07-Nov-2025

# Fulgent Genetics, Inc. (FLGT)

## Q3 2025 Earnings Call

# CORPORATE PARTICIPANTS

**Lauren Sloane**
*Managing Director, The Blueshirt Group LLC*

**Ming Hsieh**
*Chairman, Chief Executive Officer & Founder, Fulgent Genetics, Inc.*

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

**Paul H. Kim**
*Chief Financial Officer, Fulgent Genetics, Inc.*

# OTHER PARTICIPANTS

**Lu Li**
*Analyst, UBS Securities LLC*

**David Westenberg**
*Analyst, Piper Sandler & Co.*

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

# MANAGEMENT DISCUSSION SECTION

**Operator**: Greetings, and welcome to the Fulgent Genetics Inc Q3 2025 Conference Call and Webcast. At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Lauren Sloane, Investor Relations. Please go ahead, Lauren.

## Lauren Sloane
*Managing Director, The Blueshirt Group LLC*

Good morning, and welcome to Fulgent's third quarter 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's 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 statements.

The company assumes no obligation to update any of the forward-looking statements it may make today to reflect actual results or changes in expectations. Listeners should not rely on any forward-looking statements as predictions of event and should listen to management's remarks today with the understanding that actual events,

including 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 discussion relating 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 statement contained in the company's filings with the Securities and Exchange Commission, including the previously filed 10-K 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 discussion 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 third quarter 2025 for more information, including the description of how the company calculates non-GAAP income, loss; non-GAAP earnings, 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 loss per share and operating margin to the most directly comparable GAAP financial measures.

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

## Ming Hsieh

*Chairman, Chief Executive Officer & Founder, Fulgent Genetics, Inc.*

Thank you, Lauren. Good morning, and thank you for joining our call today. I will start with some comments on the third quarter of 2025 and our two business lines, then Brandon will review our product and go-to-market updates for our laboratory services business, and Paul will conclude with the financials and guidance before we take your questions.

We are pleased with our third quarter results and sustain the momentum in the business as we move through the year. Our results are testament to the progress we have made on our strategic objectives in both our laboratory services and the therapeutic development business. We have shown both sequential and year-over-year growth and the efficiency in laboratory services, with our investment in AI and digital pathology solutions, while making strong pipeline progress our clinical candidates. As a result of the momentum in our business, we are raising our outlook for the remainder of 2025.

Our therapeutic development pipeline is on track and progressing well. Our first clinical candidate FID-007 is progressing through a Phase 2 clinical trial in combination with cetuximab in the patients with recurrent or metastatic head and neck squamous cell carcinoma. With 39 patients that have been randomized and 36 have received at least one dose of study treatment as of the cut-off date of September 25, 2025. The preliminary data was presented at the ESMO Congress on October 20, 2025.

FID-007 combined with cetuximab demonstrated meaningful anti-cancer efficacy at both dose level for the first-line and second-line treatment of R/M HNSCC. Over 35 patients were evaluable for the efficacy at a time this preliminary data was revealed. The objective response rate or ORR for the 75 milligram per square meter arm and 125 milligram per square meter arm were 44% and 59%, respectively and 51% overall when both arm are combined. The median progression survival for the 75 milligram arm and 125 milligram arm were 9.2 months and

7.8 months, respectively. The overall PFS was 7.8 months, compared with the historical 2.3 month over the standard of care therapies.

FID-007 also exhibit manageable safety and tolerability profile, particularly no Grade 3 and above peripheral neuropathy has been reported to-date. As of today, we have a total of 43 patients enrolled and expect to complete the patient enrollment by end of 2025, with full data readout in 2026.

Our second candidate, FID-022 begin a Phase 1 trial, and the first dose level has been successfully completed. While the second dose level will commence this month, FID-022 is a nanoencapsulated SN38 for the treatment of solid tumors, including potentially colon, pancreatic, ovarian, and bile duct cancers.

I'm encouraged by the continued progress of our clinical pipelines and the potential for both FID-007 and FID-022. These drug candidates address heavily pre-treated patients with very few option left, and I hope we were able to provide alternatives to better their lives. Overall, I'm pleased with the progress we had made this year in both our business area. Our pharma R&D effort are progressing faster, better, and more cost effective than planned. Additionally, our laboratory services is greatly benefited from our investment in AI technology, which makes our services more efficient and more precise, as Brandon will discuss shortly.

I would like to thank our employees, partners, and stakeholders for your hard work and the loyalty in the great quarter of our business. We look forward to further progress in the remainder of 2025.

