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OSUR - Q3 2016 OraSure Technologies Inc Earnings Call

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PRESENTATION

Rena George-Beck - *OraSure Technologies, Inc. - Investor Relations*

Good afternoon, everyone, and welcome to OraSure Technologies 2016 Third Quarter Financial Results Conference Call and Simultaneous Webcast. As a reminder, today's conference is being recorded. (Operator instructions)

OraSure technologies issued a press release at approximately 4:00 p.m. Eastern time today regarding its 2016 Third Quarter Financial Results and certain other matters. The press release is available 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 press releases.

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 a question-and-answer session.

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, business plans, regulatory filings and approvals, expectations and strategies. Actual results could be significantly different. Factors that could affect results are discussed more fully in the Company's SEC filings, including its registration statement, its annual report on Form 10-K for the year ended December 31, 2015, its quarterly reports on Form 10-Q, and its other SEC filings.

Although forward-looking statements help us to provide complete information about future prospects, listeners should keep in mind that forward-looking statements are based solely on information available to management as of today. The Company undertakes no obligation to update any 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, CEO*

Thank you Rena, good afternoon everyone, and welcome to our call. We're very pleased to report solid financial performance on both the top and bottom lines for the third quarter of 2016.

Consolidated net revenues for the third quarter were $32.3 million, an 8% increase from the third quarter of 2015. This increase resulted primarily from higher international and molecular collection systems sales, and higher exclusivity revenues under our HCV co-promotion agreement with AbbVie.

International HIV sales, driven primarily by increased demand in Africa, rose 147% from the third quarter of last year. International sales of our OraQuick HCV test increased 35% compared to last year. Molecular collections systems revenues rose 14% from the prior year quarter, continuing the strong growth trend for this part of our business.

We exceeded our bottom line guidance with $6.2 million in consolidated net income for the third quarter. This represents a $4.8 million improvement from the year-ago quarter.

Later in this call, I'll provide some business updates, but before I do that Ron will review our third quarter financial performance in more detail, and Ron will provide our guidance for the fourth quarter. So, with that, let me turn the call over to Ron.

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

Okay, thanks Doug, and good afternoon, everyone. Starting with revenues, our third quarter 2016 consolidated net revenues increased 8% to $32.3 million, compared to $29.9 million reported in 2015. Our consolidated net product revenues of $25.5 million decreased 1%, largely as a result of the absence of sales of our OraQuick Ebola product, lower domestic sales of our OraQuick HIV and OraQuick HCV products, and lower sales of our cryosurgical systems and risk assessment products. These declines were almost entirely offset by higher sales of our molecular collection systems products, and increased international sales of our OraQuick HIV and OraQuick HCV products during the current quarter.

Other revenues were $6.8 million in the current quarter, of which $6.1 million represents the recognition of exclusivity revenue under the AbbVie HCV co-promotion agreement, and $677,000 represents funding we received from BARDA related to our rapid Ebola and Zika products. Other revenues in the third quarter of 2015 included $3.4 million of exclusivity revenue from the AbbVie agreement and $750,000 of BARDA funding.

International sales of our HCV test in the third quarter of 2016 rose 35% to $1.3 million from $957,000 in the same period last year, primarily due to the expansion of our business in Asia, higher sales to a multi-national humanitarian organization, and a new testing program in Africa. Domestic OraQuick HCV product sales decreased 20% in the third quarter of 2016, to $1.5 million from $1.9 million in the prior year period due to customer ordering patterns and a reduction in funding of certain testing projects.

International sales of our professional HIV product increased 147% to $1.1 million in the third quarter of 2016, compared to $450,000 in the third quarter of 2015. This increase was due to higher sales in Africa, and reflects the timing of orders placed and the start of a new testing program. Domestic sales of our professional HIV product decreased 12% to $4.9 million in the third quarter of 2016, [to] $5.5 million in the third quarter of 2015, as result of customer ordering patterns and competition from other products.

In 2015, we began selling our OraQuick Ebola Rapid Antigen test to the CDC for field testing in Africa. Sales of this product contributed $482,000 in product revenues during the third quarter of 2015. We did not have similar sales in the third quarter of 2016. We believe our Ebola sales in future periods are likely, given ongoing international surveillance efforts.

