Investor Relations – Todd Friedman

Good afternoon, and welcome to PacBio's second-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
- Susan Kim, 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 for joining us today. The first half of 2024 has been challenging for PacBio. However, early in Q2, we successfully initiated a significant restructuring, which we expect will reduce our non-GAAP operating expenses by more than $75 million on an annualized basis and significantly reduce our quarterly cash burn.

Even with this restructuring, we are making significant progress in our product development pipeline and serving our customers with best-in-class support. There were bright spots in many areas of the business in the quarter, including several customers adopting Revio in a clinical setting, and we are now seeing signs that lead us to believe we will see sequential growth through the remainder of the year. I want to thank all of our employees for their dedication and support as we pursue our mission of enabling the promise of genomics to better human health.

On our last call, I outlined the following four strategic priorities for the remainder of the year.

1. Improving commercial execution to drive adoption of both Revio and Onso
2. Continuing the development of new platforms that are expected to broaden our product offering and drive revenue growth
3. Improving our gross margin and driving manufacturing efficiencies
4. Reducing annualized non-GAAP run-rate operating expenses

In my remarks today, I will comment on the progress we are making against the top two priorities, specifically focusing on our end markets and related commercial execution. Susan will then spend time focused on our third and fourth priorities, outlining our financial results.

But first, let's start with an overview of our second quarter results and updated guidance.
Total revenue in Q2 was $36 million, which was below our expectations. Our revenue reflects a shortfall in instrument placements, which we believe is due to the ongoing impact of the difficult macro backdrop and elongated customer purchasing cycles. Second quarter revenue included 24 Revio systems, representing four systems below our expectations. Although we shipped fewer Revios than anticipated, the average selling price of Revio increased during the quarter.

We continued to see elongated instrument purchasing cycles in each of our regions in the second quarter, which we believe is due to a number of factors:

1. Several companies and organizations are awaiting funding for their systems, and we're seeing that funding is increasingly delayed,
2. We continue to experience unanticipated delays in the procurement process, which include tenders in Europe and APAC that are taking longer than expected, and
3. Sample volumes are not materializing as fast as we had expected for some potential Revio customers, causing them to delay their purchases.

On the consumable side of our business, we delivered revenue of $17.0 million, growing 24% year-over-year and 7% sequentially as customers continue to ramp up their Revio usage.

We saw strength in EMEA, with consumable revenue growing 42% year over year and 50% quarter over quarter, hitting an all-time high. The growth in consumable revenue in EMEA was driven by new customers scaling long-read sequencing in the second quarter. Notable customers include the University of Tartu, sequencing for the Estonian Biobank, and Bioscentia, a leading global provider of clinical laboratory testing services in Germany, which is scaling its testing offerings. We are further encouraged by the growing excitement for long reads in the region. Novogene, for instance, has implemented Revio in its brand-new lab in Munich, Germany, to serve customers across the European scientific community.

Despite the total growth in consumables, revenue was slightly below our expectations, which we believe was primarily due to a large research project in the U.S. losing funding and weakness in the Asia Pacific region, notably China.

Looking ahead, for the full year, we now believe revenue will be around the low end of our previously guided range of $170 million to $200 million, which we believe is primarily due to the continuation of the headwinds we experienced in the first half of the year and the expectation that organizations continue to operate in a capital-constrained environment for the rest of 2024.

Indeed, external challenges are affecting PacBio and others in the industry, particularly with respect to capital equipment purchases. In order to drive instrument placements, we have implemented a number of programs to make HiFi long read sequencing more accessible than ever before, including promotions designed to ease customers' upfront capital expenditure requirements while maintaining PacBio's overall economic value. In the second quarter, we shipped several instruments to customers utilizing some of these promotions and are actively working to close several more deals in the second half of this year.

Additionally, we announced last week that our leasing partner, Mitsubishi Capital, is offering one of the most attractive deals on a Revio instrument through a two-year rental agreement for eligible customers in the United States. With this offer, Mitsubishi will purchase the Revio directly from PacBio and then rent the system to customers, with an option for the customer to buy the Revio at the end of the lease term. This program does not require a consumable purchase commitment which is appealing to research customers that are primarily project based. We expect this new promotion to make HiFi sequencing even more accessible to a broader range of customers.

