ILMN Q119 Summary of Prepared Remarks

	Q119	Yr/Yr	Management Commentary
Sequencing Consumables	$481M	14%	- Driven by growth in a broad range of applications across sequencing system family - About 40% of sequencing consumable shipments in 2018 was associated with clinical applications, and as a group, grew ~30% in 2018 o Oncology testing represented a little under 20% of sequencing consumable shipments in 2018 o Reproductive health testing represented just over 10% o Genetic disease testing represented a little under 10% - Research and Applied represented ~60% of sequencing consumable shipments and grew ~18% from 2017 o Includes genetic disease research, cancer research, cell and molecular biology research, and microbiology and other - Sequencing consumable revenue our largest customers grew more than 40% Yr/Yr in Q1
Microarrays Consumables	$75M	-15%	- Growth in non-DTC customers partially offsetting a larger than expected decline in DTC
Total Consumables	$556M	9%	
Sequencing Instruments	$105M	-6%	- NovaSeq system orders were in line with expectations, but timing of shipments pushed a handful of systems later in the year - Most Q1 NovaSeq shipments were to HiSeq customers beginning their transition to NovaSeq; ~25% of orders were to new-to-ILMN or straight from desktop customers - Communicated to our customers that we will no longer be accepting HiSeq orders. As a result, we saw a number of last-time orders for refurbished HiSeq 4000s to be delivered throughout 2019. In Q1, shipped 6 refurbished HiSeq 4000s - Strong NextSeq shipments linked to TSO500 in several geographies
Microarrays Instruments	$6M	0%	
Total Instruments	$111M	-6%	
Total Products	$667M	6%	
Sequencing Service & Other	$113M	18%	- Higher revenue from oncology collaborations, including a milestone payment, and non-recurring IP licensing more than offset the expected decline in GeL revenue
Microarray Service & Other	$66M	14%	- Reflected a record number of DTC array samples, but revenue was lower than we expected when we guided in January
Total Service & Other	$179M	16%	
Total Revenue	$846M	8%	- Order volume exceeded $1B for the first time

	Yr/Yr	Management Commentary
Americas	8%	- Growth driven primarily by our sequencing business, including sequencing consumable growth associated with clinical oncology applications
EMEA	8%	- Growth in sequencing consumables more than offset the expected decline in sequencing services associated with GeL during the transition to the National Health Service - Early promise in emerging markets, with record number of sequencing systems and sequencing consumables
Asia Pacific	7%	- Growth driven by lab service customers and oncology applications
Greater China	13%	- Up 19% Yr/Yr if allowing for the $5M stocking order that shipped in Q418 - Growth was driven primarily by sequencing consumables for NIPT and oncology applications, in addition to arrays

Sequencing Updates

	Management Commentary
High-Throughput (HT): NovaSeq & HiSeq	- NovaSeq pull-through was ~$1M/system/year in 2018; expect NovaSeq pull-through to increase as we progress through 2019 - HiSeq 2018 pull-through was ~$300K/system/year - Approximately 50 HiSeq decommissions this quarter - Expect to ship more than two times the number of NovaSeqs in Q419 vs Q119
Mid-Throughput (MT): NextSeq	- NextSeq placements saw Yr/Yr growth, with strength in part driven by demand for TSO500 - Sequencing consumables associated with NextSeq were up 30% Yr/Yr - With 10 quarters of pull-through consistently at the high end of our previous guidance range, we are revising our guidance range and now expect annual pull-through per NextSeq system in the range of $130K-$160K
Low-Throughput (LT): MiSeq, MiniSeq & iSeq	- MiSeq placements saw Yr/Yr growth - Both MiSeq and MiniSeq within target ranges of $40-45K and $20-25K, respectively

Microarray Updates

	Management Commentary
Microarrays	- Although we continue to see growth in DTC outside the U.S., we are factoring in greater caution around DTC business for rest of 2019

Q119 Non-GAAP Financial Highlights

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

	Q119	Yr/Yr	Qtr/Qtr	Management Commentary
Gross Margin	70.2%	+0.4%	+1.1%	- Increase vs Q418 and Q118 primarily driven by product mix and non-recurring Q1 sequencing service and other revenue
Operating expenses	$363M	+$47M	-$25M	- Up from Q118 due to higher R&D investments
Operating Margin	27.2%	-2.3%	+2.9%	- Excluding Helix, operating margin was 29.1% vs 31.9% in Q118
Tax Rate	8.7%	-4.2%	-7.6%	- Down from last quarter primarily due to a discrete tax benefit related to the release of tax reserves
Net Income attributable to Illumina stockholders	$237M	+$23M	+$40M	
EPS attributable to Illumina stockholders (diluted)	$1.60	+10%	+21%	- Helix EPS dilution of $0.05

