

ILLUMINA Investor Presentation

May 3, 2018



Safe Harbor Statement

This communication may contain forward-looking statements that involve risks and uncertainties, including our financial outlook and guidance for fiscal 2018 and expectations regarding the development and commercialization of new products. Among the important factors that could cause actual results to differ materially from those in any forward-looking statements are (i) challenges inherent in developing, manufacturing, and launching new products and services, including expanding manufacturing operations and reliance on third-party suppliers for critical components; (ii) the timing and mix of customer orders among our products and services; (iii) the impact of recently launched or pre-announced products and services on existing products and services; (iv) our ability to further develop and commercialize our instruments and consumables and to deploy new products, services, and applications, and expand the markets for our technology platforms; (v) our ability to manufacture robust instrumentation and consumables; (vi) the success of products and services competitive with our own; (vii) our ability to successfully identify and integrate acquired technologies, products, or businesses; (viii) our expectations and beliefs regarding future conduct and growth of the business and the markets in which we operate; and (ix) the application of generally accepted accounting principles, which are highly complex and involve many subjective assumptions, estimates, and judgments, together with other factors detailed in our filings with the Securities and Exchange Commission, including our most recent filings on Forms 10-K and 10-Q, or in information disclosed in public conference calls, the date and time of which are released beforehand. We undertake no obligation, and do not intend, to update these forward-looking statements, to review or confirm analysts' expectations, or to provide interim reports or updates on the progress of the current quarter.

Our Mission



To improve human health by unlocking the power of the genome

Our Technology

Integrated workflows from sample-to-answer



SEAMLESS WORKFLOW SOLUTIONS ENABLE MARKETS

Simplified
library prep

Custom
content

Flexible,
economical
sequencing

Integrated
analysis

Sequencing Power for Every Scale

The broadest portfolio offering available



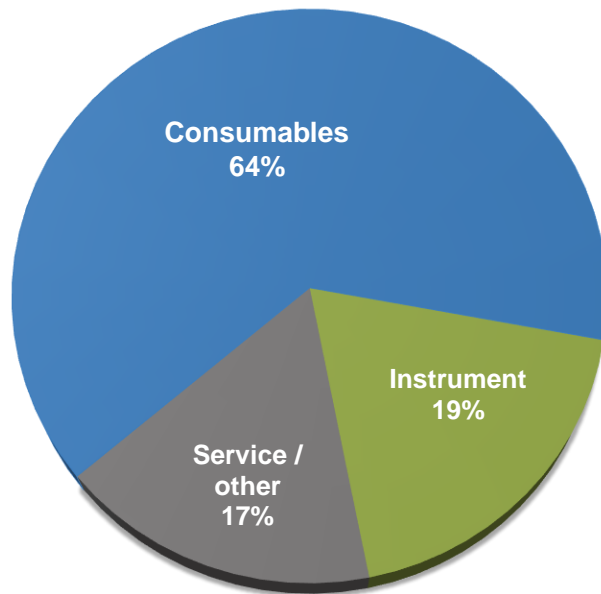
Sequencing System	iSeq™	MiniSeq™	MiSeq®	NextSeq®	HiSeq®	HiSeq® X	NovaSeq®
					4000	Five/Ten	6000
Output per run	1.2 Gb	7.5 Gb	15 Gb	120 Gb	1.5 Tb	1.8 Tb	1 Tb - 6 Tb ¹
Instrument price	\$19.9K	\$49.5K	\$99K	\$275K	\$900K	\$6M ² /\$10M ²	\$985K
Installed base³	NA	~600	~6,000	~2,400	~2,300 ⁴		~285

1. Output per run for the S1, S2 and S4 flow cells equal 1 Tb, 2 Tb and 6 Tb, respectively assuming two flow cells per run
2. Based on purchase of 5 and 10 units for HiSeq X Five and HiSeq X Ten, respectively
3. Based on end of fiscal year 2017
4. Combined HiSeq family

