



# PacBio Q3 2024 Earnings Presentation

November 7, 2024 | Third Quarter 2024 Earnings Call

## 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 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 presentation. 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. Certain 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 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 presentation. PacBio is unable to reconcile future looking non-GAAP guidance included in this presentation 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

This presentation 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 our expectations for future operating results, revenue, revenue mix, margins, guidance, cash burn, goals, operating plans and long-term growth; expectations with respect to the commercial success of Revio, Onso and Vega; expectations with respect to consumable sales, growth and customer requirements; expectations with respect to development and commercialization timeframes; statements relating to the availability, uses, accuracy, coverage, advantages, quality or performance of, or benefits or expected benefits of using, PacBio products or technologies; the impact of new products and technologies, including the Revio, Onso, and Vega systems, SPRQ chemistry upgrades for Revio, and SMRT Link Cloud; throughput, scalability, affordability, machine financing, utilization and pull through; anticipated customer use of our products; expectations regarding competition in the short-and long-read sequencing technologies markets; market sizes, market and revenue growth and market opportunities, as well as our ability to capture market share; statements relating to PacBio's cost-saving plans and initiatives as well as the expected financial impact and timing of these plans and initiatives; and statements relating to PacBio's convertible debt exchange with SoftBank, including the anticipated financial impact and timing of closing. 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 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 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. 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.



# Business & Commercial Updates

Christian Henry, President & CEO



# Takeaways from today's call

1. PacBio is **delivering on its strategy to bring a suite of platforms with turnkey, end-to-end solutions**. Our latest launches significantly expand PacBio's addressable market in ways this company has never seen before.
2. Although we continue to operate in a difficult macro environment where customer capital expenditures have been challenged and sales cycles prolonged, **we have seen several positive signs that our business is returning to growth**.
3. **Revio continues to drive new customers** to long-read sequencing and open up new demand.
4. We are **hyper-focused on building a sustainable, cash flow positive business** and have made meaningful progress this year to lower cash burn, reduce expenses, and strengthen our balance sheet by reducing our total debt while balancing dilution through our recently announced note exchange with SoftBank. We remain committed to our goal of being cash flow positive by the end of 2026.

# SPRQ chemistry upgrades the Revio user experience using our existing 25M SMRT Cells

33%

**Increase in output** per SMRT cell enabling a Revio to sequence up to 2,500 human genomes/year and 480 gigabases per 24-hour run.

<\$500

**Per human whole genome**<sup>1</sup>, offering what we believe is the most complete and economical genome on the market.

5mC  
6mA

**Enhanced methylation calling capabilities** with 10% increase in 5mC accuracy and adds additional methylation calling abilities with 6mA for the Fiberseq assay, giving customers an even more in-depth view of the genome.

4x

**Reduction in required DNA** input for hWGS<sup>2</sup> to just 500 nanograms; 30x reduction since 2020 and opening up new sample types, like saliva and tumor, to HiFi. Also expanding Nanobind PanDNA to include saliva for hmw<sup>3</sup> DNA extraction.

*Anticipate shipping globally in December 2024*



*Expect the throughput increase and cost reduction via innovation and mfg. improvements - passing the benefits to customers while improving Revio's consumable gross margin profile.*

# Vega is a revolutionary, new benchtop sequencer designed to make accurate long-read sequencing accessible to any laboratory

**\$169K**

**System list price**, designed to make accurate long-read sequencing accessible to any lab + new paradigm where customers don't sacrifice data quality for low CapEx.

Up to **60Gb**

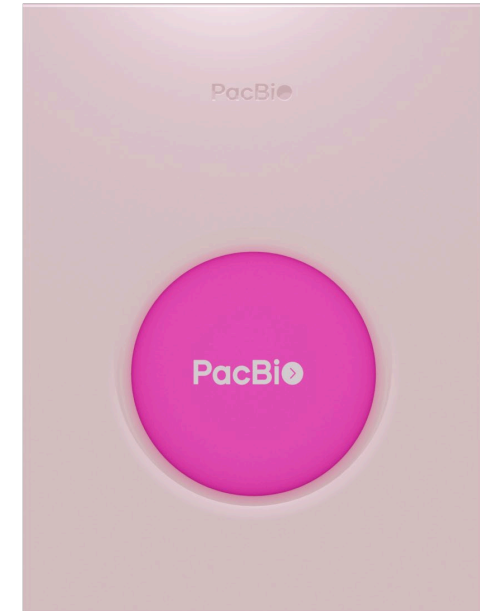
**Output per SMRT Cell<sup>1</sup>**, with simplified, integrated consumables, elegant + intuitive user interface, and workflows expected to attract a broader customer base to HiFi.

**\$1,100**

**Price per run<sup>2</sup>**, offering the same HiFi data quality customers expect with only two simplified consumables, giving users the flexibility + confidence to sequence almost anything.



**SMRT Link Cloud Solution** designed to allow customers to access, store, and analyze HiFi data without local hardware, making it easier for new + existing customers to ramp up sequencing. Integration with DNASTack expected to integrate directly with Revio and Vega to automatically detect new samples and offer users best-practice informatics pipelines.



Deep Consensus  
5mC Calling  
Demultiplexing

**On-Board**

*Expect to start shipping in Q1 2025 and scaling manufacturing through 2025*

# HiFi sequencing within reach with the Vega system



## Fully-powered benchtop

Benchtop footprint  
Standard power and network  
Basecalling, DeepConsensus, methylation calling, and demux on-board



