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Illumina reports financial results for first quarter of FY 2019

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Illumina has announced its financial results for the first quarter of fiscal year 2019.

First quarter 2019 results:

- Revenue of $846 million, an 8% increase compared to $782 million in the first quarter of 2018
- GAAP net income attributable to Illumina stockholders for the quarter of $233 million, or $1.57 per diluted share, compared to $208 million, or $1.41 per diluted share, for the first quarter of 2018
- Non-GAAP net income attributable to Illumina stockholders for the quarter of $237 million, or $1.60 per diluted share, compared to $214 million, or $1.45 per diluted share, for the first quarter of 2018 (see the table entitled “Reconciliation Between GAAP and Non-GAAP Net Income Attributable to Illumina Stockholders” for a reconciliation of these GAAP and non-GAAP financial measures)
- Cash flow from operations of $198 million compared to $255 million in the first quarter of 2018
- Free cash flow (cash flow from operations less capital expenditures) of $142 million for the quarter compared to $165 million in the first quarter of 2018

Gross margin in the first quarter of 2019 was 69.1% compared to 68.8% in the prior year period. Excluding amortization of acquired intangible assets, non-GAAP gross margin was 70.2% for the first quarter of 2019 compared to 69.8% in the prior year period.

Research and development (R&D) expenses for the first quarter of 2019 were $169 million compared to $137 million in the prior year period. R&D expenses as a percentage of revenue were 20.0%, including 0.8% attributable to Helix. This compares to R&D expenses as a percentage of revenue of 17.5% in the prior year period, including 0.8% attributable to Helix.

Selling, general and administrative (SG&A) expenses for the first quarter of 2019 were $211 million compared to $183 million in the prior year period. Excluding acquisition-related expenses and amortization of acquired intangible assets, non-GAAP

SG&A expenses as a percentage of revenue were 23.0%, including 0.7% attributable to Helix. This compares to 22.9% in the prior year period, including 1.1% attributable to Helix.

Depreciation and amortization expenses were $47 million and capital expenditures for free cash flow purposes were $56 million during the first quarter of 2019. At the close of the quarter, the company held $3.6 billion in cash, cash equivalents and short-term investments, compared to $3.5 billion as of December 30, 2018.

“This was a strong start to the year, with $846 million in revenue and more than $1 billion in orders for the first time in Illumina’s history,” said Francis deSouza, President and CEO. “Our growth is driven by a broad range of sequencing applications, with 14% sequencing consumable growth in the first quarter, including more than 20% growth in clinical sequencing consumables.”

Financial outlook and guidance

The non-GAAP financial guidance discussed below reflects certain pro forma adjustments to assist in analyzing and assessing our core operational performance. Please see our Reconciliation of Non-GAAP Financial Guidance included in this release for a reconciliation of the GAAP and non-GAAP financial measures.

For fiscal 2019, the company continues to expect revenue growth in the range of 13% to 14%, and now expects GAAP earnings per diluted share attributable to Illumina stockholders of $6.29 to $6.39 and non-GAAP earnings per diluted share attributable to Illumina stockholders of $6.63 to $6.73 due to the favorable impact of the Helix deconsolidation.

Except for acquisition-related expenses incurred during the first quarter of 2019 which are reflected in our GAAP guidance, this guidance excludes any impact from the pending acquisition of Pacific Biosciences, which we expect to close in mid-2019.