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ILMN Q121 Summary of Prepared Remarks

	Q121	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	$695M	+26%	+16%	- Strong growth in clinical testing and demand for NovaSeq V1.5 flow cells - More than 44% of our sequencing consumable shipments in Q121 were to clinical customers; does not include COVID surveillance, which is reported in our Research and Academic segment - Clinical testing showed significant growth with consumables up 35% Y/Y - COVID-19 surveillance initiatives contributed approximately $20 million in sequencing consumables revenue during Q121 - Benefited by approximately $20 million from the timing of customer purchases during Q121
Microarrays Consumables	$79M	+18%	-9%	
Total Consumables	$774M	+25%	+13%	
Sequencing Instruments	$176M	+123%	+25%	- Reflects strong performance across all instrument categories - COVID surveillance initiatives resulted in approximately $35 million of incremental instrument revenue due to some customers building additional capacity for genomic epidemiology
Microarrays Instruments	$3M	+50%	-25%	
Total Instruments	$179M	+121%	+23%	
Total Products	$953M	+36%	+15%	
Sequencing Service & Other	$108M	-16%	+2%	- Down Y/Y, as expected, due to IVD partnership revenue recognized in Q120
Microarrays Service & Other	$32M	+7%	+100%	
Total Service & Other	$140M	-11%	+15%	
Total Revenue	$1,093M	+27%	+15%	- 29% growth in sequencing driven by accelerating growth in our core business - Clinical and research customers exceeded pre-COVID activity levels - Oncology Testing segment exceeded our overall Clinical growth rate and is our largest and fastest growing Clinical segment driven by expanding access to reimbursement for NGS-based testing - Genetic Disease Testing growth rate Y/Y exceeded the company's overall growth rate - Record revenue across all regions contributed to the first billion-dollar quarter in the company's history

	Q121	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	$562M	+18%	+14%	- Strength in sequencing product revenue from clinical customers in Oncology, Reproductive Health and Genetic Disease Testing - Contributions from genomic epidemiology initiatives related to Covid surveillance. - Growth partially offset by lower IVD partnership revenue, as expected
EMEA	$305M	+38%	+7%	- Strong sequencing demand for clinical testing applications that resulted in higher-than-expected sequencing consumables revenue in Q121 - Instrument demand by research customers, including initiatives for COVID surveillance and genomic epidemiology.
Asia Pacific	$99M	+29%	+29%	- Sequencing consumables revenue growth in clinical applications such as Oncology, Reproductive Health, and Genetic Disease Testing - Fiscal year-end purchases
Greater China	$127M	+51%	+32%	- Strength in sequencing revenue driven by clinical expansion in the region and growing demand in hospitals - Successful launch of NextSeq 550Dx

Sequencing Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	- NovaSeq achieved its highest first quarter placements on record - Positive impact of our v1.5 reagents, enabling both new high-throughput customers as well as continued conversions from our existing HiSeq customer base
Mid-Throughput (MT): NextSeq	- Another consecutive quarter of record mid-throughput shipments driven by strong adoption of NextSeq 1000/2000 and an increase in customers upgrading from benchtop systems - NextSeqDx recorded its highest shipment quarter to date - 23% increase in consumables revenue Y/Y
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	- 33% growth Y/Y with robust growth in both sequencing consumables and instrument shipments in Q121 - MiSeq, MiniSeq and iSeq all generated Y/Y and Q/Q growth in consumables and instrument placements

Q121 Non-GAAP Financial Highlights

You are encouraged to review the GAAP reconciliations of the following non-GAAP measures at the end of this summary.

	Q121	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	70.5%	-250bps	+360bps	- Q/Q improvement due to increased fixed cost leverage on higher volumes and a one-time inventory write-down in Q420 - Decreased Y/Y due to IVD partnership revenue in the year ago quarter, higher freight costs attributable to the COVID-19 pandemic, and product mix, partially offset by fixed cost leverage on higher volumes
Operating expenses	$420M	+$81M	-$19M	- Increased Y/Y in line with expectations due to increased performance-based compensation expenses, headcount growth, and increased project spend during the quarter. - Down Q/Q due to an additional week in Q4 2020, partially offset by higher variable compensation expenses in Q121
Operating margin	32.1%	-150bps	+1,120bps	- Q/Q improvement was better than expected due to higher revenues, gross margin, and resulting increased fixed cost absorption in the quarter
Other expense, net	($3M)	-$4M	-$23M	- Lower Q/Q from other income in Q420 as expected due to: o 4Q20 gains on short term investments that we sold as we repositioned our investment portfolio for the anticipated funding of the GRAIL acquisition o Lower interest income in Q121
Tax rate	20.3%	+420bps	+190bps	- Up Q/Q due to tax expense on certain foreign subsidiary earnings that are no longer indefinitely reinvested, partly due to the capital requirements associated with funding the anticipated GRAIL acquisition
Net income	$278M	+$35M	+$99M	
EPS - diluted	$1.89	+15%	+55%	

	Q121	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	$282M	+$1M	-$124M	
DSO	43 days	-7 days	-7 days	- Driven by revenue linearity
Capital expenditures	-$42M	+$2M	-$20M	
Free cash flow	$240M	-$1M	-$104M	
Cash, cash equivalents & short-term Investments	$4.6B	+$1,298M	+$1,158M	- Received approximately $1 billion in proceeds from bond issuances to fund the anticipated GRAIL acquisition

Guidance – FY21

You are encouraged to review the GAAP reconciliations of the following non-GAAP measures at the end of this summary.

