



## Fulgent Genetics Reports Third Quarter 2019 Financial Results

November 4, 2019

Third Quarter 2019 Results:

- Record billable tests of 20,697, growing 272% year over year
- Record revenue of \$10.3 million, growing 84% year over year
- Gross Margin improves 8.9 percentage points year over year and 5.4 percentage points sequentially; cost per test improves 60% year over year and 15% sequentially
- Posts profit; GAAP income of \$1.5 million, or \$0.08 per share
- Non-GAAP income of \$2.6 million, or \$0.14 per share
- Cash flow from operations of positive \$3.9 million
- Adjusted EBITDA of \$3.0 million

TEMPLE CITY, Calif., Nov. 04, 2019 (GLOBE NEWSWIRE) -- Fulgent Genetics (NASDAQ: FLGT) ("Fulgent Genetics" or the "company"), a provider of comprehensive genetic testing and Next Generation Sequencing (NGS) solutions, today announced financial results for its third quarter ended September 30, 2019.

Third quarter revenue was \$10.3 million, an increase of 84% year over year from \$5.6 million in the third quarter of 2018. GAAP income for the third quarter of 2019 was \$1.5 million, or \$0.08 per share, and non-GAAP income was \$2.6 million, or \$0.14 per share.

Adjusted EBITDA was \$3.0 million in the third quarter of 2019, an increase of 950% year over year from \$281,000 in the third quarter of 2018.

Non-GAAP income (loss) and adjusted EBITDA are described below under "Note Regarding Non-GAAP Financial Measures" and are reconciled to the most directly comparable GAAP financial measure, GAAP income (loss), in the accompanying tables.

Ming Hsieh, Chairman and Chief Executive Officer, said, "We continued to build on our momentum in the third quarter and once again posted very strong results. Revenue and billable test volume reached new record highs in the third quarter, while cost per test continued to improve. Our strong top line results have been driven by the growing traction with our oncology and reproductive health businesses, as well as our sequencing-as-service offering. Our established strategic investments and partnerships are contributing to our ongoing momentum, and we have been successful in meeting the growing demand from our new commercial genomic customers. We believe our superior test capabilities, extensive and flexible test menu, along with our competitive pricing will continue to drive strong growth across our business."

Paul Kim, Chief Financial Officer, said, "We once again achieved record results in the third quarter, exceeding our expectations for test volume, revenue and profit. At the same time, we have seen increasing efficiencies across our business which have resulted in ongoing improvements in gross and operating margins. These efficiencies coupled with our increasing scale resulted in meaningful EBITDA, net income and cash flow generation in the quarter. We expect to see continued progress as we close out the year."

Mr. Kim added, "We will provide a formal update on our guidance regarding certain financial measures during our investment community conference call to shortly follow the issuance of this press release."

### Conference Call Information

Fulgent Genetics will host a conference call for the investment community today at 4:30 PM ET (1:30 PM PT) to discuss its third quarter results. Press and industry analysts are invited to attend in listen-only mode.

The call can be accessed through a live audio webcast in the Investors section of the company's website, <http://ir.fulgentgenetics.com>, and through a live conference call by dialing (855) 321-9535 using the conference ID 8069749. An audio replay will be available in the Investors section of the company's website or by calling (855) 859-2056 using passcode 8069749 through November 11, 2019.

### Note Regarding Non-GAAP Financial Measures

Certain of the information set forth in this press release, including non-GAAP income (loss) and adjusted EBITDA, are non-GAAP

financial measures. Fulgent Genetics believes this information is useful to investors because it provides a basis for measuring the performance of Fulgent's business excluding certain income or expense items that management believes are not directly attributable to the company's core operating results. Fulgent Genetics defines non-GAAP income (loss) as income (loss) calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"), plus or minus provisions (benefits) for income taxes, plus equity-based compensation expenses, plus or minus equity income (loss) in investee, plus or minus the effect of a corporate tax rate, and plus or minus other charges or gains, as identified, that management believes are not representative of the company's core operations. Fulgent Genetics defines adjusted EBITDA as GAAP income (loss) plus or minus interest expense (income), plus or minus provisions (benefits) for income taxes, plus depreciation, plus equity-based compensation expenses, plus or minus equity income (loss) in investee, and plus or minus other charges or gains, as identified, that management believes are not representative of the company's core operations.

Fulgent Genetics may continue to incur expenses similar to the items added to or subtracted from GAAP income (loss) to calculate non-GAAP income (loss) and adjusted EBITDA; accordingly, the exclusion of these items in the presentation of these non-GAAP financial measures should not be construed as an implication that these items are unusual, infrequent or non-recurring. Management uses these non-GAAP financial measures along with the most directly comparable GAAP financial measure of income (loss) in evaluating the company's operating performance. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in conformity with GAAP, and non-GAAP financial measures as reported by Fulgent Genetics may not be comparable to similarly titled metrics reported by other companies.

