ILMN Q420 Summary of Prepared Remarks

	Q420	Yr/Yr	Qtr/Qtr	Management Commentary
Sequencing Consumables	$599M	+5%	+20%	- Over 43% of sequencing consumable shipments in 2020 were to clinical customers. Clinical sequencing cons grew ~8% in 2020 o Oncology testing represented ~20% of sequencing cons shipments in 2020 o Reproductive health represented ~12% o Genetic disease testing represented ~10% - Research and Applied shipments of ~$1.2B represented just under 57% of our sequencing
Microarrays Consumables	$87M	-6%	+40%	
Total Consumables	$686M	+3%	+22%	
Sequencing Instruments	$141M	—%	+29%	
Microarrays Instruments	$4M	-33%	-20%	
Total Instruments	$145M	-1%	+27%	
Total Products	$831M	+2%	+23%	
Sequencing Service & Other	$106M	-15%	+7%	- Down Yr/Yr due to IVD partnership revenue
Microarrays Service & Other	$16M	-6%	-16%	
Total Service & Other	$122M	-13%	+3%	
Total Revenue	$953M	—%	+20%	- Record revenue and orders in the quarter

	Q420	Yr/Yr	Qtr/Qtr	Management Commentary
Americas	$495M	-2%	+14%	- Lower Yr/Yr primarily driven by IVD partnership and lower DTC revenue, partially offset by sequencing consumables. - Record sequencing product revenue in Q4 driven by clinical
EMEA	$285M	+2%	+34%	- Record revenue driven by instrument revenue from NovaSeq
Asia Pacific	$77M	+5%	+24%	
Greater China	$96M	+3%	+16%	- Highest sequencing instrument revenue quarter since 2017 driven in part by growing demand in hospitals.

Sequencing Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	- Q4 NovaSeq pull-through at highest level of year at >$1.2M per instrument. - Expect NovaSeq pull-through to continue at pre-pandemic levels of $1.1M to $1.2M per year in 2021. - Booked second highest NovaSeq units during Q4 - Ended year with ~1,000 active HiSeq units. Expect continued HiSeq to NovaSeq adoption
Mid-Throughput (MT): NextSeq	- 2020 marked the 2nd consecutive year of record placements - Mid-throughput consumable revenue grew in 2020
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	- Added >500 new low-throughput customers in 2020, bringing our total to >6,100 - Record low-throughput consumable revenue in the fourth quarter

Q420 Non-GAAP Financial Highlights

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

	Q420	Yr/Yr	Qtr/Qtr	Management Commentary
Gross margin	66.9%	-330bps	-50bps	- Lower Yr/Yr primarily due to a one-time inventory write down in Q4, one-time IVD partnership revenue in Q419, and higher freight costs related to COVID-19
Operating expenses	$439M	+$67M	+$74M	- Higher Qtr/Qtr as expected, reflecting the extra week in the fourth quarter, variable compensation expenses and other investments
Operating margin	20.9%	-1,010bps	-50bps	
Tax rate	18.4%	-10bps	+360bps	- Up Qtr/Qtr due to a discrete charge related to a tax structure initiative and discrete tax benefits in Q320 related to prior year return adjustments
Net income attributable to Illumina stockholders	$179M	-$73M	+$29M	
EPS attributable to Illumina stockholders (diluted)	$1.22	-28%	+20%	

	Q420	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	$406M	-$37M	$253M	
DSO	50 days	-5 days	-3 days	- Driven by revenue linearity
Capital expenditures	-$62M	+$5M	+$14M	
Free cash flow	$344M	-$42M	+$239M	
Cash, cash equivalents & short-term Investments	$3.5B	+$58M	+$148M	

