Todd Friedman (Investor Relations)
Good afternoon, and welcome to PacBio's first-quarter 2025 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
- Jim Gibson, Chief Financial Officer

On today's call, we will make "forward-looking statements," including, among others, statements regarding predictions, estimates, expectations, and guidance. 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, and good afternoon, everyone. Today, I'll share our first-quarter 2025 results, highlight recent commercial and strategic progress, and outline our expectations for the remainder of the year. Following my remarks, Jim Gibson, our new CFO, will discuss our financial results and guidance in more detail.

We reported first-quarter 2025 revenue of $37.2 million which is slightly above our preliminary estimate shared on April 9 and consistent with our internal expectations.

Instrument revenue for the quarter was $11.0 million, lower compared to the prior year, largely reflecting increased uncertainty in academic funding, particularly in the United States. In total, we shipped 12 Revio systems and 28 Vega systems, bringing cumulative shipments to 282 Revio systems and 35 Vega systems.

To provide more transparency into our customer dynamics, we've introduced new metrics on slides 4 and 5 of our investor presentation, which break out shipment dollars by customer type. While we don't expect to share this segmentation every quarter, we believe it offers helpful context, particularly in light of current market conditions.

As shown on slide 4, in Q1 our 'academic and research institute' segment represented the lowest percentage of instrument shipments since the Revio launch.—We believe that this is the direct result of increased funding pressures our customers are seeing with respect to capital equipment purchases.

By contrast, instrument shipments to our other customer segments have remained largely stable over the past several quarters. Notably, we saw growth among our 'hospital and clinic' customers, reflecting continued momentum for HiFi sequencing in clinical and translational research settings.

And despite the broader funding headwinds, we continue to attract new customers to PacBio. Roughly half of all Revio and Vega systems shipped in Q1 went to new instrument customers, further showing the expanding market appeal of our HiFi technology.

While macroeconomic pressures weighed on system placements, consumables showed strong growth in the quarter. In the first quarter of 2025, consumable revenue reached a record $20.1 million, reflecting 26% year-over-year growth and steady utilization across our growing base of Revio systems.

Typical fiscal year-end purchasing in Japan also contributed to the strong performance. Notably, unlike instrument shipments, consumable demand from our 'academic and research institution' customers remained stable compared to prior quarters, indicating more resilience in usage-driven spend versus capital purchases.

Further underscoring HiFi adoption, total petabase output from PacBio long-read sequencers increased 37% year-over-year, highlighting continued scaling across our installed base.

Turning to our full-year outlook, the macroeconomic environment remains exceptionally challenging. Since our April press release, the impact of newly implemented tariffs between the U.S. and China, combined with additional pressure from proposed NIH budget reductions for fiscal year 2026, have introduced incremental risks that could impact revenue in 2025.

In light of these developments, we are adjusting the lower end of our previously guided revenue range by $5 million. We now expect full-year 2025 revenue to be between $150 million and $170 million. The environment remains dynamic, and should tariff conditions or academic funding further deteriorate, we could face additional headwinds.

That said, we are confident in our strategic direction—anchored by strong customer interest in long-read sequencing, continued momentum in the adoption of HiFi, and a robust innovation roadmap. We are also committed to our plan of turning cash flow positive as we exit 2027 and remain focused on disciplined cost management to reduce our cash burn.

In response to ongoing market uncertainty and headwinds in our industry, we announced and executed on a restructuring plan in April designed to narrow our strategic focus and reduce our operating costs. Through

reductions in headcount and non-headcount-related expenses across all functions in our organization, we expect to lower our annualized non-GAAP operating expense run-rate by approximately $45 million to $50 million by year-end.

Following these cost-reduction measures, we are concentrating our efforts on our highest-impact long-read platform initiatives.

We continue to advance development programs aimed at enhancing our existing platforms such as Revio and Vega, including the future launch of multi-use SMRT cells. This innovation is designed to further reduce sequencing costs for our customers to unlock higher sequencing volume while simultaneously improving our consumable gross margins. The development program is progressing quickly, and we've demonstrated high quality, repeatable reuse results internally.

