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CEMI - Q4 2019 Chembio Diagnostics Inc Earnings Call

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PRESENTATION

Operator

Greetings, and welcome to the Chembio Fourth Quarter and Full Year 2019 Earnings Conference Call and Webcast. (Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Lynn Lewis, Investor Relations. Thank you, Lynn. You may begin.

Lynn Pieper Lewis - *Gilmartin Group LLC - Founder & CEO*

Thank you so much. Before we begin today, let me remind you that the company's remarks made during this conference call, today, March 12, 2020, include forward-looking statements within the meaning of the Securities Act of 1933 concerning the current beliefs of the company. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, many of which are beyond Chembio's control, including risks and uncertainties described from time to time in Chembio's SEC filings, including those under Risk Factors and elsewhere in Chembio's annual report on Form 10-K for 2018.

Chembio's results may differ materially from those projected. Chembio undertakes no obligation to publicly revise or update any forward-looking statement made today. I encourage you to review all of the company's filings with the SEC concerning these and other matters.

With that, I'd like to turn the call over to Gail Page, Interim President and Chief Executive Officer of Chembio.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Thank you for joining us. I'm pleased to be speaking with you today as our Interim President and CEO and also to introduce Rick Eberly, who is joining Chembio as our permanent President and CEO.

I would like to begin the call by highlighting several recent accomplishments, and then talking about where I see our business today and our position for success going forward. I will then turn the call over to Neil, who will review our financials.

Before we dive into the quarterly update, I would like to comment on the transition since the beginning of the year. First, I would like to thank the management team and the shareholders for your support over the past couple of months. This has allowed us to provide the continuity needed and remain focused on our key initiatives. Second, to realize the cost improvements from our investments and extend our runway by decreasing our cash burn, we have created project [renaissance]. This initiative brings into focus the key drivers of the business as we move forward. Third, the Board of Directors has appointed Rick Eberly to serve as the new CEO, which is an industry veteran who will bring a wealth of experience to the company.

Lastly, we just announced this morning a strategic partnership with LumiraDX, which demonstrates our ability to leverage our assets in an expeditious manner when opportunities present themselves.

During the commentary, I will provide more detail with regards to our new CEO and the announcement around the COVID-19 strategic partnership.

We had a busy and productive year at Chembio in 2019 and have entered 2020 well positioned for success. But first, I would like to address our financial results that we were disappointed with the reduced rate of growth in our product revenues versus prior years. Our U.S. and European businesses were up, but they were mitigated by shortfalls in Africa and Asia. We believe this is in large part due to the timing of annual tenders. Our total revenue shortfall was principally driven by the decrease in R&D and grant revenue, which relates to the cadence of our collaboration work with customers, such as AstraZeneca and Takeda.

Now I would like to review a number of recent highlights from last year and the start of this year. We closed the acquisition of a privately held Brazilian manufacturer and distributor of point-of-care diagnostic tests for infectious diseases, which is now operating as a wholly owned subsidiary of Chembio, now known as Chembio Diagnostics Brazil. This is a key step in expanding our presence and business in Brazil and enables access to markets outside of federal government, including state and private sectors as well as sets the stage for future growth opportunities for all of our products.

We received 2 important approvals by the World Health Organization. First, we received the WHO prequalification approval of our Malaysian manufacturing facility, which allows the company to cost-effectively manufacture our STAT-PAK HIV test in Malaysia and supplied into international markets. We are pleased to announce that we began shipment in the fourth quarter of 2019.

For production in this facility, we expect cost of goods sold to be reduced and our global production capacity to increase. This will provide opportunities to pursue new business and paves the way for future qualifications to produce other tests in this facility.

Our second approval is the WHO prequalification for SURE CHECK HIV self-test, which allows the company to expand commercialization of what we believe is the easiest-to-use HIV self-test available.

Earlier, we announced the award for the DPP Zika IgM, IgG system for $1.5 million from UNICEF and expect to start shipping products soon.

