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PRESENTATION

Operator

Thank you for standing by, and welcome to the Fluidigm Third Quarter 2020 Financial Results Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Ms. Agnes Lee. Thank you. Please go ahead.

Agnes Lee - *Fluidigm Corporation - VP of IR*

Thank you, Rosanne. Good afternoon, everyone. Welcome to Fluidigm's Third Quarter 2020 Earnings Conference Call.

At the close of the market today, Fluidigm released its financial results for the quarter ended September 30, 2020. During this call, we will review our results and provide commentary on our financial and operational performance, market trends, strategic initiatives and our response to the COVID-19 pandemic. Presenting for Fluidigm today will be Chris Linthwaite, our President and CEO; and Vikram Jog, our CFO.

During the call and subsequent Q&A session, we will make forward-looking statements about events and circumstances that have not yet occurred, including plans and projections for our business, future financial results and market trends and opportunities. Examples include statements about expected financial performance, the anticipated positive impact of various strategic and operational initiatives, market and revenue growth, technology and research trends, product development plans, prospects for our products and technologies, potential customers and collaborators and trends in competition, markets, research funding and customer demand.

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, 2019 as well as 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 obligation to update these forward-looking statements, except as may be required by law.

During the call, we will also present some financial information on a non-GAAP basis. Non-GAAP information is not prepared under a comprehensive set of accounting rules and should only be used to supplement an understanding of the company's operating results as reported under U.S. GAAP. We encourage you to carefully consider our results under GAAP as well as our supplemental non-GAAP information and the reconciliation between these presentations. Reconciliations between GAAP and non-GAAP operating results are presented in the table accompanying our earnings release, which can be found in the 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, and good afternoon. The ongoing global pandemic has impacted every facet of our business and has driven a need for speed as well as crisp execution. Our disciplined operations, our relentless focus on employees' safety, addressing urgent COVID market needs through innovation and a focused capital deployment plan has delivered results. I am proud of the entire Fluidigm team for rising to the occasion in a manner reflective of our shared values, including a commitment and a passion to serve the community in this crisis.

We are humbled to be playing a role in both virus detection and decoding the complex immune system response to the pathogen, which will be critical to the next phase of pandemic response. The unfortunate events of 2020 have further validated our strategic vision and suggest we can play an increasingly meaningful role in health care in the years ahead across many fronts.

In 90 days, in a historically challenging operating environment, we accomplished goals normally tackled over a span of a year or more. We received the first FDA emergency use authorization for a kitted extraction-free saliva-based PCR test for detecting SARS-CoV-2, combining best-in-class throughput with minimal sample input.

We powered groundbreaking multi-site and large single-site clinical trials and studies, bringing the number of new trials year-to-date to 25, including 3 on our imaging platform for a total of 113 trials ongoing or complete. We secured a $34 million contract in the first class of the NIH RADx awardee group earmarked for COVID-19 test manufacturing scale-up and new product development. We delivered almost 800,000 tests in the quarter, with the majority of the tests linked to the authorized kit released in late August.

We placed 31 Biomarks in the quarter with a total of 43 Biomark systems enabled for diagnostics year-to-date. These new accounts or customers are broadening our install base into clinical labs poised to ramp production in coming quarters.

We established partnerships with multiple CROs as well as a leading health IT provider, Healthvana, a mobile platform for integrating data from labs and delivering results to patients to better serve COVID testing market segment needs. Healthvana has helped more than 3 million patients receive test results since April.

We announced an innovative Campus Safeguard Program, showcasing our opportunity to play a major role in helping to keep students and staff safe in higher education, navigating the global health crisis. We believe this program is increasing brand awareness of the Fluidigm solution to multiple stakeholders.

Vikram will address key financial details and break down the quarter in a few minutes, but I'd like to add a few more -- a little bit more color on these accomplishments and their implications for the future.

