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VIVO.OQ - Q1 2021 Meridian Bioscience Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Meridian Bioscience Fiscal First Quarter 2021 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your first speaker today, Mr. Charlie Wood, Vice President, Investor Relations. Please go ahead.

Charles Wood - *Meridian Bioscience, Inc. - VP of Corporate Strategy, Business Development & IR*

Thank you, Amy. Good morning, and welcome to Meridian's Fiscal 2021 First Quarter Earnings Call. With me are Jack Kenny, Chief Executive Officer; and Bryan Baldasare, Chief Financial Officer. Please note that our SEC filings, earnings release and slides to accompany this call are available on our website at investor.meridianbioscience.com. We will post a copy of these prepared remarks after the call.

With regards to our calendar, Jack and Bryan will be participating in the H.C. Wainwright Global Life Sciences Conference on March 9 and 10, and our Q2 fiscal 2021 earnings call is currently scheduled for Friday, May 7, 2021.

Before we begin today, let me remind you that the presentation and the company's remarks include forward-looking statements. Forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond the company's control, including risks and uncertainties described from time to time in the company's SEC filings. The company's results may differ materially from those projected, and note, in particular, that these forward-looking statements may be affected by risks related to the COVID-19 pandemic. Meridian makes these statements as of today, February 5, 2021, and undertakes no obligation to publicly update them.

Additionally, throughout this presentation, we refer to non-GAAP financial measures, specifically operating expenses, operating income, operating margin, net earnings and net earnings per diluted share, each on an adjusted basis. A reconciliation of these non-GAAP financial measures with the most directly comparable GAAP measures and other related discussions are included in our earnings release.

And now I'd like to turn the call over to Jack.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Thanks, Charlie. I'm excited to discuss with you another incredible quarter for Meridian. Record quarterly revenue and earnings per share, beating out our third quarter of fiscal 2020 in the heat of the first wave of the pandemic.

The Life Science segment continues to be the driving force with substantial demand for our COVID-19-related reagents, but strength of the core business should not be overlooked. Diagnostics continued its recovery from the pandemic-driven lows in our third quarter of fiscal '20 before hitting a plateau in December. Notably, despite the rampant resurgence of the virus and the return of some restrictive orders, Diagnostic result did not retreat and ended posting single-digit gains above Q4. Bryan will elaborate further when he presents the financials later on the call.

We had a number of business achievements in the quarter I would like to highlight as well as provide an update on initiatives and progress. In Life Science, we launched the RNA version of our proprietary Air-Dryable Master Mix. If you recall, we launched the DNA version about a year ago, but it was not a focus at the time as it was not applicable to the COVID-19 pandemic that was beginning to unfold. Even now, I don't think it is getting enough attention for this innovation that it brings.

We believe that this is a game-changing situation for the development of molecular assays as manufacturing molecular test in a dry format reduces transportation and storage complexities, a very attractive feature for IVD companies as well as their customers. Previously, the only option for delivering a dry-format assay was to use a process called lyophilization, which requires owning specialized equipment or sending the kit to a third party, both being expensive options that add multiple dollars in cost per test.

Our new mix, the first commercially available of its kind, facilitates the same end result but in a much more cost-effective and simpler manner using a standard commercial oven. Over 50 customers have sampled this mix, and initial feedback has been outstanding with some reporting even better performance than our other highly acclaimed wet or lyophilized mixes. We think this can really revolutionize the way companies approach molecular diagnostic development and help us to establish a position in other adjacent markets, such as veterinary, environmental, food and forensic diagnostics.

On the Diagnostics side, in December, we submitted the Revogene SARS-CoV-2 assay to the FDA for emergency use authorization and began shipping kits in January. This is an important milestone for Meridian as it is both the first new assay submitted to the FDA since our acquisition of GenePOC and the first RNA-based assay on the Revogene platform. This assay was also developed with funding and other support from the NIH RADx initiative. Meridian was 1 of 47 projects that made the cut and moved to Phase I of the program. The Revogene SARS-CoV-2 assay is a real-time RT-PCR test with the same simplified workflow of the other Revogene assays using nasal pharyngeal specimens. It returns results in 85 minutes with an early call for positive samples as soon as 47 minutes. We look forward to receiving EUA approval in the coming weeks.

