Illumina Acquires GRAIL - Investor Conference Call

Prepared Remarks – August 18, 2021

Brian Blanchett, *Investor Relations*

Good afternoon everyone and thank you for joining us on such short notice to discuss our acquisition of GRAIL. If you've not had a chance to review today's press release, it can be found in the Investor Relations section of our website at illumina.com.

Participating for Illumina today will be Francis deSouza, President and Chief Executive Officer, Sam Samad, Chief Financial Officer, and Charles Dadswell, General Counsel. We are also pleased to welcome Hans Bishop, GRAIL's Chief Executive Officer. Each leader will share some remarks, and then we will open the call for some questions.

This call is being recorded and the audio portion will be archived in the Investor section of our website. It is our intent that all forward-looking statements made during today's call will be protected under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are subject to risks and uncertainties. Actual events or results may differ materially from those projected or discussed. All forward-looking statements are based upon current available information, and Illumina assumes no obligation to update these statements.

To better understand the risks and uncertainties that could cause actual results to differ, we refer you to the documents that Illumina files with the Securities and Exchange Commission, including Illumina's most recent forms 10-Q and 10-K. With that, I now turn the call over to Francis.

Francis deSouza, *President & Chief Executive Officer*

Thanks, Brian. Good afternoon everyone and thank you for joining us on such short notice.

Today we announced that we have reacquired GRAIL. While GRAIL is now a wholly owned subsidiary of Illumina, we will hold GRAIL separate and independent until the European Commission finishes its review.

We made the decision to acquire Grail, and hold it separate until we've received regulatory approval, because it is becoming clear that we will most likely not have a decision from the regulators before the agreement expires in December. The stakes here are high because simply put, this deal saves lives, and we feel a moral obligation to ensure that the deal has a full review.

Cancer kills 10 million people annually worldwide and 600,000 people in the U.S. Detecting cancer earlier saves lives but today, the majority of cancers are found too late, when outcomes are often fatal. Current guideline-recommended screenings are critical, but in the U.S., they cover only five cancers and only screen for a single cancer at a time. And, cancers responsible for nearly 71% of cancer deaths have no recommended early detection screening. GRAIL's revolutionary Galleri test has the potential to reduce cancer mortality, detecting more than 50 cancers across all stages, 45 of which don't have any recommended screening in the U.S. And because it can be cheaper, and more effective to treat an early-stage cancer than a late-stage cancer, GRAIL's test can result in enormous savings in the healthcare system.

Right now, GRAIL's multi-cancer early detection test is available in the U.S. to those able to pay $950 out of pocket. We want to provide the financial support, expertise, and scale to get it widely distributed and covered by insurers. We

estimate that, with Illumina acceleration, the Galleri test can conservatively save 10,000 additional lives in the U.S., and additional lives in the EU over the next 9 years. Re-uniting Illumina and GRAIL is the fastest way to make this test available to everyone, everywhere.

We will continue to work with regulatory bodies in the EU and the US on this acquisition.

In Europe, we are in a phase II review with the European Commission and will likely receive a decision in Q1.

In addition, we are challenging the EUs jurisdiction to review the merger of these two American companies because GRAIL has no existing or firm plans for business in Europe, and we look forward to receiving a decision from the General Court of the European Union in early 2022.

As proof of our commitment to, and respect for, the EC process, we will hold GRAIL separate and independent, with no integration of operations until the EC review is completed.

There is no impediment to closing in the US. We will continue to work with the FTC on their Administrative review of this deal, and any associated legal processes.

Illumina scientists first discovered the potential to detect cancer from genomic signals in blood in 2013. We recognized the enormous potential this could have to save lives, and staffed a team to work on it immediately. We spun GRAIL out in 2016 to raise almost $2 billion for the necessary, large clinical studies. The GRAIL team, many of them former Illumina employees, succeeded beyond our expectations and commercially launched the Galleri test in June this year. Reuniting GRAIL with Illumina now is the fastest way to make this test globally available and accessible.

After integration, we will leverage Illumina's capabilities to make this test available in doctors' offices, everywhere, covered by insurance. For example, GRAIL will benefit from Illumina's scale in procurement and manufacturing, large scale genomic testing labs, commercial reach across 140 countries, and expertise in market access that has helped get coverage of genomic testing for over 1 billion people around the world. These capabilities will expedite scaling and coverage of the test.