And for Onso, we launched a promotion for the system in late May to make it what we believe is the most attractive mid-throughput short-read instrument on the market. As a result, customers can trade in any NGS system and acquire an Onso for $99,000, with sequencing costs as low as $4 per gigabase. This promotion has already garnered customer interest and increased the order opportunities in our sales pipeline. Consequently, we anticipate a substantial ramp-up for the platform in the second half of the year.

In order to continue building our sales funnel, we held several major marketing events throughout the world during the quarter. These "PRISM" marketing events were an overwhelming success. The six events attracted approximately 800 attendees and helped drive dozens of new Revio opportunities – some of which have already closed and others that we're actively working on closing in the second half of this year.

On the consumable side, we are seeing indications that give us confidence that consumables will continue growing in the second half of the year.

For example, we are now seeing several large projects such as the University of Tartu, sequencing for the Estonian Biobank, the Singapore PRECISE project, and the GREGoR consortium project scale up.

In addition, we continue to see positive book-to-bill ratios for consumables, as customers are placing longer-term purchase orders for their SMRT cells and reagents – a potential leading indicator for quarterly growth. While we remain cautious about the outlook in China for the remainder of the year, customer utilization trends have started to improve in the past couple of months and July marks the highest utilization month for the region this year.

On our call last quarter, we introduced a histogram chart of our Revio installed base by utilization rate. As a reminder, we can monitor the utilization of the majority of our Revio fleet. As one might expect, newer customers take longer to ramp utilization levels, and we continued to see this in Q2. However, what was encouraging, is that compared to last quarter we saw more instruments move from the low utilization bucket into the medium or high utilization buckets and we saw increased pull-through from both medium and high-utilization customers. Our focus will be to continue simplifying our workflows and helping our customers get up to their planned utilization rate as fast as possible in order to maximize our consumable revenue opportunity.

Now let's look at some of the commercial highlights in the second quarter

We continue to be encouraged by the growth in sequencing data as data produced from the Revio platform grew quarter-over-quarter, and total data output from PacBio sequencers grew 2.2 times from the second quarter of last year.

Revio continues to be the fastest-growing instrument in PacBio history – in part through its ability to gain market share via new customers. In the first half of 2024, new customers accounted for nearly half of total shipments, highlighting the growing value proposition of HiFi sequencing and the expanding range of applications that Revio addresses. At the same time, we see significant opportunities to drive adoption among the remaining 180+ Sequel II customers who have not yet ordered a Revio.

Further encouraging are the results from our annual customer survey, which shows an NPS score of 56 among those surveyed. In addition, nine out of ten respondents reported being satisfied or very satisfied with the Revio system.

We are pleased by the diversity of customer types that are adopting Revio. In the second quarter, we delivered multiple Revios to a range of customers, including research institutes, core labs, service providers, diagnostics and LDT labs, children's hospitals, human genetic research organizations, and pharmaceutical companies. This customer diversity is expected to lead to more applications and greater penetration into our end markets. Additionally, we expect adoption by diagnostic and LDT labs can potentially establish a long-term revenue stream as these companies expand their testing menus.

Notably, we delivered multiple Revios to Quest Diagnostics to support the Company’s development of tests for neurological disorders, leveraging the advantages of our recently launched PureTarget repeat expansion panel.

Chulalongkorn University Faculty of Medicine in Thailand has adopted its second Revio system to scale its HiFi sequencing capabilities. The organization plans to sequence 1,000 human genomes annually over the next five years to improve health outcomes.

Health in Code, a leading company in genetic diagnostics, is bringing the first Revio system to Spain, becoming PacBio's first service provider in Southern Europe. This system is expected to enable large-scale HiFi long reads to improve the detection of variants in complex regions for customers throughout the region.

We're continuing to see the adoption of transcriptomics and single cell-RNA sequencing with our Kinnex Kits, which launched last December. In Q2, Kinnex already surpassed $1 million in quarterly revenue and helped drive Revio placements, including a Revio system at a prominent cancer research center in Texas.

In the second quarter, we also started to see some of the early customers ramp up their use of Onso. The Hospital de Especialidades in Ecuador, for example, has sequenced 700 patient samples as part of a 2000-sample oncology project and is looking to expand into other projects.

