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EDITED TRANSCRIPT

OSUR - Q3 2012 OraSure Technologies, Inc. Earnings Conference Call

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PRESENTATION

Operator

Good afternoon, everyone, and welcome to OraSure Technologies 2012 third-quarter financial results conference call and simultaneous webcast. As a reminder, today's conference is being recorded. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period.

(Operator Instructions)

OraSure Technologies issued a press release at approximately 4 pm Eastern Time today regarding our 20012 third-quarter financial results and certain other matters. The press release is available to you on our website at www.OraSure.com or by calling 610-882-1820. If you go to our website, the press release can be found by opening the Investor Relations page and clicking on the link for news releases. This call is also available real-time on our website and will be archived there for seven days. Alternatively, you can listen to an archive of this call until midnight, November 14, 2012 by calling 855-859-2056 for domestic, or 404-537-3406 for international. The access code is 51186733.

With us today are Doug Michels, President and Chief Executive Officer, and Ron Spair, Chief Operating Officer and Chief Financial Officer. Doug and Ron will begin with opening statements which will be followed with question-and-answer sessions.

Before I turn the call over to Doug, you should know that this call may contain certain forward-looking statements including statements with respect to revenues, expenses, profitability, earnings or loss per share, and other financial performance, product development, performance, shipments and markets, and regulatory filings and approvals. Actual results could be significantly different. Factors that could affect results are discussed more fully in the Company's SEC filings, including its registration statements, its annual report on Form 10-K for the year ended December 31, 2011, its quarterly reports on Form 10-Q, and its other SEC filings.

Although forward-looking statements help to provide complete information about future prospects, listeners should keep in mind that forward-looking statements may not be reliable. The Company undertakes no obligation to update any or -- forward-looking statements to reflect events or circumstances after this call.

With that, I would like to turn the call over to Doug Michels.

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

Okay. Thank you very much, Judy. And good afternoon, everyone. I want to thank you for joining us on our call today.

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Third-quarter consolidated revenues fell within the low-end of our guidance range while our net loss beat our guidance for the bottom line. Revenues were up slightly over the third quarter of 2011, primarily as a result of our molecular collection systems subsidiary, DNA Genotek. The third quarter included truly historic achievements for OraSure.

In July, we received FDA approval of our OraQuick In-Home HIV Test, the first and only rapid infectious disease test approved for sale in the over-the-counter or OTC market. We also completed initial shipments of this product to retailers around the country at the end of the third quarter.

And in October, we commenced the commercial launch of our OraQuick In-Home HIV Test with support celebrity spokespersons and the initiation of a nationwide promotional campaign. I will provide an update on the progress we have made with this exciting new product, as well as certain other developments in our Business.

However, before I do that, let me ask Ron to review our third-quarter financial results.

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

Okay, thanks Doug and good afternoon everyone.

Starting with revenues. Our third-quarter 2012 consolidated revenues were $22.1 million compared to $21.7 million reported in 2011. Revenues for the current quarter included $3.3 million from our molecular collection systems subsidiary, DNA Genotek, acquired in August 2011. DNA Genotek's revenues for the period post-acquisition date through September 30, 2011 were $2 million.

Our consolidated product revenues increased 1% as a result of the higher molecular collection systems sales and higher sales of our cryosurgical systems products. These increases were partially offset by lower sales of our infectious disease, substance abuse, and insurance risk assessment products. Our infectious disease testing revenues were $10.7 million in the third quarter of 2012, compared to $11.9 million in the third quarter of 2011. The overall 10% decrease was primarily a result of lower domestic OraQuick HIV sales, partially offset by the higher OraQuick HCV sales.

Third-quarter domestic HIV revenues were down $1.5 million or 15% due to various factors including changes in public health testing programs and their timing of purchases, reductions in government funding, price competition, and a shift to automated laboratory-based blood tests by some of our customers. HCV revenues were $919,000 for the quarter, a $494,000 increase over the third quarter of 2011.

In substance abuse testing, revenues decreased to $2.3 million in the third quarter of 2012 from $2.8 million in the third quarter of 2011, primarily as a result of lower Intercept sales, partially offset by higher sales of our QED point-of-care saliva alcohol test.

