
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
August 2, 2023

Pacific Biosciences of California, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34899
(Commission
File Number)

16-1590339
(IRS Employer
Identification No.)

1305 O'Brien Drive
Menlo Park, California 94025
(Address of principal executive offices) (Zip Code)

(650) 521-8000
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On August 2, 2023, Pacific Biosciences of California, Inc. (the “Company”) announced its financial results for its second fiscal quarter ended June 30, 2023. A copy of the press release containing the announcement is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

The information furnished in this Item 2.02 and Exhibit 99.1 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 3.02. UNREGISTERED SALES OF EQUITY SECURITIES.

On August 2, 2023, the Company entered into an agreement and plan of reorganization (the “Merger Agreement”), pursuant to which the Company will acquire Apton Biosystems, Inc., a privately held genomics company (“Apton”).

Pursuant to the Merger Agreement, upon the closing of the acquisition, the Company will, among other things, issue to holders of Apton’s outstanding equity interests (“Apton Securityholders”) up to approximately 6.3 million shares of the Company’s common stock, par value \$0.001 per share (“Common Stock”). Additionally, subject to the terms and conditions of the Merger Agreement and the achievement of a specified milestone, Apton Securityholders will also be entitled to receive \$25 million, which the Company may elect to pay in cash, shares of Common Stock or a combination of cash and shares of Common Stock. At this time, the number of shares, if any, to be issued in connection with the achievement of the specified milestone is not known, and will be calculated based on the daily volume-weighted average price of the Common Stock for the twenty trading days ending on and including the fifth trading day immediately prior to the occurrence of the specified milestone. Under the terms of the Merger Agreement, the Company may pay cash in lieu of Common Stock to ensure that the issuance of Common Stock as contemplated by the Merger Agreement does not exceed 19.9% of the shares of Common Stock then outstanding.

All of the shares of Common Stock issued or issuable pursuant to the Merger Agreement have been issued, or will be issued, in reliance upon the exemptions from registration afforded by Section 4(a)(2) of the Securities Act and Rule 506 thereunder. Such issuances and sales are not being conducted in connection with a public offering, and no public solicitation or advertisement will be made or relied upon in connection therewith.

ITEM 7.01. REGULATION FD DISCLOSURE.

On August 2, 2023, the Company issued a press release relating to its acquisition of Apton, a copy of which is furnished herewith as Exhibit 99.2 and incorporated herein by reference.

Additionally on August 2, 2023, the Company issued a press release announcing the commencement of customer shipments of Onso short-read sequencing instruments, a copy of which is furnished herewith as Exhibit 99.3 and incorporated herein by reference.

The information furnished in this Item 7.01 and Exhibits 99.2 and 99.3 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference in any filing under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

99.1 [Press Release dated August 2, 2023, titled “PacBio Announces Second Quarter 2023 Financial Results” \(furnished and not filed herewith solely pursuant to Item 2.02\).](#)

99.2 [Press Release dated August 2, 2023, titled “PacBio Enters into Agreement to Acquire Apton Biosystems to Accelerate the Development of a Next Generation, High Throughput, Short-read Sequencer” \(furnished and not filed herewith solely pursuant to Item 7.01\).](#)

99.3 [Press Release dated August 2, 2023, titled “PacBio Begins Commercialization of the Onso Short-Read Sequencing System” \(furnished and not filed herewith solely pursuant to Item 7.01\).](#)

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Pacific Biosciences of California, Inc.

By: _____ /s/ Michele Farmer

Michele Farmer

Vice President and Chief Accounting Officer

Date: August 2, 2023

PacBio Announces Second Quarter 2023 Financial Results

Menlo Park, Calif. – August 2, 2023 – PacBio (NASDAQ: PACB) today announced financial results for the quarter ended June 30, 2023.

Second quarter results

- Revenue of \$47.6 million, a 34% increase compared with \$35.5 million in the prior-year period.
- Recognized revenue on 47 sequencing systems in the second quarter, including 45 Revio systems and 2 Sequel IIe systems, compared to 36 Sequel II/IIe systems in the prior-year period.
- Instrument revenue of \$29.9 million compared with \$15.6 million in the prior-year period.
- Consumables revenue of \$13.7 million compared with \$14.6 million in the prior-year period.
- Service and other revenue of \$3.9 million compared with \$5.3 million in the prior-year period.

