PacBio

2025 ANNUAL REPORT

Dear PacBio Stockholders,

For decades, patients with rare diseases have endured years-long diagnostic odysseys, often undergoing numerous and expensive genomic tests in an effort to understand the genetic basis of their condition, frequently without ever receiving a definitive answer. Despite the name, rare diseases are not rare. More than 6,000 distinct rare diseases affect approximately 300 million people worldwide, with over 70% believed to have a genetic origin.

PacBio aims to change that.

PacBio's HiFi sequencing, refined over more than a decade and now established as a leading long-read sequencing technology, is increasingly being adopted by research hospitals and clinical investigators as a front-line approach to uncover the genetic causes of disease, in days not years. A single HiFi dataset can replace multiple, often inconclusive assays traditionally used to interrogate genomic variation, delivering more comprehensive and actionable answers.

And this is just the beginning.

HiFi sequencing is enabling similarly powerful applications across oncology, AI-driven biology, population-scale genomics, and genetic screening. In 2025 and early 2026, we expanded these opportunities through key partnerships. Our collaboration with Covaris enables high-quality HiFi sequencing from FFPE tumor samples, unlocking vast archives of clinically relevant oncology data that have historically been difficult to access with long-read technologies. In parallel, our work with Basecamp Research positions HiFi sequencing at the foundation of next-generation AI models, supporting large-scale initiatives such as the Trillion Gene Atlas.

One genome. One dataset. Clearer answers in days, not years.

The Comprehensiveness of a HiFi Genome Drives Our Opportunity

HiFi sequencing captures substantially all classes of genetic variation in a single assay with extremely high accuracy. It has the potential to replace fragmented, time-consuming workflows with a single, comprehensive analysis improving diagnostic yield while reducing time to answer. At the same time, HiFi datasets represent one of the richest and most complete representations of the genome, making them uniquely valuable for training AI models and enabling new classes of biological insight.

We are seeing increased momentum. In 2025, customers generated more than 60% year-over-year growth in HiFi sequencing data, and cumulative peer-reviewed publications approached 12,000. As datasets expand and evidence continues to build, we believe clinical

confidence will increase, AI-driven applications will accelerate, and HiFi sequencing will increasingly serve as a single, comprehensive genomic assay.

As the economics of HiFi sequencing improve, we expect adoption to continue expanding across clinical, research, and AI-driven applications. We remain focused on driving these improvements.

For example, SPRQ-Nx, our multi-use SMRT Cell technology, is designed to reduce the cost of one of the most expensive components of sequencing by enabling multiple uses per cell. This approach lowers cost per genome while increasing throughput. In early customer data, SPRQ-Nx delivered approximately 25% higher output per SMRT Cell compared to SPRQ, along with improved performance across key metrics.

At scale, whole-genome HiFi sequencing can now be achieved at costs below $300 per genome. This has the potential to unlock broader adoption across clinical settings, population-scale studies, and AI-based applications while also improving our gross margins and overall business model.

Driving Adoption Globally

In 2025, consumables revenue reached record levels and became the primary driver of growth, reflecting increased system utilization by our customers.

In EMEA, revenue increased 45% year-over-year in the fourth quarter of 2025, driven primarily by clinical customers transitioning from pilot programs to routine use.

In Asia Pacific, regulatory progress continued to advance the market. Notably, regulatory approval for clinical HiFi long-read sequencing in China was achieved through our partner Berry Genomics, enabling routine clinical testing for conditions such as thalassemia. We believe this milestone will support increased adoption in the region.

In the Americas, the academic funding environment remained constrained, impacting instrument demand. While this trend may persist in the near term, it reinforces our strategic priorities: expanding clinical adoption, increasing utilization, and broadening global access.

Strengthening Our Core Business

We also made meaningful progress in improving the financial foundation of the company.

Revenue reached $160 million in 2025, including record consumables revenue of $82 million.

Non-GAAP gross margin expanded to 40%, and non-GAAP operating expenses were reduced to approximately $230 million. (For a reconciliation to GAAP results, see Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on February 12, 2026.)

Cash burn improved significantly, and we exited the year with approximately $280 million in cash and investments.

These results reflect a continued shift in our business model. As the installed base increases, we anticipate consumables will continue to become a larger share of our revenue, improving margin profile and increasing revenue predictability.

We also completed the sale of our short-read sequencing assets, sharpening our focus on HiFi sequencing, where we believe we have a clear technical advantage and the greatest opportunity to create long-term value.

Looking Ahead to 2026 and Beyond

Our priorities for 2026 are clear:

- Expand clinical adoption in rare disease, oncology, and newborn and carrier screening
- Improve sequencing economics through the launch of SPRQ-Nx and continued platform innovation
- Support large-scale studies and expand datasets to establish HiFi as a standard of care

While the macro environment, particularly academic research funding in the United States, continues to remain uneven and impact instrument demand in the near term, our strategic direction is clear.

- Further expansion of clinical adoption
- Increase utilization
- Continued improvement in sequencing economics

We are focused on execution.

Thank you to our employees, customers, and partners. The impact of this work is becoming increasingly visible with every answer HiFi provides.

Sincerely,



Christian Henry
President and Chief Executive Officer
PacBio

Statement Regarding Use of Non-GAAP Financial Measures

We report non-GAAP results for gross margins, gross profit and operating expenses in addition to, and not as a substitute for, or because we believe that such information is superior to, financial measures calculated in accordance with GAAP. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. In addition, other companies may calculate similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison.

Our financial measures under GAAP include substantial charges that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on February 12, 2026. We exclude recurring charges from our non-GAAP financial statements, including amortization of intangible assets and changes in fair value of contingent consideration, and further excludes infrequent and limited charges including impairment charges, restructuring related expenses for discrete restructuring events, and other adjustments and rounding differences.

Management has excluded the effects of these items in non-GAAP measures to assist investors in analyzing and assessing past and future operating performance. In addition, management uses non-GAAP measures to compare our performance relative to forecasts and strategic plans and to benchmark our performance externally against competitors.

We encourage investors to carefully consider our results under GAAP, as well as our supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand our business. A reconciliation of our non-GAAP financial measures to their most directly comparable financial measure stated in accordance with GAAP has been provided in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on February 12, 2026.

Forward-Looking Statements

This letter contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements, including, but not limited to, statements related to the timing for when

someone with a rare disease may have an answer to the underlying cause, statements that PacBio's HiFi sequencing is increasingly being adopted by research hospitals and clinical investigators as a front-line approach to uncover the genetic causes of disease, in days not years; statements that PacBio's collaboration with Covaris enables high-quality HiFi sequencing from FFPE tumor samples, unlocking vast archives of clinically relevant oncology data that have historically been difficult to access with long-read technologies; PacBio's belief that its work with Basecamp Research positions HiFi sequencing at the foundation of next-generation AI models, supporting large-scale initiatives such as the Trillion Gene Atlas; PacBio's belief that HiFi sequencing has the potential to replace fragmented, time-consuming workflows with a single, comprehensive analysis, improving diagnostic yield while reducing time to answer; PacBio's belief that HiFi datasets represent one of the richest and most complete representations of the genome, making them uniquely valuable for training AI models and enabling new classes of biological insight; statements regarding increased momentum and PacBio's belief that as datasets expand and evidence continues to build, AI-driven applications will accelerate, and HiFi sequencing will increasingly serve as a single, comprehensive genomic assay; PacBio's expectations that as the economics of HiFi sequencing improve, adoption will continue expanding across clinical, research, and AI-driven applications and its focus on driving these improvements; PacBio's belief that whole-genome HiFi sequencing has the potential to unlock broader adoption across clinical settings, population-scale studies, and AI-based applications while also improving PacBio's gross margins and overall business model; PacBio's belief that, in regards to HiFi sequencing, PacBio has a clear technical advantage and the greatest opportunity to create long-term value; PacBio's expectations to improve the economics of sequencing through SPRQ-Nx, including SPRQ-Nx's ability to reduce the cost of one of the most expensive components of sequencing by enabling multiple uses per cell, which will lowers cost per genome while increasing throughput; PacBio's belief that regulatory progress in Asia Pacific will support increased adoption in the region; PacBio's expectation that the academic funding environment in the Americas will remain constrained, which will impact instrument demand in the near term; PacBio's strategic priorities, including expanding clinical adoption, increasing utilization, and broadening global access; PacBio's priorities for 2026, including expanding clinical adoption in rare disease, oncology, and newborn and carrier screening, improving sequencing economics through the launch of SPRQ-Nx and continued platform innovation, and supporting large-scale studies and expand datasets to establish HiFi as a standard of care; and PacBio's belief that as the installed base increases, consumables will become a larger share of revenue, improving margin profile and increasing revenue predictability, among other future events. Reported results and orders for any instrument system should not be considered an indication of future performance. You should not place undue reliance on forward-looking statements because they are subject to assumptions, risks, and uncertainties and could cause actual outcomes and results to differ materially from

currently anticipated results, including, but not limited to, challenges inherent in developing, manufacturing, launching, marketing and selling new products, and achieving anticipated new sales; potential cancellation of existing instrument orders; assumptions, risks and uncertainties related to the ability to attract new customers and retain and grow sales from existing customers; the impact new, increased or enhanced tariffs and U.S. export restrictions on the shipment of PacBio products to certain countries; rapidly changing technologies and extensive competition in, and potential FDA regulatory issues relating to, genomic sequencing; unanticipated increases in costs or expenses; interruptions or delays in the supply of components or materials for, or manufacturing of, PacBio products and products under development; potential product performance and quality issues and potential delays in development timelines; the possible loss of key employees, customers, or suppliers; customers and prospective customers curtailing or suspending activities using PacBio's products; third-party claims alleging infringement of patents and proprietary rights or seeking to invalidate PacBio's patents or proprietary rights; risks associated with international operations; and other risks associated with general macroeconomic conditions and geopolitical instability, including the conflicts in the Middle East. Additional factors that could materially affect actual results can be found in PacBio's most recent filings with the Securities and Exchange Commission, including PacBio's most recent reports on Forms 8-K, 10-K, and 10-Q, and include those listed under the caption “Risk Factors.” These forward-looking statements are based on current expectations and speak only as of the date hereof; except as required by law, PacBio disclaims any obligation to revise or update these forward-looking statements to reflect events or circumstances in the future, even if new information becomes available.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2025

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-34899

Pacific Biosciences of California, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**16-1590339**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1305 O'Brien Drive Menlo Park, CA 94025	**94025**
(Address of principal executive offices)	**(Zip Code)**

(Registrant's telephone number, including area code)

(650) 521-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	**PACB**	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of registrant's common stock held by non-affiliates of the registrant on June 30, 2025 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing price of common stock on such date as reported by NASDAQ Global Select Market, was approximately $369.9 million. Shares of voting stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This assumption regarding affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares outstanding of the registrant's common stock as of January 31, 2026: 301,998,292

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement relating to its 2026 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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Pacific Biosciences of California, Inc.

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2025

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including the sections titled "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain or may contain forward-looking statements that are based on the beliefs and assumptions of the management of Pacific Biosciences of California, Inc. (the "Company," "we," "us," or "our") and on information currently available to our management. The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and include, but are not limited to:

- the availability, uses, accuracy, sensitivity, advantages, compatibility, pricing, specifications, quality, or performance of, or benefits or expected benefits of using, our products or technologies, including the Revio® and Vega™ systems, and our expectations regarding HiFi sequencing;
- our expectations, estimates and assumptions about the Asset Sale (as defined below), including our expectations with respect to timing and payment to the former equity holders of Apton (as defined below) and the satisfaction of the related milestone obligations related to our acquisition of Apton;
- our expectations regarding commercial availability and lowering the cost of long-read sequencing through SPRQ-Nx chemistry;
- our expectations regarding the development of kitted-solutions, like our Kinnex Full-length RNA kits and PureTarget;
- our current and future products;
- improvements to our existing products;
- our strategic and commercial plans, including our expectations regarding our clinical strategy and Revio and Vega systems;
- our market opportunity, including market size and expected market growth;
- our expectations regarding the timing and conversion of backlog to revenue and the pricing and gross margin for products;
- our manufacturing plans including developing and scaling of manufacturing and delivery of our products;
- any reductions or potential reductions in academic or government funding, including for the National Institutes of Health ("NIH"), or targeted cancellations by the U.S. federal government of certain grants or contracts, could negatively impact our customers and reduce demand for our products and services;
- our research and development plans;
- expected timing of payment of certain intangible assets;
- the anticipated impact of catastrophic events, including health epidemics or pandemics and military or other armed conflicts, on our business, business plans and results of operations;
- uncertainty regarding or potential changes in diplomatic and trade relationships as a result of the recent change in the U.S. government administration;
- the impact of tariffs recently imposed by the U.S. government and its trading partners in response, other possible tariffs or trade protection measures, import or export licensing requirements, new or different customs duties, trade embargoes and sanctions and other trade barriers;
- our product development plans, roadmaps, and objectives, including, among other things, statements relating to future uses, quality, or performance of, or benefits of using, products or technologies, updates, or improvements of our products;
- our intentions regarding seeking regulatory approval for our products;
- our competitive landscape, including competition in the long-read sequencing technologies market;
- our expectations regarding collaborations and partnerships;

- our expectations regarding unrecognized income tax benefits;
- our expectations regarding market risk, including interest rate changes and general macroeconomic conditions;
- the sufficiency of cash, cash equivalents, and investments to fund projected operating requirements;
- the effects of recent accounting pronouncements on our financial statements; and
- other future events.

Forward-looking statements can be identified by words such as: “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “target,” “will,” “would,” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, those discussed under the heading “Risk Factors” in this report and in other documents we file with the Securities and Exchange Commission ("SEC"). Given these risks and uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent management’s beliefs and assumptions as of the date of this report. Except as required by law, we assume no obligation to update forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

This Annual Report on Form 10-K also contains estimates, projections, and other information concerning our industry, our business, and the markets for our products, including data regarding the estimated size and estimated growth for those markets. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, and similar sources.

PART I

ITEM 1. BUSINESS

Overview

We are a premier life science technology company that designs, develops, and manufactures advanced sequencing solutions that enable scientists and clinical researchers to improve their understanding of the genome and ultimately, resolve genetically complex problems.

Our products and technology, which include our HiFi long-read sequencing technology, address a broad set of applications including human germline sequencing, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications.

Our focus is on creating some of the world's most advanced sequencing systems to provide our customers with the most complete and accurate view of genomes, transcriptomes, and epigenomes.

Our customers include academic and governmental research institutions, commercial testing and service laboratories, genome centers, public health labs, hospitals and clinical research institutes, contract research organizations ("CROs"), pharmaceutical companies, and agricultural companies.

Recent Developments

On January 30, 2026, we completed the disposition of assets to Illumina Cambridge Limited (the “Buyer”) in accordance with the terms of an Asset Purchase Agreement, dated January 30, 2026 (the “Asset Purchase Agreement”), by and among us, Buyer, and Illumina, Inc. ("Illumina"), solely for purposes of Section 8.16 of the Asset Purchase Agreement, pursuant to which, among other matters, Buyer acquired certain intellectual property and other assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies (the “Asset Sale”). As consideration for the Asset Sale, Buyer paid us $50.0 million in cash and assumed certain liabilities (the “Purchase Price”). In addition, Buyer granted us a non-exclusive license to certain intellectual property included in the purchased assets. In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton Biosystems, Inc. (“Apton”) related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. As a result, we received approximately $48.1 million in net cash proceeds from the Asset Sale.

Our Mission and Impact

Our mission is to enable the promise of genomics to better human health. Genomics is core to all biological processes, and our advanced genomics tools provide scientists and clinical researchers with the insights to better understand biology and health. The “promise of genomics” postulates that medicine, agriculture, public health, drug development, and other disciplines will be transformed by incorporating routine genomic information over the coming decades. We see early progress toward this transformation in the applied use of genomics in areas such as genetic disease, oncology, and sustainable food production. However, legacy genomics technologies have fundamental limitations in progressing these fields toward the promise of genomics. We believe that unleashing the full potential of genomics will require a level of accuracy and completeness inaccessible to legacy technologies. Accuracy and completeness are central to our product development strategy; thus, we have created some of the most innovative and high-quality genomics solutions on the market. Our products also have enhanced multi-omic capabilities to look beyond the genome to the transcriptome and epigenome, which we believe is key to understanding a full picture of biology.

The Underlying Science

Genetic inheritance in living organisms is conveyed through a naturally occurring information storage system known as deoxyribonucleic acid, or DNA. DNA stores information in linear chains of the chemical bases adenine, cytosine, guanine, and thymine, represented by the symbols A, C, G, and T respectively.

In humans, the genome is comprised of approximately three billion DNA base pairs, which are divided into 23 chromosomes ranging in size from 50 million to 250 million bases. A human carries two copies of the

chromosomes, one inherited from each parent. Approximately 23,000 smaller regions within these chromosomes, called genes, contain the blueprints for protein production. The proteins synthesized from these blueprints essentially underlie the operation of all biological systems.

Genome sequencing reads the bases of long fragments of nucleic acids. Initial genome sequencing studies have shown that variation in these DNA base pairs play a critical role in human disease, contributing to the burgeoning field of genomics. Recent discoveries have highlighted additional complexities of DNA and RNA. These discoveries include the presence of chemical modifications to the bases, such as methylation, and post-transcriptional modification, or the processing of RNA molecules after they are transcribed from the genome, both of which can affect protein synthesis.

Our Principal Markets

Researchers utilize our solutions in human genomics, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications.



Human Genomics: Improving rare disease research and understanding

According to global health organizations, there are currently over 6,000 distinct rare diseases worldwide, affecting approximately 300 million people, and over 70% of these conditions are believed to have a genetic origin. These genetic diseases are DNA differences, called variants, in the affected individuals. Variants range in size from single nucleotide substitutions to large losses or gains of entire chromosomes. Other sequencing technologies applied to rare disease diagnosis are technologically limited to interrogating small variants, representing only a subset of possible genomic variation. Consequently, most genetic disease cases are undiagnosed, leaving families on multi-year diagnostic odysseys. Sequencing the human genome with long and accurate reads enables the potential detection of all known classes of disease-causing variation. In addition, the ability of PacBio's long-read sequencing technology to detect 5-Methylcytosine DNA methylation, an epigenetic modification shown to alter gene behavior, may enable further advances in research and development in genetic disease diagnosis.

Infectious Disease and Microbiology: Understanding and tracking microbes and pathogens in support of global public health

Our technology has increased the scientific community's understanding of microorganisms and viruses and their malignancy, transmission, and potential resistance to antibiotics or vaccines. Our sequencing technology delivers highly comprehensive and complete genomes, enabling federal agencies, public health organizations, and healthcare providers to conduct wide-ranging research and surveillance activities to:

- generate high quality, complete genome assemblies, revealing variants of all known types, to gain a deeper understanding of community-acquired and hospital-associated infections and transmissions;
- identify and characterize pathogens to inform regional, national, and global public health agencies for preparation and response to rapidly evolving microorganisms; and
- characterize complex microbial communities to understand their role in human, animal, and environmental health.

Oncology: Enabling discovery of cancer biology, progression, and relapse

Our HiFi sequencing technology supports oncology research by enabling highly accurate, long-read analysis of both DNA and RNA, providing researchers with deeper insight into cancer biology. HiFi RNA sequencing allows generation of full-length transcript data from complex tumor samples, capturing isoforms, fusion transcripts, and alternative splicing events associated with tumor biology. By providing a more complete view of transcript diversity, these approaches support research into biomarkers and molecular mechanisms related to tumor progression and therapeutic response.

HiFi whole-genome sequencing ("WGS") of tumor and matched normal samples supports comprehensive characterization of genomic alterations across cancer types. The combination of long reads and single-

molecule accuracy enables detailed analysis of structural variants, copy-number changes, methylation patterns, and other somatic alterations associated with oncogenesis and treatment resistance. Researchers increasingly use HiFi tumor/normal WGS to resolve complex genomic rearrangements and to investigate genome-wide mutational processes that are difficult to assess with short-read sequencing technologies.

Plant and Animal Sciences: Helping scientists answer biological questions for a healthier world

In Plant and Animal Sciences, academic, government and corporate researchers are using our technology to explore and catalog the genetic and biological diversity of organisms for the breeding, propagation, and production of crops and livestock while conserving the planet's natural resources. Our HiFi sequencing enables researchers to build high quality de novo reference genomes and transcriptomes to study variations across species enabling improvements to global conservation initiatives and support the breeding and production of resilient and higher yielding crops to meet the world's growing population and demand.

Our Technology, Products, and Solutions

Our HiFi long-read sequencing approach is based on Single-Molecule Real-Time ("SMRT") technology and enables highly accurate detection of the nucleotide sequence and epigenetic status of individual DNA molecules. HiFi sequencing delivers long, highly accurate reads that support analysis of complex genomic and transcriptomic features that are difficult to resolve using conventional short-read sequencing technologies.

Our offerings include sequencing instruments, nanofluidic chips ("SMRT Cells"), reagents for DNA extraction, library preparation, and sequencing, application-specific sequencing workflows, as well as services we perform for customers.

HiFi Long-Read Sequencing

Our HiFi long-read sequencing protocol was built upon our SMRT sequencing systems, including consumables and software, and offers customized end-to-end workflows for different sequencing applications. Highly accurate, long sequence reads simplify and accelerate data analysis algorithms, reducing the need for error correction and/or assembly, depending on the application.

Customers use our HiFi long-read sequencing platforms in a wide range of sequencing applications, including whole genome sequencing and *de novo* genome assembly, long-range phasing, targeted sequencing, full-length RNA and single-cell sequencing, characterization of metagenomic communities and other mixed DNA samples, viral genome sequencing, and others. Our technology is also capable of detecting epigenetic markers simultaneously by analyzing the kinetics of DNA polymerization that is affected, and thereby detectable, by epigenetic markers such as 5-methylcytosine or N^6-methyladenine.

SMRT Technology

Our proprietary SMRT sequencing technology enables the direct observation of DNA synthesis in real time by monitoring the activity of individual DNA polymerase molecules as they incorporate nucleotides into a growing DNA strand. Using optical nanostructures known as zero-mode waveguides ("ZMWs"), SMRT sequencing detects fluorescently labeled nucleotides as they are incorporated, providing a precise, single-molecule record of DNA sequence and polymerase kinetics without amplification or cloning steps.

Each DNA molecule is prepared as a circularized SMRTbell template, allowing both strands of the same molecule to be sequenced multiple times. These repeated observations are combined through circular consensus sequencing ("CCS") to generate highly accurate HiFi reads, typically achieving median accuracies above Q30 with average read lengths of 15–20 kilobases. The resulting data combines long-range context with base-level precision, enabling the detection of all major classes of genetic variation—including single-nucleotide variants, structural variants, tandem repeat expansions, and DNA methylation—in a single workflow.

HiFi sequencing has been shown to improve the resolution of complex genomic regions and to increase diagnostic yield in rare disease research. Across multiple clinical studies, HiFi whole-genome sequencing has approximately doubled the solve rate for previously undiagnosed cases compared to short-read methods. HiFi sequencing also supports the construction of complete, telomere-to-telomere human reference genomes and pangenomes, further establishing it as a standard for high-accuracy, comprehensive genome analysis. Collectively, these attributes position SMRT sequencing as a leading technology for achieving complete and accurate views of the genome.

Revio system, Vega system, and Sequel systems

Our Revio, Vega, and Sequel instruments conduct, monitor, and analyze single-molecule biochemical reactions on SMRT Cell microchips. The instruments use highly sensitive imaging systems to capture fluorescent signals generated during nucleotide incorporation and translate those signals into base calls and quality scores through integrated computational analysis. The Vega and Sequel systems sequence one SMRT Cell at a time, while the Revio system can run up to four SMRT Cells simultaneously to increase throughput.

All instruments feature automated pipetting and reagent handling, on-board basecalling, perform consensus read generation, barcode demultiplexing, and methylation analysis, reducing the need for external computing resources. Together, these capabilities deliver fast, highly accurate, and efficient sequencing for applications ranging from large-scale population studies to focused translational research.

HiFi Consumables

Customers purchase proprietary consumable products to run their PacBio systems, including our SMRT Cells and reagent kits. Typically, one SMRT Cell is consumed per sequencing reaction, and scientists can choose the number of SMRT Cells they use per experiment. In the second half of 2025, we introduced our latest SMRT Cell Nx products which are designed to support multiple sequencing reactions on a single SMRT Cell, improving flexibility and lowering per-sample cost. Beta testing of SPRQ-Nx chemistry on the higher throughput Revio commenced in 2025, with full commercial availability planned in 2026.

We offer several reagent kits, each designed to address a specific step in the core sequencing workflow. A library preparation kit is used to convert DNA into SMRTbell double-stranded DNA library formats and includes typical molecular biology reagents, such as ligase, buffers, and exonucleases. Our binding/polymerase kits include our modified DNA polymerase and are used to bind SMRTbell libraries to the polymerase in preparation for sequencing. Our core sequencing kits contain reagents required for on-instrument, real-time sequencing, including phospholinked nucleotides.

Our Kinnex™ kits with companion SMRT Link software enable high-throughput, scalable, cost-effective RNA applications including bulk RNA, single-cell RNA, and 16S rRNA sequencing. The Kinnex kits use a molecular concatenation approach to link smaller amplicons into longer fragments for sequencing on PacBio long-read systems, significantly increasing molecular yield. Our PureTarget™ panels and reagent kits for targeted sequencing applications, including repeat expansion analysis and carrier screening, leverage HiFi sequencing accuracy to detect complex variants and repeat expansions with single-molecule resolution, enabling efficient, scalable targeted analysis.

Our Strategy for Growth

Our main objectives are to grow revenue and expand gross margins through the following five activities. These initiatives are designed to improve the economics of HiFi sequencing, expand adoption across clinical and research markets, and drive durable growth across our platform portfolio.

- **Accelerate samples onto the Revio platform through SPRQ-Nx chemistry and application kits.** SPRQ-Nx is designed to lower the cost of sequencing and improve sequencing efficiency, which we believe will support higher throughput, increased sample volumes, and broader adoption of HiFi sequencing in large-scale research studies and clinical applications.
- **Expand the capabilities of the Vega benchtop platform to broaden our market reach.** We plan to enable faster run times and enhanced user experience through software improvements, which are intended to support broader adoption and improve the overall economics of HiFi sequencing.
- **Progress our clinical strategy to improve outcomes and create durability.** Revio is increasingly being adopted in laboratory-developed test ("LDT") and clinical research settings, supporting consolidation of multiple tests, addressing complex genetic challenges, and driving sustained utilization of HiFi sequencing.

- **Advance data-driven interpretation through scalable HiFi datasets and analytics.** We are focused on leveraging the accuracy of HiFi sequencing and growing datasets to support advanced data analysis and AI-assisted interpretation approaches. Collaborative initiatives, such as the HiFi Solves Global Consortium, are designed to aggregate large, well-characterized HiFi datasets, which we believe can support improved understanding of complex genetic variation and disease biology while maintaining expert oversight.
- **Invest in future product launches to drive platform innovation.** We continue to develop sequencing solutions designed to increase throughput, simplify workflows, lower the cost to sequence a genome, and enhance downstream data analysis and interpretation capabilities, which we believe will allow us to address a larger portion of the market.

Marketing, Sales, Service, and Support

We market our products through a global sales force and through distribution partners in Australia, certain parts of Asia, Europe, the Middle East, Africa, Central America and South America. We plan to continue to invest in growing our marketing, sales, service, and support resources as we drive continued adoption of products, launch new products, and expand our customer base.

Customers

Our customers include academic and governmental research institutions, commercial testing and service laboratories, genome centers, public health labs, hospitals and clinical research institutes, CROs, pharmaceutical companies, and agricultural companies. Our customers isolate, prepare, and analyze genetic samples using PacBio systems in their own laboratories, or send their genetic samples to third-party service providers who in turn sequence the samples with PacBio systems and provide the sequence data back to the customer for further analysis.

We receive a significant portion of our revenue from a limited number of customers, many of whom make large purchases on a purchase-order basis. For the years ended December 31, 2025, 2024, and 2023, no customer accounted for 10% or more of our total revenue.

We believe that the majority of our current customers are early adopters of sequencing technology. By focusing our efforts on high-value applications and developing whole product solutions around these applications, we seek to drive the adoption of our products across a broader customer base and into numerous large-scale projects. In general, the broader adoption of new technologies by mainstream customers can take a number of years.

Backlog

As of December 31, 2025, our backlog was approximately $49.2 million, compared to $58.6 million as of December 31, 2024. We define backlog as purchase orders or signed contracts from our customers, which we believe are firm and for which we have not yet recognized revenue. We expect to convert approximately 80% of our backlog to revenue in 2026, approximately 16% in 2027, and the remainder thereafter; however, our ability to do so is subject to customers who may seek to cancel or delay their orders even if we are prepared to fulfill them.

Manufacturing

We manufacture sequencing instruments, SMRT Cells, and reagents. Our key manufacturing and service facility in Menlo Park, California has received ISO 13485 and ISO 9001 certifications for the design, development, manufacture, distribution, installation, and servicing of its nucleic acid sequencing platforms. We utilize domestic and international subcontract manufacturers for components of the manufacturing process. We purchase both custom and off-the-shelf components from a large number of suppliers worldwide and subject them to significant quality specifications. We periodically conduct quality audits of most of our critical suppliers and have established a supplier qualification program. Some of the components required in our products are currently either sole sourced or single sourced.

Research and Development

We have historically made and plan to continue to make significant investments in research and development. Our research and development efforts focus on programs to develop new and existing platforms, as well as increasing throughput and decreasing costs on behalf of our customers. We also innovate across end-to-end workflows to improve usability, as well as develop new applications for the advancement of human health.

Intellectual Property

Developing and maintaining a strong intellectual property portfolio is an important element of our business. We have sought, and will continue to seek, patent protection for our technology, for improvements to our technology, as well as for any of our other technologies where we believe such protection will be advantageous.

Our current patent portfolio, including patents exclusively licensed to us, is directed to various technologies, including SMRT nucleic acid sequencing and other methods for analyzing biological samples, ZMW arrays, surface treatments, phospholinked nucleotides and other reagents for use in nucleic acid sequencing, nucleic acid preparation, and purification components and systems, processes for identifying nucleotides within nucleic acid sequences, and processes for analysis and comparison of nucleic acid sequence data. Some of the patents and applications that we own, as well as some of the patents and applications that we have licensed from other parties, are subject to U.S. government march-in rights, whereby the U.S. government may disregard our exclusive patent rights on its own behalf or on behalf of third parties by imposing licenses in certain circumstances, such as if we fail to achieve practical application of the U.S. government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations, or to give preference to U.S. industry. In addition, U.S. government-funded inventions must be reported to the government and U.S. government funding must be disclosed in any resulting patent applications.

As of December 31, 2025, we own or hold exclusive licenses to 450 issued U.S. patents, 69 pending U.S. patent applications, 8 pending Patent Cooperation Treaty ("PCT") patent applications, 318 issued foreign patents, and 104 pending foreign patent applications. The full term of the issued U.S. patents will expire between 2026 and 2042. We also have non-exclusive patent licenses with various third parties to supplement our own large and robust patent portfolio.

Other Sequencing Solutions

There are a significant number of companies offering nucleic acid sequencing equipment or consumables. These include, but are not limited to, Illumina, BGI Genomics (also known as MGI or Complete Genomics), Thermo Fisher Scientific Inc. (“Thermo”), Oxford Nanopore Technologies Ltd. (“ONT Ltd.”), Roche Holding AG (“Roche”), Qiagen N.V. (“Qiagen”), Element Biosciences, Inc. (“Element”), Bionano Genomics, Inc. (“Bionano”), Ultima Genomics, Inc. (“Ultima”), and 10x Genomics, Inc. ("10x"). These companies may have different levels of financial, technical, manufacturing, administrative, and support resources available to them. We expect continued intense competition within the overall nucleic acid sequencing market as there are several companies developing new sequencing technologies, products and/or services. Increased competition may result in pricing pressures, which could harm our sales, profitability, or share of supply.

In order for us to maintain and increase our sales, we will need to demonstrate that our products deliver superior performance and value as a result of our key differentiators. Our HiFi long-read sequencing will need to continue to deliver high consensus accuracy and long-read lengths, include single-molecule, real-time resolution, detect real-time kinetic information, provide fast time-to-result and flexibility, and support the breadth and depth of current and future applications.

Government Regulation

The development, testing, manufacturing, marketing, post-market surveillance, distribution, advertising, and labeling of certain medical devices, including in vitro diagnostic products and laboratory-developed tests, are subject to regulation in the United States by the Center for Devices and Radiological Health of the U.S. Food and Drug Administration ("FDA") under the Federal Food, Drug, and Cosmetic Act ("FDCA") and comparable state and foreign regulatory agencies. FDA defines a medical device as an instrument, apparatus, implement, machine, contrivance, implant, in vitro reagent, or other similar or related article, including any component part or accessory, which is (i) intended for use in the diagnosis of disease or other conditions, or in the cure,

mitigation, treatment, or prevention of disease, in man or other animals, or (ii) intended to affect the structure or any function of the body of man or other animals and which does not achieve any of its primary intended purposes through chemical action within or on the body of man or other animals and which is not dependent upon being metabolized for the achievement of any of its primary intended purposes. Medical devices to be commercially distributed in the United States must receive from the FDA either clearance of a pre-market notification, known as 510(k), or pre-market approval pursuant to the FDC Act prior to marketing, unless subject to an exemption.

We currently label and sell our products for research use only ("RUO") and primarily sell them to research customers in various settings, including academic institutions, life sciences and research laboratories that conduct research, and biopharmaceutical and biotechnology companies for non-diagnostic and non-clinical purposes. Our current RUO products are not intended or promoted for use in clinical practice in the diagnosis of disease or other conditions, and they are labeled for research use only, not for use in diagnostic procedures. Accordingly, we believe our products, as we intend to market them, are not subject to regulation by the FDA. Rather, while FDA regulations require that RUO products be labeled for research use only and to market and distribute RUO products in accordance with the FDA RUO guidance, the regulations do not subject RUO products to the FDA's jurisdiction or the broader pre- and post-market controls for medical devices. However, in the future, certain of our products or related applications, such as those that may be developed for clinical uses, could be subject to FDA regulation, or the FDA's regulatory jurisdiction could be expanded to include our products. If we wish to label and expand product lines to address the diagnosis of disease, regulation by governmental authorities in the United States and other countries will become an increasingly significant factor in development, testing, production, and marketing. In the future, products that we may develop in the molecular diagnostic markets, depending on their intended use, may be regulated as medical devices or in vitro diagnostic products ("IVDs") by the FDA and comparable agencies in other countries. In the U.S., if we market our products for use in performing clinical diagnostics, such products would be subject to regulation by the FDA under pre-market and post-market control as medical devices, unless an exemption applies, and we would be required to obtain either prior 510(k) clearance or prior pre-market approval from the FDA before commercializing the product. Obtaining the requisite regulatory approvals can be expensive and may involve considerable delay. Some countries have regulatory review processes that are substantially longer than U.S. processes. Failure to obtain regulatory approval in a timely manner and meet all of the local regulatory requirements including language and specific safety standards in any foreign country in which we plan to market our products could prevent us from marketing products in such countries or subject us to sanctions and fines. Changes to the current regulatory framework, including the imposition of additional or new regulations, could arise at any time during the development or marketing of our products.

In 2013, the FDA issued a final guidance on products labeled for research use only, which, among other things, reaffirmed that a company may not make any clinical or diagnostic claims about an RUO product, stating that merely including a labeling statement that the product is for research purposes only will not necessarily render the device exempt from the FDA's clearance, approval, or other regulatory requirements if the totality of circumstances surrounding the distribution of the product indicates that the manufacturer knows its product is being used by customers for diagnostic uses or the manufacturer intends such a use. These circumstances may include, among other things, written or verbal marketing claims regarding a product's performance in clinical diagnostic applications and a manufacturer's provision of technical support for such activities. If FDA were to determine, based on the totality of circumstances, that our products labeled and marketed for RUO are intended for diagnostic purposes, they would be considered medical devices that will require clearance or approval prior to commercialization. Further, sales of devices for diagnostic purposes may subject us to additional healthcare regulation. We continue to monitor the changing legal and regulatory landscape to ensure our compliance with any applicable rules, laws and regulations.

The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risk to the patient are placed in either Class I or II, which, unless an exemption applies, requires the manufacturer to submit a pre-market notification requesting FDA clearance for commercial distribution pursuant to Section 510(k) of the FDCA. This process, known as 510(k) clearance, requires that the manufacturer demonstrate that the device is substantially equivalent to a previously cleared and legally marketed 510(k) device or a "pre-amendment" Class III device for which pre-market approval applications ("PMAs") have not been required by the FDA. This FDA review process typically takes from four to twelve months, although it can take longer. Most Class I devices are exempted from this 510(k) pre-market submission requirement. If no legally marketed predicate can be identified for a new device to enable the use of the 510(k) pathway, the device is automatically classified under the FDCA as Class III, which generally requires pre-market approval, or PMA approval. However, the FDA can reclassify or use "de novo classification" for a device that meets the FDCA standards for a Class II device,

permitting the device to be marketed without PMA approval. To grant such a reclassification, FDA must determine that the FDCA's general controls alone, or general controls and special controls together, are sufficient to provide a reasonable assurance of the device's safety and effectiveness. The de novo classification route is generally less burdensome than the PMA approval process.

Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting, or implantable devices, or those deemed not substantially equivalent to a legally marketed predicate device, are placed in Class III. Class III devices typically require PMA approval. To obtain PMA approval, an applicant must demonstrate the reasonable safety and effectiveness of the device based, in part, on data obtained in clinical studies. All clinical studies of investigational medical devices to determine safety and effectiveness must be conducted in accordance with FDA's investigational device exemption ("IDE") regulations, including the requirement for the study sponsor to submit an IDE application to FDA, unless exempt, which must become effective prior to commencing human clinical studies. PMA reviews generally last between one and two years, although they can take longer. Both the 510(k) and the PMA processes can be expensive and lengthy and may not result in clearance or approval. If we are required to submit our products for pre-market review by the FDA, we may be required to delay marketing and commercialization while we obtain pre-market clearance or approval from the FDA. There would be no assurance that we could ever obtain such clearance or approval.

All medical devices, including IVDs, that are regulated by the FDA are also subject to the quality system regulation. Obtaining the requisite regulatory approvals, including the FDA quality system inspections that are required for PMA approval, can be expensive and may involve considerable delay. The regulatory approval process for such products may be significantly delayed, may be significantly more expensive than anticipated, and may conclude without such products being approved by the FDA. Without timely regulatory approval, we will not be able to launch or successfully commercialize such diagnostic products. Changes to the current regulatory framework, including the imposition of additional or new regulations, could arise at any time during the development or marketing of our products. This may negatively affect our ability to obtain or maintain FDA or comparable regulatory clearance or approval of our products in the future. In addition, regulatory agencies may introduce new requirements that may change the regulatory requirements for us or our customers, or both.

As noted above, although our products are currently labeled and sold for research purposes only, the regulatory requirements related to marketing, selling, and supporting such products could be uncertain and depend on the totality of circumstances. This uncertainty exists even if such use by our customers occurs without our consent. If the FDA or other regulatory authorities assert that any of our RUO products are subject to regulatory clearance or approval, our business, financial condition, or results of operations could be adversely affected.

For example, in some cases, our customers, including laboratories that offer services as part of our certified service provider program, may use our RUO products in their own LDTs or in other FDA-regulated products for clinical diagnostic use. The FDA has historically exercised enforcement discretion in not enforcing the medical device regulations against LDTs and LDT manufacturers. The FDA has issued warning letters to genomics labs for illegally marketing genetic tests that claim to predict patients' responses to specific medications, noting that the FDA has not created a legal "carve-out" for LDTs and retains discretion to take action when appropriate, such as when certain genomic tests raise significant public health concerns. In May 2024, the FDA issued a final rule that phases out its enforcement discretion for most LDTs and amends the FDA's regulations to make explicit that in vitro diagnostics are medical devices under the FDCA, including when the manufacturer of the diagnostic product is a laboratory. On March 31, 2025, a U.S. District Court in Texas ruled that the FDA exceeded its authority and vacated and set aside this LDT final rule in its entirety. Further, in June 2024, the U.S. Supreme Court overruled the *Chevron* doctrine, which gives deference to regulatory agencies' statutory interpretations in litigation against federal government agencies, such as the FDA, where the law is ambiguous. This landmark Supreme Court decision may invite various stakeholders to bring lawsuits against the FDA to challenge longstanding decisions and policies of the FDA. The government may issue new policies and regulations that can impact the compliance status of our products or that of our customers. If our products become subject to FDA regulation as medical devices, we would need to invest significant time and resources to ensure ongoing compliance with FDA quality system regulations and other post-market regulatory requirements.

If our products become subject to FDA regulation as medical devices, the regulatory clearance or approval and the maintenance of continued and post-market regulatory compliance for such products will be expensive, time-consuming, and uncertain both in timing and in outcome. Commercialization of such regulated medical devices can increase our exposure under additional laws. For example, medical device companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and

foreign jurisdictions in which they conduct their business and may constrain the financial arrangements and relationships through which we research, as well as sell, market and distribute any medical products for which we obtain marketing authorization. Such laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, data privacy and security, and transparency laws and regulations related to payments and other transfers of value made to physicians and other healthcare providers. If our operations are found to be in violation of any of such laws or any other governmental regulations that apply, we may be subject to penalties, including, without limitation, administrative, civil, and criminal penalties, damages, fines, disgorgement, the curtailment or restructuring of operations, integrity oversight and reporting obligations, exclusion from participation in federal and state healthcare programs and imprisonment.

In the future, to the extent we develop any clinical diagnostic assays, we may pursue payment for such products through a diverse and broad range of channels and seek coverage and reimbursement by government health insurance programs and commercial third-party payors for such products. In the United States, there is no uniform coverage for clinical laboratory tests. The extent of coverage and rate of payment for covered services or items vary from payor to payor. Obtaining coverage and reimbursement for such products can be uncertain, time-consuming, and expensive, and, even if favorable coverage and reimbursement status were attained for our tests, to the extent applicable, less favorable coverage policies and reimbursement rates may be implemented in the future. Changes in healthcare regulatory policies could also increase our costs and subject us to additional regulatory requirements that may interrupt commercialization of our products, decrease our revenue and adversely impact sales of, and pricing of and reimbursement for, our products.

International sales of medical devices are subject to foreign government regulations, which vary substantially from country to country. In the future, if we decide to distribute or market our diagnostic products as IVDs in Europe, such products are subject to regulation under the European Union (“EU”) IVD Medical Device Regulation (“IVDR”) EU 2017/746. Outside of the EU, regulatory approval needs to be sought on a country-by-country basis in order to market medical devices. Although there is a trend towards harmonization of a quality system, standards and regulations in each country may vary substantially, which can affect timelines of introduction.

We are committed to the protection of our employees and the environment. Our operations require the use of hazardous materials that subject us to various federal, state, and local environmental and safety laws and regulations. We believe that we are in material compliance with current applicable laws and regulations. However, we could be held liable for damages and fines should contamination of the environment or individual exposures to hazardous substances occur. In addition, we cannot predict how changes in these laws and regulations, or the development of new laws and regulations, will affect our business operations or the cost of compliance.

