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FLGT.OQ - Q4 2025 Fulgent Genetics Inc Earnings Call

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PRESENTATION

Operator

Greetings. Welcome to Fulgent Genetics fourth quarter 2025 conference call and webcast. (Operator Instructions) Please note this conference is being recorded. I will now turn the conference over to Lauren Sloan, Investor Relations.

Thank you. You may begin.

Lauren Sloane - *Fulgent Genetics Inc - Investor Relations*

Good morning and welcome to the Fulgent fourth quarter in fiscal year 2025 financial results conference call. On the call are Ming Hsieh, Chief Executive Officer; Paul Kim, Chief Financial Officer; and Brandon Perthuis, Chief Commercial Officer.

The company's press release discussing the financial results is available on the Investor Relations section of the company's website ir.fulgentgenetics.com. A replay of this call will be available shortly after the call concludes on the Investor Relations section of the company's website.

Management's prepared remarks and answers to your questions on today's call will contain forward-looking statements. These forward-looking statements represent management estimates based on current views, expectations, and assumptions, which may prove to be incorrect.

As a result, matters discussed in any forward-looking statements are subject to risks, uncertainties, and changes in circumstances that may cause actual results to differ from those described in the forward-looking statement. The company assumes no obligation to update any of the forward-looking statements it makes today to reflect the actual results or changes in expectations.

Listeners should not rely on any forward-looking statements as predictions of future events and should listen to management's remarks today with the understanding that actual events included in the company's actual future results may be materially different than what is described in or implied by these forward-looking statements.

Please review the more detailed discussions related to these forward-looking statements, including the discussions of some of the risk factors that may cause results to differ from those described in the forward-looking statements contained in the company's filings with the Securities and Exchange Commission, including the previously filed 100 for the year ended December 31, 2024 and subsequently filed reports which are available on the company's investor relations website.

Management's prepared remarks, including discussions of profit, loss, margin, earnings, and earnings per share, contain financial measures not prepared in accordance with accounting principles generally accepted in the United States, or GAAP.

Management has presented these non-GAAP financial measures because it believes they may be useful to investors for various reasons, but these measures should not be viewed as a substitute for or superior to the company's financial results prepared in accordance with GAAP.

Please see the company's press release discussing its financial results for the fourth quarter 2025 for more information, including the description of how the company calculates non-GAAP income and loss, non-GAAP earnings and loss per share, non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating profit and loss and margin and adjusted EBITDA, and a reconciliation of these financial measures to income and loss, earnings and loss per share, and operating margins. The most directly comparable GAAP financial measures.

The company does not provide reconciliation of forward-looking non-GAAP measures to the most directly comparable GAAP measures because the information necessary to calculate such reconciliation is unavailable on a forward-looking basis without unreasonable effort.

With that, I'd now like to turn the call over to Ming. Please go ahead.

Ming Hsieh - *Fulgent Genetics Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Lauren. I'm pleased with the progress we have made this year as we execute our strategic objectives in both our laboratory services and the therapeutic development business. In 2025, the laboratory services business sustained the momentum as we delivered the growth and execute our strategic and the product innovation roadmap.

We have implemented the best in class technology across our platform, and have the investment we have made in digital pathology and AI are paying off.

We are seeing the advantage of moving to digital and using AI enabled workflow with the increased quality, turnaround time and throughput.

We have launched our own proprietary imaging management system, [EOPass], which integrates the best in-class AI tools developed in-house, giving us even greater control in the technology services. We also accelerated our product innovation in 2025 with the launch of RNA integrated whole genome sequencing and ultra rapid whole genome sequencing.

The investment in AI and digital pathology solutions coupled with our innovations across our laboratory service platform. We deliver the revenue and the margin improvement in 2025. We see the first half of 2026 in a transition period.

As our business adjusted to the impact from our largest cost moving significant volume in-house. We believe our technology platform will continue to get stronger and the strategic investment and the innovations we have made will continue to work at an accelerated pace.

Offering new and expanded opportunity for growth and improved the operating leverage in future. We also accelerate the progress of our therapeutic development pipeline in 2025 and expect continued progress this year.