I'll now turn over the call over to Brandon Perthuis, our Chief Commercial Officer, to talk more about our laboratory services business. Brandon?

## Brandon Perthuis

*Chief Commercial Officer, Fulgent Genetics, Inc.*

Thanks, Ming. It was again another excellent quarter, delivering nearly $84 million in laboratory services revenue. Breaking down our results by business area, precision diagnostics was up $3.4 million or 7.3% sequentially and was up $7.2 million or 16.4% year-over-year. Biopharma was up $1 million or 15.4% sequentially and was up $3.3 million or 83.4% year-over-year. Anatomic pathology was down $2.1 million or 7.6% sequentially due to timing of collections, however, was up $1.8 million or 7.2% year-over-year.

In the last quarter, we introduced enhanced version of our whole genome sequencing that incorporates RNA analysis to improve diagnostic yield. This new offering has sparked strong interest from both existing and prospective clients. Building on that momentum, we're pleased to announce the launch of our ultra-rapid whole genome sequencing service. This solution provides a preliminary report within 48 hours, followed by a comprehensive report within five days.

The primary focus for this service is the neonatal intensive care unit or the NICU, where studies have shown that whole genome sequencing can significantly improve patient outcomes and support more efficient healthcare delivery. The data suggests that implementing rapid genome sequencing as a first-line test in the NICU will change medical management for up to 87% of babies and reduce healthcare cost up to $15,000 per child.

Our second exciting announcement centers around expansion of our Beacon carrier screening service. We've consistently pushed the boundaries to remain at the forefront of genetic screening, having been the first US laboratory to offer a panel with over 700 genes, still the largest of its kind to the best of our knowledge. Now, we're taking another major step forward with the launch of Beacon K, which expands our panel to 1,000 genes. This enhancement will further strengthen our ability to detect rare genetic conditions.

Beacon has earned a strong reputation as a leading carrier screening solution. Powered by our proprietary platform and advanced informatics, Beacon consistently delivers high analytical detection rates, accurate differentiation of pseudo genes, and reliable copy number variant calls. Additionally, our turnaround time remains exceptional, averaging just 8.8 days, roughly twice as fast as many other laboratories.

We have mentioned on previous calls the significant investment we have made in digital pathology. This has allowed us to digitize our slides instead of the traditional method of microscopy. There are several advantages to digital pathology, but perhaps the most powerful win is our ability to utilize and develop AI to help make our pathologists faster and better. Until very recently, we were using a third-party image management system or IMS, but it had limitations. However, we're excited to announce we have developed and launched our own proprietary IMS, which we are calling [ph] EZOPATH (00:14:14).

[ph] EZOPATH (00:14:17) was created to address the growing demand for custom features necessitated by our high daily case throughput to support all lines of business and to enable the deployment and integration of AI tools to assist our pathologists in their diagnoses. [ph] EZOPATH (00:14:35) provides a case management solution with possible integrations with laboratory information systems or LISs, provides data storage for digital pathology images and metadata, enables collaboration by pathologists through sharing of annotations and comments, and integrates best-in-class AI tools developed in-house and integrated from third parties. As an enterprise IMS, it enables rapid investigation of digital pathology slides and output from AI modules for expedited reporting. We're committed to creating the highest quality and most efficient pathology lab possible, and this is a big step in that direction.

With a strengthened product portfolio, outstanding laboratory performance, and an expanded sales team, we believe we are well-positioned for continued growth. And we're pleased to once again raise our annual guidance. I want to sincerely thank our entire team for their hard work and dedication, and we look forward to finishing 2025 on a strong note.

With that, I'll turn the call over to our Chief Financial Officer, Paul Kim. Paul?

## Paul H. Kim

*Chief Financial Officer, Fulgent Genetics, Inc.*

Thank you, Brandon. Revenue in the third quarter of 2025 totaled $84.1 million, compared to $81.8 million in the second quarter of 2025. Since revenue from COVID-19 testing is expected to continue to be negligible in 2025, we will no longer provide separate metrics on what we have previously referred to as core revenue, which we defined as total revenue, excluding COVID-19 testing. Separately, we have begun to see minimal revenue in our therapeutic development business from our acquisition of ANP in July, primarily related to IP licensing royalties.

Gross margin on a non-GAAP basis was 44.3% and on a GAAP basis was 42.2%. Gross margins have improved year-over-year due to streamline operations and enhance efficiency as a result of our investment in scaling and centralizing lab operations.

