

QIAGEN

Q4/2020

IR CONFERENCE CALL

TRANSCRIPT

February 10, 2021



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OPER: Ladies and gentlemen, thank you for standing by.

Welcome to our call to discuss results for the fourth quarter and full-year 2020. At this time, all participants are in a listen-only mode. Please be advised this call is being recorded and will be made available on QIAGEN's web site.

I'd like to introduce your host, John Gilardi, Vice President of Corporate Communications and Investor Relations at QIAGEN. Please go ahead.

JOHN GILARDI: Thank you, and welcome to our conference call.

The speakers today are Thierry Bernard, the CEO of QIAGEN, and Roland Sackers, the Chief Financial Officer. Also joining us is Phoebe Loh, Director of Investor relations.

Please note that this call is being webcast live and will be archived on the Investors section of our website at www.qiagen.com. A copy of the press release is also available in the same section.

(SLIDE 2: FORWARD LOOKING STATEMENTS - JOHN)

JOHN GILARDI: Before we begin, let me cover our Safe Harbor statement. The discussion and responses to your questions on this call reflect management's view as of today, February 10, 2021.

We will be making statements and providing responses to your questions that state our intentions, beliefs, expectations or predictions of the future. These constitute forward-looking statements for the purpose of the Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially from those projected. QIAGEN disclaims any intention or obligation to revise any forward-looking statements. For more information, please refer to our filings with the U.S. Securities and Exchange Commission, which are also available on our website.

We will also be referring to certain financial measures not prepared in accordance with generally accepted accounting principles. You can find a reconciliation of these figures to GAAP in the press release and the presentation for this call.

I will now turn the call over to Thierry.

(SLIDE 4: Q4 2020 SUMMARY – THIERRY)

THIERRY BERNARD: Thank you, John.

Let me begin by welcoming all of you to our conference call today. As a first remark, on behalf of the QIAGEN team and myself, I want to again wish you and your families and loved ones good health and all the best during these unprecedented times.

Without question, 2020 was a year of significant change and developments for all of us.

For QIAGEN, it significantly shifted the way we work, the demand for our products and the dynamics in the markets we serve.

Throughout the year, our teams continued to adapt and position QIAGEN to serve the rapidly-changing phases of the pandemic. They are doing an excellent job of managing our non-COVID business and positioning us for future growth.

I want to thank our employees for this tremendous performance. It is a humbling experience to be able to lead such a dedicated team.

Let me go through our key messages for today.

First, our teams exceeded the outlook for sales growth and adjusted EPS in the fourth quarter.

We continue to deliver on our commitments. Sales grew 36% at constant exchange rates to 571.2 million dollars, and this was well above the outlook set for at least 32% CER growth.

Adjusted earnings per share were 68 cents at constant exchange rates, and this was well above our outlook range for 64 to 65 cents CER.

The performance in the fourth quarter leads to our second key message: Our full-year sales results and adjusted EPS for 2020 also exceeded our outlook.

Sales of 1.87 billion dollars in 2020 represented 23% CER growth over 2019. This was above our outlook for a 22% CER increase.

Adjusted earnings per share were 2 dollars and 17 cents at constant exchange rates. This was also above the high end of our outlook by three cents.

Our third key message relates to the ongoing impact of the pandemic in the fourth quarter: We experienced dynamic growth for product groups used in COVID-19 testing while seeing further improvements in non-COVID areas.

The fourth quarter represented the strongest year-on-year growth in sales during 2020, and also a strong sequential improvement from the second and third quarters of the year. These results underpin once again that QIAGEN is COVID-19 relevant but not COVID-19 dependent.

We are actively managing our business, both sales and expenses, to navigate through the pandemic but also to make sure we are best positioned to continue our business expansion in the future and create long term shareholder value.

