

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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**THE WALL STREET TRANSCRIPT**

## CEO/COMPANY INTERVIEW

**JEFFREY S. WILLIAMS**  
Genomic Solutions, Inc.

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# Genomic Solutions, Inc. (GNSL)



**JEFFREY S. WILLIAMS** joined Genomic Solutions, Inc. in March 1997 as President, Chief Executive Officer and a Director. From 1995 until joining the company, Mr. Williams served as the Executive Vice President and Chief Operating Officer of International Remote Imaging Systems, a publicly traded company specializing in digital imaging products for the clinical diagnostics and research marketplaces. His prior employment included various positions at Boehringer Mannheim GmbH, a global healthcare company, most recently as Vice President and Global Business Manager. He also served in various sales and marketing capacities with the Organon Pharmaceutical division of Akzo Nobel and the University of Michigan's Intellectual Properties Office. Mr. Williams received a BS in Biology from Alma College and an MBA from the University of Michigan.

## SECTOR – BIOTECHNOLOGY

**(KAV226) TWST: Would you begin by giving us a brief overview of Genomic Solutions?**

**Mr. Williams:** We're a life science company. Our major focus is providing tools in the areas of DNA microarrays (or biochips) and proteomics to life science researchers. Those life science researchers tend to work in pharmaceutical companies, biotech companies and academic institutions. Our systems — which are comprised of instrumentation, software and consumables — are highly automated to increase productivity in the areas of DNA microarrays and proteomics. The customer base is evenly split between biotech and pharma, on the one hand, and academic institutions, government laboratories and private research institutions on the other hand. Geographically, approximately half of our sales are US-based and the remaining half are out of Europe, Asia and the rest of the world.

The company has been in existence about three years, since 1997, and has done very well.

We've grown rapidly from about \$2.1 million in sales in 1997 to \$5.5 million in 1998 and \$12.1 million in 1999. We have reported our first half of 2000, in which we've done about \$8.5 million. So the company continues to progress very well. That's basically what the company does.

**TWST: Speaking of the genomics arena, what are the most significant trends, developments or changes that you anticipate in your marketplace in the future?**

**Mr. Williams:** I would say it's a strong trend. The market now has gone from being an infant market to one that's growing rapidly, so we do see competition entering the market. There's been quite a bit of competition, actually, that's come into other related areas; we don't have a lot yet in our space. We see it becoming a much more automated market with more need for highly automated systems, which we think we're extremely well positioned to provide. I would say those are some of the major trends that we're seeing.

## Investors Brief

**Genomic Solutions Inc.****Ticker (exchange)****GNSL (NASDAQ)****Price close 9/25/00****16 7/16****12 Months Price Range****7 7/8 - 30 1/8****Corporate Headquarters**

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**Corporate Business Description**

Genomic Solutions Inc. designs, develops, manufactures, markets and sells instruments, software, consumables and services used to determine the activity level of genes and to isolate, identify and characterize proteins. The company's products and systems enable researchers to perform complex, high volume experiments at a lower cost and in less time than traditional techniques. As a result, Genomic Solutions products and systems facilitate more rapid and less expensive drug discovery. Genomic Solutions markets products through its corporate headquarters in Ann Arbor, Michigan USA, and offices in the United Kingdom and Japan. Remaining worldwide distribution is provided by PerkinElmer Life Sciences through a strategic alliance with Genomic Solutions. The two companies also cooperate to sell co-branded products and collaborate to leverage their intellectual property and technologies.

**Genomic Solutions Reports Record Financial Results**

July 26 -- Genomic Solutions Inc., a leading, worldwide supplier of automated solutions for genomic and proteomic research, today announced record results for the first half of the year and the quarter ended June 30, 2000.

"This is our first reporting quarter as a public company following our May 4th IPO," said Jeffrey S. Williams, president and chief executive officer. "We are pleased we delivered an excellent quarter and first six months of the year with better-than-expected revenue growth. This is the seventh consecutive quarter in which we have achieved record revenue growth. We continue to build sales momentum for our GeneTAC(TM) Biochip and Investigator(TM) Proteomic systems, consumables and services."

"We expect our revenue to continue to grow as a result of several factors," Williams adds. "Those factors include:

- Increased investment in marketing and sales, including the recent addition of several new sales and product management personnel in the United States, United Kingdom and Japan, as well as increased marketing presence through additional trade journal advertising and attendance at trade shows.