Starting with our first clinical candidate, FID-007, and advanced through the Phase 2, with the 46 patients enrolled. The trial enrollment closed on time on December 29, 2025. We are encouraged by the early efficacy and safety data.

FID-007 combined with Cetuximab, demonstrate the meaningful anti-cancer efficacy and a favorable tolerable profile at both those levels for the second line treatment of recurrent metastasis, head and neck squamous cell carcinoma. Phase 3 protocol development is a long ongoing with the trial mission planned as early as the first half of 2027.

This year, we are planning to submit a request to FDA in the second quarter of 2026 and hope to have a Phase 2 meeting with FDA in the third quarter of 2026. We anticipate presenting our interim findings at the [ECO] in June 2026 and expect a full data readout by the second half of 2027.

We are encouraged by our clinical trial progress achieved so far and believe entering into the Phase 3 registration trial will further increase the probability of the success of commercialization FID-007 for the treatment of recurrence metastatic head and neck squamous cell carcinoma patient.

Currently having very few effective treatment options.

Our second clinical candidate, FID-022, is progressing for the Phase 1 dose escalation, with the first dose levels successfully completed at the end of December 2025. And the second dose level successfully completed on January 28, 2026. The third dose level begins on February 2, 2026. We expect to finish the study and determine the maximum tolerable dose level later this year.

FID-022 is a nano encapsulate [SM 38] for the treatment of solid tumors, including potentially colon, pancreatic, ovarian, and bile duct cancers. Overall, I'm pleased with the progress we have made this year. Our pharma R&D effort are progressing faster, better, and more cost-effective than planned.

Additional, our laboratory service business is greatly benefited from our investment of AI technology, which makes our services more efficient and precise. And although our revenue of 2025, slightly short of our op updated expectation. We are exceeded our non-GAAP EPS guidance and proud of the progress we have made and believe our business is intact.

As we look to 2026, we believe the first half of the year will be impacted by the largest cost moving a significant volume of his work in-house. But also the strategic initiative we have made may help offset this impact over the long-term.

I would like to thank our employees, partners, and stakeholders for your hard work and the loyalty in a great quarter of our business. We look forward to further progress in 2026. I will now turn over the call over to Brandon Perthuis, our Chief Commercial Officer, to talk more about our laboratory service business.

London.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Thanks Ming. We ended the fourth quarter at $83.3 million which was an increase of 9% year over year and a slight decrease quarter over quarter.

Looking at how we closed the year, total revenue came in at $322.7 million which was an increase of approximately 14% year over year.

Looking closer at our three areas of business, Precision Diagnostics revenue for the fourth quarter was $48.2 million an increase of 11% year over year, however, down 5% sequentially, driven primarily by lower than anticipated volume from our largest customer who has begun transitioning to testing in-house.

A revenue for the fourth quarter was $27 million an increase of 3% year over year and up 4% sequentially. For BioPharma Services, revenue was $8.1 million an increase of 32% year over year, and 10% sequentially.

For the year, Precision Diagnostics revenue was $190.5 million a 14% increase over 2024. A revenue, or anatomic pathology revenue was $106.4 million an increase of 10% over 2024, and biopharma Services was $25.8 million a 58% increase. Overall, we are pleased with the performance in 2025, delivering double-digit year over year growth.

During the quarter we announced our intention to acquire Bako Diagnostics and StrataDx pending regulatory approvals for a total purchase price of $55.5 million. This proposed acquisition will add new anatomic pathology services, proprietary PCR tests, and a national client base.

Bako Diagnostics is a premier national provider of specialty laboratory testing services which offers a comprehensive testing menu including complete anatomic pathology services, proprietary molecular genetic testing, and peripheral neuropathy immunohistochemical testing.

Bako Diagnostics is CLA certified, cap accredited, and licensed by the Georgia Department of Public Health.

StrataDx is a premier national provider of dermatopathology testing services.

Prota DX is liA certified, cap accredited, and licensed by the state of Massachusetts.

With these acquisitions, we will further strengthen our laboratory services business by adding new products and services and further expand our national client base, national sales team, and team of expert pathologists. We expect to close the transaction in March.