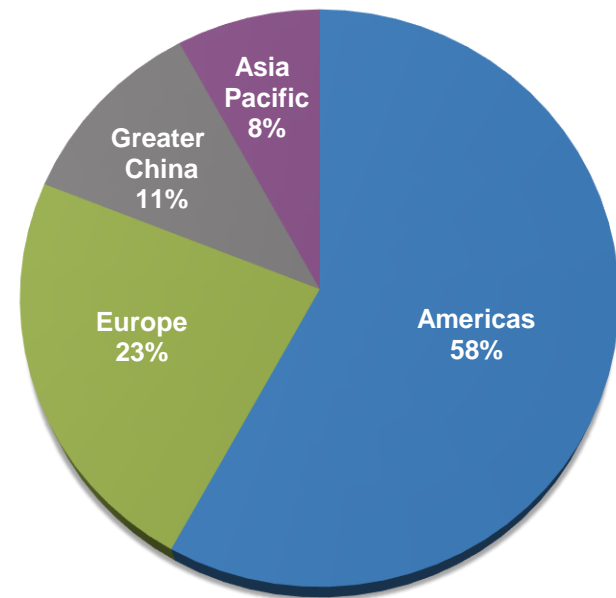
Product & Customer Diversity

Robust recurring revenue with balanced customer base¹

Revenue by Product/Service

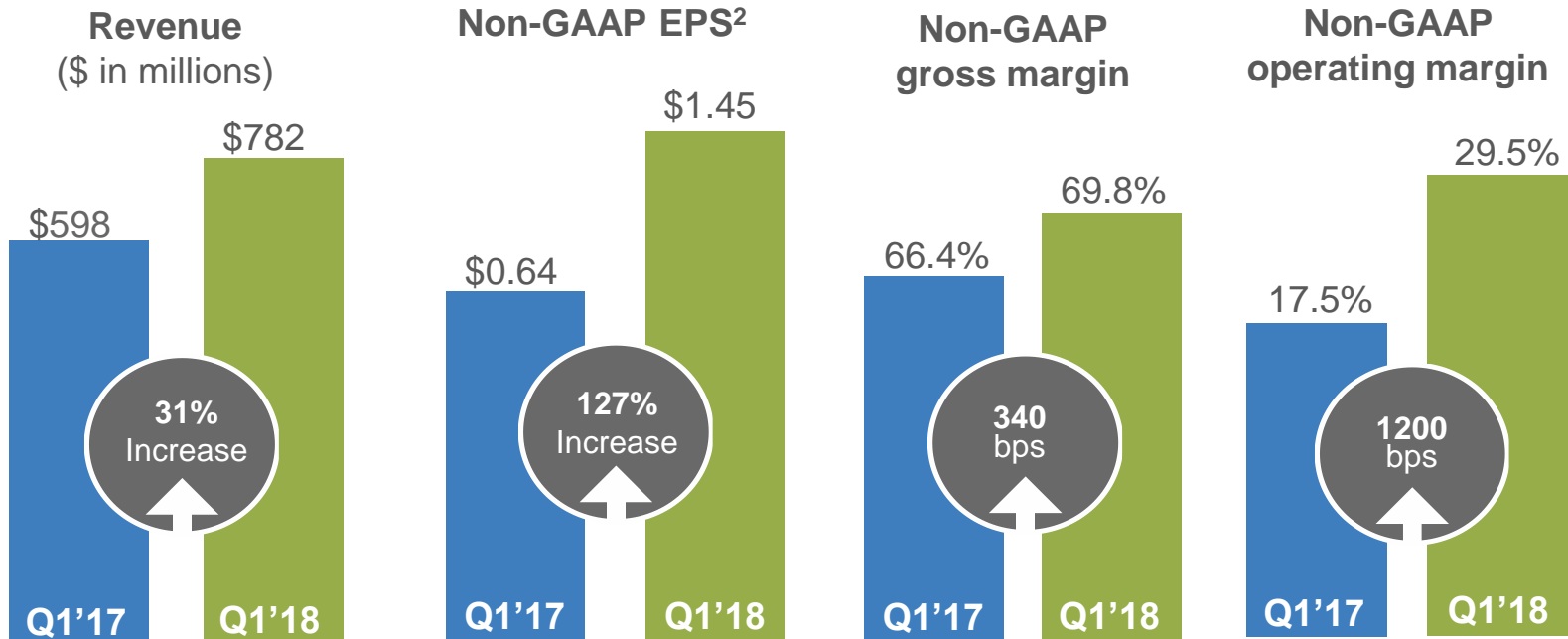


Revenue By Geography



First Quarter Results¹