The higher QED revenues resulted from the absence of production issues experienced last year, which were resolved in October 2011. The decrease in Intercept sales was a result of lower purchases by our largest domestic laboratory distributor who began selling its own competitive oral fluid drug testing system at the end of 2011 and lower international sales due to a reduction in purchases by our UK laboratory distributor who has also started selling its own competing oral specimen collection device.

Our third-quarter 2012 cryo revenues increased 24% compared to the third quarter of 2011, primarily as a result of higher OTC sales and higher professional sales in the international marketplace. Our professional sales in the domestic market remained flat. Our OTC cryo sales during the quarter increased $770,000 or 81% when compared to 2011, largely as a result of higher sales to both our Latin American OTC distributor, Genomma and our Europe distributor Reckitt Benckiser.

As discussed in our previous calls, early in 2011 the Mexican government imposed restraints on the advertising Genomma could use for our product. At the same time, the Brazilian government required us to make changes to our package insert. Both of these issues negatively impacted our sales to Genomma during 2011 but were resolved by the end of that year. The higher sales to Reckitt Benckiser were the results of increased advertising and promotional activities and expansion into additional European countries.

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Our international professional cryo sales in the current period increased 13% compared to the third quarter of 2011. The increase was primarily due to higher sales in Europe, Australia, and Asia. As mentioned earlier, our molecular collection systems revenues were $3.3 million for Q3 2012, compared to $2 million for the period August 17, 2011 through September 30, 2011, and primarily represent sales of the Oragene product line.

Turning to gross margin. Our overall margin remained strong at 63% for both the third quarters of 2012 and for 2011. Turning to operating expenses. Our consolidated operating expenses for the third quarter decreased $982,000, or 6% compared to the third quarter of 2011. R&D expenses decreased from $5.5 million to $3 million for the quarter due to lower clinical trial costs associated with our OraQuick in-home HIV test.

G&A expenses decreased by approximately $1.3 million as a result of the absence in the current quarter of $2.1 million of DNA Genotek transaction costs incurred by us during the third quarter of 2011. This decrease was partially offset by the higher DNA Genotek expenses incurred for the full quarter in Q3 2012 compared to the partial period in 2011.

Sales and marketing expenses were $8.6 million for the third quarter, or an increase of $2.9 million over 2011 due to $1.8 million of additional sales and marketing costs related to the commercialization of our OraQuick in-home HIV test and a full quarter of DNA Genotek expenses. The third quarter 2012 expenses included $3.1 million from our molecular collection systems subsidiary compared to $1.5 million for the last six weeks of Q3 2011.

From a bottom line perspective, we reported a net loss of $2.4 million or $0.04 per share compared to a net loss of $3.9 million or $0.08 per share for the same period of 2011.

Turning briefly to our balance sheet and cash flow, our cash balance at September 30, 2012 was $89.4 million compared to $23.9 million at December 31, 2011. We completed a secondary stock offering in Q3 2012, which increased our cash balance by approximately $70 million. Cash used in operating activities in the third quarter of 2012 was $1.7 million compared to $3.7 million used during the third quarter of 2011.

So turning to our guidance for the fourth quarter of 2012, we are projecting consolidated revenues of approximately $20.5 million to $21 million and a consolidated net loss per share of approximately $0.13 to $0.15 for the quarter. During this fourth quarter, we expect to spend $4.2 million on sales and marketing efforts related to our OraQuick in-home HIV product launch.

This is above the level we had previously envisioned largely due to the cost of celebrity spokespersons and a delay in expenditures originally protected for Q3. Additionally, we have reduced our revenue estimates in a number of our business units as a result of disruptions caused by Hurricane Sandy.

With that, I will now turn the call back over to Doug.

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

All right. Great, thanks, Ron.

As mentioned earlier, during the third quarter we received FDA approval of our OraQuick in-home HIV test and we completed the first shipments of this product to retailers. We also sold $3.6 million of this product in Q3, although most of this revenue cannot yet be recognized for financial reporting purposes. Because we do not yet have a track record for this product, we can only recognize revenue upon the consummation of sales to retail customers either in a store or over the Internet.

