Todd Friedman (Investor Relations)

Good afternoon, and welcome to PacBio's fourth-quarter 2024 earnings conference call.

Earlier today, we issued a press release outlining the financial results we'll be discussing on today's call, a copy of which is available on the Investor's section of our website at www.pacb.com or as furnished on Form 8-K available on the Securities and Exchange Commission website at www.sec.gov. A copy of our earnings presentation is also available on the Investor's section of our website.

With me today are:

- Christian Henry, President and Chief Executive Officer, and
- Michele Farmer, Chief Accounting Officer

On today's call, we will make "forward-looking statements," including, among others, statements regarding predictions, estimates, expectations, guidance, and the amount of the preliminary estimated non-cash impairment charges. You should not place undue reliance on forward-looking statements because they are subject to assumptions, risks, and uncertainties that could cause our actual results to differ materially from those projected or discussed.

Please review our SEC filings, including our most recent Forms 10-Q and 10-K and our press releases to better understand the risks and uncertainties that could cause results to differ. We disclaim any obligation to update or revise these forward-looking statements except as required by law.

We will also present certain financial information on a non-GAAP basis, which is not prepared under a comprehensive set of accounting rules and should only be used to supplement an understanding of the company's operating results as reported under U.S. GAAP. Reconciliations between historical U.S. GAAP and non-GAAP results are presented in our earnings release, which is available on the Investors' section of our website. For future periods, we're unable to reconcile non-GAAP gross margin and non-GAAP operating expenses without unreasonable effort due to the uncertainty regarding, among other matters, certain acquisition-related items that may arise during the year.

A recording of today's call will be available shortly after the live call in the investor section of our website.

Those electing to use the replay are cautioned that forward-looking statements may differ or change materially after the completion of the live call.

I will now turn the call over to Christian.

Christian Henry (President and CEO)

Thank you for joining us today. I'll begin by reviewing our fourth-quarter and full-year 2024 performance, highlighting key commercial achievements, and providing insights into our outlook. Then, our Chief Accounting Officer, Michele Farmer, will walk through the financials in more depth and then I'll close with our guidance and outlook for the year.

In the fourth quarter, we reported $39.2 million in revenue, driven by the shipment of 23 Revio systems. Additionally, we successfully commenced shipments of our Vega benchtop platform, delivering seven units ahead of schedule. For the full year, revenue totaled $154 million, reflecting 97 Revio shipments.

Our customer base continues to expand significantly, with the Revio platform installed at nearly 200 customers as of December 31. Notably, in 2024, approximately 45% of all Revio shipments went to new PacBio instrument customers, demonstrating strong momentum in attracting users transitioning from other sequencing technologies. Meanwhile, there remains a meaningful upgrade opportunity with approximately 125 active Sequel II and IIe users in the field, many of whom could transition to Revio or Vega in the coming years.

The adoption of PacBio HiFi long-read sequencing continues to accelerate. Total growth in genomic data output accelerated on our platforms with an 81% increase in 2024, up from 68% growth in 2023, highlighting broader utilization of our technology. Since 2020, total sequencing output has expanded more than 12-fold, demonstrating a remarkable increase in HiFi sequencing activity. Correspondingly, consumable revenue grew 11% year-over-year in 2024 to $70.4 million, representing a 23% compound annual growth rate since 2020.

Looking ahead to 2025, we anticipate that customers will continue to navigate an uncertain funding environment, much like in 2024. Macroeconomic pressures are expected to persist, extending sales cycles—particularly for higher-capex life science instrumentation like Revio. Additionally, the recent announcements regarding NIH funding involving a cap on the institute's indirect funding rates have increased the uncertainty in the academic environment, particularly in the United States.

Considering these factors, we expect 2025 revenue to range between $155 million and $170 million, representing 6% year-over-year growth at the midpoint and roughly in line with external growth estimates for the Next-Generation Sequencing market in 2025.

While product launches and macro factors have caused our revenue growth to fluctuate over the past couple of years, it's worth noting that our revenue guidance midpoint still reflects a 16% compound annual growth rate since 2020 and significantly outpaces the overall NGS market growth, which again demonstrates the growing adoption of our technology. I'll discuss our full 2025 financial guidance in more detail later in the call.

