
**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)
October 23, 2014**

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.)

1380 Willow Road
Menlo Park, California 94025
(Address of principal executive offices, including 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):

- 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))
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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

This current report on Form 8-K contains forward-looking statements that involve risks and uncertainties. Forward-looking statements are based on management's beliefs and assumptions and on information currently available to them. The Company's actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us and described in the Company's most recently filed Quarterly Report on Form 10-Q, Annual Report on Form 10-K, or the Company's other filings with the SEC, as the case may be. You should not place undue reliance on forward-looking statements, which apply only as of the date of this Current Report on Form 8-K. The Company assumes no obligation to update these forward-looking statements.

On October 23, 2014, Pacific Biosciences of California, Inc. (the "Company") reported its financial results for the quarter ended September 30, 2014. The Company's unaudited Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations and Comprehensive Loss and Condensed Consolidated Statements of Cash Flows are included as Exhibits 99.1, 99.2 and 99.3 hereto, respectively, and are incorporated herein by reference.

Revenue for the third quarter of 2014 totaled \$20.6 million, compared to \$7.4 million for the third quarter of 2013. Third quarter 2014 revenue reflects the delivery of six PacBio RS II systems, same as in the third quarter of 2013. Total revenue for the third quarter of 2014 also included \$10.0 million from the achievement of a milestone pursuant to the Roche agreement. The Company expects 2014 total revenue to be at least \$58 million.

As of September 30, 2014, the Company's instrument backlog was comprised of 20 instruments.

Compared to the third quarter of 2013, gross profit increased \$12.0 million to \$13.2 million for the third quarter of 2014. The increase in gross profit from 2013 to 2014 primarily reflects an increase in Roche contractual revenue. Gross margin for the third quarter of 2014 was 63.8% compared to 16.7% for the same period during 2013. Gross margin increased primarily due to an increase in contractual revenue. Gross margin is expected to remain variable depending on the revenue mix; however in the short-term, the Company expects gross margin to decrease due to a higher mix of instrument revenue and the non-recurring nature of the milestone revenue recognized during the third quarter of 2014.

Operating expenses totaled \$21.6 million for the quarter ended September 30, 2014 compared to \$21.2 million for the quarter ended September 30, 2013. Operating expenses for the third quarter of 2014 and 2013 included non-cash stock-based compensation of \$2.2 million and \$2.1 million, respectively. The Company anticipates quarterly operating expenses to remain near current levels for the remainder of 2014.

The net loss for the quarter was \$9.2 million, compared to \$20.5 million for the third quarter of 2013.

Cash and investments at September 30, 2014 totaled \$99.3 million, compared to \$112.5 million at December 31, 2013. During the nine-month period ended September 30, 2014, the Company received \$20.8 million through the sale of common stock under its current "at-the-market" offering program. Excluding proceeds from the "at-the-market" offering, cash and investments decreased by \$34.0 million compared to December 31, 2013, primarily reflecting \$36.1 million of cash used in operating activities and \$1.1 million of fixed asset purchases partially offset by \$3.3 million of proceeds received from equity sales through the Company's employee equity plans.

The information set forth in this Item 2.02, as well as Exhibit 99.1, 99.2 and 99.3 referenced therein, shall be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended, and shall be incorporated by reference into the Company's filings under the Securities Act of 1933, as amended.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

- 99.1 Condensed Consolidated Balance Sheets (unaudited)
 - 99.2 Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
 - 99.3 Condensed Consolidated Statements of Cash Flows (unaudited)
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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Condensed Consolidated Balance Sheets (unaudited)
99.2	Condensed Consolidated Statements of Operations and Comprehensive Loss (unaudited)
99.3	Condensed Consolidated Statements of Cash Flows (unaudited)

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Balance Sheets
(Unaudited)