Gross profit for the second quarter of 2023 was \$15.5 million, representing a 4% decrease compared with \$16.2 million for the second quarter of 2022 and a gross margin of 33% in the second quarter of 2023 compared to 46% for the second quarter of 2022. Non-GAAP gross profit for the second quarter of 2023 was \$15.7 million and represented a non-GAAP gross margin of 33% in the second quarter of 2023, compared to a non-GAAP gross profit of \$16.4 million in the second quarter of 2022 which represented a non-GAAP gross margin of 46% (see accompanying tables for reconciliations of GAAP and non-GAAP measures).

Operating expenses totaled \$88.7 million for the second quarter of 2023, compared to \$84.2 million for the second quarter of 2022. Non-GAAP operating expenses totaled \$86.7 million for the second quarter of 2023, compared to \$89.6 million for the second quarter of 2022. Operating expenses for the second quarter of 2023 and the second quarter of 2022 included non-cash share-based compensation of \$16.7 million and \$18.0 million, respectively.

Net loss for the second quarter of 2023 was \$69.8 million, compared to a net loss of \$71.4 million for the second quarter of 2022. Non-GAAP net loss was \$65.6 million for the second quarter of 2023, compared to \$76.6 million for the second quarter of 2022.

Net loss per share for the second quarter of 2023 was \$0.28 compared to net loss per share of \$0.32 for the second quarter of 2022. Non-GAAP net loss per share for the second quarter of 2023 was \$0.26 compared to \$0.34 for the second quarter of 2022.

Cash, cash equivalents, and investments, excluding short- and long-term restricted cash, at June 30, 2023, totaled \$829.9 million, compared to \$772.3 million at December 31, 2022.

Updates since our last earnings release

- Commenced shipping of the Onso platform, an innovative benchtop short-read DNA sequencing system that provides users with an extraordinary level of accuracy using PacBio's proprietary sequencing by binding (SBB) technology. PacBio expects to complete the installation of the first Onso instrument and ship related consumables later this month. The milestone payment associated with PacBio's acquisition of Omniome will be triggered once both the Onso instrument and related consumables have been shipped.
- Entered into an agreement to acquire Apton Biosystems, Inc. (Apton), a private company developing a high-throughput short-read sequencer. PacBio plans to integrate SBB chemistry with Apton's advanced optics and imaging technologies to accelerate our development of a highly accurate, high throughput, short-read sequencer.
- Announced that Bioscientia, a leading global provider of clinical laboratory testing services for diagnostics based in Germany, implemented Revio to sequence several thousand human genomes per year.
- Collaborated with Radboud University Medical Center (Radboudumc), one of Europe's largest academic centers for human genetics, to explore genetic causes of rare and genetic diseases. Radboudumc plans to study the potential clinical utility and better understand the health economics of bringing highly accurate HiFi sequencing in a clinical setting on a large scale.

- Appointed Olga Troyanskaya, Ph.D., Professor of Computer Science and the Lewis Sigler Institute for Integrative Genomics at Princeton University to PacBio's Scientific Advisory Board (SAB) and Jay Shendure, Ph.D., Professor of Genome Sciences at the University of Washington, as Chair. SAB provides guidance to the research and development efforts at PacBio, including critical feedback, advice, and expertise on future technological and scientific direction to inform PacBio's priorities and roadmaps for current and future products.
- Issued \$441 million principal amount of 1.375% Convertible Senior Notes due 2030 in exchange for \$441 million principal amount of 1.50% Convertible Senior Notes due 2028 (2028 Notes) in a privately negotiated exchange deal with a holder of PacBio's 2028 Notes.

"PacBio continued to gain momentum in the second quarter as Revio demand drove record quarterly revenue," said Christian Henry, President and Chief Executive Officer. "The team continues to execute on scaling manufacturing and delivering the new product to customers, and we're seeing customers ramp sequencing on Revio. I'm also pleased to share that we've commenced shipment of Onso today, our highly differentiated short-read benchtop sequencer developed as a result of our acquisition of Omniome in 2021. I'm also excited to announce that we entered into an agreement to acquire Apton, enabling us to accelerate the development of a high-throughput instrument capable of sequencing billions of reads per flow cell."