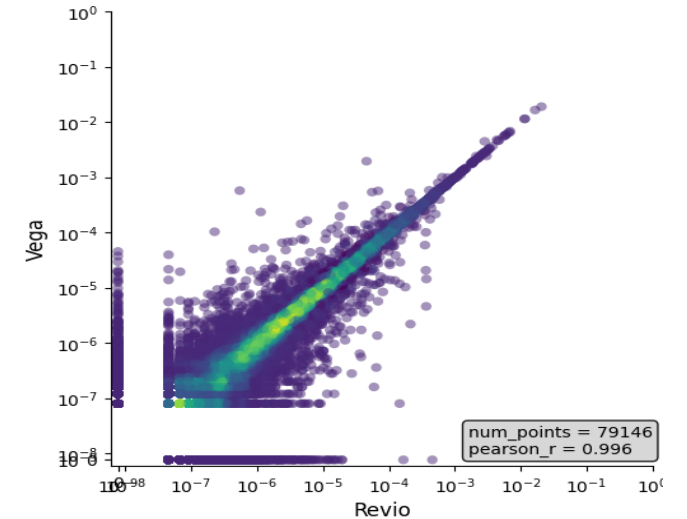
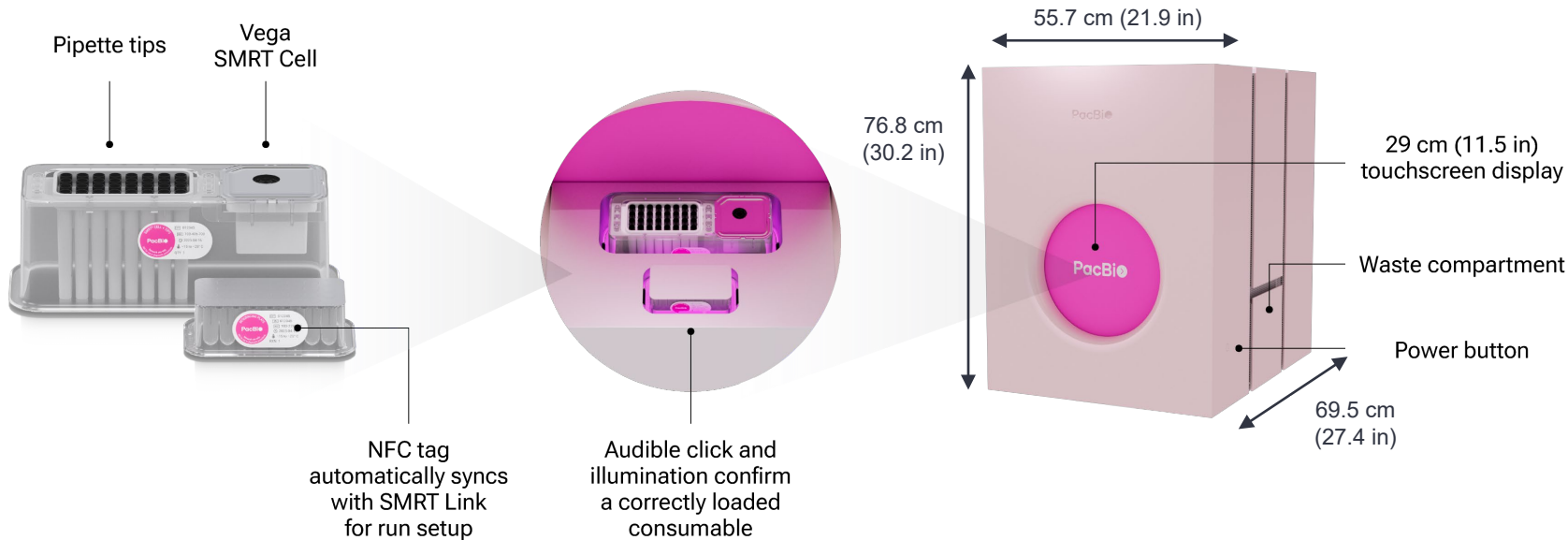
## Simple consumables

Drawer for easy placement  
1-rxn consumables  
Pipette tips integrated into SMRT Cell tray



## Same HiFi workflow + data

Supports all Revio applications  
Common sample + library prep  
On-instrument processing, data format, and data quality is identical to Revio



# Q3 revenue summary

## \$40.0M

Q3 revenue, +11% from Q2 2024 with sequential growth in instrument, consumable, and service revenue

## 22

Revio systems to 22 customers + 5 Sequel IIe systems = sequential growth in long read sequencing platforms

## ~45%

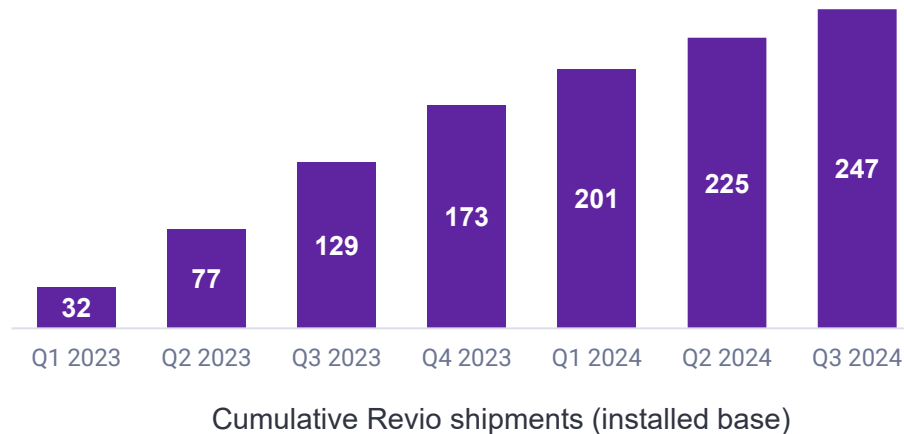
Year-to-date Revio systems that were shipped to new PacBio instrument customers

## Record

Number of Onso systems placed in third quarter

As we prepare to launch our benchtop platform, the **continued demand for the legacy Sequel IIe platform is also an encouraging sign for lower throughput demand** – especially in areas like microbial genomics and gene therapy, where we’ve experienced continued demand for this platform.