Additionally, we must comply with complex foreign and U.S. laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other local laws prohibiting corrupt payments to governmental officials, anti-competition regulations and sanctions imposed by the U.S. Office of Foreign Assets Control, and other similar laws and regulations. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, restrictions on our business conduct, and on our ability to offer our products in one or more countries, and could also materially affect our brand, our ability to attract and retain employees, our international operations, our business, and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

As we continue to expand our business into multiple international markets, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Any of these risks could harm our international operations and negatively impact our sales, adversely affecting our business, results of operations, financial condition, and growth prospects.

Human Capital

Full Time Employees



As of December 31, 2025, we had 485 full-time employees. Of these employees, 162 were in research and development, 64 were in operations, 37 were in service, 163 were in marketing and sales, and 59 were in general and administration. With the exception of our field-based sales, marketing, and service teams, the majority of our employees are in California. None of our employees are represented by labor unions or are covered by a collective bargaining agreement with respect to their employment. We have not experienced any work stoppages, and we consider our relationship with our employees to be good.

Talent Acquisition and Retention

We recognize that our employees are the driving force behind our success. To support our continued growth, we are committed to attracting, developing, and retaining best-in-class talent across the globe. Our Talent Acquisition team leverages both internal and external partnerships, data-driven strategies, and a strong employer brand to identify and recruit highly skilled professionals who align with our mission and values.

Total Rewards

At PacBio, our Total Rewards philosophy centers on investing in our people - the foundation of our success. We are committed to offering competitive, equitable, and comprehensive compensation and benefits that recognize performance, support well-being, and promote long-term growth.

Our compensation packages include base salary, short-term incentives such as annual bonuses and commissions, and long-term equity awards that align employees with the company's success. In addition, we provide a broad range of benefits tailored by country and region, including life, disability, and health insurance; health savings and flexible spending accounts; generous paid time off; paid parental leave; and retirement savings plans such as our 401(k) program. Employees also have the opportunity to share in PacBio's growth through our Employee Stock Purchase Program.

We strive to be an employer of choice in our industry by ensuring our Total Rewards are not only market-competitive, but also reflective of our commitment to supporting employees' financial, physical, and emotional well-being.

Health, Safety, and Wellness

The health, safety, and overall well-being of our employees are fundamental to our success and culture. We are deeply committed to investing in programs and resources that help our employees and their families thrive.

We offer a wide range of innovative, flexible, and accessible health and wellness programs designed to promote physical, mental, and financial well-being. These benefits provide employees with security and peace of mind, supporting them through life events that may require time away from work or impact their financial stability.

To ensure employees can make the most of these offerings, our programs are regularly reviewed, enhanced, and featured on our internal benefits platform, keeping our workforce informed and engaged with the resources available to them.

Diversity, Equity, and Inclusion

We believe that diversity drives innovation and strengthens our organization. A diverse, equitable, and inclusive workforce enables us to better serve our global community and achieve lasting success.

Our mission is to embrace and value differences including race, ethnicity, religion, nationality, gender, age, sexual orientation, education, experience, and perspective. We are committed to fostering a workplace where all employees feel respected, empowered, and supported to contribute their best.

To advance these principles, we provide training and development programs that build awareness, promote inclusion, and help employees recognize and mitigate bias throughout the employee lifecycle. Our ongoing efforts focus on inclusive hiring practices, fair and equitable treatment, and organizational flexibility, supported by tools and resources that enable every employee to do their best work.

Training and Development

We are committed to fostering a culture of continuous learning and growth. We encourage employees to be lifelong learners by offering ongoing opportunities for professional and leadership development. We provide required compliance training for employees, along with targeted, function-specific training where applicable, and ongoing learning through cross-functional collaboration and knowledge sharing.

While we emphasize real-time recognition of employee performance throughout the year, we also conduct a formal annual review process. This process not only informs pay and equity adjustments based on individual contributions but also helps identify areas where additional training and development can support each employee's continued success.

Available Information

Our website is located at www.pacb.com. The information posted on, or that can be accessed through, our website is not incorporated by reference into this Annual Report on Form 10-K, and the inclusion of our website address is an inactive textual reference only. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act are available free of charge through the "Investor Relations" section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is www.sec.gov.

Additionally, we use our website (including the blog section of our website at www.pacb.com/blog) as well as our Bluesky (@pacbio.bsky.social), X (@pacbio), and LinkedIn (www.linkedin.com/company/pacific-biosciences) accounts as channels of distribution, where important company information is routinely posted and accessible, and to comply with our disclosure obligations under Regulation FD. Important information, including press releases, analyst presentations, and financial information regarding us, as well as corporate governance information, is routinely posted and accessible on the "Investor Relations" section of the website, which is accessible by clicking on the tab labeled "Company - Investors" on our website home page. The contents of our website and our social media accounts are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our website or X account are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with all of the other information in our public filings with the SEC, which could materially affect our business, financial condition, results of operations and prospects. The risks described below are not the only risks facing us. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition, results of operations and prospects. In addition, any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us. This situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

Summary Risk Factors

The following is a summary of the principal risks that could adversely affect our business, operations, and financial results. Such risks are discussed more fully below and include, but are not limited to, risks related to:

- our ability to successfully market, commercialize, and sell current and future products and related maintenance services;
- our ability to achieve profitability for our business;
- our ability to implement required expense reduction initiatives;
- our ability to repay our debt and fund our long-term operations;
- the impact of the disposition of assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies could have on our business, financial condition and results of operations;
- our ability to successfully leverage and integrate our acquisitions and future acquisitions;
- our ability to successfully research, develop and timely manufacture our current and future products;
- management of new product introductions and transitions, resultant costs, and ability of new products to generate promised performance;
- recent significant changes to our leadership team and resultant disruptions to our business;
- retention, recruitment, and training of senior management, key personnel, scientists and engineers;
- our ability to further penetrate nucleic acid sequencing applications, as well as grow product demand;
- our reliance on outsourcing to other companies for manufacturing certain of our products, components and sub-assemblies, some of which are sole-sourced;
- the impact of tariffs recently imposed by the U.S. government and its trading partners in response, other possible tariffs or trade protection measures, import or export licensing requirements, new or different customs duties, trade embargoes and sanctions and other trade barriers;
- our ability to consistently manufacture our instruments and consumables to meet customers' specifications, quantity, cost, or performance requirements;
- the high amount of competition we face in our industry;
- our ability to attract customers and increase sales of current and future products;
- our reliance on a limited number of customers for a significant portion of our revenues, including academic, research and government institutions, which may be impacted by reductions in funding or targeted cancellations of certain grants or contracts by the U.S. federal government;
- the complexity of our products giving rise to defects or errors;
- our unpredictable and lengthy sales cycles;
- the possibility that our goodwill or intangible assets could become impaired;
- adverse effects resulting from political and economic tensions between the United States and other countries, including China and Russia, and other geopolitical uncertainties;

- securing and maintaining patent or other intellectual property protection for our products and related improvements;
- current and future legal proceedings filed against us claiming intellectual property infringement;
- the potential adverse impact of health epidemics;
- potential cybersecurity incidents and security breaches;
- governmental regulations that burden operations or narrow the market for our products;
- adverse effects resulting from new, increased, or enhanced trade tariffs, import restrictions, export restrictions, or other trade barriers;
- evolving ethical, legal, privacy, social, and regulatory concerns regarding genetic testing;
- volatility of the price of our common stock; and
- our stock price falling as a result of future offerings or sales of securities.

Our risk factors are not guarantees that no such conditions exist as of the date hereof and should not be interpreted as an affirmative statement that such risks or conditions have not materialized, in whole or in part.

Risks Related to Our Business

The commercialization and sales of our current or future products may be unsuccessful or less successful than anticipated. While we plan to continue pursuing new products and expanding into adjacent markets, we have limited experience in managing and selling multiple products and, as a result, may face challenges selling in new markets and fail to successfully carry out these initiatives, which may adversely impact our business, financial condition or results of operation.

We have made and expect to continue making substantial investments to develop new products and enhance our existing products through our acquisitions and research and development efforts. For example, we commenced commercial shipments of Revio, our long-read sequencing system, in 2023. We also began taking orders and shipping our new Vega benchtop long-read sequencing system in the fourth quarter of 2024. Our future success is substantially dependent on our ability to successfully develop and commercialize our products, including in particular the Revio and Vega systems, as well as acquired technologies, which are anticipated to be used in demanding scientific research that requires substantial levels of accuracy and precision. In addition, we may not be successful in transitioning the customers of our prior generation products to our Revio and Vega products, or transitioning users of other third-party sequencing platforms to our portfolio of products, and have incurred and could continue to incur related obsolete inventory charges and losses on firm purchase commitments. Customers may also be slower than we anticipate in making new capital equipment acquisitions, especially in the current economic environment. Due to challenges we may experience in developing and marketing our existing products and launching new products, we may not be able to effectively:

- manage the timeliness of our new product introductions and the rate at which sales of our new products may cannibalize sales of our existing products or manage sales and marketing of multiple sequencing platforms;
- drive adoption of our current and future products;
- maintain our competitive position by continuing to attract and retain customers for our products;
- provide appropriate levels of customer training and support for our products;
- implement an effective marketing strategy to promote awareness of our products;
- develop and implement an effective sales and distribution strategy for our current and future products;
- develop, manufacture and commercialize new products or achieve an acceptable return on our manufacturing or research and development efforts and expenses;
- comply with regulatory requirements applicable to our products;
- anticipate and adapt to changes in our market;

- accommodate customer expectations and demands with respect to our products, increase product adoption by our existing customers or develop new customer relationships;
- deliver our early access systems to our external early access testing sites or complete our external early access testing program on our currently expected timelines;
- overcome unexpected challenges discovered during early access testing;
- complete the scientific and technical validation of new products on our currently expected timeline or at all;
- deliver our future products in a timely manner to our customers;
- grow our market share by marketing and selling our products for new and additional applications;
- manage the significant burdens that expanding our existing or future products into current and new markets may impose on marketing, compliance, and other administrative and managerial resources;
- maintain and develop strategic relationships with vendors, manufacturers, and other industry partners to acquire necessary materials for the production of, and to develop, manufacture and commercialize, our existing or future products;
- adapt or scale our manufacturing activities to meet performance specifications and potential demand at a reasonable cost;
- avoid infringement and misappropriation of third-party intellectual property;
- obtain and maintain any necessary licenses to third-party intellectual property on commercially reasonable terms;
- obtain valid and enforceable patents that give us a competitive advantage or enforce existing patents;
- protect our proprietary technology; and
- attract, retain, and motivate qualified personnel.

The risks noted above, especially with respect to the marketing, sales, and commercialization of our products, may be heightened by the impact of current uncertain market and other conditions. In addition, a high percentage of our expenses is and will continue to be fixed. Accordingly, if we do not generate revenue as and when anticipated, we could suffer a material adverse effect on our business, financial conditions, results of operations and prospects.

We evaluate goodwill and other intangible assets with indefinite useful lives for impairment annually and whenever events or changes in circumstances indicate that the fair value of such assets may be less than the carrying value. We also perform regular reviews to determine if any event has occurred that may indicate that the carrying values of our intangible assets with finite lives and other finite-lived assets are impaired. Events that would indicate impairment and trigger an interim impairment test include, but are not limited to, adverse changes in business or economic conditions, lower-than-expected performance of a product line or business, changes in strategic direction, unanticipated technological or competitive developments, loss of key personnel, and actions by governments or courts. The occurrence of any of these events, may require us to record future impairment charges. For example, we recorded $184.5 million of impairment charges during the year ended December 31, 2024 as described in additional detail in *Note 4. Balance Sheet Components* in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and $15.0 million of impairment charges during the year ended December 31, 2025, as described in additional detail in *Note 4. Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K. Additionally, amortization of acquired intangible assets during the year ended December 31, 2025 included $359.3 million of accelerated amortization pertaining to the Company's change in estimate of its remaining useful life of the developed technology acquired in connection with the 2021 Omniome acquisition as described in additional detail in *Note 6. Restructuring* in Part II, Item 8 of this Annual Report on Form 10-K. Any such charges may adversely affect our results of operations.

We have incurred losses to date, and we expect to continue to incur significant losses as we develop our business and we may never achieve profitability.

We have generally incurred net losses each quarter since inception, and we cannot be certain if or when we will produce sufficient revenue from our operations to support our costs. Even if profitability is achieved in the future, we may not be able to sustain profitability on a consistent basis. We expect to continue to incur substantial losses and negative cash flow from operations for the foreseeable future. Although we initiated expense reduction plans during the second quarter of 2024 and initiated further expense reduction plans during the first quarter of 2025, we do not expect to be profitable in 2026, and there can be no assurance that these expense reduction initiatives will be successful in helping us achieve profitability.

Our net losses since inception and our expectation of incurring substantial losses and negative cash flow for the foreseeable future could:

- make it more difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other business opportunities;
- increase the volatility of the price of our common stock;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a disadvantage to other companies that offer nucleic acid sequencing equipment or consumables; and
- limit our ability to borrow additional funds.

In addition, inflationary pressure, including as a result of supply shortages, has adversely impacted and could continue to adversely impact our financial results, and our operating costs may increase. We may not fully offset these cost increases by raising prices for our products and services, which could result in downward pressure on our margins. Further, our customers may choose to reduce their business with us if we increase our pricing.

Any or all of the foregoing may have a material adverse effect on our business, operations, financial condition, and prospects. An impairment in value of our tangible or intangible assets could also be recorded as a result of weaker economic conditions. For more information on impairment considerations, see "—*The commercialization and sales of our current or future products may be unsuccessful or less successful than anticipated. While we plan to continue pursuing new products and expanding into adjacent markets, we have limited experience in managing and selling multiple products and, as a result, may face challenges selling in new markets and fail to successfully carry out these initiatives, which may adversely impact our business, financial condition or results of operation.*" above.

Expense reduction initiatives could be disruptive to our operations and adversely affect our results of operations and financial condition, and we may not realize some or all of the anticipated benefits of these initiatives, whether in the time frame anticipated or at all.

Our expense reduction initiatives comprise, among other things, workforce reductions, facilities downsizing and a refined pipeline of development activities. For example, during the second quarter of 2024 we initiated plans to reduce certain of our annualized run-rate operating expenses by the end of the year, with the intent of better aligning our organizational structure and resources with our strategic initiatives, and during the first quarter of 2025 we initiated further plans to reduce certain of our annualized run-rate operating expenses by the end of the year, given persistent uncertainty surrounding academic and NIH funding, along with the introduction and impact of new or changing tariffs. The implementation of these expense reduction initiatives, including the impact of workforce reductions, could impair our ability to invest in developing, marketing and selling new and existing products, be disruptive to our operations, make it difficult to attract or retain employees, result in higher than anticipated charges, divert the attention of management, result in a loss of accumulated knowledge, impact our customer and supplier relationships, and otherwise adversely affect our results of operations and financial condition. In addition, our ability to complete our expense reduction initiatives and achieve the anticipated benefits within the expected time frame is subject to estimates and assumptions and may vary materially from our expectations, including as a result of factors that are beyond our control. Furthermore, our efforts to stabilize our business may not be successful.

We are not cash flow positive and may not have sufficient cash to make required payments under the terms of our debt or fund our long-term planned operations.

Our operations have consumed substantial amounts of cash since inception, and we expect to continue to incur substantial losses and negative cash flow from operations for the foreseeable future. Additional funds may not be available on terms acceptable to us or at all. We have incurred significant debt, and we may incur additional debt in the future. As of December 31, 2025, we had outstanding approximately $200.0 million aggregate principal amount of our 1.50% Convertible Senior Notes due 2029 (the "2029 Notes") and $441.0 million aggregate principal amount of our 1.375% Convertible Senior Notes due 2030 (the "2030 Notes" and together with the 2029 Notes, the "Notes"). As discussed in *Note 5. Convertible Senior Notes* in Part II, Item 8 of this Annual Report on Form 10-K, we exchanged the remaining approximately $459.0 million in aggregate principal amount of our 1.50% Convertible Senior Notes due 2028 (the "2028 Notes") for (i) $200.0 million aggregate principal amount of the 2029 Notes, (ii) 20,451,570 shares of common stock and (iii) $50.0 million of cash (the "2024 Exchange Transaction"). The 2024 Exchange Transaction closed on November 21, 2024. We may not have sufficient cash to make required payments under the terms of this debt, and should this occur, debt holders have rights senior to common stockholders to make claims on our assets. In addition, if we do not have sufficient cash to make the required payments at maturity, we may need to raise additional capital, which could result in dilution of our existing investors, or refinance or restructure our debt, which will depend on, among other things, the condition of the capital markets and our financial condition at such time, and which may be at higher interest rates. We may not be able to issue equity securities due to unacceptable terms and conditions to us in the capital markets. To the extent that we intend to raise additional funds through the sale of our common stock, downward fluctuations in our stock price could adversely affect such fundraising efforts. Furthermore, equity financings normally involve shares sold at a discount to the current market price and fundraising through sales of additional shares of common stock or other equity securities will have a dilutive effect on our existing investors. We may be required to seek equity financing at a time when the market price for our common stock is low, which would further dilute ownership for existing common stockholders.

We believe that our growth will depend, in part, on our ability to fund our commercialization efforts and our efforts to develop new products and improve our existing products. To the extent our existing resources are not sufficient, it may require us to delay, or even not allow us to conduct any or all of these activities that we believe would be beneficial for our future growth. We may need to raise additional funds through public or private debt or equity financing or alternative financing arrangements, which may include collaborations or licensing arrangements. If we are unable to raise funds on favorable terms, or at all, we may have to reduce our cash burn rate and may not be able to support our commercialization efforts, launching of new products, or operations, or to increase or maintain the level of our research and development activities.

If we are unable to generate sufficient cash flows or to raise adequate funds to finance our forecasted expenditures, we may have to make significant changes to our operations, including delaying or reducing the scope of, or eliminating some or all of, our development programs. We also may have to reduce sales, marketing, engineering, customer support or other resources devoted to our existing or new products, or we may need to cease operations. Any of these actions could materially impede our ability to achieve our business objectives and could materially harm our operating results, and there can be no assurance that any of these actions would be successful. If our cash, cash equivalents and investments are insufficient to fund our projected operating requirements and we are unable to raise capital, it could have a material adverse effect on our business, financial condition and results of operations and prospects.

The disposition of our assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies could have a material adverse effect on our business, financial condition and results of operations.

On January 30, 2026, we completed a disposition of assets to Buyer in accordance with the terms of the Asset Purchase Agreement, pursuant to which, among other matters, Buyer acquired certain intellectual property and other assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies.

Pursuant to the Asset Purchase Agreement, we have retained certain liabilities arising from our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies as they existed prior to the closing of the Asset Sale. While we are not aware of any such liabilities that may be material and have adequately accrued for these liabilities, there can be no assurances that additional expenditures will not be incurred in resolving these liabilities, which may have a material adverse effect on our business, operations, financial condition, operations and prospects.

We have made acquisitions and, in the future, may continue to acquire businesses, technologies or assets, form joint ventures or make other strategic investments with companies that could adversely affect our operating results, dilute our stockholders' ownership, or cause us to incur debt or significant expense.

As part of our business strategy, we have acquired and expect to continue to pursue acquisitions of complementary businesses, technologies, or assets. We may also pursue technology license arrangements, strategic alliances or investments that complement our business.

Acquisitions and strategic transactions involve numerous risks, any of which could harm our business and negatively affect our financial condition and results of operations, including:

- intense competition for suitable acquisition targets, which could increase prices and adversely affect our ability to consummate deals on favorable or acceptable terms;
- failure or material delay in closing a transaction;
- transaction-related lawsuits or claims;
- difficulties in integrating the technologies, operations, existing contracts, and personnel of an acquired company;
- difficulties in retaining key employees or business partners of an acquired company;
- difficulties in retaining suppliers, partners, or customers of an acquired company;
- challenges with integrating the brand identity of an acquired company with our own;
- diversion of financial and management resources from existing operations or alternative acquisition opportunities;
- failure to realize the anticipated benefits or synergies of a transaction;
- difficulties in developing technology post-acquisition;
- failure to identify the problems, liabilities, or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, litigation, revenue recognition or other accounting practices, or employee or user issues;
- risks that regulatory bodies may enact new laws or promulgate new regulations that are adverse to an acquired company or business;
- risks that regulatory bodies do not approve our acquisitions or business combinations or delay such approvals;
- theft of our trade secrets or confidential information that we share with potential acquisition candidates or other potential strategic partners;
- risk that an acquired company or investment in new services cannibalizes a portion of our existing business; and
- adverse market reaction to an acquisition or other strategic transaction.

To finance any acquisitions or other strategic investments, we may raise additional funds, which could adversely affect our existing stockholders and our business. If the price of our common stock is low or volatile, we may not be able to acquire other companies for stock. In addition, our stockholders may experience substantial dilution as a result of additional securities we may issue for acquisitions. Open market sales of substantial amounts of our common stock issued to stockholders of companies we acquire could also depress our stock price. Additional funds may not be available on terms that are favorable to us, or at all.

If we fail to address the foregoing risks or other problems encountered in connection with past or future acquisitions of businesses, new technologies, services, and other assets and strategic investments, or if we fail to successfully integrate such acquisitions or investments, our business, financial condition, and results of operations could be adversely affected, including potential impairments of goodwill and intangible assets.

If we are unable to successfully develop and timely manufacture our current and future products our business may be adversely affected.

Considering the highly complex technologies involved in our products, there can be no assurance that we will be able to manufacture and commercialize our current and future products on a timely basis or continue providing adequate support for our existing products. The commercial success of our products, including the Revio and Vega systems, and the products under development, including acquired technologies, depends on a number of factors, including performance and reliability of the systems, our anticipating and effectively addressing customer preferences and demands, the success of our sales and marketing efforts, effective forecasting and management of product demand, purchase commitments and inventory levels, effective management of manufacturing and supply costs, and the quality of our products, including consumables such as SMRT Cells and reagents. Should we face delays in or discover unexpected defects during the further development or manufacturing process of instruments or consumables related to our products, including any delays or defects in software development or product functionality, the timing and success of the continued rollout and scaling of our products may be significantly impacted, which may materially and negatively impact our revenue and gross margin. The ability of our customers to successfully utilize our products will also depend on our ability to deliver high quality SMRT Cells and reagents. We have designed SMRT Cells and other consumables specifically for the Sequel, Sequel II/IIe, Revio and Vega systems, and may need to develop in the future, other customized SMRT Cells and consumables for our future products. Our production of the SMRT Cells for the Sequel and Sequel II/IIe systems has been and may in the future, including with respect to the Revio system, be below desired levels and yields, and we have experienced and may experience in the future manufacturing delays, product or quality defects, SMRT Cell variability, and other issues. The performance of our consumables is critical to our customers' successful utilization of our products, and any defects or performance issues with our consumables would adversely affect our business. All of the foregoing could have a material adverse effect on our ability to sell our products or result in other material adverse effects on our business, operations, financial condition, operations and prospects.

The development of our products is complex and costly. Problems in the design or quality of our products may have a material and adverse effect on our brand, business, financial condition, and operating results, and could result in us losing our certifications from the International Organization for Standardization ("ISO"). If we were to lose ISO certification, then our customers might choose not to purchase products from us and this could adversely impact our ability to develop products approved for clinical uses. Unanticipated problems with our products could divert substantial resources, which may impair our ability to support our new and existing products and could substantially increase our costs. If we encounter development challenges or discover errors in our products late in our development cycle, including during external beta testing, we may be forced to undertake design and/or production changes, delay product shipments or the scaling of manufacturing or supply. The completion of the production and external testing of our beta systems may also take longer than currently planned, cost more than currently expected and the scientific and technical validation may not be completed on our currently expected timelines or at all. Such testing may also expose fundamental flaws in our products that may cause us to abandon the further development of such products.

If the continued rollout of our current and future products, including with respect to the SMRT Cell, the Revio and Vega systems, is delayed or is not successful or less successful than anticipated, then we may not be able to achieve an acceptable return, if any, on our substantial research and development efforts, and our business may be materially and adversely affected. The expenses or losses associated with delayed or unsuccessful product development or lack of market acceptance of our existing and new products, including the SMRT Cell and the Revio and Vega systems could materially and adversely affect our business, operations, financial condition, and prospects.

Our research and development efforts may not result in the benefits that we anticipate, and our failure to successfully market, sell, and commercialize our current and future products could have a material adverse effect on our business, financial condition and results of operations.

We have dedicated significant resources to developing our current products. We are also engaged in substantial and complex research and development efforts, which, if successful, may result in the introduction of new products in the future, including in connection with the SMRT Cell and the Revio and Vega systems, in addition to other products currently under development, including acquired technologies. Our research and development efforts are complex and require us to incur substantial expenses and we may not be able to develop, manufacture and commercialize new products or obtain regulatory approval if necessary. We may divert significant resources to research and development initiatives that do not result in commercialized products, and even if these efforts do result in commercialized products, there can be no assurance that such products will compete successfully in the market or achieve an acceptable return, if any, on our research and development efforts and expenses. Moreover, our joint research and development efforts with partners require significant management attention and operational resources. If we are unable to successfully manage such joint research and development efforts, our future results may be adversely impacted. Furthermore, we will need to continue to expand our internal capabilities or seek new partnerships or collaborations, or both, in order to successfully develop, market, sell and commercialize our products for and in the markets we seek to reach. If we are unable to do so or are delayed, then this could materially and adversely affect our business, operations, financial condition, and prospects.

We must successfully manage new product introductions and transitions and the development of acquired technologies, for which we may incur significant costs during these transitions and development, and these efforts may not result in the benefits we anticipate.

If our products and services fail to deliver the performance, scalability or results expected by our current and future customers, or are not delivered on a timely basis, our reputation and credibility may suffer, our current and future sales and revenue may be materially harmed and our business may not succeed. For instance, if we are not able to successfully execute on the commercialization plan for our Revio HiFi long-read sequencing system and the Vega benchtop long-read sequencing system, and each of their related consumables, and any future products that may be developed for research, medical and clinical uses, including acquired technologies, it could have a material adverse effect on our business, financial condition and results of operations. In addition, the introduction of future products, including with respect to future long-read products, and related consumables, has led and may in the future lead to our limiting or ceasing development of further enhancements to our existing products as we focus our resources on new products, and has resulted and could in the future result in reduced marketplace acceptance and loss of sales of our existing products, materially adversely affecting our revenue and operating results. The introduction of new products, including the recent commercialization of our Vega system, has had and may in the future also have a negative impact on our revenue in the near-term as our current and future customers have delayed or cancelled and may in the future delay or cancel orders of existing products in anticipation of new products and we may also be pressured to decrease prices for our existing products. Our experience in managing product transitions is limited, and we have experienced, and may in the future experience, difficulty in managing or forecasting customer reactions, purchasing decisions or transition requirements with respect to newly launched products. We have incurred and may continue to incur significant costs in completing these transitions, including costs of write-downs of our products, as current or future customers transition to new products. If we do not successfully manage these product transitions, including with respect to the Revio and Vega systems and each of their related consumables, and any future long-read products, our business, operations, financial condition, and prospects may be materially and adversely affected.

Our business may be adversely affected by epidemics or other public health emergencies.

Our business could be adversely impacted by the effects of epidemics or other public health emergencies. These impacts could include, but are not necessarily limited to:

- shutdowns or business disruptions experienced by manufacturers, suppliers and other third parties with whom we conduct business;
- disruptions or interruptions to our supply chains;
- changes in applicable public health regulations that require us to modify our business practices and operations; and

- disruption to customer demand for our products.

The extent to which any epidemic or other public health emergency impacts our business and financial results inherently depends on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of a particular public health matter and the actions to contain it or treat its impact, among others. Even after an epidemic or public health emergency has subsided, we may continue to experience an adverse impact to our business as a result of economic aftershocks, including recessionary effects and inflationary pressures.

Significant changes to our leadership team and the resulting management transitions might harm our future operating results.

We have in recent years experienced significant changes to our leadership team, and although we believe these leadership transitions are in the best interest of our stakeholders, these transitions may result in the loss of personnel with deep institutional or technical knowledge. Further, the transition could potentially disrupt our operations and relationships with employees, suppliers, partners, and customers due to added costs, operational inefficiencies, decreased employee morale and productivity and increased turnover. We must successfully recruit and integrate our new leadership team members within our organization to achieve our operating objectives; as such, the leadership transition may temporarily affect our business performance and results of operations while the new members of our leadership team become familiar with our business. In addition, our competitors may seek to use this transition and the related potential disruptions to gain a competitive advantage over us. Furthermore, these changes may increase our dependency on the other members of our leadership team that remain with us, who are not contractually obligated to remain employed with us and may leave at any time. Any such departure could be particularly disruptive given that we are already experiencing leadership transitions and, to the extent we experience additional management turnover, competition for top management is high such that it may take some time to find a candidate that meets our requirements. Our future operating results depend substantially upon the continued service of our key personnel and in significant part upon our ability to attract and retain qualified management personnel. If we are unable to mitigate these or other similar risks, our business, results of operations and financial condition may be materially and adversely affected.

We depend on the continuing efforts of our senior management team and other key personnel. If we lose members of our senior management team or other key personnel or are unable to successfully retain, recruit and train qualified scientists, engineers, sales personnel and other employees, our ability to maintain, develop and commercialize our products could be harmed and we may be unable to achieve our goals.

Our success depends upon the continuing services of members of our senior management team and scientific and engineering personnel. In particular, our scientists and engineers are critical to our technological and product innovations, and we will need to hire additional qualified personnel from time to time. Our industry, is characterized by high demand and intense competition for talent, and the turnover rate has been and may continue to be high. Our employees can leave our company with little to no prior notice and would be free to work for a competitor. We compete for qualified management and scientific personnel with other life science companies, academic institutions and research institutions, particularly those focusing on genomics. We also compete for qualified sales personnel to support the commercialization of our existing and new products. Workforce reductions, such as the workforce reduction we implemented in 2024 and 2025, and other expense reduction efforts may be negatively received by potential or current employees, and accordingly result in attrition or difficulty in recruiting desirable candidates. Additionally, we may face challenges in retaining and recruiting key personnel due to sustained declines in our stock price that could reduce the retentive value of stock options, restricted stock units and other equity awards we issue as compensation. We may not be able to provide adequate cash or other incentives to adequately counterbalance any negative perceptions about the value of our equity awards. Moreover, the value of any equity awards that we do grant to our personnel may be significantly affected by movements in our stock price that are beyond our control. The loss of qualified employees, or an inability to attract, retain, and motivate employees, could prevent us from pursuing collaborations and materially and adversely affect our support of existing products, product development and launches, business growth prospects, results of operations and financial condition.

Further, changes to U.S. immigration policies, such as the implementation of more restrictive interpretations by the U.S. Citizenship and Immigration Services of regulatory requirements for H-1B and other visa programs, could restrain the flow of technical and professional talent into the U.S. and may inhibit our ability to hire and increase the cost of qualified personnel. If some of our employees' temporary work permits expire and are not renewed, we may face increased turnover rates and labor shortages, which could result in higher labor costs.

If one or more of our senior executives or other key personnel were unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and other senior management may be required to divert attention from other aspects of the business. In addition, we do not have "key person" life insurance policies covering any member of our management team or other key personnel. The loss of any of these individuals or any inability to attract or retain qualified personnel, including scientists, engineers, sales personnel and others, could prevent us from pursuing collaborations and materially and adversely affect our support of existing products, product development and introductions, business growth prospects, results of operations and financial condition.

Our success is highly dependent on our ability to further penetrate nucleic acid sequencing applications as well as on the growth and expansion of the demand for our products. If our products fail to achieve and sustain sufficient market acceptance, we will not generate expected revenue and our business may not succeed.

Although nucleic acid sequencing technology is well-established, our SMRT Sequencing technology is relatively new and evolving. We cannot be sure that our current or future products will gain acceptance in the marketplace at levels sufficient to support our costs. Our success depends, in part, on our ability to expand overall demand for nucleic acid sequencing to include new applications that are not practicable with other current technologies and to introduce new products that capture a larger share of growing overall demand for sequencing. To accomplish this, we must successfully commercialize, and continue development of, our proprietary SMRT Sequencing technology for use in a variety of life science and other research applications, including uses by academic, government and clinical laboratories, as well as pharmaceutical, diagnostic, biotechnology, and agriculture companies, among others. However, we may be unsuccessful in these efforts and the sale and commercialization of our products may not grow sufficiently to cover our costs.

Our business currently depends on a limited number of products and there can be no assurance that we will be successful in adding new products or securing additional customers for our current and future products. If we are unable to successfully develop acquired technologies and sell acquired technology products, we may fail to achieve our strategic commercial initiatives in connection with the planned release of new products and anticipated entry into new markets. Our ability to further penetrate existing applications and any new applications depends on a number of factors, including the cost, performance and perceived value associated with our products, as well as customers' willingness to adopt a different approach to nucleic acid sequencing. Potential customers may have already made significant investments in other sequencing technologies and may be unwilling to invest in new technologies. We are experiencing pricing pressures caused by industry competition and increased demand for lower-priced instruments and lower operational costs. We have limited experience commercializing and selling products outside of the academic and research settings, and we cannot guarantee success in acquiring additional customers. Furthermore, we cannot guarantee that our products will be satisfactory to potential customers or that our products will perform in accordance with customer expectations.

Nucleic acid sequencing applications are new and dynamic, and there can be no assurance that they will develop as quickly as we anticipate, that they will reach their full potential or that our products will be appropriate or competitive for these applications. As a result, we may be required to refocus our marketing efforts, and we may have to make changes to the specifications of our products to enhance our ability to enter particular applications more quickly. We may also need to delay full-scale commercial deployment of new products as we develop them in order to perform quality control and early access user testing. We also need to maintain reliable supply chains for the various components in our new products and consumables to support large-scale commercial production. Even if we are able to implement our technology successfully, we and/or our sales and distribution partners may fail to achieve or sustain market acceptance of our current or future products across the full range of our intended life science and other applications. We need to continue to expand and update our internal capabilities or to collaborate with other partners, or both, in order to successfully expand sales of our products in the applications that we seek to reach, which we may be unable to do at the scale required to support our business.

If the demand for our products grows slower than anticipated, if we are unable to successfully scale or otherwise ensure sufficient manufacturing capacity for new products to meet demand, if we are not able to successfully market and sell our products, if competitors develop better or more cost-effective products, if our product launches and commercialization are not successful, or if we are unable to further grow our customer base or do not realize the growth with existing customers that we are expecting, our current and future sales and revenue may be materially and adversely harmed, our gross margins and operating results may decline, our

cash flows and liquidity may be negatively impacted, our long-term growth strategy may not be realized, and our business may not succeed.

We rely on other companies for the manufacture of certain of our products, components and sub-assemblies and intend to outsource additional sub-assemblies in the future, some of which are sole sources. We may not be able to successfully scale the manufacturing process necessary to build and test multiple products on a full commercial basis, which could materially harm our business.

Our products are complex and involve a large number of unique components, many of which require precise manufacturing. The nature of our products requires customized components that are currently available only from a limited number of sources, and in some cases, single sources. We have chosen to source certain products and critical components from a single source, including suppliers for our SMRT Cells, reagents, and instruments. We cannot assure you that products or product supplies will not be limited or interrupted, especially with respect to our sole source third-party manufacturing and supply collaborators, or that products or product supplies will be of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of our manufacturers could require significant effort and expertise because there may be a limited number of qualified replacements. We may be unable to negotiate binding agreements with our current and future sole source third-party manufacturing and supply collaborators or, in the event that such collaborators' services become interrupted for any reason, find replacement manufacturers to support our development and commercial activities at commercially reasonable terms. We do not always have arrangements in place for a redundant or second-source supply for our sole source manufacturers and vendors in the event they cease to provide their products or services to us or fail to provide sufficient quantities in a timely manner. If we are required to purchase these products or components from alternative sources, it could take several months or longer to qualify the alternative sources. If we are unable to source these products or product components from sole-source third-party manufacturing and supply collaborators for any reason, including acts of terrorism, hostilities, military conflict and acts of war, including between China and Taiwan, or secure a sufficient supply of these products or product components on a timely basis and at an acceptable cost, or if these products or components do not meet our expectations or specifications for quality and functionality, our operations and manufacturing would be materially and adversely affected, we could be unable to meet customer demand and our business and results of operations may be materially and adversely affected.

The operations of our third-party manufacturing partners and suppliers have had and may in the future be disrupted by conditions unrelated to our business or operations or that are beyond our control, including but not limited to changing international trade policies, inflation, supply chain disruptions, and conditions related to epidemics or pandemics. If our manufacturing partners or suppliers are unable or fail to fulfill their obligations to us for any reason, we may not be able to manufacture our products and satisfy customer demand or our obligations under sales agreements in a timely manner, and our business could be harmed as a result. We have and may continue to face challenges in our supply chain, which has and may continue to adversely impact margins. During periods of shortage or delay, the price of products or components may increase or the products or components may not be available at all. Our suppliers have raised prices and may continue to raise prices that we may not be able to pass on to our customers, which could adversely affect our business, including our competitive position, market share, revenues, and profit margins in material ways. We may not be able to secure enough components at reasonable prices or of acceptable quality to build new products in a timely manner in the quantities or configurations needed. Various government policies have had, and may continue to have in the future, a negative impact on manufacturing and/or supply chains, in addition to customer demand for our products and demand through certain distributors. As a result of global economic or political instability, such as the uncertainty in the Middle East, an escalation of the war in Ukraine, potential uncertainty related to Taiwan and its relationship with China, changing international trade policies, other disease outbreaks, or supply issues, we or our contractors could experience shortages, business disruptions or delays for materials sourced or manufactured in the affected countries, and their ability to supply us with instruments, products or components may be affected. Occasionally, system components and reagents reach the end of their life cycles or become obsolete, requiring us to source alternatives. If we encounter delays or difficulties in securing the quality and quantity of materials we require for our products, our supply chain would be interrupted, which would adversely affect sales. If any of these events occur, our business and operating results could be harmed. Accordingly, if any of the foregoing occurs, our ability to commercialize our products, revenue and gross margins could suffer until lockdowns related to epidemics or pandemics are lifted, supply issues or business disruptions are resolved and/or other sources can be developed.

Our current manufacturing process is also characterized by long lead times between the placement of orders for and delivery of our products. If we do not accurately anticipate our needs or if we receive insufficient products or components to manufacture our products on a timely basis to meet customer demand, our sales and our gross margin may be adversely affected, and our business could be materially harmed. If we are unable to reduce our manufacturing costs and establish and maintain reliable, high-volume manufacturing suppliers as we scale our operations and expand our product offerings, our business, operations, financial condition, and prospects could be materially and adversely harmed.

We may be unable to consistently manufacture our instruments and consumables, including SMRT Cells and reagents, to the necessary specifications or in quantities necessary to meet demand at an acceptable cost or at an acceptable performance level.

In order to successfully generate revenue from our products, we need to supply our customers with products that meet their expectations for quality and functionality in accordance with established specifications. Our customers have experienced variability in the performance of our products. We have experienced and may continue to experience delays, quality issues or other difficulties leading to customer dissatisfaction with our products. Our production of SMRT Cells, flow cells and of reagents for our long-read technologies, involve a long and complex manufacturing process and has been and may in the future be below desired yields and resulting output levels. We have experienced and may experience in the future manufacturing delays, product defects, variability in the performance of SMRT Cells, flow cells and other products, inadequate reserves for inventory, or other issues.

There is no assurance that we will be able to manufacture our products so that they consistently achieve the product specifications and quality that our customers expect, including any products developed for clinical uses. Problems in the design or quality of our products, including low manufacturing yields of SMRT Cells, flow cells, or sub-performing reagent lots may have a material adverse effect on our brand, business, financial condition, and operating results, and could result in us losing our ISO certifications. If we were to lose our ISO certifications, then our customers might choose not to purchase products from us. There is also no assurance that we will be able to increase manufacturing yields and decrease costs, particularly if high rates of inflation continue, or that we will be successful in forecasting customer demand or manufacturing and supply costs, or that product supplies, including reagents or integrated chips, will not be limited or interrupted, or will be of satisfactory quality or continue to be available at acceptable prices. Furthermore, while we are undertaking efforts to increase our manufacturing scale and capability, we may not be able to increase manufacturing to meet anticipated demand or may experience downtime in our manufacturing facilities, including, for example, if our suppliers are unable to meet our increased demand at a time when the supply chain is under duress due to potential dislocations and disruptions in product and employee availability (whether due to pandemics, government policy or otherwise). An inability to manufacture products and components that consistently meet specifications, in necessary quantities and at commercially acceptable costs, will have a negative impact, and may have a material adverse effect on our business, product development timelines, financial condition and results of operations.

Rapidly changing technology in life sciences and research diagnostics could make our products obsolete unless we continue to develop, manufacture and commercialize new and improved products and pursue new opportunities.

Our industry is characterized by rapid and significant technological changes, frequent new product introductions and enhancements and evolving industry standards. These new and evolving technologies may be superior to, impair, or render obsolete the products we currently offer or the technologies currently underlying our products. Our future success depends on our ability to continually improve our products, to develop and introduce new products that address the evolving needs of our customers on a timely and cost-effective basis and to pursue new opportunities. These new opportunities may be outside the scope of our proven expertise or in areas where demand is unproven, and new products and services developed by us may not gain market acceptance or may not adequately perform to capture market share. Our inability to develop and introduce new products and to gain market acceptance of our existing and new products could harm our future operating results. Unanticipated difficulties or delays in replacing existing products with new products or in commercializing our existing or new products in sufficient quantities and of acceptable quality to meet customer demand, including with respect to the SMRT Cell and the Revio and Vega systems, could diminish future demand for our products and may materially and adversely harm our future operating results.

The size of the markets for our products, including our Revio and Vega instruments, may be smaller than estimated, and new market opportunities may not develop as quickly as we expect, or at all, limiting our ability to successfully sell our products.

The market for sequencing systems and consumables products is evolving, making it difficult to accurately predict the size of the markets for our current and future products, including our Revio and Vega instruments. Our estimates of the total addressable market for our current and future products are based on a number of internal and third-party estimates and assumptions that may be incorrect, including the assumptions that academic, governmental, corporate, or other sources of funding will continue to be available to life sciences researchers at times and in amounts necessary to allow them to purchase our products. In addition, sales of new products may take time to develop and mature and we cannot be certain that these market opportunities will develop as we expect. While we believe our assumptions and the data underlying our estimates of the total addressable market for our products are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates, or those underlying the third-party data we have used, may change at any time, thereby reducing the accuracy of our estimates. As a result, our estimates of the total addressable market and growth opportunities for our products may be incorrect.

The future growth of the market for our current and future products depends on many factors beyond our control, including recognition and acceptance of our products by the research and scientific communities, the growth, prevalence and costs of competing products and solutions and the development of robust ecosystems supporting our products and their methodologies. For example, the market acceptance and growth of long-read sequencing technologies, like our Revio and Vega systems, depends on a variety of factors, including the availability and cost-effectiveness of related tools for high quality sample collection and preparation and advanced bioinformatic tools to process results; as well as the perceived advantages and disadvantages of long-read sequencing compared to short-read or other sequencing technologies: consequently, if potential customers conclude the costs of adopting long-read sequencing technologies outweigh the benefits, the market for our Revio and Vega systems may be negatively impaired. There can be no assurance that our current or future products will gain traction in the market. If the markets for our current and future products are smaller than estimated or do not develop as we expect, our growth may be limited, and it could materially and adversely affect our business, operations, financial condition and prospects.

Increased market adoption of our products by customers may depend on the availability of sample preparation and informatics tools, some of which may be developed by third parties.