Our molecular collection systems revenues rose 14% to $8.3 million in the third quarter of 2016 compared to $7.3 million in the third quarter of 2015. Sales of our Oragene product to commercial customers increased 22%, largely due to the ordering patterns of one of our larger US customers. Academic sales decreased 12%, primarily as a result of the timing of orders placed by existing customers, partially offset by additional product sales to support a study on autism which commenced in 2016.

Turning to gross margin, our gross margin for the third quarter of 2016 was 70% compared to 69% reported for the third quarter of 2015. Margin for the current quarter improved primarily due to higher AbbVie exclusivity revenues, partially offset by a less favorable product mix.

Turning to operating expenses, our consolidated operating expenses for the third quarter of 2016 were $16.5 million compared to $19.1 million in the comparable period of 2015. This decrease was the result of lower costs associated with our HCV co-promotion agreement with AbbVie, partially offset by increased research and development expenses.

From a bottom line perspective, we reported net income of $6.2 million, or $0.11 per share on a fully-diluted basis, for the third quarter of 2016, compared to net income of $1.5 million, or $0.03 per share, for the same period last year.

Turning briefly to our balance sheet and cash flow, we continue to maintain a solid cash and liquidity position. Our cash and short-term investment balance at September 30 was $121.2 million, compared to $101.3 million at December 31, 2015. Cash generated by operating activities through the first nine months of 2016 was $23.4 million, compared to $15.1 million in the same period of 2015.

Looking ahead to guidance for the fourth quarter of 2016, we are projecting consolidated net revenues of approximately $34.5 million to $35.25 million. It should be noted that this revenue projection includes approximately $1.6 million in sales to a foreign government, primarily for a country-wide HCV elimination program. Although the main purchase contract has been executed, we will not ship product until certain ancillary documentation is received from the purchasing country.

We are also projecting consolidated net income of approximately $0.05 to $0.06 per share. Our bottom line results for Q4 are projected to be lower than those from the fourth quarter of 2015 for several reasons. Q4 2015 domestic HCV revenues included a large order of product purchased for deployment to the Federal government as part of an HCV testing program. Purchases for this program are not expected to repeat this year.

In addition, Q4 2016 results will include $1.4 million in restructuring charges consisting largely of severance and benefit expenses. Cost savings related to this restructuring, as well as the termination of our co-promotion agreement with AbbVie, are expected to result in approximately $3.6 million of annual savings, beginning in 2017. Barring any major changes to our business model, we expect to see a meaningful drop in our expense run rate starting in 2017.

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

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

Okay, thank you, Ron.

Let me first turn to our infectious disease testing business. The primary takeaway is that the trends seen in recent quarters are continuing, with continued strong growth in our international business largely offsetting declines in the domestic markets.

Increasing international sales is an important strategic priority for the Company. The largest contribution in this area during the third quarter came from sales of our professional OraQuick HIV test, particularly in Africa.

As indicated in prior calls, we believe a significant growth driver will be HIV self-testing in Africa and other developing countries. Today, the primary purchaser of our HIV self tests is Population Services International, or PSI, a leading global health organization which has launched the Self Testing in Africa, or STAR project, in collaboration with UNITAID, the World Health Organization, and health officials from Malawi, Zambia and Zimbabwe. Phase 1 of this program is designed to deploy approximately 750,000 OraQuick HIV self tests that we designed specifically for developing markets.

Our tests are now being successfully deployed by PSI, and our understanding is that self-testing has been well received and is providing a means for individuals to know their HIV status who have never tested before. PSI generally orders in large quantities and then deploys the tests over a several-month period. As a result, there were no PSI purchases during the third quarter. However, we expect an additional PSI order to be placed here in Q4, with scheduled delivery during the first quarter of 2017.

As previously noted, we are aggressively pursuing prequalification of our HIV self test by the WHO. I am happy to report that our prequalification submission was completed and filed in September, and our submission is under review by the WHO. This prequalification is critical for our customers to obtain sustainable funding from such international sources as the Global Fund, USAID and PEPFAR.

Since the STAR project was launched, several additional countries have initiated pilot studies as a precursor to deploying our HIV self test. We remain optimistic about the prospects for HIV self-testing internationally, and we believe it will be a significant future growth driver in our infectious disease testing business.