That is why we are putting a relentless focus on five pillars of growth – which we outlined to you at our recent virtual Deep Dive event. These pillars include:

- Our leading positions in sample technologies,
- the QuantiFERON franchise anchored by our tuberculosis test,
- the QIAcuity digital PCR series of platforms,
- the NeuMoDx integrated PCR systems for clinical diagnostics and
- the QIAstat-Dx syndromic testing platform.

As a final key message, we are reaffirming our full-year 2021 outlook announced in December 2020. We are confident to deliver an ongoing high level of sales growth and further improvements in adjusted EPS for 2021.

For the full year, we are expecting sales growth of about 18 to 20% CER growth over the same period in 2020. This is based on expectations for ongoing strong demand for COVID-19 product sales during the first half of 2021, along with continued improvements in other areas of the portfolio.

For adjusted EPS, we continue to expect about 2 dollars and 42 cents to 2 dollars and 46 cents at CER. This reflects our plans to invest in our five pillars of growth to strengthen our competitive profile.

I would now like to hand over to Roland.

(SLIDE 5: Q4 & FY 2020 FINANCIAL REVIEW – ROLAND)

ROLAND SACKERS: Thank you, Thierry.

Hello, and thank you from me as well for joining us on this conference call.

Our sales results for the fourth quarter of 2020 were the strongest of the year. Sales growth was 36% CER, and currency movements had a positive impact of two percentage points on results.

This was driven by both COVID related sales and sales of non-COVID product groups. These results represent a continuation from the third quarter for improving sales trends in non-COVID products. I will give you more detail on our sales performance in the upcoming slides.

Moving down the income statement, the adjusted gross margin declined about two percentage points to 69.3% of sales in the fourth quarter. This was due to a continued higher share of instrument sales and increased production expenses. This included the addition of more than 400 new employees in Production at the end of 2020 compared to the end of 2019 as we ramp up our expansion plans.

For the full year, the adjusted gross margin was 69.6% compared to 71.0% in 2019. This remains at a strong level, and reflects trends seen in the fourth quarter and during the course of 2020.

The adjusted operating income for the fourth quarter was 34.4% of sales, and improved over the same period in 2019 due to lower expenses as a percentage of sales for R&D, sales and marketing and administration.

Areas of savings included the drop-off in travel and marketing expenses during the year. An additional factor is the savings from the decisions we announced in October 2019 to change

the orientation of our NGS strategy and implement targeted efficiency programs.

At the same time, we made investments into our five pillars of growth during the second half of 2020, and results also included the first-time costs associated with the full acquisition of Neu-MoDx in September 2020.

Moving to EPS, adjusted EPS rose 42% CER to 68 cents per share for the fourth quarter, and was up 52% to 2 dollars and 17 cents at CER for the full-year.

Results for the fourth quarter and full-year in 2020 include an after-tax benefit of about 34 cents per share for ArcherDx. This benefit relates to the pre-tax net capital gain of 113.4 million dollars related to the sale of QIAGEN's stake in ArcherDX, which was recently acquired.

In addition to upfront cash consideration, we also received shares in Invitae, a publicly traded company. These shares are reported at fair value with gains and losses recorded in earnings. This change in value during the fourth quarter is included in the pre-tax capital gain but this entire capital gain is excluded from adjusted results.

As for cash flow, we saw a 38% increase in operating cash flow to 457.8 million dollars in 2020 from 330.8 million dollars in 2019.

The developments in operating cash flow reflect the higher sales and collections during the year as evidenced by the relatively similar level of accounts receivable at the end of 2020 compared to 2019, even considering the 23% increase in sales during the year.

Also, keep in mind that we had about 126 million dollars of payments in 2020 for the discontinued tender offer and also about 52 million dollars of cash paid out in 2020 for the restructuring measures initiated in October 2019.

We also saw a significant surge in cash flow during the fourth quarter, to nearly 270 million dollars. This compares to operating cash flow for the first quarter of 2020 of only about 16 million dollars. For free cash flow we saw a 53% increase compared to the prior year.