This was the **second quarter in a row with a Revio system book-to-bill of 1 or greater.**



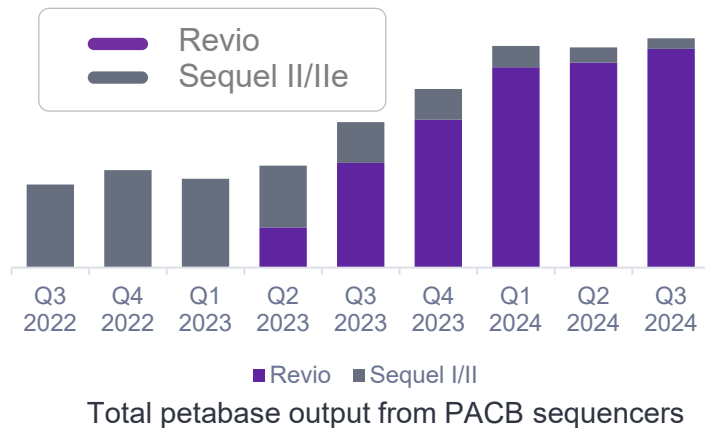


# Consumable revenue continuing to show sequential growth in 2024

**Consumable revenue of \$18.5 million**  
 (+10% year-over-year; +8% from Q2 2024).

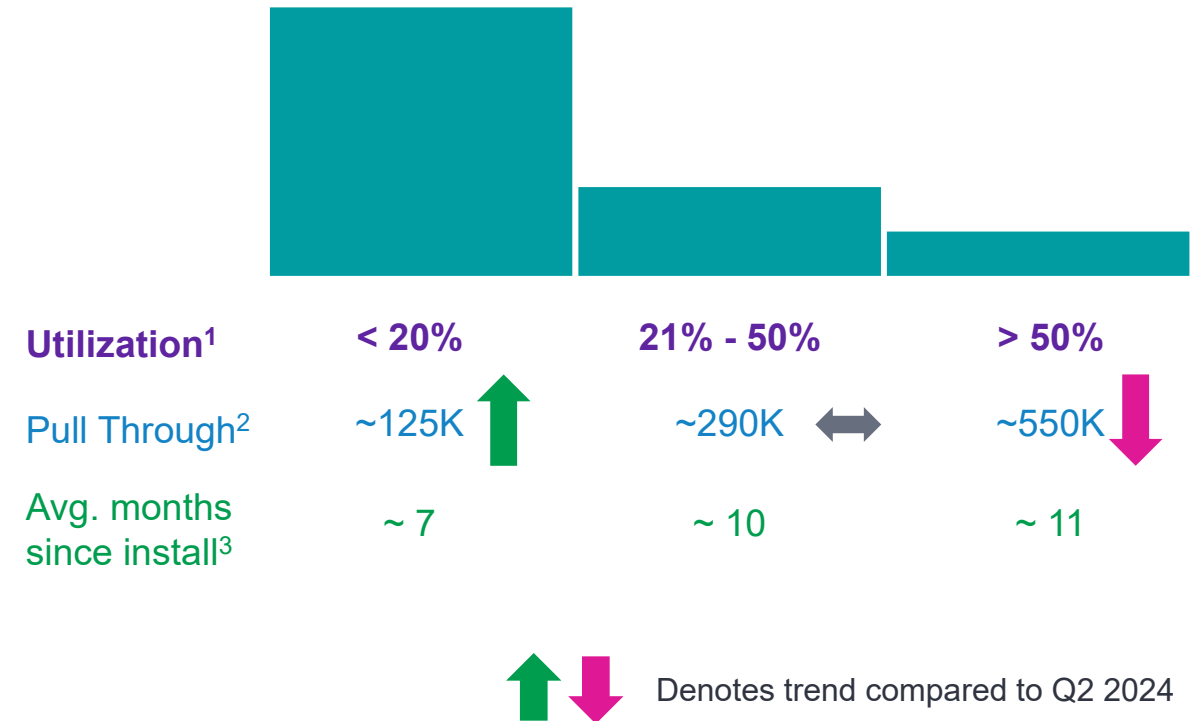
**Annualized Revio pull-through of ~\$255,000**  
 In line with the past couple of quarters with stable utilization.

**~1.6x data generated** from PacBio sequencers year-over-year.



**Q3 had a similar pull-through distribution to what we experienced in the first half of this year.**

Revio Installed Base – Utilization, pull-through, and age



<sup>1</sup>Represents installed base as of 6/30/2024 and does not include customers not connected to SMRT Link

<sup>2</sup>Represents average annualized pull through for each utilization group for Q3 2024

<sup>3</sup>Average number of months since the system was installed at the customer site as of 6/30/2024

## Stable unit B2B + pull-through, new customers, consumable growth, increased data output are encouraging signs that lead us to believe we're past the 1H'24 trough

With the imminent launch of Vega and a more powerful Revio platform with SPRQ chemistry, we expect to return to growth in 2025 and beyond.

Vega product development is ahead of our previously anticipated schedule.

While we don't expect Vega to cannibalize Revio meaningfully, we are mindful that there may be some cases now where potential customers take a little more time to assess our new offerings, which may prolong some sales cycles.

We **expect that Q4 revenue will be lower than previously anticipated and be flat to slightly up compared to Q3 of 2024**, with Revio system placements and pull-through looking similar to that of Q2 and Q3 of this year.

# Encouraged by the team's successes even as we continue to operate in an extremely difficult capital equipment environment

Continued to see adoption from Dx and LDT labs and translational clinical research



Launched a long-read whole genome sequencing test for clinical applications utilizing Revio to enable precise detection of a range of complex genomic alterations that are undetectable by traditional approaches.



Plans to use Revio + PureTarget to develop a high-throughput, automated, targeted panel and consolidate current methods (PCR, capillary electrophoresis) for subset of genes in its carrier screening test.



Currently utilizing Revio in Phase 2 clinical trial with Duke Health and Temple Health to test and further develop its bioinformatics platform, which provides comprehensive genomic profiling and stratification of ALS patients for individualized treatments.

# Government-sponsored precision health and research projects are increasingly utilizing long-read sequencing

**National Institute of Health of Korea** announced plans to create a next-generation human reference pangenome based on the Korean population to further research into undiagnosed diseases and difficult-to-sequence genes related to drug metabolism and strengthen its precision medicine capabilities. The program aims to sequence over 1,000 individuals using long-reads, and PacBio is proud to be part of the pilot phase starting this year.



National Institute of Health

**Expanded collaboration with Singapore's National Precision Medicine program (PRECISE) to include our Kinnex Full-Length RNA into the program.** By incorporating full-length isoform data, researchers now have access to multi-omic data, which can lead to important discoveries about the social, environmental, lifestyle, and genetic factors influencing public health and prevalent diseases in Singapore.



