UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-35092

EXACT SCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**02-0478229**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5505 Endeavor Lane, Madison WI	**53719**
(Address of principal executive offices)	(Zip Code)

(608) 535-8815 (Registrant's telephone number, including area code)

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, $0.01 par value per share	EXAS	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 2, 2022, the registrant had 177,684,039 shares of common stock outstanding.

EXACT SCIENCES CORPORATION

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EXACT SCIENCES CORPORATION
Condensed Consolidated Balance Sheets
(Amounts in thousands, except share data - unaudited)

Part I — Financial Information

	September 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 235,306	$ 315,471
Marketable securities	433,808	715,005
Accounts receivable, net	189,206	216,645
Inventory	114,699	104,994
Prepaid expenses and other current assets	75,487	74,122
Total current assets	1,048,506	1,426,237
Long-term Assets:		
Property, plant and equipment, net	670,506	580,248
Operating lease right-of-use assets	175,945	174,225
Goodwill	2,345,180	2,335,172
Intangible assets, net	1,977,690	2,094,411
Other long-term assets, net	88,739	74,591
Total assets	$ 6,306,566	$ 6,684,884
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 63,583	$ 67,829
Accrued liabilities	307,990	398,556
Operating lease liabilities, current portion	27,054	19,710
Other current liabilities	25,049	30,973
Total current liabilities	423,676	517,068
Long-term Liabilities:		
Convertible notes, net	2,184,625	2,180,232
Long-term debt	50,000	—
Other long-term liabilities	354,998	417,782
Operating lease liabilities, less current portion	184,633	182,166
Total liabilities	3,197,932	3,297,248
Commitments and contingencies (Note 14)		
Stockholders' Equity:		
Preferred stock, $0.01 par value Authorized—5,000,000 shares issued and outstanding—no shares at September 30, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value Authorized—400,000,000 shares issued and outstanding—177,253,533 and 173,674,067 shares at September 30, 2022 and December 31, 2021	1,774	1,738
Additional paid-in capital	6,255,211	6,028,861
Accumulated other comprehensive loss	(11,070)	(1,443)
Accumulated deficit	(3,137,281)	(2,641,520)
Total stockholders' equity	3,108,634	3,387,636
Total liabilities and stockholders' equity	$ 6,306,566	$ 6,684,884

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Operations
(Amounts in thousands, except per share data - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	$ 523,073	$ 456,379	$ 1,531,284	$ 1,293,275
Operating expenses				
Cost of sales (exclusive of amortization of acquired intangible assets)	147,937	115,738	427,242	339,699
Research and development	90,813	75,356	299,144	297,158
Sales and marketing	187,697	196,617	635,800	577,585
General and administrative	191,968	186,541	543,410	621,897
Amortization of acquired intangible assets	23,526	23,940	74,536	70,954
Impairment of long-lived assets	5,946	20,210	12,537	20,210
Total operating expenses	647,887	618,402	1,992,669	1,927,503
Other operating loss	(13,244)	—	(13,244)	—
Loss from operations	(138,058)	(162,023)	(474,629)	(634,228)
Other income (expense)				
Investment income (loss), net	(8,584)	(4,093)	(13,790)	30,524
Interest expense	(5,235)	(4,680)	(14,224)	(13,948)
Total other income (expense)	(13,819)	(8,773)	(28,014)	16,576
Net loss before tax	(151,877)	(170,796)	(502,643)	(617,652)
Income tax benefit	3,116	3,858	6,882	242,638
Net loss	$ (148,761)	$ (166,938)	$ (495,761)	$ (375,014)
Net loss per share—basic and diluted	$ (0.84)	$ (0.97)	$ (2.82)	$ (2.19)
Weighted average common shares outstanding—basic and diluted	176,997	171,978	175,935	170,978

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Comprehensive Loss
(Amounts in thousands - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (148,761)	$ (166,938)	$ (495,761)	$ (375,014)
Other comprehensive loss, before tax:				
Unrealized gain (loss) on available-for-sale investments	4	66	(6,451)	(563)
Foreign currency translation loss	(2,429)	—	(3,176)	—
Comprehensive loss, before tax	(151,186)	(166,872)	(505,388)	(375,577)
Income tax benefit related to items of other comprehensive loss	—	—	—	170
Comprehensive loss, net of tax	$ (151,186)	$ (166,872)	$ (505,388)	$ (375,407)

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
(Amounts in thousands, except share data - unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	$0.01 Par Value				
Balance, January 1, 2022	173,674,067	$ 1,738	$ 6,028,861	$ (1,443)	$ (2,641,520)	$ 3,387,636
Exercise of common stock options	485,537	5	4,277	—	—	4,282
Compensation expense related to issuance of stock options and restricted stock awards	1,391,797	14	52,427	—	—	52,441
Other	7	—	(7)	—	—	(7)
Net loss	—	—	—	—	(180,937)	(180,937)
Other comprehensive loss	—	—	—	(5,204)	—	(5,204)
Balance, March 31, 2022	175,551,408	$ 1,757	$ 6,085,558	$ (6,647)	$ (2,822,457)	$ 3,258,211
Exercise of common stock options	84,485	1	742	—	—	743
Issuance of common stock to fund the Company's 2021 401(k) match	391,129	4	29,198	—	—	29,202
Compensation expense related to issuance of stock options and restricted stock awards	183,095	2	58,930	—	—	58,932
Issuance of common stock for business combinations	265,186	2	14,788	—	—	14,790
Purchase of employee stock purchase plan shares	326,131	3	15,526	—	—	15,529
Net loss	—	—	—	—	(166,063)	(166,063)
Other comprehensive loss	—	—	—	(1,998)	—	(1,998)
Balance, June 30, 2022	176,801,434	$ 1,769	$ 6,204,742	$ (8,645)	$ (2,988,520)	$ 3,209,346
Exercise of common stock options	73,441	1	940	—	—	941
Compensation expense related to issuance of stock options and restricted stock awards	378,658	4	49,529	—	—	49,533
Net loss	—	—	—	—	(148,761)	(148,761)
Other comprehensive loss	—	—	—	(2,425)	—	(2,425)
Balance, September 30, 2022	177,253,533	$ 1,774	$ 6,255,211	$ (11,070)	$ (3,137,281)	$ 3,108,634

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
(Amounts in thousands, except share data - unaudited)

	Common Stock					
	Number of Shares	$0.01 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1, 2021	159,423,410	$ 1,595	$ 4,279,327	$ 526	$ (2,045,896)	$ 2,235,552
Settlement of convertible notes, net of tax	344	—	26	—	—	26
Exercise of common stock options	967,107	10	8,749	—	—	8,759
Issuance of common stock to fund the Company's 2020 401(k) match	162,606	2	22,932	—	—	22,934
Compensation expense related to issuance of stock options and restricted stock awards	1,355,435	13	158,239	—	—	158,252
Issuance of common stock for business combinations, net of issuance costs	9,384,410	94	1,254,704	—	—	1,254,798
Net loss	—	—	—	—	(31,164)	(31,164)
Other comprehensive loss	—	—	—	(162)	—	(162)
Balance, March 31, 2021	171,293,312	$ 1,714	$ 5,723,977	$ 364	$ (2,077,060)	$ 3,648,995
Settlement of convertible notes, net of tax	197	—	14	—	—	14
Exercise of common stock options	140,478	1	2,857	—	—	2,858
Compensation expense related to issuance of stock options and restricted stock awards	121,575	2	56,283	—	—	56,285
Issuance of common stock for business combinations	126,026	1	16,119	—	—	16,120
Purchase of employee stock purchase plan shares	173,717	2	12,036	—	—	12,038
Net loss	—	—	—	—	(176,912)	(176,912)
Other comprehensive loss	—	—	—	(297)	—	(297)
Balance, June 30, 2021	171,855,305	$ 1,720	$ 5,811,286	$ 67	$ (2,253,972)	$ 3,559,101
Conversion of convertible notes, net of tax	39	—	3	—	—	3
Exercise of common stock options	100,474	1	1,754	—	—	1,755
Compensation expense related to issuance of stock options and restricted stock awards	286,980	2	63,601	—	—	63,603
Net loss	—	—	—	—	(166,938)	(166,938)
Other comprehensive income	—	—	—	66	—	66
Balance, September 30, 2021	172,242,798	$ 1,723	$ 5,876,644	$ 133	$ (2,420,910)	$ 3,457,590

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands - unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (495,761)	$ (375,014)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	73,541	64,267
Loss on disposal of property, plant and equipment	2,083	928
Unrealized loss on equity investments	3,497	1,937
Deferred tax benefit	(9,346)	(248,716)
Stock-based compensation	160,906	197,180
Post-combination expense for acceleration of unvested equity	—	80,960
Realized (gain) loss on preferred stock investment	10,000	(30,500)
Amortization of deferred financing costs, convertible note debt discount and issuance costs, and other liabilities	5,273	4,948
Amortization of premium on short-term investments	1,795	3,265
Amortization of acquired intangible assets	74,536	70,954
Impairment of long-lived assets	12,537	20,210
Asset acquisition IPR&D expense	—	85,337
Loss on sale of asset	13,244	—
Remeasurement of contingent consideration	(57,619)	10,986
Non-cash lease expense	24,452	18,347
Changes in assets and liabilities:		
Accounts receivable, net	27,968	(14,038)
Inventory, net	(9,705)	(1,091)
Operating lease liabilities	(16,242)	(11,834)
Accounts payable and accrued liabilities	(89,268)	64,344
Other assets and liabilities	(7,487)	(20,134)
Net cash used in operating activities	(275,596)	(77,664)
Cash flows from investing activities:		
Purchases of marketable securities	(102,438)	(1,021,557)
Maturities and sales of marketable securities	377,440	424,830
Purchases of property, plant and equipment	(141,586)	(76,374)
Proceeds from sale of asset	25,000	—
Business combination, net of cash acquired and issuance costs	685	(415,549)
Asset acquisition	—	(58,073)
Investments in privately held companies	(26,827)	(13,555)
Other investing activities	(49)	(244)
Net cash provided by (used in) investing activities	132,225	(1,160,522)
Cash flows from financing activities:		
Proceeds from accounts receivable securitization facility	50,000	—
Proceeds from exercise of common stock options	5,966	13,372
Proceeds in connection with the Company’s employee stock purchase plan	15,529	12,038
Other financing activities	(5,113)	(4,742)
Net cash provided by financing activities	66,382	20,668
Effects of exchange rate changes on cash and cash equivalents	(3,176)	—
Net decrease in cash, cash equivalents and restricted cash	(80,165)	(1,217,518)
Cash, cash equivalents and restricted cash, beginning of period	315,768	1,491,594
Cash, cash equivalents and restricted cash, end of period	$ 235,603	$ 274,076

EXACT SCIENCES CORPORATION
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands - unaudited)

	Nine Months Ended September 30,	
	2022	**2021**
Supplemental disclosure of non-cash investing and financing activities		
Property, plant and equipment acquired but not paid	$ 23,659	$ 21,110
Business combination contingent consideration liability	$ 4,600	$ 350,348
Supplemental disclosure of cash flow information:		
Interest paid	$ 10,754	$ 10,685
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 235,306	$ 273,779
Restricted cash — included in prepaid expenses and other current assets as of September 30, 2022, and other long-term assets, net as of September 30, 2021	297	297
Total cash, cash equivalents and restricted cash	$ 235,603	$ 274,076

The accompanying notes are an integral part of these condensed consolidated financial statements.

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Exact Sciences Corporation (together with its subsidiaries, "Exact," or the "Company") was incorporated in February 1995. Exact is a leading global cancer diagnostics company. It has developed some of the most impactful tests in cancer screening and diagnostics, including Cologuard® and Oncotype DX®. Exact is currently working on the development of additional tests, with the goal of bringing new, innovative cancer tests to patients throughout the world.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements, which include the accounts of Exact Sciences Corporation and those of its wholly owned subsidiaries and variable interest entities, are unaudited and have been prepared on a basis substantially consistent with the Company's audited financial statements and notes as of and for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K (the "2021 Form 10-K"). All intercompany transactions and balances have been eliminated upon consolidation. These condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and follow the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of adjustments of a normal and recurring nature) considered necessary for a fair statement of its financial position, operating results and cash flows for the periods presented. The condensed consolidated balance sheet at December 31, 2021 has been derived from audited financial statements, but does not contain all of the footnote disclosures from the 2021 Form 10-K. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for any other interim period or for a full fiscal year. The statements should be read in conjunction with the audited financial statements and related notes included in the 2021 Form 10-K.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Critical accounting policies are those that affect the Company's financial statements materially and involve difficult, subjective or complex judgments by management, and actual results could differ from those estimates. These estimates include revenue recognition, valuation of intangible assets and goodwill, and accounting for income taxes among others. The Company's critical accounting policies and estimates are explained further in the notes to the condensed consolidated financial statements in this Quarterly Report and the 2021 Form 10-K.

The spread of the coronavirus ("COVID-19") has affected many segments of the global economy, including the cancer screening and diagnostics industry. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company and the unknown future impacts of COVID-19 as of September 30, 2022 and through the date of the filing of this Quarterly Report on Form 10-Q. The accounting matters assessed included, but were not limited to, the Company's allowance for doubtful accounts and credit losses, marketable and non-marketable investments, software, and the carrying value of the goodwill and other long-lived assets. The Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in additional material impacts to the Company's consolidated financial statements in future reporting periods.

The pandemic and related precautionary measures began to materially disrupt the Company's operations in March 2020 and may continue to disrupt the business for an unknown period of time. As a result, the pandemic had an impact on the Company's revenues and operating results.

The ultimate impact of COVID-19 depends on factors beyond the Company's knowledge or control, including the duration and severity of the outbreak, as well as third-party actions taken to contain its spread and mitigate its public health effects. As a result, the Company is unable to estimate the extent to which COVID-19 will negatively impact its financial results or liquidity.

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Significant Accounting Policies

During the nine months ended September 30, 2022, there were no changes to the Company's significant accounting policies as described in the Company's 2021 Form 10-K, except as described in the Collateralized Debt Instruments and Recently Adopted Accounting Pronouncements sections below.

Collateralized Debt Instruments

Debt instruments that are collateralized by security interests in financial assets held by the Company are accounted for as a secured borrowing and therefore: (i) the asset balances pledged as collateral are included within the applicable balance sheet line item and the borrowings are included within long-term debt in the condensed consolidated balance sheet; (ii) interest expense is included within the condensed consolidated statements of operations; and (iii) in the case of collateralized accounts receivable, receipts from customers related to the underlying accounts receivable are reflected as operating cash flows, and (iv) borrowings and repayments under the collateralized loans are reflected as financing cash flows within the condensed consolidated statements of cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation in the condensed consolidated financial statements and accompanying notes to the condensed consolidated financial statements.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In October 2021, The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2021-08, *Business Combinations (Topic 805)*. This update requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification ("ASC") 606. This differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. The amendments in this update should be applied prospectively, and are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company early adopted the amendments in this update during the first quarter of fiscal year 2022. There was no material impact to the Company's condensed consolidated financial statements.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. This update clarifies that a contractual restriction on the sale of an equity security is not part of the unit of account of the security and should not be considered in measuring fair value. The update also provides that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments in this update should be applied prospectively, and are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Company early adopted the amendments in this update during the third quarter of fiscal year 2022. There was no material impact to the Company's condensed consolidated financial statements.

Net Loss Per Share

Basic net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted average common shares outstanding during the period. Basic and diluted net loss per share is the same because all outstanding common stock equivalents have been excluded, as they are anti-dilutive as a result of the Company's losses.

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The following potentially issuable common shares were not included in the computation of diluted net loss per share because they would have an anti-dilutive effect due to net losses for each period:

	September 30,	
(In thousands)	**2022**	**2021**
Shares issuable in connection with acquisitions	45	45
Shares issuable upon exercise of stock options	1,588	2,380
Shares issuable upon the release of restricted stock awards	5,588	4,306
Shares issuable upon the release of performance share units	1,018	863
Shares issuable upon conversion of convertible notes	20,309	20,309
	28,548	27,903

(2) REVENUE

The Company's revenue is primarily generated by its laboratory testing services utilizing its Cologuard, Oncotype®, and COVID-19 tests. The services are completed upon release of a patient's test result to the ordering healthcare provider.

Disaggregation of Revenue

The following table presents the Company's revenues disaggregated by revenue source:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2022**	**2021**	**2022**	**2021**
Screening				
Medicare Parts B & C	$ 140,366	$ 116,088	$ 389,373	$ 329,034
Commercial	188,923	151,245	531,789	419,268
Other	31,470	13,045	100,013	36,341
Total Screening	360,759	280,378	1,021,175	784,643
Precision Oncology				
Medicare Parts B & C	$ 47,038	$ 51,607	$ 152,224	$ 144,753
Commercial	42,660	42,844	134,658	136,800
International	31,533	27,229	89,536	80,133
Other	30,212	23,732	81,640	50,942
Total Precision Oncology	151,443	145,412	458,058	412,628
COVID-19 Testing	$ 10,871	$ 30,589	$ 52,051	$ 96,004
Total	$ 523,073	$ 456,379	$ 1,531,284	$ 1,293,275

Screening revenue primarily includes laboratory service revenue from Cologuard and PreventionGenetics LLC ("PreventionGenetics") tests while Precision Oncology revenue includes laboratory service revenue from global Oncotype products and therapy selection products, including Oncomap™ and Oncomap ExTra™.

At each reporting period end, the Company conducts an analysis of the estimates used to calculate the transaction price to determine whether any new information available impacts those estimates made in prior reporting periods. The Company recognized revenue from a change in transaction price of $6.4 million and $17.6 million for the three and nine months ended September 30, 2022, respectively. The Company recorded a downward adjustment to revenue from a change in transaction price of $0.2 million and $13.2 million for the three and nine months ended September 30, 2021, respectively.

The Company had deferred revenue of $2.3 million and $1.0 million as of September 30, 2022 and December 31, 2021, respectively. Deferred revenue is reported in other current liabilities in the Company's condensed consolidated balance sheets.