### **About Fulgent Genetics**

Fulgent Genetics is a technology company with a focus on offering comprehensive genetic testing to provide physicians with clinically actionable diagnostic information they can use to improve the quality of patient care. The company has developed a proprietary technology platform that allows it to offer a broad and flexible test menu and continually expand and improve its proprietary genetic reference library, while maintaining accessible pricing, high accuracy and competitive turnaround times. The company believes its test menu offers more genes for testing than its competitors in today's market, which enables it to provide expansive options for test customization and clinically actionable results.

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements in this press release include statements about, among other things: anticipated growth of and increased stability in the company's business and performance, including its volume and expected volume growth of billable tests delivered, and evaluations and judgments regarding diversification, traction, momentum, partnerships and the company's recent performance; the success of the company's investments in its business; the timing, commercial success and impact on the company's results of new product launches and other initiatives; and the company's identification and evaluation of opportunities and its ability to capitalize on opportunities to grow its business.

Forward-looking statements are statements other than historical facts and relate to future events or circumstances or the company's future performance, and they are based on management's current assumptions, expectations and beliefs concerning future developments and their potential effect on the company's business. These forward-looking statements are subject to a number of risks and uncertainties, which may cause the forward-looking events and circumstances described in this press release to not occur, and actual results to differ materially and adversely from those described in or implied by the forward-looking statements. These risks and uncertainties include, among others: the market potential for, and the rate and degree of market adoption of, the company's tests and genetic testing generally; the company's ability to capture a sizable share of the developing market for genetic testing and compete successfully in this market, including its ability to continue to develop new tests that are attractive to its various customer markets and otherwise keep pace with rapidly changing technology; the company's ability to maintain the low internal costs of its business model, particularly as the company makes investments across its business; the company's ability to maintain an acceptable margin on sales of its tests, particularly in light of increasing competitive pressures and other factors that may continue to reduce the company's sale prices for and margins on its tests; risks related to volatility in the company's results, which can fluctuate significantly from period to period; risks associated with the composition of the company's customer base, which can fluctuate from period to period and can be comprised of a small number of customers that account for a significant portion of the company's revenue; the company's ability to grow and diversify its customer base and increase demand from existing and new customers; the company's investments in its infrastructure, including its sales organization and operational capabilities, and the extent to which these investments impact the company's business and performance and enable it to manage any growth it may experience in future periods; the company's level of success in obtaining coverage and adequate reimbursement and collectability levels from third-party payors for its tests; the company's level of success in establishing and obtaining the intended benefits from partnerships, joint ventures or other relationships; the company's compliance with the various evolving and complex laws and regulations applicable to its business and its industry; risks associated with the company's international operations; the company's ability to protect its proprietary technology platform; and general industry, economic, political and market conditions. As a result of these risks and uncertainties, forward-looking statements should not be relied on or viewed as predictions of future events.

The forward-looking statements made in this press release speak only as of the date of this press release, and the company assumes no obligation to update publicly any such forward-looking statements to reflect actual results or to changes in expectations, except as otherwise required by law.

The company's reports filed with the Securities and Exchange Commission, including its annual report on Form 10-K for the year

ended December 31, 2018 filed with the Securities and Exchange Commission on March 22, 2019 and the other reports it files from time to time, including subsequently filed quarterly and current reports, are made available on the company's website upon their filing with the Securities and Exchange Commission. These reports contain more information about the company, its business and the risks affecting its business, as well as its results of operations for the periods covered by the financial results included in this press release. In particular, you are encouraged to review the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2019 for any revisions or updates to the information in this release.

Investor Relations Contacts:  
The Blueshirt Group  
Nicole Borsje, 415-217-2633, [nborsje@blueshirtgroup.com](mailto:nborsje@blueshirtgroup.com)

**FULGENT GENETICS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET DATA**  
**September 30, 2019 and December 31, 2018**  
**(in thousands)**

	<b>September 30, 2019 (unaudited)</b>	<b>December 31, 2018</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 20,522	\$ 6,736
Investments in marketable securities	23,083	30,684
Accounts receivable, net	5,292	5,948
Property and equipment, net	6,396	6,446
Other assets	5,852	4,090
Total assets	<u>\$ 61,145</u>	<u>\$ 53,904</u>
<b>LIABILITIES &amp; EQUITY:</b>		
Accounts payable and accrued liabilities	\$ 6,619	\$ 2,752
Total stockholders' equity	54,526	51,152
Total liabilities & equity	<u>\$ 61,145</u>	<u>\$ 53,904</u>

