illumina®

ILMN Q3 2023 Earnings Call
Prepared Remarks – November 9, 2023

Salli Schwartz, ***Vice President, Investor Relations***

Hello everyone, and welcome to our earnings call for the third quarter of 2023.

During the call today, we will review the financial results we released after the close of the market, and offer commentary on our commercial and regulatory activity, after which we will host a question-and-answer session. Our earnings release can be found in the Investor Relations section of our website at illumina.com.

Participating for Illumina today will be Jacob Thaysen, Chief Executive Officer, and Joydeep Goswami, Chief Financial Officer and Chief Strategy and Corporate Development Officer. Jacob will provide an update on the state of Illumina's business and Joydeep will review our financial results, which include GRAIL.

As a reminder, GRAIL must be held and operated separately and independently from Illumina pursuant to the transitional measures ordered by the European Commission, which prohibited our acquisition of GRAIL under the EU Merger Regulation.

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

Forward-looking statements are subject to risks and uncertainties. Actual events or results may differ materially from those projected or discussed. All forward-looking statements are based upon current available information, and Illumina assumes no obligation to update these statements.

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 Illumina's 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, Salli. Good day, everyone, and thank you for joining today's call.

As you know, I assumed the role as Illumina's CEO a little over six weeks ago.

It is an honor to lead this company. I joined Illumina after more than a decade at Agilent, where I ran both their Diagnostics & Genomics Group and, more recently, Agilent's largest business, the Life Sciences & Applied Markets Group. I have long admired Illumina for its role in building the genomics market, and I am incredibly excited to be here.

During my first weeks, I have prioritized getting to know our employees and meeting with several of our customers. Illumina has a highly capable team, and I have been impressed with their level of passion and commitment to our work. Both our employees and our customers are driven to move genomics forward.

Like our team, I am passionate about genomics and the role that this field can play in healthcare and personalized medicine, particularly in the oncology space. This is a massive opportunity and Illumina will remain the key player, even as others enter the market. Illumina's infrastructure that we have built over two-and-a-half decades; our compelling offerings that set the global standard; and our deep commitment to innovation for the future will continue to drive the use of genomics and multiomics around the world.

Turning to our third quarter results:

In Q3, Illumina delivered revenue of approximately $1.12 billion, flat year-over-year or up 1% on a constant currency basis. This was a disappointing result. The macroeconomic environment remains challenging for our industry and for our customers, with customers increasingly cautious and constrained in their purchasing decisions.

Despite a lower gross margin year-over-year, tight management of our operating expenses allowed us to deliver diluted non-GAAP EPS of $0.33, also approximately flat year-over-year.

While we cannot control the external environment, Illumina's management team and I remain focused on supporting our customers and our own operational execution. Part of my comprehensive review of the business includes re-examining our strategic initiatives and our targets for long-term revenue growth and operating margins. We will lay out our new targets for you later next year.

A key priority for me is to get clarity on the GRAIL situation. Therefore, I have requested, and the Board has established, a special committee to expedite decisions on GRAIL.

Furthermore, we have retained advisors and are preparing for sale and capital markets transactions. We expect to file a Form 10 on a confidential basis with the SEC. Hereafter, we will contact third parties as investment capital sources or as potential purchasers, as our appeals are ongoing.

I know there have been questions regarding our appeals. These appeals are not just about GRAIL: they provide Illumina with flexibility for any divestiture of GRAIL and also for future transactions. The appeals will not impact our ability to move swiftly. Make no mistake: I am here to focus on the Core business, which I will talk more about after Joydeep's remarks.

Joydeep…?

Joydeep Goswami, ***Chief Financial Officer, Chief Strategy and Corporate Development Officer***

Thank you, Jacob.

I'll start by reviewing our consolidated financial results, followed by segment results for Core Illumina and GRAIL, and then conclude with my remarks on our current outlook for 2023. I will be discussing non-GAAP results which include stock-based compensation. I encourage you to review the GAAP reconciliation of these non-GAAP measures which can be found in today's release and in the supplementary data available on our website.

As Jacob noted, in the third quarter, consolidated revenue of $1.12 billion was flat year-over-year, and up 1% on a constant currency basis. Consolidated revenue was down 5% from the second quarter of 2023. Although we correctly anticipated a sequential decrease in high throughput consumables revenue due to the NovaSeq X transition, we placed fewer NovaSeq X instruments than we expected in the quarter as customers' purchase constraints led to lengthened sales cycles.

Non-GAAP net income was $52 million, or $0.33 per diluted share, which included dilution from GRAIL's non-GAAP operating loss of $155 million for the quarter. Despite our lower revenue, non-GAAP EPS exceeded our expectations primarily due to continued execution of expense reduction initiatives and a higher gross margin than we forecast.

GAAP net loss was ($754) million, or ($4.77) per diluted share, which included goodwill and intangible impairments of $821 million related to the GRAIL segment. These impairments were primarily the result of a decrease in Illumina's consolidated market capitalization and a higher discount rate used for the fair value calculation of the GRAIL segment.

Our non-GAAP tax rate was 39.7% for the quarter, which decreased from 43.2% in Q3 2022, with both quarters reflecting the impact of R&D capitalization requirements. The year-over-year decrease was primarily due to a decrease in the non-GAAP tax expense impact of R&D capitalization requirements given increased amortization of capitalized R&D expenses.

Our non-GAAP weighted average diluted share count for the quarter was approximately 158 million.

Moving to segment results:

Core Illumina revenue of $1.11 billion was flat year-over-year on both a reported and constant currency basis, and included anticipated reductions of approximately 7 percentage points from two primary categories:

- One, the decrease in COVID surveillance and the effect of sanctions in Russia that together represent approximately 3.5 percentage points

- And two, the year-over-year reduction in China revenue that also is approximately 3.5 percentage points.

COVID surveillance contributed approximately $4 million in total revenue in Q3 2023 compared to $28 million in Q3 2022.