Since I became CEO 4 years ago, my mandate has been to shift from being a general-purpose research tools, product push company towards a more end customer, market-oriented solutions provider. We have great technology, a resilient, nimble and determined culture. And steadily, over the last few years, we have been shifting from quarterly instrument placements in academia towards recurring revenue streams in translational and clinical research settings as well as commercial molecular testing labs.

We are entering larger markets and adding new high-value customers who conduct cutting-edge research with an intent to move these insights into broad deployment. New partnerships are also critical to our success, and they are reflected in our announcements over the last 12 months. We expect to provide more of these kinds of announcements in the future as we execute on this strategy.

In the last 2 years, we aligned around an investment thesis that understanding the immunome, a scientific area with huge impact on health care that requires insights into single cells, bulk cells and tissue was the future. We built robust solutions that hold the promise to create new standards for health care management across many diseases.

With this pandemic, we are seeing those solutions actively being used to drive a deeper understanding of COVID-19 patient immune profiling. The SARS-CoV-2 pathogen and accompanying health care crisis illustrates the importance and the value of the strategic pivot. Early and accurate detection of the virus is critical to containment and the efficient deployment of health care assets, such as hospital beds, clinics and personnel.

Our Biomark solution combines the flexibility to detect the virus, add new data points or pathogen strains to our platform and upscale or downscale throughput based on the operational environmental needs. This flexibility provides critical decision-making information that covers multiple market segments, including markets beyond diagnostics.

Our innovation work is not done, and we have an exciting array of new products in development, including bar-coded assays that increase testing throughput, new chips to improve workflows and expanded test menu as well as a next-generation Biomark system earmarked for release around midyear 2021. These products will extend our technology leadership and research in regulated markets while providing a platform for additional partnerships as we expand our diagnostics market presence in the future.

I will share more details in the months ahead as well as commentary on how we envision the current COVID testing market might evolve in the coming years. From our perspective, COVID testing demand will be robust in 2021, the competitive landscape will be dynamic, and the nimble and focused and execution-oriented companies will flourish.

On the COVID research front, our mass cytometry suspension and imaging platforms have had a significant impact. Our Maxpar Direct Immune Profiling Assay released last year, a 37-marker panel with a customized analytical package for measuring immune response, has provided a standard method for assessing immune system response in infected populations. The suspension platform could be impactful for second stage vaccine development programs and novel therapeutic intervention studies.

Our imaging platform is providing insights on immune response and tissue damage triggered by COVID infection. And our Therapeutic Insights Service has executed 20 studies, including several oriented on COVID-related research. We have more innovation in our mass cytometry business on the horizon.

In areas beyond COVID-19, our previously announced large OEM collaboration continues to progress well, and we anticipate a product launch next year. We added an additional undisclosed partnership in Q3, and we have more discussions underway with prospects.

Compared to Q2, we saw improvements in our core business with notable upticks in service calls, system installations, and general consumables orders, although most labs are not operating at historical levels.

We also saw great results from our shift to digital marketing channels, including an extremely successful 9th Annual Mass Cytometry Summit with 700 live participants, including 50% of the registrants who are new contacts. The Mass Cytometry Summit has become a showcase Fluidigm asset that our competitors are trying to emulate. In Q3 alone, our digital events attracted 1,800 self-identified prospects for the sales organization to nurture. These numbers reflect a return to historic trend lines as we shift from in-person events to digital events.

Clearly, we are optimistic about our future. However, in the near term, with the emergence of significant new outbreaks and associated regional lockdowns, it is hard to predict performance in Q3 or Q4, let alone 2021.

Our shift in diagnostics is new, and we are starting from a modest footprint, with a number of our customers not yet in full production mode. So we are cautious about predicting the ramp-up in testing volume. However, we remain very confident in our long-term prospects, with the shape of our growth depending on a mix of factors, including future research spending and an expansion of our diagnostic space.

Turning to a discussion of longer-term strategy. In the background, while we are executing on the COVID testing opportunity, we have been updating our long-term planning to incorporate the opportunities that have surfaced with this pandemic and the new assets we have built, including new customer relationships, new tools and a significant expansion of manufacturing capacity. We believe that we have access to a durable diagnostics business powered by microfluidics.