These initial shipments primarily represent pipeline fill for retailers and their distribution centers. From the time a new product such as our OraQuick in-home HIV test is purchased, it typically takes two to three weeks to start appearing on retailers' shelves.

As you might expect, there is variability in the timing of retailers' shipments from their distribution centers to their stores and then in how quickly individual store managers place new product on their store shelves.

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Our initial shipments covered the leading drug and mass merchandise chains including Wal-Mart, Walgreens, CVS, Rite Aid, Kroger, and Duane Reade. And we are also selling to drug wholesalers such as AmerisourceBergen, Cardinal Health, and certain regional food retailers. We have seen strong initial support by our key retailers as several have run multiple circular and Internet ads for our OraQuick in-home HIV test.

Since its launch in early October, our OraQuick in-home HIV test has been placed on the shelf in thousands of retail outlets across the country. We have started to conduct retail audits in order to help retailers optimize their execution and based on initial data from these audits. We estimate that over 90% of the largest retail outlets have product on the shelf today. Most of these retailers are selling the test for $39.99, although pricing can vary a bit by location.

We've been receiving initial data on the volume of consumer purchases at the various retailers and as you can imagine we will be tracking this very closely. So far initial consumer purchase levels have been modest, reflecting the time required for product to move through retail distribution networks. We expect consumer purchases to ramp up as the retail network distribution process continues and our promotional activities intensify through the fourth quarter and into next year.

We've also begun selling the tests over the Internet. Our comprehensive website www.OraQuick.com has been active since September 24. As previously discussed, this site provides information about HIV and AIDS and our product, including a high-quality instructional video on how to take the test and interpret the results.

Importantly, the site provides electronic access to a comprehensive referral network for counseling and care services in any consumer's geographic area. And since the full website was launched, we have seen over 165,000 visitors.

The website also provides consumers with the opportunity to purchase our test online or find a retail store near them that sells the product.

Our promotional and advertising campaign has been structured in two key phases. The first phase was kicked off on October 9, with the objective of driving awareness in product trial and letting people know that the OraQuick in-home HIV test is now available at retail. This phase included a strong public relations campaign and a targeted digital advertising plan.

Perhaps the most exciting element of our first phase was the engagement of former NBA star Earvin "Magic" Johnson as a spokesperson for the test. Mr. Johnson appeared on a number of national broadcast shows, as well as in print and online media, generating more than 105 million media impressions. His participation at the launch kickoff in New York City also led to an increase of nearly 350% in branded social media posts on Twitter and Facebook. Under our agreement with Mr. Johnson, he will participate in further promotional activities during 2013.

We also retained former Miss Universe Dayana Mendoza as another highly credible and influential spokesperson. Ms. Mendoza promoted our product and advocated for expanded HIV testing in connection with national Latino AIDS Awareness Day on October 15 in New York. Her appearances are also being used in our digital activities.

The second phase of our campaign includes more traditional advertising. During the fourth quarter, we started to implement Internet banner advertisements, paid search, and targeted print. Our banner advertising began appearing on hundreds of popular websites on October 15 and will run through the remainder of 2012 and into 2013.

We are seeing strong early results with CTRs or click through rates, three times the industry average. Print advertisements are also appearing in publications serving our core target consumers.

The second phase will continue into next year, beginning in January with significantly increased advertising support and PR activities with Magic Johnson and other events. Our ad campaign, which quantitatively scored well in consumer testing, will be designed to drive awareness and product trial and encourage people to get tested for HIV.

The ad campaign will feature a 45-second spot and include a heavy emphasis on TV, along with digital and print placements designed to reach a broad consumer audience with increased focus on those most at risk and most likely to test. This includes men who have sex with men,

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African-Americans, Latino Americans, and sexually active adults 18 to 49 years old. This is the same campaign that began running in banner ads during Q4.