Over the medium term, and as the macroeconomic environment improves, we believe that we can achieve sustained double-digit revenue growth as long-read sequencing continues to expand into new genomic applications. Our key priorities for driving growth include:

- Expanding the adoption of HiFi sequencing by accelerating the uptake of the Vega benchtop platform and enhancing the value and usability of Revio with SPRQ chemistry.
- Leveraging recent innovations to substantially increase sequencing throughput while reducing costs. These advances have the potential to bring long-read sequencing closer to price parity with short-read technologies.
- Delivering end-to-end solutions focusing on clinical applications and where PacBio's HiFi technology provides unique advantages – like Kinnex for RNA sequencing and Pure Target, a targeted approach for sequencing difficult-to-sequence genes. Notably, in 2024, application and extraction kit revenue grew 56% year over year. Our strategy also includes providing turnkey bioinformatic solutions so our customers can go from sample to answer without running complex data analysis pipelines.

Lastly, as a result of the continued and recent macroeconomic uncertainty as well as the recent NIH announcements, we now anticipate turning cash flow positive exiting 2027.

We remain focused on lowering our cash burn and believe our approximately $390 million in cash and investments at the end of 2024 will bridge us to becoming cash flow positive based on our current assumptions. Notably, after our note exchange in the fourth quarter, this time frame still positions PacBio to turn cash flow positive well before our first debt maturity in August of 2029.

While we faced challenges in 2024, it was a pivotal year in strengthening our business and advancing our product portfolio. We successfully launched two significant innovations: the Vega benchtop platform and SPRQ chemistry for Revio.

With the launch of Vega, PacBio offers a suite of long-read sequencing systems tailored to different customer needs—a first in the company's history. Vega features a smaller footprint, lower capital cost, and reduced throughput compared to Revio, making it an accessible and versatile solution for a broad range of customers. Some of these customers include:

- Smaller academic labs focused on range of applications that require less throughput including RNA sequencing and smaller genomes.
- Core laboratories investigating transcriptomics and RNA biology, and
- Larger clinically focused labs utilizing HiFi sequencing for targeted panels.

Early customer feedback has been strongly positive. Berry Genomics, one of our first Vega customers, reported that the platform delivers results identical to previous PacBio systems while offering notable improvements in:

- HiFi read yield
- Quality values
- Reduced run times
- Greater data processing efficiency, and
- Less hands-on time

As a result, Berry Genomics plans to purchase 50 Vega units over the coming years to support its thalassemia and Fragile X assays, underscoring the platform's value in clinical applications.

Beyond clinical markets, Vega's versatility extends into biodiversity and environmental genomics. At the recent Plant and Animal Genomics Conference, one researcher highlighted how *"Vega offers a lower entry-point cost, increased portability, and a throughput well-suited for sequencing biodiversity in remote locations"* and noted how it *"will facilitate best practices in sequencing unique or difficult-to-access fauna in the field."*

Another customer from The Johns Hopkins University and Cold Spring Harbor Laboratory shared how he looks forward to using the platform *"for many projects spanning the entire tree of life, from identifying new risk factors in human disease to diversifying and enriching the food supply with new crop species to understanding the microbial world beneath our own feet."*

Our funnel of sales opportunities continues to grow for the Vega platform, especially with potential new customers, as nearly three-quarters of the customers in our sales funnel have never bought a PacBio sequencer before – demonstrating the potential reach of this new and exciting platform.

While Vega delivers versatility, the Revio system is our most powerful and scalable platform.

In the fourth quarter, we enhanced the platform even further as we started shipping our SPRQ chemistry. With SPRQ, the Revio system can sequence up to 2,500 complete, phased, HiFi human genomes a year at a cost below $500 per genome—while significantly lowering DNA input requirements for human whole genome sequencing to just 500 nanograms – representing a 75% reduction.

This helped drive new customer adoption in Q4, like the J. Craig Venter Institute, which plans to use Revio to sequence thousands of full diploid, phased genomes over the next several years to find missing heritability resulting from years of SNP studies and short-read sequencing fragments as part of the institute's goal to advance genetic testing for women's health and genetically diverse populations.

