



**QUIDEL FIRST QUARTER 2022
CONFERENCE CALL SCRIPT
Wednesday, May 4, 2022
2:00 p.m. PT/ 5:00 p.m. ET**

OPERATOR:

Ladies and gentlemen, thank you for standing by.

Welcome to the Quidel Corporation first quarter 2022 earnings conference call. At this time all participants are in a listen-only mode. Later, instructions will be given for the question-and-answer session. If anyone has difficulty hearing the conference, please press *0 for operator assistance.

I'd now like to turn the call over to Mr. Ruben Argueta, Quidel's Senior Director of Investor Relations. Please go ahead.

RUBEN ARGUETA

Thank you, Operator. Good afternoon everyone -- and thank you for joining today's call. With me today is our President and Chief Executive Officer, Doug Bryant, and our Chief Financial Officer, Randy Steward.

Our fiscal first quarter 2022 earnings release is now available on ir.quidel.com, our Investor Relations website. We will also post our prepared remarks on the Presentations tab of our IR website following the conclusion of this call, on May 4th, 2022, for a period of 24 hours.

Please note that some of the information we provide during today's conference call will include forward-looking statements, including, but not limited to, the types of statements identified as forward-looking in our Quarterly Report on Form 10-Q that we will file later today, which will be available on our IR website. Actual results may differ materially from those projected in any forward-looking statement. For a further description of the risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements, as well as risks related to our business and the proposed business combination with Ortho Clinical Diagnostics, please see our Annual Report on Form 10-K and subsequent periodic reports and registration statements filed with the SEC.

Furthermore, this conference call contains time-sensitive information that is accurate only as of today. Except as required by law, we undertake no obligation to update these forward-looking statements or time-sensitive information, which speak only as of today.

Today, Quidel released financial results for the three months ended March 31, 2022. If you have not received our earnings release, or if you would like to be added to the company's distribution list, please contact me at 858-646-8023.

Following Doug's comments, Randy will briefly discuss our financial results. Then, we'll open the call to take your questions.

I'll now hand the call over to Doug for his comments.

DOUG BRYANT

Thank you, Ruben. And welcome to everyone on the call. We really appreciate your time and interest in Quidel.

We had an extraordinary start to the year. The first quarter was historic for Quidel. We achieved record revenue on the top line... record

profitability that flowed through to our bottom line... and record cash on the balance sheet.

Our first quarter truly demonstrates the earnings power of the business, as we build on the significant investments we've made and execute against our growth roadmap. Our diverse suite of assays, increasing brand strength, and growing installed base of Sofia analyzers continue to propel our market expansion and broaden our post-pandemic opportunities. Our robust new product pipeline, including our revolutionary Savanna platform that we expect to launch in the U.S. later this year, further adds to forward momentum and runway.

And, yes... once again... the entire Quidel team performed brilliantly. From product development in our R&D organization... to the responsiveness of our manufacturing and operations teams... to our commercial channel, we fired on all cylinders. Our first quarter results put us in a strong financial position, creating additional flexibility to strengthen our balance sheet while we continue to drive R&D investment to further develop and broaden our portfolio.

Let's take a look at some specifics. Revenue for the first quarter of 2022 reached just over \$1 billion dollars. That's a pretty extraordinary 167

percent increase over the prior year period. It was driven primarily by strong performance in our Rapid Immunoassay product portfolio. Total Rapid Immunoassay revenue increased by \$655.1 million dollars in the first quarter of 2022 to \$892.8 million dollars. We saw significant sales of QuickVue At-Home OTC COVID-19 tests, and while COVID-19 testing made up the bulk of this heightened demand, it is noteworthy that non-COVID sales grew 56%, or almost double that if you exclude the Beckman BNP Business, as we saw increased sales of our Sofia ABC combination test for Influenza + SARS, as well as increased demand for our Sofia Influenza tests. Although we haven't seen a typical flu season, flu continues to linger. Interestingly, ILI is currently at 2.1% of patient visits, and we are seeing increasing seasonal influenza activity in a few states. This highlights the importance of diagnostic testing and the significance of having a differentiated menu, which is part of our post-pandemic strategy to widen our point-of-care footprint and introduce our full portfolio of assays to both patients and healthcare providers.

