ILMN Q1 2025 Earnings Call
Prepared Remarks – May 8, 2025

Brian Blanchett, Vice President, Enterprise Finance & Treasurer, and interim head of Investor Relations

Hello everyone, and welcome to Illumina's first quarter 2025 earnings call.

Today, we will review our financial results, released after market close, and provide commentary before opening for Q&A. Our earnings release is available in the Investor Relations section of illumina.com.

Speaking today are Jacob Thaysen, Chief Executive Officer, and Ankur Dhingra, Chief Financial Officer. Jacob will provide an update on Illumina's business, followed by Ankur's review of the company's financials. All financial information shared on this call relates to Core Illumina. For historical consolidated financials, please refer to our earnings release and SEC filings.

Please note that all revenue growth rates discussed during the prepared remarks are presented on a constant currency basis to exclude the impact of foreign exchange fluctuations.

We encourage you to review the GAAP reconciliation of our non-GAAP measures which can be found in today's release and in the supplementary data available on our website.

This call is being recorded, and the audio will be archived in our Investor section of our website. It is our intent that all forward-looking statements regarding the financial results and commercial activity made during today's call will be protected under the Private Securities Litigation Reform Act of 1995.

To better understand the risks and uncertainties that could cause actual results to differ, we refer you to the documents that Illumina files with the Securities and Exchange Commission, including our most recent forms 10-Q and 10-K.

With that, I will now turn the call over to Jacob.

Jacob Thaysen, Chief Executive Officer

Thank you, Brian, and good afternoon, everyone.

Before we begin, I want to take a moment to recognize our former Chair of the Board of Directors, Steve MacMillan for his leadership in strengthening Illumina's position in genomics innovation. His contributions have positioned us well for the significant opportunities ahead. I look forward to working closely with our new Chair, Scott Gottlieb, as we advance our mission, execute our strategy, and progress the -omics ecosystem.

I am also pleased to welcome Keith Meister to the Board. His deep investor experience in genomics and strong track record of driving shareholder value will be invaluable as we build our momentum and deliver on our strategic priorities.

Despite the macroeconomic challenges we have faced over the past few months, we had a good start to the year. Thanks to the Illumina team's continued focus on execution and operational excellence, we delivered Q1 revenue and EPS at the upper end of our guidance range.

Illumina is a resilient franchise with multiple drivers of near- and long-term growth, and there is a lot to be encouraged by this quarter. Our NovaSeq X instruments continue to perform well, exceeding our expectations with another quarter of over 60 placements in Q1, following more than 90 placements in Q4. The X transition continues to progress well, particularly among clinical customers, reaffirming both the value we provide and the resilience of the clinical market.

We also saw a sequential increase in X and overall high-throughput consumables, a clear indicator that this key growth driver continues to gain traction and demonstrate elasticity.

Our innovation pipeline remains unmatched. We are advancing the multiomics ecosystem, and every day, our technologies enable customers to generate insights that were previously not possible.

With this foundation, we are focused on achieving our long-term financial goals. We continue to execute on our strategy to deliver high-single digit revenue growth and 500 basis point margin expansion by 2027, excluding our Greater China region, which has been affected by the recent regulatory developments.

At the same time, we are navigating a dynamic environment with discipline and urgency.

Developments around China, U.S. funding uncertainty, and global trade dynamics have introduced new pressures for our customers. These are important concerns, and we are taking clear actions to address them. But these are transitory challenges that will not define Illumina's long-term success or our leadership in advancing the genomics revolution.

In light of this, we are revising our guidance to reflect both the headwinds and the proactive steps we're taking to protect earnings. I will now walk through each of these factors and Ankur will provide more details in his remarks shortly.

In China, our ability to export sequencing instruments has been restricted. We now expect lower revenue from the region in 2025, driven by minimal instrument placements.

To provide greater clarity on the fundamentals of our global business, we will issue distinct guidance for the Greater China region and the rest of the world until the situation is resolved.

We continue to engage with the regulatory authorities in China on potential solutions to support a sustainable, long-term presence in the market, and we will keep you updated on any material developments as the situation evolves.

In the U.S., ongoing uncertainty in research funding is weighing on our customers and affecting purchasing timelines. We are working closely with our customers to help them navigate this environment, offering flexible solutions to sustain their research projects and drive continued genomic innovation.

In March, we took decisive actions to address the impact of China and the research environment by executing a global, incremental $100 million cost reduction program. As of this call, we have already implemented the necessary actions to realize the full savings in 2025, reinforcing our disciplined approach to operational execution.