# Publications and evidence continue to demonstrate the utility of highly accurate long-read sequencing

medRxiv THE PREPRINT SERVER FOR HEALTH SCIENCES

CSH Cold Spring Harbor Laboratory BMJ Yale

Follow this preprint

### HiFi long-read genomes for difficult-to-detect clinically relevant variants

Wolfram Högps, Marjan M. Weiss, Ronny Derks, Jordi Corominas Galbany, Amber den Ouden, Simone van den Heuvel, Raoul Timmermans, Jos Smits, Tom Molveld, Egor Dolzhenko, Xiao Chen, Arthur van den Wijngaard, Michael A. Eberle, Helger G. Yntema, Alexander Hoischen, Christian Gillissen, Lisenka E.L.M. Visser

doi: <https://doi.org/10.1101/2024.09.17.24313798>

This article is a preprint and has not been peer-reviewed [what does this mean?]. It reports new medical research that has yet to be evaluated and so should not be used to guide clinical practice.

Abstract Full Text Info/History Metrics Preview PDF

#### Summary

Clinical short-read exome and genome sequencing approaches have positively impacted diagnostic testing for rare diseases. Yet, technical limitations associated with short reads challenge their use for detection of disease-associated variation in complex regions of the genome. Long-read sequencing (LRS) technologies may overcome these challenges, potentially qualifying as a first-tier test for all rare diseases. To test this hypothesis, we performed LRS (30x HiFi genomes) for 100 samples with 145 known clinically relevant germline variants that are challenging to detect using short-read sequencing and necessitate a broad range of complementary test modalities in diagnostic laboratories.

medRxiv THE PREPRINT SERVER FOR HEALTH SCIENCES

CSH Cold Spring Harbor Laboratory BMJ Yale

Follow this preprint

### Long-Read Sequencing Increases Diagnostic Yield for Pediatric Sensorineural Hearing Loss

Shelby E. Redfield, Wanqing Shao, Tiejie Sun, Adrian Pastolero, William J. Rowell, Courtney E. French, Cillian Nolan, J. Matthew Hoyt, Christopher T. Saunders, Cairbre Fanslow, Eirini Maria Lampraki, Christine Lambert, Margaret Kenna, Michael Eberle, Shira Rockowitz, Aiden Eliot Shearer

doi: <https://doi.org/10.1101/2024.09.30.24314377>

This article is a preprint and has not been peer-reviewed [what does this mean?]. It reports new medical research that has yet to be evaluated and so should not be used to guide clinical practice.

Abstract Full Text Info/History Metrics Preview PDF

#### Abstract

The diagnostic yield of genetic testing for pediatric sensorineural hearing loss (SNHL) has remained at around 40% for over a decade despite newly discovered causative genes and the expanded use of exome sequencing (ES). This stagnation may be due to (1) a focus on coding regions of the genome and (2) an inability to resolve variants in complex genomic regions due to reliance on short-read sequencing technologies. Short-read genome sequencing (srGS) and long-read genome sequencing (lrGS) both provide exonic single nucleotide variant (SNV) and small indel detection at the same sensitivity as ES, but also evaluate intronic regions. lrGS provides improved resolution for structural variants (SV) and repetitive genomic regions. We sought to investigate the potential utility of lrGS in the diagnostic evaluation of a small cohort of patients with SNHL of unknown etiology after ES and srGS. 19 pediatric patients with SNHL underwent lrGS via PacBio SMRT sequencing. Sequencing data were processed using the PacBio WGS variant pipeline. The diagnostic yield for this lrGS cohort was 4/19 (21%). Relevant variants detected only with lrGS included a hemizygous deletion in

Culture-Independent Meta-Pangenomics Enabled by Long-Read Metagenomics Reveals Novel Associations with Pediatric Undernutrition

Cell

35 Pages • Posted: 20 Sep 2024 • Publication Status: Under Review

Jeremiah Minich  
Salk Institute for Biological Studies

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Salk Institute for Biological Studies

More...

#### Abstract

The human gut microbiome is associated with various forms of acute malnutrition, but current microbiome approaches are limited in resolution, often focused on changes in taxonomic or functional abundances across participants. We hypothesized that complete metagenome-assembled-genomes (cMAGs), generated from a longitudinal, long-read (LR) metagenomics cohort, were critical for pangenome and microbial GWAS (mGWAS) analyses for identifying microbial genetic associations with pediatric linear growth trajectories. LR (PB and ONT) approaches generated 51-72x more cMAGs per Gbp than legacy SR approaches while PB generated the most accurate, complete cMAGs at the lowest cost. In a Malawian, pediatric undernutrition cohort we generated 985 cMAGs (831 circular) from 47 samples, performed independent functional pangenome and mGWAS analyses across multiple clades, and identified microbial genetic associations with various environmental and biological phenotypes related to undernutrition. This resource demonstrates the power of comparing cMAGs with health trajectories and establishes a new standard for microbiome association studies.

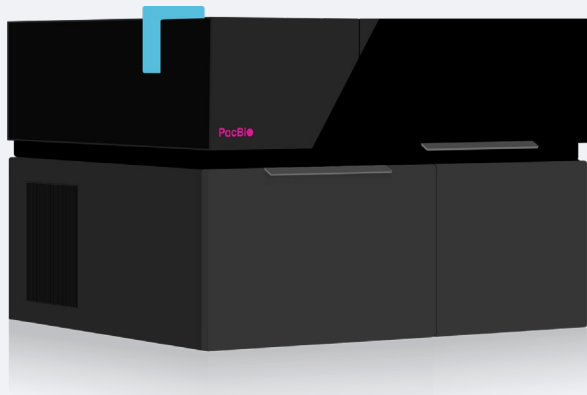
Researchers from Radboud + others published results concluding that long-read sequencing can be implemented as a first-tier diagnostic workflow for germline testing, potentially encouraging its increased use as a test for diagnosing individuals with rare diseases.<sup>1</sup>

Researchers at Boston Children's Hospital + others studied pediatric sensorineural hearing loss, where diagnostic rates have remained static at ~40% for over a decade, and used HiFi to solve >20% of a cohort of previously unsolved cases that had used exome and short read WGS.<sup>2</sup>

Researchers from Salk Institute + others studied comparisons of PacBio, nanopore, SBS, synthetic long reads on generating complete MAGs from longitudinal pediatric microbiome samples. They found that *“long read approaches generated 51-72x more complete MAGs per gigabase pairs than legacy short read approaches while PacBio generated the most accurate, complete cMAGs at the lowest cost.”*<sup>3</sup>

# Record quarter for Onso

Significantly expanded Onso installed base in the third quarter



**Shipped the most Onso systems yet, two-thirds of which were to new PacBio customers.**

Welcomed the Translational Genomics Research Institute, or **TGen**, as the **first official service provider for SBB sequencing**, helping our short-read SBB technology reach a broader customer base.