Turning to HCV, our total product revenues for the third quarter were essentially flat, as a result of a combination of lower domestic sales and strong growth in international markets. The decline in domestic revenues was largely a timing issue, driven primarily by purchasing patterns in the public health market. Certainly those of you who have followed us for some time understand that the procurement process for public health entities can be somewhat unpredictable, with orders shifting from period-to-period due to funding and other matters.

The quarterly decline in domestic HCV revenues was largely offset by the international growth. As Ron explained, the increase internationally was driven by demand both in Asia, and from a large international NGO that is an existing customer. As with our HIV business, increasing international HCV sales is a strategic priority and we expect continued growth from these markets in future periods.

Overall, our HCV franchise remains strong, and we expect total HCV sales to continue to grow on both a year-over-year and quarter-to-quarter basis going forward. Our confidence is supported by a number of ongoing initiatives.

As mentioned during our last call, we recently executed the largest new supply contract for rapid tests in our Company?s history. The contract calls for us to supply a foreign government with $18 million worth of product, the vast majority of which is our OraQuick HCV test. The product is being purchased in support of a countrywide Hepatitis C elimination initiative.

We have not yet begun shipping product under this contract, because certain ancillary documents still need to be completed. Some of these documents have been finalized, but some have not, and we understand this is due to workload issues with the purchaser. Our expectation is that all ancillary documents will be completed here in Q4, and that shipments will begin this year. Additional guidance on the financial impact of this contract will be provided once the required ancillary documents are complete.

We believe this contract will lead to other international opportunities. We recently shipped Hepatitis C tests to another country in support of a pilot program, which may lead to a large-scale HCV screening program. We will keep you posted as these other opportunities develop.

On the domestic front, the Southern Cities Initiative mentioned on our last call is under way, with several sites now actively testing individuals. Reports from the field indicate this initiative is going well, with initial data from one of the sites indicating HCV prevalence rates in excess of 4%. As you may recall, this initiative was announced by the National Black Leadership Commission on AIDS and is being supported by several industry partners, including OraSure and Gilead Sciences.

We are also working with an industry partner to bring HCV test-and-treat programs into drug treatment centers. These centers generally serve populations with a high prevalence of Hepatitis C infection and are looking to provide comprehensive services to their patients. Based on some initial work, the pilot drug treatment center for this initiative has decided to screen its patients on an ongoing basis. We expect to start shipments of Hepatitis C tests to approximately 60 of this entity?s nationwide centers by the end of this year. Additionally, our industry partner is in discussions with several additional drug treatment centers across the nation.

Another initiative we have implemented is a program designed to assist organizations who may be interested in starting new Hepatitis C testing programs. In many cases, these types of organizations need to assess the effectiveness of our product and likely success of a possible screening program in order to obtain funding. This program is being offered to assist with the evaluation process, and to date we have received over 170 applications and we expect to begin implementing the program before the end of this year.

Another strategic priority has been our focus on addressing emerging infectious diseases that have a global public health impact. As you know, the first product developed in this area is our rapid OraQuick Ebola test. We are continuing to supply this product to the CDC under an Emergency Use Authorization, or EUA, which was granted by the FDA, for ongoing surveillance activities primarily in West Africa. We expect another shipment to the CDC sometime in the fourth quarter. Our rapid Ebola test is still the only device approved for use on both live patients and cadavers. And,

in the meantime, we are making good progress in preparing to submit this product for FDA 510(k) clearance, and expect to enter the validation stage of that work shortly.

We are also continuing our work to develop an OraQuick rapid Zika test. During the third quarter, we executed a funding contract with BARDA for the continued optimization of this product and clinical activities related to both EUA and 510(k) approvals. The current device we have developed is showing strong sensitivity and specificity, and we are continuing to optimize the design to ensure appropriate performance for the multiple markets we expect to serve with this test.

We continue to receive encouragement from both regulatory agencies and many potential customers on the need for our rapid test, and we will keep you informed as we make additional progress on this important new product.

Our success with both the OraQuick Ebola and Zika products further confirms our view that our OraQuick technology provides a strong and versatile testing platform. We intend to build on our reputation as a reliable and preferred source of diagnostic solutions for emerging diseases globally, and look for new opportunities to build out this part of our business.