Additionally, we are accelerating development efforts for our ultra-high throughput long-read sequencing system. This next-generation platform is expected to significantly increase throughput, enabling human whole genome sequencing costs at or near price parity with short-read technologies.

I'd also like to provide a brief update on how our restructuring initiative has impacted our short-read sequencing strategy. While we continue to see strategic value in providing both long-read and short-read sequencing technologies, the current macroeconomic conditions necessitate focusing our resources and investments on areas where we believe we can achieve the greatest market share gains and hold the strongest competitive differentiation. Based on these criteria, we are prioritizing our HiFi technology and the long-read sequencing market and have made the decision to pause development of our high-throughput short-read sequencing platform.

Although we have paused our development of the high-throughput short-read platform, we remain fully committed to selling the Onso platform and supporting our current Onso customers through ongoing commercial support and consumable supply.

Moving on to product updates, in the first quarter we continued to roll out our new SPRQ chemistry, which significantly enhances Revio's data output and performance while reducing the amount of DNA input required.

Customer uptake has exceeded expectations, with nearly 90% of our Revio reagent kit shipments in the first quarter being SPRQ chemistry.

And we are pleased with our customers' response. Early adopters like Signios Biosciences, a global leader in genetic testing services, reported yield increases of 46% relative to their experience with the version 1 chemistry and emphasized how the SPRQ's lower sample input requirements has unlocked the ability to sequence previously inaccessible samples. Similarly, the University of Bern highlighted substantial productivity and cost-efficiency improvements across various genomic research applications.

Turning to Vega, early customer response has been very encouraging. Users are achieving strong yields—consistently exceeding our specification of 60 gigabases of HiFi data per SMRT Cell—and deploying the platform across a wide range of applications. For example, the Integrated Microbiome Resource at Dalhousie University is using Vega for microbial genomics and eDNA amplicon sequencing for worldwide client samples, while Elegen is applying it to amplicon sequencing in support of DNA synthesis workflows. We're also seeing adoption in labs for gene editing research and targeted sequencing applications.

These early use cases reflect Vega's accessibility, ease of use, and versatility—enabling us to broaden our customer base, expand into new markets, and bring HiFi sequencing into new labs beyond traditional large-scale whole genome applications. Notably, approximately 50% of Vega shipments through Q1 were to new PacBio instrument customers.

Looking ahead, we expect to continue ramping Vega manufacturing through the second quarter and reach run-rate production in the second half of 2025.

On the informatics front, we recently announced a licensing agreement with The Chinese University of Hong Kong and the Centre for Novostics to integrate advanced deep-learning models into our sequencing workflows, significantly enhancing methylation detection accuracy and enabling comprehensive analysis of critical epigenetic markers such as 5mC, 6mA, and native 5hmC. The ability to profile 5hmC—a dynamic, tissue-specific marker implicated in brain development, cancer, and neurodegenerative diseases—opens new opportunities in liquid biopsy, cancer detection, and cell-free DNA analysis. Several customers, including clinical customers like GeneDx and Children's Mercy Kansas City Hospital have recently implemented methylation analysis into their tests and we believe the addition of these new models will further strengthen our platform's leadership in epigenetic sequencing and help enable clinical researchers to find greater insights from HiFi genomes.

Moving on to other recent highlights, we are proud to have been selected as the technology partner for the Davos Alzheimer's Collaborative's North African Dementia Registry project. This initiative aims to build a comprehensive multi-omics dataset, advancing global understanding of Alzheimer's genetics, especially within diverse and underrepresented populations.

We also continued to gain momentum with our new and existing clinically-focused customers in the first quarter, especially with the 'hospital and clinic' customer base. Revio placements in the quarter included leading institutions such as Lurie Children's Hospital in Chicago, Imagine Institute in France, and Institute of Medical Genetics at the University of Zurich. These institutions anticipate leveraging Revio primarily to improve genetic disease testing capabilities and solve more cases for variant detection previously missed with other technologies.