As I mentioned, we recently began shipping the first kits to select customers in the U.S. As with any new assay, particularly the first of its kind for a platform, it will take some time to optimize the production. Further, we are taking the approach of maintaining necessary production volumes of the other core Revogene assays to meet the needs of our customers, some of whom we have won in recent months from competitors that had put their non-COVID products on back order or allocation. We continue to play the long game, focused on building strong customer relationships through exceptional customer service and reliable supply.

Anticipation for the Revogene SARS-CoV-2 assay receiving EUA has led to an acceleration of instrument placements, resulting in 57 net new placements in the quarter, bringing the total installed base as of December 31, 2020, to 288 systems, and we continue to be in a back-order situation. To address the expected demand for the COVID-19 assay, we have developed a plan for ramping production of Revogene PIEs, and I can share some of those details today.

As we announced earlier this week, in conjunction with over $5.5 million of new awards from Phase II of the NIH RADx initiative, JobsOhio and the village of Newtown, we are opening a new facility down the street from our corporate headquarters here in Cincinnati. This new facility will house 2 automated production lines. Coupled with the addition of a second shift in another manual line in Quebec, we are targeting to ramp to a maximum capacity of 800,000 PIEs per month by the end of the calendar year. As this requires new custom machinery, there is still much to do to get this facility online, and we will provide further updates on the progress as the year continues.

Diagnostics new product development continues to progress. The clinical trials for gastrointestinal assay continues to be slow due to the challenges in obtaining patient specimens. Despite this challenge, we still anticipate starting clinical trials for Curian C. difficile in February, while the Curian Campylobacter assay has completed its clinical trials with preparation for an expected FDA submission in early Q3. The Revogene GI panel continues to be on track to start clinical trials later this year.

In respiratory, the Revogene RI panel clinical trials are being delayed as a result of the light respiratory season that we are experiencing, limiting access to patient specimens, as well as the need to redirect resources to focus on the new production ramp plans for the SARS-CoV-2 assay. This will likely push FDA submission for this assay out of the fiscal year, but with the progress on the other assays, still puts us on track to submit 4 new assays in fiscal '21, consistent with our strategy to submit 2 to 4 new assays per year.

Lastly, I thought it would be good to provide some update on the progress we have made in our Billerica facility. Over the last year, we submitted a number of written responses and worked hard in our remediation plans to address the issues raised by the FDA in the 483 comment received in June of 2017 and October of 2019. In October of 2020, the FDA closed the inspections from June 2017 and October 2019. The warning letter issued in October 2017 remains outstanding, pending a future FDA inspection, and we have notified them that we are ready. While not fully resolved, we have made meaningful progress, and we look forward to welcoming the FDA to complete their inspection.

Now I'll hand the call over to Bryan to talk about the financials for the quarter.

Bryan Baldasare - *Meridian Bioscience, Inc. - Executive VP, CAO, CFO & Secretary*

Thank you, Jack. As Jack mentioned in his opening remarks, Q1 was another record quarter for the company. We recorded consolidated revenues of $93 million, up 96% year-over-year, driven largely by the strong performance in the Life Science segment. Excluding the impact of foreign currency exchange rate changes, revenues were up 93%. Consolidated gross profit margin was 66% in the quarter, up from 58% in the first quarter of last year. The story remains consistent with this increase driven by strong improvements in Life Science gross margin, primarily as a result of economies of scale from our molecular reagents. Sales of molecular reagents contributed approximately 50% of consolidated revenues for the first quarter of fiscal '21 compared to approximately 11% for the first quarter of fiscal '20.

On an adjusted or non-GAAP basis, first quarter operating income was $37 million with a margin of 40% versus 15% last year. Adjusted operating expenses were $25 million, up a little over $4 million year-over-year. Also on an adjusted basis, net earnings were $28 million, and diluted EPS was $0.65, growth of 550% from $0.10 in the first quarter of fiscal '20. The year-over-year increase in operating expenses was driven primarily by the incremental expenses added by the Exalenz acquisition, including purchase accounting amortization, as well as incentive compensation for our cash bonus and equity award programs.

On a GAAP basis, operating income was $35 million with operating expenses of $27 million. In addition to the aforementioned operating expense drivers, GAAP operating expenses include $1.2 million in selective legal spending and a $1 million increase in contingent consideration related to the acquisition of GenePOC. GAAP net earnings were $27 million, and GAAP diluted EPS was $0.61.