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Revenue recognized for the three months and nine months ended September 30, 2022, which was included in the deferred revenue balance at the beginning of each period, was not significant. Revenue recognized for the three months and nine months ended September 30, 2021, which was included in the deferred revenue balance at the beginning of each period, was $0.2 million and $24.6 million, respectively. Of the $24.6 million of revenue recognized for the nine months ended September 30, 2021, $24.3 million related to COVID-19 testing.

(3) MARKETABLE SECURITIES

The following table sets forth the Company's cash, cash equivalents, and marketable securities at September 30, 2022 and December 31, 2021:

(In thousands)	September 30, 2022	December 31, 2021
Cash and cash equivalents		
Cash and money market	$ 173,968	$ 247,335
Cash equivalents	61,338	68,136
Total cash and cash equivalents	235,306	315,471
Marketable securities		
Available-for-sale debt securities	$ 428,421	$ 711,669
Equity securities	5,387	3,336
Total marketable securities	433,808	715,005
Total cash, cash equivalents and marketable securities	$ 669,114	$ 1,030,476

Available-for-sale debt securities, including the classification within the condensed consolidated balance sheet at September 30, 2022, consisted of the following:

(In thousands)	Amortized Cost	Gains in Accumulated Other Comprehensive Income (Loss) (1)	Losses in Accumulated Other Comprehensive Income (Loss) (1)	Estimated Fair Value
Cash equivalents				
Commercial paper	$ 58,917	$ —	$ —	$ 58,917
U.S. government agency securities	2,421	—	—	2,421
Total cash equivalents	61,338	—	—	61,338
Marketable securities				
Corporate bonds	$ 116,627	$ —	$ (2,423)	$ 114,204
U.S. government agency securities	248,351	—	(4,496)	243,855
Certificates of deposit	5,500	—	—	5,500
Commercial paper	1,988	—	—	1,988
Asset backed securities	63,872	—	(998)	62,874
Total marketable securities	436,338	—	(7,917)	428,421
Total available-for-sale securities	$ 497,676	$ —	$ (7,917)	$ 489,759

(1) Gains and losses in accumulated other comprehensive income (loss) ("AOCI") are reported before tax impact.

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Available-for-sale debt securities, including the classification within the condensed consolidated balance sheet at December 31, 2021, consisted of the following:

(In thousands)	Amortized Cost	Gains in Accumulated Other Comprehensive Income (Loss) (1)	Losses in Accumulated Other Comprehensive Income (Loss) (1)	Estimated Fair Value
Cash equivalents				
U.S. government agency securities	$ 3,543	$ —	$ —	$ 3,543
Commercial paper	64,593	—	—	64,593
Total cash equivalents	68,136	—	—	68,136
Marketable securities				
U.S. government agency securities	$ 250,793	$ —	$ (873)	$ 249,920
Asset backed securities	94,565	2	(107)	94,460
Commercial paper	6,996	—	—	6,996
Certificates of deposit	47,147	2	(10)	47,139
Corporate bonds	313,634	13	(493)	313,154
Total marketable securities	713,135	17	(1,483)	711,669
Total available-for-sale securities	$ 781,271	$ 17	$ (1,483)	$ 779,805

(1) Gains and losses in AOCI are reported before tax impact.

The following table summarizes contractual underlying maturities of the Company's available-for-sale debt securities at September 30, 2022:

	Due one year or less		Due after one year through five years	
(In thousands)	Cost	Fair Value	Cost	Fair Value
Cash equivalents				
Commercial paper	$ 58,917	$ 58,917	$ —	$ —
U.S. government agency securities	2,421	2,421	—	—
Total cash equivalents	61,338	61,338	—	—
Marketable securities				
U.S. government agency securities	$ 238,617	$ 234,274	$ 9,734	$ 9,581
Corporate bonds	93,666	92,032	22,961	22,172
Certificates of deposit	5,500	5,500	—	—
Asset backed securities	—	—	63,872	62,874
Commercial paper	1,988	1,988	—	—
Total marketable securities	339,771	333,794	96,567	94,627
Total available-for-sale securities	$ 401,109	$ 395,132	$ 96,567	$ 94,627

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The following table summarizes the gross unrealized losses and fair values of available-for-sale debt securities in an unrealized loss position as of September 30, 2022, aggregated by investment category and length of time those individual securities have been in a continuous unrealized loss position:

	Less than one year		One year or greater		Total	
(In thousands)	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Marketable securities						
Corporate bonds	$ 114,204	$ (2,423)	$ —	$ —	$ 114,204	$ (2,423)
Asset backed securities	61,924	(998)	—	—	61,924	(998)
U.S. government agency securities	243,855	(4,496)	—	—	243,855	(4,496)
Total available-for-sale securities	$ 419,983	$ (7,917)	$ —	$ —	$ 419,983	$ (7,917)

The Company evaluates investments that are in an unrealized loss position for impairment as a result of credit loss. It was determined that no credit losses exist as of September 30, 2022 and December 31, 2021, because the change in market value for those securities in an unrealized loss position has resulted from fluctuating interest rates rather than a deterioration of the credit worthiness of the issuers.

The gains and losses recorded on available-for-sale debt securities and equity securities are included in investment income, net in the Company's condensed consolidated statements of operations. The gains and losses recorded were not significant for the three and nine months ended September 30, 2022 and 2021.

(4) INVENTORY

Inventory consisted of the following:

(In thousands)	September 30, 2022	December 31, 2021
Raw materials	$ 56,829	$ 51,321
Semi-finished and finished goods	57,870	53,673
Total inventory	$ 114,699	$ 104,994

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(5) PROPERTY, PLANT AND EQUIPMENT

The carrying value and estimated useful lives of property, plant and equipment are as follows:

(In thousands)	Estimated Useful Life	September 30, 2022	December 31, 2021
Property, plant and equipment			
Land	n/a	$ 4,716	$ 4,716
Leasehold and building improvements	(1)	179,025	147,083
Land improvements	15 years	6,415	5,206
Buildings	30 - 40 years	271,858	210,560
Computer equipment and computer software	3 years	132,416	109,119
Laboratory equipment	3 - 10 years	232,189	189,748
Furniture and fixtures	3 - 10 years	33,641	28,293
Assets under construction	n/a	93,687	100,339
Property, plant and equipment, at cost		953,947	795,064
Accumulated depreciation		(283,441)	(214,816)
Property, plant and equipment, net		$ 670,506	$ 580,248

(1) Lesser of remaining lease term, building life, or estimated useful life.

Depreciation expense for the three months ended September 30, 2022 and 2021 was $25.0 million and $22.3 million, respectively. Depreciation expense for the nine months ended September 30, 2022 and 2021 was $73.5 million and $64.3 million, respectively.

At September 30, 2022, the Company had $93.7 million of assets under construction, which consisted of $38.9 million in laboratory equipment, $28.8 million related to buildings, $16.1 million in leasehold and building improvements, and $9.9 million in capitalized costs related to software projects. Depreciation will begin on these assets once they are placed into service upon completion.

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(6) INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

The following table summarizes the net-book-value and estimated remaining life of the Company's intangible assets as of September 30, 2022:

(In thousands)	Weighted Average Remaining Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Balance at September 30, 2022
Finite-lived intangible assets				
Trade name	12.7	$ 104,000	$ (18,840)	$ 85,160
Customer relationships	8.3	4,000	(333)	3,667
Patents and licenses	3.1	10,942	(7,805)	3,137
Acquired developed technology (1)	7.9	860,610	(224,884)	635,726
Total finite-lived intangible assets		979,552	(251,862)	727,690
In-process research and development	n/a	1,250,000	—	1,250,000
Total intangible assets		$ 2,229,552	$ (251,862)	$ 1,977,690

(1) The gross carrying amount includes an immaterial foreign currency translation adjustment related to the intangible assets acquired as a result of the acquisition of OmicEra Diagnostics GmbH ("OmicEra"), whose functional currency is also its local currency. Intangible asset balances are translated into U.S. dollars using exchange rates in effect at period end, and adjustments related to foreign currency translation are included in other comprehensive income.

The following table summarizes the net-book-value and estimated remaining life of the Company's intangible assets as of December 31, 2021:

(In thousands)	Weighted Average Remaining Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net balance at December 31, 2021
Finite-lived intangible assets				
Trade name	13.4	$ 104,700	$ (13,554)	$ 91,146
Customer relationships	9.6	6,700	(1,577)	5,123
Patents and licenses	3.6	10,942	(6,763)	4,179
Acquired developed technology	8.6	918,171	(176,402)	741,769
Supply agreements	5.4	2,295	(101)	2,194
Total finite-lived intangible assets		1,042,808	(198,397)	844,411
In-process research and development	n/a	1,250,000	—	1,250,000
Total intangible assets		$ 2,292,808	$ (198,397)	$ 2,094,411

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As of September 30, 2022, the estimated future amortization expense associated with the Company's finite-lived intangible assets for each of the five succeeding fiscal years is as follows:

(In thousands)	
2022 (remaining three months)	$ 22,913
2023	91,653
2024	91,319
2025	90,271
2026	89,211
Thereafter	342,323
	$ 727,690

The Company's acquired intangible assets are being amortized on a straight-line basis over the estimated useful life.

On August 2, 2022, the Company completed a sale of the developed technology intangible asset related to the Oncotype DX Genomic Prostate Score® test ("GPS test") to MDxHealth SA ("MDxHealth"), which was measured using the income approach to determine the fair value. The gross value of the intangible asset was $59.0 million with accumulated amortization of $16.1 million as of the closing date, resulting in a carrying value of $42.9 million, which was derecognized from intangible assets, net in the condensed consolidated balance sheets upon completion of the divestiture. Refer to Note 16 for further information on this sale.

During the third quarter of 2022, the Company recorded a non-cash, pre-tax impairment loss of $2.0 million related to the supply agreement intangible asset that was initially recorded as part of the combination with Genomic Health due to the termination of the agreement, which reduced the carrying value to zero.

During the second quarter of 2022, the Company recorded a non-cash, pre-tax impairment loss of $6.6 million related to the acquired developed technology intangible asset acquired as a result of the acquisition of Paradigm Diagnostics, Inc. due to lower than anticipated performance of the underlying product.

During the third quarter of 2021, the Company recorded a non-cash, pre-tax impairment loss of $20.2 million related to the supply agreement intangible asset that was initially recorded as part of the combination with Genomic Health due to lower than anticipated performance of the underlying product. The Company utilized the income approach to measure the fair value of the supply agreement, which involves significant unobservable inputs (Level 3 inputs).

The impairment charges recorded are included in impairment of long-lived assets in the condensed consolidated statement of operations.

Goodwill

The change in the carrying amount of goodwill for the periods ended September 30, 2022 and December 31, 2021 is as follows:

(In thousands)	
Balance, January 1, 2021	$ 1,237,672
Thrive acquisition	948,105
Ashion acquisition	56,758
PreventionGenetics acquisition	92,637
Balance, December 31, 2021	2,335,172
OmicEra acquisition	10,809
PreventionGenetics acquisition adjustment	42
Effects of changes in foreign currency exchange rates (1)	(843)
Balance September 30, 2022	$ 2,345,180

(1) Represents the impact of foreign currency translation related to the goodwill acquired as a result of the acquisition of OmicEra. Goodwill balances are translated into U.S. dollars using exchange rates in effect at period end, and adjustments related to foreign currency translation are included in other comprehensive income.

There were no impairment losses for the three and nine months ended September 30, 2022 and 2021.

(7) FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy established are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Unobservable inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

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The following table presents the Company's fair value measurements as of September 30, 2022 along with the level within the fair value hierarchy in which the fair value measurements, in their entirety, fall.

(In thousands)	Fair Value at September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash, cash equivalents, and restricted cash				
Cash and money market	$ 173,968	$ 173,968	$ —	$ —
Commercial paper	58,917	—	58,917	—
U.S. government agency securities	2,421	—	2,421	—
Restricted cash	297	297	—	—
Marketable securities				
Corporate bonds	$ 114,204	$ —	$ 114,204	$ —
Certificates of deposit	5,500	—	5,500	—
Commercial paper	1,988	—	1,988	—
U.S. government agency securities	243,855	—	243,855	—
Asset backed securities	62,874	—	62,874	—
Equity securities (1)	5,387	5,387	—	—
Non-marketable securities	$ 2,990	$ —	$ —	$ 2,990
Liabilities				
Contingent consideration	$ (305,925)	$ —	$ —	$ (305,925)
Total	$ 366,476	$ 179,652	$ 489,759	$ (302,935)

(1) Inclusive of the American Depository Shares of MDxHealth received as part of the sale of the Company's GPS test, which are restricted to a holding period of six months after the date of the sale of August 2, 2022. The shares have a fair value of $4.7 million as of September 30, 2022.

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The following table presents the Company's fair value measurements as of December 31, 2021 along with the level within the fair value hierarchy in which the fair value measurements, in their entirety, fall.

(In thousands)	Fair Value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents				
Cash and money market	$ 247,335	$ 247,335	$ —	$ —
Commercial paper	64,593	—	64,593	—
U.S. government agency securities	3,543	—	3,543	—
Restricted cash	297	297	—	—
Marketable securities				
U.S. government agency securities	$ 249,920	$ —	$ 249,920	$ —
Corporate bonds	313,154	—	313,154	—
Asset backed securities	94,460	—	94,460	—
Certificates of deposit	47,139	—	47,139	—
Commercial paper	6,996	—	6,996	—
Equity securities	3,336	3,336	—	—
Non-marketable securities	$ 3,090	$ —	$ —	$ 3,090
Liabilities				
Contingent consideration	$ (359,021)	$ —	$ —	$ (359,021)
Total	$ 674,842	$ 250,968	$ 779,805	$ (355,931)

There have been no changes in valuation techniques or transfers between fair value measurement levels during the three and nine months ended September 30, 2022. The fair value of Level 2 instruments classified as cash equivalents and marketable debt securities are valued using a third-party pricing agency where the valuation is based on observable inputs including pricing for similar assets and other observable market factors.

Contingent Consideration

The fair value of contingent consideration as of September 30, 2022 and December 31, 2021 was $305.9 million and $359.0 million, respectively, which was recorded in other long-term liabilities in the condensed consolidated balance sheets.

The following table provides a reconciliation of the beginning and ending balances of contingent consideration:

(In thousands)	Contingent Consideration
Beginning balance, January 1, 2022	$ 359,021
Purchase price contingent consideration (1)	4,600
Changes in fair value	(57,619)
Payments	(77)
Ending balance, September 30, 2022	$ 305,925

(1) The increase in contingent consideration liability is due to the contingent consideration associated with the acquisition of OmicEra. Refer to Note 16 for further information.

This fair value measurement of contingent consideration is categorized as a Level 3 liability, as the measurement amount is based primarily on significant inputs not observable in the market.

The fair value of the contingent consideration liability recorded related to regulatory and product development milestones associated with the acquisitions of Thrive Earlier Detection Corporation ("Thrive"), Ashion Analytics, LLC ("Ashion"), and OmicEra acquisitions was $304.8 million and $357.8 million as of September 30, 2022 and December 31, 2021, respectively. The Company evaluates the fair value of the expected contingent consideration and the corresponding liability related to the regulatory and product development milestones using the probability-weighted scenario based discounted cash flow model, which is consistent with the initial measurement of the expected contingent consideration liabilities. Probabilities of success are applied to each potential scenario and the resulting values are discounted using a present-value factor. The passage of time in addition to changes in projected milestone achievement timing, present-value factor, the degree of achievement, if applicable, and probabilities of success may result in adjustments to the fair value measurement. The fair value of the contingent consideration liability recorded related to regulatory and product development milestones was determined using a weighted average probability of success of 91% as of September 30, 2022 and December 31, 2021, and a weighted average present-value factor of 7.1% and 2.3% as of September 30, 2022 and December 31, 2021, respectively. The projected fiscal year of payment range is from 2024 to 2027. Unobservable inputs were weighted by the relative fair value of the contingent consideration liability.

The fair value of the contingent consideration earnout liability related to certain revenue milestones associated with the Biomatrica acquisition was $1.2 million as of September 30, 2022 and December 31, 2021. The revenue milestone associated with the Ashion acquisition is not expected to be achieved and therefore no liability has been recorded for this milestone.

Non-Marketable Equity Investments

As of September 30, 2022 and December 31, 2021, the aggregate carrying amounts of the Company's non-marketable equity securities without readily determinable fair values were $39.5 million and $25.3 million, respectively, which are classified as a component of other long-term assets, net in the Company's condensed consolidated balance sheets. Since initial recognition of these investments, there have been no material upward or downward adjustments as a result of observable price changes. During the third quarter of 2022, the Company determined that one of its investments was fully impaired and recorded a $10.0 million realized loss.

The Company has committed capital to venture capital investment funds (the "Funds") of $17.5 million, of which $14.2 million remained callable through 2033 as of September 30, 2022. The aggregate carrying amount of the Funds, which are classified as a component of other long-term assets, net in the Company's condensed consolidated balance sheets, were $3.4 million and $1.5 million as of September 30, 2022 and December 31, 2021, respectively.

Derivative Financial Instruments

The Company enters into foreign currency forward contracts on the last day of each month to mitigate the impact of adverse movements in foreign exchange rates related to the remeasurement of monetary assets and liabilities and hedge the Company's foreign currency exchange rate exposure. As of September 30, 2022 and December 31, 2021, the Company had open foreign currency forward contracts with notional amounts of $29.7 million and $46.7 million, respectively. The Company's foreign exchange derivative instruments are classified as Level 2 within the fair value hierarchy as they are valued using inputs that are observable in the market or can be derived principally from or corroborated by observable market data. The fair value of the open foreign currency forward contracts was zero at September 30, 2022 and December 31, 2021, and there were no gains or losses recorded to adjust the fair value of the open foreign currency contract held as of September 30, 2022. The contracts are closed subsequent to each month-end, and the gains and losses recorded from the contracts were not material for the three and nine months ended September 30, 2022 and 2021.