Additionally, we've established a pioneering collaboration with Chulalongkorn University in Thailand to integrate PacBio HiFi whole genome sequencing into their national newborn screening research program—the first initiative of its kind in Southeast Asia. This groundbreaking project aims to leverage HiFi's unique capability to reveal previously undetected genetic variants, significantly enhancing the precision of early-life genetic screening.

Finally, we are also pleased to share initial results from our annual customer survey, which shows a Net Promoter Score of over 50, which is widely considered an 'excellent' rating, underscoring our commitment to customer satisfaction, innovative product development, and exceptional customer support.

We've also had the opportunity to connect directly with customers through our global PRISM 2025 event series—our flagship forum for engaging the genomics community and showcasing the future of long-read sequencing. Events held across Asia, Europe, and the United States have brought together researchers, clinicians, and partners to explore the latest PacBio innovations and share real-world insights. At each stop, we've seen strong engagement and enthusiasm—particularly around the accessibility of Vega, the performance gains delivered by SPRQ, and the expanding role of HiFi sequencing in clinical research. We look forward to concluding this year's series next week in Boston.

Lastly, I'd like to introduce Jim Gibson, our new CFO, who joined PacBio on March 31. Jim brings over three decades of financial leadership experience across technology, healthcare, and life sciences, including at organizations like Apple, Tesla, and Netflix as they went through significant transformation and growth. We look forward to his leadership and financial stewardship as we continue building PacBio into a scalable, profitable, and cash-flow positive business. With that, I will now hand the call over to Jim.

Jim Gibson (CFO):
Thank you, Christian. I am incredibly excited to join PacBio. The company's strategy and mission resonate deeply with me and I believe we're just beginning to unlock the full potential of what this company can deliver to the life sciences community. I look forward to meeting our customers, partners, and investors in the months ahead.

Now turning to our financial results, 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 $37.2 million in product, service, and other revenue in the first quarter of 2025, compared to $38.8 million in the first quarter of 2024. Instrument revenue in the first quarter was $11.0 million, a decrease of 42% from $19.0 million in the first quarter of 2024 due to lower Revio system shipments. We shipped 12 Revio systems in the first quarter of 2025 compared to 28 Revio systems in the first quarter of 2024. Additionally, we shipped 28 Vega systems in the first quarter of 2025. We ended the quarter with 282 cumulative Revio system shipments and 35 cumulative Vega system shipments.

Turning to consumables, revenue of $20.1 million in the first quarter increased 26% from $16.0 million in the first quarter of last year, with annualized Revio pull-through per system at approximately $236,000.

Finally, service and other revenue was $6.0 million in the first quarter of 2025, compared to $3.8 million in the first quarter of 2024 driven by an increase in service contract revenue related to Revio.

From a regional perspective, Each region reported year-over-year growth in consumable revenue offset by instrument headwinds.

Americas revenue of $16.3 million decreased 8% compared to the first quarter of 2024 with the region continuing to be impacted by government funding headwinds and NIH funding uncertainty.

For Asia Pacific, revenue of $11.6 million decreased 9% compared to the first quarter of 2024. Consumables were particularly strong in the region as Revio system utilization increased to its highest level since its launch. Complementing the increased utilization, customers in Japan received their typical fiscal year-end stocking orders and some customers in China made purchases ahead of potential tariffs.

Finally, EMEA revenue of approximately $9.3 million increased 11% compared to the first quarter of 2024. Europe in particular saw strong Revio placements in the 'Hospital and Clinic' customer base.

Moving down the P&L, first quarter 2025 non-GAAP gross profit of $15.0 million represented a non-GAAP gross margin of 40%, compared to a non-GAAP gross profit of $12.6 million or a non-GAAP gross margin of 33% in the first quarter of last year. Non-GAAP gross margin increased year-over-year due to improved product mix, as consumables which have higher gross margins, represented 54% of total revenue in the first quarter of 2025 compared to 41% of total revenue in the first quarter 2024. In addition, we realized per unit cost savings from both Revio instrument and Revio consumables

Non-GAAP operating expenses were $61.7 million in the first quarter of 2025, representing a 29% decrease from non-GAAP operating expenses of $87.2 million in the first quarter of 2024. Operating expenses in the first quarter included non-cash share-based compensation of $8.0 million, compared to $17.4 million in the first quarter of last year. The decrease in both non-GAAP operating expenses and non-cash stock based compensation was primarily due to the restructuring initiative we implemented in the second quarter of 2024.