In addition, we're well positioned in our suspension and imaging mass cytometry franchises for double-digit growth in translational, clinical research and pathology markets. Across the company, we are executing on a pipeline of innovative new products, including content, workflows and instruments, strengthened by partnerships. I feel the company is on stronger footing to drive sustained future growth.

Now I'd like to transition to Vikram for a detailed discussion of our operating results.

Vikram Jog - *Fluidigm Corporation - CFO*

Thanks, Chris, and good afternoon. Total revenue was $39.9 million in Q3 2020, 50% growth compared to Q3 2019. Changes in foreign exchange rates had minimal impact on revenues. Product and service revenue of $35.3 million grew 34% compared to Q3 2019. I'm pleased to note that Q3 2020 revenue was the highest quarterly revenue ever recorded by Fluidigm.

With the grant of the EUA for our SARS-CoV-2 test on August 25, 2020, we saw COVID-19 tailwinds accelerate in the quarter, contributing $11 million of quarterly revenues, with over 90% of that revenue from diagnostic tests driving growth in our microfluidics business.

In the third quarter, we saw strong sequential growth in both mass cytometry and microfluidics revenue from our base business as customer labs gradually reopened. At the end of the second quarter, we had estimated approximately 30% to 40% of our global academic research community was either closed or working at a slower pace.

As we entered the latter part of Q3, most of our customers had reopened and we exited September with an estimated 10% of our global academic research community still closed or working at a slower pace. Given the recent resurgence of infections in both Europe and the United States and announced lockdowns in Europe, we are carefully watching the pace at which this reopening continues.

Both our mass cytometry and microfluidics-based business continued to experience headwinds from the pandemic in the third quarter, although these headwinds were considerably diminished compared to the second quarter.

With that context, I will move into the details of our third quarter financial performance. Mass cytometry product and service revenue of $15.1 million in the third quarter decreased 3% year-over-year, mainly due to lower instrument revenues offset by higher consumables revenue. We continue to experience the effects of lab closures from the first half of 2020 in the form of delays in orders and constrained instrument sales. In addition, we are facing budget and funding constraints, with some budgets being prioritized for COVID-19 activities.

Consumable sales increased year-over-year and sequentially, primarily due to another record sales quarter for our Maxpar Direct Immune Profiling Assay related to COVID-19 immune profiling studies. We are also seeing customers gradually returning to their pre-pandemic consumables ordering patterns, which could offset the completion of some of the large COVID-19 profiling studies. However, this is dependent on whether labs continue to operate at normal levels throughout the winter.

Microfluidics product and service revenue of $20.2 million increased 88% year-over-year, driven by COVID-19 testing revenue from both instruments and consumables. As Chris has mentioned, with our EUA, we saw strong instrument placements in Q3. We sold 31 Biomarks in the quarter and now have 43 total systems enabled for COVID-19 testing.

Many of these placements were with new customers requiring additional time to set up and validate our instruments in their labs. We are actively working with these customers to ramp their validation programs, and we estimate that, on average, customers take 4 to 6 weeks before they achieve production level testing.

At the end of the third quarter, approximately 20% of enabled systems were being used for patient testing. During the third quarter, we sold 795,000 tests at per test prices ranging from $5 to $20. Most of these test sales were for our EUA assay. ASP in the quarter was on the low end of the range, largely driven by 2 orders from universities, including a historically large order related to our Campus Safeguard Program.

Turning now to a regional perspective and the main drivers for the Q3 2020 performance compared to the prior year period. Americas revenue grew 113% to $23.7 million, including $4.5 million of development grant and license revenue. Product and service revenue increased 75% to $19.1 million, driven by higher microfluidics revenue related to COVID-19 testing, offset by lower mass cytometry instrument revenue. The majority of our COVID-19 microfluidics sales this quarter were in the U.S.