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(8) LONG-TERM DEBT

Accounts Receivable Securitization Facility

On June 29, 2022, the Company, through a wholly-owned special purpose entity, Exact Receivables LLC ("Exact Receivables") entered into an accounts receivable securitization program (the "Securitization Facility") with PNC Bank, National Association ("PNC"), with a scheduled maturity date of June 29, 2024. The Securitization Facility provides Exact Receivables with a revolving line-of-credit of up to $150.0 million of borrowing capacity, subject to certain borrowing base requirements, by collateralizing a security interest in the domestic customer accounts receivable of certain wholly-owned subsidiaries of the Company. The amount available under the Securitization Facility fluctuates over time based on the total amount of eligible customer accounts receivable generated by the Company during the normal course of operations. The Securitization Facility requires the Company to maintain minimum borrowings under the facility of $50.0 million. The debt issuance costs incurred related to the Securitization Facility were not material and are being amortized over the life of the Securitization Facility through interest expense within the condensed consolidated statements of operations.

In connection with the Securitization Facility, the Company also entered into two Receivables Purchase Agreements ("Receivable Purchase Agreements") on June 29, 2022. The Receivable Purchase Agreements are among the Company and certain wholly-owned subsidiaries of the Company, and between the Company and Exact Receivables. Under the agreements, the wholly-owned subsidiaries sell all of their right, title and interest of their accounts receivable to Exact Receivables. The receivables are used to collateralize borrowings made under the Securitization Facility. The Company retains the responsibility of servicing the accounts receivable balances pledged as collateral under the Securitization Facility and provides a performance guaranty.

As of September 30, 2022, the eligible borrowing base under the Securitization Facility was $99.7 million of which the Company elected to collateralize $50.0 million. As of September 30, 2022, the Company had an outstanding balance of $50.0 million, which is recorded to long-term debt on the Company's condensed consolidated balance sheets. The outstanding balance accrues interest at a rate equal to a daily secured overnight financing rate ("SOFR") rate plus a SOFR adjustment and an applicable margin. The interest rate was 4.59% at September 30, 2022.

Revolving Loan Agreement

During November 2021, the Company entered into a revolving loan agreement (the "Revolving Loan Agreement") with PNC. The Revolving Loan Agreement provides the Company with a revolving line of credit of up to $150.0 million (the "Revolver"). The Revolver is collateralized by the Company's marketable securities held by PNC, which must continue to maintain a minimum market value of $150.0 million. The Revolver is available for general working capital purposes and all other lawful corporate purposes. In addition, the Company may request, in lieu of cash advances, letters of credit with an aggregate stated amount outstanding not to exceed $20.0 million. The availability of advances under the line of credit will be reduced by the stated amount of each letter of credit issued and outstanding.

Borrowings under the Revolving Loan Agreement accrue interest at an annual rate equal to the sum of the daily Bloomberg Short-Term Bank Yield Index Rate plus the applicable margin of 0.60%. Loans under the Revolving Loan Agreement may be prepaid at any time without penalty. The maturity date under the Revolving Loan Agreement was November 5, 2023. In October 2022 the Revolving Loan Agreement was amended to extend the maturity date to November 5, 2025. There were no other amendments to the Revolver.

The Company has agreed to various financial covenants under the Revolving Loan Agreement, and as of September 30, 2022, the Company is in compliance with all covenants.

During the fourth quarter of 2021, PNC issued a letter of credit of $2.9 million, which reduced the amount available for cash advances under the line of credit to $147.1 million as of September 30, 2022 and December 31, 2021. As of September 30, 2022 and December 31, 2021, the Company has not drawn funds from, nor are any amounts outstanding under, the Revolving Loan Agreement.

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(9) CONVERTIBLE NOTES

Convertible note obligations included in the condensed consolidated balance sheet consisted of the following as of September 30, 2022:

				Fair Value (1)	
(In thousands)	Principal Amount	Unamortized Debt Discount and Issuance Costs	Net Carrying Amount	Amount	Leveling
2028 Convertible notes - 0.375%	$ 1,150,000	$ (16,545)	$ 1,133,455	$ 733,999	2
2027 Convertible notes - 0.375%	747,500	(10,011)	737,489	521,987	2
2025 Convertible notes - 1.000%	315,005	(1,324)	313,681	281,142	2

Convertible note obligations included in the condensed consolidated balance sheet consisted of the following as of December 31, 2021:

				Fair Value (1)	
(In thousands)	Principal Amount	Unamortized Debt Discount and Issuance Costs	Net Carrying Amount	Amount	Leveling
2028 Convertible notes - 0.375%	$ 1,150,000	$ (18,826)	$ 1,131,174	$ 1,139,650	2
2027 Convertible notes - 0.375%	747,500	(11,691)	735,809	771,794	2
2025 Convertible notes - 1.000%	315,005	(1,756)	313,249	415,473	2

(1) The fair values are based on observable market prices for this debt, which is traded in less active markets and therefore is classified as a Level 2 fair value measurement.

Summary of Conversion Features

Until the six-months immediately preceding the maturity date of the applicable series of the Company's convertible notes (the "Notes"), each series of Notes is convertible only upon the occurrence of certain events and during certain periods, as set forth in the Indentures filed at the time of the original offerings. On or after the date that is six-months immediately preceding the maturity date of the applicable series of Notes until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert such Notes at any time. The Notes will be convertible into cash, shares of the Company's common stock (plus, if applicable, cash in lieu of any fractional share), or a combination of cash and shares of the Company's common stock, at the Company's election.

It is the Company's intent and policy to settle all conversions through combination settlement. The initial conversion rate is 13.26, 8.96, and 8.21 shares of common stock per $1,000 principal amount for the convertible notes due in 2025 ("2025 Notes"), 2027 ("2027 Notes"), and 2028 ("2028 Notes"), respectively, which is equivalent to an initial conversion price of approximately $75.43, $111.66, and $121.84 per share of the Company's common stock for the 2025 Notes, 2027 Notes, and 2028 Notes, respectively. The 2025 Notes, 2027 Notes, and 2028 Notes are potentially convertible into up to 4.2 million, 6.7 million, and 9.4 million shares, respectively. The conversion rate is subject to adjustment upon the occurrence of certain specified events as set forth in the Indentures filed at the time of the original offerings but will not be adjusted for accrued and unpaid interest. In addition, holders of the Notes who convert their Notes in connection with a "make-whole fundamental change" (as defined in the Indenture), will, under certain circumstances, be entitled to an increase in the conversion rate.

If the Company undergoes a "fundamental change" (as defined in the Indenture), holders of the Notes may require the Company to repurchase for cash all or part of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest.

Based on the closing price of the Company's common stock of $32.49 on September 30, 2022, the if-converted values on the Notes do not exceed the principal amount.

The Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

Ranking of Convertible Notes

The Notes are the Company's senior unsecured obligations and (i) rank senior in right of payment to all of its future indebtedness that is expressly subordinated in right of payment to the Notes; (ii) rank equal in right of payment to each outstanding series thereof and to all of the Company's future liabilities that are not so subordinated, unsecured indebtedness; (iii) are effectively junior to all of the Company's existing and future secured indebtedness and other secured obligations, to the extent of the value of the assets securing that indebtedness and other secured obligations; and (iv) are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

Issuance Costs

Issuance costs are amortized to interest expense over the term of the Notes. The following table summarizes the original issuance costs at the time of issuance for each set of Notes:

(In thousands)	
January 2025 Notes	$ 10,284
June 2025 Notes	7,362
2027 Notes	14,285
2028 Notes	24,453

Interest Expense

Interest expense includes the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2022	2021	2022	2021
Debt issuance costs amortization	$ 1,444	$ 1,444	$ 4,284	$ 4,284
Debt discount amortization	37	37	110	110
Coupon interest expense	2,566	2,566	7,699	7,699
Total interest expense on convertible notes	$ 4,047	$ 4,047	$ 12,093	$ 12,093

The following table summarizes the effective interest rates of the Notes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
2025 Convertible Notes	1.18 %	1.18 %	1.18 %	1.18 %
2027 Convertible Notes	0.68 %	0.68 %	0.67 %	0.67 %
2028 Convertible Notes	0.64 %	0.64 %	0.64 %	0.64 %

The remaining period over which the unamortized debt discount will be recognized as non-cash interest expense is 2.30, 4.46, and 5.42 years for the 2025 Notes, 2027 Notes, and 2028 Notes, respectively.

(10) LICENSE AND COLLABORATION AGREEMENTS

The Company licenses certain technologies that are, or may be, incorporated into its technology under several license agreements, as well as the rights to commercialize certain diagnostic tests through collaboration agreements. Generally, the license agreements require the Company to pay single-digit royalties based on net revenues received using the technologies and may require minimum royalty amounts, milestone payments, or maintenance fees.

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Mayo

In June 2009, the Company entered into a license agreement with the Mayo Foundation for Medical Education and Research ("Mayo"). The Company's license agreement with Mayo was most recently amended and restated in September 2020. Under the license agreement, Mayo granted the Company an exclusive, worldwide license to certain Mayo patents and patent applications, as well as a non-exclusive, worldwide license with regard to certain Mayo know-how. The scope of the license covers any screening, surveillance or diagnostic test or tool for use in connection with any type of cancer, pre-cancer, disease or condition.

The licensed Mayo patents and patent applications contain both method and composition claims that relate to sample processing, analytical testing and data analysis associated with nucleic acid screening for cancers and other diseases. The jurisdictions covered by these patents and patent applications include the U.S., Australia, Canada, the European Union, China, Japan and Korea. Under the license agreement, the Company assumed the obligation and expense of prosecuting and maintaining the licensed Mayo patents and is obligated to make commercially reasonable efforts to bring to market products using the licensed Mayo intellectual property.

Pursuant to the Company's agreement with Mayo, the Company is required to pay Mayo a low-single-digit royalty on the Company's net sales of current and future products using the licensed Mayo intellectual property each year during the term of the Mayo agreement.

As part of the most recent amendment, the Company agreed to pay Mayo an additional $6.3 million, payable in five equal annual installments through 2024. The annual installments are recorded in research and development expenses in the Company's condensed consolidated statements of operations.

The license agreement will remain in effect, unless earlier terminated by the parties in accordance with the agreement, until the last of the licensed patents expires in 2039 (or later, if certain licensed patent applications are issued). However, if the Company is still using the licensed Mayo know-how or certain Mayo-provided biological specimens or their derivatives on such expiration date, the term shall continue until the earlier of the date the Company stops using such know-how and materials and the date that is five years after the last licensed patent expires. The license agreement contains customary termination provisions and permits Mayo to terminate the license agreement if the Company sues Mayo or its affiliates, other than any such suit claiming an uncured material breach by Mayo of the license agreement.

In addition to granting the Company a license to the covered Mayo intellectual property, Mayo provides the Company with product development and research and development assistance pursuant to the license agreement and other collaborative arrangements. In September 2020, Mayo also agreed to make available certain personnel to provide such assistance through January 2025. In connection with this collaboration, the Company incurred charges of $1.5 million and $1.3 million for the three months ended September 30, 2022 and 2021, respectively. The Company incurred charges of $4.2 million and $3.5 million for the nine months ended September 30, 2022 and 2021, respectively. The charges incurred in connection with this collaboration are recorded in research and development expenses in the Company's condensed consolidated statements of operations.

Johns Hopkins University ("JHU")

Through the acquisition of Thrive, the Company acquired a worldwide exclusive license agreement with JHU for use of several JHU patents and licensed know-how. The license is designed to enable the Company to leverage JHU proprietary data in the development and commercialization of a blood-based, multi-cancer early detection test. The agreement terms include single-digit sales-based royalties and sales-based milestone payments of $10.0 million, $15.0 million, and $20.0 million upon achieving calendar year licensed product revenue using JHU proprietary data of $0.50 billion, $1.00 billion, and $1.50 billion, respectively.

(11) PFIZER PROMOTION AGREEMENT

In August 2018, the Company entered into a Promotion Agreement (the "Original Promotion Agreement") with Pfizer Inc. ("Pfizer"), which was amended and restated in October 2020 (the "Restated Promotion Agreement"). The Restated Promotion Agreement extended the relationship between the Company and Pfizer and restructured the manner in which the Company compensates Pfizer for promotion of the Cologuard test through a service fee, and provision of certain other sales and marketing services related to the Cologuard test. The Restated Promotion Agreement included fixed and performance-related

fees, some of which retroactively went into effect on April 1, 2020. In November 2021, the Company and Pfizer entered into an amendment to the Restated Promotion Agreement (the "November 2021 Amendment"), which provided that after November 30, 2021, Pfizer will no longer promote the Cologuard test to healthcare providers. The November 2021 Amendment provides that the Company will pay Pfizer a total of $35.9 million in three installments during the second, third, and fourth quarters of 2022. The November 2021 Amendment eliminated the Company's obligation to pay Pfizer royalties or other fees except for certain media fees, advertising fees, and any detail fees owed to Pfizer for promoting the Cologuard test prior to November 30, 2021. The $35.9 million fee incurred as a result of the November 2021 Amendment was recognized in full during the fourth quarter of 2021. All payments to Pfizer are recorded in sales and marketing expenses in the Company's condensed consolidated statements of operations.

Under the Original Promotion Agreement, the service fee was calculated based on incremental gross profits over specified baselines during the term. Under the Restated Promotion Agreement (and prior to giving effect to the November 2021 Amendment), the service fee provided a fee-for-service model that included certain fixed fees and performance-related bonuses. The performance-related bonuses were contingent upon the achievement of certain annual performance criteria with any applicable expense being recognized ratably upon achievement of the payment becoming probable. The Company incurred charges of $2.5 million and $16.8 million for the service fee for the three months ended September 30, 2022 and 2021, respectively. The Company incurred charges of $7.5 million and $63.6 million for the service fee for the nine months ended September 30, 2022 and 2021, respectively. The Company incurred charges of $20.6 million and $30.2 million for promotion, sales and marketing services performed by Pfizer on behalf of the Company during the three months ended September 30, 2022 and 2021, respectively. The Company incurred charges of $86.1 million and $88.0 million for promotion, sales and marketing services performed by Pfizer on behalf of the Company during the nine months ended September 30, 2022 and 2021, respectively.

(12) STOCKHOLDERS' EQUITY

OmicEra Acquisition Stock Issuance

In May 2022, the Company completed its acquisition of OmicEra. In connection with the acquisition, which is further described in Note 16, the Company issued 0.3 million shares of the Company's common stock that had a fair value of $14.8 million.

PreventionGenetics Acquisition Stock Issuance

In December 2021, the Company completed its acquisition of PreventionGenetics. In connection with the acquisition, which is further described in Note 16, the Company issued 1.1 million shares of the Company's common stock that had a fair value of $84.2 million.

Ashion Acquisition Stock Issuance

In April 2021, the Company completed its acquisition of Ashion. In connection with the acquisition, which is further described in Note 16, the Company issued 0.1 million shares of the Company's common stock that had a fair value of $16.2 million.

Thrive Acquisition Stock Issuance

In January 2021, the Company completed its acquisition of Thrive. In connection with the acquisition, which is further described in Note 16, the Company issued 9.3 million shares of the Company's common stock that had a fair value of $1.19 billion.

Targeted Digital Sequencing ("TARDIS") License Acquisition Stock Issuance

In January 2021, the Company acquired a worldwide exclusive license to the TARDIS technology from The Translational Genomics Research Institute ("TGen"), which is further described in Note 16. As part of the consideration transferred, the Company issued 0.2 million shares of the Company's common stock that had a fair value of $27.3 million.

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Changes in Accumulated Other Comprehensive Income (Loss)

The amount recognized in AOCI for the nine months ended September 30, 2022 were as follows:

(In thousands)	Foreign Currency Translation Adjustments	Unrealized Gain (Loss) on Marketable Securities (1)	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2021	$ 23	$ (1,466)	$ (1,443)
Other comprehensive loss before reclassifications	(3,176)	(6,597)	(9,773)
Amounts reclassified from accumulated other comprehensive loss	—	146	146
Net current period change in accumulated other comprehensive loss	(3,176)	(6,451)	(9,627)
Balance at September 30, 2022	$ (3,153)	$ (7,917)	$ (11,070)

(1) There was no tax impact from the amounts recognized in AOCI for the three and nine months ended September 30, 2022.

The amounts recognized in AOCI for the nine months ended September 30, 2021 were as follows:

(In thousands)	Unrealized Gain (Loss) on Marketable Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2020	$ 526	$ 526
Other comprehensive loss before reclassifications	(292)	(292)
Amounts reclassified from accumulated other comprehensive income	(271)	(271)
Net current period change in accumulated other comprehensive income, before tax	(563)	(563)
Income tax benefit related to items of other comprehensive income	170	170
Balance at September 30, 2021	$ 133	$ 133

Amounts reclassified from AOCI for the nine months ended September 30, 2022 and 2021 were as follows:

Details about AOCI Components (In thousands)	Affected Line Item in the Statements of Operations	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Change in value of available-for-sale investments			
Sales and maturities of available-for-sale investments	Investment income (loss), net	$ 146	$ (271)
Total reclassifications		$ 146	$ (271)

(13) STOCK-BASED COMPENSATION

Stock-Based Compensation Plans

The Company maintains the following plans for which awards were granted from or had shares outstanding in 2022: 2010 Omnibus Long-Term Incentive Plan (As Amended and Restated Effective July 27, 2017), the 2019 Omnibus Long-Term Incentive Plan, and the 2010 Employee Stock Purchase Plan (collectively referred to as the “Stock Plans”).

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Stock-Based Compensation Expense

The Company records stock-based compensation expense in connection with the amortization of restricted stock and restricted stock unit awards ("RSUs"), stock purchase rights granted under the Company's employee stock purchase plan and stock options granted to employees, non-employee consultants and non-employee directors. The Company recorded $49.5 million and $63.6 million in stock-based compensation expense during the three months ended September 30, 2022 and 2021, respectively. The Company recorded $160.9 million and $283.3 million in stock-based compensation expense during the nine months ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, there was approximately $416.1 million of expected total unrecognized compensation cost related to non-vested stock-based compensation arrangements granted under all equity compensation plans. The Company expects to recognize that cost over a weighted average period of 2.8 years.