	FY21 Guidance	Management Commentary
Revenue	$4.05B - $4.15B	- 25% - 28% total revenue growth Y/Y - $858 million increase Y/Y at the mid-point reflects: o 29% total sequencing growth driven by strong orders and instrument placements o 30% sequencing consumables growth driven by strong demand for NovaSeq v1.5 reagents and growth in clinical markets o 50% sequencing system growth driven by NovaSeq placements to new-to-high throughput customers and continued HiSeq conversions and NextSeq demand o 5% arrays growth - NovaSeq pull through to be towards the high-end of our initial guidance range of $1.1 to $1.2 million in 2021
Non-GAAP GM	Improve Y/Y	- Reflecting increased leverage on higher volumes, partially offset by product mix and IVD partnership revenue in the first quarter of 2020
Non-GAAP Operating Margin (a)	26.5%	- Reflecting our higher revenue expectations and our ongoing commitment to investment in research and development - Continue to maintain our focus on improving our core business operating margin leverage over time
Non-GAAP Other Expense	$60 million lower Y/Y	- Due to the gains realized in Q420, lower interest income on shorter duration investments in anticipation of the close of the GRAIL acquisition, and interest expense from our recent bond issuances
GAAP Diluted EPS (b)	$4.72 - $4.97	
Non-GAAP Diluted EPS (b)	$5.80 - $6.05	- Expect diluted shares outstanding in 2021 to be approximately 148 million

(a) Except for acquisition-related expenses incurred during Q1 2021, this guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.

(b) Except for acquisition-related expenses and bridge facility fees incurred during Q1 2021, this guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.

Guidance – Q221

You are encouraged to review the GAAP reconciliations of the following non-GAAP measures at the end of this summary.

	Q221 Guidance	Management Commentary
Revenue	60% increase Y/Y	- Due to the broader economic recovery and strength in our core business
Non-GAAP GM	Increase Y/Y Down modestly Q/Q	- Y/Y increase due to the higher volumes and resulting leverage - Sequential decrease due to mix and additional investments to support the higher-than-expected volume growth
Non-GAAP Operating Expenses	Increase significantly Y/Y and Q/Q	- Due to investments supporting the growth of the business and research and development, as well as compensation related expenses
Non-GAAP Other Expense	Modestly unfavorable Y/Y and Q/Q	
Non-GAAP Tax Rate	Slightly lower Y/Y	
GAAP Diluted EPS (c)	\$1.21 - \$1.26	
Non-GAAP Diluted EPS (c)	\$1.30 - \$1.35	

(c) Guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.

Statement regarding use of non-GAAP financial measures

The company reports non-GAAP results for diluted net income per share, net income, gross margins, operating expenses, operating margins, other income, and free cash flow 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, non-cash interest expense associated with the company's convertible debt instruments that may be settled in cash, and others that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release. Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance. Additionally, 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.

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.

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) the impact to our business and operating results of the COVID-19 pandemic; (ii) changes in the rate of growth in the markets we serve; (iii) the volume, timing and mix of customer orders among our products and services; (iv) our ability to adjust our operating expenses to align with our revenue expectations; (v) the outcome of the pending acquisition of GRAIL, Inc.; (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 further develop and commercialize our instruments and consumables, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (xi) our ability to obtain regulatory clearance for our products from government agencies; (xii) our ability to successfully partner with other companies and organizations to develop new products, expand markets, and grow our business; (xiii) our ability to successfully identify and integrate acquired technologies, products, or businesses; and (xiv) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments, 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.

Illumina, Inc.

