OraSure Technologies, Inc.

Q1-24 Earnings Summary

Financial Highlights

	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23	1Q24
Total Revenue	$67.7	$80.2	$116.5	$123.1	$387.5	$155.0	$85.4	$89.2	$75.9	$405.5	$54.1
YoY Growth	*15.5%*	*39.2%*	*116.1%*	*93.6%*	*65.8%*	*129.0%*	*6.5%*	*-23.4%*	*-38.4%*	*4.6%*	*-65.1%*
COVID-19 Revenue	$31.0	$43.4	$80.0	$89.0	$243.4	$118.5	$47.5	$50.2	$41.7	$257.9	$23.1
YoY Growth	*13.1%*	*250.0%*	*475.5%*	*283.6%*	*216.5%*	*282.3%*	*9.5%*	*-37.3%*	*-53.2%*	*6.0%*	*-80.5%*
Core Revenue	$36.7	$36.8	$36.5	$34.1	$144.1	$36.6	$37.9	$39.0	$34.2	$147.7	$31.0
YoY Growth	*17.6%*	*-18.6%*	*-8.8%*	*-15.6%*	*-8.1%*	*-0.3%*	*3.1%*	*6.8%*	*0.4%*	*2.5%*	*-15.2%*
GAAP Gross Profit	$24.3	$27.8	$46.5	$49.8	$148.4	$65.8	$26.4	$44.3	$35.1	$171.6	$24.1
Gross Margin	*35.9%*	*34.7%*	*39.9%*	*40.5%*	*38.3%*	*42.5%*	*30.9%*	*49.7%*	*46.3%*	*42.3%*	*44.5%*
Non-GAAP Gross Profit	$25.5	$32.4	$47.0	$50.4	$155.3	$66.3	$35.9	$44.6	$37.7	$184.5	$24.4
Non-GAAP Gross Margin	*37.7%*	*40.4%*	*40.3%*	*40.9%*	*40.1%*	*42.8%*	*42.0%*	*50.0%*	*49.7%*	*45.5%*	*45.2%*
GAAP Operating Profit	$(16.2)	$(21.5)	$0.9	$14.6	$(22.2)	$24.3	$(6.4)	$10.9	$3.9	$32.7	$(7.1)
Operating Margin	*-23.9%*	*-26.8%*	*0.8%*	*11.9%*	*-5.7%*	*15.7%*	*-7.5%*	*12.2%*	*5.1%*	*8.1%*	*-13.1%*
Non-GAAP Operating Profit	$(6.6)	$(1.2)	$11.7	$18.6	$22.5	$32.7	$6.7	$20.6	$13.6	$73.6	$(0.3)
Non-GAAP Operating Margin	*-9.7%*	*-1.5%*	*10.0%*	*15.1%*	*5.8%*	*21.1%*	*7.9%*	*23.1%*	*18.0%*	*18.2%*	*-0.6%*
GAAP EPS	$(0.28)	$(0.26)	$0.08	$0.22	$(0.24)	$0.37	$(0.07)	$0.15	$0.27	$0.72	$(0.05)
Non-GAAP EPS	$(0.15)	$0.00	$0.14	$0.36	$0.36	$0.47	$0.09	$0.27	$0.22	$1.04	$0.04

Key Quarterly Takeaways

Q1 Total Revenue and Core revenue were both at the high end of our guidance range, and we anticipate sequential improvement in our Core revenue in Q2.

Strong execution on our InteliSwab® contracts, which generated $23 million of revenue in Q1.

Commenced restructuring initiatives that are expected to result in $15 million of annual cost savings once fully implemented.

Cash and cash equivalents balance of $264 million as of March 31. We generated $7 million of Operating Cash Flow in Q1.

Entered into a strategic distribution relationship and invested $28 million in Sapphiros, a next generation consumer diagnostics company, which is expected to strengthen our portfolio of collection devices and diagnostic tests.

Provided Q2-24 financial guidance for revenue of $50 to $55 million, which includes Core revenue of $33 to $36 million and InteliSwab® revenue of $17 to $19 million.