We entered into a collaboration with Shire Human Genetic Therapies, a wholly owned subsidiary of Takeda Pharmaceuticals. And earlier this week, we announced that we have completed the technical feasibility phase which supports their ongoing research programs with indicated rare disease therapeutic area. We are pleased to have completed the feasibility phase, which demonstrates once again the diverse applications of Chembio's novel technologies. Our team successfully provided quantitative results and approximately 15 minutes from a small 10-microliter drop of finger-stick blood using our patented DPP platform and handheld optical analyzer. In addition, Takeda has now provided a subsequent cost of funding for the next phase of the program.

We entered into a worldwide strategic partnership with LumiraDX Limited to develop point-of-care diagnostic tests for the detection of the COVID-19 virus as well as IgM and IgG antibodies on both the LumiraDX and Chembio DPP platforms. This expands and strengthens our existing relationship with LumiraDX and further demonstrates our scientific expertise and the versatility of our DPP platform. Through our joint efforts, we expect the new product to provide comprehensive solutions to the new demand surrounding the worldwide testing needs for COVID-19.

We generated fourth quarter total revenue of $6.9 million and product revenue of $5.5 million, representing [a decrease of 11.8% and 5.9%] (corrected by company after the call), respectively, compared to the prior year period. Product revenues were driven by Brazil, Latin America, Europe and the U.S. In the U.S., HIV landscape continues to grow organically.

Regarding Brazil, we continue to work with our partner, Bio-Manguinhos, to provide the federal government with STD possible disease test. The 2020 award has not yet been granted, and we continue to make progress towards securing the support of the business.

Also, we have made significant strides in integrating the Orangelife organization, which we have now renamed Chembio Diagnostics Brazil.

With this team, our focus is the regional, state and level customer. We began recognizing revenues from this organization in December and expect this contribution to grow as the Chembio product portfolio achieves registration.

After careful review, we have created several priorities within the commercial organization. First, to maximize the infectious disease vertical through ongoing product improvements and targeting additional menu. Second, by creating a formal service vertical, which will focus on pharma and collaboration. We have demonstrated the depth and breadth of our novel technology platform and expect to expand upon these efforts. This will allow us to provide oversight more efficiently to achieve profitable revenue and expand our offering. Lastly, to examine the possibility of including other products, technology and platforms that are complementary and take advantage of our existing manufacturing capabilities as well as our regulatory and commercial infrastructure.

Relative to advancing our R&D pipeline, we achieved CE Mark for SURE CHECK HIV self-test, and we have 2 upcoming FDA approvals pending. These include the PMA approval for DPP HIV Syphilis multiplex test and microreader system, which we communicated previously the need to repeat the reproducibility study. I am pleased to report those are on track.

The 510(k) approval for BARDA-funded DPP Zika IgM system with microreader. We continue the successful integration of Chembio Diagnostics Germany. This team has successfully completed development of the second-generation analyzer and achieved the EMR. We continue to focus on our opportunities to expand the existing OEM business as we move forward. In addition, we continue to pursue research and collaboration in the area of precaution.

Operationally, we also made significant progress to add capacity for continued growth. Our U.S. manufacturing automation strategy is designed to increase gross margins as well as increase production capacity, efficiency and flexibility.

As you recall, we commenced production of DPP tests on Line #1 early in 2019. Line #2 is slated to be operational in the second quarter, and we expect Line #3 to be operational midyear. Obviously, we are continuing to monitor how the COVID-19 pandemic might impact our supply chain and technical support for our automation program. We are putting in place backup plan, should they be needed. Regarding the facilities, we will adjust our schedules to accommodate our project renaissance goals and objectives.

Looking ahead, these are the key initiatives that we will focus on, decreasing the burn and extending our cash runway, expand our sales and marketing efforts to drive more profitable revenue. We are open to bolt-on technologies and intend to grow organically and be opportunistic. To that end, we have hired a CEO that can do transition with me and continue to execute upon the initiatives we have discussed on this call today.

Next, we must successfully complete the integration of Chembio Germany, Chembio Malaysia and Chembio Brazil. We have a great team and we'll utilize selective intelligence to continue to create shareholder value.