Last month at the JP Morgan Healthcare Conference, we shared a little bit more about our technology roadmap, which is focused on improving our on-market platforms and developing future platforms to expand margins and increase throughput. These programs include:

- Developing higher-density SMRT cells, which reduce the cost and increase throughput. We expect our next generation of SMRT cells to yield multiple times the output of today's 25M Revio SMRT cells.
- Integrating new SMRT cell formats that make automating our technology even easier for our customers.
- Migrating to more advanced semiconductor inputs, such as a 300mm wafer instead of 200mm, can drive the cost of the SMRT cell down, enabling us to lower costs to our customers and expand gross margins.
- Innovating our SMRT cell and reagent technologies to allow customers to sequence in a SMRT Cell more than once.
- Utilizing faster chemistries, which are expected to enable faster run times and more throughput.
- And leveraging our computational biology team and collaborations to offer more informatics capabilities across the end-to-end solutions to broaden customers' access to advanced bioinformatic pipelines.

We've been thrilled with how Revio and Vega have changed the paradigm of highly accurate long-read sequencing, and we're inspired by the development pathway to scale this technology even further. Over the coming years, we look forward to unveiling these technologies to the research community, which is already accelerating its pace of discovery with HiFi.

In fact, PacBio technology was cited in over 1,000 publications and preprints in 2024. In particular, we are encouraged by recent publications that substantiate HiFi's ability to further our understanding of genetic and rare diseases, like Radboud University Medical Center's study analyzing 100 challenging patient cases where short-read sequencing failed to identify a genetic cause.

In this study, researchers used Revio and detected 93% of pathogenic variants, including complex structural variants and DNA methylation abnormalities. The key takeaway here is not just HiFi's ability to improve solve rates but its potential to replace multiple testing modalities.

As a result, Radboud is expanding sequencing efforts to 5,000 additional samples, further demonstrating the clinical impact of HiFi sequencing in rare disease diagnostics.

A unique aspect of PacBio HiFi sequencing is its multi-omic capability—that is, it interrogates RNA and epigenetics in addition to DNA.

This multi-omic approach was used in a recent study to diagnose a 9-month-old patient with an undiagnosed rare genetic condition. HiFi sequencing uncovered a balanced translocation between chromosomes X and 13, disrupting four key genes through distinct mechanisms—findings that were missed by short-read sequencing.

We believe these studies highlight how PacBio's advanced sequencing technology enables groundbreaking genetic discoveries, providing new hope for rare disease patients worldwide.

In 2024, we began to see larger-scale genomic testing labs, hospitals, and medical centers adopt HiFi, with several implementing our PureTarget library prep kit to develop and improve carrier screening and other genetic tests.

We've previously discussed labs like Myriad and Quest in the U.S., which are developing tests on Revio.

In Europe, Bioscentia uses HiFi for routine testing for certain sensory disorders. As previously mentioned, Radboud University Medical Center has committed to sequencing 5,000 HiFi genomes in a clinical setting focused on rare diseases. With the Sequel II, Berry Genomics is in the final stages of obtaining NMPA approval for its thalassemia carrier screening test in China. This is an important test as the prevalence of carriers of this disease represents over 10% of the population in parts of the country. With Vega, Berry plans to expand its carrier screening tests to other indications.

2024 was a pivotal year in our clinical path, with nearly 15% of our revenues coming from LDT labs or children's hospitals and we had even higher clinical exposure when factoring translational work at research institutes around the world.

Looking back on 2024, we took decisive actions to improve efficiency, reduce costs, and lower cash burn, which we believe will position us to continue to improve our financial profile while delivering on our commercial and R&D initiatives.

We reduced annualized non-GAAP operating expenses by more than $75 million, aligning spending with our strategic priorities. As a result, we lowered adjusted cash burn each quarter in 2024.

We also made progress in taking costs out of our per-unit instrument and consumable manufacturing with Revio system and consumable COGS 16% and 22% lower, respectively, than where we started the year and we see a pathway to further reduce per-unit COGS in 2025.

We also successfully executed a convertible note exchange, reducing our debt by $259 million, and extending the maturity of our 2028 notes by 18 months to August 2029, strengthening our financial flexibility.

Finally, we are pleased to announce David Ruggiero has joined as Global Head of Sales & Service. David brings deep experience in sales leadership across technology and life sciences and his expertise will be instrumental as we expand our global reach and scale our solutions.