	Q119	Yr/Yr	Qtr/Qtr	Management Commentary
Cash Flow from Operations	$198M	-$57M	-$102M	
DSO	49 days	+2 days	-5 days	
Capital expenditures	$56M	-$34M	-$9M	
Free Cash Flow	$142M	-$23M	-$93M	
Cash, Cash Equivalents & Short-term Investments	$3.6B	+$1.2B	+$103M	

Guidance

	FY19 Guidance	Management Commentary
FY19 Revenue	Approximately 13-14% growth ($3.77B - $3.80B)	- No change; expect growth in sequencing business to offset shortfalls associated with the transition in DTC and loss of Helix revenue ($18M) - Expect to deliver ~46% of our full year revenue in 1H19, and ~54% of full year revenue in 2H19 - Population genomics revenue expected to contribute ~$55M of growth in 2H19 compared to 1H19. Excluding this group, revenue split would be closer to 47% in 1H19 and 53% in 2H19 - Expect sequencing business to grow in the mid-teens; continue to expect sequencing consumable revenue growth to exceed 20% for the full year - Now expect array business to be approximately flat Yr/Yr - Excluding iSeqs, expect to ship ~930 systems in 1H19 and over 1150 systems in 2H19
FY19 Non-GAAP GM	-	- Flat to slightly down compared to the 70.1% reported for the full year 2018
FY19 Non-GAAP Operating Expenses	Improve by approximately 2% compared to 2018	
FY19 Non-GAAP Tax Rate	16-17%	
FY19 GAAP EPS attributable to Illumina stockholders	$6.29 to $6.39	
FY19 Non-GAAP EPS attributable to Illumina stockholders	$6.63 to $6.73	- Increasing full-year EPS guidance to adjust for Helix deconsolidation ($0.13 of expected dilution remaining in 2019)

	Q219 Guidance	Management Commentary
Q219 Revenue	Grow ~7% vs Q218	
Q219 Sequencing Revenue	Grow ~12% Yr/Yr	- Expect growth in both sequencing systems and sequencing consumables
Q219 Arrays Revenue	Decline in the mid-teens on a % basis Yr/Yr	- Reflects lower array service and other revenue
Q219 Non-GAAP GM	Down sequentially	- Due to product mix and Q1 nonrecurring revenue in sequencing service and other
Q219 Non-GAAP Operating Expenses	Increase sequentially as a % of revenue	- Due to timing of OpEx spend shifting from Q1 to Q2, partially offset by lower expenses as a result of the Helix deconsolidation
Q219 Non-GAAP Other Income	Decline sequentially	- Due to debt repayment

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 release contains forward-looking statements that involve risks and uncertainties, including our financial outlook and guidance for fiscal 2019. Among the important factors that could cause actual results to differ materially from those in any forward-looking statements are: (i) our expectations and beliefs regarding future conduct and growth of the business and the markets in which we operate; (ii) the volume, timing and mix of customer orders among our products and services; (iii) our expectations regarding the pending acquisition of Pacific Biosciences; (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 further develop and commercialize our instruments and consumables, to deploy new products, services, and applications, and to expand the markets for our technology platforms; (ix) our ability to successfully identify and integrate acquired technologies, products, or businesses; and (x) 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	
	March 31, 2019	**April 1, 2018**
Net cash provided by operating activities	$ 198	$ 255
Net cash provided by investing activities	988	12
Net cash (used in) provided by financing activities	(60)	67
Effect of exchange rate changes on cash and cash equivalents	—	1
Net increase in cash and cash equivalents	1,126	335
Cash and cash equivalents, beginning of period	1,144	1,225
Cash and cash equivalents, end of period	$ 2,270	$ 1,560
Calculation of free cash flow:		
Net cash provided by operating activities	$ 198	$ 255
Purchases of property and equipment	(56)	(90)
Free cash flow **(a)**	$ 142	$ 165

(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 ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:

	Three Months Ended	
	March 31, 2019	**April 1, 2018**
GAAP earnings per share attributable to Illumina stockholders - diluted	**$ 1.57**	**$ 1.41**
Costs of revenue **(b)**	0.06	0.05
Selling, general and administrative costs **(b)**	0.12	0.03
Other income, net **(b)**	(0.06)	—
Incremental non-GAAP tax expense **(c)**	(0.03)	(0.02)
Income tax benefit **(d)**	(0.06)	(0.02)
Non-GAAP earnings per share attributable to Illumina stockholders - diluted **(a)**	$ 1.60	$ 1.45