Quarterly Conference Call Information

Management will host a quarterly conference call to discuss its second quarter ended June 30, 2023, results today at 5:00 p.m. Eastern Time. Investors may listen to the call by dialing 1-888-349-0136, if outside the U.S., by dialing 1-412-317-0459, requesting to join the "PacBio Q2 Earnings Call". The call will be webcast live and available for replay at PacBio's website at <https://investor.pacificbiosciences.com>.

About PacBio

Pacific Biosciences of California, Inc. (NASDAQ: PACB) is a premier life science technology company that is designing, developing, and manufacturing advanced sequencing solutions that enable scientists and clinical researchers to improve their understanding of the genome and ultimately, resolve genetically complex problems. Our products and technology under development stem from two highly differentiated core technologies focused on accuracy, quality, and completeness, which include our existing HiFi long-read sequencing technology and our emerging short-read Sequencing by Binding (SBB™) technology. Our products address solutions across a broad set of applications, including human genomics, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications. For more information, please visit www.pacb.com and follow @PacBio.

PacBio products are provided for research use only. Not for use in diagnostic procedures.

Statement regarding use of non-GAAP financial measures

The Company reports non-GAAP results for basic and diluted net income and loss per share, net income, net loss, gross margins, gross profit 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. The Company 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 the Company's non-GAAP financial measures as tools for comparison.

The Company'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. 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. Such intangible assets contribute to revenue generation and its amortization will recur 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 the Company's performance relative to forecasts and strategic plans and to benchmark its performance externally against competitors.

The Company 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 the Company'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.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements, including statements relating to the availability, uses, accuracy, coverage, advantages, quality or performance of, or benefits or expected benefits of using, PacBio products or technologies; PacBio's acquisition of Apton, including the potential benefits of adding short-read, high-throughput sequencing technologies to PacBio's product portfolio and the synergies such technologies may provide with PacBio's existing offerings; expectations with respect to customer demand for our products and technologies and growth in our business; and the impact of new products, including the Revio, Onso and Apton systems. Reported results and orders for the Revio and Onso systems 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, including the Onso system; 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 our acquisition of Apton and our ability to successfully execute on such acquisition, such as the failure to successfully integrate Apton or to otherwise realize the anticipated benefits of the Apton acquisition; the impact of U.S. export restrictions on the shipment of PacBio products to certain countries; 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 our products; third-party claims alleging infringement of patents and proprietary rights or seeking to invalidate PacBio's patents or proprietary rights; and other risks associated with macroeconomic conditions such as uncertain capital markets, pandemic-related lockdowns, heightened inflation, war in Europe; and risks associated with international operations, among others. 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.

Contacts

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Pacific Biosciences of California, Inc.
Unaudited Condensed Consolidated Statement of Operations
(in thousands, except per share amounts)

	Three Months Ended		
	June 30, 2023	March 31, 2023	June 30, 2022
Revenue:			
Product revenue	\$ 43,655	\$ 34,654	\$ 30,175
Service and other revenue	3,918	4,246	5,292
Total revenue	47,573	38,900	35,467
Cost of Revenue:			
Cost of product revenue	28,432	25,164	15,499
Cost of service and other revenue	3,412	3,792	3,592
Amortization of intangible assets	183	183	183
Total cost of revenue	32,027	29,139	19,274
Gross profit	15,546	9,761	16,193
Operating Expense:			
Research and development	46,173	48,939	50,348
Sales, general and administrative	40,573	39,818	39,252
Change in fair value of contingent consideration ⁽¹⁾	1,975	12,256	(5,438)
Total operating expense	88,721	101,013	84,162
Operating loss	(73,175)	(91,252)	(67,969)
Loss on extinguishment of debt ⁽²⁾	(2,033)	—	—
Interest expense	(3,554)	(3,630)	(3,681)
Other income, net	8,929	6,867	256
Loss before expense (benefit) from income taxes	(69,833)	(88,015)	(71,394)
Expense (benefit) from income taxes	—	—	—
Net loss	\$ (69,833)	\$ (88,015)	\$ (71,394)
Net loss per share:			
Basic	\$ (0.28)	\$ (0.36)	\$ (0.32)
Diluted	\$ (0.28)	\$ (0.36)	\$ (0.32)
Weighted average shares outstanding used in calculating net loss per share:			
Basic	250,070	242,032	224,499
Diluted	250,070	242,032	224,499

⁽¹⁾ Change in fair value of contingent consideration during the three months ended June 30, 2023, March 31, 2023, and June 30, 2022 was due to fair value adjustments of milestone payments payable upon the commercialization of acquired IPR&D.