Now let's look at the details of our 2 operating segments. Diagnostics delivered revenues of $30 million. While this was down 13% year-over-year, it is important to note that it was up 2% from Q4 of last year and up 40% from the lows seen in Q3 of last year during the heat of the first wave of the pandemic. The early part of the quarter saw continued progress in the recovery and has since flattened as infection rates climbed and people stayed home more. We think it's a positive sign that the recovery only stalled and not retreat, and we remain optimistic. Gross profit margin for the segment was 54%, an improvement from 53% in Q4, though down from 60% in the same quarter last year. The year-over-year decrease was driven by lower sales volumes and also affected by the continued pricing pressure on our higher-margin H. pylori stool antigen products, which we had mentioned in prior quarters.

Diagnostics had an operating loss on an adjusted basis of less than $1 million. Similar to prior quarters, this is a result of our continued investment in new product development and commercial Exalenz programs despite the lower sales levels. Diagnostics adjusted operating expenses for the quarter were up $2 million year-over-year driven by spending on new product development programs, including clinical trial costs, and costs absorbed from the acquisition of Exalenz, including intangible asset amortization.

Our Life Science segment recognized revenues of $63 million, an increase of 396% year-over-year. We estimate that revenue from COVID-19 products was $43 million. Of note, our core revenue was up 55% year-over-year, highlighting the initial impact from non-COVID new business we are picking up from the customer relationships we are building during the pandemic. Gross profit margin exceeded 72% in the quarter, up from 53% in Q1 of last year. This continues to be driven by economies of scale for our molecular products. Keep in mind that we did not have any

COVID-19 revenue contributions in our first quarter of fiscal '20. Adjusted operating income was $40 million, a margin of 64%, continuing to demonstrate the leverage this business brings when operating at such a large scale.

Turning to the balance sheet. As of December 31, we had $63 million in cash and a borrowing capacity of $101 million under our $160 million line of credit. During the quarter, we repaid $10 million on our revolving credit facility. Over the next few quarters, we plan to leverage our strong balance sheet to further fortify our production capacity in Life Science and build out the new Revogene manufacturing lines, so expect to see significantly higher capital expenditures than our historical average as we make those investments.

Now turning to guidance. As mentioned when we preannounced our revenue for the quarter, we expect demand for our life science products to continue to be robust in Q2. While the current level of infection in the U.S. continues to suppress growth in Diagnostics, we are still optimistic that recovery will continue throughout the fiscal year. As such, we are raising our fiscal year guidance. We now expect consolidated revenues between $320 million and $350 million, holding Diagnostics revenue expectations to between $140 million and $150 million and raising Life Science revenue expectations to between $180 million and $200 million.

Like many companies, it continues to be difficult for us to forecast during these uncertain times. We expect that you will notice that the second half of the year is implied to be lower than the first half. In Life Science, the forecast for the second half of the year assumes we return to levels similar to the fourth quarter of fiscal 2020 in anticipation of declining infection rates as the COVID-19 vaccines are administered around the world. Even so, we expect this would result in Life Science revenues significantly above pre-pandemic levels and Diagnostics revenue contributions from our COVID-19 assays, offsetting lingering headwinds from the pandemic.

As we mentioned previously, it is becoming more difficult to distinguish between COVID revenue and non-COVID revenue in the Life Science segment as more customers receive product shipments destined for inclusion in both COVID and non-COVID assays. We will continue to report this metric as long as we are able to. However, we are not going to call out the revenue contribution expected from the pandemic going forward. While we are not quantifying it, our guidance raise does contemplate more Life Science revenue coming from COVID-19 demand than in our original guidance issued back in November.

Adjusted operating margin is expected to be between 31% and 33%. This raised guidance results in an adjusted EPS between $1.70 and $1.90 based on the same fully diluted share count of 44.3 million shares. This guidance reflects our current line of sight into order patterns and assumes that we do not encounter any significant reductions in manufacturing capacity as a result of pandemic causing either partial or full site closures for an extended period of time, adversely affecting our supply chain for raw materials or delaying the build-out of our new Revogene manufacturing facility.

And now I will hand the call back over to Jack.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Thanks, Bryan. Another great quarter in the books and another quarter that demonstrated the continued impact we were having on the global COVID-19 testing demands.

I would like to go back to something Bryan mentioned about our Life Science results. Not only was there a strong contribution from COVID-19-related products, but our core business was up significantly as well. This speaks to the durability of the business that we are building. I'm sure you've heard this phrase too many times in the last few weeks, but it is certainly applicable to us. We are a COVID beneficiary, but we're not COVID-dependent.