We are excited to announce that during the fourth quarter we received approval from New York State for both our proprietary NIPT offering Nova, as well as our whole genome sequencing test.

These are significant approvals and a high validation of our quality services. These approvals open a new market for us to commercialize these tests in New York.

And we look forward to servicing New York clients and patients in both the rare disease and reproductive markets.

We mentioned on previous call the investments we are making in digital pathology, specifically our new in-house developed platform [Ezopath]. Digital pathology is changing the dynamics of our laboratory, enabling remote reading, remote consults, and most importantly, the use of AI modules for certain disease subtypes. As of today, we are approximately 100% digital across all of our cases, and they are being read on Ezopath as we transition off our previous third-party platform.

In AI development, we have launched several internally developed modules including tissue region detection, [eosinophil counting, and eosinophilic esophagitis, and lymphocyte ratio in duodenal intraepithelial lymphocytosis].

Ezopath also supports third-party AI modules such as page AI Prostate and [MindPeak for HER2] in breast cancer. In our 2026 AI R&D pipeline, we have a dozen AI modules planned, and we expect to significantly improve our medical team's operational efficiency once deployed.

Fulton has always viewed itself as a technology company, and we have developed most of the systems that support our business. [Easiopath] is just another example. With in-house clinical AI, R&D, and software engineering teams, a large group of medical pathologists across various specialties, and most importantly, clinical data with diagnostic outcomes, we believe [Fulton] is well positioned to become a major player in the AI-enabled digital pathology field.

Within our oncology business, we see great potential in leveraging AI technology to improve clinical diagnosis for patients. Fulton is one of the very few companies that provide end to end diagnostic services for cancer patients, including flow [cytometry, IHC, fish, cytogenetics, and NGS].

Our team is currently working on a project to develop AI modules that analyze data across multiple modalities and provide summary diagnostic information for our medical team to review before final reporting. We believe this could be a game changer in cancer diagnosis.

Overall, we are pleased with our progress in 2025. We believe the investments we have made in our technology capabilities will continue to pay dividends as we strive to expand our market reach. I'd like to thank our employees for their hard work and dedicdication throughout the year, and I'm thankful to have such a strong team in place as we kick off the new year.

I'll now turn the call over to our Chief Financial Officer Paul Kim. Paul.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Thank you, Brandon. Full year revenue for 2025 totaled $322.7 million, growing approximately 14% compared to revenue of $283.5 million in 2024, which fell slightly short of the updated guidance we provided on last quarter's earnings call, but ahead of the original guidance we provided at the beginning of 2025.

Revenue in the fourth quarter of 2025 totaled $83.3 million compared to $84.1 million in the third quarter of 2025. The decrease in our Q4 revenue was primarily the result of lower than anticipated volume from our largest customer who has begun transitioning the test in-house. Gross margin for the fourth quarter on a non-GAAP basis was 41%. And a GAAP basis was 39.1%.

Full year gross margins improved year over year due to streamlined operations and from the enhanced efficiencies we achieved as a result of our investment in scaling and centralizing lab operations. Now turning over to operating expenses.

Total GAAP operating expenses were $68.8 million in the fourth quarter, which increased when compared to $50.9 million in the prior quarter. The increase in operating expenses was partially driven by acquisition-related costs, payroll-related expenses, and a one-time professional liability expense.

Non-GAAP operating expenses totaled $43.1 million compared to $40.7 million in the previous quarter. We remain committed to R&D spending to support both our laboratory testing services and our clinical studies and to sales and marketing spending to expand the sales team.

Non-GAAP operating margin decreased sequentially to a 10.7%. Our GAAP loss in the current quarter was $23.4 million, an increase from the prior quarter GAAP loss of $6.6 million.

Adjusted EBITDA for the fourth quarter was a loss of approximately $4.5 million compared to a gain of [700,000] in Q3 2025. On a non-GAAP basis and excluding equity-based compensation expense, intangible asset amortization, acquisition related costs, and a one-time professional liability expense, income for the quarter was approximately $5.2 million or $0.16 per share based on $31.7 million weighted average diluted shares outstanding.