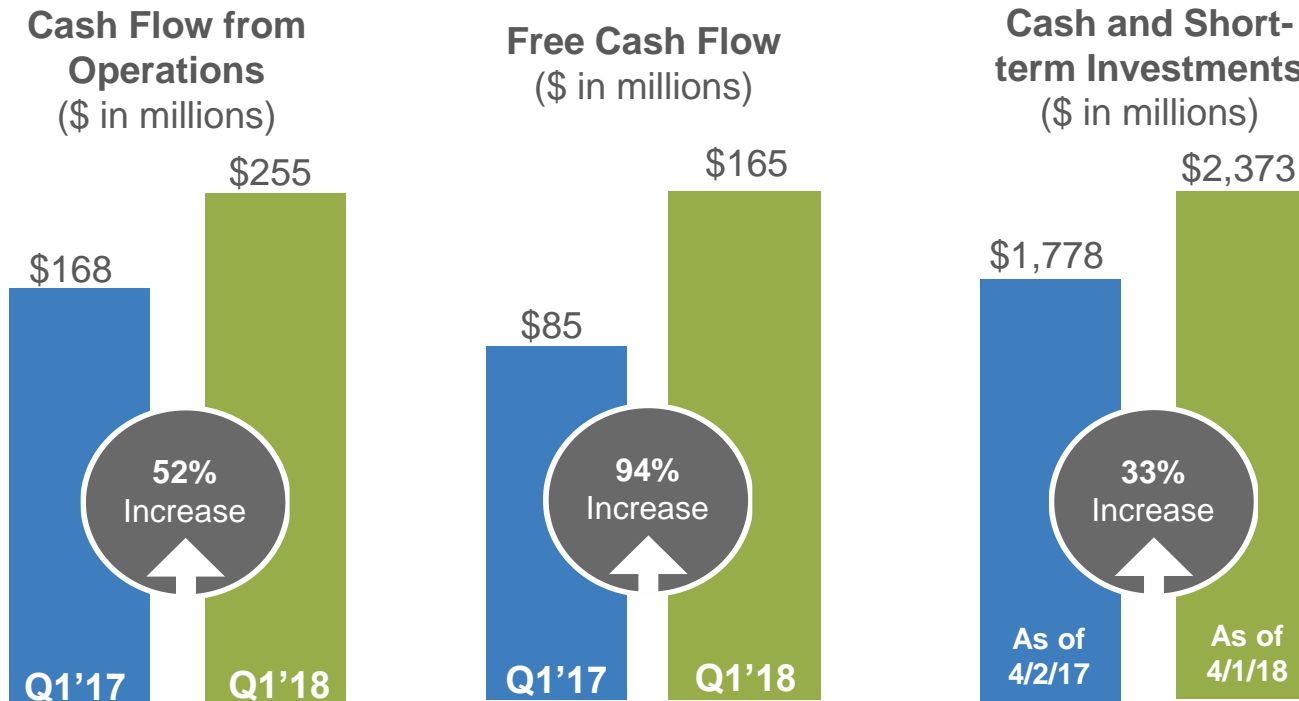
Revenue and Non-GAAP EPS exceeded expectations



1. Financials include \$48 million and \$50 million of stock-based compensation expense in Q1'18 and Q1'17, respectively
2. Non-GAAP attributable to Illumina stockholders