Asia Pacific revenue increased 17% to $7.4 million, driven by higher microfluidics and mass cytometry instrument revenues.

EMEA revenues declined by 3% to $8.8 million, driven by lower mass cytometry instrument revenue, offset by microfluidics. Microfluidics revenue was driven by COVID-19 instrument and consumable sales, offsetting a slowdown in research and non-COVID project spending.

To round up my commentary on the regions, in the third quarter, foreign exchange rates had a 3% positive impact on EMEA revenues. As I noted earlier, we reported development grant and license revenue of $4.5 million in Q3. This included $3.2 million of development revenue associated with an OEM supply and development agreement with a customer and $1.3 million of revenue related to a research and development grant agreement.

Moving now to operating performance. Product and service margin was 58.9% in the third quarter of 2020 compared to 52.6% in the year-ago period and 52.5% in the second quarter of 2020. GAAP product and service margin on a year-over-year basis was higher primarily due to sales of COVID-19 diagnostic consumables and lower inventory reserves. The increase was partially offset by a higher mix of microfluidics instruments as well as lower prices and lower production volumes for mass cytometry instruments.

Sequentially, gross margins were higher due to sales of COVID-19 diagnostics consumables, partially offset by a higher mix of microfluidics instruments. GAAP margin, both sequentially and year-over-year, was positively impacted by fixed amortization expenses over higher revenue.

Non-GAAP product and service margin was 68.3% in the third quarter of 2020 compared to 65.2% in the year-ago period and 67.1% in the second quarter of 2020. The year-over-year increase in non-GAAP product and service margin was due to the same factors that drove the improvement in GAAP margin with the exception of fixed amortization expenses over higher revenue.

Operating expenses on a GAAP basis in the 2020 third quarter increased by 11% year-over-year to $30.8 million. Operating expenses on a non-GAAP basis of $25.8 million increased by 7% compared to the year-ago period. The increase in GAAP operating expenses was primarily due to increased facilities costs, compensation expenses, R&D costs and higher litigation expenses. These increases were partially offset by lower expenses for travel, trade shows and severance and pandemic-related foreign government subsidies. The increase in non-GAAP operating expenses resulted from the same drivers with the exception of stock-based compensation expense.

GAAP operating loss for the 2020 third quarter was $5.5 million compared to $13.8 million for the same period last year. The year-over-year decrease in GAAP operating loss was primarily due to higher product and service revenue and the margin impact of other revenue in the third quarter of 2020, partially offset by higher operating expenses.

The non-GAAP operating income for the third quarter was $2.9 million compared to an operating loss of $6.8 million for the year-ago period. Please note that the reconciliation tables between our GAAP and non-GAAP measures are provided at the end of our earnings press release that was issued earlier today.

Moving on now to cash flow and the balance sheet. Cash and cash equivalents, short-term investments and restricted cash at the end of the third quarter of 2020 totaled $73.4 million compared to $46.5 million at the end of the second quarter of 2020, reflecting a net increase of $26.9 million. Cash flow in the third quarter of 2020 included $20.1 million of net proceeds from sales of common stock under an at-the-market equity offering program and about $10 million of unspent milestone payments under our NIH RADx contract. Excluding these items, cash burn was $3.5 million in the third quarter.

Accounts receivable days sales outstanding increased to 40 days at the end of the third quarter compared to 34 days at the end of the second quarter. And at quarter end, the borrowing base under our asset-based revolving credit facility was $15 million, none of which was utilized.

We have withdrawn our annual guidance in light of the uncertainty surrounding the ongoing and evolving COVID-19 pandemic. We expect to update our outlook at such time as the effects of the pandemic on our business become clearer.

To help guide investors on revenue, we can provide a little color on our thinking as of today. We saw growth in overall bookings and revenue in October 2020 compared to the prior year, primarily attributable to COVID-19-related opportunities for microfluidics products. Excluding these opportunities, our base business in both mass cytometry and microfluidics continued to experience headwinds from the pandemic in October, although these headwinds are continuing to diminish.