Our commercial success may depend in part upon the development of sample preparation and software and informatics tools by third parties for use with our products. We cannot guarantee that product supplies, including reagents, will not be limited or interrupted, or will be of satisfactory quality or continue to be available at acceptable prices, or that third parties will develop tools that our current and future customers will find useful with our products, or that customers will adopt such third-party tools on a timely basis or at all. A lack of complementary sample preparation and informatics tools, or delayed updates of such tools, may impede the adoption of our products and may materially and adversely impact our business.

We operate in a highly competitive industry and if we are not able to compete effectively, our business and operating results will likely be harmed.

There are a significant number of companies offering nucleic acid sequencing products and/or services, including Illumina, BGI Genomics (also known as MGI or Complete Genomics), Thermo, ONT Ltd., Roche, Bionano, and Qiagen. Other companies recently entering the market include Ultima, Element and Singular. Many of these companies currently have greater name recognition, more substantial intellectual property portfolios, longer operating histories, significantly greater financial, technical, research and/or other resources, more experience in new product development, larger and more established manufacturing capabilities and marketing, sales, and support functions, and/or more established distribution channels to deliver products to customers than we do. These companies may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements.

There are also several companies that are in the process of developing or have already developed and commercialized new, competing or potentially competing technologies, products and/or services, including ONT Ltd. and its subsidiaries, against whom we have filed complaints for patent infringement in the U.S. District Court for the District of Delaware and, previously, with the U.S. International Trade Commission, in the High Court of England and Wales and in the District Court of Mannheim, Germany. ONT Ltd. previously filed claims against us in the High Court of England and Wales and the District Court of Mannheim, Germany, also for patent infringement. Roche is developing potentially competing sequencing products. Increased competition may result in pricing pressures, which could harm our sales, profitability or market share. Our failure to further enhance our existing products and to introduce new products to compete effectively could materially and adversely affect our business, operations, financial condition, and prospects.

We may be unable to successfully increase sales of our current products or market and sell our future products.

Our ability to achieve profitability depends, in part, on our ability to attract customers for our current and future products, and we may be unable to effectively market or sell our products or find appropriate partners to do so. To perform sales, marketing, distribution, and customer support functions successfully, we face a number of risks, including:

- our ability to attract, retain and manage qualified sales, marketing, and service personnel necessary to expand market acceptance for our technologies;
- the performance and commercial availability expectations of our existing and potential customers with respect to new and existing products;
- availability of potential sales and distribution partners to sell our technologies, and our ability to attract and retain such sales and distribution partners;
- the time and cost of maintaining and growing a specialized sales, marketing and service force for a particular application, which may be difficult to justify in light of the revenue generated; and
- our sales, marketing and service force may be unable to execute successful commercial activities.

We have, and may in the future, use promotional pricing and similar measures to attract purchases of our products. These measures may not be successful in attracting purchases and, even if successful, may negatively impact our gross margins.

We have enlisted and may continue to enlist third parties to assist with sales, equipment leasing, distribution and customer support. There is no guarantee that we will be successful in attracting desirable sales and distribution partners, that we will be able to enter into arrangements with such partners on terms favorable to us or that we will be able to retain such partners on a going-forward basis. If our sales and marketing efforts, or those of any of our third-party sales and distribution partners, are not successful, or our products do not perform in accordance with customer expectations, our technologies and products may not gain market acceptance, which could materially and adversely impact our business, operations, financial condition, and prospects.

Large purchases by a limited number of customers represent a significant portion of our revenue, and any loss or delay of expected purchases has resulted, and in the future could result, in material quarter-to-quarter fluctuations of our revenue or otherwise adversely affect our results of operations.

We receive a significant portion of our revenue from a limited number of customers. While during the years ended December 31, 2025, 2024, and 2023, no customer accounted for 10% or more of our total revenue, many of our customers make large purchases on a purchase-order basis rather than pursuant to long-term contracts. As a consequence of the concentrated nature of our customer base and their purchasing behavior, our quarterly revenue and results of operations have fluctuated, and may fluctuate in the future, from quarter to quarter and are difficult to forecast. For example, the cancellation of orders or acceleration or delay in anticipated product purchases or the acceptance of shipped products by our larger customers has materially affected, and in the future could materially affect, our revenue and results of operations in any quarterly period. We have been, and may in the future be, unable to sustain or increase our revenue from our larger customers, or offset any discontinuation or decrease of purchases by our larger customers with purchases by new or other existing customers. To the extent one or more of our larger customers experience significant financial difficulty, bankruptcy or insolvency, this could have a material adverse effect on our sales and our ability to collect on receivables, which could materially and adversely harm our financial condition and results of operations.

In addition, many of our customers, including some of our larger customers, have negotiated, or may in the future negotiate, volume-based discounts or other more favorable terms from us or our sales and distribution partners, which have had and may have a negative effect on our gross margins or revenue.

We expect that such concentrated purchases will continue to contribute materially to our revenue for the foreseeable future and that our results of operations may fluctuate materially as a result of such larger customers' buying patterns. In addition, we may see consolidation of our customer base. The loss of one of our larger customers, a significant delay or reduction in its purchases, or any volume-based discount or other more favorable terms that we or our sales and distribution partner(s) may agree to provide, in light of the aggregated purchase volume or buying power resulting from such consolidation, has harmed, and in the future could harm, our business, financial condition, results of operations and prospects.

Our products are highly complex, have recurring support requirements and could have unknown defects or errors, which may give rise to claims against us or divert application of our resources from other purposes.

Our products are highly complex and may develop or contain undetected defects or errors. Our customers have previously experienced reliability issues with our existing products, including the Sequel and Sequel II/IIe systems. In addition, it is possible our customers could experience reliability issues with current or future products, including the Revio and Vega systems. Despite internal and external testing, defects, or errors may arise in our products, which could result in a failure to obtain, maintain, or increase market acceptance of our products, diversion of development resources, injury to our reputation and increased warranty, service, and maintenance costs. New products, including the Revio and Vega systems, or enhancements to our existing products, including the SMRT Cell, in particular may contain undetected errors or performance problems that are discovered only after delivery to customers. If our products have reliability or other quality issues or require unexpected levels of support in the future, the market acceptance and utilization of our products may not grow to levels sufficient to support our costs and our reputation and business could be harmed. Low utilization rates of our products has and could in the future cause our revenue and gross margins to be adversely affected. We provide a warranty for our sequencing instruments and consumables, which is generally limited to replacing, repairing, or at our option, giving credit for any sequencing instrument or consumable with defects in material or workmanship. Service contracts for our sequencing instruments may be separately purchased. Defects or errors in our products may also discourage customers from purchasing our products. The costs incurred in correcting any defects or errors may be substantial and could materially and adversely affect our operating margins. If our service and support costs increase, our business and operations may be materially and adversely affected.

In addition, such defects or errors could lead to the filing of product liability claims against us or against third parties whom we may have an obligation to indemnify against such claims, which could be costly and time-consuming to defend and result in substantial damages. Although we have product liability insurance, any product liability insurance that we have or procure in the future may not protect our business from the financial impact of a product liability claim. Moreover, we may not be able to obtain adequate insurance coverage on acceptable terms. Any insurance that we have or obtain will be subject to deductibles and coverage limits. A product liability claim could have a material adverse effect on our business, financial condition, and results of operations.

A significant portion of our sales depends on customers' spending budgets that may be subject to significant and unexpected variation which could have a negative effect on the demand for our products.

Our instruments represent significant capital expenditures for our customers in research applications. Current and potential customers for our current or future products include academic and government institutions, genome centers, medical research institutions, clinical laboratories, pharmaceutical, agricultural, biotechnology, diagnostic and chemical companies. Their spending budgets can have a significant effect on the demand for our products. Spending budgets are based on a wide variety of factors, including the allocation of available resources to make purchases, funding from government sources which is highly uncertain and subject to change, including the persistent uncertainty surrounding NIH and academic funding, the spending priorities among various types of research equipment, policies regarding capital expenditures during economically uncertain periods and the potential impacts from health epidemics or pandemics. Any decrease in capital spending or change in spending priorities of our current and potential customers could significantly reduce the demand for our products. Any delay or reduction in purchases by current or potential customers or our inability to forecast fluctuations in demand could materially and adversely harm our future operating results.

We may not be able to convert our orders in backlog into revenue.

Our backlog represents product orders from our customers that we have confirmed but have not been able to fulfill, and, accordingly, for which we have not yet recognized revenue. We may not receive revenue from these orders, and any order backlog we report may not be indicative of our future revenue.

Many events can cause an order to be delayed or not completed at all, some of which may be out of our control, including the potential impacts from health epidemics or pandemics and our suppliers, especially our sole source suppliers, not being able to provide us with products or components. If we delay fulfilling customer orders or if customers reconsider their orders, those customers may seek to cancel or modify their orders with us. Customers may otherwise seek to cancel or delay their orders even if we are prepared to fulfill them. If our orders in backlog do not result in sales, our operating results may suffer.

Our sales cycles are unpredictable and lengthy, which makes it difficult to forecast revenue and may increase the magnitude of quarterly or annual fluctuations in our operating results.

The sales cycles for our sequencing instruments are lengthy because they represent a major capital expenditure and generally require the approval of our customers' senior management. This may contribute to substantial fluctuations in our quarterly or annual operating results, particularly during periods in which our sales volume is low. Because of these fluctuations, it is likely that in some future quarters our operating results will fall below the expectations of securities analysts or investors. If that happens, the market price of our stock would likely decrease. Past fluctuations in our quarterly and annual operating results have resulted in decreases in our stock price. Such fluctuations also mean that investors may not be able to rely on our operating results in any particular period as an indication of future performance. Sales to existing customers and the establishment of a business relationship with other potential customers is a lengthy process, generally taking several months and sometimes longer. Following the establishment of the relationship, the negotiation of purchase terms can be time-consuming, including as a result of seasonal factors, as discussed below, and a potential customer may require an extended evaluation and testing period. Our sales cycles may also lengthen, and those sales cycles may result in lower units sold per cycle, as we continue to introduce our Revio and Vega instruments and their associated consumables to the market, as our customers may have additional administrative, technical or other requirements associated with transitioning to new products and technologies. In anticipation of product orders, we may incur substantial costs before the sales cycle is complete and before we receive any customer payments. As a result, if a sale is not completed or is canceled or delayed, we may have incurred substantial expenses, making it more difficult for us to become profitable or otherwise negatively impacting our financial results. Even if our selling efforts are successful, the realization of revenue may be substantially delayed, our ability to forecast our future revenue may be more limited and our revenue may fluctuate significantly from quarter to quarter and year over year. For more information on the impact of these fluctuations on our results and stock price, see "—Our operating results fluctuate from quarter to quarter and year over year, which makes our future results difficult to predict and could negatively impact the market price of our common stock," below.

Because some of our customers and suppliers are based in China, our business, financial condition and results of operations could be adversely affected by the political and economic tensions between the United States and China.

We are subject to risks associated with political conflicts between the U.S. and China. While during the years ended December 31, 2025, 2024, and 2023, no customer accounted for 10% or more of our total revenue, a portion of our revenue is generated from China. In addition, certain components, some of which are critical components, of our products are manufactured in China. These components are either sourced directly from companies in China or indirectly from third parties that source from companies in China.

Consequently, we are subject to significant risks associated with the trading relationship between the U.S. and China, which is currently characterized by significant uncertainty. Tariffs imposed by the U.S. and China have increased, and may continue to increase, our costs. Additionally, export restrictions imposed by the U.S. may impact our ability to export certain products to customers or distributors in China and restrict our ability to use certain integrated circuits in our products, and it is possible that additional restrictions will be put in place that could impact our ability to provide our products to customers or distributors in China or source components from China. Moreover, the Chinese government may continue to retaliate against U.S. trade restrictions in ways that could impact our business, including through the imposition of additional tariffs on imports from the U.S. and/or the imposition of additional export controls affecting the export of certain items from China. Given the relatively fluid regulatory environment in China and the United States and uncertainty how the U.S. or foreign governments will act with respect to export controls, tariffs, international trade agreements and policies, there could be additional import, export, tax, or other regulatory changes in the future. Any such changes could directly and adversely impact our financial results and results of operations. For more information, see "—Enhanced trade tariffs, import restrictions, export restrictions or other trade barriers may materially harm our business."

Other risks could include:

- interruptions to operations in China as a result of potential disease outbreaks or natural catastrophic events, which have in the past and can result in the future in business closures, transportation restrictions, import and export complications and cause shortages in the supply of raw materials or disruptions in manufacturing;
- product supply disruptions and increased costs as a result of heightened exposure to changes in the policies of the Chinese government, political unrest or unstable economic conditions in China; and
- the nationalization or other expropriation of private enterprises or intellectual property by the Chinese government.

Difficulties in this relationship may require us to take actions adverse to our business to comply with governmental restrictions on business and trade with China.

We face significant risks associated with doing business with Taiwanese suppliers and manufacturers due to the tense relationship between Taiwan and mainland China.

Substantially all of our consumable chips are partly manufactured by a company based in Taiwan. Our supply of consumable chips and other critical components may be materially and adversely affected by diplomatic, geopolitical, military and other developments affecting the relationship between China and Taiwan. Recent military exercises in the Taiwan Strait have contributed to geopolitical uncertainty regarding the future of the relationship between China and Taiwan. Current or future diplomatic, geopolitical, military or other tensions between China and Taiwan, including trade disputes, may lead to circumstances that negatively affect the availability of such consumable chips and other critical components to us, which could limit or prohibit our ability to manufacture consumable chips and other critical components or lead to an increase in our supply costs if we cannot find a similar cost alternative supplier, which could materially and adversely impact our business, operations, prospects, financial condition and results, and results of operations.

Our operating results fluctuate from quarter to quarter and year over year, which makes our future results difficult to predict and could negatively impact the market price of our common stock.

Sales of our products, particularly our sequencing instruments, are subject to significant seasonality due to several factors, including the procurement and budgeting cycles of many of our customers, especially government-funded customers, which often coincide with government fiscal year ends and significant holidays disrupting business and sales activities in key markets. These factors have contributed, and in the future may contribute, to substantial fluctuations in our quarterly operating results.

Our operating results during any given period can also be impacted by numerous other factors, including the following:

- market acceptance for our products;
- our ability to attract new customers;
- the length of our sales cycles, as discussed above;
- our ability to achieve economies of scale and other manufacturing efficiencies at the rate we anticipate;

- publications of studies by us, our competitors or third parties;
- the timing and success of new product introductions by us or our competitors or other changes in the competitive dynamics of our industry, such as consolidation;
- the amount and timing of our costs and expenses;
- changes in our pricing policies or those of our competitors;
- general economic, industry and market conditions;
- the impact of catastrophic events, including health epidemics or pandemics and military or other armed conflicts;
- the regulatory environment in which we operate;
- expenses associated with warranty obligations or unforeseen product quality issues;
- the hiring, training, and retention of key employees, including our ability to grow our sales organization;
- litigation or other claims against us for intellectual property infringement or otherwise;
- our ability to obtain additional financing as necessary; and
- changes or trends in new technologies and industry standards.

Consequently, it is possible that in some quarters our operating results will fall below the expectations of securities analysts or investors. If that happens, the market price of our common stock would likely decrease. These fluctuations, among other factors, also mean that our operating results in any particular period may not be relied upon as an indication of future performance. Additionally, any bankruptcy of a customer or other party with whom we do business, or the failure of any such party to make payments when due, or any breach or default by any such party, or the loss of any significant partnerships, could impact our revenue recognition or result in material losses to us, which may have a material adverse impact on our business. Seasonal or cyclical variations in our sales have in the past, and may in the future, become more or less pronounced over time, and have in the past materially affected, and may in the future materially affect, our business, financial condition, results of operations, and prospects.

Our ability to use net operating losses and certain other tax attributes to offset future taxable income may be subject to substantial limitations.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs") and other pre-change tax attributes, such as research and development credits, to offset its post-change taxable income or tax liability. An "ownership change" is generally defined as a greater than 50% change (by value) in a corporation's equity ownership by "5 percent shareholders" over a rolling three-year period. We believe that we have had one or more ownership changes, and as a result our existing NOLs are currently subject to limitation. Future changes in our stock ownership could result in additional ownership changes, including potentially material changes, under Sections 382 and 383. Further, California has enacted legislation that limits the use of state NOLs for tax years beginning on or after January 1, 2024, and before January 1, 2027. Other limitations may also apply under state tax law. As a result of this legislation or other unforeseen reasons, we may not be able to utilize some or all of our NOLs even if we attain profitability.

Changes in tax law and differences in interpretation of tax laws and regulations could adversely impact our business and financial condition.

We operate in multiple jurisdictions and are subject to tax laws and regulations of the U.S. federal, state and local and non-U.S. governments. Tax laws, regulations and administrative practices in these jurisdictions may be subject to significant changes, with or without advance notice. Changes in tax laws, regulations or rulings, changes in interpretations of existing laws and regulations or changes in accounting principles could negatively and materially affect our financial position, cash flows, and results of operations.

Our facilities in California are located near earthquake faults, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our facilities in California are located near earthquake fault zones and are vulnerable to damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fire, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired. In addition, the nature of our activities could cause significant delays in our research programs and commercial activities and make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions. Accordingly, an earthquake or other disaster could materially and adversely harm our ability to conduct business.

Risks Related to Our Intellectual Property

Failure to secure patent or other intellectual property protection for our products and improvements to our products may reduce our ability to maintain any technological or competitive advantage over our current and potential competitors.

Our ability to protect and enforce our intellectual property rights is uncertain and depends on complex legal and factual questions. Our ability to establish or maintain a technological or competitive advantage over our competitors may be diminished because of these uncertainties. For example:

- we or our licensors might not have been the first to make the inventions covered by each of our pending patent applications or issued patents;
- we or our licensors might not have been the first to file patent applications for these inventions;
- it is possible that neither our pending patent applications nor the pending patent applications of our licensors will result in issued patents;
- the scope of the patent protection we or our licensors obtain may not be sufficiently broad to prevent others from practicing our technologies, developing competing products, designing around our patented technologies or independently developing similar or alternative technologies;
- our and our licensors' patent applications or patents have been, are and may in the future be, subject to interference, opposition or similar administrative proceedings, which could result in those patent applications failing to issue as patents, those patents being held invalid or the scope of those patents being substantially reduced;
- our enforcement of patents and proprietary rights in other countries may be problematic or unpredictable;
- we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions;
- we or our partners may not adequately protect our trade secrets;
- we may not develop additional proprietary technologies that are patentable; or
- the patents of others may limit our freedom to operate and prevent us from commercializing our technology in accordance with our plans.

The occurrence of any of these events could impair our ability to operate without infringing upon the proprietary rights of others or prevent us from establishing or maintaining a competitive advantage over our competitors.

Variability in intellectual property laws may adversely affect our intellectual property position.

Intellectual property laws, and patent laws and regulations in particular, have been subject to significant variability either through administrative or legislative changes to such laws or regulations or changes or differences in judicial interpretation, and it is expected that such variability will continue to occur. Additionally, intellectual property laws and regulations differ by country. Variations in the patent laws and regulations or in interpretations of patent laws and regulations in the United States and other countries may diminish the value of our intellectual property and may change the impact of third-party intellectual property on us. Accordingly, we cannot predict the scope of the patents that may be granted to us with certainty, the extent to which we will be able to enforce our patents against third parties or the extent to which third parties may be able to enforce their patents against us.

Some of the intellectual property that is important to our business is owned by other companies or institutions and licensed to us, and changes to the rights we have licensed may adversely impact our business.

We license from third parties some of the intellectual property that is important to our business. If the third parties who license intellectual property to us fail to maintain the intellectual property that we have licensed, or lose rights to that intellectual property, the rights we have licensed may be reduced or eliminated, which would eliminate barriers against our competition. Termination of these licenses or reduction or elimination of our licensed rights may result in our having to negotiate new or reinstated licenses with less favorable terms, or could subject us to claims of intellectual property infringement or contract breach in litigation or other administrative proceedings that could result in damage awards against us and injunctions that could prohibit us from selling our products. In addition, some of our licenses from third parties limit the field in which we can use the licensed technology. Therefore, for us to use such licensed technology in potential future applications that are outside the licensed field of use, we may be required to negotiate new licenses with our licensors or expand our rights under our existing licenses. We cannot be certain that we will be able to obtain such licenses or expanded rights on reasonable terms or at all. In the event a dispute with our licensors were to occur, our licensors may seek to renegotiate the terms of our licenses, increase the royalty rates that we pay to obtain and maintain those licenses, limit the field or scope of the licenses, or terminate the license agreements. In addition, we have limited rights to participate in the prosecution and enforcement of the patents and patent applications that we have licensed. If we fail to meet our obligations under these licenses, or if we have a dispute regarding the terms of the licenses, these third parties could terminate the licenses, which could subject us to claims of intellectual property infringement. As a result, we cannot be certain that these patents and applications will be prosecuted and enforced in a manner consistent with the best interests of our business. Further, because of the rapid pace of technological change in our industry, we may need to rely on key technologies developed or licensed by third parties, and we may not be able to obtain licenses and technologies from these third parties at all or on reasonable terms. The occurrence of these events may have a material adverse effect on our business, financial condition or results of operations.

The measures that we use to protect the security of and enforce our intellectual property and other proprietary rights may not be adequate, which could result in the loss of legal protection for, and thereby diminish the value of, such intellectual property and other rights.

In addition to patents, we also rely upon trademarks, trade secrets, copyrights, and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, or misappropriated. In addition, we attempt to protect our intellectual property and proprietary information by requiring our employees and consultants to enter into confidentiality and assignment of inventions agreements, and by entering into confidentiality agreements with our third-party development, manufacturing, sales, and distribution partners, who may also acquire, develop and/or commercialize alternative or competing products or provide services to our competitors. For example, Roche had certain access to our trade secrets and other proprietary information pursuant to an agreement we had entered into with Roche, subject to the confidentiality provisions thereof (certain of which provisions survive the termination of the agreement); however, Roche is developing potentially competing sequencing products. There can be no assurance that our measures have provided or will provide adequate protection for our intellectual property and proprietary information. These agreements may be breached, and we may not have adequate remedies for any such breach. In addition, our trade secrets and other proprietary information may be disclosed to others, or others may gain access to or disclose our trade secrets and other proprietary information. Enforcing a claim that a third party illegally obtained and is using our trade secrets is expensive and time consuming, and the outcome is unpredictable. Additionally, others may independently develop proprietary information and techniques that are substantially equivalent to ours. The occurrence of these events may have a material adverse effect on our business, financial condition, or results of operations.

Our intellectual property may be subject to challenges in the United States or foreign jurisdictions that could adversely affect our intellectual property position.

Our pending, issued and granted U.S. and foreign patents and patent applications have been, are and may in the future be, subject to challenges by ONT Ltd., Oxford Nanopore Technologies, Inc. ("ONT Inc.") and Metrichor, Ltd. (“Metrichor” and, together with ONT Ltd. and ONT Inc., “ONT”) in addition to other parties asserting prior invention by others or invalidity on various grounds, through proceedings, such as interferences, reexaminations, or opposition proceedings. Addressing these challenges to our intellectual property has been, and any future challenges can be, costly and distract management’s attention and resources. For example, we previously incurred significant legal expenses to litigate and settle a complaint seeking review of a patent interference decision of the U.S. Patent and Trademark Office. Additionally, ONT previously requested that the U.S. Patent and Trademark Office institute *inter partes* reviews of certain patents that we have asserted against ONT Inc. and ONT Ltd. in litigation proceedings for patent infringement. While none of the *inter partes* reviews requested by ONT were instituted by the U.S. Patent and Trademark Office, challenges of this nature before the Patent Trial and Appeal Board (“PTAB”) in the future could result in determinations that our patents or pending patent applications are unpatentable to us, or are invalidated or unenforceable in whole or in part and could require us to expend significant time, funds, and other resources in litigating such challenges. Accordingly, adverse rulings in such proceedings could negatively impact the scope of our intellectual property protection for our products and technology and could materially and adversely affect our business. Similar mechanisms for challenging the validity and enforceability of a patent exist in foreign patent offices and courts and may result in the revocation, cancellation, or amendment of any foreign patents we hold now or in the future. The outcome following legal assertions of invalidity and unenforceability is unpredictable, and prior art could render our patents invalid. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on such products. Such a loss of patent protection would have a material adverse impact on our business.

Some of our technology is subject to "march-in" rights by the U.S. government.

Some of our patented technology was developed with U.S. federal government funding. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents, including a nonexclusive license authorizing the government to use the invention for non-commercial purposes. These rights may permit the government to disclose our confidential information to third parties and to exercise "march-in" rights to use or allow third parties to use our patented technology. The government can exercise its march-in rights if it determines that such action is necessary to (i) achieve practical application of the U.S. government-funded technology, (ii) alleviate health or safety needs, (iii) meet requirements of federal regulations, or (iv) give preference to U.S. industry. In addition, U.S. government-funded inventions must be reported to the government and such government funding must be disclosed in any resulting patent applications. Furthermore, our rights in such inventions are subject to government license rights and foreign manufacturing restrictions. The U.S. government has generally denied requests to exercise its march-in rights, even to provide access to potentially life-saving medications; however, if the U.S. government were to exercise its march-in rights to our patent technologies funded by the U.S. government, particularly for the benefit of one of more of our competitors, that may have a material adverse effect on our business.

We are involved in legal proceedings to enforce our intellectual property rights.

Our intellectual property rights involve complex factual, scientific, and legal questions. We operate in an industry characterized by significant intellectual property litigation. Even though we may believe that we have a valid patent on a particular technology, other companies have from time to time taken, and may in the future take, actions that we believe violate our patent rights. For example, we were previously involved in legal proceedings with ONT and Harvard University in several United States and European jurisdictions. We have in the past received adverse rulings against us with respect to our complaint with the United States International Trade Commission for one of these proceedings. Legal actions to enforce our patent rights have been, and will continue to be, expensive, and may divert significant management time and resources. Adverse parties from previous legal actions have brought, and they and others may in the future bring, claims against us and/or our intellectual property. Litigation is a significant ongoing expense, recognized in sales, general and administrative expense, with an uncertain outcome, and has been, and may in the future be, a material expense for us. Our enforcement actions may not be successful, have given rise to legal claims against us and could result in some of our intellectual property rights being determined to be invalid or not enforceable. Furthermore, an adverse determination or judgement could lead to an award of damages against us, or the issuance of an injunction against us or our products that could prevent us from selling any products found to be infringing the intellectual property rights of another party.

We have been, are currently, and could in the future be, subject to legal proceedings with third parties who may claim that our products infringe or misappropriate their intellectual property rights.

Our products are based on complex, rapidly developing technologies. We may not be aware of issued or previously filed patent applications that belong to third parties that mature into issued patents that cover some aspect of our products or their use. In addition, because patent litigation is complex and the outcome inherently uncertain, our belief that our products do not infringe third-party patents of which we are aware or that such third-party patents are invalid and unenforceable may be determined to be incorrect. As a result, third parties have claimed, and may in the future claim, that we infringe their patent rights and have filed, and may in the future file lawsuits or engage in other proceedings against us to enforce their patent rights. For example, we are involved in legal proceedings for alleged patent infringement and related matters in the United States with Personal Genomics of Taiwan, Inc. ("PGI"). In addition, ONT Ltd. and Harvard University have, in the past, filed claims against us in the High Court of England and Wales and the District Court of Mannheim, Germany for patent infringement, and PGI has filed claims against us in the U.S. District Court for the District of Delaware and in the Wuhan People's Court in China. We are aware of other issued patents and patent applications owned by third parties that could be construed to read on our products, and related maintenance and support services. Although we do not believe that our products or services infringe any valid issued patents, the third-party owners of these patents and applications may in the future claim that we infringe their patent rights and file lawsuits against us. In addition, as we enter new markets, our competitors and other third parties may claim that our products infringe their intellectual property rights as part of a business strategy to impede our successful entry into those markets. Furthermore, parties making claims against us may be able to obtain injunctive or other relief, which effectively could block our ability to further develop or commercialize products or services and could result in the award of substantial damages against us. Patent litigation between competitors in our industry is common. Additionally, we have certain obligations to many of our customers and suppliers to indemnify and defend them against claims by third parties that our products or their use infringe any intellectual property of these third parties. In defending ourselves against any of these claims, we have in the past incurred, and could in the future incur, to defend ourselves or our customers, substantial costs, and the attention of our management and technical personnel could be diverted. For example, we previously incurred significant legal expenses to litigate and settle a complaint alleging patent infringement. Even if we have an agreement that indemnifies us against such costs, the indemnifying party may be unable to uphold its contractual obligations. To avoid or settle legal claims, it may be necessary or desirable in the future to obtain licenses relating to one or more products or relating to current or future technologies, which could negatively affect our gross margins. We may not be able to obtain these licenses on commercially reasonable terms, or at all. We may be unable to modify our products so that they do not infringe the intellectual property rights of third parties. In some situations, the results of litigation or settlement of claims may require us to cease allegedly infringing activities which could prevent us from selling some or all of our products. The occurrence of these events may have a material adverse effect on our business, financial condition, or results of operations.

In addition, in the course of our business, we may from time to time have access or be alleged to have access to confidential or proprietary information of others, which, though not patented, may be protected as trade secrets. Others could bring claims against us asserting that we improperly used their confidential or proprietary information, or that we misappropriated their technologies and incorporated those technologies into our products. A determination that we illegally used the confidential or proprietary information or misappropriated technologies of others in our products could result in us paying substantial damage awards or being prevented from further developing or selling some or all of our products, which could materially and adversely affect our business.

We have not yet registered some of our trademarks in all of our potential markets, and failure to secure those registrations could adversely affect our business.

Some of our trademark applications may not be allowed for registration, and our registered trademarks may not be maintained or enforced. In addition, in the U.S. Patent and Trademark Office and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings.

Our use of "open source" software could adversely affect our ability to sell our products and subject us to possible litigation.

A portion of the products or technologies developed and/or distributed by us incorporate "open source" software, and we may incorporate open source software into other products or technologies in the future. Some

open source software licenses require that we disclose the source code for any modifications to such open source software that we make and distribute to one or more third parties, and that we license the source code for such modifications to third parties, including our competitors, at no cost. We monitor the use of open source software in our products to avoid uses in a manner that would require us to disclose or grant licenses under our source code that we wish to maintain as proprietary; however, there can be no assurance that such efforts have been or will be successful. In some circumstances, distribution of our software that includes or is linked with open source software could require that we disclose and license some or all of our proprietary source code in that software, which could include permitting the use of such software and source code at no cost to the user. Open source license terms are often ambiguous and there is little legal precedent governing the interpretation of these licenses. Successful claims made by the licensors of open source software that we have violated the terms of these licenses could result in unanticipated obligations, including being subject to significant damages, being enjoined from distributing products that incorporate open source software and being required to make available our proprietary source code pursuant to an open source license, which could substantially help our competitors develop products that are similar to or better than ours or otherwise materially and adversely affect our business.

Risks Related to Regulation

We are, and may become, subject to governmental regulations that may impose burdens on our operations, and the markets for our products may be narrowed.

We are subject, both directly and indirectly, to the adverse impact of government regulation of our operations and markets. For example, export of our instruments may be subject to strict regulatory control in a number of jurisdictions, and we could experience disruption in our supply chain as a result of certain geopolitical events and conflicts and any related political or economic responses and counter-responses or otherwise by various global actors. On January 15, 2025, the United States Department of Commerce's Bureau of Industry and Security ("BIS") issued an Interim Final Rule ("IFR") implementing targeted export controls on certain analytical instruments that are highly suitable for generating large, detailed biological datasets based upon the potential to exploit these techniques for asymmetric military advantage. While the Company's products would not be included under the current IFR, future BIS or other government regulations could potentially apply to our products and/or negatively impact our ability to export those products to certain countries and markets. Additionally, restrictions on the ability to send certain products and technology related to semiconductors, semiconductor manufacturing, and supercomputing to China continue to increase in both product and country scope and may impact our ability to provide products to customers or distributors worldwide. We have expanded and are continuing to expand the international jurisdictions into which we supply products, which increases the risks surrounding governmental regulations relating to our business. The need to or failure to satisfy export control criteria or to obtain necessary clearances could delay or prevent shipment of products, which could materially and adversely affect our revenue and profitability. Moreover, the life sciences industry, which is expected to continue to be one of the primary markets for our technology, has historically been heavily regulated. There are, for example, laws in several jurisdictions restricting research in genetic engineering, which may narrow our markets. Given the evolving nature of this industry, legislative bodies or regulatory authorities may adopt additional regulations that may adversely affect our market opportunities. Additionally, if ethical and other concerns surrounding the use of genetic information, diagnostics or therapies become widespread, there may be less demand for our products.

Our business is also directly affected by a wide variety of government regulations applicable to business enterprises generally and to companies operating in the life science industry in particular. Failure to comply with government regulations or obtain or maintain necessary permits and licenses could result in a variety of fines or other censures or an interruption in our business operations which may have a negative impact on our ability to generate revenue and the cost of operating our business. In addition, changes to laws and government regulations could cause a material adverse effect on our business as we will need to adapt our business to comply with such changes. For example, a governmental prohibition on the use of human *in vitro* diagnostics or other regulations that negatively impact the research and development activities of our customers would adversely impact our commercialization of products on which we have expended significant research and development resources, which would in turn have a material adverse impact on our business and prospects.

Our products could become subject to government regulation as medical devices by the U.S. Food and Drug Administration or other domestic and international regulatory agencies even if we do not elect to seek regulatory clearance or approval to market our products for diagnostic purposes, which could increase our costs and impede or delay our commercialization efforts, thereby materially and adversely affecting our business and results of operations.

Our products are currently labeled and promoted as research use only ("RUO") products and are not currently designed, or intended to be used, for clinical diagnostic tests or as medical devices. However, in the future, certain of our products or related applications, such as those that may be developed for clinical uses, could be subject to regulation by the FDA, or the FDA's regulatory jurisdiction could be expanded to include our products. Also, even if our products are labeled, promoted, and intended as RUO, the FDA or comparable agencies of other countries could disagree with our conclusion that our products are intended for research use only or deem our sales, marketing and promotional efforts as being inconsistent with the FDA's guidance on RUO products. For example, our customers may independently elect to use our RUO labeled products in their own LDTs for clinical diagnostic use, which could subject our products to government regulation, and the regulatory clearance or approval and maintenance process for such products may be uncertain, expensive, and time-consuming.

In particular, in 2013, the FDA issued Final Guidance "Distribution of In Vitro Diagnostic Products Labeled for Research Use Only." The guidance emphasizes that the FDA will review the totality of the circumstances when it comes to evaluating whether equipment and testing components are properly labeled as RUO. The final guidance states that merely including a labeling statement that the product is for research purposes only will not necessarily render the device exempt from the FDA's clearance, approval, and other regulatory requirements if the circumstances surrounding the distribution, marketing and promotional practices indicate that the manufacturer knows its products are, or intends for its products to be, used for clinical diagnostic purposes. These circumstances may include written or verbal sales and marketing claims or links to articles regarding a product's performance in clinical applications and a manufacturer's provision of technical support for clinical applications.

The FDA has historically exercised enforcement discretion in not enforcing the medical device regulations against laboratories developing and offering LDTs. In May 2024, the FDA issued a final rule that phases out its enforcement discretion for LDTs, unless exempt, and amends the FDA's regulations to make explicit that in vitro diagnostics are medical devices under the Federal Food, Drug, and Cosmetic Act ("FDCA"), including when the manufacturer of the diagnostic product is a laboratory. On March 31, 2025, a U.S. District Court in Texas ruled that the FDA exceeded its authority and vacated and set aside this LDT final rule in its entirety. We cannot predict the potential impact of any future lawsuits brought against the FDA, and future legislative and administration actions on our business. Additionally, in June 2024, the U.S. Supreme Court overruled the Chevron doctrine, which gave deference to regulatory agencies' statutory interpretations in litigation against federal government agencies, such as the FDA, where the law is ambiguous. This landmark Supreme Court decision may invite various stakeholders to bring lawsuits against the FDA to challenge longstanding decisions of the FDA, which could undermine the FDA's authority and lead to uncertainties in the industry. We cannot predict the full impact of this decision on our business or that of our customers.

Further, under the current administration, agency reorganization, departure of high-profile regulators at the FDA, and layoffs due to the reduction in force initiative may impact the normal operations of federal agencies, including the FDA. NIH funding cuts can impact the business operations of our customers and decrease the demand for our products. It is unclear how our industry and the businesses of our customers will be impacted by executive orders, policies and regulations implemented under the current administration. There is significant uncertainty in the industry.

Future legislative or administrative actions can impact the sales of our products and how customers use our products, and may require us to change our business model in order to maintain compliance with applicable laws. Changes to the current regulatory framework could arise at any time during the development or marketing of our products, which may negatively affect our ability to obtain or maintain FDA or comparable regulatory approval of our products, if required. Further, sales of devices for diagnostic purposes may subject us to additional healthcare regulation and enforcement by the applicable government agencies. Such laws include, without limitation, state and federal anti-kickback or anti-referral laws, healthcare fraud and abuse laws, false claims laws, privacy and security laws, Physician Payments Sunshine Act and related transparency and manufacturer reporting laws, and other laws and regulations applicable to medical device manufacturers.

If the FDA determines our products or related applications should be subject to additional regulation as in vitro diagnostic devices based upon customers' use of our products for clinical diagnostic or therapeutic decision-

making purposes, our ability to market and sell our products could be impeded and our business, prospects, results of operations and financial condition may be adversely affected. In addition, the FDA could consider our products to be misbranded or adulterated under the FDCA and subject to recall and/or other enforcement action.

To the extent we elect to label and promote any of our products as medical devices, we would be required to obtain prior approval or clearance by the FDA or comparable foreign regulatory authority, which could take significant time and expense and could fail to result in a marketing authorization for the intended uses we believe are commercially attractive. Obtaining marketing authorization in one jurisdiction does not mean that we will be successful in obtaining marketing authorization in other jurisdictions where we conduct business.

If we elect to label and market our products for use as, or in the performance of, clinical diagnostics in the United States, thereby subjecting them to FDA regulation as medical devices, we would be required to obtain pre-market 510(k) clearance or pre-market approval from the FDA, unless an exception applies. It is possible, in the event we elect to submit 510(k) applications for certain of our products, that the FDA would take the position that a more burdensome pre-market application, such as a PMA or a *de novo* application is required for some of our products. If such applications were required, greater time and investment would be required to obtain FDA approval. Even if the FDA agreed that a 510(k) was appropriate, FDA clearance can be expensive and time consuming. It generally takes a significant amount of time to prepare a 510(k), including conducting appropriate testing on our products, and several months to years for the FDA to review a submission. Notwithstanding the effort and expense, FDA clearance or approval could be denied for some or all of our products for which we choose to market as a medical device or a clinical diagnostic device. Even if we were to seek and obtain regulatory approval or clearance, it may not be for the intended uses we request or that we believe are important or commercially attractive. There can be no assurance that future products for which we may seek pre-market clearance or approval will be approved or cleared by the FDA or a comparable foreign regulatory authority on a timely basis, if at all, nor can there be assurance that labeling claims will be consistent with our anticipated claims or adequate to support continued adoption of such products. Compliance with FDA or comparable foreign regulatory authority regulations will require substantial costs, and subject us to heightened scrutiny by regulators and substantial penalties for failure to comply with such requirements or the inability to market our products. The lengthy and unpredictable pre-market clearance or approval process, as well as the unpredictability of the results of any required clinical studies, may result in our failing to obtain regulatory clearance or approval to market such products, which would significantly harm our business, results of operations, reputation, and prospects.

If we sought and received regulatory clearance or approval for certain of our products, we would be subject to ongoing FDA obligations and continued regulatory oversight and review, including the general controls listed above and the FDA's Quality System Regulations for our development and manufacturing operations. In addition, we would be required to obtain a new 510(k) clearance before we could introduce subsequent material modifications or improvements to such products. We could also be subject to additional FDA post-marketing obligations for such products, any or all of which would increase our costs and divert resources away from other projects. If we sought and received regulatory clearance or approval and are not able to maintain regulatory compliance with applicable laws, we could be prohibited from marketing our products for use as, or in the performance of, clinical diagnostics and/or could be subject to enforcement actions, including warning letters and adverse publicity, fines, injunctions, and civil penalties; recall or seizure of products; operating restrictions; and criminal prosecution.

Further, if we decide to seek regulatory clearance or approval for certain of our products in countries outside of the United States or if a foreign regulatory authority determines that our products are regulated as medical devices, we would be subject to extensive medical device laws and regulations outside of the United States. Sales of such products outside the United States will likely be subject to foreign regulatory requirements, which can vary greatly from country to country. As a result, the time required to obtain clearances or approvals outside the United States may differ from that required to obtain FDA clearance or approval and we may not be able to obtain foreign regulatory approvals on a timely basis or at all. In Europe, we would need to comply with the Medical Device Regulation 2017/745 and In Vitro Diagnostic Regulation 2017/746, which could make obtaining regulatory approvals in Europe more challenging. In addition, the FDA regulates exports of medical devices. The number and scope of these requirements are increasing. Unlike many of the other companies offering nucleic acid sequencing equipment or consumables, this is an area where we do not have expertise. We, or our other third-party sales and distribution partners, may not be able to obtain regulatory approvals in such countries or may incur significant costs in obtaining or maintaining our foreign regulatory approvals. In addition, the export by us of certain of our products, which have not yet been cleared for domestic commercial distribution, may be

subject to FDA or other export restrictions. Failure to comply with these regulatory requirements or obtain and maintain required approvals, clearances and certifications could impair our ability to commercialize our products for diagnostic use outside of the United States. Any action brought against us for violations of these laws or regulations, even if successfully defended, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

Enhanced trade tariffs, import restrictions, export restrictions, or other trade barriers may materially harm our business.

We are continuing to expand our international operations as part of our growth strategy and have experienced an increasing concentration of sales in certain regions outside the United States, especially the Asia-Pacific region and in Europe. There is currently significant uncertainty about the future relationship between the United States and various other trading partners with respect to trade policies, treaties, government regulations, tariffs, and other similar policies affecting cross-border operations. The U.S. government has made and continues to make significant changes in U.S. trade policy, specifically tariffs, and may continue to take actions that could negatively impact our business. For example, since September 2018, the U.S. Trade Representative (the "USTR") enacted various Section 301 tariffs on certain commodities from certain U.S. trading partners, most prominently China and Brazil, ranging from 7.5% to 100%. In addition, since February 2025, under authority of the International Emergency Economic Powers Act ("IEEPA"), the U.S. government enacted an additional 10% to 35% "fentanyl-related" ad valorem tariffs on virtually all goods from China, Canada, and Mexico, with an exception for items qualifying for duty-free treatment under the U.S.-Mexico-Canada Agreement ("USMCA"). Since March 2025, the U.S. government has also implemented new Section 232 tariffs of 10% to 50% on various commodities based on findings by the U.S. government that imports of these items threaten to impair U.S. national security, including but not limited to certain advanced semiconductors, articles of steel and aluminum; passenger vehicles, trucks, and automotive components; articles of copper; and timber, lumber, and articles of wood. The U.S. Department of Commerce has initiated Section 232 investigations into the import of additional products, including but not limited to semiconductors, semiconductor manufacturing equipment, processed critical minerals, derivative electronic products, pharmaceuticals and pharmaceutical products; when these investigations are complete, the U.S. government may decide to levy additional tariffs on such products. Additional IEEPA "reciprocal" tariffs of 10% to 125% ad valorem have been imposed since April 2025 on most imports from most U.S. trading partners, initially at a baseline 10% reciprocal tariff rate and now at various country-specific reciprocal tariff rates since August 2025—with limited exceptions for certain pharmaceuticals, semiconductors, computers, and certain other imports, and certain other exceptions as negotiated in trade deals reached between the U.S. and various key trading partners.