Purchases of property, plant and equipment during 2020 reflect our investments in expanded production lines to meet both the current demand for products, as well as expanding capacity as we invest in new products focused on our five pillars of future growth.

Moving to the balance sheet, our leverage ratio stood at 1.5 times net debt to adjusted EBITDA at the end of 2020. This was slightly lower than 1.6 turns at the end of 2019.

At the same time, our net debt increased to 1.2 billion dollars at the end of 2020 from 953 million dollars at the end of 2019.

Late in the fourth quarter of 2020, we redeemed the 2021 convertible notes for 177 million dollars and terminated the related warrants for about 175 million dollars. This removed about 3.5 million potential dilutive shares from our share count, so in essence it had the same effect as a share repurchase.

In tandem, we issued 500 million dollars of new zero coupon convertible notes that mature in 2027. These new 2027 notes have an initial conversion price of 80 dollars and 72 cents or representing 6.2 million underlying shares.

During the fourth quarter of 2020, we also completed about 64 million dollars of a 100 million dollar tranche before it expired. These programs are run independently by banks, and the reduced repurchase amount came as the QIAGEN share price was rising during this period.

(SLIDE 6: PRODUCT GROUPS – ROLAND)

I would now like to provide additional perspectives on sales with our new reporting by product groups.

We have added this perspective – as announced at our virtual Deep Dive in December.

These groups provide insights into our business portfolios and will now accompany the sales data we typically provide by product type, customer class and geographic region.

Sample technologies, one of our five pillars of growth, is the first product category and includes products involved in the first step in any molecular lab process.

During the fourth quarter of 2020, sales of sample technologies grew 55% CER to 236 million dollars. This category was driven by ongoing strong demand for RNA extraction kits used in COVID testing and research, increasing demand for DNA kits, and the recent launch of QIAprep& as a solution to help scale COVID testing.

Diagnostic solutions include our molecular testing platforms and products covering three of our pillars of growth, which are QuantIFERON, QIAstat-Dx and NeuMoDx, as well as Precision Medicine and companion diagnostic co-development revenues.

Sales grew 36% CER and were supported by COVID testing solutions and first time sales contributions from the NeuMoDx acquisition related to newly acquired US sales.

QuantiFERON sales improved over the course of 2020, finishing strongest in the fourth quarter with solid growth in the US, compared to declines for this region in the first three quarters of the year. This was offset by an increasing decline in South Korea throughout 2020. This meant for QuantiFERON a decline of 3% CER for the fourth quarter of 2020 compared to 2019, and this was a sequential improvement from a 46% CER decline in the second quarter and 20% CER decline in the third quarter of 2020.

PCR / Nucleic acid amplification involves our research and applied PCR solutions and components. This category includes another of our growth pillars with the recent launch of QIAcuity digital PCR platforms. The first orders were received in the fourth quarter, well ahead of our internal plans. This helped to drive dynamic growth in both instruments and consumables.

Another driver in this category was the demand for our OEM solutions and enzymes used in third-party diagnostic kits for COVID-19 testing.

Genomics / NGS includes our universal NGS solutions as well as the full QIAGEN Digital Insights portfolio. This product group has faced slower customer demand during the pandemic, but we saw improving trends against the second and third quarters of 2020, especially in overall sequencing and clinical oncology applications.

(SLIDE 7: PRODUCT TYPE & CUSTOMER CLASS – ROLAND)

I would like to now give you an update on sales results by product type and customer class.

In terms of the two product groups, during the fourth quarter, sales of consumables and related revenues rose 33% CER, the highest quarterly rate on a comparative basis in 2020.

Instrument sales continued its 2020 growth momentum in the fourth quarter. These sales were up 52% CER and reached 77 million dollars in the fourth quarter of 2020 as we experienced record level placement rates across multiple product categories including sample preparation platforms, as well as general and integrated PCR equipment and platforms.

