
**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)
February 4, 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. Such forward looking statements include, but are not limited to, statements related to: expectations regarding future revenue growth, losses, expectations regarding the Company's development, commercialization and license agreement, expectations regarding the Company's product and services revenue, operating expenses and other statements not of a historical nature. In some cases you can identify forward-looking statements by words such as "may," "will," "should," "could," "would," "expect," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" and similar expressions intended to identify forward-looking statements. 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, and the Company's other filings with the SEC. 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 February 4, 2014, Pacific Biosciences of California, Inc. (the "Company") released its financial results for the year ended December 31, 2013. The Company's unaudited Consolidated Balance Sheets, Consolidated Statements of Operations and Comprehensive Loss and 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 year ended December 31, 2013 totaled \$28.2 million compared to \$26.0 million for the year ended December 31, 2012. Total revenue for the year ended December 31, 2013 also included \$1.7 million of revenue recognized pursuant to the Company's previously announced development agreement with Roche. The Company expects year-over-year growth in total revenue and also expects product and service revenue in 2014 to be higher than 2013.

As of December 31, 2013, the Company's backlog was comprised of 13 instruments.

Gross profit for the year ended December 31, 2013 totaled \$6.4 million, resulting in a gross margin of 22.8%, compared to a \$0.9 million gross profit for the year ended December 31, 2012 and a gross margin of 3.6%. The \$5.5 million increase in gross profit from 2012 to 2013 primarily resulted from lower product and service costs and \$1.7 million of gross profit recognized in 2013 in relation to the development agreement with Roche. Cost of revenue for the year ended December 31, 2012 included \$0.7 million of expense associated with a new product release in the first quarter of 2012 and a \$0.9 million charge associated with a provision for excess and obsolete inventory based on a review of on hand inventory and future demand. Cost of product revenue of \$15.7 million for the year ended December 31, 2013 reflected the costs relating to 17 instruments and consumables recognized in revenue during the year ended December 31, 2013, compared with \$18.8 million for the year ended December 31, 2012 reflecting the costs relating to components and manufacturing overhead incurred on the 23 instruments that were installed and consumables that were shipped during the year ended December 31, 2012.

Operating expenses totaled \$84.0 million for the year ended December 31, 2013 compared to \$95.3 million for the year ended December 31, 2012. The decrease of \$11.3 million in operating expenses in 2013 compared to 2012 was due to a decrease of \$4.8 million in legal, professional, and consulting expenses primarily as a result of decreased class action litigation related expenses and other legal expenses, a decrease of \$2.4 million in expenses incurred for trade show and conference expenses, a decrease of \$1.7 million in personnel related expense, a decrease of \$1.0 million in depreciation and a decrease of \$1.4 million in other net expenses. Operating expenses in 2014 are expected to be consistent with those recognized in 2013.

Cash and investments at December 31, 2013 totaled \$112.5 million compared to \$100.6 million at December 31, 2012. During the year ended December 31, 2013, the Company received a \$35.0 million upfront payment from Roche upon execution of the development agreement, \$19.8 million through the previously announced debt facility entered into with Deerfield and \$19.9 million through the sale of common stock under the Company's previously announced "at-the-market" offering program. Excluding proceeds from these three transactions, cash and investments decreased by \$62.8 million compared to December 31, 2012, primarily reflecting \$64.8 million of cash used in operating activities and \$0.9 million of fixed asset purchases partially offset by \$3.1 million of proceeds received from equity sales through the Company's employee stock 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 Consolidated Balance Sheets (unaudited)
- 99.2 Consolidated Statements of Operations and Comprehensive Loss (unaudited)
- 99.3 Consolidated Statements of Cash Flows (unaudited)