On February 20, 2026, the Supreme Court ruled against President Trump's use of IEEPA to impose tariffs on global trade partners. The case has been returned to the Court of International Trade for reconsideration in accordance with the Supreme Court ruling, and thus, the impact of this decision on previous tariffs that we have paid is not yet clear. In addition, President Trump has already stated that he will impose new tariffs under different authorities including Section 122 which has set a worldwide baseline tariff of 10%.

In response to these and other U.S. trade measures, certain affected countries have taken retaliatory trade actions. For example, China has increased tariffs on U.S. exports to China and subjected additional items to export control requirements, including certain rare earth materials. These trade controls have and could continue to raise our costs. Furthermore, tariffs, trade restrictions, or trade barriers that have been, or may in the future be, placed on products such as ours by foreign governments, which have raised and could further raise amounts paid for some or all of our products, which may result in the loss of customers and our business, and our financial condition and results of operations may be harmed, although some of these risks have been contained by trade deals reached between the U.S. and affected governments, including China, the EU, Japan, Taiwan, and South Korea. For example, the trade deal reached between the U.S. and the EU in July 2025 resulted in the implementation of a 15% all-in reciprocal tariff on imports of EU goods into the U.S as of August 2025, and short-term trade deals reached between the U.S. and China have resulted in implementation of a reduced 10% reciprocal tariff on imports of certain Chinese goods into the U.S. through November 2026. However, these policies are subject to continued negotiation and effective policies may change over time. We may be unable to make changes in our supply chain quickly enough to avoid the impact of new or potential tariffs, or to do so on commercially reasonable terms. Uncertainty regarding the scope and amount of potential additional tariffs may also result in disruptions in our supply chain, particularly if such changes in applicable or potential tariffs makes current or planned production unprofitable. In addition, these tariff actions may also indirectly affect our business through impacts on our customers, who may be directly affected by some or all of these tariff actions,

or indirectly affected by macroeconomic effects resulting from these or other tariff related actions, including potential risks associated with inflation or economic recession.

Our products are subject to U.S. export control laws and regulations, including the Export Administration Regulations administered by BIS. Under these laws and regulations, exports of our products as well as the underlying technology may require export authorization, including by license, a license exception, or other appropriate government authorizations. Furthermore, our products and services are subject to U.S. economic and trade sanctions laws and regulations administered by the U.S. Department of Treasury's Office of Foreign Assets Control that prohibit the provision of services and the export of hardware, software, and technology to embargoed jurisdictions or sanctioned parties without the required export authorizations. The U.S. government has continued to increase controls initially imposed in 2022 restricting the ability to send certain products and technology related to semiconductors, semiconductor manufacturing, and supercomputing including expanding the list of advanced integrated circuits subject to heightened export controls, expanding the list of destinations requiring export authorization for such items, and adding new restrictions based on the headquarters location of the parties involved. In many cases, these licenses are subject to a policy of denial and will not be issued. The U.S. government also continues to add additional entities in China and other countries to restricted party lists impacting the ability of U.S. companies to provide items to these entities. These existing and future laws and regulations may impact our ability to export certain products to customers or distributors in China or other locations and may restrict our ability to use certain integrated circuits in our products. If we need to obtain any necessary export licenses or other authorizations for a particular sale, the process may be time-consuming and may result in the delay or loss of opportunities to sell our products. In addition, these licenses may not be issued. In April 2025, the Company received inquiries from BIS regarding a distributor based in Hong Kong and that distributor's customer located in China. In May 2025, following a review of sales to China, the Company responded to BIS's inquiries and submitted a voluntary self-disclosure to BIS related to a limited number of transactions. This self-disclosure was closed out by BIS in September 2025 without penalties with a warning letter.

There is currently significant uncertainty about the future relationship between the U.S. and various other countries, most significantly China, with respect to trade restrictions, treaties, foreign investment laws, data transfer restrictions, and other limitations on cross-border operations. The U.S. government has made and continues to make significant additional changes in U.S. trade policy and may continue to take future actions that could introduce additional restrictions and negatively impact our business. For example, legislation in Congress known as the BIOSECURE Act was passed as part of the 2026 National Defense Authorization Act, which limits certain U.S. biotechnology companies from using equipment or services produced or provided by select Chinese biotechnology companies, and others in Congress have advocated for the use of existing executive branch authorities to limit those Chinese service providers' ability to engage in business in the U.S. This legislation, or similar laws and regulations in the future, could adversely impact our current or future third-party arrangements with certain companies, including those in China or Chinese-owned U.S. companies, which could delay or impact our clinical trials and consequently delay or obstruct successful commercialization of our product candidates. We cannot predict what actions may ultimately be taken with respect to trade relations between the United States and China or other countries, what products and services may be subject to such actions or what actions may be taken by the other countries in retaliation. If we are unable to obtain or use services from existing service providers or become unable to export or sell our products to any of our customers or service providers, our business, liquidity, financial condition, and/or results of operations would be materially and adversely affected.

Compliance with these laws and regulations may be costly. In addition, if we are found to be in violation of U.S. economic sanctions or trade control laws, it could result in fines and penalties. We may also be adversely affected through other penalties, business disruption, loss of export privileges, reputational harm, loss of access to certain markets, or otherwise.

It is possible that our ability to export our products to customers or distributors may be further restricted in the future. For example, on January 15, 2025, BIS issued an IFR implementing targeted export controls on certain analytical instruments that are highly suitable for generating large, detailed biological datasets based upon the potential to exploit these techniques for asymmetric military advantage. While the Company's products would not be included under the current IFR, future BIS or other government regulations could potentially apply to our products and/or negatively impact our ability to export those products to certain countries and markets.

The Chinese government has introduced and may in the future introduce retaliatory measures in response to existing or future U.S. export controls, tariffs and other trade restrictions and it is possible that the Chinese, U.S.,

or other foreign governments will implement additional retaliatory measures which could impact our business. It is possible that additional restrictions will be put in place that could impact our ability to provide our products to customers or distributors in China or source components from China. The continued threats of tariffs, trade restrictions and trade barriers could have a generally disruptive impact on the global economy and, therefore, negatively impact our sales. Given the relatively fluid regulatory environment in China and the United States and uncertainty how the U.S. and foreign governments will act with respect to export controls, tariffs, international trade agreements and similar policies, there could be additional tax or other regulatory changes in the future. Any such changes could, directly or indirectly, adversely impact our financial results and results of operations.

Our international business could expose us to business, regulatory, political, operational, financial, and economic risks associated with doing business outside of the United States.

Engaging in international business inherently involves a number of difficulties and risks, including:

- required compliance with existing and changing foreign regulatory requirements and laws that are or may be applicable to our business in the future, such as the European Union's General Data Protection Regulation ("GDPR"), the UK General Data Protection Regulation and other data privacy requirements, labor and employment regulations, anti-competition regulations, the U.K. Bribery Act of 2010 and other anti-corruption laws, regulations relating to the use of certain hazardous substances or chemicals in commercial products, and require the collection, reuse, and recycling of waste from products we manufacture;
- required compliance with U.S. laws such as the Foreign Corrupt Practices Act, and other U.S. federal laws and trade and economic sanctions and other regulations established by the Office of Foreign Asset Control;
- export requirements and import or trade restrictions;
- laws and business practices favoring local companies;
- restrictions on both inbound and outbound cross-border investment;
- foreign currency exchange, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- changes in social, economic, and political conditions or in laws, regulations and policies governing foreign trade, manufacturing, research and development, and investment both domestically as well as in the other countries and jurisdictions in which we operate and into which we may sell our products including as a result of ongoing geopolitical tensions related to the political uncertainty and military actions associated with the war in Ukraine, resulting sanctions imposed by the U.S. and other countries, and retaliatory actions taken by Russia in response to such sanctions;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements, and other trade barriers;
- difficulties and costs of staffing and managing foreign operations; and
- difficulties protecting, maintaining, enforcing, or procuring intellectual property rights and defending against intellectual property claims under the law and judicial systems of other countries.

If one or more of these risks occurs, it could require us to dedicate significant resources to remedy such occurrence, and if we are unsuccessful in finding a solution, our financial results will suffer.

Our operations involve the use of hazardous materials, and we must comply with environmental, health and safety laws, which can be expensive and may adversely affect our business, operating results and financial condition.

Our research and development and manufacturing activities involve the use of hazardous materials, including chemicals and biological materials, and some of our products include hazardous materials. Accordingly, we are subject to federal, state, local and foreign laws, regulations, and permits relating to environmental, health and safety matters, including, among others, those governing the use, storage, handling, exposure to and disposal of hazardous materials and wastes, the health and safety of our employees, and the shipment, labeling, collection, recycling, treatment, and disposal of products containing hazardous materials. Liability under environmental laws and regulations can be joint and several and without regard to fault or negligence. For example, under certain circumstances and under certain environmental laws, we could be held liable for costs relating to

contamination at our or our predecessors' past or present facilities and at third-party waste disposal sites. We could also be held liable for damages arising out of human exposure to hazardous materials. There can be no assurance that violations of environmental, health and safety laws will not occur as a result of human error, accident, equipment failure or other causes. The failure to comply with past, present or future laws could result in the imposition of substantial fines and penalties, remediation costs, property damage and personal injury claims, investigations, the suspension of production or product sales, loss of permits or a cessation of operations. Any of these events could harm our business, operating results, and financial condition. We also expect that our operations will be affected by new environmental, health and safety laws and regulations on an ongoing basis, or more stringent enforcement of existing laws and regulations. New laws or changes to existing laws may result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how we manufacture them, which could have a material adverse effect on our business, operating results, and financial condition.

Ethical, legal, privacy, data protection and social concerns or governmental restrictions surrounding the use of genetic information could reduce demand for our technology.

Our products may be used to provide genetic information about humans, agricultural crops and other living organisms. The information obtained from our products could be used in a variety of applications which may have underlying ethical, legal, privacy, data protection and social concerns, including the genetic engineering or modification of agricultural products or testing for genetic predisposition for certain medical conditions. Governmental authorities could, for safety, social or other purposes, call for limits on or regulation of the use of genetic testing, and may consider or adopt such regulations or other restrictions. Such concerns or governmental restrictions could limit the use of our products or be costly and burdensome to comply with, and actual or perceived violations of any such restrictions may lead to the imposition of substantial fines and penalties, remediation costs, claims and litigation, regulatory investigations and proceedings, and other liability, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Regulations related to conflict minerals has caused us to incur, and will continue to cause us to incur, additional expenses and could limit the supply and increase the costs of certain materials used in the manufacture of our products.

We are subject to requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that require us to conduct diligence and report on whether or not our products contain conflict minerals. These requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. Furthermore, the complex nature of our products requires components and materials that may be available only from a limited number of sources and, in some cases, from only a single source. We have incurred, and will continue to incur, additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used or necessary to the production of our products and, if applicable, potential changes to components, processes, or sources of supply as a consequence of such verification activities. We may face reputational harm if we determine that certain of our products contain minerals that are not determined to be conflict free or if we are unable to alter our processes or sources of supply to avoid using such materials. In such circumstances, the reputational harm could materially and adversely affect our business, financial condition, or results of operations.

Risks Related to Owning Our Common Stock

The price of our common stock has been, is, and may continue to be, highly volatile, and you may be unable to sell your shares at or above the price you paid to acquire them.

The market price of our common stock is highly volatile, and we expect it to continue to be volatile for the foreseeable future in response to many risk factors listed in this section, and others beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- announcements of new products, technological innovations or strategic partnerships by us or our competitors;

- announcements by us, our customers, partners, or suppliers relating directly or indirectly to our products, services or technologies;
- overall conditions in our industry and market;
- addition or loss of significant customers;
- changes in laws or regulations applicable to our products;
- actual or anticipated changes in our growth rate relative to our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, capital commitments or achievement of significant milestones;
- additions or departures of key personnel;
- competition from existing products or new products that may emerge;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- disputes or other developments related to proprietary rights, including patents, litigation matters or our ability to obtain intellectual property protection for our technologies;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us or our stockholders;
- stock price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- reports, guidance and ratings issued by securities or industry analysts;
- operating results below the expectations of securities analysts or investors; and
- general economic and market conditions, which could be impacted by various events including health epidemics or pandemics, interest rate fluctuations, increases in fuel prices, foreign currency fluctuations, changing international trade policies, acts of terrorism, hostilities or the perception that hostilities may be imminent, and military conflict and acts of war.

If any of the forgoing occurs, it would cause our stock price or trading volume to decline. Stock markets in general and the market for companies in our industry in particular have experienced price and volume fluctuations; these fluctuations have been, and may continue to be, exacerbated by current macroeconomic trends and geopolitical events. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our common stock. You may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We have been a party to this type of litigation in the past and may be the target of this type of litigation again in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could reduce the market price that our common stock might otherwise attain and may dilute your voting power and your ownership interest in us.

Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could adversely affect the market price of our common stock and may make it more difficult for existing stockholders to sell their common stock at a time and price that they deem appropriate and may dilute their voting power and ownership interest in us.

In addition, if our stockholders sell, or indicate an intent to sell, a large number of shares of our common stock in the public market, it could cause our stock price to fall, particularly if such sales occur over a short period of time (for example, following delivery of shares upon achievement of milestones in our acquisition agreements). We may also issue shares of common stock or securities convertible into our common stock in connection with a financing, acquisition, our equity incentive plans, or otherwise. Any such issuances would result in dilution to our existing stockholders and the market price of our common stock may be adversely affected.

Concentration of ownership by our principal stockholders may result in control by such stockholders of the composition of our board of directors.

Our existing principal stockholders, holders of Notes, executive officers, directors, and their affiliates beneficially own, or following conversion of the Notes could own, a significant number of our outstanding shares of common stock. In addition, such parties may acquire additional control by purchasing stock that we issue in connection with our future fundraising efforts. These parties may now and in the future be able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue, without further action by the stockholders, up to 50,000,000 shares of undesignated preferred stock and up to approximately 1,000,000,000 shares of authorized but unissued shares of common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent;
- specify that special meetings of our stockholders can be called only by our board of directors, the Chair of the Board, the Chief Executive Officer or the President;
- establish advance notice procedures for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- establish that our board of directors is divided into three classes, Class I, Class II and Class III, with each class serving staggered terms (until our board of directors is fully declassified beginning with the 2027 annual meeting of stockholders);
- provide that our directors may be removed only for cause; and
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us.

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain stockholder litigation matters, and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, stockholders, or employees.

Our amended and restated bylaws provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) will, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, stockholders, officers, or other employees to us or our stockholders; (iii) any action arising pursuant to any provision of the Delaware General Corporation Law; (iv) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws; or (v) any action asserting a claim governed by the internal affairs doctrine, except as to each of (i)

through (v) above, for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act including, without limitation and for the avoidance of doubt, any auditor, underwriter, expert, control person or other defendant.

Any person or entity purchasing, holding or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, stockholders, officers or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, stockholders, officers or other employees. In addition, a stockholder that is unable to bring a claim in the judicial forum of its choosing may be required to incur additional costs in the pursuit of actions which are subject to the exclusive forum provisions described above. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, in the event a court finds either exclusive forum provision contained in our bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

Our large number of authorized but unissued shares of common stock may potentially dilute existing stockholders' stockholdings.

We have a significant number of authorized but unissued shares of common stock. Our board of directors may issue shares of common stock from this authorized but unissued pool from time to time without stockholder approval, resulting in the dilution of our existing stockholders.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our common stock and do not intend to pay any dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the operation of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Risks Related to Our Notes

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

As of December 31, 2025, we had outstanding approximately $200.0 million aggregate principal amount of our 2029 Notes and $441.0 million aggregate principal amount of our 2030 Notes. The 2029 Notes will mature on August 15, 2029, subject to earlier conversion, redemption or repurchase, including upon a fundamental change. The 2030 Notes will mature on December 15, 2030, subject to earlier conversion, redemption or repurchase, including upon a fundamental change. The 2029 Notes and the 2030 Notes are collectively referred to as the Notes.

Holders of each series of Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change before the maturity date at a repurchase price equal to 100% of the principal amount of the Notes of the applicable series to be repurchased, plus unpaid interest to, but excluding, the applicable maturity date. In addition, upon conversion of the Notes of a series, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to settle a portion or all of our conversion obligation in cash in respect

of the Notes being converted. Moreover, we will be required to repay the Notes of the applicable series in cash at the applicable maturity unless earlier converted, redeemed, or repurchased. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or pay cash with respect to Notes being converted or at their maturity.

In addition, our ability to repurchase the Notes or to pay cash upon conversions of Notes or at the applicable maturity may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase Notes of a series at a time when the repurchase is required by the applicable indenture or to pay cash upon conversions of such Notes or at the applicable maturity as required by the applicable indenture would constitute a default under such indenture. A default under either indenture or the occurrence of a fundamental change under either indenture itself could also lead to a default under agreements governing our future indebtedness. Moreover, the occurrence of a fundamental change under either indenture could constitute an event of default under any such agreement. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness or to pay cash amounts due upon conversion, upon required repurchase or at maturity of the applicable series of Notes.

The Side Letter to our 2029 Notes imposes operating restrictions on us.

On November 21, 2024, in connection with the issuance of the 2029 Notes, the Company and SB Northstar LP ("SBN") entered into a letter agreement (the "Letter Agreement") pursuant to which the Company and SBN agreed that, for so long as SBN and its affiliates hold at least $180 million aggregate principal amount of the 2029 Notes, the Company and its subsidiaries are subject to certain negative covenants that restrict the Company's and its subsidiaries' ability to incur additional indebtedness and create liens, in each case, subject to the exceptions set forth in the Letter Agreement, including exceptions which permit the Company to incur up to $75 million in aggregate principal amount of secured indebtedness pursuant to Credit Facilities (as defined in the Letter Agreement).

Additionally, the Letter Agreement restricts the ability of the Company and its subsidiaries from guaranteeing any indebtedness or incurring certain indebtedness outside of the ordinary course of business unless, in each case, the Company and its subsidiaries concurrently provide a guarantee of the Company's obligations under the 2029 Notes.

These covenants may adversely affect our ability to finance our operations, meet or otherwise address our capital needs, pursue business opportunities or react to market conditions, or otherwise restrict our activities or business plans.

A breach of any of the covenants under the Letter Agreement could result in an event of default under the 2029 Notes. As of December 31, 2025, we were in compliance with all covenants under the Letter Agreement. However, if an event of default occurs, SBN could accelerate our obligations under the 2029 Notes. Any such acceleration could result in an event of default under our other indebtedness, including the 2030 Notes.

If the Notes are converted, it may adversely affect our financial condition and operating results.

Holders of either series of Notes are entitled to convert their respective series of Notes at any time at their option. If one or more holders elect to convert the Notes of the applicable series, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. In addition, issuances of shares of common stock upon conversion of our Notes could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. The existence of the Notes may encourage short selling by market participants because the conversion of the Notes could depress the price of our common stock.

General Risk Factors

Unfavorable global economic or political conditions could adversely affect our business, financial condition or results of operations.

General conditions in the global economy and in the global financial markets could adversely affect our results of operations, and the overall demand for nucleic acid sequencing products may be particularly vulnerable to unfavorable economic conditions. A global financial crisis, inflation or a global or regional political disruption, acts of terrorism, hostilities, military conflict and acts of war, including any further escalation of the conflict in the Middle East and the war in Ukraine, as well as the related responses, could cause extreme volatility in the capital and credit markets. A severe or prolonged economic downturn or political disruption could result in a variety of risks to our business, including weakened demand for our products and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy or political disruption could also strain our manufacturers or suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our product and services. An impairment in value of our tangible or intangible assets could also be recorded as a result of weaker economic conditions. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the political or economic climate and financial market conditions could adversely impact our business. For more information on impairment considerations, see "—*The commercialization and sales of our current or future products may be unsuccessful or less successful than anticipated. While we plan to continue pursuing new products and expanding into adjacent markets, we have limited experience in managing and selling multiple products and, as a result, may face challenges selling in new markets and fail to successfully carry out these initiatives, which may adversely impact our business, financial condition or results of operation*." above.

Delivery of our products could be delayed or disrupted by factors beyond our control, and we could lose customers as a result.

We rely on third-party carriers for the timely delivery of our products. As a result, we are subject to carrier disruptions and increased costs that are beyond our control. Any failure to deliver products to our customers in a safe and timely manner may damage our reputation and brand and could cause us to lose customers. If our relationship with any of these third-party carriers is terminated or impaired or if any of these carriers are unable to deliver our products, the delivery of our products by our customers may be delayed, which could harm our business and financial results. The failure to deliver our products in a safe and timely manner may harm our relationship with our customers, increase our costs and otherwise disrupt our operations.

Doing business internationally creates operational and financial risks for our business.

We currently conduct operations in various countries and jurisdictions, and continue to expand to new international jurisdictions as part of our growth strategy and have experienced an increasing concentration of sales in certain regions outside the U.S. We sell directly and through distribution partners throughout Europe, the Asia-Pacific region, Mexico, Brazil, and South Africa and have a significant portion of our sales and customer support personnel in Europe and the Asia-Pacific region. As a result, we or our distribution partners may be subject to additional regulations and increased diversion of management time and efforts. Conducting and launching operations on an international scale requires close coordination of activities across multiple jurisdictions and time zones and consumes significant management resources. If we fail to coordinate and manage these activities effectively, our business, financial condition or results of operations could be materially and adversely affected and failure to comply with laws and regulations applicable to business operations in foreign jurisdictions may also subject us to significant liabilities and other penalties. International operations entail a variety of other risks, including, without limitation:

- challenges in staffing and managing foreign operations;
- potentially longer sales cycles and more time required to engage and educate customers on the benefits of our platform outside of the United States;
- the potential need for localized software and documentation;
- reduced protection for intellectual property rights in some countries and practical difficulties of enforcing intellectual property and contract rights abroad;
- challenges with defending against intellectual property claims in other countries;

- restrictions on both inbound and outbound cross-border investment, including enhanced oversight by the Committee on Foreign Investment in the United States (“CFIUS”) and substantial restrictions on investment from China;
- U.S. and foreign government trade restrictions, including those which may impose restrictions on the importation, exportation, re-exportation, sale, shipment or other transfer of programming, technology, components, and/or services to foreign persons;
- changes in diplomatic and trade relationships, including new, increased, or enhanced tariffs, trade protection measures, import or export licensing requirements, trade embargoes, sanctions, and other trade barriers;
- tariffs imposed by the U.S. on goods from other countries and tariffs imposed by other countries on U.S. goods, which may be imposed on products such as ours, the scope and duration of which, if implemented, remains uncertain;
- deterioration of political relations among, between, and within the U.S., Russia, China, Japan, Korea, Mexico, Canada, the United Kingdom (“U.K.”), and the European Union ("E.U."), which could have a material adverse effect on our sales and operations in these countries;
- changes in social, political, and economic conditions or in laws, regulations and policies governing foreign trade, manufacturing, development, and investment both domestically as well as in the other countries and jurisdictions into which we sell our products;
- difficulties in obtaining export licenses or in overcoming other trade barriers and restrictions resulting in delivery delays;
- fluctuations in currency exchange rates and the related effect on our results of operations;
- increased financial accounting and reporting burdens and complexities;
- potential limits to travel as a result of epidemics or pandemics;
- disruptions to global trade due to disease outbreaks or conflicts;
- potential increases on tariffs or restrictions on trade generally; and
- significant taxes or other burdens of complying with a variety of foreign laws and regulations, including laws and regulations relating to privacy and data protection such as the E.U. General Data Protection Regulation.

In conducting our international operations, we are subject to U.S. laws relating to our international activities, such as the Foreign Corrupt Practices Act of 1977, as well as foreign laws relating to our activities in other countries, such as the United Kingdom Bribery Act of 2010. Additionally, the inclusion of one of our foreign customers on any applicable U.S. Government sanctioned persons list, including but not limited to the U.S. Department of Commerce’s List of Denied Persons and the U.S. Department of Treasury’s List of Specially Designated Nationals and Blocked Persons List, could be material to our earnings. Failure to comply with these laws may subject us to claims or financial and/or other penalties in the United States and/or foreign countries that could materially and adversely impact our operations or financial condition. These risks have become increasingly prevalent as we have expanded our sales into countries that are generally recognized as having a higher risk of corruption.

We face risks related to the current global economic environment, which could delay or prevent our customers from purchasing our products, which could in turn harm our business, financial condition, and results of operations. The state of the global economy continues to be uncertain. The current global economic conditions and uncertain credit markets and concerns regarding the availability of credit pose a risk that could impact customer demand for our products, as well as our ability to manage normal commercial relationships with our customers, suppliers, and creditors, including financial institutions. If the current global economic environment deteriorates, our business could be negatively affected.

Moreover, changes in the value of the relevant currencies may affect the cost of certain items required in our operations. Changes in currency exchange rates may also affect the relative prices at which we are able to sell products in the same market. Our revenue from international customers may be negatively impacted as increases in the U.S. dollar relative to our international customers' local currencies could make our products more expensive, impacting our ability to compete or as a result of financial or other instability in such locations which could result in decreased sales of our products. Our costs of materials from international suppliers may also increase as the value of the U.S. dollar decreases relative to their local currency. Foreign policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Such actions may materially and adversely impact our financial condition and results of operations.

Violations of complex foreign and U.S. laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international growth efforts, our ability to attract and retain employees, our business, and our operating results. Even if we implement policies or procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our distribution partners, our employees, contractors, or agents will not violate our policies and subject us to potential claims or penalties.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired, which would adversely affect our business and our stock price.

Ensuring that we have adequate internal financial and accounting controls and procedures in place to produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be evaluated frequently. We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Operating as a public company requires sufficient resources within the accounting and finance functions in order to produce timely financial information, ensure the level of segregation of duties, and maintain adequate internal control over financial reporting customary for a U.S. public company.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our management does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company will have been detected.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we perform periodic evaluations of our internal control over financial reporting. While we have in the past performed this evaluation and concluded that our internal control over financial reporting was operating effectively, there can be no assurance that in the future material weaknesses or significant deficiencies will not exist or otherwise be discovered. In addition, if we are unable to produce accurate financial statements on a timely basis, investors could lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and make it more difficult for us to finance our operations and growth.

Our business could be negatively impacted by changes in the United States political environment.

Our products depend on the availability of genetic data and its utilization in clinical research by academic and governmental research institutions, commercial testing and service laboratories, genome centers, public health labs, hospitals and clinical research institutes, CROs, pharmaceutical companies, and agricultural companies. As a result, changes in the regulatory environment affecting such institutions could adversely affect our business or results of operations. For example, reduced allocations to government agencies that fund research and development activities, such as the recent announcements regarding NIH funding involving a cap on the institute's indirect funding rates, or targeted cancellations by the U.S. federal government of certain grants or contracts may significantly impact the markets in which we compete.

There is significant ongoing uncertainty with respect to potential legislation, regulation and government policy at the federal level, as well as the state and local levels. Specific legislative and regulatory proposals discussed or implemented that might materially impact us include, but are not limited to, changes to spending priorities and potential reductions in research funding. Uncertainty about U.S. government funding has posed, and may continue to pose, a risk as customers may choose to postpone or reduce spending in response to actual or anticipated restraints on funding. To the extent changes in the political environment have a negative impact on us or on our markets, our business, results of operation and financial condition could be materially and adversely impacted in the future.

Disruption of critical information technology systems or material breaches in the security of our systems could harm our business, customer relations and financial condition.

Information technology ("IT") helps us to operate efficiently, interface with customers, maintain financial accuracy and efficiently and accurately produce our financial statements. IT systems are used extensively in virtually all aspects of our business, including in our products, sales forecast, order fulfillment and billing, customer service, logistics, and management of data from running samples on our products. Our success depends, in part, on the continued and uninterrupted performance of our IT systems. Our IT systems, including those used in our products, may be vulnerable to damage from a variety of sources, including telecommunications or network failures, power loss, natural disasters, human acts, computer viruses, ransomware, computer denial-of-service attacks, unauthorized access to customer or employee data or company trade secrets, and other attempts to harm our systems. Furthermore, there may be a heightened risk of potential cybersecurity incidents and security breaches to which we could be vulnerable by state-sponsored or affiliated actors or others in connection with political uncertainty and conflict in the Middle East and the war in Ukraine. Certain of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, disruption of our operations, which could harm our reputation and financial results. Some of our IT infrastructure still utilizes outdated legacy systems, software and hardware, some of which may be approaching end-of-life or end of support, and that may be particularly susceptible to cybersecurity breaches, errors and operational failures. Upgrading, replacing and enhancing such infrastructure may be expensive and put the continuity of our operations at risk while a failure to do so may make us more susceptible to the risks discussed above.

If we do not allocate and effectively manage the resources necessary to build and sustain the proper IT infrastructure, including those used in our products, we could be subject to transaction errors, processing inefficiencies, loss of customers, business disruptions or loss of or damage to intellectual property. If our data management systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired, perhaps materially. Any such impairment could materially and adversely affect our reputation, financial condition, results of operations, cash flows and the timeliness with which we report our internal and external operating results.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personal information of our customers and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our IT infrastructure may be vulnerable to attacks by hackers, computer viruses, malicious codes, ransomware, unauthorized access attempts, and cyber- or phishing-attacks, or breached or otherwise disrupted due to employee error, malfeasance, faulty password management or other disruptions. Third parties may attempt to fraudulently induce employees or other persons into disclosing usernames, passwords or other sensitive information, which may in turn be used to access our IT systems, commit identity theft or carry out other unauthorized or illegal activities. Any such breach or incident could compromise our systems and networks and the information stored or otherwise processed there could be accessed, publicly disclosed, lost, stolen or otherwise processed in an unauthorized manner. We engage third-party vendors and service providers to store and otherwise process some of our data, including sensitive and personal information. Our vendors and service providers may also be the targets of the risks described above, including cyber-attacks, malicious software, ransomware, phishing schemes, and fraud. Our ability to monitor our vendors and service providers' data security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss or destruction of our data, including sensitive and personal information, and disruption of our or our third-party service providers' systems. We and our third-party service providers may face difficulties in identifying, or promptly responding to, potential security breaches and other instances of unauthorized access to, or disclosure, other processing, or loss or unavailability of, information. Any hacking or other attack on our or our third-party service providers' or vendors' systems, and any unauthorized access to, or disclosure, other processing, or loss or unavailability of, information suffered by us or our third-party service providers or vendors, or the perception that any of these have occurred, could result in legal claims or proceedings, loss of intellectual property, liability under laws that protect the privacy of personal information, negative publicity, disruption of our operations and damage to our reputation, and data integrity issues, which could divert our management's attention from the operation of our business and materially and adversely affect our business, revenues and competitive position. Moreover, we may need to increase our efforts to train our personnel to detect and defend against cyber- or phishing-attacks, which are becoming more sophisticated and frequent, and we may need to implement additional protective measures to reduce the risk of potential security breaches and security incidents, which could cause us to incur significant additional expenses. Retaliatory acts by Russia in response to Western sanctions or otherwise in connection with the war in Ukraine could include cyber-attacks that could disrupt the economy generally or that may either directly or indirectly impact our operations specifically.

In addition, our insurance may be insufficient to cover our losses resulting from cyber-attacks, breaches, or other interruptions, and any incidents may result in loss of, or increased costs of, such insurance. The successful assertion of one or more large claims against us that exceed available insurance coverage, the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, or denials of coverage, could have a material adverse effect on our business, including our financial condition, results of operations and reputation.

Our use of artificial intelligence and machine learning technologies may result in reputational harm or liability.

We have incorporated and may continue to incorporate additional artificial intelligence and machine learning, or AIML, technologies into our sequencing platforms, marketing programs, and analysis software, and these solutions and features are advantageous to describing, enhancing, and maximizing the capabilities of our differentiated technologies and to our future growth over time. We rely and expect to rely on AIML technologies such as basecalling, variant calling, epigenetic analysis and tertiary analysis, but there can be no assurance that we will realize the desired or anticipated benefits from AIML or any at all. We may also fail to properly implement or utilize AIML technologies. Our competitors or other third parties may incorporate AIML into their products, platforms, software and services or otherwise within their business more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Additionally, our use of AIML technologies may expose us to additional claims, demands and proceedings by private parties and regulatory authorities and subject us to legal liability as well as brand and reputational harm. For example, if output from AIML technologies or that they assist in producing are or are alleged to be deficient, inaccurate, or biased, or for such output, or such technologies or their development or deployment, including the collection, use, or other processing of data used to train or create such AIML technologies, are alleged to infringe upon or to have misappropriated third-party intellectual property rights or to violate applicable laws, regulations, or other actual or asserted legal obligations to which we are or may become subject, then our business, financial condition, and results of operations may be adversely affected. The legal, regulatory, and policy environments around AIML are evolving rapidly, and we may become subject to new and evolving legal and other obligations. These and other developments may require us to make significant changes to our use of AIML, including by limiting or restricting our use of AIML, and may require us to make significant changes to our policies and practices, which may necessitate expenditure of significant time, expense, and other resources. AIML also presents emerging ethical issues, and if our use of AIML becomes controversial, we may experience brand or reputational harm.

We are currently subject to, and may in the future become subject to additional, U.S. federal and state laws and regulations imposing obligations on how we collect, store and process personal information. Our actual or perceived failure to comply with such obligations could harm our business. Ensuring compliance with such laws could also impair our efforts to maintain and expand our future customer base, and thereby decrease our revenue.

In the ordinary course of our business, we currently, and in the future will, collect, store, transfer, use or process sensitive data, including personal information of employees, and intellectual property and proprietary business information owned or controlled by ourselves and other parties. The secure processing, storage, maintenance, and transmission of this critical information are vital to our operations and business strategy. We are, and may increasingly become, subject to various laws and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory environment related to data privacy and security is increasingly rigorous, with new and constantly changing requirements applicable to our business, and enforcement practices are likely to remain uncertain for the foreseeable future. These laws and regulations may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material adverse effect on our business, financial condition, results of operations and prospects.

In the United States, various federal and state regulators, including governmental agencies like the Consumer Financial Protection Bureau, the Department of Justice, and the Federal Trade Commission, have adopted, or are considering adopting, laws and regulations concerning personal information and data security. For example, the Department of Justice issued a final rule which took effect in April 2025 that places limitations, and in some cases prohibitions, on certain transfers of sensitive personal data to business partners located in China and other designated countries, or with other specified links to China and other designated countries. These rules also may broadly require us to extract promises from other third-party service providers that they will not transfer data we share with them onward to parties linked to countries of concern. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. For example, the California Consumer Privacy Act ("CCPA"), which increases privacy rights for California residents and imposes obligations on companies that process their personal information, came into effect on January 1, 2020. Among other things, the CCPA requires covered companies to provide new disclosures to California consumers and provide such consumers new data protection and privacy rights, including the ability to opt-out of certain sales of personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal information. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. In November 2020, California also passed the California Privacy Rights Act ("CPRA"), which significantly expanded the CCPA as of January 1, 2023, including by introducing additional obligations such as data minimization and storage limitations and granting additional rights to consumers, among others. The enactment of the CCPA has prompted similar legislative developments in other states, and numerous other states have proposed, and in certain cases enacted, legislation relating to privacy and data security, many of which are similar to the CCPA and CPRA. Similar laws are being considered by other state legislatures. In addition, laws in all 50 U.S. states require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. State laws are changing rapidly and there has been discussion in the U.S. Congress of a new comprehensive federal data privacy law. These and future laws and regulations may increase our compliance costs and potential liability.

Furthermore, regulations promulgated pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), establish privacy and security standards that limit the use and disclosure of individually identifiable health information (known as "protected health information") and require the implementation of administrative, physical and technological safeguards to protect the privacy of protected health information and ensure the confidentiality, integrity and availability of electronic protected health information. Determining whether protected health information has been handled in compliance with applicable privacy standards and our contractual obligations can require complex factual and statistical analyses and may be subject to changing interpretation. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or disrupted, breached or otherwise compromised due to employee error, malfeasance or other malicious or inadvertent disruptions. Any such breach or disruption could compromise our networks, and the information stored there could be accessed, manipulated, publicly disclosed, lost, stolen, made unavailable, or otherwise processed without authorization. Any such disruption, access, breach, unavailability, theft, loss or other unauthorized processing of information, or the perception that any of these has occurred could result in legal claims or proceedings, and liability under federal or state laws that protect the privacy of personal information, such as the HIPAA, the Health Information Technology for Economic and Clinical Health Act, and regulatory penalties. Notice of breaches must be made to affected individuals, the Secretary of the Department of Health and Human Services, and for extensive breaches, notice may need to be made to the media or state attorneys general. Such a notice could harm our reputation and our ability to compete.

While we have in place formal policies and procedures related to the storage, collection, and processing of information, and have conducted data privacy audits, we continue to evaluate our compliance needs, including the need to conduct additional internal and external data privacy audits or adopt additional policies and procedures, to ensure our compliance with all applicable data protection laws and regulations. Additionally, we do not currently have policies and procedures in place for assessing our third-party vendors' compliance with applicable data protection laws and regulations. All of these evolving compliance and operational requirements impose significant costs, such as costs related to organizational changes, implementing additional protection technologies, training employees and engaging consultants, which are likely to increase over time. In addition, such requirements may require us to modify our data processing practices and policies, distract management or divert resources from other initiatives and projects, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Any failure or perceived failure by us or our third-party vendors, collaborators, contractors and consultants to comply with any applicable federal, state or similar foreign laws and regulations relating to data privacy and security, could result in damage to our reputation, as well as proceedings or litigation by governmental agencies or other third parties, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, sanctions, awards, penalties or judgments, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increased scrutiny of our environmental, social or governance responsibilities may result in additional costs and risks, and may adversely impact our reputation, employee retention, and willingness of customers and suppliers to do business with us.

Certain investor advocacy groups, institutional investors, investment funds, proxy advisory services, stockholders, and customers are focused on environmental, social, and governance ("ESG") practices of companies. We have also seen public interest and governmental regulation related to public companies' ESG practices.

If our ESG practices fail to meet regulatory requirements or investor or other industry stakeholders' evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship, support for local communities, board and employee diversity, human capital management, employee health and safety practices, product quality, supply chain management, corporate governance and transparency, and employing ESG strategies in our operations, our brand, reputation and employee retention may be negatively impacted and customers and suppliers may be unwilling to do business with us and potential or current investors may elect to invest in other companies with ESG practices that are perceived to be better than ours. In addition, ESG reporting and disclosure may result in additional costs and require additional resources to monitor, report, and comply with our various ESG practices as well as additional attention from our board of directors and management. If we fail to adopt ESG standards or practices as quickly as stakeholders desire, report on our ESG efforts or practices accurately, or satisfy the expectations of stakeholders, or comply with applicable regulatory requirements, our reputation, business, financial performance, and growth may be adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

We have established policies and processes for assessing, identifying, and managing material risk from cybersecurity threats, and have integrated these processes into our overall risk management systems and processes. We routinely assess material risks from cybersecurity threats, including any potential unauthorized occurrence on or conducted through our information systems that may result in adverse effects on the confidentiality, integrity, or availability of our information systems or any information residing therein.

We conduct periodic risk assessments to identify cybersecurity threats, as well as assessments in the event of a material change in our business practices that may affect information systems that are vulnerable to such cybersecurity threats. These risk assessments include identification of reasonably foreseeable internal and

external risks, the likelihood and potential damage that could result from such risks, and the sufficiency of existing policies, procedures, systems, and safeguards in place to manage such risks.

Following these risk assessments, we evaluate whether and how to re-design, implement, and maintain reasonable safeguards to minimize identified risks; reasonably address any identified gaps in existing safeguards; and regularly monitor the effectiveness of our safeguards. We devote resources and designate high-level personnel, including our Head of Information Technology who reports to our Chief Operating Officer, to manage the risk assessment and mitigation process.

As part of our overall risk management system, we monitor and test our safeguards, including through annual third-party vulnerability assessments. We train our employees on these safeguards, in collaboration with human resources, IT, and departmental management. Personnel at all levels and departments are made aware of our cybersecurity policies through training.

We engage assessors, consultants, auditors, or other third parties in connection with our risk assessment processes. These service providers assist us with the design and implementation of our cybersecurity policies and procedures, as well as in monitoring and testing our safeguards.

We have established procedures to evaluate and respond to cybersecurity incidents, including cybersecurity incidents at third-party service providers which have a potential to impact our data and systems. Our cybersecurity risk management is intended to address such risks, as well as other risks related to third parties.

We have not previously experienced a cybersecurity incident that was determined to be material. For additional information regarding whether any risks from cybersecurity threats are reasonably likely to materially affect our company, including our business strategy, results of operations, or financial condition, please refer to Item 1A, "Risk Factors," in this Annual Report on Form 10-K.

Governance

One of the key functions of our board of directors is to provide oversight of our risk management process, including risks from cybersecurity threats. Our board of directors is responsible for monitoring and assessing strategic risk exposure, and our executive officers are responsible for the day-to-day management of the material risks we face. Our board of directors administers its cybersecurity risk oversight function directly as a whole, as well as through the corporate governance and nominating committee.

Our Head of Information Technology and our cyber committee, which includes Facilities, HR, IT, Software, Legal, and Management, are primarily responsible to assess and manage our material risks from cybersecurity threats.

Our Head of Information Technology and our management committee on cybersecurity oversee our cybersecurity policies and processes, including those described in "Risk Management and Strategy" above. Our Head of Information Technology is informed about and monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents by leading cybersecurity risk management and working directly with our IT team. Our Head of Information Technology also provides appropriate information and updates to our management committee on cybersecurity.

Our Head of Information Technology and representatives from our management committee on cybersecurity provide annual briefings to the audit committee regarding our company's cybersecurity risks and activities, including any recent cybersecurity incidents and related responses, cybersecurity systems testing, activities of third parties, and the like. Our corporate governance and nominating committee provides regular updates to the board of directors on such reports.

ITEM 2. PROPERTIES

Our corporate headquarters, research and development facilities, and manufacturing and distribution centers are located in Menlo Park, California, where we lease approximately 180,200 square feet under a lease expiring on April 30, 2034. Additionally, our European headquarters is located in London, where we lease approximately 7,300 square feet under a lease expiring November 30, 2026. Including these leases, we lease approximately 189,600 square feet globally.

We believe that our existing facilities, together with suitable additional or alternative space available on commercially reasonable terms, will be sufficient to meet our needs.

ITEM 3. LEGAL PROCEEDINGS

U.S. District Court Proceedings

On September 26, 2019, Personal Genomics of Taiwan, Inc. (“PGI”) filed a complaint in the U.S. District Court for the District of Delaware against us for patent infringement (C.A. No. 19-cv-1810) (the “PGI District Court matter”). The matter from this complaint is based on PGI’s U.S. Patent No. 7,767,441 (the “‘441 Patent”). The complaint alleges that our Sequel systems and Sequel II systems infringe the ‘441 Patent. The complaint seeks unspecified monetary damages and an order enjoining us from infringing the ’441 Patent. On November 20, 2019, we filed our answer to the complaint, denying infringement and seeking declaratory judgements of non-infringement and invalidity of the ‘441 Patent.