With that, I am pleased to introduce Rick Eberly. Rick will make a few comments, and we -- as announced, Rick is joining today and his official start date will be this coming Monday, the 16th. With that, Rick.

Richard Eberly

Good afternoon. Thank you, Gail, for the introduction. I'm excited to join Chembio as the next CEO. It is clear to see that Chembio has a talented and motivated team. I want to thank the Board of Directors and Gail as the Interim CEO for their vote of confidence in my leadership skills, industry experience and track record of success in the rapid infectious disease market.

I look forward to a strong collaborative relationship with the Board of Directors and working closely with Gail over the next several months to ensure a smooth transition of leadership.

Chembio's success penetrating global infectious disease markets, expanding applications for the DPP product platform and automated manufacturing are things, I believe, we can build upon immediately.

The strong platform technology has attracted some of the largest collaboration partners in the industry. The company's investment in manufacturing automation will enable efficient scaling of operations to compete in the global infectious disease market.

The expansion of the disease state categories provides the opportunity to diversify growth in both revenue and profitability.

Again, I look forward to contributing my past 23 years of international experience and expanding global capabilities through acquisitions, commercial partnerships and expanded manufacturing capability.

Finally, I'm excited to meet and work with the members of the Chembio investment community. Having worked as a senior executive for a public company for many years, I'm committed to work with the Board of Directors, the shareholders, customers and employees of Chembio to ensure continued supply of high-quality products to our customers, a great place to work for our employees and a strong return on value for our shareholders. So thank you.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

I want to echo Rick's comments and remarks in that we have a remarkable team and opportunity. With that, I will turn to Neil to provide details on our financial results.

Neil A. Goldman - *Chembio Diagnostics, Inc. - Executive VP & CFO*

Thanks, Gail, and good afternoon, everyone. And I echo Gail's comments in looking forward to having Rick join the team.

Net sales for 2019 were $28.8 million, an increase of 3.3% compared to the prior year. For the year ended 2019, total revenue was $34.5 million, a decrease of 0.3% compared to the prior year.

License, royalty, R&D and grant revenues combined for 2019 were $5.6 million, a decrease of 15.7% compared to the prior year.

R&D revenue is related to the timing and cadence of program performance obligations which do not always occur in a certain period, but we continue to encourage certain of the expenses.

As Gail described earlier, compared to the prior year, net product sales experienced gains in the U.S., Europe and Latin America. U.S. sales benefited from winning back a large public health program and other competitive opportunities, as our Latin America benefited from the initial sales of our test for Zika, dengue and chikungunya in Brazil. These sales were offset by lower sales in Asia and Africa, which we believe is, in large part, due to the timing of annual tenders.

The relatively flat results in total revenue was principally driven by the decrease in R&D and grant revenue, which relates to the cadence of our collaboration work with customers, such as AstraZeneca and Takeda.

Gross product margins improved by $1.1 million compared to the prior year. This corresponded to a 340 basis point improvement from 19% in 2018 to 22.4% in 2019.

The gross product margin improvement resulted from the impact of geographic mix on average selling price, initial benefits from our first automated assembly line, reduced contract labor costs and the increase in product revenues.

Other expenses, which includes research and development and selling, general and administrative expenses, were $24.7 million for 2019 compared to $19.6 million in the prior year.

R&D costs were relatively flat, as the increase in clinical and regulatory costs related to new product registrations and ongoing work related to the DPP HIV-Syphilis PMA was offset by a decrease in other research and development costs, corresponding with the decrease in R&D revenue that I mentioned earlier.

The $5 million increase in SG&A primarily related to $0.9 million of additional costs from having Chembio Diagnostics Germany on board now, $1.1 million higher noncash equity compensation costs and $0.7 million of rent and other costs related to leasing our new facility in Hauppauge, New York, which were also partially noncash in 2019 due to the upfront period without any base rent payments.

Net loss in 2019 was $13.7 million or $0.81 per diluted share compared to a net loss of $7.9 million or $0.54 per diluted share in the prior year.