Looking at the full year 2025 on a non-GAAP basis and excluding equity-based compensation expense, intangible asset amortization, acquisition related costs, and a one-time professional liability expense, income was approximately $13.2 million, or $0.42 per share based on $31.1 million weighted average shares outstanding, beating the updated guidance we provided on last quarter's earnings call.

Turning to the balance sheet, we ended the fourth quarter and full year with approximately $705.5 million in cash equivalents, restricted cash and marketable securities. The decrease in cash from the previous quarter is driven by the purchase of income tax credits and capital expenditures.

As of year end, we have not yet received the $106 million in federal income tax refund, which has been delayed due to government shutdown in the fourth quarter of 2025. Excluding the delay in the income tax refund, we beat the updated cash guidance we provided on our last quarter's earnings call.

Before providing our guidance for 2026, I would like to talk through certain drivers, shaping our expectations for the first and second half of the year, and the anticipated impact from the acquisition of Bako and Strata Dx. As Ming mentioned, we expect revenue in the first half of the year to be impacted by a significant decrease in volume from our largest customer moving their testing capabilities in-house.

We anticipate revenue from this customer, which was $70.8 million or 22% in 2025, to decline sharply quarter over quarter through Q2 2026 and potentially stabilize in the second half of the year. The revenue from our largest customer in 2025 was all classified as Precision Diagnostics. We believe this decrease in revenue will be partially or fully offset by the anticipated contribution of approximately $50 million to $55 million from the acquisition of Bako and StrataDx, which we expect to close in March of 2026, contributing to an overall revenue growth in the second half of the year.

Bako's revenue is expected to primarily be categorized as anatomic pathology. So assuming we're able to close Bako and StrataDx acquisitions in a timely manner and that these acquired businesses perform as we currently expect, we're forecasting that in 2026, no single customer will account for more than 10% of our total revenue, reflecting an improvement in our customer concentration profile. We would also expect total revenues to be approximately $350 million for 2026, representing an 8.5% year over year growth, excluding our largest customers' revenue and assuming that Bako and StrategyDx acquisitions, timely, close, and acquired businesses perform as expected.

The net estimated growth in precision diagnostics would be approximately 31% from 2025 to 2026, and our pipeline for customer opportunities with precision diagnostics would remain strong. With these acquisitions, 2026 anatomic pathology revenue would be expected to increase to an aggregate of $162 million. Up 53% from $106 million in 2025, largely driven by the Bako acquisition.

BioPharma revenue is expected to decrease from $25.8 million to $20 million, reflecting a long sales cycle as we see in this area. As we move through the year, we expect to see continued momentum from our laboratory services business as it continues to benefit from the investment of AI and anatomic pathology, which is making our services more efficient and precise.

Do we expect non-GAAP gross margins for the full year to be slightly above 40% as the product mix shifts with the changes in our customer composition, we anticipate the gross margins to be lower in the first half of the year due to the impact of cost of sales charges being allocated across a smaller revenue base. We expect non-GAAP operating margins to decrease from a minus 8% to a minus18% for the year, largely driven by the incremental expenses from the Bako and StrataDx acquisitions, our continued investment in expanding our sales team, and our ongoing commitment to research and development for both our laboratory services business and therapeutic development business.

Our strategy for success centers on scaling efficiently and driving innovation across our service offerings while carefully managing spend and integrating our expected strategic acquisitions effectively. The anticipated spend for the therapeutic development business is--approximately $26 million in 2026 as we continue advancing clinical trials for FID-002 and FID-007.

We will continue to invest in business expansion, further improving our laboratory operations and upgrading laboratory facilities. We believe that our foundational technology platform supports a strong long-term margin.

Using an average share count of $32 million we expect our full year 2026 non-GAAP EPS guidance to be a loss of $1.45 per share, excluding stock-based compensation, impairment loss, acquisition-related costs, and amortization of intangible assets, as well as any one-time charges.

Finally, our cash position continues to be strong. We remain confident to efficient capital allocation to support future growth. As we invest in key initiatives and look for opportunities to expand, assuming the close of Bako and StrategyDx acquisition with the purchase price of approximately $56 million, capital purchases approximately $12 million to spend on our therapeutic development business of $26 million $14.5 million for the one-time professional liability expense, and excluding any future stock repurchases or other expenditures outside the ordinary course which could include other M&A we anticipate ending 2026 with approximately $685 million of cash equivalents, restricted cash and investments in marketable securities.