Balance Sheet¹ / Cash Flow²

Strong cash position



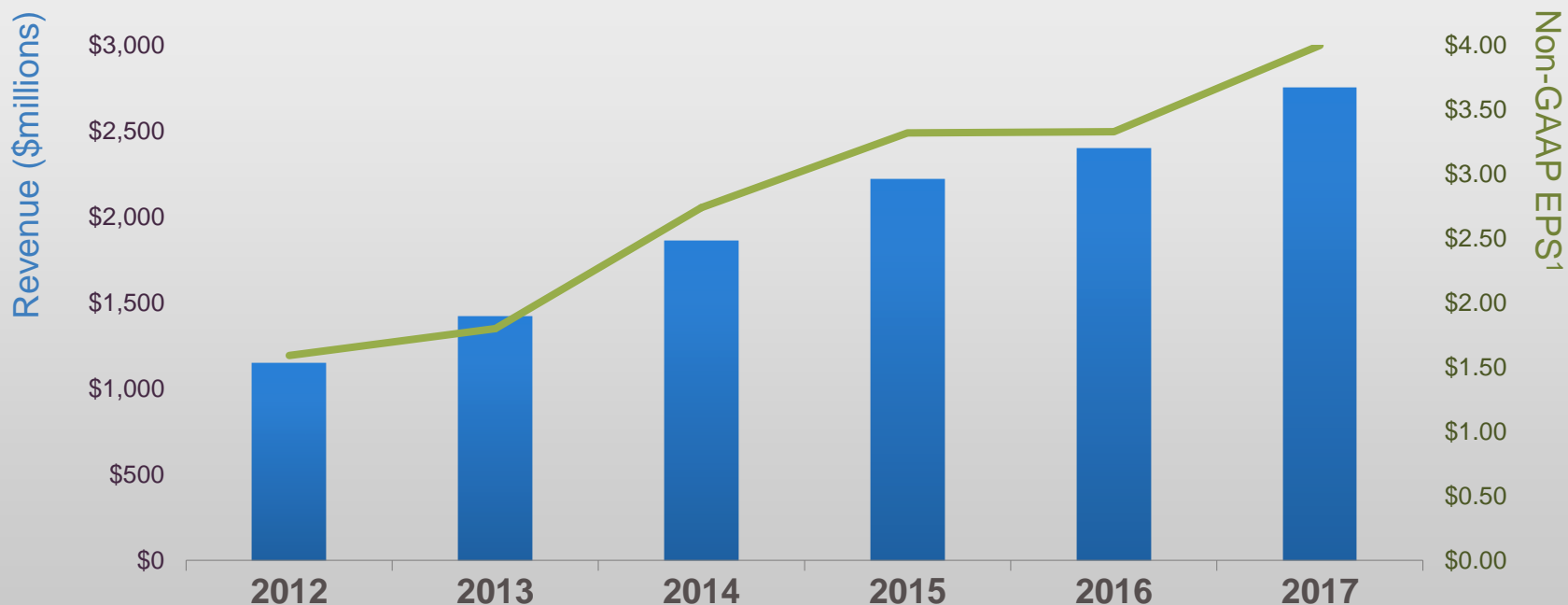
1. Balance sheet includes the consolidated amounts from Helix
2. Cash flow includes the consolidated amounts from GRAIL and Helix in Q1'17 and only Helix in Q1'18