As discussed on prior calls, pharmacists and medical professionals play a key role in educating consumers and driving the usage of medical products such as our in-home HIV test. Thus an important part of our communication program has focused on these individuals.

During the third quarter, we finalized our educational materials and they have now been deployed to thousands of pharmacies through the major retail chains. In addition, this information is being made available through our website. [In addition] we will target medical journal advertising in Q4 to make physicians aware of the OraQuick in-home HIV test and provide them access to our educational materials.

Briefly turning to production, our manufacturing process is operating smoothly and we are well-positioned to meet future product demand. And finally, I would like to briefly discuss our consumer support center. This center has been operating since July 6, and provides consumers with toll-free support on a 24/7, 365 day per year basis. To date, we have received thousands of calls with usage continuing to build as product awareness and purchases increase.

As previously discussed, our support center representatives are bilingual and they're highly trained and they're prepared to answer questions and provide consumers with resource referrals for follow-up confirmatory testing counseling and medical treatment.

So in summary, the initial commercialization of our OraQuick in-home HIV test is well under way. Although there's still a lot of work to do, particularly to drive increased awareness and consumer sales velocity, we are making progress.

As Ron indicated in his guidance discussion, creating awareness is not without cost. We expect that our promotional expenses will be significant in the fourth quarter of this year.

Looking further ahead, we believe promotional spending in 2013 is likely to exceed the annualized spend rate incurred in the fourth quarter of 2012. The precise level will be determined after creative development and testing is completed in Q4.

Our expectation for 2013 is that spending will be front loaded early in the year to maximize product exposure and support and will decline sequentially as the year progresses. Given the potential market size and the fact that this is a first of its kind product, we believe it's critical to support the market launch with ample resources, and I look forward to providing additional updates in the future about this exciting new product.

Turning now to our OraQuick HCV test, we continue to focus on market development in order to grow product sales. Current quarter HCV revenues were up substantially over the same quarter of last year. The primary drivers for this performance were higher sales to public health and hospital customers in the US market and sales to certain international customers.

A major development in Q3 was the adoption by the Centers for Disease Control of new guidelines for Hepatitis-C testing. These guidelines recommend that all persons born between 1945 and 1965 or approximately 81 million people according to the 2010 census receive a one-time test for Hepatitis-C.

We believe these new birth cohort guidelines will help to substantially increase HCV testing over the long-term. And while the issuance of the new CDC guidelines is certainly a positive development, there's still much work needed in order to make physicians and their patients aware of the need for greater HCV testing. As a result, we continue to assist our distributors in their efforts to educate medical professionals about the guidelines and the availability of our OraQuick HCV test to meet their testing needs.

We've also been working closely with other parties such as the Chronic Liver Disease Foundation and the National Medical Association to implement HCV education, awareness, and testing campaigns. A major factor affecting sales of our OraQuick HCV test has been the availability of government funding, which is relied upon by many of our customers, especially in the public health market.

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Economic downturn has placed significant pressure on government budgets in both the US and other countries and this pressure is likely to continue for the foreseeable future.

There was some good news on funding during the third quarter. The CDC received a $10 million appropriation for hepatitis testing, indicating that there is still congressional support for expanded testing despite these budgetary concerns. As a result, 26 public health jurisdictions and community-based organizations received $5.2 million in CDC funding specifically for HCV testing and linkage to care.

These types of grants support increased awareness of the CDC guidelines and will enable the recipients to start HCV testing initiatives. Based on our discussions with the CDC, we believe that over 50% of the grantees will use is the rapid HCV testing in their programs.

With respect to DNA Genotek, this business showed progress in the third quarter. The company sold a significant amount of product to a large-scale commercial customer whose test is demonstrating rapid uptake among its customer base. This is a great example of commercial customers offering alternative, non-health-related tests using DNA. As these types of alternative tests become more prevalent, we expect DNA Genotek's business to benefit.

In addition, we saw continuing growth and sustainability from other commercial customers providing health-related DNA tests. DNA Genotek's full range of DNA sample collection products are now being used by commercial customers either for diagnostics or commercial research. Five of the top eight sales in the third quarter were to commercial customers.