As Chris mentioned in his remarks, we believe we have a large market opportunity for COVID-19 testing, and we saw strong placement of microfluidics instruments and consumable sales in the third quarter. Ramp-up time for new customers is significant, and we expect to see the benefits of these installs in the quarters ahead.

The trend of re-openings that we saw at the end of the second quarter continued into the third quarter. More recently, however, we are seeing new lockdowns in Europe and an increase in infection rates in the U.S., creating some uncertainty around our customers' operations and travel across our EMEA and Asia-Pacific regions.

As customers return to work, we expect a pick up in orders followed in subsequent periods by revenue increases. However, the timing of this recovery remains uncertain. We continue to expect that due to the length of the selling cycle, some non-COVID instrument purchases in our base business that were expected to have been made in 2020 would move to 2021. We do not expect to catch up the lost consumables business.

Absent additional waves of infection and the return of more severe lockdowns, 2021 should be a stronger year as our customers come back to a more normal state with their current projects and as our diagnostics base expands. Of course, our outlook and all of these expectations depend on the outcome of many factors, including the timing and pace of our customers' return to work, impact of additional waves of infection, as well as any changes in national priorities or slowdown in activities after the U.S. elections.

And with that, I will turn the call back to Chris for closing remarks.

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

Thank you, Vikram. This pandemic has tested us all personally and professionally. Our hearts go out to all people around the world who have been impacted by this virus. In the midst of all of this, we are proud to be able to harness Fluidigm's technologies and products to enable more testing and better understand this virus through immune profiling studies. We have built new relationships with government agencies, public health officials and scientific leaders who may lead the preparation for future pathogen outbreaks, and we trust that our track record of execution during this crisis will ensure we are integrated into their planning.

Additionally, we believe that data management and interpretation, digital integration of instruments and delivery of important information to the right place in a timely manner are critical to meeting future market needs. We have added a chief digital officer to our leadership team to coordinate and drive our digital vision. Puneet Suri, a veteran leader and innovator with more than 20 years of experience guiding digital innovation at Thermo Fisher Scientific and Bio-Rad, has joined our team, and I'm excited about sharing our progress in this new dimension in the years to come.

I offer 5 takeaways from this Q3 call. First, we are executing on the COVID strategy we outlined over the last 2 quarters, new nondilutive funding for innovation and capacity expansion, emergency use authorization for a COVID-19 test, new system placements and incremental sales of tests, impactful new clinical studies powered by mass cytometry technology.

Second, we are growing through our COVID-19 testing business and some of the headwinds in our core business are diminishing, but there is significant uncertainty against the backdrop of escalating cases worldwide.

Third, our conviction around the shape of COVID testing demand is incrementally bullish and provides an attractive, large and growing market. We see robust demand for testing in 2021 and new market segments will emerge with differing needs. Fluidigm is well positioned to be a meaningful market participant in this expansion phase.

Fourth, new products are on the horizon that will strengthen our innovation portfolio and overall competitiveness, fueling future growth.

And fifth, we are committed to partnerships to expand our reach, our capabilities and our disruptive approach to traditional paradigms.

In closing, we are grateful for the incredible determination and tireless efforts of global researchers, health care workers, public health organizations, private sector life science employees and government agencies who are working together for the common good. As always, I thank our almost 600 employees for their contributions this past quarter. I'm proud of how the team has executed on our COVID-19 goals in diagnostics and immune profiling as well as the foundation they are providing for future growth.

With that, I'll open up the line for questions.

QUESTIONS AND ANSWERS

Operator

Our first question comes from the line of Dan Brennan from UBS.

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

So Chris and Vikram, obvious question is, while visibility is maybe low just given all the fluctuations with COVID, it would be helpful just to give us some insight on how to think about the trajectory from here. So any color you can provide first starting on the COVID side? 43 box placements, pretty significant. Obviously, good support with volume. So just directionally versus what you did this quarter, could you just help us think about directionally what that could mean in Q4? And if you could comment on beyond that?