In the second quarter, we continued to make progress in R&D.

For example, we are in the late stages of developing new Revio consumables, which we expect will meaningfully increase the system's throughput without the need for additional capital investment. The new consumables are also expected to significantly decrease DNA input requirements and add additional methylation-calling abilities. We believe these improvements will unlock more samples and increase Revio's capacity, providing our customers with more value than ever before. We look forward to sharing more about this consumable upgrade later this year.

Additionally, we're continuing to make progress in our work to develop a low-throughput long-read platform and a high-throughput short-read system.

Finally, we're supporting our customers and R&D pipeline while reducing our costs and cash burn. As we discussed last quarter, we initiated a restructuring plan to reduce our non-GAAP operating expenses and expect to exit this year with annualized run rate savings exceeding our previous non-GAAP target of $50 million to $75 million. As a result of this restructuring, we believe our cash burn will continue to decline sequentially in the third quarter and fourth quarter this year.

With that, I'll hand the call to Susan to discuss the financials in more detail, Susan?

Susan Kim (CFO)

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

As discussed, we reported $36.0 million in product, service, and other revenue in the second quarter of 2024, compared to $47.6 million in the second quarter of 2023.

Instrument revenue in the second quarter was $14.7 million, a 51% decrease from $29.9 million in the second quarter of 2023 due to lower Revio unit shipments.

We ended the quarter with an installed base of 225 Revio systems.

Turning to consumables, revenue of $17.0 million in the second quarter increased 24% from $13.7 million in the second quarter of last year. Approximately 74% of consumable revenue came from Revio systems, which reflected an annualized pull-through of the Revio system of approximately $251 thousand, with the remainder coming from a mix of other systems.

Finally, service and other revenue was $4.3 million in the second quarter compared to $3.9 million in the second quarter of 2023. We expect to see modest sequential increases in service and other revenue as the commencement of Revio service contracts is expected to more than offset the decrease in service contract revenue resulting from Sequel II and IIe decommissions.

From a regional perspective, The Americas revenue of $20.8 million exceeded our internal expectations due to greater Revio placements but represents a decrease of 13% compared to the second quarter of 2023. Growth in consumables was offset by lower Revio placements compared to last year.

For Asia Pacific, revenue of $8.2 million decreased 36% over the prior year, driven mainly by lower revenue in China, which continues to face challenges with funding in a weaker macroeconomic environment. We expect many of our customers to benefit from the government-announced stimulus program, though we don't expect any impact from such programs until 2025 at the earliest.

Finally, EMEA revenue of $7.0 million decreased 35% over the prior year. As we discussed, the region saw record consumables as customers ramped up their Revio usage, which was offset by lower Revio placements.

Moving down the P&L,

Second quarter 2024 non-GAAP gross profit of $13.2 million represented a non-GAAP gross margin of 37%, compared to a non-GAAP gross profit of $15.7 million or 33% in the second quarter of last year. The second quarter's non-GAAP gross margin improved approximately 400 basis points from the first quarter of 2024 as Revio ASPs improved and in particular as we continued to realize production cost savings on the Revio instrument builds.

Non-GAAP operating expenses were $71.0 million in the second quarter of 2024, representing an 18% decrease from $86.7 million in the second quarter of 2023. Non-GAAP operating expenses also declined 19% sequentially compared to the first quarter of 2024 as we began to realize cost savings related to our restructuring plan initiated last quarter and represented our lowest non-GAAP operating expenses quarter since Q3 of 2021.

Regarding headcount, we ended the quarter with 581 employees compared to 796 at the end of 2023 and 818 at the end of the second quarter of 2023. Our restructuring reduced our non-GAAP operating expenses, some of which was a result of a 25% reduction in total headcount.

Operating expenses in the second quarter included non-cash share-based compensation of $16.1 million, compared to $16.7 million in the second quarter of last year.

Non-GAAP net loss was $55.2 million, representing $0.20 per share, in the second quarter of 2024, compared to a non-GAAP net loss of $65.6 million, representing $0.26 per share in the second quarter of 2023.