In the last few weeks, we received supplier awards from 2 of the top global IVD companies, recognizing us for a partnership during the past year as they manage their COVID business. This is an example of the great relationships we are building with our life science customers that will continue to produce results long after the pandemic. We continue to tell our story and are grateful for all the new, as well as existing investors, that see long-term potential in what we're building and continue to support us.

Now Bryan and I are here for any questions that you have. Amy, can we open up the line for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question today comes from the line of Andrew Brackmann with William Blair.

Andrew Frederick Brackmann - *William Blair & Company L.L.C., Research Division - Associate*

Maybe to start, Jack. Obviously, a lot has occurred at Meridian sort of over last year. But more broadly, can you maybe talk about how you see Life Sciences and Diagnostics landscape looking from an industry standpoint coming out of COVID? And then related to that, how does that framework really inform how you're thinking about the businesses today versus maybe a year ago at this time in terms of investment and/or acquisitions?

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Sure, Andrew. No problem. So I'll start this. And Bryan, if you want to add, you can. I think, first of all that, certainly, the world has changed a lot in the last year. And COVID has certainly forced us as well as other companies to really pivot. With that being said, the good news for us in both our Life Science and Diagnostic businesses is we had already been working on our strategy, and we didn't really change our strategy at all. This really fed into the strategy that we have been working to implement over the last couple of years.

So we see ourselves coming out of this COVID pandemic with really an acceleration of the strategy that we've been working on over the last couple of years. We do think that we will see a return of the non-COVID-related business over the next 12 months. That will be kind of a slow, steady return as COVID gets brought into more control, whatever that looks like in the future. And we do think that we'll come out of this being stronger in that we have our non-COVID business returning back to growth as well as then a larger position because there will be COVID testing that is ongoing for both our Life Science business and for our Diagnostic business.

So in general, I would say that, for us, this has -- we had a good balance sheet coming into this situation. This strengthens our balance sheet and enables us to consider further strategic opportunities that may present themselves over the coming months, and we certainly have a more programmatic approach looking at that with the addition of Charlie on to our team and the work that we're doing. We're in position to keep our eyes and ears open for strategic acquisitions that really will help us to continue the strategy that we have.

Bryan, do you want to add to that?

Bryan Baldasare - *Meridian Bioscience, Inc. - Executive VP, CAO, CFO & Secretary*

Yes. Just the other thing that I would add, Andrew, this has really been an opportunity for us to accelerate strengthening our manufacturing on both sides of our business. So from a Life Science standpoint, increasing that capacity. And then very specifically, on the Diagnostics side, we're building out automated manufacturing for Revogene that we might have done in the future. This has accelerated our ability to do that and I think puts us in a better position, post pandemic, going forward.

Andrew Frederick Brackmann - *William Blair & Company L.L.C., Research Division - Associate*

That's great. And then, Bryan, maybe one for you, just on guidance real quick. So appreciate sort of your comments on the Diagnostics segment here. But if I just sort of annualize what you guys did in the first fiscal quarter, it looks like there's about $20 million or so of growth that's needed for the rest of the year to hit the bottom end of the range. So maybe can you just give us an idea of how we should be thinking about that growth between the base recovery and then contribution from Revogene and potentially antigen products?

Bryan Baldasare - *Meridian Bioscience, Inc. - Executive VP, CAO, CFO & Secretary*

Sure. Yes. So from a big-picture perspective, Andrew, the $320 million to $350 million range is based on -- again, we've been talking about visibility over the next 3 or 4 months is our best visibility. We have less visibility for the second half of the fiscal year, so we're not trying to get too far out in terms of predicting what's going to happen. However, we are confident enough for the Life Science side of the business, just to kind of reiterate, we do see the second half being similar to what we experienced in Q4 of last year. So hopefully, that helps you put some framework around the Life Science part of the business.

I would say on the Diagnostics side, right now, we are thinking we are going to see a slow but steady return to pre-pandemic volume levels. And that's really why we're holding our -- to our $140 million to $150 million revenue range on the Diagnostics side. And certainly, one of the implications to that is, as we ramp up manufacturing of the SARS-CoV-2 test on the Revogene, that's going to have an impact on the numbers for the second half of the year, in particular. You will see some contribution during Q2, but you would see a higher contribution from that particular platform in Q3 and Q4.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

And just to add to that. As Bryan said, you had a $30 million core business in Diagnostics which we think will improve slightly as we go forward. Take that times 4, it's $120 million. I think that gives you a pretty good idea, add a little bit of growth into that in the core business going forward and then take your COVID stuff on top of it, and that's why we have such confidence in the $140 million to $150 million range that we put out there on the Diagnostics side, Andrew.