Guidance

	FY21 Guidance	Management Commentary
FY21 Revenue	To grow in the range of 17 to 20%	- $3.79B to $3.89B or an increase of ~$599 million at the midpoint - We expect: o Total sequencing revenue to grow ~20%; o Sequencing consumable growth of ~20%; o Sequencing system revenue to grow ~33%
FY21 Non-GAAP GM	Modestly improve from 2020	- Reflecting increased leverage from higher volumes and cost saving initiatives partially offset by product mix, and IVD partnership revenue in Q120. - As volumes increase and freight charges normalize, we expect
FY21 Operating Margin	To be ~24%	- As volumes increase and freight charges normalize, we expect operating margins to improve in 2H 2021 and be above FY average
FY21 Non-GAAP Other Income	To be ~$40M lower than 2020	- Due to gains in Q420, lower interest rates, and shorter duration investments in anticipation of the close of the GRAIL acquisition.
FY21 GAAP Diluted EPS	$4.76 - $5.01	- Guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in 2H 2021.
FY21 Non-GAAP Diluted EPS	$5.10 - $5.35	- Guidance excludes the potential impact of the pending acquisition of GRAIL, which is expected to close in 2H 2021.

	Q121 Guidance	Management Commentary
Q121 Revenue	High-single digit growth vs Q120	- Q120 revenue was $859M - Raising our previous expectations
Q121 Non-GAAP GM	Qtr/Qtr improvement	
Q121 Non-GAAP Operating Expenses	Qtr/Qtr decline	- Similar to historical seasonality
Q121 Non-GAAP Diluted EPS	Slightly higher Qtr/Qtr	

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 attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders 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 document 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		Year Ended	
	January 3, 2021	December 29, 2019	January 3, 2021	December 29, 2019
Net cash provided by operating activities	**$ 406**	$ 443	**$ 1,080**	$ 1,051
Net cash (used in) provided by investing activities	**(33)**	(104)	**(554)**	745
Net cash used in financing activities	**(331)**	(115)	**(766)**	(897)
Effect of exchange rate changes on cash and cash equivalents	**7**	3	**8**	(1)
Net increase (decrease) in cash and cash equivalents	**49**	227	**(232)**	898
Cash and cash equivalents, beginning of period	**1,761**	1,815	**2,042**	1,144
Cash and cash equivalents, end of period	**$ 1,810**	$ 2,042	**$ 1,810**	$ 2,042
Calculation of free cash flow:				
Net cash provided by operating activities **(b)**	**$ 406**	$ 443	**$ 1,080**	$ 1,051
Purchases of property and equipment	**(62)**	(57)	**(189)**	(209)
Free cash flow **(a)**	**$ 344**	$ 386	**$ 891**	$ 842

(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.

(b) Net cash provided by operating activities in fiscal 2019 included an $84 million payment of the accreted debt discount related to the conversions of our 2019 Notes.

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

RECONCILIATION BETWEEN GAAP AND NON-GAAP EARNINGS PER SHARE ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:

	Three Months Ended		Year Ended	
	January 3, 2021	**December 29, 2019**	**January 3, 2021**	**December 29, 2019**
GAAP earnings per share attributable to Illumina stockholders - diluted	**$ 1.75**	$ 1.61	**$ 4.45**	$ 6.74
Cost of revenue **(b)**	**0.05**	0.04	**0.21**	0.23
Research and development costs **(b)**	**—**	0.01	**0.01**	0.02
Selling, general and administrative costs **(b)**	**0.40**	0.14	**0.98**	0.36
Other (income) expense, net **(b)**	**(0.99)**	0.08	**(1.60)**	(0.47)
Incremental non-GAAP tax expense **(c)**	**0.07**	(0.09)	**0.02**	(0.11)
Income tax benefit **(d)**	**(0.06)**	(0.09)	**(0.18)**	(0.20)
Tax expense related to increase in valuation allowance **(e)**	**—**	—	**0.42**	—
Tax expense related to cost-sharing arrangement **(f)**	**—**	—	**0.19**	—
Non-GAAP earnings per share attributable to Illumina stockholders - diluted **(a)**	**$ 1.22**	$ 1.70	**$ 4.50**	$ 6.57

RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:

	Three Months Ended		Year Ended	
	January 3, 2021	**December 29, 2019**	**January 3, 2021**	**December 29, 2019**
GAAP net income attributable to Illumina stockholders	**$ 257**	$ 239	**$ 656**	$ 1,002
Cost of revenue **(b)**	**8**	6	**32**	34
Research and development costs **(b)**	**—**	1	**1**	3
Selling, general and administrative costs **(b)**	**59**	21	**145**	54
Other (income) expense, net **(b)**	**(146)**	13	**(236)**	(70)
Incremental non-GAAP tax expense **(c)**	**10**	(14)	**3**	(16)
Income tax benefit **(d)**	**(9)**	(14)	**(27)**	(31)
Tax expense related to increase in valuation allowance **(e)**	**—**	—	**62**	—
Tax expense related to cost-sharing arrangement **(f)**	**—**	—	**28**	—
Non-GAAP net income attributable to Illumina stockholders **(a)**	**$ 179**	$ 252	**$ 664**	$ 976

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 attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders 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.

(e) Amount represents tax expense related to the valuation allowance established against the deferred tax asset for California research and development credits.

(f) Amount represents tax expense related to the finalization of the Altera court case which determined stock-based compensation must be included in intercompany cost sharing payments.

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				Year Ended			
	January 3, 2021		December 29, 2019		January 3, 2021		December 29, 2019	
GAAP gross profit (b)	**$ 630**	**66.1 %**	$ 662	69.5 %	**$2,203**	**68.0 %**	$2,467	69.6 %
Amortization of acquired intangible assets	**7**	**0.7 %**	6	0.7 %	**28**	**0.9 %**	34	1.0 %
Expenses related to COVID-19 **(c)**	**1**	**0.1 %**	—	—	**6**	**0.2 %**	—	—
Income related to COVID-19 **(d)**	**—**	**—**	—	—	**(4)**	**(0.1)%**	—	—
Restructuring **(e)**	**—**	**—**	—	—	**2**	**—**	—	—
Non-GAAP gross profit **(a)**	**$ 638**	**66.9 %**	$ 668	70.2 %	**$2,235**	**69.0 %**	$2,501	70.6 %
GAAP research and development expense	**$ 200**	**20.9 %**	$ 161	16.9 %	**$ 682**	**21.1 %**	$ 647	18.3 %
Expenses related to COVID-19 **(c)**	**—**	**—**	—	—	**(4)**	**(0.1)%**	—	—
Income related to COVID-19 **(d)**	**—**	**—**	—	—	**3**	**—**	—	—
Restructuring **(e)**	**—**	**—**	(1)	(0.1)%	**—**	**—**	(3)	(0.1)%
Non-GAAP research and development	**$ 200**	**20.9 %**	$ 160	16.8 %	**$ 681**	**21.0 %**	$ 644	18.2 %
GAAP selling, general and administrative expense	**$ 298**	**31.2 %**	$ 233	24.4 %	**$ 941**	**29.0 %**	$ 835	23.5 %
Amortization of acquired intangible assets	**—**	**—**	(1)	(0.1)%	**(1)**	**—**	(2)	—
Acquisition-related expenses **(f)**	**(52)**	**(5.4)%**	(12)	(1.3)%	**(158)**	**(4.8)%**	(43)	(1.2)%
Expenses related to COVID-19 **(c)**	**(9)**	**(0.9)%**	—	—	**(18)**	**(0.5)%**	—	—
Gain on litigation **(g)**	**2**	**0.2 %**	—	—	**27**	**0.9 %**	—	—
Income related to COVID-19 **(d)**	**—**	**—**	—	—	**3**	**—**	—	—
Restructuring **(e)**	**—**	**—**	(8)	(0.8)%	**2**	**—**	(9)	(0.3)%
Non-GAAP selling, general and administrative expense	**$ 239**	**25.1 %**	$ 212	22.2 %	**$ 796**	**24.6 %**	$ 781	22.0 %
GAAP operating profit	**$ 132**	**13.9 %**	$ 268	28.1 %	**$ 580**	**17.9 %**	$ 985	27.8 %
Cost of revenue	**8**	**0.9 %**	6	0.7 %	**32**	**1.0 %**	34	1.0 %
Research and development costs	**—**	**—**	1	0.1 %	**1**	**—**	3	0.1 %
Selling, general and administrative costs	**59**	**6.1 %**	21	2.1 %	**145**	**4.5 %**	54	1.5 %
Non-GAAP operating profit **(a)**	**$ 199**	**20.9 %**	$ 296	31.0 %	**$ 758**	**23.4 %**	$1,076	30.4 %
GAAP other income, net	**$ 166**	**17.4 %**	$ 1	0.1 %	**$ 276**	**8.5 %**	$ 133	3.8 %
Non-cash interest expense **(h)**	**12**	**1.3 %**	11	1.2 %	**43**	**1.3 %**	49	1.4 %
Strategic investment related (gain) loss, net **(i)**	**(159)**	**(16.7)%**	2	0.1 %	**(300)**	**(9.2)%**	(66)	(1.9)%
Loss on derivative assets **(j)**	**—**	**—**	—	—	**25**	**0.8 %**	—	—
Bridge facility fees **(k)**	**3**	**0.3 %**	—	—	**3**	**—**	—	—
(Gain) loss on contingent value right **(l)**	**(2)**	**(0.2)%**	—	—	**(7)**	**(0.2)%**	1	—
Gains on deconsolidation **(m)**	**—**	**—**	—	—	**—**	**—**	(54)	(1.5)%
Non-GAAP other income, net **(a)**	**$ 20**	**2.1 %**	$ 14	1.4 %	**$ 40**	**1.2 %**	$ 63	1.8 %