Turning now to molecular collections, the solid revenue growth reported for Q3 was driven primarily by performance in the commercial market. This growth is particularly noteworthy when you consider that our third quarter 2015 revenue included approximately $1 million in revenue from two commercial customers who subsequently filed for bankruptcy and have thus not reordered product in 2016. The commercial growth was partially offset by somewhat lower revenues in the academic market.

Our genomics business continues to perform very well, with more than 10 new commercial accounts added in the third quarter. Although some of these new customers are small, we expect their purchases to grow in future periods. We have continued to win new genomic customers despite the highly competitive nature of this market. An example of this occurred in Canada, where DNA Genotek is headquartered. We signed a new customer who is building a biobank with over 16 sites planned over the next two years. We were able to beat the competition for this account with a combination of superior product technology and services.

On the international front, our efforts to expand in the genomics space in China is also starting to pay dividends. We have continued to win new customers in this country, and are now seeing repeat orders from two fairly recent new customers.

Our microbiome business also continues to gain traction. Microbiome-related revenues are up approximately 164% and 188% for the three- and nine-month periods ended September 30, respectively, compared to the same periods in 2015. We have added a number of new customers, particularly in the pharma microbiome space. We believe this is a good sign for future growth in this part of our business. We are also intensifying our sales activities in emerging markets such as Russia and China, and we believe our microbiome offerings are potentially attractive to this part of the world in addition to the US and European markets.

In the area of tuberculosis, we are continuing with our studies to support future endorsement of our TB products by the WHO. We have now completed more than 50% of our field studies, and our expectation is that these studies should be finished by year-end or early next year. We are targeting receipt of WHO endorsement sometime in 2017.

Moving to operations, which is another area I'd like to address, is the significant work underway in order to meet increasing demands for our diagnostic products. We recently received delivery of our second automated production line for the assembly of OraQuick platform products. This equipment will supplement our current automated and manual production lines in Bethlehem, and a manual line at our Thailand contract manufacturer, to support future business growth. The new equipment will be operational in the second quarter of 2017 after installation and validation are completed and related regulatory approvals are received.

The second automated line?s capacity, when fully operational in 2017, will be approximately 8 million devices per year. This is approximately 85% higher output than the current automated production line. Additionally, the new automated production line requires one-third less operator support than the original line, which will result in more efficient, lower cost device assembly.

The second automated line will be capable of producing all OraQuick platform products and will be approved initially for our HIV and HCV products. OraQuick Ebola and OraQuick Zika devices can be produced on the automated lines sometime in the future with additional validation and regulatory approval. The additional production capacity for the OraQuick platform products will support our growth initiatives in the infectious disease markets.

A final point I want to mention is the Analyst Day we have planned at the NASDAQ Marketsite, which is located in New York City, on November 29, 2016. This will be similar to Analyst Days we have held in the past. At this event, you'll get to hear from several members of our management team who will address areas of our business of interest to the investment community. These presentations will be webcast and the written materials used in the presentations will be broadly disseminated to the public prior to the event. Additional details on the Day will be published in the next few weeks.

So, in summary, we delivered solid financial performance in the third quarter. We are executing against our key strategic priorities, and we anticipate continued growth primarily from our international HIV, our worldwide HCV and molecular collection systems businesses. On the expense side, we remain vigilant in driving increased efficiencies across our global organization. As a result, we believe OraSure is well positioned for future success.

So, with that, I will now open the floor to your questions. Operator, if you'd please proceed.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions) Our first question comes from the line of Nicholas Jansen with Raymond James. Your line is open, please go ahead.

Nicholas Jansen - *Raymond James - Analyst*

Hey guys, a couple questions. First, on just the implied profit margin in the fourth quarter, I know you have the $1.4 million kind of one-time impairment charge tied to severance. But, even factoring that out, it does look like relative to what we were expecting, a little bit off, and I'm just trying to get a better understanding -- is it more on gross margin, being more internationally tied so it's a mix issue? Or, was something in 3Q on a sales and marketing line that's not sustainable? Just trying to better understand how we think about kind of the near-term P&L moving parts. Thanks.

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

That's a great question, Nick, and I think it's a little bit of a number of the things that you mentioned. Mix will play a part in it, in that we are expecting some additional international revenues, at an essentially higher rate than we had in the third quarter, and we're also expecting some increased sales and marketing expenditures. Plus, we are, as we mentioned, incurring the restructuring charge in the fourth quarter of approximately the $1.4 million.