Regarding headcount, we ended the quarter with 570 employees compared to 575 at the end of 2024 and 787 at the end of the first quarter of 2024. As a result of our restructuring announced on April 9, we expect second quarter ending headcount to be approximately 500

Non-GAAP net loss was $44.4 million representing $0.15 per share, in the first quarter of 2025, compared to a non-GAAP net loss of $71.4 million, representing $0.26 per share in the first quarter of 2024.

We ended the first quarter with $343.1 million in unrestricted cash and investments, compared with $389.9 million at December 31, 2024. First quarter 2025 cash payments included a $5 million licensing payment.

In the first quarter we recorded several items related to our restructuring that impacted our GAAP results. Our GAAP gross loss of $1.4 million included $4.3 million related to the amortization of acquired intangible assets, 4.1 million for a loss on purchase commitments, and $7.7 million related to inventory adjustments related to restructuring. Additionally, we recorded GAAP operating expenses of $427.6 million, which included $381.8 million of restructuring charges comprised primarily of $359.3 million of accelerated amortization of acquired intangible assets and $15.0 million of impairment charges. GAAP operating expenses also included an $18.7 million decrease in the change in the fair value of the contingent consideration. It is important to note that the amortization of acquired intangible assets and impairment charges are non-cash accounting adjustments and do not impact our liquidity, operations, or ability to execute on our long-term strategy.

Now turning to guidance, as discussed earlier, we now expect revenue to be in the range of $150 million to $170 million. At the midpoint, this represents a growth rate of approximately 4% compared to 2024. As Christian indicated earlier, we've lowered the bottom end of our range by $5 million as the result of the uncertainty surrounding our ability to ship new instruments into China without significant tariffs. However, this continues to be an extremely dynamic macro environment, especially with respect to trade policy and uncertainty surrounding future NIH funding.

Our guidance mid-point still assumes a decline in Revio shipments from 2024. However this is offset with growth in Vega and, consistent with the first quarter, we expect annual pull-through per Revio system to be in the low to mid 200,000s.

In the Americas, our guidance continues to assume significant uncertainty in the broader academic research community, especially in the near term with accelerating activity in the clinical market 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, recently enacted tariffs may increase headwinds further in the region.

We continue to 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 Q2, we are forecasting limited sales to China after April 10, and as a result, we expect revenue in the second quarter of 2025 to be flat compared to the first quarter of 2025.

Moving down the P&L, we continue to expect the 2025 non-GAAP gross margin to be between 35% and 40%, representing an improvement of over 400 basis points compared to 2024 and we expect to exit the year above 40%. We continue to expect cost improvements in both the Revio system and Revio consumables. Additionally, we expect Vega cost of goods sold per unit to improve as the platform moves from the pilot manufacturing line to the full production line later this year. We do not directly import any of our materials or components from China, although we do expect that our suppliers have some exposure. Should the U.S. enact tariffs on certain countries in our supply chain, we could face incremental pressure to our cost of goods in the second half of this year. As of now, our guidance does not factor in a material increase in COGS related to tariffs.

Looking at Q2, we expect non-GAAP gross margin to be lower compared to Q1, primarily due to product mix as we expect instrument revenue to make up a greater portion of total revenue.

As a result of our restructuring, we now expect non-GAAP operating expenses to decline 14% to 17% compared to 2024 and be in the range of $240 million to $250 million. We expect to continue to realize savings in 2026 and as such, anticipate 2026 non-GAAP operating expenses to be lower than in 2025.

We continue to 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.

Additionally, following our restructuring, we expect our ending balance of cash and investments to be higher than previously anticipated and now expect to end the year with approximately $270 million. When excluding the $5 million licensing payment in Q1, this implies a $115 million cash burn in 2025 or an improvement of $72 million in adjusted cash burn compared to 2024.