We are also delighted to share that Chris Smith has joined our Board of Directors. As CEO of Neogenomics, Chris brings extensive expertise in the diagnostics and laboratory testing markets, and we look forward to his insights as we advance our clinical strategy. We thank David Meline for his service on our Board as he steps down and wish him the best in his future endeavors.

We are also continuing our search for a new Chief Financial Officer. We are focused on identifying a leader who will help drive our next phase of growth and champion operational efficiency throughout the organization.

I'll now pass the call to Michele Farmer to discuss our financials.

Michele Farmer (CAO):

Thank you, Christian. I will be discussing non-GAAP results, which include non-cash stock-based compensation expense. I encourage you to review the reconciliation of GAAP to non-GAAP financial measures in our earnings press release.

As discussed, we reported $39.2 million in product, service, and other revenue in the fourth quarter of 2024, which represented a decrease of 33% from $58.4 million in the fourth quarter of 2023.

Instrument revenue in the fourth quarter was $15.3 million, a 56% decrease from $35.1 million in the fourth quarter of 2023, primarily driven by lower Revio system shipments. We ended the quarter with 270 cumulative Revio system shipments.

Turning to consumables, revenue of $18.8 million in the fourth quarter was roughly flat to $18.9 million in the fourth quarter of last year, with annualized Revio pull-through per system at approximately $240,000.

Finally, service and other revenue was $5.1 million in the fourth quarter compared to $4.4 million in the fourth quarter of 2023 driven by an increase in service contract revenue related to Revio.

From a regional perspective, Americas revenue of $20.2 million decreased by 41% compared to the fourth quarter of 2023, as the region is most affected by academic and NIH funding uncertainty.

For Asia Pacific, revenue of approximately $8.9 million decreased 33% over the prior year, with sequential growth in consumables offset by lower Revio placements. Similar to the U.S., several countries in the region also faced government funding headwinds with respect to capital expenditures.

Finally, EMEA revenue of $10.1 million decreased 9% over the prior year period. The region saw record consumables revenue in the fourth quarter, with growing Revio utilization as key projects like Estonia Biobank, Radboud, and Dubai's population sequencing program continue to sequence at scale.

Moving down the P&L, fourth quarter 2024 non-GAAP gross profit of $12.3 million represented a non-GAAP gross margin of 31%, compared to a non-GAAP gross profit of $11.1 million or 19% in the fourth quarter of last year. Non-GAAP gross margin increased year-over-year due in part to charges for scrap inventory in the fourth quarter of 2023. Compared to the third quarter of 2024, gross margin declined by approximately 120 basis points primarily due to scrap inventory in the quarter related to a

temporary decline in SMRT Cell manufacturing yield and lower ASPs on Revio due to certain strategic deals in the quarter partially offset by per unit COGS decreases in Revio instrument and consumables.

Non-GAAP operating expenses were $68.6 million in the fourth quarter of 2024, compared to $88.4 million in the fourth quarter of 2023. The decrease primarily reflects a reduction in R&D and SG&A related to our restructuring initiated in the second quarter of 2024.

Regarding headcount, we ended the quarter with 575 employees, which was flat compared to Q3 2024 and 28% lower than the 796 employees at the end of the fourth quarter of 2023.

Operating expenses in the fourth quarter included non-cash share-based compensation of $14.8 million, compared to $15.4 million in the fourth quarter of last year.

Non-GAAP net loss was $55.3 million, representing $0.20 per share, in the fourth quarter of 2024, compared to a non-GAAP net loss of $72.5 million, representing $0.27 per share in the fourth quarter of 2023.

We ended the fourth quarter with $389.9 million in unrestricted cash and investments, compared with $471.1 million at the end of the third quarter of 2024. Cash outflow in the quarter included approximately $54 million in debt repayment and associated fees related to the convertible note exchange with Softbank.

During the quarter, we conducted an interim goodwill and intangible asset impairment test following a sustained decline in our stock price and market capitalization. Based on the preliminary results of this analysis, we recorded non-cash impairment charges totaling $90 million, which include approximately $55 million related to goodwill and approximately $35 million associated with an in-process research and development asset. The impairment was driven by macroeconomic headwinds and a revised outlook on future cash flows and is excluded from our previously discussed non-GAAP results. It is important to note that these impairment charges are non-cash accounting adjustments and do not impact our liquidity, operations, or ability to execute on our long-term strategy.