Non-GAAP net loss excluded $93.2 million in non-cash goodwill impairment charge due to the decline in stock price among other factors, $18.0 million of restructuring expenses, and $6.9 million related to the amortization of acquired intangible assets.

Turning to our Balance Sheet items, We ended the second quarter with $509.8 million in unrestricted cash and investments, compared with $631.4 million at December 31, 2023. Inventory increased slightly in the second quarter to $68.6 million, representing 1.6 inventory turns, compared with $67.3 million at March 31, 2024, representing 1.7 inventory turns.

Accounts Receivable increased in the second quarter to $32.4 million compared with $30.3 million at March 31, 2024.

Turning to guidance, as Christian mentioned earlier, we expect full-year 2024 revenue to be around the low end of the previously guided range of $170 million and $200 million.

The low end of the full-year guidance range assumes $80 million of instrument revenue, which includes 115 Revio shipments. We expect $72 million in consumable revenue, which assumes an annual pull-through of $260,000 for the Revio platform.

With revenues at the low end of our range, we also expect non-GAAP gross margin to be around the low end of our previously guided 35% to 38% range.

As we discussed, we have made significant progress on improving the per unit production cost of both Revio instruments and Revio consumables and expect both to end the year approximately 20% lower than when we launched the platform.

We anticipate that these cost and operational improvements will continue beyond 2024, and are expected to drive quarterly gross margin expansion this year and going forward. However, our total gross margins in the second half may fluctuate quarter to quarter based on product mix, customer project mix, and ASPs.

Moving to operating expenses, we remain diligent in our efforts to lower cash burn and spend profile, and expect non-GAAP operating expenses to be around the lower end of our $300 million to $310 million range.

The low end of the operating expense guidance range assumes $140 million in non-GAAP research and development expenses and $160 million in non-GAAP selling, general and administrative expenses.

We continue to expect full-year non-GAAP operating expenses to decline in 2025 compared to 2024 and expect to exit the year at a full-year run rate that reflects savings significantly above the high-end $75 million non-GAAP reduction target.

We expect interest and other income to be around the high end of our $5 million to $10 million range.

Our operating expense and cash management discipline is allowing us to maintain our ending Cash, cash equivalents and investments guidance in the range of $435 million to $450 million, representing a cash burn of $189 million at the mid-point. But more importantly, our expected quarterly cash burn exiting this year will be reduced materially, helping to set up 2025 with a much lower cash burn than 2024.

We still expect 273 million in weighted average shares outstanding for the full year 2024.

Finally, we remain committed to turning the business cash flow positive by the end of 2026. We intend to do this by executing on our strategic priorities, which are anticipated to result in revenue growth in 2025 and beyond with new products and consumables expansion from the increasing Revio installed base, expanding gross margins with lower per unit production costs and continued mix shift to consumables, and lower non-GAAP operating expenses in 2025 with minimal growth thereafter.

We will provide more details on our assumptions and updated long term guidance at a later date. I'll hand it back to Christian for some final remarks.

Christian Henry (CEO)

While the first half of 2024 has certainly been challenging, I am encouraged that we're taking the difficult but necessary steps to streamline our business by reducing non-GAAP operating expenses and driving costs out of our manufacturing. I am also encouraged by the incredible progress that we continue to make in our product development pipeline. We continue to improve the performance of the Revio platform which will provide more value to our customers than ever before and we have made substantial progress on our low-throughput long-read platform which will enable us to reach a broader customer base.

Commercially, we are seeing increasing adoption of Revio in more clinically focused accounts as these customers are leveraging the platform in applications that are extremely difficult for short-read sequencing technologies. We are also seeing signs that we will return to growth in the second half of the year as we've seen several customers choose to expand their Revio fleet and we continue to see a large number of our Revio purchases from new customers.