Molecular Diagnostics sales were supported by an improvement in trends in non-COVID applications where testing such as oncology and non-COVID related infectious diseases began to

resume. Additionally, these sales continued to be driven by COVID tailwinds in the fourth quarter of 2020.

Fourth quarter sales in Life Sciences saw the highest growth of the year at 28% CER over the same period of 2019. This growth was driven by viral and vaccine research with demand for RNA extraction, general PCR reagents and enzymes as well as universal NGS solutions which offset lower sales in QIAGEN Digital Insights and for Human Identification / forensics products.

(SLIDE 8: GEOGRAPHIC REGIONS – ROLAND)

Moving to our geographic results, the Europe Middle East and Africa region led fourth quarter and full-year 2020 in growth. Fourth quarter sales were driven by double-digit CER growth in France, the United Kingdom and Italy across both customer classes and single-digit CER growth in Germany.

The Americas region experienced its highest level of 2020 sales growth during the fourth quarter. A key driver was the return to double-digit CER growth in QuantiFERON-TB test sales. Brazil and Mexico also continued to deliver growth at a high level where sales in Molecular Diagnostics more than doubled compared to the fourth quarter of 2019 in both countries.

In the fourth quarter, the Asia-Pacific Japan region was supported by China growing above 15% CER from strong QIAstat-Dx instrument sales. Molecular Diagnostics revenues in China saw high single digit gains in the fourth quarter against declines in the previous quarters of 2020 Sales were also higher in Japan and Australia, and this more than offset weaker trends in India and South Korea.

(SLIDE 9: COVID-19 & NON-COVID-19 – ROLAND)

On this slide, we have included an overview on the COVID-19 impact to our performance. This provides clarity and understanding of our business performance as we look to manage our growth after the COVID tailwinds.

Our non-COVID product groups showed an improving quarterly trend. These totaled 371 million dollars, or about 65% of total sales. We still had a modest decline of 2% CER in the fourth quarter compared to the same quarter of 2019, but this contrasts to the sharp drop of 23% CER in the second quarter of 2020, improving to minus 8% CER in the third quarter of 2020.

COVID-19 related product groups continued to experience significant growth in the fourth quarter. These sales rose about 388% CER from the same quarter in 2019 to 200 million dollars, or about 35% of total sales.

I would like to now hand back to Thierry.

(SLIDE 10: 2020: DELIVERING ON PANDEMIC NEEDS... – THIERRY)

THIERRY BERNARD: Thank you Roland.

Let me review some of the recent developments. This is another opportunity to show you that QIAGEN has emerged from 2020 as an independent, stronger, and more focused company for the coming years, ready to execute on growth post pandemic.

First of all, aligning our strategy on 5 pillars of growth ensures we are focusing on our largest and most attractive growth opportunities.

In 2020 we made considerable increases in our output of key consumables products such as sample technologies kits and QI-Astat-Dx and NeuMoDx testing cartridges.

And throughout the year we continued to innovate in anticipation of the changing testing demands and overcome challenges in the market as the pandemic evolved.

Moving as fast as possible, our teams developed over 10 new solutions for use in the pandemic. And I insist that these have applications beyond the pandemic as well.

Also serving both COVID and non-COVID applications, our installed base of instruments saw accelerated growth. In fact, we made over 3,300 new placements in 2020.

To solidify our position in the core testing market, we completed the full acquisition of NeuMoDx in September. We acquired the remaining 80.1% stake, and this gave us rights to commercialization in the U.S.

Another success was the launch of QIAcuity digital PCR platforms in September. Our teams delivered over 200 orders in 2020, and about 75% of these orders were placed in labs by the end of the year.

(SLIDE 11: COVID-19 TESTING SOLUTIONS UPDATE – THIERRY)

On the next slide I would like to now give you an overview of the QIAGEN products being used in COVID-19 testing and the recent developments.

Looking at the split of our fourth quarter sales for COVID related product groups, the proportion of sales from Sample Technolo-

gies shrank slightly due to an increase in sales for Testing Solutions as we made progress in increasing our production capacity of PCR testing consumables.