The Company's academic business also continues to perform well given the global funding challenges facing academic researchers.

So in conclusion, we're advancing the commercialization of our new OraQuick in-home HIV test, the first and only FDA-approved rapid HIV test for consumers. We're also focused on maximizing the opportunity for our OraQuick Hepatitis-C test.

This is an exciting time for our Company and we look forward to advancing both our strategic and financial initiatives as we move into 2013.

And so with that, I will now open the floor to your questions. Operator, please proceed.

QUESTIONS AND ANSWERS

Operator

Amit Bhalla, Citi.

Unidentified Participant - - *Analyst*

-- [Nick] in for Amit today. So, I want to first focus on the over-the-counter launch for you guys. You talked about the launch has been modest so far. Can you talk a little bit more about that? And what are your expectations for a ramp? When would you see that ramp? Some time in -- a significant ramp in the fourth quarter, or is it more into 2013 that you see?

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

This is Doug. So, going back to the information that I shared with you in the script. Obviously, since product was shipped to retail and moved onto shelf, we are very, very early into this launch. And the team has executed, I think, very well on those different logistical activities. We've secured distribution, we've begun communicating now with the consumers and engaging them to learn more.

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I think some of the data that I shared with you about the click-through rate really shows that consumers are responsive to our message, and they're interested to learn more. I shared with you the number of visits we've had to our website. I think that again emphasizes that we are engaging the consumer, and encouraging them to act.

We are not going to see the impact of that immediately. We are going to see it build through the fourth quarter, and obviously, as we continue to increase our advertising, and our advertising message, we're going to see that build throughout 2013.

So, that is all that comment was designed to communicate. And obviously, when we come back with our fourth-quarter call in February, we are going to have a much more robust data set to share with you about how the product has sold at retail, online, and what that velocity actually looks like.

Unidentified Participant - - *Analyst*

Okay. That's helpful.

Operator

Shaun Rodriguez, Cowen and Company.

Shaun Rodriguez - *Cowen and Company - Analyst*

On guidance, what are the key drivers of the expectations for the 6% sequential decline? And here, I'm trying to think through the dynamic of Hurricane Sandy versus maybe some challenges in the base business, specifically in the HIV professional business?

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

Right, so Shaun, some of the sequential decline is related to the cryo business in Q4, which has a certain seasonality to it. And as we have in years past, we've seen a bit of a peaking in the summertime, and then a reduction of the purchases in and over the wintertime. So, we do see a sequential decline in the cryo business, which is a large contributor to the Q4 over Q3 2012 reduction.

Shaun Rodriguez - *Cowen and Company - Analyst*

Okay. That's helpful. And on the US professional HIV business, you've talked about that franchise being pressured for a few quarters now, on changes in public health, testing programs, reduced government funding pricing, and now with transition to lab-based testing.

As this is still your biggest business, can you just talk about the outlook there? We've been in the $8 million to $8.5 million a quarter range this year; it's hard to see government funding getting better, pricing getting less competitive. And it does not seem like the transition to automated testing is a temporary dynamic, so I'm just trying to think through whether there are any positive offsets that you see in the near or medium term, or should we think about this as the run rate that we should expect?

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

Yes, we are going to continue to manage these pressures for some time, certainly until the economy improves.

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Clearly, rapid HIV testing has its benefits, and we are going to continue to sell those benefits as effectively as we possibly can. Data from the CDC indicates that greater than 98% of individuals receive their results with rapid testing. With non-rapid testing it can be as low as 50%, and that's not lost on the public health jurisdictions or professional users who use our product.

We have seen some migration to laboratory-based testing, particularly where testing is being conducted in a clinical setting where they may have an automated analyzer where they can move that.

We are going to continue to work with our customers to serve their entire needs, not only with our HIV product, but with HCV as well as with a growing interest in a number of our customers to consider deploying our over-the-counter test in certain situations. And we are in a unique position where we are able to work with our customers across those three fronts. So, we are going to continue to manage this, but it just continues to be somewhat of a challenge for us.