<u>(in thousands except par value amounts)</u>	<u>September 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 35,411	\$ 26,362
Investments	63,901	86,166
Accounts receivable	2,370	2,746
Inventory, net	11,398	10,050
Prepaid expenses and other current assets	1,057	1,135
Total current assets	114,137	126,459
Property and equipment, net	7,034	9,236
Other long-term assets	471	490
Total assets	<u>\$ 121,642</u>	<u>\$ 136,185</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 5,845	\$ 1,717
Accrued expenses	8,726	7,905
Deferred service revenue, current	5,307	4,046
Deferred contractual revenue, current	6,785	6,785
Other liabilities, current	2,477	2,102
Total current liabilities	29,140	22,555
Deferred service revenue, non-current	918	518
Deferred contractual revenue, non-current	21,431	26,519
Other liabilities, non-current	2,505	3,517
Notes payable	13,914	13,347
Financing derivative	699	549
Total liabilities	68,607	67,005
Commitments and contingencies		
Stockholders' equity		
Preferred Stock, \$0.001 par value:		
Authorized 50,000 shares; No shares issued or outstanding	—	—
Common Stock, \$0.001 par value:		
Authorized 1,000,000 shares; Issued and outstanding 70,976 shares at September 30, 2014 and 66,275 shares at December 31, 2013, respectively	71	66
Additional paid-in capital	715,439	684,413
Accumulated other comprehensive income	23	14
Accumulated deficit	(662,498)	(615,313)
Total stockholders' equity	53,035	69,180
Total liabilities and stockholders' equity	<u>\$ 121,642</u>	<u>\$ 136,185</u>

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands, except per share amounts)	Three-Month Periods Ended		Nine-Month Periods Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenue:				
Product revenue	\$ 6,762	\$ 5,814	\$ 22,376	\$ 14,248
Service and other revenue	2,165	1,607	6,226	4,800
Contractual revenue	11,696	—	15,088	—
Total revenue	20,623	7,421	43,690	19,048
Cost of Revenue:				
Cost of product revenue	5,608	4,616	19,048	11,138
Cost of service and other revenue	1,853	1,564	5,678	4,680
Total cost of revenue	7,461	6,180	24,726	15,818
Gross profit	13,162	1,241	18,964	3,230
Operating Expense:				
Research and development	11,693	10,419	35,899	34,084
Sales, general and administrative	9,882	10,757	28,025	29,685
Total operating expense	21,575	21,176	63,924	63,769
Operating loss	(8,413)	(19,935)	(44,960)	(60,539)
Interest expense	(716)	(686)	(2,103)	(1,785)
Other income (expense), net	(34)	134	(122)	262
Net loss	(9,163)	(20,487)	(47,185)	(62,062)
Other comprehensive income (loss):				
Unrealized gain (loss) on investments	(19)	13	9	(19)
Comprehensive loss	\$ (9,182)	\$ (20,474)	\$ (47,176)	\$ (62,081)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.13)	\$ (0.31)	\$ (0.68)	\$ (1.01)
Shares used in computing basic and diluted net loss per share	70,740	65,523	69,716	61,636

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine-Month Periods Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$ (47,185)	\$ (62,062)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	3,311	4,238
Amortization of debt discount and financing costs	579	418
Stock-based compensation	6,944	7,361
Other	242	(73)
Changes in assets and liabilities		
Accounts receivable	376	(992)
Inventory	(1,348)	171
Prepaid expenses and other assets	85	791
Accounts payable	4,128	425
Accrued expenses	821	544
Deferred service revenue	1,661	56
Deferred contractual revenue	(5,088)	35,000
Other liabilities	(637)	(1,136)
Net cash used in operating activities	(36,111)	(15,259)
Cash flows from investing activities		
Purchase of property and equipment	(1,132)	(807)
Purchase of investments	(97,468)	(141,549)
Maturities of investments	119,673	133,391
Net cash provided by (used in) investing activities	21,073	(8,965)
Cash flows from financing activities		
Proceeds from issuance of common stock from equity plans	3,319	2,731
Proceeds from issuance of common stock from at-the-market equity offering, net of issuance costs	20,768	19,954
Proceeds from issuance of Facility Agreement, net of issuance costs	—	19,766
Net cash provided by financing activities	24,087	42,451
Net increase in cash and cash equivalents	9,049	18,227
Cash and cash equivalents at beginning of period	26,362	46,540
Cash and cash equivalents at end of period	\$ 35,411	\$ 64,767