On June 22, 2020, we filed a petition requesting institution of an inter-partes review ("IPR") to the Patent Trial and Appeals Board (the “Board”) at the United States Patent Office (IPR2020-01163) requesting the Board to find a set of claims in the ‘441 Patent invalid. On June 27, 2020, we filed a second petition (IPR2020-01200) requesting institution of an IPR requesting the Board to find another set of claims in the ‘441 Patent invalid. The two petitions (the “PacBio IPR Petitions”) together asserted that all of the claims relevant to the PGI complaint are invalid. On January 19, 2021, the Board ordered that both PacBio IPR Petitions be instituted on all grounds presented. On January 18, 2022, the Board issued decisions on the two IPRs. In one IPR, all challenged claims were found unpatentable, including PGI’s core device claims. In the second IPR, the Board did not find the disputed claims unpatentable. PGI and PacBio each appealed to the U.S. Court of Appeals for the Federal Circuit, which affirmed both IPR decisions on January 9, 2024.

On August 25, 2020, the court ordered a stay of the PGI District Court matter based on a joint stipulation by the parties pending a final written decision on the IPRs. Following the final written decisions on the IPRs described above, on February 2, 2022, the judge ordered that the PGI District Court matter be reopened. However, in a subsequent order dated September 15, 2022, the judge stayed the PGI District Court matter pending a final decision by the U.S. Court of Appeals for the Federal Circuit regarding the appeal described above. On February 26, 2024, we moved to transfer the case from the District of Delaware to the Northern District of California and that motion was granted on June 18, 2024. On March 18, 2024, the parties filed a joint status report in which PGI requested the Court set a revised scheduling order and we requested grant of our motion to transfer and proposed an alternate scheduling order. A case management conference was held on October 10, 2024 and the Court set a trial date of October 5, 2026. We plan to vigorously defend against the remaining claims.

Other Proceedings

From time to time, we may also be involved in a variety of other claims, lawsuits, investigations, and proceedings relating to securities laws, product liability, patent infringement, contract disputes, employment, and other matters that arise in the normal course of our business. In addition, third parties may, from time to time, assert claims against us in the form of letters and other communications.

We record a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We currently do not believe that the ultimate outcome of any of the matters described above is probable or reasonably estimable, or that these matters will have a material adverse effect on our business; however, the results of litigation and claims are inherently unpredictable. Regardless of the outcome, litigation can have an adverse impact on us because of litigation and settlement costs, diversion of management resources, and other factors.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on The Nasdaq Global Select Market under the symbol "PACB."

Holders of Record

As of January 31, 2026, there were approximately 75 stockholders of record of our common stock, although we believe that there are a significantly larger number of beneficial owners of our common stock.

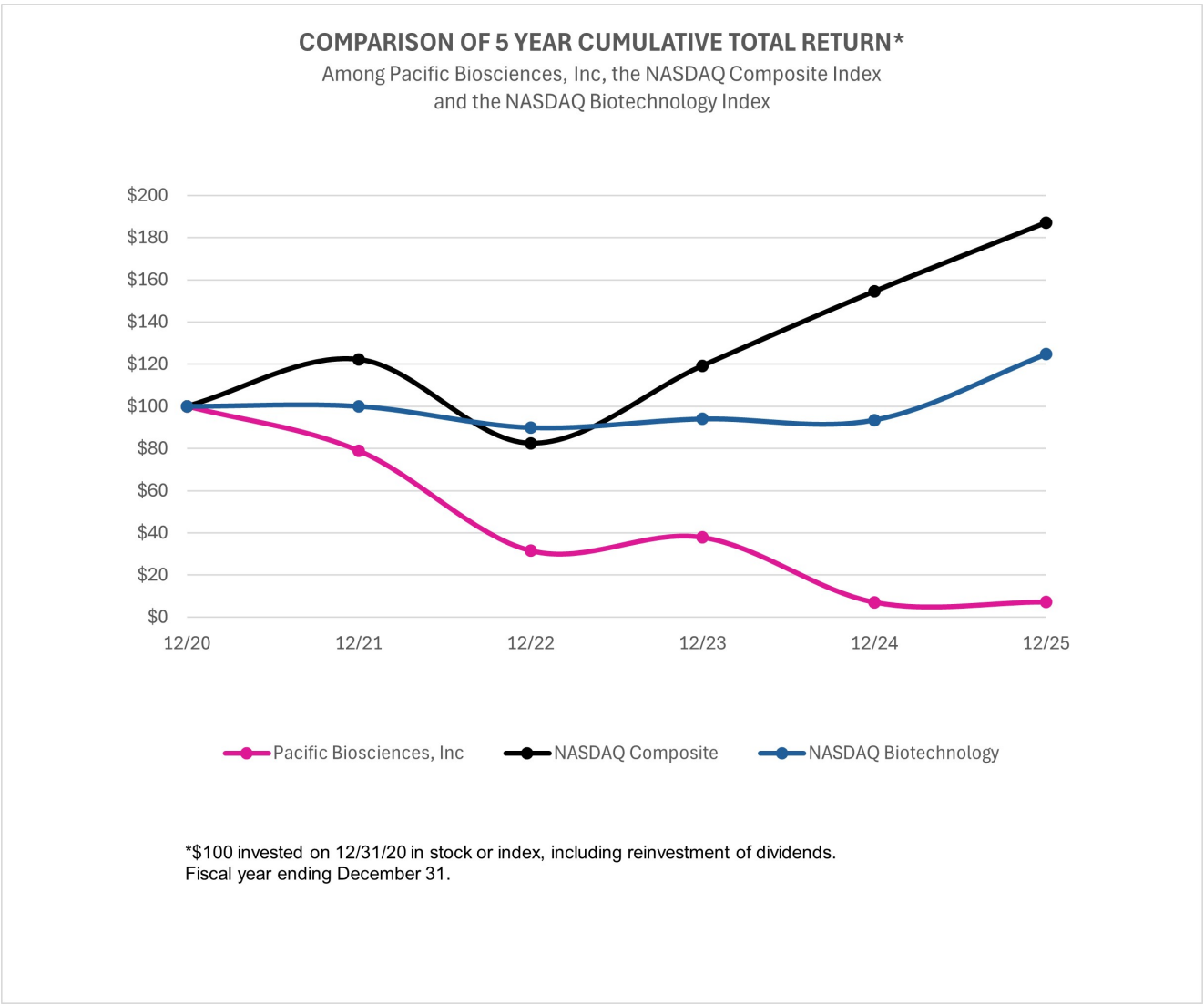
Dividend Policy

We have never declared or paid any cash dividend on our common stock and have no present plans to do so. We intend to retain earnings for use in the operation and expansion of our business.

Performance Graph

The performance graph included in this Annual Report on Form 10-K shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of Pacific Biosciences under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

The following graph shows a comparison from December 31, 2020 through December 31, 2025 of the cumulative total return for our common stock, the Nasdaq Composite Index and the Nasdaq Biotechnology Index. Such returns are based on historical results and are not intended to suggest future performance. Data for The Nasdaq Composite Index and the Nasdaq Biotechnology Index assume reinvestment of dividends.



ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes included in this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should read the "Risk Factors" section of this Annual Report on Form 10-K for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Our Management's Discussion and Analysis ("MD&A") is organized in the following sections:

- Overview and Outlook
- Results of Operations
- Liquidity and Capital Resources
- Off Balance Sheet Arrangements
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements

OVERVIEW AND OUTLOOK

About PacBio

We are a premier life science technology company that designs, develops, and manufactures advanced sequencing solutions that enable scientists and clinical researchers to improve their understanding of the genome and ultimately, resolve genetically complex problems.

Our products and technology, which include our HiFi long-read sequencing technology, address a broad set of applications including human germline sequencing, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications.

Our focus is on creating some of the world's most advanced sequencing systems to provide our customers with the most complete and accurate view of genomes, transcriptomes, and epigenomes.

Our customers include academic and governmental research institutions, commercial testing and service laboratories, genome centers, public health labs, hospitals and clinical research institutes, CROs, pharmaceutical companies, and agricultural companies.

Recent Developments

On January 30, 2026, we completed a disposition of assets to Buyer in accordance with the terms of the Asset Purchase Agreement, pursuant to which, among other matters, Buyer acquired certain intellectual property and other assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies. As consideration for the Asset Sale, Buyer paid us $50.0 million in cash and assumed certain liabilities. In addition, Buyer granted us a non-exclusive license to certain intellectual property included in the purchased assets. In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. As a result, we received approximately $48.1 million in net cash proceeds from the Asset Sale.

Strategic Objectives

Looking ahead to 2026, our main objectives are to grow revenue and expand gross margins through the following five activities. These initiatives are designed to improve the economics of HiFi sequencing, expand adoption across clinical and research markets, and drive durable growth across our platform portfolio.

- **Accelerate samples onto the Revio platform through SPRQ-Nx chemistry and application kits.** SPRQ-Nx is designed to lower the cost of sequencing and improve sequencing efficiency, which we believe will support higher throughput, increased sample volumes, and broader adoption of HiFi sequencing in large-scale research studies and clinical applications.
- **Expand the capabilities of the Vega benchtop platform to broaden our market reach.** We plan to enable faster run times and enhanced user experience through software improvements, which are intended to support broader adoption and improve the overall economics of HiFi sequencing.
- **Progress our clinical strategy to improve outcomes and create durability.** Revio is increasingly being adopted in laboratory-developed test ("LDT") and clinical research settings, supporting consolidation of multiple tests, addressing complex genetic challenges, and driving sustained utilization of HiFi sequencing.
- **Advance data-driven interpretation through scalable HiFi datasets and analytics.** We are focused on leveraging the accuracy of HiFi sequencing and growing datasets to support advanced data analysis and AI-assisted interpretation approaches. Collaborative initiatives such as the HiFi Solves Global Consortium are designed to aggregate large, well-characterized HiFi datasets, which we believe can support improved understanding of complex genetic variation and disease biology while maintaining expert oversight.
- **Invest in future product launches to drive platform innovation.** We continue to develop sequencing solutions designed to increase throughput, simplify workflows, lower the cost to sequence a genome, and enhance downstream data analysis and interpretation capabilities, which we believe will allow us to address a larger portion of the market.

We continue to believe that with the capabilities of our technology, we can be a market leader in whole-genome clinical sequencing. Leading institutions have adopted our products to study rare and inherited disease. We believe the market opportunity for clinical sequencing is significant and could drive substantial revenue growth for the company. We plan to continue to pursue partner collaborations where the technologies being developed or applications being considered extend beyond whole-genome clinical sequencing. Collaborative arrangements add to the awareness of our products and service offerings and may drive new applications for use of our technology.

Financial Overview

Key highlights of our 2025 consolidated financial results include the following:

Revenue of	Gross Profit of	Operating Loss of	Cash, cash equivalents, and investments of
$160.0 M	**$45.8 M**	**$553.9 M**	**$279.5 M**
compared to $154.0 M in the prior year	compared to $37.3 M in the prior year	compared to $474.3 M in the prior year	compared to $389.9 M last year

- Revenue was comprised of approximately $82.0 million in consumables revenue, $53.8 million in instrument revenue, and $24.2 million in service and other revenue for the year ended December 31, 2025. Revenue was comprised $70.3 million in consumables revenue, $65.8 million in instrument revenue, and $17.9 million in service and other revenue for the year ended December 31, 2024. The increase in total revenue was primarily due to higher consumable sales, Vega instrument sales, and

service and other revenue, partially offset by lower Revio instrument sales as compared to the prior year.

- Gross profit increased for the year ended December 31, 2025 compared to the year ended December 31, 2024. The increase was primarily driven by higher consumable volumes, which drove a more favorable product mix. Gross margins may be affected by product mix, manufacturing efficiencies, changes in warranty costs, average selling price fluctuations, future product launches, changes to inventory reserves, costs of raw materials, and tariffs.
- Loss from operations increased for the year ended December 31, 2025 compared to the year ended December 31, 2024 primarily due to $383.1 million of restructuring-related costs. See *Note 6. Restructuring* in Part II, Item 8 of this Annual Report on Form 10-K for additional information about restructuring activities. These restructuring-related costs were partially offset by a $169.5 million decrease in impairment charges and a $17.9 million change in fair value of contingent consideration. As a result of the restructuring, core operating expenses, consisting of research and development and sales, general and administrative expenses, decreased by $71.1 million.
- Cash, cash equivalents, and investments were $279.5 million at December 31, 2025, which represents a 28% decrease compared to the balance of $389.9 million at December 31, 2024.

We believe that our sales cycles for Revio instruments continues to be elongated due to, among other reasons, continued capital funding constraints in academic and research markets, procurement timing considerations, and longer adoption cycles among new customers, which have affected the timing of certain instrument orders.

Macroeconomic dynamics impacting the Company in the future may include rising inflation, geopolitical tensions, volatile capital markets, tariffs, uncertainty in the United States related to NIH and academic funding, and fluctuating exchange rates. These factors could continue to impact our revenues and results of operations in future periods; however, the magnitude and duration of these impacts is highly uncertain and inherently unpredictable.

On an ongoing basis, we evaluate our significant estimates, including those related to the valuation of goodwill, indefinite-lived and finite-lived assets. However, these estimates could change in future periods based on events or changes in circumstances, which could result in material future impairment charges. We recorded $15.0 million of impairment charges during the first quarter of 2025. See additional discussion below in Results of Operations, as well as *Note 4. Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K for further information. Additionally, refer to the Critical Accounting Policies and Estimates section later in this Item 7 for further discussion on the Company's asset impairment assessments.

See the *Risk Factors* section for further discussion.

RESULTS OF OPERATIONS

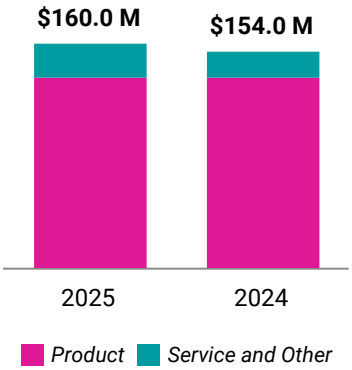
A detailed discussion of our consolidated financial results comparison between 2025 and 2024 is presented below. A discussion of the changes in our results of operations between the years ended December 31, 2024 and December 31, 2023, has been omitted from this Annual Report on Form 10-K but may be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* of our *Annual Report on Form 10-K* for the year ended December 31, 2024, filed with the Securities and Exchange Commission on March 17, 2025, which is incorporated herein by reference, and is available free of charge on the SEC's website at www.sec.gov and our corporate website (www.pacb.com).

Comparison of the Years Ended December 31, 2025 and 2024

	Years Ended December 31,			
(In thousands, except per share amounts)	2025	2024	$ Change	% Change
Revenue:				
Product revenue	$ 135,758	$ 136,149	$ (391)	—%
Service and other revenue	24,247	17,865	6,382	36%
Total revenue	160,005	154,014	5,991	4%
Cost of Revenue:				
Cost of product revenue	89,763	92,284	(2,521)	(3%)
Cost of service and other revenue	15,390	14,057	1,333	9%
Amortization of acquired intangible assets	4,894	9,393	(4,499)	(48%)
Loss on purchase commitment	4,178	998	3,180	319%
Total cost of revenue	114,225	116,732	(2,507)	(2%)
Gross profit	45,780	37,282	8,498	23%
Operating Expense:				
Research and development	97,307	134,922	(37,615)	(28%)
Sales, general and administrative	141,493	175,017	(33,524)	(19%)
Impairment charges	15,000	184,500	(169,500)	(92%)
Amortization of acquired intangible assets	364,541	18,006	346,535	1,925%
Change in fair value of contingent consideration	(18,700)	(850)	(17,850)	2,100%
Total operating expense	599,641	511,595	88,046	17%
Operating loss	(553,861)	(474,313)	(79,548)	17%
Gain on debt restructuring	—	154,407	(154,407)	(100%)
Interest expense	(6,954)	(13,412)	6,458	(48%)
Other income, net	14,757	23,783	(9,026)	(38%)
Loss before income taxes	(546,058)	(309,535)	(236,523)	76%
Income tax provision	318	316	2	1%
Net loss	$ (546,376)	$ (309,851)	$ (236,525)	76%

Revenue

Total Revenue

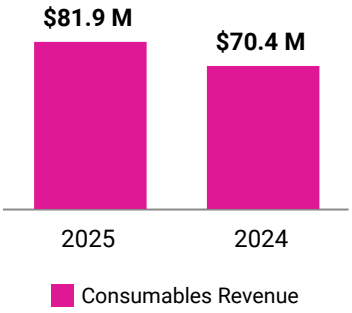


Total revenue increased $6.0 million for the year ended December 31, 2025, as compared to the year ended December 31, 2024.

Product revenue decreased slightly compared to prior year. Instrument revenue decreased $12.0 million, or 18% and consumables revenue increased $11.6 million, or 16%.

Service and other revenue increased $6.4 million, or 36%, primarily driven by an increase in Revio service contracts.

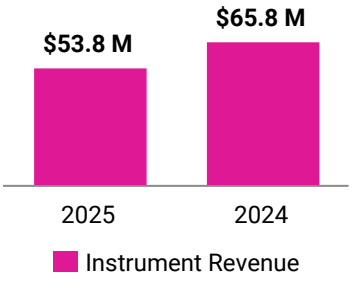
Consumables Revenue



The increase in consumables revenue for the year ended December 31, 2025 as compared to the year ended December 31, 2024 was primarily driven by higher Revio consumables sales, reflecting the continued expansion of the Revio instrument installed base.

Looking ahead, we expect consumables revenue to increase as we execute against our strategic objectives and expand utilization of our sequencing platforms. This growth is expected to be driven by a growing installed base of Revio and Vega instruments, enhancing platform economics that support higher throughput, and broader adoption across research and clinical research applications. In addition, continued investments in chemistry, application kits, and workflow enhancements are intended to expand addressable applications and increase consumables usage per instrument over time.

Instrument Revenue



Instrument revenue decreased for the year ended December 31, 2025 compared to the year ended December 31, 2024 primarily due to a lower number of Revio systems sold—61 units during the year ended December 31, 2025 compared to 97 Revio systems during the year ended December 31, 2024. This decline primarily reflects variability in customer purchasing behavior resulting from uncertainty surrounding the funding for new capital equipment, particularly among academic and research institutions.

The decrease was partially offset by sales of Vega systems, with 140 units sold during the year ended December 31, 2025 following its commercial launch in the fourth quarter of 2024.

We expect that instrument revenue may fluctuate based on timing of customer purchasing decisions, sales mix, and funding dynamics.

Cost of Revenue and Gross Profit

Total cost of revenue decreased $2.5 million, or 2%, during the year ended December 31, 2025, compared to the year ended December 31, 2024 primarily due to more favorable product mix driven by higher consumable sales and a decrease in amortization of acquired intangible assets. These decreases were partially offset by $8.1 million of excess inventory charges resulting from reduced external demand and $3.9 million of estimated losses on purchase commitments associated with anticipated excess inventory in connection with the Company's expense reduction and strategic initiatives. Excess inventory charges were $3.6 million for the year ended December 31, 2024. Total cost of revenue included share-based compensation expense of $3.8 million and $5.7 million during the years ended December 31, 2025 and 2024, respectively.

Gross profit increased $8.5 million, or 23%, for the year ended December 31, 2025, compared to the year ended December 31, 2024 driven by higher consumable volumes and the resulting improvement in product mix, partially offset by restructuring-related charges. See *Note 6. Restructuring* in Part II, Item 8 of this Annual Report on Form 10-K for additional information about restructuring activities. Gross margins may be affected by product mix, manufacturing efficiencies, changes in warranty costs, average selling price fluctuations, future product launches, changes to inventory reserves, costs of raw materials and tariffs.

Research and Development Expense

Research and development expense decreased by $37.6 million, or 28%, for the year ended December 31, 2025, compared to the year ended December 31, 2024. The decrease was primarily driven by a decrease in personnel and related expenses, including share-based compensation expense, lower product development costs due to the transition of launched products from development to commercialization, and lower restructuring-related charges, partially offset by an increase in future product development activities. We recorded $2.8 million of restructuring-related charges during the year ended December 31, 2025 compared to $5.9 million for the year ended December 31, 2024. Research and development expense included share-based compensation of $11.2 million and $19.2 million during the years ended December 31, 2025 and 2024, respectively.

Sales, General, and Administrative Expense

Sales, general and administrative expense decreased by $33.5 million, or 19%, during the year ended December 31, 2025, compared to the year ended December 31, 2024. The decrease was primarily due to a decrease in personnel and related expenses, including share-based compensation expense, and lower restructuring-related charges. We recorded $6.1 million of restructuring-related charges during the year ended December 31, 2025 compared to $14.9 million for the year ended December 31, 2024. Sales, general, and administrative expense included share-based compensation expenses of $26.6 million and $46.2 million during the years ended December 31, 2025 and 2024, respectively.

Impairment Charges

We recorded impairment charges of $15.0 million during the first quarter of 2025, related to in-process research and development ("IPR&D"). These charges resulted from an interim impairment assessment performed in response to identified indicators of impairment during the period. The impairment test concluded that the fair value of our IPR&D assets was $0. See *Note 4. Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K for further details.

We recorded impairment charges of $184.5 million during the year ended December 31, 2024 including $144.5 million of goodwill and $40.0 million of IPR&D as a result of quantitative interim impairment tests.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets during the year ended December 31, 2025 included $359.3 million of accelerated amortization recorded during the first quarter of 2025 which was related to developed technology from the 2021 Omniome acquisition, reflecting our revised estimate that the asset will no longer generate economic benefit. We expect significantly lower amortization expense in future periods.

Change in Fair Value of Contingent Consideration

During the first quarter of 2025 we recognized a change in fair value of contingent consideration of $18.7 million, resulting in a contingent consideration liability of $0. This was primarily due to management's decision to cease development of the high-throughput short-read system, the associated changes in expected future revenues, and the requirement that the milestone event occur prior to the five-year anniversary of the acquisition closing date.

On January 30, 2026, we completed a disposition of assets to Buyer in accordance with the terms of the Asset Purchase Agreement. In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. See *Note 12. Subsequent Events* in Part II, Item 8 of this Annual Report on Form 10-K for further details.

Gain on Debt Restructuring

Gain on debt restructuring of $154.4 million during the year ended December 31, 2024, represents the gain resulting from the Exchange Transaction, which qualified as a troubled debt restructuring under Accounting Standards Codification ("ASC") 470-60, Debt - Troubled Debt Restructurings by Debtors. Since the undiscounted cash flows of the new 2029 Notes were less than the carrying amount of the exchanged 2028 Notes, the carrying value of the 2029 Notes was determined based on the total undiscounted cash flows. The gain was calculated as the difference between the carrying amount of the old debt and the carrying amount of the new debt, adjusted for debt issuance costs. See *Note 5. Convertible Senior Notes* in Part II, Item 8 of this Annual Report on Form 10-K for further details.

Interest Expense

Interest expense during the years ended December 31, 2025 and 2024 was primarily comprised of interest on the convertible senior notes. The decrease was due to lower convertible notes balances as a result of the notes exchange transaction in November 2024. See *Note 5. Convertible Senior Notes* in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

Other Income, Net

The decrease in other income, net was primarily driven by lower investment income due to lower cash and investment balances.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity, other than our holdings of cash, cash equivalents, and investments, has primarily been through the issuance of debt or equity securities, together with cash flow from operating activities. For example, in January 2023, as discussed in *Note 9. Stockholders' Equity* in Part II, Item 8 of this Annual Report on Form 10-K, we issued and sold an aggregate of 20,125,000 shares of our common stock in a follow-on public offering for aggregate gross proceeds of approximately $201.3 million. We have historically incurred, and expect to continue to incur, operating losses and generate negative cash flows from operations on an annual basis due to the investments we intend to make as described in *Results of Operations* above, and as a result, we may require additional capital resources to execute our strategic initiatives to grow our business.

We approved and implemented certain efficiency and expense reduction initiatives during 2025 and 2024. These expense reduction initiatives included workforce reductions, facilities downsizing and a refined pipeline of development programs.

Cash, Cash Equivalents, and Investments

As of December 31, 2025, we had $279.5 million in cash, cash equivalents, and investments, compared to $389.9 million at December 31, 2024. The decrease was primarily attributable to $111.2 million cash used in operating activities during the year ended December 31, 2025.

Convertible Senior Notes

On February 9, 2021, we entered into an investment agreement with SB Northstar LP ("SBN"), a subsidiary of SoftBank Group Corp., relating to the issuance and sale to SBN of $900.0 million in aggregate principal amount of our 2028 Notes. The 2028 Notes were issued on February 16, 2021 and, as of November 21, 2024, no 2028 Notes were outstanding.

In June 2023, we entered into a privately negotiated exchange agreement with a holder of our outstanding 2028 Notes, pursuant to which we issued $441.0 million in aggregate principal amount of our 2030 Notes in exchange for $441.0 million principal amount of the 2028 Notes, leaving approximately $459.0 million in aggregate principal amount outstanding of our 2028 Notes. Interest on the 2030 Notes is payable semi-annually in arrears on June 15 and December 15 commencing on December 15, 2023. The 2030 Notes will mature on December 15, 2030, subject to earlier conversion, redemption, or repurchase.

In November 2024, we entered into an exchange agreement with SBN, pursuant to which we agreed to exchange the remaining approximately $459.0 million in aggregate principal amount of 2028 Notes outstanding for (i) $200.0 million aggregate principal amount of the 2029 Notes, (ii) 20,451,570 shares of common stock (the "Exchange Shares") and (iii) $50.0 million of cash. The exchange and issuances closed on November 21, 2024 (the "Closing Date"). The 2029 Notes, the Exchange Shares, and shares of common stock issuable upon conversion of the 2029 Notes were subject to certain lock-up restrictions for a six-month period (the "Lock-Up Period") beginning on the Closing Date of the Exchange Transaction; the lock-up restrictions will terminate immediately prior to the consummation of any change in control of the Company. The 2029 Notes bear interest at a rate of 1.50% per annum. Interest on the 2029 Notes is payable semi-annually in arrears on February 15 and August 15 and commencing on February 15, 2025. The 2029 Notes will mature on August 15, 2029, subject to earlier conversion, redemption or repurchase.

The 2029 Notes are convertible at the option of the holder at any time from the expiration of the Lock-Up Period until the second scheduled trading day prior to the maturity date, including in connection with a redemption by the Company. The 2029 Notes are convertible into shares of our common stock based on an initial conversion rate of 204.5157 shares of common stock per $1,000 principal amount of the 2029 Notes (which is equal to an initial conversion price of approximately $4.89 per share of common stock), in each case subject to customary anti-dilution and other adjustments as a result of certain extraordinary transactions. Upon conversion of the 2029 Notes, we may elect to settle such conversion obligation in shares of our common stock, cash or a combination of shares of our common stock and cash.

The 2030 Notes are convertible at the option of the holder at any time until the second scheduled trading day prior to the maturity date, including in connection with a redemption by the Company. The 2030 Notes are convertible into shares of our common stock based on an initial conversion rate of 46.5116 shares of common stock per $1,000 principal amount of the 2030 Notes (which is equal to an initial conversion price of approximately $21.50 per share of common stock), in each case subject to customary anti-dilution and other adjustments as a result of certain extraordinary transactions. Upon conversion of the 2030 Notes, we may elect to settle such conversion obligation in shares of our common stock, cash or a combination of shares of our common stock and cash.

With certain exceptions, upon a change of control of our company or the failure of our common stock to be listed on certain stock exchanges, the holders of the Notes may require that we repurchase all or part of the principal amount of those Notes at a purchase price of par plus unpaid interest up to, but excluding, the maturity date.

The indenture governing the 2029 Notes and the 2030 Notes include customary "events of default," which may result in the acceleration of the maturity of the Notes under the respective indentures. The indentures also include customary covenants for convertible notes of this type.

Additionally, on November 21, 2024, in connection with the issuance of the 2029 Notes, the Company and SBN entered into the Letter Agreement pursuant to which the Company and SBN agreed that, for so long as SBN and its affiliates hold at least $180 million aggregate principal amount of the 2029 Notes, the Company and its subsidiaries are subject to certain negative covenants that restrict the Company's and its subsidiaries' ability to incur additional indebtedness and create liens, in each case, subject to the exceptions set forth in the Letter Agreement, including exceptions which permit the Company to incur up to $75 million in aggregate principal amount of secured indebtedness pursuant to Credit Facilities (as defined in the Letter Agreement). In addition, the Letter Agreement restricts the ability of the Company and its subsidiaries from guaranteeing any

indebtedness or incurring certain indebtedness outside of the ordinary course of business unless, in each case, the Company and its subsidiaries concurrently provide a guarantee of the Company's obligations under the 2029 Notes.

See *Note 5. Convertible Senior Notes* in Part II, Item 8 of this Annual Report on Form 10-K for further details.

Additional Capital Requirements

We believe that our existing cash, cash equivalents, and investments will be sufficient to fund our projected operating and capital requirements for at least the next 12 months from the date of filing of this Annual Report on Form 10-K for the year ended December 31, 2025. Operating needs include planned costs to operate our business, including costs to fund working capital and capital expenditures. Recent and expected working and other capital requirements, in addition to the above matters, include:

- Our purchase orders and contractual obligations of approximately $71.3 million as of December 31, 2025, which consist of open purchase orders and contractual obligations in the ordinary course of business, including commitments with contract manufacturers and suppliers for which we have not received the goods or services. A majority of these purchase obligations are due within a year. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.
- As described in Note 7 - Commitments and Contingencies in Part II, Item 8 of this Annual Report on Form 10-K, we have a Supply Agreement, that includes minimum annual purchase commitments for certain products through 2031. To secure supply under the agreement, we paid deposits totaling $15.0 million, of which $4.0 million and $3.0 million were refunded in 2025 and 2024, respectively. The supplier may retain all or a portion of the deposit if we fail to meet our minimum purchase commitments.
- As described in *Note 4 - Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K the Company entered into an agreement to acquire certain developed technology and related intellectual property from The Chinese University of Hong Kong for a total consideration of $9.7 million. In addition, the Company entered into a license agreement for complementary developed technology during the three months ended March 31, 2025. Both the acquired technology and license are classified as intangible assets and are being amortized over an estimated useful life of three years. As of December 31, 2025, $5.0 million of these intangible assets remained unpaid. This amount is included in accrued liabilities on the condensed consolidated balance sheets and is expected to be paid in 2026.
- Our research and development expenditures of $97.3 million in 2025 and $134.9 million in 2024. We expect to continue our investment in research and development in 2026, including enhancements of our existing products, and continued development of other new technology and products.
- Cash outflows for capital expenditures of $2.7 million in 2025 and $6.2 million in 2024. We expect to continue to invest in capital expenditures in fiscal 2026 to continue to support manufacturing and expansion of our business.
- Amounts related to future lease payments for operating lease obligations at December 31, 2025, totaling $98.2 million, with $4.0 million expected to be paid within the next 12 months.
- Payments related to licensing and other arrangements, which are cancellable license agreements with third parties for certain patent rights and technology. Under the terms of these agreements, we may be obligated to pay royalties based on revenue from the sales of licensed products, or minimum royalties, whichever is greater, and license maintenance fees. The future license maintenance fees and minimum royalty payments under the license agreements are not deemed to be material.

Our future capital requirements and the adequacy of our available funds will depend on many factors, including:

- our ability to successfully commercialize and develop products and solutions that address customer needs;
- the pace of adoption of our products and our ability to obtain new customers in markets;
- the progress of our research and development programs and our ability to initiate or expand research programs;

- our ability to manage manufacturing and production costs, including purchase obligations, and litigation costs, including the costs involved in preparing, filing, prosecuting, defending and enforcing intellectual property rights; and
- the extent to which we engage in collaborations with partners and acquire other businesses or technologies.

If economic, financial, business, or other factors adversely affect our ability to fund our projected operating cash requirements, we may be required to obtain funding through traditional or alternative sources of financing. Raising additional funds may result in dilution to existing shareholders. We cannot be certain that funds will be available on favorable terms, or at all. If we are required and unable to raise additional capital when desired, our business, operating results, and financial condition may be adversely affected. See our risk factor captioned "*We are not cash flow positive and may not have sufficient cash to make required payments under the terms of our debt or fund our long-term planned operations*" for more information.

Cash Flow Summary

	Years Ended December 31,	
(In thousands)	2025	2024
Cash used in operating activities	$ (111,209)	$ (206,058)
Cash provided by investing activities	115,448	124,004
Cash provided by (used in) financing activities	3,428	(42,987)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 7,667	$ (125,041)

Operating Activities

Our primary uses of cash in operating activities include the development of future products and product enhancements, manufacturing, and support functions related to our sales, general, and administrative activities.

Cash used in operating activities for the year ended December 31, 2025, of $111.2 million was due primarily to a $546.4 million net loss that included non-cash items such as impairment charges of $15.0 million, share-based compensation of $41.7 million, amortization of intangible assets of $369.4 million, depreciation of $13.0 million, amortization of right-of-use assets of $4.0 million, and $4.4 million from changes in net operating assets and liabilities primarily driven by a decrease in prepaid expenses and other assets as well as increases in accrued expenses and accounts payable partially offset by increases in accounts receivable and inventory. These changes in non-cash items were partially offset by an $18.7 million decrease in the change in the fair value of the contingent consideration and accretion of discount and amortization of premium on marketable securities, net of $4.4 million.

Cash used in operating activities for the year ended December 31, 2024, of $206.1 million was due primarily to a $309.9 million net loss that included non-cash items such as impairment charges of $184.5 million, share-based compensation of $71.0 million, amortization of intangible assets of $27.4 million, depreciation of $13.8 million, and amortization of right-of-use assets of $12.2 million, offset by a gain on debt restructuring of $154.4 million, and accretion of discount and amortization of premium on marketable securities, net of $13.0 million. Cash flow impact from changes in net operating assets and liabilities of $40.6 million, was primarily driven by an increase of $8.3 million in inventory, net, as well as decreases of $26.3 million in accrued expenses and $11.9 million in operating lease liabilities. These uses of cash were partially offset by a decrease of $9.1 million in accounts receivable, net.

Investing Activities

Our investing activities consist primarily of purchases, sales and maturities of investments as well as capital expenditures.

Cash provided by investing activities for the year ended December 31, 2025, was due primarily to maturities of investments of $340.1 million partially offset by purchases of investments of $216.9 million, $5.0 million in purchases of intangible assets, and capital expenditures of $2.7 million.

Cash provided by investing activities for the year ended December 31, 2024, was due primarily to maturities of investments of $594.0 million partially offset by purchases of investments of $498.6 million and capital expenditures of $6.2 million.

Financing Activities

Cash provided by financing activities during the year ended December 31, 2025 resulted from $3.4 million of proceeds from the issuance of common stock through our equity compensation plans.

Cash used in financing activities during the year ended December 31, 2024, was primarily due to payments made in conjunction with the convertible notes exchange of $50.2 million partially offset by proceeds of $7.7 million from the issuance of common stock through our equity compensation plans.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2025, we did not have any off-balance sheet arrangements.

In the ordinary course of business, we enter into standard indemnification arrangements. Pursuant to these arrangements, we indemnify, hold harmless, and agree to reimburse the indemnified parties for losses suffered or incurred by the indemnified party in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology, or from claims relating to our performance or non-performance under a contract, any defective products supplied by us, or any acts or omissions, or willful misconduct, committed by us or any of our employees, agents or representatives. The term of these indemnification agreements is generally perpetual after the execution of the agreement. The maximum potential amount of future payments we could be required to make under these agreements is not determinable because it involves claims that may be made against us in future periods but have not yet been made. To date, we have not incurred costs to defend lawsuits or settle claims related to these indemnification agreements.

We also enter and have entered into indemnification agreements with our directors and officers that may require us to indemnify them against liabilities that arise by reason of their status or service as directors or officers, except as prohibited by applicable law. In addition, we may have obligations to hold harmless and indemnify third parties involved with our fundraising efforts and their respective affiliates, directors, officers, employees, agents or other representatives against any and all losses, claims, damages and liabilities related to claims arising against such parties pursuant to the terms of agreements entered into between us and such third parties in connection with such fundraising efforts. To the extent that such indemnification obligations apply to the lawsuits described in *Legal Proceedings* in Part I, Item 3 of this Annual Report on Form 10-K, any associated expenses incurred are included within the related accrued litigation expense amounts. No additional liability associated with such indemnification agreements has been recorded as of December 31, 2025.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which we have prepared in accordance with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, cost of revenue, and operating expenses, and related disclosure of contingent assets and liabilities. Management based its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements.

Revenue Recognition

Our revenue is generated primarily from the sale of products and services. Product revenue primarily consists of sales of our instruments and related consumables; service and other revenue consist primarily of revenue earned from product maintenance agreements.

We account for a contract with a customer when there is a legally enforceable contract between us and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Revenues are recognized when control of the promised goods is transferred to our customers, or services are performed, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Invoicing typically occurs upon shipment, or delivery in the case of an instrument, and payment is typically due within 30 days from invoice. In instances where the right to payment or transfer of title is contingent upon customer acceptance of the product, revenue is deferred until the acceptance criteria has been met. Revenue from instrument service contracts is recognized as the services are rendered, typically evenly over the contract term. Revenue from development agreements generally includes upfront and milestone payments. Revenue for these agreements is recognized when each separate performance obligation is satisfied.

We may enter into, or periodically modify, contracts with customers that include a combination of promised products and services, resulting in arrangements containing multiple performance obligations. We determine whether each product or service is distinct, in order to identify the performance obligations in the contract and allocate the contract transaction price among the separate performance obligations. A product or service is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. We consider a performance obligation satisfied once we have transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. Therefore, instrument revenue is recognized upon transfer of control of the asset to the customer, which is generally upon delivery for sales made to our non-distributor customers and upon shipment for sales made to our distributor customers.

The consideration for contracts with multiple performance obligations is allocated between separate performance obligations based on their individual standalone selling price. We determine the best estimate of standalone selling price primarily using historical average selling prices combined with an assessment of current market conditions. If the standalone selling price is not directly observable, we rely on estimates by considering multiple factors including, but not limited to, overall market conditions, including geographic or regional specific factors, internal costs, profit objectives, pricing practices, and other observable inputs. We recognize revenues as performance obligations are satisfied by transferring control of the product or service to the customer or over the term of a product maintenance agreement with a customer. Our revenue arrangements generally do not provide a right of return. Revenue is recorded net of discounts and sales taxes collected on behalf of governmental authorities. We update the transaction price for expected consideration, subject to constraint. Where we expect, at contract inception, the timing of payments to be consistent with the transfer of goods or services or the contract duration to be one year or less, we do not adjust the transaction price for the effects of a significant financing component.

Modification of existing contracts with customers could change the scope or the price of the contract, or both. When a contract modification occurs, we exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, (iii) a cumulative catch-up adjustment to the original contract, or a combination thereof. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, allocation of revenue to the remaining performance obligations and determination of the period of recognition for each identified performance obligation.

Certain of our agreements provide options to customers which can be exercised at a future date, such as the option to purchase our product at discounted prices, among others. In accounting for customer options, we determine whether an option is a material right and this may require us to exercise judgment. If a contract provides the customer an option to acquire additional goods or services at a discount that exceeds the range of discounts that we typically give for that product or service for the same class of customer, or if the option provides the customer certain additional goods or services for free, the option is considered a material right and, therefore, a performance obligation. If the standalone selling price of the option is not directly observable, an estimated standalone selling price is utilized which considers adjustments for discounts that the customer could receive without exercising the option and the likelihood that the option will be exercised.

Additionally, we generally provide a one-year warranty on instruments. We accrue the cost of the assurance warranty when revenue of the instrument is recognized. Employee sales commissions are generally recorded as selling, general, and administrative expense when incurred as the amortization period for such costs, if capitalized, would have been one year or less.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess or obsolete balances. Cost includes depreciation, labor, material, and overhead costs, including product and process technology costs. Determining net realizable value of inventories involves judgements, including projecting future average selling prices, sales volumes, and costs to complete products in work in process inventories.

We make inventory purchases and commitments to meet future shipment schedules based on forecasted demand for our products. The business environment in which we operate is subject to rapid changes in technology and customer demand. We perform a detailed assessment of inventory each period, which includes a review of, among other factors, demand requirements, product life cycle and development plans, component cost trends, product pricing, product expiration, and quality issues. Based on our analysis, we record adjustments to inventory for potentially excess, obsolete, or impaired goods, when appropriate, to report inventory at net realizable value. Inventory adjustments may be required if actual demand, component costs, supplier arrangements, or product life cycles differ from our estimates. Any such adjustments would result in a charge to our results of operations.

Business Combinations

Under the acquisition method of accounting, we allocate the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The fair values assigned, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants, are based on estimates and assumptions determined by management. These valuations require us to make estimates and assumptions, especially with respect to intangible assets. We record the excess consideration over the aggregate fair value of tangible and intangible assets, net of liabilities assumed, as goodwill. Costs that we incur to complete the business combination, such as legal and other professional fees, are expensed as they are incurred.

In connection with certain acquisitions, contingent consideration can be earned by the sellers upon completion of certain future performance milestones. In these cases, a liability is recorded on the acquisition date for an estimate of the acquisition date fair value of the contingent consideration. Changes in the fair value of contingent consideration subsequent to the acquisition date are recognized in operating expenses on our consolidated statements of operations and comprehensive loss.

We typically use the discounted cash flow method to value our acquired intangible assets. This method requires significant management judgment to forecast future operating results and utilizes significant assumptions such as assumed revenue projections, discount rates and obsolescence factors. The estimates we use to value and amortize intangible assets are consistent with the plans and estimates that we use to manage our business and are based on available historical information and industry estimates and averages. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these values, we could experience impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate depreciation and amortization expense. If our estimates of the economic lives change, depreciation or amortization expense could be accelerated or extended. We capitalize IPR&D, which is considered indefinite lived until the completion or abandonment of the associated research and development efforts. Upon reaching the end of the relevant research and development project (i.e., upon commercialization), the IPR&D asset is amortized over its estimated useful life. If the relevant research and development project is abandoned, the IPR&D asset is expensed in the period of abandonment.

If the initial accounting for a business combination is incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. We record these adjustments to the provisional amounts with a corresponding offset to goodwill. Any adjustments identified after the measurement period are recorded on our consolidated statements of operations and comprehensive loss.

We acquired $55.0 million of IPR&D, and $52.3 million of goodwill in connection with the acquisition of Apton Biosystems, Inc. in the third quarter of 2023.

Goodwill and Intangible Assets with Indefinite Lives – Impairment Assessment

Goodwill and other intangible assets with indefinite useful lives (i.e., IPR&D) are not amortized, however they are tested annually for impairment, as of the first day of the second and third quarter of our fiscal year, respectively, and whenever events or changes in circumstances indicate that it is more likely than not that the fair value is less than the carrying value. Events that could indicate impairment and trigger an interim impairment test include, but are not limited to, adverse changes in business or economic conditions, lower-than-expected performance of a product line or business, changes in strategic direction, unanticipated technological or competitive developments, loss of key personnel, and actions by governments or courts.

We perform our goodwill impairment analysis at the reporting unit level. We have one reporting unit, which aligns with our reporting structure and availability of discrete financial information. During the goodwill impairment review, we assess qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is less than the carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, and our overall financial performance. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of our reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair value of the reporting unit with the carrying value, including goodwill. If the carrying amount of the reporting unit exceeds the fair value, we record an impairment loss based on the difference. We generally perform our impairment test using a combination of an income and a market approach to determine the fair value of goodwill. The income approach utilizes estimated discounted cash flows, while the market approach utilizes comparable company information. If a quantitative assessment is performed, the evaluation includes management estimates of cash flow projections based on internal future projections and/or use of a market approach by looking at market values of comparable companies, including the observable implied multiples of those companies. Key assumptions include, but are not limited to, revenue and operating income growth rates, discount rates and other factors. We consider peer revenues and earnings trading multiples from companies that have operational and financial characteristics that are similar to the asset under measurement and estimated weighted-average costs of capital. Different assumptions from those made in our analysis could materially affect projected cash flows and the evaluation of assets for impairment. We also consider our market capitalization as a part of our analysis. We may elect to bypass the qualitative assessment in a period and proceed to perform the quantitative goodwill impairment test.