I’ll now return the call to Christian to discuss guidance and provide some closing remarks.

Christian Henry (President and CEO)

As discussed earlier, we expect full-year 2025 revenue to be between $155 million and $170 million. At the midpoint, this represents a growth rate of approximately 6% compared to 2024.

At the mid-point of our guidance range, we expect instrument revenue to grow modestly, with growth in Vega shipments offsetting a year-over-year decline in Revio system shipments with annualized pull-through per Revio system in the low to mid $200,000s.

As a reminder, our guidance anticipates that customers will continue to navigate an uncertain funding landscape, much like in 2024, and that the macroeconomic environment is consistent with what we've experienced in the past few quarters.

When looking at guidance from a regional perspective,

The change in administration has added further uncertainty to the funding environment in the Americas. In the near term, based on our initial conversations with customers, recently announced federal funding freezes, particularly with NIH intramural spending, have added significant uncertainty in the broader academic research community.

Our guidance considers some of the uncertainty, especially in the near term. On a more positive note, accelerating activity in the clinical market is anticipated to offset some of the potential headwinds.

For Asia Pacific, while we anticipate growth in the region in 2025, the funding dynamics in several countries continue to affect capital purchasing timelines for the Revio platform. Additionally, our guidance does not consider the impact of tariffs or other activity that would impact our ability to export our products to the region.

We expect EMEA to be the fastest growing region in 2025 as population sequencing programs scale, whole-genome sequencing in a clinical setting grows, and we expand our customer base with Vega.

Looking at Q1, we anticipate typical seasonality, and as a result, we expect revenue in the first quarter of 2025 to be lower than in the fourth quarter of 2024, with lower Revio systems and consumables revenue partially offset by increased Vega system revenue.

Moving down the P&L, we expect the 2025 non-GAAP gross margin to be between 35% and 40%, representing over 400 basis point improvement compared to 2024 and we expect to exit the year

above 40%. We expect to continue removing costs from the Revio system and consumables, and the Vega cost of goods sold per unit is expected to improve as the platform moves from the pilot manufacturing line to the full production line.

We expect non-GAAP operating expenses to decline 3% to 7% compared to 2024 and be in the range of $270 million to $280 million, reflecting, in large part, the annualization of our restructuring in the second quarter of 2024.

We expect interest and other income to be between $5 million and $7 million in 2025, and the weighted average share count for EPS for the full year to be approximately 299 million.

We expect to end the year with a cash and investments balance of approximately $260 million, implying a $130 million cash burn in 2025 or an improvement of $57M in adjusted cash burn compared to 2024.

Finally, as discussed, with our current expectation for 2025 revenue growth, we now anticipate turning cashflow positive exiting 2027, as a result of the continued and recent macroeconomic uncertainty as well as the recent NIH announcements.

We remain diligent in lowering annual cash burn and believe our approximately $390 million in cash and investments will bridge us to becoming cash flow positive. Importantly, after our note exchange in the fourth quarter, this time frame still positions PacBio to turn cash flow positive with meaningful time before our first debt maturity in August of 2029.

Looking ahead, I wanted to reiterate that our primary objective in 2025 is to grow revenue and expand gross margins through four main activities:

- The first is to enable the full-scale release of Vega, which we expect will broaden the reach of our technology in the market and bring more new customers into HiFi sequencing.
- Second, we aim to accelerate the number of samples on the Revio platform through the launch of SPRQ chemistry and application kits. Revio has the potential to drive further growth in long-read data.
- Third, we will continue to invest in future product launches to both amplify and diversify our offerings. I mentioned several of the exciting initiatives that we’re currently working on.
- And finally, to progress our clinical strategy to improve outcomes and create durability.