Condensed Consolidated Statements of Cash Flows

(In millions)

(unaudited)

	Three Months Ended	
	April 4, 2021	March 29, 2020
Net cash provided by operating activities	$ 282	$ 281
Net cash provided by (used in) investing activities	1,376	(135)
Net cash provided by (used in) financing activities	968	(191)
Effect of exchange rate changes on cash and cash equivalents	(3)	(6)
Net increase (decrease) in cash and cash equivalents	2,623	(51)
Cash and cash equivalents, beginning of period	1,810	2,042
Cash and cash equivalents, end of period	$ 4,433	$ 1,991
Calculation of free cash flow:		
Net cash provided by operating activities	$ 282	$ 281
Purchases of property and equipment	(42)	(40)
Free cash flow **(a)**	$ 240	$ 241

(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 - Non-GAAP
(In millions, except per share amounts)
(unaudited)

RECONCILIATION BETWEEN GAAP AND NON-GAAP EARNINGS PER SHARE:

	Three Months Ended	
	April 4, 2021	March 29, 2020
GAAP earnings per share - diluted	**$ 1.00**	$ 1.17
Cost of revenue **(b)**	**0.05**	0.06
Research and development costs **(b)**	**—**	(0.01)
Selling, general and administrative costs **(b)**	**1.03**	0.62
Other expense, net **(b)**	**0.14**	0.08
Incremental non-GAAP tax expense **(c)**	**(0.30)**	(0.19)
Income tax benefit **(d)**	**(0.03)**	(0.09)
Non-GAAP earnings per share - diluted **(a)**	**$ 1.89**	$ 1.64

RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME:

	Three Months Ended	
	April 4, 2021	March 29, 2020
GAAP net income	**$ 147**	$ 173
Cost of revenue **(b)**	**7**	9
Research and development costs **(b)**	**—**	(1)
Selling, general and administrative costs **(b)**	**151**	92
Other expense, net **(b)**	**21**	12
Incremental non-GAAP tax expense **(c)**	**(44)**	(29)
Income tax benefit **(d)**	**(4)**	(13)
Non-GAAP net income **(a)**	**$ 278**	$ 243

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

(a) Non-GAAP net income and diluted earnings per share exclude the effect of the pro forma adjustments as 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 core operating performance.
(b) Refer to our "Itemized Reconciliation between GAAP and Non-GAAP Results of Operations as a Percent of Revenue," below, for the components of these amounts.
(c) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.
(d) Amounts represent tax deductions taken in excess of stock compensation cost.

Illumina, Inc.

Results of Operations - Non-GAAP (continued)

(Dollars in millions)

(unaudited)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended			
	April 4, 2021		March 29, 2020	
GAAP gross profit (b)	**$ 764**	**69.9 %**	$ 619	72.1 %
Amortization of acquired intangible assets	**6**	**0.5 %**	7	0.8 %
Expenses related to COVID-19 **(c)**	**1**	**0.1 %**	1	0.1 %
Income related to COVID-19 **(d)**	**—**	**—**	(1)	(0.1)%
Restructuring **(e)**	**—**	**—**	2	0.1 %
Non-GAAP gross profit **(a)**	**$ 771**	**70.5 %**	$ 628	73.0 %
GAAP research and development expense	**$ 197**	**18.0 %**	$ 156	18.2 %
Income related to COVID-19 **(d)**	**—**	**—**	1	0.1 %
Non-GAAP research and development expense	**$ 197**	**18.0 %**	$ 157	18.3 %
GAAP selling, general and administrative expense	**$ 374**	**34.2 %**	$ 274	31.9 %
Acquisition-related expenses **(f)**	**(150)**	**(13.7)%**	(92)	(10.8)%
Expenses related to COVID-19 **(c)**	**(2)**	**(0.2)%**	—	—
Income related to COVID-19 **(d)**	**1**	**0.1 %**	—	—
Non-GAAP selling, general and administrative expense	**$ 223**	**20.4 %**	$ 182	21.1 %
GAAP operating profit	**$ 193**	**17.7 %**	$ 189	22.0 %
Cost of revenue	**7**	**0.6 %**	9	0.9 %
Research and development costs	**—**	**—**	(1)	(0.1)%
Selling, general and administrative costs	**151**	**13.8 %**	92	10.8 %
Non-GAAP operating profit **(a)**	**$ 351**	**32.1 %**	$ 289	33.6 %
GAAP other expense, net	**$ (24)**	**(2.2)%**	$ (11)	(1.3)%
Non-cash interest expense **(g)**	**11**	**1.0 %**	10	1.2 %
Strategic investment related loss (gain), net **(h)**	**39**	**3.6 %**	(5)	(0.6)%
(Gain) loss on derivative assets **(i)**	**(26)**	**(2.3)%**	4	0.5 %
Bridge facility fees **(j)**	**7**	**0.6 %**	—	—
(Gain) loss on contingent value right **(k)**	**(10)**	**(0.9)%**	3	0.3 %
Non-GAAP other (expense) income, net **(a)**	**$ (3)**	**(0.2)%**	$ 1	0.1 %

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

(a) Non-GAAP gross profit, included within non-GAAP operating profit, 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, and non-GAAP other (expense) income, net, exclude the effects of the pro forma adjustments as detailed above. 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 consist of direct and incremental expenses incurred due to the COVID-19 pandemic, primarily expenses related to employee testing and incremental cleaning in Q1 2021, and premium pay for onsite essential workers in Q1 2020.