Historic Revenue and Non-GAAP EPS

Innovation drives profitable growth

Revenue CAGR: 19%

EPS CAGR¹: 20%



2018 Guidance

Double-digit revenue growth in 2018

2018¹

Revenue¹

15% - 16%

GAAP EPS²

\$4.45 - \$4.55

Non-GAAP EPS²

\$4.75 - \$4.85

Who We Serve

Innovation drives expanding market opportunities

illumina®



Reproductive Health



Oncology



Population Sequencing



Research



Complex Disease



Consumer



Infectious Disease



Forensics



Agriculture



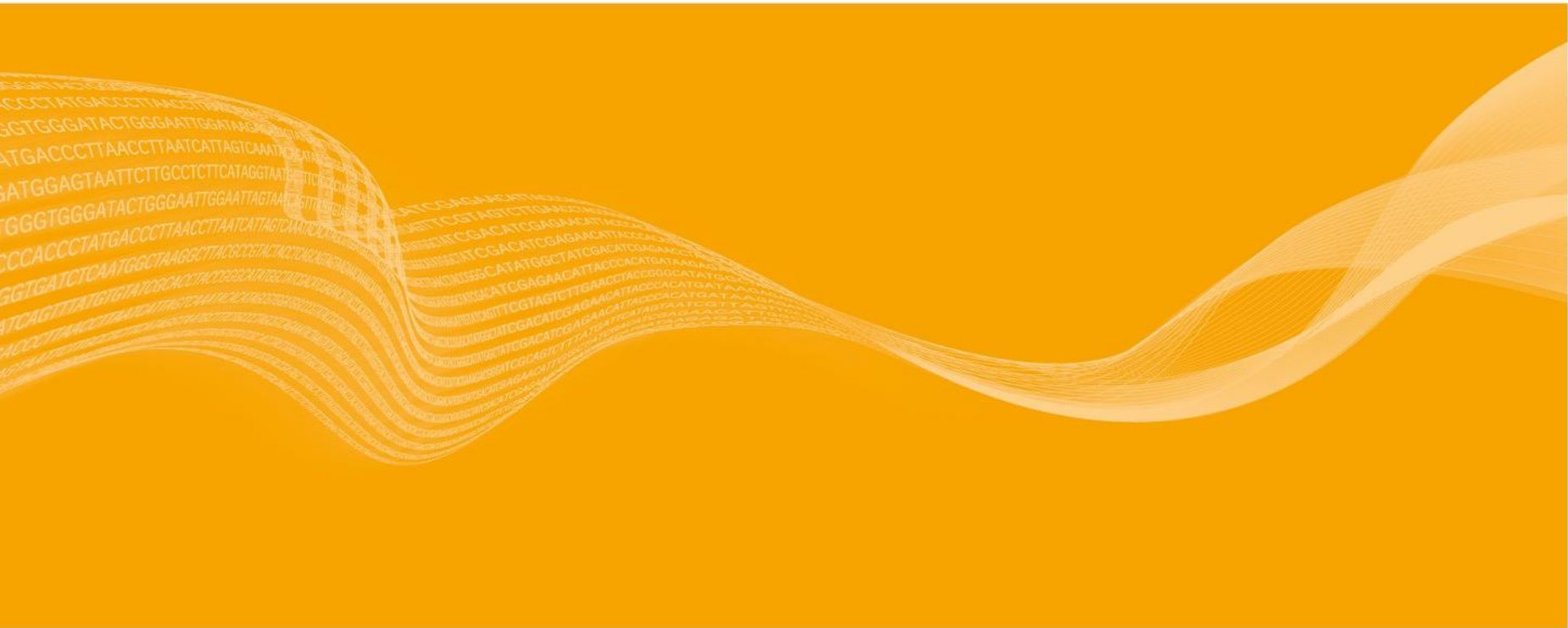
Genetic Health



BioPharm

Appendix

Non-GAAP Reconciliations



Itemized Reconciliation Between GAAP and Non-GAAP Earnings Per Share Attributable to Illumina Stockholders:

<i>Dollars in millions, except per share amounts</i>	Years Ended					
	December 31, 2017	January 1, 2017	January 3, 2016	December 28, 2014	December 29, 2013	December 30, 2012
GAAP earnings per share attributable to Illumina stockholders - diluted	\$ 4.92	\$ 3.07	\$ 3.10	\$ 2.37	\$ 0.90	\$ 1.13
Pro forma impact of weighted average shares (a)	—	—	—	—	0.01	0.02
Adjustments to net income:						
Amortization of acquired intangible assets	0.30	0.33	0.35	0.32	0.32	0.12
Non-cash interest expense (b)	0.20	0.20	0.26	0.26	0.26	0.27
Legal contingencies (c)	—	(0.06)	0.13	(0.24)	0.96	0.02
Contingent compensation expense (d)	—	0.01	—	0.03	0.10	0.07
Headquarter relocation (e)	—	0.01	(0.02)	0.04	0.02	0.20
Deemed dividend (f)	—	(0.01)	—	—	—	—
Cost/equity method investment gain, net	(0.01)	—	(0.10)	(0.03)	(0.44)	(0.35)
Acquisition related (gain) expense, net (g)	(0.01)	—	(0.04)	(0.02)	(0.08)	0.02
Loss on extinguishment of debt	—	—	0.03	0.21	—	—
Impairments (h)	0.15	—	—	—	0.18	0.16
Unsolicited tender offer related expense	—	—	—	—	0.10	0.17
Inventory revaluation adjustment (i)	—	—	—	—	—	0.01
Recovery of previously impaired note receivable	—	—	—	—	—	(0.05)
Restructuring	0.03	—	—	—	—	0.03
Gain on deconsolidation of GRAIL (j)	(3.07)	—	—	—	—	—
Performance-based compensation related to GRAIL series B financing (k)	0.03	—	—	—	—	—
Incremental non-GAAP tax expense (l)	0.80	(0.17)	(0.22)	(0.20)	(0.53)	(0.23)
Tax benefit related to cost-sharing arrangement (m)	—	(0.05)	(0.17)	—	—	—
U.S. Tax Reform (n)	1.01	—	—	—	—	—
Excess tax benefit from share-based compensation (o)	(0.35)	—	—	—	—	—
Non-GAAP earnings per share attributable to Illumina stockholders— diluted (p)	\$ 4.00	\$ 3.33	\$ 3.32	\$ 2.74	\$ 1.80	\$ 1.59
Shares used in calculating non-GAAP diluted earnings per share attributable to Illumina stockholders	148	148	149	149	139	133