With these activities, we believe we can drive growth and market expansion in 2025 while continuing to improve our financial profile. I look forward to connecting with many of you this quarter at the annual AGBT meeting and investor conferences. We'll now open the call up to questions.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)	Three Months Ended December 31, 2024	September 30, 2024	December 31, 2023
Revenue:			
Product revenue	$ 34,098	$ 35,296	$ 54,001
Service and other revenue	5,126	4,671	4,356
Total revenue	39,224	39,967	58,357
Cost of Revenue:			
Cost of product revenue [1]	23,476	23,278	40,421
Cost of service and other revenue	3,469	3,484	3,496
Amortization of acquired intangible assets	2,221	3,201	1,433
Loss on purchase commitment	—	—	3,436
Total cost of revenue	29,166	29,963	48,786
Gross profit	10,058	10,004	9,571
Operating Expense:			
Research and development	27,466	25,516	44,544
Sales, general and administrative [2]	41,641	43,746	45,996
Impairment charges [3]	90,100	—	—
Merger-related expenses [4]	—	—	63
Change in fair value of contingent consideration [5]	(1,950)	1,170	1,100
Amortization of acquired intangible assets	4,629	3,649	5,416
Total operating expense	161,886	74,081	97,119
Operating loss	(151,828)	(64,077)	(87,548)
Gain on debt restructuring [6]	154,407	—	—
Interest expense	(2,757)	(3,538)	(3,571)
Other income, net	4,065	6,890	8,383
Income (loss) before income taxes	3,887	(60,725)	(82,736)
Income tax provision (benefit) [7]	316	—	(718)
Net income (loss)	3,571	(60,725)	(82,018)
Net income (loss) per share:			
Basic	$ 0.01	$ (0.22)	$ (0.31)
Diluted	$ (0.49)	$ (0.22)	$ (0.31)
Weighted average shares outstanding used in calculating net income (loss) per share			
Basic	282,999	272,915	267,121
Diluted	306,892	272,915	267,121

(1) Balance for the three months ended September 30, 2024 includes restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

(2) Balances for the three months ended December 31, 2024 and September 30, 2024 include restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

(3) Preliminary estimated goodwill and in-process research and development impairment charges during the three months ended December 31, 2024 driven primarily by macroeconomic factors which have impacted our cash flow projections, among other factors.

(4) Merger-related expenses for the three months ended December 31, 2023 consisted of transaction costs arising from the acquisition of Apton.

(5) Change in fair value of contingent consideration during the three months ended December 31, 2024, September 30, 2024, and December 31, 2023 was due to fair value adjustments of milestone payments payable upon the achievement of the respective milestone event.

(6) Gain on debt restructuring during the three months ended December 31, 2024, represents the gain resulting from the November 2024 convertible notes exchange transaction.

(7) Deferred income tax benefits during the three months ended December 31, 2023 are related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Twelve Months Ended December 31, 2024	Twelve Months Ended December 31, 2023
Revenue:				
Product revenue	$ 34,098	$ 54,001	$ 136,149	$ 183,872
Service and other revenue	5,126	4,356	17,865	16,649
Total revenue	39,224	58,357	154,014	200,521
Cost of Revenue:				
Cost of product revenue [1]	23,476	40,421	92,284	127,568
Cost of service and other revenue [1]	3,469	3,496	14,057	14,754
Amortization of acquired intangible assets	2,221	1,433	9,393	1,983
Loss on purchase commitment	—	3,436	998	3,436
Total cost of revenue	29,166	48,786	116,732	147,741
Gross profit	10,058	9,571	37,282	52,780
Operating Expense:				
Research and development [1]	27,466	44,544	134,922	187,170
Sales, general and administrative [2]	41,641	45,996	175,017	169,818
Impairment charges [3]	90,100	—	183,300	—
Merger-related expenses [4]	—	63	—	9,042
Change in fair value of contingent consideration [5]	(1,950)	1,100	(850)	15,060
Amortization of acquired intangible assets	4,629	5,416	18,006	6,157
Total operating expense	161,886	97,119	510,395	387,247
Operating loss	(151,828)	(87,548)	(473,113)	(334,467)
Loss on extinguishment of debt [6]	—	—	—	(2,033)
Gain on debt restructuring [7]	154,407	—	154,407	—
Interest expense	(2,757)	(3,571)	(13,412)	(14,343)
Other income, net	4,065	8,383	23,783	32,684
Income (loss) before income taxes	3,887	(82,736)	(308,335)	(318,159)
Income tax provision (benefit) [8]	316	(718)	316	(11,424)
Net income (loss)	3,571	(82,018)	(308,651)	(306,735)
Net income (loss) per share:				
Basic	$ 0.01	$ (0.31)	$ (1.12)	$ (1.21)
Diluted	$ (0.49)	$ (0.31)	$ (1.58)	$ (1.21)
Weighted average shares outstanding used in calculating net income (loss) per share				
Basic	282,999	267,121	274,488	253,629
Diluted	306,892	267,121	288,366	253,629

