. Laura serves as CFO at Retrophin and previously was CFO at Amylin Pharmaceuticals. Laura is a wonderful addition to our board with her long career as a CFO and significant experience in the pharma and biotech space. Her expertise and insights will be a valuable addition to the Fluidigm team, particularly as we pursue increased penetration in pharma customers.

In closing, Fluidigm is emerging as a leader in the multi-omic revolution in pharma, biotech and translational research. This quarter, we hit key milestones with strong adoption of mass cytometry instruments. Our technology was included in the key publications this quarter for a foundational 10,000 Immunome Project and a seminal research published in The New England Journal of Medicine.

From a shareholder perspective, I'm confident that our strategy will increased value. Our accelerating revenue growth, impactful innovation and improved operating experience is a winning combination. In the near term, we will drive incremental instrument placements. And longer term, we'll deliver recurring revenue streams in these expanded markets.

In conclusion, I'd like to thank our 500 employees for their contributions this quarter. The collective efforts of this team have led us to being named as a finalist in the life science industry awards category of company to watch in 2019. We will find out the results next week. We have really come a long way in the last 2 years.

I look forward to sharing more about our progress in the months ahead as we execute on our Fluidigm 2020 strategy to be a leading provider of indispensable tools to power health care insights.

With that, I'd like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Bill Quirk with Piper Jaffray.

Daniel Henry Macek-Alwell *Piper Jaffray Companies, Research Division - Research Analyst*

This is Dan on for Bill today. So what's changed in mass cytometry this quarter to deliver this magnitude of outperformance? And was there anything strange in order book or timing related?

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

I'm not sure how to characterize the strange, but I guess, the answer to the first part, the primary point, which is I don't think -- we talked about in the first half of the year. I think we're pretty adamant in our assertion that it was going to be a strong second half story with regards to mass cytometry. And it's really been powered by the twin applications of suspension-based CyTOF technology and imaging-based technology. We saw growth in both categories that are really accelerating the overall growth profile of that particular technology in business line for us. And we talk about imaging, we're approaching the 1 year anniversary of the launch of the technology,

and I think that's also something that's taken some time to build funding. Storyline's in place. And certainly, as you see these publications grow, it's becoming -- I think, pretty clear that this is a must-have technology, and therefore, people are finding opportunities in their budget to buy them.

Daniel Henry Macek-Alwell Piper Jaffray Companies, Research Division - Research Analyst

Okay, great. How are you thinking about the competitive offering from 10x that they recently confirmed at ASHG conference?

Stephen Christopher Linthwaite Fluidigm Corporation - President, CEO & Director

I guess, can you be a little more specific around, which competitive offering you're teeing on or keying on?

Daniel Henry Macek-Alwell Piper Jaffray Companies, Research Division - Research Analyst

I got the question from Bill. I'm sorry.

Operator

And our next question comes from the line of Doug Schenkel with Cowen and Company.

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

This is Adam Wieschhaus on for Doug. You noted the imaging system was the key driver to mass cytometry revenue growth. Could you provide maybe some additional color on its growth impact in the quarter, for example, how many -- what percent of mass cytometry systems are being driven by the imager or is it driving increased consumable utilization among existing mass cytometry customers? And maybe one more on that, is there still a heavy educational component required with customers to demonstrate its incremental utility?

Stephen Christopher Linthwaite Fluidigm Corporation - President, CEO & Director

All right. That's a fair amount of impact there. So first, Adam, I'd say that we will, unfortunately, not be breaking out the details of the instrument placements by category type, but I can assure you at least that we had growth, of course, in the absolute number the quantum of number of system placements as well as growth in both categories for us. Now as far as the consumption dynamics are concerned, because as you probably recall, early on, we were a little reticent to provide increase in range of guidance for mass cytometry pull-through, and part of that's because there's always a factor. We're not sure of the dynamics as how imaging consumption will play out. It's a newer category, a newer product line for us. So far we have not seen significant change in the consumption dynamics between the 2 categories, and that's, I think, overall helping the full number to exceed our expectations. In addition, we had -- I think it's really strong launch of content, and that content is powering better utilization of systems. And that creates a virtuous cycle, that combined with these software releases in which we have better utilization of the system, faster utilization of the system, easier interpretation of the results and that's leading through mix of capacity expansion opportunities and new customers, who are, I think, that feel the water is safe to jump in. And so I think, that's a continuation of a long-term trend for us in which we're seeing a combination of capacity expansion as well as adding new customers that are new to the technology. And that's actually true in both categories. We saw capacity expansion also in the imaging space for prior preexisting customers.