Now, turning to operating expenses. Non-GAAP operating expenses totaled $40.7 million, compared to $43.9 million in the previous quarter. Total GAAP operating expenses were $50.9 million for the third quarter, which decreased when compared to $54.1 million in the prior quarter. The decrease in operating expenses was partially driven by a reduction in advertising and marketing expenses and a favorable reduction in bad debt expense, reflecting improved collections from precision diagnostics. 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 improved sequentially to minus 4.2%.

Our GAAP loss in the current quarter was $6.6 million, an improvement from the prior quarter's GAAP loss of $19 million, which included a one-time non-cash charge related to a $9.9 million impairment of a prior investment.

Adjusted EBITDA for the third quarter was approximately $0.7 million compared to a loss of $3 million in Q2 2025. On a non-GAAP basis and excluding equity-based compensation expense, intangible asset amortization, and acquisition-related costs, income for the quarter was approximately $4.5 million or $0.14 per share based on 31.3 million weighted average diluted shares outstanding.

In the third quarter, we did not repurchase any shares under our stock repurchase program. Since the inception of the stock repurchase program in March 2022, a total of approximately $110.4 million has been spent, with approximately $139.6 million remaining available for future repurchase of our common stock.

Turning to the balance sheet, we ended the third quarter with approximately $787.7 million in cash, cash equivalents, restricted cash, and marketable securities. The increase in cash from the previous quarter is driven by strong operating cash flows, partially offset by capital expenditures. There were no stock or income tax credits purchased during the third quarter. However, in October, we used $67.9 million for the purchase of income tax credits.

As I mentioned earlier, given the minimal impact of COVID-19 testing revenue on our overall performance, we have transitioned to guiding total revenue. Reflecting on our current business momentum, we are revising our full-year 2025 revenue outlook upward to $325 million for 2025, representing a growth of 15% year-over-year. We continue to expect non-GAAP gross margin for the full year to exceed 40%, continuing the strong momentum we've experienced in recent quarters. We expect non-GAAP operating margins to improve from minus 15% to minus 10% for the year, driven largely by increased revenue.

Our strategy for success centers on that continuing to scale efficiently and driving innovation across our service offerings. We will continue to invest in business expansion, further advancing our laboratory operations and upgrading existing laboratory facilities, while remaining focused on managing our spending. We believe that our foundational technology platforms support a strong long-term margin profile. Using an average share count of 31 million, we expect an improvement to our full-year 2025 non-GAAP EPS guidance from a loss of $0.35 per share to a positive $0.30 per share, excluding stock-based compensation, impairment loss, acquisition-related costs, and amortization of intangible assets as well as any one-time charges.

Reflecting the improvement in our operations, which is offset by the effect of the one-time non-cash impairment adjustment, we are now revising our GAAP EPS guidance from a loss of $1.70 per share from $2.10 per share, excluding any future one-time charges using a 31 million average share count.

Finally, our cash position remains strong. We focus on efficient capital allocation that allows us to reinvest in our business, fund key initiatives, and support future growth. Excluding any future stock repurchases or other expenditures outside the ordinary course, which include M&A, we anticipate ending 2025 with approximately $800 million of cash, cash equivalents, restricted cash and investments in marketable securities. This number further assumes receipt of approximately $106 million in tax refunds prior to the end of 2025, which may be delayed as a result of the current government shutdown. Overall, we see strength in our core business, which has grown organically, and we see good momentum for the balance of 2025.

Thank you for joining our call today. Operator, you may now open it up for questions.

# QUESTION AND ANSWER SECTION

**Operator**: Certainly. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question is coming from Lu Li from UBS. Your line is now live.

**Lu Li**
*Analyst, UBS Securities LLC*

Q

Great. Thank you. Good morning. Thank you for taking my questions. The first one on the margin. Appreciate the new disclosure on the margin by segment. It seems like the lab is turning positive margin in the quarter. I wonder, Paul, like how do you think about the going forward path in terms of like what will be the ultimate like operating margin target that you're looking for? Thanks.

**Paul H. Kim**
*Chief Financial Officer, Fulgent Genetics, Inc.*

A

Yeah. Thank you for the question, Lu. We were really pleased with what we saw in the gross margins for this quarter. As you remember, we had high margins in Q3, but Q3 we had an impact, a favorable impact to the margins of about $1.6 million, $1.7 million. That was due to our capitalization policy. But then, in this quarter, in the third quarter, even without that, our margins, they came in just as high at 44.3%, actually a little bit higher than what we achieved in Q2. And that's due to the overall efficiencies of the organization, continued automation that we have for the business, and streamlining our policies.