We remain on track towards our plan to achieve positive cash flow by the end of 2027 and believe our $343 million in cash and investments as of March 31 will fund us through this transition.

I'll now hand it back to Christian for some final remarks.

Christian Henry (President and CEO):

In closing, we had a nice start to the year, though we remain cautious given the current macroeconomic environment, including uncertainty around academic funding and the potential impact of trade policy developments. By proactively implementing our recent restructuring initiatives, we have emerged as a leaner, more focused organization, positioned to successfully navigate these near-term challenges and execute our long-term strategy.

As we look ahead, our strategic priorities remain clear:

First, we are committed to expanding the adoption of HiFi sequencing by building on the strong early enthusiasm for our Vega benchtop platform and by continuing to enhance our Revio platform through the ongoing rollout of SPRQ chemistry. Vega expands HiFi's accessibility into a broader and more diverse customer base, while SPRQ allows Revio users to extract more data from their sequencing runs using significantly less DNA input.

Second, we remain dedicated to innovation through future product launches, such as enabling multi-use chip functionality to further reduce sequencing costs. Concurrently, we are advancing our next-generation ultra-high throughput long-read sequencing technology. These initiatives aim to deliver HiFi sequencing at or near price parity with short-read sequencing, significantly broadening our market potential.

Finally, we are progressing our clinical strategy to improve outcomes and build long-term durability into our business. This includes expanding our kitted solutions like PureTarget to genetic testing labs and continuing to drive adoption at hospitals and medical centers around the world.

With these clearly defined priorities, a streamlined organizational structure, and an increased focus on long-read innovation, we are well positioned to deliver sustained growth over the coming years and achieve our goal of turning cash flow positive as we exit 2027.

Thank you again for your continued support. We look forward to updating you on our progress in the quarters ahead. With that, I'll turn the call back to the operator to begin the Q&A session.

Statement regarding use of non-GAAP financial measures

PacBio reports non-GAAP results for basic and diluted net income and loss per share, net income, net loss, gross margins, gross profit (loss) and operating expenses in addition to, and not as a substitute for, or because it believes that such information is superior to, financial measures calculated in accordance with GAAP. PacBio believes 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 PacBio's non-GAAP financial measures as tools for comparison.

PacBio's financial measures under GAAP include substantial charges that are listed in the itemized reconciliations between GAAP and non-GAAP financial measures included in this press release. PacBio excludes recurring charges from its 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 gains or losses on the extinguishment of debt. The amortization of acquired intangible assets excluded from GAAP financial measures relates to acquired intangible assets that were recorded as part of the purchase accounting during the year ended December 31, 2021. The amortization related to these intangible assets will occur in future periods until they are fully amortized.

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 PacBio's performance relative to forecasts and strategic plans and to benchmark its performance externally against competitors.

PacBio encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. A reconciliation of PacBio's non-GAAP financial measures to their most directly comparable financial measure stated in accordance with GAAP has been provided in the financial statement tables included in this press release. PacBio is unable to reconcile future-looking non-GAAP guidance included in this press release without unreasonable effort because certain items that impact this measure are out of PacBio's control and/or cannot be reasonably predicted at this time.

Forward-Looking Statements

These prepared remarks contain "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 statements relating to PacBio's cost-saving plans and initiatives as well as the expected financial impact and timing of these plans and initiatives; PacBio's financial guidance and expectations for future periods; developments affecting our industry and the markets in which we compete, including the impact of new products and technologies and tariffs; anticipated future customer use of our products; and the availability, uses, accuracy, coverage, advantages, quality or performance of, or benefits or expected benefits of using, PacBio products or technologies; and, our expectations as to the timing and outcome of our independent committee investigation, the filing of our periodic reports, and the investigation's expected financial and operational impacts. 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, 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; risks related to PacBio's ability to successfully execute and realize the benefits of acquisitions; the impact of tariffs and export restrictions ; rapidly changing technologies and extensive competition in 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; risks related to our ongoing independent investigation, including the possible discovery of new information in the course investigation and any related expansion of the investigation's scope and/or extension of its timing; the findings, conclusions and recommendations of the independent committee, which may include, among other things, findings resulting in material weaknesses; the Board and PacBio's response to the independent committee's findings, conclusions and recommendations, including possible significant costs associated with the implementation of remedial measures; the review of our independent registered public accounting firm of the independent committee's findings, conclusions and recommendations; the risk that required SEC reports, including but not limited to the Form 10-Q for the first quarter of 2025, may not be able to be filed on a timely basis and the related consequences thereof, including the potential receipt of a notice of failure to satisfy a continued listing rule or standard by NASDAQ; the expenses incurred to date, and expected to be incurred in the future, related to the investigation, including costs associated with legal, accounting, and professional services associated with the investigation; and the greater risks associated with litigation and/or government and regulatory proceedings. 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.