- PerkinElmer Inc. ("PKI"), Genomic Solutions' strategic partner with distribution responsibilities for all of our products outside the US, UK and Japan, is gaining sales momentum. PerkinElmer sales representatives are now fully trained on Genomic Solutions products and are given significant incentives to sell and promote the company's products. Additionally, with the acquisition of NEN Life Sciences by PKI, Genomic Solutions expects to see additional future benefits resulting from the integration of the NEN sales force and products into PKI Life Sciences.
- The rapid pace of instrument and system sales is driving increasing levels of high margin reagent and consumable usage. Sales of consumables are expected to accelerate even faster in the future as more Genomic Solutions high-throughput biochip and proteomic systems are brought on line at customer sites. In addition, in the second half of this year, we will launch several new consumable products including a unique, low background, biochip substrate for which we have filed for patent protection. The company also will launch additional GeneMAP(TM) arrays consisting of human, mouse and rat genes.
- The company's continued investment in research and development will lead to several new product launches of instruments and software products this year. Genomic Solutions recently announced the launch of the GeneTAC G3 multi-function productivity tool. This robotic product replaces the Flexys(R) Robotic Workstation that enjoyed sales of more than 150 units worldwide. Demand for the G3 has been stronger than expected for the third quarter of 2000. We will launch our ProPic(TM) Automated Proteomic Platform and our Protein Warehouse(TM) software later this year with many advance orders already in hand.
- Genomic Solutions is investing in a large-scale proteomic facility at its Ann Arbor, Michigan headquarters. Plans call for the new facility to be completed during the third quarter with capabilities for protein expression analysis, identification and characterization. The company expects revenue growth for our proteomic services business to continue to accelerate as the new facility comes on line."

Williams continues: "While revenue growth is important to the management and board of directors, Genomic Solutions remains focused on achieving significant levels of profitability. We are pleased with our progress in this regard, including our results for this quarter."

"In addition to strong revenue growth and the ability to deliver high value products to customers, several developments continue to indicate the company's progress toward the goal of achieving profitability. Gross margins continue to improve at or better than plan as a result of improved utilization of production facilities and economies of scale in instrument and consumable manufacture. Additionally, while marketing, sales and research and development are being aggressively expanded, operating expenses are growing at a slower rate than revenue growth. We believe we are on track with analysts' expectations for Genomic Solutions to become profitable late next year," says Williams.

**TWST: What are the greatest opportunities for Genomic Solutions down the road?**

**Mr. Williams:** I would say the greatest opportunities are in the area of providing automated systems and services that make use of our automated technology. Additional opportunity relates to expansion, both geographically, which we're doing quite aggressively through our partnership with Perkin-Elmer, as well as providing additional new products to meet the customer needs in those markets so they can continue to develop and refine. We're continually developing new systems, new hardware, new software and new consumables to fill the growing need in the marketplace. We're also working very hard on our marketing-and-sales partnership with Perkin-Elmer to make sure that we can supply those products to our customers.

**TWST: Does Perkin-Elmer handle the marketing and sales?**

**Mr. Williams:** Perkin-Elmer handles marketing and sales outside of the United States, the United Kingdom and Japan. In those three markets we do all the marketing and sales ourselves. In the other markets, Perkin-Elmer provides all the marketing and sales distribution services, which works well because it allows us to focus and concentrate our resources in those three major markets rather than spreading them too thinly on a global basis.

**TWST: How do you think your research and development expenditures will change in the future?**

**Mr. Williams:** They will continue to increase quite dramatically on a dollar basis; but as a percentage of sales revenue they'll decline simply because our revenue is growing quite rapidly. We see the company, as we have stated, becoming profitable by the end of next year. To do that, marketing and sales and R&D have to decrease on a percentage basis. But, dollar-wise, the spending will increase. Actually, we see a fairly big shift to incremental spending on R&D, with G&A clearly flattening much faster than R&D and marketing and sales on a percentage basis.

**Highlights**

*Genomic Solutions is a leading life science company, a global supplier of automated solutions for genomic and proteomic research. CEO Jeffrey S. Williams says the greatest opportunities are in the area of providing new systems, hardware and software to fill the growing need in the marketplace. The company is growing very rapidly, it has a strong track record of growth and profitability is just around the corner. He is realistically looking at the end of 2001 for profitability, confident that the company's growing revenues and strong gross margins will bring it about. His goal is to establish Genomic Solutions as the clear leader in automated systems for gene expression analysis and proteomics.*

**TWST: Do you think the 50/50 relationship will remain truly domestic versus international?**

**Mr. Williams:** Yes. In the life science market, that seems to be a pretty good mix a lot of companies strive for. We've been fortunate in that we've already been able to achieve that mix.