Core Illumina sequencing consumables revenue of $695 million was down 4% year-over-year. The decrease was primarily driven by a 12% decline in sales to Research customers. These customers were impacted by the NovaSeq X transition, and are reducing NovaSeq 6000 consumables purchases before they have fully ramped up activity on NovaSeq X. Total sequencing consumables revenue was also impacted by the COVID, Russia, and China factors I noted previously, as well as the impact of macroeconomic conditions on customers' purchasing power and project planning. Strength in sales to Clinical customers partially offset the decline in Research, with Clinical sequencing consumables growing 10% year-over-year, led by continued momentum in oncology and genetic disease testing.

Turning to sequencing activity, total sequencing Gb output on our connected high- and mid-throughput instruments grew 5% from Q2 2023 and 29% year-over-year. We are encouraged by the trends we're seeing across both Research and Clinical high throughput customers that have a NovaSeq X installed. As expected, these customers show higher overall growth in sequencing output than high throughput customers that have not yet adopted the NovaSeq X, both on a quarter-over-quarter and a year-over-year basis. As a reminder, we believe this data is a useful reference that shows the general activity trends across our installed base and is directionally correlated with revenue over time.

Sequencing instruments revenue for Core Illumina of $179 million grew 10% year-over-year, driven primarily by NovaSeq X, which more than offset the decline in NovaSeq 6000 shipments. Growth in high throughput instruments was partially offset by the expected decline in mid-throughput due to increasing capital purchase and cashflow constraints that continue to impact our customers' purchasing behaviors globally, as well as by local competition in China.

For NovaSeq X, we exited Q3 with more than 310 orders since launch. Our shipments of 97 NovaSeq X instruments in Q3 brought our total installed base to 273 instruments.

Core Illumina sequencing service and other revenue of $142 million was up 15% year-over-year, driven primarily by higher instrument service contract revenue on a growing installed base, as well as an increase in lab services revenue.

Moving to regional results for Core Illumina.

All regions continued to be impacted by two key issues:

- One, tighter funding and budget pressures that are impacting customer purchasing power and project planning.

- And two, the impact of high throughput customers transitioning to NovaSeq X, as customers continue to reduce NovaSeq 6000 consumables purchases before they have fully ramped up activity on NovaSeq X.

Americas revenue of $650 million grew 10% year-over-year, attributed to NovaSeq X placements as well as clinical testing volume driving greater consumables revenue. Clinical sequencing consumables shipments grew more than 20% year-over-year.

Europe revenue of $260 million was flat year-over-year, or up 1% on a constant currency basis. Growth in sequencing consumables was driven by mid-teens growth in Clinical and strength in mid-throughput consumables, offset by the decline in COVID surveillance and the negative impact of exchange rates. For sequencing instruments, growth in high throughput due to NovaSeq X placements was more than offset by a decline in mid-throughput instruments.

AMEA revenue of $98 million declined 22% year-over-year, or 19% on a constant currency basis, which included an 11 percentage point impact from sanctions in Russia. The year-over-year decrease was also driven by softness in Japan due to the macroeconomic factors I mentioned earlier, as well as the expected slowdown in COVID surveillance.

Greater China revenue of $98 million represented a 26% decrease year-over-year, or 25% on a constant currency basis, reflecting continued macroeconomic and geopolitical challenges, as well as local competition in mid-throughput.

Moving to the rest of Core Illumina P&L:

Core Illumina non-GAAP gross margin of 66.0% decreased 290 basis points year-over-year primarily driven by product mix and less fixed cost leverage on lower manufacturing volumes, as well as lower instrument margins and higher field service and installation costs due to the NovaSeq X launch, which is typical in a launch year.

Core Illumina non-GAAP operating expenses of $481 million were down $33 million year-over-year, and were lower than expected, primarily due to continued expense reduction initiatives.

As a result of these factors, Core Illumina non-GAAP operating margin was 22.5% in Q3 2023 compared to 22.6% in Q3 2022. Despite our lower gross margin, operating margin was approximately flat year-over-year due to our proactive cost management initiatives.

Transitioning to financial results for GRAIL:

GRAIL revenue of $21 million for the quarter grew 110% year-over-year driven primarily by adoption of Galleri. GRAIL non-GAAP operating expenses totaled $161 million and increased $12 million year-over-year driven primarily by efforts to scale GRAIL's commercial and R&D organizations.

Moving to consolidated cash flow and balance sheet items:

- Cash flow provided by operations was $139 million;
- Third quarter 2023 capital expenditures were $45 million and free cash flow was $94 million;
- We did not repurchase any common stock in the quarter.

We ended the quarter with approximately $933 million in cash, cash equivalents and short-term investments. During the third quarter of 2023, the company used $750 million in cash to repay the outstanding principal of convertible notes that matured in August 2023.

Moving now to 2023 guidance:

We now expect full year 2023 consolidated revenue to decline 2% to 3% from 2022, including Core Illumina revenue that is down 3% to 4% year-over-year. As a reminder, these ranges include anticipated reductions from COVID surveillance of approximately 200 basis points, the impact on our business from sanctions in Russia of approximately 100 basis points, reductions in our business in China, as well as a year-over-year negative impact from foreign exchange rates. GRAIL revenue is now expected to be at the low end of the range of $90 million to $110 million for 2023.

For fiscal 2023, we now expect:

Core Illumina sequencing instrument revenue to decline 5% to 6% year-over-year driven by capital and cashflow constraints that have continued to impact our customers' purchasing behaviors globally, as well as the decline in our business in China. The decrease from our prior guidance is primarily driven by our lower NovaSeq X shipment expectations for 2023. We now expect to ship between 330 to 340 NovaSeq X instruments for the year, as customers' purchasing constraints lead to lengthened sales cycles.