[1] Balance for the twelve months ended December 31, 2024 includes restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

[2] Balances for the three and twelve months ended December 31, 2024 include restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

[3] Preliminary estimated goodwill and in-process research and development impairment charges during the three and twelve months ended December 31, 2024 of $90.1 million was driven primarily by macroeconomic factors which have impacted our cash flow projections, among other factors. Goodwill impairment of $93.2 million included in the twelve months ended December 31, 2024 was related to a sustained decrease in the Company's share price, among other factors.

[4] Merger-related expenses for the three months ended December 31, 2023 consisted of transaction costs arising from the acquisition of Apton. Merger-related expenses for the twelve months ended December 31, 2023 consisted of $4.9 million of transaction costs arising from the acquisition of Apton, $2.8 million of compensation expense resulting from the liquidity event bonus plan in connection with the Apton merger, and $1.3 million of compensation expense resulting from the acceleration of certain equity awards in connection with the Apton merger.

[5] Change in fair value of contingent consideration during the three and twelve months ended December 31, 2024 and December 31, 2023 was due to fair value adjustments of milestone payments payable upon the achievement of the respective milestone event.

[6] Loss on extinguishment of debt during the twelve months ended December 31, 2023 is related to the exchange of a portion of PacBio's 1.50% Convertible Senior Notes due 2028 for PacBio's 1.375% Convertible Senior Notes due 2030.

(7) Gain on debt restructuring during the three and twelve months ended December 31, 2024, represents the gain resulting from the November 2024 convertible notes exchange transaction.

(8) Deferred income tax benefits during the three and twelve months ended December 31, 2023 are related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Balance Sheets

(in thousands)	December 31, 2024	December 31, 2023
Assets		
Cash and investments	$ 389,931	$ 631,416
Accounts receivable, net	27,524	36,615
Inventory, net	58,755	56,676
Prepaid and other current assets	18,781	17,040
Property and equipment, net	30,505	36,432
Operating lease right-of-use assets, net	16,091	32,593
Restricted cash	2,222	2,722
Intangible assets, net [(1)]	394,572	456,984
Goodwill [(2)]	313,961	462,261
Other long-term assets	9,305	13,274
Total Assets	$ 1,261,647	$ 1,746,013
Liabilities and Stockholders' Equity		
Accounts payable	$ 16,590	$ 15,062
Accrued expenses	22,595	45,708
Deferred revenue	19,764	21,872
Operating lease liabilities	24,940	41,197
Contingent consideration liability	18,700	19,550
Convertible senior notes, net	647,494	892,243
Other liabilities	3,770	9,077
Stockholders' equity	507,794	701,304
Total Liabilities and Stockholders' Equity	$ 1,261,647	$ 1,746,013

(1) Balance as of December 31, 2024 reflects preliminary estimated in-process research and development impairment charge of $35.0 million These preliminary estimates are subject to finalization as the Company completes its interim assessment and year-end financial reporting procedures. The final Intangible assets, net, balance reported in the Annual Report on Form 10-K may differ materially from these estimates.

(2) Balance as of December 31, 2024 reflects preliminary estimated goodwill impairment charge of $55.1 million These preliminary estimates are subject to finalization as the Company completes its interim assessment and year-end financial reporting procedures. The final Goodwill balance reported in the Annual Report on Form 10-K may differ materially from these estimates.

Pacific Biosciences of California, Inc.