Since our last update, the U.S. government enacted a baseline import tariff of 10 percent, with significantly higher rates for certain countries. These tariffs are increasing costs for Illumina.

To address this, our teams are actively working to minimize the impact through supply chain optimization, cost measures, and pricing actions. With these actions underway, we expect to partially offset the impact in 2025. And at current levels, our aim is to more fully mitigate the impact in 2026.

The Illumina team is navigating these external pressures carefully and strategically, ensuring that our core business, and our commitment to our customers and to advancing innovation remains strong and unaffected.

We have made significant progress in delivering competitively differentiated innovations that keep our customers at the forefront of discovery. Our multiomics roadmap, a growing portfolio of omics and sequencing applications, is key to advancing the ecosystem and in helping us achieve our long-term targets. I will share a few examples.

In February, we announced our new spatial offering, featuring a significantly larger capture area, higher resolution and greater sensitivity than existing technologies. This powerful solution will enable researchers to analyze millions of cells per experiment, increasing the likelihood of identifying rare cell populations. These advancements open new possibilities for research applications that were previously unattainable.

This offering will integrate seamlessly into Illumina's end-to-end workflows, and connect with Illumina Connected Multiomics, our new tertiary analysis solution powered by Partek's intuitive data visualization technology. We have begun early access, and early customer feedback has been very positive, emphasizing our spatial solution's accessibility without the need for special equipment purchases, and how it streamlines a previously complex analysis and interpretation process.

We plan to release our new spatial offering in 2026.

Also tied to our multiomics strategy, we recently announced a new single-cell offering for CRISPR research with applications in oncology, immunology, and drug target discovery. Our new Perturb-seq solution will allow researchers to study how genetic changes affect single cells at scale, accelerating drug discovery and advancing our understanding of complex diseases.

This is the next evolution of Fluent's PIPseq technology, which we acquired last year. By capturing both CRISPR guide RNA and messenger RNA transcripts from the same cell, our solution will enable researchers to perform genome-wide CRISPR screens at market-leading cost, providing deeper insights with greater efficiency.

The solution is expected to launch later this year.

Additionally, our innovation pipeline remains on track. Our proteomics solution, developed in collaboration with Standard BioTools, is in early access and we are looking forward to our commercial launch in the first half of 2025. Our constellation mapped reads and 5-base genome technologies are already in early access, with full commercial launches on track for 2026. We are excited about these innovations, which are advancing multiomics while empowering our customers with deeper insights than ever before. The core of Illumina is strong, and our growth projections ex-China are on track as we deliver on our strategy.

I'll now ask Ankur to share more detail on our results and outlook for 2025, and we'll go from there directly into Q&A.

Ankur Dhingra, Chief Financial Officer

Thank you, Jacob. And good afternoon, everyone.

I will give you an overview of our first quarter financial results, provide more color about revenue, expenses, earnings, and developments on our balance sheet, and then speak about our outlook going forward.

Before I get into the details of the financial performance, let me provide a high-level view of how the first quarter played out relative to our expectations.

In Q1, despite the dynamic environment, team Illumina delivered a quarter of excellent execution, enabling us to deliver financial results towards the high-end of our guidance. Revenue was flat year-over-year, at top end of our guidance, and EPS at $0.97 was also towards the top end of the range.

Now let me provide you with details of the financial performance.

First quarter revenue of $1.04 billion was down 1.4% year-over-year on an as reported basis. This included 1.2pts of headwind from foreign exchange, and constant currency revenue was roughly flat. Excluding China, revenue was slightly up Year-over-year on a constant currency basis.

Sequencing consumables revenue of $696 million grew approximately 1% year-over-year, driven by strength in high-throughput consumables – and the continued transition of high-throughput sequencing to X. During the second half of the quarter, and correlated with uncertainty around NIH and other research funding levels, we started to see our customers, especially in research and academia, be slightly more conservative in consumables purchases. We estimate this phenomenon impacted consumables growth by approximately 1 point year-over-year. Despite this, the sequencing activity on the connected instruments remained strong. We typically see a seasonal increase in ordering activity in Q1, including long-range purchase commitments, leading to building of backlog. We report that as performance obligations in our 10-Q, and this ordering activity was stronger than the last couple of years, an encouraging sign for the rest of the year.