This number assumes receipt of approximately $106 million in tax refunds, which have been delayed as a result of the Q4 2025 government shutdown. Overall, we're proud for the organic growth that we have achieved over the past couple of years, and we believe that our strong technology platform, we're well positioned for longer-term growth, and our strategic investments and innovations deliver value.

Thank you for joining our call today, operator. Now you may open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) Liu Li, UBS.

Lu Li - *UBS AG - Analyst*

Great. Thank you for taking my question. I think the first question on your largest cost. So if I'm doing my math correct, I think the very new loss for that cost is about 70% for 2026. I'm just wondering if you can confirm the math and then also how conservative is this, like any risk that they can come back in support in-house more.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Yeah, thank you for that question. I'll take you through the numbers and then I'll turn it over to Brandon who can give further color into the dynamics regarding this customer. So, you are correct, the revenue from our largest customer was $70.8 million in 2025, and when we lay out the plan for 2026, the $350 million, we assume that we're going to be getting about $11.8 million from this customer. So 70.8 minus 11.8. Is 59 million, so the impact of the loss of this customer was a decrease of $59 million to our business, and then you add to that.

The impact of the Bako acquisition, which should provide approximately $50 million to $55 million of revenues for the year. So for 2025 we achieved $322 million of revenues, and in 2026 we're guided to $350 million. So, the 59 plus the partial or, almost all offset from the Bako still provides a nice organic growth, for our business, including precision diagnostics. I'll turn it over to Brandon who. Can comment on this customer taking this testing in-house.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Yeah, Lou, thank you for the question. I think Paul did a good job there describing the impact. I think in terms of, where what we have modeled for 2026, we have pretty good visibility, into that, so what we think that's a number that, we can live with and that our customer has committed to. There are some, contractual arraignment arrangements that still need to be met for the year. So again, we have pretty good visibility into that number.

Lu Li - *UBS AG - Analyst*

Got it. And then just follow on that, so you talk about there are some ways, to mitigate, by growing your customer pipeline. I'm just wondering, can you get a little bit more color in terms of like how you can come like grow your own brand diagnostic. And then related to that, can you also sizing how much of your business right now is actually running the other company's assets?

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Yeah, I mean, certainly I can talk about some of the drivers for precision diagnostics in 2026. I mean we think we have several, it's sort of in no particular order, and we're still growing market share for expanded carrier screening tests, our beacon test, I think we've mentioned on the previous calls we've done a great job building a brand and reputation for Beacon best in class turnaround time, the largest panel out there now with over 1,000 genes, and we continue to improve our connectivity, with EMRs, so we still see a lot of momentum, in Beacon. We think that's going to be important for 2026.

In addition, we've invested a lot in our whole genome sequencing test, bundling it with the transcriptomic or RNA sequencing. And we are seeing some really exciting data when we're bundling, whole genome sequencing with RNA. We're making diagnoses by combining those that would otherwise, be missed, in the absence of having that RNA data.

We've expanded that sales team some in 2025. We continue to do so in 2026, and we think we're going to continue, to gain market share for whole genome sequencing with rise, our RNA integrated sequencing evaluation. Looking on a sort of a month to month basis, we continue to set new records in terms of our volume for whole genome sequencing, so we like the momentum there. In addition, we're pretty excited with what we're doing on the somatic side as well. As we've mentioned, we have, multi-X approval, for our somatic assay which we branded, Lumera.

And we're, starting now to incorporate, our somatic testing into our pathology business and learning and operationalizing how to leverage our somatic testing with our AP business. Our somatic test, great coverage, great turnaround time, it has all the right genes, so, we think we're going to see some pretty significant, improvement in our somatic oncology volume in 2026 and another area you're sort of seeing just genetics taking a bigger role in healthcare, you're seeing [ASCO] announced that, patients that are going through certain chemos need to be treated with [DPYD]testing. Well, that's the gene that we offer, that's a service we provide, and that seems to be something that's going to drive some demand, in 2026. So we see several, different drivers for Precision Diagnostics, and, we think we're going to deliver a pretty nice growth year.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Lou, this is Paul. As Brandon mentioned, the richness, and the diversity they're offering, we feel more excited than ever, for 2026, the incorporation of technology into our businesses combined with the additional scale we're going to be getting, particularly in the second half of the year with the incorporation of Bako, and what does that mean, in terms of percentages and numbers.