Recent Business Developments

- Core revenue in Q1 of $31 million was at the high end of our guidance range of $29 to $31 million.
- InteliSwab® revenue in Q1 of $23 million was at the high end of our guidance range of $21 to $23 million. We expect to fulfill the remaining portion of our largest InteliSwab® contract during Q2-2024.
- Successfully launched our sales and distribution partnerships with Diagnostics Direct and Anaerobe Systems, among others, which allow us to enter new market segments and expand the portfolio of products we can provide to our customers.
- Commenced restructuring initiatives that are expected to result in $15 million of annualized expense reductions once fully implemented.
  - Initiated steps to exit our microbiome sequencing services business (Diversigen) by the end of Q3 2024. This action is expected to result in more than $10 million of annualized cost savings upon completion. Diversigen generated $4 million of revenue over the last 12 months.
  - Commenced projects to insource production of certain sample management products from external contract manufacturers over the next 18 months. Upon completion, this transition is expected to result in $5 million of annualized cost savings through improved operating efficiency and further leveraging of our existing infrastructure.
  - Initiated steps to close our Novosanis site in Belgium by the end of 2024 to drive further integration into our existing infrastructure.
- Generated $7 million of operating cash flow in Q1.
- We remain on track to achieve operating cash flow break-even for the core business by the end of 2024.
- Published our 2023-2024 “OraSure Cares” ESG report, which highlights our progress in advancing our sustainability-related initiatives.

Forward Looking Statements

This press release contains certain forward-looking statements, including with respect to products, product development and manufacturing activities, regulatory submissions and authorizations, revenue growth and guidance, expected revenue from government orders, cost savings, cash flow, increasing margins and other matters. Forward-looking statements are not guarantees of future performance or results. Known and unknown factors that could cause actual performance or results to be materially different from those expressed or implied in these statements include, but are not limited to: our ability to satisfy customer demand; ability to reduce our spending rate, capitalize on manufacturing efficiencies and drive profitable growth; ability to achieve the anticipated cost savings as a result of our business restructuring, including from insourcing third party manufacturing and exiting microbiome services; ability to market and sell products, whether through our internal, direct sales force or third parties; impact of significant customer concentration in the genomics business; failure of distributors or other customers to meet purchase forecasts, historic purchase levels or minimum purchase requirements for our products; ability to manufacture or have manufactured products in accordance with applicable specifications, performance standards and quality requirements; ability to obtain, and timing and cost of obtaining, necessary regulatory approvals for new products or new indications or applications for existing products; ability to comply with applicable regulatory requirements; ability to effectively resolve warning letters, audit observations and other findings or comments from the FDA or other regulators; the impact of the novel coronavirus ("COVID-19") pandemic on the Company's business, supply chain, labor force, ability to successfully develop new products, validate the expanded use of existing collector products, receive necessary regulatory approvals and authorizations and commercialize such products for COVID-19 testing, and demand for our COVID-19 testing products ; changes in relationships, including disputes or disagreements, with strategic partners or other parties and reliance on strategic partners for the performance of critical activities under collaborative arrangements; ability to meet increased demand for the Company's products; impact of replacing distributors; inventory levels at distributors and other customers; ability of the Company to achieve its financial and strategic objectives and continue to increase its revenues, including the ability to expand international sales and the ability to continue to reduce costs; impact of competitors, competing products and technology changes; reduction or deferral of public funding available to customers; competition from new or better technology or lower cost products; ability to develop, commercialize and market new products; market acceptance of oral fluid or urine testing, collection or other products; market acceptance and uptake of microbiome informatics, microbial genetics technology and related analytics services; changes in market acceptance of products based on product performance or other factors, including changes in testing guidelines, algorithms or other recommendations by the Centers for Disease Control and Prevention or other agencies; ability to fund research and development and other products and operations; ability to obtain and maintain new or existing product distribution channels; reliance on sole supply sources for critical products and components; availability of related products produced by third parties or products required for use of our products; impact of contracting with the U.S. government; impact of negative economic conditions; ability to maintain sustained profitability; ability to utilize net operating loss carry forwards or other deferred tax assets; volatility of the Company's stock price; uncertainty relating to patent protection and potential patent infringement claims; uncertainty and costs of litigation relating to patents and other intellectual property; availability of licenses to patents or other technology; ability to enter into international manufacturing agreements; obstacles to international marketing and manufacturing of products; ability to sell products internationally, including the impact of changes in international funding sources and testing algorithms; adverse movements in foreign currency exchange rates; loss or impairment of sources of capital; ability to attract and retain qualified personnel; exposure to product liability and other types of litigation; changes in international, federal or state laws and regulations; customer consolidations and inventory practices; equipment failures and ability to obtain needed raw materials and components; cybersecurity breaches or other attacks involving our systems or those of our third-party contractors and IT service providers; the impact of terrorist attacks, civil unrest, hostilities and war ; and general political, business and economic conditions, including inflationary pressures and banking stability. These and other factors that could affect our results are discussed more fully in our SEC filings, including our registration statements, Annual Report on Form 10-K for the year ended December 31, 2023, Quarterly Reports on Form 10-Q, and other filings with the SEC. Although forward-looking statements help to provide information about future prospects, readers should keep in mind that forward-looking statements may not be reliable. Readers are cautioned not to place undue reliance on the forward-looking statements. The forward-looking statements are made as of the date of this press release and OraSure Technologies undertakes no duty to update these statements.