Andrew Frederick Brackmann - *William Blair & Company L.L.C., Research Division - Associate*

Great. And then last one for me. I didn't hear it in the prepared remarks, so just if I can ask if there's any sort of update to timing on bringing the partnered antigen product to the U.S.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Yes. So the partnered antigen project continues to move forward. Obviously, the -- we would anticipate that our partner would be submitting to the FDA in the coming weeks. And so we have been working closely with that partner, helping them from a regulatory and quality standpoint as they work on their preparation to submit. They had been taking the time to do the extra work to really have the data that's needed to get a point-of-care designation, and so they are working towards a submission on that in the coming weeks.

And then -- so again, we see that being more relevant to us as we probably are Q3 and beyond at this point. But we're still very optimistic about that, especially when you start seeing comments from the Biden administration about increased testing and keeping that testing going. So we do believe that we'll be able to have a bigger position on that in the second half of the year.

We have been selling those products in Europe. That's a smaller market for us, but the feedback has been positive from our sales team as well as our customers in Europe, and we're looking forward to bringing that into the U.S. here. And we think that will be another part of why we are still holding to our guidance and feel confident of the $140 million to $150 million.

Operator

Our next question comes from the line of Rachel Vatnsdal with Piper Sandler.

Rachel Marie Vatnsdal - *Piper Sandler & Co., Research Division - Research Analyst*

This is Rachel on for Steve, and congrats on the quarter, you guys. So first, can you just talk us through the puts and takes on the Life Science side? Can you walk us through any conservatism you took? And then what are you assuming for weighting throughout the year? Is it 60/40, for example? So just walk us through what you're thinking on that.

Bryan Baldasare - *Meridian Bioscience, Inc. - Executive VP, CAO, CFO & Secretary*

So Rachel, our thinking on that, and again, we don't do quarterly guidance, so what we have published is certainly annual guidance, and I would reiterate kind of what we have been saying. One, our best visibility that we have into order patterns with our customers is over the next 3 or 4 months. And so we've -- that's why we have commented on Q2, our Q2 being similar to Q1 in terms of the revenue figure that we just reported for Life Science. So you're in that $60 million range, if you will.

From a second half perspective, again, we're kind of calling or forecasting right now that the second half would be similar to our Q4 of last year for Life Science, where I believe we've been in the neighborhood of $35 million of revenues, to give you some order of magnitude around the numbers.

That's where our current thinking is. We're certainly not trying to say we have the crystal ball around all of this, that we're trying to not get out over our skis in terms of how we're looking at forecasting the business during these pandemic times.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

And Rachel, I think you'll have -- we'll have a little bit more clarity on the second half as we get to the next quarter's call. But again, we did have objective evidence of kind of what -- when COVID is here but not rampant, and that was our Q4 of last year in the summer, before late summer, before things got crazy in the fall. So that's why we use that as our guide because we feel that, that is a reasonable place. Perhaps conservative, but again, we don't know what's going to happen with regards to the effectiveness of the vaccines, if the variants create other problems. There's a lot of other pieces that are out there. So if anything, we took what we felt very confident with, and that's what we put out there at this time.

Bryan Baldasare - *Meridian Bioscience, Inc. - Executive VP, CAO, CFO & Secretary*

Yes. The other thing that I would just kind of wrap this question up on, Rachel, is we do expect our mix between the molecular and immuno to continue during the rest of the fiscal year. So as we've talked about the higher level or contribution of molecular reagents versus immuno reagent certainly helps our operating margins.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

And that's not just saying that -- when I say that, that's not just a '21 thing. That's something that we're thinking about even in 2022 and beyond.

Rachel Marie Vatnsdal - *Piper Sandler & Co., Research Division - Research Analyst*

Got it. Okay. That's helpful. To my next question, on your EUA, so you submitted your Revogene assay in December. We've been hearing about some delays from EUA approvals with the FDA. So can you just tell us the latest on that? Have you guys been having any dialogue with FDA? And what are you assuming for timing of that approval?