We also now expect Core Illumina sequencing consumables revenue to decline 5% to 6% year-over-year driven primarily by the decrease in NovaSeq 6000 consumables as customers transition to NovaSeq X, the impact of macroeconomic conditions on customer project planning and budgets, the effect of sanctions in Russia, the slowdown in COVID surveillance, and the decline in our business in China. The decrease from our prior guidance primarily reflects a slower ramp in NovaSeq X consumables, in part due to our lower placement expectations, as well as the increasing impacts of macroeconomic constraints.

We now expect Core Illumina total sequencing revenue to decline 3% to 4% year-over-year. This continues to include intercompany sales to GRAIL of approximately $30 million, which are eliminated in consolidation.

We now expect consolidated non-GAAP operating margin of 4% to 4.5% and Core Illumina non-GAAP operating margin of 19% to 19.5%. Our revised operating margins reflect our lower revenue expectations for the year, partially offset by continued expense reduction initiatives.

We now expect our non-GAAP tax rate to be approximately 39% for 2023 due to a discrete tax benefit recognized in Q3 2023 related to prior-year return adjustments.

Lastly, we now expect non-GAAP earnings per diluted share in the range of $0.60 to $0.70 for 2023, reflecting non-GAAP diluted shares outstanding of approximately 159 million shares. Dilution from GRAIL's non-GAAP operating loss is now expected to be approximately $660 million, as GRAIL continues to manage its expense base in light of its latest revenue outlook.

I will now turn it back over to Jacob for his closing remarks. Thank you.

Jacob Thaysen, *Chief Executive Officer*

Before we go to Q&A, I wanted to reiterate Illumina's commitment to supporting our customers in this difficult macroeconomic environment. While we cannot control for external factors, we can optimize our own actions to successfully navigate through this period and position the company for a return to accelerated growth on the other side.

I know you are interested to hear our views for 2024. With the caveat that we haven't finished 2023, and we are still working on our budget for 2024, our initial view is that our 2024 results will look very similar to 2023. We don't expect near-term improvement to the macroeconomic environment, and geopolitical issues have been persistent. We are encouraged with the early signs we're seeing for NovaSeq X utilization, and the continued roll-out of the X is positioning us very well for a ramp in consumables and overall growth when the market conditions improve.

This is clearly a dynamic situation, and we want to be able to develop our views in depth. Therefore, for 2024, we will not provide guidance before our Q4 earnings call in February.

The main reason that I joined Illumina was my strong conviction about the future of the core Illumina business. While over the coming months I will continue to listen and learn, I will also be focused on several key priorities:

First, we need to drive our top line as much as possible in this environment. This means continued placements of the NovaSeq X and all of our instruments, laying the groundwork for increased consumables demand. We will continue working closely with our customers around the world, whether they are integrating new instruments into their workflows, starting new projects, or building new tests or assays.

Second, we need to keep driving innovation that is highly focused on our customers' priorities. These innovations, including automation and sample-to-answer solutions, serve to strengthen our leadership position around the world. At the same time, we need to manage our R&D investments with discipline and rigor. We most recently launched our 25B reagent kit. This was highly anticipated by our customers, and it will unleash the full power of the NovaSeq X.

Third, we need to focus our own operational excellence across geographies, functions, and processes. Earlier this year, we announced a plan to reduce our annualized run rate expenses. Our team has executed well and has been able to reduce annualized run rate expenses by approximately $175 million – ahead of our original projection of more than $100 million. These savings will continue to support flexibility for further investment in high-growth areas – and our margins.

I am committed to executing against all of these priorities with a strong sense of urgency. We are focused on delivering tangible improvements that support profitable, long-term growth for Illumina and for our shareholders.

I'll now invite the operator to open the line for Q&A.

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, and from time to time, as applicable, legal contingencies and settlement, and goodwill impairment, operating income (loss), operating margin, gross profit (loss), other income (expense), tax provision, constant currency revenue growth, and free cash flow (on a consolidated and, as applicable, segment basis for our Core Illumina and GRAIL segments) 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 itemized reconciliations between 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, including in the non-GAAP measures related to our Core Illumina and GRAIL segments. 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) 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) our ability to manufacture robust instrumentation and consumables; (v) the success of products and services competitive with our own; (vi) 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; (vii) the impact of recently launched or pre-announced products and services on existing products and services; (viii) our ability to modify our business strategies to accomplish our desired operational goals; (ix) 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; (x) our ability to further develop and commercialize our instruments, consumables, and products, including Galleri, the cancer screening test developed by GRAIL, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (xi) the risks and costs associated with our ongoing inability to integrate GRAIL due to the transitional measures imposed on us by the European Commission as a result of their prohibition of our acquisition of GRAIL and an order issued by the Federal Trade Commission requiring that we divest GRAIL; (xii) the risks and costs associated with the integration of GRAIL's business if we are ultimately able to integrate GRAIL; (xiii) the risk that disruptions from the consummation of our acquisition of GRAIL and associated legal or regulatory proceedings, including related appeals, or obligations will harm our business, including current plans and operations; (xiv) the risk of incurring additional fines associated with the consummation of our acquisition of GRAIL and the possibility that we may be required to divest all or a portion of the assets or equity interests of GRAIL on terms that could be materially worse than the terms on which we acquired GRAIL; (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, COVID-19 pandemic mitigation measures, 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 Consolidated Statements of Cash Flows
(In millions)
(unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	**October 1, 2023**	October 2, 2022
Net cash provided by (used in) operating activities	**$ 139**	$ (52)	**$ 254**	$ 245
Net cash used in investing activities	**(54)**	(250)	**(146)**	(489)
Net cash (used in) provided by financing activities	**(707)**	28	**(1,183)**	44
Effect of exchange rate changes on cash and cash equivalents	**(4)**	(15)	**(9)**	(32)
Net decrease in cash and cash equivalents	**(626)**	(289)	**(1,084)**	(232)
Cash and cash equivalents, beginning of period	**1,553**	1,289	**2,011**	1,232
Cash and cash equivalents, end of period	**$ 927**	$ 1,000	**$ 927**	$ 1,000
Calculation of free cash flow:				
Net cash provided by (used in) operating activities	**$ 139**	$ (52)	**$ 254**	$ 245
Purchases of property and equipment	**(45)**	(67)	**(144)**	(198)
Free cash flow **(a)**	**$ 94**	$ (119)	**$ 110**	$ 47