Well, to take an example, the gross margins, with the impact of this large customer, yes, we are anticipating gross margins to be, slightly lower in Q1 and Q2 of 2026, but as we end the year, particularly in Q4 of 2026, our forecasted gross margins should be pretty consistent with the record levels that we have achieved in the middle of 2025.

Ming Hsieh - *Fulgent Genetics Inc - Chairman of the Board, Chief Executive Officer*

So look, and, as both of Paul and Brandon mentioned, we do need to take the lessons for losing this customer. We still have a reasonable relationship with the customer, and they still have the other tests from us. But in addition, we have been accelerate the internal R&D development. We will introduce the new products and new tax will be the differentiated from the market. So, we are feeling pretty strong at the present time. Giving the technology and the R&D effort we have, we do believe that we will recover from this loss.

Lu Li - *UBS AG - Analyst*

Great, that's very helpful. Final question for me, I'm just wondering what will be your kind of like capital allocation strategy. I think in the prepared remark, you kind of like frame it like could have some potential M&A. So just wondering what kind of areas that you, planning to

target after your acquisition of Bako and StrataDx like or you're going to do more in position diagnostic, and then how that balance with your organic investment that you just mentioned.

Thank you.

Ming Hsieh - *Fulgent Genetics Inc - Chairman of the Board, Chief Executive Officer*

Yeah. I think loot to be an area of the AI, we have a lot of capability internal. We also would be looking for the synergies we may have in the field for the companies that just provide us the AI enabled the discoveries.

Operator

David Westenberg, Piper Sandler.

David Westenberg - *Piper Jaffray Inc - Analyst*

Hi, thanks for taking the question, and I, I'm just going to actually expand on, some of, Louis's questions. Can you confirm? I think you actually said that this was could be a gross margin headwind, the loss of customer. And I believe secondly you you did do a ton I thought carrier screening for this this customer and you have Beacon which is a great product on your own. I just want to see if there would there would have been any loss of cost synergies associated with you know running that.

Plus your own carrier screening project and then I just wanted to follow and I think there was a question about like the second if there's like a second Compass customer that's anywhere the size of this like still outstanding to just kind of think about and then I have a couple questions unrelated, thank you.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Gross margin headwinds, Paul, you want to take that? Yeah.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Yeah, I'll take the gross margins headwinds, in addition to, the, revenues we anticipate.

For the first half of the year, compared to the second half, so, of the $350 million we anticipate in the first half of the year, revenues would be approximately $158 million or $159 million the second half of the year we anticipate revenues to be approximately $191 million to $192 million. And the reason why it's back and loaded is because in the second half of the year, we anticipate, increased momentum for our organic growth, excluding this largest customer combined with the fact that, we're going to be getting the full impact of the Bako acquisition.

The reason why it's lower in the first half of the year is because of the fast decline, of the impact of the loss of this customer, and what that does to our gross margins is on a non-GAAP basis we posted gross margins of approximately 41% in in Q4 of 2025.

We anticipate that to go down by approximately 4 points in the first quarter, about 2 points in the second quarter, but having it, rebound in the third and the fourth quarter and the rebound being quite significant, we anticipate that the gross margins on a non-GAAP basis. This would be in excess of 41% in Q3 and then you know rising even higher than that in Q4 and I'll turn it over to Brandon who can address, your other questions.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Yeah, David, thanks for the question. No, we do not have another customer that would be greater than 10%. We do not.