**TWST: Are acquisitions, mergers, joint ventures, partnerships and alliances part of your future?**

**Mr. Williams:** Yes, they are always of interest to us. We've done several acquisitions in the past, prior to becoming public. We believe that this market is going to consolidate. There's value in having companies become larger, supplying a more complete solution to the customer. For that reason, we are looking at certain opportunities.

**TWST: What are the major concerns or risks facing Genomic Solutions today and in the future?**

**Mr. Williams:** Managing the growth is always a very significant task. When you grow as fast as we are growing, you're doubling your capacity, essentially, every 10 to 14 months, so there are always a lot of issues with hiring employees. That is one of the major issues right now. We have a lot of job openings, and high-tech/high-knowledge businesses are only as good as and only can grow as the number of employees they can secure to fill positions. I think, right now, we have approximately 35 job openings. It's not that we've lost employees, just that we can't add them quickly enough.

Another issue is manufacturing capacity. We're fine right now and for the next several months, but there's always the challenge of adding new space before you actually need it and getting it online.

**TWST: How many employees do you have now, roughly?**

**Mr. Williams:** Around 145.

**TWST: What incentives do you have in place to keep and attract good people?**

**Mr. Williams:** We have an extremely strong benefit program. We actually had a consultant come in and rate our benefits. We're in Ann Arbor, Michigan, so, to a certain degree, we have to compete with very large companies like the auto companies, Dow Chemical and the University of Michigan for administrative employees. For scientific personnel, we're competing with large entities as well. We offer a very comprehensive benefits program, including health, dental, vision, life insurance and our 401(K) is very good, with significant matching contributions from the company. We also offer stock options. All Genomic Solutions employees either own stock in the company or have stock options after spending a certain length of time with the company.

**TWST: Could you tell us more about Genomic Solutions' competitive advantages?**

**What differentiates the company from its competition?**

**Mr. Williams:** The major competitive advantage is that we now sell systems to our customers, but, unlike some of our competitors, we sell complete systems that are highly automated, and we're able to essentially transfer technology. We're not just an engineering house or a software development house or a reagent house — we have all those. Plus, we have scientists who also run this equipment. So we're able to teach our customers how to use this very sophisticated, high-tech equipment so that they can get up to speed quickly and start generating results, which is really the name of the game. So, our competitive advantage has been: highly automated systems that are highly productive, as well as having a complete set of skills within the company that enables our customers to quickly understand how to use this equipment and apply it to their individual applications.

**TWST: What specific achievements would lead you to characterize the next two to three years as successful for Genomic Solutions?**

**Mr. Williams:** Obviously, achieving profitability is our number one goal. Another is maintaining a very rapid rate of growth for the company. Over the next three years, if we grow, on average, 50% a year, I think that would be a very good achievement. Another goal during that period is establishing Genomic Solutions as the clear leader in automated systems for gene expression analysis and proteomics.

**TWST: How do you feel about your current stock price?**

**Mr. Williams:** In the most common comparisons that an analyst would do, whether it be revenues as a factor of market capitalization or whether it be growth rate versus market capitalization, we think we're somewhat undervalued compared to our

peers. Hopefully, the market will come to realize that in the not-too-distant future.

**TWST: What two or three reasons would you give potential long-term investors to buy stock in Genomic Solutions today?**

**Mr. Williams:** I think if you look at Genomic Solutions relative to its peers in the genomic tool space or the genomic space overall, we're undervalued. I think that if you look at the company's success rate in the numbers of quarters that we've had increasing revenues, you'll see that the company is growing very, very rapidly. It's also had a strong track record of growth, with profitability truly just around the corner. We have strong revenues and strong gross margins. That enables us to reach profitability. Where a lot of other companies in the space are not projecting profitability until 2003, 2004, 2005, we're realistically looking at the end of 2001.

**TWST: Thank you. (RF)**

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*Each Executive who is the featured subject of a TWST Interview is offered the opportunity to include an Investors Brief or other highlight material to be provided and sponsored by and for the company. This Interview with Jeffrey S. Williams, CEO of Genomic Solutions, Inc., is accompanied by an Investors Brief containing corporate information.*