Now about the X transition, which continues to progress well. In Q1, roughly 68% of high-throughput gigabases shipped and approximately 43% of high-throughput consumables revenue, was on the NovaSeq X series. Greater than 80% of high-throughput gigabases shipped to our customers in research markets is already on NovaSeq X Series, and now over 50% of clinical volumes are also on X. We continue to make progress in the framework we previously disclosed; that in the second half of 2025, approximately 50% of high-throughput revenue and approximately 75% of Gb's shipped will be on the NovaSeq X series. With continued strong underlying sequencing volume growth and strong adoption of X, over time the price-effect of lower mix of 6K consumables fades away, and a much larger part of high Gb growth translates to revenue growth.

About sequencing activity, total sequencing Gb output on our connected high- and mid-throughput instruments grew at a rate of more than 30% year-over-year with robust growth from both clinical and research customers.

Sequencing instruments revenue of $109 million was approximately flat year-over-year in Q1, with a higher-than-expected number of X series instruments shipped in high-throughput and the successful launch of the MiSeq i100 in our low-throughput portfolio. The clinical transition to NovaSeq X continues, as approximately 60% of X's placed in Q1 were to clinical customers. As you know, early in March, our ability to export instruments into China was restricted. We had in-country inventory to ship our instrument orders in Q1.

Sequencing service and other revenue of $142 million was down approximately (5%) year-over-year, in line with expectations, mainly due to the timing of certain strategic partnership revenues last year related to the AGD consortium. Excluding those, our core services and informatics business grew in the mid-single digits.

Moving to the rest of Illumina P&L:

Non-GAAP gross margin of 67.4% for the first quarter increased 30 basis points year-over-year. Margins were slightly lower than anticipated as we saw higher mix of instruments business. In addition, we are in the process of rolling out software upgrades for our high-throughput instruments, which is improving their performance. As part of this upgrade, we are also pulling forward some of the routine instrument service, which has had a higher cost impact than we had assumed. The vast majority of the upgrades should be completed by Q2. Our manufacturing cost actions continue to make good progress.

Non-GAAP operating expenses were $489 million. This reflects our ongoing focus on cost optimization, and prioritizing key growth investments. During the quarter we initiated additional actions to reduce our full-year expenses by $100 million and realized a partial benefit in Q1. Given these cost reduction initiatives, we do not expect the typical seasonal rise in OpEx that occurs post-Q1 to repeat in 2025 and expect OpEx to be flat to slightly down for the remainder of the year. The $100 million in cost actions to be realized in 2025 are inclusive of certain stock-based compensation changes, and represent over $225 million in total run-rate reductions when fully annualized over the next 4 years.

Non-GAAP operating margin was 20.4% in Q1.

Looking at our results below the line, Non-GAAP Other Expense, which is largely comprised of Net Interest Expense, was $15 million, and Non-GAAP tax rate was 22%, and our average diluted shares were approximately 159 million, 1 million lower than last quarter driven by share repurchases, net of dilution from employee equity awards.

Altogether, Non-GAAP EPS of $0.97 per diluted share came in at the high end of our guidance range.

Moving to cash flow and balance sheet items for the quarter:

- Cash flow provided by operations was a robust $240 million. As a reminder, our annual cash bonus is paid out in Q1;

- Capital expenditures were $32 million and free cash flow was $208 million;

- In Q1, we repurchased approximately 1.73 million shares of Illumina stock for $200 million at an average price of $115.74 per share. These repurchases were completed in February;

- We ended the quarter with approximately $1.24 billion in cash, cash equivalents and short-term investments, and gross leverage of approximately 1.8x gross debt to last 12 months EBITDA.

Now moving to guidance for the year 2025:

As you may have seen in the press release, we are updating our guidance to reflect the impact of recent changes in the geopolitical environment. We remain confident in the continued strong position of our business and underlying growth in sequencing demand. However, the overall environment remains dynamic, and we are providing estimates of known changes as of today and reflecting these impacts in our guidance.

As it relates to our business in China, we will now be providing guidance separately for the Greater China region. This will allow for visibility into the evolution of our business in China, as well as that the over 95% of our business in 2025 outside Greater China is making significant progress towards our long-term financial targets.

Starting with Revenue, we are reducing our revenue guidance for Greater China by $125 million at the midpoint, in connection with export restrictions on instruments, and the projected impact on the remainder of our China business. For Rest of World, we are lowering our revenue guidance to reflect the effect of two items: (first) reducing revenue by (2%) – (4%) quarterly, weighted more towards our research customers due to a constrained funding environment, partially offset by (second) approximately 1% of additional quarterly growth driven by clinical customers as we have seen strong instrument placements over the last couple quarters. The net impact of these two items is approximately $60 million over the next 3 quarters.