**Joined 10x Genomics' compatible partner program.** Integrating Onso into their partner program will help extend the platform's ability to address the fast-growing single-cell and spatial applications.

**Peer-reviewed publication validating the accuracy of our leading SBB chemistry** and its ability to examine rare variants with extraordinary results. The study showed that "SBB sequencing chemistry detected target SNPs down to 0.01% at 100,000x depth and 0.1% at 20,000x depth without any error correction methods." It was noted that *"traditional SBS sequencing is unable to achieve this accuracy without the use of sophisticated error correction tools."*<sup>1</sup>



# Financial Results & Guidance

Susan Kim, CFO



# \$40.0M

Q3 2024 Revenue  
(vs. \$55.7M in Q3 2023)

# 247

Cumulative Revio shipments  
as of September 30, 2024  
(+22 vs. June 30, 2024)

# \$255,000

Q3 2024 annualized Revio  
pull through

# ~33%

Q3 2024 Non-GAAP gross  
margin<sup>1</sup>  
(vs. 32% in Q3 2023)

# \$62.4M

Q3 2024 Non-GAAP OpEx<sup>1</sup>  
(-31% vs. Q3 2023)  
Includes \$17.0M in non-cash  
share-based compensation

# ~\$471M

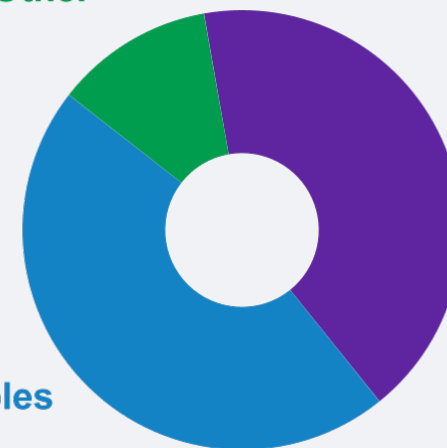
Cash, cash equivalents,  
+ investments as of  
September 30, 2024

## Q3 2024 Revenue

Service and Other  
\$4.7M  
(+13% y/y)

Consumables  
\$18.5M  
(+10% y/y)

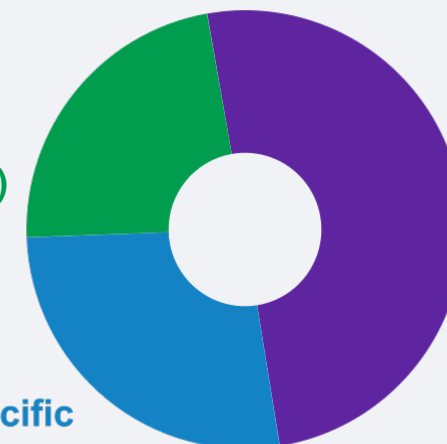
Instruments  
\$16.8M  
(-52% y/y)



EMEA  
\$9.1M  
(-17% y/y)

Asia Pacific  
\$10.8M  
(-32% y/y)

Americas  
\$20.1M  
(-31% y/y)



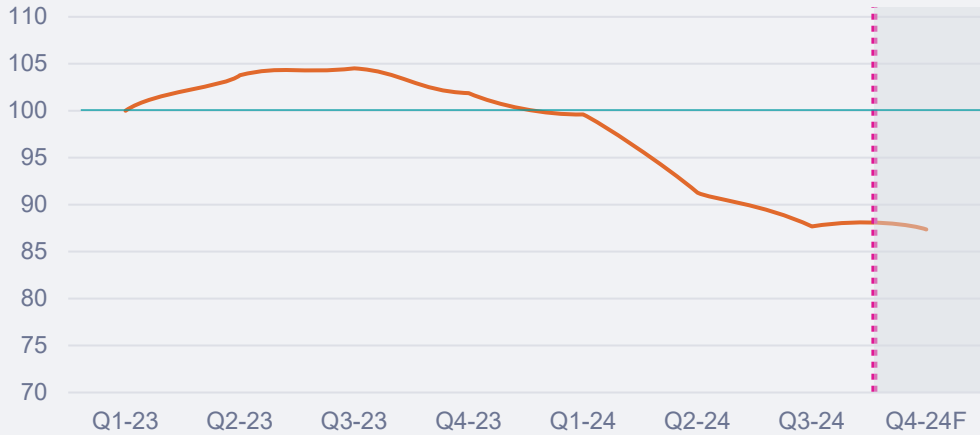


# Convertible debt exchange terms with SoftBank

Terms	Detail
Note Exchange	<p>Exchanging \$459 million aggregate principal amount of the Company's 1.50% convertible senior notes due 2028 ("<b>2028 Notes</b>") for:</p> <ul style="list-style-type: none"> <li>• \$200 million principal amount of newly issued convertible senior notes due 2029 (the "<b>2029 Notes</b>")</li> <li>• ~20.5 million of shares of the Company's common stock, par value \$0.001 per share (the "<b>Shares</b>")</li> <li>• \$50 million in cash (the "<b>Cash Consideration</b>")</li> </ul>
Priority	Senior, unsecured
Maturity	August 15, 2029
Interest rate	1.5% per annum, payable semi-annually in arrears on February 15 and August 15, beginning February 15, 2025
Conversion price	2029 Notes will have an initial conversion rate of 204.5157 shares of common stock per \$1,000 principal amount, which is equal to an initial conversion price of \$4.89 per share of common stock
Call right	No call right prior to August 20, 2027; on and after August 20, 2027, customary provisional call right at 150% of the then applicable conversion price
Lock-up	Subject to a 6-month lock-up on the Shares and the 2029 Notes