(a) Free cash flow, which is a non-GAAP financial measure, is calculated as net cash provided by (used in) 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 - Revenue by Segment
(Dollars in millions)
(unaudited)

	Three Months Ended			Nine Months Ended		
	October 1, 2023	**October 2, 2022**	**% Change**	**October 1, 2023**	**October 2, 2022**	**% Change**
Consolidated revenue	**$ 1,119**	$ 1,115	—	**$ 3,382**	$ 3,501	(3)%
Less: Hedge gains	**5**	16		**9**	32	
Consolidated revenue, excluding hedge effect	**1,114**	1,099		**3,373**	3,469	
Less: Exchange rate effect	**4**	—		**(35)**	—	
Consolidated constant currency revenue **(a)**	**$ 1,110**	$ 1,099	1 %	**$ 3,408**	$ 3,469	(2)%
Core Illumina revenue	**$ 1,106**	$ 1,110	—	**$ 3,341**	$ 3,487	(4)%
Less: Hedge gains	**5**	16		**9**	32	
Core Illumina revenue, excluding hedge effect	**1,101**	1,094		**3,332**	3,455	
Less: Exchange rate effect	**4**	—		**(35)**	—	
Core Illumina constant currency revenue **(a)**	**$ 1,097**	$ 1,094	—	**$ 3,367**	$ 3,455	(3)%

(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)

	Three Months Ended			Nine Months Ended		
	October 1, 2023	October 2, 2022	% Change	October 1, 2023	October 2, 2022	% Change
AMR revenue - Core Illumina	**$ 650**	$ 592	10 %	**$ 1,879**	$ 1,871	—
Less: Hedge gains	**—**	—		**1**	1	
AMR revenue - Core Illumina, excluding hedge effect	**650**	592		**1,878**	1,870	
Less: Exchange rate effect	**—**	—		**(3)**	—	
AMR constant currency revenue - Core Illumina **(a)**	**$ 650**	$ 592	10 %	**$ 1,881**	$ 1,870	1 %
AMEA revenue - Core Illumina (b)	**$ 98**	$ 125	(22)%	**$ 335**	$ 418	(20)%
Less: Hedge gains	**2**	4		**5**	8	
AMEA revenue - Core Illumina, excluding hedge effect **(b)**	**96**	121		**330**	410	
Less: Exchange rate effect	**(2)**	—		**(13)**	—	
AMEA constant currency revenue - Core Illumina **(a)(b)**	**$ 98**	$ 121	(19)%	**$ 343**	$ 410	(16)%
China revenue - Core Illumina (c)	**$ 98**	$ 133	(26)%	**$ 302**	$ 378	(20)%
Less: Hedge gains	**4**	—		**4**	—	
China revenue - Core Illumina, excluding hedge effect **(c)**	**94**	133		**298**	378	
Less: Exchange rate effect	**(5)**	—		**(18)**	—	
China constant currency revenue - Core Illumina **(a)(c)**	**$ 99**	$ 133	(25)%	**$ 316**	$ 378	(16)%
Europe revenue - Core Illumina	**$ 260**	$ 259	—	**$ 825**	$ 820	—
Less: Hedge gains	**(1)**	11		**(2)**	23	
Europe revenue - Core Illumina, excluding hedge effect	**261**	248		**827**	797	
Less: Exchange rate effect	**11**	—		**(1)**	—	
Europe constant currency revenue - Core Illumina **(a)**	**$ 250**	$ 248	1 %	**$ 828**	$ 797	4 %

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.

Note: We implemented a new global commercial structure in Q1 2023 to improve operating efficiencies and better align with local markets. We integrated Asia-Pacific and Japan with emerging markets across the Middle East, Africa, Turkey, and Commonwealth of Independent States (CIS). Beginning in Q1 2023 and going forward, we will report regional results for the following regions: Americas, Europe, Greater China and Asia-Pacific, Middle East and Africa (AMEA).

(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: CONSOLIDATED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED (LOSS) EARNINGS PER SHARE:

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
GAAP loss per share - diluted	**$ (4.77)**	$ (24.26)	**$ (6.23)**	$ (27.13)
Cost of revenue **(b)**	**0.30**	0.29	**0.93**	0.79
R&D expense **(b)**	**0.02**	0.01	**0.11**	0.01
SG&A expense **(b)**	**(0.15)**	(1.22)	**0.64**	(0.82)
Goodwill and intangible impairment **(b)**	**5.20**	24.89	**5.19**	24.89
Legal contingency and settlement **(b)**	**(0.01)**	(0.07)	**0.09**	3.81
Other expense, net **(b)**	**0.14**	0.04	**0.23**	0.53
GILTI and U.S. foreign tax credits **(c)**	**0.24**	0.19	**0.40**	0.38
Incremental non-GAAP tax expense **(d)**	**(0.65)**	0.48	**(0.68)**	(0.48)
Income tax provision **(e)**	**0.01**	—	**0.05**	0.03
Effect of dilutive shares **(f)**	**—**	(0.01)	**—**	(0.03)
Non-GAAP earnings per share - diluted **(a)**	**$ 0.33**	$ 0.34	**$ 0.73**	$ 1.98
GAAP diluted shares	**158**	157	**158**	157
Non-GAAP dilutive shares **(f)**	**—**	2	**—**	2
Non-GAAP diluted shares	**158**	159	**158**	**159**

