Fulgent Genetics Announces Acquisition of CSI Laboratories

August 9, 2021

TEMPLE CITY, Calif.--(BUSINESS WIRE)--Aug. 9, 2021-- Fulgent Genetics, Inc. (NASDAQ: FLGT) ("Fulgent" or the "Company"), a technology-based genetic testing company focused on transforming patient care in oncology, infectious and rare diseases, and reproductive health, today announced that it has acquired CSI Laboratories ("CSI") to expand its presence in somatic molecular diagnostics and cancer testing.

CSI was founded in 1997 to provide a client- and patient-focused model of cancer diagnostic testing for pathologists, community hospitals, and their patients. CSI offers more than 400 unique tests with a focus on oncology and capabilities across flow cytometry, cytogenetic analysis, fluorescence in-situ hybridization ("FISH"), immunohistochemistry, and molecular genetics. CSI's philosophy of providing expert diagnostic testing with speed, precision, and care, is highly complementary with Fulgent's core value proposition of offering a broad menu of actionable diagnostic tests with quality results and rapid turnaround time.

Strategic Rationale:

- Expansion into somatic genetic testing market, which is expected to grow to $16.8 billion by 2030

- Realize synergies by leveraging Fulgent's best-in-class technology and Next Generation Sequencing ("NGS") expertise in new oncology markets

- Geographic expansion of CSI's reach beyond the Southeastern part of the United States

With the acquisition of CSI, Fulgent will significantly expand its capabilities in molecular diagnostics and oncologic testing. Fulgent will leverage its established technology platform, NGS expertise, lab operations, and sales infrastructure in conjunction with CSI's extensive cancer testing menu to establish a differentiated foothold in oncologic testing in the United States. The combination of CSI's extensive molecular diagnostics test menu and Fulgent's NGS expertise, given its proprietary technology platform, will create a novel, comprehensive cancer testing solution for customers across the United States.

Fulgent's Chief Medical Officer, Dr. Larry Weiss, will oversee the integration of CSI's capabilities into Fulgent's platform and the future operations of the company's oncologic testing efforts. Fulgent expects to bolster the scale of CSI's offerings with a new state-of-the-art cancer testing laboratory in California, which it believes will complement CSI's existing operations in Alpharetta, Georgia.

"We are extremely excited to add CSI Laboratories' expertise and team to the Fulgent family," said Ming Hsieh, Chairman and CEO of Fulgent. "Their high standards for test quality and customer service fit extremely well with our values and culture at Fulgent. We look forward to adding their extensive oncologic and molecular diagnostic testing capabilities to our platform."

"CSI has an outstanding reputation for providing excellent pathology and oncology services in the southeastern United States. We expect CSI will serve as an anchor to Fulgent's cancer testing capabilities, bringing their expertise and experience to a national oncologic centered client base, and expanding their broad pathology and molecular offerings by leveraging Fulgent's leadership in Next Generation Sequencing," said Dr. Larry Weiss, Chief Medical Officer at Fulgent. "Our vision is to combine Fulgent's excellence in NGS with the broad, high-quality oncologic testing menu already existing in CSI and bring it to a national client base. We expect the addition of CSI will deliver customers a superior experience relative to competitors who offer one-dimensional NGS testing or broader menus without NGS expertise."

"This is an exciting day for CSI Laboratories' team members, clients and patients, and we are excited to join forces with a company that shares our same level of commitment to the cancer community, " said Ron Ghafary, founder of CSI Laboratories. "We look forward to expanding our cancer testing capabilities on Fulgent's genomic testing platform and continuing to differentiate ourselves through our expertise, high-quality results and high-touch service model that our clinicians and staff deliver on a daily basis."

Advisors

Piper Sandler acted as the exclusive financial advisor and Mintz Levin, Cohn, Ferris, Glovsky and Popeo served as legal counsel to Fulgent Genetics, Inc. in connection with the transaction.

About Fulgent Genetics

Fulgent Genetics is a technology-based genetic testing company focused on transforming patient care in oncology, infectious and rare diseases, and reproductive health. Fulgent's proprietary technology platform has created a broad, flexible test menu and the ability to continually expand and improve its proprietary genetic reference library while maintaining accessible pricing, high accuracy, and competitive turnaround times. Combining next generation sequencing ("NGS") with its technology platform, the Company performs full-gene sequencing with deletion/duplication analysis in an array of panels that can be tailored to meet specific customer needs. A cornerstone of the Company's business is its ability to provide expansive options and flexibility for all clients' unique testing needs through a comprehensive technology offering including cloud computing, pipeline services, record management, web portal services, clinical workflow, sequencing as a service and automated lab services.