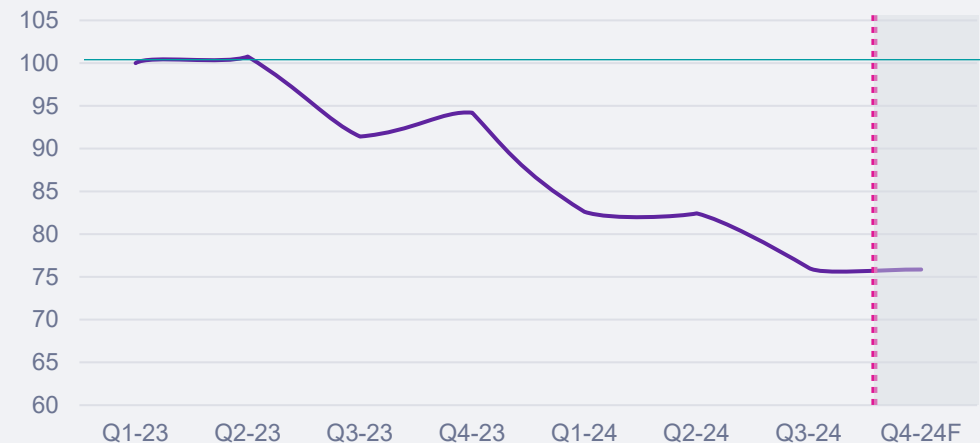
## Revio Instrument COGS improvement

Q1 2023 = 100



## Revio Consumables COGS improvement

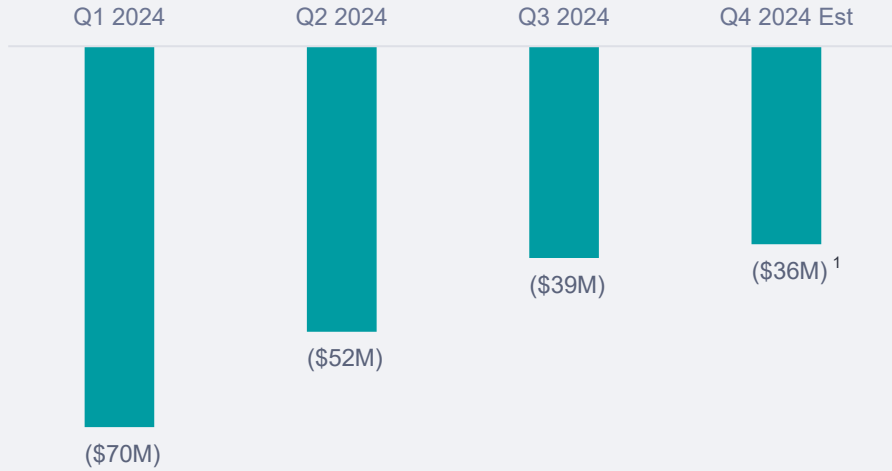
Q1 2023 = 100



## 2024 Guidance, we expect:

- **Q4 revenue to be flat to slightly up compared to Q3 2024** and FY 2024 to be lower than our previous guidance of ~\$170 million.
- Revio system placements + pull through similar to Q2/Q3 2024.
- FY **non-GAAP gross margin to be between 34%-35%**; lower than previously anticipated due to lower revenue estimates.
- To end the year with Revio instrument standard COGS >10% lower than when we launched the platform and consumable unit costs >20% lower.
- These cost and operational improvements are expected to continue beyond 2024, driving quarterly gross margin expansion in 2025 and beyond, as some of our recent cost improvements are expected to be realized in 2025.

## Change in quarterly cash/investment balance



## 2024 non-GAAP operating expense trend



## Additionally, we expect:

- FY non-GAAP OpEx between \$285 million to \$290 million.
- FY non-GAAP OpEx to decline in 2025 compared to 2024.
- FY Interest and other income to be ~\$10 million.
- Ending Cash, cash equivalents, and investments to be \$385 million, reflecting an additional \$50 million outflow related to the Note Exchange with SoftBank. Excluding cash outflow related to Note Exchange, this is at the low end of our previous guidance range.
- ~276 million weighted average shares outstanding for FY24 reflecting additional shares to be issued related to the Note Exchange with SoftBank.

# **We remain committed to our plan of turning the business cash flow positive by the end of 2026 by executing on our strategic priorities**

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.

Lower Non-GAAP OpEx in 2025 compared to 2024 with minimal growth expected thereafter.

We will provide more details about our assumptions and our updated long-term guidance at a later date and more details about our 2025 guidance early next year.



# Closing Remarks

Christian Henry, President & CEO



# Making progress on the four strategic priorities we outlined earlier this year

- 1. Improve commercial execution to drive the adoption** of both Revio and Onso. Onso notched a record quarter, over 46% of Revio placements this year are to new customers, and clinical customers and large-scale research programs continue to adopt long-read sequencing at a pace we've never seen before.
- 2. Continuing the development of new platforms** that are expected to broaden our product offering and drive revenue growth. Launched SPRQ, Vega, and SMRT Link Cloud – strengthening the value proposition of Revio, opening up HiFi sequencing to more customers, and providing a cloud environment for any user to scale their PacBio projects. We continue to develop a high throughput short-read platform and an ultra-high throughput long-read platform with the goal of addressing customers with both long – and short-read systems across a full spectrum of throughput.
- 3. Improving our gross margin and driving manufacturing efficiencies.** We've lowered our per-unit COGS on Revio systems and consumables with a roadmap for further reduction in 2025. Vega developed with gross margin in mind and expect the platform to be accretive to gross margin as we scale next year.
- 4. Reduce non-GAAP operating expenses.** We've lowered our full-year non-GAAP operating expense guidance by an additional \$10 million to 15 million; our operating cash burn continues to decline each quarter this year, and we expect a further decline in non-GAAP operating expenses in 2025. Building a cashflow-positive business remains front-and-center in our minds, and we're committed to our plan of turning cashflow-positive by the end of 2026. Additionally, the note exchange with SoftBank, which is expected to close on or about November 21, 2024, will strengthen our financial position and give us even greater flexibility.