The unaudited condensed consolidated financial statements that follow should be read in conjunction with the notes set forth in PacBio's Quarterly Report on Form 10-Q when filed with the Securities and Exchange Commission.

Statement regarding preliminary financial results

These prepared remarks contain preliminary financial results which are unaudited and based on current expectations and may be adjusted as a result of, among other things, completion of quarterly review procedures.

Pacific Biosciences of California, Inc.
Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
Revenue:			
Product revenue	$ 31,113	$ 34,098	$ 35,009
Service and other revenue	6,040	5,126	3,801
Total revenue	37,153	39,224	38,810
Cost of Revenue:			
Cost of product revenue [1]	26,333	23,476	22,447
Cost of service and other revenue	3,778	3,469	3,738
Amortization of acquired intangible assets	4,345	2,221	1,343
Loss on purchase commitment [1]	4,068	—	—
Total cost of revenue	38,524	29,166	27,528
Gross (loss) profit	(1,371)	10,058	11,282
Operating Expense:			
Research and development [1]	29,053	27,466	43,455
Sales, general and administrative [1] [2]	40,168	41,641	43,753
Impairment charges [3]	15,000	91,300	—
Amortization of acquired intangible assets [4]	362,042	4,629	5,506
Change in fair value of contingent consideration [5]	(18,700)	(1,950)	(70)
Total operating expense	427,563	163,086	92,644
Operating loss	(428,934)	(153,028)	(81,362)
Gain on debt restructuring [6]	—	154,407	—
Interest expense	(1,737)	(2,757)	(3,575)
Other income, net	4,294	4,065	6,759
(Loss) income before income taxes	(426,377)	2,687	(78,178)
Income tax (benefit) provision	(302)	316	—
Net (loss) income	$ (426,075)	$ 2,371	$ (78,178)
Net (loss) income per share:			
Basic	$ (1.44)	$ 0.01	$ (0.29)
Diluted	$ (1.44)	$ (0.49)	$ (0.29)
Weighted average shares outstanding used in calculating net (loss) income per share:			
Basic	296,858	282,999	269,578
Diluted	296,858	306,892	269,578

(1) Balances for the three months ended March 31, 2025 include restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

(2) Balance for the three 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.

(3) In-process research and development ("IPR&D") impairment charge during the three months ended March 31, 2025 was driven primarily by macroeconomic factors and restructuring initiatives, including the focus on long-read innovation, resulting in changes to the timing and amounts of cash flows. Goodwill and IPR&D impairment charges during the three months ended December 31, 2024 were related to a significant increase in the carrying value of the reporting unit resulting primarily from the troubled debt restructuring, and changes in the timing and amount of expected future cash flows due to macroeconomic uncertainties, among other factors.

(4) Balance for the three months ended March 31, 2025 includes accelerated amortization of acquired intangible assets related to restructuring initiatives. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

(5) Change in fair value of contingent consideration in all periods presented was due to fair value adjustments of a milestone payment payable upon the achievement of a 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.