Relative to COVID-19, we are seeing softening demand and we expect this trend to continue as we head into the summer months. In fact, we started to see this in the first quarter, as test demand shifted significantly from retail outlets to the federal government, and to a lesser extent to

the professional segment. This shift allowed us to focus on delivering more tests to the U.S. government than we originally anticipated, and in the first quarter, we shipped approximately 70 million QuickVue At-Home OTC COVID-19 tests to the federal government. We plan to ship the remaining 35 million tests to the government in Q2 to fulfill our 108 million-test commitment. As you can appreciate, we remain in close conversation with the federal government and related government agencies to determine the government support strategies going forward. We are in discussions with the government to supply an incremental number of tests in Q2/Q3, and will update you on any order that is placed from those discussions. Our longer-term expectation is that COVID-19 infections and related testing demand will continue to wane as COVID-19 becomes more seasonal – similar to flu demand. We currently are not forecasting a significant revenue contribution from our COVID-19 products in the back half of the year.

The prospect of endemic “SARS seasons” amplifies the long-term benefits of the brand awareness we have generated and the strategic partnerships we have built with retail and distribution powerhouses, and these trusted relationships provide us with access to point-of-care and over-the-counter channels for both COVID and non-COVID product lines going forward, which is exciting.

Consistent with the anticipated shift in COVID-19 testing demand, we continue to bolster our resilience in the post-pandemic future by accelerating assay development and production and further expanding our footprint at the point of care. Given our robust pipeline, we have high confidence in our ability to capture evolving healthcare trends that will drive both future growth and profitability. These opportunities include a number of products we've discussed on previous calls, such as QVue and our Sofia Q device, new Sofia assays, as well as new products in our cardiometabolic and gastrointestinal segments.

But foremost among our upcoming product launches is our flagship Savanna molecular multiplexing platform. As you know, we already have CE approval for markets outside of the U.S., but our main focus is on getting the necessary approvals to launch Savanna in the U.S. later this year. We plan to submit our Savanna EUA for RVP4 next week and submit our 510(k) in July, with two more 510(k) panel submissions set for year-end, and three more submissions by the end of Q1 2023.

Meanwhile, our teams are hard at work scaling Savanna instrument production and transitioning to fully automated manufacturing.

Experienced as we are, over the last couple years, we've learned a lot about hyper-scaling production and managing complex supply chains.

And you can rest assured we're leveraging the lessons we've learned in expanding COVID-19 testing capacity to our other products. Once online in the fall, our Savanna cartridge automated manufacturing line is expected to begin its ramp up in output to over one million cartridges per month, with \$300 million annual revenues anticipated within three years of U.S. launch.

Of course, we are also immensely excited by the opportunities presented by our planned acquisition of Ortho Clinical Diagnostics. As I've said before, this acquisition will more than double our market opportunity to over \$50 billion among the point-of-care, clinical laboratory, and transfusion medicine segments. We are thrilled by the potential catalysts we see in the combined business. Our teams are working well together planning for the integration and the highly complementary nature of Quidel's and Ortho's portfolios is expected to create ample cross-selling opportunities across a deep and diverse matrix of customers and channels to significantly accelerate market penetration worldwide after closing. We believe it is a truly compelling formula that can position the combined business for long-term growth and a lasting global impact in delivering advanced diagnostics that improve human health.

Integration planning is going well. We've formed 15 cross-functional teams, defined 87 projects, plus defined Day 1, Day 30, and longer timeline objectives, with the Day 1 must-haves either on track or completed. Operationally, no risks have been identified that would create significant disruption on Day 1 through Day 30. Of course there is a lot of work still to be done, and challenges are being identified, but no critical path items are delayed. Overall, we are very pleased with the cadence and progress that we've made thus far, and are excited about getting to Day 1.