In connection with the acquisition of Thrive, the Company accelerated the vesting of shares of previously unvested stock options and restricted stock units for employees with qualifying termination events. During the three months ended September 30, 2021, the Company accelerated 34,167 shares of previously unvested stock options and 24,865 shares of previously unvested restricted stock awards and restricted stock units and recorded $4.5 million of non-cash stock-based compensation for the accelerated awards. During the nine months ended September 30, 2021, the Company accelerated 138,163 shares of previously unvested stock options and 58,171 shares of previously unvested restricted stock awards and restricted stock units and recorded $19.0 million of non-cash stock-based compensation for the accelerated awards. As further discussed in Note 16, the Company also recorded $86.2 million in stock-based compensation related to accelerated vesting of awards held by Thrive employees in connection with the acquisition.

Stock Options

A summary of stock option activity under the Stock Plans is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1)
(Aggregate intrinsic value in thousands)				
Outstanding, January 1, 2022	2,284,276	$ 34.65	5.5	
Granted	—	—		
Exercised	(643,922)	9.30		
Forfeited	(52,465)	77.53		
Outstanding, September 30, 2022	1,587,889	$ 43.60	5.1	$ 14,366
Vested and expected to vest, September 30, 2022	1,587,889	$ 43.60	5.1	$ 14,366
Exercisable, September 30, 2022	1,401,945	$ 37.53	4.8	$ 14,052

(1) The total intrinsic value of options exercised during the nine months ended September 30, 2022 and 2021 was $34.7 million and $148.8 million, respectively, determined as of the date of exercise.

The Company received approximately $6.0 million and $13.4 million from stock option exercises during the nine months ended September 30, 2022 and 2021, respectively.

Restricted Stock and Restricted Stock Units

The fair value of restricted stock and restricted stock units is determined on the date of grant using the closing stock price on that day.

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A summary of restricted stock and restricted stock unit activity during the nine months ended September 30, 2022 is as follows:

Restricted stock and restricted stock units	Shares	Weighted Average Grant Date Fair Value (1)
Outstanding, January 1, 2022	4,320,910	$ 108.84
Granted	3,784,503	70.28
Released (2)	(1,629,309)	95.46
Forfeited	(888,291)	90.88
Outstanding, September 30, 2022	5,587,813	$ 87.97

(1) The weighted average grant date fair value of the restricted stock units granted during the nine months ended September 30, 2021 was $133.80.

(2) The fair value of restricted stock units vested and converted to shares of the Company's common stock was $155.5 million and $114.4 million during the nine months ended September 30, 2022 and 2021, respectively.

Performance Share Units

The Company has issued performance-based equity awards to certain employees which vest upon the achievement of certain performance goals, including financial performance targets and operational milestones.

In January 2022, the Company issued additional performance-based equity awards, which include a market condition in the form of a total shareholder return ("TSR") modifier. At the end of the three-year performance period, the total units earned, if any, are adjusted by applying the modifier, ranging from 50% to 150%. The TSR modifier is based on stock price performance relative to a group of peer companies for the same three-year period. The fair value of the awards granted was calculated using a Monte Carlo simulation model, as the TSR modifier contains a market condition.

A summary of performance share unit activity is as follows:

Performance share units	Shares (1)	Weighted Average Grant Date Fair Value (2)
Outstanding, January 1, 2022	878,114	$ 107.18
Granted	805,782	89.43
Released (3)	(292,134)	93.22
Forfeited	(373,372)	91.91
Outstanding, September 30, 2022	1,018,390	$ 102.74

(1) The performance share units listed above assumes attainment of maximum payout rates as set forth in the performance criteria. Applying actual or expected payout rates, the number of outstanding performance share units as of September 30, 2022 was 229,129.

(2) The weighted average grant date fair value of the performance share units granted during the nine months ended September 30, 2021 was $140.96.

(3) The fair value of performance share units vested and converted to shares of the Company's common stock was $27.2 million for the nine months ended September 30, 2022. There were no performance share units vested and converted to shares of the Company's common stock during the nine months ended September 30, 2021.

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Employee Stock Purchase Plan ("ESPP")

The fair value of ESPP shares is based on the assumptions in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
ESPP Shares				
Risk-free interest rates	(1)	(1)	1.49% - 2.73%	0.04% - 0.16%
Expected term (in years)	(1)	(1)	0.5 - 2	0.5 - 2
Expected volatility	(1)	(1)	50.94% - 60.34%	48.38% - 68.51%
Dividend yield	(1)	(1)	—%	—%

(1) The Company did not issue stock purchase rights under its 2010 Employee Stock Purchase Plan during the period indicated.

(14) COMMITMENTS AND CONTINGENCIES

Leases

Supplemental disclosure of cash flow information related to the Company's cash and non-cash activities with its leases are as follows:

	Nine Months Ended September 30,	
(In thousands)	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 24,579	$ 19,835
Operating cash flows from finance leases	520	723
Finance cash flows from finance leases	3,588	3,805
Non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities (1)	$ 25,471	$ 60,480
Right-of-use assets obtained in exchange for new finance lease liabilities	8,203	4,296
Weighted-average remaining lease term - operating leases (in years)	7.60	8.14
Weighted-average remaining lease term - finance leases (in years)	3.50	3.13
Weighted-average discount rate - operating leases	6.34 %	6.28 %
Weighted-average discount rate - finance leases	6.51 %	5.42 %

(1) For the nine months ended September 30, 2022, this includes right-of-use assets recorded as a result of the lease modification discussed below of $8.1 million. For the nine months ended September 30, 2021, this includes right-of-use assets acquired as part of the business combinations described in Note 16 of $39.6 million.

As of September 30, 2022 and December 31, 2021, the Company's right-of-use assets from operating leases are $175.9 million and $174.2 million, respectively, which are reported in operating lease right-of-use assets in the Company's condensed consolidated balance sheets. As of September 30, 2022, the Company has outstanding operating lease obligations of $211.7 million, of which $27.1 million is reported in operating lease liabilities, current portion and $184.6 million is reported in operating lease liabilities, less current portion in the Company's condensed consolidated balance sheets. As of December 31, 2021, the Company had outstanding operating lease obligations of $201.9 million, of which $19.7 million is reported in operating lease liabilities, current portion and $182.2 million is reported in operating lease liabilities, less current portion in the Company's condensed consolidated balance sheets.

As of September 30, 2022 and December 31, 2021, the Company's right-of-use assets from finance leases are $10.8 million and $18.2 million, respectively, which are reported in other long-term assets, net in the Company's condensed consolidated balance sheets. As of September 30, 2022, the Company has outstanding finance lease obligations of $11.1 million, of which $3.1 million is reported in other current liabilities and $8.0 million is reported in other long-term liabilities in the Company's condensed consolidated balance sheets. As of December 31, 2021, the Company had outstanding finance lease obligations of $18.7 million, of which $6.2 million is reported in other current liabilities and $12.5 million is reported in other long-term liabilities in the Company's condensed consolidated balance sheets.

On June 1, 2022, certain of the Company's vehicle leases were amended. The Company determined that this amendment was a lease modification, effective June 1, 2022. Under the lease modification guidance within ASC 842, the Company reassessed the lease classification and remeasured the corresponding right-of-use assets and lease liabilities. The Company determined that a portion of the modified leases are to be accounted for as operating leases, and therefore derecognized the previous finance lease right-of-use asset of $10.3 million and the related finance lease liability of $10.8 million, and recognized an operating lease right-of-use asset of $8.1 million and the related operating lease liability of $8.6 million.

Legal Matters

The Company records reserves and accrues costs for certain legal proceedings and regulatory matters to the extent that it determines an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. While such reserves and accrued costs reflect the Company's best estimate of the probable loss for such matters, the recorded amounts may differ materially from the actual amount of any such losses. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings, which may be exacerbated by various factors, including but not limited to, they may involve indeterminate claims for monetary damages or may involve fines, penalties or punitive damages; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; involve a large number of parties, claimants or regulatory bodies; are in the early stages of the proceedings; involve a number of separate proceedings and/or a wide range of potential outcomes; or result in a change of business practices.

As of the date of this Quarterly Report on Form 10-Q, amounts accrued for legal proceedings and regulatory matters were not material except for the amounts accrued related to the Medicare Date of Service Rule Investigation (the "DOS Rule Investigation") discussed below. However, it is possible that in a particular quarter or annual period the Company's financial condition, results of operations, cash flow and/or liquidity could be materially adversely affected by an ultimate unfavorable resolution of, or development in, legal and/or regulatory proceedings, including as described below. Except for the proceedings discussed below, the Company believes that the ultimate outcome of any of the regulatory and legal proceedings that are currently pending against it should not have a material adverse effect on financial condition, results of operations, cash flow or liquidity.

The Company is currently responding to civil investigative demands and administrative subpoenas issued pursuant to the Health Insurance Portability and Accountability Act of 1996 by the United States Department of Justice ("DOJ") concerning Genomic Health's compliance with the Medicare Date of Service billing regulations. The Company has been cooperating with these inquiries and has produced documents in response thereto.

During the second quarter of 2021, as part of ongoing discussions between the DOJ and the Company regarding the DOS Rule Investigation, the DOJ presented an initial estimate of civil damages in the amount of $48.2 million relating to alleged non-compliance with the Medicare Date of Service billing regulations from 2007 to 2020. The initial civil damages estimate did not include potential treble damages, civil or criminal penalties or other remedies that the DOJ could seek against the Company. The DOJ has since presented a total adjusted demand of $53.8 million for civil damages, which includes a multiplier and penalties. Based on the Company's review and analysis of the DOJ presentation, ongoing discussions held with the DOJ, the civil damages estimate, and range of potential exposure, the Company recorded an accrual of approximately $10 million as of September 30, 2022.

As noted above, litigation outcomes are difficult to predict, and the estimation of probable losses requires an analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. Accordingly, the recorded accrual of approximately $10 million as of September 30, 2022 is based on several factors, considerations, and judgments, and the ultimate resolution of this matter could result in a material loss in excess of the recorded accrual.

On June 24, 2019, Niles Rosen M.D. filed a sealed ex parte qui tam lawsuit against the Company in the United States District Court for the Middle District of Florida, that alleged a violation of the Federal Anti-Kickback Statute and False Claims Act for offering gift cards to patients in exchange for returning the Cologuard screening test (the "Qui Tam Suit"). Dr. Rosen seeks on behalf of the U.S. government and himself an award of civil penalties, treble damages and fees and costs. On February 25, 2020, the Company received a civil investigative demand by the DOJ related to the Company's gift card program. The Company produced documents in response thereto. On March 25, 2021, the DOJ filed a notice of its election to decline intervention in the Qui Tam Suit. This election does not prevent Dr. Rosen from continuing the Qui Tam Suit. On April 12, 2021, Dr. Rosen filed an amended complaint against the Company, alleging violations of the Federal Anti-Kickback Statute and False Claims Act. The Company first learned of the Qui Tam Suit and the DOJ's election to decline intervention in July 2021. The Company intends to vigorously defend itself against Dr. Rosen's claims and seek, among other things, the Company's attorneys' fees and costs incurred in defending this action. Although the Company denies Dr. Rosen's allegations and believes that it has meritorious defenses to his False Claims Act claims, neither the outcome of the litigation nor can a reasonable estimate or an estimated range of loss associated with the litigation be determined at this time.

Adverse outcomes from the DOS Rule Investigation and the Qui Tam Suit could include the Company being required to pay treble damages, incur civil and criminal penalties, paying attorneys' fees, entering into a corporate integrity agreement, being excluded from participation in government healthcare programs, including Medicare and Medicaid, and other adverse actions that could materially affect the Company's business, financial condition, and results of operation.

(15) WISCONSIN ECONOMIC DEVELOPMENT TAX CREDITS

During February 2015, the Company entered into an agreement with the Wisconsin Economic Development Corporation ("WEDC," "Original WEDC Agreement") to earn $9.0 million in refundable tax credits on the condition that the Company expends $26.3 million in capital investments and establishes and maintains 758 full-time positions over a seven-year period.

During December 2021, the Company amended its agreement with the WEDC ("Amended WEDC Agreement") to earn an additional $18.5 million in refundable tax credits on the condition that the Company expends $350.0 million in capital investments and establishes and maintains 1,300 additional full-time positions over a five-year period. The capital investment credits are earned at a rate of 10% of eligible capital investments up to a maximum of $7.0 million, while the jobs creation credits are earned annually pursuant to the agreement.

The tax credits earned are first applied against the tax liability otherwise due, and if there is no such liability present, the claim for tax credits will be reimbursed in cash to the Company. The maximum amount of the refundable tax credit to be earned for each year is fixed, and the Company earns the credits by meeting certain capital investment and job creation thresholds over the term of the agreement. Should the Company earn and receive the job creation tax credits but not maintain those full-time positions through the end of the agreement, the Company may be required to pay those credits back to the WEDC.

Under the Original WEDC Agreement, the Company recorded the earned tax credits as job creation and capital investments occurred. The tax credits earned from capital investment are being recognized as an offset to depreciation expense over the expected life of the acquired capital assets. The tax credits earned related to job creation were recognized as an offset to operational expenses through December 31, 2020.

As of September 30, 2022, the Company has earned all $9.0 million of the refundable tax credits and has received payment of $9.0 million from the WEDC under the Original WEDC Agreement.

Under the Amended WEDC Agreement, the Company records the earned tax credits as job creation and capital investments occurs. The tax credits earned from capital investment are recognized as a reduction to capital expenditures at the time the costs are incurred, and then as an offset to depreciation expense over the expected life of the acquired capital assets. The tax credits earned related to job creation are recognized as an offset to operational expenses in the period in which the credits are earned. The credits recognized will be required to be repaid if the Company does not maintain minimum cumulative job requirements.

As of September 30, 2022, the Company has earned $9.0 million of the refundable tax credits under the Amended WEDC Agreement. The unpaid portion is $9.0 million as of September 30, 2022, of which $1.7 million is reported in prepaid expenses and other current assets and $7.3 million is reported in other long-term assets, net in the Company's condensed consolidated balance sheets reflecting when collection of the refundable tax credits is expected to occur.

During the three and nine months ended September 30, 2022, the Company recorded zero and $1.0 million respectively, as a reduction to operational expenses for the credits earned for job creation.

(16) ACQUISITIONS AND DIVESTITURES

Business Combinations

OmicEra Diagnostics, GmbH

On May 2, 2022, the Company completed the acquisition (the "OmicEra Acquisition") of all of the outstanding equity interests of OmicEra Diagnostics GmbH. The OmicEra Acquisition provided the Company a state-of-the-art proteomics lab based in Planegg, Germany. OmicEra combines its mass spectrometry-based proteome analysis technology with its in-house proteomics scientific expertise to discover more reliable and valuable protein biomarkers, which will expand the Company's research and development capabilities. The Company has included the financial results of OmicEra in the consolidated financial statements from the date of the combination.

The combination date fair value of the consideration transferred for OmicEra was approximately $19.4 million, which consisted of the following:

(In thousands)		
Common stock issued	$	14,792
Contingent consideration		4,600
Working capital adjustment to be settled in cash		16
Total purchase price	$	19,408

The fair value of the 265,186 common shares issued as part of the consideration transferred was determined on the basis of the average of the high and low market price of the Company's shares on the acquisition date, which was $55.78.

The purchase agreement requires the Company to pay a maximum of $6.0 million of additional cash consideration to OmicEra upon the achievement of certain earnout conditions related to the identification of protein biomarkers, as well as the growth of the proteomics research and development team. The fair value of the contingent consideration at the acquisition date was $4.6 million. The fair value of the contingent consideration was estimated using a probability-weighted scenario-based discounted cash flow model. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. The key assumptions are described in Note 7.

The purchase price was allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values including immaterial measurement period adjustments as follows:

(In thousands)		
Net operating assets	$	2,586
Developed technology		10,000
Total identifiable assets acquired		12,586
Net operating liabilities		(3,987)
Net identifiable assets acquired		8,599
Goodwill		10,809
Net assets acquired	$	19,408

The Company recorded $10.0 million of identifiable intangible assets related to the developed technology associated with OmicEra's proteome analysis platform. Developed technology represents purchased technology that had reached technological feasibility and for which OmicEra had substantially completed development as of the date of combination. The fair value of the developed technology has been determined using the income approach multi-period excess earnings method, which involves significant unobservable inputs (Level 3 inputs). These inputs include projected sales, margin, obsolescence factor, required rate of return, and tax rate. Cash flows were discounted to their present value as of the closing date. Developed technology is amortized on a straight-line basis over its estimated useful life of 16 years.

The calculation of the excess purchase price over the estimated fair value of the tangible net assets and intangible assets acquired was recorded to goodwill, which is primarily attributed to the acquired workforce expertise, the potential to enhance the capabilities of current and future products, and expected research and development synergies. The total goodwill related to this combination is not deductible for tax purposes.

The total purchase price allocation is preliminary and based upon estimates and assumptions that are subject to change within the measurement period as additional information for the estimates is obtained. The measurement period remains open pending the completion of valuation procedures related to certain acquired assets and liabilities assumed, primarily in connection with the developed technology intangible asset.

Pro forma impact and results of operations disclosures have not been included due to immateriality.

Acquisition-related costs were not material and have been recorded within general and administrative expenses in the condensed consolidated statement of operations. These costs include fees associated with financial, legal, accounting, and other advisors incurred to complete the merger.