In addition, we are taking pricing actions that provide incremental revenue benefit, primarily in the back half of the year. Fx favorability, relative to our previous guidance, adds about $25 million to our projected reported revenue. All put together for Rest of World, this represents revenue growth of 1% at the midpoint.

More about China:

We are in active dialogue with regulatory authorities for a long-term resolution. We are taking a pragmatic view in our guidance and have taken expense actions to offset the impact on our earnings – both for this year and on a cumulative basis going forward. The guide assumes $165 million to $185 million in full year revenue in the Greater China region, of which $72 million was recognized in Q1 and $60 million is projected for Q2'25, and only $43 million of contribution at midpoint in the second half of the year. To the extent there is a positive resolution in China, will represent additional upside to this guidance.

Now shifting into our product assumptions:

- Excluding the Greater China region, we expect sequencing consumables growth between flat and 2%, driven by strong sequencing activity, especially with our clinical customers.

- For sequencing instruments, we are assuming that our customers will continue to manage their capital investments closely. We expect demand for NovaSeq X instruments to remain relatively constant, and low-throughput growth driven by placements of the MiSeq i100, which is being received very well. We expect sequencing instruments excluding Greater China to be roughly flat year-over-year.

Now moving to EPS.

As you may recall, our revised EPS guidance in March which maintained EPS of approximately $4.50, took into consideration the reduction in Greater China region revenue and the impact from the more constrained funding environment, as well as new actions we initiated to help protect our earnings growth.

Our new EPS guidance additionally takes into consideration the developments thereafter, and the primary factor lowering our guidance is the new tariff environment. For Illumina, the estimated gross cost of tariffs for 2025 is approximately $85 million. The largest part of this relates to goods shipped from our manufacturing facility in Singapore to the U.S. The remainder relates to parts and sub-assemblies imported to our manufacturing operations in the U.S, as well as Illumina products sold into China. For Q2, given the inventory effects, we will see a partial period impact and a $30-35 million impact in the following quarters. Our current guidance does not assume any incremental tariffs, including any counter tariffs from the EU or other countries.

We are taking several actions across supply-chain optimization, pricing, and enacting other expense measures to fully mitigate the impact of these tariffs. These actions take time and we will realize an incremental benefit from these actions in 2026. For 2025, we are expecting to mitigate roughly half of this tariff impact – and hence reducing the EPS at mid-point by $0.25 from the revised guidance provided in early March.

In addition to our ongoing focus on reducing costs, we also plan to continue to repurchase shares under our previously approved share repurchase authorization, which has approximately $1.2 billion remaining at the end of the quarter. These repurchases should provide a small in-year accretive benefit to EPS.

Embedded in our FY25 EPS guidance is a contribution from Greater China of approximately $0.35. For comparison, in FY24, we estimate Greater China EPS to be approximately $0.76. Our Rest of World EPS this year at midpoint of guidance would be $3.90 growing at a rate of 15% over similar compare last year. As I mentioned before, the expense actions we triggered in March will give us incremental benefit going forward, and drive earnings growth irrespective of the outcome in China.

Bringing it all together, our updated guidance for the year reflects revenue in the range of $4.18B to $4.26B, a decline in the range of (3%) to (1%) and excluding greater China, a range of flat to 2% growth. We expect a non-GAAP operating margin of approximately 21.5 – 22%, an expansion of 45 basis points at the midpoint versus 2024. The net impact of tariff related items is a reduction of 125 basis points in operating margin. We are also lowering our non-GAAP tax rate, which is now expected to be approximately 22%. This results in an EPS guidance range of $4.20 – $4.30.

Now moving to the second quarter of 2025:

For the second quarter, we expect total revenue range between $1.04 and $1.06 billion. This includes revenue in the Greater China Region between $55 million and $65 million, and revenue outside the Greater China region in the range of $980 million to $1 billion, or down between (2%) and (3%) year-over-year, driven predominantly by a decline in certain strategic partnership revenues and the research market dynamics I've spoken to. We are only applying the pricing actions to new orders, therefore there will be minimal benefit in Q2.

We expect non-GAAP operating margin of approximately 21% and non-GAAP EPS in the range of $1.00 to $1.04, both of which include the estimated $15 million in direct cost impact due to tariffs.