(d) Amounts consist of direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in the US and Canada in Q1 2021, and payroll-related credits earned in Singapore in Q1 2020.

(e) Amount consists primarily of employee costs related to restructuring in Q1 2020.

(f) Amount for Q1 2021 consists primarily of expenses related to the pending acquisition of GRAIL, including $105 million in Continuation Payments. Amount for Q1 2020 consists primarily of expenses related to the Continuation Advances and Reverse Termination Fee paid to Pacific Biosciences related to the terminated acquisition.

(g) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.

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

(i) Amount for Q1 2021 consists of a gain recorded on our derivative assets related to the terminated acquisition with Pacific Biosciences as a result of Pacific Biosciences repaying to us $52 million in Continuation Advances. Amount for Q1 2020 consists of fair value adjustments recorded on our derivative assets.

(j) Amount consists of expenses related to the bridge facility commitment obtained in advance of the pending acquisition of GRAIL. We terminated the bridge facility commitment in March 2021, in conjunction with our issuance of term notes.

(k) Amounts consist of fair value adjustments related to our contingent value right received from Helix.

Illumina, Inc.
Results of Operations - Non-GAAP (continued)
(Dollar in millions)
(unaudited)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended	
	April 4, 2021	
GAAP tax provision	$ 22	13.1 %
Incremental non-GAAP tax expense **(a)**	44	
Income tax benefit **(b)**	4	
Non-GAAP tax provision	$ 70	20.3 %

(a) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed in our "Reconciliation Between GAAP and Non-GAAP Net Income and Earnings Per Share Attributable to Illumina Stockholders".

(b) Amount represents tax deductions taken in excess of stock compensation cost.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 3, 2021 filed with the SEC on February 17, 2021. We assume no obligation to update any forward-looking statements or information.

	Fiscal Year 2021
GAAP diluted earnings per share (a)	**$4.72 - $4.97**
Amortization of acquired intangible assets	0.18
Non-cash interest expense **(b)**	0.24
Strategic investment related loss, net **(c)**	0.26
Acquisition-related expenses **(d)**	1.02
Bridge facility fees **(e)**	0.05
COVID-19 expense, net **(f)**	0.01
Gain on derivative assets **(g)**	(0.18)
Gain on contingent value right **(h)**	(0.07)
Incremental non-GAAP tax expense **(i)**	(0.40)
Excess tax benefits from share-based compensation **(j)**	(0.03)
Non-GAAP diluted earnings per share **(a)**	$5.80 - $6.05

(a) Except for acquisition-related expenses and bridge facility fees incurred during Q1 2021, this guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.
(b) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
(c) Amount consists primarily of mark-to-market adjustments and impairments from our strategic investments.
(d) Amount consists primarily of acquisition-related expenses related to the pending acquisition of GRAIL.
(e) Amount consists of expenses related to the bridge facility commitment obtained in advance of the pending acquisition of GRAIL. We terminated the bridge facility commitment in March 2021, in conjunction with our issuance of term notes.
(f) Amount consists of direct and incremental expenses incurred due to the COVID-19 pandemic, primarily expenses related to employee testing and incremental cleaning, partially offset by direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in the US and Canada.
(g) Amount consists of gain recorded on our derivative assets related to the terminated acquisition with Pacific Biosciences as a result of Pacific Biosciences repaying to us $52 million in Continuation Advances.
(h) Amount consists of fair value adjustments related to our contingent value right received from Helix.
(i) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.
(j) Amount represents tax deductions taken in excess of stock compensation cost.

Illumina, Inc.
Reconciliation of Non-GAAP Financial Guidance
(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 3, 2021 filed with the SEC on February 17, 2021. We assume no obligation to update any forward-looking statements or information.

	Q2 2021 QTD
GAAP diluted earnings per share (a)	**$1.21 - $1.26**
Amortization of acquired intangible assets	0.05
Non-cash interest expense **(b)**	0.07
Incremental non-GAAP tax expense **(c)**	(0.03)
Non-GAAP diluted earnings per share **(a)**	$1.30 - $1.35

(a) Guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.
(b) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
(c) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.

Illumina, Inc.

Reconciliation of Non-GAAP Financial Guidance

(unaudited)

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended January 3, 2021 filed with the SEC on February 17, 2021. We assume no obligation to update any forward-looking statements or information.

	Fiscal Year 2021
GAAP operating margin (a)	**22.1 %**
Amortization of acquired intangible assets	0.7
Acquisition-related expenses **(b)**	3.7
Non-GAAP operating margin **(a)**	26.5 %

(a) Except for acquisition-related expenses incurred during Q1 2021, this guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in the second half of 2021.

(b) Amount consists primarily of acquisition-related expenses related to the pending acquisition of GRAIL.