This deal has the potential to not only benefit thousands of people, but also benefit the industry as a whole. Our vertical acquisition of GRAIL is pro-competitive and will accelerate the development of all types of early cancer detection tests. GRAIL and Illumina are not competitors and have no overlap in product offerings. We have shown that our entry into clinical testing markets, like NIPT and cancer therapy selection, has been pro-competitive. After we entered NIPT, for example, the number of providers increased, costs decreased, prices dropped, and reimbursement expanded. Most importantly, more families benefited from this technology. We plan to do the same thing in the multi-cancer early detection space.

Our business model is successful when the industry as a whole expands. We want to increase the number of companies running genetic tests, ours and others. We have a track record of supporting competitors and selling sequencers to enable them. To that end, Illumina has made an open offer, available on our website, contractually committing to continue to make all our products available to every oncology customer on the same timeline and at the same price as GRAIL. We remain committed to a fair and open cancer diagnostics marketplace.

As always, Illumina will continue to innovate in the field of genomics and develop new life-changing innovations and technologies, like those that created GRAIL years ago.

Now I'll turn the call over to Chuck.

Charles Dadswell, *General Counsel*

Thanks, Francis.

While we respect the legal process in both the U.S. and European Union, all companies, including Illumina, should be entitled to a timely, fair, and predictable process for potential acquisitions to be assessed on the merits of the deal.

As Francis mentioned, there is no legal impediment to closing in the U.S. The FTC withdrew its request in federal court for an injunction to prevent the closing. The FTC administrative trial is scheduled to begin August 24 and we expect it to take several weeks with a decision likely issuing in Q1 2022. We look forward to presenting our case during the FTC trial showing that this acquisition is pro-competitive and life-saving.

Moving to Europe, on April 29, 2021, Illumina filed a complaint in the General Court of the European Union to annul the European Commission's review of the GRAIL acquisition because neither the European Commission nor any European member state has jurisdiction to review this acquisition between two American companies. The General Court has granted Illumina's request to have the case heard on an expedited basis. A hearing date has not yet been set; however, we anticipate a hearing this Fall with a decision by the end of the year or early 2022.

We will continue to work with the European Commission during the pendency of our court challenge and, as in the US process, we will present substantial evidence demonstrating that this acquisition is procompetitive and should be approved. The European Commission initiated its Phase 2 review on July 22, 2021, and we anticipate Phase 2 being completed in early Q1 2022.

While the European Commission reviews the acquisition, Illumina and GRAIL decided that moving forward is in the best interest of patients, shareholders, and public health. Illumina is committed to cooperating with the European Commission's investigation until a final decision is reached and is holding GRAIL separate to respect the European Commission's review. Under the hold separate agreement, Illumina and GRAIL will each continue to operate as independent legal entities, and Illumina has committed to not integrate GRAIL until completion of the process ongoing in Europe. We will abide by any outcome ultimately reached by the legal process.

And now, I'll turn the call over to Sam.

Sam Samad, *Chief Financial Officer*

Thank you, Chuck.

I am very excited about the future that GRAIL and Illumina can create together, and I will now highlight a few financial details regarding the acquisition. As a reminder, the merger consideration for GRAIL included stock and cash. In addition, GRAIL shareholders were given the option to elect either a Contingent Value Right or additional shares of Illumina.

Excluding Illumina's ownership and including other adjustments, we plan to issue approximately 9.8 million shares and deploy approximately $3.5 billion in cash as part of this acquisition. About half the GRAIL shareholders elected to receive Contingent Value Rights. In addition, GRAIL's cash balance is approximately $500 million after accounting for some transaction related costs. Please note that more details on the transaction consideration can be found in today's press release.

Going forward and starting on our Q3 earnings call, we intend to provide full segment financial reporting for our core business and separately for GRAIL. We will also provide consolidated financial reporting for Illumina, Inc.

As we indicated on our Q2 earnings call, our core business is incredibly strong, and we are very confident in the Q3 and full year 2021 guidance we provided as it relates to our core Illumina business excluding GRAIL. We are not providing P&L guidance for GRAIL at this time, but intend to do so at a later date. From a cash funding standpoint for GRAIL, the $35 million continuation payments we had been previously providing them up until closing represent a rough approximation of GRAIL's expected monthly operating cash needs for the rest of 2021, and we expect this number to increase in 2022.

I will now invite Hans Bishop, the CEO of GRAIL, to say a few words before Francis shares his final comments.

Hans Bishop, *Chief Executive Officer, GRAIL*

Thank you, Sam.

I would like to reiterate how excited I am that Illumina has now acquired GRAIL. We at GRAIL are a mission-based company with a goal of finding cancer early when it can be cured.