Our guide, like before, implies a stronger H2 contribution vs H1 – which is premised on both, continued improvement in consumables growth with transition of X, and also the effect of just-triggered expense and pricing actions, whose contributions increase in H2.

In closing, I would like to acknowledge the perseverance and commitment of all the Illumina employees amidst an increasingly dynamic environment. I remain confident in the path forward, and the Illumina team's ability to execute towards our near-term and long-term financial targets.

Thank you for joining our call today. I will now invite the Operator to open the line for Q&A.

Brian Blanchett, Vice President, Enterprise Finance & Treasurer, and interim head of Investor Relations

Thank you for joining us today. A replay of this call will be available in the Investor section of our website. This concludes our call, and we look forward to seeing you at upcoming events.

Statement regarding use of non-GAAP financial measures

The company reports non-GAAP results for diluted earnings per share, net income, gross margin, operating expenses, including research and development expense, selling general and administrative expense, legal contingency and settlement, and goodwill and intangible impairment, operating income, operating margin, gross profit, other income (expense), tax provision, constant currency revenue and growth, and free cash flow (on a consolidated and, as applicable, segment basis) in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. The company's financial measures under GAAP include substantial charges such as amortization of acquired intangible assets among others that are listed in the reconciliations of GAAP and non-GAAP financial measures included in this press release, as well as the effects of currency translation. Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance. Non-GAAP net income, diluted earnings per share and operating margin are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation.

The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the tables of this release.

The company provides forward-looking guidance on a non-GAAP basis, including on a constant currency basis for revenue and revenue growth rates. The company is unable to provide a reconciliation of forward-looking non-GAAP financial measures to the most directly comparable GAAP reported financial measures because it is unable to predict with reasonable certainty the impact of items such as acquisition-related expenses, fair value adjustments to contingent consideration, gains and losses from strategic investments, potential future asset impairments, restructuring activities, the ultimate outcome of pending litigation, and currency exchange rate fluctuations without unreasonable effort. These items are uncertain, inherently difficult to predict, depend on various factors, and could have a material impact on GAAP reported results for the guidance period. For the same reasons, the company is unable to address the significance of the unavailable information, which could be material to future results.

Use of forward-looking statements

This release may contain forward-looking statements that involve risks and uncertainties. Among the important factors to which our business is subject that could cause actual results to differ materially from those in any forward-looking statements are: (i) changes in the rate of growth in the markets we serve; (ii) the volume, timing and mix of customer orders among our products and services; (iii) our ability to adjust our operating expenses to align with our revenue expectations; (iv) uncertainty regarding the impact of our recent inclusion on the "unreliable entities list" by regulatory authorities in China and the decision by regulatory authorities in China to not permit us to export sequencing instruments into China; (v) tariffs recently imposed or threatened by the U.S. government and its trading partners, and other possible tariffs or trade protection measures and our efforts to mitigate the impact of such tariffs; (vi) our ability to manufacture robust instrumentation and consumables; (vii) the success of products and services competitive with our own; (viii) challenges inherent in developing, manufacturing, and launching new products and services, including expanding or modifying manufacturing operations and reliance on third-party suppliers for critical components; (ix) the impact of recently launched or pre-announced products and services on existing products and services; (x) our ability to modify our business strategies to accomplish our desired operational goals; (xi) our ability to realize the anticipated benefits from prior or future actions to streamline and improve our R&D processes, reduce our operating expenses and maximize our revenue growth; (xii) our ability to further develop and commercialize our instruments, consumables, and products; (xiii) to deploy new products, services, and applications, and to expand the markets for our technology platforms; (xiv) the risk of additional litigation arising against us in connection with the GRAIL acquisition; (xv) our ability to obtain approval by third-party payors to reimburse patients for our products; (xvi) our ability to obtain regulatory clearance for our products from government agencies; (xvii) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xviii) uncertainty, or adverse economic and business conditions, including as a result of slowing or uncertain economic growth or armed conflict; (xix) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments and (xx) legislative, regulatory and economic developments, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

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Illumina, Inc.
Condensed Statements of Cash Flows
(In millions)
(unaudited)

TABLE 1: CONSOLIDATED STATEMENTS OF CASH FLOWS AND FREE CASH FLOWS:

	Three Months Ended	
	March 30, 2025	**March 31, 2024**
Net cash provided by operating activities	**$ 240**	$ 77
Net cash used in investing activities	**(63)**	(48)
Net cash (used in) provided by financing activities	**(195)**	35
Effect of exchange rate changes on cash and cash equivalents	**4**	(4)
Net (decrease) increase in cash and cash equivalents	**(14)**	60
Cash and cash equivalents, beginning of period	**1,127**	1,048
Cash and cash equivalents, end of period	**$ 1,113**	$ 1,108
Calculation of free cash flow:		
Net cash provided by operating activities	**$ 240**	$ 77
Purchases of property and equipment	**(32)**	(36)
Free cash flow (a)	**$ 208**	$ 41

TABLE 2: CORE ILLUMINA FREE CASH FLOWS:

	Three Months Ended	
	March 30, 2025	**March 31, 2024**
Net cash provided by operating activities	**$ 240**	$ 284
Purchases of property and equipment	**(32)**	(33)
Free cash flow (a)	**$ 208**	$ 251

(a) Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by operating activities reduced by purchases of property and equipment. Free cash flow is useful to management as it is one of the metrics used to evaluate our performance and to compare us with other companies in our industry. However, our calculation of free cash flow may not be comparable to similar measures used by other companies.

Illumina, Inc.
Results of Operations - Constant Currency Revenue
(Dollars in millions)
(unaudited)

	Core Illumina			Consolidated		
	Three Months Ended			Three Months Ended		
	March 30, 2025	March 31, 2024	% Change	March 30, 2025	March 31, 2024	% Change
Revenue	**$ 1,041**	$ 1,056	(1)%	**$ 1,041**	$ 1,076	(3)%
Less: Hedge gains	**6**	3		**6**	3	
Revenue, excluding hedge effect	**1,035**	1,053		**1,035**	1,073	
Less: Exchange rate effect	**(16)**	—		**(16)**	—	
Constant currency revenue (a)	**$ 1,051**	$ 1,053	—	**$ 1,051**	$ 1,073	(2)%

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.

Illumina, Inc.
Results of Operations - Revenue by Source
(Dollars in millions)
(unaudited)

TABLE 1: CORE ILLUMINA - REVENUE BY SOURCE:

	Three Months Ended		
	March 30, 2025	**March 31, 2024**	**% Change**
Sequencing consumables revenue	**$ 696**	$ 698	—
Less: Hedge gains	**5**	2	
Sequencing consumables revenue, excluding hedge effect	**691**	696	
Less: Exchange rate effect	**(12)**	—	
Sequencing consumables constant currency revenue (a)	**$ 703**	$ 696	1 %
Sequencing instruments revenue	**$ 109**	$ 110	(1)%
Less: Hedge gains	**1**	1	
Sequencing instruments revenue, excluding hedge effect	**108**	109	
Less: Exchange rate effect	**(1)**	—	
Sequencing instruments constant currency revenue (a)	**$ 109**	$ 109	—
Sequencing service and other revenue	**$ 142**	$ 151	(6)%
Less: Hedge gains	**—**	—	
Sequencing service and other revenue, excluding hedge effect	**142**	151	
Less: Exchange rate effect	**(1)**	—	
Sequencing service and other constant currency revenue (a)	**$ 143**	$ 151	(5)%

Amounts in tables are rounded to the nearest millions. As a result, certain amounts may not recalculate.

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.

Illumina, Inc.
Results of Operations - Revenue by Region
(Dollars in millions)
(unaudited)

TABLE 1: CORE ILLUMINA - REVENUE BY REGION:

	Three Months Ended		
	March 30, 2025	March 31, 2024	% Change
AMR revenue	**$ 570**	$ 583	(2)%
Less: Hedge gains	**—**	—	
AMR revenue, excluding hedge effect	**570**	583	
Less: Exchange rate effect	**(3)**	—	
AMR constant currency revenue (a)	**$ 573**	$ 583	(2)%
AMEA revenue (b)	**$ 106**	$ 116	(9)%
Less: Hedge gains	**1**	2	
AMEA revenue, excluding hedge effect (b)	**105**	114	
Less: Exchange rate effect	**(4)**	—	
AMEA constant currency revenue (a)(b)	**$ 109**	$ 114	(5)%
Greater China revenue (c)	**$ 72**	$ 78	(8)%
Less: Hedge gains	**1**	1	
Greater China revenue, excluding hedge effect (c)	**71**	77	
Less: Exchange rate effect	**(2)**	—	
Greater China constant currency revenue (a)(c)	**$ 73**	$ 77	(6)%
Europe revenue	**$ 293**	$ 279	5 %
Less: Hedge gains	**4**	—	
Europe revenue, excluding hedge effect	**289**	279	
Less: Exchange rate effect	**(7)**	—	
Europe constant currency revenue (a)	**$ 296**	$ 279	6 %

Amounts in tables are rounded to the nearest millions. As a result, certain amounts may not recalculate.