On the balance sheet, cash and cash equivalents as of December 31, 2019, totaled $18.3 million. Net working capital as of December 31, 2019, was $26 million.

With that, we will now open it up to questions. Operator, please go ahead. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Kyle Bauser from Dougherty & Company.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Welcome aboard, Rick. Thanks for your comments here.

Richard Eberly

Thank you, Kyle.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

So I'll start off with the partnership with LumiraDX. How long can we anticipate taking to develop a test and then subsequently to get the okay from the FDA? Maybe you can just kind of walk us through time lines and next steps here?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

I'll certainly do the best I can, Kyle. As far as timing, I think the only thing we're prepared to comment on today is, obviously, we believe bringing the 2 organizations together will really prepare this, and it will be done very expeditiously. Obviously, we have been doing some feasibility work and monitoring and measuring things as they have developed. So it's our goal to obviously bring something to the market as soon as possible, but we want to bring something that's commercially viable, something that can make a difference and is not just noise in the market. Does that help you?

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Yes, that's helpful. And just following up on that. So of course, the DPP platform seems perfect for an accurate test here as it relates to COVID-19. But can you talk about what Lumira will provide in this partnership? I know in the previous partnership, they've -- for infectious disease testing, they provided funding, but it looks like they're going to be utilizing their own platform as well. So how does the partnership look and kind of who is doing what?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Sure. So obviously, we bring a lot of scientific expertise to the table as do LumiraDX. And we brought this together so that we could put our collective intelligence together. They have a tremendous distribution network. And this is a case where it is a strategic partnership, and we build it in the spirit of a win-win, so that both sides are properly incentivized and rewarded. Our goal is to bring the products to market on both platforms, and LumiraDX will sell DPP on their own platform. We will -- I think it's in the 8-K, we'll talk a little bit more about as we further develop the program, but this is really a program where it is in the spirit of true strategic partnership.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Sure. Okay. And any -- to the extent you can share, I mean, any estimates to how much of your own capital you'll be committing to COVID-19? And further, are you in talks with local governments or foundations for grants around this test?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Yes, certainly in those discussions, but obviously, our working capital is very precious to us, so we understand that. Now I think the thing to point out here that's important is our box does have clearance and their test clearance has CE mark. So when you think about it, there's the best of both worlds here with all the products that we can develop and that we have on the table. And there is, obviously, a component to this, where Lumira is funding the development on their box.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Okay. And then just lastly here. Can you walk us -- sorry?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

I said, sure, go ahead.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Can you just walk us through related to the Takeda partnership? So the feasibility is done. Can you speak about what the next phase of this product -- project entails? And you mentioned it triggered a subsequent tranche of funding. Can you speak to the level of capital that was triggered?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

So I'm going to refer that to Javan, who's our Chief Technology Officer, and Javan will just give a brief comment on the next phase of development.

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

Hello, this is Javan. We basically have -- as we made a press release, we completed the feasibility, and we are now in the Phase II, the full development program. That's what it is. And as soon as we complete development treated design, then we would move to validation and verification.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Okay. And then the level of funding for the tranche, I don't know if I got that?

Neil A. Goldman - *Chembio Diagnostics, Inc. - Executive VP & CFO*

Yes, Kyle, as you may remember from previous newer programs going back over the last 1.5 years or 2, we've gotten away from disclosing those amounts for competitive reasons.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Okay. Understood. That's it from me.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

I don't know if you have any more, be glad if you follow up.

Kyle Royal Bauser - *Dougherty & Company LLC, Research Division - Senior Research Analyst*

Sounds great.

Operator

Your next question comes from Max Masucci from Canaccord Genuity.

Max Masucci - *Canaccord Genuity Corp., Research Division - Associate*

So your global organization, I imagine that public health organizations are a bit preoccupied with COVID-19 right now. How some of those conversations have been going lately? And how could COVID-19 affect the traditional timing and cadence of these government tenders?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

I don't -- I mean, I don't think that -- we haven't seen that to be an issue at this point in time. But this is a very dynamic situation in the market. And the best we can do is make sure that we're in touch with everybody and monitor it daily, but we haven't seen as at this point. But we don't know how that -- it's very hard to predict that at the moment of how we might change, but we haven't seen anything relative to impacting our other orders.