⁽²⁾ 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 Statement of Operations
(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:				
Product revenue	\$ 43,655	\$ 30,175	\$ 78,309	\$ 58,419
Service and other revenue	3,918	5,292	8,164	10,221
Total revenue	47,573	35,467	86,473	68,640
Cost of Revenue:				
Cost of product revenue	28,432	15,499	53,596	30,319
Cost of service and other revenue	3,412	3,592	7,204	7,607
Amortization of intangible assets	183	183	366	366
Total cost of revenue	32,027	19,274	61,166	38,292
Gross profit	15,546	16,193	25,307	30,348
Operating Expense:				
Research and development	46,173	50,348	95,112	103,285
Sales, general and administrative	40,573	39,252	80,391	79,056
Change in fair value of contingent consideration ⁽¹⁾	1,975	(5,438)	14,231	(6,501)
Total operating expense	88,721	84,162	189,734	175,840
Operating loss	(73,175)	(67,969)	(164,427)	(145,492)
Loss on extinguishment of debt ⁽²⁾	(2,033)	—	(2,033)	—
Interest expense	(3,554)	(3,681)	(7,184)	(7,378)
Other income (expense), net	8,929	256	15,796	(23)
Loss before expense (benefit) from income taxes	(69,833)	(71,394)	(157,848)	(152,893)
Expense (benefit) from income taxes	—	—	—	—
Net loss	\$ (69,833)	\$ (71,394)	\$ (157,848)	\$ (152,893)
Net loss per share:				
Basic	\$ (0.28)	\$ (0.32)	\$ (0.64)	\$ (0.68)
Diluted	\$ (0.28)	\$ (0.32)	\$ (0.64)	\$ (0.68)
Weighted average shares outstanding used in calculating net loss per share:				
Basic	250,070	224,499	246,074	223,400
Diluted	250,070	224,499	246,074	223,400

⁽¹⁾ Change in fair value of contingent consideration during the three and six months ended June 30, 2023 and 2022 was due to fair value adjustments of milestone payments payable upon the commercialization of acquired IPR&D.

⁽²⁾ 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, 2023	December 31, 2022
Assets		
Cash and investments	\$ 829,862	\$ 772,318
Accounts receivable, net	24,034	18,786
Inventory, net	67,608	50,381
Prepaid and other current assets	13,748	10,289
Property and equipment, net	40,317	41,580
Operating lease right-of-use assets, net	36,444	39,763
Restricted cash	2,722	3,222
Intangible assets, net	409,779	410,245
Goodwill	409,974	409,974
Other long-term assets	13,143	10,528
Total Assets	\$ 1,847,631	\$ 1,767,086
Liabilities and Stockholders' Equity		
Accounts payable	\$ 16,512	\$ 12,028
Accrued expenses	27,010	32,596
Deferred revenue	29,975	32,292
Operating lease liabilities	45,842	49,956
Contingent consideration liability	186,325	172,094
Convertible senior notes, net	891,795	896,683
Other liabilities	8,173	8,533
Stockholders' equity	641,999	562,904
Total Liabilities and Stockholders' Equity	\$ 1,847,631	\$ 1,767,086

Pacific Biosciences of California, Inc.
Reconciliation of Non-GAAP Financial Measures
(in thousands, except per share amounts)