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

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
GAAP net loss	**$ (754)**	$ (3,816)	**$ (986)**	$ (4,265)
Cost of revenue **(b)**	**48**	46	**147**	124
R&D expense **(b)**	**3**	1	**17**	1
SG&A expense **(b)**	**(24)**	(191)	**102**	(129)
Goodwill and intangible impairment **(b)**	**821**	3,914	**821**	3,914
Legal contingency and settlement **(b)**	**(1)**	(11)	**14**	598
Other expense, net **(b)**	**22**	7	**36**	83
GILTI and U.S. foreign tax credits **(c)**	**38**	30	**63**	60
Incremental non-GAAP tax expense **(d)**	**(102)**	74	**(108)**	(77)
Income tax provision **(e)**	**1**	—	**9**	5
Non-GAAP net income **(a)**	**52**	54	**115**	314
Add: interest expense on convertible notes, net of tax **(g)**	**—**	1	**—**	1
Non-GAAP net income for diluted earnings per share	**$ 52**	$ 55	**$ 115**	$ 315

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 effects 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 operating performance.

(b) Refer to the Itemized Reconciliations between GAAP and Non-GAAP Results of Operations for the components of these amounts.
(c) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(d) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.
(e) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(f) In loss periods, GAAP basic loss per share and diluted loss per share are identical since the effect of potentially dilutive shares is anti-dilutive and therefore excluded. For non-GAAP diluted earnings per share, the impact of potentially dilutive shares from our convertible senior notes and equity awards is included and is calculated based on the sum of weighted-average common shares and potentially dilutive shares outstanding during Q3 2022 and YTD 2022.
(g) Amount represents interest expense on the 2023 Convertible Senior Notes, net of any income tax effects, which is added back to the numerator used to calculate non-GAAP diluted earnings per share, for purposes of the if-converted method, as it would have a dilutive effect on the calculation of non-GAAP diluted earnings per share.

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

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

	Three Months Ended October 1, 2023				
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 715	64.7 %	$ (27)	$ (4)	$ 684	61.1 %
Amortization of acquired intangible assets	14	1.2 %	33	—	47	4.2 %
Restructuring **(g)**	1	0.1 %	—	—	1	0.1 %
Non-GAAP gross profit **(a)**	$ 730	66.0 %	$ 6	$ (4)	$ 732	65.4 %
GAAP R&D expense	$ 238	21.5 %	$ 79	$ (2)	$ 315	28.1 %
Restructuring **(g)**	(3)	(0.3)%	—	—	(3)	(0.3)%
Non-GAAP R&D expense	$ 235	21.2 %	$ 79	$ (2)	$ 312	27.8 %
GAAP SG&A expense	$ 216	19.5 %	$ 87	$ —	$ 303	27.0 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(c)**	110	9.9 %	—	—	110	9.8 %
Acquisition-related expenses **(d)**	(27)	(2.3)%	(3)	—	(30)	(2.6)%
Restructuring **(g)**	(54)	(4.9)%	(1)	—	(55)	(4.9)%
Proxy contest	1	0.1 %	—	—	1	0.1 %
Non-GAAP SG&A expense	$ 246	22.3 %	$ 82	$ —	$ 328	29.3 %
GAAP goodwill and intangible impairment	$ —	—	$ 821	$ —	$ 821	73.4 %
Goodwill impairment **(i)**	—	—	(712)	—	(712)	(63.6)%
Intangible (IPR&D) impairment **(i)**	—	—	(109)	—	(109)	(9.8)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP legal contingency and settlement	$ (1)	(0.2)%	$ —	$ —	$ (1)	(0.1)%
Legal contingency and settlement **(h)**	1	0.2 %	—	—	1	0.1 %
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 262	23.7 %	$ (1,015)	$ (1)	$ (754)	(67.3)%
Cost of revenue	15	1.3 %	33	—	48	4.3 %
R&D costs	3	0.4 %	—	—	3	0.3 %
SG&A costs	(30)	(2.7)%	6	—	(24)	(2.3)%
Goodwill and intangible impairment	—	—	821	—	821	73.4 %
Legal contingency and settlement	(1)	(0.2)%	—	—	(1)	(0.1)%
Non-GAAP operating profit (loss) **(a)**	$ 249	22.5 %	$ (155)	$ (1)	$ 93	8.3 %
GAAP other (expense) income, net	$ (33)	(3.0)%	$ 5	$ —	$ (28)	(2.6)%
Strategic investment related loss, net **(e)**	19	1.8 %	—	—	19	1.8 %
Gain on Helix contingent value right **(f)**	(5)	(0.5)%	—	—	(5)	(0.4)%
Unrealized foreign currency loss on EC fine **(j)**	8	0.7 %	—	—	8	0.7 %
Non-GAAP other (expense) income, net **(a)**	$ (11)	(1.0)%	$ 5	$ —	$ (6)	(0.5)%

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. Percentages of revenue are calculated based on the revenue of the respective segment.