Max Masucci - *Canaccord Genuity Corp., Research Division - Associate*

Okay. That's great to hear. And then on LumiraDx, so how -- maybe Javan can answer this one. How will the proposed test address some of the issues with the existing tests that are available, but in shortage right now? And then from a scientific standpoint, how confident are you that this is possible? And then how fast could the turnaround time be?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Sure. So let me comment, and then I'll have Javan comment. I think when you put -- when you think about putting the competencies of these 2 companies together and you put it together in the form of strategic partnerships where we're all bringing to table, one of the things that we've all thought about as we've monitored the situation, I hope that everyone will respect that we did not knee-jerk. We have been very internally focused on understanding what's going on, monitoring the dynamics and understanding what is it ultimately the market is going to need in testing. So we think about speed, we think about time to market, and we think about the clinic of intelligence of what Lumira brings to the table in addition to Chembio. And like I said, when you bring all that together, and you put it together such that everybody's incentivized and awarded, we think we're going to bring a big difference. And I described this to a lot of the folks internally that we don't want to be another company out there that's just making noise. When we come to the table, we want to do something that's significant and it makes the difference and that has some aftermarket impact because at some point in time, this will calm down, so to speak, but we want to make sure that we've got something that will be valid to the market as we move forward.

Relative to our ability, what we did, I'll turn it over to Javan to make a comment.

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

I want to try to explain very shortly. As far as what are we developing and how competitive will be, based on information we released, we are developing 2 sets of the product. One is the direct antigen with we're looking for virus that will be based on samples like swab. The other will be a serological assay similar to dose products that we have developed and approved, IgM and IgG detection, which we have been seeing the value-added for monitoring and surveillance program. Obviously, as Gail mentioned, we will use the expertise of 2 companies. We have been working with LumiraDX for a period of time. And we have also extensive networking, the government agency, university, access to reagents, access to samples and knowing the know-how. Basically, that's what we think we can bring the competitive product line to the market.

Max Masucci - *Canaccord Genuity Corp., Research Division - Associate*

That's very helpful. And then one more, if I can. I guess, how would you characterize awareness levels for -- from potential customers of HIV-Syphilis and the value in the multiplex test? And then would you say that there are customers that are waiting for approval, pent-up demand to order? And so once this does get approved, would you expect the adoption curve to maybe be a little bit steeper or more of just a pushout to that adoption curve?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

So if I understood you right, you're asking about the combo HIV-Syphilis?

Max Masucci - *Canaccord Genuity Corp., Research Division - Associate*

Yes.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Right. So when we put out the updated press release, when I talked to many, many people, many of our investors about that, one of the things that's important with the HIV-Syphilis combo is, we don't have aspirations that we're going to go take business away that's going to Quest or LabCorp, but there is a big market out there that is very concerned with the mother-baby transition and translation. And when you think about it, if they can have both of those tests at 1 time, that's a big benefit. So what's going to be important is when we get that approval is also subsequently get our CLIA-Waived approval. And that's going to put us into a lot of the markets where they really want that HIV-Syphilis combo test, right? That's -- it's a very high risk, and it's a very important test to help us penetrate the U.S. market.

Max Masucci - *Canaccord Genuity Corp., Research Division - Associate*

Okay. Great. Rick, congrats on the new role. Looking forward to working with you.

Richard Eberly

Thanks, Max. Likewise.

Operator

(Operator Instructions) Your next question comes from Bruce Jackson from Benchmark Company.

Bruce David Jackson - *The Benchmark Company, LLC, Research Division - Senior Healthcare Technology Research Analyst*

If I could get an update on the AstraZeneca test, that would be great?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Okay. So hold on 1 second, I'm going to pass the mic over to Javan.

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

As we have communicated, we completed development. We achieved the CE marking with the product. So right now, we are in discussion with AstraZeneca for continued clinical trial they are doing in Europe, and that's what we are doing at this point.