	Three Months Ended			Six Months Ended	
	June 30, 2023	March 31, 2023	June 30, 2022	June 30, 2023	June 30, 2022
GAAP net loss	\$ (69,833)	\$ (88,015)	\$ (71,394)	\$ (157,848)	\$ (152,893)
Change in fair value of contingent consideration ⁽¹⁾	1,975	12,256	(5,438)	14,231	(6,501)
Loss on extinguishment of debt ⁽²⁾	2,033	—	—	2,033	—
Amortization of acquired intangible assets	228	228	228	456	457
Non-GAAP net loss	<u>\$ (65,597)</u>	<u>\$ (75,531)</u>	<u>\$ (76,604)</u>	<u>\$ (141,128)</u>	<u>\$ (158,937)</u>
GAAP net loss per share	\$ (0.28)	\$ (0.36)	\$ (0.32)	\$ (0.64)	\$ (0.68)
Change in fair value of contingent consideration ⁽¹⁾	0.01	0.05	(0.02)	0.06	(0.03)
Loss on extinguishment of debt ⁽²⁾	0.01	—	—	0.01	—
Amortization of acquired intangible assets	—	—	—	—	—
Non-GAAP net loss per share	<u>\$ (0.26)</u>	<u>\$ (0.31)</u>	<u>\$ (0.34)</u>	<u>\$ (0.57)</u>	<u>\$ (0.71)</u>
GAAP gross profit	\$ 15,546	\$ 9,761	\$ 16,193	\$ 25,307	\$ 30,348
Amortization of acquired intangible assets	183	183	183	366	366
Non-GAAP gross profit	<u>\$ 15,729</u>	<u>\$ 9,944</u>	<u>\$ 16,376</u>	<u>\$ 25,673</u>	<u>\$ 30,714</u>
GAAP gross profit %	33%	25%	46%	29%	44%
Non-GAAP gross profit %	33%	26%	46%	30%	45%
GAAP total operating expense	\$ 88,721	\$ 101,013	\$ 84,162	\$ 189,734	\$ 175,840
Change in fair value of contingent consideration ⁽¹⁾	(1,975)	(12,256)	5,438	(14,231)	6,501
Amortization of acquired intangible assets	(45)	(45)	(45)	(90)	(91)
Non-GAAP total operating expense	<u>\$ 86,701</u>	<u>\$ 88,712</u>	<u>\$ 89,555</u>	<u>\$ 175,413</u>	<u>\$ 182,250</u>

⁽¹⁾ Change in fair value of contingent consideration was related to fair value adjustments of milestone payments payable upon the commercialization of acquired IPR&D.

⁽²⁾ 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.

PacBio Enters into Agreement to Acquire Apton Biosystems to Accelerate the Development of a Next Generation, High Throughput, Short-read Sequencer

PacBio will combine Apton's proprietary sequencing technology with its highly accurate Sequencing by Binding chemistry to develop a high-throughput sequencer designed to deliver billions of reads per flow cell

MENLO PARK, Calif., August 2, 2023 /PRNewswire/ -- PacBio, a leading developer of high-quality, highly accurate sequencing solutions, today announced that it has entered into an agreement to acquire Apton Biosystems, Inc (Apton), a Bay-Area-based company developing a high throughput short-read sequencer using state-of-the-art optics and image processing, paired with novel clustering and chemistry, that is designed to enable the sequencing of billions of clusters of DNA on one flow cell. As a combined organization, PacBio plans to integrate its Sequencing by Binding (SBB™) short-read chemistry into Apton's high throughput instrument to offer a differentiated high throughput sequencer.

"I am impressed with Apton's progress in developing a novel, high throughput sequencing platform that has the potential to deliver very low-cost sequencing at tremendous scale. By integrating our highly accurate SBB technology with Apton's advanced optics and image processing capabilities, PacBio expects to commercialize a high throughput short-read platform faster than we had planned," said Christian Henry, President and CEO of PacBio. "This acquisition is consistent with our strategy to develop a multiproduct short-read sequencing portfolio alongside our long-read sequencing platforms, giving us an opportunity to reach an even greater portion of the multi-billion-dollar sequencing market."

"It's exciting to see how seamlessly our SBB chemistry ports over to the Apton system in our initial trial runs," said Mark Van Oene, Chief Operating Officer at PacBio. "Acquiring Apton accelerates our development timeline and is not currently expected to increase our planned research and development expenses. We can quickly start integrating our chemistries onto Apton's high throughput sequencing instrument, which we believe will significantly decrease the time required to develop the new platform. Apton has delivered with a lean and agile organization, and we look forward to fast-tracking the development of this new sequencer. Additionally, this comes at an opportune time with Onso entering the commercialization phase, and the Onso development team looks forward to leveraging its expertise in this new project."