We are bullish on the acquisition, and look forward to harvesting the expected \$90 million in cost synergies by end of year 3 and \$100 million in revenue synergies by 2025. We expect investors have recognized the value that can be created by bringing the companies together... and will vote to approve the deal. Here's a quick snapshot of the process to closing:

- On April 11th, we began mailing our joint proxy statement;
- On May 16th, there will be stockholder meetings for each of Quidel and Ortho to vote on the business combination;
- On May 26th, we've scheduled the UK Court hearing; and

- On May 27th, we anticipate the successful close of the transaction, subject to receipt of the stockholder vote, the UK Court order and satisfaction of other customary closing conditions.

In closing, I am incredibly proud of our employees and their commitment to making a positive impact in our fight against COVID and more than pleased to see them now applying that same focus and commitment to their work addressing a post-pandemic world.

And it goes without saying that I am exceedingly encouraged by our performance in the first quarter. It's clearly one for the record books. And we have a long, exciting roadmap for our continued growth and success as we advance diagnostics to improve human health. It is our mission, and we are happy in the knowledge that we are making a difference.

Randy?

RANDY STEWARD

First Quarter 2022 Financial Results

Thank you, Doug. Good afternoon everyone. As Doug stated, we had a truly outstanding quarter and I'd also like to thank all of our employees, who demonstrated Quidel's strength of spirit, perseverance, and dedication to deliver such outstanding results. Due to their tireless efforts, we again achieved another record quarter for revenue, eclipsing our previous high-water mark of \$809 million dollars set in Q4 of 2020. During my tenure here, I've seen Quidel grow substantially, and Quidel's incredible culture has been the driving force behind such explosive growth and our sustained excellence. I am very proud to be a part of what we have achieved at Quidel.

As reported, total revenues for the first quarter of 2022 were \$1,002.3 million dollars, compared to \$375.3 million dollars in the first quarter of 2021, achieving growth of 167%. This growth is primarily due to increased Rapid Immunoassay product revenue, which was driven by the continued fulfillment of the U.S. government order for over 100 million QuickVue COVID-19 tests. Total SARS revenue in the quarter from all products was \$836.1 million dollars as compared to \$269.1 million dollars in the first quarter of 2021, a growth of 211%. In total, we sold over 126 million COVID tests in the first quarter of 2022 - 113 million tests of QuickVue, 12 million tests of Sofia and over 2 million of

all other tests. Foreign currency exchange had an unfavorable impact of \$1.0 million in the first quarter of 2022.

Influenza revenue in the quarter was \$89.1 million dollars versus \$16.4 million dollars in the first quarter of last year. Included in the influenza revenue number for the quarter was \$54.2 million dollars in Sofia ABC revenue, \$25.4 million dollars in Sofia flu revenue, and \$5.9 million dollars in QuickVue flu revenue.

Rapid Immunoassay revenues were \$892.8 million dollars in the first quarter of 2022, showing growth of 276% from the first quarter of 2021. Within this category, Sofia product revenues were \$224.0 million dollars, of which \$137.9 million dollars were attributable to the Sofia SARS antigen tests. And, as just mentioned, Influenza revenue was another strong contributor to this group, adding \$79.6 million dollars in revenue. QuickVue product revenues in the first quarter of 2022 were \$667.6 million dollars, of which \$657.5 million dollars were attributable to the QuickVue SARS tests.

For the Cardiometabolic Immunoassay business, revenue was \$50.2 million dollars, lower than the prior year quarter as a result of the agreement we entered into with Beckman Coulter in July 2021. As a

reminder, the agreement states that, in connection with transitioning the Beckman BNP Business to Beckman Coulter, Quidel receives annual cash payments of between \$70 million to \$75 million dollars per year through 2029. In the first quarter of 2022, we recorded revenue of \$16.8 million dollars associated with this agreement. The quarterly revenue was based on product shipments in the quarter to Beckman Coulter. For the full year, the minimum revenue to realize is \$70 million dollars, regardless of product shipments. The Triage business generated revenue of \$33.4 million dollars in the quarter versus \$33.0 million dollars in the first quarter of 2021, with growth in Asia Pacific and EMEA, offset by a decline in the U.S.