We remain optimistic about our business and the prospects for both our long-read sequencing technology and our emerging SBB technology. I firmly believe we are on a path to building PacBio into a leader in life science tools and that we are on track to become cash flow positive by the end of 2026.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)	Three Months Ended June 30, 2024	Three Months Ended March 31, 2024	Three Months Ended June 30, 2023
Revenue:			
Product revenue	$ 31,746	$ 35,009	$ 43,655
Service and other revenue	4,267	3,801	3,918
Total revenue	36,013	38,810	47,573
Cost of Revenue:			
Cost of product revenue	23,083	22,447	28,432
Cost of service and other revenue	3,366	3,738	3,412
Amortization of acquired intangible assets	2,628	1,343	183
Loss on purchase commitment	998	—	—
Total cost of revenue	30,075	27,528	32,027
Gross profit	5,938	11,282	15,546
Operating Expense:			
Research and development	38,485	43,455	46,173
Sales, general and administrative	45,877	43,753	40,573
Goodwill impairment [(1)]	93,200	—	—
Amortization of acquired intangible assets	4,222	5,506	—
Change in fair value of contingent consideration [(2)]	—	(70)	1,975
Total operating expense	181,784	92,644	88,721
Operating loss	(175,846)	(81,362)	(73,175)
Loss on extinguishment of debt [(3)]	—	—	(2,033)
Interest expense	(3,542)	(3,575)	(3,554)
Other income, net	6,069	6,759	8,929
Loss before benefit from income taxes	(173,319)	(78,178)	(69,833)
Benefit from income taxes	—	—	—
Net loss	$ (173,319)	$ (78,178)	$ (69,833)
Net loss per share:			
Basic	$ (0.64)	$ (0.29)	$ (0.28)
Diluted	$ (0.64)	$ (0.29)	$ (0.28)
Weighted average shares outstanding used in calculating net loss per share:			
Basic	272,385	269,578	250,070
Diluted	272,385	269,578	250,070

(1) Goodwill impairment during the three months ended June 30, 2024 was related to a sustained decrease in the Company's share price, among other factors.

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

(3) Loss on extinguishment of debt during the three months ended June 30, 2023 is related to the exchange of a portion of the Company's 1.50% Convertible Senior Notes due 2028 for the Company's 1.375% Convertible Senior Notes due 2030.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share amounts)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Revenue:				
Product revenue	$ 31,746	$ 43,655	$ 66,755	$ 78,309
Service and other revenue	4,267	3,918	8,068	8,164
Total revenue	36,013	47,573	74,823	86,473
Cost of Revenue:				
Cost of product revenue	23,083	28,432	45,530	53,596
Cost of service and other revenue	3,366	3,412	7,104	7,204
Amortization of acquired intangible assets	2,628	183	3,971	366
Loss on purchase commitment	998	—	998	—
Total cost of revenue	30,075	32,027	57,603	61,166
Gross profit	5,938	15,546	17,220	25,307
Operating Expense:				
Research and development	38,485	46,173	81,940	95,112
Sales, general and administrative	45,877	40,573	89,630	80,391
Goodwill impairment (1)	93,200	—	93,200	—
Amortization of acquired intangible assets	4,222	—	9,728	—
Change in fair value of contingent consideration (2)	—	1,975	(70)	14,231
Total operating expense	181,784	88,721	274,428	189,734
Operating loss	(175,846)	(73,175)	(257,208)	(164,427)
Loss on extinguishment of debt (3)	—	(2,033)	—	(2,033)
Interest expense	(3,542)	(3,554)	(7,117)	(7,184)
Other income, net	6,069	8,929	12,828	15,796
Loss before benefit from income taxes	(173,319)	(69,833)	(251,497)	(157,848)
Benefit from income taxes	—	—	—	—
Net loss	$ (173,319)	$ (69,833)	$ (251,497)	$ (157,848)
Net loss per share:				
Basic	$ (0.64)	$ (0.28)	$ (0.93)	$ (0.64)
Diluted	$ (0.64)	$ (0.28)	$ (0.93)	$ (0.64)
Weighted average shares outstanding used in calculating net loss per share:				
Basic	272,385	250,070	270,982	246,074
Diluted	272,385	250,070	270,982	246,074

(1) Goodwill impairment during the three and six months ended June 30, 2024 was related to a sustained decrease in the Company's share price, among other factors.

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

(3) Loss on extinguishment of debt during the three and six months ended June 30, 2023 is related to the exchange of a portion of the Company's 1.50% Convertible Senior Notes due 2028 for the Company's 1.375% Convertible Senior Notes due 2030.

Pacific Biosciences of California, Inc.