"At Apton, we've been relentlessly pursuing advances in both cost and throughput to address customer needs in the high throughput market," said John Hanna, CEO of Apton. "When PacBio announced its Onso benchtop sequencer, it expanded our imagination of what a high throughput sequencer can offer. We knew that if we could complement our advances in optics with best-in-class chemistry like SBB, we could have the potential to develop a truly differentiated high throughput short-read sequencer, the likes of which hasn't been seen before."

Transaction Terms

PacBio's acquisition agreement for Apton provides for upfront consideration of approximately \$85 million in an all-stock transaction consisting of approximately 6.3 million shares of PacBio common stock plus an additional \$25 million in stock, cash, or a combination of stock and cash payable in connection with the achievement of \$50 million in revenue associated with a high throughput sequencer using Apton's technology, for an overall transaction valued up to approximately \$110 million.

PacBio has also posted a presentation in connection with this acquisition which can be found at investor.pacificbiosciences.com.

Advisors

Allen & Company LLC served as financial advisor to PacBio in connection with the acquisition. Wilson Sonsini Goodrich and Rosati, P.C. served as counsel for PacBio, and Fenwick & West LLP served as counsel for Apton.

Webcast and more information

The Company will discuss the acquisition of Apton and its financial results for the fiscal second quarter on its quarterly conference call later today. The call will be webcast and may be accessed at the Company's website at: <https://investor.pacificbiosciences.com/>.

Date: August 2, 2023

Time: 5:00 pm ET

Listen live via the Internet or replay: <https://investor.pacificbiosciences.com/>

Toll-free: 1-888-349-0136

International: 1-412-317-0459

If using the dial-in option, please dial into the call ten minutes prior to start time using the appropriate number above and ask to join the "PacBio Q2 Earnings Call."

About PacBio

PacBio (NASDAQ: PACB) is a premier life science technology company that is designing, developing and manufacturing advanced sequencing solutions to help scientists and clinical researchers resolve genetically complex problems. Our products and technology under development stem from two highly differentiated core technologies focused on accuracy, quality and completeness which include our existing HiFi long read sequencing and our emerging SBB[®] short read sequencing technologies. Our products address solutions across a broad set of research applications including human germline sequencing, plant and animal sciences, infectious disease and microbiology, oncology, and other emerging applications. For more information, please visit www.pacb.com and follow @PacBio.

PacBio products are provided for Research Use Only. Not for use in diagnostic procedures.

About Apton

Apton is a Pleasanton, California-based developer of Super-Res[™] sequencing and single-molecule detection systems for large-scale clinical applications such as early cancer detection and population sequencing. Apton has re-imagined the optical systems for sequencing using super-resolution to evaluate molecules spaced closer than a wavelength of light. Apton's Super-Res[™] technology sequences tens of billions of reads in a single run using simple, un-patterned flow cells that lower variable costs.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, are forward-looking statements, including statements relating to PacBio's acquisition of Apton, including the potential benefits of adding short-read, high-throughput sequencing technologies to PacBio's product portfolio and the synergies such technologies may provide with PacBio's existing offerings; forthcoming PacBio products or technologies, including the Revio, Onso and Apton systems, and their future availability, use cases, performance, and specifications; goals and operating plans; and expectations with respect to development and commercialization timeframes. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety. These statements involve risks and uncertainties that could cause actual results to differ materially, including, but not limited to, risks related to our acquisition of Apton and our ability to successfully execute on such acquisition, such as the failure to successfully integrate Apton or to otherwise realize the anticipated benefits of the Apton acquisition, as well as the other risks, uncertainties and other factors discussed in PacBio's most recent Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on May 4, 2023, and in PacBio's future filings with the SEC. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, changes in circumstances, and other factors that are, in some cases, beyond PacBio's control and could cause actual results to differ materially from the information expressed or implied by forward-looking statements made in this press release. Readers are strongly encouraged to read the full cautionary statements contained in PacBio's filings with the Securities and Exchange Commission, including the risk factors set forth in above-referenced Quarterly Report on Form 10-Q. PacBio undertakes no obligation to revise or update information in this press release to reflect events or circumstances in the future, even if new information becomes available, except as required by law.