And then, b, when we think about the revenue pull-through, it sounds like 800-or-so thousand tests, the revenue is at the lower end. But what is the business model for the customers who are adopting? How much of it is replacing the box, they're buying the box? Or is it all kind of wrapped up in some minimum consumables? So if you can discuss a little bit of the economics that you're engaging with these customers and what visibility that gives you?

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

I'd like to get a lot of bang for your buck there, Dan, on questions. So I'll start, and then I'll probably ask Vikram to add in. So I'm going to kind of paraphrase, some of it and you may need to redirect.

I think on the shape -- we'll talk about the COVID portion of the business first. We shared some content in here about -- obviously, we're very pleased with the number of new placements. I think that goes right at one of the key questions people had about could we -- how would we expand our footprint into high complexity labs, given that we had relatively limited footprint in that market when the COVID outbreak first began.

And I think we can have good facts here to show that we're getting good traction. Of that segment that we placed about 20% or so into full production and we can give -- we gave a little bit of color on that, and we can attempt to give the best color we can at this stage. It really varies on the business model. I mean for that segment, the majority of them are in the contract testing business. And so it depends on which segments of the market they're going after, how they're bidding for contracts, the logistics for the collection of those and how the -- and then we're playing a supporting role in that context.

And then -- so that's also the -- whether or not they're committing to automation. So that's another variable that sits in the background. If they have existing automation solutions, or if they're installing automation solutions to take full access or full leverage out of our incredible throughput on our platform. So that's the sort of dimensions that are impacting the ramp.

I think you can look at it saying there's -- we had a good, really strong placement cycle in the third quarter, which built on initial momentum in Q2. And so we can only kind of speculate on the pace of the ramp for them. I can say that it's not a limitation of tests availability on our side, it's much more dependent upon their own business models and their own unique business situations. And we're working actively with them. We have automation specialists we've added to our team to work with them on areas for ramping up their own business.

In addition, we're also working on the end-customer market and so creating awareness about Fluidigm saliva-based PCR testing, our availability, and putting additional proof points that draw -- that create the demand draw for them or pull on their business models. So we're really trying to work together with those CROs.

The second segment would be more heavily -- we have a number of big wins in the period which Vikram placed some color on, which talks about the academic segment. And so in that case, we've had some quite large accounts that are now just beginning, that a couple of them have already ramped and at least one is still to ramp, but they represented some of the largest orders in our history. And those represent kind of -- in each situation, and many of those represent multi-quarter commitments and volume commitments. So we are building an order book for delivery in the future.

So that's a little bit around the placement model so far and some -- maybe some additional color on the things that are impacting the ramp-up on actual testing volume. And of course, we anticipate placing a significant number of instruments in the fourth quarter and beyond as we continue to drive the business.

Maybe I'll ask Vikram to add any additional color on the COVID testing profile and then also maybe to comment on the non-COVID business since that was in his comments.

Vikram Jog - *Fluidigm Corporation - CFO*

Yes. No, sorry. Chris, I think you've been very comprehensive. I don't have anything to add on the COVID part of the question. With your question related to the non-COVID, as we mentioned today, that's still experiencing headwinds due to the pandemic. But as we've gone from quarter-to-quarter in '20, we see those headwinds diminishing quite considerably. For example, between Q2 and Q3, we saw a considerable diminishing of the headwinds for the base business.

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

Okay. I have maybe one more on the base, and then I can ask one more on COVID and I'll get back in the queue. Just on the base business, what kind of backlog are you carrying today? I mean it's always a question, Chris, that you get. Obviously, the visibility and given the inability on sort of to place instruments right now with still labs opening up, just wondering about what the funnel looks like on mass cytometry today and what that portends maybe for Q4?

Vikram Jog - *Fluidigm Corporation - CFO*

Chris, I think you are on mute?