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

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Three Months Ended					
	October 2, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$ 753	67.9 %	$ (32)	$ (4)	$ 717	64.3 %
Amortization of acquired intangible assets	12	1.0 %	33	—	46	4.1 %
Non-GAAP gross profit **(a)**	$ 765	68.9 %	$ 1	$ (4)	$ 763	68.4 %
GAAP R&D expense	$ 253	22.8 %	$ 74	$ (2)	$ 325	29.1 %
Acquisition-related expenses **(d)**	(1)	(0.1)	—	—	(1)	—
Non-GAAP R&D expense	$ 252	22.7 %	$ 74	$ (2)	$ 324	29.1 %
GAAP SG&A expense	$ 66	5.9 %	$ 81	$ (1)	$ 146	13.1 %
Amortization of acquired intangible assets	—	—	(1)	—	(1)	(0.1)%
Contingent consideration liabilities **(c)**	219	19.7 %	—	—	219	19.6 %
Acquisition-related expenses **(d)**	(23)	(2.1)%	(5)	—	(28)	(2.5)%
Non-GAAP SG&A expense	$ 262	23.6 %	$ 75	$ (1)	$ 336	30.1 %
GAAP legal contingency and settlement	$ (11)	(1.0)%	$ —	$ —	$ (11)	(1.0)%
Legal contingency and settlement **(h)**	11	1.0 %	—	—	11	1.0 %
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill and intangible impairment	$ —	—	$3,914	$ —	$3,914	351.0 %
Goodwill impairment **(i)**	—	—	(3,914)	—	(3,914)	(351.0)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 445	40.1 %	$(4,101)	$ (1)	$(3,657)	(327.9)%
Cost of revenue	12	1.0 %	33	—	46	4.1 %
R&D costs	1	0.1 %	—	—	1	—
SG&A costs	(196)	(17.5)%	6	—	(191)	(17.0)%
Legal contingency and settlement	(11)	(1.0)%	—	—	(11)	(1.0)%
Goodwill impairment	—	—	3,914	—	3,914	351.0 %
Non-GAAP operating profit (loss) **(a)**	$ 251	22.6 %	$ (148)	$ (1)	$ 102	9.2 %
GAAP other (expense) income, net	$ (15)	(1.4)%	$ 1	$ —	$ (15)	(1.3)%
Strategic investment related loss, net **(e)**	2	0.2 %	—	—	2	0.2 %
Loss on Helix contingent value right **(f)**	5	0.5 %	—	—	5	0.4 %
Non-GAAP other (expense) income, net **(a)**	$ (8)	(0.7)%	$ 1	$ —	$ (8)	(0.7)%

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. Percentages of revenue are calculated based on the revenue of the respective segment.

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

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Nine Months Ended October 1, 2023					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$2,161	64.7 %	$ (77)	$ (14)	$ 2,070	61.2 %
Amortization of acquired intangible assets	43	1.3 %	100	—	143	4.3 %
Restructuring **(g)**	4	0.1 %	—	—	4	0.1 %
Non-GAAP gross profit **(a)**	$2,208	66.1 %	$ 23	$ (14)	$ 2,217	65.6 %
GAAP R&D expense	$ 771	23.1 %	$ 254	$ (12)	$ 1,013	30.0 %
Acquisition-related expenses **(d)**	(1)	—	—	—	(1)	—
Restructuring **(g)**	(16)	(0.6)%	—	—	(16)	(0.5)%
Non-GAAP R&D expense	$ 754	22.5 %	$ 254	$ (12)	$ 996	29.5 %
GAAP SG&A expense	$ 857	25.7 %	$ 271	$ (1)	$ 1,127	33.3 %
Amortization of acquired intangible assets	(1)	—	(3)	—	(4)	(0.1)%
Contingent consideration liabilities **(c)**	82	2.5 %	—	—	82	2.3 %
Acquisition-related expenses **(d)**	(64)	(1.9)%	(11)	—	(75)	(2.1)%
Restructuring **(g)**	(72)	(2.3)%	(3)	—	(75)	(2.2)%
Proxy contest	(29)	(0.9)%	—	—	(29)	(0.9)%
Non-GAAP SG&A expense	$ 773	23.1 %	$ 254	$ (1)	$ 1,026	30.3 %
GAAP goodwill and intangible impairment	$ —	—	$ 821	$ —	$ 821	24.3 %
Goodwill impairment **(i)**	—	—	(712)	—	(712)	(21.1)%
Intangible (IPR&D) impairment **(i)**	—	—	(109)	—	(109)	(3.2)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP legal contingency and settlement	$ 14	0.4 %	$ —	$ —	$ 14	0.4 %
Legal contingency and settlement **(h)**	(14)	(0.4)%	—	—	(14)	(0.4)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 519	15.5 %	$ (1,424)	$ —	$ (905)	(26.8)%
Cost of revenue	47	1.4 %	100	—	147	4.4 %
R&D costs	17	0.5 %	—	—	17	0.5 %
SG&A costs	84	2.6 %	18	—	102	3.0 %
Goodwill and intangible impairment	—	—	821	—	821	24.3 %
Legal contingency and settlement	14	0.4 %	—	—	14	0.4 %
Non-GAAP operating profit (loss) **(a)**	$ 681	20.4 %	$ (485)	$ —	$ 196	5.8 %
GAAP other (expense) income, net	$ (53)	(1.6)%	$ 8	$ —	$ (45)	(1.3)%
Strategic investment related loss, net **(e)**	36	1.1 %	—	—	36	1.0 %
Gain on Helix contingent value right **(f)**	(8)	(0.2)%	—	—	(8)	(0.2)%
Unrealized foreign currency loss on EC fine **(j)**	8	0.2 %	—	—	8	0.2 %
Non-GAAP other (expense) income, net **(a)**	$ (17)	(0.5)%	$ 8	$ —	$ (9)	(0.3)%

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. Percentages of revenue are calculated based on the revenue of the respective segment.

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

TABLE 3 (CONTINUED): ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP RESULTS OF OPERATIONS AS A PERCENT OF REVENUE:

	Nine Months Ended October 2, 2022					
	Core Illumina		GRAIL	Eliminations	Consolidated	
GAAP gross profit (loss) (b)	$2,405	69.0 %	$ (91)	$ (14)	$2,300	65.7 %
Amortization of acquired intangible assets	24	0.7 %	101	—	124	3.5 %
Non-GAAP gross profit **(a)**	$2,429	69.7 %	$ 10	$ (14)	$2,424	69.2 %
GAAP R&D expense	$ 740	21.2 %	$ 245	$ (10)	$ 975	27.8 %
Acquisition-related expenses **(d)**	(1)	—	—	—	(1)	— %
Non-GAAP R&D expense	$ 739	21.2 %	$ 245	$ (10)	$ 974	27.8 %
GAAP SG&A expense	$ 656	18.8 %	$ 210	$ (1)	$ 865	24.7 %
Amortization of acquired intangible assets	(1)	—	(3)	—	(4)	(0.1)%
Contingent consideration liabilities **(c)**	230	6.6 %	—	—	230	6.6 %
Acquisition-related expenses **(d)**	(86)	(2.5)%	(9)	—	(96)	(2.8)%
Non-GAAP SG&A expense	$ 799	22.9 %	$ 198	$ (1)	$ 995	28.4 %
GAAP legal contingency and settlement	$ 598	17.1 %	$ —	$ —	$ 598	17.1 %
Legal contingency and settlement **(h)**	(598)	(17.1)%	—	—	(598)	(17.1)%
Non-GAAP legal contingency and settlement	$ —	—	$ —	$ —	$ —	—
GAAP goodwill and intangible impairment	$ —	—	$3,914	$ —	$3,914	111.8 %
Goodwill impairment **(i)**	—	—	(3,914)	—	(3,914)	(111.8)%
Non-GAAP goodwill and intangible impairment	$ —	—	$ —	$ —	$ —	—
GAAP operating profit (loss)	$ 411	11.8 %	$(4,460)	$ (3)	$(4,052	(115.7)%
Cost of revenue	24	0.7 %	101	—	124	3.5 %
R&D costs	1	—	—	—	1	— %
SG&A costs	(143)	(4.0)%	12	—	(129)	(3.7)%
Legal contingency and settlement	598	17.1 %	—	—	598	17.1 %
Goodwill impairment	—	—	3,914	—	3,914	111.8 %
Non-GAAP operating profit (loss) **(a)**	$ 891	25.6 %	$ (433)	$ (3)	$ 456	13.0 %
GAAP other (expense) income, net	$ (117)	(3.4)%	$ 1	$ —	$ (116)	(3.3)%
Strategic investment related loss, net **(e)**	75	2.2 %	—	—	75	2.2 %
Loss on Helix contingent value right **(f)**	8	0.2 %	—	—	8	0.2 %
Non-GAAP other (expense) income, net **(a)**	$ (34)	(1.0)%	$ 1	$ —	$ (33)	(0.9)%

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. 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 (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, including in the non-GAAP measures related to our Core Illumina and GRAIL segments.
(b) Reconciling amounts are recorded in cost of revenue.
(c) Amounts consist primarily of fair value adjustments for our contingent consideration liability related to GRAIL.
(d) Amounts consist primarily of legal expenses related to the acquisition of GRAIL.
(e) Amounts consist primarily of mark-to-market adjustments and impairments from our strategic investments.
(f) Amounts consist of fair value adjustments related to our Helix contingent value right.
(g) Amounts for Q3 2023 consist primarily of lease and other asset impairments and amounts for YTD 2023 consist primarily of employee severance costs and lease and other asset impairments related to restructuring activities.
(h) Amount for Q3 2023 consists of a gain related to a patent litigation settlement. The amount for YTD 2023 also consists of a loss related to a patent litigation settlement in Q1 2023 and an adjustment recorded in Q2 2023 to our accrual for the fine imposed by the European Commission in July 2023. Amounts in YTD 2022 consist of an expense of $145 million related to the settlement of our litigation with BGI, which includes a gain of $11 million recorded in Q3 2022 as a result of releasing $6 million of previously recorded litigation accrual and $5 million of a gain contingency recognized in Q3 2022. In addition, the amount in YTD 2022 consists of an accrual of $453 million, recorded in Q2 2022, for the fine imposed by the European Commission.
(i) Amounts for Q3 2023 and YTD 2023 consist of goodwill and IPR&D intangible asset impairments related to our GRAIL segment. Amounts for Q3 2022 and YTD 2022 consist of goodwill impairment related to our GRAIL segment.
(j) Amounts consist of an unrealized mark-to-market loss on hedge entered into in Q3 2023 associated with the EC fine, partially offset by an unrealized gain related to foreign currency balance sheet remeasurement of the EC fine liability.

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

TABLE 4: CONSOLIDATED ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX PROVISION (BENEFIT):

	Three Months Ended			Nine Months Ended		
	October 1, 2023			October 1, 2023		
GAAP tax (benefit) provision	**$**	**(28)**	**3.6 %**	**$**	**36**	**(3.8)%**
Incremental non-GAAP tax expense **(b)**		**102**			**108**	
Income tax provision **(c)**		**(1)**			**(9)**	
GILTI and U.S. foreign tax credits **(d)**		**(38)**			**(63)**	
Non-GAAP tax provision **(a)**	**$**	**35**	**39.7 %**	**$**	**72**	**38.3 %**

	Three Months Ended			Nine Months Ended		
	October 2, 2022			October 2, 2022		
GAAP tax provision	$	144	(4.0)%	$	97	(2.3)%
Incremental non-GAAP tax expense **(b)**		(74)			77	
Income tax provision **(c)**		—			(5)	
GILTI and U.S. foreign tax credits **(d)**		(30)			(60)	
Non-GAAP tax provision **(a)**	$	40	43.2 %	$	109	25.8 %

(a) Non-GAAP tax provision excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance.
(b) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed in Table 2.
(c) Amounts represent the difference between book and tax accounting related to stock-based compensation cost.
(d) Amounts represent the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.

Illumina, Inc.
Reconciliation of Consolidated 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 1, 2023 filed with the SEC on February 17, 2023, Form 10-Q for the fiscal quarter ended April 2, 2023, and Form 10-Q for the fiscal quarter ended July 2, 2023. We assume no obligation to update any forward-looking statements or information.