(a) Constant currency revenue growth, which is a non-GAAP financial measure, is calculated using comparative prior period foreign exchange rates to translate current period revenue, net of the effects of hedges.
(b) Region includes revenue from Russia and Turkey.
(c) Region includes revenue from China, Taiwan, and Hong Kong.

Illumina, Inc.
Results of Operations - Non-GAAP
(In millions, except per share amounts)
(unaudited)

TABLE 1: RECONCILIATION OF GAAP AND NON-GAAP DILUTED EARNINGS (LOSS) PER SHARE:

	Three Months Ended		
	March 30, 2025	March 31, 2024	
	Core/ Consolidated	Core Illumina	Consolidated
GAAP diluted earnings (loss) per share	**$ 0.82**	$ 0.44	$ (0.79)
Cost of revenue (b)	**0.12**	0.09	0.31
R&D expense (b)	**0.07**	0.03	0.03
SG&A expense (b)	**0.12**	0.52	0.57
Other income, net (b)	**(0.21)**	(0.05)	(0.05)
Provision for income taxes (b)	**0.05**	(0.05)	0.02
Non-GAAP diluted earnings per share (a)	**$ 0.97**	$ 0.98	$ 0.09

TABLE 2: RECONCILIATION OF GAAP AND NON-GAAP NET INCOME (LOSS):

	Three Months Ended		
	March 30, 2025	March 31, 2024	
	Core/ Consolidated	Core Illumina	Consolidated
GAAP net income (loss)	**$ 131**	$ 70	$ (126)
Cost of revenue (b)	**19**	15	49
R&D expense (b)	**11**	4	4
SG&A expense (b)	**19**	83	91
Other income, net (b)	**(33)**	(8)	(8)
Provision for income taxes (b)	**7**	(9)	4
Non-GAAP net income (a)	**$ 154**	$ 155	$ 14

Amounts in tables are rounded to the nearest millions. As a result, certain amounts may not recalculate.

(a) Non-GAAP net income and diluted earnings per share exclude the effects of the pro forma adjustments detailed above. Non-GAAP net income and diluted earnings per share are key components of the financial metrics utilized by the company’s board of directors to measure, in part, management’s performance and determine significant elements of management’s compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future operating performance.
(b) Refer to Reconciliations between GAAP and Non-GAAP Results of Operations for details of amounts.

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TABLE 3: RECONCILIATION OF GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended								
	March 30, 2025		March 31, 2024						
	Core/Consolidated		Core Illumina		GRAIL	Elims	Consolidated		
GAAP gross profit (loss) (b)	**$ 683**	**65.6 %**	$ 693	65.7 %	$ (22)	$ (4)	$ 667	62.0 %
Acquisition-related costs (c)	**17**	**1.6 %**	15	1.4 %	34	—	49	4.5 %
Transformational initiatives (d)	**2**	**0.2 %**	—	—	—	—	—	—
Non-GAAP gross profit (a)	**$ 702**	**67.4 %**	$ 708	67.1 %	$ 12	$ (4)	$ 716	66.5 %
GAAP R&D expense	**$ 252**	**24.2 %**	$ 241	22.8 %	$ 101	$ (3)	$ 339	31.5 %
Acquisition-related costs (c)	**—**	**—**	(3)	(0.3)%	—	—	(3)	(0.3)%
Transformational initiatives (d)	**(11)**	**(1.0)%**	(1)	(0.1)%	—	—	(1)	(0.1)%
Non-GAAP R&D expense	**$ 241**	**23.2 %**	$ 237	22.4 %	$ 101	$ (3)	$ 335	31.1 %
GAAP SG&A expense	**$ 267**	**25.6 %**	$ 336	31.9 %	$ 104	$ (1)	$ 439	40.8 %
Acquisition-related costs (c)	**4**	**0.4 %**	(48)	(4.6)%	(7)	—	(55)	(5.1)%
Transformational initiatives (d)	**(18)**	**(1.7)%**	(34)	(3.3)%	(1)	—	(35)	(3.3)%
Other (g)	**(5)**	**(0.4)%**	—	—	—	—	—	—
Non-GAAP SG&A expense	**$ 248**	**23.9 %**	$ 254	24.0 %	$ 96	$ (1)	$ 349	32.4 %
GAAP operating profit (loss)	**$ 164**	**15.8 %**	$ 116	11.0 %	$ (227)	$ —	$ (111)	(10.3)%
Cost of revenue	**19**	**1.8 %**	15	1.4 %	34	—	49	4.5 %
R&D costs	**11**	**1.1 %**	4	0.4 %	—	—	4	0.4 %
SG&A costs	**18**	**1.7 %**	83	7.8 %	8	—	91	8.5 %
Non-GAAP operating profit (loss) (a)	**$ 212**	**20.4 %**	$ 218	20.6 %	$ (185)	$ —	$ 33	3.1 %
GAAP other income (expense), net	**$ 18**	**1.7 %**	$ (1)	(0.1)%	$ 3	$ —	$ 2	0.2 %
Strategic investment gain, net (e)	**(33)**	**(3.1)%**	(6)	(0.6)%	—	—	(6)	(0.6)%
Other (f)	**—**	**—**	(2)	(0.2)%	—	—	(2)	(0.2)%
Non-GAAP other (expense) income, net (a)	**$ (15)**	**(1.4)%**	$ (9)	(0.9)%	$ 3	$ —	$ (6)	(0.6)%