The demand for RNA sample technologies continued to trend toward automated extraction, as expected, and we have made further progress in increasing manufacturing output for these automated consumables.

Many of our customers have had great success in implementing our QIAprep& solution to help them increase efficiency of their testing workflows and overcome plastics supply constraints.

PCR testing solutions see ongoing high demand for single-plex, multi-plex and syndromic tests. QIAstat-Dx and NeuMoDx both experienced a continued boost in market penetration. This is setting up a strong foundation for mid-term growth, and we are far ahead of the timelines we had only two years ago, as we entered the market with these new systems.

NeuMoDx has further expanded its COVID testing options with an FDA approval for the use of Saliva samples with the single-plex test.

And the construction projects to further build up production capacity are progressing well at our sites in Germany and Spain.

As communicated a couple weeks ago, we plan to resubmit the QIAreach Antigen test this quarter. We have resolved a chemistry issue and are now working on new data sets for the resubmission. The decision was made on our side to proactively withdraw the first submission in order to address this issue and further improve performance.

Beyond the solutions that you are now familiar with, QIAGEN has been developing solutions to fit the needs of every cycle of the pandemic.

Recently we have seen the onset of more frequent sequencing where QIAseq SARS-CoV-2 panels are being used to monitor the prevalence of viral mutations.

We have also seen the emergence of new applications such as wastewater testing where our new QIAcuity digital PCR viral kit is being employed to quantify pathogen load in order to calculate population infection rates. This has recently been a clear driver for placements - likely more than 10% of QIAcuity orders so far are for COVID wastewater testing.

And finally OEM components, which are reagents and enzymes sold to third-party suppliers, experienced significant demand in 2020 which continued in the fourth quarter.

(SLIDE 12: 2021: SET TO SERVE THE PANDEMIC... – THIERRY)

Now moving onto 2021, we expect COVID will continue to place high demands on our portfolio, especially in the first half of the year.

As vaccines are rolled out, we anticipate continued strong demand for PCR and Antigen testing solutions, but expect this could recede during the second half of 2021 depending on the impact of new viral variants.

In order to provide for these testing trends, we are continuing to invest in the upscale of our production lines. We are dedicated to helping customers get set-up with our newly launched technologies such as QIAprep&, the QuantiFERON T cell test and QIAcuity platforms, to further employ these solutions in the fight against COVID. And we are focused on gaining FDA and CE-IVD status for our Antigen test.

On the other hand, we are also managing increasing demands for non-COVID categories and planning for a steady progressive increase of these sales as clinical testing volumes return for oncology and infectious diseases.

As we described at the Deep Dive, we have extensive plans for menu expansion in our 5 pillars of growth.

For QIAstat-Dx, we are planning submissions for the Meningitis panel in Europe and the Gastro panel in the U.S. For NeuMoDx, we have plans to add 4 more CE-IVD tests and 2 additional tests to the U.S. menu. So we expect these systems to continue seeing solid growth trends after the pandemic testing subsides.

We are also planning for upcoming launches in the QuantiFERON franchise. QIAreach TB will expand modern TB testing into high-burden low-resource areas, and this is based on the same eHub platform as our QIAreach antigen and antibody tests for COVID-19 testing.

The QuantiFERON Lyme test is also planned for CE-IVD launch with our partner DiaSorin on their LIAISON platforms, just as we have with the QuantiFERON-TB test.

Our menu expansion plans also include research applications such as specialty areas of sample preparation and further content for supporting QIAcuity digital PCR market penetration.

(SLIDE 13: 2021 AND BEYOND: CAPTURING OPPORTUNITIES IN DYNAMIC MARKETS – THIERRY)

Looking specifically at our 5 pillars of growth, on this slide you can see our sales expectations and the key drivers for 2021 in these areas.