David Westenberg - *Piper Jaffray Inc - Analyst*

Got it. Okay, no thanks, Paul, that was, incredibly good amount of transparency and, detail there. So thanks so much. Just in terms of the acquisition of Bako, you kind of mentioned this, you kind of mentioned this, sales synergies or like additional sales reps that you might be taking on, are there additional sales synergies to sell your ex. Existing products and I think you've traditionally been and correct me if I'm wrong, a lot more oriented on on kind of selling to the overall institution more than kind of on a physician physician pathologist pathologist basis, with this additional scale do you have kind of opportunity to kind of diversify the way you're going after kind of the sales, approach, not just one more.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Yeah, thanks for the question, David. On the anatomic pathology side, it is more physician level sales versus sort of large system sales. That said, our AP team has been subscale. We know that team wasn't big enough. So this does get us, somewhere between 20 and 30 new sales representatives, and the cross selling sort of synergies are absolutely there. We will be able to use our existing team to sell Bako products and the Bako team to sell Fulgent products. A lot of the call points are very similar and at the end of the day. This gives us more boots on the streets, which is really what we need. I mean, there's a lot of call points for anatomic pathology, whether it's surgery centers, dermatologists, other types of practicing physicians, and we've just been subscaled there.

So with the investments that we've made in AI, we've been able to tackle any sort of capacity constraints, which is Always an issue in pathology, especially back when you know you're reading glass slides and microscopes, capacity's always been an issue, but the investments we've made in digital pathology and AI has allowed us to really expand that capacity. So we're really looking forward to having this much larger sales team, nearly double the size in 2026, and really setting them loose to go out there and sell.

David Westenberg - *Piper Jaffray Inc - Analyst*

Got it. I'll just ask one last one on precision oncology here. How did Beaconscarier screening do in the quarter? I mean, should be, is that been a continued area of strength, and do you see that as a continued area of strength in 2026? And thank you very much.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Yeah, we do. I mean, Beacon has been doing very well for us, some of the beacon volume has been impacted by this, large customer dropping off faster than we anticipated, but, our organic beacon volume in the pipeline for beacon opportunities remains very strong, so it's still, one of the most important tests within the company, but to that, to the oncology side of things, I mean what we're doing with [Lumera, post Moldx] approval and getting our pricing and approvals there, and how we're going to begin to leverage that across our pathology division, we're often.

The laboratory that's making the initial diagnosis of cancer, I mean that biopsy, whether it's a breast biopsy, colon biopsy, skin biopsy, that's coming to our laboratory. We're performing, [H&E] staining, we're making a cancer diagnosis.

Now we're going to try to take it to the next level, whereas we're going to do NGS. We're going to profile that tumor, not just perform pathology, and we've been talking about bridging our divisions together for some time, but we think 2026 is going to be the year that it actually happens, and we're going to be able to provide better cancer diagnosis, better care, and timelier care for these patients.

David Westenberg - *Piper Jaffray Inc - Analyst*

Thank you.

Operator

Andrew Cooper, Raymond James

We have just lost Andrew. Andrew, if you would still like to ask a question, please press star one.

Oh here we go. Go ahead Andrew your line is live.

Andrew Cooper - *Raymond James - Analyst*

Hey everybody, sorry, not sure what happened there (technical difficulty) Appreciate the questions.

Maybe first, a little bit of a numbers question here so just thinking about the cash burn and cash dynamics you talk about if my math is right, you're looking at sort of the core business.

X CapEx X the acquisitions and ex kind of the moving parts you've called out burning about $33 million for the year. So just kind of curious, is that math right? And how do we think about sort of the change here given that's a little bit bigger than we would have expected, I think even with the customer loss just giving you net to a pretty similar revenue number overall.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Yeah, I think, your math, is, largely, correct, and the reason why, we're burning, slightly more than we anticipated is because our operating expenses, are going to be, slightly to nominal nominally higher as a result of the Bako acquisition. That's a fully functioning, asset that we're very happy with, in terms of what it would do to our product profile, our reach for the markets, as well as our overall capabilities, so our intention is to, keep those businesses to invest in those businesses because we anticipate, additional growth and momentum to come from that as well as our overall business, into, 2027, but kind of like taking a step back and looking at, our cash burn, we ended the year with, approximately $800 million if you include the receivables that we're going to be getting from the IRS tax, refund, and now we're forecasting our cash at the end of 2026 to be $685 million.