We recognized $144.5 million of impairment charges to goodwill during the year ended December 31, 2024, as a result of quantitative interim impairment tests.

Based primarily on the decline in our stock price and overall market capitalization during the first quarter of 2025, driven in part by macroeconomic uncertainties, as well as our updated strategic plans and restructuring initiatives that prioritize accelerating adoption of HiFi sequencing and ceasing development of our high-throughput short-read platform, we concluded that changes to the timing and amount of expected future cash flows, among other factors, indicated that it was more likely than not that the fair value of the reporting unit was less than its carrying amount, requiring an interim goodwill impairment assessment. As a result of the quantitative interim impairment test performed as of March 31, 2025, we concluded that there was no impairment, as the estimated fair value of the entity-level reporting unit exceeded the carrying value.

To determine the fair value of the entity-level reporting unit as of March 31, 2025, we performed our impairment test using a combination of an income approach and a market approach to determine the fair value of the reporting unit. The income approach utilized estimated discounted cash flows, while the market approach utilized comparable company information. Significant assumptions used in the income approach included revenue growth expectations and a selected discount rate of 12.0%. The discount rate was based on the weighted average cost of capital, determined using market, industry data, and related risk factors. The assumptions used were inherently subject to uncertainty. The assessment is a level 3 measurement due to its reliance on certain unobservable inputs and management judgment. The assessed fair value was deemed reasonable based on a market capitalization reconciliation and a supportable control premium.

We performed our annual assessment for goodwill impairment in the second quarter of 2025, noting no impairment. See *Note 4. Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K for further information.

During the IPR&D impairment review, we assess qualitative factors to determine whether it is more likely than not that the fair value of the IPR&D is less than the carrying amount. The qualitative factors include, but are not limited to, macroeconomic conditions, industry-specific conditions, and company-specific conditions. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of the IPR&D is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair value of the IPR&D with the carrying value. If the carrying amount of the IPR&D exceeds the fair value, we record an impairment loss based on the difference. We generally perform our impairment test using an income approach to determine the fair value of IPR&D. The income approach utilizes estimated discounted cash flows. If a quantitative assessment is performed, the evaluation includes management estimates of cash flow projections based on internal future projections. Key assumptions include, but are not limited to, revenue projections, revenue growth rates, discount rates and other factors. Different assumptions from those made in our analysis could materially affect projected cash flows and the evaluation of assets for impairment. We may elect to bypass the qualitative assessment in a period and proceed to perform the quantitative impairment test. There is substantial risk inherent in forecasting revenues and spend associated with research and development, including assumptions around the timing and level of resources and investment to be made.

We recognized a $40.0 million impairment charge during the year ended December 31, 2024 as a result of a quantitative interim impairment test.

During the first quarter of 2025, based on our decision to cease development of the high-throughput short-read sequencing platform, which would utilize the IPR&D, and the resulting changes to the expected future cash flows, among other factors, we concluded that it was more likely than not that the fair value of the IPR&D was less than its carrying amount, requiring an interim impairment assessment. Using a discounted cash flow model under the income approach, we determined the fair value was $0 and recorded a $15.0 million impairment charge. The decline in the fair value of the IPR&D to $0 as of March 31, 2025 resulted primarily from changes in the timing of expected future cash flows as compared to the fair value as of December 31, 2024, driven by the restructuring initiatives that prioritize accelerating adoption of HiFi sequencing and resulted in ceasing development of our high-throughput short-read sequencing platform. The impairment charge is included on our consolidated statements of operations and comprehensive loss for the year ended December 31, 2025. Significant estimates and assumptions used in the income approach include timing of future cash flows, revenue growth assumptions, a selected discount rate of 14.0%, and a selected obsolescence factor of 11 years. The discount rate was based primarily on the weighted average cost of capital, determined using market, peer company, industry data, and related risk factors. The assessment is a level 3 measurement due to its reliance on certain unobservable inputs and management judgment. The assumptions used were inherently subject to uncertainty. See *Note 4. Balance Sheet Components* in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Assumptions and estimates about future values are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of our reporting unit, we may be required to record future impairment charges for goodwill. Impairment charges could materially decrease our future results of operations and result in lower asset values on our balance sheet.

Intangible Assets and Other Finite-Lived Assets – Impairment Assessment

We capitalize finite-lived intangible assets and generally amortize such assets on a straight-line basis over their estimated useful lives. We review intangible assets with finite lives and other finite-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. We assess the recoverability of assets based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, we estimate the fair value of the assets and record an impairment loss if the carrying value exceeds the fair value. In light of the changes in circumstances that led to the recoverability assessment, we also assess the remaining estimated useful life of the assets. Factors that may indicate potential impairment include a significant decline in our stock price and market capitalization compared to net book value, significant changes in the ability of an asset to generate positive cash flows for our strategic business objectives, and the pattern of utilization of a particular asset.

In order to estimate the fair values of identifiable intangible assets with finite lives and other finite-lived assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows, the time value of money, and other factors that a willing market participant would consider. Management judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows.

Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts. For example, if our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of the asset group, we may be required to record future impairment charges. Impairment charges could materially decrease our future results of operations and result in lower asset values on our balance sheet.

Contingent Consideration

In connection with the acquisition of Omniome in the third quarter of 2021, we entered into an arrangement where we were obligated to pay $200 million in cash and equity dependent upon the achievement of a milestone event upon the first commercial shipment of products developed from our acquired sequencing technology. In the third quarter of 2023, we commenced customer shipments of the Onso short-read sequencing instrument. The milestone payment associated with PacBio's acquisition of Omniome was triggered in September 2023 once both the Onso instrument and related consumables had been shipped to one customer. Consequently, we paid the former Omniome securityholders milestone consideration of an aggregate of approximately $100.9 million in cash and approximately 9.0 million shares of our common stock in October 2023.

In connection with the acquisition of Apton, we entered into an arrangement where we are obligated to pay former holders of Apton's outstanding equity interests $25.0 million upon the achievement of $50 million in revenue associated with a high throughput sequencer using Apton's technology, provided that the milestone event occurs prior to the five-year anniversary of the closing date of the acquisition, which we may elect to pay in cash, shares of our common stock or a combination of cash and shares of our common stock. See *Note 2. Business Acquisitions* in Part II, Item 8 of this Annual Report on Form 10-K for further information.

We estimate the fair value of the contingent consideration liability based on the simulated revenue of the Company through the five-year anniversary of the closing date of the acquisition. The key input used in the determination of the fair value included projected revenues of the high-throughput short-read products and services leveraging Apton's technology. Primarily due to management's decision to cease development of the high-throughput short-read system, and the resulting changes in the expected future revenues, among other factors, and as the milestone event must occur prior to the five-year anniversary of the closing date of the acquisition, the estimated fair value of the contingent consideration liability is $0. An increase in the fair value of the liability may result from changes in projected revenues, including accelerated timing or higher expected amounts, and from decreases in discount rates, including the risk-free rate and the estimated subordinated credit spread for a CCC credit rating. Refer to *Note 3. Financial Instruments* in Part II, Item 8 of this Annual Report on Form 10-K for further discussion on valuation assumptions.

On January 30, 2026, we completed a disposition of assets to Buyer in accordance with the terms of an Asset Purchase Agreement. In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. See *Note 12. Subsequent Events* in Part II, Item 8 of this Annual Report on Form 10-K for further details.

RECENT ACCOUNTING PRONOUNCEMENTS

Please see *Note 1. Organization and Significant Accounting Policies*, subsection titled "Recent Accounting Pronouncements", in Part II, Item 8 of this Annual Report on Form 10-K for information regarding applicable recent accounting pronouncements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate and Market Risk

Our investment portfolio is exposed to market risk from changes in interest rates. The goals of our investment policy are preservation of capital, fulfillment of liquidity needs and fiduciary control of cash and cash equivalents and investments. We also seek to maximize income from our investments without assuming significant risk. To achieve our goals, we maintain a portfolio of cash equivalents and investments in a variety of securities of high credit quality. The securities in our investment portfolio are not leveraged, are classified as available for sale and are, due to their short-term nature, subject to minimal interest rate risk. The fair market value of our fixed rate securities may be adversely impacted by increases in interest rates while income earned may decline as a result of decreases in interest rates. A hypothetical 100 basis-point (one percentage point) increase or decrease in interest rates compared to rates on December 31, 2025 would have affected the fair value of our investment portfolio by approximately $1.5 million.

The carrying value of the 2029 Notes were recorded at the undiscounted cash flow amount on our consolidated balance sheets. The 2030 Notes were recorded at fair value as of the closing date of the related exchange transaction, less debt issuance costs, on our consolidated balance sheets. Because the 2029 Notes and 2030 Notes have fixed annual interest rates of 1.50% and 1.375%, respectively, we do not have any economic interest rate exposure or financial statement risk associated with changes in interest rates. The fair value of the Notes, however, may fluctuate when interest rates and the market price of our stock changes. See *Note 5. Convertible Senior Notes* in Part II, Item 8 of this Annual Report on Form 10-K for additional information.

Foreign Exchange Risk

Our revenue, expense, and capital purchasing activities are primarily transacted in U.S. dollars; however, a portion of our operations is conducted in foreign currencies. As a result, we have foreign exchange exposures relating to non-U.S. dollar denominated cash flows and monetary assets and liabilities that are denominated in currencies other than U.S. dollars. The value of the amounts is exposed to changes in currency exchange rates from the time the transactions are originated, until the time the cash settlement is converted into U.S. dollars. Our foreign currency exposure is primarily concentrated in the Euro. While we are exposed to market risks related to changes in foreign currency exchange rates, we do not believe a hypothetical 10% change in exchange rates would have a material impact on our financial position or results of operations. Actual gains and losses in the future may differ materially from these hypothetical gains and losses based on changes in the timing and amount of foreign currency exchange rate movements and our actual exposure. Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Pacific Biosciences of California, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pacific Biosciences of California, Inc. (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2025, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

	Revenue recognition - Identification and evaluation of performance obligations
Description of the Matter	For the year ended December 31, 2025, the Company recognized revenue of $160.0 million, including $135.8 million of product revenue, which consists primarily of instrument sales and related consumables. As described in Note 1 to the consolidated financial statements, the Company may enter into, or periodically modify, contracts with customers that include a combination of promised products and services, resulting in arrangements containing multiple performance obligations. The Company identifies performance obligations for promises to transfer distinct products or services to a customer. Auditing management's identification and evaluation of performance obligations is complex due to the significant volume of sales transactions that require analysis.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's internal controls addressing management's identification and evaluation of performance obligations. Our audit procedures included, among others, reading executed contracts for a sample of arrangements and evaluating whether all performance obligations were appropriately identified and accounted for based on terms of the contracts.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.

San Mateo, California

February 25, 2026

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	$ 63,707	$ 55,370
Investments	215,799	334,561
Accounts receivable, net	35,448	27,524
Inventory, net	49,285	58,755
Prepaid expenses and other current assets	10,793	18,781
Short-term restricted cash	20	690
Total current assets	375,052	495,681
Property and equipment, net	24,146	30,505
Operating lease right-of-use assets, net	41,695	16,091
Long-term restricted cash	1,532	1,532
Intangible assets, net	15,124	389,572
Goodwill	317,761	317,761
Other long-term assets	8,773	9,305
Total assets	$ 784,083	$ 1,260,447
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 20,770	$ 16,590
Accrued expenses	33,646	22,595
Deferred revenue, current	15,936	13,864
Operating lease liabilities, current	448	10,026
Other liabilities, current	2,031	3,224
Total current liabilities	72,831	66,299
Deferred revenue, non-current	3,929	5,900
Contingent consideration liability, non-current	—	18,700
Operating lease liabilities, non-current	56,592	14,914
Convertible senior notes, net, non-current	645,382	647,494
Other liabilities, non-current	—	546
Total liabilities	778,734	753,853
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value:		
Authorized 50,000 shares; No shares issued or outstanding	—	—
Common stock, $0.001 par value:		
Authorized 1,000,000 shares; issued and outstanding 301,956 and 294,418 shares at December 31, 2025 and December 31, 2024, respectively	302	294
Additional paid-in capital	2,699,892	2,654,804
Accumulated other comprehensive income	457	422
Accumulated deficit	(2,695,302)	(2,148,926)
Total stockholders' equity	5,349	506,594
Total liabilities and stockholders' equity	$ 784,083	$ 1,260,447

See accompanying notes to the consolidated financial statements.

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Years Ended December 31,		
(In thousands, except per share amounts)	2025	2024	2023
Revenue:			
Product revenue	$ 135,758	$ 136,149	$ 183,872
Service and other revenue	24,247	17,865	16,649
Total revenue	160,005	154,014	200,521
Cost of Revenue:			
Cost of product revenue	89,763	92,284	127,568
Cost of service and other revenue	15,390	14,057	14,754
Amortization of acquired intangible assets	4,894	9,393	1,983
Loss on purchase commitment	4,178	998	3,436
Total cost of revenue	114,225	116,732	147,741
Gross profit	45,780	37,282	52,780
Operating Expense:			
Research and development	97,307	134,922	187,170
Sales, general and administrative	141,493	175,017	169,818
Impairment charges	15,000	184,500	—
Merger-related expenses	—	—	9,042
Amortization of acquired intangible assets	364,541	18,006	6,157
Change in fair value of contingent consideration	(18,700)	(850)	15,060
Total operating expense	599,641	511,595	387,247
Operating loss	(553,861)	(474,313)	(334,467)
Loss on extinguishment of debt	—	—	(2,033)
Gain on debt restructuring	—	154,407	—
Interest expense	(6,954)	(13,412)	(14,343)
Other income, net	14,757	23,783	32,684
Loss before income taxes	(546,058)	(309,535)	(318,159)
Income tax provision (benefit)	318	316	(11,424)
Net loss	(546,376)	(309,851)	(306,735)
Other comprehensive income (loss):			
Unrealized gain on investments	35	203	4,984
Comprehensive loss	$ (546,341)	$ (309,648)	$ (301,751)
Net loss per share:			
Basic	$ (1.82)	$ (1.13)	$ (1.21)
Diluted	$ (1.82)	$ (1.59)	$ (1.21)
Weighted average shares outstanding used in calculating net loss per share:			
Basic	299,959	274,488	253,629
Diluted	299,959	288,366	253,629

See accompanying notes to the consolidated financial statements.

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2022	226,505	$ 227	$ 2,099,782	$ (4,765)	$ (1,532,340)	$ 562,904
Net loss	—	—	—	—	(306,735)	(306,735)
Other comprehensive income	—	—	—	4,984	—	4,984
Issuance of common stock following milestone achievement	8,988	9	84,752	—	—	84,761
Issuance of common stock in acquisition of Apton	6,121	6	76,636	—	—	76,642
Issuance of common stock in connection with Apton liquidity event bonus plan	169	—	2,111	—	—	2,111
Issuance of common stock from Underwritten Public Equity Offering, net of issuance costs	20,125	20	189,180	—	—	189,200
Issuance of common stock in conjunction with equity plans	5,836	6	15,313	—	—	15,319
Share-based compensation expense	—	—	72,118	—	—	72,118
Balance at December 31, 2023	267,744	$ 268	$ 2,539,892	$ 219	$ (1,839,075)	$ 701,304
Net loss	—	—	—	—	(309,851)	(309,851)
Other comprehensive income	—	—	—	203	—	203
Issuance of common stock in conjunction with equity plans	6,222	6	7,697	—	—	7,703
Issuance of common stock in conjunction with convertible notes exchange	20,452	20	36,179			36,199
Share-based compensation expense	—	—	71,036	—	—	71,036
Balance at December 31, 2024	294,418	$ 294	$ 2,654,804	$ 422	$ (2,148,926)	$ 506,594
Net loss	—	—	—	—	(546,376)	(546,376)
Other comprehensive income	—	—	—	35	—	35
Issuance of common stock in conjunction with equity plans	7,538	8	3,420	—	—	3,428
Share-based compensation expense	—	—	41,668	—	—	41,668
Balance at December 31, 2025	301,956	$ 302	$ 2,699,892	$ 457	$ (2,695,302)	$ 5,349

See accompanying notes to the consolidated financial statements.

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(In thousands)	2025	2024	2023
Cash flows from operating activities			
Net loss	$ (546,376)	$ (309,851)	$ (306,735)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	12,987	13,774	11,463
Amortization of intangible assets	369,448	27,412	8,261
Amortization of right-of-use assets	3,977	12,165	6,810
Share-based compensation expense	41,668	71,036	72,118
Impairment charges	15,000	184,500	—
Merger-related compensation expense	—	—	3,395
Loss on extinguishment of debt	—	—	2,033
Gain on debt restructuring	—	(154,407)	—
Accretion of discount and amortization of premium on marketable securities, net	(4,365)	(13,044)	(12,840)
Change in the estimated fair value of contingent consideration	(18,700)	(850)	15,060
Inventory provision	9,568	4,618	10,584
Deferred income taxes	(546)	(205)	(11,424)
Other	1,688	(628)	1,059
Changes in assets and liabilities			
Accounts receivable, net	(7,924)	9,091	(17,829)
Inventory, net	(1,419)	(8,320)	(13,841)
Prepaid expenses and other assets	8,514	2,228	(8,984)
Accounts payable	2,482	1,405	206
Accrued expenses	3,158	(26,342)	13,103
Deferred revenue	101	(2,108)	(10,420)
Operating lease liabilities	723	(11,920)	(8,759)
Contingent consideration liability	—	—	(14,882)
Other liabilities	(1,193)	(4,612)	2,449
Net cash used in operating activities	(111,209)	(206,058)	(259,173)
Cash flows from investing activities			
Purchase of property and equipment	(2,714)	(6,188)	(8,843)
Purchase of intangible assets	(5,000)	—	—
Cash paid for purchases of acquired entities, net of cash acquired	—	—	(102)
Purchase of investments	(216,911)	(498,635)	(756,567)
Sales of investments	—	34,856	595
Maturities of investments	340,073	593,971	769,521
Net cash provided by investing activities	115,448	124,004	4,604
Cash flows from financing activities			
Proceeds from issuance of common stock under equity offerings, net of issuance costs	—	—	189,200
Proceeds from issuance of common stock from equity plans	3,428	7,703	15,319
Payment of debt issuance costs	—	—	(7,375)
Payment of contingent consideration	—	—	(86,411)

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Payments made in conjunction with convertible notes exchange	—	(50,200)	—
Notes payable principal payoff	—	(490)	(1,842)
Net cash provided by (used in) financing activities	3,428	(42,987)	108,891
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,667	(125,041)	(145,678)
Cash, cash equivalents, and restricted cash at beginning of period	57,592	182,633	328,311
Cash, cash equivalents, and restricted cash at end of period	$ 65,259	$ 57,592	$ 182,633
Cash and cash equivalents at end of period	63,707	55,370	179,911
Restricted cash at end of period	1,552	2,222	2,722
Cash, cash equivalents, and restricted cash at end of period	$ 65,259	$ 57,592	$ 182,633
Supplemental disclosure of cash flow information			
Interest paid	$ 8,264	$ 14,805	$ 15,687
Supplemental disclosure of non-cash investing and financing activities			
Inventory transferred to property and equipment	$ 2,941	$ 4,194	$ 3,984
Property and equipment transferred to inventory	$ (1,620)	$ (2,572)	$ (7,022)
Right-of-use asset and liability additions and modifications	$ 29,575	$ 18,253	$ —
Issuance of common stock in conjunction with convertible notes exchange	$ —	$ 36,199	$ —
Issuance of common stock in acquisition of Apton and Omniome	$ —	$ —	$ 76,642
Issuance of common stock in connection with Apton liquidity event bonus plan	$ —	$ —	$ 2,111
Convertible notes exchange	$ —	$ —	$ 441,000
Issuance of common stock following milestone achievement	$ —	$ —	$ 84,761

See accompanying notes to the consolidated financial statements.

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview

We are a life science technology company that designs, develops, and manufactures advanced sequencing solutions that enable scientists and clinical researchers to improve their understanding of the genome and ultimately, resolve genetically complex problems.

Our products and technology, which include our HiFi long-read sequencing technology, address a broad set of applications including human germline sequencing, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications.

Our focus is on creating some of the world's most advanced sequencing systems to provide our customers with the most complete and accurate view of genomes, transcriptomes, and epigenomes.

Our customers include academic and governmental research institutions, commercial testing and service laboratories, genome centers, public health labs, hospitals and clinical research institutes, contract research organizations ("CROs"), pharmaceutical companies, and agricultural companies.

References in this report to “PacBio,” “we,” “us,” the “Company,” and “our” refer to Pacific Biosciences of California, Inc. and its consolidated subsidiaries.

Basis of Presentation and Consolidation

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, or U.S. GAAP, as set forth in the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC. The consolidated financial statements include the accounts of Pacific Biosciences and our wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. On an ongoing basis, we evaluate our significant estimates, including those relating to the valuation of inventory, fair value of contingent consideration, valuation of acquired intangible assets, useful lives assigned to finite-lived assets, asset impairment assessments, computation of provisions for income taxes, and valuations related to our convertible senior notes. While the extent of the potential impact of current macroeconomic conditions on our business is highly uncertain, we considered information available related to assumptions and estimates used to determine the results reported and asset valuations as of December 31, 2025. Actual results could differ materially from these estimates.

Functional Currency

The U.S. dollar is the functional currency of our international operations. We remeasure foreign subsidiaries monetary assets and liabilities to the U.S. dollar and record net gains or losses from remeasurement in other income, net, on our consolidated statements of operations and comprehensive loss.

Cash, Cash Equivalents, Restricted Cash, and Investments

We consider all highly liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash equivalents may be comprised of money market funds, certificates of deposit, commercial paper, corporate bonds and notes, and government agencies’ securities.

We classify our investments in debt securities as available-for-sale and report the investments at fair value in current assets. We evaluate our available-for-sale investments in unrealized loss positions and assess whether the unrealized loss is credit-related. Unrealized gains and losses that are not credit-related are recognized in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses, expected credit losses, as well as interest income, on available-for-sale securities are reported in other income, net. The cost used in the determination of gains and losses of securities sold is based on the specific identification method. The cost of marketable securities is adjusted for the amortization of premiums and discounts to expected maturity. Premium and discount amortization is recorded in other income, net. We have the ability to hold, and do not intend to sell investments in unrealized loss positions before the recovery of their amortized cost bases.

Our investment portfolio at any point in time contains investments in cash deposits, money market funds, commercial paper, corporate debt securities, and U.S. government and agency securities with high credit ratings. We have established guidelines regarding diversification and maturities of investments with the objectives of maintaining safety and liquidity, while maximizing yield.

Restricted cash includes cash that is not readily available for use in the Company's operating activities. Restricted cash is primarily comprised of cash pledged under letters of credit.

Concentration and Other Risks

Financial instruments that potentially subject us to credit risk consist principally of interest-bearing investments and trade receivables. We maintain cash, cash equivalents, and investments with various major financial institutions. The counterparties to the agreements relating to our investment securities consist of various major corporations, financial institutions, municipalities, and government agencies of high credit standing. At December 31, 2025, most of our cash was deposited with U.S. financial institutions. Our investment policy generally restricts the amount of credit exposure to any one issuer. There is no limit to the percentage of the portfolio that may be maintained in securities issued by the U.S. Treasury and U.S. Government Agencies, or other securities fully backed by U.S. Treasury or Government agencies. We have not experienced significant credit losses from financial institutions.

Our trade receivables are derived from revenue to customers and distributors located in the United States and other countries. We perform credit evaluations of our customers' financial condition and, generally, require no collateral from our customers. The allowance for credit losses is based on our assessment of the collectability of customer accounts. We regularly review our trade receivables including consideration of factors such as historical experience, the age of the accounts receivable balances, customer creditworthiness, customer industry, and current and forecasted economic conditions that may affect a customer's ability to pay. We have not experienced any significant credit losses to date.

Although we have historically not experienced significant credit losses, our exposure to credit losses may increase if our customers are adversely affected by changes in economic pressures or uncertainty associated with local or global economic recessions, or other customer-specific factors.

For the years ended December 31, 2025, 2024, and 2023, no customer accounted for 10% or more of our total revenue.

As of December 31, 2025 and 2024, 40% and 36% of our accounts receivable were from domestic customers, respectively. As of December 31, 2025 and 2024, no customer represented 10% or more of our net accounts receivable.

We currently purchase several key parts and components used in the manufacture of our products from a limited number of suppliers. Generally, we have been able to obtain an adequate supply of such parts and components but in certain instances have incurred additional costs to secure a supply of constrained material. An extended interruption in the supply of parts and components currently obtained from our suppliers could adversely affect our business and consolidated financial statements.

Inventory, Net

Inventories are stated at the lower of cost or net realizable value on a first-in, first-out ("FIFO") method. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess or obsolete balances. Cost includes depreciation, labor, material, and overhead costs, including product

and process technology costs. Determining net realizable value of inventories involves judgment, including projecting future average selling prices, sales volumes, and costs to complete products in work in process inventories.

We make inventory purchases and commitments to meet future shipment schedules based on forecasted demand for our products. The business environment in which we operate is subject to rapid changes in technology and customer demand. We perform a detailed assessment of inventory each period, which includes a review of, among other factors, demand requirements, product life cycle and development plans, component cost trends, product pricing, product expiration, and quality issues. Based on our analysis, we record adjustments to inventory for potentially excess, obsolete, or impaired goods, when appropriate, to report inventory at net realizable value. Inventory adjustments may be required if actual demand, component costs, supplier arrangements, or product life cycles differ from our estimates. Any such adjustments would result in a charge to our results of operations.

Property and Equipment, Net

Property and equipment are stated at cost, reviewed regularly for impairment, and depreciated over the estimated useful lives of the assets, using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the related asset. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. Transfers of assets between property and equipment, net, and inventory are transferred at standard cost and recognized at carrying value.

Estimated useful lives of the major classes of property and equipment are as follows:

	Estimated Useful Lives
Leasehold improvements	8 years
Lab equipment	3 to 5 years
Computer equipment	3 to 5 years
Computer software	3 years
Furniture and fixtures	3 to 5 years

Operating Leases

We have various operating lease agreements for office, research and development, manufacturing and distribution facilities, including our headquarters location in Menlo Park, California. As of December 31, 2025, these leases had remaining lease terms that expire between 2026 and 2034. We record operating lease right-of-use assets and liabilities on our consolidated balance sheets for all leases with a term of more than 12 months. The operating lease right-of-use assets and liabilities are calculated as the present value of remaining minimum lease payments over the remaining lease term using our estimated secured incremental borrowing rates at the commencement date. Lease payments included in the measurement of the lease liability comprise the fixed rent per the term of the Lease. Operating lease expense is recognized on a straight-line basis over the lease term, with variable lease payments, such as common area maintenance fees, recognized in the period incurred.

Business Combinations

Under the acquisition method of accounting, we allocate the fair value of the total consideration transferred to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. These valuations require us to make estimates and assumptions, especially with respect to intangible assets. We record the excess consideration over the aggregate fair value of tangible and intangible assets, net of liabilities assumed, as goodwill. Costs that we incur to complete the business combination, such as legal and other professional fees, are expensed as they are incurred.

In connection with certain acquisitions, contingent consideration can be earned by the sellers upon completion of certain future performance milestones. In these cases, a liability is recorded on the acquisition date for an estimate of the acquisition date fair value of the contingent consideration. These estimates require significant management judgment, including probabilities of achieving certain future milestones. Changes in the fair value

of the contingent consideration subsequent to the acquisition date are recognized in operating expense on our consolidated statements of operations and comprehensive loss.

If the initial accounting for a business combination is incomplete by the end of a reporting period that falls within the measurement period, we report provisional amounts in our financial statements. During the measurement period, we adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date. We record these adjustments to the provisional amounts with a corresponding offset to goodwill. Any adjustments identified after the measurement period are recorded on our consolidated statements of operations and comprehensive loss.

Goodwill and Intangible Assets with Indefinite Lives

Assets acquired, including intangible assets and capitalized in-process research and development ("IPR&D"), and liabilities assumed are measured at fair value as of the acquisition date. Goodwill, which has an indefinite useful life, represents the excess of cost over fair value of the net assets acquired. Intangible assets acquired in a business combination that are used for IPR&D activities are considered indefinite lived until the completion or abandonment of the associated research and development efforts. Upon reaching the end of the relevant research and development project (i.e., upon commercialization), the IPR&D asset is assessed for impairment and then amortized over its estimated useful life. If the relevant research and development project is abandoned, the IPR&D asset is expensed in the period of abandonment.

Goodwill and IPR&D are not amortized; however, they are reviewed for impairment at least annually. We perform annual impairment testing of goodwill as of the first day of the second quarter, or more frequently if indicators of impairment exist. We perform annual impairment testing of IPR&D as of the first day of the third quarter, or more frequently if indicators of impairment exist. Events that would indicate impairment and trigger an interim impairment test include, but are not limited to, adverse changes in business or economic conditions, lower-than-expected performance of a product line or business, changes in strategic direction, unanticipated technological or competitive developments, loss of key personnel, and actions by governments or courts.

We perform our goodwill impairment analysis at the reporting unit level. We have one reporting unit, which aligns with our reporting structure and availability of discrete financial information. During the goodwill impairment review, we assess qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is less than the carrying amount, including goodwill. The qualitative factors include, but are not limited to, macroeconomic conditions, industry and market considerations, and our overall financial performance. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of our reporting unit is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair value of the reporting unit with the carrying value, including goodwill. If the carrying amount of the reporting unit exceeds the fair value, we record an impairment loss based on the difference. We may elect to bypass the qualitative assessment in a period and proceed to perform the quantitative goodwill impairment test. We generally perform our impairment test using a combination of an income and a market approach to determine the fair value of goodwill. The income approach utilizes estimated discounted cash flows, while the market approach utilizes comparable company information.

During the IPR&D impairment review, we assess qualitative factors to determine whether it is more likely than not that the fair value of the IPR&D is less than the carrying amount. The qualitative factors include, but are not limited to, macroeconomic conditions, industry-specific conditions, and company-specific conditions. If, after assessing the totality of these qualitative factors, we determine that it is not more likely than not that the fair value of the IPR&D is less than the carrying amount, then no additional assessment is deemed necessary. Otherwise, we proceed to compare the estimated fair value of the IPR&D with the carrying value. If the carrying amount of the IPR&D exceeds the fair value, we record an impairment loss based on the difference. We may elect to bypass the qualitative assessment in a period and proceed to perform the quantitative impairment test.

Intangible Assets and Other Finite-Lived Assets

Finite-lived intangible assets include our acquired developed technology and customer relationships. We capitalize finite-lived intangible assets and generally amortize them on a straight-line basis over the estimated useful lives. Intangible assets purchased as part of an acquisition are included in Intangible assets, net, on our consolidated balance sheets.

We regularly review intangible assets with finite lives and other finite-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. We assess the recoverability of assets based on the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If the undiscounted future cash flows are less than the carrying amount, we estimate the fair value of the assets and record an impairment loss if the carrying value exceeds the fair value. In light of the changes in circumstances that led to the recoverability assessment, we also assess the remaining estimated useful life of the assets. Factors that may indicate potential impairment include a significant decline in our stock price and market capitalization compared to net book value, significant changes in the ability of an asset to generate positive cash flows for our strategic business objectives, and the pattern of utilization of a particular asset.

In order to estimate the fair values of identifiable intangible assets with finite lives and other finite-lived assets, we estimate the present value of future cash flows from those assets. The key assumptions that we use in our cash flow model are the amount and timing of estimated future cash flows to be generated by the asset over an extended period of time and a rate of return that considers the relative risk of achieving the cash flows, the time value of money, and other factors that a willing market participant would consider. Management judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows.

Revenue Recognition

Our revenue is generated primarily from the sale of products and services. Product revenue primarily consists of sales of our instruments and related consumables; service and other revenue consist primarily of revenue earned from product maintenance agreements.

We account for a contract with a customer when there is a legally enforceable contract between us and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Revenues are recognized when control of the promised goods is transferred to our customers, or services are performed, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Invoicing typically occurs upon shipment, or delivery in the case of an instrument, and payment is typically due within 30 days from invoice. In instances where the right to payment or transfer of title is contingent upon customer acceptance of the product, revenue is deferred until the acceptance criteria has been met. Revenue from instrument service contracts is recognized as the services are rendered, typically evenly over the contract term. Revenue from development agreements generally includes upfront and milestone payments. Revenue for these agreements is recognized when each separate performance obligation is satisfied.

We may enter into, or periodically modify, contracts with customers that include a combination of promised products and services, resulting in arrangements containing multiple performance obligations. We determine whether each product or service is distinct, in order to identify the performance obligations in the contract and allocate the contract transaction price among the separate performance obligations. A product or service is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. We consider a performance obligation satisfied once we have transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. Therefore, instrument revenue is recognized upon transfer of control of the asset to the customer, which is generally upon delivery for sales made to our non-distributor customers and upon shipment for sales made to our distributor customers.

The consideration for contracts with multiple performance obligations is allocated between separate performance obligations based on their individual standalone selling price. We determine the best estimate of standalone selling price primarily using historical average selling prices combined with an assessment of current market conditions. If the standalone selling price is not directly observable, we rely on estimates by considering multiple factors including, but not limited to, overall market conditions, including geographic or regional specific factors, internal costs, profit objectives, pricing practices, and other observable inputs. We recognize revenues as performance obligations are satisfied by transferring control of the product or service to the customer or over the term of a product maintenance agreement with a customer. Our revenue arrangements generally do not provide a right of return. Revenue is recorded net of discounts and sales taxes collected on behalf of governmental authorities. We update the transaction price for expected consideration, subject to constraint. Where we expect, at contract inception, the timing of payments to be consistent with the transfer of goods or services or the contract duration to be one year or less, we do not adjust the transaction price for the effects of a significant financing component.

Modification of existing contracts with customers could change the scope or the price of the contract, or both. When a contract modification occurs, we exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, (iii) a cumulative catch-up adjustment to the original contract, or a combination thereof. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, allocation of revenue to the remaining performance obligations and determination of the period of recognition for each identified performance obligation.

Certain of our agreements provide options to customers which can be exercised at a future date, such as the option to purchase our product at discounted prices, among others. In accounting for customer options, we determine whether an option is a material right and this may require us to exercise judgment. If a contract provides the customer an option to acquire additional goods or services at a discount that exceeds the range of discounts that we typically give for that product or service for the same class of customer, or if the option provides the customer certain additional goods or services for free, the option is considered a material right and, therefore, a performance obligation. If the standalone selling price of the option is not directly observable, an estimated standalone selling price is utilized which considers adjustments for discounts that the customer could receive without exercising the option and the likelihood that the option will be exercised.

Additionally, we generally provide a one-year warranty on instruments. We accrue the cost of the assurance warranty when revenue of the instrument is recognized. Employee sales commissions are generally recorded as selling, general, and administrative expense when incurred as the amortization period for such costs, if capitalized, would have been one year or less.

Cost of Revenue

Cost of revenue reflects the direct cost of product components, third-party manufacturing services, and our internal manufacturing overhead and customer service infrastructure costs incurred to produce, deliver, maintain, and support our instruments, consumables, and services.

Manufacturing overhead is predominantly comprised of labor and facility costs. We capitalize manufacturing overhead into inventory based on a standard cost model that approximates actual costs.

Service costs include the direct costs of components used in support, repair and maintenance of customer instruments as well as the cost of personnel, materials, shipping and support infrastructure necessary to support our installed customer base.

Research and Development

Research and development expense consists primarily of expenses for personnel engaged in the development of our core technology, the design and development of our future products and current product enhancements. These expenses also include prototype-related expenditures, development equipment and supplies, partner development costs, facilities costs, and other related overhead. We expense research and development costs during the period in which the costs are incurred. We defer and capitalize non-refundable advance payments made for research and development activities until the related goods are received or the related services are rendered.

Credit Losses

Trade accounts receivable

The allowance for credit losses is based on our assessment of the collectability of customer accounts. We regularly review the allowance by considering factors such as the age of the accounts receivable balances, customer creditworthiness, customer industry, and current and forecasted economic conditions that may affect a customer's ability to pay. Credit loss expense was immaterial for the years ended December 31, 2025, 2024, and 2023.

Although we have historically not experienced significant credit losses, our exposure to credit losses may increase if our customers are adversely affected by changes in economic pressures or uncertainty associated with local or global economic recessions, disruptions associated with epidemics or pandemics, or other customer-specific factors.

Available-for-sale debt securities

Our investment portfolio contains investments in cash deposits, money market funds, commercial paper, corporate debt securities and U.S. government and agency securities. We regularly assess whether our securities in an unrealized loss position are credit related. The credit-related portion of unrealized losses, and any subsequent improvements, are recorded in interest income. Unrealized losses that are not credit related are included in accumulated other comprehensive income (loss). The unrealized losses on our investments are mainly attributable to government securities, including U.S. government and U.S. agency bond securities, impacted by movements in market rates and not due to issuer credit risk. We have the ability to hold and do not intend to sell the investments in unrealized loss positions before the recovery of their amortized cost bases.

Income Taxes

We account for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax bases of our assets and liabilities and the amounts reported in the financial statements. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carryforwards. The effect of a change in tax rates on the deferred tax assets and liabilities is recognized in the provision for income taxes in the period that includes the enactment date. A full valuation allowance is provided against our net deferred tax assets as it is more likely than not that the deferred tax assets will not be fully realized.

We regularly review our positions taken relative to income taxes. To the extent our tax positions are more likely than not going to result in additional taxes, we accrue the estimated amount of tax related to such uncertain positions.

Share-Based Compensation

We recognize share-based compensation expense for share-based payments, including stock options, restricted stock units, performance stock units and stock issued under our employee stock purchase plan ("ESPP") based on the grant-date fair value. We estimate the fair value of stock options and ESPP using an option-pricing model. See *Note 9. Stockholders' Equity* for further information regarding share-based compensation.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is comprised of unrealized gains (losses) on our investment securities.

Shipping and Handling

Costs related to shipping and handling are included in cost of revenues for all periods presented.

Earnings per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing diluted net loss

by the weighted-average number of shares of common stock outstanding and potentially dilutive shares outstanding during the period. We calculate the potential dilutive effect of outstanding stock options, restricted stock units, and common stock issuable pursuant to our ESPP, using the treasury stock method. Potentially dilutive common shares issuable upon conversion of convertible senior notes are determined using the if-converted method.

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This new standard requires a company to expand its existing income tax disclosures, specifically related to the rate reconciliation and income taxes paid. The standard was effective for annual periods beginning in 2025. We adopted this ASU for our fiscal year ending December 31, 2025 and applied the amendments retrospectively to all prior periods presented in the consolidated financial statements. The adoption of this new standard resulted in incremental income tax related disclosures to the notes to the consolidated financial statements but did not have a material impact on the consolidated financial statements. Additional required disclosures have been included in *Note 8. Income Taxes*.

Accounting Pronouncements Pending Adoption

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. This new standard requires a company to provide disaggregated disclosures, within the notes to the financial statements, of specified categories of expenses that are included in line items on the face of the income statement. The standard will be effective for us beginning in 2027, and interim periods within 2028, with early adoption permitted. The new standard is expected to be applied prospectively, but retrospective application is permitted. We are currently evaluating the impact of ASU 2024-03 on the consolidated financial statements and related disclosures.

In November 2024, the FASB issued ASU 2024-04, *Debt—Debt With Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*. This new standard clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion or extinguishment of convertible debt. The standard will be effective for us beginning in the first quarter of 2026, with early adoption permitted. The new standard is expected to be applied prospectively, but retrospective application is permitted. We do not expect the adoption of this new standard to have a material impact on the consolidated financial statements and related disclosures.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. This new standard clarifies and modernizes the recognition and disclosure framework for capitalized internal-use software costs by removing all references to project stages and introduces a more judgment-based approach. The standard also clarifies the threshold to be applied to begin capitalizing. The standard will be effective for us beginning in the first quarter of 2028, with early adoption permitted, and can be applied using a prospective, retrospective, or modified transition approach. We are currently evaluating the impact of ASU 2025-06 on the consolidated financial statements and related disclosures.

In December 2025, the FASB issued ASU 2025-10, *Accounting for Government Grants Received by Business Entities*. This new standard provides guidance on the recognition, measurement, and presentation of government grants. The standard will be effective for us beginning in the first quarter of fiscal year 2029, with early adoption permitted, and can be applied using a modified prospective, modified retrospective or full retrospective transition approach. We are currently evaluating the impact of ASU 2025-10 on the consolidated financial statements.

NOTE 2. BUSINESS ACQUISITIONS

Apton Biosystems

On August 2, 2023, we acquired Apton Biosystems, Inc. (“Apton”), a California-based genomics company focused on developing a high throughput short-read sequencer using highly differentiated optics and image processing, paired with novel clustering and chemistry (the “Apton acquisition”).

In connection with the Apton acquisition, all outstanding equity securities of Apton were cancelled in exchange for shares of our common stock with a fair value of $76.6 million, cash of $0.2 million, and contingent consideration with an estimated fair value of $18.5 million. Excluded from consideration transferred was $1.3 million attributable to accelerated share-based compensation expense. The fair value of the 6,121,571 common shares issued was determined based on the closing market price of our common stock on the acquisition date.

In connection with the Apton acquisition, contingent consideration of $25.0 million, which we may elect to pay in cash, shares of our common stock or a combination of cash and shares of our common stock, is due upon the achievement of a milestone, defined as the achievement of $50.0 million in revenue associated with Apton's technology, provided that the milestone event occurs prior to the five-year anniversary of the closing date of the acquisition.

The contingent consideration is accounted for as a liability at fair value, with changes during each reporting period recognized on our consolidated statements of operations and comprehensive loss. The fair value of the contingent consideration liability is calculated, with the assistance from a third-party valuation firm, using a Monte Carlo simulation to estimate the volatility and systematic relative risk of revenues subject to sales milestone payments and discounting the associated cash payment amounts to their present values using a credit-risk-adjusted interest rate.

We recognized a change in fair value of contingent consideration of $18.7 million during the year ended December 31, 2025, resulting in a contingent consideration liability of $0. This was primarily due to management's decision to cease development of the high-throughput short-read system, the associated changes in expected future revenues, and the requirement that the milestone event occur prior to the five-year anniversary of the acquisition closing date.

The acquisition was accounted for as a business combination and, accordingly, the total fair value of the consideration transferred was allocated to the tangible and intangible assets acquired and liabilities assumed based on their fair values on the acquisition date. As of December 31, 2023, the major classes of assets and liabilities to which we have allocated the total fair value of the consideration transferred were as follows:

(In thousands)	
Cash and cash equivalents	$ 97
In-process research and development	55,000
Goodwill	52,287
Other assets, current	153
Deferred income tax liability	(11,338)
Liabilities assumed	(2,191)
Total consideration transferred	$ 94,008

We incurred costs related to the Apton acquisition of approximately $9.0 million during the year ended December 31, 2023, which are included in merger-related expenses on our consolidated statement of operations and comprehensive loss. Merger-related expenses include $2.8 million relating to a liquidity event bonus plan that was treated as a separate transaction and included the issuance of 168,621 shares of common stock that were issued with a fair value of $2.1 million based on the closing market price of our common stock on the acquisition date. As a result, the total shares issued in connection with the Apton acquisition were 6.3 million shares of common stock.