Nicholas Jansen - *Raymond James - Analyst*

Okay, that's helpful. And then, I think Doug, you mentioned kind of strong, kind of run rate savings tied to these initiatives, and it looks like on the manufacturing side bringing automation should bring more efficiencies into the business. I know you guys don't like to provide more than a quarter out guidance, but just thinking about the initiatives in place, how do we think about the operating expense profile heading into next year once all these things are fully up and running?

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

So, I'll take that, Nick. As far as the benefits that we will see accrue to us as a result of moving into the automated manufacturing, the second line being brought onboard, that's not likely to be validated until probably around about the midyear next. And so, we have an opportunity to, in the second half of the year, enjoy some benefits from having that automated line in place, and as we talked about in some of the prepared remarks we put forth, we do expect some of the operating expenses incurred in 2016 to not be recurring in 2017. So we do expect a better expense profile for the Company in 2017 than we had in 2016.

Nicholas Jansen - *Raymond James - Analyst*

Okay great, and then my last question would be tied to revenue, tied to some of these announcements that you've had over the last -- let's call it 90 days. First, on the large international HCV country contract, I think you said $1.6 million of revenue in the fourth quarter. Maybe it's too early to provide kind of the cadence of the rest of the revenue, but just your thoughts on how quickly that could be deployed and potential for that to be extended beyond year one? And then secondly, on BARDA, is there any BARDA Zika funding included in the license and product development revenue that we should be expecting in the fourth quarter, and again, how do we expect that multi-million-dollar contract to roll out on the P&L? That'd be helpful, thanks.

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

So, let me take the first question on the large government contract. As we mentioned in our prepared remarks, we'll provide more color on how that's going to play out in 2017 once all these final documents are secured and finalized, which we would expect shortly. And then, relative to -- the second part of your question was in regard to Zika and Ebola. We will see ongoing BARDA-funded revenues for both of those products through the remainder of the year, and through 2017. Relative to product revenues, we'll try to provide guidance on that as we go. We do expect a contribution in the fourth quarter from Ebola revenues. Zika revenues, obviously, will be dependent on us locking down the design and getting the product submitted for EUA approval. I don't have a specific timeline on that right now, but we're working as furiously as we possibly can to get that done as quickly as possible.

Nicholas Jansen - *Raymond James - Analyst*

I'll hop back in queue. Thanks, guys.

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

Okay. Thank you, Nick.

Operator

Thank you. Our next question comes from the line of Mark Massaro with Canaccord Genuity. Your line is open, please go ahead.

Mark Massaro - *Canaccord Genuity - Analyst*

Hey, gentlemen, thank you for the question, and congrats on another good quarter.

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

Hi Mark, thanks.

Mark Massaro - *Canaccord Genuity - Analyst*

I was wondering if you could maybe help us understand some of the key areas for the Analyst Day? I have to imagine, I understand that you're working hard to complete the paperwork with the large customer outside the US for Hep C, but to what extent should we be thinking of this Analyst Day as blockbuster news announcements as opposed to incremental color across some of your product lines? Any insights would be helpful as we think about that.

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

Well, the primary focus of the Analyst Day, Mark, is going to be our infectious disease business and our molecular business, and what we're really looking forward to is allowing some of our senior leaders to share their thoughts on those specific businesses, to give you a little bit more insight into a number of these programs that we talk about here on the call, but to give you a lot more color on those, and detail. We'll be talking about some of the operational improvements that we're making in the Company, to really give you a perspective, both on our confidence in the future as well as our enthusiasm for where the business is heading.

It's really about growth and innovation here at OraSure, and that's what we hope to talk about on the 29th. We're really looking forward to it.

Mark Massaro - *Canaccord Genuity - Analyst*

Great, and just a housekeeping question for Ron. The restructuring charges for Q4, is that entirely related to the AbbVie co-promote?

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

You know, we took the opportunity to look at the business profile that we put in place when we had the AbbVie relationship there, and we made some changes, and we also looked to adopt a more globalized footprint with respect to certain of the shared services that we have across OraSure and DNA Genotek. And the two combined are really where the costs are being extracted from the Company.