PreventionGenetics LLC

On December 31, 2021, the Company completed the acquisition (the "PreventionGenetics Acquisition") of all of the outstanding equity interests of PreventionGenetics, LLC. The PreventionGenetics Acquisition provided the Company a Clinical Laboratory Improvement Amendments ("CLIA") certified and College of American Pathologist ("CAP") accredited sequencing lab based in Marshfield, Wisconsin. PreventionGenetics provides more than 5,000 predefined genetic tests for nearly all clinically relevant genes, additional custom panels, and comprehensive germline, whole exome ("PGxome®"), and whole genome ("PGnome®") sequencing tests.

Refer to the Company's 2021 Form 10-K for detailed disclosures on the combination, including the fair value of the consideration transferred, purchase price allocation, and goodwill and intangible assets identified in the transaction. During the three and nine months ended September 30, 2022, there were no material changes to the purchase price and purchase price allocation. The measurement period remains open pending the completion of valuation procedures related to certain acquired assets and liabilities assumed, primarily in connection with the intangible assets.

Ashion Analytics, LLC

On April 14, 2021, the Company completed the acquisition ("Ashion Acquisition") of all of the outstanding equity interests of Ashion Analytics, LLC from PMed Management, LLC ("PMed"), which is a subsidiary of TGen. The Ashion Acquisition provided the Company a CLIA certified and CAP accredited sequencing lab based in Phoenix, Arizona. Ashion developed the GEM ExTra® test, a comprehensive genomic cancer test, and provides access to whole exome, matched germline, and transcriptome sequencing capabilities.

Refer to the Company's 2021 Form 10-K for detailed disclosures on the combination, including the fair value of the consideration transferred, purchase price allocation, and goodwill and intangible assets identified in the transaction. During the three and nine months ended September 30, 2022, there were no changes to the purchase price allocation and the measurement period has closed.

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(Unaudited)

Thrive Earlier Detection Corporation

On January 5, 2021, the Company completed the acquisition of all of the outstanding capital stock of Thrive Earlier Detection Corporation. Thrive, headquartered in Cambridge, Massachusetts, is a healthcare company dedicated to incorporating earlier cancer detection into routine medical care. The Company expects that combining Thrive's early-stage multi-cancer early detection test with the Company's scientific platform, clinical organization and commercial infrastructure will bring an accurate blood-based, multi-cancer detection test to patients faster.

Refer to the Company's 2021 Form 10-K for detailed disclosures on the combination, including the fair value of the consideration transferred, final purchase price allocation, and goodwill and intangible assets identified in the transaction.

Asset Acquisitions

PFS Genomics Inc.

On May 3, 2021, the Company acquired 90% of the outstanding capital stock of PFS Genomics Inc. ("PFS"). On June 23, 2021, the Company completed the acquisition of the remaining 10% interest in PFS. The Company expects this acquisition to expand its ability to help guide early-stage breast cancer treatment through individualized radiotherapy treatment decisions.

The transaction was treated as an asset acquisition under GAAP because substantially all of the fair value of the gross assets acquired were deemed to be associated with the acquired technology. Refer to the Company's 2021 Form 10-K for detailed disclosures on the asset acquisition, including the fair value of the consideration transferred and purchase price allocation.

TARDIS License Agreement

On January 11, 2021, the Company entered into a worldwide exclusive license to the proprietary TARDIS technology from TGen, an affiliate of City of Hope. Under the agreement, the Company acquired a royalty-free, worldwide exclusive license to proprietary TARDIS patents and know-how. The Company intends to develop and commercialize the TARDIS technology as a minimal residual disease test.

The Company accounted for this transaction as an asset acquisition. Refer to the Company's 2021 Form 10-K for detailed disclosures on the asset acquisition, including the fair value of the consideration transferred and information related to contingent milestones.

Divestitures

Oncotype DX Genomic Prostate Score Test

On August 2, 2022, pursuant to an asset purchase agreement with MDxHealth SA, the Company completed the sale of the intellectual property and know-how related to the Company's Oncotype DX Genomic Prostate Score test, which will allow the Company to focus on the highest impact projects core to the Company's vision.

The closing date fair value of the consideration received for the asset was approximately $29.6 million, which consisted of the following:

(In thousands)		
Cash	$	25,000
MDxHealth American Depository Shares		4,631
Contingent consideration		—
Total consideration	$	29,631

The fair value of the 691,171 American Depository Shares received as part of the consideration transferred was determined on the basis of the average of the high and low market price of the MDxHealth's shares on the date of divestiture, which was $6.70.

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The asset purchase agreement requires MDxHealth to pay the Company up to an additional $70.0 million of contingent consideration that would be earned and receivable in cash and/or equity based on the achievement of certain revenue milestones by MDxHealth between 2023 and 2025. The contingent consideration will be recognized as other operating income in the condensed consolidated statement of operations when it is probable a significant reversal of a gain would not occur.

The carrying value of the asset sold, which was previously included in intangible assets, net on the condensed consolidated balance sheet, was $42.9 million as of the closing date. As a result of the sale, the Company recorded a loss of $13.2 million, which is included in other operating loss in the condensed consolidated statement of operations for the three and nine months ended September 30, 2022.

Further, the Company agreed to provide certain transitional services to MDxHealth through December 31, 2022 and lab testing services for a period of up to 24 months.

Transaction-related costs were not material and have been recorded within general and administrative expenses in the condensed consolidated statement of operations. These costs include fees associated with financial, legal, accounting, and other advisors incurred to complete the divestiture.

(17) SEGMENT INFORMATION

Management determined that the Company functions as a single operating segment, and thus reports as a single reportable segment. This operating segment is focused on the development and global commercialization of clinical laboratory services allowing healthcare providers and patients to make individualized treatment decisions. Management assessed the discrete financial information routinely reviewed by the Company's Chief Operating Decision Maker, its President and Chief Executive Officer, to monitor the Company's operating performance and support decisions regarding allocation of resources to its operations. Performance is continuously monitored at the consolidated level to timely identify deviations from expected results.

The following table summarizes total revenue from customers by geographic region. Product revenues are attributed to countries based on ship-to location.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2022**	**2021**	**2022**	**2021**
United States	$ 491,540	$ 429,150	$ 1,441,748	$ 1,213,142
Outside of United States	31,533	27,229	89,536	80,133
Total revenues	$ 523,073	$ 456,379	$ 1,531,284	$ 1,293,275

Long-lived assets located in countries outside of the United States are not significant.

(18) INCOME TAXES

The Company recorded an income tax benefit of $3.1 million and $3.9 million for the three months ended September 30, 2022 and 2021, respectively. The Company recorded an income tax benefit of $6.9 million and $242.6 million for the nine months ended September 30, 2022 and 2021, respectively. The Company’s income tax benefit recorded during the three months ended September 30, 2022 is primarily related to the future limitations on and expiration of certain Federal and State deferred tax assets, offset by current foreign and state tax expense. The Company’s income tax benefit recorded during the nine months ended September 30, 2022 is primarily related to the future limitations on and expiration of certain Federal and State deferred tax assets, offset by current foreign and state tax expense. A deferred tax liability of approximately $22.9 million was recorded as of September 30, 2022, which is included in other long-term liabilities on the Company’s condensed consolidated balance sheet. The Company continues to maintain a full valuation allowance against its deferred tax assets based on management’s determination that it is more likely than not the benefit will not be realized.

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The Company had $26.0 million and $21.8 million of unrecognized tax benefits at September 30, 2022 and December 31, 2021, respectively. These amounts have been recorded as a reduction to the Company's deferred tax asset, if recognized they would not have an impact on the effective tax rate due to the existing valuation allowance. Certain of the Company's unrecognized tax benefits could change due to activities of various tax authorities, including possible settlement of audits, or through normal expiration of various statutes of limitations. The Company does not expect a material change in unrecognized tax benefits in the next twelve months.

As of September 30, 2022, due to the carryforward of unutilized net operating losses and research and development credits, the Company is subject to U.S. federal income tax examinations for the tax years 2002 through 2022, and to state income tax examinations for the tax years 2002 through 2022. No interest or penalties related to income taxes have been accrued or recognized as of September 30, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Objective

The purpose of this Management's Discussion and Analysis is to better allow our investors to understand and view our company from management's perspective. We are providing an overview of our business and strategy including a discussion of our financial condition and results of operations. The following discussion of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021, which has been filed with the U.S. Securities and Exchange Commission ("SEC") (the "2021 Form 10-K").

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "would," "could," "seek," "intend," "plan," "goal," "project," "estimate," "anticipate" or other comparable terms. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q regarding our strategies, prospects, expectations, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding expected future operating results; our strategies, positioning, resources, capabilities and expectations for future events or performance; and the anticipated benefits of our acquisitions, including estimated synergies and other financial impacts. Forward-looking statements are neither historical facts nor assurances of future performance or events. Instead, they are based only on current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Actual results, conditions and events may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause actual results, conditions and events to differ materially from those indicated in the forward-looking statements include, among others, the following: uncertainties associated with the coronavirus ("COVID-19") pandemic, including its possible effects on our operations, including our supply chain and clinical studies, and the demand for our products and services; our ability to efficiently and flexibly manage our business amid uncertainties related to COVID-19; our ability to meet our payment obligations under our indebtedness; our ability to raise additional capital in amounts and on terms satisfactory to us, if at all; our ability to successfully and profitably market our products and services; the acceptance of our products and services by patients and healthcare providers; our ability to meet demand for our products and services; the willingness of health insurance companies and other payers to cover our products and services and adequately reimburse us for such products and services; the amount and nature of competition for our products and services; the effects of any judicial, executive or legislative action affecting us or the healthcare system; recommendations, guidelines and quality metrics issued by various organizations regarding cancer screening or our products and services; our ability to successfully develop new products and services and assess potential market opportunities; our ability to effectively enter into and utilize strategic partnerships and acquisitions; our success establishing and maintaining collaborative, licensing and supplier arrangements; our ability to obtain and maintain regulatory approvals and comply with applicable regulations; our ability to manage an international business and our expectations regarding our international expansion and opportunities; the potential effects of changing macroeconomic conditions, including the effects of inflation and interest rate and foreign currency exchange rate fluctuations and any such efforts to hedge such effects; the possibility that the anticipated benefits from our business acquisitions will not be realized in full or at all or may take longer to realize than expected; the possibility that costs or difficulties related to the integration of acquired businesses' operations or the divestiture of business operations will be greater than expected and the possibility that integration or divestiture efforts will disrupt our business and strain management time and resources; the outcome of any litigation, government investigations, enforcement actions or other legal proceedings; our ability to retain and hire key personnel. The risks included above are not exhaustive. Other important risks and uncertainties are described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of the 2021 Form 10-K and subsequently filed Quarterly Reports on Form 10-Q. You are further cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Overview

Exact Sciences Corporation (together with its subsidiaries, “Exact,” “we,” “us,” “our” or the “Company”) is a leading, global, advanced cancer diagnostics company. We have developed some of the most impactful tests in cancer diagnostics, and we are currently working on the development of additional tests, with the goal of bringing new, innovative cancer tests to patients throughout the world.

Acquisitions and Divestitures

On August 2, 2022, we completed the sale of the intellectual property and know-how related to our Oncotype DX Genomic Prostate Score® test (“GPS test”) to MDxHealth SA ("MDxHealth"). We believe this will allow our team to focus on the highest impact projects core to our vision. As a result of the transaction, certain members of our dedicated urology teams transitioned to MDxHealth, a commercial-stage precision diagnostics company focused solely on prostate cancer and other urologic diseases. To ensure a smooth transition for patients, we have agreed to provide certain transitional services to MDxHealth, including employee leasing and lab services.

Refer to Note 16 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for full discussion of acquisitions and divestitures completed during the year.

Our Screening Tests

Colorectal Cancer Screening

Colorectal cancer is the second leading cause of cancer deaths in the United States and the leading cause of cancer deaths in the United States among non-smokers. Each year in the United States there are approximately 150,000 new cases of colorectal cancer and 53,000 deaths. It is widely accepted that colorectal cancer is among the most preventable, yet least prevented cancers.

Our Cologuard® test is a non-invasive stool-based DNA (“sDNA”) screening test that utilizes a multi-target approach to detect DNA and hemoglobin biomarkers associated with colorectal cancer and pre-cancer. Upon approval by the U.S. Food and Drug Administration (“FDA”) in August 2014, our Cologuard test became the first and only FDA-approved sDNA non-invasive colorectal cancer screening test. Our Cologuard test is now indicated for average risk adults 45 years of age and older.

Clinical Genetic Testing

We provide more than 5,000 predefined genetic tests for nearly all clinically relevant genes, additional custom panels, and comprehensive germline, whole exome (“PGxome®”), and whole genome (“PGnome®”) sequencing tests.

Our hereditary cancer test, Riskguard™, helps people understand their inherited risk of cancer, arming them with critical information to make better treatment decisions.

Our Precision Oncology Tests

Our portfolio delivers actionable genomic insights to inform prognosis and cancer treatment after a diagnosis. In breast cancer, the Oncotype DX Breast Recurrence Score® test is the only test shown to predict the likelihood of chemotherapy benefit as well as recurrence in invasive breast cancer. The Oncotype DX® test is recognized as the standard of care and is included in all major breast cancer treatment guidelines. The Oncomap™ ExTra test applies comprehensive tumor profiling, utilizing whole exome and whole transcriptome sequencing, to aid in therapy selection for patients with advanced, metastatic, refractory, relapsed, or recurrent cancer. With an extensive panel of approximately 20,000 genes and 169 introns, the Oncomap ExTra test is one of the most comprehensive genomic (DNA) and transcriptomic (RNA) panels available today. We enable patients to take a more active role in their cancer care and makes it easy for providers to order tests, interpret results, and personalize medicine by applying real-world evidence and guideline recommendations.

International Business Background and Products

We commercialize our Oncotype DX Breast Recurrence Score test internationally through employees in Canada, Japan and eight European countries, as well as through exclusive distribution agreements. We have provided our Oncotype tests in more than 90 countries outside of the United States. We do not offer our Cologuard test or COVID-19 testing outside of the United States.

Pipeline Research and Development

Our research and development efforts are focused on developing new products and enhancing existing products to address unmet cancer needs and expand the clinical utility and addressable patient populations for our existing tests. We expect to advance liquid biopsy through biomarker discovery and validation in tissue, blood, or other fluids and to leverage recent business development activities to accelerate our leadership in earlier cancer detection and treatment guidance. We are pursuing the following opportunities:

- *Colorectal Cancer Screening*. We are seeking opportunities to improve upon our Cologuard test's performance characteristics. In January 2022, we and Mayo Foundation for Medical Education and Research ("Mayo") presented at the American Society of Clinical Oncology Gastrointestinal Cancers Symposium findings from a study including prospectively collected samples that showed overall sensitivity of 95% for colorectal cancer at specificity of 92%. Subgroup analyses showed 83% sensitivity for high-grade dysplasia, the most dangerous pre-cancerous lesions, and 57% for all advanced pre-cancerous lesions. To establish the performance of an enhanced multi-target stool DNA test, we expect to enroll up to 29,000 patients 40 years of age and older in our multi-center, prospective BLUE-C study. The timing of any such enhancements to our Cologuard test is unknown and would be subject to FDA approval. We are also working to develop a blood-based screening test for colorectal cancer.
- *Multi-Cancer Early Detection ("MCED") Test Development.* We are currently seeking to develop a blood-based, MCED test. In January 2021, we completed the acquisition of Thrive Earlier Detection Corporation ("Thrive"), a healthcare company dedicated to developing a blood-based, MCED test. We are combining Thrive's expertise with our scientific capabilities, clinical organization, and commercial infrastructure to bring an accurate blood-based, multi-cancer early detection test to patients. In September 2022, we announced data at the European Society for Medical Oncology ("ESMO") Congress from a biomarker validation study, which demonstrated the ability to detect cancer signals from 15 organ sites, including 11 with no screening option available today, with a mean sensitivity of 61% and mean specificity of 98.2%. The multi-biomarker approach detected stage I and stage II cancers with a combined sensitivity of 38.7%. A larger case-control study is underway to further validate the results shared at ESMO and to determine the final design of the MCED test. We will then begin recruiting patients for the FDA registrational Study of All comeRs ("SOAR") trial during 2023. We expect that the SOAR trial will be the largest prospective, interventional MCED trial ever conducted in the United States.
- *Minimal Residual Disease ("MRD") Test Development.* We plan to offer both a tumor-informed and tumor-naive minimal residual disease test to help detect small amounts of tumor DNA that may remain in patients' blood after they have undergone initial treatment. Our goal is to support all patients in MRD and recurrence monitoring, whether there is access to tumor tissue to inform patient-specific biomarker targets or no access to tissue such that a predefined biomarker panel is used. We are currently evaluating different technological approaches for both test types. In January 2021, we acquired an exclusive license to The Translational Genomics Research Institute ("TGen") proprietary Targeted Digital Sequencing ("TARDIS") technology to support development of our tumor-informed test. We have also published proof of concept data showing the ability of cancer-associated methylation markers to detect distantly recurrent colorectal cancer with promising performance.
- *Hereditary Cancer Testing.* In December 2021, we acquired PreventionGenetics, LLC ("PreventionGenetics"), a DNA testing laboratory that provides more than 5,000 predefined genetic tests for nearly all clinically relevant genes, additional custom panels, and comprehensive germline whole exome and whole genome sequencing tests. We intend to use PreventionGenetics' capabilities to expand the use of hereditary cancer testing in the U.S. and globally. In the third quarter of 2022, we made our hereditary cancer test, Riskguard, available to oncologists through an early-access program.

Research and development, which includes our clinical study programs, accounts for a material portion of our operating expenses. As we seek to enhance our current product portfolio and expand our product pipeline by developing additional cancer screening and diagnostic tests, we expect that our research and development expenditures will continue to increase.

COVID-19 Testing Business

In late March 2020, we began providing COVID-19 testing. We have partnered with various customers, including the State of Wisconsin Department of Health Services, to administer testing. Customers are responsible for employing trained personnel to collect specimens. Specimens are sent to our laboratory in Madison, Wisconsin, where we run the assay in our laboratories and provide test results to ordering providers. As public health impacts of COVID-19 evolve, we intend to periodically reassess offering COVID-19 testing.