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

I would have welcomed you to jump in if you'd like, then Vikram. On backlog on instruments, I don't think we've been providing color on backlog for some time, so I can't give you specific numbers on backlog of instruments, but we anticipate placing -- both there's some installs that will -- that are from sales in Q3 that will get fully installed in Q4, go into production in Q4 plus additional placements in the period.

But we have -- we're very comfortable with where the pipeline is right now. In fact, that's one of the areas that we put a lot of focus on. After the Q2 time period, in particular, that was an area where there was the complete shelter in place, and we had to really transition the traditional events and pipeline development activities to digital channels.

And that was why I tried to place a little bit additional color on the strength of our digital platforms. And in Q3 and really started on the back of Q2, we began to see a really palpable uptick in the pipeline again and really tying to prospects for both the balance of the year as well as into 2021 and '22, that is much more along the historic trend line, which has supported strong 20%-ish growth in the mass cytometry portfolio or franchise over the last few years.

So I think we're overall encouraged with the shape of the recovery as it's -- but there are a lot of factors, as Vikram highlighted, in the near term that could have some impact just on the calendarization or timing of those transactions, depending on people's availability of budgets or if the facilities are shut down, if there's any changes in their near-term purchasing behaviors. But we certainly see strong and robust interest in our technologies, both the imaging platforms as well as the suspension side.

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

Maybe last one. In terms of your existing capacity on COVID, can you just remind us what's your ability to deliver both tests and boxes from here? And then just kind of one more follow-up, too, on -- could you at least share with us, it sounds like there are some minimum guarantees, so not really -- it doesn't sound like you want to kind of give us any sense about where this could go right now. But is there a certain minimum guarantees locked in for fourth quarter that you could give us a sense of what the floor would be on a COVID testing basis?

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

Yes. I certainly appreciate the question. I don't think we'll provide any additional color on the floors, but there are delivery schedules in the fourth quarter for the customers -- from many of the customers that we have contracts with. The test capacity for COVID is something that we're really quite proud of. Actually, we've stepped up our manufacturing capacity to 6 million tests for production capability in the fourth quarter, and we're anticipating a further expansion of that manufacturing capacity tied to the deployment of the NIH RADx dollars in the first quarter of next year.

So there's -- we're really pleased with how we're setting up from an inventory position and our capabilities to produce and that's part of why the Campus Safeguard Program was one of the promotional campaigns that we ran to create awareness that we had additional capacity and we're some of the early first movers into the market, they're extremely supply chain constrained. And we wanted to signal very clearly that we had additional capacity that people should consider adopting Fluidigm technology in deploying against the COVID question.

On the box side, we don't anticipate any near-term constraints on the boxes for the fourth quarter time period.

Operator

Our next question comes from the line of Steven Mah from Piper Sandler.

Steven Mah - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

So yes, just maybe to add on to Dan's questions on COVID-19 opportunity. So the 31 Biomarks placed into clinical labs, yes, that's very impressive. Can you give us a sense for the sales cycle into the clinical labs? How long it takes? And thank you for the color on the 4 to 6 weeks to get them up to speed. And then maybe also comment on the funnel size and maybe the types of potential opportunities, whether they be more universities or are they small to medium reference labs?

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

Sure, Steve. I'll do what we can here. So your -- the sales cycle on placements has been incredibly variable. We've had opportunities that have come into the funnel and closed within days and weeks. So much shorter timelines than we were used to historically. In this business, another additional dimension is expansion of capacity or redundancy that they want to put into the labs that represents incremental placement opportunities, which also have a relatively short close cycle.

The range of opportunities in the funnel is quite dramatic. So it's -- we have very, very large order potential. Most of the -- many of them are in industrial. So we have a heavy bias towards industrial opportunities, I'd say, at the moment versus the academic segment. I think the academic segment has kind of struggled for finding what's the kind of -- there's a lot of factors that are influencing the academic segment adoption. And the industrial side has been much more robust.

And we're also seeing the emergence of more direct-to-consumer and other types of models that are -- and you're even seeing return to work, and you're seeing new additional market segments starting to come online as people are adapting around the new normal, I believe, which will feed an incremental expansion in testing demand entering into the 2021 cycle.