Sample technologies had a strong year in 2020 and will again show solid performance in 2021 with more than 750 million dollars in sales. We expect accelerated placement levels to continue through the first half of the year with our flagship system, the QIA Symphony, continuing with at least 200 placements this year.

QIAcuity platforms are expected to deliver over 45 million dollars in sales with a rapidly growing installed base ending the year with at least 600 new placements in 2021.

QIAstat-Dx should continue to deliver rapidly growing sales at over 120 million dollars in 2021 and expand the installed base by more than 800 incremental placements during the year.

For NeuMoDx we are expecting sales of over 140 million dollars driven by a growing installed base with a goal to more than double the current number of placements.

And for QuantIFERON, which has seen sequential improvement since Q2 2020, we expect to see the sales in this franchise to return to 2019 levels and deliver more than 230 million dollars of sales.

Here we still feel confident in our ability to expand market share despite competitor activity in the TB testing space. As we have said before, a key point of our differentiation is QuantIFERON's automation capabilities which we have built along with our partners DiaSorin, Hamilton and Tecan. And we are expanding our capability to reach completely new areas of the market in emerging countries with our upcoming QIAreach-TB launch.

(SLIDE 14: 2021: APPOINTMENT OF NEW SUPERVISORY BOARD MEMBER – THIERRY)

As an important update, I would like to introduce our new Supervisory Board member.

Dr. Toralf Haag has joined the Board, and will be nominated for election at the next Annual General Meeting.

As noted in the announcement in January, Toralf was chosen as part of an expansion process launched by the Supervisory Board to further complement and enhance the Board's already extensive experience in Life Sciences and diagnostics.

The addition of Toralf now brings the number of current Supervisory Board members to seven.

I would like to now hand back to Roland.

(SLIDE 15: Q1 AND FY 2021 OUTLOOK - ROLAND)

ROLAND SACKERS: Thank you, Thierry.

As noted earlier, we are reaffirming the full-year outlook previously announced in December 2020 for net sales to about 18 to 20% CER growth. For adjusted EPS, we expect 2 dollars and 42 cents to 2 dollars and 46 cents CER, and based on a full-year weighted average of about 234 million shares outstanding.

For the first quarter, we anticipate ongoing very elevated sales growth of at least 45% CER, driven by continued improvements in non-COVID related products coupled with dynamic gains from COVID testing solutions. Adjusted diluted EPS are expected to be about 60 to 62 cents CER, and this is based on 233 million shares outstanding. This includes the significant planned investments in our 5 pillars of growth during 2021.

As for currencies, based on rates as of February 4, 2021, on a full-year basis we expect a currency tailwind of about 2 percentage points on sales results at actual rates. For adjusted EPS for the full year, we expect a currency tailwind of about 4 cents per share.

For the first quarter, we expect a tailwind on net sales of about 4 percentage points, and a tailwind of about 2 cents per share.

With that, I would like to hand back to Thierry.

(SLIDE 16: SUMMARY - THIERRY)

THIERRY BERNARD: Thank you, Roland.

So in summary:

- First, we had excellent results for the fourth quarter and full year, as we exceeded the outlook for sales growth and adjusted EPS in both periods. These results show that during a demanding year, QIAGEN has stepped up to the challenge.
- Second, we are encouraged for the future as we see continued improvements in other areas of the portfolio as well as continued dynamic growth in COVID related products.

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- Third, we are focused on investments in our five pillars of growth to fuel our success beyond the pandemic and create long term shareholder value.
 - And as a last point, we are reaffirming our 2021 outlook for sales growth and adjusted EPS. We are very confident for 2021 and our ability to achieve full-year sales growth of about 18 to 20% CER and adjusted EPS of 2 dollars and 42 cents to 2 dollars and 46 cents CER.

With that, I'd like to hand back to John and the operator for the Q&A session. Thank you.

JOHN GILARDI: I would like to close this conference call and thank you for your participation. If you have any questions or comments, please do not hesitate to contact us. Thank you.