I'll turn it over to Ming, who can talk about what we see directionally for our margins in our business without giving out specific numbers because there are particular technologies that we are beginning to utilize, which might enhance our margins going forward.

**Ming Hsieh**
*Chairman, Chief Executive Officer & Founder, Fulgent Genetics, Inc.*

A

Yes. Thanks, Paul. And Lu, as you probably hear from Brandon, we started to develop the AI technology in-house, building our capability for the – through our digitization of the entire – almost entire pathology services. So, we will continue to see the improvement in that area. In addition, we'll be building a pretty rich database for us to be continue to benefit for us to get into the further margin and the reimbursement improvement in that territory.

Anything, Brandon, you want to add?

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

No. I think that's well said, Ming and Paul. Thank you.

**Lu Li**
*Analyst, UBS Securities LLC*

Q

Thank you. Second question on the AP. Brandon, I think you mentioned there were some timing issues in the quarter. I'm wondering if you can give a little bit more color and whether that will be a catchup in Q4. And then, I have a follow-up.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah, certainly. Thanks for the question. Yes, it was a timing issue. It was mostly related to the collections in the quarter, which did reduce the amount of revenue we could recognize. But already in this quarter, we're beginning to see an improvement in the collections, and we think that that's going to continue to improve the next couple of quarters. So, no – no material weakness in the business, just a timing issue around collections.

**Lu Li**
*Analyst, UBS Securities LLC*

Q

Okay. And then, on the precision diagnostic, you mentioned several new products, the rapid whole genome, and then you talk about the expanding of the Beacon panel. I wonder how this like a new manual expansion kind of like support the growth going forward. You seems like pretty confident in terms of like growing double-digit forward. I wonder how should we think about the 2026. Thanks.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Well, we are really about launching both of those products. I think, our R&D investment there was quite efficient. Our timing was quite efficient. We last quarter launched a new improved whole genome sequencing test that included RNA, which is a significant diagnostic yield increase that's generally sold into pediatrics, developmental pediatricians, geneticists. But if you want to help families in the NICU, which require rapid results, we needed a faster product. So, the follow-on to our last quarter update is this new rapid – ultra-rapid whole genome sequencing test.

So, this is more or less a first time for us to launch a product directly targeted at the NICU. We believe our turnaround time, some of the features around the genome in terms of its variant-calling ability puts us in a strong position to penetrate that market. We mentioned on the call, I mean, this is becoming a standard of care in the NICU for many patients. It's a favorable margin profile in terms of billing institutionally for the test.

So, we'll see how much it contributes to 2026. But at the end of the day, it's going to be a powerful product for clinicians to use in the NICU, and I'm excited the team was able to launch it so quickly. And it does dovetail right into what we've been talking about, expanding our sales team. We have invested significantly in expanding the pediatric sales team. So, this puts one more powerful tool in their bag to sell when they're visiting children's hospitals and academic medical centers.

And regarding Beacon, we continue to push the envelope there. We believe, especially in the reproductive setting, there is a need to test for more. There's a desire to test for more conditions. I mean, these conditions become rarer as we add more. But collectively, they're not rare. So, we're going from 700 genes, which we've been offering now for about a year to 1,000 genes, which should make us, as far as we know, the largest panel on the market. Our Beacon portfolio has performed incredibly well. I mentioned our turnaround time of [indiscernible] (00:28:44) days and that's exceptional. I mean, we're dealing with patients where turnaround time is critically important, whether they're going through fertility treatments, whether they're already pregnant. There's a lot of anxiety there. So, to be able to give results that quickly does give us a significant advantage in the marketplace.

**Lu Li**
*Analyst, UBS Securities LLC*

Q

Thank you.

**Operator**: Thank you. Next question is coming from David Westenberg from Piper Sandler. Your line is now live.

### David Westenberg
*Analyst, Piper Sandler & Co.*

Q

Hi. Thank you for taking the question. Actually, I'm going to continue with some of those questions. So, Brandon, with the KNOVA product, are you finding that physicians prefer to order or kind of the bundle of tests versus just a single NIPT test or carrier or microdeletions all in one? Is that favoring you? And can you give us a reminder on, on how those are reimbursed again if the reimburse had been a bundle of their reimburse separately? Thank you.