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

So as we mentioned before, we submitted the EUA in the December time frame. Package went into them. We did receive feedback from the FDA a few weeks back, 3, 4 weeks back; have responded to the FDA with what I would describe as limited questions that we felt very comfortable to

respond. So we're anticipating in the coming weeks that we will hear back from the FDA, and we're certainly optimistic. The FDA has a lot on their plate. It's very active. They're getting hit from many angles with submissions. So I can tell you that, for us, we had a very thorough submission, and we received positive feedback from the FDA about the quality of our submission. So we do believe that having a highly -- high-quality submission gives you a better chance of them reviewing it, and so we are optimistic in the coming weeks that we'll hear good news from them.

Rachel Marie Vatnsdal - *Piper Sandler & Co., Research Division - Research Analyst*

Awesome. That's great. And then last question for me. Can you just talk about your thoughts on COVID testing durability beyond 2021, so looking into 2022 and beyond?

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

I wish I could tell you exactly what it was. I'll tell you my thoughts. I think everybody's got an opinion on this. We have -- as we said, when we're doing our forecasting, we're trying to remain conservative with what we have good line of sight to. But I will tell you that we do believe that, first and foremost, is that this has changed diagnostics in many ways. Diagnostic tests were not asked for by name. This is something that's going to be with us for years to come, so we do think that this COVID testing will continue and have a long tail. Whether that means you're kind of like doubling a flu season, that certainly is a very viable way. People won't just go to get a flu test. They'll most likely want to get a flu and a COVID combo type of test as we go forward. So we do think that there'll be a significant in '22 and beyond COVID market that's out there.

What we really aren't clear about is, obviously, what happens over the next 12 months. I would say that, again, our estimates were conservative with what we have good line of sight to. But we have -- the good news for us, when we look at our business as well, we have a lot of different ways. For example, antibody testing is something that was talked about last summer, fell out of favor. We believe as vaccination increases and more people are vaccinated that they're likely to see higher levels of antibody testing being done. And so antigens could come down over time if the disease gets more in control, but the antibody testing is likely to increase that people want to test to make sure that they had -- that the vaccine was effective.

And so our general view is that this will be a continued significant market with COVID. We think of it as almost like a doubling of the flu market in the long term is kind of the way that we're viewing it.

Operator

Your next question comes from the line of Yi Chen with H.C. Wainwright.

Yi Chen - *H.C. Wainwright & Co, LLC, Research Division - MD of Equity Research & Senior Healthcare Analyst*

So my first question is are your COVID-19 test reagents in the Life Science segment affected by the mutant strains identified in U.K., South Africa and Brazil with respect to sensitivity and specificity? And also, is the Revogene COVID-19 assay affected by the mutant strains as well?

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Great question, Yi. So first of all, let me start on the Life Science side. Remember, on the Life Science side that, that really question is only applicable to the antibodies that we are making for the antigen testing. Because if you remember, on the molecular side, we're making a mix, and then other people develop their own primers and probes for that or they bring their own primers and probes.

As far as our antibody tariffs, we have -- our customers have done extensive testing, and we have -- in dialogue with our customers, we have high confidence that we are not affected by these strains. The ones that have been identified, our test is performing at very -- the same level. So we can't

speak to future strains if more variants come out and things of that nature. But of all the ones that have been identified so far, our customers are reporting strong performance and no degradation of performance with our antibody pairs.

In regards to Revogene, very similar answer to that. Our Revogene, we have done extensive testing in regards to the strains that are out there, the U.K. variant, South Africa, et cetera, and we are not seeing an impact from those. So we are staying very close on emerging changes that are going on as far as the strains and what's happening. But at this point, none of them have had a negative impact on the ability for our test to perform.

Yi Chen - *H.C. Wainwright & Co, LLC, Research Division - MD of Equity Research & Senior Healthcare Analyst*

Got it. So does the company have an assay that can identify or differentiate the mutant strains from the original SARS-CoV-2? And if not, is the company currently developing one?

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

I don't know that I've got a great answer on that one, Yi. It's probably one that I will go back to my team to get a little bit more. I know we do not have a current test to do that. Whether or not we've got folks that are looking at that, that is one that I'm not sure about in full disclosure. So that's one that I'll have to do some research and circle back up.

Operator

There are no further questions in the queue at this time. I turn the call back to the presenters for any closing remarks.

John P. Kenny - *Meridian Bioscience, Inc. - President, CEO & Director*

Thank you very much, Amy. Well, first of all, thank you for joining us today. We certainly appreciate your support, and we're very excited about our future. We look forward to speaking to you again in May. Have a great day, and we'll talk to you soon.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect.