Amounts in tables are rounded to the nearest millions. As a result, certain amounts may not recalculate.
Percentages of revenue are calculated based on the revenue of the respective segment.

(a) Non-GAAP gross profit, included within non-GAAP operating profit (loss), is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of our products and services. Non-GAAP operating profit (loss) and non-GAAP other income (expense), net exclude the effects of the pro forma adjustments as detailed above. Non-GAAP operating margin is a key component of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future operating performance.

(b) Reconciling amounts are recorded in cost of revenue.

(c) Amounts for Q1 2025 consist of $17 million for amortization of intangible assets (cost of revenue) and $7 million related primarily to legal expenses for the GRAIL acquisition (SG&A), offset by $11 million for fair value adjustments on our contingent consideration liabilities (SG&A). Consolidated amounts for Q1 2024 consist of $50 million for amortization of intangible assets, $16 million for fair value adjustments on our contingent consideration liabilities, $31 million related primarily to legal and other expenses for the acquisition and divestiture of GRAIL, $7 million for accrued interest on the EC fine, and $3 million for IPR&D impairment.

(d) Amounts for Q1 2025 consist primarily of employee severance costs related to restructuring activities and amounts for Q1 2024 consist primarily of lease and other asset impairments and employee severance costs.

(e) Amounts consist primarily of mark-to-market adjustments and impairments on our strategic investments.

(f) Consolidated amounts for Q1 2024 consist of $3 million for fair value adjustments on our Helix contingent value right, which was settled in 2024, offset by $1 million for unrealized gains/losses related to foreign currency balance sheet remeasurement of the EC fine liability, that was reversed in 2024, and unrealized mark-to-market gains/losses on hedge associated with the EC fine, for which such forward contracts were terminated in 2024.

(g) Amounts for Q1 2025 consist of $3 million for costs related to board membership changes and $2 million for legal contingency accrual.

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(unaudited)

TABLE 4: RECONCILIATION OF GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended					
	March 30, 2025		March 31, 2024			
	Core/Consolidated		Core Illumina		Consolidated	
GAAP tax provision	**$ 51**	**27.9 %**	$ 45	39.3 %	$ 17	(15.3)%
Income tax provision (b)	**(6)**		—		—	
GILTI, US foreign tax credits, global minimum top-up tax (c)	**—**		(13)		(17)	
Incremental non-GAAP tax expense (d)	**(1)**		22		13	
Non-GAAP tax provision (a)	**$ 44**	**22.0 %**	$ 54	25.7 %	$ 13	46.4 %

(a) Non-GAAP tax provision excludes the effects of the pro forma adjustments detailed above, which have been excluded to assist investors in analyzing and assessing past and future operating performance.
(b) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(c) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI, the utilization of US foreign tax credits, and the Pillar Two global minimum top-up tax, which no longer applies for 2025 since the GRAIL pre-acquisition net operating losses were fully utilized in prior years.
(d) Incremental non-GAAP tax expense reflects tax impact of the non-GAAP adjustments listed in Table 2.