### Brandon Perthuis
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah. Thanks for the question, David. I mean, certainly in the OB-GYN and the MFM market, NIPT and carrier screening is often ordered bundled together, not always, but very frequently. So, I think we've established a really good brand for Beacon, our carrier screening product in the marketplace. I think we've become sort of a go-to laboratory for carrier screening. Our turnaround time, our quality, the number of genes, the customization, we've really fired on all cylinders as it relates to carrier screening.

And then, not too long ago, we decided to launch KNOVA, a novel NIPT test, and the strategy there is to sell those together. But there are two independent tests, right? Testing for completely different things. You asked, is it bundled billing? No. I mean, it's a separate orderable test. So, we get an order for KNOVA, we bill for KNOVA. We get an order for Beacon, we bill for Beacon. Not bundled together from a billing perspective, but clinically, they're very often ordered together.

### David Westenberg
*Analyst, Piper Sandler & Co.*

Q

Perfect. And then, just continued reimbursement updates. I mean, I think that ACOG update on expanded carrier screening is taking a lot longer than I think the industry expected. If there's any update there or if insurance companies are just kind of seeing the value of expanded carrier screening already and maybe proactively reimbursing ahead of that. And same question for kind of microdeletions, which is another one where we kind of thought DiGeorge syndrome was already going to be covered by now.

### Brandon Perthuis
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah, good question. I mean, look, not everything hinges on that ACOG statement. There's a lot of other efforts going on behind the scenes. Actually, a lot of the companies are all working together, actually, the part of a coalition to expand access to some of these tests. So, certainly, the ACOG – a new ACOG guideline would be beneficial to the industry. But we are seeing payers get ahead of that, and I think some of these other grassroot efforts that are happening, working directly with the payers to show them the value proposition, to show how it impacts clinical care. Some of these payers are getting ahead of that guideline.

I think the guideline will just push it one step further. So, we continue to see increased reimbursement for many of our tests, not just reproductive health. And again, I think it's really a result of working directly with the payers and showing them that that clinical proposition and hopefully before too terribly long we might get some positive news from ACOG to take it to the next level.

**David Westenberg**
*Analyst, Piper Sandler & Co.*

Q

Got it. And then, my last question is a combination for Ming Hsieh and Paul. It looks like you had some good data on FID-107 (sic) [FID-007] (00:32:35) in Phase 2. Are you going to have additional updates in Phase 2 before moving on to Phase 3? What are the key milestones to look out for? And then, Paul, if you can maybe explain additional expenses that would come from – moving from Phase 2 to Phase 3? What kind of increases in expenses you would expect? Thank you very much.

**Ming Hsieh**
*Chairman, Chief Executive Officer & Founder, Fulgent Genetics, Inc.*

A

All right. Thank you, David, for the questions. We expect to finish the enrollment by end of 2025. By the ASCO, which is May of 2026, we would expect to do oral presentation for the data we have, which we feel is very exciting. By that time for all the patients enrolled in the database, will be at least had one or two scans already. So, that will further enhance the data we present at ESMO in September of this year. So, this will give us strong confidence to move the FID-007 into the Phase 3 clinical trial because we see a significant progression-free comparison with the standard of care.

So, in terms of what is the Phase 3 cost in terms of moving forward, I think it depends on the final statistician come out a number and our Phase 3 design. We are in the process now. We estimate it's around 300 patients to be enrolled. So, from that point of view, the clinical cost of Phase 3 is roughly around $60 million.

**Paul H. Kim**
*Chief Financial Officer, Fulgent Genetics, Inc.*

A

And then just to give you a full picture on the spending, so for 2025, we anticipate the cash spend for the therapeutics development would be about $25 million for the balance of the year. We believe that that spending is going to be a little bit less than that for this year. I think the great news for the company, whether it be the therapeutics development or the laboratory services is the amount of science and the progress that we have seen so far for the therapeutic development. With spending a little bit less than what we have anticipated is something that makes us really pleased because it goes back to the efficiency of our spending.

And then, if you take a look at the laboratory services business, we've raised our guidance twice this year. All in the meanwhile, the cash forecast and our cash target, as you probably saw in the press release, has been raised to $800 million. So, efficiency in running the operations, managing our cash, and getting output for our business, whether it be increased revenues for the laboratory services or the science and the data that we're seeing in the therapeutics development, we're very pleased with.

**Ming Hsieh**
*Chairman, Chief Executive Officer & Founder, Fulgent Genetics, Inc.*

A

Yeah. And Dave, for the ESMO's data, we published in September and October this year, which the data cut-off on this in September is available online. You should see it's a pretty impressive data in terms of how – about the efficacy of FID-007. So, we are very pleased and very, very much encouraged. There is similar transactions in the area. The market is big, multi-billion dollars market, is addressable by our products. So, we are very encouraged, and we believe that our investment will have great return.