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

GAAP net income attributable to Illumina stockholders	\$ 726	\$ 463	\$ 462	\$ 353	\$ 125	\$ 151
Amortization of acquired intangible assets	45	49	52	48	45	16
Non-cash interest expense (b)	30	30	39	38	36	35
Legal contingencies (c)	—	(9)	19	(36)	134	3
Contingent compensation expense (d)	—	2	1	4	14	9
Headquarter relocation (e)	—	1	(3)	6	3	26
Cost/equity method investment gain, net	(2)	—	(16)	(4)	(61)	(46)
Acquisition related (gain) expense, net (g)	(1)	—	(6)	(3)	(12)	3
Loss on extinguishment of debt	—	—	4	31	1	—
Impairments (h)	23	—	—	—	25	21
Unsolicited tender offer related expense	—	—	—	—	14	23
Inventory revaluation adjustment (i)	—	—	—	—	—	1
Recovery of previously impaired note receivable	—	—	—	—	—	(6)
Restructuring	4	—	—	—	—	4
Gain on deconsolidation of GRAIL (j)	(453)	—	—	—	—	—
Performance-based compensation related to GRAIL series B financing (k)	4	—	—	—	—	—
Incremental non-GAAP tax expense (l)	117	(26)	(32)	(30)	(74)	(30)
Tax benefit related to cost-sharing arrangement (m)	—	(7)	(25)	—	—	—
U.S. Tax Reform (n)	150	—	—	—	—	—
Excess tax benefit from share-based compensation (o)	(52)	—	—	—	—	—
Non-GAAP net income attributable to Illumina stockholders (p)	\$ 591	\$ 503	\$ 495	\$ 407	\$ 250	\$ 210

ITEMIZED RECONCILIATION BETWEEN GAAP AND NON-GAAP DILUTED NUMBER OF SHARES ATTRIBUTABLE TO ILLUMINA STOCKHOLDERS:

Weighted average shares used in calculation of GAAP diluted net income per share	148	148	149	149	140	134
Weighted average dilutive potential common shares issuable of redeemable convertible senior notes (a)	—	—	—	—	(1)	(1)
Weighted average shares used in calculation of non-GAAP diluted earnings per share attributable to Illumina	148	148	149	149	139	133

Footnotes to the Itemized Reconciliation Between GAAP and Non-GAAP Measures:

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

- (a)** Pro forma impact of weighted-average shares includes the impact of double dilution associated with the accounting treatment of the company's outstanding convertible debt and the corresponding call option overlay.
- (b)** Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
- (c)** Legal contingencies primarily represent charges and settlements related to patent litigation.
- (d)** Contingent compensation expense relates to contingent payments for post-combination services associated with acquisitions.
- (e)** The company relocated its headquarters to a new facility in San Diego, California, in 2011. Headquarter relocation for fiscal 2016, 2015, 2014, and 2013 consisted of accretion of interest expense on lease exit liability and changes in related costs. Headquarter relocation for fiscal 2012 and fiscal 2011 consisted of cease-use loss, double rent expense during the transition to the new facility, accretion of interest expense on lease exit liability, and moving costs.
- (f)** Amount represents the impact of a deemed dividend, net of Illumina's portion of the losses incurred by GRAIL's common shareholders resulting from the company's common to preferred share exchange with GRAIL. The amount was added to net income attributable to Illumina stockholders for purposes of calculating Illumina's consolidated earnings per share. The deemed dividend, net of tax, was recorded through equity.
- (g)** Acquisition related (gain) expense, net consists primarily of net gains and expense from changes in fair value of contingent consideration and transaction related costs.
- (h)** Impairments in fiscal 2017 represents impairment of an acquired intangible asset and in-process research and development of \$18 million and \$5 million, respectively. Impairments in fiscal 2014 consisted of a gain on an asset sale associated with a non-core product line discontinued in 2013, partially offset by an intangible asset impairment. Impairments in fiscal 2013 represent asset impairment charges recorded upon the decision to discontinue the non-core product line. Impairments in fiscal 2012 related to an in-process research and development intangible asset.
- (i)** Inventory revaluation adjustments represent additional cost of goods sold recognized from inventories revalued upon acquisitions of Verinata Health, Inc. in 2013 and BlueGnome Ltd in 2012.
- (j)** Amount represents the gain recognized as a result of the deconsolidation of GRAIL in Q1 2017. The \$150 million tax effect of the gain is included in incremental non-GAAP tax expense. Subsequent to the transaction, our remaining interest is treated as a cost-method investment.
- (k)** Amount represents performance-based stock which vested as a result of the financing, net of attribution to noncontrolling interest.
- (l)** Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed above.
- (m)** Tax benefit related to cost-sharing arrangement refers to the exclusion of stock compensation from prior period cost-sharing charges as a result of a tax court ruling.
- (n)** In accordance with the Tax Cuts and Jobs Act enacted on December 22, 2017 (U.S. Tax Reform), amount primarily consists of a provisional estimate of the one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred.
- (o)** Excess tax benefits from share-based compensation are recorded as a discrete item within the provision for income taxes on the consolidated statement of income pursuant to ASU 2016-09, which was previously recognized in additional paid-in capital on the consolidated statement of stockholders' equity.
- (p)** Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future core operating performance.