Reconciliation of Non-GAAP Financial Measures

(in thousands, except per share amounts)	Three Months Ended			Twelve Months Ended	
	December 31, 2024	September 30, 2024	December 31, 2023	December 31, 2024	December 31, 2023
GAAP net income (loss)	$ 3,571	$ (60,725)	$ (82,018)	$ (308,651)	$ (306,735)
Impairment charges [1]	90,100	—	—	183,300	—
Merger-related expenses [2]	—	—	63	—	9,042
Change in fair value of contingent consideration [3]	(1,950)	1,170	1,100	(850)	15,060
Loss on extinguishment of debt [4]	—	—	—	—	2,033
Gain on debt restructuring [5]	(154,407)	—	—	(154,407)	—
Amortization of acquired intangible assets	6,850	6,850	6,849	27,399	8,244
Income tax benefit [6]	—	—	(718)	—	(11,424)
Restructuring [7]	493	6,701	2,224	25,222	2,224
Non-GAAP net loss	$ (55,343)	$ (46,004)	$ (72,500)	$ (227,987)	$ (281,556)
GAAP basic net income (loss) per share	$ 0.01	$ (0.22)	$ (0.31)	$ (1.12)	$ (1.21)
Impairment charges [1]	0.32	—	—	0.67	—
Merger-related expenses [2]	—	—	—	—	0.04
Change in fair value of contingent consideration [3]	(0.01)	—	—	—	0.06
Loss on extinguishment of debt [4]	—	—	—	—	0.01
Gain on debt restructuring [5]	(0.55)	—	—	(0.56)	—
Amortization of acquired intangible assets	0.02	0.03	0.03	0.10	0.03
Income tax benefit [6]	—	—	—	—	(0.05)
Restructuring [7]	—	0.02	0.01	0.09	0.01
Other adjustments and rounding differences	0.01	—	—	(0.01)	—
Non-GAAP basic net loss per share	$ (0.20)	$ (0.17)	$ (0.27)	$ (0.83)	$ (1.11)
GAAP gross profit	$ 10,058	$ 10,004	$ 9,571	$ 37,282	$ 52,780
Amortization of acquired intangible assets	2,221	3,201	1,433	9,393	1,983
Restructuring [7]	—	(207)	112	4,443	112
Non-GAAP gross profit	$ 12,279	$ 12,998	$ 11,116	$ 51,118	$ 54,875
GAAP gross profit %	26 %	25 %	16 %	24 %	26 %
Non-GAAP gross profit %	31 %	33 %	19 %	33 %	27 %
GAAP total operating expense	$ 161,886	$ 74,081	$ 97,119	$ 510,395	$ 387,247
Impairment charges [1]	(90,100)	—	—	(183,300)	—
Merger-related expenses [2]	—	—	(63)	—	(9,042)
Change in fair value of contingent consideration [3]	1,950	(1,170)	(1,100)	850	(15,060)
Amortization of acquired intangible assets	(4,629)	(3,649)	(5,416)	(18,006)	(6,261)
Restructuring [7]	(493)	(6,908)	(2,112)	(20,779)	(2,112)
Non-GAAP total operating expense	$ 68,614	$ 62,354	$ 88,428	$ 289,160	$ 354,772

[1] Preliminary estimated goodwill and in-process research and development impairment charges during the three and twelve months ended December 31, 2024 of $90.1 million was driven primarily by macroeconomic factors which have impacted our cash flow projections, among other factors. Goodwill impairment of $93.2 million included in the twelve months ended December 31, 2024 was related to a sustained decrease in the Company's share price, among other factors.

[2] Merger-related expenses for the three months ended December 31, 2023 consisted of transaction costs arising from the acquisition of Apton. Merger-related expenses for the twelve months ended December 31, 2023 consisted of $4.9 million of transaction costs arising from the acquisition of Apton, $2.8 million of compensation

expense resulting from the liquidity event bonus plan in connection with the Apton merger, and $1.3 million of compensation expense resulting from the acceleration of certain equity awards in connection with the Apton merger.

(3) Change in fair value of contingent consideration was due to fair value adjustments of milestone payments payable upon the achievement of the respective milestone event.

(4) Loss on extinguishment of debt is related to the exchange of a portion of PacBio's 1.50% Convertible Senior Notes due 2028 for PacBio's 1.375% Convertible Senior Notes due 2030.

(5) Gain on debt restructuring during the three and twelve months ended December 31, 2024, represents the gain resulting from the November 2024 convertible notes exchange transaction.

(6) Deferred income tax benefits during the three and twelve months ended December 31, 2023 are related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

(7) Restructuring costs consist primarily of employee separation costs, accelerated amortization and depreciation for right-of-use assets, leasehold improvements, and furniture and fixtures relating to the abandonment of the San Diego office, including charges for excess inventory due to a decrease in internal demand relating to the expense reduction initiatives.