EXHIBIT INDEX

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

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share amounts)	December 31,	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 26,362	\$ 46,540
Investments	86,166	54,040
Accounts receivable	2,746	2,822
Inventory, net	10,050	9,592
Prepaid expenses and other current assets	1,135	2,006
Total current assets	126,459	115,000
Property and equipment, net	9,236	14,329
Other long-term assets	490	354
Total assets	\$ 136,185	\$ 129,683
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,717	\$ 2,988
Accrued expenses and other current liabilities	9,797	8,204
Deferred service revenue, current	4,046	3,378
Deferred development revenue, current	6,785	—
Facility financing obligation, current	210	173
Total current liabilities	22,555	14,743
Deferred service revenue, non-current	518	800
Deferred development revenue, non-current	26,519	—
Deferred rent and other long-term liabilities	1,114	2,145
Notes payable, non-current	13,347	—
Financing derivative	549	—
Facility financing obligation, non-current	2,403	2,613
Total liabilities	67,005	20,301
Stockholders' equity		
Convertible Preferred Stock, \$0.001 par value:		
Authorized 50,000 shares; No shares issued or outstanding at December 31, 2013 and 2012	—	—
Common Stock and additional paid-in-capital, \$0.001 par value:		
Authorized 1,000,000 shares; Issued and outstanding 66,275 and 56,170 shares at December 31, 2013 and 2012, respectively	684,479	645,372
Accumulated other comprehensive income	14	30
Accumulated deficit	(615,313)	(536,020)
Total stockholders' equity	69,180	109,382
Total liabilities and stockholders' equity	\$ 136,185	\$ 129,683

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(in thousands, except per share amounts)	Years ended December 31,		
	2013	2012	2011
Revenue:			
Product revenue	\$ 20,039	\$ 20,089	\$ 31,486
Service and other revenue	6,446	5,894	2,377
Revenue from development agreement	1,696	—	—
Total revenue	28,181	25,983	33,863
Cost of Revenue:			
Cost of product revenue	15,706	18,796	18,725
Cost of service and other revenue	6,056	6,247	2,104
Total cost of revenue	21,762	25,043	20,829
Gross profit	6,419	940	13,034
Operating Expense:			
Research and development	45,217	47,623	76,080
Sales, general and administrative	38,745	47,655	46,710
Total operating expense	83,962	95,278	122,790
Operating loss	(77,543)	(94,338)	(109,756)
Interest expense	(2,478)	(274)	(287)
Other income, net	728	147	655
Net loss	(79,293)	(94,465)	(109,388)
Other comprehensive income (loss):			
Unrealized gain (loss) on investments	(16)	(27)	78
Comprehensive loss	\$(79,309)	\$(94,492)	\$(109,310)
Net loss per share:			
Basic and diluted net loss per share	\$ (1.26)	\$ (1.69)	\$ (2.03)
Shares used in computing basic and diluted net loss per share	62,784	55,733	53,874

PACIFIC BIOSCIENCES OF CALIFORNIA, INC.
Consolidated Statements of Cash Flow
(Unaudited)

(in thousands)	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net loss	\$ (79,293)	\$ (94,465)	\$(109,388)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	5,648	6,649	5,803
Amortization of debt discount and financing costs	595	—	—
Stock-based compensation	9,905	9,705	12,384
Other items	(418)	287	226
Changes in assets and liabilities			
Accounts receivable	76	1,735	(4,216)
Inventory	(60)	4,761	(11,409)
Prepaid expenses and other assets	906	1,058	1,874
Accounts payable	(1,271)	(1,754)	(4,773)
Accrued expenses and other current liabilities	1,593	(2,054)	3,044
Deferred service revenue	386	(1,674)	2,631
Deferred development revenue	33,304	—	—
Lease incentives and other long-term liabilities	(1,204)	(1,070)	850
Net cash used in operating activities	<u>(29,833)</u>	<u>(76,822)</u>	<u>(102,974)</u>
Cash flows from investing activities			
Purchase of property and equipment	(909)	(1,703)	(9,284)
Purchase of investments	(201,547)	(87,889)	(264,071)
Sales of investments	100	7,896	36,520
Maturities of investments	169,239	143,488	243,281
Net cash provided by (used in) investing activities	<u>(33,117)</u>	<u>61,792</u>	<u>6,446</u>
Cash flows from financing activities			
Proceeds from issuance of common stock from equity plans	3,079	2,705	7,743
Proceeds from issuance of common stock from equity offering, net of issuance costs	19,927	—	—
Proceeds from issuance of debt facility, net of issuance costs	19,766	—	—
Net cash provided by financing activities	<u>42,772</u>	<u>2,705</u>	<u>7,743</u>
Net decrease in cash and cash equivalents	<u>(20,178)</u>	<u>(12,325)</u>	<u>(88,785)</u>
Cash and cash equivalents at beginning of period	46,540	58,865	147,650
Cash and cash equivalents at end of period	<u>\$ 26,362</u>	<u>\$ 46,540</u>	<u>\$ 58,865</u>
Supplemental disclosure of cash flow information			
Interest paid	1,165	—	—
Supplemental disclosure of non-cash investing and financing activities			
Inventory transferred to property and equipment for internal use	558	1,164	2,756