# MISSION

Enabling the promise of genomics  
to better human health

We create the world's most advanced sequencing technologies



# Appendix



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

	Three Months Ended		
	September 30, 2024	June 30, 2024	September 30, 2023
<i>(in thousands, except per share amounts)</i>			
Revenue:			
Product revenue	\$ 35,296	\$ 31,746	\$ 51,562
Service and other revenue	4,671	4,267	4,129
<b>Total revenue</b>	<b>39,967</b>	<b>36,013</b>	<b>55,691</b>
Cost of Revenue:			
Cost of product revenue <sup>(1)</sup>	23,278	23,083	33,551
Cost of service and other revenue <sup>(2)</sup>	3,484	3,366	4,054
Amortization of acquired intangible assets	3,201	2,628	184
Loss on purchase commitment	—	998	—
<b>Total cost of revenue</b>	<b>29,963</b>	<b>30,075</b>	<b>37,789</b>
<b>Gross profit</b>	<b>10,004</b>	<b>5,938</b>	<b>17,902</b>
Operating Expense:			
Research and development <sup>(1)</sup>	25,516	38,485	47,514
Sales, general and administrative <sup>(1)</sup>	43,746	45,877	43,431
Goodwill impairment <sup>(3)</sup>	—	93,200	—
Merger-related expenses <sup>(4)</sup>	—	—	8,979
Amortization of acquired intangible assets	3,649	4,222	741
Change in fair value of contingent consideration <sup>(5)</sup>	1,170	—	(271)
<b>Total operating expense</b>	<b>74,081</b>	<b>181,784</b>	<b>100,394</b>
<b>Operating loss</b>	<b>(64,077)</b>	<b>(175,846)</b>	<b>(82,492)</b>
Interest expense	(3,538)	(3,542)	(3,588)
Other income, net	6,890	6,069	8,505
Loss before benefit from income taxes	(60,725)	(173,319)	(77,575)
Benefit from income taxes <sup>(6)</sup>	—	—	(10,706)
<b>Net loss</b>	<b>\$ (60,725)</b>	<b>\$ (173,319)</b>	<b>\$ (66,869)</b>
Net loss per share:			
Basic	\$ (0.22)	\$ (0.64)	\$ (0.26)
Diluted	\$ (0.22)	\$ (0.64)	\$ (0.26)
Weighted average shares outstanding used in calculating net loss per share:			
Basic	272,915	272,385	255,001
Diluted	272,915	272,385	255,001

<sup>(1)</sup> Balances for the three months ended September 30, 2024 and June 30, 2024 include restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

<sup>(2)</sup> Balance for the three months ended June 30, 2024 includes restructuring costs of \$0.6 million. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs.

<sup>(3)</sup> 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.

<sup>(4)</sup> Merger-related expenses for the three months ended September 30, 2023 consists of \$4.9 million of transaction costs arising from the acquisition of Apton, \$2.8 million of compensation expense resulting from the liquidity event bonus plan in connection with the Apton merger, and \$1.3 million of compensation expense resulting from the acceleration of certain equity awards in connection with the Apton merger.

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

<sup>(6)</sup> A deferred income tax benefit during the three months ended September 30, 2023 is related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(in thousands, except per share amounts)</i>				
<b>Revenue:</b>				
Product revenue	\$ 35,296	\$ 51,562	\$ 102,051	\$ 129,871
Service and other revenue	4,671	4,129	12,739	12,293
<b>Total revenue</b>	<b>39,967</b>	<b>55,691</b>	<b>114,790</b>	<b>142,164</b>
<b>Cost of Revenue:</b>				
Cost of product revenue <sup>(1)</sup>	23,278	33,551	68,808	87,147
Cost of service and other revenue <sup>(2)</sup>	3,484	4,054	10,588	11,258
Amortization of acquired intangible assets	3,201	184	7,172	550
Loss on purchase commitment	—	—	998	—
<b>Total cost of revenue</b>	<b>29,963</b>	<b>37,789</b>	<b>87,566</b>	<b>98,955</b>
<b>Gross profit</b>	<b>10,004</b>	<b>17,902</b>	<b>27,224</b>	<b>43,209</b>
<b>Operating Expense:</b>				
Research and development <sup>(1)</sup>	25,516	47,514	107,456	142,626
Sales, general and administrative <sup>(1)</sup>	43,746	43,431	133,376	123,822
Goodwill impairment <sup>(3)</sup>	—	—	93,200	—
Merger-related expenses <sup>(4)</sup>	—	8,979	—	8,979
Amortization of acquired intangible assets	3,649	741	13,377	741
Change in fair value of contingent consideration <sup>(5)</sup>	1,170	(271)	1,100	13,960
<b>Total operating expense</b>	<b>74,081</b>	<b>100,394</b>	<b>348,509</b>	<b>290,128</b>
<b>Operating loss</b>	<b>(64,077)</b>	<b>(82,492)</b>	<b>(321,285)</b>	<b>(246,919)</b>
Loss on extinguishment of debt <sup>(6)</sup>	—	—	—	(2,033)
Interest expense	(3,538)	(3,588)	(10,655)	(10,772)
Other income, net	6,890	8,505	19,718	24,301
<b>Loss before benefit from income taxes</b>	<b>(60,725)</b>	<b>(77,575)</b>	<b>(312,222)</b>	<b>(235,423)</b>
Benefit from income taxes <sup>(7)</sup>	—	(10,706)	—	(10,706)
<b>Net loss</b>	<b>\$ (60,725)</b>	<b>\$ (66,869)</b>	<b>\$ (312,222)</b>	<b>\$ (224,717)</b>
<b>Net loss per share:</b>				
Basic	\$ (0.22)	\$ (0.26)	\$ (1.15)	\$ (0.90)
Diluted	\$ (0.22)	\$ (0.26)	\$ (1.15)	\$ (0.90)
<b>Weighted average shares outstanding used in calculating net loss per share:</b>				
Basic	272,915	255,001	271,631	249,082
Diluted	272,915	255,001	271,631	249,082

<sup>(1)</sup> Balances for the three and nine months ended September 30, 2024 include restructuring costs. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs and related amounts.

<sup>(2)</sup> Balance for the nine months ended September 30, 2024 includes restructuring costs of \$0.6 million. Refer to the Reconciliation of Non-GAAP Financial Measures table below for additional information on such costs.

<sup>(3)</sup> Goodwill impairment during the nine months ended September 30, 2024 was related to a sustained decrease in the Company's share price, among other factors.