2022 Priorities

Our top priorities for 2022 are to (1) impact more lives, (2) advance new tests, and (3) take care of the people we serve.

Impact More Lives

We are committed to delivering critical answers to patients by getting more people tested with our laboratory testing services.

Advance New Tests

In 2022, we are focused on advancing new tests to provide better answers to patients, beginning with assessing risk for cancer through screening, and then changing the way cancer is detected and treated throughout the entire cancer journey. We plan to prioritize investments in clinical studies to support our three most important product development programs: (1) colon cancer screening tests, (2) multi-cancer early detection, and (3) minimal residual disease and recurrence testing.

Take Care of the People we Serve

We want to take even better care of everyone we serve. We plan to improve customer relations by delivering simple and smooth workflows, providing communication that is clear and easy to understand, and providing results that are fast and accurate. Our goal is to become a caring partner to answer questions and help people navigate what is a difficult time in their life.

Recent Developments and Trends

Impacts of COVID-19 and Current Inflationary Environment

COVID-19 has affected many segments of the global economy, including the cancer screening and diagnostics industry. The pandemic and related precautionary measures have significantly impacted, and may continue to impact, our workforce, supply chain, and operating results including our testing volumes, revenues, margins, and cash utilization, among other measures. The level and nature of the disruption caused by COVID-19 is unpredictable, may be cyclical, and long-lasting and may vary from location to location. As a result of the pandemic, we continue to provide COVID-19 testing. Our Screening and Precision Oncology businesses were negatively impacted by the pandemic but have in large part recovered. Future outbreaks of COVID-19 and its variants could diminish patients' and our sales representatives' access to healthcare provider offices. Pandemic-related supply chain disruptions, whether caused by restrictions or slowdowns in shipping or logistics, increases in demand for certain goods used in our operations, or otherwise, could impact our operations.

The inflationary environment has resulted in higher prices, which have impacted costs incurred to generate revenue from our laboratory testing services, costs to attract and retain personnel, and other operating costs. The severity and duration of the current inflationary environment remains uncertain and may continue to impact our financial condition and results of operations. Additionally, fluctuations in foreign currency exchange rates can affect our financial position and results of operations. With the strengthening of the U.S. dollar against foreign currencies, the remeasurement of our foreign currency denominated transactions has resulted in decreased revenues. While the impact has not been material to our financial position to date and we make efforts to hedge our foreign currency exchange rate exposure, we cannot predict the extent to which currency fluctuations may affect our business and financial position in the future.

Cologuard Promotion

In March 2022, we announced our partnership with Katie Couric, award winning journalist and colorectal cancer advocate, to continue to highlight the urgent need for people to get screened. Entitled ‘Mission to Screen,’ the year-long marketing and social-media campaign is educating Americans on the importance of early detection, starting colon cancer screening at age 45 for average risk individuals, and the availability of multiple screening options. 'Mission to Screen' is being placed in broadcast and digital outlets. It includes a national television commercial, a website featuring interviews with real doctors and patients, and a social media initiative encouraging people to share their reasons to screen.

Results of Operations

We have generated significant losses since inception and, as of September 30, 2022, we had an accumulated deficit of approximately $3.14 billion. We expect to continue to incur losses for the near future, and it is possible we may never achieve profitability.

Revenue. Our revenue is primarily generated by our laboratory testing services from our Cologuard, Oncotype, and COVID-19 tests.

	Three Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Screening	$ 360.8	$ 280.4	$ 80.4
Precision Oncology	151.4	145.4	6.0
COVID-19 Testing	10.9	30.6	(19.7)
Total	$ 523.1	$ 456.4	$ 66.7

	Nine Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Screening	$ 1,021.2	$ 784.6	$ 236.5
Precision Oncology	458.1	412.6	45.4
COVID-19 Testing	52.1	96.0	(44.0)
Total	$ 1,531.3	$ 1,293.3	$ 238.0

The increase in Screening revenue, which primarily includes laboratory service revenue from our Cologuard test, was mainly due to an increase in the number of completed Cologuard tests and revenue generated from new products as a result of our acquisition of PreventionGenetics in the fourth quarter of 2021. Improved sales team productivity, more patients rescreening with our Cologuard test, and first-time users in the 45 to 49 age group contributed to the increase in completed Cologuard tests for the three and nine months ended September 30, 2022. Relative recovery from the COVID-19 pandemic contributed to sales team productivity for the three and nine months ended September 30, 2022. The increase in Precision Oncology revenue, which primarily includes laboratory service revenue from our global Oncotype products, was mainly due to an increase in the number of completed Oncotype tests, both domestically and internationally, and revenue generated from new products as a result of our acquisition of Ashion Analytics, LLC (“Ashion”) in the second quarter of 2021. Continued adoption by node-positive patients following the RxPONDER publication in the New England Journal of Medicine also contributed to the increase in completed Oncotype tests for the three and nine months ended September 30, 2022. The increase in completed Oncotype tests was partially offset by a decrease in revenues from our GPS test, which was divested on August 2, 2022.

During the three and nine months ended September 30, 2022, revenue recognized from changes in transaction price was $6.4 million and $17.6 million, respectively. During the three and nine months ended September 30, 2021, there was a downward adjustment to revenue from a change in transaction price of $0.2 million and $13.2 million, respectively. The increase to revenue in 2022 is a result of improvements made in our order to cash operations, specifically within our billing systems and processes.

We expect continuing revenue growth for our Cologuard and Oncotype products subject to seasonal variability. We would expect revenue from our COVID-19 testing to decline as the pandemic abates and alternative testing options become more widely available. Our revenues are affected by the test volume of our products, patient adherence rates, payer mix, the levels of reimbursement, our order to cash operations, and payment patterns of payers and patients.

Cost of sales (exclusive of amortization of acquired intangible assets). Cost of sales includes costs related to inventory production and usage, shipment of collection kits and tissue samples, royalties and the cost of services to process tests and provide results to healthcare providers. The increase in cost of sales for the three and nine months ended September 30, 2022 is primarily due to an increase in production costs and personnel expenses, which is primarily due to an increase in completed Cologuard and Oncotype tests and the corresponding increase in headcount to support the increase in tests completed. In addition, our production costs and personnel expenses have risen as a result of the inflationary environment discussed above. The increase was partially offset by a reduction in the number of COVID-19 tests completed year over year. We expect that cost of sales will generally continue to increase in future periods as a result of an increase in our existing laboratory testing services and as we launch our pipeline products. We also expect to see a corresponding increase in personnel and support services associated with this growth.

	Three Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Production costs	$ 87.3	$ 63.9	$ 23.4
Personnel expenses	39.0	31.7	7.3
Facility and support services	16.5	15.7	0.8
Stock-based compensation	4.5	4.3	0.2
Other cost of sales expenses	0.6	0.1	0.5
Total cost of sales expense	$ 147.9	$ 115.7	$ 32.2

	Nine Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Production costs	$ 244.6	$ 188.8	$ 55.8
Personnel expenses	118.4	92.4	26.0
Facility and support services	48.7	44.9	3.8
Stock-based compensation	14.3	12.8	1.5
Other cost of sales expenses	1.2	0.8	0.4
Total cost of sales expense	$ 427.2	$ 339.7	$ 87.5

Research and development expenses. Research and development expenses for the nine months ended September 30, 2021 included $52.3 million for the acquisition of the exclusive license to TARDIS in January 2021 and $33.1 million incurred for the acquisition of PFS Genomics, Inc., which was completed in June 2021. These acquisitions were accounted for as asset acquisitions, as opposed to the May 2022 acquisition of OmicEra Diagnostics GmbH, which was accounted for as a business combination, and are further described in Note 16 of our condensed consolidated financial statements in this Quarterly Report on Form 10-Q. When excluding the impact of these asset acquisitions, research and development expenses increased by $15.4 million and $87.2 million for the three and nine months ended September 30, 2022 primarily due to an increase in BLUE-C and MCED clinical trial related expenses. In addition, personnel expenses and facility and support services increased due to an increase in headcount and other resources needed to support our ongoing clinical trials, which was partially offset by favorable stock-based compensation expense primarily driven by a decrease in expense associated with equity awards issued in connection with the Thrive acquisition. We expect that research and development expenses will generally continue to increase in future periods as we continue to invest to advance new tests.

	Three Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Direct research and development	$ 32.3	$ 28.7	$ 3.6
Personnel expenses	34.6	25.1	9.5
Facility and support services	12.2	6.4	5.8
Stock-based compensation	7.7	12.2	(4.5)
Professional fees	1.1	1.7	(0.6)
Other research and development	2.9	1.3	1.6
Total research and development expenses	$ 90.8	$ 75.4	$ 15.4

	Nine Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Direct research and development	$ 123.8	$ 74.9	$ 48.9
Personnel expenses	106.0	69.7	36.3
Facility and support services	32.8	18.8	14.0
Stock-based compensation	27.2	39.3	(12.1)
Professional fees	3.1	4.7	(1.6)
Other research and development	6.2	4.5	1.7
Licensed technology acquisition	—	85.3	(85.3)
Total research and development expenses	$ 299.1	$ 297.2	$ 1.9

Sales and marketing expenses. The decrease in sales and marketing expenses for the three months ended September 30, 2022 was primarily due to a decrease in professional and legal fees incurred related to our promotion agreement with Pfizer Inc. ("Pfizer"), which was amended in the fourth quarter of 2021 as further discussed in Note 11 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. This was partially offset by an increase in personnel expenses and direct marketing spend. The increase in sales and marketing expenses for the nine months ended September 30, 2022 was primarily due to an increase in direct marketing spend to support the future growth of our products and increased personnel expenses and stock-based compensation as a result of an increase in headcount, including the approximately 400 former Pfizer sales representatives that were onboarded in the third quarter of 2021. This increase was partially offset by a decrease in professional and legal fees related to our promotion agreement with Pfizer. We expect sales and marketing expenses to increase in future periods to support growth of our Cologuard, Oncotype, and pipeline products, but expect it to decrease as a percentage of revenue over time.

	Three Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Personnel expenses	$ 99.3	$ 92.3	$ 7.0
Direct marketing costs	53.8	48.0	5.8
Stock-based compensation	14.3	14.7	(0.4)
Facility and support services	11.7	16.7	(5.0)
Professional and legal fees	8.1	23.0	(14.9)
Other sales and marketing expenses	0.5	1.9	(1.4)
Total sales and marketing expenses	$ 187.7	$ 196.6	$ (8.9)

	Nine Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Personnel expenses	$ 336.6	$ 264.3	$ 72.3
Direct marketing costs	175.5	136.5	39.0
Stock-based compensation	47.3	41.6	5.7
Facility and support services	37.4	50.0	(12.6)
Professional and legal fees	37.1	81.5	(44.4)
Other sales and marketing expenses	1.9	3.7	(1.8)
Total sales and marketing expenses	$ 635.8	$ 577.6	$ 58.2

General and administrative expenses. General and administrative expenses for the three and nine months ended September 30, 2021 included $10.2 million and $141.4 million in acquisition and integration related costs as part of our acquisitions completed during the year, which primarily consisted of integration related stock-based compensation and professional and legal fees incurred. Acquisition and integration related costs were not significant for the three and nine months ended September 30, 2022. When excluding the impact of acquisition and integration related costs, personnel expenses increased due to an increase in headcount to support our growth in our operations and from our recent acquisitions. In addition, facility and support services increased to support the build out of our facilities and our increased headcount. The decrease in other general and administrative expenses is primarily due to gains of $5.9 million and $57.6 million recorded during the three and nine months ended September 30, 2022 as a result of the change in fair value of our outstanding contingent consideration as further described in Note 7 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. We expect significant leverage in general and administrative expenses going forward, but expenses will generally continue to increase in future periods due to an increase in headcount that will be necessary to support the growth in our existing and pipeline products.

	Three Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Personnel expenses	$ 93.6	$ 79.3	$ 14.3
Facility and support services	36.4	25.7	10.7
Professional and legal fees	32.6	34.1	(1.5)
Stock-based compensation	23.0	32.4	(9.4)
Other general and administrative	6.4	15.0	(8.6)
Total general and administrative expenses	$ 192.0	$ 186.5	$ 5.5

	Nine Months Ended September 30,		
Amounts in millions	**2022**	**2021**	**Change**
Personnel expenses	$ 292.8	$ 225.5	$ 67.3
Facility and support services	103.0	60.8	42.2
Professional and legal fees	89.5	99.2	(9.7)
Stock-based compensation	72.1	189.6	(117.5)
Other general and administrative	(14.0)	46.8	(60.8)
Total general and administrative expenses	$ 543.4	$ 621.9	$ (78.5)

Amortization of acquired intangible assets. Amortization of acquired intangible assets decreased to $23.5 million for the three months ended September 30, 2022 compared to $23.9 million for the three months ended September 30, 2021. The decrease is primarily due to reduced amortization on the intangible assets that were disposed of related to the sale of the GPS test, which was partially offset by amortization of intangible assets acquired as part of our acquisitions of PreventionGenetics in December 2021 and OmicEra in May 2022. Amortization of acquired intangible assets increased to $74.5 million for the nine months ended September 30, 2022, compared to $71.0 million for the nine months ended September 30, 2021. The increase in amortization of acquired intangible assets for the nine months ended September 30, 2022 was due to the amortization of intangible assets acquired as part of our acquisitions described above in addition to Ashion in April 2021.

Impairment of long-lived assets. Impairment of long-lived assets decreased to $5.9 million and $12.5 million for the three and nine months ended September 30, 2022, respectively, compared to $20.2 million for the three and nine months ended September 30, 2021. The impairment charges recorded during the three months ended September 30, 2022 included impairments to the supply agreement intangible asset acquired as part of the combination with Genomic Health, and a building lease in Redwood City, California. For the nine months ended September 30, 2022, we also recorded an impairment on the acquired developed technology intangible asset acquired as part of the acquisition of Paradigm Diagnostics, Inc. (“Paradigm”). The impairment charge recorded during the three and nine months ended September 30, 2021 related to the supply agreement intangible asset acquired as part of the combination with Genomic Health.

Other operating loss. Other operating loss increased to $13.2 million for the three and nine months ended September 30, 2022 compared to zero for the three and nine months ended September 30, 2021. The $13.2 million loss for the three and nine months ended September 30, 2022 represents the loss on the sale of our GPS test to MDxHealth, which is the difference between the carrying value of the asset sold as of the closing date and the consideration received from the sale. The sale of the GPS test is further discussed in Note 16 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Investment income (loss), net. For the three months ended September 30, 2022, we had net investment loss of $8.6 million, compared to net investment loss of $4.1 million for the three months ended September 30, 2021. For the nine months ended September 30, 2022, we had net investment loss of $13.8 million, compared to net investment income of $30.5 million for the nine months ended September 30, 2021. The net investment loss for the three and nine months ended September 30, 2022 was primarily due to losses recorded on our equity securities. Net investment income for the nine months ended September 30, 2021 was primarily due to the realized gain of $30.5 million that was recorded on our preferred stock investment in Thrive at closing in January 2021, which represented the adjustment to our historical investment to its fair value prior to our acquisition of Thrive. Our acquisition of Thrive is further described in Note 19 of our 2021 Form 10-K.

Interest expense. Interest expense increased to $5.2 million for the three months ended September 30, 2022 compared to $4.7 million for the three months ended September 30, 2021. Interest expense recorded from our outstanding convertible notes totaled $4.0 million during each of the three months ended September 30, 2022 and 2021. Interest expense increased to $14.2 million for the nine months ended September 30, 2022 compared to $13.9 million for the nine months ended September 30, 2021. Interest expense recorded from our outstanding convertible notes totaled $12.1 million during each of the nine months ended September 30, 2022 and 2021. The convertible notes are further described in Note 9 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Income tax benefit. Income tax benefit decreased to $3.1 million for the three months ended September 30, 2022 compared to $3.9 million for the three months ended September 30, 2021. Income tax benefit decreased to $6.9 million for the nine months ended September 30, 2022 compared to $242.6 million for the nine months ended September 30, 2021. This decrease in income tax benefit is primarily due to an income tax benefit of $239.2 million recorded during the nine months ended September 30, 2021 as a result of the change in the deferred tax asset valuation allowance resulting from the acquisition of Thrive.

Liquidity and Capital Resources

Overview

We have incurred losses and negative cash flows from operations since our inception, and have historically financed our operations primarily through public offerings of our common stock and convertible debt and through revenue generated by the sale of our laboratory testing services. We expect our operating expenditures to continue to increase to support future growth of our laboratory testing services, as well as an increase in research and development and clinical trial costs to support the advancement of our pipeline products and bringing new tests to market. We expect that cash and cash equivalents and marketable securities on hand at September 30, 2022, along with cash flows generated through our operations, will be sufficient to fund our current operations for at least the next twelve months based on current operating plans.

We have access to a revolving line-of-credit (the "Revolver") of up to $150.0 million, which had its maturity date extended to November 2025 through an amended agreement in October 2022. The Revolver is collateralized by certain marketable securities which must continue to maintain a minimum market value of $150.0 million. During the fourth quarter of 2021, PNC Bank, National Association issued a letter of credit of $2.9 million, which reduced the amount available for cash advances under the line of credit to $147.1 million. As of September 30, 2022, we had not drawn any funds under the Revolver. In addition to the Revolver, we have access to $150.0 million under an accounts receivable securitization facility (the "Securitization Facility"), which expires in June 2024. The amount that we may borrow is determined based on the amount of qualifying accounts receivable at a given point in time. The Securitization Facility is collateralized by our accounts receivables. As of September 30, 2022, we had $50.0 million outstanding under the Securitization Facility, which is the minimum amount that we must borrow under the terms of the Securitization Facility. The Revolver and Securitization Facility are further described in Note 8 of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

We may raise additional capital to expand our business, to pursue strategic investments, to take advantage of financing opportunities or for other reasons. If we are unable to obtain sufficient additional funds to enable us to fund our business plans and strategic investments, our results of operations and financial condition could be materially adversely affected, and we may be required to delay the implementation of our plans or otherwise scale back our operations. There can be no certainty that we will ever be successful in generating sufficient cash flow from operations to achieve and maintain profitability and meet all of our obligations as they come due.