**FULGENT GENETICS, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS DATA**  
**Three and Nine Months Ended September 30, 2019 and 2018**  
**(in thousands, except per share data)**  
**(unaudited)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenue	\$ 10,347	\$ 5,625	\$ 24,141	\$ 15,678
Cost of revenue (1)	3,885	2,612	10,473	7,928
Gross profit	6,462	3,013	13,668	7,750
Operating expenses:				
Research and development (1)	1,744	1,438	4,742	4,108
Selling and marketing (1)	1,687	1,115	4,263	3,524
General and administrative (1)	1,522	1,306	4,682	4,159
Total operating expenses	<u>4,953</u>	<u>3,859</u>	<u>13,687</u>	<u>11,791</u>
Operating income (loss)	1,509	(846)	(19)	(4,041)
Interest income and other income	189	143	588	336
Income (loss) before income taxes and equity loss in investee	<u>1,698</u>	<u>(703)</u>	<u>569</u>	<u>(3,705)</u>

Provision for (benefit from) income taxes	61	(318)	81	(852)
Income (loss) before equity loss in investee	1,637	(385)	488	(2,853)
Equity loss in investee	(175)	(210)	(603)	(701)
Net income (loss)	<u>\$ 1,462</u>	<u>\$ (595)</u>	<u>\$ (115)</u>	<u>\$ (3,554)</u>
Basic and diluted income (loss) per common share:				
Basic	\$ 0.08	\$ (0.03)	\$ (0.01)	\$ (0.20)
Diluted	\$ 0.08	\$ (0.03)	\$ (0.01)	\$ (0.20)
Weighted average common shares:				
Basic	18,501	18,012	18,358	17,931
Diluted	19,456	18,012	18,358	17,931

(1) Equity-based compensation expense was allocated as follows:

Cost of revenue	\$ 174	\$ 121	\$ 483	\$ 396
Research and development	279	214	690	517
Selling and marketing	332	115	643	336
General and administrative	166	138	455	457
Total equity-based compensation expense	<u>\$ 951</u>	<u>\$ 588</u>	<u>\$ 2,271</u>	<u>\$ 1,706</u>

#### FULGENT GENETICS, INC.

##### Non-GAAP Income (Loss) Reconciliation

Three and Nine Months Ended September 30, 2019 and 2018

(in thousands, except per share data)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net income (loss)	\$ 1,462	\$ (595)	\$ (115)	\$ (3,554)
Provision for (benefit from) income taxes	61	(318)	81	(852)
Equity-based compensation expense	951	588	2,271	1,706
Non-GAAP tax effect (1)	-	75	-	621
Equity loss in investee	175	210	603	701
Non-GAAP income (loss)	<u>\$ 2,649</u>	<u>\$ (40)</u>	<u>\$ 2,840</u>	<u>\$ (1,378)</u>
Basic and diluted income (loss) per common share:				
Basic	\$ 0.08	\$ (0.03)	\$ (0.01)	\$ (0.20)
Diluted	\$ 0.08	\$ (0.03)	\$ (0.01)	\$ (0.20)
Non-GAAP income (loss) per common share:				
Basic	\$ 0.14	\$ (0.00)	\$ 0.15	\$ (0.08)
Diluted	\$ 0.14	\$ (0.00)	\$ 0.15	\$ (0.08)
Weighted average common shares:				
Basic	18,501	18,012	18,358	\$ 17,931
Diluted	19,456	18,012	18,358	\$ 17,931

(1) Tax rates as follows:

Corporate tax rate of zero for the three and nine months ended September 30, 2019 due to full valuation allowance. Corporate tax rate of 23% for the three and nine months ended September 30, 2018.

**FULGENT GENETICS, INC.****Non-GAAP Adjusted EBITDA Reconciliation****Three and Nine Months Ended September 30, 2019 and 2018****(in thousands)**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net income (loss)	\$ 1,462	\$ (595)	\$ (115)	\$ (3,554)
Interest (income)	(202)	(151)	(619)	(410)
Provision for (benefit from) income taxes	61	(318)	81	(852)
Equity-based compensation expense	951	588	2,271	1,706
Depreciation	503	547	1,549	1,625
Equity loss in investee	175	210	603	701
Adjusted EBITDA	<u>\$ 2,950</u>	<u>\$ 281</u>	<u>\$ 3,770</u>	<u>\$ (784)</u>



Source: Fulgent Genetics, Inc.