Mark Massaro - *Canaccord Genuity - Analyst*

Great, and I wanted to ask a question on the molecular collections business. You know, to what extent do you continue to see strong adoption of your oral fluid collections device? I ask, I know that there is some competitive product in the marketplace that uses buccal swabs, or at least one. So, can you just walk me through your confidence to continue to grow that business relative to products that may be inferior to your product, and any thoughts on your competitive differentiation relative to alternatives would be helpful.

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

Sure. Well, you know, our molecular business is certainly poised for sustainable growth for a number of different reasons. One, we're competing and selling in a market that continues to expand, both here as well as on a global basis with genomics and genetic testing services continuing to grow.

I think the fact is, and the market has demonstrated this, we provide a product that produces an extremely high quality sample with a high quantity of DNA, in a reproducible, easy-to-collect and highly-efficient collections system. And so, if you think about that product profile, in essence, we're providing solutions to -- in the academic research market, we're basically taking sample variation out of the equation by providing such a high quality product.

In the commercial market, the very fact that we're FDA-approved and manufacture our products under CGMP conditions certainly enables our commercial customers and partners to ensure the highest quality product is being offered to their customers.

So, I think if you look at all of that together, along with the great service that our team provides these customers, it's the reason why we're seeing continued growth in that business, as well as why we believe that growth is sustainable. And now, with the expansion of our product offerings into the microbiome as well as into the infectious disease area with TB, we continue to remain very bullish on the prospects for our molecular business.

Mark Massaro - *Canaccord Genuity - Analyst*

Great, and just last one for me, more housekeeping for the model. You said that microbiome revenue was up 164% year-over-year. If you could provide the dollar, that would be really helpful. Thanks.

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

So, we actually are somewhat reluctant to provide that level of granularity, Mark. I think that just generally speaking, we had spoken about the fact that we are looking at probably a 3X on revenues for the year versus where we were in 2015, and I think we spoke about it being in the range of about $500,000 or so last year. So, I think that's generally what you ought to think we're trending towards for our performance in 2016.

Mark Massaro - *Canaccord Genuity - Analyst*

That's helpful, thanks.

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

You're welcome.

Operator

(Operator instructions) Our next question comes from the line of Brandon Couillard with Jefferies, your line is open. Please go ahead.

Sachin Kulkarni - *Jefferies - Analyst*

Hello, good afternoon. This is Sachin in for Brandon.

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

Hey Sachin, how are you?

Sachin Kulkarni - *Jefferies - Analyst*

Doing well, thanks. Will you discuss the effect of the endorsement of the Human Longevity Case Study and the demand and interest on the microbiome revenues?

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

I'm sorry, I didn't catch the question?

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

Discuss the impact of the Human Longevity paper on the demand for the microbiome collector?

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

Yes, thanks for that question. That was a huge endorsement for OmniGene Gut, which is our microbiome correction and stabilization product. And immediately after that study, the study results were published, we received an extraordinary number of incoming inquiries about the product and its availability. We continue to see growing interest in our microbiome business, and that's not just here in the United States, but outside the US. And, it's these kinds of studies that validate the quality and integrity of the products that we sell and the value of having a standardized -- some kind of standard form of specimen collection, particularly so that research can do comparative research, and in essence, take that sample variability out of the equation.

So, that's really been the big message here, and we're delighted that it's been recognized by Human Longevity, and of course now by others.

Sachin Kulkarni - *Jefferies - Analyst*

Got it, thanks. And will you discuss the customer mix of that business? What sort of trends are you seeing in regard to commercial and academic customers relative to initial expectations?

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

In the microbiome business, it's virtually all research right now, whether that's academic research or, if you will, commercial research. I mentioned that we continue to see a high level of interest and revenue contribution from folks in the pharmaceutical industry who got microbiome projects, but in virtually every case, this is research that's going on right now but that continues to expand, and we're in a great position to capitalize on that.

Sachin Kulkarni - *Jefferies - Analyst*

Got it, thanks.

Operator

Thank you, and that brings the Q&A session to today's call to a close, and I would now like to turn the conference back over to Mr. Doug Michels for closing remarks.

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

Okay, just thank you, everybody, for joining us on the call this afternoon, this evening, and for your continued interest in OraSure. I want you to for sure have a good afternoon and evening, and I hope you all enjoy Game 7 of the World Series tonight. I'm a big Cub fan, and I'll be cheering hard. Hope you enjoy it. Goodnight.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program, and you may all disconnect. Everyone have a great day.