Cash, Cash Equivalents and Marketable Securities

As of September 30, 2022, we had approximately $235.3 million in unrestricted cash and cash equivalents and approximately $433.8 million in marketable securities.

The majority of our investments in marketable securities consist of fixed income investments, and all are deemed available-for-sale. The objectives of this portfolio are to provide liquidity and safety of principal while striving to achieve the highest rate of return. Our investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer.

Cash Flows

	Nine Months Ended September 30,	
Amounts In millions	**2022**	**2021**
Net cash used in operating activities	$ (275.6)	$ (77.7)
Net cash provided by (used in) investing activities	132.2	(1,160.5)
Net cash provided by financing activities	66.4	20.7

Operating activities

The cash used in operating activities for the nine months ended September 30, 2022 was primarily to fund our net loss. The increase in our net loss was primarily due to an increase in expenses incurred to process our tests and an increase in operating expenses incurred to support the growth of our operations as further discussed above. The increase in cash used was also due to timing of payments on our accounts payable and accrued expenses, including payments made during the nine months ended September 30, 2022 under our promotion agreement with Pfizer and for certain personnel related liabilities that were accrued for as of December 31, 2021. This was partially offset by an increase in revenue, which was driven by an increase in completed Cologuard and Oncotype tests.

Investing activities

Cash provided by investing activities for the nine months ended September 30, 2022, was primarily due to a net cash inflow from purchases, sales, maturities of marketable securities of $275.0 million and $25.0 million from the sale of our GPS test in the third quarter, which was partially offset by purchases of property and equipment of $141.6 million and investments in privately held companies of $26.8 million. Cash used in investing activities for the nine months ended September 30, 2021 was primarily due to a net cash outflow from purchases, sales, and maturities of marketable securities of $596.7 million, our acquisition of Thrive of $343.2 million, our acquisition of Ashion of $72.3 million, our asset acquisition of PFS Genomics of $33.1 million, our TARDIS license asset acquisition of $25.0 million, purchases of property and equipment of $76.4 million, and investments in privately held companies of $13.6 million.

Financing activities

The cash provided by financing activities during the nine months ended September 30, 2022 consisted of proceeds of $50.0 million from our accounts receivable securitization facility, $15.5 million in connection with our employee stock purchase plan, and $6.0 million from the exercise of stock options, which was partially offset by cash outflows of $5.1 million for other financing activities. The cash provided by financing activities for the nine months ended September 30, 2021 consisted of proceeds of $13.4 million from the exercise of stock options and $12.0 million in connection with our employee stock purchase plan, which was partially offset by $4.7 million for other financing activities.

Material Cash Requirements

A discussion of our material cash requirements as of December 31, 2021 was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operation of our 2021 Form 10-K. Other than the Securitization Facility and Revolver maturity date extension described above, there were no material changes outside the ordinary course of our business in our specified material cash requirements during the nine months ended September 30, 2022.

As of September 30, 2022, we had no off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience and on various other factors that are believed to be appropriate under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For a discussion of our critical accounting policies and estimates, refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2021 Form 10-K. There have been no material changes to our critical accounting policies and estimates since our 2021 Form 10-K.

Recent Accounting Pronouncements

See Note 1 of our condensed consolidated financial statements for the discussion of Recent Accounting Pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risk is principally confined to our cash, cash equivalents and marketable securities and our outstanding variable-rate debt. We invest our cash, cash equivalents, and marketable securities in securities of the U.S. governments and its agencies and in investment-grade, highly liquid investments consisting of commercial paper, bank certificates of deposit, and corporate bonds, which as of September 30, 2022 and December 31, 2021 were classified as available-for-sale. We place our cash, cash equivalents, restricted cash, and marketable securities with high-quality financial institutions, limit the amount of credit exposure to any one institution, and have established investment guidelines relative to diversification and maturities designed to maintain safety and liquidity.

Based on a hypothetical 100 basis point decrease in market interest rates, the potential losses in future earnings, fair value of risk-sensitive financial instruments, and cash flows are immaterial, although the actual effects may differ materially from the hypothetical analysis. While we believe our cash, cash equivalents, restricted cash, and marketable securities do not contain excessive risk, we cannot provide absolute assurance that, in the future, our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash, cash equivalents, restricted cash, and marketable securities at one or more financial institutions that are in excess of federally insured limits. Given the potential instability of financial institutions, we cannot provide assurance that we will not experience losses on these deposits. We do not utilize interest rate hedging agreements or other interest rate derivative instruments.

As of September 30, 2022, we had $50.0 million in outstanding variable rate debt. Based on a hypothetical 100 basis point increase in market interest rates, annual interest expense on variable rate debt as of September 30, 2022 would increase by approximately $0.5 million. If we were to draw down additional amounts under either our Revolving Loan or Securitization Facility, the impact of increases in prevailing market interest rates would be even greater. All of our other significant interest-bearing liabilities bear interest at fixed rates and therefore are not subject to fluctuations in market interest rates; however, because these interest rates are fixed, we may be paying a higher interest rate, relative to market, in the future if circumstances change.

Foreign Currency Risk

The functional currency for most of our international subsidiaries is the U.S. dollar, and as a result we are not subject to material gains and losses from foreign currency translation of the subsidiary financial statements. Substantially all of our revenues are recognized in U.S. dollars, although a small portion is denominated in foreign currency as we continue to expand into markets outside of the U.S. Certain expenses related to our international activities are payable in foreign currencies. As a result, factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets will affect our financial results. With the strengthening of the U.S. dollar against certain foreign currencies this past year, the remeasurement of our international revenues has resulted in decreased revenues.

We enter into forward contracts to mitigate the impact of adverse movements in foreign exchange rates related to the re-measurement of monetary assets and liabilities and hedge our foreign currency exchange rate exposure. As of September 30, 2022, we had open foreign currency forward contracts with notional amounts of $29.7 million. Although the impact of currency fluctuations on our financial results has been immaterial in the past, there can be no guarantee that the impact of currency fluctuations related to our international activities will not be material in the future.

Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our principal executive officer and our principal financial officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective. Disclosure controls and procedures enable us to record, process, summarize and report information required to be included in our Exchange Act filings within the required time period. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the periodic reports filed with the SEC is accumulated and communicated to our management, including our principal executive, financial and accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no significant changes in internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time we are a party to various legal proceedings arising in the ordinary course of our business. Legal proceedings, including litigation, government investigations and enforcement actions could result in material costs, occupy significant management resources and entail civil and criminal penalties. The information called for by this item is incorporated by reference to the information in Note 14 of our condensed consolidated financial statements included in Part I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in the 2021 Form 10-K and in Part II, "Item 1A. Risk Factors" in our subsequently filed Quarterly Reports on Form 10-Q. There have been no material changes to the risk factors described in the 2021 Form 10-K and in subsequently filed Quarterly Reports on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 5, 2022, we issued 2,268 shares of restricted stock to Mayo Foundation for Medical Education and Research as part of the existing services and license agreement.

On September 26, 2022, we issued 6,448 shares of common stock to XMS Capital Partners in consideration for services performed related to the Oncotype DX Genomic Prostate Score test divestiture.

We believe that the offers and sales of the securities referenced above were exempt from registration under the Securities Act of 1933 (the "Securities Act") by virtue of Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder as transactions not involving any public offering. Use of this exemption is based on the following facts:

- Neither we nor any person acting on behalf solicited any offer to buy or sell securities by any form of general solicitation or advertising.
- At time of the divestiture, the recipients of the securities were accredited investors, as defined in Rule 501(a) of the Securities Act.
- The recipients of the securities have had access to information regarding the Company and are knowledgeable about us and our business affairs.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following documents are filed as part of this Form 10-Q.

Exhibit Number	Exhibit Description	Filed with This Report	Incorporated by Reference herein from Form or Schedule	Filing Date	SEC File / Registration Number
3.1	Sixth Amended and Restated Certificate of Incorporation of the Registrant		S-1 (Exhibit 3.3)	12/4/2000	333-48812
3.2	Amendment to Sixth Amended and Restated Certificate of Incorporation of the Registrant		8-K (Exhibit 3.1)	7/24/2020	001-35092
3.3	Sixth Amended and Restated By-Laws of the Registrant		8-K (Exhibit 3.1)	1/28/2022	001-35092
10.1*	Employment Agreement, dated September 2, 2022, by and between Brian Baranick and the Registrant	X			
31.1	Certification Pursuant to Rule 13(a)-14(a) or Rule 15d-14(a) of Securities Exchange Act of 1934	X			
31.2	Certification Pursuant to Rule 13(a)-14(a) or Rule 15d-14(a) of Securities Exchange Act of 1934	X			
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			
101	The following materials from the Quarterly Report on Form 10-Q of Exact Sciences Corporation for the quarter ended September 30, 2022 filed on November 3, 2022, formatted in Inline eXtensible Business Reporting Language ("iXBRL"): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows and (v) related notes to these financial statements	X			
104	The cover page from our Quarterly Report for the period ended September 30, 2022, filed with the Securities and Exchange Commission on November 3, 2022, is formatted in Inline Extensible Business Reporting Language ("iXBRL")	X			

(*) Indicates a management contract or any compensatory plan, contract or arrangement.

SIGNATURES

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 thereunto duly authorized.

EXACT SCIENCES CORPORATION

Date: November 3, 2022

By: /s/ Kevin T. Conroy

Kevin T. Conroy
President and Chief Executive Officer
(*Principal Executive Officer*)

Date: November 3, 2022

By: /s/ Jeffrey T. Elliott

Jeffrey T. Elliott
Executive Vice President, Chief Financial Officer and Chief Operating Officer
(*Principal Financial and Accounting Officer*)

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("**Agreement**") is entered into effective as of 9/2/2022 (the "**Effective Date**"), by and between Brian Baranick ("**Employee**") and Exact Sciences Corporation, a Delaware corporation (the "**Company**," and together with Employee, the "**Parties**").

WHEREAS, the Company desires to employ Employee as its General Manager, Precision Oncology, and Employee desires to accept such employment, under this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

1. Employment. The Company shall employ Employee as the Company's General Manager, Precision Oncology, and Employee shall serve the Company in such position, under this Agreement and subject to the authority and direction of the Board of Directors of the Company (the "**Board**") or its designee. Employee shall (a) devote his or her full-time professional efforts, attention and energies to the business of the Company, (b) owe an undivided duty of loyalty to the Company and (c) faithfully and to the best of Employee's abilities perform his or her duties hereunder. Employee may serve as a director or committee member of other corporations, charitable organizations and trade associations (provided that the Company is notified in advance of all such positions) and may otherwise engage in charitable and community activities, deliver lectures and fulfill speaking engagements (with the prior approval of the CEO), and manage personal investments, but only if such services and activities do not interfere with the performance of Employee's duties and responsibilities under this Agreement.

2. Term of Employment. Employee's employment (the "**Employment Term**") shall continue until terminated as provided in **Section 6** below. A "**Separation from Service**" means the termination of Employee's employment with, and performance of services for, the Company and each Affiliate. If Employee is employed by, or performing services for, an Affiliate or a division of the Company or an Affiliate, Employee shall not be deemed to incur a Separation from Service if such Affiliate or division ceases to be an Affiliate or division of the Company, as the case may be, and Employee immediately thereafter becomes an employee of (or service provider to) the Company or an Affiliate or a successor company or an affiliate or subsidiary thereof. Approved temporary absences from employment because of illness, vacation or leave of absence and transfers among the Company and its Affiliates will not be considered a Separation from Service. Notwithstanding the foregoing, with respect to any amount or benefit under this Agreement that constitutes nonqualified deferred compensation under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), and that is payable upon a Separation from Service, "Separation from Service" means a "separation from service" as defined under Code Section 409A.

3. Compensation. During the Employment Term, Employee shall receive the following compensation from the Company.

3.1 Base Salary. Employee's annual base salary on Effective Date is four hundred seventy five thousand, two hundred dollars ($475,200), payable in accordance with the normal payroll practices of the Company ("**Base Salary**"). Employee's Base Salary shall be subject to annual review by the Company's Chief Executive Officer (the "**CEO**"), the Board and its Compensation Committee (the "**Committee**"). During the Employment Term, the Company shall periodically, in the discretion of, and at intervals determined by, the Committee, review the Base Salary amount to determine any modifications. In no event shall the Base Salary, following any such modification, be less than the Base Salary amount for the immediately preceding twelve (12)-month period other than as permitted in **Section 6.1(c)** below.

3.2 Discretionary Year-End Bonus. Employee shall be eligible to be considered for a discretionary year-end cash bonus each calendar year (a "**Year-End Bonus**"), subject to any terms and conditions established for such Year-End Bonus by the Company, including but not limited to the terms and conditions contained in the Company's Year-End Bonus policy or other such communications to employees. Employee's target Year-End Bonus percentage for each calendar year shall be fifty percent (50%) of his or her Base Salary as of January 1 of the applicable new calendar year. Employee acknowledges that any such Year-End Bonus shall be entirely within the discretion of the CEO and the Committee based upon the achievement of goals (including corporate and individual goals) and other discretionary factors as determined by the Board or the Committee after consultation with the CEO. Except as otherwise provided in the discretion of the Committee or in this Agreement, Employee shall not be eligible to be considered for, or to receive, a Year-End Bonus for any calendar year unless he or she remains employed with the Company through December 31 of the applicable calendar year and through the date of payment of such bonus. If a Year-End Bonus is awarded to Employee, it shall be paid no later than March 15 following the end of the calendar year for which it was awarded.

3.3 Equity Incentives. The Board, upon the recommendation of the Committee, or the Committee, may grant Employee from time to time options to purchase shares of the Company's common stock and other equity compensation plan awards, including restricted stock units, both as a reward for past individual and corporate performance and as an incentive for future performance. Such options and other awards, if granted, shall be pursuant to the Company's then current equity compensation plan. For purposes of this Agreement, "**Equity Awards**" means Employee's stock options, stock appreciation rights, restricted stock units (including performance stock units) and restricted shares (including performance shares), in each case that are issued and outstanding under a Company equity compensation plan; and, for the avoidance of doubt, Equity Awards shall not include any rights or benefits under the Company's 2010 Employee Stock Purchase Plan, as amended, or any successor plan thereto. For purposes of this Agreement, a "**Performance Award**" means an Equity Award that vests or becomes earned subject to the attainment of performance goals. For the avoidance of doubt, a Performance Award may also have employment- or service-based conditions, such that the Performance Award vests or becomes earned subject to both the attainment of performance goals and meeting employment- or service-based vesting conditions.

4. Benefits.

4.1 Benefits. Employee shall be entitled to participate in the sick leave, insurance (including medical, life and long-term disability), profit-sharing, retirement and other benefit programs that are generally provided to similarly situated and performing employees of the Company, all in accordance with the rules and policies of the Company as to such matters and the plans established therefore.

4.2 Time Off. Employee shall receive paid time off (which may include vacation, sick time, and/or dates designated as Company-wide holidays and floating personal holidays) as provided by and subject to the terms of the Company's and its Affiliates' applicable policies.

4.3 Indemnification. To the fullest extent permitted by applicable law or the Company's articles of incorporation and bylaws, the Company shall, during the Employment Term and after Employee's Separation from Service, indemnify Employee (including providing advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred by Employee in connection with the defense of any lawsuit or other claim or investigation to which Employee is made, or threatened to be made, a party or witness by reason of being or having been an officer, director or employee of the Company or any of its subsidiaries or affiliates as deemed under the Securities Exchange Act of 1934, as amended ("**Affiliates**"), or a fiduciary of any of their benefit plans, other than actions by the Company against Employee alleging breach of this Agreement by Employee.

4.4 Liability Insurance. Both during the Employment Term and after Employee's Separation from Service, the Company shall cause Employee to be covered under a directors and officers' liability insurance policy for his or her acts (or non-acts) as an officer of the Company or any of its Affiliates. Such policy shall be maintained by the Company, at its expense in an amount and on terms (including the time period of coverage after Employee's Separation from Service) at least as favorable to Employee as policies covering the Company's other executive officers.

5. Business Expenses. Upon submission of a satisfactory accounting by Employee, consistent with the policies of the Company, the Company shall reimburse Employee for any reasonable and necessary out-of-pocket expenses actually incurred by Employee in the furtherance of the business of the Company.

6. Separation from Service.

6.1 By Employee.

(a) Without Good Reason. Employee may initiate Employee's Separation from Service under this Agreement at any time without Good Reason with at least thirty (30) business days' written notice (the "**Employee Notice Period**") to the Company. Upon Separation from Service by Employee under this section, the Company may, in its sole discretion and at any time during the Employee Notice Period, suspend Employee's duties for the remainder of the Employee Notice Period, as long as the Company continues to pay compensation to Employee, including benefits, throughout the Employee Notice Period.

(b) With Good Reason. Subject to **Section 7.1** below, Employee may initiate Employee's Separation from Service under this Agreement with Good Reason at any time within ninety (90) days after the occurrence of an event constituting Good Reason.

(c) Good Reason Defined. "**Good Reason**" means, provided that Employee has complied with the Good Reason Process following the occurrence of any of the following events without Employee's consent: (i) Employee's Base Salary is reduced (x) in a manner that is not applied proportionately to other senior executive officers of the Company or (y) by more than thirty percent (30%) of Employee's then current Base Salary; (ii) Employee's duties, authority or responsibilities are materially reduced or are materially inconsistent with the scope of authority, duties and responsibilities of Employee's position; (iii) the occurrence of a material breach by the Company of any of its obligations to Employee under this Agreement; or (iv) a relocation of Employee's principal place of employment by more than fifty (50) miles.