In addition, this is not one drug. This is a platform performance. We have – using the same delivery platform. We have the second drug, FID-022. That one in the Phase 1 for the dosing escalation exercise, it is going well, and we are also very much looking forward to provide the additional data by mid next year.

**David Westenberg**
*Analyst, Piper Sandler & Co.*

Q

Thank you.

**Operator**: Thank you. Next question today is coming from Andrew Cooper from Raymond James. Your line is now live.

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

Q

Hey, everybody. Thanks for the questions. Maybe just first, I want to dive in on the anatomic pathology collections dynamic. We're not necessarily seeing that in the receivables. So, just if you could unpack a little bit more sort of what's going on there and what gives you the confidence that it is just collections timing, if there's any volume stats or anything like that that you could share to help us get a little bit better understanding, that would be great.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Hey, Andrew, it's Brandon. Thanks for the question. No, it really was a timing issue. So, I mean, at a high level, we made a change in our billing software. It takes a little bit of time to implement the new software. Software has been implemented. Things are going well. We're seeing collections begin to improve. So, it was just around changing a billing software.

And then, in terms of the receivables, as you're very familiar with, precision diagnostics is the biggest part of our business, and we had very strong collections during the quarter for that area of the business.

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

Q

Okay, great. That's helpful. And is there any, just so we're kind of prepared for it if it does come again, are the software changes in place kind of across precision diagnostics as well? Is there any kind of potential disruption in any other segment as we move forward, knowing that it may just be timing, but at least to keep us on the lookout.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah. Mostly related to AP.

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

Q

Okay. That is helpful. And then, pharma services had a nice quarter. Just want to kind of dive in a little bit there on the strength. Was it – knowing this can be big and lumpy, is this a single program and a timing dynamic that is better in the quarter? And obviously, had you raised the guide for the year or is this a little bit more kind of broad-based finding some traction and just would love some understanding of what's letting you succeed there and sort of where the success is coming from.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah. Thanks for the question. Look, I think it's mostly related to our capabilities expansion. I think we've mentioned before that pharma services at one point was pretty much just NGS and that limited our market size there. There was a lot of RFPs that were being presented to us that required additional technology that we didn't offer at the time. So, we had a smaller addressable market when we were just an NGS shop. But since then, we've launched a lot of new tests in our biopharma services division and that's allowed us to expand that addressable market and just blocking and tackling, allowing us to respond to more RFPs.

So, the business is – it's still a bit lumpy. I mean, this is just the nature of these wins, but the pipeline looks good. Again, our capabilities are strong. I think the feedback we're getting from our biopharma partners is incredibly strong. They do value the tests that we're providing and the service we're providing. So, it's an area we're going to continue to invest in and we'll continue to see some lumpiness. But, overall, we're quite pleased with the capabilities and the progress of that business.

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

Q

Okay, helpful. And then, another good quarter of precision diagnostics. You were up $3.5 or so million sequentially I think like $7 million year-over-year. Can you just ring fence for us kind of the growth contributions you're getting there? How much of that is Beacon versus KNOVA versus other parts of the portfolio to help at least kind of rank order or give some flavor for the traction there?

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Yeah. I mean, Beacon continues to be a really important test for the company and it's continued to grow. We're winning new customers and moving into new markets. So, really pleased with the progress of Beacon and hopefully launching Beacon K takes it to the next level and certainly keeping our turnaround times where they are has just been hugely important for the company. KNOVA is not yet a meaningful contributor to revenue. We're still trying to break into that OB-GYN marketplace. A lot of the Beacon business historically has been from the fertility side of things, REIs, and fertility clinics. So, Beacon continues to be quite important.

We are seeing great momentum in our exomes and genomes as well. Our oncology business is doing well, especially on the heme side. So, I think, overall, I mean, you look at all the different sort of divisions of the company, they're all doing well, all firing on all cylinders, and we see great momentum.

**Andrew Cooper**
*Analyst, Raymond James Financial, Inc.*

Q

Okay, great. I'll stop there and hop back in the queue. Thanks, everybody.

**Brandon Perthuis**
*Chief Commercial Officer, Fulgent Genetics, Inc.*

A

Thanks, Andrew.

**Operator**: Thank you. We've reached the end of our question-and-answer session. And that does conclude today's teleconference and webcast. You may disconnect your lines at this time, and have a wonderful day. We thank you for your participation today.