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 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 a one-time allowance paid to employees working remotely to help with additional expenses, write-off of unused COVID-19 lab equipment, premium pay for onsite essential workers, employee testing, incremental cleaning, and personal protective equipment.
(d) Amounts consist of direct and incremental income due to the COVID-19 pandemic, primarily payroll-related credits earned in Singapore.
(e) Amounts consist primarily of employee costs, net of adjustments, related to restructuring.
(f) Amount for Q4 2020 consists primarily of acquisition-related expenses related to the pending acquisition of GRAIL. Amount for fiscal year 2020 consists primarily of expenses related to the Continuation Advances and Reverse Termination Fee paid to Pacific Biosciences and expenses related to the pending acquisition of GRAIL. Amounts for Q4 and fiscal year 2019 consist primarily of expenses related to the Pacific Biosciences acquisition which was terminated on January 2, 2020.
(g) Amount consists of a gain related to a patent litigation judgement.
(h) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
(i) Amounts consist primarily of mark-to-market adjustments and impairments from our strategic investments.
(j) Amounts consist of fair value adjustments on our derivative assets related to the terminated acquisition with Pacific Biosciences.
(k) Amounts consist of expenses related to the bridge facility commitment obtained in advance of the acquisition of GRAIL.
(l) Amounts consist of fair value adjustments related to our contingent value right received from Helix.
(m) Amount consists of the $39 million gain recognized as a result of the Helix deconsolidation and a $15 million gain that resulted from the settlement of a contingency related to the deconsolidation of GRAIL in 2017.

Illumina, Inc.

Results of Operations - Non-GAAP (continued)

(Dollar in millions)

(unaudited)

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP TAX PROVISION:

	Three Months Ended January 3, 2021	
GAAP tax provision	$ 41	13.8 %
Incremental non-GAAP tax expense **(a)**	(10)	
Income tax benefit **(b)**	9	
Non-GAAP tax provision	$ 40	18.4 %

(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 December 29, 2019 filed with the SEC on February 10, 2020, Form 10-Q for the fiscal quarter ended March 29, 2020, Form 10-Q for the fiscal quarter ended June 28, 2020, and Form 10-Q for the fiscal quarter ended September 27, 2020. We assume no obligation to update any forward-looking statements or information.

	Fiscal Year 2021
GAAP diluted earnings per share (a)	**$4.76 - $5.01**
Amortization of acquired intangible assets	0.18
Non-cash interest expense **(b)**	0.24
Incremental non-GAAP tax expense **(c)**	(0.08)
Non-GAAP diluted earnings per share **(a)**	$5.10 - $5.35

(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.