The excess of the value of consideration paid over the aggregate fair value of those net assets has been recorded as goodwill. We recognized goodwill of $52.3 million, which is primarily attributable to the synergies expected to occur from the integration of Apton and is not deductible for income tax purposes.

We allocated $55.0 million of the purchase price to acquired IPR&D. The fair value of the IPR&D was determined, with the assistance of a third-party valuation firm, using an income approach based on a forecast of expected future cash flows. Expected future cash flows utilize significant assumptions such as revenue projections and discount rate. We recognized a $40.0 million impairment charge during the year ended December 31, 2024 as a result of a quantitative interim impairment test. During the first quarter of 2025, based on our decision to cease development of the high-throughput short-read sequencing platform, which would utilize the IPR&D, and the resulting changes to the expected future cash flows, among other factors, we concluded that it was more likely than not that the fair value of the IPR&D was less than its carrying amount, requiring an interim impairment assessment. Using a discounted cash flow model under the income approach, we determined the fair value was $0 and recorded a $15.0 million impairment charge. See *Note 4. Balance Sheet Components* for further details.

On January 30, 2026, we completed a disposition of assets to Illumina Cambridge Limited (the "Buyer") in accordance with the terms of an Asset Purchase Agreement (the “Asset Purchase Agreement”) (the “Asset Sale”). As consideration for the Asset Sale, Buyer paid us $50.0 million in cash and assumed certain liabilities (the “Purchase Price”). In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton Biosystems, Inc. (“Apton”) related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. See *Note 12. Subsequent Events* for additional information.

NOTE 3. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy established under U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We consider an active market as one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Conversely, we view an inactive market as one in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our non-performance risk, or that of our counterparty, is considered in determining the fair values of liabilities and assets, respectively.

We classify our cash deposits and money market funds within Level 1 of the fair value hierarchy because they are valued using bank balances or quoted market prices. We classify our investments as Level 2 instruments based on market pricing and other observable inputs. We did not classify any of our investments within Level 3 of the fair value hierarchy.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the entire fair value measurement requires management to make judgments and consider factors specific to the asset or liability.

The carrying amount of our accounts receivable, prepaid expenses, other current assets, accounts payable, accrued expenses and other liabilities, current, approximate fair value due to their short maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table sets forth the fair value of our financial assets and liabilities that were measured on a recurring basis:

	December 31, 2025				December 31, 2024			
(In thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash and cash equivalents:								
Cash and money market funds	$ 60,496	$ —	$ —	$ 60,496	$ 55,370	$ —	$ —	$ 55,370
U.S. government & agency securities	—	3,211	—	3,211	—	—	—	—
Total cash and cash equivalents	60,496	3,211	—	63,707	55,370	—	—	55,370
Investments:								
Corporate debt securities	—	23,250	—	23,250	—	46,905	—	46,905
U.S. government & agency securities	—	192,549	—	192,549	—	287,656	—	287,656
Total investments	—	215,799	—	215,799	—	334,561	—	334,561
Short-term restricted cash	20	—	—	20	690	—	—	690
Long-term restricted cash	1,532	—	—	1,532	1,532	—	—	1,532
Total assets measured at fair value	$ 62,048	$ 219,010	$ —	$ 281,058	$ 57,592	$ 334,561	$ —	$ 392,153
Liabilities								
Contingent consideration - Apton acquisition	$ —	$ —	$ —	$ —	$ —	$ —	$ 18,700	$ 18,700
Total liabilities measured at fair value	$ —	$ —	$ —	$ —	$ —	$ —	$ 18,700	$ 18,700

For the year ended December 31, 2025, there were no transfers between Level 1, Level 2, or Level 3 assets or liabilities reported at fair value on a recurring basis and our valuation techniques did not change compared to the prior year.

Contingent Consideration - Apton

We classify contingent consideration, which was incurred in connection with the acquisition of Apton, within Level 3 as factors used to develop the estimate of fair value include unobservable inputs that are not supported by market activity and are significant to the fair value. Estimates and assumptions used in the Monte Carlo simulation include risk-adjusted forecasted revenues for products and services leveraging Apton's technology and an estimated credit spread.

We estimate the fair value of the contingent consideration liability based on the simulated revenue of the Company through the five-year anniversary of the closing date of the acquisition. The key input used in the determination of the fair value included projected revenues of the high-throughput short-read products and services leveraging Apton's technology. Primarily due to management's decision to cease development of the high-throughput short-read system, and the resulting changes in the expected future revenues, among other factors, and as the milestone event must occur prior to the five-year anniversary of the closing date of the acquisition, the estimated fair value of the contingent consideration liability is $0. An increase in the fair value of the liability may result from changes in projected revenues, including accelerated timing or higher expected amounts, and from decreases in discount rates, including the risk-free rate and the estimated subordinated credit spread for a CCC credit rating.

Changes in the estimated fair value of the contingent consideration liability related to the Apton acquisition for the year ended December 31, 2025 were as follows:

(In thousands)	Level 3
Beginning balance as of December 31, 2024	$ 18,700
Change in estimated fair value	(18,700)
Ending balance as of December 31, 2025	$ —

Changes to the fair value are recorded as the change in fair value of contingent consideration on our consolidated statements of operations and comprehensive loss.

On January 30, 2026, we completed a disposition of assets to Buyer in accordance with the terms of the Asset Purchase Agreement. In connection with the Asset Sale, Buyer will pay at our direction 4% of the net proceeds from the Purchase Price to the former equity holders of Apton related to the waiver of all remaining milestone obligations associated with our purchase of Apton in August 2023, which payment is expected in the first quarter of 2026. See *Note 12. Subsequent Events* for additional information.

Contingent Consideration - Omniome

On September 20, 2023, we achieved the commercial milestone in connection with the 2021 acquisition of Omniome. Consequently, former Omniome securityholders were entitled to receive as milestone consideration, among other things, an aggregate of approximately $100.9 million in cash and approximately 9.0 million shares of our common stock, representing $95.9 million divided by the volume-weighted average of the trading prices of our common stock for the twenty trading days ending with and including the trading day that was two days immediately prior to the achievement of the milestone. The $95.9 million represents the $100.0 million that was to be paid in shares of our common stock offset by $4.1 million attributable to stock options issued by PacBio in replacement of Omniome's unvested options as part of the transaction, pursuant to the terms of the Omniome merger agreement.

Following the achievement of the commercial milestone, $101.3 million of the contingent consideration, which includes certain payroll taxes, was paid during the year ended December 31, 2023. Additionally, 8,988,391 shares were issued at a value of $84.8 million to the former Omniome securityholders.

Cash, Cash Equivalents, Restricted Cash, and Investments

The following table summarizes our cash, cash equivalents, restricted cash, and investments:

	December 31, 2025			
(In thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Cash and cash equivalents:				
Cash and money market funds	$ 60,496	$ —	$ —	$ 60,496
U.S. government & agency securities	3,211	—	—	3,211
Total cash and cash equivalents	63,707	—	—	63,707
Investments:				
Corporate debt securities	23,172	78	—	23,250
U.S. government & agency securities	192,170	380	(1)	192,549
Total investments	215,342	458	(1)	215,799
Total cash, cash equivalents, and investments	$ 279,049	$ 458	$ (1)	$ 279,506
Short-term restricted cash	$ 20	$ —	$ —	$ 20
Long-term restricted cash	$ 1,532	$ —	$ —	$ 1,532

	December 31, 2024			
(In thousands)	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Cash and cash equivalents:				
Cash and money market funds	$ 55,370	$ —	$ —	$ 55,370
Total cash and cash equivalents	55,370	—	—	55,370
Investments:				
Corporate debt securities	46,746	184	(25)	46,905
U.S. government & agency securities	287,393	418	(155)	287,656
Total investments	334,139	602	(180)	334,561
Total cash, cash equivalents, and investments	$ 389,509	$ 602	$ (180)	$ 389,931
Short-term restricted cash	$ 690	$ —	$ —	$ 690
Long-term restricted cash	$ 1,532	$ —	$ —	$ 1,532

The following table summarizes the contractual maturities of our cash equivalents and available-for-sale investments, excluding money market funds, as of December 31, 2025:

(In thousands)	Fair Value
Due in one year or less	$ 153,645
Due after one year through 5 years	65,365
Total investments	$ 219,010

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

Investment income included in other income, net on our consolidated statements of operations and comprehensive loss was $13.1 million and $24.9 million for the years ended December 31, 2025 and 2024, respectively.

NOTE 4. BALANCE SHEET COMPONENTS

Inventory, Net

Inventory, net, consisted of the following components:

	December 31,	
(In thousands)	2025	2024
Purchased materials	$ 38,638	$ 45,270
Work in process	27,051	22,172
Finished goods	15,709	14,081
Inventory, gross	81,398	81,523
Inventory reserve	(32,113)	(22,768)
Inventory, net	$ 49,285	$ 58,755

Property and Equipment, Net

Property and equipment, net, consisted of the following components:

	December 31,	
(In thousands)	2025	2024
Laboratory equipment and machinery	$ 47,742	$ 47,273
Leasehold improvements	33,837	33,770
Computer equipment	19,477	18,882
Software	7,197	7,280
Furniture and fixtures	2,954	2,972
Construction in progress	5,409	2,276
Total	116,616	112,453
Less: Accumulated depreciation	(92,470)	(81,948)
Property and equipment, net	$ 24,146	$ 30,505

Construction in progress consists of capitalizable costs that have been incurred for the construction of finite-lived assets and is primarily comprised of amounts that will be classified as lab equipment.

Depreciation expense during the years ended December 31, 2025, 2024, and 2023 was $13.0 million, $13.8 million, and $11.5 million, respectively.

Goodwill and Intangible Assets

Goodwill

Goodwill is reviewed for impairment at least annually during the second quarter, or more frequently if an event occurs indicating the potential for impairment. We recognized $144.5 million of impairment charges during the year ended December 31, 2024.

Based primarily on the decline in our stock price and overall market capitalization during the first quarter of 2025, driven in part by macroeconomic uncertainties, as well as our updated strategic plans and restructuring initiatives that prioritize accelerating adoption of HiFi sequencing and ceasing development of our high-throughput short-read platform, we concluded that changes to the timing and amount of expected future cash flows, among other factors, indicated that it was more likely than not that the fair value of the reporting unit was less than its carrying amount, requiring an interim goodwill impairment assessment. As a result of the quantitative interim impairment test performed as of March 31, 2025, we concluded that there was no impairment, as the estimated fair value of the entity-level reporting unit exceeded the carrying value.

To determine the fair value of the entity-level reporting unit as of March 31, 2025, we performed our impairment test using a combination of an income approach and a market approach to determine the fair value of the reporting unit. The income approach utilized estimated discounted cash flows, while the market approach utilized comparable company information. Significant assumptions used in the income approach included revenue growth expectations and a selected discount rate of 12.0%. The discount rate was based on the weighted average cost of capital, determined using market, industry data, and related risk factors. The assumptions used were inherently subject to uncertainty. The assessment is a level 3 measurement due to its reliance on certain unobservable inputs and management judgment. The assessed fair value was deemed reasonable based on a market capitalization reconciliation and a supportable control premium.

We performed our annual assessment for goodwill impairment in the second quarter of 2025, noting no impairment.

Changes in our future operating results, cash flows, share price, market capitalization or discount rates, among others, used when conducting future goodwill impairment tests could affect the estimated implied fair value of goodwill and may result in additional impairment charges in the future.

Intangible Assets

Intangible assets include developed technology, customer relationships, and acquired IPR&D.

As a result of the Apton acquisition in August 2023, we allocated $55.0 million of the purchase price to IPR&D. During the year ended December 31, 2023, acquired IPR&D of $400.0 million as a result of the Omniome acquisition in September 2021 was completed and became subject to amortization.

IPR&D is reviewed for impairment at least annually, or more frequently if an event occurs indicating the potential for impairment. We recognized a $40.0 million impairment charge during the year ended December 31, 2024.

During the first quarter of 2025, based on our decision to cease development of the high-throughput short-read sequencing platform, which would utilize the IPR&D, and the resulting changes to the expected future cash flows, among other factors, we concluded that it was more likely than not that the fair value of the IPR&D was less than its carrying amount, requiring an interim impairment assessment. Using a discounted cash flow model under the income approach, we determined the fair value was $0 and recorded a $15.0 million impairment charge. The decline in the fair value of the IPR&D to $0 as of March 31, 2025 resulted primarily from changes in the timing of expected future cash flows as compared to the fair value as of December 31, 2024, driven by the restructuring initiatives that prioritize accelerating adoption of HiFi sequencing and resulted in ceasing development of our high-throughput short-read sequencing platform. The impairment charge is included on our consolidated statements of operations and comprehensive loss for the year ended December 31, 2025. Significant estimates and assumptions used in the income approach include timing of future cash flows, revenue growth assumptions, a selected discount rate of 14.0%, and a selected obsolescence factor of 11 years. The discount rate was based primarily on the weighted average cost of capital, determined using market, peer company, industry data, and related risk factors. The assessment is a level 3 measurement due to its reliance on certain unobservable inputs and management judgment. The assumptions used were inherently subject to uncertainty.

Changes to IPR&D during the year ended December 31, 2025 were as follows:

(In thousands)	
Balance as of December 31, 2024	$ 15,000
Impairment charge	(15,000)
Balance as of December 31, 2025	$ —

See *Note 6. Restructuring* for additional information on costs incurred in connection with our current year restructuring activities.

In addition to IPR&D, we had the following acquired finite-lived intangible assets as of December 31, 2025:

(In thousands, except years)	Estimated Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	3 to 15	$ 421,179	$ (406,055)	$ 15,124
Customer relationships	2	360	(360)	—
Total		$ 421,539	$ (406,415)	$ 15,124

Amortization expense of intangibles was $369.4 million, $27.4 million and $8.3 million for the years ended December 31, 2025, 2024, and 2023, respectively. For the years ended December 31, 2025, 2024, and 2023 amortization expense of intangibles in cost of revenue was $4.9 million, $9.4 million, and $2.0 million, respectively. For the years ended December 31, 2025, 2024, and 2023, amortization expense of intangibles in operating expenses was $364.5 million, $18.0 million, and $6.3 million, respectively.

Amortization of acquired intangible assets is included within our cost of revenue if the costs and expenses related to the intangible assets are attributable to revenue generating activities. Amortization expense for intangible assets that are not directly related to sales generating activities are amortized to operating expenses. For developed technology intangible assets that are utilized in both revenue generating activities and in research and development activities, we allocate the amortization expense between cost of revenue and operating expenses. The finite-lived intangible assets are amortized using the straight-line method over their estimated useful lives.

During the first quarter of 2025, we revised the estimated useful life of the developed technology acquired in the 2021 Omniome, Inc. ("Omniome") acquisition. This change reflects updated strategic plans and restructuring initiatives focused on accelerating HiFi sequencing adoption, leading to ceased development of our high-throughput short-read platform and revised expectations for the timing and amount of future cash flows from short-read sequencing products and services. As a result of the change in estimate, we recognized accelerated amortization of $359.3 million within amortization of acquired intangible assets in operating expenses, reflecting our revised estimate that the asset will no longer generate economic benefit. This expense had a negative impact on basic and diluted net loss per share of $1.20 for the year ended December 31, 2025.

On March 7, 2025, the Company entered into an agreement to acquire certain developed technology and related intellectual property from The Chinese University of Hong Kong for a total consideration of $9.7 million. In addition, the Company entered into a license agreement for complementary developed technology during the three months ended March 31, 2025. Both the acquired technology and license are classified as intangible assets and are being amortized over an estimated useful life of three years. As of December 31, 2025, $5.0 million of these intangible assets remained unpaid. This amount is included in accrued liabilities on the condensed consolidated balance sheets and is expected to be paid in 2026.

The estimated future amortization expense of acquisition-related intangible assets with finite lives is estimated as follows:

(In thousands)	
2026	$ 4,079
2027	4,079
2028	1,301
2029	745
2030	745
2031 and thereafter	4,175
Total	$ 15,124

Assets Held for Sale

During the fourth quarter of 2025, the Company committed to a plan to sell certain intellectual property and other assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies. The assets met the held-for-sale criteria under ASC 360. The carrying value of the assets was previously written down to $0 through impairment charges and accelerated amortization resulting from the change in estimated useful life recorded in the first quarter of 2025. Accordingly, no additional loss was recognized upon classification of such assets as held-for-sale. The Company completed the disposition of assets on January 30, 2026. See *Note 12. Subsequent Events* for additional information.

Accrued Expenses

Accrued expenses consisted of the following components:

	December 31,	
(In thousands)	2025	2024
Salaries and benefits	$ 18,254	$ 11,706
Accrued intangibles	5,000	—
Accrued interest payable	3,270	2,470
Accrued product development costs	36	1,111
Accrued professional services and legal fees	874	824
Inventory accrual	790	1,237
Warranty accrual	3,046	3,100
Other	2,376	2,147
Accrued expenses	$ 33,646	$ 22,595

Product Warranties

We generally provide a one-year warranty on instruments. In addition, we provide a limited warranty on consumables. At the time revenue is recognized, an accrual is established for estimated warranty costs based on historical experience as well as anticipated product performance. We periodically review the warranty reserve for adequacy and adjust the warranty accrual, if necessary, based on actual experience and estimated costs to be incurred. Warranties are recorded as part of accrued expenses on our consolidated balance sheets and warranty expense is recorded as a component of cost of product revenue on our consolidated statements of operations and comprehensive loss. There were no material changes in estimates for the periods presented below.

Changes in the reserve for product warranties were as follows:

	Years Ended December 31,	
(In thousands)	2025	2024
Balance at beginning of period	$ 3,100	$ 4,681
Additions charged to cost of product revenue	5,554	6,144
Repairs and replacements	(5,608)	(7,725)
Balance at end of period	$ 3,046	$ 3,100

Deferred Revenue

As of December 31, 2025, we had a total of $19.9 million of deferred revenue, $16.0 million of which was recorded as deferred revenue, current and $3.9 million of which was recorded as deferred revenue, non-current, which primarily relates to deferred service contract revenues and is scheduled to be recognized in the next five years. Revenue recorded in the year ended December 31, 2025 includes $12.3 million that was included in deferred revenue, current as of December 31, 2024.

Performance Obligations

We regularly enter into contracts with multiple performance obligations. These contracts are believed to be firm as of the balance sheet date. However, we may allow customers to make product substitutions or certain modifications at our discretion. The timing of shipments depends on several factors, including agreed upon shipping schedules, which may span multiple quarters. Most performance obligations are generally satisfied within a year of the contract execution date. As of December 31, 2025, the aggregate amount of the transaction price allocated to remaining performance obligations was $49.2 million, of which approximately 80% is expected to be converted to revenue in 2026, approximately 16% in the following twelve months, and the remainder thereafter.

Other Liabilities, Current

Other liabilities, current, consisted of the following components:

	December 31,	
(In thousands)	2025	2024
Accrued Employee Stock Purchase Plan	$ 1,377	$ 2,014
Other	654	1,210
Other liabilities, current	$ 2,031	$ 3,224

NOTE 5. CONVERTIBLE SENIOR NOTES

2029 Convertible Senior Notes

On November 7, 2024, we entered into an exchange agreement with SB Northstar LP (“SBN”), a subsidiary of SoftBank Group Corp., pursuant to which we agreed to exchange the remaining approximately $459.0 million in aggregate principal amount of our previously held 1.50% Convertible Senior Notes due 2028 (the “2028 Notes”) outstanding for (i) $200.0 million aggregate principal amount of 1.50% Convertible Senior Notes due 2029 (the “2029 Notes”), (ii) 20,451,570 shares of common stock (the “Exchange Shares”) and (iii) $50.0 million of cash (the “2024 Exchange Transaction”). The Exchange Shares were issued on November 21, 2024 (the “Closing Date”). The 2029 Notes, the Exchange Shares, and shares of common stock issuable upon conversion of the 2029 Notes were subject to certain lock-up restrictions for a six-month period (the “Lock-Up Period”) beginning on the Closing Date of the 2024 Exchange Transaction.

Additionally, on November 21, 2024, in connection with the issuance of the 2029 Notes, the Company and SBN entered into the Letter Agreement pursuant to which the Company and SBN agreed that, for so long as SBN and its affiliates hold at least $180 million aggregate principal amount of the 2029 Notes, the Company and its subsidiaries are subject to certain negative covenants that restrict the Company’s and its subsidiaries’ ability to incur additional indebtedness and create liens, in each case, subject to the exceptions set forth in the Letter Agreement, including exceptions which permit the Company to incur up to $75 million in aggregate principal amount of secured indebtedness pursuant to Credit Facilities (as defined in the Letter Agreement). In addition, the Letter Agreement restricts the ability of the Company and its subsidiaries from guaranteeing any indebtedness or incurring certain indebtedness outside of the ordinary course of business unless, in each case, the Company and its subsidiaries concurrently provide a guarantee of the Company’s obligations under the 2029 Notes.

Upon any conversion of the 2029 Notes, SBN will not be entitled to be issued a number of shares of the Company’s common stock which would cause SBN's beneficial ownership of common stock to exceed either 9.9% of the total number of issued and outstanding shares of common stock or 9.9% of the combined voting power of all of the securities of the Company, in each case, following such conversion.

The 2029 Notes are governed by an indenture (the “2029 Indenture”) between the Company and U.S. Bank Trust Company, National Association, as trustee. The 2029 Notes bear interest at a rate of 1.50% per annum. Interest on the 2029 Notes is payable semi-annually in arrears on February 15 and August 15, commencing on February 15, 2025. The 2029 Notes will mature on August 15, 2029, subject to earlier conversion, redemption or repurchase.

The 2029 Notes are convertible at the option of the holder at any time from the expiration of the Lock-Up Period until the second scheduled trading day prior to the maturity date, including in connection with a redemption by the Company. The 2029 Notes are convertible into shares of our common stock based on an initial conversion rate of 204.5157 shares of common stock per $1,000 principal amount of the 2029 Notes (which is equal to an initial conversion price of approximately $4.89 per share of common stock), in each case subject to customary anti-dilution and other adjustments as a result of certain extraordinary transactions. Upon conversion of the 2029 Notes, we may elect to settle such conversion obligation in cash, shares of our common stock, or a combination of cash and shares of our common stock.

On or after August 20, 2027, and prior to the 31st scheduled trading day immediately preceding the maturity date, the 2029 Notes will be redeemable by the Company in the event that the closing sale price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide the redemption notice at a redemption price of 100% of the principal amount of such 2029 Notes, plus accrued and unpaid interest up to, but excluding, the redemption date.

Upon the occurrence of a Fundamental Change (as defined in the 2029 Indenture), the holders of the 2029 Notes may require that we repurchase all or part of the principal amount of the 2029 Notes at a purchase price of par plus unpaid interest up to, but excluding, the maturity date.

The 2029 Notes are subject to certain debt and lien covenants as well as springing guarantees, in each case, the terms of which are set forth in a second letter agreement between the Company and SBN entered into in connection with the Indenture.

The 2029 Indenture includes customary “events of default,” which may result in the acceleration of the maturity of the 2029 Notes under the 2029 Indenture. The 2029 Indenture also includes customary covenants for convertible notes of this type.

To the extent we elect, the sole remedy for an event of default relating to our failure to comply with certain of our reporting obligations shall, for the first 360 calendar days after the occurrence of such an event of default, consist exclusively of the right to receive additional interest on the 2029 Notes at a rate equal to (i) 0.25% per annum of the principal amount of the 2029 Notes outstanding for each day during the first 180 calendar days of the 360-day period after the occurrence of such an event of default during which such event of default is continuing (or, if earlier, the date on which such event of default is cured or waived) and (ii) 0.50% per annum of the principal amount of the 2029 Notes outstanding for each day from, and including, the 181st calendar day to, and including, the 360th calendar day after the occurrence of such an event of default during which such event of default is continuing (or, if earlier, the date on which such event of default is cured or waived as provided for in the 2029 Indenture). On the 361st day after such event of default (if the event of default relating to our failure to comply with its obligations is not cured or waived prior to such 361st day), the 2029 Notes shall be subject to acceleration as provided for in the 2029 Indenture.

The 2029 Notes are accounted for in accordance with the authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. Under ASU 2020-06, the guidance requires that debt with an embedded conversion feature is accounted for in its entirety as a liability and no portion of the proceeds from the issuance of the convertible debt instrument is accounted for as attributable to the conversion feature unless the conversion feature is required to be accounted for separately as an embedded derivative or the conversion feature results in a substantial premium. The conversion feature of the 2029 Notes is not accounted for as an embedded derivative because it is considered to be indexed to our common stock, and the 2029 Notes were not issued at a substantial premium; therefore, the 2029 Notes are accounted for in their entirety as a liability. Because we may elect to settle any conversions entirely in shares, and because settlement in shares is the default settlement method, the liability is classified as non-current.

The requirement to repurchase the 2029 Notes, including unpaid interest to the maturity date in the event of a Fundamental Change, is considered a put option for certain periods requiring bifurcation under ASC 815 – *Derivatives and Hedging.* However, given the low probability of such a Fundamental Change occurring during the applicable periods, the value of the embedded derivative is immaterial.

The additional interest feature in the event of our failure to comply with certain reporting obligations is also considered an embedded derivative requiring bifurcation under ASC 815. However, due to the nature and terms of the reporting obligations, the value of the embedded derivative is immaterial.

The exchange qualified as a troubled debt restructuring under ASC 470-60 – *Troubled Debt Restructurings by Debtors*. Since the undiscounted cash flows of the 2029 Notes were less than the carrying amount of the exchanged 2028 Notes, the carrying value of the 2029 Notes was determined based on the total undiscounted cash flows. As a result, no interest expense will be recognized for the 2029 Notes. The Company recorded a gain on debt restructuring of $154.4 million, which resulted in a decrease of basic net loss per share of $0.56, during the year ended December 31, 2024 in our consolidated statements of operations and comprehensive loss. The gain was calculated as the difference between the carrying amount of the old debt and the carrying amount of the new debt, adjusted for debt issuance costs.

We incurred issuance costs related to the 2029 Notes of approximately $3.1 million, including $0.2 million of lender fees, which were recorded as a reduction to the gain on debt restructuring in our consolidated statements of operations and comprehensive loss. We also paid accrued but unpaid interest of $1.8 million on the 2028 Notes in connection with the 2024 Exchange Transaction.

We did not receive any cash proceeds from the 2024 Exchange Transaction. In exchange for issuing the 2029 Notes, Exchange Shares and paying $50.0 million of cash pursuant to the 2024 Exchange Transaction, we received and cancelled the exchanged 2028 Notes. Following the closing of the 2024 Exchange Transaction, no amounts were outstanding on the 2028 Notes.

The carrying amount of the liability for the 2029 Notes as of December 31, 2025 is $212.0 million, of which $209.0 million is included as convertible senior notes, net, non-current, and $3.0 million is included as accrued expenses on our consolidated balance sheets.

Changes to the 2029 Notes during the year ended December 31, 2025 were as follows:

(In thousands)	
Carrying amount as of December 31, 2024	$ 214,200
Contractual interest expense	(2,200)
Carrying amount as of December 31, 2025	$ 212,000

As of December 31, 2025, the estimated fair value (Level 2) of the 2029 Notes was $183.5 million. The fair value of the 2029 Notes is estimated using a binomial lattice model that is primarily affected by the trading price of our common stock, market interest rates and volatility.

2030 Convertible Senior Notes

In June 2023, we entered into a privately negotiated exchange agreement with a holder of our outstanding 2028 Notes, pursuant to which we issued $441.0 million in aggregate principal amount of our 1.375% Convertible Senior Notes due 2030 (the "2030 Notes" and together with the 2029 Notes, the "Notes") in exchange for $441.0 million principal amount of the 2028 Notes (the "2023 Exchange Transaction"), pursuant to exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations thereunder. The 2030 Notes were issued on June 30, 2023.

The 2030 Notes are governed by an indenture (the "2030 Indenture") between the Company and U.S. Bank Trust Company, National Association, as trustee. The 2030 Notes bear interest at a rate of 1.375% per annum. Interest on the 2030 Notes is payable semi-annually in arrears on June 15 and December 15, commencing on December 15, 2023. The 2030 Notes will mature on December 15, 2030, subject to earlier conversion, redemption or repurchase.

The 2030 Notes are convertible at the option of the holder at any time until the second scheduled trading day prior to the maturity date, including in connection with a redemption by the Company. The 2030 Notes are convertible into shares of our common stock based on an initial conversion rate of 46.5116 shares of common stock per $1,000 principal amount of the 2030 Notes (which is equal to an initial conversion price of approximately $21.50 per share of common stock), in each case subject to customary anti-dilution and other adjustments as a result of certain extraordinary transactions. Upon conversion of the 2030 Notes, we may elect to settle such conversion obligation in cash, shares of our common stock, or a combination of cash and shares of our common stock.

On or after June 20, 2028, and prior to the 31st scheduled trading day immediately preceding the maturity date, the 2030 Notes will be redeemable by the Company in the event that the closing sale price of our common stock has been at least 150% of the conversion price then in effect for at least 20 trading days (whether or not

consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide the redemption notice at a redemption price of 100% of the principal amount of such 2030 Notes, plus accrued and unpaid interest up to, but excluding, the redemption date.

Upon the occurrence of a Fundamental Change (as defined in the 2030 Indenture), the holders of the 2030 Notes may require that we repurchase all or part of the principal amount of the 2030 Notes at a purchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date, and all unpaid interest from the fundamental change repurchase date thereon, but excluding, the maturity date.

The 2030 Indenture includes customary "events of default," which may result in the acceleration of the maturity of the 2030 Notes under the 2030 Indenture. The 2030 Indenture also includes customary covenants for convertible notes of this type.

To the extent we elect, the sole remedy for an event of default relating to our failure to comply with certain of our reporting obligations shall, for the first 360 calendar days after the occurrence of such an event of default, consist exclusively of the right to receive additional interest on the 2030 Notes at a rate equal to (i) 0.25% per annum of the principal amount of the 2030 Notes outstanding for each day during the first 180 calendar days of the 360-day period after the occurrence of such an event of default during which such event of default is continuing (or, if earlier, the date on which such event of default is cured or waived) and (ii) 0.50% per annum of the principal amount of the 2030 Notes outstanding for each day from, and including, the 181st calendar day to, and including, the 360th calendar day after the occurrence of such an event of default during which such event of default is continuing (or, if earlier, the date on which such event of default is cured or waived as provided for in the 2030 Indenture). On the 361st day after such event of default (if the event of default relating to our failure to comply with its obligations is not cured or waived prior to such 361st day), the 2030 Notes shall be subject to acceleration as provided for in the 2030 Indenture.

The 2030 Notes are accounted for in accordance with the authoritative guidance for convertible debt instruments that may be settled in cash upon conversion. Under ASU 2020-06, the guidance requires that debt with an embedded conversion feature is accounted for in its entirety as a liability and no portion of the proceeds from the issuance of the convertible debt instrument is accounted for as attributable to the conversion feature unless the conversion feature is required to be accounted for separately as an embedded derivative or the conversion feature results in a substantial premium. The conversion feature of the 2030 Notes is not accounted for as an embedded derivative because it is considered to be indexed to our common stock, and the 2030 Notes were not issued at a substantial premium; therefore, the 2030 Notes are accounted for in their entirety as a liability. Because we may elect to settle any conversions entirely in shares, and because settlement in shares is the default settlement method, the liability is classified as non-current.

The requirement to repurchase the 2030 Notes, including unpaid interest to the maturity date in the event of a Fundamental Change, is considered a put option for certain periods requiring bifurcation under ASC 815 – *Derivatives and Hedging.* However, given the low probability of such a Fundamental Change occurring during the applicable periods, the value of the embedded derivative is immaterial.

The additional interest feature in the event of our failure to comply with certain reporting obligations is also considered an embedded derivative requiring bifurcation under ASC 815. However, due to the nature and terms of the reporting obligations, the value of the embedded derivative is immaterial.

The 2023 Exchange Transaction was accounted for as an extinguishment driven by the change in fair value of the embedded conversion option. We recorded a loss on extinguishment of debt of approximately $2.0 million in connection with the 2023 Exchange Transaction during the year ended December 31, 2023, which represents the difference between the fair value and the principal amount of the 2030 Notes of the debt at the modification date, plus unamortized debt issuance costs of $1.5 million related to the respective portion of the 2028 Notes.

We incurred issuance costs related to the 2030 Notes of approximately $7.3 million, which were recorded as debt issuance costs and are presented as a reduction to the 2030 Notes on our consolidated balance sheets. The debt issuance costs are amortized to interest expense using the effective interest method over the term of the 2030 Notes, resulting in an effective interest rate of 1.6%. We also paid accrued but unpaid interest of $2.5 million on the 2028 Notes in connection with the 2023 Exchange Transaction on June 30, 2023.

We did not receive any cash proceeds from the 2023 Exchange Transaction. In exchange for issuing the 2030 Notes pursuant to the 2023 Exchange Transaction, we received and cancelled the exchanged 2028 Notes.

Following the closing of the 2023 Exchange Transaction, $459.0 million in aggregate principal amount of 2028 Notes remained outstanding with terms unchanged.

The net carrying amount of the liability for the 2030 Notes is included as convertible senior notes, net, non-current on our consolidated balance sheets as follows:

	December 31,	
(In thousands)	2025	2024
Principal amount	$ 441,000	$ 441,000
Unamortized debt premium	379	453
Unamortized debt issuance costs	(4,997)	(5,959)
Net carrying amount	$ 436,382	$ 435,494

Interest expense for the 2030 Notes for the years ended December 31, 2025, 2024, and 2023 was as follows:

	Years Ended December 31,		
(In thousands)	2025	2024	2023
Contractual interest expense	$ 6,064	$ 6,081	$ 3,032
Amortization of debt issuance costs	961	950	463
Total interest expense	$ 7,025	$ 7,031	$ 3,495

As of December 31, 2025, the estimated fair value (Level 2) of the 2030 Notes was $317.0 million. The fair value of the 2030 Notes is estimated using a binomial lattice model that is primarily affected by the trading price of our common stock, market interest rates and volatility.

2028 Convertible Senior Notes

On February 9, 2021, we entered into an investment agreement with SBN relating to the issuance and sale to SBN of $900.0 million in aggregate principal amount of the 2028 Notes. The 2028 Notes were issued on February 16, 2021 and bore interest at a rate of 1.50% per annum. As discussed above, in June 2023 we completed an exchange of $441.0 million in aggregate principal amount of our 2028 Notes for $441.0 million aggregate principal amount of the 2030 Notes, leaving approximately $459.0 million in aggregate principal amount of 2028 Notes outstanding. Also as discussed above, in November 2024 we completed an exchange of the remaining $459.0 million in aggregate principal amount of the 2028 Notes outstanding for (i) $200.0 million aggregate principal amount of the 2029 Notes, (ii) the Exchange Shares and (iii) $50.0 million of cash. As of December 31, 2024 no amounts were outstanding on the 2028 Notes.

We incurred issuance costs related to the 2028 Notes of approximately $4.5 million, which were recorded as debt issuance costs and are presented as a reduction to the 2028 Notes on our consolidated balance sheets. The debt issuance costs were amortized to interest expense using the effective interest method over the term of the 2028 Notes, resulting in an effective interest rate of 1.6%. In connection with the 2024 Exchange Transaction, the remaining unamortized debt issuance costs related to the 2028 Notes of $1.1 million were extinguished by offsetting the carrying amount of the convertible senior notes.

Interest expense for the 2028 Notes was as follows for the years ended December 31, 2025, 2024, and 2023:

	Years Ended December 31,		
(In thousands)	2025	2024	2023
Contractual interest expense	$ —	$ 6,139	$ 10,133
Amortization of debt issuance costs	—	289	472
Total interest expense	$ —	$ 6,428	$ 10,605

NOTE 6. RESTRUCTURING

2025 Restructuring

During the year ended December 31, 2025, we implemented an expense reduction initiative aimed at lowering our annualized run-rate operating expenses. These actions, which included workforce reductions and other cost-saving measures, were part of a broader strategic shift to prioritize the adoption of HiFi sequencing.

A summary of the pre-tax restructuring charges are as follows:

(In thousands)	Year Ended December 31, 2025	Cumulative amount incurred to date
Employee separation costs	$ 4,787	$ 4,787
Other costs	1,076	1,076
Total restructuring charges [1]	$ 5,863	$ 5,863

[1] Cumulative charges incurred to date include $3.8 million in sales, general and administrative expense and $2.1 million in research and development expense.

Charges included employee separation costs comprised of approximately $2.5 million related to salaries, wages and other employee benefits paid to terminated employees pursuant to the Worker Adjustment and Retraining Notification ("WARN") Act and approximately $2.3 million of severance costs.

Charges included in other costs are primarily related to legal expenses incurred in connection with employee separation matters.

In connection with the restructuring and strategic shift, we incurred an additional $389.9 million in costs. These primarily include $359.3 million of accelerated amortization of certain intangible assets, $15.0 million of IPR&D impairment charges, charges of $8.1 million related to excess inventory due to decreased external demand, $3.9 million for estimated losses on purchase commitments tied to anticipated future excess inventory included in cost of revenue, and $3.1 million of accelerated depreciation of fixed assets. See *Note 4. Balance Sheet Components* for additional information on the IPR&D impairment assessment and the change in estimated useful life of the intangible asset and accelerated amortization.

A summary of the liabilities related to the restructuring is as follows:

(In thousands, excluding non-cash activities)	Employee Separation Costs	Other Costs	Total
Expense recorded in YTD 2025	$ 4,787	$ 1,076	$ 5,863
Cash paid during YTD 2025	(4,787)	(687)	(5,474)
Amount recorded in current liabilities as of December 31, 2025	$ —	$ 389	$ 389
Estimated total restructuring costs to still be incurred	$ —	$ —	$ —

2024 Restructuring

During the year ended December 31, 2024, we implemented an expense reduction initiative that included workforce reductions, the closing of our San Diego office, and other actions to reduce annualized run-rate operating expenses.

A summary of the pre-tax restructuring charges are as follows:

(In thousands)	Year Ended December 31, 2025	Cumulative amount incurred to date
Employee separation costs	$ —	$ 10,008
Other costs	888	16,102
Total restructuring charges[1]	$ 888	$ 26,110

[1] Cumulative charges incurred to date include $15.8 million in sales, general and administrative expense; $5.9 million in research and development expense; and $4.4 million in cost of revenue.

Cumulative charges incurred to date include employee separation costs comprised of approximately $5.5 million related to salaries, wages and other employee benefits paid to terminated employees pursuant to the WARN Act and approximately $4.5 million of severance costs.

Other costs in cumulative charges incurred to date are primarily related to accelerated amortization and depreciation of $8.1 million for the right-of-use asset, leasehold improvements, and furniture and fixtures relating to the abandonment of the San Diego office. We also incurred cumulative charges to date for excess inventory of $3.6 million primarily relating to a decrease in internal demand resulting from the expense reduction initiatives which were recognized in cost of product revenues. The accelerated amortization and depreciation, which was recognized in sales, general and administrative expense, was determined as a result of the Company's change in estimate pertaining to its remaining useful life of the San Diego office utilizing the estimated date on which it planned to abandon the San Diego office. The lease liability pertaining to the San Diego office was also remeasured during the year ended December 31, 2024 resulting in a reduction in the operating lease liability balance of $4.4 million, which was offset against the right-of-use asset on our consolidated balance sheets. We exited our San Diego office in September 2024.

A summary of the liabilities related to the restructuring is as follows:

(In thousands)	Other Costs	Total
Amount recorded in current liabilities as of December 31, 2024	$ 170	$ 170
Additional expense recorded	888	888
Cash payments	(1,058)	(1,058)
Amount recorded in current liabilities as of December 31, 2025	$ —	$ —
Estimated total restructuring costs to still be incurred	$ —	$ —

The table above excludes noncash activities and amounts incurred relating to the San Diego office lease liability. The ending balance of the San Diego office lease liability as of December 31, 2025 is $0.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Leases

We record operating lease right-of-use assets and liabilities on our consolidated balance sheets for all leases with a term of more than 12 months. The operating lease right-of-use assets and liabilities are calculated as the present value of remaining minimum lease payments over the remaining lease term using our estimated secured incremental borrowing rates at the commencement date. Lease payments included in the measurement of the lease liability comprise the fixed rent per the term of the Lease. All of our leases are operating leases. Lease payments comprise the base rent per the term of the lease. Lease expense for these leases is recognized on a straight-line basis over the lease term, with variable lease payments, such as common area maintenance fees, recognized in the period those payments are incurred.

We often have options to renew lease terms for buildings. In addition, certain lease arrangements may be terminated prior to their original expiration date at our discretion. We evaluate renewal and termination options at the lease commencement date to determine if we are reasonably certain to exercise the option on the basis of economic factors.

On March 7, 2025, we amended our existing lease covering our corporate headquarters, as well as our research and development, manufacturing, and distribution facilities in Menlo Park, California. The lease amendment extends the term to April 30, 2034. We will pay approximately $97.7 million in base rent over the life of the amended lease and receive base rent abatement of approximately $11.6 million for the period beginning on March 1, 2025 and ending on July 31, 2026. We are also entitled to a tenant improvement allowance of $7.2 million. The lease amendment increased our operating lease right-of-use assets and operating lease liabilities by $29.6 million on our condensed consolidated balance sheets.

As of December 31, 2025, the maturities of our operating lease liabilities were as follows:

(In thousands)	
2026	$ 3,960
2027	9,165
2028	12,389
2029	12,761
2030	13,144
Thereafter	46,752
Total undiscounted operating lease payments	98,171
Less: imputed interest	(41,131)
Present value of operating lease liabilities	$ 57,040

Balance Sheet Classification:	
Operating lease liabilities, current	$ 448
Operating lease liabilities, non-current	56,592
Total operating lease liabilities	$ 57,040

We use our incremental borrowing rate to determine the present value of lease payments, as the implicit rates in our leases are not readily determinable. The weighted-average discount rate used to measure our operating lease liabilities was 10.2%. The weighted-average remaining lease term for our operating leases as of December 31, 2025 was 8.2 years.

Cash Flows

Cash paid for amounts included in the present value of operating lease liabilities was $4.8 million and $14.2 million for the years ended December 31, 2025 and 2024, respectively, and were included in operating cash flows.

Operating Lease Costs

Operating lease costs were $9.3 million and $14.5 million for the years ended December 31, 2025 and 2024, respectively.

Contingencies

We may become involved in legal proceedings, claims and assessments from time to time in the ordinary course of business. We accrue liabilities for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

We do not believe that the ultimate outcome of any such pending matters is probable or reasonably estimable, or that these matters will have a material adverse effect on our business; however, the results of litigation and claims are inherently unpredictable. Regardless of the outcome, litigation can have an adverse impact on us because of litigation and settlement costs, diversion of management resources, and other factors.

Please see subsection titled *Legal Proceedings*, in Part I, Item 3 of this Annual Report on Form 10-K.