Joining forces with Illumina is a huge boost for our mission. It will enable us to achieve scale faster, ultimately preventing more late-stage cancers with the potential to save many more lives, both here in the US and around the world. This is an incredibly exciting time at GRAIL, having just commercially launched our Galleri test earlier this year, we are already finding early-stage cancers that otherwise would have been missed. We expect adoption to continue increasing and look forward to leveraging Illumina's expertise to expedite regulatory approval and drive broader adoption.

With that, I'll hand the call back to Francis for his final comment

Francis deSouza, *President & Chief Executive Officer*

Thanks, Hans.

From helping fight the COVID pandemic to matching cancer patients to therapies, our mandate is to save lives and transform healthcare by harnessing the power of genomics. Our acquisition of GRAIL supports this mandate and is driven by our belief that life-saving cancer detection tests should be available to as many people as possible as quickly as possible.

Illumina and GRAIL are a powerful combination. We envision a future where people around the world can access the Galleri test as a normal part of their annual physical examination. Just as you are now able to be tested for early-stage diabetes and high cholesterol, you will soon be able to receive multi-cancer early screening from a simple blood draw in your doctor's office. This will be nothing short of transformational for human health.

Now, I'll invite the Operator to open for Q&A.

Cautionary Notes on Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "may," "target," similar expressions and variations or negatives of these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the effects of the consummation of the transaction and the anticipated benefits thereof. These and other forward-looking statements are not guarantees of future results and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Important risk factors that may cause such a difference include, but are not limited to: (i) the possibility of fines, penalties, remedies or restrictions sought or imposed by governmental or regulatory authorities as a result of consummating the transaction, (ii) the possibility of other adverse consequences to, among other things, Illumina's reputation, its relationships with governmental or regulatory authorities or its ability to successfully complete future acquisitions and/or divestitures as a result of consummating the transaction, (iii) the potential impact of unforeseen liabilities, future capital expenditures, revenues, costs, expenses, earnings, synergies, economic performance, indebtedness, financial condition and losses on the future prospects, business and management strategies for the management, expansion and growth of Illumina's

business after the consummation of the transaction, (iv) potential adverse reactions or changes to business relationships resulting from the completion of the transaction, (v) any negative effects of the consummation of the transaction on the market price of Illumina's common stock and on Illumina's operating results, (vi) risks associated with third-party contracts containing consent and/or other provisions that have been triggered by the consummation of the transaction, (vii) the risks and costs associated with the integration of, and the ability of Illumina to integrate, GRAIL, Inc.'s ("GRAIL") business successfully and to achieve anticipated synergies, including any delay in integration following any hold separate period, (viii) the risks and costs associated with the development and commercialization of, and Illumina's ability to develop and commercialize, GRAIL's products, including Galleri, the cancer screening test developed by GRAIL; (ix) Illumina's ability to obtain regulatory clearance for its products from government agencies; (x) Illumina's ability to obtain approval by third-party payors to reimburse patients for its products; (xi) the risk that disruptions from the consummation of the transaction or any associated legal or regulatory proceedings or obligations will harm Illumina's business, including current plans and operations, (xii) legislative, regulatory and economic developments, (xiii) the other risks described in the Consent Solicitation Statement of GRAIL, Inc. and Prospectus of Illumina, Inc. (the "Consent Solicitation Statement/Prospectus") that is included in the registration statement on Form S-4 (File No. 333-250941) filed by Illumina with the Securities and Exchange Commission (the "SEC") (as amended, the "Registration Statement"), as well as in Illumina's most recent annual reports on Form 10-K and quarterly reports on Form 10-Q and in the registration statement on Form S-1 filed with the SEC by GRAIL on September 9, 2020, as amended on September 17, 2020, and (xiv) management's response to any of the aforementioned factors.

These risks, as well as other risks associated with the transaction, are more fully discussed in the Consent Solicitation Statement/Prospectus that is included in the Registration Statement. While the list of factors presented here is, and the list of factors presented in the Registration Statement are, considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward-looking statements. Consequences of material differences in results as compared with those anticipated in the forward-looking statements could include, among other things, business disruption, operational problems, financial loss, legal liability to third parties and similar risks, any of which could have a material adverse effect on Illumina's financial condition, results of operations, credit rating or liquidity. Illumina does not assume any obligation to publicly provide revisions or updates to any forward-looking statements, whether as a result of new information, future developments or otherwise, should circumstances change, except as otherwise required by securities and other applicable laws.