Pacific Biosciences of California, Inc.
Unaudited Condensed Consolidated Balance Sheets

(in thousands)	March 31, 2025	December 31, 2024
Assets		
Cash and investments	$ 343,110	$ 389,931
Accounts receivable, net	31,645	27,524
Inventory, net	54,007	58,755
Prepaid expenses and other current assets	15,471	18,781
Property and equipment, net	24,794	30,505
Operating lease right-of-use assets, net	44,408	16,091
Restricted cash	2,222	2,222
Intangible assets, net	18,182	389,572
Goodwill	317,761	317,761
Other long-term assets	9,189	9,305
Total Assets	$ 860,789	$ 1,260,447
Liabilities and Stockholders' Equity		
Accounts payable	$ 14,037	$ 16,590
Accrued expenses	29,337	22,595
Deferred revenue	21,096	19,764
Operating lease liabilities	52,897	24,940
Contingent consideration liability	—	18,700
Convertible senior notes, net	646,214	647,494
Other liabilities	5,570	3,770
Stockholders' equity	91,638	506,594
Total Liabilities and Stockholders' Equity	$ 860,789	$ 1,260,447

Pacific Biosciences of California, Inc.
Reconciliation of Non-GAAP Financial Measures

(in thousands, except per share amounts)	Three Months Ended		
	March 31, 2025	December 31, 2024	March 31, 2024
GAAP net (loss) income	$ (426,075)	$ 2,371	$ (78,178)
Change in fair value of contingent consideration [1]	(18,700)	(1,950)	(70)
Gain on debt restructuring [2]	—	(154,407)	—
Impairment charges [3]	15,000	91,300	—
Amortization of acquired intangible assets [4]	366,387	6,850	6,849
Income tax benefit [5]	(546)	—	—
Restructuring [6]	19,529	493	—
Non-GAAP net loss	$ (44,405)	$ (55,343)	$ (71,399)
GAAP basic net (loss) income per share	$ (1.44)	$ 0.01	$ (0.29)
Change in fair value of contingent consideration [1]	(0.06)	(0.01)	—
Gain on debt restructuring [2]	—	(0.55)	—
Impairment charges [3]	0.05	0.32	—
Amortization of acquired intangible assets [4]	1.23	0.02	0.03
Restructuring [6]	0.07	—	—
Other adjustments and rounding differences	—	0.01	—
Non-GAAP basic net loss per share	$ (0.15)	$ (0.20)	$ (0.26)
GAAP gross (loss) profit	$ (1,371)	$ 10,058	$ 11,282
Amortization of acquired intangible assets [4]	4,345	2,221	1,343
Restructuring [6]	12,027	—	—
Non-GAAP gross profit	$ 15,001	$ 12,279	$ 12,625
GAAP gross (loss) profit %	(4)%	26 %	29 %
Non-GAAP gross profit %	40 %	31 %	33 %
GAAP total operating expense	$ 427,563	$ 163,086	$ 92,644
Change in fair value of contingent consideration [1]	18,700	1,950	70
Impairment charges [3]	(15,000)	(91,300)	—
Amortization of acquired intangible assets [4]	(362,042)	(4,629)	(5,506)
Restructuring [6]	(7,502)	(493)	—
Non-GAAP total operating expense	$ 61,719	$ 68,614	$ 87,208

(1) Change in fair value of contingent consideration in all periods presented was due to fair value adjustments of a milestone payment payable upon the achievement of a milestone event.

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

(3) Goodwill and IPR&D impairment charges during the three months ended December 31, 2024 were related to a significant increase in the carrying value of the reporting unit resulting primarily from the troubled debt restructuring, and changes in the timing and amount of expected future cash flows due to macroeconomic uncertainties, among other factors.

(4) A deferred income tax benefit during the three months ended March 31, 2025 is primarily related to the change in the deferred tax liability balance resulting from the accelerated amortization of acquired intangible assets and impairment of IPR&D.

(5) For the three months ended March 31, 2025, restructuring costs related to the 2025 plan included $7.7 million in excess inventory and $3.8 million in purchase commitment losses included in cost of revenue, as well as operating expenses of $4.6 million in employee separation costs, $2.4 million in accelerated depreciation, a $15.0 million IPR&D impairment, and $359.3 million in accelerated amortization of acquired intangibles. For the three months ended December 31, 2024, restructuring costs related to the 2024 plan primarily reflected charges from the San Diego office abandonment.