Shaun Rodriguez - *Cowen and Company - Analyst*

Sure. No, that is very helpful. And last one on OTC. Can you talk about your dialogue with the FDA following the advisory panel, and then the formal approval with regard to any post-marketing studies that might be required of you? We noticed a couple listed on the clinicaltrials.org website, so I was just wondering if there are more of these studies that you're expecting to have to do? Thank you.

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

Thanks for that question. And over the years, we've enjoyed an extremely positive and collaborative relationship with the FDA. We've committed to stay in very close touch with the FDA throughout this launch. We intend to engage them here shortly just to give them a perspective on what kind of response we have received from the consuming public -- how the consuming public has used our call center; what kind of frequency; what kind of questions they are asking our Call Center representatives.

It's very interesting. Early on, most of the questions to the Call Center were more around product availability and pricing, and now that the product is more available at retail and online, more of the questions to our call center are more about product use and interpretation of results, and with some referrals. And I think that is the kind of information that the FDA is very interested to understand.

I have to tell you, the Call Center response in consumer support has been excellent. We've also begun to interact with our professional HIV customers in working with the public health community to help build out our consumer support center to make it more of a consumer support network. And there are some interesting strategies that we can deploy to provide even better support to the consuming public. And I think that's of keen interest to the FDA and to the whole HIV/AIDS community.

So, we are going to continue with a regular dialogue, and obviously, we will continue to keep you up to date as that progresses.

Shaun Rodriguez - *Cowen and Company - Analyst*

Thank you.

Operator

(Operator Instructions)

Jon Wood, Jefferies.

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Jon Wood - *Jefferies & Co. - Analyst*

Doug, just looking at the HCV business in the US, kind of surprised to see that down a little bit sequentially, and I know you were -- there was a transition, or the beginnings of a transition away from Merck, and then to the physician office distributors. Can you just describe what impact that had on that business? And would love to hear -- you talked about some of that funding beginning to hit later in this year. When does that start accruing to your business, the specific CDC grant you mentioned?

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

Yes, thanks for those questions, Jon. So, let me first address the Merck relationship impact, and our decision to let that agreement lapse. And that decision was taken really to eliminate any future restrictions on our ability to work with anybody in the therapeutic space in Hepatitis-C. I think we all know that it's a very fluid space right now, and likely will be for the next several years.

And our relationship with Merck was a very productive one, but it did have restrictions. And we were not able to work with some of the other players in the Hepatitis-C space under that agreement.

We had an opportunity to just let the agreement lapse, and we took that opportunity. That doesn't mean that we can't continue to work with Merck, which we are happy to do, but it also frees us up to work with Vertex and any of the other pharmaceutical players in the space.

Relative to the CDC funding announcement, and the grants that have now been communicated and money transferred, and we should start seeing the benefit of that in Q4, as well as throughout 2013; that is critical.

Obviously, these public health jurisdictions rely on public funding, whether it's from the feds or state and city governments. And this is a great indication not only of the CDC's commitment to support the implementation plan of these revised guidelines, but also of Congress' support. And we anticipate that there is going to be more of that.

So, we will report on that through the fourth quarter and into 2013, as we work with the jurisdictions to deploy our rapid test. I gave you some indication as to a significant percentage of those grantees have already indicated that they plan to use our rapid test as the device of choice in implementing their programs.

We are very enthusiastic about the future of our Hepatitis-C business, not just because of the guidelines, but because of these developments in therapy, and as well as the government's increased focus on prevention. But funding is critical in the public health sector.

And on the physician office front, obviously we've got to continue to drive awareness. This is a challenging activity because we are trying to drive behavior change but we continue to receive great support from our distributor partners, and we are going to continue to advance that forward.

Jon Wood - *Jefferies & Co. - Analyst*

Great. That's good color. Thanks for that. An unrelated follow-up, sorry about that, for Ron. Is it too early or do you have a better sense how the gross margin book-to-ship will work in the HIV OTC business? If you've got any incremental color on that, we would love to hear it. If not, we will just stay tuned.