Reconciliation Between GAAP and Non-GAAP Earnings Per Share and Net Income Attributable to Illumina Stockholders:

	Three Months Ended	
	April 1, 2018	April 2, 2017
GAAP earnings per share attributable to Illumina stockholders - diluted	\$ 1.41	\$ 2.48
Amortization of acquired intangible assets	0.06	0.09
Non-cash interest expense (a)	0.05	0.05
Strategic investment related gains (b)	(0.05)	(0.01)
Restructuring (c)	0.02	—
Gain on deconsolidation of GRAIL (d)	—	(3.07)
Impairments (e)	—	0.15
Legal contingencies (f)	—	0.05
Performance-based compensation related to GRAIL Series B financing (g)	—	0.03
Acquisition related gain (h)	—	(0.01)
Incremental non-GAAP tax expense (i)	(0.02)	0.93
Excess tax benefit from share-based compensation (j)	(0.02)	(0.05)
Non-GAAP earnings per share attributable to Illumina stockholders - diluted (k)	<u>\$ 1.45</u>	<u>\$ 0.64</u>

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

GAAP net income attributable to Illumina stockholders	\$ 208	\$ 367
Amortization of acquired intangible assets	9	13
Non-cash interest expense (a)	8	7
Strategic investment related gains (b)	(8)	(2)
Restructuring (c)	3	—
Gain on deconsolidation of GRAIL (d)	—	(453)
Impairments (e)	—	23
Legal contingencies (f)	—	8
Performance-based compensation related to GRAIL Series B financing (g)	—	4
Acquisition related gain (h)	—	(1)
Incremental non-GAAP tax expense (i)	(3)	136
Excess tax benefit from share-based compensation (j)	(3)	(8)
Non-GAAP net income attributable to Illumina stockholders (k)	<u>\$ 214</u>	<u>\$ 94</u>

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

Footnotes to the Reconciliation Between GAAP and Non-GAAP Measures:

- (a)** Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.
- (b)** Amount consists primarily of mark-to-market adjustments from our strategic investments.
- (c)** Amount consists primarily of employee costs related to restructuring that occurred in Q1 2018 and Q4 2017.
- (d)** Amount represents the gain recognized as a result of the deconsolidation of GRAIL in Q1 2017. The \$150 million tax effect of the gain is included in incremental non-GAAP tax expense.
- (e)** Amount for 2017 represents impairment of an acquired intangible asset and in-process research and development of \$18 million and \$5 million, respectively.
- (f)** Legal contingencies for 2017 represent charges related to patent litigation.
- (g)** Amount represents performance-based stock which vested as a result of the financing in Q1 2017, net of attribution to noncontrolling interest.
- (h)** Acquisition related gain consists of change in fair value of contingent consideration.
- (i)** Incremental non-GAAP tax expense reflects the tax impact related to the non-GAAP adjustments listed above.
- (j)** Amount represents tax deductions taken in excess of stock compensation cost.
- (k)** Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders exclude the effect of the pro forma adjustments as detailed above. Non-GAAP net income attributable to Illumina stockholders and diluted earnings per share attributable to Illumina stockholders are key components of the financial metrics utilized by the company's board of directors to measure, in part, management's performance and determine significant elements of management's compensation. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing our past and future core operating performance.