Our Molecular Diagnostic Solutions revenue was \$46.0 million dollars in the first quarter of 2022, as we saw continued demand for the Lyra SARS-CoV-2 products, which constituted \$38.2 million dollars of the total Molecular Diagnostic Solutions revenue. Solana revenues were \$5.7 million dollars in the quarter, and Savanna revenue was an incremental \$400 thousand dollars in the quarter.

Specialized Diagnostic Solutions revenue increased 23% to \$13.3 million dollars in the first quarter of 2022, driven by an increase in sales of our DHI Respiratory products.

We realized good growth in the core business, as revenue excluding COVID-19 and Beckman BNP revenues increased 105% over the first quarter of 2021 to \$149.4 million dollars. Rapid Immunoassay revenue increased \$73.0 million dollars, or almost 300%, due to an increase in flu and strep revenue. The Triage business increased 1% and Molecular revenue increased 20% though on a small revenue base without COVID. We also saw strong performance in our Specialized Diagnostic Solutions revenue as stated previously.

Gross profit in the first quarter of 2022 increased to \$740.0 million dollars, and gross margin was 74% of revenue. This compares to gross profit of \$302.0 million dollars, and 80% gross margin for the three months ended March 31, 2021. The increased gross profit was due to greater product sales of QuickVue At-Home OTC COVID-19 tests. The decrease in gross margin was driven by a shift in product mix from higher margin Sofia SARS tests to lower margin QuickVue SARS tests, partially offset by improved manufacturing absorption.

On the spend side of the business, we continue to invest in R&D, specifically our Savanna platform. We are also spending in support of our longer-term initiatives, such as new Sofia assays that can leverage

our large installed base of instruments and new markets, next-generation platforms and Sofia Q, to name a few. In the first quarter of 2022, R&D expense increased 13% to \$26.4 million dollars.

Sales and marketing expense for the first quarter of 2022 increased to \$65.4 million dollars, resulting from higher freight expense due to higher sales volume, higher product promotional spend associated with the QuickVue At-Home OTC COVID-19 Test, and higher compensation costs driven by increased headcount. This year, we will continue to invest in people and resources to expand our reach, as well as increase our spend in marketing, product promotions and corporate partnerships in support of existing and new markets.

G&A expense in the first quarter of 2022 increased by \$5.0 million dollars to \$24.5 million dollars, primarily due to higher compensation costs driven by outstanding performance during the current period.

As it relates to the provision for income taxes in the first quarter, we recorded \$140.7 million dollars in income tax expense resulting in an effective tax rate of approximately 23%. The higher tax expense for the quarter compared to the same period last year is a result of an increase

in pre-tax profits and a decrease in tax deductions from stock-based compensation.

As of March 31, 2022, we had \$1,275.5 million dollars in cash and cash equivalents. In the quarter, the company invested approximately \$22 million dollars in capital expenditures. In April, we made our scheduled \$48 million-dollar payment to Abbott for the Alere assets, leaving one final payment of \$40 million dollars due to Abbott in April 2023. From a use of cash perspective in the second quarter, we expect to use the majority of the cash on our balance sheet to help fund the cash payment to the Ortho shareholders at close.

And with that, we conclude our formal comments for today. Operator, we are now ready to open the call for questions.

Q&A

OPERATOR

That is all the time we have today. Please proceed with your presentation or any closing remarks.

DOUG BRYANT

Thanks everyone for your support and for your interest in Quidel. We had a great start to the year, we're set up nicely for success, and we believe we're in good shape to achieve our growth objectives over the next few years. Thanks again for being on the call.

OPERATOR

Ladies and gentlemen, we thank you for your participation, and ask that you please disconnect your lines. Goodbye.