About CSI Laboratories

CSI was founded in 1997 to provide a more client- and patient-focused model of cancer diagnostic testing for pathologists, community hospitals, and their patients. CSI offers flow cytometry, cytogenetic analysis, fluorescence in-situ hybridization (FISH), immunohistochemistry, molecular genetics, next generation sequencing, and consultations to hematopathology and surgical pathology clients. It is operated by medical professionals, providing expert diagnostic testing and rapid turnaround times for clients across the United States. CSI is a CLIA-certified and CAP-accredited cancer reference laboratory located in Alpharetta, GA.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements in this press release include statements about, among other things: management's and others' beliefs, judgments and estimates regarding CSI's business, prospects, technology platform, products and services, including their value to Fulgent, their potential benefit to Fulgent's business, platform, services, products and product candidates; Fulgent's testing solutions and services, including its laboratory capacity and related matters; the Company's identification and evaluation of opportunities, estimates of market size and its ability to capitalize on opportunities to grow its business.

Forward-looking statements are statements other than historical facts and relate to future events or circumstances or the Company's future performance, and they are based on management's current assumptions, expectations and beliefs concerning future developments and their potential effect on the Company's business. These forward-looking statements are subject to a number of risks and uncertainties, which may cause the forward-looking events and circumstances described in this press release to not occur, and actual results to differ materially and adversely from those described in or implied by the forward-looking statements. These risks and uncertainties include, among others: CSI may not produce the anticipated benefits discussed in this release; the integration of CSI may consume more management and other resources than anticipated; the somatic molecular diagnostics and oncology markets may not grow at the rates anticipated; the ongoing impacts of the COVID-19 pandemic, including the preventive public health measures that may continue to impact demand for its genetics tests and the pandemic's effects on the global supply chain; the market potential for, and the rate and degree of market adoption of, the Company's tests, including its newly-developed tests for COVID-19 and genetic testing generally; the Company's ability to capture a sizable share of the developing market for genetic and COVID-19 testing and to compete successfully in these markets, including its ability to continue to develop new tests that are attractive to its various customer markets, its ability to maintain turnaround times and otherwise keep pace with rapidly changing technology; the Company's ability to successfully integrate acquired businesses and assets into its business strategy and to derive value from its investments; the Company's ability to maintain the low internal costs of its business model, particularly as the Company makes investments across its business; the Company's ability to maintain an acceptable margin on sales of its tests, particularly in light of increasing competitive pressures and other factors that may continue to reduce the Company's sale prices for and margins on its tests; risks related to volatility in the Company's results, which can fluctuate significantly from period to period; risks associated with the composition of the Company's customer base, which can fluctuate from period to period and can be comprised of a small number of customers that account for a significant portion of the Company's revenue; the Company's ability to grow and diversify its customer base and increase demand from existing and new customers; the Company's investments in its infrastructure, including its sales organization and operational capabilities, and the extent to which these investments impact the Company's business and performance and enable it to manage any growth it may experience in future periods; the Company's level of success in obtaining coverage and adequate reimbursement and collectability levels from third-party payors for its tests; the Company's level of success in establishing and obtaining the intended benefits from CSI, partnerships, joint ventures or other relationships; the Company's compliance with the various evolving and complex laws and regulations applicable to its business and its industry; risks associated with the Company's international operations; the Company's ability to protect its proprietary technology platform; and general industry, economic, political and market conditions. As a result of these risks and uncertainties, forward-looking statements should not be relied on or viewed as predictions of future events.

The forward-looking statements made in this press release speak only as of the date of this press release, and the Company assumes no obligation to update publicly any such forward-looking statements to reflect actual results or to changes in expectations, except as otherwise required by law.

The Company's reports filed with the U.S. Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 8, 2021 and the other reports it files from time to time, including subsequently filed quarterly and current reports, are made available on the Company's website upon their filing with the SEC. These reports contain more information about the Company, its business and the risks affecting its business.

View source version on businesswire.com: https://www.businesswire.com/news/home/20210809005730/en/

Investor Relations Contacts:
The Blueshirt Group
Nicole Borsje, 415-217-2633; nicole@blueshirtgroup.com

Source: Fulgent Genetics, Inc.