Indemnification

Pursuant to Delaware law and agreements entered into with each of our directors and officers, we may have obligations, under certain circumstances, to hold harmless and indemnify each of our directors and officers against losses suffered or incurred by the indemnified party in connection with their service to us, and judgements, fines, settlements and expenses related to claims arising against such directors and officers to the fullest extent permitted under Delaware law, our bylaws and our certificate of incorporation. We also enter and have entered into indemnification agreements with our directors and officers that may require us to indemnify them against liabilities that arise by reason of their status or service as directors or officers, except as prohibited by applicable law. In addition, we may have obligations to hold harmless and indemnify third parties involved with our fundraising efforts and their respective affiliates, directors, officers, employees, agents or other representatives against any and all losses, claims, damages and liabilities related to claims arising against such parties pursuant to the terms of agreements entered into between such third parties and us in connection with such fundraising efforts. To the extent that any such indemnification obligations apply to the lawsuits described above, any associated expenses incurred are included within the related accrued litigation expense amounts. No additional liability associated with such indemnification obligations has been recorded as of December 31, 2025.

Purchase Commitments

In the normal course of business, we enter into agreements to purchase goods or services or license intellectual property, certain of which are not cancellable without penalty. For those agreements with variable terms, we do not estimate the total obligation beyond any minimum quantities or pricing as of the reporting date. Licensing agreements under which we commit to ongoing minimum royalty payments, some of which are subject to adjustment, may be terminated under certain circumstances.

Our purchase orders and contractual obligations are approximately $71.3 million as of December 31, 2025, which consist of open purchase orders and contractual obligations in the ordinary course of business, including commitments with contract manufacturers and suppliers for which we have not received the goods or services. A majority of these purchase obligations are due within a year. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

We recognized a loss on purchase commitment of $4.2 million for the year ended December 31, 2025, which was recorded as part of accrued expenses on our consolidated balance sheet and is included in the aforementioned purchase orders and contractual obligations amount. The purchase commitment loss is based on our estimate of future excess inventory under supply agreements with third-party vendors for which we do not expect to have related sales.

We have a long-term supply agreement, which was most recently amended in September 2025 (the “Supply Agreement”), for the purchase of certain products with a semiconductor manufacturer (“Supplier”). The Supply Agreement provides for minimum purchase commitments through 2031 in exchange for guaranteed capacity at Supplier. We are responsible for providing certain materials to allow our Supplier to perform its obligations under the contract.

We paid our Supplier deposits totaling $15.0 million (the “Deposit”), of which $4.0 million and $3.0 million was refunded to us during the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025, $8.0 million related to the Deposit was included in other long-term assets on our consolidated balance sheets, as we believe it is probable the minimum volume purchase commitment level will be achieved.

NOTE 8. INCOME TAXES

We are subject to income taxes both in the United States and certain foreign jurisdictions in which we operate, and we use estimates in determining our provisions for income taxes. Significant management judgement is required in determining our provision for income taxes, deferred tax assets and liabilities, and valuation allowances recorded against net deferred tax assets in accordance with U.S. GAAP. These estimates and judgements occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax

assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties related to uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in the current or subsequent period.

We assess all material positions taken in any income tax return, including all significant uncertain positions, in all tax years that are still subject to assessment or challenge by relevant taxing authorities. Assessing an uncertain tax position begins with the initial determination of the position's sustainability and is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As of each balance sheet date, unresolved uncertain tax positions must be reassessed, and we will determine whether the factors underlying the sustainability assertion have changed and the amount of the recognized tax benefit is still appropriate.

We account for Global Intangible Low-taxed Income as a period cost.

During the years ended December 31, 2025, 2024, and 2023 income/(loss) before taxes from U.S. operations were ($547.5) million, ($311.0) million, and ($318.9) million, respectively, and income/(loss) before taxes from foreign operations was $1.4 million, $1.5 million, and $0.7 million, respectively.

Income Tax Provision (Benefit)

Income tax provision (benefit) consists of the following:

	Years ended December 31,		
(In thousands)	2025	2024	2023
Current tax provision (benefit):			
US Federal	$ —	$ —	$ —
US State	—	—	—
Foreign	864	521	—
Total current tax provision (benefit)	864	521	—
Deferred tax expense (benefit):			
US Federal	(275)	(8)	(9,956)
US State	(271)	(197)	(1,468)
Foreign	—	—	—
Total deferred tax provision (benefit)	(546)	(205)	(11,424)
Total income tax provision (benefit)			
US Federal	(275)	(8)	(9,956)
US State	(271)	(197)	(1,468)
Foreign	864	521	—
Total income tax provision (benefit)	$ 318	$ 316	$ (11,424)

Income tax provision (benefit) related to continuing operations differ from the amounts computed by applying the statutory income tax rate of 21% to pretax loss as follows:

	Years ended December 31,					
	2025		2024		2023	
(Amounts in thousands)	Amount	Percent	Amount	Percent	Amount	Percent
At statutory tax rate	$ (114,672)	21.0 %	$ (65,002)	21.0 %	$ (66,807)	21.0 %
State and local income taxes, net of federal income tax effect	(741)	0.1	(1,100)	0.4	(2,250)	0.7
Tax credits:						
R&D credit	(1,654)	0.3	(6,677)	2.2	(7,596)	2.4
Nontaxable or nondeductible items:						
Stock compensation	9,845	(1.8)	10,526	(3.4)	5,851	(1.8)
Goodwill impairment	—	—	30,345	(9.8)	—	—
Other	(3,515)	0.6	793	(0.3)	1,513	(0.5)
Effect of cross-border tax laws	367	(0.1)	405	(0.1)	(6)	—
Changes in valuation allowance	107,803	(19.7)	27,394	(8.9)	55,413	(17.4)
Other	781	(0.1)	291	(0.1)	1	—
Foreign tax effects	557	(0.1)	219	(0.1)	362	(0.1)
Changes in unrecognized tax benefits	1,547	(0.3)	3,122	(1.0)	2,095	(0.7)
Total effective tax rate	$ 318	(0.1)	$ 316	(0.1)	$ (11,424)	3.6

For the years ended December 31, 2025, 2024 and 2023, state and local income taxes in California and Massachusetts comprise the majority of the state and local income taxes, net of federal effect category.

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of loss and credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets for federal and state income taxes are as follows:

	December 31,	
(In thousands)	**2025**	**2024**
Deferred Tax Assets:		
Net operating loss carryforwards	$ 466,004	$ 434,122
Research and development credits	93,752	91,416
Fixed assets	1,446	—
Capitalized research and experimental expenses	68,647	73,281
Accruals and reserves	14,077	10,506
Cancellation of indebtedness income and interest expense	18,473	20,424
Share-based compensation	14,778	18,195
Operating lease liability	13,199	5,618
Total deferred tax assets	690,376	653,562
Less: Valuation allowance	(678,952)	(558,794)
Total deferred tax assets	11,424	94,768
Deferred Tax Liabilities:		
Intangibles	(1,810)	(91,504)
Fixed assets	—	(261)
Operating lease right-of-use assets	(9,614)	(3,549)
Total deferred tax liabilities	(11,424)	(95,314)
Deferred tax liabilities, net	$ —	$ (546)

At December 31, 2025, we maintained a valuation allowance against our net deferred tax assets which totaled $679.0 million, including net operating loss carryforwards and research and development credits of $466.0 million and $93.8 million, respectively.

A valuation allowance is recorded when it is more likely than not that all or some portion of the deferred income tax assets will not be realized. We regularly assess the need for a valuation allowance against our deferred income tax assets by considering both positive and negative evidence related to whether it is more likely than not that our deferred income tax assets will be realized. In evaluating our ability to recover our deferred income tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred income tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. We maintain a valuation allowance on the net deferred tax assets of our U.S. entities as we have concluded that it is more likely than not that we will not realize our deferred tax assets.

For the year ended December 31, 2025, the Company's valuation allowance increased to $679.0 million, primarily because of an increase in our net operating losses and credits that were fully offset by a valuation allowance. For the year ended December 31, 2024, the Company's valuation allowance increased to $558.8 million, primarily because of an increase in our credits and capitalized research and experimental expenses that were fully offset by a valuation allowance. The change in valuation allowance of $120.2 million was charged to continuing operations.

Net Operating Loss and Tax Credit Carryforwards

As of December 31, 2025, we had a net operating loss carryforward for federal income tax purposes of approximately $1,844.8 million, of which $779.3 million is subject to annual expirations beginning in 2026. We had a total state net operating loss carryforward of approximately $1,222.9 million, which is subject to annual expirations. Utilization of some of the federal and state net operating loss and credit carryforwards are subject to annual limitations due to the "change in ownership" provisions of the Internal Revenue Code of 1986 and similar state provisions. The annual limitations may result in the expiration of net operating losses and credits before utilization.

We have federal credits of approximately $66.1 million, a portion of which will begin to expire in 2026 if not utilized and state research credits of approximately $57.3 million, which have no expiration date. These tax credits are subject to the same limitations discussed above.

Unrecognized Tax Benefits

As of December 31, 2025, our total unrecognized tax benefit was $19.2 million. A reconciliation of the beginning and ending unrecognized tax benefit balance is as follows:

(In thousands)		
Balance as of December 31, 2022	$	10,410
Increase in balance related to tax positions taken in prior year		2,044
Increase in balance related to tax positions taken during current year		2,100
Balance as of December 31, 2023		14,554
Decrease in balance related to tax positions taken in prior year		(6)
Increase in balance related to tax positions taken during current year		3,128
Balance as of December 31, 2024		17,676
Decrease in balance related to tax positions taken in prior year		(14)
Increase in balance related to tax positions taken during current year		1,562
Balance as of December 31, 2025	$	19,224

Our practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2025 and 2024, we had no accrued interest or penalties due to our net operating losses available to offset any tax adjustment. If total unrecognized tax benefits were realized in the future, it would not result in any tax benefit as we currently have a full valuation allowance. We file U.S. federal and various state income tax returns. For U.S. federal and state income tax purposes, the statute of limitations currently remains open for the years ending December 31, 2022 to present and December 31, 2021 to present, respectively. In addition, all of the net operating losses and research and development credit carryforwards that may be utilized in future years may be subject to examination. We are not currently under examination by income tax authorities in any jurisdiction.

Income Taxes Paid

Income taxes paid net of refunds received exceeding 5% of the annual total by jurisdiction:

	Years ended December 31,		
(In thousands)	2025	2024	2023
U.S. Federal	$ —	$ —	$ —
U.S. State and Local	—	—	—
Foreign:			
Canada	29	38	69
China	*	107	17
Germany	52	74	64
Japan	*	16	18
Netherlands	88	*	*
Taiwan	*	*	22
United Kingdom	277	*	(56)
Other foreign jurisdictions	35	21	6
Total foreign	481	256	140
Total income taxes paid	$ 481	$ 256	$ 140

* Income tax paid net of refunds received did not exceed 5% of the annual total by jurisdiction.

NOTE 9. STOCKHOLDERS' EQUITY

Common and Preferred Stock

Our Certificate of Incorporation, as amended and restated in 2010 in connection with the closing of our initial public offering, authorizes us to issue 1,000,000,000 shares of $0.001 par value common stock and 50,000,000 shares of $0.001 par value preferred stock. As of December 31, 2025 and 2024, there were no shares of preferred stock issued or outstanding.

Common stockholders are entitled to dividends when and if declared by our board of directors. There have been no dividends declared to date. The holder of each share of common stock is entitled to one vote.

Underwritten Public Equity Offerings

In January 2023, we entered into an underwriting agreement, relating to the public offering of 17.5 million shares of our common stock, $0.001 par value per share, at a price to the public of $10.00 per share. Under the terms of the underwriting agreement, we also granted the underwriters a 30-day option to purchase up to an additional 2.6 million shares of our common stock, which was subsequently exercised in full, and the offering, including the sale of shares of common stock subject to the underwriters' option, closed in January 2023. In total, we sold 20.1 million shares of our common stock. We paid a commission equal to 5.75% of the gross proceeds from the sale of shares of our common stock. The total net proceeds to us from the offering after deducting the underwriting discount were approximately $189.7 million, excluding approximately $0.5 million of offering expenses.

Equity Plans

The 2020 Equity Incentive Plan (the “2020 Plan”), the 2020 Inducement Equity Incentive Plan (the “Inducement Plan”), and the 2021 adopted Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc. (the “Omniome Plan”) allow for the issuance of stock options, restricted units and awards, and performance-based awards. The 2010 Employee Stock Purchase Plan (the “ESPP”) allows eligible employees to acquire common stock at a discounted price through payroll deductions during designated offering periods.

On June 18, 2024, our stockholders approved an amendment to the 2020 Plan, and we reserved an additional 20.0 million shares of our common stock for issuance pursuant to equity awards granted under the 2020 Plan.

On June 4, 2025, our stockholders approved an amendment to the 2020 Plan, and we reserved an additional 23.0 million shares of our common stock for issuance pursuant to equity awards granted under the 2020 Plan.

As of December 31, 2025, we had 38.6 million shares remaining and available for future issuance under the 2020 Plan, Inducement Plan, and the Omniome Plan. Shares remaining and available for future issuance reflect shares that may become eligible to vest upon the achievement of maximum targets for certain equity awards.

Stock Options

The following table summarizes stock option activity for time-based awards:

(Shares in thousands)	Number of shares	Weighted-average exercise price
Outstanding at December 31, 2024	10,509	$ 11.09
Granted	8,290	$ 1.22
Exercised	—	$ —
Canceled	(2,823)	$ 8.54
Expired	(467)	$ 7.15
Outstanding at December 31, 2025	15,509	$ 6.40

The aggregate intrinsic value of the outstanding options presented in the table above as of December 31, 2025, totaled $5.1 million, and had a weighted-average remaining contractual life of 6.9 years.

The aggregate intrinsic value of outstanding options represents the total pre-tax intrinsic value (i.e. the difference between $1.87, our closing stock price on the last trading day of our fourth quarter of 2025, and the option exercise price multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2025. The aggregate intrinsic value changes at each reporting date based on the fair market value of our common stock.

The vested and exercisable options as of December 31, 2025, totaled 9,817,500 shares, had an aggregate intrinsic value that was $1.5 million, a weighted-average exercise price per share of $9.28, and a weighted-average remaining contractual life of 5.6 years.

The vested and expected to vest options as of December 31, 2025, totaled 15,136,547 shares, had an aggregate intrinsic value of $4.7 million, a weighted-average exercise price per share of $6.63, and a weighted-average remaining contractual life of 6.8 years.

There were no stock options exercised during the year ended December 31, 2025. The total intrinsic value of stock options exercised during the years ended December 31, 2024 and 2023 was $0.8 million, and $8.8 million, respectively. The total intrinsic value of options exercised represents the difference between our closing stock price on the exercise date and the option exercise price, multiplied by the number of in-the-money options exercised.

The weighted-average grant-date fair value of all options granted was $0.90 in 2025, $1.40 in 2024, and $7.32 in 2023, each determined by the Black-Scholes option valuation method.

Restricted Stock Units ("RSU") and Performance Stock Units ("PSU")

We have awarded both Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs"). Each RSU represents the right to receive one share of our common stock upon meeting the required service-based vesting conditions. RSUs typically vest over two to four years, with equal annual installments.

In 2023, PSUs were granted and are based on performance against predefined revenue targets and require continued employment throughout the vesting period. These PSUs become issuable after the third year of the performance period. Achieving the maximum revenue goal allows up to 200% of the target PSU shares to become eligible for vesting, while failing to meet the minimum revenue goal results in no shares vesting.

The following table summarizes the time-based RSU and PSU activity:

(Shares in thousands)	Restricted Stock Units (RSUs)	Performance Stock Units (PSUs)	Weighted-average grant date fair value	
			RSU	PSU
Outstanding at December 31, 2024	14,211	392	$ 7.41	$ 9.43
Granted	11,997	—	1.26	—
Vested	(4,435)	—	9.49	—
Forfeited	(4,222)	—	4.00	—
Outstanding at December 31, 2025	17,551	392	$ 3.50	$ 9.43

The total fair value of shares vested related to RSUs during the years ended December 31, 2025, 2024, and 2023 was $42.1 million, $47.2 million, and $39.3 million, respectively, based on the grant date fair value of each RSU award.

The weighted-average grant-date fair value of all RSUs granted was $1.26 in 2025, $5.02 in 2024, and $9.65 in 2023.

Employee Stock Purchase Plan

As of December 31, 2025, a total of 37.5 million shares of our common stock have been reserved for issuance under the ESPP, which allows eligible employees to acquire common stock at a discounted price through payroll deductions during designated offering periods. Each offering period typically consists of four purchase periods, each lasting approximately six months. Shares are purchased at the lower of 85% of the fair market value of the common stock at either the beginning of the offering period or the end of the purchase period. If the stock price at the end of a purchase period is lower than at the start of the offering period, the existing offering period will be reset, and a new offering period will begin. The ESPP provides for an annual increase to the shares available for issuance at the beginning of each fiscal year equal to the lesser of 2% of the common shares then outstanding, 4,000,000 shares, or an amount determined by the ESPP's administrator.

For the years ended December 31, 2025, 2024, and 2023, 3,102,930 shares, 1,906,529 shares, and 1,735,058 shares of common stock were purchased under the ESPP, respectively. As of December 31, 2025, 15.2 million shares of our common stock remain available for issuance under our ESPP.

Share-based Compensation

The following table summarizes share-based compensation expense:

(In thousands)	Years Ended December 31,		
	2025	2024	2023
Cost of revenue	$ 3,847	$ 5,691	$ 5,399
Research and development	11,173	19,172	22,435
Sales, general and administrative	26,648	46,173	44,284
Total share-based compensation	41,668	71,036	72,118

As of December 31, 2025 and 2024, $0.4 million and $0.6 million of share-based compensation cost was capitalized in inventory, net, on our consolidated balance sheets, respectively.

We estimate forfeitures related to our share-based compensation plans. The estimated forfeiture rate is based on historical data, trends, and other relevant factors, such as employee turnover rates and expectations about future forfeitures. The estimated forfeiture rate is reviewed periodically and adjusted as necessary to reflect changes in these factors.

The tax benefit of share-based compensation expense was immaterial for the years ended December 31, 2025, 2024, and 2023 due to a valuation allowance on the net deferred tax assets of our U.S. entities, for which we have concluded that it is more likely than not that we will not realize our deferred tax assets.

Determining Fair Value

We estimate the fair value of share options granted using the Black-Scholes valuation method and a single option award approach. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair market value of RSU awards granted is the closing price of our shares on the date of grant and is generally recognized as compensation expense on a straight-line basis over the respective vesting period. For shares purchased under the ESPP, we estimate the grant-date fair value, and the resulting share-based compensation expense, using the Black-Scholes option-pricing model.

- Expected Term – The expected term used in the Black-Scholes valuation method represents the period that the stock options are expected to be outstanding and is determined based on historical experience of similar awards, considering the contractual terms of the stock options and vesting schedules.
- Expected Volatility – The expected volatility used in the Black-Scholes valuation method is derived from the implied volatility related to our share price over the expected term.
- Expected Dividend – We have never paid dividends on our shares and, accordingly, the dividend yield percentage is zero for all periods.
- Risk-Free Interest Rate – The risk-free interest rate used in the Black-Scholes valuation method is the implied yield currently available on U.S. Treasury constant maturities issued with a term equivalent to the expected terms.

Stock Options

When determining the current share prices underlying the stock options for calculating the grant-date fair value, we reference observable market prices of similar or identical instruments in active markets.

The fair value of employee stock options was estimated using the following weighted-average assumptions:

	Years Ended December 31,		
	2025	2024	2023
Expected term in years	4.9	4.9	4.9
Expected volatility	95% - 96%	81% - 93%	77% - 78%
Risk-free interest rate	3.89% – 4.29%	3.48% – 4.32%	3.73% – 4.60%
Dividend yield	—	—	—
Weighted-average grant date fair value per share	$ 0.90	$ 1.40	$ 7.32

There were no stock options exercised during the year ended December 31, 2025. Cash received from option exercises for the years ended December 31, 2024 and 2023 was $1.6 million and $6.5 million, respectively.

ESPP

The fair value of shares to be issued under the ESPP was estimated using the following assumptions:

	Years Ended December 31,		
	2025	2024	2023
Expected term in years	0.5 - 2.0	0.5 - 2.0	0.5 - 2.0
Expected volatility	101% - 113%	81% - 118%	79% - 97%
Risk-free interest rate	3.7% - 4.3%	3.9% - 5.3%	4.9% - 5.5%
Dividend yield	—	—	—
Weighted-average grant date fair value per share	$ 0.89	$ 1.53	$ 5.34

Cash received through the ESPP for the years ended December 31, 2025, 2024, and 2023 was $3.4 million, $6.1 million, and $8.8 million, respectively.

As of December 31, 2025, $46.8 million of total unrecognized compensation expense related to stock options, restricted stock, and ESPP shares was expected to be recognized over a weighted-average period of 1.6 years.

NOTE 10. NET LOSS PER SHARE

The following table presents the calculation of the basic and diluted net loss per share amounts presented on our consolidated statements of operations and comprehensive loss:

	Years Ended December 31,		
(In thousands, except per share amounts)	2025	2024	2023
Numerator:			
Basic			
Basic net loss	$ (546,376)	$ (309,851)	$ (306,735)
Diluted			
Basic net loss	$ (546,376)	$ (309,851)	$ (306,735)
Add: Interest charges applicable to convertible notes (2028 Notes)	—	6,428	—
Less: Gain on debt restructuring (2029 Notes)	—	(154,407)	—
Diluted net loss	$ (546,376)	$ (457,830)	$ (306,735)
Denominator:			
Basic			
Weighted-average shares used in computing basic net loss per share	299,959	274,488	253,629
Basic net loss per share	$ (1.82)	$ (1.13)	$ (1.21)
Diluted			
Weighted-average shares used in computing basic net loss per share	299,959	274,488	253,629
Add: Weighted average shares issuable upon conversion of convertible notes (2028 Notes)	—	9,395	—
Add: Weighted average shares issuable upon conversion of convertible notes (2029 Notes)	—	4,483	—
Weighted-average shares used in computing diluted net loss per share	299,959	288,366	253,629
Diluted net loss per share	$ (1.82)	$ (1.59)	$ (1.21)

The following shares issuable upon conversion of the convertible senior notes and outstanding equity awards were excluded from the computation of diluted net loss per share for the periods presented because the effect of including such shares would have been antidilutive:

	Years Ended December 31,		
(In thousands)	2025	2024	2023
Shares issuable upon conversion of convertible senior notes	61,415	20,512	31,063
Equity awards	41,613	34,136	27,246

See *Note 2. Business Acquisitions*, for detailed information on contingently issuable shares that would be due upon achievement of a milestone. See *Note 9. Stockholders' Equity* for detailed information on equity awards.

NOTE 11. SEGMENT AND GEOGRAPHIC INFORMATION

We are organized as, and operate in, one reportable segment: the development, manufacturing, and marketing of integrated platforms for genetic analysis. Our chief operating decision-maker ("CODM") is our Chief Executive Officer. Our CODM reviews financial information presented on a consolidated basis for the purposes of evaluating financial performance and allocating resources.

On a regular basis, our CODM reviews:

- total revenues by category
- total expenses and expenses by function, including sales and marketing and general and administrative, which include depreciation and share-based compensation

- net loss per share

Our assets are primarily located in the United States of America and not allocated to any specific region, and we do not measure the performance of geographic regions based upon asset-based metrics. Therefore, geographic information is presented only for revenue.

A summary of the segment profit or loss, including significant segment expenses is as follows:

	Years Ended December 31,		
(In thousands)	**2025**	**2024**	**2023**
Total revenue	160,005	154,014	200,521
Less:			
Cost of revenue	114,225	116,732	147,741
Research and development	97,307	134,922	187,170
Sales and marketing	72,972	87,244	79,287
General and administrative	68,521	87,773	90,531
Impairment charges	15,000	184,500	—
Merger-related expenses	—	—	9,042
Change in fair value of contingent consideration	(18,700)	(850)	15,060
Amortization of acquired intangible assets	364,541	18,006	6,157
Loss on extinguishment of debt	—	—	2,033
Gain on debt restructuring	—	(154,407)	—
Other income, net	7,803	10,371	18,341
Income tax provision (benefit)	318	316	(11,424)
Consolidated net loss	(546,376)	(309,851)	(306,735)

A summary of our revenue by geographic location is as follows:

	Years Ended December 31,		
(In thousands)	**2025**	**2024**	**2023**
Americas [1]	$ 72,798	$ 78,711	$ 105,410
Europe, Middle East, and Africa	44,051	34,594	40,658
Asia-Pacific	43,156	40,709	54,453
Total revenue	$ 160,005	$ 154,014	$ 200,521

[1] Includes United States revenue of $69.7 million, $75.3 million, and $100.5 million for the years ended December 31, 2025, 2024, and 2023, respectively.

A summary of our revenue by category is as follows:

	Years Ended December 31,		
(In thousands)	**2025**	**2024**	**2023**
Instrument revenue	$ 53,819	$ 65,776	$ 120,451
Consumables revenue	81,939	70,373	63,421
Product revenue	135,758	136,149	183,872
Service and other revenue	24,247	17,865	16,649
Total revenue	$ 160,005	$ 154,014	$ 200,521

NOTE 12. SUBSEQUENT EVENTS

On January 30, 2026, we completed a disposition of certain assets to Buyer pursuant to an Asset Purchase Agreement dated January 30, 2026. Under the agreement, Buyer acquired certain intellectual property and other assets related to our short-read DNA sequencing technology and related clustering, sequencing reagent, and detection technologies. In consideration, Buyer paid $50.0 million in cash, assumed certain liabilities, and granted us a non-exclusive license to certain intellectual property included in the purchased assets. In connection with the Asset Sale, Buyer will pay, at our direction, 4% of the net cash proceeds to the former equity holders of Apton Biosystems, Inc. in connection with the waiver of remaining milestone obligations from our August 2023 acquisition of Apton, with such payment expected in the first quarter of 2026. As a result, we received approximately $48.1 million in net cash proceeds from the Asset Sale.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, our Chief Financial Officer, and our Chief Accounting Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10–K. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, our Chief Executive Officer, our Chief Financial Officer, and our principal accounting officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Pacific Biosciences of California, Inc.'s internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2025. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Based on our assessment, we concluded that, as of December 31, 2025, the Company's internal control over financial reporting was effective based on those criteria.

The Company's internal control over financial reporting as of December 31, 2025 has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's financial statements. Ernst & Young's attestation report on the Company's internal control over financial reporting appears on page 123 hereof.

Changes in Internal Control Over Financial Reporting

There were no material changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the year ended December 31, 2025, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Pacific Biosciences of California, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Pacific Biosciences of California, Inc.'s internal control over financial reporting as of December 31, 2025, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Pacific Biosciences of California, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2025 consolidated financial statements of the Company and our report dated February 25, 2026 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Mateo, California

February 25, 2026

ITEM 9B. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, none of our directors or officers, as defined in Rule 16a-1(f), adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408 of Regulation S-K.

Adoption of Executive Incentive Compensation Plan

On February 24, 2026, our board of directors adopted the Executive Incentive Compensation Plan (the "Incentive Compensation Plan"). The Incentive Compensation Plan allows us to grant incentive awards, generally payable in cash (or its equivalent), to employees selected by the administrator of the Incentive Compensation Plan, including our named executive officers, based upon performance goals established by the administrator.

Under the Incentive Compensation Plan, the administrator determines the performance goals applicable to any award, which goals may include, without limitation, goals related to research and development milestones, regulatory milestones or regulatory-related goals, gross margin, financial milestones, new product or business development, operating margin, product release timelines or other product release milestones, publications, cash flow, procurement, savings, internal structure, revenue, earnings, leadership development, project function or portfolio-specific milestones, license or research collaboration agreements, capital raising, initial public offering preparations, patentability, and individual objectives such as peer reviews or other subjective or objective criteria. The performance goals may differ from participant to participant and from award to award.

A committee appointed by our board of directors (which, until our board of directors determines otherwise, will be the Compensation Committee of our board of directors (the "Committee")) administers the Incentive Compensation Plan. Our board of directors may administer the Incentive Compensation Plan concurrently with the Committee or revoke the delegation of some or all authority previously delegated. The administrator of the Incentive Compensation Plan may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, in the discretion of the administrator. The administrator may determine the amount of any increase, reduction or elimination on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

Actual awards generally will be paid in cash (or its equivalent), and, unless otherwise determined by the administrator, to earn an actual award, a participant must be employed by the Company Group (as defined in the Incentive Compensation Plan) on the date the actual award is paid. Payment of awards occurs as soon as practicable after the end of the performance period to which the actual award relates and after the actual award is approved by the administrator, but no later than the dates set forth in the Incentive Compensation Plan.

The administrator has the authority to amend, suspend or terminate the Incentive Compensation Plan at any time and for any reason, provided such action does not, without the consent of a participant, alter or impair the existing rights of such participant with respect to any earned award.

The above description of the material terms of the Incentive Compensation Plan does not purport to be complete and is qualified in its entirety by reference to the Incentive Compensation Plan attached hereto as Exhibit 10.32 and incorporated herein by reference.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2026 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2026 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2026 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2026 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information responsive to this item is incorporated herein by reference to our definitive proxy statement with respect to our 2026 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K:

1. *Financial Statements*: See Index to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.
2. *Financial Statement Schedules*: All schedules are omitted because they are not required, are not applicable or the information is included in the Consolidated Financial Statements or notes thereto.
3. *Exhibits*: We have filed or incorporated by reference into this Annual Report on Form 10-K, the exhibits listed on the accompanying Exhibit Index immediately below.

(b) Financial Statement Schedules: See Item 15(a)(2), above.

(c) Exhibits: Refer to the Exhibit Index that follows.

Exhibit Index

Exhibit Number	Description	Incorporated by reference herein		
		Form	Exhibit No.	Filing Date
3.1	Amended and Restated Certificate of Incorporation	10-K	3.1	March 23, 2011
3.2	Third Amended and Restated Bylaws of Pacific Biosciences of California, Inc.	8-K	3.1	November 7, 2022
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Pacific Biosciences of California, Inc. to declassify the Board	8-K	3.1	June 20, 2024
3.4	Certificate of Amendment to the Certificate of Incorporation of Pacific Biosciences of California, Inc. to limit the liability of officers	8-K	3.2	June 20, 2024
4.1	Specimen Common Stock Certificate	S-1/A	4.1	October 1, 2010
4.2	Description of Registrant's securities registered under Section 12 of the Exchange Act			Filed herewith
4.3	Indenture, dated February 16, 2021, between Pacific Biosciences of California, Inc., and U.S. Bank National Association, as Trustee	10-Q	4.1	August 4, 2023
4.4	Form of 1.50% Convertible Senior Notes due 2028 (included in Exhibit 4.3)	10-Q	4.1	August 4, 2023
4.5	Indenture, dated as of June 30, 2023, by and between Pacific Biosciences of California, Inc. and U.S. Bank Trust Company, National Association, as Trustee	8-K	4.1	June 30, 2023
4.6	Form of 1.375% Convertible Senior Note due 2030 (included in Exhibit 4.5)	8-K	4.2	June 30, 2023
4.7	Indenture, dated as of November 21, 2024, by and between Pacific Biosciences of California, Inc. and U.S. Bank Trust Company, National Association, as Trustee.	8-K	4.1	November 22, 2024
4.8	Form of 1.50% Convertible Senior Note due 2029 (included in Exhibit 4.7)	8-K	4.2	November 22, 2024
10.1+	Form of Director and Executive Officer Indemnification Agreement	S-1	10.1	August 16, 2010
10.2+	2010 Equity Incentive Plan	S-1	10.4	August 16, 2010
10.3+	2010 Equity Incentive Plan forms of agreement	10-Q	10.1	May 2, 2018
10.4+	2010 Employee Stock Purchase Plan and forms of agreement thereunder	S-1	10.5	August 16, 2010
10.5+	2010 Outside Director Equity Incentive Plan	S-1	10.6	August 16, 2010
10.6+	2010 Outside Director Equity Incentive Plan forms of agreement	10-Q	10.2	May 2, 2018
10.7+	2020 Equity Incentive Plan, as amended	8-K	10.1	June 6, 2025
10.8+	Form of Global Stock Option Agreement under the Pacific Biosciences of California, Inc., 2020 Equity Incentive Plan, as amended	8-K	10.2	June 20, 2024
10.9+	Form of Global Restricted Stock Unit Agreement under the Pacific Biosciences of California, Inc. 2020 Equity Incentive Plan, as amended	8-K	10.3	June 20, 2024
10.10+	Omniome Equity Incentive Plan of Pacific Biosciences of California, Inc., and related forms of agreement thereunder	10-Q	10.4	November 5, 2021
10.11+	Pacific Biosciences of California, Inc. 2020 Inducement Equity Incentive Plan, as amended, and forms of agreement thereunder	8-K	10.1	November 19, 2021
10.12+	Form of Change in Control and Severance Agreement for executive officers	10-K	10.13	March 17, 2025
10.13+	Letter Relating to Employment Terms by and between the Registrant and Christian O. Henry effective September 14, 2020	10-K	10.15	February 26, 2021
10.14+	Amended Change in Control and Severance Agreement by and between the Registrant and Christian O. Henry dated December 11, 2024	10-K	10.15	March 17, 2025
10.15+	Letter Relating to Employment Terms by and between the Registrant and Mark Van Oene effective January 8, 2021	10-K	10.18	February 26, 2021
10.16+	Amended Change in Control and Severance Agreement by and between the Registrant and Mark Van Oene dated December 12, 2024	10-K	10.17	March 17, 2025

10.17†	Lease Agreement by and between the Registrant and Menlo Park Portfolio II, LLC, dated July 22, 2015	10-K	10.18	March 17, 2025
10.18†	First Amendment to Lease Agreement by and between the Registrant and Menlo Park Portfolio II, LLC, dated December 23, 2016	10-K	10.19	March 17, 2025
10.19	Second Amendment to Lease Agreement by and between the Registrant and Menlo Park Portfolio II, LLC, dated December 30, 2019	10-K	10.20	March 17, 2025
10.20	Third Amendment to Lease Agreement by and between the Registrant and Menlo Park Portfolio II, LLC, dated March 7, 2025	10-K	10.21	March 17, 2025
10.21	Investment Agreement, dated as of February 9, 2021, between Pacific Biosciences of California, Inc. and SB Northstar LP.	8-K	10.1	February 10, 2021
10.22+	Letter Relating to Employment Terms by and between the Registrant and Michele Farmer effective May 17, 2021	10-Q	10.2	August 6, 2021
10.23	Agreement and Plan of Merger of Reorganization among Pacific Biosciences of California, Inc., Apollo Acquisition Corp., Apollo Acquisition Sub, LLC, Omniome, Inc. and Shareholder Representative Services, LLC, as securityholder representative, dated as of July 19, 2021	8-K	10.1	July 20, 2021
10.24	Securities Purchase Agreement, dated as of July 19, 2021, by and between Pacific Biosciences of California, Inc., and each of the Investors	8-K	10.2	July 20, 2021
10.25	Letter Agreement, dated June 23, 2023, between the Company and Chimera Investment LLC	8-K	10.1	June 26, 2023
10.26	Letter Agreement, dated November 7, 2024, between the Company and SB Northstar LP	8-K	10.1	November 7, 2024
10.27	Letter Agreement, dated November 21, 2024, between the Company and SB Northstar LP	8-K	10.1	November 22, 2024
10.28+	Form of Performance-Based Restricted Stock Unit Award Agreement under the Pacific Biosciences of California, Inc. 2020 Equity Incentive Plan, as amended	10-K	10.28	February 28, 2024
10.29+	Outside Director Compensation Policy	10-Q	10.3	May 12, 2025
10.30+	Letter Relating to Employment Terms by and between the Registrant and James R. Gibson effective March 24, 2025	10-Q	10.2	May 12, 2025
10.31+	Asset Purchase Agreement, dated January 30, 2026, by and between the Company, Illumina Cambridge Limited, and Illumina, Inc.	8-K	10.1	February 2, 2026
10.32+	Executive Incentive Compensation Plan			Filed herewith
19.1	Insider Trading Policy	10-K	19.1	March 17, 2025
21.1	List of Subsidiaries of the Registrant			Filed herewith
23.1	Consent of Independent Registered Public Accounting Firm			Filed herewith
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			Filed herewith
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			Furnished herewith
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			Furnished herewith
97.1	Compensation Recovery Policy	10-K	97.1	February 28, 2024
101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)			Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document			Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			Filed herewith
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			Filed herewith

101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	Cover Page Interactive File (formatted as inline XBRL and contained in Exhibit 101)	Filed herewith

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+ Indicates management contract or compensatory plan.

† Certain confidential information contained in this Exhibit was omitted by means of marking such portions with brackets because (i) the identified confidential information is not material and (ii) the company customarily and actually treats that information as private or confidential.

* The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Pacific Biosciences of California, Inc. under the Securities Act or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Pacific Biosciences of California, Inc.

Date: February 25, 2026

By: /s/ Christian O. Henry

Christian O. Henry

President and Chief Executive Officer

Date: February 25, 2026

By: /s/ Jim R. Gibson

Jim R. Gibson

Chief Financial Officer

Date: February 25, 2026

By: /s/ Michele Farmer

Michele Farmer

Vice President and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Christian O. Henry, Jim R. Gibson, Brett Atkins, and Michele Farmer, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for each individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Christian O. Henry Christian O. Henry	Director, President, Chief Executive Officer (Principal Executive Officer)	February 25, 2026
/s/ Jim R. Gibson Jim R. Gibson	Chief Financial Officer (Principal Financial Officer)	February 25, 2026
/s/ Michele Farmer Michele Farmer	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 25, 2026
/s/ John F. Milligan John F. Milligan	Chairman of the Board of Directors	February 25, 2026
/s/ William W. Ericson William W. Ericson	Director	February 25, 2026
/s/ Randall S. Livingston Randall S. Livingston	Director	February 25, 2026
/s/ Marshall L. Mohr Marshall L. Mohr	Director	February 25, 2026
/s/ Kathy Ordoñez Kathy Ordoñez	Director	February 25, 2026
/s/ Lucy Shapiro Lucy Shapiro	Director	February 25, 2026
/s/ Christopher M. Smith Christopher M. Smith	Director	February 25, 2026
/s/ Hannah A. Valantine Hannah A. Valantine	Director	February 25, 2026

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EXECUTIVE OFFICERS

Christian Henry
President and Chief Executive Officer

Mark Van Oene
Chief Operating Officer

Jim R. Gibson
Chief Financial Officer

BOARD OF DIRECTORS

Christian Henry
President and Chief Executive Officer

John Milligan, PhD (chair)
Chairman of the Board of Directors

William Ericson
Founding Partner at Wildcat Venture Partners

Chris Gibson, PhD
Co-Founder of Recursion Pharmaceuticals

Randy Livingston
Former VP for Business Affairs and Chief Financial Officer at Stanford University

Marshall Mohr
Former EVP, Global Business Services at Intuitive Surgical, Inc.

Kathy Ordoñez
Former Chief Executive Officer of Roche Molecular Systems, Celera Corporation and RainDance Technologies

Lucy Shapiro, PhD
Professor of Cancer Research and Director of Molecular and Genetic Medicine at Stanford University's School of Medicine

Christopher M. Smith
President and Chief Executive Officer at Laborie Medical Technologies

Hannah A. Valantine, MD
Professor of Medicine (Cardiovascular) at the Stanford University Medical Center

For additional biographical information on our directors and executive officers, see the sections of our proxy statement captioned "Corporate Governance — Board of Directors and Committees of the Board" and "Executive Officers". A copy of our proxy statement is included with this annual report to stockholders.

CORPORATE COUNSEL

Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304

TRANSFER AGENT AND REGISTRAR

Computershare
By courier:
c/o Shareholder Services
150 Royall Street, Suite 101
Canton, MA 02021

COMMON STOCK LISTING

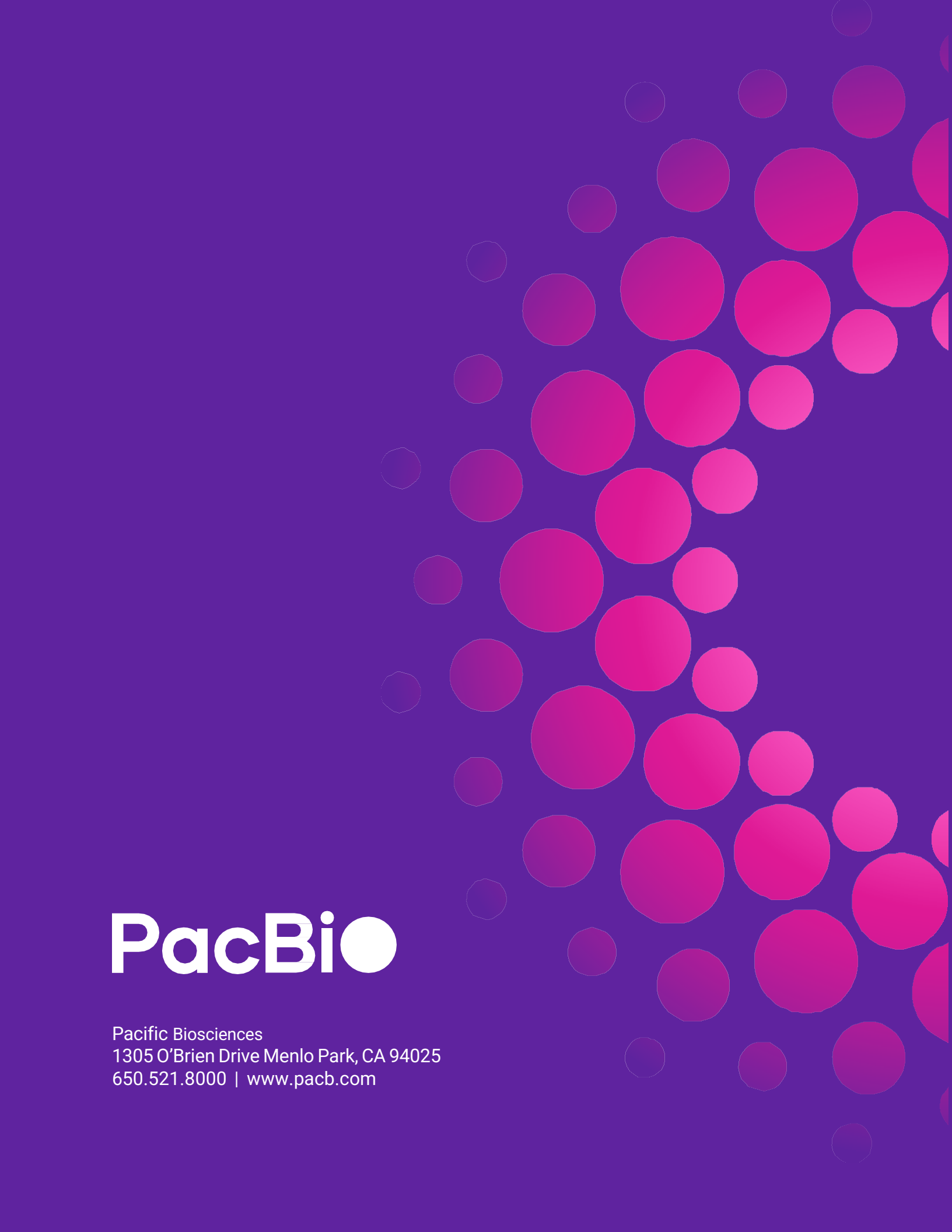
The Nasdaq Global Select Market
Ticker symbol: PACB

1-800-736-3001 /or/ 1-866-595-6048 (US, Canada, Puerto Rico)
1-781-575-3100 /or/ 1-781-575-2798 (non-US)
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CORPORATE HEADQUARTERS

1305 O'Brien Drive, Menlo Park, CA 94025 | 650.521.8000 | www.pacb.com

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