<sup>(4)</sup> Merger-related expenses for the three and nine months ended September 30, 2023 consists of \$4.9 million of transaction costs arising from the acquisition of Apton, \$2.8 million of compensation expense resulting from the liquidity event bonus plan in connection with the Apton merger, and \$1.3 million of compensation expense resulting from the acceleration of certain equity awards in connection with the Apton merger.

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

<sup>(6)</sup> Loss on extinguishment of debt during the nine months ended September 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.

<sup>(7)</sup> A deferred income tax benefit during the three and nine months ended September 30, 2023 is related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

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

<i>(in thousands)</i>	<b>September 30, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Cash and investments	\$ 471,147	\$ 631,416
Accounts receivable, net	29,383	36,615
Inventory, net	65,737	56,676
Prepaid and other current assets	17,277	17,040
Property and equipment, net	31,952	36,432
Operating lease right-of-use assets, net	17,344	32,593
Restricted cash	2,222	2,722
Intangible assets, net	436,426	456,984
Goodwill	369,061	462,261
Other long-term assets	9,503	13,274
<b>Total Assets</b>	<b>\$ 1,450,052</b>	<b>\$ 1,746,013</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 12,064	\$ 15,062
Accrued expenses	19,183	45,708
Deferred revenue	22,747	21,872
Operating lease liabilities	27,608	41,197
Contingent consideration liability	20,650	19,550
Convertible senior notes, net	893,144	892,243
Other liabilities	1,534	9,077
Stockholders' equity	453,122	701,304
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,450,052</b>	<b>\$ 1,746,013</b>

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

<i>(in thousands, except per share amounts)</i>	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
GAAP net loss	\$ (60,725)	\$ (173,319)	\$ (66,869)	\$ (312,222)	\$ (224,717)
Change in fair value of contingent consideration <sup>(1)</sup>	1,170	—	(271)	1,100	13,960
Goodwill impairment <sup>(2)</sup>	—	93,200	—	93,200	—
Amortization of acquired intangible assets	6,850	6,850	939	20,549	1,395
Merger-related expenses <sup>(3)</sup>	—	—	8,979	—	8,979
Loss on extinguishment of debt <sup>(4)</sup>	—	—	—	—	2,033
Income tax benefit <sup>(5)</sup>	—	—	(10,706)	—	(10,706)
Restructuring <sup>(6)</sup>	6,701	18,028	—	24,729	—
<b>Non-GAAP net loss</b>	<b>\$ (46,004)</b>	<b>\$ (55,241)</b>	<b>\$ (67,928)</b>	<b>\$ (172,644)</b>	<b>\$ (209,056)</b>
GAAP net loss per share	\$ (0.22)	\$ (0.64)	\$ (0.26)	\$ (1.15)	\$ (0.90)
Change in fair value of contingent consideration <sup>(1)</sup>	—	—	—	—	0.06
Goodwill impairment <sup>(2)</sup>	—	0.34	—	0.34	—
Amortization of acquired intangible assets	0.03	0.03	—	0.08	—
Merger-related expenses <sup>(3)</sup>	—	—	0.04	—	0.04
Loss on extinguishment of debt <sup>(4)</sup>	—	—	—	—	0.01
Income tax benefit <sup>(5)</sup>	—	—	(0.04)	—	(0.04)
Restructuring <sup>(6)</sup>	0.02	0.07	—	0.09	—
Other adjustments and rounding differences	—	—	(0.01)	—	(0.01)
<b>Non-GAAP net loss per share</b>	<b>\$ (0.17)</b>	<b>\$ (0.20)</b>	<b>\$ (0.27)</b>	<b>\$ (0.64)</b>	<b>\$ (0.84)</b>
GAAP gross profit	\$ 10,004	\$ 5,938	\$ 17,902	\$ 27,224	\$ 43,209
Amortization of acquired intangible assets	3,201	2,628	184	7,172	550
Restructuring <sup>(6)</sup>	(207)	4,650	—	4,443	—
<b>Non-GAAP gross profit</b>	<b>\$ 12,998</b>	<b>\$ 13,216</b>	<b>\$ 18,086</b>	<b>\$ 38,839</b>	<b>\$ 43,759</b>
GAAP gross profit %	25 %	16 %	32 %	24 %	30 %
Non-GAAP gross profit %	33 %	37 %	32 %	34 %	31 %
GAAP total operating expense	\$ 74,081	\$ 181,784	\$ 100,394	\$ 348,509	\$ 290,128
Change in fair value of contingent consideration <sup>(1)</sup>	(1,170)	—	271	(1,100)	(13,960)
Goodwill impairment <sup>(2)</sup>	—	(93,200)	—	(93,200)	—
Amortization of acquired intangible assets	(3,649)	(4,222)	(755)	(13,377)	(845)
Merger-related expenses <sup>(3)</sup>	—	—	(8,979)	—	(8,979)
Restructuring <sup>(6)</sup>	(6,908)	(13,378)	—	(20,286)	—
<b>Non-GAAP total operating expense</b>	<b>\$ 62,354</b>	<b>\$ 70,984</b>	<b>\$ 90,931</b>	<b>\$ 220,546</b>	<b>\$ 266,344</b>

<sup>(1)</sup> 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.

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

<sup>(3)</sup> Merger-related expenses for the three and nine months ended September 30, 2023 consists of \$4.9 million of transaction costs arising from the acquisition of Apton, \$2.8 million of compensation expense resulting from the liquidity event bonus plan in connection with the Apton merger, and \$1.3 million of compensation expense resulting from the acceleration of certain equity awards in connection with the Apton merger.

<sup>(4)</sup> Loss on extinguishment of debt during the nine months ended September 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.

<sup>(5)</sup> A deferred income tax benefit during the three and nine months ended September 30, 2023 is related to the release of the valuation allowance for deferred tax assets due to the recognition of deferred tax liabilities in connection with the Apton acquisition.

<sup>(6)</sup> Restructuring costs consist primarily of employee separation costs, accelerated amortization and depreciation for right-of-use assets, leasehold improvements, and furniture and fixtures relating to the abandonment of the San Diego office, including charges for excess inventory due to a decrease in internal demand relating to the expense reduction initiatives.



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