Reconciliation Between GAAP and Non-GAAP Results of Operations as a Percent of Revenue:

	Three Months Ended			
	April 1, 2018		April 2, 2017	
GAAP gross profit	\$ 538	68.8 %	\$ 368	61.5 %
Amortization of acquired intangible assets	8	1.0 %	11	1.9 %
Impairment (a)	—	—	18	3.0 %
Non-GAAP gross profit (b)	<u>\$ 546</u>	<u>69.8 %</u>	<u>\$ 397</u>	<u>66.4 %</u>
GAAP research and development expense	\$ 137	17.5 %	\$ 145	24.2 %
Impairment (a)	—	—	(5)	(0.9)%
Non-GAAP research and development expense	<u>\$ 137</u>	<u>17.5 %</u>	<u>\$ 140</u>	<u>23.3 %</u>
GAAP selling, general and administrative expense	\$ 183	23.5 %	\$ 171	28.6 %
Restructuring (c)	(3)	(0.5)%	—	—
Amortization of acquired intangible assets	(1)	(0.1)%	(2)	(0.2)%
Performance-based compensation related to GRAIL Series B financing (d)	—	—	(10)	(1.7)%
Legal contingencies (e)	—	—	(8)	(1.3)%
Acquisition related gain (f)	—	—	1	0.2 %
Non-GAAP selling, general and administrative expense	<u>\$ 179</u>	<u>22.9 %</u>	<u>\$ 152</u>	<u>25.6 %</u>
GAAP operating profit	\$ 218	27.8 %	\$ 52	8.7 %
Amortization of acquired intangible assets	9	1.2 %	13	2.1 %
Restructuring (c)	3	0.5 %	—	—
Impairments (a)	—	—	23	3.9 %
Performance-based compensation related to GRAIL Series B financing (d)	—	—	10	1.7 %
Legal contingencies (e)	—	—	8	1.3 %
Acquisition related gain (f)	—	—	(1)	(0.2)%
Non-GAAP operating profit (b)	<u>\$ 230</u>	<u>29.5 %</u>	<u>\$ 105</u>	<u>17.5 %</u>
GAAP other income, net	\$ 3	0.4 %	\$ 451	75.4 %
Non-cash interest expense (g)	8	1.0 %	7	1.2 %
Strategic investment related gains (h)	(8)	(1.0)%	(2)	(0.2)%
Gain on deconsolidation of GRAIL (i)	—	—	(453)	(75.9)%
Non-GAAP other income, net (b)	<u>\$ 3</u>	<u>0.4 %</u>	<u>\$ 3</u>	<u>0.5 %</u>

All amounts in tables are rounded to the nearest millions, except as otherwise noted. As a result, certain amounts may not recalculate using the rounded amounts provided.

Footnotes to the Reconciliation Between GAAP and Non-GAAP Results of Operations:

(a) Impairments for 2017 include \$18 million impairment of an acquired intangible asset and \$5 million in-process research and development.

(b) Non-GAAP gross profit, included within non-GAAP operating profit, is a key measure of the effectiveness and efficiency of manufacturing processes, product mix and the average selling prices of our products and services. Non-GAAP operating profit, and non-GAAP other income, net, exclude the effects of the pro forma adjustments as detailed above. Management has excluded the effects of these items in these measures to assist investors in analyzing and assessing past and future operating performance.

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

(d) Amount represents performance-based stock which vested as a result of the financing in Q1 2017.

(e) Legal contingencies for 2017 represent charges related to patent litigation.

(f) Acquisition related gain consists of change in fair value of contingent consideration.

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

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

(i) Amount represents the gain recognized as a result of the deconsolidation of GRAIL in Q1 2017.

Reconciliation of Non-GAAP Financial Guidance

Our future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect our financial results are stated above in this press release. More information on potential factors that could affect our financial results is included from time to time in the public reports filed with the Securities and Exchange Commission, including Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on February 12, 2018. We assume no obligation to update any forward-looking statements or information.

	Fiscal Year 2018
GAAP diluted earnings per share attributable to Illumina stockholders	\$4.45 - \$4.55
Amortization of acquired intangible assets	0.24
Non-cash interest expense (a)	0.21
Strategic investment related gains (b)	(0.05)
Restructuring (c)	0.03
Incremental non-GAAP tax expense (d)	(0.11)
Excess tax benefits from share-based compensation (e)	(0.02)
Non-GAAP diluted earnings per share attributable to Illumina stockholders	<u>\$4.75 - \$4.85</u>

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

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

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

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

(e) Amount represents tax deductions taken in excess of stock compensation cost.