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

GAAP net income attributable to Illumina stockholders	**$ 233**	**$ 208**
Costs of revenue **(b)**	9	8
Selling, general and administrative costs **(b)**	17	4
Other income, net **(b)**	(9)	—
Incremental non-GAAP tax expense **(c)**	(4)	(3)
Income tax benefit **(d)**	(9)	(3)
Non-GAAP net income attributable to Illumina stockholders **(a)**	$ 237	$ 214

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.

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			
	March 31, 2019		April 1, 2018	
GAAP gross profit	**$ 584**	**69.1 %**	**$ 538**	**68.8 %**
Amortization of acquired intangible assets	9	1.1 %	8	1.0 %
Non-GAAP gross profit **(a)**	$ 593	70.2 %	$ 546	69.8 %
GAAP selling, general and administrative expense	**$ 211**	**24.9 %**	**$ 183**	**23.5 %**
Amortization of acquired intangible assets	(1)	—	(1)	(0.1)%
Acquisition-related expenses **(b)**	(16)	(1.9)%	—	—
Restructuring **(c)**	—	—	(3)	(0.5)%
Non-GAAP selling, general and administrative expense	$ 194	23.0 %	$ 179	22.9 %
GAAP operating profit	**$ 204**	**24.2 %**	**$ 218**	**27.8 %**
Costs of revenue	9	1.1 %	8	1.1 %
Selling, general and administrative costs	17	1.9 %	4	0.6 %
Non-GAAP operating profit **(a)**	$ 230	27.2 %	$ 230	29.5 %
GAAP other income, net	**$ 29**	**3.4 %**	**$ 3**	**0.4 %**
Non-cash interest expense **(d)**	14	1.7 %	8	1.0 %
Strategic investment related gain, net **(e)**	(8)	(0.9)%	(8)	(1.0)%
Gain on deconsolidation of GRAIL **(f)**	(15)	(1.8)%	—	—
Non-GAAP other income, net **(a)**	$ 20	2.4 %	$ 3	0.4 %

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.

(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) Amount consists of acquisition-related expenses related to the pending Pacific Biosciences acquisition.

(c) Amount consists primarily of employee costs related to restructuring that occurred in Q1 2018 and Q4 2017.

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

(e) Amount consists primarily of mark-to-market adjustments from our strategic investments.

(f) Amount represents additional gain resulting from the settlement of a contingency related to the deconsolidation of GRAIL in 2017.

Illumina, Inc.

Reconciliation of Non-GAAP Financial Guidance

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 30, 2018 filed with the SEC on February 11, 2019. We assume no obligation to update any forward-looking statements or information.

	Fiscal Year 2019
GAAP diluted earnings per share attributable to Illumina stockholders (a)	**$6.29 - $6.39**
Non-cash interest expense **(b)**	0.33
Amortization of acquired intangible assets	0.24
Acquisition-related expenses **(c)**	0.11
Gain on deconsolidation of GRAIL **(d)**	(0.10)
Strategic investment related gain, net **(e)**	(0.05)
Incremental non-GAAP tax expense **(f)**	(0.13)
Excess tax benefits from share-based compensation **(g)**	(0.06)
Non-GAAP diluted earnings per share attributable to Illumina stockholders **(a)**	$6.63 - $6.73

(a) Except for acquisition-related expenses incurred during the first quarter of 2019, this guidance excludes any impact from the pending acquisition of Pacific Biosciences, which we expect to close in mid-2019.

(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 of acquisition-related expenses incurred during the first quarter of 2019 related to the pending Pacific Biosciences acquisition.

(d) Amount represents additional gain resulting from the settlement of a contingency related to the deconsolidation of GRAIL in 2017.

(e) Amount consists primarily of mark-to-market adjustments from our strategic investments.

(f) Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed.

(g) Amount represents 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 TAX PROVISION:

	Three Months Ended March 31, 2019	
GAAP tax provision	**$ 9**	**3.9%**
Incremental non-GAAP tax expense **(a)**	4	
Income tax benefit **(b)**	9	
Non-GAAP tax provision	$ 22	8.7%

(a) Incremental non-GAAP tax expense reflects the tax impact of the non-GAAP adjustments listed.
(b) Amount represents tax deductions taken in excess of stock compensation cost.