TABLE 5: RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED (LOSS) EARNINGS PER SHARE GUIDANCE:

	Fiscal Year 2023
Consolidated GAAP diluted loss per share	**$(6.67) - $(6.57)**
Amortization of acquired intangible assets	1.23
Goodwill and intangible impairment **(b)**	5.15
Legal contingency and settlement **(c)**	0.09
Acquisition-related expenses **(d)**	0.48
Strategic investment related loss, net **(e)**	0.22
Gain on Helix contingent value right **(f)**	(0.05)
Unrealized foreign currency loss on EC fine **(g)**	0.05
Restructuring **(h)**	0.59
Contingent consideration liabilities **(i)**	(0.51)
GILTI and U.S. foreign tax credits **(j)**	0.41
Incremental non-GAAP tax expense **(k)**	(0.63)
Income tax provision **(l)**	0.06
Proxy contest	0.18
Consolidated non-GAAP diluted earnings per share **(a)**	$0.60 - $0.70

(a) Non-GAAP diluted earnings per share excludes the effects of the pro forma adjustments as detailed above. Non-GAAP diluted earnings per share 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 this measure to assist investors in analyzing and assessing our past and future operating performance.
(b) Amount consists of goodwill and IPR&D intangible asset impairments related to our GRAIL segment recognized in Q3 2023.
(c) Amount consists of a gain related to a patent litigation settlement in Q3 2023, an adjustment in Q2 2023 to our accrual for the fine imposed by the European Commission and a loss related to a patent litigation settlement in Q1 2023.
(d) Amount consists primarily of legal expenses incurred through Q3 2023 related to the acquisition of GRAIL.
(e) Amount consists primarily of mark-to-market adjustments and impairments recognized through Q3 2023 on our strategic investments.
(f) Amount consists of fair value adjustments recognized through Q3 2023 on our Helix contingent value right.
(g) Amount consists of an unrealized mark-to-market loss on hedge entered into in Q3 2023 associated with the EC fine, partially offset by an unrealized gain related to foreign currency balance sheet remeasurement of the EC fine liability.
(h) Amount consists primarily of employee severance costs and lease and other asset impairments incurred through Q3 2023 related to restructuring activities.
(i) Amount consists primarily of fair value adjustments recognized through Q3 2023 for our contingent consideration liability related to GRAIL.
(j) Amount represents the impact of GRAIL pre-acquisition net operating losses on GILTI and the utilization of U.S. foreign tax credits.
(k) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.

(l) Amount represents the difference between book and tax accounting related to stock-based compensation cost recognized through Q3 2023.

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 1, 2023 filed with the SEC on February 17, 2023, Form 10-Q for the fiscal quarter ended April 2, 2023, and Form 10-Q for the fiscal quarter ended July 2, 2023. We assume no obligation to update any forward-looking statements or information.

TABLE 6: RECONCILIATION BETWEEN GAAP AND NON-GAAP OPERATING MARGIN GUIDANCE:

	FY 2023
Consolidated GAAP operating margin	**(21.7%) - (21.2%)**
Amortization of acquired intangible assets	4.4
Acquisition-related expenses **(b)**	1.7
Contingent consideration liabilities **(c)**	(1.8)
Restructuring **(d)**	2.1
Proxy contest	0.7
Goodwill and intangible impairment **(e)**	18.4
Legal contingency and settlement **(f)**	0.2
Consolidated non-GAAP operating margin **(a)**	4.0% - 4.5%

	FY 2023
Core Illumina GAAP operating margin	**15.0% - 15.5%**
Amortization of acquired intangible assets	1.3
Acquisition-related expenses **(b)**	1.5
Contingent consideration liabilities **(c)**	(1.9)
Restructuring **(d)**	2.1
Proxy contest	0.7
Legal contingency and settlement **(f)**	0.3
Core Illumina non-GAAP operating margin **(a)**	19.0% - 19.5%

(a) Non-GAAP operating margin excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance, including in the non-GAAP measure related to our Core Illumina segment.
(b) Amounts consist primarily of legal expenses incurred through Q3 2023 related to the acquisition of GRAIL.
(c) Amounts consist primarily of fair value adjustments recognized through Q3 2023 for our contingent consideration liability related to GRAIL.
(d) Amounts consist primarily of employee severance costs and lease and other asset impairments incurred through Q3 2023 related to restructuring activities.
(e) Amount consists of goodwill and IPR&D intangible asset impairments related to our GRAIL segment recognized in Q3 2023.
(f) Amounts consist of a gain related to a patent litigation settlement in Q3 2023, an adjustment in Q2 2023 to our accrual for the fine imposed by the European Commission and a loss related to a patent litigation settlement in Q1 2023.

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

TABLE 7: RECONCILIATION BETWEEN GRAIL GAAP AND NON-GAAP OPERATING LOSS GUIDANCE:

	FY 2023
GRAIL GAAP operating loss	**$ (1,634)**
Amortization of acquired intangible assets	138
Acquisition-related expenses **(b)**	12
Restructuring **(c)**	3
Goodwill and intangible impairment **(d)**	821
GRAIL non-GAAP operating loss **(a)**	$ (660)

(a) Non-GAAP operating loss excludes the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in this measure to assist investors in analyzing and assessing past and future operating performance related to the GRAIL segment.
(b) Amount consists primarily of legal expenses incurred through Q3 2023 related to the acquisition of GRAIL.
(c) Amount consists of employee severance costs incurred through Q3 2023 related to restructuring activities.
(d) Amount consists of goodwill and IPR&D intangible asset impairments related to our GRAIL segment recognized in Q3 2023.

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

TABLE 8: RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX RATE GUIDANCE:

	Fiscal Year 2023
Consolidated GAAP tax rate	**(4)%**
Non-GAAP tax adjustments **(a)**	43
Consolidated non-GAAP tax rate	39 %

(a) Non-GAAP tax adjustments reflect the tax impact related to the non-GAAP adjustments listed above in our "Reconciliation Between GAAP and Non-GAAP Diluted (Loss) Earnings Per Share Guidance." Management has excluded the effect of these items in this measure to assist investors in analyzing and assessing past and future operating performance.