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

No, I think that's a great question, Jon. And in the early days, there will be an impact because when you actually record the out sales, which we are going to be able to book as revenues whether that occurs at the point-of-sale, at a retail pharmacy, or over the Internet. The aggregation of those revenues will obviously ramp over time, but we need to deduct off of those revenues the trade spend that is put forth by our retail partners, like

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the CVS, Walgreens, Rite Aids of the world. And so, consequently, as part of our total overall -- that will affect the gross margin because it effectively reduces revenues.

And so, as I've mentioned before, as we move to scale, which is obviously further out from when we have the DTC campaign running and product is shipping more robustly, then the gross margins will pick up. But in the early days, the gross margin will be affected by the great investment from our trade partners out there who are supporting the product for us or with us, I should say.

Jon Wood - *Jefferies & Co. - Analyst*

Okay. Thanks a lot. Good color. Thanks.

Operator

Jeff Frelick, Canaccord.

Jeff Frelick - *Canaccord Genuity - Analyst*

Ron, can you comment -- so, is the guidance -- do you have included in the guidance for fourth quarter, HIV OTC revenues?

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

We do.

Jeff Frelick - *Canaccord Genuity - Analyst*

Okay. And is that mostly on the retail chain pull through, or is that more on the direct side over the Internet?

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

So, it will be all-inclusive.

Jeff Frelick - *Canaccord Genuity - Analyst*

Okay. Any interest yet, and then just a quick follow-up -- any interest for public health in obtaining HIV OTC product?

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

We've had a number of discussions with the different public health jurisdictions, Jeff, and some varied applications of how they might use the product.

Obviously, we have to be careful to make sure that how we interact with the public health market does not impact our commitment to the retailers, but there are certainly some unique applications.

There's a lot of interest in studying the use of the product in certain populations, which I think can be very valuable down the road. And so, we continue to see a high level of interest and engagement within our professional customer base.

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Jeff Frelick - *Canaccord Genuity - Analyst*

Okay. Thanks, Doug.

Operator

Nicholas Jansen, Raymond James.

Nicholas Jansen - *Raymond James - Analyst*

Quick thought on the DNAG business, in terms of the academic funding challenges that are out there. What should we think about -- can the commercial growth that you are seeing offset those pressures or could '13 be a little bit of a struggle to grow the top line in that business before reaccelerating as commercial becomes a bigger piece of the pie?

Doug Michels - *OraSure Technologies, Inc. - President and CEO*

We certainly expect to see growth on both fronts in 2013, both academic research, as well as commercial. And obviously, like I commented in the prepared remarks, quite pleased with the growth that we're seeing on the commercial front, and we expect that to definitely continue.

The DNA Genotek team has really done a great job in responding to some of these academic research challenges. We look at the new-customer acquisition on the academic research front -- that continues to grow year on year.

One of their challenges is the accounts that are using the product in their research. They are using a little bit less of it because their projects aren't funded to the level that they were previously, so they are not going to have as many specimens involved in the studies and the like. But there is still a high level of interest among the academic research community. And then, DNA Genotek has done a good job of identifying, cultivating opportunities on the commercial front.

Nicholas Jansen - *Raymond James - Analyst*

That's helpful, thanks. And then just wanted to make sure I heard you correctly, in terms of the marketing spend regarding the OTC launch next year. You said it was going to be about similar to the fourth-quarter number annualized, was that correct, did I hear that right?

Ron Spair - *OraSure Technologies, Inc. - COO and CFO*

You did, Nick. That's likely the area that we are operating in, and, as Doug mentioned, it'll be more front-end loaded, coincident with the initiation of the DTC campaign in early January. And so, the first half of the year will see a significant spend in that area.

Nicholas Jansen - *Raymond James - Analyst*

Thank you much.

Operator

That brings to an end the Q&A session of today's call. I will now turn the call over to Doug Michels for closing remarks.

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Doug Michels - *OraSure Technologies, Inc. - President and CEO*

Okay, I just want to thank everybody for being on the call with us this afternoon and this evening, and I hope you have a good week. Take care. Bye-bye.

Operator

That does conclude the program. Ladies and gentlemen, you may disconnect your lines at this time. Have a great day.

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