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PacBio Begins Commercialization of the Onso Short-Read Sequencing System

The Onso platform delivers extraordinary accuracy which creates new possibilities for research and translational sequencing applications

MENLO PARK, Calif., August 2, 2023 /PRNewswire/ – PacBio (NASDAQ: PACB), a leading developer of high-quality, highly accurate sequencing solutions, announced that customer shipments of Onso short-read sequencing instruments will commence today. As previously announced, the Onso system is designed to provide extraordinary accuracy through its novel sequencing by binding (SBB) chemistry in a user-friendly and flexible benchtop platform.

“When we announced the Onso platform last year, I knew it would be a game changer for genomics,” said Christian Henry, President and Chief Executive Officer of PacBio. “We believe PacBio is the only company to offer both highly accurate, short and native long-read sequencing technologies. We believe this uniquely positions us to offer more complete solutions to our customers’ challenges and help researchers unlock novel insights in oncology and disease research, among other areas. I want to thank the Broad Institute of MIT and Harvard, Corvea Agriscience, and Weill Cornell Medicine for their invaluable feedback, helping us to improve this cutting-edge system and bring it to market.”

“Over the last several months, we have tested out the Onso system to understand how high-quality sequence data can be used in the context of germline and somatic applications. We already have some novel findings and are excited to see where the platform goes from here,” said Niall Lennon, Senior Director of Translational Genomics at Broad Institute of MIT and Harvard.

With Onso’s potential to achieve Q40+ levels of accuracy (one error in 10,000 bases), we believe scientists will have the opportunity to gain more insight into ctDNA research applications like minimal residual disease (MRD) monitoring and other “needle-in-haystack” applications which require highly sensitive variant detection. This may ultimately allow researchers to detect rare variants missed by other short-read technologies.

“Since we started testing the Onso system across a range of different applications, my laboratory at Weill Cornell Medicine is seeing impressive data quality well above the industry norm of Q30,” said Dr. Chris Mason. “We’ve had several runs with raw quality scores in excess of Q50, which I have not seen using alternative technologies. We see Onso’s capabilities opening up new possibilities for research and translational applications where accuracy is a critical need for success.”

In addition, we believe this level of accuracy can add value to common mid-throughput sequencer applications such as exome sequencing, single-cell RNA sequencing, and targeted panels to support inherited disease and oncology research.

PacBio plans to launch library preparation solutions to support a wide range of sample types, and library conversion kits to allow existing third-party libraries to be sequenced on the Onso system.

The Onso system is designed to deliver 400 to 500 million reads during a 48-hour sequencing cycle (for 2x150 paired-end reads). PacBio plans to offer 200 and 300-cycle kit configurations enabling paired- and single-end reads. The system list price in the U.S. is \$259,000.

Onso systems will begin shipping to customers across the globe, reflecting the global service and support capabilities of PacBio’s commercial organization. The Translational Genomics Research Institute (TGen), part of City of Hope, is one of the first customers to receive an Onso system.

“We are excited to bring the Onso instrument in-house to TGen. Our early access data demonstrates the ability to accurately detect ultra-low variants without the need for high-complexity error correction across a broad spectrum of applications, including infectious disease and liquid biopsy research. We believe SBB technology will positively impact our research/clinical mission to enable early detection, monitor treatment response, and track resistant mutations,” said Stephanie Pond, Vice President of Emerging Opportunities at TGen.

"With our first shipment of Onso today, we have launched our second major platform this year. I am extremely proud of the entire PacBio team for this remarkable achievement," said Mark Van Oene, Chief Operating Officer at PacBio. "Revio, our new flagship long-read sequencer and now Onso, demonstrate our commitment to providing genomics researchers with powerful tools that have the potential to revolutionize the genomics industry."

PacBio expects to complete the installation of the first Onso instrument and ship related consumables later this month. The milestone payment associated with PacBio's acquisition of Omniome will be triggered once both the Onso instrument and related consumables have been shipped.

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