Bruce David Jackson - *The Benchmark Company, LLC, Research Division - Senior Healthcare Technology Research Analyst*

Okay. And then you made an announcement about the companion diagnostic test with Takeda, completing an important milestone. Do you have a rough idea of when that might actually reach the market?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

We have no sight into that at this moment. As you can imagine, we're part of an overall research program in that entity that's very focused on rare diseases. So the good news is, is that we're continuing to be a part of that, and we will progress that, but we don't have any insight into that.

Bruce David Jackson - *The Benchmark Company, LLC, Research Division - Senior Healthcare Technology Research Analyst*

Okay. The next question is on the contract with Ethiopia, which is a 3-year contract, and that's going to come to the end of its term this year. How do you feel about your prospects for getting that contract renewed after December 2020?

Neil A. Goldman - *Chembio Diagnostics, Inc. - Executive VP & CFO*

Yes. It's Neil, Bruce. So what I can tell you is that we are in the Ethiopian algorithm. And as a quick reminder for everyone, in most patients in Africa, HIV testing follows an algorithm where there's a screening, which is the first level. And then there's, as you receive a positive at the first level, there is a confirmatory, which is the second level. And then, if you get this -- if it's confirmed, then you have HIV. And if there's disparate results, there's a third level algorithm.

So we are in the first level position in Ethiopia, which we think position us well for the renewal of that. And at the appropriate time, we'll enter into negotiations and comment on that in due course.

Bruce David Jackson - *The Benchmark Company, LLC, Research Division - Senior Healthcare Technology Research Analyst*

Okay. And then last question is just about your pursuit of the COVID-19 testing. You guys are really known for blood-borne infectious agents. This is your first venture, I think, into the respiratory area. I'm just curious to know why you decided that this was something that you want to pursue. And what's the long-term market potential do you think for a rapid test product compared to a standard laboratory-based products?

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

So we do -- so there is a twofold answer for your question. We do have experience of respiratory products. We have not been marketed, but we had several years ago extensive program with the CDC on flu. But the product that we are now recommending is really is a screening program based on other products and based on other outbreaks we have been in recent outbreaks like Ebola, Zika. So our platform, our analyzer, it fits very well because, as you may know, we are talking about a large population of it asymptomatic, and we believe that our platform will provide a big value in that. Also, the relation go with Lumira has also value here because they have an experience in respiratory area. So this is the reason we've seen there is added value here.

Bruce David Jackson - *The Benchmark Company, LLC, Research Division - Senior Healthcare Technology Research Analyst*

Okay. So more to the point, how does the test change the treatment of the patient? So is this test, if it's available on a rapid format going to change the way that the patient is treated or will the clinicians start treating the patients and then want to follow up later with the other tests? So I guess, what I'm driving at is, what's the point of having a rapid COVID-19 test?

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

Obviously, this is a very dynamic process right now. So we're talking to agencies, and it is a big demand on the testings. And it is just evolving every day, sometimes by every hour. So here we are, we think that we have a platform, we have a technology, we have expertise, we can bring added value. But many of those questions you are asking is discussed right now in all the agencies. And we are contributing, we are trying to be part of that discussion. And so how that test will be used is not verified, not for us, not for everyone right now. But we think we can, with partnership here, be part of the discussion and contribute.

Operator

There are no further questions at this time. I'll now hand back -- pardon me, there is actually 1 more question. Your next question comes from Per Ostlund from Craig-Hallum Capital Group.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Sorry, for the 11th hour star 1.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

That's okay. No problem.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

I apologize in advance if I duplicate anything because I was trying to be in 2 places at once. So just to follow up on Bruce's question with as it relates to LumiraDx. So you've got a strategic partnership there in place where you're going to be introducing a number of products in collaboration with Lumira over a period of time. I'm curious in terms of how you structure that relationship if COVID-19 kind of jumps the queue on anything? Or are the things that you were working on with Lumira is the cadence that you were looking for, for, call it, this year or next year, more or less intact in that this is just going to get kind of bolted on to the side of it?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