Unaudited Condensed Consolidated Balance Sheets

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Cash and investments	$ 509,802	$ 631,416
Accounts receivable, net	32,433	36,615
Inventory, net	68,594	56,676
Prepaid and other current assets	16,968	17,040
Property and equipment, net	34,910	36,432
Operating lease right-of-use assets, net	22,391	32,593
Restricted cash	2,264	2,722
Intangible assets, net	443,278	456,984
Goodwill	369,061	462,261
Other long-term assets	9,790	13,274
Total Assets	$ 1,509,491	$ 1,746,013
Liabilities and Stockholders' Equity		
Accounts payable	$ 17,488	$ 15,062
Accrued expenses	22,456	45,708
Deferred revenue	24,918	21,872
Operating lease liabilities	32,107	41,197
Contingent consideration liability	19,480	19,550
Convertible senior notes, net	892,844	892,243
Other liabilities	7,498	9,077
Stockholders' equity	492,700	701,304
Total Liabilities and Stockholders' Equity	$ 1,509,491	$ 1,746,013

Pacific Biosciences of California, Inc.

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended			Six Months Ended	
(in thousands, except per share amounts)	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
GAAP net loss	$ (173,319)	$ (78,178)	$ (69,833)	$ (251,497)	$ (157,848)
Change in fair value of contingent consideration [(1)]	—	(70)	1,975	(70)	14,231
Goodwill impairment [(2)]	93,200	—	—	93,200	—
Amortization of acquired intangible assets	6,850	6,849	228	13,699	456
Loss on extinguishment of debt [(3)]	—	—	2,033	—	2,033
Restructuring [(4)]	18,028	—	—	18,028	—
Non-GAAP net loss	$ (55,241)	$ (71,399)	$ (65,597)	$ (126,640)	$ (141,128)
GAAP net loss per share	$ (0.64)	$ (0.29)	$ (0.28)	$ (0.93)	$ (0.64)
Change in fair value of contingent consideration [(1)]	—	—	0.01	—	0.06
Goodwill impairment [(2)]	0.34	—	—	0.34	—
Amortization of acquired intangible assets	0.03	0.03	—	0.05	—
Loss on extinguishment of debt [(3)]	—	—	0.01	—	0.01
Restructuring [(4)]	0.07	—	—	0.07	—
Non-GAAP net loss per share	$ (0.20)	$ (0.26)	$ (0.26)	$ (0.47)	$ (0.57)
GAAP gross profit	$ 5,938	$ 11,282	$ 15,546	$ 17,220	$ 25,307
Amortization of acquired intangible assets	2,628	1,343	183	3,971	366
Restructuring [(4)]	4,650	—	—	4,650	—
Non-GAAP gross profit	$ 13,216	$ 12,625	$ 15,729	$ 25,841	$ 25,673
GAAP gross profit %	16 %	29 %	33 %	23 %	29 %
Non-GAAP gross profit %	37 %	33 %	33 %	35 %	30 %
GAAP total operating expense	$ 181,784	$ 92,644	$ 88,721	$ 274,428	$ 189,734
Change in fair value of contingent consideration [(1)]	—	70	(1,975)	70	(14,231)
Goodwill impairment [(2)]	(93,200)	—	—	(93,200)	—
Amortization of acquired intangible assets	(4,222)	(5,506)	(45)	(9,728)	(90)
Restructuring [(4)]	(13,378)	—	—	(13,378)	—
Non-GAAP total operating expense	$ 70,984	$ 87,208	$ 86,701	$ 158,192	$ 175,413

(1) 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.

(2) Goodwill impairment during the three and six months ended June 30, 2024 was related to a sustained decrease in the Company's share price, among other factors.

(3) Loss on extinguishment of debt during the three and six months ended June 30, 2023 is related to the exchange of a portion of the Company's 1.50% Convertible Senior Notes due 2028 for the Company's 1.375% Convertible Senior Notes due 2030.

(4) Restructuring costs during the three and six months ended June 30, 2024 consist primarily of employee separation costs, accelerated amortization and depreciation for right-of-use assets, leasehold improvements, and furniture and fixtures relating to the planned abandonment of the San Diego office, including charges for excess inventory due to a decrease in internal demand relating to the expense reduction initiatives during the three months ended June 30, 2024.