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

That's very helpful. And just on the mass cytometry overall market, you know it did well both in the U.S. and internationally. And I think, you've characterized U.S. opportunity in terms of penetrating the NCI-designated cancer centers. Is there an equivalent target or cancer center equivalent broadly OUS or how you think about targeting the broader OUS market with mass cytometry?

Stephen Christopher Linthwaite Fluidigm Corporation - President, CEO & Director

That's an excellent question. Yes, Adam, it is true in each of the regions, there are analogs to the U.S. strategy or the U.S. deployment in the health care and research. And what we talked about, I think, I mentioned a little of bit in the prepared remarks. In Europe, it largely works in consortium-based networks, and those consortia configure and reconfigure based upon on the types of questions that are being asked in the countries that are providing funding, etc. And in this case, that's definitely a part of our target strategy is to ensure that we have good penetration in that key consortia to map those consortia relationships and to ensure that we're getting good. Market penetration of our technology at least in the hands of one consortia member, if not more times those consortia collaborators feed

multiple nodes or networks. So yes, it's a very important part of our strategy. We've been developing target accounts, and going after those targeted accounts based upon our strategy in Europe. In Asia Pacific, we're providing, I think, a similar strategy in Japan and we're earlier days in the balance of Asia.

Operator

And our next question comes from the line of Paul Knight with Janney Montgomery.

Paul Richard Knight *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

Chris, congratulations on the top line. Can you talk about the DNA side of the business, the genomics side of the business? Specifically, how is the BioMark HD performing in the quarter, if you could dig through that a little bit?

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

No problem, Paul. Thanks. So I'd just comment a little bit. On the BioMark itself, it's true that the mix of the two, we've had more challenges and headwinds in a single-cell space, and BioMark has been a stronger line item for us. And BioMark, though, is in our prepared comments, I think we gave some color that it's really a mix of -- over the course of the year, we're up in single -- high single digits for performance across the whole business in the hydro -- consumables space. In the quarter, we were down, and it's a mix of really 3 storylines, I think Vikram kind of walked you through it at kind of a high level. And largely, as we relatively concentrated customer base, we've been expanding broadening our customer base through new partnerships, such as the partnerships with Ascendas Genomics. And launching new content to expand utilization and to drive new purchases of the system, and that's taking some time to diversify our customer base. Meanwhile, we're therefore a little more vulnerable to the swings of various customers, especially in the larger more concentrated customer segments. And so I think it came down -- it appears to have come down to a combination of inventory burn down by a couple of accounts, the timing of those orders. And the second part was related to some maybe perhaps some changes in a subsection of the customers and their competitiveness in their particular markets, maybe temporal, I'm not sure. We have some information about that as we've been drilling down in the fourth quarter and billing our internal forecasts for the fourth quarter. And then there are some small accounts that we appear to have lost in the time period. And we've offset that. And for instance, in China, that we've had an incredible number of new accounts added this past year. And so we are broadening our customer base, but the full consumption and pull-through isn't at the same level as some of the business that was leaving. So we'll see over the next few quarters if our overall long-term strategy can -- if this is just a blip on the radar screen or something a little more of a significant trend, but right now, I don't see a major source of concern or -- we're very adamant about the focus on our strategy. On the BioMark, and we have a number of customers that are really having lights out, great growth. So it's just a mix right now.

Paul Richard Knight *Janney Montgomery Scott LLC, Research Division - MD, Head of Healthcare Research & Senior Equity Research Analyst*

Okay. And then on the consumable growth of 3% in the quarter, I know some of it's related to the genomics part of the business but mass cytometry does and will burn a lot of consumables. Are you seeing a pickup on the mass cytometry consumable rate in the quarter and in the business?

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

That's absolutely, true. It's really kind of a tale of 2 cities, and mass cytometry has been really spectacular. I believe we'll see how the adjustment comes. We'll give new guidance in the next quarter with our annual updates with regards to pull-through ranges to expect for the system. But I believe that this trend is going to continue to occur, and we're seeing a lot more headroom in terms of pull-through on the mass cytometry systems, and we're much less sensitive to the mix between imaging and suspension than we perhaps modeled earlier on at the beginning of the year. So I think that bodes well for the long-term consumption dynamics. We obviously don't break those out at this exact moment right now, but we both have seen good sequential growth and fantastic year-over-year growth in that category.

Operator

(Operator Instructions) And I'm not showing any further questions at this time. I would now like to turn the call back over to Agnes Lee for closing remarks.



Agnes Lee Fluidigm Corporation - VP of IR

Great. Thank you, Ashley. We like to thank you, everyone, for attending our call today. 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 fourth quarter of 2018. Please reach out if you have further questions. Good afternoon, everyone. Ashley, you can close the call now.

Operator

Thank you. Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, and you may all disconnect. Everyone, have a wonderful day.

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