That's the largest question. I need to be careful here because how we interact, what we do with Lumira, we want to respect their confidentiality, if you will. What I can say is that, if you'll notice that this is an entirely new agreement. This is a strategic partnership. This is one where both boxes will have the test, but Lumira will be selling the DPP as well as their own box. There's a lot more in this agreement that, again, properly incentivizes and rewards both of us for getting the test to the market in a very expeditious manner. But also, again, to point out that we're all very focused taking all the intelligence of LumiraDX and all the intelligence here to make sure we have something that's commercially viable. It's just like years ago, we had to get a test for the flu, right? So sometimes you go to doctor, you need to know, do I have the flu or don't I, right? There's all kinds of new viruses. And that goes back to, well, why do you need to know, what you need to know where they say stay home and you don't get on the plane, if you got the flu or you don't, whatever. So I think that we have a lot of expertise in bringing these types of things to the market. We have the platform, they have the collective intelligence. So I think it's -- we're very optimistic, and we're sorting out all the details.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. That's entirely fair. Another question that potentially would have gotten touched upon. But -- in realizing that this might be a tiny bit shortsighted just given the rapidity of the COVID-19 developments. But are you finding with the government and nongovernment agencies, are you finding that they're -- I don't know if there's a reluctance necessarily to commit to purchasing or completing tenders in other venues right now besides COVID-19 while they're simply scrambling to try to make sure that they've got the appropriate response to the corona outbreak? Or is it a situation where they're trying to do it all at once, realizing that these other infectious diseases don't stop while this one (inaudible)?

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

Yes. What I can say is to date, I mean, we've not seen COVID impact the business from that standpoint, where they're saying, "Oh, I'm not going to do this because I had to deal with it." Look, HIV is not going away. The problems that they have day-to-day are not going away, just because this is interjected itself. So of course, we'll be monitoring everything very closely. But to date, there has not been an indication.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. That's very fair.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

The indication here is that every day, somebody calls me wanting to know do we have this.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Yes. I imagine so.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

And possibly, we were able to talk about -- and finally, we were able to talk about what we have been contemplating and we're very pleased with the progress that we've made with LumiraDX.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Excellent, excellent. All right. Last question for me then. As far as Brazilian fever goes, I know there's been conversation in recent quarters with competitors being literally sidelined because of manufacturing issues. Has Brazil circled around and made any awards and done anything in the realm of fever as far as 2020 is concerned? Or is that still kind of sitting out there as an opportunity for you?

Javan Esfandiari - *Chembio Diagnostics, Inc. - Chief Science & Technology Officer and Executive VP*

So this still is progressing. And obviously, this new situations may delay a little process, but there are still -- we have launched a product in Brazil, our triple assay for Zika, dengue, chikungunya. And we also mentioned here that we have been awarded with the UNICEF. They selected our product for screen out pregnant women for Zika. So we are still in the discussion.

Neil A. Goldman - *Chembio Diagnostics, Inc. - Executive VP & CFO*

The only other thing, perhaps I would add, Per, is, as we described on our last call when we announced the acquisition of Orangelife, is one of the benefits of having our own facility and our own legal entity within Brazil gives us, I would say, a closer seat at the table than we were previously able to have through our long-time partner Bio-Manguinhos, which, of course, is still a very valuable partnership. But that closer seat at the table is something that we are excited about being able to produce benefits as we go down the process of getting our own direct registrations of the project -- of the products, which is, of course, ongoing every day here now.

Per Erik Ostlund - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. All right. Excellent. I appreciate all the answers. And I'd be remiss if I didn't add my welcome to Chembio to you to Rick as well. So welcome.

Richard Eberly

Thank you very much.

Operator

There are no further questions at this time. I would now like to hand the conference back to Gail Page for closing remarks.

Gail S. Page - *Chembio Diagnostics, Inc. - Director*

We'd just like to say, again, thanks, everybody, for joining us today, for your support during this transition, and we look forward to updating you on the next call. Have a good day.