(d) Good Reason Process. "**Good Reason Process**" means that (i) Employee reasonably determines in good faith that a Good Reason condition has occurred; (ii) Employee notifies the Company in writing of the occurrence of the Good Reason condition within sixty (60) days of such occurrence; (iii) Employee cooperates in good faith with the Company's efforts, for a period of not less than thirty (30) days following such notice (the "**Cure Period**"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist following the Cure Period; and (v) Employee Separates from Service for Good Reason within sixty (60) days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, and Employee Separates from Service due to such condition (notwithstanding its cure), then Employee shall not be deemed to have Separated from Service for Good Reason.

6.2 By the Company.

(a) With Cause. The Company may initiate Employee's Separation from Service under this Agreement for Cause immediately upon written notice to Employee.

(b) Cause Defined. "**Cause**" means any of the following:

(i) Employee's willful failure or refusal to perform Employee's duties that continues for more than three (3) days after written notice from the Company;

(ii) Employee's willful failure or refusal to follow or comply with any Company policy, rule or procedure that continues for more than three (3) days after written notice from the Company;

(iii) Employee's commission of any fraud or embezzlement in connection with Employee's duties or committed in the course of Employee's employment;

(iv) Employee's gross negligence or willful misconduct with regard to the Company or any of its Affiliates resulting in a material economic loss to the Company;

(v) Employee's conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude;

(vi) Employee's conviction of, or plea of guilty or nolo contendere to, a misdemeanor the circumstances of which involve fraud, dishonesty or moral turpitude and that is substantially related to the circumstances of Employee's job with the Company;

(vii) Employee's willful and material violation of any statutory or common law duty of loyalty to the Company or any of its Affiliates;

(viii) Employee's exclusion, suspension, or debarment or other ineligibility to participate in any federal or state-funded program, including but not limited to any healthcare program;

(ix) Employee's material breach of this Agreement, the Non-Disclosure and Invention Agreement or the Restrictive Covenant Agreement;

(x) Employee's refusal to submit to a background check or failure to complete a background check to the Company's satisfaction, including any past conviction, plea or guilty or nolo contendere, violation of law, exclusion, suspension, or debarment that would otherwise be grounds for Cause under this **Section 6.2(b)**; or

(xi) Employee's material breach of the Company's policies prohibiting harassment, discrimination, and/or retaliation, the Company's Code of Business Conduct and Ethics, and/or the Company's Insider Trading Policy.

(c) Without Cause. Subject to **Section 7.1** below, the Company may initiate Employee's Separation from Service under this Agreement without Cause upon at least thirty (30) days' written notice (the "**Company Notice Period**") to Employee. Upon any Separation from Service initiated by the Company without Cause, the Company may, in its sole discretion and at any time during the Company Notice Period, suspend Employee's duties for the remainder of the Company Notice Period, as long as the Company continues to pay compensation to Employee, including benefits, throughout the Company Notice Period.

6.3 Death or Disability. Notwithstanding **Section 2** above, in the event of the death of Employee or disability of Employee that prevents Employee from performing the Essential Job Functions of his or her position (even with a Reasonable Accommodation) during the Employment Term, (i) Employee shall incur a Separation from Service and this Agreement shall immediately and automatically terminate, (ii) the Company shall pay Employee (or in the case of death, Employee's designated beneficiary) Base Salary and accrued but unpaid bonuses, in each case up to the date of Separation from Service, (iii) one hundred percent (100%) of Employee's Equity Awards (other than Performance Awards) shall become fully vested and exercisable, and Employee shall be entitled to exercise such Equity Awards (if exercisable) in accordance with **Section 7.6** below, and (iv) one hundred percent (100%) of Employee's Performance Awards that have not become earned and payable prior to such Separation from Service shall be cancelled and shall terminate immediately for no consideration. None of Employee, his or her beneficiary or his or her estate shall be entitled to any severance benefits set forth in **Section 7** below if Employee's Separation from Service occurs as a result of Employee's death or disability. In the event of the disability of Employee, the Parties shall comply with applicable federal, state and local law. For purposes of this **Section 6.3**, "**Essential Job Functions**" and "**Reasonable Accommodation**" shall have the meanings of these terms under applicable law, and shall be interpreted to grant Employee the same, and no greater, rights and responsibilities provided by applicable law.

6.4 Survival. Each of the Non-Disclosure and Invention Agreement and the Restrictive Covenant Agreement described in **Section 8** below and attached hereto as **Exhibit A** and **Exhibit B**, respectively, shall survive the termination of this Agreement.

7. Severance and Other Rights Relating to Separation from Service and Change in Control.

7.1 Separation from Service by the Company without Cause or by Employee for Good Reason. If the Company initiates Employee's Separation from Service without Cause or if Employee initiates Employee's Separation from Service for Good Reason, then subject to the conditions described in **Section 7.3** below, the Company shall provide Employee the following payments and other benefits:

(a) (i) Salary continuation for a period of twelve (12) months at Employee's then current Base Salary, which shall commence on the first payroll date that is on or that immediately follows the sixtieth (60th) day following the Separation from Service; (ii) any accrued but unpaid Base Salary as of the Separation from Service; and (iii) any earned, awarded and accrued, but unpaid, bonus as of the Separation from Service, all on the same terms and at the same times as would have applied had Employee not incurred a Separation from Service.

(b) A lump-sum cash payment that is equal to twelve (12) months of premium payments for COBRA coverage for health, dental, and vision coverage based on the Company-provided health, dental, and vision coverage in which the Employee and their dependents are enrolled at the time of the Employee's Separation from Service. This lump-sum cash payment may be used for any purpose, including but not limited to continuation coverage under COBRA, and will be paid at the same time as the first installment of the salary continuation payment set forth in **Section 7.1(a)**.

(c) Within thirty (30) days of the Separation from Service, the Company shall pay Employee Ten Thousand Dollars ($10,000) towards the cost of an outplacement consulting package for Employee.

(d) The time vesting and exercisability of one hundred percent (100%) of Employee's Equity Awards other than Performance Awards shall accelerate by a period of twelve (12) months; and Employee shall be entitled to exercise such Equity Awards (if exercisable) in accordance with **Section 7.6** below.

(e) Subject to **Section 7.2(b)**, one hundred percent (100%) of Employee's Performance Awards that have not become earned and payable prior to such Separation from Service shall be cancelled and shall terminate immediately for no consideration.

7.2 Change in Control. The Board has determined that it is in the best interests of the Company and its stockholders to ensure that the Company will have the continued dedication of Employee, notwithstanding the possibility, threat or occurrence of a Change in Control. The Board believes it is imperative to diminish the inevitable distraction of Employee by virtue of the personal uncertainties and risks created by a pending or threatened Change in Control, to encourage Employee's full attention and dedication to the Company currently and in the event of any threatened or pending Change in Control and to provide Employee with compensation and benefits arrangements upon a Change in Control that ensure that the compensation and benefits expectations of Employee will be satisfied and that are competitive with those of other similarly-situated companies. Therefore, in order to accomplish these objectives, the Board has caused the Company to include the provisions set forth in this **Section 7.2**.

(a) Change in Control Defined. "**Change in Control**" means, and shall be deemed to have occurred if, on or after the Effective Date, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) or group acting in concert, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities, (ii) during any twelve (12)-month period, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) the consummation of a merger or consolidation of the Company with any other corporation other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation or (iv) the sale or disposition by the Company of (in one (1) transaction or a series of related transactions) all or substantially all of Exact Sciences Corporation's assets or (v) Exact Sciences Corporation and its Affiliates are no longer the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then outstanding voting securities.

(b) Acceleration of Vesting of Equity Awards.

(i) Upon a Change in Control, the time vesting and exercisability of one hundred percent (100%) of Employee's Equity Awards shall immediately accelerate by a period of twelve (12) months, provided that this **Section (d)(b)(i)** shall apply to Performance Awards such that if the applicable performance period is scheduled to end within twelve (12) months following the Change in Control, the Performance Award shall be deemed to have been fully vested and earned as of the Change in Control based upon the greater of (A) an assumed achievement of all relevant performance goals at the "target" level or (B) the actual level of achievement of all relevant performance goals as of the Change in Control.

(ii) If within four (4) months before or twelve (12) months after a Change in Control, Employee incurs a Separation from Service initiated by the Company (or a successor) without Cause or initiated by Employee for Good Reason, then one hundred percent (100%) of Employee's Equity Awards shall become fully vested and exercisable; and Employee shall be entitled to exercise such Equity Awards (if exercisable) in accordance with **Section 7.6** below. Performance Awards shall be deemed to have been fully vested and earned under this **Section (d)(b)(ii)** based upon the greater of (1) an assumed achievement of all relevant performance goals at the "target" level or (2) the actual level of achievement of all relevant performance goals as of the Change in Control.

7.3 Conditions Precedent. The Company's obligations to Employee described in **Sections 7.1** and **7.2** above are contingent on Employee's delivery to the Company of a signed waiver and release of claims against the Company and its Affiliates in a form reasonably satisfactory to the Company within twenty-one (21) days (or forty-five (45) days to the extent required by applicable law) after the day on which the Company provides the release to Employee, and not revoking such release (if a right to revocation exists under applicable law). Moreover, Employee's rights to receive ongoing payments and benefits pursuant to **Sections 7.1** and **7.2** above (including the right to ongoing payments under the Company's equity compensation plans) are conditioned on Employee's ongoing compliance with his or her obligations as described in **Section 8** below, and Company may set off any such payments or benefits, except to the extent prohibited by law, in the event of Employee's failure to comply with any such obligations. Any cessation by the Company of any such payments and benefits shall be in addition to, and not in lieu of, any and all other remedies available to the Company for Employee's breach of his or her obligations described in **Section 8** below.

7.4 No Severance Benefits. Employee shall not be entitled to any severance benefits if Employee initiates Employee's Separation from Service without Good Reason or if the Company initiates Employee's Separation from Service with Cause; provided, however, that Employee shall be entitled to (i) Base Salary prorated through the Separation from Service; and (ii) medical coverage and other benefits required by law and plans (as provided in **Section 7.5** below).

7.5 Benefits Required by Law and Plans. In the event of Employee's Separation from Service, Employee shall be entitled to medical and other insurance coverage, if any, as is required by law and, to the extent not inconsistent with this Agreement, to receive such additional benefits as Employee may be entitled under the express terms of applicable benefit plans (other than bonus or severance plans) of the Company or its Affiliates.

7.6 Exercise Period of Equity Awards after Separation from Service. Notwithstanding any provision of this Agreement or any applicable Equity Award agreement to the contrary, (i) in the event of Employee's Separation from Service initiated by the Company without Cause or by Employee for Good Reason or due to Employee's disability or death, Employee's vested and exercisable Equity Awards shall remain exercisable (if exercisable) until the earlier of two (2) years from such Separation from Service or the latest date on which those Equity Awards expire or are eligible to be exercised under the applicable award agreements, determined without regard to such Separation from Service and (ii) in the event of Employee's Separation from Service initiated by the Company for Cause or by Employee without Good Reason, the exercise periods of Employee's Equity Awards shall continue to be governed by the terms of the applicable award agreements.

8. Restrictions.

8.1 Non-Disclosure and Invention Agreement. In consideration for employment or continued employment by the Company, as well as the salary and additional compensation and benefits described in this Agreement, as well as the Company's provision of confidential information of the Company to Employee, Employee has entered or shall enter into and shall comply with the terms of the Employee Non-Disclosure and Invention Assignment Agreement in substantially the form attached hereto as **Exhibit A** (the "**Non-Disclosure and Invention Agreement**").

8.2 Restrictive Covenant Agreement. In consideration for employment or continued employment by the Company, as well as the salary and additional compensation and benefits described in this Agreement, as well as the Company's provision of confidential information of the Company to Employee, Employee has entered or shall enter into and shall comply with the terms of the Employee Non-Competition, Non-Solicitation and No-Interference Agreement in substantially the form attached hereto as **Exhibit B** (the "**Restrictive Covenant Agreement**").

9. Arbitration. Unless other arrangements are agreed to by the Parties, any disputes arising under or in connection with this Agreement, other than a dispute in which the primary relief sought is an equitable remedy such as an injunction, shall be resolved by binding arbitration to be conducted pursuant to the Agreement for Arbitration Procedures of Certain Employment Disputes in substantially the form attached hereto as **Exhibit C**, which Employee is entering into voluntarily and not as a condition of Employee's employment with the Company.

10. Assignments: Transfers: Effect of Merger. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred (i) to Exact Sciences Corporation or an Affiliate (consistent with Employee's duties, responsibilities and compensation under this Agreement) or (ii) pursuant to a merger or consolidation, or pursuant to the sale or transfer of all or substantially all of the assets of the Company, provided, for purposes of clause (ii), that the assignee or transferee is the successor to all or substantially all of the assets of the Company. This Agreement shall not be terminated by any merger, consolidation or transfer of assets of the Company referred to above. In the event of any such merger, consolidation or transfer of assets, this

Agreement shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred. Concurrently with any merger, consolidation or transfer of assets referred to above, the Company shall cause any successor or transferee unconditionally to assume, either contractually or as a matter of law, all of the obligations of the Company hereunder. This Agreement shall inure to the benefit of, and be enforceable by or against, Employee or Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, designees and legatees. None of Employee's rights or obligations under this Agreement may be assigned or transferred by Employee other than Employee's rights to compensation and benefits, which may be transferred only by will or operation of law. If Employee should die while any amounts or benefits have been accrued by Employee but not yet paid as of the date of Employee's death and which would be payable to Employee hereunder had Employee continued to live, all such amounts and benefits unless otherwise provided herein shall be paid or provided in accordance with the terms of this Agreement to such person or persons appointed in writing by Employee to receive such amounts or, if no such person is so appointed, to Employee's estate.

11. No Set-off; No Mitigation Required. Except as expressly provided otherwise in this Agreement, the obligation of the Company to make any payments provided for hereunder and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against Employee or others. In no event shall Employee be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Employee under this Agreement, and such amounts shall not be reduced (except as otherwise specifically provided herein) whether or not Employee obtains other employment.

12. Taxes. The Company shall have the right to deduct from any payments made pursuant to this Agreement any and all federal, state and local taxes or other amounts required by law to be withheld.

13. Code Section 409A. This Agreement is intended to comply with Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding any provision of this Agreement to the contrary, to the extent required to avoid accelerated taxation or tax penalties under Code Section 409A, any amounts or benefits that would otherwise be payable under this Agreement during the six (6)-month period immediately following Employee's Separation from Service shall instead be paid on the first payroll date after the six (6)-month anniversary of Employee's Separation from Service (or Employee's death, if earlier). For purposes of Code Section 409A, Employee's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be in the sole discretion of the Company. Notwithstanding the foregoing, the Company shall not have any obligation to take any action to prevent the assessment of any excise tax or penalty on any person under Code Section 409A and the Company shall not have any liability to any person for such tax or penalty.

14. Code Section 280G. Notwithstanding any provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or an Affiliate to Employee or for Employee's benefit under this Agreement or otherwise ("**Covered Payments**") constitute "parachute payments" within the meaning of Code Section 280G and would, but for this **Section 14**, be subject to the excise tax imposed under Code Section 4999 or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "**Excise Tax**"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit to Employee of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to Employee if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax; and if the amount calculated under (i) is less than the amount under (ii), the Covered Payments shall be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax. "**Net Benefit**" means the present value of the Covered Payments net of all taxes. All determinations required to be made under this **Section 14** shall be made by the Company in its sole discretion.

15. Miscellaneous. No amendment, modification or waiver of this Agreement or consent to any departure thereof shall be effective unless in writing signed by the Party against whom it is sought to be enforced. This Agreement contains the entire Agreement that exists between the Parties with respect to the subjects herein contained and replaces and supersedes all prior agreements, oral or written, between the Parties with respect to the subjects herein contained. Except as and to the extent expressly provided in this Agreement, nothing herein shall affect any terms in the Non-Disclosure and Invention Agreement, the Restrictive Covenant Agreement, the Agreement for Arbitration Procedures of Certain Employment Disputes or any equity compensation plans or corresponding award agreements between the Parties now and hereafter in effect from time to time. If any provision of this Agreement is held for any reason to be unenforceable, the remainder of this Agreement shall remain in full force and effect. Each section is intended to be a severable and independent section within this Agreement. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement. This Agreement is made in the State of California and shall be governed by and construed in accordance with the laws of said State, without regard to principles of conflicts of law.

This Agreement may be executed in one (1) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one (1) and the same instrument. All notices and all other communications provided for in this Agreement shall be in writing and shall be considered duly given upon personal delivery, delivery by nationally reputable overnight courier or on the third (3rd) business day after mailing from within the United States by first class certified or registered mail, return receipt requested, postage prepaid, all addressed to the address set forth below each Party's signature to this Agreement. Any Party may change its address by furnishing notice of its new address to the other Party in writing in accordance herewith, except that any notice of change of address shall be effective only upon receipt.

IN WITNESS WHEREOF, Employee and the Company have executed this Employment Agreement as of the Effective Date.

EMPLOYEE

Sign Name:	/s/ Brian Baranick
Print Name:	Brian Baranick
Notice address:	

EXACT SCIENCES CORPORATION

Sign Name:	/s/ Kevin T. Conroy
Print Name:	Kevin T. Conroy
Title:	President and Chief Executive Officer
Notice address:	441 Charmany Drive Madison, Wisconsin 53719

EXHIBIT 31.1

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kevin T. Conroy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exact Sciences Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

By: /s/ Kevin T. Conroy

Kevin T. Conroy
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey T. Elliott, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exact Sciences Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

By: /s/ Jeffrey T. Elliott

Jeffrey T. Elliott
Executive Vice President, Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Exact Sciences Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kevin T. Conroy, President and Chief Executive Officer of the Company and Jeffrey T. Elliott, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 3, 2022

/s/ Kevin T. Conroy

Name: Kevin T. Conroy
Title: President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 3, 2022

/s/ Jeffrey T. Elliott

Name: Jeffrey T. Elliott
Title: Executive Vice President, Chief Financial Officer and Chief Operating Officer
(Principal Financial Officer and Principal Accounting Officer)