Statement Regarding Use of Non-GAAP Financial Measures

In this press release, the Company's financial results and financial guidance are provided in accordance with accounting principles generally accepted in the United States (GAAP) and using certain non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating income (loss), and non-GAAP earnings (loss) per share. Management believes that presentation of operating results using these non-GAAP financial measures provides useful supplemental information to investors and facilitates the analysis of the Company's core operating results and comparison of operating results across reporting periods, while excluding certain expenses that may not be indicative of the Company's recurring core business operating results. In addition, management believes these non-GAAP financial measures are useful to investors both because they (1) allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) are used by OraSure's institutional investors and the analysis community to help them analyze the health of OraSure's business. Management also uses non-GAAP financial measures to establish budgets and to manage the Company's business. A reconciliation of the GAAP financial results to non-GAAP financial results is included in the schedules below and a description of the adjustments made to the GAAP financial measures is included at the end of the schedules.

The Company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Non-GAAP financial results are reported in addition to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Further, non-GAAP financial measures, even if similarly titled, may not be calculated in the same manner by all companies, and therefore should not be compared.

A reconciliation of our non-GAAP measures to their most directly comparable GAAP measures can be found at: https://orasure.gcs-web.com/gaap-non-gaap-reconciliation

OraSure Technologies GAAP to Non-GAAP Reconciliation ($ in 000's)

	Three Months Ended March 31,			
	2024		2023	
Revenue	$	54,132	$	154,963
GAAP Cost of products and services sold		30,067		89,148
GAAP Gross Margin		*44.5%*		*42.5%*
Stock compensation		151		134
Amortization of acquisition-related intangible assets		—		132
Reduction in workforce severance		231		35
Transformation related expenses		—		161
Non-GAAP Cost of Goods Sold		29,685		88,686
Non-GAAP Gross Margin		*45.2%*		*42.8%*
GAAP Operating Income (Loss)		(7,093)		24,321
Stock compensation		2,967		2,655
Amortization of acquisition-related intangible assets		59		466
Reduction in workforce severance		404		2,635
Loss on impairment		3,338		1,105
Transformation related expenses		—		449
Government grant accounting		—		1,051
Change in fair value of acquisition-related contingent consideration		—		(24)
Non-GAAP Operating Income (Loss)		(325)		32,658
GAAP Net Income (Loss)		(3,584)		27,219
Stock compensation		2,967		2,655
Amortization of acquisition-related intangible assets		59		466
Reduction in workforce severance		404		2,635.00
Loss on impairment		3,338		1,105
Transformation related expenses		—		449
Change in fair value of acquisition-related contingent consideration		—		(24)
Tax effect of Non-GAAP adjustments		(98)		51
Non-GAAP Net Income	$	3,086	$	34,556
GAAP Earnings (Loss) Per Share:	$	(0.05)	$	0.37
Non-GAAP Earnings Per Share:	$	0.04	$	0.47
Diluted Shares Outstanding		73,947		73,966
Diluted Shares Outstanding Used For Computing Non-GAAP Earnings (Loss) Per Share		75,628		73,966

Following is a description of the adjustments made to GAAP financial measures:

- Stock Compensation: non-cash equity-based compensation provided to OraSure employees and directors
- Amortization of acquisition-related intangible assets: represents recurring amortization charges resulting from the acquisition of intangible assets associated with our business combinations

- Reduction in workforce severance: one-time termination benefits associated with the Company's workforce reduction
- Loss on impairment: charges related to the write down of Company's PP&E and leased assets
- Transformation related expenses: transitory costs such as consulting and professional fees related to transformation initiatives
- Government contract accounting: As required under International Accounting Standard Board IAS 20, *Accounting for Government Contracts and Disclosure of Government Assistance,* our operating expenses associated with the Department of Defense expansion contract are reflected in operating expenses with offsetting reimbursement reflected in other income
- Change in fair value of acquisition-related contingent consideration: changes in the fair value of contingent consideration liability associated with estimate changes in reaching contingent consideration metrics
- Tax impact associated with non-GAAP adjustments – tax expense/(benefit) due to non-GAAP adjustments

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