But, a huge chunk of that delta of $115 million are, costs, in a cash outlay that's not associated with the laboratory services business. So for example, of the $115 million, at least $56 million is going to be associated with the cash outlay that we have for debacle acquisition. We have another $26 million of outlay that's associated with the spend for our biotech asset the 007 and the 002. We also have capital purchases of approximately $12 million and a one-time professional liability settlement of $14.5 million.

So if you kind of like. A step back and even if you take into account the impact of the loss of this customer, our laboratory services business is going to be using cash but not that much, which leaves a lot of cash for us to deploy for M&A investment in our, overall business as well as other opportunities that can serve the shareholders.

Andrew Cooper - *Raymond James - Analyst*

Okay, helpful and touching on something you touched on there at the start of that answer, the digital pathology piece, and I assume, I guess that Bako and StrataDx aren't maybe as far along as you are at basically 100% digital at this point, so.

What sort of additional kind of volume are those two or volume capacity capabilities are those two deals adding and how much incremental volume will you be able to handle thanks to that digital pathology kind of capability without needing to add materially more pathologists that that I know are, expensive to to add, at this stage.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Yeah, thanks for the question, Andrew.

I don't know that anyone is where we are when it comes to digital pathology. I think we're significantly ahead of the game here, especially developing our own in-house developed viewer and image management system. Really proud of our R&D team and how quickly we've accelerated, our AI and digital pathology reach here. You're correct, BO, is not highly digital yet, but this stuff is quite portable. There, there's some protocols that we need to improve. Based on certain sample types and certain biopsies, but it's mostly portable, so, we will do our best to bring them up to speed in terms of digital, in terms of using AI, it is a nice improvement in efficiency.

Ultimately leading to capacity, you're right, I mean, for a long time, often your bottleneck of capacity was hiring pathologists and getting enough pathologists in the office to read. Remote does two things. It makes them more efficient, but also allows us to hire pathologists all across the country. We don't need to relocate these people to Dallas or Boston or now perhaps Alpharetta once we close, the acquisition of Bako. So. It really has changed the game in how we run our business, and we're going to hopefully be able to bring a lot of that tobacco to help them as well. And again, these sales teams, a lot of synergies exist within the sales teams.

So now we have one that's roughly twice the size that can sell products for both Fulgent and Bako.

Ming Hsieh - *Fulgent Genetics Inc - Chairman of the Board, Chief Executive Officer*

Yeah, I think the, Brandon's point.

The digital pathology to give us more efficiency, and it will also help us to reduce the errors. And in addition, all these pathologists work becomes a strong data for us to continue to train the AI and make it even better. So we do see the lot of synergies between the disease acquisition, and also we do see the benefit of AI or how our pathology works.

Andrew Cooper - *Raymond James - Analyst*

Okay, helpful and maybe just one last one, with this this large customer in housing, do you have an opportunity to maybe shrink whether it's physical footprint or at least kind of pull down the labor spend component of things given.

Call it 20% of revenues. I assume, a pretty big chunk of volumes that are coming out of that precision diagnostics business. I know you want to grow the remaining piece, but, just would love a sense for sort of whether you're right size for the business, at this stage once they're out of the equation.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Yeah, so for the 2026 plan, excluding BO, the overall headcount for the organization, we kept relatively flat. We have some, nominal increases, particularly at the, sales organization. And the reason why we did that instead of, having it, go deeper or considering cuts is because we view, the impact of this customer is a one-time event. We fully believe in this market. We believe in our, capabilities, and we will get back to, growth.

We believe in a decent trajectory. So, combined with the fact that, when we take a look at our laboratory services business, as I mentioned, even with the impact of this cost, it's not consuming, that much cash. So, we like where our organization, sits, and, we look, to return to, accelerated growth here in the future.

Okay, I'll stop there.

Andrew Cooper - *Raymond James - Analyst*

Thank you.

Brandon Perthuis - *Fulgent Genetics Inc - Chief Commercial Officer*

Thank you, Andrew.

Operator

There are no further questions. This will conclude today's conference. You may disconnect your lines at this time and thank you for your participation.

Paul Kim - *Fulgent Genetics Inc - Chief Financial Officer*

Thank you.