So you have small and medium-sized labs that are moving in. We're seeing expansion opportunities in larger labs. We are seeing more academic opportunities on the back end of the Campus Safeguard Program. We had tremendous -- that was the first time we've tried a program like that, and we had very, very strong awareness or a very, very strong inbound interest. It may be one of the strongest promotional campaigns we've ever run for lead generation. So I have to say it's across the board.

That's why it makes it really hard to make a strong call for this quarter. And we're just trying to be tempered in our enthusiasm. There's plenty of opportunity. What we have to do is to focus. And so we're not -- we're trying to focus on the highest value opportunities, the more strategic opportunities. And then the opportunity to expand capacity and obviously drive volume into our existing partners is a really strong near-term catalyst for us.

Steven Mah - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

Okay, got it. Yes. That's helpful. And on about 800,000 tests that -- in the quarter. Could you give us a sense of the breakdown of industrial customers versus academic? Sounds looks like it's a little more industrial, but...

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

Vikram, do you want to take that?

Vikram Jog - *Fluidigm Corporation - CFO*

Yes. Steve, I had made in my remarks, described the ASP for the quarter. I think that gave you an indication that this quarter we had a large concentration from a -- just an overall revenue perspective from university sales, particularly 2 large orders from universities, including a historically large order under our Campus Safeguard Program. So we do have a big mix, but the -- from a quantitative standpoint, this was a focus more on the university segment in this quarter.

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

I was just going to say, Steve, I think about this quarter as being a heavier instrument placement cycle in the industrial segment and a larger mix of testing sales into the academic segment as reflected by those large orders.

Steven Mah - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

Okay. Got it. And maybe a little bit on the testing ASP spread. You mentioned it's between $5 and $20. Is that ASP spread primarily volume driven? And if you can give us a sense of the margins on the test.

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

Vikram, why don't you take that one since you had some color on that in your segment?

Vikram Jog - *Fluidigm Corporation - CFO*

Yes, I think it's a combination of volume drivers and the types of customers, I would say, at a very high level. And then between that, there are nuances, whether we are selling to the more commercial labs that will get reimbursed versus other segments, including the segment that Chris talked about that are still emerging that do not get reimbursed.

We have an extremely good value proposition here. And as you could see from our gross margin performance, despite the fact that this quarter our ASP was weighted towards the low end of the range, we had improvement in our gross margin. So we are quite comfortable with our ability to drive margins as the business expands into more commercial sectors.

Steven Mah - *Piper Sandler & Co., Research Division - Director & Senior Research Analyst*

Okay. Yes. No, that's great color. And then my last question, I'll hop back into the queue. Chris, you mentioned in 1Q, there's going to be -- I think you said there's going to be a capacity expansion of the Biomark, a second-generation Biomark. Is that related to the RADx-funded bar-coding initiative? And if it is or maybe if it's not, could you then give us some color on where that RADx bar-coding initiative is at?

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

Steve, thanks for the question also. So actually, it's 2 separate things that kind of got co-mingled there. So first, I talked about a next-generation Biomark platform, which we're super excited to start sharing the details about. That's anticipated to come out after Q1. So I said first half of the year. So we'll talk about midpoint of the year for the new next generation system.

The second part was around capacity expansion on testing. So our absolute manufacturing capacity of the chips and the related kits that is directly linked to the RADx investment, of which we've been on a capacity expansion journey that started in the Q3 time period. We saw a step-up in capacity as we entered Q3, and we'll execute for with more capacity and continue to add more incremental capacity in first quarter of next year.

Operator

I see no further questions at this time. I would like to turn it back over to Agnes Lee for closing remarks.

Agnes Lee - *Fluidigm Corporation - VP of IR*

We'd like to thank 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, and we look forward to the next update following the close of the fourth quarter 2020. Please reach out to us if there are further questions. Good afternoon, everyone. Rosanne, you may now close the call. Thank you.